

State Farm Practices Suffer Collision With California Class Action Lawsuit

by PR-Newswire

LOS ANGELES, May 14 /PRNewswire-USNewswire/ -- A class action lawsuit (Case #CV08-03184), was filed today in United States Federal Court, Central District, alleging that State Farm Mutual Automobile Insurance Company is enriching itself with payments rightfully belonging to its insureds in violation of California law, particularly the "Make Whole Rule."

When State Farm policyholder Stuart Chandler of Fresno, Calif., was rear-ended, his personal automobile insurance policy entitled him to a rental car while his car was being fixed. Under Chandler's auto policy, State Farm paid 80 percent of the \$317.45. Chandler was charged for his rental car, leaving Chandler to pay 20 percent, or \$63.49, in out-of-pocket expenses.

State Farm then went to the other party's insurance company to collect the money it had paid out to Chandler. That insurance company reimbursed State Farm \$70 for the rental car. The complaint alleges that pursuant to California's "Make Whole Rule," State Farm should have refunded Chandler from that amount the \$63.49 for out-of-pocket expenses he incurred before it could retain any of those funds for itself. Instead, the complaint alleges, State Farm kept the full amount for itself, ignoring the fact that Chandler has not been fully compensated for his loss as required by law.

"California common law provides that when a policyholder suffers a loss from a car accident, the policyholder must be reimbursed for ALL of his losses before State Farm has a right to reimbursement for any money it paid out under its policy," says Long Beach, California plaintiff attorney Stephen M. Garcia of The Garcia Law Firm.

This rule is known as the "Make Whole Rule," and is a common law exception to an insurance company's subrogation right. The "Make Whole Rule" basically states that before any of the recovery is allocated to the insurer, the insured who suffered the loss must be fully compensated for all the elements of damages, not just those for which the insurer has indemnified the policy holder.

According to State Farm's website, the company insures more cars any other insurer in the United States and handled 12.3 million total claims in 2007.

"Mr. Chandler's case is just \$63 and change," says Garcia. "Imagine \$63 times the tens of thousands of claims State Farm handles in California alone. We believe that State Farm is enriching itself with money that rightfully belongs to its policyholders."

For information, contact Stephen M. Garcia at The Garcia Law Firm, (800) 281.8515 or www.lawgarcia.com.

Source: The Garcia Law Firm

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