

Common Questions About Self-insurance

What is self-insurance?

Self-insurance is a privilege BWC grants to certain employers. Self-insuring employers directly pay compensation and medical costs for work-related injuries instead of paying premiums to the Ohio State Insurance Fund. In other words, employers pay their claims, assume all liability and administer their workers' compensation programs.

What are the requirements for an employer to become self-insured?

Employers must demonstrate a financial and administrative capability for maintaining a self-insured program. As part of this, an employer must meet the following:

- A minimum of two years operating in Ohio;
- Active participation in the state insurance fund;
- Five years of financial statements, certified in accordance with generally accepted accounting principles, that provide full financial disclosure of the employer;
- An appropriate organizational plan for the administration of workers' compensation claims.

Employers should apply for self-insurance at least 90 days prior to the date they want their self-insurance coverage to take effect. Ohio Revised Code 4123.35(B) details complete requirements for self-insurance.

What are the costs to the employer?

In addition to the compensation and medical costs, self-insuring employers pay semiannual assessments to BWC based on a percentage of the employer's claim payments. These assessments fund BWC and Industrial Commission of Ohio administrative costs, the self-insured employers' guaranty fund (SIEGF), safety and hygiene services, and the mandatory self-insured surplus fund.

Also, new self-insuring employers must contribute to the SIEGF. BWC uses money from the guaranty fund to pay claims of self-insuring employers who have defaulted. The guaranty fund assessment for newly approved employers is 6 percent of the most recent annual payroll premium. This is assessed once a year for three years.

Additionally, during the first five years of self-insurance, for any new self-insured policy, including subsidiary additions, BWC also bases employers' assessments on a percentage of indemnity payments related to the prior state-fund policy.

Self-insuring employers must also reimburse any Disabled Workers' Relief Fund payments, dollar for dollar, on a semi-annual basis regardless of the date of injury, for self-insured and state-funded claims.

How does an employer apply for self-insurance?

You can find applications on our Web site, www.bwc.ohio.gov, or obtain them from our self-insured department by calling 1-800-644-6292 and listing to the options.

Self-insurance forms

To apply for self-insurance, the employer must complete and submit the following BWC forms:

- *Application For Authority to Pay Compensation Etc. Directly (SI-6);*
- *Permanent Authorization (AC-2);*
- *Claim Reimbursement Election (SI-44);*
- *Contract of Guaranty (SI-38);*
- *Agreement Between Employer and the Ohio Bureau of Workers' Compensation Regarding Amount of Self-Insured Buyout (SI-16);*
- *Medical Management Criteria for Self-insurance.*

Supporting documentation

The following supporting documentation also must be submitted for review:

- Certificate of Good Standing from the Ohio secretary of state;
- Corporate organizational chart detailing the employer's corporate structure, indicating the ultimate domestic parent and all subsidiaries;
- Organizational plan for the administration of a workers' compensation program, including where self-insurance claims will be housed;
- Proposed communication plan to inform employees of the transition from state-fund to self-insuring employer;
- Name of the Ohio administrator — an employee of the applicant — who will be responsible for the workers' compensation program and his/her years of experience;
- Certified financial statements for the past five years, including auditor's options and foot notes.