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Tuesday, Sep. 6, 2005

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Allstate settles overtime suit for \$120 million

Bloomberg News
 Posted Friday, September 02, 2005

Allstate Corp., the second-biggest U.S. home and auto insurer, said Thursday it will pay as much as \$120 million to settle a lawsuit in which its California employees claimed they had wrongly been denied overtime pay.

The payment covers overtime compensation, reimbursement for violating meal and break rules and attorneys' fees, Northbrook-based Allstate said today in a regulatory filing. In July, Allstate set aside \$120 million to reflect the settlement, spokesman Michael Trevino said.

The class action is one of hundreds against insurers and other companies claiming violations of California wage-and-hour laws. A statute passed in 2000 made it easier for managers and administrators to qualify for overtime than the federal law most companies use as a guide.

"It's become a real growth industry in California," said Margaret Hart Edwards, a lawyer at Littler Mendelson in San Francisco, who represents employers in such lawsuits and isn't involved in the Allstate case.

California workers have filed similar lawsuits against Wal-Mart Stores Inc., Wells Fargo & Co., U-Haul International Inc., Starbucks Corp. and other companies.

In January, State Farm Insurance Co. agreed to pay \$135 million to settle a lawsuit brought by California adjusters. Farmers Insurance Group agreed to pay \$200 million last year to settle a similar suit in Alameda County, Calif.

"They're difficult cases for an employer to take to trial," Edwards said. The employer has the burden to prove that the workers are exempt from overtime rules, she said.

"California has specific laws related to workers' classifications that are unique to California," Allstate's Trevino said in an interview.

Allstate continues to deny any liability or wrongdoing in the case, the company said in the U.S. Securities and Exchange Commission filing. The settlement was reached Tuesday, Trevino said.

About 1,900 current and former Allstate adjusters will share the settlement, said Louis Marlin, an attorney for the Allstate employees. The settlement covers claims adjusters between Nov. 27, 1996, and Dec. 31, 2004.

"For any person employed for the entire class period, the gross amount would be about \$95,000," said Marlin of Marlin & Saltzman in Anaheim, California.

The settlement payment compares with Allstate's net income of \$1.15 billion in the second quarter.

The settlement needs court approval.

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