

Attorney: Allstate guarding profits scheme

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Allstate is facing contempt charges in Missouri -- with a \$25,000-a-day fine -- and now it can't sell new auto policies in Florida, in part, because it wants to protect a report written by a corporate consultant.

Allstate has said those documents -- along with others that Florida regulators are seeking in their investigation into how the company sets insurance rates and pays claims -- are trade secrets.

What's so important that Allstate would risk so much?

According to an attorney who has seen the report from consultant McKinsey & Co., it advises Allstate on how to improve profitability: pay less on claims and take a longer time to pay those claims.

"The documents describe, in graphic terms, a scheme devised by Allstate and McKinsey & Co. to essentially turn the business of insurance into a zero-sum game," said David Bernardinelli, a Santa Fe, N.M., plaintiff attorney involved in a case against Allstate. He says he is the only person outside Allstate to have seen the report.

An Allstate spokesman didn't return a call seeking comment late Wednesday.

In the early 1990s, the corporate consultant advised Allstate to get tough with policyholders. Consumers who didn't accept a settlement offer from Allstate would have to fight in court to get their claims paid.

"This is the new insurance world that was created by McKinsey for a lot of insurers," Bernardinelli said.

Indeed, McKinsey did work for other companies, including State Farm. This insurer said it hasn't used McKinsey's services for more than a decade, according to a State Farm spokesman.

How did Bernardinelli get the report? In 2001, he was litigating a case against Allstate. He learned of the report and demanded to see it.

Allstate refused, claiming it contained trade secrets. It provided the same rebuff to the subpoena from Florida's Office of Insurance Regulation this week.

Bernardinelli got a break when a Santa Fe court judge ordered the insurer to provide Bernardinelli with a copy without any protective order.

After several attempts to block the judge's order, Allstate provided Bernardinelli a temporary set of documents while its appeal of the order was pending. The documents were printed in such a way that prevented him from copying or scanning them.

He spent two months going through 12,000 documents, reading them and taking copious notes. He ended up with 400 pages of notes.

In 2004, a Missouri court of appeals dismissed Allstate's appeal, and the company was once again ordered to provide the attorney with the documents. He turned over the set he had and demanded a clean set he could use in trials.

Allstate has refused again, and the case has gone to the Missouri Supreme Court.

Bernardinelli won the right to keep his notes -- which Allstate wanted to collect -- as well as write and talk about what he learned from the McKinsey documents.

He has written a book, *From Good Hands to Boxing Gloves*, that is sold only to trial attorneys.

Allstate is still in court, trying to bar him from discussing the documents.

On Wednesday, Bernardinelli was finishing his brief on the case for the Missouri court.

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