

DUCK IN THE INSURANCE RACE FEW ISSUES-LOTS OF MUD

By Jim Brown



Candidates for Louisiana Insurance Commissioner met in a debate this week before the Baton Rouge Press Club. Libertarian candidate S.B.A. Zaitoon made a well received observation. “The way these two guys are throwing mud at each other, they are making my case that the office should be appointed.” There was little discussion of meaningful insurance issues, but lots of challenges and counter challenges on personal innuendos that had little to do with insurance. As one reporter comment after the forum: “If Zaitoon’s last name was Smith or Jones, with a little money he might well be in the running.”

One of the “two guys” referred to is incumbent republican Jim Donelon from Metairie, who took over the top insurance slot this past February when his predecessor quit the job half way through the term. Donelon worked as chief deputy commissioner and legal counsel for a number of years before becoming the top dog, so he can take the credit and has to suffer the consequences of the department’s recent successes and failures. And post-Katrina, there has been much to second guess.

His primary challenger is Senator James David Cain, from Dry Creek in Southwest Louisiana, also a republican. Cain presently is chairman of the Senate Insurance Committee, and has been aggressively questioning actions of the insurance department for the past several years. He is the top money raiser so far, leading Donelon by several hundred thousand dollars.

Both republicans have received major contributions from the Insurance industry, a point Zaitoon never fails to mention when he speaks. Cain points out that Donelon is a heavy receiver of financial support from outside the state. But where the money comes from has never been a problem for Louisiana voters.

Donelon so far has fended off any responsibility for high property insurance rates, pushing the blame on Katrina and Rita. But Cain is apparently gearing up a major onslaught on the state created property insurance company, Citizens. Cain’s success in communicating to the voters a simple explanation of the problem could well decide the outcome of the election.

So far, numerous possible solutions to high insurance rates in a number of areas have been ignored by all three candidates. So what should they be talking about? Here's list of what could and should be done.

1. Completely restructure the Citizens state created company. Bring in professionals with strong insurance management backgrounds to run it professionally, with a requirement that there be no contributions to any politician involved. Louisiana followed in lock step with a similar Florida plan that is about to implode with similar problems. Right now, this company is a really mess, and needs major overhauling.

2. Abolish the Insurance Rating Commission. Get the political appointees out of the mix and put the buck of approving rates squarely on the Insurance Commissioner where it belongs. Right now, members who approve property and casualty rate hikes are picked by the Governor with no professional experience required. In every other state in America, the buck stops with the Commissioner.

3. The Governor and the Insurance Commissioner should bite the bullet, and recommend the injection of \$200 million in state funds to stabilize the Citizens concept. Florida has injected over \$700 million dollars. Mississippi has appropriated \$50 million to help their rates be less. Louisiana has not appropriated one penny. Make reinsurance mandatory for up to 80% of any anticipated losses. If this had been done pre-Katrina, this present crisis would have been greatly reduced

4. The Insurance Commissioner should start immediate discussions with Texas, Mississippi and Alabama to form a joint underwriting pool. Insurance companies would pay into such a pool to cover major losses above 250,000. Louisiana is much too small to go it alone. Leave out Florida for they have too much future risk. If a joint effort had been in place pre-Katrina, the coverage load would have been spread out and more companies would be willing to stay in the state.

5. But the most important idea is for the Louisiana congressional delegation to join the Governor and the Insurance Commissioner in proposing what the country did after 9/11. Form a national catastrophic fund that allows any state that faces a national disaster to join in: Oklahoma for tornados, California for earthquakes, flood protection in the Midwest, and of course hurricane protection for coastal states. If New York could demand it after 9/11, you would hope there would be substantial support for a national catastrophic plan following the gulf coast disaster.

6. Make a recommendation that the Louisiana Legislature should meet in special session and immediately authorize the forming of a Joint Underwriting Association for Louisiana businesses. Any business could join and pay a monthly assessment that would be used to buy re-insurance for the Association. This is a short term fix, but would buy some time for many businesses who cannot find affordable insurance until the other proposals listed above take effect.

So far, there has been little interest in this race as well as the election as a whole. Look for a turn out of less than 35%. This election could well be decided on September 30th with no run-off. Few issues will stick in the voter's minds. But how much mud is thrown, and who it sticks to will probably decide this race. So keep your head down. A lot is about to come.

Jim Brown writes a weekly column that appears each Thursday at Politicsla.com, and in a number of newspapers throughout the State of Louisiana. You can read Jim's Blog, and take his weekly poll, plus read his columns going back to the fall of 2002 by going to his own website at <http://www.jimbrownla.com>.

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