

LEG REG REVIEW 2008, Fourteenth 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.

SENATE LEGISLATIVE UPDATES

More legislative actions before the General Assembly recessed for the primary were:

- Senate passage of SB 9 which attempts to prevent illegals from tapping into a range of state benefits, excepting health benefits for children, disabled persons, and elderly and by applying a federal standard for citizenship verification. Vote was 39-10. SB 9 goes to the House.
- The Senate passed HB 1152 to make extensive changes in the governance of electronic transactions to “create a legal and intellectual architecture that will support development and use of electronic documents in holding and shipping goods”. HB 1152 has gone to the Governor for his signature.
- Also passed and sent to the House were:
 - SB 998 which would allow licensed clinical social workers to receive Blues’ reimbursements for providing mental health services
 - SB 1254 clarifies that service contracts (excepting mechanical breakdown insurance), are exempt from insurance regulation.

DEPARTMENT ISSUES REVISED PARTNERSHIP RULE

Published April 19 was a revised Notice (2008-5) by the Insurance Department regarding Long-Term Care Partnerships. The Notice contained:

- Producer training means the required one-credit training prior to sale, solicitation or negotiation of a Partnership policy; “by completion of an eight-hour training course which may include the one-hour course if prior to sale, solicitation, or negotiation of a Qualified partnership Policy by December 31, 2008, and by completion of a 4-hour training course every licensing cycle thereafter.”
- An existing LTC policy may be exchanged for a Qualified LTC Partnership if it meets the requirements of Act 40 provided that the issuing entity has a comparable LTC Partnership product available.
- Other provisions in the Notice deal with inflation protection and notice to policyholders.

Full text of the document is found at www.pabulletin.com. Details; Shelley Bain, director, Accident & Health Bureau 717/787-0873 or sbain@state.pa.us.

MEDICAL MALPRACTICE LAWSUITS DECLINE

According to the PA Supreme Court, the number of Medical Malpractice lawsuits has dropped to the lowest level in years. These include numbers of lawsuits filed, not the number of suits in the system. The Court said that there were 1,617 in 2007, a 4.5% decline from 2006 and a 40.8% drop from an average of 2,700 malpractice lawsuits filed from 2000 to 2002. One reason credited was venue requirements where lawsuits must be tried in the county where the malpractice allegedly occurred.

EXPORT LIST UPDATE

The Insurance Department issued a notice in the PA Bulletin seeking to amend the Export List (coverage where three declinations are not required before going into the Surplus & Excess Lines) by changing 'railroad' to read 'railroad, including consultants, contractors and suppliers'. A notice will be published September 15, 2008 with the final list.

IMPORTANT BILL INTRODUCTIONS

Usually Leg-Reg Review does not list bill introductions but does so if deemed to be of importance...

- **Senate Bill 1304** is another Blues consolidation bill. This one places into statute the social mission of the Blues.
- **HB 2428** would prohibit lending institutions from requiring mortgage borrowers from carrying property insurance in excess of the replacement cost.
- **HB 2451** would change the position of Insurance Commissioner to an elected position instead of being appointed by the Governor. This would require changing the PA Constitution.

Text of all bills is available from the Electronic Bill Room at www.legis.state.pa.us.

INDUSTRY NOTE

- Mutual Benefit Group is celebrating its 100th anniversary in 2008.

FLOOD INSURANCE PROGRAM CHANGES

Effective May 1 is a National Flood Insurance Program (NFIP) premium increase of eight percent for all classes, including an 8% increase in Preferred Risk (PRP) policies. Some other changes include:

- Increase Federal Policy Fee to fund mapping efforts
- Eliminate the Community Rating System discount on NFIP policies for structures where the lowest floor elevation used for rating is at least one foot below Base Flood Elevation
- Eliminate use of Social Security numbers on the application form
- Require write Your Own Companies to include a box on the application form and endorsement to indicate when flood coverage is a lender requirement without a waiting period

HEALTH SAVINGS ACCOUNTS RECEIVE NATIONAL SETBACK

Legislation imposing additional verification requirements passed the U.S. House of Representatives April 15 in a setback to insurers and agents. The legislation, HR 5719, the Taxpayer Assistance and Simplification Act, passed the House 238-179 after a procedural vote to recommit the legislation back to the House Ways and Means Committee failed in a tie vote. One bizarre development was that a company which has a substantiation system originally supported the added requirement, then reversed itself (to oppose) before the final vote. Key to House consideration was a Ways and Means Committee vote. PA Republican Phil English voted against the added requirement while Democrat Allyson Schwartz voted for. (A 'no' vote reflected the NAHU position.)

President Bush has threatened to veto the bill.

BUDGET ESTIMATES DECLINE

Budget estimates for March 2008 slowed, coming in \$109.8 million short of expectations. This reduces an anticipated state surplus to \$180.5 million contrasting with the Rendell Administration's total surplus projection of a \$427.5 million. This means that an additional (over estimate) \$247 million would have to be collected before July 1. The shortfall was led by corporation taxes at \$111 below estimates. This has an impact on the State Budget since traditionally lawmakers and the Administration will use the surplus to fund specific programs of interest to them and to their districts.