

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 8042

BILL NUMBER: HB 2043

DATE PREPARED: Jan 24, 1999

BILL AMENDED:

SUBJECT: Various Insurance Matters.

FISCAL ANALYST: Alan Gossard

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill makes certain changes regarding various insurance matters. The bill:

- (1) Makes changes to requirements for breast cancer screening coverage by group insurance for public employees, group insurers, and health maintenance organizations (HMOs).
- (2) Removes fees collected by the Commissioner associated with the Commissioner's duties as agent for service of process.
- (3) Requires limited service health maintenance organizations (LSHMOs) to remit annual internal audit fees to the Department of Insurance.
- (4) Provides that the Commissioner of the Department of Insurance may order penalties against an insurance company that is operating contrary to law and may bring an action in the Marion County Circuit Court to compel compliance.
- (5) Adds provisions regarding regulation of Worker's Compensation coverage providers.
- (6) Provides that various insurers must appoint an individual or corporate resident of Indiana, or an authorized Indiana insurer, as the insurer's agent for service of process.
- (7) Makes certain changes regarding continuing education requirements and licensure of insurance agents.
- (8) Allows the Commissioner to order a penalty for nonpayment of premium taxes by an insurance company.
- (9) Removes the requirement that information concerning premiums and losses, jury awards, court awards, and negotiated settlements be filed with the annual financial statement of insurers selling certain lines of insurance.
- (10) Changes the requirements for annual information filing with the National Association of Insurance Commissioners (NAIC) from diskette to electronic filings.
- (11) Changes the definition of "insurer" in the holding company law to include HMOs and LSHMOs.
- (12) Exempts insurance purchased by exempt commercial policyholders from the application of the law concerning the regulation of rates for casualty insurance.
- (13) Removes a requirement for at least \$5,000,000 to remain in the reserve account for the Political Subdivision Catastrophic Liability Fund.
- (14) Increases monetary amounts and adds restitution to the civil penalties that can be ordered by the

Commissioner for an unfair or deceptive act in the business of insurance.

(15) Adds HMOs and LSHMOs to the types of insurers to which the Unauthorized Insurers Statute applies.

(16) Adds requirements for insurance companies when terminating a homeowner's policy.

(17) Removes provisions allowing insurers to exclude or limit coverage based on evidence of insurability in group accident and sickness insurance policies.

(18) Amends the definition of "long term care insurance policy" in the Long Term Care Insurance Statute.

(19) Makes certain changes to the Small Employer Group Insurance Statute.

(20) Contains certain requirements for insurer preauthorization of health care services.

(21) Adds LSHMOs as insurers to which the provisions of the Medical Child Support Statute apply.

(22) Defines "grievance" under the HMO statute as a written or an oral complaint.

(23) Provides certain restrictions on an HMO's or LSHMO's assumption of a corporate name.

(24) Allows an HMO or LSHMO to assume and take credit for reinsurance.

(25) Contains certain provisions regarding HMO and LSHMO dividends.

(26) Requires HMOs to provide coverage for newly born children.

(27) Contains certain provisions regarding HMO and LSHMO financial statement filings including: (a) actuarial opinions; (b) minimum qualifications of an actuary; (c) NAIC annual statement blanks; (d) conformity with accounting practices; (e) annual and quarterly filings with the NAIC; and (f) civil penalties.

(28) Requires an HMO or LSHMO to file with the Commissioner a copy of an examination report filed by the insurance commissioner of another state.

(29) Allows the Department of Insurance to review changes in control of an HMO or LSHMO that is owned by a foreign corporation.

(30) Provides requirements for notice of voluntary dissolution by an HMO or LSHMO.

(31) Increases the settlement procedure amount under the Medical Malpractice Act from \$100,000 to \$250,000.

(32) Makes conforming amendments.

Effective Date: Upon passage; June 30, 1999; July 1, 1999; January 1, 2000; July 1, 2000.

Explanation of State Expenditures: (1) *Breast Cancer Screening:* This bill impacts the state as an employer in the provision of employee health care benefits. A survey of the various state health plans indicates that the breast cancer screening provisions would either have no impact on a plan's costs or, in the case of one plan, is estimated to save the plan about \$21,700 annually due to reduced costs from early detection.

(5) *Regulation of Worker's Compensation coverage providers:* This provision could significantly increase the administrative responsibilities of the Workers Compensation Board. The additional expenditures or staff members necessary to comply with this proposal are not known at this time.

(13) *Reserve account for the Political Subdivision Catastrophic Liability Fund:* This bill also removes a requirement for at least \$5,000,000 to remain in the reserve account for the Political Subdivision Catastrophic Liability Fund.

Explanation of State Revenues: (14) *Civil Penalties for an unfair or deceptive act in the business of insurance:* This provision significantly increases the monetary amounts and adds restitution or other remedial measures to the civil penalties that can be ordered by the Insurance Commissioner for unfair methods of competition or unfair and deceptive acts and practices in the business of insurance. Civil penalties are deposited into the state General Fund.

(2), (3) *Various changes in fees:* This bill removes fees collected by the Commissioner associated with the

Commissioner's duties as agent for service of process, requires LSHMOs to remit annual internal audit fees to the Department, and changes the fees and requirements for a certificate of authority for public adjusters. Anticipated net changes in revenues are not expected be significant.

Explanation of Local Expenditures: (1) *Breast Cancer Screening*: This bill may impact local governments and school corporations as employers in the provision of employee health care benefits. The mandated provisions for coverage of additional breast cancer screening by health insurance and HMO plans can result in additional costs for those plans, depending upon current coverage levels. Future costs or savings to the health plans may be realized, as well, due to additional costs of treatment activities or the potential reduction in costs associated with early detection.

(5) *Regulation of Worker's Compensation coverage providers*: This provision would allow the Department of Insurance Fund to be used to defray the costs associated with this proposal. As of June 30, 1998, there was \$4,423,347 M in the Department of Insurance Fund (\$3,562,204 M for operating and \$861,144 for examinations). Estimated expenditures from the Department of Insurance Fund for FY 1999, not including the requirements of this bill, are \$2,398,682 for operating and \$608,176 for examinations.

Explanation of Local Revenues:

State Agencies Affected: All

Local Agencies Affected: Local Governments and School Corporations.

Information Sources: Keith Beesley, Dept. Of Personnel, 232-3062.
Department of Administration, State Budget Committee.