

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 204** SLS 12RS 342

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> June 11, 2012 11:12 AM	<b>Author:</b> MORRISH
<b>Dept./Agy.:</b> Louisiana Department of Insurance	<b>Analyst:</b> Alan M. Boxberger
<b>Subject:</b> Exempts Louisiana Citizens Property Insurance Corp from	

CIVIL PROCEDURE EN SEE FISC NOTE SG EX See Note Page 1 of 1  
Includes Louisiana Citizens Property Insurance Corporation among the entities exempt from furnishing bonds in judicial proceedings. (8/1/12)

Present law provides that the state, state agencies, political subdivisions, parishes, certain municipal boards or commissions, sheriff's departments and law enforcement districts, the Louisiana Insurance Guaranty Association and the Patient's Compensation Fund are not required to furnish any bond in any judicial proceedings arising from activities within the scope and course of their duties and employment. Present law provides for the La. Citizens Property Insurance Corporation, a nonprofit corporation created for the purposes of discharging certain state obligations. Proposed law adds La. Citizens Property Insurance Corporation to the list of entities exempted from furnishing bonds in any judicial proceeding. Proposed law gives the exemption prospective application only and does not affect any action pending or claim arising prior to the effective date. Proposed law extends the date from August 15, 2011 to August 15, 2015 for the exemption to rates, rating plans and rate rules for St. Mary Parish and other parishes listed in present law.

<b>EXPENDITURES</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>					<b>\$0</b>	<b>\$0</b>

<b>REVENUES</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>5 -YEAR TOTAL</b>
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Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>					<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**

Generally, judicial bonds are posted in order to protect the courts against financial loss that can be associated with holding a court case or law suit, or to protect assets due by judgment during an appeal process. Several factors can impact the amount of a judicial bond, but they are generally set to cover amounts due by judgment plus an additional percentage to cover anticipated court and legal fees. Placement of dollars into a judicial bond effectively restrict access to cash assets during the course of a court proceeding. La. Citizens Insurance Corporation reports that it has paid out in excess of \$6,000,000 in appeal bonds over the past several years. The proposed law would reduce expenditures made by La. Citizens in association with future law suits or legal cases. The amount is indeterminate and based upon the number of cases appealed or other legal proceedings that may require judicial bonds under existing law.

**REVENUE EXPLANATION**

La. Citizens Property Insurance Corporation is not backed by the full faith and credit of the state of Louisiana and does not receive a budget appropriation from the state legislature. Therefore, expenditure requirements of the Corporation determine rates charged to policy holders. To the extent that an exemption from paying judicial bonds lowers expenditure obligations, the Corporation may realize the ability to reduce premiums or slow premium growth rates in future fiscal years to support its line of business.

Proposed law requires that until August 15, 2015, regardless of whether a competitive market exists, the increased rates charged by La. Citizens Property Insurance Corporation is authorized to charge shall not apply in the parishes of Calcasieu, Cameron, Vermilion, Iberia, St. Tammany, St. Mary, Orleans, Jefferson, St. Bernard, Plaquemines, Terrebonne, and Lafourche. As mentioned above, the expenditure requirements of the corporation and/or market rates in each parish determine the rates charged to policy holders as required by statute. To the extent that exemptions in the aforementioned parishes limit the corporations ability to make actuarial decisions with regard to providing full coverage of potential liabilities, rates for policy holders in non-exempted parishes could potentially be impacted or the corporation may be required to issue future emergency adjustments in all parishes statewide in the event revenues and fund balances are insufficient to pay claims and expenses. To the extent that La. Citizens' rates are controlled and competitive with market rates, the depopulation of policy holders utilizing Citizens may be impaired and could result in growth of the number of policy holders resulting in a potential increased assessment exposure to the state.

Senate

Dual Referral Rules

House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

*Evan Brasseaux*

**Evan Brasseaux**  
**Staff Director**