

For Immediate Release  
October 24, 1998

## **Northridge Quake Victims Settle Class-Action Lawsuit Allstate Establishes Fund to Settle Suit Over Claims Handling**

An association of five plaintiffs law firms spearheaded by attorney William M. Shernoff of Claremont's Shernoff, Bidart, Darras & Arkin yesterday announced settlement of the state class-action lawsuit filed against Allstate Insurance Co. over the handling of Northridge earthquake claims [Randy Frank v. Allstate -- BC187659]. The settlement will provide approximately 10,000 policyholders who were victims of the 1994 quake the opportunity to have their claims reviewed by independent engineers and adjusters approved by the court. The settlement also calls for Allstate to pay 100 percent of any additional repair costs, permits policyholders to select their own building contractors, and allows certain claims which were time barred to be reopened.

Shernoff also reached settlement in the case of Jo Ann Lowe v. Allstate [BC178734]. Under the terms of the Lowe settlement, Allstate has agreed to provide \$5 million to create a new consumer organization dedicated to loss prevention and education.

This is an outstanding settlement and I'm pleased that Allstate has agreed to it, said Shernoff, the lead attorney who brokered the deal. Allstate has agreed to pay whatever it takes to provide 100 percent of the repair costs.

Under the terms of the class-action settlement, Allstate has agreed to reopen the claims of about 10,000 policyholders who may be entitled to more repair money because of mishandled engineering services. Allstate further agreed to pay 100 percent of any additional repair costs, all administrative costs of the new claims process, and attorneys fees approved by the court. According to the settlement, the court will establish a panel of retired judges to appoint independent engineers and adjusters who may conduct new inspections of the targeted homes. Those policyholders whose homes were inspected by Western States Geotechnical, Inc. or Shadowbrook Design Group, Inc. will have their homes automatically reinspected. Policyholders whose homes were inspected by the other 100 to 200 engineering firms will have to submit an application to the court-appointed panel of retired judges.

According to Shernoff, Allstate has set aside a \$60 million reserve fund to make the necessary repairs, however Allstate has agreed to pay whatever it takes to complete the work. Shernoff and the other plaintiffs' attorneys believe the costs will be higher.

This is one of the most favorable settlements I've ever seen on behalf of a class, said Shernoff, a nationally recognized expert on insurance bad faith cases. Not only does it provide for Allstate to pay 100 percent of the repair costs, but Allstate is going to pay for all of the administrative costs of the claims handling process, it's agreed to establish a new consumer foundation, and Allstate is going to pay attorneys fees over and above the costs of making the repairs so it doesn't come out of the homeowners' pockets. It's a win-win situation for the consumer.

Under the terms of the Lowe settlement, Allstate will fund a new foundation to be administered by consumer advocate Harvey Rosenfield, director of the Proposition 103 Enforcement Project. Allstate also has agreed to appoint an independent consumer consultant to review the claims process in order to ensure that quality engineers and adjusters are selected.

Eligible homeowners will be notified by letter of the new claims handling procedures once the settlement agreement is approved by the court. They can then seek a review of their claims and, where appropriate, their claims will be readjusted in order to receive additional policy benefits.

The team of plaintiffs lawyers participating in the class-action settlement include Michael J. Bidart of Shernoff, Bidart, Darras & Arkin; Walter Lack of Engstrom, Lipscomb & Lack; Thomas Girardi of Girardi & Keese; Daniel Gruber of Gruber & Kantor; and Howard Snyder of the Law Offices of Howard Snyder. Harvey Rosenfield of Proposition 103 Enforcement Project participated in the Lowe settlement.