

SIGFA Survey of State Self-Insurance Guaranty Funds

Response for: **Minnesota**

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?**

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

|   |
|---|
| <b>Answer</b>                           |
| <input checked="" type="checkbox"/> Yes |
| 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?**

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

**Comment:** At least annually (for the 1st five years) and every 2 years (after the first five years).  
Groups - Annually

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

| Answer                                |
|---------------------------------------|
| None                                  |
| <input checked="" type="checkbox"/> 1 |
| 2                                     |
| 3                                     |
| 4                                     |
| 5 or more                             |

**Comment:** There have been 3 more bankruptcies, but all of those self-insured employers continued to pay their workers' compensation claims.

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.)

The State Department of Commerce regulates self-insured employers, requires financial reports and actuarial reports. The Minnesota Self-Insurers' Security Fund assesses members for any shortfall and pays claims of defaulting employers. Under State Department of Commerce also requires each self-insured employer to post security (surety bond, letter of credit or cash) to cover its liabilities.

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

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

**Comment:** All self-insured employers must carry specific excess insurance with the Minnesota Workers' Compensation Reinsurance Association.

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: 3 retention levels |

**Comment:** The WCRA has 3 retention levels which are currently: \$450,000, \$900,000 and \$1.8 million.

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

|  |
|--|
| <b>Answer</b>  |
| 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?

|            |
|------------|
| No impact. |
|------------|

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

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

**Comment:** The WCRA is a monopoly in Minnesota.

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

|   |
|---|
| <b>Answer</b>   |
| No  |
| Yes, At Least A+ (Superior)                               |
| Yes, At Least A- (Excellent)                              |
| Yes, At Least B+ (Good)                                   |
| Yes, B, B- (Fair)   |
| <input checked="" type="checkbox"/> Other: Not applicable |

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

Answer

Yes

No

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

Answer

Yes

No

**Comment:** It is reviewed annually by the Minnesota Department of Commerce (it does not belong to a rating bureau).

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

To determine eligibility to remain self-insured.

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: Not applicable

**Comment:** The WCRA is created by Minnesota statutes.

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?

The Minnesota Self-Insurers' Security Fund pays the 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?

The Minnesota Self-Insurers' Security Fund can assess its members if the posted security is not adequate to pay the claims of a defaulting self-insurer.

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?

Unknown.

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

**Answer**

Yes

No

**Comment:** The Minnesota Self-Insurers' Security Fund contains both individual self-insured employers and group self-insured employers.

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

**Answer**

Yes

No

**Comment:** A few groups belong to the Commercial Self-Insurance Group (CSIG). Most groups belong to the Self-Insurers' Security Fund (SISF)

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?**

|  |
|--|
| <b>Answer</b>  |
| <input checked="" type="checkbox"/> Yes, Assessments Are Levied Against Individual Self-Insurers |
| <input type="checkbox"/> No, Assessments Are NOT Levied Against Individual Self-Insurers         |
| <input type="checkbox"/> We Have No Individual Self-Insured Employer Guaranty Funds              |
| <input type="checkbox"/> Other   |

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

|  |
|--|
| Assessments are calculated as a percentage of the previous calendar years paid indemnity benefits by the self-insurer. |
|--|

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

|   |
|---|
| Same as an individual. The Department of Commerce would liquidate the posted security and turn it over to the Self-Insurers' Security Fund. If the posted security is inadequate to pay the claims, SISF can bring an action against the participants of the group and can also assess its own members to pay the claims. |
|---|

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

|   |
|---|
| <b>Answer</b>   |
| <input type="checkbox"/> None, Individual Self-Insurance Is Not Allowed |
| <input type="checkbox"/> Less Than 20 Employers Are Self-Insured        |
| <input type="checkbox"/> From 20 to 75                                  |
| <input checked="" type="checkbox"/> From 76 to 125                      |
| <input type="checkbox"/> From 126 to 175                                |
| <input type="checkbox"/> From 176 to 225                                |
| <input type="checkbox"/> Over 225                                       |
| <input type="checkbox"/> 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 checked="" type="checkbox"/> Governmental Agencies    |
| <input checked="" type="checkbox"/> School Boards            |
| <input checked="" type="checkbox"/> Municipalities           |
| Individual Self-Insurance Is Not Allowed                     |
| Other  |

**Comment:** Only privately held companies belong to SISF. Governmental subdivision do not belong to SISF.

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

A self-insurer must have a net worth of least 10 times it's WCRA retention level. It must also have sufficient assets, net worth and liquidity to meet all workers' compensation obligations. The self-insurers' audited net worth shall equal at least 10% of it's total assets. Other considerations are in 79.03, sub 4.

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

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

**Comment:** Employer must have a qualified Minnesota claims adjuster.

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

31 Is group self-insurance permitted in your state?

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

32 How many group funds are operating in your state?

|  |
|--|
| <b>Answer</b>                                    |
| None   |
| 1-5  |
| 6-10   |
| 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)

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

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

|  |
|--|
| <b>Answer</b>  |
| <input checked="" type="checkbox"/> Yes, Both Heterogeneous & Homogeneous Groups Are Permitted |
| No, Only Homogeneous Groups Are Permitted  |
| 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                                       |
| <input checked="" type="checkbox"/> From 1,001 to 2,500 |
| From 2,501 to 5,000                                     |
| From 5,001 to 10,000                                    |
| More Than 10,000  |

**Comment:** 556 members of groups (SISF)  
1,139 members of CSIG groups

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

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

**Comment:** WCRA

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

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

**Comment:** All group start-ups are required to carry aggregate excess insurance.

After 5 years, it may no longer be necessary at the discretion of the Commissioner of Commerce.

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                                   |

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

|   |
|---|
| <b>Answer</b>   |
| <input checked="" type="checkbox"/> Surety Bonds      |
| <input checked="" type="checkbox"/> Letters of Credit |
| <input checked="" type="checkbox"/> Cash              |
| Securities  |
| Real Property   |
| Other   |

**Comment:** CSIG groups may also post up to 25% in common stock.

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

110% of the outstanding workers compensation liabilities as determined by an actuary.

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

|   |
|---|
| <b>Answer</b>   |
| <input checked="" type="checkbox"/> Yearly, Once Calculated The Amount Remains Unchanged For A Year |
| Periodically As Needed, Changes May Occur During A Year   |
| Other   |

**Comment:** After 5 years, it is calculated every other year. Groups are re-calculated if there is a 5% increase in liabilities. If an acquisition results in more than a 5% in liabilities, an actuarial report is necessary.

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?**

It doesn't. It tries to insure by an annual review of the financial reports and an annual or bi-annual actuarial report.