



IOWA HOUSE DEMOCRATS

BILL & AMENDMENT SUMMARY

Insurance Division Omnibus HF 426

Status of Bill: House Floor with Senate Amendment
Committee: Commerce (23-0); House (94-0); Senate (32-17)
Research Analyst: Alison Ver Schuer; (515) 281-5939; Alison.Ver.Schuer@legis.iowa.gov

Lead Democrat: Rep. Forbes
Floor Manager: Rep. Jacobsen

Bill Summary

HF 426 is the Insurance Division's annual Code update, which would make the following changes:

- *Sections 1-4:* These sections would amend Iowa Code to better clarify the Division's Fraud Bureau's authority to review potential fraud cases and ensure the Fraud Bureau's ability to assist local, state, and federal law enforcement with any criminal case under the Commissioner's authority.
- *Section 5:* This section would amend the Division's licensing requirements to ensure viatical settlement brokers meet updated criminal history standards. This section also prohibits non-resident producers from being classified as viatical settlement brokers since the Division is unable to provide licensing to such legal entities.
- *Section 6:* This would amend Code language to ensure resident insurance producer licensing requirements meet updated criminal history standards.
- *Section 7:* This section would create new code language that provides the Division authorization to perform criminal history checks for insurance producers, initial license or additional line of authority for a nonresident insurance producer, a renewal, reinstatement, or reissuance of license if revoked or suspended, and an initial license as a viatical settlement provider or settlement broker in the state. This section also requires the Commissioner to create a process for applicants to submit criminal history information for determining licensing eligibility.
- *Section 8:* This section would update Public Adjusters Code language to ensure background checks aligns with the new process described in Section 7.

Amendment Summary

H-1028 (Senate): This amendment requires the Insurance Commissioner to dedicate at least two insurance fraud bureau investigators to investigating suspected workers' compensation fraud. This language was in SF 331 but not HF 426. The amendment was sponsored by Senator Jake Chapman and was adopted by a voice vote.

SF 331 is a similar bill to HF 426 that directs the Iowa Insurance Division to dedicate minimum two Special Investigators within the Division's Fraud Bureau to worker's compensation fraud investigation. This bill also clarifies the Fraud Bureau Investigators' authority to carry out law enforcement activities, such as executing arrest and search warrants, and requires criminal history checks.

Currently, the Insurance Division's Fraud Bureau consists of a Director, three Special Investigators, and a Criminal Intelligence Analyst. During 2018, the Bureau received 1,046 referrals, which was a 27% increase from 2017. The Bureau presented 27 fraud cases to prosecutors, issued 15 warrants, and arrested 15 individuals that resulted in 5 convictions. 83 out of the 1,046 referrals were related to workers'

compensation. This is consistent with the previous three years of available data reflecting approximately 9% of referrals involved workers' compensation issues during that time period.

H-1064 to H-1028 (Hunter): This amendment requires the Insurance Commissioner to dedicate at least two insurance fraud bureau investigators to investigating suspected workers' compensation fraud, Farm Bureau Health Plan fraud, emergency medical personnel tax credit fraud, and fraud associated with any private business insurance policy.

H1028.1315 (Running-Marquardt): This amendment requires private insurance coverage for three-dimensional mammograms.

H1028.2556 (Prichard): This is a secondary amendment that strikes H-1028's language and replaces with the following:

- Requires the Insurance Commissioner to dedicate at least two insurance fraud bureau investigators to investigating suspected workers' compensation fraud and suspected violation of pre-existing condition protections per new Code chapter (514M).
- Creates a new Code chapter (514M) that prohibits any insurance carrier or health benefit plan from denying individuals coverage based on pre-existing conditions. This includes any group plan, Farm Bureau Health Benefit Plans, Multi-Employer Welfare Association plans, and short-term limited duration plans.
- Requires any insurance carrier or health benefit plan to develop premium rates based only on the following factors: (1) age; (2) individual or family coverage; (3) tobacco use; and (4) geographic rating area in compliance with federal law.
- Prohibits any insurance carrier or health benefit plan from adjusting premium rates more than once a year unless: (1) change in enrollment; (2) change in family composition; (3) change in geographic rating or tobacco use; (4) the insured requests changes to his/her plan; or (5) federal law or regulations requires a premium rate adjustment.
- The placement of two investigators will be based on the volume of suspected fraud or violation complaints filed with the Commissioner's office.

Fiscal Impact

The fiscal impact of implementing SF 331 is approximately \$220,000 salaries and benefits for the required additional 2.0 FTE fraud investigator positions to investigate workers' compensation fraud. Each additional Special Investigator hired at the starting pay range of the classification would cost the Division approximately \$110,000, including salary and benefits.

The Insurance Division is a Department of Commerce entity and does not receive General Fund appropriation. Instead, the Division charges fees at the beginning of each calendar year based on the prior year to insurance licensees and other entities and deposits this amount into the Department of Commerce Revolving Fund.

The Division takes the difference of what has been appropriated at the start of fiscal year to the Revolving Fund from the total amount of the fees and reverts the remaining revenue back to the General Fund at the end of each fiscal year. Reversion amounts to the General fund from the Insurance Division for FY 2016 to FY 2018 includes:

- FY 2016: \$11.9 million
- FY 2017: \$12.5 million
- FY 2018: \$14.1 million