

Travelers pitches insurance for coastal areas

Firms would sell policies policed by government

By ANITA LEE
calee@sunherald.com

GULFPORT — Mississippi was the first stop for The Travelers Cos. insurance executives on a tour to gather support for another run at federal legislation they believe would provide coastal residents with affordable wind insurance from Texas to Maine.

Company CEO Jay Fishman conceived the plan when insurance companies began pulling business from the coastline after Hurricane Katrina. State wind pools have since assumed much of that risk but are not viewed as a financially viable long-term solution.

"The states don't have the financial means to deal with extreme events," said Eric Nelson, Travelers vice president of risk management.

Travelers' multistate proposal would help spread risk and stabilize the market by creating a federal board to oversee named-storm coverage, the executives said.

"We have many senators and congressmen interested in our plan," said Joan Woodward, Travelers executive vice president for public policy. "We actually want to solve a problem and we have expertise to help figure this out."

Travelers' proposal, supported by Nationwide Mutual Insurance Co. and some insurance associations, would create four coastal zones where insurance companies would offer named-storm coverage regulated by the federal government.

Travelers believes the coastal zone proposal would be more palatable to Congress and consumers because no taxpayer subsidies are involved. Instead, insurance com-

panies would buy from the federal government reinsurance to cover excess losses from catastrophic hurricanes such as Katrina. Insurance companies now buy that coverage from the private reinsurance market.

Named-storm coverage would be regulated by a federal board. Travelers said this would help stabilize the wind insurance market now governed state to state. States

Please see Insurance, A-6 would continue to regulate all other aspects of property insurance, including fire and other coverage in homeowner policies.

Another feature of the plan Travelers executives believe will appeal to consumers: Catastrophic models used to set rates could be adjusted if experience proves them wrong. Critics have argued that current models overestimate risk, resulting in higher rates.

A five- to 10-year period of diminished storm activity would prompt rate re-evaluation.

Fortifying homes to minimize hurricane damage also is a key component, with credits

offered to homeowners who take prescribed measures.

The Travelers executives said they started their tour in Mississippi because they believe the state has shown leadership and focus around affordable and available coastal insurance.

Insurance Commissioner Mike Chaney successfully pushed for a program to fortify Coast homes and continues to champion construction to stronger building codes. Also, the state wind pool has reinvented itself to build a surplus, buy reinsurance as a way to keep rates down and take pressure off insurers to cover excess losses.

Travelers executives concede their plan does not resolve the issue of wind vs. water damage by combining the perils into one policy. U.S. Rep. Gene Taylor has pushed legislation to offer wind and water coverage in one policy under the National Flood Insurance Program, but that bill has so far failed to gain traction in the U.S. Senate.



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Eric Nelson of The Travelers Companies Inc. talks about their plans for regional insurance and federal regulation on Thursday.

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