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## Farmers Agrees to Pay \$545 Million To End Claims it Overcharged Policyholders

Settlement Will Net \$90 Million in Fees For Plaintiffs' Lawyers, Led by Tom Girardi

By Ciaran McEvoy  
Daily Journal Staff Writer

LOS ANGELES — Farmers Group Inc. has agreed to a \$545 million settlement of a nationwide class action that alleged the insurance company overcharged several million policyholders.

According to the proposed settlement, all claims against Farmers Group and its parent, Swiss insurance company Zurich Financial Services Group, dating back to 1999 would be resolved, wrapping up years of costly litigation.

Thomas V. Girardi of Girardi & Keese in Los Angeles was lead plaintiffs' lawyer.

**'We wanted to settle the case to reduce damaging our reputation and business.'**

**MARTIN SENN**  
CEO, ZURICH FINANCIAL SERVICES GROUP

"I am very pleased with the settlement," he said. "I think it is very fair to the class."

The defense lawyers, Ralph C. Ferrara of Dewey & LeBoeuf in Washington, D.C., and Raoul D. Kennedy of Skadden, Arps, Slate, Meagher & Flom in San Francisco, referred comments to Farmers.

The lawsuit alleged Farmers Group breached its fiduciary duties to policyholders and violated California's business code by tacking on unfair and unnecessary "management fees" to the cost of various types of insurance policies though its un-



Daily Journal file photo

Thomas V. Girardi

derwriting practices. Farmers is a leading insurance company in California in several markets, including automobile, home and life insurance.

The plaintiffs alleged the unauthorized fees resulted in the companies receiving "staggering profits" during the years 2000 to 2003, according to the lawsuit. The complaint dealt primarily with fees added to automobile and homeowners' policies.

The terms of the agreement call for Farmers Group to pay \$455 million to 13 million policyholders who may qualify for the money, a company news release stated. The affected policyholders would receive an average of \$35 per class member. The company also said it would pay up to \$90 million in plaintiffs' attorneys' fees.

The agreement appears to bring to an end the long-running lawsuit that was filed in Los Angeles County Superior Court in

August 2003. The settlement is subject to the approval of Judge William F. Highberger. *Fogel v. Farmers Group Inc.*, BC300142

According to a news release, Zurich Financial Chief Executive Officer Martin Senn said the lawsuit wasn't about Farmers customers' premiums, but about management services fees paid by policyholders to the Los Angeles-based Farmers Group. The company rejected the argument that the fees were unreasonable, but elected to settle the class action to avoid additional legal bills and "the logistics involved in defending itself against allegations from claims filed up to a decade ago," the company stated.

"We wanted to settle the case to reduce damaging our reputation and business," Senn said in a statement, adding the settlement would have no effect on Farmers' business.

Zurich said it expects a charge of \$295 million from the settlement to be reflected in its third-quarter net earnings, which are scheduled to be released next month.

The lawsuit was brought on behalf of policyholders of Farmers Exchanges — three insurance companies owned by policyholders. The exchanges are "unincorporated associations of subscribers who exchanged agreements to insure one another," the lawsuit states.

In addition to Girardi, plaintiffs' counsel included: Engstrom, Lipscomb & Lack in Los Angeles, and Austin, Texas lawyers Philip K. Maxwell and Joe K. Longley, according to an amended complaint filed in February 2009. The Gallagher Law Firm and Burrow & Parrott in Houston, Texas also worked on the case.

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