

THOUGHT LEADERSHIP

News

OKLAHOMA COURT ENTERS SIGNIFICANT BAD FAITH VERDICTS AGAINST FARMERS INSURANCE

Newsbrief

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On March 4, a state district court in Woodward, Oklahoma, entered \$5 million judgments in three separate bad faith cases against Farmers Insurance Company and a subsidiary in connection with the handling of residential property damage claims arising from the April 2012 tornadoes that struck the Woodward area.

Judgments in the three cases, CJ-2012-00081, *Kim Louthan v. Farmers Insurance Co.*; CJ-2012-00079, *Jeffrey Paul Sharpe v. Farmers Insurance Co.*; and CJ-2012-00078, *Sterling Parks v. Foremost Insurance Company* (a subsidiary of Farmers), were entered following a trial to the bench solely on the issue of damages. The damages issued were tried to the bench as a result of a somewhat unusual pre-trial sanction entered against the insurers for the purported failure to comply with the court's prior discovery orders. As a sanction, the state district judge, Hon. Ray Dean Linder, entered a default judgment against the insurers on liability (akin to a "death-penalty" sanction in Texas where a defendant's pleadings are stricken), to be followed by presentation of evidence to the bench on the issue of damages.

In the subsequent trial to the bench, Judge Linder found that the Louthans suffered \$224,202.82 in actual damages for breach of the insurance contract, that the Sharps had suffered \$245,967.58 in actual damages for breach of contract, and that Parks had suffered \$49,278.26 in actual damages for breach of contract. The court further found that the insurer in each case had breached its duty of good faith and fair dealing, and awarded the plaintiffs in each case \$2,000,000 in damages for that breach. In addition, the court awarded the plaintiffs in each case the sum of \$3,000,000 in punitive damages. Thus, the judgment entered in each of the cases exceeded \$5,000,000 million.

The Plaintiffs were represented by the Marr Law Firm in Oklahoma City and Mitchel, Gaston, Riffel & Riffel in Woodward. The Defendants were represented by Chubbuck, Duncan & Robey, PC of Oklahoma City.

Editor's note: While we strive to report weekly on the latest developments in Texas insurance law from the trial and appellate courts of Texas, we do track developments nationally and report on anything significant from other jurisdictions. We thought the recent decision from Oklahoma warranted some review given the high interest many of our readers have in such legal developments north of the Red River.