

HISIG: Myth vs. Fact

Myth #1: If I join a self-insurance group and somebody else in the group has a catastrophic claim, I will have to pay more money and it could threaten my business.

Fact:

HISIG is comprehensively protected against catastrophic injuries, such as fatalities and paralysis, by special coverage called “excess insurance” (sometimes referred to as “reinsurance”) An excess insurer is an A rated carrier with substantial surplus. In the case of a catastrophic event, such as an earthquake or violent robbery, HISIG is responsible for the first \$500,000 of claims costs. After that limit has been reached, the excess insurer pays all costs of all claims, whether it is 1 claim or 100 claims. Catastrophic injuries do not in themselves trigger further payments by members.

Myth #2: HISIG is financially risky.

Fact:

CHSI has a team of financial professionals who closely manage the financial health of HISIG. The Board of Trustees for HISIG is comprised of business owners. CHSI produces monthly financial reports to the Board that are on par with Fortune 100 companies. HISIG is required by California law to set aside claims reserves that are 50% greater than those of insurance companies. Rates are established each year in liaison with a certified actuary to ensure that HISIG will be able to meet this higher level of security. HISIG submits annual audited financial statements to the Office of Self-Insurance Plans, Department of Industrial Relations, and operates by the strictest regulations for self-insurance groups in the United States.

Myth #3: If another self-insurance group falters, HISIG and my business can be forced to pay for their liabilities.

Fact:

HISIG has in place tight financial controls with strong supervision. In addition to annual financial audits and requirements for protection against catastrophic losses, self-insurance groups in California are required by law to maintain the highest level of security for claim costs in the industry. If a self-insurance group were to get into financial difficulty and require additional funding, they would be obtaining that funding from their own members, through a “special assessment,” an increase in rates, or both.

Myth #4: If I join a self-insurance group, I could be responsible for claims liabilities that happen after I leave the group.

Fact:

Self-insurance group members only share responsibility for claims liabilities during their time of membership. A member is not responsibly for claims liabilities that happen to the group when and/if they decide to leave the group.

Myth #5: Self-insurance groups have failed in many states.

Fact:

Self-insurance groups in Workers' Compensation have a better track record than insurance companies when it comes to program failure. In the relatively few cases of SIG failures in a few states, the issue has been a deficiency of administrative and underwriting integrity by the program administrator. Regulators have also failed to respond adequately to financial reports by mismanaged groups, such as in the state of New York. HISIG is managed by CHSI, a company which undergoes SAS 70 audits to ensure the integrity of its internal controls. HISIG maintains rating integrity by working closely with independent actuaries and undergoing annual audits. In California, the high level of reserves mandated by law provide an additional measure of security for self-insured groups. A self-insured group may choose to wind down its operations voluntarily because of conditions in the marketplace but with proper management, their obligations would be properly funded. There have been no failures of self-insured groups in California.