

SIGFA Survey of State Self-Insurance Guaranty Funds

Response for: Michigan

1

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2 What is the total future value of claims currently covered by self-insurance, including case reserves and IBNR if known?

| Answer |
|--|
| <input type="radio"/> Less Than \$10 million dollars |
| <input type="radio"/> \$10,000,000 to \$25,000,000 |
| <input type="radio"/> \$25,000,001 to \$50,000,000 |
| <input type="radio"/> \$50,000,001 to \$100,000,000 |
| <input checked="" type="checkbox"/> Greater Than \$100,000,000 |

3 Are self-insured employers/funds required to actuarially calculate their WC liabilities and report that figure to the state?

| Answer |
|--|
| <input type="radio"/> Yes |
| <input checked="" type="checkbox"/> No |

4 If self-insured employers/funds are required to actuarially calculate their WC liabilities and report that figure to the state... How often are they required to report?

| Answer |
|--|
| <input type="radio"/> At Least Annually |
| <input type="radio"/> Every 2 Years |
| <input type="radio"/> Less Frequently Than Every 2 Years |
| <input type="radio"/> Other |

- 5 How many individually self-insured employers defaulted on their claims obligations since Jan 1, 2009?

| Answer |
|-----------|
| None |
| 1 |
| 2 |
| 3 |
| 4 |
| 5 or more |

- 6 Describe the structure of how your state regulates self-insurance and covers the administration of claims of defaulting employers (e.g. a single state entity that does both, combination of state agency and private fund, etc.)

In Michigan the Workers' Compensation Agency regulates self-insurers. A self-insurer must demonstrate a reasonable position of solvency and ability to pay claims as they become due. Excess insurance surety bonds and letters of credit all may be part of the mix that an employer must provide to be approved as a self-insurer. In the event of a default of a private employer self-insurer the Self-Insurers Security Fund (funded through assessment of private employer self-insurers) steps into the place of the self-insurer to pay the liability. Self-insures must apply and are reviewed annually for the ability to continue with self-insured authority.

- 7 Are individually self-insured employers required to carry specific excess insurance?

| Answer |
|---|
| <input checked="" type="checkbox"/> Yes |
| <input type="checkbox"/> No |

- 8 If individually self-insured employers are required to carry specific excess insurance, what is the maximum amount of loss permitted to be retained by the self-insured employer before the specific excess insurance carrier begins paying?

| Answer |
|---|
| \$250,000 or Less |
| \$250,001 to \$500,000 |
| \$500,001 to \$1,000,000 |
| \$1,000,001 to \$2,500,000 |
| \$2,500,001 to \$5,000,000 |
| More Than \$5,000,000 |
| <input checked="" type="checkbox"/> Other: Various depending upon the size of the employer. |

9 If specific excess insurance is required, is it required to provide full statutory coverage once the self-insured retention point has been breached?

| |
|--|
| Answer |
| Specific Excess Insurance Is Not Required |
| <input checked="" type="checkbox"/> Specific Excess Is Required To Pay Full Statutory Coverage |
| Specific Excess Is Not Required To Pay Full Statutory Coverage |
| Other |

10 How does the amount of loss permitted to be carried by the self-insured employer, through either a high or low self-insured retention, impact the amount of required security?

| |
|---|
| Generally the higher the retained liability the higher the security required will be. This however is not a hard and fast rule. Certain very large employers with sound financials higher retentions may not fall into this generalization. |
|---|

11 Are the carriers who provide the excess insurance required to be an admitted carrier?

| |
|---|
| Answer |
| <input checked="" type="checkbox"/> Yes |
| No |

12 Are carriers who provide excess insurance required to possess a minimum AM Best rating?

| |
|--|
| Answer |
| <input checked="" type="checkbox"/> No |
| Yes, At Least A+ (Superior) |
| Yes, At Least A- (Excellent) |
| Yes, At Least B+ (Good) |
| Yes, B, B- (Fair) |
| Other |

Comment: No rule relates to this however the Agency has the authority to accept or reject security that is questionable.

13 Does the state have access to financial statements of the individual self-insured employer?

Answer

Yes

No

Comment: The Agency that reviews the employers does. The information is exempt from disclosure under the Freedom of Information Act pursuant to specific statutory section.

14 Does the state monitor the credit strength of individual self-insured employers?

Answer

Yes

No

Comment: Indirectly

15 If the state monitors the credit strength of the individual self-insured employer, for what purpose?

To determine the timeliness and ability to make payments as they become due.

16 Is full statutory coverage provided by your state insurance guaranty association/fund in the event that the voluntary market excess carrier becomes insolvent? If not statutory, what is the maximum required payment?

Answer

No, Payment is Limited To Less Than Full Statutory Coverage

Yes, Full Statutory Coverage Is Provided

Other

17 In the event that the self-insured employer and the excess carrier both default on their payment obligations, what process is in place to guarantee payment of claims?

18 In the event that the self-insured employer and the surety bond carrier both default on their payment obligations, what process is in place to guarantee payment of claims?

| |
|--|
| |
|--|

19 If a domestic surety bond carrier defaults and is placed into rehabilitation / liquidation by your state insurance department, which creditor class will workers' comp surety bonds be considered?

| |
|--|
| |
|--|

20 Does your state have a separate guaranty fund for individual self-insured employers?

| |
|---------------|
| Answer |
| Yes |
| No |

21 Does your state have a separate guaranty fund for group self-insured funds?

| |
|---------------|
| Answer |
| Yes |
| No |

22 If a self-insured employer guaranty fund exists in your state is it a governmental, quasi-governmental, or private entity?

| |
|--|
| Answer |
| Governmental |
| Quasi-Governmental |
| Private |
| No State Self-Insured Guaranty Fund Exists |
| Other |

23 Does your self-insured employer state guaranty fund levy assessments against individual self-insurers?

Answer

Yes, Assessments Are Levied Against Individual Self-Insurers

No, Assessments Are NOT Levied Against Individual Self-Insurers

We Have No Individual Self-Insured Employer Guaranty Funds

Other

24 If assessments are levied against individual self-insurers, how are they calculated?

25 How are claim liabilities funded when a group self-insurer defaults?

Through assessment of the members and then ultimately to the Self-Insured Security Fund

26 How many employers are currently individually self-insured in your state?

Answer

None, Individual Self-Insurance Is Not Allowed

Less Than 20 Employers Are Self-Insured

From 20 to 75

From 76 to 125

From 126 to 175

From 176 to 225

Over 225

Other

27 What types of employers are eligible to individually self-insure their WC liabilities in your state (e.g. private [non-state] entities only, public and private, etc?)

| Answer |
|---|
| <input checked="" type="checkbox"/> Privately Held Companies |
| <input checked="" type="checkbox"/> Public Entities |
| <input type="checkbox"/> Governmental Agencies |
| <input type="checkbox"/> School Boards |
| <input type="checkbox"/> Municipalities |
| <input type="checkbox"/> Individual Self-Insurance Is Not Allowed |
| <input type="checkbox"/> Other |

28 What are the minimum financial requirements for participation in self-insurance (e.g. minimum net worth, earnings, etc.?)

None set, each application is reviewed individually upon its merits

29 Are individually self-insured employers allowed to self-administer their claims?

| Answer |
|---|
| <input checked="" type="checkbox"/> Yes |
| <input type="checkbox"/> No |
| <input type="checkbox"/> Individual Self-Insurance Is Not Allowed |
| <input type="checkbox"/> Other |

Comment: Under specific approval of the Director and after demonstrating that conditions of the statute and administrative rules have been met

30 If individual self-insured employers are allowed to self-administer claims, are there conditions imposed that do not exist for those employers who utilize a TPA?

| Answer |
|---|
| <input checked="" type="checkbox"/> Yes |
| <input type="checkbox"/> No |
| <input type="checkbox"/> Individual Self-Insurance Is Not Allowed |
| <input type="checkbox"/> Other |

Comment: However conditions are very similar

31 Is group self-insurance permitted in your state?

| |
|---|
| Answer |
| <input checked="" type="checkbox"/> Yes |
| <input type="checkbox"/> No |

32 How many group funds are operating in your state?

| |
|--|
| Answer |
| <input type="checkbox"/> None |
| <input type="checkbox"/> 1-5 |
| <input type="checkbox"/> 6-10 |
| <input type="checkbox"/> 10-15 |
| <input checked="" type="checkbox"/> More Than 15 |

33 Is group self-insurance permitted in your state for public entities (i.e. public schools)

| |
|---|
| Answer |
| <input checked="" type="checkbox"/> Yes |
| <input type="checkbox"/> No |
| <input type="checkbox"/> Other |

34 Are both heterogeneous and homogeneous group self-insurance funds permitted in your state?

| |
|---|
| Answer |
| <input type="checkbox"/> Yes, Both Heterogeneous & Homogeneous Groups Are Permitted |
| <input checked="" type="checkbox"/> No, Only Homogeneous Groups Are Permitted |
| <input type="checkbox"/> Other |

35 How many employers are currently insured through self-insured group funds?

| Answer |
|--|
| None, Group Self-Insurance Is Not Permitted |
| Less Than 500 |
| From 501 to 1,000 |
| From 1,001 to 2,500 |
| From 2,501 to 5,000 |
| <input checked="" type="checkbox"/> From 5,001 to 10,000 |
| More Than 10,000 |

36 Are group self-insurers required to carry specific excess insurance

| Answer |
|---|
| <input checked="" type="checkbox"/> Yes |
| No |
| Other |

37 Are group self-insurers required to carry aggregate excess insurance?

| Answer |
|---|
| <input checked="" type="checkbox"/> Yes |
| No |
| Other |

Comment: However, public employer groups may operate with specific only after meeting specific conditions and with the Directors approval

38 Are individual self-insured employers required to collateralize their self-insured liabilities by posting a surety bond, letter of credit, or other security with the state governing agency?

| Answer |
|---|
| <input checked="" type="checkbox"/> Yes |
| No |
| Other |

Comment: However generally not at 100%

39 **What forms of collateral or security are allowed?**

Answer

- ✔ Surety Bonds
- ✔ Letters of Credit
- Cash
- Securities
- Real Property
- Other

Comment: These are the only forms to withstand bankruptcy

40 **How is the collateral obligation calculated? (e.g. formula based on case reserves, actuarially developed, etc?)**

Individual basis giving consideration to the employers financial positions, claims, excess insurance terms and business operations. Other factors come into play on an individual evaluation basis

41 **How often is the collateral or security calculated and adjusted to reflect changes with the self-insured employer?**

Answer

- Yearly, Once Calculated The Amount Remains Unchanged For A Year
- Periodically As Needed, Changes May Occur During A Year
- ✔ Other: See comments

Comment: As needed based upon the situation however generally this occurs annually

42 **How does the state insure that the collateral is sufficient to cover the liabilities in the event of a failure to pay benefits by the individually self-insured employer?**

Annual review