FOR IMMEDIATE RELEASE

May 30, 2001

For further information, please call
Jonathan Wilkofsky, Esq.
Wilkofsky, Friedman, Karel & Cummins
(212) 285-0510 or Fax (212) 285-0531
e mail: info@wfkclaw.com

D.D. Inc. v. Scottsdale, Supreme Court, Kings County

Scottsdale Insurance Company has just settled a Brooklyn water damage claim for $2.5 million dollars immediately after several of its employees testified under oath of the existence of a bonus program by which company employees received monetary rewards for keeping claim payments to a pre-determined amount.

The program came to light when careful scrutiny of the carrier's files, produced after several court orders, disclosed comments within internal e-mails that suggested such a program existed. Further, it became clear that no basis existed to avoid paying the claim and yet payment was delayed for more than 2 years, putting the insured out of business. The carrier instead relied on a litany of pretenses including adding a non-existent $250,000 water damage sub-limit to the policy and then waiting to see the insured's reaction. They also claimed the benefit of an endorsement limiting the value of the stock insured, though it did not exist either. The carrier attempted to save more money by attempting to reproduce the damaged merchandise in violation of the proprietary rights held by various suppliers. When the suppliers resisted, the carrier alleged a grand conspiracy and reported the claim as fraudulent to the New York Insurance Department's Fraud Bureau for prosecution. After a thorough investigation, the Frauds Bureau found that the loss occurred as claimed and finding no evidence of fraud, closed its file.

The claim was paid after 5 days of testimony by Scottsdale's field adjuster, Bruce Guttenplan of Compass Adjusters, Senior Claims Representative Kathy Finley from Scottsdale's home office in Arizona and their SIU investigator, Wayne Preston. Depositions of company management were pending when Scottsdale decided to pay the claim.

On March 2, 1999 while the insured's warehouse was locked and secure, it was inundated with water when a heavy roll of paper rolled against an exposed pipe which cracked, causing the extensive damage. After nearly 10 months of investigation which consumed more than 1000 pages of the insured's testimony and the production of nearly every document ever created or maintained by the insured's business, Scottsdale had neither accepted liability nor denied the claim and the insured was forced to file suit against the carrier.

During the discovery process and after five Court Orders, the carrier supplied a complete copy of their claims file, underwriting file and Special Investigation Unit file and outlined their basis for non-payment. A careful study of the documents contained in these files and the testimony of their witnesses disclosed no basis for Scottsdale's position. A study of the files also revealed that Scottsdale Insurance Company utilizes a bonus program for their management and claims staff setting goals for claim payments measured against premiums taken in. For example, after recommending the increase in reserves from $10,000 to $2.9 million, Ms. Finley, Scottsdale's Senior Claims Representative, was chastised in an e-mail, "Remember this claim will be in March figures." The supervisor then wished her luck in keeping any claim payment as low as possible. Interestingly, once this information was uncovered and a demand for discovery and inspection was made of the defendant for all information pertaining to the bonus program, an unconditional offer to pay the claim was made within hours.

The insured was represented by Jonathan J. Wilkofsky, Esq. of Wilkofsky, Friedman, Karel & Cummins.