

DEDUCTIBLES VS. DOLLARS

When does taking a higher deductible make 'cents'?

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Considering an increased deductible to cap or reduce your insurance premiums? Not so fast! Unless your operation is historically loss-free and expect it to continue that way so the savings are 'locked-in', you would be well advised to analyze where your 'break even' point is, relative to your potential retained loss costs going forward.

TRADING DOLLARS

Unless the higher deductible has a dramatic impact on the claims experience (if any), you will likely only receive a minimum rate credit. As you can assume, most insureds *do not* want an increased deductible in situations where there are many claims. The insurer may mandate one to encourage the insured to rectify what may appear to be a loss control issue.

MANAGED DEDUCTIBLES

Jumping up to a large deductible typically means you have to have a very hands-on approach to managing claims - particularly Third Party Bodily Injury losses. There are also additional hard (administrative and management) and soft (time) costs with large deductibles. A Third Party Adjuster can be employed when an arms-length approach is required to ensure that a Property Owner/Manager and Tenant/Resident relationship does not sour in claims negotiation.

YOUR TOTAL COST OF RISK (TCOR)

Deductibles, premiums, engineering and other expenses comprise 'TCOR'. Ensure that, based on your claims experience, the premium savings *today* is not eaten up by the increased retention you assume *tomorrow*. If you employ an active strategy to reduce risk and exposures going forward, then you benefit both from a maximized rate credit for assuming a greater retention with the additional knowledge that your risk controls will mean fewer losses overall.

HKMB HUB'S CLIENT EXPERIENCE

Our clients are presented with electronically trended deductible scenarios through previous policy terms. This provides an accurate representation of their portfolio's claims history with the higher deductible(s) prior to requesting what a credit would be from the insurer.

This provides our clients with an estimate of their increased costs with the higher deductible, and the insurer is better prepared to negotiate greater rate credits with a complete understanding of the impact to their loss ratio – reducing our clients' *Total Cost of Risk*.

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