

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6979

BILL NUMBER: HB 1332

NOTE PREPARED: Mar 8, 2024

BILL AMENDED: Mar 8, 2024

SUBJECT: Insurance Matters.

FIRST AUTHOR: Rep. Carbaugh

FIRST SPONSOR: Sen. Baldwin

BILL STATUS: Enrolled

FUNDS AFFECTED: X **GENERAL**
 X **DEDICATED**
 FEDERAL

IMPACT: State & Local

Summary of Legislation: *Insurance Producer Education and Continuing Education Commission:* The bill establishes the Insurance Producer Education and Continuing Education Commission with appointments to the Commission by the Commissioner of the Department of Insurance (DOI). It repeals the Insurance Producer Education and Continuing Education Advisory Council.

Alien or Foreign Insurance Company: The bill repeals the law requiring an alien or foreign insurance company to annually submit to the DOI a condensed statement of its assets and liabilities and requiring the DOI to publish the statement in a newspaper.

Regulation of Insurance: It adds to the law on the regulation of insurance holding company systems provisions concerning liquidity stress testing according to the framework established by the National Association of Insurance Commissioners.

Insurance Administrators: The bill amends the law on insurance administrators to set forth certain circumstances under which an insurance administrator is required to apply to Indiana for a license.

Written Notice: The bill requires an insurer to mail a written notice of nonrenewal to an insured at least 60 days before the anniversary date of the policy if the coverage is provided to a municipality or county entity.

Health Provider Contract: The bill provides that if a party to a health provider contract intends to terminate the contractual relationship with another party to the health provider contract, the terminating party must provide written notice to the other party of the decision to terminate the contractual relationship not less than 90 days before the health provider contract terminates.

Prescription Drug Rebates: It amends the law on individual prescription drug rebates and the law on group prescription drug rebates to authorize the DOI to adopt rules for the enforcement of those laws and to specify that a violation of either of those laws is an unfair or deceptive act or practice in the business of insurance.

Options: The bill requires an insurer to only offer to plan sponsors the following plans:

- (1) A plan that applies 100% of the rebates to reduce premiums for all covered individuals equally.
- (2) A plan that calculates defined cost sharing for covered individuals of the plan sponsor at the point of sale based on a price that is reduced by an amount equal to at least 85% of all of the rebates received or estimated to be received by the insurer.

Applicability: The bill changes the date of applicability for provisions regarding a notice of material change from after June 30, 2024, to after June 30, 2025.

Property and Casualty Insurance: It amends the property and casualty insurance guaranty association law concerning the allocation, transfer, or assumption by one insurer of a policy that was issued by another insurer.

Effective Date: June 30, 2024; July 1, 2024.

Explanation of State Expenditures: *Insurance Producer Education and Continuing Education Commission:* The bill repeals the Insurance Producer Education and Continuing Education Advisory Council (Advisory Council) and establishes the Insurance Producer Education and Continuing Education Commission (Commission) to make recommendations regarding continuing education. The Commission will be staffed by the Department of Insurance (DOI), will consist of 7 members appointed by the DOI Commissioner, and must meet at least twice per year. Commission members are entitled to \$100 per diem and travel reimbursement, including \$0.49 per mile paid from the DOI agency fund.

Expenditures for the Commission will be mitigated by the repeal of the Advisory Council, which consisted of the DOI Commissioner and 15 lay members, each entitled to the same per diem and travel reimbursement as members of the new Commission. The Advisory Council last met in July 2023 and is scheduled to meet again in March, 2024.

Department of Insurance (DOI): Violations of individual and group prescription drug rebates are actionable by the DOI as unfair and deceptive acts. The agency workload could increase to investigate and adjudicate allegations to determine if an unfair or deceptive act has been committed. Increases in DOI workload are expected to be accomplished within existing resource and funding levels. *[The DOI is funded through a dedicated agency fund.]*

Explanation of State Revenues: *Unfair and Deceptive Acts:* The DOI Commissioner may take administrative actions concerning unfair and deceptive acts that will impact revenue to the state General Fund and the DOI's agency fund. The penalty for engaging in unfair and deceptive acts is a civil penalty between \$25,000 and \$50,000 for each act or violation, which is deposited into the state General Fund.

Third Party Administrator (TPA) Licenses: The bill could lead to additional administrators applying for licensure in Indiana, which could increase license fee revenue. The current fee for TPA licenses is \$50.

Additional Information: According to the DOI, there are currently 380 licensed TPAs, of which, 84 are resident licenses.

Explanation of Local Expenditures: The bill impacts local units of government who offer group prescription drug coverage. The bill requires an insurer to offer two options to employers to choose from for their group plans. Any changes resulting from the bill is indeterminate.

Explanation of Local Revenues:

State Agencies Affected: Department of Insurance.

Local Agencies Affected: Local units offering group prescription drug coverage.

Information Sources: Claire Szpara, Department of Insurance; Legislative Services Agency, *Indiana Handbook of Taxes, Revenues, and Appropriations*, FY 2023; IC 25-1-50.

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