

## **LEG REG REVIEW**

### **2023, 6th Issue March 10, 2023**

*LEG REG REVIEW is a periodic newsletter produced by Vince Phillips who retired from active lobbying after 31 years of advocacy in Harrisburg. It contains news on the legislative and regulatory scene in Pennsylvania that may be of interest to the Insurance and Business Communities. Annual subscriptions are \$100 and information may be obtained by contacting PHILLIPS ASSOCIATES at 717/728-1217 or e-mail to [xenobun@aol.com](mailto:xenobun@aol.com).*

#### **REP. ZABEL ANNOUNCES RESIGNATION**

On March 8, embattled Rep. Mike Zabel (D-Delaware) announced his resignation from the PA House after numerous accusations of sexual harassment/misconduct were disclosed. This reduces the Democratic majority in that chamber to one seat. His resignation is effective March 16.

The first allegation was made at former Speaker Mark Rozzi's (D-Berks) listening sessions about improving the Rules of the House in January. It came from a union lobbyist. Her complaint was reinforced by women legislators. The Zabel accusations became a political issue as well with GOP lawmakers saying that he should not be permitted to vote on a set of Rules which included prohibits on sexual harassment because he had a conflict. As pressure mounted, Rep. Zabel first said that he would refrain from his Judiciary Committees but remain a Member. According to Delco Times March 8, Zabel said *"The toll is just too great on my family, and was too detrimental to my well-being. I need to focus on what matters,"* Zabel said in a brief phone interview with *The Associated Press*, shortly before sending the resignation letter.

#### **GOVERNOR SHAPIRO PRESENTS BUDGET PROPOSAL**

On March 7, Governor Josh Shapiro presented his proposed State Budget for the Fiscal Year beginning July 1, 2023 (FY 2023-24) to the General Assembly. In it, he called for \$48.4 billion in spending. Some of the increases centered on K-12 education and tax credits for new teachers, law enforcement, and child care employees.

#### **THE BUDGET AND INSURANCE**

- The PA Insurance Department (PID) will have \$35.75 million for General Government Operations, up from \$34.2 million in the current fiscal year. NOTE: The Department's budget comes from fees generated from licensing via the Insurance Regulation & Oversight Fund and not from the General Fund.
- PID received \$5.0 million from the Federal Government's Affordable Care Act to administer insurance market reforms in the current Fiscal Year and the same amount is expected in FY 2023-24.
- The PA Insurance Department expects to have an authorized salaried complement of 279 positions in FY 2023-24, unchanged from the current Fiscal Year. There were 39 unfilled job slots in January 2023.
- PA Insurance Premium Tax is projected to bring in \$975.2 million in gross collections for FY 2023-24, up from \$961.9 million in the current Fiscal Year.
- Of that gross collection amount, \$85.0 million of the Premium Tax will be transferred into the Fire Insurance Tax Fund for distribution to firefighter pensions or retirement plans.
- The Premium Tax is 2% of premiums from the standard market and 3% of premiums collected by Surplus Lines licensees.
- The PA Insurance Department expects to process 801,702 consumer queries, complaints, and interactions. This is an increase from the current Fiscal Year's 728,820.
- The Department anticipates 75% of insurer rate and form filings, policy changes, etc. to be opened, reviewed, and closed within 20 days of submission.

## SPECIAL INSURANCE FUNDS IN THE STATE BUDGET

<b>Fund</b>	<b>Purpose</b>	<b>Current FY Disbursements</b>	<b>FY 2023-24</b>
<b>MCARE</b>	<b>middle tier of Medical Malpractice Ins.</b>	<b>\$175.0 million claims</b>	<b>\$185.0 million claims</b>

Medical Care Availability and Reduction of Errors Fund takes over between standard and surplus lines; funded by annual assessment to health care providers. The precursor to MCARE is the **Catastrophic Loss Benefits Continuation Fund** where old pre-2004 claims will be paid until 2094 -- \$6.0 million in 2023-24.

**Insurance Liquidation Fund pays claims against insolvent insurers**      **no claims**      **no claims**  
 Fund balance will be \$2.2 billion in FY 2023-24.

<b>USTIF</b>	<b>above and below ground tank spills</b>	<b>\$63.8 million</b>	<b>\$59.96 million</b>
--------------	---	-----------------------	------------------------

Underground Storage Tank Indemnification Fund covers losses from both underground and above ground oil and gas tank ruptures. Also included is an obscure insurance provision to pay household claims when an oil furnace leaks.

<b>Health Insurance Exchange Authority ('Penne')</b>	<b>\$78.9 million</b>	<b>\$103.6 million</b>
--	-----------------------	------------------------

This includes \$40 million for general government operations and \$42.3 million transferred to the Reinsurance Fund. There will be \$21.3 million in Federal money to help PA transition to a State-Based Exchange apart from the Federal Insurance Marketplace under the Affordable Care Act.

**There are several Workers Compensation Funds** – Uninsured Employers Guaranty Fund, WC Supersedeas Fund, WC Security Fund and Self-Insurance Guaranty Fund. **The State Worker Insurance Fund (SWIF)** is PA's WC insurer of last resort and its largest WC insurance entity. For FY 2023-24, it is expected to take in \$96 million in premiums and disburse \$213.0 million. The difference is made up by investment and interest income. SWIF is expected to have an ending balance for FY 2023-24 of \$1.2 billion.

**The Mine Subsidence Fund** managed by the Department of Environmental Protection is expected to take in \$3.3 million in premiums, \$3.6 million in investment income, and disburse \$6.15 million in FY 2023-24. The Fund's balance is projected at \$135.8 million.

There are two funds funded by insurance companies. The **Automobile Theft Prevention Trust Fund** expects \$8.115 million from assessments and interest with disbursements at \$8,499 million. The **Insurance Fraud Prevention Trust Fund** anticipates \$16.35 million from assessments and interests and \$16.9 million in disbursements. Numbers for both Funds are for FY 2023-24.

### HOUSE UPDATES

The House is now operational with bills being formally introduced and referred to committee. The House Insurance Majority Chair is Kevin Boyle (D-Phila.). Minority Chair is Rep. Tina Pickett (R-Bradford). Over the course of his nine-year legislative career, new Democratic Chair Boyle was prime sponsor of 104 bills and Resolutions. Five dealt with insurance.

<b>Session</b>	<b>Topic</b>
2011-12	Prohibition on rescissions of insurance coverage
2017-18	Expanding access to contraceptives
2017-18	Mandated health insurance coverage for infertility treatment
2019-20	Death benefits for natural gas responders

**2023-24 (current FY) Sponsorship memo for re-introduction of Rep. Pickett's bill from last session to adopt a national model for insurer cybersecurity. It would involve a mandatory risk assessment, developing cybersecurity protocols, and reporting breaches to the PA Insurance Dept. There are some exemptions for small fraternal benefit societies and small life insurers. As of yet, there is no bill number.**

Of Insurance Committee members, 12 are Democrats and eight are Republicans. **No committee members are licensed insurance producers.** 3 have municipal experience, 2 are/were educators, 4 are attorneys, one is a retired police officer, 5 are or were business owners or employed by businesses, one is a former dairy farmer, 3 are/were health care providers (2 doctors and an RN), 1 former legislative staffer, and 2 were social workers or community activists.

**One Insurance Committee member is of particular interest to the Insurance Industry** (Workers Compensation) is Rep. Eric Nelson (R-Westmoreland) who holds a Master's in Safety Science and worked for Steel City Safety, a firm that, among other things, helps businesses conduct safety and OSHA compliance reviews.

The first meeting of the House Insurance Committee in this session is not yet scheduled.

**Some of the other committees relevant to Insurance are:**

<b>Committee</b>	<b>Majority Chair (Democrat)</b>	<b>Minority Chair (Republican)</b>
Aging & Older Adult Services	Rep. Patty Kim (D-Dauphin)	Rep. Steven Mentzer (R-Lanc.)
Health	Rep. Dan Frankel (D-Allegheny)	Rep. Kathy Rapp (R-Warren)
Labor & Industry (WC)	Rep. Jason Dawkins (D-Phila.)	Rep. Ryan Mackenzie (R-Lehigh)

**SENATE ACTS ON INSURANCE BENEFIT BILL**

On March 6, the Senate voted 50-0 to pass **Senate Bill 8** (K. Ward-R-Westmoreland) and send it to the PA House. Earlier, it had been approved unanimously by the Senate Banking & Insurance Committee and by the Senate Appropriations Committee. SB 8 was then re-referred to the House Insurance Committee on March 8.

It would eliminate out of pocket costs for genetic testing for hereditary breast and ovarian cancer syndromes as well as supplemental breast screenings for women with a high lifetime risk of breast cancer. These supplemental screenings include both MRI and Ultrasound tests of dense breast tissue. This tissue may show cancer which would be missed by a standard mammogram.

**SENATE PASSES SOLAR BONDING BILL**

Passing the Senate 36-13 and being referred to the House Consumer Protection, Technology & Utilities Committee on March 8 was **Senate Bill 211** (Yaw-R-Lycoming). This would ensure funding to cover decommissioning of solar energy generation facilities through bonding requirements. The vote was bipartisan with nine Democrats joining the Republican majority to pass the bill.

**REGULATORY UPDATES**

- PA Long-Term Care Council has scheduled these 2023 meetings: April 13, June 8, August 10, October 12, and December 14. Details: 717-787-3368.
- The Patient Safety Authority plans a Zoom meeting for March 16 at 1:00 p.m. Details: 717-346-0469.
- The following stock casualty companies have filed applications to the PA Insurance Department to re-domesticate from Pennsylvania to Nebraska: AmGUARD, EastGUARD, NorGUARD, and WestGUARD Insurance Companies.

**ISOP OFFERS INSURANCE SCHOLARSHIP**

The Insurance Society of Philadelphia (ISOP) is offering a scholarship to students already enrolled in a study program of Insurance & Risk Management or Actuarial Science. Students must have an overall 3.0 GPA in the major and complete an essay. The application deadline is March 31. Details: 215-867-8102 or [info@insurancesocietyofphiladelphia.com](mailto:info@insurancesocietyofphiladelphia.com).