



Legislative Hearings  
Appropriation Committees

Budget Request  
Fiscal Year 2024-2025

Submitted  
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# TABLE OF CONTENTS

## PA INSURANCE DEPARTMENT

SECTION I	PAGE
Mission Statement.....	A 1.1
Department Statement.....	A 2.1
 <b>SECTION II</b>	
General Operations:	
Insurance Regulation and Oversight Fund Financial Data.....	B 1.1
State, Federal and Other Fund Sources Financial Data.....	B 1.4
Program Statement.....	B 1.8
Program Performance.....	B 1.11
Program Goals.....	B 1.14
Catastrophic Loss Benefits Continuation Fund:	
Financial Data.....	B 2.1
Program Statement/Performance.....	B 2.4
Program Goals.....	B 2.5
Underground Storage Tank Indemnification Fund:	
Financial Data .....	B 3.1
Program Statement.....	B 3.5
Program Performance/Goals.....	B 3.6
Medical Care Availability & Reduction of Error Program:	
Financial Data .....	B 4.1
Program Statement.....	B 4.5
Program Performance.....	B 4.6
Program Goals.....	B 4.7
Workers Compensation Security Fund:	
Financial Data .....	B 5.1
Program Statement.....	B 5.6
Program Performance/Goals.....	B 5.7
Reinsurance Fund	
Financial Data .....	B 6.1
Liquidation Fund	
Financial Data .....	B 7.1
 <b>SECTION III</b>	
Special Fund Financial Statements:	
Catastrophic Loss Benefits Continuation Fund.....	C 1
Insurance Regulation and Oversight Fund.....	C 2
Medical Care Availability & Reduction of Error Fund.....	C 3
Underground Storage Tank Indemnification Fund.....	C 4
Workers' Compensation Security Fund.....	C 5
Reinsurance Fund.....	C 6
Insurance Liquidation Fund.....	C 7

**SECTION**

**I**

The **Mission** of PID is to protect Pennsylvania’s insurance consumers through fair and effective regulation of the marketplace.

It is our **Vision** to be the premier insurance regulator that is locally focused and globally relevant.

Our Values...



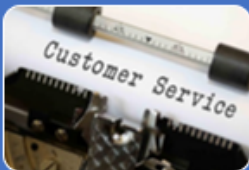
### **Integrity**

We strive to do the right thing and act consistently to maintain trustworthiness.



### **Adaptability**

We embrace innovation, continual learning, and flexibility as the industry changes.



### **Responsive**

We are customer-focused and provide timely, competent, and effective service.



### **Compassionate**

We are empathetic, advocating on behalf of consumers and promoting diversity and inclusion.



### **Impactful**

We are results-oriented and pursue excellence and efficiency in all we do.

## **Department Statement**

### **Pennsylvania Insurance Department**

#### **Overall approach to the budget**

The Pennsylvania Insurance Department (PID or department) is committed to providing effective and efficient regulation of the insurance industry and services to consumers. This includes careful management of its complement, associated personnel expenses, as well as the monitoring and controlling of operating costs, while balancing the need for sufficient departmental resources.

#### **Challenges:**

As the regulatory agency overseeing the fifth largest insurance market in the country, the department is committed to maintaining its position as a world-class regulator. In fulfilling this role, the department is currently lauded for its experienced and dedicated staff members, who are respected both within the commonwealth, across the country, and in international group-wide supervisory forums for their knowledge and engagement on insurance regulatory issues. However, with a high percentage of these same staff nearing retirement, the department will be focusing on succession planning, recruitment of new employees and retention of existing employees to ensure staffing changes do not negatively impact the department's core functions and reputation.

During fiscal year 2024-25, the department continues to make progress filling vacant positions in the Insurance Regulation & Oversight Fund (IROF) with plans to fill the approved IROF complement of 237 by June 30, 2025.

Additionally, the department continues to seek and maintain adequate staffing levels in areas where extended turnover has led to understaffing, particularly in the financial analysis area, as well as in areas that have experienced significant industry growth without a corresponding growth in department resources. Financial analysis and solvency monitoring of insurance companies to ensure they have sufficient resources to pay claims is the strongest consumer protection the department provides residents of the commonwealth. The financial analysis division has been significantly under-resourced in recent years and continues to struggle to recruit the necessary staff. In the coming year, the department will focus in this area to ensure that the financial analysis division is sustainable and providing optimal service. This will be accomplished by hiring additional staff and contracting services as necessary to ensure accreditation standards are met each year.

Federal activity can significantly impact insurance markets and department regulation. The department will continue to monitor any federal statutory or regulatory changes closely and will aim to respond as needed being cognizant of the best interest of Pennsylvania's consumers and the insurance market.

The department continues to be a good financial steward of public dollars entrusted to it and has been a leader among state agencies in modernizing processes. The department has sought more efficient electronic processes, particularly related to invoicing and fee receipts, to enable a remote workforce.

## **Priorities**

### **A. A competitive insurance market**

The department continues its efforts to foster a competitive insurance environment in Pennsylvania by ensuring the availability of products that are appropriately priced and monitored. The department protects consumers through a three-pronged approach relying upon product regulation, market regulation and a financial solvency program. First, product regulation ensures that policy forms and rates comply with Pennsylvania law. Second, market regulation serves as a resource to educate the public, license insurance professionals, and investigate allegations of wrongdoing in the insurance industry. Third, corporate and financial regulation monitors and promotes a competitive insurance marketplace by assuring that insurance companies remain financially stable and solvent.

The Office of Product Regulation (OPR), through its review of about 13,000 insurance contracts, forms and rates filings, protects the commonwealth's insurance consumers by ensuring compliance with insurance laws and fairness/equity in rating. In its efforts to promote a competitive insurance marketplace, efficiencies in this review process are crucial because they allow innovative, consumer-friendly products to come to market more quickly. For example, the department utilizes the System for Electronic Rate and Form Filings (SERFF), which allows insurance companies to efficiently submit voluminous product information through electronic means, providing the department with an entirely paperless mechanism to review, approve, track, and report on product filings.

The department is also a founding member of the Interstate Insurance Product Regulation Commission (IIPRC), an interstate compact that allows annuity, life, disability and long-term care insurance companies to submit rate and form filings for approval with one centralized entity utilizing a single set of uniform product standards. Approval by the IIPRC allows the product to be sold in any of the 46 member jurisdictions.

The department is the commonwealth agency primarily responsible for the implementation of the reinsurance mechanism created by Act 42 of 2019. The department works collaboratively with the Pennsylvania Health Insurance Exchange Authority (Pennie) and the U.S. Department of Health and Human Services to administer a reinsurance program that reimburses carriers for high-cost claims. The program is designed to reduce individual health insurance market premium rates from where they would otherwise be and is funded through the Pennie fee on insurance companies participating in the exchange as well as through "pass through" savings from the federal government.

## **B. Enforcement of insurance laws to protect consumers**

The department is the primary commonwealth agency entrusted with enforcing Pennsylvania's insurance laws and protecting insurance consumers. The department's Office of Market Regulation (OMR) serves consumers by investigating complaints, educating consumers on insurance issues with outreach events, and providing aid during critical events such as natural disasters. OMR also operates a process to license individuals that market insurance products to consumers. In addition, OMR deals with issues involving violations of law and works to ensure fair treatment for all consumers through enforcement activities. OMR's activities are critical to effectively monitoring Pennsylvania's insurance markets and ensuring protection for Pennsylvania consumers. During calendar year 2023, OMR's activities resulted in almost \$13 million being returned to more than 17,000 Pennsylvania consumers. Additionally, the office collected over \$800,000 dollars in fines and penalties from licensees due to investigations and examinations, which revealed violations of Pennsylvania's insurance laws and regulations.

OMR also focuses on monitoring insurance industry trends and patterns, attempting to prevent situations from developing that would be harmful to both consumers and the industry. Potential violations of Pennsylvania insurance statutes, regulations, and/or policy conditions are identified through market studies, data calls, and consumer complaints. Periodically OMR uses market conduct examinations, letters, informational interviews, and meetings to work with the insurance industry to ensure that licensees of the department have properly implemented procedures and policies to comply with newly enacted or changed laws. In doing so, Pennsylvania consumers are provided all the protection they deserve under the law, while ensuring insurance companies can operate in a fair marketplace.

At the end of 2023, OMR began the re-examination process, as a result of the comprehensive mental health parity market conduct exams completed last year. All companies signed consent orders which reflected various areas of opportunities such as compliance with laws governing access to treatment for mental health services. The goal of these exams is to ensure companies are complying with the requirements that have taken effect since the passage of the ACA and have made the necessary corrections as described in their consent orders.

In addition, OMR will be focused on monitoring and enforcing the priority initiatives of the department. The life locator tool connects Pennsylvanians with their deceased loved ones' lost life insurance policies and annuity contracts. In 2023, the life locator tool has resulted in over \$144 million dollars found for over 6,400 Pennsylvanians.

### **C. Financially stable insurance companies**

The department monitors financial compliance of the industry, working to ensure insurance companies can meet their obligations to policyholders. The Office of Corporate and Financial Regulation (OCFR) continues to protect insurance consumers by closely monitoring the financial stability of Pennsylvania insurance companies.

The department meets the challenge of maintaining a proactive approach to solvency monitoring in several ways. In the review of initial company licensing applications, the department will continue to require insurance companies that want to organize or transact business in Pennsylvania to be adequately capitalized with sound, long-term business plans. Proposed corporate or financial transactions, including mergers and acquisitions, are evaluated to ensure that the changes will not have an adverse impact on the financial stability of the affected insurance companies, the interests of policyholders or the stability and competitiveness of Pennsylvania's insurance market.

The department's continued accredited status is essential for the commonwealth and our domestic insurance industry. Accreditation standards, and the deference of other states to Pennsylvania's financial regulation of our domestic companies, require the department to maintain sufficient staff in both complement and qualifications. The department continually evaluates staff needs to address the heavy company-analyst ratio that exists today and build the department's analytical resources and capacity.

In rare cases where a company is unable to remain solvent, the Bureau of Liquidation and Rehabilitation Administration (BLRA) may be required to intervene. If a financially troubled company cannot be rehabilitated, it must be liquidated. BLRA enforces Article V of the Insurance Department Act of 1921. This act establishes a statutory arrangement for distribution of assets in a liquidation proceeding, resulting in a fair and equitable allotment of the limited assets in an estate. The bureau protects consumers when insurance companies become insolvent and are placed into liquidation or rehabilitation by marshaling assets and maximizing amounts available for policyholder claims.

### **D. Informed consumers**

The department has several avenues to reach insurance consumers and provide assistance, including educational events, website materials, and help lines. Additionally, the department follows up on consumer concerns by utilizing staff to investigate complaints of alleged regulatory violations. In addition to these existing mechanisms, the department is committed to transparency and consumer education. Through consumer alerts, news, enhanced website content, and increased proactive engagement, the department hopes to help consumers better understand their insurance coverage. Informed consumers are empowered consumers who will be able to make better coverage decisions as well as understand how to effectively use the coverage they have.



In 2024, the Department will introduce our Bureau of Public Engagement. This bureau will seek to expand awareness of department programs and initiatives by meeting with consumer groups, industry representatives, legislators, and government agency representatives to make sure that policyholders across the commonwealth know that the department is here to assist with any insurance challenges they may encounter. In conjunction with the Department's Communications Office, this bureau will create materials and training on new statutes and regulations to inform consumers and interested stakeholders. The bureau will also assist the communications, legislative, and policy offices of the Department with certain consumer issues and inquiries.

Over the past five years, the department, FEMA, PEMA along with several other state agencies have placed additional focus on flooding and flood mitigation. The department has worked with local, state and federal partners to discuss the importance of prevention, protection, mitigation and recovery. In addition, we have met with Pennsylvanians, municipalities and producers to discuss the importance of understanding that the private sector has entered the market, as well as the differences between private flood insurance and the National Flood Insurance Program (NFIP). These relationships will assist us in leading the Flood Insurance Premium Assistance Task Force (Act 22 of 2023). The department will continue to build relationships locally and nationally with stakeholders including universities, realtors and banks.

### **Program Analysis**

As discussed above, in its daily operations the department performs the essential functions of regulating and monitoring the solvency of Pennsylvania's insurance companies, reviewing policy rates and products to promote a competitive market, and raising awareness and protecting insurance consumers.

In addition to these activities and priorities, other areas of focus are: providing financial reimbursement for environmental cleanups relating to releases covered under the Underground Storage Tank Indemnification Fund (USTIF), handling claims for catastrophic medical benefit payments from the Catastrophic Loss Benefits Continuation Fund (CAT), handling claims and payments for the Workers' Compensation Security Fund (WCSF), and operating the Medical Care Availability and Reduction of Error Fund (Mcare). The CAT, WCSF, USTIF and Mcare funds, are collectively referred to as the department's special funds, and continue to operate efficiently.

## **Revenue Analysis**

Performance of these core functions by the department generates significant revenues to the commonwealth. Act 46 of 2013 established the Insurance Regulation and Oversight Fund (IROF) which provides a methodology to distribute department generated revenue between the General Fund and IROF. IROF annually receives fifty percent of all license and fees collected and 100 percent of reimbursements made to the department by regulated entities related to financial and market regulation activities for which the companies are responsible. In fiscal year 2024-2025, PID is expected to contribute over \$86 million in revenues to the commonwealth. This will provide \$40 million to the General Fund and \$46 million to the IROF fund for the department's regulation, management and oversight of the insurance industry. The department has not faced a budget crisis since implementation of the IROF legislation.

The Act provides for at the end of each fiscal year that IROF will retain an amount equal to no more than 100 percent of the total expenditures and commitments made by the department during the preceding fiscal year. When the IROF fund balance exceeds the retention amount, the excess is transferred to the General Fund by the end of July. At the end of July 2023, the fund transferred \$21.2M to the General Fund.

**SECTION**

**II**

# PA INSURANCE DEPARTMENT FY 2024-25 BUDGET REQUEST

## (\$ Amounts in Thousands)

Page # of Governor's Executive Budget:  
  
Pp. xi, B7, E29-2, E29-4, E29-5, E29-6, H3, H60, H61

**Insurance Regulation and Oversight Fund**  
  
11061, 70B01

<b>I. SUMMARY FINANCIAL DATA</b>			
(\$ Amount in Thousands)			
	2022-2023 Actual	2023-2024 Available	2024-2025 Budgeted
Federal Funds Total	\$0	\$0	\$5,000
Insurance Market Reform (70B01)	\$0	\$0	\$5,000
Other Funds Total			
Insurance Regulation & Oversight Fund (11061)	\$34,202	\$36,071	\$39,653
<b>Total</b>	<b>\$34,202</b>	<b>\$36,071</b>	<b>\$44,653</b>

<b>II. DETAIL BY MAJOR OBJECT</b>					
(\$ Amount in Thousands)					
	2022-2023 Actual	2023-2024 Available	2024-2025 Budgeted	Change Budgeted vs. Available	Percent Change
<b>PERSONNEL</b>					
<i>Other Funds</i>					
IROF (11061)	\$26,172	\$30,376	\$32,755	\$2,379	7.83%
Total Personnel	\$26,172	\$30,376	\$32,755	\$2,379	7.83%
<b>OPERATING</b>					
<i>Federal Funds</i>					
Ins Mkt Re (70B01)	\$0	\$0	\$5,000	\$5,000	100.00%
<i>Other Funds</i>					
IROF (11061)	\$7,780	\$5,695	\$6,898	\$1,203	21.12%
Total Operating	\$7,780	\$5,695	\$11,898	\$6,203	108.92%
<b>FIXED ASSETS</b>					
<i>Other Funds</i>					
IROF (11061)	\$250	\$0	\$0	\$0	0.00%
Total Fixed Assets	\$250	\$0	\$0	\$0	0.00%
<b>TOTAL FUNDS</b>					
<i>State Funds</i>	\$0	\$0	\$0	\$0	0.00%
<i>Federal Fund</i>	\$0	\$0	\$5,000	\$5,000	100.00%
<i>Other Funds</i>	\$34,202	\$36,071	\$39,653	\$3,582	9.93%
Total Funds	\$34,202	\$36,071	\$44,653	\$8,582	23.79%

III. HISTORY OF LAPSES (\$ Amount in Thousands)	Insurance Regulation and Oversight Fund 11061, 70B01		
	2022-2023	2023-2024	2024-2025 Estimated
<i>Other Funds Total</i>	\$0	\$0	\$0
<i>IROF (11061)</i>	\$0	\$0	\$0
<i>Market Insurance Reform (70B01)</i>	\$0	\$0	\$0

IV. COMPLEMENT INFORMATION	6/26/2023	12/25/2023	2024-2025 Budgeted
	Benefit Factor	62.2%	68.5%
Other Funded			
<i>Authorized</i>	223	229	237
<i>Filled</i>	201	197	N/A

V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS / DISBURSEMENT CRITERIA		
Derivation of Request:		
(A) Personnel Expense		
Personnel costs were prepared in the complement module of the BPC system using instructions and factors provided by the Governor's Budget Office and provides for maintenance of the Insurance Departments General Operating fund (IROF) continuing operation.		
(B) Operating Expense		
Operating Funds were developed from historical data and provides for maintenance of the Insurance Department's General Operating fund (IROF) continuing operation.		
<u>Additional Information</u>		
(1) 2022-23 Obligations rolled forward to 2023-24:		
(\$ Amounts in Thousands)		
Other Funds		\$40
Total		\$40
(2) 2023-24 Supplemental appropriation needs:		N/A
(3) Prior FY appropriations waived pursuant to Act 146 of 1980, is approved to support the 2023-24 appropriation for expenses related to maintaining NAIC accreditation.		
(\$ Amounts in Thousands)		
Other Funds	BY 2022	\$2,992
Total		\$2,992

**V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS /  
DISBURSEMENT CRITERIA (Cont.)**

**Insurance Regulation and Oversight Fund**  
11061, 70B01

Legislative Citations:

The Insurance Department was established under the Insurance Department Act of 1921, Act of May 17, 1921, P.L. 789, as amended, No. 285, and has responsibility for enforcing the Commonwealth's extensive and multi-faceted insurance laws.

The General Assembly Act of Jul. 2, 2013, P.L. 255, No. 46, Cl. 39 passed The Insurance Regulation and Oversight Fund.

Disbursement Criteria:

This appropriation funds the general administrative operations of the Insurance Department. Disbursements are made based on approved positions, established employee benefits, and through invoices submitted for operating expenses for the operation of the program.

**VI. EXPLANATION OF CHANGES**

(\$ Amounts in Thousands)

	State \$	Federal \$	Other \$	Total \$
<b>PERSONNEL</b>				
1. Net increase for contractual pay raises/MC personnel/vacancies	\$0	\$0	\$1,169	\$1,169
2. Increase to support new complement frpm PRR's	\$0	\$0	\$860	\$860
3. Increase from complement granted at Rebudget	\$0	\$0	\$350	\$350
Subtotal Personnel	<u>\$0</u>	<u>\$0</u>	<u>\$2,379</u>	<u>\$2,379</u>
<b>OPERATING</b>				
1. Increase to support database development for new Act 146 requirements	\$0	\$0	\$500	\$500
2. Decrease from Liquidations transition to it's own fund	\$0	\$0	(\$652)	(\$652)
3. Increase from IT shared service and fire wall costs	\$0	\$0	\$750	\$750
4. Increase for contractual services to support accreditation	\$0	\$0	\$605	\$605
	<u>\$0</u>	<u>\$0</u>	<u>\$1,203</u>	<u>\$1,203</u>
<b>GRANT &amp; SUBSIDY</b>				
1. Increase from bringing federal fund underneath IROF umbrella	\$0	\$5,000	\$0	\$5,000
Subtotal Grant & Subsidy	<u>\$0</u>	<u>\$5,000</u>	<u>\$0</u>	<u>\$5,000</u>
<b>GRAND TOTAL</b>	<u><u>\$0</u></u>	<u><u>\$5,000</u></u>	<u><u>\$3,582</u></u>	<u><u>\$8,582</u></u>

# PA INSURANCE DEPARTMENT FY 2024-25 BUDGET REQUEST

## (\$ Amounts in Thousands)

Page # of Governor's Executive Budget:  
Pp. ix, E29-4, E29-5

**General Operations**  
71077

<b>I. SUMMARY FINANCIAL DATA</b> (\$ Amount in Thousands)			
	2022-2023 Actual	2023-2024 Available	2024-2025 Budgeted
Federal Funds Total	\$5,000	\$5,000	\$0
Federal Sources Itemized			
Insurance Market Reform (71077)	\$5,000	\$5,000	\$0
<b>Total</b>	<b>\$5,000</b>	<b>\$5,000</b>	<b>\$0</b>

<b>II. DETAIL BY MAJOR OBJECT</b> (\$ Amount in Thousands)					
	2022-2023 Actual	2023-2024 Available	2024-2025 Budgeted	Change Budgeted vs. Available	Percent Change
<b>OPERATING</b>					
<i>Federal Funds</i>					
Ins Market Reform(71077)	\$5,000	\$5,000	\$0	(\$5,000)	(100.00)%
Total Operating	\$5,000	\$5,000	\$0	(\$5,000)	(100.00)%

II. DETAIL BY MAJOR OBJECT (Cont.) (\$ Amount in Thousands)	General Operations 71077				
	2022-2023 Actual	2023-2024 Available	2024-2025 Budgeted	Change Budgeted vs. Available	Percent Change
TOTAL FUNDS					
<i>State Funds</i>	\$0	\$0	\$0	\$0	0.00%
<i>Federal Funds</i>	\$5,000	\$5,000	\$0	(\$5,000)	100.00%
<i>Other Funds</i>	\$0	\$0	\$0	\$0	0.00%
Total Funds	\$5,000	\$5,000	\$0	(\$5,000)	(100.00)%

III. HISTORY OF LAPSES (\$ Amount in Thousands)	2022-2023	2022-2023	2024-2025 Estimated
State Fund (10824- USTIF Loan Repay)	\$0	\$0	\$0
Federal Funds (71077 - Insurance MrktReform)	\$9	\$0	\$0

IV. COMPLEMENT INFORMATION	6/26/2023	12/25/2023	2024-2025 Budgeted
Benefit Factor	N/A	N/A	N/A
Other Funded			
<i>Authorized</i>	N/A	N/A	N/A
<i>Filled</i>	N/A	N/A	N/A



**V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS /  
DISBURSEMENT CRITERIA**

**General Operations**  
71077

Derivation of Request:

(A) Personnel Expense

Personnel costs were prepared in the complement module of the BPC system using instructions and factors provided by the Governor's Budget Office and provides for maintenance of the Insurance Department's continuing operation. Actual hours are tracked and costs are moved the applicable program.

(B) Operating Expense

Operating funds were developed from historical data and provides for maintenance of the Insurance Department's continuing operation.

Additional Information

(1) 2022-23 Obligations rolled forward to 2023-24:

(\$ Amounts in Thousands)

Other Funds	\$0
Total	\$0

(2) 2023-24 Supplemental appropriation needs:

N/A

(3) Prior FY appropriations waived pursuant to Act 146 of 1980, used to support the 2023-24 appropriation

(\$ Amounts in Thousands)

Other Funds	\$0
Total	\$0

Legislative Citations:

The Insurance Department was established under the Insurance Department Act of 1921, Act of May 17, 1921, P.L. 789, as amended, No. 285, and has responsibility for enforcing the Commonwealth's extensive and multi-faceted insurance laws.

Disbursement Criteria:

These appropriations fund the administrative operations of the Insurance Department. Disbursements are made based on approved positions and established employee benefits, and through invoices submitted for operating expenses.

**VI. EXPLANATION OF CHANGES**

(\$ Amounts in Thousands)

**General Operations**

71077

	<u>State \$</u>	<u>Federal \$</u>	<u>Other \$</u>	<u>Total \$</u>
PERSONNEL				
1	\$0	\$0	\$0	\$0
Subtotal Personnel	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPERATING				
1. Decrease from bringing federal fund underneath IROF umbrella	\$0	(\$5,000)	\$0	(\$5,000)
Subtotal Operating	<u>\$0</u>	<u>(\$5,000)</u>	<u>\$0</u>	<u>(\$5,000)</u>
GRAND TOTAL	<u><u>\$0</u></u>	<u><u>(\$5,000)</u></u>	<u><u>\$0</u></u>	<u><u>(\$5,000)</u></u>

## **INSURANCE REGULATION AND OVERSIGHT FUND PROGRAM STATEMENT**

### **The Executive Office**

**The Insurance Commissioner** is responsible for establishing policy related to insurance regulation, insurer solvency, consumer protection and is charged with overseeing the administration of the department's general operations fund, special funds and federal fund programs.

**The Executive Deputy Insurance Commissioner** works across deputates and agencies, serving as a liaison to industry leaders, other states insurance departments, and consumer advocates.

**The Policy Office** conducts research to gather data and identifies trends to develop policy recommendations consistent with the goals of the Governor's Administration and the needs of insurance consumers and the insurance industry.

**The Legislative Office** serves as liaison between the Legislature and the department. The office monitors and analyzes legislation affecting insurance consumers as well as the industry.

**The Communications Office** directs and manages the department's public information programs through proactive and reactive media relations, consumer education and awareness efforts, development of consumer publications, and maintenance of the department's web site and social media presence.

**The Office of Chief Counsel** provides legal advice and assistance to the Insurance Commissioner and represents the department before state and federal courts in litigation matters. The Office provides the department with crucial support functions, including interpretation of and compliance with management directives and state insurance laws. Its Administrative Hearings Office conducts hearings on behalf of the Commissioner or his designee and prepares proposed administrative adjudications for the Department.

### **The Office of Administration**

The Office of Administration is comprised of the Bureau of Budget and Procurement Services and the Strategic and Administrative Services Office.

**The Bureau of Budget and Procurement Services** is responsible for organizing, directing, planning, and controlling all budget and procurement services for the Department. The bureau provides support to Department executives in the development of management and fiscal policies for the agency.

**The Strategic and Administrative Services Office** is responsible for organizing, directing, planning, and controlling administrative support functions for the agency including workforce strategies, risk management, internal controls, records management, facilities, supply, continuity of operations planning, and other services.

### **The Office of Insurance Product Regulation**

The Office of Insurance Product Regulation is comprised of the Bureaus of Life, Accident and Health, Property and Casualty, and the Bureau of Health Care Access, Administration, and Appeals.

**The Bureaus of Life, Accident and Health and Property and Casualty Insurance** are responsible for regulating insurance rates charged and policy forms sold in Pennsylvania in their respective lines of business. About 13,000 insurance contract, rate, and form filings are reviewed each year to ensure they are in compliance with federal and state law. Rate filings are reviewed to ensure that rates are not excessive, inadequate or unfairly discriminatory to fulfill the department's statutory obligations to protect the commonwealth's insurance consumers.

PID has been granted funding under "The State Flexibility to Stabilize the Market Grant Program Cycle II - Grants to Support States in Providing Added Flexibility to Strengthen the Private Health Insurance Market-Cycle II". The funding is being used to fund activities related to implementing the following provisions of Part A of title XXVII of the Public Health Services Act to include Section 2702 – Guaranteed Availability of Coverage, Section 2703 – Guaranteed Renewability of Coverage, and Section 2707 – Non-discrimination under Comprehensive Health Insurance Coverage (Essential Health Benefits Package).

**The Bureau of Health Care Access, Administration, and Appeals** reviews, approves, licenses, and monitors the quality of care provided to consumers by health maintenance organizations (HMOs) and other managed care systems, including by reviewing provider networks. The bureau also administers a consumer grievance and appeals program and ensures that each licensed HMO has an approved process in place to handle member complaints and grievances.

### **The Office of Corporate and Financial Regulation**

The Office of Corporate and Financial Regulation licenses and monitors the corporate and financial activities of more than 1,700 insurance companies and several hundred related entities operating in Pennsylvania. This office is comprised of the Bureau of Financial Examinations and the Bureau of Company Licensing and Financial Analysis.

**The Bureau of Financial Examinations** performs quinquennial and target examinations on the financial condition and operations of approximately 230 domestic insurance companies licensed in Pennsylvania to assess compliance with law and regulation and obtain assurance on the statutory solvency and financial condition. The process often includes coordination with other regulatory authorities in multistate insurer group examinations. Approximately 40 coordinated multistate examinations occur within a quinquennial period.

**The Bureau of Company Licensing and Financial Analysis** is comprised of two divisions. The Company Licensing Division oversees the corporate licensing of domestic and foreign insurance companies, reinsurers, and numerous related entity types operating in the state. The Bureau tracks corporate changes to licensed entities and reviews material transactions including proposed changes of control through acquisition or merger activity.

In the process of assessing the financial solvency and compliance of Pennsylvania's domestic insurers, the Financial Analysis Division reviews and analyzes financial statements and related filings of domestic insurance companies on an on-going basis. Further, the division conducts reviews of affiliated transactions, requests for distribution of capital, and monitors corporate plans and initiatives within the insurer and the Holding Company Group.

### **The Office of Market Regulation**

The Office of Market Regulation is comprised of the Bureaus of Consumer Services, Licensing and Enforcement, and Market Actions.

**The Bureau of Consumer Services** investigates consumer complaints and provides educational and general assistance to Pennsylvania's insurance consumers and licensees. The bureau interacts with approximately 50,000 consumers annually by responding to consumer complaints and inquiries, participating in consumer education outreach, and providing on-site assistance to consumers during disaster recovery operations. The bureau also works with insurance companies to minimize the impact of product and company withdrawals on consumers.

**The Bureau of Licensing and Enforcement is at the forefront of consumer** protection through its responsibility for the administration of licensing and education programs for approximately 375,000 professionals doing business in Pennsylvania. This bureau also administers a program to enforce insurance laws and regulations and to investigate alleged violations of the laws.

**The Bureau of Market Actions works to ensure that consumers are treated fairly** through compliance audits of insurers and analysis of marketplace data. The Market Analysis Division is tasked with monitoring Pennsylvania's entire insurance market to identify carriers that are struggling with compliance with consumer protection measures. The Market Conduct Division conducts studies of the insurance industry as well as in-house compliance reviews and audits, which include on-site examinations of insurance companies or other market-focused reviews of underwriting, rate application, policy terminations and claims practices to verify compliance with Pennsylvania insurance statutes and regulations.

**The Bureau of Public Engagement** works to improve consumers' understanding of insurance products, their rights and provides resources to assist in addressing consumer concerns. The Bureau's work involves: developing policies and programs to increase visibility, outreach, and engagement efforts; directing outreach to various stakeholders to ensure they are educated on insurance matters; ensuring insurance consumers have representation and fair and equitable access to insurance resources; engaging stakeholder groups to foster awareness of insurance regulatory and consumer protection issues and programs; and directing administrative and program support work.

### **The Office of Liquidations, Rehabilitations, and Special Funds**

The Office of Liquidations, Rehabilitations and Special Funds manages the liquidation of insolvent insurance companies and the rehabilitation of financially troubled insurance companies, pursuant to court order. The office also administers the activities of four special fund programs: The Catastrophic Loss Benefits Continuation Fund (CAT), The Underground Storage Tank Indemnification Fund (USTIF), The Medical Care Availability and Reduction of Error Fund (Mcare) and The Workers' Compensation Security Fund (WCSF).

## **PROGRAM PERFORMANCE**

### **Agency Metrics**

The department measures its progress against the following quantitative criteria:

- Reducing Pennsylvania's uninsured population.
- Increasing the department's outreach efforts to improve consumer education regarding insurance products and services, aiding in protecting consumers from financial loss.
- Supporting the insurance industry's need of speed to market for new property, casualty, life, accident, and health programs and policy changes.

## **Selected Accomplishments**

The following ongoing accomplishments are measures of the effectiveness of the department's allocation of its funds to meet statutory and consumer protection goals.

### **The Office of Insurance Product Regulation**

- The Bureaus of Life, Accident and Health and Property and Casualty Insurance are responsible for regulating insurance rates charged and policy forms sold in Pennsylvania in their respective lines of business.
  - Rate filings are reviewed to ensure rates are not excessive, inadequate or unfairly discriminatory to fulfill the department's statutory obligations to protect the commonwealth's insurance consumers.
  - The Bureaus review about 13,000 insurance contract, rate, and form filings each year to ensure compliance with federal and state law.
  - In 2023, the Bureau's actuarial rate review process saved consumers approximately \$250 million in premium by only approving rate increase requests that had appropriate supporting evidence. \$180.5 million was saved in annual health insurance premiums and over \$74 million in annual P&C premiums.
- Pennsylvania's Reinsurance Program was signed into law on July 2nd, 2019, creating an opportunity for Pennsylvania to establish a state reinsurance program to help moderate premiums in the Commonwealth's individual health insurance market and maintain and protect coverage gains in the Commonwealth. Pennsylvania's reinsurance program was created under a Federal Section 1332 State Relief and Empowerment Waiver.
  - Since 2021, Pennsylvania's Reinsurance Program has successfully reduced rates by 4-6% annually for Pennsylvanians purchasing health insurance coverage in the individual market.
- The Bureau of Health Care Access, Administration, and Appeals (HCA3), formerly known as the Bureau of Managed Care reviews health insurance networks, certifies Certified Review Entities, facilitates the Independent External Appeals process, and performs other activities focused on quality of care.
  - HCA3 increased the number of network reviews to include both individual and small group health insurance networks ensuring provider networks are compliant with federal and state laws.
  - Act 146, of 2022 went into effect on Jan. 1, 2024, initiating a new process for consumers of commercial insurance who can submit requests for an Independent External Review directly to the department utilizing a consumer friend online portal.
  - In 2023, HCA3 monitored nearly 5,000 external review requests from Managed Care Organizations ensuring that reviews are completed in a timely manner, avoid conflicts of interest, and are consistent with state standards.

## **The Office of Corporate and Financial Regulation**

- The department continues to meet the requirements of the National Association of Insurance Commissioners (NAIC) Financial Regulation Standards and Accreditation Program in the following ways, which will allow Pennsylvania to remain accredited by the NAIC through its next review in 2024:
  - Completing financial analyses and financial examinations within NAIC required timeframes, Pennsylvania statutory requirements, and in compliance with accreditation standards designed to assure an effective and consistent state-based financial regulation system.
  - Continuing efforts to implement organizational, hiring, recruitment and retention initiatives developed to ensure that the department has sufficient and qualified staff to monitor Pennsylvania's large, diverse and complex insurance industry.
- The department serves as the lead state regulator for about 36 insurance groups and the group-wide supervisor of one large internationally active insurance group.

## **The Office of Market Regulation**

- In total, the department collected close to \$1 million dollars in fines and penalties, and ordered approximately \$18 million in consumer restitution for nearly 75,000 Pennsylvanians in 2022, broken down as follows:
  - The Bureau of Consumer Services, through complaint investigations, recovered nearly \$6 million in premium refunds, claims payments, and policy restoration for over 700 Pennsylvania consumers.
  - The Bureau of Licensing and Enforcement handled approximately 939 cases of suspected violations of Pennsylvania insurance laws through enforcement investigations, resulting in nearly \$500,000 in restitution to 19 Pennsylvania consumers and over \$450,000 in penalties.
  - The Bureau of Market Actions resolved 33 market conduct examinations of insurance companies violating Pennsylvania insurance laws, resulting in corrective action and the assessment of over \$11 million in restitution for more than 73,000 thousand Pennsylvania consumers.
- The Bureau of Consumer Services engaged with approximately 45,000 consumers, including interactions at consumer events, calls to the toll-free consumer hotline, internet contacts, written complaints, telephone calls and walk-ins. The department also assisted thousands of consumers affected by health insurance company terminations, product withdrawals and transitions in the marketplace.



## **The Office of Liquidations, Rehabilitations & Special Funds**

- During calendar year 2023, the department experienced the following developments with respect to companies in liquidation:
  - On March 23, 2023, R&Q Reinsurance Company was placed in liquidation by the Pennsylvania Commonwealth Court. R&Q wrote reinsurance contracts and was licensed in 26 states.
  - On July 31, 2023, Lincoln General Insurance Company was discharged from liquidation by the Pennsylvania Commonwealth Court. Lincoln General Insurance Company distributed 100% to class A, 100% to class B and 8.9% to class C.
  - The Liquidator has started the discharge process for Senior American Insurance Company and expects a final discharge order early in 2024.

Bedivere Insurance Company successfully issued 871 Notices of Determination to creditors valued at \$4.5 million. No objections were received related to the issued Notices of Determination. The Liquidator finalized commutations with all impacted guaranty funds in the Healthcare Providers Insurance Exchange estate, clearing the way for an Early Access distribution in 2024.

## **PROGRAM GOALS**

The department will use its fiscal year 2024-2025 funding to support its accomplishment of the following goals:

- To assist consumers and ensure that they are treated fairly and in compliance with Pennsylvania laws by:
  - Providing expert insurance consumer protections service by thorough investigation of consumer complaints and timely responses to consumer inquiries.
  - Continually evaluating and streamlining complaint processing procedures.
  - Updating consumer brochures and other consumer materials providing information on various insurance products across lines of business, including life, health, automobile, homeowners, flood, and others.
  - Leveraging social and traditional media and working to increase the department's visibility by attending stakeholder and community events.
- To promote a competitive marketplace in terms of products and pricing by:
  - Continuing to evaluate the health insurance marketplace to identify ways to improve affordability of health insurance and legislative changes that would preserve market competition and protect consumers.
  - Identifying and implementing changes to the department's rate and form review process to ensure that products are brought to market quickly.
  - Completing the review of approximately 10,000 filings annually.
  - Participating in the Product Standard Committee for the Interstate Insurance Product Regulation Commission to develop and implement life, annuity, and disability/long-term care national product standards.

- To enhance financial solvency regulation of domestic insurance companies by:
  - Improving efficiencies through focusing examination efforts on areas in which an insurance company exhibits the most significant risk.
  - Maintaining Pennsylvania’s accredited status with the NAIC through the department’s next on-site review, scheduled for 2024.
- To protect Pennsylvanian consumers by monitoring the solvency of foreign insurers and reinsurers that apply for licensure and operate within the state.
- To promote and ensure industry-wide compliance by:
  - Working with the NAIC to improve monitoring of industry compliance and protection of consumers through the development of enhanced market analysis tools, in conjunction with multi-state coordination and market conduct uniformity.
  - Participating in the Market Conduct Annual Statement initiative, using analysis of specific insurance company data to promote early detection of general market issues to eliminate or mitigate harm to consumers.
- To leverage technology to enhance efficiencies and improve customer service by:
  - Promoting the use of e-government transactions, giving companies and non-resident licensees the ability to process appointments and terminations in real time.
  - Continuing to enhance the usefulness of the department’s website for all types of consumers and stakeholders.
  - Providing online complaint reconciliation for carriers and online complaint status updates for consumers.
  - Further investigating and implementing, where practical, procedures for online applications and renewals of licenses.
- To utilize federal grant money effectively and responsibly by:
  - Contracting with consultants for services related to evaluating equity in and accessibility to comprehensive Health Insurance Coverage.
  - Updating and enhancing the department’s implementation and enforcement of health insurance consumer protections.
  - Developing tools to improve transparency ensuring access to comprehensive health insurance coverage and empowering consumers to make informed health insurance purchasing decisions.
- To protect claimants to estates in liquidation by:
  - Maximizing assets and administering receiverships.
  - Filing discharge petitions for liquidated estates, thereby reducing the administrative expenses of the estates and distributing the assets of the estates to the claimants and guaranty associations.

# PA INSURANCE DEPARTMENT FY 2024-25 BUDGET REQUEST

## (\$ Amounts in Thousands)

Page # of Governor's Executive Budget:  
Pp. x, D39, E26-5, E29-2, E29-4, E29-5, H3, H20, H72

**Catastrophic Loss Benefits Continuation  
(CAT) Fund  
20192, 20193**

### I. SUMMARY FINANCIAL DATA

(\$ Amount in Thousands)

	2022-2023 Actual	2023-2024 Available	2024-2025 Budgeted
Other Funds Total	\$8,208	\$8,493	\$8,501
Other Sources Itemized			
CAT Admin (20192)	\$2,158	\$2,443	\$2,451
CAT Claims (20193)	\$6,050	\$6,050	\$6,050
Loan to Other Funds (20534)	\$0	\$60,000	\$0
<b>Total</b>	<b>\$8,208</b>	<b>\$68,493</b>	<b>\$8,501</b>

### II. DETAIL BY MAJOR OBJECT

(\$ Amount in Thousands)

	2022-2023 Actual	2023-2024 Available	2024-2025 Budgeted	Change Budgeted vs. Available	Percent Change
<b>PERSONNEL</b>					
<i>Other Funds</i>					
CAT Admin (20192)	\$140	\$156	\$164	\$8	5.13%
Total Personnel	\$140	\$156	\$164	\$8	5.13%
<b>OPERATING</b>					
<i>Other Funds</i>					
CAT Admin (20192)	\$2,018	\$2,287	\$2,287	\$0	0.00%
Total Operating	\$2,018	\$2,287	\$2,287	\$0	0.00%
<b>GRANT &amp; SUBSIDY</b>					
<i>Other Funds</i>					
CAT Claims (20193)	\$6,050	\$6,050	\$6,050	\$0	0.00%
Total Grant & Subsidy	\$6,050	\$6,050	\$6,050	\$0	0.00%
<b>DEBIT SERVICE/INVESTMENT</b>					
<i>Other Funds</i>					
Loan to Other Funds	\$0	\$60,000	\$0	(\$60,000)	(100.00)%
Total Debit/Investment	\$0	\$60,000	\$0	(\$60,000)	(100.00)%
<b>TOTAL FUNDS</b>					
<i>Other Funds</i>					
Total Funds	\$8,208	\$68,493	\$8,501	(\$59,992)	(87.59)%

III. HISTORY OF LAPSES (\$ Amount in Thousands)	Catastrophic Loss Benefits Continuation (CAT) Fund 20192, 20193		
	2022-2023	2023-2024	2024-2025 Estimated
Other Funds Total	\$0	\$0	\$0
CAT Admin (20192)	\$0	\$0	\$0
CAT Claims (20193)	\$0	\$0	\$0

IV. COMPLEMENT INFORMATION	6/26/2023	12/25/2023	2024-2025 Budgeted
	Benefit Factor	74.38%	85.16%
Other Funded			
<i>Authorized</i>	1	1	1
<i>Filled</i>	1	1	N/A

V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS / DISBURSEMENT CRITERIA	
Derivation of Request:	
(A) Personnel Expense	All personnel costs were prepared in the complement module of the BPC system using instructions and factors provided by the Governor's Budget Office and provides for maintenance of CAT's continuing operation.
(B) Operating Expense	Operating Funds were developed from historical data and provides for maintenance of CAT's continuing operation.
(C) Grants & Subsidy Expense	Claim payments are based on open claims and their actuarial statistics.
<u>Additional Information</u>	
(1) 2022-23 Obligations rolled forward to 2023-24:	
(\$ Amounts in Thousands)	
Other Funds	
CAT Admin (20192)	\$0
Total	\$0
(2) 2023-24 Supplemental appropriation needs:	N/A

**V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS  
DISBURSEMENT CRITERIA**

**Catastrophic Loss Benefits Continuation  
(CAT) Fund  
20192, 20193**

(3) Prior FY appropriations waived pursuant to Act 146 of 1980, used to support the 2023-24 appropriation

(\$ Amounts in Thousands)

Other Funds	\$0
Total	<u>\$0</u>

Legislative Citations:

The Catastrophic Loss Benefits Continuation Fund (CAT Fund), established by Act 24 of 1989, provides benefits to Pennsylvanians who were catastrophically injured in motor vehicle accidents between October 1, 1984, and December 31, 1989, inclusive, and who were eligible for benefits under the Catastrophic Loss Trust Fund, 75 Pa. C.S. §§ 1761-1769, which was repealed by Act 144 of 1988.

Disbursement Criteria:

The Administrative Appropriation funds the personnel and operating costs of the CAT fund. Disbursements are made based on approved positions, established employee benefits, and through invoices submitted for operating and fixed asset expenses for the operation of the program.

The Claims Appropriation funds the approved payments for eligible recipients of CAT liability actions in excess of basic insurance coverage.

**VI.**

**EXPLANATION OF CHANGES**

(\$ Amounts in Thousands)

	<u>State \$</u>	<u>Federal \$</u>	<u>Other \$</u>	<u>Total \$</u>
<b>PERSONNEL</b>				
1. Increase for contractual pay raises and benefits	<u>\$0</u>	<u>\$0</u>	<u>\$8</u>	<u>\$8</u>
Subtotal Personnel	\$0	\$0	\$8	\$8
<b>DEBIT SERVICE/INVESTMENT</b>				
1. Decrease due to one time loan to Mcare in the prior year	<u>\$0</u>	<u>\$0</u>	<u>(\$60,000)</u>	<u>(\$60,000)</u>
Subtotal Debit/investment	\$0	\$0	(\$60,000)	(\$60,000)
<b>GRAND TOTAL</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>(\$59,992)</u></u>	<u><u>(\$59,992)</u></u>

## **PROGRAM STATEMENT**

The Catastrophic Loss Benefits Continuation Fund (AutoCAT Fund), established by Act 24 of 1989 (75 Pa. C.S. § 1798.2 *et seq.*), provides claim payment benefits, in excess of \$100,000, for reasonable and medically necessary accident-related medical and rehabilitation expenses resulting from qualifying motor vehicle accidents that occurred between October 1, 1984, and July 1, 1989. AutoCAT Fund benefits are restricted by statute to \$50,000 annually after the first eighteen months of eligibility and a \$1 million lifetime aggregate. A contracted third-party administrator (TPA) provides claims administration and rehabilitation management services for the AutoCAT Fund. The AutoCAT Fund balance as of June 30, 2023, was \$89.9 million with 335 claimants receiving program benefit payments. The total amount of benefits paid last fiscal year was more than \$3.3 million with benefits paid to date from program inception of \$550.8 million on behalf of 1,884 individuals.

An outside actuarial study of the AutoCAT Fund must be completed annually, and a Status of the Fund & Outstanding Liabilities Report must be submitted to the General Assembly each January. Recent actuarial reports have indicated that the AutoCAT Fund has sufficient money to sustain itself in the upcoming years without incurring a deficit and therefore is currently deemed fully funded.

Beginning in 1989, AutoCAT Fund revenue was generated from a surcharge on motor vehicle moving violations. Act 13 of 2002 provided for the transfer of revenue from the AutoCAT Fund to the Mcare Fund. Pursuant to the fiscal year 2010-2011 budget, as enacted, the AutoCAT Fund surcharge money has instead been redirected into the General Fund for each fiscal year since 2009-2010.

Additionally, on October 23, 2023, the AutoCAT Fund made a \$60 million loan to the Mcare Fund to help Mcare meet its medical professional liability claim payment obligations. Mcare will repay the loan to the AutoCAT, with interest, by June 30, 2025.

## **PROGRAM PERFORMANCE**

The following are selected accomplishments of the CAT Fund from the prior year:

- The Fund continues to ensure its fiduciary responsibility by proactively reviewing all medical bills over \$5,000 to ascertain that all payments are accident related, medically necessary and reasonable. Despite the AutoCAT Fund's ineligibility for mandatory Act 6 reductions, the AutoCAT Fund utilizes Act 6 repricing measures to negotiate payments for medical treatment and rehabilitative services. If a provider does not accept Act 6 repricing, the AutoCAT Fund attempts to secure an acceptable reduced payment amount with the provider. In addition, various processing edits are used to monitor pharmacy costs and encourage providers to consider using alternative medications, mail order refills and/or generic medications resulting in substantial savings that may extend the duration of benefits for the claimant. By using these negotiated savings processes, the AutoCAT Fund experienced a total savings of \$301,953 in claimant benefits for the FY2022-2023.

## **PROGRAM GOALS**

The AutoCAT Fund has the following goals for fiscal year 2024-2025.

- To continue programs to negotiate savings with health care providers and pharmacies.
- To monitor outstanding liabilities to maximize available funding for payment of lifetime benefits of claimants.
- To continue prompt review and processing of claims by monitoring performance of the TPA.
- To continue to monitor opioid use amongst claimants by utilizing the Prescription Drug Monitoring Program (PDMP) as well as provider outreach letters.
- Forge relationships with third-party medical equipment vendors to ensure program staff receives continued education of available technologies, opportunities, and medical advances to assist claimants.

# PA INSURANCE DEPARTMENT FY 2024-25 BUDGET REQUEST

## (\$ Amounts in Thousands)

Page # of Governor's Executive Budget:  
Pp. xii, 9, e18-6, E18-13, E29-2, E29-4, H3, H133, H142

**Underground Storage Tank Indemnification  
(USTIF) Fund  
20195, 20196**

<b>I. SUMMARY FINANCIAL DATA</b>			
(\$ Amount in Thousands)			
	2022-2023 Actual	2023-24 Available	2024-25 Budgeted
Other Funds Total	\$56,873	\$55,555	\$55,661
Other Sources Itemized			
USTIF Admin (20195)	\$16,873	\$15,555	\$17,661
USTIF Claims (20196)	\$40,000	\$40,000	\$38,000
<b>Total</b>	<b>\$56,873</b>	<b>\$55,555</b>	<b>\$55,661</b>

<b>II. DETAIL BY MAJOR OBJECT</b>					
(\$ Amount in Thousands)					
	2022-2023 Actual	2023-24 Available	2024-25 Budgeted	Budgeted vs. Available	Percent Change
<b>PERSONNEL</b>					
<i>Other Funds (20195)</i>	\$1,098	\$1,046	\$1,152	\$106	10.13%
Total Personnel	\$1,098	\$1,046	\$1,152	\$106	10.13%
<b>OPERATING</b>					
<i>Other Funds (20195)</i>	\$8,670	\$7,509	\$9,509	\$2,000	26.63%
Total Operating	\$8,670	\$7,509	\$9,509	\$2,000	26.63%
<b>FIXED ASSETS</b>					
<i>Other Funds (20195)</i>	\$105	\$0	\$0	\$0	0.00%
Total Fixed Assets	\$105	\$0	\$0	\$0	0.00%
<b>GRANT &amp; SUBSIDY</b>					
<i>Other Funds (20196)</i>	\$40,000	\$40,000	\$38,000	(\$2,000)	(5.00)%
Total Grant & Subsidy	\$40,000	\$40,000	\$38,000	(\$2,000)	(5.00)%
<b>NONEXPENSE</b>					
<i>Other Funds (20195)</i>	\$7,000	\$7,000	\$7,000	\$0	0.00%
Total Nonexpense	\$7,000	\$7,000	\$7,000	\$0	0.00%
<b>BUDGETARY RESERVE</b>					
<i>Other Funds (20195)</i>	\$0	\$0	\$0	\$0	0.00%
Total Budgetary Reserve	\$0	\$0	\$0	\$0	0.00%
<b>Total Funds</b>	<b>\$56,873</b>	<b>\$55,555</b>	<b>\$55,661</b>	<b>\$106</b>	<b>0.19%</b>



III. HISTORY OF LAPSES (\$ Amount in Thousands)	Underground Storage Tank Indemnification (USTIF) Fund 20195, 20196		
	<u>2022-2023</u>	<u>2023-2024</u>	<u>2025-2025 Estimated</u>
Other Funds Total	\$0	\$0	\$0
USTIF Admin (20195)	\$0	\$0	\$0
USTIF Claims (20196)	\$0	\$0	\$0

IV. COMPLEMENT INFORMATION	<u>6/26/2023</u>	<u>12/25/2023</u>	<u>2024-2025 Budgeted</u>
	Benefit Factor	66.59%	75.09%
Other Funded			
<i>Authorized</i>	8	8	8
<i>Filled</i>	7	7	N/A

**V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS /  
DISBURSEMENT CRITERIA**

**Underground Storage Tank Indemnification  
(USTIF) Fund**

20195, 20196

Derivation of Request:

(A) Personnel Expense

Personnel costs were prepared in the complement module of the BPC system using instructions and factors provided by the Governor's Budget Office and provides for maintenance of USTIF's continuing operation.

(B) Operating Expense

Operating funds were developed from historical data and provides for maintenance of USTIF's continuing operation.

(C) Grant & Subsidy Expense

Additional Information

(1) 2022-23 Obligations rolled forward to 2023-24:

(\$ Amounts in Thousands)

Other Funds

USTIF Admin (20195)

\$0

Total

\$0

(2) 2023-24 Supplemental appropriation needs: N/A

(3) Prior FY appropriations waived pursuant to Act 146 of 1980, used to support the 2023-24 appropriation

(\$ Amounts in Thousands)

Other Funds

\$0

Total

\$0

Legislative Citations:

The Storage Tank and Spill Prevention Act (Act 32 of 1989), as amended, authorized the creation of the Underground Storage Tank Indemnification Fund (USTIF) to provide claim payments to eligible owners, operators, and certified installers of underground storage tanks, who incur liability for taking corrective action, or for bodily injury or property damage caused by a sudden or non-sudden release from underground storage tanks. USTIF became operational on February 1, 1994. Act 61 of 2017 increases the reimbursement to the Storage Tank fund from the \$3 million to \$7 million annually and extended authority for the Underground Storage Tank Environmental Cleanup Program and the Underground Storage Tank Pollution Prevention Program until June 30, 2022.

Disbursement Criteria:

The Administrative Appropriation funds the personnel and operating costs of the USTIF Fund. Disbursements are made based on approved positions, established employee benefits, and through invoices submitted for operating and fixed asset expenses for the operation of the program.

The Claims Appropriation funds the approved payments for eligible owners and operators of Underground Storage Tanks.

VI. EXPLANATION OF CHANGES (\$ Amounts in Thousands)	Underground Storage Tank Indemnification (USTIF) Fund 20195, 20196			
	State \$	Federal \$	Other \$	Total \$
<b>PERSONNEL</b>				
1. Increase for contractual pay raises and benefits	\$0	\$0	\$106	\$106
Subtotal Personnel	\$0	\$0	\$106	\$106
<b>OPERATING</b>				
1. Increase for new vendor as TPA contract ended	\$0	\$0	\$2,000	\$2,000
Subtotal Operating	\$0	\$0	\$2,000	\$2,000
<b>GRANT &amp; SUBSIDY</b>				
1. Claims anticipated to be less than prior year	\$0	\$0	(\$2,000)	(\$2,000)
	\$0	\$0	(\$2,000)	(\$2,000)
<b>GRAND TOTAL</b>	<u>\$0</u>	<u>\$0</u>	<u>\$106</u>	<u>\$106</u>

## **PROGRAM STATEMENT**

The Underground Storage Tank Indemnification Fund (USTIF) was established by the Storage Tank and Spill Prevention Act, Act 32 of 1989 (35 P.S. §6021.101, *et seq.*). It began operation in February of 1994 to provide claim payments for reasonable and necessary expenses to eligible underground storage tank owners and operators who incur expenses in the cleanup of leaking tanks. The fund also administers (1) the Tank Installers' Indemnification Program, which indemnifies certified companies in the event of a release due to a faulty tank or system installation; and (2) a Heating Oil Tank Program, which is a voluntary program of participants who seek coverage for heating oil tanks which are 3,000 gallons or greater in capacity. In addition, the fund provides grants to the Pennsylvania Department of Environmental Protection (DEP), which administers the Pollution Prevention and Environmental Cleanup programs.

Amendments to Act 32, passed in 2001, increased fund coverage from \$1 million to \$1.5 million, per tank per occurrence, for cleanup and third-party actions relating to leaking underground storage tanks, exclusive of defense costs for third party liability. There is a \$1.5 million annual aggregate coverage limit for owners and operators of 100 or fewer tanks, and a \$3.0 million annual coverage limit for operators of 101 or more tanks.

USTIF has two primary sources of funds: fees and investment income. Fee revenue is comprised of: 1) an annual capacity fee of \$.0825 per gallon for tanks containing heating oil, diesel fuel, kerosene and used motor oil; and 2) a throughput fee of \$0.011 per gallon of product delivered into the gasoline, new motor oil, hazardous substances, gasohol, aviation fuel, and farm diesel category of tanks. USTIF also collects an annual fee of \$1,000 from certified tank installers and fees for each tank handling activity performed throughout the year. The estimated revenue from fees for fiscal year 2024-2025 is \$53.6 million, and the estimated investment income for fiscal year 2024-2025 is \$19.9 million.

A contracted third-party administrator (TPA) provides claims administration and related services, and an outside actuarial study of USTIF is completed on an annual basis.

Act 13 of 1998 created four new programs for USTIF: The Upgrade Loan Program, the Tank Installers Indemnification Program, the Pollution Prevention Program, and the Environmental Cleanup Program. The pollution and environmental cleanup programs are funded by allocation categories made by the USTIF Board to DEP. Since its inception, USTIF has provided grants in excess of \$168 million to DEP for various environmental projects under all the allocation categories.

## **PROGRAM PERFORMANCE**

The following are selected accomplishments of USTIF from the prior year:

- Conducted annual actuarial analyses, that determined the estimated total outstanding liability has decreased significantly from \$309.2 million as of June 30, 2022 to \$275.4 million as of June 30, 2023 and as of that date, assets exceeded liabilities by \$142 million.
- Continued to expand the application of competitive bidding for remediation projects. As of December 31, 2023, 64 sites are under some form of fixed price contract valued in the aggregate of \$22.5 million.
- Closed 166 contaminated sites through payment of remediation expenses and provided continued funding of ongoing remediation at 789 sites as of December 31, 2023.
- Paid more than \$30.0 million in total remediation expenses.

## **PROGRAM GOALS**

USTIF has the following goals for 2024-25:

- To continue to use competitive bidding for remediation of appropriate sites, with the expected results of better site characterization; faster, lower cost and more efficient clean-ups; and a streamlined claims handling process to benefit the tank owner as well as the fund.
- To continue to interact closely with DEP to ensure problem sites are identified and remediated in a faster and more cost-effective manner.
- To develop cost containment policies that encourage faster remediation at a lower cost per site.
- To continue modernizing USTIF regulations to increase operational efficiencies and incorporate industry best practices.
- To continue to provide USTIF participants with information regarding best practices and current technical guidance through its published technical bulletins.

# PA INSURANCE DEPARTMENT FY 2024-25 BUDGET REQUEST

## (\$ Amounts in Thousands)

Page # of Governor's Executive Budget:  
Pp. xi, E29-2, E29-4, H3, H20, H72

**Medical Care Availability and Reduction of Error  
(Mcare) Fund**  
20306, 20307

<b>I. SUMMARY FINANCIAL DATA</b> (\$ Amount in Thousands)			
	2022-2023 Actual	2023-2024 Available	2024-2025 Budgeted
Other Funds Total	\$194,469	\$260,923	\$312,218
Other Sources Itemized			
Mcare Admin (20306)	\$19,449	\$18,923	\$19,218
Mcare Claims (20307)	\$175,020	\$242,000	\$230,000
Loan Repayment (20279)	\$0	\$0	\$63,000
<b>Total</b>	<b>\$194,469</b>	<b>\$260,923</b>	<b>\$312,218</b>

<b>II. DETAIL BY MAJOR OBJECT</b> (\$ Amount in Thousands)					
	2022-2023 Actual	2024-2025 Available	2024-2025 Budgeted	Change Budgeted vs. Available	Percent Change
<b>PERSONNEL</b>					
<i>Other Funds</i>					
Mcare Admin (20306)	\$5,318	\$5,325	\$5,620	\$295	5.54%
Total Personnel	\$5,318	\$5,325	\$5,620	\$295	5.54%
<b>OPERATING</b>					
<i>Other Funds</i>					
Mcare Admin (20306)	\$13,566	\$13,598	\$13,598	\$0	0.00%
Mcare Claims (20307)	\$20	\$20	\$20	\$0	0.00%
Total Operating	\$13,586	\$13,618	\$13,618	\$0	0.00%
<b>FIXED ASSETS</b>					
Mcare Admin (20306)	\$565	\$0	\$0	\$0	0.00%
Total Fixed Assets	\$565	\$0	\$0	\$0	0.00%
<b>GRANT &amp; SUBSIDY</b>					
Mcare Claims (20307)	\$175,000	\$241,980	\$229,980	(\$12,000)	(4.96)%
Total Grant & Subsidy	\$175,000	\$241,980	\$229,980	(\$12,000)	(4.96)%
<b>NON-EXPENSE</b>					
Loan Repay (20279)	\$0	\$0	\$63,000	\$63,000	100.00%
Total Non-Expense	\$0	\$0	\$63,000	\$63,000	100.00%
<b>TOTAL FUNDS</b>					
Mcare Admin(20306)	\$19,449	\$18,923	\$19,218	\$295	1.56%
Mcare Claims(20307)	\$175,020	\$242,000	\$230,000	(\$12,000)	(4.96)%
Loan Repay (20279)	\$0	\$0	\$63,000	\$63,000	100.00%
Total Funds	\$194,469	\$260,923	\$312,218	(\$11,705)	19.66%

III. HISTORY OF LAPSES (\$ Amount in Thousands)	Medical Care Availability and Reduction of Error (Mcare) Fund 20306, 20307		
	2022-2023	2023-2024	2024-2025 Estimated
Other Funds Total	\$0	\$0	\$0
Mcare Admin (20306)	\$0	\$0	\$0
Mcare Claims (20307)	\$0	\$0	\$0

IV. COMPLEMENT INFORMATION	6/26/2023	12/25/2023	2024-2025 Budgeted
	Benefit Factor	65.23%	72.83%
Other Funded			
<i>Authorized</i>	44	42	42
<i>Filled</i>	38	39	N/A

**V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS / DISBURSEMENT CRITERIA**

Derivation of Request:

(A) Personnel Expense  
 Personnel costs were prepared in the complement module of the BPC system using instructions and factors provided by the Governor's Budget Office and provides for maintenance of Mcare's continuing operation.

(B) Operating Expense  
 Operating funds were developed from historical data and provides for maintenance of Mcare's continuing operation.

(C) Grants & Subsidy Expense  
 Claim payments are paid for participating health care providers for damages awarded in medical professional liability actions in excess of basic insurance coverage required by the act.

V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS / DISBURSEMENT CRITERIA	Medical Care Availability and Reduction of Error (Mcare) Fund 20306, 20307
	<p><u>Additional Information</u></p> <p>(1) 022-23 Obligations rolled forward to 2023-24:            (\$ Amounts in Thousands)            Other Funds</p>

Continued from page B 4.2

MCARE Admin (20306)	<u>\$2,852</u>
Total	\$2,852

(2) 2023-24 Supplemental appropriation needs: N/A

(3) Prior FY appropriations waived pursuant to Act 146 of 1980, used to support the 2023-24 appropriation

(\$ Amounts in Thousands)

Other Funds	<u>\$0</u>
Total	\$0

Legislative Citations:

Act 13 of 2002, the Medical Care Availability and Reduction of Error (Mcare) Act, in part, established the Mcare Fund as a special fund in the State Treasury. This fund is a continuation of the Medical Professional Liability Catastrophe Loss (MedCat) Fund existing under the Health Care Services Malpractice Act, Act 111 of 1975 and Act 135 of 1996, as amended. The assets and liabilities of the MedCat Fund were transferred to, and assumed by, the Mcare Fund, which was placed under the administration of the Insurance Department as of October 2002.

Disbursement Criteria:

The Administrative Appropriation funds the personnel and operating costs of the Mcare fund. Disbursements are made based on approved positions, established employee benefits, and through invoices submitted for operating and fixed asset expenses for the operation of the program.

The Claims Appropriation funds the approved payments for eligible recipients of medical liability actions in excess of basic insurance coverage.



VI. EXPLANATION OF CHANGES (\$ Amounts in Thousands)	Medical Care Availability and Reduction of Error (Mcare) Fund 20306, 20307			
	State \$	Federal \$	Other \$	Total \$
<b>PERSONNEL</b>				
1. Increase for contractual raises and benefits	\$0	\$0	\$295	\$295
Subtotal Personnel	\$0	\$0	\$295	\$295
<b>GRANT &amp; SUBSIDY</b>				
1. Decrease based on estimated claims	\$0	\$0	(\$12,000)	(\$12,000)
Subtotal Grant & Subsidy	\$0	\$0	(\$12,000)	(\$12,000)
<b>NON-EXPENSE</b>				
1. Increase for CAT loan repayment	\$0	\$0	\$63,000	\$63,000
	\$0	\$0	\$63,000	\$63,000
<b>GRAND TOTAL</b>	<u>\$0</u>	<u>\$0</u>	<u>(\$11,705)</u>	<u>(\$11,705)</u>

## **PROGRAM STATEMENT**

The Medical Care Availability and Reduction of Error Fund ("Mcare") established by Act 13 of 2002 (40 P.S. §§ 1303.101, *et seq.*) is the successor to the Medical Professional Liability Catastrophe Loss Fund, which originally was established by Act 111 of 1975 (40 P.S. §§ 1301.101, *et seq.*) and began to accept coverage and accrue unreserved liabilities starting in 1976.

The purpose of Mcare is to provide reasonable compensation above basic insurance coverage limits for persons injured due to medical negligence who bring medical professional liability actions against Mcare-participating physicians, hospitals, podiatrists, nurse midwives, nursing homes, birth centers and primary health centers ("health care providers"). Mcare also enforces the mandatory provisions of Act 13 of 2002, as amended (Act 13), and its applicable regulations.

Act 13 mandates that each health care provider rendering 50 percent or more of their professional medical services within the commonwealth ("participating health care provider") obtain basic professional liability insurance ("primary coverage") with an insurance company or a self-insurance plan licensed or approved by the Pennsylvania Insurance Department. In addition, each participating health care provider must obtain excess professional liability coverage by paying a certain percentage of the occurrence premium that would be charged by the Pennsylvania Joint Underwriting Association (JUA) to Mcare. The appropriate percentage ("assessment") varies each year and is based upon the Mcare expenses and claims payments made by Mcare in the previous year.

As a result of a settlement agreement, an initial \$30 million Reserve Fund was held separately by Mcare and only used to pay claims or other Mcare expenses when other Mcare revenues are insufficient and in lieu of borrowing. For calendar year 2018, \$15,120,452 was used to pay claims in lieu of borrowing. For calendar year 2019 an additional \$1,476,907 was used. As of December 31, 2023, the Reserve Fund balance of \$14,793,158 was used to pay 2023 claims, thus exhausting the Reserve Fund, which will not be replenished. In addition, Mcare was required to borrow \$60 million from the AutoCAT Fund to satisfy its 2023 obligations. Mcare will repay the AutoCAT Fund the entire principal amount of the loan and all interest due on or before June 30, 2025. Act 13 also permits the department to purchase insurance or reinsurance on behalf of Mcare.

Participation in Mcare is mandatory for health care providers. Professional corporations, associations or partnerships owned entirely by health care providers may elect to insure their basic liability; if they so choose to insure, then their participation in Mcare is mandatory. Health care providers who conduct less than 50 percent of their health care business within the Commonwealth, as measured by patient encounters, may elect to participate in Mcare. To the extent health care providers' practice activities are provided as employees of the federal government, the Commonwealth or the City of Philadelphia, they are exempt from the requirement to participate in Mcare.

Since 2003, the total required limit of medical professional liability coverage, excluding hospitals, is \$1 million per occurrence and \$3 million per annual policy year aggregate. For hospitals, the required total limits are \$1 million per occurrence and \$4 million per annual policy year aggregate. This breaks down as follows:

- Primary Limits – Participating health care providers other than hospitals maintain primary coverage in the amount of \$500,000 per occurrence with a total primary aggregate of \$1.5 million per policy year. Hospitals must obtain primary coverage in the amount of \$500,000 per occurrence with a total aggregate of \$2.5 million per policy year.
- Mcare Limits – Mcare provides participating health care providers, including hospitals, coverage of \$500,000 per occurrence with a \$1.5 million per annual aggregate in excess of the primary coverage.

Act 13 provided that the primary limits would increase to \$750,000 per occurrence and Mcare's layer of coverage would decrease to \$250,000 per occurrence in 2006 unless the PA Insurance Commissioner found that additional primary insurance coverage was not available in the medical malpractice marketplace. From 2006 to the present, PA Insurance Commissioners have not found that the primary limits should increase and thus, the primary per occurrence limit remains at \$500,000. The capacity study completed in 2023 was consistent with prior studies, and the commissioner determined that there would not be an increase in the primary limits in 2024 or 2025. The next study will take place in 2025 for a potential increase in limits effective in 2026.

## **PROGRAM PERFORMANCE**

The following are selected accomplishments achieved by Mcare during the prior year:

- Collected and processed coverage-related transactions totaling \$195 million in assessments
- Continued to strengthen Mcare's compliance efforts to enforce health care providers' statutory coverage obligations
- Settled 342 cases involving 498 claims in the total amount of \$242 million in the twelve months ending August 31, 2023
- Participated in 157 Alternative Dispute Resolution processes to achieve efficient resolution of claims
- Calculated the 2024 Mcare assessment percentage of 26 percent without the use of contractors for an estimated savings of \$23,000 per year
- Calculated the 2024 hospital experience modification factors internally for an estimated savings of \$40,000

## **PROGRAM GOALS**

Mcare is funded entirely by its assessment on health care providers and the interest earned therefrom. It is not funded by a General Fund appropriation. The assessment allows Mcare to support the following goals for fiscal year 2024-2025:

- To collect, analyze and process the 2024 assessments owed.
- To use compliance efforts to monitor and enforce health care providers' statutory coverage obligations.
- To effectively manage the litigation and settlement of approximately 500 medical professional liability claims.
- To timely and properly handle an annual average of 2,800 claim reports received from insurers and self-insured health care providers and a pending average total of 6,000 open claims.
- To provide a proven, tested and neutral Alternative Dispute Resolution program to resolve claims through arbitration and mediation processes.
- To further refine automated assessment and hospital experience modification calculations.
- To implement the modernization of Mcare's IT operating system in fiscal year 2025-2026.

# PA INSURANCE DEPARTMENT FY 2024-25 BUDGET REQUEST

## (\$ Amounts in Thousands)

Page # of Governor's Executive Budget:  
  
Pp. xii, E29-2, E29-4, H3, H90, H117, H156

**Workers Compensation Security Fund  
(WCSF)**  
20466, 20467

<b>I. SUMMARY FINANCIAL DATA</b>			
(\$ Amount in Thousands)			
	2022-2023	2023-2024	2024-2025
	<u>Actual</u>	<u>Available</u>	<u>Budgeted</u>
Other Funds Total	\$39,000	\$38,011	\$112,072
Other Sources Itemized			
Workers Comp Security Fund Admin (20466)*	\$10,000	\$9,011	\$9,072
Workers Comp Security Fund Claims (20467)*	\$29,000	\$29,000	\$29,000
Transfer to Reinsurance (20B45)	\$0	\$0	\$50,000
Reassessment Payments (20B56)	\$0	\$0	\$24,000
<b>Total</b>	<b>\$39,000</b>	<b>\$38,011</b>	<b>\$112,072</b>

**II. DETAIL BY MAJOR OBJECT**

(\$ Amount in Thousands)

	2022-2023 Actual	2023-2024 Available	2024-2025 Budgeted	Change Budgeted vs. Available	Percent Change
<b>PERSONNEL</b>					
<i>Other Funds</i>					
WCSF (20466)	\$517	\$394	\$455	\$61	15.48%
Total Personnel	\$517	\$394	\$455	\$61	15.48%
<b>OPERATING</b>					
<i>Other Funds</i>					
WCSF (20466)	\$9,483	\$8,565	\$8,565	\$0	0.00%
Total Operating	\$9,483	\$8,565	\$8,565	\$0	0.00%
<b>FIXED ASSETS</b>					
<i>Other Funds</i>					
WCSF (20466)	\$0	\$52	\$52	\$0	0.00%
Total Fixed Assets	\$0	\$52	\$52	\$0	0.00%
<b>GRANT &amp; SUBSIDY</b>					
<i>Other Funds</i>					
WCSF (20467)	\$29,000	\$29,000	\$29,000	\$0	0.00%
Reassessment (20B56)	\$0	\$0	\$24,000	\$24,000	100.00%
Total Grant & Subsidy	\$29,000	\$29,000	\$53,000	\$24,000	82.76%
<b>NON-EXPENSE</b>					
<i>Other Funds</i>					
Rein Transfer (20B45)	\$0	\$0	\$50,000	\$50,000	100.00%
Total Non-Expense	\$0	\$0	\$50,000	\$50,000	0%
Total Funds	\$39,000	\$38,011	\$112,072	\$74,061	194.84%

III. HISTORY OF LAPSES (\$ Amount in Thousands)	Workers Compensation Security Fund (WCSF) 20466, 20467		
	2022-2023	2023-2024	2024-2025 Estimated
Other Funds Total	\$0	\$0	\$0
WCSF Administration (20466)	\$0	\$0	\$0
WCSF Claims (20467)	\$0	\$0	\$0

IV. COMPLEMENT INFORMATION	6/26/2023	12/25/2023	2024-2025 Budgeted
	Benefit Factor	66.09%	72.34%
Other Funded			
<i>Authorized</i>	3	3	3
<i>Filled</i>	2	3	N/A

**V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS / DISBURSEMENT CRITERIA**

Derivation of Request:

(A) Personnel Expense  
All personnel costs were prepared in the complement module of the BPC system using instructions and factors provided by the Governor's Budget Office and provides for maintenance of WCSF's continuing operation.

(B) Operating Expense  
Operating Funds were developed from historical data and provides for maintenance of WCSF's continuing operation.

(C) Grants & Subsidy Expense  
Claim payments are based on open claims and their actuarial statistics.

Additional Information

(1) 2022-23 Obligations rolled forward to 2023-24:  
(\$ Amounts in Thousands)

Other Funds	
WCSF (20466)	\$0
Total	\$0

(2) 2023-24 Supplemental appropriation needs: N/A

**DERIVATION OF REQUEST / LEGISLATIVE CITATIONS  
DISBURSEMENT CRITERIA**

**Workers Compensation Security Fund  
(WCSF)  
20466, 20467**

(3) Prior FY appropriations waived pursuant to Act 146 of 1980, used to support the 2023-24 appropriation

(\$ Amounts in Thousands)

Other Funds	\$0
Total	<u>\$0</u>

**Legislative Citations:**

The Workers Compensation Security Fund (WCSF), was initially created on July 1, 1937 by the Workers' Compensation Security Fund Act, 77 P.S. §§ 1051-1066, as a guaranty fund to provide claim payments for those workers entitled to workers' compensation benefits and Long Shore and Harbor Workers' compensation benefits in certain circumstances when the insurance company originally providing coverage is placed into liquidation by a court in their state of domicile. The original act was subsequently amended on July 29, 1941, July 2, 1953, October 18, 1975, April 13, 1988 and June 22, 2000. The most recent legislation, Act 49 of 2000, removed the statutory annual assessment procedures in conjunction with giving prudent person investment authority jointly to the Insurance Commissioner and the State Treasurer for the investment of moneys in the WCSF. The act requires the Insurance Department to manage the WCSF to maintain its actuarial soundness.

**Disbursement Criteria:**

The Administrative portion funds Personnel and Operating costs of the WCSF. Disbursements are made based on approved positions, established employee benefits, and through invoices submitted for operating and fixed asset expenses for the operation of the program.

The Claims Appropriation fund approved payments for eligible recipients of WCSF liability actions.



**VI. EXPLANATION OF CHANGES**

(\$ Amounts in Thousands)

	<u>State \$</u>	<u>Federal \$</u>	<u>Other \$</u>	<u>Total \$</u>
<b>PERSONNEL</b>				
1. Increase for contractual pay raises and benefits	<u>\$0</u>	<u>\$0</u>	<u>\$61</u>	<u>\$61</u>
Subtotal Personnel	<u>\$0</u>	<u>\$0</u>	<u>\$61</u>	<u>\$61</u>
<b>OPERATING</b>				
1. Reduction to align to actual expenses	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Subtotal Operating	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>FIXED ASSETS</b>				
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Subtotal Fixed Assets	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>GRANT &amp; SUBSIDY</b>				
1. Increase for return of 2009 Reassessment	<u>\$0</u>	<u>\$0</u>	<u>\$24,000</u>	<u>\$24,000</u>
Subtotal Grant & Subsidy	<u>\$0</u>	<u>\$0</u>	<u>\$24,000</u>	<u>\$24,000</u>
<b>NON-EXPENSE</b>				
1. Increase for transfer to Reinsurance	<u>\$0</u>	<u>\$0</u>	<u>\$50,000</u>	<u>\$50,000</u>
	<u>\$0</u>	<u>\$0</u>	<u>\$50,000</u>	<u>\$50,000</u>
<b>GRAND TOTAL</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$74,061</u></u>	<u><u>\$74,061</u></u>

## **PROGRAM STATEMENT**

The Pennsylvania Workers' Compensation Security Fund (WCSF) was created by an Act of the Pennsylvania Legislature on July 11, 1937, known as Act 470 (the Act). The purpose of the Act at that time was to "establish funds to provide security for the payment of benefits in the event of the insolvency of an insurance carrier authorized to write workers' compensation insurance in this Commonwealth: and to provide for the administration thereof." The Act was amended by Act 48 on April 13, 1988, to include certain "insurers under the Federal Longshore and Harbor Workers' Compensation Act."

The WCSF serves as the guaranty fund for employers insured by a Pennsylvania licensed insurance company where that insurance company has been placed into liquidation by a court in that insurer's domicile state. Once an insurer is placed into liquidation, the WCSF provides claim payments to individuals entitled to benefits under the Pennsylvania Workers' Compensation Law (statutory benefits) that would have otherwise been paid by the liquidated insurance company. The responsibility of the WCSF is limited to those benefits payable in accordance with the requirements of the WCSF Act, the Pennsylvania Workers' Compensation Act (WC Act), or Longshore and Harbor Workers' Compensation Act, as applicable. Since its inception, the WCSF has effectively managed the liquidation of 52 estates and their associated claims resulting in benefits paid to date of \$1.08 billion.

The WCSF generates income from its investments and receives distributions from the estates of liquidated insurers. In addition, funds are generated from an assessment on workers' compensation written premiums from insurance companies currently providing workers' compensation coverage in the state of Pennsylvania. Should the payment of liabilities cause the WCSF balance to fall below \$500 million as of December 31st of any year, an assessment is issued. The most recent assessment was issued in 2009 based on the December 31, 2008 WCSF balance.

A contracted third-party administrator (TPA), provides claims administration services to the WCSF including managed care services, auditing provider invoices, and coordinating with WCSF outside counsel on matters of litigation. During the fiscal year dated 2022-2023, the fund was responsible for oversight of 580 claims in which medical and lost wage payments were made in the amount of \$17,719,574.

## **PROGRAM PERFORMANCE**

The following are selected accomplishments of the WCSF from the prior year:

- The Workers' Compensation Act includes a fee schedule which establishes maximum amounts to be paid to healthcare providers. The contracted TPA reprices all eligible WCSF invoices to a fee schedule. In addition, the TPA has special arrangements with a network of healthcare providers to accept payment less than the fee schedule which are applied to WCSF invoices as well as arrangements with in-network pharmacies. As a result of the TPA's arrangements with providers and pharmacies reducing payments below the fee schedule, the WCSF realized savings of \$470,669 for 2022-2023.

## **PROGRAM GOALS**

The WCSF has the following goals for the fiscal year 2024-2025:

- To continue to provide a safety net for workers' compensation claimants, ensuring that medical and indemnity payments continue without interruption upon the liquidation of an insurance company.
- To continue programs to negotiate savings with health care providers and pharmacies.
- To monitor outstanding liabilities to maximize available funding for payment of lifetime benefits of claimants.
- The prompt review and processing of claims by monitoring performance of the TPA.

# PA INSURANCE DEPARTMENT FY 2024-25 BUDGET REQUEST

## (\$ Amounts in Thousands)

Page # of Governor's Executive Budget:  
Pp. xii, E29-2, E29-5, E30-2, E30-3, H23, H78, H103

**Reinsurance Fund**  
**(REIN)**  
20492

### I. SUMMARY FINANCIAL DATA

(\$ Amount in Thousands)

	2022-2023 Actual	2023-2024 Available	2024-2025 Budgeted
Federal Funds Total	\$120,231	\$124,250	\$115,438
Federal Sources Itemized			
Reinsurance Pass Through(82914)	\$120,231	\$124,250	\$115,438
Other Funds Total	\$20,300	\$42,480	\$44,400
Other Sources Itemized			
Reinsurance Administration(20492)	\$300	\$480	\$400
Reinsurance PaymentToEntites (20526)	\$20,000	\$42,000	\$44,000
<b>Total</b>	<b>\$140,531</b>	<b>\$166,730</b>	<b>\$159,838</b>

### II. DETAIL BY MAJOR OBJECT

(\$ Amount in Thousands)

	2022-2023 Actual	2023-2024 Available	2024-2025 Budgeted	Change Budgeted vs. Available	Percent Change
<b>PERSONNEL</b>					
<i>Other Funds</i>					
REIN (20492)	\$10	\$50	\$123	\$73	146.00%
Total Personnel	\$10	\$50	\$123	\$73	146.00%
<b>OPERATING</b>					
<i>Other Funds</i>					
REIN (20492)	\$290	\$430	\$277	(\$153)	(35.58)%
Total Operating	\$290	\$430	\$277	(\$153)	(35.58)%
<b>GRANT &amp; SUBSIDY</b>					
<i>Federal Funds</i>					
ReinsurancePassThrough(82914)	\$120,231	\$124,250	\$115,438	(\$8,812)	(7.09)%
<i>Other Funds</i>					
ReinsurancePayToEn(20526)	\$17,599	\$30,646	\$44,000	\$13,354	43.58%
Total Grant & Subsidy	\$137,830	\$154,896	\$159,438	\$4,542	2.93%

Continued from page B 6.1

BUDGETARY RESERVE

*Other Funds*

ReinsurancePayToEn(20526)	\$2,411	\$11,354	\$0	(\$11,354)	(100)%
Total Budgetary Reserve	<u>\$2,411</u>	<u>\$11,354</u>	<u>\$0</u>	<u>(\$11,354)</u>	<u>(100)%</u>

TOTAL FUNDS

<i>Federal Fund</i>	\$122,642	\$124,250	\$115,438	(\$8,812)	(7)%
<i>Other Funds</i>	<u>\$17,889</u>	<u>\$42,480</u>	<u>\$44,400</u>	<u>\$1,920</u>	<u>5%</u>
Total Funds	<u>\$140,531</u>	<u>\$166,730</u>	<u>\$159,838</u>	<u>(\$6,892)</u>	<u>(4)%</u>

III. HISTORY OF LAPSES

(\$ Amount in Thousands)

Reinsurance Fund

(REIN)

20492

	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025 Estimated</u>
Other Funds Total	\$2,701	\$0	\$0
REIN (20492)	\$0	\$0	\$0
ReinsurancePayToEn(20526)	\$2,701	\$0	\$0

IV. COMPLEMENT INFORMATION

	<u>6/26/2023</u>	<u>12/25/2023</u>	<u>2024-2025 Budgeted</u>
Benefit Factor	N/A	N/A	N/A
Other Funded			
<i>Authorized</i>	0	0	0
<i>Filled</i>	0	0	0

Three positions are currently on IROF complement

**V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS / DISBURSEMENT CRITERIA**

Derivation of Request:

(A) Personnel Expense

All personnel costs were prepared in the complement module of the BPC system using instructions and factors provided by the Governor's Budget Office and provides for maintenance of REIN's continuing operation.

(B) Operating Expense

Operating Funds were developed from historical data and provides for maintenance of REIN's continuing operation.

(C) Grants & Subsidy Expense

Claim payments are based on open claims and their actuarial statistics.

Additional Information

(1) 2022-23 Obligations rolled forward to 2023-24:

(\$ Amounts in Thousands)

Other Funds

REIN (20492)

Total

\$65

\$65

(2) 2022-23 Obligations rolled forward to 2023-24:

N/A

**DERIVATION OF REQUEST / LEGISLATIVE CITATIONS  
DISBURSEMENT CRITERIA**

**Reinsurance Fund  
(REIN)  
20492**

(3) Prior FY appropriations waived pursuant to Act 146 of 1980, used to support the 2023-24 appropriation

(\$ Amounts in Thousands)

Other Funds

Total

\$0

\$0

Legislative Citations:

Act 42 of 2019 created the Reinsurance Program including the establishment of the Reinsurance Fund as a special fund within the State Treasury. The Reinsurance Fund will be administered by the Department of Insurance to fund the Reinsurance Program. Receipts into the Reinsurance are to be transferred from the PA Health Insurance Exchange Fund (PHIEA) calculated as net of user fee revenues less PHIEA expenses. Expenditures from the fund will be used to implement and operate the reinsurance program and make reinsurance payments to eligible insurers under the reinsurance program. In making expenditures from the Reinsurance Fund, available federal money must be expended first.

Disbursement Criteria:

Receipts into the Reinsurance are to be transferred from the PA Health Insurance Exchange Fund (PHIEA) calculated as net of user fee revenues less PHIEA expenses. Expenditures from the fund will be used to implement and operate the reinsurance program and make reinsurance payments to eligible insurers under the reinsurance program.

**VI. EXPLANATION OF CHANGES**

(\$ Amounts in Thousands)

	<u>State \$</u>	<u>Federal \$</u>	<u>Other \$</u>	<u>Total \$</u>
<b>PERSONNEL</b>				
1. Increase for a full year chargeback	\$0	\$0	\$73	\$73
Subtotal Personnel	<u>\$0</u>	<u>\$0</u>	<u>\$73</u>	<u>\$73</u>
<b>OPERATING</b>				
1. Decrease in contractual expenses	\$0	\$0	(\$153)	(\$153)
Subtotal Operating	<u>\$0</u>	<u>\$0</u>	<u>(\$153)</u>	<u>(\$153)</u>
<b>GRANT &amp; SUBSIDY</b>				
1. Decrease in federal award	\$0	(\$8,812)	\$0	(\$8,812)
2. Increase from Pennie pass through	\$0	\$0	\$13,354	\$13,354
Subtotal Grant & Subsidy	<u>\$0</u>	<u>(\$8,812)</u>	<u>\$13,354</u>	<u>\$4,542</u>
<b>BUDGETARY RESERVE</b>				
1. Shown in BR for Budgeting purposes in budget year, but not requested year	\$0	\$0	(\$11,354)	(\$11,354)
Subtotal Budgetary Reserve	<u>\$0</u>	<u>\$0</u>	<u>(\$11,354)</u>	<u>(\$11,354)</u>
<b>GRAND TOTAL</b>	<u><u>\$0</u></u>	<u><u>(\$8,812)</u></u>	<u><u>\$1,920</u></u>	<u><u>(\$6,892)</u></u>

# PA INSURANCE DEPARTMENT FY 2024-25 BUDGET REQUEST

## (\$ Amounts in Thousands)

Page # of Governor's Executive Budget:  
Pp. xi, E 29-2, H4, H60

**Insurance Liquidation Fund**  
20B02, 20B04

### I. SUMMARY FINANCIAL DATA

(\$ Amount in Thousands)

	2022-2023 <u>Actual</u>	2023-2024 <u>Available</u>	2024-2025 <u>Budgeted</u>
Other Funds Total	\$0	\$0	\$10,994
Other Sources Itemized			
Liquidation Admin (20B02)	\$0	\$0	\$994
Liquidation Claims (20B04)	\$0	\$0	\$10,000
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,994</b>

### II. DETAIL BY MAJOR OBJECT

(\$ Amount in Thousands)

	2022-2023 <u>Actual</u>	2023-2024 <u>Available</u>	2024-2025 <u>Budgeted</u>	Change Budgeted vs. Available	Percent Change
<b>PERSONNEL</b>					
<i>Other Funds</i>					
Liquidation Admin (20B02)	\$0	\$0	\$342	\$342	100.00%
Total Personnel	\$0	\$0	\$342	\$342	100.0%
<b>OPERATING</b>					
<i>Other Funds</i>					
Liquidation Admin (20B02)	\$0	\$0	\$652	\$652	100.00%
Total Operating	\$0	\$0	\$652	\$652	100.00%
<b>GRANT &amp; SUBSIDY</b>					
<i>Other Funds</i>					
Liquidation Claims (20B04)	\$0	\$0	\$10,000	\$10,000	100.00%
Total Grant & Subsidy	\$0	\$0	\$10,000	\$10,000	100.00%
<b>TOTAL FUNDS</b>					
<i>Other Funds</i>	\$0	\$0	\$10,994	\$10,994	100.00%
Total Funds	\$0	\$0	\$10,994	\$10,994	100.00%



III. HISTORY OF LAPSES (\$ Amount in Thousands)	Insurance Liquidation Fund		
	20B02, 20B04		
	2022-2023	2023-2024	2024-2025 Estimated
Other Funds Total	\$0	\$0	\$0
Liquidation Admin (20B02)	\$0	\$0	\$0
Liquidation Claims (20B04)	\$0	\$0	\$0

IV. COMPLEMENT INFORMATION	6/26/2023	12/25/2023	2024-2025 Budgeted
	Benefit Factor	0.00%	0.00%
Other Funded			
<i>Authorized</i>	0	0	0
<i>Filled</i>	0	0	N/A

V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS / DISBURSEMENT CRITERIA	
Derivation of Request:	
(A) Personnel Expense	All personnel costs were prepared in the complement module of the BPC system using instructions and factors provided by the Governor's Budget Office.
(B) Operating Expense	Operating Funds were developed from historical data.
(C) Grants & Subsidy Expense	Claim payments are based on open claims and their actuarial statistics.
<u>Additional Information</u>	
(1) 2022-23 Obligations rolled forward to 2023-24:	
(\$ Amounts in Thousands)	
Other Funds	
Liquidation Admin (20B02)	\$0
Total	\$0
(2) 2023-24 Supplemental appropriation needs:	N/A

**V. DERIVATION OF REQUEST / LEGISLATIVE CITATIONS  
DISBURSEMENT CRITERIA**

**Insurance Liquidation Fund**

20B02, 20B04

(3) Prior FY appropriations waived pursuant to Act 146 of 1980, used to support the 2023-24 appropriation

(\$ Amounts in Thousands)

Other Funds	\$0
Total	<u>\$0</u>

Legislative Citations:

The Insurance Department is responsible for administering the liquidation of insolvent domestic insurance carriers pursuant to orders of the Commonwealth Court under Article V of the Insurance Department Act. This fund is used to permit the Treasury Department to invest the assets of insolvent insurance carriers. These assets are used to pay claims and expenses incurred in the administration of domestic insurance carrier insolvencies.

Disbursement Criteria:

The Administrative Appropriation funds the personnel and operating costs of the Liquidation fund. Disbursements are made based on approved positions, established employee benefits, and through invoices submitted for operating and fixed asset expenses for the operation of the program.

The Claims Appropriation funds the approved payments for eligible recipients.

**VI.**

**EXPLANATION OF CHANGES**

(\$ Amounts in Thousands)

	<u>State \$</u>	<u>Federal \$</u>	<u>Other \$</u>	<u>Total \$</u>
<b>PERSONNEL</b>				
1. Increase to establish new fund	\$0	\$0	\$342	\$342
Subtotal Personnel	<u>\$0</u>	<u>\$0</u>	<u>\$342</u>	<u>\$342</u>
<b>OPERATING</b>				
1. Increase to establish new fund	\$0	\$0	\$652	\$652
Subtotal Operating	<u>\$0</u>	<u>\$0</u>	<u>\$652</u>	<u>\$652</u>
<b>GRANT &amp; SUBSIDY</b>				
1. Increase to establish new fund	\$0	\$0	\$10,000	\$10,000
Subtotal Grant & Subsidy	<u>\$0</u>	<u>\$0</u>	<u>\$10,000</u>	<u>\$10,000</u>
<b>GRAND TOTAL</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$10,994</u></u>	<u><u>\$10,994</u></u>

**SECTION**

**III**

**APPENDIX SPECIAL FUND AND RESTRICTED ACCOUNT STATEMENT OF CASH FLOW**

**CATASTROPHIC LOSS BENEFITS CONTINUATION FUND**

**NARRATIVE:**

This fund was established by Act 24 of 1989 to replace the Catastrophic Loss Trust Fund. The purpose of the Catastrophic Loss Benefits Continuation Fund (CAT Fund) is to pay all medical claims owed by the Catastrophic Loss Trust Fund. Monies in the former Catastrophic Loss Trust Fund were transferred to this fund effective July 1, 1989. Act 13 of 2002 established the Medical Care Availability and Reduction of Error (Mcare) Fund and mandated that all surcharges levied and collected under the CAT Fund be remitted to the Mcare Fund beginning in January 2004. Act 50 of 2009 redirected the surcharge to the General Fund for 2009-10 and 2010-11. Act 26 of 2011 redirected the surcharge to the General Fund for 2011-12 and for each fiscal year thereafter. This fund will continue to pay claimants from its balance and interest earnings until no further obligations exist. The most recent actuarial report estimates final expenditure in 2094. No obligation or expense of, or claim against, the fund constitutes a debt of the Commonwealth or a charge against the General Fund or the Motor License Fund.

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS:**

	(Dollar Amounts in Thousands)								
	Actual 2020-21	Actual 2021-22	Actual 2022-23	Available 2023-24	Request 2024-25	PY1 2025-26	PY2 2026-27	PY3 2027-28	PY4 2028-29
<b>Cash Balance, Beginning:</b>	\$ 77,768	\$ 76,436	\$ 75,153	\$ 73,531	\$ 15,265	\$ 71,875	\$ 65,424	\$ 58,910	\$ 52,332
<b>Receipts:</b>									
Interest	\$ 2,359	\$ 2,356	\$ 2,394	\$ 1,357	\$ 1,611	\$ 1,611	\$ 1,611	\$ 1,611	\$ 1,611
Other	\$ 1,273	\$ 1,272	\$ 933	\$ 8,919	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
Mcare Loan Repayment	\$ 0	\$ 0	\$ 0	\$ 0	\$ 63,000	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Receipts</b>	\$ 3,632	\$ 3,628	\$ 3,327	\$ 10,276	\$ 65,111	\$ 2,111	\$ 2,111	\$ 2,111	\$ 2,111
<b>Total Funds Available</b>	\$ 81,399	\$ 80,064	\$ 78,480	\$ 83,807	\$ 80,376	\$ 73,986	\$ 67,535	\$ 61,021	\$ 54,443
<b>Disbursements:</b>									
Insurance Department Administration	\$ 1,883	\$ 1,683	\$ 1,722	\$ 2,492	\$ 2,451	\$ 2,512	\$ 2,575	\$ 2,639	\$ 2,705
Claims	\$ 3,081	\$ 3,228	\$ 3,227	\$ 6,050	\$ 6,050	\$ 6,050	\$ 6,050	\$ 6,050	\$ 6,050
Loan to Mcare	\$ 0	\$ 0	\$ 0	\$ 60,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Disbursements</b>	\$ (4,964)	\$ (4,911)	\$ (4,949)	\$ (68,542)	\$ (8,501)	\$ (8,562)	\$ (8,625)	\$ (8,689)	\$ (8,755)
<b>Cash Balance, Ending</b>	\$ 76,436	\$ 75,153	\$ 73,531	\$ 15,265	\$ 71,875	\$ 65,424	\$ 58,910	\$ 52,332	\$ 45,687

**APPENDIX SPECIAL FUND AND RESTRICTED ACCOUNT STATEMENT OF CASH FLOW**

**INSURANCE REGULATION AND OVERSIGHT FUND**

**NARRATIVE:**

This fund was established by Act 46 of 2013 to provide for the Insurance Department's regulation, management, development, and oversight of the Commonwealth's insurance industry. The Insurance Regulation and Oversight Fund receives 50 percent of all licenses and fees collected by the Insurance Department and all augmentations and reimbursements made to the department by regulated entities. The surcharge on moving vehicle violations remains in the General Fund. At the end of the fiscal year, the fund retains an amount equal to no more than 100 percent of the total expenditures and commitments by the department from the immediately preceding fiscal year. If the balance in the fund at the end of the fiscal year exceeds the retention amount, then that amount of excess funds is to be returned to the General Fund within 30 days of the end of the fiscal year.

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS:**

	(Dollar Amounts in Thousands)								
	Actual 2020-21	Actual 2021-22	Actual 2022-23	Available 2023-24	Request 2024-25	PY1 2025-26	PY2 2026-27	PY3 2027-28	PY4 2028-29
<b>Cash Balance, Beginning:</b>	\$ 33,362	\$ 43,520	\$ 47,419	\$ 52,829	\$ 41,084	\$ 45,089	\$ 45,967	\$ 53,533	\$ 53,482
<b>Receipts:</b>									
Licenses and Fees	\$ 39,688	\$ 38,708	\$ 45,533	\$ 42,050	\$ 42,550	\$ 42,550	\$ 42,550	\$ 42,550	\$ 42,550
Examination Reimbursements	\$ 0	\$ 0	\$ 5,743	\$ 5,800	\$ 6,100	\$ 6,100	\$ 6,100	\$ 6,100	\$ 6,100
Federal Receipts	\$ 10	\$ 65	\$ 0	\$ 0	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Interest	\$ 55	\$ 47	\$ 1,122	\$ 1,705	\$ 1,890	\$ 1,890	\$ 1,890	\$ 1,890	\$ 1,890
Other (prior to 22 included Exam Reimbursements)	\$ 7,618	\$ 6,886	\$ 981	\$ 1,100	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Return to General Fund	\$ 0	\$ (13,545)	\$ (16,802)	\$ (21,180)	\$ (6,882)	\$ (9,018)	\$ (1,314)	\$ (7,888)	\$ (6,822)
<b>Total Receipts</b>	\$ 47,372	\$ 32,161	\$ 36,577	\$ 29,475	\$ 48,658	\$ 46,522	\$ 54,226	\$ 47,652	\$ 48,718
<b>Total Funds Available</b>	\$ 80,733	\$ 75,681	\$ 83,996	\$ 82,304	\$ 89,742	\$ 91,611	\$ 100,193	\$ 101,184	\$ 102,200
<b>Disbursements:</b>									
Insurance Department	\$ 27,213	\$ 28,262	\$ 31,167	\$ 41,220	\$ 44,653	\$ 45,644	\$ 46,660	\$ 47,702	\$ 48,769
Transfer to General Fund	\$ 10,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Disbursements</b>	\$ (37,213)	\$ (28,262)	\$ (31,167)	\$ (41,220)	\$ (44,653)	\$ (45,644)	\$ (46,660)	\$ (47,702)	\$ (48,769)
<b>Cash Balance, Ending</b>	\$ 43,520	\$ 47,419	\$ 52,829	\$ 41,084	\$ 45,089	\$ 45,967	\$ 53,533	\$ 53,482	\$ 53,431

**APPENDIX SPECIAL FUND AND RESTRICTED ACCOUNT STATEMENT OF CASH FLOW**

**MEDICAL CARE AVAILABILITY AND REDUCTION OF ERROR FUND**

**NARRATIVE:**

Act 13 of 2002, the Medical Care Availability and Reduction of Error (Mcare) Act, established the Medical Care Availability and Reduction of Error Fund and transferred to it the assets, liabilities, rights, and responsibilities of the Medical Professional Liability Catastrophe Loss Fund effective October 15, 2002. The Mcare Fund is used to pay claims against participating health care providers for losses or damages awarded in medical professional liability actions against them in excess of the basic insurance coverage required by the act. In addition to the transfer of assets from the Medical Professional Liability Catastrophe Loss Fund, revenue includes an assessment on health care providers.

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS:**

	(Dollar Amounts in Thousands)								
	Actual 2020-21	Actual 2021-22	Actual 2022-23	Available 2023-24	Request 2024-25	PY1 2025-26	PY2 2026-27	PY3 2027-28	PY4
<b>Cash Balance, Beginning:</b>	\$ 87,245	\$ 103,988	\$ 121,172	\$ 93,585	\$ 105,471	\$ 98,597	\$ 102,723	\$ 106,849	\$ 110,975
<b>Receipts:</b>									
Assessments	\$ 191,906	\$ 167,542	\$ 152,741	\$ 213,256	\$ 302,000	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000
Interest	\$ 217	\$ 171	\$ 3,780	\$ 4,401	\$ 3,344	\$ 3,344	\$ 3,344	\$ 3,344	\$ 3,344
Loan from CAT	\$ 0	\$ 0	\$ 0	\$ 60,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other	\$ 0	\$ 0	\$ 0	\$ 25	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Receipts</b>	\$ 192,123	\$ 167,713	\$ 156,521	\$ 277,682	\$ 305,344	\$ 253,344	\$ 253,344	\$ 253,344	\$ 253,344
<b>Total Funds Available</b>	\$ 279,368	\$ 271,701	\$ 277,693	\$ 371,267	\$ 410,815	\$ 351,941	\$ 356,067	\$ 360,193	\$ 364,319
<b>Disbursements:</b>									
Insurance Department									
Administration (Prior to BY22 included claims)	\$ 6,614	\$ 9,074	\$ 11,794	\$ 23,796	\$ 19,218	\$ 19,218	\$ 19,218	\$ 19,218	\$ 19,218
Claims	\$ 168,766	\$ 141,455	\$ 172,314	\$ 242,000	\$ 230,000	\$ 230,000	\$ 230,000	\$ 230,000	\$ 230,000
Loan repayment to CAT	\$ 0	\$ 0	\$ 0	\$ 0	\$ 63,000	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Disbursements</b>	\$ (175,380)	\$ (150,529)	\$ (184,108)	\$ (265,796)	\$ (312,218)	\$ (249,218)	\$ (249,218)	\$ (249,218)	\$ (249,218)
<b>Cash Balance, Ending</b>	\$ 103,988	\$ 121,172	\$ 93,585	\$ 105,471	\$ 98,597	\$ 102,723	\$ 106,849	\$ 110,975	\$ 115,101

**APPENDIX SPECIAL FUND AND RESTRICTED ACCOUNT STATEMENT OF CASH FLOW**

**UNDERGROUND STORAGE TANK INDEMNIFICATION FUND**

**NARRATIVE:**

The Storage Tank and Spill Prevention Act, Act 32 of 1989, as amended, established the Underground Storage Tank Indemnification Fund to administer a program to provide claim payments to owners and operators of underground storage tanks who incur liability for taking corrective action or for bodily injury or property damage caused by a release from underground storage tanks. Expenses for administration of the fund are also covered. The fund is administered by the Insurance Department in conjunction with a nine-member Underground Storage Tank Indemnification Board.

Act 13 of 1998 established a new loan program to assist owners of regulated underground storage tanks to upgrade their underground storage tank systems to meet federal Environmental Protection Agency upgrade requirements or to remove them from service. Act 100 of 2000 expanded the upgrade loan program to include the removal of underground storage tanks. The act also established an environmental cleanup program and a pollution prevention program that are administered by the Department of Environmental Protection. Act 61 of 2017 increased the reimbursement to the Storage Tank Fund from \$3,000,000 to \$7,000,000, annually. Act 34 of 2022 extended authority for the Underground Storage Tank Environmental Cleanup Program and the Underground Storage Tank Pollution Prevention Program until December 31, 2027.

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS:**

	(Dollar Amounts in Thousands)								
	Actual 2020-21	Actual 2021-22	Actual 2022-23	Available 2023-24	Request 2024-25	PY1 2025-26	PY2 2026-27	PY3 2027-28	PY4 2028-29
<b>Cash Balance, Beginning:</b>	\$ 287,023	\$ 417,248	\$ 372,320	\$ 405,623	\$ 398,082	\$ 392,733	\$ 405,623	\$ 403,357	\$ 400,627
<b>Receipts:</b>									
Gallon Fee	\$ 45,317	\$ 48,131	\$ 48,778	\$ 48,131	\$ 48,131	\$ 48,131	\$ 48,131	\$ 48,131	\$ 48,131
Tank Capacity Fee	\$ 5,770	\$ 5,664	\$ 5,638	\$ 5,770	\$ 5,770	\$ 5,770	\$ 5,770	\$ 5,770	\$ 5,770
Act 24 of 2020 Return of COVID Transfer	\$ 30,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest	\$ 19,216	\$ 0	\$ 480	\$ 395	\$ 388	\$ 388	\$ 388	\$ 388	\$ 388
Investment Income	\$ 5,503	\$ 24	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net Investment Adjustment	\$ 33,380	\$ -52,727	\$ 22,903	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Loan Repayment from General Fund	\$ 67,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Miscellaneous Revenue	\$ 337	\$ 332	\$ 313	\$ 350	\$ 350	\$ 0	\$ 0	\$ 0	\$ 0
Total Receipts	\$ 207,023	\$ 1,424	\$ 78,112	\$ 54,646	\$ 54,639	\$ 54,289	\$ 54,289	\$ 54,289	\$ 54,289
<b>Total Funds Available</b>	<b>\$ 494,046</b>	<b>\$ 418,672</b>	<b>\$ 450,432</b>	<b>\$ 460,269</b>	<b>\$ 452,721</b>	<b>\$ 447,022</b>	<b>\$ 459,912</b>	<b>\$ 457,646</b>	<b>\$ 454,916</b>
<b>Disbursements:</b>									
Environmental Protection Insurance Department	\$ 2,343	\$ 2,993	\$ 1,855	\$ 5,506	\$ 4,327	\$ 4,327	\$ 4,327	\$ 4,327	\$ 4,327
Administration	\$ 12,524	\$ 13,345	\$ 13,472	\$ 16,685	\$ 17,661	\$ 18,103	\$ 18,555	\$ 19,019	\$ 19,494
Claims	\$ 31,932	\$ 30,014	\$ 29,482	\$ 39,996	\$ 38,000	\$ 38,000	\$ 38,000	\$ 38,000	\$ 38,000
Transfer to General Fund	\$ 30,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Disbursements	\$ (46,799)	\$ (46,352)	\$ (44,809)	\$ (62,187)	\$ (59,988)	\$ (56,103)	\$ (56,555)	\$ (57,019)	\$ (57,494)
<b>Cash Balance, Ending</b>	<b>\$ 417,248</b>	<b>\$ 372,320</b>	<b>\$ 405,623</b>	<b>\$ 398,082</b>	<b>\$ 392,733</b>	<b>\$ 390,919</b>	<b>\$ 403,357</b>	<b>\$ 400,627</b>	<b>\$ 397,421</b>

**APPENDIX SPECIAL FUND AND RESTRICTED ACCOUNT STATEMENT OF CASH FLOW**

**WORKERS' COMPENSATION SECURITY FUND**

**NARRATIVE:**

Through June 30, 2000, payments equal to 1 percent of the net written premiums received for workers' compensation insurance policies written in the Commonwealth by stock companies, mutual carriers, and reciprocal exchanges during the preceding annual reporting period were credited to the fund. Such payments were required only if the balance less known liabilities of the fund was determined to be less than 5 percent of the loss reserves of all such companies for payments of benefits under the Workers' Compensation Act.

Act 49 of 2000 removed the statutory annual assessment procedures in conjunction with giving prudent person investment authority to the Insurance Commissioner jointly with the State Treasurer for the investment of monies in the fund. This change was expected to generate increased earnings to the fund, thereby reducing the frequency of the assessment. The act requires the Insurance Department to manage the fund to maintain its actuarial soundness and a minimum balance of \$500 million as of December 31 of any given year. If the fund balance falls below \$500 million by calendar year end, the department will assess contributions to restore the balance in the fund in a timely manner.

Act 1A of 2022 authorized repayment of the General Fund loan.

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS:**

	(Dollar Amounts in Thousands)								
	Actual 2020-21	Actual 2021-22	Actual 2022-23	Available 2023-24	Request 2024-2025	PY1 2025-26	PY2 2026-27	PY3 2027-28	PY4 2028-29
<b>Cash Balance, Beginning:</b>	\$ 853,014	\$ 824,438	\$ 733,925	\$ 1,117,939	\$ 1,083,591	\$ 977,908	\$ 916,953	\$ 855,718	\$ 794,194
<b>Receipts:</b>									
Assessments and Receipt	\$ 74,580	\$ 31,396	\$ 4,845	\$ 4,845	\$ 4,845	\$ 4,845	\$ 4,845	\$ 4,845	\$ 4,845
General Fund Loan Repayment	\$ 145,000	\$ 0	\$ 350,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net Investment Adjustment	\$ 102,632	\$ -100,338	\$ 51,245	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest	\$ 67	\$ 50	\$ 1,464	\$ 1,586	\$ 1,538	\$ 1,538	\$ 1,538	\$ 1,538	\$ 1,538
Other	\$ 419	\$ 295	\$ 16	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6	\$ 6
<b>Total Receipts</b>	\$ 322,698	\$ -68,597	\$ 407,570	\$ 6,437	\$ 6,389	\$ 6,389	\$ 6,389	\$ 6,389	\$ 6,389
<b>Total Funds Available</b>	\$ 1,175,712	\$ 755,840	\$ 1,141,495	\$ 1,124,376	\$ 1,089,980	\$ 984,297	\$ 923,342	\$ 862,107	\$ 800,583
<b>Disbursements:</b>									
Insurance Department									
Administration	\$ 21,274	\$ 21,915	\$ 6,221	\$ 9,707	\$ 9,072	\$ 38,344	\$ 38,624	\$ 38,913	\$ 39,211
Claims	\$ 0	\$ 0	\$ 17,335	\$ 31,078	\$ 29,000	\$ 29,000	\$ 29,000	\$ 29,000	\$ 29,000
Transfer to COVID CBG	\$ 185,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfer to General Fund	\$ 145,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfer to Reinsurance Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,000	\$ 0	\$ 0	\$ 0	\$ 0
Reassessment Payments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,000	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Disbursements</b>	\$ (351,274)	\$ (21,915)	\$ (23,556)	\$ (40,785)	\$ (112,072)	\$ (67,344)	\$ (67,624)	\$ (67,913)	\$ (68,211)
<b>Cash Balance, Ending</b>	\$ 824,438	\$ 733,925	\$ 1,117,939	\$ 1,083,591	\$ 977,908	\$ 916,953	\$ 855,718	\$ 794,194	\$ 732,372

A \$145 million transfer from Workers' Compensation Fund to the General Fund occurred in FY 2020-21 and repayment occurred in the same year.

A \$165 million transfer from Workers' Compensation Fund to the General Fund occurred in FY 2016-17 and repayment occurred in 2022-23.

A \$185 million transfer from Workers' Compensation Fund to the General Fund occurred in FY 2016-17 and repayment occurred in 2022-23.



**APPENDIX SPECIAL FUND AND RESTRICTED ACCOUNT STATEMENT OF CASH FLOW**

**REINSURANCE FUND**

**NARRATIVE:**

Act 42 of 2019 created the Reinsurance Program including the establishment of the Reinsurance Fund as a special fund within the State Treasury. The Reinsurance Fund will be administered by the Department of Insurance to fund the Reinsurance Program. Receipts into the Reinsurance are to be transferred from the PA Health Insurance Exchange Fund (PHIEA) calculated as net of user fee revenues less PHIEA expenses. Expenditures from the fund will be used to implement and operate the reinsurance program and make reinsurance payments to eligible insurers under the reinsurance program. In making expenditures from the Reinsurance Fund, available federal money must be expended first.

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS:**

	(Dollar Amounts in Thousands)								
	Actual 2020-21	Actual 2021-22	Actual 2022-23	Available 2023-24	Request 2024-25	PY1 2025-26	PY2 2026-27	PY3 2027-28	PY4 2028-29
<b>Cash Balance, Beginning:</b>	\$ 0	\$ 36	\$ 127	\$ 2,328	\$ 2,499	\$ 8,219	\$ 8,328	\$ 8,427	\$ 8,526
<b>Receipts:</b>									
Transfer from PA Health Insurance Exchange Fund	\$ 167	\$ 275	\$ 17,599	\$ 31,280	\$ 0	\$ 44,400	\$ 44,400	\$ 44,400	\$ 44,400
Transfer from Workers compensation Security Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,000	\$ 0	\$ 0	\$ 0	\$ 0
Federal Savings Transfer	\$ 0	\$ 0	\$ 120,230	\$ 124,250	\$ 115,438	\$ 115,438	\$ 115,438	\$ 115,438	\$ 115,438
Interest			\$ 1,946	\$ 164	\$ 120	\$ 120	\$ 120	\$ 120	\$ 120
Total Receipts	\$ 167	\$ 275	\$ 139,775	\$ 155,694	\$ 165,558	\$ 159,958	\$ 159,958	\$ 159,958	\$ 159,958
<b>Total Funds Available</b>	<b>\$ 167</b>	<b>\$ 311</b>	<b>\$ 139,902</b>	<b>\$ 158,022</b>	<b>\$ 168,057</b>	<b>\$ 168,177</b>	<b>\$ 168,286</b>	<b>\$ 168,385</b>	<b>\$ 168,484</b>
<b>Disbursements:</b>									
Insurance Department	\$ 131	\$ 184	\$ 44	\$ 626	\$ 400	\$ 411	\$ 421	\$ 421	\$ 421
Payments to Entities	\$ 0	\$ 0	\$ 137,530	\$ 154,897	\$ 159,438	\$ 159,438	\$ 159,438	\$ 159,438	\$ 159,438
Total Disbursements	\$ (131)	\$ (184)	\$ (137,574)	\$ (155,523)	\$ (159,838)	\$ (159,849)	\$ (159,859)	\$ (159,859)	\$ (159,859)
<b>Cash Balance, Ending</b>	<b>\$ 36</b>	<b>\$ 127</b>	<b>\$ 2,328</b>	<b>\$ 2,499</b>	<b>\$ 8,219</b>	<b>\$ 8,328</b>	<b>\$ 8,427</b>	<b>\$ 8,526</b>	<b>\$ 8,625</b>

**APPENDIX SPECIAL FUND AND RESTRICTED ACCOUNT STATEMENT OF CASH FLOW**

**INSURANCE LIQUIDATION FUND**

**NARRATIVE:**

The Insurance Department is responsible for administering the liquidation of insolvent domestic insurance carriers pursuant to orders of the Commonwealth Court under Article V of the Insurance Department Act. This fund is used to permit the Treasury Department to invest the assets of insolvent insurance carriers. These assets are used to pay claims and expenses incurred in the administration of domestic insurance carrier insolvencies.

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS:**

	(Dollar Amounts in Thousands)								
	Actual 2020-21	Actual 2021-22	Actual 2022-23	Avaiible 2023-24	Request 2024-25	PY1 2025-26	PY2 2026-27	PY3 2027-28	PY4 2028-29
<b>Cash Balance, Beginning:</b>	\$ 94,805	\$ 41,341	\$ 2,117	\$ 2,741	\$ 2,886	\$ 3,025	\$ 3,164	\$ 3,303	\$ 3,442
<b>Receipts:</b>									
Liquidation Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 994	\$ 1,019	\$ 1,044	\$ 1,070	\$ 1,097
Liquidation Investments	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Interest	\$ 129	\$ 14	\$ 77	\$ 145	\$ 139	\$ 139	\$ 139	\$ 139	\$ 139
Interest Income	\$ 0	\$ 0	\$ 547	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Receipts</b>	\$ 129	\$ 14	\$ 624	\$ 145	\$ 11,133	\$ 11,158	\$ 11,183	\$ 11,209	\$ 11,236
<b>Total Funds Available</b>	\$ 94,934	\$ 41,355	\$ 2,741	\$ 2,886	\$ 14,019	\$ 14,183	\$ 14,347	\$ 14,512	\$ 14,678
<b>Disbursements:</b>									
Insurance Department Administration	\$ 0	\$ 0	\$ 0	\$ 0	\$ 994	\$ 1,019	\$ 1,044	\$ 1,070	\$ 1,097
Claims	\$ 53,593	\$ 39,238	\$ 0	\$ 0	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
<b>Total Disbursements</b>	\$ (53,593)	\$ (39,238)	\$ 0	\$ 0	\$ (10,994)	\$ (11,019)	\$ (11,044)	\$ (11,070)	\$ (11,097)
<b>Cash Balance, Ending</b>	\$ 41,341	\$ 2,117	\$ 2,741	\$ 2,886	\$ 3,025	\$ 3,164	\$ 3,303	\$ 3,442	\$ 3,581

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