

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: Senate Bill 1029 (Fourth Edition)

SHORT TITLE: PEO Amendments.

SPONSOR(S): Senator Bingham

FISCAL IMPACT					
	Yes ()	No (X)	No Estimate Available ()		
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
REVENUES					
EXPENDITURES					
POSITIONS (cumulative):					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Insurance					
EFFECTIVE DATE:					

BILL SUMMARY:

Senate Bill 1029 amends GS 58-89A-50 to provide that professional employer organizations (PEOs) regulated by Article 89A of GS Chapter 58 must post a surety bond for the benefit of the Commissioner of Insurance (Commissioner) of \$100,000 if they were initially licensed before October 1, 2008, and PEOs licensed after that date must post a bond of 5% of the applicant's wages and specified benefits, up to a \$500,000 maximum or a greater amount if the Commissioner so requires (current law requires the latter bond of all applicants.)

This bill also adds a new subsection (a1) to GS 58-89A-105 to allow a client company under the act to maintain employee benefit plans for the benefit of assigned employees. The new subsection provides that Professional Employer Organizations (PEOs) that self-insure their health insurance benefit plans on October 1, 2009, may continue to self-insure if the PEO meets the conditions specified in new GS 58-89A-106.

SB 1029 also enacts GS 58-89A-106 to allow a PEO that self-insures its health benefit plan on October 1, 2009, to continue to self-insure provided that the PEO meets the following conditions: (1) uses a third party administrator; (2) holds all health insurance plans in a separate

trust account; (3) provides sound reserves for the health benefit plan; (4) maintains the plan for employees only; (5) issues a policy or summary plan, with conspicuous notice regarding benefits and coverage, to all covered employees; (6) files all third-party administrator contracts with the Commissioner of Insurance (Commissioner); (7) maintains actuarially sound, aggregate, and individual stop-loss insurance; (8) files a summary plan with the Commissioner; (9) the plans are not required to provide coverage meeting the requirements of other provisions of the Chapter mandating coverage or the offer of coverage by the type or level of health care services or provider; and (10) maintains a written plan of operation for the plan filed with the Commissioner and files the plan of operation with the Commissioner within 30 days of implementation.

This bill enacts new GS 58-89A-107 allowing the Commissioner to examine PEO benefit plans as often as the Commissioner deems appropriate, and limits the amount paid by a PEO for an exam to \$60,000 unless the PEO and Commissioner agree on a higher amount.

SB 1029 further amends GS 58-89A-31 to provide that covered employees are considered employees solely of the client for the purposes of determining tax credits and other economic incentives provided by the state or a political subdivision and based on employment.

Source: Bill Digest S.B. 1029 (03/27/0200).

ASSUMPTIONS AND METHODOLOGY:

According to the Department of Insurance, the Department's Life & Health Division already regulates and has processes relating to the regulation of Multiple Employer Welfare Associations in a manner that is very similar to what this bill creates for certain PEOs. Therefore, this bill's impact upon DOI will not be significant, and there will be no significant fiscal impact on the State.

SOURCES OF DATA: Department of Insurance

TECHNICAL CONSIDERATIONS: None

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