



## Governor pledges insurance-rate relief

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BATON ROUGE -- Gov. Kathleen Blanco said Thursday that she wants to use some of an anticipated surplus in state funds this year to give property owners a break on their insurance bills.

In a media release, Blanco said that she intends to use surplus money to pay off some of the debt on \$850 million in bonds issued by Louisiana Citizens Property Insurance Corp. to build up its disaster fund. By the time the bonds are paid off, it would cost the state \$1.2 billion.

"We need insurance rate relief, and we need it now," Blanco said. "I'm doing everything in my power to see that we have affordable insurance in Louisiana. The huge spike in rates has hit people where it hurts the most -- in the pocketbook. None of us will be satisfied until people see their insurance bills go down."

Blanco said she wants to use "a significant contribution -- to the tune of hundreds of millions of dollars -- from the pending surplus."

Some analysts predict the state has as much as \$800 million in surplus funds over what was budgeted this year. The additional money comes from higher-than-predicted oil prices and increased sales and business taxes from people rebuilding after last year's hurricanes.

The money would be used to buy down the debt on the bonds to lower the assessment that's to go into effect in January on private and business property insurance bills. It would be in addition to \$50 million that the Legislature appropriated on the condition that \$150 million set aside for hurricane evacuation was not utilized.

Sen. Robert Adley, D-Benton, author of the \$50 million shift legislation, said "Joy to the world" when told of Blanco's decision. "It's about time, don't you think?"

Jim Brandt, president of the Public Affairs Research Council, said he's not sure the state can use the money in that manner because of constitutional limitations on the use of state budget surplus funds.

"This is not state debt," said Brandt, pointing out a provision that allows surplus funds to pay off state debt. "Clearly, if it were state debt, there would not be a problem."

When the Citizens bonds were issued, it was made clear that the state was not responsible for paying them off if insurance policy assessments did not supply enough money.

"I don't know how they would justify it," Brandt said. "But there's always some creative legal -- or illegal -- solution out there."

Adley said he believes it could be done because the constitution allows the use of surplus funds for one-time expenditures and "certainly, we won't have trouble explaining that this is a state expenditure that helps the public."

The governor said that later this month, "when we have an accurate fiscal outlook, I'll announce the exact amount of surplus dollars devoted to additional relief for future years. This relief will be balanced with our very real need for road and infrastructure upgrades, expansions in economic development, health care improvements and other obligations the state must meet to move forward.

"The important thing to know is that we will cover the Louisiana Citizens debt obligation for years to come. This means money in the bank for the people of Louisiana."

Using the surplus is the first step in a three-step plan to address insurance affordability, Blanco said.

She said she also will continue meeting with insurance company representatives to find ways to keep companies from moving out of the state and "to attract more insurance companies to Louisiana so competition will drive rates down and spread the risk among more companies."

The final part of the plan, the governor said, is to get President Bush and the Congress to work on a national solution to the insurance crisis.

"If we don't come up with a workable national solution, you're going to see a large portion of this country that is simply uninsurable," she said. "This is outrageous. I'm addressing this at the state level, but we must insist on a nationwide solution."