

## Maryland Insurance Administration issues largest-ever property-casualty fine

Posted: Thu 12.20.2007 03:49 pm EST

Maryland insurance commissioner appointee Ralph S. Tyler announced a fine of \$750,000 – the largest ever imposed against a property-casualty insurer in Maryland – against Allstate Insurance Co. and its affiliated entities, including the Encompass companies, for failure to comply with state laws regarding mandatory notices to consumers and required filings with the MIA.

Meanwhile, Allstate officials said they have corrected the problems identified in Tyler's order and would not say whether the fine will be appealed.

"We have addressed and remedied each of the violations identified by the Maryland Insurance Administration. We expect timely and appropriate implementation of new laws and filings going forward," the company said in a statement to Insurance & Financial Advisor. "Allstate and its Encompass subsidiaries failed to implement three new notice requirements in a timely manner and did not correctly program certain coverage and rate filings. We underestimated the amount of time and resources needed to put the new notices into effect and sincerely regret the oversights associated with the filings."

Tyler said Allstate moved too slowly in correcting the problems.

"It is very simple," said Tyler in a prepared statement. "Here we have multiple compliance violations and Allstate moved too slowly to correct the problems. Allstate was put on notice and fined more than a year ago for similar compliance violations."

A series of three notices were found to be non-compliant in Maryland – notices of premium increases for auto policies, renewal notices for homeowners' policies and a required annual statement of coverage for homeowner's policyholders. Allstate also instituted certain policy changes without having filed those matters with the MIA as required by law. Tens of thousands of policyholders were provided inappropriate notices or not provided required notices at all. At this time, these notices and filings have been corrected.

The action sanctions Allstate for its violations of several state laws. The insurer violated a law requiring a specifically defined notice be provided to auto policyholders to inform them of their rights related to premium increases greater than 15 percent. State insurance law also requires that homeowner's policyholders receive specific notice of their renewal premium at least 45 days prior to the renewal. Additionally, state law requires homeowner's insurers to provide policyholders annually with a statement of coverage and exclusions.

In violation of state filing requirements, Allstate imposed a 3 percent cyclone deductible prior to the effective date submitted in its filing, improperly calculated certain premiums based on its filed hurricane deductible and failed to make appropriate filings to remove earthquake coverage from its policies.

Allstate previously paid restitution to Maryland consumers for similar violations of nearly \$18.6 million, the MIA said.