

Outcome of Mississippi insurance case could help Alabama families recoup losses

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After Hurricane Katrina's rampage across the Gulf Coast, Kenneth and Barbara Morris returned to their Shell Belt Road home to find nothing left but a concrete slab.

The same thing happened to John and Lois Thornton on Coden Belt Road in south Mobile County, according to court records and an attorney for the couples.

In both cases, State Farm ruled that storm surge -- not wind -- caused the destruction, making the families' homeowners policies virtually worthless and prompting lawsuits against the insurance giant.

In a similar case, U.S. District Judge L.T. Senter Jr. ruled on Thursday that State Farm Fire and Casualty Co. is liable for \$223,292 for damage caused by Katrina to a Mississippi couple -- a decision that could help hundreds of homeowners like the Morrises and Thorntons who are challenging insurance companies' refusal to cover their storm damage.

The federal jury also awarded \$2.5 million in punitive damages in the Mississippi case.

"I really do think this is going to help us," said Montgomery-based attorney Chris Sanspree, who represents the two Mobile couples. "I don't see how it couldn't."

It is unknown how many Alabama families are still involved in state or federal lawsuits regarding disputed homeowners claims from hurricanes Katrina and Ivan, said Ragan Ingram, spokesman for the state insurance commission, but Web-based searches suggest there are hundreds.

Insurance companies were reluctant to say how the Mississippi case will affect similar cases in Alabama or elsewhere, especially in light of State Farm's intention to appeal the decision.

"It's premature to say what, if any, impact it will have (in Alabama)," State Farm spokesman Phil Supple said in a

phone interview from his Bloomington, Ill., office. "We think it will have a very different outcome when we get an appeal."

Allstate Insurance Co. spokesman Mike Siemienas, meanwhile, said the ruling "will not impact Allstate since this decision involves the handling of a specific claim against State Farm."

The Mississippi case calls into question the use of the "anti-concurrent cause clause" that many insurance companies have used to deny claims from hurricane damage, insurance experts said.

Included in most homeowners policies, this clause essentially gives the company

Insurers rake in profits amid higher charges, lower payouts

A consumer group has sharply criticized U. S. insurance companies for charging drivers and homeowners more for coverage and paying out less at a time of record-setting profits.

The Consumer Federation of America's insurance director, J. Robert Hunter, according to an article by the Associated Press, accused the biggest players in the industry of gouging the public on their way to an estimated combined after-tax profit of nearly \$ 60 billion in 2006.

A study by the federation showed that automobile and home insurers' profits have surged in recent years despite billions of dollars in damage from Hurricane Katrina and other storms, in part because they have shifted more costs to consumers and taxpayers.

The consumer group's study estimates the insurance industry's net income after taxes in 2006 will be \$59.9 billion, shattering the 2005 record of \$48.8 billion and 2004's \$40.5 billion in profits.

Those profits were achieved at the same time consumers received less money after filing claims.

Hunter acknowledged that 2006 profits were inflated by the lack of a significant hurricane, but he said the companies would have achieved a new high even if there had been storms.

Marc Racicot, president of the American Insurance Association and a former Montana governor, defended the industry, saying last year was a fortunate anomaly given that in virtually every year over the past two decades, insurers lost money on their core business operations.

Think about that next time your renewal's turned down.