

authority over the trust and the employers who participate in the trust. The trust and its members must abide by the *Rules Governing Self-Insurers* found at 8 CSR 50-3.010 and the statutory requirements set forth in Chapter 287, Revised Statutes of Missouri. Members of the trust are required to pay the workers' compensation tax and Second Injury Fund surcharge, as all Missouri employers are required to do.

## How do I Become a Member of a Self-Insurance Trust?

Many times a trust will have minimum premium requirements and underwriting guidelines that must be satisfied before an employer can become a member of the trust. Examples of industries that have workers' compensation trusts are: auto dealers, nursing homes, and manufacturers. To find out more about a self-insurance trust, contact your trade association, business group, or call the Missouri Division of Workers' Compensation, Self-Insurance Unit at 573-526-3692 or online at [www.labor.mo.gov/DWC](http://www.labor.mo.gov/DWC).

*Missouri Division of Workers' Compensation is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities.*

*TDD/TTY: 800-735-2966*

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# Self-Insuring Workers' Compensation Liability Through Trusts



## What is a Self-Insurance Trust?

A self-insurance trust is a method by which small to medium sized employers can pool their workers' compensation liability with other employers.

The trust is the collective assumption of risk by a group of employers usually within the same industry or members of the same association. Employers spread out their workers' compensation risk among all the members of the trust. Each member pays a premium to the trust. All losses and expenses for the trust are paid from the collected premiums. If the losses and expenses exceed the collected premium, then each member will be required to make additional contributions. However, each member may receive a surplus distribution if the losses and expenses for the trust are less than the collected premium.

The success and proper function of a self-insurance trust comes from its members' commitment to reducing workplace accidents and the efficient administration of its claims and general operations.

## Advantages of a Self-Insurance Trust

- A self-insurance trust can offer small to medium sized employers a potential cost savings. If premiums

exceed the losses and expenses of the trust, with Division approval, the trust can refund the surplus to its members in the form of dividends. The surplus would otherwise be an underwriting profit for an insurance carrier.

- A member of a self-insurance trust also has greater control over its workers' compensation costs. A board of trustees comprised of at least five members of the trust is responsible for all operations of the trust. Members of a trust have a sense of ownership and a shared motivation for cost reduction.
- A successful trust offers its members active loss prevention programs and services. These programs provide employees with better work environments and help improve the trust's profits through reduced losses.
- Trust members can actively participate in case management, which may help reduce the overall cost of a case.
- A trust helps its members stabilize insurance costs. For the most part, the fixed costs associated with self-insurance trusts do not follow the premium ups and downs that can be experienced with traditional insurance.

## Disadvantages of a Self-Insurance Trust

- In the event the trust fails to properly assess its members to meet the trust's losses and expenses, the trust may collect additional assessments from the members to correct the deficit. With an insurance policy, the employer is not responsible for payment of losses that exceed its premium.
- Each member is jointly and severally liable for payment of benefits to employees of each member of the group to all other members of the trust and for all workers' compensation liability under the Missouri Workers' Compensation Law.
- To help ensure the solvency of the trust, the Division has strict requirements that must be met by the trust and its members.
- Exposures, injuries and occupational diseases outside of Missouri must be insured through a traditional workers' compensation policy or an acceptable alternative.

## Regulatory Requirements

The Division of Workers' Compensation has the regulatory