

NEWS RELEASE

Luther Strange

Alabama Attorney General



FOR IMMEDIATE RELEASE

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Page 1 of 4

AG STRANGE, LOCAL OFFICIALS DEPLORE HUMAN, ECONOMIC EFFECTS OF GULF COAST OIL SPILL AS WELL AS DELAY IN PROCESSING CLAIMS

(MONTGOMERY)--Attorney General Luther Strange and local officials are expressing serious concern for Gulf Coast residents and businesses that are struggling to survive the aftermath of the 2010 Deepwater Horizon Gulf oil spill and the subsequent excruciating claims process.

The disaster that began with an explosion on April 20, 2010, followed by nearly 100 days of uncontrolled release of millions of gallons of oil caused 11 deaths, countless instances of personal injury and property damage, and catastrophic environmental and economic devastation expanding far beyond the Gulf Coast region.

Following the oil spill, citizens faced additional hardships from the frustrating and inadequate processes set up for compensation through the Gulf Coast Claims Facility and its administrator, Kenneth Feinberg. "To say that the processing of claims has been an extremely inefficient and painful process to experience or watch would put it mildly," said Orange Beach Mayor Tony Kennon.

Attorney General Strange noted that the GCCF appeared inappropriately proud in its recent announcement that it has managed to process 54 percent of final claims (140,338 out of 256,319). He emphasized some major concerns that he and local officials have in response to this report:

1. The GCCF now omits from its reports and from its recent self-laudatory news release the number of claimants denied through the Emergency Advanced Payment ("EAP") and the Real Estate Funds.
2. Of the claims reportedly paid, almost all – 98.9 percent (96,417 out of 97,423) are of the express-line quick-pay option requiring no processing by the GCCF, and disturbingly, that the claimant was required to forfeit any and all other legal recourse for compensation.
3. Finally, although Feinberg restates a concern over fraud and lack of documentation, only a small number (14.6 percent) of the processed claims were reported to require further documentation.

Attorney General Strange and Gulf Coast officials also are troubled that the GCCF continues to rearrange data in a way that hinders true transparency. One simple example is since February 21, the EAP (emergency advanced payment) data on total claimants is no longer available on the GCCF website. "I can't help but think that the numbers are being manipulated to paint the best picture for Mr. Feinberg and the GCCF," stated Congressman Jo Bonner.

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Additionally, the GCCF touts the amount paid in claims, but refuses to release what percentages they are paying of the amount sought by claimants. Attorney General Strange commented that paying \$3.5 billion when losses actually were many billions more is hardly a reason to claim success. This complete information to provide a true perspective of payment is essential for an accurate and fair evaluation of the GCCF process.

Lastly, the average final full offer that has been accepted by claimants in Alabama averages approximately \$12,000. Attorney General Strange said he finds this suspect and troublesome as no one knows exactly how long the effects of the spill will impact our coastal community, noting that it seems highly likely that many businesses lost much more than the \$12,000 they have been paid as a final amount.

"It is unacceptable for the GCCF and Mr. Feinberg to continue to operate in this manner," said Attorney General Strange. "A multimillion dollar public relations campaign has been used to distort the truth, which is that people in Alabama are hurting and struggling to survive a situation over which they had no control and that was caused by BP and others. I stand here today to promise that I will hold the GCCF accountable and I will do everything I can to help our coastal victims survive this catastrophe." He went on to demand that, "Mr. Feinberg, you must quit dragging your feet and stalling these claims to a point that the victims are desperate to settle for anything. Your actions are causing severe harm to businesses and are hurting the lives of innocent people. The apparent intentional delay of processing claims, and the resulting desperation of claimants, has added an appalling burden to those who suffered the initial consequences of the 2010 Gulf oil spill."

A Gulf Shores city councilman, Jason Dyken, who is also president and CEO of Dyken Wealth Strategies, stated, "I continue to be disgusted by the allowance of BP/GCCF/Feinberg to operate as they have been. Why do we not have acknowledgment of this problem from the President? Obviously the welfare of BP is more important to this country than the thousands of individuals and business owners who were damaged by this disaster."

According to Baldwin County Sheriff Hoss Mack, the effect of the oil spill has been all across-the-board. "We had to increase patrols to assist with the initial impact; provide deputies for off-duty security details to guard staging and cleaning sites; our narcotic and domestic violence cases increased; we are facing budget cuts by the County Commission due to decreased revenue; and the stress of the economy and additional work has increased stress among personnel." He added that "The impact that the BP/Deepwater Horizon incident has had on the Baldwin County Sheriff's Office has been substantial and to a point that is not yet totally realized. I feel there will be a continued increase on certain criminal activity as well as demands on the Sheriff's Office. I wish I could contain this and put it in a box so we could study it and build a comprehensive response, however I feel it is best characterized as looking through a window. We can see what is in view, but we do not see what is not in view. Our data indicates to us there is more on the horizon and more we don't yet have a full comprehension of. We will be required to do more with less while maintaining a high standard of quality and professionalism."

Another critical concern is the extreme emotional toll on citizens affected by this disaster. "While the spirit and determination of our people cannot be broken, the reality of serious stresses caused by the 2010 Gulf oil spill and the claims process is affecting our families and our

children. The concern over finances, stability and security is written on their faces," said Representative Steve McMillan, who represents Baldwin County.

Officials note the harsh reality that there was not enough money offered and it did not come quickly enough for most people to keep their businesses afloat and their doors open to pay their employees. They note that every dime received by victims was used to keep their heads above water, with no recourse left for the upcoming demands of income taxes due in April. This is among the factors recognized by the Alabama Department of Mental Health for significant concerns about the welfare of Alabamians, including the following factors:

1. The claims process, uncertainty, and frustration that victims are experiencing;
2. an increasing demoralization is increasing, with independent people being forced to ask for help, and essentially having to beg for relief in a manner that is humiliating for them;
3. although it was hoped the situation would have been a little better by now, in reality, the stress level is increasing;
4. causes of high-stress include letters of denial with no transparency or explanation, and the degree of scrutiny that people must endure and which feels like an accusation of fraud--- instead of being treated like victims, they instead are treated in a way that feels as though they are being persecuted; and
5. psychological stress will bring about long-term physical problems if it is not abated.

Bob Higgins, the senior vice president of the Baldwin County Economic Development Alliance and chairman of Coastal Resiliency Coalition, stated, "At the end of the day as we look around our community, we find that the level of personal stress created by this dysfunctional claims process far exceeds the level of stress created by the oil spill itself. This stress results in domestic violence, drug use, people losing their homes and businesses, and watching their livelihoods being destroyed. The problem that the claimants are faced with is that if you are already near financial ruin, the only way to receive any payment with certainty is the quick-pay process. Even if you decide that it is not enough money to compensate you, it is still more than your other choice, which is complete uncertainty. There is no wonder people would give up their right to sue and accept a quick claim payment instead of continuing in this broken process that may never lead to anything at all. "

According to the Baldwin County Mental Health's Project Rebound, there are now children who are homeless or having to live with extended family, due to divorce or because one parent has to leave the area to find work in an effort to support the family. "One of the most heartbreaking consequences of the grossly inefficient and ineffective claims process is the devastating damage it is doing to our children," laments Carolyn M. Doughty, mayor pro tem of Gulf Shores. "Our children are coming to school unbathed, in dirty uniforms, and are not getting adequate food outside of the two meals they may get at school during the week days. Our teachers and our school counselors are now having to be social workers and substitute parents in addition to their normal duties. BP's and Mr. Feinberg's unwillingness to understand the situation and adequately and quickly replace our lost 'tourist dollars', caused by the BP oil spill, has created monumental financial stress that has then resulted in extreme mental stress on so many of our businesses, citizens and families that goes way beyond anyone's imagination."

“I am of the firm belief that Feinberg and the BP claims process is preying on the desperate economic situation of these families with their backs against the wall, and is dangling grossly-inadequate 'final' payments in hopes that people will give up their claims for quick cash. This is why these releases that permanently force people to give up rights should be thrown out by the court,” stated Attorney General Strange.

Gulf Shores Mayor Robert Craft said, “The people of Alabama's Gulf Coast have worked together, shoulder-to-shoulder, to overcome many overwhelming disasters. From hurricanes Frederick to Gustav, dozens of natural disasters have challenged the spirit and soul of our citizens. Each and every time, we reach out and find the strength to recover. We have endured throughout multiple economic pressures, from recessions to high interest rates to bank failures that pressed our family-owned businesses to the brink and curtailed the vacation habits of our tourists. Never in the face of these many challenges did our people quit or complain.” But Mayor Craft went on to explain that “this oil spill is different. It was not caused by Mother Nature, nor was it a problem facing the entire nation. How could our people not have felt somewhat abandoned, with the daily media barrage of ads by BP telling the world they were 'making it right' while we continued to see no relief? Yet even now, the same strength upon which we have drawn in the past, we find again, as we have fought to use every available resource, and now stand ready to greet the upcoming tourist season.”

On behalf of all Gulf Coast communities, Mayor Craft welcomes visitors to return and enjoy the treasures of the Gulf Coast, assuring that, “Our beaches are safe and clean. Our seafood has been tested more than any food group, and found to be safe. Visitors will find this season marked by an unprecedented spirit of appreciation and optimism. The lost summer of 2010 is over, spring is gloriously here, and we meet the future with hope and determination, as the Gulf Coast will thrive, with or without the help we deserve from BP.”

People seeking to file a lawsuit, to join any of the current litigation as a plaintiff, or those who do not qualify for assistance from Legal Services of Alabama, may contact either of the following:

- Mobile Bar Lawyer Referral Service, 251-433-1032, Hours of Operation: Monday through Thursday, 9 a.m. to 4 p.m., and Friday, 9 a.m. to noon.
- Alabama State Bar Lawyer Referral Service, 1-800-392-5770, Hours of Operation: Monday through Friday, 8:30 a.m. to 4:30 p.m.

Income-eligible people seeking free legal assistance with matters unrelated to the claims process or litigation but related to a loss of income from the spill, such as consumer debt collection, may seek assistance from the Mobile Bar Association Volunteer Lawyers Program at 251-438-1102 or the Alabama State Bar Volunteer Lawyers Program at 1-888-857-8571.



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March 21, 2011

Mr. Kenneth R. Feinberg, Esq.
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Dear Mr. Feinberg,

Our anxiety has reached a boiling point. Nearly a year has passed since the Deepwater Horizon spewed oil into the Gulf and onto Alabama's beaches. In that year, little has changed. In the summer of 2010, thousands of Alabamians desperately awaited compensation. As the summer of 2011 approaches, most are still waiting, more desperate than ever. And to be blunt, the Gulf Coast Claims Facility is largely—if not primarily—to blame.

As an initial matter, the GCCF appears inappropriately proud of its recent announcement that it has managed to process 54 percent of final claims (140,338 out of 256,319). Even if the processing of a claim alone was cause for celebration, more than 100,000 claimant—a hefty 46%—would be left out. Of course, we both know that a large percentage of the "processed" claims were merely rejected, often without the courtesy of being told why.

Numbers aside, here are some additional concerns and questions I have with your report:

1. **Quick-pay:** Of the claims reportedly paid, almost all—a whopping 98.9 percent (96,417 out of 97,423)—are of the express-line, quick-pay option that requires no actual processing by the GCCF. Just as disturbing, these quick-pay recipients were required to forfeit any and all other legal recourse for compensation. Simply put, almost no one is being paid when their claim is actually "processed"; they are just swiftly paid to go away. Why are you working so diligently, and so swiftly, to protect BP and secure releases for their liability?

2. **Meager Payments:** When payments are released, they do not amount to much. The average final full offer that has been accepted by claimants in Alabama averages approximately \$12,000. I find this both suspect and troublesome, seeing as though no one knows exactly how long the effects of the spill will impact our coastal community. It seems highly likely that many Alabamians—both citizens and businesses—lost much more, and will continue to lose much more, than the \$12,000 they have been paid as a final amount.

3. **Lack of Fraud:** You constantly speak of your concern about fraud and lack of documentation. But only a fraction of processed claims (14.6%) were reported to require further documentation. In other words, an overwhelming majority of Alabamians are properly documenting their claims; you are simply turning them down for other reasons.

4. **EAP:** Why does the GCCF now omit from its reports, and from its recent news release, the number of claimants denied through the Emergency Advanced Payment ("EAP")

and the Real Estate Funds? If transparency is so vital to the GCCF, why isn't the GCCF completely forthcoming?

5. **Ratio of Claims to Payments:** Along the lines of transparency, why doesn't the GCCF release the data that would reflect the ratio of what is being paid versus what is being claimed? Paying \$3.5 billion when claimed losses are many billions more is hardly a reason to claim success. Providing the complete picture of claims versus payment is essential for an accurate and fair evaluation of the GCCF process.

These five concerns with your recent report are just the tip of the iceberg. I could go on and on. Instead, I want to show you the effect the GCCF's failures have had on Alabamians. The Alabama Department of Mental Health has identified significant concerns regarding Alabamians' mental welfare in the wake of the oil spill, which flow from the following factors:

1. Frustration and uncertainty stemming from the claims process;
2. The demoralization, and often humiliation, of strong-willed, independent citizens who have been reduced to begging for handouts from an organization (the GCCF) whose primary mission seems to be turning them down;
3. The frustration and feeling of stress and hopelessness that arises from the repeated rejection of claims, often without any explanation as to why or how to correct any "problem";
4. The once-held feeling that a person or business' problems would be solved by now; only to be struck by the harsh reality that it has not—and likely will not be in the foreseeable future.

I have been assured by the Department of Mental Health that the worst is yet to come. Today's stress and frustration will turn into long-term physical problems if the problems with the GCCF are not abated.

Rest assured, I will do everything I can to help our victims survive this catastrophe, including holding the GCCF's feet to the fire. Quit dragging your feet and stalling the large majority of claims to a point where victims are so desperate that they settle for anything. Remember, your job is to compensate the victims—not magnify their problems by playing games with BP's money (to BP's benefit).

Sincerely,



Luther Strange
Attorney General, State of Alabama

cc: Governor Robert Bentley
United States Senator Richard Shelby
United States Senator Jeff Sessions
Congressman Robert Aderholt
Congressman Mike Rogers
Congresswoman Martha Roby
Congresswoman Terry Sewell
Congressman Mo Brooks
Alabama Legislature
Gregory H. Hawley