

IT AIN'T COVERED... or is it? THE REAL STORY ABOUT KATRINA

A POA exclusive: POA wrote and posted much of this article on our website in the Katrina Resource section, nearly one month BEFORE the brain surgeons in the media realized what was happening. We urge all Katrina victims who did not carry flood insurance because their mortgaged property (residential and commercial) was not in a designated flood zone to contact us as we believe we have found a way to get you compensated for flood damage.

Three words insurance companies love are: *It's not covered*. Even the Federal Emergency Management Agency ("FEMA"), the very bozos who drew up the inaccurate flood maps, are unwilling to take responsibility, leaving hundreds of thousands of property owners S.O.L.

Policyholders in areas hit hard by Katrina are hearing these three words a lot lately. Many didn't buy flood insurance simply because they did not know they lived in a flood prone area.

Those who do live in designated flood zones are required, by their mortgage companies, to have flood insurance. If you don't live in a flood zone, according to the FEMA maps, your mortgage company won't require it just like people living in areas not near faults are not required to carry earthquake insurance.

Not in a "flood zone".

New Orleans is essentially a bowl ringed by levees that protect the city from the Mississippi River to its south and Lake Pontchartrain to the north. The bottom of the bowl is 14 feet below sea level, and efforts to keep it dry only dug it deeper. Much of the devastation in New Orleans was caused by breaches in the levees, which sent water from Lake Pontchartrain pouring into the city.

According to records, experts say that much of New Orleans, believe it or not, is NOT in a flood zone. This gave homeowners there a false sense of security as they believed the levees (built by the Army Corps of Engineers – which is a federal not state entity) would do their job and hold back surges.

What we have now learned is that, years ago, experts were issuing warnings that the levees would break and the



city would flood if a strong storm surge hit the area. In EARLY 2001 (before 9-11), FEMA ranked the potential damage to New Orleans as among the three likeliest, most catastrophic disasters facing this country. The other two? A massive earthquake in San Francisco and a terrorist attack in New York City.

Stealing from Peter to Pay Paul

Despite continuous warnings that a catastrophic hurricane could hit New Orleans, the Bush administration and the Republican-controlled Congress in recent years have repeatedly denied enough funding for hurricane preparation and flood control.

The funding, or lack thereof, delayed construction of levees around the city and stymied an ambitious project to improve drainage in New Orleans' neighborhoods.

For instance, the U.S. Army Corps of Engineers requested \$27 million for this fiscal year (long before this season's hurricane season began) to pay for hurricane-protection projects around Lake Pontchartrain. The Bush administration countered with \$3.9 million, and Congress eventually provided \$5.7 million. .

Because of the shortfalls, caused in large part by the rising costs of the war in Iraq, the corps delayed seven contracts that included enlarging the levees, according to corps documents.

In yet another request made well before this year's hurricane season, the Army Corps requested \$78 million for projects that would improve draining and prevent flooding in New Orleans. The Bush administration's budget provided \$30 million for the projects, and Congress ultimately approved \$36.5 million.

The redirection of funds away from American citizens to fund the war in Iraq left New Orleans vulnerable to any sort of storm at a time when experts (and POA) promised an active hurricane season.

Perhaps of greater import is the negligence of the Feds who neither warned mortgage companies nor homeowners that properties were vulnerable to flooding (even in previously dry areas) if their doomsday predictions rang true. In fact, in many cases, POA has found that homeowners and business owners

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flooded by Katrina's impact, were discouraged from acquiring flood insurance. Had FEMA and other federal agencies been honest, homeowners would have known to secure flood insurance rather than be lulled into a false sense of security.

This, of course, is completely separate from the inexcusable response by FEMA in Katrina's wake. (See page 13 for more on Brown's priorities.)

Looking at all aspects — before and after Katrina hit — a thinking person cannot help but put all blame on the Feds for their negligence.

Was it a "race thing"?

While racial undertones are percolating, one thing is clear: the socioeconomic fabric of the area hardest hit did not register on the Bush Administration's radar screen. If Greenwich, CT was about to be underwater, you can bet the levees would have been secured. Of course, Greenwich is a wealthy community, as a rule, New Orleans is not.

Racists on both sides seem intent on making the New Orleans disaster a "black thing". Etched into the minds of ignorant wannabe Klansmen are snapshots of all black looters, propelling predisposed prejudices. On the other side, certain black antagonists want to rally their constituents by claiming the Bush Administration's incompetence was meant to target only blacks. As students of this Administration, we have no doubt that it's a "class thing" not a "black thing". Bush has proven he cares not for anyone under a certain income level, be they white, brown, black, or green.

The "perfect storm"

The problem is that there are a lot of poor people displaced and dispersed in groups all over the country to camps established for displaced victims. When people or animals are herded and caged up in small environments, they tend to rebel. And, a series of

rebellions (a.k.a. riots) is not only likely but contagious and will spread to other cities. We give it six months, maybe less.

Adding to the general population's outrage and angst are higher oil and natural gas prices which will impact heating and gasoline prices all over the country. Southern Louisiana produces one-fifth of the country's oil and one-quarter of its natural gas. If you don't think YOU will be paying higher gas and heating rates this winter, think again.

Who had the shrimp salad? Who had the chicken salad?

Homeowners are just now returning to address the damage to their homes and businesses. They hear those three favorite words ("It's not covered!") and some accept it as gospel. Don't.



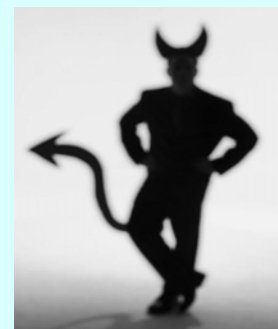
If wind and driving rain caused the damage, that damage is nearly always covered under the homeowners policy. Flood insurance only covers rising surface water NOT damage caused by wind and/or driving rain. Vandalism is also covered under the standard homeowners policy. The key is to determine what damage was caused by what aspect of the storm and fight for the coverage that you did purchase if driving wind and rain caused even a portion of the damage.

Know the devil you're dealing with.

Interestingly enough, many times the same adjuster wears two hats. Insurance companies often do what is referred to as "write your own" flood policies. Using Allstate simply as an example, Allstate can sell Allstate homeowners policies as well as write and service flood policies underwritten by FEMA (National Flood Program). Allstate, like any other "write your own" carrier, is paid a fee (usually 30%) to

service (sell policies and adjust claims if and when flood claims are filed) and the National Flood Program gets the balance of the premium and is responsible for paying claims made against a flood policy. If a flood claim is filed, in the case where the homeowner purchased an Allstate homeowners policy as well as a flood policy underwritten by the National Flood Program, it is the Allstate adjuster who will come out to adjust both flood and non-flood claims. When flood insurance is in place and if and when a flood claim is made, FEMA (National Flood Program) will pay the flood claim and damage done by perils covered under the Allstate policy are paid for by Allstate.

Since many staff adjusters bonuses and pay raises are based on claim payments made by their company (in this case, Allstate) it is to the staff adjuster's benefit to dump onto Uncle Sam as much financial liability as possible. It is also common for a staff adjuster to lowball claims paid by FEMA in the same way he or she lowballs claims made under the Allstate policy. After all, you cannot authorize payment of a different amount for the same repair. It would look mighty suspicious if an Allstate adjuster paid out \$10 per linear yard for plywood for a homeowners policy claim and \$40 per linear yard for a flood claim paid by Uncle Sam. So, in our example, the Allstate adjuster pays out \$10 per linear yard for both claims.



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The "bottom line"

Katrina may not be the only downfall of Dubbya but it may also dash hopes for Republican victories in 2006 and 2008. Higher heating and gas prices will hit the average American hard, displacement of hurricane victims will increase tensions and state budget woes, and these are not something yet another Presidential speech on "terrorism" will pacify.

POA believes that government, like any other entity or individual, should be forced to take responsibility for their mistakes and/or negligence. We believe we have found a mechanism to help and urge all victims who have mortgages but were not required to maintain flood insurance to contact us at 888-648-8823 or by email: info@policyholdersofamerica.org.

POA does not get paid for assisting victims and we are not funded by special interest groups.



TIPS FOR GETTING PAID AFTER A STORM

With or without flood insurance, most insurers will attempt to argue that all damage was done by flood waters. Of course, they do so because rising flood waters are not covered by the homeowner's policy.

But, vandalism and burglaries are covered as is driving wind and rain.

The key is that the covered losses occurred BEFORE the flood because property cannot be destroyed more than once during the same storm.

Most experts agree that the SEQUENCE or CHRONOLOGY of events is critical. With Katrina, if the home or business were burglarized and wind damage occurred about 12 hours BEFORE the levees broke and the flood waters overtook the city or a storm surge caused flooding. This is of great import because the damage caused happened prior to the flooding and is covered by the typical homeowner's policy.

Many of POA's members impacted by Katrina evacuated their homes and cannot directly attest to the chronology. However, we suggest that members question friends and neighbors who did not evacuate and ask if they can attest to burglaries and/or wind damage. Once a witness is identified, have the witness write a letter as to the chronology and attach that letter to any documentation provided to the carrier.

POA has sample letters available for hurricane victims on POA's homepage in the Hurricane Resource section (homepage). These letters can be downloaded and modified to meet your specific circumstances because they are published in Microsoft Word.

