

# Lower Payouts Likely After Tornado

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MOORE, Okla.—As residents here recover from a tornado likely to be among the costliest in U.S. history, many will find that insurance will cover less of the tab than after past storms.

The disaster is the latest in a string of costly inland storms for the insurance industry in recent years, following tornadoes in 2011 in Joplin, Mo., and Tuscaloosa, Ala., that each resulted in more than \$2 billion in insured losses.

A sharp jump in insured damage from tornadoes and thunderstorms has led to more policies with higher deductibles, stingier reimbursements for roof damage and limits on payouts for total reconstruction of a house, according to insurance executives, agents, regulators and consumer activists.

Preliminary estimates from Monday's tornado, which carried winds of more than 200 mph and killed 24 people, suggest that property damage could rise to \$2 billion, local and state officials said.

The insurers' policy changes will be felt by residents such as Ken Baker, who was at work at a local steelmaker when Monday's tornado struck. He rushed home to find his house of eight years completely destroyed except for the closet where his wife, daughter, mother-in-law and their five dogs rode out the storm. A lifelong resident of Moore, which also suffered heavy damage during a tornado in 1999, Mr. Baker, 55 years old, vowed to rebuild. But he said it won't be easy. He said he has comprehensive insurance from [Allstate Corp.](#), but the \$1,000 deductible will be a challenge. "We're just working folks," he said. "I live from paycheck to paycheck."

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Allstate is helping customers affected by the tornadoes, a spokeswoman said, adding that the insurer offers a range of deductibles and products to fit customers' needs. "The days of having a \$250 deductible or even a \$500 deductible are very quickly going away, if they're there at all," said John Wiscaver, vice president of public affairs for Oklahoma Farm Bureau Mutual Insurance and co-chairman of the Oklahoma Insurance Catastrophe Task Force, which helps coordinate industry response to tornadoes. "You have to assume a little more risk." The shift toward less generous plans comes after the property-casualty insurance industry moved earlier to reduce its exposure to hurricanes along the Atlantic and Gulf coasts in the wake of increasingly costly hurricanes.

Insured losses from U.S. tornadoes and thunderstorms topped \$25 billion in 2011, more than double the previous record of 2010, according to the Insurance Information Institute, a trade group. Tornadoes were the costliest type of natural disaster in 2011 based on insured losses, far outpacing hurricanes, which resulted in insured losses of \$5.5 billion, according to the institute and reinsurer Munich Re . Experts said some Moore homeowners are also likely to face caps on the amount provided to rebuild a house if costs run higher than the property's insured value. Some homeowners may have percentage - based deductibles that make them responsible for paying for repairs of up to 1% or so of a home's insured value.

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In addition, some homeowners with damaged roofs will find that their policies won't cover the full cost of replacing a roof more than about a decade old. Instead, the insurer will pay a lesser amount reflecting a depreciated value of the roof and leaving the homeowner to fill the gap, insurers and activists said. In general, in such cases consumers opted for the less-generous policies in search of lower premiums, industry executives noted.

Still, Oklahomans with tornado damage are likely to encounter a far more straightforward claims process than residents with hurricane damage. That is because tornado damage is almost exclusively caused by winds, and leads to less squabbling for both sides than when damage is also caused by flooding, which typically isn't covered by standard homeowner policies, industry executives said. After superstorm Sandy hit the northeastern U.S. last fall, many homeowners found they were uninsured for flooding damage; homeowners need separate flood policies, which are typically bought from the federal government.

"Bottom line: Policyholders [in Moore] will be compensated for damages," said [Robert Hartwig](#), president of the Insurance Information Institute, adding that the city's recovery "will be fueled primarily by insurance dollars."

Oklahoma Insurance Commissioner John Doak said insurers were to be commended for offering a range of coverage options, including more limited plans that were more affordable for lower-income residents. He said Oklahoma has an unusually large number of uninsured homeowners—partly because many have paid off mortgages and can choose to forgo insurance—and that any efforts to mandate more comprehensive coverage would risk driving up rates beyond the reach of more people.

Many recovering from the tornado in Moore are renters, who often have no insurance; industry-backed surveys have found that some two thirds of renters lack coverage. The storm also hit many mobile homes, whose residents are less likely to have insurance.

Forrest Barrett, 57, said he never insured his trailer, even after it narrowly survived past tornadoes in Moore. This week, he finally lost his risky bet.

"I don't really know where I go from here," he said Wednesday, standing in his jumbled home amid stuffed deer heads, broken chairs and a mud-covered TV.

Mr. Barrett, who is unemployed, said he isn't sure if he can salvage the trailer, but he doubts he will stay in Moore. "The Lord will take care of me," he said.

He said that Monday morning, before the tornado hit, he was looking at an insurance deal sent by State Farm Insurance Cos. and thought, "Who can afford that?"

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