

AG lawsuit: State Farm enriched itself through Katrina homeowner program

The Sun Herald

Attorney General Jim Hood is suing State Farm Fire & Casualty Co. over millions of dollars he claims the state lost because the insurance company “maliciously” denied Hurricane Katrina claims for wind losses while the federally funded Homeowners Assistance Program picked up the tab. The lawsuit says: “State Farm benefitted substantially and illicitly from HAP, because HAP grants ameliorated the financial pain to State Farm policyholders caused by State Farm’s wrongful denial or underpayment of claims for wind damage under its homeowner policies.” State Farm in effect converted a program designed to help Mississippians who were devastated financially by Katrina into a subsidy for itself.” State Farm had no immediate response to allegations outlined in the 50-page lawsuit, but in past cases brought by policyholders has denied any wrongdoing. The lawsuit, filed in Hinds County Circuit Court, accuses State Farm of fraud, negligence and breach of contract. Hood is asking for a jury trial. The state is seeking unspecified compensation for its losses, plus punitive damages, court costs, interest and attorneys’ fees. Although the lawsuit comes almost 10 years after Hurricane Katrina, no statute of limitations applies to the state under its constitution and state law. Comparing payments The HAP program was designed to compensate qualified homeowners for losses insurance did not cover. In some cases, the lawsuit says, State Farm delayed payments to policyholders so HAP grants would cover their losses. The lawsuit says Mississippi paid 6,810 policyholders five times more than State Farm did for Katrina damage. The state paid a total of \$522 million to State Farm policyholders, the lawsuit says, or an average of \$76,673.59 per policyholder. State Farm paid the same policyholders \$98.7 million, or an average of \$14,494.62 per policyholder. The lawsuit details State Farm’s efforts to minimize wind losses, first by characterizing Katrina as a “water” event. Tidal surge, excluded from coverage under private insurance policies, is covered by the National Flood Insurance Program. NFIP relied on State Farm and other insurers to adjust its claims. State Farm coerced engineering firms to alter reports, then ceased ordering damage reports altogether, when engineers found wind covered under its policies caused homeowner losses, the lawsuit says. Those allegations are familiar to Coast residents, hundreds of whom sued State Farm and other

insurers after Katrina over wind claims that were allegedly underpaid or denied. AG investigates others "We are aggressively investigating other insurance companies that may have unjustly enriched themselves at the expense of the HAP program," Jan Schaefer, spokeswoman for the attorney general's office, wrote in an email in response to questions from the Sun Herald. "We haven't ruled out future lawsuits against those other insurers." "We are filing this suit against State Farm because we now have proven evidence of its fraud and because, as the nation's largest property insurance company, its activities harmed Mississippi more than any other insurer." The proven evidence to which Schaefer referred came in a whistle-blower lawsuit that two sisters, insurance adjusters Cori and Kerri Rigsby, filed against State Farm. In the federal lawsuit, a jury in April 2013 found State Farm defrauded NFIP by attributing wind damage to tidal surge. State Farm was ordered to pay \$750,000 in damages — triple the amount of the false flood claim payment — to NFIP, with 15 percent going to the Rigsbys for pursuing the claim. The case is on appeal. "In the wake of that verdict," Schaefer said, "we spent considerable time closely evaluating the impact of this activity on the state through the HAP program." Attorneys representing the state include the Rigsbys' lawyers, August Matteis of Washington, D.C., and Maison Heidelberg of Jackson, along with former assistant attorney general Ben Bryant of Balch & Bingham in Jackson. Mary Jo Woods, an assistant attorney general involved in litigation against State Farm after the hurricane, signed the complaint for the state.—Read Mississippi AG's suit against State Farm