

The employer must establish and maintain a medical treatment program and loss control program acceptable to the Executive Director of the Department of Labor and Employment.

Financial, loss, or other information pertaining to self-insuring in the State of Colorado must be furnished as requested by the Executive Director or his agent. All self-insurance permits are reviewed at least annually.

There is a fee for applying for self-insurance and also an annual review fee. These fees may vary from time to time and are non-refundable.

All self-insureds, commercial carriers of workers' compensation, and Pinnacol Assurance must pay a premium assessment to offset the direct and indirect costs of the administration of the workers' compensation system, the Subsequent Injury Fund, and the Major Medical Fund. The rate(s) of assessment may vary from time to time.

SELF-INSURANCE IN COLORADO PROS & CONS

Employers may realize considerable **cost savings** of self-insurance over traditional insurance by:

- ◆ Paying only for their own losses
- ◆ Increasing incentive for effective loss control
- ◆ Investing dollars otherwise going for premium
- ◆ Improving cash flow

Employers favor the increased **control** they have with self-insurance over traditional insurance by:

- ◆ Quicker admission and payment of disability benefits
- ◆ Denial of questionable claims
- ◆ Immediate investigation
- ◆ Ability to expedite granting of benefits on the part of the self-insured may eliminate anxiety suffered by the claimant otherwise awaiting benefits under a traditional plan
- ◆ Increased employer participation in modified duty and retraining programs

CONS

An employer must realize when considering a self-insurance plan, that because of the “long tail” payout nature of workers’ compensation liability, earnings and assets may be committed for many, many years subsequent to the occurrence of self-insured injuries and exposures as the liability is discharged.

Employer default may cause serious interruption in benefits being paid to and on behalf of claimants, resulting in extreme hardship.

Under self-insurance there is no longer a “buffer” such as the carrier between the employer and the claimants, which in some situations may be undesirable.

For some, the insurance premium paid for traditional insurance may provide a more favorable tax exemption over self-insurance exemption potential.

CONSIDERING SELF-INSURANCE

WHO MAY BENEFIT BY SELF-INSURANCE

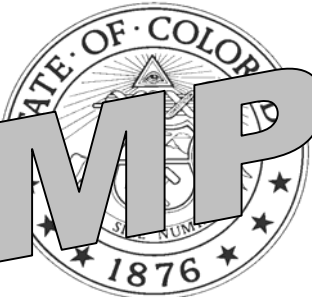
- ◆ Employers who are highly profitable and consistently have financial ratios equaling or exceeding their respective industry standards
- ◆ Employers of sufficient size to realize an economic benefit by self-insuring
- ◆ Employers who are willing to commit and direct their resources to maximize safety and loss control to the fullest extent possible
- ◆ Employers who have historically and consistently paid premiums which are disproportionately high compared to their losses
- ◆ Employers who consistently carry and experience modification credit

WHO SHOULD NOT CONSIDER SELF-INSURING

- ◆ Employers with insufficient assets to withstand a catastrophic loss
- ◆ Employers with present or potential solvency problems who may not be able to meet current or long-term financial obligations
- ◆ Employers who are unwilling or unable to commit and direct resources to maximize safety and loss control programs
- ◆ Employers having a history of workers' compensation insurance debit modifications
- ◆ Employers who have had their workers' compensation coverage canceled or denied
- ◆ Employers with too few employees to realize an economic benefit by self-insuring

STATE OF COLORADO

SAMPLE

The seal of the State of Colorado is circular, featuring a central figure holding a staff and a bow, surrounded by the text "STATE OF COLORADO" and "1876".

DEPARTMENT OF LABOR AND EMPLOYMENT
DIVISION OF WORKERS' COMPENSATION

SELF-INSURANCE PERMIT

BLOCK NO. 000

In consideration of the statements and financial records submitted by the employer

EMPLOYER NAME

said employer is hereby granted permission by the Executive Director to be its own insurance carrier for the payment of the compensation and benefits provided by the Workers' Compensation Act of Colorado and any amendments thereto, beginning with the 1st day of MONTH, 2005, and to be continuous until cancelled or revoked, covering the current operations of said Employer in the State of Colorado and including the current wholly owned subsidiaries as listed and identified in the initial self-insurance application.

This permit is granted subject to the provisions of the Workers' Compensation Act, as it now exists or as it may from time to time be amended, and also subject to the rules, regulations and orders of the Department of Labor and Employment as they now exist or may from time to time be made, altered or amended.

THIS PERMIT IS SUBJECT TO REVOCATION OR CANCELLATION BY THE EXECUTIVE DIRECTOR AT ANY TIME IN ACCORDANCE WITH SELF-INSURANCE RULES AND REGULATIONS.

DEPARTMENT OF LABOR AND EMPLOYMENT

By _____
Executive Director

INFORMATION

For general workers' compensation information, to obtain a copy of the *Colorado Workers' Compensation Act*, or to obtain other publications, visit the Division of Workers' Compensation website at www.coworkforce.com/DWC/ or contact:

Division of Workers' Compensation
Customer Service Unit
633 17th Street, Suite 400
Denver, CO 80202-3626
303.318.8700
1.888.390.7936

For further information about self-insurance, contact:

Division of Workers' Compensation
Self Insurance Administration
633 17th Street, Suite 400
Denver, CO 80202-3626
303.318.8617

To obtain the Rules of Procedure 7 C.C.R. 1101-4, governing the issuance of Self-Insurance Permits under the *Colorado Workers' Compensation Act*, visit our website or contact:

Weil Publishing
P.O. Box 1990
Augusta, ME 04332-1990
1.800.877.9345