

No. **2021-7033**

**Official Order
of the
Texas Commissioner of Insurance**

Date: 10/25/2021

Subjects Considered:

Allstate Fire and Casualty Insurance Company
Allstate Vehicle and Property Insurance Company
Allstate Property and Casualty Insurance Company
3075 Sanders Road, Suite H1A
Northbrook, Illinois 60062-7127

Consent Order
TDI Enforcement File Nos. 22008, 26446, and 27506

General remarks and official action taken:

This is a consent order with Allstate Fire and Casualty Insurance Company (AFCIC), Allstate Vehicle and Property Insurance Company (AVPIC), and Allstate Property and Casualty Insurance Company (APCIC) (collectively, the Allstate Companies) regarding several errors resulting in Allstate Companies charging rates different than those filed with TDI. The rating issues resulted in premium overcharges in certain cases. The Allstate Companies have agreed to pay restitution to the affected policyholders and implement a corrective action plan.

Waiver

The Allstate Companies acknowledge that the Texas Insurance Code and other applicable law provide certain rights. The Allstate Companies waive all of these rights, and any other applicable procedural rights, in consideration of the entry of this consent order.

2021-7033

Commissioner's Order

Allstate Fire and Casualty Insurance Company

Allstate Vehicle and Property Insurance Company

Allstate Property and Casualty Insurance Company

Page 2 of 10

Findings of Fact

1. AFCIC, AVPIC, and APCIC are all foreign fire and casualty insurance companies that hold certificates of authority to transact business in Texas.
2. TEX. INS. CODE § 2251.101(a) requires each insurer to file with the commissioner all rates, applicable rating manuals, supplementary rating information, and additional information as required by the commissioner.

AFCIC's Self-Reported Premium Calculation Error – Vehicle Characteristic Data

3. In 2019, AFCIC discovered that it had not properly uploaded certain vehicle characteristic data used from a third-party vendor in calculating premium. AFCIC self-reported this error to TDI.
4. The error affected policies processed by AFCIC between July 14, 2014, and February 27, 2021, and affected over 30,000 Texas policyholders. The error resulted in both premium overcharges and undercharges.
5. AFCIC represents it has begun the process of paying restitution with interest to the affected policyholders.

AFCIC's Self-Reported Premium Calculation Error – Supplementary Table Multiplicative Factors Pattern 2

6. In 2020, AFCIC filed corrected pages for its Supplementary Table Multiplicative Factors Pattern 2 (Pattern 2 factors). The corrected pages display the factors out to four decimal places instead of three decimal places. Allstate's programming calculated premium using four decimal places, rather than the three decimal places. AFCIC self-reported this error to TDI.
7. The error affected AFCIC customers with policies processed between October 14, 2019, and March 6, 2020. The error affected approximately 1,535 Texas policyholders. Allstate represents that the difference did not exceed \$.01 per vehicle.

2021-7033

Commissioner's Order

Allstate Fire and Casualty Insurance Company

Allstate Vehicle and Property Insurance Company

Allstate Property and Casualty Insurance Company

Page 3 of 10

AFCIC's Self-Reported Premium Calculation Error – Travel Trailer Rates

8. In March 2021, AFCIC reported that it had discovered a filing error that occurred in 2019. Specifically, in late 2018 and early 2019, AFCIC made several rate filings related to its travel trailer program. One of the filings included an increase to the base rates and a subsequently effective filing erroneously included the prior, lower base rates.
9. AFCIC charged policyholders the higher base rates for its travel trailer program during the period when the lower base rates were filed with TDI as being in effect for policies processed in that period.
10. The error resulted in policies processed by AFCIC from August 3, 2019, to March 14, 2021 being charged a rate higher than the rate reflected in the filing made with TDI. Over 25,000 Texas policyholders were charged rates that did not match the rates on file with TDI. The difference in premium is an estimated \$4.8 million.

AVPIC's Self-Reported Premium Calculation Error – Homeowners Easy Pay Discount

11. In May 2020, AVPIC reported that it had discovered an inadvertent filing error from earlier in 2020 where different discount factors for the Easy Pay Plan discount were included in the rate filing filed with TDI than those that had been previously filed and used by AVPIC.
12. The error occurred for policies processed between February 3, 2020, and May 12, 2020, and an updated filing was made with TDI upon discovery. Over 30,000 Texas policyholders were charged rates that did not match the rates on file with TDI. The difference in premium is an estimated \$4.8 million.

APCIC's Self-Reported Premium Calculation Error – Motorcycle/Off Road Vehicle

13. In March 2021, APCIC reported that it had applied different vehicle type factors for certain vehicles, which resulted in charging a rate different than that filed with TDI.

2021-7033

Commissioner's Order

Allstate Fire and Casualty Insurance Company

Allstate Vehicle and Property Insurance Company

Allstate Property and Casualty Insurance Company

Page 4 of 10

14. The error occurred for policies processed between November 13, 2017, and March 15, 2021, and affected over 2,000 Texas policyholders. The error resulted in both premium overcharges and undercharges.

Conclusions of Law

1. The commissioner has jurisdiction over this matter pursuant to TEX. INS. CODE §§ 82.051–82.055, 84.021–84.044, 801.052–801.053, and 2251.101.
2. The commissioner has the authority to informally dispose of this matter as set forth in TEX. GOV'T CODE § 2001.056; TEX. INS. CODE §§ 36.104 and 82.055; and 28 TEX. ADMIN. CODE § 1.47.
3. The Allstate Companies have knowingly and voluntarily waived all procedural rights to which they may have been entitled regarding the entry of this order, including, but not limited to, issuance and service of notice of intention to institute disciplinary action, notice of hearing, a public hearing, a proposal for decision, rehearing by the commissioner, and judicial review.
4. The Allstate Companies each violated TEX. INS. CODE § 2251.101.
5. Pursuant to TEX. INS. CODE § 82.053, the commissioner is authorized to direct the Allstate Companies to make complete restitution to each policyholder impacted by the violations.

Order

The Allstate Companies are ordered to comply with the following:

1. AFCIC must identify all adversely impacted automobile insurance policies issued by it in the Review Periods in Texas with process dates from:
 - i. July 14, 2014, to February 27, 2021 for the premium calculation error regarding vehicle characteristic data and
 - ii. from August 3, 2019, to March 14, 2021, for the filing error regarding travel trailer base rates.

2021-7033

Commissioner's Order

Allstate Fire and Casualty Insurance Company

Allstate Vehicle and Property Insurance Company

Allstate Property and Casualty Insurance Company

Page 5 of 10

2. AVPIC must identify all adversely impacted homeowners insurance policies in Texas with process dates from February 3, 2020, to May 12, 2020 (the Review Period).
3. AVPIC must identify all adversely impacted motorcycle/off-road vehicle insurance policies in Texas with process dates from November 13, 2017, to March 15, 2021 (the Review Period).
4. For each policy in the respective Review Periods:
 - i. AFCIC must calculate the premium using the correct vehicle characteristic data to properly calculate vehicle risk factors and the rates on file related to travel trailer base rates.
 - ii. AVPIC must calculate the premium using the Easy Pay Plan discount factors on file with TDI.
 - iii. APCIC must calculate the premium using the correct vehicle types for certain vehicles on file with TDI.
5. For each policy in the Review Periods, the Allstate Companies must calculate and determine whether the dollar amount of the premium charged for each policy is less than or more than the recalculated premium. If the premium charged is more than the recalculated premium, the difference constitutes the Overcharge.
6. The Allstate Companies must pay restitution in the form of a company check or account credit to each policyholder identified in the Review Periods as having an Overcharge (the Qualifying Policyholders). The restitution check or account credit must include both the dollar amount of the overcharge, plus simple interest due on the overcharge. The rate of interest will be consistent with the interest in the applicable policy.
7. The Allstate Companies must mail the restitution checks or issue the account credits to the Qualifying Policyholders on or before March 1, 2022.
8. Any restitution checks that are returned to the Allstate Companies with an address correction must be promptly resent to the correct address. Funds from any restitution checks that are returned thereafter for incorrect addresses and from

2021-7033

Commissioner's Order

Allstate Fire and Casualty Insurance Company

Allstate Vehicle and Property Insurance Company

Allstate Property and Casualty Insurance Company

Page 6 of 10

checks that are not negotiated must be delivered to the comptroller pursuant to the procedures set forth in TEX. PROP. CODE §§ 72.001 *et. seq.*

9. On or before April 15, 2022, the Allstate Companies must report the restitution paid to the Qualifying Policyholders by submitting a complete and sortable electronic spreadsheet to the department. The spreadsheet must contain the following information:

- i. Issuing company,
- ii. policy number,
- iii. policyholder name,
- iv. policyholder address,
- v. effective date of the policy,
- vi. expiration date of the policy,
- vii. amount of Overcharge,
- viii. dollar amount of simple interest,
- ix. amount of Overcharge and interest,
- x. date(s) restitution check or credit was processed,
- xi. the total sum of all Overcharges,
- xii. the total sum of all simple interest, and
- xiii. the total sum of all restitution paid (total Overcharges plus the total of the simple interest).

10. The Allstate Companies must send all submissions required under the terms of this order by email to: EnforcementReports@tdi.texas.gov.

It is also ordered that the Allstate Companies report to TDI on or before 30 days from the date of this order. The report will detail how the Allstate Companies intend to fully implement a corrective action plan to avoid rating filing and implementation errors, resources dedicated to implementation, timelines, and a process for independent verification of objective progress to comply with Texas law. The report must be sent to EnforcementReports@tdi.texas.gov.

2021-7033

Commissioner's Order

Allstate Fire and Casualty Insurance Company

Allstate Vehicle and Property Insurance Company

Allstate Property and Casualty Insurance Company

Page 7 of 10

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Cbrown

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Cassie Brown

Commissioner of Insurance

Recommended and reviewed by:

Leah Gillum

Leah Gillum, Deputy Commissioner
Enforcement Division

Mandy Meesey

Mandy Meesey, Associate Commissioner
Enforcement Division

2021-7033

Commissioner's Order

Allstate Fire and Casualty Insurance Company
Allstate Vehicle and Property Insurance Company
Allstate Property and Casualty Insurance Company
Page 8 of 10

Affidavit

STATE OF Illinois

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COUNTY OF Lake

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Before me, the undersigned authority, personally appeared _____
who being by me duly sworn, deposed as follows:

"My name is Richard Smith. I am of sound mind, capable of making
this statement, and have personal knowledge of these facts which are true and correct.

I hold the office of Product Vice President and am the authorized representative of
Allstate Fire and Casualty Insurance Company (AFCIC). I am duly authorized by said
organization to execute this statement.

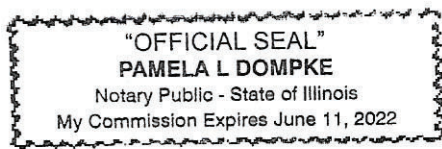
AFCIC has knowingly and voluntarily entered into the foregoing consent order and agrees
with and consents to the issuance and service of the same by the commissioner of
insurance of the state of Texas."

Richard Smith
Affiant

SWORN TO AND SUBSCRIBED before me on Oct 6, 2021.

(NOTARY SEAL)

Pamela L Dompke
Signature of Notary Public



PAMELA L Dompke
Printed Name of Notary Public

Affidavit

STATE OF Illinois

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COUNTY OF Lake

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Before me, the undersigned authority, personally appeared _____
who being by me duly sworn, deposed as follows:

"My name is Richard Smith. I am of sound mind, capable of making
this statement, and have personal knowledge of these facts which are true and correct.

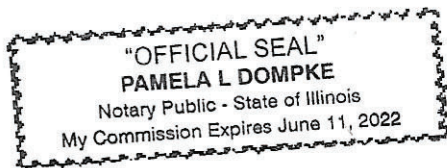
I hold the office of Product Vice President and am the authorized representative of
Allstate Vehicle and Property Insurance Company (AVPIC). I am duly authorized by said
organization to execute this statement.

AVPIC has knowingly and voluntarily entered into the foregoing consent order and agrees
with and consents to the issuance and service of the same by the commissioner of
insurance of the state of Texas."

Richard Smith
Affiant

SWORN TO AND SUBSCRIBED before me on Oct 6, 2021.

(NOTARY SEAL)



Pamela L Dompke
Signature of Notary Public

PAMELA L DOMPKE
Printed Name of Notary Public

Affidavit

STATE OF Illinois

§

COUNTY OF Lake

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Before me, the undersigned authority, personally appeared _____
who being by me duly sworn, deposed as follows:

"My name is Richard Smith. I am of sound mind, capable of making
this statement, and have personal knowledge of these facts which are true and correct.

I hold the office of Product Vice President and am the authorized representative of
Allstate Property and Casualty Insurance Company (APCIC). I am duly authorized by said
organization to execute this statement.

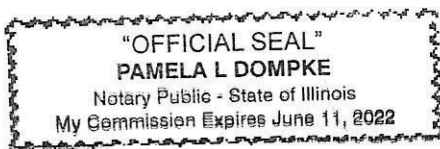
APCIC has knowingly and voluntarily entered into the foregoing consent order and agrees
with and consents to the issuance and service of the same by the commissioner of
insurance of the state of Texas."

Richard Smith
Affiant

SWORN TO AND SUBSCRIBED before me on Oct 6, 2021.

(NOTARY SEAL)

Pamela L Dompke
Signature of Notary Public



Pamela L Dompke
Printed Name of Notary Public