

**THE UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF VIRGINIA  
ALEXANDRIA DIVISION**

PAUL SHAO

Plaintiff,

v.

ALLSTATE INSURANCE COMPANY,

Defendant.

Civil Action No.: 1:23-cv-809

**DEFENDANT ALLSTATE INSURANCE COMPANY'S ANSWER  
TO COMPLAINT AFTER NONSUIT**

**INTRODUCTORY ALLEGATIONS**

1. Allstate admits that an agreed order of nonsuit was entered on November 16, 2022 in *Shao v. Allstate Insurance Co.*, No. 2021-03802, in the Circuit Court of Fairfax County.

2. Based upon information and belief, Allstate admits that Plaintiff Paul Shao (“Shao”) resides at 9233 Lee Masey Drive, Lorton, Virginia 22079. Allstate also admits that it entered into an Allstate R3100 Exclusive Agency Agreement (“EA Agreement”) with Shao, which allowed Shao to, among other things, become an Allstate Exclusive Agent (“EA”), receive Allstate confidential information, sell Allstate insurance products and services through his Allstate Exclusive Agency, and receive commissions for the sale of Allstate products and services. Allstate further admits that Shao operated his Allstate Exclusive Agency in Springfield, Fairfax County, Virginia and Allstate terminated the EA Agreement. Allstate denies all remaining allegations contained in paragraph 2.

3. Allstate admits that it is an Illinois corporation and denies the remaining allegations in paragraph 3.

4. Allstate denies the allegations in paragraph 4.

5. Allstate admits that the R3001 Exclusive Agency Agreement references and incorporates the Exclusive Agency Independent Contractor Manual, the Exclusive Agency Independent Contractor Reference Guide, and the Supplement for the R3001. Allstate denies the allegations in paragraph 5 that are inconsistent with the terms stated in these documents and denies the remaining allegations contained in paragraph 5.

6. Allstate denies the allegations in paragraph 6.

7. Allstate denies the allegations in paragraph 7.

8. Allstate denies that the terms of Shao's EA Agreement as are self-conflicting and inconsistent and denies the remaining allegations in paragraph 8.

9. Allstate denies the allegations in paragraph 9.

10. There are no factual allegations against Allstate in paragraph 10 to which Allstate is required to respond. To the extent a response is required, Allstate denies the allegations in paragraph 10.

## **BACKGROUND**

11. Allstate lacks sufficient information and knowledge with respect to subparagraphs a, b, h, i, k, m, n, o, q, s and u and therefore denies those allegations in paragraph 11. Allstate denies the allegations in subparagraphs c, d, e, f, g, j, l, m and t. Allstate admits the allegations in paragraphs p and r and denies the remaining allegations in paragraph 11.

12. Allstate denies that Shao has accurately pleaded the "chain of command" and therefore denies the allegations in paragraph 12.

13. Allstate admits that it is one of the nation's leading providers of insurance and financial products and services to individuals and businesses. Allstate admits that it provides automobile insurance, property and casualty insurance, and other insurance products and services to individuals and businesses throughout the United States, including individuals and businesses in Virginia.

14. Allstate admits that Toni Shaner is a Sales Leader and Recruiter for Allstate. Allstate lacks sufficient information with which to admit or deny the remaining allegations found in paragraph 14 and therefore denies the remaining allegations contained in paragraph 14.

15. Allstate denies that a "standard way of calculating the value (thus the price) of an Allstate agency" exists and denies that it "served as the settlement agent for the transaction between Shao and Mr. Elliot on August 4, 2015." Allstate lacks sufficient information with which to admit or deny the remaining allegations found in paragraph 15 and therefore denies the allegations contained in paragraph 15.

16. Allstate lacks sufficient information with which to admit or deny the allegations in paragraph 16 and therefore denies the allegations contained in paragraph 16.

17. Allstate lacks sufficient information with which to admit or deny the allegations found in paragraph 17 and therefore denies the allegations contained in paragraph 17.

18. Allstate denies the allegations in paragraph 18.

19. Allstate lacks sufficient information with which to admit or deny the allegations found in paragraph 19 and therefore denies the allegations contained in paragraph 19.

20. Allstate denies the allegations in paragraph 20 that are specifically directed to actions of Allstate. Allstate lacks sufficient information with which to admit or deny the remaining

allegations found in paragraph 20 and therefore denies the remaining allegations contained in paragraph 20.

21. Allstate denies the allegations in paragraph 21 that are specifically directed to actions of Allstate. Allstate lacks sufficient information with which to admit or deny the remaining allegations found in paragraph 21 and therefore denies the remaining allegations contained in paragraph 21.

22. Allstate admits that Shao signed a Letter of Understanding on November 22, 2015. Allstate denies the remaining allegations in paragraph 22 that are specifically directed to actions of Allstate. Allstate lacks sufficient information with which to admit or deny the remaining allegations found in paragraph 22 and therefore denies the remaining allegations contained in paragraph 22.

23. Allstate denies that Ann Smith was Shao's "supervisor." Allstate lacks sufficient information with which to admit or deny the remaining allegations found in paragraph 23 and therefore denies the remaining allegations contained in paragraph 23.

24. Allstate denies that any act or omission by Allstate or any agent, employee, contractor or affiliate of Allstate has ever caused harm to Shao. Allstate further denies that any agent, contractor or affiliate of Allstate has acted in bad faith with respect to Shao. Allstate lacks sufficient information with which to admit or deny the remaining allegations found in paragraph 24 and therefore denies the remaining allegations contained in paragraph 24.

25. There are no factual allegations against Allstate in paragraph 25 to which Allstate is required to respond. To the extent a response is required, Allstate denies the allegations in paragraph 25.

26. Paragraph 26 contains opinions and conjecture to which no response is required. To the extent a response is required, Allstate denies the allegations in paragraph 26.

27. There are no factual allegations against Allstate in paragraph 27 to which Allstate is required to respond. To the extent a response is required, Allstate denies the allegations in paragraph 27.

28. Allstate lacks sufficient information with which to admit or deny the allegations found in paragraph 28 and therefore denies the allegations contained in paragraph 28.

29. Allstate denies the allegations in paragraph 29 that are specifically directed to actions of Allstate. Allstate lacks sufficient information with which to admit or deny the remaining allegations found in paragraph 29 and therefore denies the remaining allegations contained in paragraph 29.

30. Allstate denies the allegations in paragraph 30.

31. Allstate denies the allegations in paragraph 31 that are specifically directed to actions of Allstate. Allstate lacks sufficient information with which to admit or deny the remaining allegations found in paragraph 31 and therefore denies the remaining allegations contained in paragraph 31.

32. Allstate lacks sufficient information with which to admit or deny the allegations found in paragraph 32 and therefore denies the allegations contained in paragraph 32.

33. Allstate denies the allegations in paragraph 33 that are specifically directed to actions of Allstate. Allstate lacks sufficient information to admit or deny the remaining allegations in paragraph 33 and therefore denies the remaining allegations in paragraph 33.

34. Allstate denies that it in any way contributed to a hostile working environment. Allstate lacks sufficient information with which to admit or deny the remaining allegations found in paragraph 34 and therefore denies the remaining allegations contained in paragraph 34.

35. There are no factual allegations against Allstate in paragraph 35 to which Allstate is required to respond. To the extent a response is required, Allstate denies the allegations in paragraph 35.

36. Allstate denies the allegations in paragraph 36.

37. Allstate admits that there is a program titled "Agency Business Objectives" but denies that Shao has accurately stated or characterized the program. Allstate admits that it issues a post-termination payment ("TPP") to former EAs if the EAs satisfy and comply with the contractual terms for receiving TPP. Allstate lacks sufficient information to admit or deny whether an "All Agents Page" exists on Facebook, and thus denies that allegation. Allstate denies the remaining allegations contained in paragraph 37.

38. Allstate denies the allegations in paragraph 38.

39. Allstate admits that it originally terminated Shao's EA Agreement effective May 30, 2020. Allstate denies the remaining allegations found in paragraph 39.

40. Allstate lacks sufficient information with which to admit or deny the allegations found in paragraph 40 and therefore denies the allegations contained in paragraph 40.

41. There are no factual allegations against Allstate in paragraph 41 to which Allstate is required to respond. To the extent a response is required, Allstate admits that the Governor Northam issued a Stay-at-Home order on March 30, 2020 to mitigate the spread of COVID-19, and that the order directed individuals to stay home except in limited circumstances. Allstate denies the remaining allegations in paragraph 41.

42. Allstate denies that it forced Shao to put others' lives at risk. There are no other factual allegations against Allstate in paragraph 42 to which Allstate is required to respond. To the extent a response is required, Allstate denies the remaining allegations in paragraph 42.

43. Allstate admits that it agreed to an extension for Plaintiff to sell his economic interest in the Allstate customers he serviced and denies the remaining the allegations found in paragraph 43.

44. Allstate denies that Ms. Shaner was Taha's "supervisor." Allstate lacks sufficient information with which to admit or deny the allegations found in paragraph 44 and therefore denies the remaining allegations contained in paragraph 44.

45. Allstate denies that Allstate Finance Company is a subsidiary of Allstate Insurance Company and also denies that Allstate Finance Company is an "affiliate" of Allstate Insurance Company because the term "affiliate" is not defined. Allstate lacks sufficient information with which to admit or deny the remaining allegations found in paragraph 45 and therefore denies the remaining allegations contained in paragraph 45.

46. Allstate lacks sufficient information with which to admit or deny the allegations found in paragraph 46 and therefore denies the allegations contained in paragraph 46.

47. Allstate lacks sufficient information with which to admit or deny the allegations found in paragraph 47 and therefore denies the allegations contained in paragraph 47.

48. Allstate denies the allegations contained in paragraph 48 regarding the purported contents of the Termination Payment Summary Report to the extent they do not accurately represent the contents of said document, which speaks for itself. Allstate admits that it provided Shao with accurate documents and information regarding his TPP. Allstate denies the remaining allegations in paragraph 48 that are specifically directed to actions of Allstate. Allstate lacks

sufficient information with which to admit or deny the remaining allegations found in paragraph 48 and therefore denies the remaining allegations contained in paragraph 48.

49. Allstate denies the allegations contained in paragraph 49 to the extent they contain Shao's interpretation, characterization, and/or assessment of statements made by David Mueller of Allstate. Allstate denies that Ms. Shaner concealed any knowledge from Shao. Allstate lacks sufficient information with which to admit or deny the remaining allegations found in paragraph 49 and therefore denies the remaining allegations contained in paragraph 49.

50. Allstate denies the allegations in paragraph 50.

51. Allstate admits that Shao attended training at the Allstate Regional Center in Chantilly, Virginia in the summer of 2015. Allstate denies all remaining allegations contained in paragraph 51.

52. Allstate denies the allegations in paragraph 52.

53. Allstate admits that it provided Shao with a fully executed copy of the EA Agreement and that Shao willingly, knowingly, and voluntarily executed the EA Agreement. Allstate denies the remaining allegations contained in paragraph 53.

54. Allstate lacks sufficient information to admit or deny whether Shao signed a separate sales contract with Mr. Elliot, when the agreement may have been signed, or what the terms of such an agreement may have been, and thus these allegations are denied. Allstate denies the remaining allegations contained in paragraph 54.

55. Allstate denies the allegations contained in paragraph 55.

56. Allstate denies the allegations contained in paragraph 56.

57. Allstate denies the allegations contained in paragraph 57.

58. Allstate denies the allegations in paragraph 58.

59. Allstate denies the allegations in paragraph 59.

60. Allstate denies Shao's interpretation, characterization, and/or assessment of the lawsuits mentioned in this paragraph. Allstate further denies the remaining allegations in paragraph 60.

61. Allstate denies the allegations in paragraph 61.

62. Allstate lacks sufficient information with which to admit or deny the allegations found in paragraph 62 and therefore denies the allegations contained in paragraph 62.

63. Allstate denies the allegations in paragraph 63.

64. Allstate denies Shao's interpretation, characterization, and/or assessment of the lawsuits mentioned in this paragraph. Allstate further denies the remaining allegations in paragraph 64.

## CAUSES OF ACTION

### **FIRST CAUSE OF ACTION** **FAILURE TO PAY FULL TPP AMOUNT** **(Against Allstate)**

65. Allstate repeats and realleges its responses to paragraphs 1 through 26 of the Complaint as though each were separately and specifically set forth herein.

66. Allstate admits that it received payments from Shao in October 2020 and December 2020 totaling \$13,359.53. Allstate denies the remaining allegations contained in paragraph 66.

67. Allstate denies the allegations in paragraph 67.

**SECOND CAUSE OF ACTION**  
**FAILURE TO PAY THE PORTION OF THE BOOK, WRITTEN BY EMPLOYEE**  
**SALESPERSONS**  
**(Against Allstate)**

68. Allstate repeats and realleges its responses to paragraphs 1 through 29 as though each were separately and specifically set forth herein.

69. Allstate denies the allegations in paragraph 69.

70. Allstate denies the allegations in paragraph 70.

71. Allstate denies the allegations in paragraph 71.

72. Allstate denies the allegations in paragraph 72.

73. Allstate denies the allegations in paragraph 73.

**THIRD CAUSE OF ACTION**  
**CONVERSION AGAINST ALLSTATE**  
**(Against Allstate)**

74. Allstate denies the allegations in paragraph 74.

75. Allstate denies Shao's interpretation, characterization, and/or assessment of the lawsuits mentioned in this paragraph. Allstate further denies the remaining allegations in paragraph 75.

76. Allstate denies the allegations in paragraph 76.

77. There are no factual allegations against Allstate in paragraph 77 to which Allstate is required to respond. To the extent a response is required, Allstate denies the allegations in paragraph 77.

78. Allstate denies the allegations in paragraph 78.

79. The allegations of this paragraph consist of legal conclusions and questions of law to which no response is required. To the extent a response is required, Allstate denies the allegations in paragraph 79.

80. Allstate denies the allegations in paragraph 80.

81. Allstate denies the allegations in paragraph 81.

**FOURTH CAUSE OF ACTION**  
**INTENT TO DECEIVE IN THE TITLE WAS EXPRESSIVELY CONTRADICTED BY**  
**ALLSTATE IN THE CONTENT OF THE EA AGREEMENT -THE EA AGREEMENT**  
**IS A BAD FAITH CONTRACT**  
**(Against Allstate)**

82. Allstate admits that it entered into an Allstate R3001 Exclusive Agency Agreement (“EA Agreement”) with Shao. Allstate denies the remaining allegations in paragraph 82.

83. Allstate denies the allegations in paragraph 83.

84. Allstate denies Shao’s interpretation, characterization, and/or assessment of the lawsuits mentioned in this paragraph. Allstate further denies the remaining allegations in paragraph 84.

85. Allstate denies the allegations contained in paragraph 85 regarding the purported contents of the EA Agreement to the extent they do not accurately represent the contents of said document, which speaks for itself. Allstate further denies the remaining allegations in paragraph 85.

**FIFTH CAUSE OF ACTION**

**ALLSTATE VIOLATES THE PRINCIPLE OF CONSIDERATION IN THE CONTRACT LAW BY ABANDONING THE PRINCIPLE OF RECIPROCITY IN ITS EA RELATIONSHIP  
(Against Allstate)**

86. Allstate admits that the term EA stands for exclusive agency and denies the remaining allegations in paragraph 86.

87. The allegations of this paragraph consist of legal conclusions to which no response is required. To the extent a response is required, Allstate denies the allegations in paragraph 87.

88. Allstate denies the allegations in paragraph 88.

89. Allstate denies the allegations in paragraph 89.

**SIXTH CAUSE OF ACTION**

**ABO (ALLSTATE PRODUCTION QUOTA) NULLS THE STATUS OF AN EA AS AN INDEPENDENT CONTRACTOR AND ALLSTATE FAILS TO RECLASSIFY THEM AS EMPLOYEE SALESPERSONS WHO DESERVE THE EMPLOYEE BENEFITS  
(Against Allstate)**

90. There are no factual allegations against Allstate in paragraph 90 to which Allstate is required to respond. To the extent a response is required, Allstate denies the allegations in paragraph 90.

91. Allstate denies the allegations in paragraph 91.

92. Allstate denies the allegations in paragraph 92.

**SEVENTH CAUSE OF ACTION**

**ALLSTATE HAS THE TRAIT OF A POLICE STATE IN THE SENSE THAT IT DENIES DUE PROCESS IN ITS ADMINISTRATIVE DISCIPLINARY OPERATION FOR FAILURE TO PROVIDE EVIDENCE TO SUPPORT ITS ACCUSATION AND FAILURE TO GIVE THE ACCUSED AN OPPORTUNITY TO DEFEND HIMSELF/HERSELF  
(Against Allstate)**

93. Allstate lacks sufficient information with which to admit or deny the allegations found in paragraph 93 and therefore denies the allegations contained in paragraph 93.

94. There are no factual allegations against Allstate in paragraph 94 to which Allstate is required to respond. To the extent a response is required, Allstate denies the allegations in paragraph 94.

95. Allstate lacks sufficient information with which to admit or deny the allegations found in paragraph 95 and therefore denies the allegations contained in paragraph 95.

96. Allstate denies the allegations in paragraph 96.

97. Allstate denies the allegations in paragraph 97.

**EIGHTTH CAUSE OF ACTION**

**RULE OF LAW HAD NOT BEEN EVENLY OR EQUITABLY APPLIED IN THE REALM OF ALLSTATE IN DISCIPLING ITS MEMBERS - WITH SOME ABOVE RECEIVING NO PUNISHMENT AND SOME BELOW WITH HARSH PUNISHMENT  
(Against Allstate)**

98. Allstate denies the allegations in paragraph 98 that are specifically directed to actions of Allstate. Allstate lacks sufficient information with which to admit or deny the remaining allegations found in paragraph 98 and therefore denies the remaining allegations contained in paragraph 98.

99. Allstate lacks sufficient information with which to admit or deny the allegations found in paragraph 99 and therefore denies the allegations contained in paragraph 99.

100. Allstate denies the allegations in paragraph 100.

101. Allstate denies the allegations in paragraph 101.

102. Allstate denies the allegations in paragraph 102.

**NINETH CAUSE OF ACTION**

**ALLSTATE HAS A SECOND TRAIT OF A POLICE STATE IN THE SENSE THAT IT  
SILENCES AND/OR PUNISHES THE EXPRESSIONS OF MAN'S-HUMANITY-TO-  
MAN AMONG AGENTS AND ALLSTATE MEMBERS  
(Against Allstate)**

103. Allstate denies the allegations in paragraph 103.

104. Allstate denies the allegations in paragraph 104.

105. Allstate lacks sufficient information with which to admit or deny the allegations found in paragraph 105 and therefore denies the allegations contained in paragraph 105.

**TENTH CAUSE OF ACTION**

**ALLSTATE ENGAGED IN HIGHWAY ROBBERY FIGURATIVELY SPEAKING IN  
THE SENSE THAT IT CONFISCATES AGENTS' WALLET THROUGH ABO AND  
TPP TO ENRICH THAT OF ITS HIGHER ECHELONS - ALLSTATE COMMITTED  
FRAUD  
(Against Allstate)**

106. Allstate denies Shao's interpretation, characterization, and/or assessment of the lawsuit mentioned in this paragraph. Allstate further denies the remaining allegations in paragraph 106.

107. Allstate denies the allegations in paragraph 107.

108. Allstate denies the allegations in paragraph 108.

109. Allstate denies the allegations in paragraph 109.

110. Allstate admits that it has an agreement titled an Exclusive Independent Contractor Agency Agreement and denies the remaining allegations in paragraph 110.

111. Allstate denies the allegations in paragraph 111.

112. Allstate denies the allegations in paragraph 112.

113. Allstate denies the allegations in paragraph 113.

**ELEVENTH CAUSE OF ACTION**  
**ALLSTATE HAS VIOLATED PLAINTIFF SHAO'S HUMAN RIGHT**  
**(Against Allstate)**

114. There are no factual allegations against Allstate in paragraph 114 to which Allstate is required to respond. To the extent a response is required, Allstate admits that paragraphs 1 through 65 contain Shao's factual allegations.

115. There are no factual allegations against Allstate in paragraph 115 to which Allstate is required to respond. To the extent a response is required, Allstate denies the allegations in paragraph 115.

116. Allstate denies the allegations in paragraph 116.

**TWELVETH CAUSE OF ACTION**  
**ALLSTATE PUT SHAO IN THE HARM'S WAY BY FAILING TO COMPLY WITH**  
**THE WHITE HOUSE DECLARATION OF STATE OF NATIONAL EMERGENCY ON**  
**3/13/20 DUE TO THE COVID-19 PANDEMIC AND WITH VIRGINIA GOVERNOR**  
**RALPH NORTHAM'S STAY-AT-HOME ORDER WHICH WAS TO TAKE EFFECT**  
**ON 3/30/20 IN DENYING SHAO'S REQUEST FOR AN TERMINATION EXTENSION**  
**FOR TWO MONTHS.**  
**(Against Allstate)**

117. Allstate denies the allegations found in paragraph 117.

118. There are no factual allegations against Allstate in paragraph 118 to which Allstate is required to respond. To the extent a response is required, Allstate admits that the Governor Northam issued a Stay-at-Home order on March 30, 2020 to mitigate the spread of COVID-19, and that the order directed individuals to stay home except in limited circumstances.

119. Allstate denies the allegations in paragraph 119.

120. Paragraph 120 contains opinions and conjecture to which no response is required. To the extent a response is required, Allstate denies the allegations in paragraph 120.

### **PRAYER FOR RELIEF**

Allstate denies that Shao's claims are meritorious and denies that Shao should be awarded any of the relief requested in his Prayer for Relief or any relief whatsoever.

### **REQUEST FOR TRIAL BY JURY**

There is no allegation against Allstate in the Request for Trial by Jury that requires a response.

### **AFFIRMATIVE DEFENSES**

Defendant Allstate hereby asserts the following Affirmative Defenses:

1. Shao's Complaint fails to state a claim upon which relief may be granted.
2. Shao's claims fail in whole or in part because Shao failed to mitigate his damages.
3. Shao's claims fail in whole or in part because Shao failed to join all indispensable parties.
4. To the extent Shao's claims are based on allegations of fraud, they are time-barred.
5. Shao's claims are barred by the doctrine of unclean hands.
6. Shao engaged in a material breach of the Allstate Exclusive Agency Agreement on which they base their claims, thereby excusing any non-performance by Allstate.
7. Shao has not been damaged by the conduct alleged in the Complaint.
8. To the extent Shao's claims are based on allegations of breach of contract, they are

barred because Allstate did not breach any alleged agreement or contract between Shao and Allstate.

9. Shao's claims are barred because Shao violated the implied covenant of good faith and fair dealing.
10. Allstate, in good faith, performed the express terms of the contract.
11. Shao's claims are barred by the doctrine of equitable estoppel.

Defendant reserves the right to amend the foregoing Answer, inclusive of its Affirmative Defenses, should Defendant discover new or additional information that is not available or otherwise known to Defendant at the time of filing this Answer.

## CONCLUSION

WHEREFORE, Allstate denies that Plaintiffs are entitled to any relief whatsoever and/or in any amount whatsoever, and respectfully request that this Court enter an order: (1) dismissing the Complaint in its entirety; (2) denying all requested relief contained therein; (3) granting Allstate an award for costs and all reasonable attorneys' fees incurred in the defense of this action; and (4) granting all other necessary and proper relief as justice so requires.

Dated: June 29, 2023

Respectfully submitted,

/s/ Laura Seferian

Laura Seferian (Va. Bar No.: 92510)

J. Scott Humphrey (pro hac forthcoming)

Katie M. Burnett (pro hac forthcoming)

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*Attorneys for Defendant Allstate Insurance  
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**CERTIFICATE OF SERVICE**

I hereby certify that on this 29th day of June, 2023, the foregoing was filed electronically. Notice of this filing will be sent to all parties of record by operation of the Court's electronic filing system. I will also send the document and notification of such filing to the following party via email:

Paul Shao  
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Lorton, Virginia 22079  
202-290-6300  
paulshao@gmail.com

/s/ Laura Seferian

Laura Seferian

*One of the Attorneys for Defendant Allstate  
Insurance Company*