

IN THE DISTRICT COURT OF POTTAWATOMIE COUNTY

STATE OF OKLAHOMA

**FILED**  
IN THE DISTRICT COURT

APR 01 2021

POTTAWATOMIE COUNTY, OK  
VALERIE N. UELTZEN, COURT CLERK  
BY \_\_\_\_\_ DEPUTY

STATE OF OKLAHOMA, *ex rel.*, MIKE )  
HUNTER, ATTORNEY GENERAL OF )  
OKLAHOMA, )

Plaintiff, )

v. )

Case No. CJ-21-92

FARMERS INSURANCE EXCHANGE, )  
FARMERS GROUP, INC.; FARMERS )  
INSURANCE COMPANY, INC.; )  
FOREMOST INSURANCE COMPANY, )  
INC.; FARMERS NEW WORLD LIFE )  
INSURANCE COMPANY; MID-CENTURY )  
INSURANCE COMPANY )

Defendants. )

**PETITION FOR PERMANENT INJUNCTION AND OTHER RELIEF**

Comes now the Plaintiff, the State of Oklahoma (the "State"), by and through Attorney General Mike Hunter, and brings this action against Defendants Farmers Insurance Exchange, Farmers Group, Inc, Farmers Insurance Company, Inc., Foremost Insurance Company, Inc., Farmers New World Life Insurance Company, and Mid-Century Insurance Company ("Farmers" or "Defendants") for violations of the Oklahoma Consumer Protection Act ("OCPA"), 15 O.S. §§ 751 *et seq.*, the Unfair Claims Settlement Practices Act ("UCSPA"), 36 O.S. §§ 1250.1 *et seq.*, and for unjust enrichment, and states as follows:

**I. Parties**

1. Plaintiff is the State of Oklahoma. The Attorney General is authorized to enforce the State's consumer protection laws, including the OCPA, and the provisions of the Oklahoma Insurance Code, including the UCSPA.

2. The Attorney General is authorized to bring this action to enforce the OCPA in the public interest to protect the public's health, safety and welfare under 15 O.S. § 756.1 and to enforce provisions of the Insurance Code under 36 O.S. § 305.

3. Defendants are part of a reciprocal inter-insurance exchange that together issue property insurance policies, collect premiums, and administer every aspect of property insurance claims handling. At all times relevant to this proceeding, Farmers did business in Oklahoma.

## **II. Jurisdiction and Venue**

4. The Court has jurisdiction over the Defendants pursuant to 12 O.S. § 2004 because Farmers has transacted business within the State at all times relevant to this Petition.

5. Venue for this action properly lies in this Court pursuant to 12 O.S. § 133 because Farmers transacts business in Pottawatomie County, Oklahoma or some of the transactions upon which this action is based occurred in Pottawatomie County, Oklahoma.

## **III. Factual Allegations**

6. At all times relevant hereto, Defendants offered property insurance to residents in Oklahoma. As part of its insurance offerings, Farmers offered to provide endorsement coverage for property damage caused by earthquakes.

7. On information and belief, between January 1, 2010 and March 1, 2021, thousands of Oklahomans purchased insurance coverage from Farmers to protect their property from loss resulting from earthquakes. These policies generated insurance premium revenue to Farmers.

8. In Insurance Department Bulletin 2015-02 ("OID Bulletin"), the Insurance Commissioner explained that insurers providing coverage for earthquake damage in Oklahoma are expected to "inspect[] the property prior to inception of the coverage and maintain[] reasonably

current information as to the condition of the insured property, prior to loss.” This practice is consistent with Defendants’ own policies, procedures, and guidelines in effect at all times relevant hereto.

9. The OID Bulletin further emphasized the need for insurers offering earthquake coverage “to take steps to ensure that claims adjusters receive training as necessary” to understand and appreciate the complexities of evaluating claims under such policies.

10. Since 2013, the State of Oklahoma has experienced increased seismic activity, leading approximately one thousand of Defendants’ insureds to submit claims for the resulting property damage.

11. Farmers has overwhelmingly denied these claims.

12. In certain cases, Farmers justified denial of coverage based on its claim that the damage to the insureds’ property was not caused by an earthquake and/or pre-dated the seismic activity. However, Farmers, in most instances, had not conducted inspections of the property prior to issuing the earthquake policy to support such denial of coverage.

13. In other cases, Farmers utilized inadequately trained claims adjusters to assess the damage to the insureds’ property.

14. In still other cases, Farmers utilized hand-picked engineers to generate engineering reports that attributed the damage to the insureds’ property to non-seismic causes.

15. As a result of Defendants’ conduct, Oklahomans who purchased Farmers earthquake endorsements were left having paid years’ worth of earthquake premiums to purchase what amounted to insufficient insurance coverage for damage to their homes and property.

#### IV. Claims for Relief

##### Violation of the Oklahoma Consumer Protection Act

16. Plaintiff realleges and incorporates by reference each and every allegation contained in the preceding paragraphs as if they were set out herein.

17. The sale of insurance for property damage is a consumer transaction under 15 O.S. § 752.

18. In the course of its business, Farmers knowingly advertised its earthquake endorsements to Oklahoma residents with the intent not to sell such policies as advertised, in violation of 15 O.S. § 753(8).

19. In the course of its business, Farmers denied claims for insurance coverage for earthquake-related property damage based on engineering reports generated by Farmers' hand-picked engineers, inadequately trained claims adjusters, and damage attributed to non-seismic causes.

20. Such actions constitute unfair trade practices that are prohibited by 15 O.S. § 753(20).

21. These acts or practices injured consumers in the State of Oklahoma.

##### Violation of the Unfair Claims Settlement Practices Act

22. Plaintiff realleges and incorporates by reference each and every allegation contained in the preceding paragraphs as if they were set out herein.

23. In the course of denying claims of its insureds for insurance coverage for earthquake-related property damage, Farmers (a) misrepresented to the claimants pertinent facts or policy provisions relating to the coverage at issue, (b) failed to adopt and implement reasonable standards for prompt investigation of such claims, and (c) did not effectuate prompt, fair and equitable settlement of claims submitted in which liability was reasonably clear.

24. Such actions were committed in violation of 36 O.S. § 1250.3, and as such, Defendants' actions constitute unfair claim settlement practices prohibited by 36 O.S. § 1250.5.

25. These acts or practices injured consumers in the State of Oklahoma.

### **Unjust Enrichment**

26. Plaintiff realleges and incorporates by reference each and every allegation contained in the preceding paragraphs as if they were set out herein.

27. By denying claims of its insureds for insurance coverage for earthquake-related property damage, Farmers unjustly retained years' worth of earthquake premiums at the expense of its customers.

28. The State, on behalf of its citizens, is entitled to recover Defendants' ill-gotten gains, to be returned to the citizens so injured.

29. The Court should impose a constructive trust under the doctrine of unjust enrichment.

### **V. Prayer for Relief**

WHEREFORE, the State of Oklahoma respectfully requests that the Court enter an Order:

a. Declaring that Farmers has engaged in the acts or practices complained of herein, and that such acts and practices are in violation of the Oklahoma Consumer Protection Act, 15 O.S. §§ 751 *et seq.*, and the Unfair Claims Settlement Practices Act, 36 O.S. §§ 1250.1 *et seq.*;

b. Declaring that Farmers was unjustly enriched through the acts or practices complained of herein, at the expense of its insureds whose claims were wrongfully denied;

c. Permanently enjoining Farmers, its agents, servants, employees, and all other persons and entities, corporate or otherwise, in active concert or participation with any of them, from engaging in unfair trade practices or unfair claims settlement practices;

d. Ordering Farmers to pay civil penalties for violations of the Oklahoma Consumer Protection Act pursuant to 15 O.S. § 761.1, and for violations of the Unfair Claims Settlement Practices Act pursuant to 36 O.S. § 1250.14;

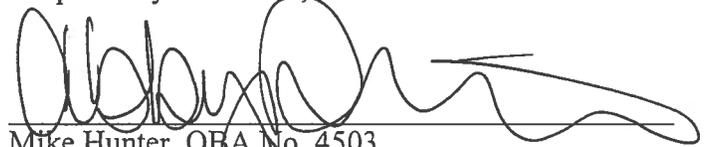
e. For the benefit of Farmers's insureds whose claims were wrongfully denied, ordering (i) disgorgement of Farmers's profits obtained from premiums paid by said insureds, and (ii) that such premiums be returned to said insureds;

f. Ordering Farmers to pay all costs for the prosecution and investigation of this action; and

g. Ordering such other and further relief as the Court may deem just and proper.

Dated: April 1, 2021

Respectfully submitted,



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