

LEG REG REVIEW 2006, Ninth 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 business parties. It is a free Member Service if you belong to the Pennsylvania Association of Health Underwriters or the PA Surplus Lines Association. Subscription information may be obtained by contacting PHILLIPS ASSOCIATES at 717/728-1217 FAX 717/728-1164 or e-mail xenobun@aol.com. Please email jtrout2792@aol.com supplying both your e-mail and fax numbers in order to convert this publication to e-mail. If you wish to no longer receive it, please let us know.

INSURANCE BILLS PROMPT SURPRISE

The House Insurance Committee did not meet as planned to consider Health Savings Account legislation. SB 300 (Armstrong-R-Lancaster) was to have moved through the committee this past week. Instead, House leadership chose another H SA bill, HB 2125, sponsored by Rep. John Payne (R-Dauphin), and passed it 195-0 on March 15. This is the second time Senator Armstrong's bill was bypassed by the House in favor of a Payne H SA bill. HB 2125 and SB 300 both provide PA tax incentives for monies going into Health Savings Accounts. This means that there are two H SA bills now in play. The question is whether the Senate will choose to again go with a House bill versus one from one of its own.

The other bill that was to have been moved by the House Insurance Committee remains in limbo. HB 814 (Allen-R-Schuylkill) would amend the Unfair Insurance Practices Act by preventing insurers from requiring use of mail-order drugs or discriminating against an individual's choice to use a local pharmacist instead of a mail-order center.

THREE TORT UPDATES

- The House of Representatives joined the Senate in passing a restoration of a partial repeal of PA's Joint and Several liability legal doctrine. SB 435 (Corman-R-Centre) replaces Joint and Several liability by re-instituting proportional liability ('comparative negligence') that was struck down by the courts. This means that fewer parties would be dragged into law suits and would concentrate litigation on those who are more responsible. It has gone to Governor Rendell for his signature.
- The Governor vetoed another tort reform bill. House Bill 1467 would have required those alleging defects in workmanship in home building to go through a number of steps such as allowing the contractor to try to fix the alleged problem before going to litigation. This was a major legislative priority of the PA Home Builders Association.
- A national study by Tillinghast/Towers Perrin concluded that U.S. tort costs reached a record \$260 billion in 2004, surpassing the 2003 record by \$16 billion. The report did note some decrease in asbestos-related lawsuits although this class of lawsuit still amounted to \$5 billion in 2004. Medical malpractice tort costs totaled \$28.7 billion in 2004, up from \$26.5 billion in 2003 with an annual rate of increases amounting to 11.7% since 1975 versus nine percent for all other tort costs. The study suggested that the rate of growth in medical malpractice was slowing to some extent. Projected tort costs are supposed to grow 6.5% for each of the next three years.

POLITICAL UPDATES

- Former Rep. Joe Hoeffel withdrew from the race for the Democratic nomination for Lt. Governor on the same day as he had entered the race.
- Horsham insurance producer and PAHU activist Ross Schriftman has withdrawn his candidacy for the Democratic nomination for state representative in the 152d district now represented by Republican Sue Cornell.
- Democrat John Sabatina is the newest Representative, having won a special election in Philadelphia to replace former Rep. Alan Butkovitz, also a Democrat.

AT THE FEDERAL LEVEL

On March 15 the U.S. Senate Health Education and Labor & Pension Committee voted out S.1955 to establish Association Health Plans (AHPs) on a party line 11-9 vote as an alternative health insurance program for small businesses. Advocates led by NFIB and the Bush Administration claim that businesses will save a great deal in premium costs because some state mandates would not apply. Opponents led by the NAIC, the National Association of Health Underwriters, and others say that AHPs lead to harms to consumers because of inadequate marketing and solvency oversight that can best be done by the states' insurance commissioners. One commissioner, John Garamendi, went so far as to post a white paper attacking the proposal at www.insurance.ca.gov. Despite opposition, passage seems likely given GOP Senate control.

DISASTER REPORTS

- The U.S. Senate Policy Committee issued a report, "National Flood Insurance: Crisis and Renewal" available at www.rpc.senate.gov.
- Aon issued a report on the earning volatility on shareholder value for insurers and reinsurers in the wake of massive-scale disasters such as Katrina. www.aon.com
- Firemans Fund Insurance Company issued a disaster preparedness guide in recognition of the 100th anniversary of its headquarters being devastated in a natural disaster. It is available from www.firemansfund.com/preparedness

PERZEL ANNOUNCES ECONOMIC SUMMIT

PA House Speaker John Perzel (R-Phila.) announced that a Central PA Summit on Economic Growth will take place March 30 at the Harrisburg Area Community College as the first of five across the state. Sessions include Workers' Compensation, rural economic development, tax reform, tort reform, and information on available economic development programs. Registration is free but must be made in advance to Jeanne Schmedien 717/705-1894, jscmedi@pahousegop.com.

COMING UP

- The House Health and Human Services Committee plans a meeting to discuss hospital charity care in Pittsburgh at Mercy Hospital March 23.
- The Governor issued an Executive Order that requires all lobbyists to register with his office by April 5. Quarterly expenditure reports will be required. This means that lobbyists will have to file two different sets of reports.
- NAHU's Capitol Conference in Washington, DC goes from March 27-29. Focus will be AHPs in the Senate and H SA legislation in the House. Details: www.nahu.org