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To: The Honorable Members of the House Committee on Veterans Affairs and
Emergency Preparedness

From: Samuel R. Marshall, Jonathan C. Greer and Noah K. Karn

Re: House Bill 759 – paying for emergency responses

We were here almost four years ago on an identical bill, House Bill 1272. Our general concerns remain the same but our questions and recommendations have evolved, in large part through discussions with many of you and your Senate colleagues, and as we've learned more looking at tax records and the report you issued last year pursuant to Senate Resolution 6.

At the outset, we reiterate our support for volunteer fire companies and the value they provide to our policyholders and communities.

That was true when Ben Franklin founded America's first insurer as part of a volunteer fire company, and it remains true today – and it is true in action: A large portion of the industry's premium taxes goes to volunteer fire companies. Further, we've been leaders in fire prevention efforts – not just in legislative activities like supporting strong building codes, but in the communities themselves, where insurers are major contributors to efforts such as supplying free smoke detectors.

We recognize the challenges volunteer fire companies face in their financing and in recruiting and retaining qualified volunteers. In the past, we've recommended a comprehensive approach to better identify which fire companies need funding, which need more volunteers, and which need improved equipment; and in all cases, how much is needed – since this isn't a "one size fits all" problem or solution. That's reflected in the recommendations in the SR 6 report.

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Turning to the bill: It does two things: It makes people responsible for the costs of fire companies unless the person has paid a tax to the fire company's municipality, or has paid a subscription fee to the fire company; and it allows the fire company to bill insurers.

As to what the bill doesn't do:

- It doesn't adopt any of the 27 recommendations in the SR 6 report. This was a recommendation from the 2004 SR 60 report but wasn't included in this one, beyond saying it will mean more money, which SR 6 does recommend. Still, given that this bill has been part of the debate, it is odd not to have been mentioned in the SR 6 report.
- It doesn't provide a secure and quantifiable revenue stream to individual volunteer fire companies that better enables them to meet the needs of their communities. We see the bill as providing more confusion than stable revenue for an individual fire company, and we don't see how it gets more volunteers.
- It doesn't provide for even application and enforcement among fire companies and consumers: We're not sure how the exemptions will be handled, or how a particular fire company will handle claims against local residents versus those from outside its municipality: Will a fire company pursue all such claims, or only those dealing with non-residents, or only where there might be insurance, or only for the amount of insurance? Will that be solely within the fire company's discretion?
- It doesn't mandate that insurers – whether auto or homeowner or property, whether personal or commercial – cover this.

The General Assembly faced similar issues and balances when it dealt with local police departments charging for emergency responses. You addressed that by passing Act 69 of 2007, prohibiting local police from doing this and noting the same issues we're raising today. Why the change here?

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We realize the financial problems faced by volunteer fire companies, and we are not shrinking away from our commitment to them. Historically, that's been done through the dedication of a large portion of insurance premium taxes – those based on foreign fire premiums, with those taxes going to the Fire Insurance Tax Fund.

We've heard that revenue has been declining, and proponents have said this bill is needed to make up for that. This was noted in Recommendation 13 of the SR 6 report, but we think more analysis is needed.

- Recommendation 13 says the revenue from this tax is declining, and that "between 6 and 7 million fewer insurance policies were being subject to the tax in just the past two years." It suggests this is because insurers are taking advantage of a loophole in that they self-report.
- Something is missing here. Attached is a tax chart for the past decade, and it shows that tax revenue has been fairly consistent, with one year way up and another down, but not with some declining trend. Maybe the premium tax formula needs adjustment, but let's not embark on this bill because of a flawed understanding of those tax revenues.

We often hear the concern of local fire companies being called on to help with trucking accidents on I-80 or similar roads – imposing burdens on the local companies that don't benefit their communities. That's a legitimate complaint, but this bill won't address that: It isn't written as an insurance requisite, and even if it were, it wouldn't apply to a truck or car registered and insured in another state.

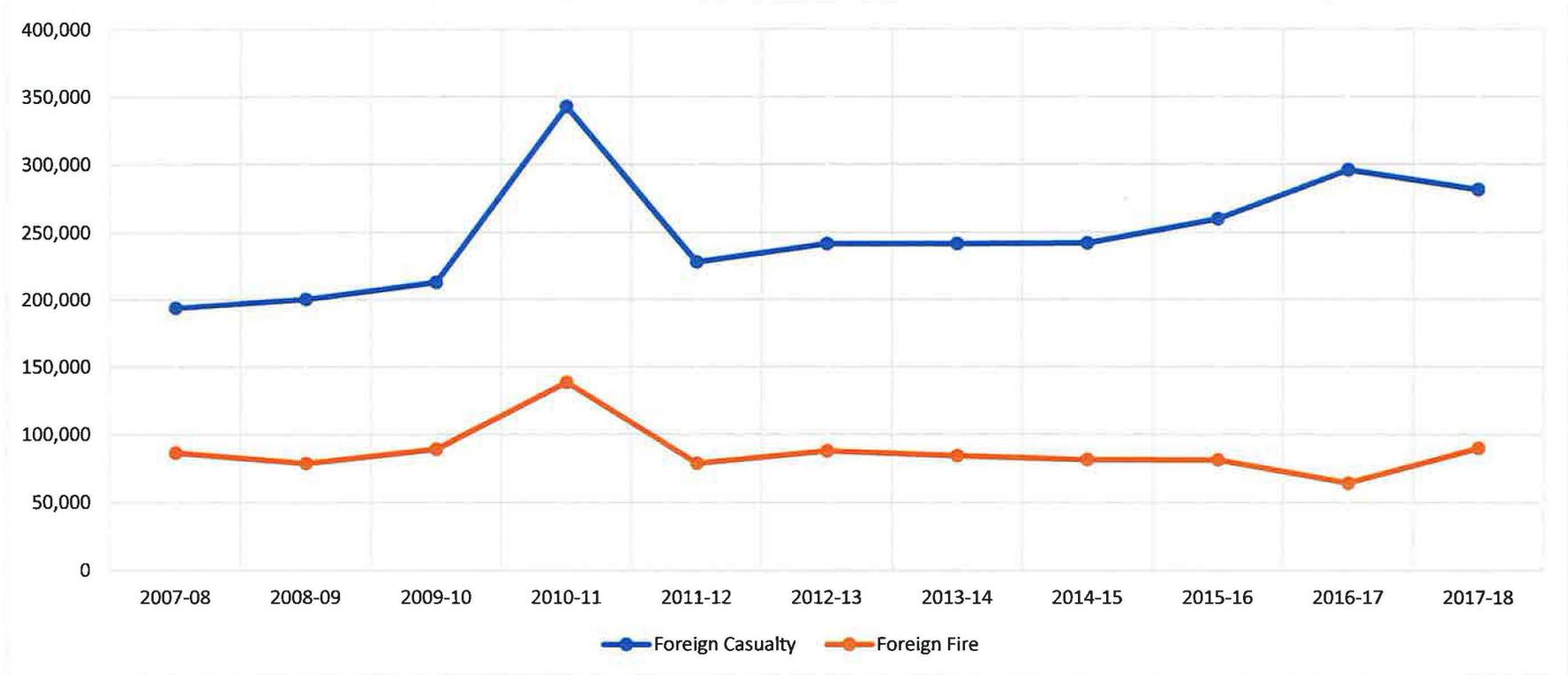
That opens a suggestion: We have a pretty hefty gas tax. Why isn't some of it dedicated to this? What about a portion of vehicle licensing fees being dedicated to fire companies?

We'll close by reiterating our support for volunteer fire companies and fire prevention, a support that has been financial as well as philosophical over the years. We welcome the chance to work with all interested parties to ensure that our communities continue to have the proper emergency services they have counted on over the years.

Insurance Premium Tax Revenues

FY 2007-08 to FY 2017-18

Fiscal Year	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18
Foreign Casualty (Payable to Municipal Pension Aid Fund)	193,451	200,075	212,701	342,605	227,932	241,381	241,435	241,894	259,728	295,550	281,247
Foreign Fire (Payable to Fire Insurance Tax Fund)	86,520	78,577	88,950	138,342	78,422	87,764	84,092	81,160	80,921	63,846	89,786



* Dollar Amounts in Thousands (000's)

Source: PA Department of Revenue, Statistical Supplement for the Pennsylvania Tax Compendium