



NEW YORK STATE SENATOR

Andrew J. Lanza

Senator Lanza Announces Dfs Mediation Program for Disputed or Denied Insurance Claims for Storm Sandy Homeowners

ANDREW J LANZA February 25, 2013

Voluntary mediation offers speedy resolution when insurers and homeowners can't agree

Senator Andrew Lanza today announced that the State Department of Financial Services has established a voluntary mediation process for homeowners disputing their insurance claims or dissatisfied with denials of their claims arising from Storm Sandy.

Mediation offers a speedy, low-cost resolution of insurance claims for homeowners who are unable to reach agreement with their homeowners' insurance companies on claims from Storm Sandy. It is also much less expensive for insurers than litigation, so it's a win for everyone.

Most non-flood insurance claims have already been resolved, and most of those unresolved are still in process. As of February 8, insurers representing 90 percent of the market in Sandy-affected areas reported to the Department that, with respect to all claims other than flood, they have received 432,000 claims and had fully resolved 87 percent. These insurers have paid \$3.6 billion of the \$4.6 billion that they expect to pay. With regard to residential property insurance, there have been 287,000 claims, and 94 percent have been fully resolved, with carriers paying \$1.5 billion of the \$1.7 billion that they expect to pay.

Under the new regulation, homeowners may seek mediation for claims that are disputed or if they disagree with the insurance company's denial of a claim.

In the aftermath of Hurricanes Andrew, Katrina, and Rita, Florida, Mississippi and Louisiana instituted nonbinding mediation programs, administered by the American Arbitration Association, aimed at bringing prompt closure to disputed insurance claims.

Both consumers and insurers have found the programs beneficial. After Hurricane Andrew, a program sponsored by the Florida Department of Insurance handled 2,400 claims and achieved a settlement rate of 92 percent. In Louisiana, 15,000 cases were filed after Katrina, with a settlement rate of 74 percent. In Mississippi, 5,000 cases yielded settlements 82 percent of the time.

The emergency amendment to Regulation 64 establishes a similar mediation program in New York, to be administered by the AAA pursuant to procedures and standards approved by the Department.

The program would handle disputed real and personal property claims, other than those regarding damage to motor vehicles, which arose between October 26, 2012 and November 15, 2012 in the counties of Bronx, Kings, Nassau, New York, Orange, Queens, Richmond, Rockland, Suffolk or Westchester. Claims made under the National Flood Insurance Program, which is administered by the federal government, are not eligible.

The emergency amendment obligates insurers to notify their homeowners of the right to mediate eligible claims. Insurers will have to participate in mediations in good faith and foot the bill for the AAA's costs.

The mediation is not binding on the homeowner and will not affect the homeowner's other legal rights, such as a right to request an appraisal, the right to file a civil suit, and any other rights provided by law.

The mediation can be conducted face to face, by video conference, or telephone conference, depending upon what is agreed between the insurer and homeowner.

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