

The Tornadoes of April: A Public Evaluation of the Insurance Industry's Performance.
New York: Insurance Information Institute,
1974. 72 pages.

One of the major determinants of the recovery patterns in the United States following natural disasters is the extent to which individuals are insured against their losses. Studies of previous disasters indicate that few individuals have insurance against losses from earthquakes or water damage from floods or hurricanes. On the other hand, most are protected against damage from tornadoes since these losses are covered by a homeowner's policy which is normally required as a condition for a mortgage in American society.

The Tornadoes of April documents the extent of insurance coverage by homeowners who suffered damage in the severe tornadoes of April 2 through 5, 1974, which struck a 17-state area in the midwest and the southwest United States causing insured losses estimated at \$430 million. The town suffering the most concentrated damage was Xenia, Ohio. Phone interviews were conducted in six cities with 994 homeowners, approximately half of whom had suffered property damage. The report documents the adequacy of coverage, degree of satisfaction of insurance settlements and differences in impressions on coverage and settlements between those who suffered damage and those who did not.

The results of the survey support the impression that homeowners are well protected

against losses from windstorms and tornadoes. Approximately 99 percent of those who sustained property damage were covered against at least some of their losses, and over 80 percent of those who had insurance claims were satisfied with settlements. On the other hand, only 2/3 of claimants and non-claimants felt they had adequate coverage before the tornado.

Since perception of underinsurance is undoubtedly related to amount of damage sustained, homeowners who suffered relatively minor damage might have felt differently about the adequacy of their insurance coverage had their homes been severely damaged. It would be interesting to know if those claimants who felt they were underinsured did, in fact, sustain severe damage to their property. It would also be interesting to know if the 27 percent of the claimants who increased their coverage after the tornado were composed primarily of those who suffered losses greater than the amount of insurance in force. Furthermore it would be useful to supplement the questionnaire data with actual dollar figures for each homeowner on the amount of insurance coverage in the pre- and post-tornado periods and its relation to estimated market value of the house.

The concluding section of the report indicates demographic differences in the data with respect to age, income and length of time in residence. The tables present only two groupings for each demographic variable and suggest there are no significant differences based on these classifications. A more detailed statistical

analysis should be undertaken on these socio-economic characteristics using the more detailed breakdowns available from the questionnaire. Although data on education was collected, summary data are not presented in the report on whether the amount of

schooling played a role in insurance coverage and evaluation of the settlement process.

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