

Testimony of
Michael Homan

March 7, 2007

Testimony of Dr. Michael M. Homan
Homeowner
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Before the Senate Judiciary Committee

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Chairman Leahy, Ranking Member Specter, and Members of the Committee, thank you for holding a hearing on this important issue and giving me the opportunity to share my story with you today. Like many in the Gulf Coast region, my family's lives were forever changed by Hurricane Katrina, and the devastation it brought to my city of New Orleans. But what brings me here today is the second personal tragedy that my family and I have suffered since Katrina because of the bad faith actions of Allstate Insurance.

My wife and I purchased our first house in New Orleans six years ago. We moved there from Jerusalem when I accepted a position to teach Theology at Xavier University. We were very attracted by what New Orleans and Louisiana had to offer, and we were also committed to giving back to the community. My wife teaches in the New Orleans Public Schools, where our children, Kalypso and Gilgamesh, are enrolled.

Our home is in Mid-City, a great neighborhood in the heart of the city. We were very happy living in New Orleans. We were employed with jobs that we loved, working to make New Orleans a better place, and at the same time we were building up equity in our beautiful 100-year-old home. However, our dreams were literally blown and washed away on August 29th of 2005, or to be more accurate, our dreams have died a slow death over the past 18 months because of Allstate Insurance.

My wife, two children and I currently live in a FEMA trailer in the front yard of our collapsing home, as we continue to battle with Allstate over our insurance claim. We insured everything we had with Allstate. This included homeowners, flood, and automobile insurance. They cashed every check we gave them. We slept well every night thinking that we were adequately insured with the self-designated "Good Hands" people. But we weren't in good hands.

On August 29, 2005, Hurricane Katrina ravaged New Orleans and our beautiful home. I was inside my house during the storm and it was like being on a large boat rocking back and forth from the wind gusts. The winds of hurricane Katrina racked our two-story house so that now it leans severely. The house next door to ours is also racked in the same direction. Then later that night, after the levees failed, flood waters covered the first three feet of our house and this water remained for more than 10 days damaging the foundation and piers causing our house to lean

even more. Right now as I speak, our home is in danger of falling onto our neighbor's house. We have been told by several experts not to gut the house, as it would likely fall over, because the plaster and lathe is helping to support it.

We filed our claim for wind and flood with Allstate the day after Katrina. We expected things to move along quickly, but we were wrong. We called Allstate every day for several months, and wrote them frequently, but we rarely received answers. They played a shell game with us, providing us with 10 different agents through this ordeal, and it took nine months to get a wind adjustor to even visit our house.

The third flood adjuster we had was the first person representing Allstate to visit us at our house. He arrived in October of 2005. He noticed, as do all people, that our house was recently racked, and he ordered an engineer from Allstate to assess whether it was racked from wind or flood. We knew it was wind, but didn't care either way, just as long as we received the funds to fix our home.

But then we waited and waited, and the engineers never showed up. We were told that everything hinged on that report, and we were told to be patient. The Allstate representatives all told us that the engineers would say it was racked from the flooding and we would be able to fix our home that way.

Several months passed, and we were running out of savings. We had to pay for our rent on top of our mortgage. We were insured so that Allstate would pay us

"Additional Living Expenses" should our house be destroyed or be in an unlivable state like ours was; but Allstate said they wouldn't pay "Additional Living Expenses" until they received the engineer's report. In addition, FEMA would not give us rental assistance because we had "Additional Living Expenses" coverage with our insurance company.

We clearly would have been better off if we had had no insurance, and we had never purchased a home.

Because of our financial situation, my family was forced to move into our structurally unsound home and spend nine months living in the upstairs portion that wasn't flooded. We had to live there through a cold winter without heat.

Finally in February of 2006 - after 6 months of phone calls and letters- two men from Haag Engineering arrived at our home. They spent 15 minutes in our house taking pictures, and then they left. We didn't hear anything until May 2006, when we received a letter from Allstate saying they were denying our claim for structural damage because of the Haag Engineer's report. I read the cover letter and report several times in disbelief, as we were left with a \$150,000 mortgage for a property that before Katrina was worth \$215,000, but now in its damaged state is worth about \$30,000. We thought about declaring bankruptcy, but we didn't want to live with bad credit.

Fortunately for us, the Haag Engineer's report was full of mistakes. They called our house the Wilson house, and they included pictures in their report that weren't of our home. Their report

actually claimed that the winds of Hurricane Katrina were not strong enough to rack a house, and at the end they even seemed to question whether or not our house flooded, even though the flood line is still visible nearly 3 feet above our floors and we have pictures of our house being under water.

My story is not unique. I've heard from dozens of other people in the same situation as us, where the insurance company hires an engineering firm to write the report they desire, and then they deny the claim. Thus the insurance company won't be liable since they relied on a so-called "expert" witness. Haag Engineering has a long history of doing this work for the insurance industry, as I later learned.

Now Allstate is doing all they can to leave the region and cancel their existing policies. We qualify for funds to raise our house three additional feet so that the floors are just above where the flood waters rested. But to do that, our house would have to be five feet off the ground, and Allstate would cancel our policy because they now won't insure any house more than four feet off the ground.

Personally I would love to never write a check again to Allstate. All I want is for my home to be repaired and to have good insurance that my family can depend on.

My wife and I have kept an extensive journal documenting every phone conversation, unreturned calls and letters, and interactions we have had with Allstate Insurance. We filed a complaint with the Louisiana Insurance Commissioner James Donelon, and we have filed suit against Allstate in federal court. All we want is for Allstate to fix our house so that it is in the condition it was before Katrina. That's what our insurance policy says and that is what Allstate must abide by.

We believe that our situation exemplifies the immoral and unethical way which

Allstate and other insurance companies are acting towards the citizens of the Gulf Coast. We are fighting back and have the truth and extensive documentation on our side. I am confident that in the end through the court system justice will prevail. But Allstate is counting on many people to give up from fatigue and frustration and to not fight back.

In conclusion, I want you to know that there are many people like me, who were responsible, careful and civic-minded, and who had insurance. But when the worst disaster in this country's history struck and severely damaged our insured home, Allstate purposefully waited eight months, and then told us that our insurance was basically worthless because of a fraudulent report. They need to be held accountable and they need to be forced to live up to their end of the contract.

Allstate, like other insurance companies in the Gulf Coast, is at times acting unethically, immorally, unjustly, and their actions are in violation of the laws of this great country. Thank you for your time and attention, and I hope that this committee will take action with people like my family in mind. Thank you.