

State Farm Settles Lawsuit Claiming Redlining For \$100,000

By Douglas Saunders Sr. | Dec. 13, 2024

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State Farm settles lawsuit claiming redlining for \$100,000



Bourhis

State Farm Insurance agreed to pay \$100,000 to settle a federal lawsuit alleging discriminatory claims handling practices. The case involved an Oakland delivery driver whose denied insurance claim allegedly led to significant financial hardship.

The lawsuit centered on policyholder Eddie Alonzo Swain's August 2022 claim for steering damage to his 2011 Volkswagen CC. According to court documents, the damage occurred when Swain's vehicle struck a pothole while avoiding another vehicle in West Oakland. Despite mechanical evidence supporting collision-related damage, State Farm denied the claim as normal wear and tear. *Swain v. State Farm Mutual Automobile Insurance Company*, 3:24-cv-00334-AGT, (N.D. Cal., filed Jan. 19, 2024)

The plaintiff's counsel, Matthew Bourhis of Bourhis Law Group, represented Swain pro bono. He maintained that State Farm's claims-handling

procedures resembled historical redlining practices. These practices historically involved insurers designating certain urban neighborhoods for heightened claims scrutiny, resulting in increased demands for documentation, extended processing times, and higher denial rates.

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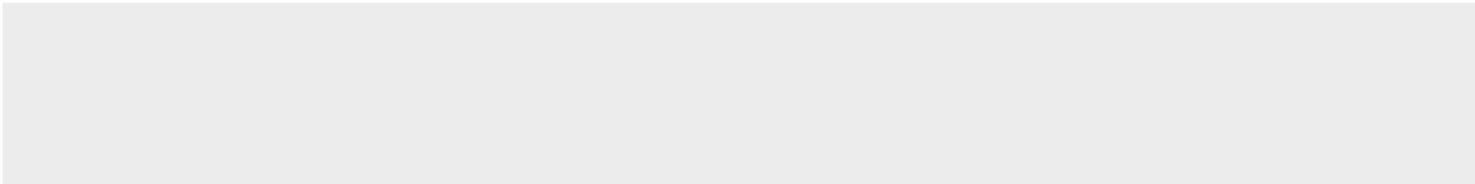
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The case reached settlement following discovery requests for State Farm's claims handling procedures, particularly regarding special investigations unit assignments and the use of artificial intelligence in claims processing. Bourhis' discovery requests focused on documentation related to potential racial bias in claims handling and the insurer's procedures for assigning cases to special investigations units.

"The accident occurred in West Oakland, a historically significant black neighborhood," Bourhis stated. "When I requested documentation regarding redlining practices, special investigations unit assignments, artificial intelligence protocols, and racial bias training materials, State Farm moved quickly to settle."



The \$100,000 settlement will be paid directly to Swain. The agreement contains no admission of liability by State Farm.

Attorneys from Hayes Scott Bonino Ellingson & Guslani, LLP in Redwood City representing State Farm did not respond to requests for comment on the settlement.