Indiana Economic Development Corporation

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March 5, 2007

Amy Strati
Chief Legal Counsel
Indiana Department of Insurance

Dear Ms. Strati:

Pursuant to IC 4-22-2-28, the Indiana Economic Development Corporation ("IEDC") has reviewed the economic impact analysis for small business associated with rule changes proposed by the Indiana Department of Insurance ("IDOI") and contained in LSA Document 06-69, which adds 760 IAC 1-73 regarding professional employer organizations. The proposed rule provides for the registration, financial, actuarial and operational requirements and fees for Professional Employee Organizations ("PEO") and otherwise implements IC 27-16.

The proposed rule creates a registration process for PEOs doing business in the state of Indiana. IDOI is aware of 47 PEOs engaged in business in Indiana. Only one of the PEOs is an Indiana based company. This Indiana PEO maintains a self funded health benefit plan. The component of the proposed rule that creates an economic impact for small businesses pertains to the application and renewal fees assessed to PEOs registering to do business in Indiana. Initial applicants must pay an application fee of $500. The annual renewal fee is $250. Additionally, each PEO must maintain a minimum net worth of $50,000 or maintain a bond with a market value of at least $50,000. PEOs that are self funded must also have a fidelity bond covering individuals with responsibility for the health benefit plan. The health benefit plan must purchase stop loss coverage and maintain a separate account holding reserves that are actuarially sufficient. Health benefit plans for self-funded PEOs are also subject to review by IDOI and are responsible for costs associated with such review. These costs may vary based on the PEO being considered.

The IDOI has worked with the National Association of Professional Employer Organizations as part of the drafting of this rule to ensure that the terms of the rule are consistent with other states. Additionally, the financial and actuarial requirements of the rule provide consumer protection in the event that a plan fails to meet its obligations. The IEDC does not object to the economic impact associated with the rule changes.

If you have any questions about the comments contained herein please contact me at 232-8962 or rasberry@iedc.in.gov.

Regards,

Ryan Asberry
Director – Research
Indiana Economic Development Corporation

EXHIBIT
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