

## Self-Insured Trusts Remain a Strong and Viable Alternative

I opened up last month's issue of *The Advocate* excited to see our advertisement for the Special Trades Contracting and Construction Trust. After a number of years as being listed as "underfunded," our Trust had been successful in reaching the point where the Workers' Compensation Board (WCB) deemed it to have no funding issues. My enthusiasm was quickly tempered when I turned the page to see an article criticizing, and more importantly, mischaracterizing the current state of the Group Self Insurance Industry.

It is true that some trusts have been terminated and that healthy trusts are being asked to assist in ensuring injured workers' get paid. The financial implications to the Self Insurance Group industry are indeed disturbing and the entire industry is being challenged by these unprecedented events in the short term. The appropriateness of such efforts is currently being litigated. However, in the past year, the majority of the remaining trusts have posted improved operating results and the number of trusts attaining WCB's "No Funding Issues" status continues to increase. As such, Group self insurance will continue to remain a viable, cost-competitive option for New York State employers over the long term.

Let me present the facts:

Contrary to Mr. Friedlander's assertions, out of the 50 Trusts listed on the May 16, 2008 Summary of Funding Status report, 58% of the Trusts are deemed to have no funding issues.

In addition, while some Trusts have been deemed underfunded, such Trusts are not necessarily in danger of closing. Rather, the WCB has applied its regulatory accounting standards versus Generally Accepted Accounting Principals (GAAP).

In fact, in the last year alone, several groups previously deemed underfunded have reached fully funded status. In essence, the WCB is making a recommendation for brokers and members to review a group's financial position.

The fact is that of the 14 Trusts that have closed, 11 were administered by related management groups. Eighty (80) percent of the deficit requiring funding is a result of these 11 groups. In fact, as of July 2008, this group administrator will be closing its last remaining Trust and has recently surrendered its TPA license.

In fact, the group self-insurance industry is stronger than ever. Here are just a few examples:

The Special Trades Trust, a \$32 million Workers Compensation program for the construction industry exemplifies the good news. The Trustees and their administrator have worked hard over the last several years to improve the financial stability of the Trust. There has been positive development in claims, strong underwriting, decreases in average experience mod factors, and reduction in overall Trust administration expense. The Trust has never been stronger. Retention during the current year exceeds 90% and new members continue to join.

The Human Services Trust improved its funding ratio by more than 40%! The Niagara Business Trust improved its ratio by 50%! Both of these Trusts have gone from under funded to fully funded status.

The Printing Industries Association Trust changed administrators in 2003. At that time the Trust was underfunded with a restriction on new members. As of the fiscal year end of 2006/2007 the trust was fully funded. As of the recently ended fiscal year 2007/2008 the Trust remains fully funded with an equity ratio of over 100%. This was accomplished by proper underwriting of both prospective and current membership and providing adequate accident prevention and safety programs to our membership.

Self Insured Groups are now held to strict financial standards and scrutinized to ensure rate adequacy. Given their history, they should be. The Group Self Insurance Association of New York, supports regulation to ensure financial stability of all Trusts. Workers' Compensation Trusts

make up a significant percentage of the workers' compensation market. They remain a strong and viable alternative to the standard market, The State Insurance Fund, and safety groups.



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### About the Author-

Christopher R. Mason serves as Chief Operating Officer and General Counsel for New York Compensation Managers, Inc. (NYCM) and USA TPA. NYCM, Inc serves as Group administrator and claims administrator for The Special Trades Contracting and Construction Trust, The Automotive Service and Repair Trust, and The Mercantile Self-Insurance Trust. In that capacity, NYCM provides its Workers' Compensation expertise to more than 1200 employers in New York State.

USA TPA is a licensed Third Party Administrator serving individual self insurance workers' compensation programs.

Mr. Mason earned his Bachelor of Arts degree from the State University of Oswego, and his Juris Doctorate from the University Of Dayton School Of Law (cum laude). He is a member of the New York State and Connecticut Bar Associations.

Formerly Vice President of Central New York Workers' Compensation Bar Association, he is named in A.M. Best's Directory of Recommended Insurance Attorneys and Adjusters. Prior to joining New York Compensation Managers, Chris was managing partner at Wolff, Goodrich, & Goldman LLP.

Mr. Mason currently serves on the Board of Directors of the Group Self Insurance Association of New York (GSIANY), an association dedicated to promoting Group Self-Insurance.