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Suit could threaten Accident Fund project

Attorney general says insurer's parent firm illegally moved funds

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A lawsuit filed Wednesday by the state attorney general could threaten the long-awaited redevelopment of Lansing's Ottawa Power Station, developers and city officials said.
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The concern cast a shadow over an event unveiling the design for the planned \$180 million project, which is to become the new headquarters for Accident Fund Insurance Co. of America.

Two hours before the 2 p.m. event, Attorney General Mike Cox said he would sue Accident Fund's parent, Detroit-based nonprofit Blue Cross Blue Shield of Michigan.

The Blues, he said, illegally transferred \$125 million to Accident Fund to buy a California workers' compensation company.

Blue Cross and Accident Fund officials deny wrongdoing. But Blue Cross Chief Executive Officer Daniel Loepf said the lawsuit "could potentially jeopardize this project moving forward in a timely manner."

Cox is seeking the sale of the California company or the return of the \$125 million transferred by the Blues to Accident Fund.

Accident Fund CEO Elizabeth Haar said work on the project continues, although company officials will need to look at the ramifications of the lawsuit.

"This was a surprise today, but everything else is moving along," Haar said.

It's taken years for officials to pull off the complex redevelopment of the plant, which has been idle since 1992.

The project is scheduled to be completed in early 2011, when Accident Fund plans to move its 650 Lansing workers to the building. It's also expected to house another 500 workers to be hired within 15 years.

"I don't even want to think about the consequences if this thing gets paused," said Steven Roznowski, president and CEO of Christman Co., which would redevelop the site for Accident Fund.

"There are things that have to happen in a specific order," he said. "There's a lot of interdependency."

Delays would put those steps – and possibly some financial components of the project – in jeopardy, Roznowski said.

That's especially frustrating because everything so far has "gone like clockwork," he said.

"That's what frustrates me," Roznowski said. "It all has gone like clockwork. This is a challenge we hadn't anticipated dealing with."

Lansing Mayor Virg Bernero said the attorney general's lawsuit is politically charged.

"It's deeply disturbing to see an elected official play politics with jobs and our future," Bernero said, who questioned the timing of Cox's announcement on the day of the Accident Fund event. "This is public gamesmanship."

The Blues and Cox have been on opposite sides of a debate over reforming Michigan's individual health insurance market.

Cox said the lawsuit stemmed from state Senate hearings in April.

"Michigan law is clear," he said.