

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



Fiscal Note On: **HB 511** HLS 23RS 765  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> May 4, 2023	6:03 PM	<b>Author:</b> ILLG
<b>Dept./Agy.:</b> Insurance		<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Increases allowable annual LIGA assessment to 2%		

INSURANCE EG SEE FISC NOTE GF RV Page 1 of 1  
 Provides relative to the Louisiana Insurance Guaranty Association

Current law authorizes the Louisiana Insurance Guaranty Association (LIGA) to annually assess insurers to fund LIGA obligations in an amount up to 1% of premiums sold in the state in the prior calendar year. Current law allows for a non-refundable premium tax credit in the amount of the 100% LIGA assessment to be taken over ten years. The credit must be taken in the year in which the credit is paid. Insurers may choose to pass the assessment through to ratepayers or claim the premium tax credit, but not both.

Proposed law increases the maximum percentage for the annual LIGA assessment from 1% to 2% of the preceding calendar year premiums written. Proposed law also clarifies existing policies, procedures and regulations.

<b>EXPENDITURES</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</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>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	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.

**REVENUE EXPLANATION**

LIGA determines an amount each year to assess insurers writing policies in the state to cover claims that are transferred to LIGA when an insurance company can no longer cover its obligations. The proposed bill will allow LIGA to assess up to an additional 1% of premiums each year. Insurance companies paying the assessment become eligible for a premium tax credit of 100% of the LIGA assessment taken in equal installments over 10 years. The premium tax credit offset occurs in the state general fund.

According to the Department of Insurance, **a 1% assessment in FY 24 would be based on prior year claims of \$11,272,758,585, which would result in an estimated state general fund reduction of \$11.3 M per year for 10 years through an anticipated premium tax credit.** Should a 1% assessment occur every year, the estimated state general fund reduction would double to \$22.6 M in the second year, triple to \$33.9 M in the third year and continue as such for 10 years, when the aggregate state general fund reduction would reach an estimated \$112.7 M where it would remain unless the annual assessment is reduced or eliminated. **However, the bill does not mandate an annual assessment; it merely authorizes it. The decision to assess existing insurers lies solely with LIGA but, once assessed, a premium tax credit is triggered without further legislative action.**

Currently, LIGA is assessing a premium of 1% annually, which is pledged to \$600 M bonds, which were sold in FY 22 to allow for more timely payouts of LIGA claims. The premium tax credit arising from the current LIGA assessment will offset state general fund by about \$10-11 M per year, peaking at about \$110 M-\$120 M in FY 32, assuming insurance premiums remain relatively constant. It is expected that annual assessments will continue through the life of the bonds or about 2037.

Senate Dual Referral Rules  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House  
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}  
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

*Alan M. Boxberger*  
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**Interim Legislative Fiscal Officer**