

## State Farm in Talks to Settle Gulf Claims

by *The-New-York-Times*

State Farm, the biggest home insurer in the nation, is in the final stages of settling hundreds of lawsuits over its payments for homes wrecked by Hurricane Katrina along the Mississippi Gulf Coast, lawyers briefed on the talks said yesterday.

The settlement of 639 lawsuits for \$80 million could be the first step in resolving a bitter legal battle between homeowners and their insurers that had threatened to drag on for years and has already slowed Mississippi's recovery since the storm in August 2005.

As part of the proposed deal, which other insurers are expected to adopt, State Farm has agreed to review and possibly increase payments to as many as 35,000 additional homeowners. In some cases, these homeowners received only a few thousand dollars for homes along the Mississippi coast that suffered major damage or were destroyed.

The talks do not apply to homeowners in New Orleans and the rest of Louisiana.

State Farm, under the tentative accord, would provide an average of about \$125,000 to homeowners who filed lawsuits, although the payments would range from as little as about \$2,000 to about \$2 million.

The treatment of those cases would serve as a guide for increasing payments to any of the 35,000 homeowners who request a review of their claim, according to lawyers privy to the details.

Similar settlements with the dozen or so other insurers in Mississippi could provide hundreds of millions of dollars for recovery along the coast. It would also close a painful chapter in the public relations history of the carriers who have been portrayed by opposing lawyers as coldhearted in refusing to pay for much of Katrina's devastation.

"This is an opportunity to change public perception," said Randy Maniloff, a lawyer in Philadelphia who represents insurance companies, and who has not been involved in the talks.

The heart of the dispute in Mississippi as well as in Louisiana has been over the coverage of flood damage. Flooding was far worse in Katrina than in most previous hurricanes.

The insurers argued successfully in Mississippi that their policies did not provide coverage for any kind of flooding. But Judge L. T. Senter Jr., of Federal District Court in Gulfport, Miss., rejected the argument by insurers that if any flooding damaged a house, the insurers then had no responsibility for any other damage caused by Katrina's high winds.

More than 2,000 homeowners in Mississippi alone filed suit against their insurers. Under terms of the tentative settlement, State Farm would pay at least \$50 million for claims that were previously closed, and some lawyers say the cost for State Farm could run into the hundreds of millions of dollars, depending upon how many homeowners requested their files be reopened and the extent of damage to their houses. A similar deal with other insurers could lead to an estimated 100,000 other closed claims being re-examined, lawyers briefed on the talks said.

Insurance experts said State Farm's willingness to engage in settlement talks should not be interpreted as a concession that it did anything wrong. They said a final agreement would almost certainly say, in effect, that State Farm was neither acknowledging nor denying objectionable practices. Further, they said, State Farm would not want to set precedent on future payments for flood damage from hurricanes.

"They're willing to settle," said Gary S. Thompson, a Washington lawyer who represents individual and commercial policyholders, "because they know they would have to go through a long, arduous journey examining each and every claim."

That could take years, some lawyers said. In the meantime, State Farm's reputation would be further battered and, facing any jury drawn from the ranks of Mississippi's hurricane victims, State Farm could easily "lose most of the cases," Mr. Thompson said.

Jury selection began yesterday in federal court in Gulfport for the first trial against State Farm over Katrina damage. That case, which was not part of the settlement talks, was filed by Norman and Genevieve Broussard. Only the foundation slab of their home in Biloxi remained after the hurricane. State Farm refused to pay their claim, saying all the damage was caused by floodwaters.

The insurers have already paid \$5.2 billion for damage to homes throughout Mississippi for Katrina and \$10.3 billion for damage in New Orleans and other parts of Louisiana.

To close the deal, State Farm wants the approval of Mississippi's attorney general, Jim Hood, and the state's insurance regulator, George Dale, lawyers close to the talks said. As a condition of the deal, these lawyers said, Mr. Hood would be required to drop a criminal investigation into State Farm's handling of claims as well as a civil lawsuit against State Farm and other insurers.

In a statement late yesterday, Mr. Hood said: "I am working day and night attempting to get our coastal residents a fair shake in the insurance litigation." He added, "It would not help our negotiations to disclose any details at this time."

Lee Harrell, a deputy to the insurance commissioner, would not comment on the talks but said that the regulators consistently monitored insurance agreements to make sure that they were fair to both policyholders and the insurers.

Phil Supple, a spokesman for State Farm, acknowledged that the insurer had been in settlement talks but he said that a final agreement had not yet been reached. "At this point," he said, "we have no settlement."

He said State Farm would absolutely like to settle the cases: "We see it in the best interest of policyholders, the Gulf Coast of Mississippi and State Farm."

Richard F. Scruggs, who has been leading a team of about a dozen lawyers against State Farm, said that talks toward a settlement began early last fall and that he hoped to see a final agreement this week. "All the details are finalized," he said.

The last element, he said, was the approval of the attorney general and the insurance commissioner. "We are awaiting," he said, "a decision from the state officials who have helped craft the settlement."

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By JOSEPH B. TREASTER

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