



Four Questions Customers Should Ask When Considering a Large Deductible Program

With insurance markets hardening, some companies are considering moving to a large deductible program to help manage the overall costs of their insurance program. These programs can offer premium savings and more control over how claims are managed, but they are not right for everyone.

To help customers decide if the time is right for them to move to a large deductible program, Charles Ruggiero, Vice President, Risk Management Construction at Crum & Forster, suggests they consider four key questions.

Why would I want to take large deductibles on my WC, GL or Auto program?

The cash flow savings from a large deductible program can be significant as your company grows. Instead of paying the insurance company for your estimated losses within your deductible you can hold onto your cash until the claims are incurred and/or are paid. And if you can drive down your losses within the deductible, then you could see significant savings compared to a Guaranteed Cost program.

Is my company / insured large enough to shoulder additional risk?

The advantage of a Guaranteed Cost program is that you are paying the premium up front, auditable based on exposure, for a WC, GL or Auto policy. As your company grows the costs can become more and more significant. If you are willing to retain a portion of your risk, then you could lower the amount of premium you are paying up front. Generally, the more risk the customer retains the lower the premium up front.

It's also important to remember that "additional risk" is relative. Find a company that offers minimum deductible levels that work for you. For example, Crum & Forster's program offers our customer's flexibility and the ability to customize a program to their specific needs. Deductibles start at \$100K with high options available.

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What type of risk management program should I have in place before I consider a large deductible WC, GL or Auto program?

The most successful programs typically have a dedicated employee or Risk Manager to oversee all insurance related matters, assess and identify risks, and drive a culture of safety throughout the organization. Your insurance broker and insurance company can also assist by providing guidance around claims and risk engineering.

At Crum & Forster we pride ourselves on going above and beyond to meet or exceed our customers' expectations and help them achieve their business goals. In partnership with Risk Engineering & Claims we offer customer-focused solutions for risk mitigation. Our consultative approach can help you successfully transition to and maintain a large deductible program with:

- Operational risk assessments in comparison to industry benchmarks and best practices
- Customized action plans for risk mitigation and improvement
- Assistance with driver safety, material handling, fall prevention, ergonomics, industrial hygiene and other training
- Safety guides, free on-demand videos and discounts on safety resources
- Dedicated Claims Account Executive to work with you in managing claims, resolving issues and driving down costs.

Do I need audited financials & is collateral required for a large deductible WC, GL or Auto program?

Audited financials are required in order for your insurance company to provide a large deductible program. The financial strength of our customers is important in helping us determine the type and amount of collateral required. Our internal Credit team does an excellent job in working with customers in offering flexible collateral options which include:

- Surety Bond
- Letter of Credit
- Passive Cash
- Loss Reimbursement Fund
- Trust Account



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To learn more about Crum & Forster's Risk Management Construction unit and how we can help your clients transition to a large deductible program, contact us today or visit us on the web.

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