

## Jury finds State Farm committed fraud

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GULFPORT, Miss. — A federal jury has found that State Farm Fire and Casualty Co. avoided covering a policy-holder's wind losses by blaming the damage on storm surge, which is covered by federal flood insurance.

The verdict came in a whistleblower lawsuit filed against the Bloomington-based insurer over its handling of Hurricane Katrina claims. State Farm is expected to appeal.

The lawsuit was filed by Cori and Kerri Rigsby of Ocean Springs, Miss., who once worked for Alabama-based E.A. Renfroe, a company State Farm contracted to provide damages assessments after the hurricane.

The Sun Herald reported that the Monday verdict potentially opens for examination thousands of post-Katrina flood claims State Farm adjusted and paid before reimbursement by the National Flood Insurance Program.

"We disagree with the jury's decision," State Farm spokesman Jeff McCollum said Tuesday. "This verdict defies the clear evidence we presented at trial over the past two weeks. We are reviewing our legal options."

While the sisters had pursued cases for a number of policyholders, a federal judge in Mississippi limited the initial phase of the case to one State Farm claim — that of Thomas and Pamela McIntosh whose Biloxi home was lost to the storm — because the sisters have firsthand knowledge of how it was adjusted.

The Justice Department was not involved in the case.

State Farm has a counter-claim pending against the Rigsbys over insurance company documents they took after growing suspicious of how the insurer was handling claims.

"Obviously, we are disappointed by the verdict," said State Farm attorney Bob Galloway. "We think it's highly suspect and not supported by the evidence."

The Rigsbys' attorney August Matties said, "We had very strong facts and we're happy about the verdict."

Evidence at the trial was that State Farm paid policy limits of \$250,000 for flood damage to the house, even though wind covered under the insurance company's policy was responsible for the loss. The jury decided State Farm over-charged NFIP the full \$250,000.

The verdict means State Farm will repay the \$250,000, plus damages to be determined. The Rigsbys, as whistle-blowers, are entitled to a share of recovered money. Under the federal False Claims Act, they filed the lawsuit on the government's behalf because they discovered the fraud.

By charging the National Flood Insurance Program for the loss, State Farm minimized what it owed for wind damage. The company initially paid \$36,000 for wind damage on a policy that provided more than \$500,000 in coverage.