



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 672** HLS 25RS 1032
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: May 9, 2025	3:36 PM	Author: JORDAN
Dept./Agy.: State Bond Commission		
Subject: Catastrophe Reinsurance Program		Analyst: Kimberly Fruge

BONDS OR SEE FISC NOTE SG EX Page 1 of 1

Authorizes the issuance of catastrophe bonds for the Catastrophe Reinsurance Program

Proposed law establishes the Catastrophe Reinsurance Program to provide an alternative method for insurance companies to secure reinsurance to cover property damage and casualty losses in the event of a catastrophe; authorizes the State Bond Commission to issue catastrophe bonds and pledge for the payment of principal and interest fees or assessments imposed on insurance policies; provides that any proceeds of such bonds shall be deposited in the Catastrophe Reinsurance Program Fund; provides for the Catastrophe Reinsurance Program Fund to be administered by a trustee as designated by the State Bond Commission.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

EXPENDITURE EXPLANATION

Proposed law authorizes, but does not mandate, the State Bond Commission to issue catastrophe bonds and pledge for the payment of principal and interest fees and assessments imposed on insurance policies for the specific purpose of paying the principal and interest on catastrophe bonds. The timing and magnitude of the bond sales is uncertain.

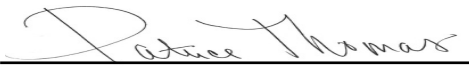
Proposed law will likely result in a significant, but indeterminable, increase in expenditures for the State Bond Commission to implement the Catastrophe Reinsurance Program. The commission reports that it is unable to estimate the level of involvement required or the expertise needed within the Office of the State Bond Commission to implement the proposed law. They indicate that this involvement is likely substantial based on the implementation of similar programs in other states. The LFO anticipates that the State Bond Commission may require a one-time appropriation to create the program and annual appropriations for recurring expenditures associated with additional positions, professional services, and/or operating expenses. Proposed law allows the commission to use revenues from fees or assessments imposed on insurance policies to cover any related costs and expenses associated with the bonds issued. To the extent the revenues received are not sufficient to cover debt service payments and operating expenses, SGF may be required.

Proposed law creates the Catastrophe Reinsurance Program Fund to deposit the proceeds of any catastrophe bonds sold pursuant to proposed law. The bill does not provide for a means for insurance companies to secure reinsurance through the fund or provide for the promulgation of rules by the State Bond Commission. Proposed law requires the fund to be administered by a trustee as designated by the commission and allows the fund to be held in a separately identifiable fund or outside of the state treasury but maintained by the treasurer. The LFO assumes any expenditure out of the fund will require a specific appropriation by the legislature. Creating a new statutory dedication within the state treasury will result in a marginal workload increase for the Department of Treasury, which can generally be absorbed within existing resources. However, to the extent other legislative instruments create new statutory dedications, there may be additional costs associated with the aggregate effort to administer these funds.

Note: Proposed law indicates that any bond issued as a catastrophe bond shall not be included in the calculation of net state tax supported debt as defined in R.S. 39:1267.

REVENUE EXPLANATION

Proposed law may increase revenue from fees or assessments imposed on insurance policies. Proposed law requires that fees and revenue imposed on insurance policies for the specific purpose of paying the principal and interest on catastrophe bonds, which are transferred to the State Bond Commission, be used to pay the debt service and all related costs and expenses associated with the bonds issued by the commission. It is unclear whether existing revenues from fees collected on insurance policies can be used for this purpose or whether a new fee will be established for this purpose.

Senate	Dual Referral Rules	House	
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	
<input 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}	
			 Patrice Thomas Deputy Fiscal Officer