

Exh 5

DEC 22 2011

The Joplin Globe, Joplin, MO

November 25, 2011

Missouri Public
Service Commission

App Exhibit No. 5
Date 11/30/11 Reporter JMB
File No. GU 2011-0392

Payouts stand at \$1.13 billion

By *Wally Kennedy*
wkennedy@joplinglobe.com

— The Missouri Department of Insurance, Financial Institutions and Professional Registration predicted in July that claims from the Joplin tornado would total between \$1.5 billion and \$2 billion.

It now appears that actual insured losses will peak at \$1.8 billion to \$1.9 billion. As of this week, insurance companies had paid out approximately \$1.13 billion.

“This is the largest insurance event in Missouri history,” said John Huff, director of the department. Because of that, the department has committed “a great deal of its resources” to Joplin with the intent of responding to consumer needs, he said.

“The industry should be commended for the response thus far,” he said. “Within 100 days after the event, they had paid out \$1 billion. That is significant when total insured losses could be \$1.8 million to \$1.9 million.”

Huff said getting those insurance payouts processed on a timely basis has been essential to the rebuilding of Joplin.

The numbers do not reflect uninsured losses or properties that are underinsured. Officials have estimated that up to 40 percent of the residential dwellings in some neighborhoods in the tornado-damage zone lacked insurance or were underinsured.

In terms of consumers, the department has closely watched the payouts to consumers for residential properties and private autos.

85 PERCENT

“Claims for residential property are near 85 percent for replacement cost and actual cash value,” he said. “That is very high.

“Private auto is almost 92 percent. Commercial property is at 55 percent. That’s where your big losses are.”

Because of the types of insurance and coverage options that some businesses have, commercial claims are slower to resolve, he said.

“On the personal line, which includes residential and auto, we are where we need to be in those areas,” he said.

To protect consumers, the department has issued a bulletin that advises insurance providers that it is aware that some policies contain “replacement cost value” time limitations as short as six months. The department said it recognizes that in some circumstances that time limitations can unfairly deny consumers the benefits for which they have paid.

The bulletin assures insurance providers that if they extend their time limitation period in Joplin to 12 months or longer that the department is unlikely to bring regulatory enforcement action against them.

The department said Joplin residents need the longer period because they were prevented from accessing their properties for a period of time while cleanup and debris removal were accomplished. In addition, building permits were unavailable for a considerable amount of time after the storm.

Huff described the bulletin “as a move to better protect consumers and a strong message to the industry that six months for replacement cost value is not long enough. Our expectation is a 12-month minimum.”

An estimated 7,500 residential dwellings in Joplin were damaged by the tornado. Of those, approximately 4,000 were catastrophic losses.

ASSISTANCE

So far, the department has received 1,036 consumer contacts in connection with the tornado. Many of them have been complaints. Others seek guidance, policy interpretation and general information.

“We capture every consumer contact we have,” said Huff. “Many times people may call with a question or they want an independent source to validate the language of their policy.

“Some times, those calls turn into complaints. We help them set up their complaint and then do the mediation. A better number to look at is the \$2.5 million in recovery we have helped consumers receive. That is a high number out of a billion dollars paid. We get a great deal of satisfaction from that.”

In one instance, a Joplin homeowner received an additional \$60,000 from his insurance provider after intervention by the department.

Huff said the department has the technological capability of analyzing all of the data for trends in market conduct, consumer affairs and individual complaints. The department, he said, will let the data mature before it looks for trends in terms of consumer complaints against individual insurance providers.

Huff said the department sent a signal early on that there “will be heavy regulatory oversight of the whole process.”

The five companies with the largest liability in connection with homeowner claims in Joplin are State Farm, American Family, Shelter, AAA and Travelers, according to the department.