

Changes to the Allstate New Business inspection timeline:

What is changing?

The timeline for the Allstate cancellation for an unacceptable new business inspection to the customer.

In the current method of inspecting a property at new business, an agent completes an application and submits the policy for review, the underwriting team conducts a review for hazards/conditions/ITV and then Myriad sends an email notification of hazards and/or ITV to the agent. At that point, the agent will inform the customer of hazards that would make the policy unacceptable, and the customer has approximately 51 days to correct the hazard before a cancellation notice is sent out. Since the cancellation process provides the customer with an additional 45 days legal notice, this process extends to approximately 105 days where Allstate may be on an unacceptable risk.

Updating the process cuts this process effectively in half. Both processes are essentially the same until the agency receives email notification of the inspection result. Once the agency completes an application and submits the policy, an underwriting decision will be rendered based on the virtual inspection results within 24-48 hours, at which time the agency is notified immediately. If a virtual inspection is not available, physical inspectors will complete an inspection and the agency will be notified upon completion. Within a few days of the inspection result (Virtual or Physical), the customer notification of cancellation will be sent via USPS with the required days legal notice before cancellation will be effective.

The customer will receive communication regarding issues requiring resolution sooner compared to the current process. The timeline change will impact roughly 12% of total inspections completed. Using 2018 data as an example, this translates to approximately 111,000 policies out of the 925,000 new business inspections done last year. This number is decreased further when factoring in the number of appeals submitted after the underwriting review period.

When do these changes implement?

The changes will implement on Monday, September 9, 2019. New business inspections processed on or after September 9 will be processed under the new timeline.

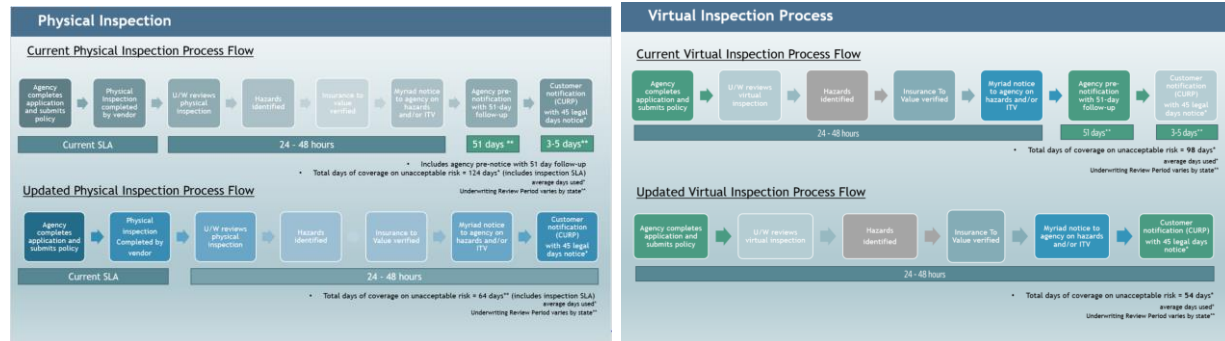
What is the expected benefit of changing the process timeline?

By streamlining the process, we are increasing transparency to the customer, by notifying them immediately that they have major condition issues with their property. Additionally, we are eliminating 51 additional days of exposure on an unacceptable risk due to major condition concerns. Claims data for inspection returns with unacceptable risks show losses between Day 54 and policy termination at day 105 average \$16,000 per policy. Reducing claims exposure on these risks by 50% could contribute up to \$1.2 million in claims savings, leading us to be more competitive.

Are these changes for physical and virtual inspections?

Yes, the changes apply to both virtual and physical (boots on the ground) new business inspections.

What do the timeline changes look like?



What type of condition concerns apply to these changes?

The only thing changing is the timeline for notification for unacceptable inspections for major condition concerns, which is a small subset of properties.

Some of the properties have minor conditions that we defer action on until renewal and the remaining have major issues that must be remediated during the underwriting review period or the policy is subject to cancellation.

Examples of major condition concerns requiring immediate remediation include:

- Roof shingles are missing or deteriorated (Roof Rating 3)
- Foundation is rotted or leaning
- Fencing is missing around an inground pool
- Chimney is crumbling

What if a customer has fixed or mitigated the concern that was identified during an inspection?

Although we are changing the timeline for notification, customers will still have an opportunity to:

- Receive advance communication from agent
- Appeal the underwriting decision
- Submit documents that make a policy eligible for continuation during the Underwriting Review Period (URP)
- If appeals are approved due to acceptable remediation, the policy can be reinstated (without a lapse) up to 30 days post termination date.

How does this change benefit the customer?

With this updated timeline, we will increase customer transparency for customers with major issues, the insured will be directly informed about their condition concern shortly after the inspection has been completed. For insureds newly purchasing a home, you can use this opportunity to advise the customer of hazards during the home buying process as a trusted advisor before the house closes. The customers still have an opportunity to continue coverage with proper remediation, up to 30 days after the termination date.

The change to the timeline will lead to the evaluation of homes faster, while creating more capacity to serve customers as trusted advisors. Moving to a more proactive approach will better serve our customers and grow the customer base. Allstate customers come to us to get informed and educated about risks they face in their lives. Solutions that offer real protection from life's uncertainties.

How does this impact policies that are written future effective?

This change does not change FED processing. We have encountered situations where inspectors have been dispatched on FED policies and the individual has not taken ownership of the property yet and the inspector could not complete the inspection. We are exploring alternative solutions to delay the ordering of the inspection for this policy class to avoid these situations.

In looking at 2018 data, just over 48,000 policies were written future effective and less than 10% of those received an unacceptable condition notice. Of those with an unacceptable condition concern, 86.5% had an acceptable appeal and the policies were continued.

Will I still receive notification of an unacceptable inspection before the customer?

Yes. The agency will receive notification via email via Myriad once the inspection is reviewed by underwriting. The customer letter is sent via USPS.

Why did we move to using virtual inspections* instead of sending out inspectors for some properties?

- Using enhanced images allows for a decision to be made within 24-48 hours, including estimated replacement cost (ITV) and conditions/hazards.
- Reducing decision time in the inspection process is part of our larger underwriting transformation plan that focuses on using new and existing data resources to help deliver more on-demand, personalized customer experiences. This shift will lead to the evaluation of homes faster and less intrusively, while creating more capacity to serve customers as trusted advisors.
- Physical inspections cost \$30 versus \$4 for virtual inspections.

*Virtual inspection availability varies by state.

Virtual Inspection Questions:

How is the square footage determined if there isn't an inspector measuring the perimeter of the home?

The underwriters use an on-line measuring tool to measure the square footage of the dwelling from the rooftop view. This is a less invasive process to determine the square footage.

RMBC only marks trees that are touching the dwelling if they are causing visible damage, how can the RMBC determine if damage is being done if the tree is blocking the view?

If we can see there is a potential concern but cannot get a clear enough view to show what the issue is, we will order a physical inspection.

After reviewing the virtual inspection with the insured, they state that there is no concern on the property and the issue was corrected some time ago. I can see the snapped virtual photo is from 12 months ago. How are we going to take action if there is a time gap between the photo being taken and the cancellation notice being sent ?

The hazard or condition concern must be visible in the virtual image that is not more than 12 months old to take underwriting action. If the insured states this concern no longer exists, you should follow the appeal process.

The virtual photos show a pool in the back yard. When I google the home, I don't see a pool. What do we do?

Have the insured snap a quick photo showing there is not a pool and follow the inspection appeal process. This scenario could also apply to detached structures that have been removed, not having a fence previously and now has a fence, trees existing then removed from premises, etc.

The virtual underwriter marked the roof as a Roof Rating (RR) 3, but I think the roof should be a RR2.

Due to system restraints, we are not able to capture virtual photos on Myriad from every angle that our underwriters see. If they found a condition concern on a photo within the past 12 months, they would have snapped a photo of the condition in question. If the photo you see appears inconclusive, we trust that our underwriters have made the correct decision based on what they saw. To appeal the underwriter's decision, follow the appeal process.

Can I order a physical inspection if I disagree with the virtual inspection?

The appeal process has not changed. To appeal the underwriter's decision, follow the appeal process.

What if I disagree with the components of the dwelling?

The appeal process has not changed. To appeal the underwriter's decision, follow the appeal process.