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It's All About Control

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Why is it a good thing to be a Member of a SIG? It's all about the control that they have over their destinies in the seemingly uncontrollable world of Workers' Compensation.

How does this work? It's because SIGs are operated by a Board of Trustees that is directly responsible for all of the operations of a SIG. (See Regulation Section 15475 at <https://www.dir.ca.gov/t8/15475.html>.)

Included in these responsibilities are:

1. Approve or Deny all Members of the SIG;
2. Protect all of the assets of the SIG;
3. Retain the services of a Group Administrator to operate the day to day operations of the SIG
4. Contract with the TPA to work directly for the Board;
5. Manage disbursements for the payment of expenses of handling claims, administrative expenses, posting of security deposit, and other expenses necessary for operating the SIG;
6. Appoint a financial institution and establish necessary accounts in California to handle the fiscal needs of the SIG;
7. Retain the services of an independent CPA to perform an annual audit for the SIG;
8. Retain the services of an Actuary to perform the regulatory actuarial study to conduct an annual actuarial review of the SIG's claims and produce a written actuarial study that projects ultimate liabilities of the SIG by program year at the undiscounted expected actuarial confidence level also commonly known as the undiscounted 'actuarial central estimate', inclusive of incurred but not reported (IBNR) liabilities, Allocated Loss Adjustment Expense (ALAE), and Unallocated Loss Adjustment Expense (ULAE) to ensure that all claims and associated costs are recognized;
9. Ensure that the annual contributions (premiums) are collected at the amount required by regulation;
10. Ensure that funds collected from group members shall not be used for any purpose not directly related to the payment of compensation liabilities of the SIG, posting of security deposit, payment of assessments and penalties as a SIG or the reasonable expenses of operation of the SIG;
11. Ensure that the Group Administrator immediately reports to the Chief, in writing, any information that indicates the private SIG is no longer in compliance with statutory or regulatory requirements of the workers' compensation self insurance program or of any instance wherein the SIG terminates an affiliate SIG's group membership for cause; and
12. Obtain fidelity coverage to protect the SIG.



The regulations allow the Board to delegate many of the forgoing tasks to the SIG Group Administrator, but the buck stops with the Board that remains responsible for each of the forgoing items. More importantly, the Board is required to report, either directly or through the Group Administrator, anything that is not in compliance with SIG regulations.

“With great power comes great responsibility,” as Uncle Ben told Peter Parker. (Peter Parker is Spiderman for those of you non-movie buffs.) That’s what SIG Boards have. And, included in that power is the ability to control each of the moving pieces listed above. This allows the Board to hire (and fire) those service providers hired to operate the SIG, including the Group Administrator, TPA, Broker of Record used to purchase the regulatory excess insurance and fidelity coverages, the independent CPA, the Actuary and anyone else that assists the Board in operating the SIG.

Unlike standard insurance, where the insurance company chooses who does what in many of those roles, the SIG Board reviews what happens with each of these participating entities and makes the final decision on what happens within the SIG. This IS where the control comes in.

By having the ability to hire and fire those who work for the SIG, the Board can ensure that the needs of the SIG’s Members are met. If the claims are not being properly adjudicated, or the requirements set by the Board are not met, the TPA can be replaced by one that meets the needs of the SIG’s Members. The Board is the Member’s advocate, so that if the Members are not happy, they can work with the Board to change whatever is causing this to occur.

Does this mean that the Board can force the TPA or other entity to take actions that are not allowed under the Workers’ Compensations laws of the State; certainly not. However, it does mean that the various partners of the SIG need to be mindful that they are there to serve the Members and can be replaced if they lose track of this. They also need to heed the desires of the SIG, so that “take it or leave it” is never a mantra between a SIG Member and those who serve them.

SIGs are programs that are meant to be long lasting and not insurance products that can be entered and exited easily or frequently. SIGs exist to serve their Members and not the other way around. The participants within the SIG are each there for a reason and if properly working together, they make the SIG work well.

By controlling what goes on within the SIG, the Board controls the SIG. This gives the Members the control they need to have the SIG meet their needs. This is why SIGs are all about control.

