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Baldwinsville couple's lawsuit leads to offer for settling claim

By Dan Kane
Staff Writer

In February, Nationwide settled a federal lawsuit filed by a Baldwinsville couple who said the company tried to cheat them after fire struck their home.

Nationwide sought for the court file of the case to be sealed. The Herald American successfully appealed to U.S. District Judge Thomas J. McAvoy to keep the file open to the public.

An electrical fire tore through Francis and Mary Ann Connelly's home on July 23, 1989. After two years of haggling with Nationwide over paying off their claim, they filed suit in federal court.

They said Nationwide offered $6,400 less than what its own expert estimated the cost to rebuild the home. They said the company underpaid them on living expenses and personal property damaged or destroyed by the fire.

Terms of the final settlement have never been made public. Records filed in court about two weeks before a final settlement was reached show Nationwide offered to pay Francis and Mary Ann Connelly $59,000 to settle the case. That amount was the difference between what Nationwide had paid, $160,000, and what the Connellys said they were entitled to under the policy.

Nationwide also offered to pay legal fees to the Connellys' lawyer, Jonathan Wilkofsky of New York City, and a $1,000 civil penalty to the couple. The penalty, the maximum available under law, was for violating a section of the state General Business Law pertaining to deceptive business acts and practices.

The court file also showed that Nationwide's top regional officials receive bonuses based in part on whether the amount of money paid in insurance claims annually stays within a figure set at the beginning of the fiscal year. Nationwide's incentive plan showed that nearly a third of the bonus is based on how much the company pays out in claims.

One consumer expert on insurance, Robert Hunter of the National Insurance Consumer Organization, called the incentive plan a "possible conflict of interest" because it could influence company officials to underpay claims.

Fred Fietkiewicz, Nationwide's vice president in charge of the Syracuse regional office, said the incentive plan does not cause the company to pay out any less in claims than what policyholders are entitled to receive.

He said underpaying claims to increase his and other company officials' bonuses would be "unconscionable, immoral, unethical."

If he attempted to do it he added "I'd be fired in a heartbeat. I'd be gone in a heart beat, there's just no way that that can be done."

He said he doesn't see the claims and has no influence over them.