

## **Storm of Money: Small insurance reform groups along U.S. coast take on industry Goliaths**

The Post and Courier, January, 2013

Six years ago, a group of church volunteers in Gulf Shores, Ala., went door to door to “find out where the pain was,” said Michelle Kurtz, one of the leaders.

They heard stories about drainage problems and drugs, but to their surprise, one concern generated the most anger and fear: “We realized in a relatively short time that the pressing issue was homeowner’s insurance,” Kurtz said. Those living-room conversations eventually led the creation of a church-based insurance reform group, rallies, public hearings and a new Alabama law that Kurtz hopes will be the “mechanism and foundation for a public uprising.”

What happened in this small town along the Gulf Coast is far from unique.

Spurred by rising premiums and tens of thousands of policy cancellations, a diverse collection of grass roots groups from South Carolina to Louisiana to Massachusetts are taking on the well-oiled insurance industry.

Their goal is to level what they say is a playing field tilted in favor of insurance Goliaths.

“These groups have a tremendous amount of passion and dedication,” said Amy Bach, executive director of United Policyholders, one of the few national groups that represent consumers on insurance-related issues. “But they’re up against an incredibly sophisticated industry that lives in the halls of the legislatures in their states every day, plays golf with regulators and has an army of lawyers.”

Every year, the U.S. insurance industry collects about \$1 trillion from its customers, about \$160 billion more than the federal defense budget. Home, auto and other insurance casualty business make up about \$440 billion of the overall insurance pie.

All this money plays a vital role in managing the inevitable personal and community catastrophes that happen in any complex society.

Asked about the growth of grass roots insurance reform movements, Russ Dubisky, executive director of

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Source: <https://uphelp.org/storm-of-money-small-insurance-reform-groups-along-u-s-coast-take-on-industry-goliaths/> Date: July 18, 2024

the S.C. Insurance News Service, said, “We welcome discussion on these types of issues,” adding that his trade group was organized in part to help educate consumers.

He declined to discuss whether he believes the playing field favors insurers over consumers, saying that elected officials should address questions about such concerns.

Many of these insurance-reform groups sprang up in response to tectonic shifts in the insurance market during the past decade that activists say are poorly understood outside the industry.

Some shifts began in the early and mid-2000s when computer models predicted higher losses from hurricanes. Partly because of these new calculations, insurers such as State Farm and Allstate began pulling out of South Carolina and other coastal areas.

In the past five years, 14 smaller insurance companies moved into South Carolina, which Dubisky and other insurance industry officials say is a sign of a healthy market. Still, last year, Allstate non-renewed 10,000 homeowner policies in South Carolina, and the S.C. Farm Bureau Group non-renewed 3,000 policies.

Meanwhile, rates on the coast continue to rise, and South Carolina has among the highest average home insurance premiums in the nation, according to a Post and Courier analysis.

Amid these changes, small groups began to fight back.

#### Huge learning curve

In Cape Cod, Mass., Paula Aschettino grew concerned in 2006 about spiraling premiums and nonrenewal notices and decided to do a survey outside a local convenience store. “People were furious,” she said.

She formed Citizens for Homeowners Insurance Reform, which now has 6,000 members.

She and a group of mostly retired residents have since taken bus trips to Boston to picket insurance gatherings and to press lawmakers to look at how insurance companies use computer models.

Among other things, her group contends that insurers overstate the risks of hurricanes in Massachusetts and underestimate the ability of the state’s generally hardy buildings to take the brunt of bad storms.

The biggest challenge: “There’s a huge learning curve when it comes to insurance,” she said. This helps insurance companies and hurts consumers. “Legislators don’t have time to learn about this stuff, so what’s the first thing they do? They go to an insurance lobbyist, who gives them the same canned stories.”

#### Denied after Katrina

Fifteen hundred miles south, Kevin Buckel, a marketing director for a tour-boat operation in Gulfport, Miss., decided to take on the industry after he lost his house to Hurricane Katrina.

“I walked into the Nationwide trailer five days after the storm, and the first words out of the guy’s mouth

were, ‘Your claim is going to be denied.’” Buckel’s home wasn’t in a flood zone but was built on a slab. “I had an eyewitness who saw the hotel go down across the street long before the water got there, but there were these blanket denials to homes built on slabs,” he said.

“I remember the way it affected my elderly neighbors and the poor, seeing these people devastated by the storm and a second time when the insurance company bailed out on them. I refused to let that go,” Buckel said.

Since then he built a website and pushed legislators to pass a “homeowner’s bill of rights” that would make it more difficult for insurance companies to deny claims without sufficient proof. He said lobbyists fought back last year after it passed one house of the legislature. “But I’m going back with both barrels loaded.”

#### Risks overstated?

In South Carolina, Daryl Ferguson, a retired chief executive officer, grew curious about why insurance premiums were so high in Beaufort, an area that had only one catastrophic hurricane in the past 120 years — Gracie in 1959.

He tracked down meteorologists and high-level insurance executives and concluded that home-insurance rates didn’t properly reflect the area’s hurricane vulnerability.

He made the rounds at local civic groups and eventually formed the South Carolina Competitive Alliance with other Lowcountry business leaders, including Andy Twisdale, a real estate agent on Hilton Head. The group has since caught the ear of lawmakers and confronted the state’s new insurance director, Ray Farmer, a former insurance lobbyist and regulator from Georgia.

“We think we can make a difference that could potentially save homeowners in South Carolina hundreds of millions of dollars,” Ferguson said.

#### Faith-based movement

In southern Alabama, after discovering that home insurance was the community’s most pressing concern, churches formed the Homeowners’ Hurricane Insurance Initiative. Kurtz, the group’s coordinator, said volunteers have since done more than 3,000 interviews. “Families are going under, and older people are losing the dignity of peaceful retirements.”

The group organized meetings that drew hundreds of angry residents; ministers grabbed front seats in public hearings. The organization’s most recent success was a push for a state “clarity bill” that forces insurers to supply data on claim payments and premiums by ZIP code.

The state will create a database that could identify whether residents in some areas of the state are getting soaked by high premiums. “The industry swears it’s losing its shirt, but let’s see the figures.”

Other insurance-reform groups have popped up, including NC20 in eastern North Carolina, which believes insurance companies are using the global-warming issue to hike coastal rates. A Florida nonprofit near the Everglades called FIRM Fair Rates in Monroe County) has 3,000 members and successfully fought back rate increases.

Some have agendas that might conflict, making it difficult to create larger coalitions with the kind of muscle to take on an insurance lobby that poured \$50.6 million into federal political campaigns last year. Ferguson's group in South Carolina, for instance, argues that South Carolina has a lower risk of hurricanes than areas in Florida and the Gulf, meaning rates in South Carolina are unfairly subsidizing higher-risk places.

But most of the groups share feelings that something is broken. Kurtz, the wife of a Presbyterian minister, said she never expected the insurance issue to be so emotional and complex. To her and others, insurance reform is about social justice.

Non-renewal notices are a form of betrayal bordering on robbery, she said, especially when a customer pays premiums for decades without claims and suddenly gets a notice from an insurance company that it is walking away.