

LEG REG REVIEW 2007, Thirty-Sixth 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 useful to insurance producers, companies, and business interests. It is a free Member Service if you belong to the Pennsylvania Association of Health Underwriters or Manufacturers Association of South Central PA. 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 tell us.

GENERAL ASSEMBLY GOES HOME FOR HOLIDAYS

The PA General Assembly has recessed for the holidays after an exhaustive December. In addition to matters of legislation, the House also had to face a revolt and walkout by African American legislators wanting action on gun control issues and the continuing scrutiny by the Attorney General on House staff bonuses ('Bonusgate'). The Senate for its turn was able to pass an energy bill, another MCARE abatement fund bill and take care of some other priority business before the recess. One of the hottest pieces of legislation, Governor Rendell's ban on smoking in public places (part of his Rx for Pennsylvania package, has conference committee members appointed by both House and Senate in hopes of reaching a compromise when the General Assembly comes back for its first voting session January 14, 2008.

GOVERNOR'S COVER ALL PENNSYLVANIANS DRIVE STALLED

Governor Ed Rendell's Cover All Pennsylvanians (CAP) suffered a major setback when the House did not vote on his idea of paying for his new program with surplus money from the MCARE abatement program. Earlier this year, CAP was to have been supported in part by a payroll savings tax, something unacceptable to business interests. In response, the Governor targeted the MCARE abatement fund, which was established to assist doctors with their MCARE assessment (Medical Malpractice insurance tier) and so help keep them practicing in Pennsylvania. He said that the fund had a surplus over and above its need. The strategy was to pressure the General Assembly because of the sunset on the abatement fund ending disbursements to doctors after the end of the year. House Democrats amended Senate Bill 1137 with the new language.

The Senate sent a message on December 11 to the Governor and House leaders by passing House Bill 489 after amending it to include many of SB 1137's provisions that had been stripped from the original bill. Meanwhile, House members faced opposition to the Governor's proposal from a host of interests, doctors, insurers, agents etc. The Pennsylvania Association of Health Underwriters, for example, was able to generate several hundred letters to legislators at a critical time in the space of four hours. House Republicans advanced an amendment alternative sponsored by Rep. Scott Boyd (R-Lancaster). This amendment would have dedicated the MCARE abatement fund surplus to unfunded liability, tax credits for employers that subsidize employee health savings account deductibles, and add a new function to the PA Health care Cost Containment Council (PHC4) to create an Internet data base comparing what physicians charge for common treatments.

Given these dynamics, it was not apparent that the votes were there for the Governor's plan and possibly were there for the GOP alternative. Thus, the vote was not taken. For doctors, this means that the MCARE abatement fund will not be subsidizing their MCARE assessments (premium) after December 31 until the disbursements are re-authorized by the General Assembly.

OPEN RECORDS BILL ADVANCES

Senate Bill 1 (Pilleggi-R-Chester) passed the House December 12 opening up access to state records to citizens. In the House, it was amended to include Insurance Federation language addressing concerns raised by several business and insurance groups that as originally worded, the bill would have restricted current access to motor vehicle reports from PennDOT by insurers, agents, and ChoicePoint. The bill goes back to the Senate for concurrence.

OTHER LEGISLATIVE DEVELOPMENTS

- School District health benefit consolidation legislation has been deferred to the New Year. HB 1841 (Surra-D-Elk) is still in the House Education Committee.
- The Senate also passed and sent House Bill 296 (Stevenson-R-Mercer) to the Governor for his signature allowing businesses to charge as much as \$50.00 for bad checks.
- Another setback for Governor Rendell occurred when the Federal Highway Administration rejected Pennsylvania's application to convert I-80 into a toll road. The FHA move came in the context of opposition by U.S. Representatives English and Peterson (R) and Kanjorski (D) and vigorous opposition by communities along I-80.
- Legislation assisting primary caregivers helping those suffering from dementia was moved by the Senate Aging & Youth Committee December 11. HB 1830 (Mundy-D-Luzerne) would use lottery monies to reimburse expenses up to \$500 per month and \$6,000 for the duration of the case borne by primary caregivers' who are at or below 200% of the Federal Poverty Level. The bill was amended to increase support from the House-passed version (\$200/month and \$2,000/duration).

PCRB FILES 10.2% LOSS COST REDUCTION

The PA Compensation Rating Bureau (PCRB) submitted its annual loss cost filing to the Insurance Department which, if approved, would take place April 1, 2008. It envisions a reduction of 10.2 percent. The proposed change varies by job classification code but should not be necessarily construed as an actual premium change since other variables may impact a specific premium.

REGULATORY NOTES

- Insurance Commissioner-designee Joel Ario issued a December 12 statement reminding homeowners of the importance of adequate insurance coverage for personal property and liability. Among the areas of coverage mentioned were liability in case the homeowner has a party, getting an endorsement for a valuable piece of jewelry etc. received as a holiday gift, and keeping walkways free of ice and snow.
- The PA Reinsurance Company, a domestic stock casualty company is seeking to merge with Iowa-based National Indemnity Company of North America.
- The PA Surplus Lines Association (PSLA) announced that the stamping fee for business effective on or after January 1, 2008 is \$25.00 per filing, up from the current \$15.00 fee. Stamping fees for filings received by PSLA after 45 days from the effective date will require a \$50.00 stamping fee. The surplus lines licensee is responsible for remitting this filing fee. Details: www.pasla.org
- **Federal:** According to the National Association of Insurance & Financial Advisors (NAIFA) the IRS has issued rules on Corporate Owned Life Insurance and specifically addressed when a death benefit would and would not be taxable. Details: Mike Kerley (703) 770-8155 mkerley@naifa.org

NEW YEAR'S NOTE

If you are in the Northern Tier, PHILLIPS ASSOCIATES is bringing four credits of E&O training to Tunkhannock January 3. Details: 717/732-7255.