

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 222** SLS 18RS 563
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | |
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| Date: March 27, 2018 2:12 PM | Author: LAMBERT |
| Dept./Agy.: LA Dept. of Insurance | Analyst: Zachary Rau |
| Subject: Insurance Premium Discount for National Guard Members | |

AUTOMOBILE INSURANCE EG -\$1,100,000 GF RV See Note Page 1 of 1
 Provides an insurance premium discount for members of the Louisiana National Guard who have not been activated. (8/1/18)

Proposed law requires motor vehicle insurers operating in Louisiana to give a 12.5% discount on automobile liability insurance premiums to members of the LA National Guard not currently eligible for discounts available to active duty military personnel. Proposed law provides that insurers providing the discount pursuant to proposed law shall be entitled to a rebate from the state in an amount equal to the discount provided. Proposed law provides standards for documentation, in accordance with the rules and regulations adopted by the Commissioner of Insurance, to establish the discounts outlined in proposed law. Proposed law allows the Commissioner of Insurance to issue warrants upon the State Treasurer in favor of the insurer for payment of the amount approved. Effective August 1, 2018.

| EXPENDITURES | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 5 -YEAR TOTAL |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 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 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 5 -YEAR TOTAL |
|---------------------|--------------------|--------------------|--------------------|----------------------|----------------------|----------------------|
| State Gen. Fd. | (\$418,000) | (\$616,000) | (\$891,000) | (\$1,100,000) | (\$1,100,000) | (\$4,125,000) |
| Agy. Self-Gen. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 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 | (\$418,000) | (\$616,000) | (\$891,000) | (\$1,100,000) | (\$1,100,000) | (\$4,125,000) |

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

Proposed law will decrease SGF receipts beginning in FY 19 and in subsequent fiscal years. The proposed legislation grants insurers providing discounts pursuant to proposed law in the form of a rebate. Since the LA Constitution (Art. III §16 and Art. VII §10(D)(1)) requires an appropriation for funds to be withdrawn from the state treasury, this fiscal note assumes that rebates will be realized against the state fisc as a reduction of SGF revenue from the excise license tax (insurance premium tax) prior to deposit in the treasury or posting of receipt of deposits in the treasury, similar to the current program for active military personnel in the state.

Potential SGF exposure associated with rebates against excise license taxes may be generated by utilizing the average automobile liability insurance premium in Louisiana reported by the National Association of Insurance Commissioners (NAIC) and the number of National Guard personnel in Louisiana. The most recent average annual liability premium available reported by the NAIC in 2017 is a 2015 figure that totals \$776. Based upon information obtained from the LA Dept. of Military Affairs (LDMA), there are currently 11,303 National Guard personnel in Louisiana.

Using these figures, National Guard personnel would pay approximately \$8.77 M in total premiums (\$776 * 11,303 National Guard personnel) without the discount. To the extent all personnel receive the 12.5% discount on premiums in proposed law, total premiums paid would be reduced by approximately \$1.1 M, from \$8.77 M to \$7.67 M (\$776 * 87.5% * 11,303 personnel). The \$1.1 M represents the estimated total exposure to the state as a result of the proposed law.

The actual decrease of SGF receipts in any particular fiscal year will depend upon a number of factors. First, premiums on automobile liability insurance for National Guard personnel may vary, and the average annual premium for this population may be higher or lower than the NAIC's reported statewide average for Louisiana. Second, premiums may change over time and, lastly, the total number of National Guard personnel present in Louisiana may vary over time. Total exposure of SGF is uncertain, but is likely material based upon the figures for premiums and National Guard personnel. Based on the ramp-up of tax loss for the existing military personnel program, the estimated tax losses per fiscal year are reflected in the table above: FY19 38%, FY20 56%, FY21 81%, and 100% by FY 22 and FY23.

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}

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