

STATE OF VERMONT
DEPARTMENT OF BANKING, INSURANCE, SECURITIES
& HEALTH CARE ADMINISTRATION

In re: Allstate Insurance Company, and
Allstate Indemnity Company

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DOCKET NO. 06-027-I

CONSENT ORDER

1. Pursuant to the authority contained in Vermont law, including but not limited to, 8 V.S.A. §§ 10-13, 3564-3566, 3573-3574, 4726 and 4804, the Commissioner of the Department of Banking, Insurance, Securities and Health Care Administration (the "Department") is charged with administering and enforcing the insurance laws and regulations of the State of Vermont and is authorized to conduct periodic examinations of insurers and licensees to determine whether they are in compliance with said laws and regulations.

2. Allstate Insurance Company is an Illinois company registered to conduct business in Vermont. Allstate Indemnity Company is a wholly owned subsidiary of Allstate Insurance Company, also registered to conduct business in Vermont. This Consent Order shall refer to both entities collectively as "the Company."

3. On or about July 6, 1998 a market conduct examination of the Company was completed. The examination was limited to personal lines business, and addressed issues in underwriting, complaint handling, and marketing.

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detailed the examiner's findings of his examination of the Company's claims handling and underwriting for the period January 1, 2001 through December 31, 2001.

5. The draft examination report detailed violations of Vermont's insurance laws by the Company. The Company disputes many of the findings in the draft report.

6. Pursuant to 8 V.S.A. § 3573(c), the Commissioner may terminate or suspend an examination in order to pursue other regulatory action. In light of the Company's response to the draft examination report, and the Company's cooperation with the Department to address the substantive findings of the examiner, the Commissioner elects to terminate the present market conduct examination of Allstate.

7. The Department and the Company have agreed to resolve this matter without further litigation.

8. The Department acknowledges the Company has cooperated fully in the examination and the Department's investigation.

9. In consideration of the mutual covenants contained herein, and in light of the operational changes that occurred at the Company since the inception of the follow up examination, the Company and the Department agree as follows:

- a. The Company agrees to use only licensed adjusters in the investigation of all claims, as required by 8 V.S.A. § 4793(a).
- b. The Company agrees to eliminate references to, and not charge, uninsured motorist property damage deductibles in policies including collision coverage. Furthermore, the Company will conduct an audit of all

uninsured motorist property damage claims from 2001 to the present, to ensure policyholders have received the full benefits of such coverage. The Company further agrees to report to the Department the results of the audit, including the number of affected claims and the total dollar amount reimbursed, if any, within 90 days of the date of this order.

- c. The Company agrees to remove the "physical contact" requirement from its uninsured motorist coverage. Although the policy language was approved previously by the Department, the limitation may restrict coverage which the legislature intended, as several courts have held. The Company further agrees to submit revised policy forms to the Department for approval, within 45 days of the date of this order.
- d. The Company agrees to provide written claim denials, and to maintain copies of such denials in the claims files, and further agrees to monitor such activity as a part of its ongoing internal review process.
- e. The Company agrees to serve cancellation notices by certified mail.
- f. The Company agrees to comply with the revised policy and rate forms concerning surcharges for experience periods.
- g. The Company agrees to submit for the Department's approval a written procedure for reporting unclaimed property, within 90 days of the date hereof.
- h. Penalty payments shall be due within 10 business days of execution of this Consent Order.

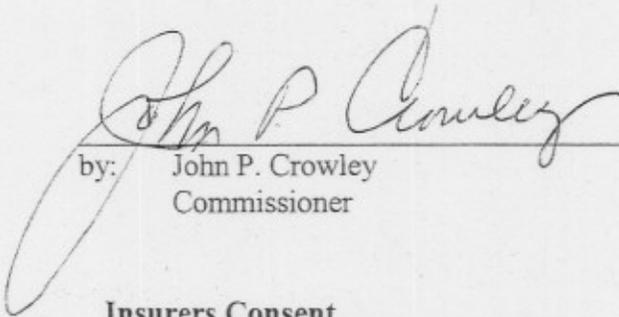
10. The Company shall pay an administrative penalty of \$5,000.00.

11. Nothing in this Consent Order shall be construed to preclude the Department from examining the Company or exercising any other regulatory authority.

12. Nothing in this Consent Order shall be construed as an admission of guilt or liability by the Company for any purpose other than those specifically set forth herein.

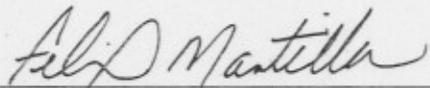
It is so ORDERED, this 11th day of May, 2006.

Vermont Department of Banking, Insurance
Securities and Health Care Administration


by: John P. Crowley
Commissioner

Insurers Consent

Allstate Insurance Company and Allstate Indemnity Company hereby consent to the contents and terms of this Consent Order and to all representations made herein. The person executing this Consent Order on behalf of Allstate Insurance Company and Allstate Indemnity Company is an officer and has the power to bind the companies to the terms of this Consent Order. After careful consideration, Allstate executes this Consent Order knowingly and voluntarily.


Signature

June 8, 2006
Date

Felix A. Mantilla
Print Name

Assistant Vice President
Title