

Group settles 22 Katrina cases with State Farm

GULFPORT — The Merlin Law Group, which has only one policyholder lawsuit still open against State Farm Fire and Casualty Co., announced Thursday a settlement has been reached with the company in 22 cases.

“Obviously, we are pleased to settle without costly and lengthy litigation,” said State Farm spokesman Fraser Engerman, who declined to comment further because terms of the settlement are confidential.

Policyholders’ attorney

William F. “Chip” Merlin said documents State Farm has been forced to produce in previous cases put clients in a good negotiating position.

Of the 22 cases settled, he said 18 belonged to policyholders who have signed on since September when Merlin and State Farm settled 103 cases.

Merlin

said the documents and testimony from State Farm officials indicate the company decided against paying claims in areas hit by storm surge, relying on policy language to deny those claims without thorough investigations. In cases in which wind and water combine to cause a loss, the 5th U.S. Circuit Court of Appeals has ruled policy language precludes coverage.

However, Merlin said that does not relieve insurance companies of their duty under Mississippi law to fully investigate the cause of a loss and pay for wind damage covered under an all-perils policy.

State Farm maintains the company investigated each policyholder’s claim and covered independent wind

damage.

Merlin

said he could not discuss State Farm information the company was forced to turn over in pretrial proceedings because federal Magistrate Judge Robert H. Walker issued protective orders that seal certain insurance records from public view, including company e-mails about a “wind-water protocol” used internally to adjust claims.

State Farm argues such records are “trade secrets.” The protocol itself, however, has been made a public record.

“The

reason we are filing these documents under seal is that they contain information about our business practices that would be valuable to our competitors,” Engerman said.

Merlin thinks the insurance records should be available to all policyholders.

“Personally,

I can’t think of any social purpose that helps us, as a society, by having these protective orders,” he said. “I believe in insurance, but I don’t believe how they go about claims practices should be treated like a top-secret recipe you have for Coca-Cola or how they make Kentucky Fried Chicken.”

He said attorneys for

policyholders are even more cautious because Richard “Dickie” Scruggs, a policyholders’ attorney, is facing criminal-contempt charges in North Alabama. Judge William M. Acker Jr. ordered the prosecution because Scruggs turned over State Farm records to Attorney General Jim Hood after the judge had said the insurance records should be returned to their rightful owner, an independent adjusting firm in Alabama that supplied adjusters to State Farm after Hurricane Katrina.

At a glance

Below is the status of Hurricane Katrina lawsuits filed against insurance companies in U.S. District Court in Gulfport.

2005 cases: 31 filed, all closed; Broussard v. State Farm on appeal to 5th U.S. Circuit with arguments completed, decision pending.

2006 cases: 48 cases open; 628 closed.

2007 cases:

338 cases open 180 filed against State Farm by the Hurricane Katrina Litigation Group, formerly the Scruggs Katrina Group); 205 cases closed.

Upcoming trial: Case of Huynh v. State Farm slated for Jan. 14.

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