

IN THE UNITED STATES DISTRICT COURT  
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI  
SOUTHERN DIVISION

Aegis Security Insurance Company;  
Association Casualty Insurance Company;  
Benchmark Insurance Company; Georgia  
Casualty & Surety Company; and National  
Security Fire and Casualty Company,

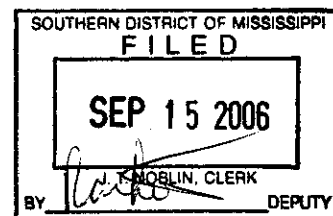
Plaintiffs,

v.

Allstate Insurance Company; Mississippi  
Farm Bureau Mutual Insurance Company;  
Nationwide Mutual Fire Insurance  
Company d/b/a Nationwide Insurance  
Companies; State Farm Fire and Casualty  
Company; St. Paul Travelers Companies;  
Lorrie K. Brouse; Robert P. Arnold; Delma  
P. Locke, Jr.; Terry Blalock; Charles Rice;  
Brad Little;

Defendants.

Case No. 1:06-cv-954-LTS-RHW



CLASS ACTION

COMPLAINT

**JURY TRIAL DEMANDED**

For their Class Action Complaint, Plaintiffs Aegis Security Insurance Company, Association Casualty Insurance Company, Benchmark Insurance Company, Georgia Casualty & Surety Company, and National Security Fire and Casualty Company (“Plaintiffs”), for themselves and all others similarly situated, state and allege as follows:

**INTRODUCTION**

1. This is a class action lawsuit, which Plaintiffs bring for themselves and all other insurance companies, other than Defendants and their affiliates, who were members

of the Mississippi Windstorm Underwriting Association (“MWUA”) on or about August 29, 2005, as well as any other MWUA members, other than Defendants and their affiliates, whom MWUA has assessed for losses suffered as a result of Hurricane Katrina (“the Class”). Those losses have been incurred by all members of the Class, including Plaintiffs, because the MWUA Board of Directors (“the MWUA Board”) did not purchase reasonable and appropriate reinsurance.

2. Defendants are members of the MWUA Board and were responsible for purchasing reasonable and appropriate reinsurance to protect the Class, including Plaintiffs. As described more fully in this Class Action Complaint, Defendants acted out of self-interest in making reinsurance decisions for MWUA, breached their fiduciary duties to all members of the Class, including Plaintiffs, and otherwise engaged in wrongful conduct, thereby causing all members of the Class, including Plaintiffs, to suffer hundreds of millions of dollars in unreinsured losses.

### **PARTIES**

3. Plaintiff Aegis Security Insurance Company (“Plaintiff Aegis”) is a corporation organized and existing under the laws of the State of Pennsylvania, with its principal place of business in Harrisburg, Pennsylvania.

4. Plaintiff Association Casualty Insurance Company (“Plaintiff Association”) is a corporation organized and existing under the laws of the State of Texas, with its principal place of business in Austin, Texas.

5. Plaintiff Benchmark Insurance Company (“Plaintiff Benchmark”) is a corporation organized and existing under the laws of the State of Kansas, with its principal place of business in Overland Park, Kansas.

6. Plaintiff Georgia Casualty & Surety Company (“Plaintiff Georgia Casualty”) is a corporation organized and existing under the laws of the State of Georgia, with its principal place of business in Atlanta, Georgia.

7. Plaintiff National Security Fire and Casualty Company (“Plaintiff National Security”) is a corporation organized and existing under the laws of the State of Alabama, with its principal place of business in Elba, Alabama.

8. Defendant Allstate Insurance Company (“Defendant Allstate”) is a corporation organized and existing under the laws of the State of Delaware, with its principal place of business in Northbrook, Illinois.

9. Defendant Mississippi Farm Bureau Mutual Insurance Company (“Defendant Farm Bureau”) is a corporation organized and existing under the laws of the State of Mississippi, with its principal place of business in Jackson, Mississippi.

10. Defendant Nationwide Mutual Fire Insurance Company d/b/a Nationwide Insurance Companies (“Defendant Nationwide”) is a corporation organized and existing under the laws of the State of Ohio, with its principal place of business in Columbus, Ohio.

11. Defendant State Farm Fire and Casualty Company (“Defendant State Farm”) is a corporation organized and existing under the laws of the State of Illinois, with its principal place of business in Bloomington, Illinois.

12. Defendant St. Paul Travelers Companies (“Defendant St. Paul”) is a corporation organized and existing under the laws of the State of Minnesota, with its principal place of business in St. Paul, Minnesota.

13. Defendant Lorrie K. Brouse (“Defendant Brouse”) is a citizen of the State of Tennessee and an employee of Defendant Allstate.

14. Defendant Robert P. Arnold (“Defendant Arnold”) is a citizen of the State of Mississippi and an employee of Defendant Farm Bureau.

15. Defendant Delma P. Locke, Jr. (“Defendant Locke”) is a citizen of the State of Kentucky and an employee of Defendant Nationwide.

16. On information and belief, Defendant Terry Blalock (“Defendant Blalock”) is a citizen of the State of Mississippi and an employee of Defendant State Farm.

17. On information and belief, Defendant Charles Rice (“Defendant Rice”) is a citizen of the State of Mississippi and an employee of Defendant State Farm.

18. Defendant Brad Little (“Defendant Little”) is a citizen of the State of Mississippi and an employee of Defendant St. Paul.

19. Defendants Allstate, Farm Bureau, Nationwide, State Farm and St. Paul, (“the Insurer Defendants”) are members of the MWUA Board and were represented on the MWUA Board at relevant times by Defendants Brouse (for Allstate), Arnold (for Farm Bureau), Locke (for Nationwide), Blalock and Rice (for State Farm) and Little (for St. Paul) (“the Individual Defendants”). The Insurer Defendants and Individual Defendants are sometimes collectively referred to in this Class Action Complaint as “Defendants.”

## JURISDICTION

20. This Court has original jurisdiction of this civil action under multiple provisions of 28 U.S.C. § 1332.

21. As set forth in Paragraphs 3 through 18 of this Class Action Complaint, complete diversity of citizenship exists between all Plaintiffs and all Defendants. The matter in controversy exceeds the sum or value of \$75,000, exclusive of interest and costs; and each Plaintiff has sustained monetary damages in an amount greater than such sum. Thus, this Court has jurisdiction over all claims set forth in this Class Action Complaint pursuant to 28 U.S.C. § 1332(a)(1).

22. Further, this civil action is a class action in which the matter in controversy exceeds the sum or value of \$5 million, exclusive of interest and costs; and the Class members as a whole, including all Plaintiffs as a group, have sustained monetary damages greater than such sum. One or more members of the Class, including all Plaintiffs, are citizens of a State different from any Defendant. Thus, this Court has jurisdiction over all claims set forth in this Class Action Complaint pursuant to 28 U.S.C. § 1332(d)(2)(A).

## VENUE

23. Venue of this action is proper in this Court pursuant to the provisions of 28 U.S.C. § 1391(a) because: (a) a substantial part of the events or omissions giving rise to the claims stated in this Class Action Complaint occurred in this judicial district; (b) a substantial part of the property that is the subject of this Complaint is situated in this

judicial district; and/or (c) Defendants are subject to personal jurisdiction in this judicial district, and are therefore deemed to reside in this judicial district.

### **CLASS ALLEGATIONS**

24. Plaintiffs bring this action, pursuant to Rule 23 of the Federal Rules of Civil Procedure, on behalf of the Class defined in Paragraph 1 of this Class Action Complaint. Excluded from the Class are Defendants, members of the immediate families of the Individual Defendants, any entity in which any Defendant has a controlling interest, and the legal affiliates, agents, representatives, officers, directors, heirs, controlling persons, successors, predecessors in interest or assigns of any such excluded party.

25. The members of the Class are so numerous that joinder of all members is impracticable. There are more than one hundred members of the Class, all of whom are geographically dispersed throughout the United States.

26. There are questions of law and fact common to all members of the Class, including without limitation: (a) whether Defendants breached their fiduciary duties to all members of the Class; (b) whether Defendants acted in a negligent manner with respect to all members of the Class; (c) whether Defendants failed to purchase adequate reinsurance for the benefit of all members of the Class; (d) whether Defendants failed to purchase appropriate reinsurance for the benefit of all members of the Class; (e) whether Defendants otherwise engaged in wrongful conduct; and (f) whether members of the Class have sustained damages and, if so, the extent and measure of those damages. These common questions of law and fact predominate over any questions affecting solely

individual members of the Class because the actions of Defendants were applicable to the entire Class.

27. The claims of Plaintiffs are typical of the claims of all Class members because, among other reasons, Plaintiffs and all other members of the Class are similarly situated members of MWUA for whom Defendants were to purchase adequate and appropriate reinsurance, and who were injured by the failure of Defendants to do so.

28. Plaintiffs will fairly and adequately protect the interests of all Class members and have retained competent, experienced legal counsel to represent them in this action. Plaintiffs have no interests that are contrary to or in conflict with members of the Class that Plaintiffs seek to represent.

29. A class action is superior to all other available methods of fair and efficient adjudication of this controversy.

30. Plaintiffs know of no difficulty that should be encountered in the management of this litigation that would preclude its maintenance as a class action.

**FACTUAL ALLEGATIONS**  
**COMMON TO ALL CAUSES OF ACTION**

31. The Mississippi Legislature established MWUA in 1987.

32. MWUA is governed by a Plan of Operation (“the Plan”) that was promulgated and approved by the State of Mississippi Commissioner of Insurance (“the Insurance Commissioner”).

33. Section I of the Plan states that the purpose of MWUA is to provide:

- (1) an adequate market for windstorm and hail coverage which is necessary to the economic welfare of the Coast area in order to

insure its orderly growth and development; (2) adequate insurance on property in the Coast area which is necessary to enable homeowners and commercial owners to obtain financing for the purchase and improvement of their property; (3) an equitable method whereby every licensed insurer writing Windstorm and Hail coverage in Mississippi is required to meet its public responsibility; and (4) a mandatory Plan to assure an adequate market for Windstorm and Hail Coverage in the Coast area of Mississippi and to fulfill the Purposes provided by the Mississippi Legislature.

34. By virtue of the Mississippi Code, and as a condition of their authority to transact business in the State of Mississippi, every insurance company authorized to write and engaged in writing property insurance on a direct basis in the State of Mississippi must be a member of MWUA. All members of the Class, including Plaintiffs, are members of MWUA by virtue of the fact that they are insurance companies authorized to write and engaged in writing property insurance on a direct basis in the State of Mississippi.

35. MWUA provides windstorm and hail insurance for any one or two family dwelling in the Coast Area that is built in substantial accordance with the standard building code, including the design-wind requirements, and which is not otherwise rendered uninsurable by reason of use, occupancy or state of repair. That insurance may cover the reasonable insurable value of the property located in the Coast Area up to certain specified limits.

36. Most or all of the property owners who obtain windstorm and hail insurance from MWUA come to MWUA as a last resort because of their inability to obtain insurance under normal underwriting standards. In other words, the property and casualty risks that MWUA insures in the Coast Area represent high risks.



37. Reinsurance is a transaction in which an insurance company, known as a "reinsurer," in exchange for a premium, agrees to indemnify or reimburse another insurance company, known either as the "ceding company," "cedent" or "reinsured," against all or part of a loss that the reinsured may sustain under insurance policies the reinsured has issued. Reinsurance is used by insurers to spread risks, much like insurance is used by home owners and business owners, in order to avoid calamitous losses from any single incident or occurrence. Insurers depend upon adequate reinsurance for their own security. Reinsurance is especially important for risks such as those underwritten by MWUA, which are, by definition and mandate, extraordinarily risky undertakings.

38. MWUA is administered by the MWUA Board, and the MWUA Board is empowered to approve expenses, levy assessments, disburse funds and perform all other duties necessary to the administration of the Plan. A primary function of the MWUA Board is to purchase reinsurance on behalf of all MWUA members. The assumption and cession of reinsurance is critical in order to protect members of the Class, including Plaintiffs, against catastrophic losses.

39. Each member of MWUA is obligated to participate in certain expenses of the MWUA in a pro rata manner. The pro rata share paid by each member is determined by comparing the net direct premiums from certain insurance written by that member in the State of Mississippi against the aggregate net direct premiums written in the State of Mississippi by all members of MWUA.

40. All members of MWUA participate in the first ten percent of MWUA's insurance losses in proportion to their pro rata share. For all losses beyond the first ten

percent, however, a member is entitled to receive a credit for certain property insurance the member voluntarily writes directly in the Coast Area. The participation of a member in MWUA's losses beyond the first ten percent is therefore reduced accordingly.

41. The MWUA Board was required by law to, and undertook to, procure reinsurance for the benefit of all members of MWUA. However, in order to avoid reinsurance expenses that they, as members of MWUA, would have borne in large measure, Defendants did not purchase adequate and reasonable reinsurance, thereby putting all members of the Class, including Plaintiffs, at serious risk in the event of unreinsured catastrophic losses.

42. For 2005, the aggregate pro rata share of the five Insurer Defendants for MWUA expenses was just over fifty percent (50%) of the entire obligation, and their aggregate pro rata share of the first ten percent (10%) of losses incurred by MWUA was also just over fifty percent (50%) of the entire obligation. However, because of credits Insurer Defendants received for writing Essential Property Insurance, the aggregate pro rata share of the five Defendants for the last ninety percent (90%) of losses incurred by MWUA was either zero or less than two percent (2%).

43. As a result, Insurer Defendants could expect to bear more than one-half of all administration expenses, including the premiums for reinsurance that MWUA purchased on behalf of its members, but Insurer Defendants could expect to face virtually no risk for ninety percent (90%) of any unreinsured losses sustained by the membership.

44. Because Insurer Defendants bore large shares of MWUA expenses, but virtually no share of the last ninety percent (90%) of MWUA losses, Defendants were in

a different position from nearly all members of the Class (who, as a rule, bore only modest shares of expenses, but whose respective shares of the last ninety percent (90%) of unreinsured losses were greatly magnified).

45. In January 2004, the MWUA Board heard presentations from four brokerage firms. However, the MWUA Board determined not to invite back three of the four firms and not to request that those three firms provide hurricane modeling analyses. Rather, the MWUA Board determined to invite back only one firm.

46. In March 2004, the MWUA Board received a report indicating that the total MWUA insurance in force as of December 31, 2003 was more than \$1,400,000,000 and was increasing compared to prior years. The MWUA Board also received a hurricane modeling presentation from the firm which the MWUA Board had invited back. That modeling presentation included the recommendation for at least \$283,000,000 in reinsurance coverage for a 500-year occurrence during any single season.

47. Reinsurance based upon catastrophe models for a 500-year occurrence was then and still is the industry practice and recommended approach for reinsurance in pooled programs of the sort addressed by the MWUA Board.

48. However, after hearing the one hurricane modeling presentation in March 2004, the MWUA Board, controlled by Defendants, determined to purchase only reinsurance sufficient to cover a 100-year occurrence and to purchase any additional reinsurance only as funds were available from premiums obtained from the Coast Area insureds at pre-set premium levels. In other words, Defendants elected to give preference

to a scheme to avoid incurring expenses without meaningful regard to the adequacy of reinsurance for the benefit of members of the Class, including Plaintiffs.

49. Insurer Defendants stood to gain by under-reinsuring the MWUA's risk. Defendants thereby avoided or limited any obligation to contribute expenses for the cost of reasonable and adequate reinsurance, without material exposure to themselves for unreinsured risks associated with imprudent and insufficient reinsurance. In contrast, all members of the Class, including Plaintiffs, were subjected to disproportionate exposure for unreinsured risks resulting from the conduct and decisions of Defendants, including the decision to purchase imprudent and insufficient reinsurance.

50. Defendants compounded the risks to members of the Class, including Plaintiffs, by electing to secure a reinsurance program spanning two hurricane seasons rather than one. Defendants chose this course without obtaining any analysis of the changes in the modeling, including without limitation, changes in the total insurance in force over time and changes in critical probabilities associated with the extended duration of the risk period. A catastrophe model which accurately reflected the total insurance in force and the critical probabilities associated with the extended duration of the risk period would have shown that reinsurance in excess of \$283,000,000 would be necessary for a 500-year occurrence.

51. The MWUA Board ultimately procured only \$175 million in reinsurance for a twenty-month program, covering two hurricane seasons spanning 2004 and 2005.

52. All members of the Class, including Plaintiffs, were obligated by law to rely upon the MWUA Board to purchase adequate and appropriate reinsurance. The MWUA

Board bore and assumed full responsibility for all decisions concerning the levels of reinsurance to purchase on behalf of the Class, including Plaintiffs.

53. Defendants did not timely disclose to members of the Class, including Plaintiffs, the basis for their reinsurance decisions and did not provide members of the Class, including Plaintiffs, with any opportunity to participate in the decision-making process concerning the levels of reinsurance.

54. Defendants did not disclose the self-serving nature of their reinsurance decisions and their decisions to avoid incurring expenses in which they would share.

55. Defendants could not reasonably have believed that their actions were in the best interests of MWUA or members of the Class.

56. By electing not to, or failing to, obtain reasonable and appropriate levels of reinsurance, Defendants left the members of the Class, including Plaintiffs, exposed to unreasonable and unreinsured risks.

57. In late August 2005, Hurricane Katrina struck the Mississippi Coast Area and wreaked widespread damage to property insured by MWUA. As a result, it is estimated that MWUA will pay approximately \$700 million to its insureds.

58. Since MWUA had only \$175 million in reinsurance, MWUA had unreinsured losses of approximately \$525 million.

59. The levels of reinsurance that the MWUA Board purchased on behalf of members of the Class, including Plaintiffs, were far lower than they should have been, and far lower than they would have been in the absence of self-interested decisions by Defendants.

60. Members of the Class, including Plaintiffs, have a pro rata share of approximately fifty percent (50%) of the first ten percent (10%) of the unreinsured losses, but they bear almost all of the remaining ninety percent (90%) of the unreinsured losses.

61. The burden imposed upon members of the Class, including Plaintiffs, was greatly increased by the absence of reasonable and prudent levels of reinsurance.

62. By virtue of the doctrine of respondeat superior and otherwise, Insurer Defendants are responsible for the actions of their employees, Individual Defendants.

### **CAUSES OF ACTION**

#### **COUNT ONE (Breach of Fiduciary Duty)**

63. Plaintiffs reallege Paragraphs 1 through 62 of this Class Action Complaint.

64. Defendants owed a fiduciary duty to all members of the Class, including Plaintiffs.

65. Defendants breached their respective fiduciary duties to all members of the Class, including Plaintiffs.

66. By reason of this breach by Defendants of their fiduciary duties, all members of the Class, including Plaintiffs, have suffered substantial damages, in an amount to be determined at trial.

#### **COUNT TWO (Negligence)**

67. Plaintiffs reallege Paragraphs 1 through 66 of this Class Action Complaint.

68. Defendants owed all members of the Class, including Plaintiffs, a duty to act in a reasonable and prudent manner.

69. The actions, omissions and failures described in this Class Action Complaint were caused by the negligence of Defendants in the performance of their duties, without any fault or contribution by Plaintiffs or any other member of the Class.

70. By reason of the negligence of Defendants, all members of the Class, including Plaintiffs, have suffered substantial damages, in an amount to be determined at trial.

**COUNT THREE  
(Punitive Damages)**

71. Plaintiffs reallege Paragraphs 1 through 70 of this Complaint.

72. Defendants acted with actual malice, gross negligence which evidences a willful, wanton or reckless disregard for the safety of others, or committed fraud. Defendants' actions were attended by such intentional wrong, wanton and reckless conduct and gross negligence as to constitute an independent tort and warrant the Court's submission of punitive damages to the jury.

73. By reason of the foregoing, and pursuant to Mississippi Code Section 11-1-65, all members of the Class, including Plaintiffs, are entitled to an award of punitive damages.

**COUNT FOUR  
(Declaratory Relief)**

74. Plaintiffs reallege Paragraphs 1 through 73 of this Class Action Complaint.

75. Plaintiffs are informed and believe and, upon the basis of that information and belief, allege that Defendants may unilaterally, and through self-help, seek to obtain

indemnification from members of the Class, including Plaintiffs, with respect to the claims set forth in this Class Action Complaint by, among other things, purporting to invoke provisions of the Plan as justification for taking funds from MWUA and using those funds to pay legal fees, expenses or other obligations that they incur in connection with this class action lawsuit.

76. There is an actual and justiciable case and controversy between Plaintiffs and Defendants with respect to such claims for indemnification pursuant to the Plan or otherwise. By way of explanation, and without in any manner limiting the generality of the foregoing, Plaintiffs claim that Defendants are not entitled to indemnification, based on the Plan or otherwise, because: (a) the indemnification provisions do not apply to actions that MWUA members, or a substantial group of MWUA members, bring against MWUA Board members to challenge conduct peculiarly benefiting the Board members and not the MWUA as a whole; and (b) Defendants have engaged in willful and grossly negligent misconduct, substantially outside the scope of their duties and responsibilities to MWUA and members of the Class, including Plaintiffs.

77. Plaintiffs are entitled to a declaration from the Court that Defendants are not entitled to receive indemnification, pursuant to the Plan or otherwise, with respect to any of the allegations and causes of action set forth in this Class Action Complaint.

#### **PRAYER FOR RELIEF**

WHEREFORE, Plaintiffs pray for judgment against Defendants, and each of them, jointly and severally, as follows:



A. Declaring this lawsuit to be a proper class action within the meaning of Rule 23 of the Federal Rules of Civil Procedure;

B. Certifying the proposed class;

C. Awarding Plaintiffs and all members of the Class compensatory damages in an amount to be determined at trial;

D. Awarding Plaintiffs and all members of the Class punitive damages in an amount to be determined at trial;

E. Declaring that Defendants are not entitled to receive indemnification, pursuant to the Plan or otherwise, with respect to any of the allegations and causes of action set forth in this Class Action Complaint.

F. Awarding Plaintiffs and all members of the Class reimbursement for all costs and expenses incurred in this lawsuit, including attorney fees, expert fees and all other costs;

G. Awarding Plaintiffs and all members of the Class pre-judgment and post-judgment interest; and

H. Awarding Plaintiffs and all members of the Class such other, further or different relief as the Court may deem just and equitable.

**JURY DEMAND**

Plaintiffs demand a trial by jury.

Dated: September 15, 2006

WATKINS & EAGER PLLC



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John G. Corlew (MSB #6526)  
Paul H. Stephenson III (MSB #7864)  
Mildred M. Morris (MSB #3492)  
Kathy K. Smith (MSB #10350)  
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GREENE ESPEL, P.L.L.P.  
Larry D. Espel, Reg. No. 27595  
Lawrence M. Shapiro, P.A., Reg. No. 130886  
Mark L. Johnson, Reg. No. 0345520  
John W. Ursu, Reg. No. is 032257X  
200 S. Sixth Street, Suite 1200  
Minneapolis, MN 55402  
(612) 373-0830

ATTORNEYS FOR PLAINTIFFS

# CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil docket sheet. (SEE INSTRUCTIONS ON THE REVERSE OF THE FORM.)

### I. (a) PLAINTIFFS

(b) County of Residence of First Listed Plaintiff State of Pennsylvania  
(EXCEPT IN U.S. PLAINTIFF CASES)

(c) Attorney's (Firm Name, Address, and Telephone Number)  
See Attachment

### DEFENDANTS

County of Residence of First Listed Defendant  
(IN U.S. PLAINTIFF CASES ONLY)

NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE LAND INVOLVED.

Attorneys (If Known)  
Not Known

1:06cv954LTS RHM  
SOUTHERN DISTRICT OF MISSISSIPPI  
FILED  
SEP 15 2006  
J. T. NOBLIN, CLERK  
DEPUTY

### II. BASIS OF JURISDICTION (Place an "X" in One Box Only)

- 1 U.S. Government Plaintiff
- 2 U.S. Government Defendant
- 3 Federal Question (U.S. Government Not a Party)
- 4 Diversity (Indicate Citizenship of Parties in Item III)

### III. CITIZENSHIP OF PRINCIPAL PARTIES (Place an "X" in One Box for Plaintiff and One Box for Defendant)

- |   |                            |                            |   |                                       |                                       |
|---|----------------------------|----------------------------|---|---------------------------------------|---------------------------------------|
|   | PTF                        | DEF                        |   | PTF                                   | DEF                                   |
| Citizen of This State                   | <input type="checkbox"/> 1 | <input type="checkbox"/> 1 | Incorporated or Principal Place of Business In This State     | <input type="checkbox"/> 4            | <input type="checkbox"/> 4            |
| Citizen of Another State                | <input type="checkbox"/> 2 | <input type="checkbox"/> 2 | Incorporated and Principal Place of Business In Another State | <input checked="" type="checkbox"/> 5 | <input checked="" type="checkbox"/> 5 |
| Citizen or Subject of a Foreign Country | <input type="checkbox"/> 3 | <input type="checkbox"/> 3 | Foreign Nation  | <input type="checkbox"/> 6            | <input type="checkbox"/> 6            |

### IV. NATURE OF SUIT (Place an "X" in One Box Only)

CONTRACT	TORTS	FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES
<input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loans (Excl. Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input type="checkbox"/> 160 Stockholders' Suits <input checked="" type="checkbox"/> 190 Other Contract <input type="checkbox"/> 195 Contract Product Liability <input type="checkbox"/> 196 Franchise	<b>PERSONAL INJURY</b> <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Federal Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury  <b>PERSONAL INJURY</b> <input type="checkbox"/> 362 Personal Injury - Med. Malpractice <input type="checkbox"/> 365 Personal Injury - Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability  <b>PERSONAL PROPERTY</b> <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability	<input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 620 Other Food & Drug <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 630 Liquor Laws <input type="checkbox"/> 640 R.R. & Truck <input type="checkbox"/> 650 Airline Regs. <input type="checkbox"/> 660 Occupational Safety/Health <input type="checkbox"/> 690 Other  <b>LABOR</b> <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act	<input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157  <b>PROPERTY RIGHTS</b> <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark  <b>SOCIAL SECURITY</b> <input type="checkbox"/> 861 HIA (1395f) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSID Title XVI <input type="checkbox"/> 865 RSI (405(g))  <b>FEDERAL TAX SUITS</b> <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS—Third Party 26 USC 7609	<input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit <input type="checkbox"/> 490 Cable/Sat TV <input type="checkbox"/> 810 Selective Service <input type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 890 Other Statutory Actions <input type="checkbox"/> 891 Agricultural Acts <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Information Act <input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes
<b>REAL PROPERTY</b> <input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	<b>CIVIL RIGHTS</b> <input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 445 Amer. w/Disabilities - Employment <input type="checkbox"/> 446 Amer. w/Disabilities - Other <input type="checkbox"/> 440 Other Civil Rights	<b>PRISONER PETITIONS</b> <input type="checkbox"/> 510 Motions to Vacate Sentence <b>Habeas Corpus:</b> <input type="checkbox"/> 530 General <input type="checkbox"/> 535 Death Penalty <input type="checkbox"/> 540 Mandamus & Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Condition		

### V. ORIGIN (Place an "X" in One Box Only)

- 1 Original Proceeding
- 2 Removed from State Court
- 3 Remanded from Appellate Court
- 4 Reinstated or Reopened
- 5 Transferred from another district (specify)
- 6 Multidistrict Litigation
- 7 Appeal to District Judge from Magistrate Judgment

### VI. CAUSE OF ACTION

Cite the U.S. Civil Statute under which you are filing (Do not cite jurisdictional statutes unless diversity):  
28 U.S.C. Sec. 1332

Brief description of cause:  
Breach of fiduciary duty and negligence

### VII. REQUESTED IN COMPLAINT:

CHECK IF THIS IS A CLASS ACTION UNDER F.R.C.P. 23 DEMANDS Unspecified CHECK YES only if demanded in complaint: JURY DEMAND:  Yes  No

### VIII. RELATED CASE(S) IF ANY

(See instructions): JUDGE \_\_\_\_\_ DOCKET NUMBER \_\_\_\_\_

DATE September 15, 2006 SIGNATURE OF ATTORNEY OF RECORD Kathy Smith

FOR OFFICE USE ONLY RECEIPT # 0024735 AMOUNT \$350.00 APPLYING IFP \_\_\_\_\_ JUDGE \_\_\_\_\_ MAG. JUDGE \_\_\_\_\_

**ATTACHMENT TO  
CIVIL COVER SHEET**

**Plaintiffs:**

Aegis Security Insurance Company; Association Casualty Insurance Company;  
Benchmark Insurance Company; Georgia Casualty & Surety Company; and National  
Security Fire and Casualty Company

**Defendants:**

Allstate Insurance Company; Mississippi Farm Bureau Mutual Insurance Company;  
Nationwide Mutual Fire Insurance Company d/b/a Nationwide Insurance Companies;  
State Farm Fire and Casualty Company; St. Paul Travelers Companies; Lorrie K. Brouse;  
Robert P. Arnold; Delma P. Locke, Jr.; Terry Blalock; Charles Rice; Brad Little

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