

## **Policyholder complaints after tornadoes show discontent with delays, disputes over damage**

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MOBILE, Alabama — Larry Kidd was getting a little frustrated.

His neighbors in Santuck were already making repairs after a tornado hit the Elmore County hamlet on April 27. Kidd was still haggling with Allstate Corp. over how much money he would get to fix the roof, siding, windows and other parts of his 1,900-square-foot home.

“We were not getting any response back,” Kidd said, explaining that adjusters working for the Northbrook, Ill., insurer weren’t replying to emails.

So on June 21, he contacted the Alabama Department of Insurance, one of at least 475 homeowners to complain to the regulator in the wake of the April storms.

Kidd was not the only unhappy Allstate policyholder. Among Alabama’s largest insurers, Allstate received more complaints than its market share would have predicted, according to a Press-Register analysis of complaint data.

Allstate didn’t have the worst showing, however. Assurant Inc. chalked up nearly 10 times as many complaints as would have been expected from its tiny, half-percent share of the state’s homeowners market.

Allstate said that complaint numbers were low compared to the large volume of claims. Assurant Solutions said that only a small portion of the complaints had merit, and that it hadn’t seen a “disproportionate uptick.”

Some insurers were the focus of many fewer complaints than would have been predicted. For example, United Services Automobile Association, which insures military veterans and their families, had only three customers contact the state, despite commanding more than 4 percent of Alabama’s \$1.28 billion homeowners market. Auto-Owners Insurance Group and Cincinnati Financial Corp. also had low levels of complaints compared to market share.

The Press-Register analyzed a database of tornado-related homeowners insurance complaints received by Alabama regulators between April 27 and July 14.

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Overall, more than 100,000 homeowners' claims were filed in Alabama after the series of storms wreaked as much as \$2 billion in insured damages.

That meant that only about one-half of 1 percent of all claims resulted in a complaint to regulators. Sometimes, a consumer was just seeking information. And in many cases, the state informed policyholders that their insurance didn't cover the things they were complaining about.

The Press-Register's analysis included all contacts to the Insurance Department, in an effort to see which company's policyholders were most likely to contact the state.

Robert Hartwig, president of the Insurance Information Institute, a trade group backed by many insurers, disputed whether the state's 475 complaints were enough for a valid analysis. He described the numbers as "basically meaningless."

When the National Association of Insurance Commissioners (NAIC) examines complaints, it typically counts only those in which a regulator judges the consumer to have a legitimate beef.

Ragan Ingram, chief of staff to Alabama Insurance Commissioner Jim Ridling, said the state is still determining how some complaints came out and may also revise how it describes the outcomes of others, so there is no firm tally yet of how many complaints would be counted as "confirmed" by the NAIC.

In the Press-Register analysis, State Farm Insurance Cos., Alabama's largest homeowners insurer, predictably had the most complaints — 87.

But while it controls 29 percent of the homeowners market, it was the subject of just 18 percent of complaints. That's 0.63 times as many complaints as its market share would predict — what the NAIC calls a complaint index. An index of 1 means a company has a share of complaints equal to its market share. An index of less than 1 means a company has a lower share of complaints than its market share. Allstate had an index of 1.58, more complaints than its 10 percent share of the state's homeowners market would predict. Insurance Department data shows that Allstate customers were slightly more likely than consumers overall to complain about delays or unsatisfactory settlement offers.

Allstate, Alabama's third-largest homeowners insurer, based near Chicago, defended its claims-handling, although it offered no specific explanation as to why it measured poorly.

"Allstate has received thousands of claims from the April tornadoes, and the inquiries to the DOI only represent a small fraction of those claims," spokesman John Heid wrote in a statement. "While every claim is different, and the time to reach settlement varies, Allstate has settled more than 93 percent of claims from the April 27th storm. We continue to work on settling the remainder of the claims fairly."

Assurant, an Atlanta-based firm that operates two units in Alabama, did the worst among insurers who

chalked up 10 or more complaints, with an index of 9.53.

Assurant spokesman Robert Byrd said that the majority of the policies written by the two units — American Bankers Insurance Co. of Florida and American Security Insurance Co. — are chosen and paid for by lenders, not homeowners themselves. Such coverage is known as “force-placed” insurance, and is often used when a homeowner lets coverage lapse.

In some cases, force-placed policies cover only the outstanding balance on the mortgage, not how much it would cost to rebuild a home. In those cases, a homeowner could be left with no debt, but no money to rebuild, either.

Byrd said that in many cases, Alabama regulators discovered that the company had not done anything wrong. He said that out of 1,000 claims in Alabama, Assurant counted only five complaints against the company that showed Assurant could somehow be in the wrong.

“I quarrel with your assertion that it’s a hugely disproportionate uptick,” Byrd said. “We’re really proud of the response Assurant made to these outbreaks.”

Liberty Mutual Group, Alabama’s ninth-largest homeowners insurer, had a complaint index of 1.55, almost as high as Allstate. Liberty Mutual includes the company that operates under that name, as well as Safeco Insurance.

Glenn Greenberg, a spokesman for Liberty Mutual, denied that the Boston-based company had received more complaints than expected, saying its market share in the areas most affected by the tornadoes was more than double its 3 percent share statewide. He also said that less than 1 percent of the company’s 2,700 claims statewide resulted in complaints. Greenberg said that measure was “more telling.”

“We strive for unparalleled excellence in claims response, and we are very proud of the service provided by our Liberty Mutual and Safeco claims professionals,” Greenberg wrote in a statement. “More than two-thirds of our tornado-related claims were closed within four weeks of these devastating storms, enabling the large majority of our customers to get back in their homes, rebuild or relocate quickly. And of those remaining claims, nearly all customers received initial funds within that first month.”

Unlike 20 other states, Alabama does not publish any complaint measures. Ingram says the department does keep track of which insurers get the most complaints, and that regulators would question insurers that they judge to have high levels of complaints.

In some cases, high complaint numbers can lead to a market conduct exam, in which the state takes a deep look at a company’s business, including how it treats its customers. No such exams have yet resulted from the tornadoes in Alabama.

The state’s database of complaints shows that regulators also have not ordered any companies to

reverse their positions in disputes with policyholders, referred any insurers for disciplinary actions, or assessed any fines.

Almost one in five complaints were about delays, about what is typical nationwide based on NAIC figures. Ingram said that the high share of complaints in that category was not surprising. Unlike a hurricane, when insurers can prepare for the storm and stage resources, they had to mobilize from scratch after the tornadoes.

“We didn’t have a four-day lead time,” Ingram said. “I think some were better organized than others, or had a quicker response.”

Entries examined by the Press-Register do show that companies often become more responsive — rescuing a policyholder from a bureaucratic maze or re-examining a case — after contact from Alabama regulators.

“Sometimes the department will use what they call their bully pulpit to get the company to rule slightly in the policyholder’s favor,” said Amy Bach, the executive director of United Policyholders, a California-based consumer advocacy group.

One thing that is clear — Bach said that people shouldn’t worry that insurers will retaliate against them for complaining, because insurers don’t want to anger regulators.

“The companies don’t like to get a call from the state department of insurance,” she said.

Kidd said that his call to the state seemed to put the spurs to Allstate. “Then, it seemed like they were able to show up and make an appointment and come back out,” he said.

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Kidd said he’s still not completely satisfied. He said repair work is dragging, and he’s still unsure he’ll get all the money that his family needs.

For example, Allstate refuses to replace all the vinyl siding on his house, not just on one side. In some states, insurers are required to make sure that repairs visually match existing work or else replace the undamaged work as well, but that’s not true in Alabama.

Not every complaint results in help for a consumer. The Rev. Greg Beasley, who lives in Phil Campbell, said his house developed a crack in the foundation that he believes resulted from the same tornado that damaged his roof. Farmers Insurance Group, which covers his house, disagreed, saying the crack is a result of the ground settling.

Farmers told Beasley that if he wants to dispute its conclusion, he has to hire an outside expert, a

position the company did not change after Beasley complained to regulators.

"I'm not going to hire a structural engineer to come out here and pay \$2,000 to \$2,500," Beasley said, adding he can't afford the expense.

Beasley's problem falls into a subset of the most complicated kinds of problems: disputes over the extent of structural damage. About 10 percent of complaints mention that someone has hired an engineer, or has been advised to hire one.

"There have been issues about the structural soundness of homes," Ingram said.

Updated Aug. 22 to show the correct name of Assurant.