



[HF 426](#) – Insurance, Background Checks, and Fraud Review (LSB1215HV.1)
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Fiscal Note Version – Final Action

Description

[House File 426](#) clarifies the authority of Insurance Division 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. The Bill authorizes the Insurance Commissioner to contract with a third-party vendor for fingerprinting applicants and to authorize the vendor to collect reasonable fees for associated costs.

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. 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 receives an annual appropriation from the Commerce Revolving Fund. 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 costs of fingerprinting and conducting state and federal background checks will be paid by new licensees at an estimated cost of \$50 per licensee. 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.
- An estimated 20,000 producers, public adjusters, viatical settlement providers and viatical settlement brokers will be subject to the background check requirement annually.

Fiscal Impact

[House File 426](#) is not expected to have a fiscal impact on the State as the Bill does not materially change the duties or functions of the Insurance Division. The costs of fingerprinting and conducting State and federal background checks will be paid through fees assessed to newly licensed producers, public adjusters, viatical settlement providers, and viatical settlement brokers as part of the licensure process.

Sources

Iowa Insurance Division
State Accounting System

Doc ID 1138381

/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.
