

NEWS RELEASE

Robert W. Johnson & Associates

FORENSIC ECONOMIST

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***ECONOMIST QUANTIFIES
COMMERCIAL BAD FAITH DAMAGES
JURY VERDICT \$3,900,000
SETTLEMENT \$20,000,000***

Los Angeles, California: Robert W. Johnson & Associates was retained to provide economic testimony regarding the appropriate methodology for quantifying the minimum cost to repair partially damaged property and a framework for calculating punitive damages.

Citation: Nordhoff Townhomes vs. Farmers Group, Inc., et al; Los Angeles County, California Superior Court, No.BC188792; Attorneys Bernie Bernheim and David C. Parisi, Law Offices of Bernie Bernheim; North Hollywood, California; Richard Friedman and Jeffrey Rubin; Law Offices of Freidman, Rubin & White; Anchorage, Alaska.

Case Synopsis: On January 17, 1994, the Northridge earthquake struck the greater Los Angeles area, and the Nordhoff Townhomes suffered extensive damage throughout the entire complex. The Nordhoff Townhomes Homeowners Association and their experts determined that the 50-unit complex was a total loss. Farmers Group Company, Truck Insurance Exchange, was of the opinion that the property was not a complete loss.

Farmer's method of calculating the "actual cash value" loss (in a partial destruction) was the old, replacement cost less depreciation method. This was in opposition to recent California Supreme Court cases (Jefferson vs. Superior Court, 1970 3 Cal.3rd 398 and Orenzo Cheeks v. Fair Plan, 61 Cal.App4th 423) which stated that the proper method was the "instantaneous reduction in fair market value."

While there was significant debate regarding what was the total or maximum reduction in the fair market value of the property, there was general consensus regarding the cost to repair the property. In addition, the punitive damages portion of the trial was bifurcated.

Economist Quantifies Damages in Bad Faith

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Expert Consultation: Mr. Johnson testified that from an economist's perspective, and following the Supreme Court case law, the minimum dollar value for the reduction in the fair market value of the property was the actual cost to repair (sans depreciation). Mr. Johnson also testified that all of the factors that the defense experts listed, would have actually increased the reduction in fair market value (post-earthquake) and thus increased the loss.

Results: The jury awarded just under \$4,000,000 in economic damages during phase one and found that the plaintiff was entitled to punitive damages. While waiting for the punitive damages phase to start, the defendant offered an additional \$16,000,000 and the case settled for a total of \$20,000,000.

Attorney Comments: “ Your ability to present the correct methodology in manner that the jury could both understand and commit to, made the damages phase a piece of cake. In fact, when you kept pointing out to the defense attorney common sense reasons why her analysis was incorrect, she cut short her cross. Also, your review of the financial statements of the insurance companies and the data that you gave me regarding their true financial strength helped negotiate the additional \$16,000,000. The lead defense trial attorney later commented to me that you were the best expert witness of any type he had ever seen in a courtroom.”

About Robert W. Johnson & Associates: A nationally recognized (litigation economics) full service consulting firm that specializes in illustrating and quantifying (hard to value) damages. Services include: Court-qualified expert witness testimony in quantifying the loss of enjoyment of life (pain and suffering) in a personal injury case and quantifying the loss of love, care, comfort, society, consortium, etc. to the survivors in a wrongful death case. Other litigation support services: analyzing and placement of structured settlements, generating wage loss reports that include the present value of future medical expenses and illustrating the loss of quality of life with the LIFE ACTIVITY CALENDAR™.

CALL (800) 541-7435 or FAX (650) 494-2454 for additional information.

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