

AFFIDAVIT OF CHRISTINE SULLIVAN

I, CHRISTINE SULLIVAN, of lawful age and being first duly sworn upon my oath, depose and state the following:

1. I am currently employed by Allstate Insurance Company ("Allstate") as an Assistant Vice President in the Property-Casualty Claim Service Organization at Allstate's home office in Northbrook, Illinois. I make this Affidavit based on my personal knowledge.

2. In the early 1990s, Allstate and an outside consulting firm it retained, McKinsey & Company ("McKinsey"), conducted a top-to-bottom review of Allstate's automobile bodily-injury claim-handling practices and procedures. As described more fully below, Allstate and its consultant thereafter worked to redesign those processes and procedures. The redesigned processes and procedures were then tested in certain markets. Beginning in 1995, certain redesigned claim handling processes and procedures were implemented nationwide as Claim Core Process Redesign ("CCPR"), utilizing the CCPR Implementation Training Manual ("CCPR Manual"). Allstate still uses, as of the date of this Affidavit, most of the claim-handling processes and procedures developed and implemented as part of CCPR for investigating, evaluating, handling and resolving automobile bodily injury claims, except that some of the processes and procedures have been modified since initial implementation.

Significance and Confidentiality of the CCPR Development Documents

3. In conjunction with the top-to-bottom review of Allstate's automobile bodily-injury claim-handling practices and procedures in the early 1990s, Allstate and McKinsey prepared reports analyzing Allstate's then-existing claim-handling processes and organization and recommending improvements thereto, which ultimately led to the development of CCPR. To the extent that Allstate retained copies of documents that were generated by it and/or McKinsey in conjunction with the development of CCPR, they represent a set of approximately 12,929 pages of documents (ALLMART46-000001 through ALLMART46-012929). This is a set of the documents, to the extent they still exist, of all of the final reports and/or presentations made by the team developing CCPR to various groups within Allstate, and drafts of those presentations, notes relating thereto and documents relating to the closed file survey and fact finding that was done as the first phase of developing CCPR. The author of the presentations is not identified, but generally the presentations were jointly prepared by Allstate employees working on the team developing CCPR together with McKinsey personnel, and presented to a limited group of Allstate employees.

4. These documents describe, in great detail, the findings of the internal fact-finding review, including reviews of closed files and results from selected claim offices. The documents describe: (1) the extensive research and analysis that was performed in the development of CCPR; (2) the self-critical analysis that Allstate performed of its method of handling automobile bodily injury claims; and (3) changes to Allstate's system of investigating, evaluating, handling and resolving claims that were implemented as part of CCPR.

5. Allstate and McKinsey developed CCPR through a five-phase redesign process.

6. First, from approximately September 1993 through January 1994, in a fact-gathering phase, Allstate and McKinsey personnel performed in-depth closed file surveys and interviews, and designed and conducted focus group studies, as part of an effort to identify ways in which Allstate could improve its automobile bodily injury claim-handling processes, in order to improve Allstate's level of customer satisfaction and its competitive position. Allstate and McKinsey self-critically evaluated Allstate's handling of automobile bodily injury claims, analyzing the factors that, through Allstate's and McKinsey's effort and creativity, they could think of to improve the efficiency, consistency, and accuracy of Allstate's claim-handling processes. The McKinsey documents relating primarily to the fact gathering phase (ALLMART46-000190 through ALLMART46-001968) concentrated on evaluating the strengths and weaknesses of Allstate's then-existing claim-handling operation and processes, and reflect the analysis and brainstorming ideas of Allstate personnel across the country, as well as the initial findings of the Allstate-McKinsey team working on Allstate's process redesign. Allstate devoted countless hours to this fact-gathering phase, which also drew on the creativity, insights, and statistical analyses of McKinsey, one of the nation's most respected business consulting firms. This work generated progressive and cutting-edge ideas for processing automobile bodily injury claims, many of which Allstate and McKinsey further explored and evaluated in detail (as discussed in more detail below). These documents contain a wealth of proprietary ideas and information of significant value to Allstate.

7. In connection with Allstate's and McKinsey's work during this first phase, numerous documents were created relating to the closed file surveys and interviews, including the closed file surveys themselves, interview notes, and self-critical questionnaires completed by Allstate personnel. Those documents (ALLMART47-012930 through ALLMART47-127574) are confidential and proprietary to Allstate, and have never been provided to any third party except subject to a Protective Order. These documents contain confidential mental impressions and self-critical opinions relating to Allstate's claim-handling processes – information that is competitively sensitive and valuable because it evaluates the strengths and weaknesses of Allstate's casualty claim-handling processes and claim organization, as well as ideas for developing the best claim-handling processes and claim organization possible.

8. Certain additional documents preceding the fact-gathering phase (ALLMART46000001-000189) relate to the planning of and strategy for Allstate's phased approach for developing CCPR. These documents include valuable ideas about the development of CCPR and other organizational changes.

9. Second, in the next phase of debrief and idea generation, which occurred largely in February and March 1994, Allstate and McKinsey reported on the results of the fact-gathering phase and summarized and analyzed the information and data gathered from the closed-file reviews, interviews, and focus groups, and began to develop ideas for claim process and claim organization improvements. McKinsey also prepared detailed statistical analyses of Allstate's claim-handling operation based on the closed-file reviews. These efforts were memorialized in a detailed debrief presentation, which analyzed and identified opportunities for improvement in many aspects of Allstate's claim-handling operations, and identified and outlined modes of testing redesign ideas.

10. The debrief documents (ALLMART46-001967 through ALLMART46-002959, and ALLMART46-012125 through ALLMART46-012516) and related redesign presentation,

update, and analysis documents (ALLMART46-002960 through 004488, ALLMART46-004585 through 004672, ALLMART4-006315 through 006353, ALLMART46-010947 through 010969, ALLMART46-011089 through 011104, and ALLMART46-012517 through 012672) contain a wealth of information, analysis, and business and claim-handling ideas. They pointed toward and analyzed a redesign of Allstate's claim organizational structure and claim-handling processes, proposing numerous ideas for Allstate to achieve greater accuracy, consistency, and efficiency in those processes. These documents reflect numerous potential redesign options and claim-handling processes that Allstate and McKinsey evaluated, some of which Allstate chose not to implement or left for potential development at a later time.

11. The debrief documents evaluate areas for potential change that would be of significant value to competing insurance companies. For example, McKinsey and Allstate studied and analyzed the closed-file survey data and identified specific potential changes to the claim organization and processes, evaluating Allstate's and the industry's strengths and weaknesses with respect to same. The debrief documents contain detailed organizational-model analyses. The documents outline specific options for change by claim type, product type, type of injury, geography, market environments and other market characteristics, and numerous other factors and criteria cutting across practically all aspects of the insurance claim-handling business. These documents detail McKinsey's expert statistical analysis of and preliminary recommendations regarding these opportunity areas, broken down into numerous specific cross-sections of Allstate's business. They also contain other business ideas that Allstate rejected for implementation, or that have not yet been implemented, both of which have significant economic value to Allstate vis-à-vis its competitors, who, with this information, could avoid making competitive mistakes and/or obtain ideas for implementing organizational or process changes that Allstate may want to introduce in the future. These ideas included imaginative possibilities, which Allstate's competitors should not be able to learn and copy for their own use and benefit. These documents would be of value to any property and casualty insurance company.

12. In the third phase, from April through September 1994, Allstate and McKinsey personnel designed methods of testing the CCPR ideas identified in the debrief phase; began to test those ideas in selected representative markets; developed redesign-implementation ideas and plans; and prepared related reports and recommendations to management. The documents from this phase (ALLMART46-004489 through 004584, ALLMART46-004673 through 007335, ALLMART46-008075 through 008226, ALLMART46-012121, and ALLMART46-12673 through 012884) detail the thought processes and methodologies developed by Allstate and McKinsey, behind how to properly and effectively test potential process and organizational changes in a large property and casualty insurance company. They also show the testing results, and thus reveal confidential and sensitive information about ideas that worked and ideas that did not work, and in the process generated still more confidential business ideas and insights.

13. The fourth phase, from approximately October 1994 through December 1994, involved further, more targeted testing and development of new claim handling processes. It also involved the development and presentation of internal reports showing the results of the initial testing, as well as detailed analytical reports recommending the company-wide implementation of the first four categories of CCPR process changes. The documents from this phase (ALLMART46-007336 through 008074) further reflect and develop the confidential and sensitive ideas, data, and information generated by the Allstate-McKinsey CCPR team.

14. In the fifth phase, beginning in early January 1995 through December 1995, Allstate progressively implemented the first four categories of CCPR claim handling process changes nationwide: the handling of automobile bodily injury claims submitted by unrepresented claimants, uninsured motorist claims, new evaluation tools and approaches, and processes for handling certain claims involving minor-impact automobile accidents, as well as new processes for handling claims referred to Allstate's special investigation (fraud) unit. The CCPR documents developed in, and/or introduced from, this time period (ALLMART46-008227 through 010551, ALLMART46-011028 through 011088, and ALLMART46-011109 through 011121) include the documents relating to proprietary and confidential claim-handling tools; statistical and analytical evaluations of the effectiveness of the CCPR changes being implemented; documents identifying and analyzing additional potential claim process, management, and organizational changes; documents analyzing factors affecting the resolution of and tendency to overpay litigated claim files; a presentation regarding ideas for measuring employees' performance in adhering to the CCPR process changes and enhancements; and additional proprietary implementation materials. The documents from this time period continue the self-critical assessment of Allstate's strengths and weaknesses, and assess the results of various aspects of Allstate's claim organizational and process changes.

15. For a period of time after the implementation of CCPR in 1995, Allstate and McKinsey continued to monitor, evaluate, and implement aspects of CCPR; to improve process performance management; and to test and implement additional claim processing enhancements. Allstate and McKinsey also identified and developed ideas for further restructuring Allstate's claim-handling operation in order to encourage employee proficiencies and enhance employee job satisfaction and productivity. Allstate and McKinsey also analyzed and measured Allstate's employees' adherence to CCPR processes, the accuracy of claim payments, and the correctness of other claim-handling decisions, which generated further ideas for process improvements and employee skill development. The documents from this time period (ALLMART46-010560 through 010695, ALLMART46-010697 through 010732, ALLMART46-010742 through 010946, ALLMART46-011162 through 011224, ALLMART46-011239, and ALLMART46-012885 through 012929) reflect and contain the foregoing, and are of tremendous competitive value to Allstate.

16. The remaining McKinsey documents (ALLMART46-010696, ALLMART46-010738 through 010741, ALLMART46-010970 through 011027, ALLMART46-011105 through 011108, ALLMART46-011122 through 011161, ALLMART46-011225 through 011238, ALLMART46-012072 through 012120, and ALLMART46-012122 through 012124) are undated drafts, all of the nature described above.

17. Allstate invested a tremendous amount of time, manpower, and financial resources in the development of the documents identified above.

18. Allstate considers these documents to be confidential, proprietary, and trade secrets.

19. Allstate has taken reasonable and appropriate precautions to protect its confidential and proprietary documents and information, including its trade secrets, relating to the documents identified above by maintaining the confidentiality of the above-described materials and information, and limiting their dissemination to only those persons with a need for the information to perform their job functions. The final presentations and/or reports were generally marked as "Confidential." Often, the cover page of the final presentations and/or reports stated: "This report is solely for the use of client personnel. No part of it may be circulated, quoted, or

reproduced for distribution outside the client organization without prior written approval from McKinsey & Company.” Those that were not marked as Confidential were treated as such to the best of my knowledge, or were the drafts of documents that were eventually marked Confidential, which drafts were also treated as confidential.

20. At all relevant times, Allstate has kept and keeps the foregoing documents in secured locations. As described above, Allstate’s offices, in general, are locked when they are not open for business and access into Allstate’s offices is controlled during business hours. Allstate’s Real Estate and Construction Department maintains a set of standard construction specifications for company offices that requires security controls to protect against unauthorized persons entering nonpublic areas of Allstate’s premises. These documents are physically located in offices that require electrical, mechanical, or some other form of controlled access.

21. Allstate has not authorized or given permission to anyone to make copies of or distribute any of the foregoing documents. Allstate has not offered any of this information for sale, nor has Allstate made any of it available for public use. Any distribution of this information has been undertaken in disregard of Allstate’s rights to control distribution of its materials and Allstate is pursuing efforts to curtail the disclosure and/or distribution of these documents.

22. Allstate has always resisted the unfettered production and distribution of the foregoing materials. In litigation, Allstate has always requested confidentiality orders protecting these documents (ALLMART46-000001 through 012929) and prohibiting their disclosure or use outside of the instant litigation, and, to my knowledge, has never produced any of these documents without such protection with the exception of the CCPR Manual (ALLMART46-011240 through 012071).

23. Allstate believes that the findings and procedures described in the foregoing documents give Allstate an advantage over its competitors in attracting and retaining policyholders. Included in these documents is information covering automobile bodily injury claim-handling processes that Allstate and McKinsey evaluated but ultimately rejected, and that, as a result of disclosure of that information, a competitor would not have to evaluate or incur the expense of evaluating. Allowing anyone access to the foregoing documents would give Allstate’s competitors the unfair advantage of obtaining, at no cost, Allstate’s valuable and innovative business techniques, programs, processes and information that were developed as a result of Allstate’s significant investment of time, manpower, and financial resources. This would dilute the effectiveness of Allstate’s investment and cause irreparable harm to Allstate’s competitive position.

Significance and Confidentiality of the 2000 CCPR Manual and Other Manuals and Related Documents

24. In 2000, Allstate invested considerable time, manpower, and resources to develop and issue a revised manual (ALLMART47-000001 through 000086) for handling casualty claims (the “2000 CCPR Manual”).

25. Allstate believes that the procedures described in its 2000 CCPR manual and other claim-handling manuals give Allstate an advantage over its competitors in attracting and retaining policyholders. Allstate considers the information contained in the 2000 CCPR Manual

and related documents to be confidential, proprietary, and trade secrets. For these reasons and the reasons more fully set forth in paragraph 23 above, the widespread disclosure of these documents would dilute the effectiveness of Allstate's investment and cause irreparable harm to Allstate's competitive position.

26. Allstate has taken reasonable and appropriate precautions to protect its confidential and proprietary documents and information, including its trade secrets, relating to the 2000 CCPR Manual and other claim-handling manuals and related documents, as more fully set forth in paragraphs 19-21 above. Allstate maintains its claim manuals and related materials as confidential and limits access to these materials to employees and other persons who are under an obligation to keep these materials confidential. The employees and others who have access to these materials are specifically advised that these are confidential materials provided to them with the express and implied understanding that these confidential materials will not be revealed to any third parties.

27. Notices are printed on the title page to every section of the 2000 CCPR Manual and related materials referring to the confidential nature of the materials and the prohibition against disclosure to third parties. In particular, a statement is included in bold type on the title pages indicating that the materials are "Confidential" and are the property of Allstate and are not intended for distribution to third parties.

28. Each section of the 2000 CCPR Manual begins with the following statement of confidentiality: "STATEMENT OF CONFIDENTIALITY. This material has been compiled exclusively for internal use and is not for distribution outside Allstate Insurance Company. It contains trade secrets and confidential information which are proprietary to Allstate Insurance Company. The use, reproduction, transmission or disclosure of this material, in whole or part, without the express written permission of Allstate is prohibited."

29. Allstate keeps these materials in secured locations, as described in paragraph 20 above.

30. Allstate has not authorized or given permission to anyone to make copies of or distribute the 2000 CCPR Manual or the CCPR documents specifically identified above. Allstate has not offered any of this information for sale, nor has Allstate made any of it available for public use. Any distribution of this information has been undertaken in disregard of Allstate's rights to control distribution of its materials and Allstate is pursuing efforts to curtail the disclosure and/or distribution of these documents.

Documents Relating to License of Colossus

31. ALLMART19-000001 through ALLMART19-000151 is a group of documents relating to Allstate's decision to license Colossus, a software tool that Allstate decided to use as part of CCPR's redesigned evaluation process for casualty claims. These documents include the mental impressions, a cost-benefit analysis, and an application of the procedures used by the Strategic Management Committee of Allstate when determining whether to make significant capital investments and are confidential and proprietary and treated as such. To the extent they have been produced in other litigation they have always, to the best of my knowledge, been produced subject to a Protective Order.

