

State Farm accused of bankrolling judge to throw out \$1B case against company

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by Jef Feeley

Some customers of State Farm Mutual Automobile Insurance Co. claim the company conspired to help elect an Illinois Supreme Court candidate so he could vote to throw out a \$1 billion award against the company. Now they will be able to bring their case as a group.

A federal judge on Sept. 16 ruled that 4.7 million State Farm policyholders can band together to sue the insurer for allegedly lying about its efforts to financially back Lloyd Karmeier for a seat on Illinois' highest court.

Customers contend in their class-action lawsuit that State Farm defrauded them by secretly bankrolling Karmeier's 2004 campaign. In exchange, they allege, Karmeier provided a key appellate vote against upholding the \$1 billion verdict in a case over the use of generic autoparts.

The ruling will complicate Bloomington, Illinois-based State Farm's efforts to fend off claims it engaged in racketeering by working with others to get Karmeier elected, specifically to target the 1999 verdict in Illinois state court. The ruling was one of the largest class-action awards in US legal history.

Reassert Claims

Missy Dundov, a State Farm spokeswoman based in Illinois, said the company intends to "ask the appellate court to review this ruling in the very

near future.”

The plaintiffs “have unsuccessfully asserted and reasserted these allegations for many years and should not be permitted to do so any longer,” Dundov said in an e-mail.

Illinois Supreme Court officials didn’t immediately return a call for comment on behalf of Karmeier, who is now the court’s chief justice. He isn’t named as a defendant in the racketeering suit.

In their original case, State Farm customers claimed the generic car parts were of lower quality than original equipment and violated terms of their insurance policies. An Illinois jury awarded them \$456 million for breach of contract in 1999 and the trial judge added \$730 million in damages on a fraud claim. An appellate court reduced the verdict to \$1.01 billion.

Tossed Award

The Illinois Supreme Court threw out the award in 2005 with Karmeier’s backing and the US Supreme Court refused to review the case. Lawyers representing State Farm customers later uncovered the insurer’s financial backing of the judge. Karmeier won re-election to his post in 2014.

In 2012, policyholders sued State Farm and others who backed Karmeier’s 2004 campaign alleging they engaged in racketeering by secretly launching an effort to recruit and fund a judicial candidate willing to vote down the \$1 billion verdict. They argued State Farm officials lied when they denied in court filings that they backed Karmeier for the appellate post.

US District Judge David Herndon in East St. Louis, Illinois, found customers could band together to press claims that State Farm and others worked to “secretly subvert the judicial process and deprive plaintiffs of an impartial forum” to review the award. The policyholders showed there are “common questions regarding defendants’ acts and omissions to evade” the judgment, he concluded.

Even though Karmeier isn’t being sued in the racketeering case, Herndon

ordered him last year to answer questions under oath about the strategy and funding of his judicial campaign and whether State Farm played any role in his bid for the appellate-court seat.

The case is Mark Hale v. State Farm Mutual Automobile Insurance Company, No. 12-660, US District Court, Southern District of Illinois (East St. Louis).