

Date: June 4, 2008

Article Source: Insurance Journal, By Kenneth J. St. Onge, www.insurancejournal.com

Administrator CRM Goes Bust with New York Workers' Comp Trusts

CRM Holdings, which had been a major third party administrator for self-insured workers' compensation trusts in New York, will surrender its trust license by the end of the summer as part of a settlement reached with state regulators. The settlement appears to bring to a close a laundry list of charges against the Bermuda-based CRM -- which voluntarily exited the New York self-insured group market earlier this year -- for the way in which it paid claims, filed proper reports about its business to the state and made adequate cash reserves. The allegations came to a head earlier this year when regulators charged CRM with failing to cooperate with auditors in connection with a review of seven group self-insurance trusts scattered throughout the state.

The settlements call for CRM to surrender to the Workers Compensation Insurance Board its license to act as third party administrator for these trusts by Sept. 8. Terms of the settlement also call for CRM, which has significant operations in Poughkeepsie, to transfer administration of all trust-related claims and accompanying files to the board.

As part of the settlement, CRM admitted no wrongdoing.

In a separate matter, CRM has also agreed to pay \$55,000 to satisfy all penalties that previously had been assessed. The fines come on top of a \$96,000 fine recently levied against the firm by the New York State Insurance Department for violating licensing provisions. The company remains under investigation by the New York State Attorney General's office for its management of some trusts, which combined will have to cover shortfalls in unfunded liabilities estimated in the tens of millions.

The company also faces a suit by former members of one trust, the Healthcare Industry Trust of New York, which allege CRM failed to fulfill its obligations in connection with providing workers' compensation claims services. "This result speaks volumes about both the strength and validity of the charges the board brought against CRM," said Zachary Weiss, chairman of the Workers Compensation Insurance Board. "It also sends the strong message that we will vigorously safeguard the well-being of honest business and injured workers."

Commenting on the settlement, Daniel G. Hickey Jr., chairman and chief executive officer of CRM, said "the group self-insured trust industry is facing some tremendous challenges in the months ahead and we are committed to helping them find solutions wherever we can... An end to this dispute benefits our shareholders, as well as clarifies our defense of the allegations. The resolution of this matter allows us to turn our focus to meeting the needs of our brokers and end users as we continue to selectively expand our business."

Private competitors have pounced on the collapse CRM Holdings, claiming it to be the prime example of the dangers of a self-insured workers' compensation insurance trust. "These trusts can be a dicey proposition for employers unless they are prudently managed and have the necessary financial strength to pay workers' compensation benefits to injured workers, who, in some cases, may be collecting them for many years," said Ellen Melchionni, president of the New York Insurance Association, a trade group for the state's insurers.

Through its subsidiaries, CRM provides primary workers' compensation insurance to employers in California, Arizona, Florida, Nevada, New Jersey, New York and other states, and provides feebased management services to self-insured groups in California. The settlement received a mixed greeting from State Assemblyman Joel Miller (R-Poughkeepsie), who maintains CRM is a welcome, key employer in the city. "Through its subsidiaries (CRM) provides jobs and contributes significantly to the local economy. This agreement lets the company go back to focusing all of its time on its future business success. This is good news for Poughkeepsie."