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Miss. couple sues insurers over hurricane losses

Associated Press

PASCAGOULA, Miss. - A Mississippi couple sued insurers on Tuesday, saying the companies refused to pay for the damage to their home caused by Hurricane Katrina.

The lawsuit was filed in Chancery Court on behalf of Paul Leonard, a Pascagoula police officer, and his wife, Julie, by Richard Scruggs, a lawyer known for extracting huge settlements from tobacco and asbestos manufacturers.

The lawsuit follows one filed in September by Mississippi Attorney General Jim Hood.

The question in both cases is whether the damage was caused by the hurricane's 145 mph winds or a storm surge that sent Gulf waters up to 30 feet high rushing more than a mile inland, well beyond designated flood zones.

Hood argued in his suit filed against Allstate Corp., State Farm Insurance Cos., Nationwide Mutual Insurance Co., Mississippi Farm Bureau Insurance and other companies operating in the state that they should pay for all Katrina damages, whether caused by wind, wind-driven water or storm surge flooding.

Insurers say their policies don't cover floods and that's what Katrina's storm surge was - water pushed by the force of the wind. Flood insurance is offered separately by the federal government.

The insurance industry has said a ruling in Hood's favor would be financially ruinous and could revamp the rules of insurance regulation.

Defendants in the lawsuit filed by the Leonards are Nationwide, Jay Fletcher Insurance Co. and reinsurance companies in Europe and the U.S.

In a statement, Columbus, Ohio-based Nationwide said it was "deeply disappointed with the reported allegations that seek to throw out well established flood exclusions contained in policy language.

"There is no ambiguity in the language in question. These policies clearly state: 'Hurricane coverage does not include loss caused by flooding, including but not limited to flooding resulting from high tides or storm surges.'" The company also said it would review the merits of each claim before deciding whether to cover it. According to the lawsuit, the Leonards bought a homeowners' policy from Nationwide in 2004. The policy included a clause that the Leonards would pay 2 percent of the value of their home as their hurricane deductible. It alleges that on Sept. 12, without inspecting damage to the Leonards' home, Nationwide sent them a letter denying coverage for their losses.

The lawsuit seeks, among other things, equitable relief under the law, the rewriting of insurance policies and coverage for the Leonards' home and personal property.