

LEGISLATIVE FISCAL OFFICE
Fiscal Note

ACT 374

Fiscal Note On: **HB 1126** HLS 16RS 1955

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:



Date: June 21, 2016 9:41 AM	Author: BROWN
Dept./Agy.: Office of Risk Management (ORM)	
Subject: ORM exemption from LA Insurance Code	Analyst: Willis Brewer

RISK MANAGEMENT EN DECREASE GF RV See Note Page 1 of 1
Clarifies that the Office of Risk Management and certain other insurance providers are exempt from the Louisiana Insurance Code (7/1/2016).

Proposed law retains present law, but clarifies that the Office of Risk Management, the Self-Insurance Fund managed by ORM, and the insurance policies provided to ORM by commercial underwriters, insurers, and brokers are not subject to the provisions of the La. Insurance Code.

Proposed law retains present law exemptions and further exempts state agencies from paying the surplus line tax.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

EXPENDITURE EXPLANATION

This measure is anticipated to reduce expenditures to the Office of Risk Management (ORM) and to any state agency that pays ORM premiums. Present law exempts public higher education institutions from surplus line taxes. Proposed law expands the list of excluded entities to include all state agencies. However, based on information provided by the Department of Insurance, the only state agency that has surplus lines of insurance is ORM.

Information provided by ORM indicates the tax ORM pays on surplus lines of insurance (RS 22:439) and the surcharge for residential and commercial property insurance charged by the Louisiana Property Insurance Corporation are included in annual ORM premiums charged to state agencies in addition to the premiums associated with general liability, medical malpractice, property, and worker's compensation insurance. The LFO assumes the exemption of this tax and assessment will result in ORM no longer incurring the expense and that these savings will be passed down to the state agencies.

ORM has stated it has paid approximately \$7.4 million in surplus line taxes and \$108,000 in assessments by the Louisiana Citizens Property Insurance Corporation over the last five years. Based on a five year average, it is anticipated ORM, and subsequently state agencies, will save approximately \$1.5 million in expenditures associated with this tax and assessment. State agencies pay ORM premiums from various means of financing (state general fund, statutory dedications, federal funds, or fees and self-generated revenues) therefore expenditures for state agencies may decrease across all means of financing.

REVENUE EXPLANATION

This measure is anticipated to reduce state general fund receipts in FY 17 and future fiscal years.

Per RS 22:439, gross premiums for all surplus lines of insurance are taxed 4.85% and the taxes are deposited into the state general fund. ORM has indicated it has paid over the last five years approximately \$7.4 million in surplus line taxes that were subsequently deposited into the general fund. Based on this five year average, it is anticipated nearly \$1.48 million state general fund will not be deposited into the general fund.

In addition, the assessment for residential and commercial property insurance is not deposited into the state general fund. This amount is sent directly to the Louisiana Citizens Property Insurance Corporation therefore this will be loss of fee revenue to the Corporation. The La Citizens Property Insurance Corporation is not a state budget unit therefore this reduction is shown as a loss of other revenue in this fiscal note.

Senate Dual Referral Rules House

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| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

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