OFFICE OF THE COUNTY COUNSEL

Lawsuit Against State Farm for Unfair and Unlawful Business Practices Related to Fire Survivor Claims

AFFIRMATIVE LITIGATION & CONSUMER PROTECTION DIVISION

SUMMARY OF LAWSUIT

- County Counsel, on behalf of the People of the State of California, has filed a lawsuit against State Farm General Insurance Company (State Farm) for violating unfair competition and false advertising laws when processing fire damage claims from survivors of the Eaton and Palisades Fires (2025 Wildfires).
- The lawsuit alleges State Farm engaged in unfair, unlawful, and deceptive business practices that harmed policyholders. The lawsuit will seek restitution to policyholders, injunctive relief, and civil penalties.

Who are the parties to the lawsuit?

The Office of County Counsel is suing on behalf of the People of the State of California. County Counsel is empowered by statute to investigate and civilly prosecute violations of the Unfair Competition Law and False Advertising Law on behalf of the People of the State of California.

What are the allegations?

The lawsuit alleges State Farm violated California's unfair competition and false advertising laws in its handling and processing of fire damage claims from survivors of the Eaton and Palisades Fires and harmed policyholders as a result.

What is the goal of the lawsuit?

The lawsuit asks the court to issue an injunction requiring State Farm to stop these unfair and unlawful practices and fulfill their promises to policyholders, and seeks restitution for policyholders and civil penalties to make sure State Farm and other businesses comply with the law.

What did State Farm do that was unfair or unlawful?

State Farm frequently reassigned individual claim adjusters; delayed investigating claims and processing payments; underpaid claims; failed to issue payments for Additional Living Expenses; re-worked prior estimates to lower payouts; and refused to properly handle smoke damage claims.

The complaint alleges State Farm’s claims practices have inflicted substantial harms on survivors. In addition to financial impacts, State Farm’s delays, denials, and misrepresentations have had very real physical, psychological, medical, and familial consequences on displaced policyholders.

For older policyholders and medically vulnerable residents, delays can be especially devastating. The complaint includes allegations concerning a 97-year-old policyholder who simply wishes to return home – he has been unable to do so and his family has faced numerous obstacles in obtaining adequate testing and in securing the benefits he is owed to cover his living expenses while he is displaced.

Why didn't County Counsel just work this out with State Farm rather than going to court?

County Counsel began investigating State Farm's handling of policyholder claims in 2025 and reached out to the insurance company asking for information about its claims practices. State Farm failed to cooperate, refused to provide our office with requested documents, even after County Counsel issued a subpoena, and made clear it was not interested in resolving the concerns raised on behalf of wildfire victims.

There is an urgent need to resolve claims as quickly as possible before displacement coverage runs out and so survivors can return home.

What are the next steps in the litigation process?

State Farm will have to file a legal response to our complaint in court within 30 days. We expect the company will try to get the case dismissed. If it does, legal briefs will be filed with the court, and there will be a hearing where lawyers present arguments and the judge will make a ruling.

How will this lawsuit directly impact Altadena residents?

We hope this lawsuit motivates State Farm to do the right thing for its policyholders and quickly provide payments and resources to fire survivors that will enable them to rebuild, remediate and return to their homes and community.

The lawsuit also seeks restitution to impacted State Farm policyholders, injunctive relief, and civil penalties of up to $2,500 per violation.

Is County Counsel considering action against any other insurance companies?

County Counsel is investigating other insurance companies, but hopes this lawsuit sends a message to other companies to take quick action to help their policyholders receive payments and resources so they can return home and rebuild their lives and communities.

With more than 2.8 million residential and commercial policies statewide, State Farm is California's largest private insurer. State Farm has the most policyholders impacted by the Eaton and Palisades Fires and has stated publicly it has processed 13,700 claims related to the Fires.

What action can residents take if they have problems with a different insurance company?

Residents can file an online complaint with LA County's Department of Consumer and Business Affairs at dcba.lacounty.gov or by calling 800-593-8222 or with the California Department of Insurance at https://www.insurance.ca.gov/01-consumers/101-help/ or by calling 800-927-4357.

BACKGROUND ON STATE FARM'S UNFAIR AND UNLAWFUL BUSINESS PRACTICES

- Following the 2025 Wildfires, impacted policyholders attempting to recover from the devastating damage to their real and personal property made fire damage claims to their insurer, State Farm. When making these claims, they faced, and continue to face, many claims processing challenges imposed by State Farm.

- When filing fire damage claims with State Farm, policyholders repeatedly reported:
    - frequent reassignment of individual claim adjusters;
    - poor communication with policyholders;
    - inadequate record keeping or information sharing among State Farm claims teams;
    - delays in State Farm investigating claims and processing payments;
    - underpayments;
    - inconsistencies in handling claims, including those for Additional Living Expenses (ALE);
    - re-working of prior estimates to lower payments;
    - misrepresentations to claimants; and
    - deficient or even illegal processes for handling claims for smoke damage.
- County Counsel's Affirmative Litigation and Consumer Protection Division (ALCP) began investigating State Farm's handling of policyholder claims by contacting Eaton Fire Survivors Network (EFSN), Consumer Watchdog, Department of Angels, Eaton Fire Residents United and other community groups and individuals to gather information related to the 2025 Wildfires. ALCP reviewed over 500 complaints and documents provided by State Farm policyholders.
- In November 2025, ALCP sent a letter to State Farm announcing our investigation of their claims handling processes and requested specific documents. Soon after ALCP's letter and public announcement of the investigation, media outlets and community members reported State Farm issued increased payments to claimants.
- On May 4, 2026, the California Department of Insurance (CDI) announced the results of its Market Conduct Examination (MCE) of State Farm. Based on a review of 220 randomly selected claims, the CDI's MCE found 398 violations of the Unfair Insurance Claims Practices Act and related regulations. Importantly, however, CDI's action does not seek restitution for impacted consumers.
- State Farm disputes the MCE finding and says it "is proud of its response" to the 2025 Wildfires and "reject[s] any suggestion that State Farm engaged in a general practice of mishandling or intentionally underpaying wildfire claims."

LEGAL DETAILS ON CAUSES OF ACTION AGAINST STATE FARM AND REMEDIES SOUGHT

County Counsel, on behalf of the People of the State of California, alleges:

- A cause of action under California's Unfair Competition Law (Business and Professions Code section 17200 *et seq*.) (UCL), which prohibits unlawful, unfair, or fraudulent business practices.
    - State Farm's bad faith insurance practices constitute all three statutory forms of unfair competition. They are *unlawful*, in that, it violated its legal obligation to act in good faith to meet its contractual promises to policyholders. They are *unfair* because State Farm's failure to timely investigate, accept, or deny claims prevented policyholders from rebuilding, decontaminating their homes, replacing what they lost, and returning to their lives. They are also *fraudulent*. State Farm fraudulently denied the payment of policyholders' legitimate rebuilding estimates that were for amounts that they were entitled to under their policies.

    - State Farm's bad faith insurance practices include: 1) slow and inadequate investigation; 2) underpayment of claims; 3) multiple rotating adjusters on a customer's claim causing confusion; 4) smoke damage claim denials and delays; 5) inadequate communication with policyholders; and 6) outright misrepresentations in its marketing of insurance policies and its factual assertions regarding fire damage claims and policy provisions.

    - State Farm's actions also violate the promise of good faith and fair dealing implied in all contracts and constitute a breach of contract because State Farm failed to fulfill its obligations under hundreds, if not thousands, of valid, legally binding insurance contracts.

- A cause of action under California's False Advertising Law (Business and Professions Code section 17500) (FAL), which outlaws false or misleading advertising. State Farm's advertising and statements of its executives contain promises counter to the processes State Farm actually employed to handle fire damage claims from the 2025 Wildfires.

- A cause of action alleging State Farm's actions have created a public nuisance in several ways, including, but not limited to, failure to pay for smoke and ash damage, failure to pay costs of soil remediation, and delays in payment and underpayments to claimants for temporary housing which reduced housing options for survivors of the 2025 Wildfires. The lawsuit will allege State Farm knowingly caused, assisted in causing, and or contributed to a public nuisance that unreasonably harms the community impacted by the 2025 Wildfires.

- The lawsuit also seeks restitution for policy holders, abatement, civil penalties and injunctive relief as authorized by the UCL, FAL, and Public Nuisance law.

- The complaint alleges State Farm’s claims practices have inflicted substantial harms on survivors. In addition to financial impacts, State Farm’s delays, denials, and misrepresentations have had very real physical, psychological, medical, and familial consequences on displaced policyholders.

- For older policyholders and medically vulnerable residents, delays can be especially devastating. The complaint includes allegations concerning a 97-year-old policyholder who simply wishes to return home – he has been unable to do so and his family has faced numerous obstacles in obtaining adequate testing and in securing the benefits he is owed to cover his living expenses while he is displaced.