

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

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 8028**  
**BILL NUMBER: SB 386**

**DATE PREPARED:** Apr 12, 2001  
**BILL AMENDED:** Apr 11, 2001

**SUBJECT:** Filing of Insurance Fees.

**FISCAL ANALYST:** Jim Landers  
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**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** (Amended) The bill authorizes the Insurance Commissioner to adopt rules providing for the accrual and quarterly billing of insurance filing fees. The bill adds a chapter to the Indiana Insurance Law concerning licensing of insurance producers. The bill also adds a chapter to the Indiana Insurance Law concerning privacy of nonpublic personal financial information. The bill specifies that the premium charged for the issuance of a title insurance policy in Indiana in a real estate transaction in which title insurance is issued in at least 1 other state where title insurance premiums are computed based on filed rates may not be less than the average of the title insurance rates charged for title insurance in the other states where rates are filed. The bill provides that a violation is an unfair method of competition and unfair and deceptive act and practice in the business of insurance. The bill also provides for the Office of Medicaid Policy and Planning to apply for a demonstration waiver to provide coverage to individuals with severe, chronic disease. The bill requires the Health Finance Advisory Committee to review issues related to the Indiana Comprehensive Health Insurance Association (ICHIA) and report to the Health Finance Commission. The bill repeals the law concerning ICHIA effective January 1, 2004. The bill also makes conforming amendments.

**Effective Date:** (Amended) Upon Passage; July 1, 2001; January 1, 2002; January 1, 2004.

**Explanation of State Expenditures:**(Revised) *Billing of Insurance Fees:* The bill potentially could increase administrative costs to the Department of Insurance, including computer programming cost and staff time cost. The nature and extent of the additional administrative cost would depend upon which fees the Department elects to collect via quarterly billing.

*Medicaid Waiver:* The bill authorizes the Office of Medicaid Policy and Planning to apply for a demonstration waiver to provide coverage to individuals with severe chronic diseases. This could potentially reduce costs to the state from ICHIA if health care cost of some individuals that would otherwise be assumed by ICHIA is paid through Medicaid. The impact of the bill also depends upon whether the Medicaid waiver

is pursued by OMPP and granted by the federal government and the extent to which individuals currently being served in the ICHIA program would, instead, receive medical services through the Medicaid waiver. The extent of the potential reduction in cost is indeterminable. Waiver costs would be shared with the federal government under the Medicaid program with the federal share equal to about 62% and the state share being about 38%.

*ICHIA Review:* The bill requires the Health Finance Advisory Committee to review issues related to ICHIA and report to the Health Finance Commission. The Health Finance Commission is a statutorily created commission that receives funding from the Legislative Council. It is charged with studying health-related issues. The Commission may study any topic directed by the chairman of the Commission; assigned by the Legislative Council; or concerning issues that include: the delivery, payment, and organization of health care services; and promulgated rules that pertain to health care delivery, payment, and services that are under the authority of any board or agency of state government. The review presumably can be performed by the Health Finance Advisory Committee without additional staffing or resources.

*Insurance Producer Licensing:* This bill repeals and replaces the current insurance agent licensure statute. There will be no additional expenditures to the Department of Insurance for this change.

**Explanation of State Revenues:** (Revised) *Billing of Insurance Fees:* If the Department elects to allow certain fees to be accrued and collected through quarterly billing, the timing of revenue collection would be affected.

*ICHIA Sunset:* The bill also repeals state law establishing ICHIA, including state law that entitles member insurers and HMOs to take tax credits in order to recapture ICHIA assessments. The repeal would be effective January 1, 2004. This would result in a saving to the state by eliminating the assessment tax credits to which member insurers and HMOs are entitled. However, this impact would be delayed until after January 1, 2004. ICHIA assessment tax credits are estimated to total approximately \$15 M annually.

*Background:* ICHIA is funded through premiums paid by individuals obtaining insurance through ICHIA and by assessments imposed on member companies (insurers, health maintenance organizations, and others that provide health insurance or health care coverage in Indiana). ICHIA assessments are estimated to be approximately \$48.75 M in CY 2001 and \$57.10 M in CY 2002.

Under current law, member companies are permitted to recapture the assessments by taking a non-refundable credit against Premium Taxes, Gross Income Taxes, Adjusted Gross Income Taxes, Supplemental Corporate Net Income Taxes, or any combination of these taxes. Assessments that are not claimed as credits in a calendar year can be credited in succeeding years until the total of the assessments has been offset. Thus, a portion of ICHIA assessments paid by member companies are currently reimbursed by the state General Fund in the form of reduced tax payments from those companies. However, some member companies have been unable to claim tax credits in the full amount of ICHIA assessments.

A survey conducted by Outsourced Administrative Systems (OASYS, third-party administrator of ICHIA) during 2000 suggests that in CY 1998 member company tax credits were equal to 62.1% of assessments for that year. This amounted to an estimated \$14.97 M in tax credits claimed for assessments imposed in CY 1998 (62.1% of \$24.1 M in total assessments). Assuming that profit margins of member companies will be similar in CY 2001 and CY 2002, the value of tax credits claimed for assessments imposed in each year is estimated to be \$14.97 M. Thus, unclaimed assessment tax credits for CY 2001 and CY 2002 are estimated to be \$33.78 M and \$42.13 M, respectively. Under current law, these unclaimed assessment tax credits would

have to be carried over to subsequent years.

*Insurance Producer Licensing:* The bill specifies that insurance producer and limited lines producer license renewal fees are due every 4 years. The bill establishes a resident fee of \$40 and a nonresident fee of \$90. Under current law, resident and nonresident agents must renew biennially. The fees are established by rule of the Department of Insurance. The current resident fee is \$20 and the nonresident fee is the greater of the agent's home state fee or \$20. The resident and nonresident fees coupled with the renewal schedule established by the bill are expected to be revenue neutral.

*Title Insurance:* The bill specifies that the premium charged for the issuance of a title insurance policy in Indiana in a real estate transaction in which title insurance is issued in at least one other state where title insurance premiums are computed based on filed rates may not be less than the average of the title insurance rates charged for title insurance in the other states where rates are filed. The bill provides that a violation is an unfair method of competition and unfair and deceptive act and practice in the business of insurance. This provision could impact revenue from civil penalties imposed by the Department of Insurance for unfair methods of competition and unfair and deceptive acts and practices. Current law provides for payment of a civil penalty of no more than \$25,000 for each act or violation, up to \$100,000 annually. These dollar amounts are doubled if the person knew or reasonably should have known that the act or practice was a violation.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Insurance, Office of Medicaid Policy and Planning, Indiana Comprehensive Health Insurance Association, Health Finance Commission.

**Local Agencies Affected:**

**Information Sources:** Liz Carroll, Department of Insurance, 232-2406.