

# State Farm penalized in suit over tornado claims

## Verdict could affect similar lawsuits involving Katrina

By Kathleen Johnston  
CNN

**(CNN) -- State Farm acted "recklessly" and "with malice" in handling insurance claims from dozens of families whose homes were damaged when a wave of tornadoes, including the strongest in recorded history, swept through Oklahoma in 1999, a jury has decided.**

The verdict, announced late Thursday, delivered millions to the lead plaintiffs and could have repercussions in the Gulf Coast states, where residents allege State Farm acted in bad faith when using engineering firms to assess damages after Hurricane Katrina destroyed thousands of homes and businesses.

The jury in the District Court of Grady County, Oklahoma, awarded Donald and Bridget Watkins almost \$13 million in total damages for their part in the class action suit against the nation's largest insurer. The Watkinses are the lead plaintiffs in the case.

Jeff Marr, who represents the 70 families in the class action, said he thought the insurance company underestimated Oklahomans' willingness "to put an end to corporate arrogance."

"They expected Oklahomans, just like their policy holders, to believe anything they told them," he said.

As many as 11,000 Oklahoma residents, who were covered by State Farm when the tornadoes struck in May 1999, could be eligible for damages, Marr said.

"State Farm is disappointed with the Oklahoma verdict," said company spokesman Fraser Engerman, adding that it will appeal.

According to the lawsuit, State Farm hired Texas-based Haag Engineering, which intentionally undervalued damage to homes or claimed the damage was caused by other factors -- like faulty construction -- instead of tornadoes.

The jury ruled that State Farm "recklessly disregarded" its duty to deal fairly and act in good faith with the Watkinses and that it "intentionally and with malice" breached its duties as the couple's insurance company.

The jury further found "clear and convincing evidence" that State Farm recklessly disregarded its duty to act fairly and in good faith with members of the class action by employing Haag Engineering and its independent adjusters from E.A. Renfro Co. It also

said State Farm acted intentionally and with malice in dealing with customers in the use of these two companies.

Neither Haag nor E.A. Renfro is a party to the lawsuit, but Haag issued a statement saying it "strongly disagrees with the jury's verdict."

"State Farm hired Haag Engineering because of its recognized expertise in assessing tornado damage," the statement said. "State Farm made no attempt to influence the work of Haag's engineers and their analyses, and Haag's reports were based on objectively verifiable facts and sound engineering principles."

Haag is one of the engineering firms State Farm hired to assess damages in the Gulf after Katrina, Marr said.

Mississippi attorney Richard Scruggs has claimed State Farm hired engineering firms that claimed the damage to structures was caused by water and not wind, making State Farm not liable.

Marr said he plans to help attorneys representing Katrina victims prepare their cases against State Farm.

"State Farm is using Haag in the Gulf to reduce the amount it pays on claims under the guise of giving these policyholders an objective assessment when it's a foregone conclusion on what the outcome will be," Marr said.

State Farm's Engerman said there is no relation between the Oklahoma cases and those in the Gulf.

"The facts in the two situations are very different," he said. "One involves damage by Oklahoma tornadoes of 1999. And the other involves damage caused by hurricane and flooding in Mississippi in 2005."

Haag's attorneys said it was "too early to speculate on what impact, if any, the Oklahoma case would have on other litigation."