



HF 426 – Insurance, Background Checks, and Fraud Review (LSB1215HV)
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Fiscal Note Version – As amended by Senate Amendment H-1028

Description

House File 426 as amended by Senate Amendment H-1028 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 conducting 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 five 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.

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 Commerce Revolving Fund. At the end of each fiscal year, the Insurance Division takes the difference of what has been appropriated to the Division from the Commerce Revolving Fund from the total amount of the fees collected and reverts the remaining revenue to the General Fund. Reversion amounts to the General Fund from the Commerce Revolving Fund for FY 2016 to FY 2018 were as follows:

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

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.

- It is assumed that the number of workers' compensation fraud case referrals will remain at approximately 80 per year in subsequent years. It is uncertain how many future referrals will result in convictions.

Fiscal Impact

[House File 426](#) as amended by Senate Amendment H-1028 is estimated to increase the costs of the Insurance Division by \$220,000 annually for salaries and benefits of two Special Investigator positions (2.0 full-time equivalent (FTE) positions). The positions would be funded from the Commerce Revolving Fund. Proceeds recovered from workers' compensation fraud investigations cannot be determined as the level of restitution ordered to be paid and the collection rate are uncertain.

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 include amounts charged by the Division of Criminal Investigation (DCI) 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 DCI.

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.
