

Isabel claims have just begun

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by Pat Healy
Insurance Times

Shortly after Hurricane Isabel died down, insurers with policies in the mid-Atlantic braced themselves for a storm of another sort: the blizzard of phone calls from policyholders making claims.

"As of this morning we've received nearly 40,000 claims," said Anna Compain-Romero, spokesperson for State Farm on Sept. 22.

State Farm, according to Weiss Ratings, has the biggest market share in the region most affected by Hurricane Isabel, with 20.6 percent of the market share and \$600,182 in premium.

Compain-Romero said the 40,000 claims was only the beginning.

"We know that over the next few days as power services are restored that the call volume is expected to go up," she said.

Bill Mellander, spokesperson for Allstate Insurance Group's natural catastrophe team, said the storm was less than what Allstate had expected.

"I think it's safe to say that obviously the magnitude and force of this storm was not what we were thinking or fearing it could be," he said. "So obviously the financial impact of the storm was not as bad as it could have been."

Allstate is the third largest writer of companies in the Mid-Atlantic region, with 12.3 percent of the market share and over \$350,000 in premium in that area. At press time Mellander declined to speculate what the cost to Allstate.

The Insurance Information Institute predicted that insurers were likely to pay out close to \$1 billion on insured homes, businesses and personal possessions damaged by Isabel.

Initial predictions before the storm ranged from \$1.5 billion to \$2.5 billion, but \$1 billion is not a cheap hurricane. If this is indeed the price tag for Isabel, she will take her place in the record books as one of the 10 costliest hurricanes in the U.S. The top hurricane in that category is Hurricane Andrew, which caused \$15.5 billion in insured losses in 1992.

Bob Hartwig, chief economist for the I.I.I., said the \$1 billion payout could affect rates, but not significantly.

"While the industry has the capacity to pay these claims, Hurricane Isabel substantiates what the industry has been seeing for several years," he said. "Homeowners insurance rates in many parts of the country have been rising in large part because of the significant costs associated with these kinds of major storms."

Consumer advocates with the Foundation for Taxpayer and Consumer Rights are paying close attention to this trend, and hope Hartwig is right when he says the rates won't be impacted significantly.

"Victims of Isabel must not fear that if they use their insurance policy they will face a dramatic rate increase or even lose their policy," said FTCR's senior consumer advocate Doug Heller. "Consumers pay premiums for years to ensure that they are covered in case of a disaster like Hurricane Isabel. The insurance industry is all about being prepared for this situation, so there is no justification for companies turning around and raising prices on victims of the storm."

Hartwig said homeowners insurers since 1990 have paid out \$1.17 in losses and expenses for every \$1 they earned in premiums.

The I.I.I. estimates that insurance rates will rise approximately seven percent in 2003 and up to eight percent in 2004. □