

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

UNITED STATES OF AMERICA *ex rel.*
CORI RIGSBY and KERRI RIGSBY

RELATORS/COUNTER-DEFENDANTS

v.

CASE NO. 1:06cv433-LTS-RHW

STATE FARM MUTUAL INSURANCE COMPANY DEFENDANT/COUNTER-PLAINTIFF

and

FORENSIC ANALYSIS ENGINEERING CORPORATION;
HAAG ENGINEERING CO.; and ALEXIS KING

DEFENDANTS

**STATE FARM FIRE AND CASUALTY COMPANY'S MOTION TO COMPEL
RESPONSES TO DISCOVERY REQUESTS**

Defendant/Counter-Plaintiff State Farm Fire and Casualty Company, improperly denominated in the First Amended Complaint as "State Farm Mutual Insurance Company" ("State Farm"), respectfully submits this motion to compel responses to discovery requests, pursuant to Fed. R. Civ. P. 37(a).¹

INTRODUCTION AND SUMMARY

On January 11, 2010, Relators Cori Rigsby and Keri Rigsby ("the Rigsbys") served their responses and objections to State Farm's interrogatories and document requests. (Ex. 1 hereto) Of the 15 interrogatories propounded by State Farm, the Rigsbys refused to answer 10 of them. Of the 43 document requests, the Rigsbys refused to provide *any* information in response to 27 of them. In an attempt to resolve these issues without the necessity of Court intervention, on February 12, 2010, State Farm sent a lengthy letter to counsel for the Rigsbys going through each

¹ State Farm respectfully submits that a separate memorandum of authorities would likely be duplicative of this motion and would exceed the page limit contained in the Uniform Local Rules due to the requirement of Uniform Local Rule 37(b) that the full text of each interrogatory and document request at issue be included in the document. Therefore, State Farm requests that it be relieved of the requirement of Uniform Local Rule 7(a)(4) that it file a separate memorandum of authorities.

of these discovery responses and explaining why the information must be produced. (Ex. 2 hereto) Relators responded on March 1, 2009, and State Farm sent a follow-up letter on March 9, 2010. (Exs. 3 & 4 hereto) Relators again responded on March 12, 2010. (Ex. 5 hereto)

Unfortunately, the parties have not been able to reach an agreement on these issues, and the Good Faith Certificate required by Uniform Local Rule 37(a) is attached hereto as Ex. 6. The Rigsbys' refusal to answer two-thirds of the interrogatories and nearly two-thirds of the document requests addressed to them – many of which seek information related to their bias, credibility, and motivation, and are therefore relevant – does not withstand scrutiny, and responses to such discovery should be compelled. Indeed, many of these issues have previously been ruled on by this Court against the Rigsbys in *McIntosh*.

THE RIGSBYS' DEFICIENT INTERROGATORY RESPONSES

INTERROGATORY NO. 2:

Identify any thing of value, compensation or other payment or remuneration in any form whatsoever – whether in cash, currency, travel, lodging, meals, credit, goods, property, indemnity, guaranty, contingency, reward, debt forgiveness, services, gifts or otherwise – that you or any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), received, are receiving or may receive from Scruggs Law Firm, P.A., Richard Scruggs, David Zachary Scruggs, Charlene Bosarge, Beth Jones, Darren Versagia, Tim Balducci, Steve Patterson, P.L. Blake, SKG, The Barrett Law Office, P.A., Don Barrett, The Lovelace Law Firm, P.A., Nutt & McAlister, PLLC, David Nutt, Mary McAlister, Derek Wyatt, Jones, Funderburg & Sessums PLLC, Bartimus, Frickleton, Robertson & Gorny, PC, Michael C. Rader, Anthony L. DeWitt, Edward D. “Chip” Roberston, Jr., James P. Frickleton, Mary Doerhoff Winter, Graves, Bartle & Marcus, LLC, Todd Graves, David L. Marcus, Matthew V. Bartle, Gilbert Randolph, LLP, Gilbert Oshinsky LLP, Gilbert LLP, Moore Law Firm, LLC, Michael C. Moore or anyone acting at the behest or on behalf of any of them, since August 29, 2005.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this interrogatory is "vague" and "ambiguous" is without foundation. The question is simple and straightforward: Have they been paid by any of the listed persons or entities?

The Rigsbys' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence" are likewise without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning these payments (and any others) as it goes directly to the Rigsbys' bias, credibility and motivation. *See McIntosh v. State Farm Fire & Casualty Co.*, 1:06cv1080-LTS-RHW, [1172] at 2 (S.D. Miss. Apr. 4, 2008) (Ex. 7) ("The payments Scruggs made to the Rigsby sisters bears no reasonable connection to any work performed or to any of the expenses the incurred in testifying. These payments were clearly improper.").

"Under the federal discovery rules, any party to a civil action is entitled to all information relevant to the subject matter of the action before the court [u]nless such information is privileged." *Wehling v. Columbia Broad. Sys.*, 608 F.2d 1084, 1086 (5th Cir. 1979) (citing Fed. R. Civ. P. 26(b)(1)). The Supreme Court in turn has recognized that "[p]roof of bias is almost always relevant because the jury, as finder of fact and weigher of credibility, has historically been entitled to assess all evidence which might bear on the accuracy and truth of a witness' testimony." *United States v. Abel*, 469 U.S. 45, 52 (1984). Even "[f]acts wholly immaterial, or

prejudicial to one of the parties on the main issue, may be material as affecting the credibility of a witness.” *Aetna Ins. Co. v. Paddock*, 301 F.2d 807, 812 (5th Cir. 1962).²

In *United States v. Partin*, 493 F.2d 750, 759 (5th Cir. 1974), the court held that it was error to exclude evidence regarding money paid to the prosecution’s “star witness” and his family. The defendant “liken[ed] the situation to the cases holding that evidence of total payments to informers is admissible to cast doubt upon their credibility.” *Id.* at 758. The court agreed, believing that the jury should have been apprised of this financial arrangement. *Id.* at 759-60.

Similarly, in *Woodard v. Diamond Offshore Drilling, Inc.*, No. Civ.A. 99-1661, 2000 WL 275797, at *1 (E.D. La. Mar. 9, 2000), the court noted that “[a] party clearly has the right to inquire as to the bias or prejudice of any witness,” the court allowed discovery into the financial relationship between potential witnesses and the plaintiff’s counsel and his law firm. The court reasoned that since the defendant would be free to cross-examine witnesses regarding bias and prejudice, “discovery of facts which may tend to prove bias are discoverable under Rule 26 . . . as reasonably calculated to lead to the discovery of admissible evidence.” *Id.* at *1; *United States v. Hall*, 653 F.2d 1002 (evidence as to “a witness’ motivation for testifying, as well as any other potential incentives for falsification, are always relevant lines of inquiry.”); *Consolidation Coal Co. v. Williams*, 453 F.3d 609, 621 (“discovery concerning potential bias was relevant to impeaching the credibility” of the witness); *In re CFS-Related Securities Fraud Litig.*, 2003 WL 24136089, * 3 (N.D. Okla. 2003) (“discovery for the purpose of witness bias or credibility is

² In that case, the key witness for the plaintiff-appellee had borrowed \$6,000 from the insured in order to start his own insurance agency. *Id.* at 812. The court held that the lower court’s exclusion of this evidence was prejudicial error. *Id.* The court noted that while “[e]vidence to show bias or interest of a witness in a cause [c]overs a wide range and the field of external circumstances from which probable bias or interest may be inferred i[s] infinite,” “all facts and circumstances which, when tested by human experience, tend to show that a witness may shade his testimony for the purpose of helping to establish one side of the cause only” are relevant. *Id.*

permissible.”); *Chislum v. Dep’t of Corrections*, 2005 WL 1827950, *3 (D.N.J. 2005) (“the exposure of a witness’ motivation in testifying is a proper and important function of the constitutionally protected right of cross-examination.”).

Further, State Farm is entitled to discover whether the payments to the Rigsbys from their former counsel exceed what has been previously reported, which also bears directly on their bias, credibility, and motivation. Additionally, the Rigsbys’ putative remuneration as *qui tam* relators is proscribed by statute, and these agreements go to the issue of whether these statutes are being violated. *See* 31 U.S.C. § 3730(d).

The rules governing the permissible breadth of discovery are familiar to this Court. Succinctly stated, the requested discovery need not be admissible. It must only be relevant and reasonably calculated to lead to the discovery of admissible evidence. *See* Fed. R. Civ. P. 26(b)(1). Requiring the Rigsbys to identify all payments by these attorneys squarely falls well within the area of permissible discovery.

INTERROGATORY NO. 3:

Identify any thing of value, compensation or other payment or remuneration in any form whatsoever – whether in cash, currency, travel, lodging, meals, credit, goods, property, indemnity, guaranty, contingency, reward, debt forgiveness, services, gifts or otherwise – that any relative of yours by blood or marriage or any corporation or other legal entity in which such relative is a member or shareholder (excluding publicly traded corporations), has received, are receiving or may receive from Scruggs Law Firm, P.A., Richard Scruggs, David Zachary Scruggs, Charlene Bosarge, Beth Jones, Darren Versagia, Tim Balducci, Steve Patterson, P.L. Blake, SKG, The Barrett Law Office, P.A., Don Barrett, The Lovelace Law Firm, P.A., Nutt & McAlister, PLLC, David Nutt, Mary McAlister, Derek Wyatt, Jones, Funderburg & Sessums PLLC, Bartimus, Frickleton, Robertson & Gorny, PC, Michael C. Rader, Anthony L. DeWitt, Edward D. “Chip” Roberston, Jr., James P. Frickleton, Mary Doerhoff Winter, Graves, Bartle & Marcus, LLC, Todd Graves, David L. Marcus, Matthew V. Bartle, Gilbert Randolph, LLP, Gilbert Oshinsky LLP, Gilbert LLP, Moore Law Firm, LLC, Michael C. Moore or anyone acting at the behest or on behalf of any of them, since August 29, 2005.

THE RIGSBYS’ RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague,

ambiguous, overly broad, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this interrogatory is "vague" and "ambiguous" is without foundation. The question is straightforward: Have any of their relatives been paid by any of the listed persons or entities?

The Rigsbys' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence" are likewise without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any similar indirect payments to the Rigsbys through their relatives. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. *See, e.g., McIntosh v. State Farm Fire & Casualty Co.*, 1:06cv1080-LTS-RHW, [563] at 4; [1194] at 11; & [1211] at 4 (S.D. Miss. Oct. 1, 2007; May 15, 2008; June 20, 2008) (Exs. 8, 23 & 24). *See also* cases cited above at pp. 3-5.³ Additionally, the Rigsbys' putative remuneration as *qui tam* relators is proscribed by statute and these agreements go to the issue of whether these statutes have been or are being violated. *See* 31 U.S.C. § 3730(d).

INTERROGATORY NO. 4:

Identify all sources of income or other financial support of any nature for you and any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), since August 29, 2005. For each source of income, please state the approximate dates that such income was received and the total amount of such income.

³ To avoid unnecessary repetition, for the remainder of its arguments, State Farm incorporates the authority cited in its argument concerning interrogatory number 2.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this interrogatory is "vague" and "ambiguous" is without foundation. The question is straight forward: What have been the Rigsbys' sources of income since Hurricane Katrina?

The Rigsbys' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence" are similarly without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any other similar payments to the Rigsbys as it goes directly to their bias, credibility, and motivation. The Court ruled on this exact issue in *McIntosh* and held that the Rigsbys must identify the sources of their incomes since Hurricane Katrina. *See McIntosh v. State Farm Fire & Casualty Co.*, 1:06cv1080-LTS-RHW, [563] at 3 (S.D. Miss. Oct. 1, 2007) ("The Court further finds that the Rigsbys should be compelled to produce the documents requested in Request No.1, with respect to their respective incomes and sources of income from July 2005 through May 30, 2007. ... The request is reasonable in scope and time, is not unduly burdensome, and may bear *relevance* at the very least on the *credibility* of these witnesses.") (Emphasis added.) (Ex. 8). This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. *See, e.g., McIntosh v. State Farm Fire & Casualty Co.*, 1:06cv1080-LTS-RHW, [563] at 4; [1194] at 11; & [1211] at 4 (S.D. Miss. Oct. 1, 2007; May 15, 2008; June

20, 2008) (Exs. 8, 23 & 24). *See also* cases cited above at pp. 3-5. Further, State Farm is entitled to discover whether the payments to the Rigsbys from their former counsel exceeded what has been previously reported, which also bears directly on their bias, credibility and motivation. *See* 31 U.S.C. § 3730(d).

INTERROGATORY NO. 5:

Identify every bank, thrift, savings and loan, credit union, stock brokerage or other financial or investment institution or entity with whom you or any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), have held, jointly or individually, an account, trust, fund, or investment of any type since August 29, 2005.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this interrogatory is "vague" and "ambiguous" is without foundation. The question is straightforward: Identify every financial account of the type listed above that the Rigsbys or a related entity have held since Hurricane Katrina.

The Rigsbys' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence" are similarly without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any other similar payments to the Rigsbys as it goes directly to their bias, credibility, and motivation. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. *See McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). *See* cases cited above at pp. 3-5.

INTERROGATORY NO. 7:

Identify by phone number and service provider (i.e., telecommunications company carrier), each and every cellular or satellite telephone over which you had primary use since August 29, 2005, whether or not the account was being carried in your name. For each such cellular or satellite telephone, state the inclusive dates during which you used said device and the identity of the account name.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this interrogatory is "vague" and "ambiguous" is without foundation. The question is straightforward: Identify every cellular and satellite telephone number and provider over which they have had primary use since Hurricane Katrina.

The Rigsbys' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence" are similarly without merit. The Rigsbys have admitted that their previous counsel provided them with cellular telephones. State Farm is entitled to seek information concerning who they have communicated with since Hurricane Katrina and the dates of such communications. The Court ruled on this exact issue in *McIntosh* and held that the Rigsbys must produce their telephone records. See *McIntosh v. State Farm Fire & Casualty Co.*, 1:06cv1080-LTS-RHW, Text Only Order (S.D. Miss. Dec. 14, 2007), *aff'd*, *McIntosh*, [988] at 1-2 (S.D. Miss. Jan. 9, 2008) (overruling Rigsbys' objection) (Ex. 9).

INTERROGATORY NO. 8:

Identify all computer technicians, computer forensic experts, hackers and any other information technology personnel of any nature (collectively "I.T. Person"), whom you or any of your counsel have permitted at any time since August 29, 2005 to examine, use, inspect or possess any computer issued you by State Farm, or State Farm or Renfroe maintained computer or computer system. Your response should include, but not be limited to, the identity of the

“hacker for Dickie” testified about by Dana Lee in her July 18, 2008 Deposition on pages 79-80 of her transcript and the “hacker” testified about by Tammy Hardison in her July 18, 2008 Deposition on pages 46-47, which are of record in this Action as [195-1] and [195-2], respectively. For each such I.T. Person, state the date(s) of such examination(s), inspection(s) or possession(s).

THE RIGSBYS’ RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague; ambiguous; overly broad; seeks information protected by the attorney-client privilege, work product protection, or other protection or privilege; seeks information not in the Relators’ possession; and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM’S MOTION TO COMPEL:

The Rigsbys’ contention that this interrogatory is “vague” and “ambiguous” is without foundation. The question is straightforward: Identify all persons who have worked on, accessed, inspected, or possessed any computer issued by State Farm or Renfroe to the Rigsbys, or any computer system maintained by State Farm or Renfroe.

The Rigsbys objections that the interrogatory is “overly broad” and that it “seeks information not reasonably calculated to lead to the discovery of admissible evidence” are without merit. The Rigsbys’ former counsel have admitted that the Rigsbys allowed them access to their State Farm issued computers. State Farm is entitled to seek information concerning this or any other unauthorized access. The Court ruled on this exact issue in *McIntosh* and held that the Rigsbys must testify concerning the unauthorized use of State Farm’s computers. *See McIntosh v. State Farm Fire & Casualty Co.*, 1:06cv1080-LTS-RHW, [1196] at 1 (S.D. Miss. May 23, 2008) (Ex. 10). The fact that one or both of the Rigsbys may have allowed a “hacker for Dickie” to unlawfully, and in violation of the terms of their State Farm computer access agreements, access their State Farm issued laptop computers goes directly to issues of their bias, credibility, and motivation, and is thus reasonably calculated to lead to the discovery of

admissible evidence and a basis for discovery distinct from the issues in State Farm's counterclaim. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. See *McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24).

With respect to the Rigsbys' objection based on the attorney-client privilege, the work product doctrine, or "other protection or privilege," State Farm has not asked for the substance of any communications between the Rigsbys and their counsel. The identity of the persons that the Rigsbys allowed to access their State Farm computers or the State Farm computer network is neither privileged nor work product.

INTERROGATORY NO. 9:

Identify each and every contact between you or any one acting on your behalf, including any public relations person or firm on the one hand and any public relations person or firm, or representative or member of the print or electronic news media, Website or a Weblog on the other hand, regarding this Action, the existence of this Action or the subject matter of this Action, since August 29, 2005, including but not limited to any contacts relating to the McIntosh property.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague; ambiguous; overly broad; seeks information protected by the attorney-client privilege, work product protection, or other protection or privilege; seeks information not in the Relators' possession; and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

BASIS STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this interrogatory is "vague" and "ambiguous" is without foundation. The question is straightforward: Identify all contacts between the Rigsbys (or their representatives) and the media that were related in any way to this Action, including any contacts related to the McIntosh property.

The Rigsbys' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence" are without merit. Among other things, the Rigsbys appeared in television commercials prior to the unsealing of this Action in which they accused State Farm of fraud. They were also the "stars" of a nationally-broadcast ABC News "20/20" story that aired on August 25, 2006, featured the McIntosh claim as its centerpiece, and whose storyline tracked the allegations in the then-sealed *qui tam* complaint and evidentiary disclosure (a copy of which was unlawfully furnished to ABC News, among other national media organizations), as well as other related news articles. Therefore, State Farm is entitled to discover all contacts that the Rigsbys have had with the media concerning this Action or the McIntosh property.⁴ Among other things, these contacts

⁴ In response to Court orders compelling their compliance, (*McIntosh* [1994, 1211 & 1212]), the Rigsbys' former counsel produced documents revealing that they and the Rigsbys repeatedly disclosed sealed pleadings and evidentiary disclosures from this Action up to a year before this Court lifted the seal on August 1, 2007. For example, on August 8, 2006, in violation of the seal (and nearly a year before it was lifted), Richard Scruggs' assistant Beth Jones e-mailed the Rigsbys' Evidentiary Disclosure made in this Action to Joe Rhee at ABC News – apparently for him to use as background information in advance of the Rigsbys' then-upcoming *20/20* story. (Ex. 11, E-mail, Bates nos. SMPD1-00387 to 424 & Ex. 12, *20/20* Trans.)

The fact that the Rigsbys' former counsel and his staff knew this disclosure was wrongful is starkly shown by another e-mail sent that same day. Mr. Scruggs' assistant told Mr. Rhee that "Mr. Scruggs wanted me to let you know that this information [*i.e.*, engineering reports] is *not* the information that is under seal." (Ex. 13, E-mail, Bates no. SMPD1-002559) (emphasis added). Of course, the information that *was* under seal – the sealed Evidentiary Disclosure – was sent to Mr. Rhee that same day. (Ex. 11, E-mail, Bates nos. SMPD1-00387 to 424.)

A little more than one-week later, on August 14, 2006, the Rigsbys' former counsel personally e-mailed a copy of the sealed Evidentiary Disclosure to Michael Kunzelman at the Associated Press.⁴ (Ex. 14, E-mail, Bates nos. SMPD1-00115 to 149.) On August 25, 2006, ABC News aired its *20/20* story featuring the Rigsbys, which aired allegations against State Farm substantively identical to those raised in the then-sealed *qui tam* Complaint and Evidentiary Disclosure. (Ex. 12, *20/20* Trans.)

A few weeks later, on September 18, 2006, the Rigsbys' then counsel made yet a third unlawful release of the sealed Evidentiary Disclosure, this time by having Dick Scruggs' assistant e-mail it to reporter Joseph Treaster of the New York Times. (Ex. 15, E-mail, Bates nos. SMPD1-000271-305.) On January 22, 2007, the Rigsbys' then counsel again e-mailed something confidential to Joseph Treaster of the New York Times. Unfortunately, we do not yet know what it was, as Mr. Scruggs failed to produce

most likely will show violations of the seal imposed by 31 U.S.C. § 3730(b)(2). The Court ruled on this exact issue in *McIntosh* and held that the Rigsbys must produce all information concerning their communications with the media since Hurricane Katrina. *See McIntosh*, [563] at 6 (Ex. 8).

With respect to the Rigsbys' objection based on the attorney-client privilege, the work product doctrine, or "other protection or privilege," State Farm has not asked for the substance of any communications between the Rigsbys and their counsel. The identity of media contacts is neither privileged nor work product.

INTERROGATORY NO. 11:

Identify each and every Internet Service Provider ("ISP") you have used at any time since August 29, 2005, as well as each and every e-mail account and instant messenger account, internet telephone account, or voice over internet protocol account, you have held at any time since August 29, 2005, e.g., Comcast, Time Warner, Hughes Net, Hotmail, Gmail, Yahoo Mail, AOL, Skype, Vonage and Gizmo5, etc. This request seeks all such accounts, whether Web-based, e.g., Gmail or Personal Information Manager based, e.g., Outlook account with BellSouth or Comcast. For each such account, give your registration name, e-mail address, account number, instant messenger user name and the dates such account was active.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague,

the attachment to the original e-mail, although his assistant stated "Dick asked that I send you this in confidence." (Ex. 16, E-mail, Bates nos. SMPD1-000093.)

Thereafter, on March 16, 2007, the *New York Times* ran Mr. Treaster's story, "A Lawyer Like a Hurricane," *New York Times*, March 16, 2007. (Ex. 17.) Not coincidentally, the story contains details matching up with allegations in the Rigsbys' sealed Evidentiary Disclosure that their then counsel had sent him on September 18, 2006. (Ex. 15, E-mail, Bates nos. SMPD1-000271-305.)

The Rigsbys' then counsel's release of the sealed Evidentiary Disclosure was just the beginning of the Rigsbys and their lawyers' intentional and calculated violations of the seal. On June 6, 2007, Mr. Scruggs' assistant e-mailed to "rey" at CBS News (believed to be Michael Rey, a Producer at CBS News)⁴ a copy of the May 22, 2007 First Amended Complaint in this Action – which was still under seal. (Ex. 18, E-mail, Bates nos. SMPH1-001744-89.) The fact that the Rigsbys and their counsel knew that this activity was wrongful is further revealed from the face of the e-mail to Mr. Rey, which attempted to conceal the disclosure by stating, "THIS IS OFF THE RECORD." (*Id.*)

ambiguous, overly broad, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this interrogatory is "vague" and "ambiguous" is without foundation. The question is straightforward: Identify all internet service providers as well as any e-mail, instant messenger, internet telephone, and voice over internet protocol accounts they have used or held since Hurricane Katrina.

The Rigsbys' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence" are without merit. State Farm is entitled to know with whom the Rigsbys have communicated concerning this Action and the McIntosh property. The Court ruled on this exact issue in *McIntosh* and held that the Rigsbys must identify the e-mail accounts that they have used or maintained since Hurricane Katrina. *See McIntosh*, [563] at 5 (Ex. 8).

INTERROGATORY NO. 12:

Identify each and every law firm and attorney that has represented you in an attorney/client relationship with respect to any matter or issue involving State Farm or Renfroe since August 29, 2005, regardless of whether such law firm(s) or attorney(s) have entered an appearance of record in any proceeding on your behalf. For each such law firm or attorney, state the total amount of fees, costs and expenses incurred with respect to services, costs and expenses on your behalf and further identify the Person(s) who have paid those amounts.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague; ambiguous; overly broad; seeks information protected by the attorney-client privilege, work product protection, or other protection or privilege; seeks information not in the Relators' possession; and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this interrogatory is "vague" and "ambiguous" is without foundation. The question is straightforward: Identify each attorney who has represented the

Rigsbys with respect to any matter or issue involving State Farm or Renfroe since Hurricane Katrina, as well as the fees and expenses associated with such representation and all sources of payment of such fees and expenses.

The Rigsbys' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The Rigsbys have admitted that their former counsel paid them as fact witnesses. State Farm is entitled to discover the identity of all attorneys who have represented the Rigsbys and the financial arrangements with such attorneys. Indeed, the payment of legal fees by the Scruggs Law Firm, the Scruggs Katrina Group, or others may well be deemed income for tax purposes and goes to issues of bias, credibility, and motivation. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. *See McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). *See* cases cited above at pp. 3-5.

With respect to the Rigsbys' objection based on the attorney-client privilege, the work product doctrine, or "other protection or privilege," State Farm has not asked for the substance of any communications between the Rigsbys and their counsel. The identity of their counsel and the financial arrangements of any such representation are neither privileged nor work product.

INTERROGATORY NO. 14:

Identify each Person, including without limitation any Certified Public Accountant(s), who has prepared or assisted in the preparation of your personal or your business(es)' tax returns at any time since August 29, 2005.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this interrogatory is "vague" and "ambiguous" is without foundation. The question is straightforward: Identify all persons who have prepared or assisted in the preparation of the Rigsbys' individual or business tax returns since Hurricane Katrina.

The Rigsbys' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence," are without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning these payments (and any others) as it goes directly to the Rigsbys' bias, credibility and motivation. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. *See McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). *See* cases cited above at pp. 3-5. Further, the payment of legal fees may well be deemed income for tax purposes. *See, e.g.,* 26 U. S. C. § 61(a); *Commissioner v. Glenshaw Glass Co.*, 348 U. S. 426, 429-430 (1955); *Commissioner v. Jacobson*, 336 U. S. 28, 49 (1949).

INTERROGATORY NO. 15:

Identify each and every natural person other than your lawyers, with whom you have discussed any of the following: (1) this Action; (2) your claims against any Defendant in this Action; or (3) your contention that the use of XactTotal in the adjustment of the McIntosh flood claim was impermissible.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad, and seeks information not reasonably calculated to lead to the discovery of admissible evidence. Subject to and without waiving their objections, Relators state that they are routinely asked about the this Action and their claims against the Defendants, often by people they do not know. As such, the Relators could not identify each and every natural person with whom they have discussed this Action or their claims against any Defendant. The Relators have had general discussions about the status of this Action with their immediate family

members, but the Relators have not had any conversations with anyone other than their attorneys relating to their contention that the use of XactTotal in the adjustment of the McIntosh flood claim was impermissible.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this interrogatory is "vague" and "ambiguous" is without foundation. The question is straightforward: Identify all persons (other than their lawyers) with whom they have discussed (1) this Action; (2) their claims against any Defendant in this Action; or (3) their contention that the use of XactTotal in the adjustment of the McIntosh flood claim was impermissible.

The Rigsbys' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The identity of the persons with whom the Rigsbys have discussed their allegations against State Farm are relevant and also reasonably calculated to lead to the discovery of admissible evidence. To the extent that the Rigsbys have answered, they have answered only the third part of the question and have not identified the persons with whom they have discussed this Action or their claims against any Defendant in this Action.

THE RIGSBYS' DEFICIENT DOCUMENT REQUEST RESPONSES

DOCUMENT REQUEST NO. 3:

All Materials regarding or concerning the purchase or sale of real property since August 29, 2005, by you or any corporation or other legal entity in which you are a member or shareholder (excluding publicly traded corporations).

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The request is straightforward: Produce all materials concerning the sale or purchase of real property by the Rigsbys or any related entity since Hurricane Katrina.

The Rigsbys' objections that the request is "overly broad" "unduly burdensome" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, the Rigsbys alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any other transaction that could constitute a form or compensation or quid pro quo, such as the purchase or sale of real estate from or on behalf of the Rigsbys, as it goes directly to their bias, credibility, and motivation. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. See *McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). See cases cited above at pp. 3-5. In fact, on pages 365-66 of the transcript of the April 30, 2007 deposition of Kerri Rigsby in *McIntosh*, Richard Scruggs acknowledged that this information bears on whether any member of the Scruggs Katrina Group was involved in the 2006 sale of Kerri Rigsby's house.⁵ The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 4:

All Materials regarding or concerning the purchase or sale of real property since August 29, 2005, by any relative of yours by blood or marriage or any corporation or other legal entity in which such relative is or was a member or shareholder (excluding publicly traded corporations).

⁵ Ex. 19 hereto.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The request is straightforward: Produce all materials concerning the sale or purchase of real property by the Rigsbys or any related entity since Hurricane Katrina.

The Rigsbys' objections that the request is "overly broad" "unduly burdensome" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, the Rigsbys alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any other transaction that could constitute a form of compensation or quid pro quo, such as the purchase or sale of real estate through a relative, as it goes directly to the Rigsbys' bias, credibility, and motivation. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. *See McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). *See* cases cited above at pp. 3-5. In fact, on page 366 of the transcript of the April 30, 2007 deposition of Kerri Rigsby in *McIntosh*, Richard Scruggs acknowledged that this information bears on whether any member of the Scruggs Katrina Group was involved in the 2006 sale of Kerri Rigsby's house.⁶ The requested documents may reasonably contain such information.

⁶ Ex. 19 hereto.

DOCUMENT REQUEST NO. 5:

All Materials regarding or concerning any thing of value, compensation or other payment or remuneration in any form whatsoever – whether in cash, currency, travel, lodging, meals, credit, goods, property, indemnity, guaranty, contingency, reward, debt forgiveness, services, gifts or otherwise – that you received, are receiving or may receive from Scruggs Law Firm, P.A., Richard Scruggs, David Zachary Scruggs, Charlene Bosarge, Beth Jones, Darren Versagia, Tim Balducci, Steve Patterson, P.L. Blake, SKG, The Barrett Law Office, P.A., Don Barrett, The Lovelace Law Firm, P.A., Nutt & McAlister, PLLC, David Nutt, Mary McAlister, Derek Wyatt, Jones, Funderburg & Sessums PLLC, Bartimus, Frickleton, Robertson & Gorny, PC, Michael C. Rader, Anthony L. DeWitt, Edward D. “Chip” Roberston, Jr., James P. Frickleton, Mary Doerhoff Winter, Graves, Bartle & Marcus, LLC, Todd Graves, David L. Marcus, Matthew V. Bartle, Gilbert Randolph, LLP, Gilbert Oshinsky LLP, Gilbert LLP, Moore Law Firm, LLC, Michael C. Moore or anyone acting at the behest or on behalf of any of them, since August 29, 2005.

THE RIGSBYS’ RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM’S MOTION TO COMPEL:

The Rigsbys’ contention that this request is “vague” and “ambiguous” is without foundation. The request is simple and straightforward: Produce all materials concerning any payments to the Rigsbys by the listed persons or entities.

The Rigsbys’ objections that the request is “overly broad,” “unduly burdensome” and that it “seeks information not reasonably calculated to lead to the discovery of admissible evidence” are without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, the Rigsby alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning these payments (and any others) as it goes directly to the Rigsbys’ bias, credibility, and motivation. *See McIntosh*, [1172] at 2 (Ex. 7) (“The payments Scruggs made to the Rigsby sisters bears no reasonable connection

to any work performed or to any of the expenses the incurred in testifying. These payments were clearly improper.”), and cases cited above at pp. 3-5. Further, the payments to the Rigsbys from their former counsel may well exceed what has been previously reported, which also bears directly on their bias, credibility, and motivation. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. See *McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). Additionally, the Rigsbys’ putative remuneration as *qui tam* relators is proscribed by statute, and these agreements go to the issue of whether these statutes are being violated. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 6:

All Materials regarding or concerning anything of value, compensation or other payment or remuneration in any form whatsoever – whether in cash, currency, travel, lodging, meals, credit, goods, property, indemnity, guaranty, contingency, reward, debt forgiveness, services, gifts or otherwise – that any relative of yours by blood or marriage has received, are receiving or may receive from Scruggs Law Firm, P.A., Richard Scruggs, David Zachary Scruggs, Charlene Bosarge, Beth Jones, Darren Versagia, Tim Balducci, Steve Patterson, P.L. Blake, SKG, The Barrett Law Office, P.A., Don Barrett, The Lovelace Law Firm, P.A., Nutt & McAlister, PLLC, David Nutt, Mary McAlister, Derek Wyatt, Jones, Funderburg & Sessums PLLC, Bartimus, Frickleton, Robertson & Gorny, PC, Michael C. Rader, Anthony L. DeWitt, Edward D. “Chip” Roberston, Jr., James P. Frickleton, Mary Doerhoff Winter, Graves, Bartle & Marcus, LLC, Todd Graves, David L. Marcus, Matthew V. Bartle, Gilbert Randolph, LLP, Gilbert Oshinsky LLP, Gilbert LLP, Moore Law Firm, LLC, Michael C. Moore or anyone acting at the behest or on behalf of any of them, since August 29, 2005.

THE RIGSBYS’ RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The question is straightforward: Produce all materials related to any payments to the Rigsbys' relatives by any of the listed persons or entities.

The Rigsbys' objections that the request is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. *See McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). State Farm is entitled to seek information concerning any similar indirect payments to the Rigsbys through their relatives. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 7:

All Materials regarding or concerning account records of any type, including but not limited to statements of account, deposit receipts, and canceled checks, for any trust, fund, savings account, checking account, brokerage account or investment account maintained by you or on your behalf, whether jointly or individually, or any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), from August 29, 2005 through the present.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The question is straightforward – produce all materials regarding any of the specified accounts.

The Rigsbys' objections that the request is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, the Rigsbys alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning these and any similar payments to the Rigsbys. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 9:

Your state and federal tax returns, all supporting schedules and documents thereto, your 1099's, W-2's, financial statements, applications for extensions and responses thereto or other similar financial documents for the years 2005 to the present. If you do not have copies of these materials, please provide authorizations so that they may be obtained directly from the Internal Revenue Service.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous," is without foundation. The question is straightforward: Produce the Rigsbys' federal and state tax returns and supporting schedules for 2005 to the present.

The Rigsbys' objections that the request is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence" are without merit.

The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, the Rigsbys alleged knowledge relating to the adjustment of the McIntosh claim. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. See *McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). State Farm is entitled to seek information concerning these and any similar payments to the Rigsbys. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 10:

The state and federal tax returns, all supporting schedules and documents thereto, your 1099's, W-2's, financial statements, or other similar financial documents for any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), for the years 2005 to the present.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The question is straightforward: Produce the federal and state tax returns and supporting schedules for 2005 to the present for entities in which the Rigsbys are members or shareholders (excluding publicly traded corporations).

The Rigsbys' objections that the request is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, the Rigsbys alleged knowledge relating to the adjustment of the McIntosh claim. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the

Rigsbys, is a legitimate area of inquiry. *See McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). State Farm is entitled to seek information concerning any similar indirect payments to the Rigsbys through entities in which they have an interest. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 11:

All Materials that pertain to any credit or financing obtained by you or any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), since August 29, 2005, including but not limited to credit applications, loan documents, loan notes, guarantees, receipts, waivers, disclosure statements, insurance disclosure summaries, settlement statements, UCC forms, property appraisals, security agreements or renewals.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The question is straightforward: Produce all materials concerning any credit that the Rigsbys or their related entities have obtained since Hurricane Katrina.

The Rigsbys' objections that the request is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, the Rigsbys alleged knowledge relating to the adjustment of the *McIntosh* claim. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. *See McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). State Farm is entitled to seek information concerning any similar indirect

payments to the Rigsbys through avenues such as lines of credit. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 18:

Your monthly billing statements for each and every revolving credit account (including, but not limited to credit card or charge card statements), held by you or on your behalf, whether jointly or individually, or any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), at any time from August 29, 2005 to the present.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The question is straightforward: Produce all monthly statements for all revolving credit accounts held by or for the benefit of the Rigsbys or their related entities since Hurricane Katrina.

The Rigsbys' objections that the request is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, the Rigsbys alleged knowledge relating to the adjustment of the McIntosh claim. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. *See McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). State Farm is entitled to seek information concerning any similar indirect payments to the Rigsbys since Hurricane Katrina through avenues such as revolving lines of credit. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 19:

All records of payment or indebtedness concerning any closed end credit obligations you or any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), have held at any time from August 29, 2005 to the present.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The question is straightforward: Produce all records for all for all closed end credit obligations held by or for the benefit of the Rigsbys or their related entities since Hurricane Katrina.

The Rigsbys' objections that the request is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, the Rigsbys alleged knowledge relating to the adjustment of the McIntosh claim. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. *See McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). State Farm is entitled to seek information concerning any similar indirect payments to the Rigsbys since Hurricane Katrina through avenues such as closed end credit obligations. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 20:

All records of real property ownership (including deeds and deeds of trust) for any real property or fixtures in which you or any corporation or other legal entity in which you are or were a

member or shareholder (excluding publicly traded corporations) or have held any interest at any time during the period from August 29, 2005 to the present.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The question is straightforward: Produce all records for any real property or fixtures that the Rigsbys or any entity in which they have an interest have owned since Hurricane Katrina.

The Rigsbys' objections that the request is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, the Rigsbys alleged knowledge relating to the adjustment of the McIntosh claim. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. *See McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). State Farm is entitled to seek information concerning any similar indirect payments to the Rigsbys through real property transactions. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 21:

All Materials and communications that were exchanged between you or your counsel on the one hand, and any law enforcement officer or agency, on the other hand, including the U.S. Attorney's Office, the United States Department of Justice, the Federal Bureau of Investigation or the Mississippi Attorney General's Office, concerning State Farm or Renfroe, since August 29, 2005.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence. Relators further object to this request to the extent that it calls for the production of materials that the Relators disclosed to the United States Government pursuant to 31 USC § 3730(b)(2).

Subject to and without waiving their objections, Relators will produce any documents responsive to this request if the United States Department of Justice and Mississippi Attorney General's office consent, or if the Court issues an appropriate order allowing Relators to disclose the documents.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" State is without foundation. The question is straightforward: Produce all materials and communications exchanged between the Rigsbys and any law enforcement officer or agency concerning State Farm or Renfroe since Hurricane Katrina.

The Rigsbys' objections that the request is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The disclosures that the Rigsbys made to governmental authorities are at the heart of this matter. Further, since this matter has now been unsealed, and since the state and federal investigations in connection with which the documents were produced have been concluded, the Rigsbys have cited absolutely no authority that would require either the United States Attorney or the Mississippi Attorney General to consent to the production of such documents.

DOCUMENT REQUEST NO. 24:

All Materials that concern, refer, or relate to dealings, contacts or communications between you and Trent Lott or Gene Taylor or any member of their offices or staff since August 29, 2005.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" State Farm disagrees as the question is straightforward – produce all materials that concern, refer or relate to dealings, contacts or communications between the Rigsbys and former Senator Trent Lott or Representative Gene Taylor or any member of their offices or staff since Hurricane Katrina.

The Rigsbys' objections that the request is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Their communications with Senator Lott and Representative Taylor are discoverable in this lawsuit as they may demonstrate the Rigsbys' violation of the seal order.

For example, on September 21, 2006, Representative Taylor stated before the United State Congress that he met with the Rigsbys on September 16, 2006, and – closely echoing the allegations made by the Rigsbys in their *then-sealed qui tam* complaint – he then accused State Farm of having "violated the False Claims Act by manipulating damage assessments to bill the federal government instead of the companies" and of having "defrauded federal taxpayers by assigning damage to the federal flood program that should have paid [sic] by the insurers' wind policies." *Congressional Record – House*, Sept. 21, 2006 at H6903-04. Likewise, on February 28, 2007, Representative Taylor provided written testimony to a Congressional committee that "[t]he Scruggs Law Firm represents the [Rigsby] sisters in a False Claims Act filing against State Farm and Renfro" – all at a time that the *qui tam* action remained under *seal* and at a time that

the Rigsbys had *not* yet even amended their *qui tam* complaint to add Renfroe as a defendant. *See Insurance Claims Payment Processes on the Gulf Coast: Hearing Before the House Financial Service Committee on Oversight and Investigation* at 6.⁷ Such communications also bear on the Rigsbys' credibility, bias, and motives. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. *See McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). *See* cases cited above at pp. 3-5. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 26:

All cellular or satellite telephone logs or records (including phone bills) reflecting calls (including cellular or satellite phone calls) made or received by you between August 29, 2005 and August 1, 2007.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The request is straightforward: Produce all cellular or satellite telephone logs or records reflecting calls made or received by the Rigsbys between Hurricane Katrina and August 1, 2007.

The Rigsbys' objections that the request is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The Rigsbys have admitted that their previous counsel provided them with cellular telephones. State Farm is entitled to seek information concerning the persons they have communicated with

⁷ Ex. 20 hereto.

since Hurricane Katrina and the dates of such communications. The Court ruled on this exact issue in *McIntosh* and held that the Rigsbys must produce their telephone records. *See McIntosh*, Text Only Order of Dec. 14, 2007, *aff'd*, *McIntosh*, [988] at 1-2 (S.D. Miss. Jan. 9, 2008) (overruling Rigsbys' objection) (Ex. 9). The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 27:

All your calendars, schedules or diaries for dates between August 29, 2005 and August 1, 2007, including any Personal Information Manager calendar, such as Outlook.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The request is straightforward – produce their calendars, schedules or diaries for dates between Hurricane Katrina and August 1, 2007.

The Rigsbys' objections that the request is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The Rigsbys schedules during the events that give rise to the allegations in this lawsuit are discoverable as they likely contain information concerning meetings, conversations, etc. For example, Relators have given varying time lines for the dates of their activities in purportedly discovering the alleged fraud that gives rise to this case, and their calendars and diaries will likely provide information that will bear on their assertions. The same analysis applies to the Relators' obligation to produce telephone records. In addition, Relators have attested as part of

their Evidentiary Submission to the Department of Justice that they “have kept a journal of questionable happenings at State Farm since the inception of the Katrina event.” (Evidentiary Disclosure at 29, Ex. 21.) Furthermore, the Court has already ruled as follows: "The Rigsbys are ordered to produce ... their calendars, diaries, dayplanners, etc., which include references to their employment with Renfroe, State Farm assignments and/or their employment with SKG from August 2005 to present." *McIntosh* [563] at 5 (10/01/07) (Ex. 8). This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. *See McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24).

DOCUMENT REQUEST NO. 28:

Your foreign country tax returns, all supporting schedules and documents thereto for the years 2005 to the present.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is “vague” and “ambiguous” is without foundation. The question is straightforward: Produce the Rigsbys' foreign tax returns, schedules and supporting documents for 2005 to the present.

The Rigsbys' objections that the request is “overly broad” and that it “seeks documents not reasonably calculated to lead to the discovery of admissible evidence” are without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, the Rigsbys alleged knowledge relating to the adjustment of the McIntosh claim. This Court repeatedly held in *McIntosh* that the credibility of the Rigsbys is a legitimate area of

inquiry. *See McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8 & 23). State Farm is entitled to seek information concerning these and any other similar payments to the Rigsbys through foreign accounts or transactions. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 30:

All Materials related to or evidencing any contracts or agreements you have with any Person and related to your prosecution of your claims in this Action.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, seeks documents not reasonably calculated to lead to the discovery of admissible evidence, beyond the scope of discovery directed by the Court in this matter, and seeks documents protected by the attorney-client privilege, work product protection, and/or other protections or privileges.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The question is straightforward: Produce all materials related to or evidencing any contract or agreements the Rigsbys have with any person related to their prosecution of their claims in this Action.

The Rigsbys' objections that the request is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, the Rigsbys alleged knowledge relating to the adjustment of the McIntosh claim. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. *See McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). State Farm is entitled to seek information concerning these and any other similar arrangements. Additionally, the Rigsbys' putative remuneration as *qui tam* relators is

also proscribed by statute and these agreements go to the issue of whether these statutes are being violated. *See* 31 U.S.C. § 3730(d). Further, any claim of privilege or work product cannot attach to contracts or agreements.

DOCUMENT REQUEST NO. 31:

All Materials, including records of payment and Surveillance results, regarding Surveillance of any type whatsoever on your or your attorneys' or investigators' respective behalf with respect to State Farm, Renfroe or their respective attorneys, employees, officers, directors, agents or personnel, including their respective movements, whereabouts, activities, refuse, photocopiers, imagers, facsimile machines, cellular or land line telephones, vehicles, residences, offices, computers or computer systems at any time since August 29, 2005.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The question is straightforward: Produce the surveillance materials described in this request.

The Rigsbys' objections that the request is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence" are without merit. To the extent that the Rigsbys employed any surveillance methods to observe State Farm or Renfroe personnel and access their data, this information is clearly discoverable. The requested documents may reasonably contain such information. Indeed, Relators have admitted that they taped State Farm employee David Randel, so their inclination and ability to use surveillance methods are established.⁸ State Farm is legitimately entitled to discover whether or not Relators

⁸ Ex. 22 hereto.

have used surveillance methods against other State Farm personnel, other defendants, or their attorneys.

DOCUMENT REQUEST NO. 32:

All Materials, including correspondence, documents, e-mails and ESI exchanged, between you or any one acting on your behalf, including any public relations person or firm on the one hand and any public relations person or firm, or representative or member of the print or electronic news media, Website or a Weblog on the other hand, regarding this Action, the existence of this Action or the subject matter of this Action, since August 29, 2005, including but not limited to any contacts relating to the McIntosh property.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The question is straightforward: Produce all materials exchanged between the Rigsbys and any public relations firm or media or web outlet as more particularly described in the request.

The Rigsbys' objections that the request is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence" are without merit. Prior to the unsealing of this Action, the Rigsbys appeared on nationally-broadcast television interviews, in television commercials, and gave numerous interviews to the press prior to the unsealing of this Action in which they accused State Farm of fraud. State Farm is entitled to discover all contacts that the Rigsbys have had with the media concerning this Action or the McIntosh property, including any that violated the seal order. The requested documents may reasonably contain such information. The Court ruled on this exact issue in *McIntosh* and held

that the Rigsbys must produce all information concerning their communications with the media since Hurricane Katrina. *See McIntosh*, [563] at 6 (Ex. 8).

DOCUMENT REQUEST NO. 33:

All Materials evidencing any actual or potential agreement, contract, promise or understanding to pay, sell, factor, assign, or transfer any part of your potential recovery in this Action.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The question is straightforward: Produce all materials evidencing any actual or potential agreement, contract, promise or understanding to pay, sell, factor, assign, or transfer any part of the Rigsbys' potential recovery in this Action.

The Rigsbys' objections that the request is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, the Rigsbys alleged knowledge relating to the adjustment of the McIntosh claim. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. *See McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). State Farm is entitled to seek information concerning any other similar arrangements. Additionally, the Rigsbys' putative remuneration as *qui tam* relators is proscribed by statute, and these agreements go to the issue of whether these statutes are being violated. *See* 31 U.S.C. § 3730(d). The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 34:

All Materials evidencing any agreement, contract, promise or understanding with respect to you receiving actual or potential remuneration or anything of value as a result of any recovery received by any attorney, law firm, joint venture or party-plaintiff in any other Hurricane Katrina-related lawsuit against State Farm or Renfroe.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The question is straightforward: Produce all materials concerning any potential remuneration as a result of any recovery in any Hurricane Katrina-related lawsuit as more particularly described in the request.

The Rigsbys' objections that the request is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, the Rigsbys alleged knowledge relating to the adjustment of the McIntosh claim. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. See *McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). State Farm is entitled to seek information concerning these and any other similar arrangements. The requested documents may reasonably contain such information.

REQUEST NO. 35:

All Materials evidencing any agreement, contract, promise or understanding to finance the cost and expense of (including attorneys' fees incurred in) prosecuting your claims in this Action.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The question is straightforward: Produce all materials evidencing any agreement, contract, promise or understanding to finance the cost and expense of (including attorneys' fees incurred in) prosecuting the Rigsbys' claims in this Action.

The Rigsbys' objections that the request is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, the Rigsbys alleged knowledge relating to the adjustment of the McIntosh claim. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. *See McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). State Farm is entitled to seek information concerning these and any other similar arrangements to finance this litigation as it goes to the Rigsbys' credibility, bias, and motivation. *See United States v. Cathcart*, 2009 WL 1764642, *3 (N.D. Cal. 2009) ("In sum, the court concludes that plaintiff is entitled to discover the identity and other information about the person paying Hsin's legal fees under Rule 26 because this information is non-privileged, may be relevant to Hsin's credibility and bias, and is not subject to the limitations imposed by Rule 26(b)(2)(C)."); *see also* cases cited above at pp. 3-5. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 36:

All Materials evidencing any financial statement or other Materials reflecting your net worth as of August 29, 2005, December 31, 2006, December 31, 2007, December 31, 2008, as of the date of your first response to these discovery requests in the year 2009 and separately as of the date of two months prior to the close of discovery in this Action (as set forth in any case management or scheduling order and any amendments thereto).

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The question is straightforward: Produce the Rigsbys' financial statements and other documents reflecting their net worth for the specified time period.

The Rigsbys' objections that the request is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, the Rigsbys alleged knowledge relating to the adjustment of the McIntosh claim. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. *See McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). State Farm is entitled to seek financial information concerning these and any other similar payments to the Rigsbys through foreign accounts or transactions. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 37:

All Materials, including correspondence, documents, e-mails and ESI exchanged, between you or any one acting on your behalf on the one hand and any law firm or attorney not then

representing you, State Farm or Renfroe on the other hand, regarding this Action, the existence of this Action or the subject matter of this Action, that were sent or received after August 29, 2005.

THE RIGSBYS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, seeks documents protected by the attorney-client privilege, work product protection, and/or other protections or privilege, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The question is straightforward: Produce all of the requested materials concerning any communication after Hurricane Katrina between the Rigsbys and/or their representatives and State Farm and/or Renfroe concerning this litigation or the subject matter of it.

The Rigsbys' objections that the request is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence" are without merit. State Farm is entitled to discover any communications between the Rigsbys or anyone representing them and State Farm and/or Renfroe that are relevant to this Action.

REQUEST NO. 38:

All Materials evidencing any agreement, contract, promise or understanding regarding indemnity or defense cost reimbursement for any liability or defense costs, expenses and fees incurred by Kerri Rigsby or Cori Rigsby with respect to State Farm or Renfroe at any time since August 29, 2005.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The question is straightforward: Produce all materials concerning any agreement to indemnify or pay costs, expenses or fees as described in the request.

The Rigsbys' objections that the request is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, the Rigsbys alleged knowledge relating to the adjustment of the McIntosh claim. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. *See McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). State Farm is entitled to seek information concerning these and any other similar arrangements that provided financial benefits to the Rigsbys. The requested documents may reasonably contain such information.

REQUEST NO. 39:

All Materials, including correspondence, documents, e-mails and ESI exchanged, between you or any one acting on your behalf on the one hand and Richard Scruggs or any law firm or attorney representing him on the other hand, sent or received after the termination of Richard Scruggs' representation of you and concerning in any manner State Farm or Renfroe.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, seeks documents protected by the attorney-client privilege, work product protection, and/or other protections or privilege, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The question is straightforward: Produce all materials concerning any communications between the Rigsbys and their representatives and Richard Scruggs and his representatives *after* the termination of his representation of the Rigsbys.

The Rigsbys' objections that the request is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The Rigsbys have admitted that Richard Scruggs paid them as fact witnesses concerning, in part, the Rigsbys alleged knowledge relating to the adjustment of the McIntosh claim. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. *See McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). State Farm is entitled to seek information concerning these and any other similar arrangements that provided financial benefits to the Rigsbys. The requested documents may reasonably contain such information. Further, no privilege or other similar protection can attach to such communications as the request is limited to the time period after Richard Scruggs was terminated as the Rigsbys' counsel.

DOCUMENT REQUEST NO. 42:

All Materials evidencing or relating to any financial arrangements, understandings, agreements, contracts, remuneration, consideration or payments since August 29, 2005: (a) by you to Pat Lobrano or Bill Lobrano; (b) with Pat Lobrano or Bill Lobrano; or (c) by Pat Lobrano or Bill Lobrano to you, "Payton Properties" or any account or entity under your control.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

BASIS FOR STATE FARM'S MOTION TO COMPEL:

The Rigsbys' contention that this request is "vague" and "ambiguous" is without foundation. The request is straightforward: Produce all materials concerning any of the described financial arrangements with the Rigsbys' mother and step-father, Pat Lobrano and Bill Lobrano.

The Rigsbys' objections that the request is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence" are without merit. The Rigsbys have admitted that their previous counsel paid them as fact witnesses concerning, in part, the Rigsbys alleged knowledge relating to the adjustment of the McIntosh claim. This Court repeatedly held in *McIntosh* that the bias or credibility of the witnesses, including the Rigsbys, is a legitimate area of inquiry. See *McIntosh* [563] at 4, [1194] at 11, & [1211] at 4 (Exs. 8, 23 & 24). State Farm is entitled to seek information concerning any similar indirect payments to the Rigsbys through their relatives. The requested documents may reasonably contain such information.

CONCLUSION

As demonstrated above, the Rigsbys have wholly refused to answer most of State Farm's discovery requests by employing boilerplate objections that do not withstand scrutiny. Additionally, in the good faith discussions between the parties (Exs. 2-5), the Rigsbys frequently took the position that they were unable to respond to State Farm's discovery requests because the information requested was "in possession of their former counsel." The Rigsbys have cited no authority for the proposition that they should be required to obtain the requested materials from their prior counsel. The concerns previously expressed by the Court concerning interaction with prior counsel should not be used as a shield against full disclosure.

State Farm respectfully requests that its motion to compel be granted and that the Rigsbys be required to immediately produce full and complete answers.

This the 17th day of March, 2010.

Respectfully submitted,

STATE FARM FIRE AND CASUALTY COMPANY
AS TO OBJECTIONS:

s/ Robert C. Galloway (MSB # 4388)
Robert C. Galloway (MSB # 4388)
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E. Barney Robinson III (MSB # 09432)
Benjamin M. Watson (MSB # 100078)
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PRO HAC VICE

CERTIFICATE OF SERVICE

I, Robert C. Galloway, one of the attorneys for State Farm Fire and Casualty Company, do hereby certify that I have this day caused a true and correct copy of the foregoing instrument to be delivered to the following via the means directed by the Court's CM/ECF System:

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ATTORNEYS FOR FORENSIC ANALYSIS ENGINEERING CORPORATION

THIS the 17th day of March, 2010.

s/ Robert C. Galloway (MSB # 4388)
Robert C. Galloway (MSB # 4388)

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

UNITED STATES OF AMERICA ex rel.;
CORI RIGSBY; AND KERRI RIGSBY

RELATORS/COUNTER-DEFENDANTS

v.

CASE No. 1:06-cv-433-LTS-RHW

STATE FARM MUTUAL
INSURANCE COMPANY, et al.

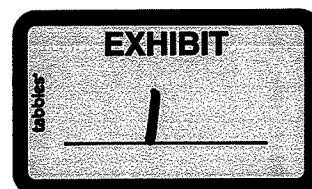
DEFENDANTS/COUNTER-PLAINTIFFS

**RELATORS' RESPONSES AND OBJECTIONS TO
DEFENDANT/COUNTER-PLAINTIFF
STATE FARM MUTUAL INSURANCE COMPANY'S FIRST DISCOVERY**

Relators Cori Rigsby and Kerri Rigsby (collectively, "Relators") serve the following objections and responses to Defendant/Counter-Plaintiff State Farm Mutual Insurance Company's First Discovery to Cori and Kerri Rigsby dated November 23, 2009.

GENERAL OBJECTIONS AND RESERVATIONS

1. Relators are answering only on their own behalf, not on behalf of their former counsel or any other individuals or entities.
2. Relators object to these discovery requests to the extent they exceed the permitted scope of discovery under the Court's September 24, 2009 Order bifurcating discovery and limiting the current phase of this action to the McIntosh property. (doc. no. 363). Information and materials not related to the McIntosh flood claim and/or State Farm's handling of flood claims are not relevant and not subject to discovery at this time.
3. Relators' responses are based on the information and documents available and known to Relators at this time. Further investigation and analysis may disclose additional information responsive to the discovery requests. In addition, future events may affect or otherwise be relevant to the responses herein. Relators reserve the right to amend, supplement,



or withdraw any response to the discovery requests as necessary or appropriate in light of information or knowledge obtained during the course of discovery in this matter.

4. Relators object to the discovery requests to the extent that they seek information or documents that are protected by the attorney-client privilege, the attorney work product doctrine, the joint defense doctrine, the common interest doctrine, or any other applicable privilege, protection, restriction or immunity from discovery.

5. Relators object to the discovery requests to the extent that they seek information or documents that are already in the Defendant's possession custody or control.

6. Relators object to the discovery requests to the extent that they may be construed to require Relators to concede the relevance or materiality of the information or documents sought by the discovery requests.

7. The responses set forth below are subject to and do not waive:

- a. all questions or objections as to (i) the competency, relevancy, materiality, privilege, or admissibility of evidence or (ii) the use of any of the responses given herein or documents produced or the subject matter thereof in any subsequent proceeding or trial in this or any other action or for any other purpose;
- b. the right to object to other discovery proceedings involving or related to the subject matter of the request to which these responses are directed; and
- c. the right at any time to revise, correct, add to, or clarify any or all of the responses, all of which are given subject to correction of any such omissions or errors.

OBJECTIONS TO GENERAL INSTRUCTIONS

If any of these discovery requests cannot be answered in full, then you should answer to the extent possible and specify the reasons for your inability to answer the remainder, and should state whatever information or knowledge you have concerning the unanswered portion. For example, in answer to the interrogatories concerning witnesses and documentary evidence, please identify as many witnesses and proposed exhibits as possible, rather than stating “unknown at this time.”

Objection: Relators object to the foregoing to the extent that it is vague, ambiguous, overly broad, unduly burdensome, and attempts to impose obligations in addition to or in place of the obligations established by controlling law.

In answering these discovery requests, please furnish such information as is known or is available to you regardless of whether this information is obtained directly by, or known to, or obtained by, any of your attorneys or other agents or representatives.

Objection: Relators object to the foregoing to the extent that it is vague, ambiguous, overly broad, unduly burdensome, and attempts to impose obligations in addition to or in place of the obligations established by controlling law.

OBJECTIONS TO DEFINITION OF TERMS

Throughout this discovery, including the definition of terms, the words used in the masculine gender include the feminine; words used in the singular include the plural and vice versa; the connectives “and” and “or” shall be construed either disjunctively and conjunctively as necessary to bring within the scope of the discovery request all responses that might otherwise be construed to be outside of its scope; and where the word “include” or “including” appears, the meaning intended is “including, but not limited to.”

Objection: Relators object to the foregoing to the extent that it is vague, ambiguous, overly broad, unduly burdensome, and attempts to impose obligations in addition to or in place of the obligations established by controlling law.

As used throughout this discovery, the following terms have the following meanings indicated:

(a) “Date” means the exact day, month and year, if ascertainable, or if not, the best approximation (including relationship to other events).

Objection: No objection.

(b) "Person" means any individual, corporation, proprietorship, partnership, association or any other natural or legal entity.

Objection: No objection.

(c) "Document," is defined to be synonymous in meaning and equal in scope to the usage of this term in Rule 34 of the Federal Rules of Civil Procedure, including all writings, records, tapes, drawings, graphs, charts, photographs, phonorecords, computerized data, electronically stored information (ESI), and other data compilations from which information can be obtained or translated, and any drafts or copies thereof.

Objection: No objection.

(d) "Action" means the instant lawsuit.

Objection: No objection.

(e) "State Farm" means State Farm Fire and Casualty Company.

Objection: No objection.

(f) "Office of the Attorney General" shall mean Attorney General Jim Hood, any Assistant Attorney General, Deputy Attorney General, Special Assistant Attorney General, or any member of the office or staff of the Attorney General for the State of Mississippi.

Objection: Relators object to the foregoing to the extent that it is vague, ambiguous, and overly broad.

(g) "Scruggs Katrina Group" or "SKG" shall mean any attorney currently or formerly practicing with: The Scruggs Law Firm, P.A.; The Barrett Law Office, P.A.; The Lovelace Law Firm, P.A.; Nutt & McAlister, PLLC; or Jones, Funderburg & Sessums PLLC, and without limiting the generality of the foregoing, shall specifically include the following individuals associated with the firms that comprise or comprised the SKG: Richard Scruggs; Zach Scruggs; Don Barrett; Sid Backstrom; Marshall Smith, Jr.; David McMullan, Jr.; Dewitt Lovelace; David Nutt; Mary E. McAlister; Derek Wyatt; John Jones; and Steven Funderberg.

Objection: Relators object to the foregoing to the extent that it is vague, ambiguous, and overly broad.

(h) "You" (and any form thereof, including "your") shall refer to Cori Rigsby and Kerri Rigsby, including: (a) experts whom the Rigsbys expect to call as witnesses at trial or any

hearing; (b) attorneys retained by the Rigsbys; and (c) Persons who have access to the requested information or from whom the Rigsbys can obtain such information.

Objection: Relators object to the foregoing to the extent that it is vague, ambiguous, and overly broad.

(i) "Scruggs Law Firm, P.A." means Scruggs Law Firm, P.A. and all successor entities or associations, including its current and former attorneys, paralegals, employees, partners, officers, directors, consultants, investigators and agents.

Objection: Relators object to the foregoing to the extent that it is vague, ambiguous, and overly broad.

(j) "Renfroe Litigation" means E. A. Renfroe & Company, Inc. v. Cori Rigsby Moran and Kerri Rigsby; Civil Action No. 06-AR-1752-S (N.D. Ala.).

Objection: No objection.

(k) "Renfroe" means E.A. Renfroe & Company, Inc., including Renfroe's officers and directors, such as Jana and Gene Renfroe.

Objection: Relators object to the foregoing to the extent that it is vague, ambiguous, and overly broad.

(l) "ESI" means electronically stored information, including data in any electronic media whatsoever, regardless of whether such is stored, reflected or maintained in electronic, digital, laser or electro-optical, magnetic or some other electronic form, and wherever and to the greatest extent possible with the original metadata intact.

Objection: Relators object to the foregoing to the extent that it is vague, ambiguous, overly broad, unduly burdensome, and attempts to impose obligations in addition to or in place of controlling law.

(m) "Identify" has the following meanings in the following contexts:
(1) When used with respect to a Person or Persons, to "identify" means to provide each such Person's name, age, last known residence address, last known business address, home telephone number, work telephone number, employer, and place of employment.

(2) When used with respect to a place, to “identify” means to provide the address, city or town, county, and state where that place is located.

(3) When used with respect to a document, to “identify” means to provide that document’s current location, author, and date; the identity of each recipient; and the subject of the document.

(4) When used with respect to an expert witness, to “identify” means to provide the subject matter on which the expert is expected to testify; the substance of the facts upon which or about which the expert is expected to testify; the substance of the opinion or opinions as to which such expert is expected to testify; and a summary of the grounds for each opinion as to which each such expert is expected to testify.

(5) When used with respect to an act, circumstance, occurrence, occasion, meeting, transaction, or conversation (an “act”), to “identify” means to set forth the event or events constituting such an act; the act’s location; its date and the Persons participating, present, or involved; the substance of what was said by each such Person identified; and the documents relating or referring in any way thereto.

Objection: Relators object to the foregoing to the extent that it is vague, ambiguous, and overly broad.

(n) “Accessed” means accessed, run, executed, observed, collected, mined, taken, removed, imaged, downloaded, viewed, copied, replicated, mirrored, destroyed, deleted, altered, transferred, printed or otherwise obtained, as well as the insertion or activation of programs, Trojans, viruses, worms, trackers, MRU objects, malware, tracking cookies, spyware, commands, queries, searches, characters, key strokes, key ghosters or scripts.

Objection: Relators object to the foregoing to the extent that it is vague, ambiguous, and overly broad.

(o) “Materials” means Documents, including ESI, or things.

Objection: Relators object to the foregoing to the extent that it is vague, ambiguous, and overly broad.

(p) “Party” means any current or former party to this Action.

Objection: No objection.

(q) "Surveillance" means investigative, intelligence or espionage services or methods, whether personal, electronic, recorded, software-based, retransmitted, remotely sensed, electromagnetic, computer, computer system, video, photographic, bugging or other by some other surveillance method, device or tool.

Objection: Relators object to the foregoing to the extent that it is vague, ambiguous, and overly broad.

OBJECTION TO SUPPLEMENTATION OF RESPONSES

Answers to these discovery requests are sought on a continuing basis during the pendency of this Action.

Objection: No objection.

OBJECTIONS AND RESPONSES TO INTERROGATORIES

Interrogatory No. 1: Identify each and every Person from whom you or anyone acting on your behalf (including, without limitation, your attorneys, any investigator(s) working for your attorneys, or you, or any other Person) have obtained a statement, declaration or affidavit of any type (e.g. written, recorded or otherwise) concerning any fact, matter or event having any connections or relevance to the matters at issue in this lawsuit.

Response to Interrogatory No. 1: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it seeks information protected by attorney-client privilege and work product protection.

Subject to and without waiving their objections, Relators state that they have obtained a declaration from Mike Church of 2545 South Shore Drive, Biloxi MS. Relators will not further identify Persons in response to this interrogatory unless and until they have received signed or authenticated statements, declarations or affidavits from such persons.

Interrogatory No. 2: Identify any thing of value, compensation or other payment or remuneration in any form whatsoever – whether in cash, currency, travel, lodging, meals, credit, goods, property, indemnity, guaranty, contingency, reward, debt forgiveness, services, gifts or otherwise – that you or any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), received, are receiving or may receive from Scruggs Law Firm, P.A., Richard Scruggs, David Zachary Scruggs, Charlene Bosarge, Beth Jones, Darren Versagia, Tim Balducci, Steve Patterson, P.L. Blake, SKG, The Barrett Law Office, P.A., Don Barrett, The Lovelace Law Firm, P.A., Nutt & McAlister, PLLC, David Nutt, Mary McAlister, Derek Wyatt, Jones, Funderburg & Sessums PLLC, Bartimus, Frickleton, Robertson & Gorny, PC, Michael C. Rader, Anthony L. DeWitt, Edward D. “Chip” Roberston, Jr., James P. Frickleton, Mary Doerhoff Winter, Graves, Bartle & Marcus, LLC, Todd Graves, David L. Marcus, Matthew V. Bartle, Gilbert Randolph, LLP, Gilbert Oshinsky LLP, Gilbert LLP, Moore Law Firm, LLC, Michael C. Moore or anyone acting at the behest or on behalf of any of them, since August 29, 2005.

Response to Interrogatory No. 2: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 3: Identify any thing of value, compensation or other payment or remuneration in any form whatsoever – whether in cash, currency, travel, lodging, meals, credit, goods, property, indemnity, guaranty, contingency, reward, debt forgiveness, services, gifts or otherwise – that any relative of yours by blood or marriage or any corporation or other legal entity in which such relative is a member or shareholder (excluding publicly traded corporations), has received, are receiving or may receive from Scruggs Law Firm, P.A., Richard Scruggs, David Zachary Scruggs, Charlene Bosarge, Beth Jones, Darren Versagia, Tim Balducci, Steve Patterson, P.L. Blake, SKG, The Barrett Law Office, P.A., Don Barrett, The Lovelace Law Firm, P.A., Nutt & McAlister, PLLC, David Nutt, Mary McAlister, Derek Wyatt, Jones, Funderburg & Sessums PLLC, Bartimus, Frickleton, Robertson & Gorny, PC, Michael C. Rader, Anthony L. DeWitt, Edward D. “Chip” Roberston, Jr., James P. Frickleton, Mary Doerhoff Winter, Graves, Bartle & Marcus, LLC, Todd Graves, David L. Marcus, Matthew V. Bartle, Gilbert Randolph, LLP, Gilbert Oshinsky LLP, Gilbert LLP, Moore Law Firm, LLC, Michael C. Moore or anyone acting at the behest or on behalf of any of them, since August 29, 2005.

Response to Interrogatory No. 3: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this

interrogatory on the basis that it is vague, ambiguous, overly broad, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 4: Identify all sources of income or other financial support of any nature for you and any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), since August 29, 2005. For each source of income, please state the approximate dates that such income was received and the total amount of such income.

Response to Interrogatory No. 4: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad, unduly burdensome, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 5: Identify every bank, thrift, savings and loan, credit union, stock brokerage or other financial or investment institution or entity with whom you or any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), have held, jointly or individually, an account, trust, fund, or investment of any type since August 29, 2005.

Response to Interrogatory No. 5: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad, unduly burdensome, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 6: Identify each Person, firm, partnership, joint venture, limited partnership, professional association, professional limited liability company, mutual company, corporation or other legal entity of any kind, for whom you have performed services – either as employee or independent contractor – from August 29, 2005 to the present.

Response to Interrogatory No. 6: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

Subject to and without waiving their objections, Relators state that they were employed by E.A. Renfroe and Co. and State Farm Mutual Insurance Company, they were employed by Ocean Spring Family Medical, they performed services as independent contractors for the Scruggs Katrina Group, and Cori Rigsby was employed by Coldwell Banker United Realtors.

Interrogatory No. 7: Identify by phone number and service provider (i.e., telecommunications company carrier), each and every cellular or satellite telephone over which you had primary use since August 29, 2005, whether or not the account was being carried in your name. For each such cellular or satellite telephone, state the inclusive dates during which you used said device and the identity of the account name.

Response to Interrogatory No. 7: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 8: Identify all computer technicians, computer forensic experts, hackers and any other information technology personnel of any nature (collectively "I.T. Person"), whom you or any of your counsel have permitted at any time since August 29, 2005 to examine, use, inspect or possess any computer issued you by State Farm, or State Farm or Renfroe maintained computer or computer system. Your response should include, but not be limited to, the identity of the "hacker for Dickie" testified about by Dana Lee in her July 18, 2008 Deposition on pages 79-80 of her transcript and the "hacker" testified about by Tammy Hardison in her July 18, 2008 Deposition on pages 46-47, which are of record in this Action as [195-1] and [195-2], respectively. For each such I.T. Person, state the date(s) of such examination(s), inspection(s) or possession(s).

Response to Interrogatory No. 8: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague; ambiguous; overly broad; seeks information protected by attorney-client privilege, work product protection, or other protection or privilege; seeks information not in Relators' possession; and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 9: Identify each and every contact between you or any one acting on your behalf, including any public relations person or firm on the one hand and any public relations person or firm, or representative or member of the print or electronic news media, Website or a Weblog on the other hand, regarding this Action, the existence of this Action or the subject matter of this Action, since August 29, 2005, including but not limited to any contacts relating to the McIntosh property.

Response to Interrogatory No. 9: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague; ambiguous; overly broad; seeks information protected by attorney-client privilege, work product protection, or other protection or privilege; seeks information not in Relators' possession; and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 10: Identify each and every instance in which you or someone under your supervision used or reviewed XactTotal or XactValue evaluations in connection with the adjustment of any constructive total loss prior to Hurricane Katrina.

Response to Interrogatory No. 10: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad and seeks information not

reasonably calculated to lead to the discovery of admissible evidence. The Relators further object to this interrogatory on the grounds that the term "XactValue evaluations" is not defined and unknown.

Subject to and without waiving their objections, Relators state that neither they nor anyone they supervised used XactTotal in connection with the adjustment of any constructive losses prior to Hurricane Katrina.

Interrogatory No. 11: Identify each and every Internet Service Provider ("ISP") you have used at any time since August 29, 2005, as well as each and every e-mail account and instant messenger account, internet telephone account, or voice over internet protocol account, you have held at any time since August 29, 2005, e.g., Comcast, Time Warner, Hughes Net, Hotmail, Gmail, Yahoo Mail, AOL, Skype, Vonage and Gizmo5, etc. This request seeks all such accounts, whether Web-based, e.g., Gmail or Personal Information Manager based, e.g., Outlook account with BellSouth or Comcast. For each such account, give your registration name, e-mail address, account number, instant messenger user name and the dates such account was active.

Response to Interrogatory No. 11: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 12: Identify each and every law firm and attorney that has represented you in an attorney/client relationship with respect to any matter or issue involving State Farm or Renfroe since August 29, 2005, regardless of whether such law firm(s) or attorney(s) have entered an appearance of record in any proceeding on your behalf. For each such law firm or attorney, state the total amount of fees, costs and expenses incurred with respect to services, costs and expenses on your behalf and further identify the Person(s) who have paid those amounts.

Response to Interrogatory No. 12: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this

interrogatory on the basis that it is vague; ambiguous; overly broad; seeks information protected by attorney-client privilege, work product protection, or other protection or privilege; seeks information not in Relators' possession; and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 13: Identify all Persons with knowledge of discoverable information regarding any of the claims alleged by you in this Action, or any defenses to those claims, regardless of whether you may use such information to support your claims or challenge any Defendant's defenses. This request includes, but is not limited to, all Persons known to you who were witnesses to any of the events forming the basis of your claims in this Action or any defenses to those claims. For each such Person, please provide a brief summary of their potential knowledge that may be relevant to any claim or defense in this Action.

Response to Interrogatory No. 13: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague; ambiguous; overly broad; seeks information protected by attorney-client privilege, work product protection, or other protection or privilege; seeks information not in Relators' possession; and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

Subject to and without waiving their objections, Relators state that the following persons are believed to have knowledge of discoverable information regarding some or all of the claims alleged by Relators in this Action and/or potential defenses thereto:

1. Cori Rigsby, 2409 Cleveland Avenue, Pascagoula, MS 39567, (228) 324-4407. Cori is knowledgeable of the allegations in this suit.

2. Kerri Rigsby, 2916 N. 4th Street, Ocean Springs, MS 39564, (228) 324-4177. Kerri is knowledgeable of the allegations in this suit.

3. Tim Marshall: Tim Marshall is the author of the Haag Report.

4. Paul O'Connor: Paul O'Connor is the custodian of records for Haag Engineering.
5. Robert Kochan: Robert Kochan is the head of Forensic. He is knowledgeable of Forensic's inspection of the McIntosh claim, and he communicated with State Farm regarding the protocol for engineering reports.
6. Brian Ford: Brian Ford drafted the initial McIntosh report.
7. John Kelly, 3904 Queen Elizabeth Drive, Ocean Springs, MS 39564: John Kelly revised Brian Ford's conclusions in the McIntosh report.
8. Emanuel Manon: Emanuel Manon is a Forensic engineer who drafted several reports for which the conclusions were later changed.
9. Adam Sammis: Adam Sammis is a Forensic employee who spoke with Alexis King about the McIntosh report.
10. Randy Downs: Randy Downs is a Forensic employee who criticized State Farm's instructions for handling engineering claims.
11. Nellie Williams: Nellie Williams is a Forensic employee who is believed to be knowledgeable of Forensic's documents and records.
12. Alexis King: 9530 Lorikeet Lane, Pensacola, FL 32507: Alexis King described herself as the "go to person" for handling flood claims.
13. David Haddock: David Haddock worked with Alexis King in overseeing engineering reports.
14. Shane Abernathy: Shane Abernathy provided training to State Farm employees.
15. Rick Moore: Rick Moore was the head of State Farm's Biloxi office during Hurricane Katrina.

16. Terry Blalock: Terry Blalock was the section manager for Mississippi during Hurricane Katrina.

17. Denny Sikes: Denny Sikes was a Renfroe flood adjuster during Hurricane Katrina.

18. Lisa Wachter: Lisa Wachter was Alexis King's assistant during Hurricane Katrina.

19. Michael Ferrier: Michael Ferrier is knowledgeable of State Farm's procedures for handling flood claims and State Farm's communications with the National Flood Insurance Program.

20. Juan Guevara: Juan Guevara was identified by Alexis King as having directly communicated with the National Flood Insurance Program regarding the use of XACTOTAL in adjusting claims.

21. Stephan Hinkle: Stephan Hinkle authored the wind/water protocol.

22. David Randel: Dave Randel is knowledgeable of State Farm's blanket ordering and cancellation of engineering reports.

23. Cody Perry: Cody Perry adjusted the McIntosh claim.

24. John Conser: John Conser supervised Cody Perry and approved the use of XACTOTAL.

25. James Shortly: James Shortly was the FEMA Director of Claims during Hurricane Katrina. He authored several FEMA memos relating to the claims handling procedures used during Hurricane Katrina

26. David Maurstad: David Maurstad was the FEMA Acting Administrator/Director of the Mitigation Division during Hurricane Katrina. He authored FEMA Memo W-5054 regarding flood claim handling standards during Hurricane Katrina.

27. Mendy Briscoe: Mendy Briscoe is a neighbor of the McIntoshes. She is believed to be knowledgeable of the damage the home sustained.

28. Mike Church: Mike Church is a neighbor of the McIntoshes. He is believed to be knowledgeable of the damage the home sustained.

29. Ron Mucha: Ron Mucha is a neighbor of the McIntoshes. He is believed to be knowledgeable of the damage the home sustained.

30. Linda Mucha: Linda Mucha is a neighbor of the McIntoshes. She is believed to be knowledgeable of the damage the home sustained.

31. Craig Robertson: Craig Robertson is a neighbor of the McIntoshes. He is believed to be knowledgeable of the damage the home sustained.

32. Thomas McIntosh: He is knowledgeable of the damage the home sustained, State Farm's claims-handling process, and the forensic investigation of his property.

33. Pamela McIntosh: She is believed to be knowledgeable of the damage the home sustained, State Farm's claims-handling process, and the forensic investigation of his property.

Interrogatory No. 14: Identify each Person, including without limitation any Certified Public Accountant(s), who has prepared or assisted in the preparation of your personal or your business(es)' tax returns at any time since August 29, 2005.

Response to Interrogatory No. 14: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

Interrogatory No. 15: Identify each and every natural person other than your lawyers, with whom you have discussed any of the following: (1) this Action; (2) your claims against any Defendant in this Action; or (3) your contention that the use of XactTotal in the adjustment of the McIntosh flood claim was impermissible.

Response to Interrogatory No. 15: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

Subject to and without waiving their objections, Relators state that they are routinely asked about the this Action and their claims against the Defendants, often by people they do not know. As such, the Relators could not identify each and every natural person with whom they have discussed this Action or their claims against any Defendant. The Relators have had general discussions about the status of this Action with their immediate family members, but the Relators have not had any conversations with anyone other than their attorneys relating to their contention that the use of XactTotal in the adjustment of the McIntosh flood claim was impermissible.

**OBJECTIONS AND RESPONSES TO REQUESTS FOR PRODUCTION OF
DOCUMENTS, INCLUDING ELECTRONICALLY STORED INFORMATION,
AND THINGS**

Request No. 1: All Materials that you have produced or identified in your responses to any discovery propounded upon you in this Action by any Party.

Response to Request No. 1: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of

discovery directed by the Court in this matter, and seeks documents already in Defendant's possession, custody, and/or control.

Subject to and without waiving their objections, Relators will produce any non-privileged, unprotected documents they can identify after a reasonable search that are responsive to this request and within the scope of the Court's order.

Request No. 2: All Materials that are or were: (a) owned by State Farm or Renfroe; (b) resident on a State Farm or Renfroe maintained computer or computer system; or (c) otherwise in State Farm or Renfroe's possession, custody or control and Accessed by you since August 29, 2005. This request includes all such Materials that you enabled, allowed, or assisted a third party not employed by State Farm or Renfroe to Access.

Response to Request No. 2: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, seeks documents already in Defendant's possession, custody, and/or control, seeks documents in the possession of Relators' former counsel, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Subject to and without waiving their objections, Relators state that they were previously ordered to return to E.A. Renfroe all documents in their possession that they "downloaded, copied, took, or transferred from the premises, files, records or systems of Renfroe or any of its clients, including but not limited to State Farm Insurance Company." *See E.A. Renfroe & Co. Inc. v. Moran, et al*, No. 06-cv-1752 (N.D. Ala. Dec. 8. 2006) (doc no. 60). As a result, there are no responsive documents in the Relators' possession, custody, or control.

Subject to and without waiving their objections, Relators further state that, in response to Requests Nos. 14 and 17, Relators will also identify and/or produce all responsive documents they obtained from the public record. It is possible that some of these documents were originally accessed by the Relators, but because the Relators' current counsel obtained these documents from the public record, it is impossible to say categorically if they were originally accessed by the Relators.

Request No. 3: All Materials regarding or concerning the purchase or sale of real property since August 29, 2005, by you or any corporation or other legal entity in which you are a member or shareholder (excluding publicly traded corporations).

Response to Request No. 3 Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 4: All Materials regarding or concerning the purchase or sale of real property since August 29, 2005, by any relative of yours by blood or marriage or any corporation or other legal entity in which such relative is or was a member or shareholder (excluding publicly traded corporations).

Response to Request No. 4: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 5: All Materials regarding or concerning any thing of value, compensation or other payment or remuneration in any form whatsoever – whether in cash, currency, travel, lodging, meals, credit, goods, property, indemnity, guaranty, contingency, reward, debt forgiveness, services, gifts or otherwise – that you received, are receiving or may receive from Scruggs Law Firm, P.A., Richard Scruggs, David Zachary Scruggs, Charlene Bosarge, Beth Jones, Darren Versagia, Tim Balducci, Steve Patterson, P.L. Blake, SKG, The Barrett Law Office, P.A., Don Barrett, The Lovelace Law Firm, P.A., Nutt & McAlister, PLLC, David Nutt, Mary McAlister, Derek Wyatt, Jones, Funderburg & Sessums PLLC, Bartimus, Frickleton, Robertson & Gorny, PC, Michael C. Rader, Anthony L. DeWitt, Edward D. “Chip” Roberston, Jr., James P. Frickleton, Mary Doerhoff Winter, Graves, Bartle & Marcus, LLC, Todd Graves, David L. Marcus, Matthew V. Bartle, Gilbert Randolph, LLP, Gilbert Oshinsky LLP, Gilbert LLP, Moore Law Firm, LLC, Michael C. Moore or anyone acting at the behest or on behalf of any of them, since August 29, 2005.

Response to Request No. 5: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 6: All Materials regarding or concerning any thing of value, compensation or other payment or remuneration in any form whatsoever – whether in cash, currency, travel, lodging, meals, credit, goods, property, indemnity, guaranty, contingency, reward, debt forgiveness, services, gifts or otherwise – that any relative of yours by blood or marriage has received, are receiving or may receive from Scruggs Law Firm, P.A., Richard Scruggs, David Zachary Scruggs, Charlene Bosarge, Beth Jones, Darren Versagia, Tim Balducci, Steve Patterson, P.L. Blake, SKG, The Barrett Law Office, P.A., Don Barrett, The Lovelace Law Firm, P.A., Nutt & McAlister, PLLC, David Nutt, Mary McAlister, Derek Wyatt, Jones, Funderburg & Sessums PLLC, Bartimus, Frickleton, Robertson & Gorny, PC, Michael C. Rader, Anthony L. DeWitt, Edward D. “Chip” Roberston, Jr., James P. Frickleton, Mary Doerhoff Winter, Graves, Bartle & Marcus, LLC, Todd Graves, David L. Marcus, Matthew V. Bartle, Gilbert Randolph, LLP, Gilbert Oshinsky LLP, Gilbert LLP, Moore Law Firm, LLC, Michael C. Moore or anyone acting at the behest or on behalf of any of them, since August 29, 2005.

Response to Request No. 6: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the

basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 7: All Materials regarding or concerning account records of any type, including but not limited to statements of account, deposit receipts, and canceled checks, for any trust, fund, savings account, checking account, brokerage account or investment account maintained by you or on your behalf, whether jointly or individually, or any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), from August 29, 2005 through the present.

Response to Request No. 7: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 8: All Materials evidencing or relating to your allegation that State Farm submitted to the federal government a knowingly false or fraudulent claim for payment of flood insurance benefits on the McIntosh residence in connection with Hurricane Katrina or to any defense to such allegation.

Response to Request No. 8: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, seeks documents already in Defendant's possession, custody, and/or control, and seeks documents protected by attorney-client privilege, work product protection, and/or other privileges or protections.

Subject to and without waiving their objections, Relators will produce any non-privileged, unprotected documents they can identify after a reasonable search that are responsive to this request and within the scope of the Court's order.

Request No. 9: Your state and federal tax returns, all supporting schedules and documents thereto, your 1099's, W-2's, financial statements, applications for extensions and responses thereto or other similar financial documents for the years 2005 to the present. If you do not have copies of these materials, please provide authorizations so that they may be obtained directly from the Internal Revenue Service.

Response to Request No. 9: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 10: The state and federal tax returns, all supporting schedules and documents thereto, your 1099's, W-2's, financial statements, or other similar financial documents for any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), for the years 2005 to the present.

Response to Request No. 10: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 11: All Materials that pertain to any credit or financing obtained by you or any corporation or other legal entity in which you are or were a member or shareholder

(excluding publicly traded corporations), since August 29, 2005, including but not limited to credit applications, loan documents, loan notes, guarantees, receipts, waivers, disclosure statements, insurance disclosure summaries, settlement statements, UCC forms, property appraisals, security agreements or renewals.

Response to Request No. 11: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 12: All Materials containing or evidencing any admissions or statements against interest by State Farm or Renfroe (or any of their predecessors, affiliates or agents) or anyone acting on their respective behalf, including their employees, officers, directors or agents, that are related to any matter at issue in this Action.

Response to Request No. 12: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous and seeks documents protected by attorney-client privilege, work product protection, and/or other privileges or protections.

Subject to and without waiving their objections, Relators will produce any non-privileged, unprotected documents they can identify after a reasonable search that are responsive to this request and within the scope of the Court's order.

Request No. 13: All Materials that evidence, pertain, or relate to each and every statement or affidavit of any type (e.g., written, recorded or otherwise) concerning any fact, matter or event having any connections or relevance whatsoever to any aspect of this Action that you or anyone acting on your behalf (including, without limitations your attorneys, any investigator working for your attorneys, or you, or any other Person) have obtained from any Person.

Response to Request No. 13: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, seeks documents already in Defendant's possession, custody, and/or control, and seeks documents protected by attorney-client privilege, work product protection, and/or other privileges or protections.

Subject to and without waiving their objections, Relators will produce any non-privileged, unprotected documents they can identify after a reasonable search that are responsive to this request and within the scope of the Court's order.

Request No. 14: All Materials received from a third party and that were created by State Farm or Renfroe, any of their predecessors, affiliates, respective agents or any other entity or Person related in any manner to this Action.

Response to Request No. 14: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, seeks documents already in Defendant's possession, custody, and/or control, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Subject to and without waiving their objections, Relators will produce any non-privileged, unprotected documents they can identify after a reasonable search that are responsive to this request and within the scope of the Court's order.

Request No. 15: All Materials provided by you or anyone on your behalf to any expert witness, or any other party or individual, regarding any of the allegations, matters, or items at issue in this Action. This request does not seek attorney/client privileged or work product Materials.

Response to Request No. 15: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, seeks documents already in Defendant's possession, custody, and/or control, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Subject to and without waiving their objections, Relators will produce any non-privileged, unprotected documents they can identify after a reasonable search that are responsive to this request and within the scope of the Court's order.

Request No. 16: All Materials prepared by or concerning any opinions or reports of expert witnesses who are retained or specifically employed by you to provide expert testimony or whom you expect to call at the trial of this Action.

Response to Request No. 16: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is overly broad and seeks documents protected by attorney-client privilege, work product protection, and/or other protections or privileges.

Subject to and without waiving their objections, Relators will produce any non-privileged, unprotected documents they can identify that are responsive to this request and relate to the opinions or reports being put forth pursuant to the Court's Scheduling Order in this matter.

Request No. 17: All Materials created, maintained or authored by State Farm or Renfroe, or their respective employees, officers, directors or agents, that have not been produced

to you in *this* Action and that support any claim asserted by you in this Action or support a defense to such claims.

Response to Request No. 17: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, seeks documents already in Defendant's possession, custody, and/or control, seeks documents not reasonably calculated to lead to the discovery of admissible evidence, and seeks documents protected by attorney-client privilege, work product protection, and/or other protections or privileges..

Subject to and without waiving their objections, Relators refer Defendant to the publicly available documents from *McIntosh v. State Farm*, No. 1:06-cv-1080 (S.D. Miss.) and *Shows v. State Farm*, No. 1:07-cv-709. Relators further state that they will produce any documents responsive to this request that are not contained in the publicly available materials from those cases. Relators will not produce documents they themselves have authored, if those documents are protected by attorney-client privilege and/or work product protection.

Request No. 18: Your monthly billing statements for each and every revolving credit account (including, but not limited to credit card or charge card statements), held by you or on your behalf, whether jointly or individually, or any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), at any time from August 29, 2005 to the present.

Response to Request No. 18: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 19: All records of payment or indebtedness concerning any closed end credit obligations you or any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), have held at any time from August 29, 2005 to the present.

Response to Request No. 19: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 20: All records of real property ownership (including deeds and deeds of trust) for any real property or fixtures in which you or any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations) or have held any interest at any time during the period from August 29, 2005 to the present.

Response to Request No. 20: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 21: All Materials and communications that were exchanged between you or your counsel on the one hand, and any law enforcement officer or agency, on the other hand, including the U.S. Attorney's Office, the United States Department of Justice, the Federal Bureau of Investigation or the Mississippi Attorney General's Office, concerning State Farm or Renfroe, since August 29, 2005.

Response to Request No. 21: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of

discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence. Relators further object to this request to the extent that it calls for the production of materials that the Relators disclosed to the United States Government pursuant to 31 USC § 3730(b)(2).

Subject to and without waiving their objections, Relators will produce any documents responsive to this request if the United States Department of Justice and Mississippi Attorney General's Office consent, or if the Court issues an appropriate order allowing Relators to disclose the documents.

Request No. 22: All Materials and communications that were exchanged between you or your counsel on the one hand, and the Mississippi Insurance Department, on the other hand, concerning State Farm or Renfroe, since August 29, 2005.

Response to Request No. 22: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 23: All Materials that concern, refer, or relate to dealings, contacts, or communications between you and Mike Moore or any attorney practicing with Mr. Moore's law firm, including but not limited to Lee Martin, since August 29, 2005.

Response to Request No. 23: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of

discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Subject to and without waiving their objections, Relators will produce any non-privileged, unprotected documents they can identify after a reasonable search that are responsive to this request and within the scope of the Court's order.

Request No. 24: All Materials that concern, refer, or relate to dealings, contacts or communications between you and Trent Lott or Gene Taylor or any member of their offices or staff since August 29, 2005.

Response to Request No. 24: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 25: All Materials that concern, refer, or relate to dealings, contacts or communications between you and Brian Ford, Dreux Seghers or Nellie Williams, since August 29, 2005.

Response to Request No. 25: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Subject to and without waiving their objections, Relators will produce any non-privileged, unprotected documents they can identify after a reasonable search that are responsive to this request and within the scope of the Court's order.

Request No. 26: All cellular or satellite telephone logs or records (including phone bills) reflecting calls (including cellular or satellite phone calls) made or received by you between August 29, 2005 and August 1, 2007.

Response to Request No. 26: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 27: All your calendars, schedules or diaries for dates between August 29, 2005 and August 1, 2007, including any Personal Information Manager calendar, such as Outlook.

Response to Request No. 27: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 28: Your foreign country tax returns, all supporting schedules and documents thereto for the years 2005 to the present.

Response to Request No. 28: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 29: All passports held by you at any time since August 29, 2005, including, without exception, the portions reflecting ports/airports of entry and visas.

Response to Request No. 29: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 30: All Materials related to or evidencing any contracts or agreements you have with any Person and related to your prosecution of your claims in this Action.

Response to Request No. 30: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, seeks documents not reasonably calculated to lead to the discovery of admissible evidence, beyond the scope of discovery directed by the Court in this matter, and seeks documents protected by attorney-client privilege, work product protection, and/or other protections or privileges.

Request No. 31: All Materials, including records of payment and Surveillance results, regarding Surveillance of any type whatsoever on your or your attorneys' or investigators' respective behalf with respect to State Farm, Renfroe or their respective attorneys, employees, officers, directors, agents or personnel, including their respective movements, whereabouts, activities, refuse, photocopiers, imagers, facsimile machines, cellular or land line telephones, vehicles, residences, offices, computers or computer systems at any time since August 29, 2005.

Response to Request No. 31: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, seeks documents already in State Farm's possession, custody and/or control, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 32: All Materials, including correspondence, documents, e-mails and ESI exchanged, between you or any one acting on your behalf, including any public relations person or firm on the one hand and any public relations person or firm, or representative or member of the print or electronic news media, Website or a Weblog on the other hand, regarding this Action, the existence of this Action or the subject matter of this Action, since August 29, 2005, including but not limited to any contacts relating to the McIntosh property.

Response to Request No. 32: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 33: All Materials evidencing any actual or potential agreement, contract, promise or understanding to pay, sell, factor, assign, or transfer any part of your potential recovery in this Action.

Response to Request No. 33: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 34: All Materials evidencing any agreement, contract, promise or understanding with respect to you receiving actual or potential remuneration or anything of value as a result of any recovery received by any attorney, law firm, joint venture or party-plaintiff in any other Hurricane Katrina-related lawsuit against State Farm or Renfroe.

Response to Request No. 34: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 35: All Materials evidencing any agreement, contract, promise or understanding to finance the cost and expense of (including attorneys' fees incurred in) prosecuting your claims in this Action.

Response to Request No. 35: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 36: All Materials evidencing any financial statement or other Materials reflecting your net worth as of August 29, 2005, December 31, 2006, December 31, 2007, December 31, 2008, as of the date of your first response to these discovery requests in the year 2009 and separately as of the date of two months prior to the close of discovery in this Action (as set forth in any case management or scheduling order and any amendments thereto).

Response to Request No. 36: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 37: All Materials, including correspondence, documents, e-mails and ESI exchanged, between you or any one acting on your behalf on the one hand and any law firm or attorney not then representing you, State Farm or Renfroe on the other hand, regarding this Action, the existence of this Action or the subject matter of this Action, that were sent or received after August 29, 2005.

Response to Request No. 37: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, seeks documents protected by attorney-client privilege, work product protection, and/or other protection or privilege, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 38: All Materials evidencing any agreement, contract, promise or understanding regarding indemnity or defense cost reimbursement for any liability or defense costs, expenses and fees incurred by Kerri Rigsby or Cori Rigsby with respect to State Farm or Renfroe at any time since August 29, 2005.

Response to Request No. 38: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the

basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 39: All Materials, including correspondence, documents, e-mails and ESI exchanged, between you or any one acting on your behalf on the one hand and Richard Scruggs or any law firm or attorney representing him on the other hand, sent or received after the termination of Richard Scruggs' representation of you and concerning in any manner State Farm or Renfroe.

Response to Request No. 39: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, seeks documents protected by attorney-client privilege, work product protection, or other privilege or protection, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 40: All Materials that may provide defense(s) to any of the claims you assert in this Action.

Response to Request No. 40: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, and overly broad.

Subject to and without waiving their objections, Relators will produce any non-privileged, unprotected documents they can identify after a reasonable search that are responsive to this request and within the scope of the Court's order.

Request No. 41: All Materials evidencing or relating to any use of XactTotal or XactValue by you or anyone under your supervision in connection with the adjustment of any flood insurance claim prior to Hurricane Katrina.

Response to Request No. 41 Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Subject to and without waiving their objections, Relators state that they were previously ordered to return to E.A. Renfroe all documents in their possession that they “downloaded, copied took or transferred from the premises, files, records or systems of Renfroe or any of its clients, including but not limited to State Farm Insurance Company.” *See E.A. Renfroe & Co. Inc. v. Moran, et al*, No. 06-cv-1752 (N.D. Ala. Dec. 8. 2006) (doc no. 60). As a result, there are no responsive documents in the Relators’ possession, custody, or control, other than documents that might be available from public resources.

Request No. 42: All Materials evidencing or relating to any financial arrangements, understandings, agreements, contracts, remuneration, consideration or payments since August 29, 2005: (a) by you to Pat Lobrano or Bill Lobrano; (b) with Pat Lobrano or Bill Lobrano; or (c) by Pat Lobrano or Bill Lobrano to you, “Payton Properties” or any account or entity under your control.

Response to Request No. 42: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

Request No. 43: In addition to paper copies or .pdf or .tiff images, also produce all Materials produced in response to any discovery requests propounded upon you in this Action, in their native electronic format(s), e.g., Word, WordPerfect, Excel, .jpeg, .mpeg, .pdf, E-mail file, etc. Please produce such on DVD or CD, *with original metadata intact*.

Response to Request No. 43: Relators renew their General Objections and Objections to General Instructions and Definitions of Terms.

The Relators agree to negotiate in good faith to enter an agreement for the production of Electronically Stored Information

THIS the 11th day of January, 2010

Respectfully, submitted,

/s/ C. Maison Heidelberg
C. MAISON HEIDELBERG, MB #9559
GINNY H. KENNEDY, MB#102199

OF COUNSEL

August J. Matteis, Jr. (*admitted pro hac vice*)

Craig J. Litherland (*admitted pro hac vice*)

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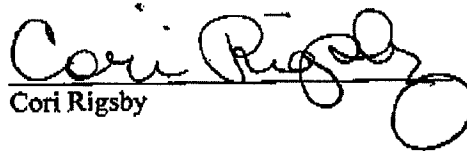
Fax No. (602) 956-2090

VERIFICATION

CORI RIGSBY, being duly sworn, deposes and states as follows:

I hereby affirm that I have reviewed the foregoing Answers to State Farm Mutual Insurance Company's First Set of Interrogatories, and the answers contained therein are true and correct to the best of my knowledge, information, and belief.

I declare under penalty of perjury that the foregoing is true and correct. Executed on January 11, 2010.

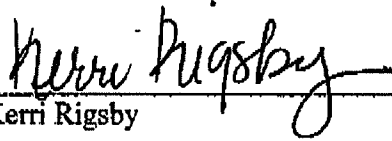

Cori Rigsby

VERIFICATION

KERRI RIGSBY, being duly sworn, deposes and states as follows:

I hereby affirm that I have reviewed the foregoing Answers to State Farm Mutual Insurance Company's First Set of Interrogatories, and the answers contained therein are true and correct to the best of my knowledge, information, and belief.

I declare under penalty of perjury that the foregoing is true and correct. Executed on January 11, 2010.


Kerri Rigsby

CERTIFICATE OF SERVICE

I, C. Maison Heidelberg, attorney for Cori Rigsby and Kerri Rigsby, do hereby certify that I have this day caused a true and correct copy of the foregoing instrument to be delivered to the following, via electronic and first class mail.

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Jackson, MS 39201

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ASSISTANT U.S. ATTORNEY
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/s/ C. Maison Heidelberg

BUTLER | SNOW

February 12, 2010

VIA E-MAIL

August J. Matteis, Jr.
Gilbert LLP
1100 New York Avenue, NW
Suite 700
Washington, DC 20005

Re: *United States of America ex rel. Cori Rigsby, and Kerri Rigsby, Relators v. State Farm Mutual Insurance Co., et al.*; in the United States District Court for the Southern District of Mississippi, Southern Division; No. 1:06cv433-LTS-RHW

Dear Auggie:

I am writing concerning Relators' January 11, 2010 responses and objections to State Farm's interrogatories and requests for production of documents. Of the 15 interrogatories propounded by State Farm, your clients have refused to answer 10 of them. Similarly, of the 43 document requests, your clients have refused to provide *any* information in response to 27 of them. In the hope that we can resolve this matter, I will go through each discovery request and explain why we believe your clients should provide the requested information.

INTERROGATORY NO. 2:

Identify any thing of value, compensation or other payment or remuneration in any form whatsoever – whether in cash, currency, travel, lodging, meals, credit, goods, property, indemnity, guaranty, contingency, reward, debt forgiveness, services, gifts or otherwise – that you or any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), received, are receiving or may receive from Scruggs Law Firm, P.A., Richard Scruggs, David Zachary Scruggs, Charlene Bosarge, Beth Jones, Darren Versagia, Tim Balducci, Steve Patterson, P.L. Blake, SKG, The Barrett Law Office, P.A., Don Barrett, The Lovelace Law Firm, P.A., Nutt & McAlister, PLLC, David Nutt, Mary McAlister, Derek Wyatt, Jones, Funderburg & Sessums PLLC, Bartimus, Frickleton, Robertson & Gorny, PC, Michael C. Rader, Anthony L. DeWitt, Edward D. “Chip” Roberston, Jr., James P. Frickleton, Mary Doerhoff Winter, Graves, Bartle & Marcus, LLC, Todd Graves, David L. Marcus, Matthew V. Bartle, Gilbert Randolph, LLP, Gilbert Oshinsky LLP, Gilbert LLP, Moore Law Firm, LLC, Michael C. Moore or anyone acting at the behest or on behalf of any of them, since August 29, 2005.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

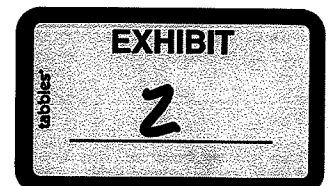
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STATE FARM'S RESPONSE:

To the extent that your clients contend that this interrogatory is "vague" and "ambiguous," State Farm disagrees as the question is simple and straight forward – have they been paid by any of the listed persons or entities?

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning these payments (and any others) as it goes directly to your clients' bias, credibility and motivation. See *Thomas C. McIntosh v. State Farm Fire and Casualty Company, et al.*, 1:06cv1080LTS-RHW at p. 2 (S.D. Miss. Apr. 4, 2008) (docket no. 1172) ("The payments Scruggs made to the Rigsby sisters bears no reasonable connection to any work performed or to any of the expenses the incurred in testifying. These payments were clearly improper."); *United States v. Hall*, 653 F.2d 1002 (evidence as to "a witness' motivation for testifying, as well as any other potential incentives for falsification, are always relevant lines of inquiry."); *Consolidation Coal Co. v. Williams*, 453 F.3d 609, 621 ("discovery concerning potential bias was relevant to impeaching the credibility" of the witness); *In re CFS-Related Securities Fraud Litigation*, 2003 WL 24136089, * 3 (N.D. Okla. 2003) ("discovery for the purpose of witness bias or credibility is permissible."); *Chishum v. Dep't of Corrections*, 2005 WL 1827950, *3 (D.N.J. 2005) ("the exposure of a witness' motivation in testifying is a proper and important function of the constitutionally protected right of cross-examination."). Furthermore, we believe that the payments to your clients from their former counsel may well exceed what has been previously reported, which also bears directly on their bias, credibility and motivation. Additionally, your clients' putative remuneration as qui tam relators is also proscribed by statute and these agreements go to the issue of whether these statutes are being violated.

INTERROGATORY NO. 3:

Identify any thing of value, compensation or other payment or remuneration in any form whatsoever – whether in cash, currency, travel, lodging, meals, credit, goods, property, indemnity, guaranty, contingency, reward, debt forgiveness, services, gifts or otherwise – that any relative of yours by blood or marriage or any corporation or other legal entity in which such relative is a member or shareholder (excluding publicly traded corporations), has received, are receiving or may receive from Scruggs Law Firm, P.A., Richard Scruggs, David Zachary Scruggs, Charlene Bosarge, Beth Jones, Darren Versagia, Tim Balducci, Steve Patterson, P.L. Blake, SKG, The Barrett Law Office, P.A., Don Barrett, The Lovelace Law Firm, P.A., Nutt & McAlister, PLLC, David Nutt, Mary McAlister, Derek Wyatt, Jones, Funderburg & Sessums PLLC, Bartimus, Frickleton, Robertson & Gorny, PC, Michael C. Rader, Anthony L. DeWitt, Edward D. "Chip" Roberston, Jr., James P. Frickleton, Mary Doerhoff Winter, Graves, Bartle & Marcus, LLC, Todd Graves, David L. Marcus, Matthew V. Bartle, Gilbert Randolph, LLP, Gilbert Oshinsky LLP, Gilbert LLP, Moore Law Firm, LLC, Michael C. Moore or anyone acting at the behest or on behalf of any of them, since August 29, 2005.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this interrogatory is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – have any of their relatives been paid by any of the listed persons or entities?

We believe that your clients' objection that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any similar indirect payments to Relators through their relatives. Additionally, your clients' putative remuneration as qui tam relators is also proscribed by statute and these agreements go to the issue of whether these statutes are being violated.

INTERROGATORY NO. 4:

Identify all sources of income or other financial support of any nature for you and any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), since August 29, 2005. For each source of income, please state the approximate dates that such income was received and the total amount of such income.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this interrogatory is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – what are your clients' sources of income since Hurricane Katrina?

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any other similar payments to Relators as it goes directly to your clients' bias, credibility and motivation. The Court ruled on this exact issue in *McIntosh* and held that your clients must identify the sources of their incomes since Hurricane Katrina. See *Thomas C. McIntosh v. State Farm Fire and Casualty Company, et al.*, 1:06cv1080LTS-RHW at p. 3 (S.D. Miss. Oct. 1, 2007) (docket no. 563); *United States v. Hall*, 653 F.2d 1002 (evidence as to "a witness' motivation for testifying, as well as any other potential

incentives for falsification, are always relevant lines of inquiry.”); *Consolidation Coal Co. v. Williams*, 453 F.3d 609, 621 (“discovery concerning potential bias was relevant to impeaching the credibility” of the witness); *In re CFS-Related Securities Fraud Litigation*, 2003 WL 24136089, * 3 (N.D. Okla. 2003) (“discovery for the purpose of witness bias or credibility is permissible.”); *Chislum v. Dep’t of Corrections*, 2005 WL 1827950, *3 (D.N.J. 2005) (“the exposure of a witness’ motivation in testifying is a proper and important function of the constitutionally protected right of cross-examination.”). Furthermore, we believe that the payments to your clients from their former counsel may well exceed what has been previously reported, which also bears directly on their bias, credibility and motivation.

INTERROGATORY NO. 5:

Identify every bank, thrift, savings and loan, credit union, stock brokerage or other financial or investment institution or entity with whom you or any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), have held, jointly or individually, an account, trust, fund, or investment of any type since August 29, 2005.

RELATORS’ RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM’S RESPONSE:

To the extent that your clients contend that this interrogatory is “vague” and “ambiguous,” State Farm disagrees as the question is straight forward – identify every financial account of the type listed above that your clients or a related entity have held since Hurricane Katrina.

We believe that your clients’ objections that the interrogatory is “overly broad” and that it “seeks information not reasonably calculated to lead to the discovery of admissible evidence,” are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any other similar payments to Relators as it goes directly to your clients’ bias, credibility and motivation. *See United States v. Hall*, 653 F.2d 1002 (evidence as to “a witness’ motivation for testifying, as well as any other potential incentives for falsification, are always relevant lines of inquiry.”); *Consolidation Coal Co. v. Williams*, 453 F.3d 609, 621 (“discovery concerning potential bias was relevant to impeaching the credibility” of the witness); *In re CFS-Related Securities Fraud Litigation*, 2003 WL 24136089, * 3 (N.D. Okla. 2003) (“discovery for the purpose of witness bias or credibility is permissible.”); *Chislum v. Dep’t of Corrections*, 2005 WL 1827950, *3 (D.N.J. 2005) (“the exposure of a witness’ motivation in testifying is a proper and important function of the constitutionally protected right of cross-examination.”).

INTERROGATORY NO. 7:

Identify by phone number and service provider (i.e., telecommunications company carrier), each and every cellular or satellite telephone over which you had primary use since August 29, 2005, whether or not the account was being carried in your name. For each such cellular or satellite telephone, state the inclusive dates during which you used said device and the identity of the account name.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this interrogatory is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – identify every cellular and satellite telephone number and provider over which they have had primary use since Hurricane Katrina.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel provided them with cellular telephones. State Farm is entitled to seek information concerning who they have communicated with since Hurricane Katrina and the dates of such communications. The Court ruled on this exact issue in *McIntosh* and held that your clients must produce their telephone records. See *Thomas C. McIntosh v. State Farm Fire and Casualty Company*, et al., 1:06cv1080LTS-RHW (S.D. Miss. Dec. 14, 2007) (text only order).

INTERROGATORY NO. 8:

Identify all computer technicians, computer forensic experts, hackers and any other information technology personnel of any nature (collectively "I.T. Person"), whom you or any of your counsel have permitted at any time since August 29, 2005 to examine, use, inspect or possess any computer issued you by State Farm, or State Farm or Renfroe maintained computer or computer system. Your response should include, but not be limited to, the identity of the "hacker for Dickie" testified about by Dana Lee in her July 18, 2008 Deposition on pages 79-80 of her transcript and the "hacker" testified about by Tammy Hardison in her July 18, 2008 Deposition on pages 46-47, which are of record in this Action as [195-1] and [195-2], respectively. For each such I.T. Person, state the date(s) of such examination(s), inspection(s) or possession(s).

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague; ambiguous; overly broad; seeks information protected by the attorney-client privilege, work product protection, or other protection or privilege; seeks information not in the Relators'

possession; and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this interrogatory is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – identify all persons who have worked on, accessed, inspected, or possessed any computer issued by State Farm or Renfroe to your clients, or any computer system maintained by State Farm or Renfroe.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients' former counsel have admitted that your clients allowed them access to their State Farm issued computer. State Farm is entitled to seek information concerning this or any other unauthorized access. The Court ruled on this exact issue in *McIntosh* and held that your clients must testify concerning the unauthorized use of State Farm's computers. See *Thomas C. McIntosh v. State Farm Fire and Casualty Company, et al.*, 1:06cv1080LTS-RHW at 1 (S.D. Miss. May 23, 2008) (docket no. 1196). The fact that one or both of your clients may have allowed a "hacker for Dickie" to unlawfully and in violation of the terms of their State Farm computer access agreements access their State Farm issued laptop computers goes directly to issues of their bias, credibility, and motivation and is thus reasonably calculated to lead to the discovery of admissible evidence.

With respect to your clients' objection based on the attorney-client privilege, the work product doctrine, or "other protection or privilege," State Farm has not asked for the substance of any communications between your clients and their counsel. The identity of the persons that your clients allowed to access their State Farm computers or the State Farm computer network is neither privileged nor work product.

INTERROGATORY NO. 9:

Identify each and every contact between you or any one acting on your behalf, including any public relations person or firm on the one hand and any public relations person or firm, or representative or member of the print or electronic news media, Website or a Weblog on the other hand, regarding this Action, the existence of this Action or the subject matter of this Action, since August 29, 2005, including but not limited to any contacts relating to the McIntosh property.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague; ambiguous; overly broad; seeks information protected by the attorney-client privilege, work product protection, or other protection or privilege; seeks information not in the Relators' possession; and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this interrogatory is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – identify all contacts between your clients (or

their representatives) and the media that were related in any way to this Action, including any contacts related to the McIntosh property.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Among other things, your clients appeared in television commercials prior to the unsealing of this Action in which they accused State Farm of fraud. Your clients were also the "stars" of a nationally-broadcast ABC News story that featured the McIntosh claim as its centerpiece and whose storyline tracked the allegations in the then-sealed qui tam complaint and evidentiary disclosure (a copy of which was unlawfully furnished to ABC News, among other national media organizations) as well as other related news articles. Therefore, State Farm is entitled to discover all contacts that your clients have had with the media concerning this Action or the McIntosh property. The Court ruled on this exact issue in *McIntosh* and held that your clients must produce all information concerning their communications with the media since Hurricane Katrina. See *Thomas C. McIntosh v. State Farm Fire and Casualty Company, et al.*, 1:06cv1080LTS-RHW at p. 6 (S.D. Miss. Oct. 1, 2007) (docket no. 563).

With respect to your clients' objection based on the attorney-client privilege, the work product doctrine, or "other protection or privilege," State Farm has not asked for the substance of any communications between your clients and their counsel. The identity of media contacts is neither privileged nor work product.

INTERROGATORY NO. 11:

Identify each and every Internet Service Provider ("ISP") you have used at any time since August 29, 2005, as well as each and every e-mail account and instant messenger account, internet telephone account, or voice over internet protocol account, you have held at any time since August 29, 2005, e.g., Comcast, Time Warner, Hughes Net, Hotmail, Gmail, Yahoo Mail, AOL, Skype, Vonage and Gizmo5, etc. This request seeks all such accounts, whether Web-based, e.g., Gmail or Personal Information Manager based, e.g., Outlook account with BellSouth or Comcast. For each such account, give your registration name, e-mail address, account number, instant messenger user name and the dates such account was active.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this interrogatory is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – identify all internet service providers as well as any e-mail, instant messenger, internet telephone, and voice over internet protocol accounts they have used or held since Hurricane Katrina.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence," are without merit. State Farm is entitled to know with whom your clients have communicated concerning this Action and the McIntosh property. The Court ruled on this exact issue in

McIntosh and held that your clients must identify the e-mail accounts that they have used or maintained since Hurricane Katrina. See *Thomas C. McIntosh v. State Farm Fire and Casualty Company*, et al., 1:06cv1080LTS-RHW at p. 5 (S.D. Miss. Oct. 1, 2007) (docket no. 563).

INTERROGATORY NO. 12:

Identify each and every law firm and attorney that has represented you in an attorney/client relationship with respect to any matter or issue involving State Farm or Renfroe since August 29, 2005, regardless of whether such law firm(s) or attorney(s) have entered an appearance of record in any proceeding on your behalf. For each such law firm or attorney, state the total amount of fees, costs and expenses incurred with respect to services, costs and expenses on your behalf and further identify the Person(s) who have paid those amounts.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague; ambiguous; overly broad; seeks information protected by the attorney-client privilege, work product protection, or other protection or privilege; seeks information not in the Relators' possession; and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this interrogatory is "vague" and "ambiguous," State Farm disagrees as the question is straight forward -- identify each attorney that has represented your clients with respect to any matter or issue involving State Farm or Renfroe since Hurricane Katrina, as well as the fees and expenses associated with such representation and the source of the payment of such fees and expenses.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their former counsel paid them as fact witnesses. State Farm is entitled to discover the identity of all attorneys who have represented your clients and the financial arrangements with such attorneys. Indeed, the payment of legal fees by the Scruggs Law Firm, the Scruggs Katrina Group, or others may well be deemed income for tax purposes and goes to issues of bias, credibility and motivation. See *United States v. Hall*, 653 F.2d 1002 (evidence as to "a witness' motivation for testifying, as well as any other potential incentives for falsification, are always relevant lines of inquiry."); *Consolidation Coal Co. v. Williams*, 453 F.3d 609, 621 ("discovery concerning potential bias was relevant to impeaching the credibility" of the witness); *In re CFS-Related Securities Fraud Litigation*, 2003 WL 24136089, * 3 (N.D. Okla. 2003) ("discovery for the purpose of witness bias or credibility is permissible."); *Chislum v. Dep't of Corrections*, 2005 WL 1827950, *3 (D.N.J. 2005) ("the exposure of a witness' motivation in testifying is a proper and important function of the constitutionally protected right of cross-examination.").

With respect to your clients' objection based on the attorney-client privilege, the work product doctrine, or "other protection or privilege," State Farm has not asked for the substance of any communications between your clients and their counsel. The identity of their counsel and the financial arrangements of any such representation is neither privileged nor work product.

INTERROGATORY NO. 14:

Identify each Person, including without limitation any Certified Public Accountant(s), who has prepared or assisted in the preparation of your personal or your business(es)' tax returns at any time since August 29, 2005.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this interrogatory on the basis that it is vague, ambiguous, overly broad, and seeks information not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this interrogatory is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – identify all persons who have prepared or assisted in the preparation of your clients' individual or business tax returns since Hurricane Katrina.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning these payments (and any others) as it goes directly to your clients' bias, credibility and motivation. *See United States v. Hall*, 653 F.2d 1002 (evidence as to "a witness' motivation for testifying, as well as any other potential incentives for falsification, are always relevant lines of inquiry."); *Consolidation Coal Co. v. Williams*, 453 F.3d 609, 621 ("discovery concerning potential bias was relevant to impeaching the credibility" of the witness); *In re CFS-Related Securities Fraud Litigation*, 2003 WL 24136089, * 3 (N.D. Okla. 2003) ("discovery for the purpose of witness bias or credibility is permissible."); *Chislum v. Dep't of Corrections*, 2005 WL 1827950, *3 (D.N.J. 2005) ("the exposure of a witness' motivation in testifying is a proper and important function of the constitutionally protected right of cross-examination."). Furthermore, the payment of legal fees may well be deemed income for tax purposes.

DOCUMENT REQUEST NO. 3:

All Materials regarding or concerning the purchase or sale of real property since August 29, 2005, by you or any corporation or other legal entity in which you are a member or shareholder (excluding publicly traded corporations).

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the request is straight forward – produce all materials concerning the sale or purchase of real property by your clients or any related entity since Hurricane Katrina.

We believe that your clients' objections that the interrogatory is "overly broad" "unduly burdensome" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any other transaction that could constitute a form or compensation or quid pro quo, such as the purchase or sale of real estate from or on behalf of your clients, as it goes directly to their bias, credibility and motivation. See *United States v. Hall*, 653 F.2d 1002 (evidence as to "a witness' motivation for testifying, as well as any other potential incentives for falsification, are always relevant lines of inquiry."); *Consolidation Coal Co. v. Williams*, 453 F.3d 609, 621 ("discovery concerning potential bias was relevant to impeaching the credibility" of the witness); *In re CFS-Related Securities Fraud Litigation*, 2003 WL 24136089, * 3 (N.D. Okla. 2003) ("discovery for the purpose of witness bias or credibility is permissible."); *Chislum v. Dep't of Corrections*, 2005 WL 1827950, *3 (D.N.J. 2005) ("the exposure of a witness' motivation in testifying is a proper and important function of the constitutionally protected right of cross-examination."). In fact, on page 366 of the transcript of the April 30, 2007 deposition of Kerri Rigsby in *McIntosh*, Richard Scruggs acknowledged that this information bears on whether any member of the Scruggs Katrina Group was involved in the 2006 sale of Kerri Rigsby's house. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 4:

All Materials regarding or concerning the purchase or sale of real property since August 29, 2005, by any relative of yours by blood or marriage or any corporation or other legal entity in which such relative is or was a member or shareholder (excluding publicly traded corporations).

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the request is straight forward – produce all materials concerning the sale or purchase of real property by your clients' or any related entity since Hurricane Katrina.

We believe that your clients' objections that the interrogatory is "overly broad" "unduly burdensome" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the

adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any other transaction that could constitute a form of compensation or quid pro quo, such as the purchase or sale of real estate through a relative, as it goes directly to your clients' bias, credibility and motivation. See *United States v. Hall*, 653 F.2d 1002 (evidence as to "a witness' motivation for testifying, as well as any other potential incentives for falsification, are always relevant lines of inquiry."); *Consolidation Coal Co. v. Williams*, 453 F.3d 609, 621 ("discovery concerning potential bias was relevant to impeaching the credibility" of the witness); *In re CFS-Related Securities Fraud Litigation*, 2003 WL 24136089, * 3 (N.D. Okla. 2003) ("discovery for the purpose of witness bias or credibility is permissible."); *Chislum v. Dep't of Corrections*, 2005 WL 1827950, *3 (D.N.J. 2005) ("the exposure of a witness' motivation in testifying is a proper and important function of the constitutionally protected right of cross-examination."). In fact, on page 366 of the transcript of the April 30, 2007 deposition of Kerri Rigsby in *McIntosh*, Richard Scruggs acknowledged that this information bears on whether any member of the Scruggs Katrina Group was involved in the 2006 sale of Kerri Rigsby's house. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 5:

All Materials regarding or concerning any thing of value, compensation or other payment or remuneration in any form whatsoever – whether in cash, currency, travel, lodging, meals, credit, goods, property, indemnity, guaranty, contingency, reward, debt forgiveness, services, gifts or otherwise – that you received, are receiving or may receive from Scruggs Law Firm, P.A., Richard Scruggs, David Zachary Scruggs, Charlene Bosarge, Beth Jones, Darren Versagia, Tim Balducci, Steve Patterson, P.L. Blake, SKG, The Barrett Law Office, P.A., Don Barrett, The Lovelace Law Firm, P.A., Nutt & McAlister, PLLC, David Nutt, Mary McAlister, Derek Wyatt, Jones, Funderburg & Sessums PLLC, Bartimus, Frickleton, Robertson & Gorny, PC, Michael C. Rader, Anthony L. DeWitt, Edward D. "Chip" Roberston, Jr., James P. Frickleton, Mary Doerhoff Winter, Graves, Bartle & Marcus, LLC, Todd Graves, David L. Marcus, Matthew V. Bartle, Gilbert Randolph, LLP, Gilbert Oshinsky LLP, Gilbert LLP, Moore Law Firm, LLC, Michael C. Moore or anyone acting at the behest or on behalf of any of them, since August 29, 2005.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the request is simple and straight forward – produce all materials concerning any payments to your clients by the listed persons or entities.

We believe that your clients' objections that the interrogatory is "overly broad", "unduly burdensome" and that it "seeks information not reasonably calculated to lead to the discovery of

admissible evidence,” are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning these payments (and any others) as it goes directly to your clients’ bias, credibility and motivation. See *Thomas C. McIntosh v. State Farm Fire and Casualty Company*, et al., 1:06cv1080LTS-RHW at p. 2 (S.D. Miss. Apr. 4, 2008) (“The payments Scruggs made to the Rigsby sisters bears no reasonable connection to any work performed or to any of the expenses the incurred in testifying. These payments were clearly improper.”) (docket no. 1172); *United States v. Hall*, 653 F.2d 1002 (evidence as to “a witness’ motivation for testifying, as well as any other potential incentives for falsification, are always relevant lines of inquiry.”); *Consolidation Coal Co. v. Williams*, 453 F.3d 609, 621 (“discovery concerning potential bias was relevant to impeaching the credibility” of the witness); *In re CFS-Related Securities Fraud Litigation*, 2003 WL 24136089, * 3 (N.D. Okla. 2003) (“discovery for the purpose of witness bias or credibility is permissible.”); *Chislum v. Dep’t of Corrections*, 2005 WL 1827950, *3 (D.N.J. 2005) (“the exposure of a witness’ motivation in testifying is a proper and important function of the constitutionally protected right of cross-examination.”). Furthermore, we believe that the payments to your clients from their former counsel may well exceed what has been previously reported, which also bears directly on their bias, credibility and motivation. Additionally, your clients’ putative remuneration as qui tam relators is also proscribed by statute and these agreements go to the issue of whether these statutes are being violated. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 6:

All Materials regarding or concerning any thing of value, compensation or other payment or remuneration in any form whatsoever – whether in cash, currency, travel, lodging, meals, credit, goods, property, indemnity, guaranty, contingency, reward, debt forgiveness, services, gifts or otherwise – that any relative of yours by blood or marriage has received, are receiving or may receive from Scruggs Law Firm, P.A., Richard Scruggs, David Zachary Scruggs, Charlene Bosarge, Beth Jones, Darren Versagia, Tim Balducci, Steve Patterson, P.L. Blake, SKG, The Barrett Law Office, P.A., Don Barrett, The Lovelace Law Firm, P.A., Nutt & McAlister, PLLC, David Nutt, Mary McAlister, Derek Wyatt, Jones, Funderburg & Sessums PLLC, Bartimus, Frickleton, Robertson & Gorny, PC, Michael C. Rader, Anthony L. DeWitt, Edward D. “Chip” Roberston, Jr., James P. Frickleton, Mary Doerhoff Winter, Graves, Bartle & Marcus, LLC, Todd Graves, David L. Marcus, Matthew V. Bartle, Gilbert Randolph, LLP, Gilbert Oshinsky LLP, Gilbert LLP, Moore Law Firm, LLC, Michael C. Moore or anyone acting at the behest or on behalf of any of them, since August 29, 2005.

RELATORS’ RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM’S RESPONSE:

To the extent that your clients contend that this request is “vague” and “ambiguous,” State Farm disagrees as the question is straight forward – produced all materials related to any payments to their relatives by any of the listed persons or entities.

We believe your clients’ objections that the interrogatory is “overly broad” and that it “seeks information not reasonably calculated to lead to the discovery of admissible evidence,” are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any similar indirect payments to Relators through their relatives. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 7:

All Materials regarding or concerning account records of any type, including but not limited to statements of account, deposit receipts, and canceled checks, for any trust, fund, savings account, checking account, brokerage account or investment account maintained by you or on your behalf, whether jointly or individually, or any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), from August 29, 2005 through the present.

RELATORS’ RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM’S RESPONSE:

To the extent that your clients contend that this request is “vague” and “ambiguous,” State Farm disagrees as the question is straight forward – produce all materials regarding any of the specified accounts.

We believe that your clients’ objections that the interrogatory is “overly broad” and that it “seeks documents not reasonably calculated to lead to the discovery of admissible evidence,” are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any similar payments to Relators. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 9:

Your state and federal tax returns, all supporting schedules and documents thereto, your 1099’s, W-2’s, financial statements, applications for extensions and responses thereto or other similar financial documents for the years 2005 to the present. If you do not have copies of these materials, please provide authorizations so that they may be obtained directly from the Internal Revenue Service.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – produce your clients' federal and state tax returns and supporting schedules for 2005 to the present.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any similar payments to Relators. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 10:

The state and federal tax returns, all supporting schedules and documents thereto, your 1099's, W-2's, financial statements, or other similar financial documents for any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), for the years 2005 to the present.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – produce the federal and state tax returns and supporting schedules for 2005 to the present for entities in which your clients are members or shareholders (excluding publicly traded corporations).

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any similar indirect payments to Relators

through entities in which they have an interest. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 11:

All Materials that pertain to any credit or financing obtained by you or any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), since August 29, 2005, including but not limited to credit applications, loan documents, loan notes, guarantees, receipts, waivers, disclosure statements, insurance disclosure summaries, settlement statements, UCC forms, property appraisals, security agreements or renewals.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – produce all materials concerning any credit that your client or their related entities have obtained since Hurricane Katrina.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any similar indirect payments to Relators through avenues such as lines of credit. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 18:

Your monthly billing statements for each and every revolving credit account (including, but not limited to credit card or charge card statements), held by you or on your behalf, whether jointly or individually, or any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), at any time from August 29, 2005 to the present.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – produce all monthly statements for all revolving credit accounts held by or for the benefit of your clients or their related entities since Hurricane Katrina.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any similar indirect payments to Relators since Hurricane Katrina through avenues such as revolving lines of credit. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 19:

All records of payment or indebtedness concerning any closed end credit obligations you or any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations), have held at any time from August 29, 2005 to the present.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – produce all records for all for all closed end credit obligations held by or for the benefit of your clients or their related entities since Hurricane Katrina.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any similar indirect payments to Relators

since Hurricane Katrina through avenues such as closed end credit obligations. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 20:

All records of real property ownership (including deeds and deeds of trust) for any real property or fixtures in which you or any corporation or other legal entity in which you are or were a member or shareholder (excluding publicly traded corporations) or have held any interest at any time during the period from August 29, 2005 to the present.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – produce all records for any real property or fixtures in which your clients or any entity in which they have an interest have owned since Hurricane Katrina.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any similar indirect payments to Relators through real property transactions. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 21:

All Materials and communications that were exchanged between you or your counsel on the one hand, and any law enforcement officer or agency, on the other hand, including the U.S. Attorney's Office, the United States Department of Justice, the Federal Bureau of Investigation or the Mississippi Attorney General's Office, concerning State Farm or Renfroe, since August 29, 2005.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence. Relators further object to this request to the extent that it calls for the production of materials that the Relators disclosed to the United States Government pursuant to 31 USC § 3730(b)(2).

Subject to and without waiving their objections, Relators will produce any documents responsive to this request if the United States Department of Justice and Mississippi Attorney Generals's office consent, or if the Court issues an appropriate order allowing Relators to disclose the documents.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – produce all materials and communications exchanged between your clients and any law enforcement officer or agency concerning State Farm or Renfroe since Hurricane Katrina.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. The disclosures that your clients made to governmental authorities are at the heart of this matter. Furthermore, since this matter has now been unsealed, and since the state and federal investigations in connection with which the documents were produced have been concluded, you have cited absolutely no authority that would require either the United States Attorney or the Mississippi Attorney General to consent to the production of such documents.

DOCUMENT REQUEST NO. 22:

All Materials and communications that were exchanged between you or your counsel on the one hand, and the Mississippi Insurance Department, on the other hand, concerning State Farm or Renfroe, since August 29, 2005.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – produce all materials exchanged between your clients and the Mississippi Insurance Department concerning State Farm or Renfroe since Hurricane Katrina.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Any communications that your clients had with the Mississippi Insurance Department are discoverable in this matter. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 24:

All Materials that concern, refer, or relate to dealings, contacts or communications between you and Trent Lott or Gene Taylor or any member of their offices or staff since August 29, 2005.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – produce all materials that concern, refer or relate to dealings, contacts or communications between your clients and former Senator Trent Lott or Representative Gene Taylor or any member of their offices or staff since Hurricane Katrina.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients' communications with Senator Lott and Representative Taylor are discoverable in this lawsuit as they may demonstrate your clients' violation of the seal order. Such communications may also bear on your clients' credibility, bias and motives. *Consolidation Coal Co. v. Williams*, 453 F.3d 609, 621 ("discovery concerning potential bias was relevant to impeaching the credibility" of the witness); *In re CFS-Related Securities Fraud Litigation*, 2003 WL 24136089, * 3 (N.D. Okla. 2003) ("discovery for the purpose of witness bias or credibility is permissible."). The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 26:

All cellular or satellite telephone logs or records (including phone bills) reflecting calls (including cellular or satellite phone calls) made or received by you between August 29, 2005 and August 1, 2007.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the request is straight forward – produce all cellular or satellite telephone logs or records reflecting calls made or received by your clients between Hurricane Katrina and August 1, 2007.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel provided them with cellular telephones. State Farm is entitled to seek information concerning who they have communicated with since Hurricane Katrina and the dates of such communications. The Court

ruled on this exact issue in *McIntosh* and held that your clients must produce their telephone records. See *Thomas C. McIntosh v. State Farm Fire and Casualty Company, et al.*, 1:06cv1080LTS-RHW (S.D. Miss. De. 14, 2007) (text only order). The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 27:

All your calendars, schedules or diaries for dates between August 29, 2005 and August 1, 2007, including any Personal Information Manager calendar, such as Outlook.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the request is straight forward – produce their calendars, schedules or diaries for dates between Hurricane Katrina and August 1, 2007.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients' schedules during the events that give rise to the allegations in this lawsuit are discoverable as they likely contain information concerning meetings, conversations, etc.

DOCUMENT REQUEST NO. 28:

Your foreign country tax returns, all supporting schedules and documents thereto for the years 2005 to the present.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – produce your clients' foreign tax returns, schedules and supporting documents for 2005 to the present.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim.

State Farm is entitled to seek information concerning any other similar payments to Relators through foreign accounts or transactions. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 29:

All passports held by you at any time since August 29, 2005, including, without exception, the portions reflecting ports/airports of entry and visas.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – produce your clients' passports.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning trips to other countries that might have been paid for by their previous counsel and, therefore, that would constitute similar payments to Relators through foreign travel or foreign transactions. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 30:

All Materials related to or evidencing any contracts or agreements you have with any Person and related to your prosecution of your claims in this Action.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, seeks documents not reasonably calculated to lead to the discovery of admissible evidence, beyond the scope of discovery directed by the Court in this matter, and seeks documents protected by the attorney-client privilege, work product protection, and/or other protections or privileges.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – produce all materials related to or evidencing any contract or agreements your clients have with any person related to their prosecution of their claims in this Action.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any other similar arrangements. Additionally, your clients' putative remuneration as qui tam relators is also proscribed by statute and these agreements go to the issue of whether these statutes are being violated. Furthermore, any claim of privilege or work product does not attach to contracts or agreements.

DOCUMENT REQUEST NO. 31:

All Materials, including records of payment and Surveillance results, regarding Surveillance of any type whatsoever on your or your attorneys' or investigators' respective behalf with respect to State Farm, Renfroe or their respective attorneys, employees, officers, directors, agents or personnel, including their respective movements, whereabouts, activities, refuse, photocopiers, imagers, facsimile machines, cellular or land line telephones, vehicles, residences, offices, computers or computer systems at any time since August 29, 2005.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – produce the surveillance materials described in this request.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. To the extent that your clients employed any surveillance methods to observe State Farm or Renfroe personnel and access their data, this information is clearly discoverable. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 32:

All Materials, including correspondence, documents, e-mails and ESI exchanged, between you or any one acting on your behalf, including any public relations person or firm on the one hand and any public relations person or firm, or representative or member of the print or electronic news media, Website or a Weblog on the other hand, regarding this Action, the existence of this Action or the subject matter of this Action, since August 29, 2005, including but not limited to any contacts relating to the McIntosh property.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous,

overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this interrogatory is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – produce all materials exchanged between your clients and any public relations firm or media or web outlet as more particularly described in the request.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients appeared in television commercials prior to the unsealing of this Action in which they accused State Farm of fraud. State Farm is entitled to discover all contacts that your clients have had with the media concerning this Action or the McIntosh property, including any that violated the seal order. The Court ruled on this exact issue in *McIntosh* and held that your clients must produce all information concerning their communications with the media since Hurricane Katrina. See *Thomas C. McIntosh v. State Farm Fire and Casualty Company*, et al., 1:06cv1080LTS-RHW at p. 6 (S.D. Miss. Oct. 1, 2007) (docket no. 563). The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 33:

All Materials evidencing any actual or potential agreement, contract, promise or understanding to pay, sell, factor, assign, or transfer any part of your potential recovery in this Action.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – produce all materials evidencing any actual or potential agreement, contract, promise or understanding to pay, sell, factor, assign, or transfer any part of your clients' potential recovery in this Action. We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," this are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any other similar arrangements. Additionally, your clients' putative remuneration as qui tam relators is also proscribed by statute and these agreements go to the issue of whether these statutes are being violated. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 34:

All Materials evidencing any agreement, contract, promise or understanding with respect to you receiving actual or potential remuneration or anything of value as a result of any recovery received by any attorney, law firm, joint venture or party-plaintiff in any other Hurricane Katrina-related lawsuit against State Farm or Renfroe.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – produce all materials concerning any potential remuneration as a result of any recovery in any Hurricane Katrina-related lawsuit as more particularly described in the request.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any other similar arrangements. The requested documents may reasonably contain such information.

REQUEST NO. 35:

All Materials evidencing any agreement, contract, promise or understanding to finance the cost and expense of (including attorneys' fees incurred in) prosecuting your claims in this Action.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – produce all materials evidencing any agreement, contract, promise or understanding to finance the cost and expense of (including attorneys' fees incurred in) prosecuting your clients' claims in this Action.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim.

State Farm is entitled to seek information concerning any other similar arrangements to finance this litigation as it goes to your clients' credibility, bias and motivation. *See United States v. Cathcart*, 2009 WL 1764642, *3 (N.D. Cal. 2009) ("In sum, the court concludes that plaintiff is entitled to discover the identity and other information about the person paying Hsin's legal fees under Rule 26 because this information is non-privileged, may be relevant to Hsin's credibility and bias, and is not subject to the limitations imposed by Rule 26(b)(2)(C)."). The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 36:

All Materials evidencing any financial statement or other Materials reflecting your net worth as of August 29, 2005, December 31, 2006, December 31, 2007, December 31, 2008, as of the date of your first response to these discovery requests in the year 2009 and separately as of the date of two months prior to the close of discovery in this Action (as set forth in any case management or scheduling order and any amendments thereto).

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – produce your clients' financial statements and other documents reflecting their net worth for the specified time period.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek financial information concerning these any other similar payments to Relators through foreign accounts or transactions. The requested documents may reasonably contain such information.

DOCUMENT REQUEST NO. 37:

All Materials, including correspondence, documents, e-mails and ESI exchanged, between you or any one acting on your behalf on the one hand and any law firm or attorney not then representing you, State Farm or Renfroe on the other hand, regarding this Action, the existence of this Action or the subject matter of this Action, that were sent or received after August 29, 2005.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, seeks documents protected by the attorney-client privilege, work product protection,

and/or other protections or privilege, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – produce all of the requested materials concerning any communication after Hurricane Katrina between your clients and/or their representatives and State Farm and/or Renfroe concerning this litigation or the subject matter of it.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. State Farm is clearly entitled to discover any communications between you or anyone representing your clients and State Farm and/or Renfroe that are relevant to this Action.

REQUEST NO. 38:

All Materials evidencing any agreement, contract, promise or understanding regarding indemnity or defense cost reimbursement for any liability or defense costs, expenses and fees incurred by Kerri Rigsby or Cori Rigsby with respect to State Farm or Renfroe at any time since August 29, 2005.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – produce all materials concerning any agreement to indemnify or pay costs, expenses or fees as described in the request.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning any other similar arrangements that provided financial benefits to your clients. The requested documents may reasonably contain such information.

REQUEST NO. 39:

All Materials, including correspondence, documents, e-mails and ESI exchanged, between you or any one acting on your behalf on the one hand and Richard Scruggs or any law firm or attorney representing him on the other hand, sent or received after the termination of Richard Scruggs' representation of you and concerning in any manner State Farm or Renfroe.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, seeks documents protected by the attorney-client privilege, work product protection, and/or other protections or privilege, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this request is "vague" and "ambiguous," State Farm disagrees as the question is straight forward – produce all materials concerning any communications between your clients and their representatives and Richard Scruggs and his representatives *after* the termination of his representation of your clients.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks documents not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that Richard Scruggs paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim. State Farm is entitled to seek information concerning this and any other similar arrangements that provided financial benefits to your clients. The requested documents may reasonably contain such information. Furthermore, no privilege or other similar protection can attach to such communications as the request is limited to the time period after Richard Scruggs was terminated as your clients' counsel.

DOCUMENT REQUEST NO. 42:

All Materials evidencing or relating to any financial arrangements, understandings, agreements, contracts, remuneration, consideration or payments since August 29, 2005: (a) by you to Pat Lobrano or Bill Lobrano; (b) with Pat Lobrano or Bill Lobrano; or (c) by Pat Lobrano or Bill Lobrano to you, "Payton Properties" or any account or entity under your control.

RELATORS' RESPONSE:

Relators renew their General Objections and Objections to General Instructions and Definitions of Terms. Relators specifically object to this request on the basis that it is vague, ambiguous, overly broad, unduly burdensome, beyond the scope of discovery directed by the Court in this matter, and seeks documents not reasonably calculated to lead to the discovery of admissible evidence.

STATE FARM'S RESPONSE:

To the extent that your clients contend that this interrogatory is "vague" and "ambiguous," State Farm disagrees as the request is straight forward – produce all materials concerning any of the described financial arrangements with your clients' mother and step-father Pat Lobrano and Bill Lobrano.

We believe that your clients' objections that the interrogatory is "overly broad" and that it "seeks information not reasonably calculated to lead to the discovery of admissible evidence," are without merit. Your clients have admitted that their previous counsel paid them as fact witnesses concerning, in part, their alleged knowledge relating to the adjustment of the McIntosh claim.

State Farm is entitled to seek information concerning any similar indirect payments to Relators through their relatives. The requested documents may reasonably contain such information.

I would appreciate it if you would contact me as soon as possible so that we can try to resolve these issues. If we are not able to reach a resolution, please sign the attached Good Faith Certificate so that I can file it along with State Farm's Motion to Compel.

With best wishes, I remain

Sincerely,

BUTLER, SNOW, O'MARA, STEVENS & CANNADA, PLLC



Robert C. Galloway

RCG/gpw

cc: Scott D. Gilbert
Craig J. Litherland
Benjamin R. Davidson
C. Maison Heidelberg

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

UNITED STATES OF AMERICA ex rel.
CORI RIGSBY and KERRI RIGSBY

RELATORS/COUNTER-DEFENDANTS

v.

CASE NO. 1:06cv433-LTS-RHW

STATE FARM MUTUAL INSURANCE COMPANY

DEFENDANT/COUNTER-PLAINTIFF

and

FORENSIC ANALYSIS ENGINEERING CORPORATION;
HAAG ENGINEERING CO.;

DEFENDANTS

GOOD FAITH CERTIFICATE

Counsel for Relators and State Farm Fire and Casualty Company, improperly denominated in the First Amended Complaint as “State Farm Mutual Insurance Company” (“State Farm”), certify that they have conferred in good faith to resolve the discovery issues in question and that it is necessary for State Farm to file the following motion:

Motion to Compel Responses to Discovery Requests

Counsel further certify that:

- _____ 1. The motion is unopposed by all parties.
- _____ 2. The motion is unopposed by:
- X 3. The motion is opposed by: Relators
- X 4. The parties agree that replies and rebuttals to the motion shall be submitted to the magistrate judge in accordance with the time limitations stated in Uniform Local Rule 7(b)(4).

This the _____ day of February, 2010.

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March 1, 2010

Via Electronic Mail

Robert C. Galloway
Whitney National Bank Building
1300 25th Ave, Suite 204
Gulfport, MS 39501

Re: *United States of America ex rel. Cori Rigsby and Kerri Rigsby v. State Farm Mutual Ins. Co. et al.*, No. 1:06-cv-433 (S.D. Miss.)

Dear Bob,

I write in response to your February 12, 2010 letter regarding the Rigsbys' responses and objections to State Farm's interrogatories and document requests. You mention in the letter that the Rigsbys objected to a substantial portion of the interrogatories and requests. We objected to so many of the requests and interrogatories because most of them are part of a highly intrusive and sweeping inquiry into the Rigsbys' personal financial information. The Court very clearly attempted to narrow the issues in this first trial phase to whether State Farm defrauded the government in connection with the McIntosh flood claim. This phase does not include State Farm's counterclaims. Nonetheless, you contend that the disputed requests are relevant to establish the Rigsbys' bias, motive, and credibility. While evidence of bias, motive or credibility is permitted under certain circumstances, you cite no authority that would allow for such sweeping discovery into the Rigsbys' personal information under these circumstances.¹

¹ The cases cited in your letter do not provide support for State Farm's position. *In re CFS-Related Securities Fraud Litigation*, 2003 WL 24136089 (N.D. Okla. 2003), and *Chisulm v. Department of Corrections*, 2005 WL 1827950 (D.N.J. 2005), both hold that a defendant is entitled to discover the terms of a plea agreement reached by a former co-defendant. *Consolidation Coal Co. v. Williams*, 453 F.3d 609 (4th Cir. 2006), allowed discovery related to expert witnesses based on the "unremarkable proposition that experts can be biased." *United States v. Hall*, 653 F.2d 1002 (5th Cir. 1981), the only binding authority you cited, analyzed a criminal defendant's rights under the confrontation clause. But even under the confrontation



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The Rigsbys have testified regarding their financial arrangement with the Scruggs Katrina Group in at least three depositions. They readily acknowledged that they were paid consulting fees by the Scruggs Katrina Group, and they testified regarding the amounts of those fees. Moreover, their November 2007 depositions in *McIntosh v. State Farm* were taken after they had already been required to provide State Farm with the personal financial information it now seeks again, including their “state and federal tax returns, 1099 forms, paycheck stubs, etc.” *McIntosh v. State Farm*, no. 1:06-cv-1080 [1193] (S.D. Miss.).

Accordingly, it is unclear why State Farm would need any additional personal financial information. Nothing in the record suggests that the Rigsbys have been misleading or dishonest regarding payments received, so State Farm simply has no basis to launch into a highly intrusive fishing expedition into the Rigsbys’ finances, presumably in hopes of finding additional payments (that do not exist). *See U.S. ex rel. Singh v. Bradford Reg. Med. Ctr.*, 2007 WL 1576406 at *5 (W.D. Pa. 2007) (rejecting defendant’s argument that “discovery is permitted into anything that would tend to make a witness’s credibility more or less probable”) Indeed, there is already more than sufficient information in the record regarding the Rigsbys’ financial arrangement with their former counsel, so the additional intrusive discovery you seek would be “unreasonably cumulative or duplicative” under Fed. R. Civ. P. 26(b)(2)(C).

Nonetheless, I will briefly address below the specific interrogatories and document requests at issue and supplement the Rigsbys’ responses where appropriate. Those regarding the Rigsbys’ financial information are addressed first, followed by some requests and interrogatories on miscellaneous topics.

Discovery Requests Related to the Relators’ Financial Arrangements with their Attorneys:

Interrogatories 2 and 3 seek the identity of anything of value, compensation or other payment the Relators and their relatives received from counsel. Document Requests 5 and 6 seek documents relating to anything of value the Relators and their relatives received from their counsel. Document Request 30 seeks all materials related to any contracts or agreements Relators have with any Person related to the prosecution of claims in this action. Document Request 35 seeks all materials evidencing any agreement to finance the cost and expense of prosecuting claims in this action. Interrogatory No. 12 seeks the identity of every attorney who has represented the Relators, the total amount of fees costs and services related to that representation, and the identity of the person paying those expenses.

As explained above, providing further information relating to the Relators’ financial arrangements with their previous attorneys is unreasonably cumulative. The Relators will, however, supplement their answers to these discovery requests to provide information related to their fee arrangement with current counsel. Current counsel are representing the Relators on a contingent fee basis. The costs of this representation, including expenses related to this representation are being fronted by current counsel.

clause, the “relevant inquiry is whether the jury had sufficient information to appraise the bias and motives of the witness.” *U.S. v. Tansley*, 986 F.2d 880, 886 (5th Cir. 1993). The cases do not allow speculative and unwarranted fishing expeditions.

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Beyond reimbursing the Relators for reasonable expenses incurred in litigation, such as travel and lodging, current counsel have provided nothing of value to the Relators or their family members.

Document Request 33 seeks all materials evidencing any agreement to pay any part of the Relators' potential recovery in this Action. Document Request 34 seeks all materials evidencing any agreement with respect to the Relators receiving remuneration as a result of any recovery received by any attorney in any Hurricane Katrina-related lawsuit against State Farm or Renfroe. The Relators will supplement their answer to these discovery requests by stating that they are not in possession of any responsive materials, other than their fee agreement with current counsel, which will be produced.

Discovery Requests Related to the Relators' Amounts and Sources of Income:

Interrogatory No. 4 seeks all sources of income. Document Request 36 seeks materials evidencing the Relators' net worth. Interrogatory No. 5 seeks the identity of every bank in which the Relators have been members since August 29, 2005, and Document Request 7 seeks all materials relating to bank records. Document Requests 9, 10, and 28 seek all state, federal, and foreign country tax returns for the Relators as well as any non-public corporations of which they are members. Interrogatory 14 seeks the identity of each person who has assisted the Relators in preparing tax returns since August 29, 2005.

The Relators have already turned over records of their state and federal tax returns, and they have been deposited by State Farm after turning over these records. State Farm also has previously subpoenaed eleven banks for information related to the Relators, as well as Sinclair Lundy, a CPA, for information related to the Relators' tax returns. *McIntosh v. State Farm*, no. 1:06-cv-1080 [70-80, 209] (S.D. Miss.). In light of the information already in State Farm's possession, the minimal value of any additional information to potentially demonstrate the Relators' bias does not warrant further discovery, particularly discovery of the breadth you have requested. For example, surely you do not contend that the personal checks the Relators wrote from their checking accounts last month should be discoverable; but as written, your discovery requests seek that information and more.

Discovery Requests Based on a Suspicion That the Relators Received "Indirect Payments":

Document Requests 3, 4, and 20 seek materials regarding the purchase, sale, or ownership of real property by the Relators or their relatives. Document Request 11, 18 and 19 seek information related to credit or financing, billing statements from credit cards, and records of payment for credit obligations. Document Request 42 seeks payments between the Relators and the Relators' mother and step-father, and Document Request 29 seeks the Relators' passports.

In defending these requests you assert that because the Relators admitted to receiving payments from the Scruggs Katrina Group, State Farm is entitled to seek information concerning "indirect payments." The Relators have testified multiple times under oath about their financial relationship with the Scruggs Katrina Group. Your suspicion that there may have been other payments through indirect means such as international financial transactions, or payments funneled through the Relators' mother, does not warrant the all-encompassing discovery you seek. This is particularly true in light of the information already available in the public record.

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Discovery Requests that Could Only be Relevant to State Farm's Counterclaim:

Interrogatories 7 and 11 seek information about phone numbers, email addresses, and service providers used by the Relators during Hurricane Katrina. Document Request 26 seeks all telephone records including telephone bills between August 29, 2005 and August 1, 2007.

In defending these discovery requests, you assert that State Farm is entitled to seek information concerning with whom the Relators have communicated since Hurricane Katrina. The Relators answered State Farm's Interrogatory No. 15, requesting information about communications related to *this action* and the McIntosh flood claim. Accordingly, State Farm's other discovery requests are overbroad and would not lead to other admissible evidence. Moreover, in *McIntosh*, State Farm argued that email accounts were relevant because the Relators may have used their email accounts in relation with the allegedly stolen materials, and telephone records were relevant because the Relators were provided with cellular phones by their previous counsel. These aspects of the discovery requests could only be relevant to State Farm's allegations in its counterclaim.

Similarly, Document Request No. 27 seeks all calendars, schedules or diaries for dates between August 29, 2005 and August 1, 2007. Here you assert that the Relators' "schedules during the events that give rise to the allegations in this lawsuit" likely contain information concerning meetings, conversations, etc. Like Interrogatories 7 and 11, this request is overbroad and appears to be directed at exploring the Relators' contacts with their former counsel, not whether the McIntosh claim is false.

Interrogatory No. 8 seeks information related to computer technicians used to inspect the computers issued to the Relators by State Farm, including the "hacker for Dickie." In defending the request you explain that the Relators may have allowed computer technicians to access their State Farm computers in violation of the terms of their State Farm agreements. This allegation may be central to your counterclaim, but does not relate to the McIntosh flood claim in any way. Indeed, State Farm's position statement submitted to the Court described this information as related to its counterclaims. *See* State Farm Position Statement dated August 19, 2009.

Communications with Public Relations Firms and Media:

Interrogatory No. 9 seeks the identity of every contact between the Relators and anyone acting on their behalf and representatives of the print or electronic news media, website, or a Weblog. Document Request No. 32 seeks all materials related to such communications.

As you acknowledge, the Relators have already provided information related to these communications following the October 1, 2007 Order in *McIntosh*. Providing materials a second time is unnecessarily duplicative. The Relators answered State Farm's Interrogatory No. 15, requesting information about communications related to *this action* and the McIntosh flood claim. To the extent that there are other communications with public relations firms and media that are not otherwise encompassed by Interrogatory No. 15, they are not reasonably calculated to the discovery of admissible evidence at this stage in the proceeding.

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Communications with Government Officials:

Document Request No. 21 seeks all materials and communications exchanged between the Relators or their counsel and any law enforcement officer or agency including the United States Attorneys Office or the Department of Justice. We stated that we would produce these materials if those agencies consent or pursuant to a court order. Your response argued that the government's consent should not be required, in part, because "the state and federal investigations have been concluded." The August 1, 2007 Order lifting the seal in this case acknowledged that the government's civil investigation was ongoing. docket no. [25]. If you are aware of any information supporting your assertion that the investigation has closed, please provide us with that information.

Document Request No. 22 seeks all communications between the Relators or their counsel and the Mississippi Insurance Department. The Relators have objected to providing information in the possession of their previous counsel, which Relators themselves can no longer access and the contents of which are unknown. They renew that objection here, but—subject to that objection—there are no documents relating to communications they or their counsel have had with the Mississippi Insurance Department.

Document Request No. 24 seeks all communications between the Relators or their representatives and Trent Lott or Gene Taylor and any member of their office staff. You defend this discovery requests on the grounds that these communications "may demonstrate your clients' violations of the seal order" and they may bear on credibility, bias, and motive. We do not understand how communications with Trent Lott, Gene Taylor, or their staff could bear on the Relators' credibility, bias, or motive. Moreover, discovery related to the alleged seal violations obviously does not pertain to whether the McIntosh claim is a false claim for payment.

Surveillance Materials:

Document Request No. 31 seeks all materials regarding surveillance with respect to State Farm, Renfroe or their attorneys. Although you assert these materials are "clearly discoverable," we do not understand what any alleged surveillance of State Farm or Renfroe employees or their attorneys would have to do with whether the McIntosh claim is a false claim. Moreover, any surveillance undertaken by the Relators' counsel would be privileged as work product. However, the Relators will supplement their answer to this discovery request by stating that, subject to their objection regarding any materials that might be in the possession of former counsel, they are not in possession of any responsive materials.

Materials evidencing any agreement regarding indemnity or defense cost reimbursement:

Document Request No. 38 seeks all materials evidencing any agreements, contract, promise or understanding regarding indemnity or defense cost reimbursement incurred by the Relators. The Relators will supplement their previous answer to state that their arrangement with Richard Scruggs for indemnity was a verbal one, and, subject to their objection regarding any materials that might be in the possession of former counsel, they are not in possession of any responsive materials.

Communications with Richard Scruggs:

Document Request No. 39 seeks all materials including correspondence exchanged between the Relators

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and anyone acting on their behalf and Richard Scruggs and anyone acting on his behalf. The Relators will supplement their previous answer to state that, subject to their objection regarding any materials that might be in the possession of former counsel, they are not in possession of any responsive materials.

* * *

We again request that you provide us with any authority supporting the broad discovery you seek. We have agreed to supplement certain discovery answers, and we hope that upon further reflection, you will also agree to narrow the scope of your discovery requests. Please call me if you would like to discuss this further.

Sincerely,

/s/

August J. Matteis, Jr.

BUTLER | SNOW

March 9, 2010

VIA E-MAIL

August J. Matteis, Jr.
Gilbert LLP
1100 New York Avenue, NW
Suite 700
Washington, DC 20005

Re: *United States of America ex rel. Cori Rigsby, and Kerri Rigsby; Relators v. State Farm Mutual Insurance Co., et al.*; in the United States District Court for the Southern District of Mississippi, Southern Division; No. 1:06cv433-LTS-RHW

Dear Augie:

Thank you for your March 1, 2010 letter in response to Bob Galloway's February 12, 2010 good faith letter concerning Relators' January 11, 2010 responses and objections to State Farm's interrogatories and requests for production of documents.

In response to many of my points, you contend that some of the requested information has been previously produced to State Farm in *McIntosh*. If that is the case, Relators need to state this under oath in their responses to State Farm's interrogatories. Additionally, even if these materials were produced in *McIntosh*, State Farm's discovery requests should be updated to include information from the date of the previous production to the present.

1. Relators' Financial Arrangements with their Counsel

In addition to the general points set forth above, State Farm is entitled to know what funds have been provided or promised to Relators' current counsel. Your March 1, 2010 letter represents that "[t]he cost of this representation, including expenses related to this representation are being fronted by current counsel." Has Gilbert LLP or Maison Heidelberg been promised or received, directly or indirectly, any money from any of Relators' former counsel or anyone else? We also know that employment contracts between Relators and the Scruggs Law Firm or SKG were contemplated. Please see the attached documents. We are entitled to e-mails and other correspondence concerning any such contemplated contacts and drafts of such contracts.

2. Relators' Sources of Income

Relators were ordered to produce their tax returns in *McIntosh*. We understand that Relators or their accountants produced tax returns as follows: Kerri Rigsby – 2004, 2005, 2006 and 2007; Cori Rigsby – 2004, 2005 and 2006. We ask that these productions be supplemented to reflect additional return filings. Also, since the returns produced in *McIntosh* were pursuant to a protective order, we request that Relators agree to a modification of that order (or provide us

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with returns subject only to the protective order in this case) so that State Farm can use them in this case.

In any event, State Farm's discovery requests are broader than a request for tax returns. State Farm is entitled to discover all of Relators' sources of income, whether disclosed or not on their tax returns. Relators' past lack of candor in disclosing income is demonstrated by Relators' failure to disclose the fact that Dr. and Mrs. Lobrano used ALE payments from State Farm for rent payments to an entity named after Kerri Rigsby's dog.

3. Indirect Payments to Relators

In the spirit of compromise, State Farm will withdraw document request number 29 that seeks Relators' passports. However, as for the other discovery requests that you reference, State Farm is entitled to know all indirect financial benefits that Relators have received since Hurricane Katrina. If there are no sources of indirect income, Relators can simply verify that by answering State Farm's discovery requests.

4. Relators' Email and Telephone Communications, Computer Access, Diaries and Calendars

State Farm is entitled to this information as it relates to, among other things, your clients' violations of the seal in this case. Additionally, they have already testified that their former counsel provided them with cellular telephones. State Farm is entitled to explore any other similar arrangements. Additionally, Cori Rigsby has testified that her hard drive crashed and she is not able to provide the information that it contained, including information that may bear on this action as well as her bias, motive and credibility. For this reason, the identity of the "hacker" that either of them allowed access to their computer(s) is certainly relevant to the issues currently before the Court, and not just State Farm's counterclaim.

Finally, your assertion that any diaries or calendars are not relevant to "whether the McIntosh claim is false" is incorrect. Relators have given varying time lines for the dates of their activities in purportedly discovering the alleged fraud that gives rise to this case, and their calendars and diaries will likely provide information that will bear on their assertions. The same analysis applies to the Relators' obligation to produce telephone records. In addition, Relators have attested as part of their Evidentiary Submission to the Department of Justice that they "have kept a journal of questionable happenings at State Farm since the inception of the Katrina event."

5. Relators' Communications with the Media

If Relators have produced in *McIntosh* all materials responsive to Interrogatory Number 9 and Document Request Number 23, they need to make this statement under oath. Moreover, your attempt to limit State Farm's discovery requests to contacts related solely to this action is far too restrictive. There is no question that Relators' counsel spent a huge amount of money (at

August J. Matteis, Jr.
March 9, 2010
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least \$612,475.01 to The Rendon Group alone) on media communications and related consulting. We know from earlier disclosures from the Scruggs Law Firm that a number of those communications constituted violations of the seal order and it is reasonable to expect that other communications violated the seal order. Among other things, State Farm is entitled to inquire further not only into the seal violations by the Scruggs Law Firm, but also personal complicity in those violations by Relators.

6. Relators' Communications with Government Officials

You have refused to provide materials concerning communications with government officials on the basis that consent of the Department of Justice is required. However, you have cited no authority for this proposition. Most courts that have addressed the issue hold that a Relators' written disclosures to the Government are discoverable and we have obtained Relators' written disclosure in this case. There is no authority as far as we can determine supporting your position that later communications concerning that disclosure are not also discoverable.

We trust that you do not seriously contend that defendants are not entitled to take discovery on the seal violation defense. If so, that position is rejected. We know from Gene Taylor's testimony before a Congressional subcommittee that someone told him about this action before the seal was lifted, and we are entitled to take discovery on who that person was, as well as whether or not Relators otherwise improperly disclosed information about this action in violation of the seal.

You contend in your March 1 letter that the Relators "...can no longer access" information concerning communications between Relators' former counsel and the MDOI. No explanation is offered for that conclusion and, if the reference is to Dick Scruggs' incarceration, that conclusion ignores the fact that all of Relators' previous counsel except Dick Scruggs and Sid Backstrom either never went to prison or have been released. Simply put, we know of no reason why you or Relators themselves cannot request those materials from previous counsel.

7. Relators' Surveillance Materials.

Relators have testified that they taped David Randel, so their inclination and ability to use surveillance methods are established. We are legitimately entitled to discover whether or not Relators have used surveillance methods against other State Farm personnel, other defendants, or their attorneys.

8. Indemnity and Cost Reimbursement

If there are responsive materials in the possession of Relators' former counsel, they should be produced. Again, the fact that Dick Scruggs is in prison is no barrier to the production of these documents.

August J. Matteis, Jr.
March 9, 2010
Page 4

9. Relators' Communications with their Prior Counsel

Again, to the extent that you contend that this material is in the possession of Relators' former counsel, that is no barrier to production.

10. Interrogatory Number 15

Interrogatory Number 15 asks your clients to identify all persons with whom they have discussed this action, their claims against any defendant in this action, and their claims of alleged improprieties in using XactTotal to adjust the McIntosh claim. Your objections to this very specific request are improper. Moreover, your clients have answered only the third part of the question. Please withdraw your objections and fully answer this interrogatory.

We need your response to these issues no later than the close of business Thursday, March 11, 2010. Also, please sign and return the Good Faith Certificate that was previously sent in the event that we are not able to reach an agreement.

With best wishes, I remain

Sincerely,

BUTLER, SNOW, O'MARA, STEVENS & CANNADA, PLLC



Jeffrey A. Walker

JAW/csl

Enclosure

cc: Scott D. Gilbert
Craig J. Litherland
Benjamin R. Davidson
C. Maison Heidelberg

Jackson 4929667v1

09/29/2006 13:35 FAX

DAVID NUTT & ASSOC

002/004

SCRUGGS KATRINA GROUP

A Venture Group Composed of Legal Professionals

Scruggs Law Firm, P.A.
Nutt & McAlister, P.L.L.C.

Jones, Funderburg, Scussans & Peterson
Barrett Law Office, P.A.
Lovelace Law Firm, P.A.

September 29, 2006

CONFIDENTIAL AND PRIVILEGED COMMUNICATION

file

VIA FACSIMILE ONLY: 662-281-1312

Richard Scruggs, Esq.

Re: Katrina litigation
Cori L. and Kerri A. Rigsby

Dear Dickie:

We received the attached memoranda and invoice this week from the Rigsby sisters for a total of \$12,500.00 for "professional services rendered for the period from September 16, 2006 through September 30, 2006." That sum constitutes \$150,000.00 per sister per year. Our bookkeeper, Sue Bennett, also received a telephone call from Cori today in which Cori told Sue that "today is payday."

We know nothing about any agreement to pay the sisters or any employment contract and are concerned that payment to them by SKG will destroy their credibility as witnesses.

Please advise.

Sincerely yours,

NUTT & MCALISTER

Meg
Mary E. McAlister

Enclosure

Cc: Don Barrett, via fax only, 662-834-4024

605 Crescent Boulevard, Suite 200
Biloxi, Mississippi 39257

Toll-Free Number: 1-866-404-4024
Fax: 662-834-7204



DW-232

03/29/2008 13:36 FAX

DAVID MUTT & ASSOC

003/004

Sep 25 06 01:49p

Cori Moran

228-875-1880

p. 1

To: Sue Bennett
From: Cori Rigsby
Subject: Invoice for payroll

I was wondering if SKG would be preparing our employment contract or do I need to speak with Charlene? My cell # is 228-324-4407.

DW-233

09/29/2006 13:36 FAX
 Sep 25 06 01:49p

Cori Moran

DAVID NUTT & ASSOC

228-875-1888

004/004
 P. 2

INVOICE

Cori L. & Kerri A. Riggsby
 10021 Mockingbird Circle
 Ocean Springs, MS 39564

DATE: SEPTEMBER 25, 2006
 INVOICE # 100

TO: Scruggs Katina Group Joint Venture
 c/o David Nutt & Associates
 605 Crescent Boulevard
 Suite 200
 Ridgeland, MS 39157

SALESPERSON	JOB	PAYMENT TERMS	DUO DATE
		Due on receipt	Due on receipt
QTY	DESCRIPTION	UNIT PRICE	LINE TOTAL
1	Billing for professional services rendered for the period from September 16, 2006 through September 30, 2006		
	Cori L. Riggsby	\$6,250	\$6,250
	Kerri A. Riggsby	\$6,250	\$6,250

SUBTOTAL \$12,500
 SALES TAX
 TOTAL \$12,500

Thank you for your business!

DW-234

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

UNITED STATES OF AMERICA ex rel.
CORI RIGSBY and KERRI RIGSBY

RELATORS/COUNTER-DEFENDANTS

v.

CASE NO. 1:06cv433-LTS-RHW

STATE FARM MUTUAL INSURANCE COMPANY DEFENDANT/COUNTER-PLAINTIFF

and

FORENSIC ANALYSIS ENGINEERING CORPORATION;
HAAG ENGINEERING CO.;

DEFENDANTS

GOOD FAITH CERTIFICATE

Counsel for Relators and State Farm Fire and Casualty Company, improperly denominated in the First Amended Complaint as "State Farm Mutual Insurance Company" ("State Farm"), certify that they have conferred in good faith to resolve the discovery issues in question and that it is necessary for State Farm to file the following motion:

Motion to Compel Responses to Discovery Requests

Counsel further certify that:

1. The motion is unopposed by all parties.
2. The motion is unopposed by:
3. The motion is opposed by: Relators
4. The parties agree that replies and rebuttals to the motion shall be submitted to the magistrate judge in accordance with the time limitations stated in Uniform Local Rule 7(b)(4).

This the ____ day of March, 2010.

Robert C. Galloway
Jeffrey A. Walker

E. Barney Robinson III
Benjamin M. Watson
BUTLER, SNOW, O'MARA, STEVENS & CANNADA, PLLC
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gotofirm.com

August J. Matteis, Jr.
O 202.772.1923
F 202.772.1924
matteisaj@gotofirm.com

March 12, 2010

VIA ELECTRONIC MAIL

Jeffrey A. Walker
BUTLER SNOW O'MARA STEVENS & CANNADA, PLLC
Suite 1400
1020 Highland Colony Parkway
Ridgeland, MS 39157

Re: U.S. ex rel Rigsby v. State Farm

Dear Jeff:

I write in response to your March 9, 2010 letter regarding the Relators' responses and objections to State Farm's interrogatories and requests for production of documents.

First, most of the contested discovery relates to personal information about the Relators that has nothing to do with the McIntosh flood claim. Although you have withdrawn your request for the Relators' passports, you still seek their complete credit card statements, bank statements, and tax documents. We asked you to provide some justification for the breadth of this discovery, particularly in light of the information already in State Farm's possession. To date, you have not. Thus, we are unwilling to provide most of the information State Farm seeks because it is of no probative value and unreasonably duplicative.

Second, we have objected to several discovery requests that would require the Relators to obtain documents in possession of their former counsel. Although your March 9 letter stated that you know of no reason why we cannot request materials from previous counsel, you previously opposed Gilbert LLP's request to confer with the Relators' prior counsel on the grounds that it would "inevitably spread an indelible taint." [207] at 2. The Court also recognized that "[c]onfering with disqualified counsel carries a substantial risk of engendering additional litigation related solely to that interaction and thereby distracting both parties and the Court from the merits of this case." [210] at 2. Following the Court's Order, the Relators' current counsel have pursued this litigation with the benefit of only extremely limited interactions with the Relators' prior counsel. Accordingly, we object to State Farm's discovery to the extent it would require further interactions with the Relators' prior counsel.



Jeffrey Walker, Esq.
March 12, 2010
Page 2



1. Relators' Financial Arrangements with Their Counsel

Gilbert LLP has not been promised or received any money from any of Relators' former counsel or anyone else. The same is true of Maison Heidelberg with the exception of his fee arrangement with Gilbert LLP. The communications you have attached relating to the employment relationship the Relators had with their prior counsel do not warrant further discovery, since the Relators have testified about this relationship multiple times.

2. Relators' Sources of Income

We are willing to discuss modifying the protective order in *McIntosh* subject to our reservation of rights to object to the admissibility of any materials produced in that case, and subject to you agreeing to provide us with complete copies of all materials the Relators provided you in *McIntosh*. The Relators and their current counsel do not have copies of the materials the Relators provided in *McIntosh*, and as such, the Relators cannot make any sworn statements about the completeness of those materials.

Moreover, your characterization of a "lack of candor" in disclosing the rent payments Dr. and Mrs. Lobrano made to the Relators is disingenuous. As Kerri Rigsby explained in her June 20, 2007 deposition, Lecky King instructed Kerri Rigsby to accept rent payments from Dr. and Mrs. Lobrano under a separate business name so that the adjuster handling the Lobranos' claim would not provide the Lobranos with favorable treatment upon learning that the Lobranos and the Rigsbys were related. Accepting rent payments from their parents while their parents were displaced following Hurricane Katrina was not improper and does not justify additional discovery.

3. Indirect Payments to Relators

We appreciate you withdrawing your request for the Relators' passports. We do not agree that State Farm is entitled to the rest of the discovery it seeks.

4. Relators' Email and Telephone Communications, Computer Access, Diaries and Calendars

Current counsel has not provided the Relators with cellular telephones.

Despite having identified the "hacker" as someone you would depose in connection with the Relators' Counterclaim, you now claim that "Cori Rigsby has testified that her hard drive crashed and she is not able to provide the information that it contained, including information that may bear on this action. . . For this reason, the identity of the 'hacker' that either of them allowed access to their computer(s) is certainly relevant." We do not understand the connection between the identity of the "hacker" and Cori Rigsby's hard drive having crashed.

Jeffrey Walker, Esq.
March 12, 2010
Page 3



Additionally, the Relators do not have copies of any diaries or calendars they kept between Hurricane Katrina and the lifting of the seal in this case.

5. Relators' Communications with the Media

You allege that State Farm is entitled to discover all contacts with the media, whether they relate to this action or not, because such communications are relevant to potential seal violations and whether the Relators were complicit in any such violations. As you point out, the Relators have already produced documents related to these communications in *McIntosh*. Accordingly, any additional communications that occurred after the seal in this case was lifted cannot possibly lead to admissible evidence.

6. Relators' Communications with Government Officials

As we stated in our previous letter, because the federal government's investigation is continuing, we are unwilling to provide any information related to communications with the federal government.

You have also asked for communications with Gene Taylor's office because those communications could relate to seal violations. We will supplement our discovery answers and state that the Relators and their current counsel are not in possession of any materials related to communications with Gene Taylor or any member of his office or staff while this case was under seal.

7. Relators' Surveillance Materials

Even if the Relators had "conducted surveillance" of Dave Randel, we do not understand how alleged surveillance of State Farm employees would relate in any way to whether the McIntosh flood claim is false. Nevertheless, the Relators will supplement their previous answer to state that they are not in possession of any surveillance materials.

8. Indemnity and Cost Reimbursement

Subject to the Relators' objections to obtaining material from their previous counsel, they have answered this discovery request.

9. Relators' Communications with their Prior Counsel

Subject to the Relators' objections to obtaining material from their previous counsel, they have answered this discovery request.

10. Interrogatory No. 15

You raise issues with the Relators' answer to Interrogatory No. 15 for the first time. The Relators have answered this interrogatory in its entirety. The Relators have not discussed the use of Xact Total with anyone other than in privileged communications with their counsel, and they have had only general

Jeffrey Walker, Esq.
March 12, 2010
Page 4



conversations about this action and their claims against the Defendants with their immediate family members. The Relators also stated that they are routinely asked about this action, often by people they do not know, and they could not identify each and every natural person with whom they have discussed this action.

* * *

We hope that we can reach a mutually acceptable resolution of these disputes, given the Court's rulings to dates. However, we have signed and enclosed a Good Faith Certificate to allow you to take whatever actions you deem necessary in the event that we are not able to reach an agreement.

Sincerely,

 /s/ August J. Matteis, Jr.

August J. Matteis, Jr.

Enclosure

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

UNITED STATES OF AMERICA ex rel.
CORI RIGSBY and KERRI RIGSBY

RELATORS/COUNTER-DEFENDANTS

v.

CASE NO. 1:06cv433-LTS-RHW

STATE FARM MUTUAL INSURANCE COMPANY

DEFENDANT/COUNTER-PLAINTIFF

and

FORENSIC ANALYSIS ENGINEERING CORPORATION;
HAAG ENGINEERING CO.;

DEFENDANTS

GOOD FAITH CERTIFICATE

Counsel for Relators and State Farm Fire and Casualty Company, improperly denominated in the First Amended Complaint as "State Farm Mutual Insurance Company" ("State Farm"), certify that they have conferred in good faith to resolve the discovery issues in question and that it is necessary for State Farm to file the following motion:

Motion to Compel Responses to Discovery Requests


Counsel further certify that:

- 1. The motion is unopposed by all parties.
- 2. The motion is unopposed by:
- 3. The motion is opposed by: Relators
- 4. The parties agree that replies and rebuttals to the motion shall be submitted to the magistrate judge in accordance with the time limitations stated in Uniform Local Rule 7(b)(4).

This the 12th day of March, 2010.

Robert C. Galloway
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COUNSEL FOR RELATORS

Jackson 4840693v1

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

UNITED STATES OF AMERICA ex rel.
CORI RIGSBY and KERRI RIGSBY

RELATORS/COUNTER-DEFENDANTS

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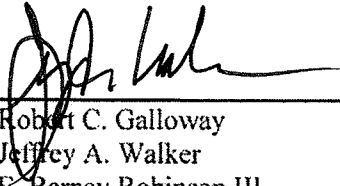
Motion to Compel Responses to Discovery Requests

Counsel further certify that:

- 1. The motion is unopposed by all parties.
- 2. The motion is unopposed by:
- X 3. The motion is opposed by: Relators
- X 4. The parties agree that replies and rebuttals to the motion shall be submitted to the magistrate judge in accordance with the time limitations stated in Uniform Local Rule 7(b)(4).

This the 12th day of febru February, 2010.





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COUNSEL FOR RELATORS

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF MISSISSIPPI
SOUTHERN DIVISION**

THOMAS C. and PAMELA McINTOSH

PLAINTIFFS

V.

CIVIL ACTION NO.1:06CV1080 LTS-RHW

**STATE FARM FIRE and CASUALTY COMPANY, and
FORENSIC ANALYSIS & ENGINEERING CO., and
E. A. RENFROE & COMPANY, INC.**

DEFENDANTS

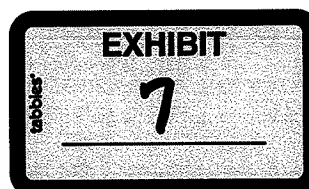
**MEMORANDUM OPINION ON MOTION TO DISQUALIFY
MEMBERS OF THE KATRINA LITIGATION GROUP AND ASSOCIATED COUNSEL**

The Court has before it the second motion [966] of State Farm Fire and Casualty Company (State Farm) and the motion [978] of E. A. Renfroe & Company (Renfroe) to disqualify the attorneys and law firms of the former Scruggs Katrina Group (SKG) and the associated firm of Hesse & Butterworth P.L.L.C. (and other attorneys associated as counsel for the plaintiffs by these firms) from representing the plaintiffs in this action. For the reasons set out below, these motions will be granted.

The SKG Joint Venture was formed to litigate property damage claims following Hurricane Katrina. This action was filed by the original members of the SKG. The motions [890] [891] of Richard Scruggs (Scruggs) and the other attorneys of the Scruggs Law Firm, P. A., to withdraw as counsel in this case have been granted. The motion [1079] of Mike Moore of the Mike Moore Law Firm, L.L.C., to withdraw as counsel has also been granted. The other members of the SKG joint venture, the Barrett Law Office, P.A. (Barrett); Nutt & McAlister, P.L.L.C. (Nutt); and the Lovelace Law Firm, P.A. (Lovelace), remain as counsel of record. These remaining joint venturers have associated Hesse & Butterworth, P.L.L.C. as counsel for the plaintiffs.

When Scruggs and two other members of the Scruggs Law Firm withdrew as counsel of record in this case, Barrett, Nutt, and Lovelace regrouped and formed the Katrina Litigation Group (KLG). The members of the KLG have undertaken to represent the plaintiffs in this case and in a large number of other cases against State Farm and Renfroe now pending in this Court.

State Farm and Renfroe have moved to disqualify the members of the KLG on the grounds that Scruggs, acting on behalf of the SKG, engaged in unethical conduct that is sufficiently egregious to justify disqualification of the other SKG joint venturers in order to preserve the integrity of the judicial process and to assure public confidence in the litigation of this case and the other similar cases now pending in this Court.



State Farm and Renfroe have charged Scruggs with two basic types of ethical misconduct and with conflicts of interest, all of which relate in one way or another to the relationship between Scruggs and the SKG and two former Renfroe employees Cori and Kerri Rigsby (the Rigsby sisters). State Farm and Renfroe allege 1) that Scruggs participated and encouraged the Rigsby sisters to wrongfully appropriate and disclose confidential documents in which both State Farm and Renfroe had a legitimate right to confidentiality; and 2) that Scruggs paid the Rigsby sisters a substantial sum in furtherance of Scruggs's efforts to encourage the misappropriation of these documents. State Farm and Renfroe have alleged additional acts of misconduct relating to other witnesses and to the plaintiffs' counsel having obtained documentary and physical evidence without following the established procedure for the use of out-of-state subpoenas in the discovery process.

I have determined that disqualification is required because Scruggs, acting in furtherance of the SKG joint venture, paid the Rigsby sisters a substantial sum of money (a consulting fee of \$150,000 per year) despite Scruggs's knowledge that the Rigsby sisters were material witnesses in connection with many hurricane damage claims that were likely to become the subject of litigation. While Scruggs made the arrangements for these payments, the other members of the SKG joint venture knew or should have known that the payments were being made, and I am of the opinion that their failure to take timely and reasonable remedial steps or to object to this arrangement amounts to a ratification of Scruggs's actions. While the other ethical misconduct alleged by State Farm and Renfroe are substantial, the payments to the Rigsby sisters are, in and of themselves, sufficient to warrant disqualification.

It is apparent to me, from my review of the deposition testimony of the Rigsby sisters, that there was no legitimate reason for these payments and that the "consulting" work that ostensibly justified these payments was a sham. Even if this were not the case, the performance of legitimate work that is closely related to a matter in litigation cannot justify an attorney's payment of a substantial sum of money to a non-expert material witness. Payments to non-expert witnesses are specifically limited to statutory witness fees; reasonable expenses actually incurred for mileage, meals, and lodging; and reasonable compensation for time lost from work while attending a trial or testifying by deposition. (Opinion No. 145 of the Mississippi State Bar Ethics Committee, March 11, 1988). The payments Scruggs made to the Rigsby sisters bears no reasonable connection to any work they performed or to any of expenses they incurred in testifying. These payments were clearly improper. *N.L.R.B. v. Thermon Heat Tracing Services, Inc.*, 143 F.3d 181 (5th Cir.1998); *Golden Door Jewelry Creations, Inc. v. Lloyds Underwriters Non-Marine Ass'n*, 865 F.Supp 1516, 1526 (S.D.Fla.1994); *Rentclub, Inc. v. Transamerica Rental Fin. Corp.*, 811 F.Supp 651, 653 (M.D.Fla.1992), *aff'd* 43 F.3d 1439 (11th Cir.1995); *Wagner v. Lehman Bros. Kuhn Loeb Inc.*, 646 F.Supp 643 (N.D.Ill.1986).

Even though the payments to the Rigsby sisters originated with Scruggs, the other members of the joint venture were aware or should have been aware that the payments were being made and did nothing to prevent their continued payment. In these circumstances, all of the other members of the original SKG are responsible for this breach of ethics. Those whom these firms have subsequently associated must also be disqualified to prevent the appearance of impropriety in the remainder of this litigation. See MRPC 5.1(c) ("A lawyer shall be responsible for another lawyer's violation of the rules of professional conduct if: (1) the lawyer orders or, with knowledge of the specific conduct, ratifies the conduct involved . . . or . . . knows of the conduct at the time when its consequences can be avoided or mitigated but fails to take reasonable remedial action."); See *American Can Co. v. Citrus Feed Co.*, 436 F.2d 1125, 1128-29 (5th Cir.1971).

The payments made to the Rigsby sisters require the disqualification of the successors to the SKG and those whom they have added as associates from further participation in any litigation in this Court against State Farm and Renfroe arising from property damage attributable to Hurricane Katrina. The motions to disqualify will be granted. An appropriate order will be entered, and the plaintiffs in all cases affected by this disqualification shall be allowed a period of forty-five days in which to retain new counsel or to notify the Court of their intention to proceed pro-se. For good cause, this period may be enlarged at the discretion of the United States Magistrate Judge assigned to the case. The plaintiff's failure to retain new counsel or to inform the court of the intention to proceed pro-se will make a case subject to this order eligible for dismissal without prejudice. The attorneys subject to disqualification by the terms of this order shall send, via United States mail, postage prepaid, a copy of the opinion and order in this case to each client affected by this ruling.

The Rigsby sisters will be disqualified as witnesses in any actions now pending on this Court's docket against State Farm or Renfroe in which the SKG or the KLG has represented the plaintiffs, and any documents supplied by the Rigsby sisters to the SKG or the KLG or its associates shall also be excluded from evidence unless the plaintiffs can show that the documents were obtained through ordinary methods of discovery.

DECIDED this 4th day of April, 2008.

s/ L. T. Senter, Jr.
L. T. SENTER, JR.
SENIOR JUDGE

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

**THOMAS C. McINTOSH and
PAMELA McINTOSH**

PLAINTIFFS

VERSUS

CIVIL ACTION NO. 1:06cv1080-LTS-RHW

**STATE FARM FIRE AND CASUALTY
INSURANCE COMPANY, *et al.***

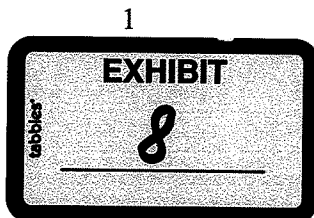
DEFENDANTS

ORDER

This case is before the Court on [111] motion to compel filed by Defendant State Farm Fire and Casualty Insurance Company (State Farm), on May 30, 2007. After several extensions of time to respond, Plaintiffs filed their response to the motion on August 13, 2007. State Farm filed its reply September 10, 2007. A bit of background information on the players is helpful in understanding the matters presently at issue.

In 2005, sisters Cori and Kerri Rigsby were employed by E.A. Renfroe and Co., Inc., to assist in managing State Farm's Hurricane Katrina claims in Mississippi. Each of the Rigsbys was issued a State Farm laptop computer and given passwords to access confidential information to perform their assigned tasks. While so employed, in October, 2005, the Rigsbys began covertly copying voluminous State Farm documents which they at some point provided to Plaintiffs' counsel, the Scruggs Katrina Group (SKG). Both Cori and Kerri Rigsby left their employment with Renfroe, and in June 2006 both found lucrative employment as "litigation consultants" at SKG.¹ SKG has since settled hundreds of Katrina claims against State Farm, and presently represents hundreds of other plaintiffs in such claims.

¹Each is paid an annual sum of \$150,000.00 by the Scruggs Firm/Group.



In its motion, State Farm asks the Court to overrule objections interposed on behalf of Cori and Kerri Rigsby at their respective depositions April 30 - May 1, 2007; to compel the Rigsbys to comply with State Farm's document requests; and to allow an additional four hours deposition of each of Cori and Kerri Rigsby. There is no dispute that the Rigsbys brought no documents with them to their depositions, despite State Farm's request for documents in the deposition subpoenas, nor did either of them provide any privilege log with respect to the requested documents.

There is no question that, on advice of counsel, the Rigsbys refused to answer many of the questions put to them in the depositions. For instance, Counsel for Plaintiffs instructed Cori not to answer questions such as to whom she gave access to her State Farm-issued computers on grounds of attorney-client privilege, work product, and governmental investigation privilege. [C. Rigsby deposition, p. 148-152] State Farm contends the objections and instructions not to answer were improper and/or were insufficiently stated to allow one to ascertain precisely what privilege was claimed, *e.g.*, the sisters, without further explanation, declined to answer questions based on a "law enforcement privilege" and a privilege derived from an unidentified federal statute. Although Cori Rigsby was represented by separate counsel at her deposition, Counsel for Plaintiffs (who represents Cori Rigsby in a separate lawsuit discussed below) objected on grounds of attorney-client privilege to Cori's production of documents reflecting communication between Cori and her mother, Patricia Lobrano. [C. Rigsby deposition, pp. 33-34]

In reply to Defendant's motion, Plaintiffs' counsel state the basis for their deposition objections, explaining that at the time of the depositions, the Rigsby sisters were separately represented by SKG in a sealed *qui tam* action against State Farm in which the Rigsbys were

plaintiffs, and that the Rigsbys were therefore prohibited from testifying about knowledge they gained in their capacities as Renfroe employees adjusting State Farm Katrina claims, or about when and to whom they gave access to their State Farm-issued laptop computers² and information. Plaintiffs concede the laptop computer “was one of the principal instruments of storing ... information...”. However, the *qui tam* case is no longer under seal; it has been docketed as *Cori Rigsby and Kerri Rigsby v. State Farm, et al.*, Civil Action No. 1:06cv433-LTS-RHW. The Court therefore finds that objections based upon the need to prevent disclosure of the existence of the *qui tam* action no longer pertain, and the Rigsbys should be required to resume their depositions and answer questions relevant to the issues in the McIntosh case. This does not preclude invocation of a specific articulable privilege, but the Court cautions counsel that claims of privilege will be subjected to close scrutiny.

This Court expressly holds that SKG’s taking on representation of the Rigsbys, hiring them as “litigation consultants,” and filing the *qui tam* lawsuit on their behalf should not, and will not, be allowed to transform everything they learned and the things they physically took from their employer into privileged information available only to SKG as their attorney and/or present employer. In defending itself in the present action, State Farm may fully explore the Rigsbys’ knowledge of the McIntosh case and pertinent documents gained through their employment relationship with Renfroe/State Farm. Plaintiffs contend the Rigsbys have never been State Farm employees. This Court finds, however, that they unquestionably occupied a dual-employment status in their employment by Renfroe to do work for State Farm; they were admittedly issued State Farm computers and passwords to access confidential State Farm

²Cori testified she kept her State Farm laptop until June 2006. [C. Rigsby deposition, p. 141]

information; they worked out of State Farm offices and used State Farm supplies. In fact, State Farm computers, passwords and printers were used to accomplish the “data dump,” and/or copying of thousands of State Farm documents by Cori, Kerri and two of their friends during the first weekend in June 2006. [C. Rigsby deposition, pp. 37, 45, 147; K. Rigsby deposition, p. 334] Indeed, paragraph 28 of the Rigsbys’ *qui tam* complaint states that the Rigsbys were “independent adjusters and team managers for the State Farm Mutual Insurance Company Catastrophe Team ... when State Farm brought them, *as leased employees*, to Gulfport MS for the purposes of adjusting claims for victims of Hurricane Katrina.”

The Court further finds that the Rigsbys should be compelled to produce the documents requested in Request No. 1, with respect to their respective incomes and sources of income from July 2005 through May 30, 2007. The Court finds the general objections to the subpoena request insufficient to warrant foreclosing discovery of these materials. The request is reasonable in scope and time, is not unduly burdensome, and may bear relevance at the very least on the credibility of these witnesses. The Court finds moot the objection that there was insufficient time between the service of the request and the deposition date to compile the requested documents.

With respect to Requests No. 2, 3, and 4, the Rigsbys shall produce the requested documents reflecting their communications with Richard Scruggs, Zach Scruggs and SKG, respectively, from August 2005 to present regarding the Rigsbys’ employment with the Scruggs Katrina Group, documents regarding their (the Rigsbys’) taking of information from State Farm, communications regarding the McIntosh claim prior to the Rigsbys cessation of employment by Renfroe, and documents they supplied to SKG attorneys. As to any document claimed to be privileged, the Rigsbys shall provide a privilege log which meets the requirements of Rule 26(b)(5)(A).

The Rigsbys are ordered to produce the documents reflecting their communications with their mother (Request No. 5); and their calendars, diaries, dayplanners, etc., which include references to their employment with Renfroe, State Farm assignments and/or their employment with SKG from August 2005 to present (Request No. 6). As stated above, a proper privilege log must be provided for any documents withheld under claim of privilege. The Rigsbys are further ordered to produce any documents reflecting expenses incurred in connection with the printing and/or copying of State Farm documents in June 2006, in response to Request No. 7 to Cori Rigsby, and Request No. 10 to Kerri Rigsby.

Request No. 8 to Cori Rigsby (No. 11 to Kerri) seeks documents supporting the Rigsbys allegations of wrongdoing by State Farm, its associates, independent adjusters and/or engineers in connection with the handling of Hurricane Katrina Claims. The Rigsbys respond that they have had no such documents since July or August 2006, and that any such documents would fall under Judge Acker's order enjoining their dissemination, then, somewhat equivocally, the Rigsbys state to the extent they may have any such documents, they have not had sufficient time to prepare a privilege log. The Court finds State Farm is entitled to know the basis for the Rigsbys' charges of wrongdoing, and the Rigsbys are ordered to produce the requested documents within their actual or constructive possession.

Cori Rigsby shall produce the documents sought in Request No. 9, and Kerri Rigsby shall produce documents requested of her in Request No. 12, *i.e.*, documents regarding their duties with E.A. Renfroe, which they retained after ceasing employment with Renfroe. With respect to Request No. 10 of Cori Rigsby, and Request No. 13 of Kerri Rigsby, each of the Rigsbys shall produce documents regarding any computer she has owned from August 2005 to present, email accounts they have maintained as personal email or for use as employees of E.A. Renfroe.

The Court declines to require the Rigsbys to produce all credit card statements for credit cards in their names or on which they are authorized signatories from 8/2005 as requested of Cori in Request No. 11 and Kerri in Request No. 14, as these requests are not found relevant to the McIntoshes' claim.

The Rigsbys shall produce documents, audio or video recordings evidencing their communications with the media since 2005, as requested of Cori in Request No. 12 and of Kerri in Request No. 15.

The Court finds overly broad the Request No. 13 of Cori Rigsby, for all documents regarding her communications with any person regarding State Farm or its claims handling of Katrina claims, and declines to compel production of the documents requested.

Kerri Rigsby shall produce all documents regarding communications between her and Mark Drain, Rachel Fisher and/or Tammy Hardison from August 2005 to present as requested in Requests No. 7, 8 and 9.

The Court finds that the five and one-half months which have elapsed since the Rigsbys were served with deposition subpoenas and documents requests should have provided them ample time to compile responsive documents and prepare a privilege log. The Court therefore orders that all documents ordered produced in this order shall be produced to counsel for State Farm on or before Monday, October 8, 2007, along with privilege logs as to documents withheld under claim of privilege. Contemporaneously with the production to State Farm, the Rigsbys are ordered to produce to the Court for *in camera* review any documents withheld under claim of privilege, along with a copy of their privilege logs. It is therefore,

ORDERED:

1. that the motion to compel is granted in part and denied in part as set forth above;
2. that State Farm may reconvene the depositions of Cori and Kerri Rigsby; for a maximum of four hours for each deponent;
3. that documents ordered produced shall be produced on or before October 8, 2007;
4. that contemporaneously with production of documents to State Farm, the Rigsbys shall produce to the Court for *in camera* inspection any documents withheld under claim of privilege, along with their privilege logs.

SO ORDERED, this the 1st day of October, 2007.

/s/ Robert H. Walker

ROBERT H. WALKER
UNITED STATES MAGISTRATE JUDGE

From: cmecfhelpdesk@mssd.uscourts.gov
To: Courtmail@mssd.uscourts.gov;
Subject: Activity in Case 1:06-cv-01080-LTS-RHW McIntosh et al v. State Farm Fire & Casualty Company et al Order on Motion to Quash
Date: Friday, December 14, 2007 2:44:58 PM

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U.S. District Court

Southern District of Mississippi

Notice of Electronic Filing

The following transaction was entered on 12/14/2007 at 2:43 PM CST and filed on 12/14/2007

Case Name: McIntosh et al v. State Farm Fire & Casualty Company et al

Case Number: 1:06-cv-1080

Filer:

Document Number: No document attached

Docket Text:

TEXT ONLY ORDER denying [799] Motion to Quash subpoenas duces tecum for telephone records. The subpoenas are limited to a relatively short time frame, and it appears that the information sought is relevant or may lead to the discovery of relevant evidence. NO FURTHER WRITTEN ORDER WILL ISSUE. Signed by Judge Robert H. Walker on December 14, 2007. (Joffe, Scherry)

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1:06-cv-1080 Notice has been delivered by other means to:

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF MISSISSIPPI
SOUTHERN DIVISION

THOMAS C. MCINTOSH AND PAMELA MCINTOSH

PLAINTIFFS

V.

CIVIL ACTION NO. 1:06CV1080-LTS-RHW

STATE FARM FIRE & CASUALTY COMPANY,
FORENSIC ANALYSIS & ENGINEERING CORP.,
AND E. A. RENFROE & COMPANY, INC.

DEFENDANTS

ORDER

The Court has before it objections to orders entered by the United States Magistrate Judge. The first objection [942] was filed by non-parties Cori and Kerri Rigsby (Rigsbys) to a December 14 Text Only Order with respect to a Motion to Quash a Subpoena *Duces Tecum* issued by defendant State Farm Fire & Casualty Company (State Farm) to AT&T Inc. (formerly Bellsouth), AT&T Mobility, LLC, and Cellular South Inc. for phone records. Ancillary to this is a request [953] by the Rigsbys to intervene to protect privileges and seek review of the Magistrate's order.

The remaining objections (one [947] by Plaintiffs and the other [956] by two of their former lawyers, Richard and Zach Scruggs (Scruggses)) are aimed at an [911] Order denying a [453] Motion for Protective Order and a [453] Motion to Quash with respect to noticed video depositions and document requests. The Scruggses have also filed motions related to their objections: a [958] Motion to Intervene for the Limited Purpose of Objecting to the Magistrate's Order and Moving for a Stay of that order; and a separate [957] Motion to Stay the Magistrate's [911] Order. The Scruggses' depositions are noticed [924] [925] for January 15, 2008.

This Court considers the objections under the standard set forth in Fed. R. Civ. P. 72(a): any portion of the Magistrate's order shall be modified or set aside if it is found to be clearly erroneous or contrary to law. The Rigsbys seek to prevent certain phone records from being obtained by State Farm, or at least limit the records that may be received. Plaintiffs and the Scruggses object to depositions being given by the Scruggses. They also raise concerns that the Magistrate's order is silent about what documents, if any, ought to be produced, and when such production should occur, as well as procedural issues surrounding the request for documents.

The United States Court of Appeals for the Fifth Circuit has observed that "Rule 26(c)'s requirement of a showing of good cause to support the issuance of a protective order indicates that 'the burden is upon the movant to show the necessity of its issuance, which contemplates a particular and specific demonstration of fact as distinguished from stereotyped and conclusory statements.'" *In re: Terra International, Inc.*, 134 F.3d 302, 306 (5th Cir. 1998)(citations omitted). The Rigsbys do not meet this burden, as their claims are broad and general. The phone records do not contain the substance of communications, but will show what phone numbers

were called and when the calls were made. The Magistrate was correct in concluding that “[t]he subpoenas are limited to a relatively short time frame, and it appears that the information sought is relevant or may lead to the discovery of relevant evidence.” The Rigsbys fail to establish that the Magistrate’s Text Only Order is clearly erroneous or contrary to law.

Much of the argument with respect to the Scruggses’ depositions hinges on their positions that what is involved is subject to the attorney-client privilege, that they are being deposed as “opposing counsel,” and that their rights and defenses are jeopardized in a criminal contempt proceeding pending in Alabama. Yet, as the Magistrate’s [911] Order points out, it is difficult to determine at any stage of the proceedings exactly what roles the Scruggses were playing. The example used by the Magistrate is the statement made at the depositions in April/May 2007 that Richard Scruggs was wearing “two hats”—one as the Rigsbys’ lawyer and the other as their employer. It appears from the record that Zach Scruggs did the same thing on at least one other occasion. How all this connects with their representation of the Plaintiffs is also unclear. This is why the Scruggses’ depositions are appropriate—to ferret through this forest of relationships, especially in terms of the timing of various conduct and activity. Whether substantive information is obtained is largely up to the deponents, who are represented by their own counsel on different fronts.

However, the Court is concerned about the status of the documents that may be part of this exercise. The Magistrate, faced with “the Scruggses’ blanket claims of privilege as to the documents requested,” declined to accept those claims and was not in a position to evaluate claims of privilege. Still, the [911] Order does not address the issues surrounding the request for documents, including how it was made and its scope. State Farm argues that these claims were not presented to the Magistrate until the rebuttal phase of the briefing on the original [453] motion and, therefore, have been waived. By the same token, defendant Renfro was allowed to file a rather belated joinder to State Farm’s response to Plaintiffs’ [453] motion to quash (the Court will not disturb the ruling on the motion to strike the joinder [715]). And the fact remains that they were raised. The Court is not convinced that this is a mere case of form/procedure over substance. The better course is for these important issues to be resolved so that the depositions do not dissolve into confusion and a waste of time. In short, while it is appropriate for the depositions of the Scruggses to be taken, there is no practical sense in the depositions being held at this time.

Accordingly, **IT IS ORDERED:**

The Rigsbys’ [942] Objections to the December 14, 2007, Text Only Order of the United States Magistrate Judge are not well taken and are, therefore, **DENIED**, and the United States Magistrate Judge is hereby **AFFIRMED**;

The Rigsbys’ [953] Motion to Intervene to Protect Privileges and Object to the Magistrate’s Order is **MOOT**;

The Magistrate Judge’s [911] Order is **AFFIRMED** as to the allowance of the Scruggses’ depositions and the [715] Motion to Strike;

The Scruggses' [957] Motion to Stay the Magistrate Judge's [911] Order is hereby **GRANTED** to the extent that their depositions shall not take place until the documents' issues are resolved by the Magistrate, and this matter is referred to the Magistrate for further proceedings consistent herewith;

The rest of the related motions [947] [956] [958] are **MOOT**.

SO ORDERED this the 8th day of January, 2008.

s/ L. T. Senter, Jr.
L. T. SENTER, JR.
SENIOR JUDGE

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

**THOMAS C. McINTOSH and
PAMELA McINTOSH**

PLAINTIFFS

VERSUS

CIVIL ACTION NO. 1:06cv1080-LTS-RHW

**STATE FARM FIRE AND CASUALTY
INSURANCE COMPANY, *et al.***

DEFENDANTS

ORDER

Before the Court are [945] and [969], State Farm's motions, joined by Defendant Renfroe, seeking orders overruling certain deposition objections and compelling Cori and Kerri Rigsby (Rigsbys) to respond to questions they declined to answer, and compelling production of certain documents

In motion [945], Defendants ask the Court to compel the Rigsbys to each submit to one additional hour of deposition questioning and to compel the Rigsbys to fully respond to questions regarding their unauthorized use of State Farm laptop computers and the documents (including any copies or downloaded documents) which they took from State Farm and provided to the SKG Defendants also request that the Court overrule the Rigsbys claims of attorney-client privilege and work product protection with respect to their meetings with SKG members at which third parties (*e.g.*, the Rigsbys' mother and step- father) were present. The Court finds that the Rigsbys may not claim attorney-client privilege with respect to such meetings, nor do they enjoy attorney-client or work product privileges/protections with respect to their unauthorized use of State Farm laptop computers or documents they took from State Farm and provided to the SKG. The Court will grant motion [945], but will not assess attorney's fees and costs as the



primary attorney instructing the Rigsbys not to answer Defendants' questions (Sid Backstrom) is no longer involved in this case, and the Rigsbys, who are neither attorneys nor parties in this action, relied upon advice of counsel in declining to answer the questions. Defendants may reconvene the deposition(s) of Cori and/or Kerri Rigsby for the purposes stated herein, but may want to consider waiting until the issues are resolved regarding Cori Rigsby's computer prior to re-opening her deposition, so that all matters involving her may be addressed at one time.

In motion [969], State Farm seeks another order compelling the Rigsbys to produce documents which the Court has already ordered them to produce, documents which they have repeatedly stated they do not have. For example, State Farm continues to demand production of the Rigsbys' calendars, diaries, dayplanners, etc., which include references to their employment with Renfroe, State Farm and/or SKG from August 2005 to the present. This demand apparently springs from Cori Rigsby's testimony that she kept a calendar on her computer, which she printed out at one time and gave it to SKG but did not keep a copy, and that the computer is the one which "crashed" in September 2007, which has been turned over to the Court for forensic examination. The Court sees no utility in re-ordering Cori and Kerri Rigsby to produce that which they claim they do not have. State Farm's contention that the Rigsbys' have failed to produce documentation of their incomes and sources of incomes apparently arises from Kerri Rigsby's testimony that she considered SKG's payment of her travel and legal expenses part of her compensation as an SKG consultant. The Rigsbys claim they have produced all documents responsive to State Farm's request. Since State Farm does not seek to compel production of the Rigsbys' state and federal tax returns, 1099 forms, paycheck stubs, *etc.*, the Court assumes those documents were produced as required by Order [563]. The concluding phrase of State Farm's document request states for documents related to the Rigsbys' incomes states, "or any other

documents evidencing payments *to you* by any source from July 1, 2005, through the date of the deposition.” (emphasis supplied) Presumably, whatever attorney’s fees were paid *for* the Rigsbys were paid *to attorneys*, not to the Rigsbys. The Court finds the wording of the request might reasonably be interpreted in a manner which would not require production of the documents State Farm now seeks to compel. The Court will not order further production of documents regarding the Rigsbys incomes and sources of income. Finally, the Court notes that the Rigsbys have been disqualified as witnesses in this case, that the Court has authorized Defendants to depose Richard and Zach Scruggs, and has ordered production of documents by Richard and Zach Scruggs. Defendants are therefore in a position to discover the information they seek from the Scruggses (the payors) instead of the Rigsbys (the payees). For these reasons, the Court will deny motion [969]. It is therefore,

ORDERED:

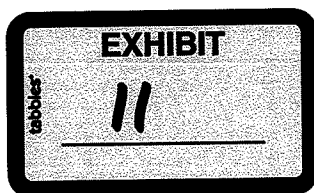
1. That motion [945] is granted in part and denied in part.
2. That motion [969] is denied.

SO ORDERED, this the 23rd day of May, 2007.

/s/ Robert H. Walker

ROBERT H. WALKER
UNITED STATES MAGISTRATE JUDGE

From: Beth Jones <bethjones@scruggsfirm.com>
Sent: Monday, August 7, 2006 2:03 PM
To: 'joseph.e.rhee@abc.com'
Subject:
Attach: Final Evidentiary Disclosure PDF..pdf



SMPD1-000387

IN THE UNITED STATES DISTRICT COURT OF MISSISSIPPI
SOUTHERN DISTRICT

UNITED STATES OF AMERICA EX
REL. CORI RIGSBY, AND KERRI
RIGSBY,

Relators,

vs

CASE NO. _____

STATE FARM INSURANCE COMPANY

To Be Filed In Camera And Under
Seal Pursuant To 31 USC § 3731

NATIONWIDE INSURANCE
COMPANY

ALLSTATE INSURANCE COMPANY

USAA INSURANCE COMPANY

FORENSIC ANALYSIS ENGINEERING
CORPORATION

EXPONENT FAILURE ANALYSIS

HAAG ENGINEERING CO.

JADE ENGINEERING

RIMKUS CONSULTING GROUP INC.

STRUCTURES GROUP.

RELATOR'S EVIDENTIARY DISCLOSURE PURSUANT TO 31 USC § 3730

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INTRODUCTION

Cori Rigsby and Kerri Rigsby are employees of E. A. Renfroe, a company that provides claims adjustment services to insurance companies in disaster situations. They have been loyal employees for the past eight years. In the past eight years Cori has handled claims on the catastrophe teams of Travelers, Nationwide and State Farm. Kerri has handled claims for State Farm's catastrophe team. Until Katrina, the monster storm that literally wiped out several Mississippi communities, Kerri and Cori had always been proud to be associated with State Farm and Nationwide, even though they were not direct employees of State Farm.¹ With Katrina, Cori, Pat and Kerri saw a sea change in the way that claims were handled by State Farm and Nationwide with respect to how claims were adjusted with respect to flood insurance. The relators were shocked and horrified that the company that had previously dealt very fairly with its customers was now engaging in wholesale fraud both on policy holders and on the federal government. This False Claims Act case arose out of that experience.

This Evidentiary Disclosure provides an overview of the National Flood Insurance Program (NFIP) as well as a brief look at storm surge and the respective liabilities of insurers under the NFIP. It discloses the concrete existence of two separate instances where homeowners claims were fraudulently misallocated to flood insurance

¹ . Although neither Kerri nor Cori are State Farm employees, customers of State Farm would not know this because the relators are given cards identifying them as State Farm employees, are provided with notebook computers for logging their claims-related activities, and are issued jackets with State Farm's name on them. They are also issued a claims identifier number that identifies them as an adjuster within the State Farm system.

claims at the cost of both the homeowner and the federal government. This grew out of the total control that State Farm had in adjusting its losses.²

OVERVIEW

Insurers Pushed Losses Onto The NFIP In Order To Protect Reserves.

This is a False Claims Act case that involves the National Flood Insurance Program, (NFIP) a federal insurance program that is managed by the Federal Emergency Management Agency, (FEMA). FEMA is the only entity in the United States that underwrites flood insurance. Although FEMA underwrites flood insurance, it does not sell directly to the public, but instead, operates through a series of independent insurance companies. At least two of these companies (State Farm and Nationwide), and on information and belief many more (USAA, Allstate), are engaged in a concerted effort to re-adjust losses in such a way that, where applicable, the payment for claims that would normally fall under the company's own homeowner's or hurricane coverage is instead transferred to the NFIP. The misallocation and transfer of losses from State Farm and Nationwide to the federal government was achieved through the use of purportedly "independent" professional engineers who were asked to conduct forensic analyses of the losses. Whenever a loss report from an engineer identified "wind" as the source of the damage, State Farm directed the engineers to recharacterize the damage as flood damage,

². Incredibly, the NFIP puts the fox squarely on guard duty for the hen house because it allows the insurers to adjust the losses in conjunction with the losses attributable to homeowners insurance. As a result, as shown below, the insurer has a strong incentive to reclassify damage as flood rather than wind.

and if an engineering firm refused, their contracts were cancelled and their services were never retained again.

Although the present scope of the fraud is unknown, it is known that in Mississippi alone State Farm has adjusted upwards of \$1.2 billion in losses from Hurricane Katrina. If only ten percent of those claims are flood insurance claims, the scope of the fraud with State Farm alone could exceed \$120,000,000. Relators information, obtained by direct work with State Farm and Nationwide Insurance, indicates that both insurers have a planned, systematic response to claims-handling that directs that claims be shuffled off to FEMA whenever and wherever possible. This system is operated by directing supposed independent contracting engineering firms to always find that flood, and not wind, caused the damage when doing a source investigation on the nature of the claim.

How Flood Insurance Claims Work

In most cases under the NFIP the federal government only acts as the funding source for paying and underwriting claims while the coverage is sold through private insurance companies. Although the companies sell the policies, the policy itself is a standard document drafted by FEMA. Federal regulations require adjustment according to federal standards.

When there is a claim under a Standard Flood Insurance Policy ("SFIP") the insurance company is required to adjust the claim in accordance with these federal regulations. The applicable regulation, 44 CFR § 62.23(d) provides: "A WYO Company issuing flood insurance coverage shall arrange for the adjustment, settlement, payment

and defense of all claims arising from policies of flood insurance it issues under the [National Flood Insurance Program], based on the terms and conditions of the Standard Flood Insurance Policy.” In acting as the claims adjuster for the government, the WYO companies are fiscal agents of the government and payments on SFIP claims are a direct charge on the United States Treasury. See *Wright v. Allstate Ins. Co.*, 415 F.3d 384, 386-87 (5th Cir. 2005). To the extent that an insurer presents a claim for reimbursement under the SFIP to the federal government, that claim is presented to an officer or agent of the United States Government for payment, and any false claims are actionable under the False Claims Act.

Whenever an insurer like State Farm Insurance or Nationwide Insurance has sold a homeowner’s policy or hurricane policy (one that the insurance company directly underwrites), and also issues a flood insurance policy under the NFIP, the flood insurance policy is never written for an amount that is larger than the homeowner’s insurance policy or the accompanying hurricane insurance policy. More importantly, coverage is capped at \$250,000 for structures and \$100,000 for contents.

Under the NFIP rules and regulations, the insurance company that writes the companion flood insurance policy must adjust both the homeowners and the flood insurance claim. In doing so, there is a built-in conflict of interest. Because it adjusts the loss, and maintains control over the adjusting process (being solely responsible for gathering information in order to adjust the claim), the insurance company has an incentive to charge off all damage to the government as flood damage because when they do so, the government, acting through FEMA, pays the entire claim, thereby relieving the company of its obligation under its own policy of insurance. The only

situation where flood and homeowners or hurricane policies collide is in the area of hurricane damage.³

State Farm has, for some time, adopted the view that Flood Insurance is a superseding coverage in that if there is damage from wind and from flood, the flood policy is paid and the homeowner's insurance is never tapped for damages. State Farm has colloquially referred to this doctrine as the doctrine of concurrent causation. So, if a homeowner had only \$40,000 in flood coverage, and \$150,000 in homeowners or hurricane insurance, and suffered a total loss of their property from a hurricane, State Farm would offer to pay the \$40,000 in flood coverage, and once paid, would disallow any claim on the homeowners or hurricane policies because in their view if there was flood damage it took precedence over the wind damage, even though the wind may have actually caused the damage to the structure. Thus State Farm has always viewed flood coverage as a mechanism to reduce the amount paid from its own reserves. If flood and some other cause worked to destroy a structure, the doctrine of concurrent causation meant that only the flood coverage was paid.⁴

The NFIP Definition of Flood

To reduce the potential for misallocation of claims, "flood" is a term narrowly defined by statute and rule. 42 USC § 4121(1) states "the term "flood" shall have *such meaning as may be prescribed in regulations of the Director*, and may include inundation

³ For example, in the case of a tornado or hail-related loss under a homeowners policy, losses related to water damage would be clearly incidental to the claim, and even though a policy might include a flood loss provision under the NFIP, the claim could not be easily disguised because the primary means of damage is wind or hail. But in the case of a hurricane, particularly in coastal areas with a storm surge, a sizeable amount of water may be involved. Irrespective of whether the damage resulted from waves and water or wind, the insurance company can hide a loss under the NFIP because both wind and water are associated with a hurricane.

⁴ This doctrine is not codified in the NFIP statute nor is it codified in the NFIP regulations.

from rising waters or from the overflow of streams, rivers, or other bodies of water, or from tidal surges, abnormally high tidal water, tidal waves, tsunamis, hurricanes, or other severe storms or deluge;”

The director has provided the following definition of flood:

Flood, as used in this flood insurance policy, means:

A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (one of which is your property) from:

Overflow of inland or tidal waters,

Unusual and rapid accumulation or runoff of surface waters from any source,

Mudflow.

Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined in A.1.a. above.

44 CFR Pt. 61, App. A(1)

A. Storm Surge Versus Flooding

Most of the flooding occurring in coastal areas of Mississippi due to the hurricane was associated with storm surge. This is a poorly understood phenomenon in most insurance companies⁵.

Storm surge is simply water close to the hurricane’s eye that is sucked upward by the intense low pressure inside the storm’s eye. As the storm’s eye moves toward shore, the depth of the ocean water decreases as the storm moves forward. The mound of water sucked upward by the eye’s low pressure is pushed toward the shore by the force of the

⁵ Meteorologists and FEMA understand the process of storm surge quite well, and identified only a very few areas as associated with storm surge and flooding during Katrina. Insurance companies, however, attributed an inordinate amount of damage to this phenomenon.

winds swirling around the storm. This advancing surge combines with the normal tides to create the hurricane storm tide, which can increase the mean water level 15 feet or more. In addition, wind driven waves are superimposed on the storm tide. This rise in water level can cause severe flooding in coastal areas, particularly when the storm tide coincides with the normal high tides. Because much of the United States' densely populated Atlantic and Gulf Coast coastlines lie less than 10 feet above mean sea level, the danger from storm tides is tremendous.

In general, the more intense the storm, and the closer a community is to the right-front (or northeast) quadrant, the larger the damage related to storm surge. However, since the surge comes ashore as the eye wall moves onto land, storm surge follows by four to six hours after the arrival of hurricane force winds. Thus flooding from storm surge would normally be seen only where the hurricane made landfall, and only in low-lying coastal areas.

During Hurricane Katrina, FEMA identified only small parts of the Mississippi coast as flood damaged, generally around Bay St. Louis. The remainder was identified as hurricane damage. In most locations where defendants have written flood insurance and collected premiums under the NFIP, the companies have also written homeowners and hurricane insurance. Under the arrangement between the company and FEMA, (44 CFR Pt. 62, App. A), the government requires that when the company writes coverage for other perils and flood insurance, that one adjuster be used.

Based on relator's observations, and upon direction received from the defendants, beginning at about the time the first claims began to be submitted by adjusters for Hurricane Katrina, defendant made a corporate decision to misdirect and misallocate

claims from those of hurricane or homeowner's coverage (which it would be required to pay from its reserves or reinsurance) to flood claims that could be submitted and paid directly from the United States Treasury.

Defendant State Farm, and on information and belief, Nationwide Insurance Company, USAA, and Allstate all directed their employee adjusters and independent contractor adjusters to show flood damage whenever and wherever there was any amount of water damage, and to adjust the claim as flood insurance rather than hurricane insurance even though the primary mechanism for damage was wind, not flood waters. Where wind, or wind and water, made a structure unsalvageable, the claims were misallocated into flood insurance claims because flood insurance claims were paid by the US Treasury and did not come out of the company's reserves.

This misallocation of claims has resulted in significant damage to the federal treasury. Not only were the claims themselves paid out of federal funds, each loss was adjusted so as to "hit limits" so that as many dollars as possible would be charged against the NFIP. This because the larger the value of the claim, the larger the reimbursement for adjusting that claim. The cost of adjustment (\$7,000 or more on a policy limits claim) is passed along to the federal government as a cost of adjustment.

Relators are aware of at least two specific instances where Defendant State Farm has engaged in such behavior. Worse, State Farm, aware that it has engaged in conduct that is false and fraudulent, is taking extraordinary steps to protect itself by shredding documents and hiring document shredding companies to dispose of documents at its Mississippi offices. The examples that follow are derived from Relators' personal knowledge.

On October 4, 2005, Insurance Adjuster Cody Perry issued an assignment to defendant Forensic Analysis Engineering Corporation (FAEC) for the purpose of having FAEC determine the nature of the destruction of the McIntosh property located at 2558 S. Shore Dr., Biloxi, MS.

FAEC carried out the assignment on October 7, 2005. The firm did a site inspection and reached conclusions based on the inspection. It concluded that the damage that occurred to the policy holder's home at the time of the hurricane was due principally to wind, and not to water. That report was dated October 12, 2005. The report said:

CONCLUSIONS

Based upon the information that has been presented to FAEC and evidence gleaned during our inspection, FORENSIC ANALYSIS & ENGINEERING CORPORATION has made the following conclusion concerning the damage to the structure.

- The tree failures in the northwesterly direction are the result of the winds out of the southeast from the approaching hurricane.
- The roof, door, carport, and window damage was caused by wind and wind driven debris.
- It is FAEC's opinion that the interior damage of the structure is primarily the result of the failure of the windows, walls, and doors due to wind.

The conclusions and opinions presented in this report are based on the results of FAEC's field investigation of the subject residence, as well as our analysis of the available wind and localized water level data and upon all of the other associated information that we have gathered during the course of our investigation efforts to date. If additional information or facts become available which materially affect these stated conclusions and opinions, then, FAEC reserves the right to amend or change its opinions and conclusions as needed.

This report never became part of the permanent record of the McIntosh claim because it was recognized as contrary to the direction given to State Farm adjusters. On information and belief, Alexis "Lecky" King, a State Farm Insurance supervising adjuster

(and State Farm's guru on Flood Insurance) wrote the following note on the report: "Put in Wind file – DO NOT pay bill. Do Not Discuss". A copy of that note is shown below:

Forensic Analysis & Engineering (FAEC) is pleased to provide the following report of our engineering investigation and evaluation of the reported damage to the residence located at 2558 S. Shore Drive in Biloxi, MS.

We initially received this assignment on October 4, 2005. FAEC performed a field investigation of the subject insured residence. ~~On October 18, 2005, we performed a field assignment on the subject insured residence. We were not able to access the residence due to the fact that the owner was not available. We were able to perform a visual inspection of the exterior of the residence and the damage to the roof and first floor walls and floors.~~

This site was inspected on the day of the damage. On the day of the damage, we were not able to access the residence due to the fact that the owner was not available. We were able to perform a visual inspection of the exterior of the residence and the damage to the roof and first floor walls and floors.

Put in Wind file - DO NOT Pay Bill
DO NOT discuss

this matter. The damage to the residence is a result of the force of the wind and the surge of water from the hurricane. If the damage is not covered by the policy, we will be unable to pay the claim. During our inspection, we observed the following damage to the residence:

SITE OBSERVATIONS

Thereafter, on October 20, FAEC was commissioned to write a completely different engineering report for the McIntosh claim. That report was based on a site visit of October 18, 2005, and never disclosed the prior site visit. None of the previous observations were repeated, and many different observations completely at odds with the prior report were generated. Thereafter, the report found:

CONCLUSIONS

Based on the information that has been presented to FAEC and evidence gleaned during our inspection, FORENSIC ANALYSIS & ENGINEERING CORPORATION has made the following conclusions concerning the damage to the structure:

- The tree failures in the northwesterly direction are the result of the winds out of the southeast from the approaching hurricane.
- There appears to have been damage to the structure by wind as evidenced by missing shingles on parts of the roof structure. Damage to the second story floor and first floor ceilings was predominately caused by wind and intruding rainwater.
- The damage to the first floor walls and floors appears to be predominately caused by rising water from the storm surge and waves.

On or about September 26, 2006, State Farm Adjuster Christy Sims commissioned a study by FAEC on the Mullins home at 6057 Pine Tree Drive, Kiln, MS.

Among the observations made by the engineers were that the structure had already been removed from the site, as required by FEMA, and that much of their analysis was based on photographs provided to the engineers by the homeowners:

SITE OBSERVATIONS

The following are the observations made during FAEC's inspection of the structure.

- Upon approaching the property the house had been already removed from the site as required by FEMA.
- From attached photographs provided by the insured, the entire house had been taken off from its support piers and came to a rest against the house across the street. The house had rotated about 180 degrees and its front was facing south. The porch area was about in line with the center of the street.
- No significant damage to the house was observable in the insured's photos, except for the contact point with the neighboring house across the street.
- According to the insured, the water had rose to 10 inches above the floor level at a neighboring residence close by. No water damage to the house could be appreciated from the photographs nor observed from the surroundings.
- The 24 inches high concrete block piers were in complete disarray. The blocks were not joined to each other nor anchored to the ground.
- With very few exceptions, all the trees around the observable area were standing straight and with all their foliage remaining.

The report concluded that the damage was due primarily to wind, and not to flooding.

The report's conclusion section stated:

CONCLUSIONS

Based on the information that has been presented to FAEC, evidence gleaned during our inspection, and our understanding of the storm water and wind conditions associated with Hurricane Katrina and how those conditions affected the neighborhood area of the insured residence conditions at the time of the storm, FORENSIC ANALYSIS & ENGINEERING CORPORATION makes the following conclusions regarding the claimed damage and the integrity of the property investigated:

- FAEC has concluded that the primary and predominant cause of damage to the subject property was due to hurricane force winds. This is based on the displacement of the house and the absence of water damage to the same. However, this displacement was facilitated by the poor anchoring and supporting observed.

This report was received by State Farm or its adjusters shortly after the time it was written. An invoice was generated by FAEC, and submitted to State Farm for payment. The location of the property, and the presence of a flood insurance policy (likely information not known at the time of the original survey by FAEC) made it necessary to change the report and its characterization of wind damage.

FAEC was directed to make a second report on the basis of its survey. On or about January 3, 2006, FAEC submitted a different report predicated on the same site visit of October 11, 2005, but not mentioning the prior report. The report did not appear to be a superseding report, nor was it a supplemental. Instead, it was a complete re-write of the original. This subsequent report was completely different from the first report in that the observations included:

- There was tree damage in the neighborhood with trees falling to the west northwest.
- There was single damage to houses nearby.
- The owner of the trailer across the street, whose home was impacted by the insured's, indicated that the water had come up to the bottom of her trailer. This was estimated to be between 2 and 3 feet above grade.
- The foundation for the insured's home consisted of concrete block piers about 2 feet above grade. No tie downs were observed, however one photograph furnished by the insured pictured, what appeared to be, a minimally effective tie down.

In addition to omitting the information relative to trees and structures, and in addition to a complete re-write of the findings, the conclusion of the report stated a completely different finding than the report of October 11, 2005:

The report concluded that the damage was due to flood waters, saying:

CONCLUSIONS & OPINIONS

Based on the information that has been presented to FAEC, evidence gleaned during our inspection, and our understanding of the storm water and wind conditions associated with Hurricane Katrina and how those conditions affected the neighborhood area of the insured residence conditions at the time of the storm, **FORENSIC ANALYSIS & ENGINEERING CORPORATION** makes the following conclusions regarding the claimed damage and the integrity of the property investigated:

- The tree failures in the northwesterly direction were the result of winds out of the southeast from the approaching hurricane.
- The damage to the interior of the house could not be determined as no evidence was available.
- The movement of the house across the street with minimal obvious wind damage is consistent with a buoyant force applied to the building by rising water allowing the wind to blow the house northwards until it reached an obstruction.

It is stark evidence of fraud that the same engineering contractor took a look at the same property and relied on the information from the same site visit, and not only reached different evidentiary findings, it reached completely different conclusion on the

same physical evidence. The timing of the report, combined with the message on the note not to pay the invoice and not to discuss the existence of the prior engineering report is evidence of an ongoing conspiracy between State Farm and its engineering contractor to present false claims to the federal government.

This is the gestalt of the relators' claims against the defendants. In hundreds and perhaps thousands of cases in Mississippi, Alabama, Louisiana and Texas the defendants have responded to hurricane and homeowner's claims where there is flood insurance by concluding nearly every time that flood waters arising out of the storm surge, and not wind, caused the damages. Defendants have done this specifically to misallocate the burden of paying claims from their own insurance reserves (and from re-insurance) to the federal government. This is a direct charge on the US Treasury, *Wright v. Allstate Ins. Co.*, 415 F.3d 384, 386-87 (5th Cir. 2005), and is the submission of a false claim based on false records.

A MATTER OF URGENCY

When civil lawyers began to take issue with the way that State Farm and Nationwide were paying claims (or more precisely, not paying claims), State Farm recognized that there was a risk that records associated with their conduct (particularly the engineering reports) could be subpoenaed or, in a worst-case scenario, seized. State Farm has taken steps that are extraordinary to protect itself.

Relators have been directed to shred materials in conflict, and State Farm has positioned locked shredding trash cans around its offices for the disposal of contradictory

information. Engineering reports are not kept with the claims, and nearly all reports have been seized from the adjusters and placed under lock and key so as to prevent discovery of the fraud.

Some reports, particularly those that might be seized by state courts or ordered produced by state courts have already been moved from Mississippi to Texas.⁶ State Farm, among others, is engaging in an internal witch-hunt to determine who may be leaking information to attorneys. Relators' positions are in serious jeopardy if their status as relators is disclosed.

Relators are concerned that a majority of the documents that exist are being shredded by the Insurance companies, and that individual engineering firms are being given the same direction. A shredding company, "Shred-It", visited the State Farm offices on April 12, 2006 and shredded large amounts of documents. While it would be nearly impossible for even the most obsessive insurer to destroy all the conflicting reports and silence all the engineers, delay by the government in following up this information will likely result in the loss of data and make recovery of the funds more difficult.

Relators know and would testify by affidavit that information from the engineering firms is being sent by facsimile, by electronic means, and by U.S. Mail. Relators are also certain that telephonic communications between Lecky King and the principals at the engineering firms are likely ongoing in an effort to make sure that no information leaks out.

⁶ Of course, since an action under the False Claims Act includes the ability to serve process anywhere in the United States where a company does business, the tactic of moving these documents to a different jurisdiction will be ineffective against the United States Department of Justice.

Relators' main concern is that immediate action is necessary to prevent the additional wholesale shredding of documents by the Defendants in this matter.

WHO ARE THE RELATORS

Cori Rigsby and Kerri Rigsby are sisters who currently work for E. A. Renfroe, an adjustment company that leases its adjusters to the various insurance companies across the country. It specializes in providing adjusters to handle catastrophes by having personnel trained on State Farm and other insurers' equipment, policies, and procedures, and being able to provide them quickly when a catastrophe occurs.

Cori's job involves working with various insurers including Travelers, State Farm and Nationwide. Over the past eight years she has adjusted hurricane claims, tornadoes, and other various natural (and man-made) disasters. She started as an adjuster and is now paid \$520 per day to provide services as a claims manager.

Kerri's position requires her to adjust claims for State Farm, and State Farm has been the only company that she has worked for. Her position, in all material respects, is identical to Cori's. Neither individual has any criminal background. Neither has financial skeletons in their closet. They are earnest and sincere relators who are blowing the whistle on practices they see as false and fraudulent.

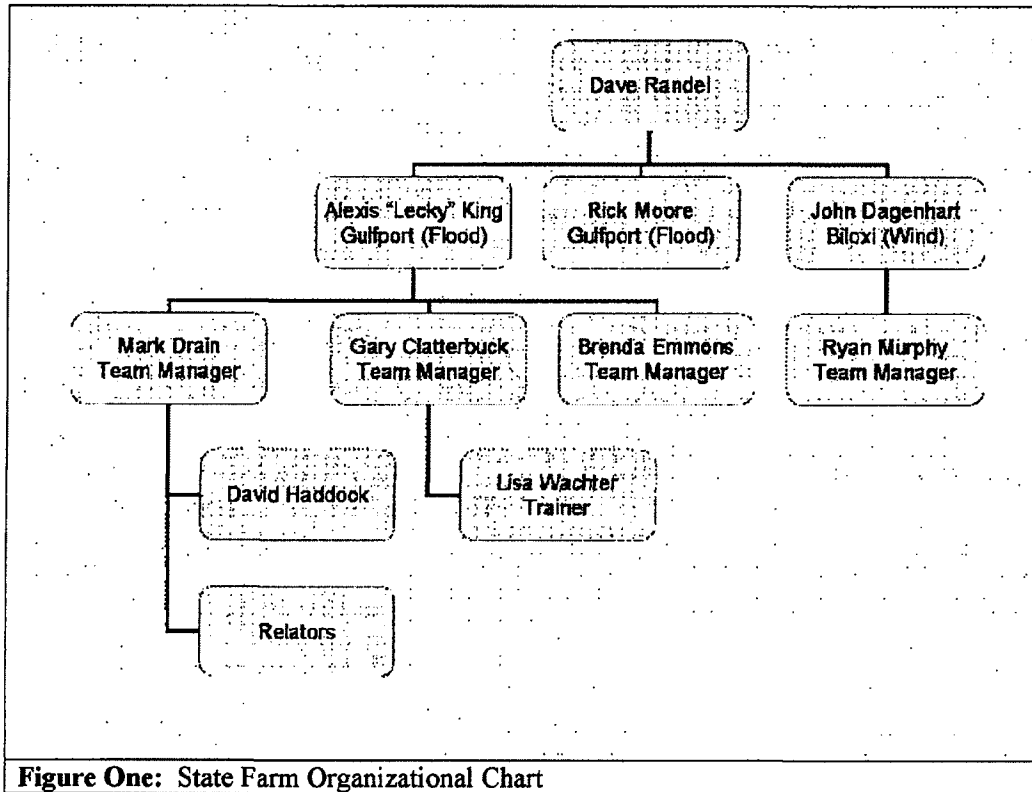
SPECIFIC INSTANCES OF FRAUD

Personnel Involved In CAT Team Katrina

The following State Farm personnel were involved with adjusting Katrina loss claims. In the table below the name and position are set out, as well as the conduct chargeable to them and the content of any information they possess. Where so noted, the individual will have participated in that conduct.

Name	Position	Conduct/Knowledge
Alexis "Lecky" King	Co-CAT Team Coordinator	King is the State Farm Flood Insurance "guru" and she directed that adjusting be done to conform to the decision she made that claims would be denied as wind damage claims. King holds considerable knowledge with regard to information about State Farm's conduct, and has been heard to remark that for a payment of \$2,000,000 she would be willing to speak with attorneys representing Katrina victims.
Richard "Rick" Moore	Co-CAT Team Coordinator	With King, Moore was the person in Gulfport claims office who oversaw the "water" portion of the claims adjustments relating to floods. He and King were involved in making the decision early on to get blanket engineering reports, and in later canceling that mandate. When it was necessary to "correct" these engineering reports, only he and King had access to the original engineering reports that were adverse to the final reports.
John Dagenhart	CAT Team Coordinator	In charge of the Biloxi (wind) office and also a CAT team coordinator. Engaged in the same conduct as Moore and King, although likely he engaged in less of this conduct since more of the claims in the Biloxi office dealt with wind rather than flood.
David Randel	Section Manager	As section manager for the CAT teams, Randall was the principal supervisor over Katrina claims. He was King, Moore and Dagenhart's boss and direct supervisor. He oversaw the adjusting of claims. He is one of only 12 - 15 section managers at State Farm.
David Haddock	Trainer	State Farm employee responsible for overseeing adjusters. His name appears on the fax letters sent to engineering firms recalling or canceling their engineering reports and directing them to

		“send their investigation materials” to State Farm.
Lisa Wachter	Trainer	State Farm employee responsible for overseeing adjusters. Similar knowledge to David Haddock.
Ryan Murphy	Claims Manager	Oversaw claims at Gulfport. Currently assigned to mediation teams.
Anna Eaton	Claims Adjuster	Finacee of Murphy. Murphy told her that the original engineering reports were scanned to the CSR program and then shredded.
Mark Drain	Team Manager	Assigned to the “high profile” claims where State Farm wanted to preserve relationships or prevent fallout.
Gary Clatterbuck	Team Manager (no longer in MS. Went back to TX after December)	Assigned to claims on Katrina, was outraged at how the process was handled, particularly at the claims and engineering report process. “Everything about this is just wrong!”
Mike Myers	State Farm Agent	Apparently had no flood insurance but backdated not only his own but also several other insurance applications to include flood coverage.
Felicia Palmer	State Farm Agent	Apparently knows about Myers’ backdating.
Brenda Emmons	State Farm Aduster	Brenda has widely been thought to be the “mole” inside State Farm because Katrina has affected her significantly. She has appeared to suffer depression as a result of her work on Katrina, and is believed to be very disturbed by what she was required to do.



How CAT Teams Worked In Prior Disasters

Catastrophe team adjusting is and always has been an “adjuster driven” process whereby adjusters are sent into the field and investigate and pay claims based on the damage they find. The only time additional assistance in the form of experts or engineers are engaged in most catastrophe claims is when there is extrinsic evidence of fraud.⁷

⁷. For example, in one case adjusters thought that the “hail damage” they saw on a roof looked a lot more like marks made by a hammer and called in an engineer to investigate. Use of engineers prior to 2005 was rare.

Beginning with Hurricane Ivan in 2004 State Farm began to use engineers, but the use of engineers was random and State Farm always went by whatever the engineer said. If the report said damage was caused by wind, the policy was paid 100% based on the engineer's report. Even if State Farm disagreed with its expert's reports, it stood behind the expert and paid the claim based on what the expert said. As Cori Rigsby said, the purpose of the CAT team was to "rush in, pay a lot of claims, and leave." State Farm did not follow their prior policies or their past experiences in adjusting Katrina claims.

How CAT Teams Worked in Katrina

Initial bad decisions about how to handle claims might well be blamed on the scope of the disaster. The number of claims was enormous, and the response by State Farm required them to bring in adjusters and train new adjusters for the process of claims under State Farm's policies. At the outset, however, State Farm made a decision that would quickly become unmanageable for it. It made a decision to do a forensic engineering analysis of three kinds of claims.

"Slabs" are insurance slang for complete losses of structures and contents that involve nothing on the ground but a cleanly-stripped foundation. "Popsicle Sticks" is slang for structures where only the pilings or a few beams are left standing. "Cabanas" is the industry colloquialism for houses where the roof and perhaps some interior walls remain, but the structure itself is a total loss. Almost immediately after being notified and dispatched to the Katrina disaster on September 2, 2005, Kerri and Cori were told that they were to order an engineering report on every loss that was a "Slab," "Popsicle Stick" or "Cabana."

There was one exception to this requirement. If the policy-holder had flood insurance, and if the policy-holder was willing to accept this payment as the payment-in-full for their losses, State Farm would offer to pay that amount without a site inspection and without an engineering report.

The Flaw In the Program

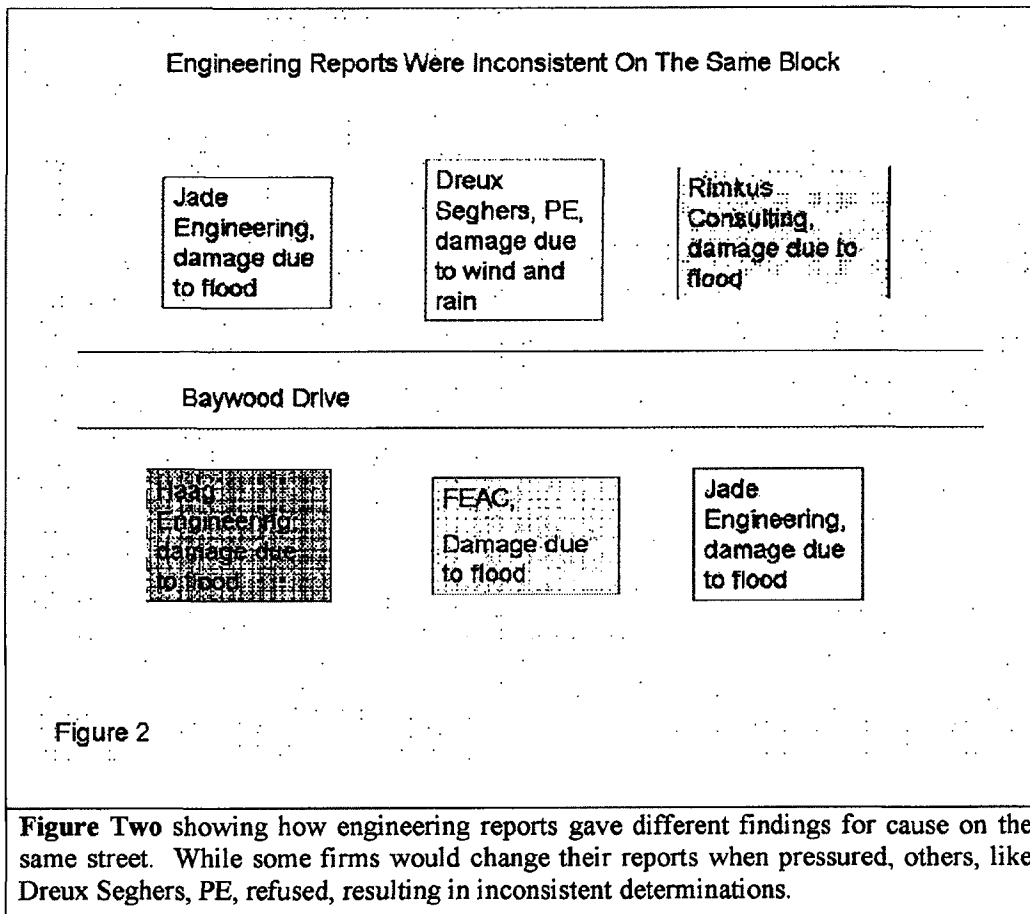
The immediate flaw in the “blanket engineering report” program became apparent within hours of the blanket engineering requests in Katrina. There was no coordination of how engineers (or even which firms) were assigned to claims.

At the outset, State Farm got a report from Haag Engineering that concluded that the majority of the damage in Mississippi was due to flood, and not to wind or rain. This conclusion was contained in a report, a copy of which is attached as an exhibit to this disclosure. That document became State Farm’s (and on information and belief, Nationwide, Allstate and USAA’s) bible when denying coverage under hurricane insurance on the basis of damage caused by flooding. Even though information copies were provided to the other consulting engineers, those engineers did not always adhere to the party line.

While Jade Engineering might take one house on a block, Haag might take another. Dreux Seghers might get the last house on the street. And while each of the engineering firms was provided with an analysis done by Haag⁸, individual engineers approached claims differently, relied on different information in reaching their results,

⁸ This “analysis” became State Farm’s bible and basis for denying the majority of the hurricane claims because it found that the majority of the damage was from flood, not from wind. This in spite of the fact that hurricane force winds preceded storm surge by at least five hours.

and frequently (in the case of honest firms like Dreux Seghers) reached the conclusion that the majority of the damage was caused not by flood but by wind. See Figure 1, below.



Alexis "Lecky" King from State Farm reached the conclusion that reports that differed substantially from those of Haag were to be considered suspect and were to be re-written or revised by the consulting engineer. She held bills and refused to pay them. While State Farm had routinely released engineering reports in the past to its policy

holders, King now gave direction that the reports were not to be shared.⁹ As noted earlier, scores of engineering reports were sent back to the engineers in order to get them re-written to coincide with State Farm's (and Lecky King's) view that these should all be flood damage claims.¹⁰

But the real flaw in the multiple engineer scenario manifested itself in case of Anna Vela. Vela is a Biloxi resident who lived on Baywood Drive and whose loss was first assigned to Dreux Seghers for analysis. The engineering analysis determined that the primary loss was due to wind damage. This was provided to Mark Drain at State Farm who passed it along to King for review. King told Drain that the engineer was "a moron" and directed him to "tell him to revise this." Shortly thereafter King left for a short time, and Drain had to make the determination, as a team manager, whether to pay the claim on the basis of the engineering report, or get a new report. He elected to pay the claim. State Farm paid out policy limits on the Vela claim.

Yet, other houses on the same street were determined by Haag, FAEC, and Exponent to be "flood" related, and those claims were paid only under a flood policy or denied.

In November the flaw was seen as what it was, a tool for inconsistent adjusting, and State Farm trainers David Haddock and Lisa Wachter directed adjusters not to get any further engineering reports on Slabs or Popsicle-Sticks. In addition, where

⁹ This was to prevent the situation where policy holders would get the initial report reflecting wind damage and rely on that before the "revised" report could be sent.

¹⁰ Relators have memory of seeing a stack of engineering reports on Lecky King's desk that was more than one foot tall. These reports concluded that there was not flood damage, and they needed to be dealt with by King, who would instruct adjusters not to pay the claim until a new report would be issued by the engineer. That is why King placed the note in the McIntosh file to the effect that the prior engineering report would not be paid for, and would not be discussed.

engineering reports had been requested, they sent a fax to the engineers directing them to cancel the request, send along the investigation materials and not write a report. If a report had already been written, they were directed to send it, as well. A copy of this facsimile is found at Exhibit C.

The Engineering Reports

As painstakingly documented above, engineering reports were solicited by blanket authorization, even though these reports would generate invoices from the engineers to the tune of \$1,500 to \$3,000.¹¹ State Farm apparently looked at it from the standpoint of preferring to pay \$1,500 to an engineer instead of paying \$200,000 to an insured. Attached as Exhibit A is the engineering roster from State Farm Insurance that shows the name of the engineer, the date the claim was assigned, the claim number, the address, the inspection date, and the date a report was received by State Farm.¹² As can be seen by the report, certain engineers had a very high percentage of cancelled reports.¹³ Seghers was hired on only 79 claims. 32 of those were cancelled or listed as never received or “peer reviewed.” Seghers, who refused to play ball with State Farm, had 40% of its assignments cancelled. Similarly Engineering Design and Testing, a firm that refused to play ball with State Farm, received only 39 assignments and had 10 cancelled

¹¹ . This was a win-win situation for State Farm. The engineering reports, where they concluded that the damage was caused by flood, saved State Farm thousands. Where the policy holder was lucky (or unlucky) enough to have flood coverage, the costs of the engineering report became a part of the flood claim adjustment costs and were passed along to the FIA through the NFIP's mechanism for paying adjusters.

¹² . In many cases the “date received” is inaccurate. Some of the reports were received, but not acknowledged. Others were cancelled.

¹³ Relators have heard that Dreux Seghers, PE, who is not named as a defendant in this action, was approached by State Farm to change reports. Seghers stood by his reports early on where he concluded the source of damage was wind. Seghers did not receive an assignment from State Farm after November 2005. Those assignments that he did receive in October and November were cancelled at a significantly higher rate than other engineering firms.

(25%). Exponent Failure Analysis, a firm that did engage in re-writing of reports at State Farm, had 214 assignments and only 17% of those were cancelled by State Farm. Similarly low cancellation rates will be present for the other engineering defendants in this case. See Exhibit A.

Lecky King, Rick Moore, or their designees and employees directed the engineering firms to change any report where the cause of the damage was not flood. At one point Relators were in a meeting with King who was reviewing engineering reports. She tossed one of the reports on to the center of the conference table and announced that the engineer must have known, or been related to, one of the persons on the street because the report did not conclude that the cause was flood. As such she said that this report would need to be re-written.

King would pull the reports that did not match her predetermined expectations of flood damage and would direct that they be revised. At one time the pile of reports that required revision was at least one foot tall. King and Moore sent an email (See Exhibit E.) that indicated to everyone that the original engineering reports were to be kept under lock and key, and that only she and Rick Moore had access to these reports.

Once the reports were re-written, the original reports were segregated and Relators believe that all original reports that were rewritten were or are in the process of being destroyed by State Farm at the direction of King and Moore.

State Farm, however, has an accounting system that tracks the reports and the dates assigned. The date an invoice was submitted is tracked along with the date paid. Since invoices were not paid until reports were re-written, a delay of more than 4 or five

days between the invoice and the payment would be indicative of a claim that was re-written to conform to the flood expectations.

Relators believe that Seghers, among others, would talk frankly with federal investigators about how he was essentially removed from assignments because he refused to re-write reports, as he has confessed this event to family members of the Relators.

The Adjustment Expenses

One of the many problems with the way the Flood Insurance Program is laid out is the requirement under the NFIP that "Write Your Own" ("WYO") insurance companies adjust the claims. Because the claims adjustment expenses (\$1,500 to \$3,000 for engineering reports and as much as \$9,000 for individual independent adjusters) are passed along to FEMA and the Flood Insurance Administrator (FIA) under the regulations governing the NFIP, the WYO companies have a double incentive to misallocate a loss to flood insurance. First, the responsibility to pay the claim is borne by the federal government. This reduces the burden on the defendant by reducing the amount of reserves required to pay the claims. Secondly, the adjustment expenses are allocated to the flood claim. State Farm and the other defendants are not only allowed to push off the fixed costs of the claim, but also are able to push off the adjustment expenses.

Because the adjustment expenses are borne by FEMA under the program, State Farm gave direction initially to the adjusters that if they calculated a flood insurance claim and did not "hit the limits" that they were to recalculate the claim until such time as they did "hit the limits." This is not simply a desire to be generous with someone else's

money, nor is it a desire to “be fair” to the policy holder. Instead, it is a concerted effort to maximize profits by maximizing the amount of the flood insurance claim. If minimal losses are attributable to a flood insurance policy (for example, a \$40,000 payment under flood insurance), the payment to State Farm for adjusting expenses is much smaller (\$750). If coverage is maximized (\$250,000 for structure and \$100,000 for contents) then the adjusting costs charged by the independent adjusting firms (\$7,000) are added to the costs of engineering reports (\$1,500 to \$3,000) and these costs, with some addition for overhead and other adjusting costs borne by State Farm, are all passed along to FEMA and the FIA. State Farm and other defendants make additional money by not only avoiding a charge against their reserves, but also by having all their claims adjustment expenses paid for by the federal government.

State Farm used a computer program called “XACT TOTAL” to calculate the flood claims and hit policy limits. The program permitted the agent to put in the square footage and amenities to “rebuild” the home. Adjusters were instructed to “hit the limits and if you haven’t hit the limits on flood, go back and do it again until you do.” The program was first developed for “slabs” but was later used for “cabanas” and other structures without total losses. One of the relators witnessed five houses where only four feet of mud was in the elevated house. There was no damage to roof, siding, and other structural elements. The house was submitted as a total flood loss (to hit the limits) using the XACT TOTAL software. State Farm continued this program until “Flood Calculator” was developed.

The Backdating of Policies

State Farm Agent Mike Myers was quoted by several individuals in the Biloxi area in the hours immediately after the storm as saying he did not have flood insurance. Within days this lack of insurance was transformed into a windfall by virtue of a backdated policy. Although relators do not have direct knowledge of how and when Myers was able to work the system to backdate flood coverage, it is known that Myers and several of his key clients and friends were able to get flood coverage in the days immediately after the storm.

Felicia Palmer is another Mississippi-based State Farm agent who did not have flood insurance and who suffered a complete loss on her business structures. She was not paid through State Farm for her loss. Myers, however, was able to get paid, even though he had told people he did not have flood insurance. Palmer is reported to be very angry. Relators believe that she will discuss the backdating allegations with investigators.

Relators also believe that the only way this could have been accomplished by Myers is if Myers has friends or associates in the Underwriting department of State Farm because the backdating of paperwork should ordinarily have raised red flags at State Farm and set off internal controls meant to catch exactly this type of situation.

Grant Money

As a response to the devastation of the Gulf Coast, Congress passed and the president signed in late 2005 a flood grant program. The program requires that a person have homeowners insurance, live in an area that is not a flood zone, and have structure losses due to a flood during Katrina.

The program will pay up to \$150,000 (reduced by amounts already paid from other sources) for damages to structures during Katrina.

During the course of its post-Katrina adjusting, State Farm has encouraged homeowners to apply for these grants, and has facilitated such action. In a recent case the homeowner was entitled to payments under both contents and structure coverage. In mediation, State Farm transferred funds from its "A" (structure) coverage to its "C" (contents) coverage so that the homeowner would be entitled to a larger amount of grant money. The homeowner would not have been entitled to the contents value ordinarily. The homeowner was entitled to more money under the structural coverage. By transferring money from the structure to the contents, State Farm colluded with its insured to allow the insured to submit a larger amount for the grant.

WHAT EVIDENCE EXISTS OF THE FRAUDULENT CONDUCT

Relators' Declarations

Relators have examined the complaint and have attested to the fact that the information in the complaint is true and accurate to the best of their information and belief. The information in this disclosure and in the Complaint is what the Relators would testify to if placed under oath.

Relators have a great deal of information, and have kept a journal of questionable happenings at State Farm since the inception of the Katrina event. They have a wealth of knowledge about the persons involved, and would be a good source for investigators to speak with about the underlying fraud.

Documents

Many of the documents involved in this fraud (especially the original engineering reports) have either been shredded or are going to be shredded in days absent quick and dispositive action from the United States Attorney's office.

There are locked filing cabinets in the offices of King and Moore which contain information that establishes the fraud. Individual defendants and, where applicable, witnesses (Seghers, for example) will likely testify to the "rewrite your report to get paid" scam that State Farm enforced against the engineers.

Original invoices generated by the billing and accounting systems of the individual engineering defendants will also support the fact that multiple reports were written. There are likely computer records that show that two reports were written. Individual employees of these engineering firms are also likely to be willing to testify to the pressure brought to bear on them to change engineering reports.

Computer Evidence

State Farm maintains distributed servers in Jacksonville, Florida and Birmingham, Alabama. Disaster servers are, on information and belief, located in Bloomington, IN, for backup purposes.

Servers in Birmingham are dedicated to adjusting claims in the Mississippi and Alabama areas, while Louisiana and Texas claims are adjusted out of Austin, TX, where yet another server exists.

Documents, photographs, claims logs, adjuster logs, computations and other data associated with the claim are maintained in State Farm's *CSR Reflections* software. *CSR* is a DOS-based computer program that State Farm still uses to track claims. Information about multiple reports and claims are likely documented in the hundreds of adjuster logs maintained on *CSR Reflections*. Search warrants or subpoenas should be directed to both the *CSR* system as well as the Outlook email system maintained and used with State Farm.

Relators have produced some emails, including those that are relevant to the fraud issues here. Additional emails between King and her superiors, as well as other State Farm management personnel, are likely to be dispositive with respect to the knowledge of superiors at State Farm regarding the scope of the fraud.

FEMA Flood Map

One of the more dispositive pieces of information in this case is the flood map put out by FEMA, the agency responsible for managing the Flood Insurance Program. Copies of that map show very small areas that were actually flooded during Katrina. In spite of this determination by the parent agency of the Flood Insurance Administrator, Katrina victims were denied coverage and were paid on flood insurance claims over a much wider area than FEMA determined to be flooded.

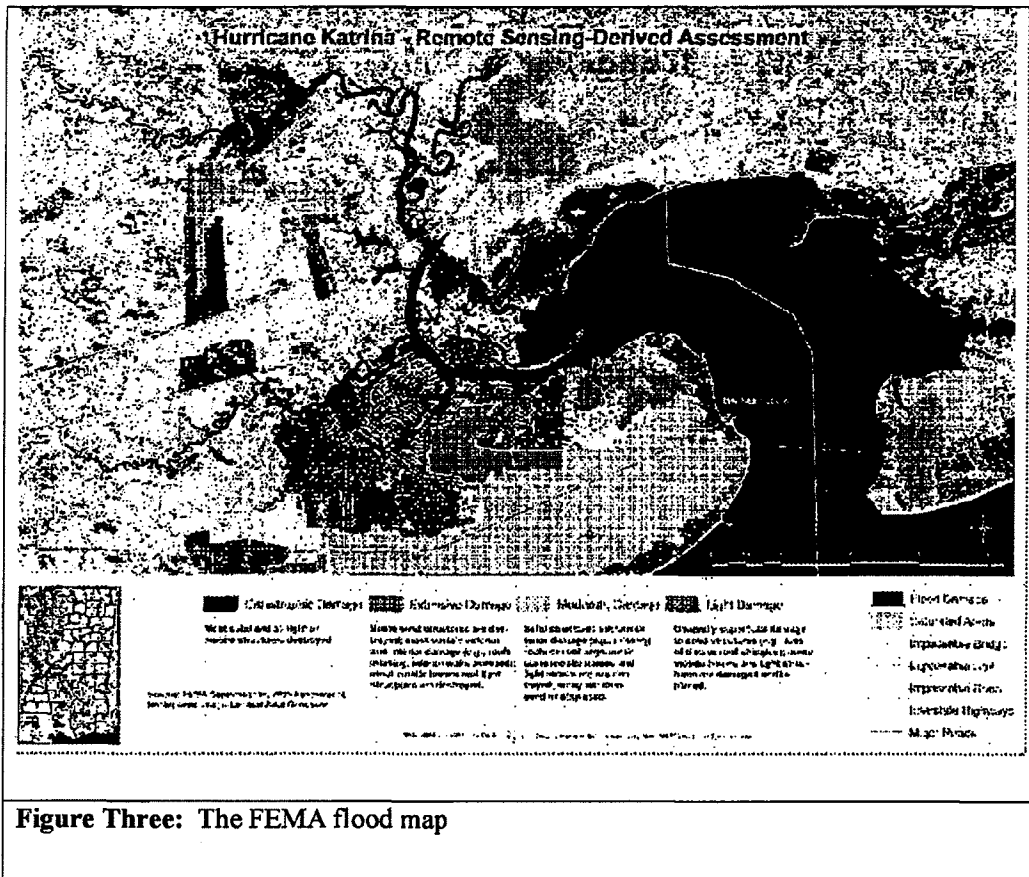


Figure Three: The FEMA flood map

DOCUMENTS AND EVIDENTIARY MATERIAL

The following documents and pieces of evidence are submitted with this disclosure.

Exhibit	Description
A	Engineers Roster – CAT Pl
B	Haag Report
C	Craig Balius Claim Forms
D	Balius Flood Claim Worksheet
E	Emails from State Farm regarding Engineering Reports
F	Other Emails from State Farm
G	Relators Declarations

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned certifies that on this 24th day of April, 2006, a copy of the foregoing Complaint and the required disclosure statement was served on the individuals below by first class mail, certified, return receipt requested to Dunn O. Lampton, US Attorney's Office, 188 E. Capitol St., Suite 500, Jackson, MS, 39201, and by placing the same in the United States Mail, first class postage affixed, certified, return receipt requested, and addressed to Alberto Gonzales, Esq., at the address below:

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Attorneys for Relators



STORY SLUG:20/20

PRODUCER: ABC NEWS

INTERVIEWERS: DEBORAH ROBERTS, JOHN STOSSEL

INTERVIEWEES:

ANNOUNCER, CARRIE BERGERON, PEGGY BERGERON, TIM BERGERON, BOB BROWN, SHARAD DESAI, SINDOOR DESAI, SUJEET DESAI, WAYNE DRINKWATER, ATTORNEY LYNN GOLD-BIKIN, PEGGY HORVATH, BILL HUBNER, BARBARA LAROSE, NORMAN LIPPITT, WESLEY MCFARLAND, DAVID MENDELSON, MINH NGUYEN, ENGINEER JAMES OVERSTREET, HINDU PREACHER, PRIEST, PROSECUTOR, RELATIVE, CORI RIGSBY, KERRI RIGSBY, BRIAN ROSS, CHRISTINA SCHILLING, SCIENTIST, DICKIE SCRUGGS, SPEAKER, ELIZABETH VARGAS, COMMERCIAL VOICEOVER

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INTERVIEW DATE: 08/25/2006

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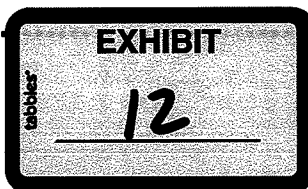


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INTERVIEWEES: ANNOUNCER, ATTORNEY LYNN GOLD-BIKIN, BARBARA LAROSE, BILL HUBNER, BOB BROWN, BRIAN ROSS, CARRIE BERGERON, CHRISTINA SCHILLING, COMMERCIAL VOICEOVER, CORI RIGSBY, DAVID MENDELSON, DEBORAH ROBERTS, DICKIE SCRUGGS, ELIZABETH VARGAS, ENGINEER JAMES OVERSTREET, HINDU PREACHER, JOHN STOSSEL, KERRI RIGSBY, MINH NGUYEN, NORMAN LIPPITT, PEGGY BERGERON, PEGGY HORVATH, PRIEST, PROSECUTOR, RELATIVE, SCIENTIST, SHARAD DESAI, SINDOOR DESAI, SPEAKER, SUJEET DESAI, TIM BERGERON, WAYNE DRINKWATER, WESLEY MCFARLAND

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TAPE NUMBER: 1

[SHOW: NMG]

[SLUG: INTRODUCTION]

[AIRDTE: 08/25/06]

[AIRTME: 22:00 - 23:00]

[ANCH: JOHN STOSSEL, DEBORAH ROBERTS]

[ANCHLOC: NEW YORK, NY USA]

[STORY: 20/20]

[CORR:]

[CORLOC:]

[TOPIC:]

[CONTENT: BLOWING IN THE WIND, A WOMAN SCORNED, LOVE CONQUERS ALL]

[1]22:00:02 ELIZABETH VARGAS (ABC NEWS)

Good evening, I'm Elizabeth Vargas.

[1]22:00:02 JOHN STOSSEL (ABC NEWS)

And I'm John Stossel.

[1]22:00:02 ELIZABETH VARGAS (ABC NEWS)

[And this is "20/20."

[1]22:00:05 ANNOUNCER

The hurricane destroyed their home. Then State Farm Insurance left them high and dry.

[1]22:00:11 WESLEY MCFARLAND (STATE FARM POLICYHOLDER)

She cried a little bit and she said well what are we going to do?

[1]22:00:15 ANNOUNCER

But should their claim have been paid?

[1]22:00:17 KERRI RIGSBY (FORMER STATE FARM EMPLOYEE)

A lot of people were cheated.

[1]22:00:19 BRIAN ROSS (ABC NEWS)

And this is more than just a simple mistake.

[1]22:00:21 KERRI RIGSBY (FORMER STATE FARM EMPLOYEE)
This was fraud, no question.

[GRAPHICS: BLOWING IN THE WIND]

[1]22:00:23 ANNOUNCER
Did State Farm deliberately leave American families blowing in the wind? And she was fresh out of college. He was a middle-aged millionaire. For 17 years, they were a couple, until one day...

[1]22:00:39 PEGGY HORVATH (BILL'S EX-GIRLFRIEND)
There was a fax in my machine from Bill, terminating me.

[1]22:00:44 ANNOUNCER
Dumped without a dime. So she decided to make him pay.

[1]22:00:49 PEGGY HORVATH (BILL'S EX-GIRLFRIEND)
Some people look at you as a gold digger.

[GRAPHICS: A WOMAN SCORNE]

[1]22:00:51 ANNOUNCER
Would the jury feel the pain of a woman scorned? Then, a young girl, striving to overcome limitations.

[1]22:01:02 CARRIE BERGERON (SUJEET'S WIFE)
I had a hole in my heart, jaundice, a big tongue, and a wobbly head.

[1]22:01:07 ANNOUNCER
Finds the man who makes her feel whole.

[1]22:01:09 SUJEET DESAI (CARRIE'S HUSBAND)
I call her my care bear.

[1]22:01:12 ANNOUNCER
Now two families must decide whether to let their children have the life they dream of.

[1]22:01:17 SHARAD DESAI (SUJEET'S FATHER)
Wedding? How could they get married? It's not possible.

[1]22:01:20 ANNOUNCER
Watch what happens when love conquers all.

[GRAPHICS: LOVE CONQUERS ALL]

[GRAPHICS: 20/20]

[EOF999]

[STORY: BLOWING IN THE WIND]

[STORY2: INSURANCE FRAUD]

[CORR: BRIAN ROSS]

[CORLOC: NEW YORK, NY USA]

[TOPIC:]

[CONTENT: HURRICANE KATRINA, STATE FARM INSURANCE, MISSISSIPPI, KERRI RIGSBY, INSURANCE ADJUSTER, WESLEY MCFARLAND, FEDERAL FLOOD INSURANCE PROGRAM]

[1]22:01:28 JOHN STOSSEL (ABC NEWS)

(OC) Good evening and welcome to "20/20." Deborah Roberts joins me because Elizabeth Vargas is on maternity leave. You've seen the commercials, like a good neighbor, State Farm is there. This giant insurance company spends millions to convince us that if something bad happens, like a storm that destroys your home, State Farm will be there to pay for rebuilding. But in the aftermath of last year's devastating hurricane, many people claim this so-called good neighbor acted quite badly.

[1]22:01:54 DEBORAH ROBERTS (ABC NEWS)

(OC) That's right, John. Tonight, you're going to hear from two former insurance adjusters who say that company systematically cheated many of its own customers to avoid paying to rebuild the homes of people who lost everything.

[GRAPHICS: BRIAN ROSS INVESTIGATES]

[1]22:02:08 DEBORAH ROBERTS (ABC NEWS)

(VO) Here's chief investigator correspondent Brian Ross with their claims of a good neighbor gone bad.

[1]22:02:16 CORI RIGSBY (FORMER STATE FARM EMPLOYEE)

Katrina was devastating. But so was State Farm.

[1]22:02:22 KERRI RIGSBY (FORMER STATE FARM EMPLOYEE)

A lot of people were cheated, a lot of people were cheated.

[1]22:02:26 CORI RIGSBY (FORMER STATE FARM EMPLOYEE)

They wanted people to know that we had arrived.

[1]22:02:27 BRIAN ROSS (ABC NEWS)

(VO) And these two sisters say they saw the cheating firsthand. As independent adjusters working exclusively for State Farm Insurance.

[1]22:02:37 BRIAN ROSS (ABC NEWS)

(OC) For all the world, you were State Farm.

[1]22:02:39 CORI RIGSBY (FORMER STATE FARM EMPLOYEE)

We are State Farm.

[1]22:02:40 BRIAN ROSS (ABC NEWS)

(VO) Tonight, Cori Rigsby and her younger sister, Kerri are speaking publicly for the first time about what they say went on inside the country's largest insurance company.

- [1]22:02:50 **CORI RIGSBY (FORMER STATE FARM EMPLOYEE)**
Until this storm, we were very proud to work with State Farm. We did believe they always did the right thing. We'd never seen any kind of activity like this.
- [1]22:02:58 **BRIAN ROSS (ABC NEWS)**
(VO) What they say they saw at State Farm's Katrina offices in Mississippi was supervisors demanding that damage reports be buried, replaced or changed so that insurance claims would not have to be paid.
- [1]22:03:10 **KERRI RIGSBY (FORMER STATE FARM EMPLOYEE)**
We realized this is widespread.
- [1]22:03:13 **BRIAN ROSS (ABC NEWS)**
(VO) This damage report, the sisters say, would have backed up a policyholder's claim, but it was hidden in a special file with instructions, "Do not pay bill. Do not discuss."
- [1]22:03:23 **CORI RIGSBY (FORMER STATE FARM EMPLOYEE)**
I consider this to be a smoking gun.
- [1]22:03:26 **BRIAN ROSS (ABC NEWS)**
(VO) At one point, they even took pictures of a special shredding truck. State Farm says it shreds documents to protect policyholder privacy. The sisters believe it was done to destroy key documents.
- [1]22:03:38 **KERRI RIGSBY (FORMER STATE FARM EMPLOYEE)**
We felt, I think, shocked, was at first. Because State Farm to put themselves out there for fraudulent activity like this is huge knowing that they could get caught.
- [1]22:03:48 **BRIAN ROSS (ABC NEWS)**
(VO) The Rigsby sisters' allegations, if proven, would support the suspicions of thousands of homeowners along the Mississippi Gulf Coast who have not been able to get the insurance money to rebuild their homes. State Farm covers almost a third of the homeowners in this area and in lawsuits, many accuse it and other insurance companies of wrongly denying or low-balling their claims.
- [1]22:04:09 **WESLEY MCFARLAND (STATE FARM POLICYHOLDER)**
It's cruel and it's fraud. And it's every damn thing bad I can think about it. This was the front porch, these statues.
- [1]22:04:20 **BRIAN ROSS (ABC NEWS)**
(VO) Retired doctor, Wesley McFarland says he was outraged to be told by the State Farm adjuster he would collect nothing for the total loss of his \$400,000 home where his family had lived for decades. Devastating news for him and especially for his wife, Rosemary.
- [1]22:04:37 **WESLEY MCFARLAND (STATE FARM POLICYHOLDER)**
And she just sat there and she cried a little bit and she said well, what are we gonna do?
- [1]22:04:48 **BRIAN ROSS (ABC NEWS)**
(VO) The Nguyens, refugees from Vietnam who scrimped and saved to make a home for their three children got the same devastating news from State Farm.
- [1]22:04:56 **MINH NGUYEN (MISSISSIPPI GULF COAST RESIDENT)**
When I was told they denied my claim, I came out here and I cried. I sat on this one right here and I cried until 3:30 in the morning.

[1]22:05:05

BRIAN ROSS (ABC NEWS)

(VO) Wind damage is supposed to be covered under State Farm policies. And during Katrina there were gusts up to 145 miles an hour. But water damage is not covered. The Rigsby sisters say what they discovered was that State Farm did whatever it could to find the damage was caused by water to avoid having to pay.

[1]22:05:23

BRIAN ROSS (ABC NEWS)

(OC) So as long as it's water damage...

[1]22:05:25

CORI RIGSBY (FORMER STATE FARM EMPLOYEE)

As long as it's water damage.

[1]22:05:25

BRIAN ROSS (ABC NEWS)

(OC) ...they're very happy.

[1]22:05:26

CORI RIGSBY (FORMER STATE FARM EMPLOYEE)

They're very happy.

[1]22:05:27

BRIAN ROSS (ABC NEWS)

(OC) But if it's wind damage, then everything changes. Then they're on the hook.

[1]22:05:30

CORI RIGSBY (FORMER STATE FARM EMPLOYEE)

Exactly.

[1]22:05:31

BRIAN ROSS (ABC NEWS)

(VO) The sisters say they saw a senior State Farm coordinator go to great lengths to pressure outside engineers to prepare reports concluding that damage was caused by water, not wind.

[1]22:05:42

CORI RIGSBY (FORMER STATE FARM EMPLOYEE)

And she pulled out an engineer report and she was flipping through it, can you believe this engineer said wind damage. "Call this company and tell them if they don't change their report, we're not paying their invoice."

[1]22:05:55

BRIAN ROSS (ABC NEWS)

(OC) So, you heard that?

[1]22:05:56

CORI RIGSBY (FORMER STATE FARM EMPLOYEE)

I was standing a foot from her.

[1]22:05:58

KERRI RIGSBY (FORMER STATE FARM EMPLOYEE)

And I believe she then followed up by saying look at all of these. And she had a stack of engineer reports...

[1]22:06:03

CORI RIGSBY (FORMER STATE FARM EMPLOYEE)

On her desk.

[1]22:06:04

KERRI RIGSBY (FORMER STATE FARM EMPLOYEE)

...on her desk and she said look at all these engineering reports that have to go back or have to be changed.

[1]22:06:11

BRIAN ROSS (ABC NEWS)

(VO) It took three engineering reports for State Farm to get one that concluded the wind's damage was caused by water. State Farm mistakenly sent her the first two, which both concluded wind damage was predominantly to blame.

[1]22:06:23

MINH NGUYEN (MISSISSIPPI GULF COAST RESIDENT)

They tried to cheat me. They tried to cheat me right here.

[1]22:06:27

BRIAN ROSS (ABC NEWS)

(VO) The Nguyens, now living in a trailer, have hired a lawyer to sue State Farm.

[GRAPHICS: CLIP FROM STATE FARM'S AD]

[1]22:06:33

COMMERCIAL VOICEOVER (FEMALE)

Whoever said calm comes after the storm probably had a State Farm agent.

[1]22:06:38

BRIAN ROSS (ABC NEWS)

(VO) In its commercials and slogans, State Farm has cultivated its image as the good neighbor.

[1]22:06:48

MINH NGUYEN (MISSISSIPPI GULF COAST RESIDENT)

They are not good neighbor and they're not our friend anymore. They are not.

[1]22:06:53

BRIAN ROSS (ABC NEWS)

(VO) But the company says it has paid more than a billion dollars in claims in Mississippi and denies cheating anyone.

[1]22:06:59

WAYNE DRINKWATER (LAWYER)

We have not been cheating. Of course, we have not been cheating.

[1]22:07:02

BRIAN ROSS (ABC NEWS)

(VO) Instead of a company official, State Farm provided a Mississippi lawyer, Wayne Drinkwater, who told me in advance, he had not been given the facts to answer many of our questions.

[1]22:07:13

WAYNE DRINKWATER (LAWYER)

Brian, I don't know what facts are behind that. I don't know what happened. Brian, I don't know the facts behind this case, as I have told you.

[1]22:07:20

BRIAN ROSS (ABC NEWS)

(VO) But State Farm's lawyers strongly denied the company demanded changes in engineering reports to harm policyholders.

[1]22:07:26

BRIAN ROSS (ABC NEWS)

(OC) They have put no pressure on the firms.

[1]22:07:28

WAYNE DRINKWATER (LAWYER)

To come to any kind of preset result, we do not do that.

[1]22:07:32

BRIAN ROSS (ABC NEWS)

(OC) You don't promise more work or take away work.

[1]22:07:34

WAYNE DRINKWATER (LAWYER)

Based on results of reports, we don't do that.

[1]22:07:37

BRIAN ROSS (ABC NEWS)

(OC) Because we're told by people who work for you, that's exactly what happened right here.

[1]22:07:41

WAYNE DRINKWATER (LAWYER)

Brian, that is not State Farm's policy. And as far as I know, we have no evidence that that has occurred.

[1]22:07:47

BRIAN ROSS (ABC NEWS)

(VO) But it's not just the Rigsby sisters who say something funny has happened with the engineering reports. Certified engineer, James "Ken" Overstreet says his report, about the cause of the damage to the house that once stood here, was secretly changed.

[1]22:08:01

ENGINEER JAMES OVERSTREET (CONSULTANT)

And now, when I came out here, there were just snapped trees everywhere. You know, just from the basis of that there's a percentage of wind damage to the house.

[1]22:08:08

BRIAN ROSS (ABC NEWS)

(VO) His initial report concluded the damage was caused, in large part, by the wind. But Overstreet says someone, apparently at the engineering firm wrote a new report for State Farm three months later changing the conclusions from wind to water and then signed his name without his knowledge or approval.

[1]22:08:26

BRIAN ROSS (ABC NEWS)

(OC) Is that your signature?

[1]22:08:28

ENGINEER JAMES OVERSTREET (CONSULTANT)

No, mine's a little different than that.

[1]22:08:30

BRIAN ROSS (ABC NEWS)

(OC) You didn't sign this?

[1]22:08:31

ENGINEER JAMES OVERSTREET (CONSULTANT)

No.

[1]22:08:31

BRIAN ROSS (ABC NEWS)

(OC) Did you write the words saying that it was rising waters and wind?

[1]22:08:35

ENGINEER JAMES OVERSTREET (CONSULTANT)

No, mine send wind. A combination of wind.

[1]22:08:39

BRIAN ROSS (ABC NEWS)

(OC) So somebody else wrote this and put your name to it?

[1]22:08:41

ENGINEER JAMES OVERSTREET (CONSULTANT)

That's what it appears.

[1]22:08:43

BRIAN ROSS (ABC NEWS)

(VO) The engineering firm denies being pressured and says it stands by the final report. The Rigsby sisters have now downloaded thousands of documents from State Farm computer files and turned them

and their own detailed statements over to Federal and state prosecutors and to Mississippi's best-known trial lawyer.

[1]22:09:02 **DICKIE SCRUGGS (MISSISSIPPI LAWYER)**

My eyes popped out with altered engineering reports and the systematic way, which they were going about treating homeowners.

[1]22:09:11 **BRIAN ROSS (ABC NEWS)**

(VO) Dickie Scruggs, the lawyer who took on the big tobacco companies is now taking on State Farm. And the Rigsby sisters' allegations are a big part of his lawsuits.

[1]22:09:21 **DICKIE SCRUGGS (MISSISSIPPI LAWYER)**

The Rigsby sisters, they know where the bodies are buried. They know who is who in that organization. They know how it works.

[1]22:09:29 **BRIAN ROSS (ABC NEWS)**

(OC) And do you think the sisters have evidence that goes to criminal behavior?

[1]22:09:32 **DICKIE SCRUGGS (MISSISSIPPI LAWYER)**

If this isn't criminal, nothing is.

[1]22:09:35 **BRIAN ROSS (ABC NEWS)**

(VO) State Farm's lawyer maintained he had never heard of the Rigsby sisters.

[1]22:09:39 **BRIAN ROSS (ABC NEWS)**

(OC) Are you familiar with them?

[1]22:09:40 **WAYNE DRINKWATER (LAWYER)**

I am not.

[1]22:09:41 **BRIAN ROSS (ABC NEWS)**

(OC) Is State Farm familiar with them?

[1]22:09:42 **WAYNE DRINKWATER (LAWYER)**

I do not know the answer to that.

[1]22:09:44 **BRIAN ROSS (ABC NEWS)**

(VO) The Rigsby sisters say that is hard to believe. They say they told State Farm and its lawyers that they had given prosecutors thousands of company documents.

[1]22:09:54 **KERRI RIGSBY (FORMER STATE FARM EMPLOYEE)**

And we said, "Okay, we just want to let you know right up front, this is what we've done. We believe there has been fraudulent activity and we've turned today over for investigation." And then we were suspended at that point.

[1]22:10:06 **BRIAN ROSS (ABC NEWS)**

(VO) For the Rigsby sisters, turning against State Farm was a big decision after working for the company for more than eight years. But it was when they came across the case of Dr McFarland that they decided they had no choice but to go to authorities.

- [1]22:10:20 **KERRI RIGSBY (FORMER STATE FARM EMPLOYEE)**
And I had to be the one to tell them that we would not pay them any money for their home.
- [1]22:10:25 **BRIAN ROSS (ABC NEWS)**
(OC) And you felt you were doing wrong?
- [1]22:10:27 **KERRI RIGSBY (FORMER STATE FARM EMPLOYEE)**
Oh, absolutely. It was gut wrenching. It was horrible. It was wrong and we were hurting him and we didn't have to.
- [1]22:10:38 **BRIAN ROSS (ABC NEWS)**
(VO) All Dr McFarland and his wife could do was collect from the limited Federal Flood Insurance Program. They were forced to live in a trailer just a few feet from where the family home once stood. Rosemary McFarland will never see their home rebuilt, she died this June.
- [1]22:10:53 **WESLEY MCFARLAND (STATE FARM POLICYHOLDER)**
That contributed to Rosemary's death.
- [1]22:10:56 **BRIAN ROSS (ABC NEWS)**
(OC) How so?
- [1]22:10:57 **WESLEY MCFARLAND (STATE FARM POLICYHOLDER)**
Because she started going down. Everybody suffered almost a morbid depression. They are depressed.
- [1]22:11:06 **BRIAN ROSS (ABC NEWS)**
(OC) You blame State Farm?
- [1]22:11:08 **WESLEY MCFARLAND (STATE FARM POLICYHOLDER)**
Yeah. They haven't gotten any money from their insurance that they thought they had. Which would have put them back in to their lives.
- [1]22:11:17 **JOHN STOSSEL (ABC NEWS)**
(OC) In response to our story, State Farm says it's launched an independent investigation into the allegations made by Cori and Kerri Rigsby. Brian Ross's report is just the first of an unprecedented weeklong ABC series called "Hurricane Katrina: Where Things Stand." It will continue all weekend and next week on ABC News programs. ABCNEWS.com will have constant coverage of the one-year anniversary of Hurricane Katrina. We'll be right back.
- [1]22:11:46 **ANNOUNCER**
When "20/20" returns, she graduated from college. Then her real education began, running the business and sharing the bed of a very rich man. But when he wanted out, she says things got ugly.
- [1]22:11:59 **DEBORAH ROBERTS (ABC NEWS)**
(OC) Did he call you a slut and a whore?
- [1]22:12:01 **PEGGY HORVATH (BILL'S EX-GIRLFRIEND)**
Oh, God.
- [1]22:12:03 **ANNOUNCER**
Would he pay for those words in court? Next.

[COMMERCIAL BREAK]

[EOF999]

[STORY: A WOMAN SCORNED]

[STORY2: PALIMONY PROTECTED]

[CORR: DEBORAH ROBERTS]

[CORLOC: NEW YORK, NY USA]

[TOPIC:]

[CONTENT: PEGGY HORVATH, BILL HUBNER]

[1]22:15:47

DEBORAH ROBERTS (ABC NEWS)

(OC) You know the expression, breaking up is so hard to do. And what the woman you're about to meet did may complicate it further for couples who live together without being married. Tonight, we revisit the story of a woman scorned. She fell for a richer, older man who, she says, made her all kinds of promises. But years later, she tells us, when he had his fill of her, he tossed her out without money. So she got mad and got even.

[1]22:16:16

BILL HUBNER (PEGGY'S EX-GIRLFRIEND)

What is that?

[1]22:16:17

PEGGY HORVATH (BILL'S EX-GIRLFRIEND)

The good life.

[1]22:16:17

BILL HUBNER (PEGGY'S EX-GIRLFRIEND)

Oh.

[1]22:16:20

PEGGY HORVATH (BILL'S EX-GIRLFRIEND)

I was fascinated and he was very powerful. And he had a way of looking at you and making you think that nobody was on the Earth but you.

[1]22:16:30

SPEAKER (FEMALE)

She's very much in love with him, very much swept away by their lifestyle, the private jet, the Hollywood types that they would rub elbows with.

[1]22:16:39

NORMAN LIPPITT (PEGGY'S ATTORNEY)

I mean, this is lifestyles' of the rich and famous, but you get a chance to live it. And while it was enticing at the beginning, it became all encompassing.

[1]22:16:48

DEBORAH ROBERTS (ABC NEWS)

(VO) It was a life that once belonged to Peggy Horvath. For 17 years, she was the lover, companion, and she says, employee of a powerful businessman, Bill Hubner. Wealthy beyond imagination, Hubner built a half billion-dollar fitness empire and collected lavish homes all over the country. Their story is a surprising example of what can happen when an ultra rich couple, who never marry, split up and go separate ways. Long before the bitterness, it was all so magical. With a love affair that began in August

of 1983. Peggy, then a 22-year-old impressionable college senior was at a party when she first met Hubner, a 49-year-old master of the universe, living in Beverly Hills.

[1]22:17:40 PEGGY HORVATH (BILL'S EX-GIRLFRIEND)
He said to me, "Would you like to go to lunch?" And I said well, "Yes, that would be fine." And I said, "Where are we going?" And he said well, "How about Lake Tahoe?" And he had his private jet come and he and I flew up to Lake Tahoe. I would say that he swept me off my feet.

[1]22:18:00 DEBORAH ROBERTS (ABC NEWS)
(VO) Although Bill Hubner was 27 years her senior, the romance blossomed. Charming and persuasive, he soon asked Peggy to move in with him. After graduating from college, she put her dreams of law school on hold and moved to California with the man who had stolen her heart.

[1]22:18:19 PEGGY HORVATH (BILL'S EX-GIRLFRIEND)
He just said, "You've been to the University of Michigan, now you're going to be in Hubner U."

[1]22:18:24 DEBORAH ROBERTS (ABC NEWS)
(OC) Hubner U?

[1]22:18:25 PEGGY HORVATH (BILL'S EX-GIRLFRIEND)
Hubner University, that is what he called it.

[1]22:18:26 DEBORAH ROBERTS (ABC NEWS)
(OC) He said that?

[1]22:18:27 PEGGY HORVATH (BILL'S EX-GIRLFRIEND)
Oh, yes, yes.

[1]22:18:29 DEBORAH ROBERTS (ABC NEWS)
(VO) Peggy was soon swept up in a life she'd only read about. Jetting around the world first class to all the trendy hot spots. Partying on Bill's 130-foot yacht, and dining in only the finest restaurants.

[1]22:18:43 DEBORAH ROBERTS (ABC NEWS)
(OC) Were you seduced by the lifestyle?

[1]22:18:45 PEGGY HORVATH (BILL'S EX-GIRLFRIEND)
Well, I was seduced by the - I think, I was seduced by Bill?

[1]22:18:52 DEBORAH ROBERTS (ABC NEWS)
(VO) This small town girl from Michigan was now socializing with Arnold Schwarzenegger, Chuck Norris, and the first President George Bush. She even had a private audience with Pope John Paul II. But as she reached her mid 20's, Peggy gradually began to worry about her future. Bill had twice been divorced. He had four grown children and there was no talk of marriage.

[1]22:19:17 PEGGY HORVATH (BILL'S EX-GIRLFRIEND)
He said, "You do not have to worry about that. I mean, you just keep doing what you're doing as if we were married."

[1]22:19:24 DEBORAH ROBERTS (ABC NEWS)
(OC) Did you buy that?

[1]22:19:25 PEGGY HORVATH (BILL'S EX-GIRLFRIEND)

Absolutely. I believed him. In fact, we shook hands.

[1]22:19:29 DEBORAH ROBERTS (ABC NEWS)

(OC) Shook hands?

[1]22:19:30 PEGGY HORVATH (BILL'S EX-GIRLFRIEND)

Yes, Bill initiated it. It was very formal. I had complete and total faith in him.

[1]22:19:36 DEBORAH ROBERTS (ABC NEWS)

(VO) And she says, Bill even told her that he had put aside an incredible amount of money for her. Barbara Larose, one of Bill and Peggy's dearest friends say, she was astonished when she heard him make the promise.

[1]22:19:48 BARBARA LAROSE (PEGGY AND BILL'S FRIEND)

He said, Peg has her own safety deposit box. It's in only her name, and she has \$3 million.

[1]22:19:59 DEBORAH ROBERTS (ABC NEWS)

(OC) And what did you make of that?

[1]22:20:00 BARBARA LAROSE (PEGGY AND BILL'S FRIEND)

He was serious, dead serious.

[1]22:20:04 DEBORAH ROBERTS (ABC NEWS)

(VO) Peggy thought so, too. She says, she stopped worrying about marriage and immersed herself in the life they were building.

[1]22:20:12 BILL HUBNER (PEGGY'S EX-GIRLFRIEND)

Okay, are we done?

[1]22:20:14 DEBORAH ROBERTS (ABC NEWS)

(VO) Playing the role of corporate wife. But gradually, their relationship began to change. Peggy says, there was a darker side to Bill.

[1]22:20:24 PEGGY HORVATH (BILL'S EX-GIRLFRIEND)

You know, we would get ready to go and he would review the outfit, and just, get out of those shoes, you can't wear that. Take those shoes off. He wouldn't have to give a reason, it's just, Bill was very commanding.

[1]22:20:37 DEBORAH ROBERTS (ABC NEWS)

(VO) Did he tell you that he loved you?

[1]22:20:39 PEGGY HORVATH (BILL'S EX-GIRLFRIEND)

Well, no, not - I think, maybe. He very rarely said those words.

[1]22:20:45 DEBORAH ROBERTS (ABC NEWS)

(VO) Now, over 30 and still madly in love with Bill, Peggy was willing to accept their relationship on his terms. Nearly 10 years after their whirlwind courtship, Peggy says, he was now treating her more like an employee than a girlfriend.

- [1]22:21:02 PEGGY HORVATH (BILL'S EX-GIRLFRIEND)
I would say, I was personal assistant, concierge, household property manager, decorator, and I did later become vice president of travel and luggage, which is his travel agency that he owns.
- [1]22:21:14 DEBORAH ROBERTS (ABC NEWS)
(OC) He actually gave you the title, vice president?
- [1]22:21:16 PEGGY HORVATH (BILL'S EX-GIRLFRIEND)
Yes, I had the business cards. It was a bona fide profession.
- [1]22:21:21 DEBORAH ROBERTS (ABC NEWS)
(VO) Peggy says, she was now supervising every detail of Bill Hubner's life, right down to preparing every meal.
- [1]22:21:29 DEBORAH ROBERTS (ABC NEWS)
(OC) And if you didn't get it exactly right?
- [1]22:21:32 PEGGY HORVATH (BILL'S EX-GIRLFRIEND)
Well, it depend on his mood. I never knew how he was gonna react.
- [1]22:21:36 DEBORAH ROBERTS (ABC NEWS)
(VO) What was the worst thing that he said?
- [1]22:21:40 PEGGY HORVATH (BILL'S EX-GIRLFRIEND)
He did say, ignorant, or untrainable, other things that I, I don't wanna really replay.
- [1]22:21:48 DEBORAH ROBERTS (ABC NEWS)
(OC) Did he call you a slut and a whore?
- [1]22:21:51 PEGGY HORVATH (BILL'S EX-GIRLFRIEND)
Oh, God. He called me those things at times, yeah.
- [1]22:21:57 DEBORAH ROBERTS (ABC NEWS)
(VO) Then in the winter of 2000, Peggy says, the cruelty became unbearable, when she discovered she had cervical cancer.
- [1]22:22:07 DEBORAH ROBERTS (ABC NEWS)
(OC) Was Bill comforting when you became ill?
- [1]22:22:10 PEGGY HORVATH (BILL'S EX-GIRLFRIEND)
He was very psychologically abusive to me.
- [1]22:22:13 DEBORAH ROBERTS (ABC NEWS)
(VO) In what ways?
- [1]22:22:14 PEGGY HORVATH (BILL'S EX-GIRLFRIEND)
Just going into tirades and, and with no warning, yelling, and screaming, and not talking to me. Just isolating me for days. And I just remember, you know, being totally humiliated.

[1]22:22:29

DEBORAH ROBERTS (ABC NEWS)

(VO) Peggy and Bill soon separated. He moved her out of his spacious homes and into a tiny apartment in Birmingham, Michigan near her hometown. Still, she continued to work as his assistant, a job she desperately needed. Then, one day, another shocker.

[1]22:22:48

PEGGY HORVATH (BILL'S EX-GIRLFRIEND)

When I got home late that evening, there was a fax in my machine from Bill terminating me. His exact words were effective December 31st, '01, the compensation will stop.

[1]22:23:03

DEBORAH ROBERTS (ABC NEWS)

(VO) Peggy was left with no money, no job, and no future. She says Bill had broken his promise to take care of her financially. Refusing her the \$3 million he swore he had set aside for her.

[1]22:23:18

PEGGY HORVATH (BILL'S EX-GIRLFRIEND)

He said, "Do not call me. Do not contact me any longer. We will be in litigation." And here I thought we had this agreement. I mean, none of it made any sense.

[1]22:23:30

DEBORAH ROBERTS (ABC NEWS)

(VO) Having nowhere to turn, Peggy, now nearing 40, hired a team of lawyers to take on her powerful boyfriend. Since there is no palimony law in Michigan, no law governing splitting of assets for unmarried couples, Peggy went after Bill for breach of contract under Michigan case law, on nontraditional, and non-marriage relationships.

[1]22:23:54

BILL HUBNER (PEGGY'S EX-GIRLFRIEND)

I never had a discussion with her or anyone else about that she would ever be taken care of.

[1]22:24:02

DEBORAH ROBERTS (ABC NEWS)

(VO) But Bill Hubner tells a different story. He declined our repeated request for an interview for this report, citing ongoing litigation. But during several days of taped depositions, he steadfastly denied any arrangement with Peggy.

[1]22:24:17

PROSECUTOR (MALE)

Never promised to pay her or take care of her or do anything like that.

[1]22:24:20

BILL HUBNER (PEGGY'S EX-GIRLFRIEND)

No.

[1]22:24:21

PROSECUTOR (MALE)

Words never came out of your mouth that you take care of her. Don't worry about it.

[1]22:24:23

BILL HUBNER (PEGGY'S EX-GIRLFRIEND)

Never, never, never.

[1]22:24:26

DEBORAH ROBERTS (ABC NEWS)

(VO) In fact, he insists that Peggy was simply a girlfriend who never worked for him.

[1]22:24:31

PROSECUTOR (MALE)

Was she required to help entertain guests?

[1]22:24:35

BILL HUBNER (PEGGY'S EX-GIRLFRIEND)

She was not required to entertain guests.

[1]22:24:38 PROSECUTOR (MALE)
Is that one of her, part of her tasks and services that she performed on your behalf?

[1]22:24:42 BILL HUBNER (PEGGY'S EX-GIRLFRIEND)
No. She was there while guests were at the house and she was my girlfriend, and she did what normally would take place.

[1]22:24:53 DEBORAH ROBERTS (ABC NEWS)
(VO) During the trial, Hubner insisted he never verbally abused Peggy. His family painted her as a money hungry younger woman. But she hit him with a bombshell. More than 40,000 pages of documents, receipts, invoices, telephone records, outlining her duties in Bill's business. Proof that she was far more than just his girlfriend. David Mendelson and Norman Lippitt are two of Peggy's attorneys.

[1]22:25:19 DEBORAH ROBERTS (ABC NEWS)
(OC) So what would it have taken him for this not have gone to trial?

[1]22:25:24 DAVID MENDELSON (PEGGY'S ATTORNEY)
I think he could, he could have just about offered her anything, as long as he was kind to her and she would have accepted it.

[1]22:25:32 DEBORAH ROBERTS (ABC NEWS)
(OC) Why didn't he just do that?

[1]22:25:34 NORMAN LIPPITT (PEGGY'S ATTORNEY)
My opinion on that would be that it's like everything else in Mr. Huber's life. It's not about what's right and what's wrong, it's about winning and losing.

[1]22:25:44 DEBORAH ROBERTS (ABC NEWS)
(VO) After two weeks in court, a jury found Bill Hubner liable for an astounding \$10 million plus the apartment Peggy was living in and all her legal bills, one of the largest awards ever in a case like this. Hubner appealed the decision. Attorney Lynn Gold-Bikin is an expert on family law.

[1]22:26:05 ATTORNEY LYNN GOLD-BIKIN (FAMILY LAW EXPERT)
If this case prevails, if she wins all the way up, it gives us guidance as to what we can in the future to people who fall into the trap of believing that someone will take care of them forever without that little piece of paper.

[1]22:26:19 DEBORAH ROBERTS (ABC NEWS)
(VO) But the case never went through the appeals process. Since our report first aired, Bill Hubner settled out of court with Peggy for an undisclosed portion of the money and assets the jury awarded.

[1]22:26:31 DEBORAH ROBERTS (ABC NEWS)
(OC) Some people look at you as a gold digger.

[1]22:26:35 PEGGY HORVATH (BILL'S EX-GIRLFRIEND)
I embraced his lifestyle because I loved him. It had nothing to do with the physical relationship we had or the personal relationship we had. It had to do with an agreement that was a business agreement.

[1]22:26:51 DEBORAH ROBERTS (ABC NEWS)
(VO) As Peggy begins to rebuild her life, she's hopeful that her story will help others who abandon their dreams of a career and marriage, only to be left alone with nothing in the bank.

[1]22:27:04 DEBORAH ROBERTS (ABC NEWS)
(VO) Will you regain the Peggy that you used to be?

[1]22:27:09 PEGGY HORVATH (BILL'S EX-GIRLFRIEND)
I, I don't know. I am damaged. But I would never have recovered if I couldn't somehow stand up to Bill. And so, there is hope that you can come out of an abusive situation and actually come out on top.

[1]22:27:33 ANNOUNCER
Growing up in a world full of you can't, two young lovers fight to say "I do."

[1]22:27:39 CARRIE BERGERON (SUJEET'S WIFE)
If you really love somebody never, ever quit.

[1]22:27:47 ANNOUNCER
Next.

[COMMERCIAL BREAK]

[EOF999]

[STORY: WHEN LOVE CONQUERS ALL]

[STORY2: AFTER A LIFE OF HEARING "YOU CAN'T," YOUNG COUPLE SAYS, "I DO"]

[CORR: BOB BROWN]

[CORLOC: NEW YORK, NY USA]

[TOPIC:]

[CONTENT: DOWN SYNDROME, SUJEET DESAI, CARRIE BERGERON]

[1]22:31:36 JOHN STOSSEL (ABC NEWS)
(OC) Every walk down the aisle has twists and turns, the planning, the in-laws - even the occasional second thoughts can chill the feet. But tonight, you'll meet a most unlikely couple whose heart-warming journey to the altar may renew your faith in the idea that love really can conquer all. Here's Bob Brown.

[1]22:32:03 BOB BROWN (ABC NEWS)
(VO) The world hasn't seen many marriages like the one that was prepared for Carrie Bergeron, and her fiancé Sujeet Desai. They would have two weddings, Hindu and Christian, so the plan went, and two magical celebrations. But, more importantly, they were bringing their families, a community, their religions and a cause along with them, a cause that could have kept them apart.

[1]22:32:26 CARRIE BERGERON (SUJEET'S WIFE)
I had a hole in my heart, jaundice, a big tongue and a wobbly head. As I got older, I also realized that I am a slow learner.

[1]22:32:36 BOB BROWN (ABC NEWS)
(VO) Carrie Bergeron is 29 years old, a young woman with Down syndrome. Technically, it means she was born with an extra copy of a chromosome in her genetic make-up that causes people with Down syndrome to have learning disabilities that can be mild or severe. Heart defects are common. There are

also physical symptoms such as an enlarged tongue that can cause words to sound slurred and extra folds of skin under the eyes. Doctors used to describe that condition with a brutal term, mongolism, and recommend that children like Carrie be institutionalized. But Carrie's parents sought care for her from the beginning.

[1]22:33:15 **PEGGY BERGERON (CARRIE'S MOTHER)**

We had therapists and speech pathologists, and people coming in constantly. They would come every week, two hours a week to work with us. So, developmentally, we always knew where she was.

[1]22:33:29 **BOB BROWN (ABC NEWS)**

(VO) Despite being a slow learner, Carrie grew up to speak as an advocate for people with Down syndrome. She earned a certificate as a teacher's assistant. And she works as a volunteer aide in this day care classroom at the New Discoveries Learning Center in New York. But in her teens, she knew there was something missing, and so did her mother.

[1]22:33:49 **PEGGY BERGERON (CARRIE'S MOTHER)**

When she was about 15, I really noticed the loneliness. It was looming big time. And I just could see, when her sisters or her brother went off with friends, it was just the look in her eyes as if to say, "I wish I could do that."

[1]22:34:07 **CARRIE BERGERON (SUJEET'S WIFE)**

I was very lonely, because my friends, they don't have any special needs, and they can do things that I couldn't do. Like having a job, and sports, and also hanging out with their boyfriends and girlfriends. And I was very lonely, because I didn't have anyone.

[1]22:34:38 **BOB BROWN (ABC NEWS)**

(VO) Life changed in unexpected ways when Carrie met this 25-year-old man. He is Sujee Desai, who also was born with Down syndrome. His parents both work as dentists in upstate New York. It took a long time for Sujee, as a child, to learn the right words to express himself. But his parents found that music helped stimulate him. And although he struggled, he learned, and now plays six instruments.

[1]22:35:04 **SINDOOR DESAI (SUJEET'S MOTHER)**

He was slow and steady, and he loved it. And that's why he learned it.

[1]22:35:12 **BOB BROWN (ABC NEWS)**

(VO) He also entertains in nursing homes and events for people with Down syndrome. And when he encountered Carrie Bergeron at a National Down Syndrome Conference in Pittsburgh, it was love at first sight.

[1]22:35:23 **SUJEET DESAI (CARRIE'S HUSBAND)**

I said to my parents, "This is the girl that I really want to date, and to have someone in my life."

[1]22:35:32 **BOB BROWN (ABC NEWS)**

(OC) Do you have a special name for her?

[1]22:35:34 **SUJEET DESAI (CARRIE'S HUSBAND)**

Actually, yes. I call her "care bear."

[1]22:35:39 **CARRIE BERGERON (SUJEET'S WIFE)**

And when he calls me "care bear," I feel so different and so special. I feel like someone really cares about me and loves me and wants to be with me my whole life long.

- [1]22:35:59 **BOB BROWN (ABC NEWS)**
(VO) Sujeet and Carrie began dating. Supervised first by their parents, and also by aides for people with Down syndrome, such as Christina Schilling.
- [1]22:36:08 **CHRISTINA SCHILLING (INDEPENDENT LIVING SKILLS AIDE)**
We'll have a couple more minutes, okay, guys.
- [1]22:36:10 **BOB BROWN (ABC NEWS)**
(VO) What took their families completely off guard was when these two young people who needed others to drive them, to help them count money and prepare food, began to consider the idea of marriage.
- [1]22:36:21 **TIM BERGERON (CARRIE'S FATHER)**
My biggest concern was like in the middle of the night, the lights go out or there's a thunderstorm and they get somewhat panicked, you know, who do they call who is more or less next door or nearby?
- [1]22:36:34 **SHARAD DESAI (SUJEET'S FATHER)**
And I said, "Come on, you know, wedding? How could they get married, you know? It's not possible."
- [1]22:36:41 **PEGGY BERGERON (CARRIE'S MOTHER)**
I think just taking on the responsibility of being a wife full-time, I mean, to cook meals every night and, you know, when something comes up that there's a little problem having to work it through, as we all do in all of our marriages.
- [1]22:36:58 **BOB BROWN (ABC NEWS)**
(VO) But here's the other side of the story, people like Christina Schilling are part of a network of services that are provided to people with Down syndrome to help them schedule their days and live more independently.
- [1]22:37:09 **CHRISTINA SCHILLING (INDEPENDENT LIVING SKILLS AIDE)**
So, that would be volunteering, right?
- [1]22:37:13 **BOB BROWN (ABC NEWS)**
(VO) Carrie and Sujeet both receive social security, as well. And everyone wanted to come together to do their best for the couple, to make a plan so they could marry.
- [1]22:37:23 **CHRISTINA SCHILLING (INDEPENDENT LIVING SKILLS AIDE)**
A lot of scheduling between myself and Sujeet's support workers, just trying to match the schedules and maybe have some overlapping periods.
- [1]22:37:31 **SHARAD DESAI (SUJEET'S FATHER)**
So, somebody would help them kind of plan the menu, help them kind of cook. And once that's done, they'll be on their own through the night until the next morning.
- [1]22:37:45 **BOB BROWN (ABC NEWS)**
(VO) Those decisions created a priceless moment at a musical show for a Down syndrome group. Sujeet, performing as the phantom of the opera, brought Carrie, who was unaware of what was about to happen, onto the stage.
- [1]22:37:59 **CARRIE BERGERON (SUJEET'S WIFE)**
He took my hand and he pulled me up on stage, and we got to dancing (sic) together.

- [1]22:38:07 **TIM BERGERON (CARRIE'S FATHER)**
And Carrie has no idea why she's going up on stage. She just thinks it's (sic) part of the performance.
- [1]22:38:14 **CARRIE BERGERON (SUJEET'S WIFE)**
And then, he got down on his knee, and I said "Oh, boy."
- [1]22:38:23 **SUJEET DESAI (CARRIE'S HUSBAND)**
And I said. "Carrie Bergeron, I love you so much. I always do, and will you marry me?"
- [1]22:38:34 **CARRIE BERGERON (SUJEET'S WIFE)**
Yes.
- [1]22:38:39 **CARRIE BERGERON (SUJEET'S WIFE)**
And then, I started shaking and crying with happy tears. All I knew was that I was in love with him. I just wanted to hug him and kiss him on the cheeks and everything. And then, he gave me a kiss on the lips, and it was just magical. It was just wow. I was like on cloud nine.
- [1]22:39:00 **BOB BROWN (ABC NEWS)**
(VO) On their own excursions, including trips on a rowboat on a lake behind the Desai's house, they were, in a very real sense, escaping into uncharted waters. It is rare for people with Down syndrome to marry. Carrie loved pretending they were on the "Titanic," the way it was in the movies.
- [1]22:39:19 **CARRIE BERGERON (SUJEET'S WIFE)**
I'm so glad I'm with you, Jack.
- [1]22:39:22 **SUJEET DESAI (CARRIE'S HUSBAND)**
I'm not gonna leave you.
- [1]22:39:25 **BOB BROWN (ABC NEWS)**
(VO) The question of children was settled by Carrie's decision to undergo a surgical procedure to prevent conception since the likelihood of having a Down syndrome child would be high, and it would be virtually impossible for Carrie and Sujeet to care for a child on their own.
- [1]22:39:41 **CARRIE BERGERON (SUJEET'S WIFE)**
Children is (sic) a big responsibility, and we just have to be responsible for ourselves, really.
- [1]22:39:50 **SUJEET DESAI (CARRIE'S HUSBAND)**
I love you.
- [1]22:39:51 **CARRIE BERGERON (SUJEET'S WIFE)**
I love you, too.
- [1]22:39:53 **BOB BROWN (ABC NEWS)**
(VO) Carrie and Sujeet were distinctly aware of their parents' nervousness about the wedding. And in midsummer, with the event only weeks away, took a private moment to put their heads together and pray for the best.
- [1]22:40:05 **SUJEET DESAI (CARRIE'S HUSBAND)**
I love my parents, Carrie loves her parents, everything's gonna go perfect. God, oh, God, we know that we are gonna do it.

[1]22:40:18 **BOB BROWN (ABC NEWS)**
(VO) One thing, amidst all the preparations, all the unusual circumstances, was out of everyone's hands. And that was the circumstance involving life and death that could have been devastating to the ceremonies they dreamed of.

[1]22:40:37 **ANNOUNCER**
Experts told her parents she would never be able to live on her own. Now, she's about to be married. But would her loving father be there to walk her down the aisle?

[1]22:40:47 **TIM BERGERON (CARRIE'S FATHER)**
She wasn't too sure if I'd be able to carry her like a proud papa.

[1]22:40:53 **ANNOUNCER**
Next.

[COMMERCIAL BREAK]

[1]22:43:15 **ANNOUNCER**
Two loving families, brought together by a marriage neither thought possible.

[1]22:43:20 **PEGGY BERGERON (CARRIE'S MOTHER)**
And I'm gonna have to let go.

[1]22:43:24 **ANNOUNCER**
Can true love get them past the obstacles on the path down the aisle? When "20/20" continues after this from our ABC stations.

[COMMERCIAL BREAK]

[1]22:45:28 **ANNOUNCER**
"20/20" continues, with Bob Brown.

[1]22:45:36 **BOB BROWN (ABC NEWS)**
(VO) Carrie Bergeron and Sujeet Desai were getting married twice. In a Hindu ceremony and a Christian ceremony on separate days. For each, Carrie was dressed and treated like a princess.

[1]22:45:54 **SINDOOR DESAI (SUJEET'S MOTHER)**
You are now the bride to be.

[1]22:46:01 **BOB BROWN (ABC NEWS)**
(VO) And she received the traditional design in henna auspicious for the bride on her hands.

[1]22:46:09 **RELATIVE (FEMALE)**
He's right back there.

[1]22:46:11 **BOB BROWN (ABC NEWS)**
(VO) Kept apart from each other by tradition on their wedding day, they found ways of communicating nevertheless.

- [1]22:46:19 **RELATIVE (FEMALE)**
The love that they have, it's just so untainted. I mean, a lot of, especially adult relationships are very full of, you know, pretense and manipulation. And with them, it's just not. It's just true, and it's just exactly what it is. It's just beautiful, it really is.
- [1]22:46:37 **BOB BROWN (ABC NEWS)**
(VO) Sujeet, on the day of the Hindu wedding, was still worried that his parents might be troubled by the decision he had made to marry.
- [1]22:46:44 **SUJEET DESAI (CARRIE'S HUSBAND)**
Just love me, okay?
- [1]22:46:46 **SINDOOR DESAI (SUJEET'S MOTHER)**
Okay.
- [1]22:46:48 **BOB BROWN (ABC NEWS)**
(VO) To be absolutely sure, he sent a note when the others went out to take their places.
- [1]22:46:54 **SUJEET DESAI (CARRIE'S HUSBAND)**
Could you send that to my mom?
- [1]22:46:55 **BOB BROWN (ABC NEWS)**
(VO) Now, do you believe it can work?
- [1]22:46:57 **SHARAD DESAI (SUJEET'S FATHER)**
Oh, absolutely. Absolutely. I'm pretty sure it's gonna work. And we have so much support from both the families.
- [1]22:47:05 **BOB BROWN (ABC NEWS)**
(VO) One family issue caused serious concern for the happiness that would accompany the ceremonies. At one point, Carrie's father, Tim Bergeron, didn't know whether he would survive to attend the wedding after he was diagnosed with leukemia.
- [1]22:47:20 **TIM BERGERON (CARRIE'S FATHER)**
I guess from Carrie's perspective the biggest impact was she wasn't too sure if I'd be able to carry her, like a proud papa.
- [1]22:47:29 **BOB BROWN (ABC NEWS)**
(VO) Weeks before the ceremony, he learned the disease was in remission. And will there be meaning there for you beyond what you might have imagined?
- [1]22:47:39 **TIM BERGERON (CARRIE'S FATHER)**
You know, I think, it'll be just a very rewarding time. I mean, when you have a professional saying that you may have to put your child into an institution...
- [1]22:47:55 **BOB BROWN (ABC NEWS)**
(OC) And then soon you'll be leading her down the aisle?
- [1]22:47:58 **TIM BERGERON (CARRIE'S FATHER)**
And then to come to this point. All I can say is thumbs up.

[1]22:48:09 **BOB BROWN (ABC NEWS)**
(VO) Even though there were two ceremonies, Hindu and Christian, and even though they were a week apart, they fit together seamlessly as celebrations of all that is possible no matter where you come from or who you are.

[1]22:48:22 **HINDU PREACHER (MALE)**
Don't we all live under the same sun? Live on the same earth?

[1]22:48:26 **PRIEST (MALE)**
You are a princess, and you are a prince in God's kingdom.

[1]22:48:31 **HINDU PREACHER (MALE)**
It's a great honor for me to witness the marriage of you, Sujeet, and you, Carrie.

[1]22:48:37 **CARRIE BERGERON (SUJEET'S WIFE)**
You have filled my life with your love.

[1]22:48:43 **HINDU PREACHER (MALE)**
This is the holy water.

[1]22:48:50 **PRIEST (MALE)**
For better.

[1]22:48:50 **CARRIE BERGERON (SUJEET'S WIFE)**
For better.

[1]22:48:51 **PRIEST (MALE)**
For worse.

[1]22:48:52 **CARRIE BERGERON (SUJEET'S WIFE)**
For worse.

[1]22:48:53 **HINDU PREACHER (MALE)**
To stay with you as long as I live.

[1]22:48:55 **PRIEST (MALE)**
By their promises before God, and in the presence of this congregation...

[1]22:49:00 **HINDU PREACHER (MALE)**
God have blessed you a beautiful life.

[1]22:49:04 **PRIEST (MALE)**
Mr. and Mrs. Sujeet Desai.

[1]22:49:16 **BOB BROWN (ABC NEWS)**
(VO) For her first dance with Sujeet as husband and wife, Carrie wanted her sister, Wendy to sing the theme from "Titanic." No doubt heard at thousands of weddings since it became such a standard. In a world where we often honor people with special needs as inspirations for achievements beyond our expectations, but may look away from issues such as loneliness, this couple had their own interpretation of the words.

[1]22:49:52 BOB BROWN (ABC NEWS)
(OC) What does that song mean to you?

[1]22:49:54 CARRIE BERGERON (SUJEET'S WIFE)
It means no matter where we are in life, we will never grow apart. If you really love somebody, never, ever quit. Don't ever think that when you really love somebody, you will know.

[1]22:50:25 JOHN STOSSEL (ABC NEWS)
We'll be right back.

[1]22:50:28 ANNOUNCER
Think a giant asteroid hitting the earth is only the stuff of movies? Think again.

[1]22:50:35 SCIENTIST (MALE)
I don't want to be around for that day.

[1]22:50:37 ANNOUNCER
And this is only one of the seven ways the greatest minds on Earth tell us the world could end. Next.

[COMMERCIAL BREAK]

[1]22:55:08 DEBORAH ROBERTS (ABC NEWS)
(OC) So often we're told to live every day like it's our last. Well, according to some scientists we talked to, it just might be. So before you send off next month's rent or mortgage check, you might want to see if you agree with what the experts told Elizabeth Vargas about the last days on Earth.

[1]22:55:28 SCIENTIST (MALE)
I like what they always show in Hollywood as the asteroid comes, people hear it, and look up and see this flaming ball moving. These objects are moving, 10, 15 miles per second. That is hypersonic. You're not gonna hear it, you're not gonna see it.

[1]22:55:42 SCIENTIST (MALE)
It takes it a few seconds from when it first hits the top of the Earth's atmosphere to when it actually touches down. During those few seconds, it glows not red hot, yellow hot, white hot, getting up into violet hot. And that is so hot, that if you were anywhere on Earth in the big circle of maybe 1,000 miles diameter where you could actually see this thing coming down, the heat and light coming off of it would just burn you to death immediately. Then it hits. And it starts digging a crater. It takes a long time for a big crater to form, maybe a minute as the Earth, when you think of a solid rock gets splashed out by this enormous impact.

[1]22:56:29 JOHN STOSSEL (ABC NEWS)
(OC) And if that's not enough to scare you, next Wednesday night on a special two-hour edition of "20/20," called "Last Days On Earth," Elizabeth Vargas will discuss all seven world ending scenarios. That's next Wednesday night, starting at 9 PM Eastern Time. Our regular edition of "20/20" will still air next Friday. I hope.

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Gulfport 131778v1

From: Beth Jones <bethjones@scruggsfirm.com>
Sent: Monday, August 7, 2006 12:46 PM
To: 'Joe Rhee (Joseph.E.Rhee@ABC.com)'
Subject: RE: Engineering Reports

Mr. Scruggs wanted me to let you know that this information is not the information that is under seal.

Beth Jones

Executive Assistant to Richard F. Scruggs
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From: Beth Jones [mailto:bethjones@scruggsfirm.com]
Sent: Monday, August 07, 2006 2:35 PM
To: 'Joe Rhee (Joseph.E.Rhee@ABC.com)'
Subject: Engineering Reports

Mr. Scruggs asked that I send you these reports.

Thanks,
Beth

Beth Jones

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SMPD1-002559

From: Dick Scruggs <DickScruggs@scruggsfirm.com>
Sent: Monday, August 14, 2006 7:59 AM
To: 'Kunzelman, Michael' <mkunzelman@ap.org>
Subject:
Attach: SF Disclosure.pdf



SMPD1-000115

INTRODUCTION

Cori Rigsby and Kerri Rigsby are employees of E. A. Renfroe, a company that provides claims adjustment services to insurance companies in disaster situations. They have been loyal employees for the past eight years. In the past eight years Cori has handled claims on the catastrophe teams of Travelers, Nationwide and State Farm. Kerri has handled claims for State Farm's catastrophe team. Until Katrina, the monster storm that literally wiped out several Mississippi communities, Kerri and Cori had always been proud to be associated with State Farm and Nationwide, even though they were not direct employees of State Farm.¹ With Katrina, Cori, Pat and Kerri saw a sea change in the way that claims were handled by State Farm and Nationwide with respect to how claims were adjusted with respect to flood insurance. The relators were shocked and horrified that the company that had previously dealt very fairly with its customers was now engaging in wholesale fraud both on policy holders and on the federal government. This False Claims Act case arose out of that experience.

This Evidentiary Disclosure provides an overview of the National Flood Insurance Program (NFIP) as well as a brief look at storm surge and the respective liabilities of insurers under the NFIP. It discloses the concrete existence of two separate instances where homeowners claims were fraudulently misallocated to flood insurance

¹ . Although neither Kerri nor Cori are State Farm employees, customers of State Farm would not know this because the relators are given cards identifying them as State Farm employees, are provided with notebook computers for logging their claims-related activities, and are issued jackets with State Farm's name on them. They are also issued a claims identifier number that identifies them as an adjuster within the State Farm system.

claims at the cost of both the homeowner and the federal government. This grew out of the total control that State Farm had in adjusting its losses.²

OVERVIEW

Insurers Pushed Losses Onto The NFIP In Order To Protect Reserves.

This is a False Claims Act case that involves the National Flood Insurance Program, (NFIP) a federal insurance program that is managed by the Federal Emergency Management Agency, (FEMA). FEMA is the only entity in the United States that underwrites flood insurance. Although FEMA underwrites flood insurance, it does not sell directly to the public, but instead, operates through a series of independent insurance companies. At least two of these companies (State Farm and Nationwide), and on information and belief many more (USAA, Allstate), are engaged in a concerted effort to re-adjust losses in such a way that, where applicable, the payment for claims that would normally fall under the company's own homeowner's or hurricane coverage is instead transferred to the NFIP. The misallocation and transfer of losses from State Farm and Nationwide to the federal government was achieved through the use of purportedly "independent" professional engineers who were asked to conduct forensic analyses of the losses. Whenever a loss report from an engineer identified "wind" as the source of the damage, State Farm directed the engineers to recharacterize the damage as flood damage,

². Incredibly, the NFIP puts the fox squarely on guard duty for the hen house because it allows the insurers to adjust the losses in conjunction with the losses attributable to homeowners insurance. As a result, as shown below, the insurer has a strong incentive to reclassify damage as flood rather than wind.

and if an engineering firm refused, their contracts were cancelled and their services were never retained again.

Although the present scope of the fraud is unknown, it is known that in Mississippi alone State Farm has adjusted upwards of \$1.2 billion in losses from Hurricane Katrina. If only ten percent of those claims are flood insurance claims, the scope of the fraud with State Farm alone could exceed \$120,000,000. Relators information, obtained by direct work with State Farm and Nationwide Insurance, indicates that both insurers have a planned, systematic response to claims-handling that directs that claims be shuffled off to FEMA whenever and wherever possible. This system is operated by directing supposed independent contracting engineering firms to always find that flood, and not wind, caused the damage when doing a source investigation on the nature of the claim.

How Flood Insurance Claims Work

In most cases under the NFIP the federal government only acts as the funding source for paying and underwriting claims while the coverage is sold through private insurance companies. Although the companies sell the policies, the policy itself is a standard document drafted by FEMA. Federal regulations require adjustment according to federal standards.

When there is a claim under a Standard Flood Insurance Policy ("SFIP") the insurance company is required to adjust the claim in accordance with these federal regulations. The applicable regulation, 44 CFR § 62.23(d) provides: "A WYO Company issuing flood insurance coverage shall arrange for the adjustment, settlement, payment

and defense of all claims arising from policies of flood insurance it issues under the [National Flood Insurance Program], based on the terms and conditions of the Standard Flood Insurance Policy.” In acting as the claims adjuster for the government, the WYO companies are fiscal agents of the government and payments on SFIP claims are a direct charge on the United States Treasury. See *Wright v. Allstate Ins. Co.*, 415 F.3d 384, 386-87 (5th Cir. 2005). To the extent that an insurer presents a claim for reimbursement under the SFIP to the federal government, that claim is presented to an officer or agent of the United States Government for payment, and any false claims are actionable under the False Claims Act.

Whenever an insurer like State Farm Insurance or Nationwide Insurance has sold a homeowner’s policy or hurricane policy (one that the insurance company directly underwrites), and also issues a flood insurance policy under the NFIP, the flood insurance policy is never written for an amount that is larger than the homeowner’s insurance policy or the accompanying hurricane insurance policy. More importantly, coverage is capped at \$250,000 for structures and \$100,000 for contents.

Under the NFIP rules and regulations, the insurance company that writes the companion flood insurance policy must adjust both the homeowners and the flood insurance claim. In doing so, there is a built-in conflict of interest. Because it adjusts the loss, and maintains control over the adjusting process (being solely responsible for gathering information in order to adjust the claim), the insurance company has an incentive to charge off all damage to the government as flood damage because when they do so, the government, acting through FEMA, pays the entire claim, thereby relieving the company of its obligation under its own policy of insurance. The only

situation where flood and homeowners or hurricane policies collide is in the area of hurricane damage.³

State Farm has, for some time, adopted the view that Flood Insurance is a superseding coverage in that if there is damage from wind and from flood, the flood policy is paid and the homeowner's insurance is never tapped for damages. State Farm has colloquially referred to this doctrine as the doctrine of concurrent causation. So, if a homeowner had only \$40,000 in flood coverage, and \$150,000 in homeowners or hurricane insurance, and suffered a total loss of their property from a hurricane, State Farm would offer to pay the \$40,000 in flood coverage, and once paid, would disallow any claim on the homeowners or hurricane policies because in their view if there was flood damage it took precedence over the wind damage, even though the wind may have actually caused the damage to the structure. Thus State Farm has always viewed flood coverage as a mechanism to reduce the amount paid from its own reserves. If flood and some other cause worked to destroy a structure, the doctrine of concurrent causation meant that only the flood coverage was paid.⁴

The NFIP Definition of Flood

To reduce the potential for misallocation of claims, "flood" is a term narrowly defined by statute and rule. 42 USC § 4121(1) states "the term "flood" shall have *such meaning as may be prescribed in regulations of the Director*, and may include inundation

³ For example, in the case of a tornado or hail-related loss under a homeowners policy, losses related to water damage would be clearly incidental to the claim, and even though a policy might include a flood loss provision under the NFIP, the claim could not be easily disguised because the primary means of damage is wind or hail. But in the case of a hurricane, particularly in coastal areas with a storm surge, a sizeable amount of water may be involved. Irrespective of whether the damage resulted from waves and water or wind, the insurance company can hide a loss under the NFIP because both wind and water are associated with a hurricane.

⁴ This doctrine is not codified in the NFIP statute nor is it codified in the NFIP regulations.

from rising waters or from the overflow of streams, rivers, or other bodies of water, or from tidal surges, abnormally high tidal water, tidal waves, tsunamis, hurricanes, or other severe storms or deluge;”

The director has provided the following definition of flood:

Flood, as used in this flood insurance policy, means:

A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (one of which is your property) from:

Overflow of inland or tidal waters,

Unusual and rapid accumulation or runoff of surface waters from any source,

Mudflow.

Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined in A.1.a. above.

44 CFR Pt. 61, App. A(1)

A. Storm Surge Versus Flooding

Most of the flooding occurring in coastal areas of Mississippi due to the hurricane was associated with storm surge. This is a poorly understood phenomenon in most insurance companies⁵.

Storm surge is simply water close to the hurricane’s eye that is sucked upward by the intense low pressure inside the storm’s eye. As the storm’s eye moves toward shore, the depth of the ocean water decreases as the storm moves forward. The mound of water sucked upward by the eye’s low pressure is pushed toward the shore by the force of the

⁵ Meteorologists and FEMA understand the process of storm surge quite well, and identified only a very few areas as associated with storm surge and flooding during Katrina. Insurance companies, however, attributed an inordinate amount of damage to this phenomenon.

winds swirling around the storm. This advancing surge combines with the normal tides to create the hurricane storm tide, which can increase the mean water level 15 feet or more. In addition, wind driven waves are superimposed on the storm tide. This rise in water level can cause severe flooding in coastal areas, particularly when the storm tide coincides with the normal high tides. Because much of the United States' densely populated Atlantic and Gulf Coast coastlines lie less than 10 feet above mean sea level, the danger from storm tides is tremendous.

In general, the more intense the storm, and the closer a community is to the right-front (or northeast) quadrant, the larger the damage related to storm surge. However, since the surge comes ashore as the eye wall moves onto land, storm surge follows by four to six hours after the arrival of hurricane force winds. Thus flooding from storm surge would normally be seen only where the hurricane made landfall, and only in low-lying coastal areas.

During Hurricane Katrina, FEMA identified only small parts of the Mississippi coast as flood damaged, generally around Bay St. Louis. The remainder was identified as hurricane damage. In most locations where defendants have written flood insurance and collected premiums under the NFIP, the companies have also written homeowners and hurricane insurance. Under the arrangement between the company and FEMA, (44 CFR Pt. 62, App. A), the government requires that when the company writes coverage for other perils and flood insurance, that one adjuster be used.

Based on relator's observations, and upon direction received from the defendants, beginning at about the time the first claims began to be submitted by adjusters for Hurricane Katrina, defendant made a corporate decision to misdirect and misallocate

claims from those of hurricane or homeowner's coverage (which it would be required to pay from its reserves or reinsurance) to flood claims that could be submitted and paid directly from the United States Treasury.

Defendant State Farm, and on information and belief, Nationwide Insurance Company, USAA, and Allstate all directed their employee adjusters and independent contractor adjusters to show flood damage whenever and wherever there was any amount of water damage, and to adjust the claim as flood insurance rather than hurricane insurance even though the primary mechanism for damage was wind, not flood waters. Where wind, or wind and water, made a structure unsalvageable, the claims were misallocated into flood insurance claims because flood insurance claims were paid by the US Treasury and did not come out of the company's reserves.

This misallocation of claims has resulted in significant damage to the federal treasury. Not only were the claims themselves paid out of federal funds, each loss was adjusted so as to "hit limits" so that as many dollars as possible would be charged against the NFIP. This because the larger the value of the claim, the larger the reimbursement for adjusting that claim. The cost of adjustment (\$7,000 or more on a policy limits claim) is passed along to the federal government as a cost of adjustment.

Relators are aware of at least two specific instances where Defendant State Farm has engaged in such behavior. Worse, State Farm, aware that it has engaged in conduct that is false and fraudulent, is taking extraordinary steps to protect itself by shredding documents and hiring document shredding companies to dispose of documents at its Mississippi offices. The examples that follow are derived from Relators' personal knowledge.

On October 4, 2005, Insurance Adjuster Cody Perry issued an assignment to defendant Forensic Analysis Engineering Corporation (FAEC) for the purpose of having FAEC determine the nature of the destruction of the McIntosh property located at 2558 S. Shore Dr., Biloxi, MS.

FAEC carried out the assignment on October 7, 2005. The firm did a site inspection and reached conclusions based on the inspection. It concluded that the damage that occurred to the policy holder's home at the time of the hurricane was due principally to wind, and not to water. That report was dated October 12, 2005. The report said:

CONCLUSIONS

Based upon the information that has been presented to FAEC and evidence gleaned during our inspection, FORENSIC ANALYSIS & ENGINEERING CORPORATION has made the following conclusion concerning the damage to the structure.

- The tree failures in the northwesterly direction are the result of the winds out of the southeast from the approaching hurricane.
- The roof, door, carport, and window damage was caused by wind and wind driven debris.
- It is FAEC's opinion that the interior damage of the structure is primarily the result of the failure of the windows, walls, and doors due to wind.

The conclusions and opinions presented in this report are based on the results of FAEC's field investigation of the subject residence, as well as our analysis of the available wind and localized water level data and upon all of the other associated information that we have gathered during the course of our investigation efforts to date. If additional information or facts become available which materially affect these stated conclusions and opinions, then, FAEC reserves the right to amend or change its opinions and conclusions as needed.

This report never became part of the permanent record of the McIntosh claim because it was recognized as contrary to the direction given to State Farm adjusters. On information and belief, Alexis "Lecky" King, a State Farm Insurance supervising adjuster

(and State Farm's guru on Flood Insurance) wrote the following note on the report: "Put in Wind file – DO NOT pay bill. Do Not Discuss". A copy of that note is shown below:

Forensic Analysis & Engineering (FAEC) is pleased to provide the following report of our engineering investigation and evaluation of the reported damage to the residence located at 2558 S. Shore Drive in Biloxi, MS.

We initially received this assignment on October 4, 2005. FAEC performed a field investigation of the subject insured residence on October 18, 2005. We were dining

This site was in the path of Biloxi, hurricane Katrina. FAEC damage combing was performed on site during our inspection.

Put in Wind file - DO NOT pay Bill
DO NOT discuss

SITE OBSERVATIONS

Thereafter, on October 20, FAEC was commissioned to write a completely different engineering report for the McIntosh claim. That report was based on a site visit of October 18, 2005, and never disclosed the prior site visit. None of the previous observations were repeated, and many different observations completely at odds with the prior report were generated. Thereafter, the report found:

CONCLUSIONS

Based on the information that has been presented to FAEC and evidence gleaned during our inspection, FORENSIC ANALYSIS & ENGINEERING CORPORATION has made the following conclusions concerning the damage to the structure:

- The tree failures in the northwesterly direction are the result of the winds out of the southeast from the approaching hurricane.
- There appears to have been damage to the structure by wind as evidenced by missing shingles on parts of the roof structure. Damage to the second story floor and first floor ceilings was predominately caused by wind and intruding rainwater.
- The damage to the first floor walls and floors appears to be predominately caused by rising water from the storm surge and waves.

On or about September 26, 2006, State Farm Adjuster Christy Sims commissioned a study by FAEC on the Mullins home at 6057 Pine Tree Drive, Kiln, MS.

Among the observations made by the engineers were that the structure had already been removed from the site, as required by FEMA, and that much of their analysis was based on photographs provided to the engineers by the homeowners:

SITE OBSERVATIONS

The following are the observations made during FAEC's inspection of the structure.

- Upon approaching the property the house had been already removed from the site as required by FEMA.
- From attached photographs provided by the insured, the entire house had been taken off from its support piers and came to a rest against the house across the street. The house had rotated about 180 degrees and its front was facing south. The porch area was about in line with the center of the street.
- No significant damage to the house was observable in the insured's photos, except for the contact point with the neighboring house across the street.
- According to the insured, the water had rose to 10 inches above the floor level at a neighboring residence close by. No water damage to the house could be appreciated from the photographs nor observed from the surroundings.
- The 24 inches high concrete block piers were in complete disarray. The blocks were not joined to each other nor anchored to the ground.
- With very few exceptions, all the trees around the observable area were standing straight and with all their foliage remaining.

The report concluded that the damage was due primarily to wind, and not to flooding.

The report's conclusion section stated:

CONCLUSIONS

Based on the information that has been presented to FAEC, evidence gleaned during our inspection, and our understanding of the storm water and wind conditions associated with Hurricane Katrina and how those conditions affected the neighborhood area of the insured residence conditions at the time of the storm, FORENSIC ANALYSIS & ENGINEERING CORPORATION makes the following conclusions regarding the claimed damage and the integrity of the property investigated:

- FAEC has concluded that the primary and predominant cause of damage to the subject property was due to hurricane force winds. This is based on the displacement of the house and the absence of water damage to the same. However, this displacement was facilitated by the poor anchoring and supporting observed

This report was received by State Farm or its adjusters shortly after the time it was written. An invoice was generated by FAEC, and submitted to State Farm for payment. The location of the property, and the presence of a flood insurance policy (likely information not known at the time of the original survey by FAEC) made it necessary to change the report and its characterization of wind damage.

FAEC was directed to make a second report on the basis of its survey. On or about January 3, 2006, FAEC submitted a different report predicated on the same site visit of October 11, 2005, but not mentioning the prior report. The report did not appear to be a superseding report, nor was it a supplemental. Instead, it was a complete re-write of the original. This subsequent report was completely different from the first report in that the observations included:

- There was tree damage in the neighborhood with trees falling to the west northwest.
- There was shingle damage to houses nearby.
- The owner of the trailer across the street, whose home was impacted by the insured's, indicated that the water had come up to the bottom of her trailer. This was estimated to be between 2 and 3 feet above grade.
- The foundation for the insured's home consisted of concrete block piers about 2 feet above grade. No tie downs were observed, however one photograph furnished by the insured pictured, what appeared to be, a minimally effective tie down.

In addition to omitting the information relative to trees and structures, and in addition to a complete re-write of the findings, the conclusion of the report stated a completely different finding than the report of October 11, 2005:

The report concluded that the damage was due to flood waters, saying:

CONCLUSIONS & OPINIONS

Based on the information that has been presented to FAEC, evidence gleaned during our inspection, and our understanding of the storm water and wind conditions associated with Hurricane Katrina and how those conditions affected the neighborhood area of the insured residence conditions at the time of the storm, FORENSIC ANALYSIS & ENGINEERING CORPORATION makes the following conclusions regarding the claimed damage and the integrity of the property investigated:

- The tree failures in the northwesterly direction were the result of winds out of the southeast from the approaching hurricane.
- The damage to the interior of the house could not be determined as no evidence was available.
- The movement of the house across the street with minimal obvious wind damage is consistent with a buoyant force applied to the building by rising water allowing the wind to blow the house northwards until it reached an obstruction.

It is stark evidence of fraud that the same engineering contractor took a look at the same property and relied on the information from the same site visit, and not only reached different evidentiary findings, it reached completely different conclusion on the

same physical evidence. The timing of the report, combined with the message on the note not to pay the invoice and not to discuss the existence of the prior engineering report is evidence of an ongoing conspiracy between State Farm and its engineering contractor to present false claims to the federal government.

This is the gestalt of the relators' claims against the defendants. In hundreds and perhaps thousands of cases in Mississippi, Alabama, Louisiana and Texas the defendants have responded to hurricane and homeowner's claims where there is flood insurance by concluding nearly every time that flood waters arising out of the storm surge, and not wind, caused the damages. Defendants have done this specifically to misallocate the burden of paying claims from their own insurance reserves (and from re-insurance) to the federal government. This is a direct charge on the US Treasury, *Wright v. Allstate Ins. Co.*, 415 F.3d 384, 386-87 (5th Cir. 2005), and is the submission of a false claim based on false records.

A MATTER OF URGENCY

When civil lawyers began to take issue with the way that State Farm and Nationwide were paying claims (or more precisely, not paying claims), State Farm recognized that there was a risk that records associated with their conduct (particularly the engineering reports) could be subpoenaed or, in a worst-case scenario, seized. State Farm has taken steps that are extraordinary to protect itself.

Relators have been directed to shred materials in conflict, and State Farm has positioned locked shredding trash cans around its offices for the disposal of contradictory

information. Engineering reports are not kept with the claims, and nearly all reports have been seized from the adjusters and placed under lock and key so as to prevent discovery of the fraud.

Some reports, particularly those that might be seized by state courts or ordered produced by state courts have already been moved from Mississippi to Texas.⁶ State Farm, among others, is engaging in an internal witch-hunt to determine who may be leaking information to attorneys. Relators' positions are in serious jeopardy if their status as relators is disclosed.

Relators are concerned that a majority of the documents that exist are being shredded by the Insurance companies, and that individual engineering firms are being given the same direction. A shredding company, "Shred-It", visited the State Farm offices on April 12, 2006 and shredded large amounts of documents. While it would be nearly impossible for even the most obsessive insurer to destroy all the conflicting reports and silence all the engineers, delay by the government in following up this information will likely result in the loss of data and make recovery of the funds more difficult.

Relators know and would testify by affidavit that information from the engineering firms is being sent by facsimile, by electronic means, and by U.S. Mail. Relators are also certain that telephonic communications between Lecky King and the principals at the engineering firms are likely ongoing in an effort to make sure that no information leaks out.

⁶ Of course, since an action under the False Claims Act includes the ability to serve process anywhere in the United States where a company does business, the tactic of moving these documents to a different jurisdiction will be ineffective against the United States Department of Justice.

Relators' main concern is that immediate action is necessary to prevent the additional wholesale shredding of documents by the Defendants in this matter.

WHO ARE THE RELATORS

Cori Rigsby and Kerri Rigsby are sisters who currently work for E. A. Renfroe, an adjustment company that leases its adjusters to the various insurance companies across the country. It specializes in providing adjusters to handle catastrophes by having personnel trained on State Farm and other insurers' equipment, policies, and procedures, and being able to provide them quickly when a catastrophe occurs.

Cori's job involves working with various insurers including Travelers, State Farm and Nationwide. Over the past eight years she has adjusted hurricane claims, tornadoes, and other various natural (and man-made) disasters. She started as an adjuster and is now paid \$520 per day to provide services as a claims manager.

Kerri's position requires her to adjust claims for State Farm, and State Farm has been the only company that she has worked for. Her position, in all material respects, is identical to Cori's. Neither individual has any criminal background. Neither has financial skeletons in their closet. They are earnest and sincere relators who are blowing the whistle on practices they see as false and fraudulent.

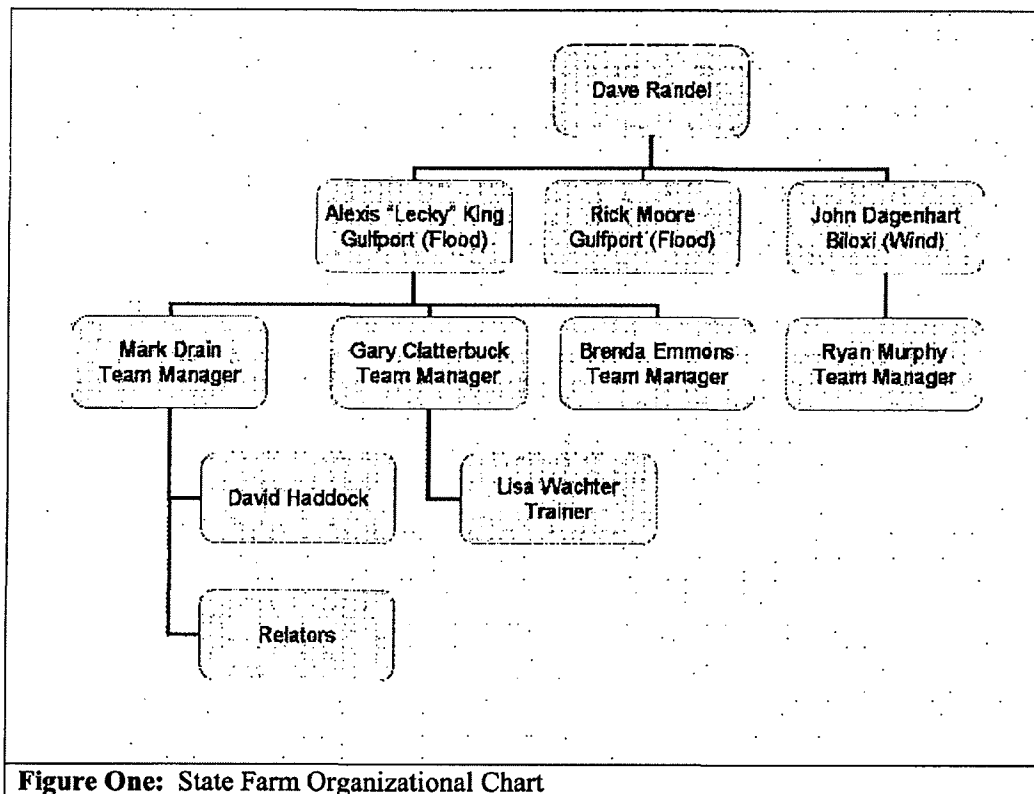
SPECIFIC INSTANCES OF FRAUD

Personnel Involved In CAT Team Katrina

The following State Farm personnel were involved with adjusting Katrina loss claims. In the table below the name and position are set out, as well as the conduct chargeable to them and the content of any information they possess. Where so noted, the individual will have participated in that conduct.

Name	Position	Conduct/Knowledge
Alexis "Lecky" King	Co-CAT Team Coordinator	King is the State Farm Flood Insurance "guru" and she directed that adjusting be done to conform to the decision she made that claims would be denied as wind damage claims. King holds considerable knowledge with regard to information about State Farm's conduct, and has been heard to remark that for a payment of \$2,000,000 she would be willing to speak with attorneys representing Katrina victims.
Richard "Rick" Moore	Co-CAT Team Coordinator	With King, Moore was the person in Gulfport claims office who oversaw the "water" portion of the claims adjustments relating to floods. He and King were involved in making the decision early on to get blanket engineering reports, and in later canceling that mandate. When it was necessary to "correct" these engineering reports, only he and King had access to the original engineering reports that were adverse to the final reports.
John Dagenhart	CAT Team Coordinator	In charge of the Biloxi (wind) office and also a CAT team coordinator. Engaged in the same conduct as Moore and King, although likely he engaged in less of this conduct since more of the claims in the Biloxi office dealt with wind rather than flood.
David Randel	Section Manager	As section manager for the CAT teams, Randall was the principal supervisor over Katrina claims. He was King, Moore and Dagenhart's boss and direct supervisor. He oversaw the adjusting of claims. He is one of only 12 - 15 section managers at State Farm.
David Haddock	Trainer	State Farm employee responsible for overseeing adjusters. His name appears on the fax letters sent to engineering firms recalling or canceling their engineering reports and directing them to

		"send their investigation materials" to State Farm.
Lisa Wachter	Trainer	State Farm employee responsible for overseeing adjusters. Similar knowledge to David Haddock.
Ryan Murphy	Claims Manager	Oversaw claims at Gulfport. Currently assigned to mediation teams.
Anna Eaton	Claims Adjuster	Finacee of Murphy. Murphy told her that the original engineering reports were scanned to the CSR program and then shredded.
Mark Drain	Team Manager	Assigned to the "high profile" claims where State Farm wanted to preserve relationships or prevent fallout.
Gary Clatterbuck	Team Manager (no longer in MS. Went back to TX after December)	Assigned to claims on Katrina, was outraged at how the process was handled, particularly at the claims and engineering report process. "Everything about this is just wrong!"
Mike Myers	State Farm Agent	Apparently had no flood insurance but backdated not only his own but also several other insurance applications to include flood coverage.
Felicia Palmer	State Farm Agent	Apparently knows about Myers' backdating.
Brenda Emmons	State Farm Aduster	Brenda has widely been thought to be the "mole" inside State Farm because Katrina has affected her significantly. She has appeared to suffer depression as a result of her work on Katrina, and is believed to be very disturbed by what she was required to do.



How CAT Teams Worked In Prior Disasters

Catastrophe team adjusting is and always has been an “adjuster driven” process whereby adjusters are sent into the field and investigate and pay claims based on the damage they find. The only time additional assistance in the form of experts or engineers are engaged in most catastrophe claims is when there is extrinsic evidence of fraud.⁷

⁷ For example, in one case adjusters thought that the “hail damage” they saw on a roof looked a lot more like marks made by a hammer and called in an engineer to investigate. Use of engineers prior to 2005 was rare.

Beginning with Hurricane Ivan in 2004 State Farm began to use engineers, but the use of engineers was random and State Farm always went by whatever the engineer said. If the report said damage was caused by wind, the policy was paid 100% based on the engineer's report. Even if State Farm disagreed with its expert's reports, it stood behind the expert and paid the claim based on what the expert said. As Cori Rigsby said, the purpose of the CAT team was to "rush in, pay a lot of claims, and leave." State Farm did not follow their prior policies or their past experiences in adjusting Katrina claims.

How CAT Teams Worked in Katrina

Initial bad decisions about how to handle claims might well be blamed on the scope of the disaster. The number of claims was enormous, and the response by State Farm required them to bring in adjusters and train new adjusters for the process of claims under State Farm's policies. At the outset, however, State Farm made a decision that would quickly become unmanageable for it. It made a decision to do a forensic engineering analysis of three kinds of claims.

"Slabs" are insurance slang for complete losses of structures and contents that involve nothing on the ground but a cleanly-stripped foundation. "Popsicle Sticks" is slang for structures where only the pilings or a few beams are left standing. "Cabanas" is the industry colloquialism for houses where the roof and perhaps some interior walls remain, but the structure itself is a total loss. Almost immediately after being notified and dispatched to the Katrina disaster on September 2, 2005, Kerri and Cori were told that they were to order an engineering report on every loss that was a "Slab," "Popsicle Stick" or "Cabana."

There was one exception to this requirement. If the policy-holder had flood insurance, and if the policy-holder was willing to accept this payment as the payment-in-full for their losses, State Farm would offer to pay that amount without a site inspection and without an engineering report.

The Flaw In the Program

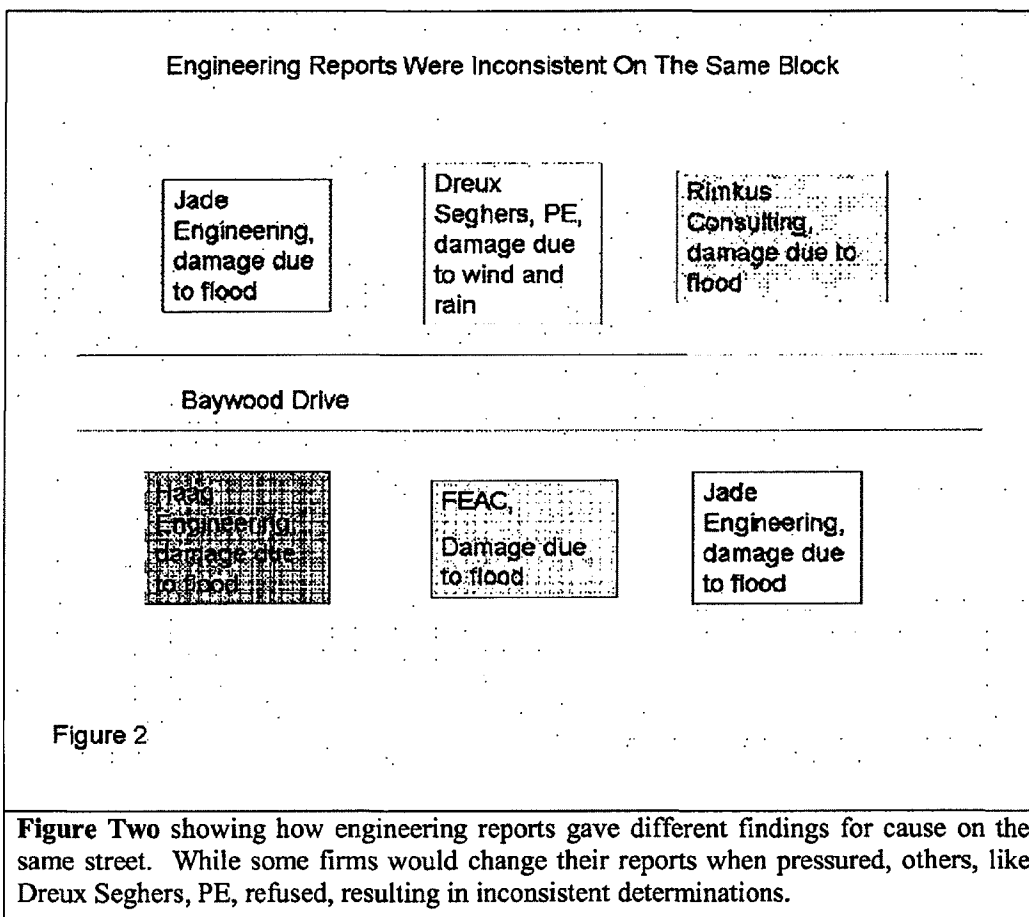
The immediate flaw in the “blanket engineering report” program became apparent within hours of the blanket engineering requests in Katrina. There was no coordination of how engineers (or even which firms) were assigned to claims.

At the outset, State Farm got a report from Haag Engineering that concluded that the majority of the damage in Mississippi was due to flood, and not to wind or rain. This conclusion was contained in a report, a copy of which is attached as an exhibit to this disclosure. That document became State Farm’s (and on information and belief, Nationwide, Allstate and USAA’s) bible when denying coverage under hurricane insurance on the basis of damage caused by flooding. Even though information copies were provided to the other consulting engineers, those engineers did not always adhere to the party line.

While Jade Engineering might take one house on a block, Haag might take another. Dreux Seghers might get the last house on the street. And while each of the engineering firms was provided with an analysis done by Haag⁸, individual engineers approached claims differently, relied on different information in reaching their results,

⁸ This “analysis” became State Farm’s bible and basis for denying the majority of the hurricane claims because it found that the majority of the damage was from flood, not from wind. This in spite of the fact that hurricane force winds preceded storm surge by at least five hours.

and frequently (in the case of honest firms like Dreux Seghers) reached the conclusion that the majority of the damage was caused not by flood but by wind. See Figure 1, below.



Alexis "Lecky" King from State Farm reached the conclusion that reports that differed substantially from those of Haag were to be considered suspect and were to be re-written or revised by the consulting engineer. She held bills and refused to pay them. While State Farm had routinely released engineering reports in the past to its policy

holders, King now gave direction that the reports were not to be shared.⁹ As noted earlier, scores of engineering reports were sent back to the engineers in order to get them re-written to coincide with State Farm's (and Lecky King's) view that these should all be flood damage claims.¹⁰

But the real flaw in the multiple engineer scenario manifested itself in case of Anna Vela. Vela is a Biloxi resident who lived on Baywood Drive and whose loss was first assigned to Dreux Seghers for analysis. The engineering analysis determined that the primary loss was due to wind damage. This was provided to Mark Drain at State Farm who passed it along to King for review. King told Drain that the engineer was "a moron" and directed him to "tell him to revise this." Shortly thereafter King left for a short time, and Drain had to make the determination, as a team manager, whether to pay the claim on the basis of the engineering report, or get a new report. He elected to pay the claim. State Farm paid out policy limits on the Vela claim.

Yet, other houses on the same street were determined by Haag, FAEC, and Exponent to be "flood" related, and those claims were paid only under a flood policy or denied.

In November the flaw was seen as what it was, a tool for inconsistent adjusting, and State Farm trainers David Haddock and Lisa Wachter directed adjusters not to get any further engineering reports on Slabs or Popsicle-Sticks. In addition, where

⁹ This was to prevent the situation where policy holders would get the initial report reflecting wind damage and rely on that before the "revised" report could be sent.

¹⁰ Relators have memory of seeing a stack of engineering reports on Lecky King's desk that was more than one foot tall. These reports concluded that there was not flood damage, and they needed to be dealt with by King, who would instruct adjusters not to pay the claim until a new report would be issued by the engineer. That is why King placed the note in the McIntosh file to the effect that the prior engineering report would not be paid for, and would not be discussed.

engineering reports had been requested, they sent a fax to the engineers directing them to cancel the request, send along the investigation materials and not write a report. If a report had already been written, they were directed to send it, as well. A copy of this facsimile is found at Exhibit C.

The Engineering Reports

As painstakingly documented above, engineering reports were solicited by blanket authorization, even though these reports would generate invoices from the engineers to the tune of \$1,500 to \$3,000.¹¹ State Farm apparently looked at it from the standpoint of preferring to pay \$1,500 to an engineer instead of paying \$200,000 to an insured. Attached as Exhibit A is the engineering roster from State Farm Insurance that shows the name of the engineer, the date the claim was assigned, the claim number, the address, the inspection date, and the date a report was received by State Farm.¹² As can be seen by the report, certain engineers had a very high percentage of cancelled reports.¹³ Seghers was hired on only 79 claims. 32 of those were cancelled or listed as never received or "peer reviewed." Seghers, who refused to play ball with State Farm, had 40% of its assignments cancelled. Similarly Engineering Design and Testing, a firm that refused to play ball with State Farm, received only 39 assignments and had 10 cancelled

¹¹ . This was a win-win situation for State Farm. The engineering reports, where they concluded that the damage was caused by flood, saved State Farm thousands. Where the policy holder was lucky (or unlucky) enough to have flood coverage, the costs of the engineering report became a part of the flood claim adjustment costs and were passed along to the FIA through the NFIP's mechanism for paying adjusters.

¹² . In many cases the "date received" is inaccurate. Some of the reports were received, but not acknowledged. Others were cancelled.

¹³ Relators have heard that Dreux Seghers, PE, who is not named as a defendant in this action, was approached by State Farm to change reports. Seghers stood by his reports early on where he concluded the source of damage was wind. Seghers did not receive an assignment from State Farm after November 2005. Those assignments that he did receive in October and November were cancelled at a significantly higher rate than other engineering firms.

(25%). Exponent Failure Analysis, a firm that did engage in re-writing of reports at State Farm, had 214 assignments and only 17% of those were cancelled by State Farm. Similarly low cancellation rates will be present for the other engineering defendants in this case. See Exhibit A.

Lecky King, Rick Moore, or their designees and employees directed the engineering firms to change any report where the cause of the damage was not flood. At one point relators were in a meeting with King who was reviewing engineering reports. She tossed one of the reports on to the center of the conference table and announced that the engineer must have known, or been related to, one of the persons on the street because the report did not conclude that the cause was flood. As such she said that this report would need to be re-written.

King would pull the reports that did not match her predetermined expectations of flood damage and would direct that they be revised. At one time the pile of reports that required revision was at least one foot tall. King and Moore sent an email (See Exhibit E.) that indicated to everyone that the original engineering reports were to be kept under lock and key, and that only she and Rick Moore had access to these reports.

Once the reports were re-written, the original reports were segregated and Relators believe that all original reports that were rewritten were or are in the process of being destroyed by State Farm at the direction of King and Moore.

State Farm, however, has an accounting system that tracks the reports and the dates assigned. The date an invoice was submitted is tracked along with the date paid. Since invoices were not paid until reports were re-written, a delay of more than 4 or five

days between the invoice and the payment would be indicative of a claim that was re-written to conform to the flood expectations.

Relators believe that Seghers, among others, would talk frankly with federal investigators about how he was essentially removed from assignments because he refused to re-write reports, as he has confessed this event to family members of the Relators.

The Adjustment Expenses

One of the many problems with the way the Flood Insurance Program is laid out is the requirement under the NFIP that "Write Your Own" ("WYO") insurance companies adjust the claims. Because the claims adjustment expenses (\$1,500 to \$3,000 for engineering reports and as much as \$9,000 for individual independent adjusters) are passed along to FEMA and the Flood Insurance Administrator (FIA) under the regulations governing the NFIP, the WYO companies have a double incentive to misallocate a loss to flood insurance. First, the responsibility to pay the claim is borne by the federal government. This reduces the burden on the defendant by reducing the amount of reserves required to pay the claims. Secondly, the adjustment expenses are allocated to the flood claim. State Farm and the other defendants are not only allowed to push off the fixed costs of the claim, but also are able to push off the adjustment expenses.

Because the adjustment expenses are borne by FEMA under the program, State Farm gave direction initially to the adjusters that if they calculated a flood insurance claim and did not "hit the limits" that they were to recalculate the claim until such time as they did "hit the limits." This is not simply a desire to be generous with someone else's

money, nor is it a desire to “be fair” to the policy holder. Instead, it is a concerted effort to maximize profits by maximizing the amount of the flood insurance claim. If minimal losses are attributable to a flood insurance policy (for example, a \$40,000 payment under flood insurance), the payment to State Farm for adjusting expenses is much smaller (\$750). If coverage is maximized (\$250,000 for structure and \$100,000 for contents) then the adjusting costs charged by the independent adjusting firms (\$7,000) are added to the costs of engineering reports (\$1,500 to \$3,000) and these costs, with some addition for overhead and other adjusting costs borne by State Farm, are all passed along to FEMA and the FIA. State Farm and other defendants make additional money by not only avoiding a charge against their reserves, but also by having all their claims adjustment expenses paid for by the federal government.

State Farm used a computer program called “XACT TOTAL” to calculate the flood claims and hit policy limits. The program permitted the agent to put in the square footage and amenities to “rebuild” the home. Adjusters were instructed to “hit the limits and if you haven’t hit the limits on flood, go back and do it again until you do.” The program was first developed for “slabs” but was later used for “cabanas” and other structures without total losses. One of the relators witnessed five houses where only four feet of mud was in the elevated house. There was no damage to roof, siding, and other structural elements. The house was submitted as a total flood loss (to hit the limits) using the XACT TOTAL software. State Farm continued this program until “Flood Calculator” was developed.

The Backdating of Policies

State Farm Agent Mike Myers was quoted by several individuals in the Biloxi area in the hours immediately after the storm as saying he did not have flood insurance. Within days this lack of insurance was transformed into a windfall by virtue of a backdated policy. Although relators do not have direct knowledge of how and when Myers was able to work the system to backdate flood coverage, it is known that Myers and several of his key clients and friends were able to get flood coverage in the days immediately after the storm.

Felicia Palmer is another Mississippi-based State Farm agent who did not have flood insurance and who suffered a complete loss on her business structures. She was not paid through State Farm for her loss. Myers, however, was able to get paid, even though he had told people he did not have flood insurance. Palmer is reported to be very angry. Relators believe that she will discuss the backdating allegations with investigators.

Relators also believe that the only way this could have been accomplished by Myers is if Myers has friends or associates in the Underwriting department of State Farm because the backdating of paperwork should ordinarily have raised red flags at State Farm and set off internal controls meant to catch exactly this type of situation.

Grant Money

As a response to the devastation of the Gulf Coast, Congress passed and the president signed in late 2005 a flood grant program. The program requires that a person have homeowners insurance, live in an area that is not a flood zone, and have structure losses due to a flood during Katrina.

The program will pay up to \$150,000 (reduced by amounts already paid from other sources) for damages to structures during Katrina.

During the course of its post-Katrina adjusting, State Farm has encouraged homeowners to apply for these grants, and has facilitated such action. In a recent case the homeowner was entitled to payments under both contents and structure coverage. In mediation, State Farm transferred funds from its "A" (structure) coverage to its "C" (contents) coverage so that the homeowner would be entitled to a larger amount of grant money. The homeowner would not have been entitled to the contents value ordinarily. The homeowner was entitled to more money under the structural coverage. By transferring money from the structure to the contents, State Farm colluded with its insured to allow the insured to submit a larger amount for the grant.

WHAT EVIDENCE EXISTS OF THE FRAUDULENT CONDUCT

Relators' Declarations

Relators have examined the complaint and have attested to the fact that the information in the complaint is true and accurate to the best of their information and belief. The information in this disclosure and in the Complaint is what the Relators would testify to if placed under oath.

Relators have a great deal of information, and have kept a journal of questionable happenings at State Farm since the inception of the Katrina event. They have a wealth of knowledge about the persons involved, and would be a good source for investigators to speak with about the underlying fraud.

Documents

Many of the documents involved in this fraud (especially the original engineering reports) have either been shredded or are going to be shredded in days absent quick and dispositive action from the United States Attorney's office.

There are locked filing cabinets in the offices of King and Moore which contain information that establishes the fraud. Individual defendants and, where applicable, witnesses (Scghers, for example) will likely testify to the "rewrite your report to get paid" scam that State Farm enforced against the engineers.

Original invoices generated by the billing and accounting systems of the individual engineering defendants will also support the fact that multiple reports were written. There are likely computer records that show that two reports were written. Individual employees of these engineering firms are also likely to be willing to testify to the pressure brought to bear on them to change engineering reports.

Computer Evidence

State Farm maintains distributed servers in Jacksonville, Florida and Birmingham, Alabama. Disaster servers are, on information and belief, located in Bloomington, IN, for backup purposes.

Servers in Birmingham are dedicated to adjusting claims in the Mississippi and Alabama areas, while Louisiana and Texas claims are adjusted out of Austin, TX, where yet another server exists.

Documents, photographs, claims logs, adjuster logs, computations and other data associated with the claim are maintained in State Farm's *CSR Reflections* software. *CSR* is a DOS-based computer program that State Farm still uses to track claims. Information about multiple reports and claims are likely documented in the hundreds of adjuster logs maintained on *CSR Reflections*. Search warrants or subpoenas should be directed to both the *CSR* system as well as the Outlook email system maintained and used with State Farm.

Relators have produced some emails, including those that are relevant to the fraud issues here. Additional emails between King and her superiors, as well as other State Farm management personnel, are likely to be dispositive with respect to the knowledge of superiors at State Farm regarding the scope of the fraud.

FEMA Flood Map

One of the more dispositive pieces of information in this case is the flood map put out by FEMA, the agency responsible for managing the Flood Insurance Program. Copies of that map show very small areas that were actually flooded during Katrina. In spite of this determination by the parent agency of the Flood Insurance Administrator, Katrina victims were denied coverage and were paid on flood insurance claims over a much wider area than FEMA determined to be flooded.

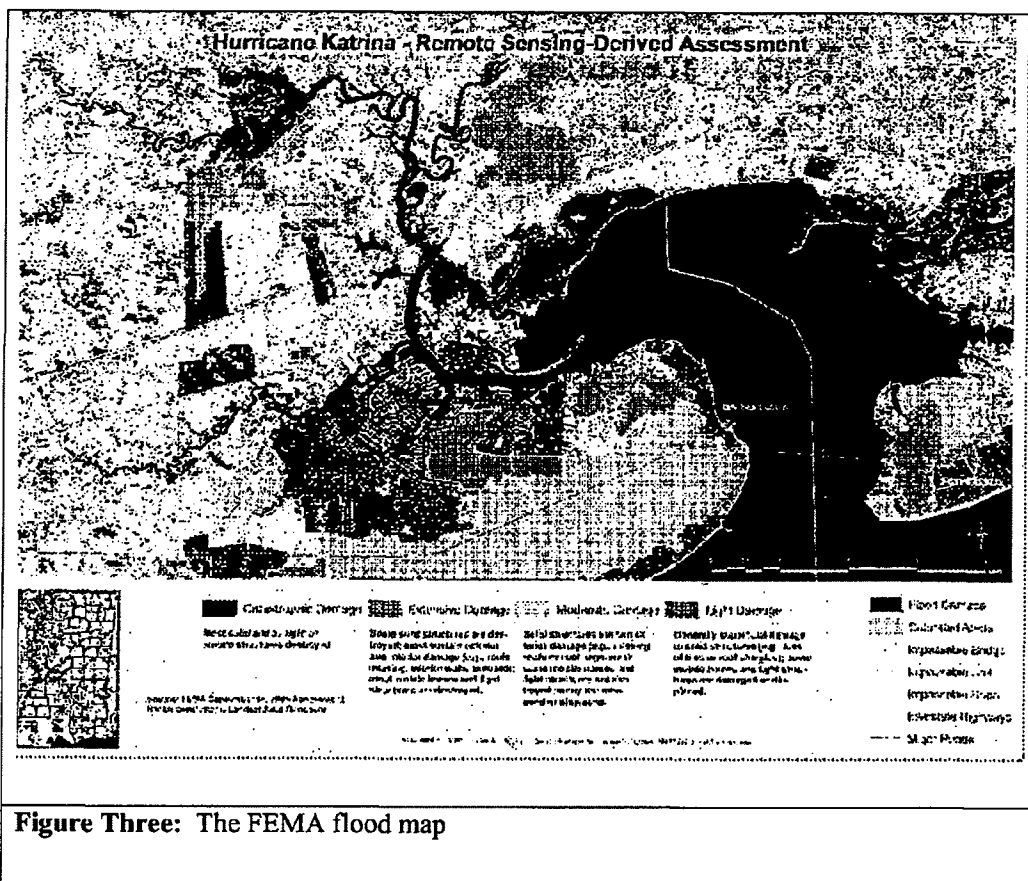


Figure Three: The FEMA flood map

DOCUMENTS AND EVIDENTIARY MATERIAL

The following documents and pieces of evidence are submitted with this disclosure.

Exhibit	Description
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A	Engineers Roster – CAT PI
B	Haag Report
C	Craig Balias Claim Forms
D	Balias Flood Claim Worksheet
E	Emails from State Farm regarding Engineering Reports
F	Other Emails from State Farm
G	Relators Declarations

Respectfully submitted,

THE SCRUGGS LAW FIRM

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ATTORNEYS FOR RELATORS

CERTIFICATE OF SERVICE

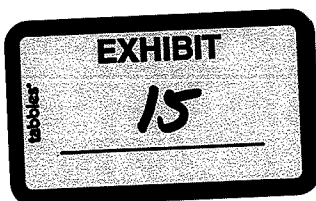
The undersigned certifies that on this 24th day of April, 2006, a copy of the foregoing Complaint and the required disclosure statement was served on the individuals below by first class mail, certified, return receipt requested to Dunn O. Lampton, US Attorney's Office, 188 E. Capitol St., Suite 500, Jackson, MS, 39201, and by placing the same in the United States Mail, first class postage affixed, certified, return receipt requested, and addressed to Alberto Gonzales, Esq., at the address below:

Dunn O. Lampton, Esq.
United States Attorney
188 E. Capitol Street Ste 500
Jackson, MS 39201

Hon. Alberto Gonzales, Esq.
Attorney General of the United States
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Washington, DC 20210

Attorneys for Relators

From: Beth Jones <bethjones@scruggsfirm.com>
Sent: Monday, September 18, 2006 2:25 PM
To: 'Joseph Treaster' <treaster@nytimes.com>
Subject:
Attach: Final Evidentiary.pdf



SMPD1-000271

INTRODUCTION

Cori Rigsby and Kerri Rigsby are employees of E. A. Renfroe, a company that provides claims adjustment services to insurance companies in disaster situations. They have been loyal employees for the past eight years. In the past eight years Cori has handled claims on the catastrophe teams of Travelers, Nationwide and State Farm. Kerri has handled claims for State Farm's catastrophe team. Until Katrina, the monster storm that literally wiped out several Mississippi communities, Kerri and Cori had always been proud to be associated with State Farm and Nationwide, even though they were not direct employees of State Farm.¹ With Katrina, Cori, Pat and Kerri saw a sea change in the way that claims were handled by State Farm and Nationwide with respect to how claims were adjusted with respect to flood insurance. The relators were shocked and horrified that the company that had previously dealt very fairly with its customers was now engaging in wholesale fraud both on policy holders and on the federal government. This False Claims Act case arose out of that experience.

This Evidentiary Disclosure provides an overview of the National Flood Insurance Program (NFIP) as well as a brief look at storm surge and the respective liabilities of insurers under the NFIP. It discloses the concrete existence of two separate instances where homeowners claims were fraudulently misallocated to flood insurance

¹. Although neither Kerri nor Cori are State Farm employees, customers of State Farm would not know this because the relators are given cards identifying them as State Farm employees, are provided with notebook computers for logging their claims-related activities, and are issued jackets with State Farm's name on them. They are also issued a claims identifier number that identifies them as an adjuster within the State Farm system.

claims at the cost of both the homeowner and the federal government. This grew out of the total control that State Farm had in adjusting its losses.²

OVERVIEW

Insurers Pushed Losses Onto The NFIP In Order To Protect Reserves.

This is a False Claims Act case that involves the National Flood Insurance Program, (NFIP) a federal insurance program that is managed by the Federal Emergency Management Agency, (FEMA). FEMA is the only entity in the United States that underwrites flood insurance. Although FEMA underwrites flood insurance, it does not sell directly to the public, but instead, operates through a series of independent insurance companies. At least two of these companies (State Farm and Nationwide), and on information and belief many more (USAA, Allstate), are engaged in a concerted effort to re-adjust losses in such a way that, where applicable, the payment for claims that would normally fall under the company's own homeowner's or hurricane coverage is instead transferred to the NFIP. The misallocation and transfer of losses from State Farm and Nationwide to the federal government was achieved through the use of purportedly "independent" professional engineers who were asked to conduct forensic analyses of the losses. Whenever a loss report from an engineer identified "wind" as the source of the damage, State Farm directed the engineers to recharacterize the damage as flood damage,

². Incredibly, the NFIP puts the fox squarely on guard duty for the hen house because it allows the insurers to adjust the losses in conjunction with the losses attributable to homeowners insurance. As a result, as shown below, the insurer has a strong incentive to reclassify damage as flood rather than wind.

and if an engineering firm refused, their contracts were cancelled and their services were never retained again.

Although the present scope of the fraud is unknown, it is known that in Mississippi alone State Farm has adjusted upwards of \$1.2 billion in losses from Hurricane Katrina. If only ten percent of those claims are flood insurance claims, the scope of the fraud with State Farm alone could exceed \$120,000,000. Relators information, obtained by direct work with State Farm and Nationwide Insurance, indicates that both insurers have a planned, systematic response to claims-handling that directs that claims be shuffled off to FEMA whenever and wherever possible. This system is operated by directing supposed independent contracting engineering firms to always find that flood, and not wind, caused the damage when doing a source investigation on the nature of the claim.

How Flood Insurance Claims Work

In most cases under the NFIP the federal government only acts as the funding source for paying and underwriting claims while the coverage is sold through private insurance companies. Although the companies sell the policies, the policy itself is a standard document drafted by FEMA. Federal regulations require adjustment according to federal standards.

When there is a claim under a Standard Flood Insurance Policy ("SFIP") the insurance company is required to adjust the claim in accordance with these federal regulations. The applicable regulation, 44 CFR § 62.23(d) provides: "A WYO Company issuing flood insurance coverage shall arrange for the adjustment, settlement, payment

and defense of all claims arising from policies of flood insurance it issues under the [National Flood Insurance Program], based on the terms and conditions of the Standard Flood Insurance Policy.” In acting as the claims adjuster for the government, the WYO companies are fiscal agents of the government and payments on SFIP claims are a direct charge on the United States Treasury. See *Wright v. Allstate Ins. Co.*, 415 F.3d 384, 386-87 (5th Cir. 2005). To the extent that an insurer presents a claim for reimbursement under the SFIP to the federal government, that claim is presented to an officer or agent of the United States Government for payment, and any false claims are actionable under the False Claims Act.

Whenever an insurer like State Farm Insurance or Nationwide Insurance has sold a homeowner’s policy or hurricane policy (one that the insurance company directly underwrites), and also issues a flood insurance policy under the NFIP, the flood insurance policy is never written for an amount that is larger than the homeowner’s insurance policy or the accompanying hurricane insurance policy. More importantly, coverage is capped at \$250,000 for structures and \$100,000 for contents.

Under the NFIP rules and regulations, the insurance company that writes the companion flood insurance policy must adjust both the homeowners and the flood insurance claim. In doing so, there is a built-in conflict of interest. Because it adjusts the loss, and maintains control over the adjusting process (being solely responsible for gathering information in order to adjust the claim), the insurance company has an incentive to charge off all damage to the government as flood damage because when they do so, the government, acting through FEMA, pays the entire claim, thereby relieving the company of its obligation under its own policy of insurance. The only

situation where flood and homeowners or hurricane policies collide is in the area of hurricane damage.³

State Farm has, for some time, adopted the view that Flood Insurance is a superseding coverage in that if there is damage from wind and from flood, the flood policy is paid and the homeowner's insurance is never tapped for damages. State Farm has colloquially referred to this doctrine as the doctrine of concurrent causation. So, if a homeowner had only \$40,000 in flood coverage, and \$150,000 in homeowners or hurricane insurance, and suffered a total loss of their property from a hurricane, State Farm would offer to pay the \$40,000 in flood coverage, and once paid, would disallow any claim on the homeowners or hurricane policies because in their view if there was flood damage it took precedence over the wind damage, even though the wind may have actually caused the damage to the structure. Thus State Farm has always viewed flood coverage as a mechanism to reduce the amount paid from its own reserves. If flood and some other cause worked to destroy a structure, the doctrine of concurrent causation meant that only the flood coverage was paid.⁴

The NFIP Definition of Flood

To reduce the potential for misallocation of claims, "flood" is a term narrowly defined by statute and rule. 42 USC § 4121(1) states "the term "flood" shall have *such meaning as may be prescribed in regulations of the Director*, and may include inundation

³ For example, in the case of a tornado or hail-related loss under a homeowners policy, losses related to water damage would be clearly incidental to the claim, and even though a policy might include a flood loss provision under the NFIP, the claim could not be easily disguised because the primary means of damage is wind or hail. But in the case of a hurricane, particularly in coastal areas with a storm surge, a sizeable amount of water may be involved. Irrespective of whether the damage resulted from waves and water or wind, the insurance company can hide a loss under the NFIP because both wind and water are associated with a hurricane.

⁴ This doctrine is not codified in the NFIP statute nor is it codified in the NFIP regulations.

from rising waters or from the overflow of streams, rivers, or other bodies of water, or from tidal surges, abnormally high tidal water, tidal waves, tsunamis, hurricanes, or other severe storms or deluge;"

The director has provided the following definition of flood:

Flood, as used in this flood insurance policy, means:

A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (one of which is your property) from:

Overflow of inland or tidal waters,

Unusual and rapid accumulation or runoff of surface waters from any source,

Mudflow.

Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined in A.1.a. above.

44 CFR Pt. 61, App. A(1)

A. Storm Surge Versus Flooding

Most of the flooding occurring in coastal areas of Mississippi due to the hurricane was associated with storm surge. This is a poorly understood phenomenon in most insurance companies⁵.

Storm surge is simply water close to the hurricane's eye that is sucked upward by the intense low pressure inside the storm's eye. As the storm's eye moves toward shore, the depth of the ocean water decreases as the storm moves forward. The mound of water sucked upward by the eye's low pressure is pushed toward the shore by the force of the

⁵ Meteorologists and FEMA understand the process of storm surge quite well, and identified only a very few areas as associated with storm surge and flooding during Katrina. Insurance companies, however, attributed an inordinate amount of damage to this phenomenon.

winds swirling around the storm. This advancing surge combines with the normal tides to create the hurricane storm tide, which can increase the mean water level 15 feet or more. In addition, wind driven waves are superimposed on the storm tide. This rise in water level can cause severe flooding in coastal areas, particularly when the storm tide coincides with the normal high tides. Because much of the United States' densely populated Atlantic and Gulf Coast coastlines lie less than 10 feet above mean sea level, the danger from storm tides is tremendous.

In general, the more intense the storm, and the closer a community is to the right-front (or northeast) quadrant, the larger the damage related to storm surge. However, since the surge comes ashore as the eye wall moves onto land, storm surge follows by four to six hours after the arrival of hurricane force winds. Thus flooding from storm surge would normally be seen only where the hurricane made landfall, and only in low-lying coastal areas.

During Hurricane Katrina, FEMA identified only small parts of the Mississippi coast as flood damaged, generally around Bay St. Louis. The remainder was identified as hurricane damage. In most locations where defendants have written flood insurance and collected premiums under the NFIP, the companies have also written homeowners and hurricane insurance. Under the arrangement between the company and FEMA, (44 CFR Pt. 62, App. A), the government requires that when the company writes coverage for other perils and flood insurance, that one adjuster be used.

Based on relator's observations, and upon direction received from the defendants, beginning at about the time the first claims began to be submitted by adjusters for Hurricane Katrina, defendant made a corporate decision to misdirect and misallocate

claims from those of hurricane or homeowner's coverage (which it would be required to pay from its reserves or reinsurance) to flood claims that could be submitted and paid directly from the United States Treasury.

Defendant State Farm, and on information and belief, Nationwide Insurance Company, USAA, and Allstate all directed their employee adjusters and independent contractor adjusters to show flood damage whenever and wherever there was any amount of water damage, and to adjust the claim as flood insurance rather than hurricane insurance even though the primary mechanism for damage was wind, not flood waters. Where wind, or wind and water, made a structure unsalvageable, the claims were misallocated into flood insurance claims because flood insurance claims were paid by the US Treasury and did not come out of the company's reserves.

This misallocation of claims has resulted in significant damage to the federal treasury. Not only were the claims themselves paid out of federal funds, each loss was adjusted so as to "hit limits" so that as many dollars as possible would be charged against the NFIP. This because the larger the value of the claim, the larger the reimbursement for adjusting that claim. The cost of adjustment (\$7,000 or more on a policy limits claim) is passed along to the federal government as a cost of adjustment.

Relators are aware of at least two specific instances where Defendant State Farm has engaged in such behavior. Worse, State Farm, aware that it has engaged in conduct that is false and fraudulent, is taking extraordinary steps to protect itself by shredding documents and hiring document shredding companies to dispose of documents at its Mississippi offices. The examples that follow are derived from Relators' personal knowledge.

On October 4, 2005, Insurance Adjuster Cody Perry issued an assignment to defendant Forensic Analysis Engineering Corporation (FAEC) for the purpose of having FAEC determine the nature of the destruction of the McIntosh property located at 2558 S. Shore Dr., Biloxi, MS.

FAEC carried out the assignment on October 7, 2005. The firm did a site inspection and reached conclusions based on the inspection. It concluded that the damage that occurred to the policy holder's home at the time of the hurricane was due principally to wind, and not to water. That report was dated October 12, 2005. The report said:

CONCLUSIONS

Based upon the information that has been presented to FAEC and evidence gleaned during our inspection, FORENSIC ANALYSIS & ENGINEERING CORPORATION has made the following conclusion concerning the damage to the structure.

- The tree failures in the northwesterly direction are the result of the winds out of the southeast from the approaching hurricane.
- The roof, door, carport, and window damage was caused by wind and wind driven debris.
- It is FAEC's opinion that the interior damage of the structure is primarily the result of the failure of the windows, walls, and doors due to wind.

The conclusions and opinions presented in this report are based on the results of FAEC's field investigation of the subject residence, as well as our analysis of the available wind and localized water level data and upon all of the other associated information that we have gathered during the course of our investigation efforts to date. If additional information or facts become available which materially affect these stated conclusions and opinions, then, FAEC reserves the right to amend or change its opinions and conclusions as needed.

This report never became part of the permanent record of the McIntosh claim because it was recognized as contrary to the direction given to State Farm adjusters. On information and belief, Alexis "Lecky" King, a State Farm Insurance supervising adjuster

(and State Farm's guru on Flood Insurance) wrote the following note on the report: "Put in Wind file – DO NOT pay bill. Do Not Discuss". A copy of that note is shown below:

Forensic Analysis & Engineering (FAEC) is pleased to provide the following report of our engineering investigation and evaluation of the reported damage to the residence located at 2558 S. Shore Drive in Biloxi, MS.

We initially received this assignment on October 4, 2005. FAEC performed a field investigation of the subject insured residence. Assignment was turned over to the

This site was inspected on the day of Biloxi, Mississippi, during our inspection. FAEC damage combination on site.

Put in Wind file - DO NOT Pay Bill
DO NOT discuss

SITE OBSERVATIONS

Thereafter, on October 20, FAEC was commissioned to write a completely different engineering report for the McIntosh claim. That report was based on a site visit of October 18, 2005, and never disclosed the prior site visit. None of the previous observations were repeated, and many different observations completely at odds with the prior report were generated. Thereafter, the report found:

CONCLUSIONS

Based on the information that has been presented to FAEC and evidence gleaned during our inspection, FORENSIC ANALYSIS & ENGINEERING CORPORATION has made the following conclusions concerning the damage to the structure:

- The tree failures in the northwesterly direction are the result of the winds out of the southeast from the approaching hurricane.
- There appears to have been damage to the structure by wind as evidenced by missing shingles on parts of the roof structure. Damage to the second story floor and first floor ceilings was predominately caused by wind and intruding rainwater.
- The damage to the first floor walls and floors appears to be predominately caused by rising water from the storm surge and waves.

On or about September 26, 2006, State Farm Adjuster Christy Sims commissioned a study by FAEC on the Mullins home at 6057 Pine Tree Drive, Kiln, MS.

Among the observations made by the engineers were that the structure had already been removed from the site, as required by FEMA, and that much of their analysis was based on photographs provided to the engineers by the homeowners:

SITE OBSERVATIONS

The following are the observations made during FAEC's inspection of the structure.

- Upon approaching the property the house had been already removed from the site as required by FEMA
- From attached photographs provided by the insured, the entire house had been taken off from its support piers and came to a rest against the house across the street. The house had rotated about 180 degrees and its front was facing south. The porch area was about in line with the center of the street.
- No significant damage to the house was observable in the insured's photos, except for the contact point with the neighboring house across the street.
- According to the insured, the water had rose to 10 inches above the floor level at a neighboring residence close by. No water damage to the house could be appreciated from the photographs nor observed from the surroundings.
- The 24 inches high concrete block piers were in complete disarray. The blocks were not joined to each other nor anchored to the ground.
- With very few exceptions, all the trees around the observable area were standing straight and with all their foliage remaining.

The report concluded that the damage was due primarily to wind, and not to flooding.

The report's conclusion section stated:

CONCLUSIONS

Based on the information that has been presented to FAEC, evidence gleaned during our inspection, and our understanding of the storm water and wind conditions associated with Hurricane Katrina and how those conditions affected the neighborhood area of the insured residence conditions at the time of the storm, FORENSIC ANALYSIS & ENGINEERING CORPORATION makes the following conclusions regarding the claimed damage and the integrity of the property investigated:

- FAEC has concluded that the primary and predominant cause of damage to the subject property was due to hurricane force winds. This is based on the displacement of the house and the absence of water damage to the same. However, this displacement was facilitated by the poor anchoring and supporting observed.

This report was received by State Farm or its adjusters shortly after the time it was written. An invoice was generated by FAEC, and submitted to State Farm for payment. The location of the property, and the presence of a flood insurance policy (likely information not known at the time of the original survey by FAEC) made it necessary to change the report and its characterization of wind damage.

FAEC was directed to make a second report on the basis of its survey. On or about January 3, 2006, FAEC submitted a different report predicated on the same site visit of October 11, 2005, but not mentioning the prior report. The report did not appear to be a superseding report, nor was it a supplemental. Instead, it was a complete re-write of the original. This subsequent report was completely different from the first report in that the observations included:

- There was tree damage in the neighborhood with trees falling to the west northwest.
- There was shingle damage to houses nearby.
- The owner of the trailer across the street, whose home was impacted by the insured's, indicated that the water had come up to the bottom of her trailer. This was estimated to be between 2 and 3 feet above grade.
- The foundation for the insured's home consisted of concrete block piers about 2 feet above grade. No tie downs were observed, however one photograph furnished by the insured pictured, what appeared to be, a minimally effective tie down.

In addition to omitting the information relative to trees and structures, and in addition to a complete re-write of the findings, the conclusion of the report stated a completely different finding than the report of October 11, 2005:

The report concluded that the damage was due to flood waters, saying:

CONCLUSIONS & OPINIONS

Based on the information that has been presented to FAEC, evidence gleaned during our inspection, and our understanding of the storm water and wind conditions associated with Hurricane Katrina and how those conditions affected the neighborhood area of the insured residence conditions at the time of the storm, FORENSIC ANALYSIS & ENGINEERING CORPORATION makes the following conclusions regarding the claimed damage and the integrity of the property investigated:

- The tree failures in the northwesterly direction were the result of winds out of the southeast from the approaching hurricane.
- The damage to the interior of the house could not be determined as no evidence was available.
- The movement of the house across the street with minimal obvious wind damage is consistent with a buoyant force applied to the building by rising water allowing the wind to blow the house northwards until it reached an obstruction.

It is stark evidence of fraud that the same engineering contractor took a look at the same property and relied on the information from the same site visit, and not only reached different evidentiary findings, it reached completely different conclusion on the

same physical evidence. The timing of the report, combined with the message on the note not to pay the invoice and not to discuss the existence of the prior engineering report is evidence of an ongoing conspiracy between State Farm and its engineering contractor to present false claims to the federal government.

This is the gestalt of the relators' claims against the defendants. In hundreds and perhaps thousands of cases in Mississippi, Alabama, Louisiana and Texas the defendants have responded to hurricane and homeowner's claims where there is flood insurance by concluding nearly every time that flood waters arising out of the storm surge, and not wind, caused the damages. Defendants have done this specifically to misallocate the burden of paying claims from their own insurance reserves (and from re-insurance) to the federal government. This is a direct charge on the US Treasury, *Wright v. Allstate Ins. Co.*, 415 F.3d 384, 386-87 (5th Cir. 2005), and is the submission of a false claim based on false records.

A MATTER OF URGENCY

When civil lawyers began to take issue with the way that State Farm and Nationwide were paying claims (or more precisely, not paying claims), State Farm recognized that there was a risk that records associated with their conduct (particularly the engineering reports) could be subpoenaed or, in a worst-case scenario, seized. State Farm has taken steps that are extraordinary to protect itself.

Relators have been directed to shred materials in conflict, and State Farm has positioned locked shredding trash cans around its offices for the disposal of contradictory

information. Engineering reports are not kept with the claims, and nearly all reports have been seized from the adjusters and placed under lock and key so as to prevent discovery of the fraud.

Some reports, particularly those that might be seized by state courts or ordered produced by state courts have already been moved from Mississippi to Texas.⁶ State Farm, among others, is engaging in an internal witch-hunt to determine who may be leaking information to attorneys. Relators' positions are in serious jeopardy if their status as relators is disclosed.

Relators are concerned that a majority of the documents that exist are being shredded by the Insurance companies, and that individual engineering firms are being given the same direction. A shredding company, "Shred-It", visited the State Farm offices on April 12, 2006 and shredded large amounts of documents. While it would be nearly impossible for even the most obsessive insurer to destroy all the conflicting reports and silence all the engineers, delay by the government in following up this information will likely result in the loss of data and make recovery of the funds more difficult.

Relators know and would testify by affidavit that information from the engineering firms is being sent by facsimile, by electronic means, and by U.S. Mail. Relators are also certain that telephonic communications between Lecky King and the principals at the engineering firms are likely ongoing in an effort to make sure that no information leaks out.

⁶ Of course, since an action under the False Claims Act includes the ability to serve process anywhere in the United States where a company does business, the tactic of moving these documents to a different jurisdiction will be ineffective against the United States Department of Justice.

Relators' main concern is that immediate action is necessary to prevent the additional wholesale shredding of documents by the Defendants in this matter.

WHO ARE THE RELATORS

Cori Rigsby and Kerri Rigsby are sisters who currently work for E. A. Renfroe, an adjustment company that leases its adjusters to the various insurance companies across the country. It specializes in providing adjusters to handle catastrophes by having personnel trained on State Farm and other insurers' equipment, policies, and procedures, and being able to provide them quickly when a catastrophe occurs.

Cori's job involves working with various insurers including Travelers, State Farm and Nationwide. Over the past eight years she has adjusted hurricane claims, tornadoes, and other various natural (and man-made) disasters. She started as an adjuster and is now paid \$520 per day to provide services as a claims manager.

Kerri's position requires her to adjust claims for State Farm, and State Farm has been the only company that she has worked for. Her position, in all material respects, is identical to Cori's. Neither individual has any criminal background. Neither has financial skeletons in their closet. They are earnest and sincere relators who are blowing the whistle on practices they see as false and fraudulent.

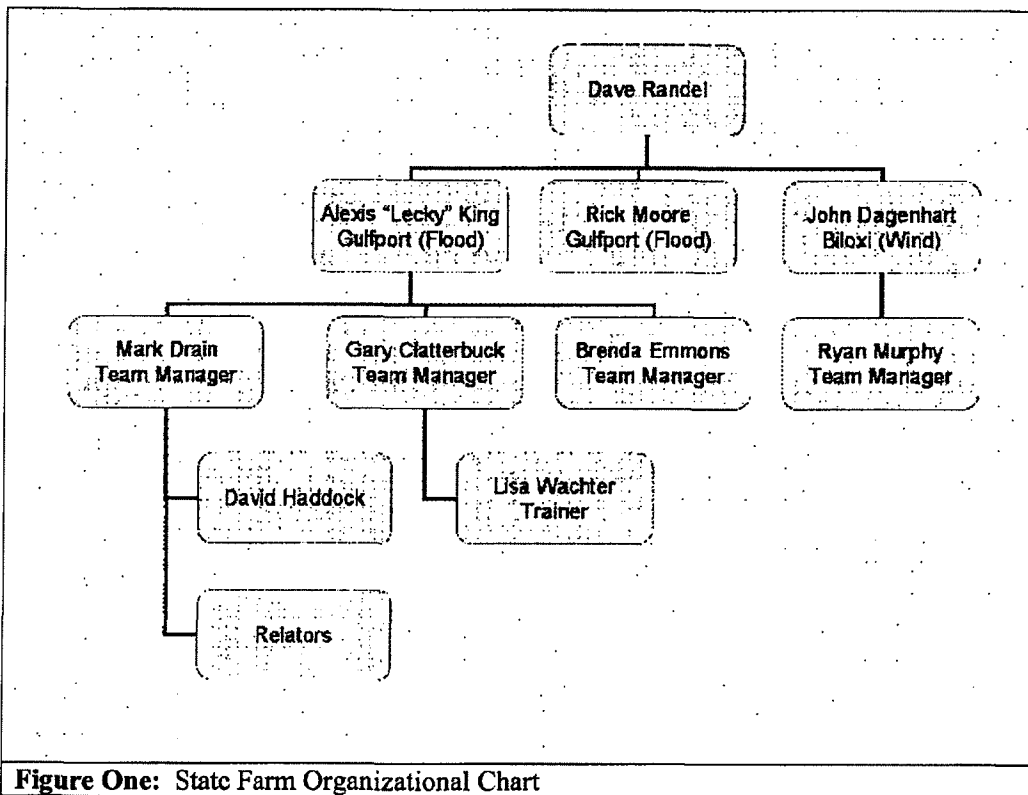
SPECIFIC INSTANCES OF FRAUD

Personnel Involved In CAT Team Katrina

The following State Farm personnel were involved with adjusting Katrina loss claims. In the table below the name and position are set out, as well as the conduct chargeable to them and the content of any information they possess. Where so noted, the individual will have participated in that conduct.

Name	Position	Conduct/Knowledge
Alexis "Lecky" King	Co-CAT Team Coordinator	King is the State Farm Flood Insurance "guru" and she directed that adjusting be done to conform to the decision she made that claims would be denied as wind damage claims. King holds considerable knowledge with regard to information about State Farm's conduct, and has been heard to remark that for a payment of \$2,000,000 she would be willing to speak with attorneys representing Katrina victims.
Richard "Rick" Moore	Co-CAT Team Coordinator	With King, Moore was the person in Gulfport claims office who oversaw the "water" portion of the claims adjustments relating to floods. He and King were involved in making the decision early on to get blanket engineering reports, and in later canceling that mandate. When it was necessary to "correct" these engineering reports, only he and King had access to the original engineering reports that were adverse to the final reports.
John Dagenhart	CAT Team Coordinator	In charge of the Biloxi (wind) office and also a CAT team coordinator. Engaged in the same conduct as Moore and King, although likely he engaged in less of this conduct since more of the claims in the Biloxi office dealt with wind rather than flood.
David Randel	Section Manager	As section manager for the CAT teams, Randall was the principal supervisor over Katrina claims. He was King, Moore and Dagenhart's boss and direct supervisor. He oversaw the adjusting of claims. He is one of only 12 - 15 section managers at State Farm.
David Haddock	Trainer	State Farm employee responsible for overseeing adjusters. His name appears on the fax letters sent to engineering firms recalling or canceling their engineering reports and directing them to

		"send their investigation materials" to State Farm.
Lisa Wachter	Trainer	State Farm employee responsible for overseeing adjusters. Similar knowledge to David Haddock.
Ryan Murphy	Claims Manager	Oversaw claims at Gulfport. Currently assigned to mediation teams.
Anna Eaton	Claims Adjuster	Finacee of Murphy. Murphy told her that the original engineering reports were scanned to the CSR program and then shredded.
Mark Drain	Team Manager	Assigned to the "high profile" claims where State Farm wanted to preserve relationships or prevent fallout.
Gary Clatterbuck	Team Manager (no longer in MS. Went back to TX after December)	Assigned to claims on Katrina, was outraged at how the process was handled, particularly at the claims and engineering report process. "Everything about this is just wrong!"
Mike Myers	State Farm Agent	Apparently had no flood insurance but backdated not only his own but also several other insurance applications to include flood coverage.
Felicia Palmer	State Farm Agent	Apparently knows about Myers' backdating.
Brenda Emmons	State Farm Aduster	Brenda has widely been thought to be the "mole" inside State Farm because Katrina has affected her significantly. She has appeared to suffer depression as a result of her work on Katrina, and is believed to be very disturbed by what she was required to do.



How CAT Teams Worked In Prior Disasters

Catastrophe team adjusting is and always has been an “adjuster driven” process whereby adjusters are sent into the field and investigate and pay claims based on the damage they find. The only time additional assistance in the form of experts or engineers are engaged in most catastrophe claims is when there is extrinsic evidence of fraud.⁷

⁷. For example, in one case adjusters thought that the “hail damage” they saw on a roof looked a lot more like marks made by a hammer and called in an engineer to investigate. Use of engineers prior to 2005 was rare.

Beginning with Hurricane Ivan in 2004 State Farm began to use engineers, but the use of engineers was random and State Farm always went by whatever the engineer said. If the report said damage was caused by wind, the policy was paid 100% based on the engineer's report. Even if State Farm disagreed with its expert's reports, it stood behind the expert and paid the claim based on what the expert said. As Cori Rigsby said, the purpose of the CAT team was to "rush in, pay a lot of claims, and leave." State Farm did not follow their prior policies or their past experiences in adjusting Katrina claims.

How CAT Teams Worked in Katrina

Initial bad decisions about how to handle claims might well be blamed on the scope of the disaster. The number of claims was enormous, and the response by State Farm required them to bring in adjusters and train new adjusters for the process of claims under State Farm's policies. At the outset, however, State Farm made a decision that would quickly become unmanageable for it. It made a decision to do a forensic engineering analysis of three kinds of claims.

"Slabs" are insurance slang for complete losses of structures and contents that involve nothing on the ground but a cleanly-stripped foundation. "Popsicle Sticks" is slang for structures where only the pilings or a few beams are left standing. "Cabanas" is the industry colloquialism for houses where the roof and perhaps some interior walls remain, but the structure itself is a total loss. Almost immediately after being notified and dispatched to the Katrina disaster on September 2, 2005, Kerri and Cori were told that they were to order an engineering report on every loss that was a "Slab," "Popsicle Stick" or "Cabana."

There was one exception to this requirement. If the policy-holder had flood insurance, and if the policy-holder was willing to accept this payment as the payment-in-full for their losses, State Farm would offer to pay that amount without a site inspection and without an engineering report.

The Flaw In the Program

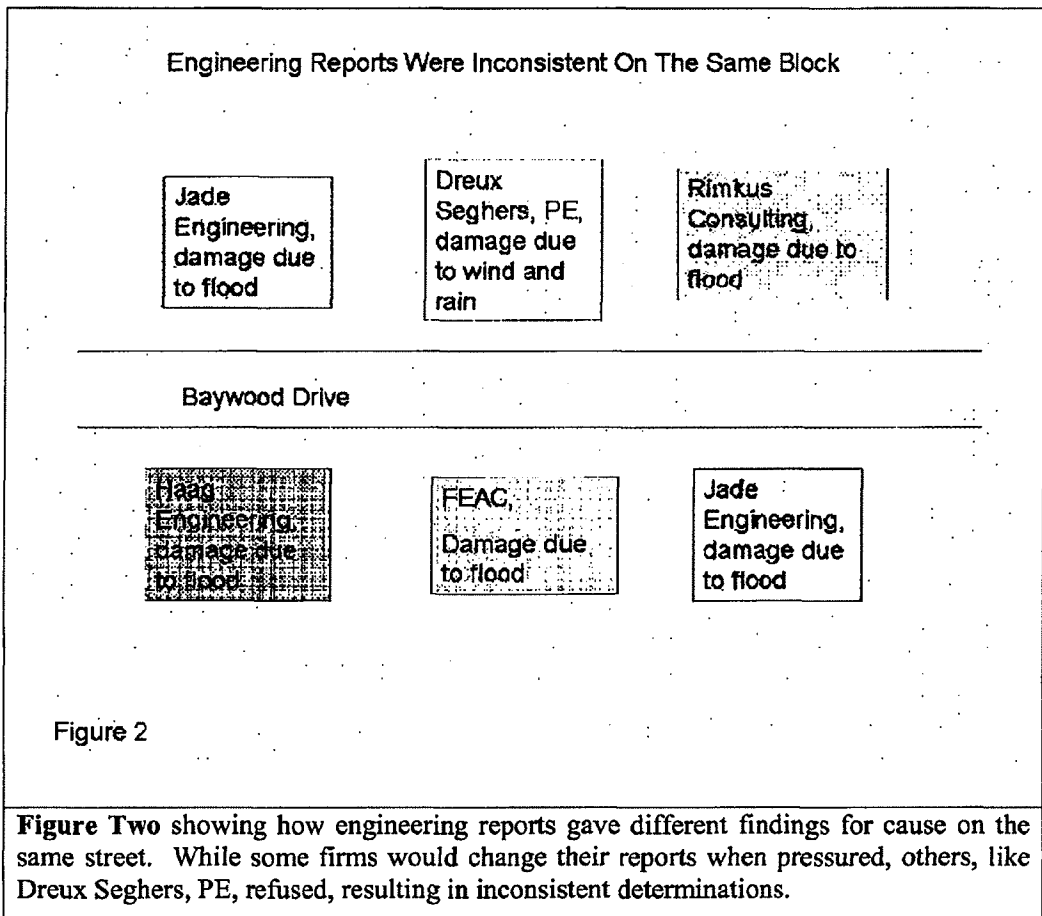
The immediate flaw in the “blanket engineering report” program became apparent within hours of the blanket engineering requests in Katrina. There was no coordination of how engineers (or even which firms) were assigned to claims.

At the outset, State Farm got a report from Haag Engineering that concluded that the majority of the damage in Mississippi was due to flood, and not to wind or rain. This conclusion was contained in a report, a copy of which is attached as an exhibit to this disclosure. That document became State Farm’s (and on information and belief, Nationwide, Allstate and USAA’s) bible when denying coverage under hurricane insurance on the basis of damage caused by flooding. Even though information copies were provided to the other consulting engineers, those engineers did not always adhere to the party line.

While Jade Engineering might take one house on a block, Haag might take another. Dreux Seghers might get the last house on the street. And while each of the engineering firms was provided with an analysis done by Haag⁸, individual engineers approached claims differently, relied on different information in reaching their results,

⁸ This “analysis” became State Farm’s bible and basis for denying the majority of the hurricane claims because it found that the majority of the damage was from flood, not from wind. This in spite of the fact that hurricane force winds preceded storm surge by at least five hours.

and frequently (in the case of honest firms like Dreux Seghers) reached the conclusion that the majority of the damage was caused not by flood but by wind. See Figure 1, below.



Alexis "Lecky" King from State Farm reached the conclusion that reports that differed substantially from those of Haag were to be considered suspect and were to be re-written or revised by the consulting engineer. She held bills and refused to pay them. While State Farm had routinely released engineering reports in the past to its policy

holders, King now gave direction that the reports were not to be shared.⁹ As noted earlier, scores of engineering reports were sent back to the engineers in order to get them re-written to coincide with State Farm's (and Lecky King's) view that these should all be flood damage claims.¹⁰

But the real flaw in the multiple engineer scenario manifested itself in case of Anna Vela. Vela is a Biloxi resident who lived on Baywood Drive and whose loss was first assigned to Dreux Seghers for analysis. The engineering analysis determined that the primary loss was due to wind damage. This was provided to Mark Drain at State Farm who passed it along to King for review. King told Drain that the engineer was "a moron" and directed him to "tell him to revise this." Shortly thereafter King left for a short time, and Drain had to make the determination, as a team manager, whether to pay the claim on the basis of the engineering report, or get a new report. He elected to pay the claim. State Farm paid out policy limits on the Vela claim.

Yet, other houses on the same street were determined by Haag, FAEC, and Exponent to be "flood" related, and those claims were paid only under a flood policy or denied.

In November the flaw was seen as what it was, a tool for inconsistent adjusting, and State Farm trainers David Haddock and Lisa Wachter directed adjusters not to get any further engineering reports on Slabs or Popsicle-Sticks. In addition, where

⁹ This was to prevent the situation where policy holders would get the initial report reflecting wind damage and rely on that before the "revised" report could be sent.

¹⁰ Relators have memory of seeing a stack of engineering reports on Lecky King's desk that was more than one foot tall. These reports concluded that there was not flood damage, and they needed to be dealt with by King, who would instruct adjusters not to pay the claim until a new report would be issued by the engineer. That is why King placed the note in the McIntosh file to the effect that the prior engineering report would not be paid for, and would not be discussed.

engineering reports had been requested, they sent a fax to the engineers directing them to cancel the request, send along the investigation materials and not write a report. If a report had already been written, they were directed to send it, as well. A copy of this facsimile is found at Exhibit C.

The Engineering Reports

As painstakingly documented above, engineering reports were solicited by blanket authorization, even though these reports would generate invoices from the engineers to the tune of \$1,500 to \$3,000.¹¹ State Farm apparently looked at it from the standpoint of preferring to pay \$1,500 to an engineer instead of paying \$200,000 to an insured. Attached as Exhibit A is the engineering roster from State Farm Insurance that shows the name of the engineer, the date the claim was assigned, the claim number, the address, the inspection date, and the date a report was received by State Farm.¹² As can be seen by the report, certain engineers had a very high percentage of cancelled reports.¹³ Seghers was hired on only 79 claims. 32 of those were cancelled or listed as never received or “peer reviewed.” Seghers, who refused to play ball with State Farm, had 40% of its assignments cancelled. Similarly Engineering Design and Testing, a firm that refused to play ball with State Farm, received only 39 assignments and had 10 cancelled

¹¹ . This was a win-win situation for State Farm. The engineering reports, where they concluded that the damage was caused by flood, saved State Farm thousands. Where the policy holder was lucky (or unlucky) enough to have flood coverage, the costs of the engineering report became a part of the flood claim adjustment costs and were passed along to the FIA through the NFIP’s mechanism for paying adjusters.

¹² . In many cases the “date received” is inaccurate. Some of the reports were received, but not acknowledged. Others were cancelled.

¹³ Relators have heard that Dreux Seghers, PE, who is not named as a defendant in this action, was approached by State Farm to change reports. Seghers stood by his reports early on where he concluded the source of damage was wind. Seghers did not receive an assignment from State Farm after November 2005. Those assignments that he did receive in October and November were cancelled at a significantly higher rate than other engineering firms.

(25%). Exponent Failure Analysis, a firm that did engage in re-writing of reports at State Farm, had 214 assignments and only 17% of those were cancelled by State Farm. Similarly low cancellation rates will be present for the other engineering defendants in this case. See Exhibit A.

Lecky King, Rick Moore, or their designees and employees directed the engineering firms to change any report where the cause of the damage was not flood. At one point relators were in a meeting with King who was reviewing engineering reports. She tossed one of the reports on to the center of the conference table and announced that the engineer must have known, or been related to, one of the persons on the street because the report did not conclude that the cause was flood. As such she said that this report would need to be re-written.

King would pull the reports that did not match her predetermined expectations of flood damage and would direct that they be revised. At one time the pile of reports that required revision was at least one foot tall. King and Moore sent an email (See Exhibit E.) that indicated to everyone that the original engineering reports were to be kept under lock and key, and that only she and Rick Moore had access to these reports.

Once the reports were re-written, the original reports were segregated and Relators believe that all original reports that were rewritten were or are in the process of being destroyed by State Farm at the direction of King and Moore.

State Farm, however, has an accounting system that tracks the reports and the dates assigned. The date an invoice was submitted is tracked along with the date paid. Since invoices were not paid until reports were re-written, a delay of more than 4 or five

days between the invoice and the payment would be indicative of a claim that was re-written to conform to the flood expectations.

Relators believe that Seghers, among others, would talk frankly with federal investigators about how he was essentially removed from assignments because he refused to re-write reports, as he has confessed this event to family members of the Relators.

The Adjustment Expenses

One of the many problems with the way the Flood Insurance Program is laid out is the requirement under the NFIP that "Write Your Own" ("WYO") insurance companies adjust the claims. Because the claims adjustment expenses (\$1,500 to \$3,000 for engineering reports and as much as \$9,000 for individual independent adjusters) are passed along to FEMA and the Flood Insurance Administrator (FIA) under the regulations governing the NFIP, the WYO companies have a double incentive to misallocate a loss to flood insurance. First, the responsibility to pay the claim is borne by the federal government. This reduces the burden on the defendant by reducing the amount of reserves required to pay the claims. Secondly, the adjustment expenses are allocated to the flood claim. State Farm and the other defendants are not only allowed to push off the fixed costs of the claim, but also are able to push off the adjustment expenses.

Because the adjustment expenses are borne by FEMA under the program, State Farm gave direction initially to the adjusters that if they calculated a flood insurance claim and did not "hit the limits" that they were to recalculate the claim until such time as they did "hit the limits." This is not simply a desire to be generous with someone else's

money, nor is it a desire to “be fair” to the policy holder. Instead, it is a concerted effort to maximize profits by maximizing the amount of the flood insurance claim. If minimal losses are attributable to a flood insurance policy (for example, a \$40,000 payment under flood insurance), the payment to State Farm for adjusting expenses is much smaller (\$750). If coverage is maximized (\$250,000 for structure and \$100,000 for contents) then the adjusting costs charged by the independent adjusting firms (\$7,000) are added to the costs of engineering reports (\$1,500 to \$3,000) and these costs, with some addition for overhead and other adjusting costs borne by State Farm, are all passed along to FEMA and the FIA. State Farm and other defendants make additional money by not only avoiding a charge against their reserves, but also by having all their claims adjustment expenses paid for by the federal government.

State Farm used a computer program called “XACT TOTAL” to calculate the flood claims and hit policy limits. The program permitted the agent to put in the square footage and amenities to “rebuild” the home. Adjusters were instructed to “hit the limits and if you haven’t hit the limits on flood, go back and do it again until you do.” The program was first developed for “slabs” but was later used for “cabanas” and other structures without total losses. One of the relators witnessed five houses where only four feet of mud was in the elevated house. There was no damage to roof, siding, and other structural elements. The house was submitted as a total flood loss (to hit the limits) using the XACT TOTAL software. State Farm continued this program until “Flood Calculator” was developed.

The Backdating of Policies

State Farm Agent Mike Myers was quoted by several individuals in the Biloxi area in the hours immediately after the storm as saying he did not have flood insurance. Within days this lack of insurance was transformed into a windfall by virtue of a backdated policy. Although relators do not have direct knowledge of how and when Myers was able to work the system to backdate flood coverage, it is known that Myers and several of his key clients and friends were able to get flood coverage in the days immediately after the storm.

Felicia Palmer is another Mississippi-based State Farm agent who did not have flood insurance and who suffered a complete loss on her business structures. She was not paid through State Farm for her loss. Myers, however, was able to get paid, even though he had told people he did not have flood insurance. Palmer is reported to be very angry. Relators believe that she will discuss the backdating allegations with investigators.

Relators also believe that the only way this could have been accomplished by Myers is if Myers has friends or associates in the Underwriting department of State Farm because the backdating of paperwork should ordinarily have raised red flags at State Farm and set off internal controls meant to catch exactly this type of situation.

Grant Money

As a response to the devastation of the Gulf Coast, Congress passed and the president signed in late 2005 a flood grant program. The program requires that a person have homeowners insurance, live in an area that is not a flood zone, and have structure losses due to a flood during Katrina.

The program will pay up to \$150,000 (reduced by amounts already paid from other sources) for damages to structures during Katrina.

During the course of its post-Katrina adjusting, State Farm has encouraged homeowners to apply for these grants, and has facilitated such action. In a recent case the homeowner was entitled to payments under both contents and structure coverage. In mediation, State Farm transferred funds from its "A" (structure) coverage to its "C" (contents) coverage so that the homeowner would be entitled to a larger amount of grant money. The homeowner would not have been entitled to the contents value ordinarily. The homeowner was entitled to more money under the structural coverage. By transferring money from the structure to the contents, State Farm colluded with its insured to allow the insured to submit a larger amount for the grant.

WHAT EVIDENCE EXISTS OF THE FRAUDULENT CONDUCT

Relators' Declarations

Relators have examined the complaint and have attested to the fact that the information in the complaint is true and accurate to the best of their information and belief. The information in this disclosure and in the Complaint is what the Relators would testify to if placed under oath.

Relators have a great deal of information, and have kept a journal of questionable happenings at State Farm since the inception of the Katrina event. They have a wealth of knowledge about the persons involved, and would be a good source for investigators to speak with about the underlying fraud.

Documents

Many of the documents involved in this fraud (especially the original engineering reports) have either been shredded or are going to be shredded in days absent quick and dispositive action from the United States Attorney's office.

There are locked filing cabinets in the offices of King and Moore which contain information that establishes the fraud. Individual defendants and, where applicable, witnesses (Seghers, for example) will likely testify to the "rewrite your report to get paid" scam that State Farm enforced against the engineers.

Original invoices generated by the billing and accounting systems of the individual engineering defendants will also support the fact that multiple reports were written. There are likely computer records that show that two reports were written. Individual employees of these engineering firms are also likely to be willing to testify to the pressure brought to bear on them to change engineering reports.

Computer Evidence

State Farm maintains distributed servers in Jacksonville, Florida and Birmingham, Alabama. Disaster servers are, on information and belief, located in Bloomington, IN, for backup purposes.

Servers in Birmingham are dedicated to adjusting claims in the Mississippi and Alabama areas, while Louisiana and Texas claims are adjusted out of Austin, TX, where yet another server exists.

Documents, photographs, claims logs, adjuster logs, computations and other data associated with the claim are maintained in State Farm's *CSR Reflections* software. *CSR* is a DOS-based computer program that State Farm still uses to track claims. Information about multiple reports and claims are likely documented in the hundreds of adjuster logs maintained on *CSR Reflections*. Search warrants or subpoenas should be directed to both the *CSR* system as well as the Outlook email system maintained and used with State Farm.

Relators have produced some emails, including those that are relevant to the fraud issues here. Additional emails between King and her superiors, as well as other State Farm management personnel, are likely to be dispositive with respect to the knowledge of superiors at State Farm regarding the scope of the fraud.

FEMA Flood Map

One of the more dispositive pieces of information in this case is the flood map put out by FEMA, the agency responsible for managing the Flood Insurance Program. Copies of that map show very small areas that were actually flooded during Katrina. In spite of this determination by the parent agency of the Flood Insurance Administrator, Katrina victims were denied coverage and were paid on flood insurance claims over a much wider area than FEMA determined to be flooded.

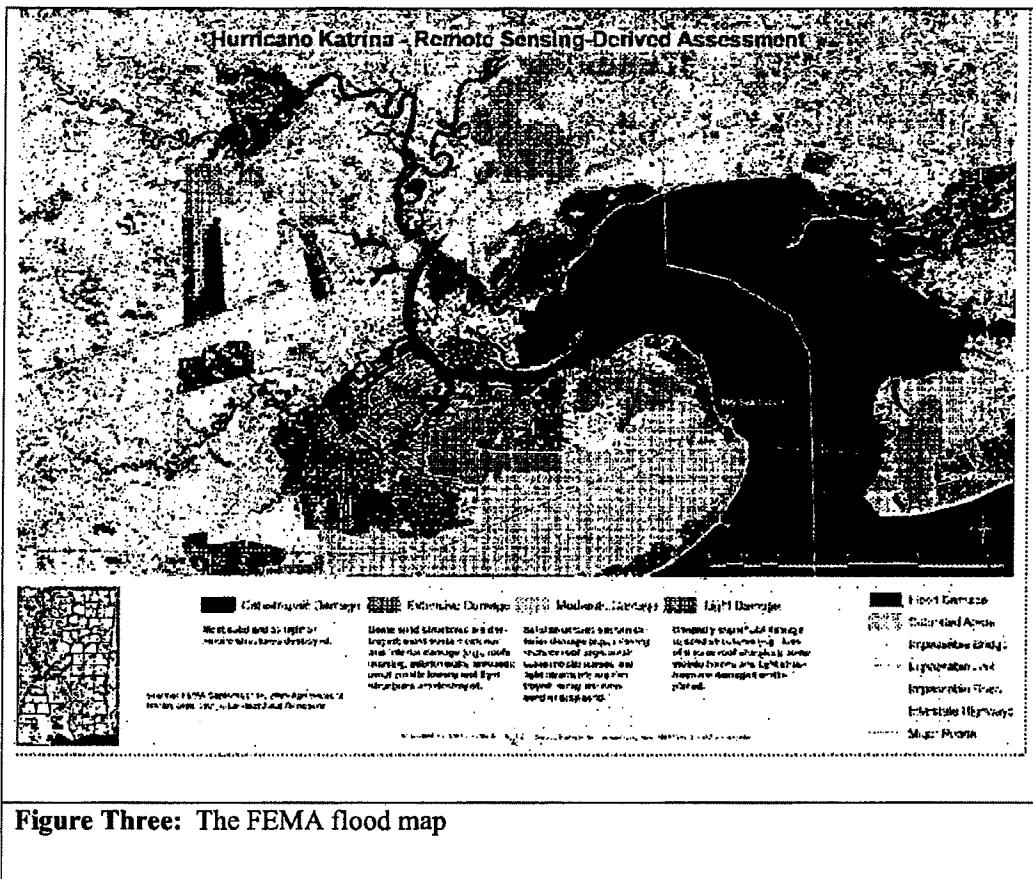


Figure Three: The FEMA flood map

DOCUMENTS AND EVIDENTIARY MATERIAL

The following documents and pieces of evidence are submitted with this disclosure.

Exhibit	Description
----------------	--------------------

A	Engineers Roster – CAT PI
B	Haag Report
C	Craig Balius Claim Forms
D	Balius Flood Claim Worksheet
E	Emails from State Farm regarding Engineering Reports
F	Other Emails from State Farm
G	Relators Declarations

Respectfully submitted,

THE SCRUGGS LAW FIRM

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ATTORNEYS FOR RELATORS

CERTIFICATE OF SERVICE

The undersigned certifies that on this 24th day of April, 2006, a copy of the foregoing Complaint and the required disclosure statement was served on the individuals below by first class mail, certified, return receipt requested to Dunn O. Lampton, US Attorney's Office, 188 E. Capitol St., Suite 500, Jackson, MS, 39201, and by placing the same in the United States Mail, first class postage affixed, certified, return receipt requested, and addressed to Alberto Gonzales, Esq., at the address below:

Dunn O. Lampton, Esq.
United States Attorney
188 E. Capitol Street Ste 500
Jackson, MS 39201

Hon. Alberto Gonzales, Esq.
Attorney General of the United States
5111 Main Justice Building
10th & Constitution Ave. N.W.
Washington, DC 20210

Attorneys for Relators

From: Joseph Treaster <treaster@nytimes.com>
Sent: Monday, January 22, 2007 1:40 PM
To: Beth Jones <bethjones@scruggsfirm.com>
Subject: Re: back

thank you very much. joe treaster

04:24 PM 1/22/2007, you wrote:

Dick asked that I send this to you in confidence.

Beth

Beth Jones

Executive Assistant to Richard F. Scruggs
Scruggs Law Firm
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Oxford, Mississippi 38655
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A Lawyer Like a Hurricane



Richard F. Scruggs on the foundation of what had been his white-washed house in Pascagoula, 50 yards from the Gulf of Mexico.

By JOSEPH B. TREASTER
Published: March 16, 2007

PASCAGOULA, Miss. — Richard F. Scruggs, one of the country's most successful trial lawyers, made his first fortune in a case that hit close to home. He sued asbestos makers on behalf of workers at the shipyard in his hometown, Pascagoula, who had developed lung diseases. He made his second fortune with lawsuits against the tobacco industry, coming up with a winning legal strategy in Mississippi that he then applied nationwide.

But his latest legal battle — trying to force insurers to pay more for damage from Hurricane Katrina — literally hit home.

His white-washed house on Beach Boulevard, just 50 yards from the Gulf of Mexico, is gone. The house, with its columned entrance and sunny breakfast room, appeared in the

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Cheryl Gerber for The New York Times
Diane Scruggs, wife of Richard, with a table base retrieved at the site of her former home. The couple had flood insurance, and they were paid the maximum \$250,000 on the house plus \$80,000 for furnishings.

movie "The Insider," about a whistle-blower who helped Mr. Scruggs win a \$248 billion settlement in the tobacco case. It was so badly mangled that it had to be bulldozed to the foundation slab.

The loss made him a partner in grief with tens of thousands of residents along the coast of Mississippi. Many turned to him in their battle for insurance money in a fight that has become a financial and public relations nightmare for the insurance industry.

Mr. Scruggs, 60, slim, often folksy and smooth as molasses in court, is using techniques that he honed in his earlier legal fights. He is arguing now, as he did before to such good effect, that he is fighting for the little guy who cannot stand up alone to big anonymous companies.

"These are not just legal wars," Mr. Scruggs said in a recent interview. "They are public relations and political wars."


The insurance companies counter that Mr. Scruggs has portrayed them unfairly and misleadingly.

"Mr. Scruggs has taken a tiny portion of the claims associated with Katrina and tried to paint the entire insurance industry with a brush of malfeasance," said Robert P. Hartwig, president and chief economist of the Insurance Information Institute. "And that is an entirely incorrect characterization."

Joseph Annotti, a spokesman for the Property Casualty Insurers Association of America, whose members provide 40 percent of the home insurance in Mississippi and the rest of the country, calls Mr. Scruggs an opportunist. "People are looking for someone to blame and someone to pay," Mr. Annotti said. "He's playing on that anger and people's raw emotions. On our part, we underwrite policies that go through strict regulatory approval. Every word is approved by the state regulator."

The insurance dispute centers on two main kinds of damage in a hurricane: wind and flooding. People along the Mississippi coast say they thought their policies covered any type of hurricane damage. The insurers, with the backing of the courts, have insisted that flooding is not included.

But in some cases insurers have also refused to pay when a house was wrecked by both wind and flooding — and there, a federal judge has ruled, they were wrong. Flood insurance is sold by the federal government. But fewer than 20 percent of the coastal residents in Mississippi bought it.



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Insurers note that they have paid \$41 billion for damage from Katrina, including \$5.5 billion for homes in Mississippi. The insurers add that only 1 percent of their customers have taken them to court, but that amounts to more than 2,000 lawsuits in Mississippi and many more in New Orleans and elsewhere in Louisiana that are being dealt with separately.

For months after the hurricane hit on Aug. 29, 2005, the insurance dispute in Mississippi was stalled. But in mid-January a Biloxi couple won a \$1 million verdict against State Farm, the largest home insurer in the nation and in Mississippi.

Less than two weeks later, Mr. Scruggs completed negotiations on settlements with State Farm worth at least \$130 million, setting the pattern, many insurance experts said, for resolving hundreds of other cases and potentially providing hundreds of millions of dollars for rebuilding along the coast.

Mr. Scruggs conceded he has used "every trick in the book" to gain advantage over the insurers.

"This is very personal," he said. "This is about my family, my friends, the people I grew up with. I wake up at 3:30 every morning thinking of ways to get at this thing."

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Past Coverage

- TALKING BUSINESS; A Contract Is a Contract, Right? (February 24, 2007)
- Insurer Is Said to Be Nearing Settlement of Hurricane Claims (February 20, 2007)
- State Farm Ends New Property Coverage in Mississippi (February 15, 2007)
- Insurer to Pay 640 Claims From Katrina (January 24, 2007)

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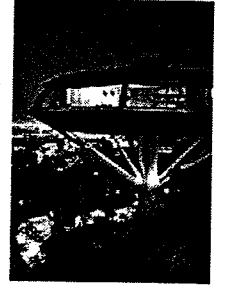
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Beth Jones

From: Beth Jones
Sent: Wednesday, June 06, 2007 3:49 PM
To: rey@cbsnews.com
Subject: FW:
Attachments: False Claim Act First Amended Complaint.doc; Renfro Code of Conduct.pdf

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I WILL SEND THE BIG COMPLAINT WE ARE WORKING ON IN A SEPARATE EMAIL.

6/25/2008



SMPH1-001744

IN THE UNITED STATES DISTRICT COURT OF MISSISSIPPI
SOUTHERN DISTRICT

UNITED STATES OF AMERICA EX
REL. CORI RIGSBY, AND KERRI
RIGSBY,

Relators,

vs

CASE NO. 1:06cv433 Sealed

STATE FARM MUTUAL INSURANCE
COMPANY

**TO BE FILED IN CAMERA AND
UNDER SEAL**

Pursuant To 31 USC § 3731

NATIONWIDE INSURANCE
COMPANY

ALLSTATE INSURANCE COMPANY

USAA INSURANCE COMPANY

FORENSIC ANALYSIS ENGINEERING
CORPORATION

EXPONENT FAILURE ANALYSIS

HAAG ENGINEERING CO.

JADE ENGINEERING

RIMKUS CONSULTING GROUP INC.

STRUCTURES GROUP.

E. A. RENFROE, INC

JANA RENFROE

GENE RENFROE

ALEXIS KING

**RELATOR'S FIRST AMENDED COMPLAINT FOR DAMAGES UNDER THE
FALSE CLAIMS ACT, 31 USC § 3729 ET SEQ.**

COMES NOW Relators in the above-entitled action, and for their cause of action state and aver as follows:

CAUSE OF ACTION

1. This is an action to recover damages and civil penalties on behalf of the United States of America arising out of the false claims presented for payment by the defendants under the National Flood Insurance Program, 42 USC § 4001, et seq. This is a cause of action brought by a relator pursuant to 31 USC § 3729 and the qui tam provisions of that statute found at 31 USC §§ 3730 and 3731.
2. 31 USC § 3730(b)(2) provides that “The complaint shall be filed in camera, shall remain under seal for at least 60 days, and shall not be served on the defendant until the court so orders. The Government may elect to intervene and proceed with the action within 60 days after it receives both the complaint and the material evidence and information.” Plaintiff is filing this matter under seal.
3. A copy of the evidentiary disclosure required by the False Claims Act has already been served on the United States. A second, supplemental disclosure was made on December 8, 2006.

JURISDICITON AND VENUE

4. 31 USC § 3732 provides that: “Any action under section 3730 may be brought in any judicial district in which the defendant or, in the case of multiple defendants, any one defendant can be found, resides, transacts business, or in

which any act proscribed by section 3729 occurred. A summons as required by the Federal Rules of Civil Procedure shall be issued by the appropriate district court and served at any place within or outside the United States.”

5. As established by the pleadings, *infra*, defendant State Farm Mutual Insurance Company transacts business in this judicial district and this action may properly be brought against it in this district.
6. As established by the pleadings, *infra*, defendant Nationwide Insurance Company transacts business in this judicial district and this action may properly be brought against it in this district.
7. As established by the pleadings, *infra*, defendant Forensic Analysis Engineering Corporation transacts business in this judicial district and this action may properly be brought against it in this district.
8. As established by the pleadings, *infra*, defendant E. A. Renfroe, Inc., transacts business in this judicial district and this action may properly be brought against it in this district.
9. As established by the pleadings, *infra*, defendants Jana and Gene Renfroe, as the principals of E. A. Renfroe, Inc., have transacted business in this judicial district and this action may properly be brought against it in this district.
10. As further established by the pleadings, the acts proscribed by § 3729 occurred in this judicial district.

PARTIES

11. Relator, Cori Rigsby is a citizen and resident of the State of Mississippi and is employed by E. A. RENFROE, INC., a company that is an independent contractor for State Farm Mutual Insurance Company, USAA and Nationwide Insurance Company. She is a claims manager and from time to time has witnessed the events set forth herein.
12. Relator Kerri Rigsby is a citizen and resident of the State of Mississippi and is employed by E. A. RENFROE, INC., a company that is an independent contractor for State Farm Mutual Insurance Company, USAA and Nationwide Insurance Company. She is a claims manager and from time to time has witnessed the events set forth herein.
13. Defendant State Farm Mutual Insurance Company is a company authorized by the Federal Emergency Management Agency (FEMA) to write flood insurance under the Standard Flood Insurance Policy ("SFIP"), 44 CFR §§ 61.4(b), 61.13(d), (e), 62.23(c). See also 44 CFR 62, App. A. Federal regulations characterize this company as a "WYO" or "write your own" company. At all times relevant herein it has done business in this judicial district and the acts complained of occurred here.
14. Defendant Nationwide Insurance Company is a company authorized by the Federal Emergency Management Agency (FEMA) to write flood insurance under the Standard Flood Insurance Policy ("SFIP"), 44 CFR §§ 61.4(b), 61.13(d), (e), 62.23(c). See also 44 CFR 62, App. A. Federal regulations characterize this company as a "WYO" or "write your own" company. At all

times relevant herein it has done business in this judicial district and the acts complained of occurred here.

15. Defendant USAA Insurance Company is a company authorized by the Federal Emergency Management Agency (FEMA) to write flood insurance under the Standard Flood Insurance Policy ("SFIP"), 44 CFR §§ 61.4(b), 61.13(d), (e), 62.23(c). See also 44 CFR 62, App. A. Federal regulations characterize this company as a "WYO" or "write your own" company. At all times relevant herein it has done business in this judicial district and the acts complained of occurred here.

16. Defendant Allstate Insurance Company is a company authorized by the Federal Emergency Management Agency (FEMA) to write flood insurance under the Standard Flood Insurance Policy ("SFIP"), 44 CFR §§ 61.4(b), 61.13(d), (e), 62.23(c). See also 44 CFR 62, App. A. Federal regulations characterize this company as a "WYO" or "write your own" company. At all times relevant herein it has done business in this judicial district and the acts complained of occurred here.

17. Defendant Forensic Analysis Engineering Corporation is a Mississippi engineering firm providing forensic analysis for insurance agencies for the purpose of categorizing damage as being of one type (wind) or another (water). In this case FAEC provided materially false engineering reports at the request of State Farm Mutual Insurance for the sole purpose of convincing FEMA to pay property damage claims out of flood insurance rather than hurricane or homeowner's insurance, as is more fully set forth herein.

18. Defendant Exponent Failure Analysis is an engineering firm providing consulting services to defendants State Farm and on information and belief, Nationwide, Allstate, and USAA Insurance Companies for the purpose of determining whether claims arose from wind or water damage. On information and belief these firms provided false or fraudulent engineering reports at the request of defendants Nationwide and State Farm, and materially participated in the conspiracy to defraud the United States.
19. Defendant Haag Engineering Company is an engineering firm providing consulting services to defendants State Farm and on information and belief, Nationwide, Allstate, and USAA Insurance Companies for the purpose of determining whether claims arose from wind or water damage. On information and belief these firms provided false or fraudulent engineering reports at the request of defendants Nationwide and State Farm, and materially participated in the conspiracy to defraud the United States.
20. Defendant Jade Engineering is an engineering firm providing consulting services to defendants State Farm and on information and belief, Nationwide, Allstate, and USAA Insurance Companies for the purpose of determining whether claims arose from wind or water damage. On information and belief these firms provided false or fraudulent engineering reports at the request of defendants Nationwide and State Farm, and materially participated in the conspiracy to defraud the United States.
21. Defendant Rimkus Consulting Group, Inc., is an engineering firm providing consulting services to defendants State Farm and on information and belief,

Nationwide, Allstate, and USAA Insurance Companies for the purpose of determining whether claims arose from wind or water damage. On information and belief these firms provided false or fraudulent engineering reports at the request of defendants Nationwide and State Farm, and materially participated in the conspiracy to defraud the United States.

22. Defendant Structures Group is an engineering firm providing consulting services to defendants State Farm and on information and belief, Nationwide, Allstate, and USAA Insurance Companies for the purpose of determining whether claims arose from wind or water damage. On information and belief these firms provided false or fraudulent engineering reports at the request of defendants Nationwide and State Farm, and materially participated in the conspiracy to defraud the United States.

23. Defendant Structures Group, Rimkus Consulting Group, Inc, Haag Engineering Company, Jade Engineering, Exponent Failure Analysis, Forensic Analysis Engineering Corporation are all collectively referred to herein as "Engineering Defendants."

24. Defendant E. A. Renfroe, Inc., operated as a closely-held corporation by Gene and Jana Renfroe, defendants herein, is a business that provides adjusters to insurance companies during periods of natural disaster, and in the case of Hurricane Katrina, provided Kerri Rigsby and Cori Rigsby to State Farm Mutual Insurance Company as leased employees for the purpose of cloaking them with authority to adjust claims on behalf of State Farm Mutual Insurance. As more fully set forth infra, Defendant actively conspired with

State Farm Mutual Insurance Company to defraud the federal government on Flood Insurance Claims.

25. Defendants Jana and Gene Renfroe, who are officers or directors of E.A. Renfroe, Inc., conspired with State Farm Mutual Insurance Company and with others to retaliate against Cori and Kerri Rigsby as a result of their gathering information to support a claim under 31 USC § 3729 et seq.
26. Defendant Alexis "Lecky" King is a supervisory adjuster with State Farm and at all times directed the fraudulent acts perpetrated by State Farm and Renfroe adjusters.

BACKGROUND FACTS

RELATORS

27. Relators worked for E. A. Renfroe, a company that provides disaster claims management services (and claims representatives) for defendants State Farm Mutual Insurance Company, USAA and Nationwide Insurance Company. In the course of their duties as employees of the EA Renfroe firm, they have been personally pressured by defendant State Farm's and E.A. Renfroe's supervising claims personnel to change claims payments. They have full and independent knowledge of the facts and circumstances surrounding the allegations made in this complaint, and learned this information in their capacity as employees, and through no other source. They made a report to federal and state law enforcement officials prior to filing this action.

28. Relators began their efforts as independent adjusters and team managers for the State Farm Mutual Insurance Company Catastrophe Team (aka "CAT" team), on September 2, 2005, when State Farm brought them, as leased employees, to Gulfport MS for the purposes of adjusting claims for victims of Hurricane Katrina.
29. On or about April 19, 2006, Relators presented a full evidentiary disclosure to the United States Attorney for the State of Mississippi, turning over substantially all material evidence in their possession, as well as providing a detailed personal account of the wrongdoing and fraudulent conduct engaged in by the Defendants. Relators did not file this action until full disclosure had been made to the United States Attorney.
30. Following the submission of the evidentiary disclosure, but before meeting with the United States Attorney, relators set about to gather additional evidence of fraud on the federal government.
31. On or about June 3rd, 2006, Relators accessed the files of State Farm Mutual Insurance Company and copied selective information from the computer files of the insurer that showed, in their view, that State Farm had engaged in wire fraud, mail fraud, fraud in violation of 31 USC § 3729, had submitted false claims, and had destroyed evidence of multiple engineer reports.
32. On or about June 5, 2006, Relators informed State Farm that they had taken the documents and given them to federal prosecutors on the advice of their attorneys. On or about June 5th, prior to notifying State Farm, Cori Rigsby

provided copies of the documents to state and federal law enforcement officials.

33. Immediately on learning that the Rigsbys had gathered the evidence against their criminal and fraudulent conduct, on June 6, 2006, State Farm asked the Rigsbys to discuss matters with State Farm lawyers. The Rigsbys refused. They went on vacation and returned on or about June 20, 2006. At that time State Farm locked them out of their facility, escorted them out under a security escort, and told them they would not be allowed back into the building.
34. Thereafter Defendant State Farm conspired with Defendant E.A. Renfroe, and with Jana Renfroe and Gene Renfroe, to impose retaliatory actions on Cori and Kerri Rigsby. They were later discharged from employment by E. A. Renfroe.
35. Thereafter, in September 2006, E. A. Renfroe initiated a strategic lawsuit against public participation against the Rigsby sisters asking the federal court in Birmingham to enjoin their use of the documents and to return State Farm's documents to E. A. Renfroe. This was done so as to avoid the criminal investigation of the state of Mississippi and the federal government.
36. The Rigsby sisters refused to return the documents and sought to defend the action against them. Thereafter the federal court imposed an injunction on the relators and required them to return the documents in their possession. As no documents were in their possession, the sisters could not return any.

37. The defendants indicated in court filings that they knew of the existence of this case, and that their damages in that case were linked to the recovery made by the Rigsbys here in this case.
38. Renfroe, knowing well that the relators had no documents, still attempted to cite them for civil and criminal contempt even though they admitted, at a hearing on March 19, 2007, that they could not prove how many documents were taken, and if the Rigsbys even had documents.
39. The Renfroe lawsuit has caused the Rigsbys to engage legal representation and to incur thousands of dollars in attorneys' fees.

STORM SURGE

40. Storm Surge is simply water that is pushed toward the shore by the force of the winds swirling around the storm. This advancing surge combines with the normal tides to create the hurricane storm tide, which can increase the mean water level 15 feet or more. In addition, wind driven waves are superimposed on the storm tide. This rise in water level can cause severe flooding in coastal areas, particularly when the storm tide coincides with the normal high tides. Because much of the United States' densely populated Atlantic and Gulf Coast coastlines lie less than 10 feet above mean sea level, the danger from storm tides is tremendous.
41. Storm surge is most intense in the right-front quadrant of a hurricane. See http://www.nhc.noaa.gov/HAW2/english/storm_surge.shtml

42. While storm surge comes about as the eye makes landfall, Hurricane force winds precede the storm surge by six to seven hours. Hurricane force winds can remain destructive in excess of 100 miles per hour even as far as 175 miles inland.
43. At the very beginning of the claims adjustment period, State Farm commissioned a report from Haag Engineering which concluded that storm surge preceded the hurricane force winds in the storm, and thereby caused the majority of the damage in the hurricane.
44. This conclusion was contrary to science and all normative models of hurricanes in the past 100 years. In spite of this, State Farm made the Haag Report their "bible" in evaluating wind vs. water causation.
45. Essentially the Haag Report lent enough credibility to the adjusters to assign wind claims to water damage.

HOW FLOOD INSURANCE WORKS

46. The United States Government, acting through the Federal Emergency Management Agency, (FEMA) is the only entity in the United States that underwrites flood insurance.
47. In most cases, as here, the government only acts as the funding source, and the coverage is sold through private insurance companies called "WYO" or Write Your Own companies.

48. When there is a claim under a Standard Flood Insurance Policy (“SFIP”), the private WYO insurance company is required to adjust the claim in accordance with the federal regulations. The applicable regulation, 44 CFR § 62.23(d) provides: “A WYO Company issuing flood insurance coverage shall arrange for the adjustment, settlement, payment and defense of all claims arising from policies of flood insurance it issues under the [National Flood Insurance Program], based on the terms and conditions of the Standard Flood Insurance Policy.”
49. In acting as the claims adjuster for the government, the WYO companies are fiscal agents of the government and payments on SFIP claims are a direct charge on the United States Treasury. See *Wright v. Allstate Ins. Co.*, 415 F.3d 384, 386-87 (5th Cir. 2005). To the extent that an insurer presents a claim for reimbursement under the SFIP to the federal government, that claim is presented to an officer or agent of the United States Government, specifically, to the Director of the Federal Emergency Management Agency.
50. Whenever an insurer has sold a homeowner’s policy (or hurricane policy) that it underwrites, and also issues a flood insurance policy under the National Flood Insurance Program (“NFIP”), the flood insurance policy is never more than the homeowner’s insurance policy or the accompanying hurricane insurance policy.
51. In acting as the government’s agent in adjusting the claim, the company has an incentive to charge off all damage to the government as flood damage because when they do so, the government, acting through FEMA, pays the

entire claim, thereby relieving the company of its obligation under its own policy of insurance.

52. The term "flood" is narrowly defined by statute and rule:

a. 42 USC § 4121(1) states "the term 'flood' shall have such meaning as may be prescribed in regulations of the Director, and may include inundation from rising waters or from the overflow of streams, rivers, or other bodies of water, or from tidal surges, abnormally high tidal water, tidal waves, tsunamis, hurricanes, or other severe storms or deluge;"

b. The director has provided the following definition of flood:

Flood, as used in this flood insurance policy, means:

1. A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (one of which is your property) from:

a. Overflow of inland or tidal waters,

b. Unusual and rapid accumulation or runoff of surface waters from any source,

c. Mudflow.

2. Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined in A.1.a. above.

44 CFR Pt. 61, App. A(1)

53. During Hurricane Katrina, FEMA identified only small parts of the Mississippi coast as flood damaged, generally around Bay St. Louis. The remainder was identified as hurricane damage.
54. In most locations where a defendant insurance company has written flood insurance policies and collected premiums under the NFIP, the company has also written homeowners and hurricane insurance.
55. Under the arrangement between the company and FEMA, (44 CFR Pt. 62, App. A), the government requires when the company writes coverage for other perils and flood insurance, that one adjuster be used.

REALLOCATION OF WIND CLAIMS TO FLOOD CLAIMS

56. On information and belief, beginning at about the time the first claims began to come through adjusters for Hurricane Katrina, defendant insurance companies made a corporate decision to misdirect and misallocate claims from those of hurricane coverage (which a company would be required to pay from its reserves or reinsurance) to flood claims that could be submitted and paid directly from the United States Treasury. They communicated this decision directly or indirectly to the E.A. Renfroe company when they sought compliant and poorly-trained adjusters to assist in the handling of flood-related losses.
57. In order to facilitate the misallocation, State Farm ordered an engineering survey on every claim that involved a "slab" (a loss where there was nothing left but foundation), a "popsicle stick" (a loss where there were only beams or

pilings remained standing), or a “cabana” (a loss where a roof remained but the main interior of the building had been damaged due to wind, flood, or otherwise).

58. State Farm’s view was that it was better to pay \$1,500 for an engineering report if it would save them up to \$350,000 on a homeowner’s claim.
59. On information and belief, defendant State Farm directed its employee adjusters and independent contractor adjusters (supplied by defendant E.A. Renfroe, Inc., and supervised by Renfroe employees including Jana and Gene Renfroe) to show flood damage whenever and wherever there was any amount of water damage, and to adjust the claim as flood insurance rather than hurricane insurance even though the primary mechanism for damage was wind, not flood waters.
60. In addition, when directing adjusters to categorize claims as flood damage and shift responsibility to the government for payment of the claim under flood insurance, State Farm insisted that adjusters “hit limits” when adjusting flood claims.
61. This “hit the limits” instruction was a *quid pro quo* to E. A. Renfroe for its compliance with the flood-fraud scheme in that adjusting costs paid to State Farm under the Flood Insurance Program are linked directly to the amount of damage paid to the insurer.
62. Specifically, adjusters were told that if they initially analyzed a claim and found that the insured had less damage under flood coverage than policy

limits allowed, the adjuster was told to go back through the claim a second time to ensure that the flood claim "hit limits." Adjusters used a computer program designed by State Farm known as "XACT Total" as a shortcut to determine the amount of damage for a claim. XACT Total was used to make determinations of total flood loss even in homes that sustained moderate flood damage.

63. On information and belief, particularly where the wind (and not the water) made a structure unsalvageable, the claims were misallocated into flood insurance claims because flood insurance claims were paid by the US Treasury and did not come out of the company's reserves.
64. This misallocation of claims has resulted in significant damage to the federal treasury.

SPECIFIC INSTANCES OF REALLOCATION OF WIND CLAIMS TO FLOOD CLAIMS

65. Relators are aware of two specific instances where Defendant State Farm has engaged in reallocation of claims from wind damage to flood damage.
66. On October 4, 2005, State Farm Mutual Insurance Adjuster Cody Perry issued an assignment to defendant Forensic Analysis Engineering Corporation (FAEC) for the purpose of having FAEC determine the nature of the destruction of the property located at 2558 S. Shore Dr., Biloxi, MS. FAEC carried out the assignment on October 7, 2005. The firm did a site inspection and reached conclusions based on the inspection.

67. The engineering firm concluded that the damage that occurred to the insured's home at the time of the hurricane was due principally to wind, and not to water.
68. That report was dated October 12, 2005. The report said:

CONCLUSIONS

Based upon the information that has been presented to FAEC and evidence gleaned during our inspection, FORENSIC ANALYSIS & ENGINEERING CORPORATION has made the following conclusion concerning the damage to the structure.

- The tree failures in the northwesterly direction are the result of the winds out of the southeast from the approaching hurricane.
- The roof, door, carport, and window damage was caused by wind and wind driven debris.
- It is FAEC's opinion that the interior damage of the structure is primarily the result of the failure of the windows, walls, and doors due to wind.

The conclusions and opinions presented in this report are based on the results of FAEC's field investigation of the subject residence, as well as our analysis of the available wind and localized water level data and upon all of the other associated information that we have gathered during the course of our investigation efforts to date. If additional information or facts become available which materially affect these stated conclusions and opinions, then, FAEC reserves the right to amend or change its opinions and conclusions as needed.

69. This report never became part of the permanent record of the McIntosh claim because it was recognized as contrary to the direction given to State Farm adjusters. On information and belief, State Farm CAT Coordinator Alexis "Lecky" King wrote the following note on the report: "Put in Wind file - DO NOT pay bill. Do Not Discuss". A copy of that note is shown below:

Forensic Analysis & Engineering (FAEC) is pleased to provide the following report of our engineering investigation and evaluation of the reported damage to the residence located at 2558 S. Shore Drive in Biloxi, MS.

We initially received this assignment on October 4, 2005. FAEC performed a field investigation of the subject located residence on October 18, 2005. We we dining

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FAEC damage combir on site

SITE OBSERVATIONS

Put in Wind file - DO NOT Pay Bill DO NOT discuss

70. Thereafter, on October 20, FAEC was commissioned to write a completely different report. The second report was based on a site visit of October 18, 2005, and never disclosed the prior site visit. The observations in this second report did not contain any observations from the previous report, and contained numerous observations that were completely contrary to the findings in the first report. Thereafter, the report found:

CONCLUSIONS

Based on the information that has been presented to FAEC and evidence gleaned during our inspection, FORENSIC ANALYSIS & ENGINEERING CORPORATION has made the following conclusions concerning the damage to the structure:

- The tree failures in the northwesterly direction are the result of the winds out of the southeast from the approaching hurricane.
- There appears to have been damage to the structure by wind as evidenced by missing shingles on parts of the roof structure. Damage to the second story floor and first floor ceilings was predominately caused by wind and intruding rainwater.
- The damage to the first floor walls and floors appears to be predominately caused by rising water from the storm surge and waves.

71. On or about September 26, 2006, State Farm representative Christy Sims commissioned a study by FAEC on the Mullins home at 6057 Pine Tree Drive, Kiln, MS.
72. Among the observations made by the engineers were that the structure had already been removed from the site, as required by FEMA, and that much of their analysis was based on photographs provided to the engineers by the homeowners.:

SITE OBSERVATIONS

The following are the observations made during FAEC's inspection of the structure:

- Upon approaching the property the house had been already removed from the site as required by FEMA.
 - From attached photographs provided by the insured, the entire house had been taken off from its support piers and came to a rest against the house across the street. The house had rotated about 180 degrees and its front was facing south. The porch area was about in line with the center of the street.
 - No significant damage to the house was observable in the insured's photos, except for the contact point with the neighboring house across the street.
 - According to the insured, the water had rose to 10 inches above the floor level at a neighboring residence close by. No water damage to the house could be appreciated from the photographs nor observed from the surroundings.
 - The 24 inches high concrete block piers were in complete disarray. The blocks were not joined to each other nor anchored to the ground.
 - With very few exceptions, all the trees around the observable area were standing straight and with all their foliage remaining.
73. The report concluded that the damage was due primarily to wind, and not to flooding.
 74. The report's conclusion section stated:

CONCLUSIONS

Based on the information that has been presented to FAEC, evidence gleaned during our inspection, and our understanding of the storm water and wind conditions associated with Hurricane Katrina and how those conditions affected the neighborhood area of the insured residence conditions at the time of the storm, FORENSIC ANALYSIS & ENGINEERING CORPORATION makes the following conclusions regarding the claimed damage and the integrity of the property investigated:

- FAEC has concluded that the primary and predominant cause of damage to the subject property was due to hurricane force winds. This is based on the displacement of the house and the absence of water damage to the same. However, this displacement was facilitated by the poor anchoring and supporting observed.

75. Thereafter, or on about January 3, 2006, FAEC submitted a different report predicated on the same site visit of October 11, 2005, but not mentioning the prior report. Observations from the second report included:

- There was tree damage in the neighborhood with trees falling to the west northwest.
- There was shingle damage to houses nearby.
- The owner of the trailer across the street, whose home was impacted by the insured's, indicated that the water had come up to the bottom of her trailer. This was estimated to be between 2 and 3 feet above grade.
- The foundation for the insured's home consisted of concrete block piers about 2 feet above grade. No tie downs were observed, however one photograph furnished by the insured pictured, what appeared to be, a minimally effective tie down.

76. In addition, the conclusion of the second report stated a completely different finding than the original report of October 11, 2005.

77. The second report concluded that the damage was due to flood waters, saying:

CONCLUSIONS & OPINIONS

Based on the information that has been presented to FAEC, evidence gleaned during our inspection, and our understanding of the storm water and wind conditions associated with Hurricane Katrina and how those conditions affected the neighborhood area of the Insured residence conditions at the time of the storm, FORENSIC ANALYSIS & ENGINEERING CORPORATION makes the following conclusions regarding the claimed damage and the integrity of the property investigated:

- The tree failures in the northwesterly direction were the result of winds out of the southeast from the approaching hurricane.
- The damage to the interior of the house could not be determined as no evidence was available.
- The movement of the house across the street with minimal obvious wind damage is consistent with a buoyant force applied to the building by rising water allowing the wind to blow the house northwards until it reached an obstruction.

SPOILIATION OF EVIDENCE

78. On our about April 12, 2006, relators learned that defendant State Farm Mutual Insurance Company had in fact engaged the services of a commercial document shredding company, "Shred It." Relators were told by at least one State Farm employee that some claims data and/or engineering reports associated with the fraudulent conduct in this case were being shredded. Whether or not Shred-It was employed to shred particular documents is unknown to the relators, but relators' strong suspicion is that data necessary to prove fraud were and are being shredded.
79. At some point prior to being subpoenaed by the Attorney General of Mississippi and private civil lawyers, Alexis King and Richard Moore sent out a memorandum to all staff adjusters at State Farm that indicated that the original engineering reports on all claims files were held under lock and key, and only those two people could release them.

80. Sometime later, with respect to these original engineering reports that had been stacked on Ms. King's desk at a height of more than one foot tall, State Farm went to a "paper lite" system that caused them to "scan" into the computer one engineering report and discard, scan, shred, spoliage or destroy any other engineering reports generated by the purported independent engineering firms.
81. On or around November 11, 2005, State Farm sent facsimile transmissions to many of the Engineering firms. That fax stated, for example, "Structure Group. Please cancel this assignment. Claim Number 24-Z455-169. Insured: Balius. Thanks. Catastrophe Team Manager David Haddock, 11-11-05. If you have already inspected this loss, do not write the report. Send your investigation material with your bill. Send the report if completed."
82. The purpose of these cancellations and facsimile transmissions was to recall the directive requiring engineering reports to be submitted with all claims and to prevent further engineering reports from being submitted containing determinations that damages were the result of causes other than water.
83. State Farm, while ordering these engineering reports, did not allocate blocks of claims in particular regions to specific engineering companies, and in fact, assigned some claims early on to engineering companies like Dreux Seghers who reported the cause of the damage as wind, and who, when contacted by the Defendants, refused to change their report to reflect that the damage was caused by water.

84. A compilation of all claims assigned to some of the engineering firms shows the Defendants caused an exceptionally high rate of cancellation of engineering reports from those firms, like Dreux Seghers, that routinely concluded that wind, and not water, was the causative agent of the damage. The compilation of claims shows that engineering reports were requested from Dreux Seghers' firm only 79 times and that 32 of those reports were subsequently cancelled (41% cancellation rate). By contrast, Defendants requested 214 engineering reports from Exponent Failure Analysis and that only 36 of those reports were subsequently cancelled (17% cancellation rate).
85. The actions of the defendants in spoliating evidence of their fraud on the federal government led the relators to obtain documents on June 3, 2006, in order to substantiate the fraud being committed on the US Government.

INCONSISTENT ENGINEERING ASSESSMENTS

86. Because there was not an area-by-area assignment of engineering firms, great disproportionality resulted in the reports received. One example can be found in the claim of Anna Vela of Biloxi.
87. Vela's claim was evaluated by Dreux Seghers who concluded that the cause of the damage was wind.
88. The team manager, Mark Drain, concluded that the engineering report required him to pay the full policy limits under the wind coverage.

89. The supervisor, Alexis "Lecky" King told Drain that the engineer was a "moron" and that the report should be sent back to the engineer to get him to correct his report to show flood damage.
90. King then left the office for a few days and Drain, seeing an issue with an engineering report he commissioned being used as the basis to deny rather than pay the claim, paid the full policy limits under the wind coverage.
91. There were numerous other claims for wind and water damage on the same street (Baywood Drive). All of those claims by State Farm (and other insurers) were denied for wind damage, resulting in inconsistent determinations.

GRANT FRAUD

92. In October, Congress passed a grant program for gulf coast Katrina victims.
93. The flood grant program was designed to provide a source of rebuilding funds for persons who suffered casualty losses due to flood but who did not live in a flood plain and did not have flood insurance, and their homeowner's claims were denied for that reason.
94. On or about April 18, 2006, Ryan Murphy, a State Farms Claims Team Manager ordered after a mediation that payments originally destined to compensate under Coverage A (Homeowners) be reallocated to Coverage C (contents) so as to permit the policy-holders to apply for the grant program.

95. By employing engineering reports that reallocated losses to “flood” instead of homeowners, State Farm, Nationwide, and other insurers essentially pushed off their responsibility to pay claims onto the federal government.
96. By refusing to pay based on false engineering reports, the defendants caused Katrina Victims to submit false claims to the federal government’s flood grant program.

BACKDATING OF CLAIMS

97. On information and belief State Farm Agent Mike Myers did not have Flood Insurance through the NFIP before Katrina hit the Biloxi area.
98. In addition to Myer’s own failure to have insurance, several of his friends and associates did not have flood insurance.
99. In spite of the failure to have flood insurance in place before the storm hit, Myers, working with someone in underwriting at State Farm, backdated a policy for himself and for several others who did not have flood coverage.
100. This permitted Myers, among others, to submit claims for flood insurance even though the victims did not have flood insurance before the storm hit.

ADJUSTING EXPENSES

101. Under the rules of the NFIP and pertaining to adjustment of claims, the insurance company must use the same adjuster to adjust the claim for homeowners and flood insurance.
102. During Katrina, independent adjusters were employed to adjust claims.

103. As noted earlier, adjusters were told, when adjusting claims involving flood insurance, to “hit the limits” regarding the flood coverage.
104. When an independent adjuster handles a claim for the flood program and the policy holder has the maximum policy limits (\$250,000 structure, \$100,000 contents), the adjuster is paid by the federal government a fee of approximately \$7,000.
105. This \$7,000 amount is passed along to the Flood Insurance Administrator as an adjusting cost with a markup by State Farm.
106. By passing a loss over to the FIA and the NFIP, State Farm not only benefited by not having to pay the claim, but was able to transfer their adjusting costs to the FIA through the NFIP. This was a *quid pro quo* to E.A. Renfroe who directly benefited from the acts of State Farm.
107. The amount of administrative fees that State Farm receives from the FIA and the NFIP is a sliding scale based on the amount of the claim being paid. The amount of the administrative fee goes up in accordance with the amount of the flood loss claim.

COUNT I
VIOLATION OF 31 USC § 3729(a)(1)

108. Relators restate, replead and incorporate by reference the information set forth in paragraphs 1 – 107 as if fully set forth herein.
109. Defendants State Farm Mutual Insurance Company, E. A. Renfroe, Inc., Alexis King, Jana Renfroe, Gene Renfroe, and the various engineering defendants, acting through their employees, officers, agents and independent contractors knowingly presented or caused to be presented claims for payment of flood damage.
110. On information and belief, Defendants Allstate, USAA Insurance Company, and Nationwide Insurance Company acting through their employees, officers, agents and independent contractors knowingly presented or caused to be presented claims for payment of flood damage.
111. Defendants' claims are direct charges against the United States Treasury and were presented to the Federal Insurance Administrator, FEMA, or its agents who are officers or employees of the United States Government.
112. The claims presented by Defendants were false or fraudulent in that:
 - a. Damage to property that was more properly reflected as wind damage, and structural damage due to wind and flying debris was characterized in adjusters reports as "flood damage" even though it did not meet the

definition of "flood" found in the Standard Flood Insurance Policy, 44 CFR Pt. 61, App. A(1).

- b. Claims were submitted for property that were outside the area designated as flood damaged by FEMA, where there was no evidence that the damage met the definition of "flood" found in the Standard Flood Insurance Policy, 44 CFR Pt. 61, App. A(1).
 - c. Defendants submitted claims for flood losses to the NFIA when engineering reports stated that the damages were due to wind, not water.
 - d. Defendants submitted costs and expenses for adjusting flood claims that were in fact wind or hurricane claims.
 - e. Defendants permitted agents to backdate insurance applications for flood coverage and submit damage claims when, in fact, there was never any coverage for the flood damages.
 - f. Defendants inflated flood claims to the maximum amount possible to push off costs due to wind onto the Federal Government.
113. The claims were submitted or caused to be submitted and presented or caused to be presented by Defendants through their agents or employees for payment or approval by the United States Government.
114. The claims were paid by the United States Government, through withdrawals of funds held by the United States Treasury, consistent with the procedure set up under the National Flood Insurance Program.

115. As a direct and proximate result of paying millions of dollars in flood insurance claims that were in fact claims for hurricane damage, the United States Treasury sustained millions of dollars in damages.

WHEREFORE, Relators demand judgment against the Defendants jointly and severally in the amount of three times the overcharges submitted for payment to the United States Government, for a civil penalty against the Defendants each jointly and severally in an amount between Five Thousand, Five Hundred Dollars (\$5,500.00) and Eleven Thousand Dollars (\$11,000.00) for each violation of 31 U.S.C. § 3729, et seq., for the maximum amount allowed to the Qui Tam Plaintiff under 31 U.S.C. § 3730(d) of the False Claims Act or any other applicable provision of law, including any alternate remedy provisions, for its court costs and reasonable attorneys fees at prevailing rates, for expenses, and for such other and further relief as this Court deems meet, just and proper.

COUNT II

VIOLATION OF 31 USC § 3729(a)(2)

116. Relators restate, replead and incorporate by reference the information set forth in paragraphs 1 – 115 as if fully set forth herein.
117. Defendants, State Farm Mutual Insurance Company, E. A. Renfroe, Inc., Jana Renfroe, Gene Renfroe, Alexis King, and the Engineering Defendants, acting through their officers, employees, agents, adjusters, and independent contractors knowingly made, used, or caused to be made or caused to be used, false records in support of false claims.

118. On information and belief, Defendants Allstate, USAA Insurance Company, and Nationwide Insurance Company acting through their employees, officers, agents and independent contractors, knowingly made, used, or caused to be made or caused to be used, false records in support of false claims.
119. Those false records included, but were not limited to:
- a. False adjustment reports which were false in that they misidentified the nature of the damage as flood damage where there was no evidence that the damage met the definition of "flood" found in the Standard Flood Insurance Policy, 44 CFR Pt. 61, App. A(1).
 - b. False factual findings reported to FEMA or the FIA that showed that property was damaged by flood when in fact these properties were outside the area designated as flooded by FEMA.
 - c. False statements of adjusters reflecting findings of flood damage when the real structural damage had been caused by wind, or rain.
 - d. False attestations of facts on forms directing payment to be made under flood policies.
 - e. False statements to homeowners, engineers, adjusters, and others in that one report by the same company concluded that the damage was due to wind, and a second, later, re-written report reflected that the damage was caused by flood.
 - f. False expense reports submitted to the FIA for NFIP adjustment expenses.
120. Defendants submitted or caused to be submitted these false records or statements in order to get false or fraudulent claims paid or approved by the Government under the National Flood Insurance Program.

121. As a direct and proximate result of the submission of the false claims and false records and reports, the United States Treasury paid millions of dollars in claims for flood insurance that should have been paid by the Defendants.
122. As a direct and proximate result of paying millions of dollars in flood insurance claims that were in fact claims for hurricane damage, the United States Treasury sustained millions of dollars in damages.

WHEREFORE, Relators demand judgment against the Defendants jointly and severally in the amount of three times the overcharges submitted for payment to the United States Government, for a civil penalty against the Defendants each jointly and severally in an amount between Five Thousand, Five Hundred Dollars (\$5,500.00) and Eleven Thousand Dollars (\$11,000.00) for each violation of 31 U.S.C. § 3729, et seq., for the maximum amount allowed to the Qui Tam Plaintiff under 31 U.S.C. § 3730(d) of the False Claims Act or any other applicable provision of law, including any alternate remedy provisions, for its court costs and reasonable attorneys fees at prevailing rates, for expenses, and for such other and further relief as this Court deems meet, just and proper.

COUNT III
VIOLATION OF 31 USC § 3729(a)(3)

123. Relators restate, replead and incorporate by reference the information set forth in paragraphs 1 – 122 as if fully set forth herein.
124. Defendants, State Farm Mutual Insurance Company, E. A. Renfroe, Inc., Jana Renfroe, Gene Renfroe, Alexis King, and the Engineering Defendants, acting through

their officers, employees, agents, adjusters, and independent contractors conspired to defraud the Government by getting false or fraudulent claims allowed or paid.

125. On information and belief, Defendants Allstate, USAA Insurance Company, and Nationwide Insurance Company and the Engineering defendants, acting through their employees, officers, agents and independent contractors, conspired to defraud the Government by getting false or fraudulent claims allowed or paid.

126. Defendants conspired with:

- a. outside adjusters, including adjusters specially hired to adjust the losses in the Hurricane Katrina area, and directed them to service homeowners with claims. The names of these individual adjusters and adjustment companies are not all known to the Relators but are discoverable by the government.
- b. Agents, officers, employees or servants of Forensic Analysis Engineering Corporation, FEAC, to have those agents, officers, employees or servants issue false and misleading engineering analysis reports, and to "correct" any analysis reports that showed that the damage was due to any cause other than flooding.
- c. Agents, officers, employees or servants of other Engineering firms, whose names are unknown to Relators presently but who are discoverable by the government.

d. Defendants conspired, on information and belief, with certain homeowners by instructing them to fill out their homeowners insurance claims and hurricane damage claims as flood insurance claims promising to maximize flood insurance claim damage in exchange for not collecting under homeowner's coverages.

i. Defendants, on information and belief, instructed their insureds to fill out their claim forms in this manner so as to misallocate the liability for payment to FEMA, the FIA, and the National Flood Insurance Program.

127. Defendants conspired with engineers who were independent contractors offering them material inducements (continuing business relationships) to submit flood insurance claims instead of hurricane or homeowners claims.

128. Defendants conspired with purportedly independent FEAC and other engineering firms (John Does 1 – 4) yet to be discovered directing them to find flood damage instead of wind damage so as to permit the maximum payout from federal funds rather than from the Defendants' Nationwide and State Farm Mutual Insurance Company's reserves. On information and belief, if an engineering firm refused to change a determination to "flood" State Farm and Nationwide would no longer hire that engineer to provide engineering consulting services.

129. When the engineering firm neglected to find flood damage, the insurance companies would refuse to pay invoices until the reports were reclassified as flood, thereby placing undue pressure upon and exercising control over

purportedly independent contractors for the purpose of furthering the conspiracy to defraud the government.

130. Defendant E. A. Renfroe, Inc., conspired with State Farm and its employee Alexis "Lecky" King. The relationship between parties is set out below:

Defendant	Conspired With
State Farm Mutual Insurance Company	E. A. Renfroe Jana Renfroe Gene Renfroe Engineering Defendants
Nationwide	Engineering Defendants
USAA	Engineering Defendants
Allstate	Engineering Defendants
Alexis King	E. A. Renfroe Jana Renfroe Gene Renfroe
Jana Renfroe	Gene Renfroe State Farm Mutual Ins. Co. Alexis King
Gene Renfroe	Jana Renfroe State Farm Mutual Ins. Co. Alexis King

131. Defendants and their co-conspirators acted with the intent to deceive and defraud the United States Government by pushing off the responsibility for paying hurricane claims on the US Government and by causing purportedly independent engineering firms to re-write reports to transfer responsibility to the FEMA funds available under the NFIP.

132. Defendants took material steps in furtherance of the conspiracy, to wit:
- a. State Farm Mutual Insurance Company submitted claims through the FIA to the NFIP and paid losses from federal funds instead of from its reserves.
 - b. E. A. Renfroe actively policed its loaned adjusters to ensure that no reports of the fraudulent activity were made.
 - c. Nationwide Insurance Company submitted claims through the FIA to the NFIP and paid losses from federal funds instead of from its reserves.
 - d. Defendant FAEC submitted replacement reports that were modified as a part of the conspiracy to reflect flood water damage instead of wind damage.
 - e. Alexis King communicated her intent to deceive in numerous emails sent, among other places, to Renfroes' local on-site manager.
133. As a direct and proximate result of the conspiracy to submit false claims the United States Treasury paid hundreds of millions of dollars in claims for flood insurance that should have been paid by the Defendants.
134. As a direct and proximate result of paying hundreds of millions of dollars in flood insurance claims that were in fact claims for hurricane damage or homeowners' insurance damage payable from the reserves of the Defendants' insurance companies, the United States Treasury sustained millions of dollars in damages.

WHEREFORE, Relators demand judgment against the Defendants jointly and severally in the amount of three times the overcharges submitted for payment to the

United States Government, for a civil penalty against the Defendants each jointly and severally in an amount between Five Thousand, Five Hundred Dollars (\$5,500.00) and Eleven Thousand Dollars (\$11,000.00) for each violation of 31 U.S.C. § 3729, et seq., for the maximum amount allowed to the Qui Tam Plaintiff under 31 U.S.C. § 3730(d) of the False Claims Act or any other applicable provision of law, including any alternate remedy provisions, for its court costs and reasonable attorneys fees at prevailing rates, for expenses, and for such other and further relief as this Court deems meet, just and proper.

COUNT IV

VIOLATION OF 31 USC 3729(a)(7)

(Reverse False Claims)

135. Relators restate, replead and incorporate by reference the information set forth in paragraphs 1 – 134 as if fully set forth herein.
136. Defendants knew or in the exercise of reasonable care should have known that claims presented to the United States Treasury for payment under the National Flood Insurance Program were false or fraudulent, and should not have been paid from federal funds.
137. As such, Defendants knew or in the exercise of reasonable care should have known that they were in possession of money that was rightfully that of the United States Government, since the reserves saved by paying claims from the NFIP should in fact have been paid out to policy-holders, and instead, those losses were passed along to the federal treasury.

138. Defendants knew that false records, specifically, false engineering and inspection reports were created in order to justify payment of claims from the NFIP.
139. Defendants also knew that they were in possession of initial engineering reports that showed that the true cause of the damage was wind.
140. The original engineering reports should have been maintained in the claims folders along with all other records associated with the claims.
141. Instead, the engineering documents were pulled and any "original" documents showing wind damage were shredded by "Shred It" or by employees of Defendants.
142. When a document that would normally be a part of a record is removed, spoliated and/or destroyed it is the creation of a false record because the omitted documents create a false impression in the record.
143. Defendants knowingly created false records by omitting, concealing, suppressing, spoliating or destroying the original engineering reports and original invoices.
144. The suppression, omission, concealment, spoliation or destruction of the original reports and records was done to conceal, avoid, or decrease the Defendants' liability to repay the federal government.
145. The actions of the Defendants in creating false records in order to avoid or decrease a liability to the federal government resulted in damage to the federal treasury.

WHEREFORE, Relators demand judgment against the Defendants jointly and severally in the amount of three times the overcharges submitted for payment to the United States Government, for a civil penalty against the Defendants each jointly and severally in an amount between Five Thousand, Five Hundred Dollars (\$5,500.00) and Eleven Thousand Dollars (\$11,000.00) for each violation of 31 U.S.C. § 3729, et seq., for the maximum amount allowed to the Qui Tam Plaintiff under 31 U.S.C. § 3730(d) of the False Claims Act or any other applicable provision of law, including any alternate remedy provisions, for its court costs and reasonable attorneys fees at prevailing rates, for expenses, and for such other and further relief as this Court deems meet, just and proper.

COUNT V

Retaliation Under 31 USC § 3730(h)

146. Relators restate, replead and incorporate by reference the information set forth in paragraphs 1 – 145 as if fully set forth herein.
147. At all times relevant herein relators were the joint employees of State Farm Mutual Insurance Company and E.A. Renfroe, Inc. At all times they were issued State Farm business card, State Farm shirts, State Farm Computers, worked out of State Farm offices, applying directives from State Farm in that State Farm, and not the relators, controlled the manner of work performed by the Relators. E. A. Renfroe was a joint employer in that while it did not direct their daily work, it did maintain a supervisory presence that was at all times subservient to and acted upon the instructions of State Farm.

148. As established above, Defendants E. A. Renfroe, Inc., and State Farm Mutual Insurance Company was aware that relators had engaged in conduct protected under 31 USC § 3729 et seq. in that relators told defendants that they had copied evidence of fraud on the US government when they met with the defendants on June 5, 2006. Such conduct reasonably placed the defendants on notice that a false claims act case was a reasonable possibility. *U.S. ex rel. Eberhardt v. Integrated Design and Construction, Inc.*, 167 F.3d 861 (4th Cir. 1999).
149. At that meeting State Farm attorneys sought to pressure the relators to disclose the contents of what was copied to assist them in defeating relator's claims and for the purposes of hindering the federal government's investigation into the practices that led to the filing of this lawsuit. The presence of attorneys is additional evidence that State Farm was on notice of the likelihood of qui tam litigation.
150. As a result of engaging in protected concerted activity the relators were discriminated against in the terms or conditions of their employment by their then employer State Farm Mutual Insurance Company in that they were locked out of the building, told not to return, and were forced to resign from the storm because State Farm would not let them work. Such conduct constitutes retaliation in that it is reasonably likely to deter employees from engaging in activity protected under the FCA. *Moore v. California Institute of Technology Jet Propulsion Laboratory*, 215 F.3d 949 (8th Cir. 2000).

151. The conduct of copying documents, obtaining emails with directions to engage in felonious conduct, and preserving the evidence of the fraud, when State Farm had been repeatedly employing a “Shred It” service in order to avoid investigative subpoenas by the Mississippi Attorney General, was lawful protected concerted activity as set forth by 31 USC § 3730.
152. After State Farm discharged them from employment, relators were informed by E.A. Renfroe that E. A. Renfroe “accepted their resignations” (which had never been tendered) and E.A. Renfroe, working hand-in-hand with State Farm Mutual Insurance Company, discharged relators in retaliation for their protected concerted activity. Such conduct constitutes retaliation in that it is reasonably likely to deter employees from engaging in activity protected under the FCA. *Moore v. California Institute of Technology Jet Propulsion Laboratory*, 215 F.3d 949 (8th Cir. 2000).
153. As a result of the retaliation against their protected concerted activities the relators have suffered damages including, but not limited to:
 - a. lost wages
 - b. lost fringe benefits
 - c. being “blacklisted” in the insurance industry such that no other employment is likely or possible.
 - d. they have incurred attorney’s fees and expense in defending a frivolous claim asserted by Renfroe in the Northern District of Alabama.
 - e. They have suffered emotional distress.

- f. They have had their personal computers hacked and information taken from their hard drives at home.
- g. They have been followed, photographed, and surveilled and monitored electronically.
- h. Their friends and colleagues have been questioned.
- i. Former spouses have been interrogated for purposes of learning intimate details that might be used to embarrass and harass the relators.
- j. E. A. Renfroe has disseminated untruthful information to its employees and agents in the hopes that this information would damage the reputations and work availability of the relators.

154. As a direct and proximate result of the conduct of the defendants, and each of them, the relators have sustained economic and noneconomic injuries, including but not limited to those set out in Paragraph 153.

WHEREFORE, Relators demand judgment against the Defendants jointly and severally for a fair and reasonable amount to be determined by a jury, for its court costs and reasonable attorneys fees at prevailing rates, for expenses, and for such other and further relief as this Court deems meet, just and proper.

Respectfully submitted,

THE SCRUGGS LAW FIRM

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ROBERTSON & GORNY, P.C.**

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ATTORNEYS FOR RELATORS

DEMAND FOR JURY TRIAL

Plaintiff demands a jury trial on all issues for which a jury is available.

Respectfully submitted,

THE SCRUGGS LAW FIRM

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ATTORNEYS FOR RELATORS

CERTIFICATE OF SERVICE

The undersigned certifies that on this 12th day of April, 2007, a copy of the foregoing Amended Complaint was served on the individuals below by first class mail, certified, return receipt requested to Dunn O. Lampton, US Attorney's Office, 188 E. Capitol St., Suite 500, Jackson, MS, 39201, and by placing the same in the United States Mail, first class postage affixed, certified, return receipt requested, and addressed to Alberto Gonzales, Esq., at the address below:

Dunn O. Lampton, Esq.
United States Attorney
188 E. Capitol Street Ste 500
Jackson, MS 39201

Hon. Alberto Gonzales, Esq.
Attorney General of the United States
5111 Main Justice Building
10th & Constitution Ave. N.W.
Washington, DC 20210

Attorneys for Relators

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

THOMAS C. AND PAMELA MCINTOSH,
Plaintiffs,

VERSUS CIVIL ACTION NO: 1:06-cv-LTS-RHW

STATE FARM FIRE AND CASUALTY
COMPANY; AND FORENSIC ANALYSIS
& ENGINEERING CORP.,
Defendants.

VIDEOTAPED DEPOSITION OF KERRI RIGSBY

Taken at the First Federal Savings and
Loans Bank, 903 Jackson Avenue,
Pascagoula, Mississippi, on Monday,
April 30, 2007, beginning at 9:29 a.m.

REPORTED BY:

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APPEARANCES:

DEREK A. WYATT, ESQUIRE
David Nutt & Associates, P.C.
605 Crescent Boulevard, Suite 200
Ridgeland, Mississippi 39157
ATTORNEY FOR PLAINTIFFS

RICHARD F. SCRUGGS, ESQUIRE
Page 1



kerri.txt

3 there before, so I never noticed which bank it
4 was. I knew it was a bank, and I didn't know -- I
5 didn't really pay any attention to it. I wasn't
6 really doing a lot of banking there. All I was
7 doing was opening this account.

8 Q. And you did that at that particular bank
9 why?

10 A. It must have been because my mother
11 banks there or maybe her -- her and her husband's
12 practice banks there. They own a practice, and
13 maybe that's where they bank. I don't know.

14 Q. Okay. You have no recollection about
15 that at all?

16 A. She told me to meet her at that bank,
17 and I did.

18 Q. Okay. Now --

19 A. I believe I was -- this was right when
20 the -- we were in the heat of Katrina, and I was
21 working all the time. I didn't, you know, spend a
22 whole lot of time thinking about it.

23 Q. All right. You testified that you sold
24 your house.

25 A. Right.

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1 Q. And do you recall how much you sold your
2 house for?

3 A. Yes.

4 Q. How much was that?

5 MR. SCRUGGS:

6 You know, Dan, I don't know what in the
7 world this has to do with the price of tea in
8 China, but if you're going to make some sort of a

kerri.txt

9 record that she sold it to one of us or something,
10 then certainly go ahead with it. But I think
11 you're just running the clock out now.

12 MR. WEBB:

13 Well, no. I think you're trying to do
14 that right at this moment.

15 Q. But how much did you sell it for?

16 A. I sold my home for -- which I consider a
17 private issue, but I sold my home for \$498,000.

18 Q. How long was it on the market?

19 A. It wasn't on the market.

20 Q. How did -- how did you connect with a
21 buyer?

22 A. I had a real estate agent call me who I
23 had worked with in the past who actually showed me
24 the home.

25 Q. Who?

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1 A. Jerri Rhimes.

2 Q. Okay.

3 A. And she called me and she said, I've got
4 a couple, they really want to live in your
5 neighborhood, I know this is a long shot, how do
6 you feel about me showing your home.

7 Q. All right. And do you have any idea
8 when that communication took place?

9 A. I do not.

10 Q. Sometime before March 1 of 2006?

11 A. Yes.

12 Q. Was it after the first of the year in
13 2006?

14 A. I don't recall when they came over.

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15 Q. You don't know how long it was after
16 that phone call came to you that you actually cut
17 the deal, so to speak?

18 A. I do not.

19 Q. Okay. Do you know whether anyone with
20 the Scruggs Katrina Group had any involvement in
21 making arrangements for you to sell your house?

22 A. Oh, no. They didn't have any
23 involvement at all.

24 Q. Okay. And you know that for a fact of
25 your own knowledge?

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1 A. I can't imagine what that would have --
2 my house would have to do with anything. They
3 didn't -- no one offered Cori money for her house.
4 This was just me. And the family had lost their
5 home and needed a home. And ^ Jerri Rhimes knew
6 at some point prior that I had thought about
7 selling it because I had been on the road so much.
8 So she and I had prior conversations along time
9 ago that I may want to sell my home.

10 Q. Jerri Rhimes works where?

11 A. She works with Ellis Branch Realty.

12 Q. And what city is that in?

13 A. Ocean Springs.

14 Q. And who bought your house?

15 A. The Oswalds.

16 Q. The Oswalds?

17 A. I call them Mr. and Mrs. Oswald.

18 Q. Okay. Is that all you know them by?

19 A. That's all I know them by.

20 Q. Okay. Do you know if either of the

Statement

of

**U.S. Representative Gene Taylor
Fourth District, Mississippi**

before the

**Financial Services Committee
Subcommittee on Oversight and Investigations**

regarding

Insurance Claims Payment Processes on the Gulf Coast

February 28, 2007

Thank you, Chairman Watt, for conducting this hearing and opening an investigation of insurance fraud after Hurricane Katrina. I am very grateful to you, Chairman Frank, and Chairwoman Waters for hearing my concerns and agreeing to pursue these important matters within the Financial Services Committee.

I will summarize my statement, but, if there are no objections, I would like to submit my full written statement for the record, to include copies of insurance documents and fraudulent engineering reports. These are samples of a much larger problem. I have additional documents on my website and will be happy to provide them to the committee.



After Katrina, several insurance companies conspired with engineering and adjusting firms to commit fraud against their policyholders and federal taxpayers.

Company officials instructed adjusters to assign all damages to the federally-backed National Flood Insurance Program in cases where wind caused much of the damage.

Engineering firms cherry-picked data and manipulated evidence to favor insurance companies.

Insurance, engineering, and adjusting company managers, who never laid eyes on the damaged properties, reversed the observations and conclusions of the engineers who conducted on-site damage assessments.

In light of these facts, I respectfully request that the Financial Services Committee take action on three specific issues, all of which fall under the Committee's jurisdiction.

First, I ask the subcommittee to conduct a full investigation of the fraud against consumers and taxpayers so that the responsible parties can be held accountable for their actions.

Second, I look forward to working with you on a flood insurance reform bill to eliminate the conflict of interest that currently allows insurance companies to defraud U.S. taxpayers. To such ends, Congress should prohibit any company that participates in the

flood program from using anti-concurrent causation language to underhandedly bill taxpayers for wind damage.

Third, I urge the Committee's consideration of H.R. 920, the *Multiple Peril Insurance Act*. This bill- cosponsored by both Democrats and Republicans - would create a new option within the flood insurance program to allow property owners to purchase wind and flood coverage in one single policy.

As you know, the flood insurance program contracts with insurance companies to allow the companies to sell flood policies, which are guaranteed in turn by the federal government. The so-called "Write Your Own" Companies also agree to adjust the flood claims. As a cost-saving measure, NFIP allows the company to use a single adjuster for both claims. Any person with a shred of common sense can tell you that this practice creates an obvious conflict of interest. The current arrangement presents insurance companies with an easy opportunity to manipulate claims in order to bill the federal government and save insurance companies and their shareholders a great deal of money.

The contract between the insurance company and the flood insurance program requires the company to represent the interests of the federal government *and* its own interests when adjusting claims. The federal regulations state explicitly that "the primary relationship between the Write Your Own Company and the Federal Government will be one of a fiduciary nature, i.e., to assure that any taxpayer funds are accounted for and appropriately expended." (44 CFR 62.23(f))

The federal regulations also state that "the entire responsibility for providing a proper adjustment for both combined wind and water claims and flood-alone claims is the responsibility of the Write Your Own Company." (44 CFR 62.23(i)(1))

Some insurance companies did not act in good faith to fulfill their fiduciary duty to federal taxpayers when adjusting combined wind and water claims after Hurricane Katrina. State Farm, Allstate, Nationwide, USAA, and other insurers adopted procedures that, *a priori*, attributed all damage in the surge area to flooding and then forced homeowners to prove otherwise.

Mississippi Insurance Commissioner George Dale issued a bulletin one week after Katrina, declaring that the insurance companies had to pay wind claims unless they could prove that flooding was the cause. The companies ignored the bulletin, and the state did nothing to enforce it. As a result, thousands of Mississippians had no choice but to sue to get their insurance companies to honor their contracts. Mississippi Attorney General Jim Hood also filed suit and began a state investigation.

Seventeen months after Katrina, U.S. District Judge L.T. Senter, Jr. affirmed in *Broussard v. State Farm* that the insurance companies have the burden of proof. State Farm had not proven its case. In response, the company ran to the *Wall Street Journal* editorial board and claimed that this was a radical ruling. In reality, insurance companies have always had the burden of proof when denying a claim, be it in Mississippi or any other state.

While several companies denied claims for wind damages inside the surge zone, State Farm was the most aggressive in its efforts to defraud their policyholders, using a network of selected contractors to act as accomplices.

On September 13, 2005 - two weeks after Katrina hit Mississippi - State Farm issued a directive from its headquarters in Bloomington, Illinois in a document titled "Wind Water Claim Handling Protocol." The Wind-Water Protocol instructed State Farm adjusters that "[W]here wind acts concurrently with flooding to cause damage to the insured property, coverage for the loss exists only under flood coverage, if available."

In effect, the Wind-Water Protocol declared that State Farm's wind insurance would not pay for damage caused by wind when they could blame any amount of damage on flooding. Where wind and water both caused damage, adjusters were directed to bill the federal government and, by extension, taxpayers for the full loss if the property was covered by flood insurance.

State Farm's so called "anti-concurrent causation clause" should be called what it really is - a concurrent fraud clause. **Its purpose is to cheat both policyholders and taxpayers at the same time.** Any attempt to enforce this clause is a bad faith violation of the company's fiduciary duty to federal taxpayers under its contract with the National Flood Insurance Program.

State Fann will argue that it paid more than \$1 billion in Katrina claims in Mississippi

and settled more than 95% of its claims. Those numbers only help to prove the fraud that they categorically deny.

State Fann and other insurers paid wind claims in all 82 counties in Mississippi, as far as 300 miles inland. According to the insurance industry's own data, Katrina's winds caused billions of dollars of structural damage far beyond the storm surge area. Yet, near the coastline, where the strongest hurricane winds pounded homes for four to five hours before the storm surge, insurance companies manipulated the adjustment process to deny wind claims.

I urge the subcommittee to seek the testimony of Cori and Kerri Rigsby. The Rigsby sisters were claims adjusters working for E.A. Renfroe and Company. Renfroe worked exclusively for State Fann. The sisters were disturbed by the fraud being committed by State Farm and Renfroe officials, so they copied incriminating documents and gave them to federal and state law enforcement officials. The Scruggs Law Firm represents the sisters in a *False Claims Act* filing against State Farm and Renfroe. That federal fraud case is still active.

In response, Renfroe filed a retaliatory suit against the Rigsby sisters and obtained an injunction that required the sisters to return the copies of documents they provided to state and federal investigators. Because of the Renfroe suit, the only documents currently available to the public are those that are included in the *False Claims Act* filing.

These documents clearly demonstrate that Renfroe and State Farm covered up engineering reports that concluded - in the most explicit terms that damage was caused by wind. Claims managers who never laid eyes on the damaged properties pressured engineers to revise their observations and conclusions. In some cases, claims managers sent a second engineer to write a report more favorable to State Farm.

The Rigsby sisters photocopied an engineering report with a handwritten note attached that said, "Put in Wind file - DO NOT Pay Bill. DO NOT discuss." That report concluded that first floor damage had been caused primarily by wind. State Farm hid that report and ordered a second report. The second engineer blamed the damage on flooding.

The Rigsby sisters report that, within days after Katrina, State Farm coached its adjusters to pay the policy limits on flood insurance without a site inspection or an engineering report. In sharp contrast, State Farm required an engineering report before paying any wind claims.

Each engineering firm was provided with an analysis by Haag Engineering of Dallas. State Farm and Haag have a long history together that includes bad faith judgments in the courts of several states. Most recently, State Farm, Haag, and Renfroe were found to have acted in bad faith to deny coverage of tornados in Oklahoma in 1999. Because of that verdict and the many complaints about Haag after Katrina, State Farm has been forced to temporarily suspend working with Haag.

Haag's Katrina report makes the ridiculous claims that the NOAA Hurricane Research Division overestimated the wind speeds by 25 percent, and that the u.s. Navy Meteorology and Oceanography Command missed the timing of the storm surge by one hour. Haag based its flawed conclusions on inland wind data because wind towers on the Mississippi Gulf Coast were knocked out by high winds. The Navy spent more than a month analyzing all available weather and ocean data to recreate Katrina's surge, but Haag dismissed the Navy's findings based on an amateur video filmed from a hotel parking garage.

Rimkus Consulting Group of Houston also investigated wind claims for State Farm and other insurance companies. Rimkus established an office in Ridgeland, Mississippi, near Jackson, about 150 miles inland. Rimkus engineers would conduct on-site assessments and email their reports to Ridgeland.

The Merlin Law Group has documented several cases in which the engineer who inspected the home site concluded that damage was caused by wind, but Rimkus staff in Ridgeland changed the observations and altered the conclusions in the reports without the knowledge or consent of the engineers who saw the properties first-hand. A few of the affected homeowners are here today to offer their accounts of Rimkus' fraudulent practices.

I encourage you to invite testimony from the engineers whose reports were revised without their consent. I have attached two Rimkus cases to my statement, but there are

several more on my website. These are only a few of the cases that clearly document the pervasive fraud perpetrated on homeowners and U.S. taxpayers alike. There are many more cases where the adjustment process was manipulated to defraud policyholders, but the fraud cannot be documented at this time.

Again, I thank you for holding this hearing and initiating this investigation. I look forward to working with you to ensure that consumers and taxpayers are protected from these fraudulent insurance practices in future disasters.

Supplemental Materials to Testimony of Rep. Gene Taylor

Committee on Financial Services

Subcommittee on Oversight and Investigations

February 28,2007

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Gulfport 164339v.1

IN THE UNITED STATES DISTRICT COURT OF MISSISSIPPI
SOUTHERN DISTRICT

UNITED STATES OF AMERICA EX
REL. CORI RIGSBY, AND KERRI
RIGSBY,

Relators,

vs

CASE NO. _____

STATE FARM INSURANCE COMPANY

To Be Filed In Camera And Under
Seal Pursuant To 31 USC § 3731

NATIONWIDE INSURANCE
COMPANY

ALLSTATE INSURANCE COMPANY

USAA INSURANCE COMPANY

FORENSIC ANALYSIS ENGINEERING
CORPORATION

EXPONENT FAILURE ANALYSIS

HAAG ENGINEERING CO.

JADE ENGINEERING

RIMKUS CONSULTING GROUP INC.

STRUCTURES GROUP.

RELATOR'S EVIDENTIARY DISCLOSURE PURSUANT TO 31 USC § 3730



RIGSBY 02901

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INTRODUCTION

Cori Rigsby and Kerri Rigsby are employees of E. A. Renfroe, a company that provides claims adjustment services to insurance companies in disaster situations. They have been loyal employees for the past eight years. In the past eight years Cori has handled claims on the catastrophe teams of Travelers, Nationwide and State Farm. Kerri has handled claims for State Farm's catastrophe team. Until Katrina, the monster storm that literally wiped out several Mississippi communities, Kerri and Cori had always been proud to be associated with State Farm and Nationwide, even though they were not direct employees of State Farm.¹ With Katrina, Cori, Pat and Kerri saw a sea change in the way that claims were handled by State Farm and Nationwide with respect to how claims were adjusted with respect to flood insurance. The relators were shocked and horrified that the company that had previously dealt very fairly with its customers was now engaging in wholesale fraud both on policy holders and on the federal government. This False Claims Act case arose out of that experience.

This Evidentiary Disclosure provides an overview of the National Flood Insurance Program (NFIP) as well as a brief look at storm surge and the respective liabilities of insurers under the NFIP. It discloses the concrete existence of two separate instances where homeowners claims were fraudulently misallocated to flood insurance

¹ Although neither Kerri nor Cori are State Farm employees, customers of State Farm would not know this because the relators are given cards identifying them as State Farm employees, are provided with notebook computers for logging their claims-related activities, and are issued jackets with State Farm's name on them. They are also issued a claims identifier number that identifies them as an adjuster within the State Farm system.

claims at the cost of both the homeowner and the federal government. This grew out of the total control that State Farm had in adjusting its losses.²

OVERVIEW

Insurers Pushed Losses Onto The NFIP In Order To Protect Reserves.

This is a False Claims Act case that involves the National Flood Insurance Program, (NFIP) a federal insurance program that is managed by the Federal Emergency Management Agency, (FEMA). FEMA is the only entity in the United States that underwrites flood insurance. Although FEMA underwrites flood insurance, it does not sell directly to the public, but instead, operates through a series of independent insurance companies. At least two of these companies (State Farm and Nationwide), and on information and belief many more (USAA, Allstate), are engaged in a concerted effort to re-adjust losses in such a way that, where applicable, the payment for claims that would normally fall under the company's own homeowner's or hurricane coverage is instead transferred to the NFIP. The misallocation and transfer of losses from State Farm and Nationwide to the federal government was achieved through the use of purportedly "independent" professional engineers who were asked to conduct forensic analyses of the losses. Whenever a loss report from an engineer identified "wind" as the source of the damage, State Farm directed the engineers to recharacterize the damage as flood damage,

² . Incredibly, the NFIP puts the fox squarely on guard duty for the hen house because it allows the insurers to adjust the losses in conjunction with the losses attributable to homeowners insurance. As a result, as shown below, the insurer has a strong incentive to reclassify damage as flood rather than wind.

and if an engineering firm refused, their contracts were cancelled and their services were never retained again.

Although the present scope of the fraud is unknown, it is known that in Mississippi alone State Farm has adjusted upwards of \$1.2 billion in losses from Hurricane Katrina. If only ten percent of those claims are flood insurance claims, the scope of the fraud with State Farm alone could exceed \$120,000,000. Relators information, obtained by direct work with State Farm and Nationwide Insurance, indicates that both insurers have a planned, systematic response to claims-handling that directs that claims be shuffled off to FEMA whenever and wherever possible. This system is operated by directing supposed independent contracting engineering firms to always find that flood, and not wind, caused the damage when doing a source investigation on the nature of the claim.

How Flood Insurance Claims Work

In most cases under the NFIP the federal government only acts as the funding source for paying and underwriting claims while the coverage is sold through private insurance companies. Although the companies sell the policies, the policy itself is a standard document drafted by FEMA. Federal regulations require adjustment according to federal standards.

When there is a claim under a Standard Flood Insurance Policy ("SFIP") the insurance company is required to adjust the claim in accordance with these federal regulations. The applicable regulation, 44 CFR § 62.23(d) provides: "A WYO Company issuing flood insurance coverage shall arrange for the adjustment, settlement, payment

and defense of all claims arising from policies of flood insurance it issues under the [National Flood Insurance Program], based on the terms and conditions of the Standard Flood Insurance Policy." In acting as the claims adjuster for the government, the WYO companies are fiscal agents of the government and payments on SFIP claims are a direct charge on the United States Treasury. See *Wright v. Allstate Ins. Co.*, 415 F.3d 384, 386-87 (5th Cir. 2005). To the extent that an insurer presents a claim for reimbursement under the SFIP to the federal government, that claim is presented to an officer or agent of the United States Government for payment, and any false claims are actionable under the False Claims Act.

Whenever an insurer like State Farm Insurance or Nationwide Insurance has sold a homeowner's policy or hurricane policy (one that the insurance company directly underwrites), and also issues a flood insurance policy under the NFIP, the flood insurance policy is never written for an amount that is larger than the homeowner's insurance policy or the accompanying hurricane insurance policy. More importantly, coverage is capped at \$250,000 for structures and \$100,000 for contents.

Under the NFIP rules and regulations, the insurance company that writes the companion flood insurance policy must adjust both the homeowners and the flood insurance claim. In doing so, there is a built-in conflict of interest. Because it adjusts the loss, and maintains control over the adjusting process (being solely responsible for gathering information in order to adjust the claim), the insurance company has an incentive to charge off all damage to the government as flood damage because when they do so, the government, acting through FEMA, pays the entire claim, thereby relieving the company of its obligation under its own policy of insurance. The only

situation where flood and homeowners or hurricane policies collide is in the area of hurricane damage.³

State Farm has, for some time, adopted the view that Flood Insurance is a superseding coverage in that if there is damage from wind and from flood, the flood policy is paid and the homeowner's insurance is never tapped for damages. State Farm has colloquially referred to this doctrine as the doctrine of concurrent causation. So, if a homeowner had only \$40,000 in flood coverage, and \$150,000 in homeowners or hurricane insurance, and suffered a total loss of their property from a hurricane, State Farm would offer to pay the \$40,000 in flood coverage, and once paid, would disallow any claim on the homeowners or hurricane policies because in their view if there was flood damage it took precedence over the wind damage, even though the wind may have actually caused the damage to the structure. Thus State Farm has always viewed flood coverage as a mechanism to reduce the amount paid from its own reserves. If flood and some other cause worked to destroy a structure, the doctrine of concurrent causation meant that only the flood coverage was paid.⁴

The NFIP Definition of Flood

To reduce the potential for misallocation of claims, "flood" is a term narrowly defined by statute and rule. 42 USC § 4121(1) states "the term "flood" shall have *such meaning as may be prescribed in regulations of the Director*, and may include inundation

³ For example, in the case of a tornado or hail-related loss under a homeowners policy, losses related to water damage would be clearly incidental to the claim, and even though a policy might include a flood loss provision under the NFIP, the claim could not be easily disguised because the primary means of damage is wind or hail. But in the case of a hurricane, particularly in coastal areas with a storm surge, a sizeable amount of water may be involved. Irrespective of whether the damage resulted from waves and water or wind, the insurance company can hide a loss under the NFIP because both wind and water are associated with a hurricane.

⁴ This doctrine is not codified in the NFIP statute nor is it codified in the NFIP regulations.

from rising waters or from the overflow of streams, rivers, or other bodies of water, or from tidal surges, abnormally high tidal water, tidal waves, tsunamis, hurricanes, or other severe storms or deluge;"

The director has provided the following definition of flood:

Flood, as used in this flood insurance policy, means:

A general and temporary condition of partial or complete inundation of two or more acres of normally dry land area or of two or more properties (one of which is your property) from:

Overflow of inland or tidal waters,

Unusual and rapid accumulation or runoff of surface waters from any source,

Mudflow.

Collapse or subsidence of land along the shore of a lake or similar body of water as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels that result in a flood as defined in A.1.a. above.

44 CFR Pt. 61, App. A(1)

A. Storm Surge Versus Flooding

Most of the flooding occurring in coastal areas of Mississippi due to the hurricane was associated with storm surge. This is a poorly understood phenomenon in most insurance companies⁵.

Storm surge is simply water close to the hurricane's eye that is sucked upward by the intense low pressure inside the storm's eye. As the storm's eye moves toward shore, the depth of the ocean water decreases as the storm moves forward. The mound of water sucked upward by the eye's low pressure is pushed toward the shore by the force of the

⁵ Meteorologists and FEMA understand the process of storm surge quite well, and identified only a very few areas as associated with storm surge and flooding during Katrina. Insurance companies, however, attributed an inordinate amount of damage to this phenomenon.

winds swirling around the storm. This advancing surge combines with the normal tides to create the hurricane storm tide, which can increase the mean water level 15 feet or more. In addition, wind driven waves are superimposed on the storm tide. This rise in water level can cause severe flooding in coastal areas, particularly when the storm tide coincides with the normal high tides. Because much of the United States' densely populated Atlantic and Gulf Coast coastlines lie less than 10 feet above mean sea level, the danger from storm tides is tremendous.

In general, the more intense the storm, and the closer a community is to the right-front (or northeast) quadrant, the larger the damage related to storm surge. However, since the surge comes ashore as the eye wall moves onto land, storm surge follows by four to six hours after the arrival of hurricane force winds. Thus flooding from storm surge would normally be seen only where the hurricane made landfall, and only in low-lying coastal areas.

During Hurricane Katrina, FEMA identified only small parts of the Mississippi coast as flood damaged, generally around Bay St. Louis. The remainder was identified as hurricane damage. In most locations where defendants have written flood insurance and collected premiums under the NFIP, the companies have also written homeowners and hurricane insurance. Under the arrangement between the company and FEMA, (44 CFR Pt. 62, App. A), the government requires that when the company writes coverage for other perils and flood insurance, that one adjuster be used.

Based on relator's observations, and upon direction received from the defendants, beginning at about the time the first claims began to be submitted by adjusters for Hurricane Katrina, defendant made a corporate decision to misdirect and misallocate

claims from those of hurricane or homeowner's coverage (which it would be required to pay from its reserves or reinsurance) to flood claims that could be submitted and paid directly from the United States Treasury.

Defendant State Farm, and on information and belief, Nationwide Insurance Company, USAA, and Allstate all directed their employee adjusters and independent contractor adjusters to show flood damage whenever and wherever there was any amount of water damage, and to adjust the claim as flood insurance rather than hurricane insurance even though the primary mechanism for damage was wind, not flood waters. Where wind, or wind and water, made a structure unsalvageable, the claims were misallocated into flood insurance claims because flood insurance claims were paid by the US Treasury and did not come out of the company's reserves.

This misallocation of claims has resulted in significant damage to the federal treasury. Not only were the claims themselves paid out of federal funds, each loss was adjusted so as to "hit limits" so that as many dollars as possible would be charged against the NFIP. This because the larger the value of the claim, the larger the reimbursement for adjusting that claim. The cost of adjustment (\$7,000 or more on a policy limits claim) is passed along to the federal government as a cost of adjustment.

Relators are aware of at least two specific instances where Defendant State Farm has engaged in such behavior. Worse, State Farm, aware that it has engaged in conduct that is false and fraudulent, is taking extraordinary steps to protect itself by shredding documents and hiring document shredding companies to dispose of documents at its Mississippi offices. The examples that follow are derived from Relators' personal knowledge.

On October 4, 2005, Insurance Adjuster Cody Perry issued an assignment to defendant Forensic Analysis Engineering Corporation (FAEC) for the purpose of having FAEC determine the nature of the destruction of the McIntosh property located at 2558 S. Shore Dr., Biloxi, MS.

FAEC carried out the assignment on October 7, 2005. The firm did a site inspection and reached conclusions based on the inspection. It concluded that the damage that occurred to the policy holder's home at the time of the hurricane was due principally to wind, and not to water. That report was dated October 12, 2005. The report said:

CONCLUSIONS

Based upon the information that has been presented to FAEC and evidence gleaned during our inspection, FORENSIC ANALYSIS & ENGINEERING CORPORATION has made the following conclusion concerning the damage to the structure.

- The tree failures in the northwesterly direction are the result of the winds out of the southeast from the approaching hurricane.
- The roof, door, carport, and window damage was caused by wind and wind driven debris.
- It is FAEC's opinion that the interior damage of the structure is primarily the result of the failure of the windows, walls, and doors due to wind.

The conclusions and opinions presented in this report are based on the results of FAEC's field investigation of the subject residence, as well as our analysis of the available wind and localized water level data and upon all of the other associated information that we have gathered during the course of our investigation efforts to date. If additional information or facts become available which materially affect these stated conclusions and opinions, then, FAEC reserves the right to amend or change its opinions and conclusions as needed.

This report never became part of the permanent record of the McIntosh claim because it was recognized as contrary to the direction given to State Farm adjusters. On information and belief, Alexis "Lecky" King, a State Farm Insurance supervising adjuster

(and State Farm's guru on Flood Insurance) wrote the following note on the report: "Put in Wind file – DO NOT pay bill. Do Not Discuss". A copy of that note is shown below:

Forensic Analysis & Engineering (FAEC) is pleased to provide the following report of our engineering investigation and evaluation of the reported damage to the residence located at 2558 B, Shore Drive in Biloxi, MS.

We initially received this assignment on October 4, 2005. FAEC performed a field investigation of the subject insured residence on October 18, 2005. We were dining on the premises of the residence on the day of the assignment.

This is BACK On the way in when I FAEC damage combir on site

Put in Wind file - DO NOT Pay Bill

DO NOT discuss

the matter. y of Biloxi, hurricane if the or a During our inspection.

SITE OBSERVATIONS

Thereafter, on October 20, FAEC was commissioned to write a completely different engineering report for the McIntosh claim. That report was based on a site visit of October 18, 2005, and never disclosed the prior site visit. None of the previous observations were repeated, and many different observations completely at odds with the prior report were generated. Thereafter, the report found:

CONCLUSIONS

Based on the information that has been presented to FAEC and evidence gleaned during our inspection, FORENSIC ANALYSIS & ENGINEERING CORPORATION has made the following conclusions concerning the damage to the structure:

- The tree failures in the northwesterly direction are the result of the winds out of the southeast from the approaching hurricane.
- There appears to have been damage to the structure by wind as evidenced by missing shingles on parts of the roof structure. Damage to the second story floor and first floor ceilings was predominately caused by wind and intruding rainwater.
- The damage to the first floor walls and floors appears to be predominately caused by rising water from the storm surge and waves.

On or about September 26, 2006, State Farm Adjuster Christy Sims commissioned a study by FAEC on the Mullins home at 6057 Pine Tree Drive, Kilm, MS.

Among the observations made by the engineers were that the structure had already been removed from the site, as required by FEMA, and that much of their analysis was based on photographs provided to the engineers by the homeowners:

SITE OBSERVATIONS

The following are the observations made during FAEC's inspection of the structure:

- Upon approaching the property the house had been already removed from the site as required by FEMA.

- From attached photographs provided by the insured, the entire house had been taken off from its support piers and came to a rest against the house across the street. The house had rotated about 180 degrees and its front was facing south. The porch area was about in line with the center of the street.

- No significant damage to the house was observable in the insured's photos, except for the contact point with the neighboring house across the street.

- According to the insured, the water had rose to 10 inches above the floor level at a neighboring residence close by. No water damage to the house could be appreciated from the photographs nor observed from the surroundings.

- The 24 inches high concrete block piers were in complete disarray. The blocks were not joined to each other nor anchored to the ground.

- With very few exceptions, all the trees around the observable area were standing straight and with all their foliage remaining.

The report concluded that the damage was due primarily to wind, and not to flooding.

The report's conclusion section stated:

CONCLUSIONS

Based on the information that has been presented to FAEC, evidence gleaned during our inspection, and our understanding of the storm water and wind conditions associated with Hurricane Katrina and how those conditions affected the neighborhood area of the insured residence conditions at the time of the storm, FORENSIC ANALYSIS & ENGINEERING CORPORATION makes the following conclusions regarding the claimed damage and the integrity of the property investigated:

- ♦ FAEC has concluded that the primary and predominant cause of damage to the subject property was due to hurricane force winds. This is based on the displacement of the house and the absence of water damage to the same. However, this displacement was facilitated by the poor anchoring and supporting observed.

This report was received by State Farm or its adjusters shortly after the time it was written. An invoice was generated by FAEC, and submitted to State Farm for payment. The location of the property, and the presence of a flood insurance policy (likely information not known at the time of the original survey by FAEC) made it necessary to change the report and its characterization of wind damage.

FAEC was directed to make a second report on the basis of its survey. On or about January 3, 2006, FAEC submitted a different report predicated on the same site visit of October 11, 2005, but not mentioning the prior report. The report did not appear to be a superseding report, nor was it a supplemental. Instead, it was a complete re-write of the original. This subsequent report was completely different from the first report in that the observations included:

- There was tree damage in the neighborhood with trees falling to the west northwest.
- There was shingle damage to houses nearby.
- The owner of the trailer across the street, whose home was impacted by the insured's, indicated that the water had come up to the bottom of her trailer. This was estimated to be between 2 and 3 feet above grade.
- The foundation for the insured's home consisted of concrete block piers about 2 feet above grade. No tie downs were observed, however one photograph furnished by the insured pictured, what appeared to be, a minimally effective tie down.

In addition to omitting the information relative to trees and structures, and in addition to a complete re-write of the findings, the conclusion of the report stated a completely different finding than the report of October 11, 2005:

The report concluded that the damage was due to flood waters, saying:

CONCLUSIONS & OPINIONS

Based on the information that has been presented to FAEC, evidence gleaned during our inspection, and our understanding of the storm water and wind conditions associated with Hurricane Katrina and how those conditions affected the neighborhood area of the insured residence conditions at the time of the storm, FORENSIC ANALYSIS & ENGINEERING CORPORATION makes the following conclusions regarding the claimed damage and the integrity of the property investigated:

- The tree failures in the northwesterly direction were the result of winds out of the southeast from the approaching hurricane.
- The damage to the interior of the house could not be determined as no evidence was available.
- The movement of the house across the street with minimal obvious wind damage is consistent with a buoyant force applied to the building by rising water allowing the wind to blow the house northwards until it reached an obstruction.

It is stark evidence of fraud that the same engineering contractor took a look at the same property and relied on the information from the same site visit, and not only reached different evidentiary findings, it reached completely different conclusion on the

same physical evidence. The timing of the report, combined with the message on the note not to pay the invoice and not to discuss the existence of the prior engineering report is evidence of an ongoing conspiracy between State Farm and its engineering contractor to present false claims to the federal government.

This is the gestalt of the relators' claims against the defendants. In hundreds and perhaps thousands of cases in Mississippi, Alabama, Louisiana and Texas the defendants have responded to hurricane and homeowner's claims where there is flood insurance by concluding nearly every time that flood waters arising out of the storm surge, and not wind, caused the damages. Defendants have done this specifically to misallocate the burden of paying claims from their own insurance reserves (and from re-insurance) to the federal government. This is a direct charge on the US Treasury, *Wright v. Allstate Ins. Co.*, 415 F.3d 384, 386-87 (5th Cir. 2005), and is the submission of a false claim based on false records.

A MATTER OF URGENCY

When civil lawyers began to take issue with the way that State Farm and Nationwide were paying claims (or more precisely, not paying claims), State Farm recognized that there was a risk that records associated with their conduct (particularly the engineering reports) could be subpoenaed or, in a worst-case scenario, seized. State Farm has taken steps that are extraordinary to protect itself.

Relators have been directed to shred materials in conflict, and State Farm has positioned locked shredding trash cans around its offices for the disposal of contradictory

information. Engineering reports are not kept with the claims, and nearly all reports have been seized from the adjusters and placed under lock and key so as to prevent discovery of the fraud.

Some reports, particularly those that might be seized by state courts or ordered produced by state courts have already been moved from Mississippi to Texas.⁶ State Farm, among others, is engaging in an internal witch-hunt to determine who may be leaking information to attorneys. Relators' positions are in serious jeopardy if their status as relators is disclosed.

Relators are concerned that a majority of the documents that exist are being shredded by the Insurance companies, and that individual engineering firms are being given the same direction. A shredding company, "Shred-It", visited the State Farm offices on April 12, 2006 and shredded large amounts of documents. While it would be nearly impossible for even the most obsessive insurer to destroy all the conflicting reports and silence all the engineers, delay by the government in following up this information will likely result in the loss of data and make recovery of the funds more difficult.

Relators know and would testify by affidavit that information from the engineering firms is being sent by facsimile, by electronic means, and by U.S. Mail. Relators are also certain that telephonic communications between Letky King and the principals at the engineering firms are likely ongoing in an effort to make sure that no information leaks out.

⁶ Of course, since an action under the False Claims Act includes the ability to serve process anywhere in the United States where a company does business, the tactic of moving these documents to a different jurisdiction will be ineffective against the United States Department of Justice.

Relators' main concern is that immediate action is necessary to prevent the additional wholesale shredding of documents by the Defendants in this matter.

WHO ARE THE RELATORS

Cori Rigsby and Kerri Rigsby are sisters who currently work for E. A. Renfro, an adjustment company that leases its adjusters to the various insurance companies across the country. It specializes in providing adjusters to handle catastrophes by having personnel trained on State Farm and other insurers' equipment, policies, and procedures, and being able to provide them quickly when a catastrophe occurs.

Cori's job involves working with various insurers including Travelers, State Farm and Nationwide. Over the past eight years she has adjusted hurricane claims, tornadoes, and other various natural (and man-made) disasters. She started as an adjuster and is now paid \$520 per day to provide services as a claims manager.

Kerri's position requires her to adjust claims for State Farm, and State Farm has been the only company that she has worked for. Her position, in all material respects, is identical to Cori's. Neither individual has any criminal background. Neither has financial skeletons in their closet. They are earnest and sincere relators who are blowing the whistle on practices they see as false and fraudulent.

SPECIFIC INSTANCES OF FRAUD

Personnel Involved In CAT Team Katrina

The following State Farm personnel were involved with adjusting Katrina loss claims. In the table below the name and position are set out, as well as the conduct chargeable to them and the content of any information they possess. Where so noted, the individual will have participated in that conduct.

Name	Position	Conduct/Knowledge
Alexis "Locky" King	Co-CAT Team Coordinator	King is the State Farm Flood Insurance "guru" and she directed that adjusting be done to conform to the decision she made that claims would be denied as wind damage claims. King holds considerable knowledge with regard to information about State Farm's conduct, and has been heard to remark that for a payment of \$2,000,000 she would be willing to speak with attorneys representing Katrina victims.
Richard "Rick" Moore	Co-CAT Team Coordinator	With King, Moore was the person in Gulfport claims office who oversaw the "water" portion of the claims adjustments relating to floods. He and King were involved in making the decision early on to get blanket engineering reports, and in later canceling that mandate. When it was necessary to "correct" these engineering reports, only he and King had access to the original engineering reports that were adverse to the final reports.
John Dagenhart	CAT Team Coordinator	In charge of the Biloxi (wind) office and also a CAT team coordinator. Engaged in the same conduct as Moore and King, although likely he engaged in less of this conduct since more of the claims in the Biloxi office dealt with wind rather than flood.
David Randel	Section Manager	As section manager for the CAT teams, Randall was the principal supervisor over Katrina claims. He was King, Moore and Dagenhart's boss and direct supervisor. He oversaw the adjusting of claims. He is one of only 12 - 15 section managers at State Farm.
David Haddock	Trainer	State Farm employee responsible for overseeing adjusters. His name appears on the fax letters sent to engineering firms recalling or canceling their engineering reports and directing them to

		"send their investigation materials" to State Farm.
Lisa Wachter	Trainer	State Farm employee responsible for overseeing adjusters. Similar knowledge to David Haddock.
Ryan Murphy	Claims Manager	Oversaw claims at Gulfport. Currently assigned to mediation teams.
Anna Eaton	Claims Adjuster	Finacee of Murphy. Murphy told her that the original engineering reports were scanned to the CSR program and then shredded.
Mark Drain	Team Manager	Assigned to the "high profile" claims where State Farm wanted to preserve relationships or prevent fallout.
Gary Clatterbuck	Team Manager (no longer in MS. Went back to TX after December)	Assigned to claims on Katrina, was outraged at how the process was handled, particularly at the claims and engineering report process. "Everything about this is just wrong!"
Mike Myers	State Farm Agent	Apparently had no flood insurance but backdated not only his own but also several other insurance applications to include flood coverage.
Felicia Palmer	State Farm Agent	Apparently knows about Myers' backdating.
Brenda Emmons	State Farm Aduster	Brenda has widely been thought to be the "mole" inside State Farm because Katrina has affected her significantly. She has appeared to suffer depression as a result of her work on Katrina, and is believed to be very disturbed by what she was required to do.

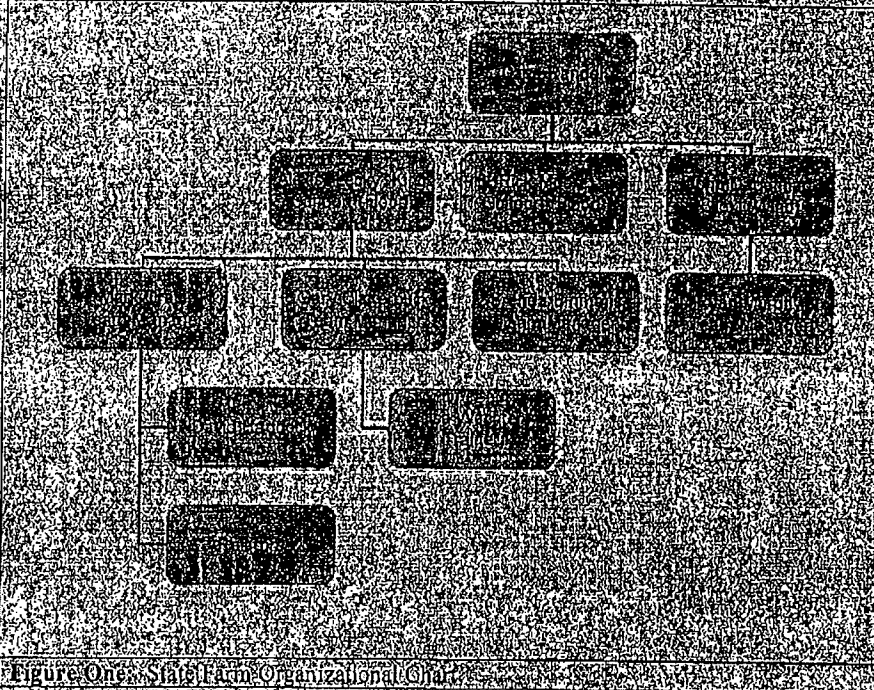


Figure One: State Farm Organizational Chart

How CAT Teams Worked In Prior Disasters

Catastrophe team adjusting is a way that certain adjuster driven process whereby adjusters are sent into the field and investigate and pay claims based on the damage they find. The only time additional assistance in the form of experts or engineers are engaged in most catastrophic claims is when there is extensive evidence of fraud.

For example, in one case, adjusters thought that the small damage they saw on the roof could be more like marks made by a hammer and called in an engineer. Only after the engineer's report of 2002 was made.

Beginning with Hurricane Ivan in 2004 State Farm began to use engineers, but the use of engineers was random and State Farm always went by whatever the engineer said. If the report said damage was caused by wind, the policy was paid 100% based on the engineer's report. Even if State Farm disagreed with its expert's reports, it stood behind the expert and paid the claim based on what the expert said. As Cori Rigsby said, the purpose of the CAT team was to "rush in, pay a lot of claims, and leave." State Farm did not follow their prior policies or their past experiences in adjusting Katrina claims.

How CAT Teams Worked in Katrina

Initial bad decisions about how to handle claims might well be blamed on the scope of the disaster. The number of claims was enormous, and the response by State Farm required them to bring in adjusters and train new adjusters for the process of claims under State Farm's policies. At the outset, however, State Farm made a decision that would quickly become unmanageable for it. It made a decision to do a forensic engineering analysis of three kinds of claims.

"Slabs" are insurance slang for complete losses of structures and contents that involve nothing on the ground but a cleanly-stripped foundation. "Popsicle Sticks" is slang for structures where only the pilings or a few beams are left standing. "Cabanas" is the industry colloquialism for houses where the roof and perhaps some interior walls remain, but the structure itself is a total loss. Almost immediately after being notified and dispatched to the Katrina disaster on September 2, 2005, Kerri and Cori were told that they were to order an engineering report on every loss that was a "Slab," "Popsicle Stick" or "Cabana."

There was one exception to this requirement. If the policy-holder had flood insurance, and if the policy-holder was willing to accept this payment as the payment-in-full for their losses, State Farm would offer to pay that amount without a site inspection and without an engineering report.

The Flaw In the Program

The immediate flaw in the "blanket engineering report" program became apparent within hours of the blanket engineering requests in Katrina. There was no coordination of how engineers (or even which firms) were assigned to claims.

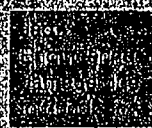
At the outset, State Farm got a report from Haag Engineering that concluded that the majority of the damage in Mississippi was due to flood, and not to wind or rain. This conclusion was contained in a report, a copy of which is attached as an exhibit to this disclosure. That document became State Farm's (and on information and belief, Nationwide, Allstate and USAA's) bible when denying coverage under hurricane insurance on the basis of damage caused by flooding. Even though information copies were provided to the other consulting engineers, those engineers did not always adhere to the party line.

While Jade Engineering might take one house on a block, Haag might take another. Dreux Seghers might get the last house on the street. And while each of the engineering firms was provided with an analysis done by Haag³, individual engineers approached claims differently, relied on different information in reaching their results,

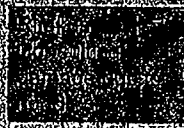
³ This "analysis" became State Farm's bible and basis for denying the majority of the hurricane claims because it found that the majority of the damage was from flood, not from wind. This in spite of the fact that hurricane force winds preceded storm surge by at least five hours.

and frequently in the case of nonat farms like Drexel Seegers reached the conclusion that the majority of the damage was caused not by flood but by wind and rain. The below

Engineering Reports Were Inconsistent On The Same Slope



Drexel Seegers PE damage due to wind and rain



pay 600,000



EPAG damage due to flood



Figure 1

Figure 1 shows how engineering reports gave different findings for cause on the same slope. While some farms would change their reports when pressured to do so like Drexel Seegers PE reports resulting in inconsistent determination.

Alexis Lecky of King from State Farm reached the conclusion that reports that differed substantially from those of Haag were to be considered suspect and were to be written or revised by the consulting engineer. She held bills and refused to pay them. While State Farm had routinely released engineering reports in the past for its policy

holders, King now gave direction that the reports were not to be shared.⁹ As noted earlier, scores of engineering reports were sent back to the engineers in order to get them re-written to coincide with State Farm's (and Lecky King's) view that these should all be flood damage claims.¹⁰

But the real flaw in the multiple engineer scenario manifested itself in case of Anna Vela. Vela is a Biloxi resident who lived on Baywood Drive and whose loss was first assigned to Dreux Seghers for analysis. The engineering analysis determined that the primary loss was due to wind damage. This was provided to Mark Drain at State Farm who passed it along to King for review. King told Drain that the engineer was "a moron" and directed him to "tell him to revise this." Shortly thereafter King left for a short time, and Drain had to make the determination, as a team manager, whether to pay the claim on the basis of the engineering report, or get a new report. He elected to pay the claim. State Farm paid out policy limits on the Vela claim.

Yet, other houses on the same street were determined by Haag, FAEC, and Exponent to be "flood" related, and those claims were paid only under a flood policy or denied.

In November the flaw was seen as what it was, a tool for inconsistent adjusting, and State Farm trainers David Haddock and Lisa Wachter directed adjusters not to get any further engineering reports on Slabs or Popsicle-Sticks. In addition, where

⁹ This was to prevent the situation where policy holders would get the initial report reflecting wind damage and rely on that before the "revised" report could be sent.

¹⁰ Relators have memory of seeing a stack of engineering reports on Lecky King's desk that was more than one foot tall. These reports concluded that there was not flood damage, and they needed to be dealt with by King, who would instruct adjusters not to pay the claim until a new report would be issued by the engineer. That is why King placed the note in the McIntosh file to the effect that the prior engineering report would not be paid for, and would not be discussed.

engineering reports had been requested, they sent a fax to the engineers directing them to cancel the request, send along the investigation materials and not write a report. If a report had already been written, they were directed to send it, as well. A copy of this facsimile is found at Exhibit C.

The Engineering Reports

As painstakingly documented above, engineering reports were solicited by blanket authorization, even though these reports would generate invoices from the engineers to the tune of \$1,500 to \$3,000.¹¹ State Farm apparently looked at it from the standpoint of preferring to pay \$1,500 to an engineer instead of paying \$200,000 to an insured. Attached as Exhibit A is the engineering roster from State Farm Insurance that shows the name of the engineer, the date the claim was assigned, the claim number, the address, the inspection date, and the date a report was received by State Farm.¹² As can be seen by the report, certain engineers had a very high percentage of cancelled reports.¹³ Seghers was hired on only 79 claims. 32 of those were cancelled or listed as never received or "peer reviewed." Seghers, who refused to play ball with State Farm, had 40% of its assignments cancelled. Similarly Engineering Design and Testing, a firm that refused to play ball with State Farm, received only 39 assignments and had 10 cancelled

¹¹ This was a win-win situation for State Farm. The engineering reports, where they concluded that the damage was caused by flood, saved State Farm thousands. Where the policy holder was lucky (or unlucky) enough to have flood coverage, the costs of the engineering report became a part of the flood claim adjustment costs and were passed along to the FIA through the NFIP's mechanism for paying adjusters.

¹² In many cases the "date received" is inaccurate. Some of the reports were received, but not acknowledged. Others were cancelled.

¹³ Relators have heard that Drex Seghers, PE, who is not named as a defendant in this action, was approached by State Farm to change reports. Seghers stood by his reports early on where he concluded the source of damage was wind. Seghers did not receive an assignment from State Farm after November 2005. Those assignments that he did receive in October and November were cancelled at a significantly higher rate than other engineering firms.

(25%). Exponent Failure Analysis, a firm that did engage in re-writing of reports at State Farm, had 214 assignments and only 17% of those were cancelled by State Farm. Similarly low cancellation rates will be present for the other engineering defendants in this case. See Exhibit A.

Lecky King, Rick Moore, or their designees and employees directed the engineering firms to change any report where the cause of the damage was not flood. At one point Relators were in a meeting with King who was reviewing engineering reports. She tossed one of the reports on to the center of the conference table and announced that the engineer must have known, or been related to, one of the persons on the street because the report did not conclude that the cause was flood. As such she said that this report would need to be re-written.

King would pull the reports that did not match her predetermined expectations of flood damage and would direct that they be revised. At one time the pile of reports that required revision was at least one foot tall. King and Moore sent an email (See Exhibit E.) that indicated to everyone that the original engineering reports were to be kept under lock and key, and that only she and Rick Moore had access to these reports.

Once the reports were re-written, the original reports were segregated and Relators believe that all original reports that were rewritten were or are in the process of being destroyed by State Farm at the direction of King and Moore.

State Farm, however, has an accounting system that tracks the reports and the dates assigned. The date an invoice was submitted is tracked along with the date paid. Since invoices were not paid until reports were re-written, a delay of more than 4 or five

days between the invoice and the payment would be indicative of a claim that was re-written to conform to the flood expectations.

Relators believe that Seghers, among others, would talk frankly with federal investigators about how he was essentially removed from assignments because he refused to re-write reports, as he has confessed this event to family members of the Relators.

The Adjustment Expenses

One of the many problems with the way the Flood Insurance Program is laid out is the requirement under the NFIP that "Write Your Own" ("WYO") insurance companies adjust the claims. Because the claims adjustment expenses (\$1,500 to \$3,000 for engineering reports and as much as \$9,000 for individual independent adjusters) are passed along to FEMA and the Flood Insurance Administrator (FIA) under the regulations governing the NFIP, the WYO companies have a double incentive to misallocate a loss to flood insurance. First, the responsibility to pay the claim is borne by the federal government. This reduces the burden on the defendant by reducing the amount of reserves required to pay the claims. Secondly, the adjustment expenses are allocated to the flood claim. State Farm and the other defendants are not only allowed to push off the fixed costs of the claim, but also are able to push off the adjustment expenses.

Because the adjustment expenses are borne by FEMA under the program, State Farm gave direction initially to the adjusters that if they calculated a flood insurance claim and did not "hit the limits" that they were to recalculate the claim until such time as they did "hit the limits." This is not simply a desire to be generous with someone else's

money, nor is it a desire to "be fair" to the policy holder. Instead, it is a concerted effort to maximize profits by maximizing the amount of the flood insurance claim. If minimal losses are attributable to a flood insurance policy (for example, a \$40,000 payment under flood insurance), the payment to State Farm for adjusting expenses is much smaller (\$750). If coverage is maximized (\$250,000 for structure and \$100,000 for contents) then the adjusting costs charged by the independent adjusting firms (\$7,000) are added to the costs of engineering reports (\$1,500 to \$3,000) and these costs, with some addition for overhead and other adjusting costs borne by State Farm, are all passed along to FEMA and the FIA. State Farm and other defendants make additional money by not only avoiding a charge against their reserves, but also by having all their claims adjustment expenses paid for by the federal government.

State Farm used a computer program called "XACT TOTAL" to calculate the flood claims and hit policy limits. The program permitted the agent to put in the square footage and amenities to "rebuild" the home. Adjusters were instructed to "hit the limits and if you haven't hit the limits on flood, go back and do it again until you do." The program was first developed for "slabs" but was later used for "cabanas" and other structures without total losses. One of the relators witnessed five houses where only four feet of mud was in the elevated house. There was no damage to roof, siding, and other structural elements. The house was submitted as a total flood loss (to hit the limits) using the XACT TOTAL software. State Farm continued this program until "Flood Calculator" was developed.

The Backdating of Policies

State Farm Agent Mike Myers was quoted by several individuals in the Biloxi area in the hours immediately after the storm as saying he did not have flood insurance. Within days this lack of insurance was transformed into a windfall by virtue of a backdated policy. Although relators do not have direct knowledge of how and when Myers was able to work the system to backdate flood coverage, it is known that Myers and several of his key clients and friends were able to get flood coverage in the days immediately after the storm.

Felicia Palmer is another Mississippi-based State Farm agent who did not have flood insurance and who suffered a complete loss on her business structures. She was not paid through State Farm for her loss. Myers, however, was able to get paid, even though he had told people he did not have flood insurance. Palmer is reported to be very angry. Relators believe that she will discuss the backdating allegations with investigators.

Relators also believe that the only way this could have been accomplished by Myers is if Myers has friends or associates in the Underwriting department of State Farm because the backdating of paperwork should ordinarily have raised red flags at State Farm and set off internal controls meant to catch exactly this type of situation.

Grant Money

As a response to the devastation of the Gulf Coast, Congress passed and the president signed in late 2005 a flood grant program. The program requires that a person have homeowners insurance, live in an area that is not a flood zone, and have structure losses due to a flood during Katrina.

The program will pay up to \$150,000 (reduced by amounts already paid from other sources) for damages to structures during Katrina.

During the course of its post-Katrina adjusting, State Farm has encouraged homeowners to apply for these grants, and has facilitated such action. In a recent case the homeowner was entitled to payments under both contents and structure coverage. In mediation, State Farm transferred funds from its "A" (structure) coverage to its "C" (contents) coverage so that the homeowner would be entitled to a larger amount of grant money. The homeowner would not have been entitled to the contents value ordinarily. The homeowner was entitled to more money under the structural coverage. By transferring money from the structure to the contents, State Farm colluded with its insured to allow the insured to submit a larger amount for the grant.

WHAT EVIDENCE EXISTS OF THE FRAUDULENT CONDUCT

Relators' Declarations

Relators have examined the complaint and have attested to the fact that the information in the complaint is true and accurate to the best of their information and belief. The information in this disclosure and in the Complaint is what the Relators would testify to if placed under oath.

Relators have a great deal of information, and have kept a journal of questionable happenings at State Farm since the inception of the Katrina event. They have a wealth of knowledge about the persons involved, and would be a good source for investigators to speak with about the underlying fraud.

Documents

Many of the documents involved in this fraud (especially the original engineering reports) have either been shredded or are going to be shredded in days absent quick and dispositive action from the United States Attorney's office.

There are locked filing cabinets in the offices of King and Moore which contain information that establishes the fraud. Individual defendants and, where applicable, witnesses (Seghers, for example) will likely testify to the "rewrites your report to get paid" scam that State Farm enforced against the engineers.

Original invoices generated by the billing and accounting systems of the individual engineering defendants will also support the fact that multiple reports were written. There are likely computer records that show that two reports were written. Individual employees of these engineering firms are also likely to be willing to testify to the pressure brought to bear on them to change engineering reports.

Computer Evidence

State Farm maintains distributed servers in Jacksonville, Florida and Birmingham, Alabama. Disaster servers are, on information and belief, located in Bloomington, IN, for backup purposes.

Servers in Birmingham are dedicated to adjusting claims in the Mississippi and Alabama areas, while Louisiana and Texas claims are adjusted out of Austin, TX, where yet another server exists.

Documents, photographs, claims logs, adjuster logs, computations and other data associated with the claim are maintained in State Farm's *CSR Reflections* software. *CSR* is a DOS-based computer program that State Farm still uses to track claims. Information about multiple reports and claims are likely documented in the hundreds of adjuster logs maintained on *CSR Reflections*. Search warrants or subpoenas should be directed to both the *CSR* system as well as the Outlook email system maintained and used with State Farm.

Relators have produced some emails, including those that are relevant to the fraud issues here. Additional emails between King and her superiors, as well as other State Farm management personnel, are likely to be dispositive with respect to the knowledge of superiors at State Farm regarding the scope of the fraud.

FEMA Flood Map

One of the more dispositive pieces of information in this case is the flood map put out by FEMA, the agency responsible for managing the Flood Insurance Program. Copies of that map show very small areas that were actually flooded during Katrina. In spite of this determination by the parent agency of the Flood Insurance Administrator, Katrina victims were denied coverage and were paid on flood insurance claims over a much wider area than FEMA determined to be flooded.



RIGSBY 02935

DOCUMENTS AND EVIDENTIARY MATERIAL

The following documents and pieces of evidence are submitted with this disclosure.

Exhibit	Description
A	Engineers Roster – CAT PI
B	Haag Report
C	Craig Ballus Claim Forms
D	Ballus Flood Claim Worksheet
E	Emails from State Farm regarding Engineering Reports
F	Other Emails from State Farm
G	Relators Declarations

Respectfully submitted,

THE SCRUGGS LAW FIRM

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ATTORNEYS FOR RELATORS

CERTIFICATE OF SERVICE

The undersigned certifies that on this 24th day of April, 2006, a copy of the foregoing Complaint and the required disclosure statement was served on the individuals below by first class mail, certified, return receipt requested to Dunn O. Lampton, US Attorney's Office, 188 E. Capitol St., Suite 500, Jackson, MS, 39201, and by placing the same in the United States Mail, first class postage affixed, certified, return receipt requested, and addressed to Alberto Gonzales, Esq., at the address below:

Dunn O. Lampton, Esq.
United States Attorney
188 E. Capitol Street Ste 500
Jackson, MS 39201

Hon. Alberto Gonzales, Esq.
Attorney General of the United States
5111 Main Justice Building
10th & Constitution Ave. N.W.
Washington, DC 20210

Attorneys for Relators

1 IN THE UNITED STATES DISTRICT COURT
2 FOR THE SOUTHERN DISTRICT OF MISSISSIPPI
3 SOUTHERN DIVISION
4

5 THOMAS C. AND PAMELA McINTOSH,
6 Plaintiffs,

7 VERSUS CIVIL ACTION NO: 1:06-cv-1080-LTS-RHW
8

9 STATE FARM FIRE AND CASUALTY
10 COMPANY; AND FORENSIC ANALYSIS
11 & ENGINEERING CORP.,
12 Defendants.
13

14 VOLUME II
15 VIDEOTAPED DEPOSITION OF KERRI A. RIGSBY

16 Taken at the Scruggs Law Firm, 4836 Main
17 Street, Moss Point, Mississippi, on
18 Tuesday, November 20, 2007, beginning
19 at 9:08 a.m.

20 REPORTED BY:

21 Lori R. Miguez, CSR No. 1245
22 Simpson Burdine & Miguez
23 Post Office Box 4134
24 Biloxi, Mississippi 39535
25 lmiguez@sbmreporting.com
 (228) 388-3130



1 Q. This is your pre-consulting phase?

2 A. Yes.

3 Q. Did you ever tape-record any
4 conversation with anybody from State Farm?

5 A. Yes.

6 Q. Who?

7 A. Dave Randel.

8 Q. When was that?

9 A. That was the beginning of June. It was
10 a Monday morning. We had -- we went in to let him
11 know that we had collected data and we had turned
12 it over to the U.S. attorney's office and attorney
13 general's office.

14 Q. This was on June 6th?

15 A. It was the Monday, if that is
16 June 6th. I'm not looking at a calendar, but --

17 Q. This is Monday morning after the
18 documents had already been picked up by the AG --

19 A. Correct.

20 Q. -- and the U.S. attorney?

21 A. Correct.

22 Q. What time did they pick those documents
23 up?

24 A. Early morning. I don't know the time.

25 Q. At Cori's house?

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF MISSISSIPPI
SOUTHERN DIVISION**

THOMAS C. and PAMELA McINTOSH

PLAINTIFFS

V.

CIVIL ACTION NO.1:06CV1080 LTS-RHW

**STATE FARM FIRE and CASUALTY COMPANY, and
FORENSIC ANALYSIS & ENGINEERING CO., and
E. A. RENFROE & COMPANY, INC.**

DEFENDANTS

**MEMORANDUM OPINION
OVERRULING OBJECTIONS
TO UNITED STATES MAGISTRATE JUDGE'S
ORDER CONCERNING DISCOVERY**

The Court has before it the objections [1201] of Richard F. Scruggs and D. Zachary Scruggs (the Scruggses) to portions of the order of the United States Magistrate Judge entered in this action on May 15, 2008. The order has been stayed pending a ruling on these objections.

The Scruggses have been ordered to appear for a deposition and to produce documents given to them by Cori and Kerri Rigsby (the Rigsby sisters). The magistrate judge found the Scruggses have discoverable knowledge; that they came into possession of these documents before they became counsel for the McIntoshes; and that the Scruggses "blanket assertions of privilege" was insufficient to insulate these documents from discovery or to insulate the Scruggses from giving testimony concerning the documents and their contact with the Rigsby sisters. Accordingly, the magistrate judge denied the plaintiffs' motion [1051] to quash the deposition subpoenas or for a protective order. I see no error or abuse of discretion in this portion of the magistrate judge's ruling, and the Scruggses' objection to this portion of the ruling is overruled.

The magistrate judge also denied the Rigsby sisters' motion [1072] to quash a subpoena calling for the production of the State Farm documents they provided to the Scruggses. The magistrate judge found that these documents were not subject to the broad and unspecific attorney-client privilege the Rigsby sisters asserted. I see no error or abuse of discretion in this portion of the magistrate judge's ruling, and the Scruggses' objection to this portion of the ruling is overruled.



The Scruggses have the following general objections to the magistrate judge's rulings concerning their testimony and the production of documents:

The Scruggses contend first that their testimony and the documents they have been ordered to produce are not relevant to the remainder of this proceeding since the Rigsby sisters have been excluded as potential witnesses and many of the documents have also been excluded from evidence. Yet the disqualification of the Rigsby sisters as witnesses and the exclusion of these documents from evidence does not make any of the material the magistrate judge ordered the Scruggses to produce undiscoverable. Nor does the Scruggses' withdrawal as counsel for the plaintiffs make them immune from giving testimony about these documents.

The Scruggses contend that their being ordered to testify and to produce the documents covered by the magistrate judge's order will conflict with various privileges. The assertion of any evidentiary privilege, whether it is attorney-client privilege, work product privilege, or the privilege against self-incrimination, must be made on a question-by-question basis. I agree with the magistrate judge's determination that the claims of privilege asserted as to the documents in question have not been made sufficiently specific nor supported by substantial evidence.

The magistrate judge made specific rulings and the Scruggses made specific objections (other than the objection on grounds of relevancy and privilege discussed above) concerning the following requests for production of documents:

Request No. 5 was narrowed to a requirement that the Scruggses produce "documents evidencing communications with the media leading up to, including, or in any way related to the [August 2006] 20/20 broadcast, and all documents which the Scruggses provided to the media in connection with that investigation/broadcast."

Objection: The Scruggses object on the grounds that "State Farm has made no showing that it has sought the documents from other sources, including ABC News or Joe Rhee, upon whom production of responsive documents would not work a substantial hardship." This objection will be overruled. Except for public records, there is no requirement that any litigant exhaust alternative sources for information in the possession of someone the litigant wishes to depose. Nor is a litigant required to seek discoverable documents from another source before making direct discovery requests of an individual known or reasonably believed to have possession or control of discoverable materials.

Objection: The Scruggses assert a Fifth Amendment privilege. This objection will be overruled. The criminal contempt proceeding in the United States District Court for the Northern District of Alabama has been dismissed, and the requested documents do not appear to me to have any bearing on any other criminal proceeding now pending or known to be contemplated. This ruling will also apply to the Scruggses' Fifth Amendment objections to Requests No. 9, No. 10, No. 17, No. 23, and No. 25.

Request No. 9 for all documents concerning communications between the Scruggses and Brian Ford, the engineer who prepared the October 5, 2005, engineering report for the McIntosh property, was granted.

Objection: The Scruggses contend that State Farm should be required to seek these documents from Brian Ford. I disagree. State Farm is free to discover these documents from either the Scruggses, Mr. Ford, or any other person who may be in possession or have control of the requested materials.

Request No. 10 for all documents concerning communications between the Scruggses and “any State Farm employee who worked on any Hurricane Katrina claim,” was narrowed to require only the production of “documents concerning communications in any way related to the Rigsbys or the McIntosh claim.”

Objection: The Scruggses assert that the production of this material will be “unduly burdensome upon the Scruggses.” Because the Scruggses have made no showing that the production of these documents would require an inordinate amount of time or effort, this objection will be overruled.

Request No. 11 for all documents concerning communications between the Scruggses and “any person affiliated with or employed by any media outlet pertaining to or arising out of Hurricane Katrina, including without limitation any documents provided by [the Scruggses],” was narrowed to require only the production of documents concerning such communications that are in any way related to the Rigsbys or to the McIntosh claim.

Objection: The Scruggses assert that these materials are “available from other sources who would not face the same undue burden in responding as the Scruggses.” The Scruggses offer no evidence to support this contention, and this objection will be overruled.

Request No. 17 for all documents represented to the Scruggses to have been “taken from, removed from, copied from, forwarded from, or downloaded from, directly or indirectly, any State Farm office or State Farm computer system, including, without limitation emails, pertaining to or arising out of Hurricane Katrina” was narrowed to require only the production of such documents that were not produced by State Farm in discovery in this case.

Objection: The Scruggses object to the production of these materials on the grounds that the documents are available from “other sources.” This is not a valid objection, as noted above. This objection will be overruled.

Request No. 23 for the production of documents “picked up or otherwise retrieved by Richard Scruggs from a highly placed source at State Farm on a trip to Bloomington, Illinois, which Richard Scruggs referenced in a March 30, 2006, interview” was granted.

Objection: The Scruggses object to the production of these documents on grounds of relevance and Fifth Amendment privilege. These objections are discussed above. These objections will be overruled.

Request No. 25 for all documents concerning any financial interest the Scruggses have in this or any other State Farm-related Hurricane Katrina matter following their withdrawal as counsel of record was granted.

Objection: The Scruggses contend that this information is not relevant, but I agree with the magistrate judge’s conclusion that this information may have a bearing on issues of credibility and bias. This objection will be overruled.

The Scruggses also assert that they have not been afforded a fair opportunity to respond to State Farm’s latest statement concerning these materials, specifically a letter of May 30, 2008. The record belies this contention. The letter in question did no more than narrow and make more specific the documents being requested, abandoning sixteen of twenty-five original document requests. My review of the record in this case discloses that the Scruggses have been afforded ample opportunity to make known their objections to all of the testimony and materials covered by the magistrate judge’s order.

I see no error or abuse of discretion in any of the rulings the magistrate judge has made. Indeed the magistrate judge’s rulings are, in my view, reasonable, balanced, and consistent with the rules of discovery. The magistrate judge’s rulings are not, in my view, clearly erroneous nor contrary to law.

The Scruggses’ objections will be overruled, and the order of the magistrate judge will, in all respects, be affirmed. An appropriate order will be entered.

DECIDED this 17th day of June, 2008.

s/ L. T. Senter, Jr.
L. T. SENTER, JR.
SENIOR JUDGE

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

**THOMAS C. McINTOSH and
PAMELA McINTOSH**

PLAINTIFFS

VERSUS

CIVIL ACTION NO. 1:06cv1080-LTS-RHW

**STATE FARM FIRE AND CASUALTY
INSURANCE COMPANY, *et al.***

DEFENDANTS

ORDER

Before the Court are a number of motions regarding this Court's order [989] and subpoenas duces tecum served by Defendants State Farm and Renfroe on Richard and Zach Scruggs on January 14, 2008.¹ Plaintiffs have moved to quash the subpoenas [1051], as have non-parties Cori and Kerry Rigsby (the Rigsby sisters) [1072]; Richard and Zachary Scruggs filed [1078] notice of compliance with the subpoenas and with the Court's order [989]; State Farm has moved to strike the Scruggses' notice of compliance [1083], and to compel production of the documents commanded by the subpoenas [1075]; State Farm's motion [1110] seeks to have stricken the reply briefs filed by the Rigsby sisters and by Plaintiffs [1086 and 1094, respectively, as not contemplated by Order [989]; State Farm's motion [1111] seeks an order striking the Scruggses opposition [1107] to State Farm's motion to compel; and Renfroe has moved [1081] for clarification of order [989]. A brief background review is helpful in keeping these matters in context.

¹The State Farm notices of intent to serve subpoenas are documents [1024 and 1025], and proofs of service are [1028 and 1029]; the Renfroe notices of intent to serve subpoenas are documents [1033 and 1034], and the proofs of service are [1035 and 1036].



The McIntoshes are Biloxi homeowners whose property was damaged in Hurricane Katrina. They were paid policy limits on their flood insurance and some monies under their State Farm homeowner's policy. Forensic Analysis & Engineering Corp.² prepared two different engineering reports on the McIntosh property, dated October 12, 2005 and October 20, 2005, respectively. By February 2006, the Rigsby sisters gave Richard Scruggs the October 12, 2005 engineering report which, according to Scruggs' testimony in other proceedings in Alabama, had a sticky note attached bearing the handwritten notation, "put in wind file – do not pay bill do not discuss." An ABC television *20/20* broadcast which aired in late August 2006 discussed the dual engineering reports, and ABC contacted the McIntoshes. According to Mr. McIntosh's notes, ABC apparently got the reports from Scruggs. At some point after the *20/20* television program, the Scruggs Katrina Group came to represent the McIntoshes, filing this lawsuit against State Farm on October 23, 2006, adding Renfroe as a defendant by amended complaint on May 31, 2007.

Cori and Kerry Rigsby, former employees of Defendant Renfroe, were dispatched to Mississippi to work State Farm *Hurricane Katrina* claims soon after August 29, 2005. Kerry Rigsby actually inspected the McIntosh property, and approved the payment of flood insurance policy limits. By February 2006, unbeknownst to Renfroe or State Farm, and while the Rigsbys were still employed by Renfroe/State Farm, the Rigsbys were copying/taking State Farm documents and giving them to Richard Scruggs, including the October 12, 2005 engineering report on the McIntosh property. The McIntoshes' attorneys contend the Rigsbys are key

²On November 9, 2007, the parties notified the court that Plaintiffs have settled all their claims against Forensic [797], although no order dismissing Forensic has yet been entered, and Forensic still appears on the docket as a party defendant. The notice of settlement states "a dismissal will be filed after the settlement is finalized."

witnesses in the McIntosh case. The Rigsbys also became clients of Richard and Zach Scruggs who filed a *qui tam* action on their behalf on April 26, 2006 against State Farm, among others. That lawsuit was sealed until August 1, 2007. Meanwhile, the Rigsbys continued funneling thousands of State Farm documents to Scruggs until they left their employment with Renfroe/State Farm in June or July of 2006. Soon thereafter, they were hired by the Scruggs Law Firm as consultants in *Katrina* litigation, at annual salaries of \$150,000.00 each.

On September 7, 2007, State Farm noticed the depositions of Richard and Zach Scruggs. [434 and 435]. Plaintiffs moved to quash the notices and/or for protective order [453], and on December 11, 2007, the Court entered [911] its order denying Plaintiffs' motion to quash/for protective order, holding that Defendants could depose Scruggses. The Plaintiffs and the Scruggses filed motions for review [947 and 956, respectively]. On January 9, 2008, the District Judge entered order [988] upholding the ruling allowing the depositions to go forward after resolution by the Magistrate Judge of issues related to requested documents. In what would ultimately prove to be a futile effort to maintain the February 2008 trial date,³ the Court entered order [989] on January 9, 2008, with respect to documents requested from the Scruggses, requiring that (1) the parties desiring to depose the non-party Scruggses⁴ issue subpoenas duces tecum for any documents sought from the Scruggses by January 14, 2008; (2) the recipients of the subpoenas must produce the requested documents or "serve fully briefed objections" within five calendar days of service; whereupon (3) the issuer of such subpoenas must, within three

³On January 16, 2008, the District Judge entered [1049] an order granting Plaintiff's motion to continue the trial date [1018]. On April 21, 2008, the Court reset the trial for October 6, 2008.

⁴By this time the Richard and Zach Scruggs and their law firm were also no longer attorneys in the case, having withdrawn on December 5, 2007, following Richard and Zach's federal indictments on felony charges. Both Richard and Zach Scruggs have now pled guilty to felonies.

calendar days, file a “fully briefed motion for an order compelling production.” The Court plainly stated it intended to “rule upon any such motion based upon the “fully briefed objections” and “fully briefed motion to compel.”

On January 14, 2008, State Farm and Renfroe, issued and served subpoenas on the Scruggses. The State Farm subpoenas were issued by counsel of record H. Benjamin Mullen, and the proofs of service reflect that Mullen served the subpoenas on Travis LeBlanc & John Keker “via email per agreement of counsel” for the Scruggses and counsel for State Farm. The Renfroe subpoenas were issued by counsel of record H. Hunter Twiford, III, and the proofs of service reflect that they were served by attorney Stephen Schelver on Travis LeBlanc and John Keker, “via email per agreement between counsel” for the Scruggses and Renfroe. [1035 and 1036]. Mr. Schelver is not counsel of record in this case, but his stated address on the return is that of the law firm with which Mr. Twiford practices.

Plaintiffs’ motion to quash/for protective order [1051]

Plaintiffs’ assert the Defendants’ document requests are broad and “would undoubtedly cover many documents protected by attorney/client privilege and work product protections.” Plaintiffs further claim any documents relevant to the McIntosh claim are McIntosh documents, subject to the limitation of 30 documents requests by each party established by the case management order (CMO), and that the documents subpoenaed from the Scruggses therefore exceed the limitations of the CMO. Plaintiffs contend there is no reason to require the Scruggses to produce any documents which are not relevant to the McIntosh claim, and reiterate in their reply memorandum [1094], that “any documents held by the Scruggses and relevant to the McIntosh case, are ‘McIntosh documents.’”

State Farm responds [1073] to Plaintiffs' motion that none of its requests seek the *McIntoshes'* documents, hence the CMO is not violated. State Farm also challenges Plaintiffs' conclusory, and unsubstantiated, "blanket assertions of purported privilege," noting that Plaintiffs' have neither addressed any particular document request nor produced any privilege log with respect to any document claimed to be privileged. Renfroe's response [1128] makes essentially the same points made by State Farm, and asserts that Plaintiffs have failed to provide the Court sufficient information to evaluate their claims of privilege.

Plaintiffs provided no memorandum in support of their motion. The Court rejects Plaintiffs' claim that the subpoenas for documents from these non-parties violate the case management order. Unquestionably the Scruggses were receiving State Farm documents from the Rigsby sisters long before they became counsel for the McIntoshes, and Defendants are entitled to see the documents which were so provided, and to question the Scruggses about the documents as well as their relationship with the Rigsbys. While the Court agrees that Rule 45, Fed. R. Civ. P., does not require Plaintiffs to provide a privilege log for documents they do not possess and which are not sought from them, Plaintiffs' sweeping generalities and blanket assertions of privilege do, indeed, provide insufficient foundation for the relief they seek.

The Rigsbys' motion to quash [1072]

Kerri and Cori Rigsby seek to prevent disclosure of any documents protected by privileges belonging to them resulting from the fact that the Scruggses represented the Rigsbys "in their efforts to provide information to state and federal law enforcement officials" regarding

State Farm's claims handling, and in their *qui tam* action (1:06cv433-LTS-RHW).⁵ The Rigsbys appear to claim some protected interest in the State Farm documents they provided the Scruggses and law enforcement agencies. The Court has previously ruled that the Scruggses undertaking representation of the Rigsbys does not transform "everything [the Rigsbys] ... physically took from [Renfroe/State Farm] into privileged information..." [563] Those documents are discoverable, and are not protected by attorney-client privilege or attorney work product. The Rigsbys attempt to be more specific in their objections to the subpoenas, but their opposition, like that of the McIntoshes, is essentially a broad claim that the subpoenas call for documents protected by privilege. As with the McIntoshes' motion, the Court has simply not been presented sufficient information to hold that any particular document request infringes on any legitimate privilege. The Court is not omniscient and cannot bar discovery based on speculation that a request might lead to disclosure of privileged information.

State Farm's motions to strike reply briefs [1086 and 1110]

State Farm urges the Court to strike the Rigsbys' and the Plaintiffs' reply memoranda filed in support of their motions to quash because the Court's order [989] did not contemplate the filing of any such brief. It is true that the Court did not envision a regular briefing schedule with respect to issues arising from the service of subpoenas duces tecum on the Scruggses when it entered order [989]. However, the Court does not find it necessary to strike the reply memoranda filed by the Rigsbys and Plaintiffs.

⁵Richard Scruggs pled guilty to conspiracy to bribe a state court judge on March 14, 2008, and the following week, Zach Scruggs pled guilty to misprision of a felony in connection with the conspiracy to bribe the state court judge. On March 17, 2008, the Scruggs Law Firm and all partners and employee attorneys who had appeared in the *qui tam* action, moved to withdraw [62] from representation of the Rigsbys. The Court granted the motion and terminated the Scruggses representation in that case by text order entered 3/20/2008.

Renfroe's motion for clarification of the Court's order [1081]

On January 22, 2008, Renfroe moved the Court to modify order [989] to give all parties additional time to fully brief issues regarding the subpoenas duces tecum. The issues surrounding the document requests have existed for months, at least since Defendants originally sought to depose the Scruggses. State Farm issued deposition subpoenas to Richard and Zach Scruggs August 28, 2007, and the subpoenas were served September 5, 2007. The Scruggses moved for a protective order prohibiting the depositions [453] on September 11, 2007, and on October 23, 2007, Renfroe joined [707] in State Farm's response to that motion. Discovery ended in this case on November 1, 2007. The Court has, since that time granted leave for the parties to conduct depositions after the close of discovery.⁶ The Court denied the Scruggses motion for protective order by order [911] entered December 11, 2007. The District Court affirmed that ruling on January 9, 2008 [988], but stayed the depositions of the Scruggses pending resolution of the documents issues, which prompted the immediate entry of order [989], also on January 9, 2008. The Court notes that Defendants waited until the last possible day to issue their subpoenas duces tecum, which they served by email. Finding no reason to further delay the disposition of these issues so that the depositions of Richard and Zach Scruggs can proceed, the Court denies the motion for clarification/extension of deadlines set out in [989].

State Farm's motion to strike the Scruggses' notice of compliance [1083]

On January 23, 2008, State Farm moved to strike [1078] the Scruggses notice of compliance with the subpoenas and order [989]. State Farm objects to the fact that counsel for

⁶See, e.g., order [876] granting State Farm's motion [760], joined by Renfroe, for leave to conduct several depositions outside the discovery period.

the Scruggses served unsigned, unfiled objections to the subpoenas via email to “but one of State Farm’s various counsel of record;” and that the email service was made at 11:01 p.m. on Friday, January 18, 2008. State Farm contends the Scruggses failed to comply with order [989] because they did not *file* their objections. It bears repeating that the Scruggses are not parties in this litigation. In accordance with Rule 45(c)(2)(B), the Court’s order [989] required the Scruggses to *serve* their objections to the subpoenas. While the Court obviously contemplated that it would be privy to the Scruggses objections, neither the order nor the Rule require that such objections be *filed*. Since the proofs of service show the subpoenas were “served” via email, the Court does not find it unreasonable that the Scruggses “served” their objections in the same manner by email to the attorneys who served the subpoenas. The fact that a party may be represented by many attorneys does not require that each of the attorneys be separately served with a document. However, in light of the timing of service of the emailed objections, which hopefully resulted from the time constraints imposed by the Court rather than an intentional effort to disadvantage Defendants, the Court allowed the defense some leeway in the time for filing the motion to compel. State Farm’s concerns regarding a motion to quash and for sanctions served on State Farm by the Scruggses are of no moment, as no such motions have been filed with the Court.

**State Farm’s motion to compel [1075] and motion to strike the Scruggses’
Memorandum in opposition thereto [1111]**

Due to the passage of time and events which have occurred since these motions were filed,⁷ at the request of the Court, counsel for the Defendants reviewed the outstanding motions

⁷For example, the trial was continued from the February 2008 calendar, and has not yet been reset. Richard and Zach Scruggs have each pled guilty to felony charges, for which they await sentencing, and have withdrawn as counsel. On April 4, 2008, the District Judge disqualified Plaintiffs’ remaining counsel, disqualified the Rigsbys as witnesses and excluded any documents supplied by the Rigsbys to the Scruggses and associates. [1173] On April 7-8, 2008 new counsel entered appearances on behalf of Plaintiffs. [1174 and 1175] On April 21, 2008, the District

and have advised the Court as to those remaining discovery matters they consider essential to protect their clients' interests. State Farm requests that the Court rule upon nine of its original 25 document requests from the Scruggses.

Requests No. 1 and No. 2 seek production, respectively, of the "original October 12, 2005 engineer report purported to be prepared by forensic Analysis & Engineering company regarding the McIntosh property..." and the original sticky note on the October 12, 2005 report. In their objections to the subpoenas, the Scruggses stated these documents are not in their possession, custody or control.⁸ While the Defendants can certainly question the Scruggses about whether, and when, they might have had possession and/or control of these documents and any chain of custody with respect to them, the Court sees no point in ordering Richard and Zach Scruggs to produce that which they claim is not within their possession, custody or control.

Request No. 5 seeks documents concerning the American Broadcast Company pertaining to State Farm and Hurricane Katrina. The objections to this request are that it is overbroad, that it seeks documents which are irrelevant, not reasonably calculated to lead to discovery of admissible evidence, are subject to work-product protection, and are available elsewhere. As State Farm points out, the Court has previously ordered Scruggs' employees/clients the Rigsby sisters, to produce documents evidencing their communications with the media [Order 563], and the Court finds no reason why the Scruggses should be treated differently. Although it appears the McIntoshes' were not even clients of the Scruggs group at the time, the Scruggses clearly

Judge granted Defendant Renfroe summary judgment as to against Plaintiffs' claims of "aiding and abetting" State Farm in committing fraud, and as to the claim for breach of "a duty of undivided loyalty," and granted State Farm summary judgment as to Plaintiff s' claim of fraud. [1186]

⁸The Scruggses' objections to the subpoena requests are appended to their response [1107] opposing the motion to compel.

used State Farm documents, including the McIntosh claim engineering reports, for purposes of the ABC *20/20* broadcast in August 2006. The Court will limit the request to documents evidencing communications with the media leading up to, including, or in any way related to the *20/20* broadcast, and all documents which the Scruggses provided to the media in connection with that investigation/broadcast. With that limitation, Richard and Zach Scruggs are ordered to produce the documents requested in Request No. 5.

Request No. 9 seeks all documents concerning communications between the Scruggses and Brian Ford, including any proposed or actual employment, reimbursement, indemnity and/or compensation. Brian Ford is the engineer who prepared the October 5, 2005 engineering report on the McIntosh property. The Court orders Richard and Zach Scruggs to produce the documents requested in Request No. 9.

Request No. 10 seeks all documents concerning communications between the Scruggses and “any State Farm employee who worked on any Hurricane Katrina claim.” The Court will limit this request to documents concerning communications in any way related to the Rigsbys or the McIntosh claim, and as limited, the Court orders Richard and Zach Scruggs to produce the documents requested.

Request No. 11 seeks all documents concerning communications between the Scruggses and “any person affiliated with or employed by any media outlet pertaining to or arising out of Hurricane Katrina, including without limitation any documents provided by [the Scruggses].” As with Request No. 10, the Court will require production only of documents concerning such communications in any way related to the Rigsbys or the McIntosh claim.

Request No. 17 seeks all documents represented to the Scruggses to have been “taken

from, removed from, copied from, forwarded from, or downloaded from, directly or indirectly, any State Farm office or State Farm computer system, including, without limitation emails, pertaining to or arising out of Hurricane Katrina.” With the exception of documents produced by State Farm in discovery in this case, the Court orders Richard and Zach Scruggs to produce the documents requested in Request No. 17.

Request No. 23 seeks documents “picked up or otherwise retrieved by Richard Scruggs from a highly placed source at State Farm on a trip to Bloomington, Illinois, which Richard Scruggs referenced in a March 30, 2006 interview.” The Scruggses’ objection to this request is that it is “not reasonably calculated to lead to discoverable evidence” in the McIntosh case and that the documents are privileged “to the extent that they were provided by individuals who are clients or former clients of Messrs. Scruggs.” The Court has been provided nothing upon which to base a finding of privilege, and orders Richard Scruggs to produce the requested documents.

Request No. 25 seeks all documents concerning any financial interest the Scruggses have in this or any other State Farm-related Hurricane Katrina matter following their withdrawal as counsel of record. The Scruggses object that the request is not reasonably calculated to lead to discoverable information in this case. The Court finds that the information sought might have bearing on the Scruggses’ bias or credibility, and will require the Scruggses to produce the requested documents.

The Court will deny State Farm’s [1111] motion to strike the Scruggses memorandum in opposition to the motion to compel. It is therefore,

ORDERED:

1. That motions [1051], [1072], [1081], [1083], [1086], [1110] and [1111] are denied.

2. That [1075], State Farm's motion to compel, is granted in part and denied in part.
3. That all documents ordered produced herein shall be produced within 15 days of the date of this order.

SO ORDERED, this the 15th day of May, 2008.

/s/ Robert H. Walker

ROBERT H. WALKER
UNITED STATES MAGISTRATE JUDGE