

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7460
BILL NUMBER: SB 486

NOTE PREPARED: Jan 13, 2009
BILL AMENDED:

SUBJECT: Municipality Self-Insurance.

FIRST AUTHOR: Sen. Paul
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides for establishment of a municipal government consortium to create a self-insurance fund. It specifies requirements for registration of a self-insurance fund by the Department of Insurance (DOI).

Effective Date: Upon passage.

Explanation of State Expenditures: *Regulation by the DOI.* A self-insurance fund must be registered with and regulated by the DOI. Currently, the DOI regulates multiple employers, generally school corporations, under the Multiple Employers Welfare Act (MEWA). The impact of the proposal would depend on the number of municipalities that join a consortium. The specific impact is not expected to be significant.

A self-insurance fund is subject to examination by the DOI. Costs and expenses related to an examination must be paid from the self-insurance fund.

Unfair Claims Settlement Practices. The self-insurance fund is subject to unfair claims settlement practices. Violations of the provisions of the bill could be considered unfair and deceptive acts in the business of insurance which may be subject to a hearing by the Commissioner of Insurance. The bill could increase the number of violations for which a hearing may ensue. However, the DOI should be able to handle any additional hearings given its current level of budget and resources.

Rules. The DOI may adopt rules to implement the provisions of the bill. The DOI can adopt rules given its existing level of resources.

Explanation of State Revenues: *Fees.* Applicants for a certificate of registration must submit a nonrefundable application filing fee of \$350. Registered insurance funds are subject to an annual internal audit fee of \$250. The fund administrator must submit an annual report filing fee of \$100. Fees are deposited into the DOI fund, which is used to finance DOI operations. The amount of revenue that will be generated by the fees will depend on the number of consortiums established.

Unfair Claims Settlement Practices. As a result of a hearing, violators may be ordered to cease and desist from the unfair or deceptive act or practice and the Commissioner may order the payment of a civil penalty of not more than \$25,000 for each act or violation. If the person knew or reasonably should have known that he or she was in violation, the penalty may be not more than \$50,000 for each act or violation. All civil penalties imposed and collected are deposited in the state General Fund.

Explanation of Local Expenditures: Two or more municipalities may establish a consortium. The impact of joining a consortium will depend on the circumstances of the participants. Joining the consortium could reduce expenses for municipalities.

If a self-insurance fund is terminated for any reason, the self-insurance fund may not be dissolved until all outstanding financial obligations of the self-insurance fund are paid. Any funds remaining in the self-insurance fund, after satisfaction of all obligations, must be paid to members.

The consortium is subject to application, audit, and filing fees.

Explanation of Local Revenues: Member contributions to a self-insurance fund must be established by the consortium's board of trustees based on certain factors. The amount of revenue that will be generated by member contributions will depend on the rating plan adopted.

State Agencies Affected: DOI.

Local Agencies Affected: Municipalities.

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