

Where State Farm Sees ‘a Lot of Fraud,’ Black Customers See Discrimination

The giant insurer is facing lawsuits from customers, agents and former employees accusing it of racial discrimination.



By Emily Flitter

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7 MIN READ

It took years for Darryl Williams to build up the small real estate portfolio that became Connectors Realty, his business on the South Side of Chicago. In early 2017, when a pipe burst in his prized property — a building containing six apartments — Mr. Williams turned to his insurer, State Farm, to help repair the damage.

Mr. Williams said a State Farm claims adjuster told him that she did not believe his version of events. “We have a lot of fraud in your area,” he said the adjuster had told him. Like the majority of people in his neighborhood, Mr. Williams, 58, is Black.

State Farm eventually paid Mr. Williams a small fraction of his claim. By then, his expenses had snowballed. He sold his buildings to pay his bills.

Insurers have a strong incentive to pay as little as possible in customer claims, since their business consists mainly of inflows of money from policy premiums and outflows from claims payouts, which they call “losses.”

But Mr. Williams felt he was being treated especially poorly because of his race. In 2019, he sued State Farm, accusing it of discrimination. His lawyer asked the judge in the case to certify the lawsuit as a class action after analyzing claims data in Illinois, where State Farm is the largest insurer. The judge said that analysis alone was not enough to justify forming a class.

Then, Carla Campbell-Jackson reached out.

Ms. Campbell-Jackson, a Black woman, had worked for State Farm for 28 years in Illinois and Michigan. In 2016, she was fired on the grounds that she had shared confidential information outside the company — a claim she denied. She said her firing had been the final act in a campaign by State Farm to discredit her after she raised concerns that the insurer was using fraud as a pretext to deny the insurance claims of Black customers.

Last year, the Equal Employment Opportunity Commission agreed with Ms. Campbell-Jackson, saying that State Farm discriminated against her. She has also sued State Farm, accusing it of discrimination and retaliation. After she came across Mr. Williams’s lawsuit, she agreed to testify on his behalf. Mr. Williams is hoping that Ms. Campbell-Jackson’s testimony will strengthen his request for class certification by offering a view from inside State Farm of the treatment of Black customers.

“Recent allegations of discrimination do not reflect the State Farm culture,” Roszell Gadson, a company spokesman, said in an email. “We use our business as a force for good and believe that racism has no place anywhere in society.”

Dozens of employees, customers and agents of color are accusing State Farm of racial discrimination. One pending lawsuit, filed in 2020, describes a pattern of discrimination against seven agents by the company, the nation’s largest property and casualty insurer. Another lawsuit, filed last month by a former Indian American employee, claims racial harassment by co-workers.

Robert McLaughlin, a lawyer for Ms. Campbell-Jackson, said he was representing more than 150 current and former State Farm employees of color who intend to bring their own racial discrimination cases against the company.

“State Farm apparently treated many other policyholders the same way it treated Connectors and Darryl Williams,” Kenneth Anspach, Mr. Williams’s lawyer, wrote in a court filing on Monday. “Those policyholders deserve the same opportunity for relief.”

Mr. Gadson, the State Farm spokesman, said that the insurer denies the accusations, adding that State Farm “will vigorously defend ourselves in court.”

Carla Campbell-Jackson worked for State Farm for 28 years before she was fired in 2016 on the grounds that she shared confidential information outside the company. She denies the claim. Evan Jenkins for The New York Times

For years, Ms. Campbell-Jackson was known to her colleagues as “Miss State Farm,” she said in an interview, because of her enthusiasm for her work. She also volunteered for her local N.A.A.C.P. chapter in Kalamazoo, Mich.

In 2014, while working as a manager for State Farm’s auto insurance claims, she was promoted to a role in the insurer’s special investigations unit, known internally as the S.I.U., where claims were sent for closer review after adjusters flagged them for fraud.

Soon after her arrival in the unit, Ms. Campbell-Jackson began to hear the term “fill the cups,” according to her testimony for Mr. Williams’s case. Executives wanted special investigations unit employees to meet with claims adjusters and encourage them to flag more claims for further investigation — with the end goal of denying as many claims as possible. They called the practice “shaking hands and kissing babies” — as if the unit’s employees were politicians courting potential voters.

One way to “fill the cups,” investigators were reminded at weekly meetings, was to focus on claims from “inner city” neighborhoods that were at “high risk for fraud,” making them easier to deny, Ms. Campbell-Jackson said in her testimony. A list of such neighborhoods was often circulated. Once, Ms. Campbell-Jackson suggested that there might not be fraud in a particular neighborhood on the list. She said her boss had replied: “Oh, yes, there is fraud in those areas.”

In 2016, unit leaders announced that the unit had denied almost \$136 million in claims the previous year, which they attributed to the success of the program.

“‘Fill the cups’ was simply a means of denying payment of millions of dollars to African American and other minority policyholders,” Ms. Campbell-Jackson said.

On Saturday, State Farm submitted sworn testimony in the case from a former manager on the investigations unit’s analytics team who claimed that the goal of the program — which he called “fill the cup” — was “not to increase the number of claims sent to S.I.U. by encouraging frontline claim representatives to submit claims.” Rather, it was focused on changing the way claims that had already been flagged for fraud were allocated within the unit.

State Farm also said in its filing that Ms. Campbell-Jackson had “a personal ax to grind” against the company.

Ms. Campbell-Jackson said she had begun to worry that she was recruited to the S.I.U. to lend its operations legitimacy because she was a Black woman who was active in the N.A.A.C.P., according to her testimony. Calls from Black customers complaining about their denied claims were directed to her by her managers, Ms. Campbell-Jackson said. She suspected that State Farm officials wanted to be able to tell the customers that a Black employee had checked the investigators’ work and concluded that they were right to deny each claim.

Ms. Campbell-Jackson told State Farm officials about what she believed were discriminatory practices, according to her lawsuit. The officials she contacted were initially interested in hearing more details, so she emailed them a list of cases she thought had been unfairly denied.

She and nearly a dozen other Black and Muslim employees working nearby also received copies of an anonymous letter sent through the U.S. Postal Service, calling African American people “uneducated” and referring to Muslim people as “bottom of the barrel.” When Ms. Campbell-Jackson and the other employees reported their suspicions that the letters had come from inside State Farm, managers dismissed their concerns, according to her lawsuit.

In May 2016, State Farm fired Ms. Campbell-Jackson, saying she had shared sensitive information outside the organization. Ms. Campbell-Jackson said she had merely sent an email containing customer claims information to State Farm executives at their request. She was offered \$175,000 in severance money on the condition that she agree never to speak about her experiences at State Farm, court filings show.

Ms. Campbell-Jackson didn’t take the offer. Later that month, she filed a complaint with the E.E.O.C., saying State Farm was violating Title VII of the Civil Rights Act of 1964 by discriminating against her based on her race.

In most cases where an employee reports racial discrimination, the E.E.O.C. gives that person a “right to sue” letter, essentially saying it would be reasonable for the employee to pursue a claim in court. But last year, the E.E.O.C. sided with Ms. Campbell-Jackson, saying that State Farm had discriminated against her and 10 of her co-workers, and recommended that the insurer pay her around \$500,000 in damages and back pay. The two sides have not come to an agreement.

In a letter to State Farm, an E.E.O.C. official wrote that it appeared that Ms. Campbell-Jackson “was harassed due to her race and discharged in retaliation for complaining about harassment.”

In December, she sued State Farm in federal court in Michigan, claiming that she had been subjected to discrimination, a hostile work environment and retaliation. Benjamin Crump, a civil rights lawyer who has represented the families of George Floyd and Breonna Taylor, two Black Americans killed by police, is part of her legal team.

The same week that Ms. Campbell-Jackson announced her lawsuit, two State Farm executives discussed her case in a video the company sent to employees.

“Discrimination played no role in Campbell-Jackson’s termination,” Michael Trout, the chief human resources officer of State Farm, said in the video, which was viewed by the The New York Times. Victor Terry, the company’s chief diversity officer, said in the video that State Farm was not aware of other allegations.

There were other complaints. In 2020, Black agents for State Farm said in an unrelated lawsuit that they were being pushed into working only in Black neighborhoods, then unfairly accused of technical violations in writing their policies. The lawsuit described “a racially biased corporate culture replete with harmful stereotypes about its African American employees and customers.”

Mr. Williams, for his part, is waiting to see how Ms. Campbell-Jackson’s testimony will affect his case. After the pipe on his property burst in January 2017, he was forced to foot his tenants’ emergency hotel bills even as he was losing rent.

Mr. Williams filed just over \$400,000 in claims, which State Farm initially denied. That October, after months of vigorous protests by Mr. Williams, State Farm began making a few piecemeal payments. They eventually totaled roughly \$56,000, according to court filings.

The insurer has claimed in court filings that Mr. Williams’s report about his conversation with the adjuster was false. After he sued, State Farm tried to claw back the money it had paid out, saying it didn’t believe his claims. By then, Mr. Williams had been forced to sell his entire real estate portfolio.

He has since gone back to his old job as a security guard.