

CPro Case Study: Large Retailer

Problem

The insured, a larger retailer with stores in multiple states, had invested in a successful loss control program, following several years of bad workers' compensation losses. The program was a success; losses dropped significantly after implementation.

Regardless, premium rates continued to increase because of overall industry trends. The insured asked the agent to investigate CPro's loss-sensitive, multi-year approach as an alternative.



Highlights

- Insured had been with incumbent carrier two years.
- The deductible was \$250,000, without an aggregate, although a typical plan for such a business would have included a \$1-2 million aggregate. The effect was the same as each claim having a \$250,000 deductible.
- Insured was required to sign a new Letter of Credit for \$500,000 each plan year.
- 2013 experience modification (Xmod) was 1.62 and was set to increase to 1.79 for 2014, which alone would have resulted in a premium increase of more than \$150,000, regardless of loss reductions.
- The incumbent agent had developed the successful loss control approach, which included new safety controls and addition of an in-house safety manager.
- During the past six years, annual losses averaged \$668,000; by renewal time in February 2013 losses had dropped to \$319,000.
- Indications were favorable for continued decreasing losses.
- Premium for 2013 was set at \$1.2 million, with the certainty of a jump of at least \$150,000 in 2014 because of the scheduled Xmod increase.

Solution

CPro recommended a loss-sensitive plan with a national carrier that would reward loss reductions with premium savings. This plan completely eliminated the letter of credit requirement, which helped improve the insured's credit and cash flexibility.

We presented the plan to the incumbent agent and scheduled a presentation for the following week with the agent and insured.

Results

- The premium for the CPro loss-sensitive plan was \$1,137,000, considerably lower than the \$1,200,000 for the then-current plan. However, because our plan was loss-sensitive and the insured did continue to improve loss performance, the actual premium paid during 2013 was much lower still - \$720,000!
- The new plan also made the looming Xmod-based \$150,000 premium increase for 2014 irrelevant. Premiums for loss-sensitive plans are based on losses experienced *during the current program year*, and NOT for claims in the past.
- The CPro plan provides much better indemnity claim closure rates. Industry averages reflect a first year close rate of 35%. The rate for the plan CPro presented is 54%.
- Thanks to the company's loss control measures, the insured actually performed even better, with the first year closing rate coming in at a phenomenal 63%!
- The insured also helped its own cause by reducing administrative time: average claims reporting time for the year was 3 days.
- Because of the insured's strong cost control and administrative measures, the carrier recommended budgeting premiums at 85% of the targeted \$1,137,000 first year amount. The insured performed even better, coming in at only 61% of projected losses.
- The carrier's flexibility, the insured's strong performance and the multi-year nature the insurance product provide a great outlook for still further premium reductions.

Summary

\$1,200,000	2013 incumbent plan renewal
\$1,137,000	2013 loss-sensitive plan projected premium
\$ 720,000	2013 actual loss-sensitive premium
\$ 480,000	2013 premium savings, PLUS no letter of credit required
\$ 150,000	2014 Xmod increase required under former plan
\$ 630,000	First year total savings – a 52% reduction!

Clearly, multi-year, loss-sensitive workers' compensation insurance plans can be a game changer for many employers. Call us at 972-598-0401 to get the CPro advantage working for your clients.

About CPro Associates, Inc.

- National footprint – serving all 50 states
- 46+ years experience in commercial workers' compensation insurance
- 15 top carriers
- Specialists in multi-year, loss-sensitive workers' compensation coverage
- We will make joint presentations to help you work more effectively

