



**KEVIN M. MCCARTY**  
Commissioner

IN THE MATTER OF:

ALLSTATE FLORIDIAN INSURANCE COMPANY  
ALLSTATE INDEMNITY COMPANY  
ALLSTATE PROPERTY & CASUALTY INSURANCE COMPANY  
ALLSTATE INSURANCE COMPANY  
ALLSTATE FLORIDIAN INDEMNITY COMPANY  
ALLSTATE FIRE AND CASUALTY INSURANCE COMPANY  
ENCOMPASS INSURANCE COMPANY OF AMERICA  
ENCOMPASS INDEMNITY COMPANY  
ENCOMPASS FLORIDIAN INSURANCE COMPANY  
ENCOMPASS FLORIDIAN INDEMNITY COMPANY

CASE NO: 94076-08

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CONSENT ORDER

THIS CAUSE came on for consideration upon the agreement between ALLSTATE FLORIDIAN INSURANCE COMPANY, ALLSTATE INDEMNITY COMPANY, ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY, ALLSTATE INSURANCE COMPANY, ALLSTATE FLORIDIAN INDEMNITY COMPANY, ALLSTATE FIRE AND CASUALTY INSURANCE COMPANY, ENCOMPASS INSURANCE COMPANY OF AMERICA, ENCOMPASS INDEMNITY COMPANY, ENCOMPASS FLORIDIAN INSURANCE COMPANY, and ENCOMPASS FLORIDIAN INDEMNITY COMPANY, (collectively referred to as "ALLSTATE") and the OFFICE OF INSURANCE REGULATION ("OFFICE"). Following a complete review of the entire record, and upon consideration thereof, and being otherwise fully advised in the premises, the COMMISSIONER OF THE OFFICE OF INSURANCE REGULATION hereby finds as follows:

1. The OFFICE has jurisdiction over the subject matter of, and parties to, this proceeding.

2. The ALLSTATE companies are foreign corporations with a principal place of business at 2775 Sanders Road, Northbrook, Illinois 60062-6127. The ALLSTATE companies are currently authorized by the OFFICE to conduct business as property and casualty insurers in the State of Florida.

3. On October 16, 2007, the OFFICE served investigative subpoenas and subpoenas duces tecum (“subpoenas”) on each of the ALLSTATE companies. The subpoenas required the ALLSTATE companies to produce documents to the OFFICE with regard to non-renewals, underwriting practices, claims settlement practices, reinsurance programs, and relationships to risk modeling companies, insurance rating organizations or companies, and insurance trade associations on or before November 30, 2007, and to produce documents relating to the aforementioned subject areas and corporate representative(s) of the ALLSTATE companies with knowledge of the subject areas to appear and testify at a hearing in Tallahassee, Florida on January 15th and 16th, 2008.

4. ALLSTATE failed to provide sufficiently knowledgeable witnesses and failed to “freely” provide responsive documents as required by Section 624.318(2), Florida Statutes.

5. Section 624.418(2)(a), Florida Statutes, authorizes the OFFICE to suspend or revoke an insurer’s Certificate of Authority if it finds that the insurer “[h]as violated any lawful order or rule of the office or commission or any provision” of the Insurance Code.

6. Based upon the failure of ALLSTATE to freely provide documents and testimony at the hearing regarding the areas set out in the subpoenas, the OFFICE issued an Immediate Final Order on January 17, 2008 suspending ALLSTATE’s Certificates of Authority to write new insurance business in Florida until ALLSTATE fully complied with the requirements of

Florida law. The OFFICE's Immediate Final Order was upheld by the First District Court of Appeal on May 14, 2008 and the Florida Supreme Court declined review on June 18, 2008. ALLSTATE continued to produce documents responsive to the OFFICE's subpoenas during the pendency of the appeal, and based upon that production and ALLSTATE's representation that it would continue to cooperate with the OFFICE's investigation, the OFFICE found that ALLSTATE appeared to be in compliance with Section 624.318(2), Florida Statutes, and entered an Order on May 16, 2008 staying the Immediate Final Order.

7. The OFFICE also filed an Administrative Complaint against ALLSTATE on February 18, 2008 charging ALLSTATE with failing to freely provide documents as required by Section 624.318(2), Florida Statutes, falsely marking documents that it had produced as trade secrets, and falsely certifying that its chief executive officer had reviewed its rate filing. The OFFICE amended the Administrative Complaint on February 21, 2008. This matter was referred to the Division of Administrative Hearings ("DOAH") on April 8, 2008 and is pending under DOAH Case No.: 08-1716.

8. To resolve the allegations in the Amended Administrative Complaint, the OFFICE and ALLSTATE enter into this Consent Order and agree as follows:

a. Within 10 days from the date of the execution of this Consent Order, ALLSTATE INSURANCE COMPANY shall pay to the OFFICE the sum of \$5,000,000 as a penalty for ALLSTATE's conduct alleged in the OFFICE's Amended Administrative Complaint.

b. The penalty in paragraph 8.a. supra may not be included as an expense or otherwise considered in the ratemaking process in Florida.

c. To enhance the capital and the capacity for new business of the ALLSTATE FLORIDIAN INSURANCE COMPANY, the ALLSTATE INSURANCE COMPANY agrees to cancel and forgive the \$175 million surplus note dated September 30, 2004, as well as any related interest that ALLSTATE FLORIDIAN INSURANCE COMPANY owes to ALLSTATE INSURANCE COMPANY. The effect will be to convert the debt related to the \$175 million surplus note to \$175 million of contributed capital for ALLSTATE FLORIDIAN INSURANCE COMPANY, subject to any regulatory filings necessary to complete the conversion.

d. ALLSTATE FLORIDIAN INSURANCE COMPANY and ALLSTATE FLORIDIAN INDEMNITY COMPANY shall write a minimum combined total of 100,000 new residential property insurance policies in Florida within three (3) years from the date the rate reduction referenced in paragraph 8f goes into effect. Fifty Thousand (50,000) of these new policies shall be HO-3 (homeowners') or similar homeowner's insurance policies. The remaining 50,000 policies may be any combination of condominium unit owners' policies or renters' policies. ALLSTATE FLORIDIAN INSURANCE COMPANY and ALLSTATE FLORIDIAN INDEMNITY COMPANY shall use their best efforts to attain the 100,000 policy count outlined above, and to offer policies in each of the counties in Florida, so that the policy count is dispersed throughout the State of Florida. Failure to write 100,000 new policies between the companies within the time provided for in this Consent Order shall constitute a violation of this Order unless ALLSTATE demonstrates to the OFFICE that it has used its best efforts.

e. ALLSTATE FLORIDIAN INSURANCE COMPANY and ALLSTATE FLORIDIAN INDEMNITY COMPANY shall increase the number of new policies

referred to in paragraph 8.d. by 1.5 policies of the same type for any homeowners or renters policy non-renewed for the purpose of reducing hurricane exposure within three (3) years from the date the rate reduction referenced in paragraph 8f goes into effect.

f. ALLSTATE FLORIDIAN INSURANCE COMPANY and ALLSTATE FLORIDIAN INDEMNITY COMPANY further agree to uniformly reduce their territorial base rates, including the fixed expense policy fee, for homeowners and renters lines in Florida by five and six tenths of one percent (5.6%). ALLSTATE FLORIDIAN INSURANCE COMPANY and ALLSTATE FLORIDIAN INDEMNITY COMPANY shall file the necessary rate filings to implement these rate reductions with the OFFICE through the I-file system within thirty (30) days of the complete execution of this Consent Order with an effective date no longer than (60) days after the approval of the filing by the OFFICE. No adjustments to the rates shall be made in the filings other than the rate changes required to comply with the terms of this Order.

g. Unless approved in advance by the OFFICE due to exigent circumstances, ALLSTATE FLORIDIAN INSURANCE COMPANY and ALLSTATE FLORIDIAN INDEMNITY COMPANY shall not make a filing with the OFFICE seeking a rate increase for Florida residential property insurance lines for one year from the date the rate reductions in paragraph 8.f. supra are effective. The due dates for any filings otherwise due before that date for ALLSTATE FLORIDIAN INSURANCE COMPANY or ALLSTATE FLORIDIAN INDEMNITY COMPANY are hereby extended for one year from the date the rate reduction in paragraph 8.f. supra are effective.

h. For all future ALLSTATE rate filings, corporate officers signing rate filing certifications as required by Section 627.062, Florida Statutes shall first read and

understand the elements of the rate filing being certified, including the amount of rate requested and the type of model upon which the rate and the reinsurance cost included in the filing is based.

i. ALLSTATE agrees that it will continue to cooperate with the investigation of the OFFICE regarding insurers' relationships with various trade associations, rating organizations, modelers, reinsurance brokers, insurers, reinsurers, and other entities. Further, ALLSTATE agrees that it will continue to cooperate with the OFFICE's investigation into ALLSTATE's claim-payment practices. ALLSTATE also agrees that, consistent with Florida law, it will produce such records and employees as may be required by the OFFICE with regard to these continuing investigations.

j. ALLSTATE acknowledges that it must comply with Section 624.4213, Florida Statutes when submitting documents to the OFFICE in which ALLSTATE asserts a trade secret.

9. The OFFICE and ALLSTATE agree that this Consent Order resolves only the matters outlined in Paragraph 7 supra as to ALLSTATE and its officers, directors, and employees and shall not be construed to settle any other matters. Upon the execution of this Consent Order the Office shall withdraw the Administrative Complaint referred to in Paragraph 7 and the Office further agrees that it shall take no further action regarding the matters outlined in Paragraph 7.

10. ALLSTATE expressly waives a hearing in these matters, and the making of Findings of Fact and Conclusions of Law by the OFFICE and all further proceedings to which the parties may be entitled by law. ALLSTATE hereby knowingly and voluntarily waives all rights to challenge or to contest the matters contained in this Consent Order, in any forum,

including the right to any administrative proceeding, circuit or federal court actions or appeals therefrom.

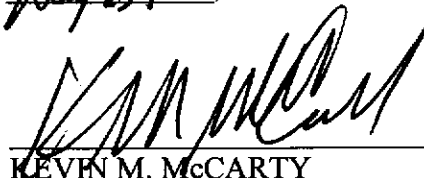
11. ALLSTATE agrees that the failure to adhere to one or more of the above terms and conditions of this Consent Order shall constitute a breach of this Consent Order and a violation of a lawful Order, and shall subject ALLSTATE to administrative and enforcement actions as the OFFICE may deem appropriate.

12. Except as otherwise provided herein, each party to this Consent Order shall bear its own costs and attorney's fees.

THEREFORE, the agreement between ALLSTATE and the OFFICE, the terms and conditions of which are set forth above, is APPROVED.

FURTHER, all terms and conditions contained herein are hereby ORDERED.

DONE AND ORDERED this 14<sup>th</sup> day of August, 2008.



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KEVIN M. McCARTY  
Commissioner  
Office of Insurance Regulation

BY MY SIGNATURE I hereby affirm that I am acting with authority, and that I am binding ALLSTATE FLORIDIAN INSURANCE COMPANY, ALLSTATE INDEMNITY COMPANY, ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY, ALLSTATE INSURANCE COMPANY, ALLSTATE FLORIDIAN INDEMNITY COMPANY, ALLSTATE FIRE AND CASUALTY INSURANCE COMPANY, ENCOMPASS INSURANCE COMPANY OF AMERICA, ENCOMPASS INDEMNITY COMPANY, ENCOMPASS FLORIDIAN INSURANCE COMPANY, and ENCOMPASS FLORIDIAN INDEMNITY COMPANY to the terms and conditions of this Consent Order.

By: William A. Vainisi

Printed Name: WILLIAM A. VAINISI

Title: VICE PRESIDENT

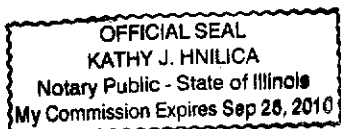
Date: 8/5/08

STATE OF Illinois  
COUNTY OF Cook

The foregoing instrument was acknowledged before me this 5<sup>th</sup> day of August 2008,

by William A. Vainisi as Vice President  
(name of person) (type of authority e.g. officer, trustee attorney in fact)

for ALLSTATE  
(company name)



Kathy J. Hnilica  
(Signature of the Notary)

Kathy J. Hnilica  
(Print or Stamp Commissioned Name of Notary)

**COPIES FURNISHED:**

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