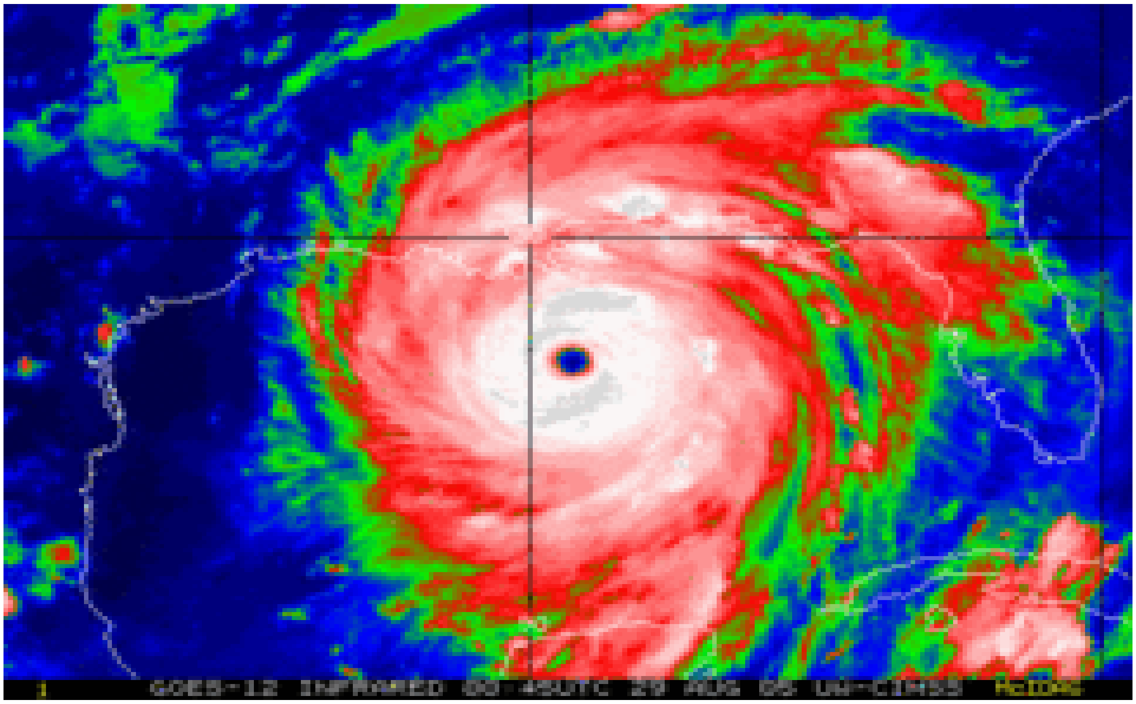

HURRICANES KATRINA AND RITA AND THEIR IMPACT ON THE INSURANCE INDUSTRY

THIRTEENTH ANNUAL COVERAGE AND BAD FAITH SEMINAR
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I. BACKGROUND

Hurricane Katrina crossed the Florida peninsula on August 25, 2005 as a Category 1 hurricane. Upon entering the Gulf of Mexico it gathered energy from warm gulf waters, producing a hurricane that eventually reached Category 5 status on Sunday, August 28th, shortly before making its second mainland landfall just to the east of New Orleans on Monday, August 29th. Immediately prior to landfall on the morning of August 29, 2005, Hurricane Katrina had weakened to a Category 4 and its eye passed just slightly to the east of New Orleans. Despite the storm's slight weakening, the hurricane imposed unusually severe wind loads and storm surges (and waves) on the New Orleans region and its flood protection systems.

The storm surge from Katrina caused catastrophic damage along the coastlines of Louisiana, Mississippi, and Alabama. Before Katrina the most homes destroyed by any storm was 28,000, by Hurricane Andrew.[1] Hurricane Katrina destroyed more than 200,000 homes and is estimated to be responsible for $75 billion in damages, making it the costliest hurricane in United States history.[2]

Katrina was also one of the deadliest storms since 1928, killing 1,417 people. As of January 18, 2006, more than 3,200 people remain unaccounted for, so the death toll may continue to grow.

Hurricane Rita came storming in September, making its approach near Cuba, striking Florida, and then Texas and Louisiana. The storm surge reopened some of the levee breaches caused by Hurricane Katrina one month earlier, and reflooded parts of New Orleans. However, Rita weakened significantly as she approached the coast and the on-shore damage was contained relative to Katrina.

Rita killed 6 people and caused 113 indirect deaths. The property damage from Rita estimates around $9 billion, which makes Rita the ninth costliest storm in United States history.

The insurance industry plays an important role in natural disaster recovery. This role will undoubtedly make the insurance industry the subject of public scrutiny and debate. The effect of Hurricanes Katrina and Rita upon the insurance industry both in terms of cost and claims will be felt for a long time to come. However, because of the coverage disputes presented by the hurricanes, it is uncertain what effect the hurricanes will have on the industry in terms of extra-contractual liability.

II. EFFECT ON RATING AND UNDERWRITING

The Louisiana Insurance Rating Commission reluctantly approved its first post-Katrina increase in homeowners insurance in January, 2006. The commission voted 4 to 1 to allow

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[1] Hurricane Andrew produced approximately $20 billion of insured losses. Towers Perrin, *Hurricane Katrina: Analysis of the Impact on the Insurance Industry,* October 2005, p. 2.

[2] The single most expensive insured occurrence prior to Hurricane Katrina was the September 11, 2001 terrorist attacks with estimated insured losses of $35 billion as of 2004. Towers Perrin, *Hurricane Katrina: Analysis of the Impact on the Insurance Industry,* October 2005, p. 2.

ANPAC Louisiana Insurance Company to increase homeowners insurance rates by an average of 23.3 percent statewide.

Arguably, the increase in rates will not recoup the losses caused by Katrina, but may serve to stabilize the insurance market in those states most affected by the hurricanes. Still, even viability in the market seems insurmountable where it has been reported that the record $12.4 billion in claims from hurricanes Katrina and Rita in Louisiana alone is enough to wipe out all homeowners insurance premiums paid in the state over the past 25 years and all profits ever earned in Louisiana. Homeowners insurers in Mississippi are expected to pay $5.5 billion in claims from Hurricanes Katrina and Rita, an amount equal to all homeowners insurance premiums paid in the state since 1989.

Other factors that weigh upon the likelihood of increased premiums in the coastal states include the following:

- Predictions by meteorologists that hurricanes will be more frequent and more intense for the next 15 to 20 years.[3]
- Uncertainty surrounding the ability to rebuild.
- Lawsuits, such as those filed by the Mississippi Attorney General Jim Hood and others that seek payments for flood damage under homeowners policies which contain long-standing and explicit exclusions for such losses. Insurers are concerned that they could be liable for billions of dollars in losses for which they have collected no premiums and have no reserves.

While the climate seems ripe for increased premiums due to the increased losses caused by the hurricanes, several statistics indicate that the property/casualty insurance industry's profitability for 2005 is extraordinarily high. The industry apparently experienced an unexpected $6.3 billion increase in new capital.[4]

A. Louisiana Rules and Directives

The Louisiana Department of Insurance issued emergency rules prohibiting all insurance companies from canceling or non-renewing policyholders in storm-impacted counties.[5] Rule 23

[3] Insurance analysts predict that a Katrina-sized loss event will occur between every 50 to 100 years, with smaller events in the $20 billion range should occur on average every 15 years. Towers Perrin, *Hurricane Katrina: Analysis of the Impact on the Insurance Industry*, October 2005, p. 4.

[4] Patrick Buckley, Joanne Doroshow, Basel Hamden and J. Robert Hunter, The Insurance Industry's Troubling Response to Hurricane Katrina, p. 17 (Americans for Insurance Reform 2006) (www.insurance-reform.org.)

[5] Rule 15, Suspension of Certain Statutes and Regulations Regarding Cancellations, Non-Renewals, Reinstatements, Premium Payments, Claim Filings, and Related Provisions Regarding Any and All Insuarnce Matters Affecting Insureds in Louisiana Caused by Hurricane Katrina (Louisiana Register, Vol. 31, No.10); Rule 19, Suspension of Certain Statutes and Regulations Regarding Cancellations, Non-Renewals, Reinstatements, Premium Payments, Claim Filings, and Related Provisions Regarding Any and All Insurance Matters Affecting Insureds in Louisiana Caused by Hurricane Rita (Louisiana Register, Vol. 31, No.11); Rule 23, Suspension of Right to Cancel or Nonrenew Residential, Commercial Residential or Commercial Property Insurance Due to Hurricane Katrina or Rita (Louisiana Register Vol. 32, No. 01), https://www.ldi.state.la.us).

specifically suspends the right of any insurer to cancel or nonrenew property insurance covering a dwelling located in Louisiana that sustained damage as a result of Hurricanes Katrina and Rita until 60 days after the substantial completion of the repair and/or reconstruction of the property or until the Emergency Rule is terminated by the commissioner.[6] This Emergency Rule specifically prohibits rate increases until January 1, 2006 on existing insurance and allows the insurer to offset the premium owed by the insured from any claim payment made to the insured under the policy, except as relates to health insurance.[7]

Recently, the Louisiana Commissioner of Insurance issued Directive 196.[8] Directive 196 requires insurers in Louisiana writing personal lines insurance to ignore all unfavorable credit score entries that are related to Hurricanes Katrina and/or Rita when considering the individual's credit history for underwriting or rating of personal lines insurance.[9]

Still, Louisiana homeowners can expect a significant increase in property insurance in 2006 to help bail out the LCPI plan and cover the emergency loans issued to cover all hurricane claims.[10]

[6] *Id.*
[7] *Id.*
[8] Directive 196, March 1, 2006, https://www.ldi.state.la.us).
[9] *Id.*
[10] Patrick Buckley, Joanne Doroshow, Basel Hamden and J. Robert Hunter, The Insurance Industry's Troubling Response to Hurricane Katrina, p. 19 (Americans for Insurance Reform 2006) (www.insurance-reform.org).

B. Texas Bulletins

The Texas Department of Insurance issued several bulletins to address the potential rate and underwriting affects from Hurricanes Katrina and Rita. These bulletins are listed as follows:

- **Bulletin No. B-0042-05** - (September 2, 2005) requires that insurers provide reasonable exceptions to the insurer's rates, rating classifications or underwriting rules for a consumer whose credit information has been directly influenced by a catastrophic illness, injury or death of spouse, child or parent, or temporary loss of employment or other extraordinary event, and the insurer must consider only credit information not affected by the event causing the loss of employment or other extraordinary event. TDI encouraged insurers to accept verbal requests in lieu of written requests to avoid placing additional burdens on hurricane victims.
- **Bulletin No. B-0044-05** - (September 9, 2005) requires that insurers should not change commercial auto policyholders' rating classifications and increase their insurance rates solely because of temporary participation in relief efforts in Hurricane Katrina.
- **Bulletin No. B-0045-05** (September 14, 2005) prohibits insurers from re-rating, canceling, nonrenewing, or refusing property or casualty

insurance due solely to participation in relief effort of Hurricane Katrina.

- **Bulletin No. B-0050-05** - (September 21, 2005) encourages life, accident and health insurers to suspend premium payments and allow continuing insurance coverage to hurricane victims or evacuees.
- **Bulletin No. B-0053-05** - (September 21, 2005) prohibits insurers from re-rating, canceling, nonrenewing, or refusing property or casualty insurance due solely to an individual's status as a victim or evacuee of Hurricane Rita.
- **Bulletin No. B-0052-05** - (September 21, 2005) requires that insurers provide reasonable exceptions to the insurer's rates, rating classifications or underwriting rules for a consumer whose credit information has been directly influenced by catastrophic illness, injury or death of spouse, child or parent, or temporary loss of employment or other extraordinary event, applicable to personal lines insurance. TDI encouraged insurers to accept verbal requests in lieu of written requests to avoid placing additional burdens on hurricane victims.

TDI explains that Bulletins 0044-05 and 0045-05 were written to address circumstances where the insured participates in temporary relief efforts, but where the insured's participation is more permanent causing "an increase in exposure that is the result of a sustained activity, insurers should use prudence in re-evaluating the risk."[11]

The bulletins are only in effect during the time period set out in the Governor's disaster proclamation, which was originally 30 days from September 20, 2005, but extended by the Governor of Texas another 30 days on October 20, 2005.[12]

III. <u>EFFECT ON CLAIMS HANDLING PROCEDURES</u>

Insurers have faced unique obstacles in investigating and settling claims resulting from Hurricanes Katrina and Rita. The volume of claims alone presents problems as there are estimated 1.75 million claims from the damage Katrina caused in Alabama, Florida, Louisiana and Mississippi and 1.2 million claims from damage caused by Rita in Texas and Louisiana and damage caused by Dennis and Wilma in Florida. Adjusters initially faced the difficulties caused by the damage to the infrastructure of the regions where electricity and phone service were down, which limited the amount of claims sites they could actually investigate. Also, homeowners and business owners were displaced, slowing down the claims process.

Then, there was the problem of accommodating over 15,000 adjusters at one time. Adjusters were forced to stay in remote places and drive long distances

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11 Hurricane Rita Bulletin FAQs, http://www.tdi.state.tx.us/consumer/ritafaq.html).

12 Hurricane Rita Bulletin FAQs, http://www.tdi.state.tx.us/consumer/ritafaq.html).

to get to the damaged sites. Even some insurance companies suffered displacement, as did their employees, due to the storms. Obviously, the practicalities of adjusting claims after Hurricanes Katrina and Rita were difficult.

A. Texas Bulletins

The Texas Department of Insurance issued several bulletins to address the potential affects on claims handling processes from Hurricanes Katrina and Rita. These bulletins are listed as follows:

- **Bulletin No. B-0051-05** - (September 21, 2005) reminds carries that the Insured Code authorizes them to use nonresident and emergency adjusters to handle claims and provide prompt and immediate relief to hurricane victims and evacuees.
- **Bulletin No. B-0059-05** - (September 28, 2005) Commissioner acknowledges that certain adjusters may be approaching people whose homes have been damaged and offering checks for living expenses in return for the homeowners signing an acknowledgment that their claim is for flood damage. Homeowners policies do not require that the policyholder acknowledge coverage under any particular policy before being eligible to receive ALE expenses. Commissioner reminds insurers of the specific claims settlement practices required in the Insurance Code.
- **Bulletin No. B-0063-05** - (September 30, 2005) recognizes additional time periods for processing claims as allowed by Texas Insurance Code, Section 542.059 and 28 TAC 5.903.
- **Bulletin No. B-0064-05** - (October 10, 2005) Commissioner recognizes complaints by policyholders that there may be no coverage, they must travel to various areas of the state to obtain settlement checks, that claims handling areas are closed, that property cannot be inspected when there are means of inspection available to the adjusters. TDI began conducting market examinations to ensure regulatory compliance with claims handling requirements.

TDI explains that an insurer must timely inspect the property before denying a claim in compliance with Texas Insurance Code, Chapter 542, subchapter B (formerly Article 21.55).[13] Furthermore, the insurer may have a contractual duty to fully investigate any claim asserted by the policyholder, including the claim that damage may have been caused by another covered loss or ensuing loss allowed under the policy.[14]

B. Louisiana Rules and Directives

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[13] Hurricane Rita Bulletin FAQs, http://www.tdi.state.tx.us/consumer/ritafaq.html).

[14] Hurricane Rita Bulletin FAQs, http://www.tdi.state.tx.us/consumer/ritafaq.html).

The Louisiana Department of Insurance ("LDOI") also issued Emergency Rules and directives to address the issues that arose in the claims handling process after Hurricanes Katrina and Rita. The rules are listed as follows:[15]

- **Rule 15** - (August 26, 2005) suspends all statutory and regulatory provisions that impose upon the insured a time limit to perform an act or transmit information or funds with respect to insurance in specifically identified and designated areas of Louisiana. This does not relieve the insured from the obligation to provide information and cooperate in the claims adjustment process.
- **Rule 16** - (August 26, 2005) requires that all public adjusters operating in Louisiana must register with the LDOI. Failure to register is a violation of the Louisiana Insurance Code.
- **Rule 22** - (December 22, 2005) implements a claims mediation program for personal line residential claims resulting from Hurricanes Katrina and Rita. The Rule also addresses guidelines for construction pricing. The rule does not apply to commercial insurance, private passenger motor vehicle insurance or liability coverage contained in property insurance policies.
- **Directive 195** - (February 27, 2006) prohibits insurers from imposing a six month time period on insured to make necessary repairs to property damaged by Hurricanes Katrina and Rita. Insureds now get an additional six months, total of one year, to recover the replacement costs for damages.

In October 2005, several class action lawsuits were filed in Louisiana against Audubon/AIG and Louisiana Citizens Property Insurance Corporation ("LCPI") for failure to meet state mandated deadlines for adjusting claims. LCPI is a state-sponsored insurer designed to provide insurance to those in the coastal areas who could not otherwise get homeowners insurance from the private market. Audubon contracted to administer the LCPI policies through the hurricane claims, however, it lost its contract with LCPI shortly after Hurricane Katrina struck. Chief Executive Officer of LCPI, Terry Lisotta, has been noted to say that the fact that Audubon challenged its loss of the administration contract caused delays in the changeover process and ultimately, delays in the claims handling process of Hurricane Katrina.[16]

Note that the Federal Emergency Management Agency (FEMA) may be less available to those with insurance since it will not "duplicate assistance" provided by an insurer and will only make decisions to aid policyholders after a claim has been settled.[17]

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[15] The rules cited herein are relative only to property and casualty insurance. The LDOI has issued other rules relative to health insurance.

[16] Associated Press, October 20, 2005.

[17] FEMA.gov, "Disaster Assistance Frequently Asked Questions," http://www.fema.gov/rrr/dafaq.shtm#insurance, December 13, 2005.)

It appears that progress in the claims handling process has been steady, but slow, since the hurricanes. According to the Insurance Information Institute, homeowner's insurers have settled nearly 70 percent of claims from Hurricane Katrina in Louisiana and Mississippi, which is over 732,000 claims, totaling $11.4 billion. In addition, about 90 percent of more than 300,000 claims from damaged vehicles have been settled in both states, according to the Insurance Information Institute. Settled does not necessarily mean that the claims were paid. It means that the insured and the insurer have agreed upon the extent of covered damage and the estimated repair costs.

IV. <u>COVERAGE DISPUTES AND PENDING LITIGATION</u>

As of January 1, 2006, there were over 14 different lawsuits filed in Texas, Louisiana and Mississippi relating to one or several of the coverage disputes discussed herein.

A. The Flood v. Wind Dispute

The prevalent question today is whether the homeowners policy will cover flood damage that resulted from hurricanes Katrina and Rita. Homeowners policies generally cover damage or destruction of a home from fire, wind, hail, lightning, vandalism and theft. Most homeowners policies exclude flood damage, though damages caused by rain are generally covered unless excessive rainfall is the cause of a flood.

The water damage exclusion may read:

"We do not insure for loss caused directly or indirectly by [water damage]…regardless of any other cause or event contributing concurrently [and] whether or not the loss event results in widespread damage…"

"Water damage" means:
a. Flood, surface water, waves, tidal water, overflow of a body of water, or spray from any of these, whether or not driven by wind…caused by or resulting from human or animal forces or any act of nature."

The interpretation of these provisions in the wake of the hurricanes is the subject of dispute. For example, some would argue that because the terms "caused by or resulting from human…forces" are not defined, they are ambiguous and to be construed against the insurer such that there is coverage where the flooding was caused by break in levees due to inadequate design and construction.

Also, many homeowners policies in the storm inflicted areas included deductibles for hurricane damage. The deductibles were determined by the amount of premium (higher premium/lower deductible). This type of deductible creates the expectation that all damage from a hurricane is covered, except the amount of the deductible. However, insurers rely upon the water damage exclusion to exclude damages caused by the hurricanes, despite the existence of a hurricane deductible.

Ultimately, it is the insurer's burden to prove whether the water damage exclusion, or any other exclusion, applies to the claims presented by Hurricanes Rita and Katrina. This is true for Louisiana, Texas and Mississippi.[18]

Mississippi Attorney General Jim Hood has filed suit on behalf of the state against several major homeowners insurers[19], seeking a court ruling that these insurers should pay homeowners for flood damages because Katrina's winds caused flooding. The suit alleges that the standard exclusions for "water damage" and "flood" are ambiguous in the context of homeowner's policies.

In effect, a court's ruling in favor of coverage could nullify specific exclusions for damages caused by flood, though wind damage is typically covered under the homeowner's policies. Homeowners argue that Katrina's winds caused the devastating storm surge that ultimately caused the flooding. Wind being a covered peril and flood being an excluded peril, the core of the dispute could be application of the legal doctrine of "proximate cause".

It is not uncommon for excluded perils to play some role in an otherwise covered loss. The courts may be forced to clearly articulate the standards of multiple causation between excluded and covered perils. In Mississippi and elsewhere, courts frequently find coverage were a covered peril such as wind contributes significantly to the loss, even though an excluded cause also contributed to the loss.[20]

That being the case, the Mississippi lawsuit and other lawsuits involving homeowners policies could be extremely fact intensive depending upon the location of the damaged homes. The contours of the proximate cause of damages may differ from neighborhood to neighborhood, and certainly from state to state. Where there is nothing left of the property, the question of whether the home was destroyed by flood or wind could be speculative. Where homes remain, though damaged, the homeowners may not be financially capable of securing the professional advice necessary to prove causation. Even testimony from weather experts on the severity and duration of the winds caused by the hurricanes may be relevant in proving the proximate cause of damages.

Some insurers have taken the position that only damage that occurred over the water-line in the home is covered because damage below the water-line is the result of flooding.[21]

[18] See *Louisiana Maintenance Services, Inc. v. Certain Underwriters at Lloyd's of London*, 616 So.2d 1250, 1252 (La. 1993); *Lunday v. Lititz Mut. Ins. Co.,* 276 So.2d 696, 698 (Miss. 1973); *Altivia Corp. v. Greenwich Ins.Co.*, 161 S.W.3d 52, 54 (Tex. App. – Houston [14th Dist.] 2004, pet. granted October 2004).

[19] The Attorney General sued State Farm, Allstate, USAA and Nationwide.

[20] See *Grace v. Littitz Mut. Ins. Co*., 257 So.2d 217, 224 (Sup. Ct. Miss. 1972) (in multiple causation situations, the question will turn to which peril was the "dominant" or "efficient" cause of the damage).

[21] Patrick Buckley, Joanne Doroshow, Basel Hamden and J. Robert Hunter, The Insurance Industry's Troubling Response to Hurricane Katrina, p. 5 (Americans for Insurance Reform 2006)(www.insurance-reform.org.); but see *Commercial Union Ins. Co. v. Byrne*, 248 So. 2d 777 (Sup. Ct. Miss. 1971) (even though there were water marks on the walls, jury found that prior to the tidal waters rising, the damage had been sustained by wind-driven rains which entered the house through openings created by the wind).

These questions of causation are ultimately questions of fact to be resolved by jurors.

Still, the court could take a more general approach to the issue of policy interpretation and deem the "water damage" and "flood" exclusions ambiguous, especially in situations where homeowner's policies include "hurricane deductibles", while at the same time, flood damage connected to hurricanes is purportedly excluded elsewhere in the policy. In doing so, the court are likely to construe the policies in favor of coverage. Certainly, this approach may eliminate the stress and strain that fact questions of causation could create.

The Mississippi suit further alleges that insurers have engaged in unfair trade practices by representing that the homeowners insurance policies provide "full and comprehensive hurricane coverage" when, in fact, the policies contain exclusions for water damage and flood that could limit liability. The Mississippi lawsuit notes that as a result of these unfair practices, homeowners are being pressured into accepting partial payments and signing away their rights to full coverage. Accordingly, the Attorney General is asking a court to order the insurance companies to stop paying less than full value on claims under the homeowner's policies and to hold that the water and flood exclusions are unenforceable.

In defense, insurers respond with arguments that the suit is nothing less than an attempt to rewrite the homeowner's policy after the loss, which ironically was approved by the state insurance regulators. The insurers will likely seek a very literal interpretation of the policies and strict application of the causation theories.

Since Attorney General Hood filed suit, attorneys have threatened to file thousands of lawsuits on behalf of homeowners to compel insurers to cover storm damages, even if those damages were caused by flooding. Separate lawsuits have already been filed in Louisiana and Mississippi by homeowners and businesses claiming that the flooding was created by a windstorm and therefore, should be covered under a standard homeowners policy. Experts predict this surge of litigation could force some homeowner's insurers out of business, or at least out of those states that were hit the hardest with hurricane damage.

B. Additional Living Expenses

One significant issue that has had immediate impact on the welfare of hurricane victims is the availability of "additional living expenses" coverage. "Additional living expenses" ("ALE") coverage in homeowners policies falls under "loss of use" coverage and reimburses the insured the cost of temporary living conditions until the insured can return to the home.[22] ALE can include items such as food and

[22] Patrick Buckley, Joanne Doroshow, Basel Hamden and J. Robert Hunter, The Insurance Industry's Troubling Response to Hurricane Katrina, p. 5 (Americans for Insurance Reform 2006)(www.insurance-reform.org.); but see *Commercial Union Ins. Co. v. Byrne*, 248 So. 2d 777 (Sup. Ct. Miss. 1971) (even though there were water marks on the walls, jury found that prior to the tidal waters rising, the damage had been sustained by wind-driven rains which entered the house through openings created by the wind).

housing costs, and telephone or utility installation costs in a temporary residence.[23] Also, extra transportation costs to and from work or school, relocation and storage expenses, and furniture rental for temporary residence may be eligible under ALE coverage.[24] ALE coverage may even pay for the loss of rental income if the insured rented out a room in the insured premises.[25]

Given its breadth, ALE coverage is extremely beneficial to the insured in the wake of Hurricanes Katrina and Rita, especially in light of the fact that flood insurance usually does not include any type of ALE benefits. However, ALE coverage has been denied on the basis that the evacuation was due to flooding, which, as previously noted, is arguably an excluded peril.

The Texas Attorney General and the Texas Department of Insurance filed a petition against Allstate concerning ALE coverage. On October 7, 2005, the Texas court ordered that Allstate pay ALE expenses to families displaced by Hurricane Rita.[26] Allstate appealed that order and ultimately, the same court ruled that Allstate is not required to pay temporary living expenses for Texas policyholders who could not return to their homes after Hurricane Rita because of power outages, impassable roads and other conditions.[27] The court specifically held that the homeowner's policies were not responsible for expenses stemming from loss of use of a home unless the structure was damaged.[28] "The mere existence of a hurricane which tangentially causes policyholders to be either without power or access to their home is not a peril insured against," wrote Judge Livingston.[29]

It should be noted that some insurers have paid ALE without question. For example, State Farm issued 90, 000 checks of $2,500 each to policyholders in Louisiana following Hurricane Katrina without requiring the insureds to report how they spent the money or refund any amounts not spent on living expenses.[30] This was based upon the civil authority clause in their policies that allows policyholders to collect up to 14 days of living expenses because local officials ordered them out of their homes.[31] Still, State Farm has taken the position that any more living expenses will be denied if flood damage, not wind, made the home uninhabitable.[32]

V. CONCLUSION

[23] *Id.*
[24] *Id.*
[25] *Id.*
[26] *State of Texas v. Allstate Insurance Company*, Cause No. GN503652, 200TH Judicial District Court of Travis County, Texas. Terrence Stutz, "Allstate ordered to cover expenses of Rita evacuees; insurer promises to oppose judge's ruling at October 20 hearing," Dallas Morning News, October 8, 2005.)

[27] *State of Texas v. Allstate Insurance Company*, Cause No. GN503652, 200TH Judicial District Court of Travis County, Texas.Terrence Stutz, "Allstate Gets Reprieve in Rita Expenses Case; Judge rules temporary living costs covered only if home badly damaged," Dallas Morning News, January 26, 2006)
[28] *State of Texas v. Allstate Insurance Company*, Cause No. GN503652, 200TH Judicial District Court of Travis County, Texas.
[29] *Id.*
[30] State Farm Relaxes Rules on Checks for Living Expenses Post Katrina, https://www.insurancejournal.com/news/southcentral/2005/09/26/60174.htm)
[31] *Id.*
[32] *Id.*

The insurance industry will remain under the public's watchful eye as a result of the various coverage disputes raised by Hurricane Katrina and Rita. Though it is unlikely that the courts will rewrite the policies and construe them in favor of coverage, the courts may be more inclined to address the uninsured losses by other remedies, such as extra-contractual liability for alleged unfair underwriting and claims handling efforts on the part of the insurance industry. Undoubtedly, the affects of Hurricanes Katrina and Rita could be not only catastrophic in loss of lives and property, but equally forceful in changing the insurance industry.