

Regulatory Analysis Form

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REVIEW COMMISSION

(1) Agency

Insurance Department

(2) I.D. Number (Governor's Office Use)

IRRC Number:

#2149

(3) Short Title

Miscellaneous Provisions

(4) PA Code Cite

31 Pa. Code, Chapter 11

(5) Agency Contacts & Telephone Numbers

Primary Contact: Peter J. Salvatore, Regulatory Coordinator,
1326 Strawberry Square, Harrisburg, PA 17120, (717) 787-4429
Secondary Contact: Elaine Leitzel, (717) 787-8840

(6) Type of Rulemaking (check one)

- ☐ Proposed Rulemaking
☒ Final Order Adopting Regulation
☐ Final Order, Proposed Rulemaking Omitted

(7) Is a 120-Day Emergency Certification Attached?

- ☒ No
☐ Yes: By the Attorney General
☐ Yes: By the Governor

(8) Briefly explain the regulation in clear and nontechnical language.

The purpose of this rulemaking is to update Chapter 11 to eliminate obsolete, unnecessary regulations and clarify existing regulations. The regulations clarify charges made by the Department in filing or certifying records; and prescribe accounting rules for reporting electronic data processing equipment, allocating commission on sliding scale or guaranteed profit reinsurance contracts, and classifying and allocating salvage and subrogation recovery expenses. This rulemaking will update and clarify the scope of the accounting rules in the regulations.

(9) State the statutory authority for the regulation and any relevant state or federal court decisions.

The regulations are being amended under the authority of sections 206, 506, 1501 and 1502 of The Administrative Code of 1929 (71 P.S. §§ 66, 186, 411 and 412); the act of May 9, 1949 (P.L. 1025, No. 298)(40 P.S. §§ 1261—1264) (act) and section 320 of The Insurance Company Law (40 P.S. § 443)

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(10) Is the regulation mandated by any federal or state law or court order, or federal regulation? If yes, cite the specific law, case or regulation, and any deadlines for action. No.

(11) Explain the compelling public interest that justifies the regulation. What is the problem it addresses?

Section 320(a) of The Insurance Company Law of 1921 (40 P.S. § 443(a)) requires “every stock and mutual insurance company, association and exchange, doing business in this Commonwealth” to file annual financial statements with the Insurance Commissioner. As amended by the act of December 18, 1992, P.L. 792, No. 176, Section 320 (a) further requires insurers to adhere to the instructions and accounting practices and procedures manuals prescribed by the National Association of Insurance Commissioners (NAIC), unless otherwise provided by law, regulation or order of the Insurance Commissioner. Under the authority of the act and section 320 of The Insurance Company Law of 1921, the Commissioner has determined that the annual statement instructions and the accounting practices and procedures manual (manual), prescribed by the National Association of Insurance Commissioners (NAIC) sufficiently address the reporting of electronic data processing equipment and software and commission on reinsurance contracts for all insurers subject to the act and section 320 of The Insurance Company Law of 1921. Specifically, Statements of Statutory Accounting Principles Nos. 16, 61 and 62 in the NAIC manual establish statutory accounting principles for electronic data processing equipment and software and commission on reinsurance contracts. Sections 11.4—11.6 in no manner enhance the NAIC instructions and manual. Therefore, §§ 11.4—11.6 are outdated and are no longer needed. The Commissioner has further determined that the accounting rules in § 11.7 (relating to salvage and subrogation recovery expenses) continue to be needed to supplement the NAIC instructions and manual. Section 11.7 provides specific guidance on the types of expenses that shall be treated as salvage expense and on proper billing procedures when insurers use outside agencies to perform salvage activities. The NAIC instructions and manual do not include the accounting rules in § 11.7, and the Commissioner believes these rules are needed to provide adequate instructions for reporting salvage and subrogation recovery expenses. Therefore, § 11.7 is being retained in the regulations. Finally, because §§ 11.4—11.6 are being deleted and the accounting rules in § 11.7 apply only to property and casualty insurance, § 11.1 (relating to applicability) is being deleted and provisions relating to the authority and scope of § 11.7 are being included as new subsections (a) and (b) in § 11.7. This amendment will clarify the scope of the subsections in Chapter 11.

(12) State the public health, safety, environmental or general welfare risks associated with nonregulation.

There are no public health, safety, environmental or general welfare risks associated with the updates to the regulations.

(13) Describe who will benefit from the regulation. (Quantify the benefits as completely as possible and approximate the number of people who will benefit.)

Affected insurers will benefit by the elimination of unnecessary, outdated material from the Department’s regulations, thereby reducing time spent by insurers in researching redundant, confusing material and by the clarification of accounting rules for reporting salvage and subrogation recovery expenses.

Regulatory Analysis Form

(14) Describe who will be adversely affected by the regulation. (Quantify the adverse effects as completely as possible and approximate the number of people who will be adversely affected.)

No persons, groups or entities will be adversely affected by the updates to the regulations.

(15) List the persons, groups or entities that will be required to comply with the regulation. (Approximate the number of people who will be required to comply.)

Stock and mutual insurance companies, associations and exchanges required to file financial statements with the Commissioner are required to comply with the regulations.

(16) Describe the communications with and input from the public in the development and drafting of the regulation. List the persons and/or groups who were involved, if applicable.

The Department requested comments from The Insurance Federation of Pennsylvania, Inc., the Pennsylvania Association of Mutual Insurance Companies and counsel for the Pennsylvania Fraternal Congress. In addition, the regulatory process provided for a 30-day public comment period subsequent to publication of the proposed rulemaking in the *Pennsylvania Bulletin*.

(17) Provide a specific estimate of the costs and/or savings to the regulated community associated with compliance, including any legal, accounting or consulting procedures which may be required.

The updates to the regulations will impose no additional costs on affected insurers.

Regulatory Analysis Form

(18) Provide a specific estimate of the costs and/or savings to local governments associated with compliance, including any legal, accounting or consulting procedures which may be required.

There is no fiscal impact on local governments associated with the updates to the regulations.

(19) Provide a specific estimate of the costs and/or savings to state government associated with the implementation of the regulation, including any legal, accounting, or consulting procedures which may be required.

There is no fiscal impact to state government associated with the updates to the regulations.

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(20) In the table below, provide an estimate of the fiscal savings and costs associated with implementation and compliance for the regulated community, local government, and state government for the current year and five subsequent years. N/A

	Current FY Year	FY +1 Year	FY +2 Year	FY +3 Year	FY +4 Year	FY +5 Year
SAVINGS:	\$	\$	\$	\$	\$	\$
Regulated Community						
Local Government						
State Government						
Total Savings						
COSTS:						
Regulated Community						
Local Government						
State Government						
Total Costs						
REVENUE LOSSES:						
Regulated Community						
Local Government						
State Government						
Total Revenue Losses						

(20a) Explain how the cost estimates listed above were derived.

N/A

Regulatory Analysis Form

(20b) Provide the past three year expenditure history for programs affected by the regulation.

N/A

Program	FY -3	FY -2	FY -1	Current FY

(21) Using the cost-benefit information provided above, explain how the benefits of the regulation outweigh the adverse effects and costs.

N/A

(22) Describe the nonregulatory alternatives considered and the costs associated with those alternatives. Provide the reasons for their dismissal.

Sections 1 and 2 of the act (40 P.S. §§ 1261 and 1262) require insurers subject to these regulations to maintain uniform classifications of accounts and records as may be prescribed by the Commissioner and, in addition, to file reports in a form determined by the Commissioner. Further section 320(a) of The Insurance Company Law of 1921 requires insurers to adhere to the annual or quarterly statement instructions and the accounting practices and procedures manuals prescribed by the NAIC unless otherwise provided by law, regulation or order of the Commissioner. Therefore, the promulgation of accounting rules by regulation is consistent with the method prescribed by the authorizing statutes for the Commissioner to establish accounting rules other than as prescribed by the NAIC.

(23) Describe alternative regulatory schemes considered and the costs associated with those schemes. Provide the reasons for their dismissal.

The rulemaking updates existing regulations.

Regulatory Analysis Form

(24) Are there any provisions that are more stringent than federal standards? If yes, identify the specific provisions and the compelling Pennsylvania interest that demands stronger regulation.

No federal standards are applicable to the updates to the regulations.

(25) How does this regulation compare with those of other states? Will the regulation put Pennsylvania at a competitive disadvantage with other states?

The updates to the regulations will make Pennsylvania requirements consistent with national codified accounting principles for insurance companies prescribed by the NAIC. Pennsylvania is one of 47 states currently accredited by the NAIC for compliance with minimum standards for effective financial solvency regulation. In recognition of the importance of codified accounting principles to effective state regulation, the NAIC has initiated the process to add the codified principles as a new requirement for state accreditation. Because the updates to the regulations will make Pennsylvania requirements consistent with NAIC requirements and the requirements in most other states, the regulations will not put Pennsylvania at a competitive disadvantage with other states.

(26) Will the regulation affect existing or proposed regulations of the promulgating agency or other state agencies? If yes, explain and provide specific citations.

No.

(27) Will any public hearings or informational meetings be scheduled? Please provide the dates, times, and locations, if available.

No public hearings or informational meetings have been scheduled on the updates to the regulations.

Regulatory Analysis Form

(28) Will the regulation change existing reporting, record keeping, or other paperwork requirements? Describe the changes and attach copies of forms or reports which will be required as a result of implementation, if available.

No. The updates to the regulations will eliminate unnecessary, outdated information from the Department's regulations.

(29) Please list any special provisions which have been developed to meet the particular needs of affected groups or persons including, but not limited to, minorities, elderly, small businesses, and farmers.

None.

(30) What is the anticipated effective date of the regulation; the date by which compliance with the regulation will be required; and the date by which any required permits, licenses or other approvals must be obtained?

The updates to the regulations will take effect after approval by the legislative standing committees, the Independent Regulatory Review Commission and the Office of Attorney General; and upon final publication in the *Pennsylvania Bulletin*.

(31) Provide the schedule for continual review of the regulation.

The Department reviews regulations on a triennial basis.

<p>CDL-1</p> <p>FACE SHEET FOR FILING DOCUMENTS WITH THE LEGISLATIVE REFERENCE BUREAU</p> <p>(Pursuant to Commonwealth Documents Law)</p> <p style="font-size: 24px; margin-top: 20px;">#2149</p>		<p>RECEIVED</p> <p>2001 FEB 22 2:11:31</p> <p>LEGISLATIVE REFERENCE BUREAU</p>
DO NOT WRITE IN THIS SPACE		
<p>Copy below is hereby approved as to form and legality. Attorney General</p> <p>By _____</p> <p style="text-align: center;">(Deputy Attorney General)</p> <p>_____ Date of Approval</p> <p style="margin-top: 20px;">Q Check if applicable. Copy not approved. Objections attached.</p>	<p>Copy below is hereby certified to be a true and correct copy of a document issued, prescribed or promulgated by:</p> <p style="text-align: center;">Insurance Department</p> <p style="text-align: center;">_____ (AGENCY)</p> <p>DOCUMENT/FISCAL NOTE NO. <u>11-202</u></p> <p>DATE OF ADOPTION: _____</p> <p>BY: <u>M. Diane Koken</u> M. Diane Koken</p> <p>TITLE: <u>Insurance Commissioner</u></p>	<p>Copy below is hereby approved as to form and legality. Executive or Independent Agencies</p> <p>By: <u>John V. Curran</u></p> <p style="text-align: center;">_____ DATE OF APPROVAL</p> <p style="text-align: center;">2/12/01</p> <p style="text-align: center;">(DEPUTY GENERAL COUNSEL) CHIEF COUNSEL, INDEPENDENT AGENCY (STRIKE INAPPLICABLE TITLE)</p> <p style="margin-top: 20px;">Q Check if applicable. No Attorney General approval or objection within 30 days after submission.</p>

NOTICE OF FINAL RULEMAKING

INSURANCE DEPARTMENT

31 Pa. Code, Chapter 11, §§11.1-11.7

MISCELLANEOUS PROVISIONS

PREAMBLE

The Insurance Department (Department) by this order amends Chapter 11 (relating to miscellaneous provisions) to read as set forth in Annex A. Except as otherwise provided, Chapter 11 applies to property and casualty insurance companies, associations, exchanges, and employees' mutual liability associations and organizations, including the State Workmen's Insurance Fund; chapter 11 does not apply to title insurance. The regulations clarify charges made by the Department in filing or certifying records; and prescribe accounting rules for reporting electronic data processing equipment, allocating commission on sliding scale or guaranteed profit reinsurance contracts, and classifying and allocating salvage and subrogation recovery expenses.

Purpose

The purpose of this rulemaking is to update Chapter 11 by eliminating obsolete and unnecessary provisions and by updating and clarifying the scope of the accounting rules in the regulations.

Sections 1 and 2 of the act of May 9, 1949, (P.L. 1025, No. 289) (act) (40 P.S. §§ 1261 and 1262) require property and casualty insurers, the State Workmen's Insurance Fund and title insurers to maintain uniform classifications of accounts and records as may be prescribed by the Insurance Commissioner (Commissioner) and, in addition, to file reports in a form determined by the Commissioner. Further, section 320(a) of The Insurance Company Law of 1921, as amended by the act of December 18, 1992 (P.L. 792, No. 176), states in pertinent part:

(a)(1) Every stock and mutual insurance company, association, and exchange, doing business in this Commonwealth, shall annually, on or before the first day of March, file in the office of the Insurance Commissioner and with the National Association of Insurance Commissioners a statement which shall exhibit its financial condition on the thirty-first day of December of the previous year[...]The Insurance Commissioner shall require each insurance company, association and exchange to report its financial condition on the statement convention blanks, in such form as adopted by the National Association of Insurance Commissioners[...]and may make such changes, from time to time, in the form of the same as shall seem best adapted to elicit from them a true exhibit of their financial condition.

(2) Unless otherwise provided by law, regulation or order of the Insurance Commissioner, each insurance company, association and exchange shall adhere to the annual or quarterly statement instructions and the accounting practices and procedures manuals prescribed by the National Association of Insurance Commissioners[...]

40 P.S. §443.

Under the authority of the act and section 320 of The Insurance Company Law of 1921, the Commissioner has determined that the annual statement instructions and the accounting practices and procedures manual (manual) prescribed by the National Association of Insurance Commissioners (NAIC) sufficiently address the reporting of electronic data processing equipment and software and commission on reinsurance contracts for all insurers subject to the act and section 320 of The Insurance Company Law of 1921. Specifically, Statements of Statutory Accounting Principles Nos. 16, 61 and 62 in the NAIC manual establish statutory accounting principles for electronic data processing equipment and software and commission on reinsurance contracts. Sections 11.4—11.6 in no manner enhance the NAIC instructions and manual. Therefore, §§ 11.4—11.6 are outdated and are no longer needed.

The Commissioner has further determined that the accounting rules in § 11.7 continue to be needed to supplement the NAIC instructions and manual. Section 11.7 provides specific guidance on the types of expenses that shall be treated as salvage expense and on proper billing procedures when insurers use outside agencies to perform salvage activities. The NAIC instructions and manual do not include the accounting rules in § 11.7, and the Commissioner believes these rules are needed to provide adequate instructions for reporting salvage and subrogation recovery expenses. Therefore, § 11.7 is being retained in the regulations.

Finally, because §§ 11.4—11.6 are being deleted and the accounting rules in § 11.7 apply only to property and casualty insurance, § 11.1 is being deleted and provisions relating to the authority and scope of § 11.7 are being included as new subsections (a) and (b) in § 11.7. These amendments will clarify the scope of the subsections in Chapter 11.

Statutory Authority

This final-form rulemaking is adopted under the authority of sections 206, 506, 1501 and 1502 of The Administrative Code of 1929 (71 P.S. §§ 66, 186, 411 and 412); the act of May 9, 1949 (P.L. 1025, No. 298) (act) (40 P.S. §§ 1261—1264); and section 320 of The Insurance Company Law of 1921 (40 P.S. § 443).

Comments

Notice of the proposed rulemaking was published at 30 Pa.B. 5020 (September 30, 2000) with a 30-day public comment period.

No comments were received from the standing committees. The Insurance Federation of Pennsylvania, Inc., commented in support of the proposed rulemaking. On November 30, 2000, the Independent Regulator Review Commission (IRRC) notified the Department that IRRC had no objections, comments or suggestions to offer on the proposed rulemaking.

Fiscal Impact

The final-form rulemaking has no fiscal impact on state government, the general public, political subdivisions or the private sector.

Paperwork

The final-form rulemaking will impose no additional paperwork requirements on the Department or affected insurers.

Persons Regulated

The final-form rulemaking affects stock and mutual insurance companies, associations, and exchanges required to file financial statements with the Commissioner.

Contact Person

Questions or comments regarding the proposed rulemaking may be addressed in writing to Peter J. Salvatore, Regulatory Coordinator, Pennsylvania Insurance Department, Office of Special Projects, 1326 Strawberry Square, Harrisburg, Pennsylvania 17120, telephone: (717) 787-4429. Questions and comments may also be e-mailed to psalvatore@state.pa.us or faxed to (717) 705-3873.

Regulatory Review

Under section 5(a) of the Regulatory Review Act (71 P.S. §745.5(a)), the agency submitted a copy of this regulation on September 21, 2000, to the Independent Regulatory Review Commission (IRRC) and to the Chairpersons of the Senate Committee on Banking and Insurance and the House Committee on Insurance. In addition to the submitted regulation, the agency has provided IRRC and the Committees with a copy of a detailed Regulatory Analysis Form prepared by the agency in compliance with Executive Order 1996-1, "Regulatory Review and Promulgation." In compliance with section 5(c) of the Regulatory Review Act (71 P.S. § 745.5(c)), the agency also provided IRRC and the Committees with copies of the comments received. A copy of that material is available to the public upon request.

This final-form regulation was deemed approved by the Senate Committee on Banking and Insurance on _____ and deemed approved by the House Committee on Insurance on _____ in accordance with section 5a(d) of the Regulatory Review Act (71 P.S. § 745.5a(d)). The IRRC met on _____ and deemed approved the regulation in accordance with section 5a(e) of the Regulatory Review Act (71 P.S. §745.5a(e)).

Findings

The Insurance Commissioner finds that:

(1) Public notice of intention to adopt this rulemaking as amended by this order has been given under sections 201 and 202 of the act of July 31, 1968 (P.L. 769, No. 240) (45 P.S. §§ 1201 and 1202), and the regulations thereunder, 1 Pa. Code §§ 7.1 and 7.2.

(2) The adoption of this rulemaking in the manner provided in this order is necessary and appropriate for the administration and enforcement of the authorizing statutes.

Order

The Insurance Commissioner, acting under the authorizing statutes, orders that:

(1) The regulations of the Department, 31 Pa. Code, Chapter 11, are amended to read as set forth in Annex A.

(2) The Commissioner shall submit this order and Annex A to the Office of General Counsel and Office of Attorney General for approval as to form and legality as required by law

(3) The Commissioner shall certify this order and Annex A and deposit them with the Legislative Reference Bureau as required by law.

(4) This order shall take effect upon publication in the *Pennsylvania Bulletin*.

M. DIANE KOKEN
Insurance Commissioner

CONTINUATION SHEET FOR FILING DOCUMENTS
WITH THE LEGISLATIVE REFERENCE BUREAU
Pursuant to Commonwealth Documents Law

Annex A

TITLE 31. INSURANCE

PART I. GENERAL PROVISIONS

SUBPART A. UNIFORM CLASSIFICATION OF EXPENSES

CHAPTER 11. MISCELLANEOUS PROVISIONS

Sec.

- 11.1. [Applicability.] Reserved.
- 11.2. Charges made in filing or certifying records.
- 11.3. [Reserved].
- 11.4. [Reporting of computer or data processing equipment.] Reserved.
- 11.5. ["Sliding scale" or "guaranteed profit" contracts.] Reserved.
- 11.6. [Example of "sliding scale" and "guaranteed profit" contract.] Reserved.
- 11.7. Salvage and subrogation recovery expenses.

§ 11.1. [Applicability.] (Reserved).

[(a) Except as otherwise provided, this chapter shall apply to all stock or mutual insurance companies, associations, exchanges, employees mutual liability associations and organizations, including The State Workmen's Insurance Fund, which are subject to the Casualty and Surety Rate Regulatory Act (40 P.S. §§ 1181--1199) or The Fire, Marine and Inland Marine Rate Regulatory Act (40 P.S. §§ 1221--1238) or section 654, article VI(d) (Workmen's Compensation Insurance) of The Insurance Company Law of 1921 (40 P.S. § 814).

(b) This chapter shall not apply to insurers authorized to write title insurance.]

§ 11.2. Charges made in filing or certifying records.

Section 211 of The Insurance Department Act of one thousand nine hundred and twenty-one (40 P.S. § 49) provides for a charge to be made for each copy of a paper filed in the Department of 25¢ per page, and \$10 for certifying the copy. A similar charge will also be made for papers which are prepared by the company, exchange, association or society itself and are submitted to the Department for verification and certification.

§ 11.3. [Reserved].

§ 11.4. [Reporting of computer or data processing equipment.] (Reserved).

[Electronic computer or data processing machines or systems acquired at a cost of \$10,000 or more for use in connection with the business of the insurers may be reported as an admitted asset if its cost will be depreciated over a period not exceeding 10 years.]

§ 11.5. ["Sliding scale" or "guaranteed profit" contracts.] (Reserved).

[If a commission on reinsurance is on a "sliding scale" or "guaranteed profit" basis the reinsurance commission shall be allocated to "Commission and Brokerage—Reinsurance Assumed" or "Commission and Brokerage—Reinsurance Ceded."]

§ 11.6. [Example of "sliding scale" and "guaranteed profit" contract.] (Reserved).

[(a) "Sliding scale" contract.]

(1) Most "sliding scale" contracts provide for a flat commission ranging from about 30% to 37.5% paid on a written basis. Additional profit commissions are paid at a later date on an earned basis as specified by a formula embodied in the contract. These profit commissions are paid as the result of savings in the loss ratio. A common provision is that a 0.5% profit commission shall be paid for each 1.0% saving in the loss ratio. Sometimes a portion of the scale may provide for a full 1.0% profit commission for each 1.0% saving in the loss ratio.

(2) For example, a contract may provide for a flat commission of 35%, with a one-half for one profit commission to be paid the ceding company for any saving in the loss ratio under 55%, until the profit commission reaches 10%, or a total commission of 45%.

(3) Some contracts provide for a possible "return commission." In the example in paragraph (2), if the loss ratio exceeds the breaking point of 55%, the ceding company may have to pay a return commission to the reinsurer on a one-half to one basis until return commissions, such as 5.0%, have been returned, thus reducing the ultimate net commission from 35% to 30%. If the loss ratio runs under 35% or exceeds 65%, such saving or loss shall ordinarily be carried forward to the computation for the following year.

(b) "Guaranteed profit" contract.]

(1) The most common form of surplus aid is the "guaranteed profit" contract. The principal characteristic of such a contract is that it transfers unearned premium reserve from the ceding company to the reinsurer and results in an immediate increase in the surplus of the ceding company by the amount of the tentative commissions received, but because all such tentative commissions are subject to return to the reinsurer does not actually relieve the ceding company of risk. The ceding company still remains exposed to the same risk as before. It is in the position of paying 2.0% to 5.0% of the ceded premiums to induce a reinsurer to sign a contract which has no ultimate effect, other than to reduce its surplus by 2.0% to 5.0% of these premiums.

(2) "Guaranteed profit" contracts are often written in a form similar to a quota share or portfolio reinsurance contract, or a combination of both. The tentative

commission is ordinarily 45% or 50%. The fee of the reinsurer is generally 2.0%, 3.0% or 5.0% of the amount ceded. Most quota-share type contracts are subject to monthly reporting and settlements. The contract usually provides for each 1.0% decrease in the loss ratio, and return commissions on the basis of 1.0% for each 1.0% increase in the loss ratio. Illustration is provided by the following example:

Commission	45%
Fee for reinsurer	3%
Loss ratio "breaking point"	<u>52%</u>
Total original premium	100%

(3) In a situation similar to the example in paragraph (2), the ceding company pays to the reinsurer the gross reinsurance premiums less 45% commissions, or a net of 55%. As losses are determined they are paid by the reinsurer until the ceding company has received back from the reinsurer losses recovered in an aggregate amount equal to 52% of the original premiums ceded (55% less 3.0%). Any additional losses are immediately charged back to the ceding company as return commissions on a one for one basis. On the other hand, any saving under 52% is returned to the ceding company in the form of additional commissions. The ultimate effect on the ceding company is the loss of 3.0% of its ceded premiums. The ceding company actually carries its own full risk throughout the entire period with respect to its gross business.]

§ 11.7. Salvage and subrogation recovery expenses.

(a) This section prescribes accounting practices for the classification and allocation of salvage and subrogation recovery expenses in financial statements filed with the Insurance Commissioner under sections 1 and 2 of the act of May 9, 1949 (P.L. 1025, No. 298)(40 P.S. §§ 1261—1264) and section 320 of The Insurance Company Law of 1921 (40 P.S. § 443).

(b) This section applies to all stock or mutual insurance companies, associations, exchanges, employees mutual liability associations and organizations, including The State Workmen's Insurance Fund, which are subject to the Casualty and Surety Rate Regulatory Act (40 P.S. §§ 1181--1199) or The Fire, Marine and Inland Marine Rate Regulatory Act (40 P.S. §§ 1221--1238) or section 654, (Workmen's Compensation Insurance) of The Insurance Company Law of 1921 (40 P.S. § 814). This section shall not apply to insurers authorized to write title insurance.

[(a)](c) If attention is given to salvage or subrogation matters at the same time as the adjustment of the loss is proceeding, no attempt need be made to allocate any portion of the time of the adjuster to salvage or subrogation expense.

[(b)](d) If the salvage or subrogation activity follows the adjustment of the loss, such additional time as may be required shall be treated as salvage expense.

[(c)](e) Any items of outside service, such as advertising, expenses of outside organizations, or rewards, shall be treated as salvage expense.

[(d)](f) The cost of recovering stolen goods when incurred by the insurer shall be treated as salvage expense.

[(e))(g) If salvage is handled by outside agencies, their billing shall be made directly to the companies and sufficient information given for proper classification of the related expenses.



**COMMONWEALTH OF PENNSYLVANIA
INSURANCE DEPARTMENT**

OFFICE OF SPECIAL PROJECTS
1326 Strawberry Square
Harrisburg, PA 17120

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February 22, 2001

Mr. Robert Nyce
Executive Director
Independent Regulatory Review Comm.
333 Market Street
Harrisburg, PA 17101

Re: Insurance Department Final
Form Regulation No. 11-202,
Miscellaneous Provisions

Dear Mr. Nyce:

Pursuant to Section 5a(c) of the Regulatory Review Act, enclosed for your review and approval is final form regulation 31 Pa. Code, Chapter 11, Miscellaneous Provisions.

The purpose of this rulemaking is to update Chapter 11 by eliminating obsolete and unnecessary provisions and by updating and clarifying the scope of the accounting rules in the regulations.

If you have any questions regarding this matter, please contact me at (717) 787-4429.

Sincerely yours,

A handwritten signature in cursive script that reads "Peter J. Salvatore".

Peter J. Salvatore
Regulatory Coordinator

**TRANSMITTAL SHEET FOR REGULATIONS SUBJECT TO THE
REGULATORY REVIEW ACT**

I.D. NUMBER: 11-202
SUBJECT: Miscellaneous Provisions
AGENCY: DEPARTMENT OF INSURANCE

TYPE OF REGULATION

- Proposed Regulation
- X Final Regulation
- Final Regulation with Notice of Proposed Rulemaking Omitted
- 120-day Emergency Certification of the Attorney General
- 120-day Emergency Certification of the Governor
- Delivery of Tolled Regulation
- a. With Revisions b. Without Revisions

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INDEPENDENT
REGULATORY
REVIEW COMMISSION

FILING OF REGULATION

DATE	SIGNATURE	DESIGNATION
2/22/01	<i>Sheila Eckhart</i>	HOUSE COMMITTEE ON INSURANCE
2/22/01	<i>Deborah Mitchell</i>	SENATE COMMITTEE ON BANKING & INSURANCE
2/22/01	<i>Tina Eckhart</i>	INDEPENDENT REGULATORY REVIEW COMMISSION
_____	_____	ATTORNEY GENERAL
_____	_____	LEGISLATIVE REFERENCE BUREAU

February 13, 2001