

Regulatory Analysis Form		This space for use by IRRC RECEIVED 2000 SEP 21 AM 10:17 DEPARTMENT OF REGULATORY REVIEW COMMISSION IRRC Number: #2149
(1) Agency Insurance Department		(2) I.D. Number (Governor's Office Use) 11-202
(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) <input checked="" type="checkbox"/> Proposed Rulemaking <input type="checkbox"/> Final Order Adopting Regulation <input type="checkbox"/> Final Order, Proposed Rulemaking Omitted		(7) Is a 120-Day Emergency Certification Attached? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes: By the Attorney General <input type="checkbox"/> 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) to be effective January 1, 2001, 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.

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(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.

Drafts of the proposed rulemaking to update the regulations were provided to The Insurance Federation of Pennsylvania, Inc., the Pennsylvania Association of Mutual Insurance Companies and counsel for the Pennsylvania Fraternal Congress for review and comment. The Department received no comments or objections to the proposed updates to the regulations from these trade associations.

(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 would impose no additional costs on affected insurers.

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(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.

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(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.

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(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.


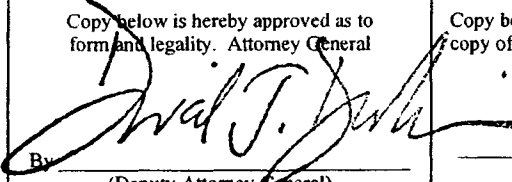
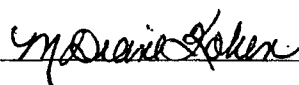
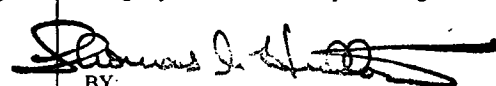
None.

(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 a 30-day public comment period; final review and 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.

CDL-1 FACE SHEET FOR FILING DOCUMENTS WITH THE LEGISLATIVE REFERENCE BUREAU (Pursuant to Commonwealth Documents Law)		RECEIVED 2000 SEP 21 AM 10:17 INDEPENDENT REGULATORY REVIEW COMMISSION 
#2149		DO NOT WRITE IN THIS SPACE
Copy below is hereby approved as to form and legality. Attorney General  By: _____ (Deputy Attorney General) SEP 20 2000 _____ Date of Approval Q Check if applicable. Copy not approved. Objections attached.	Copy below is hereby certified to be a true and correct copy of a document issued, prescribed or promulgated by: Insurance Department _____ (AGENCY) DOCUMENT/FISCAL NOTE NO. 11-202 DATE OF ADOPTION: _____ BY:  _____ M. Diane Koken TITLE: Insurance Commissioner	Copy below is hereby approved as to form and legality. Executive or Independent Agencies  BY: _____ 9/5/00 _____ DATE OF APPROVAL (DEPUTY GENERAL COUNSEL) (CHIEF COUNSEL, INDEPENDENT AGENCY) (STRIKE INAPPLICABLE TITLE) Q Check if applicable. No Attorney General approval or objection within 30 days after submission.

NOTICE OF PROPOSED RULEMAKING

INSURANCE DEPARTMENT

31 Pa. Code, Chapter 11

MISCELLANEOUS PROVISIONS

PREAMBLE

The Insurance Department (Department) proposes to amend Chapter 11, Miscellaneous Provisions, as set forth in Annex A. The rulemaking is proposed 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). 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 and excluding 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 clarifying existing regulations. Section 11.1 (relating to applicability) states that, except as otherwise provided, the chapter applies to stock or mutual insurance companies, associations, exchanges, employees mutual liability associations and organizations writing property or casualty insurance coverages, including The State Workmen's Insurance Fund and excluding title insurance. Sections 11.2 and 11.4 (relating to charges made in filing or certifying records; and reporting of computer or data processing equipment) were last amended December 1, 1990, and apply to all types of insurers subject to fees and charges by the Department or required to file financial statements with the Department. See 48 Pa.B. 5920 (December 1, 1990). Sections 11.5—11.7 (relating to sliding scale or guaranteed profit contracts; and salvage and subrogation recovery expenses) prescribe uniform accounting rules applicable to property and casualty insurance business. This rulemaking will update and clarify the scope of the accounting rules in the regulations.

Explanation of Regulatory Requirements

Sections 1 and 2 of the 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 reports 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...

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)¹, 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

¹ In 1998, the NAIC revised its model regulation to make it consistent with the NAIC's codified manual that will be effective January 1, 2001. Insurers subject to these regulations have been advised by Insurance Department Notices Nos. 1998-04 and 2000-02 that they will be required to adhere to the manual in preparing financial statements to be filed with the Department.

included as new subsections (a) and (b) in § 11.7. This amendment will clarify the scope of the subsections in Chapter 11.

External Comments

The Department requested comments from The Insurance Federation of Pennsylvania, Inc., and the Pennsylvania Association of Mutual Insurance Companies in the development of this rulemaking. Insurers subject to these regulations were advised by Insurance Department Notice No. 1998-04 that they will be required to adhere to the manual in preparing financial statements to be filed with the Department. The Department received no objections to the amendments in this rulemaking.

Fiscal Impact

The proposed rulemaking has no fiscal impact.

Paperwork

The proposed rulemaking would impose no additional paperwork requirements on the Department or affected insurers.

Persons Regulated

The proposed 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, 1326 Strawberry Square, Harrisburg, Pennsylvania 17120, within 30 days following the publication of this notice in the Pennsylvania Bulletin. Questions and comments may also be e-mailed to psalvato@ins.state.pa.us or faxed to (717) 772-1969.

Regulatory Review

Under section 5(a) of the Regulatory Review Act (71 P.S. §745.5(a)) the Department submitted a copy of this regulation on September 21, 2000 to the Independent Regulatory Review Commission (IRRC) and to the Chairpersons of the Senate Banking and Insurance Committee and the House Committee on Insurance. In addition to submitting this proposed rulemaking, the Department 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." A copy of this material is available to the public upon request.

Under section 5(g) of the Regulatory Review Act, if IRRC has objections to any portion of the proposed amendments, it will notify the Department within 10 days of the close of the Committees' review period. The notification shall specify the regulatory review criteria that have not been met by that portion. The Regulatory Review Act

specifies detailed procedures for review, prior to final publication of the regulations by the Department, the General Assembly and the Governor of objections raised.

M. Diane Koken
Insurance Commissioner

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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.]

(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.] Reserved.

§ 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.]

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.] Reserved.

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

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." Reserved.

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

(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.] Reserved.

§ 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 shall apply to all stock or mutual insurance companies, associations, exchanges, employes 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). 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
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September 21, 2000

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

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


Dear Mr. Nyce:

Pursuant to Section 5(a) of the Regulatory Review Act, enclosed for your information and review is proposed 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 clarifying the existing regulation. Proposed changes to §§11.1-11.7 will update and clarify the scope of the accounting rules in this regulation.

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

Sincerely yours,


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
#2149

RECEIVED
2000 SEP 21 AM 10:17
INDEPENDENT REGULATORY
REVIEW COMMISSION

TYPE OF REGULATION

- X Proposed Regulation
- 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

FILING OF REGULATION

DATE	SIGNATURE	DESIGNATION
9-21-00	<u>Sheila Eckert</u>	HOUSE COMMITTEE ON INSURANCE
9/21/00	<u>Denise Tatro</u>	SENATE COMMITTEE ON BANKING & INSURANCE
9/21/00	<u>Dina Eckert</u>	INDEPENDENT REGULATORY REVIEW COMMISSION
		ATTORNEY GENERAL
9/21/00	<u>C. L. Brown</u>	LEGISLATIVE REFERENCE BUREAU

September 20, 2000