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Insurance premiums stable after derecho aftermath

by Jared Hunt
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CHARLESTON, W.Va. -- West Virginia insurers paid \$87 million to state property owners in the months following last June's derecho, according to data compiled by the state Insurance Commissioner's office.

However, for the most part, property owners did not see large increases in their premiums as a result of the claims.

Jane Cline, the state's former insurance commissioner, said she thinks reforms passed in the last decade have helped forestall any hefty post-derecho increases.

"It's a much more stabilized marketplace than it was in early 2000s," Cline said.

According to data compiled by the West Virginia Offices of the Insurance Commissioner, state residents filed nearly 36,700 insurance claims in the 30 days following the June 29, 2012 storm.

The claims resulted in \$87 million in payments to state property owners to cover storm damages.

A year later, evidence so far indicates the damage claims have not resulted in significant increases in premiums or coverage terminations for state insurance holders.

Cline, now a lobbyist and director of public policy for the Spilman Thomas and Battle law firm, recently analyzed the data collected by the insurance commissioner's office, as well as anecdotal evidence gathered from various insurance companies, to evaluate the derecho's effect from an insurance perspective.

She said the data have not shown any significant increase in companies terminating homeowner coverage following the storm.

She also said insurance rates have remained relatively stable. Most post-storm increases she has seen have been in the 3 percent range.

"That's relatively small when you think about the overall dollar amount that was paid out as a result of these claims," she said.

Cline said the insurance market in West Virginia has stabilized considerably since she was first appointed state insurance commissioner in 2001.

"In the early 2000s . . . we had companies that stopped writing policies in West Virginia," she said.

That included both homeowner and automobile insurance policies.

Cline credited legislative reforms passed in 2005 with turning that around.

That year, then-Gov. Joe Manchin led an effort to curtail what were known as third-party bad-faith lawsuits, which permit claimants to sue another person's insurance company if they believe the company failed to act in good faith in settling a lawsuit.

At the time, West Virginia was one of only six states that permitted that kind of claim.

Insurance industry officials had complained the third-party bad-faith lawsuits had become so abused they strained state consumers' ability to find and afford basic insurance coverage.

The reforms took the complaints out of the legal system and put them under the administrative review of the insurance commissioner's office.

Cline said that eliminated windfall jury awards to individuals and produced more reasonable award amounts. She said it also helped regulators to quickly identify and correct any bad practices occurring in the insurance market.

Additional reforms included modifying how companies denied renewal of certain annual insurance policies.

Cline said the modifications helped insurance companies contain costs and keep rates low.

"All the reforms and changes that have occurred in the marketplace and the regulatory structure have worked," she said. "And as a result of that, in these disasters you're not seeing the increased rates and cancellations of policies."

In addition to the derecho damages, insurance companies also paid out about 4,000 claims totaling more than \$15.4 million following Superstorm Sandy last fall.

To prepare for future disasters, Cline said property owners should maintain a full inventory of all appliances and high-value items in their homes.

She said people should work with their insurance agents to review their policies and make sure they know what is and is not covered.

"We used to say get smart about insurance — understand what your coverage needs are," she said. "Don't wait until the time you need to file a claim to figure out what you have in place."

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