Understanding Group Self-Insured Workers' Compensation Funds

Providing Workers' Compensation Insurance Solutions for Small- and Mid-Sized Employers

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Introduction

Every company has financial risks that need to be identified and managed in order to protect corporate assets. The traditional approach is to purchase risk-specific insurance policies from commercial insurance companies.

While there is nothing wrong with this approach, many companies are unaware of another viable risk financing option that can offer numerous advantages – self-insurance. An increasing number of employers have chosen to self-insure a variety of corporate risks including: group health plans, workers' compensation, automobile, and general liability instead of paying premiums to commercial insurance companies.

Under a self-insured arrangement, companies pay costs as they are incurred. This normally results in lower costs over time and improved cash flow. Self-insurance also offers employers the ability to customize risk management and risk financing strategies that best fit their situation. Depending on the type of risk being self-insured, self-insured programs are regulated at either the state or federal level.

Nationwide, most Fortune 1000 employers and many mid-sized employers successfully operate self-insured workers' compensation programs. Many other mid-sized and smaller employers self-insure through participation in a self-insured group.

It is estimated that there are more than 500 self-insurance groups (SIGs) currently operating in 36 states. Collectively, they provide an effective insurance solution for hundreds of thousands of companies in a variety of industries.

This publication will discuss self-insured workers' compensation programs, and more specifically group self-insured workers' compensation funds. You will learn how SIGs operate and read a collection of stories profiling successful SIGs around the country. All of this information has been compiled by the Self-Insurance Institute of America, Inc. (SIIA), a non-profit association that represents companies involved in the self-insurance/alternative risk transfer marketplace.

What are Self-Insured Groups (SIGs)

A self-insured group (SIG) or Trust is an association of employers formed for the specific purpose of providing statutory workers' compensation coverage and in some cases employers' liability coverage.

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Who Would Form or Join a SIG

SIGs are widely recognized as a tool for companies who want to assume some control over their workers compensation costs and benefit from the cost savings that self-insurance provides but do not have the size or financial capacity to self-insure on their own. Generally, employers who join to form a SIG must be homogeneous, meaning they are similar in industry or class codes (i.e. contractors, manufacturers, wholesalers, etc.). Some states do allow for heterogeneous groups, where the individual employers are dissimilar, but this is not the norm.

The Benefits of a SIG

A SIG is designed to benefit its members by controlling costs, limiting accidents through loss control, providing aggressive claims management, and returning dividends to each participating employer. SIGs provide a means for employers to gain control over their losses and claim costs, while providing a substantial pool to share in the cost of claims and related expenses.

Many costs associated with traditional workers' compensation insurance such as premium taxes (in most states) and residual market charges, do not apply to SIGs which can amount to significant savings to members of self-insured groups.

While SIGs can prove to be a viable workers' compensation alternative, employers need to understand the concept, the financial strength of the group, how they are managed and how they are different from a standard insurance company prior to joining a self-insured group .

The Components of a SIG

Each group is governed by a Board of Trustees, elected by the group members. The Trustees develop bylaws for the group, set the criteria for membership eligibility, oversee the purchase of excess insurance, help set investment guidelines, select the service providers, and determine the guidelines for the distribution of dividends or the collection of an assessment.

Contributions to the SIG are the premiums paid by members to pay for covered losses, claims administration, and other administrative expenses associated with the management of the group. Examples of these expenses are loss control services, actuarial, legal, and accounting services as well as excess insurance.

Any surplus generated in a particular operating year is eventually returned to the members in the group that year as a dividend. A surplus can be generated from well managed claim or expense results, and investment returns. The calculation of an individual employer's dividend is based on guidelines set by the Board of Trustees.

Joint and several liability is another element of a SIG which means that each member is responsible for any deficit that occurred during the years they were a participant of the group. Members are required to sign a form obligating them to this requirement prior to joining the group.

SIGs will purchase excess insurance which limits the group's liability on a claim to a "self-insured retention" or SIR. The amount of any loss due to an occurrence that exceeds the SIR will be paid by the excess or reinsurance carrier. This lessens the effect on the group from an unusually large loss.

The management of the group can be handled by a third party administrator (TPA) or an administrator chosen by the Board of Trustees who is an employee of the group. The services which can be provided by a TPA are underwriting, loss control, claims administration, marketing, auditing, accounting, and regulatory reporting. These services can be provided entirely or partially by the TPA.

Another distinction of SIGs is aggressive claims management through lower adjuster case loads than commercial insurance companies. This allows an adjuster the time to proactively handle the claims thereby reducing the overall claim costs.

SIGs are regulated by the state in which they are domiciled and only cover exposures in that particular state. The initial established rates are based on suggested rates of a national workers' compensation rating organization but eventually rates are based on the SIGs own loss experience.

Setting up a SIG

Currently SIGs or Trusts are allowed in over 30 states. Because the regulatory and statutory requirements for SIGs vary by state, the first step in setting up a SIG is to review the appropriate regulations. Many states only allow associations to form a SIG, but this is not the case in every state.

When assessing the feasibility of starting a SIG, certain factors must be considered including the number of core members to begin the group, the minimum group contribution (premium) size, and the net worth of the membership.

In all cases, employers wanting to form a SIG must apply to the governing state for approval. The requirements vary by state, but ultimately, the state will evaluate the group's financial strength. This evaluation will include a review of pro forma financials, estimated contribution size, an actuarial feasibility study, employer makeup of the proposed group, and proposed contribution to be paid by group members to fund the liabilities.

The following is a list of items a group of employers seeking authorization to operate as a SIG should consider gathering/developing to help in determining the feasibility of the group:

- State promulgated application to become a group self-insurer;
- The appointment/voting of a Board of Trustees including the responsibilities of the Trustees;
- Development of bylaws that describe the group's operation and the rights and responsibilities of members;
- The participation agreements the members need to sign before joining the group;
- The criteria for the payment of dividends and the collection of deficit pursuant to the joint and several liability obligations of the members;
- A current payroll report by classification for each participating employer for the preceding fiscal year;
- An actuarial feasibility study directed and certified by an independent actuary;
- A description of the proposed safety program for the group;
- A report outlining the projected rate of contribution and assessments to be paid by each member in the initial year of operation of the group and a description of how such contributions were calculated;
- A description of the group's plan to administer claims along with the contract between the group and the proposed administrator;
- The proposed self-insured retention and estimated excess/reinsurance contribution;
- The collateral requirements of the state of domicile. If the posting of collateral is required, the cost of a letter of credit or other method of meeting the posting requirement must be considered. Some states require the payment into a guarantee fund instead of posting collateral;
- Determine if the state of domicile requires a separation of service providers where the administrative duties cannot be provided by the same administrator that handles the claims;

Once the group is formed, the Board of Trustees has a fiduciary responsibility to the members of the group to oversee the administration and operation of the SIG. Trustees will have a say in the decision making of the SIG: however, they will generally hire an administrator or administrators to handle the day-to-day operations of the SIG. The Trustees must ensure the administrator(s) chosen is properly licensed.

Reporting Requirements of SIGs

Once a SIG is approved, they are generally required to notify the governing agency any time employers join or leave the group. In addition, each state will require statutory reporting consisting of at least an annual filing of the SIGs audited financial statement and a qualified actuarial report to establish claim reserves. Several states also require an annual actuarial analysis of the group's rate structure for adequacy. This is their opinion the rates charged are sufficient to cover the expenses of the particular group.

Financial Safeguards of SIGs

Besides hiring a group and claims administrator, Trustees must retain other service providers to fulfill their fiduciary responsibility while providing additional oversight for the group. It is recommended these providers are knowledgeable and are specialists in the self-insurance industry.

The hiring of an accountant is necessary to file the required statutory financial statements and perform and complete the annual audited financial statement. Having an outside independent accountant gives the Board of Trustees and group members an outside view of the finances of the group.

An actuary is necessary to initially provide the feasibility study for the group. Once a group has formed, an actuary will complete an annual actuarial report to ensure the group has the proper loss picks and reserves. The actuary should also help determine and recommend adequate rates for the group.

Hiring an investment advisor is recommended to develop an Investment Policy Statement and then oversee the investments to make sure the policy is followed. The advisor must be aware of the individual state regulations that generally limit the type of investments a group can make with funds not reserved to pay claims.

The Board of Trustees should meet at least quarterly to review claims, claim reserves, and the financial status of the group.

And Sometimes Group Funds Fail

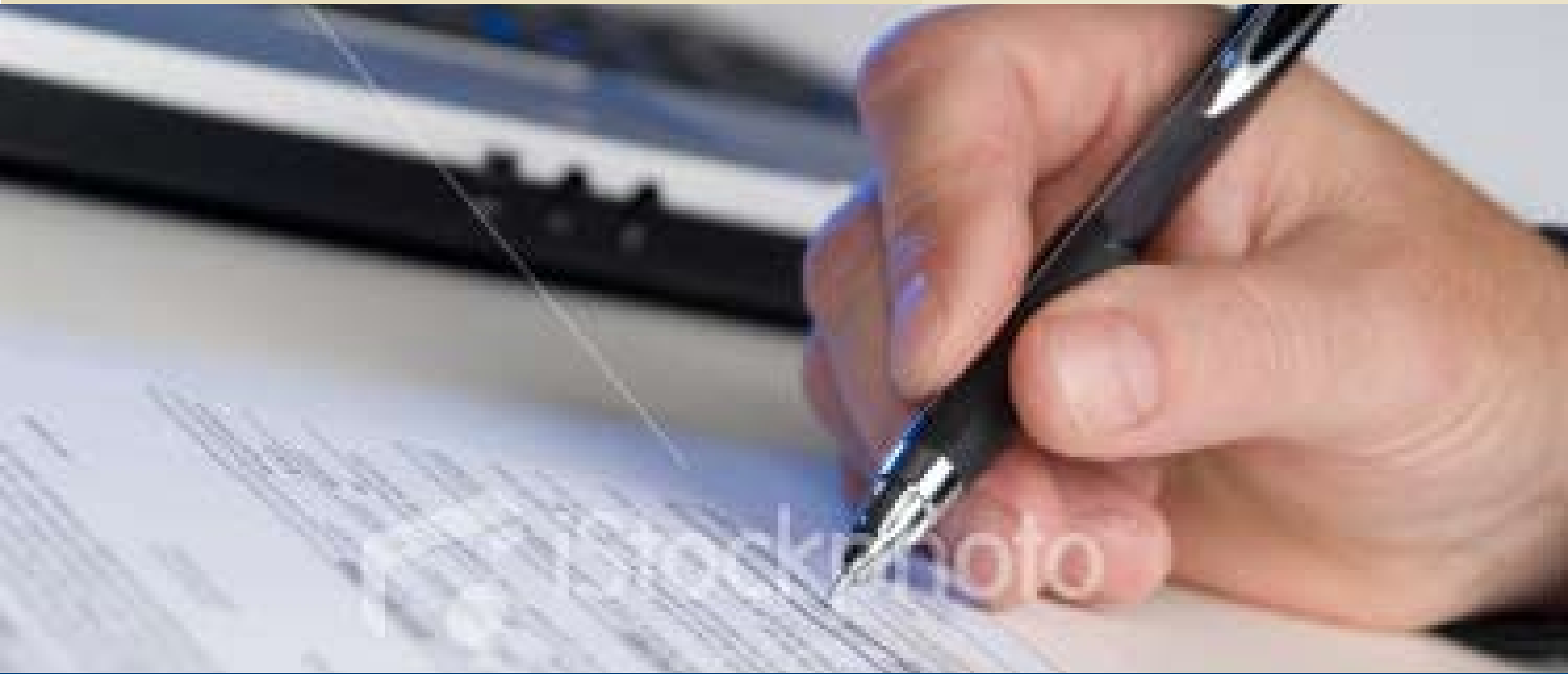
Self-insured group funds (SIGs) possess some significant inherent advantages over other forms of insurance. First, SIGs usually stress loss control and safety, which help their members reduce their losses. Second, SIGs usually encourage the employer to stay involved with their claims, so the employer can help reduce the cost of loss through return to work programs. Third, SIGs are designed to be a zero-sum game; that is, all profits including investment income made by the organization belong to the members. Conversely, all losses also belong to the members, which can be a SIG's greatest disadvantage.

Most SIGs that fail do so because they underestimate their incurred losses. SIGs are like insurance companies in that they must both make provision for the ultimate cost of all of the losses that occur during policies that they have underwritten. Sometimes the cost of a claim is not known until many years after it has occurred. SIGs, their actuaries, their accountants, and their regulators try to ensure that the premiums they charge and the loss reserves (estimated liabilities) they expense for unpaid claims are both adequate. Sometimes they are not successful.

Insurance companies are not allowed to operate in a state unless they meet the minimum surplus requirements in that state. Insurance companies that fall below these minimums may be subject to regulatory action up to and including termination. When an insurance company fails, most states have mechanisms called guaranty funds which pay for any claims in excess of the company's resources.

However, when a SIG's liabilities exceed its assets, the fund must call upon its members to make up the difference. Since the SIG's members are jointly and severally liable for any losses of the program, an assessment is issued. Very few SIGs survive the assessment process.

Active, engaged Boards of Trustees are a hallmark of successful SIGs. Post mortem studies of failed programs regularly point to uninformed, disaffected Boards that have allowed the service providers to run the program for their own enrichment. However, active oversight taken together with experienced, dedicated, and skilled administrators, claims adjusters, underwriters, loss control specialists, actuaries, and accountants have developed SIGs that have been successful year in and year out.



Management Guidelines for Self-Insured Workers' Compensation Groups (SIGs)

The Self-Insurance Institute of America, Inc. (SIIA) has compiled a list of management guidelines for Self-Insured Workers' Compensation Groups (SIGs). The list is comprised of suggestions from some of the leading SIGs and the top industry service professionals including actuaries, accountants, third party administrators and excess insurance brokers. Several of the suggestions have been recommended by speakers at SIIA's annual Self-Insured Workers' Compensation Executive forum. As the leading national association for SIGs, SIIA's objective is to provide insight as to how SIGs can improve their overall program management and retention of members.

A. Management:

1. Utilizing specialists in the Self-Insurance Industry for professional services including administrator, actuary, accounting and Excess brokerage can provide broader expertise.
2. Consider an incentive/performance based fee structure for the administrator. Prospective applicants to the SIG must sign an acknowledgement form of the SIG's rules, i.e. light duty, drug testing. No submission should be considered without the applicant acknowledging the bylaws and membership documents.
3. Expand committee membership into Underwriting, Loss Control, Marketing, Claims. Easier to engage members compared to a traditional eight (8) person board. Try to have your largest members participate on a committee.
4. Establish separation of duties to achieve proper financial controls.
5. Establish the role of the Board of Directors in managing the program and create a training program for new board members.
6. Each board should have a formal mission statement for the group. Include the mission statement with all member communication and at the inception of each board meeting.
7. Maintaining regular contact with the member utilizing safety, claims, marketing and management personnel.
8. Open invitation for any member to attend board meetings. Invite one large member to each board meeting.
9. Retain sufficient reserves to stabilize the fund… accept only the risk you can afford and re-insure the rest. Consider using an Accidental Death and Dismemberment policy to help manage the specific retention.
10. Meeting with large accounts (with premiums over $100,000) prior to Experience Mod lock-in.
11. Managed Care network and programs – analyze performance annually with a managed care savings report. Communicate the results to the members.
12. Focus groups for similar industries within the SIG can provide additional value to the members.
13. Lobby efforts on behalf of members.
14. Issue Board meeting minutes to all members.
15. Hand out surplus distribution (dividend) checks at an annual member meeting.
16. Get to know your Excess Workers' Compensation carrier. They should be a key partner. Work with your broker to have an annual meeting with both underwriting and claims.
17. Many successful SIGs do not rotate their board member terms. Management of the SIG from the same engaged association members can be beneficial.

A. Management (cont):

18. Establish and monitor appropriate financial benchmarks for the SIG and pricing guidelines based on financial position.
19. When surplus distributions are made to your members, include a summary of the formula that was used to calculate amount of surplus.

B. Underwriting:

1. Perform annual premium audits. Additional premium collected will offset expense of the physical audit.
2. Consistently apply strict underwriting guidelines
3. Review of selected accounts based on loss history or size or new to the Trust or otherwise fall outside the SIG underwriting guidelines.
4. Review of all accounts at the time of preparation of renewal quote. Document the underwriting file regarding analysis of renewal pricing.
5. Schedule an Underwriting Meeting to review all accounts at six (6) months into term. The meeting can consist of the claims managers, loss control manger, marketing team, CEO and underwriter. Everyone can share info about the accounts being discussed to provide input to the underwriter to help with pricing decisions. Any issues that require follow-up can be discussed to get compliance with loss control recommendations, return to work issues, etc.
6. Claims reviews are an essential function of sound underwriting. The underwriting program must include ongoing and frequent claims monitoring including the TPA, member and administrator to help preserve the integrity of the program.
7. Quality of employee/employer relationship should be evaluated as an underwriting factor.

C. Claims Administration/TPA services:

If you can't say you love your claims TPA, then either fix it, change TPAs or take it in house

1. Create a Service Agreement to outline the roles and responsibilities of each party, including fees, duration of contract, changes to contract, reports, timelines, penalties for violations, fees, third party contractual agreement requirements, and others as appropriate for your SIG.
2. Monitor and review clients consistently breaching prompt claim reporting standards.
3. Determine appropriate adjuster authority levels and security access for claim payments.
4. Be proactive in claims management, with a minimum of quarterly general review meetings.

C. Claims Administration/TPA services (cont):

5. Maintain very low adjuster case loads for Indemnity Claims; 50 - 75 compared to industry averages of 150 – 175 – investment will pay off in reduced claim expenses.
6. Loss runs include adjuster name and phone number.
7. Seven (7) month loss review prior to mod promulgation.
8. Summary page for loss runs sent to each member should include detailed information by year – losses, premium, loss ratio, total payroll, loss rate per $100 payroll.
9. Consider an annual performance bonus for the individual adjuster(s). Based on specified servicing standards, adjuster(s) receives a bonus paid directly by the SIG. This bonus would be outside of the TPA fee agreement. This will help to engage your adjuster considering the high employee turnover at most TPA's.
10. Regular and ongoing claim reviews with the members to establish sense of ownership and control over the process and participation in the SIG. At least quarterly for claims exceeding a pre-established threshold and in particular any claim that could be reported to the excess carrier.
11. Verify your TPA utilizes an accident reconstruction consultant for all large claims resulting from an auto accident.

D. Marketing:

1. Direct marketing without agents may result in agents selling against the Group.
2. Offer competitive commissions to compete with carriers and consider an increased level for new accounts.
3. Your webpage should present the benefits and quality of your fund, being careful not to give the marketplace information that will be used to sell against the value of the SIG. Include historical loss ratios, if favorable, surplus, photo of board members, financials, Loss Control resources. Be specific on issues such as adjuster claim levels, managed care savings and average claim cost compared to your state average.
4. Encourage and track the success of referrals from current members to obtain premium growth. Members need to understand the growth of quality companies is beneficial.
5. Immediately establish the role of the sponsoring association in marketing the program.
6. SIG Program Manager: Marketing Strategy Options to evaluate:

   • Exclusive Agent: only one agent can bring members into the program. The positive is, this agent gets to know the program very well; the downside is they have a limited ability to penetrate the marketplace and they must break the broker/client relationship.

   • Direct Marketing: This involves the association and/or program manager soliciting members directly. The positive is, they only have one product to sell and they can be very aggressive; the downside is they have to break the agent/broker relationship.

   • Open agent/broker network: This works well as long as your program is competitive in the open market. Brokers have a responsibility to bring the best deal to their clients. Sometimes the SIG will not be the best deal from the pricing standpoint. Also, historically, SIG's may not offer a commission level that is competitive to the open market. Our experience is most brokers aren't loyal to SIG's.

D. Marketing (cont):

7. Maintain consistent visibility:

   • Marketing should meet regularly with broker network

   • Attend trade shows to promote the SIG

   • Quarterly newsletters or broker grams

   • Direct mailings to potential clients
8. Market the fund based on high service standards and value added service in addition to competitive pricing.

E. Loss Control:

1. The key to loss prevention is for employees to identify and eliminate unsafe acts. To accomplish this, each employee submits a monthly form with an observation of an unsafe act (either in the workplace or an act unrelated to work). Offer an award or drawing for employees that submit their monthly observation comment form.
2. Mandatory "Transitional Duty" program.
3. Determine loss experience or lack of cooperation criteria which will trigger a Loss Control support list. This could increase the number of Loss Control visits.
4. Establish a Qualified Loss Control program designation for underwriting credits. Based on specified criteria such as transitional duty, drug testing, etc., members are granted a qualified program designation. Underwriting credits provided to members with a qualified Loss Control program.
5. Establish a procedure to consistently follow up on open Loss Control recommendations.
6. On-site training vs. regional seminars can help to identify underwriting exposures or operation changes.
7. Facility assessment with report.
8. Sample OSHA training and other programs available for use by members.
9. Safety products for members to buy at a discount to help reduce losses.
10. Loss runs emailed regularly to both member & broker.
11. Consider investing in safety equipment (safety goggles, gloves) with the logo of the SIG. This expense could be paid by the SIG as part of the annual premium.
12. Focus of "Transitional Duty" program should be to accommodate the return of a valuable employee.
13. Loss control and safety should include coordination with the TPA, Administrator and the Board to assure the loss control efforts are in line with the claims activity and underwriting expectations.
14. High hazard industries such as trucking, roofing, utility, etc. should consider engaging the entire family in safety. Consider a safety quiz for spouses or a children's safety poster contest. Provide incentives for participation by the family.

Excess Workers’ Compensation Coverage For Self-Insured Groups

A major component of any Self-Insured Workers’ Compensation Group (SIG) is the Excess Workers’ Compensation policy. The partnership with your Excess Workers’ Compensation Carrier can impact not only the financial solvency and operating performance of your SIG, but the value you provide to your members.

Two categories of coverages are available: Specific, which contains loss severity by placing a cap on losses the SIG must pay arising out of a single occurrence, and Aggregate, which addresses loss frequency over the course of the year. A typical excess program structure for a SIG is as follows:

Specific Excess

Statutory Excess
Workers’ Compensation Coverage
$1,000,000 Employers Liability

Specific Self-Insured
Retention
$500,000 Per Occurrence

Aggregate Excess

Aggregate Loss Fund 120-150% of Annual SIG Premium	Excess Aggregate Coverage $2,000,000 Limit

Excess Coverage:

Specific Excess limits are normally provided as a statutory limit. This affords unlimited excess coverage according to state workers’ compensation statutes. A specific excess limit of $10MM-50MM could be utilized, however, the excess markets can normally provide statutory unless there is significant employee concentration. Securing the full statutory limit provides the ultimate protection to the SIG members for a catastrophic loss involving multiple employees.

The specific Excess also includes a sublimit for Coverage B, Employers Liability (E/L). Normally a $1,000,000 E/L limit is provided. States that have a high level of E/L claim activity will elevate the underwriting exposure for this sublimit. (SIIA’s Work Comp Committee can share a white paper on Employers Liability Claims).

Aggregate Excess is normally provided as a $1-5 MM excess limit above the annual loss fund. Many SIG’s elect not to purchase Excess Aggregate if permitted by state regulators.

Selecting a Retention:

Specific retentions will range from $300,000 to $1,000,000 based on hazard codes, state of operation and historical loss experience. The appropriate retention should be determined based on regulatory guidelines, available surplus, pricing, historical developed losses and risk tolerance. It is imperative to understand the pricing options for various layers to assess your level of retained risk.

Occupational Disease exposures are subject to a per employee disease retention. If a disease exposure exists, your broker should negotiate a per occurrence disease retention for both direct and indirect disease exposures.

SIG’s with high hazard exposures can control excess premiums by utilizing a corridor retention. An example would be a $1,000,000 retention for the first large claim and $500,000 retention for subsequent large losses. Alternatively, a small layer of reinsurance could be utilized to manage the net retentions.

Excess Workers' Compensation Market Selection:

Less than ten insurance companies control the entire Excess Workers' Compensation market. Developing a long term partnership with a carrier should be based on several criteria:

- Financial strength for long tail medical costs which may include lifetime care.
- Depth of catastrophic claim expertise, loss prevention and underwriting.
- Premium / Retention.
- Commitment by the carrier to this long tail coverage that is subject to significant medical inflation.
- Underwriting flexibility for your target classes.

Excess Carrier Insolvency:

Some SIG's that have experienced an insolvent excess market have had challenges collecting from their state Guarantee Fund. Guarantee funds may deny coverage based on certain asset criteria.

For example, if the collective assets of all SIG members exceed the maximum, coverage could be denied. Considering some catastrophic claims could remain open for 10+ years, adequate financial strength of your Excess carrier is imperative.

SIIA's Workers' Compensation committee can be used as a resource for any aspect of evaluating your excess coverage or carrier selection.

Conclusion

Participating in a SIG has tremendous potential benefits to employer members. These include lower costs, industry specific loss control services, aggressive claims handling, profits paid to the members in the form of dividends, and improved cash flow. The process of forming a group requires careful consideration and planning to be successful. Reliance upon state regulators in your particular state is paramount in the decision making process.

About SIIA

The Self-Insurance Institute of America, Inc. (SIIA) is a national trade association that represents companies involved in the self-insurance/alternative risk transfer marketplace. Additional information about SIIA can be accessed on at www.siia.org, or by calling 800/851-7789.

Special Trades Contracting and Construction Trust of New York State Exemplifies SIG Approach

With steady membership of more than 900 businesses and a $2.4 million profit during the last reporting year, the Special Trades Contracting and Construction Trust of New York State has raised the standing of self-insured group (SIG) workers' compensation plans among regulators and the business community.

"Judgment by the New York Workers' Compensation Board (WCB) that the trust is "fully funded" is significant to the Special Trades Trust as well as to the entire self-insurance trust industry," said Christopher R. Mason, Chief Operating Officer of the trust's administrator, New York Compensation Managers, Inc. of Syracuse, New York.

Mason reported that the number of SIGs meeting regulatory funding standards continues to increase and that group self-insurance will continue to remain a viable, low-cost competitive option for New York State employers over the long term. He noted that funding questions by the WCB often center on differing accounting principles rather than any danger of default. The WCB applies its regulatory accounting standards rather than Generally Accepted Accounting Principles (GAAP) that SIGs apply.

The Special Trades Trust is a $32 million workers' compensation program for the construction industry established in 1995. Over the most recent four reporting years, the trust has experienced:

- Reduction of total claims by nearly 38 percent.
- Reduction of total claim dollars by more than $1 million.
- A steadily decreasing experience mod, credited to enhanced proactive safety and loss prevention services and outstanding underwriting.
- A decrease by $2.5 million of trust contributions over the most recent two-year period, credited to business efficiencies and improved member performance.
- Membership grew from 1,068 to 1,116.
- Reduction by $2 million from peak excess insurance due to claims reductions and improved financial positions.

Special Trades Trust reported to members that premium savings are due to "The efficiency and expertise of our claims professionals, nurse case managers, safety and loss control experts, and the power of our proprietary Xclaim Software…that saves you money and helps get your injured workers back to work…fast."

The Special Trades Trust takes a proactive approach that includes aggressive, accurate and effective claims management: "When an accident occurs it's the goal of NYCM's claims management team to expedite the recovery process, efficiently and effectively manage the claim to closure and minimize your financial exposure."

The administrator maintains on-staff nurse case managers with the goal of achieving successful medical outcomes at the least possible cost, with minimal lost time and at the highest level of satisfaction. A critical component is safety and loss control education that promotes an injury and accident-free workplace.

In an ordinarily hazardous industry, this self-insured group workers' compensation program appears to meet the goals of managing the risks of its members while also serving as a very positive example of the SIG approach. More information is available at www.workerscomp.com.

Missouri SIG Led Beneficial Reform of State's WC Law

The Missouri Merchants and Manufacturers Association (MMMA) Self-Insured Workers' Compensation Fund stands as a model of the self-insured group (SIG) workers' compensation insurance concept. The fact that its leaders worked through the political system to change their state workers' compensation landscape in favor of all employers just makes it that much more interesting.

At a glance, the MMMA Fund is a great success. Founded in 1992, it has more than 100 members employing 11,000 with $300M in payroll. Total WC premium is $6M. And through careful management and a rigorous loss prevention program, the Fund has distributed $8M in surplus to its members.

Now to the fun part: In 2005 MMMA led the passage of the most comprehensive Missouri workers' compensation reform bill! The definition of an on-the-job injury was tightened, saving Missouri businesses millions in the last four years.

But denying claims is not MMMA's goal: "We firmly believe that legitimate claims should be paid immediately," says founding director Sheelah Yawitz who is something of a legendary figure in Missouri business and politics. "We select doctors we would use for our own families. We get the best medical results and put people back to work as soon as possible," she adds.

Ms. Yawitz saw inequities in the prior workers' compensation system that she accepted as a challenge to correct on behalf of MMMA members. When MMMA won its campaign, State Senator John Loudon was quoted: "Sheelah Yawitz, on behalf of MMMA, was pivotal in crafting the 2005 workers' compensation bill, bringing all parties together and passing a historic reform package to help Missouri employers."

Ms. Yawitz didn't keep track of how many tires she used up commuting from her headquarters in St. Louis to personally lead the MMMA lobbying effort in the state capital. She credits her success on behalf of MMMA members to three elements: "Persistence, knowledge and taking our message to a business-supportive state administration and legislature," she says.

"I can't see that law passing any other way," says Duke Niedringhaus, Vice President of J.W. Terrill, Inc., which provides excess workers' compensation brokerage services to MMMA. "No Sheelah, no success," he emphasizes. "She pulled together the attorneys and lobbyists involved and carried this campaign through the legislative process. I use the '05 Missouri law as the benchmark of how workers' compensation reform should be executed in other states. What more would employers want from their work comp provider?" Mr. Niedringhaus added.

Examples of the historic work comp reform law of 2005 include:

- To be compensable, the work comp injury must be the prevailing factor in relation to any other factor.
- Injuries due to gradual deterioration of the body caused by aging are not compensable.
- New reduction of benefits: 25 – 50% for known safety violation; 50% for injury incurred in conjunction with alcohol or drugs.
- Accidents that occur while going to/from home and work are no longer compensable even if employees are traveling in company-owned vehicles.
- Elimination of the "extension of premises" doctrine which previously found that slipping on the ice on a public sidewalk outside the workplace was covered by comp.

Since passage of the workers' compensation reform law, Missouri employers have reported a 15 percent reduction in comp claims. For MMMA Fund members, that experience is more than a 30 percent reduction.

Two other factors that contribute to MMMA's success are: 1) bringing claims administration in-house; and 2) the loss prevention program.

MMMA's quarterly review of all open claims and their knowledge of the law have resulted in more accurate claim reserving. NCCI loss development for Missouri is a 1.31 loss development factor at 15 months. For MMMA, there is virtually no added loss development after its 15-month valuation.

MMMA members receive 2-4 on-site loss prevention visits annually at each location. This is a true proactive partnership for MMMA members.

Missouri has long been known as the "show-me" state. Sheelah Yawitz and MMMA have conclusively shown Missourians and those elsewhere that a self-insured group workers' compensation program can be a powerful tool for its members and the state's business community.

Texas Cotton Ginners Had SIG as "Plan B"

The Texas Cotton Ginners' Trust self-insured group workers' compensation plan appears to be the model of stability and successful operation. While serving more than three-quarters of the state's cotton gins, the trust has experienced steadily declining worker injuries and has consistently returned dividends to its members amounting to $3.3 million in 2008 and $3.5 million in 2009.

But the cotton ginners' comp destiny wasn't so secure in 2004 when its 10-year insurer suddenly announced it would not renew coverage. "That would have left us high and dry," says Administrator Tim Loonam. But as good luck and good timing would have it, the trust had a plan B.

One year earlier the Texas Cotton Ginners Association had petitioned the state legislature to pass a law enabling it to form a self-insured group (SIG) to provide workers' compensation coverage for members.

That was the turbulent year of 2003 in the state capital as minority Democrats fought a Congressional redistricting plan that they feared could cost them several seats in the U.S. House of Representatives. At one point, a majority of the Democratic delegation left the capital and reconvened in Ardmore, Oklahoma, where they hid out from the Texas state troopers that the Speaker of the House had dispatched to bring them back to the capital. Meanwhile, legislative business in Austin ground to a standstill.

"Our bill was on the calendar that week, and it was sponsored by one of the protesting Democrats," Loonam recalls. "We certainly couldn't feel confident about its outcome." But – long story shortened – the Democrats did return and the SIG-enabling legislation did pass.

However, a happy ending remained elusive: the cotton ginners had to nearly reach their "bare" spot as their existing policy dwindled to its final months as the state department of insurance considered operating regulations. "I think the department was in a state of shock," Loonam says. "Everyone was interested in setting up group programs in Texas. The department was besieged with inquiries. They were cautious in issuing regulations so that the new groups could form."

"If the Association hadn't proved that workers' compensation for an important state industry was in jeopardy, they might never have got it done," says Ed Costner of Casualty Actuarial Consultants of Brentwood, Tennessee, a service provider to the Trust.

Having this year celebrated its 15th anniversary, the Trust as a self-insured group has provided its members with both hard savings in dividends paid and "soft" savings in premiums the members never had to pay to a commercial insurance carrier.

The rate that Trust members pay on their gin employees went up only 13 percent during "hard market" years earlier in this decade when commercial rates rose as much as 45 percent. Moreover, the Trust's rate started back down at least a year before other carriers began to cut their prices. In 2008 the Trust rate was 7.2 percent below that indicated by the Texas Department of Insurance.

Loonam points to the Trust's safety program as the core benefit to members that helps keep premiums as low as possible and maintains the flow of dividends. Lost time claims have been more than halved from 1.9 per $1M of payroll in 2003 to .89 this year. Currently losses run about 45 percent of premium, well below the 65 percent that are conservatively budgeted.

"We poured the coal on safety from the beginning," Loonam says. Three Trust staff members are dedicated to the safety program that provides periodic in-the-gin training programs during the summer and fall harvest season.

A Certified Safety Trainer seminar is offered to members' management and supervisory employees. This two-day course in safety and first aid/CPR is designed to provide the knowledge and skills necessary for a supervisor to take control of plant safety. In addition, weekly Safety Training Bulletins provide timely safety information and Safety Alerts are dispatched to prevent specific kinds of accidents.

The Trust works to maintain safety compliance among its members by reviewing the safety and accident record of each. Members needing an increased focus on safety are identified, and their service needs receive a priority ranking.

Loonam believes that the Trust's ability to self-insure workers' compensation in a traditionally dangerous industry has enabled it to take charge of its own destiny.

Alabama Trucking Industry Finds Smooth Roads with Workers' Compensation Self-Insured Group (SIG) Fund

The Trustees and Officers of the Alabama Trucking Association (ATA) Workers' Compensation Self-Insured Fund knew the program was working well when members commented they no longer needed to be concerned over the quality of care provided to their injured workers.

"As the Fund hit its stride members quit worrying about their claims," says CEO/Administrator Kimble Coaker. "They could focus on running their companies and be confident that we were benefiting their employees."

But before that could happen member companies needed to adopt a whole new mindset about workers' compensation, according to Chairman Bruce MacDonald, President of Carrier Transicold South, a southeast regional corporation headquartered in Birmingham, Alabama.

"We had to teach members that an injury isn't treated just as an 'insurance problem' that gets passed on to someone else because that's how comp costs get driven up," MacDonald says. "The key is ownership of employee injuries before they occur with safety programs; immediately as they occur with prompt reporting, and after they occur with proper treatment and rehabilitation."

"Those are the principles that drive the program and make things better for the employees and better for the companies," MacDonald adds.

The Fund's numbers testify to the success of that approach. Coaker says: "Our Fund was developed by Trucking Industry companies to pursue affordable coverage and help their employees recover from injuries with the best possible treatment and personal care. Our success is measured by reduced workers' compensation coverage costs that have been cut in half since we started in 1993, and by the profits returned to members as dividends."

A total of $33,534,592 in surplus has been refunded to members and another $18,696,489 is currently held in reserve for future refunds. Fund membership is comprised of more than 360 companies representing all classifications of trucking, as well as supplier companies.

But no one could foretell such a workers' compensation success story in the early 90's as traditional workers' compensation insurance rates began to skyrocket. The Alabama Trucking Association Board of Directors began looking at other options including several self-insured workers' compensation group funds that other trade associations had formed.

Due to the significant push to find affordable coverage, the State responded to the rush to form SIGs with a moratorium on such groups until the enabling laws could be reviewed and updated to more effectively regulate them. Alabama industries shared a regulatory environment that was common to many states during that period when SIGs offered an alternative to paying exorbitant workers' compensation insurance premiums. The regulatory authorities didn't make Alabamans wait too long, passing revised rules and regulations in 1992. ATA was among a wave of more than a dozen subsequent SIG submissions and its workers' compensation fund was approved and operational on January 1, 1993.

The Fund has steadily experienced lower rates through management techniques that include a comprehensive loss prevention program which focuses on loss control and safety training in an inherently unsafe industry. Trucking industry classifications comprise three out of the top five most hazardous occupations according to OSHA, with the other two being health care facilities/nursing homes and the construction industry.

A staff of four safety experts headed by licensed safety professional Rick Hunter continually provide safety inspections and training among ATA members. "Rick can tailor educational material and meetings to fit most any needs," Coaker says. "For instance, if the company has forklift drivers or needs a defensive driving program, he can produce written safety guidelines for them and help implement a comprehensive program. He's qualified to handle most industry hazards and environmental related exposures based on his 25 plus years of handling occupational safety and health related issues."

ATA's third-party claims administrator, AVIZENT, maintains a staff of seven experienced claims adjustors that work exclusively on ATA claims, Coaker points out. "Their professionalism and efficiency is one reason our members don't have to worry about their claims," he says.

The Fund relies on light duty assignments to help injured workers recover faster and return to full duty more quickly, despite historic resistance among many industries. "There are opportunities for recovering workers to assist in and around the administrative and maintenance facilities of our members," Coaker says. "That helps them in many situations learn more about the company, and to be more valuable field representatives on behalf of the company when they get back to their normal job responsibilities."

"The benefits far outweigh any negatives about light duty," Chairman MacDonald says. "Sometimes light duty is the only way to keep from losing a good employee. That's an investment any company should want to make."

Every aspect of the Fund's operation improves through involvement by its members, MacDonald adds. "Peer reviews and peer pressure comprise one of the strongest influences on our member companies and help us focus on improving our industry to solve problems."

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Michigan Association of Timbermen WC Fund Makes the North Woods a Safer Workplace

Some involved with the Michigan Association of Timbermen Self-Insurers' Fund (MATSIF) endure difficult conditions as their work requires them to maneuver through tough terrain in a volatile climate – and those aren't just the members of MATSIF, but the Loss Control Representatives.

"That's right, our Loss Control Representatives go out and find members on their job sites to observe them for safe practices and use of Personal Protective Equipment (PPE)," says Barb Bennett, Fund Administrator, of the fund that through 25 years had made the Michigan forest products industry a safer place to work.

"The underwriting requirements of MATSIF are such that we can't accept every company that applies, and we have to weed out those that ignore sound safety practices," Bennett continues. "Part of our obligation to our overall membership is to assure that the safety is being practiced by our entire membership." MATSIF currently has in excess of 300 members insuring over 3000 employees.

The three MATSIF Loss Control Representatives pay unexpected visits to the Fund's members at least annually to observe each member's operation. These unannounced visits usually result in some type of recommendation for improved safety practices. The penalty for repeated infractions or noncompliance with safety recommendations can lead to cancellation of a company's membership. "It doesn't happen often, but it does happen," Bennett says.

Founded in 1974, MATSIF was the answer to extremely high workers' compensation rates being charged by insurance carriers for the forest products industry ($51 per $100 of payroll). Logging has always been one of the most dangerous and costly occupations for workers' compensation. It is always at the top of the list with commercial fishing and certain building trades as the most hazardous occupations in the United States.

"The Michigan Association of Timbermen, a trade association formed in 1972, began lobbying the state legislature to allow group self-insurance in Michigan. After several years of intense lobbying, legislation was finally passed to allow MATSIF to be formed," recalls Bennett, who joined MATSIF during its early years.

MATSIF is the oldest group self-insured fund in the state and has succeeded in cutting the workers' compensation rate nearly in half for the manual logging rate (chain saws). In addition to very competitive rates, MATSIF also declares biannual surplus distributions to its members averaging 30% of collected premium.

"The group has an excellent record of avoiding major claims – that's its number one focus," says Ed Costner of Casualty Actuarial Consultants, Inc., of Brentwood, Tennessee, which provides actuarial services to MATSIF.

Of course, the nature of the industry has changed during recent decades from relying mostly on chain saws to today's highly mechanized processes. Processors harvest trees at the ground level. They are then cut to length, hauled to the landing, loaded and trucked oftentimes without being touched by human hands. The workers' compensation rate for mechanical logging has settled to a level of $6.28 per $100 of payroll, a testament to the safety of mechanical logging.

There is an increased emphasis on safety in the woods including vision and hearing protection, use of safety apparel including hard hats, safety chaps, cut-proof boots and gloves, as well as monthly safety training on subjects such as how to avoid back strains and other muscular-skeletal injuries.

In 1994, MATSIF implemented the Think Safety program that provides monthly training and documentation that is required by MIOSHA of all forest products companies. The Think Safety program is a turnkey safety program that is tailored to the member companies' specific operations. It's an awards-based program that rewards the employees for remaining claims free. "Members get really excited about the program because it takes the burden off them to organize a program that meets the MIOSHA requirements," Bennett says.

"The employees really enjoy the program, too," says Bennett. "They enjoy programs put on by our Loss Control Representatives. It's a different face and oftentimes has more meaning than that delivered by the company foreman." Teams remaining claims free receive a scratch-off card to win monetary prizes that are redeemable at Wal-Mart or Cabelas.

The MATSIF headquarters is located in a spacious new log building located in Newberry, Michigan, a small town located in the eastern Upper Peninsula. MATSIF employs seven full-time employees, all having been with the Fund for many years. MATSIF is governed by a five-person board of trustees, all involved in Michigan's forest products industry.

When asked about MATSIF's success, Bennett comments, "I contribute our success to a number of things: A dedicated board of trustees, a competent and hard working staff, our emphasis on safety and loss prevention as well as good claims management. No matter how hard we work to eliminate claims, they will occur and when they do, timely reporting of injuries is critical. The sooner we know about a claim, the sooner we can get started in managing the claim." Claims are reported to MATSIF via a toll free number and are then electronically transferred to Comprehensive Risk Services in Farmington Hills, Michigan, the third party administrator responsible for claims management.

"Our approach is to manage every injury closely. We want our claimants to get timely and appropriate care enabling a quick recovery," Bennett says. "We want them to feel closer to us than to the legal system." She says that few MATSIF claims go to litigation.

Over a quarter century, Michigan's forest products industry workers have found a safer environment through the efforts of the Michigan Association of Timbermen Self-Insurers' Fund.

New York Lumberman's Trust SIG Calmed Anger Over High Comp Rates

About 30 years ago companies in New York's wood products industry had a stark choice: pay more than half the amount of their payrolls for workers' compensation insurance for some jobs or leave the business. By that time the 1976 movie "Network" had popularized this famous line: "I'm mad as hell, and I'm not going to take it anymore!"

Wood industries business owners knew the feeling. They faced comp premiums of up to $56 per $100 of payroll for logging and as much as $30 for sawmill workers. In 1981 companies formed the New York Lumberman's Trust, a self-insured group (SIG), despite initial resistance by the New York legislature and a negative response from the state workers' comp fund.

"We were told by the state fund representatives that we were crazy to leave and were sure to fail," recalls Edward G. Wright, President and CEO of W.J. Cox Associates, Inc. of Clarence, New York, which administers the trust. Cox was actually formed to manage the trust, which remains its single workers' compensation client.

After 28 years in operation, the trust has survived all the dire warnings of failure and now carries rates of $16 for logging and about $10 for sawmill work. Membership has expanded to 300 employers with a working population of about 4,000. It is a true vertical organization through the wood products industries including harvesting, processing, transportation, manufacturing, distribution and retail.

Wright credits the success of the trust to careful risk selection, diligent loss prevention and thorough follow-through after injuries to get employees back on the job as soon as possible.

"Specialization is a powerful tool for what we do," Wright says. "We know all the companies in our industry and we see a lot of similar injury cases, and have learned over the years the best ways to manage them."

Prudent risk selection means the trust doesn't accept every applicant. "We know these companies, and we know things that won't show up on an application," Wright says. Representatives of the trust always hold initial meetings with prospective members on their job sites. "You can tell pretty quickly whether or not a company has the proper attitude toward safety and will make the necessary commitment to loss prevention," he says. That attitude and commitment are actually more important to the trust then previous loss experience, according to Wright.

Once admitted, new trust members are obligated to stage up to 18 safety programs, depending on their employee job classifications. "These evolve continually," Wright says. "We are driven by examining what goes wrong and how to prevent it."

For example, administrator W.J. Cox has learned that a disproportionately high number of work accidents occur to employees during their first six months on the job. The administrator emphasizes new employee safety orientation that includes several hours of face time with experienced employees and Cox loss prevention representatives.

"It's frightening what can happen to employees in these industries if they're not careful," Wright says. "That gets the attention of new people right away. The safety techniques they learn then will tend to follow them throughout their career."

Another element of job risk that W.J. Cox learned from the Bureau of Labor Statistics is that about 40% of work accidents occur as employees are distracted by personal or family problems. The trust provides an employee assistance program (EAP) that is available 24/7. It provides free consultation through the first few phone calls and then refers employees or family members to additional resources if necessary.

"We also involve families in our safety program because we know that family members can be more influential than safety messages by their employer or program administrator," Wright says.

Examples include a safety quiz for spouses in the trust's employee newsletter. "That's going to get the employee and spouse talking to each other about safety, and that's the most powerful influence you can generate," Wright says. Another newsletter feature is a safety poster contest for employees' children. "Same kind of influence, but maybe even more emotionally engaging," Wright says.

A proactive safety promotion program recognizes both employees and employers for safe practices. Employees receive gifts such as ball caps or sweatshirts for going four months without an injury and employers who go a year without a reportable injury are recognized at the annual meeting.

W.J. Cox devotes a higher percentage of the premium dollar to loss prevention and claims management than industry averages. Each representative covers 60 to 70 member companies, compared to as many as 300 for some comp programs. And claims managers carry a load of fewer than 150 files compared to 200 or more for other programs.

"We've seen studies that say up to a point every dollar spent on loss prevention can pay back $3 on claims costs, so we spend as much as much as it takes to get the job done on this area. Also, we save elsewhere by not advertising or paying commissions," Wright says. "When you have claims averaging $12,000 you don't have to prevent very many to justify spending money on loss prevention or claims management."

By allocating more time for claims files Wright contends that injured workers stay in better contact with their jobs during recovery time. "By keeping employees involved in the culture of their jobs through light duty or just inviting them to come in for a pizza party, you can encourage them to come back to work as soon as possible," Wright says. "If an employee is off the job and out of touch for a period of months there's a good chance he or she will never come back."

New York wood products industries employers may find something to rouse their anger and complain they're "not going to take it anymore" in these economic times, but it's not likely to be their self-insured group workers' compensation program.

California Restaurant SIG Seen as Menu for Health Reform

The California Restaurant Mutual Benefit Corporation (CRMBC), a self-insured group workers' compensation plan, has been so successful that it has been nominated by a prominent journalist to serve as a model solution for broad healthcare reform.

Peter Roff, writing for the FOXNews website, traced Congressional deliberations of healthcare reform to this conclusion: "There is an alternative, already in place in certain parts of the country, in which small- and medium-sized businesses are banding together into co-ops called self-insured groups, which are proving to be a good deal for employers and employees.

"These self-insured groups, in which businesses pay into a fund that is used to administer the program and to pay out claims, give employers more control, and more responsibility, over what goes on in their warehouses, on their shop floors and in their plants."

Roff reported that California has adopted and supports the self-insurance option despite pressure from parts of the legal and financial community that oppose it. "State Insurance Commissioner Steve Poizner…pointed to the self-insurance model as an instructive lesson of ways to make the system work," he wrote.

Roff's article quoted David Mitchell, chairman of CRMBC, on the benefits of self-insurance to his industry: "We have reduced claims frequency, fought and won against fraud, helped employees in crisis and developed new technologies," Mitchell said, and added that self-insurance "makes for a better workplace all around."

Jim Leftwich, founder and CEO of CHSI, the program administrator and financial risk management firm that manages CRMBC, agrees that the self-insured group workers' compensation model could be adapted to broader healthcare management:

"Self-insurance provides new solutions and access to entrepreneurial ingenuity," Leftwich said. "Those who seek to reform the nation's healthcare system could learn from successful workers' compensation experience. Our member companies have more wellness, more education and more safety training than is normally available to most small companies simply purchasing health insurance or that would be available through government-operated plans."

Leftwich brings the conversation back to the degree of responsibility and control that employers experience in a self-insured plan. "They enjoy being able to roll up their sleeves and do some of the work to cut their costs and create safer workplaces," he said. "Look at it this way: nobody can control health care costs, but we can work to control the safety of our workplaces to help avoid expensive claims."

In an often-problematic industry, CRMBC has become California's largest self-insured group with more than 3,000 member locations and annual payroll greater than $1.4 billion. Statistics presented at its annual meeting reflect improvement across the board since the plan was founded in 2005:

- Workers' compensation premium has been reduced from more than $9 per $100 of payroll to less than $3.
- Number of claims has been reduced from about 2.5 per $1 million of payroll to less than 1.
- Eighty percent of claims are closed within a year, far below the traditional industry average in the range of 50-60%.
- $14 million has been returned to members in dividends despite California's high standard for financial security of self-insured groups.

Leftwich identifies a focus on creating a safe workplace, combined with superior incident management and rapid, technology-assisted claims services as elements that raise CRMBC operations to its successful level.

Injured employees are able to speak with a nurse by phone immediately through the CHSI Solutions Hotline that serves most languages. Informed counseling gets the employee off to the right start for recovery. The system takes the guesswork out of first-aid for employers resulting in fewer self-insurance claims and lower costs. Physician referrals are managed to assure quality medical care for the best outcomes.

CHSI's website provides unique technology and tools to CRMBC members to help them report and manage claims, manage finances electronically and access tools for safer workplaces. The leading edge technology provided to CRMBC group members is unique to CHSI managed programs due to patent pending software.

Web-based training resources are supplemented by CHSI's experienced risk control professionals who provide onsite, customized safety and claims training to address the real-world needs of restaurant operators.

As California requires claims processing independent of the management company, CRMBC employs the professional claims administrator Intercare, an industry leader in the state. Responsive claims management and rapid claims closure has contributed to CRMBC's overall success.

In addition to ordinary claims, CRMBC enjoys complete protection against catastrophic claims through A rated excess insurance carriers. All on-the-job employee injury claims from a single major occurrence – an earthquake, a violent attack or other event – are covered completely after the group has met its basic retention limit.

"The excess insurance protection ensures that members never have to worry about serious multiple-event losses by the group," Leftwich points out.

In an industry ordinarily fraught with workers' compensation issues, the California Restaurant Mutual Benefit Corporation stands as a model for employee safety – and perhaps to serve the broader scope of general health benefits.

SIG Sets Standard in Nevada

Some states – not having a clue to the difference between underwriting workers' compensation insurance and processing just any claim coming through the system – have suffered huge deficits in their state funds and ultimately turned to the private sector for relief.

Such was the happy occurrence in Nevada when the Nevada Retail Network Self-Insured Group (NRNSIG) was created in 1995 by the Retail Association of Nevada (RAN) after the state fund experienced a multi-billion dollar deficit. Working with Pro Group Management (PGM), the new group's objectives were to provide a safer working environment and aggressive claims management to bring the cost of workers' compensation under control.

As Nevada's fourth self-insured group, NRNSIG began with just five members and has grown to 1,400 retail employers. With a strong background in government relations, RAN succeeded in gaining approval for NRNSIG as part of its mission to strengthen its members' business environment. RAN is affiliated with regional and national organizations including the Chain Drug Council, the Grocery Industry Council and other groups.

NRNSIG's workers' compensation risk control process begins with good employee selection by its members. The group has partnered with Employer Lynx, Inc. an employment screening and background investigation agency that provides criminal searches, credit reports, driving record information, workers' compensation claim reports and other business data.

Safety training – often overlooked at the retail level – is provided by PGM which helps employers implement safe work practices, maintain safe work environments and ensure the use of personal protective clothing and equipment when necessary. Employer benefits of the program include fewer interruptions of production and services as well as compliance with federal, state and local regulations.

The other strategic reason for NRNSIG's formation was proper claims management. Associated Risk Management, Inc. (ARMI) provides third-party workers' compensation claims administration under a program designed specifically for NRNSIG. ARMI's provider network has been selected for optimal claims outcomes through timely referrals and a commitment to appropriate medical treatment protocol.

Attributes of the claims management program include:

- Low examiner caseload to maintain visibility in the system for all claimants.
- Employment of licensed and experienced hearing representatives.
- Real-time remote claims access.
- A proprietary process for expert claims reviews.
- State-of-the-art reports and trend analysis.
- Face-to-face claims meetings.
- Live telephone representatives to ensure accurate and immediate communications.
- Dedicated recovery specialists and a litigation manager on staff.
- Early return-to-work programs.
- Onsite bill review and re-pricing services.

Since privatization of the state fund almost 15 years ago, the workers' compensation marketplace has changed dramatically. Nevada is now considered a very competitive state with more than 200 insurers providing coverage. At a time when the economy is facing unprecedented challenges and as most commercial comp carriers aggressively pursue attractive retail business, NRNSIG continues its growth trend. Members agree that the partnership of members is equally important as the savings they realize.

So, has privatization into a self-insured group been successful? Since its inception NRNSIG's incurred loss ratio is 42.9% and more than $7.26 million have been returned to members in the form of dividends and payment holidays. Overall, members have saved approximately 25.2% over the premiums they would have paid in the traditional marketplace.

Today several chambers of commerce throughout the state recognize the benefits of partnering with NRNSIG because they see it as an asset to help attract business to Nevada. Both the chambers and members recognize that NRNSIG provides retail businesses in Nevada the opportunity to save money and provide a stable and predictable marketplace for their workers' compensation coverage.

Performance of Self-Insured WC Group More than Just Luck

Those seeking lucky numbers would do well to consider a "pick 3" of 0-20-45 that could be associated with the Independent Schools Compensation Corporation (ISCC), a self-insured workers' compensation group in Massachusetts. Here are the facts behind the numbers:

0: The number of members that have withdrawn from the group during the 17 years of its existence (not including a couple of private schools that ceased operations).

20: The downward percentage deviation from current Massachusetts workers' compensation rates that ISCC has earned because of its outstanding loss experience.

45: The percentage of premium that ISCC's 150 Class A members have earned in dividends over the 17-year life of the group. The actual numbers are $26.3 million in dividends earned on $58 million of premium.

ISCC President Cornelius N. (Nick) Bakker, Jr. is clearly proud of his organization's record but with New England prudence he cautions, "We encourage our members not to budget for dividends – let it be manna from Heaven."

ISCC was among the first self-insured groups approved by the state in a time when workers' compensation was reaching crisis conditions. "The workers' compensation situation in Massachusetts had deteriorated so badly that almost everyone was put in the assigned risk pool and traditional markets didn't want to write workers' comp," Bakker recalls.

"They say you've got to have a crisis to pull off major change, and we had our crisis," Bakker adds. The feasibility committee that worked on founding ISCC was comprised of school business managers Andrew Leighton (Buckingham Browne & Nichols School), Ted Wade (Milton Academy), Morgan K. Smith, Jr. (Noble and Greenough School), Edward Gotgart (St. Mark's School), Peter McCone (Dana Hall School) and Bakker, who has since retired from Thayer Academy.

The initial group of 24 ISCC members in April 1992 expanded to 58 members by the end of that year with about $1.2 in premium. Now ISCC has a total membership of 155 including five Class B members that are major colleges.

Of course, one would not expect a group comprised of private schools, colleges and cultural organizations to pose workplace hazards on a level with heavier industries. But one could be mistaken.

"Our members have many of the same workplace challenges as other industries when you consider jobs in dining services, custodial, housekeeping and grounds maintenance," says Carol DiPietro, regional vice president of Meadowbrook Insurance Group's Andover, Massachusetts, branch, which has administered ISCC since its inception. "Educational facility services have many lifting tasks like shoveling snow, moving furniture, throwing trash and repetitive tasks like preparing food, weedwhacking and trimming, or computer work," she adds.

Not only was workers' compensation insurance exorbitantly expensive or unavailable at the time it began but ISCC founders also felt they could improve on injured worker treatment quality, safety programs and claims management by going on their own in a self-insured group.

"When an employer is involved in the care of injured workers, you can get a better result than when an insurance company is in charge," DiPietro says. "That's not to say that an insurance company would purposely skimp on treatment, but an employer will be more concerned about getting the best care for an employee because the employer has a vested interest in the well-being of the employee and understands that major work injury costs are in the hidden expenses of lost productivity, job replacement and recruiting.

"Spending a little more on immediate care helps keep costs down in the long run and brings a healthier worker back to the job sooner," she adds.

Safety training is an evolving process for ISCC members. Last year they instituted behavioral safety programs with demonstrated improvements in the effect of safety committees and by improving in-house incident investigations through greater focus on near-miss reporting.

"That's an important development for our members," DiPietro says. "By focusing on accidents that didn't happen but could have, employee working techniques are improving to reduce lost time injury accidents."

In addition to safety programs for each member, ISCC held ten safety workshops that included subjects ranging from "How Diabetes and Obesity Impact the Workplace" to use of automated external defibrillators and a SawStop table saw demonstration. The entire group collaborated on a successful Risk Management/Safety Day.

Members of ISCC maintain shared responsibility for management of their claims. "When both the employer and the injured worker are actively involved in the claims management process in a close collaboration with the claims service provider, the injured employee receives the best treatment, his or her recovery time is decreased, and he or she is able to return to the workplace much more quickly," DiPietro says. ISCC's claims adjusters maintain active caseloads well below the industry average, DiPietro notes.

ISCC's historic performance may have provided some lucky numbers, but lots more than luck was involved in forming a pioneering self-insurance group and achieving outstanding performance over its lifetime.

Georgia AgriTrust Provides Individually-Crafted WC Plans

AgriTrust of Georgia was founded in 1993 as a group self-insured workers' compensation plan to serve employers across the wide spectrum of agribusiness interests that comprise the membership of the Georgia Agribusiness Council, Inc.

In practice, the fund based in Commerce, Georgia, is an aggregate of 375 different entities, according to Eddie Kinnard, Vice President of Insurance Services. "Every one of our members is unique with its own mix of job categories – some of them potentially hazardous – with possible exposures including chemicals, large animals, even outbreaks of bird flu among some poultry producers."

Kinnard works with the fund's account representative with the third party administrator (Georgia Administrative Services) to underwrite each new member. "At renewal time I again look at each member's experience along with our TPA to make sure our plan is sound, and then we review each with our board of trustees."

AgriTrust of Georgia is a group self-insured workers' compensation program serving the agricultural industry that comprises about 13 percent of the Georgia economy. Fund members have enjoyed decreasing average premiums through its history. AgriTrust works closely with other group self-insureds in Georgia on areas of common concern in the workers' compensation arena. AgriTrust is active in SIIA, the GFA (all group self insureds in Georgia) and their state's advisory council on workers' compensation insurance.

Kinnard says the fund's success is based on four key factors: "Outstanding trustee leadership, our commitment to helping our members provide a safe workplace, our commitment to aggressive claims management and our strong financial position"

The aforementioned strong financial position is evidenced by the return of over $3,250,000.00 to qualified members in the form of dividends since 1998.

Duke Niedringhaus with J.W. Terrill, Inc., a specialist in excess workers' compensation brokerage, comments, "The more challenging the risk exposures, the more value a self-insured group (SIG) can provide to the members. Some of the diverse risk exposures of AgriTrust of Georgia include group transportation, seasonal workers, large animal exposure, cotton gins, poultry processing and related bird flu exposures, and harvesting. Those are very difficult exposures to manage and are sometimes compounded by different language issues. It highlights the importance of the mission statement and a solid partnership with the excess workers' compensation carrier to underwrite these exposures."

The mission statement referred to by Niedringhaus is never far from the consciousness of those associated with the fund. Kinnard says that it is read aloud at every trustees meeting as a continual reminder of purpose and principles:

AgriTrust of Georgia has been established by the Georgia Agribusiness Council, Inc. to provide a stable source for Workers' Compensation Insurance for safe-working GAC members. The Fund will offer a full range of services, including but not limited to claims management, loss control and training designed to assist Fund members in controlling work related accidents. The Fund will strive to create an environment which encourages members to commit to long-term participation and effective loss control measures.

"We are very fortunate to have the services of such a committed Board of Trustees," Kinnard says. "It is an outstanding group of individuals representing the industries and geographic dispersion of our members. They provide hands-on management and great leadership and direction."

In any workers' compensation program, the best route to success is safety training. AgriTrust of Georgia makes that a major focus. Seminars are offered regionally and specific safety programs are directed to each member onsite and in telephone conferences. Incentive programs assure near universal participation. Each member also receives training on specific checklists of safety issues for the occupations among their employees on an annual basis.

As transportation is a primary activity of nearly all agricultural industries, the fund provided a defensive driving course in partnership with the Georgia State Patrol last year. "Every accident we can prevent carries great human and business benefits," Kinnard says.

When accidents occur, the fund's aggressive claims management process first assures the best and quickest possible medical treatment for member employees. "We also work very closely with our members through any settlement process and to assure that employees are welcome to return to work even when modified duties are required," Kinnard says.

Since 1993 Georgia's largest industry has a proactive and stable insurance partner in AgriTrust of Georgia.

Proper Training Provided Through SIG Reduces Injuries in New Mexico Schools

An increase in musculoskeletal injuries among special education teachers, nurses, therapists and teachers' aides spurred the New Mexico Public School Insurance Authority (NMPSIA) to initiate a program to help prevent transfer and lifting injuries. Developed in 2005 by CCMSI, NMPSIA's third party administrator (TPA), the training is available free to the school districts making up the NMPSIA self-insured group. Since initiated, musculoskeletal claims among special education staff have decreased from 141 to 96 claims annually – lowering total claim costs by approximately $91,000 per year.

NMPSIA, a group self-insured workers' compensation fund consisting of 93 New Mexico school districts employing 45,000 individuals

Identifying the Problem

In 2001, NMPSIA's TPA began to specifically track special education staff claims for musculoskeletal injuries. At the time, over-exertion claim costs in education in the United States had increased to $14 billion per year. Being proactive, NMPSIA asked their TPA to track the types and severity of claims by occupation. NMPSIA saw an increasing number of claims caused by musculoskeletal injuries within special education – signaling a problem.

School Districts Handling More Special Ed Students

The increase in claims may have resulted, in part from, the No Child Left Behind Act. Among other things, No Child Left Behind is focused on closing the achievement gap between high- and low-performing children, and between disadvantaged children and their more advantaged peers. As such, schools across the country are taking on more special education students.

"Over the past 10 years, the number of U.S. students enrolled in special education programs has risen 30 percent," states the National Education Association Web site. "Three out of every four students with disabilities spend part or all of their school day in a general education classroom."

More Special Ed Students; More Teacher Injuries

Thus, teachers and teaching assistants of special education students are reporting more on-the-job injuries. After all, special education students can suffer from a variety of disorders – brain damage, autism, muscle paralysis, hearing or vision issues. Some require constant care during the school day.

Most musculoskeletal injuries within NMPSIA member schools result from attempts by special education staff to restrain, transfer or lift students. That's why NMPSIA funds their TPA-developed lifting and transfer training, and makes it available to special needs teachers and staff. The training, which spans three hours, also provides district nurses, physical therapists and occupational therapists with three continuing education credit hours.

The problem is that more employees trained in educational areas are being asked to be caregivers and entry-level medical service providers, but, they are not typically trained in the delivery of these services. The school nurse is often called on to provide medical support like tube feedings or dressing changes, but most haven't been taught the safest biomechanical techniques for lifting and transferring physically impaired students should the need arise. Most schools do not have mechanical lifting devices available to them. The result is an increase in musculoskeletal injury incidence and severity.

Hands-on Training

That's why the training to prevent these injuries is conducted face-to-face at each school district's chosen location. Each session, which covers spinal anatomy and body mechanics, provides the opportunity for participants to perform lifts and transfers, share classroom concerns and problem-solve solutions. NMPSIA's TPA offers hands-on training using 39- and 109-pound manikins so participants learn to properly transfer and lift students. School employees have the opportunity to practice one- and two-person lifts and transfers, as well as chair and changing table transfers. Each district brings in their unique cases so the training is focused on helping them more safely work with students.

Results Point to Success

Since 2005, 10 NMPSIA school districts have received ongoing transfer and lifting training – training that is credited with dramatically reducing musculoskeletal injuries and resulting claim costs.

About SIIA

The Self-Insurance Institute of America, Inc. (SIIA) is a non-profit trade association that represents companies involved in the self-insurance/alternative risk transfer industry.

About SIEF

The Self-Insurance Educational Foundation, Inc. (SIEF) is a 501 C 3 non-profit organization affiliated with the Self-Insurance Institute of America, Inc. SIEF sponsors various educational and informational initiatives designed to provide a greater awareness of self-insurance.

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As President of SIIA, I would like to commend the volunteer leadership and contributors for this unique and timely publication. As the leader in protecting and promoting self-insurance, SIIA has once again proven its unsurpassed value to its diverse and dynamic membership.

Freda Bacon
Administrator
Alabama Self-Insured Workers' Compensation Fund