

IN THE DISTRICT COURT OF CLEVELAND COUNTY
STATE OF OKLAHOMA

STATE OF OKLAHOMA J.S.S.
CLEVELAND COUNTY
FILED

JUL 07 2026

In the office of the
Court Clerk MARILYN WILLIAMS

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

Plaintiff,

v.

ALLSTATE INSURANCE COMPANY

Defendant.

Case No.

CJ-2026-1169

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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