

BAD FAITH BLOG

Company Claiming Insurance Premiums Were Too High Due to a Decrease in Exposure During Stay-at-Home Orders Was Required to First Exhaust Administrative Remedies

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In a recent example, *Alissa's Flowers, Inc. v. State Farm Fire & Cas. Co.*, the insured, a flower shop shut down during a Stay-at-Home Order, filed suit against State Farm alleging it had "overpaid its premiums" in light of the "significantly lower exposure rate due to COVID-19." Alissa's Flowers sought to represent a class of persons and entities that (a) purchased commercial liability insurance with State Farm that had a six month or longer policy period; (b) paid a premium for the coverage based on State Farm's rates and rules; and (c) were subject to a Stay-at-Home Order. State Farm moved for dismissal arguing Missouri law required Alissa's Flowers to bring its claims before the director of the Missouri Department of Insurance. The district court granted the dismissal finding Alissa's Flowers was required to exhaust administrative remedies, which it did not do. Alissa's Flowers appealed.

On appeal, the Eighth Circuit affirmed the dismissal. The Eighth Circuit reviewed Missouri law requiring any entity or individual "aggrieved by any rate charged, rating plan, rating system, or underwriting rule followed or adopted by an insurer" to pursue administrative remedies. See Section 379.348 RSMo. The Eighth Circuit also determined Alissa's Flower's grievance was in fact a disagreement with State Farm's rate, despite trying to argue it was an issue with premiums. As such, the Court concluded the district court properly determined Alissa's Flowers was required to exhaust administrative remedies and did not do so.

Case Citation: *Alissa's Flowers, Inc. v. State Farm Fire & Cas. Co.* Case No. 20-3340 (8th Cir., Feb. 3, 2022)