



INSURANCE IN MISSISSIPPI 10 YEARS AFTER KATRINA

Mike Chaney, Commissioner



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Message from Commissioner of Insurance Mike Chaney

One of the greatest challenges the Commissioner of Insurance of a coastal state faces is what to do in the aftermath of a catastrophic event.

When I became Insurance Commissioner in 2008, nearly 2 1/2 years after Hurricane Katrina, the Mississippi Insurance Department was already addressing many of those Katrina related challenges.



How do you bring back a viable insurance market in an area devastated by a storm that caused \$125 billion dollars in damage, with between \$40-\$65 billion in insured losses and destroyed over 60,000 homes in Mississippi?

There is no quick recovery after a storm of the magnitude of Katrina. It has been said that recovery of this type is a marathon, not a sprint, but you have to keep moving forward. In the 10 years since Katrina that is exactly what the Mississippi Insurance Department has done.

We have focused on enticing new insurance companies to the state and have seen over 200 new companies come to Mississippi. We have worked with local, state and federal officials to create programs for mitigation to help lower homeowner premiums. We have worked with the state legislature to revamp the state run Wind Pool and to create a state-wide building code so that homeowners can build more storm resistant buildings.

It is our mission to provide a strong and healthy insurance market while protecting consumers, for we all know if you don't have insurance you can't rebuild. We will keep working for the consumers of this state so they may build back bigger and better, and we will do it together.

Mike Chaney, Mississippi Commissioner of Insurance

THE ROAD TO RECOVERY

While there is much work still to do, great strides have been made in Mississippi to restore a healthy and competitive insurance market.

- **MID Coast Office** – The MID Gulf Coast Office at Bolton State Office Building, 1141 Bayview Avenue, Suite 404, Biloxi, MS 39530 was created in 2008. Consumers can get assistance by calling 1-800-562-2957.
- **New companies** – MID has made a concentrated effort to entice new insurance companies to Mississippi. Since 2008, over 200 new companies have come to the state.
- **Mitigation Program** – Through a federal grant, MID was instrumental in establishing a mitigation program where homeowners could get grants to retrofit homes and in some cases receive insurance premium discounts.
- **Building Codes** – In 2006, the Mississippi legislature passed HB1406 which required the six coastal counties to adopt certain wind and flood mitigation building requirements. Perhaps the most significant legislation to pass in the Mississippi legislature since Katrina was 2014's SB2378, entitled State Uniform Construction Code, which adopted certain nationally recognized codes and standards. It established minimum construction standards for the state with opt-out provisions for municipalities and counties.

THE FLOOD INSURANCE FIGHT

When the National Flood Insurance Program took steps to make that program actuarially sound as mandated by the Biggert-Waters Act, the law drastically changed the way premiums were calculated. This resulted in premium increases in some cases costing thousands of dollars and making the insurance unaffordable for many Mississippians. Although the Mississippi Insurance Department does not regulate flood insurance, seeing the federal government and the NFIP trying to inflict draconian flood insurance rate increases upon coastal residents was something the department was NOT going to allow. MID sued the National Flood Insurance Program (NFIP). Our efforts were supported by several other states and entities including Alabama, Louisiana, Florida, South Carolina and Massachusetts. The lawsuit was later withdrawn on the basis of the implementation by the Federal Emergency Management Agency (FEMA) of a new law passed by Congress intended to alleviate some of the extreme rate increases that Mississippi homeowners were facing. MID attorneys continue to monitor FEMA's implementation of "The Homeowner Flood Insurance Affordability Act of 2014," passed as H.R. 3370, to ensure the new law does what is necessary to ease the financial burden on homeowners.

	2005	Coverage	2015	Coverage
Statewide	42,571		75,645	\$15.4 Billion
Gulf Coast (Hancock, Harrison, Jackson Counties)	21,593	\$3.2 Billion	50,137	\$11.3 Billion

INSURING A HOME THEN AND NOW

Many variables go into determining the premium of a homeowners policy on the Gulf Coast such as age of home, type of construction, wind and AOP deductibles, condition of home, claims and payment history of insured, bundling of home and auto policies, etc. On average some independent insurance agents are seeing decreases in premiums since Katrina and are getting very close to pre-Katrina rates for new construction.

Premium history – The rates in the chart below are for a home in the \$180-200K range (1800 square feet).

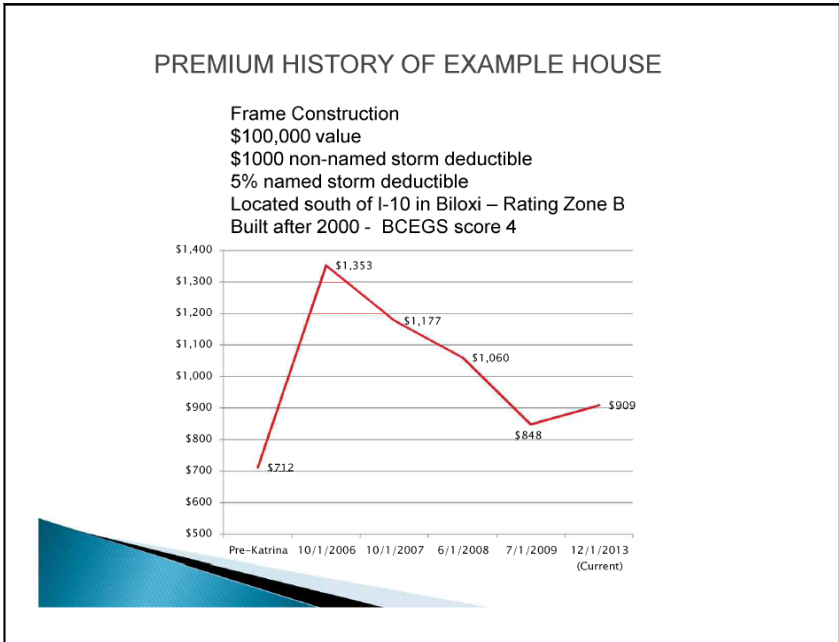
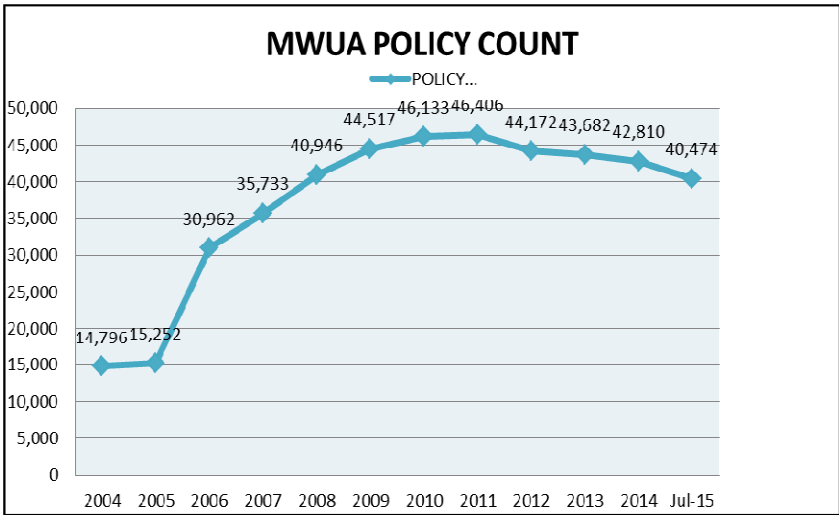
1999	2004	2009	2015
Average Premium	Average Premium	Average Premium	Average Premium
\$1800	\$2400	\$4300	\$1300 new construction
Companies still including wind	Companies beginning to X wind, more policies put in wind pool	Rates began to spike following Hurricane Katrina	\$3300 older homes

*Source: Gulf Coast Independent Agent

BEST UNTOLD SUCCESS STORY

The Mississippi Insurance Department's Hurricane Katrina Mediation Program, which began mediation conferences in 2006, ultimately handled nearly 5,500 cases and maintained a consistent average settlement success rate of over 80 percent among the thousands who requested mediation through the program. The success of this program resulted in the Mississippi Insurance Department being asked to design a pilot program for hurricane insurance cases to help alleviate court docket backlogs and lengthy delays, which was ultimately implemented in Federal Court in Gulfport. The federally-ordered program handled over 450 cases with a settlement rate over 50 percent.

THE WIND POOL STORY



SOURCE : Mississippi Windstorm Underwriting Association

THE WIND POOL STORY

To help offset the large rate increases requested by the Mississippi Windstorm Underwriting Association, the Mississippi Insurance Department and then Gov. Haley Barbour collaborated on a plan to use federal grant funds to subsidize the Wind Pool. In 2006, this subsidy plan was approved, and the infusion of \$30 million in CDBG funds allowed the Wind Pool to reduce a proposed 397 percent rate increase to only 90 percent for homeowners.

An additional \$30 million grant was approved by Gov. Barbour and HUD in 2007 to offset high commercial Wind Pool rate increases. This resulted in commercial wind rates being reduced from a more than 200 percent increase to 142 percent.

This was just the first in a series of funds given to the Wind Pool to offset rising re-insurance costs. Since 2006 through the beginning of fiscal year 2011, the Wind Pool received a combined total of nearly \$180 million. The breakdown:

- **2006** – \$30 million from CDBG (the total \$50 million approved was divided into a \$30 million payment in 2006 and \$20 million in 2007)
- **2007** – \$30 million from CDBG for commercial
- **2007** – Additional \$20 million from CDBG
- **2007** – Mississippi Legislature passed HB 1500 which gave the Wind Pool a total of \$80 million – \$20 million a year for four years, final installment of funds was available effective July 1, 2010
- **2009**– Mississippi Legislature passed HB 32, giving the Wind Pool \$18 million from the state’s Hurricane Disaster Relief Fund following requested budget cuts.

The Mississippi Insurance Department guided the Wind Pool Board in a number of preemptive actions that allowed the Wind Pool to keep premium rates on the Coast constant during the past several years. Wind Pool rates were reduced an average of 11 percent in 2008 and have remained constant since that time. In line with an actuarial study, commissioned by the board, the Wind Pool did implement a 3.2% rate increase on residential property in 2013, but no further increases are projected for the foreseeable future.

2005 Homeowners Insurance Market Share

Rank	Group Name	Market Share	Written Premium
1	State Farm Fire & Casualty Co.	30.7%	\$175,655,797
2	Mississippi Farm Bureau Mutual Insurance Co.	19.3%	\$110,717,784
3	Nationwide Mutual Fire Insurance Co.	5.8%	\$33,279,869
4	Allstate Insurance Co.	5.1%	\$29,289,350
5	Allstate Property & Casualty Insurance Co.	4.2%	\$24,225,125
6	Farmers Insurance Exchange	2.8%	\$15,877,787
7	Shelter Mutual Insurance Co.	2.7%	\$15,394,146
8	Economy Premier Assurance Co.	2.5%	\$14,573,087
9	Alfa Insurance Corporation	2.2%	\$12,534,715
10	United Services Automobile Assoc.	2.1%	\$11,879,963
11	Southern Farm Bureau Casualty Co.	1.7%	\$ 9,817,361
12	Metropolitan Property & Casualty Insurance Co.	1.7%	\$ 9,487,910
13	Automobile Insurance Co. of Hartford, Connecticut, The	1.6%	\$ 9,159,890
14	Nationwide Property & Casualty Insurance Co.	1.5%	\$ 8,568,602
15	Allstate Indemnity Co.	1.3%	\$ 7,675,484
16	SAFECO Insurance Co. of America	1.3%	\$ 7,341,484

2014 Homeowners Insurance Market Share

Rank	Group Name	Market Share	Written Premium
1	State Farm Fire & Casualty Co.	26.75%	\$247,885,538
2	Mississippi Farm Bureau Casualty Insurance Co.	17.69%	\$163,942,214
3	Allstate Property & Casualty Co.	5.63%	\$ 52,144,437
4	Safeco Insurance Co. of America	5.0%	\$ 46,318,656
5	Foremost Insurance Company, Grand Rapids, Michigan	3.92%	\$ 36,373,747
6	Nationwide Property & Casualty Insurance Co.	3.77%	\$ 34,981,295
7	United Services Automobile Association	2.30%	\$ 21,326,188
8	Metropolitan Property & Casualty Insurance Co.	1.56%	\$ 14,463,997
9	Travelers Home & Marine Insurance Co.	1.15%	\$ 10,670,273
10	Lexington Insurance Co.	1.13%	\$ 10,476,238
11	North Light Specialty Insurance Co.	1.05%	\$ 9,718,410
12	Coastal American Insurance Co.	.69%	\$ 6,400,998
13	Scottsdale Insurance Co.	.49%	\$ 4,511,942
14	Property & Casualty Insurance Co. of Hartford	.37%	\$ 3,390,290
15	Centauri Specialty Insurance Co.	.28%	\$ 2,613,282
16	Gulfstream Property & Casualty Insurance Co.	.09%	\$ 869,465

KATRINA AND THE MID-BY THE NUMBERS

483,693 – \$10,552,356,484 -the number of claims filed and the amount paid out in claims for Hurricanes Katrina and Rita statewide as of August 1, 2006 (includes Insurance Companies, Mississippi Residential Property Insurance Underwriting Association, Mississippi Windstorm Underwriting Association, and the National Flood Insurance Program)

236,372 –\$7,622,989,516 -the number of claims filed and amount paid out in claims in Hancock, Harrison, and Jackson counties for Hurricanes Katrina and Rita as of August 1, 2006 (includes Insurance Companies, Mississippi Residential Property Insurance Underwriting Association, Mississippi Windstorm Underwriting Association, and the National Flood Insurance Program)

80% - the settlement success rate for the MID Hurricane Katrina Mediation Program

5,500 – the number of requests for mediation filed through the MID Hurricane Katrina Mediation Program.

55,000 – the approximate number of Katrina related calls taken by the MID Consumer Services Division since 8-29-05 (does not include Katrina related calls taken by other MID staff)

16,000 – \$10,570,000 – the number of claims directly handled and claims payments collected for consumers by the MID Consumer Services Division between 8-29-05 and 7-31-06 utilizing approximately **25,000** man-hours by MID Consumer Services staff and **8,400** volunteer man-hours from employees of other state insurance departments across the country

Top Five – Mississippi’s ranking in flood insurance policy growth in the country following 8-29-05 –The growth rate for Mississippi by the end of 2006 – **51%** according to the National Flood Insurance Program

18,891-\$2,354,660,628 the number of flood claims filed and amount paid out for flood claims in Mississippi as of August 1, 2006

19 – the number of members of the State Fire Academy staff Search and Rescue team that were the first on the ground in Waveland following the storm



Purpose of the Gulf Coast Office

To make the Mississippi Insurance Department (MID) more accessible to coast residents, Mississippi Insurance Commissioner Mike Chaney opened the department's Gulf Coast Office.

This office is open full time as a service to consumers who have questions or complaints about insurance. By being on site, the MID can help them resolve those problems more quickly.

Gulf Coast Office Contact Information

Contact Person:

Andy Case

Director of MID Consumer Affairs

Roy "Tippy" O'Bryant

Director of Coastal Office

Address:

Bolton State Office Building

1141 Bayview Avenue, Suite 404

Biloxi, MS 39530

Telephone: 1-800-562-2957

Website: www.mid.ms.gov

Top 10 Most Expensive Hurricanes in U.S. History (through 2014)

Rank	Hurricane	Year	Estimated insured loss dollars when occurred	Estimated insured loss dollars in 2014*
1	Katrina	2005	\$41,100 Billion	\$48,383 Billion
2	Andrew	1992	\$15,500 Billion	\$23,785 Billion
3	Sandy	2012	\$18,750 Billion	\$19,307 Billion
4	Ike	2008	\$12,500 Billion	\$13,539 Billion
5	Wilma	2005	\$10,300 Billion	\$12,125 Billion
6	Charley	2004	\$7,475 Billion	\$9,083 Billion
7	Ivan	2004	\$7,110 Billion	\$8,639 Billion
8	Hugo	1989	\$4,195 Billion	\$7,055 Billion
9	Rita	2005	\$5,627 Billion	\$6,624 Billion
10	Frances	2004	\$4,595 Billion	\$5,583 Billion

Data according to Verisk's Property Claim Services.

*Note – Total losses for Katrina exceeded \$100 Billion.

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