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**SF 331** – Insurance, Background Checks, and Fraud Review (LSB2319SV)  
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Fiscal Note Version – New

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### **Description**

[Senate File 331](#) directs the Iowa Insurance Division to dedicate a minimum of two Special Investigators within the Insurance Division's Fraud Bureau to workers' compensation fraud investigation. The Bill also clarifies the authority of Fraud Bureau investigators to carry out law enforcement activities, such as executing arrest warrants and search warrants, and requires a criminal history check, including fingerprinting and State and federal background checks, for newly licensed producers, public adjusters, viatical settlement providers, and viatical settlement brokers.

### **Background**

The Insurance Division's Fraud Bureau staff consists of a Bureau Director, three Special Investigators, and a Criminal Intelligence Analyst. In 2018, the Bureau received 1,046 referrals, which was a 27.0% increase compared to 2017. The Bureau presented 27 fraud cases to prosecutors, issued 15 warrants, and had 15 arrests and 5 convictions. Of the 1,046 referrals in 2018, 83 referrals were related to workers' compensation. This is consistent with the past three years of available data, as approximately 9.0% of referrals involved workers' compensation issues during that time period.

### **Assumptions**

- The Insurance Division's Fraud Bureau is comprised of 3.0 full-time Special Investigators. The Division estimates an additional 2.0 full-time equivalent (FTE) positions at the Special Investigator classification will be needed to manage the current workload within the Bureau if two employees were to be dedicated exclusively to workers' compensation fraud investigation, as specified within the Bill.
- Each additional Special Investigator hired at the starting pay range of the classification would cost the Division approximately \$110,000, including salary and benefits.

### **Fiscal Impact**

The fiscal impact of implementing [Senate File 331](#) is approximately \$220,000 for salaries and benefits for an additional 2.0 FTE fraud investigator positions to investigate workers' compensation fraud cases.

The Iowa Insurance Division is a Department of Commerce entity and does not receive an appropriation from the State General Fund. Instead, as is the case with other Department of Commerce entities, the Division charges fees based on the prior year at the beginning of each calendar year to insurance licensees and other entities and deposits these fees into the Department of Commerce Revolving Fund.

At the end of each fiscal year, the Division takes the difference of what has been appropriated to the Division through the Commerce Revolving Fund at the beginning of the fiscal year from the total amount of these fees and reverts the remaining revenue back to the General Fund.

Reversion amounts to the General Fund from the Insurance Division for FY 2016 to FY 2018 are as follows:

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

The costs of fingerprinting and conducting State and federal background checks will be paid through license fees from newly licensed producers, public adjusters, viatical settlement providers, and viatical settlement brokers as part of the licensure process. The costs are estimated to be approximately \$50 per licensee, and included within this cost are amounts charged by the Division of Criminal Investigation for the State background check, the charges of the Federal Bureau of Investigation for the federal background check, and any potential costs that will need to be paid to the vendor providing State background checks on behalf of the Department of Criminal Investigation. At this time, a vendor has not been selected. The Division anticipates that some job duties for current licensing staff will be modified to conduct these checks, but no additional staff will be required. Producers, public adjusters, viatical settlement providers, and viatical settlement brokers who currently have active licenses will be excluded from fingerprinting and State and federal background checks. Approximately 20,000 new producers, public adjusters, viatical settlement providers, and viatical settlement brokers will need to comply with this requirement annually.

**Sources**

Iowa Insurance Division  
State Accounting System

*/s/ Holly M. Lyons*

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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