

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2226 Session of  
2005

INTRODUCED BY GANNON, DeWEESE, HALUSKA, GEORGE, CALTAGIRONE,  
WATSON, GOOD, JOSEPHS, HENNESSEY, STABACK, YOUNGBLOOD, TIGUE,  
THOMAS, CRAHALLA, HERSHEY, MUNDY, KENNEY, CREIGHTON,  
E. Z. TAYLOR, GEIST, SOLOBAY, B. SMITH, HARPER, DeLUCA,  
WANSACZ AND JAMES, NOVEMBER 14, 2005

REFERRED TO COMMITTEE ON JUDICIARY, NOVEMBER 14, 2005

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," providing for medical malpractice  
12 insurance disclosure.

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

15 Section 1. The act of May 17, 1921 (P.L.682, No.284), known  
16 as The Insurance Company Law of 1921, is amended by adding a  
17 section to read:

18 Section 611. Medical Malpractice Insurance Disclosure.--(a)  
19 The Insurance Department shall promulgate rules and regulations  
20 which shall require each insurer, licensed to write property or  
21 casualty insurance in this Commonwealth, to record and report

1 its loss and expense experience and other data as may be  
2 necessary to determine whether rates are fair and appropriate.  
3 The Insurance Department may designate one or more rate service  
4 organizations or advisory organizations to gather and compile  
5 such experience and data. The Insurance Department shall require  
6 each insurer licensed to write property or casualty insurance in  
7 this Commonwealth, as a supplement to schedule T of its annual  
8 statement, to submit a report, on a form furnished by the  
9 department showing its direct writings in this Commonwealth and  
10 in the United States.

11 (b) Such supplemental report required by subsection (a)  
12 shall specifically include medical malpractice insurance.

13 (c) Such supplemental report shall include, in actual dollar  
14 amounts, the following data for medical malpractice insurance  
15 for the previous year ending on December 31:

16 (1) Direct premiums written.

17 (2) Direct premiums earned.

18 (3) Net investment income, including net realized capital  
19 gains and losses, using appropriate estimates necessary.

20 (4) Incurred claims, developed as the sum of the following,  
21 the report shall include data for each of the following  
22 categories used to develop the sum of incurred claims:

23 (i) dollar amount of claims closed with payment; plus

24 (ii) reserves for reported claims at the end of the current  
25 year; minus

26 (iii) reserves for reported claims at the end of the  
27 previous year; plus

28 (iv) reserves for incurred but not reported claims at the  
29 end of the current year; minus

30 (v) reserves for incurred but not reported claims at the end

1 of the previous year.

2 (5) Incurred loss adjustment expense developed as the sum of  
3 the following:

4 (i) the dollar amount of loss adjustment expense actually  
5 paid; plus

6 (ii) reserves for loss adjustment expense at the end of the  
7 current year; minus

8 (iii) reserves for loss adjustment expense at the end of the  
9 previous year.

10 (6) Actual incurred expenses allocated separately to  
11 commission, other acquisition costs, advertising, general office  
12 expenses, taxes, licenses and fees and all other expenses.

13 (7) Net underwriting gain or loss.

14 (8) Net operation gain or loss, including net investment  
15 income.

16 (9) The number and dollar amount of claims closed with  
17 payment, by year incurred, and the amount reserved for them.

18 (10) The number of claims closed without payment and the  
19 dollar amount reserved for those claims.

20 (11) Any other information requested by the Insurance  
21 Department.

22 (d) For the first year only in which the insurer is required  
23 to file this supplemental report, the data required by  
24 subsection (c)(1) through (7) shall include the previous  
25 calendar year and each of the preceding four calendar years.

26 (e) It shall be the duty of the Insurance Department to  
27 annually compile and review all such reports submitted by  
28 insurers pursuant to this section to determine the  
29 appropriateness of premium rates for medical malpractice  
30 insurance in this Commonwealth. The Insurance Department's

1 findings and the filings shall be published, provided to the  
2 appropriate committees of the General Assembly and made  
3 available to any interested insured or citizen. If the  
4 department finds at any time that any rate is no longer fair or  
5 appropriate, it shall issue an order withdrawing its approval.  
6 The order shall specify reasons for withdrawal of approval and  
7 shall be furnished to each affected insurer and rating  
8 organization and shall be effective in not less than thirty days  
9 from its issuance unless an affected insurer meets the burden of  
10 showing that such rate is in fact fair and appropriate.

11 (f) Each insurance company shall file all of the information  
12 required under this section with the Insurance Department as a  
13 prerequisite to obtaining permission to write coverage, to  
14 continue to do business and to file for rate increases.

15 (g) Each insurer who fails to comply with the terms of this  
16 section shall pay a civil penalty of a fine of ten thousand  
17 dollars and thereafter a fine of two hundred dollars daily until  
18 compliance with this section is attained.

19 Section 2. This act shall take effect in 60 days.