

Insurer proposes hurricane rate regulation change

Insurer unveils plan to shift rate regulation for hurricanes from states to federal panel

- By Michael Kunzelman, Associated Press Writer
- On Friday July 17, 2009, 7:45 pm EDT

BILOXI, Miss. (AP) -- One of the nation's largest insurers unveiled a plan Friday to shift the authority for regulating rates for hurricane wind coverage from state regulators to an independent federal commission.

Mississippi Gov. Haley Barbour and four state insurance commissioners heard Travelers Companies Inc. president Brian MacLean present the company's plan Friday at an insurance forum in Biloxi.

MacLean said federal oversight of homeowner rates in four U.S. coastal zones, including 18 states from Maine to Texas, could create a more stable market for insurers and homeowners than state-by-state regulation.

The company's proposal would require congressional approval, but MacLean said it wouldn't require any taxpayer subsidies.

"At the end of the day, what we want is a viable insurance market," he said. "We're not looking to limit our marketplace. We're looking to figure out how we can grow."

Barbour, who introduced MacLean to the audience, described the plan as a "work in progress" and said he is "certainly interested in it" as a way to possibly boost the availability of affordable insurance in coastal areas.

"We coastal state governors have come to a conclusion that Congress is not going to pass a federal law to deal with the problems we face concerning property and casualty insurance," Barbour said in an interview. "So we're going to consider whether a regional approach is feasible."

Insurance companies say their homeowner policies cover damage from a hurricane's wind but not its flood waters. Insurers sell separate flood policies that are subsidized by the federal government.

Travelers says its proposed regulatory changes only would apply to homeowner policies' wind coverage for "named storms," while states would continue to regulate "all other perils."

Eric Nelson, vice president of risk management for Travelers, said state insurance commissioners could have representatives on the independent commission proposed by the company.

The plan's goal, Nelson added, is to foster regulatory stability "so the rules don't change so frequently" after a storm.

"Mississippi has been a very good regulatory environment, but there are states where the rules are inconsistent," he said.

After MacLean's presentation, insurance commissioners for Alabama, Louisiana, Mississippi and South Carolina pressed him for more details about the plan and expressed some concern about its implications.

Louisiana Insurance Commissioner Jim Donelon said he is open to "federal intervention" to help ease any shortage of affordable insurance on the coast, but wouldn't favor ceding too much authority to the federal government.

"I am very dubious at best of the possibility of my support for this concept," Donelon said after the forum. "It would have to be overhauled before I could see myself supporting it. Tweaked would not do it."

Mississippi Insurance Commissioner Mike Chaney said the proposal could work without requiring states to cede much power to the federal government.

"If they provide the reinsurance backstop for us, that's fine, but we don't want them regulating the rates and trying to dictate to us what we're going to pay," Chaney said. "With every solution, you have some bad you have to trade off. But hopefully we can control that to some degree."

Associated Press writer Emily Wagster Pettus in Jackson, Miss., contributed to this report.

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