

State Farm Fraud Allegations Dropped

By Christina Bramlet, Senior Editor, Claims Magazine, April 30, 2008

In yet another favorable outcome for State Farm, Mississippi U.S. District Court Senior Judge L.T. Senter, Jr. dismissed the case of *McIntosh v. State Farm*, in which plaintiffs Thomas C. McIntosh and Pamela McIntosh accused State Farm of fraud and Alabama-based catastrophe claim service E.A. Renfroe of "aiding and abetting" said fraud.

The dispute began when the McIntoshes filed for additional insurance benefits under their homeowners' policy after their Biloxi, Mississippi residence sustained considerable damage during Hurricane Katrina. Following the storm, State Farm dispatched Renfroe, which also consulted Forensic Analysis & Engineering to differentiate between damages incurred from wind versus water. Based on the two separate engineering reports, the insurer paid the plaintiffs the policy limits of their flood coverage and shelled out an excess of \$36,000 for wind damages. However, the insurer balked at the homeowners' request for additional compensation, causing the McIntoshes to question the credibility of the reports.

"Plaintiffs contend that State Farm, acting through Renfroe and Forensic, deliberately underestimated the amount of wind damage the insured property sustained in order to minimize its liability under the plaintiffs' homeowners' policy," said Senter in his memorandum opinion.

After examining the alleged "fraudulent misconduct" by State Farm, Senter detected no legal basis to substantiate a claim of wrongdoing. "While this allegation, if sustained, would support a finding of bad faith, it is not sufficient to support an allegation of fraud," Senter said.

Furthermore, Senter absolved Renfroe from liability, saying that it "could not have aided and abetted" a fraud that did not occur." The judge also denied the plaintiffs' assertion that Renfroe violated "a duty of undivided client loyalty."

State Farm has been subjected to an influx of Katrina-related litigation, most notably the lawsuits filed by the Scruggs Katrina Group (SKG) on behalf of dozens of storm victims accusing State Farm of routinely rejecting claims in bad faith. SKG itself has been embroiled in controversy since Richard Scruggs and members of his law firm were indicted for allegedly bribing a judge in a separate case. Following the disbandment of SKG, Senter held Scruggs accountable for ethical misconduct in an early April ruling charging the lawyer with paying key witnesses to secretly (and illegally) gather evidence to implicate State Farm and Renfroe.

