

Testimony on the FY25-26 Budget Proposal from the Pennsylvania Insurance Department

House Appropriations Committee  
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Pennsylvania  
**Insurance Department**

Good morning, Chair Harris, Chair Struzzi, and Members of the House Appropriations Committee. My name is Michael Humphreys, and I serve as the Commissioner of the Pennsylvania Insurance Department (PID). With me today are the Department's Chief of Staff, Jodi Frantz, as well as Bureau Director of Budget and Procurement, Anu Upadhyaya.

Devon Trolley, Executive Director of Pennie, Pennsylvania's health insurance marketplace, is also at the table. Although I am the Chair of the Pennie Board of Directors, Pennie is not part of the Insurance Department but is an independent agency established by Act 42 of 2019.

At the outset, I would like to thank you for the opportunity to discuss PID's budget and our team's important work to fulfill our mission to protect Pennsylvanians through fair and effective regulation of the marketplace. PID regulates some of the largest and most complex insurance groups in the world. Pennsylvania is the sixth largest insurance market in the country and fifteenth largest market in the world. On a percentage basis, we have one of the lowest insurance department operating budgets in the country. Like many insurance departments across the nation, we are not funded through the General Fund. In fact, in addition to funding our own expenses, the department provides funding to the General Fund to support other commonwealth initiatives.

Our nearly 300 employees work hard every day to protect Pennsylvania's insurance consumers. The FY25-26 proposed budget includes funding to implement the bipartisan Act 77 of 2024, which provided the PID additional regulatory responsibilities over Pharmacy Benefit Managers. Specifically, additional employees are needed to perform front-end review of forms providing for pharmacy benefits, to help process and adjudicate specialty drug designation referrals, investigate and enforce violations of the Act, and perform studies that will help the Department, the General Assembly, and the public gain further transparency into PBMs' business practices.

I am proud to highlight that in August of 2024, the Department was re-accredited by the National Association of Insurance Commissioners (NAIC). PID's re-accreditation affirms that PID meets the

national standards for financial regulation and appropriately oversees the solvency of its domestic insurance companies to make sure they can pay claims when consumers need it most. Successful reaccreditation enables other states to rely on PID's work for efficient and integrated state-based insurance solvency regulation.

In 2024, PID received over 16,500 complaints and conducted thousands of examinations and investigations, resulting in Pennsylvanians receiving a refund, payment, or credit. This increase in complaints does not necessarily mean that insurers are violating the law more than in prior years but rather is a result of the successful efforts of our Public Engagement team, which has worked very hard to get the word out that PID is here to help. This work is led by PID's Office of Market Regulation, which examines and investigates licensees and handles consumer complaints. In 2024, PID helped put nearly \$162 million back in Pennsylvanians' pockets. Specifically, PID retrieved \$27 million in restitution for Pennsylvanians by fixing claim errors, recovering stolen funds, refunding overcharges, and ensuring compliance with state and federal laws. Additionally, through the NAIC's Life Insurance Policy Locator service, PID worked with insurance companies to connect approximately 5,400 Pennsylvanians with upwards of \$135 million in lost life insurance proceeds and annuity contracts.

PID's Office of Market Regulation and Office of Product Regulation have continued PID's work to make mental health parity a reality in Pennsylvania through both front-end review and back-end compliance enforcement. Over the past two years, PID's proactive compliance review of mental health and substance use disorder parity requirements has touched over 2.1 million Pennsylvanians. PID has reviewed hundreds of plans that are written by 22 separate insurance companies in Pennsylvania. This review, which has become a model for other state regulators, has prevented potential violations before they have a chance to harm Pennsylvania consumers.

PID has also led the nation in back-end compliance examinations. The Department has completed exams of Pennsylvania's largest health insurers, resulting in fines, millions of dollars in restitution, and,

importantly, changes to insurer processes and procedures to make sure mental health parity is a true reality across the Commonwealth. In 2023 and 2024 alone, PID's efforts delivered approximately \$2 million in health insurance restitution, bringing the total restitution recovered through our exam process to date to \$8.5 million.

PID has further assisted consumers in getting the benefits promised under their health insurance policies. In 2024, as part of the bipartisan passage of Act 146 of 2022, PID began implementing an independent external review process for health insurance consumers to submit appeals of denied health insurance claims. Prior to Act 146, Pennsylvanians could only request an external review through a federally governed process. The enactment of Act 146 brought external review back to the state level. More Pennsylvanians are utilizing their right to appeal claim denials in a faster, more convenient process. Notably, we've observed that half (50.1%) of the denied claims are overturned through internal and external reviews, meaning more residents are receiving the benefits they are entitled to and have already paid for. PID believes transparency is key to consumer protection and product regulation and has prioritized making data on claims, denials, and appeals publicly available through our Transparency in Coverage (TiC) Report and in 2024 issued our first Qualified Health Plan (QHP) Summary to help explain available health insurance coverage options.

In regard to property and casualty insurance products, PID's Bureau of Bureau of Property & Casualty Insurance saved consumers over \$180 million as a result of the thorough review process performed by PID's in-house actuarial review team. Each year, PID reviews over 10,000 rate, rule, or form product filings before they are sold in Pennsylvania's property and casualty insurance market. When rate increases are requested, PID requires insurers to submit evidence that the proposed rates are not too high, too low, or unfairly discriminatory.

This stringent, yet fair, review has helped to ensure that Pennsylvania's property and casualty market is one of the most competitive in the nation, providing consumers over 200 companies to choose

from for both personal auto and homeowners insurance. For both products, there are more insurers writing in Pennsylvania than in any of our neighboring states or any of the other large population states, including California, Texas, and Florida. Further, the number of insurers writing in Pennsylvania continues to grow, year after year, I know rates have been increasing (and in some cases deductibles have been too) but Pennsylvania has one of the most, if not the most, competitive markets for property and casualty insurance in the country.

Finally, I'd like to highlight PID's work with the Flood Insurance Premium Assistance Task Force throughout 2024. The Task Force, which included members from the banking and real estate industries and four legislators selected to represent their respective caucuses, developed policy and regulatory recommendations to improve the affordability and accessibility of flood insurance. We are pleased that two of the task force's recommendations have already been implemented. First, we would like to note that last year's SB 1241, ultimately enacted as [Act 142](#), was amended to include a requirement for two hours of flood continuing education for agents selling property and casualty insurance products. Pennsylvania agents and brokers will now be better prepared to educate Pennsylvanians about flood insurance. Additionally, PID has hired a Flood Ombudsman to work with consumers, the insurance industry, and other stakeholders to develop strategies to improve resiliency, increase flood risk mitigation, and educate Pennsylvanians about flood insurance so that they can protect their properties from flood damage that often results in thousands of dollars of uncovered losses.

Thank you for the opportunity to be with you today. We strive to be a premier insurance regulator focused on maintaining Pennsylvania's robust and competitive insurance market to the benefit of all Pennsylvanians. I look forward to continuing to work with all of you in our ongoing mission.