

JUN 11 2007

DEPT OF INSURANCE  
BY 

STATE OF ARIZONA  
DEPARTMENT OF INSURANCE

In the Matter of:

**ALLSTATE LIFE INSURANCE COMPANY,**

NAIC # 60186,

Respondent

) Docket No. 07A-113-INS

) **CONSENT ORDER**

Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of Allstate Life Insurance Company ("Allstate"). The Report of Examination of the Market Conduct Affairs of Allstate Life Insurance Company alleges that Allstate has violated A.R.S. §§ 20-1233 (A) and (B), 20-1241. 04 (E) and (H); 20-1241.05 (C) and (G)(1) and 20-1242.02 (G).

Allstate wishes to resolve this matter without formal proceedings, admits that the following Findings of Fact are true and consents to the entry of the following Conclusions of Law and Order.

**FINDINGS OF FACT**

1. Allstate is authorized to transact life and disability insurance pursuant to a Certificate of Authority issued by the Director.

2. The Director authorized the Examiners to conduct a targeted market examination of Allstate. The examination covered the time period from October 1, 2004 through March 31, 2005 and concluded on July 18, 2006. Based on the examination findings, the Examiners prepared the "Report of Targeted Examination of Allstate Life Insurance Company", dated March 31, 2005.

1           3.     a.     Allstate used five annuity application forms that either failed to  
2 contain a Free Look notice, or contained a Free Look notice that failed to included a  
3 statement notifying contract holders age 65 years or older on the date of the  
4 application that they had 30 days after delivery in which to return the annuity contract  
5 for a full refund of all monies paid;

6                   b.     Allstate used four annuity application forms and two contract forms  
7 that failed to contain a Free Look notice that offered the right to return the annuity  
8 contract for a refund of the value of the separate accounts plus the fees and other  
9 charges that were paid;

10                   c.     Allstate failed to either obtain the required replacement notice,  
11 obtained an incorrect replacement notice, or accepted an incomplete replacement  
12 notice on six of the 59 annuity internal and external replacement files reviewed;

13                   d.     Allstate failed to either obtain the required notice, obtained an  
14 incorrect replacement notice, or accepted an incomplete replacement notice and either  
15 failed to notify the producer and applicant that outstanding requirements needed to be  
16 fulfilled or did not fulfill the incomplete requirement in six of 59 annuity internal and  
17 external replacement files reviewed;

18                   e.     Allstate failed to notify the existing insurer that may be affected by  
19 the proposed replacement within five business days of the receipt of a completed  
20 application indicating replacement on three of the 49 annuity external replacement files  
21 reviewed;

22                   f.     Allstate failed to require, with the application, a statement signed  
23 by the producer stating that the producer used only sales material which had been  
24 approved by the Company on three of the 59 annuity internal and external replacement  
25 files reviewed;



1 g. Allstate used two annuity disclosure documents that failed to  
2 contain the annuity contract withdrawal charges, specified as a dollar amount or  
3 percentage.

4  
5 **CONCLUSION OF LAW**

6 1. a. Allstate violated A.R.S. § 20-1233 (A) by using application forms  
7 that either failed to contain a Free Look notice, or contained a Free Look notice that  
8 failed to included a statement notifying contract holders age 65 years or older on the  
9 date of the application that they had 30 days after delivery in which to return the  
10 annuity contract for a full refund of all monies paid;

11 b. Allstate violated A.R.S. § 20-1233 (B) by using application forms  
12 and contract forms that failed to contain a Free Look notice that offered the right to  
13 return the annuity contract for a refund of the value of the separate accounts plus the  
14 fees and other charges that were paid.

15 2. a. Allstate violated A.R.S. § 20-1241.04 (E) by failing to either obtain  
16 the required replacement notice, obtained an incorrect replacement notice, or  
17 accepting an incomplete replacement notice.

18 b. Allstate violated A.R.S. § 20-1241.04 (H) by failing to notify the  
19 producer and applicant the outstanding replacement requirements needed to be  
20 fulfilled or did not fulfill the incomplete requirement;

21 c. Allstate violated A.R.S. § 20-1241.05 (C) by failing to notify the  
22 existing insurer that may be affected by the proposed replacement within five business  
23 days of the receipt of a completed application indicating replacement;

1 d. Allstate violated A.R.S. § 20-1241.05 (G)(1) by failing to obtain a  
2 statement signed by the producer stating that the producer used only sales material  
3 which had been approved by the Company.

4 3. Allstate violated A. R. S. § 20-1242.02 (G) by using disclosure  
5 documents that failed to contain the annuity contract withdrawal charges, specified as  
6 a dollar amount or percentage.

7 **ORDER**

8 **IT IS ORDERED THAT:**

9 1. Allstate Life Insurance Company shall cease and desist from:

10 a. using application forms that either failed to contain a Free Look  
11 notice, or contained a Free Look notice that failed to included a statement notifying  
12 contract holders age 65 years or older on the date of the application that they had 30  
13 days after delivery in which to return the annuity contract for a full refund of all monies  
14 paid;

15 b. using application forms and contract forms that failed to contain a  
16 Free Look notice that offered the right to return the annuity contract for a refund of the  
17 value of the separate accounts plus the fees and other charges that were paid;

18 c. failing to either obtain the required replacement notice, obtaining an  
19 incorrect replacement notice, or accepting an incomplete replacement notice;

20 d. failing to either obtain the requirement notice, obtaining an incorrect  
21 replacement notice, or accepting an incomplete replacement notice and either failing to  
22 notify the producer and applicant that outstanding requirements need to be fulfilled of  
23 not fulfilling the incomplete requirements;

1 e. failing to notify the existing insurer that may be affected by the  
2 proposed replacement within five business days of a completed application which  
3 indicated replacement;

4 f. failing to obtain a statement signed by the producer stating that the  
5 producer used only sales material which had been approved by the Company;

6 g. using disclosure documents that failed to contain the annuity contract  
7 withdrawal charges, specified as a dollar amount or percentage.

8 2. Within 90 days of filed date of this Order, Allstate shall submit to the  
9 Arizona Department of Insurance, for approval, evidence that corrections have been  
10 implemented and communicated to the appropriate personnel, regarding all of the  
11 items listed above in Paragraph 1 of the Order section of this Consent Order.  
12 Evidence of corrective action includes but is not limited to memos, bulletins, E-mails,  
13 correspondence, procedures manuals, print screens and training materials.

14 3. The Department shall be permitted, through authorized representatives,  
15 to verify that Allstate has complied with all provisions of this Order.

16 4. Allstate shall pay a civil penalty of \$12,000.00 to the Director for deposit  
17 in the State General Fund in accordance with A.R.S. § 20-220(B). This civil penalty  
18 shall be provided to the Market Conduct Examinations Section of the Department prior  
19 to the filing of this Order.

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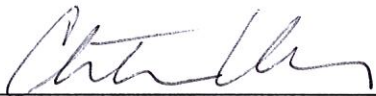
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1           5.     The Report of Examination of the Market Conduct Affairs of Allstate Life  
2 Insurance Company dated March 31, 2005 including the letter submitted in response  
3 to the Report of Examination, shall be filed with the Department after the Director has  
4 filed this Order.

5 DATED Arizona this 8<sup>th</sup> day of June, 2007.

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9 Christina Urias  
10 Director of Insurance  
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1 COPY of the foregoing mailed/delivered  
2 this 11th day of June, 2007, to:

- 3 Gerrie Marks  
4 Deputy Director
- 5 Mary Butterfield  
6 Assistant Director  
7 Consumer Affairs Division
- 8 Paul J. Hogan  
9 Market Oversight Administrator  
10 Market Oversight Division
- 11 Dean Ehler  
12 Assistant Director  
13 Rates & Regulations Division
- 14 Steve Ferguson  
15 Assistant Director  
16 Financial Affairs Division
- 17 Alan Griffieth  
18 Chief Financial Examiner
- 19 Alexandra Schafer  
20 Assistant Director  
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- 22 Terry L. Cooper  
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