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SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF LOS ANGELES, CENTRAL DISTRICT

THE PEOPLE OF THE STATE OF CALIFORNIA, acting by and through Los Angeles County Counsel Dawyn R. Harrison,

Plaintiff,

v.

STATE FARM GENERAL INSURANCE COMPANY, an Illinois corporation; **STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY**, an Illinois corporation; and DOES 1-100, inclusive,

Defendants.

Case No.:

COMPLAINT FOR:

(1) Public Nuisance (Civil Code §§ 3479 and 3480)

(2) Violations of the False Advertising Law (Bus. & Prof. Code § 17500 et seq.); and

(3) Violations of the Unfair Competition Law (Bus. & Prof. Code § 17200 et seq.);

The People of the State of California, acting by and through the Los Angeles County Counsel Dawyn R. Harrison (People), bring this action against State Farm General Insurance Company and State Farm Mutual Automobile Insurance Company and allege as follows:

INTRODUCTION

1. This is a civil law enforcement action brought by the People of the State of California against State Farm General Insurance Company (State Farm General) and State Farm Mutual Automobile Insurance Company (State Farm Mutual collectively State Farm or Defendants) to address systematic, willful, and widespread violations of California consumer protection laws. The violations concern State Farm's advertising and sale of home insurance policies as well as its handling of homeowners' insurance claims arising from the destructive Eaton and Palisades Fires that broke out on January 7, 2025, in Los Angeles County (the LA Wildfires).

2. The LA Wildfires were among the most destructive in California history. They killed 31 people, injured firefighters and residents, and destroyed or damaged more than 16,000 structures, mostly homes, across Altadena, Pacific Palisades, and the surrounding communities of Los Angeles County.

3. State and local officials declared emergencies the day the fires began. On January 7, 2025, Governor Gavin Newsom proclaimed a state of emergency covering Los Angeles County. That same day, the Chair of the Los Angeles County Board of Supervisors, Kathryn Barger, proclaimed a local emergency for the County, and the City of Los Angeles, which includes Pacific Palisades, proclaimed a local emergency in response to the Palisades Fire. Those declarations triggered specific protections for residential policyholders, including an extension of the time to sue an insurer from twelve months to twenty-four months after the loss.[1]

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[1] Ins. Code § 2071 (extension applies where the loss is related to a state of emergency as defined in Gov. Code § 8558, subd. (b).) The emergency declarations also required State Farm, within fifteen calendar days of receiving notice of a claim, to provide each claimant the most recent notice describing the most significant California laws pertaining to residential property insurance, including those related to a declared state of emergency or other emergency declared by a public official. (Ins. Code § 14046, subd. (b)(1).)

4. The disaster and hardships did not end when the flames went out. Survivors were left to mourn family members, friends, and neighbors who died; heal from physical injuries; and confront the loss or contamination of their homes. The fires scattered families, left homes uninhabitable, and forced entire communities to confront toxic ash, contaminated structures and soils, and the hard work of rebuilding destroyed and damaged homes.

5. Insurance should help make such catastrophes temporary and recoverable. That was the bargain State Farm sold: policyholders paid premiums year after year, and State Farm would provide prompt and reliable protection when disaster came. The bargain matters most after a catastrophe, when policyholders have the least time, leverage, and capacity to fight an insurer over benefits already purchased.

6. But for many State Farm policyholders affected by the LA Wildfires, State Farm's failure to pay benefits due under their policies has instead prolonged the catastrophe. Many families remain out of their homes more than 600 days later. Many cannot return home because smoke, soot, ash, debris, and chemical contamination have made their homes unsafe and Defendants have failed to agree to conduct the necessary testing or to fully and timely cover the costs of remediation. Many have not been able to repair or rebuild because the money needed to begin that work has not been timely provided by Defendants. Families whose additional living expense benefits have run out face eviction or homelessness. Savings disappear, debts mount, contractors move on, and rebuilding and remediation stall.

7. State Farm did not lack access to resources. It collected approximately $41 million each year in homeowners' premiums from policyholders in the fire-affected communities. After the fires and after a year of claim payments related to the LA Wildfires, State Farm Mutual ended 2025 with $170 billion in net assets—$24.8 billion more than a year earlier. State Farm General also received California's first emergency homeowners insurance rate increase, a 17 percent increase costing the average California homeowner approximately $481 a year, along with a $400 million surplus-note from State Farm Mutual.[2] Yet while State Farm Mutual's net

[2] The People do not challenge any rate, rating plan, or rating system that the Insurance

worth grew by billions and State Farm General collected hundreds of millions in higher "emergency rate" premiums from California policyholders, many Los Angeles County fire survivors encountered denials, delay, underpayment, and deflection.

8. Surveys commissioned by the Department of Angels, an independent nonprofit recovery support organization launched in the immediate aftermath of the fires to identify survivors' needs and help direct recovery efforts, measure the scale of this unfinished recovery. The Department of Angels' June 2025 report found that 82% of State Farm customers who responded to their open-ended questions reported negative experiences with State Farm.[3] The Department of Angel's subsequent January 2026 survey found that more than seven in ten residents of Altadena and Pacific Palisades had not returned home; four in ten policyholders had experienced serious insurance problems, including steep premium increases or lost coverage; 48 percent of survivors had depleted a significant share of their savings; 43 percent had taken on debt; and 83 percent reported worse mental health.[4] Its July 2026 survey showed little improvement. Three in four Pacific Palisades residents, two in three Altadena residents, and more than half of Malibu residents remained displaced. The displacement rate was 33 percent even among survivors whose homes were still standing and 85 percent among those who suffered a total loss. Half of all

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Commissioner (Commissioner) has approved, and seek no relief that would require State Farm to charge a rate other than the rate the Commissioner approved. This action concerns how State Farm marketed its homeowners insurance policies and handled claims after a covered loss and what it represented to consumers about that handling.

[3] Embold Research for Dep't of Angels, Community Voices: LA Fire Recovery Report (June 2025), https://static1.squarespace.com/static/6792c245599ed84703227b1e/t/686ed012e352a64a106e5b3d/1752092695458/Dept+of+Angels+Community+Voices+LA+Fire+Recovery+Report_Full+Results_June+2025.pdf

[4] Embold Research for Dep't of Angels, Community Voices: LA Fire Recovery Report (Jan. 2026), at pp. 2, 12 (survey of 2,443 adults living in fire-impacted communities, Nov. 18-Dec. 2, 2025), https://static1.squarespace.com/static/6792c245599ed84703227b1e/t/6959797a4c0de667333503fc/1767471494384/Department+of+Angels+LA+Fire+Recovery+Report_January+2026.pdf (last visited Aug. 7, 2026).

survivors had exhausted their temporary-housing coverage or expected to do so within a year, and 75 percent reported worse mental health.[5]

9. Measured by the severity and volume of complaints by policyholders, State Farm, along with the California Fair Access to Insurance Requirements Plan (California FAIR Plan), produced the worst reported claim experiences in the Department of Angels surveys of any insurer responding to the LA Wildfires. State Farm's policyholders had paid premiums for years, some for decades. When disaster came, they met denials, delay, and deflection. Many have been pushed toward financial ruin, housing instability, and emotional collapse.[6]

10. Eaton Fire Survivor's Network, now known as the Every Fire Survivor's Network (EFSN), reviewed nearly 500 firsthand messages it received from survivors who had insurance policies with State Farm and found that these violations were significant and persistent. It identified the following themes and explained them as follows:

"Theme 1: Abandoned After Decades of Paying Premiums

Families paid premiums for decades, only to be left stranded after the fires.

'We paid State Farm premiums for 35 years. Now, State Farm is making our suffering worse, day after day.'

'After 6 decades of paying thousands a year for insurance, we expect them to honor their agreement. What's the point of home insurance? We could have invested those payments and had a tidy sum to pay for this disaster.'

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[5] Embold Research for Dep't of Angels, Community Voices: LA Fire Recovery Report (July 2026), at pp. 2, 11 (survey of 2,023 adults living in fire-impacted communities, June 3-15, 2026), https://static1.squarespace.com/static/6792c245599ed84703227b1e/t/6a60ec825c62c877b0a8e4be/1784736898126/Department+of+Angels+Survey+Memo_July+2026.pdf (last visited Aug. 7, 2026).

[6] See Embold Research for Dep't of Angels, Community Voices: LA Fire Recovery Report (Oct. 2025), at pp. 2, 8 (survey of 2,335 adults in fire-impacted communities, Sept. 8-17, 2025) (customers of State Farm and the California FAIR Plan reported far worse claim experiences than customers of any other insurer).

Theme 2: Rotating Adjusters

Survivors are bounced from one adjuster to the next, forced to start over each time.

'Our claim has been reassigned to five different adjustors. Each time, we've had to start over.'

'Right when you think you're getting somewhere, there's a lag in communication, then you have a new adjuster.'

Theme 3: Refusal to Test Toxic Homes

State Farm refuses to test for toxins, pressuring families to return to unsafe homes.

'State Farm outright refuses to test for toxins. They're pressuring us to put our 19-month-old baby and 5-year-old kindergartner back into a home contaminated with dangerous levels of lead dust.'

'We paid over $10,000 for licensed experts. The results: toxic ash, high lead, arsenic, chromium and other risks. We're asking State Farm to do what they promised, make our homes livable again.'

Theme 4: Drastically Lowballed Loss Estimates

State Farm is shifting and slashing loss estimates for both destroyed and partially damaged homes.

'State Farm insists that our destroyed, red-tagged home can be repaired.'

'They offered us $11,000 to remediate our five-bedroom house. That's only 13% of the actual cost.'

Theme 5: Financial Devastation

Delays and denials are driving families into deep financial distress.

'Our credit cards are maxed out. We are literally going to be homeless.'

'Our family has been forced into a nomadic existence. We've slept in six places since the fire. State Farm has repeatedly denied requests for longer-term housing despite never responding to any of our remediation estimates.'

Theme 6: Crushing Health Impacts

The relentless stress State Farm has inflicted is devastating people's health.

'My mom has lost 20 pounds, she can't sleep, and her hair is falling out. Not because of the biggest disaster in California's history, but because of State Farm's bad faith.'

'This isn't just red tape. It's a slow, grinding cruelty. It's sleepless nights, strain on our marriage, and

a future on hold. We should not have to fight this hard just to be treated with basic human decency.'"[7]

11. EFSN also prepared the following chart showing the percentage of violations in the various categories it calculated based on the firsthand reports from State Farm Survivors:

Our team mapped these nearly 500 survivor accounts to California laws. The result is a damning list of systematic violations that demand urgent enforcement:

#	Insurer Tactic	Laws & Regulations Violated	% of Accounts
1	Systemic delays & stall tactics e.g. unanswered calls, no updates	10 CCR § 2695.5(b) – must respond to claimants within 15 days; 10 CCR § 2695.7(b)(1) – must accept or deny the claim within 40 days.	≈33 %
2	Rotating adjusters	10 CCR § 2695.7(d) – must conduct a fair and thorough investigation; Ins. Code § 790.03(h)(7) – failing to pay benefits owed	≈29 %
3	Refusing or under-paying for testing and cleaning of toxins in smoke-damaged homes	10 CCR § 2695.7(d) – must conduct a fair and thorough investigation; Ins. Code § 790.03(h)(7) – failing to pay benefits owed	≈20 %
4	Misrepresenting policy language	Ins. Code § 790.03(h)(1) – misrepresenting facts or coverage; 10 CCR § 2695.4(a) – must disclose all coverage benefits accurately	≈16 %
5	Low-balled construction estimates	Ins. Code § 790.03(h)(1) – misrepresenting facts or coverage; 10 CCR § 2695.4(a) – must disclose all coverage benefits accurately	≈15 %
6	Capping payment of living expenses (ALE) at 12 months	Ins. Code § 2060 – ALE must last through the loss period; CDI GC Opinion re 36-month ALE 9/19/2019; CDI "36-Month ALE" Notice 5/28/2019	≈12 %
7	Claim denials or deep cuts based on biased engineer reports	10 CCR § 2695.7(d) – must base decisions on impartial and reasonable investigations	≈9 %

12. According to the California Department of Insurance (CDI) or (the Department), approximately 11,300 State Farm policyholders filed homeowner claims arising from the LA Wildfires. Through its advertising, website, policy documents, and agents, State Farm represented that it would provide timely, thorough, and full-value coverage for covered losses. Instead, State Farm maintained claims practices that systematically delayed, suppressed, denied and minimized payments, practices incompatible with the coverage it sold.

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[7] https://static1.squarespace.com/static/67f5687fc4ea480d5d201fe5/t/689289e26e768c0c12ca6b2b/1754434019091/The+State+Farm+Files+080125.pdf

13. The consequences were immediate and remain ongoing, and they will multiply as displacement coverage expires. According to the Department of Angels, by September 2025, 10 percent of fire survivors with household incomes below $50,000 had already been made homeless by the fires. For six in ten survivors the difference between what they lost and what they were paid exceeded $100,000, with a median net loss of $200,000; 43 percent had depleted either a significant portion or all of their savings and 41 percent had taken on debt. Additionally, displaced families report to EFSN and others that State Farm pays Additional Living Expense (ALE) benefits late, sporadically, or short, forcing them to drain savings, borrow, and risk eviction. One survivor, insured by State Farm for more than 30 years, reported to EFSN that State Farm had not reimbursed the family's hotel bills, approved cleanup, or paid for contamination testing, yet told the family it should already have returned home. Although substantial ALE coverage remained, the family had maxed out its credit cards paying for temporary housing and faced homelessness. Another survivor, in his nineties, could not secure a rental in his own name because of age and lack of credit, so a family member leased one on the survivor's behalf; State Farm then refused reimbursement because the lease was not in the survivor's name. Meanwhile, as State Farm's delays persist, ALE limits continue to run down before homes can be made safe or rebuilt.

14. CDI's own limited investigation confirms that these were not isolated experiences. After the fires, CDI conducted a targeted Market Conduct Examination (MCE) of State Farm's claims practices. The MCE, adopted as final on May 1, 2026, reviewed a random sample of 220 claims and identified 398 violations of the California Insurance Code (Insurance Code) and its implementing regulations. CDI's Consumer Services Division (CSD) identified another 34 violations in policyholder complaints. Together, the MCE and CSD documented 432 violations for just 220 claims. They included misrepresentations of facts and policy terms; delayed and inadequate investigations; claim underpayments; repeated changes in adjusters; inadequate investigation standards, including for smoke damage; verbal denials without the required written explanation; improper discouragement or suppression of smoke-damage testing; and delayed or inadequate communications with displaced policyholders. The violations documented in the MCE were widespread, recurring, and not confined to a single type of claims-handling failure.

15. State Farm dismissively characterized the violations as isolated, "file-specific errors" that could be addressed through team meetings held in the fourth quarter of 2025, nearly a year after the fires. The frequency and breadth of the violations, coupled with State Farm's uniform response to them, support the inference that the misconduct arose from systemic defects in State Farm's claims practices, training, supervision, and standards, not from a collection of unrelated adjuster mistakes.

16. On May 4, 2026, CDI filed an Accusation and Order to Show Cause (File No. OSC-2026-00001) (Accusation) against State Farm relating to the MCE, seeking suspension of its certificate of authority, civil penalties, and a cease-and-desist order. CDI is not seeking restitution or other redress to policyholders. As of the date of this filing, CDI had not formally set the date of its hearing on its Accusation. CDI has informed survivors groups that no hearing may ever be held.

17. This civil law enforcement action is broader and separate from the limited investigation and scope of the MCE and is cumulative to and not preempted, displaced, or excluded by CDI's administrative MCE proceeding.

18. The People bring this action pursuant to California Business and Professions Code (Bus. & Prof. Code) sections 17203, 17204, 17206, and 17206.1 to obtain full restitution of monies due to consumers because they were unlawfully collected and/or retained by means of unfair competition; civil penalties; injunctive relief; a full equitable accounting; declaratory relief; for nuisance abatement, penalties, and remedies under Code of Civil Procedure section 731, and all other remedies authorized under California law.

PARTIES

A. Plaintiff

19. Plaintiff, the People of the State of California, acting by and through the Los Angeles County Counsel Dawyn R. Harrison, bring this action pursuant to statutory authority provided under the Unfair Competition Law (UCL), Bus. & Prof. Code section 17200, et seq.; the False Advertising Law (FAL), Bus. & Prof. Code section 17500, et seq.; California Code of Civil Procedure (Code of Civil Procedure) section 731; and other applicable California law authorizing

public enforcement, injunctive relief, restitution, civil penalties, and the abatement of a public nuisance. Consumers in the County were harmed, and continue to be harmed, by State Farm's unfair, unlawful, fraudulent, and deceptive conduct as well as by the public nuisance it has created or permitted to exist.

B. Defendants

20. Defendant State Farm General Insurance Company[8] (State Farm General) is an Illinois corporation. Its principal place of business is One State Farm Plaza, Bloomington, Illinois 61710. Throughout the relevant period, the Commissioner licensed it to transact its homeowner insurance business in California (NAIC No. 25151; CDI No. 1714-5). State Farm Mutual Automobile Insurance Company (State Farm Mutual) owns State Farm General outright. In 2016, in a decision he designated precedential under Government Code section 11425.60(b), the Commissioner found that State Farm Mutual's employees manage State Farm General, that its board and board committees consist entirely of State Farm Mutual employees, and that State Farm Mutual supplies its services under a shared-services agreement. "As a result," a previous Insurance Commissioner found, "SFG has no employees of its own."[9]

21. The People allege on information and belief that this corporate arrangement existed throughout the period this Complaint covers. State Farm's public releases describe the enterprise's workforce collectively and name State Farm Mutual as the parent of the State Farm family of companies. State Farm General may or may not now have some employees of its own. But it has no known or public-facing workforce of any consequence, and it conducts all or nearly all of its

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[8] In 1998, State Farm Mutual moved its California homeowners business to State Farm General, ceded State Farm General's out-of-state business to another affiliate, and capitalized State Farm General to write property insurance in California. The Commissioner found that this "served to segregate the State Farm's Group's exposure to California's property insurance losses." State Farm Mutual made the same move in Florida and Texas. By the end of 2014, it had transferred $1.9 billion in capital to State Farm General. (In re Rate Application of State Farm Gen. Ins. Co., File No. PA-2015-00004, Order Adopting Revised Proposed Decision (Cal. Ins. Comm'r Nov. 2016) (designated precedential pursuant to Gov. Code § 11425.60(b)), Revised Proposed Decision at pp. 15-17.)

[9] *Id.* at pp. 13, 16.

business through personnel that State Farm Mutual employs or retains—underwriting, marketing, policy administration, and the investigation, adjustment, and payment of claims.

22. Defendant State Farm Mutual is an Illinois mutual insurance company. Its headquarters and principal place of business is One State Farm Plaza, Bloomington, Illinois 61710. It is State Farm General's parent. In 2016 the Commissioner found that State Farm Mutual "is the holding or parent company that owns and directly controls its subsidiaries as the lead or managing entity of the group," and that it "has control over SFG by virtue of its 100% direct ownership and intercompany reinsurance." The same officers serve both companies. State Farm Mutual supplies most of State Farm General's catastrophe reinsurance, a liquidity pool, and a $500 million line of credit.[10]

23. The Commissioner also found that "[t]he value of State Farm Mutual's ownership of SFG is equivalent to SFG's surplus," so that "changes in SFG's surplus change in an equal amount on the consolidated annual statement of State Farm Mutual."[11] Premiums from California policyholders accrue to that surplus. So does money that State Farm General keeps instead of paying claims. State Farm Mutual owns an interest in that surplus equal to its full value.

24. State Farm Mutual's officers and employees designed, approved, implemented, and continued the claims-handling practices that this Complaint challenges. Under the shared-services agreement identified by the Commissioner (or on information and belief, a successor agreement), State Farm Mutual employees supply State Farm affiliates with actuarial, underwriting, claims-handling, legal, enterprise-risk-management, and investment services.[12] State Farm Mutual employed the people who handled these claims. It controlled, or held the right to control, their hiring, training, supervision, compensation, evaluation, and discipline; their access to the claims systems; the manuals, templates, procedures, and authority limits under which they worked; and

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[10] In re Rate Application of State Farm Gen. Ins. Co.*, *supra*, Revised Proposed Decision at pp. 11, 15-16.

[11] *Id.* at p. 16.

[12] *Id.* at p. 13.

the power to approve exceptions and reverse their decisions. Those employees acted within the scope of that employment, and in handling State Farm General's policies they acted on State Farm Mutual's behalf and with its authority. State Farm Mutual read the reports and the complaints that described how these practices worked. It could have revised or stopped them. It did not.

25. State Farm Mutual controlled, authorized, or materially participated in the State Farm brand, marketing platform, advertising strategy, public communications, agent materials, consumer website, and claims-service representations that sold State Farm General policies in California. California consumers saw no separate brands and no materially different promises about claims handling. Statements about State Farm General's California claims handling, including the May 22, 2026, public letter described below, appear on State Farm Mutual's newsroom, under State Farm Mutual's corporate description and copyright notice. In 2016, State Farm argued to the Commissioner that State Farm General operates separately from the State Farm group. The Commissioner rejected that argument,[13] and nothing has materially changed since that time.

26. State Farm Mutual's employees fielded policyholder complaints about the LA Wildfires claims throughout 2025 and 2026. The Commissioner authorized a market conduct examination of State Farm General's handling of the LA Wildfires claims on June 12, 2025. The Department delivered its draft examination report on March 20, 2026. State Farm answered each finding on April 20, 2026, through counsel, and asked the Department to withdraw or modify specific findings. The Department adopted the final MCE report on May 1, 2026, and filed its Accusation on May 4, 2026. On May 22, 2026, State Farm published a letter about its California claims handling on State Farm Mutual's newsroom. State Farm Mutual knew how these practices worked and what they were doing to California policyholders. It kept supplying the people, the systems, the procedures, and the approval authority that carried them out.

[13] In re Rate Application of State Farm Gen. Ins. Co., File No. PA-2015-00004, Order Adopting Revised Proposed Decision (Cal. Ins. Comm'r Nov. 2016) (Jones, Comm'r) (designated precedential under Gov. Code § 11425.60(b)), Revised Proposed Decision at pp. 10, 13, 16.

27. State Farm Mutual ended 2025 with $170 billion in net assets, $24.8 billion more than a year earlier. That same year, State Farm General told the Commissioner that its shrinking surplus required an emergency interim rate increase, and California homeowners now pay 17 percent more. State Farm Mutual put $400 million into State Farm General's surplus. It did so through a surplus note that bears interest and that State Farm General must repay.[14]

28. In 2016, the Commissioner found that State Farm General was "the largest writer of homeowners insurance in California with 20% of the market," and that the State Farm Group was "the largest homeowners insurance company in the U.S. based on premium."[15] State Farm General remains California's largest homeowners insurer and services roughly 2.8 million residential and commercial fire policies in the State.[16] The Department reports that State Farm received about 11,300 homeowners claims from the Eaton and Palisades Fires, which were nearly one-third of all homeowners claims from those fires submitted to any insurer.[17] Throughout the period this Complaint covers, Defendants did business in Los Angeles County in connection with the homeowner policies and claims at issue.

29. State Farm Mutual and State Farm General share such a unity of interest and ownership that their separate corporate personalities do not exist in fact. Treating the conduct as

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[14] State Farm, *State Farm Reports 2025 Financial Results*, State Farm Newsroom (Feb. 26, 2026), https://newsroom.statefarm.com/state-farm-reports-2025-financial-results/ (last visited Aug. 22, 2026) (State Farm Mutual's net worth rose from $145.2 billion at year-end 2024 to $170 billion at year-end 2025); Cal. Dep't of Ins., *Commissioner Lara Adopts Judge's Ruling on State Farm General's Request for Interim Rate Increases* (May 13, 2025), https://www.insurance.ca.gov/0400-news/0100-press-releases/2025/release038-2025.cfm (last visited Aug. 23, 2026) (approving a 17 percent interim homeowners rate increase and requiring a $400 million surplus note from State Farm Mutual).

[15] In re Rate Application of State Farm Gen. Ins. Co.*, *supra*, Revised Proposed Decision at p. 17.

[16] Policy counts alleged here come from an actuarial analysis performed for the People regarding State Farm General's rate and policy-count filings with the California Department of Insurance. These figures are approximate and will be established precisely through discovery.

[17] Cal. Dep't of Ins., California Takes Legal Action Against State Farm After Investigation Finds Widespread Mishandling of LA Wildfire Claims (May. 4, 2026), https://www.insurance.ca.gov/0400-news/0100-press-releases/2026/release019-2026.cfm (last visited Aug. 23, 2026).

State Farm General's alone would let State Farm Mutual confine California catastrophe risk to a subsidiary with no workforce of consequence; allow it to run that subsidiary's business through State Farm Mutual's own employees and systems; make California policyholders rebuild that subsidiary's surplus through emergency rates; own an interest in the resulting surplus equal to its full value; and disclaim responsibility for the claims practices that produced it. That result would be inequitable.

30. The People do not know the true names or capacities of Defendants Does 1 through 100 and therefore sue them by fictitious names. The People allege that each Defendant sued by a fictitious name is legally responsible for the events this Complaint alleges.

31. Each Defendant is a "person" within the meaning of Bus. & Prof. Code sections 17201 and 17506. Defendants together were an "organization of persons" under section 17201: they associated for the common purpose of engaging in the unlawful, unfair, and fraudulent business acts and practices this Complaint alleges.

32. Whenever this Complaint refers to "Defendants," it includes any and all Defendants named in paragraphs 20 through 31 of this Complaint.

33. At all relevant times, some or all Defendants acted as the agent of the others, and all Defendants acted within the scope of their agency if acting as an agent of another.

34. At all relevant times, each Defendant acted individually and jointly with every other Defendant in committing the acts alleged to have been committed by all "Defendants" in this Complaint.

35. At all relevant times, each Defendant acted: (a) as a principal; (b) under express or implied agency; and/or (c) with actual or ostensible authority to perform the acts alleged in this Complaint on behalf of every other Defendant.

36. At all relevant times, each Defendant knew or realized, or should have known or realized, that the other Defendants were engaging in or planned to engage in the violations of law alleged herein. Knowing or realizing that the other Defendants were engaging in such unlawful conduct, each Defendant nevertheless facilitated the commission of those unlawful acts. Each Defendant intended to and did encourage, facilitate, or assist in the commission of the unlawful

acts, and thereby aided and abetted the other Defendants in the unlawful conduct. The Defendants have engaged in a conspiracy, common enterprise, and common course of conduct, the purpose of which is and was to engage in the violations of law alleged in this Complaint. The conspiracy, common enterprise, and common course of conduct continue to the present.

JURISDICTION AND VENUE

37. This Court has personal jurisdiction over State Farm because it does business in California, and because it has contacts with California that are so continuous and systematic that it is essentially at home in this State. This Court has subject matter jurisdiction over the People's claims for restitution, civil penalties, injunctive relief, and other equitable relief under the UCL and the FAL, and public nuisance. The County Counsel has the right and authority to prosecute this case on behalf of the People.

38. Venue is proper in this judicial district, pursuant to Code of Civil Procedure sections 395 and 395.5, because State Farm conducts business in Los Angeles County and the unlawful conduct and public harm alleged herein occurred in and impacted Los Angeles County.

RELEVANT STATUTORY PROVISIONS

A. The Unfair Competition Law

39. Section 17200 of the Bus. & Prof. Code provides that "unfair competition shall mean and include any unlawful, unfair or fraudulent business act or practice and unfair, deceptive, untrue or misleading advertising."

40. Section 17203 provides that "(a)ny person who engages, has engaged, or proposes to engage in unfair competition may be enjoined in any court of competent jurisdiction." Section 17203 also provides that "[t]he court may make such orders or judgments . . . as may be necessary to restore to any person in interest any money or property, real or personal" acquired by a violation of the Unfair Competition Law.

41. Section 17206(a), provides that any person violating Section 17200 "shall be liable for a civil penalty not to exceed two thousand five hundred dollars ($2,500) for each violation, which shall be assessed and recovered in a civil action brought in the name of the people of the

State of California . . . by a county counsel of any county within which a city has a population in excess of 750,000."

42. Section 17206.1(a)(1), provides that "[i]n addition to any liability for a civil penalty pursuant to Section 17206, a person who violates this chapter, and the act or acts of unfair competition are perpetrated against one or more senior citizens or disabled persons, may be liable for a civil penalty not to exceed two thousand five hundred dollars ($2,500) for each violation[]" Section 17206.1(b)(1) defines a "[s]enior citizen" as "a person who is 65 years of age or older."

43. Under section 17205, these remedies and penalties are "cumulative to each other and to the remedies or penalties available under all other laws of this state."

B. The False Advertising Law

44. Section 17500 of the Bus. & Prof. Code provides that it is unlawful for any person "with intent directly or indirectly . . . to perform services, professional or otherwise, or anything of any nature whatsoever or to induce the public to enter into any obligation relating thereto, to make or disseminate or cause to be made . . . any statement, concerning . . . those services . . . which is untrue or misleading, and which is known, or which by the exercise of reasonable care should be known, to be untrue or misleading."

45. Section 17535 authorizes "any . . . county counsel" to seek an injunction to prevent such untrue or misleading statements, and to provide restitution for victims of such statements.

46. Section 17536 provides that any person violating section 17500 "shall be liable for a civil penalty not to exceed two thousand five hundred dollars ($2,500) for each violation, which shall be assessed and recovered in a civil action brought in the name of the people of the State of California . . . ." These civil penalties are cumulative to those obtained under section 17200.

C. Financial Elder Abuse

47. California Welfare and Institutions Code (Welfare and Institutions Code) section 15610.30(a)(1) prohibits taking, secreting, appropriating, obtaining, or retaining an elder's real or personal property for a wrongful use or with intent to defraud. Under section 15610.30(b), a person or entity takes property for wrongful use if it knew or should have known that the

conduct is likely to be harmful to the elder. Section 15610.27 defines an "[e]lder" as "any person residing in this state, 65 years of age or older."

48. California law imposes a heightened "duty of honesty, good faith, and fair dealing" on insurers of those who are 65 years of age or older. (Ins. Code section 785.) State Farm knew or should have known that a substantial portion of its approximately 11,300 affected policyholders, as noted in the California Department of Insurance's May 2026 press release, were senior citizens within the meaning of Welfare and Institutions Code section 15610.07 and Bus. & Prof. Code section 17206.1(b)(1). In fact, State Farm's knowledge of the age and elder status of its affected policyholders is detailed below.

D. Public Nuisance

49. California Civil Code (Civil Code) section 3479 provides that "[a]nything which is injurious to health … or is indecent or offensive to the senses, or an obstruction to the free use of property, so as to interfere with the comfortable enjoyment of life or property … is a nuisance."

50. Civil Code section 3480 defines a "public nuisance" as "one which affects at the same time an entire community or neighborhood, or any considerable number of persons, although the extent of the annoyance or damage inflicted upon individuals may be unequal."

51. Pursuant to Civil Code section 3494: "A public nuisance may be abated by any public body or officer authorized thereto by law."

52. Pursuant to section 731 of the Code of Civil Procedure, "[a] civil action may be brought in the name of the people of the State of California to abate a public nuisance, as defined in section 3480 of the Civil Code, by the district attorney or county counsel of any county in which the nuisance exists[.]"

53. The remedies sought for public nuisance, including, but not limited to abatement, are cumulative to the UCL and FAL.

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FACTUAL BACKGROUND

A. The LA Wildfires Destroyed or Contaminated Thousands of Homes and Generated More Than 11,300 State Farm Claims

54. In January 2025, Los Angeles County experienced two concurrent and catastrophic wildland-urban-interface fires: the Eaton Fire, which burned through Altadena, Pasadena, and nearby communities, and the Palisades Fire, which burned through Pacific Palisades and surrounding communities. Together, the LA Wildfires destroyed over 16,000 structures, damaged over 2,000 more, and forced widespread evacuations of hundreds of thousands of people at the height of the emergency. More than 11,600 of the structures destroyed were homes.

55. Wildland–urban-interface fire smoke differs from smoke generated by vegetation alone because the built environment itself becomes fuel. During the LA Wildfires, painted surfaces, pipes, vehicles, plastics, electronic equipment, buildings, batteries, household cleaning products, wiring, metals, and other manufactured materials burned along with trees and brush.[18] The resulting emissions contained a complex mixture of hazardous constituents. Researchers analyzing particulate matter, gases, and ash collected during the fires found elevated levels of harmful metals, polycyclic aromatic compounds, volatile organic compounds, and ultrafine particles; the ash also contained metals, polycyclic aromatic compounds, and PFAS.[19] The researchers concluded that particulate-mass measurements and criteria-air-pollutant readings alone

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[18] Haroula D. Baliaka et al., Notes from the Field: Elevated Atmospheric Lead Levels During the Los Angeles Urban Fires—California, January 2025, 74 Morbidity & Mortality Wkly. Rep. 69, 69–71 (Feb. 20, 2025), https://doi.org/10.15585/mmwr.mm7405a4 (recording an approximately 110-fold increase in PM2.5 lead levels during the LA Wildfires); L.A. County. Dep't of Pub. Health, Public Health Advisory Noted for Those Residing Near Burned Structures in Palisades and Eaton Areas (Feb. 11, 2025), http://publichealth.lacounty.gov/phcommon/public/media/mediapubhpdetail.cfm?prid=4963 (fire debris from burned structures can contain asbestos from older building materials, heavy metals like lead, hazardous chemicals from household products, and fine particulate matter created by the fire).

[19] José Guillermo Cedeño-Laurent et al., Chemical Complexity and Enrichment in Wildland-Urban Interface Fire Emissions: A Case Study of Particulate Matter, Gas-Phase Pollutants, and Ash from the 2025 Los Angeles Fires, 512 J. Hazardous Materials 142357 (July 1, 2026), https://doi.org/10.1016/j.jhazmat.2026.142357.

may underestimate the toxicological burden of wildland–urban-interface smoke.[20] That research was based on samples collected at a residential site in Pasadena, approximately 2.17 miles southwest of the Eaton Fire.[21]

56. The smoke damage was significant, with the Eaton and Palisades fires lasting for 24 days. The risks persist after the flames go out. A 2026 study of 19 fire-affected homes found lingering indoor particle reservoirs and widespread surface contamination roughly two months after the fires, including lead above United States Environmental Protection Agency (EPA) dust-clearance levels in multiple homes. California Department of Public Health (CDPH) experts told CDI's Smoke Claims and Remediation Task Force (CDI Task Force) what that means inside a house. Soot and combustion ash stay until someone removes them. They re-enter the air. They travel from contaminated rooms to clean ones on shoes, clothing, pet fur, tools, and belongings, and through the Heating, Ventilation, and Air Conditioning (HVAC system). CDPH told the CDI Task Force that a qualified professional should evaluate each site, decide whether testing or a remediation plan is warranted, and set the testing criteria. For a standing home ringed by burned structures, that meant a qualified assessment, and where indicated, testing, remediation, and post-remediation evaluation, *before* anyone could say what the house needed.[22]

57. On March 7, 2025, the Commissioner issued Bulletin 2025-7, addressed to all property and casualty insurers handling smoke damage claims for properties located in or near California wildfire areas. The Bulletin states the Department's expectations for how insurers process and pay smoke damage claims. It provides that evidence of smoke damage "must be fully and fairly investigated;" that the insurer "is required to act reasonably and promptly, and to adopt and implement reasonable standards for the prompt investigation and processing of the claim;" that "[i]t is not reasonable to deny a smoke damage claim without conducting an appropriate

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[20] *Id.*

[21] *Id.*

[22] Ehsan Goftari et al., Post-Wildfire Indoor Pollution in WUI Areas Following the 2025 Los Angeles Fires, Part I: Establishing Baseline Contaminant Levels Prior to Home Reoccupation, 3 ACS ES&T Air 142, 142–55 (2026), https://doi.org/10.1021/acsestair.5c00281.

investigation, nor is it reasonable for the insurer to require the insured to incur substantial costs to investigate their own claim;" and that where professional testing is warranted for a specific claim, the Department expects "the insurance company to contract and pay for these services." The Bulletin issued nearly 14 months before the Department adopted its examination of State Farm's handling of these same claims.[23]

58. State Farm had actual notice of the Bulletin within days of its March 7, 2025, issuance. On March 10, 2025, an Altadena policyholder emailed State Farm's fire claims address, quoted the Bulletin's investigation and testing passages, and uploaded the Bulletin itself to the claim file. State Farm did not authorize testing in that claim until April 15, 2025—thirty-six days later, and seventy-six days after the policyholder first requested it. The testing, when it was finally performed, found lead above federal screening levels inside the home. Six days after the Bulletin issued, State Farm denied testing outright in another Altadena smoke-damage claim, where the policyholder had been asking for testing since her first conversation with her adjuster on January 21, 2025. State Farm's March 13, 2025, letter told the policyholder that the testing services she had submitted "are not covered by your policy," citing the contamination exclusion to the policy's coverage for repair or replacement to dwellings (known as Coverage A) as the basis. The Bulletin had told insurers six days earlier that it is not reasonable to deny a smoke damage claim without an appropriate investigation, and that where professional testing is warranted the Department expects the insurer to contract and pay for it. Throughout this time period, State Farm Policyholders repeatedly had their smoke damage claims and requests for State Farm to pay for testing denied.

59. Post-fire contamination from the LA Wildfires was not limited to visible ash or to structures that burned. Researchers at the California Institute of Technology (Caltech) studying the

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[23] Cal. Dep't of Ins., Bulletin 2025-7, Insurance Coverage for Smoke Damage and Guidance for Proper Handling of Smoke Damage Claims for Properties Located in or near California Wildfire Areas (Mar. 7, 2025); see Cal. Dep't of Ins., Press Release, "Commissioner Lara orders insurers to fully investigate consumers' smoke damage claims following Southern California fires" (Mar. 7, 2025) (quoting the Bulletin).

Eaton Fire reported that lead and other toxic metals were transported by the fire plume and deposited on outdoor and indoor surfaces, including a finding that "significant contamination at toxic levels" could occur in homes located more than seven miles from the burn area. The risk was especially acute in Altadena because more than 90 percent of its homes were built before 1975 and were therefore likely to contain lead-based paint, asbestos, or both. The researchers further found that contamination persisted on uncleaned indoor surfaces, that cleaning often reduced but did not eliminate elevated lead, and that fine soil particles, more mobile and more readily ingested than bulk soil, carried lead. That confirmed what survivors were reporting in real time: where homes, paint, wiring, vehicles, plastics, and insulation burned, only professional testing of soil, dust, ash, HVAC systems, and interior surfaces could establish whether a standing home was safe to occupy and what remediation it needed.

60. Published findings confirm the severity and persistence of the contamination. A Caltech team collected more than 300 samples from 52 fire-affected homes and found unsafe lead as far as 7 miles from the burn zone. More than half of the homes exceeded EPA lead standards, and one home had a lead concentration of approximately 6,000 micrograms per square foot—150 times the applicable EPA limit. As the lead project researcher publicly emphasized, *no safe level of lead exposure has been identified for children*. Later community testing of 50 cleaned homes, 78 percent of which had been cleaned by professional remediation companies, found elevated lead on the floors of 63 percent of the homes. Among the cleaned homes tested for asbestos, 36 percent remained positive. Professional cleaning alone did not reliably abate the hazard; the limited remediation State Farm's preferred vendors offered could not establish the categorical safety of a home for occupancy.

61. Data published by Eaton Fire Residents United (EFRU), a coalition of affected residents, show the results of professional industrial-hygienist testing performed inside homes in Altadena, Pasadena, and Sierra Madre before any remediation. The published dataset records peak measured concentrations of wildfire debris, ash, soot, char, asbestos, lead, arsenic, and 15 other metals inside 201 homes, together with each home's distance from the nearest burned structure and its damage and remediation status at the time of testing. Wildfire debris and lead were detected in

the great majority of the homes tested for those contaminants. Peak interior lead concentrations reached 4,900, 4,600, 3,900, 2,780, and 2,300 micrograms per square foot—orders of magnitude above the federal clearance standards for interior floors and windowsills. Asbestos was detected inside dozens of homes, including an attic sample reporting 103 chrysotile structures at 89,410 structures per square centimeter and a windowsill sample reporting 29 structures at 201,389 structures per square centimeter.[24] Recognizing the danger of lead exposure, a fire damaged home in Altadena had a warning posted on the door that stated: "DANGER: Lead Work Area may damage fertility or the unborn child. Causes damage to the central nervous system." An image of that posting is below as it appeared in an Associated Press article entitled, "Their homes survived the historic LA area wildfires, but a year later they fear living in them:"

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[24] Mark Wronkiewicz et al., Eaton Fire Resident's United: Pre-Remediation Indoor Contamination Test Results (Zenodo, Aug. 23, 2025), doi:10.5281/zenodo.16762192, https://zenodo.org/records/16762192 (professionally collected contamination test results from 201 homes in Altadena, Pasadena, and Sierra Madre; a live version is maintained at www.efru.la).

62. The claim population data State Farm gave the Department identified 2,900 smoke and ash claims, 5,336 closed claims, 3,978 open claims, and 87 claims with corporate complaints arising from the LA Wildfires as of July 31, 2025.

63. The annual homeowner insurance premium paid by affected State Farm policyholders in the Eaton and Palisades fire areas, based on premiums State Farm reported in a filing it made in June 2024, is estimated on average to be approximately $3,643. The aggregate annual premium paid by the approximately 11,300 State Farm policyholders who filed homeowner claims, based on this estimated average premium of $3,643, exceeds $41 million. Over the four-year period within the statute of limitations applicable to this action (Bus. & Prof. Code section 17208), the aggregate premiums paid by those policyholders, assuming the premiums that State Farm reported it charged its policyholders in the affected zip codes were the same during the relevant years, would total approximately $164 million. These figures are based on an actuarial analysis, performed for the People, of State Farm's premium and rate filing data for the affected zip codes; they are approximate, and the precise figures will be established through discovery.

B. CDI Found 398 Violations in Its 220-Claim Sample of LA Wildfires Claims Handled by State Farm

64. On June 12, 2025, the Department authorized a formal MCE of State Farm's claims-handling practices arising from the LA Wildfires. The examination reviewed a randomly selected sample of 220 claim files: 70 closed claims, 70 open claims, 70 smoke and ash claims, and 10 claims with corporate complaints.

65. The MCE was adopted as final on May 1, 2026. It found 398 alleged violations by State Farm of the Insurance Code and applicable regulations in the 220-claim sample, with violations in 114 of the 220 claims, 52 percent, as stated in CDI's Accusation. The MCE also found that, across the claim population generally, State Farm failed to effectuate prompt, fair, and equitable settlements of claims in which liability had become reasonably clear and misrepresented pertinent facts or policy provisions relating to the coverages at issue. CDI made these findings under Insurance Code sections 730, 733, 736, and 790.04, and Title 10, California Code of

Regulations (10 CCR) section 2695.3(a), and adopted the MCE report under Insurance Code section 734.1.[25, 26]

66. CDI's Consumer Services Division investigated consumer complaints separately and found 34 more violations, bringing the documented total to 432.

67. On May 4, 2026, CDI filed an Accusation based on these findings. The Accusation summarizes the alleged 432 Insurance Code violations and the Order to Show Cause requires State Farm to demonstrate why it should not be subject to a monetary penalty and/or be required to cease and desist from its alleged unlawful practices.

68. More specifically, the MCE identified the following principal patterns of violations:

(a) Slow and inadequate investigations, including delays of as many as 88 days before commencing investigation, failure to accept or deny claims within statutory deadlines, and failure to begin investigation within 15 days of claim receipt;

(b) Systematic underpayment, including unreasonably low settlement offers, improper application of depreciation to structural components not subject to depreciation under Insurance Code sections 2051 and 2051.5, and failure to tender payment timely;

(c) Serial reassignment of claims adjusters in violation of Insurance Code section 14047, including cases of twelve handlers within four months;

(d) Suppression of smoke-damage claims through verbal denials, use of an inapplicable Right to Inspect policy provision to justify denials of hygienist and environmental-testing claims, and the practice of charging insured-procured testing costs against Coverage A limits rather than treating those costs as loss-adjustment expenses. State Farm subsequently agreed that the Right to Inspect provision "was not the appropriate section to justify claim denials" and stated that it would not use the provision for that purpose in future events;[27]

(e) Delayed and inadequate communications with policyholders; and

(f) Misrepresentation of the statute of limitations in closing and denial letters.

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[25] Accusation, at 2; MCE, at 4, 6.

[26] The People do not assert a direct cause of action under Insurance Code § 790.03. They cite § 790.03 and the Fair Claims Settlement Practices Regulations as part of the statutory and regulatory framework governing the MCE and its allegations. The People bring this public enforcement action under Bus. & Prof. Code §§ 17200 et seq. and 17500 et seq. and Civil Code §§ 3479 and 3480.

[27] MCE, at 17.

69. In addition to the principal patterns of violations, the MCE documented the following violations which appeared in the 220-claim sample, and the People allege on information and belief that each occurred at similar rates across the more than 11,300 homeowners claims filed with State Farm: (a) 25 violations for omitting the required California fraud warning from insurance forms (Ins. Code section 1871.2(a)), including 18 for omitting it from the Attestation in Support of Personal Property Total Loss Advance form, 6 for using incorrect language; (b) 5 for failing to give the required notice of significant California property insurance laws in declared emergencies within 15 days (Ins. Code section 14046(b)); (c) 2 for failing to provide a complete policy copy within 30 calendar days of request (Ins. Code section 395); and (d) 1 for failing to offer the mandatory 30 percent contents advance to a total-loss policyholder (Ins. Code section 10103.7(b)(1)).

C. State Farm's Own Response Confirms the Underlying Claims-Handling Failures

70. Although State Farm generally denied the Accusation's legal conclusions, on June 11, 2026, State Farm General filed its Notice of Defense to CDI's Accusation (SFG Notice of Defense), which repeatedly acknowledged the underlying claims-handling failures. State Farm called certain findings "good-faith mistakes," said it had "remediated the actual issues that CDI identified," and asserted any violations were inadvertent rather than willful. It acknowledged or did not dispute at least 76 failures to send required status letters; 8 payments to incorrect payees; 11 failures to communicate the extended period to file suit and one communication stating an incorrect period; 22 failures to pay accepted claims within regulatory deadlines; 20 failures to provide written denials or denials communicated verbally; 11 failures to accept or deny claims within regulatory deadlines; 16 failures to conduct diligent, thorough, and fair investigations; and 11 failures to provide a primary point of contact after a third or subsequent adjuster.

71. State Farm's response further confirms that the failures required corrective action across multiple claims and claims-handling functions. State Farm conducted compliance and refresher training for California claim handlers; sent corrected limitations notices to affected policyholders; reopened 20 claims involving failures to provide written denial reasons; and determined that previously denied hygienic testing "should have been approved," resulting in

payment. State Farm also agreed that the Right to Inspect provision it had cited to deny hygienist and environmental-testing claims "was not the appropriate section to justify claim denials," and said it would not use the provision that way going forward.

D. Survivor Accounts and Independent Surveys Show That Those Failures Extended Far Beyond CDI's Sample in the MCE

72. Consumers also brought additional complaints to CDI about State Farm's handling of LA Wildfire claims that the examination never analyzed.

73. Policyholders also reported problems with State Farm's handling of their claims to Los Angeles County Counsel. Hundreds more brought their claims to EFSN.

74. These consumers have reported: State Farm adjusters making verbal commitments regarding payments that State Farm later denied; having claims frozen with no action for months; having their ALE delayed or denied; rotating or serially reassigned adjusters that cause further delays; failure to pay money they were entitled to under their policies and a refusal to pay for needed testing; and exhaustive full-inventory requirements imposed on total-loss policyholders. On information and belief, the practices described in these accounts occurred at comparable rates across the approximately 11,300-claim population.

75. These accounts come from Altadena, Pasadena, and the Pacific Palisades area, from the weeks after the fires through 2026, and they say the same things. Independent survey research also finds the same pattern over the same period. Successive quarterly surveys of fire survivors found that customers of State Farm and the California FAIR Plan—"have had far worse experiences than customers of any other insurer, reporting much higher rates of claim denials, lowball estimates, poor communication, and multiple adjusters," while "majorities of every other major carrier's customers are satisfied, [and] no more than 31% are dissatisfied with any other

carrier." These policyholders faced the same fires, the same contractors, and the same labor market as everyone else.[28, 29]

76. In a survey published in October 2025, State Farm and California FAIR Plan policyholders reported lowball estimates, poor communication, conflicting or inaccurate information, multiple adjusters, and claim denials more often than the customers of any other insurer. The two carriers together account for roughly a third of all survivors.[30] In the survey published in January 2026, among survivors still unable to live at home, nearly half of State Farm and California FAIR Plan policyholders identified delayed or insufficient insurance payouts as an obstacle to returning, against 20 to 36 percent of the customers of other insurers.[31]

77. The predictable consequence is that policyholders must sue to obtain what they already paid for. By June 2026, four in ten insured survivors reported some likelihood of pursuing legal action against their carrier, 9 percent were already in litigation, and another 6 percent were consulting counsel. Only 44 percent of State Farm customers expected their situation to be resolved without legal action. Among survivors who remained displaced from standing homes, the group State Farm's smoke-damage practices hit hardest, 24 percent were already working with attorneys, and only 32 percent expected resolution without litigation.[32]

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[28] Embold Research for Dep't of Angels, Community Voices: LA Fire Recovery Report (Oct. 2025), at pp. 2, 8 (survey of 2,335 adults in fire-impacted communities, Sept. 8-17, 2025), https://static1.squarespace.com/static/6792c245599ed84703227b1e/t/68ed2b627a9ca31da2b0512b/1760373602671/UPDATED+Dept+of+Angels+Community+Voices+LA+Fire+Recovery+Report+-+October+2025.pdf.

[29] Embold Research for Dep't of Angels, Community Voices: LA Fire Recovery Report (July 2026), at pp. 13, 16 (survey of 2,023 adults in Altadena, Pacific Palisades, Pasadena, and Malibu, June 3-15, 2026; modeled margin of error 2.4%), https://static1.squarespace.com/static/6792c245599ed84703227b1e/t/6a60ec825c62c877b0a8e4be/1784736898126/Department+of+Angels+Survey+Memo_July+2026.pdf.

[30] Department of Angels / Embold Research, Community Voices: L.A. Fire Recovery (Oct. 2025) (fielded Sept. 2025), at pp. 2, 7.

[31] Department of Angels / Embold Research, Community Voices: L.A. Fire Recovery (Jan. 2026) (fielded Nov. 18–Dec. 2, 2025), at p. 26; see also *id.* at p. 21.

[32] Department of Angels / Embold Research, Community Voices: L.A. Fire Recovery (July 2026) (fielded June 3–15, 2026), at p. 18.

E. State Farm Refused to Produce the Records Needed to Determine the Full Scope of Its Conduct

78. Despite being apprised of the time-sensitive nature of the People's investigation and policyholders' urgent need for relief, State Farm needlessly prolonged the investigation process and ultimately declined to substantially comply with the People's requests for voluntary production of documents or a later-issued administrative subpoena. The People expect discovery to identify additional unlawful, unfair, and fraudulent acts, including by uncovering information about complaints and issues reported directly to State Farm regarding its handling of claims.

STATE FARM'S UNLAWFUL BUSINESS PRACTICES

A. State Farm's Documented Failures Reflect Organizational Practices, Not Isolated Adjuster Error

79. Before the LA Wildfires, and throughout the four-year limitations period, State Farm maintained, and continues to maintain, organizational practices and policies that, on information and belief, were built to delay, minimize, and suppress claim payments. These were not reactions to the scale of the fires. They reflect pre-existing policies and incentives that put cost reduction ahead of comporting with California law and the coverage State Farm sold.

80. State Farm issued the affected policyholders its standard Homeowners Policy Form HW-2105. That form divides first-party coverage into Coverage A—Dwelling, which pays to repair or replace the structure; Coverage B—Personal Property, which pays for contents; and Coverage C—Loss of Use, which pays additional living expenses while the residence premises is uninhabitable. Each carries its own limit of liability. This Complaint uses those terms as the policy defines them. Coverage A is the money a policyholder has to rebuild with, and it is finite: every dollar State Farm charged against Coverage A for something other than rebuilding is a dollar the policyholder no longer had to rebuild.

81. Evidence of State Farm's pre-existing policies includes: (a) the uniformity of the violations across every category of the 220-claim random sample in the MCE—a pattern inconsistent with isolated handler error; (b) State Farm's uniform response to every category, calling each one "file-specific errors" curable by "team meetings," itself an organizational posture

of minimization; (c) the Right to Inspect practice, which required form denial letters citing policy language in a way that misrepresented the policy—reflecting coordination, not handler error; (d) adjuster statements that the decision on a claim had been made above the adjuster handling it, including an early-March 2025 call in which a State Farm adjuster told an Altadena policyholder that his manager had denied the remediation proposal he had recommended, could give no reason for the denial, said he would meet with the manager and report back, and never did; (e) the systematic adjuster-churning practice, which reflects inadequate staffing and continuity protocols rather than individual mistakes; (f) State Farm's refusal, after the MCE findings, to revise its practice of charging testing costs (if it did agree to pay for them at all) against Coverage A limits, confirming the practice was intentional organizational policy; (g) State Farm's unlawful application of depreciation to taxes associated with claims; (h) a documented pattern of reassignment to a new adjuster when a policyholder complained about the handling of their claim; and (i) a phone system infrastructure that allowed State Farm to leave customers on hold for hours, thereby making adjusters structurally unreachable.[33]

1. State Farm Delayed Investigations and Claim Decisions Across Multiple Claims

82. State Farm's pattern and practice of failing to timely investigate, accept, or deny claims became apparent immediately following the LA Wildfires and continues to this day.

83. The facts alleged herein corroborate and extend the MCE's findings, which documented these failures across multiple claim files. As an example, in one claim, State Farm waited 88 days to investigate after receiving a repair estimate and only acted after the insured was forced to follow up on the lack of activity. In others, pool and driveway damage was accepted

[33] Policyholder communication log, Claim No. 75-79J4-98G, entries of Mar. 3 and Mar. 10, 2025. The same log records that the policyholders' remediation contractor had contacted the adjuster three times seeking the basis for the difference between the two estimates and received no return call.

94 days late; the pool, balcony, and window bids 85 days late; the roof area inspection 86 days late; and interior and exterior testing 87 days late.[34]

84. These delays were not isolated handler errors; they occurred across multiple independent claims in the random sample at a rate that demonstrates organizational practice rather than individual mistakes.

85. The MCE found 18 claims in which State Farm failed to accept or deny within 40 calendar days of proof of claim, and 18 claims in which it failed to conduct a diligent, thorough, fair, and objective investigation. The MCE found three additional claims in which State Farm failed to begin investigation within 15 calendar days of claim receipt—including 1 claim inadvertently closed by State Farm on January 14, 2025, and not reopened for investigation for an additional 91 days. State Farm's conduct in these claims violated Insurance Code sections 2051, 2051.5, 2060, 2071, and 14047. State Farm agreed that in eleven instances it had failed to accept or deny claims within the regulatory timeline and called each documented delay a "file-specific error." That cannot be squared with an 18-claim failure-to-accept pattern and a three-claim failure-to-investigate pattern running concurrently through a random 220-claim sample evaluated as part of the MCE. The uniformity of the failures, and of the response to them, demonstrates organizational policy, not individual error.[35, 36]

2. State Farm Conceded Much of the Conduct but Disputed How CDI Counted It

86. State Farm's posture toward the regulatory findings has hardened into open defiance. In the SFG Notice of Defense, State Farm dismisses the 432 documented violations as "the relatively small number of relatively minor defects CDI alleges;" accuses CDI of including violations "solely for the sake of inflating numbers and damaging [State Farm General]'s reputation;" asserts that CDI's enforcement action "provides no benefit to the people of

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[34] MCE, at p. 22.

[35] SFG Response to Draft Examination Report (Apr. 20, 2026), at p. 17.

[36] MCE, at pp. 22, 31.

California;" and pleads baseless affirmative defenses of unclean hands, waiver, laches, estoppel, and discriminatory and selective enforcement against California's insurance regulator for enforcing California's claims-handling laws.[37]

87. The SFG Notice of Defense also discloses the position State Farm intends to take on scale. It asks that the violations be counted as fewer rather than disputed on the merits, pleading that the Department "relies on an inflated number of acts" and has engaged in "double-counting or separately counting alleged conduct that constitutes a single act for penalty-determination purposes." It argues that nineteen of the twenty-one improper-depreciation violations "originated from a single property under a single policy" and so should count as one; that three of the seventy-nine missing or late status letters were counted twice; and that thirty-three of the forty-one wrong-payee payments should be withdrawn because State Farm made them at the direction of the named insured. State Farm's response to the Department breaks the forty-one payments down by category—nineteen where not all named insureds were listed, ten where non-insureds were named, seven omitting a trust—concedes the payments were not accurately paid to all correct payees, and then asks the Department to withdraw the remaining thirty-three anyway. State Farm characterizes an eighty-eight-day failure to begin investigating a claim, together with the status letters it failed to send during those same eighty-eight days, as "a single clerical error." State Farm has conceded the conduct. Its April 20, 2026, response agreed with the Department's findings of non-compliance on status letters, wrong payees, limitations-period notices, late tender of accepted claims, missing fraud warnings, undocumented depreciation, unreasonably low settlement offers, failures to investigate diligently, failures to establish a primary point of contact, missing Department-review language in denial letters, misrepresentations of policy provisions, and failures to provide required disclosures; it reopened claims, issued supplemental payments, and retrained its California claim

[37] SFG Notice of Defense, at pp. 3, 5.

handlers company-wide. State Farm's quarrel with the Department is principally about how many violations to count, not about whether the conduct occurred.[38, 39, 40]

88. State Farm General's response to a draft of CDI's MCE, appended to the SFG Notice of Defense, confirms that State Farm's adjuster churning is by design, not error. State Farm admits therein that "4 to 5 adjusters" were assigned to three of the claims CDI examined, and a "team consisting of seven members," plus unnamed other performers, to a fourth. State Farm offers the defense that the "entire team" is the "claim owner" and thus a lawful primary contact under Insurance Code section 14047(d)(2). But section 14047 permits a team only if it is "knowledgeable about the claim and its current status," yet, as alleged throughout, policyholders had to re-explain their claims from scratch to each new handler. State Farm's policy institutionalizes the churn.[41]

89. As to its written misstatements of the deadline to bring suit, State Farm argues that the violations should be excused because their number "falls below the acceptable industry error ratio of 7%," and asserts that an insurer is entitled to misstate a legal deadline, in writing, to a meaningful share of its policyholders without consequence. State Farm nowhere identifies the source of this purported entitlement or whether the conveyance of indisputably false information about legal rights counts as a mere "error" under any such entitlement.

3. State Farm Made Unreasonably Low Offers, Applied Improper Depreciation, and Delayed Payments

90. Throughout the LA Wildfires claims population, State Farm also systematically paid less than the documented cost of repair or replacement on claims it had already determined to be covered, opened rebuilding negotiations at figures no licensed contractor would accept, and

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[38] SFG Notice of Defense, at pp. 12–13 ¶ 46; at p. 9 ¶ 32; SFG Response to Draft Examination Report (Apr. 20, 2026), at pp. 5–6.

[39] SFG Notice of Defense, at p. 13 ¶¶ 48–49.

[40] SFG Notice of Defense, at pp. 6–8; SFG Response to Draft Examination Report (Apr. 20, 2026), at pp. 3–19.

[41] MCE,at p. 26; SFG Response to Draft Examination Report (Apr. 20, 2026), at p. 17.

applied improper depreciation to structural components not subject to depreciation under California law.

91. State Farm has engaged in systematic underpayments to policyholders. In one Pacific Palisades total-loss claim the gap between State Farm's own replacement cost and its rebuild estimate for the same property was $607,045. In an Altadena total-loss claim, ALE checks were consistently $500 to $1,500 below submitted receipts every payment cycle. Policyholders also reported that State Farm opened total-loss rebuilding negotiations at $200 to $250 a square foot, an unreasonably low amount at which policyholders could not find any contractors who would even consider rebuilding or repairing their homes.

92. For policyholders whose smoke-damaged homes were not total losses, State Farm typically sent a preferred restoration provider such as Servpro that offered an inadequate and unsafe cleaning method. State Farm told these policyholders it would not cover testing for lead, asbestos, or other toxins—only a general cleaning. That cleaning left furniture and other items in the home rather than removing them for a full pack-out that would let every surface be cleaned. Because Servpro and other State Farm preferred providers routinely told policyholders they were not qualified to remove lead or asbestos, State Farm's approved cleanings were not, in fact, designed to fully and adequately remove the toxins the fires left behind. Even when policyholders paid for their own testing and reported high levels of lead, asbestos, or other toxins, State Farm resisted and refused to promptly pay qualified, licensed contractors to do the cleanup.

93. One policyholder reported to EFSN that: "State Farm's preferred provider estimated cleanup of our still standing home would cost $98,000. State Farm gave us a check for $38,000. We had testing done . . . and our home has high levels of lead as well as arsenic and nickel. Our State Farm adjuster's comment was that additional cleaning would not be necessary."

94. The practice was not limited to smoke-damaged homes. One policyholder complained that he had still not been paid his $2.4 million Coverage A limit "after 16 months and hundreds of hours of work, despite the rebuild estimate [State Farm] received exceed[ing] $4.6 [million]. Received to date only $1.9 [million] on [Coverage] A despite repeatedly being told I'm entitled to limits (which is significantly underinsured). . . . State Farm underinsured us and [is]

now grinding for every dollar." He was eventually paid—but only after escalating to State Farm's General Counsel, whom he personally knew and who apologized for State Farm having cut his submitted contents inventory to limits and then depreciating what was left. Even with the inside connection, it took him hundreds of hours and sixteen months to recover what he was owed. Another policyholder put it to EFSN in one line: "State Farm sent me a ridiculously low estimate to rebuild my totally destroyed home in Pacific Palisades."

95. State Farm also denied claims for items it was required to cover including disputing a consumer's claim for $20 for sheets needed for her temporary housing, and generally rejecting various personal property claims for items that were lost and covered by the terms of their policies. State Farm also refused to pay some fire victims for the allowed portions of their personal property claims, even if the vast majority of the claim was undisputed, while it continued to haggle with them over items for which it did not want to pay.

96. The MCE documented the same failures. In one claim, State Farm unilaterally cut its contractor's $159,287.50 smoke-remediation estimate by $128,783.32 after downgrading the damage from "heavy" to "light" without adequate explanation. In others, State Farm failed to pay home-supply and furniture-rental invoices; failed to pay for sprinkler-system damage; omitted HEPA-vacuuming square footage; applied a per-tree liability limit across multiple trees; and failed to pay a $2,500 contents option it had internally noted as available. The MCE found unreasonably low offers in 20 sampled claims and failure to reach prompt, fair, and equitable settlement in 41 sampled claims.[42]

97. In its April 20, 2026, response to the Department, State Farm conceded that it produced an unreasonably low estimate as a result of applying a labor efficiency rate of restoration, remodel, and service rather than new construction. In the same breath, State Farm acknowledged that it did not explain this error to the insured.

[42] MCE, at p. 18.

98. The MCE also documented 21 claims in which State Farm improperly depreciated structural components not normally subject to repair or replacement during the property's useful life—including insulation, foundations, concrete piers, steel rebar, sheathing, framing, lumber, baseboards, molding, sub-flooring, lath and plaster, wiring, masonry, stone, meter masts, grounding rods, drywall, wood floors, marble and granite countertops, shower pans, and toilets. These components last decades and do not normally depreciate over their lifespan absent documented reasons. State Farm documented none. These deductions violated Insurance Code sections 2051 and 2051.5, which govern actual cash value and replacement cost.[43, 44] These examples indicate that it was State Farm's policy to depreciate items that are specifically prohibited from being subject to depreciation, thereby substantially decreasing the amount of money they paid to policyholders for their claims.

99. Where payments did occur, they often tracked outside pressures rather than claim merit or contractual rights. In one total-loss claim, consistent with many others, State Farm began sending checks almost immediately after the policyholder went to the press. In another total-loss claim, State Farm refused to pay for 16 months and then immediately sent 4 checks to consumers the next morning after they told an EPA representative, who was visiting the Altadena area, about State Farm's failure to pay them. State Farm even offered to have the checks delivered to them, but only after hearing from the EPA. In a third total-loss claim, State Farm advanced six months of projected ALE, without the documentation it demanded of everyone else, after the insured filed a corporate complaint.

100. In a Palisades total-loss claim, the policyholder got most of his benefits only after writing to State Farm's board and executive office. It was only after that communication that his adjuster assessed the home as a total loss payable at policy limits. The MCE record shows the same sequence. A $5,985 hygienist invoice State Farm had previously refused to pay was paid on December 20, 2025, two days after a CDI examiner questioned the denial. And State Farm

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[43] SFG Response to Draft Examination Report (Apr. 20, 2026), at p. 16 (item (t)).

[44] MCE, at pp. 16–17.

reopened claims for debris removal, landscaping, personal property, and lost rent, by its own account, only "as a result of the Department's inquiry."

101. That claims moved when, and only when, policyholders escalated to the press, the regulator, the EPA, or State Farm's own board or General Counsel is evidence that State Farm was able to pay these claims promptly all along, and that its delays reflected organizational choice rather than legitimate claims investigation. In fact, an example of one of the only policyholders who was not shuffled to multiple adjusters, and was given a single experienced adjuster, was a Palisades fire victim who personally knew State Farm's General Counsel and reached out to him at directly.

4. State Farm Required Exhaustive Contents Inventories, Denied or Delayed Replacement, and Applied Unexplained Depreciation

102. State Farm also used personal property inventory requirements as a claim-suppression mechanism. In total-loss claims, policyholders were required to reconstruct, item by item, the contents of homes accumulated over decades. State Farm required policyholders to identify thousands of destroyed items, to provide age and condition information, to supply replacement values, and to submit photographs, links, or comparable-item support, even where the submitted inventory already exceeded applicable policy limits.

103. The inventory requirement burden was not merely administrative. It required displaced fire survivors to re-live the destruction of their homes in granular detail while they were trying to secure housing, maintain employment, care for family members, and begin rebuilding. State Farm then compounded that burden by requiring resubmission in different formats; asking for more detail even when detailed claims had been submitted; applying opaque and unexplained depreciation, including depreciating taxes; and refusing to provide a clear explanation of why State Farm's valuation of the inventory was much lower than what was submitted by the claimants. State Farm also reportedly would refuse to pay for the items it had approved, even if that was the vast majority of items claimed, while it haggled with fire victims about outstanding items for which State Farm did not want to fully compensate them.

104. In one Palisades total-loss claim, a recently retired couple who had held State Farm policies for more than 40 years reported that they submitted an itemized inventory that exceeded their policy limits, with photographs and links to comparable items. State Farm demanded resubmission after resubmission. It produced its own version, riddled with errors and unreasonable depreciation. And it could not explain how it had concluded the couple had not reached their personal-property limit.

105. In another Palisades total-loss claim, according to the policyholder's June 18, 2026, press-conference statement, a single mother, who had insured her home with State Farm for 23 years and never filed a homeowners claim, had to work through the contents process while grieving the loss of the house where she raised her two daughters. State Farm assigned her seven adjusters. Each reassignment made her start over. State Farm advanced 65 percent of her contents limit without itemization, then stopped. It conditioned every dollar above that advance on the full itemization the advance was designed to spare her, and on construction milestones no policy provision or statute authorizes.

106. Itemization has been the most commonly reported insurance problem in independent surveys of the survivor population. In a survey fielded November 18 through December 2, 2025, creating itemization lists was the most common challenge policyholders reported, affecting 51 percent of those with a policy and 56 percent of homeowners. In a subsequent survey taken March 30, 2026 through April 10, 2026, 80 percent of policyholders reported having been required to create itemization lists, and itemization was also the problem most likely to have gotten worse since the fires, with 26 percent saying it was worsening. In the most recent survey, fielded June 3, 2026 through June 15, 2026, being required to create detailed itemized lists remained the single most commonly reported problem, at 70 percent. Eighteen

months after the fires, the requirement that displaced survivors reconstruct their possessions item by item had not eased.[45, 46, 47, 48]

107. In addition to imposing onerous and unjustified itemization requirements, State Farm has simply refused to replace, or delayed replacing, items when the need for replacement is clear. In a case in Altadena, State Farm initially refused to replace the consumer's refrigerator even though it had been left in the house and contained rotting meat that had leaked out and damaged the flooring. State Farm required the consumer to take the refrigerator outside and store it for a year before State Farm finally agreed to cover the cost of replacement. The policyholder is still fighting to get their damaged flooring replaced, with State Farm agreeing to replace only a small portion of the floor where the meat juices leaked out and not all the flooring that was tainted with toxins from the fire.

108. In another complaint reported to EFSN, the policyholder stated, "How State Farm is treating its customers in the Altadena community . . . is shameful! They could care less that there is lead in the home and insist my family and 4 week old child move in and use the breast pump, oven, couch, etc. after being vacuumed. This is all outrageous[.]"

109. Another component of State Farm's suppression of contents claims is its practice of improperly calculating the actual cash value of damaged property. State Farm determines the item's replacement cost, including sales tax, then subtracts depreciation from the whole amount, depreciating not just the contents but also the sales tax. Sales tax does not deteriorate or lose value

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[45] Department of Angels / Embold Research, Community Voices: L.A. Fire Recovery, Q1 (Apr. 2026) (fielded Mar. 30–Apr. 10, 2026), at pp. 2, 13.

[46] Department of Angels / Embold Research, Community Voices: L.A. Fire Recovery (Jan. 2026) (fielded Nov. 18–Dec. 2, 2025), at p. 20.

[47] Department of Angels / Embold Research, Community Voices: L.A. Fire Recovery (July 2026) (fielded June 3–15, 2026), at p. 16.

[48] Embold Research for Dep't of Angels, Community Voices: LA Fire Recovery Report (Jan. 2026), at p. 20 (survey of 2,443 adults, Nov. 18-Dec. 2, 2025); *id.* (Apr. 2026), at p. 13 (survey of 2,158 adults, Mar. 30-Apr. 10, 2026); *id.* (July 2026), at p. 16 (survey of 2,023 adults, June 3-15, 2026). The three surveys used differing question formats, and the figures are therefore reported wave by wave rather than as a single trend.

with an item's age or condition, yet State Farm treats it as depreciable and reduces the payment owed. On information and belief, State Farm applied this methodology to all personal property claims from the LA Wildfires.

110. In one total-loss Pacific Palisades claim, for example, State Farm tried to substantially underpay a policyholder for his contents by improperly and unlawfully calculating them to be substantially lower than they would be if properly calculated consistent with his policy. First, State Farm depreciated sales tax on the policyholders' contents. Sales tax is not depreciable under Insurance Code section 2051. It is a fixed statutory obligation attached to replacement cost, not a physical characteristic of property that wears out. Next, State Farm took the policyholder's total claim, reduced it by his total coverage, and subtracted from that lower figure the amounts it had decided not to pay. The consumer was only able to have the issue addressed by insisting that State Farm engage in the correct order of operations: Remove the disputed items from the claimed total first, then apply the coverage limit.

5. State Farm Withheld Rebuilding Funds Pending Construction Milestones, Increasing Financing Risks to Families

111. Policyholders need upfront payment of their insurance benefits to be able to proceed with rebuilding. State Farm's practice was to undervalue the rebuilding costs, forcing policyholders to obtain their own market rate cost estimates, which were often difficult to get given the unprecedented demand caused by the massive fires. This practice not only unnecessarily delayed the process of policyholders obtaining the funds they needed to rebuild but also forced policyholders to pay out-of-pocket for estimates from third party contractors to respond to State Farm's low-ball offers. Policyholders also reported that they were forced to try and get Small Business Loans (SBA loans) to cover costs that State Farm was refusing to pay.

112. State Farm compounded the delay with offer documents that were sometimes 100 pages and were built on per-square-foot figures that contractors almost universally told homeowners were insufficient to rebuild their homes. To contest those figures, policyholders had to pay contractors for detailed estimates answering State Farm's estimates line by line. Those who

could not afford a detailed estimate, or could not find a contractor to write one, were left to accept an offer amount that would not suffice to rebuild their home.

113. State Farm also imposed future construction milestones that would have to be met before it would make the next insurance payment. This milestone installment practice forced policyholders to assume substantial financial risk without knowing whether State Farm would actually release the remaining portions of the money State Farm agreed was owed.

114. In the Palisades total-loss claim described above, the policyholder, whose contents advance State Farm conditioned on construction milestones, was rebuilding on the same land, her house plans were complete, and she had obtained nine of ten building clearances. Yet State Farm conditioned further payment on construction progress, with no guarantee that it would release the future funds. The practice forced the policyholder to decide whether to sign a builder contract and incur substantial financial exposure without knowing whether State Farm would, ultimately, pay what it owed for the rebuild.

115. This practice of withholding payments for a series of unjustified reasons served the same function as State Farm's other claim-suppression practices. It delayed payment, increased survivor exhaustion, impaired rebuilding decisions, forced those without sufficient resources to take unfair and unlawfully low offers or move back into unsafe homes, and shifted financial risk onto policyholders at the precise moment when insurance benefits were, according to State Farm's marketing and policy terms, supposed to allow them to rebuild and to give them peace of mind. It also increased the likelihood that they would run out of ALE coverage before they are able to return to their homes.

6. State Farm Reassigned Adjusters Repeatedly, Forcing Policyholders to Start Over

116. Insurance Code section 14047(a) requires that after assigning three or more adjusters within six months to a residential emergency claim, the insurer timely (a) gives the insured a written status report; (b) establishes a primary point of contact until the claim closes or litigation is filed; and (c) provides one or more direct means of reaching that contact. The primary contact must be a "first-party real or personal property claims adjuster or team employed as a

member or members of the insurer's staff who are knowledgeable about the claim and its current status." (Ins. Code section 14047(d)(2).)

117. State Farm repeatedly rotated adjusters, and each rotation cost the policyholder time. Customers reported starting over with every new adjuster. One reported ten of them. In an Altadena total-loss claim, six adjusters were assigned in sequence over four months: the first for a few days, the second for about a week, the third for about six weeks, the fourth for about four weeks, the fifth for about two weeks, and a sixth announced in May 2025. The Coverage A claim was still incomplete 143 days after the loss. Twenty-one days after the sixth adjuster was announced, the policyholder had heard nothing from State Farm. This is despite multiple emails and calls, an open CDI case, and CDI staff copied on the correspondence. In three separate claims, reassignment followed a complaint rather than any milestone in the claim. In one, it came within 24 hours of the policyholder's complaint.

118. These facts corroborate and extend the MCE's findings, which documented 15 claims in the random sample in which State Farm violated Insurance Code section 14047(a). The most egregious case documented in the MCE saw State Farm reassign the claims adjuster five times between January 13, 2025, and May 2, 2025. The insured was required to interact with six primary adjusters and six additional assisting handlers, twelve different claims personnel within four months, without receiving a written primary point of contact designation or written status report. The adjuster-churning practice served no legitimate claims-adjustment purpose. State Farm's practice caused substantial and unavoidable harm to displaced wildfire victims through communication gaps, lost claim history, repeated explanations of loss, and psychological exhaustion.

119. The adjuster-churning practice was a product of State Farm's inadequate catastrophe staffing levels and the absence of continuity protocols. State Farm's organizational failures reflect its policy choices, not individual error. Independent survey research found that State Farm customers were "more likely than customers of other companies to have had multiple adjusters assigned." On information and belief, the adjuster-churning practice was applied across

the claim population. Adequate staffing and continuity protocols would have allowed a competent insurer to timely and appropriately handle catastrophic-event claims without serial reassignment.

7. State Farm's Contact System Left Policyholders Unable to Reach Their Adjusters

120. State Farm's adjuster-contact infrastructure was itself a barrier to claims access. In multiple Eaton Fire claims, policyholders documented that State Farm's main number was unusable without an adjuster's direct extension, and that those extensions were often inoperable, routed to the wrong voicemail, or never returned. One policyholder documented a single hold of two hours and fifty-six minutes that ended when State Farm's system disconnected the call with a recorded message directing the caller to call back. In another instance, a policyholder who had been with State Farm for 35 years was repeatedly told she had the wrong adjuster, even as her adjusters kept changing. When she did finally get her then-assigned adjuster's extension, it kept routing her to a non-functional voice-response system, and the policyholder's agent's assistant had to get the adjuster's cell number for the policyholder to be able to make contact at all. The situation was so bad that she referred to it as State Farm's "Find My Adjuster" game. Another policyholder reported to the EFSN that she was assigned six different adjusters within the first month but was unable to reach any of them; when she finally reached the seventh, that adjuster simply denied the recovery she was seeking. A phone system that structurally prevents policyholders from reaching their adjuster is not a handler's failure. It is an organizational barrier that compounds every delay and communication violation alleged here and in the MCE.

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8. CDI Found 134 Violations in 70 Smoke-and-Ash Claims

121. The MCE reviewed 70 smoke-and-ash claims and found 134 violations across those 70 claims, a per-claim violation rate substantially higher than any other claim category. This elevated violation rate demonstrates that State Farm's smoke damage suppression practices were more systematic and more pervasive than its other claims-handling failures. The MCE identified a coordinated, multi-step pattern of smoke damage suppression across the sample.[49]

122. The MCE found that State Farm had verbally denied policyholder requests for hygienist testing authorization without providing a written denial with a statement of the reasons for denial. The MCE noted this practice in multiple sample claims, including one claim in which State Farm verbally denied the insured's request for testing on March 21, 2025, again on April 4, 2025, and again on April 14, 2025, three separate verbal denials without written justification. The People's investigation identified the same pattern outside the examination sample. In an Altadena smoke claim the policyholders asked for testing in their first conversation with their adjuster on January 21, 2025, and received a series of verbal denials over the following weeks; they eventually concluded, in their words, that it was better to handle all matters with State Farm in writing, and submitted a written request for industrial hygienist testing on March 10, 2025. State Farm denied it in writing three days later, citing a policy exclusion for the cost of testing.

123. The MCE determined that when State Farm did send written denial letters to policyholders requesting hygienist testing reimbursement, they cited the policy's "Right to Inspect" provision as the basis for denial. The Right to Inspect provision addresses the insurer's right to inspect a property for underwriting purposes; it has no application to policyholder claims for the cost of hygienist or environmental testing. State Farm's own MCE response conceded that the Right to Inspect citation "was not the appropriate section to justify claim denials." Notwithstanding, State Farm has not agreed to stop. Instead, it told the Department it had stopped using the language in July 2025, but maintained that its use had been appropriate, and declined to

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[49] MCE, at p. 6.

state that it would not reinstitute the practice. The Department recorded the matter as unresolved on that basis. The MCE identified at least 12 claims in the sample in which State Farm sent these misrepresenting denial letters.[50, 51]

124. The MCE found that if a policyholder paid for testing out of pocket, because State Farm's admitted practice was not to cover these expenses, it was an uphill battle to get State Farm to pay for the damage that occurred to policyholders' homes. State Farm charged the cost of hygienist and environmental testing against policyholders' Coverage A limits of indemnity, rather than treating those costs as loss adjustment expenses. The MCE identified at least 6 claims in the sample in which this practice reduced the amount of Coverage A available for rebuilding or replacing the damaged dwelling. State Farm specifically declined, after the MCE findings, to revise this practice—confirming it is intentional organizational policy.[52]

125. The MCE also found that State Farm downgraded damage assessments from 'heavy' to 'light' smoke damage without an adequate factual basis or explanation, resulting in substantially reduced remediation estimates. It documented one case in which State Farm's own adjuster admitted that the 'heavy' damage scope appeared in his estimate because he "mistakenly copied the contractor's scope," an admission that the downgrade was a departure from the actual damage assessment.

126. Policyholders told survivor organizations, including EFSN, that State Farm refused to authorize testing ("After being denied 3 times for pre-remediation CIH testing with State Farm, I had to file a complaint with the DOI"); that it refused to reimburse testing ("They have said testing was unnecessary and wouldn't be paying for it. They have tried time and time again to discourage us from investigating the damage"); that it charged testing against Coverage A limits; and that it downgraded damage assessments without basis or explanation (in one case offering

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[50] MCE, at p. 35 (General Finding 30); SFG Response to Draft Examination Report (Apr. 20, 2026), at p. 34.

[51] MCE, at p. 35 (General Finding 30).

[52] MCE, *supra*, at p. 35 (General Finding 29); see also *id.* at p. 5; Accusation, at ¶ 21.

approximately $80,000 to remediate three structures, the cost for remediation of which independent contractors had estimated at $200,000). In one Altadena claim, State Farm pressured homeowners to accept substandard cleaning without conducting the needed environmental testing. State Farm repeatedly denied their requests for environmental testing over a period of three months. A written denial came just days after CDI issued its bulletin indicating that insurers were required to conduct testing where appropriate. The homeowners filed a complaint with CDI and repeatedly requested testing from State Farm, including in a letter to State Farm transmitting information about community testing data showing that in the seven blocks immediately around their house, 100 percent of the homes that submitted their data for testing had lead levels that were substantially higher than the EPA's recommended limits. The homeowners also advised State Farm in that letter that CDI required them to cover testing. Only after their complaint to CDI and repeated follow-ups did State Farm finally agree to testing but, even then, the testing it agreed to was not the comprehensive testing by an industrial hygienist that the homeowners had requested. All of these delays meant, of course, that the family was displaced for much longer than necessary. These complaints were not part of the MCE.

127. The multi-step smoke damage suppression pattern, operated in a coordinated and consistent manner across the claim population, was: (1) verbal denial; (2) Right to Inspect misrepresentation; (3) testing costs charged against Coverage A; and (4) damage assessment downgrades. Each step independently harmed policyholders; together, they systematically denied policyholders the benefit of the smoke damage coverage for which they had paid.

128. State Farm's primary use of Servpro to assess smoke damage also created a structural conflict of interest. Servpro assessments served State Farm's interests in minimizing remediation costs. State Farm used those assessments to override independent hygienist reports obtained by policyholders at their own expense; to add insult to injury, State Farm often refused to

reimburse policyholders for the costs of the independent reports. The MCE noted this conflict of interest and found that State Farm had not taken steps to revise its practices in this regard.[53, 54]

9. State Farm Warned That Wildfire Residue Could Be Hazardous—Then Denied or Discouraged Testing and Adequate Cleanup

129. From at least 2023 through 2025, State Farm advised policyholders through its public website that persons returning to property after a wildfire could be "potentially exposed to hazardous materials that could threaten [their] health and safety." State Farm therefore knew *before* the LA Wildfires that smoke, ash, and wildfire residue could contain hazardous substances requiring appropriate investigation, testing, and remediation.

130. Despite that knowledge, State Farm denied or discouraged requests for industrial hygienist and environmental testing, refused to reimburse policyholders for testing they obtained independently, and charged testing costs against Coverage A limits. State Farm also directed policyholders to preferred restoration vendors that, on information and belief, lacked the certifications, qualifications, and/or expertise necessary to investigate and remediate the hazardous substances reasonably expected to be present following an urban wildfire. Furthermore, State Farm's preferred testing company vendors (primarily Servpro) did not perform all necessary tests to make sure homes were properly remediated.

131. Policyholders with smoke- and fire-damaged homes who could afford to do so paid for their own testing because State Farm would neither send its vendors nor agree to reimburse them. Even after policyholders paid thousands of dollars out of pocket, with little to no factual basis State Farm routinely denied the remediation those tests showed was necessary.

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[53] Cal. Dep't of Ins., Bulletin 2025-7, Insurance Coverage for Smoke Damage and Guidance for Proper Handling of Smoke Damage Claims for Properties Located in or near California Wildfire Areas (Mar. 7, 2025) (Teresa Campbell, Deputy Commissioner and General Counsel); see also Cal. Dep't of Ins., Press Release, "Commissioner Lara orders insurers to fully investigate consumers' smoke damage claims following Southern California fires" (Mar. 7, 2025).

[54] MCE, at p. 35 ("The Company has not taken steps to revise this practice. This issue is unresolved.").

132. One policyholder described to EFSN how State Farm refused to address the lead and other toxins that were found in their home, failed to timely pay their ALE expenses, and refused to pay for replacement of their toxic and contaminated clothing. The family stated, "State Farm is holding $35K in submitted receipts, none of which have been reviewed or reimbursed. State Farm has suggested that we dry clean clothes damaged by lead, chlorine gas, and possibly hydrogen cyanide and put them on our 18-month-old and our 5-year-old with respiratory issues. Despite a positive test for lead in our home, our adjuster has never uttered the word 'lead' in written or verbal form to us. State Farm did not review an initial cleaning estimate for 60 days. State Farm has never responded to 1 of our letters or any of our requests, many of which are starting to get near 60 days old. It has been over 3 months since the fire, and State Farm has done absolutely nothing to help us remediate and restore our home. They have not lived up to their obligations and responsibilities."

133. In another case, State Farm refused to pay for the necessary smoke damage remediation, which would include the safe removal of toxins by licensed professionals, even though the family reported that they were feeling sick when they were in the home. That family is now out of ALE coverage and is being forced to pay approximately $10,000 a month to live somewhere other than their home because State Farm will not help them remedy their smoke damage and toxin issues.

134. These practices kept many policyholders from learning what was in their homes, and steered them toward cheaper, unsafe, and ineffective remediation. Those who obtained their own testing could not get State Farm to cover the necessary remediation. Families remain exposed to health and safety risks; policyholders remain unable to safely return home; and families face homelessness: All so that State Farm can pay less on smoke-and-ash claims.

10. State Farm's Preferred Vendors Withheld Estimates and Produced Lower or Incomplete Remediation Scopes

135. State Farm's preferred-vendor system also operated as an information barrier that benefited State Farm. In multiple smoke-damage claims, policyholders reported that Servpro-branded vendors would not provide them with the estimates prepared for their own properties.

136. One policyholder reported that Servpro told her State Farm would not allow Servpro to show her the remediation estimate despite her repeated requests. In another Eaton Fire claim, the policyholders were informed by Servpro that, since Servpro was not licensed to remediate asbestos, it had submitted an estimate to State Farm that did not include the costs to address the asbestos that the policyholders' testing had found in the property. In a letter to State Farm in March 2025, the homeowner advised State Farm that when she asked Servpro for a copy of the estimate it provided to State Farm for the remediation (which would not have addressed the asbestos), Servpro advised her that it was prohibited by its contract with State Farm to provide her with that estimate.

137. State Farm policyholders' complaints to EFSN corroborate this pattern. An Eaton Fire policyholder reported that State Farm changed adjusters repeatedly and refused to pay to replace HVAC ducts that were filled with ash and soot, and that "[W]e were told by ServPro that State Farm would not let us see the estimate for remediation when I asked several times for it." The policyholder reported PTSD and chronic sinus problems resulting from the contamination and delays. Another Eaton Fire policyholder reported that State Farm sent two different Servpro-branded vendors to inspect her property, and she received no estimate from either: "We have yet to see an estimate from either. No work has started on our home's interior or exterior, which did burn. We have not heard from our SF adjuster since March and what he promised verbally never made it onto any document. This has happened before [,] right as they change [sic] adjusters. Then the new adjuster claims that they do not have any information and can't speak to what the previous adjuster agreed to verbally and the cycle starts anew. This is a blatant delay tactic."

138. California's regulations direct the opposite of State Farm's contractual agreements with its vendor: an insurer must give the claimant every document on which a settlement is based. (Cal. Code Regs., tit. 10, § 2695.9, subd. (d).)

139. State Farm also relied on Servpro estimates that were incomplete or conditional by their own terms. One Servpro location's standard engagement letter, provided to policyholders, explicitly states: "If the presence of asbestos or lead is suspected, Servpro cannot perform any demolition services until an environmental report written by a licensed industrial hygienist is

received. If the client or insurance company is paying directly for testing, the scope and budget will not include the testing fees." Despite these limitations, State Farm simultaneously directed policyholders to use Servpro as its preferred vendor, refused to authorize or reimburse industrial hygienist testing, and used Servpro estimates as final coverage determinations.

140. In complaints to EFSN, State Farm policyholders reported that State Farm's Servpro vendors admitted that they were not properly licensed for abatement of lead and toxins. One policyholder stated, "Servpro ultimately said they couldn't clean our home because they weren't qualified to handle our toxic damage, and that we needed a licensed abatement specialist. State Farm has still not responded to this."

141. In another Eaton Fire claim, State Farm's assigned mitigation vendor, Servpro of Wilshire Center & Cheviot Hills, inspected a smoke-damaged standing structure in Pasadena on January 22, 2025. Servpro's estimate informed State Farm in writing that the work depended on testing State Farm had not authorized: "If the presence of asbestos or lead is suspected, SERVPRO cannot perform any demolition services until an environmental report written by a licensed industrial hygienist is received." State Farm did not authorize or pay for that testing. The policyholder had to commission it at her own expense. When Servpro revised its estimate to reflect the testing paid for by the policyholder, the estimated cost of cleaning the structure increased by 75 percent and the scope of work expanded substantially. How State Farm treated the initial estimate is documented on the estimate itself. It bears line-item annotations, in handwriting that is not the policyholder's, rejecting individual charges under a three-code legend: "NW – Not Warranted," "OS – Over Scoped," and "NC – Not Covered." The dumpster charge for debris disposal is marked "OS." The annotations do not reflect any inspection, testing, or hygienist finding — none had occurred. They reflect a judgment about how much of the recommended scope would be paid for, based on a scope unsupported by testing which had not yet occurred.

142. The MCE documented the same pattern and practice in another claim. Servpro, retained directly by the policyholder in January 2025, provided an estimate of $72,488.30 for smoke damage remediation, including $18,250 for asbestos mitigation. When State Farm subsequently assigned its own Servpro representative to estimate the same damages on State

Farm's behalf, the same Servpro vendor produced an estimate of $44,373.18, roughly 39 percent lower for the same loss. CDI observed that State Farm's use of its preferred vendor "may present a conflict of interest." The asbestos portion of the claim was not resolved until December 1, 2025, nearly a year after the loss.[55, 56]

143. In yet another Eaton Fire case, the Servpro vendor selected by State Farm disclosed, after being notified of a hygienist's asbestos finding, that it "did not have a license to perform asbestos abatement, and they would therefore not be able to perform" the remediation. Prior to making that disclosure, Servpro had already submitted an estimate that, by its own account, excluded asbestos abatement because it lacked the license to perform it. State Farm made its coverage determination on that inadequate, partial estimate — omitting the most expensive remediation the law required, from a vendor that had said it could not do the work.

11. State Farm Delayed or Denied ALE and Left Displaced Families Without Stable Housing

144. Insurance Code section 2060 requires homeowner policies to provide ALE coverage for at least 24 months from the covered loss, plus required statutory extensions. State Farm violated that mandate by a number of ALE-suppression practices, including: (1) delaying ALE validation for months after receiving proof on undisputed total-loss claims; (2) approving housing for periods too short to secure a long-term lease; (3) sending extension letters that explained nothing about what was under review, why payment was withheld, or when a decision would come; (4) paying late, which jeopardized the housing ALE had secured; (5) telling policyholders it would stop paying because the coverage or the two-year period was nearing its end; and (6) misrepresenting the terms of ALE coverage. Each practice pressed policyholders to return to unsafe homes or accept unreasonable offers, and, in some instances, forced them to incur out-of-pocket costs which should have been paid by State Farm.

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[55] MCE, at p. 24.

[56] MCE, at p. 24.

145. The MCE documented ALE suppression patterns including cases where the insureds were not paid timely for their ALE. In one case, although the insured home was completely destroyed and a claim was promptly opened, State Farm refused to validate the claim for more than three months after receiving the lease agreement from the policyholder. State Farm's own internal claim handler communications acknowledged that the insured "should have been, but was not, promptly compensated." State Farm knew its conduct of this type was improper and continued it regardless.

146. State Farm also misrepresented ALE terms to suppress claims. In multiple cases, it told smoke-damage policyholders with standing structures that ALE was unavailable, a misstatement of Insurance Code section 2060's requirements. State Farm made this misrepresentation even after the Insurance Commissioner had notified every admitted and non-admitted residential property insurer in writing that "[w]hether a residence is uninhabitable is not limited to situations where power, water, or sewer systems are disrupted," that "[t]he fact that an area is now accessible does not automatically mean the residences in those areas are habitable," and that "as long as the County's Public Health Advisory remains in effect, policyholders in the impacted areas should continue to receive Additional Living Expenses benefits unless the policyholder chooses to inhabit their residence."[57] State Farm also represented that ALE was "an incurred coverage" requiring out-of-pocket spending before reimbursement, contrary to both the policy and the statute. Most tellingly, State Farm refused as a general practice to advance ALE for smoke-damaged standing structures, but departed from that practice in at least one case once the insured filed a corporate complaint, advancing six months of projected ALE without the documentation it demanded of others. Applying the purported limitation to policyholders who do

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[57] Notice from Ins. Comm'r Ricardo Lara to All Admitted and Non-Admitted Residential Property Insurance Companies Handling Consumer Claims Resulting from Recent Southern California Wildfires, Re: Additional Living Expense Coverage When Homes are Uninhabitable as a Result of 2025 Los Angeles Wildfires (Feb. 14, 2025), https://www.insurance.ca.gov/0250-insurers/0300-insurers/0200-bulletins/bulletin-notices-commiss-opinion/upload/Notice-Re-Additional-Living-Expense-Coverage-When-Homes-are-Uninhabitable-as-a-Result-of-2025-Los-Angeles-Wildfires.pdf (quoting Ins. Code section 2060, subd. (b)(2)).

not complain but not to those who do, shows the "limitation" was pretextual and that State Farm could pay ALE when it chose to.

147. State Farm's ALE suppression reached well beyond what the MCE identified, into practices with no statutory or policy basis at all. Policyholders carried the shortfall themselves. One State Farm policyholder explained their ALE issues to EFSN stating, "It took three letters and an extended period of time to get reimbursed for $17,000 in ALE reimbursements. Meanwhile, they will only approve 1-3 months on ALE at a time because our house is still standing but contaminated, forcing my family of 5 to move every time the period is up. We have moved 12 times so far due to lack of early approval for a longer-term lease compounded by lack of housing availability." Another policyholder explained to EFSN that she had been forced to move to different temporary housing nine times since the fire because State Farm refused to authorize an Airbnb or other rental for a full month. When State Farm finally authorized it, the policyholder had to move to an Airbnb property 40 miles from her home because none closer were available; two months later she moved to a hotel. Yet another policyholder reported that State Farm "delayed everything" and was not "willing to pay for temporary housing" despite the policyholder having ample coverage. The policyholder stated: "[T]hey haven't reimbursed us for our hotel stays and our credit cards [are] maxed out. We are literally going to be homeless."

12. State Farm's Claims Practices Prolonged Displacement and Compounded Survivors' Losses

148. The harms State Farm inflicted extend beyond the financial. State Farm's systematic delays, denials, and misrepresentations imposed concrete physical, psychological, medical, and familial consequences on displaced policyholders, consequences that this Complaint's descriptions of lasting economic collapse and permanent displacement can only partially capture.

149. Moreover, the practices described in this Complaint did not harm policyholders in isolation. The same families were subjected simultaneously to one or more practices, including adjuster churn, testing suppression, underpayment, ALE restriction, document obstruction, and

pressure tactics, each amplifying the others. While egregious in isolation, in combination, these practices were and are even more potent and harmful.

B. The Experiences of Nine Survivors Show the Combined Effect of State Farm's Claims Practices

150. The following claims show how State Farm's systemic practices operated in real policyholders' lives. They are representative examples of the practices that CDI documented, and the People's investigation confirmed: delayed investigations, underpayment, adjuster churn, inaccessible claim contacts, smoke-damage testing suppression, repeated documentation demands, ALE obstruction, refusal to timely pay for the repair of homes resulting in additional damages and costs, and refusal to pay benefits needed for safe housing, remediation, and rebuilding. Across different neighborhoods, claim types, adjusters, and policyholders, the same failures recur. What State Farm calls "file-specific errors" is, in practice, a claims-handling system that unlawfully shifted the burden of disaster recovery onto the policyholders who paid State Farm to protect them.

1. After Six Adjusters and a Threatened ALE Cutoff, an Altadena Policyholder was Forced to Return to an Unrepaired Home

151. An Altadena homeowner insured her home with State Farm for thirty years. Fire damaged her home and the structures around it in January 2025, and she filed her claim the next day. State Farm's initial response was reassuring: "We have got you, you have so much coverage, you will be fine." Within seven days State Farm changed her adjuster, the first of five changes. Each new adjuster made her start over. Adjusters were frequently unavailable; she described them as "always on vacation." When she asked why she had not been paid, a State Farm representative told her that her claim had to be reviewed repeatedly and said: "Get in line, you know how many people haven't been paid." After months of delays and minimal payments of only approximately $19,000, even though her home needed a new roof in addition to other clean-up to address lead contamination, State Farm refused to pay any additional funds. When she learned State Farm's position, she went to the press. Almost immediately, and despite its prior indications that it would not pay her any more money, State Farm began sending additional checks.

152. The homeowner requested a pack-out; Servpro told her State Farm would not cover it. She moved her belongings to a storage unit on the property so they could be cleaned, and State Farm refused to pay for that too. It paid to paint one wall and not the rest, so she paid out of pocket to make the paint match. She is still seeking coverage for personal property destroyed by rain that entered through the roof that State Farm failed to repair, despite her repeated requests for them to do so before the rains came.

153. The same policyholder's claim compounded because State Farm refused to authorize emergency protective measures. When she requested authorization for roof repair before an approaching rainstorm, a State Farm adjuster told her: "If you want a roof, just put it on." The house flooded when it rained. The water damage was the direct and foreseeable consequence of State Farm's refusal to pay for the roof. She also had to spend the first night in her car with her dogs and had to repeatedly move while displaced. State Farm also suppressed ALE coverage before her entitlement was exhausted: her ALE limit was $400,000; she had used approximately $230,000 when State Farm indicated it would stop paying. Under that financial pressure, she rushed back into an unsafe, unrepaired home, and was forced to live with exposed wiring hanging from the ceiling. State Farm then told her she had only six months remaining to recover losses. State Farm covered losses for only one room, did not complete the pool house, and left substantial personal property losses unresolved. She went $14,000 into credit card debt. Her son had to take a leave of absence from college to help. State Farm also refused to cover Servpro's bill in full. State Farm sent only $8,000 to pay Servpro, even though it knew the balance owed to Servpro was $20,000. State Farm maintained that it had sent enough to cover the costs. Servpro placed a lien on her house for the remaining $12,000. She asked repeatedly for an itemization of what State Farm was paying and what it was denying; State Farm never provided one.

2. State Farm Refused to Cover Needed Remediation and Homeowner Now Faces Homelessness

154. A homeowner's smoke-damaged property in Pasadena sat surrounded by burned structures that had spread contamination through the neighborhood. Her floors were covered in black soot and ash. Members of her family were ill for weeks after helping with the initial

cleaning. State Farm assigned her several adjusters. One said she would be around for only two weeks before a long vacation, and never wrote an initial report of the loss. State Farm sent a Servpro vendor, which admitted to her it was not certified to do lead remediation, to estimate the work. Servpro provided a low-ball estimate and told her that it was sufficient to clean her house and then she could return home. She paid tens of thousands of dollars of her own money for independent testing and a remediation scope. An independent company deemed many of her belongings a total loss and recommended structural remediation of the attic and crawl space, ceiling drywall removal, new flooring, and full duct replacement.

155. Despite test results showing toxins and contamination on her property, State Farm has still refused to cover the needed remediation that must occur before she can return and has argued that her home is safe to return to. She has spent considerable money out of pocket both on replacing personal property and on trying to secure proper remediation of her home. Her ALE expired in May, and she now is forced to pay approximately $10,000 a month out of pocket in living expenses for which State Farm will not reimburse her. She faces homelessness and when returning to her property periodically, she has, each time, developed a rash on her face and scalp. She went on medical leave in January 2026 because the burden of managing the claim while working full-time caused depression and anxiety that left her unable to function at work.

3. Five Adjusters and Repeated Documentation Demands Turned a Palisades Total-Loss Claim into a "Full-Time Job"

156. For another total-loss policyholder, the claim became, in his words, a full-time job on top of losing his home. State Farm assigned five adjusters. Its initial structural estimate came in at roughly $200 per square foot for a total of around $655,000—so far below market that he had to commission a 100-page counter-estimate, at his own expense, to answer State Farm's, which also was around 100 pages. Having told State Farm in April 2025 that its rebuilding estimate was inadequate, he retained a licensed California contractor to prepare a complete independent scope of loss and transmitted it to State Farm on May 17, 2025. The result showed that State Farm had attempted to withhold well over $1,200,000 (considering the main dwelling alone) based on his estimate from an independent contractor. That contractor estimated the following amounts:

$1,859,921 for the main dwelling, $165,797 for other structures, $128,118 for trees, shrubs and landscaping, and $208,240 for code upgrades. He asked State Farm to confirm in writing whether it agreed with the building expert's scope of loss and accepted the reports as an accurate measure of indemnity, and he set a response date of June 1, 2025. The only event that moved his claim forward was a formal CDI complaint filed in September 2025. State Farm did not respond within the required 21 days. State Farm began calling him about a week after he filed. It did not acknowledge the complaint until roughly two months later, and, according to his records, dated that acknowledgment and the accompanying payment to appear as though both had preceded the complaint, a misrepresentation of the claims record to the regulator. The bulk of his structural payment, $1.61 million, did not arrive until November 2025, eleven months after the fire and only after CDI intervened. Amounts still remain outstanding as of this filing, including Building Ordinance coverage.

157. State Farm also refused to timely and adequately pay his contents claim. He submitted a detailed inventory on March 9, 2025. State Farm acknowledged receipt and requested clarification on 20 items on April 1, 2025, promising resolution by June. In July 2025, State Farm requested clarification on 30 more items. A new adjuster was then assigned. From that point until September 2025, nothing happened and the undisputed personal items were not paid for. State Farm then denied coverage for his wife's medical-grade wigs, which she required because she had cancer. He spent hundreds of hours itemizing because State Farm wanted purchase date, price, age, and value for every item, and receipts for the larger ones, which had burned in the fire. State Farm did not pay his contents until November 2025, roughly a week after a supervisor called him following his CDI complaint, and then paid to the policy limit, once it saw that his documented loss exceeded the limit by a wide margin. The itemization State Farm had demanded for months could not have changed what it owed.

158. August 2026 is the last month for which State Farm will provide him with ALE coverage, even though rebuilding of his home has not even started because of State Farm's delays and denials. He had a weekly standing call with State Farm adjusters, who he described as pretending the calls would get things moving. They did not. He has only recently been able to

begin permitting. State Farm's delays kept him from starting before November 2025, when it finally agreed to pay after his CDI complaint. He then needed an SBA loan, which he could not begin to pursue until the money from State Farm arrived. He estimates the delay set his return home back roughly 18 months; neighbors paid promptly by other carriers have already rebuilt and returned home. Until the CDI complaint brought him a new adjuster, none of the previous ones moved the claim, though he insisted on weekly calls and answered every request for information almost immediately.

4. State Farm Reversed Its Remediation Scope Using Photographs of Another Policyholder's Home

159. Another State Farm policyholder's Altadena home suffered smoke damage. On January 31, 2025, a State Farm adjuster inspected the property. The policyholder recorded the inspection on video. The adjuster confirmed that full demolition to the studs was the appropriate remediation, and State Farm's twenty-one-page estimate said the same. State Farm handed her that report on March 15, 2025, at the John Muir pop-up site, and told her to get a contractor's estimate. She obtained an estimate and provided it to State Farm on April 2, 2025. Shortly thereafter, State Farm assigned a new adjuster who refused to consider the estimate, repeatedly threatened to cut off her living expenses, and pressed her to return home and accept a general Servpro cleaning. Rather than replace the drywall, State Farm sent her its report with the photographs stripped out. The adjuster told her the attic looked pristine. It did, but the photographs were of a different house, and State Farm had stripped them from the report it shared, so she could not see that. She asked for her claim file for six months. State Farm refused, and documents she knows exist, including emails, are still missing from what she finally received. During a period of approximately eight months, State Farm assigned her four to five adjusters.

160. On June 6, 2025, the earliest appointment she could get, she paid over $21,000 for her own testing. The resulting 195-page report found lead at 800 times the safe level and lithium. State Farm reversed its own adjuster's total-loss determination—no new site visit, no new testing, no written explanation—and demanded she return the report by a fixed date. She complained to the CDI. Days later State Farm added a few hundred dollars across several line items. It dissected

her testing invoice, and reimbursement took months. It cut off her additional living expenses for two months, leaving her approximately $40,000 out of pocket. The adjuster required her landlord to sign a monthly rent invoice that her policy did not require, and for approximately six months she had to obtain that signature and prepare an invoice herself to show the rent she paid to her landlord before State Farm would pay. The adjuster continued to press her to accept a Servpro cleaning. State Farm's vendors withdrew one after another when she asked for the licenses the removals required. State Farm did not send a certified hygienist until January 14, 2026. The adjuster refused to discuss what protective equipment his vendors wore, and State Farm asked not to be copied on the homeowner's emails asking vendors to wear equipment to protect themselves. When the hygienist found higher lithium levels than the homeowner's own testing had found, State Farm paid a firm to rebut its own hygienist. The rebuttal report recommended taking the cheaper course of cleaning despite conceding that cyanide, which was found in drywall samples and wall cavities across the dining room, hallway, office, primary bedroom, and other interior locations, cannot be cleaned from drywall.

161. Nineteen months after the fire, State Farm is sending another tester. State Farm has already said, however, that, because the attic has cap plates, it will likely not approve drywall removal. State Farm has paid $56,058 under Coverage A. An independent licensed contractor's remediation scope exceeded $1,000,000, and her Coverage A limit is $569,274. When she finally obtained a copy of her claim file, approximately 6 months after requesting it, it ran to 5,938 pages. In it she found a previously undisclosed desk review State Farm had commissioned to attack her hygienist's report and that the adjuster assigned to her claim held an expired license.

162. The documentation submitted in connection with her claim was compromised from within. The Servpro documentation included photographs of a different policyholder's attic, not her property, and used black-and-white photographs that obscured the extent of visible contamination. The certified industrial hygienist she retained found lead at approximately 800 times the applicable screening standard, along with beryllium, cyanide, and lithium. State Farm then commissioned its own vendor to rebut those findings. The rebuttal report theorized that the contaminants predated the fire because her family smoked, or because of soil contamination

from 41 years earlier. State Farm offered no factual basis for either, and despite the fact that she disputed both: no one in her family smoked, her home had been fully renovated five years earlier, and the policyholder's testing identified a form of cyanide inconsistent with that explanation; and, she knew of no prior contamination. State Farm's rebuttal report also asserted that the applicable EPA standards were less stringent because no children lived in the home. State Farm circulated the rebuttal report to its vendors without disclosing it to the policyholder and continues to refuse to consider her industrial hygienist's report on the ground that it is "biased."

163. State Farm eventually accepted a total loss on her contents because of the lithium but refused to apply the same standard to the gypsum, notwithstanding third-party documentation that the structure was unsafe.

164. She has also faced issues with State Farm timely paying her ALE and has had to pay out of pocket.

5. State Farm Denied Testing and ALE to a 97-Year-Old Policyholder Who Could Not Return Home

165. The daughter of a 97-year-old Palisades resident filed and managed the claim on his smoke-damaged home. He had owned it for decades. It stood within 250 yards of burned structures, the radius of the County Health Officer's February 11, 2025, Public Health Advisory. Smoke and ash infiltrated the 1960s structure. State Farm refused to authorize or pay for environmental testing, telling the family that if they wanted testing, they could pay for it themselves. The remediation contractors she consulted told her they could not begin cleaning without knowing what contaminants were present, because lead, asbestos, and other toxins require different protocols. State Farm sent two checks of roughly $10,000 to $11,000 for cleaning but would not authorize the testing that contractors called a prerequisite to cleaning safely. Father and daughter have been afraid to cash the checks, fearing State Farm would treat it as grounds to deny additional amounts it owes. The daughter's attempts to reach State Farm have met structural inaccessibility. One documented call put her on hold for two hours and fifty-six minutes before disconnecting her without her ever reaching a person. Her father had a stroke shortly after the fire and has been declining since. He has never been able to return to his home. State Farm refused to

cover his living expenses through ALE because it required the lease to be in his name, a condition his landlord would not accept because of his age and lack of independent credit, requiring his daughter to sign the lease and pay. As of summer 2026, the home had not moved toward repair, and her 97-year-old father had not returned to it. She wrote to State Farm: "The insurance victim here is a 97-year-old man who just wants to return to his precious home to live out his remaining years… this would be elder abuse."

6. Palisades Fire Survivor with Heat Damage: Bad-Faith Inspection, Valuation Gap, and Unqualified Adjusters

166. A Palisades homeowner and engineer by profession built his home himself—a six-bedroom, seven-bathroom custom structure with Venetian plaster, sealed stone, and specialty materials designed to withstand seismic forces. He valued his home at $7 million to $8 million before the fire. His property did not burn, but it was subjected to intense heat in the surrounding fire zone, heat that he assessed at over 1,000 degrees. These temperatures cause structural damage to drywall, stucco, stone, and embedded components even without direct combustion. State Farm sent a structural engineer whose report characterized the damage as "just visual" and recommended that he "wash with water and sweep out lead." An independent general contractor subsequently assessed the damage at nearly $3 million. State Farm's position remained that the property just had to be washed. State Farm compounded the investigative failures by deploying unqualified adjusters. One was out of state, had no California wildfire experience, had not read the claim documents, and taxed labor in the estimate—an error the homeowner caught and spent three hours correcting. State Farm then replaced her. The adjuster State Farm retained to review the lead findings was a former State Farm vendor seeking to return to State Farm's approved vendor list, a conflict of interest that the policyholder documented. State Farm representatives, when pressed, acknowledged that they had "not actually looked at the house." As of the filing of this Complaint, he had lived in a hotel for sixteen months, paying out-of-pocket while State Farm failed to timely process ALE reimbursements. He had not reached agreement with State Farm on the scope of covered loss despite retaining multiple professionals to document it. He was, simultaneously,

managing reduced work capacity because his time was consumed by the claims process. He remains displaced to this day.

7. State Farm Refused Lead Testing in a Home with Two Young Children, Offered $38,000, and Later Agreed to Pay Roughly $300,000

167. State Farm refused this policyholder's request to test his Altadena home for lead and other toxins, although a one-year-old and a five-year-old lived in the home and spent their time on the floor, where the exposure was. Servpro inspected the home for fire and ash damage days after the fire. The State Farm adjuster then told him State Farm would cover no testing at all, and that Servpro would perform a basic cleaning for $38,000. The policyholder hired his own firm and paid $3,575 out of pocket for lead and asbestos testing. The testing found elevated lead throughout, including levels four times the normal limit in the area where his children played. He received the report on February 17, 2025, and submitted it to State Farm shortly afterward.

168. On March 27, 2025, the policyholder called Servpro. Servpro's representative told him that State Farm had not identified any potential lead exposure, although State Farm had held his report since February, and that Servpro was not qualified to remove lead. He then paid more than $7,600 for an industrial hygienist to review the results, test further, and recommend remediation. State Farm denied payment, after repeated requests later reversed itself, and took 150 days to issue the first reimbursement. After he said he was testing on his own, State Farm sent a "lead inspector" who tested the front and back doors only, not *every* room, as a home with a child in it requires. The adjuster, rather than a qualified lead specialist, set the scope of testing. The policyholder questioned the validity of the testing and State Farm later retracted that report.

169. State Farm took seven to eight months to respond substantively to the reports his experts prepared. That delay postponed remediation and has kept him displaced to this day. Small payments began in the summer of 2025, together amounting to less than a quarter of the eventual repair cost. He expects to exhaust his additional living expense funds before the home is remediated. In total, State Farm took fourteen months to respond fully to his outstanding requests and to pay the testing and remediation amounts he needed to begin the rebuild. Twice State Farm owed him more than $40,000 in living expenses, testing, and other costs and took more than forty

days to pay. On his pantry loss alone State Farm took 100 days to pay, despite raising no objections to his request at all. Throughout, the adjuster pressed him to accept the cursory Servpro cleaning State Farm had insisted on from the start, which he understood to be the point of the delay.

170. State Farm also told him his policy did not cover fire-related lead damage, a false statement of coverage it maintained for seven months, during which it steered the family toward cleanup methods the policyholder documented as "unsafe and illegal under California lead laws." State Farm's own initial spring 2025 testing did not meet standards. That fall it sent the homeowner's independent report out for a third-party desk review. When State Farm finally tested, as described above, its vendor took two wipe samples, near the front and back doors, below the state's minimum legal standard for lead testing, as the policyholder documented. State Farm then sent the family a claim summary letter that represented it had "inspected" the HVAC system, cabinets, soil, and windows, none of which had ever been inspected.

171. When State Farm sent the homeowner's information to its own vendor for a desk review, the vendor suggested the lead might simply have been tracked in from outside. On November 17, 2025, days after Los Angeles County announced its investigation, State Farm reversed itself. It admitted for the first time that much of his personal property could not be salvaged. It agreed to cover pack-out, electronics, and post-remediation testing, and to pay roughly $300,000 for coverage it had denied.

172. Remediating the structure will cost approximately $400,000. State Farm had tried to persuade the policyholder to take $38,000, without conducting any substantive testing. It offered $12,402 for the contents of his house; his contents losses come to approximately $300,000. In total, had the policyholder accepted State Farm's initial offers, he would have recovered only $50,000 of the $700,000 to which he was entitled. He, too, faced a rotation of adjusters. Like others, the rotation stopped and his claims drew serious attention only after it became clear that he was a public advocate for fire survivors who had contributed to newspaper coverage of how insurers were treating them, and immediately after the County announced its investigation.

8. For Seventeen Months, State Farm Undervalued the Costs of Rebuild and Underpaid Required ALE Payments

173. An Altadena couple sustained a total loss. State Farm visited their destroyed property on January 30, 2025, and produced a Coverage A estimate of approximately $350,000, roughly $250 per square foot. Their independent contractor's reconstruction estimate was $795,000. State Farm confirmed receipt of the contractor's estimate in March 2025 and told them it was "still working on it." As of June 2026, seventeen months after the fire, State Farm had still not revised its estimate. The couple was forced to retain a public adjuster at their own expense because State Farm refused to properly compensate them for their loss. State Farm communicated with them by telephone and declined to respond in writing. With State Farm's estimate far below the cost of reconstruction and State Farm unwilling to revise it, the couple could not know whether they would have enough to rebuild, and so could not commit to a builder. By the time they could sign a construction contract, costs of rebuilding had risen another $65 per square foot. In order to be able to sign the construction contract, they had to take out a Small Business Administration disaster loan so that they would have a cushion while they waited to see if State Farm would finally agree to pay them the money to which they were entitled.

174. Their ALE experience shows the same underpayment. State Farm issued their checks sometimes every two months rather than monthly, and their payments regularly fell $500 to $1,500 below their covered expenses, shortfalls the couple could see, because they held the lease and knew what was due. State Farm also paid late. As recently as June 2026, State Farm did not send the rent due on the first of the month; the couple had to telephone State Farm to ask where the payment was, and, even then, no check issued until June 19, 2026, by which time the rent was late. State Farm also made an unreasonable 65 percent close-out settlement offer on the overall claim. They declined, and continued to carry simultaneous mortgage, rental housing, and reconstruction costs without the full ALE coverage their policy requires. As with other State Farm policyholders, the only response came through outside pressure. One of them raised the claim with a senior federal official at a recent public event in Altadena and gave their policy number. By 9:00 a.m. the next day, after eighteen months of nonpayment, State Farm agreed to pay that day and

offered to hand-deliver four checks. The delay had already cost them. Neighbors insured by other carriers were moving into rebuilt homes; this couple still faces a long reconstruction, at prices higher than they would have paid had State Farm paid on time.

9. State Farm Delayed Remediation for Eleven Months and Contents Payment for Seventeen Months

175. An Altadena smoke-damage policyholder's household includes an autistic child and an adult family member with a respiratory illness, a vulnerability State Farm knew or should have known about through its claim records. An independent certified industrial hygienist recommended discarding all contents of the home due to confirmed lead and asbestos contamination. State Farm delayed contents payment for seventeen months before making a partial payment that did not cover all of the policyholder's losses. State Farm delayed remediation authorization for eleven months, keeping the family displaced during a period when their autistic child's condition and the other household member's respiratory illness made the displacement particularly harmful.

176. Throughout the claim process, State Farm refused to allow call recording despite the family's repeated requests. This refusal served a consistent function: State Farm adjusters made verbal commitments that went undocumented and were later denied or reversed when personnel changed. Without a recording, every dispute over what State Farm had promised became a credibility contest the family was bound to lose, leaving a vulnerable household with delayed remediation, suppressed contents payment, and no way to hold State Farm to anything it had said. The family reported the adjuster to the Department of Insurance and was assigned a new adjuster who was more cooperative. The report to CDI coincided with the family being featured in the Los Angeles Times with pictures and other information about their situation. They remain displaced and were only able to start construction in July 2026 after getting sufficient Coverage A funds to at least start construction, something that only occurred after escalating their complaints to CDI and the press. Once they made a large payment towards construction, they were switched to a new adjuster. Since being re-assigned, the family has not seen any new payments. They are still short approximately $10,000 required to complete construction. Their standing structure is surrounded

by total losses already rebuilt. Construction is estimated to take three to six months. They are still receiving additional living expenses, which will run out at approximately the two-year mark, and State Farm is disputing those expenses because the policyholder had to relocate to Northern California, returning to the Altadena property only to maintain it.

C. State Farm Promised Prompt, Reliable Claims Service and Coverage for Losses Caused By Fire and Smoke, but Its Claims Practices Did Not Match Those Representations

177. State Farm advertised and represented to California consumers throughout the relevant period on its website, in television and print advertising, by direct mail, through its agents, and in its policy documents. It said, or led consumers to understand, that it would do the following after a covered loss: provide timely, thorough, full-value coverage, claims handling, personal-property valuation, and rebuild support; investigate claims promptly and fairly; pay the full replacement cost or actual cash value of covered losses without improper depreciation; provide additional living expenses during displacement; cover the smoke remediation and hygienist testing needed to determine the scope of loss; and honor every obligation the California Insurance Code imposes on it.

1. Before the Fires, State Farm Promised Prompt, Reliable Claims Service and Industry-Leading Catastrophe Response

178. State Farm advertised for years before the fires. Through its website, television and print advertising, social media, direct mail, agent representations, and policy documents, it told homeowners that it had the personnel, the financial resources, the claims infrastructure, and the institutional commitment to respond promptly and effectively when catastrophe struck. That was the pitch to buy, renew, and keep a State Farm policy. State Farm repeated it at every sale and every renewal.

179. State Farm promoted its services under the representation that it was "Here to Help Life Go Right®." State Farm explained that this brand platform was "centered on the idea that as good neighbors, State Farm is also here to help people live and plan for the lives they've envisioned," and stated that the campaign would be disseminated to consumers across "broadcast,

digital, social, sponsorship/experiential and direct" platforms.[58] State Farm also represented that its mission was "to help people manage the risks of everyday life, recover from the unexpected and realize their dreams."

180. State Farm later tied that same brand platform directly to catastrophe response. In September 2018, State Farm announced that "[n]ew national and local commercials" had been created "as part of the State Farm response to catastrophes." State Farm represented that the commercials were based on "how the human spirit shines brightest during adversity" and "**how State Farm has the best team in the industry when it comes to responding to catastrophes**."

181. State Farm repeatedly represented that prompt assistance to disaster victims was its priority. In April and May 2024, State Farm publicly stated that its "**priority is taking care of our customers' needs as quickly as possible as we begin the recovery process**," that "[c]atastrophe claims adjusters and support members are deploying and arriving on-site," and that "[c]atastrophe claim teams will be actively making contact and providing initial claim handling efforts for our impacted customers with a focus on the most severe losses."

182. State Farm also represented that its disaster response included trained claims specialists, centralized support, in-person assistance, and immediate community outreach. In May 2024, State Farm stated that its response to severe tornado damage in Iowa and surrounding areas included "teams of claim specialists trained in disaster response traveling in to evaluate damage on site," "thousands of employees in centralized care centers across the country helping answer customers' questions and file their claims," and a Customer Response Unit that "responds immediately following a disaster" to provide "in-person contact and assistance to those in need." State Farm represented that it was "there to help residents during this first and critical step on the road to recovery."

183. State Farm likewise represented that it maintained industry-leading catastrophe-response capabilities. In communications concerning Hurricane Ida, State Farm

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[58] State Farm® Launches Refreshed Brand Platform, State Farm Newsroom (June 2, 2016), https://newsroom.statefarm.com/state-farm-launches-new-brand-platform/.

represented that it was bringing "the largest disaster response in the industry," consisting of "people, technology and resources, all working together to provide exceptional service to policyholders and support to the community." State Farm further represented that its catastrophe-response work would continue "until every last claim has been handled."

184. State Farm made the same representation about individual claim handling. On its consumer claims page, State Farm told policyholders: "What we do[:] **Your claim handler will determine if your claim is covered, and the cost of any covered damages. If you're due a settlement, your claim handler will work to get you your money, less your deductible, as quickly as possible**." State Farm was making that representation to California consumers as of December 4, 2024, one month before the LA Wildfires.

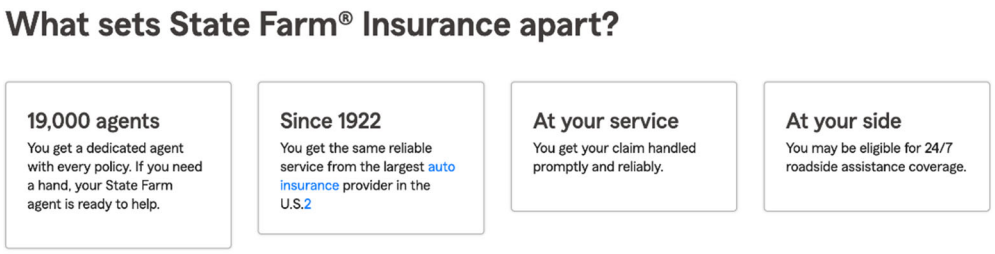
185. State Farm coupled these claims-service representations with express assurances concerning its financial ability to perform. In April 2020, State Farm represented that, "[a]s the national leader in auto, home, and individual life insurance," it possessed "the financial strength necessary to help millions of customers and communities recover from the unexpected," and that it was "well-positioned to keep our promises now and in the future."

186. State Farm made similar financial-strength representations in 2022. State Farm's Chief Financial Officer stated: "For nearly 100 years, State Farm has been there to help our customers prepare for and recover from the unexpected." State Farm also represented that it had "helped customers recover from another year of catastrophic events," and that it had entered its hundredth year with "financial strength and record growth in our auto, home and life insurance businesses."

187. State Farm reinforced those representations by invoking its market dominance and corresponding leadership obligations. In wildfire-preparedness communications, State Farm represented that, "[f]or State Farm, the largest home insurer in the U.S., it is important to us to take a leadership role in helping homeowners stay safe and better protect their property." State Farm repeated that same representation the following year.

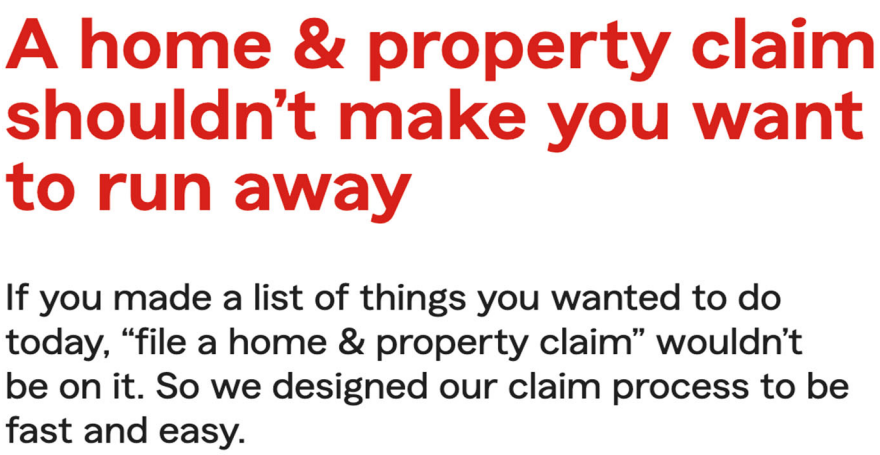
188. The website carries misleading representations to this day. State Farm claims on its website, and claimed in 2024, that customers get a "**dedicated agent with every policy**;" that **"[i]f**

you need a hand, your State Farm agent is ready to help;" and that they will have their "**claims handled promptly and reliably**." In its section on bundling home and auto insurance, State Farm has made the following representations below on its website since at least December 2024 and continues to make them as of August 2026:



These statements and representations falsely promise consumers that State Farm will deliver timely, accessible, continuous, and full-value claims service after a covered loss. Following the devastating LA Wildfires, State Farm failed to live up to its promises—it manifestly did not provide survivors timely, accessible, continuous, full-value claims service after their covered losses.

189. State Farm's website also claimed that filing a home and property claim is "**fast and easy**." In fact, obtaining payment for lost personal property alone took some policyholders hundreds of hours, policyholders repeatedly reported being ignored by adjusters and having to wait many months (or over a year) for responses, and many claims remain unresolved a year and a half later. To get the coverage they were owed, policyholders had to (1) spend substantial time and money on third-party testing for which State Farm refused to pay; (2) hire public adjusters; (3) locate and pay contractors to prepare estimates rebutting State Farm's low-ball offers that sometimes ran 100 pages of line items inconsistent with the actual cost to repair or replace their property; and (4) endure onerous processes and repeated unjustified denials to get reimbursements for ALE expenses they were entitled to. The website claimed, and continues to claim, that:



190. State Farm also made additional claims on its website about helping people recover quickly and efficiently in connection with their personal property claims. It stated: "We are dedicated to help you recover your losses quickly and efficiently. If you have a State Farm® claim that involves significant personal property damage, you can use content inventory aids we have available to guide you during your loss recovery." Contrary to these representations, as described above, State Farm imposed onerous inventory requirements on policyholders and the process of recovering losses was anything but quick or efficient.

191. State Farm's representations were material to homeowners purchasing, renewing, and maintaining State Farm homeowners insurance. A reasonable consumer would understand State Farm to be representing that, after a catastrophic covered loss, State Farm would promptly deploy sufficient and qualified claims personnel; promptly contact affected policyholders; prioritize severe losses; guide policyholders through the claims process; conduct timely and adequate investigations; communicate coverage decisions clearly; and use its asserted financial strength and industry-leading catastrophe infrastructure to pay covered benefits without unreasonable delay.

192. These reasonably-held beliefs, which State Farm induced and encouraged through its representations, were false.

193. The representations were misleading because State Farm did not disclose what stood behind them. Its organizational practices, staffing decisions, investigation standards, supervision, and claim-payment protocols could not deliver the prompt, proactive, effective

catastrophe service it advertised. What policyholders got after the LA Wildfires was the opposite: repeated adjuster reassignments, delayed and inadequate investigations, deficient communications, discouraged and suppressed smoke-damage testing, offers untethered from policy limits and the actual damage, late and insufficient additional-living-expense payments, underpayment of covered losses, and denials delivered verbally or without explanation.

194. State Farm's specific, falsifiable representations, alleged above and below, were seen or heard and understood by consumers in the context of a misleading overall net impression created by State Farm's mission statement, ubiquitous "Good Neighbor" brand messaging, and other more general representations. Taken together, these statements and representations created the overall impression for the consumer that State Farm would deliver timely, accessible, continuous, and full-value claims service after a covered loss, an impression that was false and misleading in light of the practices alleged herein.

195. In 2024 during the Superbowl, State Farm ran an advertisement (ad) entitled "Like a Good Neighbaaa" where Arnold Schwarzenegger plays "Agent State Farm." In the ad, there is a video of him heroically rescuing puppies and a pregnant woman from a blazing inferno and delivering the signature "like a good neighbor" line. The ad took the top spot in the USA Today Ad Meter. This commercial contributed to the net impression of fire victims being able to rely on State Farm to go above and beyond what anyone would expect from an insurer.

196. State Farm also produced a television commercial called "Nightmare." A ghost appears to a couple staring at major roof damage, tells them she deals with "real nightmares," and says all they need to do is sing the State Farm jingle. They sing it. A State Farm agent materializes and says, "I can help with your claims. We're here when you need us." The advertisement does not claim that jingles summon agents. It does create the net impression that State Farm sought to convey: that an agent is there the moment you need one, and that even a destroyed roof is nothing to worry about, because State Farm will handle it.

197. Even State Farm's mission statement is a representation about the nature and quality of its services, directed at California consumers to induce them to buy and renew

homeowners policies. The phrase, "Recover from the unexpected" reads as an operational commitment that when an unexpected covered loss occurs, State Farm will facilitate recovery.

198. A reasonable consumer would have formed the net impression that State Farm would timely and efficiently help them recover from an unexpected covered loss and would have understood more specific claims and representations from State Farm in the context of that overall net impression. Indeed, numerous complaints to EFSN specifically addressed the broader promises made by State Farm when detailing the company's manifold failings, complaining, for example: "like a 'bad neighbor,' State Farm is not there;" "State Farm should be restoring our home to pre-fire condition. That's what our contract says, and that's what we have been paying for. We feel ignored, exhausted and fear financial ruin and we fear for our future. If this is 'A Good Neighbor,' I'd hate to meet a bad one."

2. State Farm's Policies Contained False and Misleading Representations About the Scope of Coverage That They Did Not Fulfill

199. State Farm's homeowners policies marketed and sold to LA Wildfire survivors before the fires also contained false and misleading representations. These documents made specific representations that, in the event of fire, State Farm would pay, up to policy limits, for losses to a policyholder's dwelling; for damaged or destroyed personal property; and for additional living expenses incurred by the policyholder as a result of being unable to inhabit their residence. For example, these documents contained representations from State Farm that: "***We*** will pay for accidental direct physical loss to the [dwelling and other covered structures], unless the loss is excluded or limited [in the policy];" "***We*** will pay for accidental direct physical loss to [personal property] caused by the following perils . . . 1. **Fire or lightning**. . . . 7. **Smoke**, meaning abrupt and accidental damage from smoke;" and "When a ***loss insured*** causes the residence premises to become uninhabitable, we will pay the reasonable and necessary increase in cost incurred by an ***insured*** to maintain their normal standard of living . . ." (emphases in original). Policyholders reasonably relied on the explicit language of these policies in purchasing these policies and paying premiums to State Farm, for decades in many cases. In fact, as demonstrated by its response to LA

Wildfire claims, State Farm did not intend to provide this coverage when the covered disasters actually struck.

3. After the Fires, State Farm Continued to Promote Its Claims Service While Wildfire Claims Remained Unresolved

200. Even after the LA Wildfires, State Farm has continued to make misrepresentations about its business practices to California and Los Angeles County consumers and to Eaton and Palisades fire survivors.

a) State Farm Promised "Fewer Handoffs, Fewer Repeated Explanations, and Seamless Support"

201. On April 22, 2026, State Farm General publicly announced "5 commitments" to customers affected by the Los Angeles wildfires. State Farm represented that it would: (i) assign "single points of contact," provide "fewer handoffs, fewer repeated explanations, and seamless support," and give customers direct contact information; (ii) communicate in "clear, consistent, plain-language" terms; (iii) help customers "rebuild stronger and prepare for the next wildfire;" (iv) protect "the financial strength needed to keep our promises;" and (v) act as "a long-term partner in recovery and community rebuilding."[59]

202. Those statements were specific representations about State Farm General's claims-handling services for the very LA Wildfires claim population at issue in this action. They were not abstract brand statements. They promised concrete features of the claims process: continuity, direct access, reduced repetition, clear communication, rebuilding support, and long-term claim assistance.

203. Those representations were untrue or misleading. As alleged herein, policyholders faced repeated adjuster reassignment, unreachable contacts, inoperable phone systems, repeated demands to resubmit information, opaque intake problems, unclear calculations, delayed

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[59] State Farm Remains Committed to California Recovery, State Farm, Apr. 22, 2026 (https://newsroom.statefarm.com/state-farm-remains-committed-to-california-recovery/) (last visited Aug. 7, 2026).

payments, and unresolved claims that prevented rebuilding. State Farm's promise of fewer handoffs and fewer repeated explanations was contradicted by an operation that forced policyholders to start over with successive adjusters and repeatedly supply documentation State Farm claimed not to have, could not open, or failed to credit.

b) State Farm Promised "Faster Callbacks," "Clearer Letters," and a "Path Forward" for Stalled Claims

204. On May 22, 2026, State Farm published a public letter by Axel Del Cid, Vice President, California Customer Relations for State Farm General, entitled "Los Angeles Is Home—and I'm Here to Help It Rebuild Stronger." In that letter, State Farm represented that: (1) its California wildfire recovery work was focused on giving customers "answers, support, and progress you can feel;" (2) State Farm's "nearly 200" claims professionals were "still here, on the ground, working to help customers and answer questions;" (3) State Farm was focused on "[f]ewer handoffs," on "[c]lear communication" through "updated letters and outreach so customers know what to expect and what happens next," and on "[a] path forward when something feels stuck or unclear;" (4) dedicated employees had been "staying in contact with the customers we're serving;" and (5) State Farm's recovery efforts would include "empathy, listening and a long-term commitment to the people affected." State Farm further represented that it was listening to customers and acting on what it heard by focusing on "fewer handoffs," "faster callbacks," "clearer letters," and a "path forward when something feels stuck or unclear."[60]

205. The representations were untrue or misleading because they described precisely what State Farm's wildfire policyholders were not getting. What they got is alleged throughout this Complaint: repeated handoffs, unreachable adjusters, contact channels that did not work, unexplained delays, documentation demanded again and again, letters that clarified nothing, late or inadequate ALE payments, suppressed and denied smoke testing, and claims left open and

[60] Axel Del Cid, Los Angeles Is Home–and I'm Here to Help It Rebuild Stronger, State Farm Newsroom (May 22, 2026), https://newsroom.statefarm.com/los-angeles-here-to-help-it-rebuild-stronger/.

unpaid while families could not remediate, rebuild, or come home. The promise of answers, support, progress, fewer handoffs, faster callbacks, clearer letters, and a path forward was likely to deceive. It recast a continuing claims breakdown as a customer-support initiative.

206. State Farm's post-LA Wildfires representations are independently actionable under the FAL and the UCL. They are continuing misrepresentations about the nature, quality, accessibility, and reliability of State Farm's claims service. They also establish knowledge. By the time State Farm made many of these statements, it had received extensive policyholder complaints and was under regulatory scrutiny. It knew, or should have known, that its public claims-service narrative conflicted with what a substantial number of its policyholders were living through. The People plead these statements as independent bases for civil penalties and injunctive relief, and as evidence of knowledge.

c) Four Months After the Fires, State Farm Told Congress It Paid Claims "Promptly, Courteously, and Efficiently"

207. On May 13, 2025, State Farm Operations Vice President Michael Keating testified under oath before the United States Senate Homeland Security and Governmental Affairs Subcommittee on Disaster Management. Four months had passed since the LA Wildfires. The claims practices the MCE would later document were producing violations across State Farm's handling of LA Wildfires claims as he spoke. In his prepared testimony, Keating said State Farm's commitment is "to ensure that we pay our policyholders what we owe under the terms of their policy promptly, courteously, and efficiently."[61] That was a public representation about how State Farm was handling claims at that moment, made by a senior officer, under oath, on the record, and widely reported in the national media. United States Senator Josh Hawley later called those words "an empty promise," after Missouri tornado victims reported the same slow-walking, low-balling, and denial that CDI documented in the LA Wildfires claims.[62]

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[61] Testimony of Michael Keating, Operations Vice President, State Farm, before the U.S. Senate Comm. on Homeland Security & Governmental Affairs, Subcomm. on Disaster Management, District Assistance, and Federal Stewardship (May 13, 2025), at p. 1.

[62] Testimony of Michael Keating, Operations Vice President, State Farm, before the Subcomm. on

208. In the same testimony, Keating adopted State Farm's mission statement as a factual description of the company's operations, testifying: "our mission for over 100 years has been to help our policyholders manage the risks of everyday life and recover from the unexpected." State Farm thus does not treat its mission as aspirational branding—its senior claims officer presented it, under oath, as what State Farm does. Keating also testified that State Farm receives about 30,000 claims a day and described its approach as one in which it will "listen carefully, show empathy, investigate thoroughly, and pay what is owed under the terms of the policy."

209. Keating's testimony is a public representation, to policyholders, legislators, and the public, about the quality and character of State Farm's claims service, and it is direct evidence that State Farm knew its representations were false. A senior officer's sworn testimony that claims are paid "promptly, courteously, and efficiently," made when State Farm's practices produced a 52 percent violation rate in a random sample of its own files in addition to a reported 82 percent dissatisfaction rating by State Farm Policyholders who participated in the Department of Angels survey, shows the representation was knowingly false within the meaning of Bus. & Prof. Code section 17500. A reasonable consumer, or a policyholder following the Senate hearing, would likely be deceived by that sworn assurance when the actual practice was to delay, suppress, and misrepresent.

210. At the same May 13, 2025, hearing, Subcommittee Chairman Josh Hawley read into the Congressional record the statement of a whistleblower identified as a longtime State Farm employee adjuster. The whistleblower stated: "I observed routine and deliberate underpayment of claims, including the consistent removal or alteration of essential line items. These were not occasional discrepancies but part of a broader and consistent pattern of lowballing estimates." The whistleblower further stated that "[m]ore concerning was the alteration and deletion of factual findings in my reports," describing cases in which documented damage warranting full

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Disaster Management, District of Columbia & Census, S. Comm. on Homeland Security & Governmental Affairs (May 13, 2025), at pp. 1-2; https://www.hawley.senate.gov/wp-content/uploads/2026/04/2026-04-15-Hawley-Letter-to-State-Farm.pdf.

replacement was changed to reflect "piecemeal spot repairs, contrary to manufacturer specifications and professional standards," and stated a fear of retaliation, noting that "[o]thers before me have experienced severe consequences for speaking out."

211. The whistleblower did not tie his account to the wildfire claims, or to any particular loss event. But what he described from inside State Farm's claims operation—routine and deliberate underpayment, line items removed and altered, adjusters' documented findings changed by others in the company—is what the MCE found in State Farm's LA Wildfires files and what policyholders reported in complaints to third parties. On information and belief, serial reassignment of adjusters served the function the whistleblower described: where an adjuster's documented findings supported payment, reassignment and internal review let State Farm displace those findings and substitute a lower number. That is the pattern alleged above, where reassignment followed a policyholder complaint rather than any milestone in the claim.

d) State Farm Advertised That It Would "Make Things Right" While CDI Was Examining Its Wildfire Claims

212. On February 8-9, 2026, State Farm aired its Super Bowl LX advertisement, "Stop Livin' on a Prayer," during the most-watched broadcast event in the United States, a national audience with substantial California viewership. State Farm extended the advertisement through March Madness and Q2 2026 across broadcast, digital, and social media and a dedicated website, HalfwayThereInsurance.com. It rested on one explicit comparative premise: that the fictional "Halfway There Insurance"—whose representatives admit they will not "make things right" after home damage because "filing a claim is tough"—is categorically inferior to State Farm. The parody lyrics State Farm commissioned for the advertisement include the explicit claim: "There's damage to your home on this block / We won't make things right, 'cuz filing a claim is tough." The HalfwayThereInsurance.com website created by State Farm mocked an insurer that disclaims responsibility for home damage and directed consumers to State Farm as the provider of "actual home protection."

213. State Farm's Head of Marketing, Alyson Griffin, said the campaign was meant to convince viewers that State Farm's services are more than just halfway there, and that State Farm

chose the song because it "gets customers to realize we're here to help." She said State Farm wanted customers "to feel confident in their insurance" and did not "want them to feel like they're living on a prayer." State Farm had pulled its planned 2025 Super Bowl campaign after the LA Wildfires. It returned the following year, while the Market Conduct Examination of claims from those fires was underway, with a campaign premised on a competitor's coverage being inadequate. It was not a single advertisement. Griffin described State Farm's approach as "a tease phase, a launch phase, and a sustain phase," and "not a one-and-done:" State Farm ran teaser spots during the conference championship games, placed its cast on late-night television, operated Halfway There Insurance accounts on TikTok and Instagram, bought out-of-home placements, and continued running campaign advertisements after the game.[63] The campaign was built to induce consumers to choose or stay with State Farm on the representation that it, unlike inadequate alternatives, delivers complete claims service and makes things right after a covered loss. State Farm said this while the MCE examination documenting a 52 percent violation rate in a random sample of its own wildfire files was ongoing, and with knowledge of the pattern those violations reflected.

214. The "Halfway There Insurance" campaign is a false-advertising problem of State Farm's own making. State Farm broadcast advertising that defined adequate insurance as insurance that "makes things right" after covered damage. It was at that moment delivering to its own California and Los Angeles County policyholders the very inadequacies the advertisement mocked: verbal denials, adjuster churn, misrepresented policy terms, and suppressed smoke claims. Set the campaign's comparative claim beside the record. The claim: State Farm, unlike its competitors, makes things right. The record: a 52 percent violation rate in a random sample of

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[63] Alyssa Meyers, State Farm Sets Super Bowl Return With 'Livin' on a Prayer' Parody, Marketing Brew (Feb. 2, 2026), https://www.marketingbrew.com/stories/2026/02/02/state-farm-super-bowl-ad (quoting State Farm Head of Marketing Alyson Griffin; describing the 60-second Super Bowl spot introducing the fictional Halfway There Insurance company, the teaser campaign, the Halfway There Insurance social accounts, and the out-of-home placements; and reporting that State Farm pulled its planned 2025 Super Bowl campaign in the aftermath of the Los Angeles wildfires).

State Farm's own wildfire files and an 82 percent dissatisfaction rate in a third-party survey. That gap makes the campaign a materially false statement about the nature of State Farm's services, aimed at California consumers and likely to deceive them, under Bus. & Prof. Code section 17500.

215. State Farm's own senior leadership reinforced the same public message. In sworn testimony before the United States Senate Homeland Security and Governmental Affairs Subcommittee on Disaster Management on May 13, 2025, State Farm Operations Vice President Michael Keating described "State Farm" as "the largest provider of personal home and auto insurance in the United States," described State Farm's mission and claims operations in unitary terms, and reported wildfire claim payments by the "State Farm companies" collectively. He did not distinguish between State Farm General and State Farm Mutual when describing the claims-service promises State Farm makes to policyholders. That testimony was consistent with the consumer-facing message conveyed through State Farm's advertising, website, agent communications, and policy documents: that policyholders were dealing with a single State Farm enterprise that stood behind both the sale of homeowners insurance and the performance of State Farm's claims-service promises.

216. These representations constituted material statements of fact about the nature and quality of the services State Farm was selling and providing. They were directed to California and Los Angeles County consumers for the purpose of inducing the purchase and renewal of homeowners insurance policies.

e) <u>State Farm Withdrew Its 2025 Super Bowl Ad and Promised the "Full Scale and Force" of Its Catastrophe Response</u>

217. In January 2025, State Farm canceled its planned Super Bowl LIX advertisement, issuing a public statement that its "focus is firmly on providing support to the people of Los Angeles" and that it was "bringing the full scale and force of our catastrophe response teams to help customers recover—whether they are on the ground in LA or across the country." Public statements are also evidence of State Farm's awareness of the reputational stakes of being perceived as an inadequate claims-payer. That awareness is directly relevant to the knowing element of Bus. & Prof. Code section 17500 and to the "fraudulent" prong of section 17200. State

Farm understood the promise it was making and the reputational consequence of failing it, yet maintained organizational practices incompatible with that promise.

f) <u>After CDI Charged 432 Violations, State Farm Called Them "Primarily Administrative and Procedural"</u>

218. On May 4, 2026, after CDI filed its Accusation and Order to Show Cause, State Farm publicly rejected "any suggestion State Farm engaged in a general practice of mishandling or intentionally underpaying wildfire claims." It characterized the violations as "primarily administrative and procedural errors," claimed most were "not broad failures to pay covered claims," and represented that "[e]very issue identified has been addressed or is being addressed through claim reviews, supplemental payments where appropriate, updated forms and letters, added training, and strong oversight." State Farm also represented that nearly 200 claims professionals remained "on the ground today helping customers rebuild."

219. These statements were misleading because they recast the challenged misconduct as isolated or administrative, while State Farm's own claims population allegedly reflected systemic delays, underpayments, adjuster churn, smoke-damage suppression, ALE suppression, opaque contents calculations, and communication failures. State Farm also omitted that many policyholders remained unable to rebuild, remediate, obtain full contents payment, or even learn what State Farm would pay.

4. State Farm Misstated Policy Terms and Deadlines During the Claims Process

220. During the relevant period, State Farm also made a number of untrue or misleading representations to its policyholders as they attempted to avail themselves of policy benefits. These representations were intended to discourage policyholders from filing claims and/or from obtaining payment of the full amounts to which their respective policies entitled them.

221. As described below, along with each incident of false advertising described above, each of these misrepresentations constitutes a fraudulent business practice under Bus. & Prof. Code section 17200.

a) State Farm Used an Inapplicable "Right to Inspect" Provision to Deny Testing Claims

222. State Farm sent written denial letters to at least 12 policyholders in the MCE sample citing State Farm's homeowners insurance policies' "Right to Inspect" provision as the stated grounds for denying reimbursement for hygienist testing.[64]

223. On information and belief, State Farm sent materially similar or identical denial letters to hundreds of policyholders across the population of approximately 2,900 policyholders filing smoke-and-ash claims.

224. The "Right to Inspect" provision in State Farm's homeowners policy addresses the insurer's right to inspect the property to verify its insurability for underwriting purposes; it has no application to a policyholder's claim for reimbursement of testing costs incurred to determine the scope of a covered loss.

225. State Farm conceded in its MCE response that the provision "was not the appropriate section to justify claim denials." A reasonable policyholder receiving a denial letter from her insurer citing a specific named policy provision as grounds for denial would be likely to believe that the denial was legally justified under her policy.

226. This practice was and is likely to deceive reasonable consumers.

b) CDI Found 29 Missing or Incorrect Limitations Notices, Including 11 that Cut the Time to Sue in Half

227. Insurance Code section 2071 prescribes the standard form of fire insurance policy applicable to all homeowners policies in California. The statute specifically requires that insurers advise policyholders of the correct time limit to bring suit and incorporates the

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[64] State Farm's denial correspondence in the People's possession reproduces the provision it invoked. (See, e.g., State Farm letter denying reimbursement for hygienist testing, Mar. 13, 2025, at p. 2 [quoting "SECTION I AND SECTION II – CONDITIONS 12. Right to Inspect. a. We have the right but are not obligated to perform the following: (1) make inspections and surveys of the insured location at any time . . . ."]; State Farm partial denial letter, Apr. 18, 2025, at 2 [same]; State Farm status letter, Mar. 6, 2025 [same]; State Farm letter re EFI Global testing, May 21, 2025 [same].)

declared-emergency extension that gives policyholders twenty-four months after inception of loss to file suit when the loss arises from a declared state of emergency.

228. State Farm violated Insurance Code section 2071 by systematically misrepresenting the applicable limitations period in closing letters to policyholders.

229. The MCE found 29 specific instances of this misrepresentation: in 18 cases, no required written notice of the limitations period was provided at all; in 11 cases, closing letters affirmatively stated that the insured had "one year" from the date of loss to file suit, half the time actually available under the declared-emergency extension. The examination separately found three additional instances in which State Farm misstated to the claimant the deadline to bring suit. It also found that State Farm gave a policyholder an inaccurate deadline for recovering withheld depreciation—a second category of deadline misstatement, and one that operates to extinguish money the policyholder has already been credited but not yet paid. In its April 20, 2026, examination response, State Farm acknowledged the defective notices and represented that corrected time-to-file-suit notices were sent to affected policyholders only "prior to April 1, 2026"—nearly fifteen months after the fires, during which the misstated one-year deadline stood uncorrected.[65, 66]

230. On information and belief, State Farm made similar misrepresentations to hundreds of policyholders across the population of State Farm policyholders affected by the LA Wildfires.

231. A reasonable consumer to whom State Farm sent a closing letter which misrepresented the limitations period, or to whom State Farm otherwise misrepresented the limitations period, would be likely to believe that their insurer, State Farm, was accurately describing the relevant limitations period.

232. This practice was and is likely to deceive reasonable consumers.

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[65] MCE at p. 26; SFG Response to Draft Examination Report (Apr. 20, 2026), at p. 30.

[66] MCE, at p. 12.

c) State Farm Told Standing-Home Policyholders That ALE Was Unavailable or Had to Be Incurred Before Payment

233. As described above, State Farm also misrepresented ALE coverage terms to policyholders in ways designed to suppress claims.

234. In multiple documented cases, State Farm informed smoke-damage policyholders with standing structures that ALE was not available, a misrepresentation of Insurance Code section 2060's requirements.

235. State Farm also represented that ALE was "an incurred coverage" requiring expenditures before reimbursement in a manner inconsistent with both the policy and the statute.

236. On information and belief, these misrepresentations discouraged policyholders across the population of State Farm policyholders affected by the LA Wildfires from seeking ALE reimbursements to which they were entitled and/or discouraged them from claiming all of the ALE reimbursements to which they were entitled.

237. This practice was and is likely to deceive reasonable consumers.

D. State Farm Delayed or Withheld Benefits from Elder Policyholders Identified in Its Own Records

238. State Farm knew or should have known that the practices described above were likely to be harmful to elder policyholders.

239. State Farm's own underwriting, policy, billing, and claim files identify its insureds' ages, dates of birth, household information, loss locations, displacement status, claim communications, and payment history. State Farm was not handling anonymous claim numbers. It knew who its policyholders were, how old they were, where they lived, what they had lost, and whether they were still waiting for benefits needed to secure housing, remediate toxic damage, or rebuild.

240. The Los Angeles County Assessor's records, which are publicly available, identify properties with senior citizen property tax exemptions, a direct indicator of elder ownership.

241. The demographic profiles of Altadena and Pacific Palisades as established residential communities with significant populations of long-term senior homeowners was

publicly known and well-documented. According to United States Census Bureau data, a significant share of housing units in Altadena and a significant share in Pacific Palisades are owner-occupied by residents age 65 or older.

242. By delaying, withholding, or underpaying benefits owed to elder policyholders after a catastrophe, State Farm wrongfully retained property belonging to elders for its own use, and had actual or constructive knowledge that its conduct was likely to harm them.

243. State Farm's delay, underpayment, denial, and suppression practices inflicted distinct and foreseeable harm on elder policyholders. Elderly homeowners are far less able than others to absorb the consequences of withheld or delayed benefits: many live on fixed incomes and lack the liquidity or borrowing capacity to bridge-finance a rebuild or fund out-of-pocket remediation while an insurer delays; prolonged displacement and continued exposure to smoke and ash contamination pose heightened risks to their health; and multi-year claim delays consume a materially greater share of an elder's remaining life expectancy, in some cases foreclosing any realistic prospect that the policyholder will live to reoccupy the home for which they paid premiums for decades. State Farm knew or should have known that each month of delay imposed disproportionately severe harm on its elder policyholders.

244. State Farm's elder policyholders show the pattern. State Farm conditioned ALE reimbursement for a 97-year-old smoke-damage policyholder, among the oldest of its affected insureds, on his signing a residential lease in his own name. He owned his home outright, paid cash, and had no credit history; no landlord would rent to him; the household received no ALE at all. State Farm knew his age when it imposed a condition his age made impossible to meet. His daughter documented his struggle to navigate State Farm's claims channels. Elderly policyholders, who had paid for State Farm coverage for 44 years, described State Farm's conduct concerning the handling of their personal property claim as "bad faith" to the EFSN. Other elderly policyholders who described themselves as immunocompromised and having recovered from cancer, said they experienced State Farm's "delay and denial" tactics and were unable to return to their home for an extended time because of State Farm. They paid for over $6,000 out of their own pocket for testing that confirmed it was unsafe for them and their one-year-old grandchildren. They said they

felt "lied to" "disrespected" and treated like they were "stupid." They concluded by saying, "We are fearful for our health and financial ruin in spite of paying our premiums for over 30 years and never making a prior claim." This was not individualized error but organizational practice applied without regard to the vulnerability of the elders it harmed.

245. These practices violated the heightened "duty of honesty, good faith, and fair dealing" that California law imposes on insurers with respect to policyholders 65 years of age or older. (Ins. Code section 785.) State Farm's disregard of its duty in handling claims belonging to policyholders it knew or should have known were elderly independently supports the People's financial-elder-abuse allegations and the enhanced penalties sought under Bus. & Prof. Code section 17206.1.

246. State Farm's financial elder abuse subjects State Farm to an additional civil penalty of up to $2,500 per violation against senior citizens pursuant to Bus. & Prof. Code section 17206.1, in addition to the base penalties under section 17206(a).

FIRST CAUSE OF ACTION

Public Nuisance

(Civil Code Sections 3479, 3480 and 3494)

(Against All Defendants)

247. The People incorporate each and every factual allegation set forth above.

248. A "nuisance" is defined in section 3479 of the Civil Code as "[a]nything which is injurious to health, . . . or is indecent or offensive to the senses, or an obstruction to the free use of property, so as to interfere with the comfortable enjoyment of life or property . . . ."

249. Under Civil Code section 3480, a "public nuisance" is one "which affects at the same time an entire community or neighborhood, or any considerable number of persons, although the extent of the annoyance or damage inflicted upon individuals may be unequal."

250. Under Civil Code section 3494: "A public nuisance may be abated by any public body or officer authorized thereto by law."

251. Under section 731 of the Code of Civil Procedure, "[a] civil action may be brought in the name of the people of the State of California to abate a public nuisance, as defined in

section 3480 of the Civil Code, by the district attorney or county counsel of any county in which the nuisance exists[.]"

252. Defendants, individually and in concert with each other, by their affirmative acts and omissions, have knowingly created, caused, contributed to, and assisted in creating, permitting, and sustaining conditions that harm the health of policyholders and their neighbors in the affected areas. These harms are indecent and offensive to the senses, and obstruct the free use of property, so as to interfere with the comfortable enjoyment of life or property, and therefore constitute a nuisance.

253. Defendants created, caused, assisted in causing, permitted to exist, sustained and/or contributed:

a) the continued contamination of homes and neighborhoods with toxic substances because State Farm has suppressed policyholders' claims, State Farm has falsely advised policyholders that testing and related cleanup of toxins in their homes is unnecessary or not covered by their policies, State Farm has refused to perform appropriate testing or to pay for or reimburse policyholders for appropriate testing they arranged for themselves, State Farm has proposed and insisted on cleaning of homes being conducted by remediation companies that were not licensed or qualified to remove lead or other toxins present in those homes, State Farm has refused to pay for the packing out of policyholders' homes to enable necessary and complete cleaning, and State Farm has refused to timely pay amounts to which policyholders are entitled to clean up, abate, or otherwise address contamination;

b) the inability of policyholders to repair or rebuild their homes such that they can return to them because State Farm has performed slow and inadequate investigations and suppressed claims, State Farm has failed to provide or reimburse appropriate testing, and State Farm has failed to pay, or has materially and unjustifiably delayed the payment of, amounts to which policyholders are entitled;

c) the continued blight of neighborhoods, affecting all neighbors, because policyholders have not been able to clean, repair, or rebuild their homes due to State Farm's practices;

d) housing instability among policyholders who have been subjected to State Farm's practices of ALE suppression; and;

e) widespread anxiety and stress among policyholders who have been subjected to State Farm's practices.

254. State Farm's personal-property and rebuild payment practices also contributed to the public nuisance alleged herein. By delaying payment of contents and rebuild-related benefits, applying opaque depreciation, and withholding funds needed to proceed with construction, State

Farm prevented or delayed policyholders from entering builder contracts, determining available rebuild budgets, and returning their homes to a state of habitability.

255. State Farm's actions and practices have reached past its own insureds. They have contributed to persistent health hazards and have delayed or prevented the timely return of State Farm policyholders to their homes, leaving their neighborhoods partially abandoned and filled with toxins, and therefore affect a considerable number of County residents.

256. The resulting conditions are injurious to health within the meaning of Civil Code section 3479. Testing of standing homes in the affected communities, including testing State Farm refused to authorize, pay for, or credit, has identified lead, asbestos, arsenic, nickel and other heavy metals, and combustion byproducts at levels far exceeding applicable health-based standards. Lead is a neurotoxin for which no safe exposure level exists for children; asbestos fibers, arsenic, and heavy metals deposited by the fires' smoke and ash cause cancer and respiratory disease.

257. When contaminated structures are not properly tested and remediated, toxic dust does not remain within property lines: it is re-entrained into the air by wind, foot traffic, cleanup activity, demolition, and construction; migrates into neighboring homes and yards; and is tracked into schools, workplaces, and vehicles, settling again on remediated and unremediated surfaces alike. Each home that State Farm's practices have left untested, unremediated, or inadequately remediated is a continuing source of exposure—for its occupants, for neighbors, for remediation workers, and for families returning to the community.

258. State Farm knowingly, intentionally, and/or recklessly created, caused to be created, or assisted in the creation of the nuisance. Defendants knew the dangers of causing and permitting these conditions to persist. Its own website warned customers that a wildfire could leave them "potentially exposed to hazardous materials that could threaten your health and safety." Other of its own public-facing materials warn that wildfire residues can be hazardous and that professional assessment may be required. Yet, across the affected communities, State Farm suppressed the testing needed to identify contaminants; refused to pay for remediation scoped to actual contamination; steered remediation to preferred vendors whose cleaning protocols were not

designed to abate lead and asbestos contamination; and pressured families, including families with young children, to reoccupy homes that had not been adequately tested, let alone remediated. The foreseeable result, realized in home after home, was that families reoccupied, cleaned, or disturbed contaminated structures without the protective protocols California law requires, prolonging and spreading the very exposure State Farm had warned about.

259. Such conduct by State Farm has created and maintained a public nuisance, as defined in Civil Code section 3479 and 3480, within Los Angeles County.

260. These conditions have affected a substantial number of people, on information and belief, greater than 100,000, over the same period. The affected individuals are not just State Farm policyholders affected by the LA Wildfires but also include other individuals whose enjoyment of life and property has been affected by the conditions in the affected areas which State Farm has created, permitted to exist, and sustained, as described above.

261. An ordinary person would be reasonably annoyed and disturbed by each of these conditions.

262. The harms caused by Defendants' nuisance-creating conduct are extremely grave and Defendants' conduct has no social utility. The seriousness of the harm outweighs any utility the conduct could have.

263. Los Angeles County, the State, and its People did not consent to Defendants' conduct.

264. The misconduct of Defendants, and each of them, was a substantial factor in bringing about the continuing public nuisance.

265. Defendants' conduct is a direct and proximate cause of the public nuisance. In the absence of Defendants' conduct, the public health hazards and harmful conditions would have been avoided, promptly curtailed, or much less severe.

266. The threat to public health and safety posed by the public nuisance in Los Angeles County will continue unless State Farm is ordered to abate, and does abate, the nuisance. State Farm created or assisted in the creation of the nuisance and, therefore, must abate the nuisance. Abatement requires, at a minimum, that State Farm promptly fund the environmental testing and

qualified remediation of affected insured properties necessary to eliminate the health hazards its practices have caused to persist and comply with its obligations to pay policyholders the monies they are due to rebuild and remediate their homes.

267. The People are entitled to preliminary and permanent injunctions from this Court requiring State Farm to abate the nuisance present in the State of California.

268. The People further seek all available equitable remedies, including abatement, injunctive relief, costs, and any other relief authorized under California law.

269. Defendants' acts and omissions have caused or threaten to cause injuries to people, properties, and natural resources in the County that are indivisible.

SECOND CAUSE OF ACTION

Violations of Bus. & Prof. Code § 17500

(Untrue or Misleading Advertising)

(Against All Defendants)

270. The People re-allege and incorporate by reference each and every allegation set forth in the preceding paragraphs as if fully set forth herein.

271. State Farm has engaged in and continues to engage in business acts or practices that constitute violations of Business and Professions Code section 17500 et seq.

272. Defendants, with the intent to induce members of the public to obtain and renew insurance policies from State Farm, made or caused to be made and/or disseminated untrue or misleading statements concerning its actual claims process for LA Wildfire policyholders, which Defendants knew, or by the exercise of reasonable care should have known, were untrue or misleading at the time they were made. Such misrepresentations are set forth in this complaint and include, but are not limited to:

a) Representations claiming or implying that policyholders' claims would be handled promptly, courteously, efficiently, and/or reliably;

b) Representations claiming or implying that State Farm would promptly deploy sufficient and qualified claims personnel and would lead the industry in responding to a catastrophe;

c) Representations claiming or implying that State Farm would pay policyholders for covered losses as quickly as possible;

d) Representations claiming or implying that the claims process would be fast, easy, and/or efficient;

e) Representations in its policies that State Farm would pay for losses caused by fire and smoke, including costs incurred to maintain an insured's normal standard of living;

f) State Farm's representations regarding its five commitments to customers affected by the LA Wildfires which falsely promised continuity, direct access, reduced repetition, clear communication, rebuilding support, and long-term claim assistance;

g) State Farm's post-fire misleading representations asserting or implying that State Farm would require fewer handoffs, provide faster callbacks and clearer letters, and offer a path forward for stalled claims; and

h) Representations claiming or implying that the misconduct challenged by CDI was isolated or administrative.

273. State Farm made these untrue or misleading statements, representations, and omissions, directly or indirectly, expressly or by implication, with the intent that consumers rely on the deceptive representations and omissions when deciding whether to obtain or renew insurance policies from State Farm.

274. As described herein, these untrue or misleading statements, representations, and omissions, have continued since the LA Wildfires and are continuing to the present. Accordingly, the People seek an injunction requiring Defendants to cease the false and misleading advertising practices alleged herein pursuant to Bus. & Prof. Code section 17535.

275. The People further seek an appropriate civil penalty under Business and Professions Code section 17536 of up to two thousand five hundred dollars ($2,500) for each violation of Bus. & Prof. Code section 17500.

276. The requested civil penalties are cumulative to those sought under the UCL cause of action alleged herein.

277. The People seek all other relief available under California law, including restitution, and such other equitable relief as the court deems just and proper.

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THIRD CAUSE OF ACTION

Violations of the Unfair Competition Law

Bus. & Prof. Code § 17200

(Unlawful, Unfair, and Fraudulent Business Practices)

(Against All Defendants)

278. The People incorporate each and every factual allegation set forth above.

279. California's UCL prohibits "any unlawful, unfair or fraudulent business act or practice and unfair, deceptive, untrue or misleading advertising[.]" (Bus. & Prof. Code section 17200.)

280. Defendants are each a "person" as defined by Bus. & Prof. Code section 17201, which includes "natural persons, corporations, firms, partnerships, joint stock companies, associations and other organizations of persons."

281. "Any person who engages, has engaged, or proposes to engage in unfair competition shall be liable for a civil penalty not to exceed two thousand five hundred dollars ($2,500) for each violation, which shall be assessed and recovered in a civil action brought in the name of the people of the State of California . . . by a county counsel of any county within which a city has a population in excess of 750,000 . . . in any court of competent jurisdiction." (Bus. & Prof. Code section 17206(a).)

282. State Farm has engaged in and continues to engage in unlawful, unfair, or fraudulent business acts or practices and unfair, deceptive, untrue, or misleading advertising that constitute unfair competition as defined in the Unfair Competition Law, Bus. & Prof. section 17200 et seq. Each of the violations of California law described in this Complaint, including those addressed below, constitutes a violation of Bus. & Prof. Code section 17200.

283. *Civil Code Sections 1709 and 1710—Fraudulent Deceit*: State Farm violated Civil Code sections 1709 and 1710 through its misrepresentations of policyholders' coverage and legal rights. Civil Code section 1709 provides that one who willfully deceives another with intent to induce him to alter his position to his detriment is liable for resulting damages.

284. As set forth in paragraphs 177 through 237 of this Complaint, State Farm made numerous representations in violation of Civil Code sections 1709 and 1710 including, but not limited to: (a) State Farm's affirmative written statement to certain policyholders that the time to bring suit expired one year from the date of loss—when State Farm knew or should have known the declared-emergency extension gave policyholders two years; (b) State Farm's failure to disclose to policyholders their ALE entitlement under Insurance Code section 2060 while simultaneously suppressing ALE claims through misrepresentations; (c) State Farm's advertising of timely, full-value coverage while maintaining organizational practices designed to suppress, deny and delay payment of claims; (d) citing the Right to Inspect provision in its policies as grounds for denying reimbursement or hygienist testing; (e) misstating the applicable limitations period for policyholders to file claims; (f) stating or implying that ALE reimbursement was not available to smoke-damage policyholders with standing structures; and (g) stating or implying that ALE was an 'incurred coverage' requiring expenditures before reimbursement.

285. *Welfare and Institutions Code Section 15610.30—Financial Elder Abuse*: Welfare and Institutions Code section 15610.30 prohibits financial abuse of an elder. State Farm violated section 15610.30 by retaining premiums paid by elder policyholders for coverage it refused to deliver at true value; retaining claim reserves owed to elder policyholders; misrepresenting the limitations period to elder policyholders causing forfeiture of legal rights; and subjecting elder policyholders to adjuster-churning, unreasonably low offers, delayed payouts, unduly burdensome inventory requirements, delayed and denied ALE, and other claims-suppression practices described above—all with actual or constructive knowledge that these practices were likely to harm the elder policyholders affected.

286. *False Advertising Law—Bus. & Prof. Code Section 17500*: Each of State Farm's acts and practices in violation of Bus. & Prof. Code section 17500, as set forth above in the Second Cause of Action, independently constitutes an unlawful business practice under Bus. & Prof. Code section 17200.

287. *Public Nuisance—Civil Code Sections 3479 and 3480*: State Farm engaged in unlawful conduct by creating and maintaining a public nuisance in violation of Civil Code sections 3479 and 3480, as alleged in the First Cause of Action.

288. *Insurance Code Section 2071—Limitations Period Misrepresentation*: Insurance Code section 2071 prescribes the standard form of a fire insurance policy and requires that insurers advise policyholders of the correct time to bring suit, including the 24-month extension applicable during a declared state of emergency. State Farm systematically violated Insurance Code section 2071 by failing to disclose or misrepresenting the applicable limitations period, as alleged above.

289. *Insurance Code Section 2060—Additional Living Expenses*: Insurance Code section 2060 requires homeowners insurance policies to provide ALE coverage for not less than 24 months from the date of covered loss, extendable by up to 12 additional months—36 months in total—where a policyholder acting in good faith and with reasonable diligence encounters reconstruction delays beyond their control. State Farm's own Form HW-2105 recites that structure. State Farm violated section 2060 by delaying ALE validation, delaying payments and denying coverage and testing needed to enable policyholders to return home while failing to continue to provide the needed ALE coverage during that time period (much of which is caused by State Farm's actions and inactions), and misrepresenting ALE coverage terms.

290. *Insurance Code Sections 2051 and 2051.5—Replacement Cost and Actual Cash Value (ACV)*: Insurance Code sections 2051 and 2051.5 govern calculation of actual cash value and replacement cost and prohibit improper depreciation. Section 2051.5 specifically prohibits depreciation of structural components that are not normally subject to repair and replacement during the useful life of the building. State Farm violated Insurance Code sections 2051 and 2051.5 by improperly depreciating non-depreciable structural components, as alleged above.

291. *Insurance Code Section 14047—Primary Adjuster Assignment*: Insurance Code section 14047(a) requires compliance with specific primary adjuster, status report, primary contact, and communication obligations after the third adjuster reassignment on any residential emergency-declaration claim. State Farm violated Insurance Code section 14047(a) by failing to

provide the required primary-adjuster, status-report, and direct-communication protections to hundreds of policyholders affected by the LA Wildfires, as alleged above.

292. *Insurance Code Section 14046(b)(1)—Emergency Notice*: Insurance Code section 14046(b)(1) requires insurers to provide policyholders with a copy of the most recent notice of significant California property insurance laws pertaining to declared emergencies within 15 calendar days of claim receipt. State Farm failed to provide this required notice, which should have been provided to all policyholders. The MCE found 5 violations of section 14046(b)(1) and the People allege, on information and belief, that additional violations exist across the 11,300-claim population.

293. *Insurance Code Section 10103.7(b)(1)—Contents Advance*: Insurance Code section 10103.7(b)(1), requires insurers to offer a payment under contents coverage of not less than 30 percent of the policy limit applicable to the covered dwelling structure, up to $250,000, without requiring an itemized claim, if the residence was furnished at the time of loss. Insurance Code section 10107.2(b)(3) separately requires the insurer to notify the insured of that option and of the option to file a full itemized claim afterward. State Farm violated sections 10103.7(b)(1) and 10107.2(b)(3) when it failed to offer the required payments of content coverage and the required information about the itemization options. The MCE investigation found at least one violation of this requirement and the People allege, on information and belief, that additional violations exist across the 11,300-claim population.

294. *Insurance Code Section 1871.2(a)—Fraud Warning*: Insurance Code section 1871.2(a), requires inclusion of the California fraud warning on insurance claim forms. State Farm violated Insurance Code section 1871.2(a) by failing to provide the required fraud warning on its insurance claim forms. The MCE investigation found 25 violations of section 1871.2(a), including on forms prepared by State Farm's own claims department and the People allege, on information and belief, that additional violations exist across the 11,300-claim population.

295. *Insurance Code Section 395—Policy Copy*: Insurance Code section 395 requires insurers to provide a complete copy of the current policy within 30 calendar days of request after a covered loss, free of charge. State Farm violated Insurance Code section 395 by failing to provide

policyholders with a current policy within 30 calendar days of request after a covered loss, free of charge. The MCE confirmed this unlawful conduct when its investigation found 2 violations and the People allege, on information and belief, that additional violations exist across the 11,300-claim population.

296. *Insurance Code Section 2061: Total-Loss Contents Inventory Protections*: Insurance Code section 2061 applies to covered losses relating to a state of emergency. For total-loss contents claims, section 2061 bars an insurer from requiring a company-specific inventory form if the insured provides an inventory containing substantially the same information. Section 2061 also requires insurers to accept grouped categories of personal property where separately listing each destroyed item would be impractical. State Farm violated section 2061 by: requiring total-loss policyholders to reconstruct and itemize every destroyed possession (including requiring them to provide extremely detailed information about each item and its value and condition), thousands of items in some cases, even where policyholders submitted inventories that exceeded policy limits and contained substantially all information State Farm could legitimately require; rejecting or failing to credit submitted inventories and requiring repeated resubmission in different formats; improperly denying claims or initially rejecting claims for covered items like medical wigs, $20 sheets, refrigerators made unusable by the fires that homeowners were told to keep outside for a year before they finally changed course and paid for a replacement; improperly removing items from the calculations from the outset based on total policy limits and then further limiting the remaining items by depreciating them, and applying opaque and unexplained depreciation to inventory items in a manner that prevented policyholders from understanding or challenging the calculation.

297. *Violations of the Common Law Implied Covenant of Good Faith and Fair Dealing*: California common law imposes on insurers a duty of good faith and fair dealing in the handling of claims. An insurer breaches the implied covenant and violates this common law obligation when it unreasonably, and without proper cause, acts or fails to act in a manner that deprives the insured of the benefits of their policy. An insurer can breach the covenant without violating any statute or regulation.

298. State Farm's violations of the Insurance Code provisions described above show that its conduct was unreasonable and without proper cause and so establish the breach of this duty. State Farm's systematic claim suppression practices, including adjuster churning, unreasonably low offers, delayed payouts, unduly burdensome inventory requirements, and delayed and denied ALE, along with State Farm's misrepresentations relating to coverage terms and applicable limitations periods, also constitute bad faith insurance practices in violation of California common law.

299. That State Farm acted in bad faith is further and compellingly demonstrated by the fact that the MCE concluded that it violated numerous provisions of the Unfair Insurance Practices Act (UIPA) in responding to claims arising out of the LA Wildfires. The law is clear that violations of the UIPA may be used as evidence of the insurer's breach of the implied covenant of good faith and fair dealing. (*Shade Foods, Inc. v. Innovative Products Sales & Marketing, Inc.* (2000) 78 Cal.App.4th 847, 916 [holding that though there are no private causes of action for violation of the UIPA, such violations "may evidence the insurer's breach of its duty to its insured under the implied covenant of good faith and fair dealing."], internal quotation marks omitted.) The MCE found that State Farm violated the following provisions of the UIPA: Insurance Code section 790.03(h)(1) ("[m]isrepresenting to claimants pertinent facts or insurance policy provisions relating to any coverages at issue."); Insurance Code section 790.03(h)(2) ("[f] ailing to acknowledge and act reasonably promptly upon communications with respect to claims arising under insurance policies."); Insurance Code section 790.03(h)(3) ("[f]ailing to adopt and implement reasonable standards for the prompt investigation and processing of claims arising under insurance policies."); Insurance Code section 790.03(h)(4) ("[f] ailing to affirm or deny coverage of claims within a reasonable time after proof of loss requirements have been completed and submitted by the insured."); Insurance Code section 790.03(h)(5) ("[n]ot attempting in good faith to effectuate prompt, fair, and equitable settlements of claims in which liability has become reasonably clear."); and Insurance Code section 790.03(h)(13) ("[f] ailing to provide promptly a reasonable explanation of the basis relied on in the insurance policy, in relation to the facts or applicable law, for the denial of a claim or for the offer of a compromise settlement."). All of these

violations of the UIPA are further evidence that State Farm violated the covenant of good faith and fair dealing.

300. Bus. & Prof. Code section 17200 independently prohibits business acts or practices that are fraudulent, *i.e.*, practices that are likely to deceive members of the public. Each of the deceptive acts or practices set forth herein, including those described below, constitutes a fraudulent business practice under Bus. & Prof. Code section 17200.

301. Misrepresentation of the Promised Coverage in Homeowners Policies: In the homeowners policies marketed and sold to LA Wildfire survivors before the fires State Farm represented that it would pay for losses caused by fire and smoke, including costs incurred to maintain an insured's normal standard of living. These representations were and are likely to deceive reasonable consumers because prospective or actual insureds would reasonably believe that State Farm would provide the coverage promised in its policies. These representations were in fact false in that State Farm did not intend to, and ultimately did not, fully provide the promised coverage.

302. *Right to Inspect Misrepresentation*: State Farm's written denial letters citing the policy's "Right to Inspect" provision as a ground for denying reimbursement for hygienist testing misrepresented the relevant policy, as described above, and were and are likely to deceive reasonable consumers.

303. *Limitations Period Misrepresentation*: State Farm's closing letters misstating the statute of limitations period, as described above, were and are likely to deceive reasonable consumers, who would rely on their insurer's statement of a lawsuit deadline.

304. *ALE Coverage Misrepresentations*: State Farm misrepresented ALE coverage terms to policyholders by: (a) advising smoke-damage policyholders with standing structures that ALE was not available, when Insurance Code section 2060 imposes no standing-structure limitation; (b) representing ALE as an "incurred coverage" requiring pre-expenditure in a manner inconsistent with the policy and statute; and (c) representing that policyholders who did not have sufficient credit to rent an apartment could not get ALE coverage for rental costs for a property a family member had to rent in their name on his behalf.

305. *Preferred-Vendor Estimate Suppression*: State Farm undervalued, paid, limited, and denied smoke-damage claims using written estimates prepared by its preferred remediation vendors. It then contractually barred those vendors from showing the estimates to the policyholders whose claims they priced. The Fair Claims Settlement Practices Regulations require the opposite: an insurer must give the claimant every document on which a settlement is based. (10 CCR § 2695.9, subd. (d).) The practice is likely to deceive reasonable consumers. A policyholder cannot evaluate, challenge, or negotiate a settlement built on an estimate she is not allowed to see.

306. *Denial of Necessary Testing to Smoke Damaged Homes*: State Farm fraudulently represented to policyholders that they were not entitled to testing for toxins in their homes, despite its knowledge that LA Wildfire victims' homes were subjected to exposure to significant toxins and despite its own general admissions that such toxins were common after fires and posed a health risk.

307. *Fraudulent Refusal to Pay Fair Replacement Valuation for Total Loss Claims*: State Farm fraudulently denied the payment of policyholders' legitimate rebuilding estimates that were for amounts that they were entitled to under their policy. Instead, State Farm insisted that policyholders were only entitled to rebuilding amounts that were substantially below those allowed by their policy and were insufficient to cover the required rebuilding costs.

308. Each of State Farm's misrepresentations in violation of section 17500, as set out in the second cause of action, above, also constitutes a fraudulent business practice under Bus. & Prof. Code section 17200.

309. Defendants' fraudulent representations and omissions were material, i.e., a reasonable consumer would consider them important in deciding whether to enter into or maintain an insurance contract, whether to file a claim against their insurance contract, and whether to seek the full amount to which they were entitled under their insurance contract.

310. Business and Professions Code section 17200 independently prohibits business acts or practices that are "unfair."

311. Numerous statutory provisions embody California's policy that homeowners suffering covered property losses, particularly losses arising from declared emergencies, should receive the benefits due under their policies promptly, fairly, and in a manner that protects them while they rebuild their lives. Insurance Code sections 395, 2051, 2051.5, 2060, 2061, 2071, 1871.2, 10103.7, 14046, and 14047, for example, collectively seek to ensure: that policyholders are aware of their rights and the important protections afforded by their policies and California law; that policyholders have sufficient ALE that they can meet their needs for a sufficient period to recover from their losses; that their losses are fairly calculated and not subject to improper depreciation; that they have sufficient information and documentation to challenge their insurers' calculations of their losses; that they are not burdened by unnecessary itemized-inventory requirements; that they are not subject to perpetual adjuster churn; and, that they are aware of the deadline to bring suit should their insurer unlawfully withhold benefits. State Farm's claims-suppression practices described throughout this Complaint, including those set out below, offend the public policy declared in those provisions and, thus, are unfair within the meaning of Bus. & Prof. Code section 17200.

312. State Farm's claims-suppression practices described throughout this Complaint, including those set out below, are also immoral, unethical, oppressive, unscrupulous or substantially injurious to consumers, with the utility of the Defendants' conduct outweighed by the gravity of the harm to consumers.

313. State Farm also engaged in violations of Bus. & Prof. Code section 17200 by engaging in unfair practices as described more fully below.

314. *Slow and Inadequate Investigations*: State Farm's failure to timely investigate, accept, or deny claims kept policyholders from rebuilding, decontaminating their homes, replacing what they lost, and moving on. The practice has no utility and policyholders cannot escape it; they have no means of making State Farm move faster to pay them the money they are entitled to.

315. *Systematic Underpayment:* State Farm underpaid claims it had already determined were covered, opened negotiations at figures no licensed contractor would accept, and depreciated structural components that California law bars it from depreciating. Together these practices cost

policyholders the money they needed to rebuild, remediate, replace what they lost, and go home. They also delay policyholders' ability to return to their homes and increase the chances they will run out of ALE and be forced to pay for temporary housing out of their own pockets or risk becoming homeless. The practices have no utility and policyholders are defenseless against them.

316. *Adjuster-Churning*: Serial reassignment forces displaced wildfire victims to re-explain their losses to each new handler, loses claim history at every transition, leaves no one accountable, allows State Farm to deny promises and approvals made by prior adjusters, and exhausts policyholders into accepting inadequate settlements or abandoning valid claims. Cycling a claim through handlers serves no adjustment purpose. No policyholder can opt out of it or bargain for continuity.

317. The adjuster-churning practice also violates the policy and spirit of Insurance Code section 14047, which the Legislature enacted specifically to prevent this harm to declared-emergency residential claimants. A practice that systematically circumvents the purpose of a consumer protection statute threatens an incipient violation and violates the spirit of that law even in cases where the technical violation has not yet been established.

318. *The Smoke Damage Suppression Pattern*: State Farm suppressed smoke-damage claims by a coordinated set of practices. It denied claims verbally, without written justification. It invoked the Right to Inspect provision in written denials, a provision that has nothing to do with coverage. It routed claims to Servpro, whose assessments overrode independent hygienist testing and whose cleaning was, in many cases, not adequate or approved for lead or other toxins. It refused to pay for pack-out, so the contents stayed in the house and blocked access required for adequate cleaning. It refused to cover testing costs and told policyholders it would not pay for testing. And in cases where it did finally agree to pay (which typically occurred when policyholders went to the media or escalated their complaints to a government agency or executives), it charged the testing against Coverage A. The harm is substantial. Policyholders in smoke-damaged homes face unremediated toxic exposure, less Coverage A to rebuild with, out-of-pocket costs for coverage they had already bought, and significant delays in their ability to return home.

319. Each component of the pattern offends a legislatively declared policy. The "Right to Inspect" misrepresentation violates the policy and spirit of the common-law bar on fraudulent misrepresentation of policy terms, codified at Civil Code sections 1709 and 1710(1), and is an incipient violation of the consumer-protection framework section 17200 exists to protect. Charging testing costs against Coverage A violates the policy and spirit of Insurance Code sections 2051 and 2051.5, because it consumes the very coverage those statutes preserve for the rebuild.

320. *Requiring Exhaustive Contents Inventories*: As described above, State Farm required policyholders to identify thousands of destroyed items, provide age and condition information, supply replacement values, and submit photographs, links, or comparable-item support, for the contents of homes often accumulated over decades and even where the submitted inventory already exceeded applicable policy limits. This was extremely onerous for policyholders, resulted in substantial delays in the payment for lost items or even denials of payment altogether, and caused significant delays in their ability to return home. State Farm also reportedly failed to pay out the undisputed contents while it took substantial time to contest particular item requests, resulting in substantial delays in policyholders getting payments for their lost property even State Farm admitted they were entitled to. The practice has no utility and policyholders are defenseless against it.

321. State Farm's practice was also contrary to the public policy set out in Insurance Code section 2061 which applies to covered losses relating to a state of emergency and bars an insurer from requiring a company-specific inventory form if the insured provides an inventory containing substantially the same information and requires insurers to accept grouped categories of personal property where separately listing each destroyed item would be impractical. State Farm's practice violated the policy and spirit of this section by imposing unnecessary and onerous inventory requirements of policyholders in the middle of a declared emergency.

322. *Withholding Rebuilding Funds Pending Construction Milestones*: By conditioning future insurance payments on construction progress, as described above, State Farm forced policyholders to decide whether to sign a construction contract and take on substantial financial

risk without knowing whether State Farm would, ultimately, pay the benefits needed to complete the rebuild. This practice substantially injured consumers by impairing their ability to promptly rebuild their homes, increasing the likelihood that they would run out of ALE coverage before they could return to their homes, and shifting financial risk onto policyholders. The practice has no utility and policyholders are defenseless against it.

323. *Maintaining an Inadequate Adjuster-Contact Infrastructure*: Compounding the exhaustion of policyholders and the delays created by State Farm's other unfair practices, as described above, State Farm maintained an adjuster-contact infrastructure that was wholly inadequate. This organizational barrier substantially injured consumers by delaying the processing of their claims and increasing the likelihood that they would run out of ALE coverage before they could return to their homes. The practice has no utility and policyholders are defenseless against it.

324. *Utilizing Preferred Vendors That Withheld Estimates and Produced Lower or Incomplete Remediation Scopes*: As described in detail above, State Farm's preferred-vendor system operated as an information barrier that benefitted State Farm. State Farm refused to permit its preferred vendors to provide copies of remediation estimates to the relevant homeowner. This harmed policyholders, who were asked to accept settlement offers without access to all relevant information. This practice is contrary to the spirit and policy in Cal. Code Regs., tit. 10, section 2695.9(d) which requires that an insurer must give the claimant every document on which a settlement is based. Moreover, in many instances, State Farm relied on estimates from its preferred vendors that were incomplete, conditional by their own terms, and that omitted the costs for proper remediation for toxins because those vendors were not qualified to remove toxins such as lead and asbestos that were present in homes from the LA Wildfires and because State Farm refused to cover necessary testing. State Farm also generally refused to allow homeowners to have their properties packed out by their preferred providers to allow for the removal of toxic items and to ensure proper and complete cleanings. Such low estimates and limited scopes of remediation were used to undervalue, pay, limit, or deny claims. Policyholders were substantially injured by this practice which had no utility. Policyholders could reasonably assume an estimate provided by their insurance company would be complete and appropriately scoped to address any remediation

required. State Farm compounded the unfairness of utilizing incomplete estimates by, in many cases, refusing to permit policyholders to review those estimates.

325. *ALE Suppression*: State Farm used a number of ALE-suppression strategies which injured policyholders by pressuring them to return to unsafe homes or accept unreasonable offers and, in some cases, forced them to incur out-of-pocket costs which they should not have been forced to incur. As described in more detail above, these strategies included: (1) delaying ALE validation for months after receiving proof on undisputed total-loss claims; (2) approving housing for periods too short to secure a long-term lease; (3) sending extension letters that explained nothing about what was under review, why payment was withheld, or when a decision would come; (4) paying late, which jeopardized the housing ALE had secured and required policyholders to pay out of pocket while they waited for unnecessarily delayed reimbursements; (5) telling policyholders it would stop paying because the coverage or the two-year period was nearing its end; (6) telling smoke-damage policyholders with standing structures that ALE was unavailable contrary to the requirements and policy of Insurance Code section 2060; and (7) representing that ALE was "an incurred coverage" requiring out-of-pocket spending before reimbursement, contrary to both the policy and the statute. State Farm's ALE suppression practices had no utility and policyholders were and are defenseless against them.

326. As a direct and proximate result of its unlawful, fraudulent, and unfair practices, State Farm has received, or will receive, income, profits, and other benefits, which it would not have received if it had not engaged in the violations of the UCL described in this Complaint.

327. As a direct and proximate result of its unlawful, fraudulent, and unfair practices, State Farm has obtained an unfair competitive advantage over similar businesses that have not engaged in such practices.

328. The People seek an injunctive order requiring State Farm to cease the unlawful, fraudulent, and unfair business practices alleged herein and to pay restitution to all victims of such acts or practices.

329. Pursuant to Bus. & Prof. Code section 17206(a), the People further seek a civil penalty of $2,500 for each violation of the UCL, to hold State Farm accountable for its unfair and deceptive business practices alleged herein and to deter further violations of the UCL.

330. Pursuant to Bus. & Prof. Code section 17206.1, the People seek an additional civil penalty of $2,500 for each violation of Bus. & Prof. Code section 17200 that involved a senior citizen or a disabled person.

331. The requested civil penalties are cumulative to the civil penalties sought under the False Advertising Law cause of action alleged herein.

332. The People seek all other relief available under California law, including restitution, and such other equitable relief as the Court deems just and proper.

PRAYER FOR RELIEF

WHEREFORE, the People respectfully request that the Court enter a judgment in favor of the People and against State Farm as follows:

A. That State Farm, its successors, agents, representatives, employees, assigns, and all persons who act in concert with State Farm be permanently enjoined from making any untrue or misleading statements in violation of Bus. & Prof. Code section 17500, under the authority of Bus. & Prof. Code section 17535;

B. That State Farm, its successors, agents, representatives, employees, assigns, and all persons who act in concert with State Farm be permanently enjoined from engaging in unfair competition as defined in section 17200, under the authority of Bus. & Prof. Code section 17203;

C. That, under the authority of Bus. & Prof. Code section 17203 and Civil Code section 3494, State Farm, its successors, agents, representatives, employees, assigns, and all persons who act in concert with State Farm be permanently enjoined from:

i. Citing, relying on, or referencing the 'Right to Inspect' provision of any homeowners insurance policy as grounds for denying, limiting, or delaying any policyholder's claim for reimbursement of hygienist or environmental testing costs in connection with a property insurance loss;

ii. Charging hygienist testing, environmental testing, or other costs associated with determining the scope of a covered loss against a policyholder's Coverage A limits of indemnity, rather than treating such costs as loss adjustment expenses;

iii. Refusing to cover the costs of hygienist testing, environmental testing, or other costs associated with determining the scope of a covered loss when such testing is covered by the policyholders' State Farm Policy;

iv. Sending any closing letter, denial letter, or other written communication to a California homeowners insurance policyholder arising from a loss during a declared state of emergency that misstates the applicable time to bring suit or that fails to advise the policyholder of the 24-month extension under Insurance Code section 2071;

v. Reassigning a residential insurance claim arising from a declared state of emergency to a third or subsequent adjuster without full compliance with Insurance Code section 14047(a); and

vi. Conditioning ALE payment on the standing or non-standing status of the insured structure in a manner inconsistent with Insurance Code section 2060;

D. That State Farm be ordered to identify and re-adjudicate all LA Wildfires claims in which personal-property benefits were delayed, reduced, depreciated, or withheld after the policyholder submitted an inventory exceeding policy limits; to provide each affected policyholder with a clear written explanation of all depreciation, valuation, and calculation methods applied to the contents claim; to produce all claim-calculation worksheets, depreciation schedules, and document-intake records used to evaluate the claim; and to cease conditioning release of benefits on construction milestones unless State Farm identifies the specific policy provision authorizing the condition and provides a written explanation of how the condition applies to the claim.

E. That, under the authority of Bus. & Prof. Code section 17203 and Civil Code section 3494, State Farm be ordered to:

i. Reopen and re-adjudicate all LA Wildfires claims identified through an independent claims audit as having been handled in violation of the legal

standards established by this Court's judgment and the California Insurance Code;

ii. Provide written notice, in plain language, to all affected policyholders of their right to have their claims reopened, including the correct limitations period for bringing any resulting legal action; and

iii. Retain independent adjusters, approved by the Court, for any re-adjudication of claims where the original adjustment was found to violate applicable law.

F. That, pursuant to Bus. & Prof. Code sections 17203 and 17535, State Farm be ordered to make full restitution of all money or property that it acquired, or retained, by means of the acts of unfair competition and untrue or misleading advertising alleged herein, including, at a minimum:

i. All homeowners insurance premiums paid to State Farm during the limitations period by policyholders affected by the LA Wildfires, premiums totaling, on the People's present estimate, at least $160 million, which State Farm acquired by means of the untrue and misleading representations alleged herein;

ii. All insurance benefits that State Farm wrongfully withheld, delayed, depreciated, or underpaid, in which the affected policyholders hold a vested interest under their policies and California law, and which State Farm has retained by means of the unlawful, unfair, and fraudulent practices alleged herein;

iii. All sums that policyholders were forced to expend out of pocket as a direct result of State Farm's practices, including industrial hygienist and environmental testing costs, and remediation, protective, and living expenses that State Farm was obligated to pay; and

iv. Restitution of all such monies wrongfully acquired or retained, together with prejudgment interest thereon at the legal rate from the date of acquisition or wrongful retention.

G. That the Court order a full equitable accounting of all premiums collected from, and all benefits withheld from, policyholders affected by the LA Wildfires, to identify all monies subject to restitution under Bus. & Prof. Code sections 17203 and 17535;

H. That, to the extent necessary to secure, preserve, and administer restitution and abatement, the Court appoint a receiver or a claims administrator over State Farm's LA Wildfires claims operations pursuant to Bus. & Prof. Code section 17203 and the Court's inherent equitable powers;

I. That, pursuant to Civil Code section 3494 and Code of Civil Procedure section 731, State Farm be ordered to abate the ongoing public nuisance their conduct has caused as alleged herein, including, but not limited to, funding, in an amount to be determined by the Court, the environmental testing and qualified remediation of affected properties necessary to eliminate the ongoing hazards to public health;

J. That State Farm be ordered to pay a civil penalty of $2,500 for each violation of Bus. & Prof. Code section 17500, under the authority of Bus. & Prof. Code section 17536, according to proof;

K. That State Farm be ordered to pay a civil penalty of $2,500 for each violation of Bus. & Prof. Code section 17200, under the authority of Bus. & Prof. Code section 17206, according to proof;

L. That State Farm be ordered to pay an additional civil penalty of $2,500 for each violation of Bus. & Prof. Code section 17200 which involved a senior citizen or disabled person, under the authority of Bus. & Prof. Code section 17206.1;

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M. Attorneys' fees and costs of suit to the extent authorized by law; and

N. Such other and further relief as the Court may deem just, proper, and equitable.

DATED: August 31, 2026

Respectfully submitted,

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