



The MMMA Guide To Self-Insured Groups (SIGs)



WHAT IS A SIG?

A self-insured group fund is a method by which small to medium sized employers can pool their workers' compensation liability with others. The group fund is usually comprised of employers within the same industry or members of the same association. These employers are able to spread out their workers' compensation risk among all the members of the group fund. Each member pays a premium to the group fund from which all losses and expenses are paid. If the losses and expenses exceed the collected premium, then each member may be required to make additional contributions. However, each member may also receive a surplus distribution when losses and expenses are less than the collected premium.

MMMA understands that the success of a self-insured group fund comes from members commitment to workplace safety and works diligently to ensure proper education to reduce work place accidents. The success of the fund is also achieved through MMMA's dedication to efficient administration of claims and general operations.

THE ADVANTAGES

- A SIG fund can offer small to medium sized employers potential cost savings. If premiums exceed losses and expenses of the group fund, with the Division of Workers' Compensation (DWC) approval, the group fund can refund the surplus to its members. The surplus is comparable to an underwriting profit for an insurance carrier.
- A member of a self-insured group fund also has greater control over its workers' compensation costs. A board of group trustees comprised of at least five members of the group fund elected by the membership is responsible for all the operations of the group fund. Members of a group fund have a sense of ownership and a shared motivation for cost reduction.
- A successful group fund offers its members active loss prevention programs and services. These programs provide employees with a better work environment and help improve the group fund's performance through reduced losses.
- The group fund hires a third-party claims administrator, which may help reduce overall costs.
- A group fund helps its members stabilize insurance costs. Often the fixed costs associated with self-insured group funds do not follow the premium ups and downs that can be experienced with traditional insurance.

THE DISADVANTAGES

- Each member in a fund is jointly liable to all other members of the group trust under the Missouri Workers' Compensation Law. In the event the group fund fails to underwrite and or forecast its losses and expenses, the group fund may collect additional funds from the members to correct the deficit.
- To help ensure the solvency of the group fund, the Division of Workers' Compensation (DWC) has strict requirements that must be met by the group fund members.
- Exposures outside of Missouri must be insured through a traditional workers' compensation policy or an acceptable alternative.

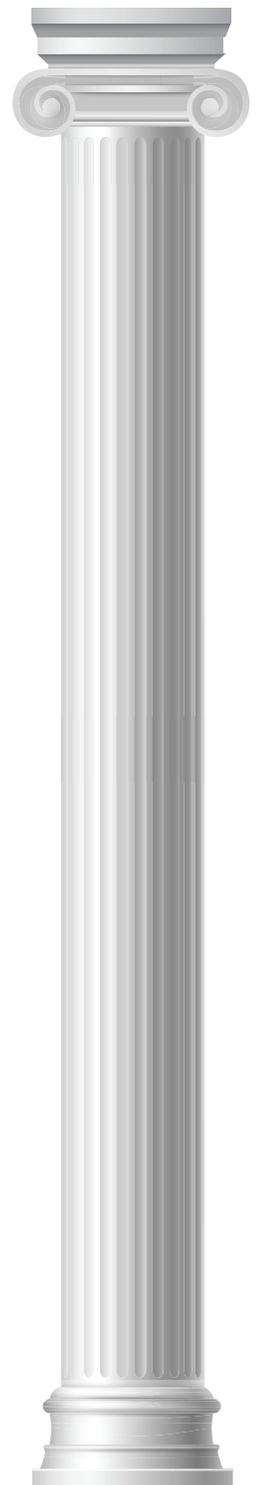
REGULATORY REQUIREMENTS

The Division of Workers' Compensation (DWC) has regulatory authority over group funds and the employees who participate within the fund. Group funds and their members are required to abide by the rules governing self-insurance found at 8 CSR 50-3.010 and the statutory requirements set forth in chapter 287, Revised Statutes of Missouri. Members of the group fund are required to pay the workers' compensation tax and second injury surcharges as required of all Missouri employers.

REPORTING REQUIREMENTS & AUDITS

The DWC requires all SIGs to file yearly reports showing their rate filings, audited financial statements, qualified actuarial analysis and projections and claims reserves. They also require quarterly submissions of loss runs and unaudited financial statements. In addition, board meeting minutes, any changes in ownership, address changes or member terminations must be reported to the DWC.

The DWC conducts audits deemed necessary and appropriate. The DWC performs four different types of audits: compliance, reserve, compliant and safety audits.



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to speak with a helpful representative.



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