

STATEMENTS OF POLICY

Title 31—INSURANCE

MEDICAL PROFESSIONAL LIABILITY CATASTROPHE LOSS FUND

[31 PA. CODE CH. 242]

Allowable Time Periods for Application to Fund for Surcharge Credits as a Result of Policy Cancellations

The Medical Professional Liability Catastrophe Loss Fund (Fund) has adopted a statement of policy concerning the allowable time frame within which basic coverage insurance carriers and self-insured health care providers may report and request Fund surcharge credits in the event of policy cancellations.

As a practical matter, time constraints must be imposed upon the time period within which basic coverage insurance carriers and self-insured providers may take surcharge credits. Basic coverage insurance carriers and self-insured health care providers should not be permitted to report and request surcharge credits for an indefinite period of time after a surcharge is submitted, especially since they are (or should be) in the best position to know of the activity on the particular account and report and request a credit. The impact of permitting an unlimited time period within which to report credits after cancellation would be difficult to gauge and account for, and has the potential to jeopardize the Fund's fiscal integrity and its ability to pay claims in a given year and track compliance status of providers, to the detriment of health care providers. Parties should be interested in clarifying available coverage as soon as possible following a change in circumstance to avoid potential coverage disputes and permit timely credits for an unused surcharge payments. Accordingly, it should not be permissible to report and request surcharge credits for an indefinitely long period of time after the effective date of policy cancellation.

The time frames set forth in this statement of policy are reasonable time periods within which providers and carriers may determine necessary adjustments, do not disrupt the Fund's fiscal soundness, provide for timely issuance of credits and lessen the potential for coverage disputes and do not unduly penalize other contributing health care providers.

Effective Date

This statement of policy shall take effect upon publication in the *Pennsylvania Bulletin*.

(*Editor's Note:* The regulations of the Fund, 31 Pa. Code Chapter 242, are amended by adding a statement of policy in § 242.7a to read as set forth in Annex A.)

JOHN H. REED,
Director

Fiscal Note: 20-004. No fiscal impact; (8) recommends adoption.

Annex A

TITLE 31. INSURANCE

PART IX. MEDICAL CATASTROPHE LOSS FUND

CHAPTER 242. MEDICAL PROFESSIONAL LIABILITY CATASTROPHE LOSS FUND

§ 242.7a. Allowable time periods for application to fund for surcharge credits as a result of policy cancellations.

(a) For all policies issued or renewed in 2001, the Fund should be notified of any cancellation of a health care provider's basic coverage insurance policy, or self-insured arrangement, and should receive any corresponding application for credit, no later than 1 year from the date of the cancellation. For example, if a policy or coverage period on a particular health care provider runs from January 1, 2001, to December 31, 2001, and there is a cancellation of the policy effective September 1, 2001, notification of the cancellation and any corresponding application for credit shall be reported to the Fund by September 1, 2002, if not sooner. A basic coverage insurance carrier or self-insured health care provider will have at least 60 days to notify the Fund of a cancellation and provide the Fund with the corresponding application for credit.

(b) For policies issued or renewed in 2002, and every year thereafter, the Fund should be notified of any cancellation of a provider's basic coverage insurance policy, or self-insured arrangement, and should receive any corresponding application for credit, within 60 days from the date of the cancellation.

(c) On a going forward basis, the Fund will not accept applications for surcharge credits for policies issued or renewed before January 1, 2001.

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