Briefing

Insurers in Gulf States Feel Pinch From Construction Equipment Thefts

The widespread rebuilding effort along the U.S. Gulf Coast in Louisiana, Florida, Texas, Mississippi and Alabama is feeding a variety of criminal activity, including an already burgeoning business in construction theft.

Experts fear the annual tally of stolen construction equipment—a spiraling national trend that has troubled the construction and insurance industries for years—could hit a new high this year as more contractors move into the Gulf region to participate in ongoing reconstruction work.

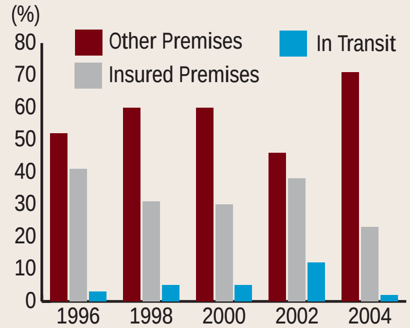
Already, one organization that tracks the nearly $1 billion equipment theft industry is reporting a noticeable increase in the amount of equipment reported stolen in certain Gulf and neighboring states since hurricanes Katrina, Wilma and Rita struck the region last year.

Construction equipment is being stolen not only from the hurricane-damaged areas, but from elsewhere and being transported to those areas. "Pieces of equipment are showing up over there that were simply taken from other places," said Charles Comiskey, chairman of the construction practice group of RiskProNet International, a network of independent insurance brokers in the United States and Canada, and a senior vice president at Brady Chapman Holland & Associates, among the largest insurance brokers in the Southwest.

The cost of insuring construction equipment has increased because of actual loss or damage resulting from the hurricanes, as well as the increase in thefts, Comiskey said. "It certainly is a trend that is going to be reflected in rates, especially for those who have incurred adverse loss experience," he said.

Hot Off the Lot

In 2004, 74% of all construction-equipment theft covered by insurance occurred while contractors were out on a job, while 24% happened on the insured's own property.



Source: ISO Inland Marine Circular, Contractors Equipment, All Classes

In its 2005 Equipment Theft Report, the National Equipment Register said the number of stolen pieces of equipment has increased 22% in the Gulf region and surrounding states since 2004. This figure is expected to rise, according to the organization, which conducts its annual study to provide equipment owners, member insurance companies and law enforcement with information to help target theft-prevention and investigation resources.

The National Equipment Register said it also noticed that equipment thefts spiked in neighboring Gulf states immediately after a hurricane struck, and then, as more equipment moved into the storm-damaged areas, thefts increased in those areas too. More than 60% of the equipment reported stolen in these areas were skid steer loaders, backhoes and small to medium-sized tractors, according to the report.

Feeling the pinch are insurers, which most often have to pay claims even if the insured's negligence facilitated the theft, unless there's a requirement in the policy that the insureds take some kind of precautions with their equipment, Comiskey said.

Some of the major carriers that sell equipment floaters include Zurich Financial Services Group, Hartford Financial Services Group Inc., St. Paul Travelers Cos. and Amerisure. Most cover a variety of exposures.

—David Dankwa

FEMA

DIGGING IN: Plumbers prepare piping and connectors for a sewage treatment system at a temporary housing site in Louisiana this past fall. The cost to insure construction equipment has been increasing, in part because of theft.

Insured Catastrophe Losses Reached Record $56.8B in ’05

Five storms accounted for nearly 93% of 2005’s record $56.8 billion in insured catastrophe losses, according to the Insurance Services Office Inc.

Hurricanes Dennis, Katrina, Ophelia, Rita and Wilma caused about $52.7 billion in insured losses, both homeowners and business claims, ISO said. In all, there were 24 catastrophic events in 2005, adding up to $56.8 billion in expected claims to be paid by U.S. property/casualty insurers. The loss, which includes homeowners and business claims, is more than twice the record $27.3 billion in catastrophe claims incurred in 2004.

Dennis caused $1.2 billion in insured losses during the third quarter of 2005. Katrina, the most costly U.S. hurricane on record, caused $38.1 billion of losses when it struck in late August. Ophelia, another third-quarter storm, caused $35 million, and Rita caused about $5 billion, according to ISO. Wilma caused $8.4 billion in the fourth quarter.

According to ISO, policyholders in 39 states filed more than 4 million personal and commercial property and automobile claims related to catastrophes in 2005. More than 80% of the claims came from five states—all of which were battered by Katrina, Rita, Wilma or other hurricanes:

• Louisiana with $27.2 billion in claims, nearly as much as all 2004 catastrophe claims;
• Mississippi with $12.2 billion;
• Florida with $9.9 billion;
• Texas with $2.9 billion; and
• Alabama with $1.5 billion.

—Rick Cornejo

Record 2005 Cat Losses *By the Numbers*

$56.8 billion
Total insured catastrophe losses in 2005.

$52.7 billion
Insurance loss caused by hurricanes Dennis, Katrina, Ophelia, Rita and Wilma during 2005.

1.1 million
The number of fourth-quarter claims in 2005, accounting for $8.9 billion of insured loss, the costliest fourth quarter in the past 10 years.

Source: Insurance Services Office Inc.

100 YEARS AGO *in* BEST'S REVIEW

CONCERNING AN EARLY GAG RULE

The March 1906 issue of *Best’s Review* reported concern about a bill introduced in the New York legislature. The bill required that in order to publish statements about the financial condition of life and fire insurance companies in New York and the securities owned by those companies, the publisher must have assets over liabilities of at least $100,000 and must obtain a license from the superintendent of insurance. It provided, however, that the provisions would not apply to recognized and established publications. If the bill became law, “it could be used by a zealous or unscrupulous superintendent to annoy any journal or other publication printing banking or insurance statistics or advertisements,” the magazine reported.

Post-Katrina Claims Rules Eased in Mississippi

In the wake of Hurricane Katrina and in the midst of insurance-related issues that have surfaced as a result, the Mississippi Insurance Department issued a bulletin to insurers pushing back the deadline regarding “notice of claim” and “proof of loss” practices.

The new bulletin replaces one issued on Oct. 24, 2005, by Insurance Commissioner George Dale.

The previous bulletin created a deadline of Jan. 31, by which policyholders would have to submit claims and proof of loss information to their insurers.

Now that the deadline has passed, the new edict eases requirements for policyholders, requiring insurance companies that haven’t waived the filing requirement to provide insureds with a written request, a blank proof-of-loss form and essentially no deadline.

Under the rule, policyholders who miss any insurer-mandated deadline for submitting the form can’t be barred from claims or recovery, though the insurance department warns that those who submit their claims beyond the insurers’ deadline can expect the process to take longer.

George Dale

According to the state agency, requiring insurers to work with policyholders to set reasonable time frames for submission of proof-of-loss statements was necessary “due to the massive devastation caused by Hurricane Katrina.”

“We are aware, as happens in every disaster, that rumors and inaccurate information spread like wildfire,” Dale said in a statement. “I would urge Mississippi policyholders to remain calm, and if they have questions regarding an insurance company or a rumor they have heard, to contact our offices before becoming unduly alarmed.”

According to Dale’s office, the National Flood Insurance Program has waived its proof-of-loss requirement except in the case of a dispute over payment or an adjuster’s settlement offer.

—Eleanor Barrett

By the Numbers

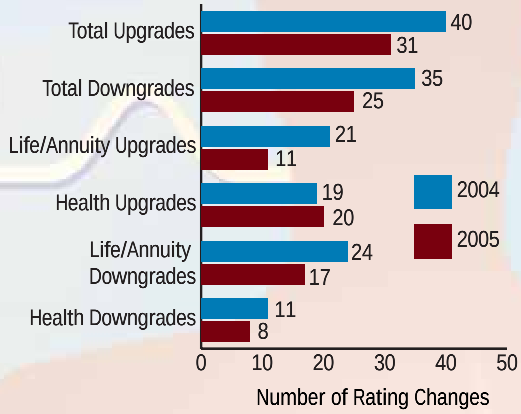
A.M. Best Special Report: Life/Health Rating Upgrades Outpace Downgrades

In 2005, the life/health insurance industry enjoyed another strong year of operating earnings, which along with benign credit markets led to historically high capital levels for the industry.

With continued improvement in balance sheet strength for the industry, A.M. Best's rating outlook for the industry was stable, and a larger share of companies now enjoy "Secure" ratings, according to a recently published special report.

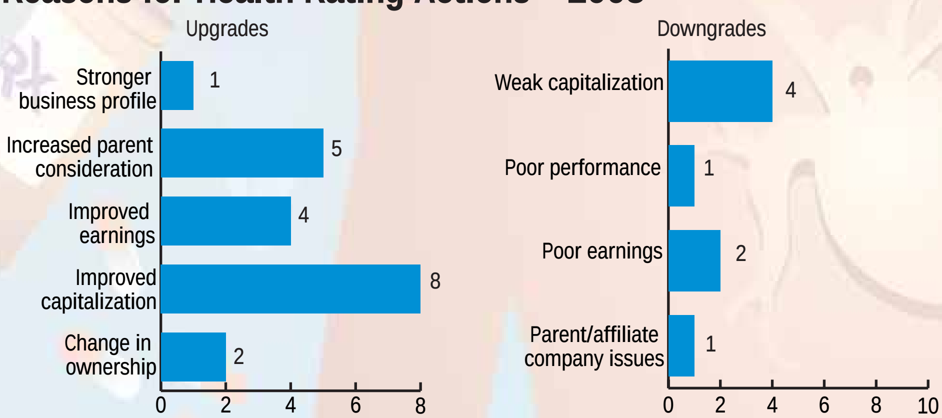
In total for the life/health industry for 2005, rating actions were positive, with 31 upgrades and 25 downgrades.

Rating Changes, Life/Annuity And Health Rating Units—2004 and 2005



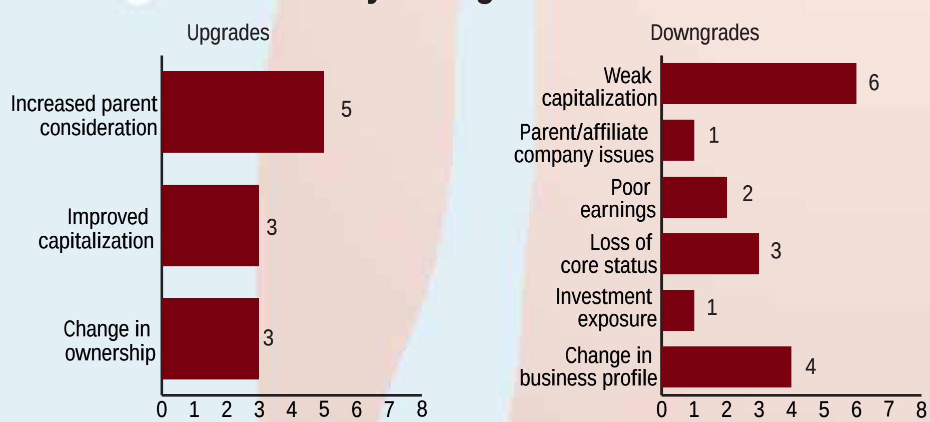
Note: Multicompany groups are treated as one unit.

Reasons for Health Rating Actions—2005



Note: Multicompany groups are treated as one unit.

Reasons for Life/Annuity Rating Actions—2005



Note: Multicompany groups are treated as one unit.
Source: A.M. Best Special Report

Meetings

March 4-7
National Association of Insurance Commissioners: Annual Spring National Meeting, Walt Disney World Dolphin, Orlando, Fla.
Phone: (816) 783-8100
Web site: www.*naic.org*

March 6-9
America's Health Insurance Plans: National Policy Forum, Ritz-Carlton Washington, Washington, D.C.
Phone: (202) 778-3200
Web site: *www.ahip.org*

March 8-10
Captive Insurance Companies Association: 34th Annual International Conference, Hyatt Grand Cypress Resort, Orlando, Fla.
Phone: (952) 928-4655
Web site: *www.cicaworld.com*

March 12-14
National Association of Mutual Insurance Companies: CEO Roundtables, Sheraton Wild Horse Pass Resort & Spa, Chandler, Ariz.
Phone: (202) 628-1558
Web site: *www.namic.org*

March 19-22
Insurance Services Office: Insurance Fraud Management Conference, Caribe Royale Orlando, Orlando, Fla.
Phone: (800) 888-4476
Web site: *www.iso.com*

April 3-5
LIMRA International: 2006 Life Insurance Conference, Hilton in the Disney World Resort, Orlando, Fla.
Phone: (800) 285-7792
Web site: *www.limra.com*

Briefing

Best's Insurance Stock Indices

(Dec. 31, 2004 = 1,000.00)

Four Weeks Ended February 9, 2006

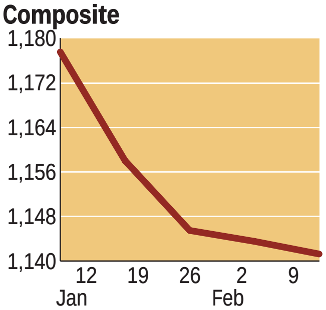
	Index	<---Percent Change--->		
	Close	Month/ Month	Year to Date	Year/ Year
Best's Insurance Composite Index	**1,141.26**	**-3.08**	**-1.50**	**10.80**
Multi-Line Index (M)	1,044.57	-4.67	-2.06	-3.06
Property/Casualty Index (PC)	1,047.46	-4.04	-2.17	2.82
Life/Health & HMO Index	1,312.55	-1.22	-0.48	29.27
Life Index (L)	1,253.90	0.21	2.64	25.31
Health & HMO Index (H)	1,375.88	-2.44	-3.08	33.61
Brokers & Agents Index (B&A)	1,053.95	-5.48	-3.58	8.04
NYSE Composite Index	**7,980.17**	**-0.35**	**2.92**	**10.67**

Top 5 Performers	Ticker	Best's Index	Closing Price	Month/ Month % Change
1. Independence Holding Co	IHC	L	22.71	10.24
2. Gainsco Inc	GAN	PC	9.03	10.12
3. EMC Insurance Group Inc	EMCI	PC	22.33	9.68
4. KMG America Corp	KMA	H	9.70	9.60
5. Aetna Inc	AET	H	99.27	8.53
Bottom 5 Performers				
1. Vesta Insurance Group Inc	VTAI	PC	0.66	-22.35
2. Tower Group Inc	TWGP	PC	18.86	-12.81
3. Endurance Specialty Holdings Ltd	ENH	PC	31.30	-11.68
4. PartnerRe Ltd	PRE	PC	60.20	-11.21
5. Health Net Inc	HNT	H	46.67	-11.21

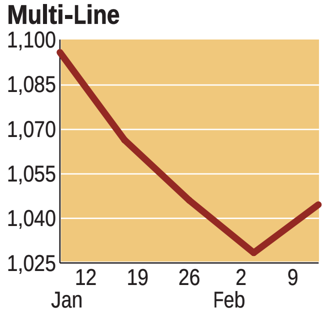
Indices by Segment

(See *bestreview.com* for methodology and further details identifying the companies included in each index.)

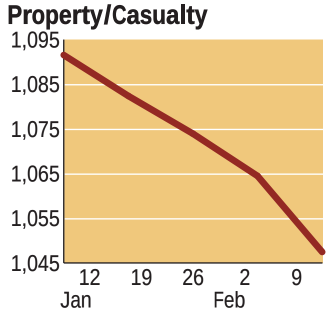
Composite



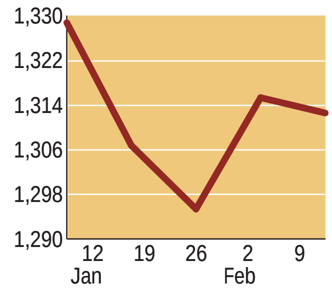
Multi-Line



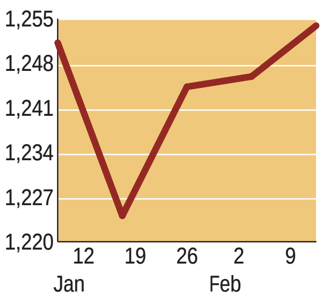
Property/Casualty



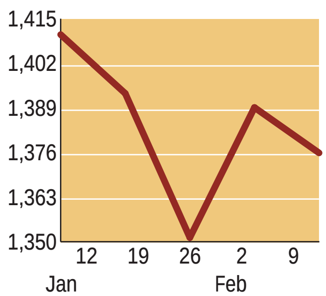
Life/Health



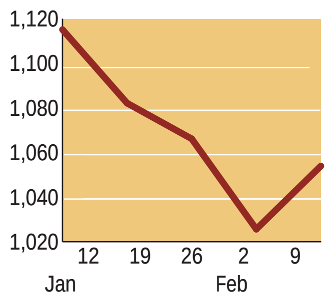
Life Index



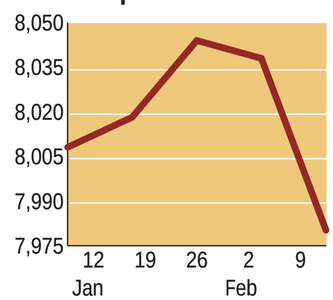
Health & HMO



Brokers & Agents



NYSE Composite



Source: A.M. Best Co. Business Analysis and Ratings Research

Best's Review Top Broker List

Best's Review's premiere ranking of the top insurance brokers will publish in the July issue. Along with the ranking by volume of business generated, each listing will feature key financial data including brokerage revenues and total revenues, plus top lines of business, significant developments in recent years and priorities for 2006. Brokers can submit information for the listing online at *www.bestreview.com*.

Levee District May Need to Self-Insure

The entity in charge of the now infamous levee and floodwall system in New Orleans that failed when Hurricane Katrina struck is considering self-insuring its liability risks.

The Board of Commissioners of the Orleans Levee District met Feb. 9 to consider also whether to go bare— as a neighboring levee district was forced to do recently—or renew liability coverage that expired Feb. 7 at a rate seven to eight times higher than before, Safety Risk Director Carol Kiefer said.

In the past five months, more than 30 insurers have declined the district's requests for coverage, and St. Paul Travelers Cos., which since 2000 had been providing general and excess general liability insurance coverage, as well as police professional liability, notified the district in August of its intention to retire the account effective Feb. 7.

St. Paul confirmed it had offered to renew at a significant increase in premium and deductible obligation.

—David Dankwa