

Governor wants to refund the rise in insurance rates

Lawmakers question the plan's financing

By Jan Moller

Louisiana homeowners would get a government-issued refund check to reimburse them for rate increases made to bail out the state-run property insurer of last resort, under a proposal announced Monday by Gov. Kathleen Blanco.

Some Republican lawmakers and others questioned Blanco's choice of financing sources and the time it would take to put the package together and get money to residents.

If approved by the Legislature, Blanco's plan would ensure that homeowners would not be burdened with paying back about \$1 billion that Louisiana Citizens Property Insurance Corp. has borrowed to pay off claims from Hurricanes Katrina and Rita.

Blanco proposes taking the money from a hurricane relief fund, an anticipated state budget surplus and by selling off the rest of the state's tobacco settlement. "We can't resolve all the premium increases across the state, but we can deal with the premium increases that Citizens Insurance caused," Blanco said at a hastily arranged morning news conference.

The announcement came after months of prodding by

critics who say Blanco has been too slow to address a laundry list of problems in the insurance industry.

Calls for a special session

Although there appears to be widespread, bipartisan support for granting relief to property owners saddled with large insurance surcharges, policymakers are sharply divided over the timing and financing of the bailout plan. The disagreement could set up a political showdown between the Blanco administration and Republicans in the Legislature, who argue that the refunds can be issued without tapping into the tobacco settlement.

"It's unbelievable that with all the money we have to work with, the governor is proposing borrowing anything," said Rep. Jim Tucker, R-Algiers, co-chairman of the Republican Legislative Delegation.

And while Blanco wants to wait until next spring for legislative approval, the GOP delegation is urging her to call a special session next month to deal with insurance issues and other matters. Tucker said petitions for lawmakers to call themselves into session are being mailed to each member of the House and Senate starting today, with a request that they be returned by next Monday.

A simple majority of lawmakers can convene a special session without the governor's consent, which has never happened in modern

times.

Blanco has previously rejected calls for a special session, but Monday she left the door slightly ajar. "Today I cannot tell you with absolute certainty that we won't be forced into a special session because there are other things that are happening also besides the insurance situation that may push us into that," she said. "But if I can avoid it we're going to wait."

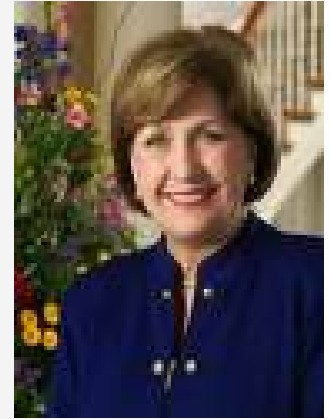
Finding the money

Citizens was created by the Legislature in 2003 as a quasi-public corporation to provide property insurance for homeowners who can't find coverage in the private market. But when hurricane-related claims far exceeded the company's reserves, it was forced to issue a 20-year, \$1 billion bond issue to stay solvent.

To pay back the bond holders, most Louisiana homeowners have been assessed surcharges of between 15 percent and 18.27 percent of their premiums, which is tacked on to the cost of their coverage. That means most owners of a \$1,000 per year policy are paying an extra \$150.

The assessments will continue in future years, with another 3.6 percent surcharge added to policy renewals after Jan. 1, rising to 5.5 percent in January 2008 and beyond.

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Louisiana Gov. Kathleen Blanco

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Blanco's plan calls for using about \$200 million of the anticipated 2005-06 budget surplus, which could be as high as \$800 million when it's officially recognized later this year. Another \$50 million would come from a fund created by the Legislature to finance future hurricane evacuations.

That money would be used to provide short-term relief, while money from selling the tobacco settlement would be used to pay off the remainder of the bond issue.

Under the 1998 global settlement, Louisiana is due \$4.6 billion from tobacco companies over the first 25 years. But the state sold 60 percent of the settlement to investors for \$1.2 billion as a means of getting that money upfront. That money was then deposited in trust funds for health care and education.

Selling off the remaining 40 percent of the settlement is projected to net the state about \$1 billion, but one-fifth of that money would go toward coastal restoration under a constitutional amendment approved by voters Sept. 30.

The state couldn't sell the rest of the tobacco settlement without a constitutional amendment, which requires approval by the Legislature and a majority of statewide voters. Commissioner of Administration Jerry Luke LeBlanc said the soonest an amendment would be on the

ballot is in the fall of 2007.

Timing questioned

State Treasurer John Kennedy, who has been critical of Blanco's financial stewardship since the hurricanes, said the state should use \$300 million in surplus dollars to pay off the first two years of Citizens' assessments, and then refinancing the portion of the tobacco settlement that's already been sold to generate \$400 million to \$600 million in upfront cash.

"I see no reason for Louisiana to incur additional debt to help Citizens," Kennedy said.

Kennedy's position marks a turnaround from last year, when he urged Blanco to sell the tobacco settlement to raise money for cash-strapped local governments. At the time, forecasters were expecting state revenues to plummet in the wake of the hurricanes, but instead Louisiana is enjoying record tax collections and a massive influx of federal dollars.

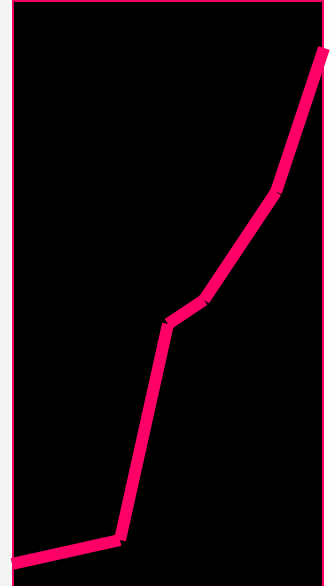
"In hindsight, we don't have to (sell the settlement) and I'm glad," Kennedy said.

Blanco's plan calls for the Department of Revenue to issue the refund checks "some time after the first of next year" equal to the surcharges they've been assessed by their insurers.

Republicans were quick to suggest that the timing of the refund checks was politically motivated, coming in a year when Blanco is up for re-election. "Just as the governor declared the Road Home program the 'Gov. Blanco Road Home Program,' I assume the checks will go out with her name and picture on them as well," said state Sen. Tom Schedler, R-Mandeville.

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Jan Moller can be reached at jmoller@timespicayune.com or (225) 342-5207



Insurance rates indicated in red. Need we say more?