
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)