

2021 Regular Session

SENATE BILL NO. 231

BY SENATOR ROBERT MILLS

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

INSURANCE DEPARTMENT. Creates the Insurance Regulatory Sandbox Program.  
(8/1/21)

1 AN ACT

2 To enact Subpart M-1 of Part IV of Chapter 4 of Title 22 of the Louisiana Revised Statutes

3 of 1950, to be comprised of R.S. 22:1430.1 through 1430.8, relative to the regulation

4 of insurance; to create the Insurance Regulatory Sandbox Program; to provide for

5 requirements; to provide for definitions; to provide for applications; to provide for

6 the scope of regulations; to provide for consumer protections; to provide for

7 disclosures; to provide for exemptions from certain regulations; to provide for

8 extensions of time; to provide for recordkeeping; to provide for reporting

9 requirements; and to provide for related matters.

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. Subpart M-1 of Part IV of Chapter 4 of Title 22 of the Louisiana Revised

12 Statutes of 1950, comprised of R.S. 22:1430.1 through 1430.8, is hereby enacted to read as

13 follows:

14 **SUBPART M-1. INSURANCE REGULATORY SANDBOX PROGRAM ACT**

15 **§1430.1. Short Title**

16 **This Subpart shall be known and may be cited as the "Insurance**

17 **Regulatory Sandbox Act".**

1           **§1430.2. Definitions**

2           As used in this Subpart, unless the context indicates otherwise, the  
3           following definitions shall apply:

4           (1) "Applicable agency" means a department or agency of the state,  
5           other than the Department of Insurance, that by law regulates certain types of  
6           business activities in the state which are related to the sale of insurance but are  
7           not regulated by the Department of Insurance, including but not limited to the  
8           office of financial institutions, which the department determines would be  
9           necessary to regulate an insurance sandbox participant's particular proposed  
10           innovative insurance product or service.

11           (2) "Applicant" means an individual or entity that is applying to  
12           participate in the insurance regulatory sandbox.

13           (3) "Blockchain technology" means the use of a digital database  
14           containing records of financial transactions, which can be simultaneously used  
15           and shared within a decentralized, publicly accessible network and can record  
16           transactions between two parties in a verifiable and permanent way.

17           (4) "Consumer" means a person that purchases or otherwise enters into  
18           a transaction or agreement to receive an innovative insurance product or  
19           service that is being tested by an insurance sandbox participant.

20           (5) "Department" means the Department of Insurance.

21           (6) "Innovation" means the use or incorporation of a new or emerging  
22           technology or a new use of existing technology, including blockchain technology,  
23           to address a problem, provide a benefit, or otherwise offer a product, service,  
24           business model, or delivery mechanism that is not known by the department to  
25           have a comparable widespread offering in the state.

26           (7) "Innovative insurance product or service" means an insurance  
27           product or service that includes an innovation that is different from, or used in  
28           a different manner than, other insurance products that are already licensed  
29           pursuant to this Title.

1           (8) "Insurance product or service" means an insurance product or  
2           insurance service that requires state licensure, registration, or other  
3           authorization as provided in this Subpart including an insurance product or  
4           insurance service that includes a business model, delivery mechanism, or  
5           element that requires a license, registration, or other authorization to engage  
6           in the insurance business, act as an insurance producer or consultant, or to  
7           engage in insurance adjusting as regulated by this Subpart but shall not include  
8           a product or service that is governed by Title 51 of the Louisiana Revised  
9           Statutes of 1950.

10           (9) "Insurance regulatory sandbox" means the Insurance Regulatory  
11           Sandbox Program created by this Subpart that allows a person to temporarily  
12           test an innovative insurance product or service on a limited basis without  
13           otherwise being licensed or authorized to act under the laws of this state.

14           (10) "Insurance sandbox participant" means a person whose application  
15           to participate in the insurance regulatory sandbox is approved in accordance  
16           with the provisions of this Subpart.

17           (11) "Test" means to provide an innovative insurance product or service  
18           in accordance with the provisions of this Subpart.

19           §1430.3. Creation of program; application requirements

20           A. There is hereby created the Insurance Regulatory Sandbox Program  
21           in the office of the commissioner of insurance.

22           B. In administering the program, the commissioner shall do all of the  
23           following:

24           (1) Consult with each applicable agency.

25           (2) Establish a program to enable a person to obtain limited access to the  
26           market in this state to test an innovative insurance product or service without  
27           obtaining a license or other authorization that might otherwise be required.

28           C. The commissioner may execute agreements with or follow the best  
29           practices of the United States Consumer Financial Protection Bureau or the best

1 practices of another state that is administering similar insurance programs.

2 D. The commissioner shall not approve the application of or the  
3 participation in the insurance regulatory sandbox program by any person to  
4 whom any of the following applies:

5 (1) The conviction or nolo contendere plea to any felony, participation  
6 in a pretrial diversion program pursuant to a felony charge, suspension and  
7 deferral of sentence and probation pursuant to Code of Criminal Procedure  
8 Article 893, or conviction of any misdemeanor involving breach of trust, moral  
9 turpitude, or public corruption.

10 (2) The conviction of a felony involving dishonesty or breach of trust  
11 pursuant to 18 U.S.C. 1033 and 1034, without written consent from the  
12 commissioner pursuant to 18 U.S.C. 1033, or any successor statute regulating  
13 crimes by or affecting persons engaged in the business of insurance whose  
14 activities affect interstate commerce.

15 (3) If the applicant or participant is a business entity, refusal to remove  
16 or discharge any person who has been convicted of or pleaded nolo contendere  
17 to any felony, participated in a pretrial diversion program pursuant to a felony  
18 charge, suspension and deferral of sentence, and probation pursuant to Code  
19 of Criminal Procedure Article 893, or been convicted of any misdemeanor  
20 involving breach of trust, moral turpitude, or public corruption.

21 E. An applicant for the insurance regulatory sandbox shall provide an  
22 application in a form prescribed by the commissioner. As it relates to the  
23 application process, the applicant shall do all of the following items:

24 (1) Submit a nonrefundable application fee of forty-five hundred dollars.  
25 This fee may be waived or reduced by the commissioner if the applicant holds  
26 a license issued by the department under the provisions of this Title.

27 (2) Demonstrate that the applicant is subject to the jurisdiction of this  
28 state.

29 (3) Demonstrate that the applicant has established a physical or virtual

1 location that is adequately accessible to the department from which testing will  
2 be developed and performed and where all required records, documents, and  
3 data will be maintained.

4 (4) Provide relevant personal and contact information for the applicant,  
5 including legal names, addresses, telephone numbers, email addresses, website  
6 addresses, and other information required by the commissioner.

7 (5) Disclose any criminal convictions of the applicant or other  
8 participating personnel.

9 (6) Demonstrate that the applicant has the necessary personnel, financial  
10 and technical expertise, access to capital, and a developed plan to test, monitor,  
11 and assess the innovative insurance product or service.

12 (7) Provide a description of the innovative insurance product or service  
13 to be tested, including statements regarding all of the following items:

14 (a) How the innovative insurance product or service is subject to  
15 licensing or other authorization requirements outside of the insurance  
16 regulatory sandbox, including a specific list of all state laws, regulations, and  
17 licensing or other requirements that the applicant is seeking to have waived  
18 during the testing period.

19 (b) How the innovative insurance product or service will benefit  
20 consumers.

21 (c) How the innovative insurance product or service is different from  
22 other insurance products or services available in this state.

23 (d) What risks may confront consumers that use or purchase the  
24 innovative insurance product or service.

25 (e) How participating in the insurance regulatory sandbox will enable a  
26 successful test of the innovative insurance product or service.

27 (f) A description of the proposed testing plan, including estimated time  
28 periods for beginning the test, ending the test, and obtaining necessary licensure  
29 or authorizations after the testing is complete.

1                    (g) A description of how the applicant will perform ongoing duties after  
2 the test.

3                    (h) How the applicant will end the test and protect consumers if the test  
4 fails, including providing evidence of sufficient liability coverage and financial  
5 reserves to protect consumers and to protect against insolvency by the  
6 applicant.

7                    (i) Provide any other required information as determined by the  
8 commissioner.

9                    F. An applicant shall file a separate application for each innovative  
10 insurance product or service that the applicant wants to test.

11                    G. After an application is filed and before approving an application, the  
12 commissioner may seek any additional information from the applicant and from  
13 the department's own research that the commissioner determines is necessary,  
14 including all of the following items:

15                    (1) Proof of sufficient assets, accounts, liability coverage, and surety  
16 bond coverage.

17                    (2) Other preparation by the applicant to ensure that consumers are  
18 protected and that the applicant is able to cover ongoing duties when the test  
19 ends or if the test ends early.

20                    (3) Industry ratings and past performance of the applicant in other states  
21 as a sandbox participant or in the state of Louisiana in an insurance market  
22 that is regulated by the department.

23                    H.(1) Except as provided in Paragraph (2) of this Subsection, not later  
24 than ninety days after the day on which a complete application is received by  
25 the commissioner, the commissioner shall inform the applicant as to whether  
26 the application is approved for entry into the insurance regulatory sandbox.

27                    (2) The commissioner and an applicant may mutually agree to extend the  
28 ninety-day period for the commissioner to determine whether an application is  
29 approved for entry into the insurance regulatory sandbox.

1           I.(1) In reviewing an application under this Section, the commissioner  
2           shall consult with, and get approval from, each applicable agency before  
3           admitting an applicant into the insurance regulatory sandbox.

4           (2) The consultation with an applicable agency may include seeking  
5           information about whether any of the following apply:

6           (a) Whether the applicable agency has previously issued a license or  
7           other authorization to the applicant.

8           (b) Whether the applicable agency has previously investigated,  
9           sanctioned, or pursued legal action against the applicant.

10          (c) Whether the applicant can obtain a license or other authorization  
11          from the applicable agency after exiting the insurance regulatory sandbox.

12          (d) Whether certain licensure or other regulations should not be waived  
13          even if the applicant is accepted into the insurance regulatory sandbox.

14          J. In reviewing an application under this Section, the commissioner shall  
15          consider whether a competitor to the applicant is or has been an insurance  
16          sandbox participant and, if so, weigh that as a factor in favor of allowing the  
17          applicant to also become an insurance sandbox participant.

18          K. If the commissioner and any applicable agency approve admitting an  
19          applicant into the insurance regulatory sandbox, an applicant may become an  
20          insurance sandbox participant.

21          L. The commissioner may deny any application submitted under this  
22          Section, for any reason in the commissioner's discretion.

23          M. If an application submitted under this Subpart is denied, the  
24          commissioner shall provide written description of the reasons for the denial as  
25          an insurance sandbox participant.

26          §1430.4. Scope of the insurance regulatory sandbox

27          A. If the commissioner approves an application under R.S. 22:1430.3, the  
28          insurance sandbox participant has twenty-four months after the day on which  
29          the application was approved to test the innovative insurance product or service

1 described in the insurance sandbox participant's application.

2 B. An insurance sandbox participant testing an innovative insurance  
3 product or service within the insurance regulatory sandbox is subject to all of  
4 the following:

5 (1) Consumers shall be residents of this state.

6 (2) The commissioner may, on a case-by-case basis, specify the maximum  
7 number of consumers that may enter into an agreement with the insurance  
8 sandbox participant to use the innovative insurance product or service.

9 (3) The commissioner may, on a case-by-case basis, specify the maximum  
10 number of items and the maximum coverage amount for each item that may be  
11 offered by an insurance sandbox participant during the testing of the innovative  
12 insurance product or service.

13 (4) The commissioner may, on a case-by-case basis, specify liability  
14 coverage requirements and minimum financial reserves requirements that the  
15 insurance sandbox participant shall meet during the testing of the innovative  
16 insurance product or service.

17 C. The provisions of this Subpart shall not restrict an insurance sandbox  
18 participant who holds a license or other authorization in another jurisdiction  
19 from acting in accordance with that license or other authorization.

20 D. An insurance sandbox participant is deemed to possess an appropriate  
21 license under the laws of this state for the purposes of any provision of federal  
22 law requiring state licensure or authorization.

23 E. An insurance sandbox participant that is testing an innovative  
24 insurance product or service is not subject to state laws, regulations, licensing  
25 requirements, or authorization requirements that were identified by the  
26 insurance sandbox participant in the insurance sandbox participant's  
27 application and have been waived in writing by the commissioner of insurance.

28 F. Notwithstanding any other provision of this Subpart to the contrary,  
29 an insurance sandbox participant shall not have immunity related to any



1 criminal offense committed during the insurance sandbox participant's  
2 participation in the insurance regulatory sandbox.

3 G. By written notice, the commissioner shall end an insurance sandbox  
4 participant's participation in the insurance regulatory sandbox at any time and  
5 for any reason, including if the commissioner determines an insurance sandbox  
6 participant is not operating in good faith to bring an innovative insurance  
7 product or service to market.

8 H. The commissioner and his employees are not liable for any business  
9 losses or the recouping of application expenses related to the insurance  
10 regulatory sandbox, including for any of the following reasons:

11 (1) Denying an applicant's application to participate in the insurance  
12 regulatory sandbox for any reason.

13 (2) Ending an insurance sandbox participant's participation in the  
14 insurance regulatory sandbox at any time and for any reason.

15 I. No guaranty association in the state shall be held liable for business  
16 losses or liabilities incurred as a result of activities undertaken by a participant  
17 in the insurance sandbox.

18 **§1430.5. Consumer protection for insurance regulatory sandbox; disclosures**

19 A. Before providing an innovative insurance product or service to a  
20 consumer, an insurance sandbox participant shall disclose all of the following  
21 items to the consumer:

22 (1) The name and contact information of the insurance sandbox  
23 participant.

24 (2) That the innovative insurance product or service is authorized  
25 pursuant to the insurance regulatory sandbox and, if applicable, that the  
26 insurance sandbox participant does not have a license or other authorization to  
27 provide an insurance product or service under state laws that regulate  
28 insurance products or services outside the insurance regulatory sandbox.

29 (3) That the innovative insurance product or service is undergoing

1 testing and may not function as intended and may expose the customer to  
2 financial risks of loss.

3 (4) That the provider of the innovative insurance product or service is  
4 not immune from civil liability for any losses or damages caused by the  
5 innovative insurance product or service.

6 (5) That the state does not endorse or recommend the innovative  
7 insurance product or service.

8 (6) That the innovative insurance product or service is a temporary test  
9 that may be discontinued at the end of the testing period.

10 (7) The expected end date of the testing period.

11 (8) That a consumer may contact the commissioner of insurance to file  
12 a complaint regarding the innovative insurance product or service being tested  
13 and provide the commissioner's telephone number and website address where  
14 a complaint may be filed.

15 B. The disclosures required by Subsection A of this Section shall be  
16 provided to a consumer in a clear and conspicuous form. For an internet or  
17 application-based innovative insurance product or service, a consumer shall  
18 acknowledge receipt of the disclosure before a transaction is completed.

19 C. The commissioner may require that an insurance sandbox  
20 participant make additional disclosures to a consumer.

21 §1430.6. Requirements for exiting insurance regulatory sandbox

22 A. At least thirty days before the end of the twenty-four month insurance  
23 regulatory sandbox testing period, an insurance sandbox participant shall do  
24 one of the following:

25 (1) Notify the commissioner that the insurance sandbox participant will  
26 exit the insurance regulatory sandbox, discontinue the insurance sandbox  
27 participant's test, and will stop offering any innovative insurance product or  
28 service in the insurance regulatory sandbox within sixty days after the day on  
29 which the twenty-four month testing period ends.

1           (2) Seek an extension in accordance with R.S. 22:1430.7.

2           B. Subject to the provisions of Subsection C of this Section, if the  
3           commissioner does not receive notification as required by Subsection A of this  
4           Section, the insurance regulatory sandbox testing period ends at the end of the  
5           twenty-four month testing period and the insurance sandbox participant shall  
6           immediately stop offering each innovative insurance product or service being  
7           tested.

8           C. If a test includes offering an innovative insurance product or service  
9           that requires ongoing duties, the insurance sandbox participant shall continue  
10          to fulfill those duties or arrange for another person to fulfill those duties after  
11          the date on which the insurance sandbox participant exits the insurance  
12          regulatory sandbox.

13          §1430.7. Extensions

14          A. Not later than thirty days before the end of the twenty-four month  
15          regulatory insurance sandbox testing period, an insurance sandbox participant  
16          may request an extension of the insurance regulatory sandbox testing period for  
17          the purpose of obtaining a license or other authorization required by law.

18          B. The commissioner shall grant or deny a request for an extension in  
19          accordance with Subsection A of this Section by the end of the twenty-four  
20          month insurance regulatory sandbox testing period.

21          C. The commissioner may grant an extension in accordance with this  
22          Section for not more than six months after the end of the insurance regulatory  
23          sandbox testing period.

24          D. An insurance sandbox participant who obtains an extension in  
25          accordance with this Section shall provide the commissioner with a written  
26          report every three months providing an update on efforts to obtain a license or  
27          other authorization required by law, including any submitted applications for  
28          licensure or other authorization, rejected applications, or issued licenses or  
29          other authorization.

1           **§1430.8. Recordkeeping and reporting requirements**

2           **A. An insurance sandbox participant shall retain records, documents,**  
3           **and data produced in the ordinary course of business regarding an innovative**  
4           **insurance product or service tested in the insurance regulatory sandbox.**

5           **B. If an innovative insurance product or service fails before the end of**  
6           **a testing period, the insurance sandbox participant shall notify the**  
7           **commissioner and report on actions taken by the insurance sandbox participant**  
8           **to ensure consumers have not been harmed as a result of the failure.**

9           **C. The commissioner shall establish quarterly reporting requirements**  
10           **for an insurance sandbox participant, including information about any**  
11           **customer complaints.**

12           **D. The commissioner may request records, documents, and data from an**  
13           **insurance sandbox participant, and upon request of the commissioner, an**  
14           **insurance sandbox participant shall make records, documents, and data**  
15           **available for inspection by the department.**

16           **E. If the commissioner determines that an insurance sandbox participant**  
17           **has engaged in, is engaging in, or is about to engage in any practice or**  
18           **transaction that is in violation of this Subpart or that constitutes a violation of**  
19           **a state or federal criminal law, the commissioner may remove an insurance**  
20           **sandbox participant from the insurance regulatory sandbox.**

21           **F. On or before October 1, 2022, and annually thereafter, the**  
22           **commissioner shall provide a written report to the Senate Committee on**  
23           **Insurance and the House Committee on Insurance that provides information**  
24           **regarding each insurance sandbox participant and with recommendations**  
25           **regarding the effectiveness of the Insurance Regulatory Sandbox Program.**

26           Section 2. The Louisiana State Law Institute is hereby directed to redesignate the  
27           provisions contained in Subpart M of Part IV of Chapter 4 of Title 22 of the Louisiana  
28           Revised Statutes of 1950, which is comprised of R.S. 22:1431, as "Subpart M-2 Portable  
29           Electronics".

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The original instrument was prepared by Carla S. Roberts. The following digest, which does not constitute a part of the legislative instrument, was prepared by Thomas L. Tyler.

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## DIGEST

SB 231 Engrossed

2021 Regular Session

Robert Mills

Proposed law creates the Insurance Regulatory Sandbox Act.

Proposed law provides that the commissioner of insurance will establish a program to enable a person to obtain limited access to the insurance market in the state to test an innovative insurance product or service without obtaining a license or other authorization that might otherwise be required. Proposed law defines "innovative insurance product or service" as an insurance product or service that includes an innovation that is different from, or used in a different manner than, other insurance products that are already licensed pursuant to present law.

Proposed law provides that the commissioner may execute agreements with or follow the best practices of the U.S. Consumer Financial Protection Bureau or the best practices of another state that is administering similar innovative insurance programs.

Proposed law provides that the commissioner may not approve an application of or the participation in the insurance regulatory sandbox program by any person to whom any of the following applies:

- (1) The conviction or nolo contendere plea to any felony, participation in a pretrial diversion program pursuant to a felony charge, suspension and deferral of sentence and probation pursuant to C.Cr.P. Art. 893, or conviction of any misdemeanor involving breach of trust, moral turpitude, or public corruption.
- (2) The conviction of a felony involving dishonesty or breach of trust pursuant to 18 U.S.C. 1033 and 1034, without written consent from the commissioner pursuant to 18 U.S.C. 1033, or any successor statute regulating crimes by or affecting persons engaged in the business of insurance whose activities affect interstate commerce.
- (3) If the applicant or participant is a business entity, refusal to remove or discharge any person who has been convicted of or pleaded nolo contendere to any felony, participated in a pretrial diversion program pursuant to a felony charge, suspension and deferral of sentence, and probation pursuant to C.Cr.P. Art. 893, or been convicted of any misdemeanor involving breach of trust, moral turpitude, or public corruption.

Proposed law provides that an applicant for the insurance regulatory sandbox will provide to the commissioner an application in a form prescribed by the commissioner and submit a nonrefundable application fee of \$4,500. The fee may be waived or reduced by the commissioner if the applicant holds a license issued by the department of insurance under the provisions of present law.

Proposed law requires that the applicant show that he is subject to the jurisdiction of this state and demonstrate that he has established a physical or virtual location that is adequately accessible to the department from which testing will be developed and performed and where all required records, documents, and data will be maintained.

Proposed law requires that the applicant provide relevant personal and contact information for the applicant, including legal names, addresses, telephone numbers, email addresses, website addresses, and other information required by the commissioner.

Proposed law requires that the applicant disclose any criminal convictions of the applicant or other participating personnel and demonstrate that he has the necessary personnel, financial and technical expertise, access to capital, and developed plan to test, monitor, and assess the innovative insurance product or service.

Proposed law provides that, after an application is filed and before approving an application, the commissioner may seek any additional information from the applicant and from the department's own research that the he determines is necessary, including all of the following:

- (1) Proof of sufficient assets, accounts, liability coverage, and surety bond coverage.
- (2) Other preparation by the applicant to ensure that consumers are protected and that the applicant will be able to cover ongoing duties when the test ends or if the test ends early.
- (3) Industry ratings and past performance of the applicant in other states as a sandbox participant or in the La. insurance market.

Proposed law provides that, not later than 90 days after the day on which a complete application is received, the commissioner shall inform the applicant as to whether the application is approved for entry into the insurance regulatory sandbox, unless the commissioner and an applicant mutually agree to extend the 90-day period.

Proposed law provides that, if the commissioner finds that the applicant needs approval from another state office or department before selling the innovative insurance product or service, the commissioner shall consult with and get approval from each applicable agency before admitting an applicant into the insurance regulatory sandbox.

Proposed law provides that the consultation with an applicable agency may include seeking information about whether any of the following apply:

- (1) Whether the applicable agency has previously issued a license or other authorization to the applicant.
- (2) Whether the applicable agency has previously investigated, sanctioned, or pursued legal action against the applicant.
- (3) Whether the applicant could obtain a license or other authorization from the applicable agency after exiting the insurance regulatory sandbox.
- (4) Whether certain licensure or other regulations should not be waived even if the applicant is accepted into the insurance regulatory sandbox.

Proposed law provides that, in reviewing an application, the commissioner shall consider whether a competitor to the applicant is or has been an insurance sandbox participant and, if so, weigh that as a factor in favor of allowing the applicant to also become an insurance sandbox participant.

Proposed law provides that if the commissioner and any applicable agency approve admitting an applicant into the insurance regulatory sandbox, an applicant may become an insurance sandbox participant.

Proposed law authorizes the commissioner to deny any sandbox participant's application for any reason and at his discretion and that, if the commissioner denies an application then the commissioner shall provide to the applicant a written description of the reasons for the denial as an insurance sandbox participant.

Proposed law provides that if the commissioner approves an application, the insurance

sandbox participant has 24 months after the day on which the application was approved to test the innovative insurance product or service described in the insurance sandbox participant's application.

Proposed law provides that an insurance sandbox participant testing an innovative insurance product or service within the insurance regulatory sandbox is subject to all of the following requirements:

- (1) Consumers who are offered the innovative insurance products must be La. residents.
- (2) The commissioner may, on a case-by-case basis, specify the maximum number of consumers that may enter into an agreement with the insurance sandbox participant to use the innovative insurance product or service.
- (3) The commissioner may specify the maximum number of items and the maximum coverage amount for each item that may be offered by an insurance sandbox participant.
- (4) The commissioner may, on a case-by-case basis, specify liability coverage requirements and minimum financial reserves requirements that the insurance sandbox participant will meet during the testing of the innovative insurance product or service.

Proposed law provides that an insurance sandbox participant is deemed to possess an appropriate license under La. law for the purposes of any provision of federal law requiring a state insurance license or authorization.

Proposed law provides that an insurance sandbox participant that is testing an innovative insurance product or service is not subject to state laws, regulations, licensing requirements, or authorization requirements that were identified by the insurance sandbox participant in the insurance sandbox participant's application and have been waived in writing by the commissioner.

Proposed law provides that an insurance sandbox participant does not have immunity related to any criminal offense committed during the insurance sandbox participant's participation in the insurance regulatory sandbox.

Proposed law authorizes the commissioner by written notice to end an insurance sandbox participant's program at any time and for any reason, including if the commissioner determines an insurance sandbox participant is not operating in good faith to bring an innovative insurance product or service to market.

Proposed law provides that the commissioner and his employees are not liable for any business losses or the recouping of application expenses related to the insurance regulatory sandbox, including for denying an applicant's application or for ending an insurance sandbox participant's project for any reason once it has been approved.

Proposed law provides that no guaranty association in the state shall be held liable for business losses or liabilities incurred as a result of activities undertaken by a participant in the insurance sandbox.

Proposed law provides that, before providing an innovative insurance product or service to a consumer, an insurance sandbox participant will disclose all of the following to the consumer:

- (1) The name and contact information of the insurance sandbox participant.
- (2) That the innovative insurance product or service is authorized pursuant to the

- insurance regulatory sandbox and, if applicable, that the insurance sandbox participant does not have a license or other authorization to provide an insurance product or service under state laws that regulate insurance products or services outside the insurance regulatory sandbox.
- (3) That the innovative insurance product or service is undergoing testing and may not function as intended and may expose the customer to financial risks of loss.
  - (4) That the provider of the innovative insurance product or service is not immune from civil liability for any losses or damages caused by the innovative insurance product or service.
  - (5) That the state does not endorse or recommend the innovative insurance product or service.
  - (6) That the innovative insurance product or service is a temporary test that may be discontinued at the end of the testing period.
  - (7) The expected end date of the testing period.
  - (8) That a consumer may contact the department to file a complaint regarding the innovative insurance product or service being tested and provide the commissioner's telephone number and website address where a complaint may be filed.

Proposed law provides that the disclosures to a consumer will be in a clear and conspicuous form. For an internet or application-based innovative insurance product or service, a consumer will acknowledge receipt of the disclosure before a transaction may be completed.

Proposed law authorizes the commissioner to require that an insurance sandbox participant make additional disclosures to a consumer.

Proposed law provides that, at least 30 days before the end of the 24-month insurance regulatory sandbox testing period, a participant will notify the commissioner that the insurance sandbox participant will exit the insurance regulatory sandbox, discontinue the insurance sandbox participant's test, and will stop offering any innovative insurance product or service in the insurance regulatory sandbox within 60 days after the day on which the 24-month testing period ends or seek an extension. Proposed law further provides that if the commissioner does not receive notification, the insurance regulatory sandbox testing period ends at the end of the 24-month testing period and the insurance sandbox participant will immediately stop offering each innovative insurance product or service being tested.

Proposed law provides that if a test includes offering an innovative insurance product or service that requires ongoing duties, the insurance sandbox participant will continue to fulfill those duties or arrange for another person to fulfill those duties after the date on which the insurance sandbox participant exits the insurance regulatory sandbox program.

Proposed law provides that, not later than 30 days before the end of the 24-month regulatory insurance sandbox testing period, an insurance sandbox participant may request an extension of the insurance regulatory sandbox testing period for the purpose of obtaining a license or other authorization required by law and authorizes the commissioner to deny a request for an extension by the end of the 24-month testing period. The commissioner may grant an extension for not more than six months after the end of the insurance regulatory sandbox testing period.

Proposed law requires that an insurance sandbox participant that obtains an extension provide the commissioner with a written report every three months that provides an update on efforts to obtain a license or other authorization required by law, including any submitted applications for licensure or other authorization, rejected applications, or issued licenses or



other authorization.

Proposed law provides that an insurance sandbox participant will retain records, documents, and data produced in the ordinary course of business regarding an innovative insurance product or service tested in the insurance regulatory sandbox.

Proposed law provides that if an innovative insurance product or service fails before the end of a testing period, the insurance sandbox participant will notify the department and report on actions taken by the insurance sandbox participant to ensure consumers have not been harmed as a result of the failure.

Proposed law requires that the commissioner establish quarterly reporting requirements for an insurance sandbox participant, including information about any customer complaints.

Proposed law authorizes the commissioner to request records, documents, and data from an insurance sandbox participant and, upon the department's request, an insurance sandbox participant will make such records, documents, and data available for inspection.

Proposed law authorizes the commissioner to remove an insurance sandbox participant if he determines that an insurance sandbox participant has engaged in, is engaging in, or is about to engage in any practice or transaction that is a violation or constitutes a violation of a state or federal criminal law.

Proposed law provides for the following definitions:

- (1) "Applicable agency" means a department or agency of the state, other than the Department of Insurance, that by law regulates certain types of business activities in the state which are related to the sale of insurance but are not regulated by the Department of Insurance, including but not limited to the office of financial institutions, which the department determines would be necessary to regulate an insurance sandbox participant's particular proposed innovative insurance product or service.
- (2) "Applicant" means an individual or entity that is applying to participate in the insurance regulatory sandbox.
- (3) "Blockchain technology" means the use of a digital database containing records of financial transactions, which can be simultaneously used and shared within a decentralized, publicly accessible network and can record transactions between two parties in a verifiable and permanent way.
- (4) "Consumer" means a person that purchases or otherwise enters into a transaction or agreement to receive an innovative insurance product or service that is being tested by an insurance sandbox participant.
- (5) "Department" means the Department of Insurance.
- (6) "Innovation" means the use or incorporation of a new or emerging technology or a new use of existing technology, including blockchain technology, to address a problem, provide a benefit, or otherwise offer a product, service, business model, or delivery mechanism that is not known by the department to have a comparable widespread offering in the state.
- (7) "Innovative insurance product or service" means an insurance product or service that includes an innovation that is different than or used in a different manner than other insurance products that are already licensed pursuant to present law.
- (8) "Insurance product or service" means an insurance product or insurance service that

requires state licensure, registration, or other authorization as provided in this Subpart including an insurance product or insurance service that includes a business model, delivery mechanism, or element that requires a license, registration, or other authorization to engage in the insurance business, act as an insurance producer or consultant, or engage in insurance adjusting as regulated by La. commercial law.

- (9) "Insurance regulatory sandbox" means the Insurance Regulatory Sandbox Program created by this Subpart that allows a person to temporarily test an innovative insurance product or service on a limited basis without otherwise being licensed or authorized to act under the laws of this state.
- (10) "Insurance sandbox participant" means a person whose application to participate in the insurance regulatory sandbox is approved in accordance with the provisions of proposed law.
- (11) "Test" means to provide an innovative insurance product or service in accordance with the provisions of proposed law.

Proposed law provides that beginning on or before October 1, 2022, the commissioner shall provide an annual written report to the Senate Insurance Committee and the House Insurance Committee that provides information regarding each insurance sandbox participant and recommendations regarding the effectiveness of the program.

Effective August 1, 2021.

(Adds R.S. 22:1430.1-1430.8)

#### Summary of Amendments Adopted by Senate

##### Committee Amendments Proposed by Senate Committee on Insurance to the original bill

1. Adds provisions prohibiting approval of an application or participation by any person to who has been convicted or plead nolo contendere to a felony.