

# Performance-Based Budget

## PENNSYLVANIA INSURANCE DEPARTMENT

**HEALTH INSURANCE**

*Apply for Health Insurance:*

1. Personal information      2. Spouse / Dependents      3. Coverage

First name \_\_\_\_\_ Middle name \_\_\_\_\_ Last name \_\_\_\_\_

Home address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ ZIP code \_\_\_\_\_ Country \_\_\_\_\_

Phone number \_\_\_\_\_ E-mail address \_\_\_\_\_

Date of birth (DD MM YYYY) \_\_\_\_\_ Gender  F  M

Employment status  Employed  Not employed  Self-employed

Are you married?  Y  N Citizenship country \_\_\_\_\_

Additional comments \_\_\_\_\_

**NEXT STEP >**



## **Independent Fiscal Office**

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Harrisburg, PA 17105

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## INDEPENDENT FISCAL OFFICE

January 3, 2023

The Honorable Members of the Pennsylvania Performance-Based Budget Board:

Act 48 of 2017 specifies that the Independent Fiscal Office (IFO) shall “review agency performance-based budget information and develop an agency performance-based budget plan for agencies subject to a performance-based budget review.” This review “shall be completed in a timely manner and submitted by the IFO to the board for review.”

This report contains the review for the Pennsylvania Insurance Department. All performance-based budget (PBB) reviews submitted to the Board contain the following content for each activity or service provided by the agency:

- a brief description of the activity, relevant goals and outcomes;
- a breakdown of agency expenditures;
- the number of full-time equivalent positions dedicated to the activity;
- select currently available metrics and descriptive statistics;
- any proposed metrics that the review recommends; and
- observations that should allow agencies to more effectively attain their stated goals and objectives.

The IFO submits this review for consideration by the PBB Board. The agency received a draft version of this review and was invited to submit a formal response. If submitted, the response appears in the Appendix to this review. The IFO would like to thank the agency staff that provided considerable input to this review.

Sincerely,

A handwritten signature in blue ink that reads "Matthew J. Knittel".

Dr. Matthew J. Knittel  
Director

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## Background on Performance-Based Budgeting

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Act 48 of 2017 is known as the Performance-Based Budgeting and Tax Credit Efficiency Act. The act requires the Independent Fiscal Office (IFO) to develop performance-based budget (PBB) plans for all agencies under the Governor’s jurisdiction once every five years based on a schedule agreed to by the Secretary of the Budget and the Director of the IFO. The act directs the IFO to evaluate and develop performance measures for each agency program or line item appropriation. As determined by the IFO to be applicable, the measures shall include the following: outcome-based measures, efficiency measures, activity cost analysis, ratio measures, measures of status improvement of recipient populations, economic outcomes or performance benchmarks against similar state programs or similar programs of other states or jurisdictions.

The act requires the IFO to submit plans to the PBB Board for review and approval. The PBB Board reviews plans at a public hearing at which agency heads or their representative must attend to offer additional explanations if requested. The PBB Board has 45 days after submission to approve or disapprove plans.

A performance-based budget differs from a traditional budget in several key respects. The main differences are summarized by this table:

<b>Traditional versus Performance-Based Budget</b>		
<b>Criteria</b>	<b>Traditional Budget</b>	<b>Performance Budget</b>
Organizational Structure	Line Items or Programs	Agency Activities
Funds Used	Appropriated Amounts	Actual Expenditures
Employees	Authorized Complement	Actual Filled Complement
Needs Assessment	Incremental, Use Prior Year	Prospective, Outcome-Based

The plans track funds based on agency activities because they can be more readily linked to measures that track progress towards goals, objectives and ultimate outcomes. Activities are the specific services an agency provides to a defined service population in order to achieve desired outcomes. Activity measures can take various forms: inputs (funding levels, number of employees), outputs (workloads), efficiency (cost ratios, time to complete tasks), outcomes (effectiveness), benchmark comparisons to other states and descriptive statistics. The final category includes a broad range of metrics that provide insights into the work performed by an agency and the services provided. Those metrics supply background, context and support for other metrics, and they may not be readily linked to efficiency or outcome measures. The inclusion of such measures supports the broader purpose of the PBB plans: to facilitate a more informed discussion regarding agency operations and how they impact state residents.

*Note: Unless otherwise noted, performance metrics used in this report were supplied by the agency under review. Those data appear as submitted by the agency and the IFO has not reviewed them for accuracy. For certain years, data are not available (e.g., due to a lag in reporting). In those cases, "--" denotes missing data. All data related to expenditures and employees are from the state accounting system and have been verified by the IFO and confirmed by the agency.*

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# Pennsylvania Insurance Department Overview

## Mission Statement

The Pennsylvania Insurance Department's (PID) mission is to: (1) promote a competitive and robust marketplace for consumers; (2) educate consumers to make informed decisions and ensure that they are treated fairly; (3) regulate insurance companies' financial solvency in order to ensure fair and expedient payment of consumers' claims; (4) administer legislatively-enacted programs to maximize benefits to consumers; (5) assure that insurance policies meet standards of high quality, are understandable and appropriately priced; (6) advance consumer protection by administering licensing programs that promote professionalism and competency in the marketplace; (7) protect claimants by maximizing assets of insolvent insurance companies and distributing them fairly and efficiently; and (8) innovate to meet the needs of a dynamic and rapidly changing financial services and health care marketplace.

## Services Provided

For this report, the services provided by PID are classified into six general activities.

Insurance Department: Activities and Primary Services Provided	
Activity	Primary Service
1 Product and Rate Review.....	Evaluate insurance policy, network and rate changes
2 Consumer Services.....	Review and investigate consumer complaints
3 Prof. Licensing and Market Conduct.....	License and provide oversight of the insurance market
4 Financial Regulation.....	Monitor the financial solvency of insurance companies
5 Liquid., Rehab. & Special Funds.....	Oversee special funds and insolvent companies
6 Administration.....	Provide organizational leadership and support

## Department Resources

Insurance Department Average Weekly FTE Positions by Activity and Fiscal Year						
	17-18	18-19	19-20	20-21	21-22	22-23
	Actual	Actual	Actual	Actual	Actual	Budget
Product and Rate Review	24	25	28	26	33	41
Consumer Services	19	19	21	23	23	25
Prof. Lic. and Market Conduct	35	34	34	35	36	46
Financial Regulation	58	58	63	64	58	71
Liq., Rehab. and Spec. Funds	54	52	52	52	54	59
Administration	<u>37</u>	<u>37</u>	<u>38</u>	<u>38</u>	<u>36</u>	<u>42</u>
<b>Total</b>	<b>227</b>	<b>226</b>	<b>235</b>	<b>237</b>	<b>240</b>	<b>284</b>

Notes: FTE stands for Full-Time Equivalent.

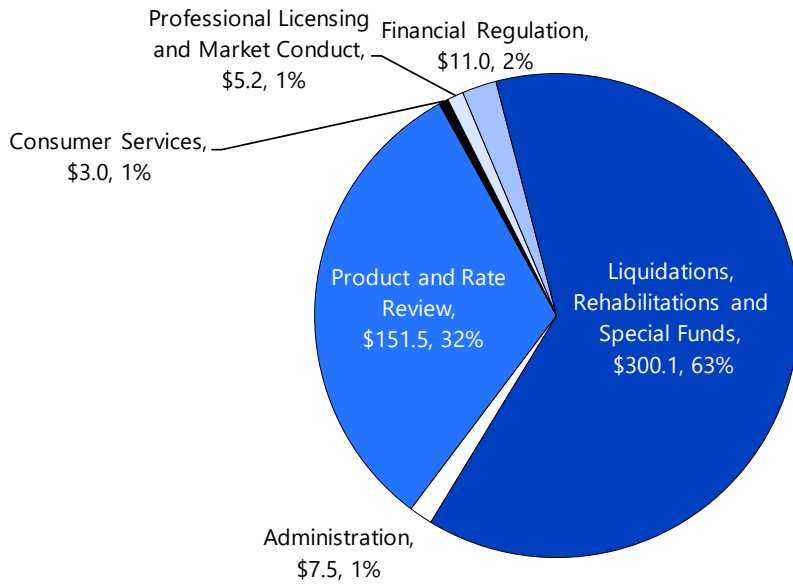
## Pennsylvania Insurance Department Expenditures by Fiscal Year

	17-18 Actual	18-19 Actual	19-20 Actual	20-21 Actual	21-22 Actual	22-23 Budget
<b>Expenditures by Activity</b>						
Product and Rate Review	\$4.4	\$4.6	\$5.0	\$4.4	\$5.5	\$151.5
Consumer Services	2.3	2.3	2.6	2.7	2.9	3.0
Professional Licensing and Market Conduct	4.0	4.1	4.1	4.4	4.6	5.2
Financial Regulation	9.1	9.6	9.2	8.6	8.5	11.0
Liquidations, Rehabilitations and Special Funds	260.0	295.2	274.4	247.0	221.8	300.1
Administration	<u>6.0</u>	<u>6.6</u>	<u>7.2</u>	<u>93.0</u>	<u>6.1</u>	<u>7.5</u>
<b>Total</b>	<b>285.8</b>	<b>322.4</b>	<b>302.5</b>	<b>360.1</b>	<b>249.3</b>	<b>478.3</b>
<b>Expenditures by Object</b>						
Personnel Services	27.2	27.8	29.0	29.2	30.3	33.2
Operational Expenses	18.1	17.7	19.5	17.9	19.6	46.8
Fixed Assets Expense	0.0	--	0.0	--	0.0	1.0
Grants	237.5	271.7	246.8	220.1	192.0	390.3
Non-Expense Items	<u>3.0</u>	<u>5.2</u>	<u>7.1</u>	<u>93.0</u>	<u>7.4</u>	<u>7.0</u>
<b>Total<sup>1</sup></b>	<b>285.8</b>	<b>322.4</b>	<b>302.5</b>	<b>360.1</b>	<b>249.3</b>	<b>478.3</b>
<b>Expenditures by Fund</b>						
General Fund (State)	--	--	--	86.5	--	--
General Fund (Federal)	0.9	0.9	0.4	0.3	0.1	5.0
Med Care Avail. & Red. Error Fund	190.7	218.9	199.6	175.4	150.5	194.5
Reinsurance Fund	--	--	--	0.1	0.2	140.5
Underground Stor. Tank Ind. Fund	41.1	43.5	46.1	44.5	43.4	56.9
Workers' Comp. Sec. Fund	22.7	27.8	22.6	21.3	21.9	39.0
Ins. Reg. & Oversight Fund	25.8	27.3	28.7	27.2	28.3	34.2
Catastrophic Loss Ben. Cont. Fund	<u>4.6</u>	<u>3.9</u>	<u>5.2</u>	<u>5.0</u>	<u>4.9</u>	<u>8.2</u>
<b>Total</b>	<b>285.8</b>	<b>322.4</b>	<b>302.5</b>	<b>360.1</b>	<b>249.3</b>	<b>478.3</b>
<b>Personnel Cost/FTE (\$ thousands)</b>	<b>\$120.0</b>	<b>\$123.4</b>	<b>\$123.5</b>	<b>\$123.4</b>	<b>\$125.9</b>	<b>\$116.8</b>

Notes: Expenditures in dollar millions. Actual expenditures are listed in the year the expenditure was recorded.

<sup>1</sup> Total may include small fixed asset or miscellaneous expense transfer expenditures.

### Expenditures by Activity (FY 2022-23 Budget)



Appropriations	Product and Rate Review	Cons. Services	Prof. Lic. & Market Conduct	Financial Reg.	Liquid., Rehab., Spec. Funds	Admin.	Total
<b>MCARE Fund</b>	--	--	--	--	<b>\$194.5</b>	--	<b>\$194.5</b>
General Operations (EA)	--	--	--	--	19.5	--	19.5
Payment of Claims (EA)	--	--	--	--	175.0	--	175.0
<b>Reinsurance Fund</b>	<b>\$140.5</b>	--	--	--	--	--	<b>140.5</b>
Reinsurance Administration	0.3	--	--	--	--	--	0.3
Reinsurance Payments to Entities <sup>1</sup>	20.0	--	--	--	--	--	20.0
Reinsurance Waiver Pass-Through <sup>1</sup>	120.2	--	--	--	--	--	120.2
<b>USTIF</b>	--	--	--	--	<b>56.9</b>	--	<b>56.9</b>
<b>Workers' Comp Security Fund</b>	--	--	--	--	<b>39.0</b>	--	<b>39.0</b>
<b>IROF</b>	<b>5.9</b>	<b>\$3.0</b>	<b>\$5.2</b>	<b>\$11.0</b>	<b>1.5</b>	<b>\$7.5</b>	<b>34.2</b>
<b>All Other Appropriations</b>	<b>5.0</b>	--	--	--	<b>8.2</b>	--	<b>13.2</b>
<b>Total</b>	<b>151.5</b>	<b>3.0</b>	<b>5.2</b>	<b>11.0</b>	<b>300.1</b>	<b>7.5</b>	<b>478.3</b>

Note: Expenditures in dollar millions. MCARE is Medical Care Availability and Reduction of Error Fund. USTIF is Underground Storage Tank Indemnification Fund. IROF is Insurance Regulation and Oversight Fund.

<sup>1</sup> Reinsurance payments to entities (state) and reinsurance waiver pass through funds (federal) are payments to insurance companies in relation to the 1332 Waiver Program.

## Key Agency Performance Metrics

This report includes numerous performance metrics, but certain metrics are critical to the overall operation of the agency. Key agency metrics that policymakers should monitor are displayed in the table.

Key Metrics to Monitor						
	17-18	18-19	19-20	20-21	21-22	22-23
<b>Product and Rate Review</b>						
<u>Rate increases provided</u>						
Property and Casualty			-- Recommended Measure --			
Accident and Health	4.1%	3.4%	4.5%	3.5%	3.2%	3.8%
Life			-- Recommended Measure --			
1332 Waiver consumer savings (\$ millions) <sup>1</sup>	--	--	--	--	\$102.9	\$156.9
Total premiums paid (\$ billions) <sup>1</sup>	\$100.2	\$106.0	\$119.5	\$122.6	--	--
Statewide health insurance coverage <sup>1</sup>	93.4%	93.3%	93.0%	92.3%	--	--
<b>Consumer Services and Enforcement</b>						
Licenses revoked or surrendered	50	63	62	53	67	83
Value of recoveries/restitutions (\$ millions)	\$5.5	\$17.4	\$11.0	\$7.2	\$13.8	\$16.1
<b>Financial Regulation</b>						
Total companies doing business in PA <sup>1</sup>	1,692	1,706	1,715	1,712	1,712	--
Billable hours conducted by PID staff (%)	39%	62%	62%	51%	40%	--

<sup>1</sup> Calendar Year.

### Product and Rate Review

The department performs product and rate reviews (Activity 1) for insurance products sold in the Commonwealth. The listed metrics measure the effectiveness of the department's review of rates and products in an effort to ensure an equitable and affordable insurance market. Health insurance rates have grown at a slower pace in recent years, but PID does not currently track aggregated rate increases for Property and Casualty or Life insurance policy reviews. The 1332 Waiver Program lowered rates by a combined \$260 million in 2021 and 2022 but statewide health insurance coverage declined since 2017 (page 11). Total premiums paid have increased at a slower rate than premiums nationwide (page 10).

### Consumer Services and Enforcement

Activities 2 (Consumer Services) and 3 (Professional Licensing and Market Conduct) detail the department's efforts to identify and respond to consumer complaints and possible market misconduct and inequities. In 2021, 67 insurance producer and other licenses were revoked or surrendered to the department as the result of complaints received and investigations conducted by PID, up from 50 in 2017. The department was able to recover or order restitutions that total nearly \$55 million in the last five years.

### Financial Regulation

The department conducts insurance company licensing, financial review and examinations to ensure solvency of companies providing products in the Commonwealth (Activity 4). The total number of companies doing business in the Commonwealth increased, while the number of domestic companies decreased (page 18). The share of billable hours conducted by PID staff peaked at 62% then decreased to 40%. PID staff conducts examinations at a lower hourly rate than contracted staff, and expenses reimbursed by the companies go directly into the department's Insurance Regulation and Oversight Fund.



## Activity 1: Product and Rate Review

The department performs product and rate reviews for insurance products sold in the Commonwealth. The Office of Product Regulation reviews approximately 13,000 insurance contracts, forms and rate filings to ensure that the insurance companies doing business in the Commonwealth comply with federal and state insurance laws. The department typically completes approximately 90% of these reviews within their guidelines, which range from 30 to 60 days based on the type of insurance and filing. On-time reviews facilitate the introduction of new products at a faster pace and reduce regulatory burden.

The activity also includes the Commonwealth’s federal Section 1332 State Relief and Empowerment Waiver Program, which facilitates the ability to provide affordable health insurance rates within the individual market. Section 1332 permits states to implement programs and modify rules outlined in the Affordable Care Act to deliver affordable healthcare options. Pennsylvania’s program uses reinsurance funds from the Pennsylvania Health Insurance Exchange Authority (PENNIE) and passed through federal funds to partially reimburse insurance companies for costs associated with high-use individuals. The subsidies, in turn, reduce premiums for all individuals procuring their health insurance through the individual market. In 2022, over 440,000 Pennsylvanians will benefit from moderated premiums due to the Waiver Program, including the 375,000 individuals who receive coverage through PENNIE.

The primary goal of this activity is to promote a competitive and equitable insurance market for consumers. The expected outcome is the timely and comprehensive review of all insurance products, forms and rate increase requests that impact Pennsylvania consumers.

<b>Resources for Product and Rate Review</b>						
	<b>17-18</b>	<b>18-19</b>	<b>19-20</b>	<b>20-21</b>	<b>21-22</b>	<b>22-23</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>
<b>Expenditures by Object</b>						
Personnel Services	\$3.57	\$3.65	\$3.95	\$3.60	\$4.44	\$5.08
Operational Expenses	0.87	0.96	1.06	0.84	1.06	6.16
Grants	--	--	--	--	--	<u>140.23</u>
<b>Total</b>	<b>4.44</b>	<b>4.61</b>	<b>5.01</b>	<b>4.44</b>	<b>5.50</b>	<b>151.47</b>
<b>Expenditures by Fund</b>						
General Fund (Federal)	\$0.87	\$0.93	\$0.40	\$0.26	\$0.14	\$5.00
Reinsurance Fund	--	--	--	0.13	0.18	140.53
Insurance Reg. & Oversight Fund	<u>3.57</u>	<u>3.68</u>	<u>4.61</u>	<u>4.05</u>	<u>5.18</u>	<u>5.94</u>
<b>Total<sup>1</sup></b>	<b>4.44</b>	<b>4.61</b>	<b>5.01</b>	<b>4.44</b>	<b>5.50</b>	<b>151.47</b>
<b>Average Weekly FTE Positions</b>	<b>24</b>	<b>25</b>	<b>28</b>	<b>26</b>	<b>33</b>	<b>41</b>
<b>Personnel Cost/FTE (\$ thousands)</b>	<b>\$146.4</b>	<b>\$148.9</b>	<b>\$143.5</b>	<b>\$140.6</b>	<b>\$133.4</b>	<b>\$122.9</b>
Notes: Expenditures in dollar millions. Actual expenditures are listed in the year the expenditure was recorded.						
1 Total may include small augmentation and other special fund expenditures.						

## Performance Measures for Product and Rate Review

	17-18	18-19	19-20	20-21	21-22	22-23
<b>Statewide</b>						
Policy rate reviews (millions) <sup>1</sup>	9.7	19.3	12.6	31.8	27.4	28.9
Annual filings received (000s) <sup>1</sup>	12.1	12.6	13.4	13.8	12.8	13.6
Filings per reviewer	465	393	432	394	376	395
Filings completed on-time (%)	90%	90%	88%	89%	90%	88%
<b>Property and Casualty</b>						
Policy rate reviews (millions) <sup>1</sup>	7.8	17.4	10.6	30.0	19.0	19.1
Annual filings received (000s) <sup>1</sup>	9.7	10.0	10.8	11.4	10.6	10.8
Filings per reviewer	1,079	1,116	1,205	1,268	1,176	1,209
Filings completed on-time (%)	99%	99%	99%	97%	97%	96%
Rate increases provided (%)	-- Recommended Measure --					
<b>Accident and Health</b>						
Policy rate reviews (millions) <sup>1</sup>	1.9	1.9	2.0	1.9	8.4	8.4
Annual filings received (000s) <sup>1</sup>	1.8	2.0	2.0	1.9	1.7	1.8
Filings per reviewer	167	134	130	111	111	117
Filings completed on-time (%)	55%	54%	44%	52%	54%	52%
Rate increases provided (%)	4.1%	3.4%	4.5%	3.5%	3.2%	3.8%
<b>Life</b>						
Policy rate reviews (millions) <sup>1</sup>	1.3	1.5	1.4	1.4	1.4	1.4
Annual filings received (000s) <sup>1</sup>	0.5	0.5	0.6	0.5	0.5	0.5
Filings per reviewer	92	67	85	56	53	75
Filings completed on-time (%)	48%	43%	36%	64%	74%	78%
Rate increases provided (%)	-- Recommended Measure --					
<b>Statewide Indicators</b>						
Total insurance premiums paid (\$ billions) <sup>1,2</sup>	\$100.2	\$106.0	\$119.5	\$122.6	--	--
Statewide health insurance coverage <sup>1</sup>	93.4%	93.3%	93.0%	92.3%	--	--

Note: FY 22-23 are projected values.

1 See Notes on Measures.

2 Calendar Year.

### Notes on Measures

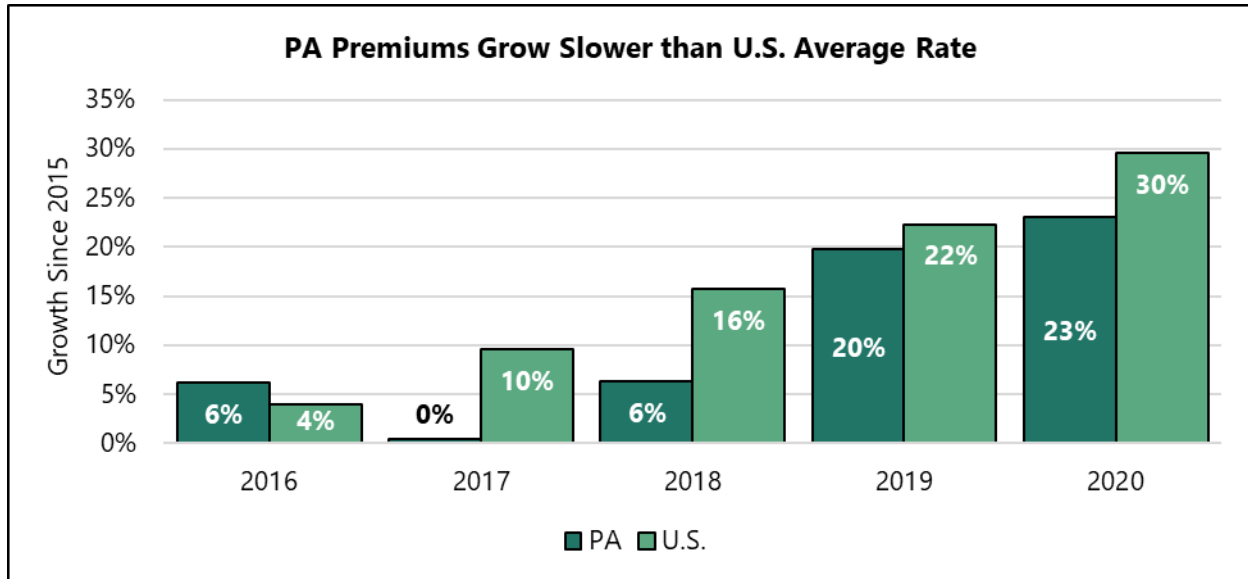
- Policy rate reviews represent the number of individual policies that insurance companies have requested rate changes for, not the number of insurance policies held by Pennsylvania consumers. These figures can vary year-to-year based on rate increases, holds or reductions requested by insurance producers.
- The annual filings received represent filings from insurance companies for products under the department's jurisdiction, even if a rate increase is not requested. Each filing represents a product with a form, rate or rule to review. Each item may have multiple individual policies included.

- Total insurance premiums paid represent the total value of insurance premiums paid by Pennsylvania consumers in a given calendar year. This number is published by the National Association of Insurance Commissioners (NAIC), the interstate body that sets standards for insurance regulation across all fifty states, plus Puerto Rico and U.S. territories.
- Statewide health insurance coverage figures are from the U.S. Census Bureau’s Small Area Health Insurance Estimates (SAHIE) for the corresponding calendar year. The SAHIE estimates are used for both state- and county-level estimates.

<b>1332 Waiver Program</b>		
	<b>2021</b>	<b>2022</b>
Lives covered (000s)	429.1	449.4
<u>Average Monthly Rate</u>		
With waiver	\$375	\$351
No waiver	\$394	\$372
<u>Annual Customer Savings</u>		
Total (\$ millions)	\$102.9	\$156.9
Per life	\$240	\$349
<u>Program Funding</u>		
Total (\$ millions)	\$137.5	\$166.2
State	\$17.3	\$42.0
Federal	\$120.2	\$124.2
Per life	\$321	\$370
Reimbursements to savings ratio	134%	106%
<p>Note: Average rate represents the second-lowest cost silver plan for a 21-year old, non-smoking individual. Annual customer savings represents all customers, not just monthly rate example policyholders. 2022 values are projected.</p>		

The table above displays outcomes for the first two years of the 1332 Waiver Program. The 400,000+ individuals covered in each year represent individual policyholders and their dependents who procured their health insurance coverage through the individual market. Note that this includes, but is not limited to, the 375,000 policyholders and dependents who procured their coverage through PENNIE. For 2021 and 2022, Pennsylvanians saved an estimated \$260 million in insurance premiums, and the state is projected to reimburse the insurance companies \$304 million for high-use individuals’ claims. In both years, reimbursements to providers for high-use individuals is more than the amount saved through rate reductions by Pennsylvanians; however, the reimbursement to savings ratio dropped from 134% in 2021 to a projected 106% in 2022. Note that the reimbursement amounts for 2022 are projections and final payments will be made in 2023 once all claims are submitted. Unused reinsurance funds remain in the budget for use in future years.

## Statewide Benchmarks



The figure above uses NAIC data to present insurance premiums growth in the Commonwealth compared to the nation. For each year (2016 to 2020), the bars show how much total premiums have increased since the base year (2015, not displayed). Since 2015, insurance premiums in Pennsylvania have grown 7 percentage points less than the national total, and the state's share of premiums fell from 4.9% of nationwide premiums to 4.5% (not displayed). The table below compares insurance premiums per capita for Pennsylvania and select comparison states. The data show that New York has the highest per capita rate and Pennsylvania the second-highest rate.

	Property & Casualty	Life/ Annuities	Health	Total
Maryland	\$1,983	\$2,259	\$2,231	\$6,630
Virginia	1,681	1,518	3,621	6,910
Michigan	1,985	1,935	3,489	7,618
Illinois	2,030	2,016	3,596	7,642
New Jersey	2,453	2,556	3,769	8,851
Ohio	1,567	3,394	4,284	9,295
Pennsylvania	2,019	2,910	4,376	9,431
New York	2,247	6,615	3,158	12,107
<b>NAIC Total</b>	<b>2,009</b>	<b>2,454</b>	<b>3,560</b>	<b>8,110</b>

Notes: States ranked by total premiums paid per capita.  
 Source: National Association of Insurance Commissioners (NAIC) Insurance Department Resource Report (2021). Populations from the United States Census Bureau. Calculations by the IFO.

## County Benchmarks

Health Insurance Coverage by County (Top/Bottom 10)				
County	Coverage Rate			Monthly Cost
	2017	2020	Change	
Montgomery	95.3%	95.0%	-0.3%	\$303
Westmoreland	95.1	94.7	-0.4	263
Butler	95.4	94.5	-0.9	305
Allegheny	95.1	94.2	-0.9	258
Washington	95.2	94.2	-1.0	263
Chester	93.7	94.1	0.4	303
Bucks	94.7	93.6	-1.1	303
Northampton	93.9	93.6	-0.3	312
Cambria	94.6	93.6	-1.0	357
Delaware	94.4	93.5	-0.9	303
Beaver	95.1	93.5	-1.6	305
Statewide	93.4	92.3	-1.1	351
Lebanon	91.3	89.7	-1.6	414
Sullivan	91.4	89.5	-1.9	264
Clinton	92.4	89.3	-3.1	383
Franklin	92.2	89.1	-3.1	414
Mifflin	90.8	87.8	-3.0	458
Union	92.5	87.3	-5.2	458
Snyder	91.3	87.2	-4.1	458
Juniata	91.2	87.0	-4.2	478
Perry	92.4	86.8	-5.6	400
Lancaster	88.0	86.0	-2.0	326

Notes: Counties are ranked by 2020 coverage rate. Monthly Cost represents the second-lowest cost silver plan available on the individual exchange market, including the impact of the 1332 Waiver Program.

Source: Small Area Health Insurance Estimates (SAHIE), United States Census Bureau.

The table displays the top and bottom ten counties in terms of health insurance coverage of population (2020). It also compares the 2020 health insurance coverage rate to 2017, in which the rate for almost all counties declined. The decline was likely related to the COVID-19 pandemic as disruptions to employment status could have impacted health insurance coverage. The final column in the table displays a representative monthly healthcare premium rate available to buyers on the individual market residing in the associated county. The top ten counties have an average monthly premium of \$298, while the bottom ten have an average monthly premium 36% higher (\$405), nearly \$1,300 in additional annual costs.

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## Activity 2: Consumer Services

The Bureau of Consumer Services reviews and investigates complaints submitted by citizens against an insurance company or other licensed entity. Official, written complaints are entered into an automated system and tracked by the department. Department staff then review, identify and assist in the recovery of funds owed to impacted consumers. The department also operates a call center which received over 27,000 calls from consumers in 2021. The department reviews and closes cases in an average of 37 days, with 92% of cases in 2021 resolved in less than 45 days.

In addition to calls and written complaints, the department provides in-person assistance by staffing consumer outreach fairs and Disaster Recovery Centers. Disaster Recovery Centers are established on the ground in the days and weeks following a weather-related disaster. Department staff assist individuals in navigating the post-event process, which could include filing various claims, identifying what is covered in their policies and advice to avoid fraudulent repair and insurance offers.

The goal of this activity is to assist citizens through the call center and official complaint process. The expected outcomes are for 75% of cases to be reviewed within 30 days, and 95% of complaints resolved within 45 days in order to identify and recover assets owed to Pennsylvania consumers.

<b>Resources for Consumer Services</b>						
	<b>17-18</b>	<b>18-19</b>	<b>19-20</b>	<b>20-21</b>	<b>21-22</b>	<b>22-23</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>
<b>Expenditures by Object</b>						
Personnel Services	\$1.90	\$1.98	\$2.18	\$2.33	\$2.43	\$2.46
Operational Expenses	<u>0.36</u>	<u>0.36</u>	<u>0.45</u>	<u>0.38</u>	<u>0.43</u>	<u>0.51</u>
<b>Total</b>	<b>2.26</b>	<b>2.34</b>	<b>2.63</b>	<b>2.71</b>	<b>2.86</b>	<b>2.97</b>
<b>Expenditures by Fund</b>						
Insurance Reg. & Oversight Fund	<u>\$2.26</u>	<u>\$2.34</u>	<u>\$2.63</u>	<u>\$2.71</u>	<u>\$2.86</u>	<u>\$2.97</u>
<b>Total</b>	<b>2.26</b>	<b>2.34</b>	<b>2.63</b>	<b>2.71</b>	<b>2.86</b>	<b>2.97</b>
<b>Average Weekly FTE Positions</b>	<b>19</b>	<b>19</b>	<b>21</b>	<b>23</b>	<b>23</b>	<b>25</b>
<b>Personnel Cost/FTE (\$ thousands)</b>	<b>\$98.7</b>	<b>\$102.1</b>	<b>\$102.7</b>	<b>\$102.6</b>	<b>\$104.0</b>	<b>\$98.4</b>
Notes: Expenditures in dollar millions. Actual expenditures are listed in the year the expenditure was recorded.						

## Performance Measures for Consumer Services

	2017	2018	2019	2020	2021	2022
<b>Statewide</b>						
Official complaints received (000s) <sup>1</sup>	13.3	13.2	11.5	10.5	10.1	10.5
Call center calls received (000s)	31.7	29.4	28.4	26.9	27.1	30.8
Calls per FTE	2,261	2,100	2,028	1,921	1,939	2,021
Cases reviewed w/in 30 days (%)	85%	86%	81%	84%	79%	76%
Complaints resolved w/in 45 days (%)	93%	96%	93%	94%	92%	93%
<u>Recoveries</u>						
Consumers with recoveries	374	384	577	550	567	654
Value of recoveries (\$ millions)	\$3.2	\$5.8	\$3.7	\$4.1	\$10.1	\$5.7
Disaster center locations <sup>1</sup>	0	1	0	0	6	0
Individuals assisted at disaster centers	-- Recommended Measure --					
<b>Property and Casualty</b>						
Complaints received (000s)	8.0	8.2	6.8	6.3	6.4	6.5
Consumers with recoveries	168	185	297	353	355	405
Value of recoveries (\$ millions)	\$0.6	\$0.5	\$1.3	\$1.4	\$2.6	\$2.6
<b>Accident and Health</b>						
Complaints received (000s)	4.1	3.7	3.5	3.0	2.7	3.1
Consumers with recoveries	167	173	192	115	109	142
Value of recoveries (\$ millions)	\$1.1	\$0.9	\$1.2	\$0.7	\$0.6	\$0.9
<b>Life</b>						
Complaints received (000s)	1.6	1.2	1.2	1.2	1.0	0.9
Consumers with recoveries	39	26	88	82	103	107
Value of recoveries (\$ millions)	\$1.5	\$4.4	\$1.2	\$2.0	\$6.9	\$2.1

Note: Calendar Year 2022 data through November.

<sup>1</sup> See Notes on Measures.

### Notes on Measures

- Official complaints must be submitted in writing and can be submitted online through the Consumer Services Online tool (CSO), email, fax and mail. If the consumer chooses to email, fax or mail the complaint, department staff manually enter the complaint into the system.
- Disaster center locations were only necessary in two of the last five years. In 2018, a Disaster Recovery Center was established in Susquehanna County. In 2021, Disaster Recovery Centers were established in Bucks, Chester, Delaware, Montgomery, Philadelphia and York counties.



## Activity 3: Professional Licensing and Market Conduct

The Professional Licensing and Market Conduct activity includes the Bureau of Licensing and Enforcement and the Bureau of Market Actions. The Bureau of Licensing and Enforcement licenses more than 341,000 insurance professionals doing business in Pennsylvania. This bureau also enforces insurance laws and regulations and investigates alleged violations. Compliance investigations are performed during the licensing and renewal process, and through field investigations in response to concerns related to current licensees.

The Bureau of Market Actions monitors and conducts compliance audits of insurers. The bureau analyzes marketplace data to identify carriers that are non-compliant with consumer protection measures. The bureau also conducts studies and undertakes on-site examinations or other market-focused reviews of underwriting, rate application, policy terminations and claims practices to verify compliance with Pennsylvania insurance statutes and regulations.

The primary goals of this activity are to (1) ensure timely and accurate issuance of insurance licenses and renewals, (2) ensure compliance with insurance statutes and regulations and (3) analyze the state's insurance market to minimize potential consumer harm. The expected outcome is for the state's insurance market to operate in an efficient and equitable manner and to issue penalties and restitutions in instances in which that does not occur.

<b>Resources for Professional Licensing and Market Conduct</b>						
	<b>17-18</b>	<b>18-19</b>	<b>19-20</b>	<b>20-21</b>	<b>21-22</b>	<b>22-23</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>
<b>Expenditures by Object</b>						
Personnel Services	\$3.68	\$3.62	\$3.59	\$3.89	\$4.09	\$4.62
Operational Expenses	<u>0.27</u>	<u>0.45</u>	<u>0.45</u>	<u>0.44</u>	<u>0.48</u>	<u>0.61</u>
<b>Total<sup>1</sup></b>	<b>3.96</b>	<b>4.06</b>	<b>4.06</b>	<b>4.35</b>	<b>4.58</b>	<b>5.23</b>
<b>Expenditures by Fund</b>						
Insurance Reg. & Oversight Fund	<u>\$3.96</u>	<u>\$4.06</u>	<u>\$4.06</u>	<u>\$4.35</u>	<u>\$4.58</u>	<u>\$5.23</u>
<b>Total<sup>2</sup></b>	<b>3.96</b>	<b>4.06</b>	<b>4.06</b>	<b>4.35</b>	<b>4.58</b>	<b>5.23</b>
<b>Average Weekly FTE Positions</b>	<b>35</b>	<b>34</b>	<b>34</b>	<b>35</b>	<b>36</b>	<b>46</b>
<b>Personnel Cost/FTE (\$ thousands)</b>	<b>\$106.8</b>	<b>\$106.0</b>	<b>\$105.0</b>	<b>\$111.6</b>	<b>\$114.0</b>	<b>\$100.5</b>

Notes: Expenditures in dollar millions. Actual expenditures are listed in the year the expenditure was recorded.  
 1 Total may include small fixed asset, non-expense or miscellaneous expense transfer expenditures.  
 2 Total may include small augmentation and other special fund expenditures.

## Performance Measures for Professional Licensing and Market Conduct

	2017	2018	2019	2020	2021	2022
<b>Market Analysis and Conduct</b>						
Market analyses conducted	38	25	34	26	41	36
Market conduct examinations initiated	14	26	33	24	42	37
Examinations resulting in violations	6	10	10	7	10	5
Penalties assessed (\$000s)	\$370	\$490	\$2,348	\$300	\$762	\$300
Restitutions assessed (\$000s)	\$1,978	\$7,295	\$1,208	\$320	\$3,420	\$9,977
<b>Licensing</b>						
<u>New licenses</u>						
Applications (000s)	45.3	50.4	57.1	61.8	80.9	66
Approved (000s)	42.7	50.3	54.0	57.7	75.7	63.6
<u>Renewal licenses</u>						
Applications (000s)	88.8	87.6	93.2	93.3	103.7	94
Approved (000s)	88.8	87.5	93.1	93.3	103.7	94
Applications per license examiner (000s) <sup>1</sup>	26.8	27.6	30.1	31.0	36.9	32
Avg. time (days) to complete license review	-- Recommended Measure --					
<b>Compliance and Enforcement</b>						
Compliance cases opened	252	284	277	262	461	297
Field investigations opened	333	460	483	454	465	472
Compliance cases per investigator <sup>1</sup>	63	71	92	87	115	99
Field investigations per agent <sup>1</sup>	67	77	69	76	66	78
Licenses revoked or surrendered	50	63	62	53	67	83
Total penalties assessed (\$000s)	\$320	\$131	\$3,642	\$181	\$512	\$429
Total restitutions assessed (\$000s)	\$371	\$4,251	\$6,095	\$2,771	\$283	\$450

Note: Calendar Year 2022 data through November.

<sup>1</sup> Calculations by the IFO.

## Activity 4: Financial Regulation

The Financial Regulation Activity includes three distinct divisions: (1) financial analysis, (2) financial examinations and (3) company licensing to oversee the financial well-being of the 230 domestic insurers and over 1,400 foreign insurers doing business in the Commonwealth. The Financial Analysis Division reviews insurance company annual and quarterly financial statement filings for compliance with solvency requirements to identify troubled companies and initiate enhanced supervision as required by NAIC accreditation guidelines. The Financial Examinations Division leads risk-focused financial examinations of every Pennsylvania domestic insurer at least once every five years as required by Pennsylvania law and the NAIC. This includes serving as the lead state agency for 121 of the 151 multistate companies operating as domestic insurers in Pennsylvania, on behalf of other states that rely on the Commonwealth's examination staff. The Company Licensing Division reviews financial and legal transactions for domestic and foreign companies which include new domestic insurer applications, insurer expansion applications, re-domestication filings, change of control applications, and proposed company mergers and acquisitions.

The primary goal of the activity is to monitor and review the financial condition of licensed insurers in an efficient way that meets the standards set forth by Pennsylvania statute and NAIC accreditation standards. The expected outcome is a financially healthy insurance market that supports the insurance policies purchased in good faith by consumers.

<b>Resources for Financial Regulation</b>						
	<b>17-18</b>	<b>18-19</b>	<b>19-20</b>	<b>20-21</b>	<b>21-22</b>	<b>22-23</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>
<b>Expenditures by Object</b>						
Personnel Services	\$6.86	\$7.18	\$7.64	\$7.66	\$7.48	\$8.02
Operational Expenses	<u>2.25</u>	<u>2.40</u>	<u>1.55</u>	<u>0.99</u>	<u>1.00</u>	<u>3.02</u>
<b>Total<sup>1</sup></b>	<b>9.10</b>	<b>9.58</b>	<b>9.19</b>	<b>8.65</b>	<b>8.47</b>	<b>11.05</b>
<b>Expenditures by Fund</b>						
Insurance Reg. & Oversight Fund	<u>\$9.10</u>	<u>\$9.58</u>	<u>\$9.19</u>	<u>\$8.65</u>	<u>\$8.47</u>	<u>\$11.05</u>
<b>Total</b>	<b>9.10</b>	<b>9.58</b>	<b>9.19</b>	<b>8.65</b>	<b>8.47</b>	<b>11.05</b>
<b>Average Weekly FTE Positions</b>	<b>58</b>	<b>58</b>	<b>63</b>	<b>64</b>	<b>58</b>	<b>71</b>
<b>Personnel Cost/FTE (\$ thousands)</b>	<b>\$118.8</b>	<b>\$122.9</b>	<b>\$121.5</b>	<b>\$120.4</b>	<b>\$128.3</b>	<b>\$113.0</b>
Notes: Expenditures in dollar millions. Actual expenditures are listed in the year the expenditure was recorded.						
1 Total may include small fixed asset, non-expense or miscellaneous expense transfer expenditures.						

## Performance Measures for Financial Regulation

	2017	2018	2019	2020	2021	2022
<b>Statewide Insurance Companies</b>						
<u>Domestic companies</u>	253	255	250	241	229	229
Single-state companies	103	93	92	83	78	78
Multistate companies	150	162	158	158	151	151
PA lead state	132	133	126	125	121	121
Foreign companies	1,439	1,451	1,465	1,471	1,483	--
Total companies doing business in PA	1,692	1,706	1,715	1,712	1,712	--
<b>Financial Analysis</b>						
<u>Annual statement filings</u>						
Received	249	252	248	236	228	--
Received on-time (%) <sup>1</sup>	87%	87%	88%	99%	73%	--
Completed on-time (%) <sup>1</sup>	69%	79%	65%	67%	66%	--
Statements per reviewer <sup>1</sup>	15.6	14.8	10.8	9.4	10.4	--
<b>Financial Examinations<sup>2</sup></b>						
Active examinations	41	62	66	56	95	--
Total billable hours (000s)	95.5	54.4	60.2	69.3	98.9	--
Total value of billable hours (\$ millions)	\$15.4	\$8.3	\$9.6	\$11.2	\$16.3	--
<u>PID Staff</u>						
Billable hours (%) <sup>1</sup>	39%	62%	62%	51%	40%	--
Value (\$ millions)	\$4.3	\$4.0	\$5.0	\$4.8	\$5.6	--
Cost per hour <sup>1</sup>	\$116	\$119	\$133	\$137	\$140	--
Hours per examiner <sup>1</sup>	1,245	1,088	1,251	1,208	1,379	--
<u>Contractors</u>						
Billable hours (%) <sup>1</sup>	61%	38%	38%	49%	60%	--
Value (\$ millions)	\$11.1	\$4.3	\$4.4	\$6.4	\$10.6	--
Cost per hour <sup>1</sup>	\$191	\$208	\$196	\$186	\$181	--
<b>Licensing</b>						
<u>Licensing actions</u>						
Pursuant to Commissioner Authority <sup>3</sup>	309	223	237	191	246	--
Administrative-only <sup>3</sup>	225	134	214	180	168	--
Licensing actions per FTE	107	71	90	74	104	--
Accreditation implicated filings <sup>3</sup>	2	10	7	11	6	--

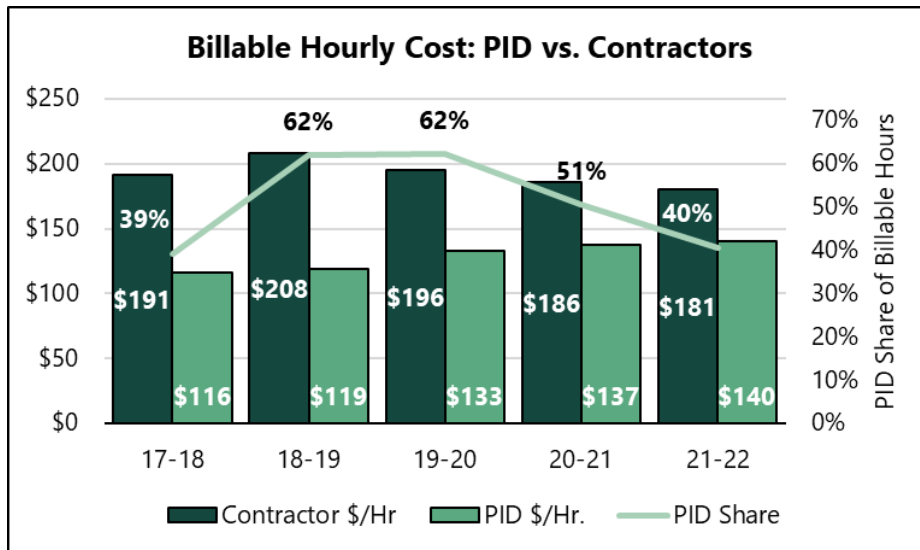
<sup>1</sup> Calculations by the IFO.

<sup>2</sup> Fiscal year.

<sup>3</sup> See Notes on Measures.

## Notes on Measures

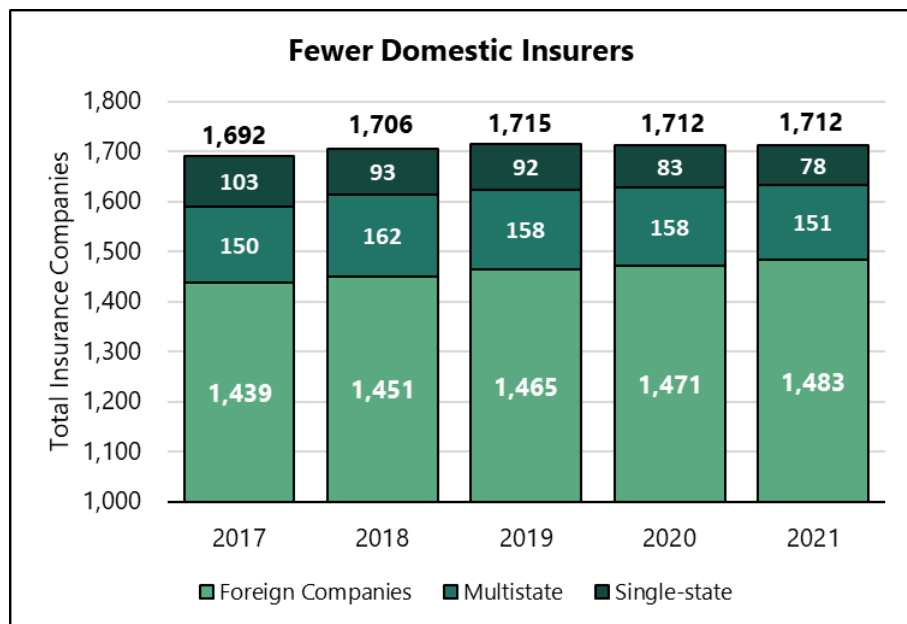
- The department has two levels of licensing actions: (1) actions pursuant to Commissioner Authority, which are more intensive and require Commissioner approval and (2) administrative-level activities processed by PID staff.
- The department undertakes a few, large licensing actions that could impact accreditation from the NAIC. All accreditation implicated filings during this time period have been achieved in the appropriate timeframes to avoid any negative impact to the Commonwealth.



Both PID staff and third-party contractors conduct financial examinations. Billable hours are allocated to the companies examined. Lower examination costs reduce the regulatory burden. Since FY 2017-18, the hourly rate for PID staff has been lower than the private examiners. The average hourly cost for contractors declined from a high of \$208 in FY

2018-19 to \$181 in FY 2021-22. Revenues received for PID staff work are deposited into the Insurance Regulation and Oversight Fund (IROF) and comprise between 40% to 65% of total activity costs per year.

From calendar year 2017 to 2021, the total combined number of insurance companies doing business in the state increased by 20 (1.2%). However, the number of domestic insurers (single-state and multistate companies that are organized or incorporated in the state) decreased by 9.5%. The reduction was attributable to a contraction of single-state companies domiciled in Pennsylvania which declined by 25 companies (nearly 25%). It is unknown if these companies merged with other companies, moved to other states, or ceased operations.



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## Activity 5: Liquidations, Rehabilitations and Special Funds

The Office of Liquidations and Rehabilitations leads department efforts when a troubled company enters into receivership and requires financial oversight to attempt to return to solvency (rehabilitation) or is no longer solvent (liquidations). For rehabilitations, the department formulates a plan to return the company to financial stability, which may include mandated coverage or premium rate changes. In liquidations, the department evaluates policyholder claims from companies that are no longer solvent. In both cases, the department submits plans and claim approvals to the Commonwealth Court, which issues a final ruling. Policyholders of these plans live nationwide and are not restricted to Pennsylvania consumers. The office is not a Commonwealth entity and is funded by the estates of the companies in receivership. The office personnel and operating expenses are therefore not included in the resource table below. In calendar year 2021, the office employed 11.5 FTEs who earned an average annual salary of \$89,000, not including benefits.

The Bureau of Special Funds provides oversight and management of programs offered to Pennsylvania residents and businesses negatively impacted by specific medical or environmental incidents. Grant expenditures displayed in the resource table below represent these costs from self-funded sources.

The primary goal of the activity is to provide financial oversight and management to troubled companies and special programs based in the Commonwealth. The expected outcome is to minimize negative impacts on policyholders, and to deliver financial assistance to eligible individuals in specific circumstances.

<b>Resources for Liquidations, Rehabilitations and Special Funds</b>						
	<b>17-18</b>	<b>18-19</b>	<b>19-20</b>	<b>20-21</b>	<b>21-22</b>	<b>22-23</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>
<b>Expenditures by Object</b>						
Personnel Services <sup>1</sup>	\$6.12	\$6.10	\$6.32	\$6.28	\$6.74	\$7.64
Operational Expenses <sup>1</sup>	13.39	12.23	14.12	14.16	15.66	34.42
Fixed Assets Expense	0.02	--	0.02	--	0.03	0.99
Grants	237.50	271.67	246.82	220.06	191.95	250.05
Non-Expense Items	<u>3.02</u>	<u>5.19</u>	<u>7.12</u>	<u>6.50</u>	<u>7.42</u>	<u>7.00</u>
<b>Total</b>	<b>260.04</b>	<b>295.20</b>	<b>274.40</b>	<b>247.00</b>	<b>221.80</b>	<b>300.09</b>
<b>Expenditures by Fund</b>						
Med Care Avail. & Red. Error Fund	\$190.69	\$218.91	\$199.57	\$175.38	\$150.53	\$194.47
Underground Stor. Tank Ind. Fund	41.14	43.54	46.14	44.46	43.36	56.87
Workers' Comp. Sec. Fund	22.75	27.81	22.58	21.27	21.92	39.00
Catastrophic Loss Ben. Cont. Fund	4.56	3.94	5.17	4.96	4.91	8.21
Ins. Reg. & Oversight Fund	<u>0.90</u>	<u>1.00</u>	<u>0.94</u>	<u>0.93</u>	<u>1.09</u>	<u>1.54</u>
<b>Total</b>	<b>260.04</b>	<b>295.20</b>	<b>274.40</b>	<b>247.00</b>	<b>221.80</b>	<b>300.09</b>
<b>Average Weekly FTE Positions</b>	<b>54</b>	<b>52</b>	<b>52</b>	<b>52</b>	<b>54</b>	<b>59</b>
<b>Personnel Cost/FTE (\$ thousands)</b>	<b>\$112.9</b>	<b>\$117.6</b>	<b>\$122.5</b>	<b>\$121.5</b>	<b>\$125.6</b>	<b>\$129.4</b>
Notes: Expenditures in dollar millions. Actual expenditures are listed in the year the expenditure was recorded.						

### Performance Measures for Liquidations, Rehabilitations and Special Funds

	2017	2018	2019	2020	2021	2022
<b>Liquidations</b>						
Active liquidations	12	12	12	9	9	8
Policyholders impacted (000s) <sup>1</sup>	76.0	6.5	0.5	0.0	8.3	0.0
<u>Claims requested for reimbursement<sup>1</sup></u>	9	102	15	27	1,375	17
Requested value (\$ millions)	\$0.4	\$44.6	\$5.0	\$7.5	\$742.7	\$1.2
Approved value (\$ millions)	\$0.0	\$0.0	\$3.8	\$3.5	\$0.2	\$0.8
<b>Rehabilitations</b>						
Active rehabilitations <sup>1</sup>	0	0	0	1	1	1
Policyholders impacted (000s) <sup>1</sup>	--	--	--	45.0	0.0	0.0
Policyholders contacted (000s)	--	--	--	0	0	23.1
Policyholder response rate	--	--	--	--	--	98%
Funding gap recognized (\$ billions) <sup>1</sup>	--	--	--	--	\$1.2	--

<sup>1</sup> See Notes on Measures.

### Notes on Measures

- Policyholders impacted represents the number of unduplicated policyholders impacted by their insurer of choice entering receivership.
- Claims requested for reimbursement represent the number of claims received by the department from policyholders for a company currently in liquidation. The department then approves and transmits claim amounts to the Commonwealth Court. Approved claims are not paid out until final distributions are authorized by the Commonwealth Court, years or decades after the company entered into liquidation. Final distributions are profiled below. Policyholders will often apply to third party guaranty associations to receive funds expeditiously.
- Funding gap recognized represents the asset shortage identified by the department as part of the approved rehabilitation plan dated September 30, 2021 and in a statement on March 24, 2022.

### Final Distributions for Liquidated Companies (2017-2022)

Year	Liquidated Company	Final Claims			Years in Liquidation
		Paid (#)	Value (\$)	Rate (%)	
2019	Legion	14,845	\$2,089	94%	17
2019	Villanova	1,367	382	64	17
2019	Regis	21	2	0	3
2020	Westmoreland	210	225	50	32
2021	Excalibur	3	1	100	5
2022	Reliance	62,732	5,079	100	21
2022	Rockwood	130	341	0	30

Notes: Values in millions of dollars. Rate represents the final share of the approved claim values paid.



<b>Insurance Department Special Funds Management</b>					
	<b>17-18</b>	<b>18-19</b>	<b>19-20</b>	<b>20-21</b>	<b>21-22</b>
<b>MCARE</b>					
New claims (000s)	2.9	3.3	3.0	2.7	2.6
Active claims (000s)	6.6	6.2	5.9	5.8	6.2
Amount paid (\$ millions)	\$181.3	\$211.0	\$191.3	\$168.8	\$141.5
Annual revenue (\$ millions)	\$201.9	\$193.4	\$189.0	\$191.9	\$167.5
<b>WCSF</b>					
New claims	562	13	15	82	0
Active claims	1280	995	768	769	649
Amount paid (\$ millions)	\$19.5	\$23.3	\$19.3	\$16.3	\$17.3
Annual revenue (\$ millions)	\$36.7	\$125.0	\$74.1	\$175.1	-\$65.2
<b>USTIF</b>					
New claims	179	189	215	204	172
Active claims	1,009	961	953	931	884
Amount paid (\$ millions)	\$31.3	\$32.1	\$31.7	\$31.9	\$30.0
Annual revenue (\$ millions)	\$72.4	\$78.4	\$64.8	\$90.1	\$62.5
<b>CAT</b>					
New claims	0	0	0	0	0
Active claims	405	397	390	369	345
Amount paid (\$ millions)	\$4.1	\$3.5	\$4.0	\$3.1	\$3.2
Annual revenue (\$ millions)	\$4.2	\$6.8	\$5.5	\$7.4	-\$9.4

The table above details activity within the following special funds from FY 2017-18 through FY 2021-22.

**Medical Care Availability and Reduction of Error (MCARE) Fund** ensures compensation for persons injured due to medical negligence by paying claims against participating health care providers for losses or damages awarded in medical liability actions in excess of primary coverage provided by professional liability insurance companies or self-insurers.

**Workers' Compensation Security Fund (WCSF)** provides wage and medical claim payments to individuals entitled to benefits under the Pennsylvania Workers' Compensation Act when the insurance companies that were originally providing benefits have become insolvent and placed into liquidation. If an actuarial analysis reveals that the fund balance will fall below a statutory minimum, periodic assessments on net written workers' compensation insurance premiums are made to ensure funding.

**Underground Storage Tank Indemnification Fund (USTIF)** provides funding for the environmental cleanup of releases related to underground storage tanks, which primarily involve fuel releases at gas stations. USTIF is funded through fees levied on motor fuel and storage tank capacity.

**Catastrophic Loss Benefit Continuation (CAT) Fund** provides medical and rehabilitation benefits to eligible individuals that were severely injured in automobile accidents between 1981 and 1989. The fund will continue to pay existing claims through its balance and interest earnings and is projected to be solvent until 2096.

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## Activity 6: Administration

Administration includes shared service functions that provide support across the agency to achieve PID's mission statement. These functions include the Office of the Insurance Commissioner, Office of the Chief Counsel and the Office of Management and Budget. The activity also includes the department's Administrative Hearings Office (AHO). The AHO receives filings, conducts hearings and prepares adjudications in matters concerning insurance laws and regulations, approximately 20 distinct types of cases. The office typically receives between 200 to 300 cases in a given year, and two administrative law judges manage cases and preside over hearings virtually or in Pittsburgh, Harrisburg or Philadelphia.

<b>Resources for Administration</b>						
	<b>17-18</b>	<b>18-19</b>	<b>19-20</b>	<b>20-21</b>	<b>21-22</b>	<b>22-23</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>
<b>Expenditures by Object</b>						
Personnel Services	\$5.05	\$5.31	\$5.35	\$5.45	\$5.07	\$5.36
Operational Expenses	0.93	1.29	1.87	1.07	1.01	2.13
Non-Expense Items <sup>1</sup>	--	--	--	<u>86.48</u>	--	--
<b>Total<sup>2</sup></b>	<b>5.98</b>	<b>6.60</b>	<b>7.24</b>	<b>93.00</b>	<b>6.08</b>	<b>7.49</b>
<b>Expenditures by Fund</b>						
General Fund (State) <sup>1</sup>	--	--	--	\$86.48	--	--
Ins. Reg. & Oversight Fund	<u>\$5.98</u>	<u>\$6.60</u>	<u>\$7.24</u>	<u>6.52</u>	<u>\$6.08</u>	<u>\$7.49</u>
<b>Total</b>	<b>5.98</b>	<b>6.60</b>	<b>7.24</b>	<b>93.00</b>	<b>6.08</b>	<b>7.49</b>
<b>Average Weekly FTE Positions</b>	<b>37</b>	<b>37</b>	<b>38</b>	<b>38</b>	<b>36</b>	<b>42</b>
<b>Personnel Cost/FTE (\$ thousands)</b>	<b>\$138.4</b>	<b>\$142.7</b>	<b>\$141.9</b>	<b>\$142.7</b>	<b>\$142.1</b>	<b>\$128.5</b>
Notes: Expenditures in dollar millions. Actual expenditures are listed in the year the expenditure was recorded.						
1 FY 20-21 expenditure is the Underground Storage Tank Indemnification Fund (USTIF) loan repayment.						
2 Total may include small fixed asset or miscellaneous expense transfer expenditures.						

## Performance Measures for Administration

	17-18	18-19	19-20	20-21	21-22	22-23
<b>Personnel</b>						
Agency FTE <sup>1</sup>	227	226	235	237	240	284
Staff turnover rate	14%	11%	11%	8%	14%	--
Office-based positions <sup>2,3</sup>	230	218	208	203	5	5
Full-time telework positions <sup>2,3</sup>	0	0	0	0	202	203
Home-headquartered positions <sup>2</sup>	25	25	27	26	26	30
<b>Information Technology</b>						
IT costs (\$ millions) <sup>3</sup>	\$0.5	\$0.4	\$0.9	\$1.1	\$1.1	\$1.2
IT cost per agency FTE <sup>4</sup>	\$2,059	\$1,942	\$3,718	\$4,658	\$4,402	\$4,286
<b>Overtime</b>						
Overtime costs (\$ millions)	\$0.3	\$0.3	\$0.2	\$0.3	\$0.4	\$0.5
Overtime cost per agency FTE <sup>4</sup>	\$1,399	\$1,397	\$1,014	\$1,366	\$1,768	\$1,651
<b>Human Resources</b>						
HR costs (\$ millions) <sup>3</sup>	\$0.0	\$0.0	\$0.2	\$0.3	\$0.3	\$0.4
HR cost per agency FTE <sup>4</sup>	\$0	\$0	\$826	\$1,394	\$1,273	\$1,238
<b>Facilities</b>						
Facility costs (\$ millions)	\$1.2	\$1.1	\$1.3	\$1.3	\$1.3	\$1.3
Facility space (000s sq. ft.)	83.9	83.9	83.9	83.9	78.2	78.2
Facility cost per square foot <sup>4</sup>	\$14.7	\$13.1	\$15.5	\$15.1	\$17.2	\$16.1
<b>Administrative Hearings</b>						
Cases received	211	245	227	255	333	--
Cases decided	183	239	249	265	337	--
Cases dismissed	32	31	22	6	23	--
Avg time (days) to decide case	40.0	31.7	32.8	67.9	51.6	--
Cases overturning previous decision	13	4	4	3	3	--
Appealed to Commonwealth Court	2	13	1	1	1	--
Overturned by Commonwealth Court	0	0	0	0	0	--

1 Average weekly filled FTE.

2 Measure includes filled and vacant positions as of July 1.

3 See Notes on Measures.

4 Calculations by the IFO.

## Notes on Measures

- In FY 2017-18, executive agency human resources (HR) services and information technology (IT) complement were consolidated under the Office of Administration (OA). During this transitional year, executive agencies continued to pay the personnel costs associated with the HR and IT complement transferred to OA. Beginning in FY 2018-19, agencies are billed for these services and for a portion of the HR and IT enterprise budget previously appropriated to OA.
- Management Directive 505.36 issued in April 2021 defines classifications of workers eligible to telework: (1) full-time telework work remotely each day of their workweek, (2) part-time telework have regularly scheduled days working remotely and in an office and (3) ad hoc telework work remotely only in case of weather emergency or other qualified occurrences. Office-based positions include non-telework, part-time telework and ad hoc telework positions.

### Select State Insurance Department Funding and FTE Comparisons (2020)

State	Total Premiums	Regulated Entities	Agency Budget	Agency Staff	Budget/ Premiums	Entities/ Staff
Maryland	\$40,954	1,586	\$33	255	0.08%	6.2
New York	244,569	1,828	160	742	0.07	2.5
New Jersey	81,218	1,548	51	313	0.06	4.9
Illinois	97,915	1,931	54	262	0.06	7.4
Virginia	59,642	1,669	31	181	0.05	9.2
Michigan	76,767	1,565	37	206	0.05	7.6
Ohio	109,680	1,822	42	283	0.04	6.4
Pennsylvania	122,625	1,880	30	285	0.02	6.6
<b>NAIC Total</b>	<b>2,716,246</b>	<b>83,372</b>	<b>1,608</b>	<b>10,857</b>	<b>0.06</b>	<b>7.7</b>

Notes: Premium values in millions of dollars. Agency staff includes budgeted positions. Calculations by the IFO.

Source: National Association of Insurance Commissioners (NAIC) Resource Report (2020).

The NAIC annually compares state insurance agency budget resources. The states in the table above are ranked by the share of agency budget to premiums paid by rate payers. This measure isolates the cost of state regulation that are ultimately included in premiums. Pennsylvania has the lowest rate of the states shown and is three times lower than the national average. It should be noted that Pennsylvania's budget reported is the amount appropriated from the Insurance Regulation and Oversight Fund for FY 2020-21 and does not include the additional special funds. It also does not include the Office of Liquidations and Rehabilitations expenditures or staff. The final column displays the ratio of regulated entities operating in the Commonwealth to the number of positions budgeted. Pennsylvania is fourth of the eight states listed, but below the national average.

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# Appendix

## Performance-Based Budgeting and Tax Credit Review Schedule

Year		Performance-Based Budgets				
1	Corrections	Board of Probation and Parole	PA Commission on Crime & Delinquency	Juvenile Court Judges' Commission	Banking and Securities	General Services
2	Economic & Community Development	Human Services – Part 1	Health	Environmental Protection	PA Emergency Management Agency	State
3	PennDOT	Human Services – Part 2	State Police	Military & Veterans Affairs		
4	Education	Human Services – Part 3	Aging	PA Historical & Museum Commission	Agriculture	Labor and Industry
5	Drug and Alcohol Programs	Insurance	Revenue	Executive Offices	Conservation and Natural Resources	
Year		Tax Credits				
1	Film Production	New Jobs	Historic Preservation Incentive			
2	Research and Development	Keystone Innovation Zones	Mobile Telecom and Broadband	Organ and Bone Marrow		
3	Neighborhood Assistance	Resource Enhancement and Protection (REAP)	Entertainment Economic Enhancement Program	Video Game Production	Keystone Special Development Zones	
4	Educational Tax Credits	Coal Refuse and Reclamation	Mixed-Use Development	Brewers'		
5	Resource Manufacturing	Manufacturing and Investment	Waterfront Development	Rural Jobs and Investment		

 Independent Fiscal Office

## Agency Response



December 13, 2022

Mr. Matthew J. Knittel  
Director, Independent Fiscal Office  
Rachel Carson State Office Building  
400 Market Street  
Harrisburg, PA 17105

Dear Director Knittel,

The Pennsylvania Insurance Department (Department) thanks the Independent Fiscal Office (IFO) for preparing this Performance-Based Budgeting report. We appreciate the opportunity to work collaboratively with IFO staff and the chance to review and provide feedback to the IFO on the report.

At the Pennsylvania Insurance Department, it is our responsibility to protect insurance consumers through the work of our deputates. Regulation and protection of consumers is accomplished through monitoring financial solvency of insurance companies, licensing of insurance companies and producers/agents, reviewing and approving insurance policy language and rates, verifying compliance of insurance laws and regulations, operating special funds, and coordinating the rehabilitation and liquidation of insolvent insurance companies. The Department is committed to Pennsylvania's insurance consumers and always strives to improve to better serve Pennsylvanians.

There are many areas in the report that the Department is particularly proud, and we thank the IFO for the opportunity to highlight them. First, the Department is unique in the fact that we are a self-funded agency, which also contributes revenue to the General Fund and appropriated to other agencies.

Second, is the 1332 waiver program. The Department has developed and implemented a reinsurance waiver over the last two years. This waiver has allowed the Department to reimburse insurance companies for high-cost individuals' claims. This program has lowered rates by \$260 million in 2021 and 2022. In 2022, an estimated 440,000 Pennsylvanians will benefit from subsidized insurance premiums from the 1332 waiver program, reducing the number of non-insured Pennsylvanians.

Finally, the Department has achieved accreditation through the National Association of Insurance Commissioners (NAIC), which sets standards, particularly for financial regulation within the state. The goal of financial regulation is to ensure that the financial condition of licensed insurers within the state also meet the NAIC's standards. These standards are important as they make sure that we have a financially healthy insurance market in the Commonwealth of Pennsylvania. Again, this aligns with the goal of the Department to protect insurance consumers.

Office of the Insurance Commissioner  
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Pennsylvania Insurance Department  
December 13, 2022  
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Thank you again for the opportunity to respond to the Performance-Based Budget Report. It has been a pleasure to work with the IFO throughout the Performance-Based Budgeting process, and we appreciate the analysis of our functions as a state agency. There are many areas of which the Department is proud, and we feel that the report accurately depicts the output and efficiency of the Department. We will continue to ensure that all Pennsylvanians will be protected through the actions taken by each of our offices.

Sincerely,



Michael Humphreys  
Acting Insurance Commissioner

