

2025 Regular Session

HOUSE BILL NO. 672

BY REPRESENTATIVE JORDAN

BONDS: Authorizes the issuance of catastrophe bonds for the Catastrophe Reinsurance Program

1 AN ACT

2 To enact Chapter 14 of Title 22 of the Louisiana Revised Statutes of 1950, to be comprised

3 of R.S. 22:2271 through 2273, relative to the funding of the Catastrophe Reinsurance

4 Program; to authorize the issuance of bonds by the State Bond Commission to fund

5 the Catastrophe Reinsurance Program; to provide for the purposes of the program;

6 to provide for the duties of the State Bond Commission; to provide for requirements

7 and limitations for the issuance of the bonds; to provide for the payment of the

8 principal and interest on the bonds; to exempt catastrophe bonds from state taxes; to

9 exclude catastrophe bonds from the calculation of net state tax supported debt; to

10 provide for a procedure for certain parties to contest the legality of the bonds; to

11 authorize the State Bond Commission to employ certain professionals; to provide for

12 the rights and remedies of catastrophe bondholders; to provide for the termination

13 of the Catastrophe Reinsurance Program under certain circumstances; to establish

14 the Catastrophe Reinsurance Program Fund in the state treasury; to provide for the

15 deposit and use of the monies in the fund; and to provide for related matters.

16 Be it enacted by the Legislature of Louisiana:

17 Section 1. Chapter 14 of Title 22 of the Louisiana Revised Statutes of 1950,

18 comprised of R.S. 22:2271 through 2273, is hereby enacted to read as follows:

19 CHAPTER 14. CATASTROPHE REINSURANCE PROGRAM

20 §2271. Purpose

1 The purpose of this Chapter is to establish a program to provide an alternative
2 method for insurance companies to secure reinsurance to cover property damage and
3 casualty losses associated with hurricanes and other natural catastrophe losses in
4 Louisiana. Louisiana homeowners are experiencing an insurance crisis as a result
5 of the recent hurricanes and other catastrophic flooding and weather-related events
6 that have recently occurred in this state. Property insurance rates and premiums have
7 increased for many residents of this state and are becoming unaffordable. Louisiana
8 is establishing the Catastrophe Reinsurance Program in order to offer an alternative
9 method for insurance companies to secure reinsurance in an effort to bring stability
10 and affordability back to this state's citizens in securing homeowner's insurance by
11 transferring the risk of casualty losses to a wider set of investors and helping
12 insurance companies manage natural catastrophe losses. Insurance companies
13 participating in this program will be required to provide more homeowners insurance
14 policies in areas of this state that are at a higher risk of incurring damages from
15 hurricanes and other natural catastrophe events at reduced premiums. This program
16 will be funded through the sale of catastrophe and revenue bonds.

17 §2272. Bonds

18 A. Without reference to any provision of the Constitution of Louisiana and
19 the laws of this state, and as a grant of power in addition to any other general or
20 special law, the State Bond Commission, referred to in this Section as "the
21 commission" is authorized to issue catastrophe bonds and pledge for the payment of
22 principal and interest fees or assessments imposed on insurance policies for the
23 specific purpose of paying the principal and interest on catastrophe bonds.
24 Catastrophe bonds shall only be issued for the purposes of the Catastrophe
25 Reinsurance Program as established in this Chapter. Proceeds of any such bonds,
26 except monies needed to fund reserves and pay costs of issuance, and to the extent
27 not needed to pay debt service or other amounts due pursuant to the resolution
28 authorizing the bonds, shall be deposited in the Catastrophe Reinsurance Fund as
29 established in R.S. 22:2273 and shall be expended only in accordance with R.S.

1 22:2273. The commission is further authorized, in its discretion, to pledge all or any
2 part of any gift, grant, donation, or other sum of money, aid, or assistance from the
3 United States, the state, or any political subdivision, thereof, unless otherwise
4 restricted by the terms thereof, all or any part of the proceeds of bonds, credit
5 agreements, instruments, or other money of the commission, from whatever source
6 derived, for the further securing of the payment of the principal and interest of the
7 bonds, including any monies provided to the commission from the Department of
8 Insurance. The bonds shall be payable solely from revenues and bond proceeds,
9 pending their disbursement, and investment income on the bonds. These bonds are
10 deemed to be "revenue bonds" as permitted under Article VII, Section 6(C) of the
11 Constitution of Louisiana, as amended.

12 B. Fees or assessments imposed on insurance policies which have been
13 transferred to the commission shall be applied to pay or provide for the payment of
14 debt service and all related costs and expenses associated with the bonds issued by
15 the commission pursuant to the provisions of this Section.

16 C. The resolution or resolutions pursuant to which catastrophe bonds are
17 authorized to be issued may contain any or all of the following:

18 (1) Provisions respecting custody of the proceeds from the sale of the bonds,
19 including any requirements that the proceeds be held separate from or not be
20 commingled with other funds of the state.

21 (2) Provisions for the investment and reinvestment of catastrophe bond
22 proceeds until used to pay the costs associated for which the bonds were issued or
23 the costs of financing the bonds, and for the disposition of any excess bond proceeds
24 or investment earnings on the bonds.

25 (3) Provisions for the execution of reimbursement agreements or similar
26 agreements in connection with credit facilities, including but not limited to letters of
27 credit or policies of bond insurance, remarketing agreements, and credit
28 enhancement devices, for the purpose of moderating interest rate fluctuations.

1 (4) Provisions for the collection, custody, investment, reinvestment, and use
2 of the pledged revenues or other receipts, funds, or monies pledged therefor and
3 transferred or to be transferred pursuant to this Section.

4 (5) Provisions regarding the establishment and maintenance of reserves,
5 sinking funds, and any other funds, and accounts as shall be approved by the
6 commission in amounts as may be established by the commission, and the regulation
7 and disposition thereof, including requirements that any funds and accounts be held,
8 separate from or not be commingled with other funds.

9 (6) Covenants for the establishment of pledged revenue coverage
10 requirements for catastrophe bonds.

11 (7) Provisions for the issuance of additional catastrophe bonds on a parity
12 or subordinate basis with catastrophe bonds theretofore issued, including
13 establishment of coverage requirements.

14 (8) Provisions or covenants of like or different character from the foregoing
15 that are determined in proceedings as necessary, convenient, or desirable in order to
16 better secure the catastrophe bonds, or will tend to make the catastrophe bonds more
17 marketable, and that are in the best interests of the state, including, without
18 limitation, cooperative endeavor agreements with the division of administration on
19 behalf of the state with respect to replenishment of any reserve funds for the bonds,
20 which cooperative endeavor agreements are authorized to be executed by the
21 commission and the division of administration if deemed necessary and desirable by
22 these parties to enhance the creditworthiness of the bonds.

23 D. Bonds issued pursuant to the provisions of this Section shall not be
24 deemed to constitute a pledge of the full faith and credit of the state or of any
25 governmental unit thereof. All such bonds shall contain a statement on their face
26 substantially to the effect that neither the full faith and credit of the state nor the full
27 faith and credit of any public entity of the state are pledged to the payment of the
28 principal of or the interest on the bonds. The issuance of bonds pursuant to the
29 provisions of this Section shall not directly, indirectly, or contingently obligate the

1 state or any governmental unit of the state to levy any taxes whatever therefor or to
2 make any appropriation for their payment, other than obligations to make payments
3 by the state or any public entity to the commission arising out of contracts including
4 but not limited to the bonds the bond resolution, and trust indentures authorized
5 pursuant to this Section.

6 E. Bonds shall be authorized by a resolution of the commission and shall be
7 of a series, bear a date or dates, mature at a time or times, bear interest at a rate or
8 rates, including but not limited to fixed, variable, or zero rates, be payable at a time
9 or times, be in denominations, be in a form, carry a registration and exchangeability
10 privilege, be payable in a medium of payment and at a place or places, be subject to
11 terms of redemption prior to maturity at a price or prices as determined by the
12 commission, and be entitled to a priority on the revenues as the resolution or
13 resolutions may provide.

14 F. Bonds shall be sold by the commission at public sale by competitive bid
15 or negotiated private sale and at a price as the commission may determine to be in
16 the best interest of the state.

17 G. The issuance of catastrophe bonds shall not be subject to any limitations,
18 requirements, or conditions contained in any other law, and bonds may be issued
19 without obtaining the consent of the state or any political subdivision, or of any
20 agency, commission, or instrumentality thereof. Bonds issued pursuant to this
21 Section shall not be included in the calculation of "net state tax supported debt" as
22 defined in R.S. 39:1367. The bonds shall be issued in compliance with the
23 provisions of this Section.

24 H. For a period of thirty days after the date of publication of a notice of
25 intent to issue bonds in the official journal of the state authorizing the issuance of
26 bonds pursuant to this Section, any person in interest shall have the right to contest
27 the legality of the resolution and the legality of the bond issue for any cause, but after
28 that time no one shall have any cause or right of action to contest the legality of the
29 resolution or of the bonds, or the security therefor for any cause whatsoever. If no

1 suit, action, or proceeding is begun contesting the validity of the resolution, the
2 bonds, or the security therefor within this prescribed thirty-day period, the
3 commission is authorized to issue the bonds and to provide for the payment thereof,
4 the legality thereof, and of all of the provisions of the resolution authorizing the
5 issuance of the bonds shall be conclusively presumed to be legal and shall be
6 incontestable. Any notice of intent published shall set forth in reasonable detail the
7 purpose of the bonds, the security therefor, and the parameters of amount, duration,
8 and interest rates. The commission may designate any paper of general circulation
9 in its geographical jurisdiction to publish the notice of intent or may utilize electronic
10 media available to the general public. Any suit to determine the validity of bonds
11 issued by the commission shall be brought only in accordance with the provisions
12 of R.S. 13:5121 et seq.

13 I. All bonds issued pursuant to this Section shall have all the qualities of
14 negotiable instruments under the commercial laws of the state.

15 J. Any pledge of revenues or other monies made by the commission shall be
16 valid and binding from the time when the pledge is made. The revenues or monies
17 so pledged and thereafter received by the commission shall immediately be subject
18 to the lien of the pledge without any physical delivery thereof or further act, and the
19 lien of any pledge shall be valid and binding as against all parties having claims of
20 any kind in tort, contract, or otherwise against the commission irrespective of
21 whether the parties have notice thereof. Any trust agreement or other instrument by
22 which a pledge is created need not be filed or recorded except in the official records
23 of the commission.

24 K. Neither the members of the commission nor any person executing the
25 bonds shall be liable personally for the bonds or be subject to any personal liability
26 or accountability by reason of the issuance of the bonds.

27 L. Bonds of the commission, their transfer, and the income therefrom shall
28 at all times be exempt from all taxation by the state or any political subdivision
29 thereof, and may or may not be exempt for federal income tax purposes. The bonds

1 issued pursuant to this Section shall be and are hereby declared to be legal and
2 authorized investments for banks, savings banks, trust companies, building and loan
3 associations, insurance companies, fiduciaries, trustees, and guardians. The bonds
4 shall be eligible to secure the deposit of any and all public funds of the state and any
5 and all public funds of municipalities, parishes, school districts, or other political
6 corporations or subdivisions of the state. The bonds shall be lawful and sufficient
7 security for the deposits to the extent of their value. When any bonds shall have
8 been issued hereunder, neither the legislature, the commission, nor any other entity
9 may discontinue or decrease the revenues pledged to the payment of the bonds
10 authorized pursuant to this Section or permit to be discontinued or decreased the
11 revenues in anticipation of the collection of which the bonds have been issued, or in
12 any way make any change in the allocation and dedication of the revenues which
13 would diminish the amount of the revenues to be received by the commission, until
14 all of the bonds shall have been retired as to principal and interest, and there is
15 hereby vested in the holders from time to time of the bonds a contract right in the
16 provisions of this Section.

17 M. The commission may provide by resolution for the issuance of refunding
18 bonds pursuant to R.S. 39:1444 et seq.

19 N. The holders of any bonds issued pursuant to this Section shall have the
20 rights and remedies as may be provided in the resolution or trust agreement
21 authorizing the issuance of the bonds, including but not limited to the appointment
22 of a trustee for the bondholders and any other available civil action to compel
23 compliance with the terms and provisions of the bonds and the resolution or trust
24 agreement.

25 O. Subject to the agreements with the holders of bonds, all proceeds of bonds
26 and all revenues pledged pursuant to a resolution or trust agreement authorizing or
27 securing the bonds shall be deposited and held in trust in a fund or funds separate and
28 apart from all other funds of the state. Subject to the resolution or trust agreement,
29 the trustee shall hold the same for the benefit of the holders of the bonds for the

1 application and disposition thereof solely to the respective uses and purposes
2 provided in the resolution or trust agreement.

3 P. The commission is authorized to employ all professionals it deems
4 necessary in the issuance of its bonds.

5 Q. The commission is authorized to enter into any and all agreements or
6 contracts, execute any and all instruments, and do and perform any and all acts
7 necessary, convenient, or desirable for the issuance of the bonds or to carry out any
8 power expressly given in this Section.

9 R. The commission shall be deemed to be a public entity for purposes of
10 Chapters 13, 13-A, 14, 14-A, 14-B, and 15-A of Title 39 of the Louisiana Revised
11 Statutes of 1950, as amended, which statutes shall apply to bonds of the commission,
12 provided that in the event of a conflict with the provisions of this Section, the
13 provisions of this Section shall control.

14 S. The provisions of this Section shall become null, void, and of no effect on
15 the date that all bonds issued by the commission pursuant to this Section are paid or
16 deemed paid in full and are no longer considered outstanding.

17 T. Notwithstanding any other provision of law to the contrary, any revenues
18 deposited in the bond fund that are pledged to the repayment of any bonds issued in
19 accordance with this Section may be collected and disbursed in accordance with the
20 documents pursuant to which the bonds were issued.

21 §2273. Catastrophe Reinsurance Program Fund

22 A. There is hereby established a special fund in the state treasury to be
23 designated and hereafter referred to as the Catastrophe Reinsurance Program Fund,
24 for the purpose of providing for the securitization of any bonds which may be issued
25 pursuant to the provisions of this Chapter which shall include requirements for
26 reserves and credit enhancement devices, all as may be provided in any resolution,
27 trust agreement, indenture, or other instrument pursuant to which the bonds were
28 issued. The Catastrophe Reinsurance Program Fund shall be administered by a
29 trustee as designated by the State Bond Commission. The source of monies for the

1 Catastrophe Reinsurance Program Fund shall be the proceeds of bonds issued in
 2 accordance with the provisions of this Chapter. All monies transferred into the fund
 3 shall be classified and set aside in the separately identifiable fund or account outside
 4 of the state treasury and named above, but maintained by the state treasury, and the
 5 revenues shall be assigned and pledged to the trustee pursuant to the documents to
 6 which the catastrophe bonds were issued for the benefit of the holders of the bonds.

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 672 Original

2025 Regular Session

Jordan

Abstract: Authorizes the State Bond Commission to issue catastrophe bonds as an alternative source of reinsurance coverage for insurance companies.

Proposed law provides for the establishment of a program to provide an alternative method for insurance companies to secure reinsurance to cover property damage associated with hurricanes and other natural catastrophe losses in an effort to bring stability and affordability to citizens in securing homeowner's insurance by transferring the risk of casualty losses to a wider set of investors and helping insurance companies manage natural catastrophe losses.

Proposed law authorizes the State Bond Commission (hereinafter "commission") to issue catastrophe bonds and pledge fees and assessments imposed on insurance policies for the specific purpose of paying for catastrophe bonds to pay the principal and interest on catastrophe bonds. Proposed law limits issuance of catastrophe bonds for the purposes of the Catastrophe Reinsurance Program as established in proposed law.

Proposed law requires the proceeds of catastrophe bonds, except monies needed to fund reserves, to pay costs of issuance to be deposited in the Catastrophe Reinsurance Fund as established in proposed law. The commission is further authorized to pledge all or any part of any gift, grant, donation, or other sum of money, aid, or assistance from the U.S., the state, or any political subdivision, all or any part of the proceeds of bonds, credit agreements, instruments, or other money of the commission, from whatever source derived, for further securing the payment of the principal and interest of the catastrophe bonds, including any monies provided to the commission from the Dept. of Insurance.

Proposed law deems catastrophe bonds as "revenue bonds" to be paid solely from revenues and bond proceeds, pending their disbursement, and investment income on the bonds.

Proposed law provides for a resolution by which catastrophe bonds may be issued and provides for conditions that may be included in the resolution such as provisions respecting custody of the proceeds from the sale of the bonds and provisions for the investment and reinvestment of catastrophe bond proceeds.

Proposed law prohibits catastrophe bonds from being deemed to constitute a pledge of the full faith and credit of the state or of any governmental unit of the state and shall not be included in the calculation of "net state tax supported debt" as defined in present law.

Proposed law requires all catastrophe bonds to contain a statement on their face indicating that neither the full faith and credit of the state nor the full faith and credit of any public entity of the state are pledged to the payment of the principal of or the interest on the bonds. Further provides that the issuance of catastrophe bonds shall not directly, indirectly, or contingently obligate the state or any governmental unit of the state to levy any taxes or to make any appropriation for their payment other than obligations to make payments by the state or any public entity to the commission arising out of contracts including but not limited to the bonds the bond resolution, and trust indentures.

Proposed law provides for the issuance of catastrophe bonds that includes requirements regarding maturity dates, interest rates, and terms of redemption prior to maturity at a price or prices as determined by the commission. Further requires catastrophe bonds to be sold by the commission at a public sale by competitive bid or negotiated private sale and at a price the commission determines is in the best interest of the state.

Proposed law provides for a procedure for any person in interest to contest the legality of the resolution and the legality of the bond issue for any cause, but after that time, no one shall have any cause or right of action to contest the legality of the resolution or of the bonds, or the security therefor for any cause whatsoever.

Proposed law provides that catastrophe bonds shall have all the qualities of negotiable instruments under the commercial laws of the state and any pledge of revenues or other monies made by the commission shall be valid and binding from the time when the pledge is made.

Proposed law exempts members of the commission nor any person executing the bonds from personal liability for the bonds or be subject to any accountability by reason of the issuance of the bonds.

Proposed law exempts bonds issued by the commission, their transfer, and the income therefrom from all state and local taxation and provides that catastrophe bonds may or may not be exempt from federal income tax.

Proposed law grants the holders of any catastrophe bonds the rights and remedies as may be provided in the resolution or trust agreement authorizing the issuance of the bonds, including the appointment of a trustee for the bondholders and any other available civil action to compel compliance with the terms and provisions of the bonds and the resolution or trust agreement.

Proposed law authorizes the commission to employ professionals deemed necessary in the issuance of its bonds and for the commission to enter into any and all agreements or contracts, execute any and all instruments, and do and perform any and all acts necessary, convenient, or desirable for the issuance of the catastrophe bonds or to carry out any power expressly granted in proposed law.

Proposed law terminates the provisions of proposed law on the date that all bonds issued by the commission pursuant to proposed law are paid or deemed paid in full and are no longer considered outstanding.

Proposed law provides for the establishment of the Catastrophe Reinsurance Program Fund ("hereinafter "fund") as a special fund in the state treasury, for the purpose of providing for the securitization of any bonds which may be issued pursuant to the provisions of proposed law which shall include requirements for reserves and credit enhancement devices as provided for in a resolution, trust agreement, indenture, or other instrument pursuant to which the bonds were issued.

Proposed law requires the fund to be administered by a trustee designated by the commission. The source of monies in the fund shall be catastrophe bond proceeds. Further

requires all monies transferred into the fund to be classified and set aside in the separately identifiable fund or account outside of the state treasury, but maintained by the state treasury, and requires revenues assigned and pledged to the trustee pursuant to the documents to which the catastrophe bonds were issued for the benefit of the holders of the bonds.

(Adds R.S. 22:2271-2273)