

THE GENERAL ASSEMBLY OF PENNSYLVANIA

**HOUSE BILL**  
**No. 2839** Session of  
1986

INTRODUCED BY DeVERTER, GODSHALL, VROON, FLICK, BOWSER, JOHNSON,  
FARGO, MERRY, HERMAN, SCHULER, BLACK AND DAVIES, OCTOBER 6,  
1986

REFERRED TO COMMITTEE ON INSURANCE, OCTOBER 6, 1986

AN ACT

1 Amending the act of May 17, 1921 (P.L.682, No.284), entitled "An  
2 act relating to insurance; amending, revising, and  
3 consolidating the law providing for the incorporation of  
4 insurance companies, and the regulation, supervision, and  
5 protection of home and foreign insurance companies, Lloyds  
6 associations, reciprocal and inter-insurance exchanges, and  
7 fire insurance rating bureaus, and the regulation and  
8 supervision of insurance carried by such companies,  
9 associations, and exchanges, including insurance carried by  
10 the State Workmen's Insurance Fund; providing penalties; and  
11 repealing existing laws," authorizing municipalities to form  
12 municipal reciprocal insurers.

13 The General Assembly of the Commonwealth of Pennsylvania  
14 hereby enacts as follows:

15 Section 1. Section 101 of the act of May 17, 1921 (P.L.682,  
16 No.284), known as The Insurance Company Law of 1921, amended  
17 July 1, 1937 (P.L.2529, No.468), is amended to read:

18 Section 101. Certain Words Defined.--The word "company," as  
19 used in this act, shall be construed to include incorporated  
20 insurance companies only, and title insurance companies, whether  
21 incorporated under the laws of this Commonwealth, or any other  
22 state, territory, or district, or under the laws of any foreign

1 country.

2 Except where otherwise indicated, the word "association," as  
3 used in this act, shall be construed to include only  
4 individuals, partnerships or associations of individuals,  
5 authorized to engage in the business of insurance in the  
6 Commonwealth as insurers on the Lloyds plan.

7 The word "exchange," as used in this act, shall be construed  
8 to include only individuals, partnerships and corporations,  
9 authorized by the laws of the Commonwealth to exchange with each  
10 other inter-insurance or reciprocal insurance contracts. Such  
11 word shall include any aggregation of counties, municipalities,  
12 cities, boroughs, townships, villages, school districts or other  
13 public entities, whether incorporated or unincorporated.

14 Section 2. Section 300 of the act, added July 17, 1959  
15 (P.L.545, No.163), is amended to read:

16 Section 300. Government Owned Companies.--(a) [No] Except  
17 as provided in subsection (d), no domestic, foreign or alien  
18 insurance company, association or exchange, in which the major  
19 financial interest is held, directly or indirectly, by another  
20 state of the United States or by a foreign government or by any  
21 political subdivision, instrumentality or agency of either,  
22 shall be admitted and authorized to do business.

23 (b) No certificate of authority to transact any kind of  
24 insurance business in this Commonwealth shall be issued, renewed  
25 or continued in effect for any such insurance company,  
26 association or exchange.

27 (c) The provisions of this section shall not apply to:

28 (1) [any] Any insurance company, association or exchange  
29 which was so owned, controlled or constituted prior to January  
30 1, 1958, and was authorized to do business in this Commonwealth

1 and was issued a certificate of authority to do so prior to  
2 January 1, 1958.

3 (2) Any exchanges or reciprocals authorized or organized by  
4 the Commonwealth or any of its political subdivisions, agencies,  
5 boards or commissions.

6 Section 3. Section 1002 of the act is amended to read:

7 Section 1002. Corporations Authorized To Exchange  
8 Contracts.--Any corporation, now or hereafter organized under  
9 the laws of this Commonwealth, shall, in addition to the rights,  
10 powers, and franchises specified in its article of  
11 incorporation, have full power and authority to exchange  
12 insurance contracts of the kind and character herein mentioned.  
13 The right to exchange such contracts is hereby declared to be  
14 incidental to the purpose for which such corporations are  
15 organized and as much granted as the rights and powers expressly  
16 conferred. Corporations, as defined or organized under the laws  
17 of this Commonwealth, shall include any county, municipality,  
18 city, borough, township, village, school district or other  
19 public entity, whether incorporated or unincorporated.

20 Section 4. Section 1004(f) of the act, amended June 24, 1939  
21 (P.L.683, No.318), is amended to read:

22 Section 1004. Declaration To Be Filed with Insurance  
23 Commissioner; Contents.--Such subscribers, so contracting among  
24 themselves, shall, through their attorney, file with the  
25 Insurance Commissioner of this Commonwealth a declaration  
26 verified by the oath of such attorney, setting forth:

27 \* \* \*

28 (f) (1) That applications have been made for indemnity upon  
29 at least one hundred (100) separate risks, aggregating not less  
30 than one and one-half million (\$1,500,000) dollars, as

1 represented by executed contracts or bona fide applications to  
2 become concurrently effective, or, in case of employees'  
3 liability or compensation insurance, covering a total payroll of  
4 not less than one and one-half million (\$1,500,000) dollars or  
5 in the alternative.

6 (2) Twenty-five or more counties, municipalities, cities,  
7 boroughs, townships, village or school district or other public  
8 entity of the Commonwealth, each having the qualifications of  
9 subscribers as prescribed in this article, may organize a single  
10 state under municipal reciprocal insurer.

11 \* \* \*

12 Section 5. Section 1005 of the act is amended to read:

13 Section 1005. Certificate of Attorney.--(a) Each attorney,  
14 by or through whom are issued any policies of or contracts for  
15 indemnity of the character referred to in this article, shall  
16 procure from the Insurance Commissioner, annually, a certificate  
17 of authority, stating that all the requirements of this act have  
18 been complied with; and, upon the payment of the fees required  
19 by this act, the Insurance Commissioner shall issue such  
20 certificate. The Insurance Commissioner may revoke or suspend  
21 any certificate of authority issued hereunder.

22 (b) The officers or directors of subscribers to a municipal  
23 reciprocal insurer shall appoint an advisory committee to act on  
24 behalf of the subscribers, with power to supervise and control  
25 the attorney-in-fact and to control the investments of the  
26 assets of the reciprocal insurer and such other powers as may be  
27 conferred upon it by the declaration filed with the Insurance  
28 Commissioner, except that the advisory committee of the  
29 municipal reciprocal insurer shall be appointed by the Insurance  
30 Commissioner to serve until the first annual meeting of the

1 subscribers; and, subject to the approval of the Insurance  
2 Commissioner, the members of the advisory committee shall  
3 reflect the proportional composition of subscribers  
4 participating in the municipal reciprocal insurer.

5 (c) A municipal reciprocal insurer may not be licensed to  
6 offer accident and health insurance, noncancellable disability  
7 insurance, marine protection and indemnity insurance, life  
8 insurance, annuities, title insurance, financial guaranty and  
9 residual value insurance, workmen's compensation or reinsurance  
10 or coverage on risks outside this Commonwealth.

11 Section 6. The act is amended by adding a section to read:

12 Section 1007.1. Municipal Reciprocal Insurance.--The  
13 attorney of a municipal reciprocal insurer shall, with the  
14 approval of the advisory committee; (i) establish and promote a  
15 risk management program; (ii) establish equitable risk  
16 classifications; and (iii) establish uniform recordkeeping and  
17 reporting procedures. Every subscriber to the municipal  
18 reciprocal insurer shall agree to participate in the established  
19 risk management program as a condition of eligibility. The  
20 program shall include, but not be limited to, identification and  
21 the reduction of hazards or perils or risks of loss or damage  
22 through the implementation of improved safety technologies,  
23 improved work techniques and more efficient and effective  
24 procedures. The attorney, subject to the approval of the  
25 advisory committee, may enter into a contract or contracts with  
26 any person, firm or corporation for services necessary to  
27 perform and administer the risk management program or to perform  
28 or administer other functions deemed necessary to the advisory  
29 committee and approved by the Insurance Commissioner.

30 Section 7. This act shall take effect in 60 days.