Self-Insured Groups (SIGs) – Myths vs. Truths

☛ Myth 1: The SIG model is new and unproven

TRUTH: The SIG model has been around as early as 1966 in some of the largest states such as New York, Michigan, Texas and California.

☛ Myth 2: SIGs are not controlled by any governmental entity

TRUTH: All SIGs are regulated by the Texas Department of Insurance Division of Workers' Compensation (TDI-DWC). SIGs' infrastructure, including financial results are regulated and audited by the TDI-DWC .

☛ Myth 3: Financial and management controls can be inconsistent from trust to trust

TRUTH: All SIGs are responsible for the proper establishment, maintenance, and administration of accounting procedures and financial controls, including: collection of accounts and monies owed to the group in connection with providing coverage and the group's administration; maintenance of all claims fund and administrative fund accounts necessary to satisfy the legal and financial obligations of the group; reporting of financial statements as required by the state and the groups by law; and selection of independent certified public accountants and actuarial services, as appropriate, and proper investment management.

☛ Myth 4: The SIG approach requires an initial capital investment

TRUTH: Individual members may join the group without any specific cash outlay for security. The security required by the TDI-DWC is taken from the general operating fund and is usually in the form of a bond.

☛ Myth 5: SIGs allow any business, including unsafe companies into the group

TRUTH: Each prospective member is individually underwritten and priced according to a number of factors including financial status, loss experience and physical inspection. Further, SIGs maintain underwriting guidelines which have been approved by the groups' Trustees and Excess insurers. These guidelines circumvent the addition or renewal of poor performers in the group. CRM's groups utilize a best practice safety report card which further evaluates a members performance on a quarterly basis.

☛ Myth 6: The SIG model does not maintain sufficient security

TRUTH: The TDI-DWC has a rigid model that outlines the security for all SIGs to post at inception. There are no exceptions to this security model.

☛ Myth 7: SIGs do not have enough money to pay for a catastrophic claim

TRUTH: The TDI-DWC requires all SIGs to maintain adequate excess insurance to cover the group above a specified retention. CRM's groups maintain unlimited excess coverage for workers' compensation claims valued at $ 500,000 or higher.

☛ Myth 8: My business is too small for a SIG

TRUTH: The concept of a SIG is designed to afford employers of all sizes the benefits of self insurance by pooling them together to create an economy of scale.

☛ Myth 9: The SIG model is not right for my type of business

TRUTH: The SIG model is appropriate for all types of industries. Groups are homogeneous in nature (pooling of similar industry types) and by doing this, you can benefit from industry specific pricing and risk management.

☛ Myth 10: The SIG allows my industry employers to know about my financials and WC costs.

TRUTH: Member financial and cost data is proprietary information. A small panel of member trustees oversees the group's performance and as such views general summary data for the group, not individual member information.

☛ Myth 11: The SIG model does not track my experience mod and/or I must use a group mod

TRUTH: CRM administrated SIGs always utilize an individually calculated experience mod.

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