



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 137** HLS 11RS 705
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: May 10, 2011 1:04 PM	Author: CORTEZ
Dept./Agy.: Department of Insurance (DOI)	
Subject: Producer compensation	Analyst: Travis McIlwain

INSURERS/AGENTS EG SEE FISC NOTE GF RV Page 1 of 1
Authorizes producer compensation in the form of fees in certain circumstances

Proposed law provides that an insurance producer and a property and casualty insurer may negotiate any combination of commissions and fees, or fees in lieu of commissions, to compensate the insurance producer for the placement of commercial property and casualty insurance coverages if the commercial insurance policyholder meets any one of the following criteria: 1.) has total annual property and casualty insurance premiums in excess of \$500,000; 2.) obtains insurance coverage with a per occurrence or per claim deductible or self-insured retention of \$50,000 or more for workers’ compensation, general liability, or automobile insurance coverages; 3.) has a net worth in excess of \$25 million; 4.) qualifies as a self-insurer with this state; 5.) is a governmental entity that had a contract prior to August 9, 2010, with an insurance producer on a stipulated fee basis for the placement of commercial property and casualty insurance coverages.

EXPENDITURES	2011-12	2012-13	2013-14	2014-15	2015-16	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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2011-12	2012-13	2013-14	2014-15	2015-16	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The proposed legislation allows an insurance producer the ability to negotiate compensation with property and casualty insurers or a commercial policyholder by any combination of commissions, fees, or fees in lieu of commissions if the commercial policyholder meets certain criteria. This bill allows for producers and their large commercial policyholders the ability to separate the premium, commission and fees transactions to where no premium tax is paid on commissions or fees. To the extent these transactions of premium, commissions, or fees were separated in the past, this bill has no fiscal impact on state insurance premium tax collections. However, because the Department of Insurance does not know when commissions and fees are processed in separate transactions from premium or combined with premium and premium tax, the specific fiscal impact of this bill is indeterminable.

To the extent that those commercial policyholders that meet the specific criteria of this legislation and who do not already separate commission/fees from its insurance premium tax liability calculation and who decide to separate commission/fees from its premium tax liability calculation, state general fund revenues could decrease. However, the 5 criteria outlined within this legislation limit the pool of commercial entities that would be allowed to negotiate fees as opposed to commissions for its property and casualty policies.

According to the Independent Insurance Agents of Louisiana, this bill merely codifies current business practice.

Senate	Dual Referral Rules	House	
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	<div>H. Gordon Monk</div> <div>H. Gordon Monk</div> <div>Legislative Fiscal Officer</div>
		<input type="checkbox"/> 6.8(F)2 >= \$100,000 Annual SGF 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}	