

RÉSUMÉ DIGEST

ACT 686 (SB 275)

2022 Regular Session

Abraham

New law provides that the following words and terms must have the meaning indicated unless the context must clearly indicate a different meaning:

- (1) "Affiliate" means an entity as defined in prior law.
- (2) "Governing body" means the body which exercises the functions of the affiliate or subsidiary of the local housing authority.
- (3) "Risk management organization" means an association formed by two or more affiliates and subsidiaries of local housing authorities by an agreement made pursuant to the provisions of prior law, for the development and administration of a risk management program and one or more group self-insurance funds.
- (4) "Risk management program" means a plan and activities carried out under such plan by a risk management organization to reduce risk of loss, including safety engineering and other loss prevention and control techniques, and to administer one or more local self-insurance funds, each established for one or more risks.
- (5) "Local housing authority" mean any parish or municipal housing authority.
- (6) "Self-insurance fund" means a pool of monies established by a risk management organization from contributions of its members.

New law provides that any two or more subsidiaries and affiliates of local housing authority may make and execute an agreement between or among themselves to form and become members of a risk management organization. After a risk management organization has been formed, any affiliate or subsidiary of a local housing authority may become a member and through participation in the organization may:

- (1) Pool its general liability risks.
- (2) Pool its workers' compensation risks.
- (3) Pool its directors and officers liability risks.
- (4) Pool its property coverage risks.
- (5) Pool other coverage risks the board of trustees or the risk management organization may determine to be appropriate.
- (6) Purchase insurance for risks of general liability, workers' compensation, directors and officers liability.

New law provides that affiliates and subsidiaries of local housing authorities concluding an agreement must, by resolution duly adopted by their governing body, designate the Louisiana Housing Council, Inc. to administer the risk management agency and any group self-insurance fund or funds established by the organization and to administer the terms and conditions of the agreement by which the organization and any self-insurance fund or funds have been established.

New law provides that all arrangements and agreements made under the authority of new law must be reduced to writing. Further provides that any affiliate and subsidiary of a local housing authority may become members of a risk management organization by the authority of resolution adopted by the governing body.

New law provides that the insurance committee of the Louisiana Housing Council, Inc., must constitute the board of trustees of such organization established as provided in prior law and must be authorized to adopt bylaws.

New law provides that a risk management organization is not an insurance company or an insurer under the laws of this state and the development and administration by such organization of a group self-insurance refund or funds established for one or more risks must not constitute doing insurance business.

New law provides that any declaration of coverages issued to its members by the organization must have a notice providing that in the event of insolvency of the risk management organization, the members of the organization are not covered by the Louisiana Insurance Guaranty Association (LIGA) or the Louisiana Life and Health Insurance Guaranty Association (LLHIGA), which guarantees only specific types of policies issued by insurance companies authorized to do business in Louisiana.

New law provides that a self-insurance fund must not function as a means of sharing risks of loss among the members of a risk management organization until the risk management organization administering the fund has received, for general liability, property coverage, and any other pooled line of coverage risks, an annual gross premium, calculated in accordance with the applicable manual premium rate or rates.

New law provides that an affiliate or subsidiary of a local housing authority must not be liable to such risk management organization, to any other member, or to any claimant against the organization itself or another member, except for payment of contributions provided for in the agreement between the affiliate or subsidiary of the local housing authority and the risk management organization.

New law provides that a risk management organization must administer the assets of a self-insurance fund to maintain appropriate levels of reserves and to ascertain full and timely payment of all fund obligations.

New law provides that each risk management organization must file with the commissioner of insurance, within six months of the end of the organization fiscal year, a certified audited financial statements and a review of its operations and general condition by a certified independent casualty actuary.

New law provides that no risk management organization must become operative until issued a certificate of authority by the commissioner of insurance.

New law provides that a risk management organization must establish and maintain an aggregate loss fund or stop loss provision as part of the excess insurance policy placements in an amount of not more than \$1,500,000 for each risk underwritten.

New law provides that workers' compensation coverage must provide statutory workers' compensation benefits coverage, including employers' liability coverage with limits of at least \$1,000,000.

New law provides that the provisions of proposed law regarding excess insurance must apply only to self-insurance funds.

New law provides that the provisions of proposed law must not be construed to reduce or limit a participating affiliate or subsidiary of a local housing authority member's rights or obligations with respect to its employees.

New law provides that a risk management organization must maintain at all times a contract or contracts of specific excess insurance of at least \$1,000,000 per occurrence and a contract of annual aggregate excess insurance of at least \$2,000,000 dollars with respect to general liability claims.

New law provides that excess insurance carriers selected by the risk management organization must have a current A.M. Best rating of A-VII as of the date of commencement of coverage.

New law provides that the organization must maintain at all times contracts of excess insurance with respect to all lines of coverage as may be approved by the board of trustees of the organization in such amounts as determined by the board of trustees of the organization.

New law provides that the legislative auditor may examine and audit the books and accounts of any fund established under new law. Further provides that each participating affiliate or subsidiary of a local housing authority member may request an examination and audit by its representatives of any self-insurance funds.

Effective June 18, 2022.

(Adds R.S. 33:5081-5089)