

**IN THE DISTRICT COURT OF CLEVELAND COUNTY
STATE OF OKLAHOMA**

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DISTRICT COURT

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Case Number CJ-2026-1066

STATE OF OKLAHOMA, *ex. rel.* GENTNER)
DRUMMOND, OKLAHOMA ATTORNEY)
GENERAL,)

Plaintiff,)

v.)

Case No. CJ-2026-1066

STATE FARM FIRE AND CASUALTY)
COMPANY,)

Defendant.)

**DEFENDANT STATE FARM FIRE AND CASUALTY COMPANY'S
MOTION TO DISMISS THE ATTORNEY GENERAL'S PETITION**

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I. Introduction

Pursuant to the Oklahoma Constitution, the Oklahoma Attorney General can't regulate the business of insurance.¹ That power belongs exclusively to the Oklahoma Insurance Commissioner. *See, e.g.*, OKLA. CONST. ART. VI, §§ 22-23; 36 O.S. § 307. The Attorney General therefore lacks authority to bring this action, which seeks to regulate the manner in which State Farm conducts the business of insurance. His Petition must be dismissed accordingly.

Even further, the business of insurance is comprehensively regulated by the Insurance Commissioner through the Insurance Code, 36 O.S. §§ 101, *et seq.* As such, the Oklahoma Consumer Protection Act ("OCPA"), 15 O.S. §§ 751, *et seq.*, does not apply to the business of insurance. 15 O.S. § 754(2). The AG's OCPA claim is therefore legally defective. The same result necessarily follows for the AG's claim under the Oklahoma Racketeering-Influenced and Corrupt Organizations Act ("ORICO"), 22 O.S. 1401, *et seq.*, and his claim for common law civil conspiracy, which are both predicated on purported violations of the OCPA. Likewise, the AG's claim for unjust enrichment is subject to dismissal because the Insurance Code provides an adequate remedy at law.

In sum, because the AG lacks independent authority to bring this lawsuit, and because his claims are otherwise legally infirm, the Petition must be dismissed.

II. Background

Last December, the AG sought to intervene in a private breach of contract and bad faith action between State Farm Fire and Casualty Company ("State Farm") and one of its policyholders in the District Court of Oklahoma County, Oklahoma. *See* Ex. 1, The AG's Motion to Intervene.

¹ The term "business of insurance" is a term of art that has been defined as "the manner of competition of an insurance company in gaining its business, and the manner of actually dealing with its insureds, including payment of claims." *Conatzer v. Am. Mercury Ins. Co., Inc.*, 2000 OK CIV APP 141, ¶ 9, 15 P.3d 1252, 1255.

In his proposed Petition-in-Intervention, the AG claimed that State Farm had systemically defrauded Oklahomans through the so-called “Hail Focus Initiative” which, according to the AG, is a corporate policy to artificially increase claim denials to minimize payments and maximize profits. Ex. 1, The AG’s Petition-in-Intervention, ¶ 16 (attached to Motion). He specifically pointed to State Farm’s business structure of using independent insurance agents (so-called “captive” agents) to allegedly procure policies under false pretenses and allegedly use third-party engineers to investigate and improperly deny claims to support a theory that State Farm had concocted and participated in a scheme to deliberately and fraudulently underpay claims. *Id.* ¶¶ 17-23.

In that action, the AG asserted statutory claims for violation of the OCPA and ORICO, as well as common law claims for civil conspiracy and unjust enrichment based on the “Hail Focus Initiative.” After the district court permitted intervention, State Farm sought and obtained a writ from the Oklahoma Supreme Court, which determined the AG exceeded his authority by intervening in a private contract dispute. *State Farm Fire & Cas. Co. v. Palumbo*, 2026 OK 51, ¶ 3, ___ P.3d ___. However, the Court’s unanimous decision preventing the AG’s overreach into a private lawsuit did not opine on the legal merits of his claims. *Id.* ¶ 7. This action followed.²

Having been rejected in his first attempt, the AG now essentially reasserts his Proposed Petition-in-Intervention.³ He again brings a claim under the OCPA, alleging that State Farm violated the OCPA through its marketing of replacement cost coverage insurance policies while

² In *dicta*, the Supreme Court mused that the AG could file a separate action to assert his allegations, where they could be addressed on their merits. *Palumbo*, 2026 OK 51, ¶ 7 (“The proper recourse *could be* for the Attorney General to bring his claims in a separate, independent lawsuit, which avoids the restraints of *Gettler* on intervention. Likewise, State Farm *could fully litigate its remaining arguments* at that time before the district court, *which are not addressed in this order.*” (emphasis added)).

³ The Attorney General previously brought a claim under the Oklahoma Deceptive Trade Practices Act, 78 O.S. §§ 51, *et seq.* However, he abandoned that claim in this Petition.

failing to disclose the Hail Focus Initiative to its insureds. Petition, ¶¶ 56-62. The AG likewise asserts a claim under ORICO claiming that State Farm, captive insurance agents, third-party engineers, and corporate consultants formed an enterprise to violate provisions of the OCPA and the Oklahoma Computer Crimes Act. *Id.* ¶¶ 65-71. He further claims that State Farm participated in a civil conspiracy with captive insurance agents to defraud Oklahomans and violate the OCPA. *Id.* ¶¶ 73-76. Finally, the AG brings a claim for unjust enrichment for profits State Farm allegedly gained through the Hail Focus Initiative. *Id.* ¶¶ 78-80. For relief, the AG seeks a declaration that State Farm violated the OCPA and ORICO, a permanent injunction barring the Hail Focus Initiative, as well as civil penalties, damages, interest, and attorney’s fees. *Id.* “Prayer for Relief”.

III. Legal Standard

Dismissal is appropriate where a petition fails to “state a claim upon which relief can be granted.” 12 O.S. § 2012(B)(6). A motion to dismiss under § 2012(B)(6) “does not test the veracity of the facts underlying the allegations in the petition[,]” but instead “test[s] the law supporting the claims” in the petition. *Knox v. Oklahoma Oil and Gas Co.*, 2024 OK 37, ¶ 18, 549 P.3d 1260, 1267. In other words, the purpose of a motion to dismiss pursuant to § 2012(B)(6) is to “make a decision on the legal sufficiency of a petition....” *Berkson v. State ex rel. Askins*, 2023 OK 70, ¶ 24, 532 P.3d 36, 47. “[A] petition may be dismissed ‘for lack of a cognizable legal theory or for insufficient facts under a cognizable legal theory....’” *Sanders v. Turn Key Health Clinics*, 2025 OK 19, ¶ 54, 566 P.3d 591, 609 n.80.

IV. Arguments and Authorities

The AG lacks either constitutional or statutory authority to bring a lawsuit regulating the business of insurance. And while the constitution forecloses this independent authority, the AG’s claims in this action further lack a basis in Oklahoma law. A plain reading of the Oklahoma

Constitution, the Insurance Code, and the OCPA flatly contradict each and every one of the AG's causes of action. His Petition must therefore be dismissed.

First, the AG seeks to regulate the business of insurance. But the Oklahoma Constitution unequivocally assigns this authority to the Insurance Commissioner. And the Oklahoma Legislature has carried out the Constitution's exclusive assignment of regulatory and enforcement authority over the business of insurance to the Commissioner through the Insurance Code. Thus, the AG lacks authority—and, therefore, standing—to bring this lawsuit which seeks, amongst other things, to change (via an injunction) how State Farm conducts the business of insurance.

Second, even if the AG were authorized to initiate these proceedings, his claims are plainly foreclosed by the plain language of the OCPA. As several courts interpreting the statute have recognized, the OCPA does not apply to the business of insurance. Thus, State Farm could not have—as a matter of law—violated the OCPA. And the AG's ORICO and civil conspiracy claims are also predicated on purported violations of the OCPA for the manner in which State Farm conducted the business of insurance. All three are therefore defective as a matter of law.

Finally, it is axiomatic that a claim for unjust enrichment will only lie where the claimant lacks an adequate remedy at law. But the Insurance Code's comprehensive statutory regime governing the business of insurance provides the exact remedy the AG seeks in his Petition. Accordingly, the AG's claim for unjust enrichment is not legally cognizable and must be dismissed.

A. The Attorney General's Petition must be dismissed because he lacks authority to regulate the business of insurance and therefore lacks standing to bring this lawsuit.

It is a fundamental principle of Oklahoma law that “where the Legislature has declared that certain classes of cases shall be prosecuted in the name of the state by designated persons or officers, such cases cannot be maintained by any other person.” *Oklahoma Ben. Life Ass'n v. Bird*,

1943 OK 103, ¶ 6, 135 P.2d 994, 996 (citing *State ex rel. Murray v. Pure Oil Co.*, 1934 OK 514, ¶ 20, 37 P.2d 608, 610). The Oklahoma Constitution and the Oklahoma Statutes are clear: the power to regulate the business of insurance and to enforce laws pertaining to the business of insurance belongs solely to the Insurance Commissioner.

The AG's duties, on the other hand, are not described in the Constitution. And while the AG has power to enforce laws of general applicability, his powers are not unlimited. And given the narrow authority he is granted to independently represent Oklahoma in the insurance context, as well as the Insurance Commissioner's express and specific authority over the subject matter of this lawsuit, his powers have no application in this case. In other words, the AG lacks the power to independently assert a civil action relating to the business of insurance. His lawsuit must be dismissed accordingly.

1. **The Attorney General lacks specific authorization to independently initiate proceedings arising from the business of insurance.**

The Legislature charges the AG with 27 explicit duties. 74 O.S. § 18b. Two such duties pertain to insurance. 74 O.S. §§ 18b(A)(22)-(23). Neither is applicable to the AG's present claims.

First, the AG is authorized to "represent and protect the collective interests of insurance consumers of this state in rate-related proceedings before the Insurance Commissioner or in any other state or federal judicial or administrative proceeding." 74 O.S. § 18b(A)(22). But despite his allegation to the contrary, *see* Petition, ¶ 7, this is decidedly not a "rate-related proceeding"; it is an action alleging State Farm engaged in improper marketing and claim-handling practices. And even if it was, the contours of the AG's authority are representative in nature; not initiative. When the Legislature wants to grant the AG power to independently initiate proceedings or prosecute claims, it clearly does so. *See, e.g.*, 74 O.S. § 18b(A)(1)-(3), (6), (9), (17), (20), (23), (27). It

decidedly did not give the AG broad and unambiguous powers over the insurance industry. Thus, § 18b(A)(22) does not provide the AG with the power to bring this action.⁴

Second, the AG is empowered to “investigate and prosecute any *criminal action* relating to insurance fraud, if in the opinion of the Attorney General a *criminal prosecution* is warranted, or to refer such matters to the appropriate district attorney.” 74 O.S. § 18b(A)(23) (emphasis added). But this is a civil action. As such, § 18b(A)(23) does not empower the AG file this lawsuit.

2. **The Attorney General’s general authority under Oklahoma law is subservient to the Insurance Commissioner’s specific power to enforce laws pertaining to the business of insurance.**

The AG may try to rely on his general authority to “initiate or appear in any action in which the interests of the state or the people of the state are at issue.” 74 O.S. § 18b(A)(3). Any power the AG might assert to bring his claims creates a statutory conflict between the AG’s *general* power to initiate proceedings to assert the State’s interests, *id.*, and the Insurance Commissioner’s *specific* authority to regulate and enforce the laws pertaining to the business of insurance—including laws directly addressing the subject matter of this lawsuit, *see, e.g.*, OKLA. CONST. ART. VI §§ 22-23; 36 O.S. § 307. Oklahoma law provides a clear answer to this conflict, and that answer is dispositive of the AG’s claims.

Under Oklahoma law, “when there is a conflict between two statutes, one specific . . . and one general, the statute enacted for the purpose of dealing with the subject matter controls over the general statute.” *Cherokee Nation v. United States Dep’t of the Interior*, 2025 OK 4, ¶ 33, 564 P.3d 58, 69. (quoting *Stitt v. Treat*, 2024 OK 21, ¶ 30, 546 P.3d 882, 893). Moreover, courts are to

4 Further, any legislative grant that permits the AG to represent the “interests of insurance consumers” in any and all places for any and all reasons, would exceed the constitutional separation of powers located in Article VI. *See, e.g., Bird*, ¶ 6, 135 P.2d at 996; *Bd. of Regents of Univ. of Okla. v. Baker*, 1981 OK 160, ¶ 7, 638 P.2d 464, 466.

“construe legislation ‘in such a manner as to reconcile the different provisions, render them consistent and harmonious, and give intelligent effect to each.” *Id.* (quoting *S. Tulsa Citizens Coalition, L.L.C. v. Arkansas River Bridge Auth.*, 2008 OK 4, ¶ 15, 176 P.3d 1217, 1221)). Importantly, the Oklahoma Supreme Court has held 74 O.S. § 18b(A)(3) does not provide the AG with “complete dominion” over all litigation in the State. *Cherokee Nation*, 2025 OK 4, ¶ 32, 564 P.3d at 69. Instead, “the Attorney General’s dominion over a case can be overridden by ‘*explicit legislative or constitutional expression to the contrary.*’” *Id.*, ¶ 36, 564 P.3d at 70 (quoting *State ex rel. Derryberry v. Kerr-McGee Corp.*, 1973 OK 132, ¶ 20, 516 P.2d 813, 818 (emphasis in original)).

Both the Constitution and the Oklahoma Statutes specifically charge the Insurance Commissioner with the exclusive authority to execute laws arising from the subject matter of this lawsuit: the manner in which an insurance company—here, State Farm—conducts the business of insurance in this State. As to the business of insurance, the AG’s powers, by comparison, are either non-existent, general, or explicitly subordinate to those of the Insurance Commissioner. In other words, both the Oklahoma Constitution and the Oklahoma Statutes express the intention that the Insurance Commissioner—not the AG—holds the power to initiate proceedings regarding the business of insurance.

- i. The Constitution specifically empowers the Insurance Commissioner to enforce all laws relating to insurance.

The Constitution establishes the Insurance Department and grants it the authority to execute “all laws now in force, or which shall hereafter be passed, in relation to insurance and insurance companies doing business in the State.” OKLA. CONST. ART VI, § 22. It then creates the Insurance Commissioner and dubs him the “chief officer of the Insurance Department.” OKLA.

CONST. ART. VI, § 23. Aside from the provision creating the office of the Attorney General, OKLA.

CONST ART. VI, § 1, Article VI is otherwise silent with respect to the AG's powers and duties.

- ii. The Legislature grants the Insurance Commissioner specific and comprehensive powers and duties to execute the Insurance Code while the Attorney General's authority is subservient to the Insurance Commissioner.

The Legislature enacted the Insurance Code to comprehensively govern the business of insurance in this State. Through the Insurance Code, the Legislature created the Insurance Department and dubbed the Insurance Commissioner its “chief executive officer.” 36 O.S. § 301. The Insurance Commissioner’s powers and duties are specifically defined by the Insurance Code, *id.*, and consist of the “duty of administration and enforcement of the provisions of the Oklahoma Insurance Code, [and] of any requirements placed on an insurance company pursuant to the Oklahoma Statutes.” 36 O.S. § 307.

Commiserate with this duty, the Legislature empowers the Insurance Commissioner to “adopt reasonable bulletins, orders, rules, and regulations for the implementation of the Insurance Code and other statutes for which the Commissioner has jurisdiction.” 36 O.S. § 307.1. Likewise, the Insurance Commissioner is given “jurisdiction over complaints against all persons engaged in the business of insurance.” 36 O.S. § 307. Pursuant to this jurisdiction, the Legislature empowers the Insurance Commissioner to investigate suspected malfeasance in the business of insurance, 36 O.S. § 323, to issue penalties for violations of the Insurance Code and promulgated rules, 36 O.S. § 322, and to issue cease-and-desist orders to prevent further violations. 36 O.S. § 323.

On the other hand—and as detailed above—the Legislature has provided the AG with limited, inapplicable powers to initiate proceedings regarding the business of insurance. *See* 74 O.S. §§ 18b(A)(22)-(23). Otherwise, the AG is granted only a general power to “initiate or appear

in any action in which the interests of the state or the people of the state are at issue.” 74 O.S. § 18b(A)(3).

- iii. The subject matter of this lawsuit falls directly in the purview of the Insurance Code and the Insurance Commissioner’s specific enforcement powers.

The Insurance Code contains multiple provisions that govern the specific subject matter of this lawsuit. Each such provision is directly applicable to the AG’s claims and provides the Insurance Commissioner with primary and exclusive investigative, enforcement, and adjudicative authority, with the *discretion* to involve the AG as the Insurance Commissioner deems appropriate.

The “Unfair Practices and Frauds” section of the Insurance Code (“Article 12”), 36 O.S. §§ 1201, *et seq.*, was enacted to “regulate trade practices in the business of insurance . . . by defining, or providing for the determination of, all such practices in this state which constitute unfair methods of competition or unfair or deceptive acts or practices and by prohibiting the trade practices so defined or determined.” 36 O.S. § 1201. The Article proscribes participation “in any trade practice which is defined in this article as, or determined pursuant to this article to be, an unfair method of competition or an unfair or deceptive act or practice in this business of insurance.” 36 O.S. § 1203. Such practices include the misrepresentation and false advertising of policy contracts and providing false information in advertisements that “with respect to the business of insurance . . . is untrue, deceptive, or misleading.” 36 O.S. §§ 1204(1)-(2).

Article 12 applies directly to the AG’s claims under the OCPA, and as corollaries, ORICO and civil conspiracy, which accuse State Farm of fraudulent, false, and misleading conduct in the manner in which State Farm advertises and procures insurance policies in Oklahoma. *See* Petition, ¶¶ 28, 32-33, 43-45, 49(a), 58, 73, 78. The purported wrong for which the AG seeks a remedy is already governed by the Insurance Code.

Under Article 12, the Insurance Commissioner is granted the “power to examine and investigate into the affairs of every person engaged in the business of insurance in [Oklahoma] in order to determine whether such person has been or is engaged in any unfair method of competition or in any unfair or deceptive act or practice prohibited by Section 1203 of [Article 12].” 36 O.S. § 1205. Upon suspicion that a person has engaged in an unfair or deceptive practice, the Insurance Commissioner may hold a hearing if he determines that such a proceeding “would be to the interest of the public” and upon a showing of good cause, is required to permit “any person to intervene, appear and be heard at the hearing by counsel or in person.” 36 O.S. §§ 1206(A)-(B). If after such hearing the Insurance Commissioner determines that a violation has occurred, he is required to issue a cease-and-desist order to halt the unfair practice. 36 O.S. § 1207(A). If the Insurance Commissioner fails to find a violation, any intervenor may “cause an action for judicial review to be filed in the district court of Oklahoma County for a review of such order.” 36 O.S. § 1210. Notably, if a cease-and-desist order is not followed, the Insurance Commissioner may file a petition in the appropriate district court and “*may* request the Attorney General to appear in the name of the state by relation of the Commissioner.” 36 O.S. § 1209(B) (emphasis added).

The Unfair Claims Settlement Practices Act, 36 O.S. §§ 1250.1, *et seq.*, “appl[ies] to all claims arising under an insurance policy or insurance contract issued by an insurer.” 36 O.S. § 1250.3(A). “Unfair claim settlement practices” include “[f]ailing to disclose to first-party claimants, benefits, coverages, or other provisions of any insurance policy or insurance contract when the benefits, coverages or other provisions are pertinent to a claim[.]” 36 O.S. § 1250.5(1), and “[k]nowingly misrepresenting to claimants pertinent facts or policy provisions relating to coverages at issue[.]” 36 O.S. § 1250.5(2).

The practices enumerated in § 1250.5 comprise the same conduct alleged in the AG's claims under the OCPA, and necessarily, ORICO and civil conspiracy. Petition, ¶¶ 58-59, 69, 73-74. Notably, the enumerated conduct is only deemed an "unfair claims settlement practice" if it is "committed flagrantly and in conscious disregard of [the Unfair Claims Settlement Practices Act] or any rules promulgated [t]hereunder;" or if it "has been committed with such frequency as to indicate a general business practice to engage in that type of conduct." 36 O.S. §§ 1250.3(B)(1)-(2). This requirement likewise tracks with the AG's allegations in this lawsuit. *See* Petition, ¶¶ 60-61.

As with Article 12, the Insurance Commissioner is granted the exclusive authority to investigate potential violations and enforce the provisions of the Unfair Claims Settlement Practices Act. *See* 36 O.S. §§ 1250.9-1250.10 (authority to investigate potential violations and hire additional personnel to assist with investigations); 1250.11, 1250.13-14 (authority to issue charges and fines for violations of the Act). If an insurer fails to comply with a cease-and-desist order, the Insurance Commissioner has "the authority to revoke or suspend the insurer's certificate of authority" and may "limit, regulate, and control the insurer's line of business," and "the insurer's writing of policy forms." 36 O.S. § 1250.13(A). Notably, the Legislature directs that "[t]he Attorney General shall offer his assistance *if requested by the Commissioner* to enforce the Commissioner's orders." *Id.* (emphasis added).

As a final example, the Legislature created an "Anti-Fraud Unit" "within the Insurance Department, under the direction and control of the Insurance Commissioner" 36 O.S. § 361(A). The Anti-Fraud Unit may investigate "[v]iolations of any statute or administrative rule of [Oklahoma] pertaining to suspected insurance fraud or pertaining to any insurance product, insurance organization, or licensee under the regulation or authority of the Commissioner"

36 O.S. § 361(B). Upon a determination that a *criminal violation* may have occurred, the Unit “*may* refer the matter to . . . the Attorney General pursuant to Section 18b of Title 74 of the Oklahoma Statutes.” *Id.* (emphasis added). However, “[t]he Insurance Department *shall* retain the authority to *initiate* and prosecute any administrative or *civil action* it deems necessary and advisable.” *Id.* (emphasis added).

iv. The plain language of the Constitution and the Insurance Code foreclose the Attorney General’s authority to initiate these proceedings.

The plain language of the Constitution and the Oklahoma Insurance Code are unequivocal: the Insurance Commissioner is specifically charged with the execution of “*all* laws in relation to insurance and insurance companies doing business in the State.” OKLA. CONST. ART. VI, §§ 22-23; 36 O.S. § 307. As detailed above, several provisions of the Insurance Code are directly applicable to the AG’s allegations, and each provides the Insurance Commissioner with the exclusive authority to initiate proceedings for fraudulent and unfair insurance practices. In each instance, the AG’s authority is ancillary and triggered only by a request by the Insurance Commissioner. Under fundamental principles of Oklahoma statutory interpretation, the Insurance Commissioner—not the AG—holds the exclusive authority to independently initiate proceedings for alleged misconduct in the business of insurance. These specific constitutional and statutory directives trump the general grant of power contained in 74 O.S. § 18b and clearly evidence an “*explicit legislative or constitutional expression to the contrary*” sufficient to deprive the AG of dominion over this lawsuit. *Cherokee Nation*, 2025 OK 4, ¶ 36, 564 P.3d at 70 (quoting *Kerr-McGee Corp.*, 1973 OK 132, ¶ 20, 516 P.2d at 818 (emphasis in original)).

Critically, the import of this interpretation does not deprive the respective statutes of a harmonious and intelligent reading: the AG may represent the State on behalf of the Insurance Commissioner in civil actions relating to the business of insurance—but the Insurance

Commissioner must act first and subsequently request the AG's assistance. This is the procedure enumerated in the Insurance Code and required by a plain reading of the Constitution. The AG's Petition turns this process on its head and violates the clear provisions of both the Constitution and the Oklahoma Statutes.⁵

Accordingly, because the plain language of the Constitution and the Oklahoma Statutes foreclose the AG's authority to bring this lawsuit, the Petition must be dismissed.

B. *Even if the Attorney General could independently bring this lawsuit, his OCPA, ORICO, and civil conspiracy claims are foreclosed by the OCPA's business of insurance exemption.*

The business of insurance is comprehensively regulated through the Insurance Code. *See Conatzer*, 2000 OK CIV APP 141, ¶ 9, 15 P.3d at 1255 (“the Insurance Code provides for regulation and oversight of an insurer's activity in the business of insurance”); *see also Christian v. Am. Home Assur. Co.*, 1977 OK 141, ¶ 11, 577 P.2d 899, 902 (noting that a mere “perusal” of the Insurance Code “reveals the extensive government regulation of the industry in this state.”). The Insurance Code contains provisions addressing the specific misconduct alleged by the AG. *See* § III.A.2.iii, *supra*. And those provisions are subject to the exclusive jurisdiction and enforcement authority of the Insurance Commissioner. *Id.* Recognizing his lack of authority under the Insurance Code, the AG asserts a claim under the OCPA and then bases his ORICO claim on the same purported predicate violations of the OCPA. But the OCPA exempts from its coverage conduct regulated by other regulatory bodies or officers acting under statutory authority. 15 O.S. § 754(2). It is no wonder then that legion courts have held that the OCPA does not apply to the

⁵ This is an industry-wide effort by the AG. Shortly after filing this suit, the AG filed a similar suit against Allstate, bringing claims under the OCPA, ORICO, civil conspiracy, and unjust enrichment. *See generally*, Allstate Petition, Ex. 2. There, like here, he seeks not just monetary damages, but also to change Allstate's insurance practices in the form of a “permanent injunction restraining Defendant . . . from engaging in the unlawful practices described above.” *Id.* at 24.

business of insurance. A plain reading of the OCPA and the Insurance Code forecloses the AG's OCPA claim, and by necessary extension, his ORICO and civil conspiracy claims. And if that weren't enough, despite each claim being based on fraud, the AG fails to allege a single one with particularity as required by the Pleading Code. They must be dismissed accordingly.

1. The Attorney General's fraud-based claims are not alleged with particularity and, therefore, must be dismissed.

An overarching issue with the Petition is that while the AG's claims under the OCPA, ORICO (including the underlying predicate acts), and for civil conspiracy are premised on fraud, he doesn't allege any of them with sufficient particularity to satisfy the pleading requirements set forth in 12 O.S. § 2009(B). This failure alone provides adequate grounds to dismiss the Petition.

Oklahoma requires that allegations of fraud be pled with particularity. 12 O.S. § 2009(B). And while “[p]articularity does not mean the plaintiff has to plead detailed evidentiary matters[,]” *Estrada v. Kriz*, 2015 OK CIV APP 19, ¶ 12, 345 P.3d 403, 407 (quoting *A-Plus Janitorial & Carpet Cleaning v. Emps.’ Workers’ Comp. Ass’n*, 1997 OK 37, ¶ 35, 936 P.2d 916, 931), claims of fraud “must be stated with sufficient particularity to enable the opposing party to prepare his/her responsive pleadings and defenses[,]” *id.* In essence, § 2009(B) “requires specification of the time, place and content of an alleged false representation” *Id.* (quoting *Gianfillippo v. Northland Cas. Co.*, 1993 OK 125, ¶ 11, 861 P.2d 308, 311). As the Tenth Circuit has put it when interpreting the federal parallel to § 2009(B),⁶ “a complaint stating the ‘who, what, where, when, and how’ of

⁶ “In construing the Oklahoma Pleading Code’s provisions which govern fraudulent allegations, and in determining the detail necessary to satisfy the ‘particularity’ requirement, [courts] are obliged to look to the Federal Rules of Civil Procedure—the progenitor of [Oklahoma’s] pleading code. Since the text of Federal Rule 9(b) is incorporated verbatim in the Oklahoma pleading code, federal and state jurisprudence is instructive.” *Gay v. Akin*, 1988 OK 150, ¶ 8, 766 P.2d 985, 990 (footnote omitted).

the alleged fraud gives a defendant the requisite level of notice required under Rule 9(b).” *Clinton v. Security Ben. Life Ins. Co.*, 63 F.4th 1264, 1277 (10th Cir. 2023).

Here, because fraud underlies each of the AG’s substantive claims, so too does § 2009(B)’s particularity requirement. But absent from the Petition is the identification of any insurance agent, third-party engineer, or consultant that is allegedly a co-conspirator or member of the “enterprise” to defraud State Farm policyholders in Oklahoma. Likewise, besides a passing mention of the purported scheme starting “by 2022,” Petition, ¶ 16, there is no further detail provided with respect to the on-going nature of the alleged fraud. Moreover, the Petition provides nary a mention of where a single identifiable agent or engineer performed their alleged fraudulent conduct and to whom it was specifically aimed. In other words, the AG has wholly failed to allege with particularity the “who,” the “when,” or the “where” of each of his substantive claims. Section 2009(B) requires more, so each claim should be dismissed.

2. The Insurance Commissioner, through the Insurance Code, comprehensively regulates the business of insurance in Oklahoma.

The OCPA proscribes the use of fraudulent or deceptive practices in “consumer transactions.” *See generally*, 15 O.S. § 753. The AG claims State Farm violated the OCPA in the manner it advertised and procured insurance policies, as well as its conduct in handling and paying hail and wind claims. Petition, ¶¶ 58-60. In other words, the AG alleges that State Farm conducted the “business of insurance” in a fraudulent or deceptive manner. *See Conatzer*, 2000 OK CIV APP 141, ¶ 9, 15 P.3d at 1255 (defining the “business of insurance” as “the manner of competition of an insurance company in gaining its business, and the manner of actually dealing with its insureds, including payment of claims.”). But such conduct is expressly exempt from the confines of the OCPA because—as detailed in the preceding section—the specific misconduct alleged by the AG is regulated through the Insurance Code and is administered by the Insurance Commissioner. *See*

15 O.S. § 754(2) (exempting “[a]ctions or transactions regulated under laws administered by the Corporation Commission *or any other regulatory body or officer acting under statutory authority of this state . . .*” (emphasis added)); *see also* OKLA. CONST. ART. VI. §§ 22-23; 36 O.S. §§ 307, 1203, 1250.3; *Bayro v. State Farm Fire & Cas. Co.*, No. CIV-14-1084-D, 2015 WL 4717166, at *2-3 (W.D. Okla. Aug. 7, 2015) (“The regulatory authority of the Insurance Commissioner under the Oklahoma Insurance Code, Okla. Stat. tit. 36, §§ 101–7301, expressly encompasses the conduct of insurers in the marketing and sale of insurance policies, disclosures of information, and the adjustment of claims.”).

This is not a novel concept. Courts interpreting OCPA claims in the insurance context have unequivocally held that the exemption enumerated in § 754(2) applies to the business of insurance. *See, e.g., Conatzer*, 2000 OK CIV APP 141, ¶¶ 8-9, 15 P.3d 1252, 1255; *Ruffin v. State Farm Fire & Cas. Co.*, No. CIV-14-1071-F, 2014 WL 12730326, at *2 (W.D. Okla. Dec. 16, 2014) (citing *Childs v. United Life Ins. Co.*, 781 F.Supp.2d 1240, 1250 (N.D. Okla. 2011)); *Thomas v. Metro. Life. Ins. Co.*, 540 F.Supp.2d 1212, 1228-29 (W.D. Okla. 2008).⁷ Based on a plain reading of both § 754(2), the Constitution, and the Insurance Code, this Court should find accordingly and hold that the AG’s OCPA claim fails as a matter of law.

3. The Attorney General cannot state an ORICO claim because two of the three alleged predicate acts are based on purported OCPA violations.

To state a claim under ORICO, the AG must allege that State Farm “(1) conducted the affairs (2) of an enterprise (3) through a pattern (4) of racketeering activity.” *Johnson*, 56 F.4th at

⁷ *See also, e.g., SAB One, Inc. v. Travelers Indem. Co. of Conn.*, No. CIV-14-1085-D, 2014 WL 6901741, at *3-4 (W.D. Okla. Dec. 5, 2014); *Rivera v. Hartford Ins. Co. of the Midwest*, No. CIV-14-1082-HE, 2014 WL 7335320, at *3 (W.D. Okla. Dec. 19, 2014); *Supermarket No. 7 v. N. Star Mut. Ins. Co.*, No. CIV-14-1129-M, 2015 WL 737006, at *4 (W.D. Okla. Feb. 20, 2015); *Gilbert Med. Building LLC v. Travelers Cas. Ins. Co. of Am.*, No. CIV-20-896-R, 2020 WL 7221433, at *4 (W.D. Okla. Dec. 7, 2020).

858 (stating identical elements to a RICO claim); *see also* 22 O.S. § 1403(A) (“No person employed by or associated with any enterprise shall conduct or participate in, directly or indirectly, the affairs of the enterprise through a pattern of racketeering activity or the collection of an unlawful debt.”).⁸ While the AG fails to allege any of the four requisite elements, his ORICO claim is especially defective because he can’t—as a matter of law—allege a pattern of racketeering activity. A “pattern” requires *two or more* racketeering acts. 22 O.S. § 1402(6) (emphasis added). “Racketeering Activity” includes the offenses specifically enumerated in 22 O.S. § 1402(10). The AG’s Petition lists three enumerated predicate acts of “Racketeering Activity”:

- (1) 15 O.S. § 753(9) (OCA advertising activities);
- (2) 15 O.S. § 753(21) (OCA trade practices); and
- (3) 21 O.S. § 1953(A)(2) (use of a computer for criminal fraud and extortion).

Petition, ¶ 69.

Here, the AG’s reliance on the OCA dooms his ORICO claim. As set forth above, it is well-settled that the business of insurance is exempt from the OCA because it is comprehensively regulated by the Insurance Commissioner. *See* 15 O.S. § 754(2); 36 O.S. § 307. Courts posed with the question of the OCA’s application to the business of insurance have overwhelmingly held that it does not apply. Thus, because none of State Farm’s alleged misconduct could potentially constitute a violation of the OCA, it also cannot form the basis of the AG’s ORICO claim. As a

⁸ “When the language of the Oklahoma Racketeer-Influenced and Corrupt Organizations Act is the same or similar to the language of Title 18 U.S.C., Sections 1961 through 1968, the courts of this state in construing the Oklahoma Racketeer-Influenced and Corrupt Organizations Act may follow the construction given to federal law by the federal courts” 22 O.S. § 1419.

result, the AG has failed to allege two or more racketeering acts as required to form a “pattern” of racketeering activity. The claim therefore fails as a matter of law and must be dismissed.⁹

4. **The Attorney General’s civil conspiracy claim is legally deficient because it is predicated on the OCPA and has otherwise been displaced by Oklahoma statute.**

The AG alleges that State Farm conspired with unidentified insurance agents, third-party engineers, and third-party consultants to “accomplish unlawful objectives or to accomplish ostensibly lawful objective by unlawful means, including violating the OCPA through deceptive marketing and claims practices; and engaging in fraudulent claim-handling practices to avoid paying covered hail and wind claims.” Petition, ¶ 73. He likewise claims that the “conspirators” reached this agreement by “among other things, adopting and implementing the Hail Focus Initiative, concealing internal standards, misrepresenting coverage at sale and renewal, and coordinating claim denials based on pretextual rationales.” *Id.* ¶ 74. These allegations mirror the factual basis for the AG’s OCPA claim. *Compare with* Petition, ¶¶ 73-74 with ¶¶ 58-60.

But as detailed above, the AG’s OCPA claim is legally defective because the OCPA does not apply to the business of insurance. As the Oklahoma Supreme Court held less than a month ago, the failure of the AG’s OCPA dooms his claim for civil conspiracy.

Civil conspiracy consists of “a combination of two or more persons to perform an unlawful act, or a lawful act by unlawful means.” *Cnty. Resourcing Inc. v. Berkshire Hathaway Specialty Ins.*, 2026 OK 53, ¶ 16, ___ P.3d ___ (citing *Brock v. Thompson*, 1997 OK 127, ¶ 39, 948 P.2d 279, 294). Under Oklahoma law, “civil conspiracy is not an independent tort and does not itself create

⁹ With respect to the Attorney General’s citation to the Oklahoma Computer Crimes Act, the allegation is based on fraud, yet it presents none of the hallmarks of a claim that could pass muster for a fraud claim under 12 O.S. § 2009(B). Thus, the Attorney General has failed to allege a single viable act of Racketeering Activity.

liability.” *Id.* (citation omitted). “Instead, liability attaches only if the conspirators pursue an independently unlawful purpose or utilize independently unlawful means.” *Id.* (citation omitted). Thus, “[w]here the underlying act and the means employed are lawful, a claim for civil conspiracy fails as a matter of law.” *Id.* (citation omitted).

Community Resourcing disposes of the AG’s civil conspiracy claim. There, the plaintiff sued his insurer for breach of contract and insurance bad faith, his insurance agent for misrepresentation, and a third-party engineer for tortious interference with the insurance contract and civil conspiracy in relation to the denial of his wind and hail claim. *Id.*, ¶ 3. The engineer moved to dismiss the claims against it, which the district court denied. *Id.*, ¶ 4. On interlocutory appeal, the Supreme Court reversed, first finding that the plaintiff’s tortious interference claim was legally deficient, *id.*, ¶ 15, and then holding that “[b]ecause [the plaintiff’s] underlying claim of tortious interference with contract against [the engineer] lacks a legal foundation, its conspiracy claim fails as a matter of law.” *Id.*, ¶ 18.

So too here. The AG’s civil conspiracy claim is premised on State Farm allegedly conspiring with several unnamed agents and engineers to engage in conduct that purportedly violates the OCPA. *See* Petition, ¶ 73. But just like in *Community Resourcing*, the AG’s underlying claim is deficient as a matter of law. As a result, so too is his civil conspiracy claim.

C. The Attorney General’s claim for unjust enrichment fails because there is an adequate remedy at law.

Where a plaintiff “has an adequate remedy at law,” courts generally “will not exercise [their] equitable jurisdiction to grant relief for unjust enrichment.” *Robinson v. Southerland*, 2005 OK CIV APP 80, ¶ 40, 123 P.3d 35, 45. Any alleged misconduct by a licensed insurer falls squarely within the regulatory reach of the Oklahoma Insurance Code, *see* § III.A., *supra*, which provides the State with comprehensive statutory remedial mechanisms to obtain compensation for purported

ill-begotten profits. *See, e.g.*, 36 O.S. § 312A (permitting the Insurance Commissioner to impose civil penalties and fees pursuant to Oklahoma law that “may be enforced in the same manner in which civil judgments may be enforced”). Such a remedy forecloses unjust enrichment. *See Tillman ex rel. Estate of Tillman v. Camelot Music*, 408 F.3d 1300, 1309 (10th Cir. 2005) (applying Oklahoma law and holding that a claim for unjust enrichment could not lie because the plaintiff had an adequate remedy under the Insurance Code).

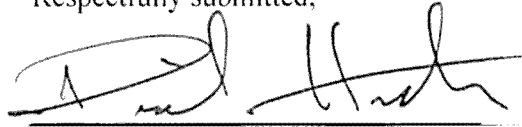
V. Conclusion

The Oklahoma Constitution and the Oklahoma Legislature have expressly assigned the power to regulate the business of insurance and to enforce the laws pertaining to the same to the Oklahoma Insurance Commissioner. This independent enforcement authority is exclusive to all other executive officers, including the AG. Thus, this action contradicts plain Oklahoma law and must be dismissed.

But even if the AG had such authority, his claims would still fail because the OCPA expressly exempts the business of insurance from its reach, and the AG based his ORICO and civil conspiracy claims on the OCPA. Further, the AG’s unjust enrichment claim fails because there is an adequate remedy at law through the Insurance Code.

Accordingly, because this action contradicts Oklahoma law on every front, the Petition should be dismissed.

Respectfully submitted,



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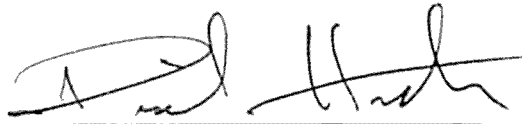
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CERTIFICATE OF SERVICE

I hereby certify that on this 15th day of July, 2026, I mailed a true and correct copy of the foregoing instrument via U.S. first class mail, postage prepaid, to the following counsel of record:

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David R. Herber



IN THE DISTRICT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA

DEC - 4 2025

~~RICK WARREN~~
COURT CLERK
88

BILL and LACY HURSH

Plaintiffs,

v.

Case No. CJ-2025-2626

STATE FARM FIRE AND CASUALTY
COMPANY, MARK D. WELTY, and MARK
D. WELTY INSURANCE AGENCY, INC.

Defendants.

**MOTION TO INTERVENE OR, IN THE ALTERNATIVE, MOTION TO GRANT
ACCESS TO PROTECTED DISCOVERY**

COMES NOW the State of Oklahoma *ex rel.* Gentner F. Drummond, Attorney General of Oklahoma ("Attorney General") and respectfully moves this Court, pursuant to 12 O.S. § 2024 and 74 O.S. § 18b, for leave to intervene in this matter for the protection of the interests of the citizens of Oklahoma. In support of this Motion, and as more fully set forth in the Petition for Intervention (the "Petition"), which is incorporated herein by reference and attached hereto as Exhibit 1, the Attorney General states as follows:

BACKGROUND

For the average Oklahoma homeowner, insurance serves both a straightforward and deeply important purpose: it is a financial safeguard against the unexpected. With the primary aim of protecting the single largest and most significant investment most Oklahomans will ever make, homeowner's insurance is essential to the financial security of Oklahoma consumers. The Attorney General, in the public interest and pursuant to statutory authority, has initiated an investigation into the same conduct described by Plaintiffs. To prevent duplication, preserve judicial resources, and ensure access to essential investigative evidence, the Attorney General seeks to intervene as of right or, alternatively, under the Court's discretion.

EXHIBIT

1

Oklahomans face some of the highest homeowner's insurance prices in the country. Plaintiffs here allege a scheme where State Farm denies valid claims for roof damage caused by wind, hail, and tornado. In this action, Plaintiffs allege a systematic breach of an insurer's duty of good faith and fair dealing premised upon a planned, concerted, and coordinated reduction in the number of Oklahoma homeowner's insurance claims approved. These practices upset the essential bargain of risk and premium that anchors a lawful insurance market, leaving Oklahoma consumers bearing disproportionate risk. Allegations that State Farm concocted, implemented and trained its employees on such a scheme undermine the integrity of insurance practices in Oklahoma by defrauding Oklahoma insureds.

Such a scheme shocks the conscience. Oklahomans are paying rising homeowners insurance premiums yet receiving less protection in return, as State Farm simultaneously pursues additional rate increases while allegedly escalating its claim denials and underpayment practices. Oklahomans can weather inflation and Oklahoma storms, but they cannot withstand a system in which they are charged more while effectively insured less. Inflation and weather do not explain, let alone justify, the widening gap between what Oklahomans pay and what they receive. Profiting from increased premiums while reducing claim fulfillment undermines public confidence in the insurance system and places Oklahoma homeowners at unacceptable risk. Protecting consumers from unfair and deceptive insurance practices is a core sovereign responsibility, and intervention is necessary to ensure that insurers operating in this State do not engage in unlawful conduct that leaves Oklahomans paying more for coverage they do not truly receive.

II. ARGUMENTS AND AUTHORITIES

A. The Oklahoma Attorney General is Permitted to Intervene in this Case by Statutory Right

Intervention in Oklahoma civil actions is governed by 12 O.S. § 2024. Under § 2024(A), timely intervention is a matter of right “when a statute confers an unconditional right to intervene” or “where the intervenor claims an interest relating to the property or transaction which is the subject of the action and the disposition of the action may impair or impede his ability to protect that interest.” *Nicholas v. Morgan*, 2002 OK 88, ¶ 20. “[C]ourts favor intervention and joinder of party defendants as a convenient or pragmatic method of settling controversies relating to the same subject matter.” *Brown v. Patel*, 2007 OK 16, ¶ 28.

The Attorney General is the State’s chief law officer and is expressly empowered to “initiate **or appear** in any action in which the interests of the state or the people of the state are at issue . . .” 74 O.S. § 18b(A)(3) (emphasis added). As alleged more fully in the Petition for Intervention, this litigation concerns alleged misconduct affecting Oklahoma consumers on a broad scale and therefore directly implicates the interests of the State and the people of Oklahoma.

The Attorney General has a substantial, legally protectable interest in ensuring that Oklahoma insurance consumers are not subjected to deceptive, unfair, or unlawful insurance practices. The claims and defenses in this action concern the same transactions, policies, and practices that are the subject of the Attorney General’s investigation. Disposition of this case without participation by the Attorney General may, as a practical matter, impede the State’s ability to protect the public interest. Protective orders, confidentiality rulings, and any settlement or judgment may affect access to evidence and the legal landscape in which the State’s enforcement efforts proceed.

Although Plaintiffs and the Attorney General share an interest in rectifying wrongdoing by Defendant, Plaintiffs are private litigants seeking private relief and compensation for a subset of policyholders. The Attorney General, by contrast, represents the broader public interest of the State and the integrity of the insurance marketplace as a whole. That broader interest is not and cannot be fully represented by private litigants.

Accordingly, the Attorney General satisfies the requirements for intervention as of right under 12 O.S. § 2024(A), in conjunction with his authority under 74 O.S. § 18b(A)(3).

B. Permissive Intervention Should Be Granted Under 12 O.S. § 2024(B)

1. Common Question of Fact and Law

“Permissive intervention is left to the sound legal discretion of the trial court based upon the nature of the controversy and the facts and circumstances of each case.” *Tulsa Rock Co. v. Williams*, 1982 OK 10, ¶ 5, 640 P.2d 530, 532. Permissive intervention is appropriate under 12 O.S. § 2024(B), which allows intervention when the statute confers a conditional right to intervene or when the intervenor’s claim or defense and the main action have questions of law or fact in common and when such intervention will not unduly delay or prejudice the adjudication of the original parties’ rights. Even if the Court were to read 74 O.S. § 18b(A)(3) as not providing a mandatory right to intervention, the statute undoubtedly provides a conditional right to intervene in this action meeting the requirements of 12 O.S. § 2004(B)(1).

Further, the Attorney General’s Petition for Intervention details State Farm’s deceptive or unfair practices in connection with the marketing, adjustment, and payment of homeowners’ insurance claims. These issues substantially overlap with the allegations and claims asserted by Plaintiffs in this case. The same documents, data, communications, depositions, and other discovery materials relevant to Plaintiffs’ claims are directly pertinent to the State’s

law-enforcement investigation and potential civil enforcement, including possible civil RICO and consumer-protection claims. This factual and legal overlap satisfies § 2024(B)'s common-question requirement.

Permissive intervention is also appropriate where it promotes judicial efficiency and does not unduly prejudice existing parties. *See Brown v. Patel*, 2007 OK 16, ¶ 29. By granting intervention here, the Court can avoid duplicative discovery and motion practice in separate proceedings and can ensure that discovery produced under any protective order may be made available, under appropriate safeguards, to the Attorney General for law-enforcement purposes. Oklahoma courts have recognized that governmental entities may intervene when public-interest enforcement responsibilities overlap with the subject of private litigation and when access to protected materials is necessary to perform those responsibilities. *See State ex rel. Okla. Corp. Comm'n v. McPherson*, 2010 OK 31, ¶ 29 n.10; *Good v. Farmers Ins. Co.*, 2023 OK CIV APP 28, ¶ 8.

The Attorney General does not seek to delay, prejudice, or disrupt the proceedings. The State is prepared to abide by existing scheduling orders, participate in a manner consistent with the Court's direction, and comply with any protective or confidentiality provisions imposed by the Court.

2. Timeliness and Lack of Prejudice

This Motion is timely. It is being filed at a stage of the litigation where intervention will not disrupt established trial settings, materially delay discovery, or require substantial duplication of work already completed. Timeliness is measured not by the mere passage of time, but by whether intervention at the time requested would cause prejudice to the original parties or impair the orderly progress of the litigation. *See McPherson*, 2010 OK 31, ¶ 30 n.12. Here, the Attorney

General seeks to coordinate, rather than duplicate, discovery efforts and to make use of existing materials where possible, thereby reducing burden on parties and non-parties.

No party will be unduly prejudiced by intervention. Allowing the Attorney General to participate and to access relevant discovery under appropriate safeguards will promote consistent and efficient resolution of overlapping issues and will minimize the risk of conflicting obligations or duplicative proceedings.

C. Alternatively, Limited Intervention and Access to Discovery Materials Subject to a Protective Order Should be Granted

Oklahoma courts have permitted the Attorney General to intervene on a limited basis for the purpose of modifying or utilizing protective orders to permit access to discovery materials for law-enforcement use, while maintaining confidentiality protections. In *Good v. Farmers Ins. Co.*, CJ-2017-128 (Payne County Dist. Ct.), the trial court allowed the Attorney General to access confidential records subject to the terms of an existing protective order, recognizing the Attorney General's law-enforcement function. On appeal, the Court of Civil Appeals confirmed that non-parties may intervene to obtain access to discovery materials where a legitimate public interest is at stake and that trial courts have authority to modify protective orders accordingly. *Good*, 2023 OK CIV APP 28, ¶ 8. Consistent with *Good*, if the Court determines that full party intervention is not warranted, the Attorney General respectfully requests limited intervention for the specific purpose of obtaining access to discovery and sealed materials produced in this action and using such materials, under appropriate protections, in the exercise of the Attorney General's statutory law-enforcement authority.

The Attorney General is willing to be bound by the terms of any existing protective order or by such modified or supplemental protective order as the Court may deem necessary to safeguard confidential information while still allowing the State to perform its public-interest and

law enforcement functions, and will seek leave of the Court to use confidential information in connection with other litigation.

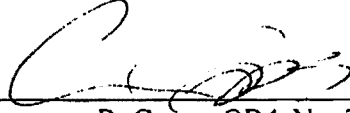
CONCLUSION

WHEREFORE, premises considered, the State of Oklahoma *ex rel.* Gentner F. Drummond, Attorney General, respectfully prays that the Court grant this Motion and

1. Permit the Attorney General to intervene as a party in this action pursuant to 12 O.S. § 2024(A) and/or (B), for the purpose of protecting the public interest and enforcing Oklahoma law;
2. Grant the Attorney General access to all discovery, including materials designated as confidential, and to all sealed filings and records in this case, subject to the terms of the existing Protective Order and/or any amended or supplemental Protective Order entered by the Court;
3. Authorize the Attorney General to use such materials, consistent with applicable law and any protective-order limitations, in furtherance of the Attorney General's civil enforcement investigation and any related proceedings brought in the public interest;
4. In the alternative, if the Court declines to grant full party intervention, permit limited intervention for the sole purpose of obtaining access to and using discovery and sealed materials as described above, under appropriate protective-order safeguards; and
5. Award such other and further relief, at law or in equity, as the Court deems just and proper.

Respectfully submitted,

GENTNER DRUMMOND
OKLAHOMA ATTORNEY GENERAL



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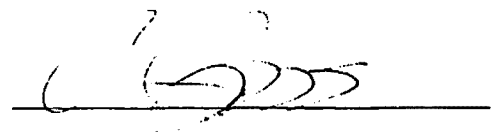
CERTIFICATE OF SERVICE

I hereby certified that on December 4, 2025, a true and correct copy of the above and foregoing document was served by placing the same in the United States Mail, postage prepaid, to the following:

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A handwritten signature, possibly reading "L. S. D.", is written over a horizontal line.

**IN THE DISTRICT OF OKLAHOMA COUNTY
STATE OF OKLAHOMA**

BILLY HURSH and LACY HURSH

Plaintiffs,

v.

STATE FARM FIRE AND CASUALTY
COMPANY, MARK D. WELTY, and MARK
D. WELTY INSURANCE AGENCY, INC.

Defendants,

and Case No. CJ-2025-2626

STATE OF OKLAHOMA, *EX REL.*
GENTNER DRUMMOND, OKLAHOMA
ATTORNEY GENERAL

Intervenor Plaintiff,

v.

STATE FARM FIRE AND CASUALTY
COMPANY,

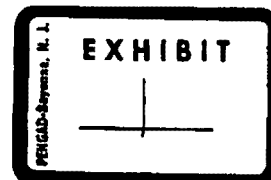
Defendant.

STATE OF OKLAHOMA'S PETITION FOR INTERVENTION

Intervenor-Plaintiff State of Oklahoma, *ex rel.* Gentner Drummond, Attorney General ("Attorney General"), for its causes of action against Defendant State Farm Fire and Casualty Company ("State Farm"), alleges and states as follows:

I. NATURE OF THE ACTION

1. The Attorney General alleges that State Farm, acting through its officers, employees, computer systems, and a network of captive agents and associated entities as unnamed co-conspirators, implemented an internal program, commonly referred to as the "Hail Focus Initiative" to drastically reduce aggregate roof indemnity payments in Oklahoma. Rather than



adjust claims according to coverage language in its policies, State Farm secretly substituted restrictive, extra-contractual standards and used those hidden standards to deny or minimize payment of legitimate covered losses.

2. At the point of sale and renewal, State Farm and its captive agents, as frontline underwriters, marketed and sold homeowners policies as providing “full replacement cost” coverage for storm-related roof damage, including wind and hail, and cultivated a “good neighbor” image designed to induce reliance and trust. In reality, rather than evaluating each claim on its merits, State Farm adopted internal directives requiring reduced roof replacement approvals, effectively predetermining outcomes to satisfy a corporate objective of lowering indemnity payments for roof claims.

3. The Attorney General brings this action to: (a) vindicate the authority of the State of Oklahoma to regulate the business of insurance; (b) obtain civil penalties and other relief authorized by the Oklahoma Consumer Protection Act (“OCPA”) and Oklahoma Racketeer-Influenced and Corrupt Organizations Act (“ORICO”); (c) obtain structural injunctive relief to dismantle the Hail Focus Initiative; (d) compel the disgorgement of illicit profits, which may be distributed as restitution as an ancillary remedy, to prevent State Farm’s unjust enrichment.

II. PARTIES

4. State Farm is a foreign insurance corporation licensed to do business in Oklahoma. At all relevant times, State Farm has marketed, sold, underwritten, and adjusted homeowners insurance policies in Oklahoma, including policies providing replacement cost coverage for dwellings and roofs for covered losses. State Farm acts through its officers, employees, and adjusters and is legally responsible for their acts and omissions within the scope of their authority.

5. Numerous State Farm captive agents and their incorporated agencies are non-party co-conspirators and associated persons for purposes of the enterprise and civil conspiracy alleged herein. These agents and agencies are legally distinct entities from State Farm, generally organized as separate corporations or business entities under Oklahoma law, but contractually obligated to sell State Farm insurance products. State Farm created underwriting duties which must be followed by its agents to properly determine the risk of insuring a property.

6. The Attorney General is the chief legal officer of the State of Oklahoma, authorized by law to enforce the ORICO, 22 O.S. §§ 1401–1419, and the OCPA, 15 O.S. §§ 751–764.1, including by seeking injunctive relief, civil penalties, disgorgement, damages, and restitution on behalf of Oklahoma consumers.

7. Moreover, this public enforcement action is brought by the Attorney General to protect Oklahoma homeowners and the integrity of the Oklahoma insurance marketplace. The Attorney General brings this action in his official capacity to enforce public rights and protect the health, safety, and economic well-being of Oklahoma residents who purchased State Farm homeowners policies and were subjected to State Farm’s systematic misrepresentations and unfair claim denials. The injuries alleged are not confined to a handful of private disputes; they are widespread, market-wide harms that individual lawsuits cannot adequately address.

III. JURISDICTION, VENUE, AUTHORITY, AND PUBLIC INTEREST

8. This Court has jurisdiction over this civil enforcement proceeding pursuant to 22 O.S. § 1409(A), which authorizes the Attorney General to institute civil proceedings in an

appropriate district court against any person for relief from conduct constituting a violation of ORICO.

9. This Court also has jurisdiction under the OCPA, including for actions brought pursuant to 15 O.S. § 761.1, which authorizes the Attorney General to bring actions in district court to enjoin unlawful practices, obtain restitution, and damages, and recover civil penalties and costs.

10. Venue is proper in Oklahoma County because at least one act of racketeering activity and multiple deceptive practices alleged herein occurred in this County, homeowners policies were marketed and sold here, and the wrongful denial and underpayment of covered claims caused economic harm within this County. ORICO expressly permits venue in any county where at least one act of racketeering activity has occurred, allowing a single district court to exercise jurisdiction over the enterprise and the pattern of conduct.

11. The pattern of racketeering and deceptive conduct alleged herein continues to the present. The Attorney General brings this action to enforce public rights and exercises the State's sovereign police powers. The Attorney General brings this enforcement action not to vindicate individualized private claims, but to restrain an ongoing fraudulent scheme that threatens the integrity of Oklahoma's insurance market and the economic welfare of a substantial portion of the State's population. Moreover, Defendant's affirmative misrepresentations and concealment of its internal Hail Focus standards and related claims-handling practices tolled any applicable limitations periods by fraudulent concealment until such time as the existence and nature of the scheme could reasonably be discovered.

IV. FACTUAL ALLEGATIONS

A. Background: Hail Storms and State Farm's Concern About Roof Claim

12. Oklahoma experiences severe hail and wind storms that damage residential roofs and exteriors. In the years leading up to the events at issue, State Farm faced a significant volume of hail and wind claims from Oklahoma homeowners, many involving full roof replacement.

13. By 2022, State Farm management became concerned about the aggregate cost of roof replacements and the perceived severity of its hail and wind losses. Internal communications show that State Farm believed it was approving “too many” roof claims.

14. In response, State Farm made a corporate decision to change its approach to roof claims, with the express purpose of reducing the total number and dollar amount of roof indemnity payments in Oklahoma and other markets, rather than simply improving accuracy or fraud detection. State Farm determined, before reviewing any individual claim or making any individual coverage determination, that it would reduce overall indemnity payments for roof claims, and then implemented and tracked the scheme alleged herein in order to meet its predetermined savings targets down to the dollar.

15. Under its new approach, State Farm adjusters were instructed that they no longer had authority to authorize total roof replacements, because State Farm was paying for too many roof claims. In addition, without the knowledge of policyholders, regulators, or the public, State Farm changed its internal claim standards with the express purpose of reduce claim payments. Policies continued to be sold and renewed with State Farm continuing to offer the same written language promising coverage for losses caused by perils such as hail and wind.

B. The Hail Focus Initiative and Internal Claim-Handling Changes

16. As part of its effort to reduce roof indemnity payments, State Farm developed and implemented an internal program known as the Hail Focus Initiative. The precise internal name, dates of rollout, and written directives are within State Farm's exclusive possession, custody, and control.

17. Upon information and belief, State Farm stripped or sharply curtailed the authority of field adjusters to approve full roof replacements. Under prior procedures, experienced adjusters in the field could determine a total roof replacement was appropriate when they observed sufficient hail or wind damage. Under the Hail Focus Initiative, State Farm required higher-level managers to approve full roof replacements, thereby creating additional layers of scrutiny and opportunities to deny, delay, and limit claims.

18. Upon information and belief, State Farm in conjunction with co-conspirator engineering firms, created and internally adopted undisclosed, extra-contractual definitions of key claims concepts, including "hail damage," "functional damage," and "direct physical loss." These internal standards were systematically more restrictive than the policy language and secretly and fraudulently withheld from policyholders.

19. Upon information and belief, State Farm formulated, implemented, and enforced claim-handling practices and policies under which adjusters, independent inspectors, engineers, and other personnel were instructed, trained, encouraged, and otherwise induced to treat hail strikes under restrictive internal and undisclosed definitions which resulted in the increased denial of claims.

20. Upon information and belief, State Farm formulated, implemented, and enforced claim-handling practices and policies under which adjusters, independent inspectors, engineers,

and other personnel were instructed, trained, encouraged, and otherwise induced to treat hail strikes as attributed to “wear and tear,” “installation error,” “cosmetic damage,” “manufacturing defect,” or other purportedly excluded causes, even when the timing and pattern of damage indicated a recent hail event and at times without inspection of the roof prior to the covered event.

21. Upon information and belief, State Farm required or strongly encouraged the use of third-party engineering or inspection firms known to provide reports favorable to denial or minimization of hail claims. Engineers were often deployed after a contractor, independent adjuster, or field employee observed significant hail impacts. The resulting reports frequently discounted hail as the cause of the damage and emphasized non-covered factors, thereby providing a pretext for denial.

22. Upon information and belief, State Farm used computer-based software, systems, and platforms in the contracting, adjusting and denying of Oklahoma’s homeowners insurance claims. This includes the use of computer-generated and disseminated forms and policies, the use of computer systems to submit, adjust, track, and deny claims, the use of computer systems to communicate and/or achieve communications with policyholders and State Farm’s co-conspirators and use of computer systems to conceal the enterprise.

23. The Hail Focus Initiative and associated claims-handling changes were motivated by financial considerations: reducing State Farm’s loss ratios and indemnity costs for hail and wind claims, especially total roof replacements. This initiative was designed and executed not to more faithfully apply existing policy terms, but to avoid paying claims that State Farm knew or should have known were covered under those terms.

C. Role of Captive Agents and Other Participants

24. State Farm distributes its homeowners' policies in Oklahoma through captive agents and their separate agencies. These agents and agencies are non-party co-conspirators and associated persons for purposes of the enterprise and conspiracy alleged herein.

25. At policy inception and renewal, captive agents are the local face of State Farm, marketing policies to homeowners and fostering trust through branding such as "Like a good neighbor, State Farm is there." Agents assure customers that State Farm will take care of them if their home is damaged by hail or wind in a covered loss and emphasize that replacement cost coverage will restore the home to its pre-loss condition.

26. State Farm's captive agents possess authority to bind coverage and issue policies on State Farm's behalf. In many instances the agents represent to State Farm and the insured that the property meets underwriting guidelines. In some cases, agents may inspect the roof or rely on representations about its condition. In other cases, agents fail to inspect the roof entirely, failing to meet State Farm's own underwriting requirements.

27. Captive agents knew, or at minimum had reason to know, that State Farm was tightening internal claim standards and increasingly denying hail claims that would previously have been paid. Despite this knowledge or reason to know, captive agents continued to sell and renew policies without disclosing that State Farm was internally adopting extra-contractual restrictive hail-damage standards and limiting roof replacements. Agents remained silent about the internal Hail Focus Initiative and did not warn customers that their ability to obtain roof replacement coverage had materially changed.

28. Third-party engineering firms and independent adjusting firms likewise participated by providing outcome-oriented reports and estimates that supported pre-determined

denials or underpayments. These entities functioned as part of the same de facto enterprise, even though they are not named as defendants in this civil action.

D. Misrepresentations and Deceptive Practices at Sale and Renewal

29. Throughout the relevant period, State Farm marketed homeowners' policies as providing full replacement cost coverage for dwelling damage, including hail and wind damage to roofs. Advertising materials and agent sales presentations created the clear impression that if a hail storm damaged a roof in a covered loss, State Farm would pay to repair or replace the roof, minus any applicable deductible, so the home could be restored to its prior condition.

30. These marketing representations did not inform consumers that State Farm would internally redefine damage much more narrowly than the policy language, or that State Farm would treat many forms of hail impact as non-qualifying damage contrary to the purchased policy.

31. State Farm failed to disclose to consumers that its adjusters and managers would apply internal damage-assessment standards not contained in the policy and that exclusions for pre-existing conditions, wear and tear, or cosmetic damage would be invoked aggressively to limit coverage, even when the roof had performed properly until a specific hail event.

32. In some cases, State Farm allegedly covered homes and collected premiums without identifying any pre-existing roof conditions, only to later deny hail claims on the ground that the damage was pre-existing or due to age and wear. If the roof had truly been in such defective or worn condition at inception, State Farm would have declined the risk. This pattern reflects a post-hoc use of exclusions to avoid paying for hail damage that manifestly arose after policy inception.

33. By promising full replacement cost coverage while internally planning not to honor full roof replacement claims in many circumstances, State Farm effectively sold illusory or

materially impaired coverage. Policyholders paid premiums based on one understanding of coverage, while State Farm secretly intended to apply a much narrower, self-serving standard.

E. Fraudulent Claim Denials and Underpayments

34. The Attorney General identifies the harm to numerous Oklahoma policyholders as proof of the “pattern of racketeering activity” required by ORICO. Their experiences demonstrate the scope and magnitude of State Farm’s enterprise-wide scheme.

35. After hail and wind storms, Oklahoma homeowners who purchased State Farm policies submitted claims for roof and related damage. As part of the Hail Focus Initiative, State Farm handled many such claims through a common set of deceptive tactics. These tactics included re-characterizing hail impacts as wear and tear, blistering, granular loss, or other non-covered conditions despite clear temporal and physical evidence of a recent storm; invoking pre-existing damage or the age of the roof to deny claims, even where the roof had not leaked or shown problems before the storm and had been treated as insurable when the policy was issued or renewed; and limiting repair scopes or estimates to minor components (such as spot repairs, vents, or gutters) while ignoring widespread damage that would require full replacement.

36. Claim denials and underpayments were communicated to policyholders in letters and estimates transmitted by mail or electronic means. Those communications often stated or implied that the denial was required by the policy terms or based on an objective lack of hail damage, when in truth the outcome was driven by undisclosed internal standards and financial targets.

F. The Enterprise

37. At all times relevant to this Petition, State Farm, its captive insurance agents, and co-conspirator engineering firms, were members of an organization (the “Denial Enterprise”)

whose members and associates engaged in, among other activities, fraud, false representation, and unfair and deceptive trade practices.

38. The Denial Enterprise, including its leadership, its captive agencies, and its hired vendors, constituted an "enterprise," as defined by 22 O.S. § 1402(6) and related Oklahoma statutes, that is, a group of individuals and entities associated in fact, although not a single legal entity. The Denial Enterprise constituted an ongoing organization whose members and associates functioned as a continuing unit for a common purpose of achieving the objectives of the Enterprise.

39. State Farm was the leader of the Denial Enterprise, and directed other members and associates of the Denial Enterprise, including individual agents and distinct legal entities serving as captive agencies in carrying out unlawful and other activities in furtherance of the conduct of the Denial Enterprise's affairs. State Farm developed definitions designed to reduce indemnity claims, specifically the Hail Focus Initiative, and directed the implementation of these restrictive definitions through the Denial Enterprise.

G. Purpose of the Denial Enterprise

40. The purpose of the Denial Enterprise was the enrichment of the members and associates of the Denial Enterprise through, among other things, the sale of insurance policies under false pretenses and the retention of premiums that should have been paid out as indemnity. The Denial Enterprise aimed to grow, protect, and preserve the power, profits, and market share of its members and associates through the systematic denial of valid claims and the underpayment of losses. The Denial Enterprise sought to promote and enhance the activities of its members and associates by marketing coverage to consumers while internally utilizing claims-handling practices designed to minimize payouts on valid claims.

H. Means and Methods of the Denial Enterprise

41. Members and associates of the Denial Enterprise employed numerous means and methods to conduct and participate in the affairs of the Enterprise. First, they committed, conspired, and attempted to commit acts of fraud and false representation to protect and expand the Enterprise's financial operations, including marketing homeowners insurance policies that State Farm did not intend to honor as represented. Members and associates of the Denial Enterprise committed, conspired, and attempted to commit acts of fraud and false representation to protect and expand the Denial Enterprise's financial operations, including the marketing of policies State Farm did not intend to honor as represented.

42. Members and associates of the Enterprise functioned as distinct legal persons who ensured policy placement and consumer engagement, thereby facilitating the scheme by marketing and renewing policies under false pretenses. These actors knowingly promoted full replacement coverage while concealing that State Farm had internally adopted restrictive, undisclosed standards that would dramatically limit claim payments.

43. In furtherance of the scheme, members and associates of the Enterprise also utilized co-conspirator engineering firms to produce outcome-oriented reports and redefined damage criteria designed to justify the denial or reduction of indemnity claims under the "Hail Focus Initiative." These engineered assessments provided the pretext necessary to label hail impacts as non-covered conditions such as wear, blistering, or installation defects.

44. Finally, members and associates of the Enterprise systematically denied or underpaid hail and wind claims to curtail roof claim payments regardless of actual coverage or loss. Through this coordinated course of conduct, the Denial Enterprise defrauded Oklahoma

consumers, deprived them of the insurance benefits for which they paid, and generated substantial unlawful financial gains for State Farm.

I. The Racketeering Violation

45. From at least in or about 2020, up to and including the present, in the State of Oklahoma and elsewhere, State Farm, being a person employed by and associated with the Enterprise, engaged in, directly and indirectly, the conduct of the affairs of that enterprise through a pattern of racketeering activity.

46. The pattern of racketeering activity, as defined in 22 O.S. § 1402(5), consisted of multiple and interrelated instances of OCPA violations and violations of the Oklahoma Computer Crimes Act, 21 O.S. § 1951. *et seq.*, including but not limited to:

- a. On two or more occasions, knowingly made or caused false representations or promises regarding insurance coverage, with intent not to sell or provide it as advertised which constitutes an unlawful, chargeable, and/or indictable felony acts under 15 O.S. § 753(9); and
- b. On two or more occasions, committed unfair and deceptive acts which are unlawful, chargeable and/or indictable felony acts as defined in 15 O.S. § 752(13) and prohibited under 15 O.S. § 753(21).
- c. On two or more occasions used of a computer, computer system, and/or computer network for the purpose of devising and executing a scheme to defraud or deceive by means of false or fraudulent pretense or representation which constitutes an unlawful, chargeable, and/or indictable felony act under 21 O.S. 1953(A).

47. These acts share the same or similar purposes, results, participants, victims, and methods of commission, and are not isolated events. As a direct result of the Enterprise operation,

victims have suffered substantial economic harm, including unpaid insurance benefits and consequential property damage.

J. Public Harm and Market Impact

48. The Denial Enterprise has caused significant public harm to individual homeowners having been deprived of the insurance benefits for which they paid, leaving them to shoulder the cost of roof replacements and related repairs or to live under damaged, leaking roofs.

49. The Denial Enterprise has caused significant harm to the aggregate Oklahoma economy as funds that should have been injected into repairs and construction were retained by State Farm instead.

50. The Attorney General alleges that the pattern of conduct is ongoing and likely to continue absent judicial intervention, particularly in future hail and wind seasons.

51. The Attorney General brings this action on behalf of the general public and the State of Oklahoma itself, not on behalf of any individual insured, group of insureds, or putative class of private claimants. The Attorney General brings this action in the general public's interest seeking to address violations of consumer laws for the benefit of the general public and the protection of the Oklahoma insurance marketplace. The State has a sovereign interest in the economic well-being of its residents and in the integrity and stability of its homeowners' insurance markets.

V. CAUSES OF ACTION

Count I: Violations of the Oklahoma Consumer Protection Act

52. The Attorney General re-alleges and incorporates by reference the preceding paragraphs as though fully set forth herein.

53. State Farm is a "person" engaged in commerce within the meaning of 15 O.S. § 752(1). Oklahoma homeowners who purchased State Farm homeowners policies for personal,

family, or household purposes are “consumers” under 15 O.S. § 752(2). The marketing, sale, and administration of homeowners insurance policies constitute “consumer transactions” within the meaning of § 752(2).

54. In the course of these consumer transactions, State Farm engaged in multiple unlawful practices in violation of the Oklahoma Consumer Protection Act, as detailed above. These practices include advertising or offering the subject of a consumer transaction with the intent not to sell or furnish it as advertised, in violation of 15 O.S. § 753(9). State Farm marketed and sold homeowners policies as providing full replacement cost coverage for hail and wind damage while internally intending not to provide such coverage and instead relying on undisclosed internal standards to deny or limit claims.

55. State Farm also committed unfair or deceptive trade practices as defined in 15 O.S. § 752(13) and prohibited by 15 O.S. § 753(21). Its conduct included deception, fraud, false pretenses, false promises, misrepresentations, and the knowing concealment and omission of material facts in connection with both the sale of insurance and the processing of claims. This deceptive conduct consisted of concealing the existence and effect of the Hail Focus Initiative and the use of extra-contractual internal criteria; misrepresenting to policyholders that hail-damaged roofs exhibited only wear and tear or other uncovered causes despite knowing or having reason to know that hail caused the loss; failing to disclose material limitations and internal standards at the time of sale and renewal while relying on those undisclosed standards to deny claims; and using outcome-oriented engineering or inspection reports to manufacture a pretext for denial or underpayment of valid claims.

56. State Farm’s unfair, deceptive, and unlawful practices were willful or, at minimum, committed with knowledge or reason to know of their deceptive nature. Management deliberately

designed the Hail Focus Initiative to mislead policyholders about the scope of coverage and to reduce claim payments.

57. These unlawful practices occurred in trade or commerce and affected the public interest. They were not isolated incidents but part of a company-wide and ongoing scheme impacting numerous Oklahoma residents.

58. As a result of State Farm's unlawful practices, Oklahoma consumers have suffered ascertainable losses of money and property, including but not limited to: premiums paid for coverage not delivered as represented, the cost of roof repairs and replacements that should have been covered, diminished property values, and consequential damages.

59. The Attorney General brings this claim under his enforcement authority, including the authority to act under the OCPA, to obtain injunctive relief, restitution, damages, civil penalties, and costs and attorneys' fees.

Count II: Violations of the Oklahoma Racketeer-Influenced and Corrupt Organization Act

60. The Attorney General re-alleges and incorporates by reference all preceding paragraphs as if fully set forth herein.

61. At all times relevant to this Petition, State Farm, together with captive agents, their agencies, third-party engineering firms, and related vendors formed an "association-in-fact" enterprise within the meaning of 22 O.S. § 1402(6) referred to as the Denial Enterprise. The members of the Denial Enterprise can be defined apart from the predicate acts as separate individuals or operating entities.

62. The common purpose of the Denial Enterprise is to maximize profits for State Farm by systematically denying or underpaying valid property damage claims through the implementation of the Hail Focus Initiative. This purpose is achieved by collecting premiums for

coverage while adjudicating claims under restrictive, undisclosed standards, thereby depriving Oklahoma policyholders of the benefits of their insurance contracts.

63. Under 22 O.S. § 1403(A), it is unlawful for any person employed by or associated with an enterprise to conduct or participate, directly or indirectly, in the conduct of such enterprise's affairs through a pattern of racketeering activity. State Farm violated this provision.

64. State Farm is a "person" for the purpose of Oklahoma Racketeer-Influence and Corrupt Practices Act because State Farm is a corporate entity within the meaning as defined by 22 O.S. § 1402(7).

65. State Farm and other members of the Denial Enterprise conducted the affairs of the Denial Enterprise through a "pattern of racketeering activity" as defined in 22 O.S. § 1402(10), engaging in at least two acts of racketeering activity within the requisite time period. These acts are related by their common purpose, reducing indemnity severity, and method of commission, fraudulent denial of hail claims and include: willful false representations in violation of 15 O.S. § 753(9); willful unfair and deceptive practices in violation of 15 O.S. § 753(21); and knowingly and willfully used a computer, computer system, and computer network for the purpose of devising and executing the fraudulent scheme described herein, in violation of 21 O.S. § 1953(A)(2).

66. As a direct and proximate result of State Farm's racketeering acts, numerous Oklahoma consumers have been injured in their business or property. Policyholders suffered monetary losses when valid claims were wrongfully denied or underpaid and were forced either to fund roof repairs and related damage out-of-pocket or to endure diminution in property value due to unrepaired damage. Consumers also paid premiums for coverage materially more robust than what State Farm actually intended to provide, thereby overpaying for illusory or substantially impaired coverage.

67. State Farm agreed and combined with these co-conspirators to implement the Hail Focus Initiative and related practices.

Count III: Violations of the Oklahoma Deceptive Trade Practices Act

68. The Attorney General re-alleges and incorporates by reference all preceding paragraphs as if fully set forth herein.

69. In the course of its business, State Farm knowingly made false or deceptive representations as to the characteristics, uses, and benefits of its homeowners' policies.

70. In the course of its business, State Farm advertised goods or services which differ from those offered for sale in the advertisements.

71. As a corporation, State Farm is a "person" within the meaning of the Oklahoma Deceptive Trade Practices Act.

72. The Attorney General brings this claim under his authority to enforce public rights and protect the health, safety, and economic well-being of Oklahoma residents who purchased State Farm homeowners policies and were subjected to State Farm's systematic misrepresentations and widespread, market-wide harms that individual lawsuits cannot adequately address.

Count IV: Civil Conspiracy

73. The Attorney General re-alleges and incorporates by reference all preceding paragraphs as if fully set forth herein.

74. State Farm knowingly entered into an agreement and combination with non-party captive agents, their agencies, and other associated entities to accomplish unlawful objectives or to accomplish ostensibly lawful objectives by unlawful means, including violating the OCPA through deceptive marketing and claims practices; and engaging in fraudulent claim-handling practices to avoid paying covered hail and wind claims.

75. The conspirators formed and executed this agreement by, among other things, adopting and implementing the Hail Focus Initiative, concealing internal standards, misrepresenting coverage at sale and renewal, and coordinating claim denials based on pretextual rationales.

76. Numerous overt acts were committed in furtherance of the conspiracy, including each sale or renewal of a policy under false pretenses, each application of undisclosed internal standards to deny or diminish claims, and each specific claim denial or underpayment premised on false statements or material omissions.

77. State Farm is liable for the full extent of damages and equitable relief caused by the conspiracy, regardless of the degree of participation by any individual co-conspirator.

Count V: Unjust Enrichment

78. The Attorney General re-alleges and incorporates by reference all preceding paragraphs as if fully set forth herein.

79. By virtue of the conduct described herein, State Farm has been unjustly enriched at the expense of the Oklahoma economy and the Oklahoma homeowners insurance market. State Farm collected and retained substantial premiums for homeowners insurance policies marketed as providing full replacement cost coverage for hail and wind damage, while internally intending to restrict or deny such coverage and thereafter wrongfully denying or underpaying valid claims.

80. State Farm also retained the financial benefits affecting the Oklahoma homeowners insurance market and Oklahoma economy by reducing claim payments achieved through its deceptive Hail Focus Initiative and related claims-handling practices, including the savings from roof replacements and related repairs that should have been paid but were not.

81. Under principles of equity, State Farm should not be permitted to retain these ill-gotten gains. Equity requires that State Farm disgorge the value of improperly retained premiums and unpaid benefits attributable to the scheme and that such funds be restored to remedy the public harm.

VI. PRAYER FOR RELIEF

WHEREFORE, Intervenor-Plaintiff, State of Oklahoma ex rel. Oklahoma Attorney General, prays for judgment in its favor and against State Farm as follows:

- a. A declaration that Defendant's conduct as alleged herein violates the Oklahoma Racketeer-Influenced and Corrupt Organizations Act (22 O.S. §§ 1401–1419) and the Oklahoma Consumer Protection Act (15 O.S. §§ 751–764.1), and that such conduct constitutes fraud and deceit upon Oklahoma consumers.
- b. A permanent injunction restraining Defendant, its officers, agents, employees, and all persons acting in concert with them from engaging in the unlawful practices described above.
- c. All appropriate orders under 22 O.S. § 1409 to dismantle the racketeering enterprise and prevent its re-occurrence.
- d. An award of restitution for the harm caused to the Oklahoma public and disgorgement of State Farm's ill-gotten gains.
- e. An award of statutory damages as permitted by ORICO and/or OCPA.
- f. Imposition of civil penalties.
- g. An award of reasonable attorney's fees, investigative costs, and litigation costs incurred in this action.

- h. Awarding pre-judgment and post-judgment interest on all monetary awards as permitted by law.
- i. Such other and further relief as this Court deems just and proper.

Respectfully submitted,

GENTNER DRUMMOND
OKLAHOMA ATTORNEY GENERAL

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IN THE DISTRICT COURT OF CLEVELAND COUNTY STATE OF OKLAHOMA	
STATE OF OKLAHOMA, <i>EX REL.</i> GENTNER DRUMMOND, OKLAHOMA ATTORNEY GENERAL	STATE OF OKLAHOMA } S.S. CLEVELAND COUNTY } FILED JUL 07 2026 In the office of the Court Clerk MARILYN WILLIAMS
Plaintiff,	
v.	
ALLSTATE INSURANCE COMPANY	Case No. <i>CT-2026-1169</i>
Defendant.	
STATE OF OKLAHOMA'S PETITION	

Plaintiff State of Oklahoma, *ex rel.* Gentner Drummond, Attorney General ("Attorney General"), for its causes of action against Defendant Allstate Insurance Company ("Allstate"), alleges and states as follows:

I. NATURE OF THE ACTION

1. The Attorney General alleges that Allstate, acting through its officers, employees, computer systems, and a network of captive agents and associated entities as unnamed co-conspirators, implemented an internal program (hereinafter the "Disaster Payment Minimization Scheme") to drastically reduce aggregate indemnity payments in Oklahoma. Rather than adjust claims according to coverage language in its policies, Allstate secretly substituted restrictive, extra-contractual standards and used those hidden standards to deny or minimize payment of legitimate covered losses.

2. At the point of sale and renewal, Allstate and its captive agents, as frontline underwriters, marketed and sold homeowners policies as providing replacement cost coverage¹ for wind and hailstorm damage and cultivated an image that insureds were “in good hands” in the face of “mayhem” designed to induce reliance and trust. Rather than evaluating each claim on its merits, Allstate adopted internal directives requiring reduced claim approvals, effectively predetermining outcomes to satisfy a corporate objective of lowering indemnity payments for wind and hailstorm claims.

3. In the alternative, despite Allstate and its captive agents’ representations to policyholders at the initial issuance of policies and on renewal that the subject policies provide replacement cost coverage, Allstate does not issue replacement cost coverage policies in Oklahoma.

4. The Attorney General brings this action to: (a) enforce Oklahoma’s consumer protection and anti-racketeering laws to halt a systemic fraudulent scheme harming Oklahoma homeowners; (b) obtain civil penalties and other relief authorized by the Oklahoma Consumer Protection Act (“OCPA”) and Oklahoma Racketeer-Influenced and Corrupt Organizations Act (“ORICO”); (c) obtain structural injunctive relief to dismantle the Disaster Payment Minimization Scheme; (d) compel the disgorgement of illicit profits, which may be distributed as restitution as an ancillary remedy, to prevent Allstate’s unjust enrichment.

II. PARTIES

5. Allstate is a foreign insurance corporation licensed to do business in Oklahoma and the parent corporation of the Allstate family of companies. For the year 2025, Allstate’s market

¹ The Oklahoma Supreme Court has defined “replacement cost” as “the sum of those costs an insured is reasonably likely to incur in replacing his covered loss.” *Branch v. Farmers Ins. Co.*, 2002 OK 16, ¶ 11, 55 P.3d 1023, 1027. Replacement cost indemnity payments do not include reduction in payment for depreciation. *Id.*

share of property and casualty insurance market in Oklahoma was 8.14%, with approximately \$219,138,898 in direct premiums written. Allstate has marketed, sold, underwritten, and adjusted homeowners insurance policies in Oklahoma, and represented that the policies provide replacement cost coverage for dwellings and roofs for covered losses, particularly following specific requests from policyholders for replacement cost coverage.

6. Allstate acts through its officers, employees, and adjusters and that of its subsidiaries and is legally responsible for their acts and omissions within the scope of their authority. Allstate is responsible for establishing the claims handling practices, claims training processes, strategic direction, and oversight of its subsidiaries' claims operations.

7. Numerous Allstate captive agents and their incorporated agencies are non-party co-conspirators and associated persons for purposes of the enterprise and civil conspiracy alleged herein. These agents and agencies are legally distinct entities from Allstate, generally organized as separate corporations or business entities under Oklahoma law, but contractually obligated to sell Allstate insurance products. Allstate created underwriting duties which must be followed by its agents to properly determine the risk of insuring a property.

8. The Attorney General is the chief law officer of the State of Oklahoma, authorized by law to enforce the ORICO, 22 O.S. §§ 1401–1419, and the OCPA, 15 O.S. §§ 751–764.1, including by seeking injunctive relief, civil penalties, disgorgement, damages, and restitution on behalf of Oklahoma consumers.

9. The Attorney General is also expressly authorized by 74 O.S. § 18b(A)(22) to “represent and protect the collective interests of insurance consumers of this state in rate-related proceedings before the Insurance Commissioner or in any other state or federal judicial or administrative proceeding,” and by 74 O.S. § 18b(A)(3) to “initiate or appear in any action in

which the interests of the state or the people of the state are at issue.” This action falls squarely within both grants of authority.

10. Moreover, this public enforcement action is brought by the Attorney General to protect Oklahoma homeowners and the integrity of the Oklahoma insurance marketplace. The Attorney General brings this action in his official capacity to enforce public rights and protect the health, safety, and economic well-being of Oklahoma residents who purchased Allstate homeowners policies and were subjected to Allstate’s systematic misrepresentations and unfair claim denials. The injuries alleged are not confined to a handful of private disputes; they are widespread, market-wide harms that individual lawsuits cannot adequately address.

11. The State’s sovereign and quasi-sovereign interests are directly implicated. The State has a sovereign interest in the integrity of its insurance marketplace, a quasi-sovereign interest in the economic well-being of its residents as a class, and an interest in deterring and remedying systemic violations of laws of general application enacted to protect Oklahoma consumers. This is not an action by which the State assumes the cause of one private citizen against another; it is an action by which the State enforces its own laws, in its own name, to redress harms to the public at large.

III. JURISDICTION, VENUE, AUTHORITY, AND PUBLIC INTEREST

12. This Court has jurisdiction over this civil enforcement proceeding pursuant to 22 O.S. § 1409(A), which authorizes the Attorney General to institute civil proceedings in an

appropriate district court against any person for relief from conduct constituting a violation of ORICO.

13. This Court also has jurisdiction under the OCPA, including for actions brought pursuant to 15 O.S. § 761.1, which authorizes the Attorney General to bring actions in district court to enjoin unlawful practices, obtain restitution, and damages, and recover civil penalties and costs.

14. This Court further has jurisdiction over the Attorney General's common-law claims for civil conspiracy and unjust enrichment under the general civil jurisdiction of the district courts of this State. Okla. Const. art. VII, § 7.

15. Venue is proper in Cleveland County. Allstate transacts business in Cleveland County through licensed captive agents and agencies operating in Norman and other Cleveland County communities. Allstate marketed, sold, and renewed homeowners insurance policies to Cleveland County residents during the relevant period, including policies promising full replacement cost coverage for hail and wind damage on dwellings. Cleveland County policyholders submitted claims for hail and wind damage that were adjudicated under the concealed, extra-contractual standards of the Disaster Payment Minimization Scheme, and Cleveland County residents suffered economic harm as a result of those wrongful denials and underpayments. Multiple acts of racketeering activity and multiple deceptive practices alleged herein—including misrepresentations at sale and renewal, claim denials communicated by mail and electronic means, and use of computer systems to execute the scheme—occurred in Cleveland County. ORICO expressly permits venue in any county where at least one act of racketeering activity has occurred, allowing a single district court to exercise jurisdiction over the enterprise and the pattern of conduct. 22 O.S. § 1404.

16. The pattern of racketeering and deceptive conduct alleged herein continues to the present. The Attorney General brings this action to enforce public rights and exercises the State's sovereign police powers. The Attorney General brings this enforcement action not to vindicate individualized private claims, but to restrain an ongoing fraudulent scheme that threatens the integrity of Oklahoma's insurance market and the economic welfare of a substantial portion of the State's population. Moreover, Defendant's affirmative misrepresentations and concealment of its internal Disaster Payment Minimization standards and claims-handling practices tolled any applicable limitations periods by fraudulent concealment until such time as the existence and nature of the scheme could reasonably be discovered.

IV. FACTUAL ALLEGATIONS

A. Background: Severe Weather and Allstate's Concern About Disaster Claim Payment

17. Oklahoma experiences severe weather, including wind and hailstorms, that damages residential roofs, exteriors and outbuildings. In the years leading up to the events at issue, Allstate faced a significant volume of wind and hailstorm claims from Oklahoma homeowners, many involving roof replacements.

18. By 2020, the management of Allstate implemented changes in the process of handling claims for wind and hailstorm losses in Oklahoma and other markets, with the express purpose of reducing or eliminating indemnity payments to the insured while increasing corporate profits. Allstate determined, before reviewing any individual claim or making any individual coverage determination, that they would reduce overall indemnity payments for severe weather losses, then implemented and tracked the scheme alleged herein in order to meet its predetermined savings targets down to the dollar.

19. Under its new approach, Allstate stripped licensed adjusters of the authority to approve coverage of wind and hailstorm losses. In some instances, Allstate replaced the in-person inspections adjusters historically performed with visits to subject properties by unlicensed third-party “picture takers” who are neither authorized to write estimates nor determine coverage. These pictures are then uploaded to a portal and reviewed by adjusters tasked with drafting and providing estimates to “reviewers” for approval. The “reviewers” often outright deny coverage or require the adjusters revise their estimates based on internal, undisclosed claim standards. In other instances, licensed adjusters, stripped of their decision-making authority, are allowed to perform in person inspections during which they take photographs. The adjuster’s photographs and estimates are likewise sent to “reviewers” for approval, resulting in the same requests for revision of estimates and/or outright denial.

20. In addition, without the knowledge of policyholders, regulators, or the public, Allstate changed its internal claim standards with the express purpose of reducing claim payments, often by reducing the estimate below the threshold of the policyholder’s deductible thus entirely eliminating payment. Policies continued to be sold and renewed with Allstate continuing to offer the same written language promising coverage for losses caused by perils such as hail and wind.

B. The Disaster Payment Minimization Scheme and Internal Claim-Handling Changes

21. As part of its effort to reduce wind and hailstorm indemnity payments, Allstate developed and implemented an internal program, the Disaster Payment Minimization Scheme. The precise internal name, dates of rollout, and written directives are within Allstate’s exclusive possession, custody, and control.

22. Upon information and belief, Allstate stripped or sharply curtailed the authority of field adjusters of any decision-making authority, including the approval of repair estimates. Under

prior procedures, experienced adjusters in the field could determine coverage when they observed sufficient hail or wind damage. Under the Disaster Payment Minimization Scheme, Allstate replaced in person inspections performed by adjusters with third-party picture takers and reviewers who routinely deny coverage and require adjusters to alter their estimates in order to reduce indemnity payments.

23. Upon information and belief, Allstate, in conjunction with co-conspirator engineering firms, created and internally adopted undisclosed, extra-contractual definitions of key claims concepts. These internal standards were systematically more restrictive than the policy language and secretly and fraudulently withheld from policyholders.

24. Upon information and belief, Allstate formulated, implemented, and enforced claim-handling practices and policies under which adjusters, independent inspectors, engineers, and other personnel were instructed, trained, encouraged, and otherwise induced to treat hail and wind damage under restrictive internal and undisclosed definitions which resulted in the increased denial of claims.

25. Upon information and belief, Allstate formulated, implemented, and enforced claim-handling practices and policies under which adjusters, independent inspectors, engineers, consultants, and other personnel were instructed, trained, encouraged, and otherwise induced to treat hail strikes as attributed to wear and tear, age, deterioration in condition or other purportedly excluded causes, even when the timing and pattern of damage indicated a recent hail event and at times without inspection of the roof prior to the covered event.

26. Upon information and belief, Allstate required or strongly encouraged the use of third-party engineering or inspection firms known to provide reports favorable to denial or minimization of wind and hailstorm claims. Engineers were often deployed after a contractor,

independent adjuster, or field employee observed significant wind and hailstorm losses. The resulting reports frequently discounted wind and hail as the cause of the damage, ignored evidence of wind and hail damage, and emphasized non-covered factors, thereby providing a pretext for denial.

27. Upon information and belief, Allstate utilized computer-based software, systems, and platforms in the contracting, adjusting, and denying of Oklahoma's homeowners' insurance claims. This includes the use of computer-generated and disseminated forms and policies, the use of computer systems to submit, adjust, track, and deny claims, the use of computer systems to communicate and/or achieve the communications with policyholders and Allstate's co-conspirators and use of computer systems to conceal the Scheme.

28. The Disaster Payment Minimization Scheme and associated claims-handling changes were motivated by financial considerations: reducing Allstate's loss ratios and indemnity costs for hail and wind claims. This initiative was designed and executed not to more faithfully apply existing policy terms, but to avoid paying claims that Allstate knew or should have known were covered under those terms.

C. Role of Captive Agents and Other Participants

29. Allstate distributes its homeowners' policies in Oklahoma through captive agents and their separate agencies. These agents and agencies are non-party co-conspirators and associated persons for purposes of the enterprise and conspiracy alleged herein.

30. At policy inception and renewal, captive agents are the local face of Allstate, marketing policies to homeowners and fostering trust through branding such as "You're in good hands" and "Be better protected from Mayhem." Agents assure customers that Allstate will take

care of them if their home is damaged by hail or wind in a covered loss and communicate that replacement cost coverage will restore the home to its pre-loss condition.

31. Allstate's captive agents possess authority to bind coverage and issue policies on Allstate's behalf. In many instances the agents represent to Allstate and the insured that the property meets rating requirements and underwriting guidelines. In some cases, agents may inspect the insured's property or rely on representations about its condition. In other cases, agents fail to inspect the property entirely, failing to meet Allstate's own rating requirements and underwriting guidelines.

32. When calculating and setting policy limits for replacement cost coverage, Allstate's captive agents rely on pre-populated data from Allstate's valuation software that assumes the insured's property is in insurable condition, rather than performing any independent assessment of the property's condition and the actual dollar amount that would likely be necessary to replace the insured's property.

33. Captive agents knew, or at minimum had reason to know, that Allstate was tightening internal claim standards and increasingly denying wind and hail claims that would previously have been paid. Captive agents knew that Allstate does not provide replacement cost coverage in Oklahoma. Despite this knowledge or reason to know, captive agents continued to sell and renew policies without disclosing that Allstate did not provide replacement cost coverage and was internally adopting extra-contractual restrictive hail and wind damage standards. Agents remained silent about the internal Disaster Payment Minimization Scheme and did not warn customers that their ability to obtain coverage for wind and hail losses had materially changed.

34. Third-party engineering firms and independent adjusting firms likewise participated by providing outcome-oriented reports and estimates that supported pre-determined

denials or underpayments. These entities functioned as part of the same de facto enterprise, even though they are not named as defendants in this civil action.

D. Misrepresentations and Deceptive Practices at Sale and Renewal

35. Throughout the relevant period, Allstate marketed homeowners' policies as providing full replacement cost coverage for dwelling damage, including hail and wind damage to roofs. Advertising materials and agent sales presentations created the clear impression that if a wind and/or hailstorm damaged a roof, particularly those less than ten (10) years old in a covered loss, Allstate would pay to repair or replace the roof, minus any applicable deductible, so the home could be restored to its prior condition.

36. These marketing representations did not inform consumers that Allstate would internally redefine damage much more narrowly than the policy language, or that Allstate would treat many forms of hail impact and wind damage as non-qualifying damage contrary to the purchased policy.

37. Allstate failed to disclose to consumers that its adjusters, "reviewers," and managers would apply internal damage-assessment standards not contained in the policy and that exclusions for pre-existing conditions, wear and tear, or cosmetic damage would be invoked aggressively to limit coverage, even when the roof had performed properly until a specific wind and hailstorm event.

38. In some cases, Allstate allegedly covered homes and collected premiums without identifying any pre-existing roof conditions, only to later deny wind and hail claims on the ground that the damage was pre-existing or due to condition, age, and wear. If the roof had truly been in such defective or worn condition at inception, Allstate would have declined the risk. This pattern

reflects a post-hoc use of exclusions to avoid paying for wind and hailstorm damage that manifestly arose after policy inception.

39. By promising replacement cost coverage in response to specific requests for the same from prospective policyholders and those on renewal while internally planning not to honor replacement cost coverage claims, Allstate effectively sold illusory or materially impaired coverage. Policyholders paid premiums based on one understanding of coverage, while Allstate secretly intended to apply a much narrower, self-serving standard.

40. At renewal, Allstate's captive agents often rely on Allstate's valuation software to calculate replacement cost, which assumes the property is in good condition and without any independent verification of the property's condition since the issuance of the policy or the preceding renewal. In other cases, Allstate's captive agents apply inflationary adjustments to inflate the calculation of the property's replacement cost.

41. In the alternative, Allstate and its captive agents, marketed and sold homeowners policies as providing replacement cost coverage for wind and hailstorm damage, with the undisclosed and institutional understanding that Allstate does not provide replacement cost coverage in Oklahoma within the meaning of the law and insurance industry standards. However, the coverage provided under some of the subject policies settle losses at the actual cash value while others settle losses at replacement cost less depreciation.

42. The Oklahoma Supreme Court has defined "replacement cost" as "the sum of those costs an insured is reasonably likely to incur in replacing his covered loss." *Branch v. Farmers Ins. Co.*, 2002 OK 16, ¶ 11, 55 P.3d 1023, 1027. Replacement cost indemnity payments do not include reduction in payment for depreciation. *Id.* Actual cash value is calculated by the "broad evidence rule," which includes "all relevant factors and circumstances existing at the time of loss." *Id.* at

1026. “Purchase price, replacement cost, appreciation or depreciation” are some factors considered in calculating actual cash value. *Id.*

43. As the purpose of replacement cost coverage is to reimburse the policyholder for all costs associated with replacing a covered loss, it does not allow for the reduction of indemnity payments due to depreciation or the other factors considered when calculating actual cash value. The policies Allstate issues which provide actual cash value and replacement cost less depreciation coverage are not replacement cost policies, because these policies uniformly reduce indemnity payments below entire cost the insured will likely incur in replacing covered wind and hailstorm damage, most often through reductions for depreciation.

44. At policy inception and renewal, prospective and preexisting policyholders specifically request replacement cost coverage from Allstate’s captive agents, which triggers an affirmative duty for those agents to communicate the true nature of the coverage the policyholder will receive. However, Allstate’s captive agents fail to disclose to policyholders that the true nature of the coverage provided will not cover replacement cost in the event of a covered loss.

E. Fraudulent Claim Denials and Underpayments

45. The Attorney General identifies the harm to numerous Oklahoma policyholders as proof of the “pattern of racketeering activity” required by ORICO. Their experiences demonstrate the scope and magnitude of Allstate’s enterprise-wide scheme.

46. After wind and hailstorms, Oklahoma homeowners who purchased Allstate homeowners policies submitted claims for roof and accompanying damage. As part of the Disaster Payment Minimization Scheme, Allstate handled many such claims through a common set of deceptive tactics. These tactics included re-characterizing hail impacts and wind damage as wear and tear, blistering, granular loss, or other non-covered conditions despite clear temporal and

physical evidence of a recent storm; invoking pre-existing damage or the age of the roof to deny claims, even where the roof had not leaked or shown problems before the storm and had been treated as insurable when the policy was issued or renewed; and limiting repair scopes or estimates to minor components (such as spot repairs, vents, or gutters) while ignoring widespread damage that would require full replacement.

36. Claim denials and underpayments were communicated to policyholders in letters and estimates transmitted by telephone, mail, or other electronic means. Those communications often stated or implied that the denial was required by the policy terms or based on an objective lack of wind or hail damage, when in truth the outcome was driven by undisclosed internal standards and financial targets.

F. The Enterprise

37. At all times relevant to this Petition, Allstate, their captive insurance agents, and co-conspirator engineering and consulting firms, were members of an organization (the “Denial Enterprise”) whose members and associates engaged in, among other activities, fraud, false representation, and unfair and deceptive trade practices.

38. The Denial Enterprise, including its leadership, its captive agencies, and its hired vendors, constituted an “enterprise,” as defined by 22 O.S. § 1402(6) and related Oklahoma statutes, that is, a group of individuals and entities associated in fact, although not a single legal entity. The Denial Enterprise constituted an ongoing organization whose members and associates functioned as a continuing unit for a common purpose of achieving the objectives of the Enterprise.

39. Allstate was the leader of the Denial Enterprise, and directed other members and associates of the Denial Enterprise, including individual agents and distinct legal entities serving as captive agencies in carrying out unlawful and other activities in furtherance of the conduct of

the Denial Enterprise's affairs. Allstate developed definitions designed to reduce indemnity claims, specifically the Disaster Payment Minimization Scheme, and directed the implementation of these restrictive definitions through the Denial Enterprise.

G. Purpose of the Denial Enterprise

40. The purpose of the Denial Enterprise was the enrichment of the members and associates of the Denial Enterprise through, among other things, the sale of insurance policies under false pretenses, including that the policies covered replacement cost, and the retention of premiums that should have been paid out as indemnity. The Denial Enterprise aimed to grow, protect, and preserve the power, profits, and market share of its members and associates through the systematic denial of valid claims and the underpayment of losses. The Denial Enterprise sought to promote and enhance the activities of its members and associates by marketing coverage to consumers while internally utilizing claims-handling practices designed to minimize payments on valid claims.

H. Means and Methods of the Denial Enterprise

41. Members and associates of the Denial Enterprise employed numerous means and methods to conduct and participate in the affairs of the Enterprise. First, they committed, conspired, and attempted to commit acts of fraud and false representation to protect and expand the Enterprise's financial operations, including marketing homeowners' insurance policies that Allstate did not intend to honor as represented, both due to undisclosed internal standards and the failure to disclose the true nature of the coverage offered.

42. Members and associates of the Enterprise functioned as distinct legal persons who ensured policy placement and consumer engagement, thereby facilitating the scheme by marketing and renewing policies under false pretenses. These actors knowingly promoted full replacement

coverage while concealing that Allstate had internally adopted restrictive, undisclosed standards that would dramatically limit claim payments. In the alternative, these actors responded to specific requests for replacement cost coverage from prospective policyholders and those on renewal by representing that the policies issued offered the requested coverage with the internal and undisclosed understanding that Allstate does not provide replacement cost coverage in Oklahoma and that the policies issued actually provided actual cash value or replacement cost less depreciation coverage.

43. In furtherance of the scheme, members and associates of the Enterprise also utilized co-conspirator engineering firms to produce outcome-oriented reports and redefined damage criteria designed to justify the denial or reduction of indemnity claims under the Disaster Payment Minimization Scheme. These engineered assessments provided the pretext necessary to label hail impacts and wind damage as non-covered conditions such as wear, blistering, age, or installation defects.

44. Finally, members and associates of the Enterprise systematically denied or underpaid hail and wind claims regardless of actual coverage or loss. Through this coordinated course of conduct, the Denial Enterprise defrauded Oklahoma consumers, deprived them of the insurance benefits for which they paid, and generated substantial unlawful financial gains for Allstate.

I. The Racketeering Violation

45. From at least in or about 2020, up to and including the present, in the State of Oklahoma and elsewhere, Allstate, being a person employed by and associated with the Enterprise, engaged in, directly and indirectly, the conduct of the affairs of that enterprise through a pattern of racketeering activity.

46. The pattern of racketeering activity, as defined in 22 O.S. § 1402(5), consisted of multiple and interrelated instances of OCPA violations and violations of the Oklahoma Computer Crimes Act, 21 O.S. § 1951 et seq., including but not limited to:

- a. On two or more occasions, knowingly made or caused false representations or promises regarding insurance coverage, with intent not to sell or provide it as advertised which constitutes an unlawful, chargeable, and/or indictable felony act under 15 O.S. § 753(9); and
- b. On two or more occasions, committed unfair and deceptive acts which are unlawful, chargeable and/or indictable felony acts as defined in 15 O.S. § 752(13) and prohibited under 15 O.S. § 753(21).
- c. On two or more occasions used a computer, computer system, and/or computer network for the purpose of devising and executing a scheme to defraud or deceive by means of false or fraudulent pretense or representation, which constitutes an unlawful, chargeable, and/or indictable felony act under 21 O.S. § 1953(A).

47. These acts share the same or similar purposes, results, participants, victims, and methods of commission, and are not isolated events. As a direct result of the Enterprise operation, victims have suffered substantial economic harm, including unpaid insurance benefits and consequential property damage.

J. Public Harm and Market Impact

48. The Denial Enterprise has caused significant public harm to individual homeowners having been deprived of the insurance benefits which they expressly requested and for which they

paid, leaving them to shoulder the cost of roof replacements and storm related repairs or to live under damaged, leaking roofs.

49. The Denial Enterprise has caused significant harm to the aggregate Oklahoma economy as funds that should have been injected into repairs and construction were instead retained by Allstate.

50. The Attorney General alleges that the pattern of conduct is ongoing and likely to continue absent judicial intervention, particularly in future hail and wind seasons.

51. The Attorney General brings this action on behalf of the general public and the State of Oklahoma itself, not on behalf of any individual insured, group of insureds, or putative class of private claimants. The Attorney General brings this action in the general public's interest seeking to address violations of consumer laws for the benefit of the general public and the protection of the Oklahoma insurance marketplace. The State has a sovereign interest in the economic well-being of its residents and in the integrity and stability of its homeowners' insurance markets.

52. The claims asserted here target the corporate-level conduct that is common to all affected policyholders—the design and concealed implementation of the Disaster Payment Minimization Scheme, the use of undisclosed extra-contractual standards, the misrepresentations regarding the true nature of coverage made at sale and renewal, and the systemic claims-handling practices the Enterprise used to deny valid claims. Adjudication of these claims does not require this Court to determine the merits of any individual policyholder's coverage dispute. The remedies sought—injunctive relief to dismantle the Scheme, civil penalties to deter future violations, disgorgement of ill-gotten gains, and ancillary restitution—are systemic in nature and turn on Allstate's uniform corporate conduct, not on individualized claim-by-claim factual determinations.

V. CAUSES OF ACTION

Count I: Violations of the Oklahoma Consumer Protection Act

53. The Attorney General re-alleges and incorporates by reference the preceding paragraphs as though fully set forth herein.

54. Allstate is a “person” engaged in commerce within the meaning of 15 O.S. § 752(1). Oklahoma homeowners who purchased Allstate homeowners policies for personal, family, or household purposes are “consumers” under 15 O.S. § 752(2). The marketing, sale, and administration of homeowners insurance policies constitute “consumer transactions” within the meaning of § 752(2).

55. In the course of these consumer transactions, Allstate engaged in multiple unlawful practices in violation of the Oklahoma Consumer Protection Act, as detailed above. These practices include advertising or offering the subject of a consumer transaction with the intent not to sell or furnish it as advertised or offered, in violation of 15 O.S. § 753(9). Allstate marketed and sold homeowners policies as providing replacement cost or other coverage for hail and wind damage while internally intending not to provide such coverage and instead relying on undisclosed internal standards to deny or limit claims. In the alternative, Allstate marketed and sold actual cash value and replacement cost less depreciation policies, while representing to prospective and current policyholders that those policies provided replacement cost coverage for hail and wind damage.

56. Allstate also committed unfair or deceptive trade practices as defined in 15 O.S. § 752(13) and prohibited by 15 O.S. § 753(21). Its conduct included deception, fraud, false pretenses, false promises, misrepresentations, and the knowing concealment and omission of material facts in connection with both the sale of insurance and the processing of claims. This deceptive conduct consisted of concealing the existence and effect of the Disaster Payment

Minimization Scheme and the use of extra-contractual internal criteria; misrepresenting to policyholders that wind and hailstorm damaged roofs exhibited only wear and tear or other uncovered causes despite knowing or having reason to know that hail and/or wind caused the loss; failing to disclose material limitations and internal standards at the time of sale and renewal while relying on those undisclosed standards to deny claims; and using outcome-oriented engineering or inspection reports to manufacture a pretext for denial or underpayment of valid claims. Additionally, this deceptive conduct included concealing the true nature of actual cash value and replacement cost less depreciation coverage for hail and wind damage as replacement cost coverage.

57. Allstate's unfair, deceptive, and unlawful practices were willful or, at minimum, committed with knowledge or reason to know of their deceptive nature. Management deliberately designed the Disaster Payment Minimization Scheme to mislead policyholders about the scope of coverage and to reduce claim payments.

58. These unlawful practices occurred in trade or commerce and affected the public interest. They were not isolated incidents but part of a company-wide and ongoing scheme impacting numerous Oklahoma residents.

59. As a result of Allstate's unlawful practices, Oklahoma consumers have suffered ascertainable losses of money and property, including but not limited to: premiums paid for coverage not delivered as represented, the cost of roof and other repairs and replacements that should have been covered, diminished property values, and consequential damages.

60. The Attorney General brings this claim under his enforcement authority, including the authority to act under the OCPA, to obtain injunctive relief, restitution, damages, civil penalties, and costs and attorneys' fees.

Count II: Violations of the Oklahoma Racketeer-Influenced and Corrupt Organizations Act

61. The Attorney General re-alleges and incorporates by reference all preceding paragraphs as if fully set forth herein.

62. At all times relevant to this Petition, Allstate, together with captive agents, their agencies, third-party engineering and consulting firms, and related vendors formed an “association-in-fact” enterprise within the meaning of 22 O.S. § 1402(6) referred to as the Denial Enterprise. The members of the Denial Enterprise can be defined apart from the predicate acts as separate individuals or operating entities.

63. The common purpose of the Denial Enterprise is to maximize profits for Allstate by systematically denying or underpaying valid property damage claims through the implementation of the Disaster Payment Minimization Scheme. This purpose is achieved by collecting premiums for coverage while adjudicating claims under restrictive, undisclosed standards, thereby depriving Oklahoma policyholders of the benefits of their insurance contracts. This purpose is further achieved by misrepresenting the true nature of the actual cash value and replacement cost less depreciation coverage at the time of issuance and renewal in instances of express requests for replacement cost coverage by policyholders.

64. Under 22 O.S. § 1403(A), it is unlawful for any person employed by or associated with an enterprise to conduct or participate, directly or indirectly, in the conduct of such enterprise’s affairs through a pattern of racketeering activity. Allstate violated this provision.

65. Allstate is a “person” for the purpose of the Oklahoma Racketeer-Influenced and Corrupt Organizations Act because Allstate is a corporate entity within the meaning as defined by 22 O.S. § 1402(7).

66. Allstate and other members of the Denial Enterprise conducted the affairs of the Denial Enterprise through a “pattern of racketeering activity” as defined in 22 O.S. § 1402(10), engaging in at least two acts of racketeering activity within the requisite time period. These acts are related by their common purpose, reducing indemnity severity, and method of commission, fraudulent denial of wind and hailstorm claims and include: willful false representations in violation of 15 O.S. § 753(9); willful unfair and deceptive practices in violation of 15 O.S. § 753(21); and knowingly and willfully using a computer, computer system, and computer network for the purpose of devising and executing the fraudulent scheme described herein, in violation of 21 O.S. § 1953(A)(2) .

67. As a direct and proximate result of Allstate’s racketeering acts, numerous Oklahoma consumers have been injured in their business or property. Policyholders suffered monetary losses when valid claims were wrongfully denied or underpaid and were forced either to fund roof and other repairs and damage out-of-pocket or to endure diminution in property value due to unrepaired damage. Consumers also paid premiums for coverage materially more robust than what Allstate actually intended to provide, thereby overpaying for illusory or substantially impaired coverage.

68. Allstate agreed and combined with these co-conspirators to implement the Disaster Payment Minimization Scheme and related practices.

Count III: Civil Conspiracy

69. The Attorney General re-alleges and incorporates by reference all preceding paragraphs as if fully set forth herein.

70. Allstate knowingly entered into an agreement and combination with non-party captive agents, their agencies, and other associated entities to accomplish unlawful objectives or

to accomplish ostensibly lawful objectives by unlawful means, including violating the OCPA through deceptive marketing and claims practices; committing common-law fraud through material misrepresentations at sale and renewal regarding the nature and scope of coverage on which policyholders relied to their detriment; and engaging in fraudulent claim-handling practices to avoid paying covered hail and wind claims.

71. The conspirators formed and executed this agreement by, among other things, adopting and implementing the Disaster Payment Minimization Scheme, concealing internal standards, misrepresenting coverage at sale and renewal, and coordinating claim denials based on pretextual rationales.

72. Numerous overt acts were committed in furtherance of the conspiracy, including each sale or renewal of a policy under false pretenses, each application of undisclosed internal standards to deny or diminish claims, and each specific claim denial or underpayment premised on false statements or material omissions.

73. Allstate is liable for the full extent of damages and equitable relief caused by the conspiracy, regardless of the degree of participation by any individual co-conspirator.

Count IV: Unjust Enrichment

74. The Attorney General re-alleges and incorporates by reference all preceding paragraphs as if fully set forth herein.

75. By virtue of the conduct described herein, Allstate has been unjustly enriched at the expense of the Oklahoma economy and the Oklahoma homeowners insurance market. Allstate collected and retained substantial premiums for homeowners insurance policies marketed and/or offered as providing replacement cost coverage for hail and wind damage, while internally

intending to restrict or deny such coverage and thereafter wrongfully denying or underpaying valid claims.

76. Allstate also retained the financial benefits affecting the Oklahoma homeowners insurance market and Oklahoma economy by reducing claim payments achieved through its deceptive Disaster Payment Minimization Scheme and related claims-handling practices, including the savings from roof replacements and related repairs that should have been paid but were not.

77. Under principles of equity, Allstate should not be permitted to retain these ill-gotten gains. Equity requires that Allstate disgorge the value of improperly retained premiums and unpaid benefits attributable to the scheme and that such funds be restored to remedy the public harm.

VI. PRAYER FOR RELIEF

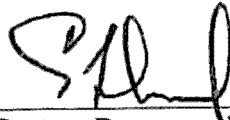
WHEREFORE, Plaintiff, State of Oklahoma ex rel. Oklahoma Attorney General, prays for judgment in its favor and against Allstate as follows:

- a. A declaration that Defendant's conduct as alleged herein violates the Oklahoma Racketeer-Influenced and Corrupt Organizations Act (22 O.S. §§ 1401–1419) and the Oklahoma Consumer Protection Act (15 O.S. §§ 751–764.1), and that such conduct constitutes fraud and deceit upon Oklahoma consumers.
- b. A permanent injunction restraining Defendant, its officers, agents, employees, and all persons acting in concert with them from engaging in the unlawful practices described above.
- c. All appropriate orders under 22 O.S. § 1409 to dismantle the racketeering enterprise and prevent its re-occurrence.

- d. An award of restitution for the harm caused to the Oklahoma public and disgorgement of Defendant's ill-gotten gains.
- e. An award of statutory damages as permitted by ORICO and/or OCPA.
- f. Imposition of civil penalties.
- g. An award of reasonable attorney's fees, investigative costs, and litigation costs incurred in this action.
- h. Awarding pre-judgment and post-judgment interest on all monetary awards as permitted by law.
- i. Such other and further relief as this Court deems just and proper.

Respectfully submitted,

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