



February 17, 1999

HOUSE BILL No. 2041

DIGEST OF HB 2041 (Updated February 16, 1999 1:05 pm - DI 97)

Citations Affected: IC 20-5; IC 21-2; noncode.

Synopsis: School corporation self-insurance programs. Requires a self-insurance program established or maintained by a school corporation for coverage of health care services for the school corporation's employees to meet certain consumer protection requirements. Provides that contributions made by employers or employees for coverage of health care services must be deposited into a self-insurance fund and may not be transferred to other accounts or used for any other purpose. Requires the commissioner of the department of insurance to identify specific consumer protections to apply to the self-insurance programs.

Effective: July 1, 1999.

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January 27, 1999, read first time and referred to Committee on Insurance, Corporations and Small Business.
February 16, 1999, amended, reported — Do Pass.

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HB 2041—LS 8082/DI 97+



February 17, 1999

First Regular Session 111th General Assembly (1999)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1998 General Assembly.

HOUSE BILL No. 2041

A BILL FOR AN ACT to amend the Indiana Code concerning insurance.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 20-5-2.5 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 1999]

4 **Chapter 2.5. School Corporation Self-Insurance Programs**
5 **Sec. 1. (a) As used in this chapter, "health care services" has the**
6 **meaning set forth in IC 27-8-11-1.**

7 **(b) As used in this chapter, "self-insurance program" means a**
8 **program of self-insurance established or maintained by a**
9 **governing body to provide coverage for health care services to a**
10 **school corporation's employees and the employees' dependents.**

11 **Sec. 2. Subject to IC 20-5-2-2(14) and IC 21-2-5.6 and**
12 **notwithstanding any other law, any self-insurance program must**
13 **comply with this chapter.**

14 **Sec. 3. A self-insurance program must provide that individuals**
15 **covered under the self-insurance program have consumer**
16 **protections that are substantially similar to the following consumer**
17 **protections afforded an individual covered by an insurer or health**

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1 maintenance organization regulated under IC 27:

- 2 (1) Business practices requirements under IC 27-1-3.
 3 (2) Annual financial reporting requirements under
 4 IC 27-1-3.5.
 5 (3) Surplus requirements under IC 27-1-6.
 6 (4) General responsibilities under IC 27-1-7.
 7 (5) Investment requirements under IC 27-1-13 and
 8 IC 27-1-20.
 9 (6) Unfair or deceptive acts and practices requirements under
 10 IC 27-4-1.
 11 (7) Policy provision requirements under IC 27-8-5.
 12 (8) Grievance procedure requirements under IC 27-13-10.

13 Sec. 4. (a) A self-insurance program must be written on an
 14 incurred claims basis.

15 (b) The governing body must fund a self-insurance program as
 16 described in IC 21-2-5.6-1(2) to include coverage for all incurred
 17 claims.

18 (c) Subject to IC 21-2-5.6 and notwithstanding any other law:

- 19 (1) contributions made on behalf of individuals covered under
 20 the self-insurance program, including employee and employer
 21 contributions; and
 22 (2) transfers or allocations of funds by a governing body;
 23 for coverage for health care services under a self-insurance
 24 program may not be transferred to other accounts or expended for
 25 any other purpose.

26 Sec. 5. The department of insurance shall adopt rules under
 27 IC 4-22-2 before June 30, 2000 to specifically identify the consumer
 28 protections described in section 3 of this chapter as those
 29 protections apply to self-insurance programs.

30 SECTION 2. IC 21-2-5.6-1 IS AMENDED TO READ AS
 31 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 1. (a) The governing
 32 body of each school corporation: ~~in the state~~

33 (1) may establish a self-insurance fund in accord with this chapter
 34 for the purposes described in:

- 35 (A) section 2(1) through 2(3) of this chapter; and
 36 (B) section 2(4) of this chapter as section 2(4) of this
 37 chapter applies to governing body or school employee
 38 coverages other than coverage for health care services (as
 39 defined in IC 27-8-11-1); and
 40 (2) shall, if the governing body elects to provide a
 41 self-insurance program to cover health care services (as
 42 defined in IC 27-8-11-1), establish a self-insurance fund under



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1 **this chapter for the purposes described in section 2(4) of this**
 2 **chapter as section 2(4) of this chapter applies to health care**
 3 **services (as defined in IC 27-8-11-1).**

4 SECTION 3. IC 21-2-5.6-3 IS AMENDED TO READ AS
 5 FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 3. (a) **This subsection**
 6 **applies to self-insurance funds permitted to be established under**
 7 **section 1(1) of this chapter.** Subject to the approval of the
 8 commissioner of the department of insurance, the governing body of
 9 the school corporation may:

10 (1) for eventual transfer to the self-insurance fund, include an
 11 amount of money in:

- 12 (A) the general fund budget, and
 13 (B) the general fund tax levy and rate;

14 (2) transfer monies from the general fund to the self-insurance
 15 fund; or

16 (3) appropriate monies from the general fund for the
 17 self-insurance fund.

18 **(b) This subsection applies to self-insurance funds required to**
 19 **be established under section 1(2) of this chapter. Money collected**
 20 **each pay period by the governing body of the school corporation**
 21 **on behalf of individuals covered under a self-insurance program**
 22 **(as defined in IC 20-5-2.5-1(b)), including contributions made by**
 23 **the employer and employees, must be:**

24 (1) **directly deposited to the self-insurance fund established**
 25 **under section 1 of this chapter; and**

26 (2) **used only for the administration of the self-insurance**
 27 **program.**

28 **Expenditures under this subsection include expenses attributable**
 29 **to providing coverage for all incurred claims.**

30 SECTION 4. [EFFECTIVE JULY 1, 1999] (a) **IC 20-5-2.5, as**
 31 **added by this act, applies to self-insurance programs established,**
 32 **renewed, or in effect after January 1, 2001.**

33 **(b) This SECTION expires July 1, 2004.**

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Insurance, Corporations and Small Business, to which was referred House Bill 2041, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Page 1, line 1, delete "IC 5-10-8.5" and insert "IC 20-5-2.5".

Page 1, line 4, delete "8.5. Public Employer Self-Insurance" and insert "**2.5. School Corporation Self-Insurance Programs**".

Page 1, line 5, delete "(a) As used in this chapter, "commissioner" refers to the".

Page 1, delete lines 6 through 8.

Page 1, line 9, delete "(c)" and insert "(a)".

Page 1, run in lines 5 through 9.

Page 1, delete lines 11 through 12.

Page 1, line 13, delete "(e)" and insert "(b)".

Page 1, line 14, delete "public" and insert "**governing body**".

Page 1, line 15, delete "employer".

Page 1, line 15, delete "the public" and insert "**a school corporation's**".

Page 1, line 16, delete "employer's".

Page 1, line 17, delete "Notwithstanding" and insert "**Subject to IC 20-5-2-2(14) and IC 21-2-5.6 and notwithstanding**".

Page 2, line 1, delete "established or maintained by a public employer".

Page 2, line 3, delete "The department shall establish minimum standards to" and insert "**A self-insurance program must provide**".

Page 2, line 4, delete "ensure that a self-insurance program provides".

Page 2, line 20, delete "Notwithstanding any other law:" and insert "**(a) A self-insurance program must be written on an incurred claims basis.**

(b) The governing body must fund a self-insurance program as described in IC 21-2-5.6-1(2) to include coverage for all incurred claims.

(c) Subject to IC 21-2-5.6 and notwithstanding any other law:".

Page 2, line 21, delete "by covered employees;" and insert "**made on behalf of individuals covered under the self-insurance program, including employee and employer contributions;**".

Page 2, line 22, delete "public employer" and insert "**governing body**".

Page 2, line 26, after "department" insert "**of insurance**".

Page 2, line 26, delete "monitor a self-insurance program's".

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Page 2, delete line 27.

Page 2, line 28, delete "Sec. 6. The commissioner shall".

Page 2, run in lines 26 through 28.

Page 2, line 29, delete "implement this chapter." and insert **"specifically identify the consumer protections described in section 3 of this chapter as those protections apply to self-insurance programs."**

Page 2, between lines 29 and 30, begin a new paragraph and insert:
"SECTION 2. IC 21-2-5.6-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 1. (a) The governing body of each school corporation: in the state

(1) may establish a self-insurance fund in accord with this chapter for the purposes described in:

(A) section 2(1) through 2(3) of this chapter; and

(B) section 2(4) of this chapter as section 2(4) of this chapter applies to governing body or school employee coverages other than coverage for health care services (as defined in IC 27-8-11-1); and

(2) shall, if the governing body elects to provide a self-insurance program to cover health care services (as defined in IC 27-8-11-1), establish a self-insurance fund under this chapter for the purposes described in section 2(4) of this chapter as section 2(4) of this chapter applies to health care services (as defined in IC 27-8-11-1).

SECTION 3. IC 21-2-5.6-3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 1999]: Sec. 3. (a) This subsection applies to self-insurance funds permitted to be established under section 1(1) of this chapter. Subject to the approval of the commissioner of the department of insurance, the governing body of the school corporation may:

(1) for eventual transfer to the self-insurance fund, include an amount of money in:

(A) the general fund budget, and

(B) the general fund tax levy and rate;

(2) transfer monies from the general fund to the self-insurance fund; or

(3) appropriate monies from the general fund for the self-insurance fund.

(b) This subsection applies to self-insurance funds required to be established under section 1(2) of this chapter. Money collected each pay period by the governing body of the school corporation on behalf of individuals covered under a self-insurance program



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(as defined in IC 20-5-2.5-1(b)), including contributions made by the employer and employees, must be:

- (1) directly deposited to the self-insurance fund established under section 1 of this chapter; and
- (2) used only for the administration of the self-insurance program.

Expenditures under this subsection include expenses attributable to providing coverage for all incurred claims."

Page 2, line 30, delete "IC 5-10-8.5," and insert "IC 20-5-2.5,"

Page 2, delete lines 33 through 35.

Page 2, line 36, delete "(c)" and insert "(b)".

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to HB 2041 as introduced.)

FRY, Chair

Committee Vote: yeas 7, nays 6.

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