



State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Scott Walker, Governor
Theodore K. Nickel, Commissioner

Wisconsin.gov

July 15, 2011

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Ms. Mary McGinn
Senior Vice President, Secretary and
Deputy General Counsel
The Allstate Corporation
2775 Sanders Road, A3
Northbrook, IL 60062

Re: Proposed Acquisition of Control of Esurance Insurance Company and Esurance Insurance Company of New Jersey by The Allstate Corporation and Allstate Insurance Holdings, LLC (Case No. 11-C33963)

Dear Ms. McGinn:

Responses to the following items are requested in connection with this Office's review of the proposed acquisition of control of Esurance Insurance Company and Esurance Insurance Company of New Jersey (hereinafter also, "Esurance Wisconsin Insurers") by The Allstate Corporation and Allstate Insurance Holdings, LLC (hereinafter also, "Allstate").

1. Please describe the process, timeframe, and deliberations by Allstate's management and its boards of directors concerning the current plan to acquire the Esurance Wisconsin Insurers.
2. Please provide copies of any fairness opinions with respect to the acquisition (Goldman, Sachs & Company).
3. Does Allstate expect the Esurance Wisconsin Insurers to expand or contract their current territory of operations?
4. Are there any types of insurance programs and services Allstate expects the Esurance Wisconsin Insurers to seek to expand, reduce, or terminate, following the proposed acquisition?
5. Does Allstate have any plans for the Esurance Wisconsin Insurers to purchase or sell any books of business over the twelve months following the proposed acquisition?
6. Please provide a copy of the most recent holding company registration statement filed with the Illinois Department of Insurance related to Allstate.
7. Has Allstate considered any future redomestications of any of the insurers involved in the acquisition? If so, what is the anticipated timeframe for these anticipated redomestications?

8. Will the existing employees that provide services to the Esurance Wisconsin Insurers be transferred from their present employer to become employees of a different entity within the Allstate holding company system? If so, which one(s)?
9. Have any side agreements, written plans, or assurances been made concerning staff retention, salaries and benefits, or severance packages for the officers and employees who now provide services to the Esurance Wisconsin Insurers?
10. Will the Esurance Wisconsin Insurers be a distinct strategic business unit of the Allstate organization or will these companies be integrated into an existing strategic business unit now in place?
11. Will the Esurance Wisconsin Insurers' distribution network be cross-licensed for agency on behalf of any present Allstate insurers? Will the Allstate distribution network be cross-licensed for agency on behalf of the Esurance Wisconsin Insurers?
12. As you are aware, states of domicile conduct routine financial and market regulation examinations of domestic insurers. Please indicate the anticipated locations of the books and records that are necessary for these periodic examinations. When are the next financial examinations of the Allstate insurers anticipated to occur?
13. Please discuss the integration/consolidation expectations of significant information technology platforms currently in place at Allstate and the Esurance Wisconsin Insurers and whether they are considered operationally compatible. Please include discussion related to the physical location of the significant information systems, any planned consolidations after the acquisition or currently in process with regards the insurers subject to the proposed acquisition and the length of time anticipated to integrate the platforms.
14. Please provide 3 year pro-forma balance sheets and income statements of the Esurance Wisconsin Insurers after the proposed acquisition
15. In view of the plans to commute all the Esurance Wisconsin Insurers' existing reinsurance agreements and replace them with 100% quota share reinsurance agreements with Allstate affiliates, please describe Allstate's views of adequate capitalization and target gross/direct leverage ratios for subsidiary insurers that cede on a 100% quota share basis. Please compare the anticipated capitalization and leverage ratios for the Esurance Wisconsin Insurers to current Allstate insurers with similar 100% quota share relationships.
16. Please identify to the extent possible how any Wisconsin-specific tax revenues might be impacted as a result of the proposed change of control and Allstate's future plans for the Esurance Wisconsin Insurers. This response should include discussion of the Annual Examination Assessment that Wisconsin domestic insurers are charged for the regulatory oversight conducted by this Office, which is based on the annual net premium earned of the domestic insurer. Please propose potential remedies that Allstate considers appropriate for the very substantial reduction in the Annual Examination Assessments from the Esurance Wisconsin Insurers that would occur under the proposed 100% quota share arrangements.

17. Please discuss the short-term and long-term physical presence that Allstate anticipates having in the State of Wisconsin as a result of the proposed acquisition of the Esurance Wisconsin Insurers. This response should include current regional and/or service centers located in the State of Wisconsin, the employee count of these locations and anticipated changes to these locations or staffing levels.
18. Please describe material pending litigation in which the parties to the proposed acquisition are involved. Has Allstate retained independent counsel that is actively representing them concerning these matters? We are not requesting release of attorney-client privileged information or communications, if any, only a description of pending litigation and whether there is active representation by independent counsel on these matters.
19. Please provide correspondence, if any, with the Illinois Insurance Department regarding the proposed acquisition.

After you have had an opportunity to review these requests, please contact me to discuss a reasonable timeframe in which we may anticipate a response. If you have questions on this or any other matter in which I may be of some assistance, please call me at (608) 267-5297.

Sincerely,



Tim Vande Hey, CFE
Insurance Financial Examiner – Advanced
Mergers, Acquisitions and Licensing Specialist
Bureau of Financial Analysis and Examinations

cc: Andrew Holland (via e-mail)