

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

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7084

BILL NUMBER: HB 1191

DATE PREPARED: Mar 22, 2002

BILL AMENDED: Mar 14, 2002

SUBJECT: Insurance Activities of Depository Institutions.

FISCAL ANALYST: Michael Molnar

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**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: (CCR Amended) This bill amends the interest rate upon which the minimum nonforfeiture amount for annuity contracts issued from July 1, 2002, through June 30, 2004, is based. The bill imposes certain requirements on depository institutions that sell, solicit, advertise, or offer insurance. The bill makes a violation of the requirements an unfair and deceptive act and practice in the business of insurance. The bill also provides for treatment of a segregated investment account in the event of liquidation of an insurer.

Effective Date: (CCR Amended) Upon Passage; July 1, 2002.

Explanation of State Expenditures: (Revised) This bill sets forth terms and conditions for financial institutions regarding insurance. The Commissioner of the Department of Insurance may investigate the insurance activities of persons associated with depository institutions. This would not increase the workload significantly and is a current responsibility of the Department of Insurance for insurance producers.

This bill reduces the minimum nonforfeiture rate to 1.5%. This reduction changes the rate to better reflect actual interest rates in the market. This is not expected to have any impact upon state expenditures.

The bill also includes provisions for segregated investment accounts. The provisions will assure that segregated accounts are not liquidated in the event of an insurance company bankruptcy, and will be used for the intended purpose. This is not expected to have any impact upon state expenditures.

Explanation of State Revenues: Violation of the conditions established in this bill is an unfair and deceptive act or practice in the business of insurance. Violation of these requirements may result in the levying of civil penalties under IC 27-4-1-4. Civil penalties will be deposited in the state General Fund.

The civil penalties set forth are: \$25,000 for each act or violation, or \$50,000 for each act or violation if the

person knew or reasonably should have known that he/she was in violation of this chapter. The remediation efforts undertaken by the person will be used in determining the amount of the civil penalty. In addition, if the person knew or reasonably should have known that he/she was in violation of this chapter, the Commissioner may suspend the person's license or certificate of authority. In 2000 and 2001, there were nine instances of unfair and deceptive acts or practices in the business of insurance.

The total fiscal impact of this bill is not known and is dependent upon the number of unfair and deceptive acts or practices in the business of insurance that occur.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected:

Local Agencies Affected:

Information Sources: Greg Thomas, Chief Deputy Commissioner, Department of Insurance, (317) 232-2406.