

STATE OF NEW YORK
WORKERS' COMPENSATION BOARD

Report of Group Self-Insurers – Frequently Asked Questions

Q: How often is this report updated?

A: The report is updated on the first of each month and reflects any changes made during the month including those made to the group self-insurer name, group administrator, number of members, status, regulatory funding position, or restrictions imposed since the last monthly report.

Q: Can any type of employer belong to each of these group self-insurers?

A: Group self-insurers are required to be homogeneous with employer members in the same or similar lines of business. Membership in a group self-insurer is limited to those employers that meet the homogeneity standard established by the group self-insurer and approved by the Workers' Compensation Board (Board). A general description of each group self-insurer is included in Column (1).

Q: How many members belong to each of these group self-insurers?

A: The approximate number of active members in each group self-insurer as of the report date is included in Column 1.

Q: What is a group administrator?

A: A group administrator is that individual or entity that is responsible for assisting the group self-insurer in complying with the provisions of the Workers' Compensation Law (WCL) and the rules and regulations promulgated thereunder and for the coordination of services including, but not limited to, claims processing, insurance purchasing, loss control, legal, accounting and actuarial services. The group administrator noted is the administrator of record with the Board. If the group self-insurer has been transferred to a State contracted group administrator, it is noted.

Q: If a group self-insurer is inactive and has had multiple group administrators, which administrator is listed on the Report of Group Self-Insurers?

A: If a group self-insurer is inactive and has been transferred to a State contracted group administrator, the last group administrator on file with the Board is listed. It is possible that a group self-insurer could have had multiple group administrators over the time it was active and inactive.

Q: What is a State contracted group administrator?

A: A State contracted group administrator is a qualified contractor that performs a range of services on behalf of the group self-insurer assumed by the Board. The services are obtained through a competitive bid process adhering to NYS procurement rules and include the day-to-day management of operations, claims handling, safety and loss control services, contractual liaison services and overall handling of the financial affairs attributable to the group self-insurer.

Q: When is a group self-insurer transferred to a State contracted group administrator?

A: If the financial position of the group self-insurer is such that the Board has concerns regarding the uninterrupted payment of any obligations under the WCL,

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particularly those to claimants, the Board may take over the administration of the group self-insurer.

Q: How often is a group self-insurer's regulatory funding position updated?

A: Group self-insurers must file reports within 120 days of their fiscal year end. Based upon a review of those reports, the Board will make a determination on the regulatory funding position of every group self-insurer on an annual basis. The status report will be changed after a determination is made and the group self-insurer has been notified of such. Typically, the determination is not changed until the next annual reporting cycle.

Q: How does the Board determine a group self-insurer's regulatory funding position?

A: Group self-insurers are required to establish and maintain trust assets which are at least equal to trust liabilities. Trust assets are typically limited to cash, cash equivalents, and certain types of investments. Trust liabilities include all actuarially determined claims reserves for both known and incurred but not reported claims, as well as all other liabilities which may include, but are not limited to, assessments, dividends payable, accrued expenses, and accounts payable. A group self-insurer that does not meet this funding requirement is deemed to be under funded and the asset to liability ratio as stated in column 4 is shown. The cumulative regulatory deficit is noted in column 5.

Q: What is a Level I Review?

A: At the current time, group self-insurers must submit the following reports on an annual basis, to the Board: (1) audited financial statements prepared in accordance with GAAP and certified by an independent certified public accountant; (2) an actuarial report certified by an independent, qualified actuary; and (3) a payroll report filed by classification code for each group self-insurer member and in aggregate for all group self-insurer members. A review is performed on these reports by Board personnel, on an annual basis, and a Level I Report determining regulatory funding position is issued.

Q: How can I find out more information regarding the Trust's regulatory funding position?

A: Any active or inactive member of a group self-insurer is entitled to obtain information about the funding position of the group self-insurer in which they participate or participated. Members can request financial and actuarial information from the group administrator including a copy of the most recent financial review performed by the Board.

Q: What are restrictions, and why are they imposed against some of the group self-insurers?

A: If a group self-insurer fails to meet the minimum funding requirements required under the WCL, the Board will deem the group self-insurer under funded.

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Depending on the level of under funding, various restrictions may then be imposed on the group self-insurer until such time as the Board considers the group self-insurer to be adequately funded. These restrictions may include, but are not necessarily limited to, no new members admitted to the group self-insurer or members admitted on limited basis (either in terms of the number of new members and/or in the amount of discount that can be offered). Such a group self-insurer may also be required to impose deficit assessments against the employer members.

Q: What does “pending restrictions” mean?

A: “Pending restrictions” indicates that the group self-insurer is under funded and the Board is currently working with the group self-insurer to develop an acceptable remediation plan but the details of that plan have not been finalized.

Q: What is the difference between membership that is closed to new members and membership that is limited?

A: A membership that is closed to new members means that members may not be added to the group self-insurer. If the group self-insurer’s membership is limited then an agreed upon number of new members may be added. Controlling membership is a tool to ensure the rate structure in place remains sufficient. Some group self-insurers have voluntarily elected to close membership.

Q: What does the restriction “enhanced financial” monitoring mean?

A: In addition to the annual reports required to be submitted by group self-insurers, quarterly financial and/or actuarial reporting may be required to monitor the group self-insurer’s financial progress.

Q: What does the restriction “mandatory scheduled deposits” mean?

A: As part of an acceptable remediation plan the Board may require the group self-insurer to collect from members and deposit funds on scheduled basis to ensure the financial stability.

Q: What is the difference between “under funded” and “insolvent”?

A: An under funded group self-insurer can be either actively writing coverage or closed. If an under funded group self-insurer is active, they will have a remediation plan in place which should restore the financial integrity of the group self-insurer in as timely a manner as possible. If an under funded group self-insurer is closed, they have ceased offering coverage to employer members but they are still running off the claims incurred while they were active. An insolvent group self-insurer is prohibited from offering coverage going forward and it has shown an inability to pay its outstanding obligations under the WCL as they mature in the regular course of business. Insolvency can be demonstrated by: (1) the group self-insurer being deemed under funded as defined by the WCL and corresponding regulations; and (2) the sum of the group self-insurer’s assets plus

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the available security deposit posted with the Board being less than the total cost of all of the group self-insurer's anticipated workers' compensation liabilities that will accrue within the next six months.

Q: What are estimated member deficit bills?

A: In accordance with WCL, if a group self-insurer is deemed insolvent, the Board is required to determine and bill an estimated member deficit within 120 days.

Q: What is a forensic audit and when is it required?

A: Services are obtained through a competitive bid process adhering to NYS procurement rules for "on-call" assistance of qualified contractors, with the necessary accounting and technical background to conduct three-part reviews of group self-insurers: 1) a financial and forensic accounting review, 2) a performance/operational review, and 3) a claims review. These reviews may be performed on both group self-insurers whose privilege to self-insure has been revoked as well as any group self-insurer whose privilege to self-insure remains intact, but for whom the Board feels will benefit from some level of review of all or part of the various financial and programmatic components of a group self-insurer. A forensic review is required for each group self-insurer that transfers to a State contracted group administrator.