



EXECUTIVE SUMMARY

SELF-INSURANCE REGULATORS' HANDBOOK

Workers' compensation in the United States is regulated at the state level. There are multiple reasons employers consider self-insurance; some primary factors include insurance savings, greater control of claims adjustment, and return to work/health.

Each state has its own approach in regulating self-insurance, the cost of regulating workers' compensation self-insurance can vary substantially from jurisdiction to jurisdiction. The *IAIABC Self-Insurance Regulators' Handbook* provides an overview of application, regulation, risks analysis, mitigation, and management of self-insurance for workers' compensation.

Almost every state recognizes self-insurance as one of the ways an employer can satisfy its "duty to insure."

APPLICATION PROCESS

The application processes and forms vary from jurisdiction to jurisdiction but also share many common features. Most jurisdictions ask for financial information, list of subsidiaries, employment in the jurisdiction, loss history, and contact information for service of legal process.

SECURITY

After an analysis/screening of an applicant's financial stability, ability to pay workers' compensation benefits, and ability to continue paying benefits, most jurisdictions would require some type of assurance that it will happen. Posting of some type of security is a condition of approval for self-insurance, common types of security include cash deposits, letters of credit, and surety bonds. Weighing the strengths and risks, the regulators exercise judgement in balancing the need for security with the costs to the employer.

Posting security is required for private self-insured employers, types of security can vary from state to state. How secure is your security when there is a bankruptcy? It depends.

EXCESS INSURANCE

Excess insurance is required in many jurisdictions as part of the self-insurance requirements. You can find information about assessing type of coverage, level of excess coverage, and evaluating the strength of the excess insurer to reviewing the policies in this *Handbook*.

GUARANTY FUNDS

A guaranty fund is another safety net to ensure the full payment of worker's compensation benefits. A guaranty fund can be a state-operated account or operated by separate legal entities. Although the

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structure of guaranty funds, operations, administration, size, coverage and financing differ from state to state, there's one common goal: serving as the self-insurance system's final safety. In this new revised edition of the *Handbook*, info about the California Self-Insurer's Security Fund, which is quite different from traditional guaranty fund, is included.

BANKRUPTCY

Bankruptcy of a self-insured employer or a former self-insured employer poses significant risk to the self-insurance program. Most aspects of workers' compensation in the United States are regulated at the state level. Bankruptcy of a self-insured employer is one area in which a state loses most of its control over the claims payment and financial obligations of an employer subject to its workers' compensation act. The effect of bankruptcy proceedings upon the injured worker can be profound. It is important to ensure effective security arrangements are in place before financial problem arise. A regulator's checklist in the bankruptcy chapter offer some guidance to regulators who are faced with the bankruptcy of a self-insured employer or former self-insured employer.

CLAIMS ADMINISTRATION

Some self-insured employers choose to self-administer workers' compensation claims instead of using a third-party administrator. Claims administration procedures include claims processing, investigation, medical management, disability management, coordination of payments, estimating reserves, etc. Some states require adjusters to be licensed in their states to handle claims. Regardless of who administer claims, and licensed or not, properly trained professionals, good claims handling practice, record keeping, and documentation to locate claim files are essential in workers' compensation claims administration.

When an employer accepts the state's authorization to self-insure, it also accepts responsibility for proper claims administration.

GROUP SELF-INSURANCE

Group self-insurance's benefits, risks, structures, management, best practices are discussed in this *Handbook* as well. Engage management, board of trustees, and state regulators in working together if you're in one of the states that allows group self-insurance.

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