



Is a Large Deductible Workers' Compensation Plan Right for You?

A large deductible plan provides the same workers' compensation insurance coverage as a guaranteed cost insurance plan. In fact, a deductible option is a guaranteed cost insurance plan with the addition of a special deductible endorsement. A deductible program is designed for large employers that have the capacity to self-insure part of their workers' compensation losses. The size of deductibles for these plans generally range from \$100,000 to \$1,000,000 per occurrence.

Why would I want a large deductible plan?

In short: a possible reduction in premium! You take a calculated risk that your loss control and claims management efforts are going to meet or exceed your historical loss experience and outperform similar companies in your industry. The expectation is that the insurance premium saved by choosing a higher deductible will exceed that of the claims costs in a given policy year. With this in mind, a company should develop annual operating budgets that project the direct and allocated costs of its expected claims, including excess insurance. Other advantages of a large deductible workers' comp plan include:

- Significant cash flow advantage over most other fully insured or alternative risk programs
- Increased market availability or number of carriers willing to underwrite staffing
- Increased incentive for implementing loss control programs
- Increased incentive for implementing return to work programs
- Advantages of self-insurance without having to obtain regulatory approval or high start-up costs
- Easy access and exit
- Possible tax savings

What are the disadvantages?

- Financial security required
- Years of deductible policies may aggregate collateral to the point it can deplete line of credit availability
- Unpredictable timing of claim reimbursements
- Risk of large, unpredictable losses, especially if no aggregate deductible applies

If structured and monitored correctly, a large deductible program can provide greater control, the possibility of reduced long-term total costs and a significant competitive market advantage over your competitors. Want to see if this plan is right for you? Contact me today.



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Kurt Murray is a Principal at Assurance who focuses on mid-sized companies in the staffing industry. With over 20 years of experience, his primary responsibility is to provide cost-effective solutions and develop insurance programs that are individualized to a company's specific needs. Kurt graduated from Northern Illinois University with a Bachelor of Science degree in Finance. He's been a presenter at numerous staffing industry events and conferences, including TempNet, American Staffing Association, New Jersey Staffing Association and Staffing Services Association of Illinois.