

PUBLIC REPORT OF EXAMINATION OF THE CLAIMS
PRACTICES OF THE
**ALLSTATE PROPERTY AND CASUALTY
INSURANCE COMPANY**
NAIC # 17230 CDI # 3270-6

AS OF FEBRUARY 28, 2002

STATE OF CALIFORNIA



DEPARTMENT OF INSURANCE
FIELD CLAIMS BUREAU

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CALIFORNIA DEPARTMENT OF INSURANCE

Consumer Services and Market Conduct Branch
Field Claims Bureau, 11th Floor
Ronald Reagan State Office Building
300 South Spring Street
Los Angeles, CA 90013



January 22, 2003

The Honorable John Garamendi
Insurance Commissioner
State of California
45 Fremont Street
San Francisco, California 94105

Honorable Commissioner:

Pursuant to instructions, and under the authority granted under Part 2, Chapter 1, Article 4, Sections 730, 733, 736, and Article 6.5, Section 790.04 of the California Insurance Code; and Title 10, Chapter 5, Subchapter 7.5, Section 2695.3(a) of the California Code of Regulations, an examination was made of the claims practices and procedures in California of:

Allstate Property & Casualty Insurance Company

NAIC #17230

Hereinafter referred to as the Company.

This report is made available for public inspection and is published on the California Department of Insurance web site (www.insurance.ca.gov) pursuant to California Insurance Code section 12938.

SCOPE OF THE EXAMINATION

The examination covered the claims handling practices of the aforementioned Company during the period March 1, 2001 through February 28, 2002. The examination was made to discover, in general, if these and other operating procedures of the Company conform with the contractual obligations in the policy forms, to provisions of the California Insurance Code (CIC), the California Code of Regulations (CCR), the California Vehicle Code (CVC) and case law. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al.

To accomplish the foregoing, the examination included:

1. A review of the guidelines, procedures, training plans and forms adopted by the Company for use in California including any documentation maintained by the Company in support of positions or interpretations of fair claims settlement practices.
2. A review of the application of such guidelines, procedures, and forms, by means of an examination of claims files and related records.
3. A review of consumer complaints received by the California Department of Insurance (CDI) in the most recent year prior to the start of the examination.

The examination was conducted at the Company's claims office located in Orange, California.

The report is written in a "report by exception" format. The report does not present a comprehensive overview of the subject insurer's practices. The report contains only a summary of pertinent information about the lines of business examined and details of the non-compliant or problematic activities or results that were discovered during the course of the examination along with the insurer's proposals for correcting the deficiencies. When a violation is discovered that results in an underpayment to the claimant, the insurer corrects the underpayment and the additional amount paid is identified as a recovery in this report. All unacceptable or non-compliant activities may not have been discovered, however, and failure to identify, comment on or criticize activities does not constitute acceptance of such activities.

Any alleged violations identified in this report and any criticisms of practices have not undergone a formal administrative or judicial process.

CLAIM SAMPLE REVIEWED AND OVERVIEW OF FINDINGS

The examiners reviewed files drawn from the category of Closed Claims for the period March 1, 2001 through February 28, 2002, commonly referred to as the “review period”. The examiners reviewed 556 Allstate Property & Casualty Insurance Company claim files. The examiners cited 22 claims handling violations of the Fair Claims Settlement Practices Regulations and/or California Insurance Code Section 790.03 within the scope of this report. Further details with respect to the files reviewed and alleged violations are provided in the following tables and summaries.

Allstate Property & Casualty Insurance Company			
CATEGORY	CLAIMS FOR REVIEW PERIOD	REVIEWED	CITATIONS
Personal Automobile Bodily Injury	5,878	90	2
Personal Automobile Property Damage	20,950	89	5
Personal Automobile Medical Payments	1,947	87	1
Personal Automobile Collision	16,943	90	6
Personal Automobile Comprehensive	9,535	79	3
Personal Automobile Uninsured Motorist	820	86	3
Personal Automobile Sound System	57	35	2
TOTALS	56,130	556	22

TABLE OF TOTAL CITATIONS		
Citation	Description	Allstate Property & Casualty Insurance Company
CCR §2695.7(c)(1)	The Company failed to provide written notice of the need for additional time every thirty calendar days.	5
CCR §2695.3(a)	The Company's claim file failed to contain all documents, notes, and work papers which pertain to the claim.	3
CCR §2695.3(b)(1)	The Company failed to maintain claim data that are accessible, legible and retrievable for examination.	3
CCR §2695.7(b)(1)	Company failed to provide a factual basis for the denial in writing.	2
CCR §2695.8(b)(1)	The Company failed to include, in the settlement, all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the comparable automobile.	2
CCR § 2695.8(f)	The Company failed to supply the claimant with a copy of the estimate upon which the settlement is based.	2
CCR § 2695.7(g)	The Company failed to effectuate prompt, fair, and equitable settlement of claim.	1
CCR §2695.8(b)(1)(c)	The Company failed to document the determination of value. Any deductions from value, including deduction for salvage, must be discernible, measurable, itemized, and specified as well as be appropriate in dollar amount.	1
CCR §2695.3(b)(2)	The Company failed to record in the file the date the Company received, date(s) the Company processed and date the Company transmitted or mailed every relevant document in the file.	1
CCR §2695.3(b)(3)	The Company failed to maintain hard copy claim files or maintain claim files that are accessible, legible and capable of duplication to hard copy for five years.	1
CCR §2695.4(a)	The Company failed to disclose all benefits, coverage, time limits or other provisions of the insurance policy.	1
Total Citations		22

SUMMARY OF CRITICISMS, INSURER COMPLIANCE ACTIONS AND TOTAL RECOVERIES

The following is a brief summary of the criticisms that were developed during the course of this examination related to the violations alleged in this report. This report contains only alleged violations of Section 790.03 and Title 10, California Code of Regulations, Section 2695 et al. In response to each criticism, the Company is required to identify remedial or corrective action that has been or will be taken to correct the deficiency. Regardless of the remedial actions taken or proposed by the Company, it is the Company's obligation to ensure that compliance is achieved. The total money recovered was \$696.71 within the scope of this report.

1. The Company failed to provide written notice of the need for additional time every thirty calendar days. In five instances, the Company failed to provide written notice of the need for additional time every thirty calendar days. The Department alleges these acts are in violation of CCR §2695.7(c)(1).

Summary of Company Response: The Company acknowledges the error in the five instances noted, but states that these five errors were inadvertent. In order to improve compliance, the Company has provided technology which prompts or reminds file handlers to send the necessary letters in advance of the 30-day requirement.

2. The Company failed to properly document claim files. In three instances, the Company's file(s) failed to contain all documents, notes, and work papers. The Department alleges these acts are in violation of CCR §2695.3(a).

Summary of Company Response: In the three instances noted, the Company acknowledges that documents were missing from the claim files, but states that these three instances were inadvertent errors. The Company has internal control process requirements that include the timely handling of file documents.

3. The Company failed to maintain claim data retrievable for examination. In three instances, the Company failed to maintain claim data that are accessible, legible and retrievable for examination. The Department alleges these acts are in violation of CCR §2695.3(b)(1).

Summary of Company Response: Allstate Property and Casualty Company acknowledges that there were three instances in which copies of letters were missing from files and could not be located, but states that these three errors were inadvertent. The Company has advised that it is the Company's normal procedure to maintain claims data which is accessible, legible and retrievable for examination.

4. The Company failed to provide written basis for the denial of the claim. In two instances, the Company failed to provide written basis for the denial of the claim. The Department alleges these acts are in violation of CCR §2695.7(b)(1).

Summary of Company Response: The Company acknowledges the two instances found wherein Allstate Property and Casualty Company failed to send a written explanation on partial denials, but states that these errors were inadvertent. The Company has advised that it is their normal procedure to provide in writing the basis for all claim denials.

5. The Company failed to include, in the settlement, all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the comparable automobile.

In two instances, the Company failed to include in the settlement, all applicable taxes, license fees and other fees incident to transfer of evidence of ownership of the comparable automobile. The Department alleges these acts are in violation of CCR §2695.8(b)(1).

Summary of Company Response: The Company acknowledges the two instances in which an adjuster overlooked items of this type, but states that these two errors were inadvertent. Moreover, remedial action has been taken. Checks have been issued to the insureds totaling \$98.00. Letters were also sent to the insureds apologizing for the oversight.

6. The Company failed to supply the claimant with a copy of the estimate upon which the settlement is based.

In two instances, the Company failed to supply the claimant with a copy of the estimate upon which the settlement is based. The Department alleges these acts are in violation of CCR §2695.8(f).

Summary of Company Response: The Company has acknowledged that the files noted did not document that the claimant was supplied with a copy of the estimate upon which the settlement was based. The Company states “Allstate Property and Casualty Insurance Company acknowledges that there was no evidence in its files proving that it provided copies of estimates in the two instances noted. However, lack of such documentation does not mean that, in each instance, the claimant was not provided with a copy of the estimate – only that our file does not document that the copy was provided. Our process is to provide a copy of each estimate to the claimant. Therefore, Allstate Property and Casualty Company asserts that its process is to provide these estimates in accordance with CCR §2695.8(f) and that its failure to have documentation of providing these estimates in these two instances does not suggest a deviation from the practice of providing the estimates but, rather, a failure to maintain documentation that the estimate copies were provided”.

7. The Company attempted to settle a claim by making a settlement offer that was unreasonably low.

In one instance, the Company attempted to settle a claim by making a settlement offer that was unreasonably low. The Department alleges this act is in violation of CCR §2695.7(g).

Summary of Company Response: The Company has acknowledged that in this instance the adjuster applied a \$100 deductible in error to the claim settlement. The Company advises that this was an inadvertent error by the adjuster. The Company undertook remedial action and had a check issued in the amount of \$100 to the insured and sent it with a letter apologizing for the error.

8. The Company failed to document the determination of value. In one instance, the Company failed to document the determination of value. Any deductions from value, including deduction for salvage, must be discernable, measurable, itemized, and specified as well as be appropriate in dollar amount. The Department alleges this act is in violation of CCR § 2695.8(b)(1)(c).

Summary of Company Response: The Company acknowledged its failure to document the basis for an adjustment in value and took remedial action. A check was issued to the insured in the amount of \$498.71 along with a letter explaining the payment was a correction due to an oversight.

9. The Company failed to comply with the Fair Claims Regulations Practices. In one instance each, the Company failed to comply with the following Fair Claims Regulations Practices: CCR §2695.3(b)(2), CCR §2695.3(b)(3), CCR §2695.4(a).

Summary of Company Response: Allstate Property and Casualty Company acknowledges that in the four instances noted the Company failed to comply with the Fair Claims Regulations Practices. The Company states that these errors were inadvertent.