



Deductibles: Another Tool to Help Control Costs in Workers Compensation, Part II

By **Patrick Deem, Sr.** CIC, WC Risk Management Consultant

In the previous article on deductibles, the examples discussed were all part of the “table deductible” program. As mentioned at the end of the article, there are two more deductible programs available for the insured: the “custom table deductible” and the “negotiated deductible,” both of which are broken down below.

The custom table deductible program is one that offers deductible options which are different from the other five options in the table deductible program. To refresh, those options were \$1,000, \$2,500, \$5,000, \$10,000, and \$25,000. If an insured wants the option of a per accident deductible of \$3,500, for example, their best choice is the custom table deductible program, since there is no option for that amount in the table deductible program. The insured still receives a credit based on the next lower deductible amount of the table deductible program, so, in this example, the insured would be eligible for the same credit that would apply to the \$2,500 of the table deductible program.

All the rules that apply to the table deductible program also apply to the custom table deductible program: the insured has the same three deductible options (per claim, per accident, and medical only), and the deductible chosen cannot be higher than 50% of the estimated annual workers compensation premium. Referring to the above example with a \$3,500 deductible, the insured’s estimated annual workers compensation premium must be at least \$7,000 in order to qualify for their chosen deductible amount. Any insured with a total manual premium of more than \$5,000 is eligible for a deductible option.

The final deductible program is the negotiable deductible. To be eligible for this program, an insured’s total manual premium must be at least \$100,000 before the application of any deductible credit and in order for the insured to elect a deductible that exceeds the highest deductible option of \$25,000. Of course, this program is not designed for the

small premium insured.

Another aspect of this program is that if a credit report is completed on the insured and there is some concern about the insured’s ability to meet the financial obligations of the deductible chosen, security may be required. This security may not exceed 100% of the estimated premium, and the deductible program does not begin until the security is received.

No matter which deductible program is chosen, there are some important aspects of all deductible programs of which the insured should be made aware. First, the insurer is responsible for payment of all claims. Since they cannot pay the claim if they do not know it exists, it becomes extremely important that the insured realizes that all claims must be reported. In the following example, the insured has chosen a medical only per claim deductible of \$2,500. When one of their employees is injured and taken to an emergency room, where they are treated and released, the total bill comes to \$1,500. With a \$2,500 deductible, the insured believes it is unnecessary to report the claim since they would have to pay the \$1,500 regardless. However, after a few weeks, the employee is still experiencing some pain from the injury and goes to the doctor, where they are told that the injury requires an operation. As a result, the employee is forced to miss work for several weeks while in rehabilitation, and the costs of the claim have now skyrocketed, for multiple reasons. Unfortunately, in some cases, this is the time when insured decides to make the insurer aware of the claim.

The system is designed for the insurer to pay all claim costs from the beginning of the claim and then forward a billing statement to the insured for the deductible reimbursement. The reason for this process is that a deductible program is an agreement between the insured and the insurer. Therefore, the claimant and the various medical providers should not be concerned with who is

responsible for paying for the charges related to the claim. The insurer is responsible for all claim payments.

Second, when the insured is billed by the insurer for their deductible, they will have 30 days to repay the insurer. If payment is not received, the insurer has the right to cancel the policy. In other words, non-payment of the deductible is considered the same as non-payment of the premium.

Therefore, before entering into a deductible program, the insured should be aware of all the rules that apply.

As stated in the title of this article, deductibles are another tool to help control costs in workers compensation. The insured will be looking to their agent to be able to assist them in choosing the right deductible program to help keep those costs down.

Safe Driving During the Holiday Season

By Tipton Scruggs Loss Control Supervisor

During this holiday season, filled with hectic travel plans of those anxious to spend time with family and friends, the dangers of driving become an unwelcome issue, since many will commute via personal vehicle on various highways and roads. Travel during this time of the year presents higher risks of motor vehicle incidents related to:

- Congested freeways and roads, often leading to aggressive driving behavior and road rage;
- Inclement weather, including the possibility of ice on bridges and overpasses;
- Increased driver distractions; and
- Drivers who may be fatigued, over-stressed, or under the influence of alcohol or drugs

According to the National Safety Council, Texas drivers experienced a total of 1,733 motor vehicle-related deaths between January and June of 2017. This statistic is higher than Florida, California, and every other state in the country. According to the Texas Motor Vehicle Traffic Crash Facts for the 2016 calendar year:

- 1 person was killed every 2 hours 20 minutes
- 1 person was injured every 1 minute 59 seconds
- 1 reportable crash occurred every 57 seconds

Give this some thought: every 2 hours 20 minutes, someone died in a motor vehicle-related incident in 2016, most of which were likely preventable. That means a father, mother, brother, sister, friend, or family member is no longer around, changing lives forever.

How many of us think before we get behind the vehicle that, this is it—my time on earth could be over? Most likely, none of us do, because not only is that a little depressing,

let's be honest, but also because a common mindset is that unfortunate things happen to other people, not us. We tend to distance ourselves from the reality of tragedy in our own lives and envision an encapsulated safety bubble that we live in. But remember, you can do everything right and still be involved in a collision, through no fault of your own.

In an effort to keep everyone safe and happy during the holidays, we can further reduce the risk of being involved in a collision through the following actions:

- Prior to travel, inspect your vehicle or take it to a reputable service shop to ensure it is in good driving condition. Make sure the braking systems are functioning properly, the tires are in good condition with good tread and are properly inflated, and the mechanical systems are functioning properly and safely.
- Plan your travel route and research road closures, construction activities, and weather conditions. Prepare for heavily congested freeways, roads, and alternate routes.
- Depart early and travel on days with less traffic congestion, if possible. Adjust your departure time to avoid the heaviest traffic congestion, and travel during daylight to ensure good visibility in inclement weather conditions.
- Get plenty of sleep prior to your departure to ensure alertness and focus when driving.
- Minimize and eliminate as many driver distractions as possible.
- Do not drive if under the influence of alcohol, drugs, or prescription medication that could impact alertness.

These safety precautions will help ensure that you “arrive alive” and avoid becoming a statistic. Please drive safely this holiday season, and enjoy your family and friends!

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Question:

Our agency is changing quickly, and there is talk of a merger or acquisition next year. My biggest concerns are fortifying my position in the agency and making sure I have job security as these changes take place. Do you have any suggestions for my 2018 New Year's resolutions that can help?

Answer:

Considering all the changes occurring in the insurance field, I'm sure there are hundreds of employees who have similar concerns. I would love to tell you that there is some magic method you can employ so that you are guaranteed a lifetime position. Unfortunately, guarantees just don't exist. However, looking through my rose-rimmed glasses (as the undying optimist that I am), there are some habits you can embrace that I believe will serve you well in 2018.

Attitude, attitude, attitude

A wonderful manager once told me to "fake it till you make it." Today's insurance professional has to be committed to a positive attitude and an optimistic outlook, even if it means "faking it" until it's real. There

just isn't enough time for managers to handle someone who gripes, moans, and groans throughout the day. In addition, we all know that an attitude is highly contagious. Why would any company want to keep an employee who fosters the growth of bad attitudes? Besides, there have been case studies which indicate that optimists actually get more work done through their can-do attitudes.

Operate through identity

You can't have integrity without credibility or credibility without trust. Employers must have employees they can trust on several levels. Can *you* be trusted to get the job done, take on any job (none too small or demeaning), or operate at peak performance, while keeping confidential information to yourself? This is a reminder that integrity is the basis of professionalism, as well.

Focus on the customer

Any way you look at it, insurance is a people business. Companies look favorably to employees who genuinely care about serving their customers—both externally and internally. Become the employee who takes the initiative to serve without having to be asked,

and one who is known for working *with* people, not against them. Going the extra mile should become your standard operating procedure, not the exception to it.

Education and training

Never stop learning. The more you learn, the more valuable you are to the organization. When it comes to personal development, I embrace the expression, "You're either getting better or becoming worse. Life is not a neutral activity."

Share what you know

Contrary to popular belief, it is much more powerful to share information, skills, and knowledge with others than to keep it to yourself. By openly and readily sharing your business experiences, you can become a resource for your agency, possibly even becoming the "go-to" person in the organization. Let's say, as a manager, I can keep one employee who helps coworkers find solutions, or I can keep another who constantly says, "It's not my job." Who would you keep?

Happy Holidays and Happy New Year's resolutions to all!



Happy Holidays!

We wish all our readers a safe, joyous holiday season! Enjoy this time with your families and friends, and we will see you in 2018!

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