

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 880** HLS 26RS 1284

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> April 9, 2026	10:08 AM	<b>Author:</b> JORDAN
<b>Dept./Agy.:</b> Department of Insurance		<b>Analyst:</b> Garrett Ordner
<b>Subject:</b> Artificial Intelligence in Insurance Modeling		

INSURANCE OR +\$1,029,533 SG EX See Note  
Creates the Louisiana Artificial Intelligence Insurance Fairness Act

Page 1 of 2

Proposed law prohibits covered insurers from using an algorithmic decision system that considers protected class membership or any proxy of protected class membership as an input variable, or which produces decisions that are arbitrary, capricious, or bear no rational relationship to the risk of loss being assessed. Proposed law provides a list of presumed proxy variables subject to heightened scrutiny. Proposed law provides governance requirements for algorithmic decision systems used by covered insurance providers and requires annual disparate impact audits of each such system. Proposed law includes reporting requirements to be submitted to the Commissioner of Insurance (LDI). Proposed law provides disclosure requirements for use of artificial intelligence (AI) by covered insurers. Proposed law gives LDI authority to promulgate rules and regulations necessary to implement proposed law and to perform market conduct examinations to assess compliance. Proposed law provides filing requirements for new AI systems and authorizes LDI to prohibit deployment of such systems if they do not comply with proposed law. Proposed law authorizes LDI to assess penalties on insurers for violations. Proposed law provides consumers who suffer harm from violations of proposed law with a right of action against the violator. Proposed law establishes the Louisiana AI Insurance Fairness Fund to receive the assessed civil penalties and provides for uses of the fund. Proposed law establishes an AI Insurance Fairness Advisory Board. Proposed law establishes the Louisiana Artificial Intelligence Fairness Fund. Proposed law provides for implementation dates of various portions of proposed law.

EXPENDITURES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	<b>\$1,029,533</b>	<b>\$824,203</b>	<b>\$831,171</b>	<b>\$838,418</b>	<b>\$845,954</b>	<b>\$4,369,279</b>
Ded./Other	\$0	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	

**Annual Total**

REVENUES	2026-27	2027-28	2028-29	2029-30	2030-31	5 -YEAR TOTAL
State Gen. Fd.	\$0	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	
Federal Funds	<b>SEE BELOW</b>	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0

**Annual Total**

**EXPENDITURE EXPLANATION**

Proposed law will increase LDI's SGR expenditures in FY 27 by approximately \$1 M, and expenditures for FY 27 through FY 31 are expected to total \$4.4 M, with the vast majority of those costs resulting from contracts for professional services:

	<u>FY 27</u>	<u>FY 28</u>	<u>FY 29</u>	<u>FY 30</u>	<u>FY 31</u>
Personal Services	\$118,186	\$122,913	\$127,830	\$132,943	\$138,261
Operating Expenses	\$49,317	\$51,290	\$53,341	\$55,475	\$57,694
Equipment	\$3,590	-	-	-	-
Professional Services	\$858,440	\$650,000	\$650,000	\$650,000	\$650,000
<b>Total</b>	<b>\$1,029,533</b>	<b>\$824,203</b>	<b>\$831,171</b>	<b>\$838,418</b>	<b>\$845,954</b>

Note: Expenses may not sum to totals due to rounding.

Proposed law provides that LDI's operations with respect to implementing proposed law may be funded through assessed penalties deposited into the Louisiana Artificial Intelligence Fairness Fund created by proposed law. If such penalties are assessed, they may supplant some portion of the expected SGR expenditures. The first provisions of proposed law subject to penalties, concerning AI disclosure requirements and customers' right to an explanation, take effect six months after enactment. Assuming enactment takes place near the end of FY 26, penalties may start accruing in FY 27.

**EXPENDITURE EXPLANATION CONTINUED ON PAGE TWO**

**REVENUE EXPLANATION**

Proposed law provides for penalties that will be deposited into the newly created Louisiana Artificial Intelligence Fairness Fund. However, the extent of any revenue increase is indeterminable. The penalties are listed below:

<u>Violation</u>	<u>Minimum</u>	<u>Maximum</u>
Failure to conduct a disparate impact audit	\$25,000	\$100,000
Failure to provide required disclosures	\$5,000	\$25,000
Use of a prohibited variable	\$50,000	\$250,000
Failure to conduct human review of adverse action	\$10,000	\$50,000
Failure to file required certifications or notices	\$10,000	\$50,000

The Office of Technology Services (OTS) reports that proposed law may conflict with Executive Order 14365 titled "Ensuring a National Policy Framework for Artificial Intelligence," signed on December 11, 2025. The order provides that states which implement "onerous AI laws" as determined by the Secretary of Commerce will be ineligible for non-deployment funding under the Broadband Equity Access and Deployment (BEAD) Program. The order also requires executive departments and agencies to determine whether they may condition discretionary grant programs on states not enacting or enforcing AI laws that conflict with the executive order.

LDI's remaining SGR reverts to SGF at the end of the fiscal year. To the extent that proposed law increases SGR expenditures, the state may experience a reduction in SGF revenues for the following fiscal year.

Senate  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

*Alan M. Boxberger*  
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**Legislative Fiscal Officer**

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**CONTINUED EXPLANATION from page one:**

Page 2 of 2

**EXPENDITURE EXPLANATION CONTINUED FROM PAGE ONE**

LDI reports it will need to hire one (1) Compliance Examiner position at \$118,186 (\$77,976 salary and \$40,210 benefits) in FY 27 to support financial solvency reviews and financial oversight associated with insurer AI governance and compliance requirements provided for in proposed law, along with \$3,590 in office equipment. LDI also estimates it will incur \$49,317 in operating expenses consisting of \$5,473 in statewide ancillary expenses, \$644 for office supplies, and \$43,200 for IT maintenance (360 hours at \$120 per hour) in FY 27.

LDI intends to procure two contracts for professional services to support technical evaluation and governance oversight of insurer AI systems: (1) an AI governance consultant will assist with reviewing insurer AI governance frameworks, evaluating insurer documentation related to algorithmic decision systems, supporting regulatory oversight activities, participating in compliance reviews, and assisting with reporting requirements; and (2) a data science consultant will review insurer AI models, conduct data analysis and bias testing, evaluate algorithmic outputs, and support technical reviews and reporting requirements. Additionally, LDI will incur professional services costs of \$204,440 to develop and update LDI systems to implement the proposed legislation. The professional services costs are summarized below:

<u>Service</u>	<u>FY 27</u>	<u>FY 28</u>	<u>FY 29</u>	<u>FY 30</u>	<u>FY 31</u>
AI Governance and Compliance	\$450,000	\$450,000	\$450,000	\$450,000	\$450,000
Data Science	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Systems Update	\$208,440	-	-	-	-
<b>Total</b>	<b>\$858,440</b>	<b>\$650,000</b>	<b>\$650,000</b>	<b>\$650,000</b>	<b>\$650,000</b>

Although the Louisiana Artificial Intelligence Fairness Fund may be used to cover administrative costs of the AI Insurance Fairness Advisory Board, LDI reports it does not expect to incur any costs associated with the board's activities. LDI also does not anticipate any costs associated with providing the required annual reports to the legislature. The LFO assumes that the advisory board will serve without compensation, though one required member, a representative of a law enforcement or criminal justice agency, may be entitled to mileage and per diem compensation from their agency for attending quarterly meetings.

Treasury requires certain resources to create and administer a statutory dedication, as in this measure. Should aggregate session action result in the creation of funds beyond that which can be absorbed within existing resources, additional funding may be required, which is assumed to be SGR in this fiscal note.

Senate  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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