



Consumer Federation of America

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Low Ball:

**An Insider's Look at How Some Insurers Can Manipulate Computerized
Systems to Broadly Underpay Injury Claims**

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Introduction

Over the past ten to fifteen years, the payment of bodily injury claims covered by automobile or home and property insurance has evolved from a system based primarily upon the experience and knowledge of claims' adjusters to a computer-based assessment that has the potential to be easily and broadly manipulated by insurers. This technology has enabled many insurers to increase profits by reducing the amount paid to consumers who file bodily injury liability claims, including uninsured and underinsured motorist claims. Insurers have also been able to hire less-experienced employees to handle these types of claims, since the computer programs conduct much of the decision-making. Few consumers have knowledge of these practices, while even less understand the significant impact that the practices can have on their financial lives. The authors'¹ primary objective in writing this report is to inform regulators about the technical complexity of this topic and the need to exercise better oversight regarding how these systems can be manipulated to the detriment of consumers. Expanding on a previous CFA report,² we hope to further educate consumers filing bodily injury claims about how they can avoid unfair tactics employed by some insurers who use computer-based assessment systems and receive a fair settlement.

Injury and Medical Evaluation Software

The most widely used injury evaluation software program is known as "Colossus," which is sold by Computer Sciences Corporation ("CSC.") Two similar products are also on the market. They are "Claims Outcome Advisor" (sold by Insurance Services Office) and "Claims IQ" (sold by Mitchell International.) Mitchell also sells a related product known as "Mitchell DecisionPoint," a software program that insurers use to determine how much they will pay of the amount billed to patients.³

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J. Robert Hunter, CFA's Director of Insurance, wrote Appendix A of the report. Hunter served as Commissioner of Insurance for the State of Texas and as the Federal Insurance Administrator under Presidents Carter and Ford. He was President and founder of the National Insurance Consumer Organization and a co-founder of Americans for Insurance Reform. He is an actuary, a Fellow in the Casualty Actuarial Society and a Member of the American Academy of Actuaries.

² See Mark Romano, "Guide to Navigating the Auto Claims' Maze: Getting the Settlement You Deserve" Consumer Federation of America, December 2011 <http://www.consumerfed.org/pdfs/Auto-Insurance-Navigating-Auto-Claims-Guide-12-14-11.pdf>

³ In PIP (no-fault) states, the rules are programmed into the software according to the specific state requirements regarding pricing. In non-PIP states, the bills are priced based on "usual and customary" charges. Insurers determine these prices using a database utilized by Mitchell DecisionPoint. Some insurers use Mitchell in tandem with one of the injury evaluation software products.

When CSC and its competitors talk publicly about these computer-based claims' systems, they stress that the programs are tools that insurers can use to achieve consistency in bodily injury claims evaluations. That is a legitimate objective, but it is only a part of the story. Behind closed doors, software marketing representatives talk about the real reason insurers are willing to invest millions of dollars into software licenses, installations, employee training and maintenance for these products. Insurers can use the programs to save millions of dollars by making "low-ball" claims' offers on a broad scale that are less than what injured consumers should receive under the terms of their insurance policies. Indeed, the primary sales pitch that CSC and the previous owners of Colossus software used to successfully market this product to the majority of leading writers of auto insurance in America was that they could achieve such "savings." (See Appendix A for more information.)

Background on Colossus

In 1988 the Australia Government Insurance Office (GIO) was losing money and asked Computations, Pty. Ltd (later named "Continuum") to assist them in developing a computer system to reduce claims' payments.⁴ GIO had great success in achieving lower payouts, which led insurers to ask if they could license the product.⁵ Allstate was the first insurer in America to test the product and USF&G was the first American insurer to use it.⁶ Other insurance companies expressed significant interest in it after the trade press reported that USF&G was achieving huge claims' savings. In 1996, Continuum merged with CSC, which continues to actively market the product. Many of the largest insurers in the country currently or have previously used Colossus.⁷

The consulting firm McKinsey and Company played a central role in convincing Allstate and other insurance companies that it was in their financial interest to adopt Colossus. McKinsey's rationale was that Allstate could achieve significant savings by systematically reducing claims' settlements made to consumers. A presentation developed by McKinsey that was later released by Allstate⁸ said, "Using Zero Sum Game theory, McKinsey converted Allstate's claim processes into an institutionalized competition called a 'Zero Sum Economic Game,' which pitted Allstate and its shareholders against its policyholders for a share of the claim fund."⁹ A McKinsey slide introducing to Allstate its proposals to restructure the Allstate

⁴ See "A Colossus Come to Judgment, GIO's Expert System on General Damages," Australian Law Journal, 26 Nov. 1992.

⁵ See Paul Beinat & Barry Hornery, "Colossus" Judicial Officers Bulletin, March, 1991.

⁶ See Sandy Pickett, "Colossus Covers Insurer's Future, Today's Computers, 16 March 1990 and "USF&G Achieves Colossal Results," Continuum Connections, July/August 1992.

⁷ These companies include: Allstate, American Family, American National, Chubb, CNA, Erie, Farm Bureau of Indiana, Farmers Ins., Federated Mutual, General Casualty, Grange Mutual, Hartford, Horace Mann, MetLife Home & Auto, Motorist Ins., National Farmers Union, Nationwide Ins., Ohio Casualty, Pekin Insurance, Royal, Saint Paul, State Auto, Travelers, Twenty-first Century, United Farm Family Mutual, Unitrin, USAA, USF&G, Utica Mutual, Wausau, Westfield Group, and Zurich.

⁸ The presentation was released by Allstate in 2008 after the Florida Department of Insurance, as part of an investigation into Allstate's practices, threatened to suspend the insurer from writing new automobile insurance business in the state. Florida took this step because Allstate refused to honor subpoenas requesting the McKinsey documents.

⁹ *From Good Hands to Boxing Gloves – How Allstate Changed Casualty Insurance in America*, Trial Guides, 2006, Berardinelli, Freeman and DeShaw, page 99.

claims' process¹⁰ identifies the winners and losers starkly, "Improving Allstate's casualty economics will have a negative economic impact on some medical providers, plaintiff attorneys, and claimants...Allstate gains, others must lose."¹¹ CSC and other claims' system providers would later echo this analysis by marketing Colossus and similar products to insurers with assertions that they would reduce claims' settlements to consumers by 20 percent. (See Appendix A for a detailed description of what court records have revealed about how Colossus and similar products are marketed to and used by insurance companies.)

How Colossus Works

When an insurer first purchases a Colossus license from CSC, it conducts a "benchmark session," which CSC facilitates. During this session, CSC asks the insurer to identify experienced adjusters who are familiar with claims in specific regions of the country. CSC then presents the company with hypothetical claims to review to reach a consensus on the value of the claims. These values are then used to set the initial "tuning" within the software.

Next, the insurer conducts a "closed file study." This is a sampling of settled bodily injury claims of various injury types from all parts of the county in which the insurer writes business. The claims are reviewed to determine if they are valid samples (see below.) They are then entered into the software to determine what settlement value Colossus would have recommended for each claim. The insurer then compares the Colossus recommendation to the amount the company actually paid. If the insurer finds that the settlement "range" that Colossus recommends is not yielding the savings that they desire, the insurer can adjust the software to produce the projected percentage of savings. For consumers, this means that the company will make lower claims' offers in many cases.

Colossus contains approximately 600 injury codes, which represent the various types of injuries that can occur. Each injury code has a severity value attached to it. Colossus assigns a dollar amount to each severity point. This results in a recommended dollar value settlement-range for each injury entered into the system. The insurer also establishes and assigns separate values and dollar amounts for permanent physical impairment.¹²

Colossus is configured by economic region because the values of claims' settlements can vary by state, county or city. It is up to the insurer to determine how it wants to configure these regions. Some do it by state, some by parts of states, counties, zip codes or claims' office locations.

After a period of time that may vary according to the size of the insurer, the company will re-tune the Colossus software to adjust the values. CSC is usually retained to assist in part or all of this process, but the ultimate re-tuning decisions are left to the insurer. In fact, the company signs an agreement with CSC that says that all such decisions are the insurer's responsibility, not CSC's. Re-tuning is started by extracting settlement data by economic region from the Colossus system. The data is then "scrubbed." That means that certain claims are removed or excluded

¹⁰ This process was known by McKinsey and Allstate as Core Claims Process Redesign, or CCPR.

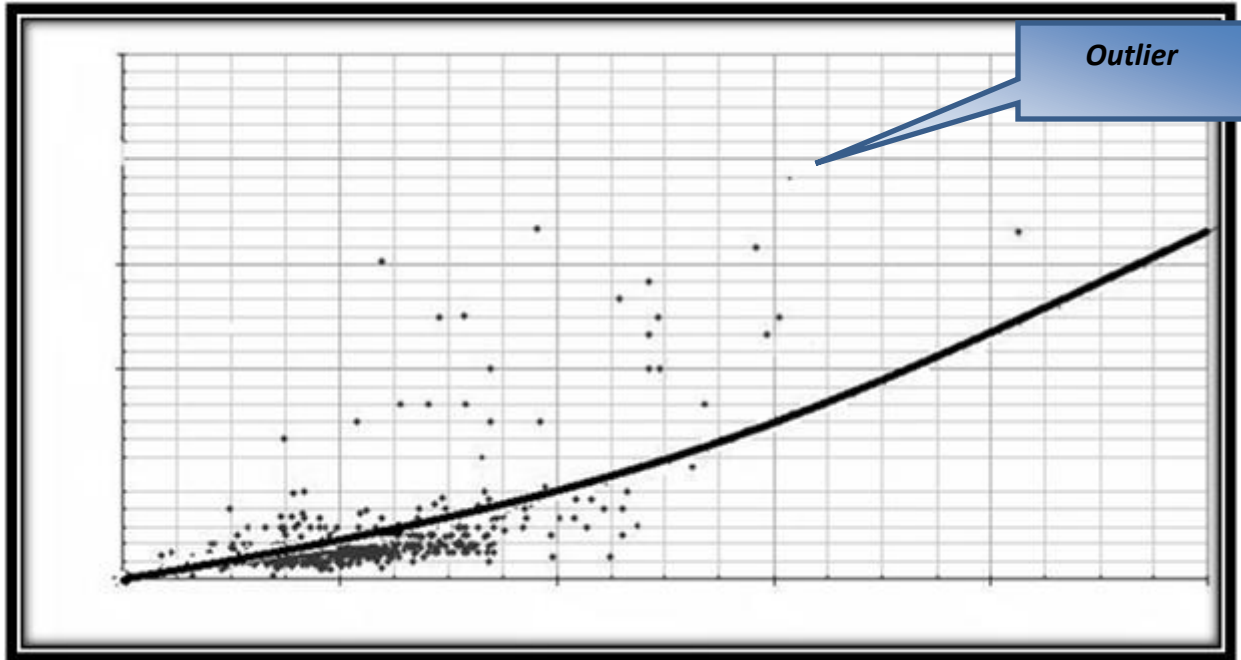
¹¹ *From Good Hands to Boxing Gloves – How Allstate Changed Casualty Insurance in America*, Trial Guides, 2006, Berardinelli, Freeman and DeShaw, page 101.

¹² This is accomplished by conducting benchmark sessions similar to those described for developing trauma severity.

from the tuning sample, as they can skew the data and resulting analysis.¹³ Insurers often use a graphing macro known as a Scattergraph, in which all settlements are plotted on a graph and any anomalies not already identified (known as outliers) can be easily identified and examined.

Scattergraph Illustration

(Black line represents trauma dollar recommended value. Black dots represent claims settled)



Whether insurers should exclude data regarding claims paid out as a result of jury verdicts from the Colossus tuning sample is controversial. Some insurers exclude this data to lower the recommended dollar settlement-range. However, a strong case can be made that the best decision for consumers is to not exclude jury verdict data, as this information is the ultimate reflection of what a claim is worth. Decisions that individual insurers make regarding what is left in or taken out of the tuning sample will influence the trauma severity values and recommended settlement dollar amounts that are used in the future.

Once insurers scrub Colossus tuning sample data by economic region, they send it to CSC, although this is up to the insurer. CSC reviews the data and then develops proposed re-tuning options for the insurer to consider. The ultimate goal of re-tuning is to achieve a “payment rate” of 1.00. That means that the high-end settlement amount¹⁴ recommended by Colossus is equal to the dollar amount of the actual settlement. By requiring the expected settlement amount to be the high-end of the settlement range, insurers are pushing adjusters to settle below that

¹³ Examples of the types of claims that might be removed or excluded include: the injured party has a high level of negligence; Colossus recommends no payment to the driver; the insured driver has a major disfigurement or physical impairment; the settlement amount is more than 50 percent above or below those recommended by Colossus, and the amount to be paid-out equals or exceeds the policy limits.

¹⁴ Colossus produces a proposed settlement range for the adjuster to use. The high end of the range that is used is the calculated maximum value of the claim being studied. The low end of the range is usually 20 percent less than this amount.

amount, which in many cases is below the amount of actual, legitimate losses experienced by the claimant because of their injuries.

The tuning analysis is broken out into dollar tiers: zero to \$2,500, \$2,501 to \$5,000, \$5,001 to \$7,500, etc. Payment rates may vary between tiers due to the sampling size and the amount paid within a tier. Most settlements are in payment tiers between zero and \$15,000. This is because soft tissue injury claims, which traditionally make up the bulk of all claims, typically fall into this range. The tuning analysis produces a comparison between the original payment amount (the payment rate) calculated for a particular group of claims and projected payment data using that same sampling with a new proposed tuning amount. Insurers then review the tuning analysis and determine whether they will adjust the original tuning in each economic region. To update the tuning, insurers use a CSC program called the “Tuning Toolkit.” The new claims’ values are effective immediately for any new claim entered into the system. Some insurers conduct re-tuning on an annual basis, some less often.

Insurers train their adjusters on how to use Colossus before it is implemented. Once they gather all of the medical information on a policyholder or claimant, adjusters first complete a “dissection” sheet. This is a method for organizing claims’ information so that the adjuster becomes familiar with the case and can easily enter data related to it input into the Colossus system. Adjusters see a series of screens that prompt them to enter or select information as they proceed. Some basic information such as the individual’s name, age, and date-of injury may be automatically populated, depending upon the insurer.

Colossus generates a report after an adjuster first enters data called a “consultation.” The adjuster has the option of completing two types of consultations. The first is known as “the directed interview,” which takes longer to complete and is used for more complicated injuries. The other report is known as “the consolidated entry,” which is shorter and can be used for common injuries like whiplash. As mentioned previously, there are hundreds of injury codes in the Colossus system.¹⁵ Insurers also use standardized definitions compiled in the International Statistical Classification of Diseases and Related Health Problems (known as ICD-9 diagnoses codes) to identify injuries that are catalogued within the system. Colossus provides a search and index function, as well as an anatomical diagram (available for use in the directed interview method) that can assist the adjuster in selecting appropriate injury codes for particular claims.

In addition to identifying the types of injuries that occurred, adjusters enter information about the number of treatments or visits received or made by a claimant by medical specialty, as well as the final prognosis by specialty. The adjuster’s selection of final prognosis codes is critical, as this decision will drive the ultimate settlement amount that Colossus recommends. Examples of prognosis codes include “D-Complaint,” “future treatment” and “B-No Complaint (resolved).” As one would suspect, prognosis code D would lead Colossus to make a higher value determination and the insurer to make a higher claims’ offer to the claimant.

Colossus utilizes a variety of other data entry points including medications, diagnostic testing, hospital admissions, physical therapy, restriction of movement, pain, etc. The system asks adjusters to enter information about the claimant’s medical bills and the amount of any lost wages (known as special damages,) as well as data about future medical treatment, disfigurement

¹⁵ One example of a frequently used code is “7A01,” which is cervical whiplash.

(scarring) and any permanent impairment rating issued by the physician. The system also asks for information on aggravation to pre-existing injuries, the claimant's length of treatment and any gaps in treatment.¹⁶ Once the consultation is complete, Colossus generates a consultation summary, which recommends to the adjuster a high and low settlement amount that typically represents a 20 percent settlement range.

How Colossus Can be Manipulated to Produce “Low-Ball” Claims’ Offers to Consumers

Insurers can use several methods that result in unjustifiably low claims’ offers to consumers, based on the injuries received by the injured claimant and the terms of the insurance contract:

- **Reduce the tuning in all economic regions for all claims by a predetermined percentage.** *Example: Actual Settlement is 1.00/Payment Rate is 1.25 = .80 Colossus high. By increasing the payment rate by 25 percent, the insurer causes Colossus to reduce the high-end claims’ amounts it recommends by 20 percent. (This is done after completion of the initial “closed file study” and the establishment of tuning by economic region.) The insurer is intentionally adjusting the software programming so that when adjusters enter injury claims into the system, Colossus recommends settlement values that are 20 percent lower across-the-board than what had been determined to be valid in the benchmark tuning session.*
- **Selectively remove or exclude higher-cost claims from the tuning sample,** thus lowering the amount of the tuning recommendation. This would include eliminating any claims required by jury verdict from the sample and utilizing the scattergraph to remove outlier claims settled above the Colossus-recommended range. A higher proportion of an insurer’s settlements would then fall within the existing settlement range, eliminating the need to retune the system or increase the value of future claims to be paid out.
- **Manipulate the trauma severity line in the tuning graph to obtain the desired tuning variables and future values.** CSC touts this function as “user-friendly” in its marketing literature. An irresponsible insurer could “drag and drop” the settlement line to produce whatever outcomes it chooses, even if that outcome is an arbitrarily low settlement offer.
- **Require adjusters with no formal medical education or credentials to second-guess medical professionals by altering significant details of medical reports and selecting injury codes that yield lower recommended settlement values.** *Example: A radiologist completes a report for a MRI done on the cervical area of the spine and concludes that the patient has a herniated disc. The treating neurologist or other specialist reviews the report and MRI film and concurs with the diagnosis. The physician then outlines a treatment plan for the patient that could include surgery. However, the adjuster is trained to review the MRI report and to see if the physician determined that the herniated disc was compressing the spine. If the adjuster does not find evidence of a compressed spine diagnosis, he or she might select a different injury code for a less*

¹⁶ This is not a complete list, but it does provide some key examples of the kind of data that Colossus collects and assesses.

severe problem, such as a soft tissue injury. Colossus would then recommend a claims' settlement range that is substantially lower than if the adjuster entered the medical diagnosis as actually indicated in the physician's reports.

- **Encourage adjusters to select final prognosis codes that lower the recommended settlement values.** *Example: The adjuster selects final prognosis code "B-No Complaint (resolved)," when the medical records indicate that the injury may not be completely resolved and future treatment will be needed. The appropriate selection would be "D-Complaint, future treatment," but that would lead to a higher recommended settlement value.*
- **Prohibit adjusters from entering information about the likelihood of future medical visits and permanent impairment ratings,** which reduces settlement values.
- **Require adjusters to run medical bills through a medical re-pricing software program, such as Mitchell DecisionPoint, and then enter the reduced bill amounts into Colossus.** Evidence exists that some health insurers manipulate the "usual and customary" medical costs that they will reimburse.¹⁷ If these reduced bill amounts are fed into the Colossus system, it will result in even lower – and less justifiable -- settlement offers. Moreover, insurers do not disclose this hidden reduction to policyholders or claimants. Policyholders and claimants are under the assumption that the insurer is extending them an offer based on the reimbursement of 100 percent of the cost of their medical bills, plus an additional amount for pain and suffering they have experienced.
- **Encourage adjusters to determine that claimants are comparatively negligent, and are thus responsible for paying part of the cost of their treatment.** Insurers typically require adjusters to look for any and all opportunities or reasons to apply a percentage of negligence to the injured individual. This is problematic, because many of these assessments are purely subjective and the primary motive behind these reductions is to reduce the settlement offer. In many cases, the adjuster does not even mention to the claimant that comparative negligence was found, which makes it impossible for the claimant to challenge this determination. *Example: The adjuster applies 10 percent comparative negligence to the injured claimant, because the claimant (in the adjuster's opinion) could have taken steps to avoid the accident. If the recommended Colossus settlement dollar high was \$10,000, it is now lowered to \$9,000.*

Many of the concerns about Colossus expressed by the legal community and regulators have focused on the potential for direct manipulation of the tuning, which results in lower settlement values. This is one way in which consumers can be harmed. However, as illustrated above, insurers can also unjustifiably lower a claims' offer in a more subtle manner by carefully choosing what data is considered or excluded. This form of manipulation is more difficult to identify, because it requires deep knowledge of the claims' process and of how the Colossus system functions.

¹⁷ "Cuomo Announces Industry-Wide Investigation into Health Insurer's Fraudulent Reimbursement Scheme," press release, Office of the Attorney General, New York State, February 13, 2008.

If insurers manipulate the Colossus tuning to achieve their desired “savings objectives” when the system is initially installed (or at a later point) and then closely control data entry and any subsequent tuning adjustments, they will be able to maintain these savings. All of this manipulation can easily occur and remain undetected under current oversight efforts by state insurance regulators.

While state regulators have made attempts to better regulate Colossus, CSC has taken steps to avoid this oversight. For example, as state regulators increased their scrutiny of Colossus in 2006, CSC added a couple of steps to the tuning analysis.¹⁸ One of CSC’s goals in implementing these new measures appeared to be to confuse regulators by further increasing the complexity of the system.¹⁹ These changes also gave CSC the ability to claim that any concerns that regulators had about Colossus were outdated. However, the changes CSC made were superficial. They did not prevent insurers from manipulating the tuning on a broad scale to make “lowball” offers.²⁰ For consumers, the essential problem with Colossus remained.

The National Association of Insurance Commissioners’ Flawed Exam of Allstate’s Colossus Practices

Allstate, the largest stockholder-owned company in the country that sells personal lines of insurance, has utilized Colossus for well over a decade. Allstate’s use of Colossus has been the subject of examinations and fines by regulators,²¹ class action lawsuits²² and a previous CFA study.²³ Allstate owns Encompass Insurance (sold through independent agents) and Esurance, which is sold via the internet and telephone.

As a result of concerns expressed by CFA and others, the National Association of Insurance Commissioners (NAIC) and Illinois Insurance Department initiated a market conduct study of Allstate’s Colossus practices in March of 2009. On August 27, 2010, Allstate signed an agreement with 47 states to change some of those practices.²⁴ Allstate agreed to inform policyholders and claimants when Colossus is used to assess their injury claim. It also agreed to modify its procedures for tuning Colossus and to use additional information when extending claim settlement offers.

¹⁸ The 2006 changes affected RMS (root, mean, square) residual values of trauma-only claims and the assessment of fitted trauma dollar deviation.

¹⁹ The author attended a meeting with CSC on the Colossus additions in 2006, at which there was a considerable amount of discussion about how the changes would make it more difficult and complex for regulators to understand and assess Colossus.

²⁰ See Appendix A for more examples of efforts by CSC to prevent oversight of Colossus.

²¹ Allstate concluded a regulatory settlement for \$10 million with the National Association of Insurance Commissioners (NAIC) in 2010 following the NAIC’s multi-state market conduct exam of Allstate’s use of Colossus: http://www.consumerfed.org/pdfs/Allstate_MCE_Agreement_and_signatures.pdf.

²² Hensley v. Computer Sciences Corporation, U.S. District Court, Western District of Arkansas, Case No. 05-CV-4034. Georgia Hensley was an Encompass Insurance policyholder whose injury was assessed via Colossus. The class members received over \$400 million in payments to settle the suit.

²³ “The ‘Good Hands’ Company or a Leader in Anti-Consumer Practices? Excessive Prices and Poor Claims Practices at the Allstate Corporation,” by J. Robert Hunter, Director of Insurance, Consumer Federation of America, July 18, 2007. The report examined a number of Allstate’s practices, including its use of Colossus. (http://www.consumerfed.org/elements/www.consumerfed.org/file/finance/Allstate_Report_07_18_07.pdf.)

²⁴ The agreement can be found at:

http://www.consumerfed.org/pdfs/Allstate_MCE_Agreement_and_signatures.pdf.

CFA commended the NAIC for requiring Allstate to disclose the use of Colossus to claimants. However, this disclosure would have been much more useful to consumers if the NAIC had required Allstate to provide a copy of the Colossus “consultation” to claimants. The consultation will inform consumers about what factors were used to assess their injury. The NAIC should also review the use of Colossus and similar products by other insurers and require these companies to provide high-quality disclosures to their claimants.

CFA’s detailed review of other parts of the agreement indicates that it did little to change Allstate’s other Colossus practices and to properly protect consumers. Although the agreement requires Allstate to revise its Colossus tuning process,²⁵ none of these requirements have a substantive impact on how Allstate conducts the tuning. Additionally, the agreement makes no mention of any NAIC analysis or review of Allstate’s Colossus data entry practices, such as whether these practices result in accurate and fair settlement values.

The agreement prohibits Allstate from offering incentives to adjusters or consultants to settle claims above or below the value recommended by Colossus. However the agreement does not address the compensation of their superiors, many of whom are “bonus eligible” employees. Some salaries of home office claims’ employees may also be partially tied to severity results. This was true for the author during his tenure as the Allstate home office “Colossus subject matter expert.”

The agreement states that the Illinois’ insurance examiners visited several Allstate field offices and interviewed adjusters and other claims’ personnel. Yet, these examiners never attempted to contact or interview the author, who, as “subject matter expert,” was one of the most knowledgeable individuals in the Allstate organization on the use of Colossus.²⁶

How Insurance Regulators Can Better Protect Consumers from Abusive Claims’ System Practices

CFA recommends that state insurance regulators and the NAIC implement both policy changes and ongoing operational measures to better protect consumers from insurers that manipulate Colossus and similar systems to unjustifiably lower claims’ payouts.

A. Policy Recommendations for NAIC and the States

1. Regulate as advisory organizations all vendors that sell products that have a major impact on the cost of and reimbursement offered under an insurance contract, such as CSC. This would allow state regulators to undertake and directly examine the operations of these vendors and require compliance with regulatory orders to correct errors and harm to consumers. ISO, which is already an advisory organization, should be immediately examined for its role in promoting “savings” for insurers without adequate consideration of the interests of claimants.

²⁵ See Exhibit D – Prospective Allstate Process for Colossus Tuning Analysis of the Multi-State Market Conduct Regulatory Agreement. (http://www.consumerfed.org/pdfs/Allstate_MCE_Agreement_and_signatures.pdf)

²⁶ The author was responsible for Colossus tuning, system upgrades, training of employees, and trend analysis at Allstate and Encompass Insurance, and was in charge of the installation of Colossus and the oversight of Allstate’s practices at Encompass. He also served as Allstate’s representative at CSC’s annual Colossus User Group Meetings.

2. The NAIC should conduct truly comprehensive market conduct examinations of the use of computerized claims' assessment systems by major insurers. In particular, the NAIC should examine all of the methods that insurers can or do use to directly or indirectly reduce settlement offers in an unjustifiable manner. First, the NAIC should correct its inadequate market conduct review of Allstate's use of Colossus. Once the Allstate exam is fixed, the NAIC should use the knowledge it has gained to review the procedures of all insurers that use Colossus and COA. If, at any point in this investigation, the NAIC finds evidence that consumers are being offered unjustifiably low claims' settlements on a broad scale, it should urge the states participating in the exam to issue an order stopping the use of these systems until the examination is complete.
3. Require insurers to notify consumers in writing that a computerized claims' assessment system was used to process their claim and to provide a copy of the consultation report that was generated by the system. The report contains detailed information about how the insurer determined what would be the amount of the settlement offer. Such disclosure will allow consumers to determine the following:
 - if complete and accurate information about their injuries and treatment prognosis was included;
 - if any of their medical bills were reduced or excluded;
 - if lost wages were accurately calculated;
 - if they are required to pay for part of the cost of their treatment because comparative negligence was assessed against them, and
 - what is the resulting recommended dollar settlement range?
4. Closely monitor Allstate's likely installation and use of Colossus at Esurance, which it recently acquired, to ensure that claims' offers are fair. Monitor the impact of Colossus on Esurance payouts to track whether there is a reduction in payouts to consumers. If Allstate does use Colossus at Esurance, regulators should review a sample of claims to compare the impact and validity of the same claims evaluated by Esurance prior to the installation of Colossus, and by Colossus.

B. Operational Procedures for Proper Market Conduct and Oversight Activities

CFA urges the NAIC and state regulators to implement a number of procedures that will allow them to properly assess whether insurers' use of Colossus and similar systems is harmful to consumers:

- Retain staff who have expertise about Colossus (and similar systems) and claims' adjustment to assist examiners with future market conduct studies on computerized claims' payment systems.
- Focus attention on problems associated with the data input component of these systems, as that is how insurers can tune them to offer "low-ball" offers to consumers with little detection. Regulators should examine the accuracy of data in these systems regarding

impairment ratings, injury codes, final prognosis codes based upon the medical evidence presented, and other factors mentioned above.

- Interview high-level employees with knowledge of Colossus at major insurance companies to assess the accuracy and legitimacy of a wide variety of practices regarding data entry, tuning and injury evaluation. It is most important to speak with employees who have been engaged in the tuning process or may have access rights to “tuning toolkit” software. It is critical that regulators ask for the names of all employees that have this depth of knowledge, as their employer may move them intentionally into other positions to avoid identification.
- Determine if insurers are using any software that might unjustifiably reduce medical bill totals (such as Mitchell DecisionPoint) before the billing information is entered into the Colossus system.
- Require insurers to save copies of all Colossus consultations that are generated, and all revisions to these consultations. This will provide an audit trail for regulators to examine.²⁷
- Obtain annual performance review records of employees directly or indirectly involved with Colossus to determine if a component of the review or salary is contingent upon lower severity, or other methods for assessing the claims’ financial results.
- Determine if insurers are preventing adjusters from making fair settlement offers on a timely basis. One important question to examine is whether adjusters have the authority to settle claims independently, without using Colossus or similar systems. Or is the adjuster’s settlement authority contingent on the completion of a Colossus consultation and the review of this consultation by other staff members to validate that data entry has occurred in a manner consistent with the insurer’s rules? If an adjuster is required to get a superior to review or approve a Colossus consultation before extending an offer, that is a “red flag” that the insurer may be exerting undue pressure on the adjuster to keep recommended settlement unjustifiably low.
- Regulators should develop or obtain the expertise and requisite knowledge of Colossus’ functionality so that they will be able to develop reports within the Colossus “business objects reporting system” to identify problematic trends that require further investigation.
- Review claim files to determine if adjusters have been directed by any other claims employees to change or alter their original Colossus input in a manner that results in a lower recommended settlement value, and if there is a valid reason for these changes. (This is one example of why it is important that insurers that use Colossus retain a history of all consultations, including revisions.)
- Require regulatory staff to attend and monitor the annual CSC Colossus user group meeting – and similar gatherings – to learn more about how Colossus is used by insurers. These annual meetings are where the executives from most of the insurers that use Colossus gather and

²⁷ Colossus can be configured by insurers to save all revisions.

compare notes. Regulators should pay particular attention to the Colossus “Knowledge Acquisition Session,” where CSC and insurer representatives decide on changes to the Colossus system, including those related to injury codes and severity values. Regulators should also be aware of the collusion that occurs in discussing these topics, which would not be permitted for other industries under antitrust laws.

- Investigate CSC’s inclusion of additional tuning analysis steps in Colossus in late 2006 to assess whether these changes really reduced consumers’ risk of harm by increasing higher recommended settlement values, or were superficial changes designed to make it harder for regulators to assess whether Colossus could be manipulated to make unjustifiably low settlement offers.
- Carefully review any data provided by insurers that indicates that claims’ payouts are increasing. Insurers may provide statistics to regulators indicating that their Bodily Injury and/or UM/UIM (uninsured motorist claim) severity has increased over recent years, and contend that this data provides evidence that they are not manipulating Colossus. If this occurs, the Colossus reporting system should be used to segment and analyze severity trending between general and special damages. The likely outcome of such an analysis is that the major reason for higher payouts is an increase in special damages, such as rising medical costs, which the insurer has less control over than general damages, such as pain and suffering.

APPENDIX A: COURT RECORDS DEMONSTRATE HOW VENDORS SOLD HUGE AND QUESTIONABLE COMPUTERIZED CLAIMS’ “SAVINGS” THAT WERE OFTEN REALIZED BY INSURERS

In 2009, a major national class action was settled against many insurers and third-party vendors that create and market computerized claims’ assessment systems. One of those vendors was the developer and owner of Colossus, the Computer Sciences Corporation (CSC.)²⁸ The lawsuit, *Hensley v. Computer Sciences Corporation*,²⁹ produced millions of pages of documents from insurers and vendors, including Allstate, CSC and the Insurance Services Office (ISO.) This appendix provides excerpts from documents and depositions that are now public.³⁰

Some of these public documents provide very disturbing revelations about how Colossus and similar products are marketed to and used by insurance companies:

1. Insurers could adjust Colossus to produce virtually any claims’ payment reduction they wanted, whether or not it was justified. They could “dial down” settlement offers by a designated amount across-the-board.

In discussing how Colossus could be “tuned” to produce claims’ savings in a deposition, the Director of Colossus Services for CSC, John Tyler, said, “So let’s say a licensee is looking at the output that we just talked about, spreadsheets, graphs, they’ve determined that they want to fine-tune or adjust the tuning of Colossus – the tuning can be moved.”³¹ When asked how an insurer could achieve a particular amount of savings, like 15 percent, Mr. Tyler replied, “In a short phrase you can set tuning to potentially achieve that 15 percent savings.”³² Edward Charleton, CSC Vice President, agreed that it is possible to tune Colossus to get desired projected savings³³ and tune it up and down, like a water spigot.³⁴ The June 1996 “Colossus Tuning Manual”³⁵ states, “In summary, based on the desired projected savings, tuning analysis, and management philosophy, the tuning decision is made.”³⁶

²⁸ Other vendors included in the suit were ISO (which sells Claims Outcome Advisor, COA) and Mitchell International (which sells Claims IQ.)

²⁹ *Georgia Hensley, et al. v. Computer Sciences Corporation, et al.*, Circuit Court of Miller County, Arkansas, Case No. 2006-59-3

³⁰ The documents were “de-designated” as confidential by the Circuit Court in Miller County, Arkansas, and are therefore no longer under a protective order. Millions of pages of other documents and parts of depositions in *Hensley* are still designated as confidential and are not used here.

³¹ Deposition of John Tyler, CSC Director of Colossus Services, May 1, 2008, page 37/8.

³² Tyler Deposition, May 1, 2008, page 39.

³³ Deposition of Edward Charleton, Vice President of CSC, April 7, 2008, page 179.

³⁴ Charleton Deposition, April 7, 2008, page 210.

³⁵ “Colossus Tuning Manual,” June 1996. (Bates No. CSCHENSPMSC-000008047-8064) The manual included Colossus training exercises for tuning the program, including doing benchmark and fine-tuning. It includes worksheets and information on how to document the tuning.

³⁶ From the “Colossus Tuning Manual.” (Bates No. CSCHENSPMSC-000008063)

2. CSC marketed Colossus as a way for insurers to produce roughly 20 percent in savings on claims payouts.

According to CSC's Tyler, "At a point-in-time and for a number of our customers" the savings average was about 19 or 19.8 percent."³⁷ CSC and its predecessor organizations were very clear that achieving savings by reducing claims' offers was the reason that Colossus was purchased by insurers.³⁸ Hundreds of CSC documents tout savings as the most important benefit of Colossus. One CSC document, "Colossus Overview," asked, "What does Colossus do?" and answered with items such as "Develops a general damages settlement range...eliminates subjectivity...improved negotiating positions."³⁹ This is followed with a slide that asks, "What does Colossus Really do?" (Emphasis in original) The list in this document starts with "Lowers indemnity payouts" and adds, "lowers loss ratios...improves surplus/profitability."⁴⁰ A later slide says, "average savings (19.8%)." ⁴¹ CSC executives agreed that savings were the key selling point.⁴²

Continuum, which owned Colossus before CSC and sold the program to Allstate in 1993, projected that the use of Colossus would result in Allstate saving \$307,885,003 for all coverages, and \$264,247,881 just for bodily injury claims, including uninsured motorist claims.⁴³ In the initial Colossus "pilot" that Allstate conducted, Allstate's main objective was to reduce loss-costs. Allstate Assistant Vice President Kathy Lazaroff said, "The primary goal of the evaluation process is to reduce closed claims costs..."⁴⁴

3. A number of insurers achieved significant "savings" by using Colossus.

Many insurance companies, not just Allstate, used Colossus, and many achieved savings using it.⁴⁵ They felt free to discuss this fact with each other at various meetings. They also discussed the techniques they used to assure that savings were realized. Below are excerpts from notes of such a meeting by a representative of the Westfield Insurance Company, which was disclosed in the Hensley litigation.⁴⁶ The Westfield representative reports on the comments made by specific individuals at various insurance companies:

- Mark Snyder, Ohio Casualty Insurance: "Cumulative review including assessment of values (potential loss leakage.) All go through Colossus supervisor prior to neg...Colossus goals tied to compensation (error dates)/review."

³⁷ Tyler Deposition, May 1, 2008, page 41.

³⁸ A prime example is "Colossus Overview," CSCHEMSPMSC-000003870-3902, from which came several quotes noted in the following three footnotes.

³⁹ Part of the "Colossus Overview" document. (Bates No. CSCHEMSPMSC-000003878)

⁴⁰ Part of the "Colossus Overview" document. (Bates No. CSCHEMSPMSC-000003880)

⁴¹ Part of the "Colossus Overview" document. (Bates No. CSCHEMSPMSC-000003882)

⁴² Charleton Deposition, April 7, 2008, page 171; and Deposition of Matthew Atkinson, CSC Sales Manager in the 1990s, April 29, 2008, page 52.

⁴³ Atkinson Deposition, April 29, 2008, document Bates No. CSCHEMSPMSC-000237175), Exhibit 81.

⁴⁴ A memo captioned, "Evaluation Process," February 2, 1997. (ALLHEN-02-00001290-2)

⁴⁵ Also, CSC was not the only vendor promising large savings on claims to sell their systems to insurers (see point 5 of this appendix on page 18).

⁴⁶ WESTFIELD00048459-48463. Westfield insurance company notes on: CSCGA-CSC/Colossus user group seminar (10/25-10/27.)

- Dave Rankey, claims' consultant, Motorist Mutual Insurance: "Definitely showing substantial savings as a result of using the system...End users have the ability to settle over the Colossus high, however they need supervisory approval (insists Colossus "hammer"⁴⁷ approach is not the way to implement.)"
- Jack O'Neil, Senior Claims Manager, Erie Insurance: "Excellent savings."

In another document, it appears that Westfield's subject matter expert on Colossus collected information on how some other companies were using it. Several companies were contacted: Ohio Casualty, State Auto, St. Paul and Grange. Names and titles of those contacted are shown in the document, along with the telephone numbers of some. Two of the interviews took place on August 27, 1999 and August 31, 1999, so it appears that these notes resulted from a series of calls.⁴⁸ The Westfield document reported comments made by representatives of these companies:

- Tony Piloseno, Colossus Supervisor, Ohio Casualty Insurance: "Ohio Casualty validated if the adjuster was using Colossus and that they found 30% savings if used correctly by the adjuster. Ohio Casualty used the 'hammer' approach – but not on first call settlements. They use that only on \$1-100,000 claims. Manager is only one who can waive Colossus."
- Bill Masterson, Corporate Claims consultant, State Auto Insurance Company: "Tracking savings – State Auto utilizes two methods in which to document the benefits/savings. They provide a monthly savings report to their supervisory personnel. (1) State Auto will review the high/low settlement ranges based on historical information and differentiate what it would have settled for without the assistance of Colossus...(2) The other analysis used is examining the average BI/UM/UIM payments prior to Colossus and those average (sic) following the installation of the evaluation tool."
- Rex Humerickhause, Liability Line Insurance Manager, St. Paul Insurance: "Don't use 'hammer approach' – adjuster's call. Reporting can document if adjuster in compliance."
- Mark Russell, Linda Caum, Grange Insurance (who Westfield visited on 8/31/1999): "Settlement values on the mark...They measure company-wide results re: savings. Actuary results, measures compliance internally. If they don't see downward curve on loss dollars they deem ineffective."

At one point in time, Allstate viewed the issue of Colossus's savings in this way:

⁴⁷ "Hammer approach" refers to requiring the adjuster to use Colossus for cases that qualify and to stay within the settlement range recommended by Colossus.

⁴⁸ "SME/Colossus Information," (WESTFIELD00048487-48496) Westfield notes on contacts made with insurance companies to determine certain facts about how the companies were using Colossus.

“The CCM/EC (claims’ management) should be running Colossus reports showing claim reps’ average settlements to the Colossus low and high. Remember, the goal is that the claim rep’s average settlement is equal to the amount established through the evaluation process...Colossus was tuned about 20% less than what the MCO’s (Allstate regions) averaged. The claim rep can pay over the Colossus high and the EC amount as long as the value is within the claim rep’s authority. However, you’ll find the claim reps and EC’s want to stay within the Colossus range or below in most cases.”⁴⁹

The word “savings” became controversial among companies that used Colossus because of concerns that it would leave CSC and insurers vulnerable to litigation contending that the savings were based on unjustifiably low claims’ offers. While savings was “one of the benefits” shown in the pilots CSC did for insurers,⁵⁰ CSC’s “Department 911 Consultant’s Tool Shed” warns its consultants about using the word “savings” because “upper management...in our (insurance company) consumer base does not like” it. “It may be wise to use a more vague term such as ‘consistency’ or ‘benefit’ in place of ‘savings.’”⁵¹ The switch from “savings” to “consistency” raised concerns at CSC. A May, 2005 internal email states: “I know we are hamstrung from a legal standpoint, so there may be nothing else we can do, but... Would be nice to have a stronger compelling reason to buy than improving consistency... I do not believe that our clients have spen[t] millions of dollars on Colossus just to get consistent.”⁵²

4. CSC misled regulators about the real purpose of Colossus, hiding its promotion of significant “savings” to insurers, which could lead to unjustifiably low claims’ payments to consumers.

CSC “engaged in the legislative process to insure its customers’ continued use of COLOSSUS.”⁵³ CSC also presented and defended the “appropriateness” of its offerings to the NAIC and various state insurance regulatory bodies. It actively lobbied against and appears to have defeated every attempt made to regulate the use of automation or “consistency,” (or

⁴⁹ From memo captioned, “Evaluation Segment Specifics,” ALLHEN-25-000348/9 This is a two-page memo that describes the three steps in the process of using the Colossus tool. This paragraph is one of the bullet steps listed in the document.

⁵⁰ Tyler deposition, March 31, 2008, page 216.

⁵¹ (CSCHENSR062-000000316 to 336; quote at 325) On page 318 of this document is this statement of purpose: “The purpose of this document is to provide a description of various tools developed by various consultants in Department 911. These documents have been utilized over the years on many different projects, and were designed to assist the consultant with completing various project tasks. For each of the tools or documents, there is a brief description of possible uses. Some modification may be required depending on the project, but the uses for which they are intended should remain constant.” The quoted material from page 318 is from a section dealing with the “Benefit Calculator” aspect of Colossus, an Excel macro used to “calculate benefit based on closed claim payment rates for the economic regions that have been established for a customer... The macro will calculate total benefit and average benefit per claim for each office/region, and will calculate totals for all offices/regions.”

⁵² (CSCHENSR019-000000014)

⁵³ “Colossus Solution Highlights” June 25, 2003. (CSCHENSR059-000004898) Quoted material is at page 4894 and is part of CSC’s “Legal Support.” At page 4890, the purpose and use of the document is said to be, “to provide information necessary for the recipient to become acquainted with CSC’s Financial Services Group’s products and services...”

“savings”) in the claims’ evaluation process, until the NAIC reached a flawed consent agreement in 2010 with Allstate.⁵⁴

CSC made presentations about Colossus to the Rhode Island legislature, the California Department of Insurance, the Washington State House Financial Institutions and Insurance Committee, the Maryland Insurance Administration, and others.⁵⁵ Not surprisingly, the emphasis on savings that was so prevalent throughout CSC’s marketing materials was not mentioned in any of these presentations. Moreover, CSC did not explain to any of these regulatory bodies that, in its parlance, the term “consistency” really meant “savings.” Similarly, CSC did not explain the insidious nature of tuning, which is the method by which insurers “dial down” the value of general damages to achieve their desired level of savings.

5. CSC’s competitors promised even greater and more persistent savings.

In a rather astonishing document, “Discussion Paper – The Durability of Savings Produced by Bodily Injury Claim Assessment Products,”⁵⁶ ISO confirms that Colossus saves insurers money on claims. “It has been demonstrated conclusively that the oldest of the products available, Colossus, provides savings”⁵⁷ and “The often-quoted BI industry norm for saving derived from these products (20%) comes from Colossus results, a mixture of folklore and performance. CSC clearly state (sic) that the performance of Colossus in independently controlled, and measured, pilot operations in many US insurers over the past 8-10 years has delivered savings of approximately 20% on average.”⁵⁸

But, ISO says that the savings erode over time down to “savings in the 1-7% range with the odd company registering in the teens. It is clear that some level of savings is sustainable. Given that there is a significant additional administrative cost involved in the use of Colossus, if it failed to deliver some level of sustainable savings then many companies would have removed it by now.”⁵⁹

ISO says Colossus savings decline from the original 20 percent, because adjusters learned how to get it to produce higher settlements that they presumably think claimants deserve:

“During the pilot process, the adjusters are diligent...(they) settle claims within the Colossus nominated range. This combination of product and behavior

⁵⁴ “Multi-State Market Conduct Regulatory Agreement,” executed by Allstate on August 27, 2010, and by lead regulators in late August and early September 2010. The agreement can be viewed at: http://www.consumerfed.org/pdfs/Allstate_MCE_Agreement_and_signatures.pdf.

⁵⁵ March 23, 2004 presentation to Washington State’s Insurance Commissioner (CSCHEMSIO11-000000014-31); Undated presentation to the Maryland Insurance Department (CSCHEMSIO11-000000034-54), and December 5, 2003 presentation to a State of Washington legislative committee (CSCHEMSIO11-000000145-154.)

⁵⁶ The paper was sent by ISO to potential clients. It discussed such topics as whether Colossus and similar products produced savings for insurers, how the savings could be determined and whether these savings were sustainable. It particularly studies Colossus savings over time. The document is not dated, but it was distributed after December of 2000, as the document states, at page 804, that “ISO purchased the COA capability in December 2000. Since then we have engaged a great number of insurance companies in detailed discussion on the possible impacts on their operations with the use of a BI claim assessment tool.” (Page H_ISO-00000803-815.)

⁵⁷ Ibid, (page H_ISO-00000804.)

⁵⁸ Ibid, (page H_ISO-00000806.)

⁵⁹ Ibid, (page H_ISO-00000806.)

produces the 20% number. As time passes the adjusters learn how to answer the questions asked by Colossus in consultations to get the result they desire. Many adjusters express this as ‘I know how to outsmart Colossus.’ “Once adjusters have learned how to answer the Colossus questions to get the answer that they need to settle the claim (a higher settlement amount) then they continually do this...”⁶⁰

ISO says its COA product will stop this “leakage” by keeping a “record of every assessment run by adjusters using the system.”⁶¹ Should the adjuster run 8-10 assessments attempting to get a higher number, then there is a record of this happening and an Action Item (Claims Outcome Advisor diary) can be generated to the particular adjuster’s supervisor notifying him/her of this activity. It is most likely that further training is required.”⁶²

The ISO paper confirms that Colossus saves money,⁶³ quite an admission from a competitor trying to take away business from CSC. ISO claims it can maintain savings better than Colossus and also asserts that “The Claims Outcome Advisor was designed to save insurers 25-50% more than any other product.”⁶⁴ Some of these claims may be sales hype, but, by admitting against its own interest that Colossus saves insurers money, ISO inadvertently provided credible information about the how Colossus really works.

⁶⁰ Ibid, (page H_ISO-00000807-8.)

⁶¹ Ibid, (page H_ISO-00000809.)

⁶² Ibid

⁶³ Ibid, (page H_ISO-00000804; 00000806.)

⁶⁴ Ibid, (page H_ISO-00000810.)

APPENDIX B: GLOSSARY OF TERMS

Colossus Terms

Closed File Study – CSC term for the process of using a sample of settled bodily injury claims of various injury types from all parts of the county where the insurer is doing business to set the initial “tuning” for the insurer. (See below for an explanation of the tuning process.)

Consolidated Entry – Quick Colossus data input option that is used when the claimant has soft tissue neck and back injuries.

Consultation – Colossus report generated by the software once the adjuster is done entering all of the information about a particular claim into the system.

Colossus Business Objects Reporting System – The component of Colossus that allows management to create reports, identify any trends or measure the amount of savings they have achieved by using the software.

Data Scrubbing – The point in the Colossus tuning process when claims are reviewed and possibly removed or excluded from the tuning sample.

Directed Interview – Time-consuming Colossus data input option that is used for more involved injuries.

Dissection/Dissection Sheet – The method an adjuster uses to organize medical and other information to allow it to be easily entered into Colossus. Adjusters sometimes complete a form known as a Dissection Sheet prior to input.

Drag-and-Drop – A Colossus tuning method in which the trauma severity line in the tuning graph is moved to obtain the desired tuning variables and future values, such as lower across-the-board claims’ offers.

Economic Region – Colossus tuning is organized by Economic Region. Insurers decide how they wish to configure Economic Regions, whether by state, some by parts of states, counties, zip codes or claim office locations.

Injury Codes - Colossus contains approximately 600 injury codes, which represent the various types of injuries a person can incur.

Knowledge Acquisition Session – Hosted by CSC during their annual Connect Conference to make consensus changes with insurers to Colossus regarding treatment and injury codes, severity values, etc.

Payment Rate – Colossus term to measure and compare the Colossus-recommended high value to the amount at which the claim was actually settled. Example: Colossus High = \$10,000 and Actual Settlement = \$10,000, Payment Rate = 1.00.

Prognosis Code – Colossus system codes that the user selects to identify the medical status of the injured party.

Recommended Settlement Range – Colossus recommends a high and low settlement amount that typically varies by 20 percent. Colossus provides settlement ranges for general damages, the gross settlement amount and the final settlement amount. Adjusters typically work from the Final Settlement Range.

Severity Value/Severity Point – Each injury code has a severity value attached to it. Each severity point is associated with a dollar amount. This is how the Colossus system translates data input programming into settlement offers of specific amounts.

Tuning – The process used by insurers, with assistance from CSC, to program the Colossus software to render the desired injury settlement values and recommended settlement ranges.

User Group – Colossus experts from insurance carriers discuss changes to Colossus at the annual CSC Connect Conference. The next conference is scheduled for September 16-20 in Nashville, TN.

Software Programs that Insurers Use

Claims IQ – Claims software that includes a settlement assessment component. It is marketed and licensed by Mitchell International.

Claims Outcome Advisor – Injury evaluation software similar to Colossus. It is marketed and licensed by ISO.

Colossus – Injury evaluation software marketed and licensed by Computer Sciences Corporation (CSC.)

Decision Point – Configurable software product that insurers use to determine medical bill reimbursement amounts. It is marketed by Mitchell International.

Insurance Software Companies

CSC – Computer Sciences Corporation. Technology company based in Falls Church, Virginia.

ISO – Insurance Services Office. Provides various risk-assessment products to the property-casualty insurance industry. ISO is owned by Verisk Analytics in Jersey City, New Jersey.

Mitchell International – Technology based company in San Diego, California that provides products to the insurance and collision repair industries.

Insurance Companies

Allstate – The Allstate Corporation is the nation’s largest publicly held personal-lines insurance company. They have \$131 billion in total assets and are based in Northbrook, Illinois.

CNA – Seventh largest commercial insurer in the U.S., based in Chicago, Illinois.

Encompass – Previously the personal lines’ division of CNA Insurance Company. It was purchased in 1999 by Allstate to market insurance products through independent insurance agents. It is based in Northbrook, Illinois.

Esurance – Online insurance retailer that started in 1999. It was purchased in 2011 by Allstate to increase their online sales presence.

Insurance Terms

Bodily Injury – Insurance claims’ term for an injured person. This would include those with bodily injury liability claims under automobile and homeowners’ policies, under-insured motorists, and uninsured motorists.

Comparative Negligence – A tort law principle that applies to insurance claims in many states. Comparative negligence states that when an accident occurs, the fault or negligence of each party involved is based upon their respective responsibility for the accident. This allows insurers to assign blame and pay claims accordingly.

General Damages – Best known as the “pain and suffering” part of a claim. It can include physical and emotional pain, physical impairment, loss of enjoyment of life, disfigurement and other factors. Colossus calculates General Damages.

ICD-9 Code – The International Statistical Classification of Diseases and Related Health Problems (ICD) provides standardized codes to classify injuries, diseases, symptoms, complaints and other health-related issues.

Impairment Rating – The American Medical Association “Guides to the Evaluation of Permanent Impairment, Sixth Edition” defines a person’s impairment rating, which provides a percentage estimate of a person’s loss of activity. It reflects the severity of impairment for a given health condition, and the degree to which Activities of Daily Living (ADLs) are limited.

Market Conduct Study – A review of an insurer’s practices by an individual state or multiple state regulators to determine if the insurer is complying with relevant laws and regulations.

NAIC – The National Association of Insurance Commissioners. It is the regulatory support organization governed by the chief insurance regulators from all 50 states, the District of Columbia and five U.S. territories.

SME – An Allstate acronym used for “subject matter expert,” indicating an Allstate staff person who has developed expertise in a particular area or subject matter.

Special Damages – Medical bills, lost wages and other out-of-pocket expenses.