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# MASTER INSURANCE MECHANIC

STRATEGIES FOR MANAGING YOUR BUSINESS INSURANCE

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Yes you can  
lower your  
workers  
comp costs

## Workers Compensation Dividends?

*Dividends are the way the work comp carriers in Florida compete.*

Buyers are often complacent when it comes to workers compensation premiums since the rates are fixed by the State of Florida and they think there is no way to lower them.

The most common tools for lowering the workers compensation premium are:

- Drug free workplace credit
- Safety credit
- Deductible credits
- Dividends. This highly overlooked tool is what workers compensation insurance companies give back to you when they make money on your account.

### No Two Dividends Are Alike

The basic premise behind dividends is that “if we do well, we will give you back some of the money we made on your account”. **Dividends are given on accounts as small as \$1,500 in annual premium**, but most buyers don’t know about them. The dividends are basically a sliding scale

that mathematically computes your losses vs. your premium = loss ratio. Your loss ratio then determines the percentage of return premium (dividend). Here are some of the differences in dividends:

- *When are the losses valued?* Some are at 9 months into the policy period, some go after audit. This can make a real difference in the return.
- *When is the dividend calculated?* Some are three months after expiration, some 6 months and even 9 months after expiration
- *When is the dividend sent to you?* Some are as quick as 3 months after expiration and some are 18 months after expiration + 60 days mailing.
- *All of the dividends are subject to the board of director’s approval.* This makes sense when you understand that if the insurance company is losing money and may not be able to pay future claims, then it would be poor business practices to return dividends if it may cause future claims to not be paid.
- *Dividend History.* Some carriers claim they have the greatest dividends, but don’t

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always pay them (because the board of directors thinks it might impair future claims payments.)

## Conclusion

Shop your workers compensation not for the lower premium as that is fixed by the state, but for the best dividend program that lowers your net cost. Get a savvy agent who knows the marketplace and who is hot with dividends and who is not.

If you're not getting a dividend now, you are probably paying too much.

And if you get a small dividend, you are probably leaving money on the table as workers compensation carriers will compete for you business with dividends.

When you compare dividends, don't do it at Zero losses because you won't have Zero losses. Compare at your average loss ratio over the last 5 years. Many of these dividends are smoke and mirrors.

For example XYZ Insurance Company will offer a dividend that returns 22% of your premium at 0% losses, but at 5% loss ratio it only returns 13%. Just because you had one \$500 loss your dividend is lowered 9%?

Do the math, look at prior loss histories.

## Cage the beast.

Insurance costs are typically the 2<sup>nd</sup> highest expense behind payroll.

*Are you and your agent doing absolutely everything you can to contain them?*

If you would like to discuss more creative ways to reduce your business insurance costs without reducing your coverages, feel free to contact me.

Have you ever met a car mechanic that is so good he could take your car apart piece by piece and put it back together again? That is what I do with risk and insurance programs. Find the weaknesses, close the gaps, and do my level best to lower your insurance costs.

I would like the opportunity to be your Master Insurance Mechanic.

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Jim Morency is an Equity Partner with GHG Insurance, Jacksonville, Florida. Jim specializes in providing insurance and risk transfer solutions for Physician Groups, Tow Truck and Auto Transport Insurance, Environmental Insurance, and Manufacturing Operations. For more information, please visit <https://jimmorency.com/>



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