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Insurance lobbying challenged

Ex-commissioner presses for fund

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By Rebecca Mowbray

A local-government watchdog group says former Insurance Commissioner Robert Wooley's work with ProtectingAmerica.org, a group created by Allstate Insurance Co. to lobby for catastrophe money, may violate state ethics laws.

A national consumer advocate also expressed concern, saying that if Wooley's lobbying work isn't illegal, it raises questions.

"It's the classic revolving door," said Robert Hunter, director of insurance at the Consumer Federation of America. "Here's a guy coming out of government to lobby for one of the companies that he regulated. It's stinky."

Wooley left office in February to take a job on the government-relations team in the special business services group at Adams and Reese LLP, which represents a number of insurance clients including State Farm Insurance, USAA, Balboa Insurance Group and Louisiana Citizens Property Insurance Corp.

ProtectingAmerica.org, a group created by Allstate after Hurricane Katrina to lobby for government-sponsored catastrophe funds, has hired Wooley to educate people across the state about the benefits of a catastrophe fund, to help build the group's coalition and to draft bills that could be introduced into the Legislature on the topic.

A catastrophe fund would cap the exposure that private insurance companies face on potential hurricane losses in Louisiana because a government-backed fund, whether state or federal, would step in to cover claims beyond a certain level, reducing the need for companies to buy reinsurance. So far, the only states that have "cat funds" are hurricane-prone Florida and earthquake-prone California.

Wooley said his work violates no ethics laws.

"I don't do anything for ProtectingAmerica before the Department of Insurance. I can legally go lobby the Legislature. It's a separate branch of government," Wooley said. "They're not an insurance company. They're not regulated by the Department of Insurance."

The rule that governs the subject is Louisiana Revised Statutes, Title 42, Section 1121, which states: "No former agency head or elected official shall, for a period of two years following the termination of his public service as the head of such agency or as an elected public official serving in such agency, assist another person, for compensation, in a transaction, or an appearance in connection with a transaction, involving that agency or render any service on a contractual basis to or for such agency."

Jennifer Pike, research director at the Public Affairs Research Council, said that whether Wooley's work with ProtectingAmerica.org complies with state ethics regulations hinges upon how narrowly the Board of Ethics construes the word "transaction" in the statute.

"In the past they have had a liberal interpretation of the word 'transaction.' They have disapproved of similar circumstances," Pike said. "It seems that it may be a violation of the ethics code."

The Ethics Board renders advisory opinions and investigates potential violations of the state ethics code if a signed complaint is filed. If the board determines that a violation has occurred, it can levy civil penalties of up to \$10,000. No complaints have been filed against Wooley.

Wooley is widely credited with having restored credibility to the insurance commissioner's office after three of his predecessors went to jail for conduct related to their work in the insurance office. He is also credited with championing reforms to Louisiana insurance regulation, such as creating the flex-band rate-making system that allows companies to adjust rates by less than 10 percent without going before the Louisiana Insurance Rating Commission and creating the Louisiana Citizens Property Insurance Corp. out of the old Fair and Coastal last-resort insurance plans.

But Wooley also created some controversy after he used state money to buy a luxury 2004 Ford Explorer as his official state vehicle, then traded it in a year later for a 2005 Ford F250 Explorer pickup truck. Each cost the state about \$40,000. Wooley ignored public criticism for a while, but apologized a month later and turned in the vehicle to be auctioned.

While other attorneys at Adams and Reese have done work for Allstate, Wooley said his work is with ProtectingAmerica.org, much of it involving speaking about catastrophe funds at national conferences.

"My involvement is merely to help them with their organization," Wooley said. "Most of what I have done for them this year has not been in the State of Louisiana."

Wooley further said that his experience in the insurance commissioner's office gives him a unique perspective on the insurance problems facing the state and possible solutions, such as catastrophe funds. He says catastrophe funds could help attract small insurers to Louisiana and give consumers more choices for homeowners insurance.

"Who knows the insurance issues better than anybody? Someone who has spent six years working it," Wooley said. "It's something that you have to understand by being involved."

But Hunter, a former Texas insurance commissioner, said that whether Wooley is working for ProtectingAmerica.org misses the larger point.

"It's a fronting organization for Allstate," Hunter said. "It impacts the very things he was working on when he left. To say it's not related is absurd. I don't buy it."

"It just looks bad, even if it isn't bad," he said.

Insurance Commissioner Jim Donelon, who was elected in September to serve the remainder of Wooley's term, and who plans to run for re-election in 2007, said he did not know that Wooley was working with ProtectingAmerica.org on the catastrophe fund issue until reading it in the newspaper recently.

Donelon supports the idea of a federal catastrophe fund, but has not taken a position on the idea of state catastrophe funds and says that he has not spoken with Wooley about the issue. Donelon said that Wooley took care to understand state ethics law before leaving elected office.

"I do know he researched the ethics requirements before he went to Adams and Reese. He got guidance on what he can and cannot do." Donelon said. "I do know he also represented Allstate to the Sugar Bowl committee."

Allstate is the new sponsor of the Sugar Bowl.

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