

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 3

Session of
1989

INTRODUCED BY RUDY, WAMBACH, RITTER, J. L. WRIGHT, FOX, FLICK,
McHALE, CALTAGIRONE, LaGROTTA, COLE, JOHNSON, LAUGHLIN,
PETRONE, PRESSMANN, COWELL, CARLSON, BILLOW, MARKOSEK,
JOSEPHS, MELIO, TRELLO, GRUPPO, BORTNER, STABACK,
E. Z. TAYLOR, COLAFELLA, HAYES, KUKOVICH, ITKIN, COY, TIGUE,
LEVDANSKY, STAIRS, PRESTON, KOSINSKI, HECKLER, PISTELLA,
RAYMOND, J. TAYLOR, FARMER, PETRARCA, WOZNIAK, FREEMAN,
KASUNIC, HESS, OLASZ, MICHLOVIC, CAWLEY AND DURHAM,
JANUARY 18, 1989

AS AMENDED ON THIRD CONSIDERATION, HOUSE OF REPRESENTATIVES,
JUNE 20, 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," PROVIDING FOR REQUIREMENTS RELATING <—
12 TO MINIMUM CAPITAL SURPLUS FOR CERTAIN INSURERS; INCREASING
13 CAPITAL REQUIREMENTS FOR CERTAIN INSURANCE COMPANIES;
14 AUTHORIZING STOCK INSURERS TO ESTABLISH MORE THAN ONE CLASS
15 OR SERIES OF SHARES AND TO PERMIT DIFFERENT VOTING RIGHTS
16 ACCORDING TO THE CLASS OF SHARES; AND providing for coverage
17 for mammographic examination.

18 The General Assembly of the Commonwealth of Pennsylvania
19 hereby enacts as follows:

20 ~~Section 1. The act of May 17, 1921 (P.L.682, No.284), known <—~~
21 ~~as The Insurance Company Law of 1921, is amended by adding a~~

1 ~~section to read:~~

2 SECTION 1. SECTION 206(C) OF THE ACT OF MAY 17, 1921
3 (P.L.682, NO.284), KNOWN AS THE INSURANCE COMPANY LAW OF 1921,
4 AMENDED JULY 9, 1976 (P.L.948, NO.184), IS AMENDED TO READ:

5 SECTION 206. MINIMUM CAPITAL STOCK AND FINANCIAL
6 REQUIREMENTS TO DO BUSINESS.--* * *

7 (C) STOCK CASUALTY COMPANIES, ORGANIZED UNDER THIS ACT FOR
8 ANY OF THE PURPOSES OF INSURANCE MENTIONED IN SUBDIVISION (C) OF
9 SECTION TWO HUNDRED AND TWO (202) OF THIS ACT, MUST HAVE A PAID
10 UP CAPITAL STOCK OF NOT LESS THAN [ONE HUNDRED THOUSAND DOLLARS
11 (\$100,000); EXCEPT (I) COMPANIES ORGANIZED FOR THE PURPOSE OF
12 CREDIT INSURANCE, WHICH MUST HAVE A PAID UP CAPITAL STOCK OF NOT
13 LESS THAN TWO HUNDRED THOUSAND DOLLARS (\$200,000); (II)
14 COMPANIES ORGANIZED FOR THE PURPOSES MENTIONED IN CLAUSE (11)
15 SUBDIVISION (C) OF SECTION TWO HUNDRED AND TWO (202) OF THIS
16 ACT, WHICH MUST HAVE A PAID UP CAPITAL STOCK OF NOT LESS THAN
17 FIVE HUNDRED THOUSAND DOLLARS (\$500,000); (III) COMPANIES
18 ORGANIZED FOR THE PURPOSE OF WORKMEN'S COMPENSATION INSURANCE AS
19 PROVIDED FOR IN CLAUSE (14) SUBDIVISION (C) OF SECTION TWO
20 HUNDRED AND TWO (202) OF THE ACT, WHICH MUST HAVE A PAID UP
21 CAPITAL STOCK OF NOT LESS THAN SEVEN HUNDRED FIFTY THOUSAND
22 DOLLARS (\$750,000); AND (IV) COMPANIES ORGANIZED TO GUARANTEE
23 THE FIDELITY OF PERSONS AND CONTRACTS OF SURETYSHIP, WHICH MUST
24 HAVE A PAID UP CAPITAL STOCK OF AT LEAST TWO HUNDRED AND FIFTY
25 THOUSAND DOLLARS (\$250,000)] SEVEN HUNDRED FIFTY THOUSAND
26 DOLLARS (\$750,000). STOCK CASUALTY COMPANIES ORGANIZED UNDER
27 THIS ACT MAY UNDERTAKE TWO OR MORE CLASSES OF INSURANCE
28 MENTIONED IN SUBDIVISION (C) OF SECTION TWO HUNDRED AND TWO
29 (202) OF THIS ACT, BY PROVIDING AT LEAST FIFTY THOUSAND DOLLARS
30 (\$50,000) [ADDITIONAL] PAID UP CAPITAL STOCK FOR EACH

1 [ADDITIONAL] CLASS OF INSURANCE; EXCEPT [IN CASE CREDIT OR
2 FIDELITY AND SURETY INSURANCE IS ADDED TO ANY OTHER LINE OR
3 LINES, IN WHICH CASE THE ADDITIONAL] THAT THE PAID UP CAPITAL
4 STOCK FOR CREDIT INSURANCE SHALL BE ONE HUNDRED THOUSAND DOLLARS
5 (\$100,000), AND THE [ADDITIONAL] PAID UP CAPITAL STOCK FOR
6 FIDELITY AND SURETY INSURANCE SHALL BE TWO HUNDRED THOUSAND
7 DOLLARS (\$200,000); AND EXCEPT THAT THE PAID UP CAPITAL STOCK IN
8 THE CASE OF INSURANCE FOR THE PURPOSES MENTIONED IN CLAUSE (11)
9 SUBDIVISION (C) OF SECTION TWO HUNDRED AND TWO (202) OF THIS ACT
10 [IS ADDED TO ANY OTHER LINE OR LINES, IN WHICH CASE THE
11 ADDITIONAL PAID UP CAPITAL STOCK] SHALL BE FIVE HUNDRED THOUSAND
12 DOLLARS (\$500,000) AND EXCEPT THAT THE PAID UP CAPITAL STOCK IN
13 THE CASE OF WORKMEN'S COMPENSATION INSURANCE AS PROVIDED FOR IN
14 CLAUSE (14) SUBDIVISION (C) OF SECTION TWO HUNDRED AND TWO (202)
15 OF THE ACT [IS ADDED TO ANY OTHER LINE OR LINES IN WHICH CASE
16 THE ADDITIONAL PAID UP CAPITAL STOCK] SHALL BE SEVEN HUNDRED
17 FIFTY THOUSAND DOLLARS (\$750,000). ANY [SUCH] STOCK CASUALTY
18 COMPANY [WITH A PAID UP CAPITAL STOCK OF THREE HUNDRED THOUSAND
19 DOLLARS (\$300,000) MAY TRANSACT ALL OF THE] ORGANIZED UNDER THIS
20 ACT TO UNDERTAKE TWO OR MORE CLASSES OF INSURANCE MENTIONED IN
21 SUBDIVISION (C) OF SECTION TWO HUNDRED AND TWO (202) OF THIS
22 ACT[, EXCEPT CREDIT, LIVESTOCK, AND FIDELITY AND SURETY
23 INSURANCE, AND EXCEPT INSURANCE FOR THE PURPOSES MENTIONED IN
24 CLAUSE (11) AND EXCEPT WORKMEN'S COMPENSATION INSURANCE AS
25 PROVIDED FOR IN CLAUSE (14) THEREOF;] MUST HAVE A PAID UP
26 CAPITAL STOCK EQUAL TO THE GREATER OF SEVEN HUNDRED FIFTY
27 THOUSAND DOLLARS (\$750,000) OR THE SUM TOTAL OF THE REQUIRED
28 CAPITAL PAID UP FOR EACH CLASS OF INSURANCE FOR WHICH THE
29 COMPANY IS ORGANIZED, AND A COMPANY WITH A PAID UP CAPITAL STOCK
30 OF ONE MILLION NINE HUNDRED FIFTY THOUSAND DOLLARS (\$1,950,000)

1 MAY TRANSACT ALL OF THE CLASSES OF INSURANCE MENTIONED IN
2 SUBDIVISION (C) OF SECTION TWO HUNDRED AND TWO (202) OF THIS
3 ACT. EVERY SUCH COMPANY SHALL, IN ADDITION THERETO, HAVE A
4 SURPLUS PAID IN AT LEAST EQUAL TO FIFTY PER CENTUM (50%) OF THE
5 [SUBSCRIBED CAPITAL STOCK] REQUIRED PAID UP CAPITAL.

6 * * *

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

8 SECTION 206.1. EXCLUSION FROM MINIMUM FINANCIAL
9 REQUIREMENTS.--(A) A FIRE OR CASUALTY COMPANY SEEKING A
10 CERTIFICATE OF AUTHORITY TO DO BUSINESS IN PENNSYLVANIA SHALL
11 SATISFY AND CONTINUE TO COMPLY WITH THE MINIMUM CAPITAL AND
12 SURPLUS REQUIREMENTS IMPOSED BY THIS ACT.

13 (B) AN EXISTING FIRE OR CASUALTY COMPANY WITH CAPITAL AND
14 SURPLUS THAT SATISFIES THE REQUIREMENTS IMPOSED BY THIS ACT
15 SHALL COMPLY AND CONTINUE TO COMPLY WITH THE REQUIREMENTS OF
16 THIS ACT.

17 (C) AN EXISTING FIRE OR CASUALTY COMPANY THAT HAS CAPITAL
18 AND SURPLUS LESS THAN THE MINIMUM REQUIREMENTS IMPOSED BY THIS
19 ACT SHALL BE REQUIRED TO CONTINUE TO COMPLY WITH THE MINIMUM
20 CAPITAL AND SURPLUS REQUIREMENTS IMPOSED BY THIS ACT AS OF
21 JANUARY 1, 1989, AND SHALL NOT BE REQUIRED TO MEET THE MINIMUM
22 REQUIREMENTS OF THIS ACT. HOWEVER, AN EXISTING FIRE AND CASUALTY
23 COMPANY MUST COMPLY WITH THE MINIMUM CAPITAL AND SURPLUS
24 REQUIREMENTS IMPOSED BY THIS ACT, IF ANY OF THE FOLLOWING
25 OCCURS:

26 (1) ANY CHANGE IN CHARTER POWERS EXPANDING THE LINES OF
27 INSURANCE THE COMPANY IS AUTHORIZED TO WRITE, EXCEPT FOR THE
28 LIMITED PURPOSE OF ISSUING POLICIES COVERING HOMEOWNERS MULTIPLE
29 PERIL, FARMOWNERS MULTIPLE PERIL, MOBILE HOMEOWNERS MULTIPLE
30 PERIL, PERSONAL LIABILITY AND FARMERS PERSONAL LIABILITY;

1 (2) A MERGER OR THE ACQUISITION OF BENEFICIAL OWNERSHIP OF
2 MORE THAN 10% OF ANY CLASS OF SUCH INSURER'S VOTING STOCK WHICH
3 REQUIRES A FILING PURSUANT TO SECTION 337.6 OF THIS ACT;

4 (3) A TRANSACTION UNDER SECTION 809 THAT RESULTS IN A
5 TRANSFER OF OWNERSHIP, OR ACQUISITION OF CONTROL OF SUCH INSURER
6 THROUGH PURCHASE OR ASSIGNMENT OF A MANAGEMENT CONTRACT; OR

7 (4) A CHANGE IN THE MAJORITY OF SUCH INSURER'S BOARD OF
8 DIRECTORS AS A RESULT OF A SINGLE EVENT OR SERIES OF RELATED
9 EVENTS.

10 SECTION 301.2. CLASSES OF SHARES.--EVERY STOCK INSURANCE
11 COMPANY SHALL HAVE POWER TO CREATE AND ISSUE ONE OR MORE CLASSES
12 OF SHARES OR ONE OR MORE SERIES OF SHARES WITHIN ANY CLASS
13 THEREOF, ANY OR ALL OF WHICH CLASSES OR SERIES MAY HAVE FULL,
14 LIMITED, MULTIPLE OR FRACTIONAL, OR NO VOTING RIGHTS, AND SUCH
15 DESIGNATIONS, PREFERENCES, QUALIFICATIONS, PRIVILEGES,
16 LIMITATIONS, OPTIONS, CONVERSION RIGHTS AND OTHER SPECIAL RIGHTS
17 AS SHALL BE STATED IN THE ARTICLES OR IN THE RESOLUTION OR
18 RESOLUTIONS PROVIDING FOR THE ISSUE OF SUCH SHARES ADOPTED BY
19 THE BOARD OF DIRECTORS PURSUANT TO AUTHORITY EXPRESSLY VESTED IN
20 IT BY THE ARTICLES. EXCEPT AS OTHERWISE PROVIDED BY THE
21 ARTICLES, EACH SHARE SHALL BE IN ALL RESPECTS EQUAL TO EVERY
22 OTHER SHARE. DIFFERENT SERIES OF THE SAME CLASS OF SHARES SHALL
23 NOT BE CONSTRUED TO CONSTITUTE DIFFERENT CLASSES OF SHARES FOR
24 THE PURPOSE OF VOTING BY CLASSES UNDER THIS ACT. UNLESS THE
25 ARTICLES OR BY-LAWS OTHERWISE PROVIDE, THE BOARD OF DIRECTORS
26 SHALL HAVE THE POWER, BY RESOLUTION DULY ADOPTED, TO ISSUE FROM
27 TIME TO TIME, IN WHOLE OR IN PART, THE CLASSES OR SERIES OF
28 SHARES AUTHORIZED IN THE ARTICLES. THE POWER TO INCREASE OR
29 DECREASE OR OTHERWISE ADJUST THE STATED CAPITAL OF A STOCK
30 INSURANCE COMPANY, AS IN THIS ACT ELSEWHERE PROVIDED, SHALL

1 APPLY TO ALL OR ANY SUCH CLASSES OF SHARES AUTHORIZED BY THIS
2 SECTION.

3 SECTION 3. SECTION 309 OF THE ACT IS AMENDED TO READ:

4 SECTION 309. VOTING BY STOCKHOLDERS AND MEMBERS; PROXIES;
5 RECORD OF VOTES.--IN THE CHOICE OF DIRECTORS OR TRUSTEES, AND AT
6 ALL MEETINGS OF THE COMPANY, EACH SHARE OF STOCK HAVING VOTING
7 RIGHTS IN A STOCK COMPANY, AND EACH MEMBER IN A MUTUAL COMPANY,
8 SHALL BE ENTITLED TO [ONE] VOTE: PROVIDED, HOWEVER, THAT, IN THE
9 CASE OF MUTUAL COMPANIES, OTHER THAN MUTUAL LIFE COMPANIES, EACH
10 MEMBER SHALL BE ENTITLED TO ONE VOTE OR TO A NUMBER OF VOTES
11 BASED UPON THE INSURANCE IN FORCE, THE NUMBER OF POLICIES HELD,
12 OR THE AMOUNT OF PREMIUMS PAID; AND IN THE CASE OF MUTUAL LIFE
13 COMPANIES, EACH MEMBER SHALL BE ENTITLED TO ONE VOTE. PROXIES
14 MAY BE AUTHORIZED BY WRITTEN POWER OF ATTORNEY. THE RECORD OF
15 THE VOTES MADE BY THE SECRETARY, WHICH SHALL SHOW WHETHER THE
16 SAME WERE CAST IN PERSON OR BY PROXY, SHALL BE EVIDENCE OF ALL
17 SUCH ELECTIONS.

18 SECTION 4. THE ACT IS AMENDED BY ADDING A SECTION TO READ:

19 Section 631. Additional Mandated Policy Coverages.--(a) All
20 group health or sickness or accident insurance policies
21 providing hospital or medical/surgical coverage and all group
22 subscriber contracts or certificates issued by any entity
23 subject to this act, 40 Pa.C.S. Ch. 61 (relating to hospital
24 plan corporations) or Ch. 63 (relating to professional health
25 services plan corporations), the act of December 29, 1972
26 (P.L.1701, No.364), known as the "Health Maintenance
27 Organization Act," or the act of July 29, 1977 (P.L.105, No.38),
28 known as the "Fraternal Benefit Society Code," providing
29 hospital or medical/surgical coverage shall also provide
30 coverage for mammographic examination as provided in subsection

1 (b).

2 (b) The minimum coverage required under subsection (a) shall
3 include all costs associated with a mammogram every year for
4 women fifty years of age or older AND ANY MAMMOGRAM BASED ON A <—
5 PHYSICIAN'S RECOMMENDATION FOR ALL OTHER WOMEN.

6 (c) Nothing in this section shall be construed to require an
7 insurer to cover the surgical procedure known as mastectomy or
8 to prevent application of deductible or copayment provisions
9 contained in the policy or plan.

10 (d) This section shall be applicable to all policies issued
11 or renewed on or after July 1, 1989.

12 ~~Section 2. This act shall take effect immediately.~~ <—

13 SECTION 5. THIS ACT SHALL TAKE EFFECT AS FOLLOWS: <—

14 (1) THE AMENDMENTS TO SECTIONS 206(C) AND 206.1 SHALL
15 TAKE EFFECT IN 60 DAYS.

16 (2) THE REMAINDER OF THIS ACT SHALL TAKE EFFECT
17 IMMEDIATELY.