



# MASTER INSURANCE MECHANIC

STRATEGIES FOR MANAGING YOUR BUSINESS INSURANCE

## Workers Compensation Deductibles?

Two unique ways reduce workers comp costs

*Deductibles can help you drive your costs down even on workers comp.*

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, *and the little-used workers compensation deductibles.*

### Two Kinds of Deductibles

There are two types of work comp deductibles.

- Program One for lowering the experience modification (EMR)
- Program Two for companies with very few claims, who just want to lower their premium.

### Program One - High Mod

Let's discuss the ever present increasing modification factor (EMR). In this case, frequency has led to an increase in the mod (and your costs).

One of the best tools to reduce the mod is the work comp deductible. The only deductible offered is \$2,500 however any claim under \$2,500 **does not go into the mod** calculation. Additionally every claim over \$2,500 is reduced by \$2,500 in the mod calculation.

The best attribute is that management (*and sometimes back charges to departments*) gets everyone's attention. **What gets noticed, gets fixed.** There is no up front premium credit but over time the lowering of your mod factor will save you thousands when using this deductible. Under this deductible, the insurance company pays the claim in full, and then bills your deductible portion.

### Program Two - Those without loss frequency

This type of deductible is for those companies that do not have frequency, but they would like to see their workers compensation costs reduced. This option offers several deductible levels and up front credits:

Deductible	Premium Reduction
\$ 500	2.0%
\$1,000	3.3%
\$1,500	4.2%
\$2,000	4.9%
\$2,500	5.6%

*What gets  
noticed gets  
fixed*

The down side to this type of deductible is that **all of the loss goes into the mod calculation.**

But if you're not having losses, why not take the up front credit? Under this deductible, the insurance company pays the claim in full, and then bills your deductible portion.

### Conclusion

In trying to lower your workers compensation costs you must use every tool you have available:

- Drug free Workplace Credit
- Safety Credit
- Workers Compensation Deductibles
- FCCAP Florida Contracting Classification Premium Adjustment Program
- Insurance Companies compete for your business with dividend programs.  
Is yours competitive?

### Cage the beast.

Insurance costs are typically the 2<sup>nd</sup> highest expense behind payroll. Are you 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 your Master Insurance Mechanic.

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