

Allstate Releases Entire McKinsey Report for Review

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By **Eric Gilkey** | April 07, 2008 at 09:59 AM

Allstate has released approximately 150,000 pages of documents pertaining to a review of its claim practices conducted in the 1990s — referred to as the McKinsey documents — in order to dispel what it says are inaccurate portrayals of its business practices. The documents, which are available at Allstate’s web site, have been the subject of a book written by David Berardinelli called From Good Hands to Boxing Gloves. In the book, **Berardinelli discusses how the consulting firm McKinsey and Co. allegedly reengineered Allstate’s claim-management system — referred to as Claim Core Process Redesign — in order to unfairly maximize profits. It has been speculated that these techniques involved offering low initial settlements followed by a tougher, hardball approach if the settlement was not quickly agreed to by the policyholder.** Allstate has refused judicial orders since 2004 that called for the company to release a PowerPoint presentation that contained the alleged McKinsey documents and has paid significant fines for not doing so.

In a release made public late last week, Allstate said that “public criticisms by people with a vested interest in creating an inaccurate picture of the company’s claim practices have been based unfairly on only snippets from the documents taken out of context.” The company justified not releasing the documents in the past by saying that they contained trade secrets and proprietary information that could be used by their competition. It released the documents now for what it said is the need to “address misunderstandings resulting from the growing misplaced focus by our critics on very small pieces of the whole.” It also pointed to the fact that as a state-regulated company, it is subject to review by state departments of insurance, which act to police the industry. Furthermore, it referenced a recent legal case in Kentucky, Hager v. Allstate, in which a claimant unsuccessfully sued Allstate while citing the McKinsey documents as proof that the company violated the Unfair Claims Settlement Practices Act.

In the case, 60-year-old Geneva Hager claimed that the McKinsey documents proved that Allstate failed to settle a claim in good faith for alleged injuries that she sustained in a rear-end automobile accident. She claimed that Allstate handled minor-impact, soft-tissue injury cases, or MIST cases, in an unfair and unreasonable manner, and sought \$475 million for mental anguish and \$950 million in punitive damages.

Allstate countered by saying that its claim-handling processes help prevent and find fraudulent claims. It said the processes recommended by McKinsey expedited legitimate claims by measuring how quickly adjusters contact claimants and how long it takes them to close claims. A jury trial presided over by Circuit Court Judge Thomas Clark ruled in favor of Allstate in Oct. 2007 after just two hours of deliberation.

Allstate recently began implementing a new claim-handling software system referred to as Next Generation Claim Systems. Allstate said the new system will provide a seamless, integrated claim-handling platform that will reduce cycle time, improve access to claim information for employees, and assign claims more quickly to adjusters.

To view the McKinsey documents, go to <http://media.allstate.com>.

<https://www.propertycasualty360.com/2008/04/07/allstate-releases-entire-mckinsey-report-for-revie/?slreturn=20220327160529>