

Mississippi Courtroom Site For Post-Katrina Insurance Showdown; Does Insurance Industry Need Reform?; Natural Gas Leak Dangers; Restoring New Orleans Homes A Monumental Task

CNN

GERRI WILLIS, CNN ANCHOR: A Mississippi lawsuit rocks the insurance world and could impact your policy. Avoid a deadly natural gas leak and exactly how to avoid danger and return home safely after a severe storm.

Good morning, everyone. I'm Gerri Willis and this is OPEN HOUSE.

Right now, a Mississippi courtroom is the site for an insurance showdown, the first of possibly 3,000 post-Katrina lawsuits. And at the heart of this dispute, whether a standard homeowner's insurance policy, which most of you have, will cover you in case a hurricane strikes your area.

The industry says no way. But the couple who lost their home, they say they were ripped off. Headline News host Nancy Grace is here.

Nancy, I'm so glad you're joining us today.

NANCY GRACE, HEADLINE NEWS HOST: Thank you.

WILLIS: Now, this case is a real eye opener for policyholders everywhere. This family did everything they were supposed to do. They bought the insurance, they paid the premiums. They even asked their local Nationwide agent, "Do we need more coverage?" And the answer was no. Didn't they do everything right?

GRACE: You know what? They really did. Now, this at trial is going to be an issue of credibility. Who should be believed? Typically, the fact-finder, normally a jury, has to decide who's telling the truth. This

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is a test case. This is the first case going forward post-Katrina insurance claims with Nationwide.

WILLIS: That's right.

GRACE: A lot of them have already settled. And what's interesting in this case, and I'm speaking just as a trial lawyer, is that there have been other witnesses to come forward in this case. One I know of is a chiropractor, one is a small business owner, that said the same agent told them they didn't need flood insurance.

In fact, let me quote, Gerri, according to one witness, the same agent said, "I told you to let her blow, not let her flow."

WILLIS: Oh, my goodness, Nancy. So this... GRACE: So they're in trouble.

WILLIS: This is not the only issue in this case, though. I think what is so interesting, looking at this lawsuit in detail, no insurance adjuster was ever sent to the house. So how, just 14 days after the storm, can they get a letter in the mail saying, "Hey, you're not going to get covered for any of the damage?"

GRACE: Yes, it will be a cold day in, let me say Florida, when you get a check in just 14 days. Now, Nationwide says they did send an agent out there. I guess the agent went out there without the knowledge of the homeowner.

But long story short, Nationwide denies everything. They say the agent never dissuaded them from getting flood insurance. And I think it's going to be a matter of what is reasonable.

When you get hurricane insurance, typically, you would normally believe that all the damage resulting from a hurricane, including water damage would be covered.

WILLIS: Well, and that's one of the big disputes here, right? They thought they were getting a policy with a hurricane deductible. So they assume, "Golly, we're going to be covered." Turns out they weren't.

But answer this for me. You know, the industry is really describing this as a nuisance lawsuit. They say no way this is going to be upheld in the court of law. Does this case stand any chance at all?

GRACE: Well, when you don't know a horse, take a look at the track record. They've already settled multiple claims of people in the same boat, pardon the pun, as the Leonards are.

In other words, other people that had hurricane coverage have water damage to their home as a result of Hurricane Katrina and I truly believe that it is unreasonable not to cover these claims. So if there's no basis for a claim, why are they settling all the claims?

WILLIS: The financial pain from this, if it goes against the consumer, the stakes are high.

GRACE: They certainly are. And I want to point out to you one other issue that strikes me, as a trial lawyer. Again, when you don't know a horse, look at the track record. Look at the Leonards, who are the

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complainants in this case. They paid the premiums. They went and visited and talked to the insurance agent about this.

In fact, he says he remembers two such conversations with them about flood insurance. So think about it. If you're willing to write a check every month for your insurance, you have conversations about how to protect your home, why wouldn't they get flood insurance?

If they are paying for the insurance in a timely manner, I just don't think it makes any sense.

WILLIS: Exactly, and I think they were paying something like \$2,000 a year for their coverage. That's a lot of money on the size of their house.

Let me ask you this, though. For people out there who are worried about whether their insurance is going to cover them, if you get into a situation, the average homeowner, with a major disaster, weather disaster, what do you do?

GRACE: Well, frankly, I face that here in New York. You know, here in New York you buy an apartment. You don't buy a home. And I got to wondering, does my apartment insurance cover, for instance, a flood or if the apartment falls in or something. Found out it did not.

This is what I learned from being a trial lawyer. The person that has the most notes wins. Read your policy, ask questions. Whenever you make a phone call, write it down. Whatever they tell you, write it down and keep it. Save those e-mails. Reconstruct your conversations.

Why? You'll find out, just like the Leonards, that whoever has the most written documentation wins.

WILLIS: And, of course, you always want to keep a nice long list of everything you own so you can prove it later.

Nancy Grace, thanks so much for being with us.

GRACE: Thank you, friend.

WILLIS: Nancy Grace, catch her every night on "Headline News", 8:00 and 10:00 p.m. Eastern time.

Now, that brings us to the question, does the insurance industry need an overhaul?

Amy Bach is with United Policyholders in San Francisco. Gordon Stewart, of the Insurance Information Institute, is in New York.

Welcome to both of you.

GORDON STEWART, INSURANCE INFORMATION INSTITUTE, NEW YORK: Good morning.

AMY BACH, UNITED POLICYHOLDERS, SAN FRANCISCO: Good morning.

WILLIS: Amy, let's start with you. Does this industry need to be reformed?

BACH: It absolutely does. The Leonard case is a classic example of what United Policyholders sees after

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every disaster. There's a big disconnect between the consumer's expectations as to what they paid for and what the insurer delivers.

WILLIS: Amy, a disconnect, yes, but what needs to be done?

BACH: The insurers have to start being more honest with their policyholders. If they are going to cut the giant holes out, they've got to let the homeowner know in advance so the homeowner can shop around and fill those holes.

WILLIS: So Gordon, tell me, is there a case where the industry just isn't being upfront with consumers or do consumers not understand their policies?

STEWART: Well, in listening to everything that has come before, it's sort of troubling that no one seems to understand, although I would think they would, the most basic facts about homeowners coverage that has been true since 1968 through the United States Government, the insurance industry, homeowners, builders, mortgage lenders, everyone else, and that is, simply, this.

Flood, that is, water that comes from the ground, is not covered, never has been, under any standard homeowner's policy.

WILLIS: So, Gordon, I guess you're saying then that...

STEWART: And the language is very clear. That is why...

WILLIS: Gordon?

STEWART: Yes.

WILLIS: I guess you're saying that the industry does not need any reform.

STEWART: Well, that's not what I'm saying. I want to address the central question. There is a national flood insurance program, Floodsmart.gov. That is the only way in which flood is covered. It has been true since 1968. Eighty or 90 percent of the people in New Orleans bought it. There are five million policies in force.

It's very clear. It's available to everyone.

WILLIS: Amy, to you, Amy Bach, is it that clear? Is the damage that results from flood clear compared to the damage that results from wind, from hurricane?

BACH: This was a hurricane. A hurricane is all about wind. And the damage to the Leonard's home started with the wind. And there isn't a homeowner in this country that would think that a hurricane policy wouldn't cover them in this scenario.

WILLIS: Now, what's interesting, of course, here, too, is that they had agreed to pay a hurricane deductible. So they thought, "Gosh, we're covered for this."

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Where is the disconnect, Gordon? Let's talk about this. Clearly, there is a flood insurance program that's offered by the federal government, but at some point, consumers expect their home insurance policy to step up and pay for some of the renovations. When does that happen?

STEWART: Well, it's very simple. Hurricane, if you look at the word, is wind damage. Over 90 percent of all of the claims of Katrina have been settled. About \$60 billion, twice 9-11, has been paid.

The wind damage is covered. Flood is not. And there's an enormous disservice that is done if people are led to believe that flood is covered.

WILLIS: We're trying to talk about a national catastrophic fund. Do you believe one is necessary?

BACH: Yes, we have to have one and everyone has to kick in so the risk is spread. There's no one in this country that's immune from some kind of natural disaster in this day and age.

And the insurance industry just keeps on cutting holes in the policies and the problems are just going to keep getting worse. So we need a national backstop, yes.

STEWART: There are many insurers who are in favor of it. There are many who are not. Many people who live in places like Iowa aren't so enthusiastic about subsidizing 50 percent of the population that chooses to live in more problematic areas.

This is a controversial subject. How much of building do you want to subsidize by spreading the risk across taxpayers everywhere, where people feel differently about it depending on where they live.

WILLIS: Amy, Gordon brings up a good point? Is that kind of a plan, is it fair?

BACH: People in Florida don't want to pay for hailstorms in North Dakota. I mean, that's what I'm saying. And there have been earthquakes in the Midwest.

We're all in this together and if the private insurers are not stepping up to the plate, we need a solution. I mean, we...

STEWART: Many private insurers favor...

BACH: And Nationwide, by the way — if I can just finish. Nationwide, the company that's in the suit with Mr. Leonard, has applied, got a 21 percent rate hike last year in Florida and now they applied for an increase of up to 99 percent.

So they're trying to collect the money. If they're going to collect the money and not deliver, we need a federal backstop.

WILLIS: Gordon I'm going to give you a quick chance to reply and then we are going to have to leave this conversation.

STEWART: Many insurers favor a catastrophic fund. Many oppose it. That is an issue for the public to

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decide through its legislature. Do you want to spread this risk nationally or not? By the way, hailstorms don't really add up to the largest insured loss in history of over 60 billion. Buy flood insurance, please.

WILLIS: We're going to have to leave it there. We're going to have to leave it there.

Gordon, from the Insurance Information Institute. Gordon Stewart, thanks for being with us.

STEWART: You're welcome.

WILLIS: Amy Bach, United Policyholders, thanks to you, as well. We'll be following this issue for, I am sure, months and months and months.

ANAND NAIDOO, CNN CORRESPONDENT: Good morning, again, from the International News desk. We have a breaking development out of the Middle East. That crisis is escalating there.

The Israeli defense force has confirmed it did attack a border crossing point on the Lebanese-Syrian border, that is, attacked the Lebanese side of that border crossing point on the Syrian-Lebanese border. The IDF, the Israeli defense force, says that the attack was targeted mainly at bridges and access routes and was conducted to prevent the smuggling of weapons and possibly the movement of the two abducted Israeli soldiers. Those soldiers were abducted by Hezbollah militants earlier this week.

And they targeted this particular crossing point to prevent the soldiers being moved into Syria. This is what we're being told by the Israeli defense forces. CNN is being told that.

So to confirm again that the Israeli — rather, to tell you, again, that the Israeli defense forces have confirmed that it conducted an air attack on a target on the Lebanese side of the Syrian-Lebanese border. That's near the town of Masha. And there is also a Syrian army position which is close to that border point.

So the crisis there is escalating. We'll bring you the latest developments on this as we get it here at CNN. Now, back to our program.

COMMERCIAL BREAK)

WILLIS: Dramatic footage of a brownstone flattened in Manhattan this week reminded everybody about the dangers of a natural gas leak. You're seeing it right here.

Now, while police believe this was an intentional act, there are accidents all the time involving natural gas.

Time now to talk about how to keep you and your family safe. Peter Cistaro is with PSE&G, a gas and power company in New Jersey. Peter, let's start with the basics here. How do you keep your family safe if you have natural gas in your house?

PETER CISTARO, PSE&G POWER, NEW JERSEY: First of all, natural gas is a safe product to begin with. But

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you have to be vigilant. You have to understand about the product, you have to be aware

We add odorant into the natural gas so that it smells.

WILLIS: Smells like rotten eggs, right?

CISTARO: Absolutely, absolutely.

WILLIS: But if you smell the smell in your house, when is it a big enough problem to call in the authorities?

CISTARO: Well, when you smell it, if you have a gas range and you know your pilots are still lit and you still smell the gas, you should call the gas company.

WILLIS: Right away.

CISTARO: Right away, absolutely.

WILLIS: And make sure you do it as soon as you can, obviously.

CISTARO: Absolutely.

WILLIS: What is the danger? The danger is not that you're going to suffocate? It's that it's going to blow up, right?

CISTARO: Well, potentially. If we have enough gas in an atmosphere and enough air, of a mixture, and have a spark or some source of ignition, you could have an explosion.

WILLIS: An explosion.

CISTARO: Absolutely.

WILLIS: Like we did in Manhattan, obviously.

CISTARO: Yes, yes.

WILLIS: So if you do think you have a problem, you smell the odor, you call the authorities, there are still do's and don'ts, right?

CISTARO: Yes, yes. Do's are if there's enough gas odor, open your windows, ventilate. If you think you need to, leave the premise, make the phone call from somebody else's house. And certainly the don'ts are to avoid...

WILLIS: Don't flip the switches, right?

CISTARO: Avoid using electrical appliances or even cell phones or any other phone device. WILLIS: Why?

CISTARO: Because there's a potential for a spark and, again, if you have the right mixture, natural gas will only explode if you have a 5 to 14 percent mixture of natural gas and air.

WILLIS: So as a practical matter, though, if I want to avoid this scenario, what do I do?

CISTARO: Well, a couple of things. Number one, be vigilant. Number two, have the appliances checked

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from time to time. Number three, you know, don't start pulling out appliances and pulling on pipes in your house.

And number four, which is also very important, if anybody is doing any excavating work outside your house, make sure they call in advance and get that gas line marked out.

WILLIS: Because you can open that right up with an excavator, right?

CISTARO: Absolutely, absolutely.

WILLIS: Peter, thank you so much for being with us today.

CISTARO: You're welcome. Thank you.

WILLIS: Still ahead, staying safe when you return home after a major storm. Then you'll see firsthand how history is being restored and returned to the homes of New Orleans, coming up on OPEN HOUSE.

COMMERCIAL BREAK)

WILLIS: Now, just as important as knowing what to do before a storm hits is staying safe in the aftermath. And the biggest threat to your health may come from your very own home.

BEGIN VIDEO CLIP)

WILLIS: A Category 3 storm has ripped through your area. You and your family evacuated to safe ground inland. But what about the home you left behind?

TOM SINKS, CENTER FOR ENVIRONMENTAL HEALTH: Homeowners should be prepared by having a plan, knowing when to enact that plan and knowing how to get back into their house after they've left it. Heavy winds and rain can cause structural damage to your home. Trees can bring down power lines and expose gas pipes. So what should you do when you return to a storm-battered home?

For starters, never enter the home with any sort of lighter or candle. Always use a flashlight to avoid igniting any leaking gas. Avoid standing in water unless you're certain the electrical circuit has been turned off.

Another potential hazard, mold.

SINKS: It does cause a number of illnesses.

NAIDOO: International desk here at CNN. There's more developments in Lebanon. We're seeing pictures now from a Lebanese television station, a private Lebanese television station, showing us an Israeli attack in the southern suburbs of Beirut. Those pictures of coming to us right now. This is taking place right now.

An Israeli attack on the southern suburbs of Beirut. This is coming us from "New TV," which is a private television station in Lebanon.

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Earlier, the Israeli defense force confirmed to CNN that it had attacked a position on the Lebanese-Syrian border. That would be the furthest north that it has attacked so far on the Syrian-Lebanese border. It attacked on the Lebanese side of the border. We should make that very clear that it attacked on the Lebanese side of the border. The Israeli defense force said that it targeted that particular area to prevent any weapons smuggling and also to prevent the possible movement of those two abducted Israeli soldiers into Syria.

There are fears that those soldiers could be moved into Syria. So they hit the border position on the Lebanese side. The Israeli defense forces have confirmed that to CNN.

The Syrians, for their part, have told "Reuters," and this is what they told "Reuters," "Syria has not been subjected to any Israeli attacks." So the Syrians are saying that the Syrian side of that border was not hit and that would confirm what the Israeli defense forces were telling us, that the Lebanese side was hit. And these pictures that we are looking at right now on your screen are pictures of an Israeli raid on the southern suburbs of Beirut, these pictures coming to us from a private television station in Lebanon. We'll have more details on these developments here at CNN and on our full newscast which starts at the top of the hour.

BEGIN VIDEOTAPE)

WILLIS voice-over): ... the 1800s. Now, Alexander and his family are working to restore it after Katrina flooded the home.

The house is in New Orleans' historic St. Rock neighborhood. It's being restored with help from the nonprofit groups, the Preservation Resource Center of New Orleans and the National Trust for Historic Preservation.

Restoring just one house like this one can transform a community. It encourages neighbors to fix up their properties. That makes the community look better and that can raise property values. PATRICIA GAY, PRESERVATION RESOURCE CENTER, NEW ORLEANS: When they see just one person working a house, that's enough to get others inspired.

WILLIS: But restoring these individual homes is a monumental task. Alexander says one of the biggest problems is finding people who know how to do the work.

JAMAR ALEXANDER, RESTORING HIS HOME, NEW ORLEANS: In this city, it's a dying art. You have to find most of the people are older people who possess the skills.

WILLIS: And restoration can be expensive. Just ask Stacy Rockwood. She's restoring this home in the Holy Cross historic district. One contractor told her it could cost \$300,000 to finish the project. In some cases,

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it's nearly impossible to find window frames and doors to fit the house. She spends time scouring junkyards for the right pieces.

STACY ROCKWOOD, RESTORING HER HOME, NEW ORLEANS: Then you just have to go find a window that big. And you won't find it at Lowe's and won't find it at Home Depot.

GAY: I loved seeing the stable with the pegged wood.

UNKNOWN MALE: Yes.

WILLIS: Patricia Gay says all the trouble is worth it because these homes are built to last.

Remember all the mold left by Katrina? In new homes built with sheetrock, the walls have to be completely torn out. But in old homes with plaster walls, homeowners can often just wipe off the mold.

GAY: I love cities and the old neighborhoods define the city. And so it's bigger than just saving a house. It's saving a city.

WILLIS: A city that is making a comeback one house at a time.

END VIDEOTAPE)

WILLIS: Coming up, don't forget about the pets. We'll have tips to keep the dogs and the cats in your life safe when the storm strikes. That's coming up next.

COMMERCIAL BREAK)

WILLIS: Now, don't forget to include your pets in your hurricane and storm preparation plans.

Since evacuation shelters generally don't allow pets, you'll need to make arrangements in advance. Make a list of veterinarian and animal boarding facilities that can take your pet. And check out the Web site Petswelcome.com for a list of hotels that will accept your furry little friends. Now, just like humans pets need their own emergency kit. Bring along some tape and gauze pads for the injured little paws. And, of course, you'll want to pack antiseptic solution and blankets or towels.

Your pets should be wearing up-to-date ID at all times and include your phone number and the number of someone outside the area. If you have to evacuate, tape the location of the shelter you're going to on the back of your pet's ID tag.

And, finally, make sure you have a study cage or a carrier available so you can move your pet around safely.

If you have any tips you want to share, send us an e-mail to OPEN HOUSE at CNN.com. And you'll find more on today's guests and topics on our Web site, CNN.com/openhouse.

As always, we thank you for spending part of your Saturday with us.

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