

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: May 4, 2010
POSITION: Neutral
SPONSOR: Housing Authorities Risk Retention Pool

BILL NUMBER: AB 2327
AUTHOR: D. Harkey

BILL SUMMARY: Affordable Housing: Risk Retention Pool

Existing state law authorizes local agencies to enter into a joint pooling agreement to form a single statewide insurance pooling arrangement for the payment of tort liability or public liability losses incurred by those agencies. The agency is known as the Local Agency Self-Insurance Authority. Specifically, current law:

- Authorizes local public agencies to self-insure against liability for injury resulting from an act or omission of their employees in the scope of their employment.
• Authorizes two or more local public entities, by a joint powers agreement, to provide insurance through self-insurance, or from an admitted insurer, or from a non-admitted insurer when obtained through a surplus lines broker.
• Specifies that the pooling of self-insured claims or losses among local public entities is not considered insurance and is not subject to regulation by the Insurance Commissioner.
• Authorizes two or more public agencies by agreement to jointly exercise any power common to the contracting powers, even though one or more of the contracting agencies are located outside the state.

This bill would authorize affordable housing entities to join in an arrangement that provides for the pooling of self-insured claims or losses against tort liability, liability to officers and employees for their acts or omissions, and physical damage to motor vehicles, personal property and real property of the affordable housing entity. Specifically, this bill would:

- Authorize an affordable housing entity to join other affordable housing entities, both in-state and out-of-state, in an arrangement providing for the pooling of self-insured claims or losses.
• Specifies that the pooling arrangement established by this bill will not be considered insurance, and will not be subject to regulation by the Insurance Commissioner. All participating entities would be provided written notice that the state insurance insolvency guaranty funds are not available to mitigate the pool's risk.
• Authorizes any insurance pool established pursuant to this bill to include the organization of a separate legal or administrative entity whose duty is to administer the insurance pool.
• Require that any insurance pool established pursuant to this bill have initial pooled resources of at least \$2.5 million and maintain adequate reinsurance. All entities would be required to pay premiums or make other mandatory financial contributions, as determined by the governing board.
• Prohibit insurance pools from insuring against workers' compensation liability, or from paying for or insuring against any claim or judgment against an employee of the member entities for punitive or exemplary damages.

Analyst/Principal Date Program Budget Manager Date
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Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

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FISCAL SUMMARY

Finance estimates this bill would have no state General Fund impact.

COMMENTS

Finance notes the following with regard to this bill:

- This bill would allow entities that develop, acquire, or manage affordable housing to establish cost-efficient, multi-state insurance risk pools to facilitate the availability of affordable housing in this state.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)						Fund Code
	LA	(Dollars in Thousands)						
	CO	PROP						
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012
0001/Major Rev	SO	No		-----	No/Minor Fiscal Impact	-----		0001