

## REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Regulation: 806 KAR 11:020  
Contact Person: Abigail Gall  
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(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation sets for the requirements and process for multiple employer welfare arrangements to apply for a certificate of registration in the state of KY. This administrative regulation requires multiple employer welfare arrangements to provide information to the Commissioner of Insurance in order to enforce applicable laws. This administrative regulation also identifies the provisions of the Insurance Code that will be applicable to multiple employer welfare arrangements.

(b) The necessity of this administrative regulation: KRS 304.2-110 authorizes that the Commissioner of Insurance may make reasonable administrative regulations necessary for or as an aid to the effectuation of any provision of the Kentucky Insurance Code. KRS 304.4-010 requires the commissioner to prescribe the fees charged by the Department and the services for which fees shall be charged by administrative regulation.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 304.2-110(1), authorizes that the Commissioner may promulgate administrative regulations to aid in effectuation of the Insurance Code.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation defines multiple employer welfare agreement, sets forth the required documentation that is to be submitted to the Commissioner so the Commissioner may enforce applicable laws.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: The amendments to this administrative regulation are extensive so that the applicable laws can be better interpreted and prescribed by the Commissioner. These include requiring MEWAs to file with the Commissioner an application for certification of registration, along with a \$500 filing fee. The regulation would now require any MEWA offering stop-loss policies to have an AM Best rating, any MEWA must submit personal and biographical information for its' officers and trustees. The administrative regulation has added sections that set forth reporting requirements, penalties and liabilities for MEWAs and exemptions to the regulation. The amendments also incorporate an internal application form (Form CoR MEWA) as well as the federal reporting forms to the Department of Labor (Form 5500 and M-1). There are also several technical amendments to adhere to the drafting requirements set forth in Chapter 13A.

(b) The necessity of the amendment to this administrative regulation: The necessity of this administrative regulation is prescribed by KRS 304.2-110 and 304.4-010. This administrative is necessary to implementing the Insurance Code as well as properly regulating multiple employer welfare agreements.

(c) How the amendment conforms to the content of the authorizing statutes: KRS 304.2-110 authorizes that the Commissioner of Insurance may make reasonable administrative regulations necessary for or as an aid to the effectuation of any provision of the Kentucky Insurance Code. KRS 304.4-010 requires the commissioner to prescribe the fees charged by the Department and the services for which fees shall be charged by administrative regulation. KRS Chapter 13A sets forth the drafting and formatting requirements for administrative regulations. The amendments to this administrative regulation conforms to the authority granted in the above statutes.

(d) How the amendment will assist in the effective administration of the statutes: The amendments assist in the Commissioner's authority to make administrative regulations to aid in the provision of the Kentucky Insurance Code, and help better regulate multiple employer welfare agreements.

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: There is only 1 MEWA listed in the Commonwealth today.

(4) Provide an analysis of how the entities identified in the previous question will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions each of the regulated entities have to take to comply with this regulation or amendment: MEWAs will need to file for an application for a certificate of registration with the Commissioner, and a \$500 filing fee. The entity acting as a MEWA must also submit additional written information as prescribed by Section 3. Any MEWA offering stop-loss policies will need to have an AM Best rating. MEWAs will need to have on file with the Commissioner the US Department of Labor M-1 and 5500 forms for consideration, as well as submitting personal and biographical information of the officers and trustees of the MEWA.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities: A \$500 filing fee is required.

(c) As a result of compliance, what benefits will accrue to the entities: If all procedures and requirements are met the Commissioner may then make an informed decision on whether to approve a certificate of registration or deny the applicant. If any entity fails to comply with Section 2 then a \$1000 fine will be applied.

(5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially: Implementation of this amendment is not anticipated to have an initial cost on the Department of Insurance.

(b) On a continuing basis: Implementation of this amendment is not anticipated to have an on-going cost on the Department of Insurance.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: The Department will use funds from its current operational budget to perform the tasks necessary.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment:

(8) State whether or not this administrative regulation established any fees or directly or indirectly increased any fees: Yes, this administrative regulations establishes a \$500 filing fee for MEWAs.

(9) TIERING: Is tiering applied? Explain why or why not. Tiering is not applied because this administrative regulation effects all MEWAs.

## FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

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(1) What units, parts or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation? The Department as the implementer.

(2) Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation.

(3) Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect. If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation. There is no fiscal impact known to be associated with this administrative regulation.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year? No revenue is expected to be generated.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? No revenue is expected to be generated.

(c) How much will it cost to administer this program for the first year? No cost is expected.

(d) How much will it cost to administer this program for subsequent years? No cost is expected.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

(4) Revenues (+/-): Neutral

(5) Expenditures (+/-): Neutral

(6) Other Explanation: