



TV Script: “Rob”

Robert Dietz was a senior claims adjuster for Farmers Insurance Exchange from 1987 until 2001. He currently is a claims practices expert and testifies nationally on insurance issues and bad faith.

Statement: “I used to be an Insurance Claims Supervisor. When I started out, it was human beings making decisions. Now insurance companies use computer programs to automatically cut 20 percent from what they know they owe on a claim.”

In the mid-1990s, consulting companies introduced software programs that turned claims operations into “profit centers” by routinely underpaying claims. The programs helped adjusters place values on insurance claims.

Dietz was forced to use the software program Colossus, which was touted by its manufacturer as “the most powerful cost savings tool” and suggested that the program would immediately reduce the size of bodily injury claims by up to 20 percent, according to a report from the Consumer Federation of America. Colossus allowed insurance companies to “calibrate the amount of ‘savings’ it wants Colossus to generate...If Colossus does not generate sufficient ‘savings’ to meet the insurer’s needs or goals, the insurer simply goes back and ‘adjusts’ the benchmark values until Colossus produces the desired results.”ⁱ

In 2000, Dietz and other senior adjusters met with Colossus programmers to create a benchmark for Colossus to follow, based on hundreds of settled claims and representative settlements. Before Dietz left, a company consultant told him that the averages would then be lowered 20 percent.ⁱⁱ

Statement: “I was forced to use it. You even got bonuses for denying claims.”

According to memos from Farmers, Dietz and his colleagues’ salaries and bonuses were tied to practices that encouraged the delay, denial, underpayment and forced litigation of claims. One document encouraged adjusters to settle small claims below their value, adding adjusters should learn “...to say “sorry, no more,” with a toothy grin and mean it.”ⁱⁱⁱ

A KING-5 investigation into insurance business strategies found that insurance companies have adopted strategies designed by business consultants to reduce claim payouts based on profit motives, not on what was owed for the claim. The consultants urged “more aggressive tactics when settling claims to send a message to lawyers and the public” and that “paying “promptly and fairly” does not reward Allstate shareholders with profits.” KING-5 found that Allstate and State Farm are former McKinsey clients.^{iv}

Statement: “In Washington state, it’s not illegal for insurance companies to delay or deny legitimate claims. They want you to give up. And they’re getting away with it.”

Thousands of Washington consumers file complaints against insurance companies every year because legitimate claims have been unfairly denied or delayed, according to the Office of the Insurance Commissioner.^v The Insurance Commissioner has little authority to force insurance companies to pay individual claims so consumers are often forced to settle for less than they deserve or hire a lawyer. Even if the insurer is found to have acted in “bad faith,” all the insurance company currently has to pay is what they owed in the first place.

Referendum 67 simply requires the insurance industry to pay legitimate claims in a timely fashion. Referendum 67 clearly outlines what would constitute insurance misbehavior and does not affect insurers who choose to treat their customers fairly.

ⁱ Consumer Federation of America: “Property/Casualty Insurance in 2007: Overpriced Insurance, Underpaid Claims, Declining Losses and Unjustified Profits,” 1/8/2007. http://www.consumerfed.org/pdfs/2007Insurance_White_Paper.pdf

ⁱⁱ Seattle Post-Intelligencer: “Does insurance company 'low-ball' pain and suffering?” by Candace Heckman, 5/15/2003. http://seattlepi.nwsource.com/local/122105_colossus15xx.html

ⁱⁱⁱ Farmers internal memos. For copies of these materials, contact sevans@approve67.org.

^{iv} KING-5: “Secret documents reveal insurance strategy,” 10/5/2007. http://www.king5.com/topstories/stories/NW_100407INV_allstate_lawsuit_KS.13a0d7535.html

^v Washington Office of Financial Management fiscal note on SB 5726: <http://www.ofm.wa.gov/fns/legsearch.asp?BillNumber=5726&SessionNumber=60>