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24 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**

25 **LOS ANGELES COUNTY—PASADENA COURTHOUSE**

26 GERAGOS & GERAGOS FINE ARTS
27 BUILDING, LLC, a limited liability
28 company;

Plaintiff,

vs.

THE TRAVELERS INDEMNITY
COMPANY OF CONNECTICUT, a
corporation; ERIC GARCETTI, an
individual, and; DOES 1 to 25, inclusive,

Defendants.

**COMPLAINT FOR DAMAGES AND
DECLARATORY RELIEF**

- (1) DECLARATORY RELIEF
- (2) BAD FAITH—BREACH OF
IMPLIED COVENANT OF
GOOD FAITH AND FAIR
DEALING
- (3) PER SE VIOLATION OF
STATUTE—CALIFORNIA
INSURANCE CODE SECTION
790.03

GERAGOS & GERAGOS, APC
HISTORIC ENGINE CO. NO. 28
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LOS ANGELES, CALIFORNIA 90017-3411

1 Plaintiff Geragos & Geragos Fine Arts Building, LLC (“Fine Arts Building” or
2 “Plaintiff”), brings this Complaint, alleging against Defendants The Travelers Indemnity
3 Company of Connecticut (“Travelers”), Eric Garcetti (“Garcetti”), and DOES 1 through 25
4 (collectively as “Defendants”) as follows:

5 **PARTIES**

6 1. At all relevant times, Plaintiff Geragos & Geragos Fine Arts Building,
7 LLC¹ is a limited liability company organized and authorized to do business and doing
8 business in the State of California. Plaintiff owns, operates, and/or manages four
9 residential units at or around 657 South Lake Avenue, Pasadena, California 91106.

10 2. At all relevant times, Defendant The Travelers Indemnity Company of
11 Connecticut (“Travelers”) is a corporation organized under the laws of Connecticut, and
12 licensed by the State of California to do business and doing business in the County of Los
13 Angeles, California (COA #6168) subscribing to Policy Number 680-4H55186A (the
14 “Policy”) issued to Plaintiff for the period of August 16, 2019 through August 16, 2020.
15 Travelers is transacting the business of insurance in the state of California and the basis of
16 this suit arises out of such conduct.

17 3. At all relevant times, Defendant Eric Garcetti is an individual who is being
18 named in his official capacity as the Mayor of Los Angeles.

19 **JURISDICTION AND VENUE**

20 4. The Court has subject matter jurisdiction over the matter alleged herein.

21 5. Plaintiff is informed and believes, and thereon alleges, that this Court is the
22 proper venue for trial because the acts and/or omissions complained of took place, in whole
23 or in part, within the venue of this Court. Further, Defendants are located and conduct
24 business here, and witnesses are located here.

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26
27 ¹ While the underlying Policy is technically held by “Mark & Brian’s Fine Arts Building,
28 LLC, Plaintiff filed an Amendment (Form LLC-2) with the California Secretary of State in
March 2020 changing the name to “Geragos & Geragos Fine Arts Building, LLC”, thus
Plaintiff sues on behalf of its new entity name.

FACTUAL BACKGROUND

1
2 6. On or about August 16, 2019, Plaintiff entered into a contract of insurance
3 with Travelers, whereby Plaintiff agreed to make payments to Travelers in exchange for
4 Travelers’ promise to indemnify Plaintiff for losses including, but not limited to, rental
5 income losses at its single-family residential units (hereinafter “Insured Property”) located at
6 and around 657 South Lake Avenue, Pasadena, California 91106.

7 7. The Insured Property consists of four residential units / cottages and the
8 units are entirely owned, managed, and/or controlled by Plaintiff.

9 8. The Insured Property is covered under an insurance policy issued by the
10 Travelers bearing Policy Number 680-4H55186A (the “Policy”).

11 9. The Policy is currently in full effect, providing property, business personal
12 property, rental income / business income and extra expense, and additional coverages
13 between the period of August 16, 2019 through August 16, 2020.

14 10. Plaintiff faithfully paid policy premiums to Travelers, specifically to provide
15 additional coverages for “Rental Income Coverage” in the event of loss of rental (business)
16 income due in part, for example, from closures by order of Civil Authority.

17 11. Under the Policy, insurance is extended to apply to the actual loss of rental
18 income sustained when tenants’ rental obligations are affected by order of Civil Authority.
19 This additional coverage is identified as coverage under “Civil Authority” as part of the
20 Policy’s “Property Optional Coverages” section.

21 12. The Policy is an all-risk policy, insofar as it provides that a covered cause of
22 loss under the policy means direct physical loss or direct physical damage unless the loss is
23 specifically excluded or limited in the Policy.

24 13. The Policy’s Civil Authority Coverage Section extends coverage to direct
25 physical loss or damage that results in a covered cause of loss to the Property in the
26 immediate area of the “scheduled premises”.

27 14. Based on information and belief, Travelers has accepted the policy premiums
28 with no intention of providing any coverage under the Policy’s Civil Authority Coverage or

1 Loss of Rental Income Sections due to a loss brought on by Civil Authority Order(s)

2 15. On March 15, March 23, and March 31 the Mayor of Los Angeles, Defendant
3 Garcetti, issued a series of “Public Order(s) Under City of Los Angeles Emergency
4 Authority”, which led to an Amendment to Article 14.6 of the Los Angeles Municipal
5 Code (“LAMC”) affording unprecedented and unique tenant protections during the
6 Coronavirus pandemic, (codified as Item No. 1, Council File No. 20-0147-S19)
7 (collectively referred to hereafter as the “Orders”), which provided residential tenants with
8 numerous relief measures including, but not limited to: (1) the ability to withhold rent on
9 account of Coronavirus-related issues (i.e. un/underemployment, illness, quarantine, etc.);
10 (2) a moratorium on tenant evictions; (3) a deferral for residential tenants to pay rent over
11 a 12-month period (amended previously from over a 6 month period); and 4) the inability
12 for any landlord to charge interest or late fees on the deferred rent.

13 16. As a direct and proximate result of these Orders, Plaintiff has been forced to
14 deal with rent deferral requests and unpaid rent and other related issues stemming from its
15 tenants’ failure, among other things, to pay rent with respect to the Insured Premises. In
16 addition, at least one (1) of Plaintiff’s units has gone unoccupied during this time.

17 17. Any effort by Travelers to deny the reality that these Orders have directly
18 caused rental income losses on the Insured Property, would constitute a false and fraudulent
19 misrepresentation that could endanger policyholders, such as Plaintiff, and the public.

20 18. A declaratory judgment determining that coverage is available under the
21 Policy will ensure the continuity of Plaintiff’s obligations to its lender caused by the Orders.
22 As a result of these Orders, Plaintiff has incurred, and continues to incur, a significant loss of
23 rental income under the Policy, and risks negative credit implications and late fees.

24 **FIRST CAUSE OF ACTION**

25 **DECLARATORY RELIEF**

26 **(Against All Defendants and DOES 1 to 25)**

27 19. Plaintiff re-alleges and incorporates by reference into this cause of action
28 each and every allegation set forth in each and every paragraph of this Complaint.

1 20. Under California Code of Civil Procedure section 1060 et seq., the court may
2 declare rights, status, and other legal relations whether or not further relief is or could be
3 claimed. An actual controversy has arisen between Plaintiff and Travelers as to the rights,
4 duties, responsibilities and obligations of the parties in that Plaintiff contends and, on
5 information and belief, Travelers dispute and deny, that: (1) the Orders by Garcetti, in his
6 official capacity as Mayor of Los Angeles, constitutes an interference with, loss and damage
7 to the Insured Premises vis-à-vis the numerous residential tenant relief measures
8 enumerated herein; (2) the Orders trigger coverage because the Policy extends coverage for
9 loss of rent and losses incurred by Civil Authority Order; and (3) the Policy provides
10 coverage to Plaintiff for any current and future Civil Authority Order and any accompanying
11 loss of rental income on account of such Order. Resolution of the duties, responsibilities and
12 obligation of the parties is necessary as no adequate remedy at law exists and a declaration of
13 the Court is needed to resolve the dispute and controversy.

14 21. Plaintiff seeks a Declaratory Judgment to determine whether the Orders
15 constitute an interference with, loss and damage to the Insured Premises vis-à-vis the
16 numerous residential tenant relief measures enumerated herein.

17 22. Plaintiff further seeks a Declaratory Judgment to affirm that the Orders
18 trigger coverage because the Policy expressly provides coverage for loss of rent and losses
19 incurred by Civil Authority Order.

20 23. Plaintiff further seeks a Declaratory Judgment to affirm that the Policy
21 provides coverage to Plaintiff for any current and future Civil Authority Order and any
22 accompanying loss of rental income on account of such Order.

23 **SECOND CAUSE OF ACTION**

24 **BAD FAITH—BREACH OF IMPLIED COVENANT OF GOOD FAITH & FIAR**
25 **DEALING**

26 **(Against Defendant Travelers and DOES 1 to 25)**

27 24. Plaintiff re-alleges and incorporates by reference into this cause of action
28 each and every allegation set forth in each and every paragraph of this Complaint.

1 25. At all material times herein alleged, Defendant Travelers, and DOES 1 to 25
2 (hereinafter “The Travelers Defendants”) and each of them, knew, or in the exercise of
3 good faith reasonably should have known, that Plaintiff was legally entitled to recover the
4 benefit under the aforementioned Policy, and that The Travelers Defendants, and each of
5 them, were obligated to provide Plaintiff the benefits under the Policy.

6 26. Travelers Defendants, and each of them, further knew, or in the exercise of
7 good faith reasonably should have known, that the policy benefit was due to Plaintiff.

8 27. Nevertheless, The Travelers Defendants, and each of them, maliciously,
9 intentionally, and oppressively conducted themselves willfully and wrongfully and refused,
10 and failed, to pay the benefits of the policy to Plaintiff, despite the fact that the benefits
11 under the Policy were due and payable to the Plaintiff and the Plaintiff was entitled to the
12 full benefits of the Policy.

13 28. The Travelers Defendants, and each of them, unreasonably failed to pay
14 Plaintiff's claim for benefits under the Policy in a reasonably timely manner. All acts of The
15 Travelers Defendants, and each of them, as herein alleged, were done with the prior approval
16 of, with the knowledge of, and/or under the express direction or ratification of an officer,
17 director, or managing agent of The Travelers Defendants, and each of them, consistent with
18 the definitions contained in *California Code of Regulations*, Title 10, Section 2695.12.

19 29. As a proximate result of The Travelers Defendants' wrongful conduct, as
20 aforementioned, Plaintiff has been wrongfully denied and delayed in the receipt of its
21 lawful insurance policy benefits.

22 30. The Travelers Defendants' actions in withholding and refusing to pay the
23 policy benefits were unreasonable and in bad faith.

24 31. Plaintiff is informed and believes, and thereon alleges that The Travelers
25 Defendants' actions were part of a practice of The Travelers Defendants which is designed,
26 among other things, to wrongfully withhold payment of claims with the intent of ignoring the
27 interest of their insured.

28 32. As a direct and proximate result of The Travelers Defendants' wrongful

1 conduct, as aforesaid, Plaintiff has sustained severe and serious injury including, but not
2 limited to emotional distress, anxiety, frustration, humiliation and indignity all to Plaintiff's
3 damage in a sum within the jurisdiction of this court and to be shown according to proof.

4 **THIRD CAUSE OF ACTION**

5 **PER SE VIOLATION OF STATUTE—CALIFORNIA INSURANCE CODE**
6 **SECTION 790.03**

7 **(Against Defendant Travelers and DOES 1 to 25)**

8 33. Plaintiff re-alleges and incorporates by reference into this cause of action
9 each and every allegation set forth in each and every paragraph of this Complaint.

10 34. Because Plaintiff was a first party insured at all material times herein alleged,
11 Defendant Travelers, and DOES 1 to 25 (hereinafter “The Travelers Defendants”), and each
12 of them, had a duty under California Insurance state regulations (which were designed for
13 the protection and benefit of first party insured like Plaintiff) to handle insurance claims in a
14 fair and reasonable manner. Without limiting the generality of the foregoing, The Travelers
15 Defendants had a duty and are in breach of the duties listed under California Insurance Code
16 Section 790.03(h), which provides that it is a violation under this Code to: “Knowingly
17 committing or performing with such frequency as to indicate a general business practice any
18 of the following unfair claims settlement practices”:

- 19 (1) Misrepresenting to claimants pertinent facts or insurance policy provisions relating
20 to any coverage at issue.
- 21 (2) Failing to acknowledge and act reasonably promptly upon communications with
22 respect to claims arising under insurance policies.
- 23 (3) Failing to adopt and implement reasonable standards for the prompt investigation
24 and processing of claims arising under insurance policies.
- 25 (4) Failing to affirm or deny coverage of claims within a reasonable time after proof
26 of loss requirements have been completed and submitted by the insured.
- 27 (5) Not attempting in good faith to effectuate prompt, fair, and equitable settlements
28 of claims in which liability has become reasonably clear.

1 (6) Compelling insureds to institute litigation to recover amounts due under
2 an insurance policy by offering substantially less than the amounts ultimately
3 recovered in actions brought by the insureds, when the insureds have made claims for
4 amounts reasonably similar to the amounts ultimately recovered.

5 (7) Attempting to settle a claim by an insured for less than the amount to which a
6 reasonable man would have believed he was entitled by reference to written or printed
7 advertising material accompanying or made part of an application.

8

9 (12) Failing to settle claims promptly, where liability has become apparent, under one
10 portion of the insurance policy coverage in order to influence settlements under other
11 portions of the insurance policy coverage.

12 (13) Failing to provide promptly a reasonable explanation of the basis relied on in
13 the insurance policy, in relation to the facts or applicable law, for the denial of a claim
14 or for the offer of a compromise settlement.

15 35. Instead, The Travelers Defendants, and each of them, knew that the
16 intentional or negligent refusal to provide business interruption coverage under Plaintiff's
17 Policy vis-à-vis Plaintiff's insurance claim was designed to circumvent The Travelers
18 Defendants' legal duty to comply with applicable regulations, so as to maximize its
19 profitability by retaining the money paid by Plaintiff for said business interruption coverage
20 without providing coverage to Plaintiff as proscribed by the California Insurance Code.

21 36. In fact, on April 14, 2020, and after receiving "numerous complaints from
22 businesses, public officials, and other stakeholders", the Insurance Commissioner for the
23 State of California—Mr. Ricardo Lara ("Lara")—published a 3-Page Notice on behalf of the
24 Department of Insurance in which Lara warned insurers (such as the Traveler Defendants) to
25 "accept, forward, acknowledge, and fairly investigate all business interruption insurance
26 claims submitted by businesses" and to "comply with their contractual, statutory, regulatory
27 and other legal obligations in connection with all California insurance claims, including but
28 not limited to, Business Interruption insurance claims...filed by California businesses."

1 37. The Travelers Defendants' utter failure to attempt to resolve Plaintiff's claim
2 in good faith, among other things, is in utter and total non-compliance with established
3 California law, Insurance Code Section 790.03(h) as well as Lara's recent pronouncement.

4 38. The Travelers Defendants, and each of them, had a duty based in part on their
5 superior and exclusive knowledge concerning their inability and intention not to provide
6 legally fair and reasonable treatment to their insured was based on its understanding that
7 Plaintiff fully expected coverage to be available and that Plaintiff was relying upon The
8 Travelers Defendants as a first party insured would reasonably do. Accordingly, Plaintiff was
9 subjected to serious damages, harm and suffering in believing that Plaintiff would be
10 properly cared for by The Travelers Defendants with respect to Plaintiff's coverage claim.

11 39. The Travelers Defendants, and each of them, breached their duty, among
12 other things, to attempt in good faith, to effectuate prompt, fair, and equitable settlement of
13 Plaintiff's insurance claim in which liability had become reasonably clear, which
14 underscores the unfair and bad faith handling of Plaintiff's valid first party insurance claim.

15 40. Plaintiff relied upon The Travelers Defendants with regard to the assurance
16 and expectation that Plaintiff would be properly cared for according to law, and have its
17 claims covered. Accordingly, as a proximate and legal result as herein alleged, Plaintiff has
18 suffered appreciable damages in the form of not only a coverage denial by The Travelers
19 Defendants, but also with incurring costs and fees in retaining counsel to pursue its rights.

20 41. In doing the aforementioned acts, The Travelers Defendants gained an
21 advantage over Plaintiff in matters relating to Plaintiff's claim for damages arising out of the
22 Civil Order closures in violation of applicable California Insurance laws and regulations with
23 respect to The Travelers Defendants' bad faith handling of Plaintiff's claims.

24 42. By reason of the foregoing, The Travelers Defendants have acted with
25 malice, fraud and oppression, and an award of punitive damages in a sum according to proof
26 at trial is justified, warranted and appropriate.

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PRAYER FOR RELIEF

Wherefore, Plaintiff herein, Geragos & Geragos Fine Arts Building, LLC, prays as follows:

- 1) For a declaration that the Orders by Eric Garcetti, in his official capacity as Mayor of Los Angeles, constitute an interference with, loss and damage to the Insured Premises vis-à-vis the numerous residential tenant relief measures enumerated herein.
- 2) For a declaration that the Orders trigger coverage because the Policy expressly provides coverage for loss of rent and losses incurred by Civil Authority Order.
- 3) For a declaration that the Policy provides coverage to Plaintiff for any current and future Civil Authority Order and any accompanying loss of rental income on account of such Order.
- 4) For General Damages against Travelers in the sum according to proof.
- 5) For Punitive Damages against Travelers in an amount to be shown according to proof, and for treble damages pursuant to Civil Code Section 3345.
- 6) For interest provided by law including, but not limited to, California Civil Code Section 3291.
- 7) For attorneys fees and costs of suit.
- 8) For such other relief as the Court may deem just and proper.

DATED: April 17, 2020

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