

# **MARKET CONDUCT EXAMINATION REPORT**

## **ALLSTATE FIRE & CASUALTY INSURANCE COMPANY**

NAIC # 29688; Group #8  
3075 Sanders Road, Suite G4A  
Northbrook, IL 60062

MATS # KS-KS057-5

For the Period January 1, 2015 through December 31, 2016



**KANSAS INSURANCE DEPARTMENT**

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The Honorable Ken Selzer  
Insurance Commissioner  
Kansas Insurance Department  
420 SW Ninth Street  
Topeka, KS 66612

Dear Commissioner Selzer:

In accordance with your respective authorization, and pursuant to K.S.A. 40-222, a market conduct examination has been conducted on the business affairs of:

**ALLSTATE FIRE & CASUALTY INSURANCE COMPANY**  
NAIC # 29688  
3075 Sanders Road, Suite G4A  
Northbrook, IL 60062

Hereafter referred to as “AFCIC”, or the “Company”, the following report of such examination is respectfully submitted,

Stacy Rinehart, FLMI, MCM, CIE, AIRC, ACS  
Assistant Director, Market Regulation  
Examiner-In-Charge

## **PURPOSE AND SCOPE OF REVIEW**

A targeted market conduct examination of Allstate Fire & Casualty Insurance Company (AFCIC), also referred to as the “Company”, was conducted pursuant to, but not limited to K.S.A. 40-222.

The Kansas Insurance Department (KID) reviewed the Company’s complaint handling and claims processing relating to private passenger automobile insurance. This examination was performed because of increased consumer complaints, specifically regarding improper claim handling. The Consumer Assistance Division at KID noted particular concern regarding comparative negligence. The complaint review was performed at KID based on electronic files the Company provided. The claim review occurred at the Company’s Overland Park, Kansas claim office. The review was conducted according to the guidelines and procedures recommended in the NAIC Market Regulation Handbook 2017 (MRH). The exam team utilized the standards and tests recommended in the Handbook, which allows an error tolerance of 7% for claims procedures and 10% for all other categories. This examination report is written primarily by exception. Due to the limited scope of this exam, not all NAIC standards were tested. Silence on any Company practice does not imply KID acceptance or endorsement of such practices. Applicable statutes and regulations cited throughout the report may be found in Appendix A.

The examination included a review of complaint and claim samples for the exam period of January 1, 2015 through December 31, 2016. Interrogatories were submitted to the Company prior to the file review segment of the examination, and written responses were provided. The examination included, but was not limited to company operations and management, complaint handling, and claim processing.

## **EXECUTIVE SUMMARY**

A targeted market conduct examination of Allstate Fire & Casualty Insurance Company (AFCIC), also referred to as the “Company”, was conducted pursuant to, but not limited to K.S.A. 40-222. The examination period was from January 1, 2015 through December 31, 2016. The primary focus of the exam was complaint handling and claim processing related to private passenger automobile insurance.

The review of the Company’s complaint handling revealed adequate controls, sufficient record keeping, and overall good timeliness in responding to the complainants and the Department of Insurance. No violations were noted in the review.

The review of claims handling showed some isolated violations, but no apparent business practices beyond the error threshold indicated in the MRH. While the examination was performed in part due to increased complaints involving what appeared to be improper claim handling, the random sample of claims reviewed during the examination period did not reflect the same concerns as being a business practice.

## **DESK EXAMINATION/ON-SITE EXAMINATION**

### **OPERATIONS AND MANAGEMENT**

Allstate Fire and Casualty Insurance Company is a wholly-owned subsidiary of Allstate Insurance Holdings, LLC, which is a Delaware limited liability company. Allstate Insurance Holdings, LLC is a wholly-owned subsidiary of The Allstate Corporation, which is a Delaware corporation. The stock of The Allstate Corporation is publicly traded. No publicly-held entity owns 10% or more of the stock of The Allstate Corporation.

Allstate Fire and Casualty Insurance Company is a multi-line property and casualty insurance company. The company distributes these insurance products offered through Allstate Exclusive and Independent Agents. Allstate Fire and Casualty Insurance Company producers are also sold through direct channels (Allstate Call Centers and Internet). The company is licensed to do business in 49 states plus the District of Columbia (Not licensed in California).

When reviewing some of the Standards listed in the MRH, the following should be noted from the review of operations and management:

- The Company maintained adequate records as required and provided items to the exam team as requested.
- The Kansas Certificate of Authority was reviewed and complies with Kansas law.
- The Company provided the exam team with the necessary documents and responses in a timely fashion.

### **COMPLAINT HANDLING**

The complaint register provided by the company for the exam period included 199 records. This includes complaints received from the Department of Insurance as well as various other methods of receipt directly from consumers. The examiners reviewed a random sample of 30 of the complaint files.

The examiners reviewed the complaint register for accuracy, as required by K.S.A. 40-2404 (10). The complaint files were reviewed for proper handling and documentation. No concerns were noted in the review of the complaint register or files.

## **CLAIM HANDLING**

The examiners reviewed a random sample of 109 claims processed during the exam period. The examiners utilized the guidance of the MRH while reviewing the claim files against various standards. Timeliness, communications, and general adherence to state law were reviewed. Of the 109 claims reviewed, there were seven (7) violations of state law noted by the examiners.

One (1) claim was not properly paid or denied, thus in violation of K.A.R. 40-1-34, 8(a).

Two (2) claims were noted as being in violation of K.A.R. 40-1-34, 7 for not having completed investigations within 30 days.

Four (4) claims involving personal injury protection (PIP) coverage were not paid within 30 days of receipt, as required by K.S.A. 40-3110 (b). It should be noted, however, that though the claims were not timely, the Company does have procedures in place to apply interest as required.

Recommendation: Since there were violations on four claim files with timely PIP handling, though less than a quarter of the random sample included PIP claims, the Company should focus on improvement in this area. Due to the small number of PIP files reviewed, the Examiners were unable to determine whether this would constitute a business practice. Nevertheless, better controls should be put in place to ensure PIP claims are paid timely when the necessary information is present.

## CONCLUSION

I would like to acknowledge the cooperation and courtesy extended to the examination team by the Allstate staff. The following examiners from the Office of the Commissioner of Insurance in the State of Kansas participated in the review:

Stacy Rinehart  
Market Conduct Examiner-In-Charge

Shannon Lloyd  
Market Conduct Examiner

Respectfully submitted,

A handwritten signature in black ink that reads "Stacy Rinehart". The signature is written in a cursive, flowing style.

Stacy Rinehart, FLMI, MCM, CIE, AIRC, ACS  
Assistant Director, Market Regulation  
Examiner-In-Charge

## APPENDIX A

### **Related Kansas Insurance Statutes and Administrative Regulations**

#### **K.S.A. 40-222. Examinations**

(a) Whenever the commissioner of insurance deems it necessary but at least once every five years, the commissioner may make, or direct to be made, a financial examination of any insurance company in the process of organization, or applying for admission or doing business in this state. In addition, at the commissioner's discretion the commissioner may make, or direct to be made, a market regulation examination of any insurance company doing business in this state.

(b) In scheduling and determining the nature, scope and frequency of examinations of financial condition, the commissioner shall consider such matters as the results of financial statement analyses and ratios, changes in management or ownership, actuarial opinions, reports of independent certified public accountants and other criteria as set forth in the examiner's handbook adopted by the national association of insurance commissioners and in effect when the commissioner exercises discretion under this subsection.

(c) For the purpose of such examination, the commissioner of insurance or the persons appointed by the commissioner, for the purpose of making such examination shall have free access to the books and papers of any such company that relate to its business and to the books and papers kept by any of its agents and may examine under oath, which the commissioner or the persons appointed by the commissioner are empowered to administer, the directors, officers, agents or employees of any such company in relation to its affairs, transactions and condition.

(g) The refusal of any company, by its officers, directors, employees or agents, to submit to examination or to comply with any reasonable written request of the examiners shall be grounds for suspension or refusal of, or nonrenewal of any license or authority held by the company to engage in an insurance or other business subject to the commissioner's jurisdiction. Any such proceedings for suspension, revocation or refusal of any license or authority shall be conducted in accordance with the provisions of the Kansas administrative procedures act.

#### **K.S.A. 40-3110. Same; primary status of benefits, exception; when payable; time limitation on claims; overdue payments.**

(a) Except for benefits payable under any workmen's compensation law, which shall be credited against the personal injury protection benefits provided by subsection (f) of K.S.A. 40-3107, personal injury protection benefits due from an insurer or self-insurer under this act shall be primary and shall be due and payable as loss accrues, upon receipt of reasonable proof of such loss and the amount of expenses and loss incurred which are covered by the policy issued in compliance with this act. An insurer or self-insurer may require written notice to be given as soon as practicable after an accident involving a motor vehicle with respect to which the insurer's policy of motor vehicle liability insurance affords the coverage required by this act. No claim for personal injury protection benefits may be made after two (2) years from the date of the injury.

(b) Personal injury protection benefits payable under this act shall be overdue if not paid within thirty (30) days after the insurer or self-insurer is furnished written notice of the fact of a covered loss and of the amount of same, except that disability benefits payable under this act shall be paid not less than every two (2) weeks after such notice. If such written notice is not furnished as to the entire claim, any partial amounts supported by written notice is overdue if not paid within thirty (30) days after such written notice is furnished. Any part or all of the remainder of the claim that is subsequently supported by written notice is overdue if not paid within thirty (30) days after such written notice is so furnished: *Provided*, That no such payment shall be deemed overdue where the insurer or self-insurer has reasonable proof to establish that it is not responsible for the payment, notwithstanding that written notice has been furnished. For the purpose of calculating the extent to which any personal injury protection benefits are overdue, payment shall be treated as being made on the date a draft or other valid instrument which is equivalent to payment was placed in the United States mail in a properly addressed, postpaid envelope, or, if not so posted, on the date of delivery. All overdue payments shall bear simple interest at the rate of eighteen percent (18%) per annum.

**K.A.R. 40-1-34, Section 7** Standards for Prompt Investigation of Claim

Every insurer shall complete investigation of a claim within thirty days after notification of claim, unless such investigation cannot reasonably be completed within such time.

**K.A.R. 40-1-34, Section 8 (a)** Standards for Prompt, Fair and Equitable Settlements Applicable to All Insurers

(a) Within fifteen working days after receipt by the insurer of properly executed proofs of loss, the first party claimant shall be advised of the acceptance or denial of the claim by the insurer. No insurer shall deny a claim on the grounds of a specific policy provision, condition, or exclusion unless reference to such provision, condition, or exclusion is included in the denial. The denial must be given to the claimant in writing and the claim file of the insurer shall contain a copy of the denial.