

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 818** HLS 20RS 1081
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 29, 2020 10:04 AM	Author: ZERINGUE
Dept./Agy.: LA Dept. of Insurance/LA Insurance Guaranty Assn.	Analyst: Zachary Rau
Subject: Determination of High Net Worth Insureds	

INSURANCE/GROUP EG SEE FISC NOTE GF RV Page 1 of 1
 Provides relative to high net worth insureds

Present law defines a "high net worth insured" as any policyholder or named insured other than state or local governmental agencies with a net worth exceeding \$25 M on December 31 the year prior to the year in which the insurer becomes insolvent if an insured's net worth on that day includes the aggregate net worth of the insured and all of its subsidiaries and affiliates as calculated on a consolidated basis of their fair market values.

Proposed law provides that each named insured under a group policy shall be evaluated individually to determine if they are a "high net worth insured," and the determination that one individual named a "high net worth insured" under a group policy will not render the policy excluded from coverage by the LA Insurance Guaranty Association.

EXPENDITURES	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>5 -YEAR TOTAL</u>
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

Proposed law may reduce SGF revenues by an indeterminable amount as a result of additional premium tax credits, though the occurrence of this effect is presently speculative. To the extent reactivation of the 1% assessment on direct premiums written for property and casualty policies annually is required to fund the operations of the LA Insurance Guaranty Association (LIGA) as a result of increased claims associated with new entities being eligible for coverage by LIGA, insurers would be eligible for an additional 10% premium tax credit over a 10-year period based on their assessment amount. Claims of the premium tax credit will lead to reduced SGF collections. Because it is unknown if this situation would occur, reductions in SGF revenue associated with increased claims of the premium tax credit are speculative.

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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