

Regular Session, 2012

SENATE BILL NO. 644

BY SENATOR DONAHUE

INSURERS. Provides for self-funded multiple employer welfare arrangements doing business in the state. (gov sig)

1 AN ACT

2 To amend and reenact R.S. 22:453(B), 454(A), 458, 459, 461(B),(C), (D), (E), (F), (G), and

3 (H), and 463, enact R.S. 22:462(H), and to repeal R.S. 22:454(C) and (D) and 461(I),

4 relative to group self-insurers; to provide for application for certificates of authority;

5 to provide for fidelity bonds and insolvency of deposits; to provide for self-insured

6 trusts; to provide for excess stop-loss coverage; to provide for annual audits,

7 examinations by the commissioner, and issuance of annual reports; and to provide

8 for related matters.

9 Be it enacted by the Legislature of Louisiana:

10 Section 1. R.S. 22:453(B), 454(A), 458, 459, 461(B), (C), (D), (E), (F), (G),and (H),

11 and 463 are hereby amended and reenacted and R.S. 22:462(H) is hereby enacted to read as

12 follows:

13 §453. Certificate of authority

14 * * *

15 B. Each application for a certificate of authority shall be made on forms

16 prescribed by the commissioner, shall be verified by the self-insurer or its authorized

17 representative, and shall set forth or be accompanied by **all of** the following **items**:

1 (1) A copy of the ~~plan's~~ **self-insurer's** bylaws and all management,
2 administration, or trust agreements which the plan has made or proposes to make for
3 the conduct of its business and affairs. Any proposed change or amendment to the
4 foregoing shall also be filed with the commissioner within sixty days of its
5 implementation.

6 (2) A list of names, permanent addresses, and official positions, if any, of the
7 persons responsible for the formation of the self-insurer and for the organization,
8 establishment, administration, and maintenance of the self-insurance plan.

9 **(3) Biographical background information, on a form prescribed by the**
10 **commissioner for each person who controls, directly or indirectly, ten percent**
11 **or more of the self-insurer and for each director and officer of the self-insurer.**

12 **(4) A plan of operation which clearly indicates the method of operation**
13 **of the self-insurer including all of the following items:**

14 **(a) The types and limits of insurance to be provided.**

15 **(b) Pro forma financial statements for a period covering three years,**
16 **which shall include a balance sheet, income statement, and cash flow statement.**

17 **(c) The amount and liquidity of its assets relative to the risks to be**
18 **assumed by the self-insurer.**

19 **(d) The expertise, experience, and character of the persons or entities**
20 **which will manage the self-insurer.**

21 **(e) A description of the self-insurer's stop-loss or excess program.**

22 **(f) A description of the self-insurer's underwriting policy, including the**
23 **person or entity which will perform these functions.**

24 **(g) A description of the self-insurer's claims handling procedures,**
25 **including the person or entity which will perform these functions.**

26 **(h) A description of the self-insurer's investment policy.**

27 **(i) The overall soundness of the plan of operation of the self-insurer.**

28 **(j) A description of the self-insurer's rate-making policies and**
29 **procedures.**

1 (5) A feasibility study or other analysis involving the self-insurance plan
2 prepared by a qualified actuary.

3 ~~(3)~~ (6) A copy of the application for coverage, contract, certificate, or policy
4 of insurance or schedules of benefits to be issued or provided to persons covered
5 under the self-insurance plan.

6 ~~(4)~~ (7) A current financial statement verified by the applicant or its
7 authorized representative showing the applicant's assets, liabilities, and sources of
8 financial means and support.

9 (8) A copy of a fidelity bond which bond shall comply with all of the
10 following:

11 (a) Provides protection to the self-insurer against acts of fraud or
12 dishonesty by persons servicing the self-insurer.

13 (b) The bond shall provide coverage for each person responsible for
14 servicing the self-insurer.

15 (c) The bond shall be in an amount equal to the greater of ten percent of
16 the premiums and contributions received by the self-insurer or ten percent of
17 the benefits paid, during the preceding calendar year, with a minimum amount
18 of ten thousand dollars and a maximum amount of five hundred thousand
19 dollars.

20 ~~(5)~~ (9) A copy of all advertising and marketing materials, including the
21 marketing plan.

22 (10) A statement by the self-insurer certifying that the self-insurance
23 plan is in compliance with all applicable provisions of the Employee Retirement
24 Income Security Act of 1974 (29 U.S.C. §1001 et seq.).

25 * * *

26 §454. Insolvency deposit

27 A. ~~Prior to the issuance of any~~ All self-insurers shall, before receiving a
28 certificate of authority, ~~under this Subpart, each applicant shall~~ deposit with the
29 commissioner safekeeping receipts or trust receipts from insured banking or other

1 financial institutions a safekeeping or trust receipt from a bank doing business
2 within the state or from a savings and loan association chartered to do business
3 in this state indicating that the self-insurer has deposited cash, or bonds of the
4 United States, the state of Louisiana, evidencing that the applicant has deposited
5 with said institutions one million dollars, or such other amount as may be authorized
6 by Subsection E of this Section, in cash to guarantee its financial responsibility. No
7 single deposit shall exceed the insured deposit limit of any such banking or financial
8 institution. or any political subdivision of the state, of the par value of not less
9 than the greater of either one of the following items:

10 (1) One hundred thousand dollars.

11 (2) Thirty percent of the self-insurers outstanding Louisiana-related
12 reserve liabilities. For the purposes of this Subsection, reserve liabilities shall
13 be computed with proper regard for the following items:

14 (a) Known claims paid and outstanding.

15 (b) A history of incurred but not reported claims.

16 (c) Claims handling expenses.

17 (d) Unearned premium.

18 (e) An estimate for bad debts.

19 (f) A trend factor.

20 (g) A margin for error.

21 All securities deposited pursuant to this Subsection shall be held in trust
22 for the benefit and protection of and as security for all policyholders of the
23 self-insurer making such deposit.

24 * * *

25 * * *

26 §458. Self-insured trusts

27 The following requirements shall be met in addition to all other provisions
28 of this Subpart where any self-insurance plan is effected, maintained, and operated
29 under a trust agreement:

1 **(1) A self-insurer shall maintain at all times unimpaired net assets of not**
2 **less than one million dollars. The net assets required to be maintained pursuant**
3 **to this Section shall be in the form of cash, cash equivalents, or bonds or**
4 **evidences of indebtedness which are direct general obligations or which are**
5 **secured or guaranteed as to principal and interest by the government of the**
6 **United States, or any state of the United States.**

7 **(2) The employers in the self-insurance plan shall be members of an**
8 **association or group of five or more businesses that are in the same trade or**
9 **industry, including closely related businesses that provide support, services, or**
10 **supplies primarily to that trade or industry.**

11 ~~(1)~~ **(3)** A board of trustees elected by participating employers shall serve as
12 fund managers on behalf of participants. Trustees shall be plan participants. No
13 participating employer may be represented by more than one trustee. A minimum of
14 three and a maximum of seven trustees may be elected. Trustees may not receive
15 compensation but may be reimbursed for actual expenses incurred in connection with
16 duties as trustee.

17 ~~(2)~~ **(4)** Trustees shall be bonded in an amount not less than one hundred fifty
18 thousand dollars from a licensed surety company.

19 ~~(3)~~ **(5)** Investment of plan funds is subject to the same restrictions which are
20 applicable to insurers under this Title. ~~All investments shall be managed by a bank~~
21 ~~or other financial institution chartered in the state of Louisiana.~~

22 §459. Excess stop-loss coverage

23 **A.** Each self-insurance plan shall include aggregate excess stop loss coverage
24 and specific excess stop-loss coverage provided by an insurer licensed by the state
25 of Louisiana. Aggregate excess stop-loss coverage shall include provisions to cover
26 incurred, unpaid claims liability in the event of plan termination. ~~The excess or stop~~
27 ~~loss insurer shall bear the risk of coverage for any employer participating in the self~~
28 ~~insurance plan that becomes insolvent with outstanding contributions due. The plan~~
29 ~~shall have a participating employer's fund in an amount at least equal to the point at~~

1 ~~which the excess or stop loss insurer shall assume one hundred percent of additional~~
2 ~~liability.~~ A plan shall submit its proposed excess or ~~stop loss~~ **stop-loss** insurance
3 contract to the commissioner at least thirty days prior to the proposed self-insurance
4 plan's effective date and at least thirty days subsequent to any renewal date. The
5 commissioner shall review the contract to determine whether it meets the standards
6 established by this Section and shall respond within thirty days of its submission to
7 him. Any excess or ~~stop loss~~ **stop-loss** insurance plan must provide coverage with
8 rates not subject to adjustment by the insurer during the first twelve months.

9 **B. The self-insurer shall possess a written commitment, binder, or policy**
10 **for stop-loss insurance issued by an insurer authorized to do business in this**
11 **state and that the commitment, binder, or policy provides all of the following**
12 **items:**

13 **(1) At least thirty days' notice to the commissioner of any cancellation or**
14 **nonrenewal of coverage.**

15 **(2) Both specific and aggregate coverage with an aggregate retention of**
16 **not more than one-hundred twenty-five percent of the amount of expected**
17 **claims for the next plan year and a specific retention amount annually**
18 **determined by the actuarial opinion required by R.S. 22:463(B).**

19 **(3) Both the specific and aggregate coverage required in Paragraph (2)**
20 **of this Subsection shall require all claims to be submitted no less than within**
21 **ninety days after the claim is incurred and provide a twelve-month claims**
22 **incurred period and at least a fifteen-month paid claims period for each policy**
23 **year.**

24 **C. On the application of a self-insurer, the commissioner may waive or**
25 **reduce the requirement for aggregate stop-loss insurance coverage required by**
26 **this Section on a determination that the interests of the participating employers**
27 **and employees are adequately protected based on the level of aggregate stop-**
28 **loss insurance recommended by the actuary as required by R.S. 22:463(B).**

29 * * *

30 §461. Annual audit; ~~rate review~~

* * *

B. This Section shall apply to all self-insurers, ~~however, a self-insurer having direct premiums in this state of less than two hundred fifty thousand dollars in any year and having less than five hundred policyholders in this state at the end of any year shall be exempt from this Section for such year unless the commissioner makes a specific finding that compliance is necessary for the commissioner to carry out statutory responsibilities.~~

C. The audit report required in this Section shall be filed with the commissioner on or before the thirtieth day of the sixth month following the year end of the self-insurer. Up to two thirty-day extensions may be granted by the commissioner upon showing by the self-insurer and its independent certified public accountant of the reasons for requesting such extension and upon determination by the commissioner of good cause for an extension. The request for extension shall be submitted in writing not less than ten days prior to the due date in sufficient detail to permit the commissioner to make an informed decision with respect to the requested extension.

D. The annual audited financial statement shall report the financial condition of the self-insurer as of the end of the most recent fiscal or calendar year and the results of its operations, changes in financial position, and changes in capital and surplus for the year then ended in conformity with ~~statutory~~ **generally accepted** accounting practices prescribed, or otherwise permitted, by the Department of Insurance of the state of domicile of the self-insurer.

E. The annual audited financial report shall include the following **items**:

(1) ~~Report~~ **The report** of ~~the~~ independent certified public accountant.

(2) ~~Balance~~ **A balance** sheet reporting admitted assets, liabilities, ~~capital~~, and surplus **net assets**.

(3) ~~Statement~~ **A statement** of gain or loss from operations.

(4) ~~State~~ **A statement** of cash flows.

(5) ~~Statement~~ **A statement** of changes in ~~capital and surplus~~ **net assets**.

(6) Notes to financial statements. These notes shall be those required by

1 generally accepted accounting principles and shall include **the following items**:

2 (a) A reconciliation of difference, if any, between the audited statutory
3 financial statements and the annual statement filed pursuant to this Subpart with a
4 written description of the nature of these differences.

5 (b) A narrative explanation of all significant intercompany transactions and
6 balances.

7 (7) The financial statements included in the audited financial report shall be
8 prepared in a form and using language and groupings substantially the same as the
9 relevant sections of the annual statement of the insurer filed with the commissioner,
10 and:

11 (a) The financial statement shall be comparative.

12 (b) Amounts may be rounded to the nearest thousand dollars.

13 (c) Insignificant amounts may be combined.

14 F. Financial statements furnished pursuant to this Section shall be audited by
15 an independent certified public accountant. The audit of the self-insurer's financial
16 statements shall be conducted in accordance with generally accepted auditing
17 standards.

18 G. Every self-insurer required to file an audited financial report pursuant to
19 this Subpart shall require the accountant to make available for review by the
20 commissioner, the work papers prepared in the conduct of his audit. The self-insurer
21 shall require that the accountant retain the audit work papers for a period of not less
22 than five years after the period reported thereon.

23 H. In the conduct of the aforementioned review by the commissioner,
24 photocopies of pertinent audit work papers may be made and retained by the
25 department. Such working papers or copies thereof obtained by the commissioner
26 shall be confidential and shall not constitute a public record. The work papers of a
27 certified public accountant subject to maintenance and audit pursuant to this Section
28 shall nonetheless remain the property of the certified public accountant.

29 * * *

30 §462. Examination by commissioner

* * *

H. In lieu of an examination under this Section of any foreign self-insurer licensed in this state, the commissioner may accept an examination report on the self-insurer as prepared by the department for the self-insurer's state of domicile if the insurance department was, at the time of the examination, accredited under the National Association of Insurance Commissioners' Financial Regulation Standards and Accreditation Program and the examination is performed under the supervision of an accredited state insurance department, or with the participation of one or more examiners who are employed by that accredited state insurance department, and who, after a review of the examination work papers and report, state under oath that the examination was performed in a manner consistent with the standards and procedures required by their insurance department.

§463. Annual reports; **actuarial opinions**

~~A. Each self-insurer shall file on or before the first day of March of each year an annual auditor's statement and an annual report signed by the person in charge of the self-insurance plan which shall certify the amount of gross annual premiums or contributions of the participating employers and their employees for the preceding year, the financial condition of the plan, an itemization of plan expenditures, and any other information as may be required by the commissioner.~~

~~B. **A.** Any plan established or maintained in the state to offer or provide health care services, indemnification, or payment for health care services, or health and accident benefits to employees under the provisions of the Employee Retirement Income Security Act of 1974 (29 U.S.C. §1001 et seq.) shall file, through the administrator or his designee, within two hundred ten days after the close of such year a certified copy of the annual report required pursuant to 29 U.S.C. §1023 with the commissioner. The filing required herein shall in no way purport to regulate or affect the plan or its benefits.~~

B.(1) Each self-insurer shall file, within ninety days of the end of the fiscal year, an actuarial opinion prepared and certified by an actuary who meets

1 the following requirements:

2 (a) The actuary is not an employee of the self-insurer.

3 (b) The actuary is a fellow of the Society of Actuaries, a member of the
4 American Academy of Actuaries, or an enrolled actuary under the Employee
5 Retirement Income Security Act of 1974 (29 U.S.C. §1001 et seq.).

6 (2) The actuarial opinion required under this Subsection shall include
7 the following items:

8 (a) A description of the actuarial soundness of the self-insurer, including
9 any actions recommended to improve the actuarial soundness of the
10 arrangement.

11 (b) The amount of reserves recommended to be maintained by the
12 arrangement.

13 (c) The level of specific and aggregate stop-loss insurance recommended
14 to be maintained by the arrangement.

15 C. (1) Reserves required by this Section shall be computed with proper
16 actuarial regard for the following items:

17 (a) Known claims, paid and outstanding.

18 (b) A history of incurred but not reported claims.

19 (c) Claims handling expenses.

20 (d) Unearned premium.

21 (e) An estimate for bad debts.

22 (f) A trend factor.

23 (g) A margin for error.

24 (2) Reserves required by this Section shall be maintained in cash, cash
25 equivalents, or bonds or evidences of indebtedness which are direct general
26 obligations or which are secured or guaranteed as to principal and interest by
27 the government of the United States, or any state of the United States.

28 * * *

29 Section 2. R.S. 22:454(C) and (D) and 461(I) are hereby repealed.

30 Section 3. This Act shall become effective upon signature by the governor or, if not

1 signed by the governor, upon expiration of the time for bills to become law without signature
2 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
3 vetoed by the governor and subsequently approved by the legislature, this Act shall become
4 effective on the day following such approval.

The original instrument and the following digest, which constitutes no part
of the legislative instrument, were prepared by Cheryl Horne.

DIGEST

Donahue (SB 644)

Present law relative to self-insurance plans, requires certain information be included in an application for a certificate of authority to be filed with the commissioner in order for the self-insurer to transact business or to issue or provide health care benefits in this state.

Proposed law requires that the application contain biographical information for each person who controls ten percent or more of the self-insurer and for each director and officer of the self-insurer. Requires that the application contain a plan of operation indicating the method of operation of the self-insurer and include all of the following items:

1. The types and limits of insurance to be provided.
2. Pro forma financial statements for a period covering three years, which shall include a balance sheet, income statement, and cash flow statement.
3. The amount and liquidity of its assets relative to the risks to be assumed by the self-insurer.
4. The expertise, experience and character of the persons who will manage the self-insurer.
5. A description of the self-insurer's stop-loss or excess program.
6. A description of the self-insurer's underwriting policy, including the person or entity performing these functions.
7. A description of the self-insurer's claims handling procedures including the person or entity performing these functions.
8. A description of the self-insurer's investment policy.
9. The overall soundness of the plan of operation of the self-insurer.
10. A description of the self-insurer's rate making policies and procedures.
11. A feasibility study, or other analysis, prepared by a qualified actuary.
12. A copy of a fidelity bond that is in an amount equal to the greater of ten percent of the premiums and contributions received by the self-insurer or ten percent of the benefits paid during the preceding calendar year, a minimum amount of \$10,000 and a maximum amount of \$500,000.
13. A statement by the self-insurer certifying that the self-insurance plan is in compliance with all applicable provisions of ERISA.

Present law requires self-insurers, prior to receiving a certificate of authority, to deposit safekeeping receipts or trust receipts from insured banking or other financial institutions chartered to do business in the state evidencing deposit one million dollars in such institutions or such amount as may be authorized by law and that no single deposit exceed the insured deposit limit of the banking or financial institution.

Proposed law requires all self-insurers, before receiving a certificate of authority, to deposit a safekeeping or trust receipt from a bank doing business within the state or from a savings and loan association chartered to do business in the state indicating that the self-insurer has deposited cash, or bonds of the US, the state of Louisiana, or any political subdivision of the state of the par value of not less than the greater of either \$100,000 or 30% of the self-insurers outstanding Louisiana-related reserve liabilities. Provides for computation of the reserve liabilities. Further requires all securities deposited pursuant to proposed law to be held in trust for the benefit and protection of and as security for all policyholders. Proposed law also removes requirement that no single deposit exceed the insured deposit limit of the respective financial institution.

Present law permits a self-insurer applying for a certificate of authority to deposit an irrevocable letter or letters of credit in the amount of one million dollars in the aggregate in lieu of the one million dollar aggregate deposit or deposits. Requires that each letter to be issued for a term of three years which cannot be cancelled, and that it contain a provision providing an automatic extension, renewal, or reissuance after the initial three-year term. Provides that the commissioner, upon notice that the letter of credit will not be renewed, to either convert the letter or letters of credit to a cash deposit by calling the funding or payment in full accept a substitute letter or letters of credit, or convert the letters of credit to a cash deposit and suspend the certificate of authority.

Proposed law repeals the authorization for letters of credit.

Present law prohibits any letter of credit from being revoked, cancelled, terminated, substituted, or withdrawn by any issuing bank or financial institution without the written approval of, and 90 days prior written notice to, the commissioner, by registered mail, return receipt requested. Authorizes the commissioner to exercise the powers and options in present law upon notice of a cancellation or revocation. Requires the commissioner to give written notice of the option to be exercised to the issuing financial institution and the self-insurer at least ten days prior to termination of the letters of credit. Requires the issuer of the letter or letters of credit to fully fund the letter or letters of credit within 24 hours after receipt of notice by the commissioner. Upon failure of a bank or financial institution to fund any letter or letters of credit the commissioner may apply to the 19th JDC for a rule to show cause why the letter or letters of credit should not be funded.

Proposed law repeals these provisions.

Present law provides requirements when a self-insurance plan is effected, maintained, and operated under a trust agreement.

Proposed law provides additional requirements that the self-insurer maintain unimpaired net assets of not less than one million dollars in the form of cash, cash equivalents, or bonds or evidences of indebtedness which are direct general obligations or which are secured or guaranteed as to principal and interest by the government of the U.S. or any state of the U.S. Further requires employers in the self-insurance plan to be members of an association or group of five or more businesses that are in the same trade or industry, including closely related businesses that provide support, services or supplies primarily to that trade or industry.

Present law requires that investment of self-insurance plan funds be subject to the same restrictions applicable to insurers under the La. Insurance Code and that all investments be managed by a bank or other financial institution chartered in this state. Proposed law retains these provisions but removes the requirement that investments be managed by a bank or

other financial institution chartered in this state.

Present law requires the excess or stop-loss insurer to bear the risk of coverage for any employer participating in the self-insurance plan that becomes insolvent with outstanding contributions due and that the plan have a participating employer's fund in an amount at least equal to the point at which the excess or stop loss insurer is to assume 100% of additional liability. Proposed law removes this provision.

Proposed law requires the self-insurer to possess a written commitment, binder, or policy for stop-loss insurance issued by an insurer authorized to do business in this state and that it provide for all of the following:

1. At least 30 days' notice to the commissioner of any cancellation or nonrenewal of coverage.
2. Both specific and aggregate coverage with an aggregate retention of not more than 125% of the amount of expected claims for the next plan year and a specific retention amount annually determined by an actuarial opinion required in proposed law.
3. Both the specific and aggregate coverage required in proposed law shall include all claims to be submitted to no less than within 90 days after the claim is incurred and have a 12-month claims incurred period and at least a 15 month paid claims period for each policy year.

Proposed law authorizes the commissioner to waive or reduce the requirement for aggregate stop-loss coverage on a determination that the interests of the participating employers and employees are adequately protected based on the level of aggregate stop-loss insurance recommended by an actuarial opinion.

Proposed law retains present law requirement for annual audits by licensed independent certified public accountants of a self-insurer's financial statements reporting its financial condition and results of operations. However, proposed law removes an exemption from this requirement for a self-insurer having direct premiums in this state of less than \$250,000 in any year and having less than 500 policyholders in this state at the end of any year unless the commissioner makes a specific finding that compliance is necessary.

Present law requires that the annual audited financial statement include the results of the self-insurer's operations, changes in financial condition, changes in capital and surplus for the year then ended in conformity with statutory accounting practices prescribed or permitted by the department of insurance of the state of domicile of the self-insurer. Proposed law provides that the statement be in conformity with generally accepted accounting practices prescribed or permitted by the respective department of insurance.

Present law requires that the annual audited financial report include a balance sheet reporting admitted assets, liabilities, capital, and surplus and a statement of changes in capital and surplus. Proposed law removes requirement that the balance sheet include capital and surplus and requires that net assets be included in the balance sheet and that there be a statement of changes in net assets.

Proposed law removes authorization for a self-insurer, with the commissioner's approval, to comply with annual audit requirements by filing the requisite reports provided that the notes to the financial statements include a reconciliation of differences between income and capital and surplus on the annual statement filed pursuant to comparable totals on the audited financial statements, with a written description of the nature of these differences.

Proposed law provides that in lieu of an examination by the commissioner of any foreign self-insurer licensed in the state, the commissioner may accept any examination report on the self-insurer as prepared by the insurance department for the self-insurer's state of

domicile if that state department was, at the time of the examination, accredited under NAIC's Financial Regulation Standards and Accreditation Program and the examination is performed under the supervision of an accredited state insurance department, or with the participation of one or more examiners who are employed by that department and who, after a review of the examination work papers and report, state under oath that the examination was performed in a manner consistent with the standards and procedures required by their insurance department.

Present law requires each self-insurer to file an annual auditor's statement and an annual report signed by the person in charge of the self-insurance plan on or before March 1st of each year that certifies the amount of gross annual premiums or contributions of the participating employers and their employees for the preceding year, the financial condition of the plan, an itemization of plan expenditures, and any other information as may be required by the commissioner. Proposed law deletes these provisions.

Proposed law requires each self-insurer to file, within 90 days of the end of the fiscal year, an actuarial opinion prepared and certified by an actuary who meets the following requirements:

1. The actuary is not an employee of the self-insurer.
2. The actuary is a fellow of the Society of Actuaries, a member of the American Academy of Actuaries, or an enrolled actuary under ERISA.

Requires that the actuarial opinion include a description of the actuarial soundness of the self-insurer, including any actions recommended to improve the actuarial soundness of the arrangement, the amount of reserves recommended to be maintained by the arrangement, and the level of specific and aggregate stop-loss insurance recommended to be maintained by the arrangement.

Proposed law requires that reserves be computed with proper actuarial regard for known claims, paid and outstanding; a history of incurred but not reported claims; claims handling expenses; unearned premium; an estimate for bad debts; a trend factor; and a margin for error.

Requires that reserves required under proposed law be maintained in cash, cash equivalents, or bonds or evidences of indebtedness which are direct general obligations or which are secured or guaranteed as to principal and interest by the government of the United States, or any state of the United States.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Amends R.S. 22:453(B), 454(A), 458, 459, 461(B), (C), (D), (E), (F), (G), and (H), and 463; adds R.S. 22:462(H); repeals R.S. 22:454(C) and (D) and 461(I))