

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 682** HLS 20RS 492
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action: **W/ SEN FLOOR AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: May 29, 2020 11:59 AM	Author: FRIEMAN
Dept./Agy.: LA Dept. of Insurance	Analyst: Zachary Rau
Subject: Reserves for Insurers/Business Interruption Insurance	

INSURANCE REF INCREASE SG EX See Note Page 1 of 1
 Provides relative to reserves for insurers

Proposed law adds references to statute defining a "qualified actuary" as defined by the NAIC Quarterly and Annual Statement Instructions - Property/Casualty. Proposed law amends relative to valuations submitted by foreign life insurance companies or fraternal orders. Proposed law sets specifications for valuation manuals. Proposed law sets minimum standards for accident and health insurance contracts. Proposed law makes technical changes. Proposed law requires business interruption insurance policies to include a notice of exclusions on a form prescribed by the commissioner of insurance and provides that form will be part of the policy. Proposed law further provides that the aforementioned form creates a rebuttable presumption that the insured agreed to knowingly agreed to coverage with the stated exclusions, and that the exclusions will remain valid for the life of the policy. Proposed law provides that changes to existing policies, regardless of if they create a new coverage, does not create a new policy and therefore does not require a new form. Proposed law has application to any property insurance covering business interruption which occurs in Louisiana and involves a Louisiana business. Effective August 1, 2020, with provisions providing relative to business interruption insurance being effective for policies issued on or after July 1, 2021.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						
REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The LA Dept. of Insurance (LDI) reports that provisions of the proposed measure associated with business interruption insurance will result in significant additional SGR expenditures estimated to total \$1.42 M in FY 21 with ongoing expenditures of approximately \$144,000 in subsequent fiscal years.

LDI anticipates having to review approximately 1,000 forms presently on file associated with business interruption insurance policies, and then promulgate forms unique to each insurer relative to their business interruption coverage. The department anticipates needing to complete the initial form review prior to January 1, 2021. To accomplish this, the department reports it will require a legal contract with an estimated hourly rate of \$225/hour to review the forms, with each form anticipated to take 6 hours (\$1,350 per form), resulting in a total contract of \$1.35 M (1,000 forms * \$1,350 per form). However, actual expenditures associated with the contract may be more or less than the \$1.35 M estimate, as individual forms may take more or less than 6 hours to review. After the initial review, LDI anticipates requiring one Attorney 4 to perform ongoing review of the exclusion of coverage forms. The anticipated total salary and related benefits for one Attorney 4 is as follows by fiscal year: FY 21 - \$70,393 (prorated for only 6 months of FY 21); FY 22 - \$143,602; FY 23 - \$146,474; FY 24 - \$149,404; FY 25 - \$152,392.

Note: LDI reports that it may not use a generic form relative to exclusions on business interruption coverage, as the exclusions and language each firm uses is unique.

Note: LDI states that the exclusion of forms will require a legal review due to the creation of a rebuttable presumption in the proposed legislation, which cannot be completed through a review by non-legal staff.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux
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