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Attorney General Steve Marshall Announces \$60 Million Settlement with Terminix Over Illegal Business Practices Targeting Alabama Consumers

(MONTGOMERY) – Attorney General Steve Marshall announced on Thursday a historic \$60 million State settlement with Terminix International in response to the company’s alleged illegal business practices targeting Alabama consumers. A statewide fund for consumer relief will be created to address Alabama consumer damages due to Terminix’s actions.

“Today, my office has approved a major consumer settlement against Terminix International for systematically overcharging their Alabama customers for termite services and in many cases failing to honor their service contracts, often resulting in damages to homes and businesses,” said Attorney General Marshall.

“The public’s first complaints about Terminix’s illegal activities were received by Mobile County District Attorney Ashley Rich, who in turn, notified my office, and we began our investigations which led to today’s settlement with Terminix and the beginning of restitution for the many Alabamians who suffered financial loss from the company’s illegal actions. I commend District Attorney Rich’s vigilance in seeing that Alabama consumers’ rights are protected.”

“I am extremely pleased that when I brought my concerns about how many Mobile County citizens had been wronged by Terminix, the Attorney General agreed to take on the fight to bring justice to our victims,” said Mobile County District Attorney Ashley Rich. “Unfair business practices like those that have been committed by Terminix cannot be tolerated in our community and our State, and it takes an Attorney General with many resources to be able to handle litigation of this magnitude.”

An investigation by the Alabama Attorney General’s office and the Alabama Department of Agriculture and Industries revealed that Terminix engaged in a pattern of collecting annual termite protection premiums from Alabama consumers, but failed to deliver or provide the termite protection services promised in the contracts consumers had with Terminix. As a result, many homes and businesses suffered termite infestation.

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When customers suffered damages as a result of Terminix's failure to provide paid-for services, the company simply passed on these costs to Alabama consumers, in some cases charging them exorbitantly high annual renewal rate increases of up to 1000 percent. Terminix's actions were intended to force consumers to cancel their lifetime protection contracts or to accept new Terminix contracts that provided less benefits than consumers' existing lifetime contracts.

In addition to inadequately treating consumer homes for termite protection, Terminix also failed to provide consumers with competent and thorough annual termite inspections as required by Terminix contracts. Additionally, Alabama consumers were paying extra money to Terminix for pesticide they had already paid for and that had already been applied to their homes and businesses.

These actions of Terminix violated several provisions of the Alabama Deceptive Trade Practices Act, an Alabama law designed to protect consumers from deceptive, fraudulent, unconscionable, and illegal acts committed by businesses operating in Alabama.

After being confronted with the evidence of its illegal acts, Terminix entered into a \$60 million settlement with the State of Alabama to include:

- \$25 million for Alabama Consumer Relief Fund for the payment of refunds to consumers who were overcharged by Terminix and those consumers who were forced to pay other termite control companies money for services they should have received from Terminix. *Per the terms of the agreement and pending court approval, this claims process will be set up in the coming months at which time the Attorney General will announce how claims are to be made by consumers.*
- \$10 million to retreat over 12,000 customer homes in Mobile, Baldwin and Monroe counties, whether or not those homes had suffered termite damage due to Terminix's failure
- Refunds to consumers of any unconscionable price increase paid by consumers in termite protection premiums in 2019 and 2020. This mandate requires Terminix to pay millions of dollars in refunds to thousands of Alabama consumers.
- \$650 to any Alabama consumer who left Terminix and hired another company to provide termite protection, or pay the difference in the former customer's new termite protection costs and their previous termite protection costs.
- New, competent, and complete inspections of homes in the areas affected by Formosan termites to ensure no termite infestation problems still exist, and Terminix will be repairing all termite damage claims in the affected areas.

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- \$20 million to the Attorney General's Office to settle the State of Alabama's claims against Terminix and to be reinvested in statewide consumer protection efforts.
- \$4 million to the Alabama Department of Agriculture and Industries.
- \$1 million charitable contribution to the Auburn University Department of Entomology.

Finally, Terminix has agreed to adopt a reasonable and affordable price increase schedule to prevent it from charging consumers with unconscionable and exorbitant annual rate increases for its termite services. Consumers who lost their lifetime Terminix contracts will have them reinstated, if they so desire, at the reasonable price levels consumers were paying Terminix in 2018.

The Terminix investigation was conducted by the Alabama Attorney General's Consumer Interest Division, working in conjunction with the Alabama Department of Agriculture and Industries.

Attorney General Marshall thanked his Consumer Interest Division for its hard work to secure the historic settlement and, in particular, Assistant Attorney General Olivia Martin and Assistant Attorney General Dan W. Taliaferro.