

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



Fiscal Note On: **HB 462** HLS 21RS 193

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 16, 2021	2:43 PM	<b>Author:</b> HUVAL
<b>Dept./Agy.:</b> Insurance		<b>Analyst:</b> Patrice Thomas
<b>Subject:</b> Surplus Line Tax on Unauthorized Insurance		

INSURANCE/SURPLUS LINE EN SEE FISC NOTE GF RV See Note  
Provides relative to the tax on surplus lines and unauthorized insurance

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Present law imposes an annual tax of 4.85% on the gross premium of surplus lines of insurance for Louisiana home state policyholders. Proposed law expands the imposition of the tax to insurance placed through and directly by LA licensed surplus lines brokers and unauthorized insurers (not licensed in LA) regardless of the covered property, risk, or exposure. Proposed law requires surplus line brokers that do not have other unauthorized insurance premiums to report to be exempted from the quarterly surplus line reporting requirement. Proposed law provides that each policyholder directly placing insurance shall transmit a direct placement tax report to the commissioner and remit the tax payable within 30 days. Proposed law provides that the commissioner shall develop the tax report. Proposed law authorizes the commissioner's discretion to suspend or revoke the license of the delinquent surplus lines broker.

<b>EXPENDITURES</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>REVENUES</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The proposed law authorizes the Commissioner of Insurance to collect a tax on unauthorized insurance and impose penalties if the tax is not paid within 30 days of procuring insurance. The LA Department of Insurance (LDI) reports that it is capable of handling any workload impact arising from the proposed law with existing budgetary and personnel resources.

**REVENUE EXPLANATION**

Proposed law may create an indeterminable increase in State General Fund revenue. The proposed law expands the surplus line tax of 4.85% to include unauthorized insurance for which Louisiana is the home state of the policyholder. The proposed law provides that the tax shall be credited to the State General Fund. Also, the proposed law authorizes the Commissioner of Insurance to impose a 10% penalty for failure to report or remit taxes and allows for waiver of the penalty under certain circumstances. Since there are very few self-procured (direct placed) insurance policies reported, neither the LDI nor the Legislative Fiscal Office can anticipate the number of unauthorized insurance reports that will be fined or penalties collected. To the extent this measure increases the number of self-procured insurance that is reported, taxed, or penalized, state general revenue will increase by an indeterminable amount.

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}

*Alan M. Boxberger*

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**Staff Director**