![Americans for Insurance Reform — "PROTECTING RIGHTS, NOT WRONGS"]

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CONSUMER GROUP RELEASES MAJOR STUDY DOCUMENTING INSURANCE INDUSTRY'S FAILED RESPONSE TO HURRICANE KATRINA

**Report Reveals Increased Suffering of Victims Due To
Insurers' Poor and Ill-Equipped Reaction; Recommends Reforms**

Americans for Insurance Reform (AIR) today released a comprehensive report documenting the insurance industry's poor response to Hurricane Katrina. The report, entitled *The Insurance Industry's Troubling Response To Hurricane Katrina,* details actual case studies of numerous Gulf Coast residents, revealing a significant pattern of callousness, unfairness, and generally inept performance by many companies. In some cases, insurers' conduct worsened the suffering of policyholders, many of whom were left hungry and homeless by the hurricane.

One of the contributors to the report, Joanne Doroshow, AIR co-founder and Executive Director of the Center for Justice & Democracy, said, "This report shows that many policyholders who were exhausted, traumatized, and without food, water or a roof over their heads, looked to their insurance carriers to come to their aid as they struggled to survive. But what many found was not help at all, but rather resistance by insurance companies to pay them anything, leaving victims frustrated and angry, not to mention destitute."

The report also warns that the property/casualty insurance industry, which made huge profits in 2005 despite the hurricanes, appears to be using the disaster as an excuse to unfairly raise rates and flee certain areas, leaving policyholders in the lurch. AIR makes certain recommendations for insurance industry reform and improvements to the National Flood Insurance Program. The report also contains tips to help policyholders deal with insurance companies.

Report contributor and AIR co-founder J. Robert Hunter, who is Director of Insurance for the Consumer Federation of America, and former Federal Insurance Administrator and Texas Insurance Commissioner, said, "It is vital that the states of Mississippi, Louisiana, Alabama and Texas take firm steps now to assure homeowners that insurance will be available and affordable as the next hurricane season approaches." Among the measures called for are: a moratorium on cancellations and non-renewals of homeowners insurance policies to give states time to develop plans for insuring homes that could not get or keep private insurance; a freeze on home insurance

prices; mitigation measures that prohibit or control construction in high risk zones; and market conduct examinations by states to determine if insurers have been engaging in unfair claims practices in violation of state law.

The case studies contained in *The Insurance Industry's Troubling Response To Hurricane Katrina,* were gleaned from hundreds of calls that came into AIR's Katrina Insurance toll-free hotline, established on September 12, 2005. This unprecedented hotline allowed AIR to monitor complaints, refer them to government officials where appropriate, and keep records of hurricane-related insurance problems. Among the most common problems were:

- ❖ Companies attempting to avoid any liability under homeowners policies declaring all damage to be flood-related, which insurers said was not covered, even though this position was not supported factually or legally. As one hotline caller who was told this said, "I'm basically going to be hung out to dry by my insurance company."
- ❖ Incredibly slow response to policyholders, with two callers typifying the problem: "Our money is running out and our insurance companies can't tell us when or if any help is on the way," and, "I haven't paid premiums to two companies all these years to be starving, struggling, and homeless."
- ❖ Insurance carriers unreachable or simply refusing to respond at all. "I'm a 70-year-old woman, I need to pay rent at the place I'm living and I just don't have any money," said one caller who could not get any response from her carrier.
- ❖ Homes further damaged by Hurricane Rita when companies failed to send adjusters after Katrina, which would have allowed people to make repairs. "There wouldn't be half as much water damage if they had been able to get an adjuster out here in a reasonable amount of time," said one hotline caller.

In the report, AIR calls on Congress to require the Federal Emergency Management Agency (FEMA) to obtain updated flood maps by January 2007, noting that use of outdated flood maps was directly responsible for much of the carnage and destruction. Other measures that AIR recommends include:

- ❖ Requiring that actuarial rates be charged for each property, without subsidies, and disclosed at the time of sale so that people buying unsafe structures have fair warning, and establishing a program for low-income residents to help cover insurance payments.
- ❖ Government spending on loss prevention measures.
- ❖ Requiring insurance companies writing property coverage to take all homeowners and small business property risks that meet national mitigation standards for disaster risk; all risk coverage on new construction should be initially provided for five years on a policy purchased by the builder and sold along with the structure.
- ❖ Reasonable deductibles and limits should be standardized under policy terms set nationally.

Hunter said, "Insurance should be a policyholder's road to recovery at times of personal crisis. After Katrina many insurance companies have too often been more like stone walls, blocking the way for policyholders to recover."

"Many things went terribly wrong in the insurance industry's response to Katrina. If major changes aren't implemented, the same tragic stories could unnecessarily repeat themselves," added Doroshow.

AIR is a coalition of over 100 public interest organizations from around the country that seek stronger oversight over insurance industry practices. It is a project of the Center for Justice & Democracy.

For more information and a copy of the report, see http://insurance-reform.org.

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