

BRYON H. SHORT
STATE REPRESENTATIVE
Seventh District



HOUSE OF REPRESENTATIVES
STATE OF DELAWARE
LEGISLATIVE HALL
DOVER, DELAWARE 19901

COMMITTEES
Economic Development, Banking,
Insurance & Commerce, Chair
Energy
Housing & Community Affairs
Revenue & Finance
Veterans Affairs

Economic Development Committee
Meeting Minutes
June 16, 2010

Chairman Short called the meeting to order at 2:41 p.m. Members present included Representatives Bennett, Viola, Hudson, Ramone, Lavelle, Hocker, Keeley, and Brady. Representative Q. Johnson was also present. For a list of guests present, please see attached.

After calling the meeting to order, Chairman Short addressed **HS 1 for HB 435, AN ACT TO AMEND TITLE 24 OF THE DELAWARE CODE RELATING TO THE BOARD OF CHIROPRACTIC**, and recognized Rep. Q. Johnson, the bill's sponsor. Rep. Johnson explained that this bill deals with the issue surrounding copayment fees for chiropractic services that exceed the cost of the service being used. For example, if the insurance copayment for a chiropractic visit is \$40 and the service without insurance is \$35, the patient is paying more for the service with insurance. The bill prevents insurance companies from charging unreasonable deductibles or copayments for chiropractic service. Rep. Johnson stated that chiropractic care can lead to lower healthcare costs through long-term pain management. Neither the committee nor the public had any questions.

Rep. Keeley moved to release the bill from committee; Rep. Bennett seconded the motion. The bill was released from committee on a 5-4-0 vote.

Next, Chairman Short choose to address **HB 453, AN ACT TO AMEND TITLE 18 OF THE DELAWARE CODE RELATING TO THE CONVERSION OF A MUTUAL INSURER TO A STOCK INSURER**. Chairman Short explained that he collaborated on this bill with Senator Blevins in order to add another niche market into Delaware business. He recognized Robert Symonds, of Stevens & Lee, P.C., who helped develop this bill. Mr. Symonds explained that this bill deals with Delaware insurance companies mutual stock conversion. He explained the history of mutual insurance companies, stating that there are few in Delaware. These companies have a limited ability to raise capital; the solution is to convert these companies into stock companies. There are two methods that can be used: distribution rights states, which is currently used in Delaware, or subscription rights states. This bill proposes switching Delaware to the subscription method, which is modeled after federal law. Subscription method occurs when members approve the authorizing of stock to subscribers. There are currently seven states that use this method. Mr. Symonds believes that this change will enhance the Delaware

advantage in business that already exists. The hope is that this change will attract foreign mutual companies to move to Delaware and convert to a stock company. It is expected that this bill will result in one new public company and growth in the professionals needed to convert these companies.

Rep. Hudson asked if the Insurance Commissioner had been involved with this bill. Mr. Symonds stated that the Insurance Commissioner was fully aware of the bill and in support of the bill. Rep. Ramone asked if this bill would cause an increased in costs to the Department of Insurance (DOI). Mr. Symonds said that there will be some expense because this bill will bring in new insurance companies. There is a conversion fee built-in for these companies that will benefit DOI. Rep. Ramone asked if there is any residual income outside of jobs. Mr. Symonds explained that in a conservative view, if 1% of the eligible insurance companies re-domesticate to Delaware, there will be an increase of \$100 million in revenue to the state. Rep. Hocker asked if any of the existing Delaware mutual companies were represented today; there were none present.

Rep. Hocker moved to release the bill from committee; Rep. Bennett seconded the motion. The bill was released on a 5-4-0 vote.

Next, Chairman Short addressed **SB 239, AN ACT TO AMEND TITLE 12 OF THE DELAWARE CODE RELATING TO FIDUCIARY RELATIONS**, and recognized Miguel D. Pena, of Fox Rothschild, L.L.P. and Chair of the Estates and Trusts of the Delaware Bar Association, to explain the bill. Mr. Pena stated that this bill is a housekeeping bill that changes the Delaware Trust Act by clarifying existing terms or conforming Delaware law to federal laws. Neither the committee nor the public had any comments.

Rep. Keeley moved to release the bill from committee; Rep. Hocker seconded the motion. The bill was released from committee on a 2-4-0 vote.

Finally, Chairman Short addressed **HB 422, AN ACT TO AMEND TITLE 6 OF THE DELAWARE CODE RELATING TO CONSUMER LEGAL FINANCE TRANSACTIONS**. Chairman Short explained that this bill had been discussed at a previous meeting, and he had since met with both sides of this bill to discuss issues that have been brought to the committee's attention. Chairman Short thought the meeting went well with both sides finding common ground. He asked those concerned with aspects of the bill to draft specific language that could be used to offer amendments to the bill. As of this meeting, Chairman Short had not received any language, just general concerns. Chairman Short stated that he believed that he had made significant effort to obtain aid from the concerned parties.

Rep. Lavelle asked for a summary of the concerns since he was unable to attend the last meeting. Chairman Short explained that there are two major concerns. First, the parties are unsure if this practice is even legal. Second, there are questions as to how these financial transactions will be regulated; it was decided that it would ultimately go to the

Attorney General's office. Chairman Short then opened the discussion to the public, requesting that comments be kept to issues not previously discussed.

Ed Carter, of the Delaware Trial Lawyers Association, stated that this was not a bill from his organization. This type of industry should be regulated and this bill is a good step in the right direction. Next, Laird Stabler, of State Farm Insurance Company, stated that should the legislation move forward, there are a variety of amendments that he would like to see added. These would include measures to exclude trusts, class action lawsuits, and other similar situations. Mr. Stabler requested that due to the fact that there have been zero complaints in Delaware to date, that the committee wait in order to look into the legality of this financing. Chairman Short stated that he was seeking language that could become an amendment to this bill.

Rep. Keeley moved to release the bill from committee; Rep. Viola seconded the motion. The bill was released from committee on a 1-5-1 vote.

Chairman Short adjourned the meeting at 3:14 p.m.

Respectfully submitted by,

Jordan L. Fischer