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## N.Y. WC Trust CRM Surrenders License

A New York self-insured trust administrator covering workers' compensation claims has agreed to surrender its license, underscoring the risk of collapse inherent in such plans, an association said.

On June 2, the New York state Workers' Compensation Board (WCB) announced that self-insured trust administrator Compensation Risk Managers LLC agreed to surrender its license to do business as a third-party administrator by Sept. 8.

This action settles charges by the WCB that CRM failed to pay injured workers in a timely fashion, did not file proper forms with the WCB, engaged in "improper delay tactics," set inadequate reserves on claims, and submitted false information to its clients and the WCB. Under the agreement, according to news reports, CRM admitted no wrongdoing.

The New York Insurance Association (NYIA) called the collapse a "vivid lesson" on the risks of securing coverage through this option.

The NYIA noted that CRM's alleged actions have led to "significant unfunded liabilities in the eight trusts managed by the firm." The NYIA noted that employers who make up those trusts will be required to cover the shortfall, "which has been estimated to total at least \$59 million."

NYIA president Ellen Melchionni said that all employers participating in a selfinsured workers' compensation trust are financially responsible for any shortfall that exceeds the trust's monetary assets. "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 Ms. Melchionni in a statement.

Citing the benefits of placing coverage with private workers' comp insurers, Ms. Melchionni said that those insurers are rigorously reviewed by state insurance regulators and private insurance rating agencies, and also backed up by the Workers' Compensation Security Fund.

Richard E. Honen, an attorney with Phillips Lytle LLP, which is representing trust members in a case against the WCB unrelated to CRM, said that "it's been a hallmark of these trusts that the members of each trust are responsible for the benefits payable by that particular trust."

He said that is why it is important for prospective trust members to know the track record of their administrator. He recommended that employers talk to other employers of trusts that they are considering joining, "just like you would talk to other customers of an insurance agency." Mr. Honen also said that prospective members should "check the numbers." He explained, "If the numbers seem too low to be true, they may be."

Mr. Honen also said that prospective members should know their fellow trust members. He defined this as making sure members are in the same industry and have the same types of losses.