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State Insurance Commission investigates State Farm

9 Wants to Know Paula Woodward

created: May 20, 2003 - 10:48 PM
updated: May 22, 2003 - 3:24 AM

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FORT COLLINS - The Colorado State Insurance Commission has started an investigation of a State Farm Insurance Co. case.

It's in response to a request from 9Wants To Know on what happened in a case that settled for \$3.75 million.

Kay Watts thought she'd done everything right. When the Bobcat Fire was out of control near Fort Collins in the summer of 2000, Watts says she called her State Farm agent to make sure she had enough homeowner's coverage. It's a critical decision for any homeowner, but even more so for Watts, because her home is her hospital.

Watts is a quadriplegic from an auto accident 40 years ago. She built her home to be handicapped-accessible. It was also equipped with the latest life-sustaining medical equipment.

In an unlucky twist of fate, her home did burn after the insurance agent visited. A car caught fire in her attached garage. It spread to her home, which was destroyed.

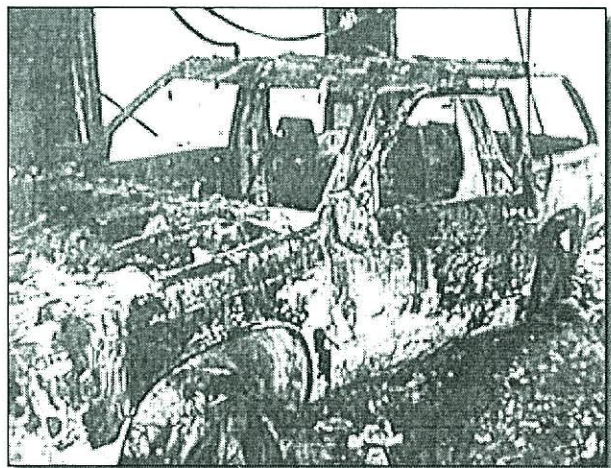
"She notified the insurance company that her State Farm agent had been up to the house to make sure she had enough insurance and the insurance company said that's not true and you can't prove the agent was up there," said Denver attorney Sam Livingston, Watts' attorney.

State Farm offered Watts 50 percent of the value of her home and belongings. But because she had called the agent, he had inspected her property, and told her the current homeowner's coverage was adequate, Watts fought back by hiring attorney Livingston.

State Farm Response



- ▶ "We apologize to Mrs. Watts."
- ▶ "We realize and regret that we have made mistakes in this very complex situation."



A car in Kay Watts' garage caught fire during a wildfire near her home, destroying her house in the summer of 2002.

A two-year legal battle began. It was resolved in December of 2002 with Watts getting a \$3.75 million settlement. The settlement happened after Watts' State Farm agent testified under oath that he did evaluate her home, in spite of State Farm denials.

"The agent admitted he was there. She (Kay) did have enough insurance," says attorney Livingston.

Watts is gratified with the settlement and is philosophical about the two years spent in a nursing home because she didn't have the money to rebuild. She thinks State Farm stalled on her claim because of her health. "I thought they thought that I was going to die because I was old and gray-headed and in a nursing home and all bent out of shape," said Watts.



Kay Watts, a quadriplegic, undergoes physical therapy. May 20, 2003.

State Farm gave 9NEWS this written response Tuesday afternoon: "We apologize to Mrs. Watts. We realize and regret that we have made mistakes in the handling of this very complex situation. When we recognized our errors, we compensated her. In addition, we've taken steps to help ensure those errors don't happen again. State Farm never intended to cause hardship for our policyholder."

The Insurance Commission began its investigation after 9NEWS called and asked whether State Farm had lied, covered up and destroyed documents as attorney Livingston alleges. We'll let you know the results of the Insurance Commission investigation.

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