

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 665** HLS 24RS 917

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 17, 2024 4:16 PM	Author: BRAUD
Dept./Agy.: Insurance	Analyst: Patrice Thomas
Subject: Stated Value Homeowner's Policy Act	

INSURANCE/PROPERTY OR +\$186,976 SG EX See Note
Creates the Stated Value Homeowner's Policy Act

Page 1 of 2

Proposed law creates the Stated Value Homeowner's Policy Act, which requires property and casualty insurers to offer a stated value homeowner's policy option to consumers and allows for insurance coverage based on a stated value of the residential property as declared by the homeowner, instead of solely on the market value of the property. Proposed law requires the homeowner electing a stated value homeowner's policy to provide a written payoff statement of the outstanding balance of the mortgage on the property, the nature of the mortgage, and a mortgage certificate from the clerks of court. Proposed law requires property and casualty insurers to provide a specific disclosure (bolded and 18" font) before issuing a policy that limits coverage equal to the unpaid principal balance of the mortgage loan, and homeowners must sign that statement. Proposed law prohibits the homeowner's policy from a sum less than the outstanding mortgage balance. Proposed law authorizes the LA Department of Insurance to issue penalties, including fines, if insurers violate provisions of the Stated Value Homeowner's Policy Act.

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$186,976	\$187,825	\$195,131	\$202,724	\$210,618	\$983,274
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	\$186,976	\$187,825	\$195,131	\$202,724	\$210,618	\$983,274

REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

EXPENDITURE EXPLANATION

Proposed law is anticipated to increase SGR expenditures by \$186,976 within the LA Department of Insurance (LDI) beginning in FY 25 and subsequent fiscal years. The proposed law creates the Stated Value Homeowner's Policy Act that provides homeowners an option to choose coverage based on the stated value of their property instead of the market value of the property.

LDI reports needing two additional positions to handle forms from 285 companies that would be required to submit rate filings under this measure. The staffing estimate includes salaries and related benefits for two Insurance Specialist positions (\$105,864 salary and \$64,772 related benefits). Other recurring costs include office supplies (\$1,276) and operating services (\$8,884) such as postage, printing, telephone, maintenance, software license, etc. One-time expenditures for equipment (\$4,180) and computer acquisitions (\$2,000). In subsequent fiscal years, the fiscal note presumes a 4% increase in salaries for market rate adjustments and related benefits as the LFO presumes the Insurance Specialist positions will be classified.

Continued on Page 2

REVENUE EXPLANATION

Proposed law will result in a one-time increase of \$14,250 SGR in the LA Department of Insurance (LDI) as a result of filing fees. The proposed law requires all property and casualty insurers licensed by LDI to offer a Stated Value Homeowner's Policy. Under existing law, all insurers must file new forms (a \$50 fee) and rate filing with LDI. The department reports 285 insurers would be required to file new forms (\$50 x 285 = \$14,250).

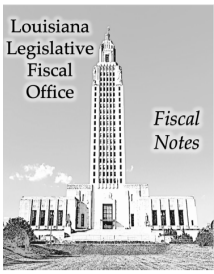
Also, the proposed law authorizes the Commissioner of Insurance/LDI to impose fines as a penalty on insurers found in violation of the State Value Homeowner's Policy Act. Fines mitigate the expenses of the department. The Legislative Fiscal Office cannot determine the number of penalties that would be imposed under this measure or anticipate the amount of revenue collected by the Department of Insurance from fines in future fiscal years for violations or noncompliance.

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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Legislative Fiscal Officer

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CONTINUED EXPLANATION from page one:

**LDI Projected Operating Budget Impact
EXPENDITURES**

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Salaries, Insurance Specialist 2 (2 positions)	\$105,864	\$110,099	\$114,503	\$119,083	\$123,846
Related Benefits	\$64,772	\$67,363	\$70,058	\$72,860	\$75,774
Operating Services	\$8,884	\$9,062	\$9,243	\$9,428	\$9,616
Supplies	\$1,276	\$1,302	\$1,328	\$1,354	\$1,381
Equipment Acquisitions	\$6,180	\$0	\$0	\$0	\$0
Total Expenditures	\$186,976	\$187,825	\$195,131	\$202,724	\$210,618
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Note: In subsequent fiscal years, the fiscal note presumes a 4% increase in salaries and related benefits, and a 2% increase in operating services and supplies.

Senate Dual Referral Rules
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