

COMMONWEALTH OF PENNSYLVANIA
CATASTROPHIC LOSS BENEFITS CONTINUATION FUND
STATUS OF FUND AND
OUTSTANDING LIABILITY REPORT
Projected as of June 30, 2023

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January 24, 2023

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Attachment A - Auto CAT Fund Cash Flow

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I. Executive Summary

The Catastrophic Loss Benefits Continuation Fund (Auto CAT Fund or CLBCF) is projected to be fully funded as of June 30, 2023. This means the projected revenue will be sufficient to cover projected claim payments and administrative expenditures. Per this year's Actuarial Analysis, the Auto CAT Fund is projected to make the last payment in fiscal year 2094.

An inflation rate of 4% was chosen as the base assumption for this report. Under the 4% rate of inflation, the ultimate projected fund status is fully funded (no deficit). The base scenario uses the 4% annual interest rate assumption and assumes that all assets are held to maturity. Unrealized gains or losses are not reflected in the projected cash flows but are included in the financial statements of the CLBCF.

Last year, the Auto CAT Fund was projected, as of June 30, 2022, to be fully funded. The Auto CAT Fund's expected claim payments subsequent to June 30, 2023, under the current base scenario assumptions are 2.7% lower than the base scenario in the prior actuarial report whereby the Fund was also fully funded.

Actuarial estimates are subject to uncertainty from various sources, including changes in claim reporting patterns, claim settlement patterns, judicial decisions, CMS recovery liens, legislation, economic conditions, mortality, etc. Actual future losses, loss adjustment expenses, and other expenses will not develop exactly as projected and may, in fact, vary significantly from one projection to another.

As stated previously, the Auto CAT Fund is projected to be fully funded as of June 30, 2023. Action or reaction based on the Auto CAT Fund's projected status should be tempered in consideration of the variables mentioned above, including but not limited to, changes in economic conditions and/or claim payment patterns.

II. Introduction

This report titled "Status of Fund and Outstanding Liability Report" provides the status and outstanding liability of the Auto CAT Fund. The report reflects actual claims experience as of September 30, 2022, and estimates the revenues and liabilities from June 30, 2023, forward. The report is submitted by the Insurance Commissioner and the Secretary of the Budget to the General Assembly as required by 75 Pa. C.S. §§ 1798.3-1798., the Act of July 1, 1989, P.L. 115, No. 24 ("Act 24"), and is due by January 31 of each year.

The definition of fully funded liability in this report is the estimated present value (on June 30, 2023) of all future claim and administrative payments for all known and expected claims incurred but not reported (IBNR) less the projected investment income and the Auto CAT Fund balance.

The Auto CAT Fund was originally financed by a transfer of funds from the Catastrophic Loss Trust Fund (Trust Fund). The Auto CAT Fund received funding from revenues collected as a result of surcharges applied to certain traffic violations through

December 31, 2003, and it continues to receive funds earned through investments and reinvestments. The monies are used to pay benefits to eligible persons severely injured in automobile accidents.

III. Background

The Motor Vehicle Financial Responsibility Law, 75 Pa. C.S. § 1701, et seq. (MVFRL), created the Trust Fund effective October 1, 1984. The original \$5 charge, and subsequent \$8 annual charge, assessed on each motor vehicle registration allowed for the payment of benefits on behalf of eligible Pennsylvanians. The Trust Fund was designed to compensate victims of catastrophic motor vehicle accidents by providing benefits for reasonable, medically necessary, and accident-related medical treatment and rehabilitative services in excess of \$100,000. Trust Fund benefits are restricted by statute to a \$50,000 annual maximum after the first 18 months of eligibility, with a \$1 million lifetime maximum. There is no cap in payments for the first 18 months of eligibility.

Act 144 of 1988 (Act 144) repealed the provisions of the MVFRL which created the Trust Fund; specifically, 75 Pa. C.S. §§ 1761-1769; however, Act 144 did not address the continuation of benefits to accident victims who were potentially eligible while the Trust Fund existed or provide for such protection to be offered by the commercial insurance market. In addition, Act 144 did not provide for funding the outstanding liability from unreported claims of the Trust Fund.

Act 4 of 1989 (Act 4), 75 Pa. C.S. §§ 1798.1, 1798.2, extended full Catastrophic Loss Trust Fund coverage through May 31, 1989, and required that automobile insurers offer, on a voluntary basis, extraordinary medical benefits effective June 1, 1989, to replace benefits previously provided by the Trust Fund. Act 4 terminated Trust Fund eligibility as of June 1, 1989, and it provided for limited continued eligibility through December 31, 1989.

Act 24 of 1989, in addition to creating the Auto CAT Fund, imposed surcharges ranging from \$30 to \$300 on certain traffic violations and required that the moneys be used to continue to pay catastrophic loss benefits and for administration of the Auto CAT Fund.

Act 72 of 1995, 75 Pa. C.S. § 4706.1 (expired Dec. 31, 1998), authorized funds within the Auto CAT Fund for contract settlement costs between the Commonwealth of Pennsylvania and Envirotest, Inc. as long as the transfer of funds did not prevent the timely processing and payment of catastrophic loss benefits.

Act 13 of 2002 (Act 13), Chapter 7, Subchapter B, § 712(m), 40 P.S. § 1303.712(m), specifies that the collection of surcharge revenue by the Auto CAT Fund ceased after December 31, 2003. Also, Act 13 § 713(c), 40 P.S. § 1303.713(c), specifies that the Auto CAT Fund may be required to loan money to the Medical Care Availability and Reduction of Error (Mcare) Fund.

IV. Report Assumptions

This report uses claim experience data of the Trust Fund and the Auto CAT Fund. Actuarial estimates of future claim and administrative payments are included in addition to outstanding benefit and administrative liabilities.

The actuarial analysis utilizes the following assumptions:

- Medical claim costs will increase at approximately 4% per year.
- Investment income is calculated based on a yield applied to the average Auto CAT Fund balance during the period.
- There will be no other dramatic changes in the political, social, or socio-economic environment that might materially affect the cost or frequency of medical benefits paid by the Auto CAT Fund.
- There will be no acceleration or deceleration in disbursement patterns attributable to changes in claims administration or for any other reason.

V. Fully Funded Liability vs. Unfunded Liability

The Auto CAT Fund Cash Flow data (Attachment A) reflects actual and/or estimated revenue, expenses, and outstanding liabilities for fiscal years 2022/23 through 2093/94.

For assumption scenarios where the Auto CAT Fund's projected investment income is sufficient to satisfy its projected liabilities, such as the one shown in this report, investment income will be shown as zero even though additional investment income would produce a positive final fund balance. Where Auto CAT Fund projected income exceeds the amount required to pay future liabilities, it is assumed that any excess earnings will be transferred into the General Fund. For this reason, investment income is no longer shown beginning with fiscal year 2038.

In the current fiscal year, the Auto CAT Fund is projected to be fully funded as of June 30, 2023. This means that as of June 30, 2023, the estimated Auto CAT Fund balance of \$85.3 million plus the estimated interest of \$45.2 million will equal or exceed the estimated outstanding responsibility for claims and administrative costs of \$130.6 million.

Last year the Auto CAT Fund was anticipated to be fully funded as of June 30, 2022. This was based on an estimated June 30, 2022, Fund balance of \$103.7 million which equals or exceeds the estimated outstanding responsibility for claims and administrative costs of \$87.6 million. Again, the estimated interest was shown as \$0.00 under the assumption that excess investment income will be transferred to the General Fund and would not remain as income in the Auto CAT Fund.

The Summary Update Chart (Attachment B) compares changes to key indicators between the prior and current year's actuarial analyses which estimate outstanding liabilities following June 30, 2022, and June 30, 2023, respectively.

VI. Surcharge Revenue

Pursuant to Act 24 of 1989, the Auto CAT Fund was in part financed by surcharges applied to certain traffic violations. Surcharge revenue ceased being directed to the Auto CAT Fund after December 31, 2003, under Act 13 of 2002.

VII. Loans to Medical Care Availability and Reduction of Error (Mcare) Fund

In accordance with Act 13 of 2002, the Auto CAT Fund processed the following loans to the Medical Care Availability and Reduction of Error Fund (Mcare):

- December 15, 2002 - \$7.0 million
The principal balance of the loan was paid in full as of June 20, 2003. The interest owed was paid in full by October 15, 2003. This loan did not impact the Auto CAT Fund's ability to pay claims.
- July 23, 2004 - \$97.0 million
The principal balance of the loan, and interest owed, was paid in full on July 28, 2005, in the amount of \$3,483,124. This loan did not impact the Auto CAT Fund's ability to pay claims.

VIII. Auto CAT Fund Summary Data (December 31, 2022)

Fund Balance	\$88,520,580
Number of Open Claims	343
Claims assigned to the Claims Administrator (Since Fund Inception)	2875
Benefit Recipients (Since Fund Inception)	1884
Total Benefits paid (Since Fund Inception)	\$549,174,913

Pennsylvania Insurance Department / Bureau of Special Funds
Catastrophic Loss Benefits Continuation Fund (CLBCF)
Actuarial Analysis as of June 30, 2023
Based on Data as of September 30, 2022

Cash Flow Analysis - Base Scenario

Scenario =	8
Interest Rate =	4.0%
Inflation Rate =	4.0%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Fiscal Period	Surcharge Revenue	Investment Income	Other Revenue	Total Revenue	Mortality Adjusted Medical Payments	Claims Expense	Administrative Expense	Total Expense	Revenues Over / (Under) Expenditures	CAT Fund Balance at End of Period
6/30/2022										91,465,514
7/1/2022 - 9/30/2022	0	-3,676,623	343,978	-3,332,645	1,153,087 incl. in (6)		1,308,295	2,461,382	-5,794,027	85,671,487
10/1/2022 - 6/30/2023	0	2,515,052	0	2,515,052	2,428,364	48,567	367,155	2,844,086	-329,034	85,342,453
7/1/2023 - 6/30/2024	0	3,318,863	0	3,318,863	3,186,931	63,739	1,538,050	4,788,719	-1,469,856	83,872,596
7/1/2024 - 6/30/2025	0	3,261,912	0	3,261,912	3,113,394	62,268	1,519,950	4,695,612	-1,433,699	82,438,897
7/1/2025 - 6/30/2026	0	3,206,406	0	3,206,406	3,048,523	60,970	1,493,110	4,602,604	-1,396,198	81,042,700
7/1/2026 - 6/30/2027	0	3,152,261	0	3,152,261	2,992,530	59,851	1,464,263	4,516,644	-1,364,383	79,678,317
7/1/2027 - 6/30/2028	0	3,099,478	0	3,099,478	2,932,672	58,653	1,434,811	4,426,137	-1,326,659	78,351,658
7/1/2028 - 6/30/2029	0	3,047,700	0	3,047,700	2,900,749	58,015	1,402,307	4,361,071	-1,313,371	77,038,287
7/1/2029 - 6/30/2030	0	2,998,721	0	2,998,721	2,759,556	55,191	1,366,751	4,181,498	-1,182,776	75,855,510
7/1/2030 - 6/30/2031	0	2,954,430	0	2,954,430	2,648,253	52,965	1,327,796	4,029,014	-1,074,584	74,780,926
7/1/2031 - 6/30/2032	0	2,914,113	0	2,914,113	2,556,433	51,129	1,286,844	3,894,405	-980,293	73,800,634
7/1/2032 - 6/30/2033	0	2,868,220	0	2,868,220	2,515,650	50,313	1,665,797	4,231,759	-1,363,539	72,437,094
7/1/2033 - 6/30/2034	0	2,818,447	0	2,818,447	2,320,526	46,411	1,624,057	3,990,993	-1,172,547	71,264,548
7/1/2034 - 6/30/2035	0	2,774,973	0	2,774,973	2,195,158	43,903	1,578,826	3,817,887	-1,042,914	70,221,634
7/1/2035 - 6/30/2036	0	2,736,530	0	2,736,530	2,083,194	41,664	1,527,706	3,652,564	-916,034	69,305,600
7/1/2036 - 6/30/2037	0	2,703,010	0	2,703,010	1,981,039	39,621	1,474,300	3,494,960	-791,950	68,513,650
7/1/2037 - 6/30/2038	0	2,674,990	0	2,674,990	1,852,966	37,059	1,420,210	3,310,236	-635,245	67,878,405
7/1/2038 - 6/30/2039	0	673,395	0	673,395	1,786,716	35,734	1,361,439	3,183,889	-2,510,494	65,367,912
7/1/2039 - 6/30/2040	0	0	0	0	1,725,131	34,503	1,300,387	3,060,021	-3,060,021	62,307,891
7/1/2040 - 6/30/2041	0	0	0	0	1,648,909	32,976	1,237,059	2,918,845	-2,918,845	59,389,046
7/1/2041 - 6/30/2042	0	0	0	0	1,558,118	31,162	1,171,456	2,760,736	-2,760,736	56,628,310
7/1/2042 - 6/30/2043	0	0	0	0	1,483,699	29,674	1,618,881	3,132,255	-3,132,255	53,496,055
7/1/2043 - 6/30/2044	0	0	0	0	1,353,136	27,063	1,549,037	2,929,235	-2,929,235	50,566,819
7/1/2044 - 6/30/2045	0	0	0	0	1,230,445	24,609	1,473,476	2,728,530	-2,728,530	47,838,290
7/1/2045 - 6/30/2046	0	0	0	0	1,151,007	23,020	1,396,700	2,570,727	-2,570,727	45,267,562
7/1/2046 - 6/30/2047	0	0	0	0	1,095,630	21,913	1,316,463	2,434,006	-2,434,006	42,833,556
7/1/2047 - 6/30/2048	0	0	0	0	1,060,959	21,219	1,238,168	2,320,345	-2,320,345	40,513,211
7/1/2048 - 6/30/2049	0	0	0	0	980,136	19,603	1,155,966	2,155,705	-2,155,705	38,357,506
7/1/2049 - 6/30/2050	0	0	0	0	925,130	18,503	1,076,161	2,019,794	-2,019,794	36,337,712
7/1/2050 - 6/30/2051	0	0	0	0	867,540	17,351	996,056	1,880,947	-1,880,947	34,456,765
7/1/2051 - 6/30/2052	0	0	0	0	790,181	15,804	917,455	1,723,439	-1,723,439	32,733,326
7/1/2052 - 6/30/2053	0	0	0	0	675,386	13,508	1,350,159	2,039,053	-2,039,053	30,694,273
7/1/2053 - 6/30/2054	0	0	0	0	564,653	11,293	1,258,272	1,834,218	-1,834,218	28,860,055
7/1/2054 - 6/30/2055	0	0	0	0	497,172	9,943	1,166,047	1,673,163	-1,673,163	27,186,892
7/1/2055 - 6/30/2056	0	0	0	0	442,288	8,846	1,072,488	1,523,622	-1,523,622	25,663,270
7/1/2056 - 6/30/2057	0	0	0	0	400,973	8,019	991,598	1,400,590	-1,400,590	24,262,680
7/1/2057 - 6/30/2058	0	0	0	0	365,186	7,304	913,380	1,285,870	-1,285,870	22,976,810
7/1/2058 - 6/30/2059	0	0	0	0	304,803	6,096	838,338	1,149,237	-1,149,237	21,827,573
7/1/2059 - 6/30/2060	0	0	0	0	276,379	5,528	773,474	1,055,381	-1,055,381	20,772,192
7/1/2060 - 6/30/2061	0	0	0	0	245,480	4,910	715,794	966,183	-966,183	19,806,009
7/1/2061 - 6/30/2062	0	0	0	0	211,206	4,224	667,300	882,729	-882,729	18,923,280
7/1/2062 - 6/30/2063	0	0	0	0	181,303	3,626	898,746	1,083,675	-1,083,675	17,839,605
7/1/2063 - 6/30/2064	0	0	0	0	150,821	3,016	830,550	984,387	-984,387	16,855,217
7/1/2064 - 6/30/2065	0	0	0	0	126,986	2,540	761,250	890,775	-890,775	15,964,442
7/1/2065 - 6/30/2066	0	0	0	0	93,117	1,862	708,450	803,430	-803,430	15,161,012
7/1/2066 - 6/30/2067	0	0	0	0	62,980	1,260	656,750	720,990	-720,990	14,440,023
7/1/2067 - 6/30/2068	0	0	0	0	52,061	1,041	621,550	674,652	-674,652	13,765,371
7/1/2068 - 6/30/2069	0	0	0	0	43,080	862	589,650	633,591	-633,591	13,131,779
7/1/2069 - 6/30/2070	0	0	0	0	35,182	704	565,450	601,336	-601,336	12,530,444
7/1/2070 - 6/30/2071	0	0	0	0	28,718	574	546,200	575,492	-575,492	11,954,951
7/1/2071 - 6/30/2072	0	0	0	0	23,309	466	531,900	555,675	-555,675	11,399,276
7/1/2072 - 6/30/2073	0	0	0	0	18,620	372	576,800	595,792	-595,792	10,803,484
7/1/2073 - 6/30/2074	0	0	0	0	14,636	293	556,400	571,328	-571,328	10,232,155
7/1/2074 - 6/30/2075	0	0	0	0	10,678	214	543,800	554,692	-554,692	9,677,463
7/1/2075 - 6/30/2076	0	0	0	0	7,468	149	533,000	540,618	-540,618	9,136,846
7/1/2076 - 6/30/2077	0	0	0	0	4,994	100	524,000	529,094	-529,094	8,607,752
7/1/2077 - 6/30/2078	0	0	0	0	3,658	73	516,800	520,531	-520,531	8,087,221
7/1/2078 - 6/30/2079	0	0	0	0	2,565	51	511,400	514,017	-514,017	7,573,204
7/1/2079 - 6/30/2080	0	0	0	0	1,731	35	509,000	510,765	-510,765	7,062,439
7/1/2080 - 6/30/2081	0	0	0	0	1,065	21	506,000	507,087	-507,087	6,555,352

Pennsylvania Insurance Department / Bureau of Special Funds
Catastrophic Loss Benefits Continuation Fund (CLBCF)
Actuarial Analysis as of June 30, 2023
Based on Data as of September 30, 2022

Cash Flow Analysis - Base Scenario

Scenario =	8
Interest Rate =	4.0%
Inflation Rate =	4.0%

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Fiscal Period	Surcharge Revenue	Investment Income	Other Revenue	Total Revenue	Mortality Adjusted Medical Payments	Claims Expense	Administrative Expense	Total Expense	Revenues Over / (Under) Expenditures	CAT Fund Balance at End of Period
7/1/2081 - 6/30/2082	0	0	0	0	738	15	504,800	505,552	-505,552	6,049,800
7/1/2082 - 6/30/2083	0	0	0	0	499	10	510,400	510,909	-510,909	5,538,890
7/1/2083 - 6/30/2084	0	0	0	0	313	6	503,900	504,219	-504,219	5,034,672
7/1/2084 - 6/30/2085	0	0	0	0	190	4	503,900	504,094	-504,094	4,530,578
7/1/2085 - 6/30/2086	0	0	0	0	70	1	503,900	503,971	-503,971	4,026,607
7/1/2086 - 6/30/2087	0	0	0	0	43	1	503,250	503,294	-503,294	3,523,313
7/1/2087 - 6/30/2088	0	0	0	0	26	1	503,250	503,277	-503,277	3,020,036
7/1/2088 - 6/30/2089	0	0	0	0	16	0	503,250	503,266	-503,266	2,516,770
7/1/2089 - 6/30/2090	0	0	0	0	9	0	503,250	503,259	-503,259	2,013,511
7/1/2090 - 6/30/2091	0	0	0	0	5	0	503,250	503,255	-503,255	1,510,256
7/1/2091 - 6/30/2092	0	0	0	0	3	0	503,250	503,253	-503,253	1,007,003
7/1/2092 - 6/30/2093	0	0	0	0	1	0	503,500	503,501	-503,501	503,501
7/1/2093 - 6/30/2094	0	0	0	0	1	0	503,500	503,501	-503,501	1
7/1/2094 - 6/30/2095	0	0	0	0	0	0	0	0	0	0
7/1/2095 - 6/30/2096	0	0	0	0	0	0	0	0	0	0
7/1/2096 - 6/30/2097	0	0	0	0	0	0	0	0	0	0
7/1/2097 - 6/30/2098	0	0	0	0	0	0	0	0	0	0
7/1/2098 - 6/30/2099	0	0	0	0	0	0	0	0	0	0
7/1/2099 - 6/30/2100	0	0	0	0	0	0	0	0	0	0
7/1/2100 - 6/30/2101	0	0	0	0	0	0	0	0	0	0
7/1/2101 - 6/30/2102	0	0	0	0	0	0	0	0	0	0
Total	0	44,041,879	343,978	44,385,857	65,174,075	1,280,420	69,396,877	135,851,371	-91,465,514	
Nominal Total Post 06/30/2023	0	45,203,450	0	45,203,450	61,592,624	1,231,852	67,721,427	130,545,903	-85,342,453	
Discounted Total Post 06/30/2023					39,438,422	788,768	29,421,361	69,648,551		

Notes

- (2) Surcharge Revenue equals zero
- (3) Interest Income is calculated as the average fund value during the period except for the 7/1-9/30/2022 period where the actual amount from the financial statement is used.
- (4) Other Revenue: 7/1-9/30/22 reflects a Prior Year Fund Balance Adjustment; all other years equal zero.
- (5) Total Revenue = (2) + (3) + (4)
- (6) per Exhibit 6
- (7) (6) * Claims Expense Ratio on Exhibit 5
- (8) (6) + (7) + TPA Fees Based on Projected Open & Closed Claim Activity; 7/1/22-6/30/25 selected on Exhibit 4
- (9) Total Expenditures = (6) + (7) + (8)
- (10) (5) - (9)
- (11) Prior Year (11) + (10)

PENNSYLVANIA CATASTROPHIC LOSS BENEFIT CONTINUATION FUND (AUTO CAT FUND)

	<u>As of 6/30/2022</u>	<u>As of 6/30/2023</u>
Projected Average Lifetime Cost per Claim	\$214,661	\$214,127
% Interest	4%	4%
% Medical Inflation	4%	4%
Mortality Table	Social Security Period Life 2014	Social Security Period Life 2014
Ultimate Payments	\$617.5	\$764.6
Projected Fund Balance	103.6	85.3
Projected Expected Deficit*	\$ 0.00*	\$ 0.00*
Projected Final Benefit Payment Date	June 30, 2096	June 30, 2094
Projected Annual Surcharge Revenue	\$ 0.00**	\$ 0.00**
Projected Present Value of Fund Deficit*	\$0.00	\$ 0.00

* Includes Claim Losses and Expenses.

** Surcharge Revenue ceased to be remitted to the Auto CAT Fund after 12/31/03.

NOTE: ALL AMOUNTS ARE IN MILLIONS EXCEPT PROJECTED AVERAGE LIFETIME COST PER CLAIM