

LEG REG REVIEW 2004, Thirtieth Issue

LEG REG REVIEW is a periodic newsletter produced by PHILLIPS ASSOCIATES, a professional lobbying and consultant firm based near the State Capitol. It contains news on the Legislative and Regulatory scene in Pennsylvania that may be of use to insurance producers, companies, and interested parties. It is a free Member Service if you belong to the Pennsylvania Association of Health Underwriters (PAHU) or the PA Surplus Lines Association (PSLA). Subscription information may be obtained by contacting PHILLIPS ASSOCIATES at 717/728-1217, Fax 717/728-1164 or E-mail to xenobun@aol.com. Please email jtrout2792@aol.com supplying both your fax number and your desired email address to convert your receipt of this publication to email. If you do not wish to receive it, please let us know.

SENATE COMMITTEE TO REVIEW MULTIPLE ISSUES

On October 4, the Senate Banking and Insurance Committee are slated to take up a total of eleven insurance bills, dealing with company finances and securities law. The first set of three bills amends the Insurance Company Act of 1921 and is sponsored by Chairman Gib Armstrong (R-Lancaster). SB 1164 addresses eligible insurance company investments. SB 1165 focuses on companies' use of surplus notes. SB 1166 addresses the lending of securities and repurchase agreements.

The other eight bills focus on securities. Each one amends the PA Securities Act. Some include:

- HB 547 (Gannon-R-Delaware) on assessments
- HB 552 (Hutchinson – R-Venango) on short swing profits
- HB 600 (Pallone-D- Westmoreland) on suspension and revocation of registration
- HB 604 (Browne-R-Lehigh) on registration sanctions and criminal penalties

SENATE WEEK NON-EVENTFUL

Last week, the Senate session was shortened by one day because of flooding in the Harrisburg area. Nothing of particular relevance to the insurance community was voted on. Of interest to some is the movement of Senate Bill 1 through the Senate State Government Committee on September 21. This bill brings back a more stringent form of lobbying disclosure and places responsibility for the reports to the interest being lobbied for instead of the lobbyist. In practice, record-keeping as to time spent will still be done by many lobbyists even though the principal will have legal responsibility for the report. Another change is the transfer of authority for the regulation of lobbyists to the Department of State (currently with the Secretary of the Senate). SB 1 is on the Senate voting calendar.

House session days for this week are listed as non-voting. The sole insurance bill on the calendar is HB 2299 (Payne-R-Dauphin), a measure to extend PA tax incentives to Health Savings Accounts. The bill has nine amendments that, unless withdrawn, will also be considered.

INSURANCE DEPARTMENT OFFERS NEW LICENSE SEARCH

PA consumers now have the ability to research a particular individual or agency to see if that person actually has an insurance license. The Internet-based system allows research by license number, business name, individual name, or by location. To utilize this feature, go to www.insurance.state.pa.us and look for "Find an Insurance Producer" or "Find a Business entity".

COMING UP

- The House Democratic Health Task Force (HEART) hearing set for September 28 was cancelled. A new HEART hearing is scheduled for September 29 in Schuylkill County. It will focus on access to prescriptions and obtaining drugs from Canada. Details: 717/787-1290.
- On September 30 the Pittsburgh Association of Health Underwriters will convene a meeting which features two CE hours on Health Insurance Public Policy Issues and two CE hours on Consumer Driven Health Plans and HSAs. Details: Don Balla 412/261-2222
- October 4 is the last day to register to vote in the general election.
- A meeting of the Patient Safety Authority, an entity under Mcare's jurisdiction (Medical Malpractice), is scheduled for October 4. Details: 717/346-0469

REPORT BLASTS BLUES' SURPLUSES

A coalition of advocacy groups joined by the City of Philadelphia and the magazine Consumer Reports released a report hitting the Blues' calculation of surpluses. The report was prepared by Boston consultant Larry Kirsch and alleges that the Blues did not include surpluses from their subsidiaries when presenting required data to the Insurance Department. In addition, Kirsch accused Highmark and Independence Blue Cross in not fulfilling their social mission. The report was countered by statements from the Insurance Department and from the companies themselves that the surplus calculations were inclusive. In addition, Highmark said that it had spent 96.1 million in social mission last year, above the required amount. The coalition wants to see some surplus money redistributed to the state's uninsured.

NEWS AND NOTES

- An aggregator, Smart Choice, is now doing business in PA according to its representative Timothy Bogaczyk at 570/638-3101 or bfs1@epix.net. An aggregator assists smaller agencies in reaching larger insurance company markets.
- Protective Underwriting Services is seeking to acquire American Independent Insurance Co., a PA-domiciled casualty company.
- Valley Forge Life Insurance Co. would like to move its domiciled state from PA to Indiana.

HEALTH REPORTS

According to Health Issues Weekly Briefing produced by the national Blue Cross Blue Shield Association :

- A report issued by the Office of Management and Budget (OMB) estimates that the new Medicare prescription drug benefit will cost \$ 42 billion more than previously estimated. The latest cost estimate is \$ 534 billion.
- A survey in Medical Economics magazine concluded that earnings of primary care physicians did not keep pace with their costs of doing business. This was attributed to higher business expenses and reduced insurer reimbursements.
- The Center for Studying Health System Change finds that lower income workers are forced to spend more than five percent of their take-home earnings on out-of-pocket medical expenses. The Center believes that this is due to the shift of health care premiums from employers to employees per a Wall Street Journal article.