



Self Insured Groups

A self-insured group is a cooperative group of entities joined together to finance an exposure, liability or risk. Actual losses and financial liabilities are shared among the membership according to agreed upon formulas.

The group operates as a separate entity and is funded through premiums by the members of the group. These premiums do not represent an equity interest; however, the members may be entitled to a dividend return based on the success of the group. Groups typically offer other services such as training, loss control, and risk management to its members. The goal is to keep the overall loss experience of the group low so the members can benefit by lower premium costs.

Members in a self-insured group not only share in the success of the group by way of dividend distributions, they also share in the hardships of the group by way of assessment. Although a member may leave the group and enter the commercial marketplace, they always remain responsible for the success/failures of the group during the period of time they were members.

Self-insured groups are regulated by the state and mandatory filings are required each year. Not only are the groups required to get their rates approved each year, they are also required to file their audited financial statements, actuarial report, and quarterly and annual statutory filings. The state also performs a state audit on all groups every three to five years to ensure the group remains viable.

MEGA Property and Casualty Group, Inc. was formed under MGL c40M, which allows MEGA to offer multi-line insurance coverage to public sector entities. MEGA and MIIA are the only two self insured groups in the state that operate under this provision.

Under the provision, members of the group are required to participate for a minimum of one year and per section 8d "a group member is not relieved of its liabilities incurred during its period of membership except through payment by the group or the member of a combination therefore. Payment of benefits by the group to the member shall be limited to the terms specified in the agreement between the group and the member". If the group or the state feels that there is a deficiency, the deficiency must be made up by assessing the membership. If the group or the state feels that there are excessive funds, a dividend shall be given to the membership.