



STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

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In the Matter of :
 :
 :
ALLSTATE INSURANCE COMPANY, :
ALLSTATE INDEMNITY COMPANY, :
ALLSTATE LIFE INSURANCE COMPANY OF :
NEW YORK, ALLSTATE PROPERTY AND :
CASUALTY INSURANCE COMPANY, :
DEERBROOK INSURANCE COMPANY, :
ENCOMPASS HOME AND AUTO :
INSURANCE COMPANY, ENCOMPASS :
INDEMNITY COMPANY, ENCOMPASS :
INDEPENDENT INSURANCE COMPANY, :
ENCOMPASS INSURANCE COMPANY OF :
AMERICA, ENCOMPASS PROPERTY AND :
CASUALTY COMPANY and NORTHBROOK :
INDEMNITY COMPANY, :
 :
 :
 Respondents. :
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CITATION
No. 2007-0075-C

TO THE ABOVE NAMED RESPONDENTS:

YOU ARE HEREBY CITED to appear at a hearing to be held at the office of the New York State Insurance Department, 25 Beaver Street, New York, NY 10004, 4th floor, on the 19th day of September, 2007, at 10:00 A.M., to show cause why an order should not be made: (i) imposing civil penalties upon you pursuant to Sections 109, 2324 and 2406 of the New York Insurance Law ("Insurance Law"); (ii) directing you to cease and desist from engaging in defined violations of the Insurance Law; (iii) directing you to take appropriate remedial action, including rescission of notices of non-renewal issued in violation of the Insurance Law and reinstatement of insurance policies non-renewed in violation of the Insurance Law; and (iv) imposing such other punitive, remedial or preventive action as may be authorized by law, by reason of the charge(s) and specification(s) hereinafter set forth.

CHARGE I

RESPONDENTS HAVE VIOLATED SECTION 2324 OF THE INSURANCE LAW

1. During the approximate period January 2006 to present, Respondent Allstate Insurance Company and one or more of its affiliated companies (hereinafter referred to as “Allstate” or “Respondents”), engaged in a practice in connection with the renewal of homeowners insurance policies issued to insureds in the State of New York, whereby thousands of Allstate homeowners policies were non-renewed based upon whether or not the insureds had other insurance coverage, such as automobile insurance or life insurance, with Allstate as of a certain past date.

2. In furtherance of the aforementioned practice, Allstate issued non-renewal notices to its homeowners insurance policyholders which typically stated in part:

Dear Customer,

We’re writing to you with what we know is unfortunate news. We will not be able to renew your Allstate Indemnity Company property policy at the end of your current premium period. . . .

As you may know, the 2004 and 2005 Hurricane Seasons brought terrible destruction to the Southeastern United States, across a huge area stretching from Texas to Florida. The extent of the damage and devastation was unprecedented.

We have an expectation that similarly destructive storms are possible all along the East coast in the coming years. Although no one can predict with certainty when or where a storm will hit, we believe there is potential for significant damage in your area.

As a result, we have had to explore some difficult options to better manage our catastrophic risk exposure, including non-renewing some property policies.

Why we cannot renew your policy

There were a number of reasons why we chose not to renew your property policy. They included the fact that the frame construction of your property is more susceptible to hurricane losses and is close to the Atlantic coast, where anticipated hurricane damages are highest. In addition, Allstate is basing its renewal offers in your area in part on whether customers had certain auto or life policies with us prior to the start of our current hurricane exposure reduction efforts on October 7, 2005. You did not have such a policy on that date. . . . [Emphasis added.]

Specification A

3. The aforementioned practice unlawfully discriminates against Allstate homeowners policyholders who do not need, or choose not to have, other insurance coverages with Allstate, in violation of Section 2324 of the Insurance Law.

Specification B

4. The aforementioned practice confers a special favor, benefit, advantage and/or other valuable consideration upon Allstate insureds who have more than one type of insurance coverage with Allstate that is not specified in the Allstate policy or contract, and thus constitutes an unlawful rebate and inducement within the meaning of Section 2324 of the Insurance Law.

CHARGE II

**RESPONDENTS HAVE VIOLATED SECTION 4224 OF
THE INSURANCE LAW**

5. The allegations of paragraphs 1 through 4 are repeated and realleged as if fully set forth herein.

6. The aforementioned practice confers a special favor, benefit, advantage and/or other valuable consideration upon Allstate life insurance policyholders who have more than one type of insurance coverage with Allstate that is not specified in the Allstate policy or contract, and thus constitutes an unlawful rebate and inducement within the meaning of Section 4224 of the Insurance Law.

CHARGE III

**RESPONDENTS HAVE ENGAGED IN DEFINED VIOLATIONS WITHIN
THE MEANING OF SECTION 2402(b) OF THE INSURANCE LAW**

Specification A

7. The allegations of paragraphs 1 through 4 are repeated and realleged as if fully set forth herein.

8. Pursuant to Section 2402(b) of the Insurance Law, a defined violation is, *inter alia*, the commission of an act prohibited by Section 2324 of the Insurance Law.

9. The aforesaid conduct of Respondents constitutes a defined violation within the meaning of Section 2402(b).

Specification B

10. The allegations of paragraphs 5 and 6 are repeated and realleged as if fully set forth herein.

11. Pursuant to Section 2402(b) of the Insurance Law, a defined violation is, *inter alia*, the commission of an act prohibited by Section 4224 of the Insurance Law.

12. The aforesaid conduct of Respondents constitutes a defined violation within the meaning of Section 2402(b).

CHARGE IV

RESPONDENTS HAVE ENGAGED IN DETERMINED VIOLATIONS WITHIN THE MEANING OF SECTION 2402(c) OF THE INSURANCE LAW

13. Pursuant to Section 2402(c) of the Insurance Law, a determined violation is “any unfair method of competition or any unfair or deceptive act or practice, which is not a defined violation but is determined by the superintendent pursuant to section two thousand four hundred five of this article to be such method, act or practice.”

Specification A

14. The allegations of paragraphs 1 through 12 are repeated and realleged as if fully set forth herein.

15. The aforesaid conduct of Respondents, to the extent not found to be a defined violation, constitutes a determined violation within the meaning of Section 2402(c).

Specification B

16. The allegations of paragraphs 1 through 12 are repeated and realleged as if fully set forth herein.

17. In response to the aforementioned non-renewal practices of Allstate and certain other insurers, the Department, on August 28, 2007, issued Circular Letter No. 11 (2007), entitled “NON-RENEWAL OF INSUREDS WITH HOMEOWNERS INSURANCE WHO DO NOT ALSO HAVE OTHER INSURANCE BUSINESS WITH THE INSURER,” to all property/casualty insurers, including the Respondents herein. A copy of said Circular Letter is attached hereto and incorporated herein.

18. Said Circular Letter No. 11 advised all property/casualty insurers, including Allstate, that the Department viewed the practice of basing an insurer’s determination to non-renew a homeowners policy on whether or not the policyholder has or had other insurance coverage with the insurer as of a certain past date to be violative of Section 2324 of the Insurance Law. In addition, the Circular Letter directed that:

Any insurer that is engaging in such practice must so inform the Insurance Department within 10 days of this circular letter, and immediately cease non-renewing policies using the supporting business condition. The insurer must also rescind any non-renewal notice that has not yet taken effect.

19. On August 29, 2007, Allstate, through its Regional Counsel, advised the Insurance Department in writing that it would not comply with the above directive, and intended to continue to make homeowners insurance non-renewal determinations based upon whether or not a policyholder had additional insurance coverage with Allstate as of a certain past date.

20. Respondents' refusal to comply with Department Circular Letter No. 11 constitutes a determined violation within the meaning of Section 2402(c).

PLEASE TAKE FURTHER NOTICE THAT:

(A) According to the records of the Insurance Department, Allstate Insurance Company, Allstate Indemnity Company, Allstate Property and Casualty Insurance Company, Deerbrook Insurance Company, Encompass Home and Auto Insurance Company, Encompass Indemnity Company, Encompass Independent Insurance Company, Encompass Insurance Company of America, Encompass Property and Casualty Company and Northbrook Indemnity Company are foreign insurance corporations authorized to transact property/casualty insurance business in the State of New York, and Allstate Life Insurance Company of New York is a domestic insurance company authorized to transact life, annuities and accident and health insurance business in the State of New York.

(B) This citation is issued pursuant to Sections 109, 303, 304, 305, 2324, 2402, 2403, 2404, 2405, 2406 and 4224 of the Insurance Law.

(C) Your attention is directed to a statement in plain language, attached hereto, entitled "Summary of Hearing Procedures," summarizing the provisions of Department Regulation No. 97 (11 NYCRR 4). This statement contains important information concerning your rights and the Department's hearing procedures and should be read carefully. A copy of Regulation No. 97 will be furnished upon request.

(D) Should you fail to appear at the time and place fixed for the hearing, or any adjourned date thereof, the hearing will proceed as scheduled. Disciplinary action, if any, taken as a result of the hearing may include the imposition of civil penalties, issuance of a cease and desist order, and such other punitive, remedial or preventive action as may be authorized under the Insurance Law.

Dated: New York, New York
August 31, 2007

NEW YORK STATE INSURANCE DEPARTMENT

By: _____
Jon G. Rothblatt
Assistant Deputy Superintendent and Counsel

CERTIFIED MAIL:

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