

Allstate hit by growing agent revolt

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The "Good Hands" people are losing their grip after fumbling a plan to close 256 offices in Canada and change the way exclusive sales agents are paid.

Veteran agents are quitting or planning to quit Allstate Insurance Co. of Canada in order to keep their offices, keep their staff and give customers a choice of other insurance.

To make matters worse for Allstate, which sells about 3 per cent of the auto insurance in Ontario's crowded market, it cannot stop the former agents from selling to its clients.

A judge has denied Allstate an injunction and warned the company its agents could well argue successfully that the way it treated them invalidated contracts that supposedly prohibited the agents from soliciting Allstate clients for two years.

Allstate has tried to play hardball by suing one top-selling agent of 32 years for \$4.5 million and another for \$1.5 million. But a judge has emboldened other disgruntled agents by refusing to order agent Rod LaRocque of Sudbury to honour the non-solicitation clause until a trial is held.

Some 40 to 50 Ontario agents are poised to become rival brokers by September, sources say. Former Toronto Maple Leaf James (Jim) Dorey "retired" from Allstate on Friday, but has plans to open a new Prolink Insurance Group Inc. brokerage in Kingston.

"I am bothered about a number of the elements of (Allstate's) case," wrote Judge Paul Kane of the Ontario Superior Court of Justice when he refused to put LaRocque out of business before he could defend himself.

There is a "strong possibility" a court will find Allstate repudiated its own employment contracts, he concluded. Agents may prove their compensation was changed so substantially that it was equivalent to their dismissal by Allstate.

LaRocque alleges his commission income would have fallen by \$50,000 a year, despite Allstate's promise to "guarantee" a steady salary for two years under a new sales quota and compensation system that, as of last September, deprived existing agents of sales commissions and any compensation for policy renewals.

Kane added, "I am equally troubled by the alternative argument and implication that Mr. LaRocque, like some 435 other sales agents, owes a fiduciary duty (to not solicit Allstate clients) simply because of his close relationship to customers."

The judge noted courts have ruled in the past that only senior executives of insurance companies owe an obligation not to solicit business from former clients they may recall.

LaRocque has removed the Allstate signs from the office he had leased for more than a decade, and directed telephone calls to a new Allstate number.

But many Allstate agents will be able to maintain a relationship with clients because they were free to sell them life insurance and investments from other companies.

Other insurers, brokerage networks and a former vice-president of sales for Allstate have been only too happy to work with experienced agents, and even lend them money to break away.

Allstate can still cling to the possibility another judge will disagree with Kane at an appeal hearing on March 27, or that at trial a judge will order agents to compensate the company for the business it may lose. Kane ordered LaRocque to keep complete records of all insurance he sells, in case Allstate does win its lawsuit.

Derek Tupling of Allstate said the company cannot comment on the judge's ruling, but said "our business strategy remains the same."

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