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FISCAL IMPACT STATEMENT

LS 6589

BILL NUMBER: SB 317

NOTE PREPARED: Dec 27, 2012

BILL AMENDED:

SUBJECT: Employer-Purchased Insurance.

FIRST AUTHOR: Sen. Mrvan

BILL STATUS: As Introduced

FIRST SPONSOR:

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, 2013.

Explanation of State Expenditures: *Summary:* This bill could increase the workload of the Department of Insurance (DOI) to investigate complaints where: (1) an employer fails to obtain an employee's written consent to purchase life or disability insurance covering the employee; and (2) the amount payable to the employer under a life or disability insurance policy on an employee exceeds the employee's annual salary. Violations of these requirements would be unfair and deceptive acts. Increases in workload are unknown, but expected to be minimal.

Additional 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 and limits the policy's total amount payable to no more than an amount equal to the annual salary of the employee.

This bill may require the Department of Insurance to audit employer compliance in obtaining employee written consent to purchase life or disability insurance coverage for an employee and ensure the policy does not include a payable amount that exceeds the employee's annual salary. 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, this bill could increase the workload of the DOI to the extent an individual files a deceptive act complaint alleging: (1) an employer failed to obtain written consent from an employee before purchasing life or disability insurance; or (2) the amount payable to an employer under a life or disability insurance policy on an employee exceeds the annual salary of the insured employee. Increases in workload are expected to be unlikely.

Explanation of State Revenues: *Summary:* This bill could reduce revenue the state receives from the insurance premiums tax and increase revenue the state receives from civil penalties for unfair and deceptive acts. Actual changes in state revenue are unknown.

Additional Information:

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 could 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.

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 2012, the insurance premium tax accounted for approximately \$203 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:

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