



HOUSE BILL 287: Amend Insurance Laws.-AB

2015-2016 General Assembly

Committee: House Finance
Introduced by: Reps. Setzer, Bumgardner
Analysis of: Third Edition

Date: July 29, 2015
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SUMMARY: *Section 8 of House Bill 287 would allow an itemized individual income tax deduction for investors who incur losses from criminally fraudulent investment arrangements.*

The bill would also make conforming and clarifying changes to the laws governing professional employer organizations, insurance company deposits, continuing care retirement communities, health insurance external review, health insurance fiduciaries, and insurance company names; would provide for a study of the health insurance premium rate review process and moneys from the insurance regulatory fund to implement that study; and would allow health care providers to select the lab of their choice.

BILL ANALYSIS OF SECTION 8:

Section 8 would allow an individual income tax itemized deduction for investors who incur losses from criminally fraudulent investment arrangements.

Prior to 2014, the State recognized the same itemized deductions as the Internal Revenue Code (IRC). The IRC allows a deduction for a variety of different kinds of losses, such as losses incurred in a trade or business, wagering losses, theft losses, capital losses, etc. The specific loss identifiable in section 8 of this bill is the loss incurred in a transaction entered into for profit, though not connected with a trade or business. {Code Sec. 165(c)(2)} This is the provision whereby investors who incur losses from criminally fraudulent investment arrangements are entitled to claim a theft loss under the Code. Beginning with the 2014 taxable year, NC only allows three itemized deductions: one for charitable giving, one for mortgage interest expense, and one for property taxes paid on real property. This section would allow an itemized deduction for this very specific type of loss.

BILL ANALYSIS OF SECTIONS 1 THROUGH 7:

G.S. 58-7-37(a) was changed during the legislative session to remove the requirement for control individuals to submit, along with fingerprints, "a recent photograph." This was due to the fact that the SBI no longer requires a photograph. **Section 1** would make the Professional Employer Organizations (PEO) statute consistent with the General Domestic Companies statute.

Section 2 would update the law pertaining to domestic security deposits (G.S. 58-5-55) to include a deposit requirement for domestic "non-stock insurance companies" organized pursuant to G.S. 58-7-75(1a). G.S. 58-5-55 addresses the deposit requirements for stock and mutual companies, but it does not address the requirement for non-stock companies.

Section 3 would update language in G.S. 58-64-80 referencing the "North Carolina Association of Non-Profit Homes for the Aging". (NCANPHA). NCANPHA is now called the "LeadingAge North Carolina."

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Section 4 would require insurers in an expedited external review process to provide information to the Commissioner within one day as opposed to one "business" day.

Section 5 would increase the penalties from a Class H to a Class C felony for an insurance fiduciary who causes the cancellation of a group health or life insurance policy by failing to pay premiums if the resulting losses are \$100,000 or more.

Section 6 would allow insurers to write coverage within a policy jointly as long as the policy identifies the company responsible for each coverage.

Section 7 would require the Department of Insurance to study and evaluate the need for and impact of modernization of regulatory processes related to health insurance premium rates. The bill would appropriate from the Insurance Regulatory Fund \$150,000 for the 2015-2016 fiscal year to conduct the study.

Section 9 would allow health care providers to select the laboratory of their choice. Health benefit plans would not be allowed to prohibit or limit a health care provider from selecting their choice of laboratory, could not deny a laboratory the opportunity to participate as a contract provider if they agree to reimbursement terms, could not impose additional copays or fees on beneficiaries for laboratory services at certain laboratories, and could not reduce allowable reimbursement because of the choice of laboratory.

EFFECTIVE DATE: Section 4 of this act becomes effective January 1, 2016. Section 8 of this act becomes effective for taxable years beginning on or after January 1, 2014. Section 9 of this act becomes effective October 1, 2015, and applies to contracts entered into or amended on or after that date. The remainder of this act is effective when it becomes law.

Susan Sitze, counsel to the House Judiciary II Committee, substantially contributed to this summary.