



This is a sight that no insurer wants to see.

A grand jury investigation is secretive and defense attorneys are not allowed in the grand jury room while his/her clients are questioned.

A grand jury will either indict or acquit the insurers. If indicted, that means the case will go to trial.

According to Robert Hartwig of the Insurance Institute insurance companies will have to pay out \$1 billion to policyholders in Louisiana if the Fifth Circuit rules in favor of the policyholders. That case, covered on page 7, involves coverage of levee breaches — a manmade disaster.

These poor insurance companies had banner years, as of late. But, faced with the possibility of actually covering losses, they filed for rate hikes and Louisiana approved them.

## Insurers subpoenaed over Katrina

Associated Press

Allstate Corp. and Nationwide Mutual Insurance Co. admitted that they have been subpoenaed by a federal grand jury investigating the insurance industry's handling of Hurricane Katrina claims in Mississippi.

Allstate, the nation's second-largest property and casualty insurer behind State Farm, said it is working with the U.S. attorney's office regarding efforts to comply with the subpoena.

The company said in a regulatory filing that it "remains confident in its claim settlement practices following Hurricane Katrina and is committed to resolving all claims fairly and appropriately."

Mike Trevino, a spokesman for the Northbrook, Ill.-based company, said the company had no further comment beyond what was in the statement.

## Insurance companies win approval for rate hikes

Times-Picayune

Homeowner insurance rate increases ranging from 16 percent to 51 percent -- with higher charges targeting coastal parishes -- were approved for four companies (in late May) by the Louisiana Insurance Rating Commission.

Nationwide spokesman Joe Case said the Columbus, Ohio-based insurer received the subpoenas within the past week, but he couldn't specify what the grand jury is seeking.

"We plan to fully cooperate," Case said. "We feel strongly that we've appropriately adjusted Katrina claims and look forward to answering any questions on these issues."

The subpoena was the second disclosed by Allstate this month. The company said May 3 that it was being subpoenaed by the U.S. Department of Homeland Security in connection with its probe into Katrina claims. Homeland Security has been investigating insurers that sell policies under the National Flood Insurance Program.

Congress last year ordered an investigation into Katrina damage claims after officials said many insurers shifted the financial burden to the government by declaring that flooding, rather than wind, caused the destruction.

A federal grand jury in Mississippi also has targeted at least two employees of State Farm Fire and Casualty Co. in a criminal investigation of the

insurer's claims handling after Katrina, according to lawyers for the employees. But it was not immediately clear whether the Allstate subpoena is linked to that case.

A spokeswoman for Dunn Lampton, U.S. attorney for southern Mississippi, did not immediately return a telephone message seeking comment.

Allstate shares rose 26 cents to \$62.75 in Friday trading before the filing was disclosed.

The commission approved a 16 percent hike in homeowner insurance rates charged by Lafayette Insurance Co., with 10,419 policyholders, a change worth \$1.4 million to the company.

Two small players in the Louisiana insurance market, Fidelity and Deposit Co. of Maryland and Empire Fire and Marine Insurance Co., won approval, respectively, for rate increases of 51 percent and 49 percent, based on average charges across the state.

The commission also approved rate increases for Louisiana Farm Bureau that will allow it to charge 48 percent more, on a statewide basis, for a "named peril" policy that is a more restrictive, and lower-cost, alternative to standard homeowner's insurance, and 28 percent more for a homeowner's policy for mobile homes.