



**TESTIMONY BY
THE PENNSYLVANIA STATE ASSOCIATION OF
TOWNSHIP SUPERVISORS**

**BEFORE THE
HOUSE VETERANS AFFAIRS &
EMERGENCY PREPAREDNESS COMMITTEE**

ON

HOUSE BILL 2522 (PN 3791)

PRESENTED BY

**ELAM M. HERR
ASSISTANT EXECUTIVE DIRECTOR**

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HARRISBURG, PA**

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Chairman Barrar and members of the House Veterans Affairs and Emergency Preparedness Committee:

Good morning. My name is Elam M. Herr and I am the assistant executive director for the Pennsylvania State Association of Township Supervisors. Thank you for the opportunity to appear before you today on behalf of the 1,454 townships in Pennsylvania represented by the Association.

Townships comprise 95 percent of the Commonwealth's land area and are home to over 5.5 million Pennsylvanians — 44 percent of the state's population. These townships are diverse, ranging from rural communities with fewer than 200 residents to more suburban communities with populations approaching 65,000 residents.

Volunteer fire departments and volunteer firefighters are the primary providers of fire protection in townships. We strongly support our volunteers for providing a valuable service, one that the government would need to provide if there weren't volunteers willing to prepare for, and respond to, incidents requiring rescue, fire suppression, and hazardous materials cleanup. Volunteer fire services also are dispatched to cut and clear downed trees on roads and wires, pump basements in floods, and a myriad of other public safety, non-fire incidents. The cost to replace our volunteer firefighters with paid fire service statewide has been estimated by the State Fire Commissioner to range from \$8 billion to \$10 billion annually, a severe financial burden for the citizens of Pennsylvania.

Host municipalities are responsible for providing workers' compensation insurance to our volunteer emergency responders and this cost is shared with non-host municipalities served by these responders. Due to market changes caused by Act 46 of 2011, there are now only a very few private companies that provide workers' compensation to firefighters and many of our volunteers are now covered by our state's insurer of last resort, the State Workers Insurance Fund (SWIF).

After the passage of Act 46 of 2011, there were widespread concerns raised by the insurance industry over the potential financial impact of this coverage. Although the experience data from other states with laws similar to Pennsylvania's showed minimum impact, we had little data and in July 2012, we learned that most providers had announced that they were dropping workers' compensation coverage for firefighters due to the potential cost and liability exposure imposed by Act 46. Remember that Act 46 had a 600 week look-back window for coverage without any reserves in place to cover the potential exposure. At that point, the market for workers' compensation coverage for our firefighters disappeared, forcing most townships into the State Workers Insurance Fund (SWIF) at extraordinary cost increases.

As we have stated in prior hearings, we need to find a solution for providing relief from the financial burden imposed on local governments, while ensuring that coverage is available for our volunteers. As such, it is our contention that the state needs to do all that is in its power to get private insurance carriers to again offer coverage for volunteer

firemen. Only with competition will we potentially see premium costs decrease and again become affordable for municipalities.

This is what **House Bill 2522** (*PN 3791*) attempts to accomplish by providing an alternative to SWIF for workers' compensation coverage for our firefighters. The bill directs the Department of Labor and Industry to develop regulations authorizing municipalities to create funds or pools for insuring workers' compensation for volunteer fire companies, with the stated goal of providing affordable coverage for volunteer fire companies.

The legislation requires the Department to identify excess reserves on hand for any fire company that SWIF currently insures and to transfer these reserves to the appropriate fund or pool where the host municipality for that volunteer fire company opts to obtain coverage.

This is a critical provision to this legislation, as we must create an incentive for insurers to reenter the market. Without accounting for and transferring these reserves, it is unlikely that any insurer would be willing to enter the market and expose itself to liability.

The legislation also provides that the Department may include a requirement that the fund accept responsibility for the administration of pre-existing claims associated with the participating municipalities. Is this strictly the administration of these claims or would this also include paying for existing claims? If this would also include paying for or liability for existing claims, then all reserves associated with the target volunteer fire company should move along with the liability, not just excess reserves.

We support HB 2522 as a viable proposal that would attempt to create alternative coverage options to help decrease the exorbitant costs of workers' compensation coverage for our volunteer firefighters. Ensuring that our volunteer fire service personnel have appropriate coverage at a more affordable cost to the municipality would be a step forward.

In addition to this proposal, we ask that this committee consider other options to reduce these costs. PSATS is willing to discuss any reasonable option to provide for reasonable protection of volunteer firefighters as prescribed in the law and reduce the cost and liability to our townships.

Thank you for the opportunity to appear before you today. I would be happy to answer any questions that you may have.