

## **Lawsuits Stemming from Hurricane Katrina Claims**

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The insurance industry was in for quite a shock after the unexpected and catastrophic events that affected Alabama, Florida, Louisiana, and Mississippi. Hurricane “Katrina, which hit the north-central U.S. Gulf Coast Aug[ust] 29, 2005, was responsible for about \$82 billion in damage, making it the costliest natural disaster in U.S. history.” (“Insurer Settles With 34 Katrina Homeowners”) There are many issues that come across when insurance companies have to deal with Hurricane Katrina claims. Because of the devastating nature of the incident, there is a lot of hazy area that has to be addressed when dealing with the aftermath. Although there are a number of different insurance companies who are involved, most of the homeowner’s insurance policies have similar attributes. Because of these similarities, the insurance companies are having comparable problems and lawsuits being brought up against them.

“According to the law, insurance companies are obligated to handle your claim with good faith and fair dealing.” (“Katrina Denied Insurance Claims Lawyer”) While keeping this in mind, one of the major issues that insurance companies have to tackle is what exactly is covered in the policies that they wrote, so that they are still fulfilling their obligation. Under most homeowner’s insurance policies, there is an exclusion for flood damage due to hurricanes. Private insurers provide federal flood insurance through a U.S.-funded program, but this is different than standard insurance policies. Most homeowner’s insurance policies have written in their policies exclusions for flood and other water related damages. These policies do, however, include coverage for damage resulting from the wind and wind-driven rain. This causes an unclear distinction between what is covered and what is not, since aspects of wind, flooding, and wind-driven rain were all involved in the hurricane and the aftermath. The many lawsuits that followed Hurricane Katrina were the result of this blurry distinction.

According to many policyholders and lawyers, the first reaction of many insurance companies was to underinsure and use the fact that flooding damages was not covered to their advantage. Many policyholders sued because they thought the insurance companies were using the wording of their policies to their advantage. Of the many companies that insured the residents of those affected by Hurricane Katrina, State Farm is highly affected since it is the largest insurer in Mississippi. (Trestar) Nationwide Mutual Insurance Company is being addressed with many of the same lawsuits that State Farm is dealing with. Since these insurance companies have settled their claims, they have been sued due to an alleged lack of coverage. Because of these lawsuits, many of which are headed by Richard Scruggs and his team of lawyers, Nationwide announced to settle out of court with over 200 residents and a mass settlement of 227 claims, and State Farm has agreed to settle with about 640 policyholders and is going to pay out approximately \$80 million. (“Nationwide Settles Claims More Than 200 Victims of Hurricane Katrina Had Sued the Insurer; Terms of the Deal Weren’t Disclosed”)

Both sides of the argument, the insurance companies and the homeowners, have their own way of dealing with these issues. State Farm has decided to stop selling new policies in Mississippi in order to avoid the risk that is involved with insuring that geographical area. (Trestar) Homeowners are encouraged to have a lawyer before they take up issues with their insurance companies because it makes the playing field more equal. (“Katrina Denied Insurance Claims Lawyer”) Even with these modifications, the debate between the insurer and the insured will still continue for quite some time. Settling existing claims, reopening claims, and other lawsuits that may arise will take time and effort to settle and both sides of the story will continue to fight their own side of the battle.

## Works Cited

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