



# Workers' Compensation Security Fund Annual Report 2021-2022



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## EXECUTIVE SUMMARY

The Pennsylvania Workers' Compensation Security Fund (Security Fund) is part of the Bureau of Special Funds (Bureau) in the Pennsylvania Insurance Department. The Security Fund provides claim payments to individuals entitled to benefits under the Pennsylvania Workers' Compensation Act when the insurance companies that were originally providing benefits are insolvent and in liquidation. To date, claims have originated from 9 Pennsylvania domestic and 43 foreign liquidated insurers.

The goal of the Security Fund is to administer all eligible claims consistent with the Pennsylvania Workers' Compensation Act, the Security Fund Act, and insurance industry's best claim practices while operating in a cost effective, efficient and responsible manner. The Bureau works together with a third-party administrator, Inservco Insurance Services (Inservco), to provide quality claims management services in pursuit of this goal.

As of June 30, 2022, the Security Fund had a fund balance of \$1,083,881,293. Benefits paid during fiscal year 2021-2022 were \$17,069,954. Also, as of June 30, 2022, there were 649 pending claims with reserves totaling \$217,389,911. The ongoing review of each claim to address appropriate reserving is of primary importance to ensure the appropriate funding necessary to meet the Security Fund's fiduciary responsibility.

Periodically, the Security Fund subjects the claims data to analysis by an independent outside actuary to determine ultimate liability. Aon Global Risk Consulting was retained to assist the Security Fund by performing an actuarial analysis of the Security Fund's liabilities to aid in financial planning. The most recent independent analysis issued June 30, 2021, determined that based on data valued as of December 31, 2020, ultimate liabilities were \$376,315,611.

Currently, Inservco is providing the Bureau of Special Funds with claims administration and managed care services for the Security Fund program. Inservco is a wholly owned subsidiary of Penn National Insurance and is a leading regional third-party claims administration firm that provides risk management services to customers, including managed care, workers' compensation and claims management, and administration. Inservco also offers medical professional liability, general liability, auto, property and professional liability claims services. The company is located in Harrisburg, Pennsylvania.

As the third-party administrator, Inservco provides the following to fulfill the Security Fund's requirements of obtaining quality claims administration:

- A team of claim professionals experienced in Pennsylvania and Black Lung workers' compensation exposures.
- A medical network which provides savings through in-house repricing capabilities.
- Information systems that integrate all claim service processes, including record storage, into one internet accessible interface.

The services provided by or coordinated through Inservco include:

- All customary workers' compensation claims administration services
- Coordination of claim related services, such as vocational rehabilitation, repricing and prescription drug management programs
- The processing of electronic data transfer of medical, indemnity and expense related payments to the Commonwealth for payment by the Department of Treasury

- The provision of necessary reports for the Security Fund to evaluate and monitor claims activity and program operations
- Regular electronic reporting to Centers for Medicare & Medicaid Services (CMS) including all required claim reporting services and data collection
- Reporting of monthly and quarterly claims and administrative expenses to all Liquidators in National Association of Insurance Commissioners (NAIC) UDS format.

The Security Fund or Inservco may be contacted through the addresses below:

PA Workers' Compensation Security Fund  
901 North Seventh Street, 3<sup>rd</sup> Floor  
Harrisburg, PA 17102  
717-783-8093  
[www.insurance.pa.gov](http://www.insurance.pa.gov)

Inservco Insurance Services, Inc.  
2 North Second Street  
Harrisburg, PA 17101  
1-717-230-8300  
[www.inservco.net](http://www.inservco.net)

## SECURITY FUND BACKGROUND

*The Pennsylvania Workers' Compensation Security Fund (Security Fund) 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 on April 13, 1988; becoming Act 48; to include certain "insurers under the Federal Longshore and Harbor Workers' Compensation Act."*

The Security Fund serves as a guaranty fund which provides claims payments to individuals entitled to benefits under the Pennsylvania Workers' Compensation law (statutory benefits). These benefits would have been paid by insurance companies licensed in Pennsylvania except that such companies have been placed in liquidation by a court in their state of domicile. The responsibility of the Security Fund is limited to those benefits payable in accordance with the requirements of the Security Fund Act, the Pennsylvania Workers' Compensation Act (WC Act) or Longshore and Harbor Workers' Compensation Act, as applicable.

The Security Fund 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 of insurance companies currently providing workers' compensation coverage in the state of Pennsylvania. If, due to the payment of liabilities, the Security Fund balance is reduced below \$500 million as of December 31<sup>st</sup> of any year, an assessment is issued. The most recent assessment was issued in 2009 based on the December 31, 2008 fund balance.

A contracted third-party administrator, Inservco, provides claims administration services to the Security Fund including managed care services, auditing provider invoices and coordination with Security Fund outside counsel on matters of litigation.

The Security Fund is required to meet the mandatory reporting requirements as set forth under Section 111 of CMS. Since the inception of the Medicare Program in 1965, Medicare has been the secondary payer of workers compensation benefits. Inservco electronically exchanges health insurance benefits entitlement information, on a quarterly basis, with CMS and submits the Section 111 reporting for the Security Fund.

## LIQUIDATION PROCESS

The Security Fund was created for the purpose of assuring that payment of valid workers’ compensation benefits is made to those entitled individuals as provided by the Pennsylvania Act. These individuals were insured by an insurance carrier previously authorized to write workers’ compensation insurance in Pennsylvania that was deemed insolvent and placed into liquidation.

The Security Fund has effectively managed the liquidation of 52 estates and currently has 649 open claims. The reserves on these claims, including indemnity, medical, rehabilitation and claim expense, total approximately \$217,389,911. When liquidations occur, it is important for the Security Fund to be prepared. This preparation includes specific liquidation procedures and a commitment from Security Fund staff and the contracted claims administrator to provide timely reviews of all open claim files to assure all eligible claimants and providers are paid on a timely and accurate basis. The Security Fund’s objective is to have all eligible claimants continue to receive their indemnity benefits immediately and without interruption. Pertinent legal issues also need to be addressed promptly on open claims. Many times, the Security Fund will place a request with the Department of Labor and Industry for a “stay” of all legal proceedings involving the liquidated company. The stay is usually included in the liquidation order and is typically in effect for 90 days from the date of the order. This provides the Security Fund time to properly identify and address the legal issues on the claim files.

There were no new liquidations for the Security Fund in the fiscal year 2021-2022. The following list of open and closed claims, broken down by liquidator, provides an overview of claims status. Other claim information is provided to the Security Fund through ad-hoc reports developed via Inservco’s online tools.

Liquidator	Date of Liquidation	Domiciled State	Total Claims	Open Count	Closed Count	% Closed	Paid to Date	Outstanding	Incurred
Alliance National Ins Co	8/21/2020	NY	105	27	78	74%	\$3,006,830.71	\$8,080,929.87	\$11,087,760.58
American Mutual Ins of Boston	3/9/1989	MA	421	13	408	97%	\$25,403,834.69	\$1,776,292.32	\$27,180,127.01
American Mutual Liability Ins	3/9/1989	MA	734	12	722	98%	\$44,933,056.11	\$2,784,689.35	\$47,717,745.46
American Universal	1/8/1991	RI	24	1	23	96%	\$1,989,639.54	\$679,681.47	\$2,669,321.01
Atlantic Mutual Ins Co	4/27/2011	NY	40	8	32	80%	\$2,643,303.56	\$574,966.11	\$3,218,269.67
Bedivere Ins Co	3/11/2021	PA	52	40	12	23%	\$862,015.03	\$9,152,196.95	\$10,014,211.98
California Comp Ins. Co.	9/26/2000	CA	1	0	1	100%	\$0.00	\$0.00	\$0.00
Carriers Ins. Co.	1/16/1986	IA	82	1	81	99%	\$9,992,396.40	\$181,074.95	\$10,173,471.35
Castlepoint National Insurance Company	4/1/2017	CA	83	9	74	89%	\$1,796,239.43	\$4,916,450.52	\$6,712,689.95

Casualty Reciprocal Exchange	8/18/2004	MO	293	12	281	96%	\$22,841,003.04	\$6,163,963.83	\$29,004,966.87
Centennial Insurance Company	4/27/2011	NY	27	6	21	78%	\$2,700,696.83	\$1,501,209.30	\$4,201,906.13
Commercial Compensation Casualty Co.	9/26/2000	CA	533	3	530	99%	\$10,856,637.59	\$393,404.06	\$11,250,041.65
Consolidated Mutual Ins. Co.	5/31/1979	NY	5	0	5	100%	\$264,753.17	\$0.00	\$264,753.17
Credit General Ins. Co.	1/5/2001	OH	471	5	466	99%	\$16,368,706.30	\$2,716,107.31	\$19,084,813.61
Employers Casualty Ins. Co.	2/11/1994	TX	70	1	69	99%	\$7,564,969.17	\$385,652.24	\$7,950,621.41
Employers National Ins. Co.	2/11/1994	TX	3	0	3	100%	\$377,694.41	\$0.00	\$377,694.41
Enterprise Ins. Co.	2/24/1987	CA	1	0	1	100%	\$232.00	\$0.00	\$232.00
Freestone Insurance Company	8/15/2014	DE	367	3	364	99%	\$12,685,174.59	\$2,476,921.42	\$15,162,096.01
Fremont Compensation Ins	7/2/2003	CA	39	2	37	95%	\$6,105,642.32	\$3,030,250.46	\$9,135,892.78
Frontier Insurance Company	11/16/2012	NY	12	3	9	75%	\$3,369,158.83	\$2,808,775.09	\$6,177,933.92
Guarantee Insurance Company	11/27/2017	FL	633	45	588	93%	\$30,498,450.13	\$24,422,811.78	\$54,921,261.91
Ideal Mutual Ins. Co.	2/7/1985	NY	489	2	487	100%	\$12,261,435.84	\$72,606.18	\$12,334,042.02
Imperial Casualty and Indemnity Company	5/12/2010	AZ	69	1	68	99%	\$2,363,163.17	\$473,249.47	\$2,836,412.64
Integrity Ins. Co.	3/25/1987	NJ	58	0	58	100%	\$446,376.48	\$0.00	\$446,376.48
Intercontinental Ins. Co.	1/12/1990	IL	4	0	4	100%	\$8,129.56	\$0.00	\$8,129.56
Legion Ins. Co.	7/28/2003	PA	1019	25	994	98%	\$62,697,764.59	\$10,333,303.31	\$73,031,067.90
Lincoln General	11/5/2015	PA	3	1	2	67%	\$263,635.86	\$893,409.55	\$1,157,045.41
LMI Insurance Co.	5/22/2020	OH	21	2	19	90%	\$2,169,373.63	\$240,601.73	\$2,409,975.36

Lumbermen's Mutual Casualty Co	5/10/2013	IL	280	68	212	76%	\$18,416,423.79	\$18,814,321.44	\$37,230,745.23
Lumbermen's Underwriting Alliance (LUA)	5/23/2016	MO	43	5	38	88%	\$1,130,431.87	\$669,940.07	\$1,800,371.94
MasterCare Ins. Co.	7/14/2003	NJ	12	0	12	100%	\$779,329.22	\$0.00	\$779,329.22
Midland Ins. Co.	4/3/1986	NY	176	0	176	100%	\$11,653,742.33	\$0.00	\$11,653,742.33
Mission Ins. Co.	2/24/1987	CA	175	7	168	96%	\$11,652,893.19	\$1,965,093.07	\$13,617,986.26
Mission National Ins. Co.	2/24/1987	CA	75	0	75	100%	\$4,467,902.30	\$0.00	\$4,467,902.30
Northeastern Fire Ins Co.	6/1/1984	PA	1	0	1	100%	\$20,995.80	\$0.00	\$20,995.80
Northwestern National Insurance Co	5/2/2019	WI	3	0	3	100%	\$0.00	\$0.00	\$0.00
Park Avenue Property & Casualty	11/20/2009	AZ	1	0	1	100%	\$35,199.09	\$0.00	\$35,199.09
PHICO Ins. Co.	2/1/2002	PA	1837	68	1,769	96%	\$96,601,178.58	\$27,426,855.48	\$124,028,034.06
Reliance Ins. Co.	10/3/2001	PA	3287	82	3,205	98%	\$194,042,505.62	\$41,989,562.20	\$236,032,067.82
Rockwood Ins. Co.	8/26/1991	PA	1925	81	1,844	96%	\$147,499,358.61	\$13,038,788.52	\$160,538,147.13
Shelby Casualty Insurance Company	8/1/2006	TX	7	2	5	71%	\$369,804.87	\$65,976.39	\$435,781.26
Shelby Insurance Company	8/1/2006	TX	8	1	7	88%	\$383,968.16	\$65,029.24	\$448,997.40
State Auto Ins. Co.	12/22/1992	IN	15	0	15	100%	\$52,873.73	\$0.00	\$52,873.73
State Capital Ins. Co.	6/21/2004	NC	4	0	4	100%	\$343,732.02	\$0.00	\$343,732.02
The HOME Ins. Co.	6/13/2003	NH	650	72	578	89%	\$56,072,664.25	\$16,510,588.39	\$72,583,252.64
Transit Casualty Ins. Co.	12/3/1985	MO	60	0	60	100%	\$1,324,870.28	\$0.00	\$1,324,870.28
Ullico Casualty Company	5/30/2013	DE	175	2	173	99%	\$9,334,753.71	\$3,659,123.04	\$12,993,876.75
United Community Ins. Co.	7/7/1994	NY	191	1	190	99%	\$12,550,247.93	\$110,024.84	\$12,660,272.77
Villanova Ins. Co.	7/28/2003	PA	442	5	437	99%	\$24,787,367.94	\$1,818,117.54	\$26,605,485.48
Warwick Ins. Co.	6/22/1993	NJ	5	0	5	100%	\$170,141.26	\$0.00	\$170,141.26



Western Employers Ins. Co.	4/19/1991	CA	40	0	40	100%	\$1,760,131.09	\$0.00	\$1,760,131.09
Westmoreland Casualty Co.	9/27/1988	PA	3835	33	3,802	99%	\$192,180,196.81	\$7,197,943.61	\$199,378,140.42
Grand Total			18906	649	18257	97%	\$1,070,101,025.43	\$217,389,911.10	\$1,287,490,936.53

## CLAIM HIGHLIGHTS 2021-2022

In Section 440 of the Workers' Compensation Act, attorneys are permitted to collect fees for representing injured workers only when a fee arrangement was approved by the Workers' Compensation Judge or the Workers' Compensation Appeal Board (WCAB). On 12/22/21, in *Lorino vs WCAB (Commonwealth)*, the Supreme Court interpreted Section 440 of the Workers' Compensation Act. The Supreme Court held that in **all** cases where an injured worker prevails, the employer may be, at the discretion of the Workers' Compensation Judge, responsible for the injured worker's attorney fees. Previously, attorney fees were only assessed against the employer when it was found that the employer had not maintained a reasonable contest. Despite announcing a dramatic change in Pennsylvania Workers' Compensation law and practice, the Supreme Court's decision gives no guidance as to when or how a judge is to exercise discretion to award fees, or how to determine the amount of fees to be awarded.

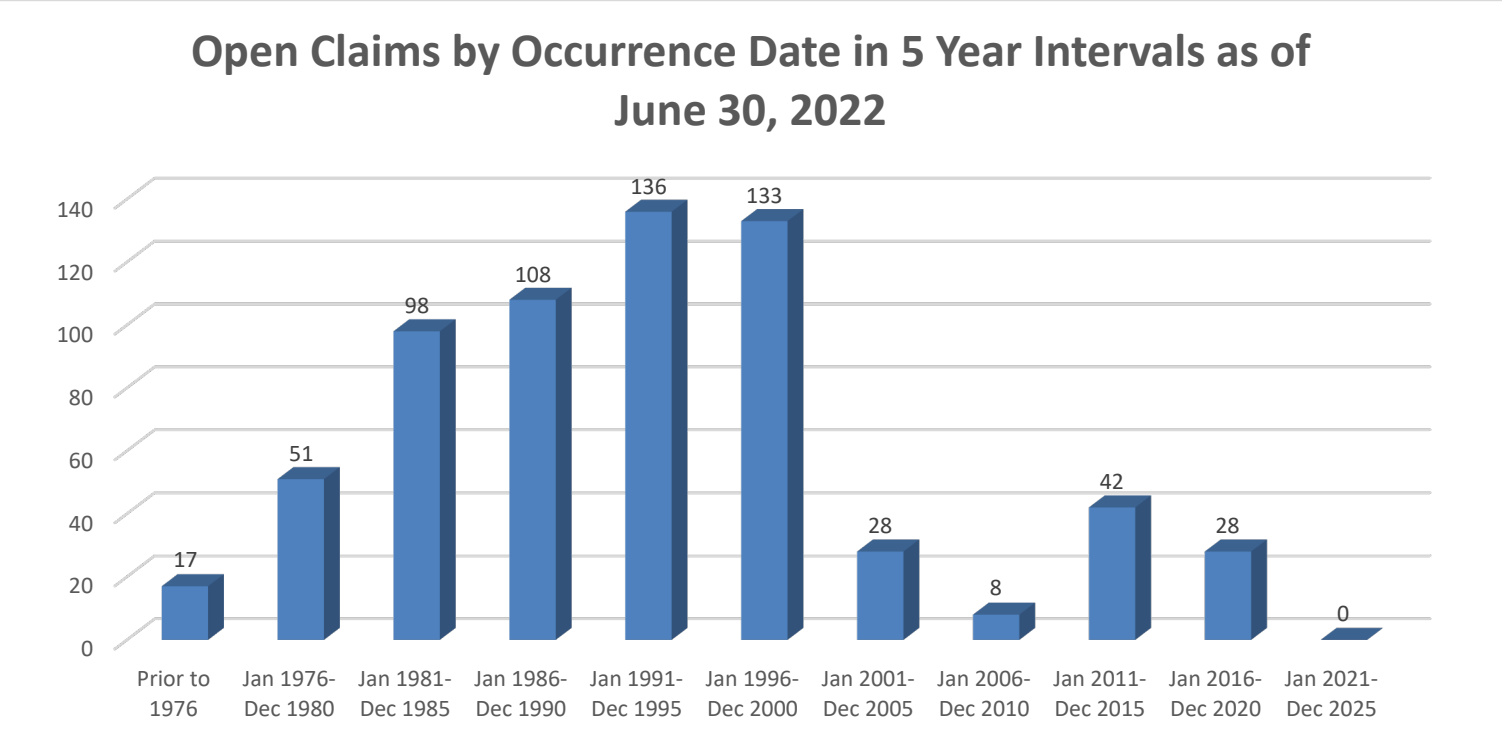
Fiscal year 2021-2022 included the continuation of the medical cost containment program, which positioned the Security Fund for measurable savings. Examples of programs include medical bill repricing, Preferred Provider Organization network discounts, and Pharmacy Benefit Management program to include mail order and generic medication alternatives.

Inservco conducts periodic claim reviews with the staff from the Security Fund. Cases are evaluated for potential compromise and release settlements as well as for overall claim strategy, reserving and action plans.

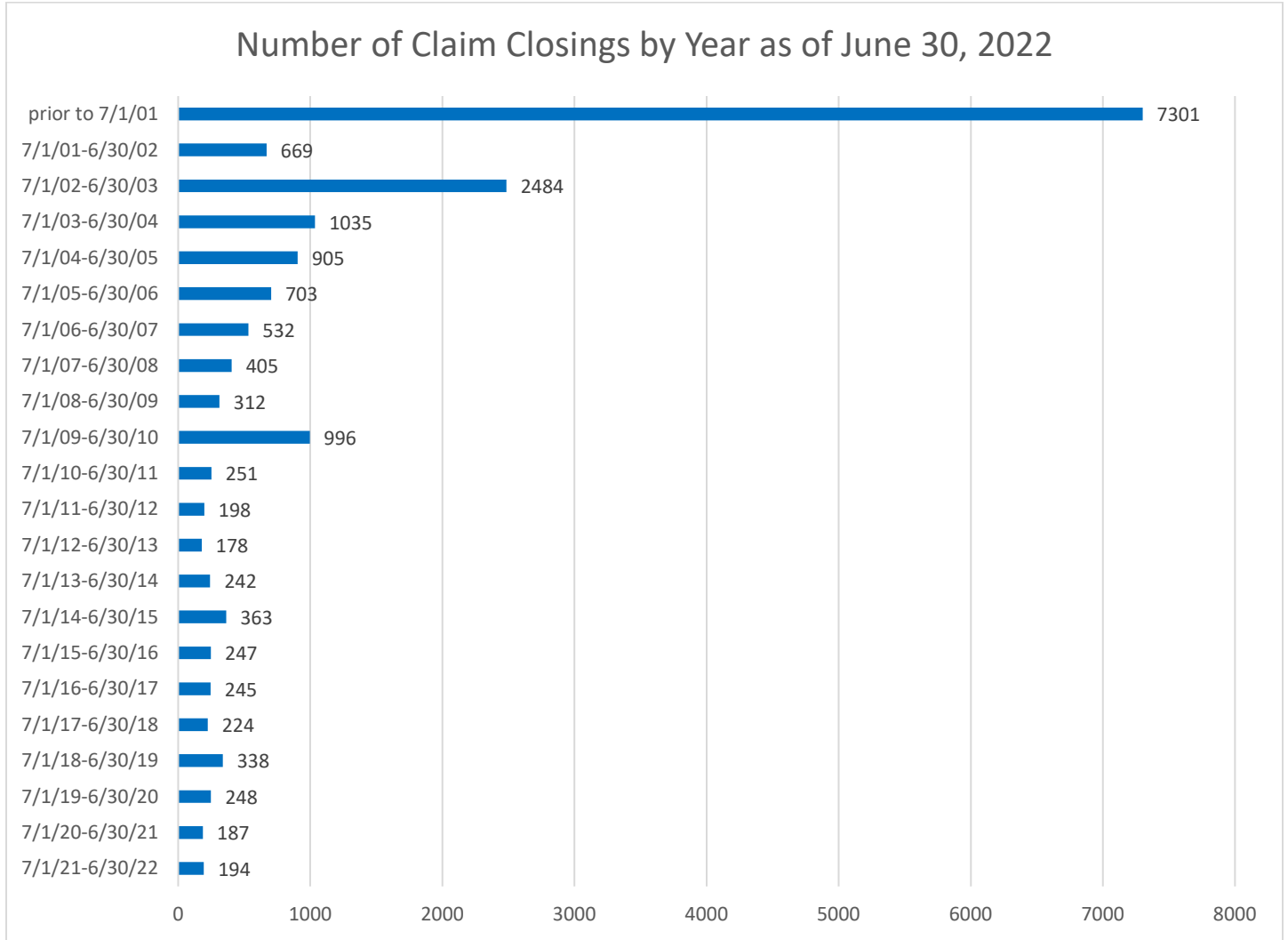
The Security Fund utilizes reports from Inservco to monitor the number of claims closed in any given fiscal year, and also the type of claims involved in the closing process, such as medical-only, legal, indemnity-only, rehabilitation-only or expense/record only. The Security Fund had a total of 649 claims (261 indemnity claims and 388 medical claims) open as of June 30, 2022.

The initiation of a new contract for Claims Administration Data Management Services with the Workers' Compensation Security Fund effective July 1, 2022, involved developing new report formats and reporting schedules, lines of communication, PBM Stewardship report schedules and Service Level Agreement review processes. Finalization of these arrangements has enabled the Security Fund and its Third-Party Administrator to collaboratively, and efficiently, monitor performance and trends in the claims management industry.

The following chart shows the number of open claims by occurrence date, grouped within 5-year periods. The largest number of open claims from any period is 136 during the period of January 1991 – December 1995. There are 17 remaining open claims with an occurrence date prior to 1976.

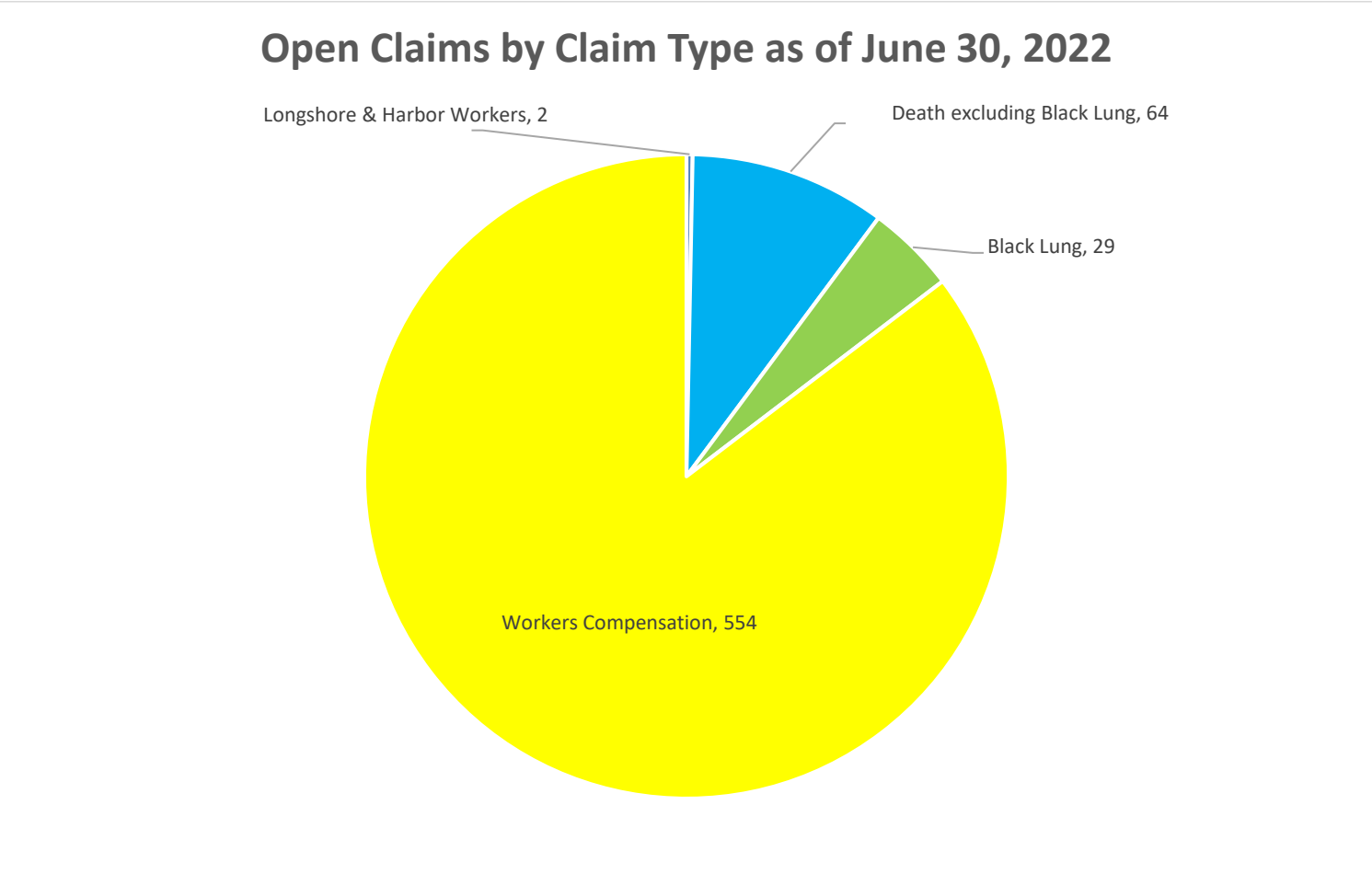


In fiscal year 2021-2022, a total of 194 claims were closed. In fiscal year 2020-2021, 187 claims were closed.

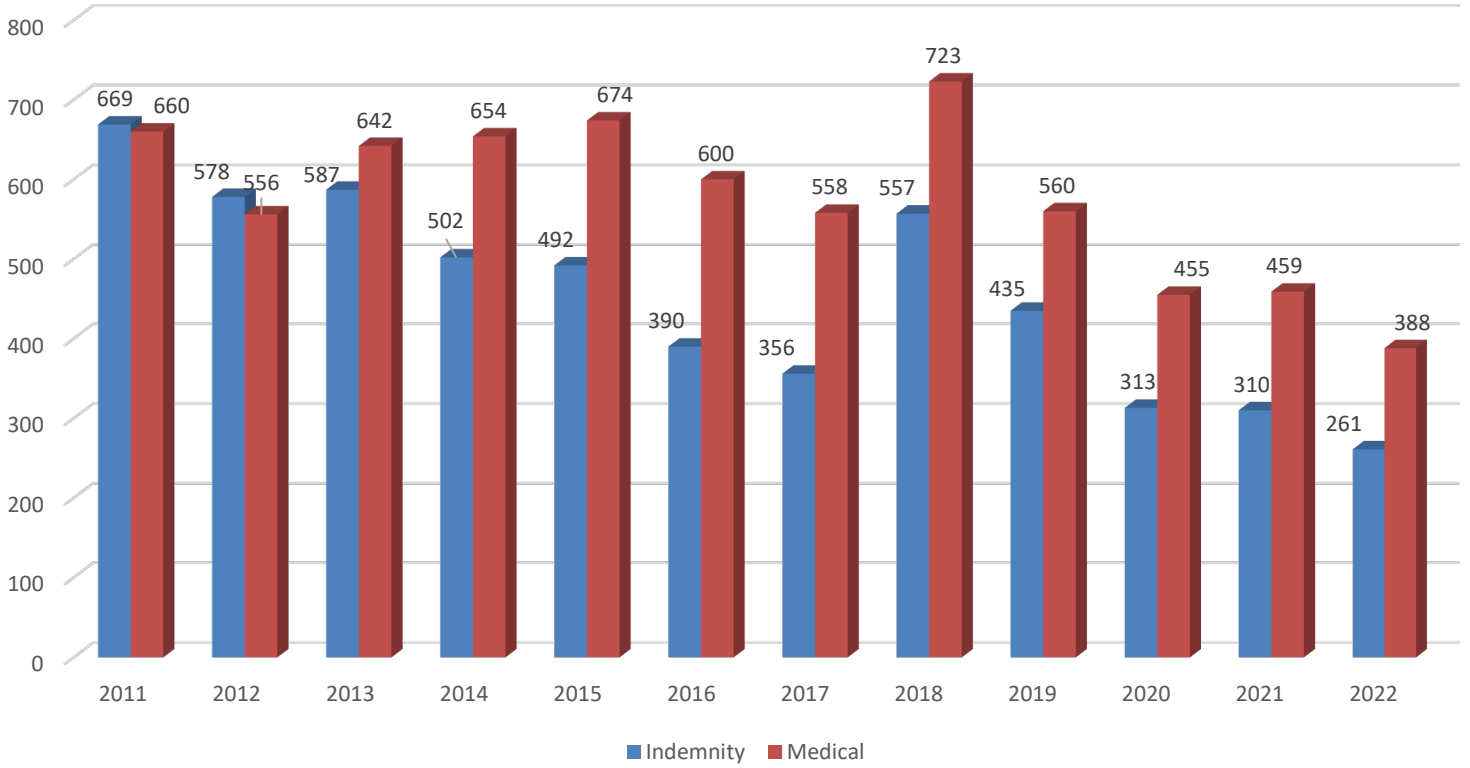


Currently, there are 649 open indemnity/medical claims inclusive of death claims, Federal Black Lung claims and Longshore and Harbor Worker claims. There are 64 open death claims with beneficiaries still receiving benefits. As of June 30, 2022, there were 29 open Federal Black Lung claims being administered by Inservco. As Federal Black Lung benefits cannot be settled, the closure is based solely on the death of the miner or beneficiary dependent. The Supreme Court on June 28, 2012, upheld the constitutionality of the Patient Protection and Affordable Care Act (PPACA). The PPACA includes a provision that eligible survivors of a miner who were receiving benefits, filed after January 1, 2005, and pending on or after March 23, 2010, are automatically entitled to benefits.

There are two claimants receiving benefits provided under the Longshore and Harbor Workers' Compensation Act (LHWC). Benefits are paid at the maximum Pennsylvania compensation rate for the year of injury or the Longshore Harbor Workers' Compensation Act rate, whichever is lower. If a benefit is termed permanent total disability, the benefits are increased each year by the cost of living adjustment as determined by the Department of Labor (US DOL) each December. In accordance with the Security Fund Act, if the LHWC insured/employer becomes insolvent, is dissolved or declares bankruptcy, these claims will be turned over to the US DOL.



### Open Claim Count by Indemnity & Medical as of June 30 Each Year



## A. Medical Savings

The Workers' Compensation Act includes a fee schedule which establishes maximum amounts to be paid to healthcare providers, including pharmacies. All eligible Security Fund invoices are repriced to fee schedule. In addition, there are special arrangements with a network of healthcare providers to receive payment less than the fee schedule which are applied to Security Fund invoices.

These special arrangements are part of the overall Medical Bill Repricing (MBR) process which encompasses several strategies that assist in providing exceptional cost containment measures. Repricing is a way to reduce costs without reducing payments to injured workers or reducing their access to medical services by utilizing fee schedules and negotiated provider discounts that determine actual reimbursement rates for medical providers. The overall process reduces the total cost of medical bills through a combination of rules-based technology, clinical expertise, expert reviews, embedded treatment guidelines, negotiations, and a Preferred Provider Organization (PPO) network.

## B. Prescription Drug Program

### **KEYSCRIPTS, LLC PHARMACY PROGRAM TRANSITION, IMPLEMENTATION, AND ADMINISTRATION**

On December 1, 2020, KeyScripts, LLC (KeyScripts) assumed administration of the pharmacy prescription drug program of the Workers' Compensation Security Fund.

KeyScripts continues to provide a discounted savings program for prescription medications in an effort to reduce expenses while having no negative impact on the medical treatment of claimants. Additionally, KeyScripts also offers an option for injured workers who meet criteria to use a mail order service to receive their medications. This alternative provides a convenient option for prescriptions to be delivered directly to the injured worker and allows continued access to their pharmacist. Of the 7,491 network prescriptions in 2021-22, 109 (1.37%) were filled through the mail order program.

KeyScripts will continue to work collaboratively with the Bureau, Inservco, and its service partners to identify and manage factors affecting network utilization and spend while emphasizing and prioritizing the use of the KeyScripts Network to capture prescription drug fills, to continue meeting the service and needs of the Security Fund's pharmacy program.

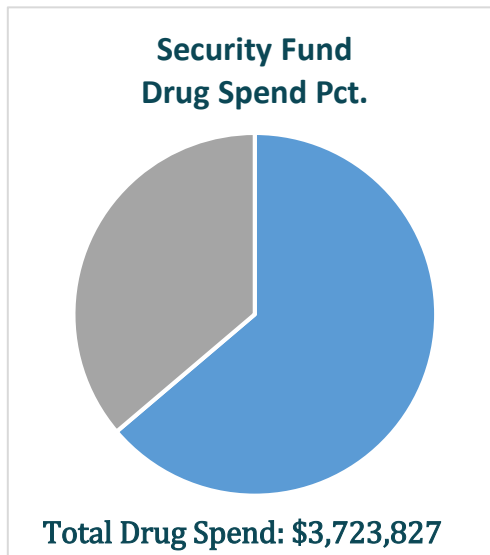


SECURITY FUND PHARMACY PROGRAM ANALYSIS  
 July 1, 2021, to June 30, 2022

**PHARMACY PROGRAM INVOICE CHARGES**  
**07/01/2021 to 06/30/2022**

Source	No. RX	Fee Schedule Amount	Amount Paid	Savings	Pct. Savings
KeyScripts	7,491	\$2,957,522.31	\$2,375,728.28	\$581,794.03	19.67%
Third-Party*	3,033	\$1,348,099.01	\$1,348,099.01	\$0.00	0.00%
<b>Totals</b>	<b>10,524</b>	<b>\$4,305,621.32</b>	<b>\$3,723,827.29</b>	<b>\$581,794.03</b>	<b>13.51%</b>

\*Third-party spend data was sourced from Health Options & Management Services, Inc. (HOMS) repricing of the Funds third-party pharmacy bills.



**KEYSCRIPTS NETWORK BRAND VS. GENERIC SPEND & SAVINGS COMPARISONS**  
**07/01/2021 to 06/30/2022**

Prescription Type	No. RX	Pct. of RX	Fee Schedule Amount	Amount Paid Thru KeyScripts	Savings Thru KeyScripts	Pct. Savings Thru KeyScripts
Brand	1,280	17.09%	\$1,495,125.16	\$1,282,272.92	\$212,852.24	14.24%
Generic	6,211	82.91%	\$1,462,397.15	\$1,093,455.36	\$368,941.79	25.23%
<b>Totals</b>	<b>7,491</b>	<b>100.00%</b>	<b>\$2,957,522.31</b>	<b>\$2,375,728.28</b>	<b>\$581,794.03</b>	<b>19.67%</b>

Through KeyScripts, 83% of all network prescriptions were filled with generic drugs.

## KEYSCRIPTS NETWORK OPIOID UTILIZATION ANALYSIS 07/01/2021 to 06/30/2022

No. of Opioid RX	No. of All RX	Opioids as a Pct. of All RX	Network Opioid Spend	Total Network Drug Spend	Opioids as a Pct. of Network Drug Spend
2,334	7,491	31.16%	\$866,705.59	\$2,375,728.28	36.49%

Opioids accounted for 31% of the Security Fund’s network prescription fills and 36% of its network drug spend

## TOP 10 DRUGS BY KEYSCRIPTS NETWORK AMOUNT BILLED 07/01/2021 to 06/30/2022

RANK	PRIOR RANK	DRUG NAME	DRUG CLASSIFICATION	BRAND	GENERIC	OPIOID	NO. RX	PCT. OF ALL RX	FEE SCHEDULE AMOUNT	AMOUNT PAID THRU KEYSCRIPTS	SAVINGS THRU KEYSCRIPTS	
1	1	OXYCONTIN®	Opioid analgesic	●		●	368	4.91%	\$340,463.06	\$292,413.01	\$48,050.05	
2	2	PERCOET®	Opioid analgesic	●		●	96	1.28%	\$275,937.73	\$236,185.42	\$39,752.31	
3	3	PREGABALIN	Anticonvulsant		●		243	3.24%	\$156,603.68	\$114,817.78	\$41,785.90	
4	5	GABAPENTIN	Anticonvulsant		●		570	7.61%	\$113,393.81	\$84,668.39	\$28,725.42	
5	10	LIDOCAINE	Topical anesthetic		●		164	2.19%	\$82,488.14	\$60,647.70	\$21,840.44	
6	4	DULOXETINE HCL	SNRI*		●		225	3.00%	\$82,044.76	\$60,504.77	\$21,539.99	
7	6	LIDODERM®	Topical anesthetic	●			39	0.52%	\$70,377.67	\$60,296.93	\$10,080.74	
8	NR	DICLOFENAC SODIUM	NSAID		●		116	1.55%	\$78,065.31	\$57,232.11	\$20,833.20	
9	9	TIVICAY®	Antiviral (HIV)	●			13	0.17%	\$65,781.17	\$56,265.04	\$9,516.13	
10	8	CELECOXIB	NSAID		●		186	2.48%	\$71,776.44	\$52,751.40	\$19,025.04	
							<b>TOTALS</b>	<b>2,020</b>	<b>26.97%</b>	<b>\$1,336,931.77</b>	<b>\$1,075,782.55</b>	<b>\$261,149.22</b>
NR - Not Ranked in Top 10 in Prior Report												
*Serotonin-norepinephrine reuptake inhibitor												

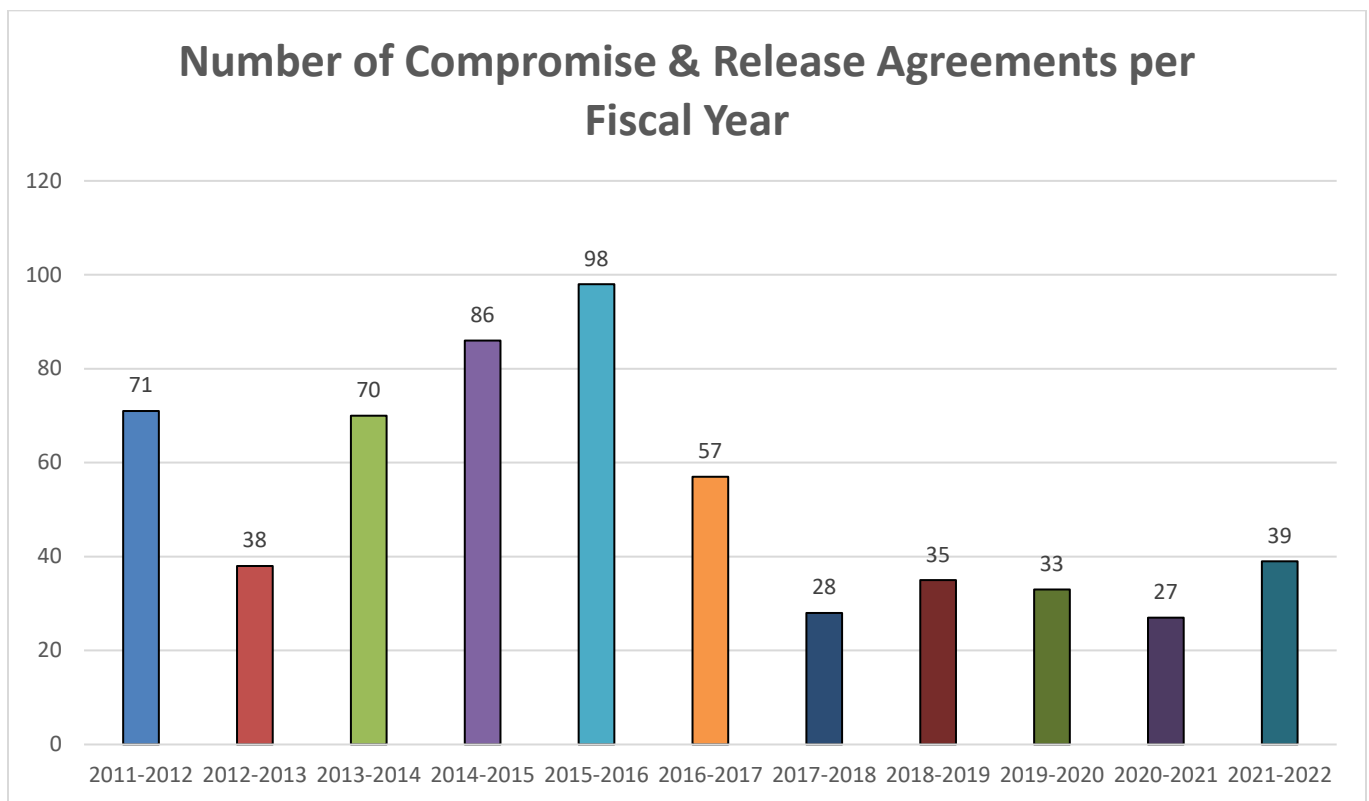
These 10 drugs accounted for 27% of the Security Fund’s network prescription fills and 45% of its network drug spend.

### C. Compromise and Release Agreement

A Compromise and Release Agreement is typically a final settlement of either indemnity benefits, medical benefits, or both. The implementation of this agreement provision to the Pennsylvania Workers' Compensation Act has had a proven impact on claims resolution and financial savings to the Security Fund, allowing the Security Fund to resolve claims as a lump sum payment or structured settlement.

If medical benefits are settled under the terms of a Compromise and Release Agreement, Inservco ensures the requirements of the Centers for Medicare & Medicaid Services (CMS) are met by establishing a Medicare Set Aside account when necessary. Inservco also addresses any Medicare Secondary Payer Recovery Contractor (MSPRC) liens with CMS as part of the final claims closing process after a Compromise and Release has been executed.

From July 1, 2021, through June 30, 2022, a total of 39 claims were settled by way of Compromise and Release. The chart below illustrates the total number of cases settled since 2011.



#### D. Fraud Prevention Measures

The Act, known as Act 44, was amended in 1993. These amendments made several important changes including the implementation of specific insurance fraud provisions that are directed against all parties involved in the system including the injured worker. A perpetrator of fraud can be the subject of a fraud prosecution that could result in fines up to \$50,000 and possibly several years in prison. These amendments were expanded by the 1996 amendments, which made it a criminal offense for an employee to knowingly, with the intent to defraud, fail to make certain necessary reports on work status. These amendments, known as Act 57, likewise make it an offense to receive total disability benefits while employed or to receive partial disability benefits in excess of the amount permitted based on wages earned.

The Security Fund considers falsification of work-related information as insurance fraud and, in conjunction with Inservco, has utilized legislative tools to address the issue of workers' compensation fraud.

Inservco subscribes to the Insurance Services Office (ISO) to identify and deter fraud on the part of the claimant. Inservco also employs database searches throughout the jurisdictions in which it does business including Federal databases to further deter and prevent fraud.

#### E. Liquidations

There were no new liquidations for the fiscal year of 2021-2022.

#### F. Technological Enhancements

Inservco computer network infrastructure is resilient and includes redundant data centers and continuous replication to all sites. In the event of a disaster, Inservco's systems will be live in production within 24 hours with no loss of data.

Administratively, the paperless workflow process continues to be an efficient user tool. The Security Fund staff, as well as most of the state Liquidators, have secured viewing access directly through the internet. Viewer access provides instant access to claim payments, claim reserves, claim activity and file documents. During fiscal year 2021-2022, very little paper flowed between the Security Fund and Inservco, which continued to eliminate time consuming tasks such as paper filing and onsite paper file audits for the Security Fund, Liquidators and Reinsurers.

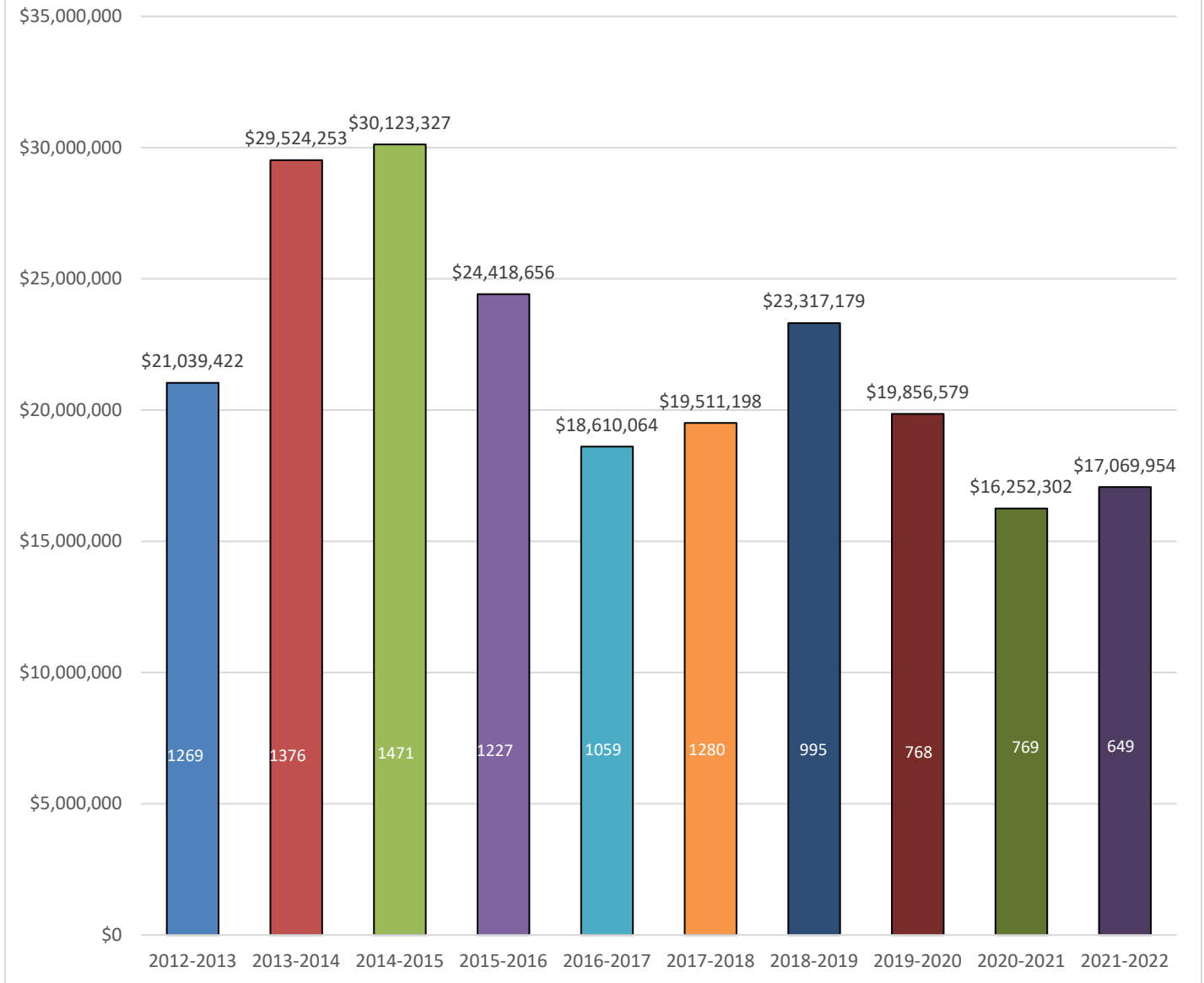
Inservco also continues to invest in core and ancillary systems. A significant investment was made to its systems to meet the requirements of the Security Fund. Enhancements were made to core systems to capture additional data elements needed by both the Security Fund and the National Council of Insurance Guaranty Funds (NCGIF). Inservco developed and enhanced interfaces with both the State of Pennsylvania and the NCGIF to facilitate the secure transmission of data between parties.

The Security Fund Web Page is located on the Insurance Department's website <http://www.insurance.pa.gov>. This web page provides valuable information to consumers who have inquiries regarding the Security Fund's background, contact information and answers to frequently asked questions.

### **FINANCIAL HIGHLIGHTS 2021-2022**

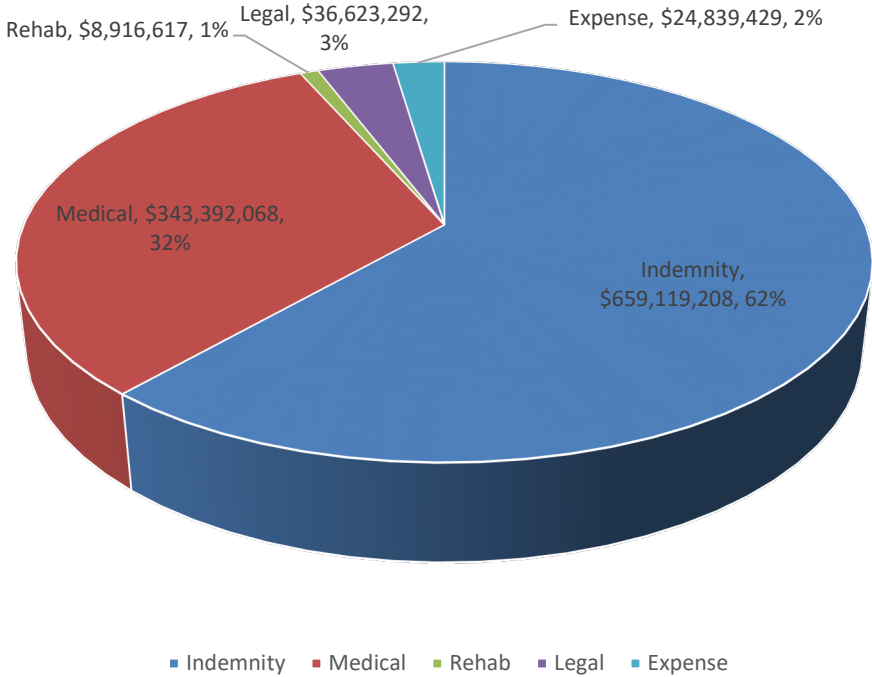
During fiscal year 2021-2022, the Security Fund paid \$17,069,954 in benefits. Due to several liquidations in 2012-13 and 2014-15, this resulted in increased benefit payments for these fiscal years. Payment types are broken down into the following categories: indemnity, medical, expense and legal. Monies paid out by the Security Fund under these categories are illustrated on the following charts.

## Total Number of Claims and Benefits Paid in the Past 10 Fiscal Years

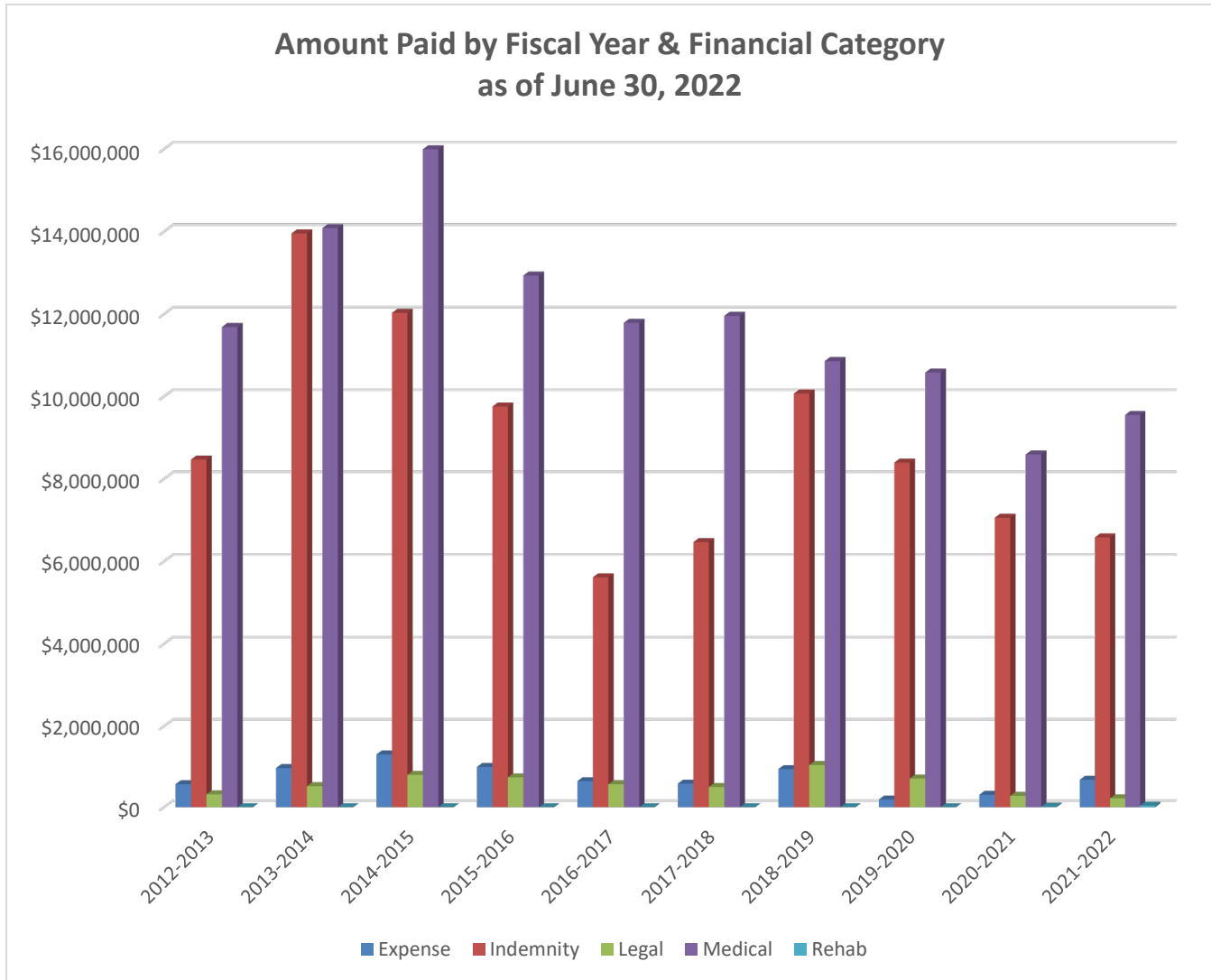


The vast majority of payments over the past ten years have been indemnity payments, which include Compromise and Release settlement payments. A total of \$659,119,208 has been paid in indemnity benefits, which represents 62% of the total payouts over the life of the Security Fund. Medical payments totaling \$343,392,068 represent 32% of the total Security Fund payments. Expense payments total \$24,839,429 representing only 2% of the total payments with the remaining 3% in payments totaling \$36,623,292 for legal expenses.

### Percentage of Amount Paid through June 30, 2022

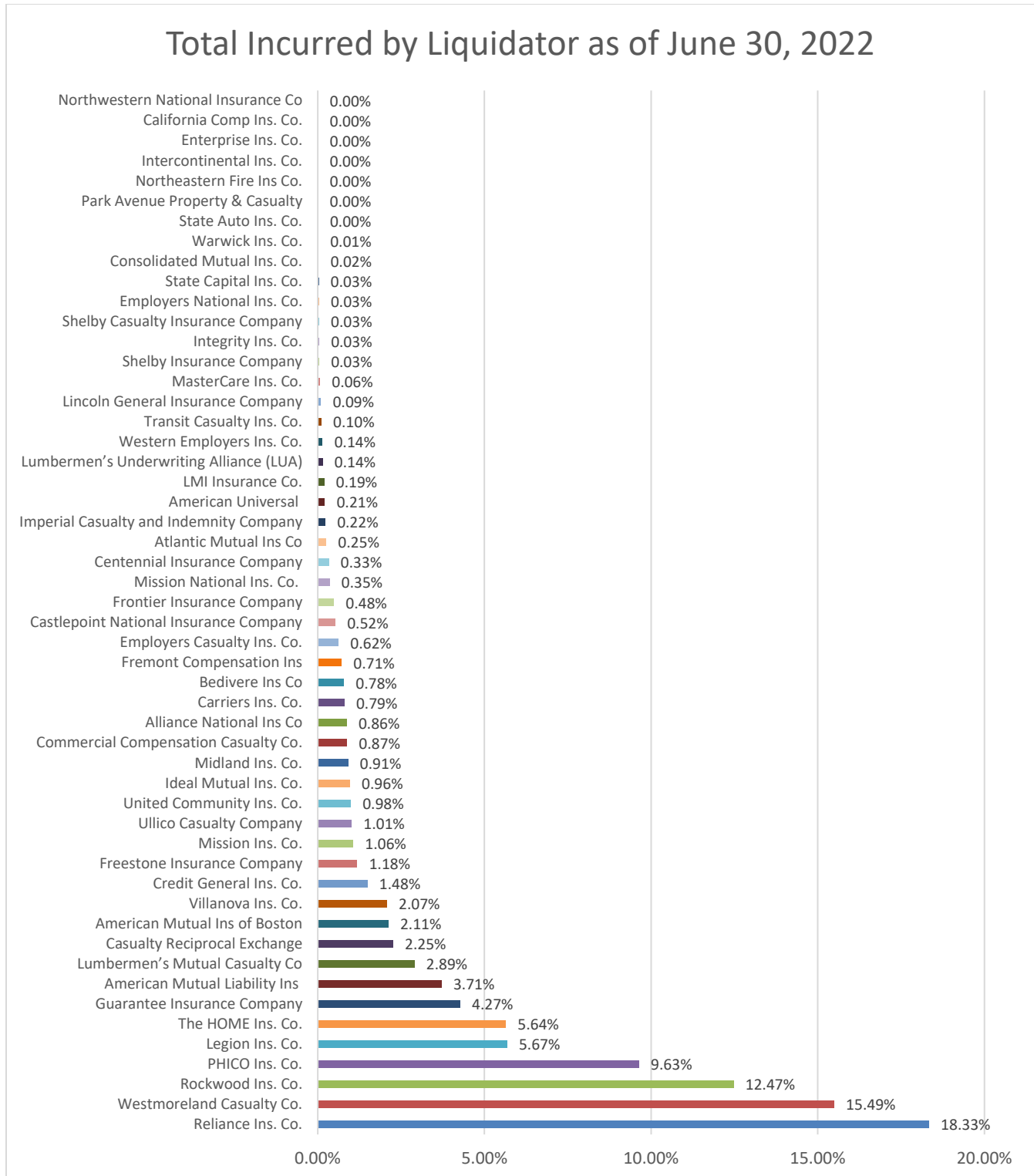


There were decreases in the following categories: Indemnity by \$477,122, and Legal by \$60,704. Medical increased by \$958,408, Rehab increased by \$27,084 and Expenses increased by \$369,987. The increase of the Medical payments were due, in part to the payment of a large amount of outstanding medical bills by the Fund as a result of the Bedivere liquidation that took place just prior to the current fiscal year and the payment of outstanding Optum bills for services that occurred during the previous TPAs handling of the claims. The increase of the Expense and Rehab payments were due to the aggressive claims handling seeking to result in settlements and the closure of claims by Inservco Insurance Services.



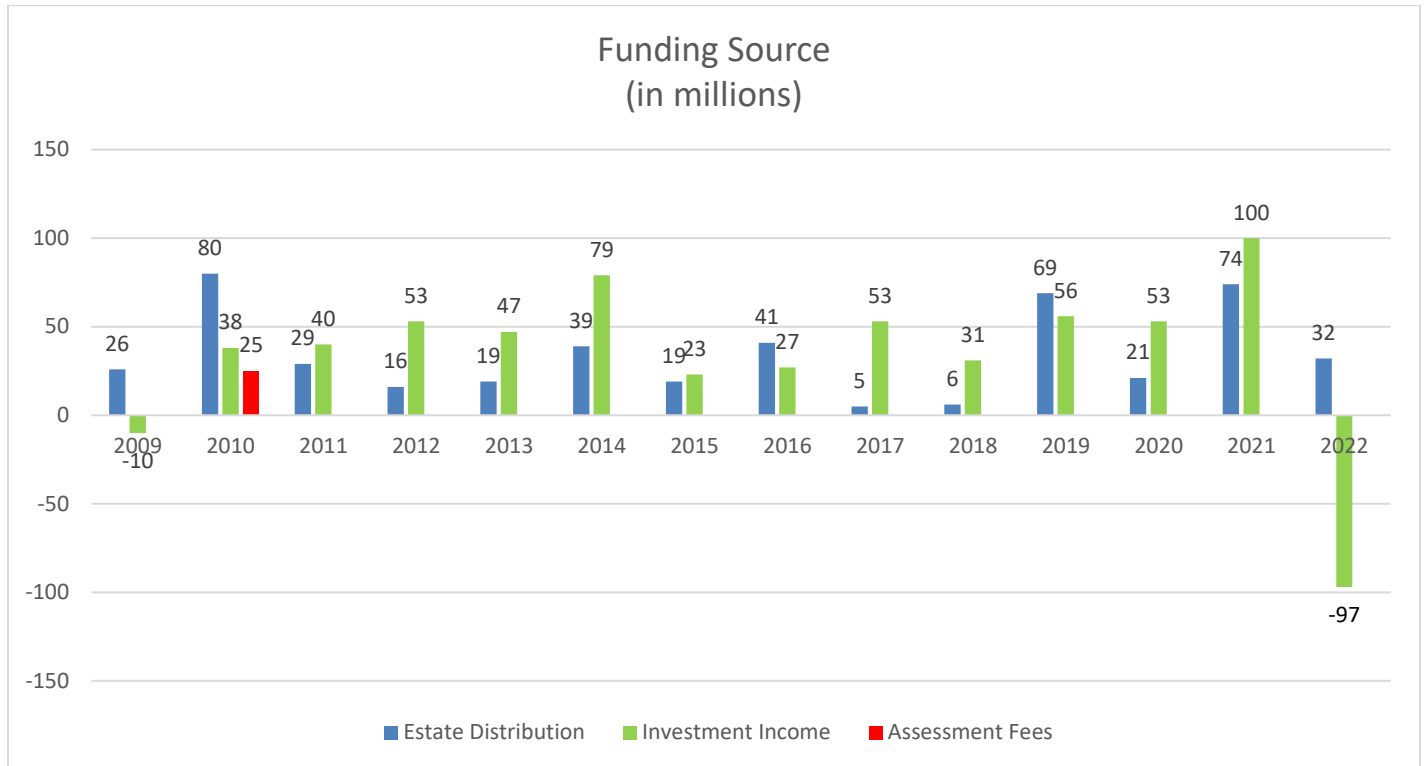


The chart below illustrates the total incurred amount from the inception of the Security Fund. The incurred amount is defined as the sum of the claim reserve and the amount paid by liquidations as of June 30, 2022. Reliance Insurance Company and Westmoreland Casualty Insurance were the two top liquidators by incurred values.



## Funding

Funding for the Security Fund is derived from three sources: Assessments levied on member insurers, distributions obtained from the estates of insolvent insurers, and investment income. Estate distributions are an essential funding source for the Security Fund; when there is a high level and frequency of distributions from receiverships, there is less need for assessments on member companies.



### Workers Compensation Security Fund-Bureau of Special Funds

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