

# Regulatory Analysis Form

(Completed by Promulgating Agency)



# IRRC

Independent Regulatory Review Commission

## SECTION I: PROFILE

(1) Agency:

Insurance Department

(2) Agency Number:

Identification Number: 11-248

IRRC Number:

2900

(3) Short Title:

Fraternal Beneficial Societies Reserves

(4) PA Code Cite:

31 Pa. Code, Chapter 43, §43.1-43.2

(5) Agency Contacts (List Telephone Number, Address, Fax Number and Email Address):

Primary Contact:

Peter J. Salvatore, Regulatory Coordinator

1326 Strawberry Square, Harrisburg, PA 17120, (717) 787-4429

Secondary Contact:

(6) Primary Contact for Public Comments (List Telephone Number, Address, Fax Number and Email Address) – Complete if different from #5:

(All Comments will appear on IRRC'S website)

(7) Type of Rulemaking (check applicable box):

- ☐ Proposed Regulation
- ☐ Final Regulation
- ☒ Final Omitted Regulation
- ☐ Emergency Certification Regulation;
  - ☐ Certification by the Governor
  - ☐ Certification by the Attorney General

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(8) Briefly explain the regulation in clear and nontechnical language. (100 words or less)

The purpose of this final omitted rulemaking is to eliminate an obsolete, unnecessary regulation. The regulation, Chapter 43, was adopted July 23, 1948, under the authority of the act of June 4, 1937, P.L. 1643, § 5A (40 P.S. § 1105) (now repealed) (1937 act). The regulation relates to the establishment and valuation of life insurance reserves by beneficial societies that fell within the scope of the 1937 act (40 P.S. § 1101). This type of society no longer exists as an entity licensed to transact insurance in this Commonwealth.

The 1937 act, which initially authorized the regulations, was initially repealed by section 905 of the Fraternal Benefit Society Code of 1977 (Act of July 29, 1977, P.L. 105)(40 P.S. § 1141-905) and further by section 701 of the Fraternal Benefit Societies Code of 1992 (act of December 14, 1992, P.L. 835) (40 P.S. § 1142-701 insofar as it was inconsistent with those acts. Finally, the Fraternal Benefit Societies Code of 1992 was replaced by the act of July 10, 2002, P.L. 749 (40 P.S. §§ 991.2401—991.2466) relating to fraternal benefit societies (2002 act). Specifically, the requirements in the regulation have been replaced by section 9 of the 2002 act (40 P.S. § 991.2451) and other current laws and regulations relating to the establishment and valuation of reserves for life insurance products.

Therefore, this obsolete regulation has been superseded and is no longer needed.

(9) Include a schedule for review of the regulation including:

- |   |                       |
|---|-----------------------|
| A. The date by which the agency must receive public comments:                               | <u>N/A</u>            |
| B. The date or dates on which public meetings or hearings will be held:                     | <u>N/A</u>            |
| C. The expected date of promulgation of the proposed regulation as a final-form regulation: | <u>June 15, 2011</u>  |
| D. The expected effective date of the final-form regulation:                                | <u>August 1, 2011</u> |
| E. The date by which compliance with the final-form regulation will be required:            | <u>N/A</u>            |
| F. The date by which required permits, licenses or other approvals must be obtained:        | <u>N/A</u>            |

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

The Department reviews each of its regulations for continued effectiveness on a triennial basis.

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However, as this is a final-omitted regulation, no further review is scheduled.

### **SECTION II: STATEMENT OF NEED**

(11) State the statutory authority for the regulation. Include specific statutory citation.

Sections 206, 506, 1501 and 1502 of The Administrative Code of 1929 (71 P.S. §§ 66, 186, 411 and 412) relating to the general rulemaking authority of the Department and Article XXIV of The Insurance Company Law of 1921 (40 P.S. §§ 991.2401—991.2466) regarding fraternal benefit societies.

(12) Is the regulation mandated by any federal or state law or court order, or federal regulation? Are there any relevant state or federal court decisions? If yes, cite the specific law, case or regulation as well as, any deadlines for action.

No.

(13) State why the regulation is needed. Explain the compelling public interest that justifies the regulation. Describe who will benefit from the regulation. Quantify the benefits as completely as possible and approximate the number of people who will benefit.

This rulemaking is needed to eliminate an outdated, unnecessary regulation.

(14) If scientific data, studies, references are used to justify this regulation, please submit material with the regulatory package. Please provide full citation and/or links to internet source.

N/A

(15) Describe who and how many will be adversely affected by the regulation. How are they affected?

No adverse effects are anticipated as a result of this rulemaking.

(16) 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.

The regulation applied to fraternal beneficial societies, a type of society that is no longer licensed to

## Regulatory Analysis Form

transact insurance business in this Commonwealth. The regulation has been superseded by the act of July 10, 2002, P.L. 749 (40 P.S. §§ 991.2401—991.2466) relating to fraternal benefit societies.

### **SECTION III: COST AND IMPACT ANALYSIS**

(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. Explain how the dollar estimates were derived.

The rulemaking deletes an outdated, unnecessary regulation and would have no cost impact on currently licensed fraternal benefit societies.

(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. Explain how the dollar estimates were derived.

There are no costs or savings to local governments associated with this rulemaking.

(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. Explain how the dollar estimates were derived.

There are no costs or savings to state government associated with this rulemaking.

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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.

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

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

<b>Program</b>	<b>FY -3</b>	<b>FY -2</b>	<b>FY -1</b>	<b>Current FY</b>

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(21) Explain how the benefits of the regulation outweigh any cost and adverse effects.

By eliminating outdated, unnecessary and potentially confusing regulatory provisions, the rulemaking benefits efforts by the regulated community to comply with current reserve requirements.

(22) Describe the communications with and input from the public and any advisory council/group in the development and drafting of the regulation. List the specific persons and/or groups who were involved.

The Pennsylvania Fraternal Congress was notified of the proposed deletion.

(23) Include a description of any alternative regulatory provisions which have been considered and rejected and a statement that the least burdensome acceptable alternative has been selected.

No other regulatory schemes were considered. The rulemaking deletes unnecessary regulatory provisions.

(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 regulations.

No.

(25) How does this regulation compare with those of other states? How will this affect Pennsylvania's ability to compete with other states?

The rulemaking has no impact on Pennsylvania's ability to compete with other states.

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

No.

## Regulatory Analysis Form

(27) Submit a statement of legal, accounting or consulting procedures and additional reporting, recordkeeping or other paperwork, including copies of forms or reports, which will be required for implementation of the regulation and an explanation of measures which have been taken to minimize these requirements.

No additional procedures, reporting, recordkeeping or other paperwork will be required for the repeal of this unnecessary regulation.

(28) 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.

N/A

<p>CDL-1</p> <p style="text-align: center;"><b>FACE SHEET FOR FILING DOCUMENTS WITH THE LEGISLATIVE REFERENCE BUREAU</b></p> <p style="text-align: center;">(Pursuant to Commonwealth Documents Law)</p>		<p style="text-align: center;"><b>RECEIVED IRRC</b></p> <p style="text-align: center;"><b>2011 JUL 15 A 10 12</b></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>_____</p> <p style="text-align: center;">Date of Approval</p> <p>→ 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;"><b>Insurance Department</b></p> <p style="text-align: center;">(AGENCY)</p> <p>DOCUMENT/FISCAL NOTE NO. <u>11-248</u></p> <p>DATE OF ADOPTION: _____</p> <p>BY: </p> <p style="text-align: center;"><b>Michael F Considine</b></p> <p style="text-align: center;"><b>Insurance Commissioner</b></p> <p>TITLE: _____</p> <p style="text-align: center;">(EXECUTIVE OFFICER, CHAIRMAN OR SECRETARY)</p>	<p>Copy below is hereby approved as to form and legality. Executive or Independent Agencies</p> <p>BY: </p> <p style="text-align: center;"><b>Andrew C. Clark</b></p> <p style="text-align: center;"><b>'JUN 24 2011</b></p> <p style="text-align: center;">DATE OF APPROVAL</p> <p style="text-align: center;">(DEPUTY GENERAL COUNSEL) (CHIEF COUNSEL, INDEPENDENT AGENCY) (STRIKE INAPPLICABLE TITLE)</p> <p>→ Check if applicable. No Attorney General approval or objection within 30 days after submission.</p>

**NOTICE OF FINAL-OMITTED RULEMAKING**

**INSURANCE DEPARTMENT**

31 Pa. Code Chapter 43  
§§ 43.1-43.2

**Fraternal Beneficial Societies**



## **PREAMBLE**

The Insurance Department (Department) amends Part I, Subpart D (relating to Fraternal Benefit Societies) to delete Chapter 43 (relating to reserves) as set forth in Annex A. This deletion is made under the authority of sections 206, 506, 1501 and 1502 of The Administrative Code of 1929 (71 P.S. §§ 66, 186, 411 and 412) relating to the general rulemaking authority of the Department; and Article XXIV of The Insurance Company Law of 1921 (40 P.S. §§ 991.2401—991.2466) regarding fraternal benefit societies.

Notice of the proposed rulemaking is omitted in accordance with section 204(3) of the act of July 31, 1968 (P. L. 769, No. 240), known as the Commonwealth Documents Law (CDL) (45 P. S. § 1204(3)). The proposed rulemaking procedures in this instance are unnecessary because the Department is rescinding obsolete regulations that have been superseded by statute.

### ***Purpose***

The purpose of this rulemaking is to delete Chapter 43 to eliminate an obsolete, unnecessary regulation. The regulation was adopted July 23, 1948, under the authority of the act of June 4, 1937, P.L. 1643, § 5A (40 P.S. § 1105) (now repealed) (1937 act). The regulation relates to the establishment and valuation of life insurance reserves by beneficial societies that fell within the scope of the 1937 act (40 P.S. § 1101). This type of society no longer exists as an entity licensed to transact insurance in this Commonwealth.

The 1937 act, which initially authorized the regulations, was initially repealed by section 905 of the Fraternal Benefit Society Code of 1977 (Act of July 29, 1977, P.L. 105)(40 P.S. § 1141-905) and further by section 701 of the Fraternal Benefit Societies Code of 1992 (act of December 14, 1992, P.L. 835) (40 P.S. § 1142-701 insofar as it was inconsistent with those acts. Finally, the Fraternal Benefit Societies Code of 1992 was replaced by the act of July 10, 2002, P.L. 749 (40 P.S. §§ 991.2401—991.2466) relating to fraternal benefit societies (2002 act). Specifically, the requirements in the regulation have been replaced by section 9 of the 2002 act (40 P.S. § 991.2451) and other current laws and regulations relating to the establishment and valuation of reserves for life insurance products.

### ***Affected Parties***

No entities currently licensed to transact insurance business in Pennsylvania would be affected by the deletion of this obsolete, unnecessary regulation.

### ***Fiscal Impact***

### ***State Government***

The deletion of this obsolete, unnecessary regulation will not increase the Department's costs.

#### *General Public*

The deletion of this obsolete, unnecessary regulation will have no fiscal impact on the general public.

#### *Political Subdivisions*

The deletion of this obsolete, unnecessary regulation will not impose additional costs on political subdivisions.

#### *Private Sector*

The deletion of this obsolete, unnecessary regulation will impose no costs on fraternal benefit societies or other insurers writing life insurance in the Commonwealth.

#### *Paperwork*

The rulemaking will not impose paperwork on the Department.

#### *Effectiveness/Sunset Date*

The rulemaking will become effective upon final adoption and publication in the *Pennsylvania Bulletin* as final-form rulemaking.

#### *Contact Person*

Questions regarding the final omitted rulemaking may be addressed to Peter J. Salvatore, Regulatory Coordinator, Pennsylvania Insurance Department, 1326 Strawberry Square, Harrisburg, Pennsylvania 17120, phone number (717) 787-4429. Questions may also be e-mailed to [psalvatore@state.pa.us](mailto:psalvatore@state.pa.us) or faxed to (717) 705-8378.

#### *Regulatory Review*

Under section 5(a) of the Regulatory Review Act, the Department submitted a copy of the regulations with the proposed rulemaking omitted on July 15, 2011, to the Independent Regulatory Review Commission (IRRC) and to the Chairpersons of the House Committee on Insurance and the Senate Committee on Banking and Insurance. On the same date, the regulations were submitted to the Office of Attorney General for review and approval under the Commonwealth Attorneys Act (71 P. S. §§ 732-101 -- 732-506).

In accordance with section 5(c) of the Regulatory Review Act, the amendments were deemed approved by the Senate Banking and Insurance Committee and by the House

Insurance Committee on \_\_\_\_\_. The Attorney General approved the amendments on [INSERT DATE]. IRRC met on \_\_\_\_\_ and approved the amendments.

### ***Findings***

The Insurance Commissioner finds that:

(1) The proposed rulemaking procedures in sections 201 and 202 of the CDL (45 P.S. § 1201 and §1202) are unnecessary because this final-omitted rulemaking rescinds obsolete regulations.

(2) There is good cause to forego public notice of the intention to amend Subpart D, because notice of the amendments under the circumstances is unnecessary, impractical and not contrary to the public interest (45 P. S. § 1204(3)).

(3) Public comment cannot change the fact that the regulation is obsolete.

### ***Order***

The Commissioner, acting under the authority in sections 206, 506, 1501 and 1502 of The Administrative Code of 1929, orders that:

(1) The regulations of the Department, 31 Pa. Code Part I., Subchapter D, are amended as set forth in Annex A.

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

(3) The Department 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 its publication in the *Pennsylvania Bulletin*.

Michael F. Consedine  
*Insurance Commissioner*

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

ANNEX A

TITLE 31. INSURANCE, PART I. GENERAL PROVISIONS, SUBPART D.  
FRATERNAL BENEFICIAL SOCIETIES, CHAPTER 43. RESERVES

43.1	[Life insurance benefits.] <b><u>Reserved.</u></b>
43.2	[Manner of computation.] <b><u>Reserved.</u></b>

**§ 43.1. [Life insurance benefits.]**

Beneficial societies subject to section 5 of the act of June 4, 1937 (P. L. 1643, No. 342) (40 P. S. § 1105) shall maintain reserves on life insurance benefits provided in certificates issued on and after January 1, 1948; which may not be less than reserves based on either of the following standards:

(1) The American Experience Table of Mortality or the old Standard Industrial Table of Mortality with interest assumption not to exceed 3.5% per annum. The reserves shall be computed by the net level premium method or by any standard modification thereof (such as the Illinois Standard Modification).

(2) The Commissioners' 1941 Standard Ordinary Table of Mortality or the 1941 Standard Industrial Table of Mortality with interest assumption not to exceed 3% per annum. The reserves shall be computed by the Commissioners' reserve valuation method.] **Reserved.**

**§ 43.2. [Manner of computation.]**

Values incorporated in a certificate issued under § 43.1 (relating to life insurance benefits) shall be computed in a manner consistent with the reserve basis in such certificate as adopted in accordance with this section.] **Reserved.**

July 15, 2011

Ms. Fiona Wilmarth  
Acting Executive Director  
Independent Regulatory Review Comm.  
333 Market Street  
Harrisburg, PA 17101

Re: Insurance Department Final- Omitted Regulation No. 11-248, Fraternal Beneficial Societies

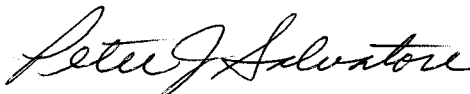
Dear Ms. Wilmarth:

Pursuant to Section 5a(c) of the Regulatory Review Act, enclosed for your information and review is final-omitted regulation 31 Pa. Code, Chapter 43, Fraternal Beneficial Societies.

The purpose of this rulemaking is to delete Chapter 43 to eliminate an obsolete, unnecessary regulation. The regulation was adopted July 23, 1948, under the authority of the act of June 4, 1937, P.L. 1643, § 5A (40 P.S. § 1105) (now repealed) (1937 act). The regulation relates to the establishment and valuation of life insurance reserves by beneficial societies that fell within the scope of the 1937 act (40 P.S. § 1101). This type of society no longer exists as an entity licensed to transact insurance in this Commonwealth.

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: 11-248  
SUBJECT: FRATERNAL BENEFICIAL SOCIETIES  
AGENCY: DEPARTMENT OF INSURANCE

**TYPE OF REGULATION**

Proposed Regulation

Final Regulation

X 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

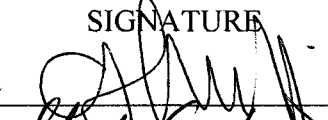

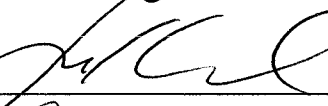
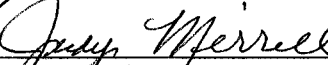
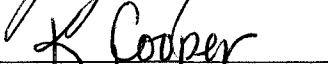
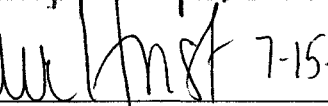
a. With Revisions

b.

Without Revisions

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**FILING OF REGULATION**

DATE	SIGNATURE	DESIGNATION
7/15/11		HOUSE COMMITTEE ON INSURANCE
7/15/11		MAJORITY CHAIRMAN <u>REP. NICHOLAS A. MICOZZIE</u>
7/15		SENATE COMMITTEE ON BANKING & INSURANCE
7/15/11		MAJORITY CHAIRMAN <u>SEN. DONALD C. WHITE</u>
7/15/11		INDEPENDENT REGULATORY REVIEW COMMISSION
7/15/11		ATTORNEY GENERAL
		LEGISLATIVE REFERENCE BUREAU

June 24, 2011