

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

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6192

BILL NUMBER: SB 29

NOTE PREPARED: Nov 17, 2011

BILL AMENDED:

SUBJECT: Employer-Purchased Insurance.

FIRST AUTHOR: Sen. Mrvan

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires an employee's written consent to an employer's purchase of life or disability insurance covering the employee. The bill limits the amount payable under the life or disability insurance to the amount of the employee's annual salary.

Effective Date: July 1, 2012.

Explanation of State Expenditures: This bill may require the Department of Insurance (DOI) to audit employer compliance in obtaining employee written consent to purchase life or disability insurance coverage for an employee. Any change in DOI workload will depend on the number of complaints filed with the DOI and administrative decisions on how to enforce the provisions of the bill. The extent to which employers currently purchase life or disability insurance for employees is unknown. The anticipated increase in workload of the DOI is expected to be minimal.

Additionally, to the extent businesses (1) fail to obtain written consent from employees before purchasing life or disability insurance, (2) purchase life or disability insurance for an employee, and (3) a deceptive act complaint (under IC 27-4-1-5) is filed with the DOI, workload may increase to provide a hearing on the matter. Increases in workload are expected to be unlikely.

Background Information: Under current law an employer is required to send notice to an employee the employer intends to purchase life or disability insurance for. The bill will require the employee to provide written consent before purchasing life or disability insurance.

Explanation of State Revenues: *Insurance Premium Tax:* By limiting the total payable amount to no more than the annual salary of an insured employee, this bill could reduce insurance premiums paid by employers. If these insurance premiums decrease as a result of this bill, so will state revenue received from the insurance premium tax.

It is not known how much state revenue was generated from insurance premiums sold to employers to insure their employees; however, the provisions of the bill are expected to decrease state revenue deposited in the General Fund by an indeterminable amount.

Unfair and Deceptive Act: If the Commissioner of the DOI finds after a hearing that an employer has engaged in an unfair or deceptive act, the Commissioner can order one or more of the following penalties: (1) a civil penalty between \$25,000 and \$50,000 for each unfair or deceptive action and (2) suspension or revocation of an offender's license or certificate of authority.

All money received from civil penalties is deposited into the General Fund. To the extent this bill increases the number of unfair or deceptive act determinations, revenue to the General Fund will increase. Actual increases are indeterminable.

Background Information: The state receives tax revenue from gross premiums received by insurance companies on (1) insurance policies covering risks within the state during the year or (2) insurance policies made, written, or renewed during the year on marine or transportation risks, minus deductions for reinsurance premiums, dividends paid to resident insureds, and premiums returned. The state tax rate on insurance premiums is 1.3%. In FY 2011, the insurance premium tax accounted for approximately \$186 M to the General Fund.

Explanation of Local Expenditures: If a filed complaint of a deceptive act is not resolved through a hearing with the DOI, court caseload may increase to remedy the deceptive act. Increases in court caseload are expected to be unlikely.

Explanation of Local Revenues:

State Agencies Affected: DOI.

Local Agencies Affected: Local courts.

Information Sources:

Fiscal Analyst: Bill Brumbach, 232-9559