

Suit: Insurers colluded

by Mark Ballard, The Advocate, Nov. 8, 2007

Louisiana's largest property insurance companies worked together to reduce payments for damages caused to homes and other buildings by the 2005 hurricanes, according to a lawsuit filed late Wednesday by state Attorney General Charles Foti.

Allstate Insurance Co., State Farm Fire and Casualty Co., and other companies selling insurance in Louisiana used computer programs and other tactics to manipulate claims and lowball the amount paid property owners who suffered hurricane losses, according to Foti's lawsuit.

Foti alleged six insurance companies and four companies that provide services to insurers violated the Louisiana Monopolies Act.

The 29-page petition was filed with the Orleans Civil District Court. State District Judge Kern A. Reese of New Orleans was assigned to hear the lawsuit, according to court records.

One of the computer programs named estimates the value of damaged property based on the past sales of similar properties in the neighborhood. Another program cited in the lawsuit tracked the history of claims made by property

owners.

Policyholders also were pressured to settle for less than actual value of their claim by a series of coordinated actions, such as doctored engineering reports and delayed payments, according to the lawsuit.

"The information we have is that these insurance companies were engaged in conduct that harmed policyholders," said Baton Rouge lawyer Jerry McKernan, who is working on the case along with eight New Orleans lawyers.

Foti did not respond to a request for information.

State Farm spokesman Phil Supple and Allstate spokesman Michael Siemienas told The Associated Press they had not seen the lawsuit and would not comment on the allegations.

But Gregory LaCost, vice president and senior counsel for an insurers trade association, said the use of damage estimating software increases efficiency in resolving claims by property owners.

"This is the first time I've heard that use of these programs was being taken as collusion," said LaCost, with the Property Casualty Insurers Association of America in Des Plaines, Ill.

LaCost said Louisiana law requires insurance companies to investigate, process and pay their policyholders in 60 days. The

hurricanes accounted for about 972,000 damage claims, he said.

"And now the Attorney General of Louisiana says you shouldn't use a program to make that easier," said LaCost, who is not involved in the lawsuit, though some members of his association have been named as defendants.

Insurance Commissioner Jim Donelon said he was unaware of any complaints about the use of software.

"That's his job. If he feels there is evidence of such collusion, it falls to him to pursue that," Donelon said. "I have no such evidence. They (the Attorney General's lawyers) did not talk to us."

The lawsuit quoted a report McKinsey & Company of New York gave Allstate in the 1990s. The corporate advisers recommended insurers protect their profits "by undervaluing claims using the tactics of deny, delay and defend."

Foti ran for reelection but was eliminated in the Oct. 20 primary election. He finished third and will leave office in January. Buddy Caldwell of Tallulah, a Democrat district attorney from northeast Louisiana, and Royal Alexander of Shreveport, a Republican former staffer to a congressman, are meeting in the Nov. 17 runoff election.



Attorney General Foti is leaving office but is doing so after filing suit against many insurers, McKinsey, the producers of the phony pricing software used to cheat policyholders and others involved in the scheme to cheat policyholders.

Let's hope his successor vigorously pursues this suit on behalf of the people of Louisiana. This case has tremendous repercussions all across the country.

If you are interested in reading the detailed account of just how insurers colluded to rip-off policyholders through their phony pricing scheme, [CLICK HERE](#).