TITLE 760 DEPARTMENT OF INSURANCE

Economic Impact Statement
LSA Document #06-69

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses

The proposed rule creates a registration process for professional employer organizations (PEO) doing business in the state of Indiana. It further sets financial and actuarial standards and operational requirements for PEOs that offer a self-funded health benefit plan. The regulatory requirements are less for PEOs that maintain a fully insured health benefit plan. These provisions are necessary to assure the health benefit plan is adequately funded and able to pay claims. The Department is aware of 47 PEOs engaged in business in Indiana; only 1 of the PEOs is an Indiana based company. This Indiana PEO does maintain a self-funded health benefit plan.

Estimated Average Annual Administrative Costs That Small Businesses will Incur:

The renewal fee for the PEO registration is $250. A PEO with a self-insured health benefit plan must also have a fidelity bond covering persons 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.

Estimated Total Annual Economic Impact on Small Businesses:

The proposed rule requires each PEO to maintain a minimum net worth of $50,000 or a bond with a market value of at least $50,000. The application fee is a nonrefundable $500. The renewal fee is $250.

A PEO with a self-insured health benefit plan must also have a fidelity bond covering persons 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. The health benefit plan is subject to examination by the Department with costs to be borne by the PEO.

Regulatory Flexibility Analysis of Alternative Methods:

The Department worked closely with the National Association of Professional Employer Organizations to develop a rule that is consistent with those in other states. The financial and actuarial requirements are necessary in light of the financial responsibilities and potential losses to the Indiana consumer if there were a failure.

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