

PA Municipal League

Testimony before the House Veterans Affairs and Emergency Preparedness Committee

Regarding House Bill 2522 (PN 3791)

October 15, 2018

Good Morning Chairman Barrar, Chairman Sainato, and members of the Committee, I am Amy Sturges, Director of Governmental Affairs for the PA Municipal League. Thank you for the invitation to share our thoughts on House Bill 2522.

With me today is Scott Agar, Principal Consultant, Insurance Buyers' Council. Scott's firm provides consulting and actuarial services to PennPRIME, a municipal insurance service of the PA Municipal League. PennPRIME offers property, liability and workers' compensation coverage to municipal entities. It is a trust owned and operated by its members. In 2013, PennPRIME was forced, along with other trusts, to leave the volunteer fire fighters workers' compensation market because of the significant risk exposure created by Act 46.

We all agree that volunteer firefighters provide a valued and needed service throughout Pennsylvania. They deserve insurance coverage and efficient administration of their claims. As we understand it, the goal of House Bill 2522 is to provide the tools necessary to re-open the municipal trust market for volunteer fire fighter workers' compensation so that municipalities have affordable options when purchasing coverage for their volunteers. We wish to be part of the solution -- PennPRIME is interested in again being able to offer this coverage. Returning to the market, however, will be a decision based upon the actuarial soundness of any legislation enacted to achieve that end.

From our standpoint, the first hurdle in forming a new mechanism to finance volunteer firefighter claims is to determine an appropriate funding source. This is necessary to ensure obligations can be met, while maintaining both stability and viability. House Bill 2522 identifies "excess reserves maintained by SWIF" as the financing source. Quantifying what the term "excess reserves" means

and how these reserves would be determined and applied is critical to assessing its adequacy as a funding source. Until we have a better understanding of exactly what "excess reserves" means, we cannot make that assessment.

A second and equally important consideration is identifying how to secure excess insurance for claims above the primary insurance limits for both individual claims and claims in the aggregate. If excess insurance is not available for purchase in the commercial insurance market, alternatives will be needed in order to provide this necessary safety net for the financial stability of the trusts.

A third consideration is providing a level playing field among public self-insured entities and group self-insureds offering the same coverage. Public self-insured entities are not held to the same standard in terms of required level of funding as group self-insureds. Permitting the same level of funding for both types of providers removes the current financial disadvantage experienced by group self-insured trusts.

Finally, consideration should be given to reducing the exposure caused by Act 46. Addressing some of the risk factors that drove up premiums would go a long way toward reducing potential costs and improving the likelihood that group self-insured trusts would be comfortable re-entering the marketplace.

There are many challenges to providing affordable workers' compensation coverage to volunteer fire fighters. The League and PennPRIME thank you for the opportunity to provide our initial thoughts on House Bill 2522 and the challenges of bringing self-insured trusts back to the market. We stand ready to provide further input as this concept develops. Ultimately, we seek actuarially sound solutions that promote trust viability while benefiting municipalities and the fire fighters they insure.

Thank you again for the invitation to testify. We are happy to answer any questions you may have today or in the future.