

## Farmers Ordered to Pay \$52.5 Million in Claims Adjusters' Overtime Suit,

BestWeek

PORTLAND, Ore. May 04 (BestWire) — A federal judge in Oregon has ordered Farmers Insurance Exchange to pay \$52.5 million in damages to claims adjusters, finding the homeowners and automobile insurer failed to pay them overtime.

Farmers, an affiliate of Zurich Financial Services Group, must pay about \$50,000 to each of the 1,039 adjusters in Colorado, Illinois, Washington, Michigan, Minnesota, New Mexico and Oregon for failing to pay overtime wages to claims representatives up to and through April 2003, according to Lief Cabraser Heimann & Berstein, LLP, one of the four law firms representing the workers. This was the damages phase of the federal class-action suit.

Farmers, in a statement, said the judgment "is the result of a cooperative effort between the parties and the U.S. District Court to calculate the amount of overtime due." The company said it expects the question of liability for overtime to be appealed.

The liability phase of the suit was decided in November 2003, the law firms said. U.S. District Judge Robert E. Jones ruled that claims adjusters who handle auto and low-level property claims are entitled to overtime under the Federal Fair Labor Standards Act and the laws of seven states, according to the law firm.

A new class-action suit has been filed in federal court in Los Angeles by Farmers personal-lines claims representatives against the insurer, also seeking unpaid overtime damages, the law firm said. Those participating in the suit are from states other than those in the previous suits and did not

opt into those suits or worked for Farmers after April 2003.

"The Farmers litigation has sent an emphatic message to the entire insurance industry," Steven G. Zeiff, a partner with Rudy, Exelrod & Zeiff, another of the law firms representing the adjusters, said in a statement. "We are gratified our suits have compelled Farmers to change its overtime pay practices."

In 2004, Farmers agreed to settle a lawsuit brought by more than 2,000 California claims adjusters for about \$200 million (BestWire, Sept. 8, 2004). In 2001, another overtime suit by California claims adjusters resulted in a \$90 million judgment against Farmers (BestWire, July 11, 2001).

"Farmers has always sought to follow state and federal laws regarding its overtime obligations, as well as all other laws protecting employees, and believes it has done so in this case," Farmers said in a statement. "The issue of liability for overtime pay to claims adjusters has been evolving significantly over the past several years, and was evidenced by this court earlier finding that many of Farmers' claims adjusters were always properly classified, although some were found to be improperly classified. Farmers looks forward to further clarification of this important issue by the 9th Circuit Court of Appeals."

Farmers had said after the July 2001 judgment that "it was correctly following all applicable state and federal labor laws, including those related to the classification of its professional adjusting force as exempt from overtime, rather than as hourly nonexempt workers." (BestWire, July 11,

2001)

James M. Finberg of Lief Cabraser Heimann & Berstein said he believed the cases resulted in "the largest judgments ever entered as result of the trial of a Fair Labor Standards Act case."

"Claims representatives will now be paid what they are owed for the long hours they worked," Finberg said in a statement.

In a similar case, State Farm agreed in January to pay \$135 million to settle a class-action lawsuit brought by more than 2,600 California adjusters who claimed the insurer violated state wage and hours laws by failing to pay overtime (BestWire, Jan. 11, 2005).

Farmers Insurance Group and Zurich Financial Services Group both have financial strength ratings of A (Excellent) from A.M. Best Co. (By Rick Cornejo, associate editor, BestWeek: rick.cornejo@ambest.com) BN-NJ-05-04-2005