

Self-Insured Groups vs. Private Insurance Carriers

When it comes to workers' compensation insurance and your business, it's important to purchase coverage from the right insurer. Below, we compare the differences between a self-insured group (SIG) and a private insurance carrier.

Self-Insured Group

Private Insurance Carrier

What will it cost my business to obtain workers' compensation coverage?

The initial cost may be attractive, but it may hide the greater risk taken. After joining the group, you assume equal risk to pay for claims of other SIG members, even if you're a business with a good safety program and a minimal loss history. In the event the group's trust fails to properly assess its members to meet the losses and expenses, they may collect additional assessments from all members to correct the deficit. This means your business may incur large unpredicted costs that outweigh the initial savings.

The premium cost is assessed according to the business's own loss history, total payroll, and type of business. No other company can influence your potential risk or your cost. With a private insurance carrier, you pay your premium. The medical and wage replacement benefits associated with claims are covered by the private insurance carrier. The insured is not responsible for losses arising from another company.

What are the liability risks with my coverage?

As a group, each member is jointly liable to all other members of the SIG for all costs associated with the group's claims. As a result, you may also be exposed to additional assessments, even if your group is financially stable and has a good claims history. When you are in a SIG, you pay for the group's claim-related costs from the SIG's reserved funds, or out of your pocket, if the reserves are insufficient.

You are only responsible for what happens within your business, not the risky practices of another business or group.

How are claims handled if my employee gets injured?

SIGs require the establishment or purchase of services to settle and monitor claims. This means that the claims are handled by the group's internal services or often times the SIG may outsource claim management to an unaffiliated Third Party Administrator (TPA).

If a claim occurs, the private insurance carrier can help guide you through the process. They will handle all claims management, medical care costs and wage replacement benefits. Carriers like EMPLOYERS® have existing claims and managed care services.

What if a worker suffers a major injury that results in a catastrophic claim?

If an employee suffers a major injury or death, the group's coverage must have sufficient financial reserves to cover all the medical costs, lost wages, and death benefits. If there aren't sufficient financial reserves, the group members may have to contribute to unpredictable higher-than-expected losses.

If a major injury does occur, the insurance carrier pays all costs. Carriers like EMPLOYERS also provide a three point contact system to connect injured workers with business owners and doctors, to provide timely and appropriate care so that the injured employee can return to work when medically able.

What if I decide to switch where I purchase my workers' compensation insurance coverage?

Businesses may discover SIG termination provisions can make it difficult to leave the group. Additionally, even if your business is no longer a part of the SIG, your business may still be financially responsible for costs associated with claims that occurred while it was still a SIG member.

With a private private insurance carrier, when your policy term ends, you can renew, choose a new carrier, or join a SIG.



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