



State of Rhode Island
DEPARTMENT OF BUSINESS REGULATION
1511 Pontiac Avenue, Bldg. 69-2
Cranston, Rhode Island 02920

Insurance Division

ADOPTION ORDER

The attached Report on The Targeted Market Conduct Examination as of December 31, 2017, of Allstate Property and Casualty Insurance Company, Allstate Insurance Company, Allstate Indemnity Company, Allstate Fire and Casualty Insurance Company, and Allstate Vehicle and Property Insurance Company, hereinafter referred to collectively as “the Companies,” was recently completed by duly qualified examiners pursuant to the provisions of the Rhode Island General Laws.

Due consideration has been given to the comments of the examiners regarding the operation of the Companies and its affairs, as reflected in the report.

It is therefore ORDERED that said Report be, and it is hereby, adopted and filed (with the Companies’ formal written response included) and made an official record of this Department as of this date subject to the following conditions:

- That a Consent Agreement between the Companies and the Insurance Division be executed requiring the Companies to implement the corrective actions identified in the Report’s Summary of Recommendations (with any adjustments/modifications agreed-upon by the Superintendent) and to provide the Insurance Division with all requested follow-up information and procedures, as outlined in the Report’s Summary of Recommendations.
- That the Companies agree and make payment to the state of an appropriate monetary penalty to be determined by the Insurance Division based upon the violations noted by the examiners as a result of the examination.

DEPARTMENT OF BUSINESS REGULATION

Elizabeth Kelleher Dwyer
Superintendent of Insurance

Dated June 2, 2022

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Report On
The Targeted Market Conduct Examination
of

Allstate Property and Casualty Insurance Company
Allstate Insurance Company
Allstate Indemnity Company
Allstate Fire and Casualty Insurance Company
Allstate Vehicle and Property Insurance Company

NAIC Group Code 0008
NAIC Company Codes 17230, 19232, 19240, 29688, and 37907
NAIC Market Action Tracking System No. RI-RI006-2

as of

December 31, 2017



State of Rhode Island
Department of Business Regulation
Insurance Division

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December 22, 2021

Ms. Elizabeth Kelleher Dwyer
Superintendent of Insurance
State of Rhode Island
Department of Business Regulation
1511 Pontiac Avenue, Bldg. 69-2
Cranston, Rhode Island 02920

Dear Superintendent Dwyer:

In accordance with your instructions, and pursuant to the statutes of the State of Rhode Island, a Targeted Market Conduct Examination has been conducted of:

ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY
ALLSTATE INSURANCE COMPANY
ALLSTATE INDEMNITY COMPANY
ALLSTATE FIRE AND CASUALTY INSURANCE COMPANY
ALLSTATE VEHICLE AND PROPERTY INSURANCE COMPANY
2775 Sanders Road, Northbrook, IL 60062

The report of such examination on Allstate Property and Casualty Insurance Company, Allstate Insurance Company, Allstate Indemnity Company, Allstate Fire and Casualty Insurance Company, and Allstate Vehicle and Property Insurance Company, hereinafter referred to individually as “APC”, “AIC”, “Indemnity”, “AFCIC”, and “AVPIC” or collectively as “the Companies,” is herewith submitted.

The examination was conducted at the Rhode Island Department of Business Regulation (the “Department”), Insurance Division’s office at 1511 Pontiac Avenue in Cranston, Rhode Island and on-site at the Companies’ Rocky Hill Casualty Office in Rocky Hill, CT.

EXECUTIVE SUMMARY

On June 22, 2018, this Targeted Market Conduct Examination (“examination”) was ordered by the Department’s Superintendent of Insurance. Prior to ordering the examination, the Department had concerns related to the Companies, including but not limited to enforcement actions pertaining to unlicensed motor vehicle damage appraiser activities and incorrect Department of Motor Vehicles (“DMV”) fees, higher than state averages in direct defense and cost containment expenses paid as a percentage of premium written and claims closed without payment to total claims closed, evidence of unpaid retaliatory fees and a failure to leave motor vehicle damage appraisals, and a complaint related to stop storage letters. Based upon these concerns, it was determined that a targeted examination was warranted. As a result of this examination, general business practices deemed not in compliance with Rhode Island laws or regulations were identified.

The examination report was delayed primarily due to additional and substantial documentation packages being sent by the Companies when the examiners were preparing to conclude on the findings. An initial draft of the examination findings was presented to the Companies in 2019, but additional documentation responses with new and relevant facts were subsequently sent to examiners on January 24, 2020, August 20, 2020, October 6, 2020, November 12, 2020, December 2, 2020, January 29, 2021, July 16, 2021, and September 22, 2021. Additionally, a new examiner took over the primary examination work in 2020 due the original examiner transferring out of the market conduct unit of the Department.

The following is a summary of the findings resulting from this examination:

During a review of **Claims Handling Practices**, the examiners sampled 111 claims files and found a **52.25%** error rate in compliance with required stop storage notification requirements; an **18.92%** error rate in compliance with rental cutoff notification requirements; and a **33.33%** error rate in the calculation of DMV fees as part of the payments of fees incident to the transfer of evidence of ownership of a vehicle. **[See Findings No. 1, 2, and 3, respectively.]**

When conducting a review of **Operations and Management**, the examiners reviewed annual statement filings in order to verify that the Companies were properly paying retaliatory producer fees. After investigation, the Companies confirmed that Allstate Vehicle and Property Insurance Company failed to pay these fees in 2016 and 2017 (totaling \$5,820 and \$15,180, respectively). **[See Finding No. 4.]**

During the **Marketing and Sales** review, the examiners determined that the Companies are not properly overseeing the handling of personally identifiable information. Instead, the companies are improperly outsourcing all oversight in this area to its exclusive agents (identified by the Companies as independent contractors). **[See Finding No. 5.]**

Additionally, during the review of sampled claim files, the Companies confirmed that their payments for totaled leased vehicles do not include registration fees. **[See Finding 6.]**

FORWARD

This Targeted Market Conduct Examination Report is a report by exception. Information relating to practices, procedures, and/or files subject to review during our examination has been omitted from the report if errors and/or irregularities were not indicated.

SCOPE OF EXAMINATION

Authority for this examination is promulgated by R.I. Gen. Laws § 27-13.1-1 et seq. and R.I. Gen. Laws § 27-71-1 et seq, and it covered the period from January 1, 2016 through December 31, 2017 and was conducted in accordance with standards established by the National Association of Insurance Commissioners (“NAIC”), and procedures developed by the Rhode Island Department of Business Regulation, Insurance Division (“the Department”).

The examination encompassed a review of the Companies’ practices and procedures relating to Operations and Management, Complaint Handling, Marketing and Sales, Producer Licensing, and Claims. The line of business examined was limited to private passenger automobile.

This examination was conducted for the purpose of determining the Companies’ compliance with Rhode Island statutes and regulations concerning its claim adjudication processes.

The test work performed during the examination satisfied this purpose and formed the basis for the findings and recommendations presented in this report. The examination consisted of verification and evaluation, on a test basis, of information contained in the Companies’ files and records. The claim files reviewed by the examiners were generally selected from the appropriate population of contracts issued in Rhode Island during the examination period using statistical methods. Failure to identify or comment on the improper or noncompliant business practices in this state or other jurisdictions does not constitute acceptance of such practices.

The following areas were tested during this examination:

1. Retaliatory taxes and fees paid for 2016 and 2017.
2. Car dealer-based insurance agencies oversight.
3. Appraiser, producer, and adjuster licensing oversight.
4. Direct defense cost containment expenses review and analysis.
5. Claims closed without payment review and analysis.
6. Payment of DMV fees incident to the transfer of evidence of ownership of a vehicle review and analysis.
7. Compliance with appraisal requirements.
8. Compliance with stop storage notification requirements.
9. Claims satisfaction guarantee activities.
10. Limited scope evaluation of multi-jurisdictional claims adjudication.

PROFILE OF COMPANY

History

APCIC, AIC, Indemnity, AFCIC, and AVPIC are all members of the Allstate Insurance Group and are Illinois domiciled insurers licensed to write property and casualty business. The Companies offer a broad range of personal and commercial insurance products and are wholly owned by Allstate Insurance Holdings, LLC, a Delaware Corporation, which in turn is wholly owned by The Allstate Corporation.

APCIC was incorporated on February 14, 1985. AIC was incorporated on March 21, 1931; Indemnity was incorporated on July 7, 1960; AFCIC was incorporated on September 9, 1972; and AVPIC was incorporated on August 20, 1979. Each company is a stock property and casualty insurance company organized in the State of Illinois.

APCIC commenced business on April 1, 1985; AIC commenced business on April 17, 1931. Indemnity commenced business on December 12, 1960; AFCIC commenced business on May 1, 1973; and AVPIC commenced business on January 1, 1980. APCIC obtained a license to write insurance from the State of Rhode Island effective October 6, 1989; AIC obtained a license to write insurance in the State of Rhode Island effective January 10, 1939; Indemnity obtained a license to write insurance in the State of Rhode Island effective October 8, 1963; AFCIC obtained a license to write insurance in the State of Rhode Island effective January 5, 1984; and AVPIC obtained a license to write insurance in the State of Rhode Island effective December 12, 1997. The Companies are currently licensed in Rhode Island with property and casualty lines of authority.

Operations

The Companies operate under the Allstate brand which utilizes targeted marketing with messaging that communicates the value of the “Good Hands®”, the importance of having proper coverage, product options, and the ease of doing business with Allstate and Allstate agencies. The Allstate brand differentiates itself by offering comprehensive product options and features through agencies that provide local advice and service. The Your Choice Auto® product offers qualified customers choice from a variety of options such as Accident Forgiveness, Deductible Rewards®, Safe Driving Bonus®, and New Car Replacement. The Companies offer a Claim Satisfaction Guarantee® that promises a return of premium to standard auto insurance customers dissatisfied with their claims experience.

The Companies’ pricing and underwriting strategies and decisions are designed to generate sustainable profitable growth. The proprietary database of underwriting and pricing experience

enables sophisticated pricing algorithms and methodologies to more accurately price risks while also seeking to attract and retain customers in multiple risk segments. A combination of underwriting information, pricing and discounts are also used to achieve a more competitive position and growth. The pricing strategy involves local marketplace pricing and underwriting decisions that are based on these risk evaluation factors and an evaluation of competitors to the extent permissible by applicable law.

Each company's Rhode Island private passenger auto liability (19.1, 19.2) and Auto physical damage (21.1) direct written premiums as of December 31st for the years 2016 and 2017 are as follows:

Combined Lines 19.1, 19.2, and 21.1	2016	2017
APCIC	\$ 5,477,196	\$ 5,090,370
AIC	17,449,793	19,672,113
Indemnity	1,599,752	1,684,088
AFCIC	67,604,829	67,918,678
AVPIC	0	0

Directors

As of December 31, 2017, the Directors of the Companies are as follows:

Julie Parsons - APCIC, Indemnity, AFCIC, AVPIC	Samuel Henry Pilch - APCIC, Indemnity, AFCIC, AVPIC	Mario Rizzo - APCIC, Indemnity, AFCIC, AVPIC
Dogan Civgin AIC	John Edward Dugenske AIC	Mary Jane Fortin AIC
Suren Gupta AIC	Harriet Kreatsoulas Harty AIC	Susan LeSueur Lees AIC
Steven Emil Shebik AIC	Thomas Joseph Wilson, II AIC	Matthew Evan Winter AIC

Management

As of December 31, 2017, the primary officers of the Companies were as follows:

Thomas Joseph Wilson, II Chairman of the Board - AIC
Julie Parsons, President - APCIC, Indemnity, AFPIC, AVPIC
Matthew Evan Winter, President - AIC

Jesse Edward Merten, Treasurer - APCIC, AIC, Indemnity, AFPIC, AVPIC
Susan LeSueur Lees, Secretary - APCIC, AIC, Indemnity, AFPIC, AVPIC
Samuel Henry Pilch, Chief Financial Officer - APCIC, Indemnity, AFPIC, AVPIC

FACTUAL FINDINGS

Finding No. 1

The Companies did not consistently comply with R.I. Insurance Regulation 230-RICR-20-40-2.8(E)(7) which prescribes the required stop storage notification requirements.

Finding No. 1 – Background Information

Per R.I. Insurance Regulation 230-RICR-20-40-2.8(E)(7), the Companies must provide written notice to an insured/claimant, with a copy to the storage facility, prior to termination of payment for motor vehicle storage charges. Furthermore, through discussions with the Division, the examiners concluded that any such letters submitted three days, or less, prior to stop storage were not timely distributed. Based upon analysis of 111 sample claim files tested, the examiners identified 25 instances whereby no storage cutoff letter was distributed, and 37 instances where a storage cutoff letter was distributed three days, or less, before the cutoff date.

The over-all error rate was calculated as 51.35% (as 57 of the 111 claim files contained at least one error). [Note: Some of the claim files had multiple and distinct errors. The error rate would be higher if those additional instances had been included in the calculations. This distinction explains why the number of instances identified above is larger than the number of claim files containing at least one error.]

The Companies asserted that no delay of, or absence of, a stop storage letter resulted in any additional cost or loss to an insured/claimant. However, the failure to provide, and document in the claim file, a required written stop storage letter to either the insured/claimant or storage facility signifies a violation of the above insurance regulation. Additionally, the untimely distribution of stop storage letters may not allow the insured/claimant to remove property timely.

Recommendation No. 1

It is recommended that the Companies establish written policies and procedures, reviews, and quality testing to ensure that claim personnel comply consistently with the stop-storage notification requirements of R.I. Insurance Regulation 230-RICR-20-40-2.8(E)(7). The Division views notifications letters submitted three days, or less, prior to the planned stop storage date to not be timely distributed, and the Division has determined that transfer of ownership can only waive the notification letter responsibility if that transfer is shown to be more than 3 days prior to the planned stop storage date.

Finding No. 2

The Companies did not consistently comply with a reasonable notice standard for rental cutoff notifications.

Finding No. 2 – Background Information

The Companies have expressed that they use a reasonable notice standard for rental cutoff notifications. The examiners determined that written notification letters were not timely provided prior to termination of payment for rental charges. Through discussions with the Division, the examiners concluded that any such letters submitted three days, or less, prior to rental payment cutoff were not timely. For 111 claim files tested, the examiners identified 7 instances where no rental cutoff letter was distributed, and 14 instances where the rental cutoff letter was distributed 3 days (or less) before cutoff date or as long as 6 days after the cutoff date.

The overall error rate was calculated as 18.92% (as 21 of the 111 claim files contained at least one error).

The Companies asserted that no delay of, or absence of, a rental cutoff letter resulted in any additional cost or loss to an insured/claimant. However, the failure to provide, and document in the claim file, a required written rental cutoff letter, signifies an inconsistency in Company processes and procedures, which could result in future issues related to the timely distribution of rental cutoff letters.

Recommendation No. 2

It is recommended that the Companies establish written policies and procedures, reviews, and quality testing to ensure that claim personnel comply with rental cutoff notification requirements, which provide for the timely and consistent communication of rental cutoff notifications. The Division views notifications letters submitted three days, or less, prior to the planned rental cutoff date to not be timely distributed, and the Division has determined that transfer of ownership can only waive the notification letter responsibility if that transfer is shown to be more than 3 days prior to the planned rental cutoff date.

Finding No. 3

The Companies did not accurately calculate DMV fees as part of the payments of fees incident to the transfer of evidence of ownership of a vehicle.

Finding No. 3 – Background Information

The examiners tested 111 claim files as part of a review of claims with vehicles reported as total losses. There were 40 instances in the claim files in which the DMV Fee was calculated and paid erroneously (37 as underpayments and 3 as overpayments).

The overall error rate was 33.33% (as 37 of the 111 claim files contained at least one error). [Note: Some of the claim files had multiple and distinct errors. The error rate would be higher if those additional instances had been included in the calculations. This distinction explains why the number of instances identified above is larger than the number of claim files containing at least one error.]

A Consent Agreement with the Division dated May 2, 2017, required the Companies to remediate errors in the calculation and payment of fees incident to the transfer of evidence of ownership of a vehicle. The Companies identified and listed 1,106 automobile total loss claims between February of 2014 and February of 2017 that required remediation, pursuant to the Consent Agreement. Of the errors noted as part of this review, 28 instances (within 26 of the 111 claim files) were remediated by the Company prior to the date that the Consent Agreement was signed.

Recommendation No. 3

It is recommended that the Companies continue to remediate all claim exceptions noted. The Companies should also ensure that adequate policies and procedures, review, and quality control processes, are implemented to allow claims personnel to accurately calculate and pay DMV Fees as part of a total loss claim.

Finding No. 4

The Companies did not pay all retaliatory tax fees due in 2016 and 2017.

Finding No. 4 – Background Information

Per R.I. Gen. Laws § 27-2-17(a), “Whenever, by the laws of any other state of the United States, any fees, charges, taxes, deposits of money or of securities, or other obligations or prohibitions are imposed on insurance companies incorporated or organized under the laws of this state or on the insurance producers of the insurance companies, so long as the laws continue in force, the fees, charges, taxes, deposits, and obligations shall be imposed on the insurance companies doing business in this state which are incorporated or organized under the laws of the other state and on their insurance producers.”

The examiners noted that retaliatory producer license fees were not reported on Form T-71 for the Allstate Vehicle and Property Insurance Company in 2016 or 2017. Total retaliatory fees not paid in 2016 totaled \$5,820. Total retaliatory fees not paid in 2017 totaled \$15,180.

Recommendation No. 4

It is recommended that Allstate Vehicle and Property Insurance Company pay all retaliatory producer license fees due for 2016 and 2017. It is also recommended that the Companies review their procedures to ensure the consistent payment of retaliatory fees across the Companies.

Finding No. 5

The Company did not properly oversee the handling of personally identifiable information and therefore failed to comply with R.I Insurance Regulation 230-RICR-20-60-8 for its car-dealer based agents or otherwise.

Finding No. 5 – Background Information

Car-dealer based insurance producers/agencies are subject to the same Company audit processes as any other independent producer or agency. According to the Companies, “As independent contractors, exclusive agents are responsible for overseeing production in their agency which includes ensuring compliance with all state regulations and Allstate requirements involving the securing of personally identifiable information as well as maintaining a Written Information Security Program.” However, examiners have determined that this lack of oversight is not in compliance with licensee responsibilities under R.I Insurance Regulation 230-RICR-20-60-8.

Recommendation No. 5

It is recommended that the Companies perform an audit of the handling of personally identifiable information held by its independent contractors within twelve months of the examination report date. Results of this audit should be shared with the Division.

Finding No. 6

The Companies do not pay registration fees on leased vehicles as part of total loss valuations.

Finding No. 6 – Background Information

The examiners noted the lack of an offer to reimburse a registration fee on a replacement leased vehicle as part of a total loss valuation. There was only one leased vehicle involved in a total loss insurance claim within the sample population. The registration fee should have been included in compliance with 230-RICR-20-40-2.8(A)(5), which stipulates that the cash settlement include both the fair market value of the totaled vehicle and any “title, registration and other fees incident to transfer of evidence of ownership of a comparable vehicle.” According to the Rhode Island Department of Motor Vehicles, the replacement vehicle had a registration fee of \$84.

As a lessee, the consumer has a right to use the leased vehicle for a set period of time at a set price. As part of the total loss, their remaining balance to the lessor is paid off. But if a consumer chooses to lease another vehicle after the total loss, the Rhode Island Department of Motor Vehicles would charge a new registration fee on the new vehicle to the new lessor, which would be passed on to the consumer as part of the new lease. That new registration fee would be incident to the consumer's transfer of ownership from one lease to another. To put them back into the same position they were in prior to the total loss, an insurer would need to compensate the consumer for registration costs for the new leased vehicle. The Companies have confirmed that their procedures for issuing payments for totaled leased vehicles do not include registration fees.

Recommendation No. 6

It is recommended that the Companies create written policies and procedures to compensate consumers for registration fees for leased vehicles in the replacement of a total loss on a leased vehicle.

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SUMMARY OF RECOMMENDATIONS

No.	Recommendation	Page No.
1	It is recommended the Companies establish written policies and procedures, reviews, and quality testing to ensure that claim personnel comply consistently with the stop-storage notification requirements of R.I. Insurance Regulation 230-RICR-20-40-2.8(E)(7). The Division views notifications letters submitted three days, or less, prior to the planned stop storage date to not be timely distributed, and the Division has determined that transfer of ownership can only waive the notification letter responsibility if that transfer is shown to be more than 3 days prior to the planned stop storage date.	8
2	It is recommended the Companies establish written policies and procedures, reviews, and quality testing to ensure that claim personnel comply with rental cutoff notification requirements, which provide for the timely and consistent communication of rental cutoff notifications. The Division views notifications letters submitted three days, or less, prior to the planned rental cutoff date to not be timely distributed, and the Division has determined that transfer of ownership can only waive the notification letter responsibility if that transfer is shown to be more than 3 days prior to the planned rental cutoff date.	9
3	It is recommended the Companies continue to remediate all claim exceptions noted. The Companies should also ensure that adequate policies and procedures, review, and quality control processes, are implemented to allow claims personnel to accurately calculate and pay DMV Fees as part of a total loss claim.	10
4	It is recommended that Allstate Vehicle and Property Insurance Company should pay retaliatory producer license fees due for 2016 and 2017. It is also recommended that the Companies review their procedures to ensure the consistent payment of retaliatory fees across the Companies.	11
5	It is recommended the Companies should perform an audit of the handling of personally identifiable information held by its independent contractors within twelve months of the examination report date. Results of this audit should be shared with the Division.	11
6	It is recommended that the Companies create written policies and procedures to compensate consumers for registration fees for leased vehicles in the replacement of a total loss on a leased vehicle.	12

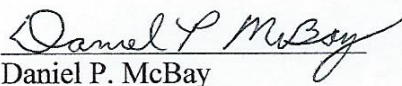
CONCLUSION

We have applied examination procedures to the data and information contained in this report using the techniques deemed appropriate to support our findings and recommendations. While the examination procedures utilized do not give complete assurance that all errors and irregularities will be detected, those that were detected during the course of this examination have been disclosed in this report. Other than what has been noted in the body of this report, we were not informed of, and did not become aware of any errors or irregularities that could have a material effect on the market conduct practices and procedures of the Company as presented in this report.

EXAMINATION DRAFT REPORT SUBMISSION

The examination was conducted by Sharill Silverio and Brian Werbeloff of the Rhode Island Department of Business Regulation Insurance Division; and Dan McBay, John Murphy, and Jim Hattaway of Noble Consulting Services, Inc., and is respectfully submitted.

Respectfully submitted,



Daniel P. McBay
Examiner in Charge

APPENDIX



RESPONSE COVER PAGE

**Rhode Island DBR Targeted Market Conduct Exam
Period of Examination 1/1/2016 through 12/31/2017**

**Allstate Property and Casualty Insurance Company
Allstate Insurance Company
Allstate Indemnity Company
Allstate Fire and Casualty Insurance Company
Allstate Vehicle and Property Insurance Company**

Inquiry:

Finding No. 1

The Companies did not consistently comply with R.I. Insurance Regulation 230-RICR-20-40-2.8(E)(7) which prescribes the required stop storage notification requirements.

Finding No. 1 — Background Information

Per R.I. Insurance Regulation 230-RICR-20-40-2.8(E)(7), the Companies must provide written notice to an insured/claimant, with a copy to the storage facility, prior to termination of payment for motor vehicle storage charges. Furthermore, through discussions with the Division, the examiners concluded that any such letters submitted three days, or less, prior to stop storage were not timely distributed. Based upon analysis of 111 sample claim files tested, the examiners identified 25 instances whereby no storage cutoff letter was distributed, and 37 instances where a storage cutoff letter was distributed three days, or less, before the cutoff date.

The over-all error rate was calculated as 51.35% (as 57 of the 111 claim files contained at least one error). [Note: Some of the claim files had multiple and distinct errors. The error rate would be higher if those additional instances had been included in the calculations. This distinction explains why the number of instances identified above is larger than the number of claim files containing at least one error.]

The Companies asserted that no delay of, or absence of, a stop storage letter resulted in any additional cost or loss to an insured/claimant. However, the failure to provide, and document in the claim file, a required written stop storage letter to either the insured/claimant or storage

facility signifies a violation of the above insurance regulation. Additionally, the untimely distribution of stop storage letters may not allow the insured/claimant to remove property timely.

Recommendation No. 1

It is recommended that the Companies establish written policies and procedures, reviews, and quality testing to ensure that claim personnel comply consistently with the stop-storage notification requirements of R.I. Insurance Regulation 230-RICR-20-40-2.8(E)(7). The Division views notification letters submitted three days, or less, prior to the planned stop storage date to not be timely distributed, and the Division has determined that transfer of ownership can only waive the notification letter responsibility if that transfer is shown to be more than 3 days prior to the planned stop storage date.

Company Response:

The Company appreciates the conversation and wishes to note that we have opened a project based upon feedback provided. We will look to continue conversations with the Department to ensure changes implemented adhere to R.I Regulation 230-RICR-20-40-2.8(E)(7).

Inquiry:

Finding No. 2

The Companies did not consistently comply with a reasonable notice standard for rental cutoff notifications.

Finding No. 2 — Background Information

The Companies have expressed that they use a reasonable notice standard for rental cutoff notifications. The examiners determined that written notification letters were not timely provided prior to termination of payment for rental charges. Through discussions with the Division, the examiners concluded that any such letters submitted three days, or less, prior to rental payment cutoff were not timely. For 111 claim files tested, the examiners identified 7 instances where no rental cutoff letter was distributed, and 14 instances where the rental cutoff letter was distributed 3 days (or less) before cutoff date or as long as 6 days after the cutoff date.

The overall error rate was calculated as 18.92% (as 21 of the 111 claim files contained at least one error).

The Companies asserted that no delay of, or absence of, a rental cutoff letter resulted in any additional cost or loss to an insured/claimant. However, the failure to provide, and document in the claim file, a required written rental cutoff letter, signifies an inconsistency in Company processes and procedures, which could result in future issues related to the timely distribution of rental cutoff letters.

Recommendation No. 2

It is recommended that the Companies establish written policies and procedures, reviews, and quality testing to ensure that claim personnel comply with rental cutoff notification requirements, which provide for the timely and consistent communication of rental cutoff notifications. The Division views notifications letters submitted three days, or less, prior to the planned rental cutoff date to not be timely distributed, and the Division has determined that transfer of ownership can only waive the notification letter responsibility if that transfer is shown to be more than 3 days prior to the planned rental cutoff date.

Company Response:

The Company appreciates the conversation and wishes to note that we have opened a project based upon the Departments feedback which will ensure adherence in providing timely and consistent communication of rental cutoff notifications.

Inquiry:

Finding No. 3

The Companies did not accurately calculate DMV fees as part of the payments of fees incident to the transfer of evidence of ownership of a vehicle.

Finding No. 3 — Background Information

The examiners tested 111 claim files as part of a review of claims with vehicles reported as total losses. There were 40 instances in the claim files in which the DMV Fee was calculated and paid erroneously (37 as underpayments and 3 as overpayments).

The overall error rate was 33.33% (as 37 of the 111 claim files contained at least one error). [Note: Some of the claim files had multiple and distinct errors. The error rate would be higher if those additional instances had been included in the calculations. This distinction explains why the number of instances identified above is larger than the number of claim files containing at least one error.]

A Consent Agreement with the Division dated May 2, 2017, required the Companies to remediate errors in the calculation and payment of fees incident to the transfer of evidence of ownership of a vehicle. The Companies identified and listed 1,106 automobile total loss claims between February of 2014 and February of 2017 that required remediation, pursuant to the Consent Agreement. Of the errors noted as part of this review, 28 instances (within 26 of the 111 claim files) were remediated by the Company prior to the date that the Consent Agreement was signed.

Recommendation No. 3

It is recommended that the Companies continue to remediate all claim exceptions noted. The Companies should also ensure that adequate policies and procedures, review, and quality control processes, are implemented to allow claims personnel to accurately calculate and pay DMV Fees as part of a total loss claim.

Company Response:

The Company appreciates the conversation and wishes to report that all impacted claims have been remediated, and that the Company processes have been updated and communicated to our staff.

Inquiry:

Finding No. 4

The Companies did not pay all retaliatory tax fees due in 2016 and 2017. Per R.I. Gen. Laws § 27-2-17(a), “Whenever, by the laws of any other state of the United States, any fees, charges, taxes, deposits of money or of securities, or other obligations or prohibitions are imposed on insurance companies incorporated or organized under the laws of this state or on the insurance producers of the insurance companies, so long as the laws continue in force, the fees, charges, taxes, deposits, and obligations shall be imposed on the insurance companies doing business in this state which are incorporated or organized under the laws of the other state and on their insurance producers.”

Finding No. 4 – Background Information

Total Retaliatory Fees:

2016	\$5,820.00
2017	\$15,180.00

RI DBR contends that Retaliatory Fees were not reported on Form T-71 for the Allstate Vehicle and Property Insurance Company in 2016 or 2017.

Recommendation #4:

It is recommended that Allstate Vehicle and Property Insurance Company pay all retaliatory producer license fees due for 2016 and 2017. It is also recommended that the Companies review their procedures to ensure the consistent payment of retaliatory fees across the Companies.

Company Response:

The 2016 and 2017 retaliatory producer fees for Allstate Vehicle and Property Insurance Company will be paid via ACH credit. The retaliatory calculation has been adjusted to include the producer fees for future filings.

Inquiry:

Finding No. 5

The Company did not properly oversee the handling of personally identifiable information and therefore failed to comply with R.I Insurance Regulation 230-RICR-20-60-8 for its car-dealer based agents or otherwise.

Finding No. 5 – Background Information

Car-dealer based insurance producers/agencies are subject to the same Company audit processes as any other independent producer or agency. According to the Companies, “As independent contractors, exclusive agents are responsible for overseeing production in their agency which includes ensuring compliance with all state regulations and Allstate requirements involving the securing of personally identifiable information as well as maintaining a Written Information Security Program.” However, examiners have determined that this lack of oversight is not in compliance with licensee responsibilities under R.I Insurance Regulation 230-RICR-20-60-8.

Recommendation No. 5

It is recommended that the Companies perform an audit of the handling of personally identifiable information held by its independent contractors within twelve months of the examination report date. Results of this audit should be shared with the Division.

Company Response:

All exclusive agents are contractually required to comply with the Allstate Agency Standards which contain requirements to secure personal information including:

1. Create and maintain a Written Information Security Program
2. Authentication of Personal Information
3. Acquisition of Personal Information
4. Storage of Personal Information
5. Transmission of Personal Information
6. Disposal of Personal Information
7. Termination of Employment or Affiliation of Individuals Working on Behalf of an Agency
8. Physical Security
9. Security Requirements for Vendors
10. Report Privacy Related Incidents

Please see the included document, "RI MCE Finding 5 Response - Allstate Agency Standards". The Company will conduct an audit of all current exclusive agencies located in Rhode Island to confirm compliance with the safeguarding of personal information and will utilize two compliance review processes.

1. One process is to complete a supervisory checklist annually as well as an Annual Compliance Questionnaire conducted on agencies who are licensed to sell securities in addition to Allstate's P&C products. Included in the review is confirmation of compliance with FINRA requirements. These reviews are conducted virtually.

2. The existing compliance site review process conducted on agencies who are not licensed to sell securities, will be converted to an electronic questionnaire. The provided document named, "RI MCE Finding 5 Response - Agency Compliance Survey", includes the questions to be used for the review. This process focuses on compliance with the protection of information and does not include FINRA requirements. The results will be exported, reviewed to determine non-compliances, and any non-compliances discussed and remediated with the agency.

The results for all reviews will be provided to the Department of Business Regulation within 12 months.

Pursuant to RI Gen Laws 27-2.4-16(e) we respectfully request the attachments in this email are kept confidential.

Inquiry:

Finding No. 6

The Companies do not pay registration fees on leased vehicles as part of total loss valuations.

Finding No. 6 — Background Information

The examiners noted the lack of an offer to reimburse a registration fee on a replacement leased vehicle as part of a total loss valuation. There was only one leased vehicle involved in a total loss insurance claim within the sample population. The registration fee should have been included in compliance with 230-RICR-20-40-2.8(A)(5), which stipulates that the cash settlement include both the fair market value of the totaled vehicle and any "title, registration and other fees incident to transfer of evidence of ownership of a comparable vehicle."

According to the Rhode Island Department of Motor Vehicles, the replacement vehicle had a registration fee of \$84.

As a lessee, the consumer has a right to use the leased vehicle for a set period of time at a set price. As part of the total loss, their remaining balance to the lessor is paid off. But if a consumer chooses to lease another vehicle after the total loss, the Rhode Island Department of Motor Vehicles would charge a new registration fee on the new vehicle to the new lessor, which would be passed on to the consumer as part of the new lease. That new registration fee would be incident to the consumer's transfer of ownership from one lease to another. To put them back into the same position they were

in prior to the total loss, an insurer would need to compensate the consumer for registration costs for the new leased vehicle. The Companies have confirmed that their procedures for issuing payments for totaled leased vehicles do not include registration fees.

Recommendation No. 6

It is recommended that the Companies create written policies and procedures to compensate consumers for registration fees for leased vehicles in the replacement of a total loss on a leased vehicle.

Company Response:

The Company appreciates the conversation and wishes to report that our standard processes do reflect compensation be made to consumers for registration fees on leased vehicles which are determined a total loss.