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KATRINA the long road back

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Many in New Orleans can't afford insurance

A year later, private insurers still retreating from hurricane-scarred region



Alex Brandon / AP file

Claudiney Pereira and his wife Adriana Pereira recently tried to buy this house in New Orleans. But the deal was stopped by the high cost of insurance.

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Ap Associated Press

Updated: 3:26 p.m. ET Aug 27, 2006

NEW ORLEANS - Attorney Vallie Schwartz fell in love with the 130-year-old Victorian shotgun in the French Quarter, which like all grand houses in this former Spanish enclave has tall, cathedral ceilings and brightly painted cypress shutters.

A successful personal injury lawyer, she could comfortably afford the mortgage on the half-million-dollar house, so she made an offer — one that was soon accepted.

That was before she knew how much it would cost to insure the property: The best quote she

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got from a private insurer was nearly \$10,000 per year, or over \$800 a month on top of her monthly mortgage — far more than she had budgeted and enough to price her out of the house.

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"I'm in the higher income bracket in this city, and I can't afford that. I just saw my money floating out the window," says Schwartz, who pulled out of the deal and is still living in a rental one year after losing her house to flooding.

To a bruised economy still reeling from Hurricane Katrina, add the most recent challenge: Finding affordable insurance. With private insurers retreating from this hurricane-scarred region, residents in New Orleans are facing a new economic reality.

Mortgage brokers are penciling in hundreds of extra dollars to the New Orleans loans they're writing to account for soaring insurance premiums. Those living in condominiums are being slapped with hefty increases in their condo dues, the result of a spike in the buildings' wind and fire coverage. Hotel and inn owners are paying more, too — an especially heavy burden at a time when tourists are scarce.

Most affected of all are new homebuyers, who are trying to secure insurance in a landscape few insurers will touch.

"It used to be the conversation went, 'What's the price? What's the square footage? And where is

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it located?" says local real estate agent Richard Jeansonne, co-owner of French Quarter Realty. "Now the conversation is, 'What's the price? What's the square footage? Did it flood and can I get insurance?'" he said.

Often, the only insurance new homebuyers in New Orleans can get is through the expensive state-run pool. That pool, modeled after one created in Florida in the aftermath of Hurricane Andrew, was meant to be the option of last resort; by statute it charges 10 percent more than the top private insurers in any given region.

But as of last month, Florida's pool became the No. 1 insurer in the state with 1.2 million policies. In Louisiana, the state's pool, known as Louisiana Citizens Property Insurance Corp., is receiving 400 new applications a day and is expected to spike to 200,000 policies by year's end, a 63 percent jump from 2005 when it had 135,000 policies. Dealing with the state-run pool is also an added hassle: It takes between three to five weeks for an application to be processed and with a ballooning work load, homeowners can rarely get through the jammed phone lines to speak to customer service.

"Rather than the last resort, it's become the market of only resort," said Robert Page, an insurance broker who heads the state chapter of the National Association of Professional Insurance Agents.

The lack of affordable options has led some homeowners to buy houses just outside the New Orleans city limit, where private insurers are still accepting new customers.

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With another baby on the way, Andrea and Luis Espozito had outgrown their 1,200-square-foot condominium in New Orleans and were looking to buy a house in the Garden District, the upscale neighborhood of colonnaded mansions once home to vampire chronicler Anne Rice. They quickly learned that a 3,000-square-foot house listed at under \$1 million would come with a \$17,000-a-year insurance premium.

So they did what many proud New Orleanians would consider unthinkable: They moved to Metairie, a suburb 9 miles outside New Orleans. There, they bought a 3,000-square-foot house that put them back \$6,000 a year in insurance — still high, but far more affordable than the city rates.

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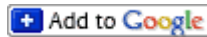
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