LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office

Fiscal Notes

Date: May 23, 2022 1:19 PM	**Author:** SEABAUGH
Dept./Agy.: Department of Insurance	
Subject: Timber & Agriculture Transport Group Self-Insurance Funds	**Analyst:** Patrice Thomas

INSURANCE/SELF   RE INCREASE SG EX See Note

Authorizes the creation of Louisiana timber and agriculture transportation group self-insurance funds

<u>Proposed law</u> creates LA Timber and Agriculture Transportation Group Self-Insurance Funds, which provide auto insurance for vehicles that transport timber and agriculture products. <u>Proposed law</u> provides any 5 or more timber or agriculture companies may pool their liabilities and self-insure if they are not public entities and company has a positive net worth and is financially solvent. <u>Proposed law</u> provides the name of the fund shall be called LA Transportation Group Self-Insured Fund. <u>Proposed law</u> provides financial requirements, reserve accounts, how rates for coverage and costs of premiums are determined, third-party administrators, indemnity agreements, and examinations of self-insured funds. <u>Proposed law</u> provides the LA Department of Insurance (LDI) to provide regulatory authority. <u>Proposed law</u> provides for administrative hearings by the Division of Administrative Law. Under <u>proposed law</u>, anyone associated with the self-insured fund who is convicted of falsely representing, materially misrepresenting, or failing to disclose to LDI shall be fined up to $50,000 and imprisoned with or without hard labor for up to 5 years or both. <u>Proposed law</u> provides that LDI may impose fines and penalties on any person under this regulation that fails to comply with any directive issued up to $250 per occurrence.

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	5-YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

REVENUES	2022-23	2023-24	2024-25	2025-26	2026-27	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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

EXPENDITURE EXPLANATION

<u>Proposed law</u> may increase workload within the Department of Insurance as this measure enacts LA Timber and Agriculture Transportation Group Self-Insurance Funds that require regulation authority, audits, examinations, investigation, and other duties by the department. The proposed law authorizes the LA Department of Insurance (LDI) to recover from the LA Transporation Group Self-Insured Fund all expenses incurred by examiners, auditors, accountants, actuaries, attorneys, clerical or other assistants, and any other expenses incurred in the examination and investigation of the fund. LDI reports a minimal workload increase from the creation of self-insurance funds under this measure. The Legislative Fiscal Office (LFO) assumes any workload and resources utilized within LDI associated with the creation, regulation, examination, and investigation of self-insurance funds for commercial automobile insurance for timber and agriculture vehicles under this measure will be recovered from the self-insurance funds.

Proposed law provides that any person convicted of falsely representing, materially misrepresenting, or failing to disclose to LDI in connection with any hearing, investigation, or examination of a self-insurance fund shall be imprisoned with or without hard labor for up to 5 years. Any person imprisoned with hard labor in the custody of the Department of Corrections increases SGF expenditures by $26.39 per day per offender in adult local housing and $83.23 per day per offender in a state facility. Any person convicted of this crime would annually cost $9,632 ($26.39 per day per offender x 365 days) in adult local housing and annually cost $30,379 ($83.23 per day per offender x 365 days) in a state facility. Any person imprisoned without hard labor will increase local expenditures. The Local Funds expenditure increase will depend on the number of persons convicted, the minimum sentence an offender serves, and the cost per day for a local law enforcement agency to incarcerate an offender.

REVENUE EXPLANATION

Proposed law provides for a civil fine of up to $250 per occurrence to any person subject to the regulatory authority of LDI that fails to comply with any directives issued by the Commissioner of Insurance in connection with consumer complaints. The LFO presumes the potential revenue may accrue to LDI due to the required levy by the Commissioner, but this point is unclear as civil penalties generally accrue to local governing authorities. The number of individuals that may violate the proposed law and be assessed civil fines by the Commissioner of Insurance is speculative and indeterminable.

Proposed law provides for a fine of up to $50,000, or imprisonment with or without hard labor for up to 5 years, or both if a person is convicted of falsely representing, materially misrepresenting, or failing to disclose to LDI in connection with any hearing, investigation, or examination of a self-insurance fund. The number of individuals that may be convicted of not disclosing is speculative and indeterminable. The potential revenue will accrue to the local government entities.

Senate	Dual Referral Rules	House	
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}	
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}	

Evan Brasseaux

Evan Brasseaux
Interim Deputy Fiscal Officer

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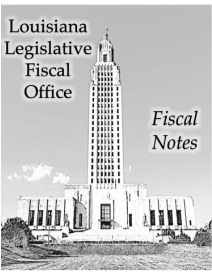
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Notes*

Fiscal Note On: **HB** **1078** HLS 22RS 3703

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

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CONTINUED EXPLANATION from page one:
EXPENDITURE EXPLANATION Continued from Page 1

Division of Administrative Law
Proposed law may result in an indeterminable increase associated with administrative hearings by the Division of Administrative Law (DAL). The proposed law provides that any administrative hearing to resolve a dispute related to the regulation of the self-insurance fund will conducted by an administrative law judge with the DAL. The Legislative Fiscal Office cannot anticipate the number of administrative hearings that will actually occur. To the extent there are administrative hearings, the current DAL rates are $160.82 per judicial hour and $86.27 per clerical hour.

Senate	Dual Referral Rules	House		
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S & H}		☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}		*Evan Brasseaux*
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S & H}		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}		**Evan Brasseaux** **Interim Deputy Fiscal Officer**