

JOINT AND SEVERAL LIABILITY

The financial risk that each member of a workers' compensation Self-Insured Group is required to assume is that of "joint and several liability". By definition, this means that should the assets be insufficient to cover its debts, each member would be subject to a proportional assessment to fund the shortage.

Both individual and group self-insurance programs have proven to be the most effective methods of controlling and reducing workers' compensation costs. Because the insurance carriers and brokers cannot compete with SIG's favorable history, they have chosen to incorrectly portray joint and several liability as unlimited and unavoidable. The critics are wrong on both counts.

Affinity Group Administrators carefully designs SIG's to responsibly control, limit, and minimize the joint and several liability exposure. The following steps are taken to minimize this exposure:

- Specific Excess insurance must be purchased to specifically limit the SIG's liability for individual claims. Aggregate Excess may be purchased to protect the group from many large claims. This reinsurance protection places a definitive cap on the SIG (and its members) maximum liability.
- The SIG's contributions are computed to anticipate the possibility of adverse loss experience. A portion of the underwriting profit may be returned to members as dividends and the remainder will be used to fund a surplus (contingency) account. This account will be the first source to fund any claims' expense shortages.
- Investment income on contributions, claims reserves, surplus, and accrued dividends will be added to the surplus account.
- In the unlikely event an assessment should ever become necessary, members's obligation will be limited to their pro-rated share of the SIG's total contributions.
- The joint and several liability requirement of SIG's is being used as a scare tactic by group competitors who cannot compete with the proven history of lower costs, better services, and financial stability.

Affinity Group Administrators helps you find Alternatives to the High Cost of Workers' Compensation