

2023 First Extraordinary Session

HOUSE BILL NO. 1

BY REPRESENTATIVE ZERINGUE

APPROPRIATIONS/GENERAL: Appropriates funding for the Insure Louisiana Incentive Program

1 AN ACT

2 To appropriate funds for Fiscal Year 2022-2023, relative to the Insure Louisiana Incentive
3 Program; to impose conditions on the use of such appropriation; to require reports
4 relative to the use of such appropriation; to direct the state treasurer to transfer
5 certain sums into the program fund for the execution of the appropriation; to provide
6 for an effective date; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. The following sum is hereby appropriated from the source specified for the
9 purpose of making a supplemental appropriation for Fiscal Year 2022-2023 to the
10 Department of Insurance.

11 ELECTED OFFICIALS

12 DEPARTMENT OF INSURANCE

13 04-165 COMMISSIONER OF INSURANCE

14 EXPENDITURES:

15 Administrative/Fiscal Program for the Insure
16 Louisiana Incentive Program \$ 45,000,000

17 TOTAL EXPENDITURES \$ 45,000,000

18 MEANS OF FINANCE:

19 State General Fund by:
20 Statutory Dedications:
21 Insure Louisiana Incentive Fund \$ 45,000,000

22 TOTAL MEANS OF FINANCING \$ 45,000,000

23 Provided, however, that funds appropriated herein to the Administrative/Fiscal Program for
24 the Insure Louisiana Incentive Program, shall be used to award grants only to insurers
25 licensed in Louisiana possessing a minimum financial strength rating of AM Best "B+" or
26 a Demotech financial stability rating of "A". Any licensed surplus lines insurer applying for

1 a grant pursuant to the Insure Louisiana Incentive Program shall have a minimum financial
2 strength rating of AM Best "A".

3 Provided further that the commissioner shall expedite to the greatest extent possible the
4 approval of certificates of authority, rate filings, form filings, and other necessary regulatory
5 approvals of qualified insurers to facilitate the underwriting of new policies pursuant to the
6 program as quickly as possible and shall monitor the financial solvency of insurers that are
7 issued a grant pursuant to the program from funds appropriated herein. Such monitoring
8 shall include an evaluation of the adequacy of insurer reinsurance programs using
9 catastrophe model stress tests against the insurer's book of business. The commissioner shall
10 take whatever action is necessary to ensure that insurers receiving grants pursuant to the
11 program from funds appropriated herein remain financially solvent.

12 Provided further that the commissioner shall submit annual and quarterly reports on the
13 Insure Louisiana Incentive Program to the House Committee on Appropriations, the Senate
14 Committee on Finance, and the House and Senate committees on insurance containing
15 information for the preceding year and quarter, respectively, detailing the following for
16 grantees receiving grants from funds appropriated herein: the amount of premiums written,
17 by parish and by grantee, pursuant to the program; the amount of premiums, by parish and
18 by grantee, for property located in the parishes included in the federal Gulf Opportunity
19 Zone Act of 2005; the amount of premiums, by parish and by grantee, removed from the
20 Louisiana Citizens Property Insurance Corporation; and the total amount of premiums for
21 each grantee, by parish, inclusive of premiums written pursuant to the program.

22 Provided further that the commissioner of insurance may adopt emergency rules pursuant
23 to the Administrative Procedure Act to implement the Insure Louisiana Incentive Program
24 in conformity with the provisions of this Act.

25 Provided further that the commissioner shall promulgate rules for the program that require
26 reporting at least quarterly by each grantee that receives a grant from the funding
27 appropriated herein regarding the grantee's: premium to surplus ratio, net of reinsurance;
28 gross premium to surplus ratio; and detail on the catastrophe reinsurance program
29 maintained by the grantee, including retentions, limits, reinstatements, the current rating of
30 the grantee, and Probable Maximum Loss models for at least five different scenarios. Such
31 rules shall establish ratios for these reporting requirements, as applicable. Within thirty days
32 of the end of each reporting period, the department shall aggregate all responses and submit
33 them as a report to the Legislature. The commissioner of insurance is authorized to adopt
34 emergency rules for the implementation of this provision.

35 Provided further that in order to continue to qualify for any funding appropriated herein for
36 the Insure Louisiana Incentive Program, for each earning period the grantee shall have
37 written at least twenty-five percent of its net written premium during the earning period for
38 policyholders whose property was formerly insured by the Louisiana Citizens Property
39 Insurance Corporation. The terms "earning period" and "net written premium" shall be
40 defined by rule.

41 Provided further, that in awarding grants from funds appropriated herein pursuant to the
42 Insure Louisiana Incentive Program, the commissioner shall give preference to grant
43 applicants that agree to provide wind and hail coverage.

44 Section 2. The state treasurer is hereby authorized and directed to transfer \$45,000,000
45 to the Insure Louisiana Incentive Fund from the state general fund out of FY 2022-2023
46 excess state general fund monies recognized by the Revenue Estimating Conference at its
47 December 15, 2022, meeting.

1 Section 3. This Act shall become effective upon signature by the governor or, if not
 2 signed by the governor, upon expiration of the time for bills to become law without signature
 3 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
 4 vetoed by the governor and subsequently approved by the legislature, this Act shall become
 5 effective on the day following such approval.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 1 Reengrossed

2023 First Extraordinary Session

Zeringue

Abstract: Transfers \$45 M from the State General Fund into the Insure La. Incentive Fund and appropriates the funding, with certain conditions and reporting requirements, to the Dept. of Insurance for implementation and execution of the Insure La. Incentive Program.

Proposed law directs the state treasurer to transfer \$45 M from the state general fund into the Insure La. Incentive Fund.

Proposed law appropriates \$45 M of budget authority to the Dept. of Insurance out of the Insure La. Incentive Fund for implementation and execution of the Insure La. Incentive Program. Requires that funds be used to award grants only to insurers licensed in La. possessing a minimum financial strength rating of AM Best "B+" or a Demotech financial stability rating of "A". Further requires any licensed surplus lines insurer applying for a grant pursuant to the program to have a minimum financial strength rating of AM Best "A".

Proposed law further requires the commissioner to expedite to the greatest extent possible the approval of certificates of authority, rate filings, form filings, and other necessary regulatory approvals of qualified insurers to facilitate the underwriting of new policies pursuant to the program as quickly as possible and to monitor the financial solvency of insurers that are issued a grant pursuant to the program from funds appropriated in proposed law. Provides such monitoring shall include an evaluation of the adequacy of insurer reinsurance programs using catastrophe model stress tests against the insurer's book of business. Requires the commissioner to take whatever action is necessary to ensure that insurers receiving grants pursuant to the program from funds appropriated in proposed law remain financially solvent.

Proposed law additionally requires the Dept. of Insurance to submit annual and quarterly reports on the program to the House Committee on Appropriations, the Senate Committee on Finance, and the House and Senate committees on insurance detailing the following information on grantees receiving grants from funds appropriated pursuant to proposed law: the amount of premiums written by parish pursuant to the program; the amount of premiums by parish for property located in the parishes included in the federal Gulf Opportunity Zone Act of 2005; the amount of premiums by parish removed from the Louisiana Citizens Property Insurance Corporation; and the total amount of premiums by parish, inclusive of premiums written pursuant to the program.

Proposed law authorizes the commissioner of insurance to adopt emergency rules pursuant to the Admin. Procedure Act to implement the Insure La. Incentive Program in conformity with proposed law.

Proposed law requires the commissioner to promulgate rules for the Insure La. Incentive Program that require reporting at least quarterly by each grantee that receives a grant from

funds appropriated in proposed law regarding certain financial data, including the grantee's premium to surplus ratio and the grantee's catastrophe reinsurance program. Authorizes the commissioner to adopt emergency rules to implement this requirement.

Proposed law conditions continued receipt of grant funding by a grantee receiving a grant from funds appropriated in proposed law on the grantee writing at least 25% of its net written premiums during each earning period for policyholders whose property was formerly insured by La. Citizens Property Insurance Corp. Requires the terms "earning period" and "net written premium" be defined by rule.

Proposed law requires that in awarding grants from funds appropriated pursuant to proposed law, the commissioner give preference to grant applicants that agree to provide wind and hail coverage.

Effective upon signature of the governor or lapse of time for gubernatorial action.

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Appropriations to the original bill:

1. Delete requirement that at least 50% of appropriated funds be used to award grants to companies with a minimum financial strength rating of AM Best "B+".
2. Require nonadmitted insurers applying for a grant pursuant to present law to have a minimum financial strength rating of AM Best "A".

The House Floor Amendments to the engrossed bill:

1. Change terminology from "nonadmitted insurer" to "licensed surplus lines insurer" with respect to increased financial strength rating requirement for such insurers.
2. Add authorization for the commissioner of insurance to adopt emergency rules pursuant to the Administrative Procedure Act to implement the Insure La. Incentive Program in conformity with proposed law.
3. Require quarterly reporting of certain financial data by each grantee that receives a grant pursuant to proposed law. Authorize the commissioner to adopt emergency rules for the implementation of the reporting requirement.
4. Require each grantee to write a certain amount of net written premiums each earning period for policyholders whose property was formerly insured by the La. Citizens Property Insurance Corporation in order for the grantee to remain eligible.
5. Require the commissioner to give preference in awarding grants from funding appropriated in proposed law to applicants that agree to provide wind and hail coverage.
6. Make conforming changes to the title of the bill.
7. Make technical changes.