

State Farm Files Lawsuit Against Miss. Attorney General

by PCI

State Farm and Casualty Co. and State Farm Mutual Automobile Insurance Co. filed a lawsuit against Mississippi Attorney General Jim Hood, alleging Hood violated a prior agreement to end an investigation into State Farm's handling of Hurricane Katrina claims.

Hood seeks to use the reopening of an investigation to "coerce State Farm to settle civil litigation to which State Farm has meritorious defenses," said the 25-page complaint filed in U.S. District Court for the Southern District of Mississippi. The complaint also calls Hood's newest investigation "vindictive and retaliatory."

State Farm spokesman Phil Supple said the Bloomington, Ill.-based company fought to unseal the court documents, which were filed in September. The motion to make the lawsuit public was granted Nov. 2.

A judge also in September granted State Farm a temporary restraining order against Hood, and hearings are scheduled with further testimony expected as State Farm seeks a permanent injunction, Supple said.

According to the lawsuit, Hood on Jan. 23 sent a letter to State Farm which essentially ended an investigation he initiated with numerous subpoenas to the insurer in March and December 2006.

In the letter, Hood said State Farm's cooperation and "willingness to enter a settlement agreement requiring them to pay a substantial penalty to the victims" warranted his office to conclude the investigation and not file criminal charges against the company.

In February, State Farm told a U.S. District Court judge it was committed to paying a minimum aggregate amount of \$50 million to about 36,200 homeowners, rental and commercial policyholders in the coastal Mississippi counties (BestWire, Feb. 23, 2007).

State Farm also paid the Attorney General's Office \$5 million to cover the costs of the investigation, said the court documents.

But in a July letter to federal officials in Alabama, Hood said he re-opened the case against State Farm and on Aug. 23 issued the insurer another subpoena "evidencing bad faith" and causing State Farm to "suffer irreparable harm," according to the lawsuit.

Hood has said State Farm did not fulfill the terms of the agreement. He filed a breach of contract lawsuit against the insurer.

The lawsuit accuses Hood of ethics violations for his alleged cooperation with the Scruggs Katrina Group, which filed a large number of civil lawsuits against State Farm.

In January, State Farm said it received a letter from the Scruggs group, which said cooperation in a civil settlement would reduce the chance Hood would indict the insurer. The lawsuit also alleges former Mississippi Attorney General Mike Moore has acted in collaboration with Hood first, and now Scruggs - "a relationship Hood should have known was improper, the suit says.

State Farm alleges the Scruggs group has assisted Hood to drive up the price and force the insurer to settle the civil cases to avoid indictment.

Moore also allegedly dangled supposed harmful documents about claims procedures from former State Farm employees Cori and Kerri Rigsby over the insurer's head. The sisters reportedly copied thousands of State Farm documents and went to Scruggs with them, who then handed them over to Hood, State Farm alleges.

Hood's use of the Rigby sisters as agents of his office is tantamount to illegal search and seizure, the lawsuit says.

Hood's re-election campaign received \$33,000 from Scruggs in July, alleges State Farm. Hood is seeking re-election Nov. 6.

State Farm Group currently has a Best's Financial Strength Rating of A (Superior).

In 2006, the top five writers of homeowners multiperil in Mississippi, according to A.M. Best Co. state/line product information based on direct premiums written, were: State Farm Group, with a 31.6% market share; Southern Farm Bureau Group, with 18%; Allstate Insurance Group, with 11.1%; Nationwide Group, with 7.7%; and Farmers Insurance Group, with 6%.

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