

Allstate faces whistle-blower suit

The Sun Herald

Another whistle-blower lawsuit alleges fraudulent handling of federal flood claims after Hurricane Katrina. The case, filed against Allstate, has just been unsealed in Louisiana's Eastern District. (H/T to slabbed) Policyholder attorney Johnny Denenea filed the lawsuit back in May 2007. He amended it in November 2009, adding examples of several more policyholder flood claims that he alleges Allstate inflated, lowering its own costs for wind damage in the process. The lawsuit was under seal while the U.S. Attorney's Office decided whether to take over prosecution of Allstate. In the end, federal prosecutors declined, as they did in the Mississippi Coast whistle-blower case filed against State Farm, alleging State Farm inflated flood claims. The Louisiana case was unsealed the same day the U.S. Senate voted to extend NFIP for only one year. The House vote is expected today. Permanent fixes for debt-ridden NFIP are needed before long-term extension. But political leaders in Washington have been unwilling, unable, or both, to make the tough choices needed to fix NFIP. One of the biggest problems, at least for Coast residents, is that private insurance carriers adjust flood claims, along with their own wind claims, after a hurricane, creating an inherent conflict of interest. While the government called itself examining Katrina claims-handling, only flood claim files were reviewed. The General Accountability Office had little if any access to the insurance company's wind claims. NFIP suffers many other deficiencies, including repetitive loss properties. That the problems continue is but another example of congressional paralysis. Coincidentally, a California reader e-mailed me yesterday about her 14-year battle with Allstate over coverage for her daughter, who was severely injured in an automobile accident. She included in her e-mail a quote from Abraham Lincoln. Lincoln's observation was in a letter he wrote after the Civil War and, possibly, sheds some light on the current state of our country: " . . . I see in the near future a crisis approaching that unnerves me and causes me to tremble for the safety of my country. As a result of the war, corporations have been enthroned and an era of corruption in high places will follow, and the money power of the country will endeavor to prolong its reign by working upon the prejudices of the people until all wealth is aggregated in a few hands and the Republic is destroyed. I feel at this moment more anxiety for the safety of my country than ever before, even in the midst of war. God grant my suspicions may prove groundless."

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Source: <https://uphelp.org/allstate-faces-whistle-blower-suit/> Date: January 21, 2025