

ONE YEAR LATER:

Rebuilding lives and livelihoods



Alabama's business community was dealt a hefty blow on April 27, 2011.

A line of severe storms ripped through the state, producing a record number of tornadoes that damaged the lives and livelihoods of so many in the *Birmingham Business Journal's* coverage area and beyond.

More than 200 lives were lost across the state. Thousands of businesses were destroyed.

As you will read in our one-year anniversary coverage of the historic storms of April 27, 2011, some business owners rebuilt. Some did not. Some industries, such as construction, experienced a boon in its wake. Others, like forestry, were flattened so hard it will take years to recover.

The damage caused the highest catastrophe insurance claim payouts in Alabama's history.

As the state rebuilds, the *BBJ* looks closer at how the Birmingham business community and key industries are faring one year after the storms.

Southbrook Apartments is being rebuilt in Pratt City, a year after the tornadoes.

Historic insurance payouts hit nearly \$3B

BY ANTOINETTE COLE | STAFF

The extensive property damage from the week of the April 27, 2011, tornadoes and storms caused the highest catastrophe insurance claim payouts in Alabama's history.

Insurers paid \$2.93 billion to Alabama's home, business and auto policyholders for catastrophe losses that occurred the week of the April 27 storms. More than 133,000 insurance claims were filed in the state due to that devastating week of tornadoes and storms, according to analysis of data

by New York-based Insurance Information Institute.

The tornadoes that ripped through the Heart of Dixie caused another blow to the state's already profit-deprived homeowners insurance industry. Adding to that industry's decade of negative returns, the payouts by insurers for the 2011 disasters will likely make Alabama the least profitable state in the country for homeowners insurance.

Insurers' depressed return on equity on homeowners insur-



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INSURANCE: Local experts expect gradual increase in rates after storms and should know later this year

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ance could lead skittish underwriters to focus more on lower-risk states, resulting in reduced competition.

"Insurance companies have suffered significant losses as a result of the recent storms we've had, as well as from the series of severe storms in Alabama over the last decade," said Renee Carter, state director of the Alabama Insurance Information Service. "The numbers show that insurance companies are not reporting large profits from the homeowners lines. These storms impacted not only individuals and businesses that suffered damage, but the insurance companies that are essential to the financial well-being of people and commerce, as well."

Carter said despite a few tough years, the insurance market as a whole is relatively healthy in Alabama. However, she said potential risks still need to be avoided.

"The insurance companies have to expend their capital where they can get a reasonable return for their investors," she said. "If they can make a profit here, it could attract more companies to the state. Anytime you have more competition, you will have more competitive pricing, which is good for consumers."

In a November presentation, the Alabama Department of Insurance said companies must feel confident that they can make a profit on homeowners insurance in Alabama or they will choose not to offer insurance in Alabama and utilize their capi-

tal to write more business in other states.

In previous years, Alabama insurance companies paid approximately \$117 for homeowners' claims and operating expenses for every \$100 of premiums collected, the insurance department said. However, the national average is \$97 for every \$100 collected during the same time period.

After the tornadoes last April, Alfa Mutual Group announced it would not renew 73,000 Alabama property insurance policies. The Montgomery-based insurer said not all policyholders would be affected, but mostly landlords with multiple tenant houses and some policyholders who have only a single property policy with the company would be.

"While Alfa remains a financially strong insurance company, the increased frequency and severity of storms over the last decade have highlighted the need for Alfa to review its overall property portfolio," Alfa President Jerry Newby said in a statement in June.

Ragan Ingram, chief of staff for the Alabama Department of Insurance, said outside of the non-renewals by Alfa, there have been no systematic non-renewals.

"The market remains stable outside of the two coastal counties, and we don't expect major disruptions to the market," he said.

Since rate-change filings are gener-

ally done in late summer/early fall, the Alabama Department of Insurance doesn't have a large number of reports on the 2011 results from companies at this point, Ingram said. But he said he expects increases in rates from some companies.

"This was obviously the largest event in the state's history," he said. "There will be an impact on rates over time, but it will be gradual."

David "Bubba" Bates, a certified insurance counselor at Bates Roberts Fowlkes & Jackson Insurance, said he is aware of many insurance companies that have increased rates on personal and commercial lines since last April as a result of the record-setting catastrophe losses along with the use of predictive analytics.

"The increase on homeowner policies ranges from 10 to 20 percent, with some companies now requiring minimum deductibles of \$1,500, while others are adding a 1 to 2 percent deductible for wind and hail claims," Bates said. "Of the personal lines products, rental house policies have seen the largest rate increases with increases ranging from 15 to 25 percent."

Bates said the commercial line policies on average are increasing by 4 to 6 percent. He said some classes of commercial business, such as shopping centers, have seen rate increases ranging from 10 to 12 percent.

Bates added another result from the storms last April is that most carriers will no longer write monoline homeowners policies, which means they now require that they write both a home and auto policy.



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