



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **HB 1788** HLS 03- 2261

Bill Text Version: **REENGROSSED**

Opp Chamb Action:

Sub Bill For:

Proposed Amd:

Date: May 22, 2003	10:41 AM	Author: MORRISH
Dept/Agy: Insurance		Analyst: Shawn Hotstream
Subject: Louisiana Citizens Property Insurance Corporation		

INSURANCE/PROPERTY RE +\$50,000 SG EX See Note Page 1 of 2
Creates the Louisiana Citizens Property Insurance Corporation to operate and manage the FAIR and Coastal plans

Present law provides for the FAIR plan and Coastal plan, provides for the purpose and functions of each plan, provides for the power and duties of governing committees, provides for the participants in the plans, and provides for assessments.

Proposed legislation creates a nonprofit entity called the Louisiana Citizens Property Insurance Corporation to manage both the FAIR and Coastal plans. This measure further provides for the following: 1) a 15 member board of directors of the corporation comprised of specified members to serve as the governing body of the corporation; 2) provides for the powers and duties of the corporation, including issuing insurance policies to eligible applicants, purchase reinsurance on risks, issue bonds or other indebtedness(approved by the Louisiana State Bond Commission), retain profits or reserves to offset deficits incurred by the plan, and take all actions necessary to facilitate and maintain tax-free status for the income and operations of the corporation, plans, and bonds or other indebtedness issued on behalf of the corporation;
CONTINUED ON PAGE 2

EXPENDITURES	2003-04	2004-05	2005-06	2006-07	2007-08	5 YEAR TOTAL
State General Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000
Stat. Deds./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000

REVENUES	2003-04	2004-05	2005-06	2006-07	2007-08	5 YEAR TOTAL
State General Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Stat. Deds./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION:

It is the judgment of the DOI that consulting services will be required for annual reviews of the plan of operation of the Louisiana Citizens Property Insurance Corporation (LCPIC) by the Louisiana Insurance Rating Commission and the Department of Insurance (DOI). These reviews include review of operating procedures and facilities, management of the corporation, procedures for assessment of assessable insurers and insureds to defray deficits in one or more of the plans, underwriting standards, procedures for the purchase and cession of reinsurance, procedures for determining the amounts of insurance to be provided to specific risks, and procedures for processing applicants for insurance. These annual costs are anticipated to be approximately \$50,000 per year.

There are no additional costs to the state related to the establishment of the Louisiana Citizens Property Insurance Corporation (LCPIC). The LCPIC will allow the FAIR and Coastal Plan to continue as a residual market. Members of the board will receive no salary, but may be reimbursed from the assets of the corporation for travel and other expenses incurred (meals, mileage) while in attendance at the meetings of the board. Similarly, expenses of the corporation (employees and operational costs) will be funded from the assets, or revenue collected, of the corporation. The state will not budget for or provide general fund appropriations to the corporation, and the debts, claims, obligations, and liabilities of the corporation are not considered to be a debt of the state.

REVENUE EXPLANATION:

The corporation shall be considered a political instrumentality of the state, and shall be exempt from any corporate state income tax. Also, any bonds issued by or on behalf of the corporation and the plans, and the income from them, is free from taxation of any kind by the state. It is also the intent of the legislature that the income of the corporation be exempt from federal income taxation and that interest on the debt obligations issued by the corporation be exempt from federal income taxation.

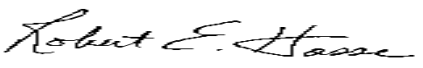
Under current law, refunds have been made to insurers if estimated claims are not reached, which could potentially be subject to corporate income taxes if those funds were considered additional profit. Under proposed law, the LCPIC will retain all funds assessed for potential future losses. The amount of taxes forgone to the state as a result of this measure is indeterminable. It is the judgment of the Department of Insurance that this impact will be small, if any at all.

Senate

- ☐ 13.5.1 >= \$500,000 Annual Fiscal Cost
- ☐ 13.5.2 >= \$500,000 Annual Tax or Fee Change

House

- ☐ 6.8(F) >= \$500,000 Annual Fiscal Cost
- ☐ 6.8(G) >= \$500,000 Tax or Fee Increase
or a Net Fee Decrease per year



Robert E. Hosse
ECONOMIST/SECTION DIRECTOR



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CONTINUED EXPLANATION (continued from page one) : Page 2 of 2

3) requires all insurers authorized to write property insurance to participate in the plans; 4) provides for assessments on insurers, and provides for emergency assessments; 5) defines eligibility for property insurance from the corporation; 6) provides that the corporation shall not offer private or commercial automobile or vehicle insurance; 7) specifies that rates with the corporation will not be competitive with the voluntary market, and shall be set by the board based on specific guidelines set forth in this law; 8) requires the corporation to file in the Louisiana Insurance Rating Commission and with the DOI quarterly statements as required for authorized insurers pursuant to R.S. 22:1451 and annual audited statements summarizing transactions, conditions, operations, and affairs of the plans, and also submit a quarterly report on the types, premium, exposure, and distribution by parish of its policies in force; 9) provides that the corporation shall be prohibited from making contributions to any political party, political organization, public official, or candidate for pubic office; and 10) provides that the legislature further intends that the corporation work toward the ultimate depopulation of these residual market insurance plans and provides that the plan of operation submitted by the board include provisions for attaining depopulation of the plans.

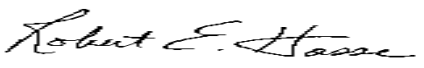
Dual Referral Rules

Senate

- ☐ 13.5.1 >= \$500,000 Annual Fiscal Cost
- ☐ 13.5.2 >= \$500,000 Annual Tax or Fee Change

House

- ☐ 6.8(F) >= \$500,000 Annual Fiscal Cost
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