

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 289** SLS 24RS 184

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

| | | |
|-----------------------------------------------------------------------------|---------|--------------------------------|
| Date: April 19, 2024 | 1:43 PM | Author: STINE |
| Dept./Agy.: Insurance | | Analyst: Patrice Thomas |
| Subject: Clarifies Approval Process of Mutual Company Reorganization | | |

INSURERS OR NO IMPACT See Note Page 1 of 1
 Clarifies with respect to the approval process for the conversion and reorganization of a mutual insurer into a insurance stock company and specifies the expression of the legislature that the intent of the legislature is that these clarifications are Present law authorizes a process by which domestic mutual non-life insurers and mutual insurance holding companies may reorganize into stock insurance companies (a subsidiary of a parent corporation), or a stock insurance holding company. Proposed law makes the following changes: (1) obtaining insurance from the new stock insurance company is not to be considered a benefit; (2) a report of the analysis of the independent actuary be submitted to the insurance commissioner with the plan of reorganization; (3) the directors or officers of the mutual insurer are prohibited from receiving a thing of economic value; and (4) no verbal telephone voting, balloting, or proxy submissions may be counted or considered valid unless it is reduced to writing to a written proxy submitted by U.S. mail, in person, or e-mail. Proposed law provides the intent of the legislature in enacting Act 234 of 2009 was to safeguard the financial interests and voting rights of the mutual members, and the required approval of the insurance commissioner and the required approval of the mutual members (qualified voters) are suspensive conditions. Provisions of proposed law as procedural and interpretative and that the law is intended to apply both prospectively and retroactively to all conversions or reorganization plans submitted after 2009, concerning all plans of reorganization that have not yet been approved by both the commissioner and mutual members who are the qualified voters.

| EXPENDITURES | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 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 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | 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 |

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The proposed law clarifies aspects of the existing approval process, including voting, for the conversion domestic mutual insurance company to a stock insurance company or become a subsidiary of a parent company. The proposed law requires the mutual insurance company to submit an analysis by an independent actuary with the plan or reorganization to the Commissioner of Insurance/LA Department of Insurance. LDI reports this will have no fiscal impact on the department.

REVENUE EXPLANATION

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

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}

Alan M. Boxberger
Alan M. Boxberger
Legislative Fiscal Officer