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We're all supposed to have insurance and at one time we will all likely need to file a claim. Ever wonder how the companies decide what to pay and when to pay?

7NEWS looked into a company's practice that the state's insurance commissioner calls "inappropriate and unprofessional conduct."

The company, American Family Insurance, said it's done nothing wrong.

But at a Boulder jury said there was something wrong and handed down a \$3 million verdict against American Family Insurance.

It was an expensive message for a practice the jury called "willful and wanton" when refusing to pay a claim.

The Boulder jury said American Family Insurance must pay a University of Colorado professor \$3 million.

Nick Peressini was severely injured in a car wreck in 2002 and out of work for more than a year.

"Essentially, after the accident, I never went back to work ... I just needed the money to pay my bills and get my life going again," said Peressini.

American Family Insurance refused to pay Peressini's insurance claim. He was forced to sue -- opening the door to a series of surprising discoveries.

Former American Family Insurance employee described the company culture promoted by a supervisor.

"It was pink pig ... She said it was meant to be that she would approve something when pink pigs fly," said the former employee.

That testimony helped convince the jury about the impact and influence the toy pig had on decision-making inside American Family Insurance.

Peressini's attorney, Sam Livingston, told jurors the pig symbolized an insurance company ignoring state law and indiscriminately denying claims.

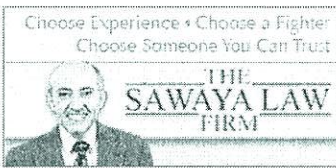
"They were happy about and would celebrate, in effect, when they would deny claims," said Livingston. "They'd push the button and make it flap its wings."

American Family declined to talk on camera but on a written statement American Family Insurance said, "Any sort of office humor regarding the outcome of a claim review would have been inappropriate. But to portray the toy as anything other than a desk-top knickknack is an extreme distortion of how our company conducts business."

"I think the story here is a corporate culture that got to the point where this level of cynicism was tolerated," said Livingston.

business plan from 2003 and videotaped depositions raise other questions. They show that American Family Insurance intended to reduce payouts on claims based on competition and not the facts -- all in the name of running a tighter ship.

Running a tighter ship means you will achieve a goal based on what the competition is achieving, versus what the needs of your clients are?" Livingston asked an American Family claims representative, Phil Scott, during a taped deposition.



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"Well, yeah. You gotta be profitable. You gotta try to make money," Scott said in the videotaped deposition.

Making money is not the issue. However, the company's blueprint for reducing cost became a lightning rod in the case. The business plan urged employees to reduce payouts by 28 percent over four years.

"You can't handle claims with an agenda, you have to handle claims on the merits," said Joe Conway, an insurance expert.

Conway has four decades of experience in the insurance industry. During the trial he served as an expert, testifying against American Family Insurance.

"They just set themselves up as the imperial insurance company and this is what we are going to do," Conway said.

American Family Insurance disputes the accusations saying, "Our business plan identified procedures to help avoid the overpayment of claims. Our business philosophy is clear. We pay what we owe."

"From what I understand, I think this is an inappropriate and unprofessional practice," said Colorado's Insurance Commissioner David Rivera.

Rivera was disturbed by the pig, the business plan, and the push to cut costs.

"It raises a red flag for us. And if we determine there is a pervasive culture, whether it's at American Family or any other insurance company, we will take action."

The company has appealed the jury's verdict and denied any wrongdoing although desktop toys, internal documents and employee statements have clearly raised questions about the actions behind the windows and walls of American Family Insurance's Englewood offices.

In the deposition video, it is clear that Scott is not sorry for how Peressini's claim was handled.

Livingston: "For each one of those months, April through October, you violated the regulation, correct?"

Scott: "Yes."

Livingston: "And that wasn't fair to Mr. Peressini, was it?"

Scott: "No."

Livingston: "So you think she's lying under oath about what she did, or do you think maybe you ought to accept what she said under oath and apologize to this guy?"

Scott: "I'm not going to apologize."

Livingston: "Why not?"

Scott: "'Cause I'm not going to."

Livingston: "Why not?"

Scott: "'Cause I'm not going to."

Livingston: "You don't think you've done anything wrong?"

Scott: "I don't think we've done anything wrong."

Livingston: "You've got some woman..."

Scott: "I don't think we've done anything wrong."

Livingston: "And you're saying that's the way we want to handle claims in the future?"

Scott: "I have no problem with the way this file was handled."

Livingston: "So I guess it's going to take a jury to make you sorry for this, isn't it?"

Scott: "I'd love to hear what a jury has to say."

American Family Insurance has removed the pink pig with wings from its offices. The company is currently considering its options to appeal the jury's verdict. As of Friday, Peressini had not received any of the \$3 million the jury had awarded.

Have a question or comment on this story? Have a story idea or news tip? Call the Investigators at (303) 832-TIPS or E-mail The Investigators.

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