REPORT OF EXAMINATION

OF THE

ESURANCE PROPERTY AND CASUALTY

INSURANCE COMPANY

AS OF

DECEMBER 31, 2013

Filed June 19, 2015

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San Francisco, California
May 18, 2015

Honorable Dave Jones
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Commissioner:

Pursuant to your instructions, an examination was made of the

ESURANCE PROPERTY AND CASUALTY INSURANCE COMPANY

(hereinafter referred to as the Company) at its home office located at 650 Davis Street, San Francisco, California 94111.

SCOPE OF EXAMINATION

We have performed our multi-state examination of the Company. The previous examination of the Company was made as of December 31, 2011. This examination covers the period from January 1, 2012 through December 31, 2013. The examination was conducted in accordance with the National Association of Insurance Commissioners Financial Condition Examiners Handbook (Handbook). The Handbook requires the planning and performance of the examination to evaluate the Company's financial condition, to identify prospective risks, and to obtain information about the Company, including corporate governance, identification and assessment of inherent risks, and the evaluation of the system controls and procedures used to mitigate those risks. The examination also included an assessment of the principles used and the significant estimates made by management, as well as an evaluation of the overall financial statement presentation, and management's compliance with Statutory Accounting Principles and Annual Statement instructions. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

The examination was conducted as part of the coordinated examination with the Illinois Department of Insurance (IDOI) for the entire Allstate Insurance Company (AIC) Group exam. IDOI is the lead state for the AIC Group coordinated examination. The examination was conducted concurrently with other insurance entities in the Allstate holding company system. The Wisconsin Office of the Commissioner of Insurance is the facilitating state for the Esurance subgroup coordinated examinations. The Esurance examination was conducted concurrently with Esurance Insurance Company and Esurance Insurance Company of New Jersey. Collectively, the insurers in the group are referred to as the Allstate Group (Group).

In addition to those items specifically commented upon in this report, other phases of the Company’s operations were reviewed including the following areas that require no further comment: corporate records; fidelity bonds and other insurance; pensions, stock ownership and insurance plans; growth of company; loss experience; accounts and records; and statutory deposits.

SUBSEQUENT EVENTS

On January 14, 2015, pursuant to California Insurance Code (CIC) Section 709.5(b), the Company filed with the California Department of Insurance (CDI) to re-domesticate from California to Wisconsin. On January 30, 2015, CDI issued a consent letter pursuant to CIC Section 709.5 authorizing the Company to proceed with the transfer of domicile. Effective May 1, 2015, the Company amended the Certificate of Authority to reflect the change in home office location from San Francisco, California to Madison, Wisconsin.

COMPANY HISTORY

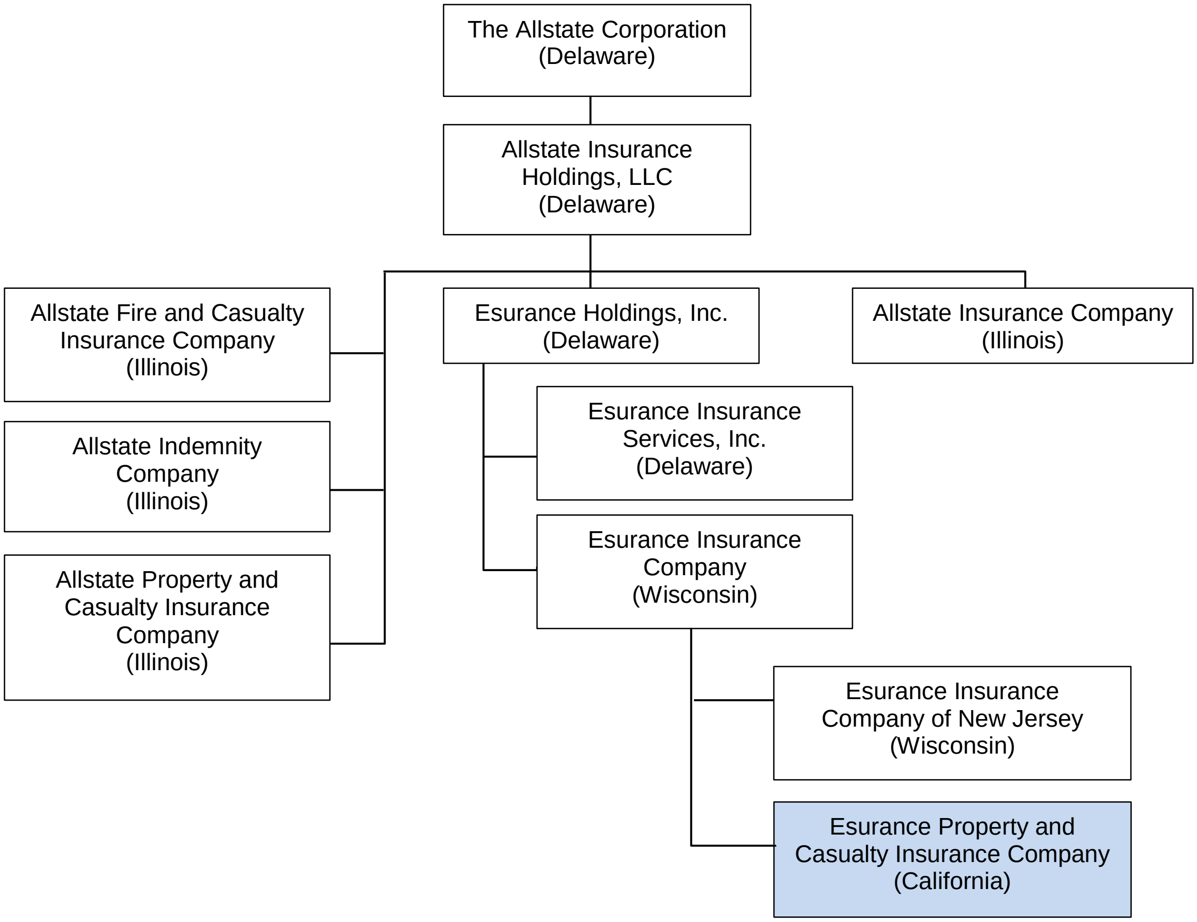
The Company is a wholly-owned subsidiary of Esurance Insurance Company (ESIC), which is wholly-owned by Esurance Holdings, Inc. (ESHI). Effective October 7, 2011, The Allstate Corporation acquired ESHI and all of ESHI's subsidiaries.

The Company is authorized to issue 100,000 shares of common stock with a par value of $130 per share. On August 22, 2012, the Company issued 3,100 shares of common stock, par value $130 per share to its direct parent, ESIC for the aggregate par value of $403,000. As of December 31, 2013, there were 23,100 shares issued and outstanding.

During the examination period, the Company paid ordinary cash dividends of $3.1 million and $7.3 million to ESIC in 2012 and 2013, respectively.

MANAGEMENT AND CONTROL

The Company is a member of an insurance holding company system in which The Allstate Corporation (ALLCORP), a Delaware corporation, is the ultimate controlling person. The following abridged organizational chart is limited to the Company's inter relationship with certain entities within the holding company system and does not depict all the entities under ALLCORP (all ownership is 100% unless otherwise noted):



A six-member Board of Directors, elected annually, oversees the business and affairs of the Company. Following are members of the board and principal officers of the Company serving at December 31, 2013:

Board of Directors

Name and Location	Principal Business Affiliation
Jonathan D. Adkisson San Rafael, California	Vice President, Chief Financial Officer and Treasurer Esurance Property and Casualty Insurance Company

Directors (Continued)

Name and Location	Principal Business Affiliation
Christopher M. Henn*** Kentfield, California	Vice President Esurance Property and Casualty Insurance Company
Charles S. Lee Piedmont, California	Vice President, General Counsel and Secretary Esurance Property and Casualty Insurance Company
Elinor C. MacKinnon San Francisco, California	Vice President Esurance Property and Casualty Insurance Company
Mark D. Pitchford San Francisco, California	Vice President Esurance Property and Casualty Insurance Company
Gary C. Tolman* Mill Valley, California	Chairman, President and Chief Executive Officer Esurance Property and Casualty Insurance Company

Principal Officers

Name	Title
Gary C. Tolman*	Chairman, President and Chief Executive Officer
Jonathan D. Adkisson	Vice President, Chief Financial Officer and Treasurer
Charles S. Lee	Vice President, General Counsel and Secretary
David M. Biewer **	Vice President and Chief Actuary
Christopher M. Henn***	Vice President
Jeffrey L. Huebbers	Vice President
Elinor C. MacKinnon	Vice President
Mark D. Pitchford	Vice President

(*) Effective May 1, 2015, Gary C. Tolman retired as Chairman, President and Chief Executive Officer and was succeeded in his capacity as President by Jonathan D. Adkisson.

(**) David M. Biewer resigned on November 28, 2014. Effective June 1, 2015, he returned to the Company and was appointed Vice President and Chief Financial Officer and elected to the Board of Directors. Iva Yuan was appointed Vice President and Chief Actuary effective June 1, 2015. The position of Treasurer has not been filled.

(***) Christopher M. Henn resigned March 27, 2015 from the Board of Directors and as Vice President.

Subsequent to the examination date, Alan S. Gellman and Eric Brandt were appointed Vice Presidents and members of the Board of Directors on March 24, 2014 and October, 13, 2014, respectively.

Management Agreement

Insurance Management Service Agreement: Effective January 1, 2010, the Company entered into a new Insurance Management Service Agreement with its affiliate, Esurance Insurance Services, Inc. (EISI). Pursuant to the Agreement, EISI provides the Company with accounting, tax, audit, and functional support services. As compensation for these services, the Company authorizes EISI to retain all fees not included in premium and reimburse all of EISI's actual and reasonable expenses not otherwise already reimbursed under the Agency Agreement. This Agreement was approved by the California Department of Insurance (CDI) on November 20, 2009 pursuant to California Insurance Code (CIC) Section 1215.5(b)(4).

Agency Agreement: Effective January 1, 2010, the Company entered into a new Agency Agreement with its affiliate, EISI. Pursuant to the Agreement, the Company appoints EISI as its insurance services representative and agent with regard to the policies of the Company. In conjunction with such appointment, EISI provides services including but are not limited to underwriting, claims handling, policy administration, reinsurance, and consumer response. Under the Agency Agreement, the Company shall pay EISI a commission equal to 100 percent of the actual acquisition costs incurred by EISI in acquiring or renewing policies minus all revenue and fees earned by EISI in connection with policies sold under the Agency Agreement; and 100 percent of the actual loss adjustment expenses incurred by EISI. Effective June 1, 2013, this Agreement was amended to reflect the expansion of the Company's property and casualty offerings beyond private passenger automobile insurance. This amended Agency Agreement was approved by the CDI on August 5, 2013 pursuant to CIC Section 1215.5(b)(4).

Amended and Restated Services and Expense Agreement: Effective October 7, 2011, the Company became a party to the Amended and Restated Service and Expense Agreement among Allstate Insurance Company (AIC), The Allstate Corporation (ALLCORP) and certain affiliates. The Agreement provides for cost sharing and allocation of operation expenses among the parties. This Agreement was approved by the CDI on September 30, 2011 pursuant to CIC Section 1215.5(b)(4).

Tax Sharing Agreement: Effective October 7, 2011, the Company became a party to the Tax Sharing Agreement among ALLCORP and certain affiliates in the Allstate Group. Pursuant to the Agreement, the Allstate Group files a consolidate federal income tax return and each member's federal income tax liability is allocated under the principles used to determine earnings and profits under Section 1552(a)(2) of the Internal Revenue Code and Treasury Regulation Section 1.1502-33(d)(3), using a fixed percentage of one hundred. Accordingly, each member is generally liable for the same amount of tax it would otherwise pay on a separate return basis. The Tax Sharing Agreement was approved by the CDI on September 30, 2011 pursuant to CIC Section 1215.5(b)(4).

Investment Management Agreement: Effective October 7, 2011, the Company became a party to the Investment Management Agreement among Allstate Investments, LLC (AILLC), AIC, ALLCORP, and certain affiliates. Pursuant to the Agreement, AILLC shall serve as the investment manager of the Company's investment assets. In addition, the Company grants AILLC the power and authority to advise, manage, and direct the investment and reinvestment of such assets. The fee charged to the Company by AILLC equals the actual cost for the management of the Company's portfolio. The

Investment Management Agreement was approved by the CDI on September 30, 2011 pursuant to CIC Section 1215.5(b)(4).

TERRITORY AND PLAN OF OPERATION

As of December 31, 2013, the Company is licensed to transact property and casualty insurance in all states except Alaska, Massachusetts, New Jersey, North Carolina, and Wyoming. The Company is also licensed in the District of Columbia. Direct premiums written during 2013 totaled $817.8 million, written in thirty states. The majority of the business was written in California (26.1%), Florida (23.5%), and Michigan (10.1%) with the remaining 40.3% written in the other twenty-seven states.

The Company's principal lines of business written during 2013 were private passenger auto liability (69.1%) and auto physical damage (29.5%). The remaining 1.4% was written in homeowners multiple perils, inland marine, and aggregate write-ins for other lines of business. Business is acquired directly through online customers and call centers. The Company primarily targets self-directed customers who are tech savvy and brand-neutral consumers.

After the acquisition by The Allstate Corporation (ALLCORP) in October 2011, the Company started writing renters' insurance policies in 2012, along with homeowner's, and motorcycle products in 2013. Using the resources and expertise of ALLCORP, the Company plans to expand its writing of these products into other states.

REINSURANCE

Assumed

The Company did not assume any business during the examination period.

Ceded

Effective October 7, 2011, the Company entered into a 100 percent Quota Share Reinsurance Agreement with an affiliate, Allstate Insurance Company (AIC). Under this Agreement, the Company cedes and AIC assumes 100 percent of the Company's "Net Retained Liability" and "Retained Liability." In addition, the Company also cedes 100 percent of underwriting expenses to AIC. This Agreement was approved by the California Department of Insurance (CDI) on September 28, 2011, pursuant to California Insurance Code (CIC) Section 1011(c) and California Code of Regulation (CCR), Title 10, Chapter 5, Subchapter 3, Article 3, Section 2303.15(e).

In addition to the above Agreement, effective October 7, 2011, the Company also entered into a Reserve Agreement whereby, in the event certain business ceded under the 100 percent Quota Share Reinsurance Agreement with AIC is commuted, assets equal to the value of the commuted liabilities are to be transferred to the Company. In the event of a reserve deficiency, AIC is to provide payment to the Company; and in the event of a reserve redundancy, the Company is to provide for payment to AIC. This Agreement was approved by the CDI on September 28, 2011, pursuant to CIC Section 1011(c) and CCR Section 2303.15(e). On January 10, 2012, the Company filed an Amendment No. 1 to increase the prior notification requirement for termination to thirty-six months instead of twelve months. This Amendment to the Reserve Agreement was approved by the CDI on October 22, 2012.

FINANCIAL STATEMENTS

The financial statements prepared for this examination report include:

Statement of Financial Condition as of December 31, 2013

Underwriting and Investment Exhibit for the Year Ended December 31, 2013

Reconciliation of Surplus as Regards Policyholders from December 31, 2011 through December 31, 2013

Statement of Financial Condition
as of December 31, 2013

Assets	Ledger and Nonledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds	$ 25,988,167	$	$ 25,988,167	
Cash and short-term investments	(15,907,977)		(15,907,977)	
Investment income due & accrued	203,807		203,807	
Amounts recoverable from reinsurers	314,450		314,450	
Net deferred tax asset	5,614	5,317	297	
Receivables from parent, subsidiaries and affiliates	80,541,961		80,541,961	
Aggregate write-ins for other than invested assets	901	901		
Total assets	$ 91,146,923	$ 6,218	$ 91,140,705	

Liabilities, Surplus and Other Funds			
Losses and loss adjustment expenses		$ 0	(1)
Current federal and foreign income taxes		279,874	
Ceded reinsurance premiums payable		2,649,575	
Payable to parent, subsidiaries and affiliates		59,121,186	
Payable for securities		2,750	
Aggregate write-ins for liabilities		199,424	
Total liabilities		62,252,809	
Common capital stock	3,003,000		
Gross paid in and contributed surplus	12,566,892		
Unassigned funds (surplus)	13,318,004		
Surplus as regards policyholders		28,887,896	
Total liabilities, surplus and other funds		$ 91,140,705	

Underwriting and Investment Exhibit
for the Year Ended December 31, 2013

Statement of Income

Underwriting Income		
Premiums earned		$ 0
Deductions:		
Losses and loss adjustment expenses incurred	$ 0	
Other underwriting expenses incurred	0	
Total underwriting deductions		0
Net underwriting income (loss)		0
Investment Income		
Net investment income earned	$ 689,283	
Net realized capital gains	72,674	
Net investment gain		761,957
Federal and foreign income taxes incurred		238,985
Net income		$ 522,972

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2012		$ 35,726,675
Net income	$ 522,972	
Change in net unrealized capital losses	(49,539)	
Change in net deferred income tax	(5,994)	
Change in nonadmitted assets	(6,219)	
Dividends to stockholders	(7,300,000)	
Change in surplus as regards policyholders for the year		(6,838,780)
Surplus as regards policyholders, December 31, 2013		$ 28,887,896

Reconciliation of Surplus as Regards Policyholders
from December 31, 2011 through December 31, 2013

	Gain in Surplus	Loss in Surplus	
Surplus as regards policyholders, December 31, 2011, per Examination			$ 31,084,591
Net income	$ 7,878,102	$	
Change in net unrealized capital losses		52,598	
Change in net deferred income tax		6,743,158	
Change in nonadmitted assets	6,717,959		
Change in paid in capital	403,000		
Dividends to stockholders		10,400,000	
Total gains and losses	$ 14,999,061	$ 17,195,756	
Net decrease in surplus as regards policyholders			(2,196,695)
Surplus as regards policyholders, December 31, 2013, per Examination			$ 28,887,896

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Losses and Loss Adjustment Expenses

As of December 31, 2013, the Company's net losses and loss adjustment expenses were zero as 100 percent of its loss and loss adjustment expenses were ceded to an affiliate, Allstate Insurance Company.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

None.

Previous Report of Examination

None.

ACKNOWLEDGMENT

Acknowledgment is made of the cooperation and assistance extended by the Company's officers and employees during the course of this examination.

Respectfully submitted,

/S/

Li S. Lim, CFE
Examiner-In-Charge
Senior Insurance Examiner
Department of Insurance
State of California