
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 1104 Session of
1989

INTRODUCED BY WAMBACH, SAURMAN, RYBAK, O'DONNELL, RYAN,
RICHARDSON, HAYES, MANDERINO, ITKIN, McCALL, FOX, RUDY,
RAYMOND, PISTELLA, EVANS, JOHNSON, DeWEESE, PETRARCA,
PHILLIPS, KUKOVICH, SALOOM, RITTER, JACKSON, D. R. WRIGHT,
LASHINGER, KOSINSKI, CAPPABIANCA, DOMBROWSKI, GEIST, LINTON,
LETTERMAN, NAHILL, CALTAGIRONE, MILLER, DIETTERICK, MARKOSEK,
WOZNIAK, JADLOWIEC, MORRIS, STUBAN, CORNELL, STABACK,
FREEMAN, HAGARTY, KASUNIC, CAWLEY, LAUGHLIN, MICHLOVIC,
McVERRY, CARN, TIGUE, MRKONIC, CHADWICK, ROBBINS, CLYMER,
PICCOLA, TRELLO, JAMES, VEON, HECKLER, E. Z. TAYLOR, JOSEPHS,
BELARDI, COWELL, GIGLIOTTI, CIVERA, MICOZZIE, D. F. CLARK,
MELIO, STEIGHNER, McHALE, THOMAS, BURD, HERSHEY, ADOLPH,
PRESTON, LEVDANSKY, DEMPSEY, WILSON, HUGHES, MAINE, WILLIAMS,
VAN HORNE, COY, BUSH, DURHAM, CORRIGAN, BOWLEY, BILLOW,
DISTLER, BUNT, TRICH, BORTNER, OLIVER, ACOSTA, HOWLETT,
J. TAYLOR, J. L. WRIGHT, HARPER, DeLUCA, PETRONE, PRESSMANN,
LESCOVITZ, GRUITZA, LaGROTTA, R. C. WRIGHT, F. TAYLOR,
KAISER, HAYDEN, JAROLIN, McNALLY, BATTISTO, LUCYK, BELFANTI,
SCRIMENTI, ROEBUCK, KONDRICH, ALLEN, HASAY, MARSICO, TELEK,
COLAFELLA, WASS, DAVIES, BLACK, HESS AND COLE, APRIL 10, 1989

SENATOR HOLL, BANKING AND INSURANCE, IN SENATE, AS AMENDED,
DECEMBER 11, 1989

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," FURTHER PROVIDING FOR INVESTMENTS; ←
12 AND providing for benefits for drug abuse and dependency.

13 The General Assembly of the Commonwealth of Pennsylvania

1 hereby enacts as follows:

2 SECTION 1. SECTIONS 517 AND 518 OF THE ACT OF MAY 17, 1921 <—
3 (P.L.682, NO.284), KNOWN AS THE INSURANCE COMPANY LAW OF 1921,
4 ARE REPEALED.

5 SECTION 2. THE ACT IS AMENDED BY ADDING SECTIONS TO READ:

6 SECTION 518-B. INVESTMENT REGULATIONS.--(A) ANY DOMESTIC
7 COMPANY MAY INVEST ITS FUNDS IN SOUND INVESTMENTS AS PROVIDED IN
8 THIS ACT AND NOT OTHERWISE. NOTWITHSTANDING THE PROVISIONS OF
9 THIS ACT, THE INSURANCE COMMISSIONER MAY, AFTER NOTICE AND
10 HEARING, ORDER A COMPANY TO LIMIT OR WITHDRAW FROM CERTAIN
11 INVESTMENTS, OR DISCONTINUE CERTAIN INVESTMENT PRACTICES, TO THE
12 EXTENT THAT THE INSURANCE COMMISSIONER FINDS THAT SUCH
13 INVESTMENTS OR INVESTMENT PRACTICES ARE UNSOUND OR MAY ENDANGER
14 THE SOLVENCY OF THE COMPANY. NO INVESTMENT OR LOAN OR AN
15 INVESTMENT PRACTICE SHALL BE MADE OR ENGAGED IN BY ANY DOMESTIC
16 COMPANY UNLESS THE SAME HAS BEEN AUTHORIZED OR RATIFIED BY THE
17 BOARD OF DIRECTORS OR BY A COMMITTEE THEREOF CHARGED WITH THE
18 DUTY OF SUPERVISING INVESTMENTS AND LOANS. NO SUCH COMPANY SHALL
19 SUBSCRIBE TO OR PARTICIPATE IN ANY UNDERWRITING OF THE PURCHASE
20 OR SALE OF SECURITIES OR PROPERTY OR ENTER INTO ANY AGREEMENT TO
21 WITHHOLD FROM SALE ANY OF ITS PROPERTY, BUT THE DISPOSITION OF
22 ITS PROPERTY SHALL BE AT ALL TIMES WITHIN THE CONTROL OF THE
23 BOARD OF DIRECTORS. ANY AGREEMENT OR CONTRACT PROVIDING FOR THE
24 LAWFUL DISPOSITION OF PROPERTY WHEREIN SUCH DISPOSITION MAY BE
25 DETERMINED AT THE OPTION OF A THIRD PERSON AT SOME SPECIFIED
26 FUTURE PRICE OR CONDITION OR SPECIFIED TIME OR UPON DEMAND SHALL
27 BE CONSTRUED TO BE WITHIN THE CONTROL OF THE BOARD OF DIRECTORS.
28 NOTHING CONTAINED IN THIS SECTION SHALL PREVENT THE BOARD OF
29 DIRECTORS OF ANY SUCH COMPANY FROM DEPOSITING ANY OF ITS
30 SECURITIES WITH A COMMITTEE APPOINTED FOR THE PURPOSE OF

1 PROTECTING THE INTEREST OF SECURITY HOLDERS OR WITH AUTHORITIES
2 OF ANY STATE OR COUNTRY WHERE IT IS NECESSARY TO DO SO IN ORDER
3 TO SECURE PERMISSION TO TRANSACT ITS APPROPRIATE BUSINESS
4 THEREIN; AND NOTHING CONTAINED IN THIS SECTION SHALL PREVENT THE
5 BOARD OF DIRECTORS OF SUCH COMPANY FROM DEPOSITING SECURITIES AS
6 COLLATERAL FOR THE SECURING OF ANY BOND REQUIRED FOR THE
7 BUSINESS OF THE COMPANY.

8 SECTION 518-C. ELIGIBLE INVESTMENTS.--(A) EVERY DOMESTIC
9 STOCK FIRE, STOCK MARINE OR STOCK FIRE AND MARINE INSURANCE
10 COMPANY SHALL INVEST AND KEEP INVESTED ALL ITS FUNDS IN SOUND
11 INVESTMENTS ENUMERATED BELOW, EXCEPT SUCH CASH AS MAY BE
12 REQUIRED IN THE TRANSACTION OF ITS BUSINESS. SUCH INVESTMENTS
13 SHALL INCLUDE:

14 (1) BONDS, NOTES OR OBLIGATIONS ISSUED, ASSUMED, GUARANTEED
15 OR INSURED BY THE UNITED STATES, OR BY ANY STATE, TERRITORY OR
16 POSSESSION THEREOF, THE DISTRICT OF COLUMBIA OR BY ANY COUNTY,
17 CITY, TOWN, VILLAGE, MUNICIPALITY OR DISTRICT THEREIN OR BY ANY
18 POLITICAL SUBDIVISION OR PUBLIC INSTRUMENTALITY OF ONE OR MORE
19 OF THE FOREGOING, OR BY ANY FOREIGN COUNTRY OR POLITICAL
20 SUBDIVISION THEREOF.

21 (2) BONDS, NOTES, OBLIGATIONS OR STOCK, ISSUED, ASSUMED,
22 GUARANTEED OR INSURED BY THE FOLLOWING AGENCIES OF THE UNITED
23 STATES OR IN WHICH SUCH GOVERNMENT IS A PARTICIPANT, WHETHER OR
24 NOT SUCH OBLIGATIONS ARE GUARANTEED BY SUCH GOVERNMENT:

25 (I) FARM LOAN BANK.

26 (II) COMMODITY CREDIT CORPORATION.

27 (III) FEDERAL INTERMEDIATE CREDIT BANKS.

28 (IV) FEDERAL LAND BANKS.

29 (V) CENTRAL BANK FOR COOPERATIVES.

30 (VI) FEDERAL HOME LOAN BANKS AND STOCK THEREOF.

1 (VII) FEDERAL NATIONAL MORTGAGE ASSOCIATION AND STOCK
2 THEREOF.

3 (VIII) INTERNATIONAL BANK FOR RECONSTRUCTION AND
4 DEVELOPMENTS.

5 (IX) INTER-AMERICAN DEVELOPMENT BANK.

6 (X) ASIAN DEVELOPMENT BANK.

7 (XI) AFRICAN DEVELOPMENT BANK.

8 (XII) ANY OTHER SIMILAR AGENCY OF, OR IN WHICH THERE IS
9 PARTICIPATION BY, THE GOVERNMENT OF THE UNITED STATES, AND THE
10 INSTRUMENTS ARE OF SIMILAR FINANCIAL QUALITY.

11 (3) BONDS, NOTES, OBLIGATIONS OR OTHER INVESTMENTS OF OR IN
12 ANY BUSINESS UNIT IN OR OF ANY FOREIGN COUNTRY WHICH ARE OF THE
13 SAME KINDS, CLASSES AND GRADES AS THOSE ELIGIBLE FOR INVESTMENT
14 UNDER THIS SUBSECTION. THE COST OF INVESTMENTS UNDER THIS CLAUSE
15 SHALL NOT EXCEED THIRTY PERCENTUM (30%) OF SUCH COMPANY'S
16 ADMITTED ASSETS.

17 (4) BUSINESS OBLIGATIONS AND EQUITY INTERESTS:

18 (I) STOCK, WARRANTS, RIGHTS OR OTHER SECURITY, BONDS, NOTES
19 OR OBLIGATIONS ISSUED, ASSUMED, GUARANTEED, INSURED OR ACCEPTED
20 BY ANY SOLVENT CORPORATION, JOINT-STOCK ASSOCIATION, BUSINESS
21 TRUST, BUSINESS PARTNERSHIP, BUSINESS JOINT VENTURE OR OTHER
22 BUSINESS ENTITY OR COMBINATION THEREOF INCORPORATED OR EXISTING
23 UNDER THE LAWS OF THE UNITED STATES OR OF ANY STATE, DISTRICT OR
24 TERRITORY THEREOF, AND ANY INTEREST IN ANY OF THE FOREGOING:
25 PROVIDED, THAT NO DOMESTIC COMPANY SHALL INVEST IN ANY GENERAL
26 PARTNERSHIP BUT MAY BECOME A LIMITED PARTNER IN A PARTNERSHIP IN
27 ANY INVESTMENT ON THE FOLLOWING CONDITIONS:

28 (A) THE PARTNERSHIP MUST BE ORGANIZED UNDER THE LIMITED
29 PARTNERSHIP ACT OF THE STATE OF THE PARTNERSHIP FORMATION;

30 (B) A COMPANY MAY NOT INVEST MORE THAN TEN PERCENTUM (10%)

1 OF ITS CAPITAL AND SURPLUS IN ANY ONE SUCH PARTNERSHIP; AND

2 (C) THE AGGREGATE COST OF INVESTMENT IN LIMITED PARTNERSHIPS
3 SHALL NOT EXCEED TEN PERCENTUM (10%) OF THE COMPANY'S ADMITTED
4 ASSETS.

5 (II) INTEREST-BEARING DEPOSITS, OR CERTIFICATES OF DEPOSIT
6 IN BANKS, BANK AND TRUST COMPANIES, SAVINGS BANKS, SAVINGS
7 ASSOCIATIONS, SAVINGS AND LOAN ASSOCIATIONS OR NATIONAL BANKING
8 ASSOCIATIONS, INCORPORATED OR EXISTING UNDER THE LAWS OF THE
9 UNITED STATES OR ANY STATE, DISTRICT OR TERRITORY THEREOF,
10 INCLUDING BRANCHES OF ANY OF THE FOREGOING, OR FOREIGN BANKING
11 INSTITUTIONS OR BRANCHES THEREOF LOCATED IN THE UNITED STATES OR
12 ANY STATE, DISTRICT OR TERRITORY THEREOF: PROVIDED, THAT
13 INVESTMENTS UNDER THIS CLAUSE IN INTEREST-BEARING DEPOSITS AND
14 CERTIFICATES OF DEPOSIT ISSUED BY INSTITUTIONS INCORPORATED
15 UNDER FOREIGN LAW, EXCLUSIVE OF SUCH DEPOSITS AND CERTIFICATES
16 ISSUED BY BRANCHES OF SUCH INSTITUTIONS LOCATED IN THE UNITED
17 STATES OR ANY STATE, DISTRICT OR TERRITORY THEREOF, SHALL BE
18 LIMITED TO TWENTY PERCENTUM (20%) OF SUCH COMPANY'S ASSETS, SUCH
19 INVESTMENTS QUALIFYING IN ADDITION TO THOSE AUTHORIZED BY CLAUSE
20 (3).

21 (III) OBLIGATIONS WHICH ARE NOT ISSUED, ASSUMED, GUARANTEED
22 OR ACCEPTED BY ANY PERSON DESCRIBED UNDER SUBCLAUSE (I), BUT ARE
23 ADEQUATELY SECURED BY AN ASSIGNMENT OF A RIGHT TO RECEIVE RENT,
24 PURCHASE OR OTHER PAYMENT OR REVENUES, FOR THE USE OR PURCHASE
25 OF REAL OR PERSONAL PROPERTY SUFFICIENT TO REPAY THE INVESTMENT,
26 AND PAYABLE OR GUARANTEED BY ANY ONE OR MORE PERSONS OR ENTITIES
27 WHOSE BONDS, NOTES OR OBLIGATIONS WOULD QUALIFY FOR INVESTMENT
28 UNDER THIS CLAUSE OR A MORTGAGE, INTEREST IN A MORTGAGE POOL OR
29 MORTGAGE PARTICIPATION OR LIEN OR SECURITY INTEREST IN REAL OR
30 PERSONAL PROPERTY OR ANY INTEREST THEREIN.

1 (5) OBLIGATIONS OR PARTICIPATIONS THEREIN, SECURED BY LIENS
2 ON REAL PROPERTY OR INTERESTS THEREIN: PROVIDED, THAT THE VALUE
3 OF SUCH REAL PROPERTY OR INTEREST THEREIN, TOGETHER WITH SUCH
4 OTHER SECURITY AS SHALL SECURE ANY SUCH OBLIGATION, SHALL BE
5 ADEQUATE TO SECURE THE INVESTMENT AS WELL AS ANY LIEN SENIOR TO
6 THE LIEN CREATED BY THE INVESTMENT IN SUCH REAL ESTATE. NO
7 INVESTMENT IN A SINGLE TRANSACTION SHALL EXCEED AN AMOUNT EQUAL
8 TO FIVE PERCENTUM (5%) OF SUCH COMPANY'S ADMITTED ASSETS.

9 (6) SUCH REAL ESTATE OR INTERESTS THEREIN AS IT IS
10 AUTHORIZED BY THIS ACT TO HOLD.

11 (7) TANGIBLE PERSONAL PROPERTY OR FIXTURES OR INTEREST
12 THEREIN, HOWEVER EVIDENCED, AS AN INVESTMENT FOR THE PRODUCTION
13 OF INCOME.

14 (8) THE INVESTMENT PRACTICE OF FINANCIAL FUTURES CONTRACTS
15 ISSUED UNDER TERMS AND CONDITIONS REGULATED BY A FEDERAL
16 REGULATORY AGENCY IS AUTHORIZED ON THE FOLLOWING CONDITIONS:

17 (I) A COMPANY SHALL NOT ENTER INTO FINANCIAL FUTURES
18 CONTRACTS EXCEPT AS A HEDGING TRANSACTION AS THAT TERM IS
19 DEFINED IN A RULE OR REGULATION PROMULGATED PURSUANT TO THIS
20 ACT.

21 (II) A COMPANY SHALL NOT HAVE INITIAL OR MAINTENANCE MARGIN
22 OUTSTANDING UNDER THIS CLAUSE (8) OF MORE THAN TEN PERCENTUM
23 (10%) OF THE EXCESS OF ITS CAPITAL AND SURPLUS OVER THE MINIMUM
24 REQUIREMENTS OF A NEW STOCK OR MUTUAL COMPANY TO QUALIFY FOR A
25 CERTIFICATE OF AUTHORITY TO WRITE THE KIND OF INSURANCE WHICH
26 THE COMPANY IS AUTHORIZED TO WRITE.

27 (III) THE INSURANCE COMMISSIONER MAY PROMULGATE REASONABLE
28 RULES AND REGULATIONS FOR TRANSACTIONS UNDER THIS CLAUSE (8), TO
29 INCLUDE, BUT NOT LIMITED TO, RULES AND REGULATIONS WHICH IMPOSE
30 FINANCIAL SOLVENCY STANDARDS, VALUATION STANDARDS AND REPORTING

1 REQUIREMENTS.

2 (9) PUT OPTIONS AND CALL OPTIONS. THE INVESTMENT PRACTICE OF
3 PUT OPTIONS AND CALL OPTIONS ISSUED UNDER TERMS AND CONDITIONS
4 REGULATED BY, OR SUBSTANTIALLY SIMILAR TO THOSE TERMS AND
5 CONDITIONS REQUIRED BY, A NATIONAL SECURITIES EXCHANGE
6 REGISTERED UNDER THE SECURITIES EXCHANGE ACT OF 1934 (48 STAT.
7 881, 15 U.S.C. § 78A ET SEQ.), AS AMENDED, OR ANY BOARD OF TRADE
8 DESIGNATED AS A CONTRACT MARKET BY THE COMMODITY FUTURES TRADING
9 COMMISSION (CFTC) UNDER THE COMMODITY EXCHANGE ACT (49 STAT.
10 1491), AS AMENDED, IS AUTHORIZED ON THE FOLLOWING CONDITIONS:

11 (I) A COMPANY SHALL NOT SELL A CALL OPTION ON EITHER (A)
12 SECURITIES IT DOES NOT OWN, OR (B) IN AN AMOUNT GREATER THAN
13 SECURITIES WHICH IT PRESENTLY OWNS: PROVIDED, HOWEVER, THAT IN
14 THE CASE OF FINANCIAL FUTURES CONTRACTS AND STOCK OR BOND INDEX
15 CONTRACTS WHERE IT IS NOT FEASIBLE TO OWN THE UNDERLYING
16 SECURITY, A COMPANY MAY SELL A CALL OPTION ONLY IN CONNECTION
17 WITH A HEDGING TRANSACTION;

18 (II) A COMPANY SHALL NOT SELL A PUT OPTION UNLESS ITS
19 OBLIGATIONS UNDER SUCH PUT OPTION ARE FULLY SECURED BY A DEPOSIT
20 BY THE COMPANY WITH A BANK OR OTHER CUSTODIAN OF CASH OR CASH
21 EQUIVALENTS;

22 (III) A COMPANY SHALL NOT PURCHASE AS OPENING TRANSACTIONS
23 UNDER THIS CLAUSE (9) MORE THAN TEN PERCENTUM (10%) OF THE
24 EXCESS OF ITS CAPITAL AND SURPLUS OVER THE MINIMUM REQUIREMENTS
25 OF A NEW STOCK OR MUTUAL COMPANY TO QUALIFY FOR A CERTIFICATE OF
26 AUTHORITY TO WRITE THE KIND OF INSURANCE WHICH THE COMPANY IS
27 AUTHORIZED TO WRITE; AND

28 (IV) THE INSURANCE COMMISSIONER MAY PROMULGATE REASONABLE
29 RULES AND REGULATIONS FOR TRANSACTIONS UNDER THIS CLAUSE (9), TO
30 INCLUDE, BUT NOT BE LIMITED TO, RULES AND REGULATIONS WHICH

1 IMPOSE FINANCIAL SOLVENCY STANDARDS, VALUATION STANDARDS AND
2 REPORTING REQUIREMENTS.

3 (10) OPTIONS OR FUTURES CONTRACTS TRADED IN MARKETS
4 REGULATED UNDER THE LAWS OF THE UNITED STATES OR BY AN AGENCY
5 THEREOF AND OTHER CONTRACTS OR INSTRUMENTS FOR THE PURPOSE OF
6 REDUCING THE INSURER'S ECONOMIC RISK IN CONNECTION WITH
7 POTENTIAL CHANGES IN THE VALUE OF SPECIFICALLY IDENTIFIED ASSETS
8 WHICH THE INSURER OWNS OR COULD REASONABLY EXPECT TO ACQUIRE OR
9 SPECIFICALLY IDENTIFIED LIABILITIES WHICH THE INSURER HAS OR
10 REASONABLY EXPECTS TO INCUR. THE AGGREGATE COST OF INVESTMENTS
11 HELD UNDER THIS CLAUSE SHALL NOT EXCEED FIVE PERCENTUM (5%) OF
12 THE COMPANY'S ADMITTED ASSETS. THE INSURANCE COMMISSIONER SHALL
13 PROMULGATE REASONABLE RULES AND REGULATIONS FOR TRANSACTIONS
14 UNDER THIS CLAUSE, TO INCLUDE, BUT NOT LIMITED TO, RULES AND
15 REGULATIONS WHICH IMPOSE FINANCIAL SOLVENCY STANDARDS, VALUATION
16 STANDARDS AND REPORTING REQUIREMENTS.

17 (11) LENDING OF SECURITIES, REPURCHASE AGREEMENTS AND
18 REVERSE REPURCHASE AGREEMENTS.

19 (I) DEFINITIONS:

20 (A) "LENDING OF SECURITIES" MEANS AN INVESTMENT OTHER THAN A
21 REPURCHASE AGREEMENT, WHEREBY AN AGREEMENT IS ENTERED INTO WHICH
22 TRANSFERS OWNERSHIP RIGHTS AND POSSESSION OF SECURITIES TO THE
23 BORROWER OF SUCH SECURITIES WITH THE AGREEMENT PROVIDING FOR A
24 RETURN OF OWNERSHIP RIGHTS AND POSSESSION OF THE SECURITIES TO
25 THE LENDER AT A SPECIFIED DATE OR UPON DEMAND.

26 (B) "REPURCHASE AGREEMENT" MEANS A BILATERAL AGREEMENT
27 WHEREBY A COMPANY PURCHASES SECURITIES WITH A RELATED AGREEMENT
28 THAT THE SELLER WILL PURCHASE OR REPURCHASE AT A SPECIFIED PRICE
29 THE EQUIVALENT OR SIMILAR SECURITIES WITHIN A SPECIFIED PERIOD
30 OF TIME OR ON DEMAND.

1 (C) "REVERSE REPURCHASE AGREEMENT" MEANS A BILATERAL
2 AGREEMENT WHEREBY A COMPANY (I) SELLS SECURITIES WITH A RELATED
3 AGREEMENT TO PURCHASE OR REPURCHASE AT A SPECIFIED PRICE THE
4 EQUIVALENT OR SIMILAR SECURITIES WITHIN A SPECIFIED PERIOD OF
5 TIME OR UPON DEMAND, OR (II) BORROWS FUNDS AND TRANSFERS
6 SECURITIES TO THE LENDER WITH A RELATED AGREEMENT THAT
7 EQUIVALENT OR SIMILAR SECURITIES WILL BE RETURNED TO THE COMPANY
8 UPON REPAYMENT OF THE LOAN WITHIN A SPECIFIED PERIOD OF TIME OR
9 ON DEMAND.

10 (II) LENDING OF SECURITIES, REPURCHASE AGREEMENTS AND
11 REVERSE REPURCHASE AGREEMENTS TRANSACTIONS ARE AUTHORIZED ON THE
12 FOLLOWING CONDITIONS:

13 (A) THE AGREEMENT FOR EACH TRANSACTION OR THE MASTER
14 AGREEMENT FOR A SERIES OF TRANSACTIONS SHALL BE REDUCED TO
15 WRITING.

16 (B) SECURITIES ACQUIRED BY A COMPANY OWNED SUBJECT TO
17 REACQUISITION PURSUANT TO AN OUTSTANDING REPURCHASE AGREEMENT
18 MAY NOT BE SOLD PURSUANT TO A REVERSE REPURCHASE AGREEMENT NOR
19 LENT PURSUANT TO A LENDING OF SECURITIES AGREEMENT.
20 CONSIDERATION, OR COLLATERAL, RECEIVED FROM A REVERSE REPURCHASE
21 AGREEMENT OR LENDING OF SECURITIES AGREEMENT MAY BE USED TO
22 ACQUIRE SECURITIES WHICH ARE EQUIVALENT OR SIMILAR TO THE
23 SECURITIES TRANSFERRED PURSUANT TO SUCH REPURCHASE AGREEMENT OR
24 LENDING OF SECURITIES AGREEMENT; HOWEVER, SUCH ACQUIRED
25 SECURITIES MAY NOT BE SOLD PURSUANT TO A REVERSE REPURCHASE
26 AGREEMENT NOR LENT PURSUANT TO A LENDING OF SECURITIES
27 AGREEMENT.

28 (C) A COMPANY IS LIMITED TO NO MORE THAN TWO PERCENTUM (2%)
29 OF ITS ADMITTED ASSETS BEING SUBJECT TO LENDING OF SECURITIES,
30 REPURCHASE AGREEMENTS OR REVERSE REPURCHASE AGREEMENTS

1 TRANSACTIONS OUTSTANDING WITH ANY ONE BUSINESS ENTITY UNDER THIS
2 SECTION.

3 (D) A COMPANY MAY ENGAGE IN LENDING ITS SECURITIES OR
4 REPURCHASE OR REVERSE REPURCHASE AGREEMENTS UP TO FORTY
5 PERCENTUM (40%) OF ITS ADMITTED ASSETS: PROVIDED, HOWEVER, THAT
6 SUCH TRANSACTIONS ARE FULLY COLLATERALIZED.

7 (E) THE INSURANCE COMMISSIONER MAY PROMULGATE REASONABLE
8 RULES AND REGULATIONS FOR INVESTMENTS AND TRANSACTIONS UNDER
9 THIS SECTION, TO INCLUDE, BUT NOT BE LIMITED TO, RULES AND
10 REGULATIONS WHICH IMPOSE FINANCIAL SOLVENCY STANDARDS, VALUATION
11 STANDARDS AND REPORTING REQUIREMENTS.

12 (12) OTHER LOANS AND INVESTMENTS:

13 (I) LOANS OR INVESTMENTS NOT AUTHORIZED BY ANY OF THE
14 CLAUSES OF THIS SECTION, TO AN AMOUNT NOT EXCEEDING THE
15 AGGREGATE OF TWENTY PERCENTUM (20%) OF SUCH COMPANY'S ADMITTED
16 ASSETS. THE TWENTY PERCENTUM (20%) LIMITATION PROVIDED ABOVE
17 SHALL BE INCREASED IN THE SAME AMOUNT THAT INVESTMENTS APPROVED
18 BY THE INSURANCE COMMISSIONER ARE MADE IN THE FOLLOWING
19 CATEGORIES OF INVESTMENTS PROVIDED THAT THEIR PRINCIPAL
20 OPERATIONS OR LOCATIONS ARE LOCATED IN THIS COMMONWEALTH:

21 (A) INVESTMENTS IN VENTURE CAPITAL LIMITED PARTNERSHIPS OR
22 IN NEW AND YOUNG SMALL BUSINESSES WHICH ARE MAKING AN INITIAL
23 PUBLIC OFFERING OF SECURITIES OR UTILIZING A LIMITED PRIVATE
24 PLACEMENT.

25 (B) INVESTMENTS IN MINORITY-OWNED-AND-OPERATED BUSINESSES AS
26 DOMICILES IN PENNSYLVANIA, AS PROVIDED IN THE ACT OF JULY 22,
27 1974 (P.L.598, NO.206), KNOWN AS THE "PENNSYLVANIA MINORITY
28 BUSINESS DEVELOPMENT AUTHORITY ACT."

29 (C) INVESTMENTS IN BUSINESSES LOCATED IN ENTERPRISE ZONES
30 DESIGNATED BY THE DEPARTMENT OF COMMUNITY AFFAIRS.

1 (D) INVESTMENTS IN HOUSING FOR FAMILIES AND PERSONS OF LOW
2 INCOME, OR IN HOUSING IN ENTERPRISE ZONES DESIGNATED BY THE
3 DEPARTMENT OF COMMUNITY AFFAIRS.

4 (E) INVESTMENTS IN SEED CAPITAL FUNDS ESTABLISHED PURSUANT
5 TO THE PROVISIONS OF THE ACT OF JULY 2, 1984 (P.L.555, NO.111),
6 KNOWN AS THE "SMALL BUSINESS INCUBATORS ACT."

7 (F) INVESTMENTS IN BUSINESS DEVELOPMENT CREDIT CORPORATIONS
8 ESTABLISHED PURSUANT TO THE ACT OF DECEMBER 1, 1959 (P.L.1647,
9 NO.606), KNOWN AS THE "BUSINESS DEVELOPMENT CREDIT CORPORATION
10 LAW."

11 (G) INVESTMENTS IN SMALL BUSINESS INVESTMENT CORPORATIONS
12 AND MINORITY ENTERPRISE SMALL BUSINESS INVESTMENT COMPANIES
13 CERTIFIED PURSUANT TO APPLICABLE FEDERAL LAWS.
14 HOWEVER, IN NO EVENT MAY THE PERCENTAGE LIMITATION UNDER THIS
15 CLAUSE (12) EXCEED THE AGGREGATE OF TWENTY-FIVE PERCENTUM (25%).

16 (II) FOR EACH ONE-HALF PERCENTUM (.5%) OF SUCH COMPANY'S
17 ADMITTED ASSETS INVESTED IN CATEGORIES (A) THROUGH (G) OF
18 SUBCLAUSE (I) OF THIS CLAUSE WHOSE PRINCIPAL OPERATIONS OR
19 LOCATIONS ARE LOCATED IN THIS COMMONWEALTH, INVESTMENTS UNDER
20 OTHER CLAUSES OF THIS SECTION MAY EXCEED THE VOLUME LIMITATIONS
21 SET FORTH IN SUCH OTHER CLAUSES BY AN AGGREGATE OF TWO AND ONE-
22 HALF PERCENTUM (2.5%) OF THE COMPANY'S ADMITTED ASSETS, BUT IN
23 NO EVENT MAY SUCH EXCESS INVESTMENTS EXCEED A MAXIMUM OF FIVE
24 PERCENTUM (5%) OF ADMITTED ASSETS; HOWEVER, SUCH EXCESS
25 INVESTMENTS SHALL BE CHARGED AGAINST THE LIMITATION ESTABLISHED
26 IN SUBCLAUSE (I) OF THIS CLAUSE.

27 (III) THE INSURANCE COMMISSIONER SHALL PROMULGATE REASONABLE
28 RULES AND REGULATIONS FOR TRANSACTIONS UNDER THIS CLAUSE, TO
29 INCLUDE, BUT NOT LIMITED TO, RULES AND REGULATIONS WHICH IMPOSE
30 FINANCIAL SOLVENCY STANDARDS, VALUATION STANDARDS AND REPORTING

1 REQUIREMENTS.

2 (B) NO SUCH COMPANY SHALL LEND ANY OF ITS FUNDS ON PERSONAL
3 SECURITY EXCEPT A LOAN FOR DEFRAYING, IN WHOLE OR IN PART, THE
4 EXPENSES OF AN EMPLOYE TRANSFERRED OR ABOUT TO BE TRANSFERRED TO
5 A NEW PLACE OF EMPLOYMENT WITH SUCH COMPANY.

6 (C) ANY SUCH COMPANY MAY, WITH THE APPROVAL OF ITS BOARD OF
7 DIRECTORS, ACQUIRE, RETAIN, CANCEL OR DISPOSE OF SHARES OF ITS
8 OWN CAPITAL STOCK, PROVIDED THAT:

9 (1) NO SUCH COMPANY SHALL ACQUIRE SUCH STOCK WITHOUT THE
10 PRIOR APPROVAL OF THE INSURANCE COMMISSIONER.

11 (2) NO SUCH COMPANY SHALL EFFECT A REDUCTION IN ITS CAPITAL
12 STOCK WITHOUT COMPLYING WITH THE APPLICABLE PROVISIONS OF LAW.

13 (3) NO SUCH COMPANY SHALL DIRECTLY OR INDIRECTLY VOTE SHARES
14 OF ITS OWN STOCK HELD BY IT.

15 SECTION 518-D. VALUATION OF INVESTMENTS.--(A) INVESTMENTS
16 SHALL BE VALUED IN ACCORDANCE WITH THE PUBLISHED VALUATION
17 STANDARDS OF THE NATIONAL ASSOCIATION OF INSURANCE
18 COMMISSIONERS. SECURITIES INVESTMENTS AS TO WHICH THE NATIONAL
19 ASSOCIATION OF INSURANCE COMMISSIONERS HAS NOT PUBLISHED
20 VALUATION STANDARDS IN ITS VALUATION OF SECURITIES MANUAL OR ITS
21 SUCCESSOR PUBLICATION SHALL BE VALUED AS FOLLOWS:

22 (1) ANY INVESTMENT BY ANY INSURER THAT IS NOT VALUED BY
23 STANDARDS PUBLISHED BY THE NATIONAL ASSOCIATION OF INSURANCE
24 COMMISSIONERS SHALL, AT THE TIME OF ACQUISITION, BE SUBMITTED TO
25 THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS FOR
26 EVALUATION.

27 (2) OTHER SECURITIES INVESTMENTS SHALL BE VALUED IN
28 ACCORDANCE WITH REGULATIONS PROMULGATED BY THE INSURANCE
29 COMMISSIONER PURSUANT TO SUBSECTION (D) OF THIS SECTION.

30 (B) OTHER INVESTMENTS, INCLUDING REAL PROPERTY, SHALL BE

1 VALUED IN ACCORDANCE WITH REGULATIONS PROMULGATED BY THE
2 INSURANCE COMMISSIONER PURSUANT TO SUBSECTION (D) OF THIS
3 SECTION, BUT IN NO EVENT SHALL SUCH OTHER INVESTMENTS BE VALUED
4 AT MORE THAN THEIR PURCHASE PRICE. PURCHASE PRICE FOR REAL
5 PROPERTY INCLUDES CAPITALIZED PERMANENT IMPROVEMENTS, LESS
6 DEPRECIATION SPREAD EVENLY OVER THE LIFE OF THE PROPERTY OR, AT
7 THE OPTION OF THE COMPANY, LESS DEPRECIATION COMPUTED ON ANY
8 BASIS PERMITTED UNDER THE UNITED STATES INTERNAL REVENUE CODE OF
9 1954 (68A STAT. 3, 26 U.S.C. § 1 ET SEQ.) AND REGULATIONS
10 THEREUNDER. SUCH INVESTMENTS THAT HAVE BEEN AFFECTED BY
11 PERMANENT DECLINES IN VALUE SHALL BE VALUED AT NOT MORE THAN
12 THEIR MARKET VALUE.

13 (C) ANY INVESTMENT, INCLUDING REAL PROPERTY, NOT PURCHASED
14 BY A COMPANY BUT ACQUIRED IN SATISFACTION OF A DEBT OR OTHERWISE
15 SHALL BE VALUED IN ACCORDANCE WITH THE APPLICABLE PROCEDURES FOR
16 THAT TYPE OF INVESTMENT CONTAINED IN THIS SECTION. FOR PURPOSES
17 OF APPLYING THE VALUATION PROCEDURES, THE PURCHASE PRICE SHALL
18 BE DEEMED TO BE THE MARKET VALUE AT THE TIME THE INVESTMENT IS
19 ACQUIRED OR IN THE CASE OF ANY INVESTMENT ACQUIRED IN
20 SATISFACTION OF DEBT, THE AMOUNT OF THE DEBT, INCLUDING
21 INTEREST, TAXES AND EXPENSES, WHICHEVER AMOUNT IS LESS.

22 (D) THE INSURANCE COMMISSIONER MAY PROMULGATE RULES AND
23 REGULATIONS FOR DETERMINING AND CALCULATING VALUES TO BE USED IN
24 FINANCIAL STATEMENTS SUBMITTED TO THE DEPARTMENT FOR INVESTMENTS
25 NOT SUBJECT TO PUBLISHED NATIONAL ASSOCIATION OF INSURANCE
26 COMMISSIONERS' VALUATION STANDARDS.

27 (E) THE ELIGIBILITY OF AN INVESTMENT SHALL BE DETERMINED AS
28 OF THE DATE OF ITS MAKING OR ACQUISITION OR THE DATE OF
29 COMMITMENT IN THE CASE OF COMMITMENT TO INVEST.

30 (F) IF ANY INVESTMENT IS MADE IN AN INVESTMENT NOT PERMITTED

1 OR IN A MANNER NOT AUTHORIZED BY THIS ACT, THE OFFICERS,
2 DIRECTORS AND TRUSTEES MAKING OR AUTHORIZING SUCH INVESTMENT
3 SHALL BE PERSONALLY LIABLE FOR ANY LOSS OCCASIONED THEREBY.

4 (G) NOTHING IN THIS ACT SHALL PROHIBIT THE ACQUISITION BY AN
5 INSURER OF OTHER OR ADDITIONAL SECURITIES OR PROPERTY IF
6 RECEIVED AS A DIVIDEND OR AS A LAWFUL DISTRIBUTION OF ASSETS, OR
7 UPON A DEBT OR JUDGMENT, OR UNDER A LAWFUL AND BONA FIDE
8 AGREEMENT OF BULK REINSURANCE, MERGER OR CONSOLIDATION, OR IF
9 ACQUIRED BY IT THROUGH THE EXERCISE OF WARRANTS, OPTIONS OR
10 SIMILAR RIGHTS TO ACQUIRE SECURITIES RECEIVED BY IT IN
11 ACCORDANCE WITH THIS ACT. NOTHING IN THIS ACT SHALL PREVENT ANY
12 INSURER FROM ENTERING INTO AN AGREEMENT FOR THE PURPOSE OF
13 PROTECTING THE INTERESTS OF THE INSURER IN SECURITIES LAWFULLY
14 HELD BY IT, OR FOR THE PURPOSE OF REORGANIZATION OF A
15 CORPORATION WHICH ISSUED SECURITIES SO HELD, AND FROM DEPOSITING
16 SUCH SECURITIES WITH A COMMITTEE OR DEPOSITARIES APPOINTED UNDER
17 SUCH AGREEMENT, NOR FROM ACCEPTING STOCK, BONDS OR OTHER
18 SECURITIES OR OTHER PROPERTY WHICH MAY BE DISTRIBUTED PURSUANT
19 TO ANY SUCH AGREEMENT, OR TO ANY PLAN OF REORGANIZATION OR
20 ARRANGEMENT; AND NO PROVISION OF THIS ACT SHALL PREVENT ANY
21 INSURER FROM ACQUIRING OR HOLDING ANY PROPERTY ACQUIRED IN
22 SATISFACTION OF ANY DEBT PREVIOUSLY CONTRACTED, OR THAT SHALL BE
23 OBTAINED BY SALE OR FORECLOSURE OF ANY SECURITY HELD BY IT. ANY
24 SECURITY OR PROPERTY SO ACQUIRED WHICH IS NOT OTHERWISE AN
25 ELIGIBLE INVESTMENT UNDER THIS ACT SHALL BE DISPOSED OF WITHIN
26 FIVE (5) YEARS FROM DATE OF ACQUISITION, UNLESS WITHIN SUCH
27 PERIOD THE SECURITY OR PROPERTY HAS ATTAINED TO THE STANDARD OF
28 ELIGIBILITY, EXCEPT THAT ANY SECURITY OR PERSONAL PROPERTY
29 ACQUIRED UNDER ANY AGREEMENT OF BULK REINSURANCE, MERGER OR
30 CONSOLIDATION MAY BE RETAINED FOR A LONGER PERIOD IF SO PROVIDED

1 IN THE PLAN FOR SUCH REINSURANCE, MERGER OR CONSOLIDATION. THE
2 COMMISSIONER MAY GRANT FROM TIME TO TIME REASONABLE EXTENSIONS
3 OF THE PERIOD WITHIN WHICH AN INSURER SHALL DISPOSE OF ANY SUCH
4 PROPERTY OR SECURITY.

5 SECTION 3. SECTION 519 OF THE ACT, AMENDED JUNE 2, 1965
6 (P.L.77, NO.54), IS AMENDED TO READ:

7 SECTION 519. REAL ESTATE WHICH MAY BE [PURCHASED] ACQUIRED,
8 HELD, AND CONVEYED.--[NO] A DOMESTIC STOCK FIRE, STOCK MARINE,
9 OR STOCK FIRE AND MARINE INSURANCE COMPANY [SHALL] MAY, DIRECTLY
10 OR INDIRECTLY, ALONE OR IN COMBINATION WITH ONE OR MORE OTHER
11 PERSONS OR ENTITIES (EXCEPT THAT NO DOMESTIC STOCK FIRE, STOCK
12 MARINE OR STOCK FIRE AND MARINE INSURANCE COMPANY MAY
13 PARTICIPATE IN A GENERAL PARTNERSHIP), ACQUIRE BY PURCHASE,
14 LEASE OR OTHERWISE OR RECEIVE, HOLD, OR CONVEY REAL ESTATE,
15 [EXCEPT FOR THE PURPOSE AND IN THE MANNER HEREIN SET FORTH, TO
16 WIT] OR ANY INTEREST THEREIN:

17 (A) [SUCH AS SHALL BE REQUISITE] REQUIRED FOR ITS CONVENIENT
18 ACCOMMODATION IN THE TRANSACTION OF ITS BUSINESS, INCLUDING
19 RESIDENTIAL REAL ESTATE PURCHASED FROM EMPLOYEES TRANSFERRED OR
20 ABOUT TO BE TRANSFERRED TO NEW PLACES OF EMPLOYMENT WITH SUCH
21 COMPANY.

22 (B) [SUCH AS SHALL HAVE BEEN CONVEYED] CONVEYED TO IT IN
23 SATISFACTION OF DEBTS PREVIOUSLY CONTRACTED IN THE COURSE OF ITS
24 DEALING.

25 (C) [SUCH AS SHALL HAVE BEEN PURCHASED] PURCHASED AT SALES
26 UPON JUDGMENTS, DECREES, OR MORTGAGES, OBTAINED OR MADE FOR
27 DEBTS DUE THE COMPANY, OR FOR DEBTS DUE OTHER PERSONS WHERE SAID
28 COMPANY MAY HAVE LIENS OR ENCUMBRANCES ON THE SAME, AND THE
29 PURCHASE IS DEEMED NECESSARY TO SAVE THE COMPANY FROM LOSS. [IT
30 SHALL NOT BE LAWFUL FOR ANY SUCH COMPANY TO PURCHASE OR HOLD

1 REAL ESTATE IN ANY OTHER CASE OR FOR ANY OTHER PURPOSE. ANY REAL
2 ESTATE PURCHASED, RECEIVED, OR ACQUIRED UNDER CLAUSES (B) AND
3 (C) OF THIS SECTION, WHICH HAS BEEN HELD FOR A PERIOD OF MORE
4 THAN FIVE YEARS FROM THE DATE OF ITS PURCHASE, RECEIPT, OR
5 ACQUISITION, SHALL BE SOLD AND DISPOSED OF WITHIN A PERIOD OF
6 SIX MONTHS AFTER DUE NOTICE TO THE COMPANY FROM THE INSURANCE
7 COMMISSIONER TO SELL AND CONVEY THE SAME. THE COMMISSIONER MAY
8 EXTEND THE TIME FOR SUCH DISPOSITION IF HE BELIEVES THE INTEREST
9 OF THE COMPANY WILL SUFFER MATERIALLY BY A FORCED SALE.]

10 (D) REASONABLY NECESSARY FOR THE PURPOSE OF MAINTAINING OR
11 ENHANCING THE SALE VALUE OF REAL PROPERTY PREVIOUSLY ACQUIRED OR
12 HELD BY IT UNDER SUBSECTION (A), (B), (C) OR (E).

13 (E) AS AN INVESTMENT FOR THE PRODUCTION OF INCOME OR CAPITAL
14 APPRECIATION, OR SO ACQUIRED FOR DEVELOPMENT, IMPROVEMENT,
15 MAINTENANCE OR CONSTRUCTION AND MAINTENANCE FOR SUCH INVESTMENT
16 PURPOSES.

17 SECTION 4. SECTION 602 OF THE ACT IS REPEALED.

18 SECTION 5. THE ACT IS AMENDED BY ADDING A SECTION TO READ:

19 SECTION 602.1. ELIGIBLE INVESTMENTS.--EVERY DOMESTIC STOCK
20 CASUALTY INSURANCE COMPANY SHALL INVEST AND KEEP INVESTED ALL
21 ITS FUNDS IN ACCORDANCE WITH THE LAWS OF THIS COMMONWEALTH
22 RELATING TO THE INVESTMENT OF FUNDS OF DOMESTIC STOCK FIRE,
23 STOCK MARINE OR STOCK FIRE AND MARINE INSURANCE COMPANIES.

24 SECTION 6. SECTIONS 603 AND 604 OF THE ACT ARE REPEALED.

25 SECTION 7. THE ACT IS AMENDED BY ADDING A SECTION TO READ:

26 SECTION 604.1. REAL ESTATE WHICH MAY BE ACQUIRED, HELD AND
27 CONVEYED.--NO DOMESTIC STOCK CASUALTY INSURANCE COMPANY SHALL
28 ACQUIRE BY PURCHASE, LEASE OR OTHERWISE, OR RECEIVE, HOLD OR
29 CONVEY REAL ESTATE, OR ANY INTEREST THEREIN EXCEPT IN ACCORDANCE
30 WITH THE LAWS OF THIS COMMONWEALTH RELATING TO REAL ESTATE THAT

1 MAY BE ACQUIRED BY PURCHASE, LEASE OR OTHERWISE, OR RECEIVED,
2 HELD, OR CONVEYED BY STOCK FIRE, OR STOCK MARINE, OR STOCK FIRE
3 AND MARINE INSURANCE COMPANIES.

4 Section ± 8. Sections 601-A, 602-A, 603-A, 604-A, 605-A and <—
5 606-A of the act ~~of May 17, 1921 (P.L.682, No.284), known as The~~ <—
6 ~~Insurance Company Law of 1921~~, added June 11, 1986 (P.L.226,
7 No.64), are amended to read:

8 Section 601-A. Definitions.--As used in this article the
9 following words and phrases shall have the meanings given to
10 them in this section:

11 "Alcohol or drug abuse." Any use of alcohol or other drugs
12 which produces a pattern of pathological use causing impairment
13 in social or occupational functioning or which produces
14 physiological dependency evidenced by physical tolerance or
15 withdrawal. For the purposes of this act, drugs shall be defined
16 as addictive drugs and drugs of abuse listed as scheduled drugs
17 in the act of April 14, 1972 (P.L.233, No.64), known as "The
18 Controlled Substance, Drug, Device and Cosmetic Act."

19 "Detoxification." The process whereby an alcohol-intoxicated
20 or drug-intoxicated or alcohol-dependent or drug-dependent
21 person is assisted, in a facility licensed by the Department of
22 Health, through the period of time necessary to eliminate, by
23 metabolic or other means, the intoxicating alcohol or other
24 drugs, alcohol and other drug dependency factors or alcohol in
25 combination with drugs as determined by a licensed physician,
26 while keeping the physiological risk to the patient at a
27 minimum.

28 "Hospital." A facility licensed as a hospital by the
29 Department of Health, the Department of Public Welfare, or
30 operated by the Commonwealth and conducting an alcoholism or

1 drug addiction treatment program licensed by the Department of
2 Health.

3 "Inpatient care." The provision of medical, nursing,
4 counseling or therapeutic services twenty-four hours a day in a
5 hospital or non-hospital facility, according to individualized
6 treatment plans.

7 "Non-hospital facility." A facility, licensed by the
8 Department of Health, for the care or treatment of alcohol-
9 dependent or other drug-dependent persons, except for
10 transitional living facilities.

11 "Non-hospital residential care." The provision of medical,
12 nursing, counseling or therapeutic services to patients
13 suffering from alcohol or other drug abuse or dependency in a
14 residential environment, according to individualized treatment
15 plans.

16 "Outpatient care." The provision of medical, nursing,
17 counseling or therapeutic services in a hospital or non-hospital
18 facility on a regular and predetermined schedule, according to
19 individualized treatment plans.

20 "Partial hospitalization." The provision of medical,
21 nursing, counseling or therapeutic services on a planned and
22 regularly scheduled basis in a hospital or non-hospital facility
23 licensed as an alcoholism or drug addiction treatment program by
24 the Department of Health, designed for a patient or client who
25 would benefit from more intensive than are offered in outpatient
26 treatment but who does not require inpatient care.

27 Section 602-A. Mandated Policy Coverages and Options.--(a)
28 All group health or sickness or accident insurance policies
29 providing hospital or medical/surgical coverage and all group
30 subscriber contracts or certificates issued by any entity

1 subject to this act, 40 Pa.C.S. Ch. 61 (relating to hospital
2 plan corporations) or Ch. 63 (relating to professional health
3 services plan corporations), the act of December 29, 1972
4 (P.L.1701, No.364), known as the "Health Maintenance
5 Organization Act," or the act of July 29, 1977 (P.L.105, No.38),
6 known as the "Fraternal Benefit Society Code," providing
7 hospital or medical/surgical coverage, shall in addition to
8 other provisions required by this act include within the
9 coverage those benefits for alcohol or other drug abuse and
10 dependency as provided in sections 603-A, 604-A and 605-A.

11 (b) The benefits specified in subsection (a) may be provided
12 through a combination of such policies, contracts or
13 certificates.

14 (c) The benefits specified in subsection (a) may be provided
15 through prospective payment plans.

16 (d) The provisions of subsection (a) shall not apply to
17 Medicare or Medicaid supplemental contracts or limited coverage
18 accident and sickness policies, such as, but not limited to,
19 cancer insurance, polio insurance, dental care and similar
20 policies as may be identified as exempt from this section by the
21 Insurance Commissioner.

22 Section 603-A. Inpatient Detoxification.--(a) Inpatient
23 detoxification as a covered benefit under this article shall be
24 provided either in a hospital or in an inpatient non-hospital
25 facility which has a written affiliation agreement with a
26 hospital for emergency, medical and psychiatric or psychological
27 support services, meets minimum standards for client-to-staff
28 ratios and staff qualifications which shall be established by
29 the Department of Health and is licensed as an alcoholism and/or
30 drug addiction treatment program.

1 (b) The following services shall be covered under inpatient
2 detoxification:

3 (1) Lodging and dietary services.

4 (2) Physician, psychologist, nurse, certified addictions
5 counselor and trained staff services.

6 (3) Diagnostic X-ray.

7 (4) Psychiatric, psychological and medical laboratory
8 testing.

9 (5) Drugs, medicines, equipment use and supplies.

10 (c) Treatment under this section may be subject to a
11 lifetime limit, for any covered individual, of four admissions
12 for detoxification and reimbursement per admission may be
13 limited to seven (7) days of treatment or an equivalent amount.

14 Section 604-A. Non-hospital Residential Alcohol or Other
15 Drug Services.--(a) Minimal additional treatment as a covered
16 benefit under this article shall be provided in a facility which
17 meets minimum standards for client-to-staff ratios and staff
18 qualifications which shall be established by the Office of Drug
19 and Alcohol Programs and is appropriately licensed by the
20 Department of Health as an alcoholism or drug addiction
21 treatment program. Before an insured may qualify to receive
22 benefits under this section, a licensed physician or licensed
23 psychologist must certify the insured as a person suffering from
24 alcohol or other drug abuse or dependency and refer the insured
25 for the appropriate treatment.

26 (b) The following services shall be covered under this
27 section:

28 (1) Lodging and dietary services.

29 (2) Physician, psychologist, nurse, certified addictions
30 counselor and trained staff services.

- 1 (3) Rehabilitation therapy and counseling.
- 2 (4) Family counseling and intervention.
- 3 (5) Psychiatric, psychological and medical laboratory tests.
- 4 (6) Drugs, medicines, equipment use and supplies.

5 (c) The treatment under this section shall be covered, as
6 required by this act, for a minimum of thirty (30) days per year
7 for residential care. Additional days shall be available as
8 provided in section 605-A(d). Treatment may be subject to a
9 lifetime limit, for any covered individual, of ninety (90) days.

10 Section 605-A. Outpatient Alcohol or Other Drug Services.--

11 (a) Minimal additional treatment as a covered benefit under
12 this article shall be provided in a facility appropriately
13 licensed by the Department of Health as an alcoholism or drug
14 addiction treatment program. Before an insured may qualify to
15 receive benefits under this section, a licensed physician or
16 licensed psychologist must certify the insured as a person
17 suffering from alcohol or other drug abuse or dependency and
18 refer the insured for the appropriate treatment.

19 (b) The following services shall be covered under this
20 section:

21 (1) Physician, psychologist, nurse, certified addictions
22 counselor and trained staff services.

23 (2) Rehabilitation therapy and counseling.

24 (3) Family counseling and intervention.

25 (4) Psychiatric, psychological and medical laboratory tests.

26 (5) Drugs, medicines, equipment use and supplies.

27 (c) Treatment under this section shall be covered as
28 required by this act for a minimum of thirty outpatient, full-
29 session visits or equivalent partial visits per year. Treatment
30 may be subject to a lifetime limit, for any covered individual,

1 of one hundred and twenty outpatient, full-session visits or
2 equivalent partial visits.

3 (d) In addition, treatment under this section shall be
4 covered as required by this act for a minimum of thirty separate
5 sessions of outpatient or partial hospitalization services per
6 year, which may be exchanged on a two-to-one basis to secure up
7 to fifteen additional non-hospital, residential alcohol
8 treatment days.

9 Section 606-A. Deductibles, Copayment Plans and Prospective
10 Pay.--(a) Reasonable deductible or copayment plans, or both,
11 after approval by the Insurance Commissioner, may be applied to
12 benefits paid to or on behalf of patients during the course of
13 alcohol or other drug abuse or dependency treatment. In the
14 first instance or course of treatment, no deductible or
15 copayment shall be less favorable than those applied to similar
16 classes or categories of treatment for physical illness
17 generally in each policy.

18 (b) In the first instance or course of treatment under a
19 prospective payment plan, no deductible or copayment shall be
20 less favorable than those applied to similar classes or
21 categories of treatment for physical illness generally in each
22 policy.

23 SECTION 9. SECTION 802 OF THE ACT IS REPEALED. <—

24 SECTION 10. THE ACT IS AMENDED BY ADDING A SECTION TO READ:

25 SECTION 802.1. INVESTMENT OF ASSETS.--EVERY DOMESTIC MUTUAL
26 INSURANCE COMPANY, OTHER THAN A MUTUAL LIFE INSURANCE COMPANY,
27 SHALL INVEST AND KEEP INVESTED ALL ITS FUNDS IN ACCORDANCE WITH
28 THE LAWS OF THIS COMMONWEALTH RELATING TO THE INVESTMENT OF
29 FUNDS OF DOMESTIC STOCK FIRE, STOCK MARINE OR STOCK FIRE AND
30 MARINE INSURANCE COMPANIES. PROVIDED, HOWEVER, THAT ANY MUTUAL

1 INSURANCE COMPANY WHICH DOES NOT POSSESS A CERTIFICATE OF
2 AUTHORITY TO ISSUE NONASSESSABLE INSURANCE POLICIES SHALL BE
3 PERMITTED TO INVEST ITS FUNDS IN ASSETS SPECIFIED IN SUBSECTION
4 (A)(3), (6), (7), (8), (9), (10), (11) AND (12) OF SECTION 518-C
5 ONLY AFTER OBTAINING PRIOR WRITTEN APPROVAL OF THE INSURANCE
6 COMMISSIONER.

7 SECTION 11. SECTION 803 OF THE ACT IS REPEALED.

8 SECTION 12. THE ACT IS AMENDED BY ADDING SECTIONS TO READ:

9 SECTION 803.1. REAL ESTATE WHICH MAY BE ACQUIRED, HELD AND
10 CONVEYED.--A DOMESTIC MUTUAL INSURANCE COMPANY, OTHER THAN A
11 MUTUAL LIFE INSURANCE COMPANY, MAY ACQUIRE BY PURCHASE, LEASE OR
12 OTHERWISE, OR RECEIVE, HOLD OR CONVEY REAL ESTATE, OR ANY
13 INTEREST THEREIN IN ACCORDANCE WITH THE LAWS OF THIS
14 COMMONWEALTH RELATING TO REAL ESTATE THAT MAY BE ACQUIRED BY
15 PURCHASE, LEASE OR OTHERWISE, OR RECEIVED, HELD OR CONVEYED BY
16 STOCK FIRE, STOCK MARINE, OR STOCK FIRE AND MARINE INSURANCE
17 COMPANIES. MUTUAL INSURANCE COMPANIES WHICH DO NOT POSSESS A
18 CERTIFICATE OF AUTHORITY TO ISSUE NONASSESSABLE INSURANCE
19 POLICIES MAY ONLY INVEST IN SUCH REAL ESTATE NECESSARY FOR THE
20 CONVENIENT ACCOMMODATION OF ITS BUSINESS, AND MAY MAINTAIN CASH
21 BALANCES NECESSARY FOR THE TRANSACTION OF ITS BUSINESS.

22 SECTION 1008.1. ELIGIBLE INVESTMENTS.--EVERY RECIPROCAL AND
23 INTER-INSURANCE EXCHANGE SHALL INVEST AND KEEP INVESTED ALL ITS
24 FUNDS IN ACCORDANCE WITH THE LAWS OF THIS COMMONWEALTH RELATING
25 TO THE INVESTMENT OF FUNDS OF DOMESTIC STOCK FIRE, STOCK MARINE
26 OR STOCK FIRE AND MARINE INSURANCE COMPANIES.

27 SECTION 1008.2. REAL ESTATE WHICH MAY BE ACQUIRED, HELD AND
28 CONVEYED.--NO RECIPROCAL AND INTER-INSURANCE EXCHANGE SHALL
29 ACQUIRE BY PURCHASE, LEASE OR OTHERWISE, OR RECEIVE, HOLD OR
30 CONVEY REAL ESTATE, OR ANY INTEREST THEREIN EXCEPT IN ACCORDANCE

1 WITH THE LAWS OF THIS COMMONWEALTH RELATING TO REAL ESTATE THAT
2 MAY BE ACQUIRED BY PURCHASE, LEASE OR OTHERWISE, OR RECEIVED
3 HELD OR CONVEYED BY STOCK FIRE, STOCK MARINE OR STOCK FIRE AND
4 MARINE INSURANCE COMPANIES.

5 SECTION 13. ANY INVESTMENTS PROPERLY MADE PURSUANT TO
6 APPLICABLE PROVISIONS OF THIS ACT PRIOR TO THE EFFECTIVE DATE OF
7 THIS AMENDATORY ACT SHALL CONTINUE AS PERMITTED INVESTMENTS
8 UNDER THIS ACT.

9 SECTION 14. THIS ACT IS NOT INTENDED TO REPEAL SECTION 641
10 OF THE ACT OF MAY 17, 1921 (P.L.789, NO.285), KNOWN AS THE
11 INSURANCE DEPARTMENT ACT OF ONE THOUSAND NINE HUNDRED AND
12 TWENTY-ONE, OR ITS APPLICATION AS PROVIDED IN THE ACT OF
13 DECEMBER 30, 1974 (P.L.1148, NO.365), ENTITLED "AN ACT AMENDING
14 THE ACT OF MAY 17, 1921 (P.L.789, NO.285), ENTITLED, AS AMENDED,
15 'AN ACT RELATING TO INSURANCE; ESTABLISHING AN INSURANCE
16 DEPARTMENT; AND AMENDING, REVISING, AND CONSOLIDATING THE LAW
17 RELATING TO THE LICENSING, QUALIFICATION, REGULATION,
18 EXAMINATION, SUSPENSION, AND DISSOLUTION OF INSURANCE COMPANIES,
19 LLOYDS ASSOCIATIONS, RECIPROCAL AND INTER-INSURANCE EXCHANGES,
20 AND CERTAIN SOCIETIES AND ORDERS, THE EXAMINATION AND REGULATION
21 OF FIRE INSURANCE RATING BUREAUS, AND THE LICENSING AND
22 REGULATION OF INSURANCE AGENTS, AND BROKERS; THE SERVICE OF
23 LEGAL PROCESS UPON FOREIGN INSURANCE COMPANIES, ASSOCIATIONS OR
24 EXCHANGES; PROVIDING PENALTIES, AND REPEALING EXISTING LAWS,'
25 PROHIBITING THE LICENSING OF LENDING INSTITUTIONS, PUBLIC
26 UTILITIES AND HOLDING COMPANIES EXCEPT FOR THE SALE OF CERTAIN
27 TYPES OF INSURANCE."

28 SECTION 15. (A) SECTION 618(B)(11) OF THE ACT OF MAY 17,
29 1921 (P.L.682, NO.284), KNOWN AS THE INSURANCE COMPANY LAW OF
30 1921, IS REPEALED INSOFAR AS IT IS INCONSISTENT WITH THIS ACT.

