



IN RE THE AMENDED PLANS OF DIVISION OF:

ESURANCE INSURANCE COMPANY and
ESURANCE PROPERTY AND CASUALTY
INSURANCE COMPANY,

Applicants

FINAL DECISION AND ORDER ON AMENDED PLANS

On February 2, 2021, Esurance Insurance Company ("ESIC") and Esurance Property and Casualty Insurance Company ("ESPC" and together with ESIC, the "Applicants") submitted to the Illinois Department of Insurance (the "Department"), respectively, the ESIC Plan of Division, dated January 29, 2021 (the "ESIC Plan") and the ESPC Plan of Division dated January 29, 2021 (the "ESPC Plan," together with the ESIC Plan, the "Applicants' Plans") pursuant to 215 ILCS 5/Art. IIB. The Applicants' Plans were filed at the same time as plans of division for six other affiliates, all Illinois subsidiaries of The Allstate Corporation.

On March 3, 2021, per their request for hearing, the Applicants and their six affiliates came before the Hon. Mary Anne Mason (Ret.), the Hearing Officer designated by the Acting Director¹ ("Acting Director") of the Department pursuant to 215 ILCS 5/401, 5/402, and 5/403, at a virtual public hearing, commencing at 9:00 am Central Time, conducted pursuant to 215 ILCS 5/35B-25(a) and 50 Ill. Adm. Code 2402.80 and 2402.190.

On March 5, 2021, the Hearing Officer submitted her Findings of Fact, Conclusions of Law, and Recommendations to the Acting Director.

On March 19, 2021, the Acting Director issued a Final Decision and Order (the "Original Order"), which adopted the Hearing Officer's Findings of Fact, Conclusions of Law, and

¹ At all times in the proceedings described herein, the Acting Director's power of attorney and Chief Operating Officer, Kevin Fry, has acted and made all decisions in her stead.

Recommendations. The Original Order approved the Applicants' Plans, as well as the plans of division of the Applicants' six affiliates.

Thereafter, the Applicants discovered and notified the Department of certain errors on the lists of Specified Policies² within the Applicants' Plans. As a result of these errors, and after investigation of the facts and circumstances by the Department in connection with proposed amendments to the Applicants' Plans to correct the lists of Specified Policies, the Applicants amended their Plans on March 29, 2021 pursuant to 215 ILCS 5/35B-15(f) and Article VII, § 6 of the Applicants' Plans. On March 31, 2021, the Applicants filed the amendments (collectively the "Amended Plans") with the Department for the Acting Director's approval.

In this Final Decision and Order on Amended Plans ("Order on Amended Plans"), pursuant to 215 ILCS 5/35B-25(i), the Acting Director makes the following Findings of Fact and Conclusions of Law in connection with the Applicants' March 31, 2021 request for approval of the Amended Plans:

1. The preambles to this Final Decision and Order are adopted and incorporated in full.

2. On March 31, 2021, the Applicants submitted to the Department Amendment No. 1 to the ESIC Plan, dated March 29, 2021 and Amendment No. 1 to the ESPC Plan, dated March 29, 2021 (the "Amendments"). The Amendments replaced the original Schedule 1 (the list of Specified Policies) to the ESIC Plan and the original Schedule 1 to the ESPC Plan (list of Specified Policies) (the "Original Schedules") with updated lists of Specified Policies that corrected the errors (the "Replacement Schedules"). Additionally, the Commutation Amendment between ESIC and Allstate Insurance Company ("AIC") and the Commutation Amendment between ESPC and AIC (together, the "Applicants' Commutation Amendments") have been revised to apply to the Specified Policies listed in the Amended Plans. The Amendments make no other changes to the Applicants' Plans.

3. The ESIC Plan and Amendment No. 1 to the ESIC Plan now together comprise the "Amended ESIC Plan". The ESPC Plan and Amendment No. 1 to the ESPC Plan now together comprise the "Amended ESPC Plan".

4. The Amended Plans are subject to the Department's review and the Acting Director's approval under 215 ILCS 5/35B-15(f) and 25.

5. In support of their request that the Amendments be approved, the Applicants submitted the Affidavit of Michael A. Pedraja. Mr. Pedraja is the Senior Vice President and Treasurer for The Allstate Corporation, the ultimate controlling person for the Applicants. The Affidavit identified the errors with respect to the Specified Policies contained in the Original Schedules, which errors occasioned the need for the Amendments.

² Capitalized terms used herein but not otherwise defined shall be given the meaning set forth in the Hearing Officer's Findings of Fact, Conclusions of Law, and Recommendations, dated March 5, 2021.

6. Based on the Department's investigation into and review of the Amendments, the original Plans, and the Affidavit of Michael A. Pedraja, the Amendments correct the following defects in the Original Schedules:

- a. Two ESIC policies and 51 ESPC policies were erroneously included in the Original Schedules but were not factored into the capital assessment and calculation of reserves. The Amendments correct this error by removing those policies from the list of Specified Policies as reflected in the Replacement Schedules. Because the Amendments make no changes to the allocation of assets provided in the original Plans, this correction to the list of Specified Policies prevents the 53 policies from having any impact on the reserves of the Merger Company (ESMI Auto Insurance Company).
- b. One ESIC policy and 22 ESPC policies were inadvertently omitted from the Original Schedules but were factored into the original capital assessment and calculation of reserves. The Amendments correct this omission by leaving those policies off the list of Specified Policies as reflected in the Replacement Schedules. Because the Amendments make no changes to the allocation of assets provided in the original Plans, this approach will not change the total reserves in the Merger Company. Because there will be fewer policies in the Merger Company than were factored into the original capital assessment and calculation of reserves, the policies that will be allocated to the Merger Company under the Amended Plans will have slightly greater assets available per policy.
- c. Five ESIC policies and 77 ESPC policies were included in the Original Schedules and were factored into the capital assessment and calculation of reserves, but those policyholders did not receive notice of the hearing held on March 3, 2021. These policyholders were not impacted by such lack of notice. The Amendments remove those policies from the list of Specified Policies as reflected in the Replacement Schedules. Because the Amendments make no changes to the allocation of assets provided in the original Plans, this correction to the lists of Specified Policies will not change the total assets in the Merger Company. Because there will be fewer policies in the Merger Company than provided under the Original Schedules, the policies that remain with the Merger Company under the Amended Plans will have slightly greater assets available per policy.

7. The revisions to the Applicants' Commutation Amendments appropriately ensure that only the policies listed on the Replacement Schedules are subject to the Applicants' Commutation Amendments as originally intended for the Applicants' Divisions.

8. The Amendments do not have any material impact on the economics of the divisions and subsequent related merger transactions as provided in the original Applicants' Plans. Consequently, the Findings of Fact and Conclusions of Law that were submitted by the Hearing Officer and adopted by the Acting Director in the Original Order largely still apply to the Amended

Plans. The Findings of Fact and Conclusions of Law submitted by the Hearing Officer on March 5, 2021 are hereby adopted as part of and incorporated into this Order on the Amended Plans except to the following extent:

- a. No hearing was requested or held for the approval of the Amended Plans. All Findings and Conclusions related to notice, procedure, and conduct of an actual hearing only apply with respect to the original Plans. All policyholders and claimants whose policies are on the Replacement Schedules received notice of the March 3, 2021 hearing and had the opportunity to participate or intervene.
- b. This Order on Amended Plans does not adopt any Findings or Conclusions insofar as they relate to the plans of division approved under the Original Order for the Applicants' six other affiliates.
- c. To any other extent that the Hearing Officer's Findings and Conclusions affecting the Applicants could be construed to exclusively apply to the Original Schedules, this Order on the Amended Plans shall, and shall be deemed to, apply those Findings and Conclusions to the Replacement Schedules.

9. The Applicants have waived their right to a hearing on the approval of their Amended Plans. As a result, the provisions of Article X of the Illinois Administrative Procedure Act do not apply to this Order on Amended Plans. 5 ILCS 100/10-70.

10. Because the Amendments do not have any material impact on the economics of the divisions and subsequent related merger transactions that were previously approved in the Original Order, and because the Amendments will otherwise preserve the pre-division status quo rights and obligations for the policyholders and claimants whose affected policies no longer appear in the Replacement Schedules, the Acting Director has determined there to be no public interest in holding a hearing on the approval of the Amended Plans pursuant to 215 ILCS 5/35B-25(a).

11. Accordingly, following review of the information presented and the Department's investigation, based on a preponderance of the evidence, and upon consideration of the record as a whole or such portion thereof as may be supported by competent material and substantial evidence, the Acting Director finds that the Amended Plans should be approved.

ORDER

For the reasons set forth above, it is therefore ORDERED that the Amended Plans are hereby APPROVED. The Original Order is superseded only with respect to its approval of the original, unamended Plans of the two Applicants. The Original Order otherwise remains in full force and effect with respect to the six affiliates of the Applicants.

It is FURTHER ORDERED that the effectiveness of the Divisions is conditioned upon:

1. Execution of the Amended ESIC Plan and the Amended ESPC Plan according to their terms, conditions and covenants;
2. Receipt by the Department of all specified material and information;
3. Receipt from the Michigan Department of Insurance and Financial Services, and provision to the Department of satisfactory evidence, of licenses to transact the business of insurance in Michigan; and
4. The Applicants signing a "Certificate of Division" setting forth, among other things, the date the Division is to be effective, which shall not be more than 90 days after the Applicants file the Certificates of Division with the recorder, with a concurrent copy to the Director.

This Order on Amended Plans is a final administrative decision under the Administrative Review Law, 735 ILCS 5/3-101 *et seq.* Any action challenging the Order on Amended Plans shall comply with that law.

SO ORDERED this 31st day of March 2021.



Dana Popish Severinghaus KF
DANA POPISH SEVERINGHAUS
Acting Director
Signed by Kevin Fry, POA