

Farmers Insurance Appeals \$5.7M Bad Faith Judgment

Insurer seeks to overturn verdict of liability and punitive damages award. by Christopher Hazlehurst, J.D.

LOS ANGELES, CALIFORNIA, UNITED STATES, April 20, 2023 /EINPresswire.com/ -- A Farmers Insurance customer is fighting to uphold a \$5.7 million judgment against the company. She

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Robert Gianelli, California Insurance Law Attorney

accused the insurance provider of bad faith when it denied her full compensation under her auto insurance policy following a car crash. The case is now before the Ninth Circuit Court of Appeals. The case is *Stein v. Farmers Ins. Co. of Ariz.*, Case No.: 19-cv-410-DMS (NLS) (S.D. Cal. Jun. 9, 2021).

Barbara Stein, 66, sought benefits under her Farmers Insurance policy following a 2018 car accident with an uninsured driver. She claims that she suffered serious injuries in the accident which utterly destroyed her quality of life in her retirement years. Her injuries prevented her

from continuing her jewelry-making business, which had been an important part of her life for decades. Stein sought to collect the full \$500,000 available per the uninsured motorist coverage in her Farmers auto insurance policy.

Farmers did not deny the claim outright, but they refused to pay out her policy maximum. Instead, they ultimately paid \$175,000 for her claims and later offered an additional \$95,000 to settle the instant lawsuit. Farmers ignored her claims for lost income, referring to her jewelry business as “unjustified,” and they claimed that some of her injuries were pre-existing or outright suspect. Stein countered that, per New Mexico’s “eggshell plaintiff” rule, she should be compensated even for exacerbation of existing injuries.

Stein eventually sued Farmers, alleging bad faith, and ultimately prevailed at trial. The jury was clearly not pleased with Farmers’ conduct. Not only did they rule that Stein should have been granted benefits up to her full \$500,000 policy limit; they also found the insurance company should be forced to pay punitive damages.

Punitive damages are reserved for situations in which a defendant’s conduct was especially

egregious, and are awarded on top of “compensatory” damages. Punitive damage awards tend to be eye-catching because they can multiply the insurer’s potential liability, as they have done in this case: The jury awarded Stein \$5.7 million in total in their verdict.

As explained by insurance claim denial attorney Robert S. Gianelli of the California insurance law firm [Gianelli & Morris](#), to obtain punitive damages, the plaintiff must show the insurance company not only acted in bad faith but that its conduct was malicious, fraudulent, or oppressive. The same conduct that gave rise to the bad faith claims can serve as a basis for punitive damages, if that conduct rises to the level of malice, fraud, or oppression. “Insurance bad faith is often a textbook case for punitive damages,” Gianelli says, “as it means the insurance company had an improper motive when it denied the policyholder’s claim.”

Farmers has appealed the verdict. The insurance company argues that it rightfully offered less than the \$500,000 policy limit based on Stein’s “lengthy history of prior conditions and surgeries.” It offered testimony from a doctor opining that some of her claimed injuries were not related to the crash and thus should not have been compensated under the policy. Farmers also argued that she never really sold any jewelry and thus had no claim for lost income.

Attorney Gianelli, who is not involved in the Stein case, points out that changing a trial court’s decision on appeal is an uphill battle, regardless of which side is appealing the verdict. “The trial jury examined the evidence firsthand, and appellate courts are loath to second-guess those findings unless the verdict is unsupported by the evidence or the judge made an improper ruling,” Gianelli says. He explains that the standard is high, and not every mistake justifies changing a jury verdict. “The alleged mistake must be ‘reversible error,’” Gianelli says. “It must be significant enough that it affected the outcome of the trial.”

The case is now in the hands of the U.S. Court of Appeals for the Ninth Circuit, and it will be up to the appellate court to decide whether the verdict against Farmers should stand.

Carter P. Spohn
Gianelli & Morris, A Law Corporation
+1 213-489-1600

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Robert S. Gianelli, Los Angeles
Insurance Attorney

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