Pennsylvania
Insurance Department

PENNSYLVANIA WORKERS' COMPENSATION SECURITY FUND

ANNUAL REPORT

July 1, 2024 – June 30, 2025

Prepared by the Workers' Compensation Security Fund and Inservco Insurance Services, Inc.

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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 (WC 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 44 foreign liquidated insurers.

The goal of the Security Fund is to administer all eligible claims in a cost efficient, responsible manner, consistent with the WC Act, the Security Fund Act, and insurance industry's best claim practices. The Bureau works together with a third-party administrator, Inservco Insurance Services (Inservco), to provide quality workers' compensation claims management and managed care services in pursuit of this goal. The responsibility of the Security Fund is limited to those benefits payable, in accordance with the requirements of the Security Fund Act, the WC Act, Federal Black Lung and Longshore Harbor Workers' Compensation Act, as applicable. Inservco, a subsidiary of Penn National Insurance, provides risk management services on behalf of the Security Fund.

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 workers' compensation, Federal Black Lung and Longshore Harbor Workers' Compensation exposures.
- An in-house medical network, which provides savings through managed care services and repricing, as well as auditing provider invoices.
- Coordination of claim related services such as vocational rehabilitation, field case management, surveillance, funded employment and prescription drug management programs.
- The processing of electronic data to transmit 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.
- Electronic reporting to the 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 approved) UDS format.
- Coordinating with outside counsel law firms, with direct oversight by the Security Fund, on pending litigation matters assigned to the law firms by the Security Fund.
- Information systems that integrate all claim service processes, including record storage, into one internet accessible interface.

EXECUTIVE SUMMARY

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. The most recent independent analysis, issued October 1, 2025, determined that based on data valued as of December 31, 2024, ultimate liabilities were $279,171,705.

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

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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 claim payments to individuals entitled to benefits under the Pennsylvania Workers' Compensation Act (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 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 31st of any year, an assessment is issued. The most recent assessment was issued in 2009 based on the December 31, 2008 fund balance.

The Security Fund is required to meet the mandatory reporting requirements as set forth under Section 111 of the Medicare, Medicaid, and SCHIP Extension Act (MMSEA). 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 workers' compensation claims of 53 liquidation estates since 1979 and currently has 548 open claims. The reserves on these claims, including indemnity, medical, rehabilitation and claim expense, total approximately $165,593,142.86. 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 in the claim files.

There were no new liquidations for the Security Fund in the fiscal year 2024-2025. 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	106	19	87	82%	$4,561,131.27	$3,302,937.19	$7,864,068.46
American Mutual Ins of Boston	3/9/1989	MA	421	8	413	98%	$25,864,767.61	$1,512,734.62	$27,377,502.23
American Mutual Liability Ins	3/9/1989	MA	734	11	723	99%	$45,521,599.46	$1,742,245.36	$47,263,844.82
American Universal	1/8/1991	RI	24	0	24	100%	$2,099,085.66	$0.00	$2,099,085.66
Arrowood Ins Co	11/8/2023	DE	89	70	19	21%	$4,632,630.08	$31,130,533.70	$35,763,163.78
Atlantic Mutual Ins Co	4/27/2011	NY	40	5	35	88%	$2,786,604.38	$443,782.70	$3,230,387.08
Bedivere Ins Co	3/11/2021	PA	57	28	29	51%	$3,403,670.83	$9,309,449.72	$12,713,120.55
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%	$10,009,900.99	$41,308.82	$10,051,209.81
Castlepoint National Insurance Company	4/1/2017	CA	83	7	76	92%	$2,973,208.17	$1,736,006.63	$4,709,214.80
Casualty Reciprocal Exchange	8/18/2004	MO	293	7	286	98%	$24,045,428.03	$5,125,980.28	$29,171,408.31
Centennial Insurance Company	4/27/2011	NY	27	4	23	85%	$2,990,031.79	$502,713.89	$3,492,745.68
Commercial Compensation Casualty Co.	9/26/2000	CA	533	2	531	100%	$11,004,174.56	$278,622.27	$11,282,796.83
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	4	467	99%	$16,805,792.28	$2,039,973.61	$18,845,765.89
Employers Casualty Ins. Co.	2/11/1994	TX	70	0	70	100%	$7,615,796.15	$0.00	$7,615,796.15
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%	$13,248,766.99	$1,391,242.19	$14,640,009.18
Fremont Compensation Ins	7/2/2003	CA	39	0	39	100%	$6,300,401.78	$0.00	$6,300,401.78
Frontier Insurance Company	11/16/2012	NY	12	2	10	83%	$6,091,448.77	$3,764,530.05	$9,855,978.82
Guarantee Insurance Company	11/27/2017	FL	633	13	620	98%	$34,983,527.70	$5,030,426.12	$40,013,953.82
Ideal Mutual Ins. Co.	2/7/1985	NY	489	1	488	100%	$12,292,206.29	$19,742.09	$12,311,948.38
Imperial Casualty and Indemnity Company	5/12/2010	AZ	69	1	68	99%	$2,419,673.43	$391,608.05	$2,811,281.48
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	20	999	98%	$65,206,803.98	$5,221,495.38	$70,428,299.36

Liquidator	Date of Liquidation	Domiciled State	Total Claims	Open Count	Closed Count	% Closed	Paid to Date	Outstanding	Incurred
Lincoln General Insurance Company	11/5/2015	PA	3	0	3	100%	$671,886.86	$0.00	$671,886.86
LMI Insurance Co.	5/23/2000	OH	21	2	19	90%	$2,204,555.53	$93,941.15	$2,298,496.68
Lumbermen's Mutual Casualty Co	5/10/2013	39	282	53	229	81%	$21,956,321.15	$8,981,825.84	$30,938,146.99
Lumbermen's Underwriting Alliance (LUA)	5/23/2016	MO	44	3	41	93%	$1,341,916.42	$411,517.64	$1,753,434.06
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	4	171	98%	$12,116,796.59	$1,233,381.17	$13,350,177.76
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	56	1,781	97%	$99,999,313.21	$20,661,533.41	$120,660,846.62
Reliance Ins. Co.	10/3/2001	PA	3287	62	3,225	98%	$200,407,980.44	$29,355,667.40	$229,763,647.84
Rockwood Ins. Co.	8/26/1991	PA	1933	75	1,858	96%	$150,733,729.90	$9,926,591.09	$160,660,320.99
Shelby Casualty Insurance Company	8/1/2006	TX	7	2	5	71%	$381,052.50	$75,533.53	$456,586.03
Shelby Insurance Company	8/1/2006	TX	8	1	7	88%	$408,702.54	$62,435.43	$471,137.97
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	55	595	92%	$59,496,209.01	$9,793,154.65	$69,289,363.66
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%	$9,860,793.84	$3,666,595.12	$13,527,388.96
United Community Ins. Co.	7/7/1994	NY	191	1	190	99%	$12,585,342.92	$76,441.21	$12,661,784.13
Villanova Ins. Co.	7/28/2003	PA	442	4	438	99%	$25,528,843.69	$1,351,671.51	$26,880,515.20
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	22	3,813	99%	$194,377,575.68	$6,917,521.04	$201,295,096.72
Grand Total			**19012**	**548**	**18464**	**97%**	**$1,118,633,773.22**	**$165,593,142.86**	**$1,284,226,916.08**

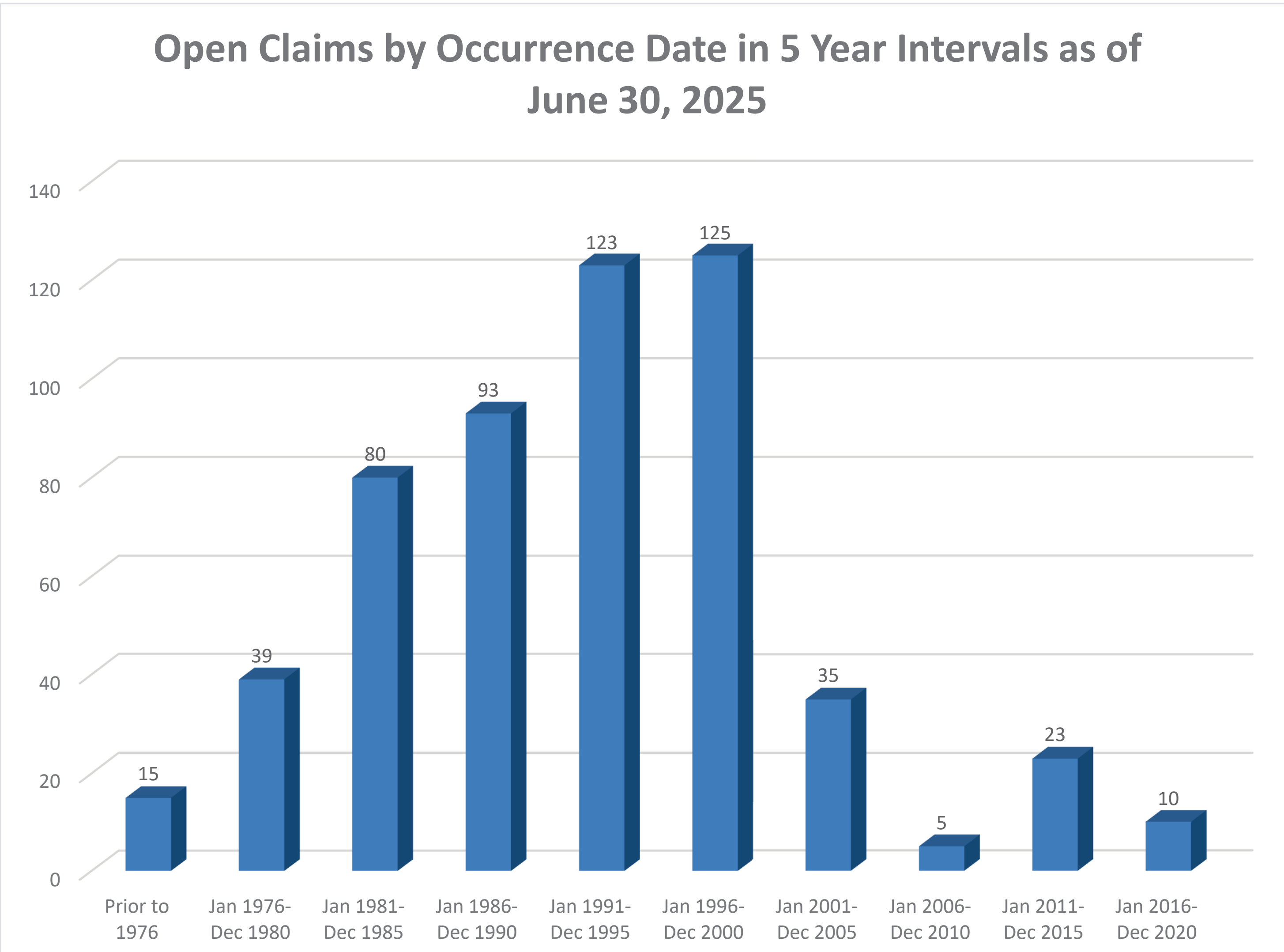
CLAIM HIGHLIGHTS 2024-2025

Act 126, signed into law on October 29, 2024, modernizes Pennsylvania's workers' compensation system by requiring insurers and self-insured employers to offer direct deposit for wage benefits. As of December 30, 2025 this direct deposit option must be made available for workers' compensation payments related to claims expected to last more than 60 days. Claimants must be notified of the option for direct deposit and provided with a valid authorization form (LIBC-215). If direct deposit is mandated but the form isn't submitted within 30 days, payments must be made temporarily by paper check. Lump sum settlements and short-term disability claims (60 days or less) may be paid by check unless otherwise agreed. Claimants can change or discontinue direct deposit by submitting a new form, but account changes are limited to twice per year unless ordered by a judge. Payments cannot be split between accounts or methods, and changes must be processed within 45 days of receiving a valid form.

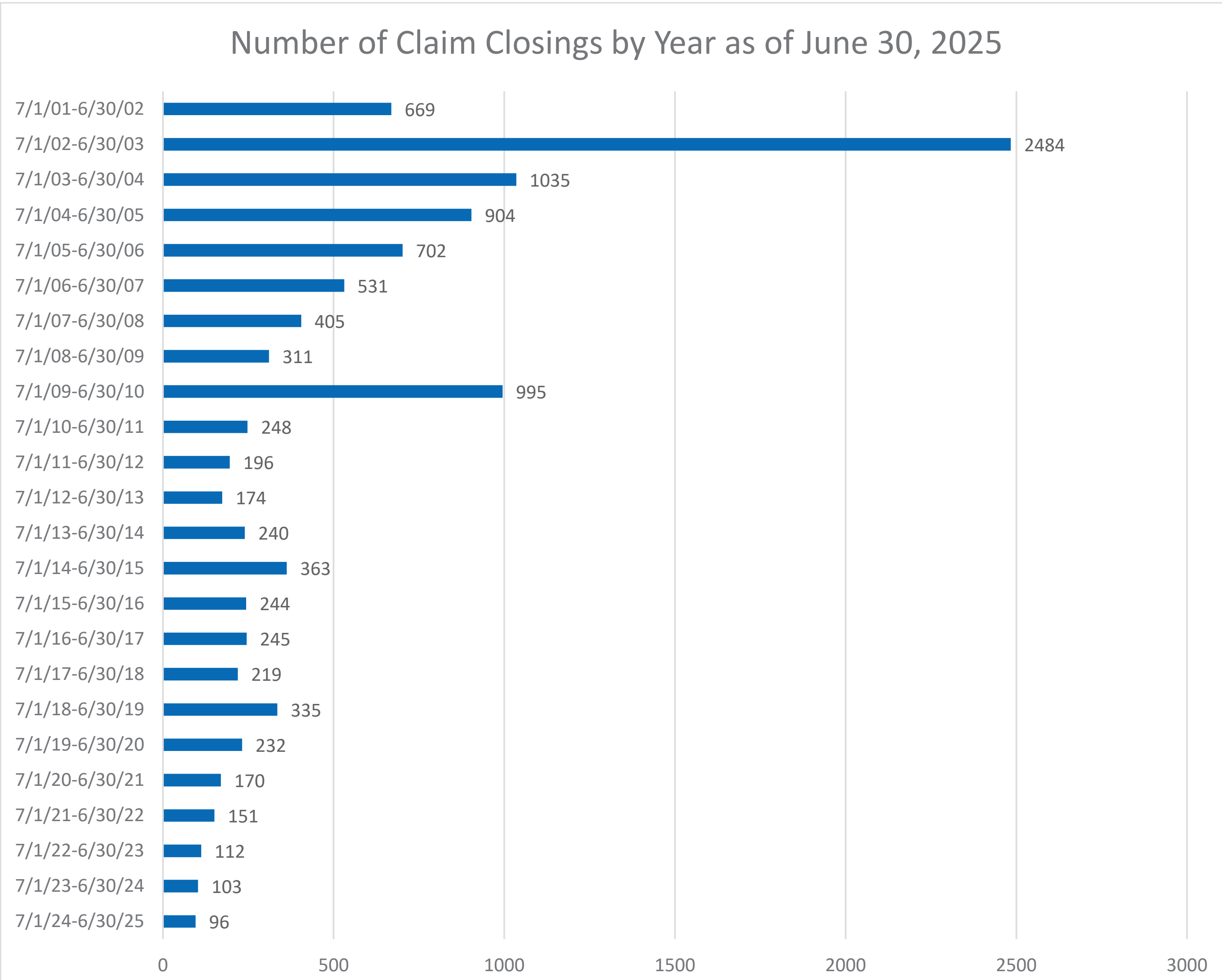
Hoss v. WCAB (Select Staffing), 250 A.3d 552 (Pa.Cmwlth. 2021) addressed the employer's right to subrogation credits against ongoing medical benefits in workers' compensation cases. The claimant was injured in 2009 and received wage loss benefits under a Notice of Compensation Payable. A Compromise & Release (C&R) agreement was later approved in 2011, settling the wage indemnity claim for $85,000. Importantly, the C&R and Third-Party Settlement (TPS) language explicitly preserved the employer's subrogation rights under Section 319 of the Workers' Compensation Act. Although Whitmoyer previously limited subrogation to wage loss benefits only, the Commonwealth Court in Hoss allowed the employer to continue taking credit against medical benefits due to the specific language in the agreements. While Hoss is not a published decision, it has been successfully used to reinstate subrogation credits in similar cases where credits had been previously stopped based on Whitmoyer.

Borrelli v. Interstate Gas Supply, Inc. (Pa. Cmwlth. No. 188 C.D. 2024, decided Feb. 24, 2025) highlights the importance of how a work injury is described in a Compromise & Release (C&R) Agreement. In this case, the injury was defined as a "soft tissue head injury." The Worker' Compensation Judge approved the C&R, and a Termination Petition was later litigated. The claimant attempted to assert ongoing left knee complaints, but the Judge granted the termination, and the Commonwealth Court affirmed. The Court held that under the doctrines of *res judicata* and *collateral estoppel*, the claimant could not expand the injury beyond what was described in the final C&R. Because there was no reservation of rights to litigate additional injuries, the employer was only responsible for the soft tissue head injury. This published decision reinforces that narrowly defining the injury in a C&R can limit future liability and support successful termination of benefits.

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 125 during the period of January 1996 – December 2000. There are 15 remaining open claims with an occurrence date prior to 1976.

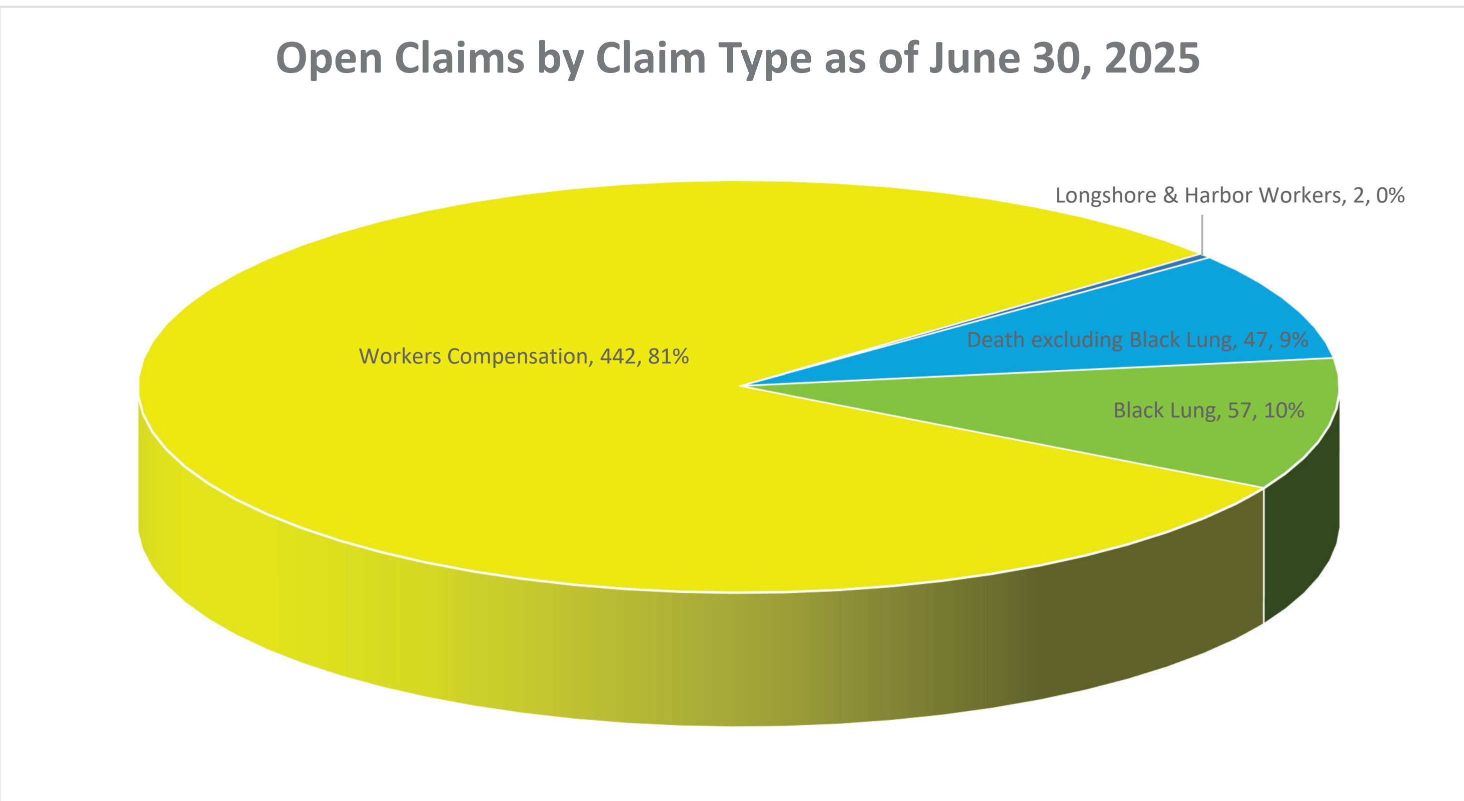


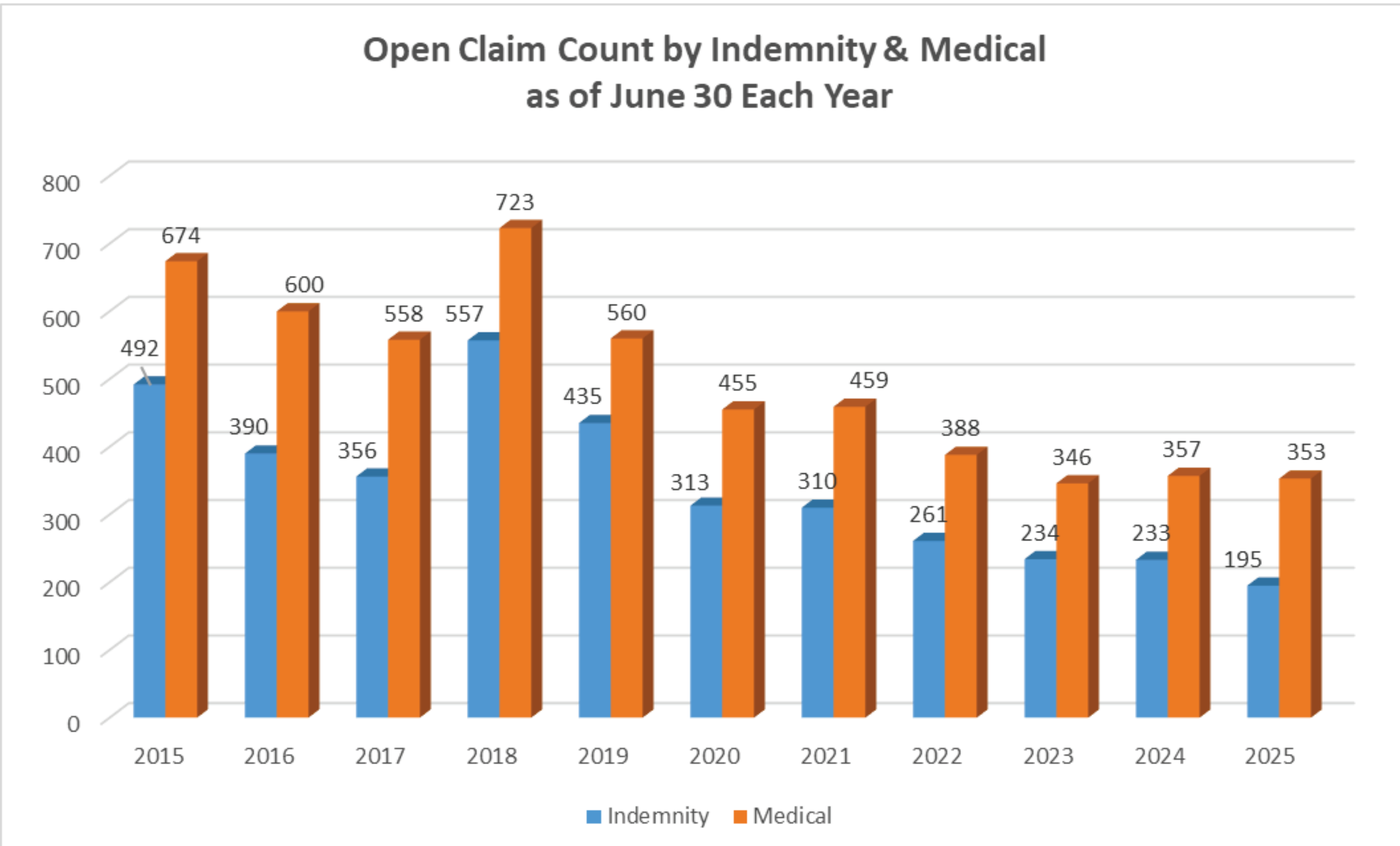
In fiscal year 2024-2025, a total of 96 claims were closed. In fiscal year 2023-2024, 103 claims were closed. Prior to July 1, 2001, there was a total of 7300 claims closed.



As of June 30, 2025, there are 548 open (195 indemnity and 353 medical) inclusive of death claims, Federal Black Lung claims, and Longshore and Harbor Worker claims. As of June 30, 2025, there were 57 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
800
700
600
500
400
300
200
100
0
492
674
390
600
356
558
557
723
435
560
313
455
310
459
261
388
234
346
233
357
195
353
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
Indemnity
Medical

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, further reductions are applied when a Preferred Provider Organization (PPO) contract exists with a provider.

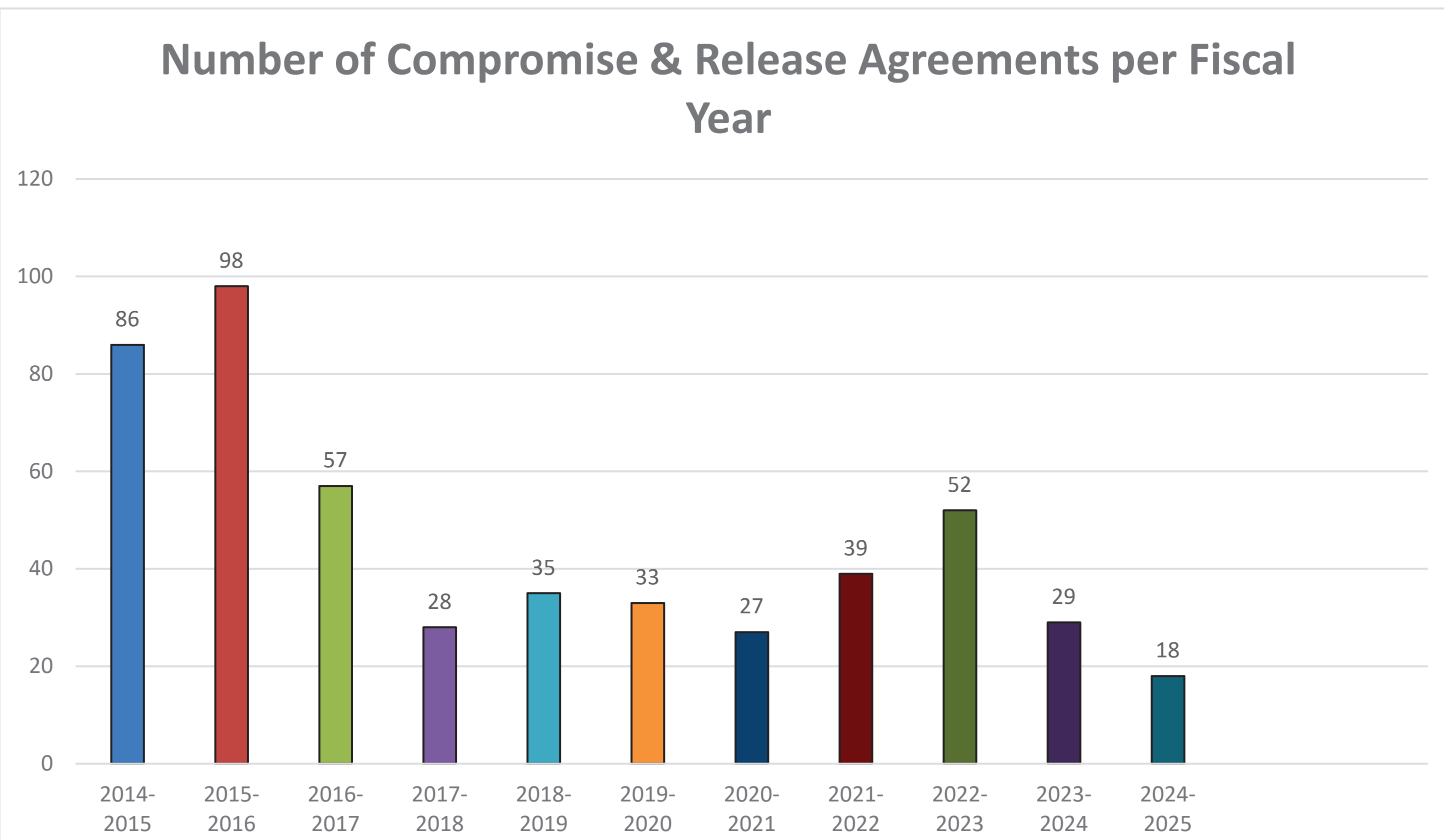
These special arrangements are part of the overall Medical Bill Repricing (MBR) process which encompasses several strategies that assist in providing exceptional cost containment measures. Repricing is a way to reduce costs without reducing payments to injured workers or reducing their access to medical services by utilizing fee schedules and negotiating provider discounts that determine actual reimbursement rates for medical providers. Prescription drugs, in particular, are repriced using Medispan as the repricing resource due to the recent MBR Supreme Court decision revoking the use of Redbook to reprice bills.

b. 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.

The WCSF works closely with its TPA and defense counsel when medical benefits are settled under the terms of a Compromise and Release (C&R) agreement. The WCSF reviews all settlement documents prior to the final approval to ensure all required documentation is included to protect the interests of the WCSF, the liquidated Estate and Medicare. Additionally, the WCSF ensures oversight of establishing Medicare Set Asides, when applicable, to ensure the requirements of Medicare, Medicaid and the SCHIP Extension Act (MMSEA) are met as well as addressing all outstanding CMS liens prior to the actual closing of the WCSF claim.

From July 1, 2024 through June 30, 2025, a total of 18 claims were settled by way of Compromise and Release. The chart below illustrates the total number of cases settled since 2014.



c. Fraud Prevention Measures

The Pennsylvania Workers' Compensation Act was amended by Act 44 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 prosecution that could result in fines up to $50,000 and possibly several years in prison. These amendments were expanded by the 1996 amendments, known as Act 57, 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 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, refers all potentially fraudulent activity to the Pennsylvania Office of Attorney General.

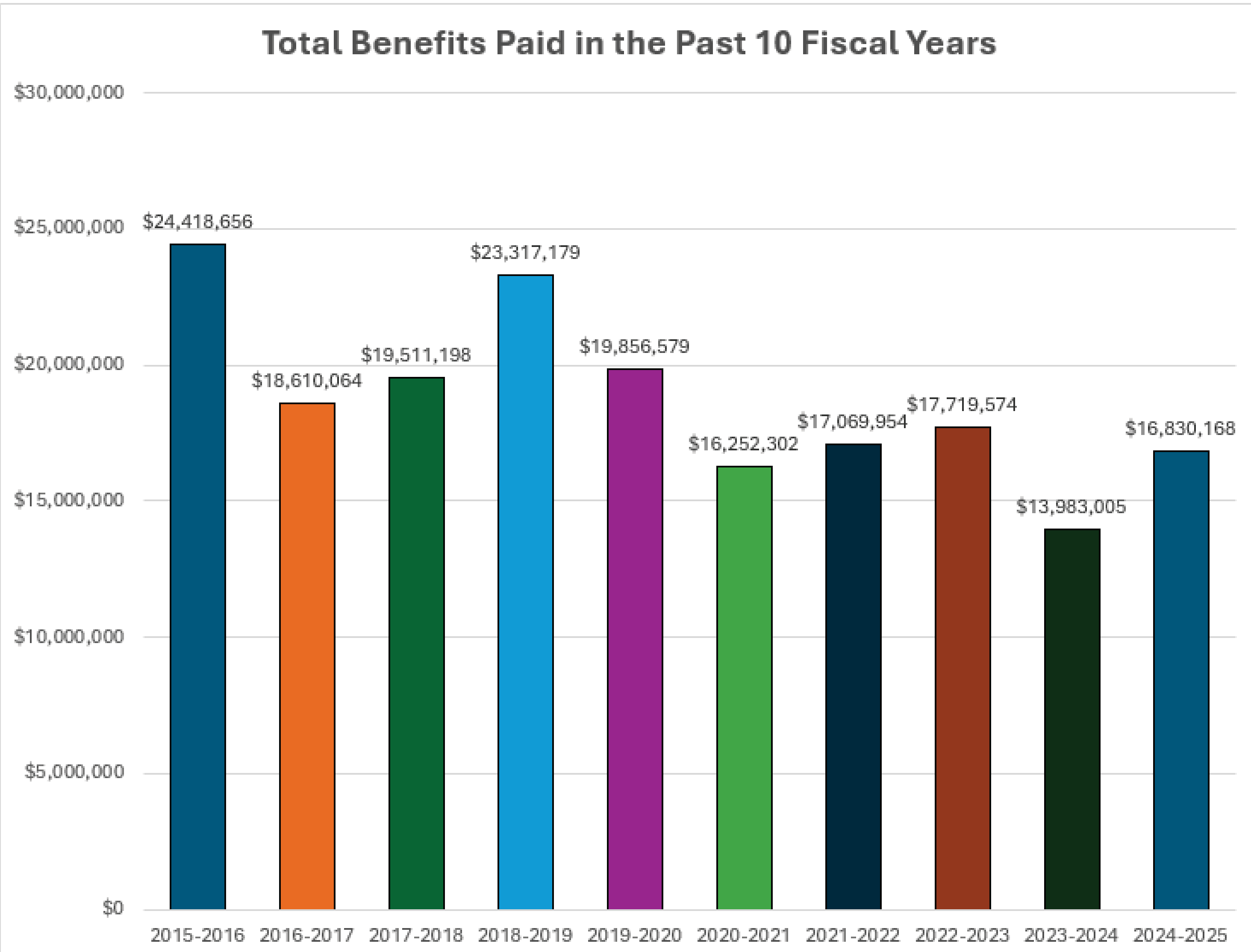
Inservco subscribes to the Insurance Services Office (ISO) to identify and deter fraud on the part of the claimant. Inservco also employs database searches throughout the jurisdictions in which it does business including Federal databases to further deter and prevent fraud.

d. Liquidations

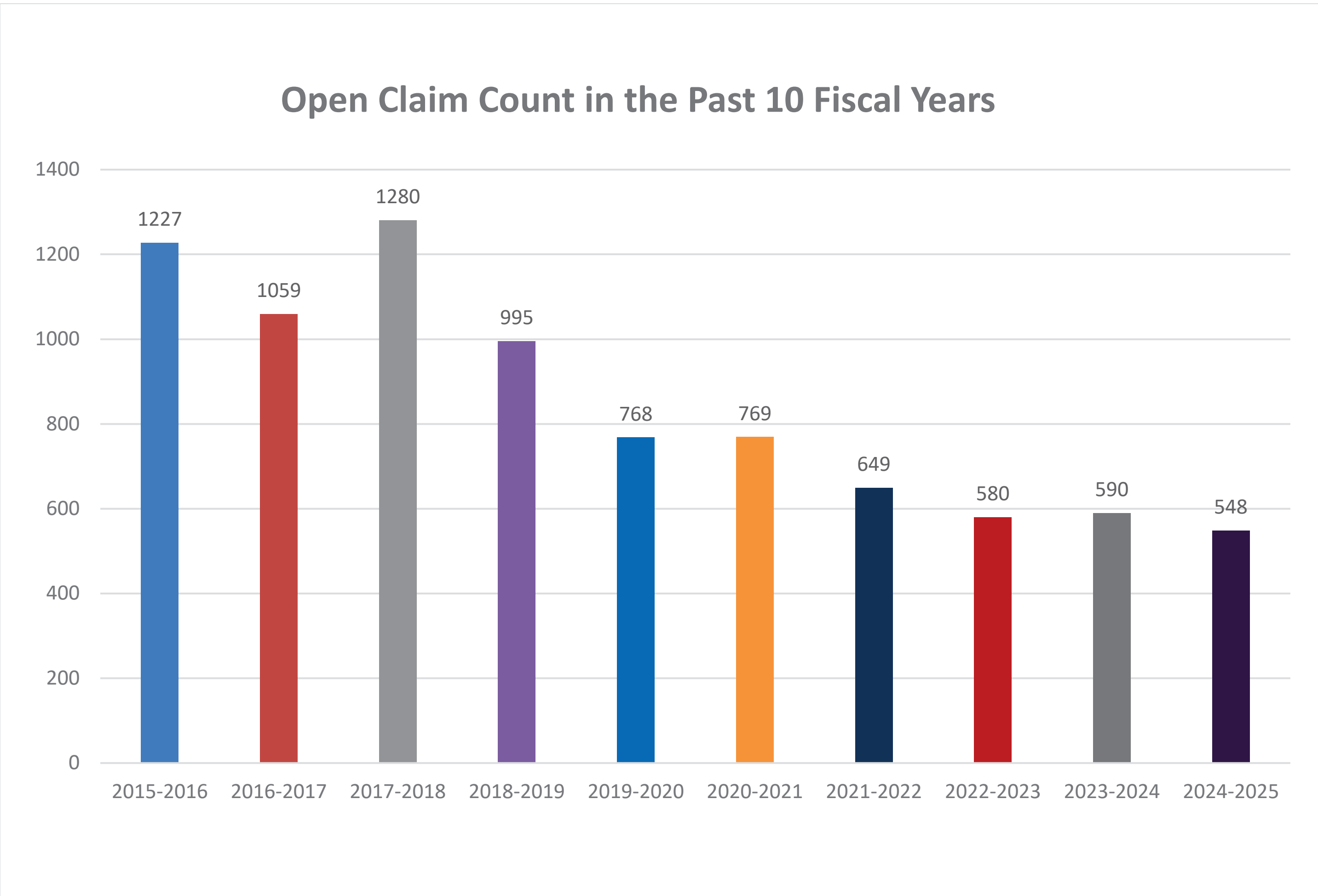
There were no new liquidations during this fiscal year.

FINANCIAL HIGHLIGHTS 2024-2025

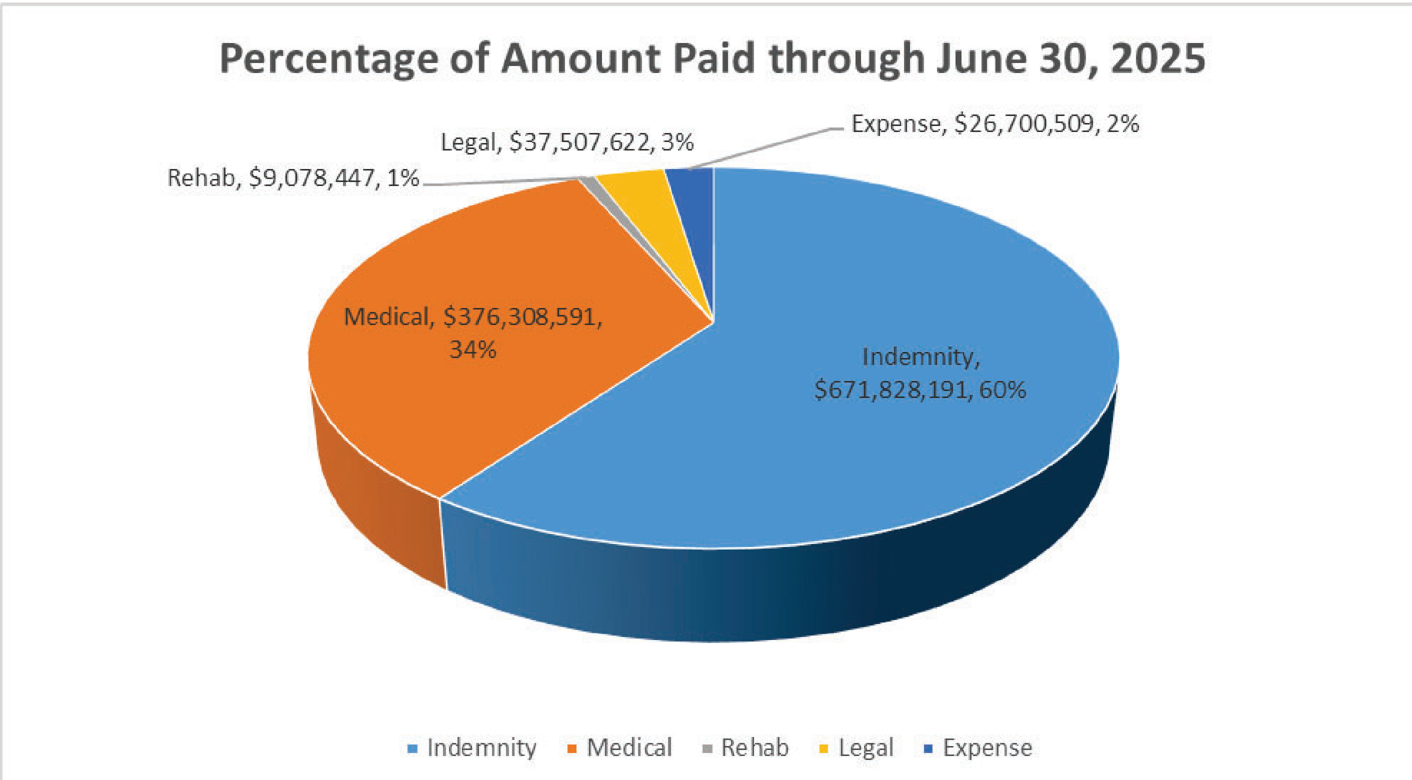
As of June 30, 2025, the Security Fund had a fund balance of $1,257,528,224. During fiscal year 2024-2025, the Security Fund paid $16,830,168 in benefits.



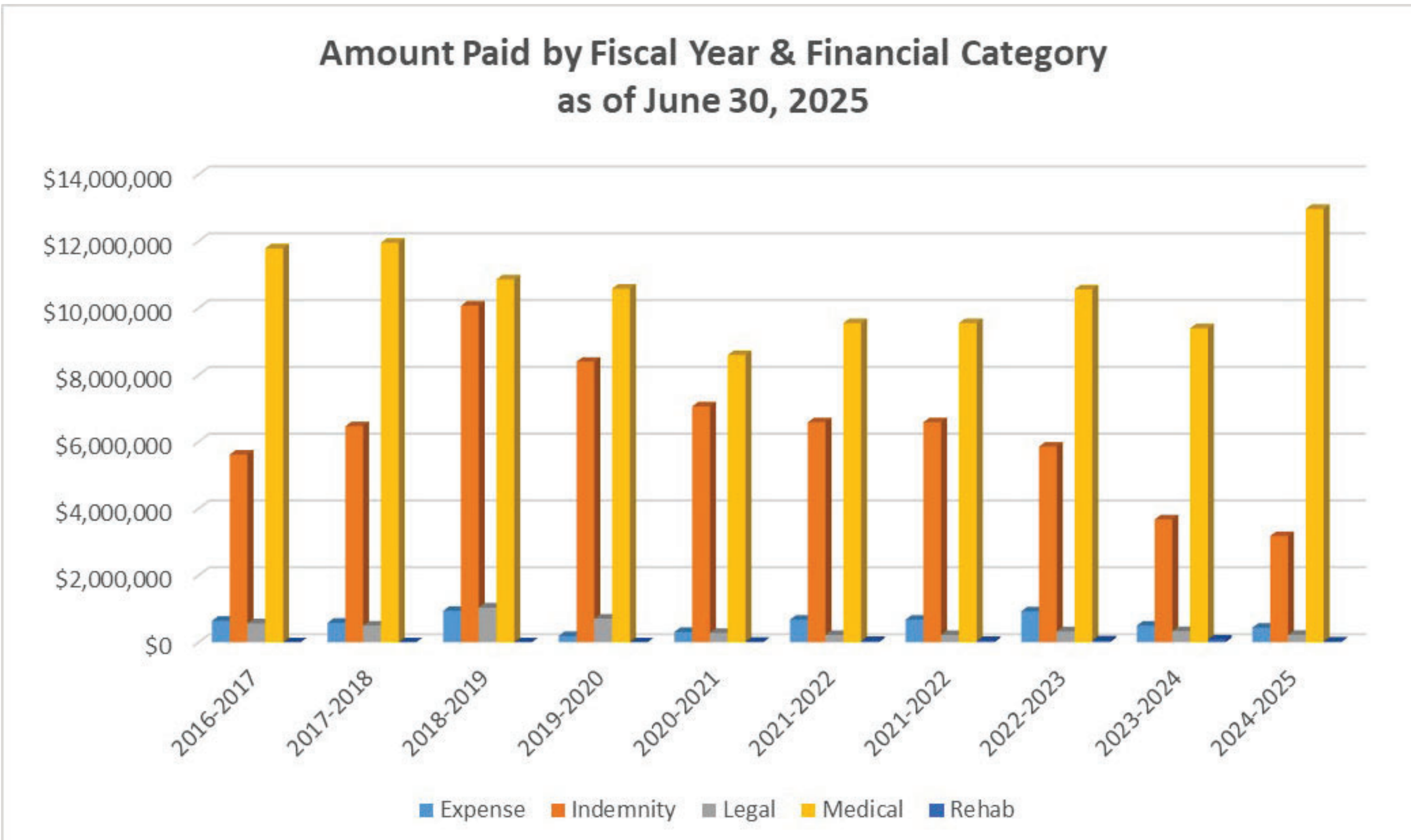
As of June 30, 2025, there were 548 open claims (195 indemnity and 353 medical) including fatal claims, Federal Black Lung claims, and Longshore and Harbor Workers' Compensation claims with reserves totaling $20,958,654. The ongoing review of each claim to address appropriate reserving is of primary importance to ensure the appropriate funding necessary to meet the Security Fund's fiduciary responsibility.



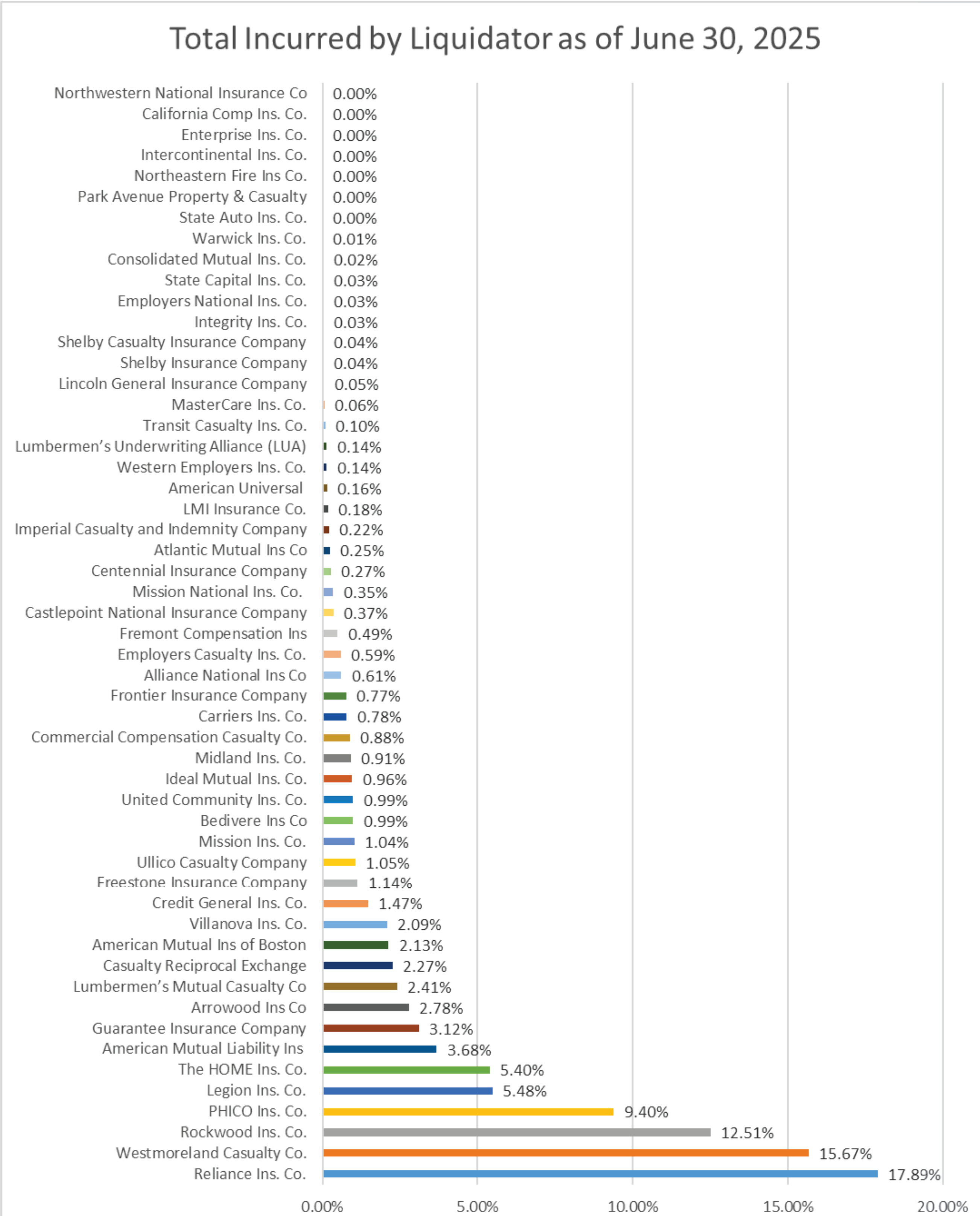
The vast majority of payments over the past ten years have been indemnity payments, which include Compromise and Release settlement payments. A total of $671,828,191 has been paid in indemnity benefits, which represents 60% of the total payouts over the life of the Security Fund. Medical payments totaling $376,308,591 represent 34% of the total Security Fund payments. Claim expenses to include legal and rehab represent only 6% of payments with a total of $73,286,578.



Comparing the 2023-2024 fiscal year to the 2024-2025 fiscal year, there were payment decreases in the following categories. Indemnity by $469,285, Legal payments by $111,440, Expense payments by $56,868 and Rehab payments by $60,614. The only payment increase was in Medical payments by $3,572,370. The WCSF is directly engaged in its continuing fair and fiduciary efforts, with its TPA, to handle claims towards settlement.

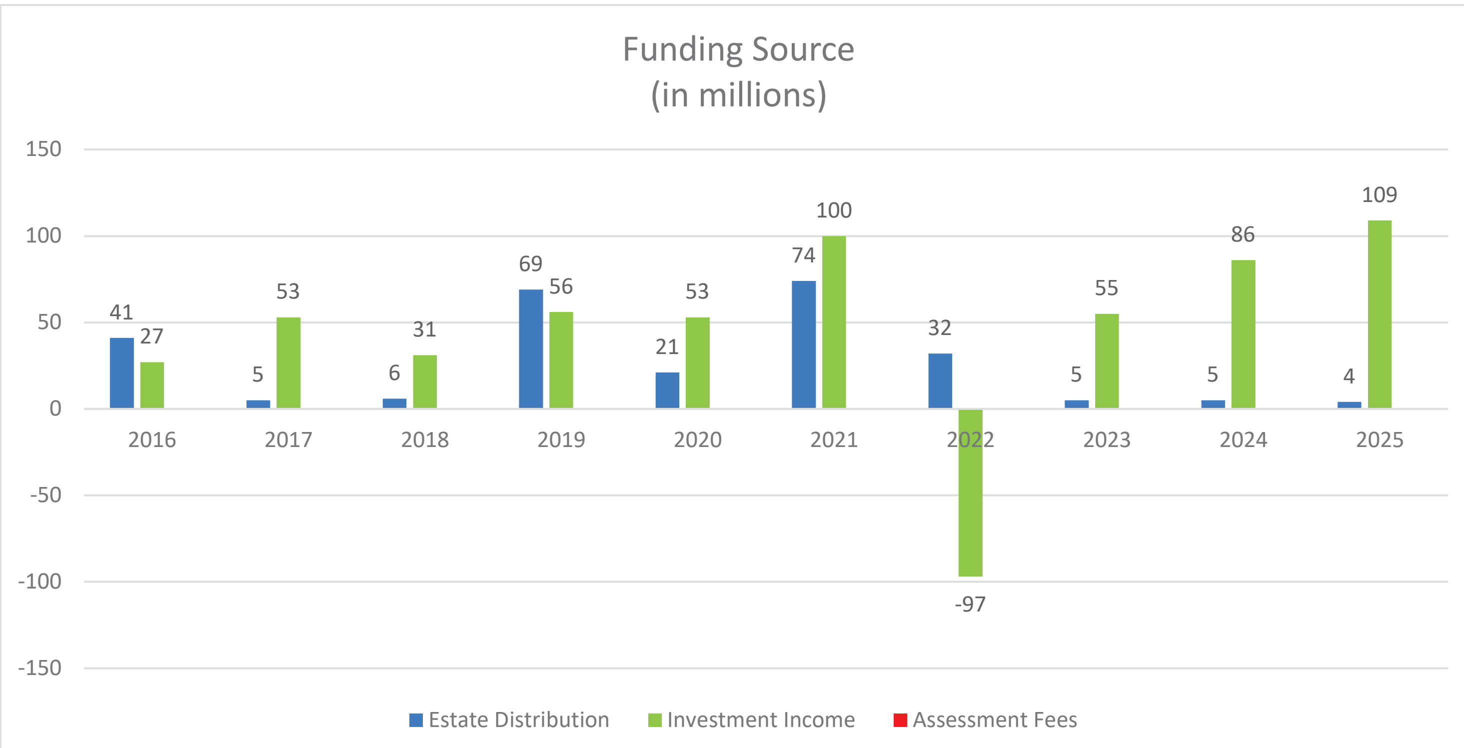


The chart below illustrates the total incurred (defined as claim reserves + amount paid) amount from the inception of the Security Fund through June 30, 2025.



a. 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.



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