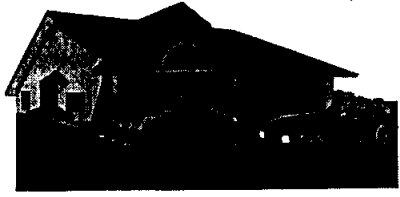




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BRAND MEETING
April 18, 1997

CCPR UPDATE
AUTO AND HOMEOWNER



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BRAND MEETING
April 18, 1997

Auto CCPR New Approach

Discussion Topics

- Elements of New Approach

- California Outcomes
 - Learnings and solutions
 - Transition to Front Line
 - Results

- Florida Strategy
 - Approach

- Preliminary Implementation Strategy
 - Country wide support
 - Segment-specific implementation

- Decision Tool

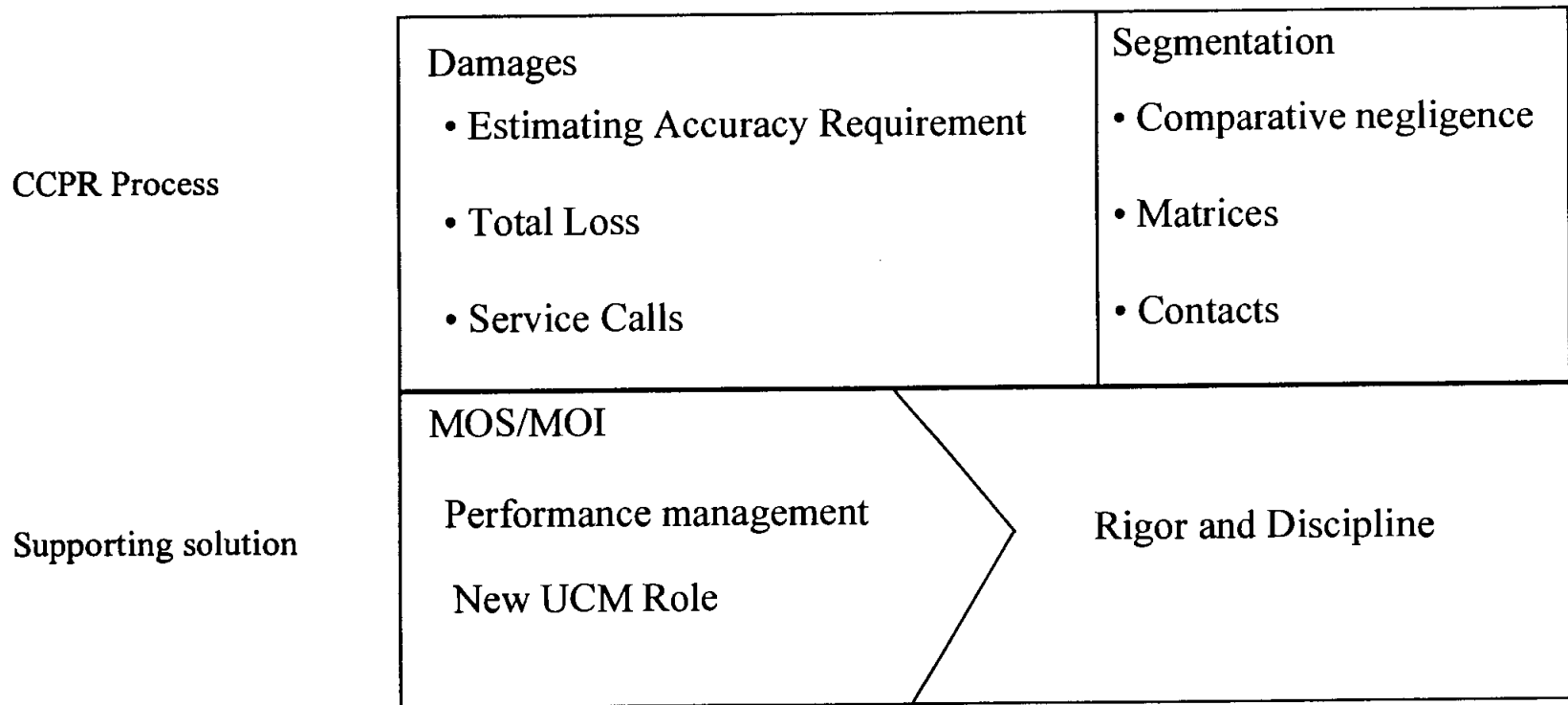


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April 18, 1997

Auto CCPR New Approach

ELEMENTS OF NEW APPROACH





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BRAND MEETING
April 18, 1997

Auto CCPR New Approach Southern California learnings November 1996 - February 1997
Processes as designed are effective, supporting solutions to include infrastructure are necessary

Learnings

Original implementation was too focused upon
“what to do” (not how to do it)

UCMs operated in a reactive manner engaging
in minimal coaching or training

Performance management system did not
reflect new processes

Physical Damage assignment process needed
refinement

Original Auto CCPR implementation had little
impact on liability assessment and application

Solutions

- Ensure that Front Line understand exactly how the new processes work
- Develop job aids
 - MCO monthly meetings
 - Weekly calibration; role plays
 - Weekly Auto Tech team sessions
- Redesign UCM role to be proactive - new job
 - One-on-one coaching
 - Teaching/training at desk/car
 - Process focused
 - Model new behavior
 - Understanding of reports
 - Institute regular figure review meetings
- Redesign performance management system to support CCPR processes
 - Develop MRs/PSs by position
 - Set effective goals by CSA, MCO and position
- Create dispatch workshop
- Develop directed MOS/MOI strategy
- Institute comp. neg. training module
- Test “second look” process
- Redesign AFR
- Ensure weekly round table discussion and role plays



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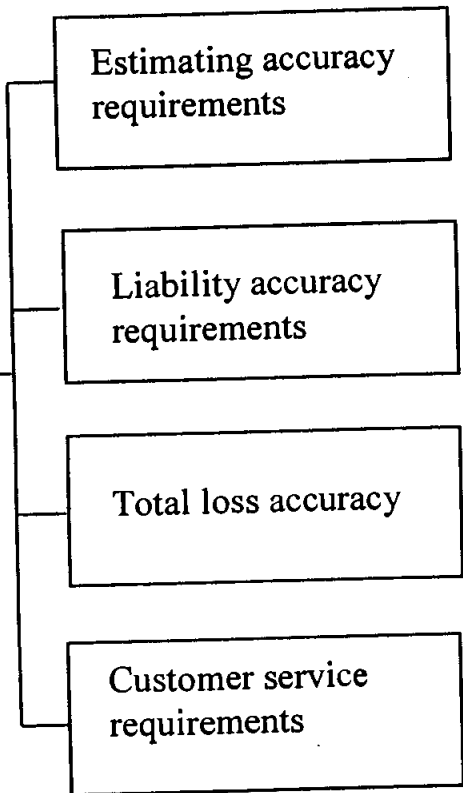
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Auto CCPR New Approach

TRANSITION TO FRONT LINE

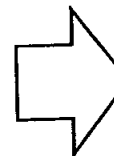
Critical levers driving success of Auto CCPR

Goal: To gain and sustain significant competitive advantage by achieving 10 point improvement in customer satisfaction and 7 point severity improvement while enhancing employee relationships



Ongoing priorities

- DE reinspections
- UCM ride-alongs/coaching
- ACPS validation of accuracy



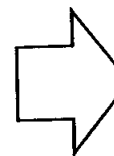
Calibration

- UCM file reviews
- UCM sit-alongs/coaching
- ACPS validation of accuracy



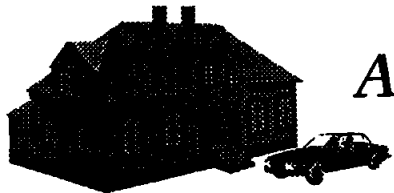
Calibration

- DE reinspections
- UCM reinspections and sit-alongs/coaching
- ACPS validation of accuracy



Calibration

- UCM ride-alongs/sit-alongs/coaching
- Monitoring of customer service drivers (via C199)
- ACPS validation of process compliance

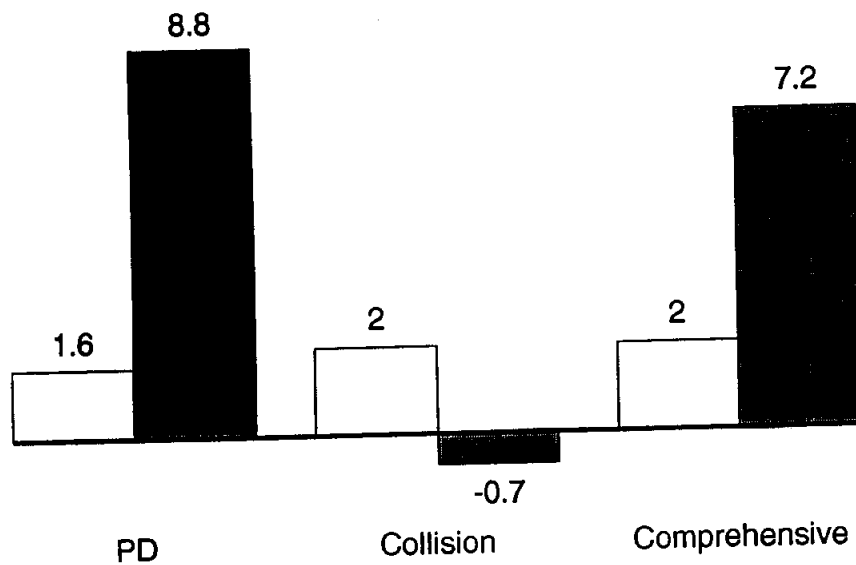


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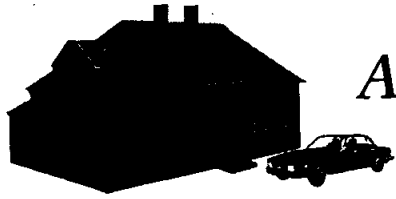
COMPARISON OF AUTO PD PERFORMANCE Percent

Country wide
Southern California

1 month (March) 1997 vs. 1996



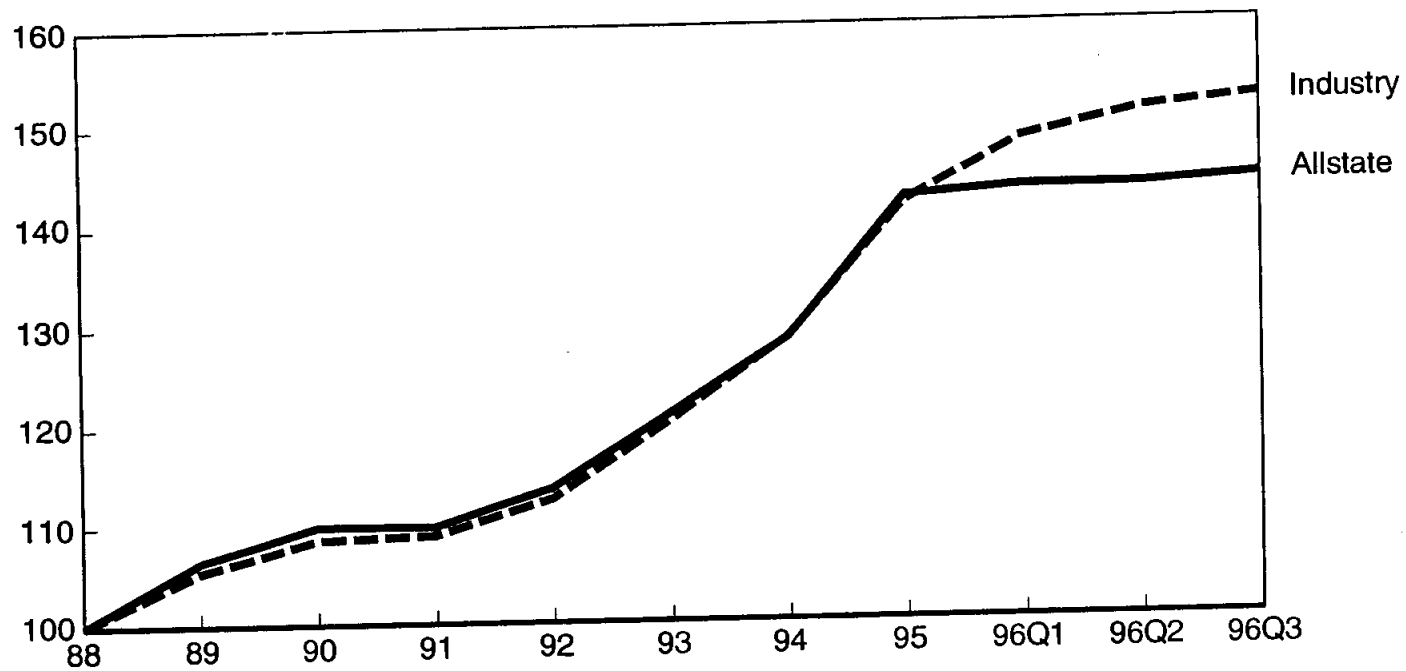
Source: OIS



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COLLISION SEVERITY TRENDS

Percent severity growth indexed to 1988



Source: Fast track



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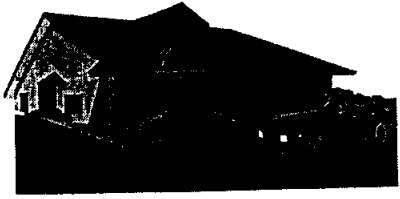
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April 18, 1997

Auto CCPR New Approach

FLORIDA STRATEGY MARCH-JULY '97

Mission: To utilize our learnings from Southern California to design an effective implementation strategy for the rest of the country

- Create a showcase for Auto CCPR success
- Ascertain ability to transfer knowledge in multiple segments in stable and unstable environments
- Drive results through new performance management system
- Create winning team culture
- Enhanced PRO integrated into CCPR solution



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BRAND MEETING
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Auto CCPR New Approach

Preliminary Countrywide Implementation Strategy

- Release Auto CCPR support processes prior to New Approach implementation
 - Performance Management
 - MOS/ MOI
 - New UCM Role
 - Miscellaneous job aids



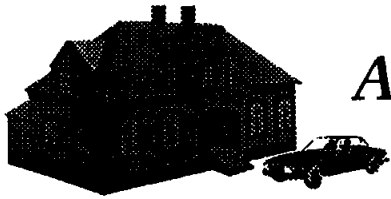
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Auto CCPR New Approach

Preliminary Countrywide Implementation Strategy

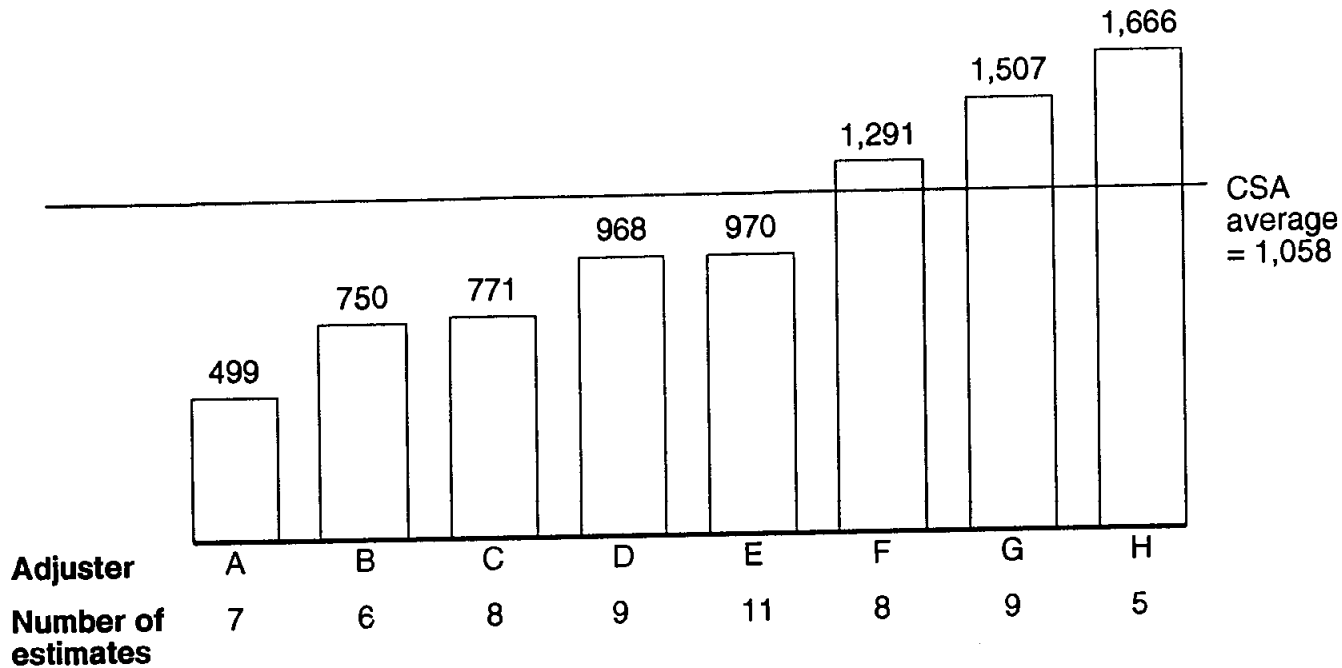
- Develop Segment Specific Implementation
- Triage CSAs
 - Implementation Vs. nonimplemented
 - Percent economic opportunity
 - Staffing status (hiring completed, experience levels, culture, skill)
 - Geography
- Design CSA specific implementation approach
- Build timeline and estimate potential economic impact



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HONDA CIVIC 1992-95 – ADJUSTER COMPARISON FOR DRIVE-IN

Average estimate amount in dollars



Current status

- Organizing team to conduct test
- Developing manual decision tool for test
- Selecting test sites in Florida
- Begin testing in May

* Adjusters with less than 5 estimates on Honda Civic were not shown, 134 total Honda Civic drive-in estimates
 Source: ADP damage data for Oct-Nov 1996 in Southern California CSA



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BRAND MEETING
April 18, 1997

Homeowner CCPR

FACT BASE

- 36 MCOs
- 1225 file reviews
- 533 re-inspections

KEY FINDINGS BY PERIL

FIRE

- 26.2% (\$135 million) opportunity
- Opportunity concentrated in structure/contents evaluation and subro (\$120 million)

WIND/HAIL

- 23.5% (\$32 million) opportunity non-Cat
- 30.5% (\$154 million) opportunity Cat
- Largest area of opportunity is in evaluation of roof damage (\$18 million non-Cat and \$80 million Cat)

THEFT/CONTENTS

- 22.7% (\$42 million) opportunity
- Opportunity driven by coverage identification, loss investigation/evaluation



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BRAND MEETING
April 18, 1997

Homeowner CCPR

DESIGN WORK

AREA OF FOCUS

Fire Structure

Fire contents

Wind/Hail roofs

PROCESSES BEING TESTED

- clean vs replace
- cause and origin investigation
- subro ID/pursuit

- on-site inventory
- pricing
- evaluation

- coverage/damage identification
- repair vs replace
- estimating skill



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BRAND MEETING
April 18, 1997

Homeowner CCPR

TESTING PLANS

Target Tests (March - August)

- Locations
 - Roseville (fire structure and contents)
 - Albuquerque (roof adjusting - non-Cat)
- Challenges
 - Skill assessments
 - Technical training
 - Calibration
 - Customer satisfaction
- Strategy
 - First Round Testing
 - Limit testing to two processes
 - Use first test sites to identify solutions/develop process
 - Perfect processes
 - Prove processes will capture opportunity



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BRAND MEETING
April 18, 1997

Homeowner CCPR

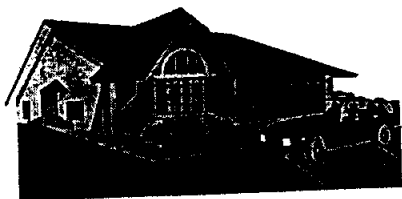
TESTING PLANS

Target Tests (March - August)

- Strategy

Subsequent Testing

- Expand scope (refinement and transportability)
- Test Roof Process in Cat environment
- Begin theft/contents testing



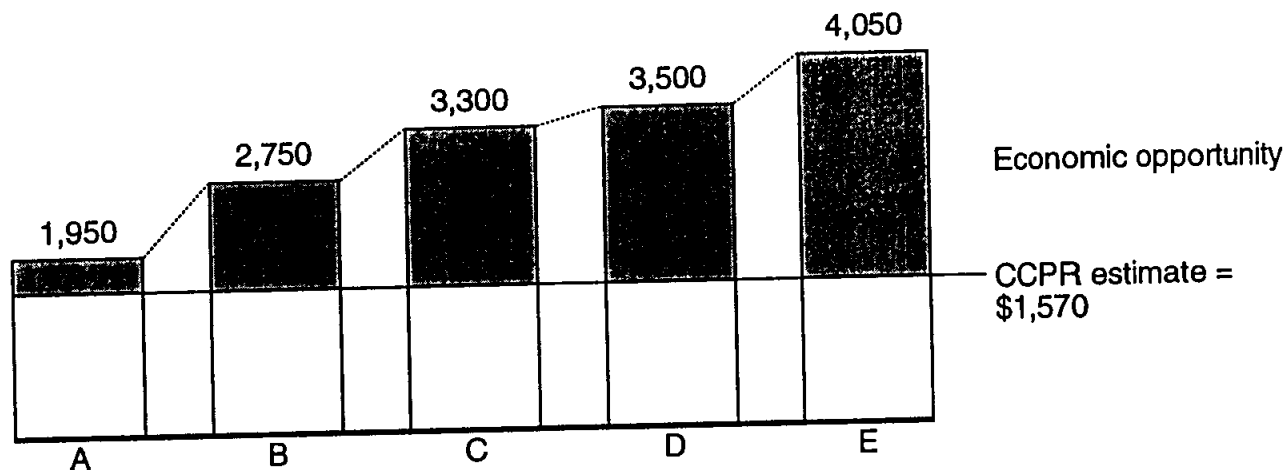
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April 18, 1997

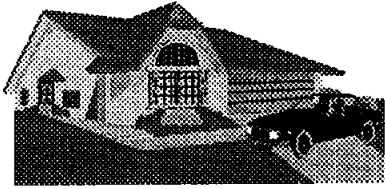
RESULTS FROM MCO CALIBRATION EXERCISE

Dollars

Estimate written on identical hail damaged roof



- 5 adjusters asked to adjust the same roof during field calibration exercise
- Unit cost for shingles varied between \$59 per square to \$85 per square
- Area measurement varied between 25 and 43 squares
- 2 contractors visited the site and confirmed the CCPR scope and estimate

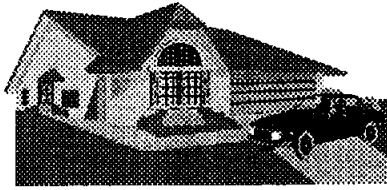


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file

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April 18, 1997

- Overview..... M. McCabe / T. Rowland ✓
- CCPR Update..... D. Campbell
- Customer Satisfaction..... N. Notte
 Claim - Sales Partnership

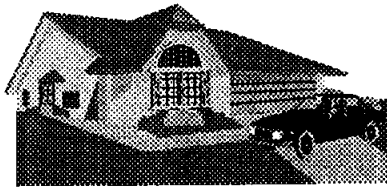


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CUSTOMER / EMPLOYEE SATISFACTION

	<u>1995</u> <u>Year</u>	<u>1996</u> <u>Year</u>	<u>1996</u> <u>4th Qtr</u>	<u>1997</u> <u>1st Qtr</u>	<u>Goal</u>
<u>Customer Satisfaction</u>					
CSMS Gap to Competition (6MM)	-3.8	-2.5			0
ICSS - % Completely Satisfied	74.5	74.0	72.5	73.4	76.0
- % Very Likely to Renew	92.3	91.9	91.5	92.1	n/a
<u>Employee Satisfaction</u>					
Leadership Index	65.9	67.2	71.0	75.0	69.2
Diversity Index	39.4	40.0	42.0	45.0	42.0
Overall Satisfaction	78.1	75.4	78.0	83.0	77.4

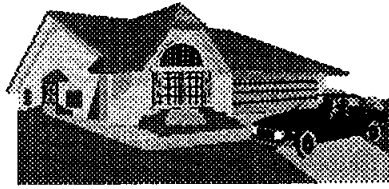


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April 18, 1997

QLMS RESULTS BY QUARTER

	<u>1997</u>	<u>1996</u>			<u>1995</u>	
	<u>1st Qtr</u>	<u>4th Qtr</u>	<u>3rd Qtr</u>	<u>2nd Qtr</u>	<u>1st Qtr</u>	<u>4th Qtr</u>
Leadership Index	75	71	69	65	64	63
Committed to Keep Cust	76	74	70	68	68	68
Straight Story	56	54	51	45	43	39
Respect and Dignity	79	76	75	71	71	72
Overall Satisfaction	83	78	76	73	74	75
Conf in Mgmt Cust Retention	72	66	63	59	56	51
Conf in Mgmt Profit	81	75	74	70	69	58
Conf in Mgmt Comp Position	75	67	65	61	58	51
Conf in Mgmt Emp Opp/Dev	59	55	53	42	39	36
Diversity Index	45	42	41	38	37	39

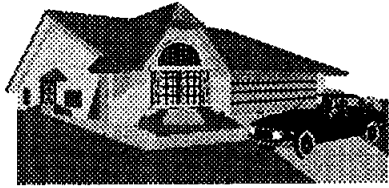


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BRAND MEETING
April 18, 1997

**AUTO SEVERITY TRENDS - TOTAL AUTO
 MARCH, 1997**

	<u>Year End 1996</u>		<u>March % Var to</u>			<u>YE Plan</u>
	<u>Actual</u>	<u>% Var Pr Yr</u>	<u>Pr Yr MO</u>	<u>Pr Yr YTD</u>	<u>Plan YTD</u>	<u>% Var Pr Yr</u>
Property Damage	2,014	3.9	1.6	2.9	1.3	.6
Collision	2,344	2.4	2.0	6.8	6.8	.8
Comp X CATS	831	3.8	2.0	6.8	5.0	1.0



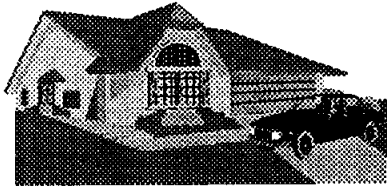
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BRAND MEETING
April 18, 1997

**AUTO SEVERITY TRENDS - TOTAL AUTO
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Bodily Injury	9,627	-8.8	.5	1.3	-2.2	-9
Uninsured Motorists	12,429	-4.3	21.9	17.2	4.5	-9
Personal Injury	5,406	5.4	3.4	4.9	2.0	5.4
Medical	2,030	-6	5.9	2.3	4.9	2.1

New Jersey



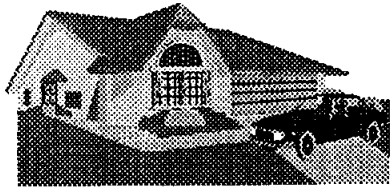
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**BODILY INJURY SEVERITY CONTRIBUTION
 BY REPORT YEAR**

Calendar Year 1997 - March YTD

<u>Report Year</u>	<u># CWA</u>		<u>Paid Severity</u>		<u>Impact From:</u>	
	<u>% Var to Pr RY</u>	<u>PP Var - % Dist</u>	<u>Actual</u>	<u>% Var to Pr RY</u>		
1997	5.3	-1.3	1,620	-5.0	Mix	7.3
1996	4.1	-2.7	7,576	-1.4		
1995	22.0	1.5	15,930	-7.2	Severity	
1994	38.6	1.5	22,211	-3.3	Level	-6.0
1993	41.2	.7	26,603	-13.5	Total	1.3
1992	33.5	.2	30,619	-11.1		
1991	17.9	.0	33,905	-27.2		
All Prior	29.4	.1	34,390	8.7		
Total	10.4		9,520	1.3		

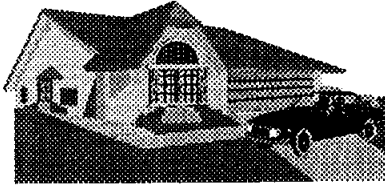


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RANGE - INDICATED CLOSED COST IMPACTS
TOTAL AUTO - BODILY INJURY

<u>OPERATIONAL DRIVERS</u>		<u>CALENDAR YEAR RESULTS</u>	
Expected Increase - 97/93	14.8 %	Expected Increase - 97/93	14.8 %
Projected Increase	3.3	<u>Actual Variance to Prior Year</u>	
CCPR Impacts:		1994 YE	-8.0
Representation Rate	-1.7	1995 YE	-8.7
MIST	-5.4	1996 YE	-5.4
Evaluation	-3.9	1997 YTD to 1996 YE	3.8
Total	-11.5 %	1997 vs 1993 @ Mar	-17.5
		Indicated Impact	-32.3 %
<u>REPORT YEAR RESULTS @ COMPARABLE PENDING</u>		<u>REPORT YEAR RESULTS @ COMPARABLE AGE</u>	
Expected Increase - 97/93	14.8 %	Expected Increase - 97/93	14.8 %
<u>Actual ITD Variance to Prior Yr @ 3/97</u>		<u>Actual ITD Variance to Prior Yr @ 3/97</u>	
RY 1994	.8	RY 1994	-5.7
RY 1995	1.6	RY 1995	-8.7
RY 1996	-4.0	RY 1996	-5.5
Cumulative Variance	-1.6	Cumulative Variance	-19.9
Indicated Impact	-16.4 %	Indicated Impact	-34.7 %



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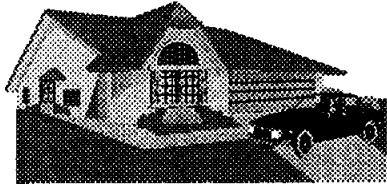
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HOMEOWNER SEVERITY TRENDS BY PERIL
MARCH, 1997

	<u>Year End 1996</u>		<u>1997 - March YTD</u>		<u>Y/E Plan</u>
	<u>Actual</u>	<u>% Var Pr Yr</u>	<u>%Var PY</u>	<u>%Var Plan</u>	<u>%Var PY</u>
F&L	6,165	10.2	5.5	-16.0	3.9
EC/AEC	1,654	-0.1	5.9 ✓	-1.3	2.6
CPL	6,092	-0.2	23.4	21.4	5.1
Theft & J	1,410	2.8	-1.7	-4.4	2.1
All Perils	2,556	1.6	8.6	-4.0	4.3

2 year +12

Japan +3%



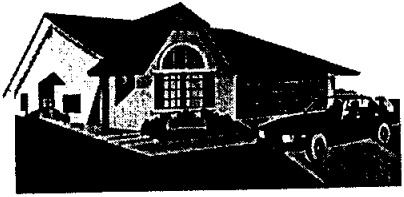
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OPERATIONAL RESULTS

	<u>1996</u> <u>Year End</u>	<u>1997</u> <u>March YTD</u>	<u>1997</u> <u>YE Goal</u>
90 Day Rep Rate (%)	41	39.5	36
Rep Paid Severity (% to Baseline)	-7	-7	-13
Bodily Injury Pending	280,846	285,283	
Phys. Dam. Pending (B,D,H)	184,498	155,362	
% Controlled Inspections	86.2	88.3	90.0
% Collision Subro Collected			
Std Auto	17.2	15.0	18.4
Indemnity	13.6	11.9	14.8
# Collision Subro Referrals	20,067	22,401	24,238
(Avg Monthly Amt)			
% Property Subro Collected	1.9	1.8	2.2
% Property Files Referred	n/a	3.1	3.0
EOM P-CCSO Employees	19,260	19,838	20,303
Total YTD P-CCSO Expense Ratio	9.38	9.78	9.81

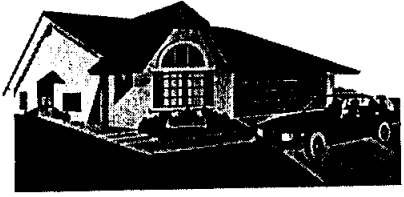
Sliden



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CCPR UPDATE AUTO AND HOMEOWNER



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April 18, 1997

CCPR UPDATE AUTO AND HOMEOWNER



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BRAND MEETING
April 18, 1997

Auto CCPR New Approach

Discussion Topics

- Elements of New Approach
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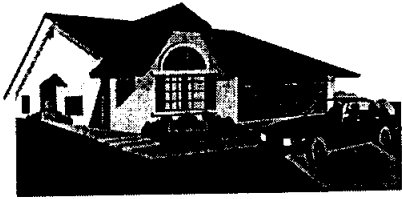
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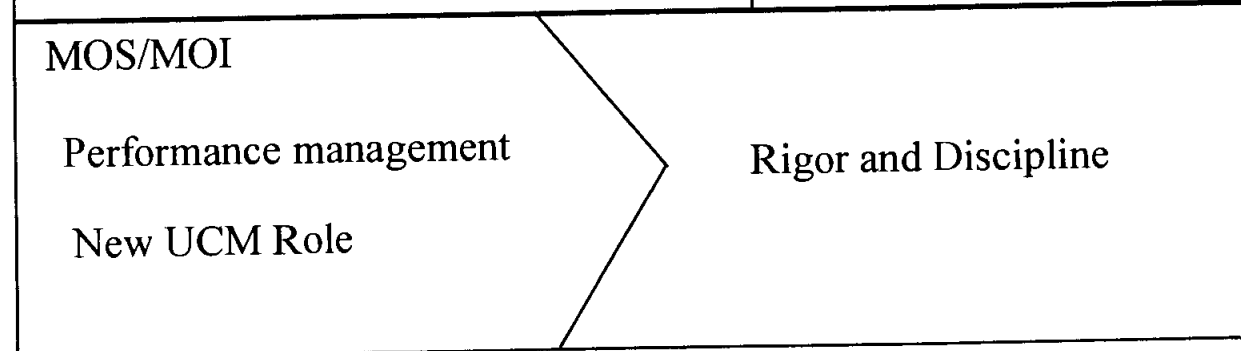
Auto CCPR New Approach

ELEMENTS OF NEW APPROACH

CCPR Process

Damages <ul style="list-style-type: none">• Estimating Accuracy Requirement• Total Loss• Service Calls	Segmentation <ul style="list-style-type: none">• Comparative negligence• Matrices• Contacts
--	---

Supporting solution





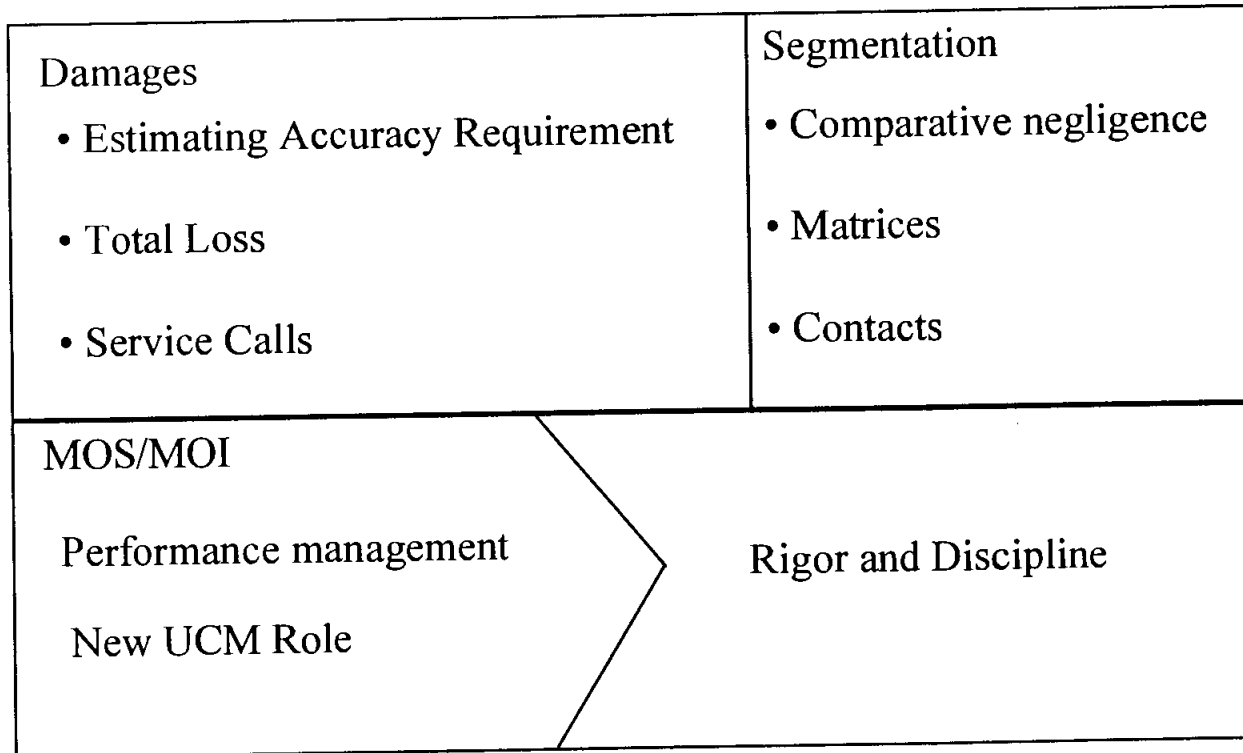
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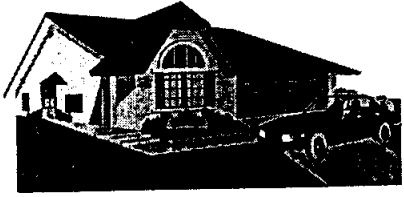
Auto CCPR New Approach

ELEMENTS OF NEW APPROACH

CCPR Process



Supporting solution



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April 18, 1997

Auto CCPR New Approach Southern California learnings November 1996 - February 1997
Processes as designed are effective, supporting solutions to include infrastructure are necessary

Learnings

Original implementation was too focused upon
“what to do” (not how to do it)

UCMs operated in a reactive manner engaging
in minimal coaching or training

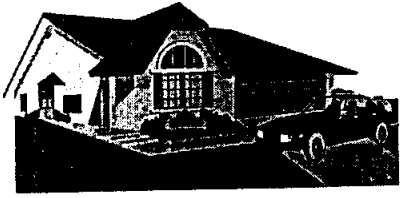
Performance management system did not
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Solutions

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 - Weekly Auto Tech team sessions
- Redesign UCM role to be proactive - new job
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 - Teaching/training at desk/car
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 - Model new behavior
 - Understanding of reports
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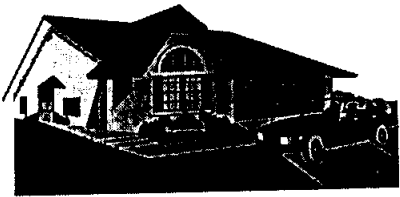
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- Redesign performance management system to support CCPR processes
 - Develop MRs/PSs by position
 - Set effective goals by CSA, MCO and position
- Create dispatch workshop
- Develop directed MOS/MOI strategy
- Institute comp. neg. training module
- Test “second look” process
- Redesign AFR
- Ensure weekly round table discussion and role plays



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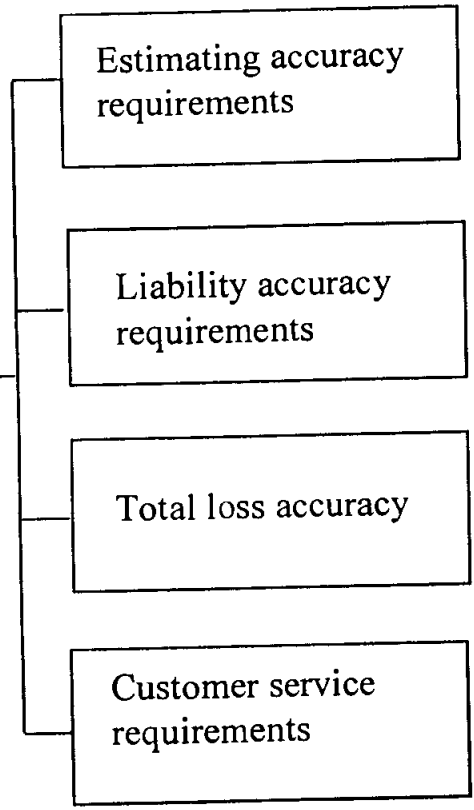
Auto CCPR New Approach

TRANSITION TO FRONT LINE

Critical levers driving success of Auto CCPR

Ongoing priorities

Goal: To gain and sustain significant competitive advantage by achieving 10 point improvement in customer satisfaction and 7 point severity improvement while enhancing employee relationships



- DE reinspections
- UCM ride-alongs/coaching
- ACPS validation of accuracy



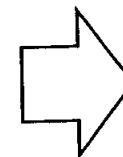
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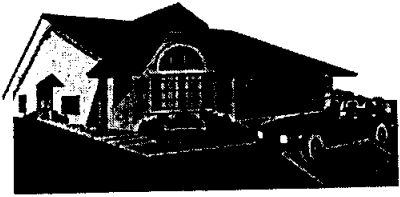
Calibration

- DE reinspections
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- ACPS validation of accuracy



Calibration

- UCM ride-alongs/sit-alongs/coaching
- Monitoring of customer service drivers (via C199)
- ACPS validation of process compliance



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Auto CCPR New Approach

TRANSITION TO FRONT LINE

Critical levers driving success of Auto CCPR

Estimating accuracy requirements

Liability accuracy requirements

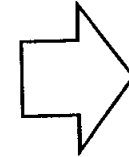
Total loss accuracy

Customer service requirements

Goal: To gain and sustain significant competitive advantage by achieving 10 point improvement in customer satisfaction and 7 point severity improvement while enhancing employee relationships

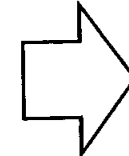
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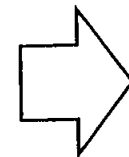
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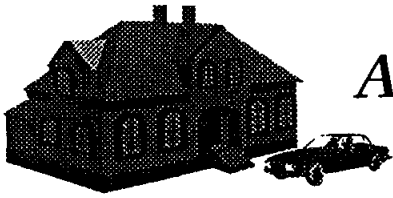
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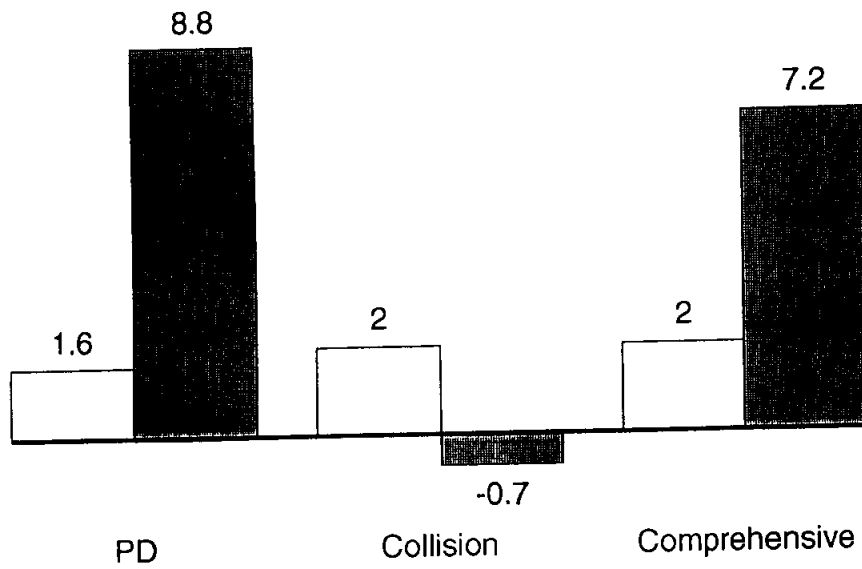


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COMPARISON OF AUTO PD PERFORMANCE Percent

Country wide
Southern California

1 month (March) 1997 vs. 1996



Source: OIS

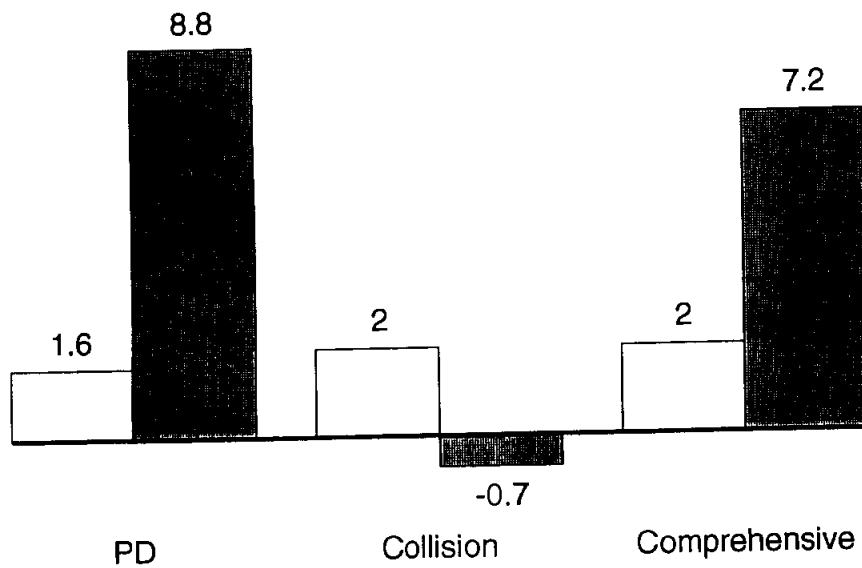


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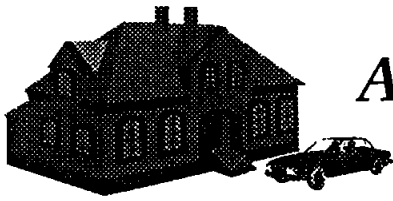
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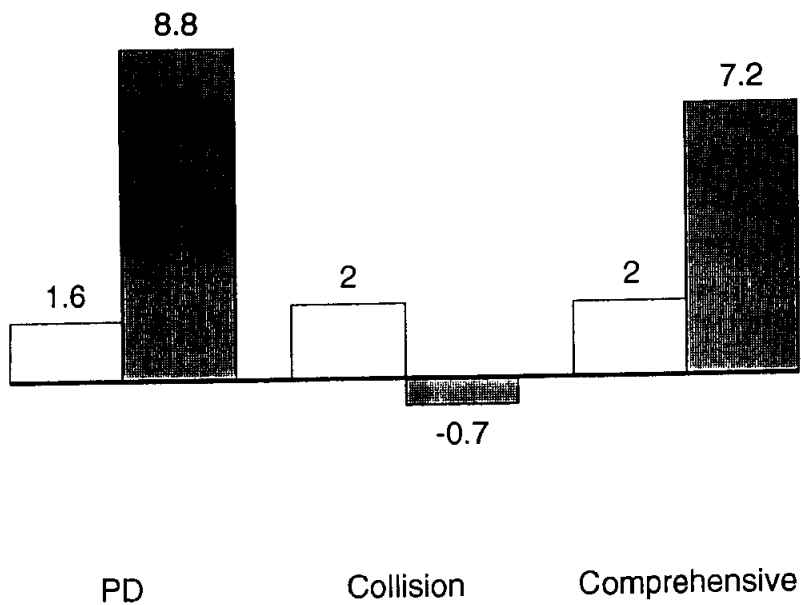


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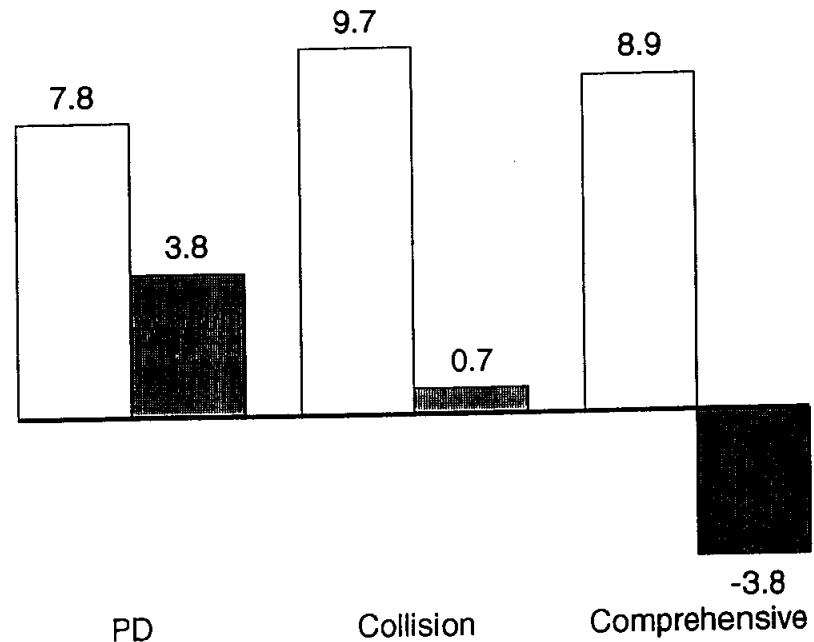
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3 month mover 1997 vs. 1995



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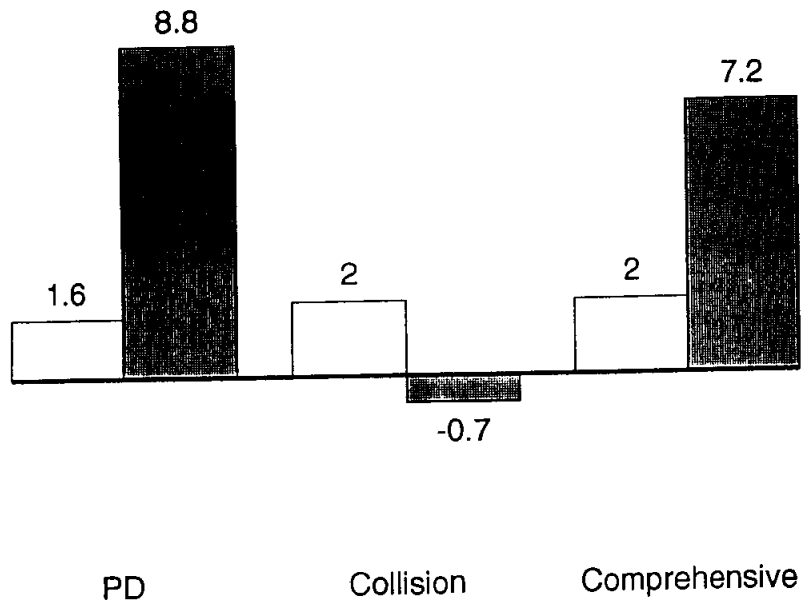


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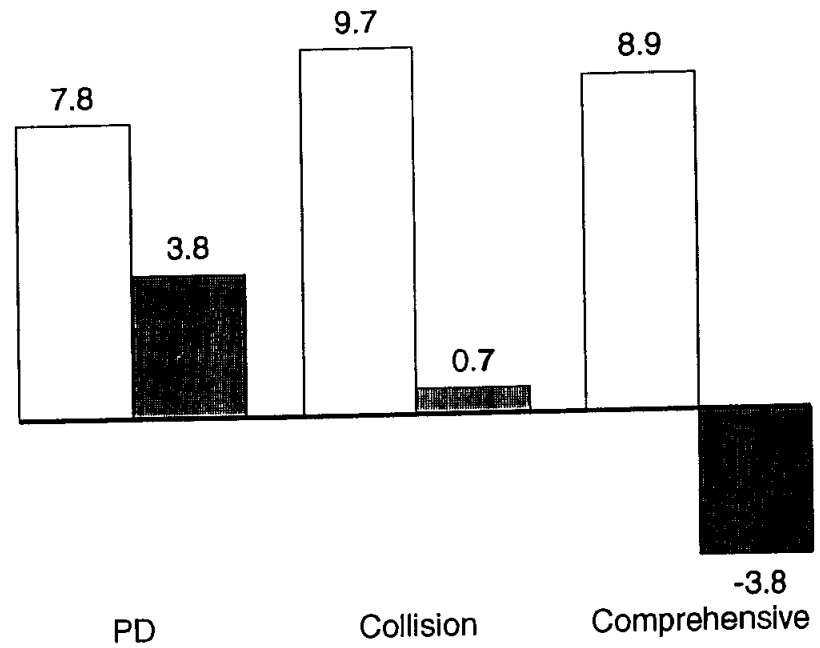
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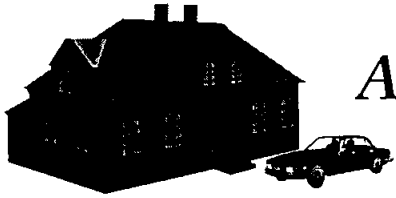
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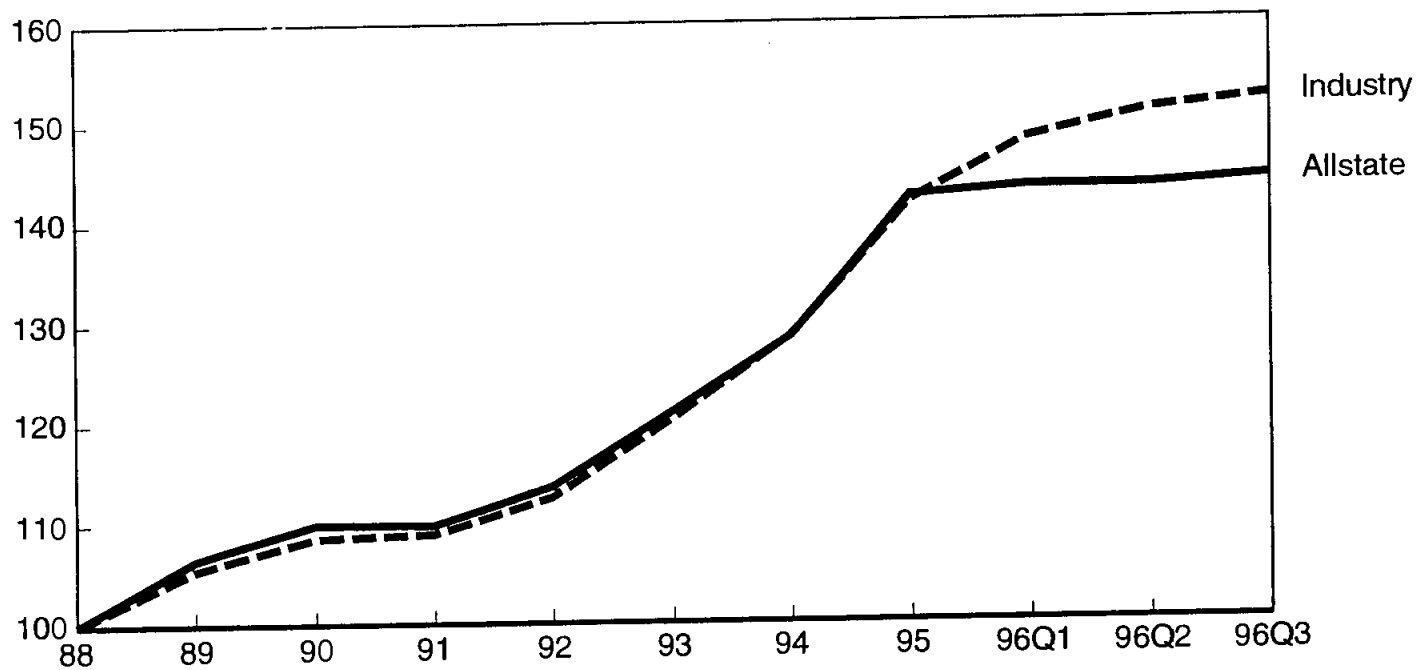
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COLLISION SEVERITY TRENDS

Percent severity growth indexed to 1988



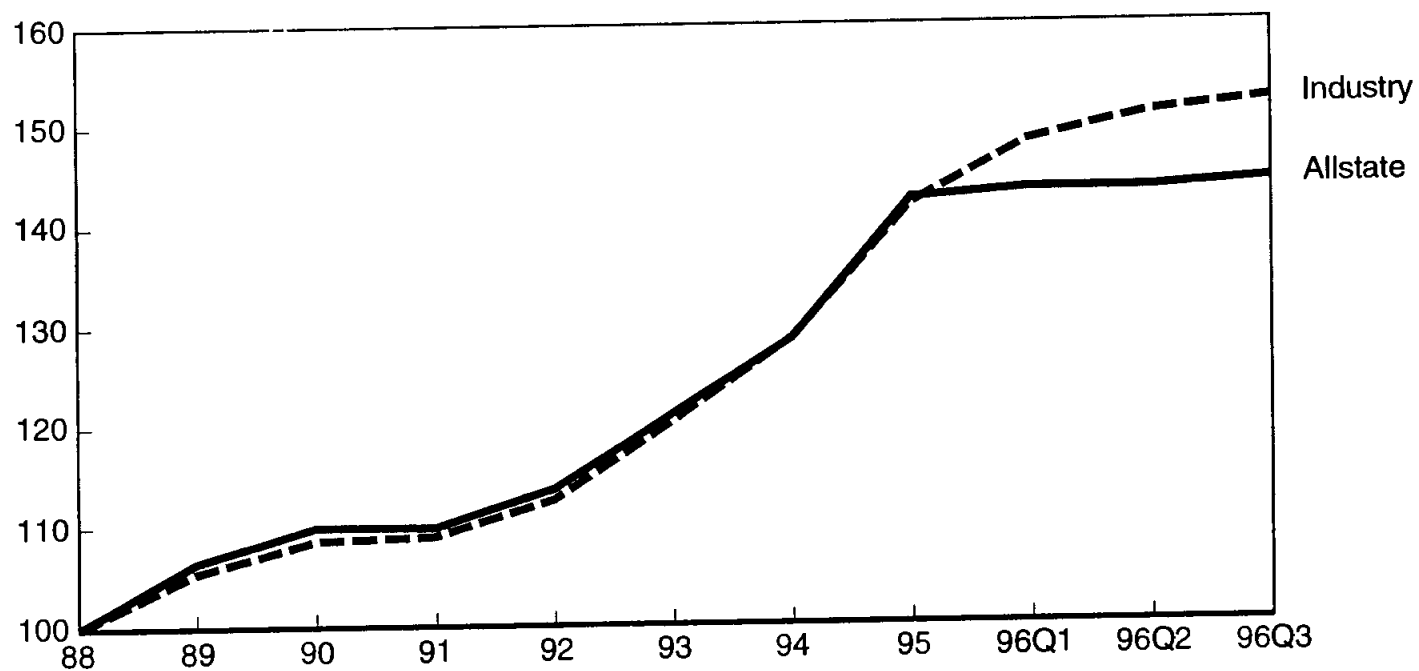
Source: Fast track



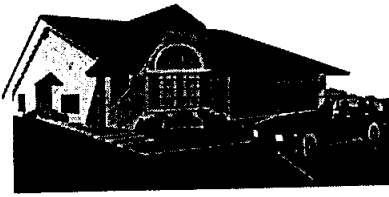
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Percent severity growth indexed to 1988



Source: Fast track



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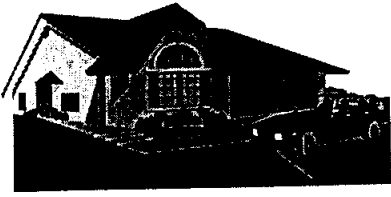
BRAND MEETING
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Auto CCPR New Approach

FLORIDA STRATEGY MARCH-JULY '97

Mission: To utilize our learnings from Southern California to design an effective implementation strategy for the rest of the country

- Create a showcase for Auto CCPR success
- Ascertain ability to transfer knowledge in multiple segments in stable and unstable environments
- Drive results through new performance management system
- Create winning team culture
- Enhanced PRO integrated into CCPR solution



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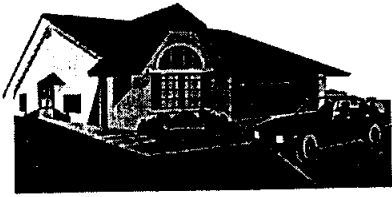
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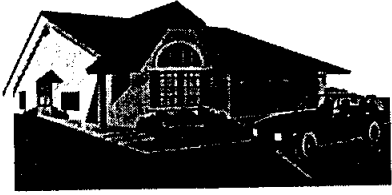
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Auto CCPR New Approach

Preliminary Countrywide Implementation Strategy

- Release Auto CCPR support processes prior to New Approach implementation
 - Performance Management
 - MOS/ MOI
 - New UCM Role
 - Miscellaneous job aids



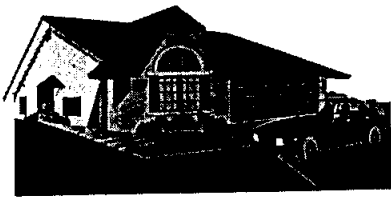
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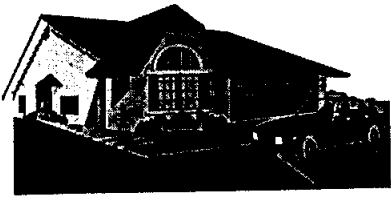
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BRAND MEETING
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Auto CCPR New Approach

Preliminary Countrywide Implementation Strategy

- Develop Segment Specific Implementation
- Triage CSAs
 - Implementation Vs. nonimplemented
 - Percent economic opportunity
 - Staffing status (hiring completed, experience levels, culture, skill)
 - Geography
- Design CSA specific implementation approach
- Build timeline and estimate potential economic impact



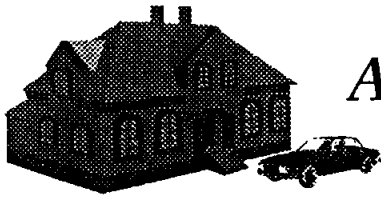
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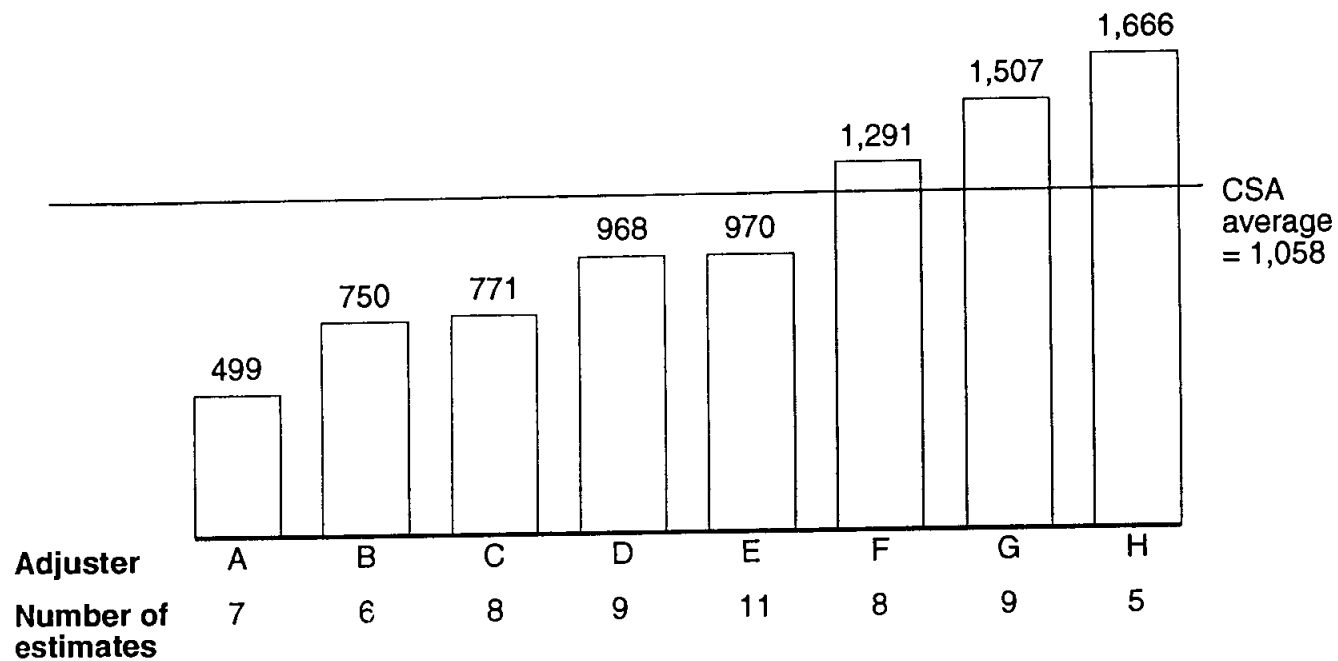
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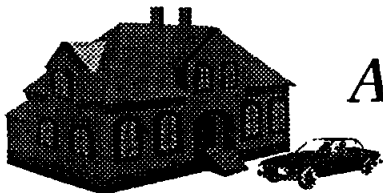
HONDA CIVIC 1992-95 – ADJUSTER COMPARISON FOR DRIVE-IN

Average estimate amount in dollars



- Current status**
- Organizing team to conduct test
 - Developing manual decision tool for test
 - Selecting test sites in Florida
 - Begin testing in May

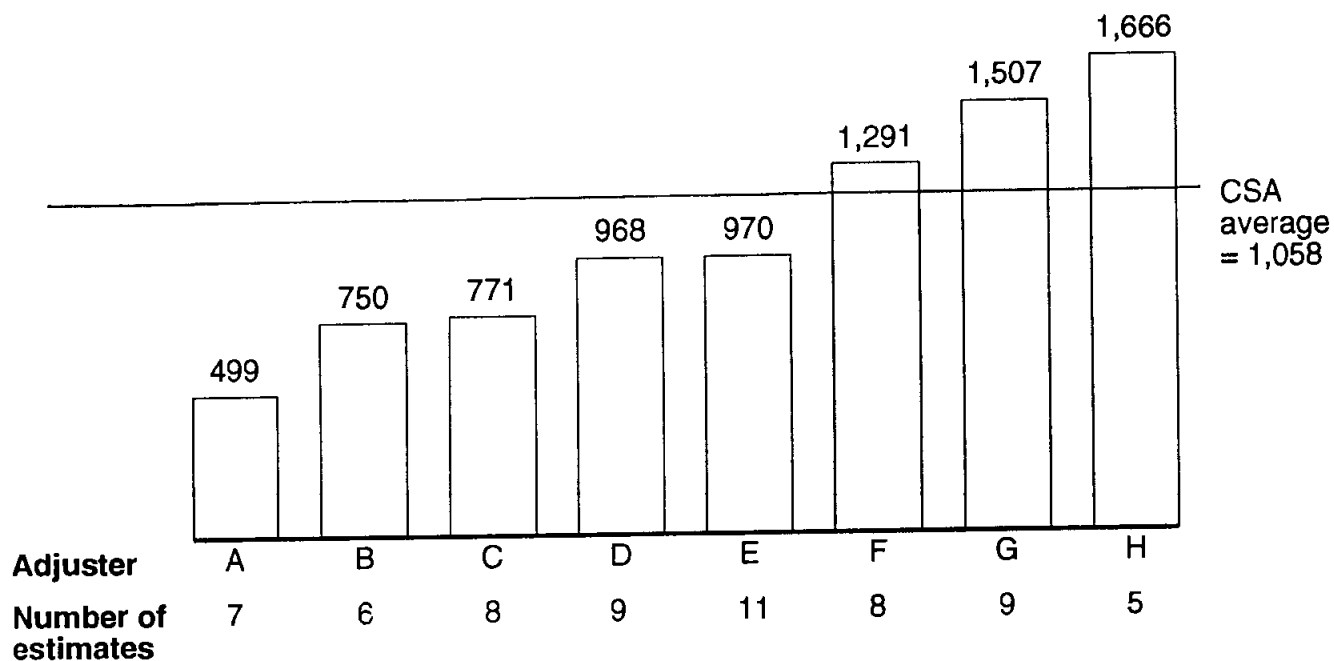
* Adjusters with less than 5 estimates on Honda Civic were not shown, 134 total Honda Civic drive-in estimates
 Source: ADP damage data for Oct-Nov 1996 in Southern California CSA



Allstate Brand – P-CCSO

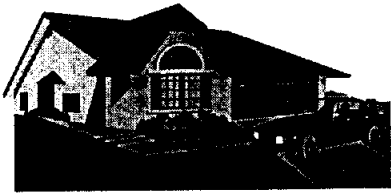
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BRAND MEETING
April 18, 1997

Homeowner CCPR

FACT BASE

- 36 MCOs
- 1225 file reviews
- 533 re-inspections

KEY FINDINGS BY PERIL

FIRE

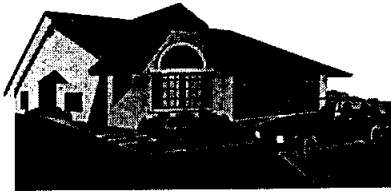
- 26.2% (\$135 million) opportunity
- Opportunity concentrated in structure/contents evaluation and subro (\$120 million)

WIND/HAIL

- 23.5% (\$32 million) opportunity non-Cat
- 30.5% (\$154 million) opportunity Cat
- Largest area of opportunity is in evaluation of roof damage (\$18 million non-Cat and \$80 million Cat)

THEFT/CONTENTS

- 22.7% (\$42 million) opportunity
- Opportunity driven by coverage identification, loss investigation/evaluation



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BRAND MEETING
April 18, 1997

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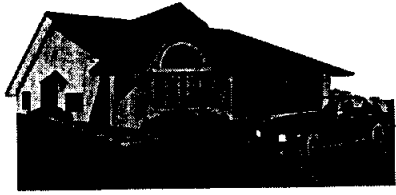
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BRAND MEETING
April 18, 1997

Homeowner CCPR

DESIGN WORK

AREA OF FOCUS

PROCESSES BEING TESTED

Fire Structure

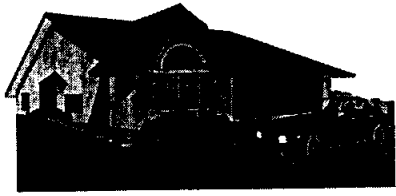
- clean vs replace
- cause and origin investigation
- subro ID/pursuit

Fire contents

- on-site inventory
- pricing
- evaluation

Wind/Hail roofs

- coverage/damage identification
- repair vs replace
- estimating skill



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Homeowner CCPR

DESIGN WORK

AREA OF FOCUS

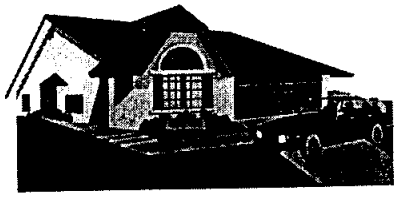
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BRAND MEETING
April 18, 1997

Homeowner CCPR

TESTING PLANS

Target Tests (March - August)

- Locations
 - Roseville (fire structure and contents)
 - Albuquerque (roof adjusting - non-Cat)
- Challenges
 - Skill assessments
 - Technical training
 - Calibration
 - Customer satisfaction
- Strategy
 - First Round Testing
 - Limit testing to two processes
 - Use first test sites to identify solutions/develop process
 - Perfect processes
 - Prove processes will capture opportunity



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Homeowner CCPR

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April 18, 1997

Homeowner CCPR

TESTING PLANS

Target Tests (March - August)

- Strategy

Subsequent Testing

- Expand scope (refinement and transportability)
- Test Roof Process in Cat environment
- Begin theft/contents testing



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Homeowner CCPR

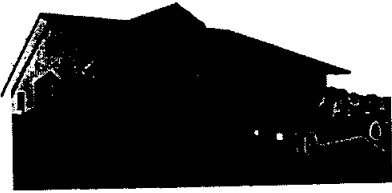
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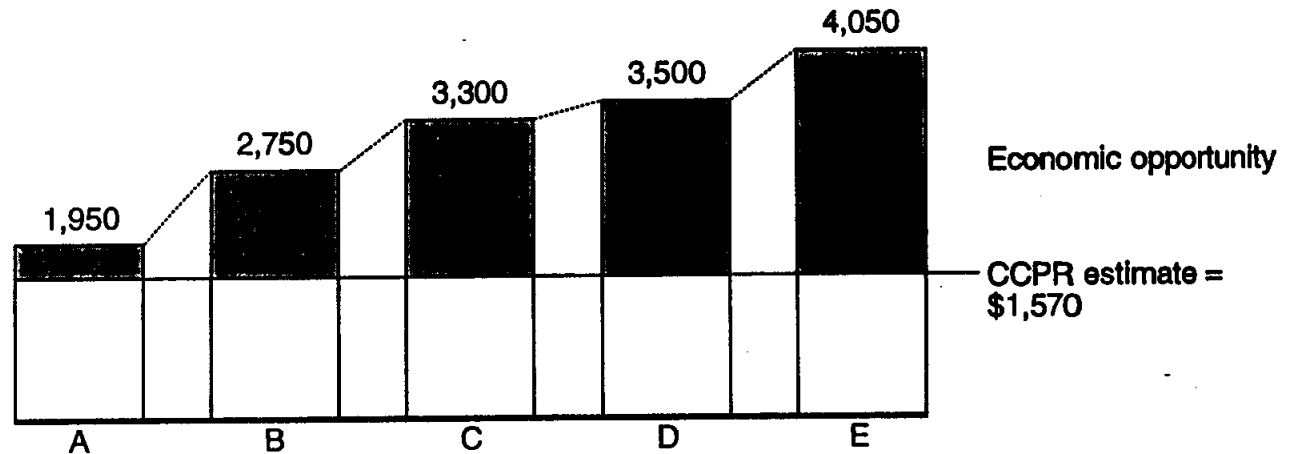
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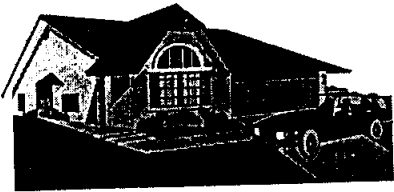
RESULTS FROM MCO CALIBRATION EXERCISE

Dollars

Estimate written on identical hail damaged roof



- 5 adjusters asked to adjust the same roof during field calibration exercise
- Unit cost for shingles varied between \$59 per square to \$85 per square
- Area measurement varied between 25 and 43 squares
- 2 contractors visited the site and confirmed the CCPR scope and estimate



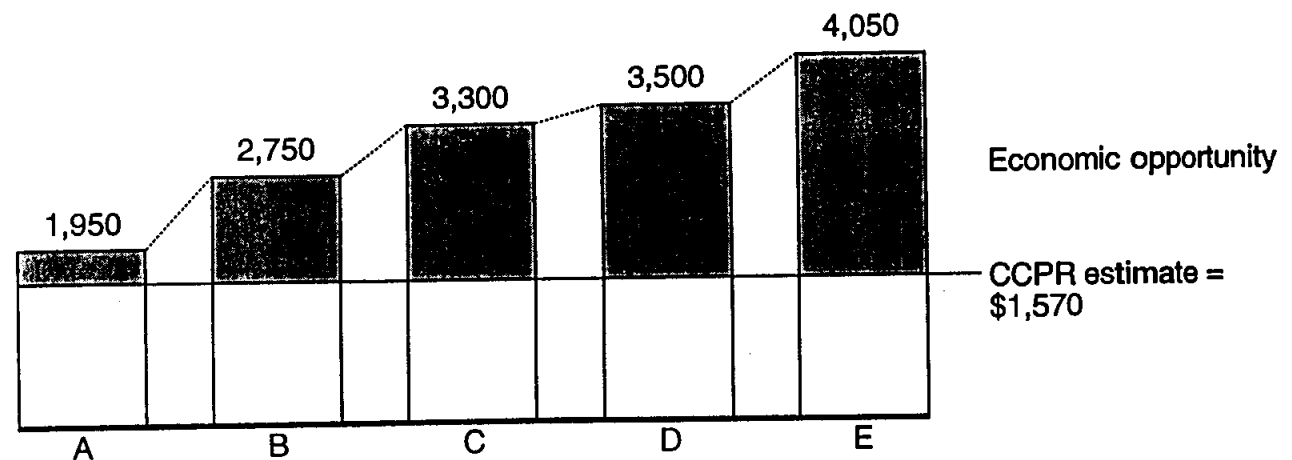
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ACCUPRO TRAINING NEEDS
5/6/97

ACCUPRO TRAINING NEEDS 5/6/97

File

CONFIDENTIAL

Accupro – Training Needs and System Enhancements

ALLSTATE INSURANCE COMPANY

Discussion document

May 6, 1997

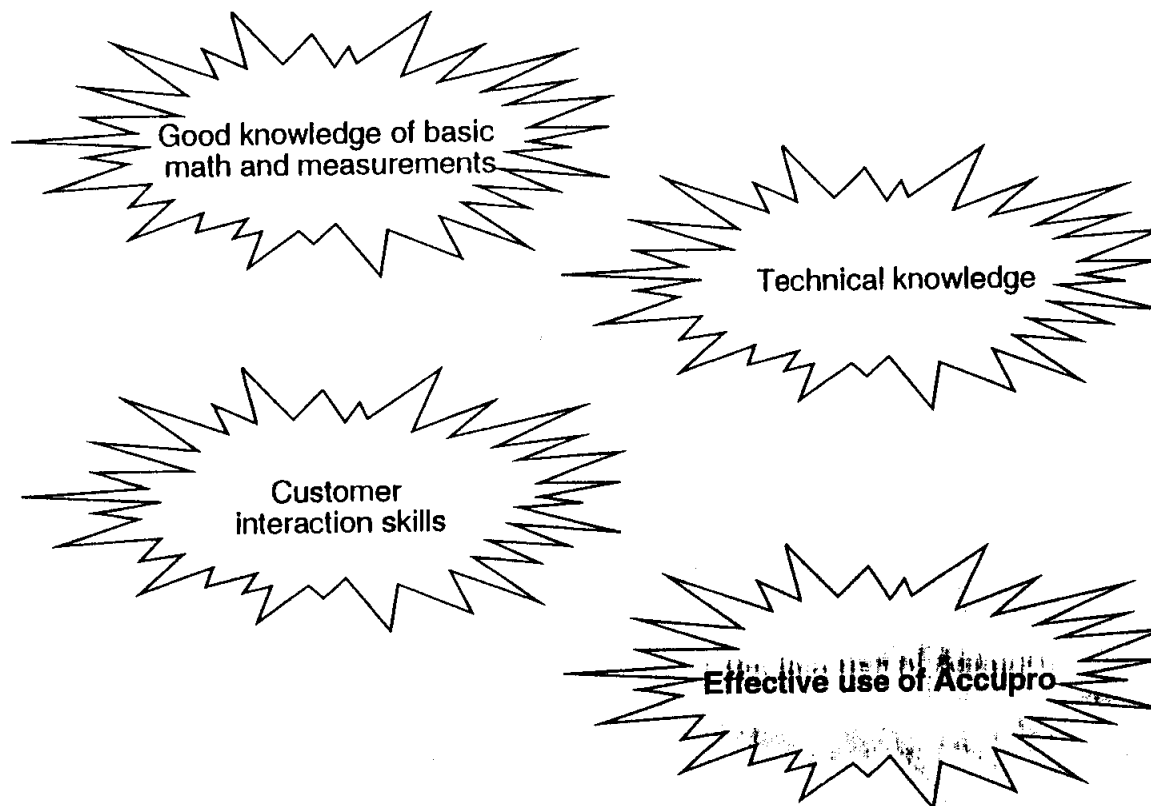
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TODAY'S DISCUSSION

- Overall Accupro skill requirements
- Major focus areas
- Training recommendations
- System enhancements

OVERALL SKILLS NEEDED FOR BEING A STRONG CLAIM REP



- Training is needed in all areas
- However, today's discussion will focus on Accupro

5 SKILLS

ACCUPRO SKILLSET NEEDED FOR CCPR

	Hardware and windows skills	Understanding of system limitations and capabilities
Claim rep skills	<ul style="list-style-type: none"> • Knows how to care for laptop in the field, maintain power levels, and can troubleshoot printer errors • Can navigate through Windows and perform cut and paste operations in general • Is comfortable with operating the system and preparing an estimate on-site 	<ul style="list-style-type: none"> • Knows what is included in various operations • Knows what the system's limitations are for handling complex roof and room measurements, and can manually get around these limitations
Examples of desired claim rep behavior	<ul style="list-style-type: none"> • Does not expose computer to high temperatures, e.g., by leaving laptop in trunk of car during summer • Does not recharge battery until fully drained • Has the right printer driver set up, and starts computer after having switched on and connected portable printer • Uses Alt + Tab to move between windows and use specific windows like the Print Manager 	<ul style="list-style-type: none"> • Does not included tear out and waste in roof operations since they are already included • Manually estimates degree of difficulty of roof and includes support equipment such as scaffolding and toe boards • Manually calculates areas of combination hip roofs since system cannot perform calculations • Manually calculates areas of complex-shaped rooms – e.g., trapezoidal, semicircular

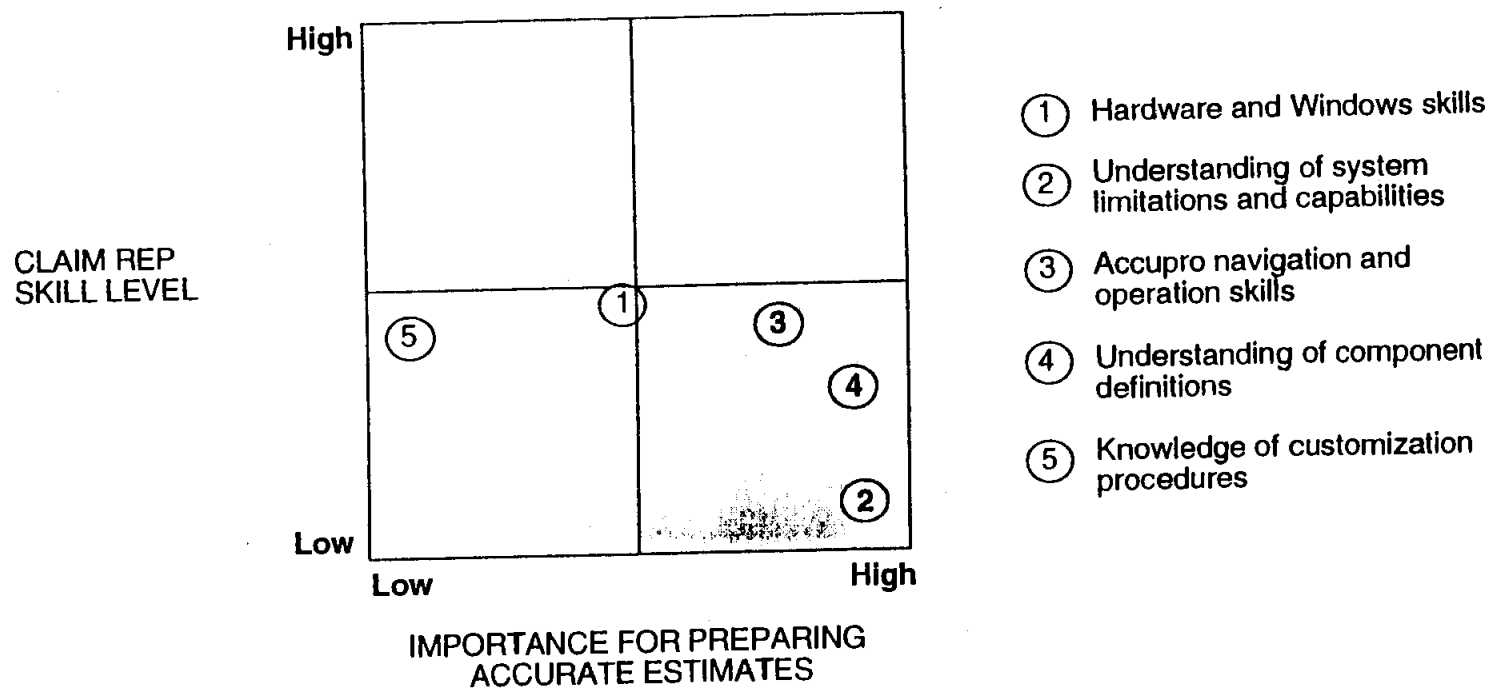
ACCUPRO SKILLSET NEEDED FOR CCPR (CONTINUED)

	Accupro navigation and operation skills	Understanding of component definitions	Knowledge of customization procedures
Claim rep skills	<ul style="list-style-type: none"> • Can navigate through system screens • Can input data into different fields • Can develop and use templates for efficient estimating • Can download estimates from remote locations and troubleshoot exceptions 	<ul style="list-style-type: none"> • Knows which operations and materials are included in component definitions for roof and fire losses • Understands component nomenclature • Can generate optimal estimates based on component knowledge 	<ul style="list-style-type: none"> • Aware of procedures to customize database including knowledge of who is authorized to customize, and what are the supporting documents needed for customization
Examples of desired claim rep behavior	<ul style="list-style-type: none"> • Uses predefined templates (e.g., fire damage template for kitchen) to rapidly prepare estimate • Is able to compare dispatch assignment log with download assignments on Accupro and understand error codes 	<ul style="list-style-type: none"> • For composition and asphalt shingles, claim rep includes additional amount for ridge shingles, felt paper since these are not included • Uses the terms "textured ceiling" and "popcom ceiling" exactly as defined in Accupro 	<ul style="list-style-type: none"> • Supplies supporting evidence to management upon encountering repeated pricing inconsistencies so that the database can be customized. He or she avoids using overrides in such situations

FOCUS AREAS FOR TRAINING

Based on team's assessment of claim rep skills in Roseville and Albuquerque

 Focus areas for training



KEY TRAINING THEMES**Overall theme**

- Use cases and examples that are relevant to claim reps
- Use realistic cases

- Ensure that reps are calibrated before declaring training completed
- Institute certification program

Frontline implications

- Audience drives choice of examples – e.g., fire reps would do fire cases
- Cases are "real life," e.g.,
 - Fire loss with multiple-room smoke damage
 - Roof damage that requires repair/partial replacement
- Class does not end until 80% of class is within $\pm 5\%$ of each others' estimate
- Claim reps have to pass Accupro test from time to time in order to maintain certification status

INITIAL TRAINING

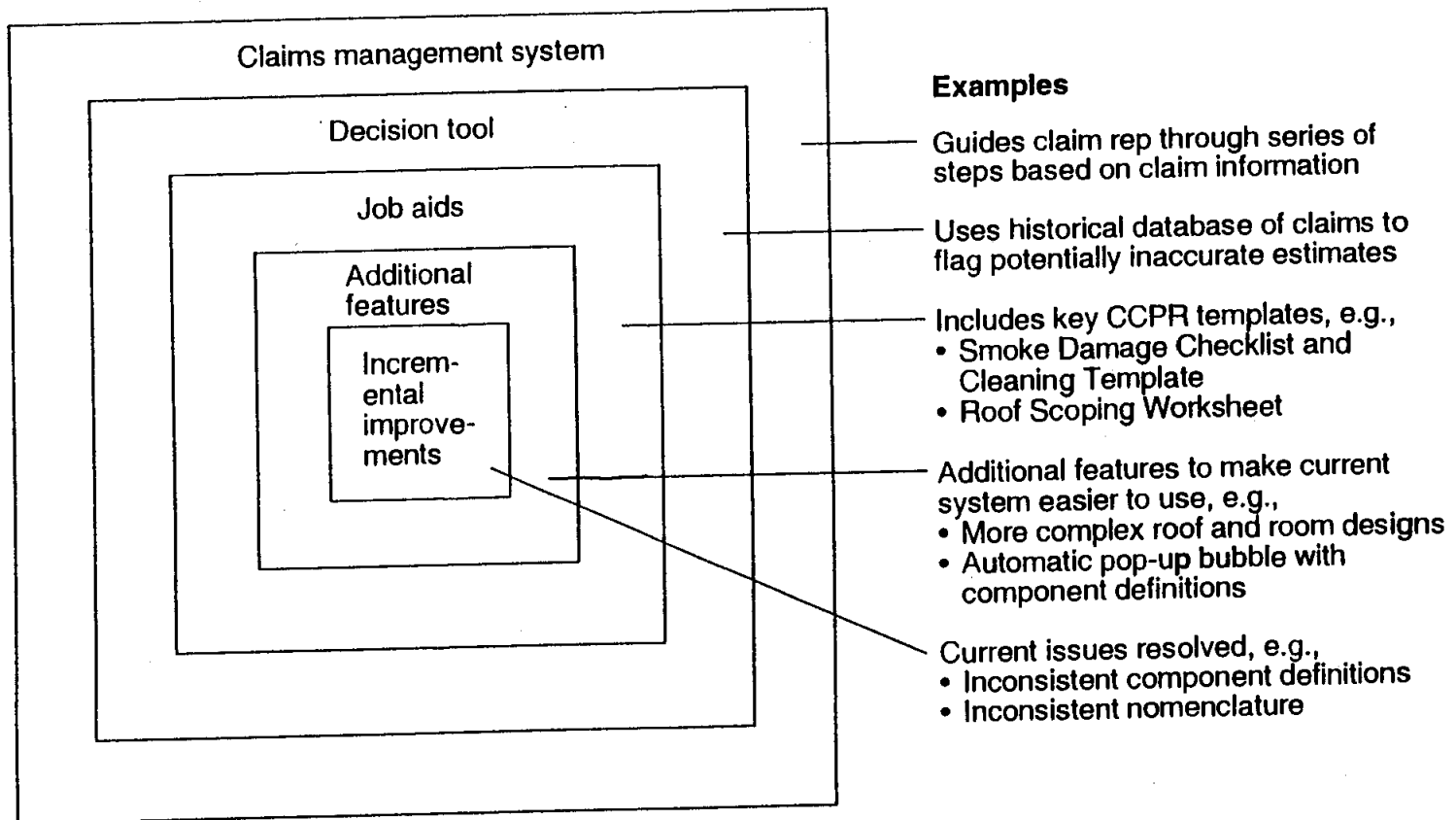
Training	Objective	Format	Timing
Startup training	<ul style="list-style-type: none"> • Teach claim reps basic hardware and windows skills, e.g., <ul style="list-style-type: none"> – Printing estimates and fixing print errors – Moving between windows 	<ul style="list-style-type: none"> • Classroom training <ul style="list-style-type: none"> – Walk class through the different steps 	2 hours
Accupro estimation workshop	<ul style="list-style-type: none"> • Teach system capabilities and limitations • Ensure that claim reps can manually compute nonsystem calculations • Give claim reps a deeper understanding of component definitions 	<ul style="list-style-type: none"> • Series of 6 cases, each more complex than the previous • Compare estimates by different claim reps line item by line item • Discuss reasons for differences • Stay with a case until 80% of the class is within $\pm 5\%$ of each other 	8-10 hours
Accupro template development	<ul style="list-style-type: none"> • Teach claim reps how to develop and use templates 	<ul style="list-style-type: none"> • Brief class lecture • Develop sample template (e.g., smoke damaged kitchen) with class • Have subteams develop templates, exchange them and use them in 2-3 estimates 	8 hours

ONGOING TRAINING

Description	Frequency	Timing
Periodic calibration and testing using sample estimates <ul style="list-style-type: none"> • Test claim rep skills and ensure calibration • Reinforce estimating standards 	Quarterly	4 hours
Periodic Accupro training to reinforce original learnings and communicate new learnings <ul style="list-style-type: none"> • Exchange templates developed by claim reps • Share pricing issues and changes • Download system enhancements; upload field experience and problem areas • Conduct Q&A session and debrief on Accupro • Train claim reps on Windows and hardware/software troubleshooting 	Biannually	Flexible

- Recommended overall process owner is the claim education manager
- Faculty pool to consist of UCMs, PCMs, and CPS

LEVELS OF ACCUPRO ENHANCEMENTS



Examples

Guides claim rep through series of steps based on claim information

Uses historical database of claims to flag potentially inaccurate estimates

Includes key CCPR templates, e.g.,

- Smoke Damage Checklist and Cleaning Template
- Roof Scoping Worksheet

Additional features to make current system easier to use, e.g.,

- More complex roof and room designs
- Automatic pop-up bubble with component definitions

Current issues resolved, e.g.,

- Inconsistent component definitions
- Inconsistent nomenclature

INCREMENTAL IMPROVEMENTS

Issue	Benefit of resolving
Component definitions for certain line items (e.g. composition shingles and asphalt shingles) are inconsistent with each other	Will reduce estimating errors
Some components (asphalt shingles 260-300#, 210#, 240#) have unreadable definitions since text is cut off	Will clarify component definition
Inconsistent nomenclature for certain appliances; for instance, ovens are named "GAS OVEN" and "ELECTRIC OVEN", while dryers are named "GAS DRYER" and "DRYER, CLOTHES, ELECTRIC"	Will make it easier to pull up for using in an estimate

ADDITIONAL FEATURES

Enhancement

- Make the system more user-friendly for repair decisions
- Add pop-up bubble with component definitions when any component is pulled up
- Revise Accupro 2.0 manual to include definitions, component abbreviations, and measurement techniques
- Enhance system to accommodate more complex roof and room designs, e.g., combination hip roofs, room offsets
- Enhance system to compute area for room deductions such as windows, doors, and other openings

Benefits

- Will reinforce "repair" behavior - *change position of repair option*
- Will reduce errors due to lack of knowledge of component definitions
- Will give management and adjusters a consistent reference guide
- Will reduce the frequency of manual calculations made by the adjuster
- Will increase accuracy of area measurements and reduce estimating errors

Appendix – Examples of CCPR templates to incorporate into Accupro

Claim number

Name of insured

Date of inspection

SMOKE DAMAGE CHECKLIST & CLEANING TEMPLATE

Objective - to help recognize smoke damage indicators, to document cleaning decisions, and to provide a scope for the cleaning vendor

Room Total openings What burned?

Dimensions Total offsets Year home was constructed

Smoke damage indicators	Sweat/water streaks (no drywall damage, staining only)	Nail spots showing on drywall (look for drywall cracks)	Smoke tags/cobwebs (look in corners of room)	Specks on wall	Specks on personal property	No smoke damage in room
-------------------------	--	---	--	----------------	-----------------------------	-------------------------

Check those that apply

Item	Quantity	Cleaning decision (Circle one)	Emergency precleaning (Check all that apply)	Reason for not finish cleaning	Special instructions
Wall	<input type="text"/>	PC FC V	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>
Floor	<input type="text"/>	PC FC V	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>
Ceiling	<input type="text"/>	PC FC V	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>
Door	<input type="text"/>	PC FC V	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>
Door	<input type="text"/>	PC FC V	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>
Door	<input type="text"/>	PC FC V	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>
Window	<input type="text"/>	PC FC V	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>
Window	<input type="text"/>	PC FC V	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>
Window	<input type="text"/>	PC FC V	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>
Other	<input type="text"/>	PC FC V	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>
Other	<input type="text"/>	PC FC V	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>
Other	<input type="text"/>	PC FC V	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>
Other	<input type="text"/>	PC FC V	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>
Other	<input type="text"/>	PC FC V	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>

PC=Prep clean
 FC = Finish clean
 V=Consult cleaning vendor

A=Physical damage to item
 B=Not cleanable based on test clean results
 C=Insured will not allow test clean
 If reason code does not apply, please explain

ROOF SCOPING WORKSHEET

Claim number _____

Describe by slope the covered and non covered damage

Covered damage: 1= hail, 2= wind

Non covered damage:

8.prior damage
9a.debris on roof

9b.flashing not sealed
9c.insect / animal damage
9d.potential repair problem
9e.clogged valleys

9f.wood shingles not treated for water resistance
9g.decking in poor condition
9h.improper ventilation

10a.curled / cupped shingles
10b.missing granules
10c.surface cracking
10d.hardening/brittleness

10e.shrinkage
10f.eroded edges
10g.algae / fungus

10h.weather splits
10i.warping
11a1.improper fasteners
11a2.overdriven fasteners

11a3.nail pops

11a4.incorrect exposure
11a5.incorrect use of adhesive

11b1.stress cracks
11b2.splice in materials
11b3.diagonal shading
11b4.blister

11c1.mechanical action

11c2.foot traffic

SLOPE	COVERED DAMAGE	NON COVERED DAMAGE	SLOPE	COVERED DAMAGE	NON COVERED DAMAGE
North 1	_____	_____	North 2	_____	_____
South 1	_____	_____	South 2	_____	_____
East 1	_____	_____	East 2	_____	_____
West 1	_____	_____	West 2	_____	_____
Other	_____	_____	Other	_____	_____

Repair / replace chart by slope

Slope	No. of damaged shingles	X Cost per shingle	X Repair factor	= Total cost	No. of squares on slope	x Cost per square	= Cost of slope repair	No repair necessary	Repair shingles	Replace slope	Cost
North 1								.	.	.	
North 2								.	.	.	
South 1								.	.	.	
South 2								.	.	.	
East 1								.	.	.	
East 2								.	.	.	
West 1								.	.	.	
West 2								.	.	.	
Other								.	.	.	
Other								.	.	.	

Total cost of repair (enter minimum charge if greater)

Total squares on roof _____ x unit cost per square _____ = total cost to replace roof

Decision: Repair roof Replace roof Unable to repair due to roof condition
 Explain basis for decision _____

FIRE PROCESS UPDATE

5/22/97

FIRE PROCESS UPDATE 5/22/97

CONFIDENTIAL

Fire Process Update

ALLSTATE INSURANCE COMPANY

Team debrief

May 22, 1997

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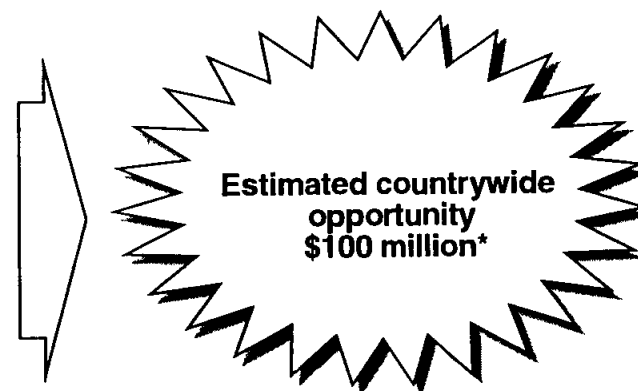
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presentation; it is not a complete record of the discussion.

TODAY'S DISCUSSION

- Process recap
- Activities to date
- Early results from new process
- Activities going forward

KEY ELEMENTS OF FIRE PROCESS

Area	Features of new process
Subrogation	<ul style="list-style-type: none"> • Subrogation opportunity is assumed to exist on all claims. Hence claim reps focus on <ul style="list-style-type: none"> – Identifying subrogation up front – Using a methodical approach to investigation
Structure evaluation	<ul style="list-style-type: none"> • Scoping a loss includes certain key activities <ul style="list-style-type: none"> – Deciding whether to clean or replace based on a test clean – Using repair vs. replace templates to make the correct decision in a repair vs. replace situation – Avoiding overlap by measuring accurately – Scoping specialty trades to avoid lump-sum bids
Contents evaluation	<ul style="list-style-type: none"> • Claim rep activities include <ul style="list-style-type: none"> – Test cleaning contents jointly with vendors – Inventorying nonsalvageable contents items on site – Pricing items from an appropriate source (not the insured)

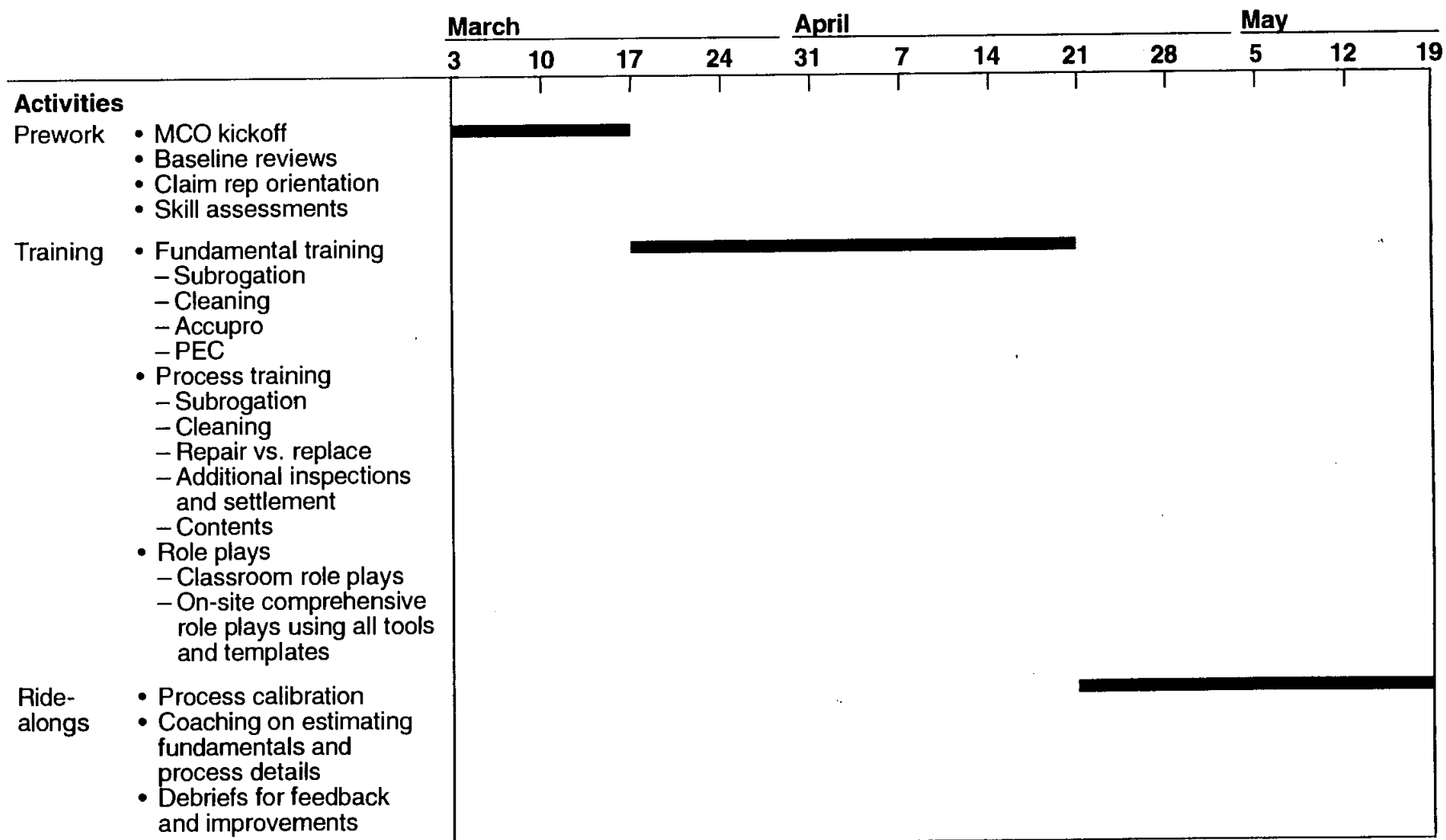


* Based on CFRs and reinspections

KEY PROCESS TOOLS AND TEMPLATES

Area	Subrogation	Structure evaluation	Contents evaluation
Key templates and tools	<ul style="list-style-type: none"> • O&C/expert involvement template <ul style="list-style-type: none"> – Helps the claim rep decide whether an O&C expert or trade expert is needed • Causation work sheet <ul style="list-style-type: none"> – This work sheet drives the claim rep towards building a robust subro case – The completed causation worksheet is the end point of the subrogation process 	<ul style="list-style-type: none"> • Smoke damage checklist and cleaning template <ul style="list-style-type: none"> – This template ensures that reps rule out cleaning as an option only after conducting a test clean and clearly justifying all repair/replace decisions • Repair templates for drywall, cabinets, and flooring <ul style="list-style-type: none"> – These templates walk reps through a process to arrive at the proper decision in repair vs. replace situations 	<ul style="list-style-type: none"> • Room damage evaluation form <ul style="list-style-type: none"> – Helps the claim rep link damage to the room to overall contents damage – Enables the rep to focus the vendors immediate attention on sensitive contents items • Inventory record <ul style="list-style-type: none"> – Ensures that rep captures all information about nonsalvageable items while on site

ACTIVITIES TO DATE



KEY LEARNINGS FROM TRAINING

- Lack of process-specific technical knowledge
 - Reliance on vendors/contractors to prepare estimates
 - Claim rep knowledge limited to what contractors tell them
- Focused training can close skill gaps
- Complexity and extent of process requires training across numerous skills
 - Potentially longer training period
 - Need to develop different training strategy to ensure retention
- Additional training needed in the following areas
 - More focus on customer interaction skills through role plays and scripting
 - Understanding of and confidence to apply origin and cause fundamentals
 - Detailed fundamental training on various trades

Saps

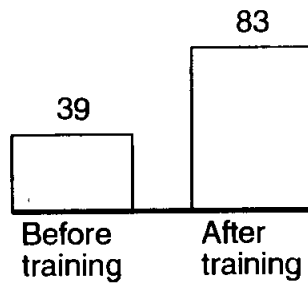
TRAINING DETAILS

Description of training	Objectives	Examples of learning
<ul style="list-style-type: none"> • Subrogation fundamentals 	<ul style="list-style-type: none"> • Instill in claim reps the idea that all losses have a specific cause that can be identified; train them on technical fundamentals 	<ul style="list-style-type: none"> • Learned that it takes over 3 hours for a lighted cigarette on a mattress to burst into flame
<ul style="list-style-type: none"> • Cleaning fundamentals 	<ul style="list-style-type: none"> • Teach claims reps basics of cleaning; also obtain vendor endorsement of CCPR tools and templates publicly 	<ul style="list-style-type: none"> • Learned which testing tool (chemical sponge, alkaline solution, ammonia solution) is appropriate for a particular structural surface
<ul style="list-style-type: none"> • Accupro template training 	<ul style="list-style-type: none"> • Increase speed on Accupro by teaching them how to develop and use Accupro templates 	<ul style="list-style-type: none"> • Developed kitchen, bathroom, and bedroom templates
<ul style="list-style-type: none"> • PEC training 	<ul style="list-style-type: none"> • Refresh understanding of PEC system 	<ul style="list-style-type: none"> • Learned how to apply depreciation based on use and age
<ul style="list-style-type: none"> • Process workshops 	<ul style="list-style-type: none"> • Teach reps how to use process forms and tools 	
<ul style="list-style-type: none"> • Role plays 	<ul style="list-style-type: none"> • Increase comfort level with process before going out on real claims 	

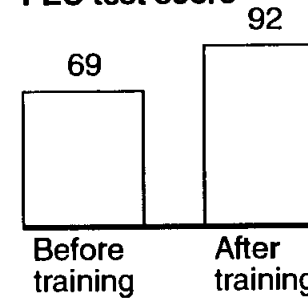
RESULTS OF SKILL ASSESSMENT TESTS

Percent

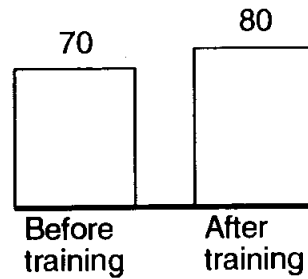
**Average claim rep
cleaning test score**



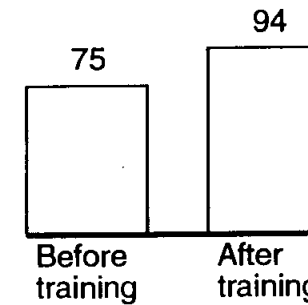
**Average claim rep
PEC test score**



**Average claim rep sub-
rogation test score**



**Average claim rep specialty
trade test score**



Source: Written test answers; team analysis

KEY LEARNINGS FROM RIDEALONGS

- Claim reps need time to absorb how the process works because of its complexity
- Claim reps tend to revert to old habits
- In areas like subrogation, where being effective requires the claim rep to probe at a level deeper than the job aids indicate, reps tend to investigate only as far as the job aids direct them
- On claims where both structure and contents specialists are required, coordination between the two is necessary
- Reps need more practice in developing customer interaction skills through role plays and scripting

OBJECTIVES OF RIDEALONGS

Description	Objectives	Examples
Process calibration	Ensure that process is followed in a consistent way as designed	Claim reps had to calibrate on interpreting test clean results, as well as focusing on the surface being tested
Coaching on fundamentals	Coach claim reps on subrogation and cleaning technical fundamentals	Rep used an alkaline solution to test clean cloth wallpaper, and was coached on the appropriate tool (chem. sponge) to be used
Coaching on fire process	Ensure that reps comply with process	In a heavy smoke situation, the claim rep felt that the drywall needed replacing – he was guided to the template to decide the appropriate course of action (clean, seal, and paint)
Team debriefs	Discuss process and develop improvements	Debrief discussion led team to combine smoke damage checklist and cleaning template into 1 form, also helped in developing a new template

PROFILE OF FIRE CLAIMS UNTIL MAY 20

Percent

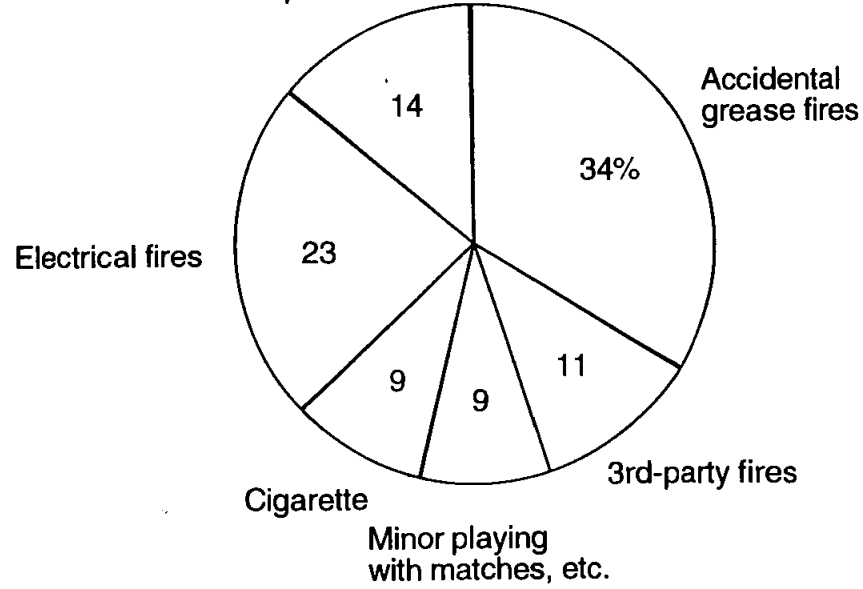
Breakdown by type

100% = 35

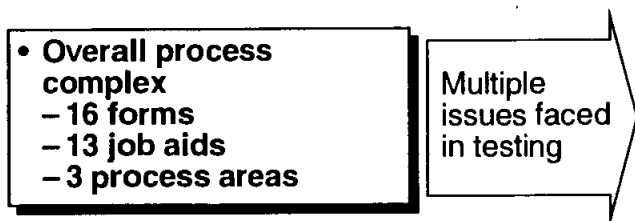
Key statistics

- Total 35 fires
- 9 large fires (over \$15,000 estimated)
- 12 closures

- Other
- Improper use of candles
 - Log rolled out of fireplace
 - Chimney fire
 - Lamp knocked over



ISSUES AND CHALLENGES WITH FIRE PROCESS TOOLS



Process area	Issue	Proposed resolution
Subrogation	O&C guidelines not completely clear	<ul style="list-style-type: none"> Defined exact conditions (type of subrogation potential, cause of loss, size of loss, etc.) under which an expert is called
Structure evaluation	<p>Role in cleaning unclear to vendor</p> <p>Using detailed cleaning template for light-smoke/no-smoke situations was inefficient and also did not give the customer a cashout option</p> <p>Cleaning template not user-friendly to vendor or claim rep; also not comprehensive</p> <p>Repair templates overlapped with cleaning template, had broad repair parameters and could not be used for general scoping</p> <p>Cleaning template not being faxed on time to vendor</p>	<ul style="list-style-type: none"> Developed a template that defines expectations/roles for vendors. This template will be used by Allstate and vendor reps Developed a template to quickly estimate cashout amount for light smoke, without having to create a detailed cleaning scope Created 1-page template that is both user-friendly as well as comprehensive Modified templates to focus only on repairs, with clearer parameters and with space for scoping damage Added "date faxed" field to form; stipulated next business day deadline
Contents evaluation	Not drawing cleaning vendor's attention to sensitive items that need to be cleaned immediately	<ul style="list-style-type: none"> Modified Room Damage Evaluation form to include column for items needing immediate attention

IMPACT OF NEW PROCESS – EXAMPLES

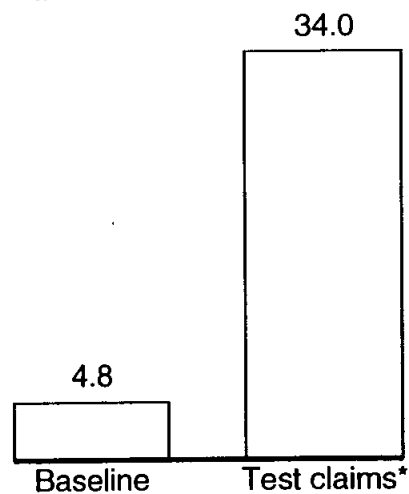
Process area	Examples
Subrogation	<ul style="list-style-type: none"> • Subrogation process forces claim rep to determine what caused the loss and thus reduces the chance of ascribing an "unknown cause" to the loss
Structure evaluation	<ul style="list-style-type: none"> • Claim reps now control precleaning decisions either by instructing the vendor on-site or faxing a completed cleaning template. For instance, the claim rep made preclean decisions on a bathroom shower and on a vanity, which were later finish-cleaned • Clean vs. replace decisions are now made based on a test clean, not mere visual inspection. In one example, the cleaning vendor made a decision based on visual inspection that the cabinets were not cleanable; our claim rep did a test clean and came to the opposite conclusion
Contents evaluation	<ul style="list-style-type: none"> • A heavily smoked computer was ruled nonsalvageable; a test clean showed that the computer could be cleaned up

Handwritten note:
 Rule in - need
 subro - need
 full out

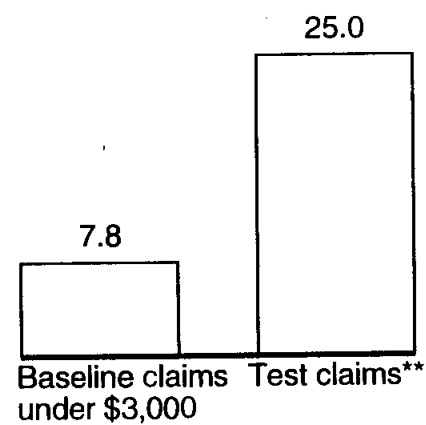
KEY MEASUREMENTS

Percent

Subrogation file submissions



Cleaning dollars to total dwelling dollars



Repair vs. replace
 So far a large majority of cabinets and drywall have been repaired instead of replaced

* Files likely to be transferred to Roanoke out of 35 test claims
 ** Based on 10 closed files; average severity in those files was \$2,334

Source: Test data; team analysis

CUSTOMER FEEDBACK

	Positives	Continuing challenges
Overall feedback examples	<ul style="list-style-type: none"> • "Gina was very thorough in her explanation and demonstration of the cleaning process; I understood everything" • "I did not feel the claim took too long; the claim rep explained that before she came to my house" 	<ul style="list-style-type: none"> • "You are either very thorough or very slow"
Specific process feedback	<ul style="list-style-type: none"> • Customer advised her friend she was confident her contents would clean after a discussion with the content specialist • A customer on a claim told the contractor that the doors in his home would need to be painted. After the test clean demonstrated that the doors would clean, the customer told the contractor to "hold off" on the painting 	<ul style="list-style-type: none"> • No upfront claim diary review to address customer issues • Communication breakdown regarding the timing when vendor arrives on-site

CLAIM REP FEEDBACK

Positives

- Using the test cleaning kit instead of relying on visual inspections to make clean vs. replace decisions
- Using Accupro templates to increase speed in preparing Accupro estimates
- Following a structured outline to pursue subrogation
- Being better equipped to direct the cleaning vendor instead of being led by the vendor

Continuing challenges

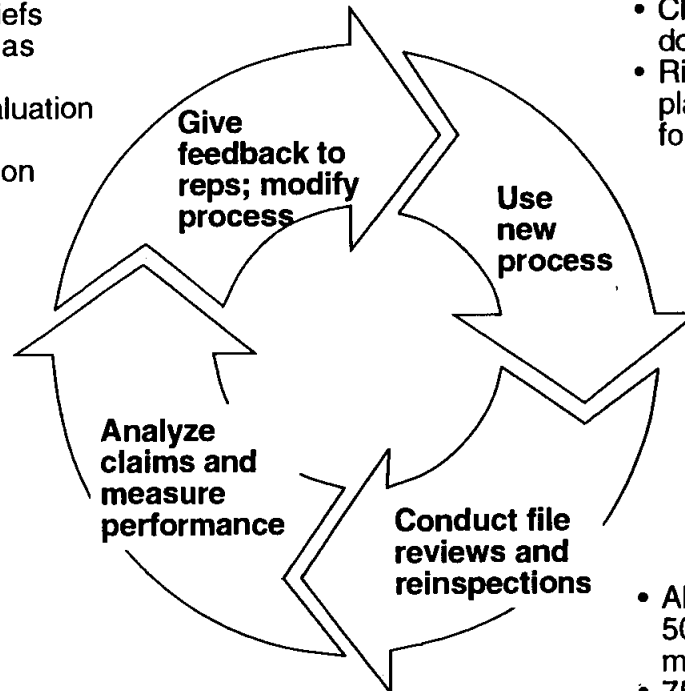
- Not convinced that all forms add value
- Reliance on forms to provide instructions on all steps in settling a claim (e.g., how much to depreciate, when to fax forms, etc.)
- Resistance to the time required on site to go through process
- Wanting to involve a general contractor at the loss site, upon initial contact with the customer

MAJOR ACTIVITIES GOING FORWARD

- Allow claim reps to handle fire claims on their own and monitor performance
- Develop management roles for new process
- Test effectiveness of specific process changes
- Resolve outstanding fire process issues

TEST METHODOLOGY GOING FORWARD

- Conduct regular team debriefs
- Team meetings to be used as forum for
 - Process performance evaluation
 - Process modification
- Local management to take on leadership role



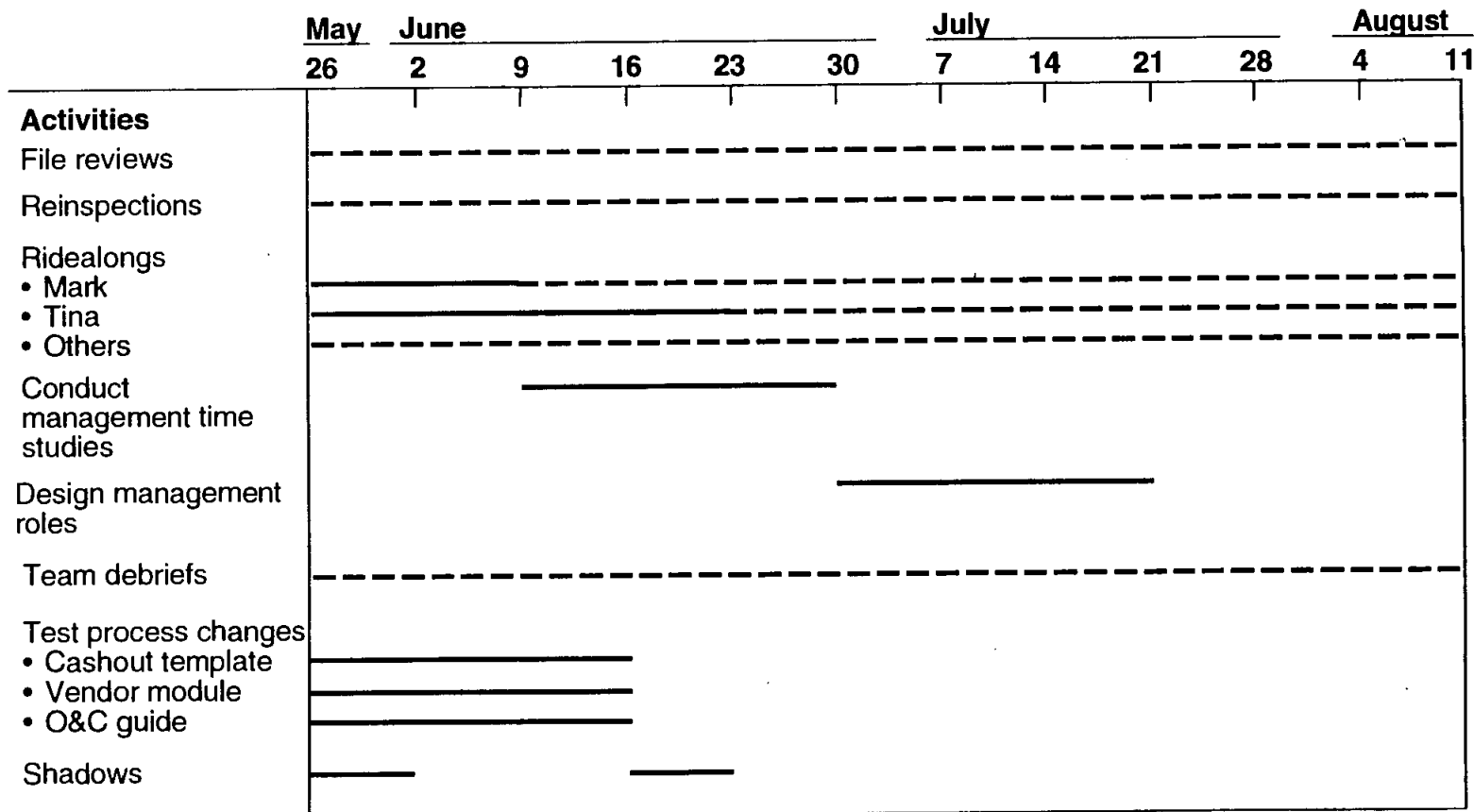
- Claim reps use process to do fire claims on their own
- Ridealongs to still take place on 25% of claims for next 4-5 weeks

- Analyze claims data and compute key outcome measures and diagnostic measurements

- All test files to be reviewed – 50% by CCPR, 50% by local management
- 75% of files to be reinspected by CCPR and local management
- Local management to do reinspections and ridealongs for a total of 8-10 days per month

TIMETABLE GOING FORWARD

Test continues through August/ September 



Appendix: Key Process Forms and Tools

ORIGIN AND CAUSE/EXPERT INVOLVEMENT TEMPLATE

Objective - to provide a decision tool for determining when to dispatch an expert to investigate the cause of a fire

Use the following formula to help in the decision process:

A. Projected cost of hiring experts (O&C & others)	_____
B. Projected \$ potential of loss	_____
C. Cost of experts as % of loss \$	_____

If C above is over 25%, do not call an expert

If C above is below 25%, use the guidelines below to call in the appropriate expert

Loss type	Check one	Situation	Decision
Product liability	<input type="checkbox"/>	Do not know Causation Worksheet questions 1 or 3 or both Do not know Causation Worksheet questions 5 or 6 or both	Call O&C expert
Workmanship	<input type="checkbox"/>		Call specialized expert
Other than insured persons	<input type="checkbox"/>		
Universal	<input type="checkbox"/>	Do not know Causation Worksheet questions 3 or 5 or 6	Call specialized expert

Note: If a liability claim against our insured exists, contact appropriate expert, regardless of \$ exposure on first party claim

Was an outside source utilized?

Y

N

If yes, what type?

O&C

Other (Specify _____)

CAUSATION WORKSHEET

Objectives
 • Provide process for systematic collection of subro evidence
 • Determine need for recorded statement

Claim no. _____
 Insured _____
 Date _____

1. Describe cause of loss

2. Check which may apply (✓) _____ A. Product liability _____ C. Negligence
 _____ B. Improper workmanship _____ D. Other (list)

3. Evidence secured – yes or no (circle) Date _____ By whom _____

4. Will an expert be used? yes or no (circle)
 (Refer to O&C/expert involvement template for decision)
 If yes, what type (O&C, electrical, etc.)
 Name _____ Name _____
 Address _____ Address _____

 Phone _____ Phone _____

5. Identify claimants
 Name _____ Name _____
 Address _____ Address _____

 Phone _____ Phone _____

6. Did you rule out other causes of loss? yes or no (circle)
 If not, why? _____

7. Photos Check when completed(✓)
 • Item which caused loss _____
 • Surrounding area _____
 • Overview of area _____
 (attach photos to causation worksheet)

8. Diagram areas of origin
(Note: If photos were taken, diagram will not be necessary)
(circle one)
9. Is the fire report available? yes or no

Diagram box
(if necessary)

Statement decision guide

Take a recorded statement on the loss **unless**:

- O&C or other expert is involved with loss
- Loss type is **product liability** or **electrical fire** and numbers 3, 5, and 6 are completed **and** loss exposure is less than \$5,000

(Note: The following claim scenarios will require a recorded statement)

- Repairs or modifications made to a product
- A 3rd-party carrier is involved
- Tenant involvement

10. Was a statement secured from the insured? yes or no (circle)
11. Was a statement secured from the 3rd party? yes or no (circle)
- (✓)
- _____ Tenant
- _____ House guest
- _____ Neighbor
- _____ Witness
- _____ Other (list)
- _____

Refer to origin and cause/expert involvement template

Date of inspection _____
 Date faxed _____

Claim number _____
 Name of insured _____

SMOKE DAMAGE CHECKLIST & CLEANING TEMPLATE

Objective - to help recognize smoke damage indicators, to document cleaning decisions, and to provide a scope for the cleaning vendor

This form must be faxed to the vendor the same day the cleaning scope is complete or the next business day

Room _____ Total openings _____ What burned? _____
 Dimensions _____ Total offsets _____ Year home was constructed _____

Smoke damage indicators	Heavy smoke damage		Medium smoke damage		Light or no smoke damage	
	Sweat/water streaks (no drywall damage, staining only)	Nail spots showing on drywall (look for drywall cracks)	Smoke tags/cobwebs (look in corners of room)	Specks on wall	Specks on personal property	No smoke damage in room

Check those that apply

Item	Quantity	Cleaning decision (Circle one)	Emergency precleaning (Check all that apply)	Reason for not finish cleaning	Special instructions
Wall	_____	PC FC V	<input type="checkbox"/>	_____	_____
Floor	_____	PC FC V	<input type="checkbox"/>	_____	_____
Ceiling	_____	PC FC V	<input type="checkbox"/>	_____	_____
Door	_____	PC FC V	<input type="checkbox"/>	_____	_____
Door	_____	PC FC V	<input type="checkbox"/>	_____	_____
Door	_____	PC FC V	<input type="checkbox"/>	_____	_____
Window	_____	PC FC V	<input type="checkbox"/>	_____	_____
Window	_____	PC FC V	<input type="checkbox"/>	_____	_____
Window	_____	PC FC V	<input type="checkbox"/>	_____	_____
Other	_____	PC FC V	<input type="checkbox"/>	_____	_____
Other	_____	PC FC V	<input type="checkbox"/>	_____	_____
Other	_____	PC FC V	<input type="checkbox"/>	_____	_____
Other	_____	PC FC V	<input type="checkbox"/>	_____	_____
Other	_____	PC FC V	<input type="checkbox"/>	_____	_____

Date vendor estimate reviewed to ensure compliance to template _____
 Date items not on template (e.g. ozoning) discussed with vendor _____

PC=Prep clean
 FC = Finish clean
 V=Consult cleaning vendor

A=Physical damage to item
 B=Not cleanable based on test clean results
 C=Insured will not allow test clean
 If reason code does not apply, please explain

5/20/97

ROOM DAMAGE EVALUATION FORM

Damage	Action
Light smoke	- Test clean - Clean
Medium smoke	- Test clean - Clean - Consider professional cleaning service
Heavy smoke	- Professional cleaning service - Appearance allowance - Total loss at ACV

No.	Room	Damage	Initial action	High priority items*	Notes

* Items that need to be cleaned as soon as possible because they are sensitive or have sentimental value

- * Don Rowland
- * Bill Bruner
- * Adam & team
- * Bill Decker

front line?

Need to drop
back to Albuquerque
follow up on all
CBP's in test site
& all estimates
no repair

CH003047-063vww/sjsGS

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Albuquerque Roof Test Update

ALLSTATE INSURANCE COMPANY

Team debrief

May 22, 1997

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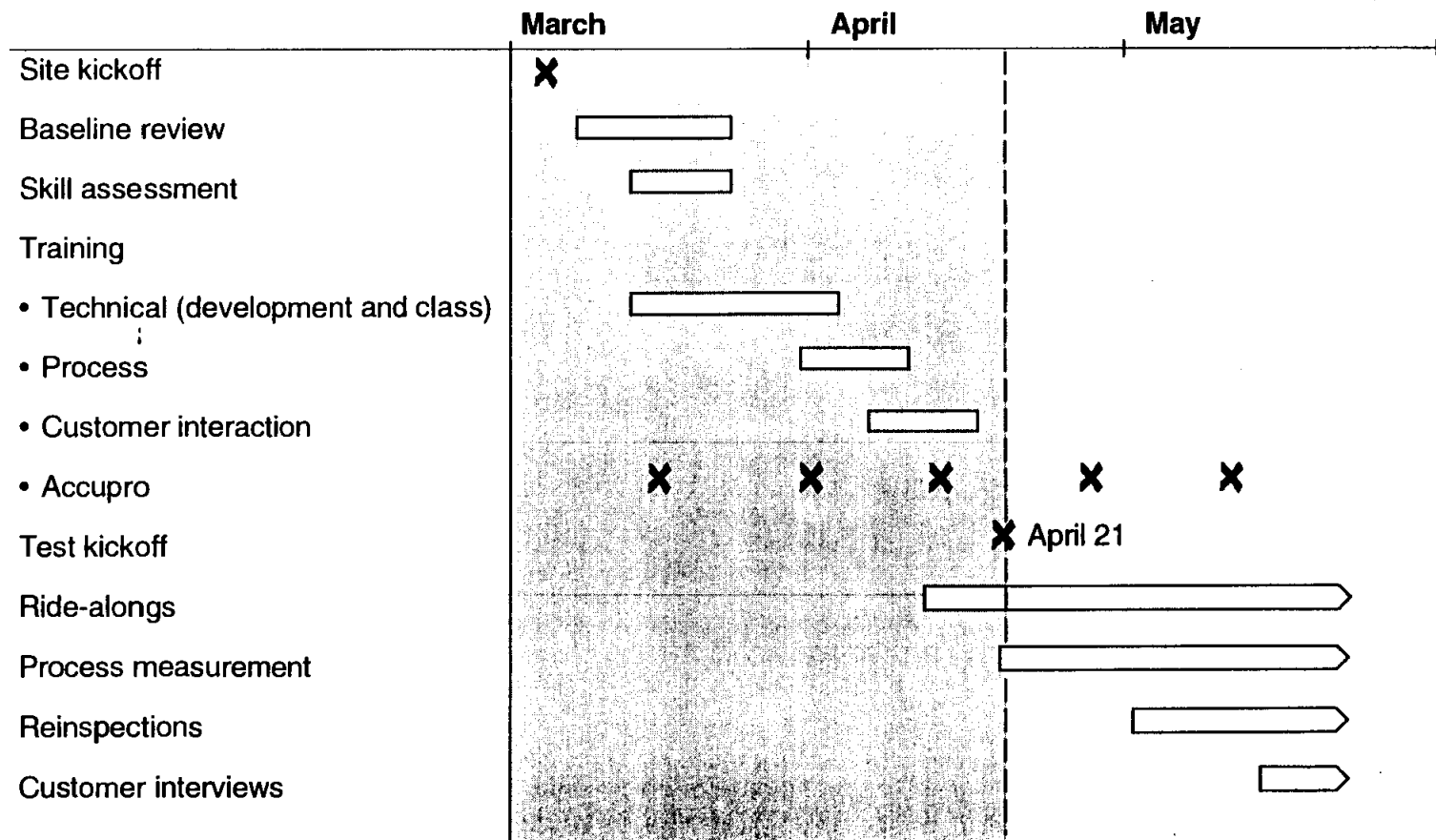
AGENDA

- **Activities to date**
- **Initial test results**
- **Issues to resolve going forward**

AGENDA

- **Activities to date**
- Initial test results
- Issues to resolve going forward

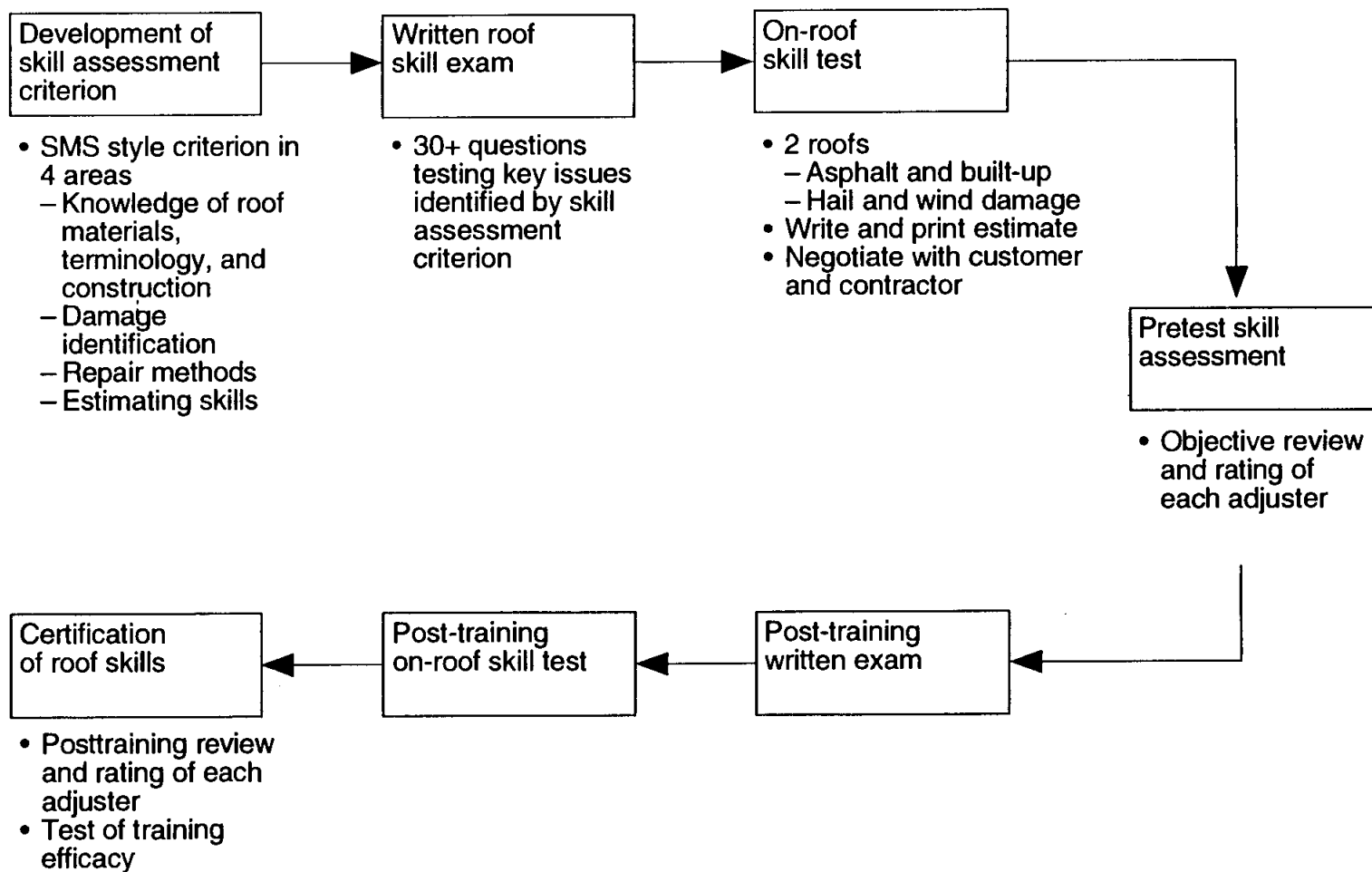
ALBUQUERQUE ROOF TEST ACTIVITIES TO DATE



ROOF PROCESS EVOLUTION

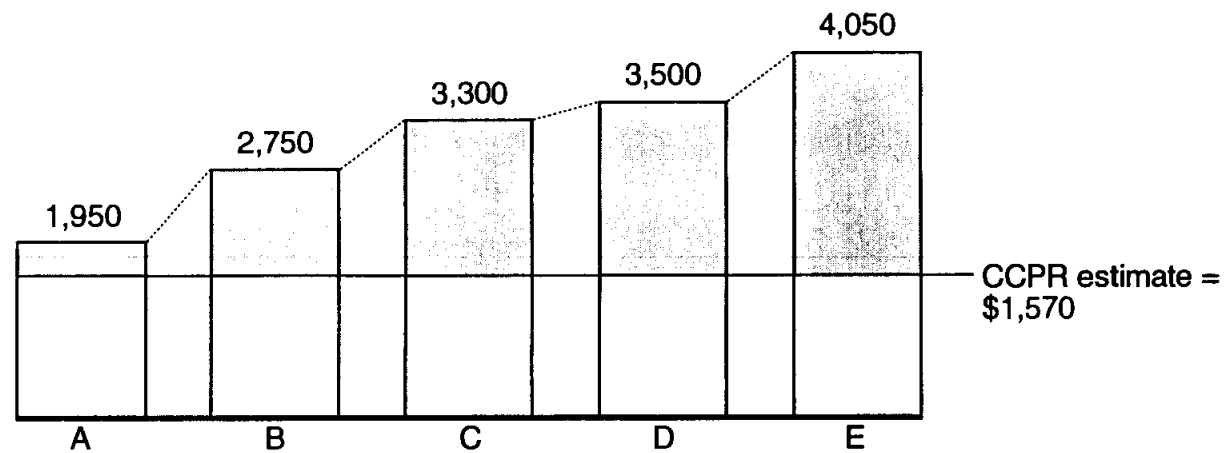
- Roof process and training focused around 3 primary drivers of economic opportunity
 - Damage identification
 - Repair vs. replace
 - Estimating skills
- Preskill assessments revealed that there are numerous skill gaps with adjusters and inconsistencies in the way estimates are written
 - Basic knowledge of roof construction
 - Measurement and area calculation
 - Accupro efficiency and proficiency
 - Subro identification
- Rigorous technical training was developed to address skill gaps; training included modules on composition shingles, built-up roofs, wood, tile, and measurement
- Postskills assessments showed that skill gaps can be substantially closed
- Systematic and objective processes developed for adjuster decision-making around damage identification and repair vs. replace

SKILL ASSESSMENT – ROOF



RESULTS FROM MCO CALIBRATION EXERCISE

Dollars

Estimate written on identical hail damaged roof

- 5 adjusters asked to adjust the same roof during field calibration exercise
- Unit cost for shingles varied between \$59 per square to \$85 per square
- Area measurement varied between 25 and 43 squares
- 2 contractors visited the site and confirmed the CCPR scope and estimate

ROOF TECHNICAL TRAINING

Four modules

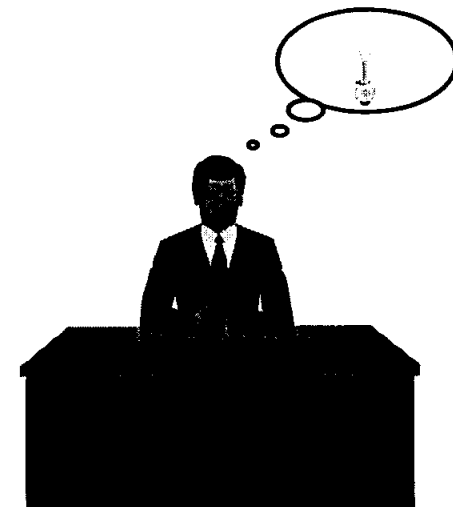
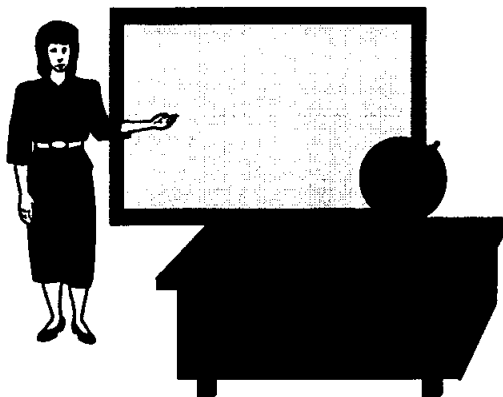
- Composition shingles/rolls
- Built-up
- Wood/tile (abbreviated)
- Measurement

Focus of material

- Damage identification
- Repair vs. replace
- Estimating skills

Development process

- Skill assessment
- Tech-Cor
- Haag engineering research
- Thomas text
- Team research
- Team Course development
- Heavy level of props
- Student interaction
- Games to encourage participation

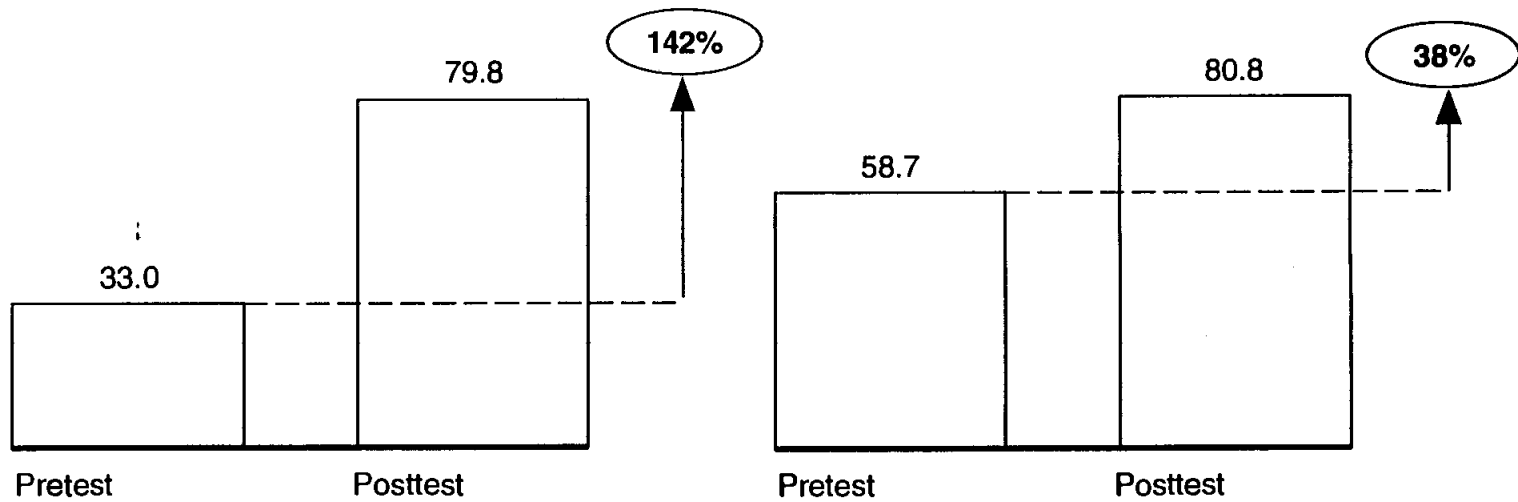


TECHNICAL SKILL IMPROVEMENTS

Percent; results from pre- and posttechnical training written exams

Session 1 – Albuquerque test site

Session 2 – CCPR and PIC CAT team

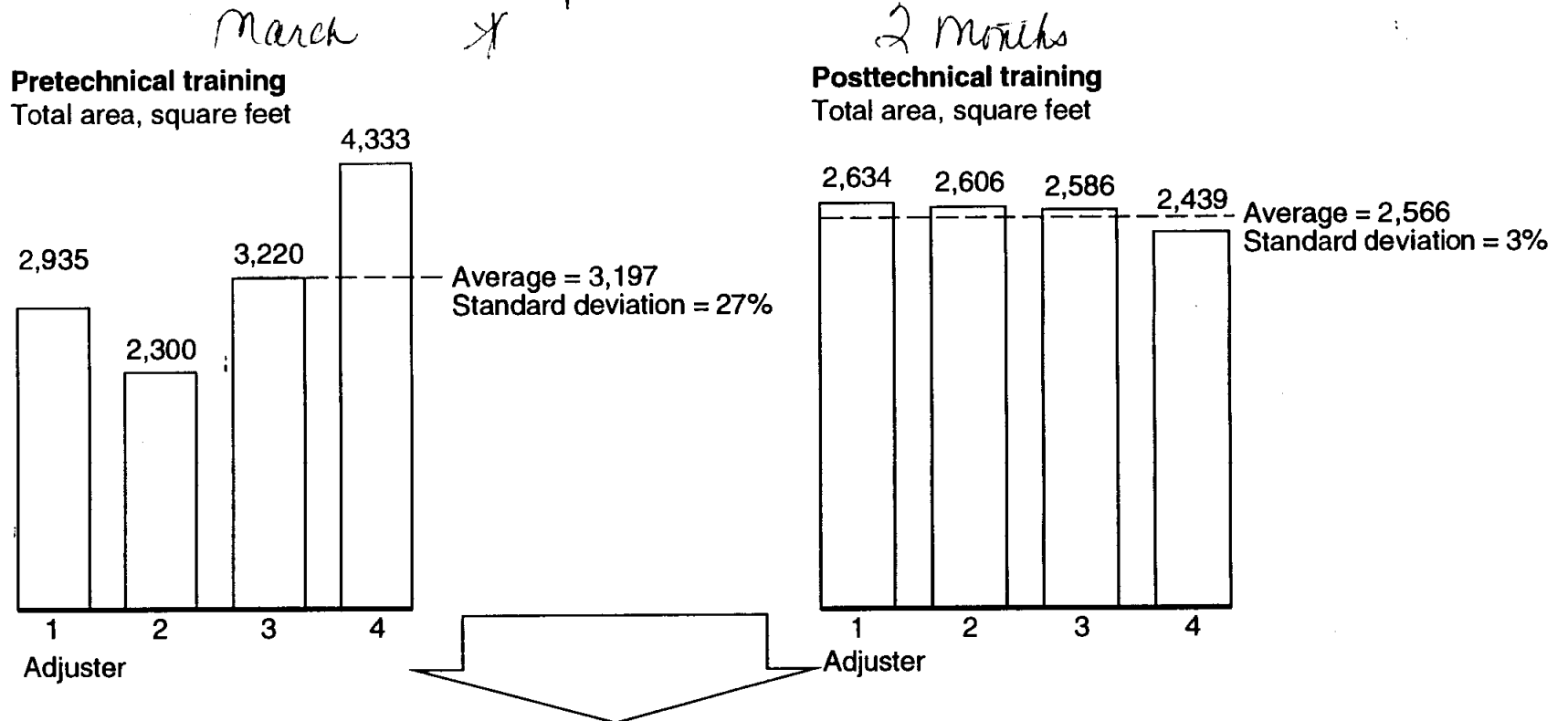


- Both sessions showed significant skill improvement
- Need to enhance training gaps in measurement and area calculation

Source: Written roof exams

** Measurement - needs
 pre-work
 * need work/adjusters*

MEASUREMENT SKILL ASSESSMENTS



**• Significant improvement in measurement skills
 • Adjusters agreed that calibration exercises are excellent for both learning, as well as identifying skill gaps**

Source: Pre- and postmeasurement skill assessments

3 KEY HOOKS OF THE ROOF PROCESS



Damage identification
A systematic process for identifying covered and noncovered damage supported by rigorous technical training



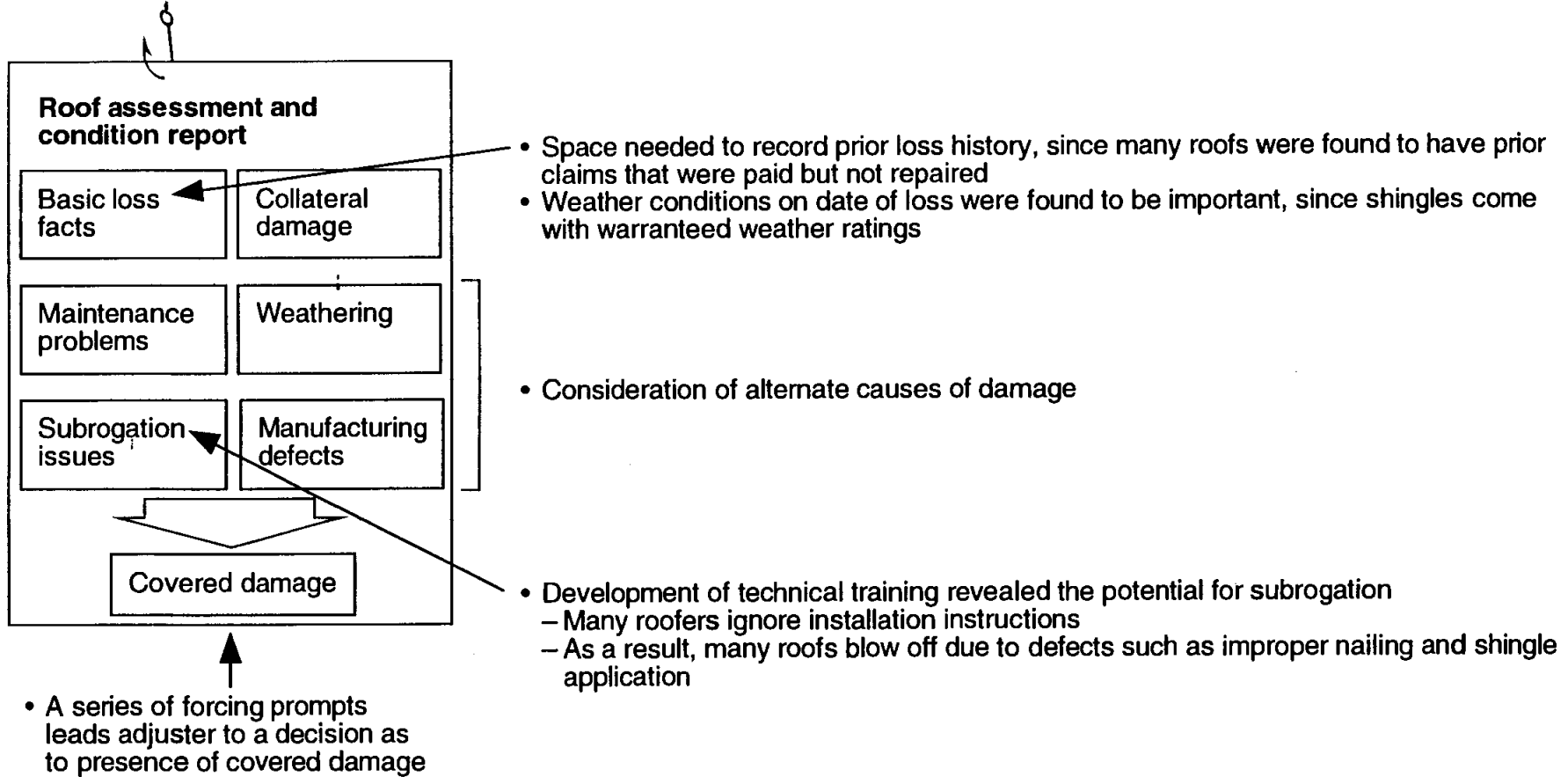
Repair vs. replace
Roof repair always the 1st option unless the cost to replace is more economical



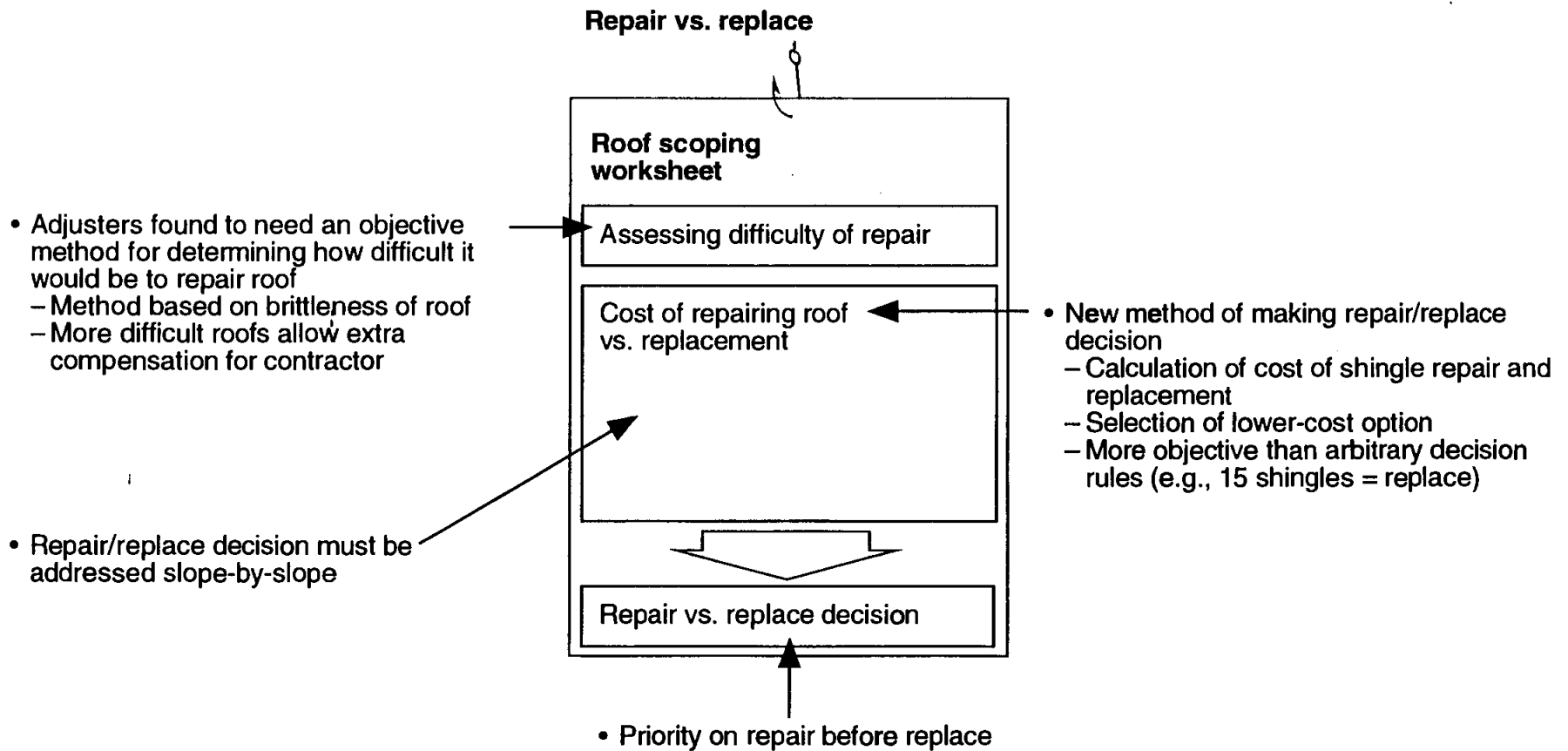
Estimating skills
Proper measurement and estimate calculations in Accupro

KEY FORMS IN THE ROOF PROCESS

Damage identification



KEY FORMS IN THE ROOF PROCESS (CONTINUED)

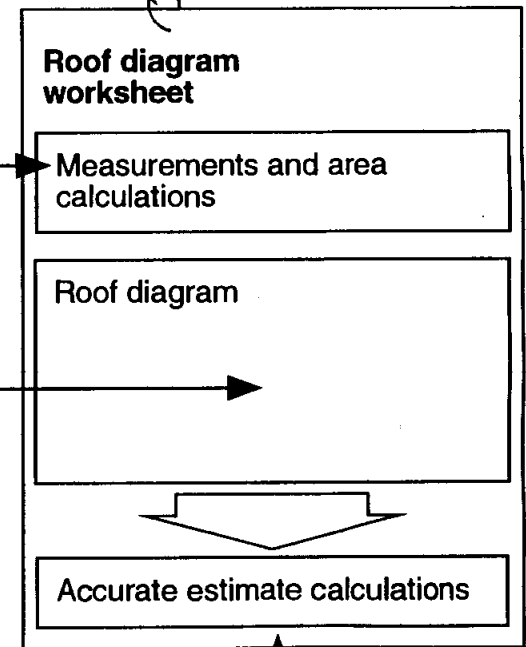


KEY FORMS IN THE ROOF PROCESS (CONTINUED)

- As repair becomes top priority, need space to measure each slope individually
- Adjusters need to know formulas for triangles, trapezoids, and pythagorean theorem
- Need to attach calculations, since skill assessments revealed poor math skills

- Standard coding for roof features
 - Vents, skylights, solar panels, etc.
 - Direction of slopes (north, south, east, west)
 - More space needed for diagram

Estimating skills



- Standard process for diagramming and measurement
- Area calculation aids

AGENDA

- Activities to date
- **Initial test results**
- Issues to resolve going forward

SUMMARY OF INITIAL TEST RESULTS

- As of May 16, there were 37 file closures (31 wind, 6 hail)
- Initial test results show promise in driving the capture of significant economic opportunity
 - Reduction in severity from \$1,640 to \$670 (wind: \$1,204 → \$630)
 - Reduction in closed cost from \$1,152 to \$310 (wind: \$910 → \$326)
- The process has thus far captured greater opportunity than originally predicted during the fact-finding phase; the understatement of opportunity is due to 3 factors
 - Greater team technical skills
 - Identification of new opportunity areas
 - Conservative nature of fact-finding
- Reinspections reveal that the process is fairly treating customers and, in fact, there may be even greater opportunity available
- Initial customer feedback on the process has been positive, although there are some disappointed customers who expected full roof replacements

KEY PROCESS OUTPUT MEASURES – OVERALL RESULTSEARLY RESULTS

	Baseline	Test	Change Percent
Severity	\$1,640	670	-59
Average closed cost	\$1,152	310	-73
CWP (percent)	30%	41	+37
Subrogation			
• Percent (identified)	0	8%	+100
• Dollars collected	0	\$136*	+100

Not Subro

* Credit refund
Source: 37 file reviews

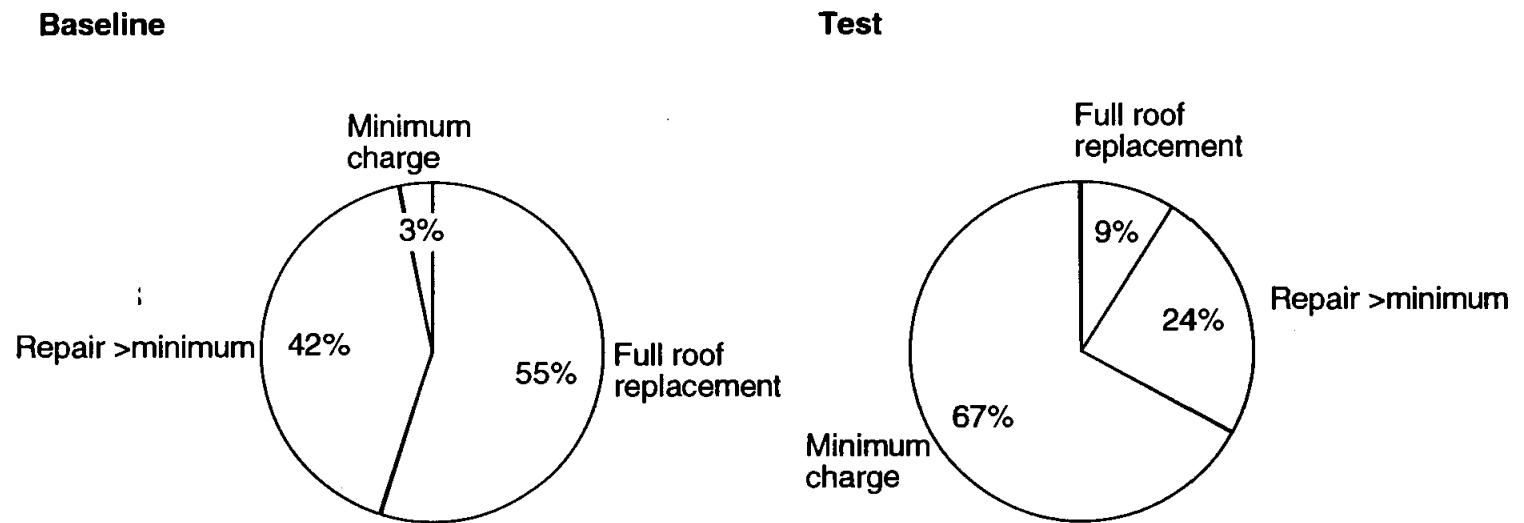
KEY PROCESS OUTPUT MEASURES – WIND ONLYEARLY RESULTS

	Baseline	Test	Change Percent
Severity	\$1,204	630	-48
Average closed cost	\$910	326	-64
CWP (percent)	28%	52	+86
Subrogation			
• Percent (identified)	0	10%	+100
• Dollars collected	0	\$132*	+100

* Credit refund
Source: 31 file reviews

CHANGE IN ROOF REPAIR VS. REPLACE BEHAVIOR

EARLY RESULTS



Source: Baseline and test file reviews

EXAMPLES OF ROOF PROCESS CLAIMS

Roof condition	Probable pretest handling	Test site handling
Wind damage to 1 roof slope	<ul style="list-style-type: none"> • Paid previous hail loss; roof measured at 32 squares 	<ul style="list-style-type: none"> • New loss measured at 26 squares during calibration exercise; the difference in cost is \$450
Wind damage to 2 slopes of a 3- to 4-year-old shingle roof <ul style="list-style-type: none"> • Estimate prepared to repair 1 slope • Damages did not exceed the \$500 deductible 	<ul style="list-style-type: none"> • Complete slope if not whole roof replaced 	<ul style="list-style-type: none"> • Adjuster noticed that roof staples were improperly applied • Customer advised of improper installation but that repairs would be below the deductible • Original roofer was contacted and has agreed to repair the roof at no cost to the insured
Extensive wind damage to roof requiring replacement	<ul style="list-style-type: none"> • Probable roof replacement at \$4,500 • Closed with no subro 	<ul style="list-style-type: none"> • Inspection by claim rep revealed that shingle was not installed properly by roofer • Roof nails installed over 6 inches from bottom of shingle • Manufacturer rep has inspected the roof and has agreed with our assessment • Subro being pursued; cost to replace roof \$4,500

DRIVERS OF RESIDUAL ECONOMIC OPPORTUNITY IN REINSPECTION FINDINGS

Percent

	Opportunity per CWA = \$167	Exception areas	Examples
Damage identification	3.6	• Missed damage	• Missed turbine vent
Other	6.3	• Missed subro	• Missed improper use of fasteners
Repair vs. replace	39.1	<ul style="list-style-type: none"> • Improper use of repair guide = 24.9% • Damaged shingles per square = 8.5% 	<ul style="list-style-type: none"> • Repair vs. replace of slope • Counted tabs vs. shingles
Estimating skills	51.0	<ul style="list-style-type: none"> • Material identification = 15.8% • Debris removal = 19.1% • Unnecessary operations = 11.5% • Labor rates = 4.6% 	<ul style="list-style-type: none"> • Paid for 360# shingle vs. 240# • Allowed 30-yard dumpsters for 140 sq. ft. roof • Paid for ridge shingle and felt on minor repair • Wrong Accupro database

Source: 12 reinspections

CUSTOMER FEEDBACK ON ROOF PROCESS COMPONENTS

Feedback

- Customers feel the agent should be involved, although they differ in the specific role
 - Some value upfront contact and coverage explanations
 - Others value follow-up after closure
 - Additional interviews and research needed to pinpoint specific activities agents should perform
- Customers want to be home during the roof inspection process
 - Some want to view the entire inspection process
 - However, all wanted to receive the estimate explanation in person
- Customers value receiving an estimate on site
 - Immediate understanding of adjusters opinion before he or she leaves
 - Reduces anxiety over claim
- Customers are split on the value of receiving a check on site
 - Some said as long as they received the estimate, they were confident of receiving the check
 - Some preferred an immediate check so they could begin the work with contractors immediately

Quotes

- "I want the agent to call me at the end of the claim to make sure everything's okay"
- "He should follow up the day after I make the report, not at the end of the claim. . ."
- "I went up on the roof with Jim (the adjuster); I wanted to see what he was doing"
- "What's important to me is the explanation of the roof estimate"
- "Getting the estimate the same day allowed me to ask questions"
- ". . . it's good service"
- "My head is still spinning from the speed and efficiency of your services . . . by Saturday, the check was in my mail box. Very, very impressive"
- "Getting the check . . . the same day is an excellent service technique"

Source: 5 CWA interviews

CUSTOMER FEEDBACK ON ROOF PROCESS – CWPS

3 out of 4 CWP customers interviewed had positive claim experiences

- "I called the loss in Friday, they inspected the roof Monday; it was responsive quick service"
- "Nothing could have been done to make the claim process better; they did their job"

Thorough process with empathy and explanation drove customer satisfaction

- "He seemed to care about my loss; he got in touch with the roofer for me"
- "He was pleasant, friendly, and flexible; no problems"

Customers valued education on preventing future roof losses

- "He showed me where the loose siding was"
- "They told me 2 areas of my roof that needed fixing . . ."

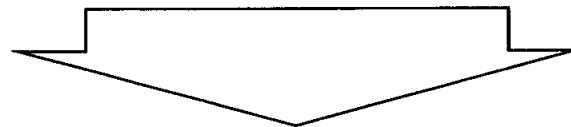
Empathy could have mitigated the unsatisfied customer

- "I don't want to talk to him anymore . . . if he had shown a little care and concern, it would have made the situation better"

Source: 4 CWP interviews

CUSTOMER PROCESS INQUIRIES – ROOF

Inquiry	Resolution	Process technique used
<ul style="list-style-type: none"> Insured upset that covered damage less than deductible and that other damage attributed to weathering 	<ul style="list-style-type: none"> UCM reinspection of loss verified adjuster findings No payment issued 	<ul style="list-style-type: none"> Technical skill development
<ul style="list-style-type: none"> Customer received payment on wind claim Wanted payment on hail damage as well 	<ul style="list-style-type: none"> UCM explained roof process to insured and why the other damage was not covered UCM agreed to meet with insured and their contractor; no additional payment issued 	<ul style="list-style-type: none"> Customer satisfaction training Technical skill development
<ul style="list-style-type: none"> Payment made for damages on one slope on a roof Insured wanted whole roof replaced because neighbor got a new roof 	<ul style="list-style-type: none"> UCM was able to avoid expense of sending engineer Attempted to resolve matter over the phone Insured still upset, probably will not renew 	<ul style="list-style-type: none"> Process diagrams and documentation



- Repairs and denials as a result of the process will generate inquiries and requests for additional payments; these requests will be actively tracked
- The process and training equips managers and adjusters to handle such inquiries

AGENDA

- Activities to date
- Initial test results
- **Issues to resolve going forward**

ISSUES TO RESOLVE GOING FORWARD

Process effectiveness	Other key constituents	Process support
Fine tuning	Independents	Management role and time allocation
Customer satisfaction	Vendors	Performance management
	Agents	Dispatch
		Accupro/decision tools

CRITICAL PROCESS EFFECTIVENESS ISSUES TO RESOLVE

	Process objectives	Key issues to resolve	Resolution method
Damage identification	<ul style="list-style-type: none"> • Process identification of covered/noncovered damage • Safe roof inspections • Defensible decisions with customers and contractors 	<ul style="list-style-type: none"> • Ensuring fair decisions • Appropriate equipment and training • Explanation of denials 	<ul style="list-style-type: none"> • Reinspections • Contact Roof Education Institute • Customer satisfaction research
Repair vs. replace	<ul style="list-style-type: none"> • Proper repair vs. replace decisions • Defensible decisions with customer and contractors 	<ul style="list-style-type: none"> • Calibration of repair vs. replace decision rules • Legal issues • Explanation of repairs 	<ul style="list-style-type: none"> • Reinspections • Contractor interviews • Comprehensive legal opinion from counsel • Customer satisfaction research
Estimating skills	<ul style="list-style-type: none"> • Proper measurements and estimate amounts • Timely estimates 	<ul style="list-style-type: none"> • Building Accupro and math skill levels • Accupro usage on-site 	<ul style="list-style-type: none"> • Work with PIC on designing pre-work • Customer satisfaction research
Overall process	<ul style="list-style-type: none"> • Efficient process that captures economic opportunity 	<ul style="list-style-type: none"> • Time efficiency of process 	<ul style="list-style-type: none"> • Time studies and identification of compressible activities

UP ON THE ROOF



- 97% of inspections have been up on the roof
- Customers appear to value on-roof inspections
- Albuquerque has a high proportion of 1-story houses and low-pitched roofs

Process needs going forward

- Process for inspecting multistory and high-pitch roofs that will be found in other parts of country
- Roof safety training focusing on
 - Equipment requirements such as ladders, footwear, and waist packs
 - How to ascend/descend ladders, traverse roof, and identify dangers

ALBUQUERQUE ROOF PROCESS – VALIDATION OF REPAIR VS. REPLACE TEMPLATE

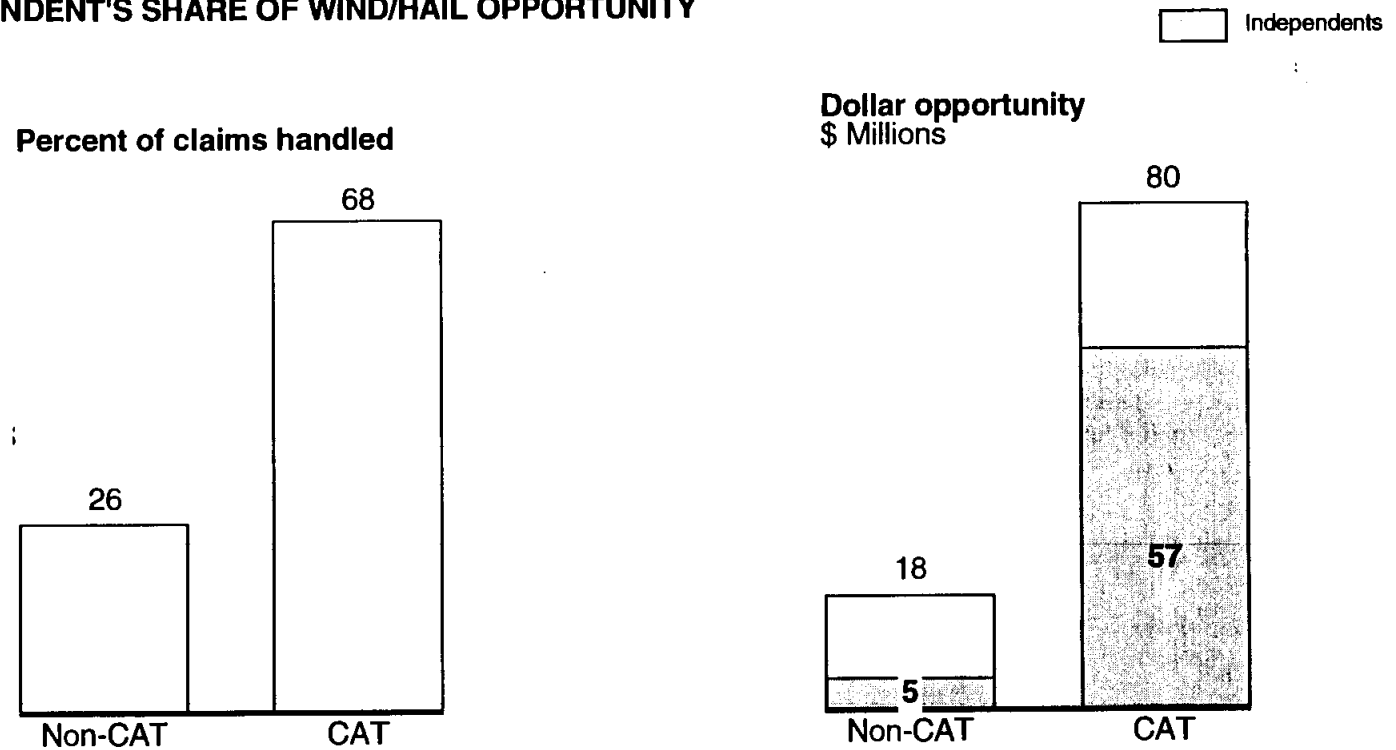
Issue	Resolution
<div style="border: 1px solid black; padding: 2px; display: inline-block;">Validation with contractors</div>	<ul style="list-style-type: none"> • Determine how shingle condition drives cost of repair • Determine what appropriate minimum charges for repairs are • Establish standard repair times by shingle type
<div style="border: 1px solid black; padding: 2px; display: inline-block;">Validation with customers</div>	<ul style="list-style-type: none"> • Determine when and why insureds call back for more money • Determine effect of neighboritis on customer service • Determine if there is a point of diminishing returns on percentage of repair to replace



CRITICAL LEGAL ISSUES TO RESOLVE

	Issue
Definitions	<ul style="list-style-type: none"> • What is damage? Granular loss? Pitting on wood singles? • What is late notice?
Line of sight	<ul style="list-style-type: none"> • What is line of sight? When does it apply? • As a result of a minor repair, is Allstate obligated to match shingles that result in a slope, multislope, or full roof replacement?
Limit of liability	<ul style="list-style-type: none"> • Does the condition of the roof impact the amount owed on a claim? • Does Allstate owe for a tear-off when a layover is possible?
Recovery	<ul style="list-style-type: none"> • Does Allstate owe for claims where there are latent installation defects? • Do manufacturers who change shingle design or color have an obligation to keep an inventory of replacement shingles for older shingles still under warranty?

INDEPENDENT'S SHARE OF WIND/HAIL OPPORTUNITY

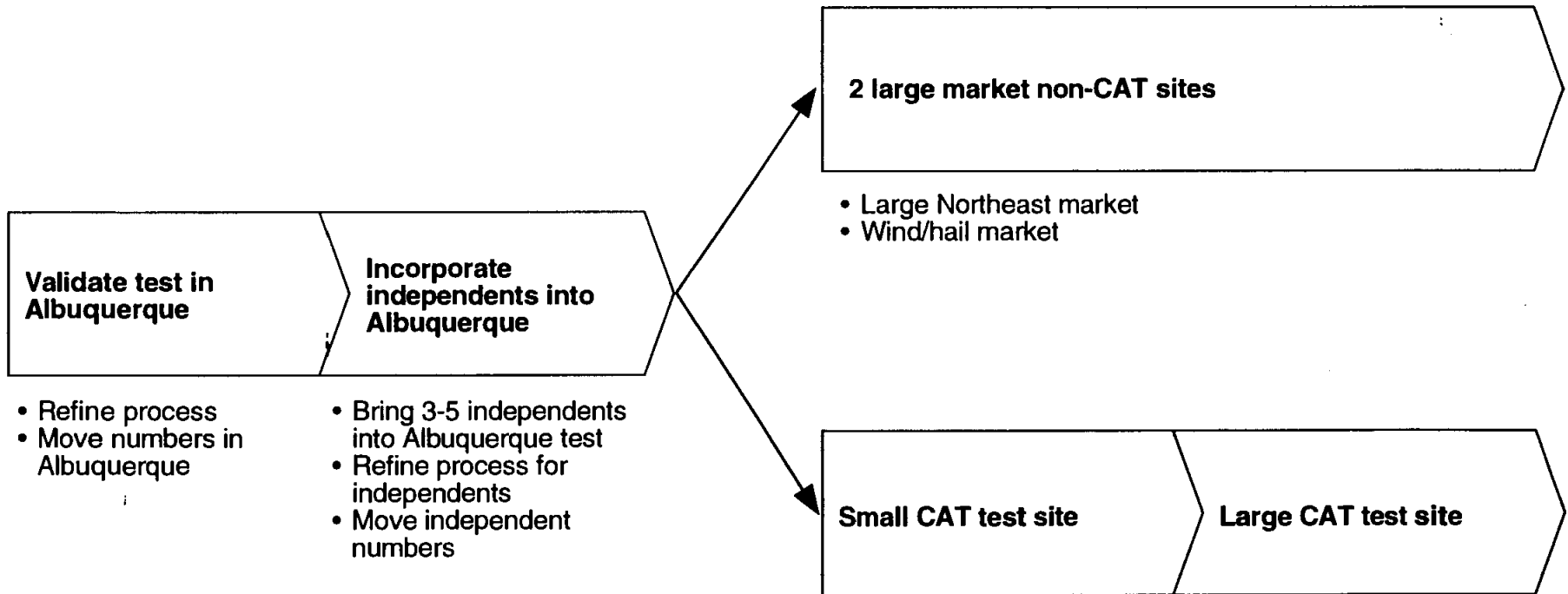


Managing independent behavior is critical to capturing wind/hail opportunity

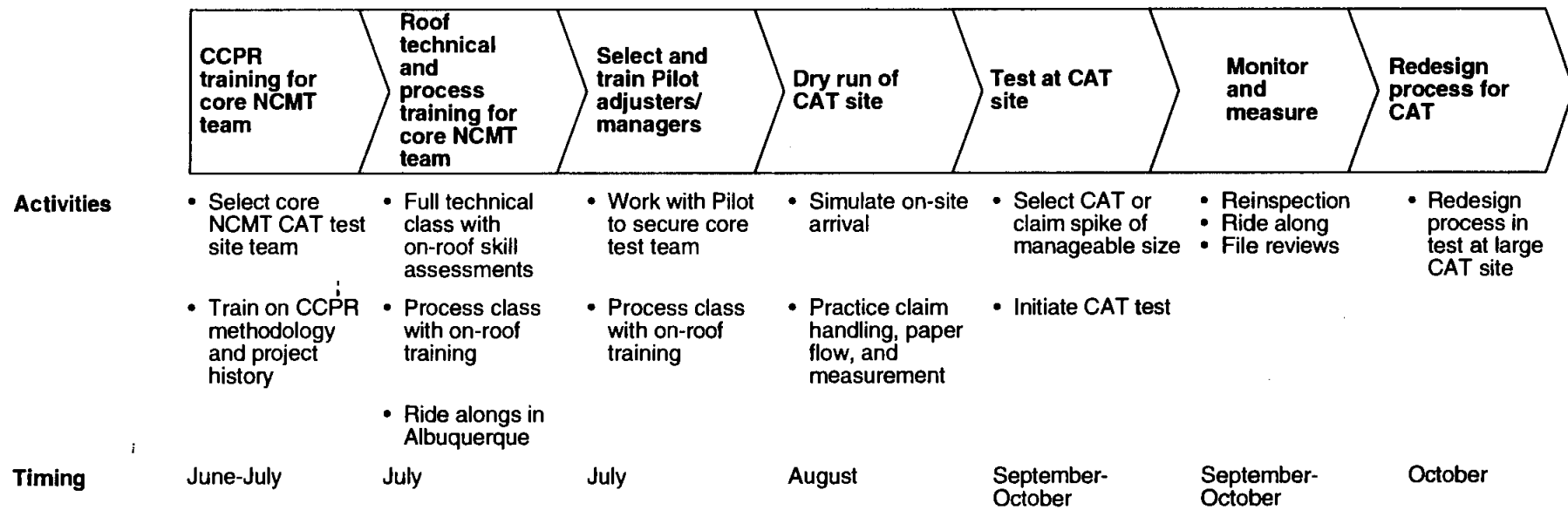
Source: CFR and reinspection database

*Staffing for spikes?
Image assignments in all areas*

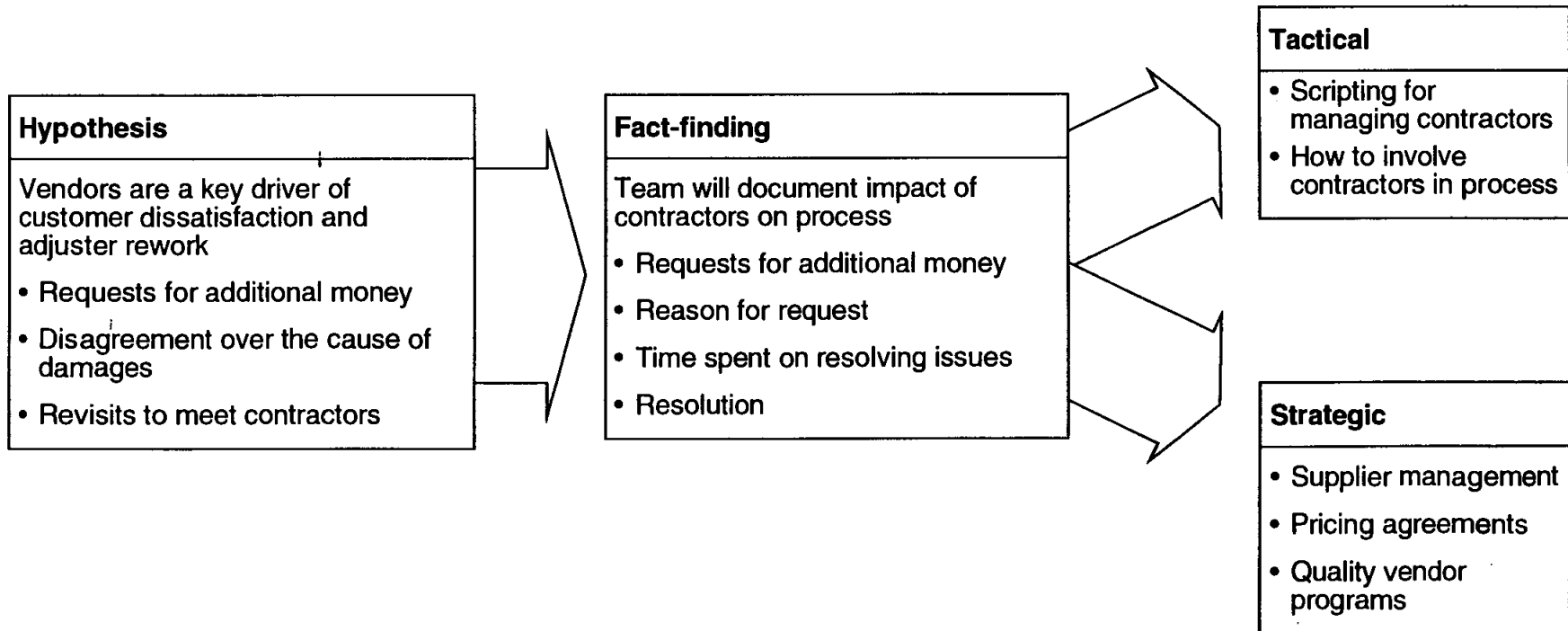
LINKING INDEPENDENTS INTO ROOF TESTING



GAME PLAN FOR A CAT TEST SITE



ROOF VENDOR MANAGEMENT



ALBUQUERQUE ROOF TEST ACTIVITIES GOING FORWARD

** Caution
Communication*

	June	July	August
• Process measurements (file reviews, reinspection)	[Bar spanning June, July, and August]		
• Coaching and adjuster development	[Bar spanning June, July, and August]		
• Process effectiveness issues	[Bar spanning June, July, and August]		
– Legal opinion	[Bar spanning June, July, and August]		
– Time studies	[Bar spanning June, July, and August]		
– Repair template validation	[Bar spanning June, July, and August]		
– Word path redesign	[Bar spanning June, July, and August]		
• Independents	[Bar spanning June, July, and August]		
– Selection of adjusters	[Bar spanning June, July, and August]		
– Technical and process training	[Bar spanning June, July, and August]		
– Testing	[Bar spanning June, July, and August]		
• CAT	[Bar spanning June, July, and August]		
– CCPR process training	[Bar spanning June, July, and August]		
– Technical and process training	[Bar spanning June, July, and August]		
• Develop agent role in process	[Bar spanning June, July, and August]		
• Develop performance management measures	[Bar spanning June, July, and August]		

Appendix

ROOF ASSESSMENT AND CONDITION REPORT (continued)

CLM NUMBER _____

11. Subrogation Issues:

- | | | | | | |
|--|-------|--|-------|---|-------|
| a. Installation issues present: | | b. Signs of manufacturing defect present: | | c. Other issues: | |
| 1. improper fasteners | Y / N | 1. horizontal or thermal-induced stress cracks | Y / N | 1. mechanical action | Y / N |
| 2. overdriven nails/staples | Y / N | 2. splice in materials | Y / N | 2. foot traffic | Y / N |
| 3. nail pops/migrating staples | Y / N | 3. diagonal shading present | Y / N | 3. other _____ | Y / N |
| 4. incorrect exposure | Y / N | 4. blisters | Y / N | Check if commented on below | [] |
| 5. incorrect use of adhesive | Y / N | 5. material fails to meet expected usefulness | Y / N | Open subro and investigate all subrogation issues! | |
| 6. failure to follow manufacturer's instructions | Y / N | 6. other _____ | Y / N | 12. a. Are there any unusual signs of damage? | Y / N |
| 7. other | Y / N | 7. Is the manufacturer known? | Y / N | b. If yes, does file need to be referred? | Y / N |
| 8. Is the installer known? | Y / N | Check if commented on below | [] | Check if commented on below | [] |
| Check if commented on below | [] | | | | |

Use this section to comment on any issues indicated above, including education for the customer _____

13. IS THERE COVERED STORM DAMAGE? Y / N 13.1 IF Y, CHECK ONE: HAIL [] WIND []

14. Difficulty of repair factor (choose the greater of the two factors):

1. Age factor (leave blank if unknown):		2. Deterioration factors: Location of slope (or all) _____	
a. Age of roof (from section 3 on front page)	_____	Check weathering factors identified from section 10 on front page for damaged slopes:	
b. Expected life of material for area	_____	[] a. Curled or cupped edges	+ 0.2
c. Percent age to expected life (a divided by b) =	_____	[] b. Missing more than 25% of granules from shingle	+ 0.2
Percentage conversion (check one):		[] c. Cracking	+ 0.1
[] 0-25% = 0		[] d. Hardening/ brittleness	+ 0.5
[] 26-50% = 0.2		Subtotal for deterioration factors	_____
[] 51-75% = 0.5		e. Enter subtotal _____ + 1.0 =	[] (f)
[] 76%+ = 1.0		This is the total difficulty of repair factor based on depreciation	
d. Enter conversion amount _____ + 1.0 =	[] (e)		
This is the total difficulty of repair factor based on age			

15. Repair factor to be used on the SCOPING WORKSHEET: [] (choose greater of the two)

16. I was on the roof Y / N If no, check the appropriate reason: [] a. roof too steep [] b. exposure too high [] c. cause damage to roof [] d. weather

5/1/97 7:22 AM

ROOF ASSESSMENT AND CONDITION REPORT

DATE OF INSPECTION: ___/___/___

CLM NUMBER _____

- 1. Description of storm:**
 a. NWS wind speed (mph): _____
 b. NWS hail size (check one): 1. 0-1" [] |
 2. 1"-2" [] | 3. 2"-3" [] | 4. 3"+ []
 c. Does damage match storm description? Y / N

Storm comments: _____

- 2. Prior loss history:**
 a. Is there a prior wind/hail claim? Y / N
 b. Did it involve roof damage? Y / N
 b.1 If yes, how much was paid? _____
 c. Will that affect this claim? Y / N
 Check if commented on below []

- 3. Initial field contact:**
 a. Customer on location during inspection? Y / N
 b. Does customer know age of roof? Y / N
 b.1 If yes, how old? _____
 c. Is customer aware of prior storm damage? Y / N
 c.1 If yes, has it been repaired? Y / N
 c.2 By whom? _____
 d. Does customer have other concerns? Y / N
 Check if commented on below []

- 4. Description of dwelling:**
 a. Number of stories _____
 b. Style of roof (check one): 1. Gable [] |
 2. Hip [] | 3. Flat [] | 4. Shed [] | 5. Other []
 c. Complexity of roof: (check one):
 1. simple: 1-2 slopes [] |
 2. cut-up: 3-6 slopes [] |
 3. complex: 7+ slopes [] |
 d. Are there gable/soffit vents? Y / N
 e. Underwriting referral needed? Y / N
 Check if commented on below []

- 5. Photo requirements:**
 a. Photo front of house Y / N
 b. Photo of each damaged slope Y / N
 c. Closeup photos of
 Damage area Y / N
 Weathered area Y / N
 Subro potential Y / N
 Number of photo's taken _____
 Check if commented on below []

- 6. Evidence of collateral storm damage?**
 a. Oxidation removed with no dents Y / N
 b. Flowers and shrubs Y / N
 c. Lead flashing Y / N
 d. Aluminum flashing Y / N
 e. Roof vents Y / N
 f. Fabric awnings Y / N
 g. Pool cover Y / N
 h. Patio umbrella Y / N
 i. Refrigeration coils Y / N
 j. Gutters Y / N
 k. Skylights Y / N
 l. Fences/decks Y / N
 m. Window screens Y / N
 Check if commented on below []

- 7. Roof facts:**
 a. Type of roof covering (check one):
 1. 3-tab comp [] | 5. Wood shingle []
 2. 3-d comp [] | 6. Wood shake []
 3. Rolled roofing [] | 7. Cement tile []
 4. Built-up [] | 8. Clay tile []
 9. Other _____ []
 b. Number of layers on existing roof _____
 c. Shingle width exposure, if applicable _____
 d. Weight of felt (check one):
 1. 15# [] | 2. 30# [] | 3. 45# []
 Check if commented on below []

- 8. Previous damage:**
 a. Is there evidence of prior storm damage Y / N
 b. Will this affect claim Y / N
 Check if commented on below []

- 9. Maintenance issues present?**
 a. Debris on roof Y / N
 b. Flashing not sealed Y / N
 c. Insect/animal damage Y / N
 d. Potential previous repair problems Y / N
 e. Clogged vallys and/or drains Y / N
 f. Wood shingles not treated for water resistance Y / N
 g. Decking in poor condition Y / N
 h. Improper ventilation? Y / N
 i. If yes, subro potential? Y / N
 Check if commented on below []

- 10. Signs of weathering present?**
 a. Curled or cupped edges Y / N
 b. Missing granules Y / N
 If yes- more than 25% of basemat showing? Y / N
 c. Surface cracks/crazing Y / N
 d. Hardening/ brittleness Y / N
 e. Shrinkage Y / N
 f. Eroded edges Y / N
 g. Algae/fungus Y / N
 h. Weather splits Y / N
 i. Warping Y / N
 j. Other _____ Y / N
 Check if commented on below []

Use this section to note comments regarding any issues on this page, including education for the customer. Reference the section number in your comment.

ROOF SCOPING WORKSHEET

Claim number _____
 Describe by slope the covered and non covered damage

Covered damage : 1= hail, 2= wind

Non covered damage :	9f.wood shingles not treated for water resistance	10e.shrinkage	11a3.nail pops	11c1.mechanical action
8.prior damage	9g.decking in poor condition	10f.eroded edges	11a4.incorrect exposure	11c2.foot traffic
9a.debris on roof	9h.improper ventilation	10g.algae / fungus	11a5.incorrect use of adhesive	
9b.flashing not sealed	10a.curled / cupped shingles	10h.weather splits	11b1.stress cracks	
9c.insect / animal damage	10b.missing granules	10i.warping	11b2.splice in materials	
9d.potential repair problem	10c.surface cracking	11a1.improper fasteners	11b3.diagonal shading	
9e.clogged valleys	10d.hardening/brittleness	11a2.overdriven fasteners	11b4.blisters	

SLOPE	COVERED DAMAGE	NON COVERED DAMAGE	SLOPE	COVERED DAMAGE	NON COVERED DAMAGE
North 1	_____	_____	North 2	_____	_____
South 1	_____	_____	South 2	_____	_____
East 1	_____	_____	East 2	_____	_____
West 1	_____	_____	West 2	_____	_____
Other	_____	_____	Other	_____	_____

Repair / replace chart by slope

Slope	No. of damaged shingles	x Cost per shingle	x Repair factor	= Total cost	No. of squares on slope	x Cost per square	= Cost of slope repair	No repair necessary	Repair shingles	Replace slope	Cost	
North 1								.	.	.		
North 2								.	.	.		
South 1								.	.	.		
South 2								.	.	.		
East 1								.	.	.		
East 2								.	.	.		
West 1								.	.	.		
West 2								.	.	.		
Other								.	.	.		
Other								.	.	.		
								Total cost of repair (enter minimum charge if greater)				
								Total squares on roof _____ x unit cost per square _____ = total cost to replace roof				

Decision: Repair roof Replace roof Unable to repair due to roof condition
 Explain basis for decision _____

TEST STRATEGY ROUND II

<u>PROCESS</u>	<u>TIMING</u>	<u>STRATEGY</u>
Fire.	mid Sep - early Oct to mid Dec - early Jan	Test in 1 market only during 2nd round - due to process complexity, we need to limit scope - approach will allow more effective oversight - will work well with incremental implementation approach Choose moderate size urban market

<u>POTENTIAL SITES</u>	<u>CHARACTERISTICS</u>	<u>LOCATION</u>	<u>AVP</u>
Virginia/D.O.	urban/rural mix high field credibility factor moderate volume structure & contents high interest in testing	N.E.	Cohen
Atlanta	urban area moderate claim counts	South	Cohen
Hudson	primarily urban good field credibility factor claim counts less than ideal, but sufficient	N.E.	Clarkson
Twin Oaks	top contender for 3rd round high volume difficult market high market complexity high field credibility	N.E.	Cohen

TEST STRATEGY ROUND II

<u>PROCESS</u>	<u>TIMING</u>	<u>STRATEGY</u>
Roofs - non Cat	late Aug - mid Sep to late Oct - mid Nov	Test in 2 markets concurrently Choose sites with consistent claim volume during test period Select one large, complex, urban market Select one market in hail belt Select one market with high proportion of wood shingles

<u>POTENTIAL SITES</u>	<u>CHARACTERISTICS</u>	<u>LOCATION</u>	<u>AVP</u>
Twin Oaks, Ill Hudson, Oh Miami, Fl	High volume urban markets large, complex	N.E. N.E. So.	Cohen Clarkson Donoghue
Brooklyn, NY Mitchell Field, NY Brick, NJ Maplewood, Pa Harrison, NY	process credibility factor	N.E. N.E. N.E. N.E. N.E.	Donoghue " " " "
Dallas Tx Denver Co VA/DC Connecticut VA/DC	Combination of wind & hail and large proportion of wood shingles large urban/rural mix, plus coastal cities High interest in testing & AVP wants test	So. Mid West N.E. N.E.	Clarkson Cohen Donoghue Cohen

TEST STRATEGY ROUND I

<u>PROCESS</u>	<u>TIMING</u>	<u>STRATEGY</u>
Roofs - Cat	Late June	Phase I: Have CCPR roof team conduct technical training to Cat management team (2 days)
	Jul 1 - Jul 31 (30 days)	Phase I & II: ^{Pilot} MCM's, QCR's, Field managers (1 file examiner?) Phase II: Following training, bring Jerry Jimenez to Alb. MCO for intensive process training
	Aug - Oct	Phase III: Spin-off Jerry to a Cat site as a team leader to test Roof Process in a Cat environment Involve only 1 QCR, 1 Field Mgr, 1 file examiner in Cat test Use Jerry as Team Leader & Mike Bolts as ^{CCPR} advisor

POTENTIAL SITE OPTIONS

Test in a ^{new} wind or hail cat site

Test in a non-cat, high volume market (Oklahoma City, Denver, Texas)

Test in an existing Cat site

I. FEEDBACK ON CURRENT ACTIVITIES AND PLAN

II. PLAN GOING FORWARD

III. REACH CONSENSUS ON APPROACH

CLPR LEADERSHIP TEAM DEBRIEF

MAY 22, 1997

TESTING TIMELINE

Roofs (cat) Jun July Aug Sep Oct Nov Dec Jan

Cat team technical training —

Process training for Cat Mgr —

Process testing 1st Round —

Process testing 2nd Round —

Roofs (non-cat)

Process testing Albuquerque 2 sites 2nd round —

Begin to plan CW implementation —

Fire

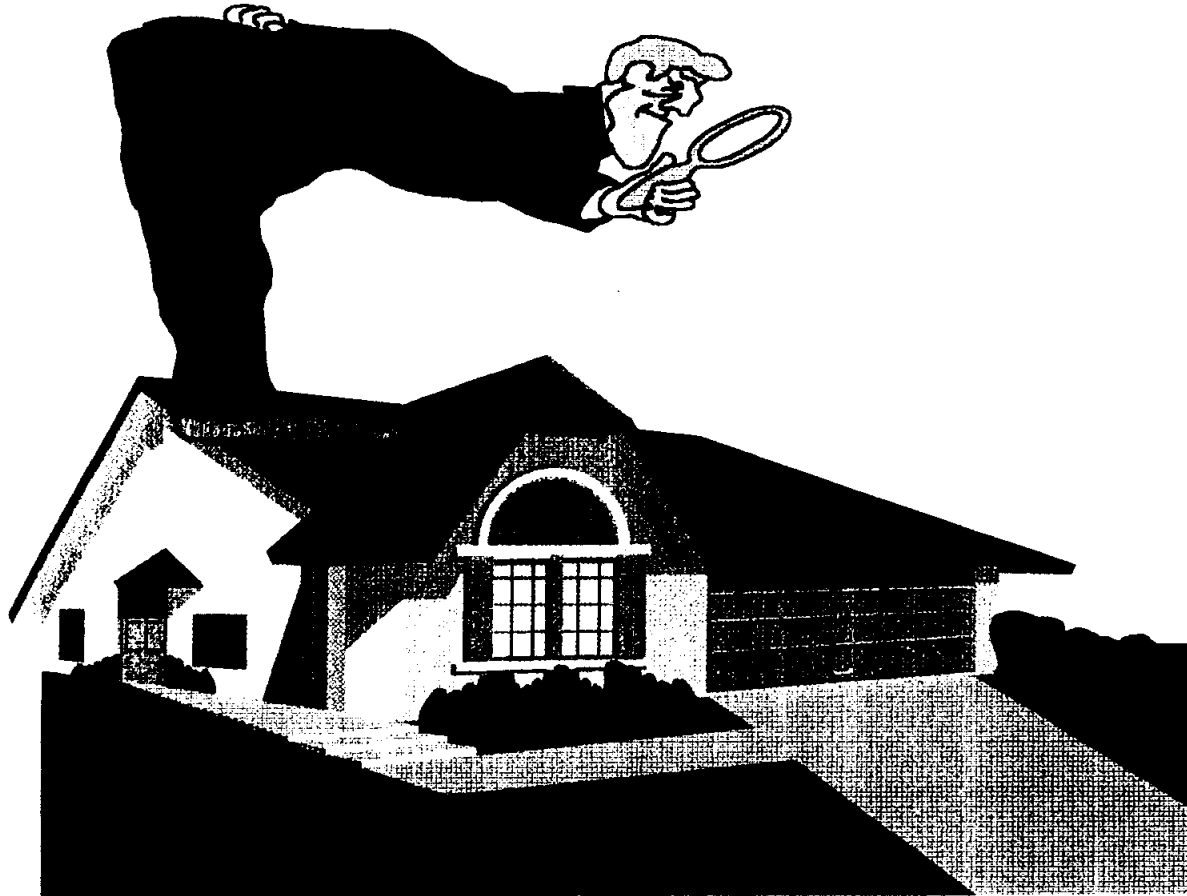
Process testing Roseville —

1 site 2nd round —

ROOF PRESENTATION 6/6/97

ROOF PRESENTATION 6/6/97

UP ON THE ROOF



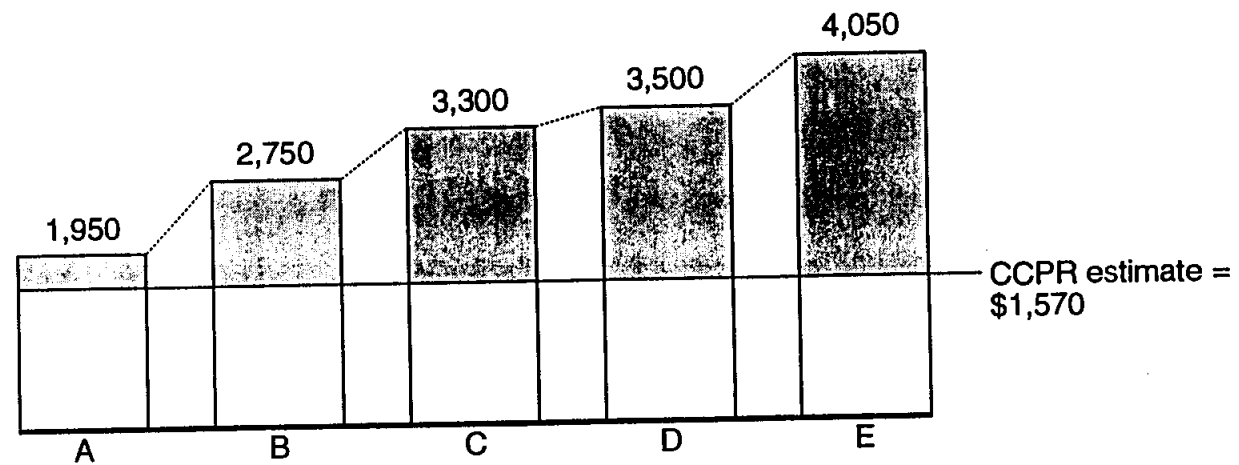
ROOF EDUCATION DAY

- **OVERVIEW OF TRAINING PROGRAM**
- **THREE ROOF TRAINING MODULES**
- **FIELD EXERCISE**
 - **ROOF DAMAGEABILTY**
 - **REPAIR DEMONSTRATION**

RESULTS FROM MCO CALIBRATION EXERCISE

Dollars

Estimate written on identical hail damaged roof



- 5 adjusters asked to adjust the same roof during field calibration exercise
- Unit cost for shingles varied between \$59 per square to \$85 per square
- Area measurement varied between 25 and 43 squares
- 2 contractors visited the site and confirmed the CCPR scope and estimate

3 KEY HOOKS OF THE ROOF PROCESS



Damage identification
A systematic process for identifying covered and noncovered damage supported by rigorous technical training

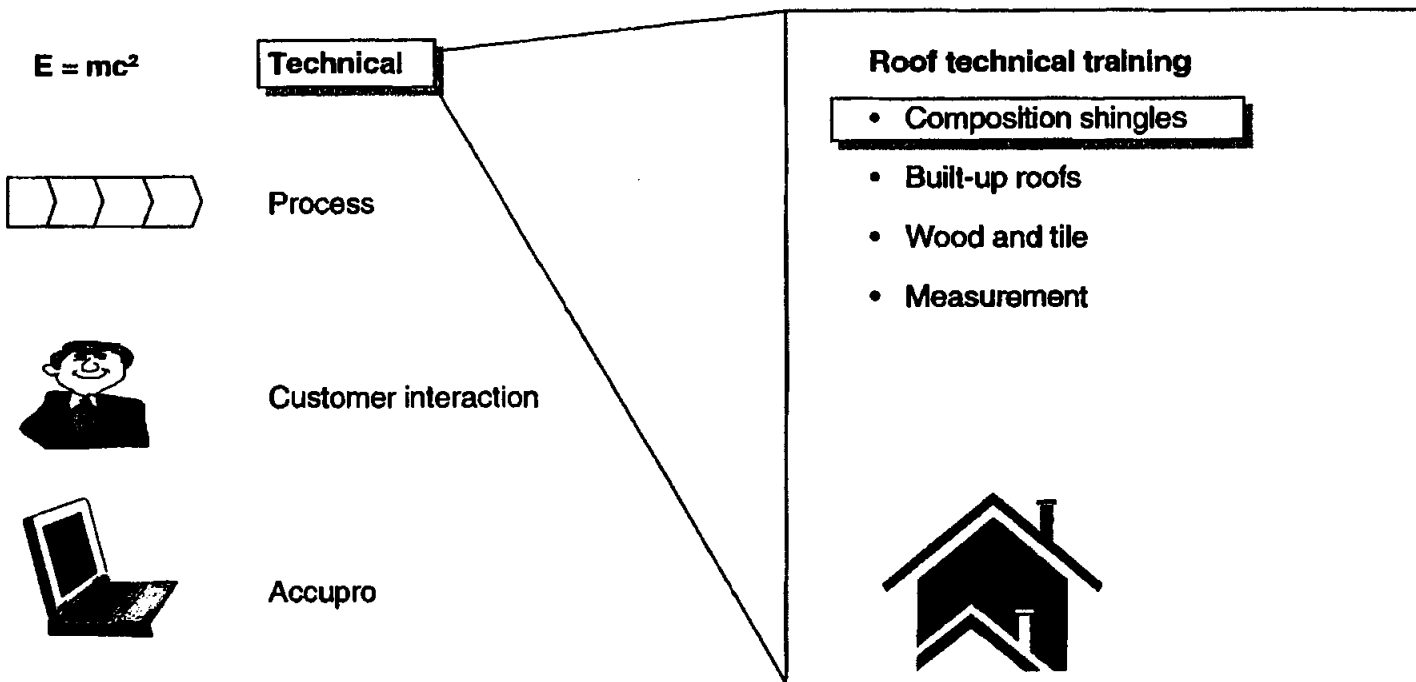


Repair vs. replace
Roof repair always the 1st option unless the cost to replace is more economical



Estimating skills
Proper measurement and estimate calculations in Accupro

STRUCTURE OF ROOF TRAINING



ROOF TECHNICAL TRAINING

CONSTRUCTION

- MATERIALS
- NOMENCLATURE
- UNIFORM BUILDING CODE

DAMAGE IDENTIFICATION

- WEATHERING
- MAINTENANCE
- WIND DAMAGE
- HAIL DAMAGE
- COLLATERAL DAMAGE

INSTALLATION ISSUES

- FASTENERS
- PROPER SHINGLE EXPOSURE
- CANT STRIPS
- GRAVEL GUARDS
- VENTILATION

REPAIR VS. REPLACE

- REPAIR 1ST OPTION
- TYPES OF REPAIR FOR TYPES OF DAMAGE
- PER SHINGLE COST
- MINIMUM CHARGES

TRAINING AND EDUCATION FORMAT

USE OF PROPS

- 4' X 4' MOCKUPS OF ROOFS
- DAMAGED SHINGLES
- HAIG ENGINEERING SLIDES
- ENLARGED PHOTOS OF DAMAGED ROOFS
- MANUFACTURER INSTRUCTION GUIDES
- REPAIR MATERIALS

LIVE DEMONSTRATIONS

- HAIL DAMAGE
- MANMADE DAMAGE
- REPAIR TO BUILT- UP ROOF

PRACTICAL AND HANDS ON

- USE OF SKILL SITE ROOF
- CALIBRATION

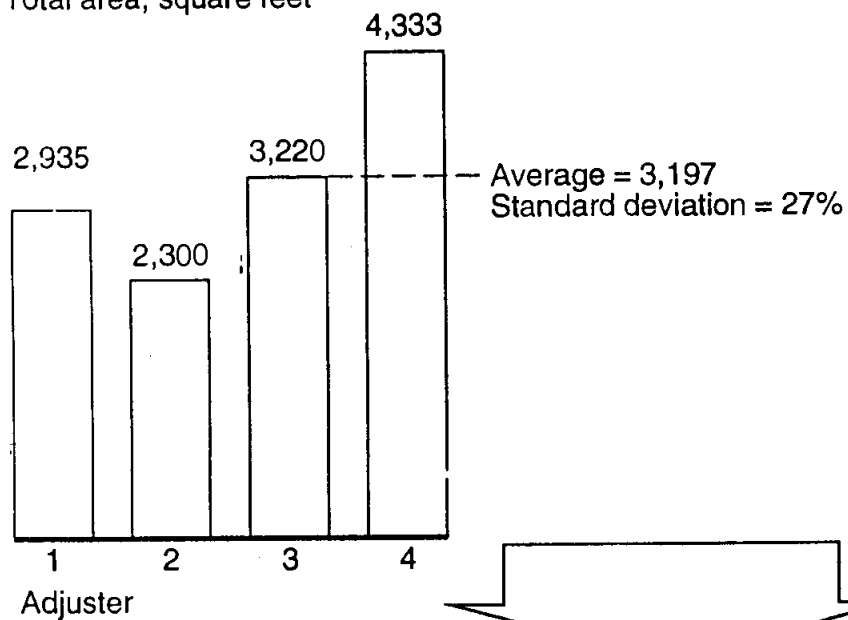
INTERACTIVE SESSIONS

- QUESTION AND ANSWER
- USE OF PLAY MONEY
- PRIZES

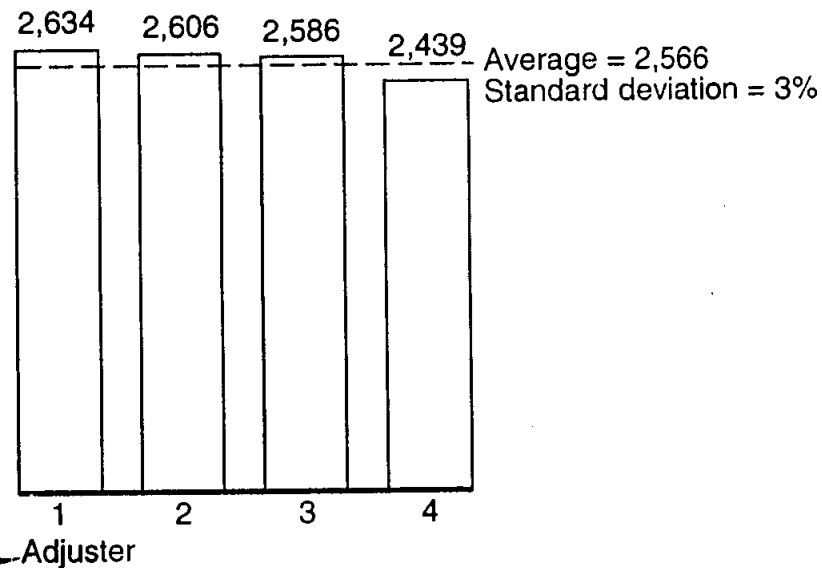


MEASUREMENT SKILL ASSESSMENTS

Pretechnical training
Total area, square feet



Posttechnical training
Total area, square feet



- Significant improvement in measurement skills
- Adjusters agreed that calibration exercises are excellent for both learning, as well as identifying skill gaps

Source: Pre- and postmeasurement skill assessments

COMPOSITION SHINGLES



POPULARITY OF COMPOSITION SHINGLES

NATIONALLY, WHAT PERCENT OF ROOFS ARE COVERED WITH COMPOSITION SHINGLES?

80%



THREE TRAINING MODULES

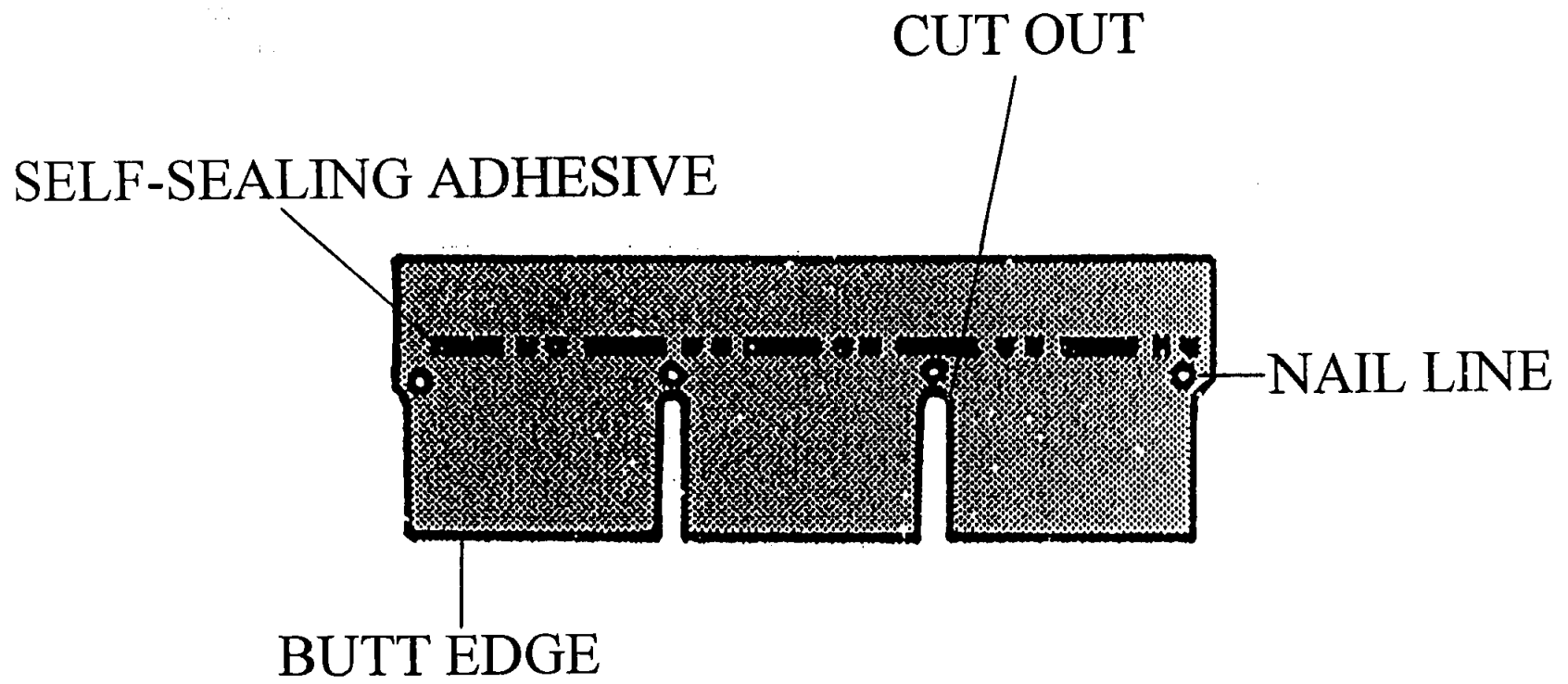
- **PROPER INSTALLATION**
- **REPAIR TECHNIQUES**
- **IDENTIFICATION OF HAIL DAMAGE**



MODULE 1

PROPER INSTALLATION

SHINGLE TERMINOLOGY



FASTENERS

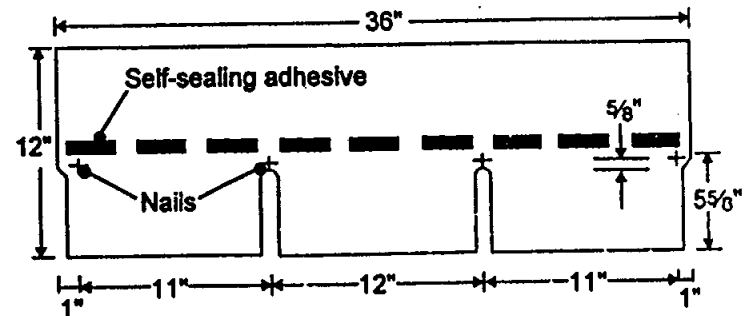
- PROPER LENGTH AND PROPER LOCATION IS VERY IMPORTANT

WHAT IS THE PROPER LENGTH?

Application	Nail length (inches)
Roll roofing on new deck	1
Strip or individual shingles on new deck	1¼
Roofing over old asphalt roofing	1½ to 2
Roofing over old wood shingles	2

ON NEW DECK, THE NAIL MUST PENETRATE THROUGH THE BOTTOM BY 1/4"

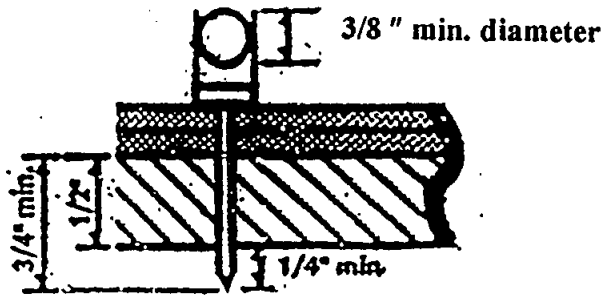
WHAT IS THE PROPER LOCATION?



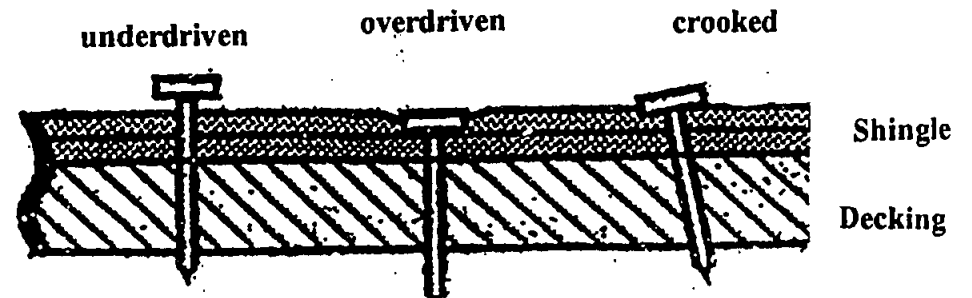
FOR NORMAL INSTALLATION, 4 NAILS ARE USED

PROPERLY INSTALLED FASTENERS

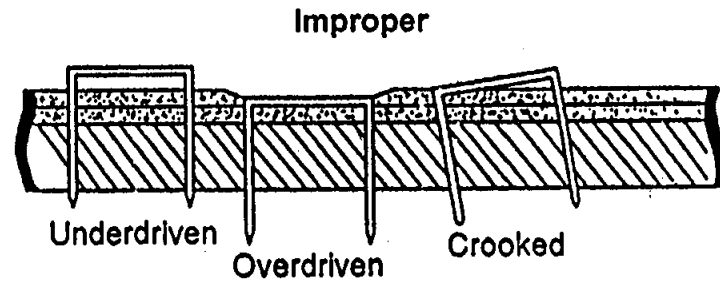
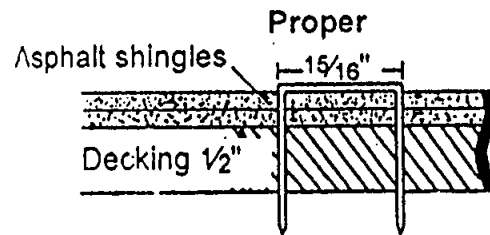
PROPERLY DRIVEN



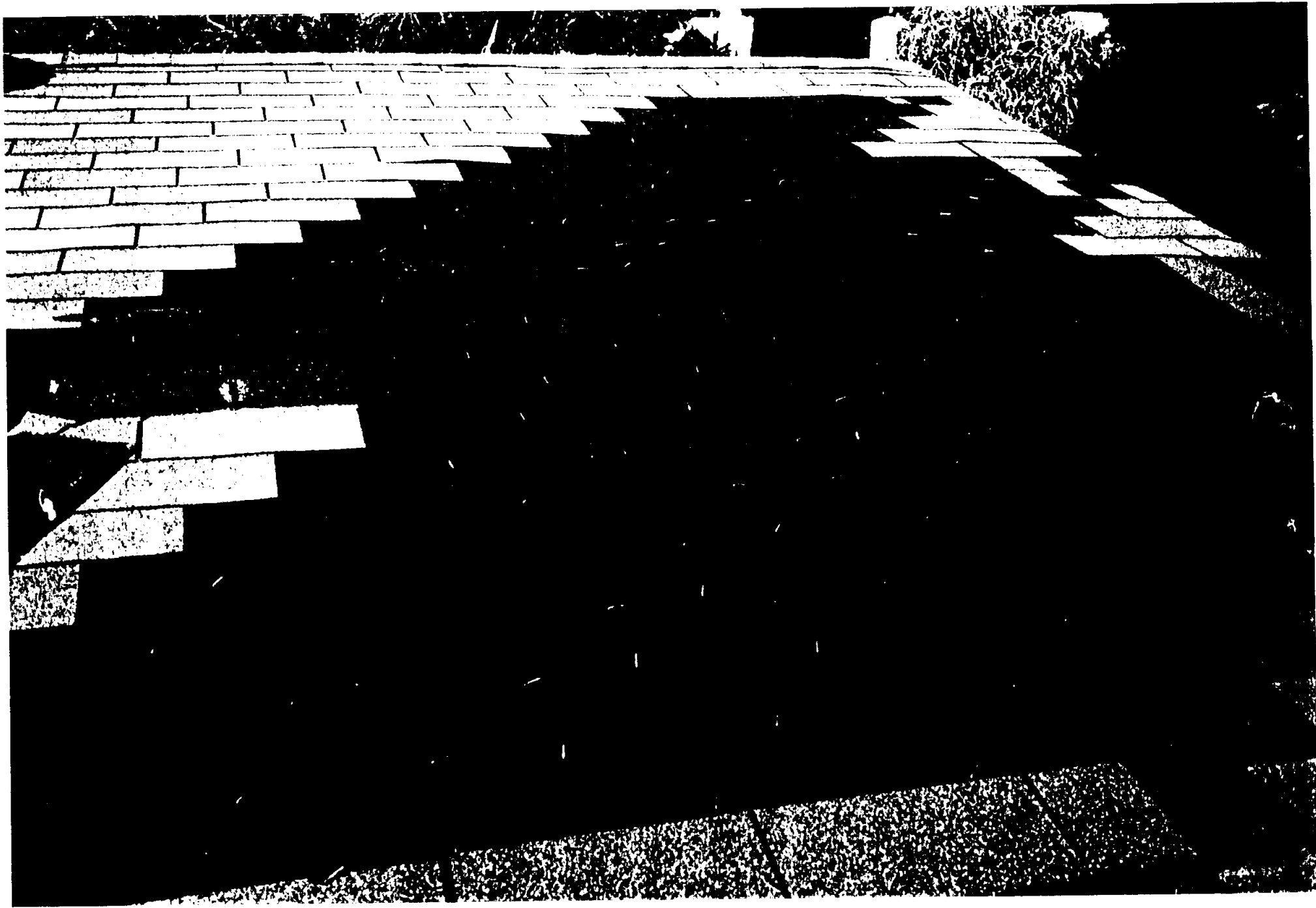
IMPROPERLY DRIVEN



NAILS

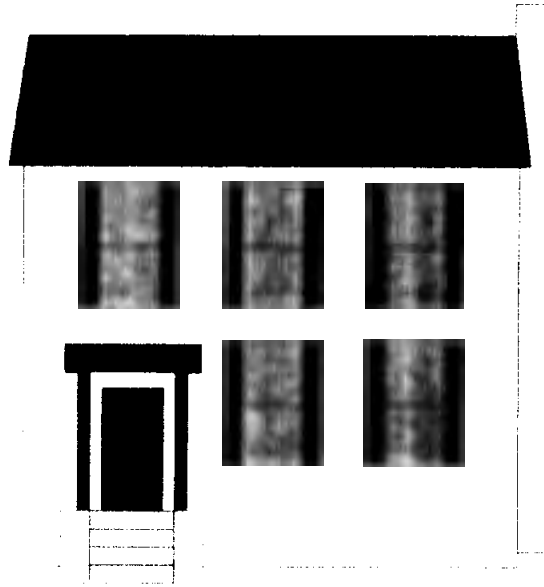


STAPLES





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MODULE 2

REPAIR TECHNIQUES

REPAIR VS. REPLACE

BEFORE YOU REPLACE, ASK YOURSELF THESE QUESTIONS:

- What is the extent of damage? Can you repair the damaged area?
- Can you replace an individual shingle? What is the cost per shingle?
- Are there other shingles available from a less conspicuous area?
- Have other areas of the roof been partially replaced?
- What is the age and condition of the existing shingles? Can the repair area be blended into an existing slope?
- Are there physical considerations that may affect repairability?

REPAIRING COMPOSITION SHINGLES

START WITH THE SMALLEST REPAIR POSSIBLE:

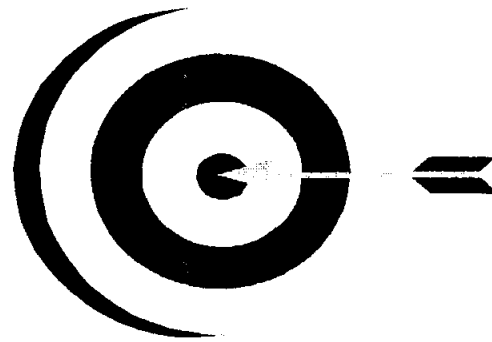
COST:

- | | |
|---|--------------------------|
| 1. Replace a single tab(s) | Minimum charge |
| 2. Replace an individual shingle(s) | Min charge- Cost/shingle |
| 3. Blend new shingles into an existing slope | Min charge- Cost/shingle |
| 4. Replace an individual slope | Min charge- Cost/square |
| 5. Replace multiple slopes within the same
'line of sight' | Cost/square |
| 6. Replace complete roof | Cost/square |

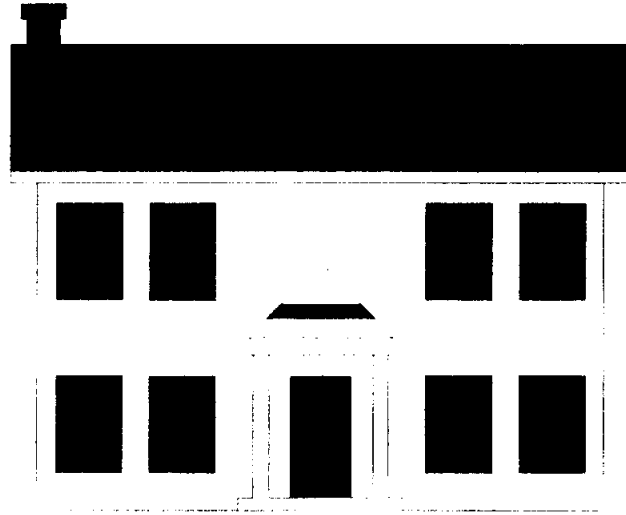
SOME REPAIRS TO WIND DAMAGED SHINGLES CAN BE ACCOMPLISHED WITH AS LITTLE AS A TUBE OF ROOFING CEMENT.

REPAIR TO COMPOSITION SHINGLE SUMMARY

- Composition shingles can be repaired in many situations
- The adjuster must consider the smallest repair possible first, and then proceed to larger repairs when necessary
- Many factors need to be considered when repairing a composition shingle roof
- Some areas may allow for two overlays in addition to the original layer



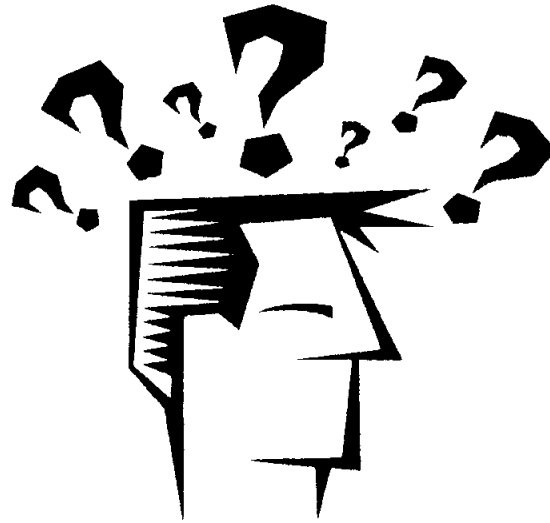
BY USING PROPER REPAIR TECHNIQUES, WE WILL FIND THE BULLSEYE ON PROPER ROOF CLAIM HANDLING FOR COMPOSITION SHINGLES!



MODULE 3

IDENTIFICATION OF HAIL DAMAGE

IDENTIFICATION OF HAIL DAMAGE



**IT'S BETTER TO KNOW WHAT IS NOT HAIL DAMAGE
THAN TO KNOW WHAT IS**

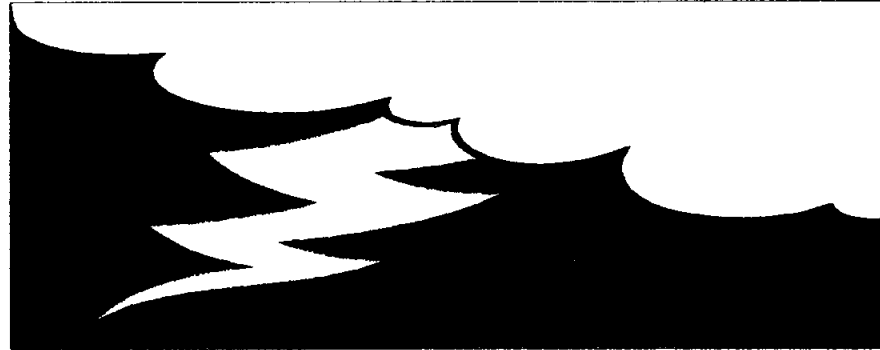
HAIL DAMAGE TO COMPOSITION SHINGLES



WHAT IS NOT HAIL DAMAGE:

- Crushed or smeared granules
- Damage in a definitive pattern.
Impact marks evenly distributed over the roof.
- Nails coming through the shingle
- Long, oblong shaped marks
- Impact marks larger than the size of the hail

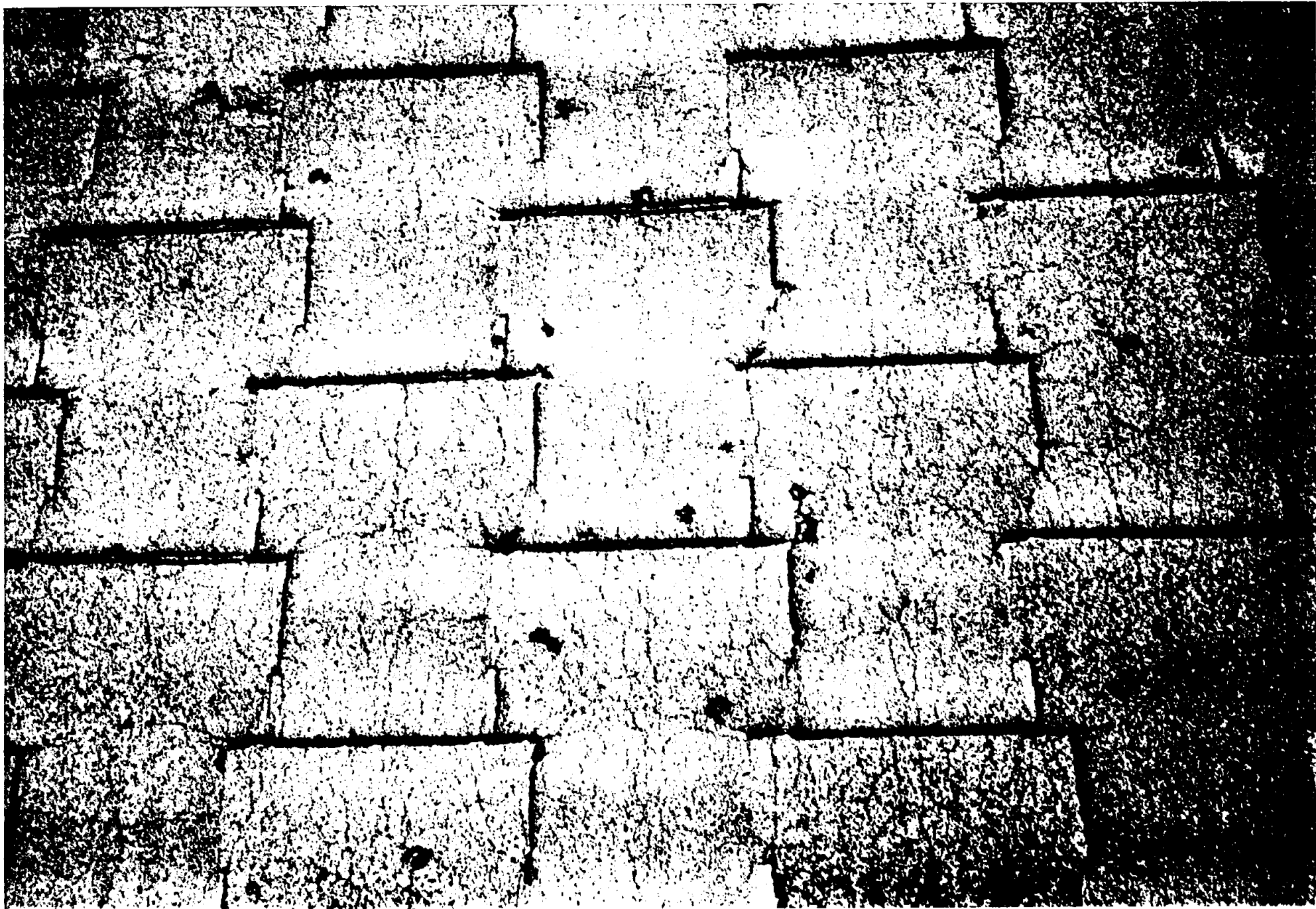
HAIL DAMAGE TO COMPOSITION SHINGLES



WHAT IS HAIL DAMAGE:

- Dark spots on shingle surface where granules have been knocked off
- Pitting that is visible on surface
- Pits and spots feel soft, like the bruise of an apple
- Hail impact marks of various sizes
- Hail impact marks are approx 1/2 the size of the hailstone

Hail will always damage vents, gutters, flashing, and other signs of collateral damage. It cannot damage the shingles only without leaving other signs.



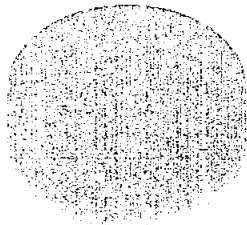
HOW BIG DOES HAIL NEED TO BE?



DIME SIZE HAIL ($> 3/4''$) WILL DAMAGE ONLY
OLDER DETERIORATED COMPOSITION SHINGLES.
SPEED OF FALL- 42.3 m.p.h.



QUARTER SIZE (APPROX $1''$) WILL DAMAGE LIGHTWEIGHT
COMPOSITION SHINGLES. SPEED OF FALL- 49.8 m.p.h.



HALF DOLLAR SIZE (APPROX $1\ 1/4''$) WILL DAMAGE MOST
HEAVY COMPOSITION SHINGLES.
SPEED OF FALL- 55.9 m.p.h.

THE LARGEST REPORTED HAIL IN 1996 WAS $4.5''$ ON JULY 23rd IN SIMLA, CO.
THIS HAIL WOULD FALL WITH A SPEED IN EXCESS OF **105** m.p.h. OUCH!

COLLATERAL DAMAGE

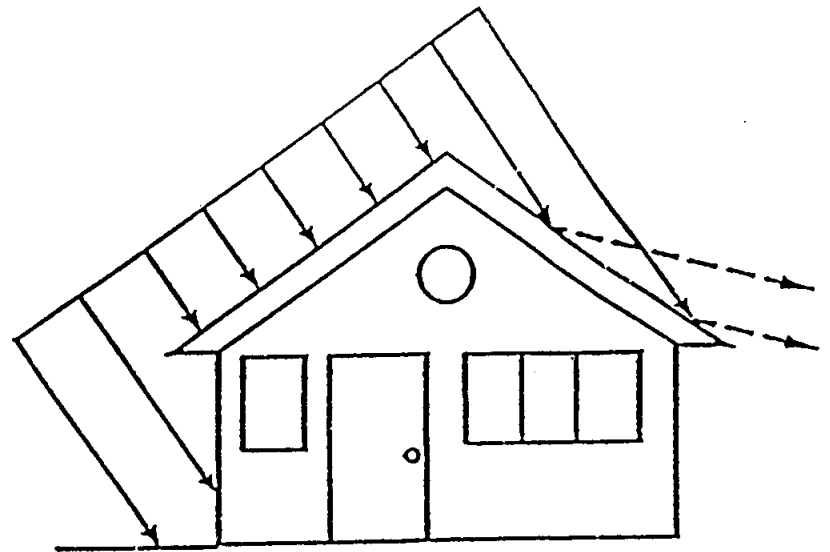


SIZE OF HAIL	MORE EASILY DAMAGED FROM HAIL		LESS EASILY DAMAGED FROM HAIL	
3/4"	Flowers and shrubs	Lead flashing	Refrigeration coil	Old asphalt shingle
1"	Patio umbrella	Aluminum flashing	Gutters	New asphalt shingle
1 1/4"	Fabric awnings	Fences	Windows	3-D shingle, older wood shake
1 1/2"	Toys	Siding	Car windshields	40 yr Arc shingle, new med. shake
2"	Skylights	Brick	Car sheetmetal	Jumbo shakes, concrete tile, built-up roofs

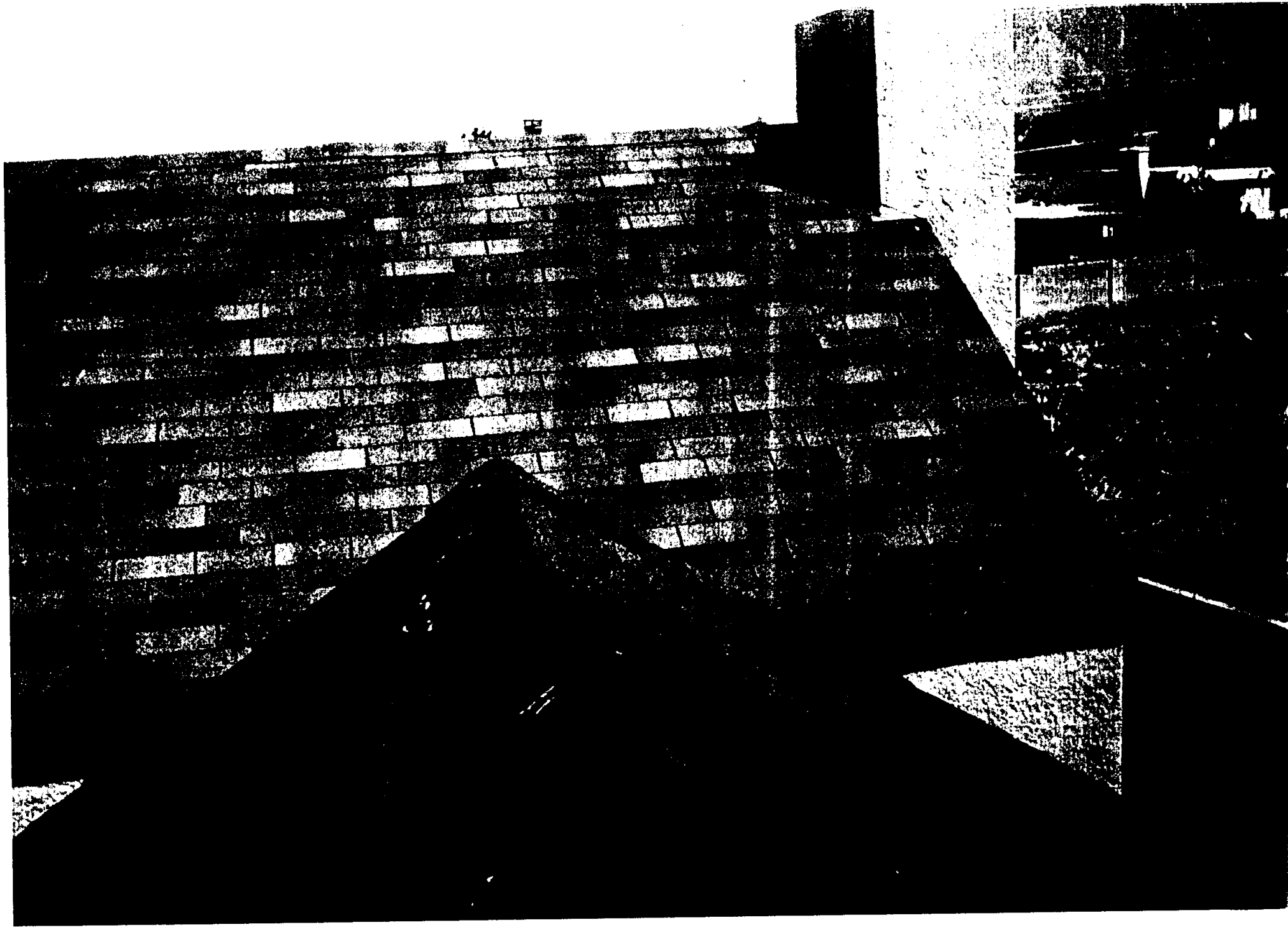
DIRECTIONALITY OF STORMS

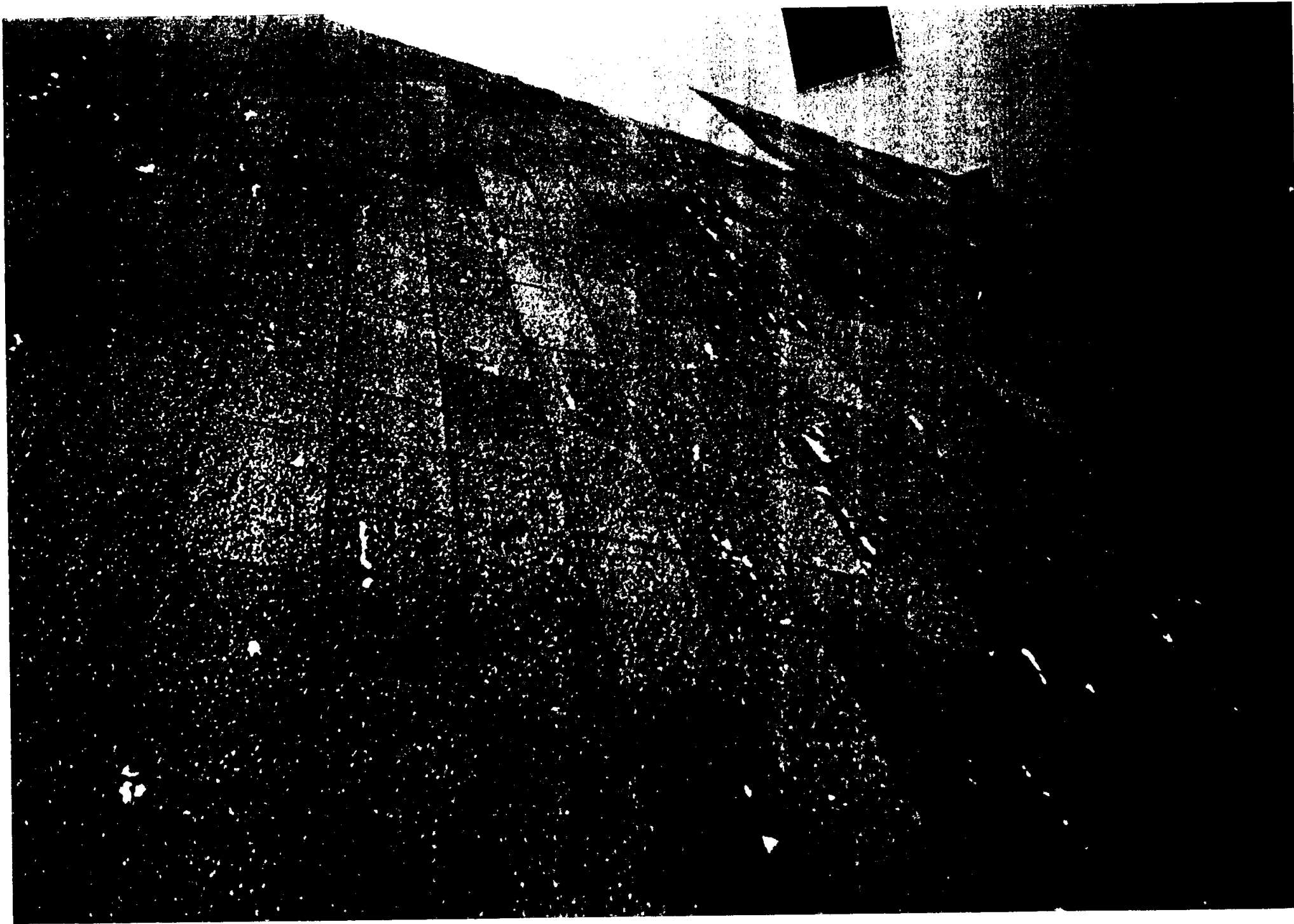
DIRECTION OF STORM PLAYS A KEY ROLE IN EXTENT OF DAMAGE

- WINWARD SLOPES RECEIVE MORE DAMAGE THAN LEEWARD SLOPES
- STEEP SLOPED ROOFS RECEIVE MORE DAMAGE THAN SHALLOW SLOPED ROOFS

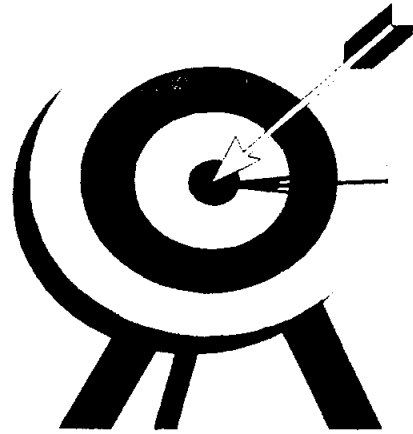


ANGLE OF HAIL IMPACT AND DENSITY OF HAIL ARE MORE IMPORTANT THAN THE SIZE OF THE HAIL.





ROOF TRAINING SUMMARY



- THE TRAINING PROGRAM FOCUSES ON THE THREE DRIVERS OF ECONOMIC OPPORTUNITY:
 1. DAMAGE IDENTIFICATION
 2. REPAIR VS. REPLACE
 3. ESTIMATING SKILLS

- IN COMBINATION WITH THE ROOF PROCESS WE DEVELOPED, OUR EARLY LEARNINGS INDICATE OUR TRAINING PROGRAM IS VERY SUCCESSFUL!

ALBUQUERQUE ROOF TEST
UPDATE 6/17/97

**ALBUQUERQUE ROOF TEST
UPDATE 6/17/97**

file

CONFIDENTIAL

Albuquerque Roof Test Update

ALLSTATE INSURANCE COMPANY

Discussion Document

June 17, 1997

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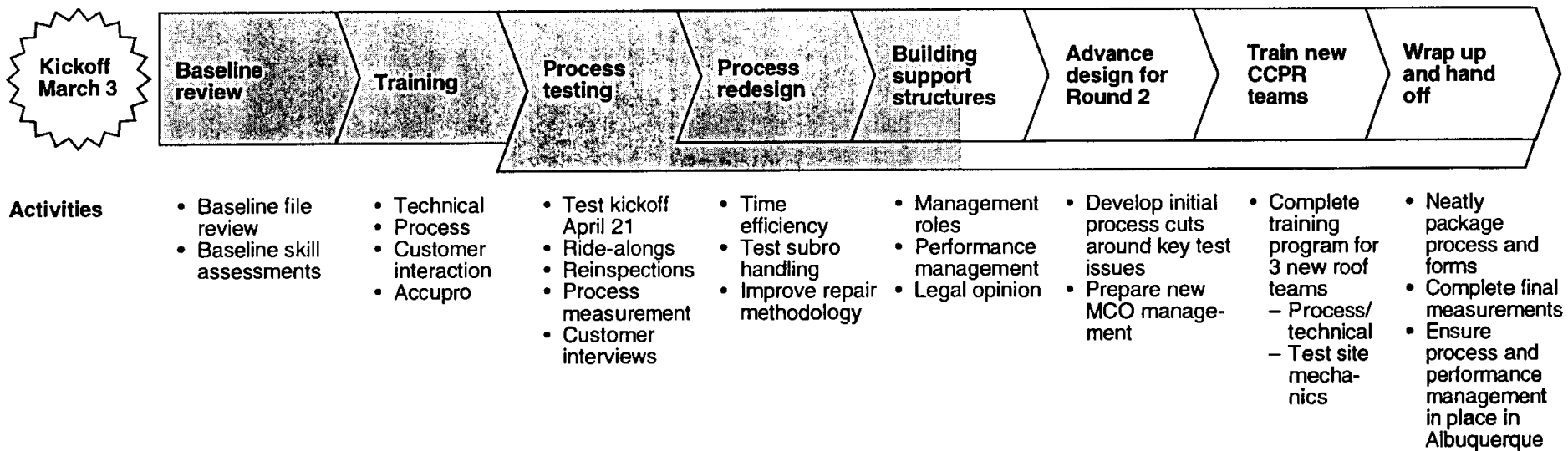
ALBUQUERQUE ROOF TEST UPDATE AGENDA

- **Summary of roof process**
- Results from process testing
- Other process issues
 - Recent process redesign
 - Subrogation potential
 - Legal opinion
- Creating management accountability
 - Performance management
 - Management roles
 - Diagnostic tools

SUMMARY OF ROOF PROCESS UPDATE

- The roof process has been successful to date in driving significantly lower severity and closed cost. The reductions have exceeded the projections from the fact-finding process
- Customer satisfaction is comparable to or slightly higher than the wind/hail national average. The key drivers appear to be on-site estimates/explanations and roof education
- Over the next month, the team's primary focus will be on defining management roles, performance management, and continuing to enhance customer satisfaction
- The test site will be concluding at the end of August and moving on to Denver and New York. As a result, the team will also be investing time in training new members on process and CCPR methodology

ALBUQUERQUE ROOF TEST TIMELINE OF ACTIVITIES



3 KEY HOOKS OF THE ROOF PROCESS



Damage identification
A systematic process for identifying covered and noncovered damage supported by rigorous technical training



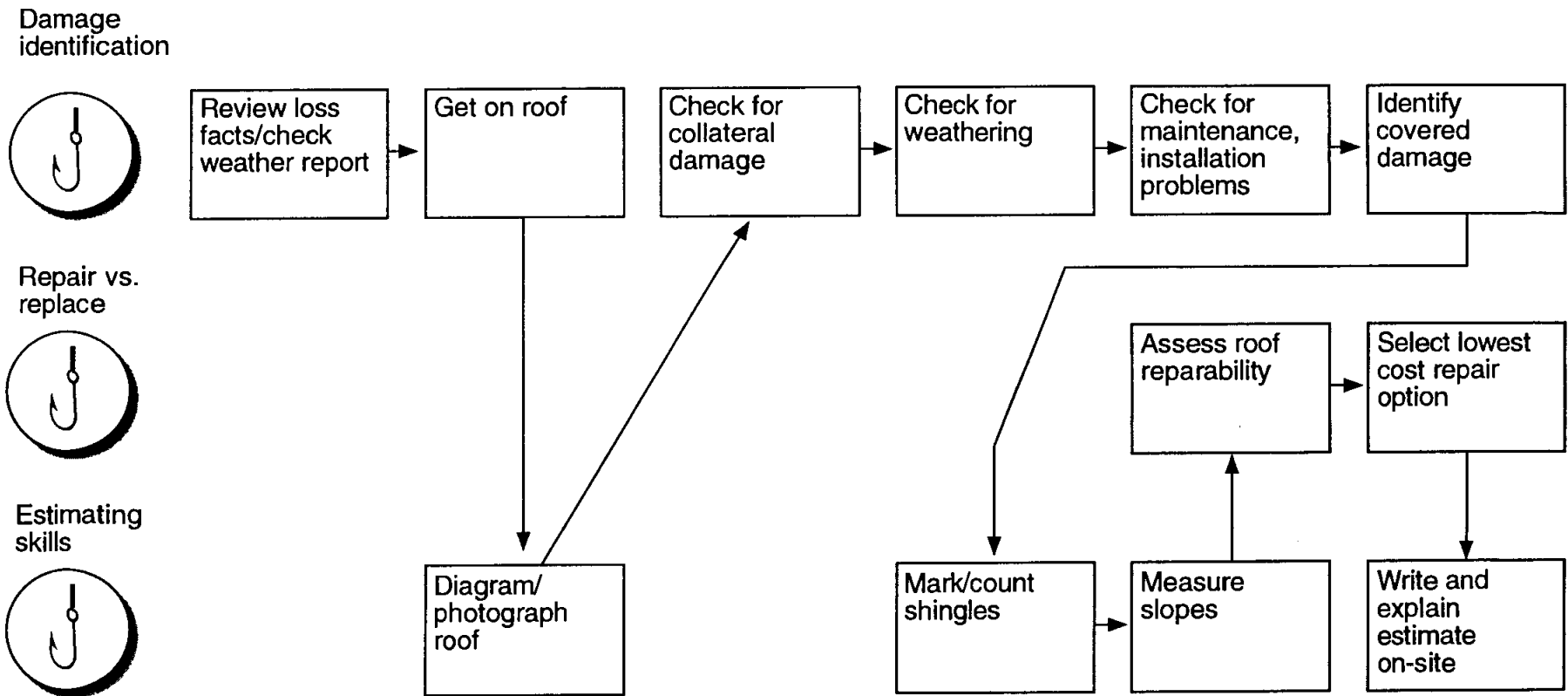
Repair vs. replace
Roof repair always the 1st option unless the cost to replace is more economical



Estimating skills
Proper measurement and estimate calculations in Accupro

Total economic opportunity based on fact-finding
• Non-CAT – \$18 million
• CAT – \$80 million

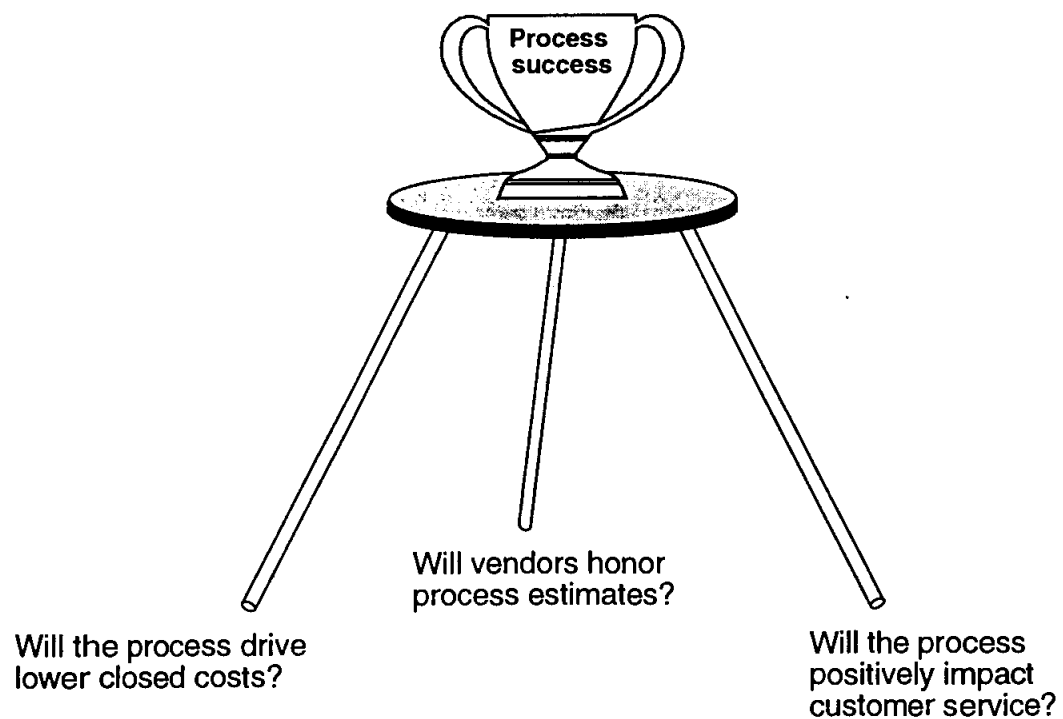
ROOF PROCESS FLOW SUMMARY



ALBUQUERQUE ROOF TEST UPDATE AGENDA

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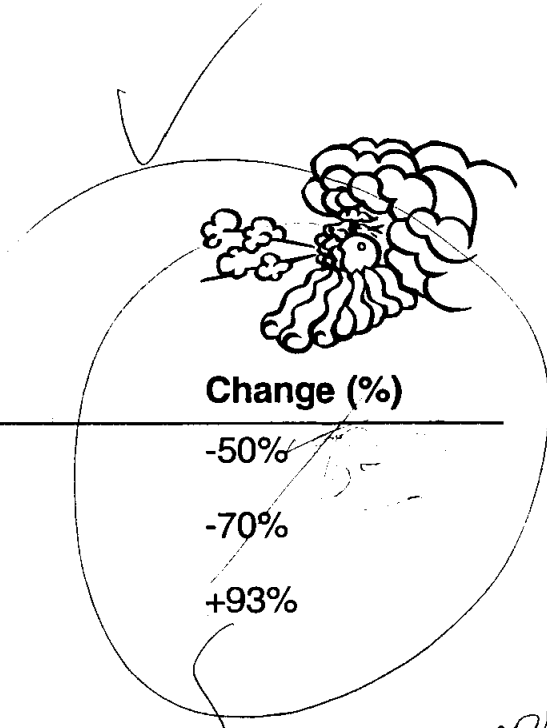
VALIDATION OF ROOF PROCESS ESTIMATES: 3 CRITICAL QUESTIONS



KEY PROCESS OUTPUT MEASURES – WIND CLAIMS

Aluminum file

	Baseline	Test	Change (%)
Roof severity	1,204	602	-50%
Average roof closed cost <i>(CWP)</i>	910	271	-70%
CWP (percent) <i>CWP</i>	28%	55%	+93%

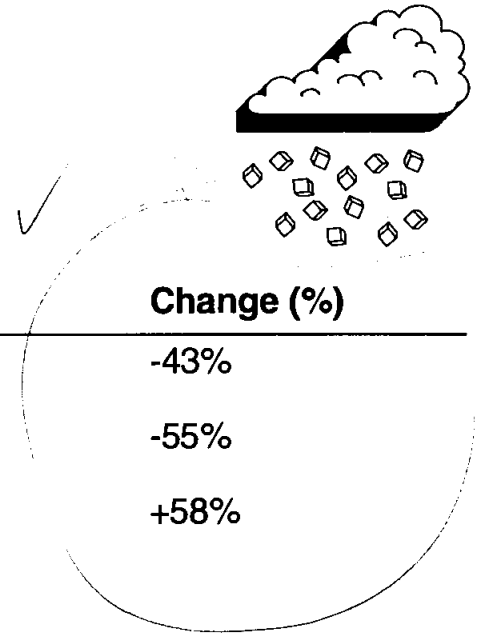


*denials not covered
&
less than decl.*

✱

Source: 84 closed wind claims

KEY PROCESS OUTPUT MEASURES – HAIL CLAIMS

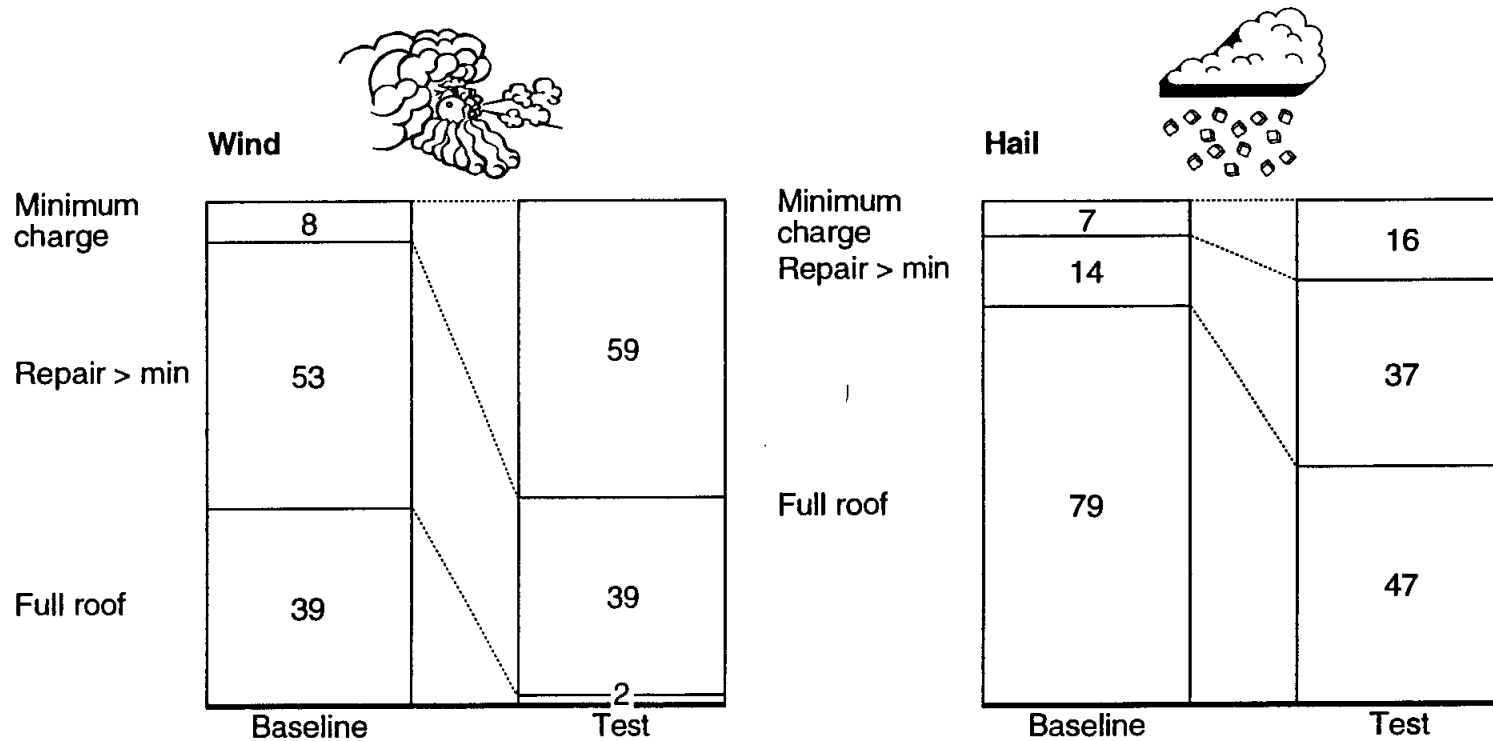


	Baseline	Test	Change (%)
Roof severity	2,343	1,330	-43%
Average roof closed costs	1,729	782	-55%
CWP (percent)	26%	41%	+58%

Source: 37 hail claims

CHANGE IN REPAIR VS. REPLACE BEHAVIOR

Percent of claims with covered damage



Source: 84 wind claims and 37 closed hail claims

ACCEPTANCE OF REPAIR ESTIMATES

PRELIMINARY


Additional payment requests

- 9 requests out of 121 claims (7%)
 - 2 claims of missed hail damage
 - 3 demands for a new roof (neighboritis/contractoritis)
 - 1 request to pay for noncovered maintenance damage
 - 3 claims of other missed damage
- 2 additional roof-related payments to date (2%)

Repair status

Not started	8	100
Date set	23	
Repairs started/ done	69	

Estimate accepted*

- 
- To date, roof process estimates are being honored by vendors and repairs are being completed satisfactorily
 - Reparability assessments have not been challenged by the market
 - Greater resistance may be encountered with hail claims which produce scattered damage

* All estimates were honored by contractor, although 2 customers chose to have additional maintenance work performed
 Source: Additional payment request log; 12 claim follow-up calls

CUSTOMER FEEDBACK ON ROOF PROCESS

Percent of customers surveyed

Dissatisfied	15			8
	85	100		92
Satisfied to completely satisfied				
	Wind/hail national average 97Q1	Roof CWA		Roof CWP

Drivers of incomplete satisfaction

- Expectation of higher settlement
- Poor process explanation
- No on-site settlement/follow-up
- Lack of empathy

Drivers of complete satisfaction

- Perceived thoroughness and expertise of adjusters
- Roof maintenance education
- Empathy
- On-site estimate and explanation

- Despite increased minimum charges and denials, the process can still successfully drive customer satisfaction
- Complete customer satisfaction has been trending upward as adjusters have become more comfortable with on-site estimates and roof education
 - April: 30% complete satisfaction
 - May/June: 75% complete satisfaction vs. 70% countrywide wind/hail (Q1 1997/Q2 1997 combined)*

* Countrywide results exclude CWPs
 Source: 30 customer interviews



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SUMMARY OF ROOF PROCESS REDESIGN EFFORT

Area	Initial observations	Process redesign
Repair vs. replace methodology	<ul style="list-style-type: none"> • Needed objective method to assess roof reparability • Difficult to count number of shingles damaged due to shingle overlap 	<ul style="list-style-type: none"> • Roof brittleness test developed (in testing) • Method of converting from tab hits to shingles damaged
Time efficiency	<ul style="list-style-type: none"> • Process time had been taking 90-120 minutes on wind claims 	<ul style="list-style-type: none"> • Streamlined process for wind claims • Eliminated unneeded measurements • Redesigned forms • Current process time, inspection to settlement <ul style="list-style-type: none"> – Wind: 60 minutes – Hail: 90-120 minutes
Subrogation	<ul style="list-style-type: none"> • Meaningful number of subro claims had not been submitted • Technical expertise to identify many forms of subro exceed skill levels 	<ul style="list-style-type: none"> • Focused subro on 6 most common indicators

SUBROGATION POTENTIAL IN ROOF CLAIMS

Subrogation identified to date	New subro identification approach	Implications
 <ul style="list-style-type: none"> • 3 files with subro potential identified (8% of paid files) • Total submitted: \$10,111 (1 file – \$7,000) • Average submitted per paid file – \$259 	<ul style="list-style-type: none"> • Team hypothesis is that more subro exists, but adjusters lack skill/will to identify • Focus adjusters on 6 most common and easily identified causes on roof 	<ul style="list-style-type: none"> • Depending on opportunity captured, roof subro has potential to be very powerful or very distracting
 <ul style="list-style-type: none"> • 0 files with subro potential 	<ul style="list-style-type: none"> • On hail, eliminate need to check most subro indicators 	<ul style="list-style-type: none"> • Decision on whether to emphasize subro will have to be made based on <ul style="list-style-type: none"> – Subro collection results – Results of new subro identification approach

IMPLICATIONS OF LEGAL OPINION ON ROOF PROCESS

- No substantial change in roof process as it has or will be conducted in the state of New Mexico
- The legal opinion confirmed a number of assumptions the process was making
 - Poor roof condition may require Allstate to replace entire slopes instead of just damaged shingles
 - Mismatched shingles which result in an "obvious patch" will probably not be allowed
- However, the opinion that ACV is allowable on all claims is a new revelation
 - MCO has been handling all claims on a FRC basis due to misinterpretation of a state statute
 - Test group, rest of office, and local agents will need education on ACV and training on how to handle it
- 2 new issues were identified as potential grounds for denial
 - It is possible a claim may be denied for late notice if it can be shown the delay impaired the ability to assess or repair roof
 - A claim may be denied if poor roof condition was a contributor to loss

NEXT STEPS ON LEGAL OPINION

- Team will work with PIC and Home Office Legal Counsel to discuss if and how 50-state legal opinion will be handled
- There are a number of issues that may need to be clarified through litigation. Test cases should be carefully selected and coordinated through Home Office Legal Counsel
- A potential test case for layover issue may emerge in New Mexico

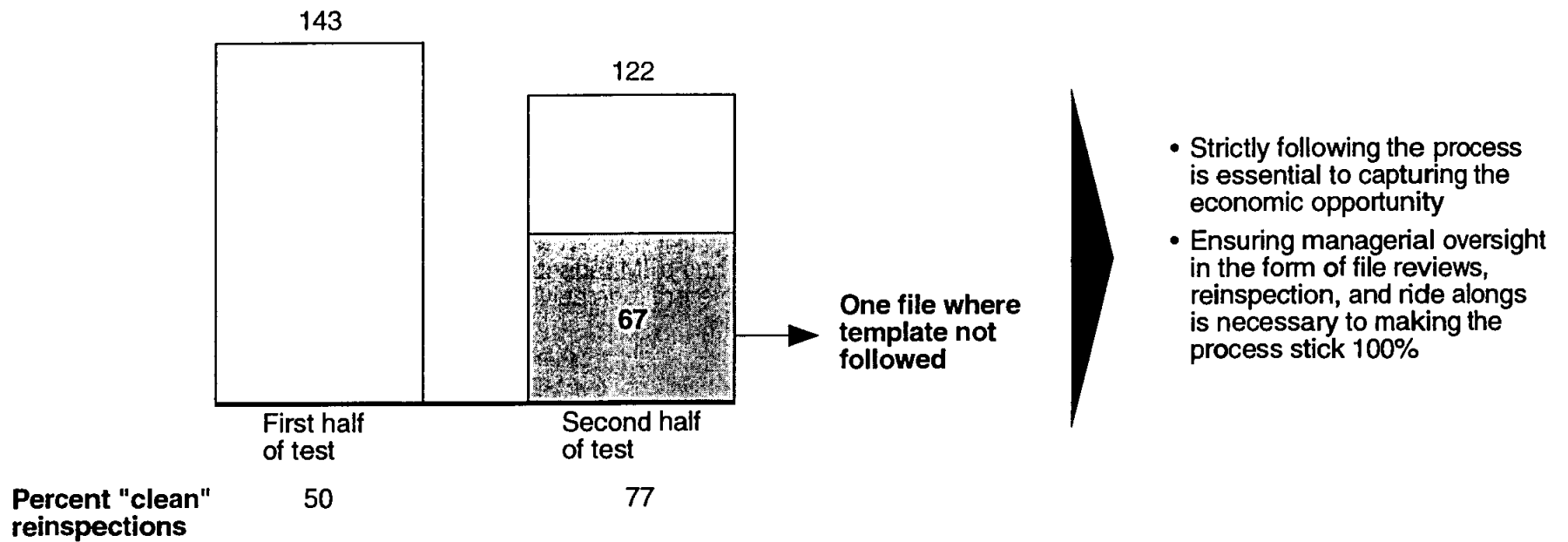
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- Other process issues
 - Recent process redesign
 - Subrogation potential
 - Legal opinion
- **Creating management accountability**
 - **Performance management**
 - **Management roles**
 - **Diagnostic tools**

IMPORTANCE OF MANAGERIAL PROCESS ACCOUNTABILITY

Dollars per claim

Reinspection results from roof process – economic opportunity per claim



Source: 25 reinspections

CREATING MANAGEMENT ACCOUNTABILITY – SUMMARY

- It is critical that performance management measures be focused and have the teeth to drive behavior
- The goal of management role definition will be to get UCMs and PCMs into the field more often providing reinspections, ride alongs, and coaching
- The primary challenge of management role definition will be integrating CCPR requirements with the other CSA goals and the needs of the other perils
- An HDS system for homeowners will give managers a set of diagnostic tools to identify and correct improvement areas
- Both Roseville and Albuquerque has begun testing and installing management support to sustain the processes after the CCPR teams leave

BUILDING MANAGEMENT ACCOUNTABILITY INTO PROCESSES

Performance management

- Define key performance metrics for each position
- Create forms and tracking systems

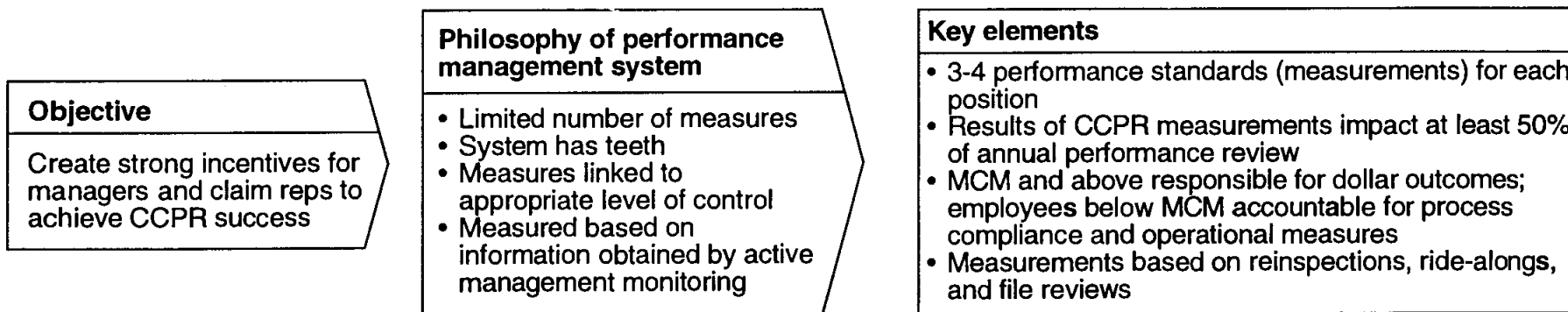
Management roles

- Redefine management roles
- Determine requirements for file reviews, ride-alongs, and reinspections

Diagnostic tools

- Develop metrics which allow managers or diagnose problems and devise solutions
- Incorporate measures into HDS

PERFORMANCE MANAGEMENT SYSTEM – OBJECTIVE AND KEY ELEMENTS



PROPOSED PERFORMANCE MANAGEMENT MEASUREMENTS FOR ROOF PROCESS

Major responsibility	Performance standard	Claim rep	UCM	PCM	MCM	CPS	CSM
Process compliance	• Correct use of forms (file review)	✓					
	• Correct use of forms (QAT)			✓	✓	✓	
	• Number of file reviews		✓	✓			
	• Number of reinspections		✓	✓			
	• Number of ride-alongs		✓	✓			
	• Number of re-reinspections						✓
Customer service	• On-site estimate	✓					
Control loss costs	• Economic opportunity	✓	✓	✓	✓		
	• Proper damage identification	✓					
	• Repair vs. replace		✓	✓			
	• Closed costs				✓		✓
Training	• Quarterly calibration		✓			✓	
	• Development of process improvement strategies					✓	

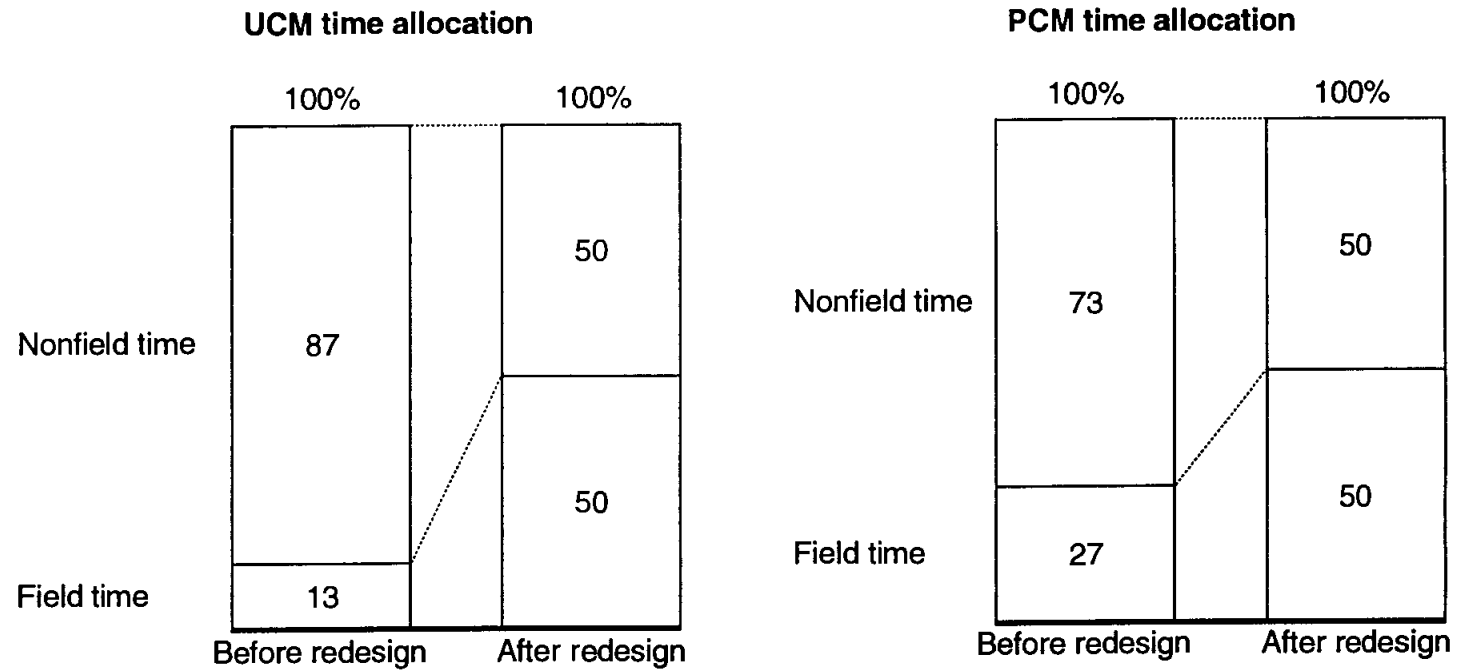
FIRE PROCESS PERFORMANCE MEASURES

Major responsibility	Performance standard	Claim rep	UCM	PCM	MCM	CPS	CSM
Process compliance	• Correct use of forms	✓	✓	✓			
	• Number of file reviews		✓	✓		✓	
	• Number of reinspections			✓		✓	
	• Number of ride-alongs		✓				
	• Specialty trades on Accupro	✓	✓				
	• Inventory prepared by adjuster	✓	✓				
	• Contents pricing done by rep	✓	✓				
	• ACV settlements	✓	✓				
	• QAT reviews				✓	✓	✓
Customer service	• ICSS results	✓	✓		✓		
Control loss costs	• Reinspection opportunity	✓	✓		✓	✓	
	• Average fire structure and contents severity				✓		✓
	• Subro submissions		✓	✓		✓	
	• Dollars cleaning		✓	✓		✓	
	• Dollars cleaning and repair of drywall, cabinets and flooring		✓	✓		✓	
Training	• Quarterly calibration with UCMs			✓		✓	

OBSERVATIONS ON CURRENT MANAGEMENT ROLES

- Management time is highly fragmented as a consequence of the constant stream of interruptions and phone calls in the office
- Managers cannot clearly articulate their roles; UCMs role tends to be dictated by the activity on the floor; PCM role tends to be dictated by the MCM and is highly variable
- Field work such as reinspections and ride-alongs tends to be the responsibility that gets lost in the shuffle of activity
- Current manager MRs and PSs are all-encompassing in scope of responsibilities and, therefore, tend to diffuse management focus

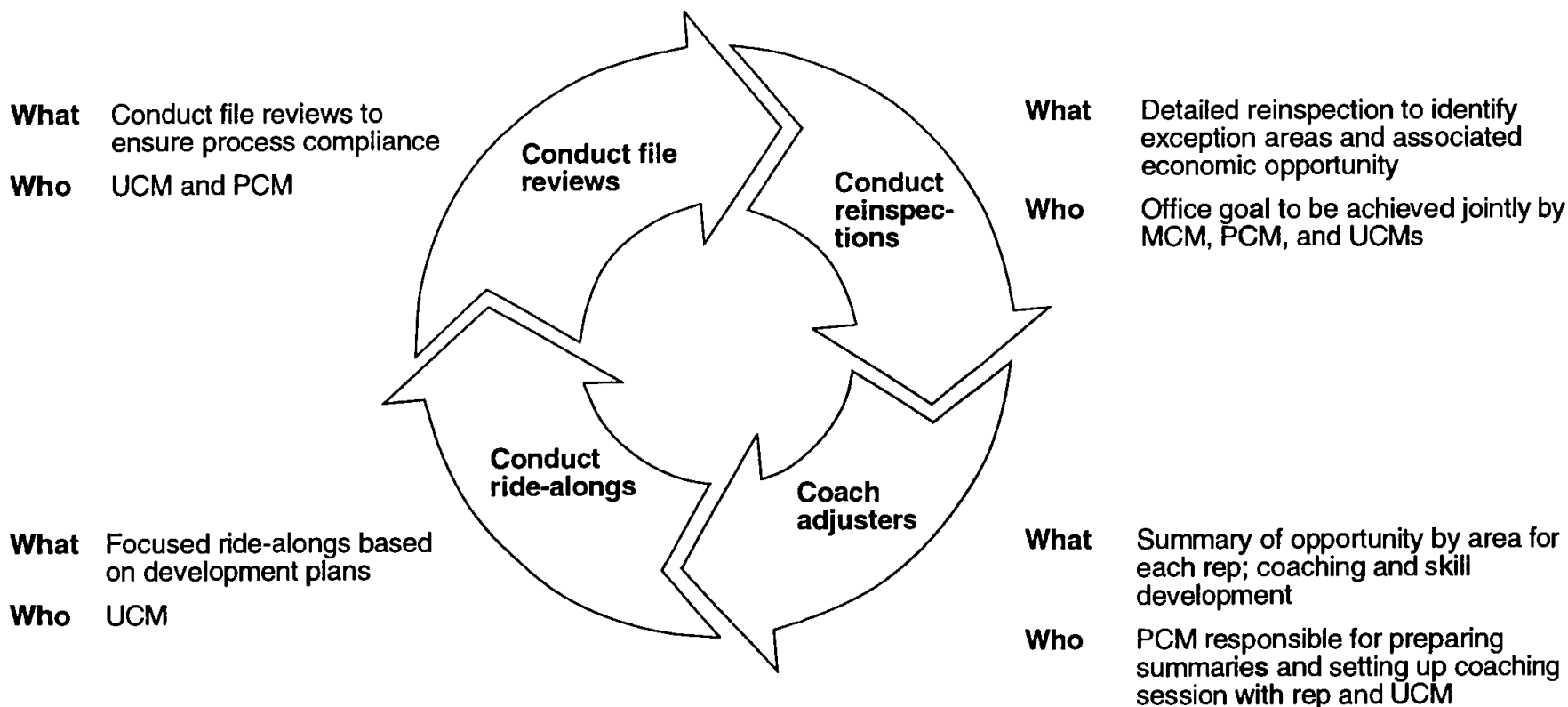
THE ALLOCATION OF UCM AND PCM TIME
Percent



Reinspection and ride-along goals
imply sharp increase in field time

Source: Interviews and shadows of UCMs in both sites PCM in Roseville; team analysis

MANAGER ROLES AND RESPONSIBILITIES



DRIVERS OF SUCCESS IN IMPLEMENTING MANAGEMENT ROLE CHANGE

Set targets and provide tools

Targets

- Specific office and individual goals (integrated with PIC requirements)
- Strong link with annual performance – heavily weighed portion of performance management measures for managers

Tools

- Forms to calibrate managers and ensure that reinspection and ride-alongs translate into tangible actions. Key forms include
 - Reinspection form
 - Reinspection summary
 - Coaching summary
 - Claim rep ride report
- Predetermined field work schedule



Restructure current workload

Specific recommendations

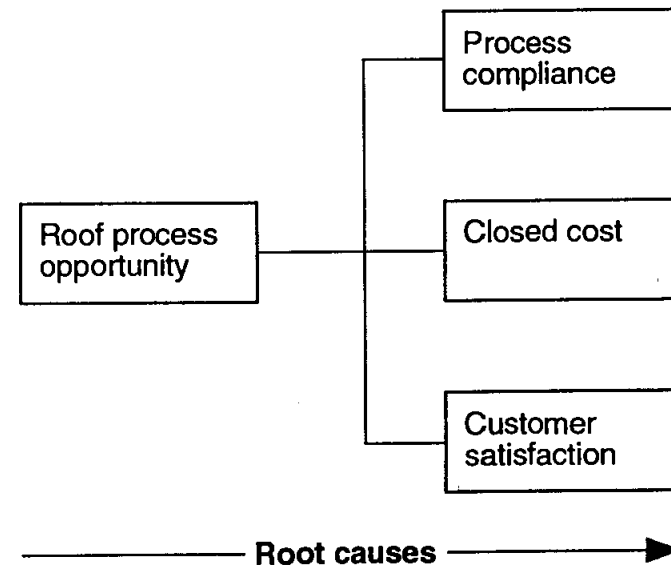
- Prioritize claim rep queries and address only high- priority issues
- Use cell phone to resolve customer complaints while in the field

Collaborate with managers to develop additional recommendations

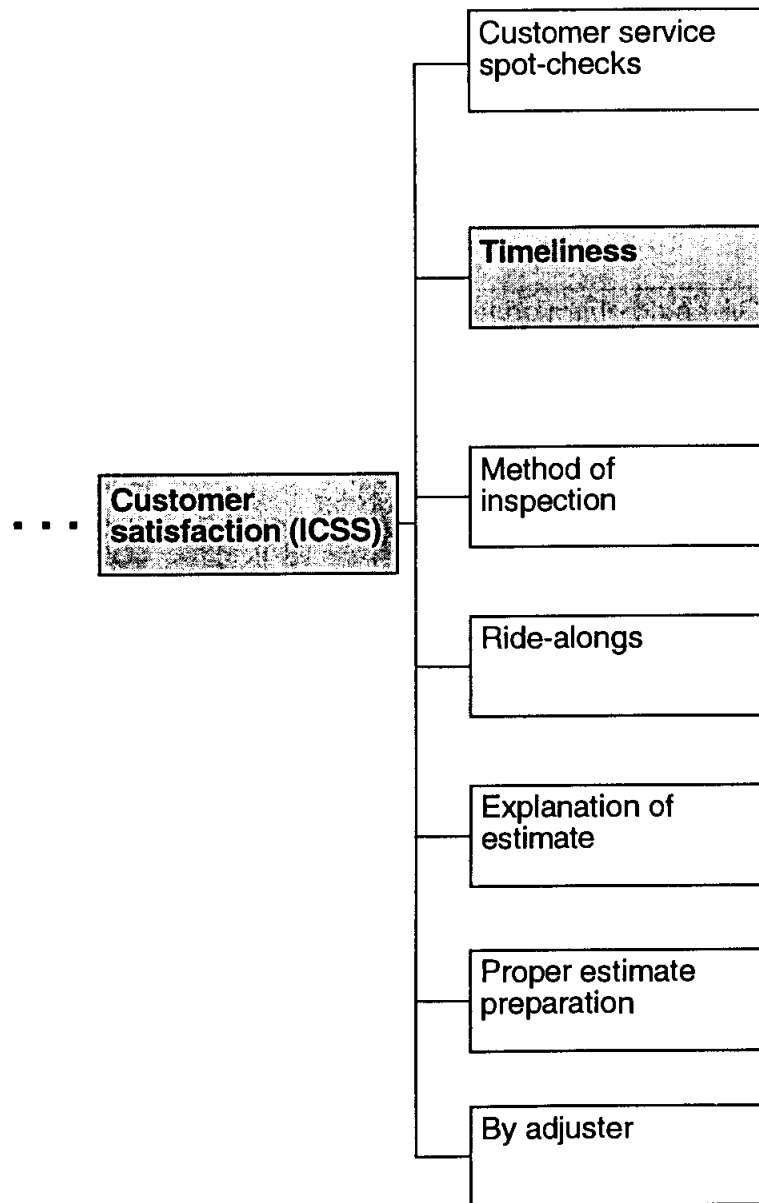
- Evaluate impact of field work on other responsibilities (e.g., meetings reports, training, recruitment) and determine appropriate solutions (eliminate, reduce scope, or transfer out)

DIAGNOSTIC TOOLS FOR HOMEOWNERS CCPR

- Teams have begun designing measures for a Homeowners' HDS system
- All measures should drive toward economic opportunity
- Measures can be used to diagnose why performance is tracking well or poorly
- Measures to be used on an as-needed basis to isolate and correct problems



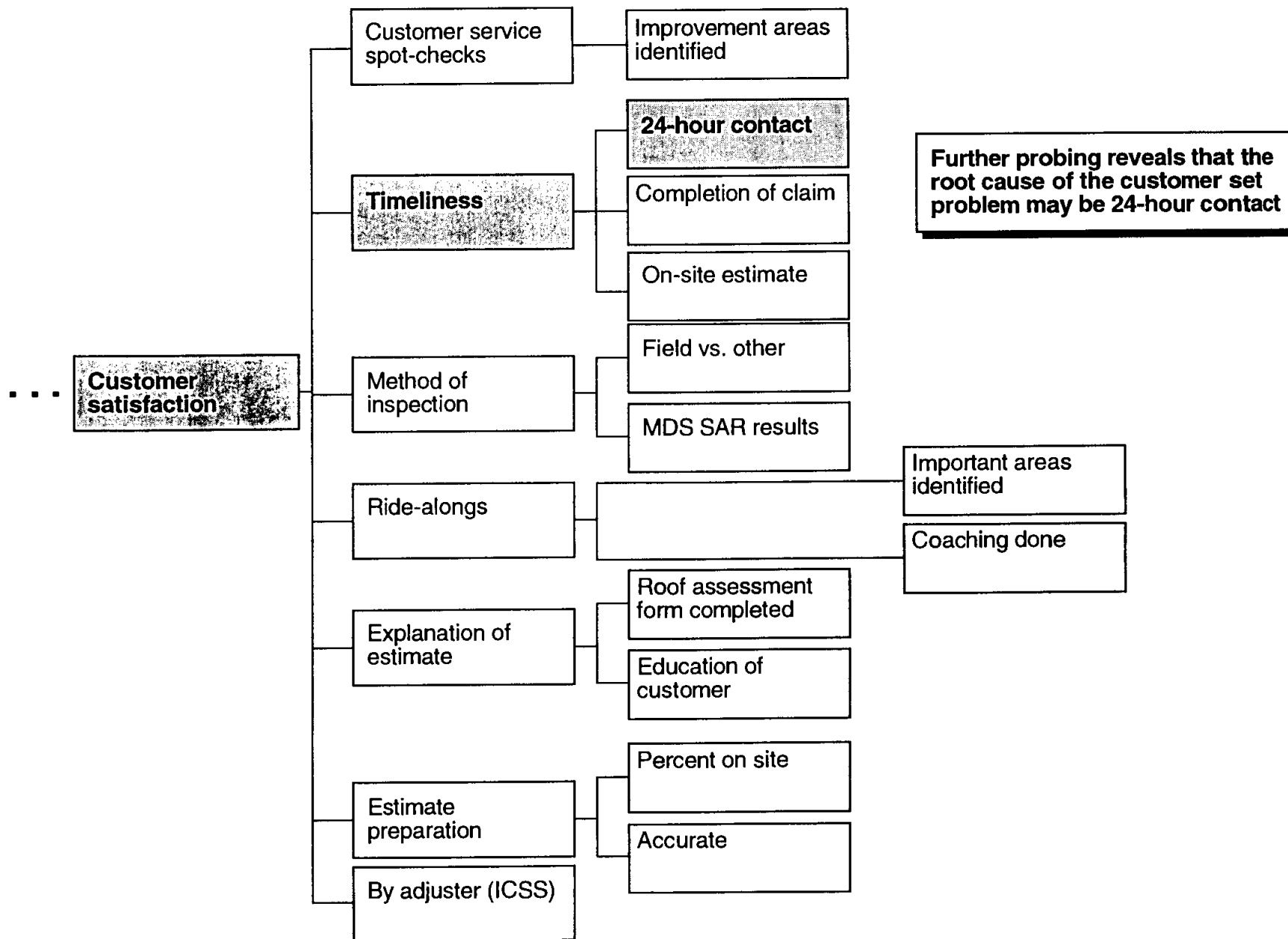
PROPOSED HDS MEASURES – CUSTOMER SATISFACTION



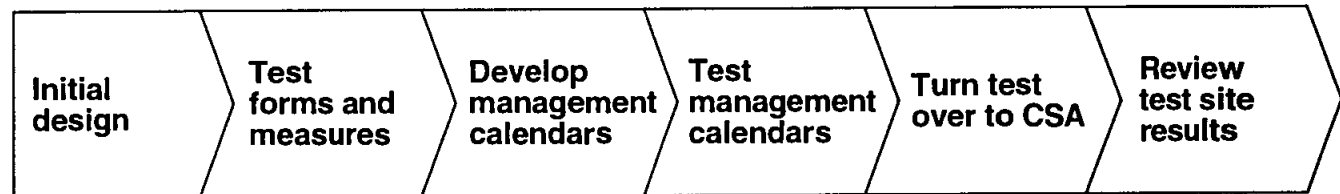
• For example, a manager who is trying to improve customer satisfaction can try to isolate the root cause of the problem

• In this example, timeliness has been identified as a problem. Now the manager can dig deeper here

PROPOSED HDS MEASURES – CUSTOMER SATISFACTION



GAMEPLAN FOR INTRODUCING MANAGEMENT ACCOUNTABILITY TO TEST SITES



Activities	<ul style="list-style-type: none"> • Identify key performance measures • Design tracking forms • Design process for reinspection, ride-alongs, file reviews 	<ul style="list-style-type: none"> • Test forms and measures for <ul style="list-style-type: none"> – Utility – Ease of use – Time requirements 	<ul style="list-style-type: none"> • Work with CSA to develop management calendars • Balance CCPR and CSA requirements 	<ul style="list-style-type: none"> • Test use of management calendars • Shadow managers 	<ul style="list-style-type: none"> • Give all oversight/ measurement to CSA 	<ul style="list-style-type: none"> • Monthly review of test results
Timing	July	July	August	August	September	September-ongoing

Appendix

DIFFERENCES IN WIND/HAIL ROOF HANDLING

<hr/>	
Baseline roof severity*	
\$1,204	\$2,343
<hr/>	
Baseline roof closed cost*	
\$910	\$1,729
<hr/>	
Damaged area	
Concentrated, often single slope, often damages more than just roof	Scattered, often multislope, sometimes damages more than just roof
<hr/>	
Inspection requirements	
Counting damaged shingles, measuring damage slope	Mark test areas on all slopes measure all slopes
<hr/>	
Time requirements	
60-75 minutes	90-120 minutes
<hr/>	
Customer satisfaction	
Easier to sell repairs in concentrated areas	Scattered repair may be harder to sell

* Albuquerque only

SUMMARY OF NEW MEXICO LEGAL OPINION

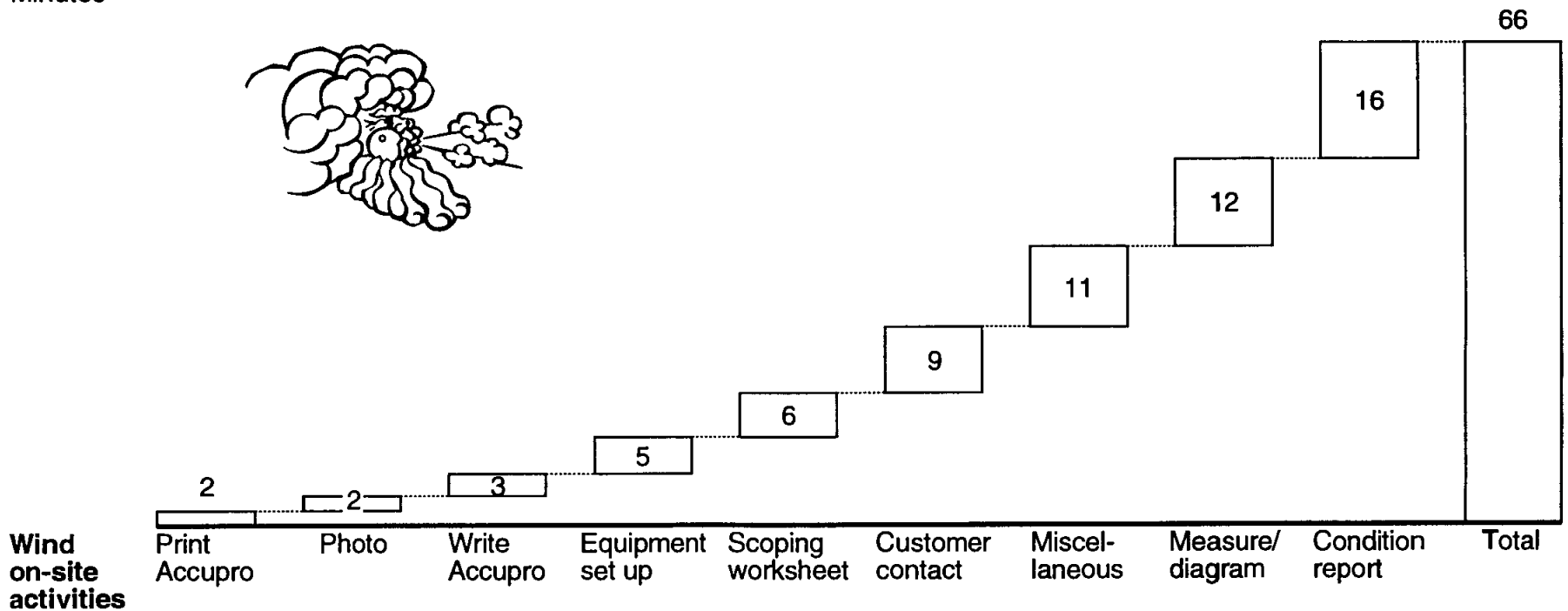
Area	Key issues	Legal opinion
Damage definition	Is granular loss considered to be covered damage?	No. Granular loss is a natural part of the weathering process
	Is "pitting" on wood shingles considered damage?	Maybe. Reasonable time may be given for pitting to recover, but customer not required to wait too long. Exact time frame is subject to litigation
Line of sight and limit of liability	Does New Mexico have a line of sight law?	No
	Should color matching affect the scope of repair?	Yes. Court will probably not allow for an "obvious patch" or "unsightly seam," but to pay for full roof would be a "betterment." Therefore, slope repair is probably acceptable
	Should roof condition affect the scope of repair?	Yes. If slope cannot be repaired due to condition of slope, then whole slope should probably be replaced
Efficient Proximate Cause	Is the Efficient Proximate Cause doctrine recognized in New Mexico?	No
	Can a claim be denied if roof condition contributed to the storm damage?	Yes. If deterioration was significant cause of the loss and the conditions would not have damaged non deteriorated roofs

SUMMARY OF NEW MEXICO LEGAL OPINION (CONTINUED)

Area	Key issues	Legal opinion
ACV	Can payment be made on an ACV basis?	Yes
Late notice	Can a claim be denied for late notice?	Yes. If it can be demonstrated that the delay substantially prejudiced the ability to make an assessment or repairs
Subrogation	Under what theories of recover can subro be pursued?	<ul style="list-style-type: none"> • Breach of implied warranty by a tradesman to perform in a skilled and workmanlike fashion • Breach of contract • Negligence • Breach of express warranty • Others
	What payments may be recovered?	All payments including expert fees
	Is there a subrogation time limit?	10 years after substantial completion of the construction against contractor or installer
	Is the latent defect exclusion enforceable?	Yes. Although New Mexico has not defined latent defect in insurance law, it should enforce exclusion

CCPR ROOF PROCESS TIME STUDY

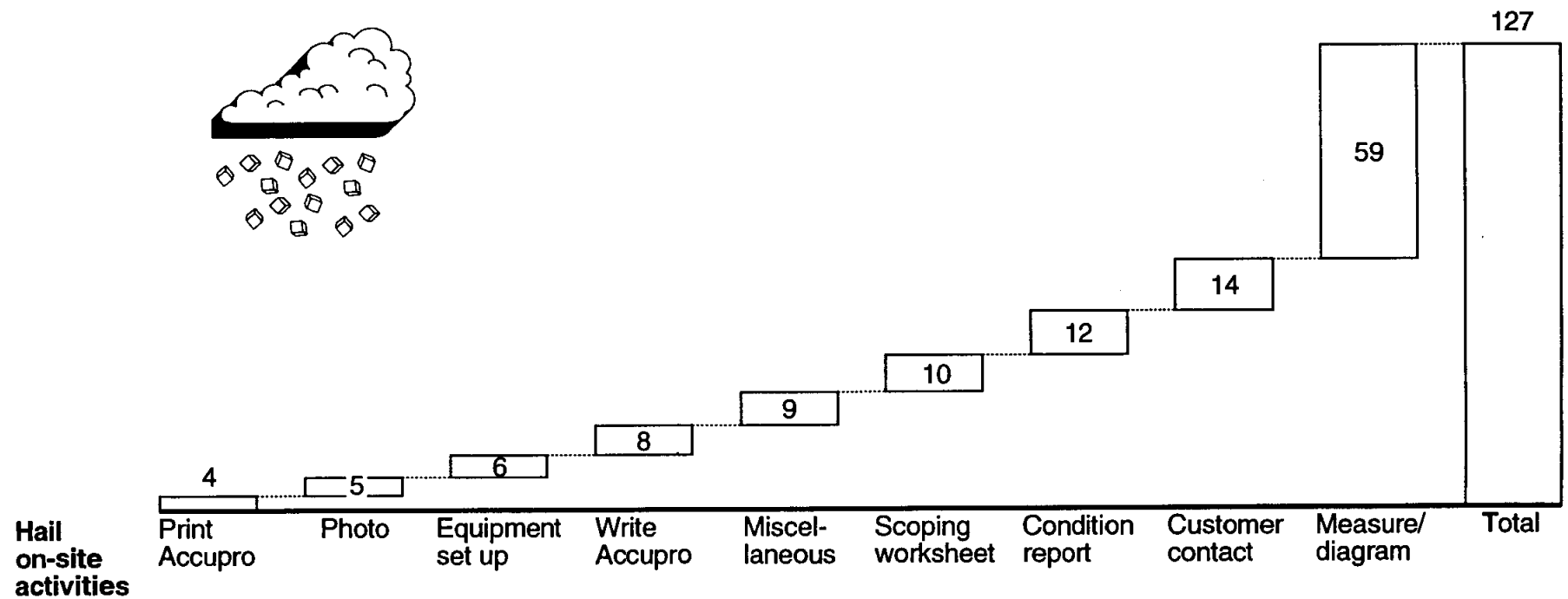
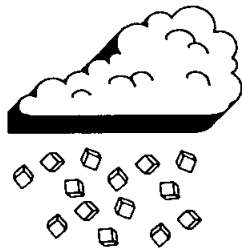
Total time from arrival to completion of claim (payment issued)
Minutes



Source: 6 Roof Site Activity tracking forms since June 11

CCPR ROOF PROCESS TIME STUDY

Total time from arrival to completion of claim (payment issued)
Minutes



Source: 9 Roof Site Activity tracking forms

PROPOSED CALENDAR FOR PUCM WITH WIND/HAIL FOCUS

SAMPLE

	Monday	Tuesday	Wednesday	Thursday	Friday			
8:00	• Calendar	• Wind/hail reinspections	• Wind/hail ride-alongs	• Field work – other perils	• Unit meetings/ other meetings			
8:30								
9:00	• MCO management meeting						• Gen. admin.	
9:30								
10:00								
10:30								
11:00	• CCPR debrief							• Inquiry/complaint handling
11:30								• Dispatch management
12:00	• Lunch/breaks					• Wind/hail file reviews		• Lunch/breaks
12:30								
1:00	• General admin., voice mail/mail				• Monthly/ quarterly duties			
1:30								
2:00	• Complaint handling							
2:30	• Analyze reports							
3:00	• Formulate ride plan/Re-l act. plan	• Customer service • Spot checks						
3:30								
4:00	• Monthly/ quarterly duties							
4:30								

Managers could handle rep questions, customer inquiries, and complaints through a cellular telephone

ROOF ASSESSMENT AND CONDITION REPORT Claim number _____

Date of inspection ____/____/____

1. Description of storm

- a. NWS wind speed _____
- b. reported hail size (check one)
 1. 0-1" () 2. 1-2" ()
 3. 2-3" () 4. 3" + ()
- c. official hail size 1. 0-1" ()
 2. 1-2" () 3. 2-3" () 4. 3" + ()

Comments _____

2. Prior loss history (client file)

- a. Prior wind / hail loss Y / N
- b. Did it involve roof damage? Y / N
- b1. If yes ,how much was paid? _____
- c. Will it affect this claim? Y / N

Comments _____

3. Initial customer contact

- a. Customer at home during inspection Y/N
- b. Does customer know age of roof Y/N
- b1. If yes, how old is the roof? _____
- c. Does customer have other concerns? Y/N

Comments: _____

4. Description of dwelling

- a. number of stories _____
- b. style of roof (check one)
 1. Gable () 2. Hip ()
 3. Flat () 4. Shed ()
 5. Other ()
- c. complexity of roof (check one)
 1. simple 1-2 slopes ()
 2. cut-up 3-6 slopes ()
 3. complex 7+ slopes ()

- d. are there gable/soffit vents? Y / N
- e. valley type (check one)
 1. open () 2. closed ()

Comments: _____

5. Photo requirements

- a. front of house Y/N
- b. photo of each damaged slope Y/N
- c. close up of:
 damage area Y/N
 weathered area Y/N
 subro potential Y/N
- Number of photos taken _____
- d. photos to insured? Y/N

6. Evidence of collateral storm damage

- a. oxidation removed no dents Y / N
- b. trees flowers and shrubs Y / N
- c. lead flashing Y / N
- d. aluminum flashing Y / N
- e. roof vents Y / N
- f. fabric awnings Y / N

- g. pool cover Y / N
- h. patio furniture Y / N
- i. refrigeration coils Y / N
- j. gutters Y / N
- k. skylights Y / N
- l. fences / decks Y / N
- m. window screens Y / N
- n. neighborhood damage Y / N

7. Roof facts

- a. Type of roof covering (check one)
 1. 3-tab comp. () 6. wood shake ()
 2. 3-d comp () 7. cement tile ()
 3. roll roofing () 8. clay tile ()
 4. built-up () 9. other ()
 5. wood shingle ()

Comments _____

- b. number of existing layers _____
- c. shingle width exposure _____
- d. weight of felt (check one)
 1. 15# () 2. 30# () 3. 45# ()

8. Previous covered damage (from inspection)

- a. Is there previous damage? Y / N
- b. Has it been repaired? Y / N
- c. By whom? _____

- d. Will prior damage effect this claim? Y / N

Comments _____

Comments _____

ROOF ASSESSMENT AND CONDITION REPORT SECTION 2

Claim number _____

Complete for all slopes. Check NO if condition not found. Check proper box for each condition

NON COVERED CONDITION	No	All	N1	N2	S1	S2	E1	E1	W1	W2	O1	O2	COMMENTS
8.Prior Damage													
9.Maintenance Issues													
9a.debris on roof													
9b.flashing not sealed													
9c.insect / animal damage													
9d.previous repair problem													
9e.clogged valleys / drains													
9f.wood shingles not water resistant													
9g.decking in poor condition													
10.Signs of Weathering													
10a.curled shingles													
10b.missing granules													
10c.surface cracks /brittleness/hardening													
10d.shrinkage													
10f.eroded edges													
10g.algae / fungus													
10h.weather splits													
10i.warping													
10j.other													
11. Manufacturer defects													
11a.horizontal / stress cracks.													
11b.diagonal shading													
11c.blisters													
11d.other													
12.Other													
12a.nail pops / migrating staples													
12b.improper ventilation													
12c.mechanical action													
12d.foot traffic													
12e.signs of unusual damage													
12f.if signs of unusual damage...referred?													

13. Underwriting referral needed? Y / N

14. Is this Covered storm damage? Y / N

Comments _____

Comment _____

14.1 If yes check all that apply HAIL () WIND ()

**ROOF ASSESSMENT REPORT- SECTION 3
SUBROGATION ISSUES**

INSD _____
CLM NUM _____

15. MUST COMPLETE THE FOLLOWING FOR ALL WIND DAMAGED SLOPES:

Subro Issue	What was found	What is recommended	Did this lead to further damage? Y / N	Subro Issue	What was found	What is recommended	Did this lead to further damage? Y / N
1. Incorrect nail/staple size				4. Incorrect shingle exposure			
2. Nails/staples not on nail line				5. Improper spacing			
3. Overdriven/underdriven nails/staples (check one)	Overdriven [] Underdriven [] Correctly driven []	[] [] []		6. Other issues not listed			

16. MUST COMPLETE FOR ALL WIND AND ALL HAIL DAMAGED SLOPES:

7. Failure to follow man. instructions

8. Material fails to meet expected life

COMMENTS: _____

***** ANY "Y" ANSWER WITHIN BOXES. ABOVE, MUST COMPLETE PAGE 4 OF THIS FORM *****
FOR ALL "N" RESPONSES, PROVIDE EDUCATION TO CUSTOMER ON ISSUE

17. Location of Subro Issue found:

Slope 1- Direction: N S E W Issue: 1 2 3 4 5 6 7 8
Slope 2- Direction: N S E W Issue: 1 2 3 4 5 6 7 8

Slope 3- Direction: N S E W Issue: 1 2 3 4 5 6 7 8
Slope 4- Direction: N S E W Issue: 1 2 3 4 5 6 7 8

INSTALLATION AID:

Correct nail/ staple size
Roll roofing on new deck - 1"
Shingles on new deck - 1 1/4"
Roofing over old asphalt - 1 1/2-2"
Roofing over old wood - 2"
Minimum staple crown - 15/16"

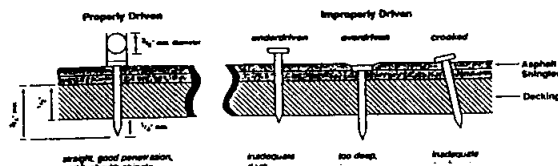
Proper nail spacing
Comp shingles- nails 11" apart at top of key, 1" in from edges
Roll roofing- 2-3" for exposed nail method. 4" for concealed nail method.

Nail line
3 Tab standard shingle- 5 5/8" from the butt edge.
3 Tab metric- 6 1/4" from butt edge
Architectural shingle- nail line on shingle.

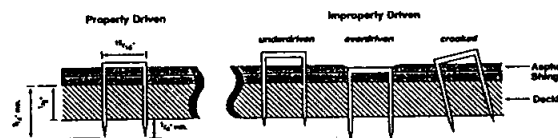
Shingle exposure
3 Tab standard shingle- 5"
3 Tab metric shingle - 5 5/8"
Architectural shingle - 5 to 5 5/8"

Expected material life
Rolled roofing -15 years
3 Tab shingle -20 years
Light 3-D shingle -25 years
Heavy 3-D shingle -40 years

PROPERLY DRIVEN NAILS



PROPERLY DRIVEN STAPLES



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7/15/97

**ROOF ASSESSMENT REPORT- SECTION 4
SUBROGATION EVIDENCE AND NOTIFICATION**

INSD _____
CLM NUM _____

Subrogation theory: _____

Evidence to prove theory: _____

<u>Physical Evidence</u>		<u>Photographic Evidence</u>			
Evidence secured?	Y / N	Was tape measure used as point of reference in photo?	Y / N	Description of photos:	
Evidence tagged?	Y / N	Is residence identified in photo?	Y / N	1. _____	7. _____
Receipt to Insd?	Y / N	Is slope identified in photo?	Y / N	2. _____	8. _____
Location of evidence:		Photo all subro issues?	Y / N	3. _____	9. _____
_____		Close up photos as needed?	Y / N	4. _____	10. _____
_____		Total number of photos taken	_____	5. _____	11. _____
_____				6. _____	12. _____

INFORMATION NEEDED

°When was work performed? _____

°Does Insd have unused shingles? _____

°Is there a known contractor/subcontractor? _____

°Has Insd notified contractor of problem? _____

°Has contractor attempted to fix? _____

COMMENTS

INFORMATION NEEDED

°Was there a warranty given? _____

°Is there a copy of the estimate/contract available? _____

°Has any money been paid to Insd by anyone other than Allstate? _____

°Is an investigative report needed to verify information? _____

COMMENTS

Date obtained _____

IDENTIFICATION OF EXPERT

NAME: _____

ADDRESS: _____

CITY, STATE, ZIP: _____

PHONE NUMBER: _____

IDENTIFICATION OF RESPONSIBLE PARTY

NAME: _____

ADDRESS: _____

CITY, STATE, ZIP: _____

PHONE NUMBER: _____

SUBRO PAPERWORK MUST BE SUBMITTED WITHIN 48 HOURS OF INSPECTION

Additional statement needed from Insd?	Y / N	Date taken: _____	Notice of subro sent to responsible party?	Y / N	Date sent: _____
Proof of loss sent to Insd?	Y / N	Date sent: _____	Subro checklist completed?	Y / N	Date: _____
Subro release sent to Insd?	Y / N	Date sent: _____	Shell file sent to regional subro office?	Y / N	Date sent: _____

7/15/97

REPAIR / REPLACE WORKSHEET

Claim Number

DIFFICULTY OF REPAIR FACTOR:

Complete for each slope

Check weathering factors identified from section 10	Factor	All	N1	N2	S1	S2	E1	E2	W1	W2	Other	Other
() a. Curled or cupped edges	+0.2											
() b. Missing more than 25% of granules from shingle	+0.2											
() c. cracking	+0.1											
() d. hardening or brittleness	+0.5											
e. subtotal for deterioration												
TOTAL	1.0											

COMPLETE FOR EACH SLOPE

Slope	No. of damaged shingles (in test area for hail)	x No. of squares on slope (for hail)	= No. of damaged shingles	x Cost per shingle	x Repair factor	= Total cost	No. of squares on slope	x Cost per square	= Cost to replace slope	No repair necessary	Repair shingles	Replace slope	Cost
North 1										.	.	.	
North 2										.	.	.	
South 1										.	.	.	
South 2										.	.	.	
East 1										.	.	.	
East 2										.	.	.	
West 1										.	.	.	
West 2										.	.	.	
Other										.	.	.	
Other										.	.	.	
Total cost of repair (enter minimum charge if greater)													

Decision : Repair Roof Replace Roof Unable to repair due to condition A. Slope B. Complete roof

Explain basis for decision _____

Comments _____

ROOF PROCESS CHECKLIST

Adjuster _____
Assign date _____

Notice date _____
Date inspected _____

Clm number _____
Estimate date _____

- | | Yes | No | N/A |
|--|-----|-----|-----|
| 1. Service call to customer within 24 hours of assignment? | ___ | ___ | ___ |
| 2. a. Was diary reviewed to identify potential concerns the customer may have (e.g. coverage, difficulties with CSC, promise line, etc)? | ___ | ___ | ___ |
| b. If there was a problem, was it addressed with the customer? | ___ | ___ | ___ |
| 3. Was client file reviewed? | ___ | ___ | ___ |
| 4. Was customer interaction plan used during the first call? | ___ | ___ | ___ |
| 5. Roof inspection completed? | ___ | ___ | ___ |
| 6. Was customer interaction plan used on site? | ___ | ___ | ___ |
| 7. Were all educational issues discussed with customer? | ___ | ___ | ___ |
| 8. Photo's taken per inspection requirements? | ___ | ___ | ___ |
| 9. a. For hail loss, was test area marked off for all damaged slopes? | ___ | ___ | ___ |
| b. For wind loss, were missing shingles counted on all damaged slopes? | ___ | ___ | ___ |
| 10. Was Roof Assessment and Condition Report completed? | ___ | ___ | ___ |
| 11. Was the correct repair factor used for repair vs replace decision? | ___ | ___ | ___ |
| 12. Was ACCUPRO estimate completed? | ___ | ___ | ___ |
| 13. Was ACCUPRO estimate completed at the loss site? | ___ | ___ | ___ |
| 14. Was the basis for decision explained on the Scoping Worksheet? | ___ | ___ | ___ |
| 15. Was check issued on site? | ___ | ___ | ___ |
| If not, was explanation to customer completed same day as inspection? | ___ | ___ | ___ |
| 16. Diary documentation completed including closing summary? | ___ | ___ | ___ |

Adjuster initials _____

Date _____

6/18/97

rfprcsck

file

CONFIDENTIAL

CAT and Non-CAT Wind/Hail Claim Spikes – Preparation for Round 2 Testing

ALLSTATE INSURANCE COMPANY

Discussion document

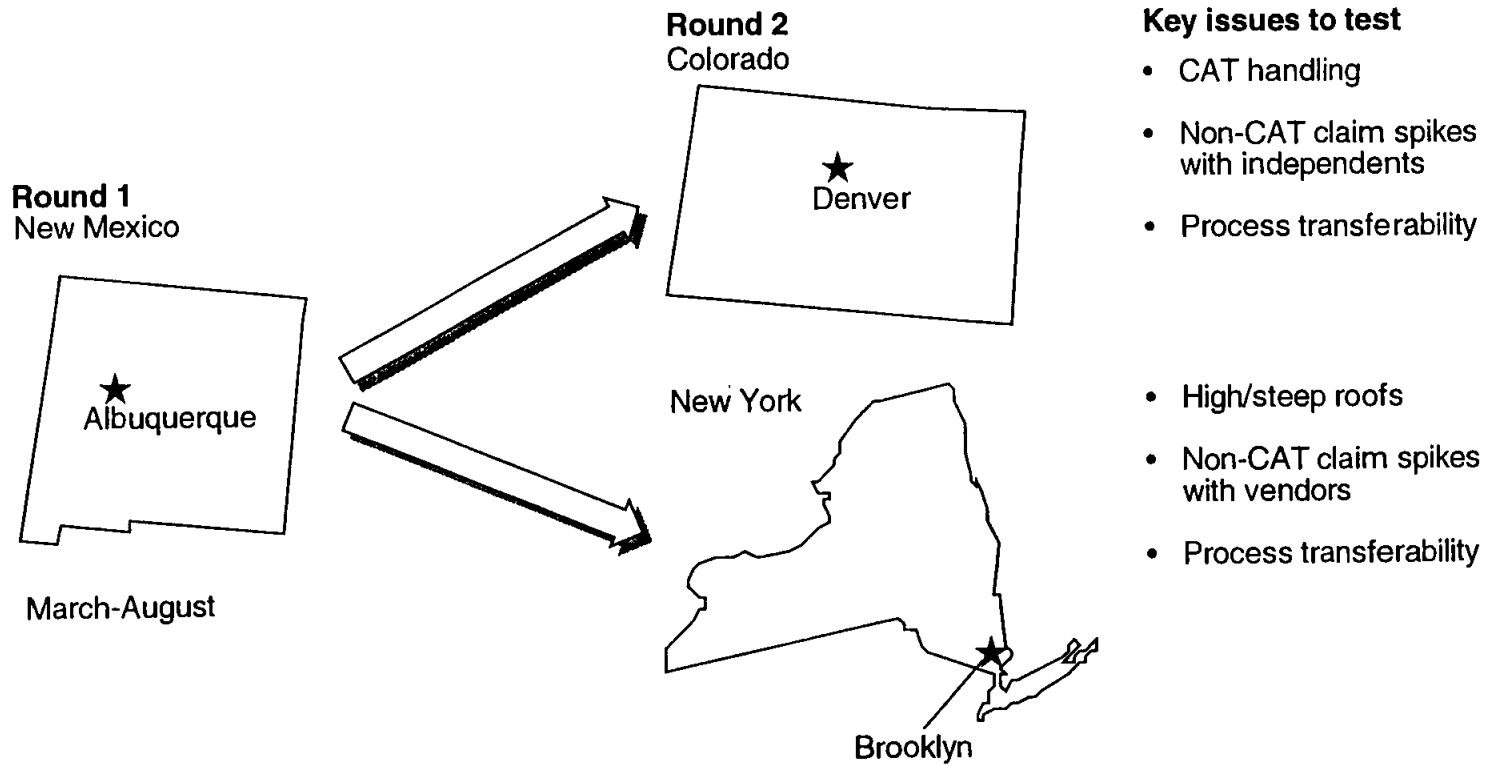
July 22, 1997

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DISCUSSION OBJECTIVES

- Determine key issues to test around CAT handling
- Layout game plan for advance CAT site preparation
- Discuss the impact of Non-CAT wind/hail spikes and options for handling them
 - Non-CAT claim spikes are significant percent of wind/hail claim load
 - It would be prohibitively expensive to staff to levels where 100% of claims could be seen by Allstate eyes
 - Options for handling non-CAT spikes include independents, vendors, or creating flexible Allstate capacity

PLANS FOR ROUND 2 TESTING



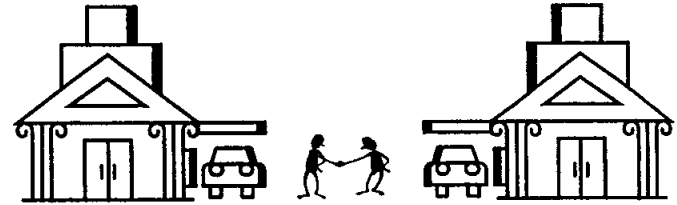
AGENDA

- **CAT wind/hail claim handling**
- Non-CAT wind/hail claim spike handling

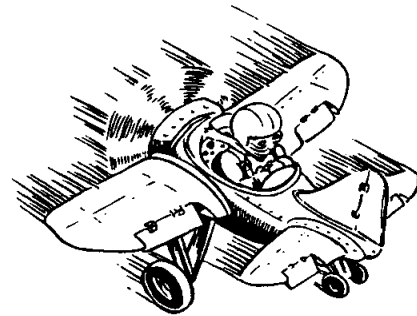
HOW ARE CAT SITUATIONS DIFFERENT FROM NON-CAT SITUATIONS?



- Extremely high claim volume that must be handled in a timely manner
- The crash of media publicity



- Entire neighborhoods affected and people comparing estimates



- Use of non-Allstate resources, most notably Pilot



- Contractors who are booked for work may prefer to replace over repair

KEY CAT SITE ISSUES TO TEST

Area	Issue
Productivity	<ul style="list-style-type: none"> • How long will process take in CAT environment? • Can/should process be streamlined?
Oversight	<ul style="list-style-type: none"> • What should be the role of the NCMT? • How should CAT manager be involved in process? • How can performance be measured?
Training	<ul style="list-style-type: none"> • What is the best way to train Pilot personnel? • Who should be responsible for different aspects of training?
Customer satisfaction	<ul style="list-style-type: none"> • How can adjusters handle unique customer situations in CAT environments?
Vendors	<ul style="list-style-type: none"> • How will vendors treat repair estimates in an environment where other insurance companies are buying roofs?

CAT ROOF SITE ADVANCE PREPARATIONS

	Select and train CAT CCPR team	Make arrangements with Pilot	Advance CAT process design
What	<ul style="list-style-type: none"> • Select CAT manager and team members • Train team <ul style="list-style-type: none"> – Technical – Process – CCPR methodology – Other 	<ul style="list-style-type: none"> • Set test-site expectations • Select adjusters • Arrange special compensation plan • Team must be ready to change locations 	<ul style="list-style-type: none"> • Identify key issues to test • Prepare preliminary testing methodology
Who	PIC and Albuquerque roof team	PIC	CAT CCPR team
Timing	Immediate	Immediate	August

TRAINING PLAN FOR NEW CCPR TEAM MEMBER ROOF PROCESS

Name: _____

Arrival date to team: _____

Training	Length of time	Trainer	Date completed
• CCPR methodology	1/2 day		
• Skill assessment	1/2 day		
• Education class on roofing technology • Written test before and after	2 days		
• Training on roof forms/file reviews	1/2 day		
• File review calibration • Review minimum of 5 files • Assessment of skill	1 day		
• Ride with adjuster • Complete time study	1/2 day		
• Roof calibration • Complete forms with trainer on 1 roof • Individual completion on 2 roofs • Skill assessment	1 day		
• Reinspection calibration • Complete 1 roof with trainer • Individual completion on 1 roof • Skill assessment	1 day		
• Customer service module	1 day		
• Presentation skills workshop	1 day		
• Train the trainer on specific education modules • Presentations of the roof education	1 day		
• Practice presentations on education training • Roof education class	1/2 day		
Total	10-1/2 days		

TEST SITE EXPECTATIONS FOR PILOT

Process compliance

- Strict adherence to process
- Heavy measurement of adjuster activities

Team participation

- Participation in team debriefs and design meetings
- Direct feedback from CCPR team

Flexibility

- Process will involve constant change
- Adjusters will do things differently than they have ever done
- Test site location may move to different region of country

Time commitment

- Time commitment will be comparable to normal CAT site
- Some late nights and weekend claim handling

SELECTING PILOT PERSONNEL FOR TEST

- 1 Pilot manager
- 9 adjusters, all rate as "A" quality
 - 3 with certified roof skills
 - 3 structural adjusters without certified roof skills
 - 3 adjusters in reserve
- All Pilot personnel should be flexible and interested in performing process work
- Team should be ready to arrive on site by mid-August
- Compensation will need to be adjusted, probably to the daily rate
 - Adjusters will be involved in team debriefs and design meetings
 - Claim load will be regulated
 - Process will affect standard productivity



- Set up meeting with Pilot
- Negotiate testing agreement

AGENDA

- CAT wind/hail claim handling

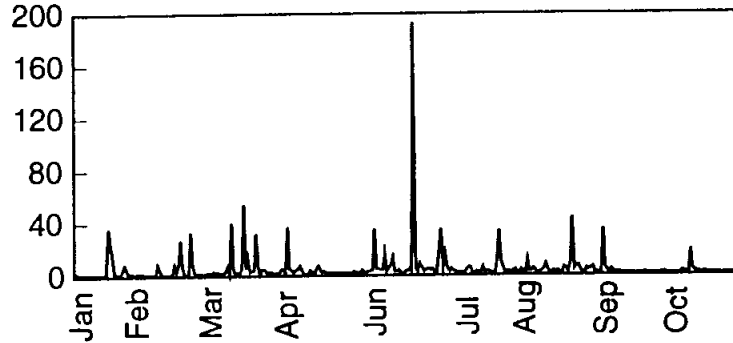
- **Non-CAT wind/hail claim spike handling**

Wind/hail claims frequently occur in sharp claim spike. Even when these spikes are not CATS, they can be quite severe.

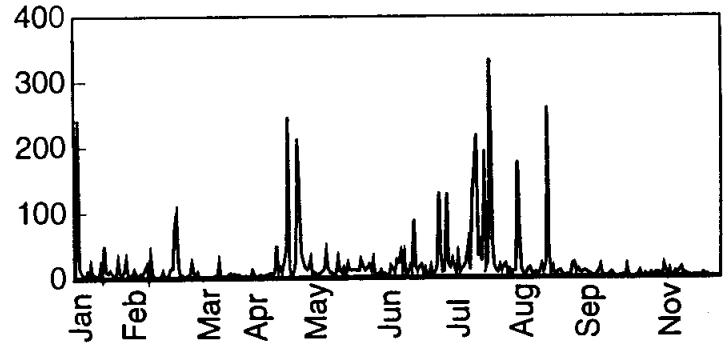
1995 NON-CAT CLAIM VOLUMES

Number of claims

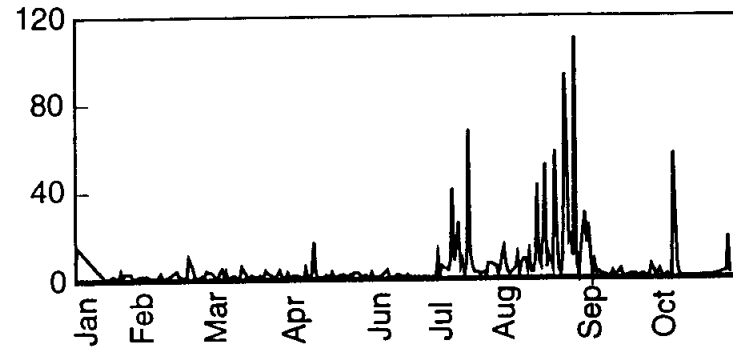
Albuquerque



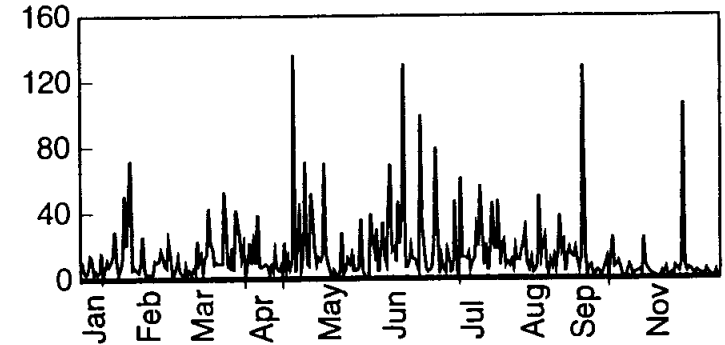
Denver



Black Canyon



Carolina



Source: 1996 claim data

ASSESSING THE "SPIKINESS" OF WIND/HAIL CLAIMS DEFINITIONS

- A non-CAT spike is defined here as any day where the number of claims is 7 times greater (1 week) than the average non-CAT daily volume

Example – Albuquerque had 5 wind/hail claims per day in 1996

Any day that had **more than 35 claims** was coded a spike

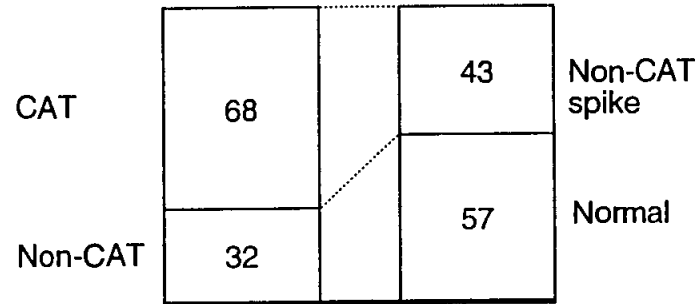
- A CAT claim is defined as any claim that was coded to CAT

As a result of wind/hail spikes, a high percentage of claims are either in CATs or non-CAT spikes.

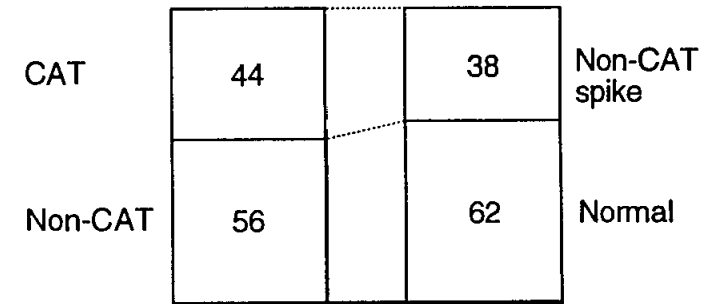
WIND/HAIL CLAIM SPIKES

Percent of wind/hail claims

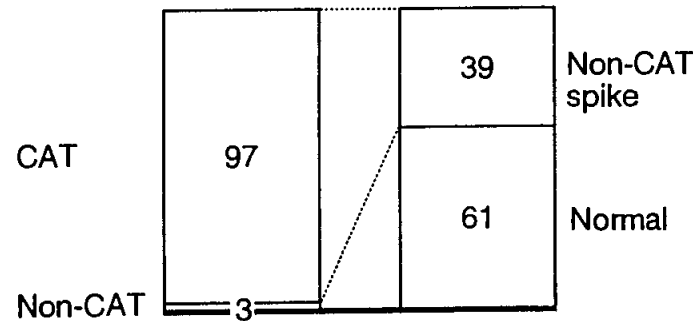
Albuquerque



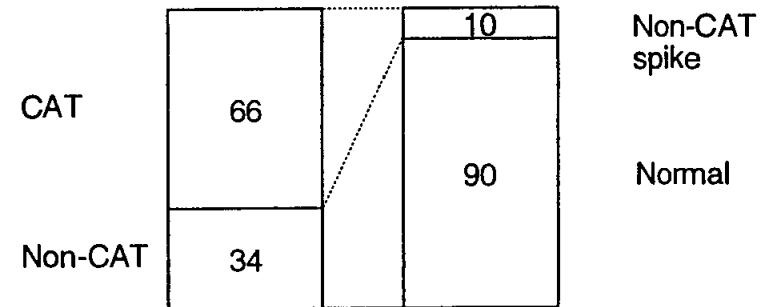
Denver



Black Canyon



Carolina

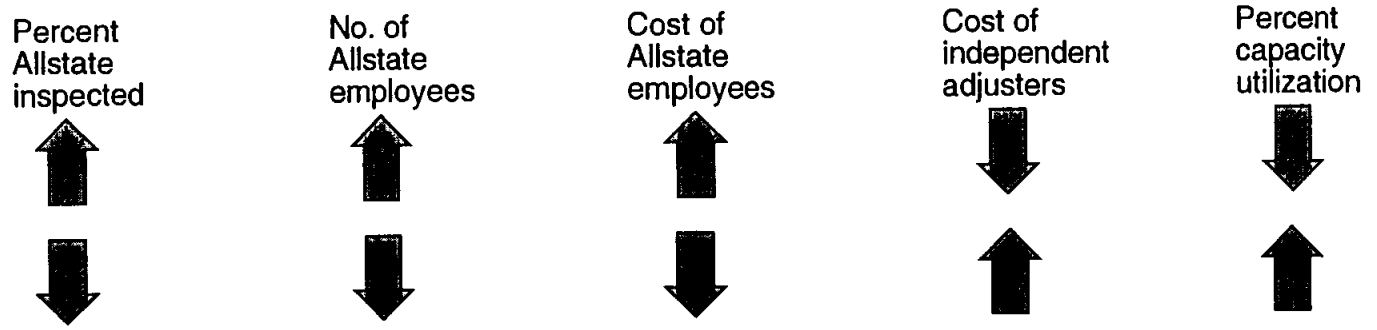
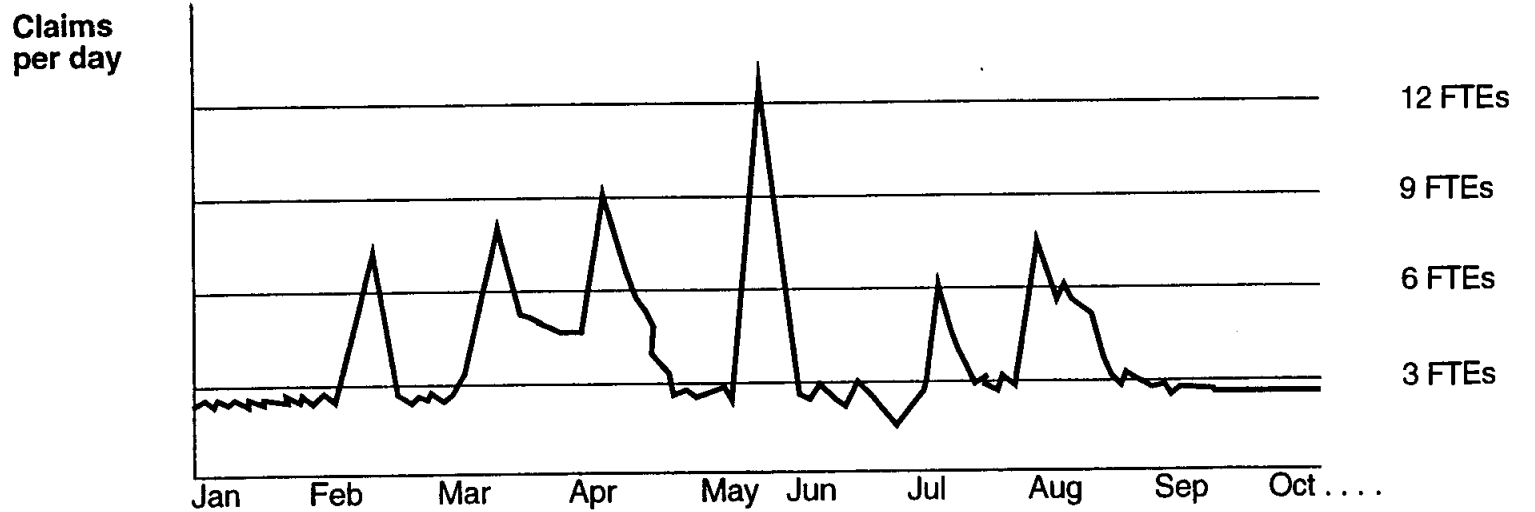


Note: A non-CAT spike is defined as a day where wind/hail claims are 7 times average daily non-CAT volume
 Source: 1996 claim data

Staffing up to work spikes internally implies tradeoffs between headcount, costs, and capacity utilization.

MODELING HOW CLAIM SPIKES AFFECT STAFFING

ILLUSTRATIVE



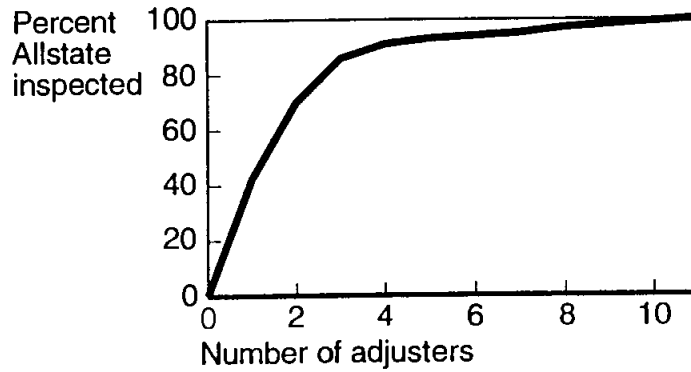
SIMPLIFYING ASSUMPTIONS FOR THE PURPOSE OF ILLUSTRATION

- Cost of Allstate wind/hail adjuster = \$60,000 per year
- Cost of independent = \$150 per claim
- Wind/hail claims worked per day = 3 per day
- Maximum allowable appointment = 5 days out
- Although there are other adjusters in office, they are busy with other peril claims. Therefore, they cannot help with wind/hail spikes
- Allstate and independents write estimates of comparable quality
- Claims occur in and around MCOs, so that there are no remote locations

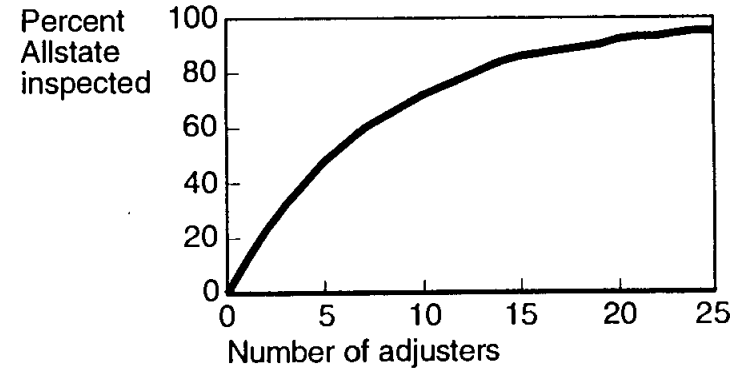
To handle 100 percent of claims internally requires a large increase in headcount.

STAFFING REQUIRED TO HANDLE NON-CAT CLAIM SPIKES

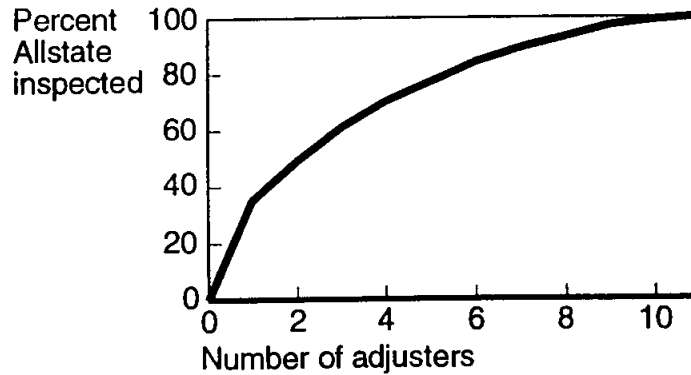
Albuquerque



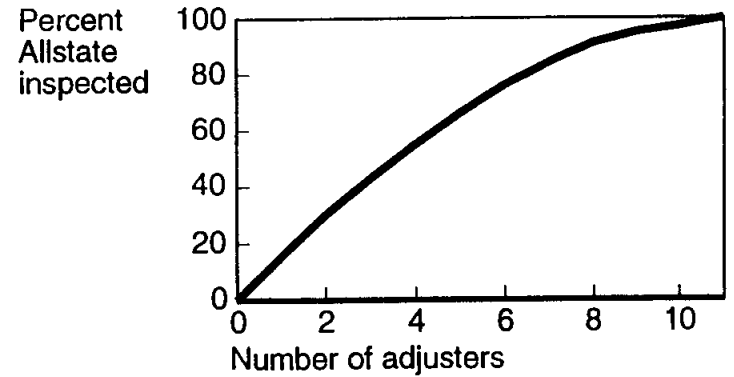
Denver



Black Canyon



Carolina

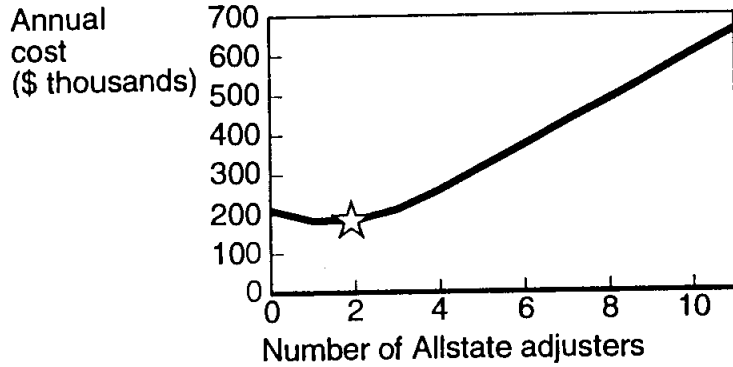


Source: Team analysis

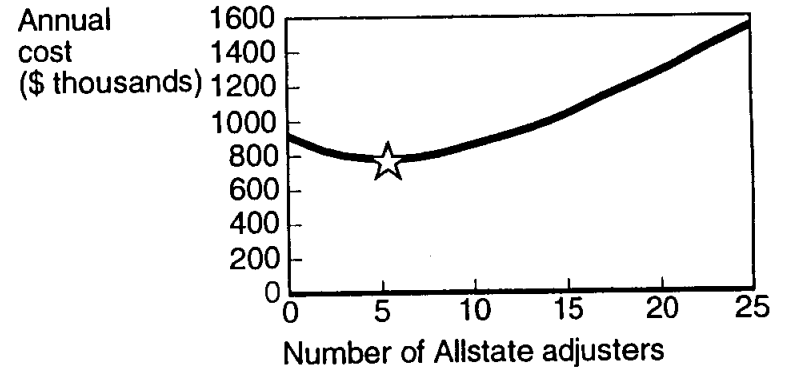
It is often more economical to staff under the volume of claims spikes and manage them with flexible independent capacity.

COST OF STAFFING

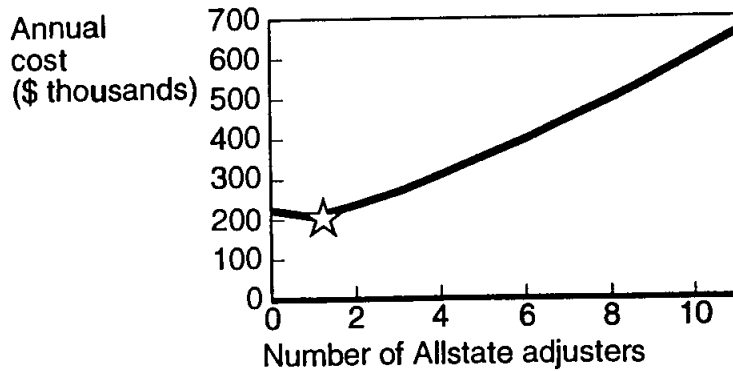
Albuquerque



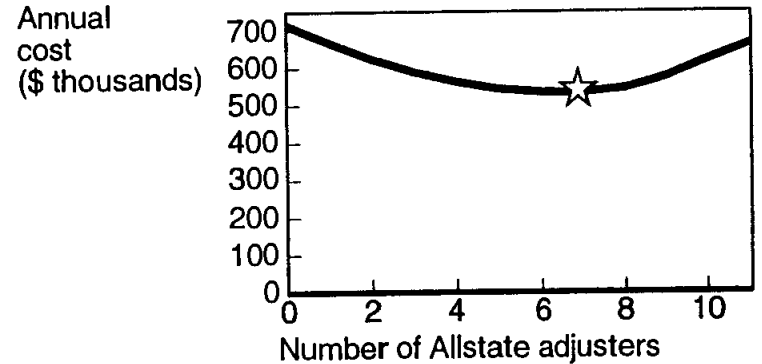
Denver



Black Canyon



Carolina

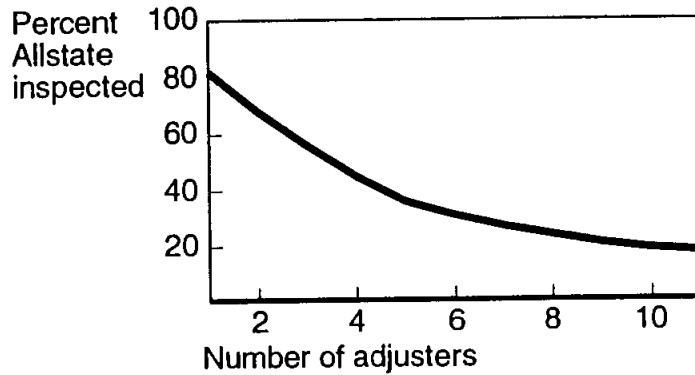


Source: Team analysis

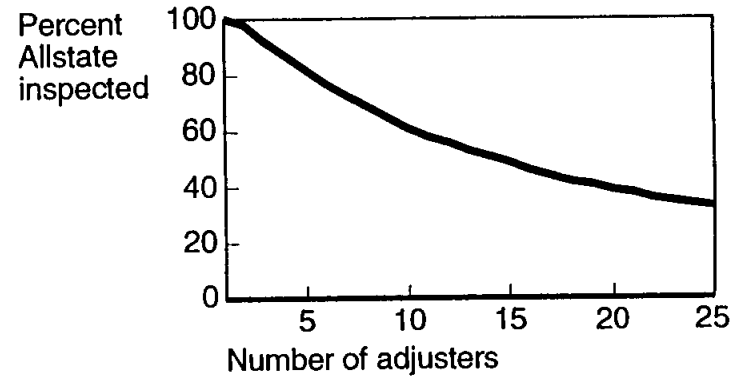
As headcount is increased to meet spikes, capacity utilization drops. This is because the spikes are significantly greater than average daily volume.

STAFFING IMPACT ON CAPACITY UTILIZATION

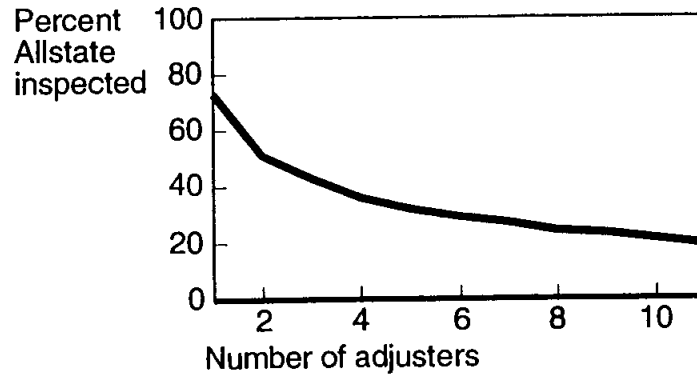
Albuquerque



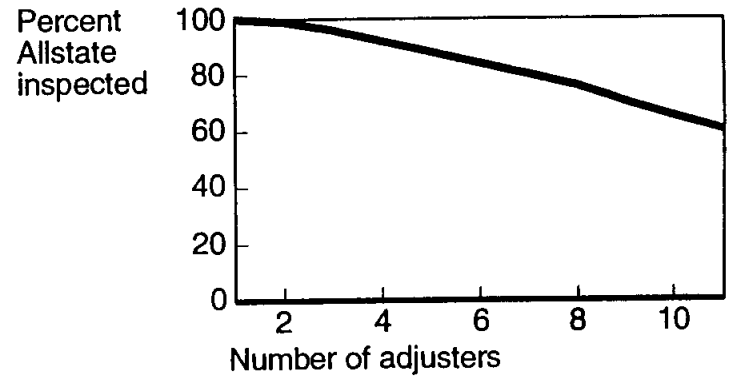
Denver



Black Canyon



Carolina



Source: Team analysis

OPTIONS FOR HANDLING NON-CAT SPIKES

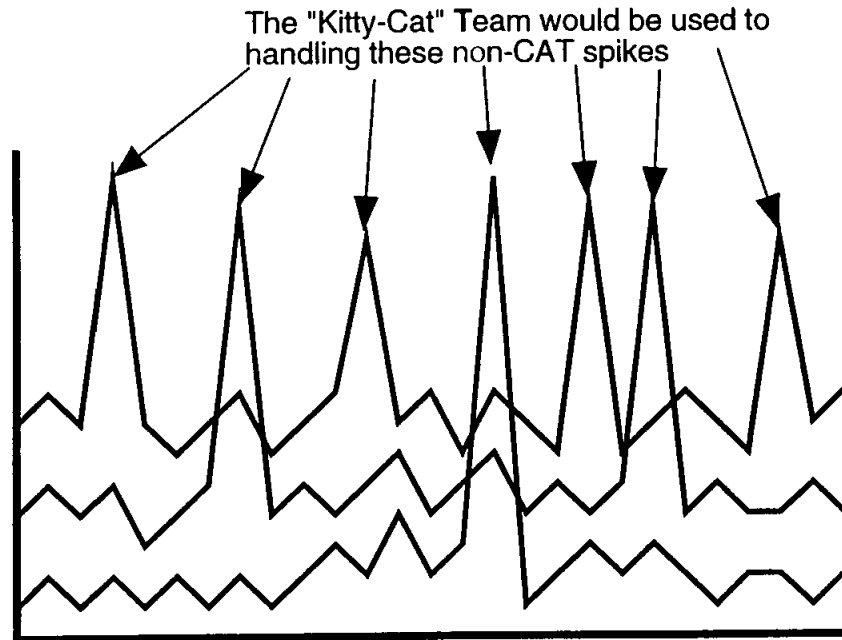
	Independents	Vendors	National "Kitty Cat" team
Advantages	<ul style="list-style-type: none"> • Flexible capacity in regions with high claim variance • Some independents rate as well or better than Allstate reps 	<ul style="list-style-type: none"> • Vendor can guarantee repair estimate • Vendor can have interest in long-term relationship with Allstate, which can increase compliance 	<ul style="list-style-type: none"> • Allstate eyes on claims • Flexible capacity to support regions experiencing large non-CAT spikes • Better customer service
Disadvantages	<ul style="list-style-type: none"> • Inconsistent quality standards • Difficult to manage 	<ul style="list-style-type: none"> • Disincentive to writing repairs or denials 	<ul style="list-style-type: none"> • Staffing challenges • Expensive to fly around country and house adjusters

It may be more economical to have a national Kitty-CAT team that travels in to handle non-CAT claim spikes.

NATIONAL "KITTY-CAT" TEAM CONCEPT

CONCEPTUAL

Claim volume at MCOs



Concept

- Flexible, traveling team called in to work non-CAT claim spikes
- MCOs could purchase Kitty-Cat capacity at standard transfer price
- Kitty-Cat team could be used to shave serious peaks off spikes

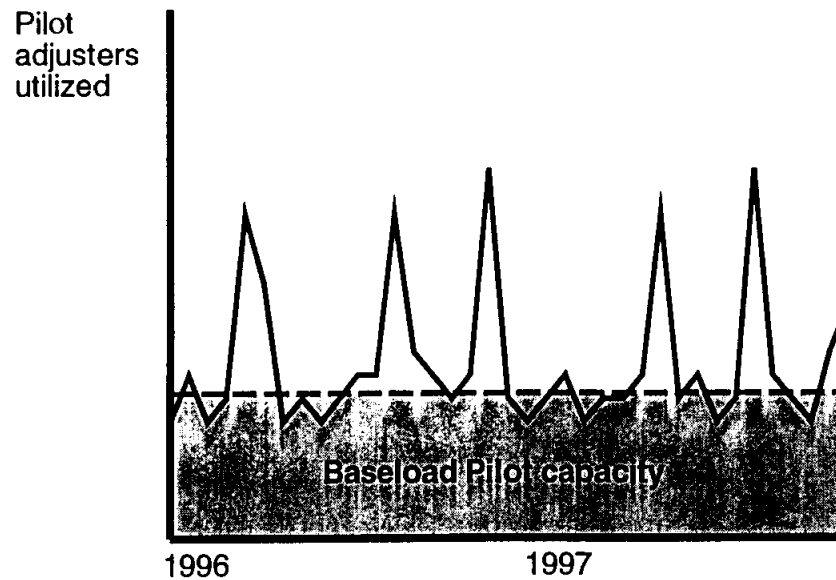
Testing validity

- MCO2 • Map occurrence of non-CAT spikes. Analyze data for autocorrelation of spikes
- MCO 1 • Compare economics of Kitty-CAT team to independents
- MCO 3

Similar thinking may be applied to CATs, where an economical argument could be made that Allstate should expand its NCT to include field adjusters and reduce the Pilot resources necessary.

EXPANDED NATIONAL CAT TEAM

CONCEPTUAL



Concept

- Increase staffing of NCT to include an adjuster force that would substitute for baseload Pilot capacity
- Use Pilot for larger claim spikes above baseload capacity

Testing validity

- Analyze Pilot utilization over last 5 years
- Determine baseload capacity needs
- Compare economics of expanded NCT to utilizing Pilot

**HOMEOWNERS CCPR
UPDATE 6/30/97**

HOMEOWNERS CCPR UPDATE 6/30/97

File

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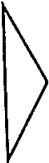
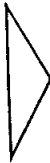
Homeowners' CCPR Update

ALLSTATE

Discussion document for senior leadership meeting
June 30, 1997

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OVERVIEW OF PHASE 1 TESTING

	<u>Observations</u>		<u>Implications</u>
Roofs	<ul style="list-style-type: none"> • Economic opportunity large/probably greater than estimated and capturable • Significant number of claims still fall in non-CAT spikes and CATs 		<ul style="list-style-type: none"> • Quickly address core issues of <ul style="list-style-type: none"> – Non-CAT spikes/independent management – CAT handling • Need to resolve safety issues to move forward • May be amenable to similar decision tool as auto
Fire	<ul style="list-style-type: none"> • Very complex process • Nevertheless, substantial opportunity exists if done right 		<ul style="list-style-type: none"> • Need further work to create truly transferable process • Focused work on sustainability/ manageability of process • Staggered implementation after roofs

ROUND 2 TESTING – KEY FOCUS

- Develop/refine processes for important issues not covered/completed in Round 1 testing
 - Different claim profile (e.g., roof types)
 - Fleshing out support system/designs
 - Addressing areas of opportunity not covered in Phase 1 (i.e., CAT)
- Test transferability of process into other offices/markets
 - Into more challenging/adverse market conditions
 - Into larger markets to test capturability of significant economic opportunity

KEY PROCESS ISSUES TO ADDRESS

Roof process-specific issues	Fire process-specific issues	Common support structure issues
<ul style="list-style-type: none"> • Handling non-CAT spikes <ul style="list-style-type: none"> - Independent management - Vendor management • Process for inspecting multistory/steep roofs • Developing appropriate process design for CAT handling 	<ul style="list-style-type: none"> • Refine/assess manageability of complexity of process • Developing robust fundamental technical training and developing an overall manageable training program • Refining design of outside vendor involvement (e.g., remote sites, safety issues, complex fires) 	<ul style="list-style-type: none"> • Refining process roles for management • Developing clear process performance management systems • Refining customer interaction/satisfaction • Preimplementation training curriculums • CSC and agent interactions/scripting

SPECIFIC CHALLENGES PRESENTED BY CATs FOR ROOF PROCESS

- Driving process through 3rd-party resources
- Managing performance of 3rd-party resources
- Special speed and volume of deployment issues
- Experienced hail claimants with high expectation/different customer service issues
- Selection and training of pilot personnel

TRANSFERABILITY TEST CRITERIA

- Large markets/MCOs with large adjuster group
- Difficult markets with respect to customer expectation/attitude
- Potential for less flexible claim reps
- Credibility in key markets
 - Wind/hail belt
 - East coast

PHASE 2 TEST SITE PLAN

Test site	Denver non-CAT roofs	Brooklyn non-CAT roofs	Denver CAT roofs	VA/DC fire
Primary focus	<ul style="list-style-type: none"> • Test transferability to large market • Build credibility in major wind/hail belt MCO • Refine support structure elements 	<ul style="list-style-type: none"> • Test transferability to large market • Prove roof process in challenging East Coast markets • Define process for new/different roofing conditions 	<ul style="list-style-type: none"> • Develop roof process for CAT handling 	<ul style="list-style-type: none"> • Test transferability to large market • Prove fire process in challenging East Coast environment

PHASE 2 TEAM STAFFING IMPLICATIONS

Test site	Denver non-CAT roofs	Brooklyn non-CAT roofs	Denver CAT roofs	VA/DC fire
Team leader	Steve Rankin	Jim Tyson	Joyce Washington	Mike Evanoff
Team members	Sam Eppley TBD TBD	Dan Sherban Paul Black (to be confirmed) TBD	Mike Bolts TBD TBD TBD	Chrissie Bowers Diane Colliers Vicki Lovesby Doug Poff (to be confirmed)

?

Doug Poff (to be confirmed)

Eden

NO. 2441 P. 4/3

R. P. ANNEX #3

JUN. 30. 1997 9:51AM

ADDITIONAL SUPPORT TEAM TO ADDRESS KEY CROSS-SITE ISSUES

Key support team issues

- Management time allocation and roles
- Performance management systems
- Customer service and satisfaction design



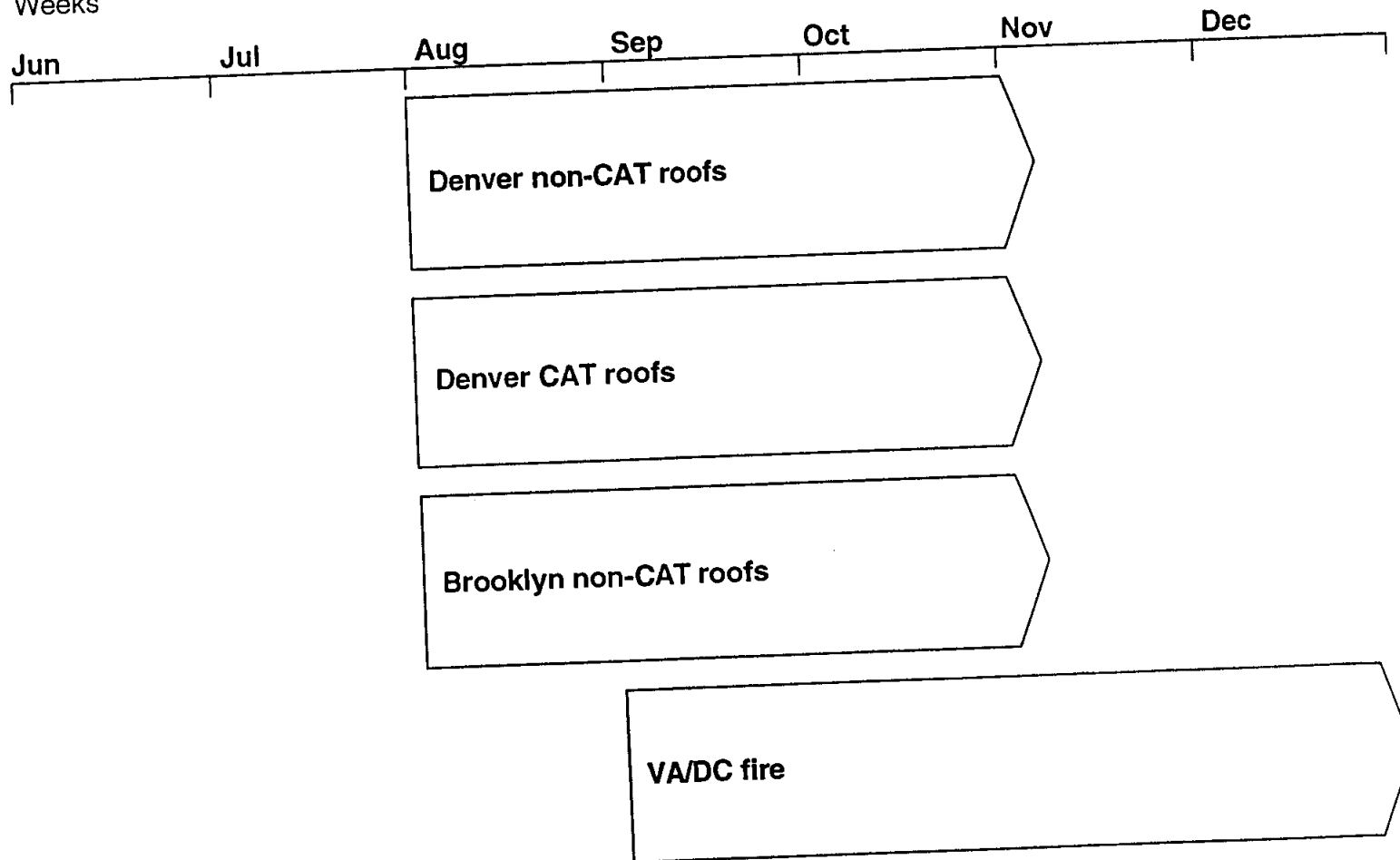
Support team

- Team leader – Charlie Leo

<u>Team member</u>	<u>Focus</u>
Sheldon Wright	Customer sat issues/ scripting
Penny Howell	Time allocation studies
TBD	Performance management
TBD	Performance management

PHASE 2 TESTING TIME LINE

Weeks



ADDITIONAL FACTORS TO CONSIDER FOR ROUND 2

- Higher CCPR/adjuster leverage
- Design change coordination across multiple sites
- Pre-implementation training and design
- Need to consider how to handle multiple perils/processes across homeowners' units (rollout, coordinated roles of management, etc.)

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Fire Process Update

ALLSTATE INSURANCE COMPANY

Senior Leadership Meeting

June 30, 1997

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FIRE PROCESS UPDATE

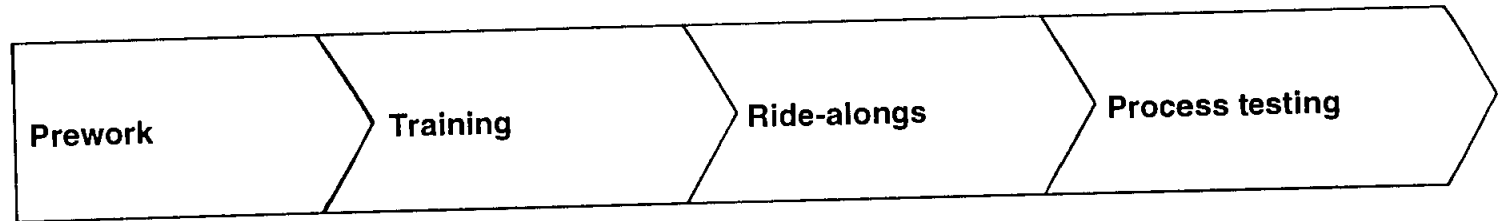
- Fire claims at Roseville have been going through the new process since May 19 – to date over 60 fires have been handled or are being handled through the new process
- Results for the first 31 closures show significant improvement in subrogation submissions, as well as in structure and contents settlements
- Early customer feedback indicates that the process is being received positively
- Going forward, our key challenges include – reducing the time needed to effectively use the process on a claim, designing and implementing new management roles and an effective performance management system, and completing all the prework needed for the next test site

KEY FOCUS AREAS OF PROCESS

<u>Area</u>	<u>Key elements</u>	<u>Estimated country-wide opportunity*</u>
Subrogation	<ul style="list-style-type: none"> • Subrogation is identified upfront and methodically pursued on all claims • Any subrogation rule-outs take place with justification and manager approval 	\$33 million
Structure evaluation	<ul style="list-style-type: none"> • Claim reps perform test clean to identify cleaning potential and thus control the scope of the loss • Focus on repairing, eliminating overlaps and eliminating lump sum bids 	\$43 million
Contents evaluation	<ul style="list-style-type: none"> • Reps identify cleanable contents items, inventory all non-salvageables on site, and confirm pricing from an appropriate source 	\$26 million

* Based on closed file reviews

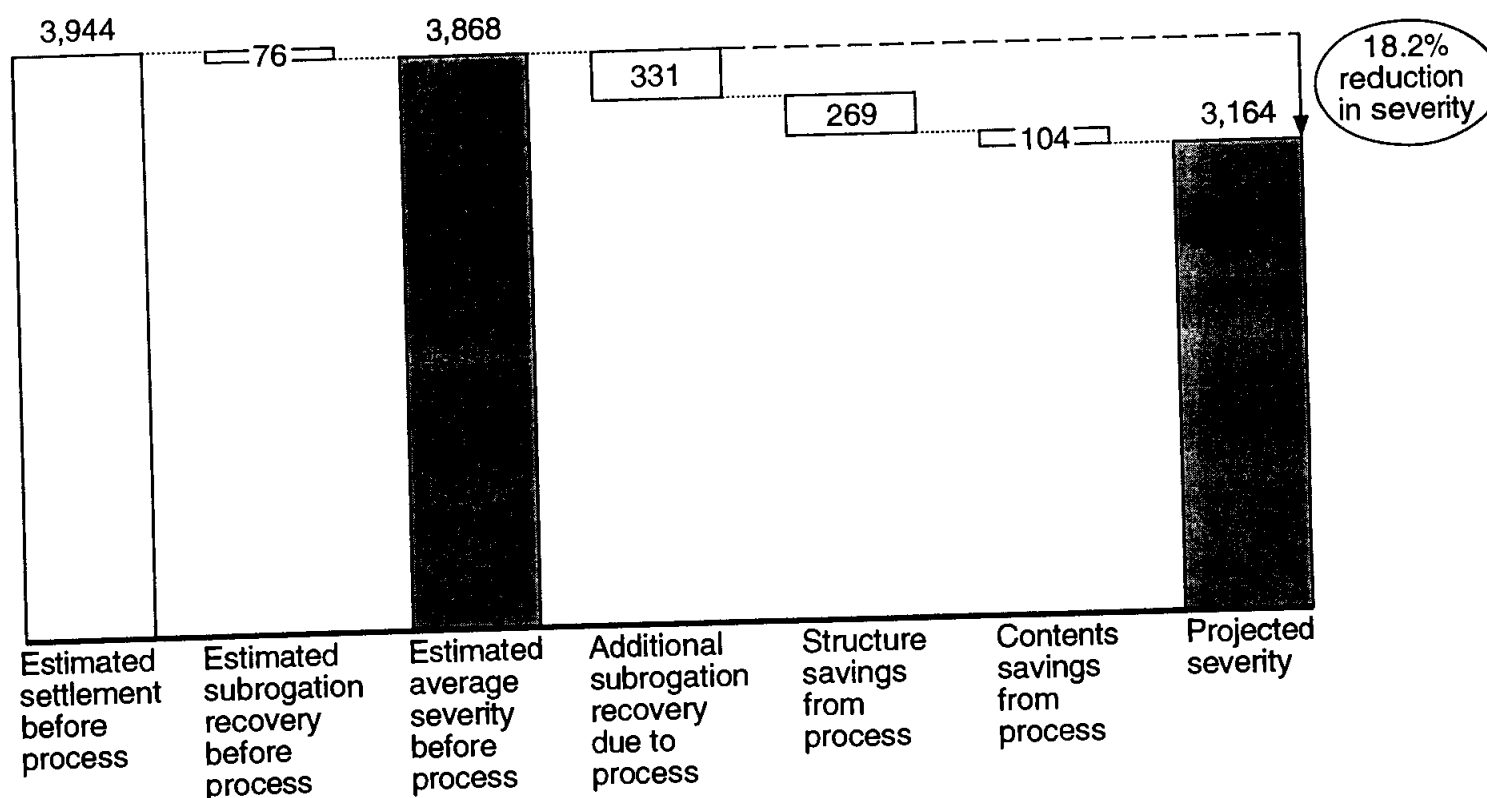
ACTIVITIES TO DATE



	March	April	May	June
Timing				
Activities	<ul style="list-style-type: none"> • MCO kickoff • Baseline reviews • Claim rep orientation • Skill assessments 	<ul style="list-style-type: none"> • Fundamental technical training • Process training • On-site and classroom role plays 	<ul style="list-style-type: none"> • Process calibration • Process problem solving • Coaching 	<ul style="list-style-type: none"> • Claim reps ride alone • Measurements and analysis • Process problem solving • Time and productivity studies
Learinnngs	<ul style="list-style-type: none"> • Claim reps and managers need to improve technical, estimating, and Accupro skills 	<ul style="list-style-type: none"> • Hands-on technical and Accupro training can raise knowledge levels quickly • On-site role plays and scripting critical to build skills to execute new process 	<ul style="list-style-type: none"> • Complexity of process implies need for hands-on support to reps 	<ul style="list-style-type: none"> • Process efficiency and productivity need to be improved, particularly for contents losses

ESTIMATE

SUMMARY OF FIRE PROCESS IMPACT
Average dollars per claim

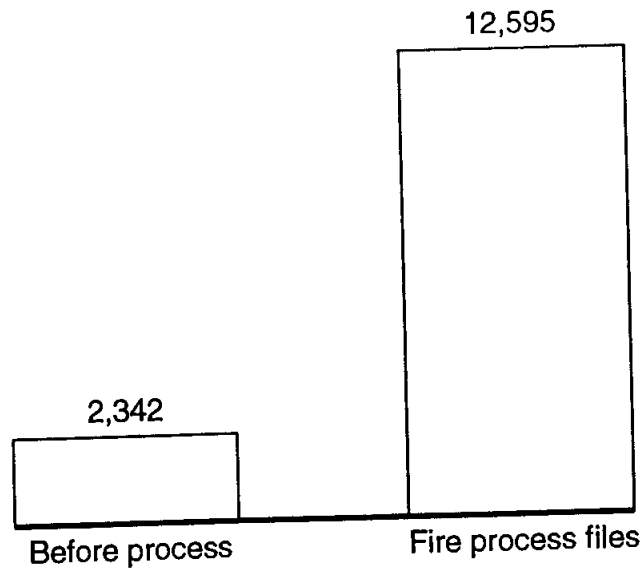


Note: Severity and savings numbers are understated since the 31 files analyzed have mostly been small fires
Source: 31 closed files; team analysis

ESTIMATE

EARLY RESULTS FOR SUBROGATION

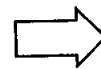
Projected subrogation recovery
Total dollars for 31 files analyzed



Increased submission rate drives recovery dollars

Subrogation submissions

Before process
4.8%

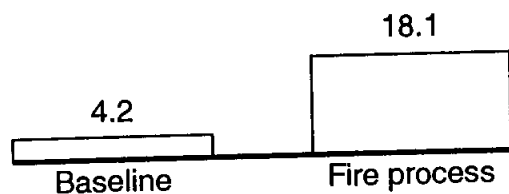


After process
25.8%

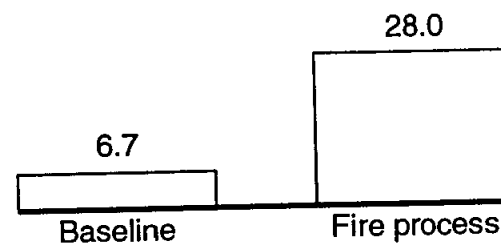
Source: 31 closed files; National Property Subro; team analysis

EARLY RESULTS – STRUCTURE
Percent

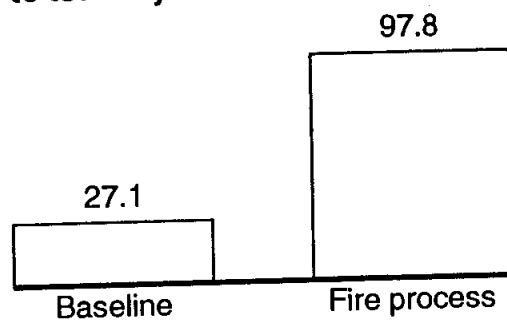
Cleaning dollars to total dwelling dollars



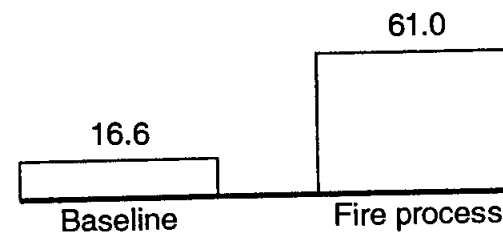
Flooring repair and clean dollars to total flooring dollars



Drywall repair and clean dollars to total drywall dollars



Cabinets repair and clean dollars to total cabinet dollars

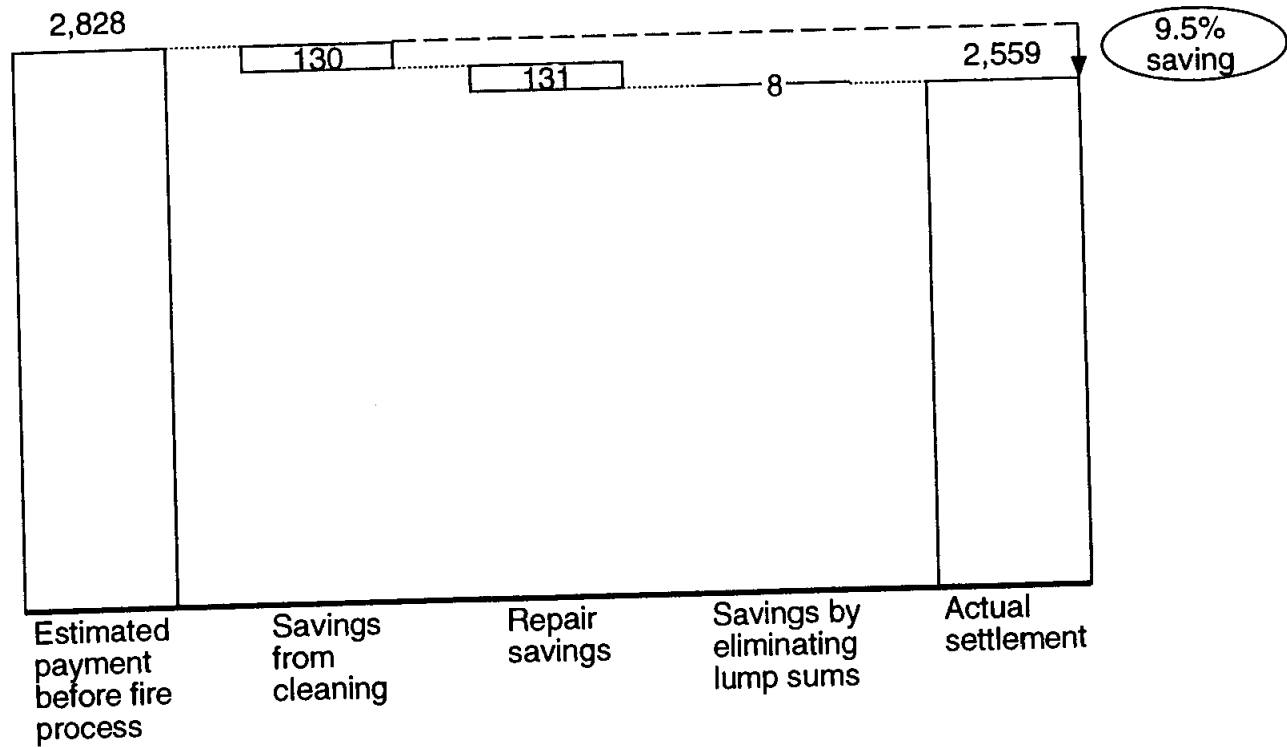


Source: 31 closed files; team analysis

ESTIMATE

ESTIMATED SAVINGS ON STRUCTURE

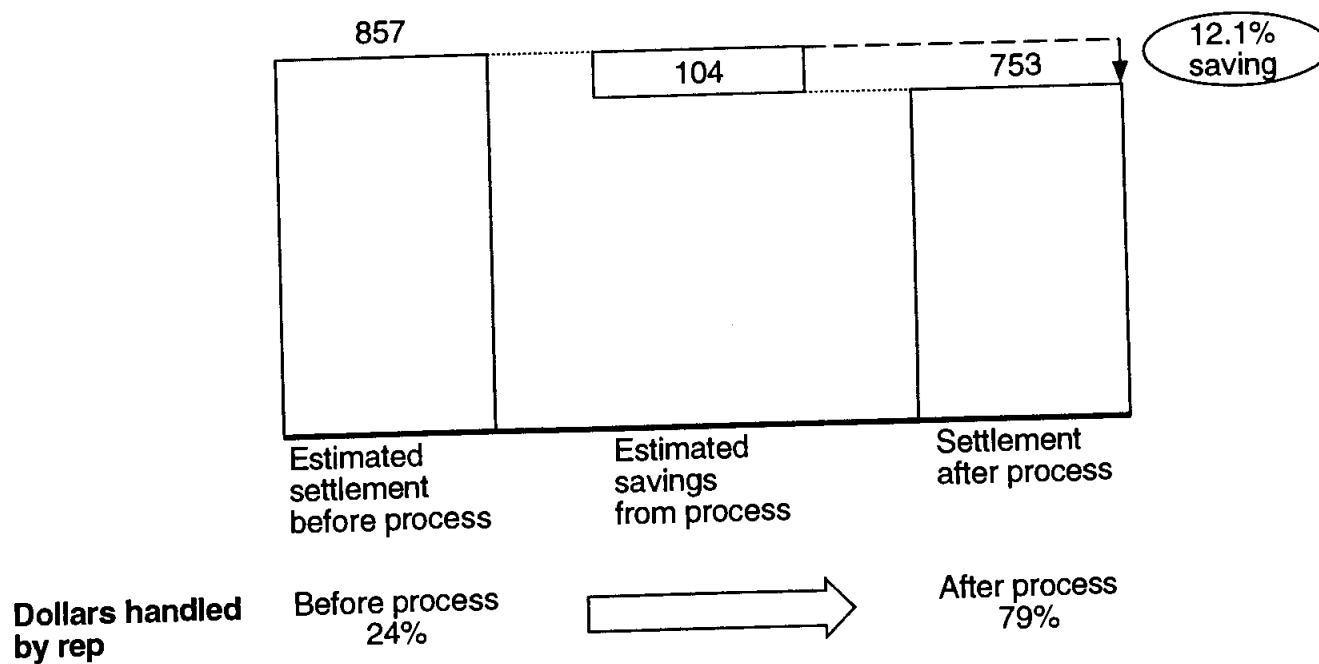
Average dollars per claim



Source: 31 closed files; team analysis

ESTIMATE

ESTIMATED IMPACT OF FIRE PROCESS ON CONTENTS
Average dollars per claim



Source: 31 closed files; team analysis

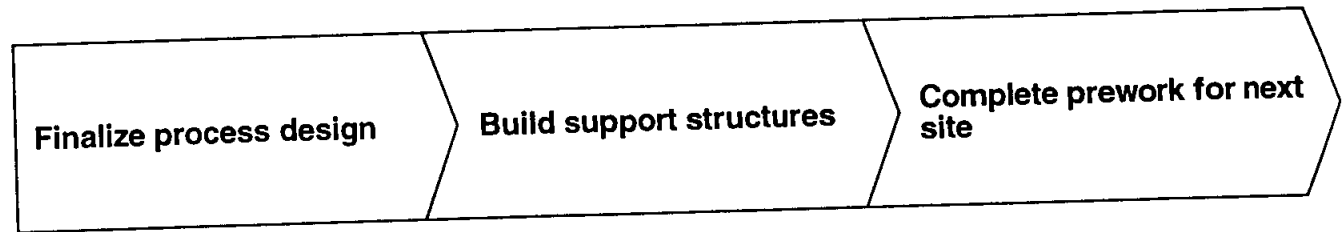
CUSTOMER FEEDBACK

	Positives	Continuing challenges
Overall feedback examples	<ul style="list-style-type: none"> • The claim rep was very thorough in her explanation and demonstration of the cleaning process; I understood everything" • "I did not feel the claim took too long; the claim rep explained that before she came to my house" 	<ul style="list-style-type: none"> • "You are either very thorough or very slow"
Specific process feedback	<ul style="list-style-type: none"> • After a discussion with the contents specialist, the customer told her friend that she was confident her contents would clean • A customer on a claim told the contractor that the doors in his home would need to be painted. After the test clean demonstrated that the doors would clean, the customer told the contractor to "hold off" on the painting 	

MAJOR FIRE PROCESS ISSUES RESOLVED TO DATE

Process area	Issue	Resolution
Overall	No specific process steps to address emergency repairs when claim reps were unavailable	<ul style="list-style-type: none"> • Developed process to manage contractors for emergency repairs
Subrogation	No process for file examiners to manage vendors or independents	<ul style="list-style-type: none"> • Developed detailed process for file examiner to manage independents and vendors
	O&C guidelines not completely clear	<ul style="list-style-type: none"> • Defined exact conditions (type of subrogation potential, cause of loss, size of loss, etc.) under which an expert is called
Structure evaluation	Role in cleaning unclear to vendor	<ul style="list-style-type: none"> • Developed a template that defines expectations/roles for vendors. This template will be used by Allstate and vendor reps
	Using detailed cleaning template for light-smoke/no- smoke situations was inefficient and also did not give the customer a cashout option	<ul style="list-style-type: none"> • Developed a template to quickly estimate cashout amount for light smoke, without having to create a detailed cleaning scope
Contents evaluation	Cleaning vendor's attention not being drawn to sensitive items needed to be cleaned immediately	<ul style="list-style-type: none"> • Modified Room Damage Evaluation form to include column for items needing immediate attention
	Guidelines for inspecting claims not clear	<ul style="list-style-type: none"> • Developed assignment chart for contents claims based on economic opportunity

ACTIVITIES GOING FORWARD



Timing

Activities

July

- Finalize process changes to reduce time
- Define value and cost of file examiner role

July

- Set up ongoing process measurements
- Define management roles
- Develop performance management system

August

- Define required preprocess training
- Prepare "professional quality" training material and process pack

KEY FIRE PROCESS ACTIVITIES

Fire process activities	Description
Reduce time required to follow new process, and determine overall claim rep productivity	<ul style="list-style-type: none"> • Simplify process forms and job aids • Eliminate or combine time-consuming process steps • Conduct time-tracking studies to determine time required to process a claim under the new process
Analyze value and cost of file examiner role	<ul style="list-style-type: none"> • Estimate impact on severity, and accuracy of dispatch and assignment decisions • Estimate additional time needed to complete file examiner activities
Set up process measurements and track results	<ul style="list-style-type: none"> • Analyze distribution of severities in previous years to establish baseline • Define required measurements on closed files and reinspections • Track measurements on closed files • Conduct reinspections and track results
Define management roles and performance management system	<ul style="list-style-type: none"> • Understand what roles managers play today • Understand how other CCPR teams have defined management roles • Based on above understanding, define new roles and test effectiveness • Understand current performance measures, standards, and incentives for managers and claim reps • Build new performance management system
Complete pre-work for next test site	<ul style="list-style-type: none"> • Define required pre-process training • Enhance process training material to “professional quality”

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Albuquerque Roof Test: Update to Senior Leadership

ALLSTATE INSURANCE COMPANY

Discussion Document

June 30, 1997

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SUMMARY OF ROOF PROCESS UPDATE

- The roof process has been successful to date in driving significantly lower severity and closed cost. The reductions have exceeded the projections from the fact-finding process
- Over the next month, the team's primary focus will be on defining management roles, performance management, and enhancing customer satisfaction
- The test site will be concluding at the end of July and moving on to Denver and New York. As a result, the team will also be investing time in training new members on process and CCPR methodology

3 KEY HOOKS OF THE ROOF PROCESS



Damage identification
A systematic process for identifying covered and noncovered damage supported by rigorous technical training



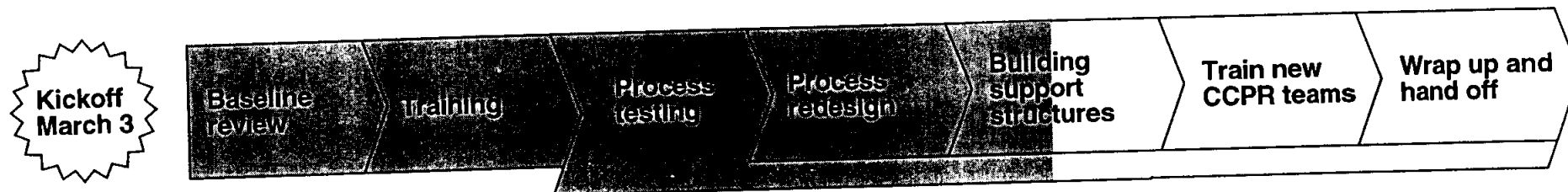
Repair vs. replace
Roof repair always the 1st option unless the cost to replace is more economical



Estimating skills
Proper measurement and estimate calculations in Accupro

Total economic opportunity based on fact-finding
• NonCAT – \$18 million
• CAT – \$80 million

ALBUQUERQUE ROOF TEST TIMELINE OF ACTIVITIES



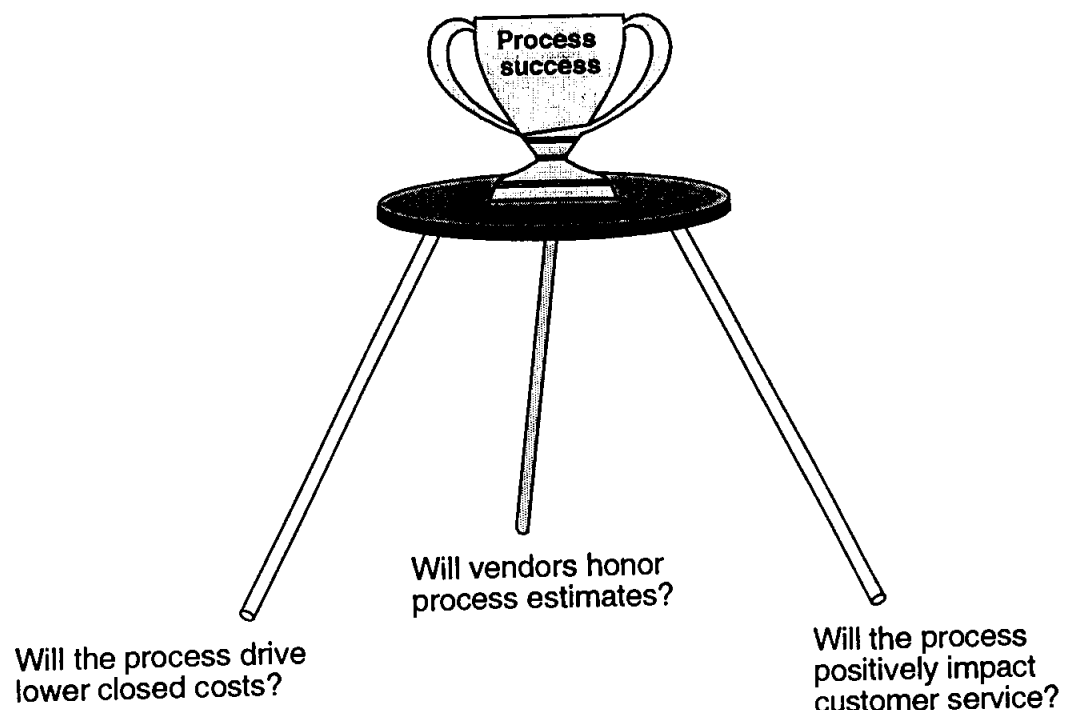
Activities

- Baseline file review
- Baseline skill assessments
- Technical Process
- Customer interaction
- Accupro
- Test kickoff April 21
- Ride-alongs
- Reinspections
- Process measurement
- Customer interviews
- Time efficiency
- Test subro handling
- Improve repair methodology

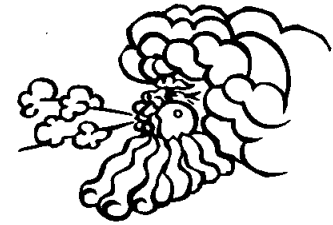
Key learnings

- Albuquerque has typical roof handling characteristics
 - High opportunity
 - Moderate skill level
- Heavy training component critical, especially technical and Accupro
- Process can drive substantial opportunity
- Customers who are denied or receive repairs can still be satisfied
- Process will take 1 to 2 hours per claim
- A passive subro process will not be successful

VALIDATION OF ROOF PROCESS ESTIMATES: 3 CRITICAL QUESTIONS



KEY PROCESS OUTPUT MEASURES – WIND CLAIMS



	Baseline	Test	Change (%)
Roof severity	1,204	523	-57%
Avg. roof closed cost	910	248	-73%
CWP (%)	28%	54%	+93%
Subrogation	0%	2%	+100%
• Percent files submitted	\$0	\$0	+0%
• Avg. \$ collected			

Source: 66 closed wind claims

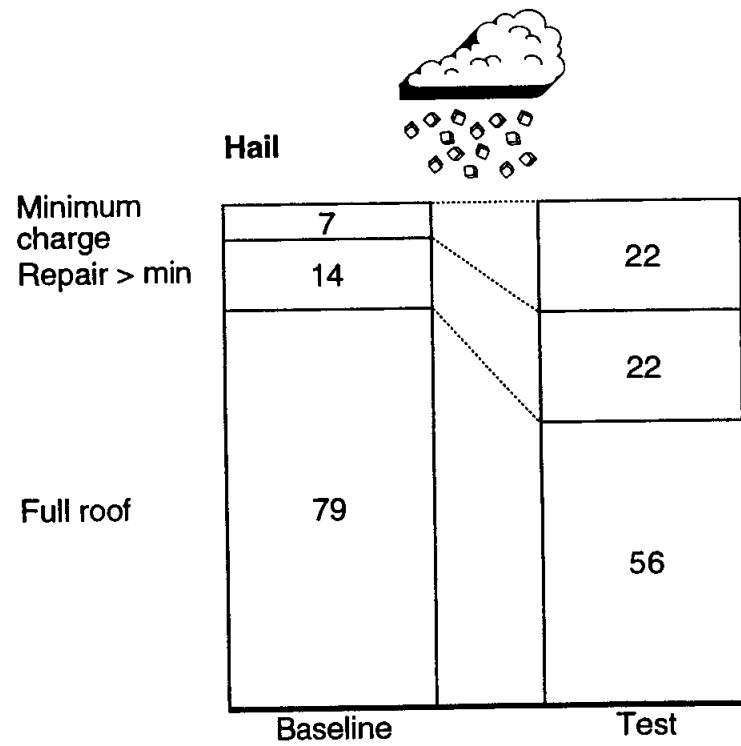
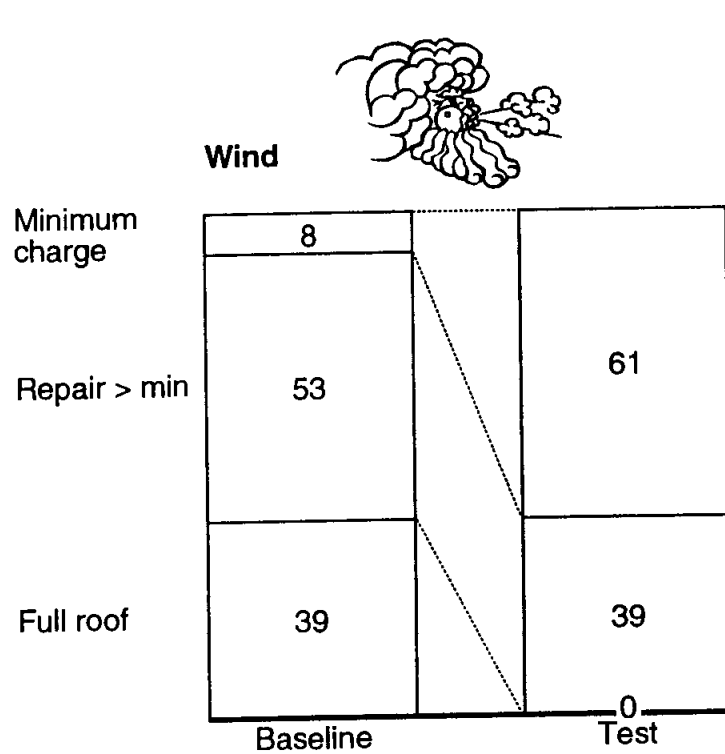
KEY PROCESS OUTPUT MEASURES – HAIL CLAIMS



	Baseline	Test	Change (%)
Roof severity	2,343	1,172	-50%
Avg. roof closed costs	1,729	670	-61%
CWP (%)	26%	41%	+58%
Subrogation			
• Percent files submitted	0%	0%	0%
• Avg. \$ collected	\$0	\$0	\$0

Source: 20 hail claims

CHANGE IN REPAIR VS. REPLACE BEHAVIOR
Percent of claims closed



Source: 66 closed wind claims and 20 closed hail claims

ACCEPTANCE OF REPAIR ESTIMATES

PRELIMINARY

Additional payment requests

- 7 requests out of 86 claims (8%)
 - 2 claims of missed hail damage
 - 3 demands for a new roof (neighboritis/contractoritis)
 - 1 request to pay for non-covered maintenance damage
 - 1 claim of other missed damage
- 2 additional payments to date (2%)

Repair status

Not started

9

Date set

27

Repairs started/
done

64

100

Estimate accepted*

- To date, roof process estimates are being honored by vendors and repairs are being completed satisfactorily
- Reparability assessments have not been challenged by the market
- Greater resistance may be encountered with hail claims which produce scattered damage

* All estimates were honored by contractor, although 2 customers chose to have additional maintenance work performed
 Source: Additional payment request log; 11 claim follow-up calls

CUSTOMER FEEDBACK ON ROOF PROCESS
 Percent of customers surveyed

Dissatisfied	15			10
	85		100	90
Satisfied to completely satisfied				
	Wind/hail national average 97Q1		Roof CWA	Roof CWP

Drivers of incomplete satisfaction

- Expectation of higher settlement
- Poor process explanation
- No on-site settlement/follow-up
- Lack of empathy

Drivers of complete satisfaction

- Perceived thoroughness and expertise of adjusters
- Roof maintenance education
- Empathy
- On-site estimate

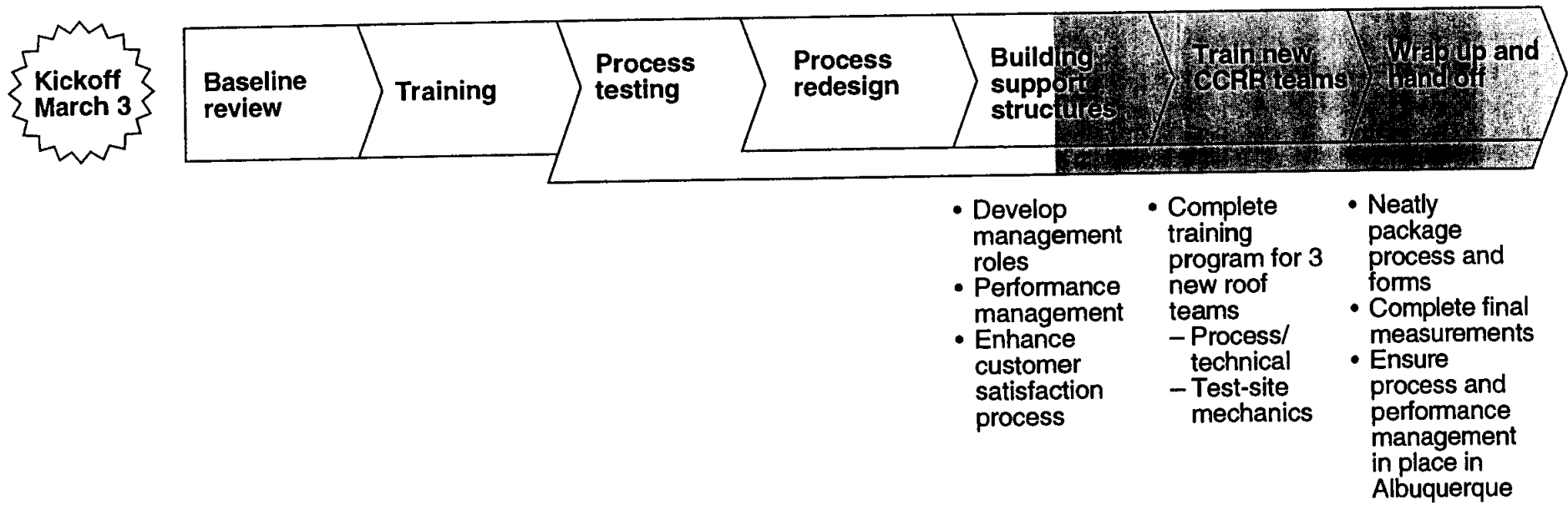
- Despite increased minimum charges and denials, the process can still successfully drive customer satisfaction
- Complete customer satisfaction has been trending upward as adjusters have become more comfortable with on-site estimates and roof education
 - April: 43% complete satisfaction
 - May: 69% complete satisfaction vs. 68% nationwide wind/hail
- Additional research needed on what drives complete satisfaction

Source: 20 customer interviews

SUMMARY OF ROOF PROCESS REDESIGN EFFORT

Area	Initial observations	Process redesign
Time efficiency	<ul style="list-style-type: none"> • Process time had been taking 90-120 minutes on wind claims 	<ul style="list-style-type: none"> • Streamlined process for wind claims • Eliminated unneeded measurements • Redesigned forms • Current process time, inspection to settlement <ul style="list-style-type: none"> – Wind: 60-75 minutes – Hail: 90-120 minutes
Subrogation	<ul style="list-style-type: none"> • Meaningful number of subro claims had not been submitted • Technical expertise to identify many forms of subro exceed skill levels 	<ul style="list-style-type: none"> • Focused subro on 5 most common indicators
Repair vs. replace methodology	<ul style="list-style-type: none"> • Needed objective method to assess roof reparability • Difficult to count number of shingles damaged due to shingle overlap 	<ul style="list-style-type: none"> • Roof brittleness test developed (in testing) • Method of converting from tab hits to shingles damaged

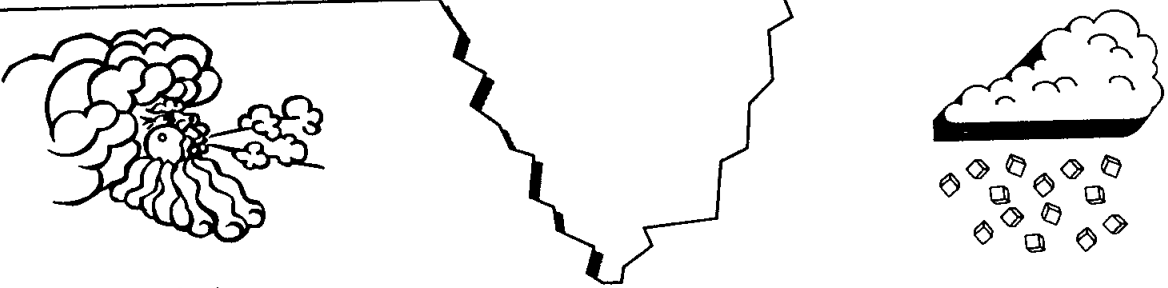
ALBUQUERQUE ROOF TEST TIMELINE OF ACTIVITIES GOING FORWARD



BUILDING SUPPORT STRUCTURES – SUMMARY OF ACTIVITIES

Area	Activities	Goals
Management role definition	<ul style="list-style-type: none"> • Review of auto and water process role definitions • Evaluation of management activities and time • Evaluation of process management needs 	<ul style="list-style-type: none"> • Role definition at each level • Dispute handling process
Performance management	<ul style="list-style-type: none"> • Review of auto and water process measures • Isolate key process drivers 	<ul style="list-style-type: none"> • Key process measurements for each position • Forms for data capture and measurement reports
Enhanced customer satisfaction	<ul style="list-style-type: none"> • Customer surveys and interviews • Script and workshop development 	<ul style="list-style-type: none"> • 3 half-day customer satisfaction workshops • Set of customer tactics for roof claim handling around process explanation, estimate explanation, and roof education

DIFFERENCES IN WIND/HAIL ROOF HANDLING

	
Baseline roof severity*	
\$1,204	\$2,343
Baseline roof closed cost*	
\$910	\$1,729
Damaged area	
Concentrated, often single slope, often damages more than just roof	Scattered, often multislope, sometimes damages more than just roof
Inspection requirements	
Counting damaged shingles, measuring damage slope	Mark test areas on all slopes measure all slopes
Time requirements	
60-75 minutes	90-120 minutes
Customer satisfaction	
Easier to sell repairs in concentrated areas	Scattered repair may be harder to sell

* Albuquerque only

SAFETY AND EDUCATION ISSUES

HOMEOWNER CCPR

WORKERS COMP. CLAIM HISTORY
ROOF RELATED INJURIES

CLAIM DATA	Falls countrywide	1992 - 1996	1385
	Roof related falls	1992 - 1996	38
	# claims	1992	15
	Average claims per year	1993 - 1996	5.8 *
	Total payout	1993 - 1996	\$377,000
	Average cost per claim		\$ 9,920

TYPES OF FALLS

- Retrieving ladder from vehicle
- Anchoring ladder
- Ascending/descending roof
- Fall from roof

TYPES OF INJURIES

- Ankle sprain
- Back injury
- Fracture

* Reduction in counts is attributed to the company's use of Pilot to adjust roof claims which began in 1993

OSHA SAFETY REGULATIONS

- Two types of regulations
 - Construction industry
 - General industry
- No regulations specific to insurance adjusters
- General industry regulations do not require safety training but, rather, require employer to assess safety and health hazards and assure use of Personal Protective Equipment, as needed, to protect against hazards
- Personal protective equipment requirements that would potentially apply to insurance adjusters
 - Footwear
 - Gloves
 - Hard Hats

NOTE: OSHA regulations do not require employer to furnish protective equipment

SAFETY TRAINING ISSUES

TYPICAL CLAIM SCENARIOS

ROOFS

Carrying ladders

Anchoring ladders

Ascending/descending ladders

Traversing roofs

Dealing with weather related hazards

Recognizing electrical hazards

FIRE

Recognizing hazards, i.e.,
protruding nails, unsafe flooring,
exposed wiring

SPECIAL HAZARDS

Asbestos

Steep Roofs

Multiple story roofs

Asbestos

Toxic gas

Electrical/gas

Soot/smoke

Debris

POTENTIAL SAFETY EQUIPMENT NEEDS

ROOFS

Ladders

Gloves

Hard hats

Footwear

Waist pacs

FIRE

Dust masks

Gloves

Hard hats

Footwear

Wet wipe tissues

WHAT OTHER CARRIERS ARE DOING

	<u>Safety Training</u>	<u>Safety Guidelines</u>	<u>Equipment Provided</u>
State Farm	None	None	Hard hat Flashlight Coveralls Steel toe boots Gloves Ladders
CNA	Expert hired to design safety training	In development	In development
Triple A	None	None	None

SAFETY AND EDUCATION TRAINING OPTIONS

*Kim Slavin
Astoria*

OPTION 1

- Hire expert to design safety and education training course for the typical claim scenario
- Hire expert to design safety and education awareness course for special hazards

COST \$10,000

OPTION 2

- Have CCPR Team design safety and education training course for the typical claim scenario using OSHA handbook
- Hire expert as consultant to approve course content
- Hire expert to design safety and education awareness course for special hazards

COST \$7,000

OPTION 3

- Have CCPR Team design both courses in conjunction with the PIC and Tech Cor

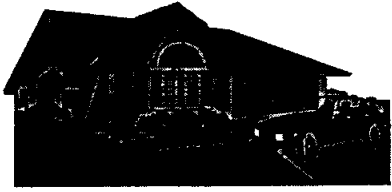
COST No monetary cost, but would need additional resources

ADDITIONAL FACTORS TO CONSIDER

- Compliance
- Oversight
- Course maintenance
- Safety publication
- Impact on other adjusting disciplines

BRAND MTG 7/2/97

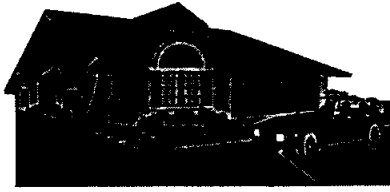
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BRAND MEETING
July 2, 1997

HOMEOWNER CCPR



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BRAND MEETING
July 2, 1997

HOMEOWNER CCPR COMPONENTS

Sept - Dec 1996
Fact Finding Completed

3 Major areas of Opportunity exist

- **Roof Losses**
- **Fire Losses**
- **Content Losses**

Jan - Mar 1997
Initial Design Work Completed*

Roofs

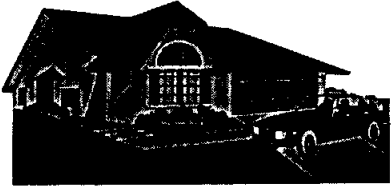
- **Coverage; i.e.. was the loss caused by a covered peril? Was it the result of improper installation? Was it wear and tear?**
- **Repair vs. Replace: in most cases, this is a better option for both the customer and Allstate**
- **Measurement: Proper measurements and correct use of Accupro will save us money.**

Fires

- **Measurement: Proper measurements and correct use of Accupro will save us money**
- **Cleaning Fundamentals: Many times, contents and portions of the structure can effectively be cleaned instead of repaired or replaced.**
- **Subrogation: Educational opportunities exist for the potential of subro on many fire losses**

***Design work in Contents/Theft to be completed at a later date. Initial focus is upon the two big areas of opportunity**

9



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BRAND MEETING
July 2, 1997

1997 HOMEOWNER CCPR

April - Aug 1997
Test of Initial Design

Roofs: Albuquerque MCO

Fires: Roseville MCO

Sept - Dec 1997
Test of learning's from
Initial Test Sites

Roofs: Denver MCO
Brooklyn MCO

Test transportability of Process
in more challenging markets

Fires: VA/DC MCO



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BRAND MEETING
July 2, 1997

**PRELIMINARY RESULTS OF PHASE ONE TESTING
HOMEOWNER CCPR**

- Roofs:** **Decrease in average CWA on Roof claims from \$1640 to \$670**
- Increase in CWPs on roof claims from 30% to 41%**
(proper coverage determination has resulted in “CWPing” claims
that would have been “CWA’d” in the past)
- Fires:** **Increase in Subro submissions from 10.6% to 26.3%**
- Increase in number of claims where “cleaning” was**
performed; instead of repair or replace
- Decrease in average CWA from \$15767 to \$4506**
(However, only 10 losses to date)

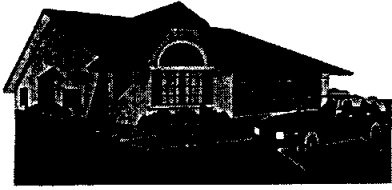


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July 2, 1997

AUTO CCPR



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AUTO CCPR NEW APPROACH COMPONENTS

Performance Management

Direct link to processes

New Role of UCM

Structures UCM's time so that the majority of their time is spent "one on one" with claim reps.

Enhanced PRO

Directly linked with CCPR solution

Required Weekly Meetings

Required weekly meetings to include role plays, calibrations and team building

Liability 2nd Look

Requires UCM review/authorization of all "100%" Liability "pay" cases

Misc Workshops & Tools

E.g. D/E workshop, Dispatch Workshop, "ride along templates", etc.

Modeling Behavior

CCPR team members "model" (show how to) performance and behavior



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July 2, 1997

1997 AUTO CCPR NEW APPROACH ACTIVITY

JAN - MAR

SOUTH CALIFORNIA CSA

MAR - JUNE

FLORIDA EAST CSA

JUNE - AUG

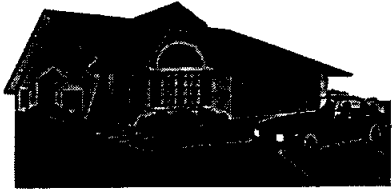
FLORIDA WEST CSA

AUG - OCT

HUDSON and PHOENIX CSAs

OCT - DEC

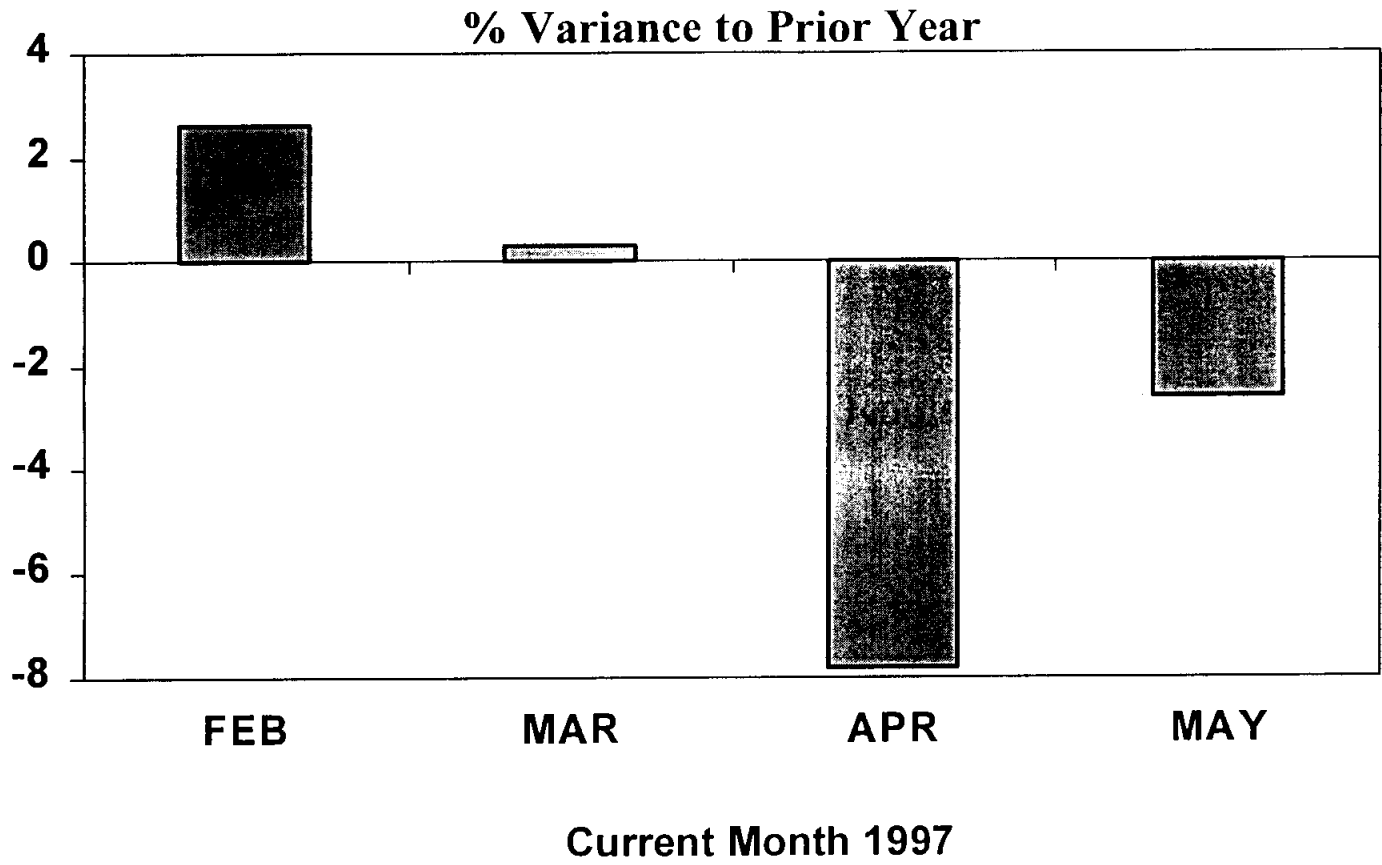
DALLAS and NEW JERSEY CSAs

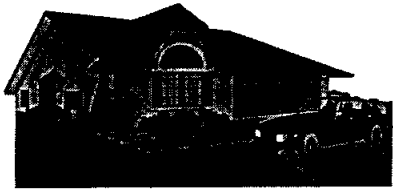


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July 2, 1997

**FLORIDA EAST CSA
COMBINED B, D, H**

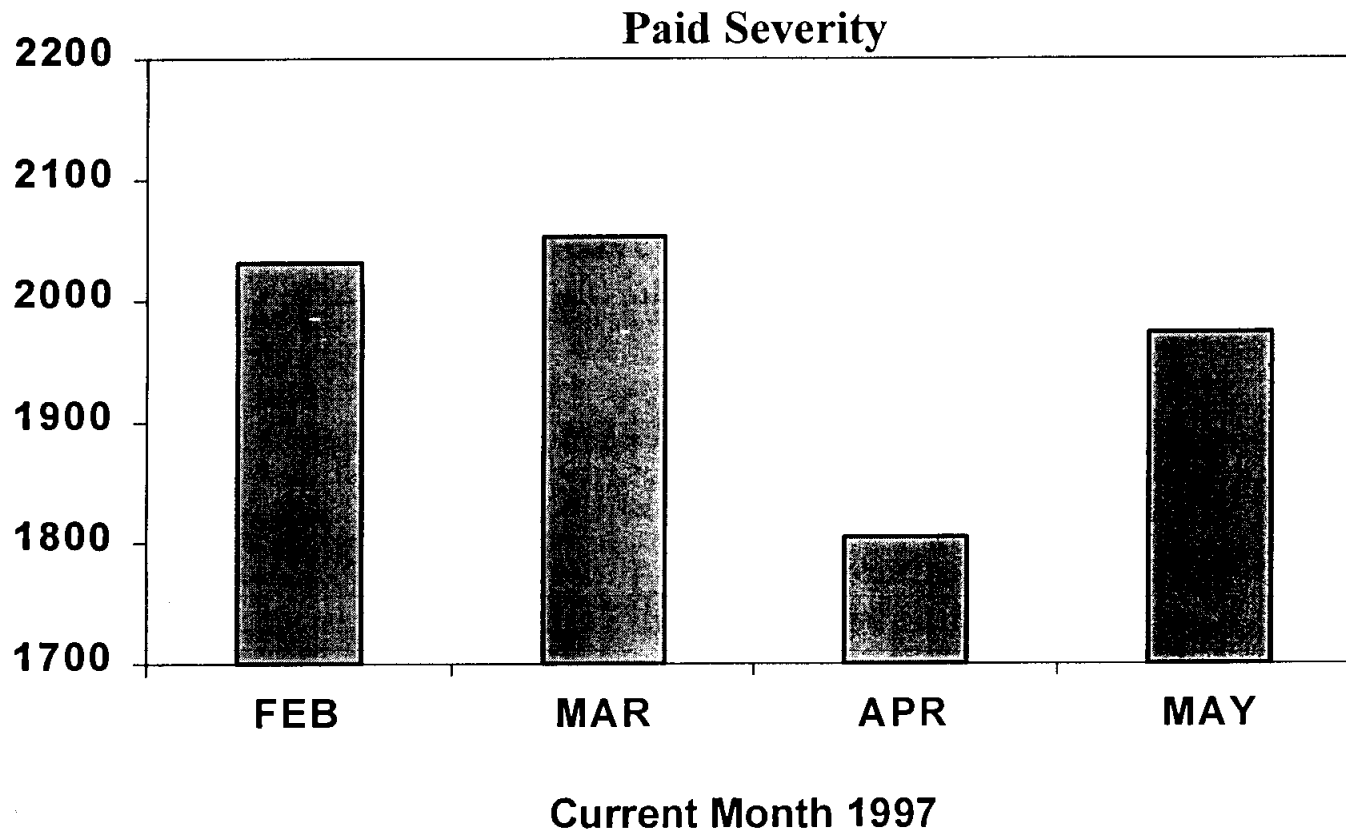


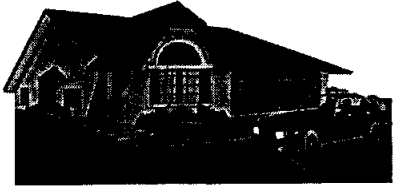


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BRAND MEETING
July 2, 1997

**FLORIDA EAST CSA
COMBINED B,D,H**





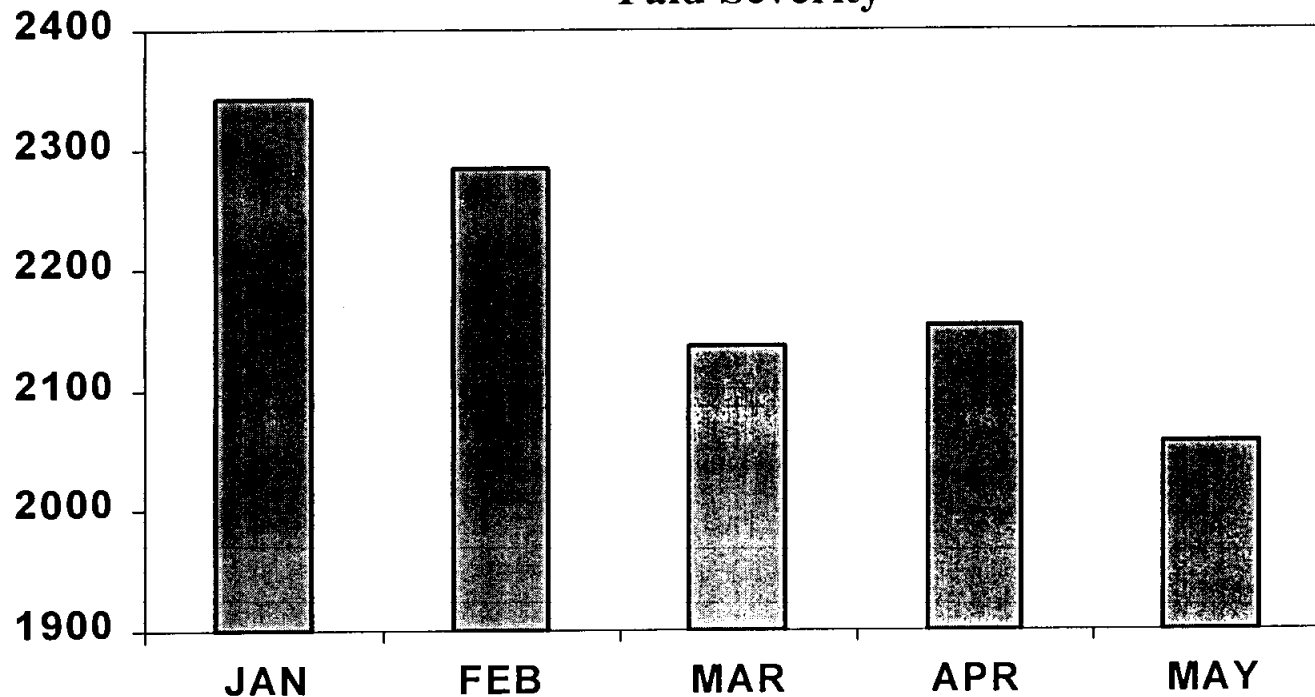
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BRAND MEETING

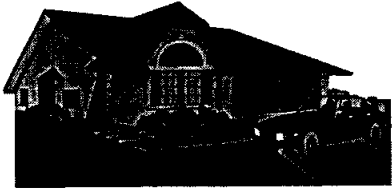
July 2, 1997

**SOUTHERN CALIFORNIA CSA
COMBINED B, D, H**

Paid Severity



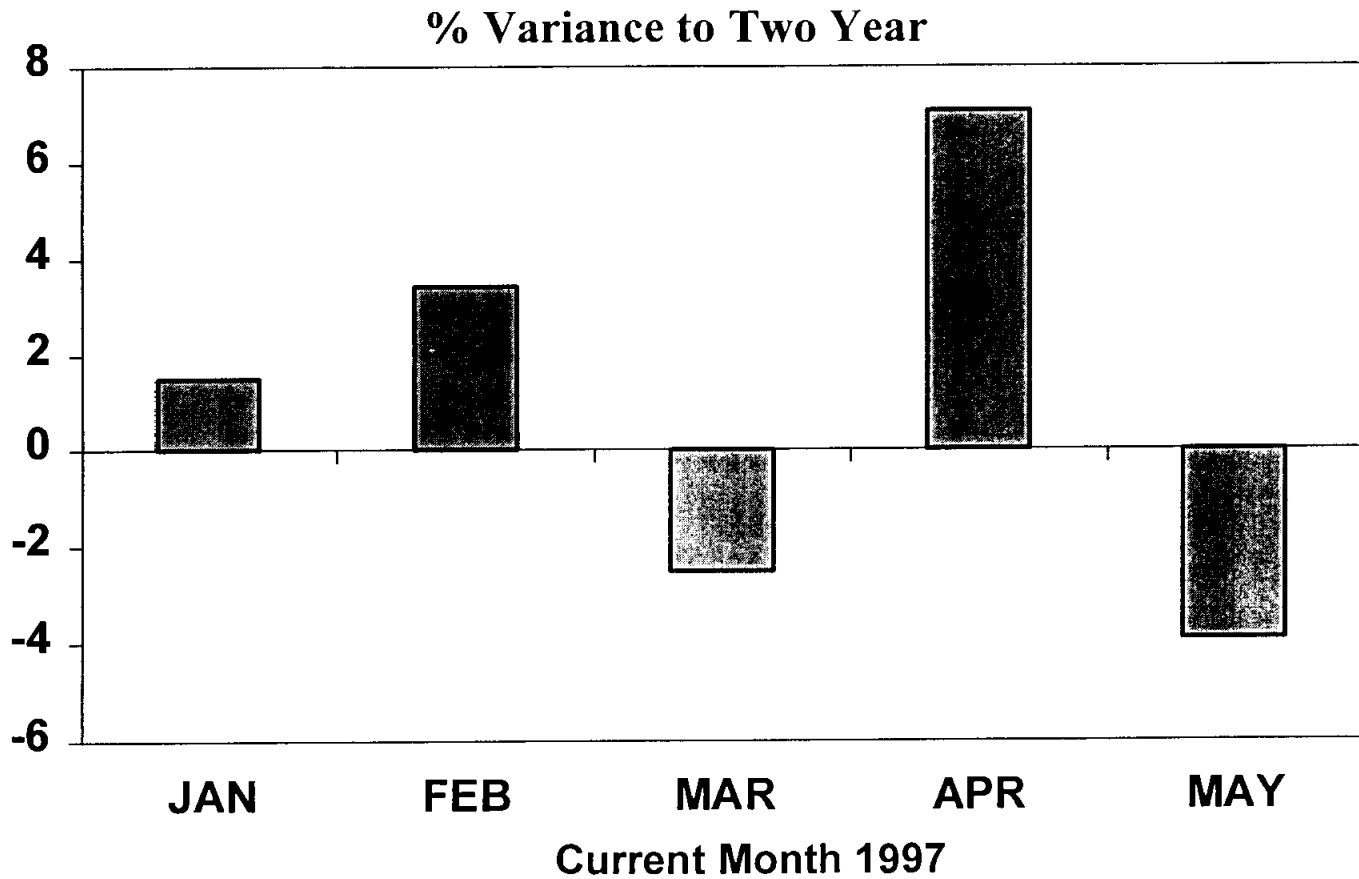
Current Month 1997



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BRAND MEETING
July 2, 1997

**SOUTHERN CALIFORNIA CSA
COMBINED B,D,H**



**KEY ISSUES MOVING
FORWARD 7/17/97**

KEY ISSUES MOVING FORWARD
7/17/97

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Key Issues Moving Forward

ALLSTATE INSURANCE COMPANY

Leadership team meeting
July 17, 1997

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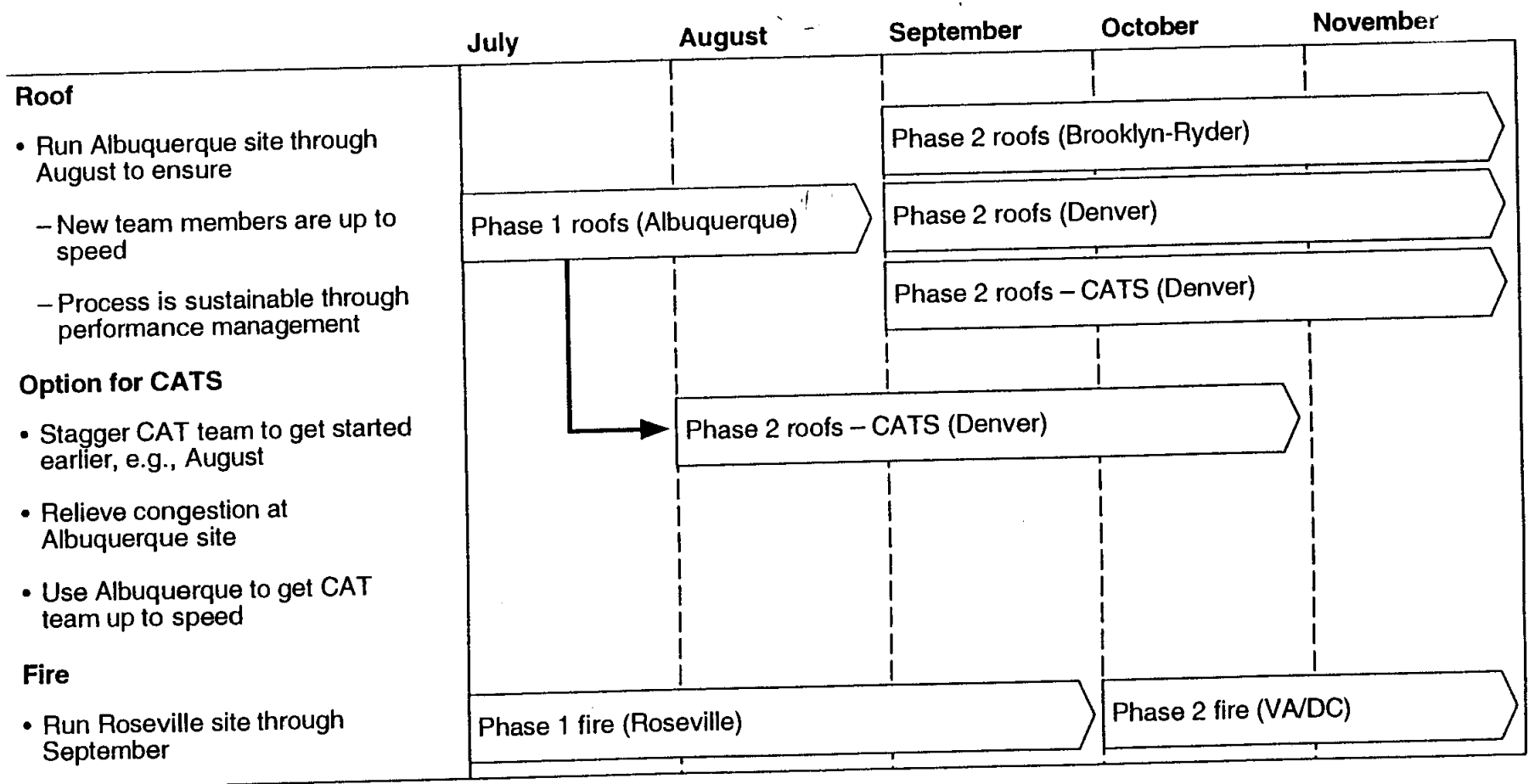
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presentation; it is not a complete record of the discussion.

LEADERSHIP TEAM/AGENDA

- Phase 2 timing and team member transitions
- Sustaining performance at Albuquerque and Roseville after transition
- Preimplementation training and potential quick hits

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PHASE 2 TRANSITION TIMING



ISSUES TO ADDRESS REGARDING PHASE 2 TRANSITION

- Should CAT team roll out ahead of Albuquerque roof transition
- Is Ryder a representative East Coast MCO and appropriate fall test site
 - Roof types
 - Claim profile

TEAM STAFFING

	Fire team	Roofs team (Denver)	Roofs team (Brooklyn)	CAT team	R&D support team
Team leader	• Mike Evanoff	• Steve Renkin	• Jim Tyson	• Joyce Washington	• Charles Leo
Team members	• Chrissie Bowers • Diane Collier • Vicki Lovesby • Margie Bowman	• Sam Epley • Hugh Davis • Dick Fischer	• Paul Block • Dan Sherban • Jude Sampson	• Mike Boltz • 3 CAT team members	• Sheldon Wright • Wayne Evans • Penny Howell • Scott Sylwester



- Fire team in place except for subro replacement
- CAT team ready to go
- 3 new team members starting week of 21st, remainder starting week of 28th
- Option of training to take place in home office and new sites July 28 - August 29 to ease congestion in Albuquerque

SUSTAINING ROOF TEST PERFORMANCE IN ALBUQUERQUE

	Issue	Proposed approach
<p>Building and sustaining commitment to roof process in Albuquerque</p>	<ul style="list-style-type: none"> • CSA management is excited by results and has a desire to see process continue • However, CSA faces a number of pressures, some of which are a result of hosting process test <ul style="list-style-type: none"> – Manager of roof process has fallen behind on CSA requirement, such as performance reviews – Centralization has absorbed MCM and PCM time 	<ul style="list-style-type: none"> • Heavily include senior CSA/MCO management in design of managerial responsibilities and performance measures • Develop plan for establishing sustainable management roles in driving continued process performance balanced with existing work load <ul style="list-style-type: none"> – Review manager activities time allocation – Design weekly manager work plans
<p>Continuing oversight</p>	<ul style="list-style-type: none"> • After team leaves at end of August, need system for reporting and reviewing results 	<ul style="list-style-type: none"> • 30-day comprehensive checkup and debrief • Consistent reporting of process compliance and results to MCO/CSM management and CCPR team • Revisits to Albuquerque by CCPR team leader if required by significant performance degradation

FIRE PROCESS QUICK HIT OPTIONS

Options	Key steps and relevant resources	Timing
<ul style="list-style-type: none"> • Designate content specialist to focus on inventorying and pricing content items • Establish cleaning mitigation at beginning of process (emergency precleaning) 	<ul style="list-style-type: none"> • One CCPR member and one PIC member to jointly develop activity description and measurement package • test package on small set of MCOs • Adjust package based on feedback and measurement and disseminate nationwide 	<ul style="list-style-type: none"> • 2-3 months until in place nationally
<ul style="list-style-type: none"> • Create a mini-process that focuses solely on cleaning 	<ul style="list-style-type: none"> • Develop stand-alone subprocess, including training, process layout link into existing work, measurements and tracking • Roll out cleaning process with multiple teams (10-15) of 1-2 people to transfer subprocess in 3 week modules 	<ul style="list-style-type: none"> • 6 month-1 year until in place nationally

ROOF PROCESS QUICK HIT

Handling wind claims to roofs

- Only pay to repair a slope if it is damaged
- Full roof replacements should occur only if **all** slopes are damaged



Wind usually only affects slopes exposed to the directionality of the wind

Full roof replacements from wind

- Albuquerque baseline = 39%
- Albuquerque test process = 2%

PREIMPLEMENTATION TRAINING – SKILL GAPS TO BE ADDRESSED

Basic/core skills

- Understanding basic math and measurement techniques
- Ability to measure and diagram roofs/rooms according to standardized procedures
- Applying fundamental knowledge and skills to write an estimate
- Properly navigating and understanding Accupro; utilizing templates to prepare and Accupro estimate

Technical skills

- Roofs
 - Basic materials and material specification
 - Roof construction
 - Proper and improper roofing installation
- Fire
 - Ability to understand major fire loss component and make repair vs. replace judgments
 - . Drywall
 - . Cabinets
 - . Flooring
 - . Counter tops
 - Basic construction understanding of
 - . Roofing
 - . Siding
 - . Framing

SUCCESS FACTORS FOR PREIMPLEMENTATION TRAINING

- Training based on key learnings from test sites and codeveloped by CCPR team
- Roll out of training needs to be closely timed (could be back-to-back) to arrival of CCPR to ensure relevance and retention
- Basic skill precertification to be conducted and passed before CCPR allowed to site

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Fire CCPR Update


ALLSTATE INSURANCE COMPANY

Team debrief at Home Office

July 17, 1997

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AGENDA FOR TODAY

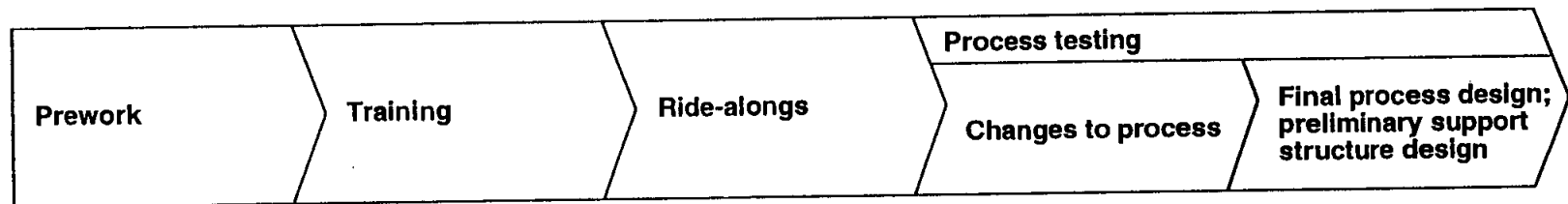
Area	Topic
	
Results to date	<ul style="list-style-type: none">• Impact and estimated savings• Customer satisfaction findings
Major process issues	<ul style="list-style-type: none">• Additional opportunity areas• Process productivity• Value of file examiner
Activities going forward	<ul style="list-style-type: none">• Fire process time line

KEY FOCUS AREAS OF PROCESS

Area	Key elements	Estimated country-wide opportunity*
Subrogation	<ul style="list-style-type: none"> • Subrogation is identified upfront and methodically pursued on all claims • Any subrogation rule-outs take place with justification and manager approval 	\$33 million
Structure evaluation	<ul style="list-style-type: none"> • Claim reps perform test clean to identify cleaning potential and thus control the scope of the loss • Focus on repairing, eliminating overlaps and eliminating lump sum bids 	\$43 million
Contents evaluation	<ul style="list-style-type: none"> • Reps identify cleanable contents items, inventory all non-salvageables on site, and confirm pricing from an appropriate source 	\$26 million

* Based on closed file reviews

ACTIVITIES TO DATE



	March	April	May	June	Mid-July
Timing					
Activities	<ul style="list-style-type: none"> • MCO kickoff • Baseline reviews • Claim rep orientation • Skill assessments 	<ul style="list-style-type: none"> • Fundamental technical training • Process training • On-site and classroom role plays 	<ul style="list-style-type: none"> • Process calibration • Process problem solving • Coaching 	<ul style="list-style-type: none"> • Claim reps ride alone • Measurements and analysis • Process problem solving • Time and productivity studies 	<ul style="list-style-type: none"> • Efficiency improvement changes to contents process • Setup ongoing measurements • Preliminary definition of manager roles and performance management system
Learnings	<ul style="list-style-type: none"> • Claim reps and managers need to improve technical, estimating, and Accupro skills 	<ul style="list-style-type: none"> • Hands-on technical and Accupro training can raise knowledge levels quickly • On-site role plays and scripting critical to building skills to execute new process 	<ul style="list-style-type: none"> • Complexity of process implies need for hands-on support to reps 	<ul style="list-style-type: none"> • Process efficiency and productivity need to be improved for contents losses 	<ul style="list-style-type: none"> • Performance management and manager role definition critical for success

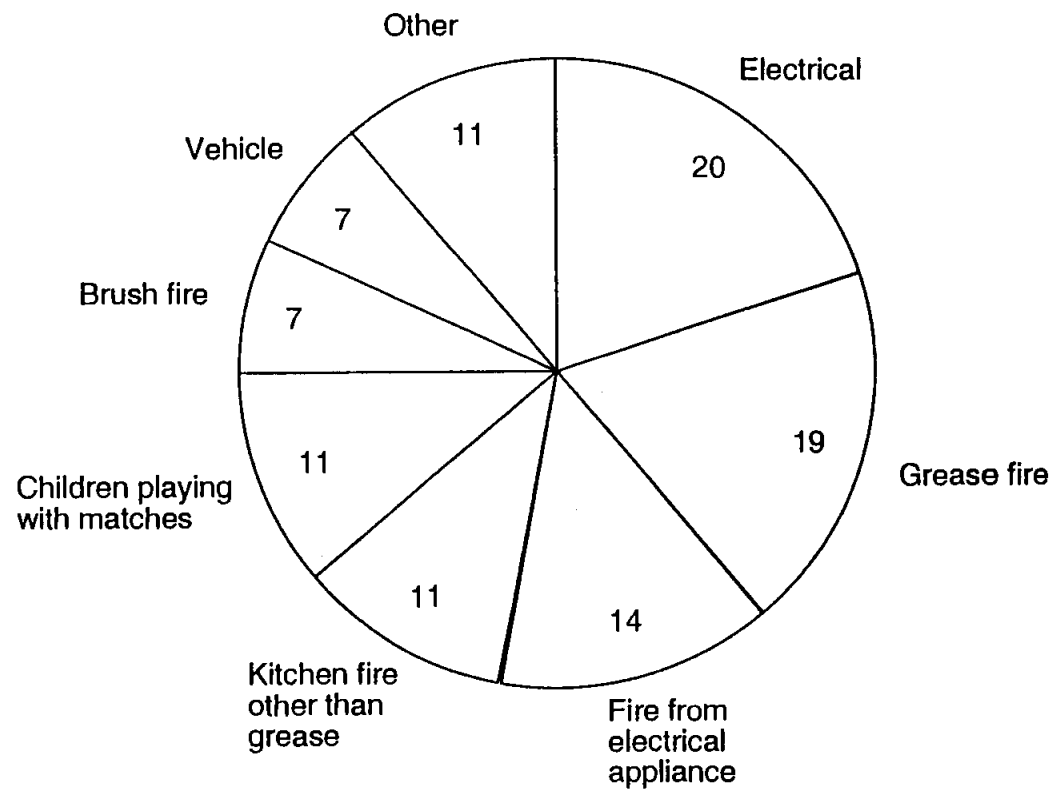
AGENDA FOR TODAY

Area	Topic
Introduction	<ul style="list-style-type: none">• Key focus areas• Activities to date
Results to date	<ul style="list-style-type: none">• Impact and estimated savings• Customer satisfaction findings
Major process issues	<ul style="list-style-type: none">• Additional opportunity areas• Process productivity• Value of file examiner
Activities going forward	<ul style="list-style-type: none">• Fire process time line

DISTRIBUTION OF FILES CLOSED BY CAUSE OF LOSS

Percent of total dollars paid

100% = \$292,084



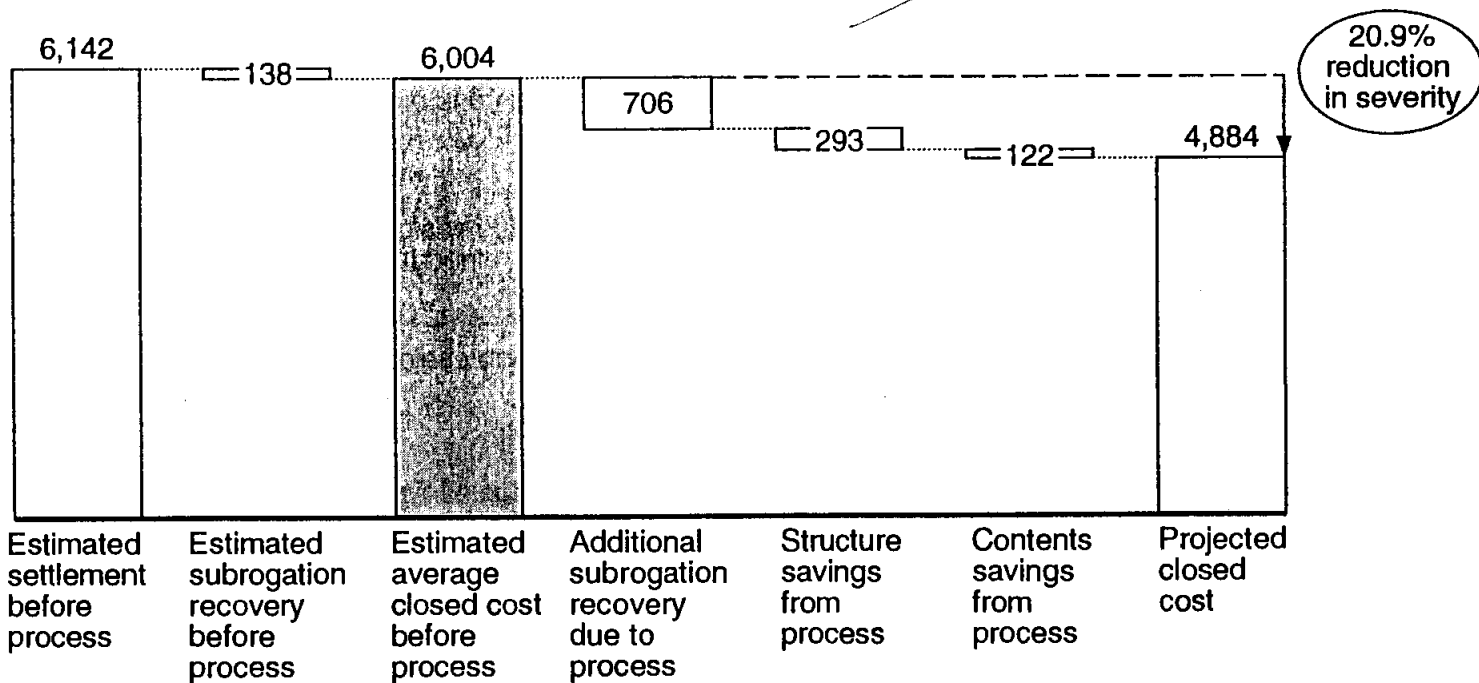
Source: 51 closed files; team analysis

*Need reports
eliminate lump
sum bids*

SUMMARY OF FIRE PROCESS IMPACT

Average dollars per claim

ESTIMATE



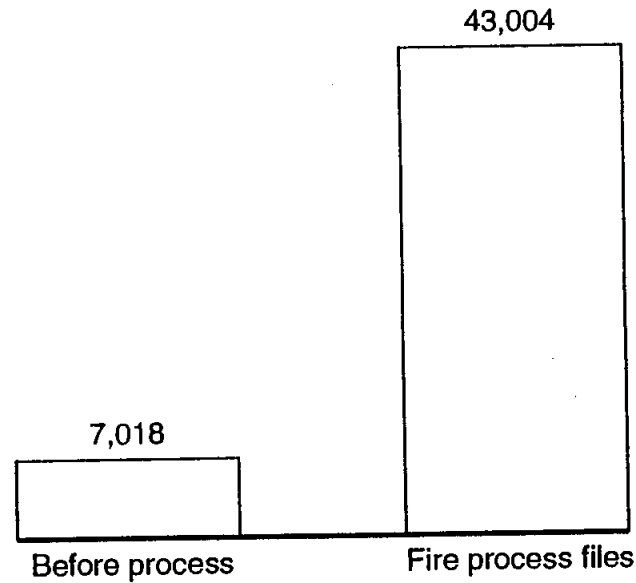
Note: Severity and savings numbers are understated since the 51 files analyzed have mostly been small fires
 Source: 51 closed files; team analysis

EARLY RESULTS FOR SUBROGATION

*Final Review
of measure results*

ESTIMATE

Projected subrogation recovery
Total dollars for 51 files analyzed



Increased submission rate should drive recovery dollars

Subrogation submissions

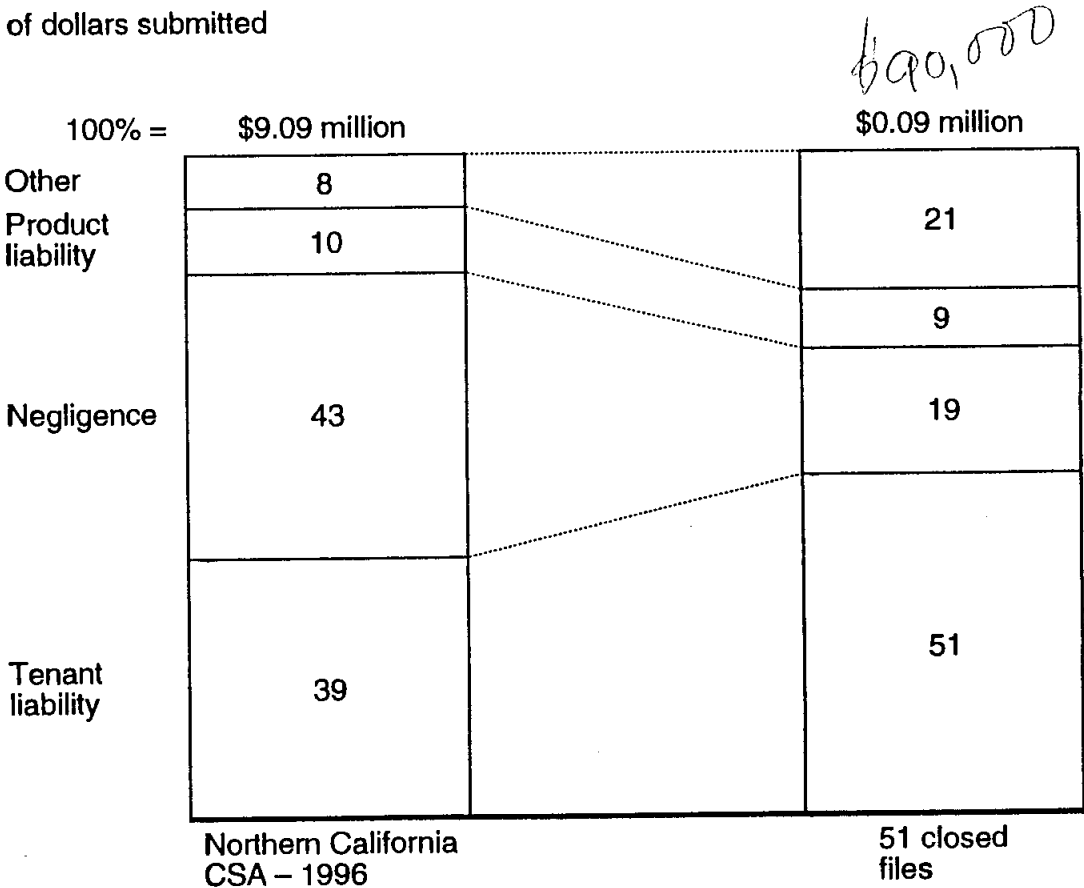
Before process
4.8%



After process
29.4%

Source: 51 closed files; National Property Subro; team analysis

BREAKDOWN OF FILES SUBMITTED FOR SUBROGATION
 Percent of dollars submitted

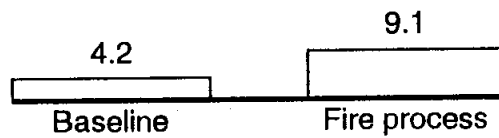


Source: 51 closed files; National Property Subro; team analysis

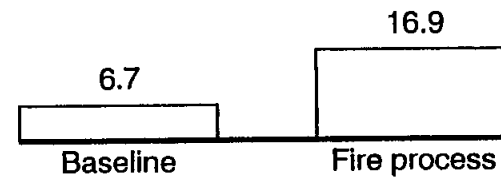
EARLY RESULTS – STRUCTURE

Percent

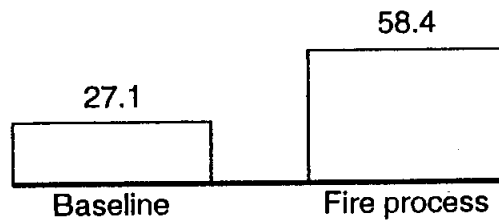
Cleaning dollars to total dwelling dollars



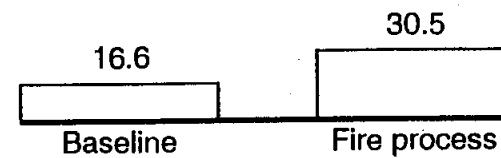
Flooring repair and clean dollars to total flooring dollars



Drywall repair and clean dollars to total drywall dollars



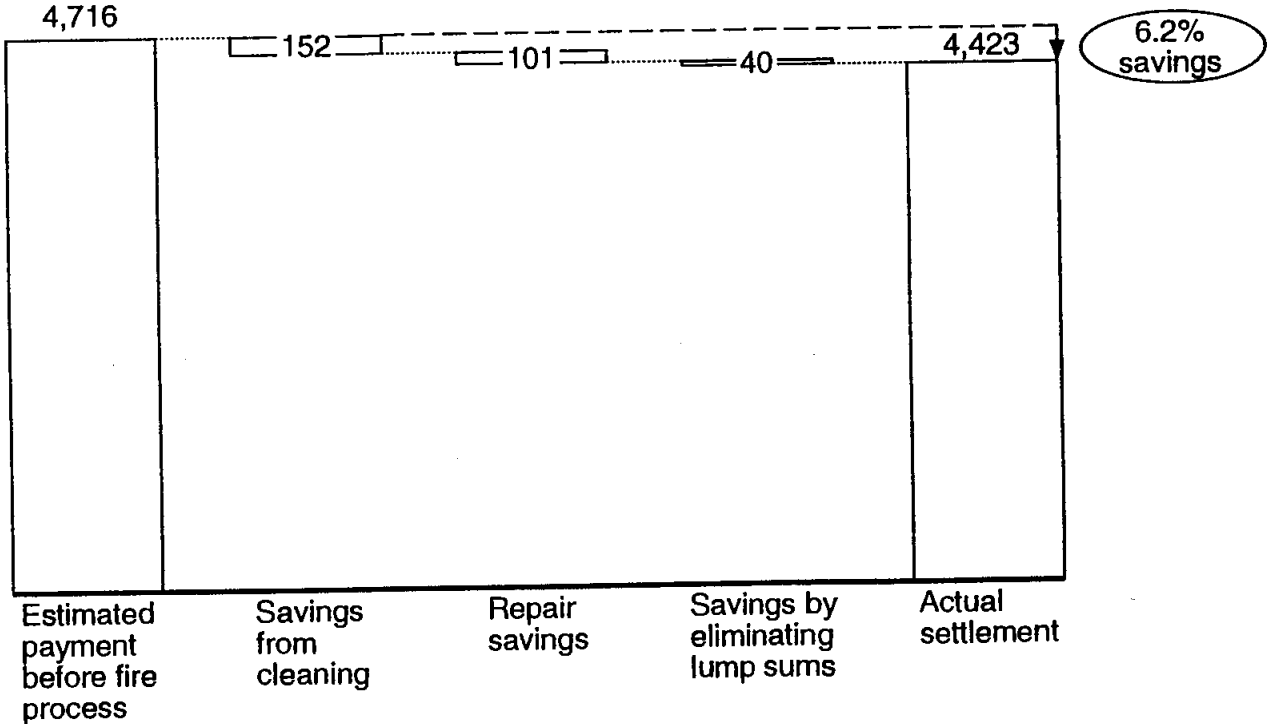
Cabinets repair and clean dollars to total cabinet dollars



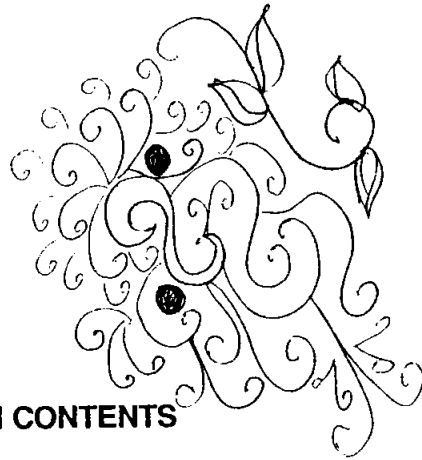
Source: 51 closed files; team analysis

ESTIMATED SAVINGS ON STRUCTURE
Average dollars per claim

ESTIMATE

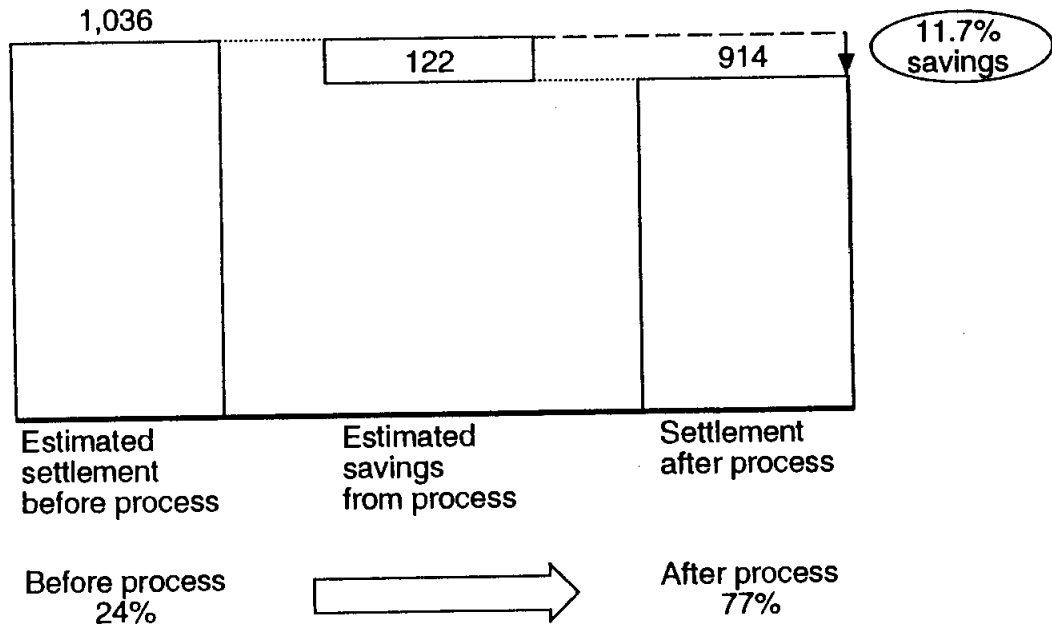


Source: 51 closed files; team analysis



ESTIMATED IMPACT OF FIRE PROCESS ON CONTENTS
Average dollars per claim

ESTIMATE



Source: 51 closed files; team analysis

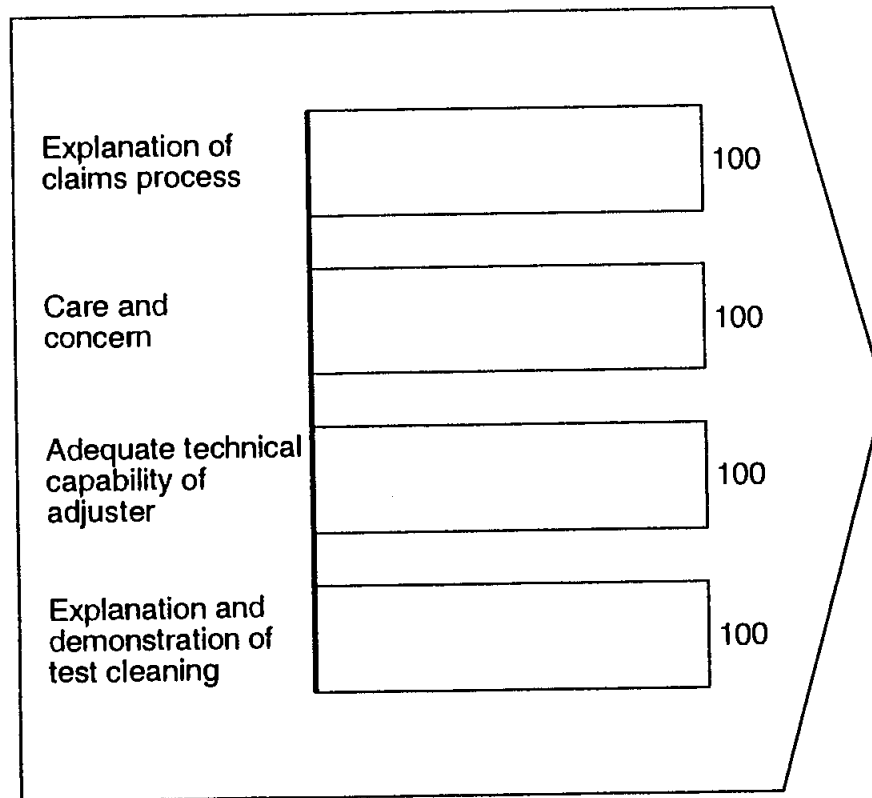
ILLUSTRATIVE EXAMPLES OF FIRE PROCESS IMPACT

Situation	Likely previous behavior	Actual outcome	Clean or repair payment Dollars	Estimated repair/ replacement cost Dollars
Smoke damage to cabinets	Sand and refinish	Clean	40	450
Smoke damage to window treatments	Replace custom window treatments	Clean	25	250 per treatment; 4,000 for entire home
Nail spots and smoke on drywall in bedroom, hallway, and study	Replace drywall	Repair/paint	680 for bedroom, study, and hallway each	1,360 for bedroom, study, and hallway each
Heavy smoke on computer	Replace computer	Clean	95	1,500

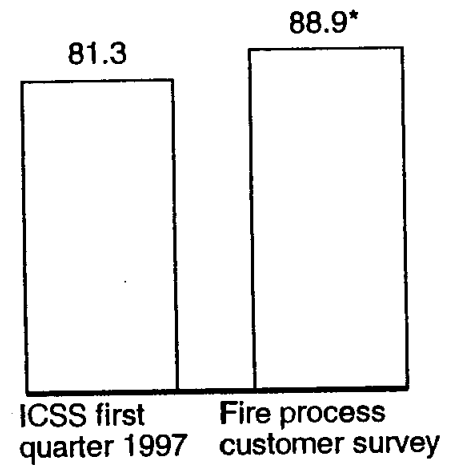
Source: Fire process files

CUSTOMER SURVEY RESULTS

Percent



Completely satisfied customers



* 11.1% of the respondents did not answer this question because repairs to their damage had not been completed at the time of the interview

Source: Survey of 10 customers; team analysis

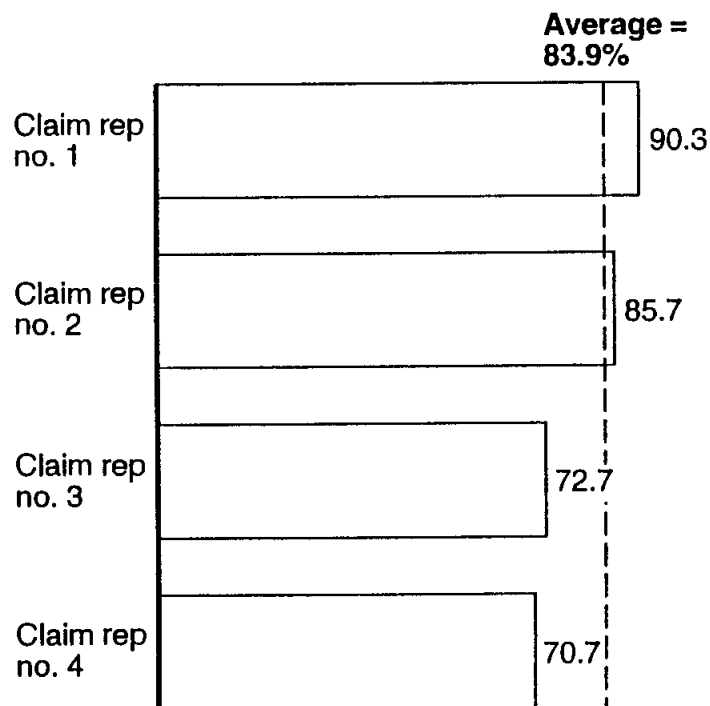
CUSTOMER QUOTES

- (Regarding the test cleaning) "I was positively impressed"
- "I was surprised to see the adjuster **look** for smoke damage (in other areas of the house). I felt I was being taken care of"
- "I felt that the test cleaning was a disadvantage to the insurance company because the adjuster found smoke damage where I thought there was none. I see now that the insurance company is looking out for me instead of just them"
- (The claim was) "Incredibly fair . . . makes me appreciate all my insurance policies with Allstate"

Source: Customer interviews

CLAIM REP COMPLIANCE WITH CUSTOMER INTERACTION SCRIPT

Percent



Areas where additional improvement is needed

- Setting time expectations
- Checking for understanding
- Educating the customer
- Defining the roles of various people involved (cleaning vendors, contractor, claim rep, etc.)
- Thanking the customer for being on-site
- Thanking the customer for being with Allstate

Source: Claim rep ride-alongs; team analysis

AGENDA FOR TODAY

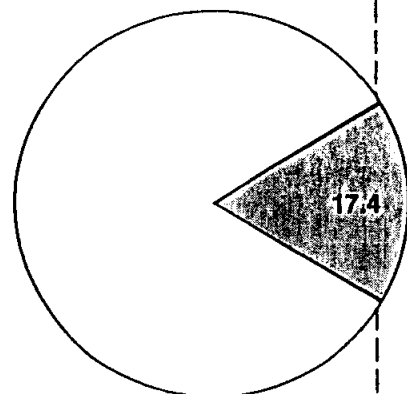
Area	Topic
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Major process issues	<ul style="list-style-type: none">• Additional opportunity areas• Process productivity• Value of the engine
Activities going forward	<ul style="list-style-type: none">• Fire process time line

REINSPECTION RESULTS

PRELIMINARY

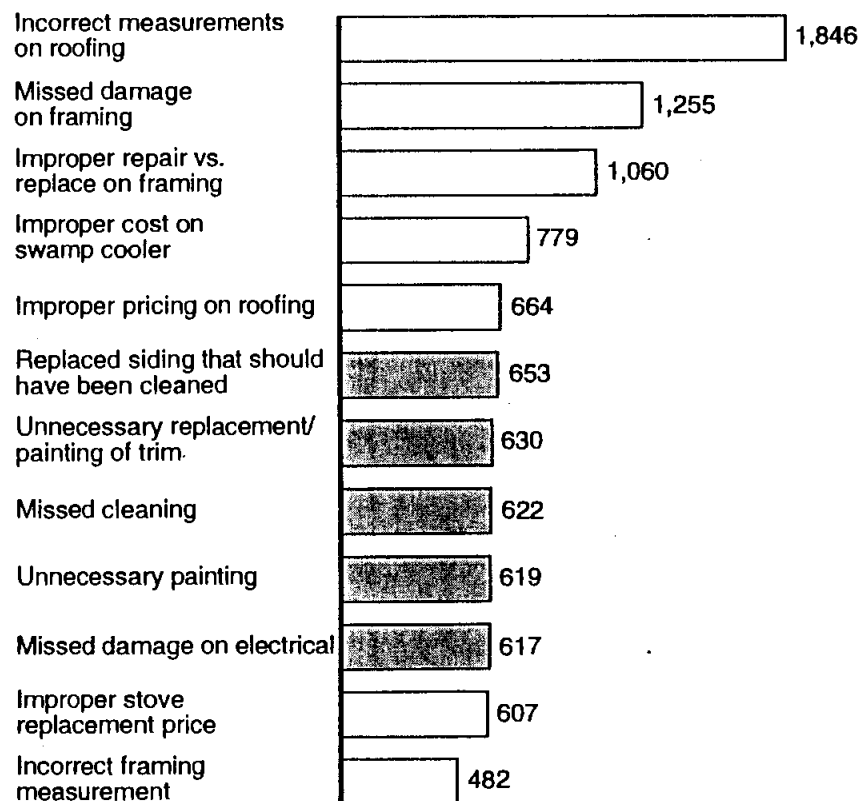
Reinspection opportunity
Percent of reinspected dollars

100% = \$85,361



Reinspection opportunity

Major exceptions found
Dollars



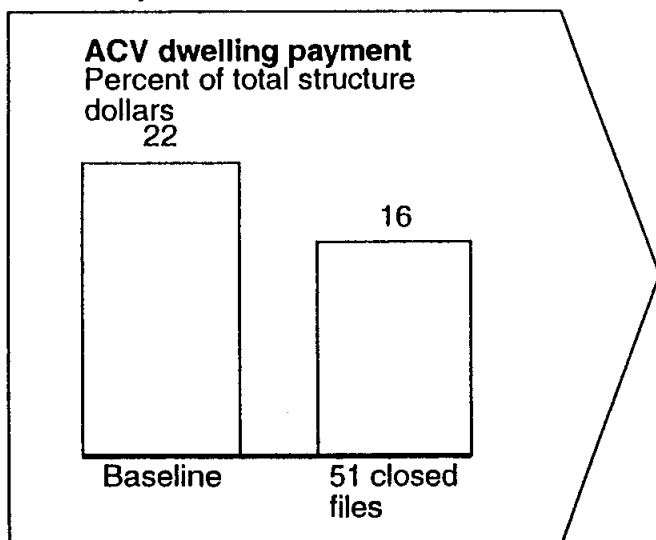
Areas within process

- Broad-based technical training needed
- Specific training areas to be decided based on additional reinspection
- Multiplicity of issues implies need for significant management coaching and development

Source: 7 reinspection; team analysis

ACV SETTLEMENTS

Current performance



Key reasons

- FRC payments made up front in claims where a contractor (jointly with the insured) is paid by Allstate to conduct repairs
- ACV payment rule not enforced

Recommendation

- Enforce ACV policy irrespective of type of payment
- Measure as part of CCPR
 - Incorporate ACV goals into performance targets

Source: 150 baseline files; 51 closed files; team analysis

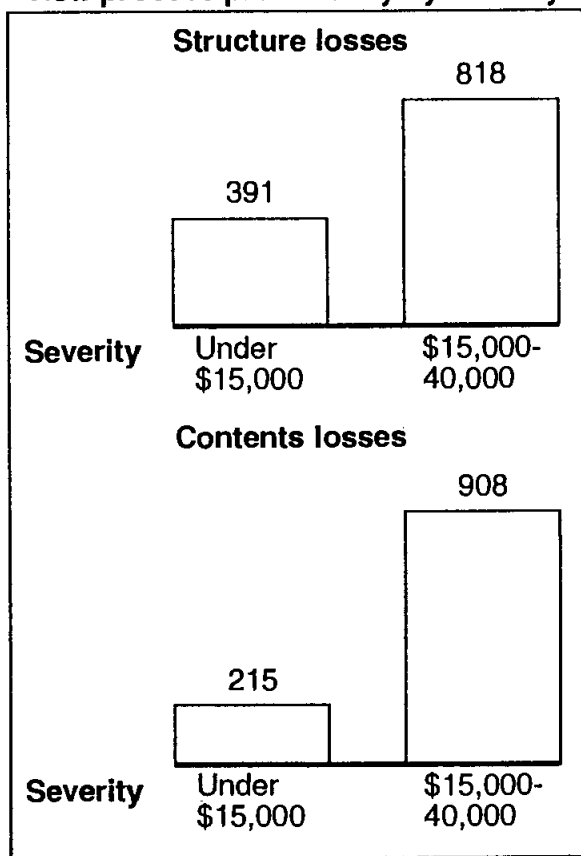
PRODUCTIVITY FOR NEW PROCESS AND OLD PROCESS

Minutes per claim

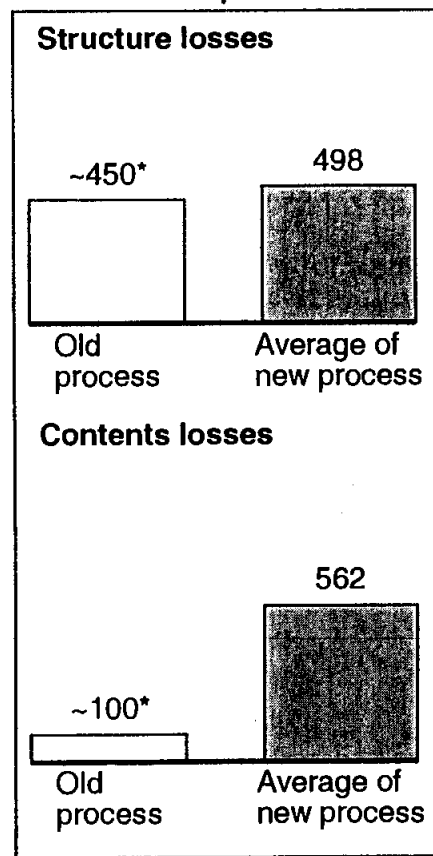
ESTIMATE

■ New process
□ Old process

New process productivity by severity



Comparison between old and new process



- Limited increase in structure time – 9%
- Major increase in contents time – 525%

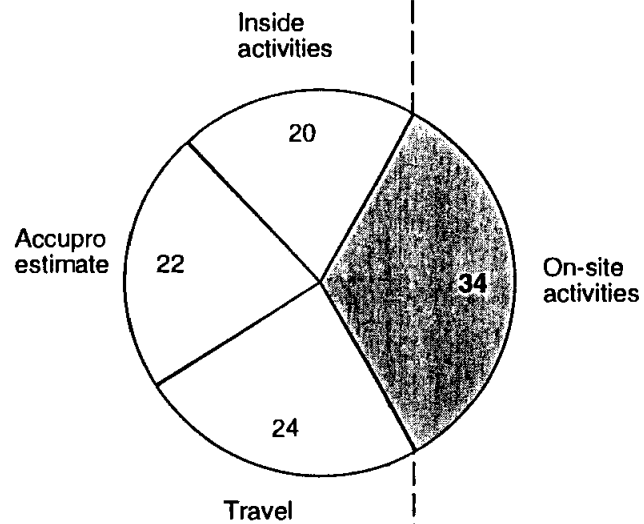
* Adjusted to match severity of sample

Source: 14 structure time studies; 4 contents time studies; MCO data for 4 claim reps; team analysis

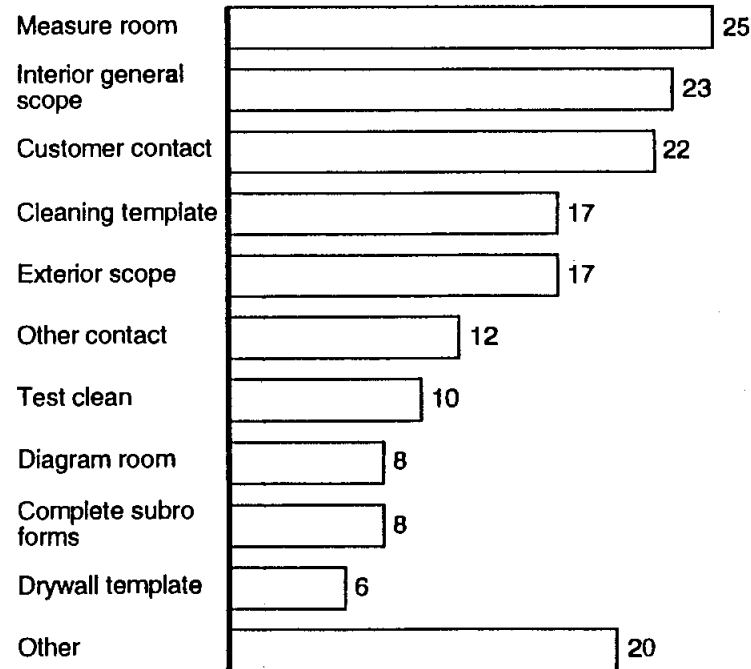
TIME ANALYSIS – STRUCTURAL LOSSES

PRELIMINARY

Breakdown of time per claim
Percent
100% = 498 minutes



Major on-site activities
Average minutes per claim



Source: 14 structure time studies; team analysis

Safety

KEY STRUCTURE PROCESS CHANGES TO IMPROVE EFFICIENCY

Change

Use cash-out form where there is light smoke damage

On light-to-medium smoke damage claims, use standard measurements for openings

Benefit of change

When customer is willing to accept a cash-out, this form allows the claim rep to quickly estimate a payment without having to complete the detailed cleaning forms

Decreases the time spent on measurements for these claims

Caution

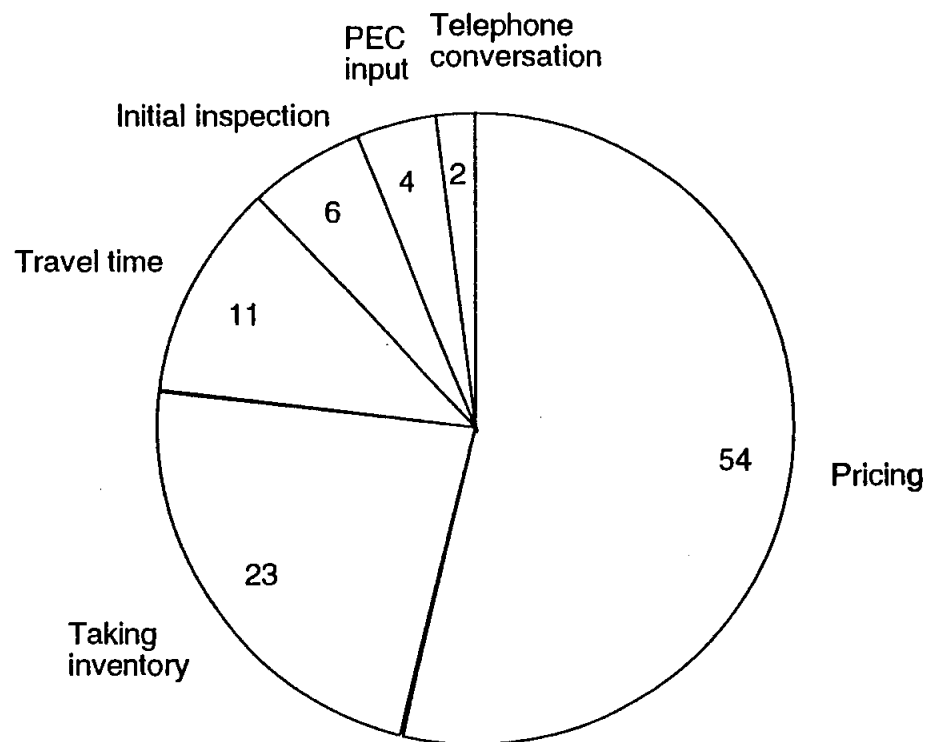
customer not willing

BREAKDOWN OF TIME SPENT ON CONTENTS LOSSES

PRELIMINARY

Percent

100% = 562 minutes



Source: 4 closed contents files; team analysis

ANALYSIS OF CONTENTS ITEMS

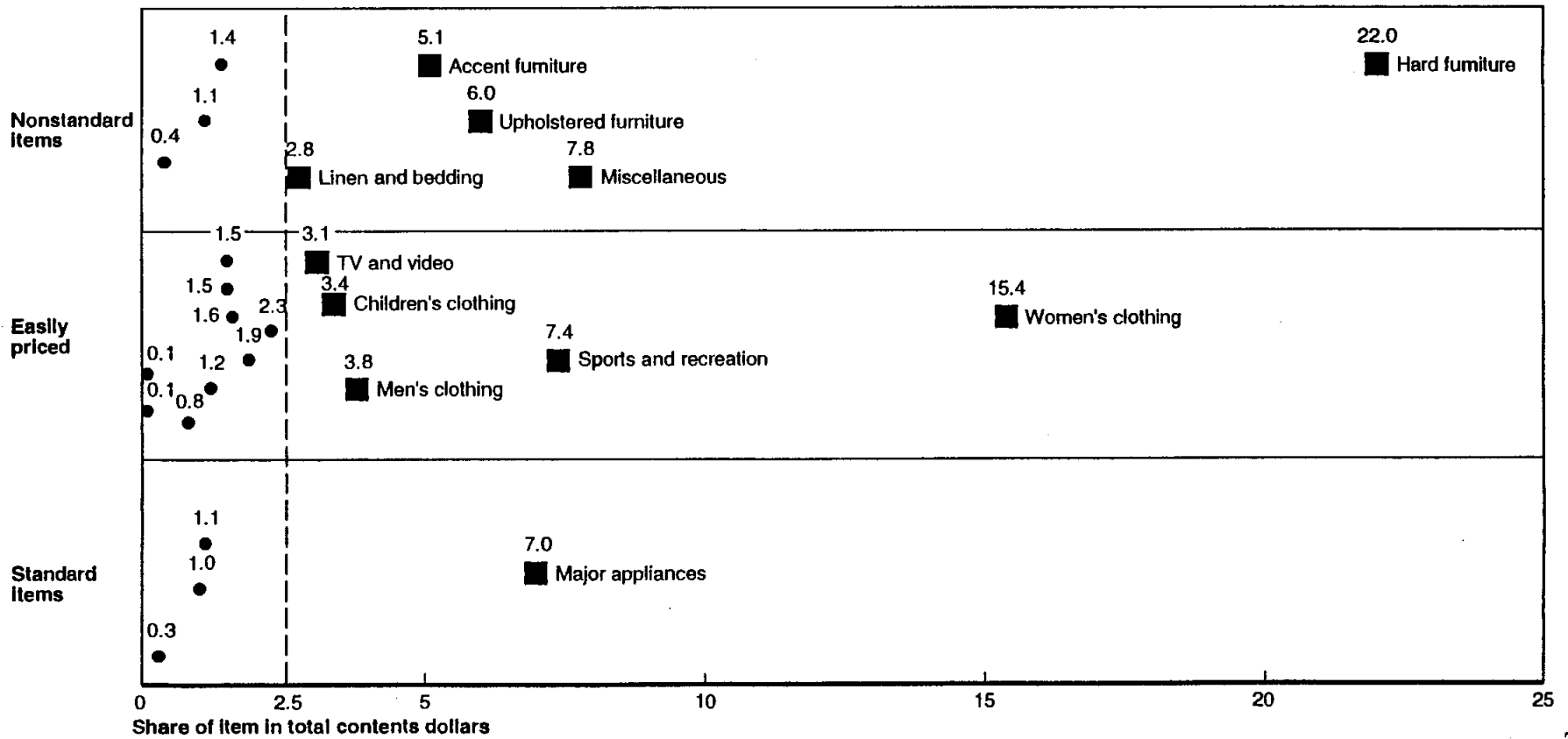
Percent share of total dollar value

PRELIMINARY

■ Major items each accounting for at least 2.5% of the total dollar value

● Low-value items

Type of Item



Source: 5 closed contents files; team analysis

CONTENTS PROCESS RECOMMENDATIONS AND IMPACT

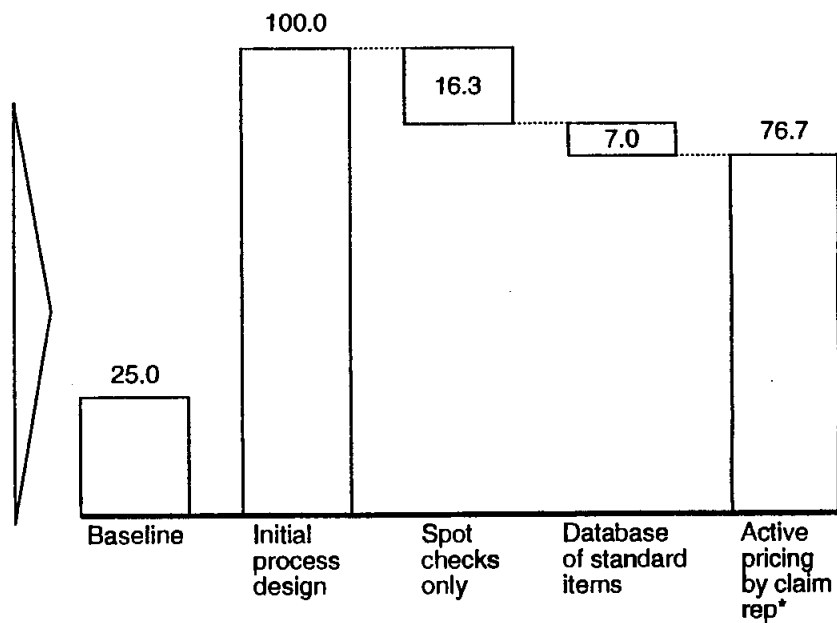
Contents pricing guidelines

Nonstandard items	Accept insured's price if spot checks in other categories do not reveal discrepancies	Use nonconventional/multiple sources to obtain price
Easily priced items	Spot check insured's price against established sources	Price items using a well known source like Sears
Standard items	Spot check insured's prices against database	Use database of standard items to price contents

0 2.5 25

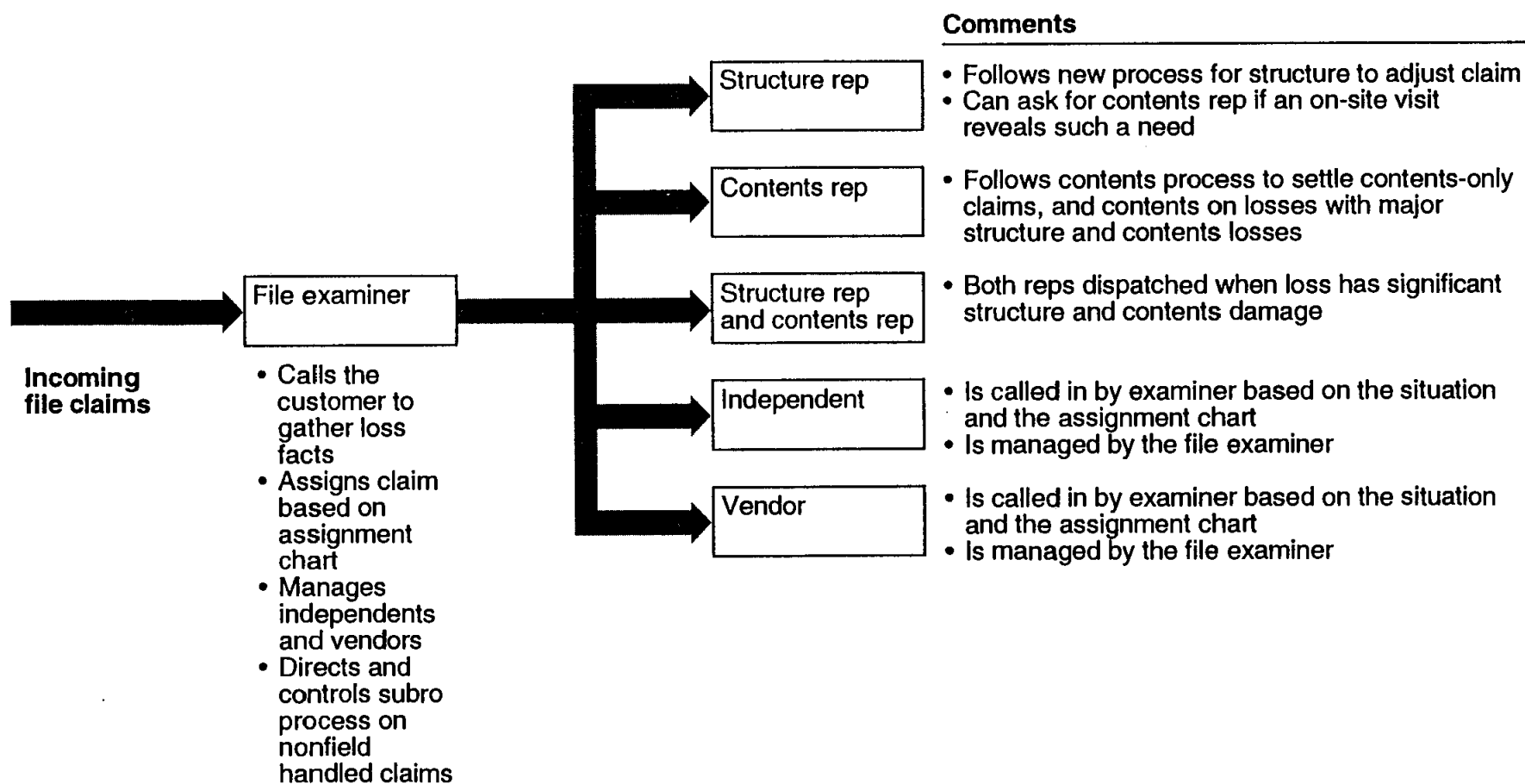
Percent share of total dollar value

Value of contents priced by claim rep
Percent

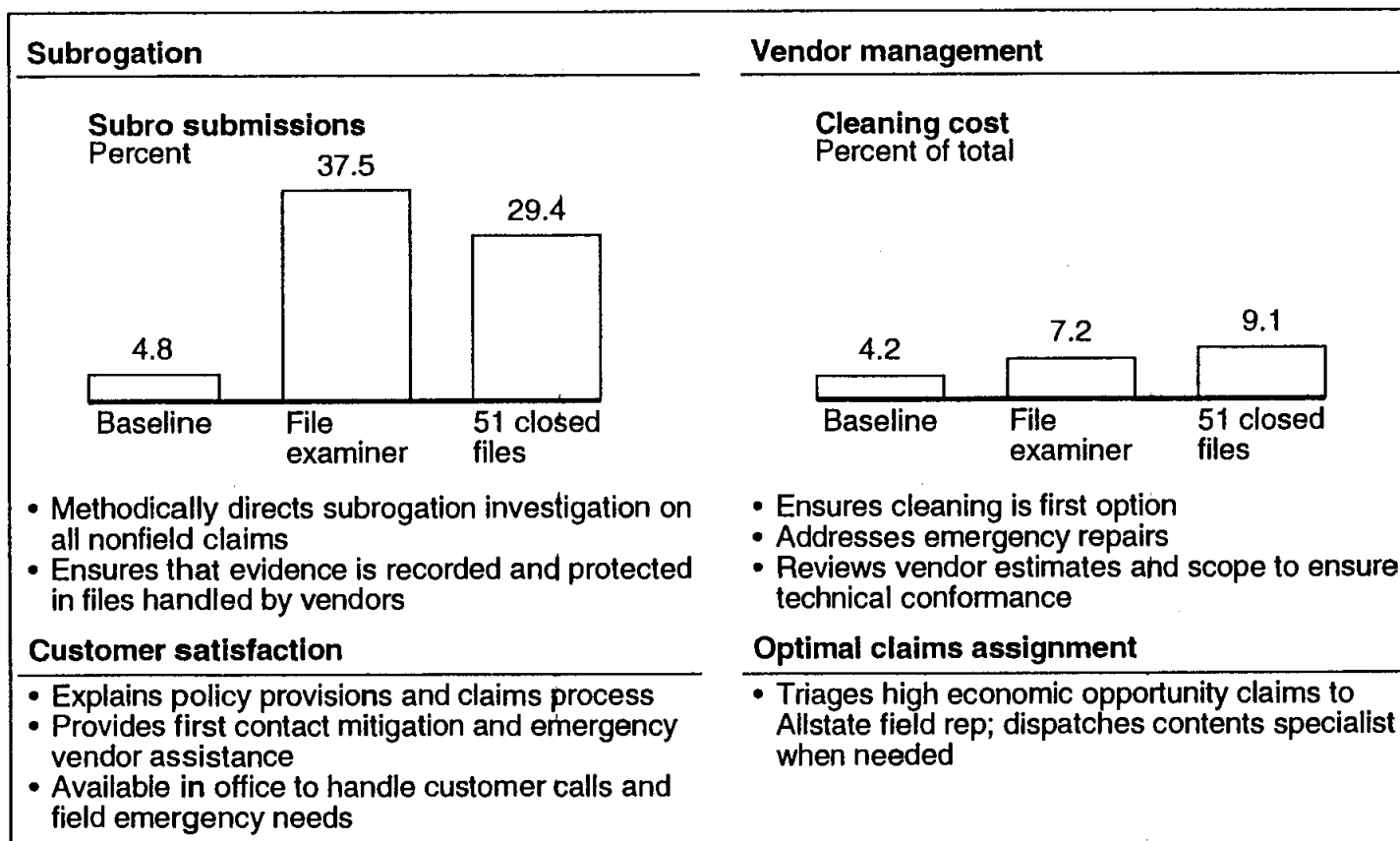


* Using well known sources and/or other nonconventional sources

ROLE OF FILE EXAMINER WITHIN FIRE PROCESS



VALUE AND COST OF FILE EXAMINER ROLE



Cost of file examiner role

- 119 minutes per claim
- 30% of one person in Roseville MCO

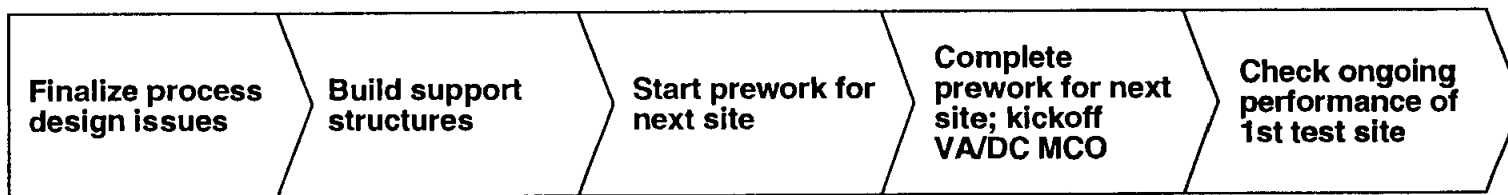
Source: Closed files; team analysis

AGENDA FOR TODAY

Area	Topic
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Results to date	<ul style="list-style-type: none">• Impact and estimated savings• Customer satisfaction findings
Major process issues	<ul style="list-style-type: none">• Additional opportunity areas• Process productivity• Value of file examiner
Activities going forward	• Fire process time line

*Roseville -
 Do local mgt view as benefit?
 See return on investment?
 Reward?
 Support?*

ACTIVITIES GOING FORWARD



**Timing
 Activities**

	July/August	July/August	August/September	September	October
	<ul style="list-style-type: none"> Finalize value and cost analysis of examiner role Refine contents pricing process (including database) Further define customer service impact of process Complete research and design of specialty trades process Further define time required per claim for structure reps 	<ul style="list-style-type: none"> Calibrate local management on measurement forms and reinspections Finalize management roles and performance management system 	<ul style="list-style-type: none"> Define required preprocess training (with PIC) for next site Prepare "professional quality" training material and process pack (using Tech-Cor and Service-master as resources) Test new manager roles 	<ul style="list-style-type: none"> Home office debrief to discuss first site results and findings Conclude prework training packs Kickoff VA/DC* 	<ul style="list-style-type: none"> Revisit Roseville to check ongoing process compliance

* Timing uncertain at this point – could be October

**KEY ISSUES MOVING
FORWARD 7/17/97**

KEY ISSUES MOVING FORWARD

7/17/97

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Key Issues Moving Forward

ALLSTATE INSURANCE COMPANY

Leadership team meeting
July 17, 1997

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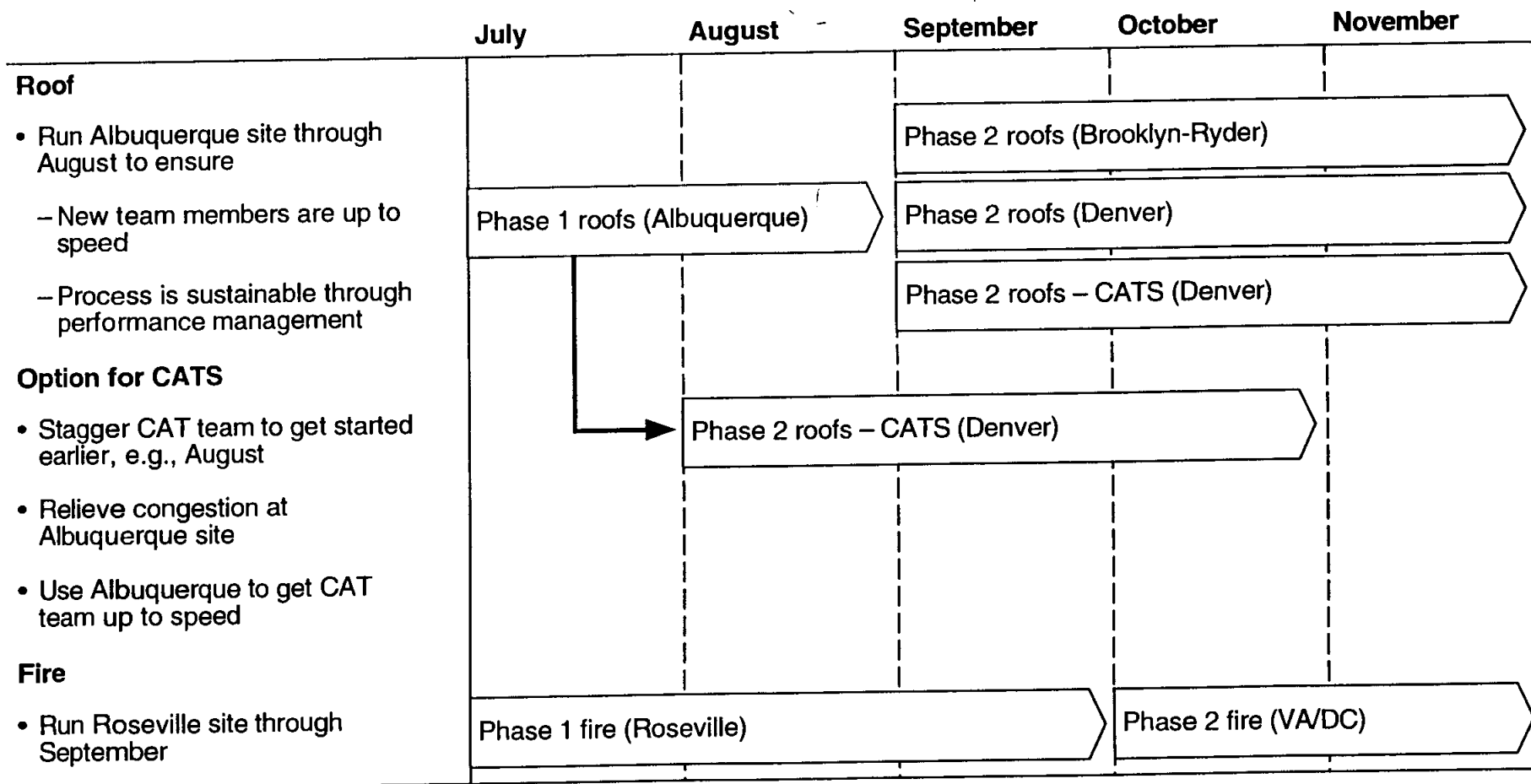
This material was used by McKinsey & Company during an oral
presentation; it is not a complete record of the discussion.

LEADERSHIP TEAM/AGENDA

- Phase 2 timing and team member transitions
- Sustaining performance at Albuquerque and Roseville after transition
- Preimplementation training and potential quick hits



PHASE 2 TRANSITION TIMING

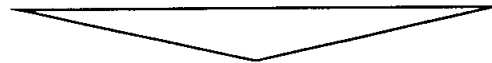


ISSUES TO ADDRESS REGARDING PHASE 2 TRANSITION

- Should CAT team roll out ahead of Albuquerque roof transition
- Is Ryder a representative East Coast MCO and appropriate fall test site
 - Roof types
 - Claim profile

TEAM STAFFING

	Fire team	Roofs team (Denver)	Roofs team (Brooklyn)	CAT team	R&D support team
Team leader	• Mike Evanoff	• Steve Renkin	• Jim Tyson	• Joyce Washington	• Charles Leo
Team members	• Chrissie Bowers • Diane Collier • Vicki Lovesby • Margie Bowman	• Sam Epley • Hugh Davis • Dick Fischer	• Paul Block • Dan Sherban • Jude Sampson	• Mike Boltz • 3 CAT team members	• Sheldon Wright • Wayne Evans • Penny Howell • Scott Sylwester



- Fire team in place except for subro replacement
- CAT team ready to go
- 3 new team members starting week of 21st, remainder starting week of 28th
- Option of training to take place in home office and new sites July 28 - August 29 to ease congestion in Albuquerque

SUSTAINING ROOF TEST PERFORMANCE IN ALBUQUERQUE

	Issue	Proposed approach
<p>Building and sustaining commitment to roof process in Albuquerque</p>	<ul style="list-style-type: none"> • CSA management is excited by results and has a desire to see process continue • However, CSA faces a number of pressures, some of which are a result of hosting process test <ul style="list-style-type: none"> – Manager of roof process has fallen behind on CSA requirement, such as performance reviews – Centralization has absorbed MCM and PCM time 	<ul style="list-style-type: none"> • Heavily include senior CSA/MCO management in design of managerial responsibilities and performance measures • Develop plan for establishing sustainable management roles in driving continued process performance balanced with existing work load <ul style="list-style-type: none"> – Review manager activities time allocation – Design weekly manager work plans
<p>Continuing oversight</p>	<ul style="list-style-type: none"> • After team leaves at end of August, need system for reporting and reviewing results 	<ul style="list-style-type: none"> • 30-day comprehensive checkup and debrief • Consistent reporting of process compliance and results to MCO/CSM management and CCPR team • Revisits to Albuquerque by CCPR team leader if required by significant performance degradation

FIRE PROCESS QUICK HIT OPTIONS

Options	Key steps and relevant resources	Timing
<ul style="list-style-type: none"> • Designate content specialist to focus on inventorying and pricing content items • Establish cleaning mitigation at beginning of process (emergency precleaning) 	<ul style="list-style-type: none"> • One CCPR member and one PIC member to jointly develop activity description and measurement package • test package on small set of MCOs • Adjust package based on feedback and measurement and disseminate nationwide 	<ul style="list-style-type: none"> • 2-3 months until in place nationally
<ul style="list-style-type: none"> • Create a mini-process that focuses solely on cleaning 	<ul style="list-style-type: none"> • Develop stand-alone subprocess, including training, process layout link into existing work, measurements and tracking • Roll out cleaning process with multiple teams (10-15) of 1-2 people to transfer subprocess in 3 week modules 	<ul style="list-style-type: none"> • 6 month-1 year until in place nationally

ROOF PROCESS QUICK HIT

Handling wind claims to roofs

- Only pay to repair a slope if it is damaged
- Full roof replacements should occur only if **all** slopes are damaged



Wind usually only affects slopes exposed to the directionality of the wind

Full roof replacements from wind

- Albuquerque baseline = 39%
- Albuquerque test process = 2%

PREIMPLEMENTATION TRAINING – SKILL GAPS TO BE ADDRESSED

Basic/core skills

- Understanding basic math and measurement techniques
- Ability to measure and diagram roofs/rooms according to standardized procedures
- Applying fundamental knowledge and skills to write an estimate
- Properly navigating and understanding Accupro; utilizing templates to prepare and Accupro estimate

Technical skills

- Roofs
 - Basic materials and material specification
 - Roof construction
 - Proper and improper roofing installation
- Fire
 - Ability to understand major fire loss component and make repair vs. replace judgments
 - . Drywall
 - . Cabinets
 - . Flooring
 - . Counter tops
 - Basic construction understanding of
 - . Roofing
 - . Siding
 - . Framing

SUCCESS FACTORS FOR PREIMPLEMENTATION TRAINING

- Training based on key learnings from test sites and codeveloped by CCPR team
- Roll out of training needs to be closely timed (could be back-to-back) to arrival of CCPR to ensure relevance and retention
- Basic skill precertification to be conducted and passed before CCPR allowed to site

26.50 to 77.

90 1.70

Combined names

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Fire CCPR Update

ALLSTATE INSURANCE COMPANY

Team debrief at Home Office

July 17, 1997

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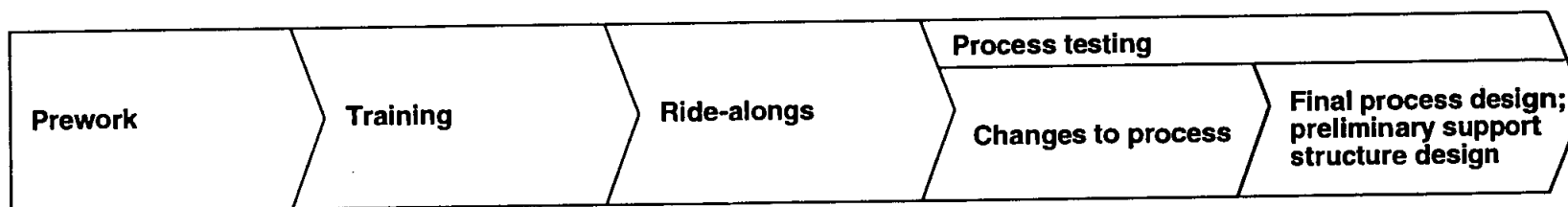
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Activities going forward	<ul style="list-style-type: none">• Fire process time line

KEY FOCUS AREAS OF PROCESS

Area	Key elements	Estimated country-wide opportunity*
Subrogation	<ul style="list-style-type: none"> • Subrogation is identified upfront and methodically pursued on all claims • Any subrogation rule-outs take place with justification and manager approval 	\$33 million
Structure evaluation	<ul style="list-style-type: none"> • Claim reps perform test clean to identify cleaning potential and thus control the scope of the loss • Focus on repairing, eliminating overlaps and eliminating lump sum bids 	\$43 million
Contents evaluation	<ul style="list-style-type: none"> • Reps identify cleanable contents items, inventory all non-salvageables on site, and confirm pricing from an appropriate source 	\$26 million

* Based on closed file reviews

ACTIVITIES TO DATE



**Timing
Activities**

March

- MCO kickoff
- Baseline reviews
- Claim rep orientation
- Skill assessments

April

- Fundamental technical training
- Process training
- On-site and classroom role plays

May

- Process calibration
- Process problem solving
- Coaching

June

- Claim reps ride alone
- Measurements and analysis
- Process problem solving
- Time and productivity studies

Mid-July

- Efficiency improvement changes to contents process
- Setup ongoing measurements
- Preliminary definition of manager roles and performance management system

Learnings

- Claim reps and managers need to improve technical, estimating, and Accupro skills

- Hands-on technical and Accupro training can raise knowledge levels quickly
- On-site role plays and scripting critical to building skills to execute new process

- Complexity of process implies need for hands-on support to reps

- Process efficiency and productivity need to be improved for contents losses

- Performance management and manager role definition critical for success

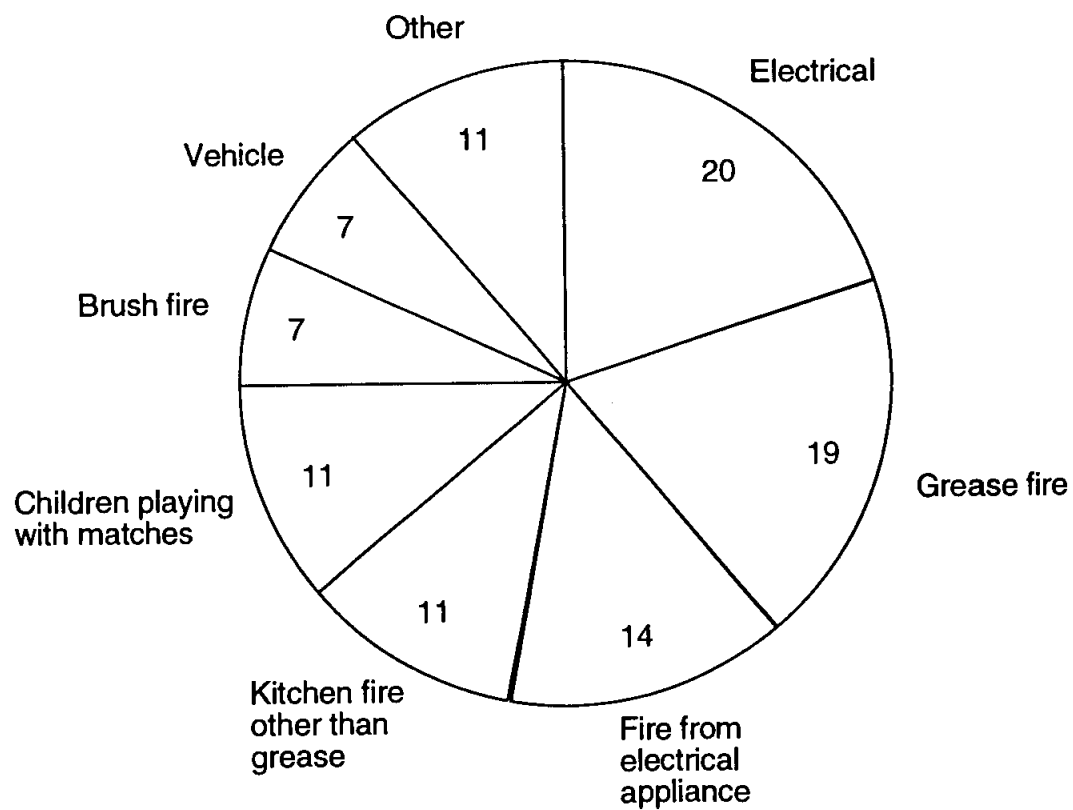
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DISTRIBUTION OF FILES CLOSED BY CAUSE OF LOSS

Percent of total dollars paid

100% = \$292,084

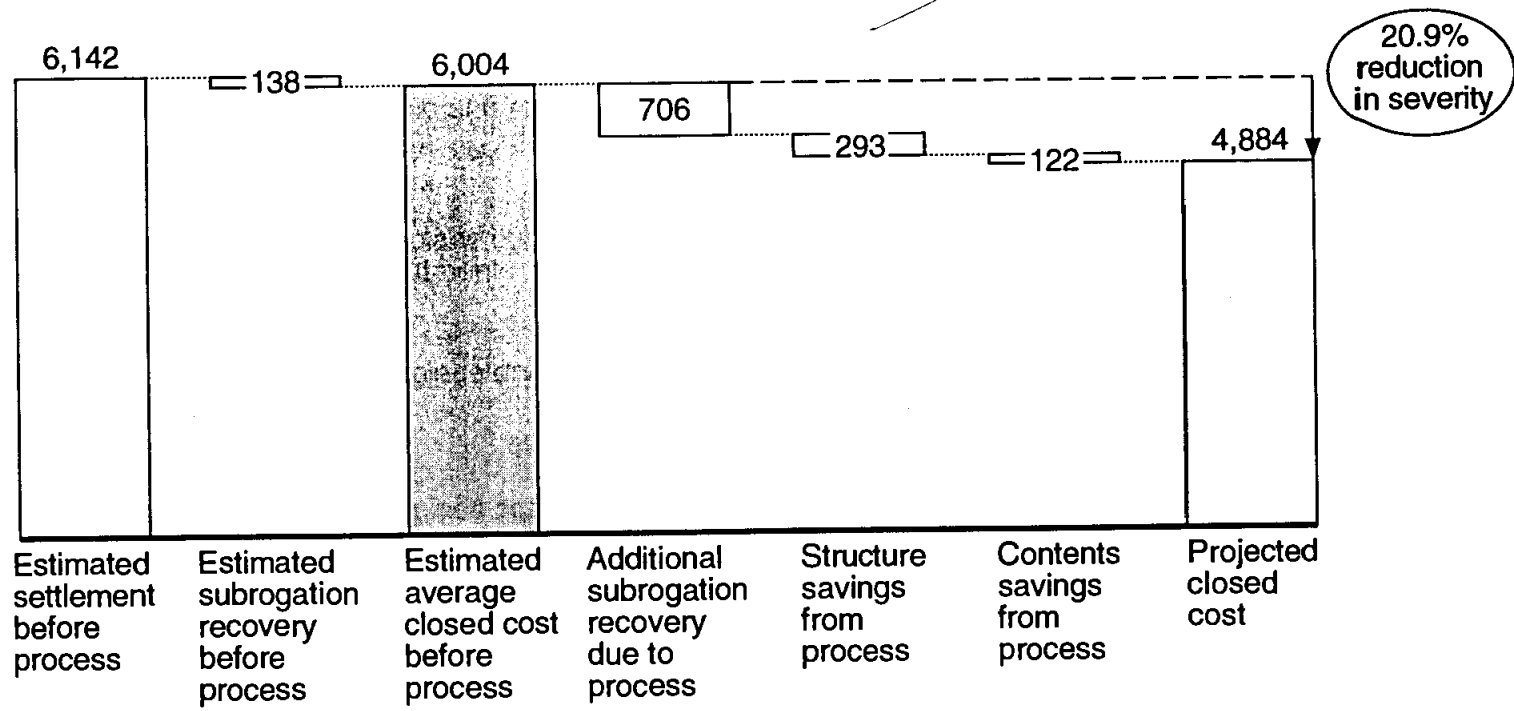


Source: 51 closed files; team analysis

*Need experts
eliminate jump
sum bids*

SUMMARY OF FIRE PROCESS IMPACT
Average dollars per claim

ESTIMATE



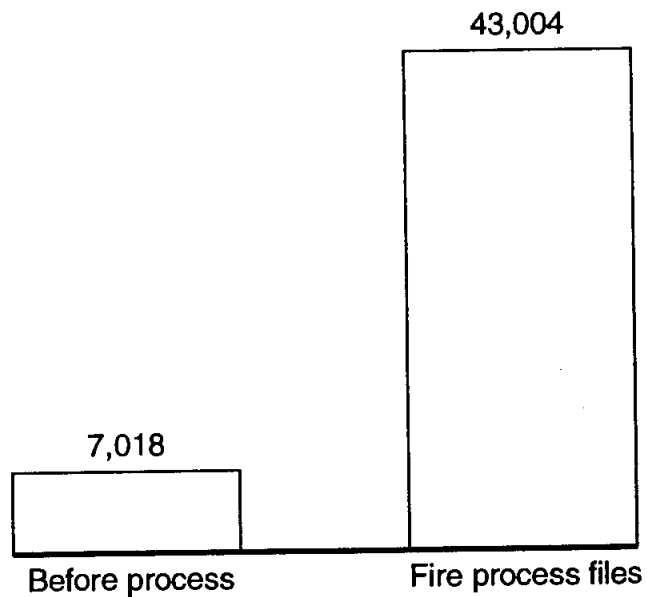
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Source: 51 closed files; team analysis

EARLY RESULTS FOR SUBROGATION

ESTIMATE

*Final summary
of measure results*

Projected subrogation recovery
Total dollars for 51 files analyzed



Increased submission rate should drive recovery dollars

Subrogation submissions

Before process
4.8%

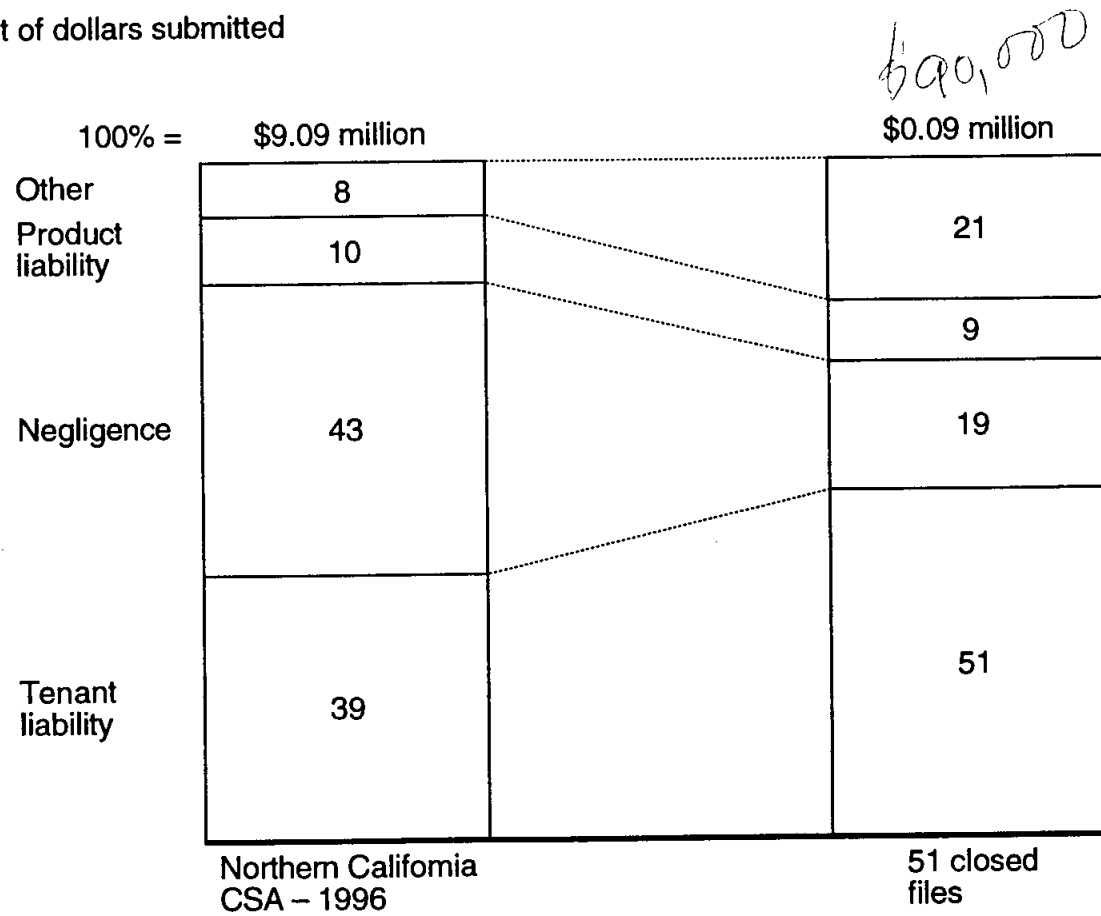


After process
29.4%

Source: 51 closed files; National Property Subro; team analysis

BREAKDOWN OF FILES SUBMITTED FOR SUBROGATION

Percent of dollars submitted

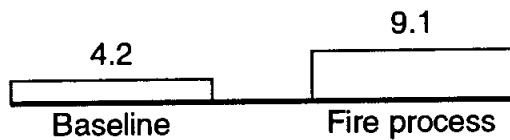


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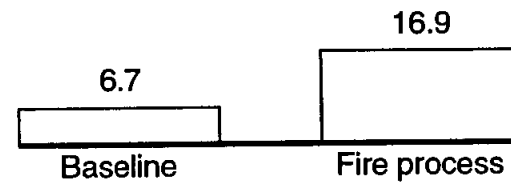
EARLY RESULTS – STRUCTURE

Percent

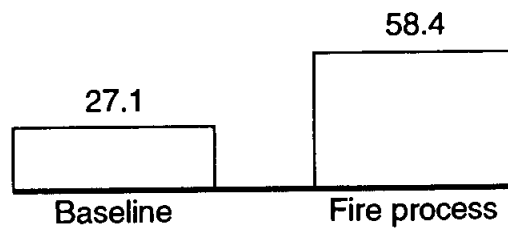
Cleaning dollars to total dwelling dollars



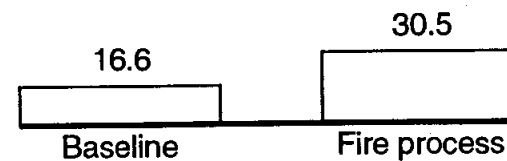
Flooring repair and clean dollars to total flooring dollars



Drywall repair and clean dollars to total drywall dollars



Cabinets repair and clean dollars to total cabinet dollars

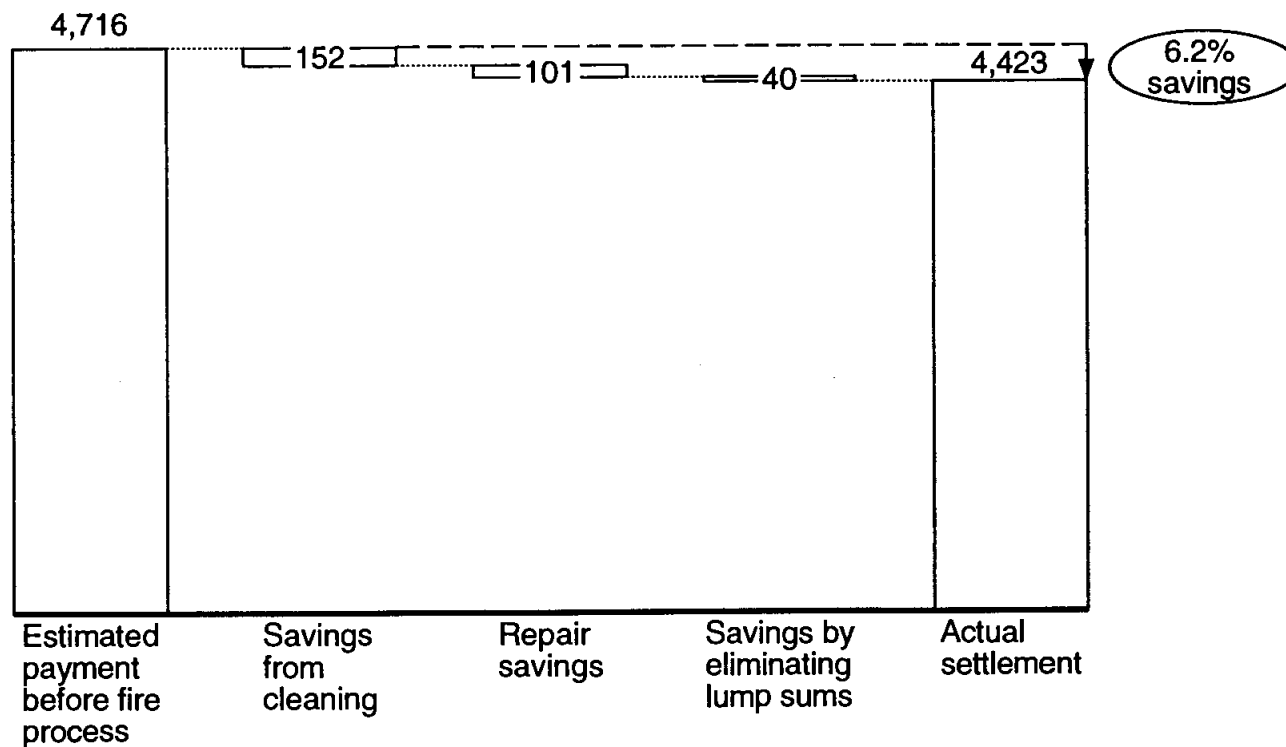


Source: 51 closed files; team analysis

ESTIMATED SAVINGS ON STRUCTURE

Average dollars per claim

ESTIMATE



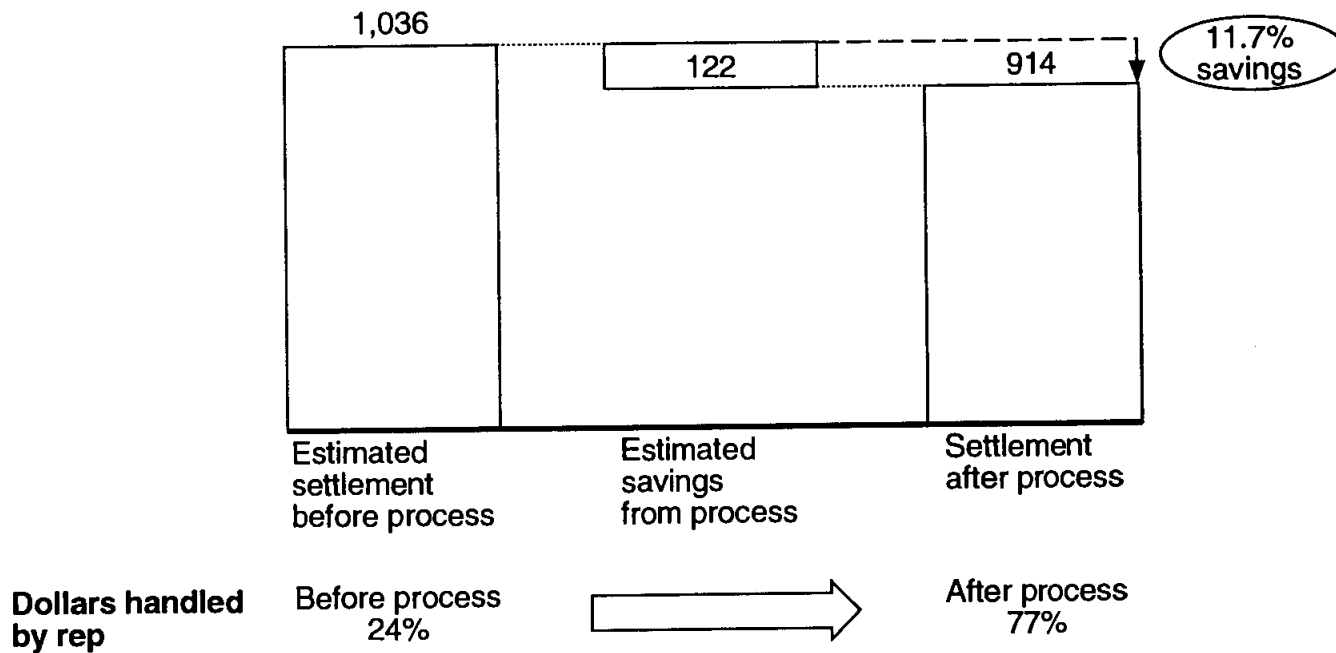
Source: 51 closed files; team analysis



ESTIMATED IMPACT OF FIRE PROCESS ON CONTENTS

ESTIMATE

Average dollars per claim



Source: 51 closed files; team analysis

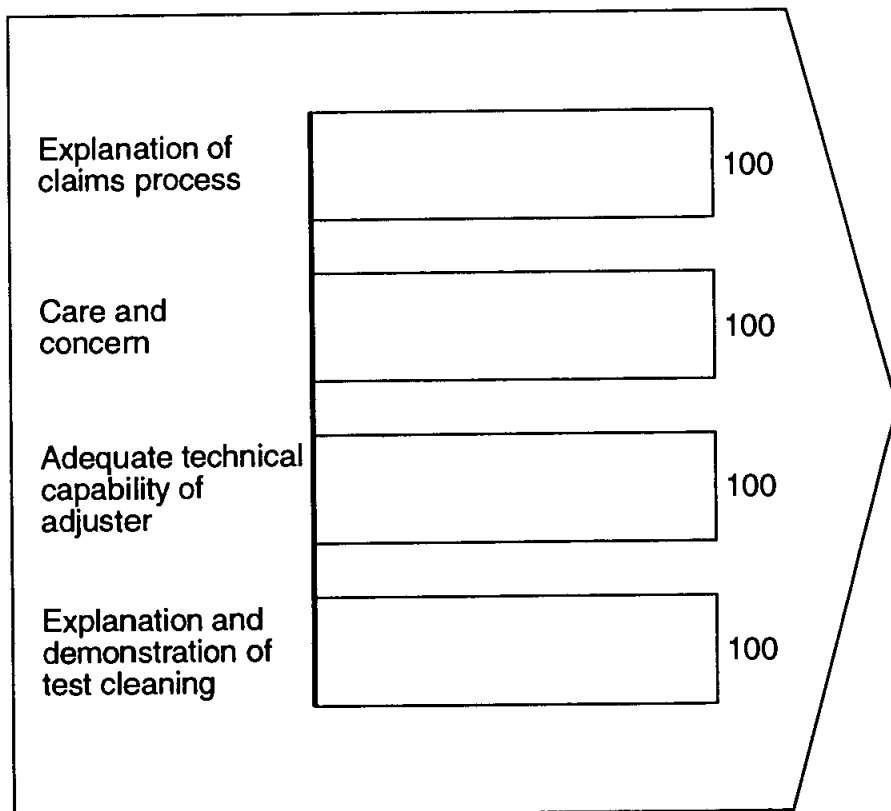
ILLUSTRATIVE EXAMPLES OF FIRE PROCESS IMPACT

Situation	Likely previous behavior	Actual outcome	Clean or repair payment Dollars	Estimated repair/ replacement cost Dollars
Smoke damage to cabinets	Sand and refinish	Clean	40	450
Smoke damage to window treatments	Replace custom window treatments	Clean	25	250 per treatment; 4,000 for entire home
Nail spots and smoke on drywall in bedroom, hallway, and study	Replace drywall	Repair/paint	680 for bedroom, study, and hallway each	1,360 for bedroom, study, and hallway each
Heavy smoke on computer	Replace computer	Clean	95	1,500

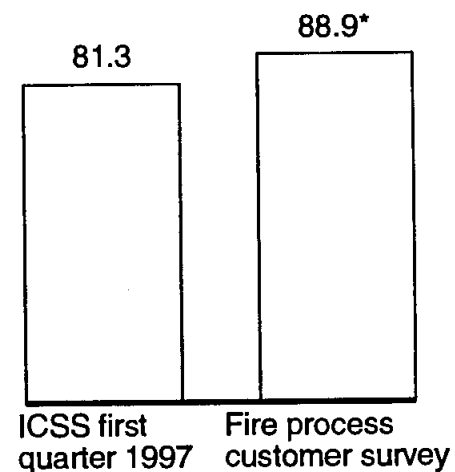
Source: Fire process files

CUSTOMER SURVEY RESULTS

Percent



Completely satisfied customers



* 11.1% of the respondents did not answer this question because repairs to their damage had not been completed at the time of the interview

Source: Survey of 10 customers; team analysis

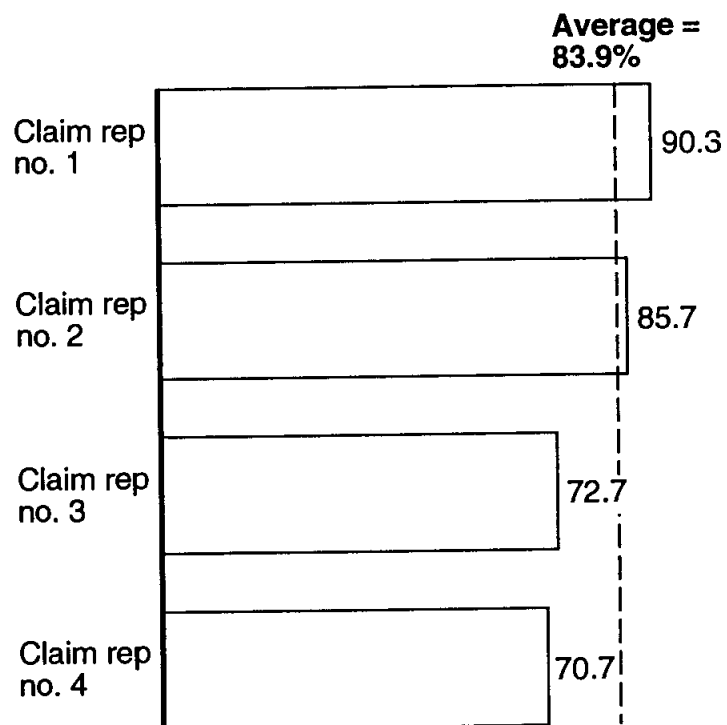
CUSTOMER QUOTES

- (Regarding the test cleaning) "I was positively impressed"
- "I was surprised to see the adjuster **look** for smoke damage (in other areas of the house). I felt I was being taken care of"
- "I felt that the test cleaning was a disadvantage to the insurance company because the adjuster found smoke damage where I thought there was none. I see now that the insurance company is looking out for me instead of just them"
- (The claim was) "Incredibly fair . . . makes me appreciate all my insurance policies with Allstate"

Source: Customer interviews

CLAIM REP COMPLIANCE WITH CUSTOMER INTERACTION SCRIPT

Percent



Areas where additional improvement is needed

- Setting time expectations
- Checking for understanding
- Educating the customer
- Defining the roles of various people involved (cleaning vendors, contractor, claim rep, etc.)
- Thanking the customer for being on-site
- Thanking the customer for being with Allstate

Source: Claim rep ride-alongs; team analysis

AGENDA FOR TODAY

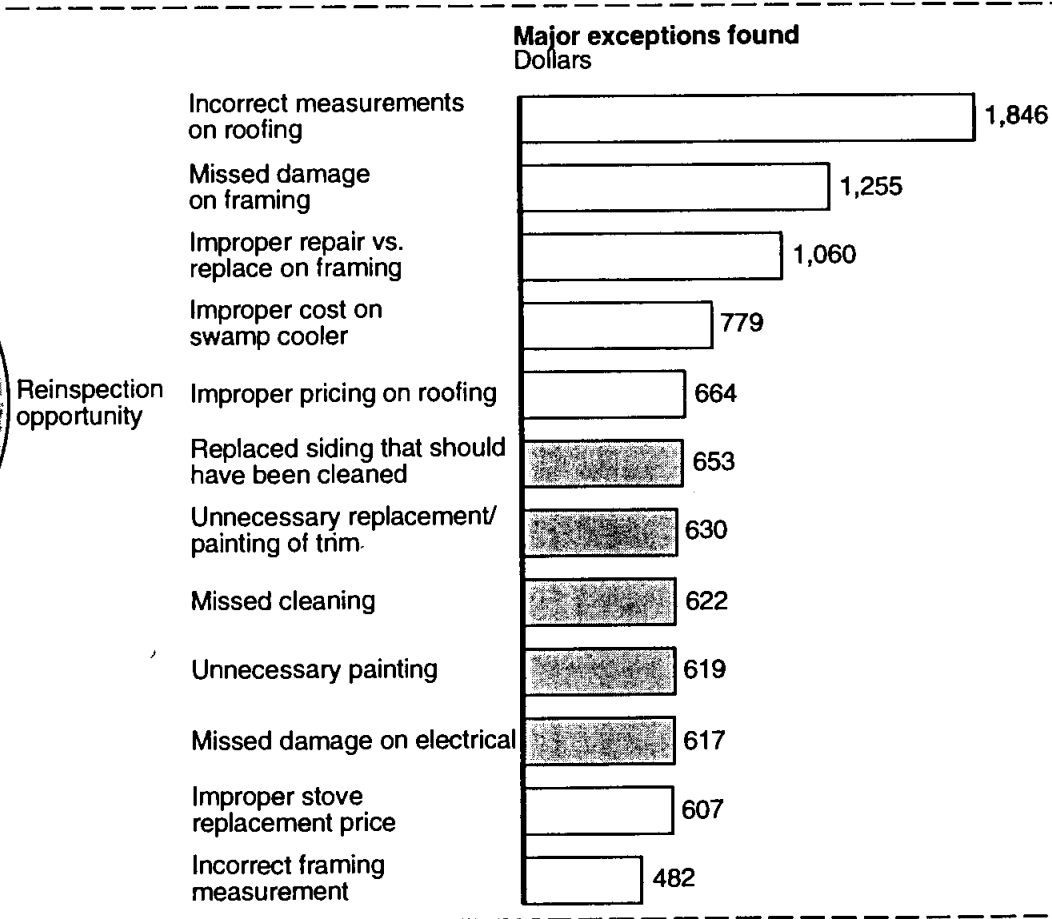
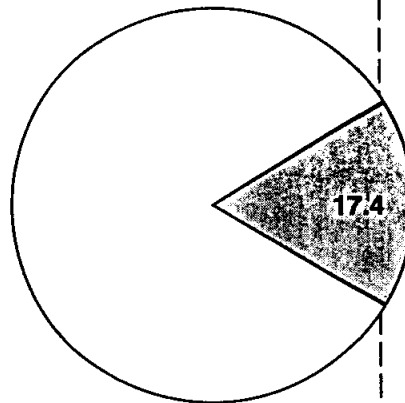
Area	Topic
Introduction	<ul style="list-style-type: none">• Key focus areas• Activities to date
Results to date	<ul style="list-style-type: none">• Impact and estimated savings• Customer satisfaction findings
Major process issues	<ul style="list-style-type: none">• Additional opportunity areas• Process productivity• Value of file examiner
Activities going forward	<ul style="list-style-type: none">• Fire process time line

REINSPECTION RESULTS

PRELIMINARY

Reinspection opportunity
Percent of reinspected dollars

100% = \$85,361



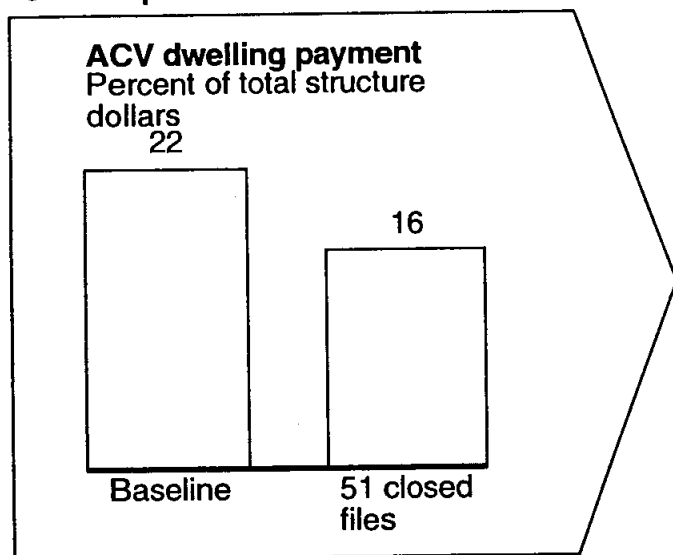
Areas within process

- Broad-based technical training needed
- Specific training areas to be decided based on additional reinspection
- Multiplicity of issues implies need for significant management coaching and development

Source: 7 reinspection; team analysis

ACV SETTLEMENTS

Current performance



Key reasons

- FRC payments made up front in claims where a contractor (jointly with the insured) is paid by Allstate to conduct repairs
- ACV payment rule not enforced

Recommendation

- Enforce ACV policy irrespective of type of payment
- Measure as part of CCPR
 - Incorporate ACV goals into performance targets

Source: 150 baseline files; 51 closed files; team analysis

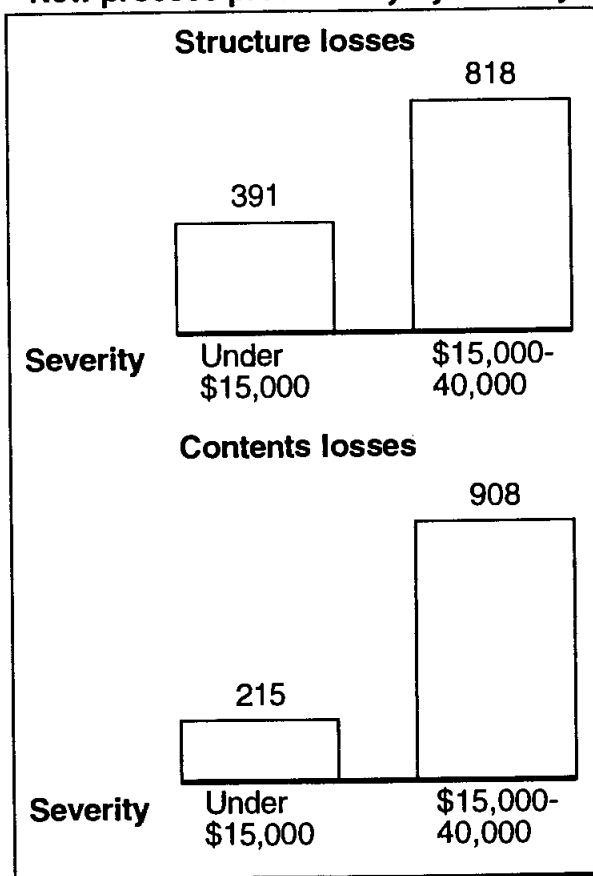
PRODUCTIVITY FOR NEW PROCESS AND OLD PROCESS

Minutes per claim

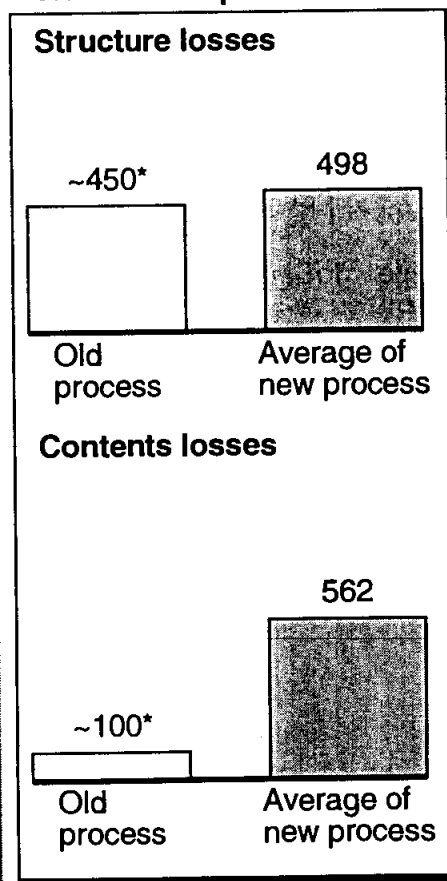
ESTIMATE

 New process
 Old process

New process productivity by severity



Comparison between old and new process



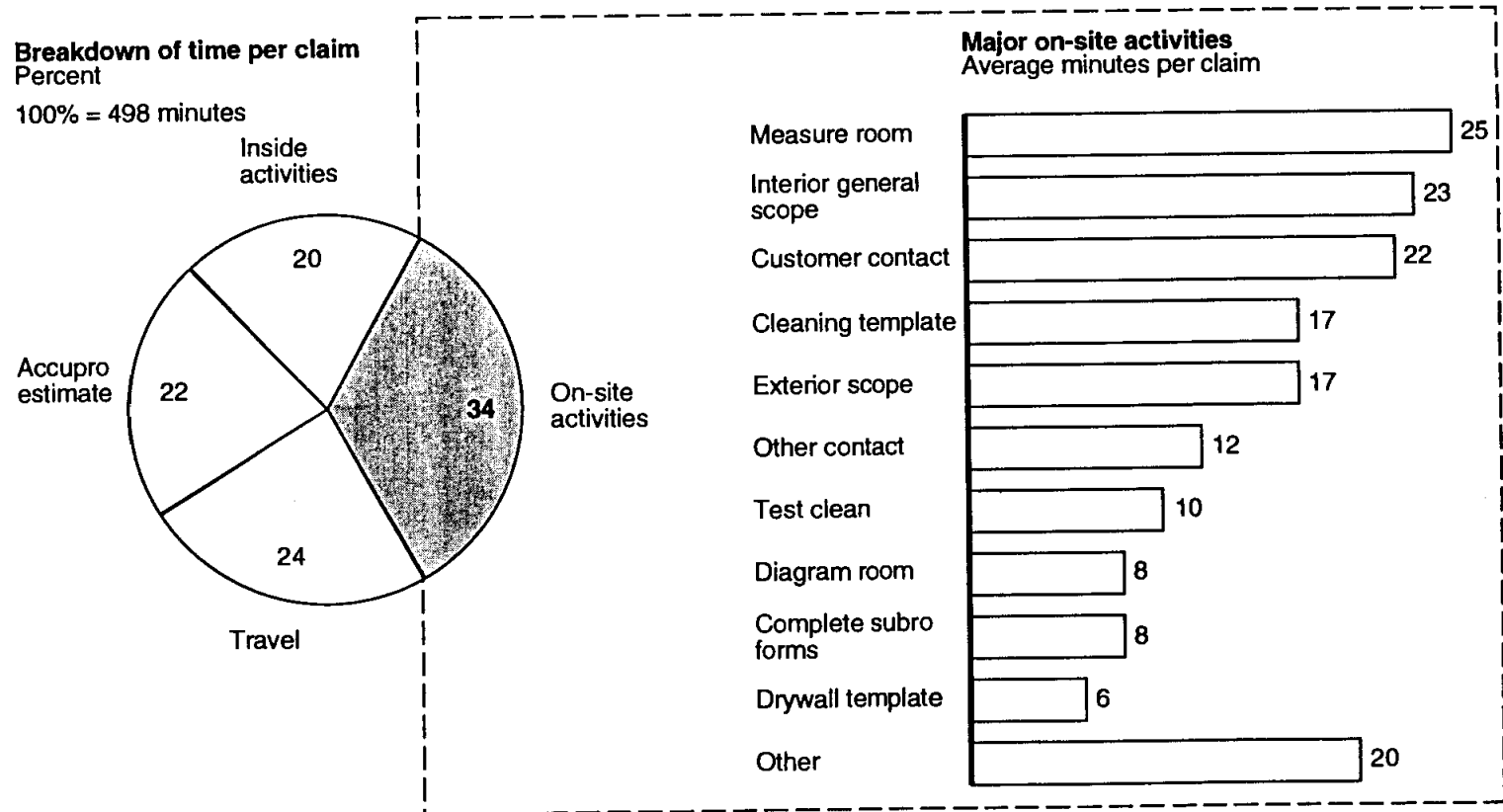
- Limited increase in structure time – 9%
- Major increase in contents time – 525%

* Adjusted to match severity of sample

Source: 14 structure time studies; 4 contents time studies; MCO data for 4 claim reps; team analysis

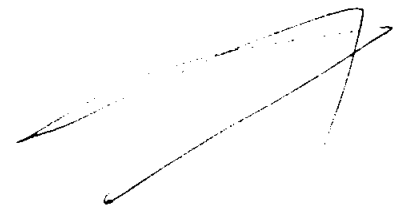
TIME ANALYSIS – STRUCTURAL LOSSES

PRELIMINARY

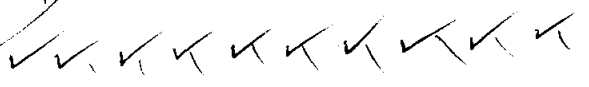


Source: 14 structure time studies; team analysis

Saving Time



KEY STRUCTURE PROCESS CHANGES TO IMPROVE EFFICIENCY



Change

Cash-out

Use cash-out form where there is light smoke damage

Benefit of change

When customer is willing to accept a cash-out, this form allows the claim rep to quickly estimate a payment without having to complete the detailed cleaning forms

customer not willing

On light-to-medium smoke damage claims, use standard measurements for openings

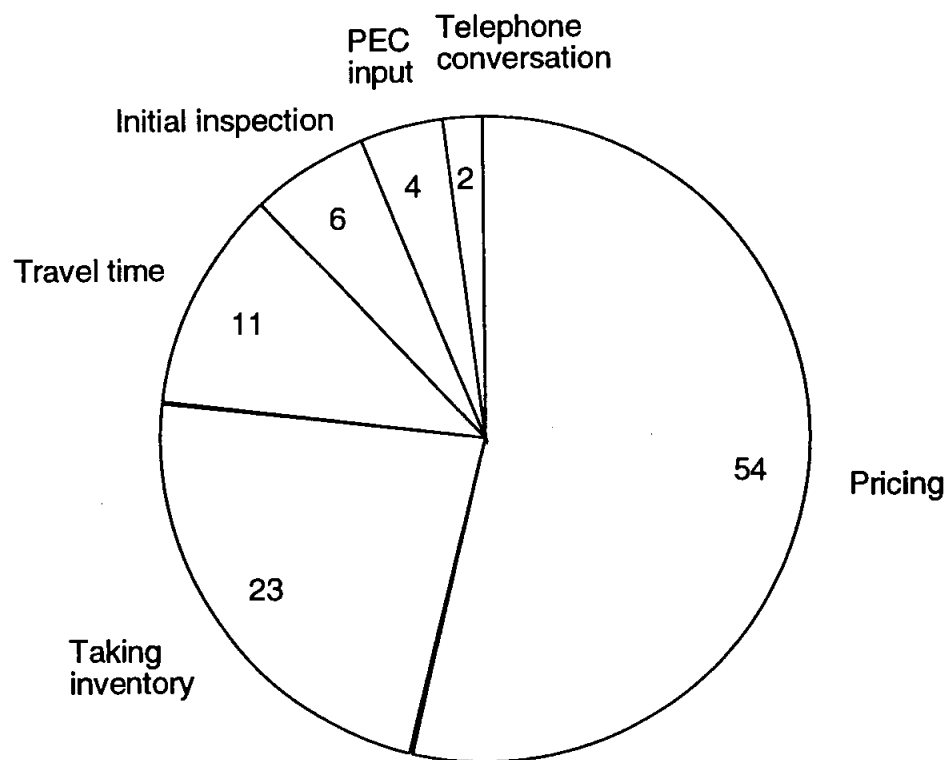
Decreases the time spent on measurements for these claims

BREAKDOWN OF TIME SPENT ON CONTENTS LOSSES

PRELIMINARY

Percent

100% = 562 minutes



Source: 4 closed contents files; team analysis

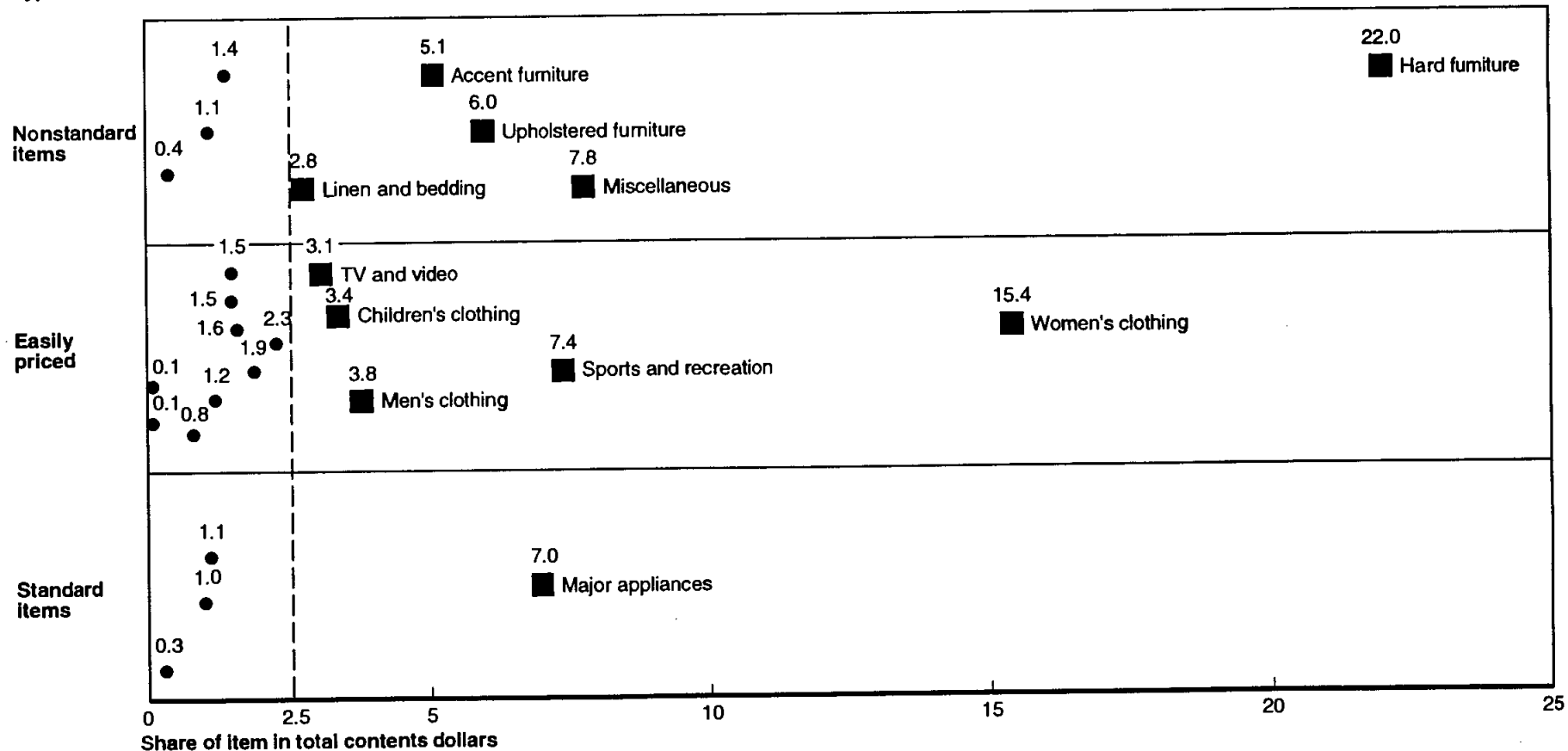
ANALYSIS OF CONTENTS ITEMS

Percent share of total dollar value

PRELIMINARY

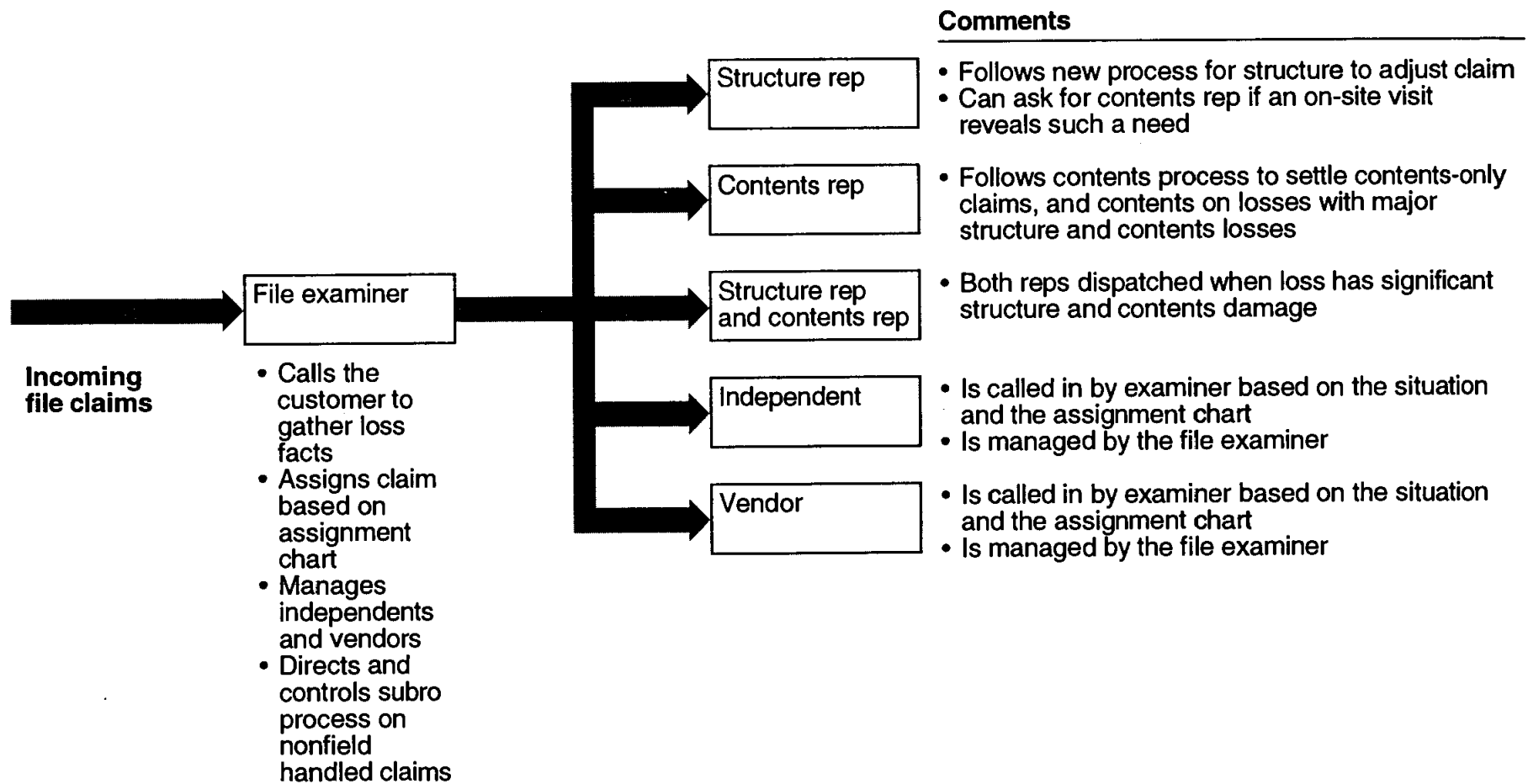
- Major items each accounting for at least 2.5% of the total dollar value
- Low-value items

Type of Item

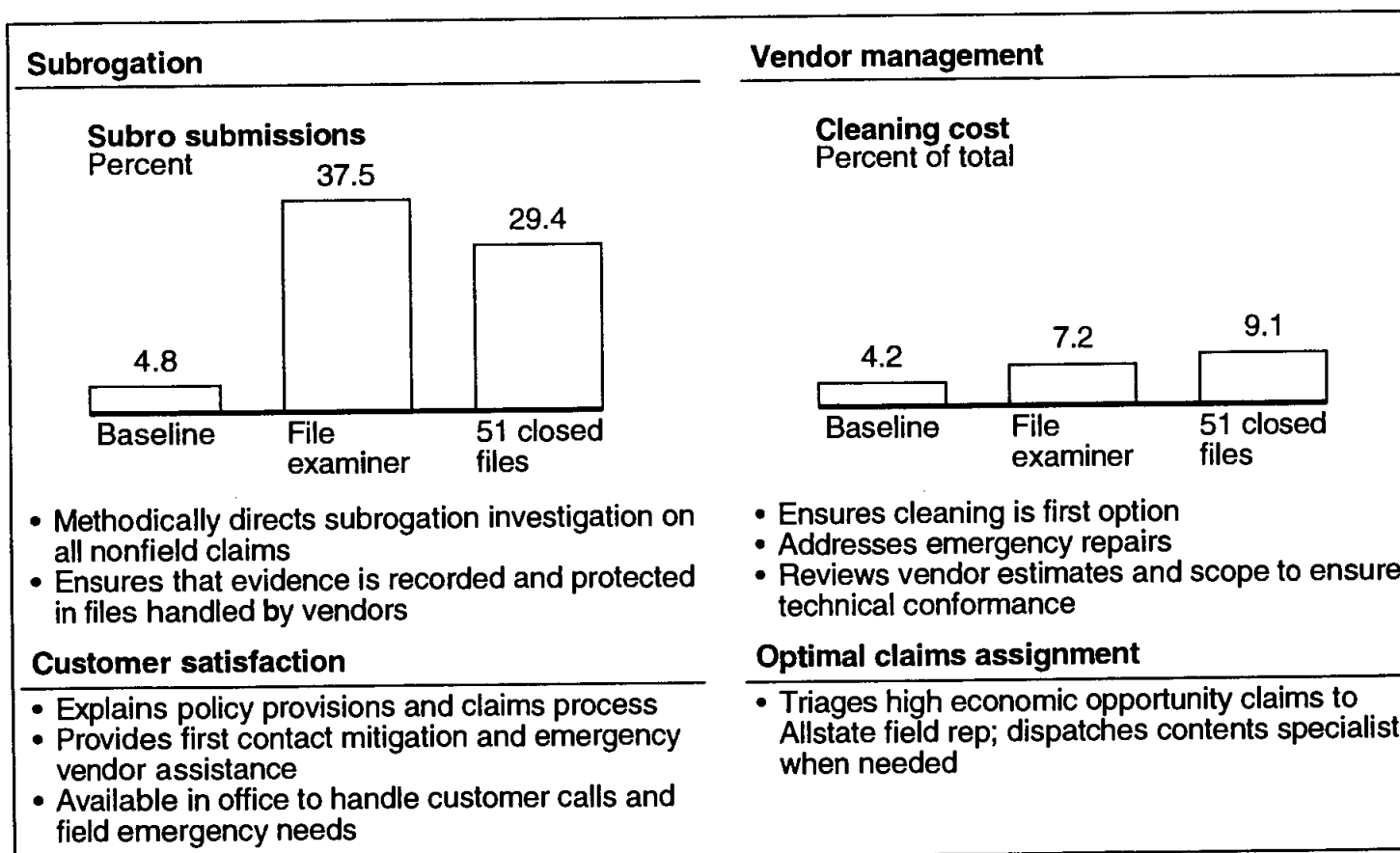


Source: 5 closed contents files; team analysis

ROLE OF FILE EXAMINER WITHIN FIRE PROCESS



VALUE AND COST OF FILE EXAMINER ROLE



Cost of file examiner role

- 119 minutes per claim
- 30% of one person in Roseville MCO

Source: Closed files; team analysis

AGENDA FOR TODAY

Area	Topic
Introduction	<ul style="list-style-type: none">• Key focus areas• Activities to date
Results to date	<ul style="list-style-type: none">• Impact and estimated savings• Customer satisfaction findings
Major process issues	<ul style="list-style-type: none">• Additional opportunity areas• Process productivity• Value of file examiner
Activities going forward	• Fire process time line

*Roseville -
 Local mgt view as benefit?
 See return on investment?
 Reward?
 Support?*

ACTIVITIES GOING FORWARD



**Timing
 Activities**

	July/August	July/August	August/September	September	October
	<ul style="list-style-type: none"> Finalize value and cost analysis of examiner role Refine contents pricing process (including database) Further define customer service impact of process Complete research and design of specialty trades process Further define time required per claim for structure reps 	<ul style="list-style-type: none"> Calibrate local management on measurement forms and reinspections Finalize management roles and performance management system 	<ul style="list-style-type: none"> Define required preprocess training (with PIC) for next site Prepare "professional quality" training material and process pack (using Tech-Cor and Service-master as resources) Test new manager roles 	<ul style="list-style-type: none"> Home office debrief to discuss first site results and findings Conclude prework training packs Kickoff VA/DC* 	<ul style="list-style-type: none"> Revisit Roseville to check ongoing process compliance

* Timing uncertain at this point – could be October

HOMEOWNERS STRATEGY
MTG 7/22/97

HOMEOWNERS STRATEGY MTG 7/22/97

Bill

NOTES
HOMEOWNER STRATEGY MEETING
JULY 22, 1997

I. PERFORMANCE MANAGEMENT

Performance Management wrap around for Albuquerque

- **CSM, CPS, MCM, PCM, UCM Buy in**
 - **Performance bonus**
 - **Central meetings**
 - **Change format of test - we don't go away**
 - **PDC roll to help Central - how to organize**
 - **Post results**
 - **Send news letter to CSA**
 - **Publish results out to other CSAs**

- **Role of CPS, MCM, PCM, UCM in roof and all other**
- **Performance Management - MRs & PSs for roof**
 - **Link in measures (Jack)**
 - **All levels CPS, MCM, PCM, UCM, Techs**

***Must be fair and flexible**

II. PHOENIX EXPANSION

Prepare pack for 8/22 meeting

- **Why expend**
- **Where? Arizona first - Skip Utah?**
- **How? Team application**
- **Timeline?**
- **Overview of Performance Management Concept**
- **Buy in/recognition/reward**

**H.O. PERF MGT/MANAGEMENT ROLES/BUY IN
ALBUQUERQUE/PHOENIX
SUBTEAM FOCUS**

I. CSA BUY IN STRATEGY

CSM and CPS on the Team

Recognition:

- Perf Bonus
- Central MCO recognition meeting honor results
- Acknowledge how hard testing is

Explain testing and sustaining test

Whats in it for MCO/CSA

Publications - local and PCCSO

Past results in MCO

Formal hand off in Albuquerque/Accountability/Measures

II. PERFORMANCE MANAGEMENT

- * **CSM/MCM & UCM - measured in outcomes (severity, cust sat, employee sat)**
- * **PCM/CPS/ rep-measured on process compliance**
Establish MRs and PSs by position for roof
- * **Create measurement system to support MRs and PSs - Simple**
- * **Merge with all other MRs and PSs**

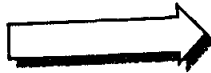
add productivity

* Add Margaret to team
* Just in case of dep. neg. govt departure
how sustain?

ROOF PROCESS STATUS

Current status

- ① Designed core roof process
 - Proper damage id
 - Repair vs. replace decisions
 - Estimating skills (measurement math skills)
- ② Focus on non-CAT, nonspike claims
- ③ Focus on claim rep activities



Issues not yet addressed

- ① Performance management
 - Performance measurements
 - Roles/activities of managers (UCM, PCM, MCM, CPS)
 - Productivity standards
- ② High claim volume situations
 - Roof process in CAT handling
 - Roof process in non-CAT spikes
 - Independents
 - Vendors
- ③ Variability across markets
 - Test roof process in "difficult" East Coast market
 - Test roof process in large hail belt market
- ④ Automated support systems
 - Developing supporting systems and databases to deliver measurements and assist management decisions/focus, e.g.,
 - Settlement database
 - HDS
 - Accupro
- ⑤ Multiperil management
 - Designing roles/positions to focus resources across perils

Can't handle manager knowledge to pilot & cat team members

Decision tool

FIRE PROCESS STATUS

Current status

① Designed core process across 3 key areas

- Subrogation
- Structure evaluation
 - Cleaning
 - Repair vs. replace
 - Proper estimating skills
 - Eliminating/managing lump sum bids
- Content evaluation
 - Cleaning
 - Inventorying
 - Pricing



Issues not yet addressed

- ① Performance management
 - Performance measurements
 - Roles/activities of managers (UCM, PCM, MCM, CPS)
 - Productivity standards
- ② Automated support systems, e.g.
 - HDS (measurements)
 - Accupro
- ③ Testing transferability of complex process
- ④ Potential for more dramatic activities/roles redefinitions, e.g., "claim coordinator"

② Working to streamline process to be manageable for claim rep.

③ Created split responsibilities structure content and redefined existing fire examiner role

on site

lean

Direct

*Develop Co-ordinator
Cost Est. Co-ordinator*

KEY ISSUES TO BE ADDRESSED AT CURRENT ROOF SITE

- ① Performance management to sustain test site process
 - ☆ Need to create buy-in with local staff/management as well as "top down" support
 - ☆ Build appropriate measurements and management activities for "test environment"
 - Leverage learnings from Auto
 - Make it simple and easy to follow
 - Build system support on test basis
- ② Expanded roof test across Phoenix property MCO to provide more consistency for local management
 - ☆ Involve all roof adjusters across 4 states
 - ☆ Leverage PIC to support development of balanced structures (across water, roofs, rest of property) for centralized MCO
 - ☆ Need to begin developing "productivity standards" for processes

③ *Coordinate*

fire

KEY ISSUES TO BE ADDRESSED AT CURRENT ROOF SITE

① Continue to refine fire process and manage down overall complexity

② Test "coordinator" position in fire site

☆ Allow techs to focus on "on-site" activities as much as possible

☆ Need to take inventory of staff and skills across offices to see what we have to work with

PHOENIX CSA PROPERTY STRUCTURE

STATE	MCO	# Reps	# UCMs	Territory handled
Arizona	Black Canyon	4 water 7 multi	1 water 1 multi	2/3 of state Mesa, Phoenix, Black Canyon, northern N/S area
	Tucson	2 water 3 multi	1 multi	small geographical area of Tucson
New Mexico	Albuq.	2 water 7 multi (3 look) 3 multi residents	2 multi	Handles entire state
Nevada	Las Vegas	2 water 2 multi 1 multi resident	1 multi	small geographical area of Las Vegas
	Reno	1 water 1 multi	1 multi	Wide geographical area, rural, N/S
Utah	SLC	inside reps only	1 multi	Handles entire state N/S areas, paid bills, independents, fast track, small losses
	Ogden	3 water 6 multi	1 multi UENT	Handles all field assignments in staffed areas Primarily SLC and Ogden

1 CPS Jerry Skiby
 1 MEM Eddie Burrell
 2 PCMs Rich Cobb (Arizona & New Mex)
 Dave Olsen (Nevada & Utah)

POTENTIAL TEST SITES

ROOF PROCESS

CSA LOCATIONS

PRO

CON

Phoenix
Denver

- manageable claim counts
- test process effectiveness in centralized market, across different states
- test with residents
- large NIS area to develop process for IA's

- low claim counts
- cant rigorously test process

North Texas

- consistent moderate to high counts to Dec
- permits rigorous testing
- centralized market
- high # of residents
- fairly large, complex market.

- wide geographical territory
- large NIS territory

Atlanta
Carolinias
Connecticut

- moderate to high wind counts
- permits building process for spikes

- inconsistent claim activity (spikes)

Ryder (N.Y)
New Jersey
(mini-test)

- test process in urban, complex environment
- ~~• test process~~
 - claim rep buy-in
 - customer sat
 - vendor mgt
 - contractor buy-in
 - multiple story roofs
 - build process when unable to climb roof

- historically low counts Oct, Nov, Dec
- splinters CCPR team
- makes oversight difficult

NON CAT

W/H

CLAIM COUNTS

AUG

SEP

OCT

NOV

DEC

93-94-95-96
PHOENIX CSAArizona
New Mex.
Nevada
Utah1310/327
324/ 81
195/ 49
182/ 451579/ 395
223/ 56
74/ 19
95/ 24460/ 115
129/ 32
93/ 23
123/ 31190/ 47
103/ 26
280/ 70
40/ 10122/ 40
115/ 38
109/ 36
41/ 18DENVER CSAColo
MT
Neb
Wyo1033/258
145/36
464/116
343/86682/ 170
64/ 16
154/ 38
41/ 10408/ 102
45/ 11
154/ 38
49/ 12248/ 62
45/ 11
25/ 6
35/ 9216/ 72
110/ 37
12/ 4
32/ 10TEXAS CSA

1007/252

1025/256

790/197

466/116

383/127

94-95-96

ATLANTA PROP MCO

6203/2000

4753/1600

3965/1300

3669/1200

3495/1150

CONNECTICUT PROP MCO

3548/1183

2985/995

3239/1079

3004/1000

3362/1200

CAROLINAS

6438/2149

4467/1489

4238/1413

3892/1290

3214/1000

CAT

W/H CLAIM COUNTS

	AUG	SEP	OCT	NOV	DEC
93-94-95-96					
<u>PHOENIX CSA</u>					
Arizona	9775/2444	3	1	0	0
New Mex	505/126	97	11	0	0
Nevada	2	0	1	37/21	235/78
Utah	0	1	0	0	92/30
<u>DENVER CSA</u>					
Colo	1942/485	1375/344	8481/2020	5	4
Mt	0	0	0	0	1
Nebraska	14	0	54	0	1
Wyoming	10	2	12	0	0
94-95-96					
<u>Texas CSA</u>	3082/1024	2865/955	5465/1822	5347/1782	1585/502
<u>Carolinas</u>	1315/438	1370/456	1466/488	1382/460	156/52
<u>Louisville MCO</u>	1450/483	1090/363	813/271	449/149	293/97

ROOF TEST SITE PLANNING
RND 2 8/19/97

ROOF TEST SITE PLANNING RND 2 8/19/97

file

CONFIDENTIAL

Round 2 Roof Test Site Planning

ALLSTATE INSURANCE COMPANY

Discussion document

August 19, 1997

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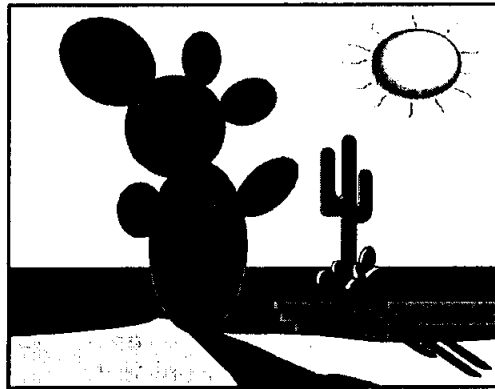
AGENDA

- Non-CAT test sites
- CAT test site

SUMMARY OF ROOF TEST SITE PLANNING

- There are 4 main objectives for Round 2 roof testing
 - Transfer the process to new environments with broader geography and more adjusters
 - Design management roles and measurements to ensure process sustainability
 - Test design issues that have not reached their conclusion at current site (e.g., subro process)
 - Test new design issues not addressed at current site (e.g., independents)
- Jim Tyson's team will be focusing on transferring and sustaining the process across a CSA; the location for this test is subject to discussion, although the team is proceeding as if Phoenix is the leading candidate
- Steve Rankin's team will be focusing on design refinement and new design work in a limited portion of the Denver CSA
- The primary focus of Joyce Washington's team is to transfer the process to a CAT environment using PILOT adjusters
 - Develop process addressing CAT productivity needs and related customer satisfaction issues
 - Address dispatch issues, vendor relationships and management role definition
- The teams are preparing to roll out to their new test sites on September 8

FOCUS OF PHOENIX ROOF TEST



Test site focus

- Transferability of the process across a CSA and building the support structures necessary to sustain the process

Current testing issues

- Subro process
- Time studies

New design issues

- Management roles and process sustainability
- Resident adjusters
- Process productivity and resource implications

CHARACTERISTICS OF PHOENIX CSA**Geography**

- 4 states – Arizona, New Mexico, Nevada, and Utah
- Urban, rural mix – most areas sparsely populated

Weather

- Moderate wind/hail claim activity
- Occasional claim spikes
- Extreme heat in southern half of CSA
- Snow in Utah

Construction

- Arizona, New Mexico, and Nevada tend to have lower height/pitch houses
- Utah tends to have greater housing diversity/multistory

Organization

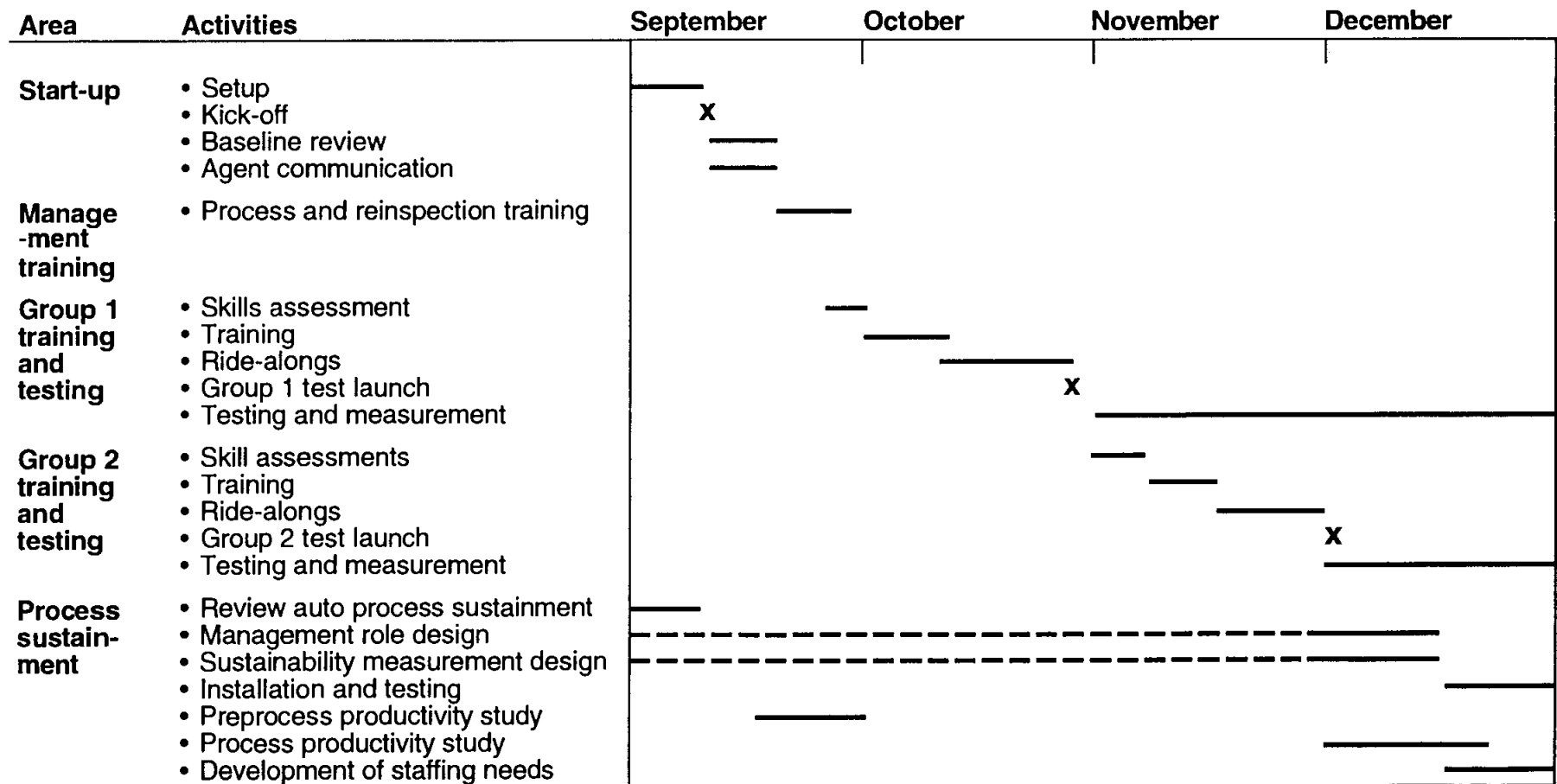
- New property MCO to open in November
- No office facilities for property reps; Metro adjusters work out of home
- Significant nonstaffed areas
- Management staff with limited experience
- Large number of reps with <1 year experience
- Waiver/fast track program

See

PHOENIX CSA TESTING OPTIONS

			Implications	
	Scope	Claims covered Percent	Team resources	Timing/counts
Full blown across CSA	<ul style="list-style-type: none"> All adjusters All MCOs 	100%	<ul style="list-style-type: none"> Both teams required 	<ul style="list-style-type: none"> Second half of CSA late in year
Metro focus	<ul style="list-style-type: none"> W/H adjusters in key metros (Phoenix, Tucson, Las Vegas, Salt Lake City/Ogden) 	Large, unstaffed area	<ul style="list-style-type: none"> Single team Both teams <p>OR</p>	<ul style="list-style-type: none"> Second half late Mid/late October
Holistic across partial CSA	<ul style="list-style-type: none"> All adjusters in Arizona, New Mexico 	~70%	<ul style="list-style-type: none"> Single team 	<ul style="list-style-type: none"> Mid/late October

TIMELINE FOR STAGGERED ROLLOUT



A full CSA for one CCPR team implies a late test start date and little time for process maintenance

TRADE-OFFS BETWEEN METRO AND PARTIAL CSA

	Pros	Cons
Metro	<ul style="list-style-type: none"> • Easier to manage from MCOs resource perspective • Process across much of CSA and all managers 	<ul style="list-style-type: none"> • Lose or delay Denver test due to CCPR team resource constraints • Inconsistent measurement – metro vs. rural
Holistic partial CSA	<ul style="list-style-type: none"> • UCM/PCM consistency for all roof claims • All claims in state in process • Consistent process sustainment across state • Includes resident adjusters in test • More adjusters in process 	<ul style="list-style-type: none"> • More expensive to bring in all reps for training • Inconsistent measurement across states

COST OF PHOENIX CSA TEST

Dollars

- Little space in any property office
- Most homeowners reps working out of home

	Metro test 15 adjusters	Partial test 22 adjusters
CSA travel		
• Lodging	5,000	13,750
• Meals	5,250	7,700
• Travel	1,400	3,850
Total CSA travel	\$11,650	25,300
Cost of independent coverage*	52,500	77,000
Total	\$64,150	102,300
Cost per adjuster	\$4,280	4,650

* Assumes \$350 per day to pay for independent coverage for each adjuster

PRELIMINARY GAMEPLAN FOR PHOENIX PARTIAL CSA ROLLOUT

Area	Activities	September	October	November	December
Start-up	<ul style="list-style-type: none"> • Setup • Kick-off • Baseline review • Agent communication 	<p>_____</p> <p style="text-align: center;">X</p> <p>=====</p> <p>=====</p>			
Management training	<ul style="list-style-type: none"> • Process and reinspection training 		<p>=====</p>		
Training and testing	<ul style="list-style-type: none"> • Skills assessment • Training • Ride-alongs • Group 1 test launch • Testing and measurement 		<p>=====</p> <p>=====</p>	<p>=====</p> <p style="text-align: center;">X</p>	
Process sustainment	<ul style="list-style-type: none"> • Review auto process sustainment • Management role design • Sustainability measurement design • Installation and testing • Preprocess productivity study • Process productivity study • Development of staffing needs 	<p>=====</p> <p>-----</p> <p>-----</p> <p>-----</p> <p>=====</p> <p>=====</p> <p>=====</p>		<p>=====</p> <p>=====</p>	<p>=====</p>

PRELIMINARY WORK PLAN FOR KEY DESIGN AREAS IN PHOENIX

Design area	Proposed activities	Potential issues
Management roles and process sustainability	<ul style="list-style-type: none"> • Review auto roles and measures • Design potential alternatives • Test installation in Albuquerque • Begin development of mechanized systems • Test installation in CSA 	<ul style="list-style-type: none"> • No way to code roof results in system currently • Need to integrate perils
Process productivity and resource implications	<ul style="list-style-type: none"> • Conduct preprocess time study to establish baseline productivity • Conduct process time study • Determine change in resource needs as it pertains to each market 	<ul style="list-style-type: none"> • Need to integrate perils • Organization head count limits
Resident adjusters	<ul style="list-style-type: none"> • Train residents with metro adjusters • Develop reinspection and ride-along schedule • Test and measure 	<ul style="list-style-type: none"> • Team resources to ride with and reinspect results

FOCUS OF DENVER ROOF TEST



Scope of test

- Metro Denver and resident area north of Denver
- 3-5 metro adjusters
- 1-2 resident adjusters
- 2-3 independents

Test site focus

- Fine tuning the process and tackling complex process design and support issues

Key design issues

- Independent adjuster management
- High/steep roofs
- Claim spikes
- ACV vs. FRC

CHARACTERISTICS OF DENVER CSA

Geography

- Single MCO handles 6 states: Colorado, Montana, Nebraska, Wyoming, North Dakota, and South Dakota
- Urban and rural mix – most areas sparsely populated

Weather


- Substantial wind/hail claim activity
- Frequent claim spikes
- Can expect some snow during test

Construction

- Presence of wood shake and shingle roofs
- Presence of high/steep roofs

Organization

- Property specialty MCO
- Substantial use of independent adjusters
- Employs resident adjusters
- Significant nonstaffed area
- No use of roof QVPs

- 
- Challenging environmental conditions will test the process
 - Need to tackle new design issues quickly to make process work in these conditions

PRELIMINARY WORK PLAN FOR KEY DESIGN AREAS IN DENVER

Design area	Proposed activities	Potential issues
High/steep roofs	<ul style="list-style-type: none"> • Determine scale of problem • Develop alternatives for handling • Analyze cost and benefits of alternatives • Train vendors, if necessary • Test and measure 	<ul style="list-style-type: none"> • Potential modification of roof process may be necessary • Safety • Will incur costs (e.g., renting cherry pickers) of testing alternatives
Claim spikes		
<ul style="list-style-type: none"> • Spike coordination 	<ul style="list-style-type: none"> • Define claim spikes • Select spike coordinator • Develop dispatch alternatives • Design management reports • Test and measure 	<ul style="list-style-type: none"> • Workload and staffing for rest of MCO • Avoid "panic syndrome" • Potential for inquiry calls if time to inspection is increased
<ul style="list-style-type: none"> • Independent adjuster management 	<ul style="list-style-type: none"> • IA selection • Inside manager selection • Train IA • Develop IA management process • Test and measure 	<ul style="list-style-type: none"> • Cost – training and deployment • Confidentiality of process
ACV/FRC	<ul style="list-style-type: none"> • Develop guidelines for ACV usage • Develop and test scripting • Measure "tail" of claims 	<ul style="list-style-type: none"> • Adjuster/agent discomfort with ACV

TESTING CLAIM SPIKE HANDLING WITH INDEPENDENTS

Test objectives in non-Cat situation

- Test and measure handling of wind/hail spikes
 - 38% of nonCAT claim activity is spike* in Denver
 - IAs presently handling all wind/hail in metro Denver
- Test CSA process for IA management and oversight
- Develop dispatch alternatives
- Develop IA selection criteria
- Validation of process to field

How learnings differ from Cat

- Local management must handle (no NCMT)
- Customer services and measures
- Full MCO environment with other claims

Issues with Denver IAs

- Not strong relationships with vendors
- Training during high IA work load
- Productivity vs. compensation
- Compensation during training (\$10,000 for 3 adjusters)

* 1996 wind and hail in Denver CSA

** Claim handling cost approximately \$17,000 for 100 claims. However, Denver presently using IAs for most wind and hail in metro area, so incremental cost may be minimal

PRELIMINARY GAMEPLAN FOR DENVER ROLLOUT

Area	Activities	September	October	November	December
Start-up	<ul style="list-style-type: none"> • Setup • Kick-off • Baseline review • Agent communication 				
Training and testing	<ul style="list-style-type: none"> • Skill assessment • Training (including IAs) • Ride-alongs • Test launch • Testing and measurement 				
Claim spike and independent management	<ul style="list-style-type: none"> • Design inside coordinator role • Train inside coordinator • Test claim spike and independent management 				
High/steep roofs and other design issues	<ul style="list-style-type: none"> • Analyze baseline files to scope issue • Interview contractors • Develop alternatives • Test and measure 				
Process sustainment	<ul style="list-style-type: none"> • Install and test formal management roles (if ready in Phoenix) • Install and test sustainability measurements 				

FOCUS OF DALLAS ROOF TEST



Scope of test

- Metro Dallas
- 3 Pilot adjusters, a Pilot manager, and 2-3 Pilot trainers

Test site focus

- Transferring the process to a CAT environment using Pilot adjusters

Key design issues

- Roof process that accounts for CAT productivity needs
- Oversight mechanisms
- Hand-off at transition
- Address customer satisfaction issues and use of independent adjusters
- Pilot and NCT training
- Develop key sustainability measures
- Estimating system – CMS vs. Accupro

CHARACTERISTICS OF DALLAS CSA

Geography

- Dallas metro area

Weather

- CAT environment for wind/hail losses for over 2 years
- High heat and humidity

Construction

- Presence of multistories and multislope houses
- Large homes
- Steep slopes on roofs
- Larger proportion of wood shingles

Organization

- Use of Pilot adjusters and Pilot managers
- Established CSA CAT operation
- Possible use of Pilot with or without CSA/NCT



• Buy-in from Pilot adjusters to the process is a challenge

• Sustainability and transferability will require identification of key measures and may require modification of ABQ roof process

DALLAS SITE CAT CHALLENGES

Issue	Potential activity
Experienced policyholders	<ul style="list-style-type: none"> • Increased emphasis on customer education and complete process follow-up by adjusters • Education of agents of the new roof process – attempt to use limited number of agents
Dispatch concerns	<ul style="list-style-type: none"> • Manually hand pick losses (maybe even in multiple zip codes) • Adjuster follow-up of claims through a better dispatch system
Active Department of Insurance	<ul style="list-style-type: none"> • Use of centralized legal opinion summaries (in development at NCC) • Enhanced customer education
<ul style="list-style-type: none"> • Better understanding of claim process • Higher expectation from past experiences 	
<ul style="list-style-type: none"> • Neighboritis • Exposure to a variety of roof types • Customer satisfaction 	
<ul style="list-style-type: none"> • Legal issues • High involvement in complaint resolutions • Temporary waiver of licensing requirement for NCT personnel 	

PRELIMINARY WORK PLAN FOR KEY DESIGN AREAS IN DALLAS

Design area	Proposed activities	Potential issues
Pilot training	<ul style="list-style-type: none"> • Use of ABQ roof process, calibration of Pilot adjusters • Time studies via ride-alongs • Reinspection for process accuracy and efficacy 	<ul style="list-style-type: none"> • Confidentiality limits on agreement • Use of Pilot adjusters for Allstate CAT needs after training
Customer satisfaction	<ul style="list-style-type: none"> • Development of key measures specific to CAT environment • Enhanced use of Customer Care Center and Buddy system in setting customer expectation • Development of customer/agent education program-specific to CAT environment 	<ul style="list-style-type: none"> • Time pressures may remain an issue • Independent adjuster use
Process design for CAT productivity	<ul style="list-style-type: none"> • Analysis of time and cost/benefit per adjuster • Development of vendor relationships • Streamline process for CAT specific needs • Use of CMS vs. Accupro 	<ul style="list-style-type: none"> • Reimbursement rate of Pilot adjusters • Difficulties in developing preferred vendor lists • Benchmark may indicate unacceptability of CMS
Transferability	<ul style="list-style-type: none"> • Train Pilot and NCT for broader rollout • Set up a system for tracking key performance measures 	<ul style="list-style-type: none"> • Who does the transfer • CSAs may need to be educated for Pilot oversight needs

PRELIMINARY GAMEPLAN FOR DALLAS ROLLOUT

Area	Activities	September	October	November	December
Start-up	<ul style="list-style-type: none"> • Setup • Baseline review • Kickoff 				
Phase 1 training	<ul style="list-style-type: none"> • Skills assessment • Training • Ride-alongs • File reviews • Test launch • Time studies • Vendor relationships 				
Phase 2 redesign and specific issues	<ul style="list-style-type: none"> • Streamlining of process productivity study • Manager role (Pilot/NCC) • Customers satisfaction measures identification and tracking • Performance sustaining measures • Skill assessment • Ride-alongs and reinspections • Baseline comparisons 				
Rollout	<ul style="list-style-type: none"> • Develop training program for broader rollout • Hand off to National CAT Center 				

H.O. ROOF-PHOENIX MTG
8/28/97

H.O. ROOF-PHOENIX MTG 8/28/97

H.O. Roof - Phoenix Meeting
8/28/97

H.O. CCPR PHOENIX TEST PROCESS TEAM

Paul Block
Toni Boyd
Eddie Burrell
Rich Cobb
Mary Dornaker
Wayne Evans
Penny Howell
Margaret Klinsport
Charlie Leo
Dean Olson
Dan Sherban
Jerry Skiby
Jim Tyson

H O CCPR ROOF TEST PHOENIX MEETING 8 28 97

GOOD MORNING

APOLOGIZE FOR NOT BEING ABLE TO BE THERE IN PERSON

THIS GIVES ME A CHANCE TO BRAG A LITTLE...I HAVE TO BE IN TOWN TODAY BECAUSE MY SON HAS BEEN SELECTED FOR THE GIFTED PROGRAM AND THE FIRST PARENT TEACHER CONFERENCE FOR THAT PROGRAM IS TONIGHT.....NOW THIS IS THE SAME GIFTED CHILD WHO TWO WEEKS AGO MOONED THE CAMP BUS !!!

LET ME QUICKLY COVER OUR AGENDA FOR TODAY

AND EXPLAIN A COUPLE OF WHYS AND WHATS ABOUT OUR INTERESTS IN PHOENIX

FIRST WE LEARNED SOME VERY VALUABLE LESSONS IN AUTO CCPR - Painful

THE FIRST LESSON WAS THAT WE COULD ACCOMPLISH GREAT THINGS IN OUR TEST SITES....SEE TERRIFIC RESULTS - just like Albuquerque - double digit decreases that # was so

AND AS SOON AS WE LEFT DESPITE THE GOODNESS OF THE PROCESSES AND THE RETURN ON INVESTMENT THE TEST SITE RETURNED TO THEIR PRIOR WAY OF HANDLING AUTO CLAIMS

THIS WAS NOT THEIR FAULT...WE DID NOT LEAVE ANYTHING IN PLACE THAT WOULD ENSURE THEIR CONTINUED SUCCESS...MEASUREMENT, REWARDS, RECOGNITION

WE JUST LEFT!

THE NEXT IMPORTANT LESSON WAS THAT THE TEST SITE WAS LEFT WITH THE IMPRESSION THAT THE CHAOS, AND DISRUPTION WE CAUSED DURING THE DESIGN PHASE WAS PART OF WHAT WAS TO BE IN THE PROCESS,...NOT TRUE.

SO WHAT WE WANT TO DO FOR PHOENIX IS LEAVE WORKABLE, MEASURABLE PROCESSES IN PLACE THAT WILL CONTINUE TO PROVIDE GREAT ECONOMIC RETURN AND IMPROVED CUSTOMER SATISFACTION IN A CLEAN, SIMPLE, NON DISRUPTIVE WAY

WE ALSO WANT TO SPREAD THE GREAT SUCCESSES ACROSS AS MUCH OF PHOENIX AS IS POSSIBLE AND REASONABLE WHILE WE CONTINUE TO LEARN HOW TO MANAGE AND SUPPORT THESE PROCESSES.

SO BEFORE WE GO ANY FURTHER, TONI COULD YOU PASS OUT OUR FIRST DOCUMENT WHICH IS OUR TEAM MEMBERSHIP LIST

YOU MAY BE SURPRISED TO SEE THAT THE CSA STAFF IS OFFICIALLY ON OUR PHOENIX ROOF TEAM!!

BILLIE I THINK YOU WILL REMEMBER THIS FROM CASUALTY . UNTIL THE M/V FOR USA SEE THEMSELVES AS PART OF THE TEAM THERE IS A FEELING OF CCPR BEING DONE TO US RATHER THAN WITH AND FOR *you*

WE WANT TO PARTNER WITH YOU TO MAKE THIS THE GREATEST SUCCESS FOR PHOENIX THAT WE POSSIBLE CAN - *Lots of recognition + revenue for Phoenix and return on the investment*

TODAY WE WILL COVER TOPICS:

ALBUQUERQUE SUCCESS

PHOENIX EXPANSION

mgmt. implications
PERFORMANCE MAINTENANCE AND ROLE CLARITY

RECOGNITION

Q AND A....RESOLVE ISSUES

~~SET DATE FOR NEXT TEAM MEETING~~

AND NOW I WILL TURN THIS OVER TO TONI

and after
includes all of us
to start with Albuquerque

6-11-00

AGENDA

- I. Opening Comments from Deb Campbell**
- II. Overview of Albuquerque Results**
- III. Proposed Phoenix CSA Expansion**
- IV. Implications for Management Involvement**
- V. Performance Maintenance**
- VI. Recognition**
- VII. Questions and Answers**

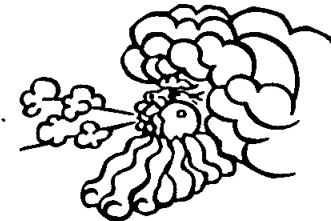
ROOF TEST WINNING RESULTS !!!

FOR

ALBUQUERQUE

AWESOME!!

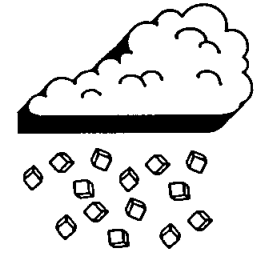
KEY PROCESS OUTPUT MEASURES – WIND CLAIMS



	Baseline	Test	Change (%)
Roof severity	1,204	602	-50%
Average roof closed cost	910	271	-70%
CWP (percent)	28%	55%	+93%

Source: 84 closed wind claims

WOW!!



KEY PROCESS OUTPUT MEASURES – HAIL CLAIMS

	Baseline	Test	Change (%)
Roof severity	2,343	1,330	-43%
Average roof closed costs	1,729	782	-55%
CWP (percent)	26%	41%	+58%

Source: 37 hail claims

WOW!!

WOW!!

CUSTOMER SATISFACTION RESULTS

OVERALL RESULTS

# Surveys	45
# Completely Satisfied	31
% Completely Satisfied	69

BREAKDOWN BY MONTH

	# COMPLETELY SATISFIED	% COMPLETELY SATISFIED
April	11	30
May	19	58
June	9	89
July	5	80
August	1	100

NOTE: Phone surveys include 19 CWP's
Data reflects only 1 dissatisfied customer due to claim denial
Six ICSS surveys received on Roof Process - all rated "5"

PROPOSED EXPANSION

FOR

PHOENIX CSA

FOCUS OF PHOENIX ROOF TEST

TEST SITE FOCUS

- **Test transferability of process across CSA with multiple claim reps**
- **Build support structures necessary to sustain the process**
- **Develop knowledge for eventual implementation**

NEW DESIGN ISSUES

- **Management roles**
- **Mechanized measurement**
- **Process sustainability**
- **Process productivity and resource implications**

SCOPE OF PROPOSED PHOENIX EXPANSION - OBJECTIVES

WHAT IT IS

- **Transfer process to claim reps who handle majority of roof claims**
- **Claim reps trained in process will handle other claims beside roofs**
- **A few key measurements to help sustain process**
- **Process expansion to capture value across CSA and test broader sustainment**

WHAT IT ISN'T

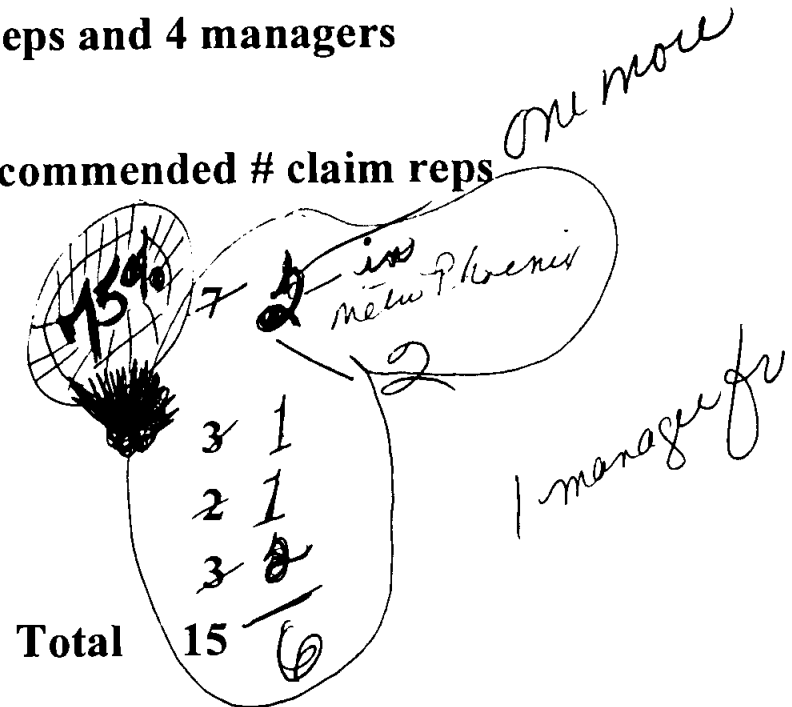
- **Transfer process to every property claim rep**
- **Roof claim reps who only handle roofs**
- **Extensive measurement systems and requirements**
- **Process implementation**

SCOPE OF PROPOSED PHOENIX EXPANSION - LOGISTICS

- Cover majority of CSA metro roof claims
- CCPR team resource capacity is 15 claim reps and 4 managers
- Focus on

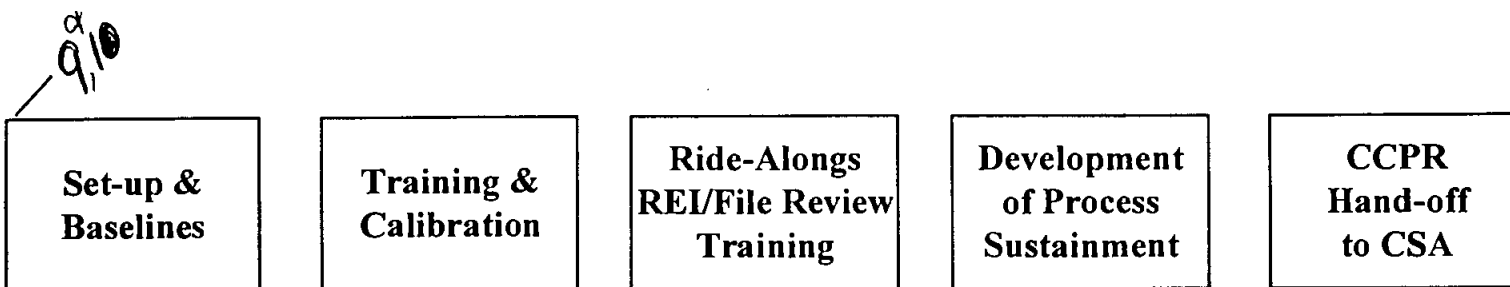
- Phoenix (Black Canyon, Mesa, Scottsdale)
- Tucson
- Las Vegas
- Ogden/SLC

Recommended # claim reps



- Training and calibration to take place In Phoenix central location
- Ridealongs to be done in local areas

TIMING OF EXPANSION



TIMING

2 Wks

2-2 1/2 Wks

2-3 Wks

6-8 Wks

2 Wks

KEY ACTIVITIES

Kick-off

Closed file review

Agent Communication

Skill assessments

Technical training

Process training

Develop uniform calibration standards for implementation

Training validation

Improve process compliance through field coaching

Mgt training oversight

Manager roles

Performance Mgtnt

Measurement

Study process productivity

Develop staffing needs

Debriefs on key issues

Transfer process ownership to CSA

September

October/November

December

IMPLICATIONS FOR MANAGEMENT STAFF INVOLVEMENT

	Set-up & Baselines	Training & Calibration	Ride-alongs REI/File Review Training	Development of Process Sustainment	CCPR Hand-off to CSA
MGT ROLES & INVLMT.	Participate in baseline reviews to understand what/why/how data is being captured and measured	Full-time participation in training	Live practice of process Learn new ReI/file review methods	Participate in design debriefs Test roles and measurement systems	Assume full ownership of process and sustainment
MGT TIME REQUIRED	1 day each mgr.	2-2 1/2 wks each mgr	3 days each mgr	1-2 days per wk each mgr	1-2 days per wk each mgr

**PROCESS PERFORMANCE
MAINTENANCE
FOR
ALBUQUERQUE**

KEY ROLES IN SUSTAINING ROOF PROCESS

<u>Position</u>	<u>Key Roles and Activities</u>
Claim Reps	<ul style="list-style-type: none">• Execute Roof Process<ul style="list-style-type: none">- Adhere to scripting- Use all forms- Complete measurements, ACCUPRO estimate, process activities as designed
UCM	<ul style="list-style-type: none">• Assure Process Compliance<ul style="list-style-type: none">- Assure adherence to forms/script- Maintain ACCUPRO estimating accuracy• Provide On-Going Field-Based Coaching• Act as Change Champion<ul style="list-style-type: none">- Recognize top performers
PCM	<ul style="list-style-type: none">• Diagnose Process Performance<ul style="list-style-type: none">- Track key process measures (repair/replace, damage ID, estimating accuracy)• Provide Feedback and Training to Address Process Non-Compliance
MCM/CSM	<ul style="list-style-type: none">• Track Performance of Test Process Through Key Outcome Measures (Closed Costs, Severity, Customer Satisfaction)• Act as Change Leader
CPS	<ul style="list-style-type: none">• Support UCM and PCM in Diagnosing and Maintaining Process Compliance

RECOMMENDED PERFORMANCE MAINTAINANCE

<u>Position</u>	<u>Major Responsibilities and Performance Standards</u>	<u>Source</u>
Claims Reps	<p>2 P.S.'s Added to Existing Cost Management MR</p> <ul style="list-style-type: none"> - 90% Compliance with Technical Components of Roof Process as Designed (Measurement, Forms, ACCUPRO Estimate) - 90% Compliance with Customer Interaction Components of Roof Process as Designed (Initial Contact, Four E's, Follow-Up) 	<p>Reinspections, File Reviews</p> <p>Ride Alongs/ Sit Alongs, Customer Surveys</p>
UCM	<p>2 P.S.'s Added to Existing Cost Management</p> <ul style="list-style-type: none"> - % Compliance Improvement in Roof Process - Technical Components - % Compliance Improvement in Roof Process - Customer Interaction Components 	<p>DB Aggregate of Compliance Reviews, Observation</p>
PCM/CPS	<p>1 P.S. Added to Existing Cost Management MR</p> <ul style="list-style-type: none"> - 90% Compliance Across Area/CSA - Technical Components 	<p>DB Aggregate of Compliance Reviews</p>
MCM	<p>1 P.S. Added to Customer Satisfaction MR</p> <ul style="list-style-type: none"> - 90% Compliance with Customer Interaction Components 	<p>ICSS Results</p>

EXAMPLE

Performance Development Summary—Year End 1997

Name:
Position: Claim Representative

Date:
Service Date:

Major Responsibilities - List your Major Responsibilities (MRs). These are the primary outputs or results of your work that contribute to the 1997 Business Unit/Region goals.	Priority/Weight %*	Rating or Achieved/ Not Achieved
Major Responsibility 1 - Customer Satisfaction	Priority A Weight	
Major Responsibility 2 - Property Cost Management	Priority A Weight	
Major Responsibility 3 -	Priority Weight	
Major Responsibility 4 -	Priority Weight	
Major Responsibility 5 -	Priority Weight	

*Note: Priority A-C, with A being the highest; if weighted, should total 100%.

Were The Allstate Partnership elements discussed? Yes No
 Were action plans created and executed? Yes No

Overall Rating	
Exceeds	<input type="checkbox"/>
Meets	<input type="checkbox"/>
Requires Improvement	<input type="checkbox"/>

Employee Comments:

Manager/Team Leader Comments:

Employee Signature: _____

Manager/Team Leader Signature: _____

Approved By: _____

Name:
Position: Claim Representative

Date:
Service Date:

	Priority/ Weight %
Major Responsibility #2- Property Cost Management	A
Performance Standard 1 - 90% compliance with technical components of Roof Process test as designed Source: PCM and CPS re-inspections and file reviews	A
Performance Standard 2 - Source:	
Performance Standard 3 - Source:	
Performance Standard 4 - Source:	

Note: Performance Standards may measure either results (what is achieved) or behaviors (how it is achieved).

<p><u>Employee Comments from Checkpoint(s):</u></p>
<p><u>Manager/Team Leader Comments from Checkpoint(s):</u></p>

EXAMPLE

Performance Development Summary—Year End 1997

Name:
Position: Unit Claim Manager

Date:
Service Date:

Major Responsibilities - List your Major Responsibilities (MRs). These are the primary outputs or results of your work that contribute to the 1997 Business Unit/Region goals.	Priority/Weight %*	Rating or Achieved/ Not Achieved
Major Responsibility 1 - Customer Satisfaction objectives attained through expert execution and compliance to process	Priority A Weight	
Major Responsibility 2 - Property Cost Management objectives attained through expert execution and compliance to process	Priority A Weight	
Major Responsibility 3 -	Priority Weight	
Major Responsibility 4 -	Priority Weight	

*Note: Priority A-C, with A being the highest; if weighted, should total 100%.

Overall Rating	
Exceeds	<input type="checkbox"/>
Meets	<input type="checkbox"/>
Requires Improvement	<input type="checkbox"/>

Were The Allstate Partnership elements discussed? Yes No
Were action plans created and executed? Yes No

Employee Comments:

Manager/Team Leader Comments:

Employee Signature: _____
Manager/Team Leader Signature: _____
Approved By: _____

Goal Setting Worksheet - 1997

Name:
Position: Unit Claim Manager

Date:
Service Date:

	Priority/ Weight %
Major Responsibility #1- Customer Satisfaction objectives attained through expert execution and compliance to process	A
Performance Standard 1 - 90% compliance in Roof Process test - customer interaction components Source: UCM and UCM compliance reviews and observation	A
Performance Standard 2 - Source:	
Performance Standard 3 - Source:	
Performance Standard 4 - Source:	

Note: Performance Standards may measure either results (what is achieved) or behaviors (how it is achieved).

Employee Comments from Checkpoint(s):

Manager/Team Leader Comments from Checkpoint(s):

Goal Setting Worksheet - 1997

Name:
Position: Unit Claim Manager

Date:
Service Date:

	Priority/ Weight%
Major Responsibility #2- Property cost management objectives attained through expert execution and compliance to process	A
Performance Standard 1 - 90% compliance in Roof Process test - technical components Source: PCM compliance reviews	A
Performance Standard 2 - Source:	
Performance Standard 3 - Source:	
Performance Standard 4 - Source:	

Note: Performance Standards may measure either results (what is achieved) or behaviors (how it is achieved).

Employee Comments from Checkpoint(s):

Manager/Team Leader Comments from Checkpoint(s):

EXAMPLE

Performance Development Summary—Year End 1997

Name:
Position: Property Claim Manager

Date:
Service Date:

Major Responsibilities - List your Major Responsibilities (MRs). These are the primary outputs or results of your work that contribute to the 1997 Business Unit/Region goals.	Priority/Weight %*	Rating or Achieved/ Not Achieved
Major Responsibility 1 - Damages: Process compliance attained through inspired leadership	Priority A Weight	
Major Responsibility 2 -	Priority Weight	
Major Responsibility 3 -	Priority Weight	
Major Responsibility 4 -	Priority Weight	

*Note: Priority A-C, with A being the highest; if weighted, should total 100%.

Were The Allstate Partnership elements discussed? Yes No
 Were action plans created and executed? Yes No

Overall Rating	
Exceeds	<input type="checkbox"/>
Meets	<input type="checkbox"/>
Requires Improvement	<input type="checkbox"/>

Employee Comments:

Manager/Team Leader Comments:

Employee Signature: _____

Manager/Team Leader Signature: _____

Approved By: _____

EXAMPLE

Performance Development Summary—Year End 1997

Name:
Position: Market Claim Manager

Date:
Service Date:

Major Responsibilities - List your Major Responsibilities (MRs). These are the primary outputs or results of your work that contribute to the 1997 Business Unit/Region goals.	Priority/Weight %*	Rating or Achieved/ Not Achieved
Major Responsibility 1 - Customer Satisfaction objectives attained through expert execution and compliance to process	Priority A Weight	
Major Responsibility 2 -	Priority A Weight	
Major Responsibility 3 -	Priority Weight	
Major Responsibility 4 -	Priority Weight	

*Note: Priority A-C, with A being the highest; if weighted, should total 100%.

Were *The Allstate Partnership* elements discussed? Yes No
 Were action plans created and executed? Yes No

Overall Rating	
Exceeds	<input type="checkbox"/>
Meets	<input type="checkbox"/>
Requires Improvement	<input type="checkbox"/>

Employee Comments:

Manager/Team Leader Comments:

Employee Signature: _____
 Manager/Team Leader Signature: _____
 Approved By: _____



Name:
Position: Market Claim Manager

Date:
Service Date:

	Priority/ Weight%
Major Responsibility #1- Customer Satisfaction objectives attained through expert execution and compliance to process	A
Performance Standard 1 - 90% compliance with customer interaction components of Roof Process test Source: ICSS results	A
Performance Standard 2 - Source:	
Performance Standard 3 - Source:	
Performance Standard 4 - Source:	

Note: Performance Standards may measure either results (what is achieved) or behaviors (how it is achieved).

Employee Comments from Checkpoint(s):

Manager/Team Leader Comments from Checkpoint(s):

EXAMPLE

Performance Development Summary—Year End 1997

Name:
Position: Claim Process Specialist

Date:
Service Date:

Major Responsibilities - List your Major Responsibilities (MRs). These are the primary outputs or results of your work that contribute to the 1997 Business Unit/Region goals.	Priority/Weight %*	Rating or Achieved/ Not Achieved
Major Responsibility 1 - Damage: Process Compliance attained through inspired leadership	Priority A Weight	
Major Responsibility 2 -	Priority Weight	
Major Responsibility 3 -	Priority Weight	
Major Responsibility 4 -	Priority Weight	

*Note: Priority A-C, with A being the highest; if weighted, should total 100%.

Overall Rating	
Exceeds	<input type="checkbox"/>
Meets	<input type="checkbox"/>
Requires Improvement	<input type="checkbox"/>

Were *The Allstate Partnership* elements discussed? Yes No
 Were action plans created and executed? Yes No

Employee Comments:

Manager/Team Leader Comments:

Employee Signature: _____

Manager/Team Leader Signature: _____

Approved By: _____

TEST SITE RECOGNITION RECOMMENDATIONS FOR PHOENIX CSA

- **Leverage Phoenix CSA test kick-off as opportunity to celebrate Albuquerque success**
 - **Invite key guests**
 - **Albuquerque test participants**
 - **Phoenix Property Management staff**
 - **Phoenix RVP, Billie, Rick, Mick, Ron McNeil (whoever is available)**
 - **Share test performance results**
 - **Give recognition awards to Albuquerque team**
- **Profile CSA test participants in Acclaim Magazine to get national recognition**
- **Schedule time on Sr. Leadership meeting agenda to present test successes and results (CSM/CPS to give presentation)**
- **Utilize Test Process Team to develop ways to heighten and sustain employee interest in the testing**
 - **Post results**
 - **Post customer letters**
 - **CSM, CPS, MCM to sponsor MCO communication meetings to keep employees updated on the testing**
- **Identify different types of on-going recognition**
 - **Give away certificates, time-off coupons, CCPR apparel**
 - **Performance bonus to claim rep with best results over 3 month period**
 - **Chairmans Award**

APPENDIX

3 KEY HOOKS OF THE ROOF PROCESS



Damage identification
A systematic process for
identifying covered and
noncovered damage
supported by rigorous
technical training



Repair vs. replace
Roof repair always
the 1st option
unless the cost to
replace is more
economical



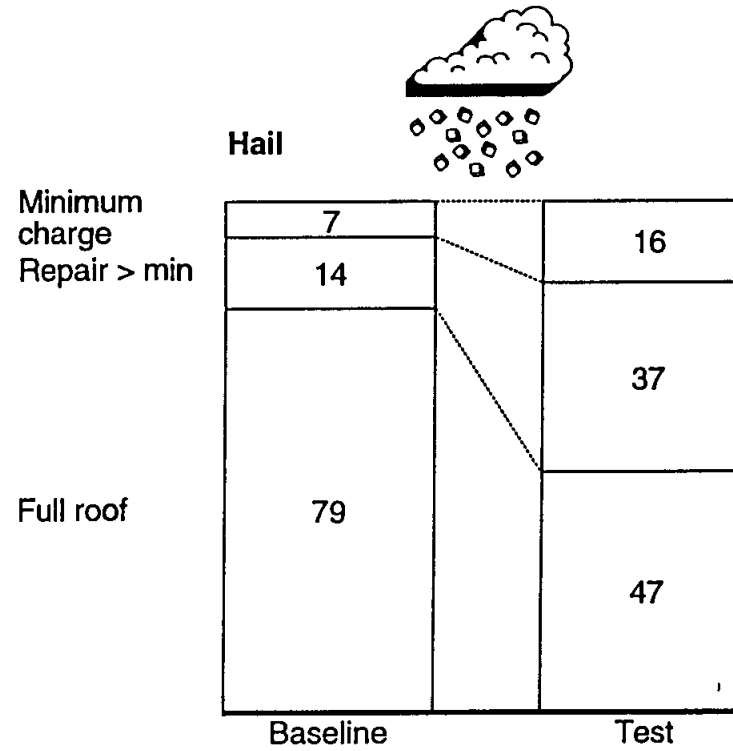
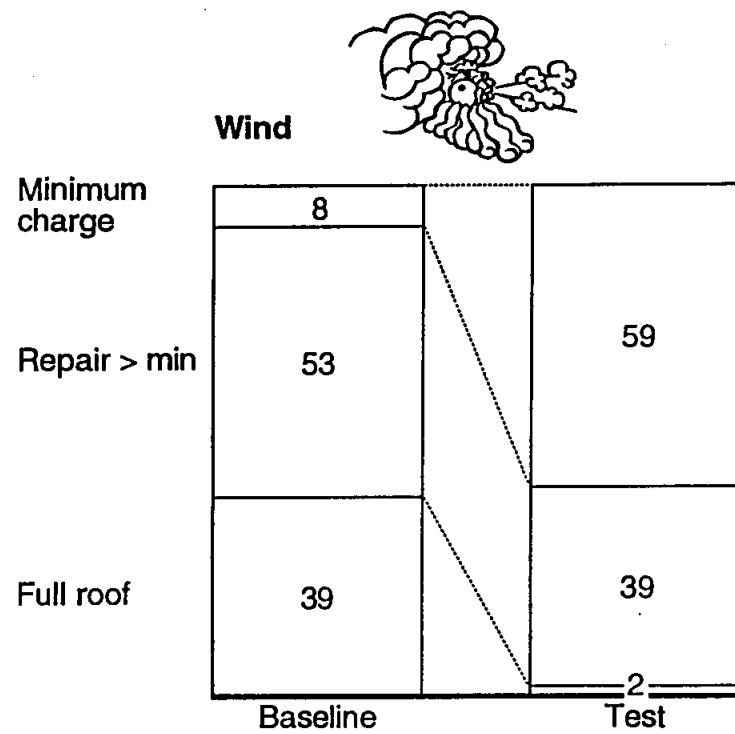
Estimating skills
Proper measurement
and estimate
calculations in Accupro

**Total economic opportunity
based on fact-finding**

- Non-CAT – \$18 million
- CAT – \$80 million

CHANGE IN REPAIR VS. REPLACE BEHAVIOR

Percent of claims with covered damage



Source: 84 wind claims and 37 closed hail claims

ACCEPTANCE OF REPAIR ESTIMATES

PRELIMINARY

Additional payment requests

- 9 requests out of 121 claims (7%)
 - 2 claims of missed hail damage
 - 3 demands for a new roof (neighboritis/contractoritis)
 - 1 request to pay for noncovered maintenance damage
 - 3 claims of other missed damage
- 2 additional roof-related payments to date (2%)

Repair status

Not started

8

Date set

23

Repairs started/
done

69

100

Estimate accepted*

- To date, roof process estimates are being honored by vendors and repairs are being completed satisfactorily
- Reparability assessments have not been challenged by the market
- Greater resistance may be encountered with hail claims which produce scattered damage

* All estimates were honored by contractor, although 2 customers chose to have additional maintenance work performed
 Source: Additional payment request log; 12 claim follow-up calls

CUSTOMER FEEDBACK ON ROOF PROCESS

Percent of customers surveyed

Dissatisfied	15			8
	85		100	92
Satisfied to completely satisfied				
	Wind/hail national average 97Q1		Roof CWA	Roof CWP

Drivers of incomplete satisfaction

- Expectation of higher settlement
- Poor process explanation
- No on-site settlement/follow-up
- Lack of empathy

Drivers of complete satisfaction

- Perceived thoroughness and expertise of adjusters
- Roof maintenance education
- Empathy
- On-site estimate and explanation

- Despite increased minimum charges and denials, the process can still successfully drive customer satisfaction
- Complete customer satisfaction has been trending upward as adjusters have become more comfortable with on-site estimates and roof education
 - April: 30% complete satisfaction
 - May/June: 75% complete satisfaction vs. 70% countrywide wind/hail (Q1 1997/Q2 1997 combined)*

* Countrywide results exclude CWPs

Source: 30 customer interviews

ROOF CLAIM COUNT LEVELS IN PHOENIX CSA

		<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>
Arizona	Phoenix	288	60	23	19
	Mesa	55	27	13	15
	Tucson	<u>52</u>	<u>28</u>	<u>11</u>	<u>6</u>
		395	115	47	40
Nevada	Las Vegas	11	15	20	11
Utah	Sale Lake City	16	21	6	9
	Ogden	<u>8</u>	<u>10</u>	<u>4</u>	<u>4</u>
		24	31	10	13
New Mexico	Albuquerque	56	32	26	38
Total CSA		486	193	103	102

Source: OIS Avg Mo. Claim Counts for Years 1993 through 1996

HOMEOWNER CCPR/NPSSC
TM MTG 10/3/97

HOMEOWNER CCPR/NPSSC TM MTG 10/3/97

file

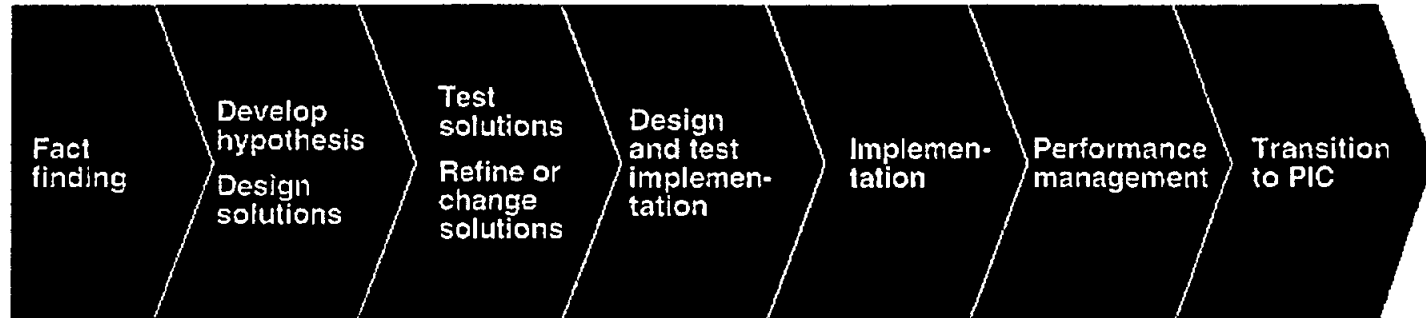
HOMEOWNER CCPR/NPSSC TEAM MEETING
SUBROGATION ISSUES

October 3, 1997

AGENDA

- | | |
|---|----------------------|
| I. Welcome, introduction | Toni Boyd |
| II. Overview of NPSSC organizational structure | Sue Henderson |
| III. Meeting objectives | Toni Boyd |
| <ul style="list-style-type: none">- Share information and gain mutual understanding of CCPR and NPSSC processes- Reach consensus on plans moving forward | |
| IV. Recap of H.O. CCPR fact-finding and learnings | Margie Bowman |
| V. Overview of Fire subro test process and results | Margie Bowman |
| VI. Steps moving forward | Toni Boyd |

CCPR METHODOLOGY



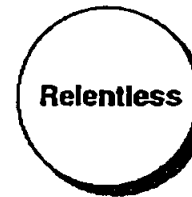
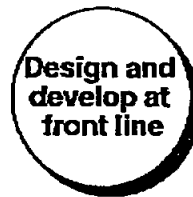
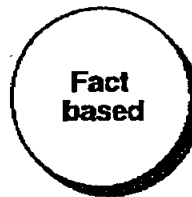
- Reviews
- Reinspections
- Focus groups
- Customer interviews
- Employee interviews

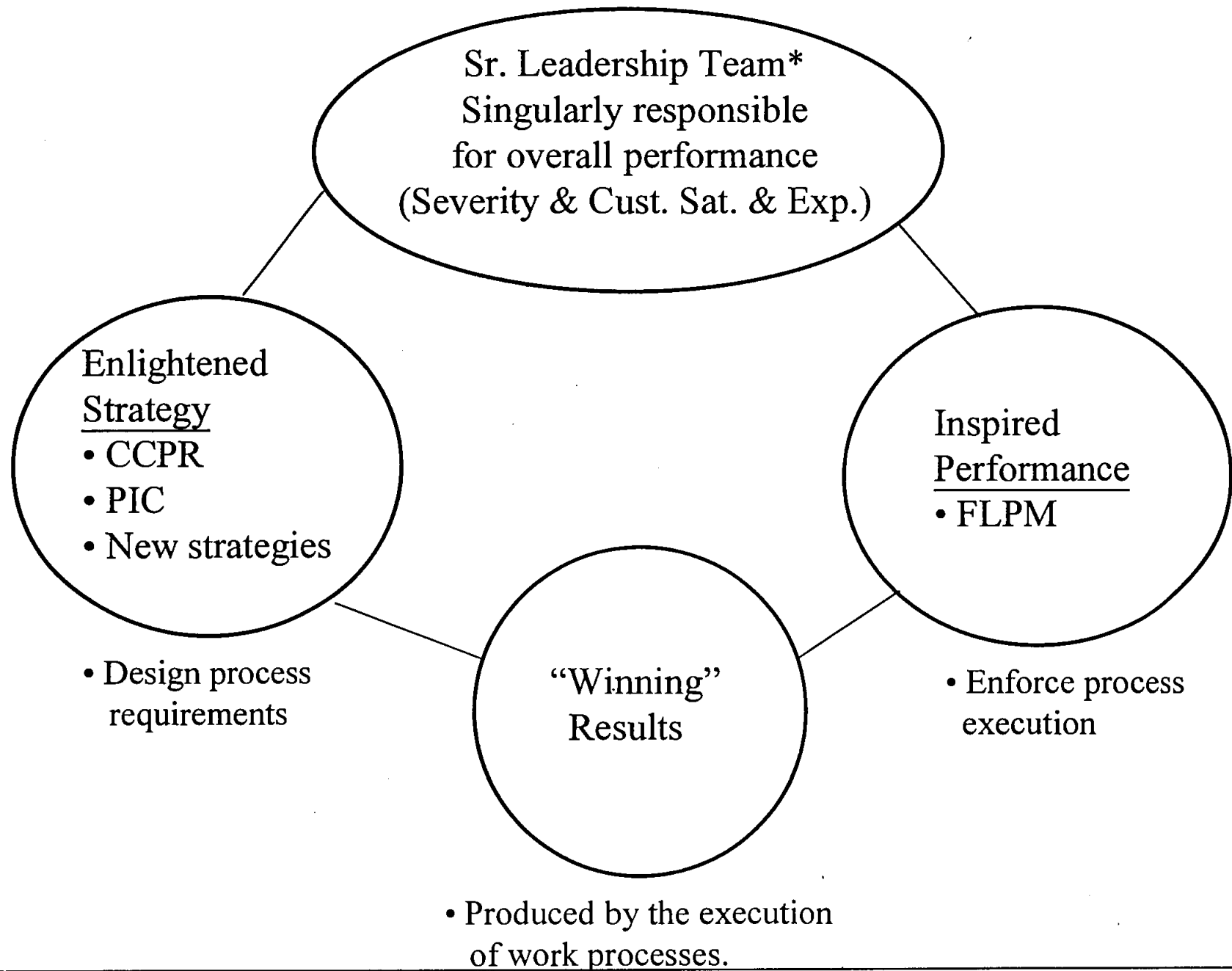
- Potential solutions
- Front line/CCPR

- Front line based
- Structured analysis

- Highly structured
- Consistent
- Front line based

- Dedicated leadership
- Measurement
- Compensation
- Recognition





* *Lit. Services, Subro & Commercial are microcosms of this organizational approach.*

FACT FINDING ACTIVITIES

- **Reviewed 190 closed files**
- **Conducted 24 reinspections**
- **Interviewed over 32 field personnel**

KEY LEARNINGS

- **Total opportunity in the fire peril is \$135 million on an annual basis**
- **75% of the opportunity is in fires larger than \$15,000**
- **The opportunity is primarily driven by 2 areas**
 - **Evaluation of structure and contents (\$69 million)**
 - **Subrogation (\$33 million)**

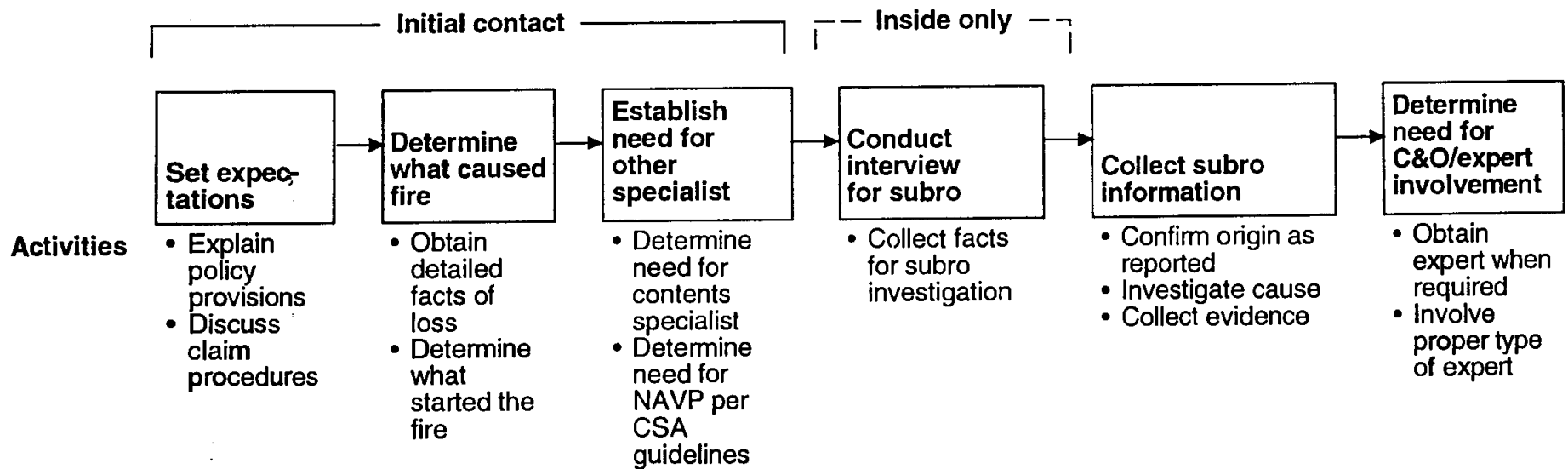
DRIVERS OF SUBRO OPPORTUNITY

- **Subrogation is potentially a very large opportunity in the fire peril**
- **Key barriers to successful subrogation are**
 - **Limited or no investigation**
 - **Lack of identification**
 - **Lack of aggressive handling**

HIGHLIGHTS OF SUBRO TEST PROCESS

- **Addresses subro up-front**
- **Focuses on ruling-in subro vs ruling-out**
- **Includes structured, methodical job aids to assist claim reps in determining investigative needs by loss type**

SUBROGATION PROCESS



SUBROGATION DECISION JOB AID

Objective - To identify type of subrogation potential on each claim

What caused the loss?	Check here	Next steps		
Product involved <ul style="list-style-type: none"> • Appliances • Electronic devices (heater, power strip) • Lighting • Flame/heat device (stove, furnace) 	<input type="checkbox"/>	Product liability interview form	Causation/Expert Involvement Form	
Workmanship/contractor <ul style="list-style-type: none"> • Actions by contractor/handyman which caused fire (e.g. staple through electrical wire) 	<input type="checkbox"/>	Workmanship liability interview form	Causation/Expert Involvement Form	
Other than insured's actions responsible or partially responsible <ul style="list-style-type: none"> • Friends, relatives, neighbors, strangers 	<input type="checkbox"/>	Other than insured liability interview form	Causation/Expert Involvement Form	
Insured solely responsible <ul style="list-style-type: none"> • For example, coals in plastic bag 	<input type="checkbox"/>	Universal subrogation interview form	Causation/Expert Involvement Form	OR Write-off
Electrical <ul style="list-style-type: none"> • Product liability • Workmanship 	<input type="checkbox"/>	Electrical interview form	Causation/Expert Involvement Form	
Unknown cause	<input type="checkbox"/>	Unknown cause interview form	Causation/Expert Involvement Form	
Other causes <ul style="list-style-type: none"> • Specify (e.g. lightning strike) 	<input type="checkbox"/>	Universal subrogation interview form	Causation/Expert Involvement Form	OR Write-off

INTERVIEW FORM - PRODUCT LIABILITY CASE

Claim No. _____

Objective - To obtain information from the insured on a product liability case

Information in blocked area needs to be transferred to diary under subrogation information

- What happened prior to the fire? (events leading up to the loss)

- What started the fire?
- What is the make/model of the item?
- What is the serial number?
- Is the product under warranty? (obtain warranty information)
- When you bought the product, was it new or used?
- How old is it?
- Is the owner's manual or other printed information available?
- Where was it purchased? (Obtain purchase receipt - note in diary if not available)

- Did you have any problems with the item prior to the fire?
 - If so, what?
 - Was anything done?
 - If so, what?
- Is there a maintenance service agreement on the item? (Obtain agreement)
 - If so, by whom?
 - When was it last serviced? (Obtain service records - note in diary if not available)
- Has the item been serviced in the past?
 - If so, for what?
 - By whom?
 - Last serviced? (Obtain service records - note in diary if not available)
- Were any other items (products) near the item you think caused the fire?
- Were they plugged into the same outlet?
- Was the fire department called?

After completion, go to Causation/Expert Involvement form

CAUSATION/EXPERT INVOLVEMENT FORM

Objectives - To collect subrogation evidence; to determine the need for retaining an expert and taking a recorded statement

1. Check which may apply A. Product liability B. Improper workmanship C. Universal
 D. Other than insured E. Electrical F. Unknown (go to #3)

2. Describe cause of loss in detail _____

3. Evidence secured? Yes No NA Date _____ By whom _____
Description of evidence _____

If projected \$ potential of loss is:
Less than \$2000 - Ask the insured to store the evidence
More than \$2000 - Claim rep should retain evidence or arrange for a vendor to store the evidence
If an expert inspects the evidence, he or she should retain the evidence

4. Identify claimants

Name _____	Name _____
Address _____	Address _____
_____	_____
Telephone _____	Telephone _____

5. Did you rule out other causes of the loss? Yes If not, why? _____
 No _____

6. Photos (attach to form) Item which caused loss Surrounding area Overview of area

7. Diagram areas of origin (if photos were taken, diagram may not be necessary)

8. Is the Fire Report and/or Fire Investigator's report available? Yes If, so has it been ordered? Yes Date ordered _____
 No No

CAUSATION/EXPERT INVOLVEMENT FORM - CONTINUED

9. Use the following guidelines and tests to determine expert involvement needed

Guidelines for calling expert

Situation	Decision	Check one
Do not know the cause of loss Evidence has not been retained Unable to rule out other causes	➔ Call O&C expert	<input type="checkbox"/>
Cause has been determined and Evidence identified and secured	➔ Call specialized expert (electrical engineer, appliance repairperson, electrician, etc.)	<input type="checkbox"/>

Note: If a liability claim exists against our insured, management should be consulted when retaining an expert

Apply the following financial test before hiring an expert

	O&C	Specialist
A. Est. cost of hiring experts (O&C and others)	_____	_____
B. Projected \$ potential of loss	_____	_____
C. Cost of experts as % of loss \$	_____	_____
- If C is over 25% do not call an expert - If C is equal to or below 25%, retain appropriate expert(s)		

10. Will expert(s) be used?

Yes If yes, provide details

No

Name _____
Address _____

Telephone _____

Name _____
Address _____

Telephone _____

11. A recorded statement is required when an O&C/other expert is not involved and any one of the following applies:

Repairs or modifications made to the product/home Third party insurance carrier is known

Tenant is involved (obtain statement from tenant)

12. If the answer to any of the following is "Yes", submit the file for write-off

You were unable to complete the Causation/Expert Involvement form and O&C expert or other expert was not economically feasible Yes No
If yes, specify _____

Expert unable to determine the cause and the amount of the claim does not warrant a second opinion Yes No

If file is being written off, specify the reason for subrogation write-off _____

Manager approval for subrogation write-off

REFERRAL ACTIVITY TO DATE

BASELINE ('96 YEAR ACTUAL)

- 34 files referrals (4.8%)

TEST RESULTS (5/97 - 9/97)

- 37 files identified (37%)
- 18 referrals completed (18%)
- \$63,164 anticipated recovery (collected or liability accepted on 7 files)
- No rejections to date

STEPS MOVING FORWARD



- **Conduct fact-based analysis of pending/closed test files to validate effectiveness in subro recovery at levels of**
 - **Claim Rep**
 - **Subro Coordinator**
 - **NPSSC**

- **Conduct reviews on NPSSC files**
 - **To understand drivers of subro recovery**
 - **To build fact-base for designing effective subro requirements**

INTERVIEW FORM - UNIVERSAL SUBROGATION CASE

Objectives - To identify subrogation in situations where the insured is responsible for the loss and opportunities were lost due to defects or negligence

Were the occupants of the home alerted to the fire by smoke or fire alarm? _____

How many smoke/fire alarms were present? _____

Where were they located? _____

Were the alarms maintained? _____

Did firemen/others mention hearing the alarm? _____



Defective early warning system

Check here

If checked, go to Causation/Expert Involvement form

Was a sprinkler system installed in the home? _____

Did the sprinkler system operate properly? _____

What time was the fire department notified? _____

How was the fire department notified? _____

How long did it take for the fire department to respond to the fire? _____

Was the fire department able to extinguish the fire? _____

If the fire department was not able to extinguish the fire - why? _____



Improper fire Extinguishing

If checked, go to Causation/Expert Involvement form

Did the structure contain the proper fire stops, such as brick walls separating multiunit housing? If yes, describe _____



Improper building design

If checked, go to Causation/Expert Involvement form

Was there access to the property for the fire department? _____

Did the fire spread at an unusually fast rate according to the fire department? _____

Was remodeling being done at the home? _____

Were fire-resistant materials (e.g. carpet, paneling) present in the home according to the contractor? _____



Defective bldg. contents/materials

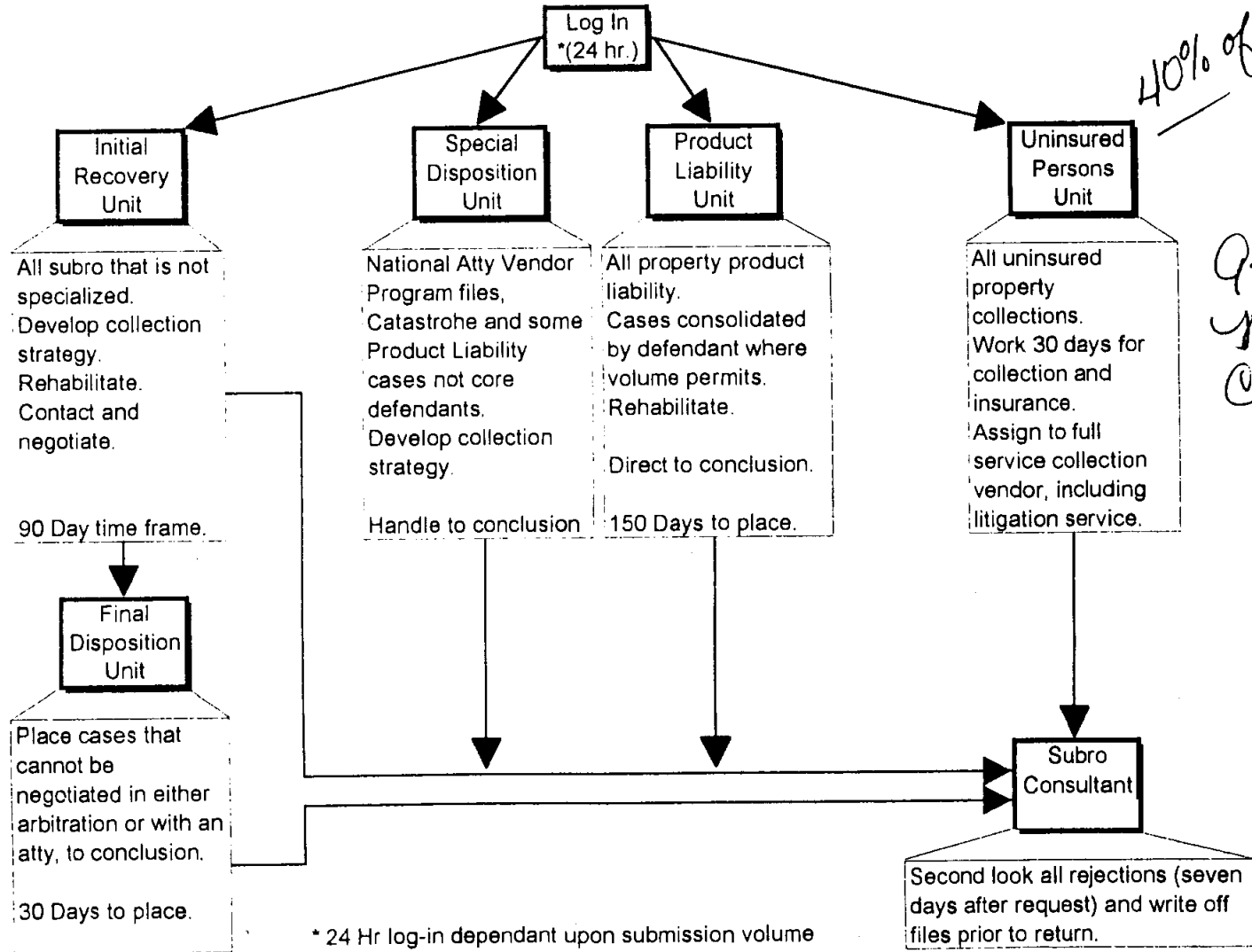
If checked, go to Causation/Expert Involvement form

If none of the above are checked, specify the reason for subro write-off _____

Manager approval for write-off

NPSSC FLOW

NATIONAL PROPERTY SUBROGATION SERVICE CENTER



- ① ~~CCP~~ Primary reason for lack of quality
- No implemented processes
 - No consistent requirements
 - No fact base to ensure ~~the~~ standard of quality
 - process/matrix compliance

- ② ^{#0.} CCP will not be the solution to all of the problems
- Big bucket - narrow focus
highest return

PHASE 2 ROOF
PROCESS 11/6/97

PHASE 2 ROOF PROCESS 11/6/97