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Fired Allstate employees to receive $27M

Jury finds insurance company defamed four former workers

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A federal jury has ordered Allstate Insurance Co. to pay $27.1 million to four former employees after finding the company defamed them.

That figure will climb when the judge who presided over the case adds punitive damages for Allstate's violations of the Fair Credit Reporting Act, the lead attorney for the employees, Robert D. Sweeney of RDS Law LLC, said Thursday.

And he said he and his co-counsel will be seeking attorney fees.

Aside from $4,000 for compensatory damages for the FCRA violations, the $27.1 million constitutes compensatory and punitive damages for defamation.

The award is the highest defamation verdict reported in Illinois, according to John L. Kirkton of the Jury Verdict Reporter, a division of Law Bulletin Publishing Company.

Kirkton said the largest Illinois defamation verdict previously reported was $18.6 million in a federal suit tried in 2003.

Sweeney's clients — Daniel Rivera, the managing director of Allstate's equity division, and three senior portfolio managers — were fired shortly before Allstate closed the division at the end of 2009.

Allstate accused the four of violating the company's conflict-of-interest policy by timing trades in order to inflate their bonuses.

Despite their denials of wrongdoing, the employees contend, Allstate repeated the accusations in a memorandum sent to 355 co-workers and in a 2010 filing with the Securities and Exchange Commission.

The memorandum and filing included enough details to identify them and to link them to the $91 million the trading issues cost Allstate, the employees contend.

They allege their trading practice followed a policy set by high-ranking company executives.

But instead of supporting its employees and standing behind the policy it had implemented and enforced, Sweeney contended Thursday, Allstate chose to "throw my four guys under the bus and terminate them."

He said the money will come in handy for his clients.

"They've been out of work and underemployed for six years, so it's a very satisfying reward," he said.

But money wasn't his clients' sole focus, Sweeney said.

"There was a large part of it that was personal," he said, "about having their names cleared."

The trial in U.S. District Judge William T. Hart's court lasted just short of three weeks.

The nine-member jury deliberated about five hours over two days before returning its verdict June 21.

Sweeney said the parties failed to reach an out-of-court settlement following the verdict.

Sweeney's co-counsel was his

Robert D. Sweeney

wife, Joanne Hannaway Sweeney, also of RDS Law.

The lead attorney for Allstate was Gerald L. Pauling II of Seyfarth, Shaw LLP.

In a statement, Allstate spokeswoman Laura Strykowski said the company disagrees with the jury's verdict.

"We continue to believe in our case and are reviewing our post-verdict options," she said.

The equity division Rivera headed was based in Allstate's corporate headquarters in Northbrook.

The division managed equity portfolios for Allstate's pension plans and casualty and property insurance businesses.

Employees in the division included Deborah Joy Meacock, Rebecca Scheuneman and Stephen Kensinger.

In October 2009, Allstate announced it was outsourcing the equity division's work to Goldman Sachs.

Allstate fired Rivera, Meacock, Scheuneman and Kensinger two months later for purportedly violating the company's ethics code. The four were ineligible for severance pay because they were terminated for cause.

In February 2010, Allstate filed its annual 10-K form with the SEC disclosing that it had investigated purported trading improprieties and paid $91 million into its pension plan portfolios to cover any harm stemming from those issues.

The same day, Judith Greffin, then Allstate's chief investments officer, sent a memorandum to the company's investment department discussing the SEC filing.

Both the SEC filing and the memorandum disclosed that Allstate had brought in outside counsel the previous year to conduct the investigation.

The four fired employees contend Allstate defamed them in the filing and memorandum and violated the Fair Credit Reporting Act by failing to give them copies of the investigation report.

The jury in Hart's court awarded each employee $1,000 in compensatory damages for the FCRA violations.

It awarded Rivera more than $7.1 million in compensatory damages and $4 million in punitive damages for defamation.

The jury also awarded Meacock $3.6 million in compensatory and $3 million in punitive damages and Scheuneman $3.4 million in compensatory and $1 million in punitive damages.

And the jury awarded Kensinger $2.9 in compensatory and $2 million in punitive damages.

The case is *Daniel Rivera, et al. v. Allstate Insurance Co.,* No. 10 C 1733.