

No. 1989-106

AN ACT

HB 1104

Amending the act of May 17, 1921 (P.L.682, No.284), entitled "An act relating to insurance; amending, revising, and consolidating the law providing for the incorporation of insurance companies, and the regulation, supervision, and protection of home and foreign insurance companies, Lloyds associations, reciprocal and inter-insurance exchanges, and fire insurance rating bureaus, and the regulation and supervision of insurance carried by such companies, associations, and exchanges, including insurance carried by the State Workmen's Insurance Fund; providing penalties; and repealing existing laws," further providing for investments; and providing for benefits for drug abuse and dependency.

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

Section 1. Sections 517 and 518 of the act of May 17, 1921 (P.L.682, No.284), known as The Insurance Company Law of 1921, are repealed.

Section 2. The act is amended by adding sections to read:

Section 518B. Investment Regulations.—*Any domestic company may invest its funds in sound investments as provided in this act and not otherwise. Notwithstanding the provisions of this act, the Insurance Commissioner may, after notice and hearing, order a company to limit or withdraw from certain investments, or discontinue certain investment practices, to the extent that the Insurance Commissioner finds that such investments or investment practices are unsound or may endanger the solvency of the company. No investment or loan or an investment practice shall be made or engaged in by any domestic company unless the same has been authorized or ratified by the board of directors or by a committee thereof charged with the duty of supervising investments and loans. No such company shall subscribe to or participate in any underwriting of the purchase or sale of securities or property or enter into any agreement to withhold from sale any of its property, but the disposition of its property shall be at all times within the control of the board of directors. Any agreement or contract providing for the lawful disposition of property wherein such disposition may be determined at the option of a third person at some specified future price or condition or specified time or upon demand shall be construed to be within the control of the board of directors. Nothing contained in this section shall prevent the board of directors of any such company from depositing any of its securities with a committee appointed for the purpose of protecting the interest of security holders or with authorities of any state or country where it is necessary to do so in order to secure permission to transact its appropriate business therein; and nothing contained in this section shall prevent the board of directors of such company from depositing securities as collateral for the securing of any bond required for the business of the company.*

Section 518C. Eligible Investments.—(a) Every domestic stock fire, stock marine or stock fire and marine insurance company shall invest and keep invested all its funds in sound investments enumerated below, except such cash as may be required in the transaction of its business. Such investments shall include:

(1) Bonds, notes or obligations issued, assumed, guaranteed or insured by the United States, or by any state, territory or possession thereof, the District of Columbia or by any county, city, town, village, municipality or district therein or by any political subdivision or public instrumentality of one or more of the foregoing, or by any foreign country or political subdivision thereof.

(2) Bonds, notes, obligations or stock, issued, assumed, guaranteed or insured by the following agencies of the United States or in which such government is a participant, whether or not such obligations are guaranteed by such government:

(i) Farm Loan Bank.

(ii) Commodity Credit Corporation.

(iii) Federal intermediate credit banks.

(iv) Federal land banks.

(v) Central bank for cooperatives.

(vi) Federal home loan banks and stock thereof.

(vii) Federal National Mortgage Association and stock thereof.

(viii) International Bank for Reconstruction and Developments.

(ix) Inter-American Development Bank.

(x) Asian Development Bank.

(xi) African Development Bank.

(xii) Any other similar agency of, or in which there is participation by, the government of the United States, and the instruments are of similar financial quality.

(3) Bonds, notes, obligations or other investments of or in any business unit in or of any foreign country which are of the same kinds, classes and grades as those eligible for investment under this subsection. The cost of investments under this clause shall not exceed thirty percentum (30%) of such company's admitted assets.

(4) Business obligations and equity interests:

(i) Stock, warrants, rights or other security, bonds, notes or obligations issued, assumed, guaranteed, insured or accepted by any solvent corporation, joint-stock association, business trust, business partnership, business joint venture or other business entity or combination thereof incorporated or existing under the laws of the United States or of any state, district or territory thereof, and any interest in any of the foregoing: Provided, That no domestic company shall invest in any general partnership but may become a limited partner in a partnership in any investment on the following conditions:

(A) the partnership must be organized under the Limited Partnership Act of the state of the partnership formation;

(B) a company may not invest more than ten percentum (10%) of its capital and surplus in any one such partnership; and

(C) the aggregate cost of investment in limited partnerships shall not exceed ten percentum (10%) of the company's admitted assets.

(ii) Interest-bearing deposits, or certificates of deposit in banks, bank and trust companies, savings banks, savings associations, savings and loan associations or national banking associations, incorporated or existing under the laws of the United States or any state, district or territory thereof, including branches of any of the foregoing, or foreign banking institutions or branches thereof located in the United States or any state, district or territory thereof: Provided, That investments under this clause in interest-bearing deposits and certificates of deposit issued by institutions incorporated under foreign law, exclusive of such deposits and certificates issued by branches of such institutions located in the United States or any state, district or territory thereof, shall be limited to twenty percentum (20%) of such company's assets, such investments qualifying in addition to those authorized by clause (3).

(iii) Obligations which are not issued, assumed, guaranteed or accepted by any person described under subclause (i), but are adequately secured by an assignment of a right to receive rent, purchase or other payment or revenues, for the use or purchase of real or personal property sufficient to repay the investment, and payable or guaranteed by any one or more persons or entities whose bonds, notes or obligations would qualify for investment under this clause or a mortgage, interest in a mortgage pool or mortgage participation or lien or security interest in real or personal property or any interest therein.

(5) Obligations or participations therein, secured by liens on real property or interests therein: Provided, That the value of such real property or interest therein, together with such other security as shall secure any such obligation, shall be adequate to secure the investment as well as any lien senior to the lien created by the investment in such real estate. No investment in a single transaction shall exceed an amount equal to five percentum (5%) of such company's admitted assets.

(6) Such real estate or interests therein as it is authorized by this act to hold.

(7) Tangible personal property or fixtures or interest therein, however evidenced, as an investment for the production of income.

(8) The investment practice of financial futures contracts issued under terms and conditions regulated by a Federal regulatory agency is authorized on the following conditions:

(i) A company shall not enter into financial futures contracts except as a hedging transaction as that term is defined in a rule or regulation promulgated pursuant to this act.

(ii) A company shall not have initial or maintenance margin outstanding under this clause of more than ten percentum (10%) of the excess of its capital and surplus over the minimum requirements of a new stock or mutual company to qualify for a certificate of authority to write the kind of insurance which the company is authorized to write.

(iii) *The Insurance Commissioner may promulgate reasonable rules and regulations for transactions under this clause to include, but not limited to, rules and regulations which impose financial solvency standards, valuation standards and reporting requirements.*

(9) *Put options and call options. The investment practice of put options and call options issued under terms and conditions regulated by, or substantially similar to those terms and conditions required by, a national securities exchange registered under the Securities Exchange Act of 1934 (48 Stat. 881, 15 U.S.C. § 78a et seq.), as amended, or any board of trade designated as a contract market by the Commodity Futures Trading Commission (CFTC) under the Commodity Exchange Act (49 Stat. 1491), as amended, is authorized on the following conditions:*

(i) *a company shall not sell a call option on either (A) securities it does not own or (B) in an amount greater than securities which it presently owns: Provided, however, That in the case of financial futures contracts and stock or bond index contracts where it is not feasible to own the underlying security, a company may sell a call option only in connection with a hedging transaction;*

(ii) *a company shall not sell a put option unless its obligations under such put option are fully secured by a deposit by the company with a bank or other custodian of cash or cash equivalents;*

(iii) *a company shall not purchase as opening transactions under this clause more than ten percentum (10%) of the excess of its capital and surplus over the minimum requirements of a new stock or mutual company to qualify for a certificate of authority to write the kind of insurance which the company is authorized to write; and*

(iv) *the Insurance Commissioner may promulgate reasonable rules and regulations for transactions under this clause to include, but not be limited to, rules and regulations which impose financial solvency standards, valuation standards and reporting requirements.*

(10) *Options or futures contracts traded in markets regulated under the laws of the United States or by an agency thereof and other contracts or instruments for the purpose of reducing the insurer's economic risk in connection with potential changes in the value of specifically identified assets which the insurer owns or could reasonably expect to acquire or specifically identified liabilities which the insurer has or reasonably expects to incur. The aggregate cost of investments held under this clause shall not exceed five percentum (5%) of the company's admitted assets. The Insurance Commissioner shall promulgate reasonable rules and regulations for transactions under this clause to include, but not limited to, rules and regulations which impose financial solvency standards, valuation standards and reporting requirements.*

(11) *Lending of securities, repurchase agreements and reverse repurchase agreements.*

(i) *Definitions:*

(A) *"Lending of securities" means an investment other than a repurchase agreement, whereby an agreement is entered into which transfers own-*

ership rights and possession of securities to the borrower of such securities with the agreement providing for a return of ownership rights and possession of the securities to the lender at a specified date or upon demand.

(B) "Repurchase agreement" means a bilateral agreement whereby a company purchases securities with a related agreement that the seller will purchase or repurchase at a specified price the equivalent or similar securities within a specified period of time or on demand.

(C) "Reverse repurchase agreement" means a bilateral agreement whereby a company (I) sells securities with a related agreement to purchase or repurchase at a specified price the equivalent or similar securities within a specified period of time or upon demand or (II) borrows funds and transfers securities to the lender with a related agreement that equivalent or similar securities will be returned to the company upon repayment of the loan within a specified period of time or on demand.

(ii) Lending of securities, repurchase agreements and reverse repurchase agreements transactions are authorized on the following conditions:

(A) The agreement for each transaction or the master agreement for a series of transactions shall be reduced to writing.

(B) Securities acquired by a company owned subject to reacquisition pursuant to an outstanding repurchase agreement may not be sold pursuant to a reverse repurchase agreement nor lent pursuant to a lending of securities agreement. Consideration, or collateral, received from a reverse repurchase agreement or lending of securities agreement may be used to acquire securities which are equivalent or similar to the securities transferred pursuant to such repurchase agreement or lending of securities agreement; however, such acquired securities may not be sold pursuant to a reverse repurchase agreement nor lent pursuant to a lending of securities agreement.

(C) A company is limited to no more than two percentum (2%) of its admitted assets being subject to lending of securities, repurchase agreements or reverse repurchase agreements transactions outstanding with any one business entity under this section.

(D) A company may engage in lending its securities or repurchase or reverse repurchase agreements up to forty percentum (40%) of its admitted assets: Provided, however, That such transactions are fully collateralized.

(E) The Insurance Commissioner may promulgate reasonable rules and regulations for investments and transactions under this section to include, but not be limited to, rules and regulations which impose financial solvency standards, valuation standards and reporting requirements.

(12) Other loans and investments:

(i) Loans or investments not authorized by any of the clauses of this section, to an amount not exceeding the aggregate of twenty percentum (20%) of such company's admitted assets. The twenty percentum (20%) limitation provided above shall be increased in the same amount that investments approved by the Insurance Commissioner are made in the following categories of investments provided that their principal operations or locations are located in this Commonwealth:

(A) Investments in venture capital limited partnerships or in new and young small businesses which are making an initial public offering of securities or utilizing a limited private placement.

(B) Investments in minority-owned-and-operated businesses as domiciles in Pennsylvania, as provided in the act of July 22, 1974 (P.L.598, No.206), known as the "Pennsylvania Minority Business Development Authority Act."

(C) Investments in businesses located in enterprise zones designated by the Department of Community Affairs.

(D) Investments in housing for families and persons of low income or in housing in enterprise zones designated by the Department of Community Affairs.

(E) Investments in seed capital funds established pursuant to the provisions of the act of July 2, 1984 (P.L.555, No.111), known as the "Small Business Incubators Act."

(F) Investments in business development credit corporations established pursuant to the act of December 1, 1959 (P.L.1647, No.606), known as the "Business Development Credit Corporation Law."

(G) Investments in small business investment corporations and minority enterprise small business investment companies certified pursuant to applicable Federal laws.

However, in no event may the percentage limitation under this clause exceed the aggregate of twenty-five percentum (25%).

(ii) For each one-half percentum (.5%) of such company's admitted assets invested in categories (A) through (G) of subclause (i) of this clause whose principal operations or locations are located in this Commonwealth, investments under other clauses of this section may exceed the volume limitations set forth in such other clauses by an aggregate of two and one-half percentum (2.5%) of the company's admitted assets, but in no event may such excess investments exceed a maximum of five percentum (5%) of admitted assets; however, such excess investments shall be charged against the limitation established in subclause (i) of this clause.

(iii) The Insurance Commissioner shall promulgate reasonable rules and regulations for transactions under this clause to include, but not limited to, rules and regulations which impose financial solvency standards, valuation standards and reporting requirements.

(b) No such company shall lend any of its funds on personal security except a loan for defraying, in whole or in part, the expenses of an employe transferred or about to be transferred to a new place of employment with such company.

(c) Any such company may, with the approval of its board of directors, acquire, retain, cancel or dispose of shares of its own capital stock, provided that:

(1) No such company shall acquire such stock without the prior approval of the Insurance Commissioner.

(2) No such company shall effect a reduction in its capital stock without complying with the applicable provisions of law.

(3) *No such company shall directly or indirectly vote shares of its own stock held by it.*

Section 518D. Valuation of Investments.—(a) *Investments shall be valued in accordance with the published valuation standards of the National Association of Insurance Commissioners. Securities investments as to which the National Association of Insurance Commissioners has not published valuation standards in its valuation of securities manual or its successor publication shall be valued as follows:*

(1) *Any investment by any insurer that is not valued by standards published by the National Association of Insurance Commissioners shall, at the time of acquisition, be submitted to the National Association of Insurance Commissioners for evaluation.*

(2) *Other securities investments shall be valued in accordance with regulations promulgated by the Insurance Commissioner pursuant to subsection (d) of this section.*

(b) *Other investments, including real property, shall be valued in accordance with regulations promulgated by the Insurance Commissioner pursuant to subsection (d) of this section, but in no event shall such other investments be valued at more than their purchase price. Purchase price for real property includes capitalized permanent improvements, less depreciation spread evenly over the life of the property or, at the option of the company, less depreciation computed on any basis permitted under the United States Internal Revenue Code of 1954 (68A Stat. 3, 26 U.S.C. § 1 et seq.) and regulations thereunder. Such investments that have been affected by permanent declines in value shall be valued at not more than their market value.*

(c) *Any investment, including real property, not purchased by a company but acquired in satisfaction of a debt or otherwise shall be valued in accordance with the applicable procedures for that type of investment contained in this section. For purposes of applying the valuation procedures, the purchase price shall be deemed to be the market value at the time the investment is acquired or in the case of any investment acquired in satisfaction of debt, the amount of the debt, including interest, taxes and expenses, whichever amount is less.*

(d) *The Insurance Commissioner may promulgate rules and regulations for determining and calculating values to be used in financial statements submitted to the department for investments not subject to published National Association of Insurance Commissioners' valuation standards.*

(e) *The eligibility of an investment shall be determined as of the date of its making or acquisition or the date of commitment in the case of commitment to invest.*

(f) *If any investment is made in an investment not permitted or in a manner not authorized by this act, the officers, directors and trustees making or authorizing such investment shall be personally liable for any loss occasioned thereby.*

(g) *Nothing in this act shall prohibit the acquisition by an insurer of other or additional securities or property if received as a dividend or as a lawful distribution of assets, or upon a debt or judgment, or under a lawful*

and bona fide agreement of bulk reinsurance, merger or consolidation, or if acquired by it through the exercise of warrants, options or similar rights to acquire securities received by it in accordance with this act. Nothing in this act shall prevent any insurer from entering into an agreement for the purpose of protecting the interests of the insurer in securities lawfully held by it, or for the purpose of reorganization of a corporation which issued securities so held, and from depositing such securities with a committee or depositaries appointed under such agreement, nor from accepting stock, bonds or other securities or other property which may be distributed pursuant to any such agreement, or to any plan of reorganization or arrangement; and no provision of this act shall prevent any insurer from acquiring or holding any property acquired in satisfaction of any debt previously contracted, or that shall be obtained by sale or foreclosure of any security held by it. Any security or property so acquired which is not otherwise an eligible investment under this act shall be disposed of within five (5) years from date of acquisition, unless within such period the security or property has attained to the standard of eligibility, except that any security or personal property acquired under any agreement of bulk reinsurance, merger or consolidation may be retained for a longer period if so provided in the plan for such reinsurance, merger or consolidation. The commissioner may grant from time to time reasonable extensions of the period within which an insurer shall dispose of any such property or security.

Section 3. Section 519 of the act, amended June 2, 1965 (P.L.77, No.54), is amended to read:

Section 519. Real Estate Which May Be **[Purchased]** *Acquired*, Held, and Conveyed.—**[No]** *A domestic stock fire, stock marine, or stock fire and marine insurance company [shall] may, directly or indirectly, alone or in combination with one or more other persons or entities (except that no domestic stock fire, stock marine, or stock fire and marine insurance company may participate in a general partnership), acquire by purchase, lease or otherwise or receive, hold, or convey real estate, [except for the purpose and in the manner herein set forth, to wit] or any interest therein:*

(a) **[Such as shall be requisite]** *Required* for its convenient accommodation in the transaction of its business, including residential real estate purchased from employes transferred or about to be transferred to new places of employment with such company.

(b) **[Such as shall have been conveyed]** *Conveyed* to it in satisfaction of debts previously contracted in the course of its dealing.

(c) **[Such as shall have been purchased]** *Purchased* at sales upon judgments, decrees, or mortgages, obtained or made for debts due the company, or for debts due other persons where said company may have liens or encumbrances on the same, and the purchase is deemed necessary to save the company from loss. **[It shall not be lawful for any such company to purchase or hold real estate in any other case or for any other purpose. Any real estate purchased, received, or acquired under clauses (b) and (c) of this section, which has been held for a period of more than five years from the date of its purchase, receipt, or acquisition, shall be sold and disposed of**

within a period of six months after due notice to the company from the Insurance Commissioner to sell and convey the same. The commissioner may extend the time for such disposition if he believes the interest of the company will suffer materially by a forced sale.]

(d) *Reasonably necessary for the purpose of maintaining or enhancing the sale value of real property previously acquired or held by it under subsection (a), (b), (c) or (e).*

(e) *As an investment for the production of income or capital appreciation, or so acquired for development, improvement, maintenance or construction and maintenance for such investment purposes.*

Section 4. Section 602 of the act is repealed.

Section 5. The act is amended by adding a section to read:

Section 602.1. Eligible Investments.—Every domestic stock casualty insurance company shall invest and keep invested all its funds in accordance with the laws of this Commonwealth relating to the investment of funds of domestic stock fire, stock marine, or stock fire and marine insurance companies.

Section 6. Sections 603 and 604 of the act are repealed.

Section 7. The act is amended by adding a section to read:

Section 604.1. Real Estate Which May Be Acquired, Held and Conveyed.—No domestic stock casualty insurance company shall acquire by purchase, lease or otherwise or receive, hold or convey real estate, or any interest therein, except in accordance with the laws of this Commonwealth relating to real estate that may be acquired by purchase, lease or otherwise or received, held or conveyed by stock fire, stock marine, or stock fire and marine insurance companies.

Section 8. Sections 601-A, 602-A, 603-A, 604-A, 605-A and 606-A of the act, added June 11, 1986 (P.L.226, No.64), are amended to read:

Section 601-A. Definitions.—As used in this article the following words and phrases shall have the meanings given to them in this section:

“Alcohol or drug abuse.” Any use of alcohol or other drugs which produces a pattern of pathological use causing impairment in social or occupational functioning or which produces physiological dependency evidenced by physical tolerance or withdrawal. *For the purposes of this act, “drugs” shall be defined as addictive drugs and drugs of abuse listed as scheduled drugs in the act of April 14, 1972 (P.L.233, No.64), known as “The Controlled Substance, Drug, Device and Cosmetic Act.”*

“Detoxification.” The process whereby an alcohol-intoxicated or drug-intoxicated or alcohol-dependent or drug-dependent person is assisted, in a facility licensed by the Department of Health, through the period of time necessary to eliminate, by metabolic or other means, the intoxicating alcohol or other drugs, alcohol and other drug dependency factors or alcohol in combination with drugs as determined by a licensed physician, while keeping the physiological risk to the patient at a minimum.

“Hospital.” A facility licensed as a hospital by the Department of Health, the Department of Public Welfare, or operated by the Commonwealth and conducting an alcoholism or drug addiction treatment program licensed by the Department of Health.

“Inpatient care.” The provision of medical, nursing, counseling or therapeutic services twenty-four hours a day in a hospital or non-hospital facility, according to individualized treatment plans.

“Non-hospital facility.” A facility, licensed by the Department of Health, for the care or treatment of alcohol-dependent *or other drug-dependent* persons, except for transitional living facilities.

“Non-hospital residential care.” The provision of medical, nursing, counseling or therapeutic services to patients suffering from alcohol *or other drug* abuse or dependency in a residential environment, according to individualized treatment plans.

“Outpatient care.” The provision of medical, nursing, counseling or therapeutic services in a hospital or non-hospital facility on a regular and predetermined schedule, according to individualized treatment plans.

“Partial hospitalization.” The provision of medical, nursing, counseling or therapeutic services on a planned and regularly scheduled basis in a hospital or non-hospital facility licensed as an alcoholism *or drug addiction* treatment program by the Department of Health, designed for a patient or client who would benefit from more intensive than are offered in outpatient treatment but who does not require inpatient care.

Section 602-A. Mandated Policy Coverages and Options.—(a) All group health or sickness or accident insurance policies providing hospital or medical/surgical coverage and all group subscriber contracts or certificates issued by any entity subject to this act, 40 Pa.C.S. Ch. 61 (relating to hospital plan corporations) or Ch. 63 (relating to professional health services plan corporations), the act of December 29, 1972 (P.L.1701, No.364), known as the “Health Maintenance Organization Act,” or the act of July 29, 1977 (P.L.105, No.38), known as the “Fraternal Benefit Society Code,” providing hospital or medical/surgical coverage, shall in addition to other provisions required by this act include within the coverage those benefits for alcohol *or other drug* abuse and dependency as provided in sections 603-A, 604-A and 605-A.

(b) The benefits specified in subsection (a) may be provided through a combination of such policies, contracts or certificates.

(c) The benefits specified in subsection (a) may be provided through prospective payment plans.

(d) The provisions of subsection (a) shall not apply to Medicare or Medicaid supplemental contracts or limited coverage accident and sickness policies, such as, but not limited to, cancer insurance, polio insurance, dental care and similar policies as may be identified as exempt from this section by the Insurance Commissioner.

Section 603-A. Inpatient Detoxification.—(a) Inpatient detoxification as a covered benefit under this article shall be provided either in a hospital or in an inpatient non-hospital facility which has a written affiliation agreement with a hospital for emergency, medical and psychiatric or psychological support services, meets minimum standards for client-to-staff ratios and staff qualifications which shall be established by the Department of Health and is licensed as an alcoholism *and/or drug addiction* treatment program.

(b) The following services shall be covered under inpatient detoxification:

- (1) Lodging and dietary services.
 - (2) Physician, psychologist, nurse, certified addictions counselor and trained staff services.
 - (3) Diagnostic X-ray.
 - (4) Psychiatric, psychological and medical laboratory testing.
 - (5) Drugs, medicines, equipment use and supplies.
- (c) Treatment under this section may be subject to a lifetime limit, for any covered individual, of four admissions for detoxification and reimbursement per admission may be limited to seven (7) days of treatment or an equivalent amount.

Section 604-A. Non-hospital Residential Alcohol *or Other Drug* Services.—(a) Minimal additional treatment as a covered benefit under this article shall be provided in a facility which meets minimum standards for client-to-staff ratios and staff qualifications which shall be established by the Office of Drug and Alcohol Programs and is appropriately licensed by the Department of Health as an alcoholism *or drug addiction* treatment program. Before an insured may qualify to receive benefits under this section, a licensed physician or licensed psychologist must certify the insured as a person suffering from alcohol *or other drug* abuse or dependency and refer the insured for the appropriate treatment.

- (b) The following services shall be covered under this section:
- (1) Lodging and dietary services.
 - (2) Physician, psychologist, nurse, certified addictions counselor and trained staff services.
 - (3) Rehabilitation therapy and counseling.
 - (4) Family counseling and intervention.
 - (5) Psychiatric, psychological and medical laboratory tests.
 - (6) Drugs, medicines, equipment use and supplies.
- (c) The treatment under this section shall be covered, as required by this act, for a minimum of thirty (30) days per year for residential care. Additional days shall be available as provided in section 605-A(d). Treatment may be subject to a lifetime limit, for any covered individual, of ninety (90) days.

Section 605-A. Outpatient Alcohol *or Other Drug* Services.—(a) Minimal additional treatment as a covered benefit under this article shall be provided in a facility appropriately licensed by the Department of Health as an alcoholism *or drug addiction* treatment program. Before an insured may qualify to receive benefits under this section, a licensed physician or licensed psychologist must certify the insured as a person suffering from alcohol *or other drug* abuse or dependency and refer the insured for the appropriate treatment.

- (b) The following services shall be covered under this section:
- (1) Physician, psychologist, nurse, certified addictions counselor and trained staff services.

- (2) Rehabilitation therapy and counseling.
- (3) Family counseling and intervention.
- (4) Psychiatric, psychological and medical laboratory tests.
- (5) Drugs, medicines, equipment use and supplies.

(c) Treatment under this section shall be covered as required by this act for a minimum of thirty outpatient, full-session visits or equivalent partial visits per year. Treatment may be subject to a lifetime limit, for any covered individual, of one hundred and twenty outpatient, full-session visits or equivalent partial visits.

(d) In addition, treatment under this section shall be covered as required by this act for a minimum of thirty separate sessions of outpatient or partial hospitalization services per year, which may be exchanged on a two-to-one basis to secure up to fifteen additional non-hospital, residential alcohol treatment days.

Section 606-A. Deductibles, Copayment Plans and Prospective Pay.—

(a) Reasonable deductible or copayment plans, or both, after approval by the Insurance Commissioner, may be applied to benefits paid to or on behalf of patients during the course of alcohol *or other drug* abuse or dependency treatment. In the first instance or course of treatment, no deductible or copayment shall be less favorable than those applied to similar classes or categories of treatment for physical illness generally in each policy.

(b) In the first instance or course of treatment under a prospective payment plan, no deductible or copayment shall be less favorable than those applied to similar classes or categories of treatment for physical illness generally in each policy.

Section 9. Section 802 of the act is repealed.

Section 10. The act is amended by adding a section to read:

Section 802.1. Investment of Assets.—*Every domestic mutual insurance company, other than a mutual life insurance company, shall invest and keep invested all its funds in accordance with the laws of this Commonwealth relating to the investment of funds of domestic stock fire, stock marine, or stock fire and marine insurance companies. Provided, however, That any mutual insurance company which does not possess a certificate of authority to issue nonassessable insurance policies shall be permitted to invest its funds in assets specified in subsection (a)(3), (6), (7), (8), (9), (10), (11) and (12) of section 518C only after obtaining prior written approval of the Insurance Commissioner.*

Section 11. Section 803 of the act is repealed.

Section 12. The act is amended by adding sections to read:

Section 803.1. Real Estate Which May Be Acquired, Held and Conveyed.—*A domestic mutual insurance company, other than a mutual life insurance company, may acquire by purchase, lease or otherwise or receive, hold or convey real estate, or any interest therein, in accordance with the laws of this Commonwealth relating to real estate that may be acquired by purchase, lease or otherwise or received, held or conveyed by stock fire, stock marine, or stock fire and marine insurance companies. Mutual insurance companies which do not possess a certificate of authority to issue non-*

assessable insurance policies may only invest in such real estate necessary for the convenient accommodation of its business and may maintain cash balances necessary for the transaction of its business.

Section 1008.1. Eligible Investments.—*Every reciprocal and inter-insurance exchange shall invest and keep invested all its funds in accordance with the laws of this Commonwealth relating to the investment of funds of domestic stock fire, stock marine, or stock fire and marine insurance companies.*

Section 1008.2. Real Estate Which May Be Acquired, Held and Conveyed.—*No reciprocal and inter-insurance exchange shall acquire by purchase, lease or otherwise or receive, hold or convey real estate, or any interest therein, except in accordance with the laws of this Commonwealth relating to real estate that may be acquired by purchase, lease or otherwise or received, held or conveyed by stock fire, stock marine, or stock fire and marine insurance companies.*

Section 13. Any investments properly made pursuant to applicable provisions of this act prior to the effective date of this amendatory act shall continue as permitted investments under this act.

Section 14. This act is not intended to repeal section 641 of the act of May 17, 1921 (P.L.789, No.285), known as The Insurance Department Act of one thousand nine hundred and twenty-one, or its application as provided in the act of December 30, 1974 (P.L.1148, No.365), entitled "An act amending the act of May 17, 1921 (P.L.789, No.285), entitled, as amended, 'An act relating to insurance; establishing an insurance department; and amending, revising, and consolidating the law relating to the licensing, qualification, regulation, examination, suspension, and dissolution of insurance companies, Lloyds associations, reciprocal and inter-insurance exchanges, and certain societies and orders, the examination and regulation of fire insurance rating bureaus, and the licensing and regulation of insurance agents, and brokers; the service of legal process upon foreign insurance companies, associations or exchanges; providing penalties, and repealing existing laws,' prohibiting the licensing of lending institutions, public utilities and holding companies except for the sale of certain types of insurance."

Section 15. (a) Section 618(B)(11) of the act of May 17, 1921 (P.L.682, No.284), known as The Insurance Company Law of 1921, is repealed insofar as it is inconsistent with this act.

(b) Section 18 of the act of June 11, 1986 (P.L.226, No.64), entitled "An act amending the act of May 17, 1921 (P.L.682, No.284), entitled 'An act relating to insurance; amending, revising, and consolidating the law providing for the incorporation of insurance companies, and the regulation, supervision, and protection of home and foreign insurance companies, Lloyds associations, reciprocal and inter-insurance exchanges, and fire insurance rating bureaus, and the regulation and supervision of insurance carried by such companies, associations, and exchanges, including insurance carried by the State Workmen's Insurance Fund; providing penalties; and repealing existing laws,' further providing for investments; requiring alcohol abuse and dependency coverage; providing civil immunity for persons who furnish

or receive information relating to suspected fraudulent insurance activities; creating a task force to conduct a review of various factors used in determining automobile insurance premiums; and making an appropriation," is repealed.

Section 16. This act shall take effect as follows:

- (1) The amendments in section 8 shall take effect in 90 days.
- (2) The remaining provisions shall take effect immediately.

APPROVED—The 22nd day of December, A. D. 1989.

ROBERT P. CASEY