

SANDY: Warning on Insurance; Thanks to Sandy, premiums could rise on LI

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www.newsday.com By: Joe Ryan Long after the electricity returns and the gas lines end, last week's massive storm is likely to take another swipe at Long Islanders by driving up the cost of homeowners insurance, experts say. Private insurance companies are expected to pay out \$10 billion to \$20 billion to cover damages wrought by Sandy's powerful winds, according to estimates from disaster modeling firms, putting it among the five most expensive U.S. storms in the past 25 years. New York was the state hit hardest, the estimates found, with between \$3.4 billion and \$6.8 billion in damages. "Given the magnitude of the event, it would not be a surprise to see an increase in the price of premiums on Long Island, particularly for homes in coastal areas," said Randy Dumm, a Florida State University professor who studies hurricanes' impact on insurance. It's not clear how high prices might rise, and Long Island may avoid the extreme increases that hit other areas after huge storms. Like much of the East Coast, premiums already have been rising for years on Long Island, nearly doubling here in the last decade, brokers said. They've jumped even faster elsewhere. In South Florida, it took just three years for premiums to double after Hurricane Andrew's devastating assault in 1992, said Andrea Heuson, a University of Miami finance professor. The same happened on the Gulf Coast after Katrina laid waste there in 2005. That's unlikely to happen here in Sandy's wake, insurance experts said. For one, the massive payouts from hurricanes Andrew (\$15.5 billion) and Katrina (\$41.1 billion) prompted insurers to re-evaluate the likelihood of large coastal storms. They girded themselves against future losses by underwriting fewer coastal properties and – as Long Islanders know too well – raising rates. So theoretically, homeowners here already have been paying higher premiums to prepare for storms of Sandy's magnitude, experts said. "Insurers look at trends. Rates are not based on singular events," said Robert Hartwig, president of the Insurance Information Institute. Nonetheless, he said Sandy was significant enough to potentially nudge rates upward. While they should not skyrocket, homeowners should still watch their premiums carefully during the next few years, consumer advocates said. "Insurance companies," said J. Robert Hunter, the Consumer Federation of America's insurance expert,

“are known for taking advantages of hurricanes to raise rates.”