

Insurer always wins...

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If the courts do not stop the practice of turning disaster aid into insurance company subsidies, Gisleson said, state insurance regulators need to take a more active role in protecting policyholders by setting clear rules for what insurers have to do and when, and by developing more sophisticated computer models to spot statistical patterns of underpaying claims.

Maniloff sees exactly the opposite dynamic. To him, Katrina highlights the enormous societal pressure that falls on insurers to pay, regardless of whether their contracts call for them to do so when disasters strike. Whether it was political pressure in Mississippi for investigations or efforts to sue the Army Corps of Engineers and hold insurers responsible for damage from levee breach water in New Orleans, he said insurers are unfairly in the hot seat in a catastrophe because no amount of government aid or charitable donations can cover the costs.

"Here, so many people did not have insurance, it created a need to manufacture insurance through alternative means," he said.

But Loyola insurance law professor Mitchell Crusto said the most important point is that three years after the storm, thousands of people are still stuck in litigation, waiting for proper payment for their storm damage. Although the Louisiana Department of Insurance ran a mediation program after the 2005 storms that served 12,242 people, more needs to be done to resolve claims and get people paid.

"Under these circumstances, litigation is not very effective in getting citizens back to where they need to be," he said. "We almost need more mediation strategies, and processes by which insurance companies are encouraged or forced to get things resolved."



CORPORATE BAILOUTS RUN COUNTER TO FREE MARKET THEORY AND REWARD FAILURE

POA Opinion

President Ronald Reagan used to say "Capitalism only works when the possibility of failure exists."

The recent corporate bailouts set an extremely dangerous precedent by taking failure off the table for even the most mismanaged companies. They've also given countries struggling with democratic principles reason to revert back to socialism or communism. Why not? When you look beyond the America's touting of a free market system, the American economy has shown herself to be nothing short of a capitalist/socialist hybrid — the upside (profit) is privatized and the public (taxpayers) eat the downside (losses).

POA has covered the Republican interpretation of the free market system and the conundrum therein for years. The Bush Administration has concocted a plan that rewards failure and does little to address the root causes of the problem — deregulation, outsourcing, and the excesses of corporate America (ridiculous bonuses and severance packages paid to those responsible for the mismanagement).

This crazy strategy has far reaching effects —

- ◆ It's a known fact that other industries have lined up for similar taxpayer subsidies. In fact, automakers and credit card companies are now asking for their fair share of your pie;
- ◆ The major holders of U.S. debt — foreign countries — are further subsidized;

- ◆ While the money will come from the public coffers (taxes collected from you and me), the public has no say-so or ownership stake in the mismanaged corporations;
- ◆ There's no provision for helping the consumer who always gets stuck with the bill. This may actually cause social upheaval;
- ◆ The bailouts will add more than \$1 trillion to the deficit. The U.S. will be forced to print more money resulting in soaring inflation and a weakening dollar; and
- ◆ Most economists believe this stop-gap measure (bailouts) may have an immediate impact on the economy but not a long term impact. In fact, many caution that delaying the inevitable will actually cause a more serious economic downturn several months from now.

All of this comes at the worst time for the average working person who's already struggling to make ends meet.

The most vocal advocates of failure-funding are the Republicans, who have consistently lined up on the side of big (not small) business. These are the same folks who also stripped the rights of the consumer to hold companies accountable for fraud, negligence and bad faith. And, don't you just get goose bumps knowing many of the architects of the bailout plans and its root causes serve as economic and other policy advisors to the McCain/Palin campaign?

None of this stops McCain from pretending he had nothing to do with deregulation, even though he headed the very committee enacting it. It's hard to reconcile the fact that Republicans have become the party of hybrid socialism and, only while in an election cycle, are now touting greater regulatory control. For years, these same Republicans have embraced the mantra: deregulation is the cornerstone of a free market system.

POA hit a brick wall with Republicans when we pushed, since 2001, for stronger regulation of insurers. We pushed for tighter controls because insurance is mandated by mortgage companies, if you own a house, and by states, if you drive a car, and must be readily available and affordable. Currently under the banner of deregulation and the free market system, it's neither.

In order to correct America's economic woes, lawmakers should address the root causes and force companies and executive decision-makers to fear failure. As it stands now, why fear what doesn't exist? (Related story: [click here](#))