

## **(7/07) Properly Funding a Self-Insurance Program**

### **Excerpt**

I typically recommend a conservative to highly conservative approach to my clients. The reason becomes apparent if we consider the risks posed by funding at a 50% confidence level. At that level, every other year, on the average, losses will exceed funding, and not infrequently, losses may exceed funding by a large amount. More often than not, when losses for older claim years develop adversely, losses for the most recent claim years also turn out to be higher than anticipated. Adoption of a 50% confidence level philosophy greatly increases the strain that such a double hit places on a fiscal year budget, and the need to dip into outside funds to keep the program solvent.