



American Insurance Association

News

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AIA CALLS MISSISSIPPI ATTORNEY GENERAL LAWSUIT AGAINST INSURERS "GROUNDLESS"

ATLANTA, Sept. 16, 2005 – The American Insurance Association (AIA) feels compelled to respond to legal action taken yesterday by Mississippi Attorney General Jim Hood (D). In a complaint filed in state court, Hood seeks to force insurers to pay for flood losses not covered by property insurance contracts.

The AIA characterized the lawsuit as “groundless.” AIA Southeast Region Vice President Cecil Pearce said that “the attorney general must well know that, for more than 35 years, flood insurance principally has been the responsibility of the federal government under the National Flood Insurance Program (NFIP). This program has been available to Mississippi homeowners and businesses in flood-prone areas. What the attorney general’s lawsuit attempts to do is retroactively rewrite private insurance contracts for those individuals and businesses that chose not to buy flood insurance from the federal government’s flood insurance program. This would inject tremendous uncertainty into the insurance system, which relies on predictability and certainty in order to function for the benefit of policyholders. ”

The long-standing, clear division of responsibility – with the federal government providing flood insurance – was emphasized earlier this week by Mississippi Insurance Commissioner George Dale (D), who said at a legislative hearing: "The industry will pay what they owe. They will not pay what the policy did not provide because (policyholders) didn't pay a premium for it."

The relationship between an insurer and its policyholder is determined by the policy language in each insurance contract. It is not appropriate to force any insurer to pay claims for losses beyond the scope of their contract, as the attorney general’s lawsuit seeks to do.

Pearce stated that “Mississippi’s economic recovery in the aftermath of Hurricane Katrina will require a stable insurance mechanism. Insurers underwrite and make possible the many types of business investments which must be in place for effective recovery to occur. We have an historic commitment to the State of Mississippi and its consumers, and we intend to honor our contracts with our policyholders.”

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The American Insurance Association represents over 435 major insurance companies that provide all lines of property and casualty insurance and write more than \$120 billion annually in premiums. The association is headquartered in Washington, D.C., and has representatives in every state. All AIA press releases are available at www.aiadc.org.