

## Pyorre Email to NAAFA 10-10-2007

The trial date of Sept 28 for the trial of State Farm v Pyorre et al has come and gone and after waiting on a 24 hour call notice for the week following the Sept 28 date it appears the trial in Sonoma County will now be rescheduled for April 11, 2008.

This is the interesting trial of State Farm bringing suit against its own agents and then finding they (State Farm) had to cover the defense of the agents. Approximately \$2,000,000 for the agents defense plus approximately \$4,000,000 in costs for State Farms costs as plaintiff's in a Mendocino County action through August 2002.

This latest lawsuit in Sonoma County is another lawsuit State Farm has filed against the two agents and State Farm is trying to recover the defense costs State Farm had to pay in the Mendocino case. In the Mendocino Case the jury found nothing for State Farm and \$12,600,000 for the two agents because of the shoddy way State Farm treated them. State Farm has appealed this decision and it has been to the appellate court and State Supreme Court and is now headed back to trial in Mendocino again.

Yes, believe it or not, State Farm has asked for another trial in Mendocino over the same issues. In the meanwhile State Farm in its attempt to pressure the agents financially quit paying defense costs in the Mendocino case and claimed they had no duty to defend. State Farm has filed two summary judgments in the Sonoma Case arguing they had no duty to defend and has lost both summary judgments. Even though they have lost two summary judgments, State Farm says the judge is wrong and refuses to start paying the defense costs for the Mendocino action.

As you might have guessed the agents have also cross complained in the Sonoma case and have a complaint for bad faith! State Farm "executives", they actually call themselves executives", pretend to be concerned with their surplus, they call it policyholder protection fund (yea right), and say they watch out for the policyholders best interest.

Do you know any policyholders who would think bringing a lawsuit and paying both ends of the case as well as losing a jury decision for \$12,600,000 was a good business decision? Especially when you add to that State Farm has now dug another hole (State Farm refers to it as the Sonoma Case) and will be throwing more money down it. According to sources there have been 5 law firms involved in this action along with the 700 to 800 in-house attorneys. Would that make the law firms outhouse attorneys? (sorry I couldn't help myself for the pun). We will try to keep you up to date on the happenings of this very interesting case and the Keystone Cops oh, sorry I meant State Farm Executives, sorry Keystone Cops.

Attached you will find a letter and State Farm questions and answers regarding the Licensed Staff Agreement (LSA) that State Farm was found to have breached the agent's contract with. The decision by the California Appellate Court is final as State Farm acknowledges in its letter. It is interesting to note the decision was final approximately March 2007 and this Oct 3 letter is the first correspondence to the agents about it.

In looking at this letter it appears to me State Farm is trying to subvert a court decision. The court has found the LSA to be a breach of the agent contract but yet State Farm is now pressuring agents to say the items found to be a breach are not a breach. In other words State Farm is ignoring the decision of the court and saying no matter what the court decides if they can intimidate the agent to say it isn't a breach then the LSA is ok?

Let's think about that for a minute and say someone robs a grocery store and they are caught and the court reviews the evidence and finds they robbed the store and the case is final. What if the shopkeeper is later approached by the robber's gang and threatened and told he can avoid these threats by telling the court he wasn't really robbed? Do you think the court would let the convicted robber out of jail because he was pressured to say he was not robbed?