

**COMMONWEALTH OF PENNSYLVANIA**  
**CATASTROPHIC LOSS BENEFITS CONTINUATION FUND**  
**STATUS OF FUND AND**  
**OUTSTANDING LIABILITY REPORT**  
**Projected as of June 30, 2024**

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**January 08, 2024**

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Attachment A - Auto CAT Fund Cash Flow

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## **I. Executive Summary**

The Catastrophic Loss Benefits Continuation Fund (Auto CAT Fund) is projected to be fully funded as of June 30, 2024. This means the projected revenue will be sufficient to cover projected claim payments and administrative expenditures. Per this year's Actuarial Analysis, the Auto CAT Fund is projected to make the last payment in fiscal year 2094.

An inflation rate of 4% was chosen as the base assumption for this report. Under the 4% rate of inflation, the ultimate projected fund status is fully funded (no deficit). The base scenario uses the 4% annual interest rate assumption and assumes that all assets are held to maturity. Unrealized gains or losses are not reflected in the projected cash flows but are included in the financial statements of the Auto CAT Fund.

Last year, the Auto CAT Fund was projected, as of June 30, 2023, to be fully funded. The Auto CAT Fund's expected claim payments subsequent to June 30, 2024, under the current base scenario assumptions are 2.4% higher than the base scenario in the prior actuarial report whereby the Fund was also fully funded.

Actuarial estimates are subject to uncertainty from various sources, including changes in claim reporting patterns, claim settlement patterns, judicial decisions, CMS recovery liens, legislation, economic conditions, mortality, etc. Actual future losses, loss adjustment expenses, and other expenses will not develop exactly as projected and may, in fact, vary significantly from one projection to another.

As stated previously, the Auto CAT Fund is projected to be fully funded as of June 30, 2024. Action or reaction based on the Auto CAT Fund's projected status should be tempered in consideration of the variables mentioned above, including but not limited to, changes in economic conditions and/or claim payment patterns.

## **II. Introduction**

This report titled "Status of Fund and Outstanding Liability Report" provides the status and outstanding liability of the Auto CAT Fund. The report reflects actual claims experience as of September 30, 2023, and estimates the revenues and liabilities from June 30, 2024, forward. The report is submitted by the Insurance Commissioner and the Secretary of the Budget to the General Assembly as required by 75 Pa. C.S. §§ 1798.3-1798., the Act of July 1, 1989, P.L. 115, No. 24 ("Act 24"), and is due by January 31 of each year.

The definition of fully funded liability in this report is the estimated present value (on June 30, 2024) of all future claim and administrative payments for all known and expected claims incurred but not reported (IBNR) less the projected investment income and the Auto CAT Fund balance.

The Auto CAT Fund was originally financed by a transfer of funds from the Catastrophic Loss Trust Fund (Trust Fund). The Auto CAT Fund received funding from revenues collected as a result of surcharges applied to certain traffic violations through

December 31, 2003, and it continues to receive funds earned through investments and reinvestments. The monies are used to pay benefits to eligible persons severely injured in automobile accidents.

### **III. Background**

The Motor Vehicle Financial Responsibility Law, 75 Pa. C.S. § 1701, et seq. (MVFRL), created the Trust Fund effective October 1, 1984. The original \$5 charge, and subsequent \$8 annual charge, assessed on each motor vehicle registration allowed for the payment of benefits on behalf of eligible Pennsylvanians. The Trust Fund was designed to compensate victims of catastrophic motor vehicle accidents by providing benefits for reasonable, medically necessary, and accident-related medical treatment and rehabilitative services in excess of \$100,000. Trust Fund benefits are restricted by statute to a \$50,000 annual maximum after the first 18 months of eligibility, with a \$1 million lifetime maximum. There is no cap in payments for the first 18 months of eligibility.

Act 144 of 1988 (Act 144) repealed the provisions of the MVFRL which created the Trust Fund; specifically, 75 Pa. C.S. §§ 1761-1769; however, Act 144 did not address the continuation of benefits to accident victims who were potentially eligible while the Trust Fund existed or provide for such protection to be offered by the commercial insurance market. In addition, Act 144 did not provide for funding the outstanding liability from unreported claims of the Trust Fund.

Act 4 of 1989 (Act 4), 75 Pa. C.S. §§ 1798.1, 1798.2, extended full Catastrophic Loss Trust Fund coverage through May 31, 1989, and required that automobile insurers offer, on a voluntary basis, extraordinary medical benefits effective June 1, 1989, to replace benefits previously provided by the Trust Fund. Act 4 terminated Trust Fund eligibility as of June 1, 1989, and it provided for limited continued eligibility through December 31, 1989.

Act 24 of 1989, in addition to creating the Auto CAT Fund, imposed surcharges ranging from \$30 to \$300 on certain traffic violations and required that the moneys be used to continue to pay catastrophic loss benefits and for administration of the Auto CAT Fund.

Act 72 of 1995, 75 Pa. C.S. § 4706.1 (expired Dec. 31, 1998), authorized funds within the Auto CAT Fund for contract settlement costs between the Commonwealth of Pennsylvania and Envirotest, Inc. as long as the transfer of funds did not prevent the timely processing and payment of catastrophic loss benefits.

Act 13 of 2002 (Act 13), Chapter 7, Subchapter B, § 712(m), 40 P.S. § 1303.712(m), specifies that the collection of surcharge revenue by the Auto CAT Fund ceased after December 31, 2003. Also, Act 13 § 713(c), 40 P.S. § 1303.713(c), specifies that the Auto CAT Fund may be required to loan money to the Medical Care Availability and Reduction of Error (Mcare) Fund.

#### **IV. Report Assumptions**

This report uses claim experience data of the Trust Fund and the Auto CAT Fund. Actuarial estimates of future claim and administrative payments are included in addition to outstanding benefit and administrative liabilities.

The actuarial analysis utilizes the following assumptions:

- Medical claim costs will increase at approximately 4% per year.
- Investment income is calculated based on a yield applied to the average Auto CAT Fund balance during the period.
- There will be no other dramatic changes in the political, social, or socio-economic environment that might materially affect the cost or frequency of medical benefits paid by the Auto CAT Fund.
- There will be no acceleration or deceleration in disbursement patterns attributable to changes in claims administration or for any other reason.
- The ratio of claims administration expense to medical payments was unchanged at 2.0% from last year

#### **V. Fully Funded Liability vs. Unfunded Liability**

The Auto CAT Fund Cash Flow data (Attachment A) reflects actual and/or estimated revenue, expenses, and outstanding liabilities for fiscal years 2023/2024 through 2093/94.

For assumption scenarios where the Auto CAT Fund's projected investment income is sufficient to satisfy its projected liabilities, such as the one shown in this report, investment income will be shown as zero even though additional investment income would produce a positive final fund balance. Where Auto CAT Fund projected income exceeds the amount required to pay future liabilities, it is assumed that any excess earnings will be transferred into the General Fund. For this reason, investment income is no longer shown beginning with fiscal year 2038.

In the current fiscal year, the Auto CAT Fund is projected to be fully funded as of June 30, 2024. This means that as of June 30, 2024, the estimated Auto CAT Fund balance of \$86.1 million plus the estimated interest of \$ 38.9 million will equal or exceed the estimated outstanding responsibility for claims and administrative costs of \$ 123.4 million.

Last year the Auto CAT Fund was anticipated to be fully funded as of June 30, 2023. This was based on an estimated June 30, 2023, Fund balance of \$ 85.3 million which

equals or exceeds the estimated outstanding responsibility for claims and administrative costs of \$ 130.6 million. Again, the estimated interest was shown as \$0.00 under the assumption that excess investment income will be transferred to the General Fund and would not remain as income in the Auto CAT Fund.

The Summary Update Chart (Attachment B) compares changes to key indicators between the prior and current year's actuarial analyses which estimate outstanding liabilities following June 30, 2023, and June 30, 2024, respectively.

#### **VI. Surcharge Revenue**

Pursuant to Act 24 of 1989, the Auto CAT Fund was in part financed by surcharges applied to certain traffic violations. Surcharge revenue ceased being directed to the Auto CAT Fund after December 31, 2003, under Act 13 of 2002.

#### **VII. Loans to Medical Care Availability and Reduction of Error (Mcare) Fund**

In accordance with Act 13 of 2002, the Auto CAT Fund processed the following loans to the Medical Care Availability and Reduction of Error Fund (Mcare):

- December 15, 2002 - \$7.0 million  
The principal balance of the loan was paid in full as of June 20, 2003. The interest owed was paid in full by October 15, 2003. This loan did not impact the Auto CAT Fund's ability to pay claims.
- July 23, 2004 - \$97.0 million  
The principal balance of the loan, and interest owed, was paid in full on July 28, 2005, in the amount of \$3,483,124. This loan did not impact the Auto CAT Fund's ability to pay claims.
- October 23, 2023 - \$60.0 million  
The Mcare Fund will repay the entire principal amount of the loan and all interest due on or before June 30, 2025. This loan did not impact the Auto CAT Fund's ability to pay claims.

**VIII. Auto CAT Fund Summary Data (December 31, 2023)**

Fund Balance	\$85,167,122
Number of Open Claims	331
Claims assigned to the Claims Administrator (Since Fund Inception)	2875
Benefit Recipients (Since Fund Inception)	1884
Total Benefits paid (Since Fund Inception)	\$552,668,679



Pennsylvania Insurance Department / Bureau of Special Funds  
Catastrophic Loss Benefits Continuation Fund (CLBCF)  
Actuarial Analysis as of June 30, 2024  
Based on Data as of September 30, 2023

Cash Flow Analysis - Base Scenario

Scenario =	8
Interest Rate =	4.0%
Inflation Rate =	4.0%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Fiscal Period	Surcharge Revenue	Investment Income	Other Revenue	Total Revenue	Mortality Adjusted Medical Payments	Claims Expense	Administrative Expense	Total Expense	Revenues Over / (Under) Expenditure	CAT Fund Balance at End of Period
										89,857,148
7/1/2023	0	-2,478,395	-25,009	-2,503,404	1,084,281 incl. in (6)		1,261,755	2,348,036	-4,849,440	85,007,708
10/1/2023	0	2,483,929	0	2,483,929	2,388,259	47,885	484,420	2,931,663	-437,733	84,569,975
7/1/2024	0	3,284,831	0	3,284,831	3,188,683	63,373	1,714,903	4,946,908	-1,662,078	82,907,897
7/1/2025	0	3,220,565	0	3,220,565	3,075,485	61,510	1,897,961	4,834,966	-1,614,401	81,293,496
7/1/2026	0	3,157,895	0	3,157,895	2,893,814	56,876	1,879,975	4,733,665	-1,575,671	79,717,825
7/1/2027	0	3,086,784	0	3,086,784	2,922,735	58,455	1,880,752	4,841,942	-1,845,157	78,172,668
7/1/2028	0	3,038,457	0	3,038,457	2,889,136	57,383	1,840,742	4,587,261	-1,530,804	76,641,864
7/1/2029	0	2,977,438	0	2,977,438	2,780,365	55,808	1,819,489	4,455,491	-1,478,052	75,163,812
7/1/2030	0	2,922,820	0	2,922,820	2,574,099	51,482	1,597,471	4,223,053	-1,300,133	73,863,679
7/1/2031	0	2,872,482	0	2,872,482	2,518,802	50,376	1,574,216	4,143,384	-1,270,902	72,582,777
7/1/2032	0	2,824,340	0	2,824,340	2,408,911	48,199	1,549,734	4,007,843	-1,183,503	71,408,274
7/1/2033	0	2,778,154	0	2,778,154	2,328,016	46,580	1,524,478	3,899,053	-1,119,898	70,289,376
7/1/2034	0	2,737,068	0	2,737,068	2,218,887	44,397	1,497,967	3,762,281	-1,025,194	69,264,182
7/1/2035	0	2,697,211	0	2,697,211	2,180,012	43,900	1,470,288	3,704,111	-1,006,899	68,257,283
7/1/2036	0	2,657,928	0	2,657,928	2,168,786	43,376	1,441,830	3,654,003	-996,075	67,261,208
7/1/2037	0	589,889	0	589,889	2,088,688	41,784	1,412,588	3,544,076	-2,944,207	64,317,001
7/1/2038	0	0	0	0	1,955,581	38,112	1,382,150	3,376,843	-3,376,843	60,940,158
7/1/2039	0	0	0	0	1,781,178	35,824	1,350,488	3,187,285	-3,187,285	57,772,883
7/1/2040	0	0	0	0	1,690,831	33,817	1,318,530	3,043,177	-3,043,177	54,729,698
7/1/2041	0	0	0	0	1,637,274	32,745	1,285,809	2,955,829	-2,955,829	51,773,857
7/1/2042	0	0	0	0	1,568,188	31,363	1,252,335	2,851,867	-2,851,867	48,921,990
7/1/2043	0	0	0	0	1,497,175	29,344	1,218,111	2,714,630	-2,714,630	46,207,360
7/1/2044	0	0	0	0	1,384,622	27,292	1,183,587	2,575,501	-2,575,501	43,631,858
7/1/2045	0	0	0	0	1,281,190	26,624	1,148,767	2,456,581	-2,456,581	41,176,278
7/1/2046	0	0	0	0	1,206,588	24,131	1,114,102	2,344,799	-2,344,799	38,831,479
7/1/2047	0	0	0	0	1,145,871	22,917	1,079,146	2,247,934	-2,247,934	36,583,545
7/1/2048	0	0	0	0	1,007,680	20,153	1,043,903	2,071,716	-2,071,716	34,511,829
7/1/2049	0	0	0	0	935,504	18,710	1,009,720	1,963,933	-1,963,933	32,547,895
7/1/2050	0	0	0	0	863,703	17,274	975,256	1,856,232	-1,856,232	30,691,663
7/1/2051	0	0	0	0	778,350	15,587	941,858	1,735,774	-1,735,774	28,955,888
7/1/2052	0	0	0	0	674,570	13,489	909,529	1,597,999	-1,597,999	27,357,889
7/1/2053	0	0	0	0	618,466	12,389	878,273	1,510,116	-1,510,116	25,847,771
7/1/2054	0	0	0	0	558,429	11,189	848,094	1,418,712	-1,418,712	24,429,060
7/1/2055	0	0	0	0	488,882	9,374	816,881	1,297,957	-1,297,957	23,131,102
7/1/2056	0	0	0	0	405,313	8,106	793,220	1,208,639	-1,208,639	21,924,463
7/1/2057	0	0	0	0	358,705	7,174	768,979	1,134,858	-1,134,858	20,789,605
7/1/2058	0	0	0	0	298,221	5,964	737,334	1,041,520	-1,041,520	19,748,085
7/1/2059	0	0	0	0	261,392	5,228	706,884	973,504	-973,504	18,774,581
7/1/2060	0	0	0	0	227,584	4,852	679,120	911,255	-911,255	17,863,328
7/1/2061	0	0	0	0	180,451	3,808	654,043	848,303	-848,303	17,015,023
7/1/2062	0	0	0	0	168,103	3,322	631,205	800,630	-800,630	16,214,392
7/1/2063	0	0	0	0	134,882	2,698	611,054	748,834	-748,834	15,465,758
7/1/2064	0	0	0	0	108,820	2,136	593,142	702,099	-702,099	14,763,660
7/1/2065	0	0	0	0	82,794	1,856	577,469	681,919	-681,919	14,101,740
7/1/2066	0	0	0	0	65,807	1,316	564,035	631,158	-631,158	13,470,582
7/1/2067	0	0	0	0	47,353	847	552,840	601,140	-601,140	12,869,442
7/1/2068	0	0	0	0	37,866	757	542,989	581,612	-581,612	12,287,829
7/1/2069	0	0	0	0	30,318	606	534,828	585,853	-585,853	11,721,977
7/1/2070	0	0	0	0	24,518	490	528,211	553,220	-553,220	11,188,758
7/1/2071	0	0	0	0	18,098	382	522,838	541,288	-541,288	10,627,458
7/1/2072	0	0	0	0	13,850	278	517,912	532,141	-532,141	10,095,317
7/1/2073	0	0	0	0	11,134	223	514,330	525,888	-525,888	9,569,431
7/1/2074	0	0	0	0	8,738	175	511,185	520,108	-520,108	9,049,523
7/1/2075	0	0	0	0	6,448	129	508,508	515,083	-515,083	8,534,440
7/1/2076	0	0	0	0	3,859	77	506,717	510,854	-510,854	8,023,787
7/1/2077	0	0	0	0	2,828	57	504,928	507,808	-507,808	7,515,978
7/1/2078	0	0	0	0	1,783	38	503,582	505,401	-505,401	7,010,577
7/1/2079	0	0	0	0	816	18	502,687	503,519	-503,519	6,507,058
7/1/2080	0	0	0	0	567	11	501,791	502,388	-502,388	6,004,688
7/1/2081	0	0	0	0	387	8	501,343	501,738	-501,738	5,502,951





Pennsylvania Insurance Department / Bureau of Special Funds  
 Catastrophic Loss Benefits Continuation Fund (CLBCF)  
 Actuarial Analysis as of June 30, 2024  
 Based on Data as of September 30, 2023

Cash Flow Analysis - Base Scenario

Scenario =	8
Interest Rate =	4.0%
Inflation Rate =	4.0%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Fiscal Period	Surcharge Revenue	Investment Income	Other Revenue	Total Revenue	Mortality Adjusted Medical Payments	Claims Expense	Administrative Expense	Total Expense	Revenues Over / (Under) Expenditures	CAT Fund Balance at End of Period
7/1/2082 - 6/30/2083	0	0	0	0	259	5	500,888	501,180	-501,180	5,001,781
7/1/2083 - 6/30/2084	0	0	0	0	188	3	500,448	500,619	-500,619	4,501,172
7/1/2084 - 6/30/2085	0	0	0	0	108	2	500,448	500,558	-500,558	4,000,615
7/1/2085 - 6/30/2086	0	0	0	0	68	1	500,448	500,517	-500,517	3,500,098
7/1/2086 - 6/30/2087	0	0	0	0	42	1	500,000	500,042	-500,042	3,000,055
7/1/2087 - 6/30/2088	0	0	0	0	25	0	500,000	500,025	-500,025	2,500,030
7/1/2088 - 6/30/2089	0	0	0	0	14	0	500,000	500,014	-500,014	2,000,016
7/1/2089 - 6/30/2090	0	0	0	0	7	0	500,000	500,007	-500,007	1,500,008
7/1/2090 - 6/30/2091	0	0	0	0	4	0	500,000	500,004	-500,004	1,000,004
7/1/2091 - 6/30/2092	0	0	0	0	2	0	500,000	500,002	-500,002	500,002
7/1/2092 - 6/30/2093	0	0	0	0	1	0	500,000	500,001	-500,001	1
7/1/2093 - 6/30/2094	0	0	0	0	1	0	0	1	-1	0
7/1/2094 - 6/30/2095	0	0	0	0	0	0	0	0	0	0
7/1/2095 - 6/30/2096	0	0	0	0	0	0	0	0	0	0
7/1/2096 - 6/30/2097	0	0	0	0	0	0	0	0	0	0
7/1/2097 - 6/30/2098	0	0	0	0	0	0	0	0	0	0
7/1/2098 - 6/30/2099	0	0	0	0	0	0	0	0	0	0
7/1/2099 - 6/30/2100	0	0	0	0	0	0	0	0	0	0
7/1/2100 - 6/30/2101	0	0	0	0	0	0	0	0	0	0
7/1/2101 - 6/30/2102	0	0	0	0	0	0	0	0	0	0
7/1/2102 - 6/30/2103	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>38,860,588</b>	<b>-25,009</b>	<b>38,855,577</b>	<b>69,306,571</b>	<b>1,244,448</b>	<b>64,161,708</b>	<b>128,712,725</b>	<b>-89,867,148</b>	
<b>Nominal Total Post 06/30/2024</b>	<b>0</b>	<b>38,865,052</b>	<b>0</b>	<b>38,865,052</b>	<b>59,823,032</b>	<b>1,196,461</b>	<b>62,415,533</b>	<b>123,435,026</b>	<b>-84,569,975</b>	
<b>Discounted Total Post 06/30/2024</b>					<b>38,607,851</b>	<b>770,153</b>	<b>28,664,439</b>	<b>68,142,243</b>		

Notes

- (2) Surcharge Revenue equals zero
- (3) Interest Income is calculated as the average fund value during the period except for the 7/1-9/30/2023 period where the actual amount from the financial statement is used.
- (4) Other Revenue: 7/1-9/30/23 reflects a Prior Year Fund Balance Adjustment; all other years equal zero.
- (5) Total Revenue = (2) + (3) + (4)
- (6) per Exhibit 6
- (7) (6) \* Claims Expense Ratio on Exhibit 5
- (8) (6) + (7) + TPA Fees Based on Projected Open & Closed Claim Activity; 7/1/23-6/30/26 selected on Exhibit 4
- (9) Total Expenditures = (6) + (7) + (8)
- (10) (5) - (9)
- (11) Prior Year (11) + (10)

**PENNSYLVANIA CATASTROPHIC LOSS BENEFIT CONTINUATION FUND  
(AUTO CAT FUND)**

	<b>As of 6/30/2023</b>	<b>As of 6/30/ 2024</b>
Projected Average Lifetime Cost per Claim	\$214,127	\$214,677
% Interest	4%	4%
% Medical Inflation	4%	4%
Mortality Table	Social Security Period Life2014	Social Security Period Life 2019
Ultimate Payments	\$764.6	\$766.2
Projected Fund Balance	85.3	84.6
Projected Expected Deficit*	\$ 0.00*	\$ 0.00*
Projected Final Benefit Payment Date	June 30, 2094	June 30, 2094
Projected Annual Surcharge Revenue	\$ 0.00**	\$ 0.00**
Projected Present Value of Fund Deficit*	\$0.00	\$ 0.00

\* Includes Claim Losses and Expenses.

\*\* Surcharge Revenue ceased to be remitted to the Auto CAT Fund after 12/31/03.

**NOTE: ALL AMOUNTS ARE IN MILLIONS EXCEPT PROJECTED AVERAGE LIFETIME COST PER CLAIM**