

SENATE BILL NO. 275

BY SENATOR ABRAHAM

1 AN ACT

2 To enact Chapter 15-B of Title 33 of the Louisiana Revised Statutes of 1950, to be
3 comprised of R.S. 33:5081 through 5089, relative to affiliates and subsidiaries of
4 local housing authority members; to authorize the pooling of coverage risks; to
5 authorize the pooling of coverage risks that the board of the risk management
6 organization agency deems appropriate; to provide for definitions; and to provide for
7 related matters.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. Chapter 15-B of Title 33 of the Louisiana Revised Statutes of 1950, to be
10 comprised of R.S. 33:5081 through 5089 is hereby enacted to read as follows:

11 **CHAPTER 15-B. LOCAL HOUSING AUTHORITY AFFILIATES**
12 **AND SUBSIDIARIES SELF-INSURANCE ACT OF 2022**

13 **§5081. Definitions**

14 **The following words and terms shall have the meaning indicated unless**
15 **the context clearly indicates differently:**

16 **(1) "Affiliate" means an entity as defined in R.S. 40:384.**

17 **(2) "Governing body" means the body which exercises the functions of**
18 **the affiliate or subsidiary of the local housing authority.**

19 **(3) "Risk management organization" means an association formed by**
20 **two or more affiliates and subsidiaries of local housing authorities by an**
21 **agreement for the development and administration of a risk management**
22 **program and one or more group self-insurance funds.**

23 **(4) "Risk management program" means a plan and activities carried out**
24 **under such plan by a risk management organization to reduce risk of loss,**
25 **including safety engineering and other loss prevention and control techniques,**

1 and to administer one or more local self-insurance funds, each established for
2 one or more risks, including the processing and defense of claims brought
3 against members of the organization.

4 (5) "Local housing authority" means any parish or municipal housing
5 authority.

6 (6) "Self-insurance fund" means a pool of monies established by a risk
7 management organization from contributions of its members in order to do the
8 following:

9 (a) Pool any one or more of the following risks: general liability,
10 workers' compensation, directors and officers liability, including employment
11 practices liability, property, or any other line of coverage approved by the
12 board of trustees of the risk management organization.

13 (b) Purchase insurance for risks of general liability, workers'
14 compensation, property coverage, or other lines of coverage approved by the
15 board of trustees of the risk management organization.

16 (7) "Subsidiary" means an entity as defined in R.S. 40:384.
17 §5082. Authority of the affiliate or subsidiary of local housing authority to
18 form, join, and participate in risk management agency

19 A. Any two or more subsidiaries and affiliates of a local housing
20 authority may make and execute an agreement between or among themselves
21 to form and become members of a risk management organization. After a risk
22 management organization has been formed, any affiliate or subsidiary of a local
23 housing authority may, subject to the bylaws and requirements of the entity,
24 become a member and through participation in the organization may do any of
25 the following items:

26 (1) Pool its general liability risks in whole or in part with those of other
27 affiliates and subsidiaries of local housing authorities.

28 (2) Pool its workers' compensation risks in whole or in part with those
29 of other affiliates and subsidiaries of local housing authorities.

30 (3) Pool its directors and officers liability risks, including employment

1 practices liability coverage, in whole or in part with those of other affiliates and
2 subsidiaries of local housing authorities.

3 (4) Pool its property coverage risks in whole or in part with those of
4 other affiliates and subsidiaries of local housing authorities.

5 (5) Pool other coverage risks the board of trustees or the risk
6 management organization may determine to be appropriate in whole or in part
7 with those of other affiliates and subsidiaries of local housing authorities.

8 (6) Purchase insurance for risks of general liability, workers'
9 compensation, directors and officers liability, including employment practices
10 liability, property or other insurance for such other lines of coverage pooled by
11 the risk management organization with other affiliates and subsidiaries of local
12 housing authorities participating in and belonging to the risk management
13 organization. The pooled risks of the participating affiliates and subsidiaries of
14 local housing authorities shall be described in a plan of coverages with the total
15 premium prorated among the participants.

16 B. Affiliates and subsidiaries of local housing authorities concluding an
17 agreement under the provisions of this Chapter shall by resolution duly adopted
18 by their governing body designate the Louisiana Housing Council, Inc. to
19 administer the risk management agency and any group self-insurance fund or
20 funds established by the organization, and to administer the terms and
21 conditions of the agreement by which the organization and any self-insurance
22 fund or funds have been established.

23 C. All arrangements and agreements made under the authority of this
24 Chapter shall be reduced to writing. Any affiliate and subsidiary of a local
25 housing authority may become a member of a risk management organization
26 by the resolution adopted by its governing body in the same manner as are
27 other proceedings of the governing body. The risk management organization
28 will operate under the name and style as provided in the agreement and shall
29 have the power to sue and be sued.

30 §5083. Governance of risk management organizations

1 The insurance committee of the Louisiana Housing Council, Inc., shall
2 constitute the board of trustees of the organization established as provided in
3 R.S. 33:5082 and shall be authorized to adopt bylaws for the administration of
4 the organization, subject to approval of the executive committee of the
5 Louisiana Housing Council, Inc.

6 §5084. Risk management organization not an insurance company or insurer

7 A. A risk management organization is not an insurance company or an
8 insurer under the laws of this state and the development and administration by
9 the organization of a group self-insurance refund or funds established for one
10 or more risks shall not constitute doing business as an insurance company.
11 Agreements between affiliates and subsidiaries of housing authorities providing
12 for the creation and maintenance of a risk management organization shall not
13 be deemed to constitute insurance as defined by R.S. 22:46, nor shall the risk
14 management organization or the development of a group self-insurance fund be
15 subject to the provisions of Chapter 1 of Title 22 of the Louisiana Revised
16 Statutes of 1950.

17 B. Any declaration of coverages issued to its members by the
18 organization shall have the following notice:

19 In the event of insolvency of the risk management organization, the
20 members of the organization are not covered by the Louisiana Insurance
21 Guaranty Association or the Louisiana Life and Health Insurance Guaranty
22 Association, which guarantees only specific types of policies issued by insurance
23 companies authorized to do business in Louisiana.

24 §5085. Minimum contributions before risk sharing

25 A self-insurance fund shall not function as a means of sharing risks of
26 loss among the members of a risk management organization until the risk
27 management organization administering the fund has received, for general
28 liability, property coverage, and any other pooled line of coverage risks, an
29 annual gross premium calculated in accordance with the applicable manual
30 premium rate or rates, plus or minus applicable experience credits or debits, of

1 not less than two hundred thousand dollars for each line of risk.

2 §5086. Limited liability of members

3 A. An affiliate or subsidiary of a local housing authority shall not, by
4 reason of being a member of a risk management organization and contributing
5 to a self-insurance fund, be liable to the risk management organization, to any
6 other member, or to any claimant against the organization itself or another
7 member, except for payment of contributions provided in the agreement
8 between the affiliate or subsidiary of the local housing authority and the risk
9 management organization. No risk management organization agreement shall
10 provide for a donation, in whole or in part, of funds of one affiliate or subsidiary
11 of the local housing authority for the benefit of another. Nothing in this Section
12 shall be construed to reduce or limit a participating member's rights or
13 obligations with respect to its employees under the provisions of Chapter 10 of
14 Title 23 of the Louisiana Revised Statutes of 1950.

15 B. A risk management organization shall administer the assets of a self-
16 insurance fund to maintain appropriate levels of reserves and to ascertain full
17 and timely payment of all fund obligations, including without limitation loss
18 fund requirements, administrative expenses, and costs of insurance.

19 §5087. Authority of commissioner of insurance

20 A. Each risk management organization shall file with the commissioner
21 of insurance within six months of the end of the organization's fiscal year a
22 certified audited financial statement and a review of its operations and general
23 condition by a certified independent casualty actuary.

24 B. No risk management organization shall become operational until
25 issued a certificate of authority by the commissioner of insurance under such
26 rules and regulations as he may promulgate to assure compliance with the
27 provisions of this Chapter. The commissioner of insurance may examine the
28 books, records, and affairs of any risk management organization for the
29 purpose of determining compliance with this Chapter and may revoke the
30 certificate of authority of any organization determined to not be in compliance

1 with this Chapter.

2 §5088. Excess Insurance

3 A. A risk management organization shall establish and maintain an
4 aggregate loss fund or stop loss provision as part of the excess insurance policy
5 placements in an amount of not more than one million five hundred thousand
6 dollars for each risk underwritten. The trust fund for each risk underwritten
7 shall maintain a cash reserve for each coverage year sufficient to cover payment
8 of the entire aggregate loss fund, as defined in the applicable excess insurance
9 policy or policies for that risk.

10 B. Workers' compensation coverage shall provide statutory workers'
11 compensation benefits coverage, including employers' liability coverage with
12 minimum limits of one million dollars.

13 C. The provisions of this Section regarding excess insurance shall apply
14 only to self-insurance funds.

15 D. Nothing in this Section shall be construed to reduce or limit a
16 participating affiliate or subsidiary of a local housing authority member's rights
17 or obligations with respect to its employees under the provisions of this
18 Chapter.

19 E. A risk management organization shall maintain at all times a contract
20 or contracts of specific excess insurance of at least one million dollars per
21 occurrence and a contract of annual aggregate excess insurance of at least two
22 million dollars with respect to general liability claims.

23 F. Excess insurance carriers selected by the risk management
24 organization shall have a current A.M. Best rating of A-VII as of the date of
25 commencement of coverage.

26 G. The organization shall maintain at all times contracts of excess
27 insurance with respect to all lines of coverage as may be approved by the board
28 of trustees of the organization in such amounts as determined by the board of
29 trustees of the organization.

30 §5089. Audit of funds

1 The legislative auditor may examine and audit the books and accounts
2 of any fund established under the provisions of this Chapter pursuant to the
3 provisions of R.S. 24:513. In addition, each participating affiliate or subsidiary
4 of a local housing authority member at its cost may cause an examination and
5 audit by its representatives of any self-insurance funds in which it participates
6 pursuant to this Chapter.

7 Section 2. This Act shall become effective upon signature by the governor or, if not
8 signed by the governor, upon expiration of the time for bills to become law without signature
9 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
10 vetoed by the governor and subsequently approved by the legislature, this Act shall become
11 effective on the day following such approval.

PRESIDENT OF THE SENATE

SPEAKER OF THE HOUSE OF REPRESENTATIVES

GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: _____