

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6302**

**BILL NUMBER:** HB 1063

**NOTE PREPARED:** Nov 28, 2010

**BILL AMENDED:**

**SUBJECT:** Individual Out-of-State Health Insurance.

**FIRST AUTHOR:** Rep. Brown T

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**  GENERAL  
 DEDICATED  
 FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill allows an accident and sickness insurer that is licensed in certain other states, and is not licensed in Indiana, to issue or deliver an individual policy of accident and sickness insurance to an individual resident of Indiana without complying with other Indiana insurance law.

**Effective Date:** July 1, 2011.

**Explanation of State Expenditures:** *Market Conduct and Solvency Examinations:* The bill provides that the Commissioner of the Department of Insurance (DOI) may conduct market conduct and solvency examinations of an out-of-state insurer before and after the out-of-state insurer begins issuing or delivering policies of accident and sickness insurance in Indiana. According to the DOI, conducting both a market conduct and solvency examination could cost a minimum of \$350,000 for one insurer. These costs, however, could be significantly reduced if Indiana joined other states or used examinations conducted by the National Association of Insurance Commissioners (NAIC). According to NAIC, in 2008, there were 819 domestic health insurers.

**Rules:** The bill provides that the DOI may adopt rules to review and limit premium rate changes that apply to a policy of accident and sickness insurance. The DOI will be able to cover any additional expenses associated with rule changes given its existing level of resources.

**Explanation of State Revenues:** *Loss of Premium Tax.* Insurance companies issuing health insurance plans in Indiana are required to pay premium taxes. If a purchaser of a policy does not currently have health insurance and opts to purchase a policy from an out-of-state insurer or if a purchaser is replacing an existing Indiana policy with a less expensive policy from another state, premium tax collections could decline.

Premiums are typically based on the cost of health care. Locations with higher health care costs generally have higher premium costs. Locations with healthier populations generally have lower premiums. For FY 2010, \$180.5 M was collected in insurance taxes. Premium taxes are collected by the DOI and deposited in the state General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** DOI.

**Local Agencies Affected:**

**Information Sources:** Robyn Crosson, DOI; NAIC; Indiana Auditor of State.

**Fiscal Analyst:** Bill Brumbach, 232-9559.