

LEG REG REVIEW 2004, Thirty-Eighth 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.

VETOED BY THE GOVERNOR

Governor Ed Rendell vetoed six bills in the aftermath of the legislative session. The one receiving media was his veto of the Gaming Control Board (slots) bill, SB 1209. Others included bills dealing with Realty Transfer Taxes, alternative tax calculation for used auto dealers and the state film production tax credit (HB 176), Decedent estate Claims (SB 304), Criminal History Record Information (SB 356), Neglect of Care Dependent Persons (SB 492), and part of the Keystone Manufacturing Initiative, HB 2442, which attempted to require assessment of new regulations on small businesses.

SIGNED BY THE GOVERNOR

At about the same time he vetoed the above; Governor Ed Rendell was busy signing 125 measures into law. A number of these named bridges or conveyed pieces of land or were of a technical nature. Those of interest to the insurance and business communities include a series of bills that strengthen regulatory oversight and enforcement on securities. These are HB 547, 552, 553, 561, 595, 599, 600, and 604. This package of bills was prepared by the House Joint Finance and Judicial Advisory Committee on Pension Protection and Investment Fraud.

SB 1096 (Insurance Company Code) as Act 216 outlines circumstances where a company director, officer etc. could make advances in exchange for a surplus note, regulating prepaid home health or personal care services, requiring that long-term care policies be for at least one year, and annuity nonforfeiture rates.

Some others included:

- SB 1149 into law as Act 114 relates to the required assessments for the tobacco industry under the terms of the Tobacco Settlement.
- HB 850 amends the County Code to permit county commissioners and other county officers to participate in county-offered employee insurance benefits (Act 186)
- SB 892 governs eligibility of part-time employees under local pensions (Act 169).
- SB 705 Unfair Trade and Deceptive Business Practices prohibits knowingly making a false statement in a privacy policy regarding use of financial information submitted by the public. (Act 202). A separate privacy bill, SB 703, tightened privacy restrictions on use of social security numbers had passed the Senate but was not passed by the House before adjournment.
- HB 1321 First Class Cities Economic District Development Act (Philadelphia Food Distribution Terminal etc./ Act 226). Another economic development program establishes the State Railroad Infrastructure Bank where PennDOT would provide low-interest loans for railroad infrastructure (HB 1482/ Act 165).
- SB 912 Crop Insurance premium subsidies are codified as Act 208

- HB 2387 regulates seed distributor firms as Act 164.
- National standards for operating ski lifts apply to PA per HB 2749 (Act 230) but lifts might not be shut down because of a minor accident.
- SB 1030 requires use of alternative energy generation (Act 213). SB 255/ Act 178. Alternative Fuels Incentive Fund establishes a state rebate program for hybrid cars.
- Under the Uniform Construction Code there is a transfer of authority from L&I to DCED for manufactured housing (HB 1929/ Act 158).
- Telecommunications Services Regulation (HB 30/ Act 183)
- HB 197 permits municipalities to increase their Occupational Privilege Tax from \$10 to \$52 annually (Act 222).
- HB 1211 extends the Mcare Abatement Fund (Medical Malpractice) as Act 154.

TAX COMMISSION CALLS FOR TAX REDUCTION AND SHIFT

The PA Tax Commission issued its recommendations to streamline Pennsylvania's tax system by (among other things):

- Streamlining tax appeals (although not establishing a Tax Court)
- Continuing the phase-out of the Capital Stock and Franchise Tax
- Reducing the corporate income tax to 6.999 down from 7.999 as a way to make PA more competitive with surrounding states
- Keeping the recommendations revenue neutral by increasing by one-percent taxes paid by subchapter s corporations, LLCs, and LLPs. Since they are now taxed at the Personal Income Tax rate, this amounts to a one-third increase, a point stressed by NFIB in its reaction.

These recommendations will be considered through the legislative process beginning next year.

UPCOMING

- PA Compensation Rating Bureau will submit its annual loss-cost filing to the PA Insurance Department by December 17.

NEWS NOTES

- Newly re-elected lawmaker Kelly Lewis (R-Monroe) has announced his resignation from the PA General Assembly to assume the CEO position of the PA Technology Council. The special election will be held February 8 unless there is a legal challenge because of the Department of State maintaining that constitutionally an election can not be held until 60 days after the Speaker is sworn in on January 4, 2005.
- The Department of General Services announced last week that the Commonwealth had saved almost 50% of its insurance premium by combining property coverage with boiler and machinery coverage through Lexington Insurance Co. and by reducing broker commissions. The state says that it increased property coverage from \$ 134 million to \$ 250 million and added \$ 100 million of terrorism insurance, something DGS says was not carried before.

ON THE REGULATORY SIDE...

- Now in effect are Workers Compensation fees for nurse anesthetologists (a Department rule). The Department ruled that there are disparities between WC fees for this service and comparable managed care services. The new rule was supported by the PA Medical Society and the PA Association of Nurse Anesthetologists and opposed by the Insurance Federation.
- The Department has received an application from Lackawanna National Insurance Company for a certificate of authority as a stock company.