

Association Newsletter Article — July 2009

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Pinnacol Assurance's Deductible Plans Can Save You Money

If you're looking for a better deal on workers' compensation insurance, take a look at Pinnacol Assurance's deductible plans. These plans allow policyholders to pay a portion (or "deductible") of any claims costs in exchange for a premium discount.

Policyholders can choose a per-claim deductible amount of \$500, \$1,000, \$1,500, \$2,000, \$2,500, or \$5,000. Not surprisingly, the higher the deductible you choose, the more money you'll save on your premium. These deductible discounts change annually, so to learn about your company's current potential savings, talk to your insurance agent or Pinnacol underwriter.

While deductible plans can have a positive effect on your experience modification rating (E-Mod), choosing the right deductible plan ultimately comes down to a cost/benefit analysis: Will the premium savings and possible E-Mod reduction outweigh the expected cost of paying deductibles? You may want to consider the following recent changes.

Prior to January 1, 2008, if you had a deductible, each claim was discounted by the amount of the deductible, and the remaining amount over the deductible was used in the development of the E-Mod. Since January 1, 2008, however, all medical claims are discounted by 70 percent. This discount is referred to as the Medical Experience Rating Adjustment (Med-ERA). Here are two examples:

1. The total amount paid on an ERA without a deductible on a medical only claim is \$10,000 multiplied by an ERA adjustment of 30 percent (discounting the medical claim by 70 percent) leaves \$3,000 as the amount remaining to be used for the E-Mod.
2. The total amount paid on an ERA including a \$2,500 deductible on a medical only claim is \$10,000. A deductible reduction of \$2,500 leaves a subtotal of \$7,500 multiplied by an ERA adjustment of 30 percent (discounting the medical claim by 70 percent) leaves \$2,500 remaining to be used for the E-Mod.

Your agent or underwriter can work with you to review your claims history and determine which deductible plan makes sense for your company.

Also, keep in mind that you can choose a deductible plan option up to thirty days after becoming a new policyholder or, for renewing policyholders, up to thirty days after your policy renewal date. After that, you must wait a year until your next renewal to add a deductible to your policy.

For more information on deductible plans and which deductible is right for you, contact your agent or your Pinnacol underwriter at 303.361.4000 or 1.800.873.7242.