

State Farm avoids \$8.5B lawsuit with a \$250m settlement

After 19 years of lawsuits, State Farm is finally settling a fraud/racketeering case for \$250m -- a small fraction of the \$8.5B penalty it would have faced in court.

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State Farm, America's [largest](#) auto insurance company, paid a \$250m settlement to a group of customers right before a long-awaited racketeering trial was scheduled to begin this week.



The settlement is the anticlimactic finale of a 19-year-long scandal involving allegations of fraudulent car parts and crooked judges that would have cost the insurance company \$8.5B.

Decades of denial

In 1999, State Farm class-action plaintiffs won \$1.19B when an Illinois state court determined that the insurer had replaced quality car parts with junk components.

Then in 2004 State Farm allegedly spent \$3.5m getting “Farm-friendly” judge Lloyd Karmeier elected. Karmeier immediately threw out the case — exonerating State Farm and leaving customers nothing.

State Farm has fewer ‘friends’ in federal court

This time State Farm’s **attempts** to get the case dismissed failed, finally forcing the company to go to court or pay up. But State Farm still **insists** they didn’t do anything illegal and are paying the settlement “simply to bring an end to the litigation.”

But Bob Clifford, a lawyer representing the plaintiffs, is convinced otherwise, **saying** the decision “to pay a quarter of a billion dollars [...] speaks for itself.” The \$250m settlement is less than 3% of what State Farm would have paid for the \$8.5B racketeering penalty.

So 20 years later, swindled State Farm customers will finally get a couple of dollars for those crappy carburetors.

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