

Legislative Report; Week of July 23, 2007

House and Senate budget conferees continue their discussions on the budget. House Majority Leader Hugh Holliman (D-Lexington) indicated to me today that there had been a breakthrough on the budget discussions, and therefore, the prospects for adjournment appear somewhat brighter than they have before. I will keep you advised as budget discussions are concluded and adjournment becomes a real possibility.

Our efforts to have **risk pool** legislation (**H.B. 265**) enacted have generated both interest and controversy. I learned from House Majority Leader Hugh Holliman today that he does not wish for the tax credit for small employers providing health insurance to be repealed, and he thinks that the tax credit more than offsets the cost to small business of any assessment. Thus, he sees the tax credit as a true positive for small business, and feels that funding the risk pool with State appropriations is the wrong way to approach the funding mechanism. Representative Verla Insko, the House sponsor of the risk pool legislation, will ask the House not to concur in the Senate amendments to the bill. The bill will thereafter go to conference in an effort to hammer out a compromise. I can give you no timetable for when this will occur. However, it will likely not be this week. I will stay in touch with House and Senate leaders on this legislation, and will keep you advised as to all developments.

The **annuity tax** appears to be off the table. House Majority Leader Holliman indicated to me today that trying to fund part of the Medicaid shortfall with the annuity tax is over and done with. I think we should continue to be vigilant on this particular issue, but, for now, our efforts to combat this tax look to have been successful. Thanks for your help.

Today Senate Commerce considered **H.B. 1489 – Protect Consumers/Life Settlement Transactions**. The American Council of Life Insurers and the Department of Insurance support this legislation, which would modestly and not unreasonably restrict the ability of policyholders to sell their life insurance policies for cash. Life settlement companies oppose this legislation. It was discussed in detail by Senate Commerce today and no vote was taken. The bill should come back up at a future meeting of Senate Commerce, and I will let you know what transpires.

H.B. 773 – Protect Military Personnel/Life Insurance was on today's Senate calendar. As requested, Senator Tony Rand (D-Fayetteville) moved to amend the bill on the floor of the Senate to modify the effective date of this legislation so that it becomes effective on January 1, 2008. Senator Rand's amendment was unanimously adopted, and the Senate thereafter unanimously approved the bill. It will be sent to the House for concurrence in Senate amendments, and I would expect the bill to be ratified.

House Insurance also met today and considered **S.B. 1527 – Amend Insurance Laws**. You will recall that this is the legislation that addresses the lines of coverage for which agents can be licensed. It also addresses continuing education fees. The bill received a favorable report from the Committee. This bill was the subject of interest to funeral homes, which floated the idea of amending it to require life insurers to confirm beneficiary status upon notification of an insured's death. The turnaround was to be an amazingly brief two business days, and privacy issues were left unaddressed in the proposed amendment. Please note that the Committee decided that this issue will be studied during the off season by the Department of Insurance. We had any number of legislators ready to oppose this amendment had it been officially tendered.

Friday and Monday are "off" days at the General Assembly, and with the annuity tax in declining health and the risk pool heading for conference, my timing should be pretty good. I will, however, stay in touch and will keep you advised of all developments.

Robert C. Paschal

Young Moore & Henderson, P.A.

3101 Glenwood Avenue

Raleigh, North Carolina 27612

919-861-5107 (direct)

919-782-6860 (main)

919-782-6753 (fax)

rcp@ymh.com