



Report on

Market Conduct Examination

of the

Allstate Property and Casualty Insurance Company  
Allstate Indemnity Company

Northbrook, Illinois

by Representatives of the

North Carolina Department of Insurance

as of

May 1, 2024

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Raleigh, North Carolina  
May 1, 2024

Honorable Mike Causey  
Commissioner of Insurance  
Department of Insurance  
State of North Carolina  
3200 Beechleaf Court  
Raleigh, North Carolina 27604

Honorable Dana Popish Severinghaus  
Director, Illinois Department of Insurance  
Department of Insurance, Springfield Office  
State of Illinois  
320 W. Washington Street, 4<sup>th</sup> Floor  
Springfield, Illinois 62767-0001

Honorable Commissioner and Director:

In accordance with the provisions of North Carolina General Statutes (NCGS) 58-2-131 through 58-2-134, a target examination has been made of the market conduct activities of the following entities:

**Allstate Property and Casualty Insurance Company (NAIC #17230)**  
**Allstate Indemnity Company (NAIC #19240)**  
NAIC Exam Tracking System Exam Number: NC-NC094-33  
Northbrook, Illinois  
(hereinafter generally referred to as the Companies)

The examination was conducted at the North Carolina Department of Insurance (Department) offices located at 325 N. Salisbury Street, Raleigh, North Carolina and 3200 Beechleaf Court, Raleigh, North Carolina. A report thereon is respectfully submitted.

## SCOPE OF EXAMINATION

This examination commenced on July 26, 2021, and covered the period of July 1, 2018, through June 30, 2020. Analyses of certain operations of the Companies were concluded during the Wrap-Up Conference which was held on March 19, 2024. This examination was recommended by Market Analysis on July 23, 2020. All comments made in this report reflect conditions observed during the period of examination.

This examination was performed in accordance with auditing standards established by the Department and procedures established by the National Association of Insurance Commissioners (NAIC). The scope of this examination was not comprehensive and included limited review of the Companies' claims practices. The findings and conclusions contained within the report are based solely on the work performed and are referenced within the appropriate sections of the examination report.

It is the Department's practice to cite companies in violation of a statute, rule, or policy provisions when the results of a sample show errors/noncompliance that fall outside certain tolerance levels. The Department applied a 0 percent tolerance level for adjusters who were not properly licensed, 7 percent for claims, and 10 percent for all other areas reviewed. When errors are detected in a sample, but the error rate is below the applicable threshold for citing a violation, the Department issues a reminder to the companies.

## EXECUTIVE SUMMARY

This market conduct examination revealed concerns with the Companies' procedures and practices in the following area:

*Claims Practices* – Not attempting in good faith to effectuate prompt settlement of claims and allowing unlicensed claim representatives to perform functions that should be handled by licensed adjusters.

Specific violations are noted in the appropriate section of this report. All North Carolina General Statutes and rules of the North Carolina Administrative Code cited in this report may be

viewed on the North Carolina Department of Insurance Web site at <https://www.ncdoi.gov/insurance-industry/market-regulation>

This examination identified various statutory violations, some of which may extend to other jurisdictions. The Companies are directed to take immediate corrective action to demonstrate their ability and intention to conduct business in North Carolina according to its insurance laws and regulations.

All statutory violations may not have been discovered or noted in this report. Failure to identify statutory violations in North Carolina or in other jurisdictions does not constitute acceptance of such violations.

## **CLAIMS PRACTICES**

### Overview

The Companies' claims practices were reviewed to determine compliance with the appropriate North Carolina statutes, rules, and policy provisions. The license status for each claims adjuster was reviewed to determine if the adjuster was properly licensed at the time of claim handling. The review encompassed private passenger automobile physical damage claims, private passenger automobile bodily injury claims, private passenger automobile third-party property damage claims, private passenger automobile medical payment claims, and private passenger automobile closed without payment claims.

Five hundred claims were randomly selected from a population of 188,390.

### Paid Claims

One hundred first-party automobile physical damage claims and one hundred third-party property damage claims paid during the period under examination were selected for review from a population of 94,030 (60,050 first party and 33,980 third party). Each claim file was reviewed

to determine compliance with NCGS 58-63-15(11) for timeliness of payment, accuracy of payment, and supporting documentation.

The following types of claims were reviewed and the average payment time is noted in calendar days:

Type of Claim	Payment Time
Automobile First-party physical damage	23.0
Automobile Third-party property damage	16.0

The Companies were reminded of the provisions of coverage form NC 00 01 (06 05) as one physical damage claim (1.0 percent error ratio) was miscoded as a comprehensive claim, when in fact it was a collision loss. The Companies were also reminded of the provisions of NCGS 58-63-15(11)h. as one physical damage claim (1.0 percent error ratio) was underpaid due to an incorrect identification of the vehicle's transmission. At the direction of the examiners, the Companies made an additional payment (including statutory interest) of \$573.22.

The Companies were reminded of the provisions of NCGS 58-63-15(11)(f) as three third-party property damage claims (3.0 percent error ratio) reflected an undue delay in settling the claim. The Companies were further reminded of the provisions of NCGS 58-63-15(11)(f) because in one file (1.0 percent error ratio), although timely adjusted, the payment was not rendered on a towing & labor loss. At the direction of the examiners, the Companies made an additional payment (including statutory interest) of \$71.48. The Companies were deemed to be in violation of NCGS 58-3-130 and NCGS 58-33-26(a) as 45 first-party physical damage files (45.0 percent error ratio) included one or more persons performing the functions of a claims adjuster without being duly licensed as a claims adjuster (as defined in NCGS 58-33-10(2)).

The Companies were deemed to be in violation of NCGS 58-3-130 and NCGS 58-33-26(a) as 46 third-party property damage files (46.0 percent error ratio) included one or more

persons performing the functions of a claims adjuster without being duly licensed as a claims adjuster (as defined in NCGS 58-33-10(2)).

All other claim files reviewed contained documentation to support the Companies' payments. The documentation consisted of appraisals, estimates, repair bills, adjusters' notes, and processors' notes.

#### First- and Third-Party Bodily Injury

One hundred paid first- and third-party bodily injury claims were randomly selected for review from a population of 10,460. Each claim file was reviewed to determine compliance with the provisions of NCGS 58-63-15(11) to see if the Companies had engaged in any unfair claim practices.

The Companies were reminded of the provisions of NCGS 58-63-15(11)(m). as one bodily injury file (1.0 percent error ratio) indicated the adjuster intentionally delayed settlement of the bodily injury portion of the claim pending the outcome of the property damage portion of the claim.

The Companies were reminded of the provisions of 11 NCAC 4.0419(2) as one file (1.0 percent error ratio) revealed the fact that an onsite inspection was not performed even though one had been requested by the claimant. At the direction of the examiners, the Companies made an additional payment (including statutory interest) of \$274.51.

The Companies were deemed to be in violation of the provisions of NCGS 58-63-15(11)(f). as seven files (7.0 percent error ratio) reflected an undue delay in settling the claim.

The Companies were deemed to be in violation of NCGS 58-3-130 and NCGS 58-33-26(a) as 63 files (63.0 percent error ratio) included one or more persons performing the functions of a claims adjuster without being duly licensed as a claims adjuster (as defined in NCGS 58-33-10(2)).

All other claim files reviewed contained documentation to support the Companies' payments. The documentation consisted of medical records, adjusters' notes, and processors' notes.

### Medical Payments

One hundred paid medical payments claims were randomly selected for review from a population of 6,394. Each claim file was reviewed to determine compliance with NCGS 58-63-15(11) to see if the Companies had engaged in any unfair claim practices.

The Companies were reminded of the provisions of NCGS 58-63-15(11)(f) as one file (1.0 percent error ratio) reflected an undue delay in settling the claim.

The Companies were deemed to be in violation of NCGS 58-3-130 and NCGS 58-33-26(a) as 47 files (47.0 percent error ratio) included one or more persons performing the functions of a claims adjuster without being duly licensed as a claims adjuster (as defined in NCGS 58-33-10(2)).

All other claim files reviewed contained documentation to support the Companies' payments. The documentation consisted of medical bills, adjusters' notes, and processors' notes.

### Closed Without Payment Claims

One hundred closed without payment claims were randomly selected for review from a population of 77,506. Each claim file was reviewed to determine compliance with NCGS 58-63-15(11) to see if the Companies had engaged in any unfair claim practices.

The Companies were reminded of the provisions of NCGS 58-63-15(11)(f) because in one file (1.0 percent error ratio), although timely adjusted, one feature closed without payment, but a separate payment was not rendered on a third-party property loss. At the direction of the examiners, the Companies made an additional payment (including statutory interest) of \$451.53.

The Companies were deemed to be in violation of NCGS 58-3-130 and NCGS 58-33-26(a) as 24 files (24.0 percent error ratio) included one or more persons performing the functions of a claims adjuster without being duly licensed as a claims adjuster (as defined in NCGS 58-33-10(2)).



### **ADDITIONAL ISSUE NOTED**

The Companies utilize personnel located in India to perform some of the functions necessary to complete the handling of a claim. The India employees are not licensed adjusters and should not be tasked with performing duties that require an adjuster's (or appraiser's) license.

### **COMMENTS, RECOMMENDATIONS, AND DIRECTIVES**

The Companies are directed to settle claims in which liability has become reasonably clear without undue delay. The Companies are to refrain from allowing unlicensed claim representatives to perform functions that should be handled by licensed adjusters. The Companies must monitor foreign locations to ensure that North Carolina claim handling activities that require a license are not performed by individuals in those foreign locations due to non-reciprocity with foreign countries.

Upon acceptance of the Report the Companies shall provide the Department with a statement of corrective actions to address the violations identified during the examination. The Department will conduct a future investigation, if warranted, to determine if the Companies successfully implemented their statement of corrective actions.

### **CONCLUSION**

An examination has been conducted on the market conduct affairs of Allstate Property and Casualty Insurance Company and Allstate Indemnity Company for the period July 1, 2018 through June 30, 2020, with analyses of certain operations of the Companies being conducted through March 19, 2024.

This examination was conducted in accordance with the auditing standards established by the North Carolina Department of Insurance and the National Association of Insurance Commissioners Market Regulation Handbook procedures and included an analysis of the Companies' operations in the area of claims practices.

In addition to the undersigned, Jeffrey O'Bannon, MCM, North Carolina Market Conduct Examiner II, participated in this examination.

Respectfully submitted,



Larry R. Cook, CPCU, AU, ARe, ARM, AIM, AMIM,  
AIAF, AIC, ARC, AAI, MCM  
Examiner-In-Charge  
Market Regulation Division  
State of North Carolina

I have reviewed this examination report, and it meets the provisions for such reports prescribed by this Division and the North Carolina Department of Insurance.



Teresa Knowles, MCM, ACS  
Deputy Commissioner  
Market Regulation Division  
State of North Carolina