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Storm policy ideas floated

Solutions to protect
coast's homes are urged,
but some suggestions get
a cool reception

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BILOXI — Amid all the talk here about making property insurance cheaper and more available to people living along the Gulf Coast, Ocean Springs Mayor Connie Moran made a demand: Do something. "We are relying on you all to give us some solutions," Moran told the insurance chiefs of Mississippi, Alabama, Louisiana and South Carolina. "We've been talking now for nearly four years."

At a gathering that Mississippi Insurance Commissioner Mike Chaney tried to gear toward fixing problems, some elements of consensus seemed clear.

For example, everyone seemed to agree that governments and insurance companies needed to provide monetary incentives for people to strengthen their houses to make them more wind resistant, something insurers call mitigation.

“I’m glad to see there’s some real strong feeling across all of the states for mitigation,” said Alabama Insurance Commissioner Jim Ridling. Other suggestions floated got less than universal support, though. Edward Collins, national director of ProtectingAmerica.org, pushed his group’s plan to create a privately funded, tax-exempt catastrophe pool in every state, backed by a national pool, that could be accessed if losses passed a certain level. ProtectingAmerica — backed by Allstate Corp. and State Farm Mutual Automobile Insurance Co., among others — claims this would drive down the cost that companies pay to buy reinsurance, and that the savings would flow to insurers. Brian MacLean, president and chief operating officer of the Travelers Cos., a major insurer especially of businesses, also offered a plan. It calls for coastal states to link up to create stable regulation, rates set using models approved by a federal commission, and a federal reinsurance fund for very large losses. The plan includes a uniform program to strengthen existing buildings and building codes. MacLean said under such a system, Travelers would write more policies in coastal areas. “We’re not looking to limit our marketplace,” MacLean said. “We’re looking to figure out how we can grow it. But some were queasy about providing reinsurance to private firms. “We get all the liability and the private sector makes all the profit,” said U.S. Rep Gene Taylor, D-Bay St. Louis. Taylor promoted his bill to have the federal government offer one policy to cover wind and flood damage, eliminating disputes over what caused damage and whether private insurers or the federal flood insurance program should pay. He replayed video of a lawyer for Nationwide Insurance telling the Mississippi Supreme Court recently that

the company “wouldn’t pay a dime” in an event where water was strong enough to cause all the damage to a property, even if wind had caused 95 percent of the damage before the water got there.

“Bills that should have been paid by the private sector were paid by the taxpayers,” Taylor said.

Taylor said such a program would be self-sufficient.

“It’s got to pay for itself,” he said.

Others said they doubted that any federal program would be able to withstand the political heat if actuaries called for high rates.

Chaney said he also was looking into more modest proposals. As an example, he suggested that state reinsurers of last resort — like the Alabama Insurance Underwriting Association, known as the Beach Pool, and the Mississippi Windstorm Underwriting Association — should try to purchase reinsurance together to hold down costs.