



FAR WEST
enterprises

Your
Public Relations
Navigator



**COLUMBIA INSURANCE EMPLOYEES FEEL IMPACT OF KATRINA (Published in the
September 10, 2005, Columbia Business Times) - 9/10/2005**

About 1,100 Words

September 2, 2005

Contact: Jim Muench
Far West Enterprises
(573) 499-4897

COLUMBIA INSURANCE EMPLOYEES FEEL IMPACT OF KATRINA

COLUMBIA, Mo. – Katrina's devastating effects are being felt by local employees of Columbia's two major insurance headquarters as they work valiantly to overcome barriers to servicing the claims of their customers in Louisiana and Mississippi.

Shelter's national and State Farm's regional headquarters have both sent teams of employees to the front lines of the disaster effort. Louisiana is one of the five states in State Farm's central zone whose two main offices are based in Columbia and Tulsa, and it is an important state for Shelter as well.

If claims meet the \$25 billion estimate reported earlier this week by the Associated Press, Katrina will cost insurers more than last year's four Florida hurricanes, which altogether cost insurers about \$23 billion, and will top 1992's Hurricane Andrew, which caused a record \$15.5 billion in losses that would have cost about \$21 billion in today's dollars. Neither company will give out updated damage estimates from Katrina at this point.

Of the two companies, State Farm will take the greater brunt of claims because it owns 35 percent of the total insurance market share in Louisiana, according to Tia Lindell, spokesperson for State Farm, and its market share is similar in Mississippi and Alabama. State Farm covers 190,000 households in New Orleans and outlying areas, she said. In addition to homeowners and automobile customers, State Farm insures many small businesses, a great number of which may have been looted.

"We insured a large number of people there, but we just have no idea about how much damage there is," Lindell said. "We're trying to get down there and assess the damage, but it's just going to be a while until we're let into the area. All they are letting in is first responders, so

we do not have access to New Orleans at this time.”

Shelter has no policies in the most devastated areas of New Orleans, said Joe Moseley, vice president of marketing, although it does have many customers from between the north side of Lake Ponchartrain and Baton Rouge, La. Like several other insurance companies, Shelter avoids issuing policies in coastal areas; for instance, it holds no policies in Florida and was not exposed to last year’s hurricanes there. He predicts Shelter will have about 6,000 to 8,000 claims resulting from the hurricane.

According to Moseley, flooding is not as big of an issue for Shelter’s most affected region north of Lake Ponchartrain near Hattiesburg. “It’s an area that has huge trees, and they’re laying in living rooms and on garages and things like that,” he said. “The bulk of the damage that I witnessed was because of trees on top of some houses, not so much houses blown down.”

For State Farm and for the residents of New Orleans who did not evacuate, the subsequent flood caused more devastation than the hurricane itself. In past hurricanes, the storm would come, and most people could return to their homes after a few days, freeing up hotel space for insurance employees helping customers file claims. This time, flooding from broken levees filled up the valley in which New Orleans sits like a bowl full of toxic soup, and the breakdown in civil authority and public health crisis has kept State Farm employees from getting to the most desperate areas.

State Farm has a war room set up in its Columbia office in addition to phone banks of employees answering queries and taking claims from customers. State Farm sent its National Catastrophe Team of about 2,600 employees supported by another 4,500 employees and agents from around the nation, to the front lines at Baton Rouge, La., and other towns on the fringe of the afflicted area, where they are waiting to move in as soon as authorities allow them to do so. For State Farm, the main impediment lies in getting into the battle zone to assess damages and reach customers, and in finding safe places for their employees to stay.

“We were only able to get into Baton Rouge, and so we’re just working the outlying areas that need our help first,” Lindell said. “Once we gain access to that area [of New Orleans], then we’ll go in, start with the most severe claims we have and work back.”

Shelter has placed about 100 people, including about 60 employees from around the country and another 40 from an independent adjusting firm, in Baton Rouge and Jackson, Miss., in hotels and Shelter state offices. About 10 employees from Shelter headquarters in Columbia are on the scene in Baton Rouge and Jackson. State Farm also may begin sending employees to Texas to deal with claims by refugees who have been sent to that state, according to State Farm spokeswoman Tara Eubanks, but Moseley said Shelter has no similar plans to go to Texas.

Shelter is having difficulty communicating between its Columbia headquarters and state offices in Jackson and Baton Rouge, which has been without power and water for days. Employees often have to fill out claims by hand.

“The biggest problem is communication,” said Moseley, who is in Jackson. “It’s getting better today, but we cannot reach anybody in the Louisiana group – the people in Baton Rouge – and they are having trouble reaching us. And more importantly, a lot of trouble making contact

with the home office for purposes of passing claims back and forth.”

North of Lake Ponchartrain, Moseley said there was a problem with the availability of gas, not necessarily the cost. For some stations, Moseley said, the problem is no electricity to work the gas pumps. Other stations just don't have any gas.

Spokespeople for both companies say they are doing their best to help people in the afflicted areas. Shelter is serving food and drink – grilled burgers, snacks, sodas and water – to help its policyholders cope. Similarly, State Farm has donated \$1 million to the Red Cross and is matching equally any donations given by its employees and agents. Some State Farm agents are handing out gift certificates to local restaurants to keep customers fed, and the company is releasing additional living expenses funds to policy holders to cover such expenses as hotel rooms and food for 12 to 24 months.

Popular wisdom might predict hurricane damage would cause insurance rates to rise dramatically, but the insurers say that Missouri should not see major rate increases. Insurance rates are calculated according to a mathematical formula that includes past history and which is projected 20 years into the future. The main effect on the local economy will be felt in the future when construction supplies, especially lumber, become scarce and costly because of the increased demand in the afflicted coastal areas.

“Claims experience in Missouri sets the rates for Missouri,” Eubanks said. “Just because there is a catastrophe happening in Louisiana, the claims experience should not directly impact Missouri's rates.”

###
