THE INSURANCE INDUSTRY'S TROUBLING RESPONSE TO HURRICANE KATRINA

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INTRODUCTION

Hurricane Katrina was one of the worst disasters in our nation's history, killing over 1,300 people (with thousands more still unaccounted for), displacing millions, and leaving hundreds of thousands without jobs or income. With the impact compounded by Hurricane Rita shortly thereafter, hundreds of thousands of homes were destroyed or significantly damaged. In the days and first few weeks following the disaster, many individuals were left destitute, without food, water or a roof over their heads. The entire world watched this horror unfold on their television screens. There was no denying the magnitude and human suffering caused by this catastrophe.

In a disaster as devastating as Katrina, the availability of insurance can literally become a matter of life or death, especially regarding the promise of temporary living expenses under "loss of use" clauses in homeowners policies, which many residents in Louisiana and Mississippi had.[1] Many homeowners policyholders who were hungry, exhausted, traumatized and homeless, immediately looked to their insurance carriers to come to their aid with living expenses as they struggled to survive.

However, what many of these residents found was not help, but rather resistance by their insurance carriers to pay them anything at all. It was soon after Katrina hit that insurance companies began looking for ways to escape responsibility to their homeowners policyholders altogether, publicly declaring that most, if not all, of the damage was due to flooding. That meant that only those who carried separate flood insurance (far less than half the residents),

[1] Additional Living Expense (ALE) coverage in homeowners policies (falling under "loss of use" coverage), "reimburses the costs of residing in a temporary location until you can return to your home. ALE coverage usually provides living expenses of 10 to 20 percent of the structural coverage on the home. … Additional living expenses include items such as food and housing costs, and telephone or utility installation costs in a temporary residence. Also, extra transportation costs to and from work or school, relocation and storage expenses, and furniture rental for temporary residence may be eligible under additional living expense coverage. If you're renting out a room in your house and sustain insured damages to your home, ALE coverage often pays for the loss of rental income." Hurricane Insurance Information Center, http://www.disasterinformation.org/disaster2/facts/katrina_faq/.

which is underwritten by the federal government, would get any coverage, leaving insurers entirely off the hook for paying Katrina-related claims. This included payment of temporary living expenses, which flood insurance does not provide. This was despite the fact that neither the law nor the facts justified insurers' behavior. (See below, next section, Flood vs. Wind.)

As the scale of the destruction wrought by Hurricane Katrina became more and more evident in the days following the storm, and news reports started indicating that there was likely to be large numbers of policyholders in the Gulf Region who would be running into problems with their insurance carriers, Americans for Insurance Reform (AIR) decided to help. AIR, a coalition of more than 100 public interest groups and a project of the Center for Justice & Democracy, took the extraordinary step of establishing a toll-free Katrina Insurance Hotline to take complaints from policyholders who felt they were being unfairly treated or denied a claim by their insurance company.[2] The Hotline has received hundreds of calls since its commencement on September 12, 2005.

The hotline's purpose was to be a clearinghouse for complaints by Hurricane Katrina and Rita victims who were being unfairly treated or denied claims by insurance companies on their hurricane-related insurance policies. While AIR could not directly solve victims' insurance problems, it was able to monitor complaints, refer them to government officials such as state insurance departments where appropriate, and keep records of hurricane-related insurance problems.

In numerous instances, AIR heard of companies attempting to avoid any liability under homeowners policies, or at least providing an incredibly slow response, with one caller 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." This phenomenon affected policyholders covered by several different insurance carriers.

In other cases, insurance carriers were unreachable or simply refused to respond to their policyholders at all, leaving them extremely frustrated and in tremendous need. Moreover, without any contact from adjusters, Katrina victims were unable to take steps to initiate basic repairs so that when Hurricane Rita then hit, even more damage to homes resulted, some of which may have been avoided had insurers responded more quickly following Katrina.

Ironically, many of those unable to get their homeowners claims processed on a timely basis have had a more difficult time than those without any insurance at all. This is because the Federal Emergency Management Agency (FEMA) has more readily come to the aid of those without insurance since it will not "duplicate assistance" provided by an insurer and will only make decisions to aid policyholders after a claim has settled.[3] While FEMA says that it will offer loans to policyholders if the claims process goes beyond a 30-day period, callers to AIR

[2] The hotline was staffed by Patrick Buckley, with the assistance of Basel Hamdan, both of the Center for Justice & Democracy.

[3] FEMA.gov, "Disaster Assistance Frequently Asked Questions," http://www.fema.gov/rrr/dafaq.shtm#insurance, December 13, 2005.

report that securing FEMA loans has been virtually impossible due to paperwork requirements and general non-responsiveness, leaving many policyholders completely in the lurch.

One insurance carrier in particular seemed to have been problematic in failing to respond: Louisiana Citizens Property Insurance Corporation (LCPI). LCPI was set-up in 2003 as a state-sponsored "insurer of last resort," taking over the "FAIR" and Coastal plan in Louisiana, to provide insurance to those who could not get homeowners coverage from the private market.[4] Mississippi has a similar FAIR Plan.[5] Audubon Insurance, a subsidiary of international insurance giant American International Group (AIG**),** had the contract to administer LCPI/FAIR policies through Hurricane Katrina and is handling those claims.[6]

Time and again, AIR heard from policyholders covered by the LCPI/FAIR Plan, in particular, who complained about their complete inability to get anyone on the phone to file their initial claims or to inquire about the status of their claims.[7] As months passed, LCPI/FAIR Plan policy holders called to complain that even when their property finally had been visited by adjusters, they were still unable to get any answers as to when they could expect to receive payment or at the very least a formal summary of the adjusters findings. AIR estimates that ultimately upwards of two-thirds of the calls to the Katrina Insurance Hotline came from LCPI/FAIR Plan policyholders.

This study reports on the general response of the insurance industry to Hurricane Katrina, including illustrative stories gathered from the AIR hotline,[8] analyzes the industry's position regarding the payment Katrina-related claims, and makes recommendations for improvement.

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[4] Kevin McGill, "Louisiana 'last resort' insurer target of numerous complaints," *Associated Press*, October 20, 2005; Dean Starkman, "State Insurers Billing Many for a Risky Few," *Washington Post*, October 14, 2005; Ted Griggs, "Firms still tussling about claims work," *Baton Rouge Advocate*, April 20, 2005.

[5] "Created by state lawmakers in 1987 in response to the lack of comprehensive homeowner and property damage insurance coverage available on the Coast, the Mississippi Windstorm Underwriting Association, commonly known as the wind pool, is funded through the sale of wind and hail policies." "Weathering the storm: How businesses can guard against hurricane damage," *Coast Business-Gulfport,* June 30, 1997.

[6] Kevin McGill, "Louisiana 'last resort' insurer target of numerous complaints," *Associated Press*, October 20, 2005.

[7] According to the *Associated Press*, "LCPI chief executive officer Terry Lisotta said a major reason for the problems has to do with a change in companies who run the program. Audubon Insurance was the initial administrator. But [Louisiana Citizens Property Insurance Corporation] put the job up for bids earlier this year, eventually awarding the contract to three companies: MacNeill Group, Bankers Insurance Group and First Premium Insurance Group. But Audubon and another bidder challenged the decision in court. 'We won,' Lisotta said. But the litigation resulted in a delay in the changeover at perhaps the worst possible time - after Katrina hit. Audubon had been gearing down in anticipation of ending its relationship with LCPI he said." Kevin McGill, "Louisiana 'last resort' insurer target of numerous complaints," *Associated Press*, October 20, 2005.

[8] It should be noted that AIR cannot verify the accuracy of any specific complaint but in each case, AIR attempted to contact the company to obtain a response as well as a company contact number for the policyholder to call for help. In some cases, AIR could not reach a company representative at all, illustrating the very problems that many policyholders were having. In almost every case where contact

FACTS AND LAW: FLOOD VS. WIND

Homeowners policies cover damage caused by wind and wind-driven rain, but contain a provision that excludes coverage for flood damage. Some (about 15 percent in Mississippi and up to 40 percent in New Orleans), but not most, homeowners in the Gulf Region carried separate flood insurance, which is underwritten by the federal government. Immediately following Katrina, the insurance industry was quick to deny responsibility for most of the damage its policyholders were suffering, wasting little time disseminating the message that most damage was flood-related, whether or not it was, and claiming it would not be responsible for this. Other industry spokesmen also consistently repeated that message.[9]

AIR had heard from many policyholders who faced this problem, as the following examples illustrate:

- A woman's home in Lake Shore, MS, which was near the water and elevated on 16-foot posts, was completely destroyed during the hurricane. She says that when she returned the next day there were no signs of water on her property, but her homeowners insurance company, Countrywide Homeowners, still ruled that the damage was caused by flood and refused to pay her homeowners claim. "I figured my whole property would be flooded but as it turned out we had some very severe wind damage and very little water damage, but the insurance company didn't seem to care about that," she told an AIR representative. "They'd already made up their minds."

    - **Company Response:** A spokesperson for Countrywide said that without giving them the name or policy number of the policyholder, they could not comment. She then said, "I'll talk to an executive and we'll see what we can do." She did not call back.

Several policyholders reported that representatives of United Fire Insurance, which also owns Lafayette, Addison, American Indemnity, and United Fire Lloyds, began telling them that the

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was made, the company responded by offering to help the individual policyholder in question, but in no case did the company acknowledge any problem with overall company policy or provide assurance that these problems would not recur.

[9] See, e.g., Kevin Hall, "Tens of thousands in Gulf Coast may be without flood insurance," *Knight Ridder/Tribune News Service*, September 4, 2005, ("'The definition of flood is fairly ironclad. It's essentially water that comes from below. That fact that a government-run levee fails and creates a flood does not create a liability for private insurers,' said Robert Hartwig, chief economist with the Insurance Information Institute in New York. 'I would say in dollar terms, at least among homes, the majority is related to floods.'") ("The Chicago-based Property Casualty Insurers Association of America, whose members underwrite 40 percent of the nation's insurance policies, said many Gulf Coast homeowners were just out of luck. 'There are going to be inevitable gaps in coverage. So much of the damage is caused by flooding and the storm surge,' spokesman Joseph Annotti said.")

company officially declared that the damage and forced evacuations in New Orleans and the outlying areas were solely the result of flooding, even when homes were not damaged by flooding. For example:

- A New Orleans woman says she was told by her insurer, Lafayette Insurance, that the company would refuse her claim for additional living expenses on her homeowners policy because the evacuation was due to flooding – even though her home was never flooded.

- The home of a woman in New Orleans's lower ninth ward, whose elderly father was living alone in the house, was completely destroyed when a nearby levee broke knocking several homes off their foundations, two of which subsequently knocked into her house. Her home was insured by United Fire and, while she had homeowners insurance, a decision had been made the previous year to discontinue the flood insurance – she was told her home was not located in a flood zone. She has been told by representatives at United Fire that the company has decided to only pay her for the damage done to her roof, which promises to yield a very small amount of money. Now left with no other recourse, she says she plans on taking her case to court.

    - **Company Response:** AIR contacted United Fire Group's headquarters in Iowa. The operator transferred the call to someone handling claims, who responded "no comment."

- A Waveland, MS, woman's home had, at one point, up to 5 ½ feet of water in it, destroying most on the contents in the one-story home. The woman, who has homeowners insurance through Met Life, says she was told by her agent when buying her policy that she would not need to buy costly flood insurance because she did not live in a designated flood zone. When she contacted Met Life after the hurricane to file her claim, she was told by her agent that Met Life would be covering only the damage that occurred over the water-line in her home because the damage below the water-line had been ruled to be the result of flooding. "I've got a mortgage to pay off, and but for a few shingles blown off my roof that I might get some money for, I'm basically going to be hung out to dry by my insurance company," she said. "My agent, when I spoke to him on the phone actually had the nerve to say to me, 'Well it's too bad a tree didn't fall on your house because we could give you some money for that.'"

    - **Company Response**: AIR contacted MetLife and was told to call the public relations department in New York. A message was left, but there was no response.

Several lawsuits have already been filed over this issue, including one by the Attorney General of Mississippi against five major insurers in the state in an effort to pre-empt any misuse of so-called "flood exclusions" in dismissing homeowners claims.[10] Mississippi-based attorney

[10] Kathy Bushouse, "Mississippi landmark suit to decide insurance liability of Katrina storm surge," *Knight Ridder/Tribune Business News*, September 27, 2005.

Richard "Dickie" Scruggs, whose own house was destroyed by Katrina, also has filed suit challenging the insurers' position on flood exclusions. He has assembled a team of attorneys from six firms to bring the case against five of the major insurers operating in the state.[11] In mid-December 2005, Scruggs also filed suit on behalf of his brother-in-law, Senator Trent Lott (R-MS) and wife Tricia. The case is against State Farm over the firm's refusal to cover the loss of their Pascagoula, MS home. (Ironically, Sen. Lott has long been at the forefront of attempts by the U.S. Congress to limit the ability of individuals to sue insurance companies in court.)[12]

It seems clear that the industry's legal position flatly denying some of these claims will not hold up in court. And many cases will turn on individual fact situations. For example, as the above examples show, many houses were completely destroyed by the combination of the hurricane winds and rain, and hurricane-caused floods. Houses that were not completely destroyed may have been damaged both by winds and by the hurricane-caused floods. In many cases the hurricane winds likely weakened a house so that the hurricane-caused floods did more damage than they would have done had the house not been weakened directly by the hurricane. Areas on the Mississippi coast that were far above sea level - and not in flood zones as defined by FEMA- endured many hours of hurricane winds before a storm surge finally flooded these areas. And even in New Orleans, which suffered the most devastating damage due to the levee's bursting, prolonged exposure to hurricane winds initially weakened homes, as well.

As Tim Destri of the National Weather Service told the *Biloxi Sun-Herald*, "'It's always the wind no matter what insurance (companies) try to tell people. You almost always get some damaging winds before the water starts coming.'"[13]

Insurance companies say that because homeowners policies contain an exclusionary clause for flood damage, such exclusions render all water damage outside the limits of the policy, even if wind is a cause of the damage. This is an incorrect interpretation of the law. Courts have said that where damage is caused by both a covered peril (wind) and an excluded peril (flood), the question will turn to which peril was the "dominant" or "efficient" cause of the damage.

After Hurricane Camille in 1969, Mississippi's highest state court affirmed that "it is sufficient to show that wind was the proximate or efficient cause of the loss or damage notwithstanding other factors contributed to the loss."[14] In this case, and two companion cases reviewing the same issue, jurors found the insurers liable. These three Mississippi cases following Hurricane Camille were, as these cases will be, very fact intensive. Two of these cases involved total losses

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[11] Anita Lee, "Big Tobacco Nemesis Takes On Katrina Insurance Policies," *Knight Ridder Newspapers*, December 4, 2005.

[12] Bob Kemper, "Senator who lost his home sues insurer," *Knight Ridder/Tribune Business News*, December 16, 2005. Another class action on behalf of all Mississippi coastal residents against State Farm has also been filed. Anita Lee, "State Farm Sued by Biloxi Attorney," *The Sun Herald,* January 5, 2006.

[13] Anita Lee, "Wind Or Water? The Debate Rages, But Who Will Pay? Property Owners Must Take What's Offered, Or Fight Back," *The Sun-Herald*, December 21, 2005.

[14] *Grace v. Littitz Mutual Ins. Co.,* 257 So.2d 217, 224 (Sup. Ct. Miss. 1972).

and one involved a partial loss.[15] In both cases of total loss, the insurers were made to pay the entire amount of the claim. In the partial loss case, the insurer was ordered to pay the amount of total damages.[16] In one case, even though there were water marks on the walls (a fact some insurance adjustors have pointed to as proof of flood damage and therefore excluded), a jury found that prior to the tidal waters rising, the damage had been sustained by wind-driven rain which entered the house through openings created by the wind.[17]

Another legal issue that policyholders may win concerns the ambiguity of some insurance clauses. Ambiguous policy language is usually construed in favor of the policyholder, since it is drafted by the insurer and presented to the consumer on a take-it-or-leave-it basis. For example, in Mississippi, as Senator Lott's case seems to illustrate, many policyholders were asked to sign "hurricane endorsements" with clearly labeled "hurricane deductibles," while at the same time, flood damage connected to hurricanes was purportedly excluded elsewhere in the policy. Hurricane deductibles are usually for some percentage of the property value. This misleading language was often compounded by the fact that the flood exclusion was never explained to the policyholder, or that many people were told by their insurance agents that they did not need to purchase federal flood insurance because their homes were not in flood zones.

AIR Hotline calls illustrated this problem. For example:

- A woman from New Orleans who had homeowners insurance with State Farm says that when she bought her insurance years ago, her agent encouraged her to pass up on buying flood insurance explaining that it was very costly and that she did not live in a "flood-zone." Her home was flooded. Water levels at one point were above her roof. "They made it seem like I could pass up on buying flood insurance and I'd be getting a deal," she recalled.

    - **Company Response:** State Farm spokesman said that State Farm deals with each claim on a case-by-case basis and that if a policyholder has any problems that they should contact their agent or adjuster. AIR contacted the policyholder and gave her State Farm's phone number.

- The water-level in a Waveland, MS, woman's home had reached as high as 14-feet, completely destroying the structure. While she was devastated by the loss, she initially took comfort in the fact that for years she'd been paying homeowners insurance and she knew her policy specifically covered hurricane damage. However, when her insurance carrier, Mississippi Farm Bureau, finally got around to investigating her claim, she was told that the company would be ruling the damage to all be the result of flooding, which wasn't covered under her homeowners policy. Mississippi Farm Bureau rejected her homeowners claim and because she did not have flood insurance, she was told that she would not be able to recover any money. "It's ridiculous," she said. "I was told I didn't

[15] *Grace*, 257 So.2d 217; *Lititz Mutual Ins. Co. v. Boatner,* 254 So.2d 765 (Sup. Ct. Miss. 1971).
[16] *Commercial Union Ins. Co. v. Byrne,* 248 So.2d 777 (Sup. Ct. Miss. 1971).
[17] *Ibid*.

live in a flood zone, I was never offered flood insurance, I had homeowners and I thought that was all I needed to have."

Ironically, FEMA announced in November that it had "run out of funds to cover flood insurance claims and, in an unprecedented move, has stopped payments to policyholders…until Congress says the agency can borrow more money."[18] While the crisis created by our country's inadequate federal flood insurance policy needs to be corrected (see section below, "Other Reforms"), it is equally clear that the existence of a flood exclusion clause in a homeowners insurance contract, especially when contradicted by other sections of the same contract, does not and should not release the insurer of all liability. This is especially true where wind and rain caused damage, where policies are ambiguous, or where policyholders may have been misled. Insurance companies were aware of the law when they drafted their contracts and they should pay for all claims due under the law.

[18] Kathy Chu, "FEMA halts flood insurance payments," *USA Today,* November 17, 2005.

OTHER PROBLEMS CREATED BY THE INSURANCE INDUSTRY FOR KATRINA AND RITA VICTIMS

Failure To Send Insurance Adjusters, Approve Contractors Or Send Living Expenses

Immediately upon setting up the hotline, AIR began receiving calls from Louisiana and Mississippi residents involving a variety of companies who would not send insurance adjusters, were refusing to pay living expenses, or generally were giving bad information to policyholders. This was due, if not to company policy, then to companies' seemingly poor communication with claims representatives. Some of these individuals eventually began receiving help, either from their carriers or from the federal government, but it was often only after direct pressure or exposure of their stories by AIR.

For example, shortly after the Hotline was established, one Louisiana resident reported to AIR that on-the-ground representatives at Travelers had told her 78-year-old mother, a New Orleans resident whose home was flooded, that she would have to travel to Baton Rouge, LA or Gulfport, MS to pick up the check owed to her for "additional living expenses." After she called the AIR hotline, AIR mentioned the situation on national television. After that TV appearance, Travelers called AIR to say that its vice-president overseeing the Gulf Coast situation would personally ensure that this did not happen again. While it is unclear to AIR if the caller's mother was the victim of company policy or the company's poor communication with claims representatives, AIR issued a news release congratulating Travelers for saying they would correct the mistake.

Other examples where Katrina victims seemed to finally get some response, but only with AIR's assistance, include:

- A disabled veteran who was forced to evacuate and who had homeowners and flood insurance through USAA, could not get a check to pay for his living expenses under his homeowners policy. Instead, he was being told to keep receipts. The company would not send an adjuster to his home or pay him any expenses until he returned to his home, which he could not do.
    - **Company Response:** AIR contacted USAA. After several back and forth conversations, the USAA corporate representative offered to speak to the policyholder directly. AIR gave the policyholder a number to call, which he did. He reported that at that point the company changed its tune on some issues, saying it would pay expenses, and that he must have been originally "told wrong information" by the USAA representative.
- A woman from Hammond, Louisiana was reduced to spending most nights in a tent in front of her house that sustained serious wind damage, partially collapsing the roof. It took her a full two weeks to get through to her insurance carrier, Third Millennium Insurance, and after having placed an initial claim, she was again unable to get in touch

with anyone to assess the claim's status. "I didn't know what I was going to do," she said of her situation in the months following the hurricane. "I'd been paying my bills on time all these years and then when I need the money they [Third Millennium] were nowhere to be found." Not until her story was reported on the *Newshour with Jim Lehrer* did things begin to improve as she received a phone call from FEMA immediately after the broadcast aired.[19]

- **Company Response:** AIR was unable to reach a representative from Third Millennium's office in New Orleans due to continuously busy circuits. AIR called to the Louisiana Department of Insurance to find another way to contact Third Millennium and was given two email addresses. AIR's emails were not returned. AIR called again weeks later but the number was disconnected. Further emails sent to the company were again not returned.

Other problems have not been so successfully resolved, or at least the outcome not as clear:

- A Louisiana woman flew in contractors to work on her severely damaged home. A State Farm adjuster was supposed to have come to her home to assess the damage, but abruptly quit, and she says State Farm will not pay a claim if any work is done to the home prior to an adjuster seeing it. She then had trouble tracking down her new adjuster and State Farm would not give her the adjuster's cell phone number. The contractors came to the house but were unable to begin working on her home.

  - **Company Response:** State Farm stated that it would be difficult to comment without having this individual's name and again offered to speak to the policyholder directly. AIR called the policyholder back to relate the offer, and gave her a phone number to call.

- An elderly New Orleans woman could not get any answers from her insurance carrier, United Fire, as they continually transferred her phone calls for weeks. She spent over a month in a shelter where she became extremely ill and ran out of what little savings she had, going without the aid of her "loss of use" funds which she was due.

  - **Company Response:** AIR contacted United Fire Group's headquarters in Iowa. The operator transferred the call to someone handling claims, who responded "no comment."

Allstate Problems

Allstate seems to have been the recipient of an unusual number of complaints. In fact, on October 7, 2005, acting on a petition filed by the Texas Attorney General and Insurance Department, a Texas court ordered Allstate " to obey the law and start covering the living expenses of its Texas policyholders who were displaced by Hurricane Rita.…The insurance

[19] *The NewsHour with Jim Lehrer: Wind or Water Damage Affects Claims* (PBS television broadcast, Sept. 27, 2005).

department said it had received scores of complaints from Allstate customers. A spokesman for the insurance department said Allstate has refused to cover 'additional living expenses' - such as hotel or motel charges - for families displaced by Hurricane Rita."[20]

The AIR hotline has received similar complaints about Allstate from Louisiana and Mississippi residents:

- A Louisiana woman had been trying to get an adjuster to come to her home for over a month after the hurricane but had no luck in getting suitable answers from her homeowners insurer Allstate. She said that many people in her area were having the same problem with Allstate. Allstate had assigned her an adjuster, but this adjuster had not returned calls or been responsive. "I called and called and called," she said. After having to go ahead and have her roof fixed and having other repairs done to the house prior to her adjuster's visit, she is concerned that she will not be properly reimbursed. An adjuster finally came in November but they are still working on her case. She says that Allstate told her that they needed new software in order to work quicker, and she noted that this has taken "way too damn long."

- A New Orleans woman was repeatedly told by Allstate that they've sent out the checks due her but she did not receive them. When she has pressed Allstate representatives on what dates the checks were sent she was told a different date every time leading her to believe that they are simply stalling in paying out the large sum she is due. This went on for at least two months.

- A woman's home in Harvey, LA sustained severe roof damage, effectively making the home unlivable until she could get a new roof. After receiving her initial check for living expenses from her homeowners insurer Allstate, she was unable to speak to anyone at the company regarding the status of her claim and was therefore unable to go forward with roof repair. In the meantime, Hurricane Rita further damaged her home. For weeks, Allstate had been unable to tell her when she could expect an adjuster to visit her home. "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," she explained.

- A woman from New Orleans whose home suffered significant roof damage says she had been told multiple times by representatives at her homeowner insurer Allstate that they had sent her temporary living expenses. For four weeks, Allstate representatives repeatedly told her that they would overnight the check to her family members' home where she was staying, but the check did not arrive. "I could never get the same person on the phone," she said. "Every time I got through to their offices it was like I had to start the whole process over again."

- The roof of a Houma, LA woman's house was blown off. In an effort to minimize the damage, she tried to get an adjuster out to her home for an assessment for several weeks

[20] Terrence Atutz, "Allstate ordered to cover expenses of Rita evacuees; insurer promises to oppose judge's ruling at Oct. 20 hearing," *Dallas Morning News,* October 8, 2005.

after the storm, but while she was repeatedly told by her homeowners insurer Allstate that an adjuster would visit her property within 72 hours, no one came for several weeks. Before the adjuster made it to her property she had three contractors give her estimates on what it would cost to repair the damage she had sustained. When an adjuster finally came and presented her with the total amount that Allstate was willing to provide her, it was only half of the amount of the estimates she had received. As a result, she has been forced to dip into her savings to pay for the reconstruction. "With all the back and forth I feel like I lost 20 years of my life trying to deal with Allstate insurance," she said.

- When a Gulfport, MS man finally closed on his home in May of 2004, he decided on purchasing homeowners and flood protection insurance through Allstate and filled out the necessary paperwork for both. However, after filing his homeowners and flood claims in the wake of Katrina, he was told that while there was a record of his requesting flood insurance there was no record of his being granted flood insurance. He is told that he will recoup nothing for the extensive damage to his property.

- An elderly Pass Christian, MS man and his wife, who has recently been diagnosed with breast cancer, initially had a terrible time getting their "loss of use" funds from Allstate. Their home had been completely wiped out by the storm and they were forced to move into a temporary residence, putting a strain on them financially. Months later, they have received the final assessment from Allstate, only offering them one-quarter of the amount of their total homeowners and flood polices, despite the fact that their home had been completely wiped out. Out of desperation they decided to accept the reduced amount on their flood payment, but have decided to retain an attorney to challenge this decision.

- A Bay St. Louis, MS, man was told that it was "case closed" as far as his homeowners claim with Allstate is concerned. The damage to his home was declared entirely the result of flooding despite the fact that two separate inspections of his house showed a waterline of only 8 and 10 inches respectively and the fact that there is a hole in his roof from a tree falling on it.

- A New Orleans woman's home in the lower ninth ward was heavily damaged by Hurricanes Katrina and Rita. While she received a $2,500 advance from her home insurer State Farm just weeks after the first storm, the insurer servicing her flood insurance, Allstate, repeatedly put off sending her the advance check she had been promised. In the month following Hurricane Katrina she burned through all of her savings and was reduced to spending some of her evenings sleeping in her car. It was over a month before she received the advance she had been promised from Allstate. Now, four months after the storm, she has had adjusters out to her property but has not received any compensation from her insurers and is struggling to get by on her savings. She told AIR, "I haven't paid premiums to two companies all these years to be starving, struggling, and homeless."

    - **Company Response:** These and other stories were reported to an Allstate spokesperson who said that it would be inappropriate for him to discuss Allstate

policyholders' problems with a third party. He said, "I can tell you, I am not going to discuss people's private matters with you…or the press." He also said that it would not be practical to discuss these cases because they are only partial facts and not the whole story. He stated that Allstate stands ready to deal with all of their customers directly. AIR called Allstate headquarters again and a representative gave a phone number for aggrieved policyholders to call. AIR contacted these policyholders and passed along the phone number.

LCPI/FAIR Plan

As was previously stated, AIR estimates that over two-thirds of the calls to the Katrina Insurance Hotline were from policyholders who have coverage with the Louisiana Citizens Property Insurance Corporation (LCPI). Louisiana Citizens is the fourth-largest insurer in the state, covering 8 percent of the market.[21] LCPI was set-up in 2003 as a state-sponsored "insurer of last resort," taking over the "FAIR" or Coastal plan in Louisiana, to provide insurance to those who could not get homeowners coverage from the private market.[22] Mississippi has a similar FAIR Plan called Mississippi Windstorm.[23]

Audubon Insurance, a subsidiary of international insurance giant American International Group (AIG**),** had the contract to administer LCPI policies through Hurricane Katrina and is handling those claims. In early October 2005, a class action lawsuit was filed in Louisiana against Audubon/AIG, alleging various failures to policyholders. Another lawsuit, seeking class action status, has also been filed against Louisiana Citizens Property Insurance Corp., alleging failures to meet the state mandated 30-day deadline requirement for adjusting the nearly 24,000 homeowners claims in Jefferson Parish.[24]

While Audubon has not commented on the suit publicly, Louisiana Property Insurance Corporation chief executive officer Terry Lisotta noted that Audubon's decision to wind down operations after losing its contract to service LCIP's plan soon after the hurricane struck may have been a contributing factor in the long delays many policyholders have faced.[25]

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[21] Dean Starkman, "State Insurers Billing Many for a Risky Few," *Washington Post*, October 14, 2005.
[22] Kevin McGill, "Louisiana 'last resort' insurer target of numerous complaints," *Associated Press*, October 20, 2005; Dean Starkman, "State Insurers Billing Many for a Risky Few," *Washington Post*, October 14, 2005; Ted Griggs, "Firms still tussling about claims work," *Baton Rouge Advocate*, April 20, 2005.
[23] "Created by state lawmakers in 1987 in response to the lack of comprehensive homeowner and property damage insurance coverage available on the Coast, the Mississippi Windstorm Underwriting Association, commonly known as the wind pool, is funded through the sale of wind and hail policies." "Weathering the storm: How businesses can guard against hurricane damage," *Coast Business-Gulfport,* June 30, 1997
[24] Greg Thomas, "Pair sue state Citizens insurance; They say it failed to settle claims in time," *The Times-Picayune*, November 22, 2005.
[25] According to the *Associated Press*, "LCPI chief executive officer Terry Lisotta said a major reason for the problems has to do with a change in companies who run the program. Audubon Insurance was the initial administrator. But [Louisiana Citizens Property Insurance Corporation] put the job up for bids

The following are some examples of LPIC/FAIR Plan policyholder calls to AIR's hotline:

- A woman who was forcibly evacuated from her residence was told that she would not receive living expenses under her policy with LCPI/FAIR Plan until an adjustor came to her house. However, whenever she called the LCPI/FAIR Plan's Katrina Claims Hotline, she was never given even a broad estimate of when that would be. Nearly four months after the storm, her adjusters have changed multiple times. There is no indication of when she will be compensated for her losses. "I'm lucky that my damages aren't nearly as bad as a lot of people's," she told AIR. "But I have to say from personal experience that the FAIR Plan is an atrocious company, it has been terrible trying to get any answers from this people. They never return your phone calls, they just about laugh at you when you get through to them and it just seems like they're incompetent."

- An elderly New Orleans resident, who has been living near family in Nebraska since the storm devastated her home, had been unable to get any answers from LCPI/FAIR Plan representatives for over four months. After calling the LCPI/FAIR Plan's Katrina Claims Hotline repeatedly without any response, she was finally told that an adjuster would be sent to her property in New Orleans on November 30th, so she made the trip and met with him at her home. After he made his assessment he told her that she would be hearing from someone within two weeks. Almost a month later, she has heard nothing from either the adjusting firm or her insurer. She said that she is completely unable to get anyone on the phone at the LCPI/FAIR Plan other than the Hotline operators and is slowly running out of what little savings she had. "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," she told AIR.

- A New Orleans woman whose home suffered severe roof and structure damage during Hurricane Katrina, was forced to wait over two months before her homeowners insurer, LCPI/FAIR Plan, sent an adjuster to her property. When, in early December, she finally received a written estimate on her claim, the figure was so low it would not even cover the cost of the new roof that was needed. The assessment made no mention of the contents of her home that were destroyed by the rain water. She has since filed a formal complaint with the state insurance commissioner and hired a public adjuster in hopes of disputing the LCPI/FAIR Plan's assessment.

- A Huckberry, LA woman was unable to file a claim with LCPI/FAIR Plan for over a month after the hurricane struck. Her home was severely damaged by Hurricane Rita to the point of being unlivable but whenever she called the LCPI/FAIR Plan's Katrina Claims Hotline to complain that she'd still not been contacted by any FAIR

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earlier this year, eventually awarding the contract to three companies: MacNeill Group, Bankers Insurance Group and First Premium Insurance Group. But Audubon and another bidder challenged the decision in court. 'We won,' Lisotta said. But the litigation resulted in a delay in the changeover at perhaps the worst possible time - after Katrina hit. Audubon had been gearing down in anticipation of ending its relationship with LCPI he said." Kevin McGill, "Louisiana 'last resort' insurer target of numerous complaints," *Associated Press*, October 20, 2005.

representatives, she was told to call a different number. When she finally got through, she was told that she is "not in the system." She told an AIR representative, "When it's time to send a bill I'm in their system, but not when I need something from them. That's not right." Months later, they finally sent an adjuster, but as of a few days before Christmas, she was yet to receive the check.

- An elderly New Orleans woman had substantial portions of her home destroyed by Hurricane Katrina, including her roof when a large tree fell on it. Since the storm, she has had continued problems with the LCPI/FAIR Plan. LCPI/FAIR Plan representatives have repeatedly promised her an advance check for living expenses, but nearly four months after the storm she still had received nothing. She has been called on two separate occasions by adjusters who have been contracted to adjust her claim by the LCPI/FAIR Plan. The second adjuster said that she had visited her property and that she was recommending that the LCPI/FAIR Plan provide $7,900 in damages, which sounded extremely low to the policyholder given the extent of the roof damage and the possible structural damage which resulted from the tree's collapse. She has still not received an official estimate and is currently staying at an extended stay hotel in Houston, with no access to the "loss of use" funds she is due to receive.

- A Terrytown, LA man's home suffered severe damage in Hurricane Katrina. One day after the storm hit he filed a claim with LCPI/FAIR Plan, and was told that a LCPI/FAIR Plan representative would be getting back to him within 72 hours. As of six weeks later he still had yet to hear back from anyone. His wife gave birth to a baby in late September and they were forced to move back into their home despite the signs of structural damage which they have been unable to fix. He was finally able to get an adjuster out to the house more than three months after the storm, but while he was told by the adjuster that he would be contacted within two weeks of his visit, he was not. He is still yet to receive any compensation.

- A New Orleans woman lived in her home for over 30 years before it was destroyed by Hurricane Katrina. After filing a homeowners claim with LCPI/FAIR Plan via their Katrina Claims Hotline on September 9th, she was unable to get through to any of the group's representatives to check on the status of her claim for nearly three months. When an adjuster was finally sent out to her property, he told her repeatedly that she was not covered for any of the contents of her home under her homeowners insurance. After finally getting through to a LCPI/FAIR Plan representative following the adjusters visit, she expressed concern that her contents, which were completely destroyed, were not going to be covered as was stated on the preliminary report that her adjuster provided her. They then said that given her concern they would be placing her case "under review" and that this may delay any payments that she would be receiving. "I know people who didn't have any insurance at all and they're better off than me," she said. She has still not received any money from the LCPI/FAIR Plan, including her "loss of use" funds.

- A New Orleans woman whose home was hit hard by Hurricane Katrina was forced to wait over three months before her homeowners insurance, LCPI/FAIR Plan, sent an

adjuster to her home. The storm left her with significant water damage, which has resulted in a massive amount of mold in the interior of the home, which has gotten progressively worse as she's been unable to have the house repaired while awaiting an adjuster's visit. Nearly a month later, she has been unable to get a LCPI/FAIR Plan representative on the phone to check on the status of her claim and has not received any information from her adjuster or his agency. She has never been offered "loss of use" funds.

- A Gonzales, LA, woman had to file and re-file her homeowners claim with LCPI/FAIR Plan repeatedly through the months of September and October because every time she called she was told that the claim number she had previously been given was invalid. Finally, in early December she was contacted by an adjuster who visited her property to assess the damage and promised that she would be called in two weeks with a final estimate. When she wasn't called she decided to visit the LCPI/FAIR Plan headquarters in Baton Rouge where she was told that they had no information on the status of her claim and she'd need to talk to the service provider, Audubon. They gave her the number of the LCPI/FAIR Plan's Katrina Claims Hotline, which she had been calling for months**.** "This just never ends," she said. Four months after the hurricane, she had still not received any compensation.

    - **Company Response:** When AIR called AIG headquarters for comment in late September they were told to call the LCPI/FAIR Plan's Katrina Claims hotline. AIR called the hotline and was told that there was no comment from that office and to try Louisiana Citizen's main office. AIR called multiple times and received a busy signal. AIR had earlier called Audubon's Baton Rouge office which had calls for the LCIP/FAIR Plan directed to different numbers by electronic message. AIR again tried to contact AIG's corporate headquarters in late December regarding the high volume of complaints that had been received. This time the call was returned and the idea of setting up a special system to expedite the processing of hotline callers' claims was discussed. Soon after, AIR received an email from an AIG representative suggesting that policyholders should instead just continue to call the LCPI/FAIR Plan's Katrina Claims Hotline for answers regarding any problems they are encountering.

INSURANCE INDUSTRY RESPONSE TO KATRINA AND RECOMMENDED REFORMS

Immediately after Katrina, while people were still be rescued, insurers were already discussing how they might profit off the tragedy. At a September 7, 2005, industry conference, insurance officials were reportedly heard saying, "[O]ur loss will leave us with enough capital to really thrive in the *market opportunity* that's going to follow at Jan. 1" (emphasis added) [26] and "[w]e think there's a lot of profitability left in the cycle, and we think that the hurricane will in fact extend that."[27]

Insisting that the 2005 hurricanes financially hurt the industry, insurers have been indicating that huge industry-wide rate hikes and cutbacks in coverage were to come. According to the *Washington Post*, "Evan Greenberg, chief executive of Ace Ltd., a large Bermuda-based commercial insurer, recently said Hurricane Katrina was a 'market-changing event' that would require price hikes in sectors beyond property insurance. He said rates for covering the marine and energy industries were already rising. 'Ultimately, the effect of these events will be felt worldwide.'" Robert Hartwig with the Insurance Information Institute said, "'There's no way an insurer can operate in an environment like that and assume it's business as usual.'" [28]

It now seems that the property/casualty insurance industry's profitability for 2005 will be extraordinarily high even with hurricane losses. In an article from the January 2, 2006, *National Underwriter* entitled, "Despite Disaster Losses, Industry Profits Higher Through Nine Months," the paper reported on a study from the Insurance Services Office and the Property Casualty Insurers Association of America that said, "Through nine months, net income rose 4.4 percent to $28.8 billion, and the year-to-date combined ratio—at 100—was the second best nine-month ratio on record.… In a commentary published in conjunction with the figures, Robert Hartwig, senior vice president and chief economist for the Insurance Information Institute in New York, noted that the $20.4 billion surplus increase—attributable mainly to the $28.8 billion of net income and to new capital of $6.3 billion—'was not expected' in the wake of this year's hurricanes. … Commenting on the combined ratio result, Mr. Hartwig characterized it as 'uncanny,' adding that the 'surprisingly low' level stands as 'stunning proof of the resilience of the industry.'"

These results come on the heels of sky-high profits for the industry. According to the Insurance Services Office, after-tax profits for the property/casualty insurance industry for 2004 were $38.7 billion. ISO estimates Katrina losses will total $34.4 billion and Rita losses at $4 to $7 billion. The high estimate for the two storms is $41.4 billion or $26.9 billion after being lowered by the corporate tax rate of 35 percent. And of course, the federal government is covering flood-related

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[26] Jeff Radke, PXRE CEO, during a presentation at the September 7th Keefe, Bruyette & Woods Insurance Conference in New York City.

[27] William Berkley, CEO of Greenwich, Connecticut-based specialty insurer and reinsurer W.R. Berkeley Corp., at the September 7th Conference.

[28] Dean Starkman, "The Cost of Insurance; Firms Warn of Steep Premium Increases After Record Claims From Hurricanes," *Washington Post*, November 8, 2005.

Katrina losses through FEMA's National Flood Insurance Program (NFIP). The Consumer Federation of America has estimated that 2005 was the third greatest profit year in the property/casualty industry's history, despite the hurricanes of 2005.

In light of these results, state officials need to take steps to ensure that insurance companies do not take advantage of their policyholders, walk away from Gulf Region, threaten to do so as leverage to try to raise rates excessively, or otherwise profit from this tragedy with anti-consumer practices. Clearly, some government intervention is necessary.

Moratorium

On September 16, 2005, Consumers Union and the Consumer Federation of America sent a letter to the insurance commissioners of Louisiana, Mississippi and Alabama, recommending certain actions to protect policyholders from anti-consumer responses to Hurricane Katrina. The first problem the groups predicted would be threats by insurers to pull out of these states. They noted, "You will recall that, after Hurricane Andrew, Allstate Insurance Company threatened not to renew policies for 300,000 Florida families. This created a crisis, as insurers were not taking on new business at the time. Where were these 300,000 households to go to get insurance? The legislature wisely imposed a moratorium on cancellations and non-renewals of homeowners' insurance policies to give the state time to develop a plan for insuring homes that could not get or keep private insurance. I encourage you to urge your legislatures to be ready to act should you determine that insurers are beginning to pull back in your states."

There has never been a response to these consumer group letters.

Shortly after the consumer group letter was sent, the Louisiana Department of Insurance issued emergency rules "prohibiting insurance companies from canceling or non-renewing policyholders in storm-impacted counties Louisiana."[29] However, state Insurance Commissioner Robert Wooley was recently quoted as saying, "One of the side effects of Katrina is that a number of insurers are either pulling out of the state or restricting coverage to inland areas."…. With less coverage available in the regular market, more homeowners will seek coverage in the future from Citizens' program. 'We are going to have a huge increase in the number of policies at Citizens,' Wooley said."[30]

Freeze Rates

Another problem is the possibility of insurers using the hurricane as an excuse to unfairly raise rates even though the property/casualty insurance industry is extraordinarily profitable. In addition, the damage from these hurricanes was modeled, planned for, and paid for by

[29] NU Online News Service, Sept. 21, 2005.
[30] Robert Travis Scott, "Homeowner insurance bills to soar in state; Bailout required for disaster fund," *Times-Picayune*, December 16, 2005.

homeowners' premiums, and rates should not rise because policyholders are being paid their legitimate claims. Specifically, in the wake of Hurricane Andrew, insurers changed the way they set prices for hurricane coverage. In lieu of using the prior 20 to 40 years of recent history to set the prices by state, the industry adopted scientific modeling. These models project, by segment of the coastline called "reaches" - the anticipated storm damage for different category hurricane storms. The projections are for at least 10,000 years of virtual "experience" based on the best hydrological, meteorological, actuarial and other inputs available.

One of the advantages of this approach is that the 10,000 years of projected experience includes periods of many and very large hurricanes (like a category 5 storm making a direct hit on Miami and causing $200 billion of insured loss) and also periods where no hurricanes make land fall on our nation's coasts. This means that the absence of storms for a decade will not lower rates as this is anticipated in the results projected by the models. Also, the happenstance of multiple storms in a state in a year or a large hit like Katrina should not raise rates as this is likewise anticipated in the modeled projections. A specific storm should only impact rates a bit, if at all, by supplying new information on topography, hydrologic and other inputs on a few reaches of the coast.

Unfortunately, all Louisiana homeowners have been told they must face a one-year, 15 percent increase in their property insurance in 2006 to help bail out LCPI/FAIR plan. In addition, because the storm caused so much damage, homeowners statewide will pay a so-called emergency premium on their coverage for up to 25 years to pay off a loan to cover all the claims. That amount could be up to 20 percent more than the current rates."[31] This is in addition to rate hikes that private insurers may also impose.

In their September 16, 2005, letter, Consumers Union and CFA urged insurance commissioners "to freeze home insurance prices at this time in reaction to what may be a short-term non-competitive market." The letter continued, "We supported the industry's move to models after Andrew as appropriate, as long as the government had the ability to see the models, test the assumptions, ensure the models did not have an unfairly discriminatory outcome, and so forth. However, we do not think that another major rate increase would be justified at this time because a major loss occurred, since such a loss is already accounted for in the model and the rates that homeowners have already been paying. Fortunately, the property/casualty insurance industry is in a period of record profitability, and any market dislocation should be short, so the need for a pricing moratorium should likewise be brief."

As noted above, there has never been a response to these consumer group letters.

Other Reforms

Regarding insurers' poor handling of many Katrina and Rita claims, the states of Louisiana, Mississippi, Alabama and Texas should immediately undertake market conduct examinations to determine if insurers have been engaging in unfair claims practices in violation of state law.

[31] Robert Travis Scott, "Homeowner insurance bills to soar in state; Bailout required for disaster fund," *Times-Picayune,* December 16, 2005.

In addition, the Consumer Federation of America (CFA) has recommended a number of reforms to improve the National Flood Insurance Program (NFIP). According to CFA, Katrina revealed clearly that too many new structures in high-risk areas are being built and the penetration of flood insurance in at-risk areas under the NFIP is very low. Too many Americans who live in flood plains are not insured for the flood risk.

In Katrina's case, this was largely the fault of outdated flood maps with designated "flood planes" that were far too small.[32] In fact, that some of these maps remain decades out of date is a crisis of national proportions, since these maps are used both to regulate building in flood plains and to define who is required to buy flood coverage. Thus, on the Gulf Coast, people who thought they were safe and did not need flood insurance were misled. Worse, new construction would have been built at elevations far too low, risking life and property. Finally, the low elevations let people buy what amounted to subsidized flood insurance, a subsidy not authorized by Congress.[33]

Congress should require FEMA to obtain updated flood maps no later than January 2007.

The NFIP also allows insurers to charge too much for servicing insurance policies without assuming any financial risk. Some insurers even get windfall payments for commissions when no agent is involved.

To improve some aspects of the NFIP, CFA recommends:

- Mitigation measures that prohibit construction in extreme risk zones and control construction in all other risk zones.

- Actuarial rates should be charged for each property, without subsidies, and disclosed at the time of sale so that people buying unsafe structures have fair warning. This will make it difficult for some low and moderate-income households to afford catastrophe

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[32] See, e.g., http://www.fema.gov/hazards/floods/recoverydata/maps/katrina_ms-h7.pdf. This is the map of a portion of Mississippi's Hancock County, showing the base flood elevation to be 9 feet. In fact, the Katrina storm surge was twice that: 15-20 feet. And the new advisory base flood elevation is 18-27 feet. This map should have been updated before Katrina. As the *New York Times* reported on January 6, 2006, "A keystone of the flood program was the creation of maps that delineated danger zones. The maps were supposed to be updated at least every three to five years. But many of the Gulf Coast maps were 10 to 20 years out of date when Hurricane Katrina hit. During that time, new roads, parking lots, homes and businesses had transformed the landscape, causing floodwaters to rise higher and extend much further inland than indicated on the maps. 'The flood plain is like a bathtub,' said J. Robert Hunter, the director of insurance at the Consumer Federation of America and one of the early chiefs of the federal flood insurance program. 'You put a bunch of buildings in the flood plain and the water level goes up. It's just like somebody sitting down in a bathtub.'" Joseph B. Treaster and Cornelia Dean, "Federal Flood Insurance Program Is Itself Under Water," *New York Times*, January 6, 2006.

[33] *Ibid.* ("Because the maps were integral to setting premiums, the coverage was further underpriced.")

insurance so it will be necessary to establish a program to help these consumers afford insurance payments.

- The General Accountability Office should monitor compliance on an ongoing basis.

- The federal government should invest in loss prevention instead of spending money after a catastrophic event occurs. It should provide grants and loans to state and local governments to carry out mandatory loss prevention activities and should provide loans to consumers and businesses for loss prevention investments and retrofits.

CFA recommends that all at-risk properties in the nation should be insured for all risks. That means:

- Insurance must be required on all properties to achieve maximum spread of risk and to ensure that uninsured properties do not exist after a catastrophic event.

- Insurance companies writing property coverage in the nation must be required 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.

TIPS FOR DEALING WITH YOUR INSURANCE COMPANY IN A DISASTER

Consumer groups recommend that people whose homes are damaged in disasters like Katrina take certain steps to try to help ensure that they are treated fairly by their insurance carrier. For example:

Take Notes And Document Everything You Can

Try, at once, to make a list of your possessions. If at all possible and as soon as you can, obtain a repair estimate from a trusted local contractor to use as a guide in talking with the insurance company's adjuster. Keep receipts from emergency repairs and any costs you incur in temporary housing. This may be reimbursable under the "loss of use" portion of your homeowners' policy.

Keep a journal of all of your contacts with or attempts to contact your insurance company. If they will not return your phone calls, fail to show at a scheduled appointment, or even if they are rude to you, write this down in a notebook. Log every conversation that you have with them. This could come in handy if you need to file a complaint or later need to talk to an attorney.

Be Careful What You Sign

Under your homeowners policy, you are likely entitled to money up front for living expenses, such as hotel costs if your home is uninhabitable. When it comes time for your insurance carrier to send you these funds, they may ask you to sign a document which says that these will be your final payment. Do not sign if you think or know that you are entitled to more.

Ask For Proof

If your insurance company tells you that your policy does not cover the damage that occurred or you feel that the offer is too low, ask for proof. The burden is on them to point out the part of your policy that states what they are saying is correct. If it turns out that the company has slipped in a new limitation in your policy that you don't know about, and believe you were misled, you may have grounds for legal action.

You gain two important things when they write to tell you this information: (1) later, insurers cannot come up with new reasons to deny your claim or make too low an offer, and (2) if the section of the policy they point out to you does not clearly say what they claim is a good reason to deny or cut your claim, you can then go to court. Any ambiguity will be held against the insurer and a court will tell a jury to accept your interpretation, so long as that is reasonable.

Complain If Necessary

If you are having problems with your insurance carrier such as telling you that they do not cover the damage, making a low offer or not being responsive or courteous - complain. Ask to speak

to the most senior staff member in the company. Complain to your state insurance department or Attorney General. This is where taking good notes will come in handy.

CONCLUSION

As AIR co-founder and former Federal Insurance Administrator and Texas Insurance Commissioner J. Robert Hunter put it, "Normally at this stage of a hurricane, the normal cycle, we would see almost no complaints and no lawsuit discussion. Things usually go very well for the first month or two. It's six months out you start to hear complaints. And this time we're hearing complaints very early and discussion of lawsuits very early. It's not working well for the insurance companies on this particular hurricane."[34]

With more than 1,000 lives lost in Katrina and the hundreds of thousands of people still in dire circumstances, and the insurance industry flush with money, the industry should be doing a much better job handling and paying these claims without raising premiums or asking for a taxpayer bailout. The government at every level needs to step and make sure these victims are taken care of, and that survivors of catastrophes like Katrina are not victimized again by an unresponsive and greedy insurance industry.

[34] "Hikes in insurance rates expected after Katrina," *Morning Edition, National Public Radio*, September 29, 2005.