

Insurance Federation of Pennsylvania

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October 14, 2018

To: The Honorable Members of the House Committee on Veterans Affairs and
Emergency Preparedness

From: Samuel R. Marshall

Re: HB 2522 – Volunteer Firefighters Workers' Compensation Trust

We appreciate Representative Farry's goal – to give municipalities the option to pool together to provide workers compensation coverage to their volunteer firefighters.

We're not sure that will reduce the cost of this coverage, though. The rates charged by the State Workers Insurance Fund are high – but the committee should first talk with the SWIF and the Pennsylvania Compensation Rating Bureau to determine whether that is unique to the SWIF or reflects the underlying cost of the risk being covered, regardless of who covers it. We're not sure what would prohibit municipalities from pooling together already, or how they will be better able to control these costs than the SWIF, the private insurance market or the trusts municipalities previously formed to provide this coverage.

Some comments and questions on the history of this issue and the specifics of this bill, appreciating this is a starting point in coming up with more affordable coverage for volunteer firemen while ensuring they are well-covered for the dangers inherent in their service to their communities:

- Rep. Farry is right – only a few private insurers remain in this market. That didn't happen because of Act 46, though; it happened before then, as municipalities formed trusts as an alternative to private insurers. We're not sure how the group funds envisioned in this bill differ from those trusts, or why these funds will be better able to cover this risk than those trusts were.

- The bill authorizes the Secretary of Labor and Industry to take “excess reserves” held by the SWIF or private insurers now covering volunteer fire companies and transferring these risks to these newly created group funds. Presumably this would also apply to any existing trusts still providing this coverage.

We'll leave to another day the legality of any such transfer authority. Beyond that, we note some practical concerns: We're not sure what constitutes “excess reserves”, but any calculation of it should be made by the Insurance Department with a concern of protecting the solvency of the SWIF, private insurers or existing trusts – and with a process for not just calculating this but questioning it .

In any event, we're skeptical that the SWIF has much in the way of excess reserves in covering this liability – if that were the case, the trusts and private insurers that used to dominate this market would presumably be coming back to it.

As insurers, we recognize the importance of volunteer fire companies – they protect the homes and lives we insure. We also recognize the challenges these fire companies face – not just financially but in attracting the next generation of volunteers.

In that spirit, we welcome the chance to work with Rep. Farry, this committee and other stakeholders in coming up with means to ensure stable and affordable workers compensation coverage for volunteer firefighters. When more than half of a market is served by the “insurer of last resort” – which is SWIF in workers compensation – you have a market that needs reform, and we hope this is the start of meaningful efforts toward that. We also hope the committee considers the broader challenges our fire companies face, since piecemeal improvements may no longer be adequate to their needs.