



## **Blanco's property insurance package wins support of House committee**

By CityBusiness staff report

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BATON ROUGE - Gov. Kathleen Babineaux Blanco won a House committee's approval Wednesday for her plan to ease Louisiana's property insurance crisis by offering \$100 million in financial incentives to insurance companies.

Blanco's plan won approval from the House Insurance Committee, despite members' election-year concerns that voters will see it as a handout of taxpayer money from the state to insurance firms.

"If I vote for this, I'm going to have to hold my nose pretty tight," state Rep. Troy Hebert, D-Jeanerette, said of the measure, which goes next to the full House.

Blanco told the panel that the money will make Louisiana a more attractive market, lure insurers to the state and lower rates by increasing competition.

"Bringing more companies into the Louisiana market is our goal," Blanco said.

Several members noted that Blanco's plan is a long-term fix that will not help homeowners - many of them stung by huge jumps in their insurance bills - anytime soon.

"I really don't see, in this package, where the short-term help is," said state Rep. Jean-Paul Morrell, D-New Orleans.

The bill, by state Rep. Karen Carter, D-New Orleans, the committee chairwoman, would set aside \$100 million in state money and invite insurance companies to apply for grants ranging from \$2 million to \$10 million. To qualify, a company must have at least \$25 million in assets, a restriction intended to disqualify shady insurance operations.

Qualified companies would have to match the state money, and 25 percent of their new policyholders would have to come from the high-risk homeowners now covered by the Louisiana Citizens Property Insurance Corp. A company receiving the money would be required to take on that 25 percent from Citizens within two years; it would also be required to agree to insure those former Citizens homeowners for at least five years.

Blanco's goals include a reduction in the number of properties now insured by Citizens, the state-backed "insurer of last resort," which charges rates higher than private firms and writes policies for homeowners who can't find insurance elsewhere. Before the 2005 storms, Citizens had 125,000 policies; it now has over 150,000, meaning it is the state's fastest-growing and third-largest insurer, behind Allstate Insurance Co. and State Farm Insurance Co.

Insurance Commissioner Jim Donelon, a supporter, told the committee that the plan is designed to reduce Citizens' policies from 14 percent of the state property insurance market down to 7 percent, where it stood before hurricanes Katrina and Rita, which caused private firms to stop writing new policies in south Louisiana.

The committee approved an amendment by Hebert adding a requirement that a company take on at least 50 percent of the policies from Citizens in south and central Louisiana parishes, the area at the greatest risk of hurricane damage.

Another amendment was approved to address concerns from state Rep. Shirley Bowler, R-Harahan, and others that the bill violated a provision of the state Constitution that bars the state from sending state money directly to private firms. The amendment inserted language to specify that the financial arrangement between the state and the industry was a "cooperative endeavor," not a simple handout of state money.

Two weeks ago, Hebert requested a ruling from Attorney General Charles Foti's office on whether the plan is constitutional. Foti's office has not yet responded.

The panel voted 14-2 to approve the measure. Bowler and state Rep. Rick Farrar, D-Pineville, were opposed.

The panel also approved a second bill, also by Carter to abolish the state's Insurance Rating Commission, which has power to block insurance rate hikes. Louisiana is the only state that still has such a body, seen in the industry as a bureaucratic hurdle to doing business in the state.