

Sheppard Mullin Obtains Decision in \$2 Billion Class Action Case, One of the Largest In California History

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Sheppard, Mullin, Richter & Hampton is proud to announce that after nearly seven years of litigation, in a seven-month trial, its trial team, headed by Gregory A. Long, and with Fred Puglisi, Phil Atkins-Pattenson, Jim Burgess, and Justine Casey, obtained a decision on behalf of the State Fund, in *A&J Liquor Co., Inc., et al. v. State Compensation Insurance Fund*, a 163,900 member class. The plaintiffs sought \$1.1 billion plus interest and punitive damages, but will recover nothing.

The case was closely-watched by the Legislature, the Department of Insurance, the Workers' Compensation industry, and California employers.

Judge John E. Munter of the San Francisco Superior Court stated in his tentative decision, "The Court determines that the plaintiffs have failed to prove that there has been a breach of the implied covenant of good faith and fair dealing; or that there has been a breach of contract; or that there has been fraud or deceit; or that there has been violation of California's unfair competition law. Likewise, on each of these theories of recovery, plaintiffs also have failed to prove causation and damages. Plaintiffs shall recover nothing in this action. State Fund, by motion, may request an award of costs of suit."

Mr. Long, lead trial attorney, commented, "This was a long and difficult case, with complex legal and factual issues. I am delighted that the Court's decision rejects what we believe to be unfounded allegations against our client."

Mr. Puglisi, who second chaired the trial, said, "Defendants rarely try large class actions, particularly when the plaintiff seeks billions of dollars. We are thrilled that our client trusted us to try this lawsuit on its behalf, and we are pleased with the Court's decision. The State Fund received justice."

The plaintiffs filed this class action against State Fund in February, 1996, for (1) breach of the implied covenant of good faith and fair dealing, (2) breach of contract, (3) fraud and deceit, and (4) unfair business practices under Business and Professions Code 17200.

The plaintiffs alleged that State Fund, acting in bad faith, "uniformly administered and centrally enforced" an unfair policy of reserving claims caused the Fund's 2000 adjusters to set unreasonably high reserves on every claim adjusted between July, 1989 and October, 1995. The policy allegedly was concealed from policyholders and caused increased premiums and reduced policyholder dividends. The plaintiffs offered no reason why the State Fund's civil service employees who receive neither stock options nor performance based compensation would adopt or support such conduct.

The State Fund was created by statute and the California Constitution to insure that affordable workers' compensation insurance would be available to the State's employers. Unlike other workers' compensation insurance companies doing business in California, the State Fund is a public enterprise fund and has no stockholders.

Sheppard Mullin has more than **370 attorneys** among its **eight offices** in Los Angeles, San Francisco, Orange County, San Diego, Santa Barbara, West Los Angeles, Del Mar Heights, and Washington, D.C. The full-service firm provides counsel in Antitrust & Trade Regulation; White Collar and Civil Fraud Defense; Business Litigation; Construction, Environmental, Real Estate & Land Use Litigation; Corporate; Entertainment, Media & Communications; Finance & Bankruptcy; Financial Institutions; Government Contracts & Regulated Industries; Healthcare; Intellectual Property; Labor & Employment; Real Estate, Land Use, Natural Resources & Environment; and Tax, Employee Benefits, Trusts & Estates. **The Firm celebrated its 75th anniversary in 2002.**

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