January 29, 2013
Allstate Property and Casualty Insurance Company
South Carolina Homeowners Filing
Company Filing Number: R25628
SERFF Tracking #: ALSE-128791789
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Response to Questions received 1/15/13

1. With regard to question 1-6: We asked for the analysis and results of Allstate's due diligence in testing the AIR model. Apparently the last year that was done is 2005. But the results were not sent, even in a summary form.

As stated in the previous response, Allstate contracted with both RMS and AIR to run hurricane models from 2002 to 2005. Although extensive analysis was conducted in those years to compare the two models, the results of said analysis are not available, as they fall outside of the Catastrophe Modeling Team's requirements for data retention. In addition, such results would not be able to be shared based on the proprietary nature of the modeled loss results, as stipulated in the contract language between Allstate and AIR and between Allstate and RMS.

Since 2005, however, the analysts on Allstate's Catastrophe Modeling Team have continued to do extensive checks of the output data from AIR to ensure there is no discontinuity. Comparisons are made of modeled loss shifts due to model changes, modeled loss shifts due to exposure changes, and modeled loss shifts due to both model and exposure changes. Annual and event frequency and severity differences are compared using the same process. These analyses are performed to evaluate if the changes in the modeled loss estimates are consistent with what would have been expected to occur. These expectations are based on Allstate's knowledge of what coverage mixes, amount of insurance changes, or deductible changes have taken place since the previous model run as well as what model updates or improvements have been made by AIR since the previous model.

Through this analysis, Allstate generates questions for AIR relating to (among many others): the generation of loss-causing events, frequency and severity changes, damage function changes, and incorporation of new scientific data. Through a cooperative effort between AIR and Allstate, these questions are researched in order to confirm that the changes in modeled loss estimates are consistent with the enhancements made to the model as well as with any shifts in Allstate exposure.

Once the analysts on Allstate's Catastrophe Modeling Team are satisfied that the changes in modeled losses are explainable, the findings are presented to an expanded group of actuaries from both the Pricing and Catastrophe Modeling Teams during an internal actuarial peer review process. This provides a forum for the senior actuarial group and those actuaries responsible for rate filings based on modeled loss estimates to become comfortable that due diligence was performed in accordance with ASOP 38 as well as for the actuarial group to gain unanimous support in utilizing both the modeled results and any modeled adjustments.

2. With regard to questions 1-7 and 1-9: Please explain why ULAE is so much greater than ALAE in CAT situations. Don't you collect bills from adjusters indicating which case their time and expense is related to?

In many CAT situations, Allstate employed claim personnel cannot handle the large number of claims. In those situations, Allstate hires third party adjusters to aid in the claims handling process. Those third party adjusters often have a daily rate or other third party adjusting fees which cannot be allocated to any one individual claim. Similarly, in CAT situations there are other travel, lodging, meal, Catastrophe Pay, supply and other expenses which cannot be allocated to any one individual claim. As a result, the ULAE for CAT situations can be higher than the ALAE. In non-CAT situations, there are fewer unallocated expenses, so in those situations ALAE is usually higher than ULAE.

3. With regard to question 1-13: Please supply your latest territory review, along with your estimate of the percentage of premium for non-cat losses and cat losses by county in the state. Also, please supply paid claims data by county, split between cat and non-cat for as long as you have it reasonably available in your computers.

Please see Attachment A, Exhibit 1 for a summary of the last territory change. For more detailed information, please see filing R23361 along with its amendments. As shown in this exhibit, the analysis was done at the zone level, not the county level. In order to allocate premium for non-cat and cat losses by county, a weighted average of these percentages by in force premium was used as shown in Exhibit 2. Please note that the last territorial indication was from 2nd quarter 2010, which helps explain discrepancies between the current indication and the Total row of Exhibit 1.

Exhibit 3 contains paid claims split by county, from implementation of Allstate Property and Casualty Insurance Company on April 16, 2007.

4. With regard to question 1-14: Please explain why, for 2008 for non-weather losses and for all years for weather peril, the factor to adjust for non-renewals is positive (e.g., 1.034 for 2011 for weather peril). Doesn't that imply that the business you non-renewed was better than average?

As stated in the previous response, the analysis on selecting the policies to be non-renewed was done on a total company basis (Allstate Insurance Company, Allstate Indemnity Company, and Allstate Property and Casualty Insurance Company), of which only a small portion is Allstate Property and Casualty business. Of the non-weather perils, for 2011, in Allstate Property and Casualty you are correct in that the non-renewal losses tended to perform better than those being renewed. Out of all perils, years, and books of business though, the non-renewal policyholders have been a poorer performing segment.

5. With regard to question 1-22: From your answer, apparently you agree that you are spending $5 for reinsurance for every $1 in reinsurance benefit you expect to receive over the infinite term. You did not really respond to our question about the acceptability of such a poor cost/benefit ratio. What alternative mechanisms have you considered to lower this ratio?

As one of the nation's leaders in underwriting property risk, the Allstate Corporation faces significant risk to capital from weather-related catastrophe losses, especially hurricane. Third party reinsurance offers a large pool of risk-bearing capital capacity and is priced in a competitive market. Our catastrophe reinsurance program allows us to continue to broadly offer protection products. It was designed, utilizing our risk management methodology, to address our exposure to catastrophes nationwide. These reinsurance agreements are part of our catastrophe management strategy, which is intended to provide our shareholders an acceptable return on the risks assumed in our property business, and to reduce variability of earnings while providing protection to our customers. Our 2012 reinsurance program continues to support our goal to have no more than a 1% likelihood of

exceeding annual aggregate catastrophe losses by $2 billion, net of reinsurance, from hurricanes and earthquakes, based on modeling assumptions and applications currently available.

Every year we review alternatives such as CAT bonds. Cat bonds by definition are one event covers that are not available to cover multiple events as many rating agencies require. Also of note, CAT bonds typically do not provide an apples to apples coverage nor would the investors in such bonds participate in layers with loss probabilities found in most of our reinsurance structure. We do look at CAT bonds for higher levels of the structure as well as other alternatives such as fully collateralized markets. Finally, there is a high cost to setting up and operating the entity that issues the bonds which make the costs equivalent to the cost of our traditional market placements. Given the leverage we have with the size and breadth of the Allstate placement, we are confident our program provides a highly efficient mechanism of risk transfer on a risk adjusted basis.

Also, in prior years we have had an Atlantic/Gulf reinsurance contract in addition to the countrywide one, which resulted in a cost-benefit ratio of 18.7%. The removal of this additional contract in 2011 increased our cost-benefit ratio.

ALLSTATE PROPERTY & CASUALTY INSURANCE COMPANY
OWNERS
SOUTH CAROLINA

DEVELOPMENT OF INDICATED PERCENT CHANGE BY ZONE

Zone	Written Variable Premium @CRL (1)	Ex-Cat Credibility Pure Premium * (2)	Expected Catastrophe Pure Premium * (3)	Reinsurance Expense Pure Premium (4)	Retained Risk Pure Premium (5)	Total Expected Pure Premium * (6)=(2)+(3)+(4)+(5)	% Ex-Cat Credibility Pure Premium * (7)=(2)/(6)	% Expected Catastrophe Pure Premium * (8)=(3)/(6)	Written Exposures (9)	Adjusted Pure Premium Relativity (10)=(6)/[(1)/(9)]	Indicated Adjusted Pure Premium Relativity (11)=(10)/[(10)Total]	Indicated Change (12)	Selected Change (13)
Beach	$349,803	181.16	152.49	36.55	38.80	409.00	44.3%	37.3%	359	0.420	0.444	-24.2%	0.0%
Seacoast	$626,498	113.24	381.65	384.25	407.85	1,286.99	8.8%	29.7%	496	1.019	1.077	84.0%	20.0%
Inland 1	$2,383,560	115.30	461.13	544.84	578.31	1,699.58	6.8%	27.1%	2,291	1.634	1.726	195.0%	35.0%
Inland 2	$22,165,302	165.37	190.87	112.73	119.66	588.63	28.1%	32.4%	33,085	0.879	0.929	58.7%	20.0%
TOTAL	$25,525,163	159.63	210.35	143.02	151.80	664.80	24.0%	31.6%	36,231	0.946	1.000	70.9%	21.1%
												70.9%	**21.1%**

Zone Definitions:
Beach - Corresponds to Reinsurance Zone 1, which includes Rating Territories 9, 17, 20, 26, 44, 46, 64 & 73
Seacoast - Corresponds to Reinsurance Zone 2, which includes Rating Territories 3, 8, 49, 63 & 85
Inland 1 - Corresponds to Reinsurance Zone 3, which includes Rating Territories 2, 5, 7, 11, 16, 19, 22, 25, 27, 40, 43, 48, 53, 55, 60, 62, 66, 68, 75, 78, 81, 84, 87, 93, 96, 98, 99, 101, 103 & 105
Inland 2 - Corresponds to Reinsurance Zone 4, which includes Rating Territories 1, 4, 6, 10, 12, 13, 14, 15, 18, 21, 23, 24, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 42, 45, 47, 50, 51, 52, 54, 56, 57, 58, 59, 61, 65, 67, 69, 70, 71, 72, 74, 76, 77, 79, 80, 82, 86, 88, 89, 90, 91, 92, 94, 95, 97, 100, 102, 104, 106, 107, 108 & 109

* Includes All Loss Adjustment Expense

County	Zone	In-Force Premium	% Non-Catastrophe Premium	% Catastrophe Premium
Abbeville	Inland 2	$120,386	28.1%	32.4%
Aiken	Inland 2	$2,493,351	28.1%	32.4%
Allendale	Inland 2	$25,406	28.1%	32.4%
Anderson	Inland 2	$1,994,191	28.1%	32.4%
Bamberg	Inland 1	$3,800	6.8%	27.1%
Bamberg	Inland 2	$43,141	28.1%	32.4%
Barnwell	Inland 2	$125,542	28.1%	32.4%
Beaufort	Beach	$17,657	44.3%	37.3%
Beaufort	Inland 1	$86,352	6.8%	27.1%
Beaufort	Seacoast	$33,169	8.8%	29.7%
Berkeley	Inland 1	$215,756	6.8%	27.1%
Calhoun	Inland 2	$101,884	28.1%	32.4%
Charleston	Beach	$430,246	44.3%	37.3%
Charleston	Inland 1	$1,133,809	6.8%	27.1%
Charleston	Seacoast	$3,838	8.8%	29.7%
Cherokee	Inland 2	$400,697	28.1%	32.4%
Chester	Inland 2	$246,644	28.1%	32.4%
Chesterfield	Inland 2	$256,587	28.1%	32.4%
Clarendon	Inland 1	$106,727	6.8%	27.1%
Clarendon	Inland 2	$21,849	28.1%	32.4%
Colleton	Beach	$4,826	44.3%	37.3%
Colleton	Inland 1	$10,020	6.8%	27.1%
Colleton	Inland 2	$1,209	28.1%	32.4%
Darlington	Inland 1	$167,011	6.8%	27.1%
Darlington	Inland 2	$479,077	28.1%	32.4%
Dillon	Inland 1	$45,278	6.8%	27.1%
Dillon	Inland 2	$79,266	28.1%	32.4%
Dorchester	Inland 1	$173,047	6.8%	27.1%
Edgefield	Inland 2	$216,310	28.1%	32.4%
Fairfield	Inland 2	$193,113	28.1%	32.4%
Florence	Inland 1	$826,889	6.8%	27.1%
Florence	Inland 2	$1,154,659	28.1%	32.4%
Georgetown	Beach	$59,803	44.3%	37.3%
Georgetown	Inland 1	$316,876	6.8%	27.1%
Greenville	Inland 2	$6,296,997	28.1%	32.4%
Greenwood	Inland 2	$454,331	28.1%	32.4%
Hampton	Inland 1	$22,825	6.8%	27.1%
Hampton	Inland 2	$60,096	28.1%	32.4%
Horry	Beach	$323,073	44.3%	37.3%
Horry	Inland 1	$210,102	6.8%	27.1%
Horry	Seacoast	$252,102	8.8%	29.7%
Jasper	Inland 1	$1,684	6.8%	27.1%
Kershaw	Inland 2	$1,076,937	28.1%	32.4%
Lancaster	Inland 2	$1,236,913	28.1%	32.4%
Laurens	Inland 2	$421,065	28.1%	32.4%
Lee	Inland 2	$110,892	28.1%	32.4%
Lexington	Inland 2	$3,611,377	28.1%	32.4%
Marion	Inland 1	$241,392	6.8%	27.1%
Marlboro	Inland 1	$1,132	6.8%	27.1%
Marlboro	Inland 2	$88,297	28.1%	32.4%
Mccormick	Inland 2	$65,240	28.1%	32.4%
Newberry	Inland 2	$270,229	28.1%	32.4%
Oconee	Inland 2	$1,250,339	28.1%	32.4%
Orangeburg	Inland 1	$61,578	6.8%	27.1%
Orangeburg	Inland 2	$416,043	28.1%	32.4%
Pickens	Inland 2	$1,122,116	28.1%	32.4%
Richland	Inland 2	$4,247,454	28.1%	32.4%
Saluda	Inland 2	$109,732	28.1%	32.4%
Spartanburg	Inland 2	$2,752,685	28.1%	32.4%
Sumter	Inland 1	$3,887	6.8%	27.1%
Sumter	Inland 2	$707,339	28.1%	32.4%
Union	Inland 2	$189,705	28.1%	32.4%
Williamsburg	Inland 1	$170,846	6.8%	27.1%
York	Inland 2	$2,871,396	28.1%	32.4%

County	% Non-Catastrophe Premium	% Catastrophe Premium
Abbeville	28.1%	32.4%
Aiken	28.1%	32.4%
Allendale	28.1%	32.4%
Anderson	28.1%	32.4%
Bamberg	26.4%	32.0%
Barnwell	28.1%	32.4%
Beaufort	12.1%	29.0%
Berkeley	6.8%	27.1%
Calhoun	28.1%	32.4%
Charleston	17.1%	29.9%
Cherokee	28.1%	32.4%
Chester	28.1%	32.4%
Chesterfield	28.1%	32.4%
Clarendon	10.4%	28.0%
Colleton	19.7%	30.6%
Darlington	22.6%	31.1%
Dillon	20.3%	30.5%
Dorchester	6.8%	27.1%
Edgefield	28.1%	32.4%
Fairfield	28.1%	32.4%
Florence	19.2%	30.2%
Georgetown	12.7%	28.7%
Greenville	28.1%	32.4%
Greenwood	28.1%	32.4%
Hampton	22.2%	31.0%
Horry	22.9%	32.1%
Jasper	6.8%	27.1%
Kershaw	28.1%	32.4%
Lancaster	28.1%	32.4%
Laurens	28.1%	32.4%
Lee	28.1%	32.4%
Lexington	28.1%	32.4%
Marion	6.8%	27.1%
Marlboro	27.8%	32.4%
Mccormick	28.1%	32.4%
Newberry	28.1%	32.4%
Oconee	28.1%	32.4%
Orangeburg	25.3%	31.7%
Pickens	28.1%	32.4%
Richland	28.1%	32.4%
Saluda	28.1%	32.4%
Spartanburg	28.1%	32.4%
Sumter	28.0%	32.4%
Union	28.1%	32.4%
Williamsburg	6.8%	27.1%
York	28.1%	32.4%

Non - Catastrophe Paid Claims

County	Accident Year Ending 12/31 Evaluated at 12/31/2012					
	2007	2008	2009	2010	2011	2012
ABBEVILLE	$629	$6,857	$45,511	$10,008	$21,754	$4,044
AIKEN	$6,707	$1,531,237	$286,556	$616,028	$282,863	$283,570
ALLENDALE	$0	$0	$0	$3	$0	$933
ANDERSON	$52,686	$133,492	$818,340	$854,100	$949,835	$639,202
BAMBERG	$0	$207,607	$1,467	$5,442	$175	$1,823
BARNWELL	$0	$9,996	$1,715	$28,374	$7,248	$24,847
BEAUFORT	$0	$0	$0	$15,975	$0	$6,865
BERKELEY	$0	$0	$15,276	$20,663	$10,133	$4,984
CALHOUN	$0	$0	$129,859	$0	$204,263	$4,163
CHARLESTON	$10,750	$20,152	$141,057	$161,587	$306,493	$157,902
CHEROKEE	$0	$10,332	$65,428	$48,651	$54,527	$107,649
CHESTER	$187,189	$324,088	$79,276	$26,678	$142,011	$421,921
CHESTERFIELD	$21,350	$27,299	$134,768	$114,550	$29,825	$160,146
CLARENDON	$0	$1,704	$33,769	$2,048	$212,353	$12,757
COLLETON	$0	$0	$0	$0	$885	$0
DARLINGTON	$304,734	$23,238	$320,651	$66,994	$494,153	$33,044
DILLON	$0	$1,748	$3,885	$23,175	$49,457	$7,593
DORCHESTER	$3,150	$0	$150	$2,435	$5,502	$1,135
EDGEFIELD	$0	$15,042	$87,894	$2,007	$708,984	$15,931
FAIRFIELD	$5,876	$11,619	$175	$17,290	$261,926	$4,300
FLORENCE	$18,343	$36,238	$606,802	$940,009	$314,577	$641,665
GEORGETOWN	$0	$0	$88,947	$2,756	$61,938	$82,340
GREENVILLE	$87,400	$1,135,526	$783,512	$1,821,647	$2,043,929	$1,245,489
GREENWOOD	$16,863	$9,651	$55,103	$493,812	$148,032	$63,003
HAMPTON	$0	$0	$132,674	$18,656	$2,143	$9,447
HORRY	$0	$47,851	$66,771	$38,913	$19,114	$44,661
KERSHAW	$0	$541,364	$71,174	$246,157	$343,908	$186,000
LANCASTER	$110,641	$66,109	$167,032	$433,622	$788,198	$688,356
LAURENS	$0	$17,199	$557,679	$109,737	$102,391	$294,001
LEE	$0	$101,391	$38,732	$19,720	$29,726	$15,577
LEXINGTON	$63,488	$215,539	$1,092,229	$649,346	$575,794	$552,516
MARION	$0	$429,805	$6,563	$18,835	$205,208	$16,008
MARLBORO	$0	$566	$4,199	$11,616	$12,426	$11,926
MCCORMICK	$0	$0	$0	$0	$2,496	$5,258
NEWBERRY	$1,274	$12,048	$5,016	$9,691	$29,393	$7,107
OCONEE	$1,849	$229,096	$361,233	$415,330	$265,187	$317,429
ORANGEBURG	$0	$44,454	$65,990	$62,830	$340,978	$117,852
PICKENS	$7,946	$425,662	$82,904	$725,844	$420,888	$559,583
RICHLAND	$123,324	$420,061	$515,828	$1,252,044	$1,521,997	$964,759
SALUDA	$0	$129,950	$737	$279,781	$4,379	$13,501
SPARTANBURG	$126,007	$772,549	$1,215,700	$1,053,587	$1,355,319	$1,371,390
SUMTER	$6,609	$71,640	$564,724	$307,302	$262,161	$256,473
UNION	$59,659	$387,242	$74,831	$9,959	$40,990	$156,844
WILLIAMSBURG	$0	$2,014	$4,517	$3,463	$315,575	$4,956
YORK	$51,252	$86,279	$654,155	$421,161	$894,385	$518,137

Catastrophe Paid Claims

County	Accident Year Ending 12/31 Evaluated at 12/31/2012					
	2007	2008	2009	2010	2011	2012
ABBEVILLE	$0	$33,168	$289,206	$5,765	$4,598	$50,966
AIKEN	$0	$210,471	$210,555	$189,632	$263,536	$159,748
ALLENDALE	$0	$64,861	$1,720	$0	$0	$0
ANDERSON	$404	$61,107	$460,231	$951,908	$628,939	$170,141
BAMBERG	$0	$12,541	$5,500	$0	$4,822	$3,940
BARNWELL	$0	$53,540	$11,910	$3,760	$12,131	$2,975
BEAUFORT	$0	$0	$0	$0	$3,466	$0
BERKELEY	$0	$0	$0	$0	$4,500	$0
CALHOUN	$0	$8,616	$5,859	$0	$3,280	$3,293
CHARLESTON	$0	$4,453	$12,078	$30,052	$76,602	$320,776
CHEROKEE	$0	$12,578	$30,435	$281,776	$428,709	$73,374
CHESTER	$0	$10,771	$35,097	$23,219	$370,659	$30,664
CHESTERFIELD	$9,356	$650	$3,545	$6,647	$52,543	$95,247
CLARENDON	$0	$0	$2,574	$1,419	$15,973	$53
COLLETON	$0	$0	$0	$0	$0	$0
DARLINGTON	$0	$46,955	$547	$63,137	$1,104,485	$42,130
DILLON	$0	$20,043	$0	$4,287	$219,118	$227
DORCHESTER	$0	$0	$0	$0	$0	$3,301
EDGEFIELD	$0	$16,871	$13,020	$0	$9,946	$7,961
FAIRFIELD	$0	$125,166	$27,892	$23,818	$140,331	$4,415
FLORENCE	$0	$62,947	$58,048	$55,211	$438,972	$267,249
GEORGETOWN	$0	$0	$1,746	$5,735	$64,789	$8,689
GREENVILLE	$0	$105,066	$610,763	$5,174,878	$4,545,433	$1,498,403
GREENWOOD	$0	$23,130	$153,324	$31,360	$74,609	$76,590
HAMPTON	$0	$4,307	$0	$6,170	$10,505	$10,531
HORRY	$0	$5,388	$41,851	$2,610	$79,190	$0
KERSHAW	$0	$138,235	$24,352	$28,331	$1,514,641	$86,802
LANCASTER	$0	$45,441	$77,751	$91,849	$2,888,743	$75,781
LAURENS	$0	$6,885	$52,251	$97,882	$374,804	$103,852
LEE	$0	$5,999	$12,564	$9,200	$51,832	$5,666
LEXINGTON	$0	$228,868	$337,447	$306,178	$409,492	$1,034,575
MARION	$0	$7,360	$7,894	$208,381	$14,590	$15,082
MARLBORO	$0	$1,439	$8,707	$17,576	$17,675	$1,359
MCCORMICK	$0	$0	$6,436	$3,557	$51,197	$5,968
NEWBERRY	$0	$21,351	$4,299	$0	$62,148	$39,990
OCONEE	$0	$0	$18,310	$37,885	$396,326	$138,836
ORANGEBURG	$0	$9,087	$6,366	$6,960	$42,117	$3,143
PICKENS	$0	$14,519	$109,245	$555,815	$435,221	$112,358
RICHLAND	$0	$282,050	$559,187	$823,757	$1,000,467	$328,177
SALUDA	$0	$8,388	$31,712	$5,050	$9,717	$23,091
SPARTANBURG	$0	$59,469	$504,637	$2,397,134	$1,640,104	$2,127,285
SUMTER	$0	$4,758	$25,473	$34,221	$587,958	$98,826
UNION	$0	$4,243	$19,696	$9,493	$115,825	$202,790
WILLIAMSBURG	$0	$3,315	$6,351	$0	$35,519	$736
YORK	$0	$39,343	$117,040	$174,014	$8,606,975	$116,100