

Schumer lambastes insurance industry

by Joseph Orovic, Chronicle Contributor | Posted: Thursday, November 15, 2012 10:30 am

Insurance companies are already seeking ways to back out of their obligations to cover damage caused by Hurricane Sandy, according to Sen. Chuck Schumer (D-NY).

The hullabaloo surrounds the storm's classification as a "post tropical cyclone" by the National Oceanic and Atmospheric Administration and the National Weather Service. Gov. Cuomo also declared Sandy would not be classified a "hurricane" by insurance companies.

The classification helps homeowners avoid a special "hurricane deductible" in most insurance policies, which is notably higher.

Schumer claims the industry is pushing to have the decision reversed, in order to recoup millions from homeowners.

"Superstorm Sandy left many homeowners' lives in shambles, and private insurance companies — who have collected thousands and thousands of dollars in premiums — should be doing everything possible to help them clean up the mess and rebuild, not trying to skirt their obligations," Schumer said in a statement. "The state and federal governments both classified this storm as a post tropical cyclone, not a hurricane, and insurance companies shouldn't try to alter reality to save money on the backs of homeowners."

Hurricane deductibles are assessed as a percentage of the value of the home before the storm hit, usually ranging between 1 percent and 5 percent. Non-hurricane deductibles are a fixed dollar value, sometimes under \$1,000. According to Schumer, the difference between the two can be tens of thousands of dollars for homeowners who have little to no financial wiggle room.

The cost to the insurance industry in total could be in the billions. Eqecat, a company that tracks insurance losses, has pegged the total cost of the storm for insurers between \$5 and \$10 billion. The company noted the area affected by Sandy includes 20 percent of the nation's population.

Cuomo augmented other rules on Nov. 5 in order to expedite the recovery process, instructing insurers to accept owners' documentation and photos as the only necessary documentation of storm-caused damage. The move bypasses the typical home inspection conducted by the company to back up homeowners claims, meaning residents can clear debris sooner.

The governor also instituted a 30-day moratorium on the termination of any homeowners insurance for any reason, including nonpayment of premiums. He also expanded the states disaster hotline, a go-to for



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Sen. Chuck Schumer claims insurance companies are hoping to reclassify Sandy back to a "hurricane" in order to cash in on what would be billions in deductibles.

insurance-related questions, to 24/7 service.

“Health and safety must come first. If debris is creating unsafe conditions, people must be able to clear it away without hurting their right to make an insurance claim,” Cuomo said in a statement. “We are acting to preserve homeowners’ insurance rights when much is beyond their control. They have suffered enough and should not be hurt further by red tape or technicalities.”

Schumer sent a letter to the chief executives of three major insurance associations, lambasting published reports companies plan to challenge the NOAA and the NWS’s classification.

“I urge you to work with your respective members and encourage them not to nickel and dime New Yorkers who are trying to put their lives back together after this great disaster,” he wrote. “Rather than wasting time and resources challenging the technical determination of the NWS and government officials, insurance companies should be putting boots on the ground to process claims as quickly as possible in order to avoid the kind of delays we’ve seen following other natural disasters.”