



News From the SFA Front!!



Fall 2006

Is Self-Insurance a Viable Option for Employers in a Soft Market?

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Many employers enter self-insurance during hard market cycles because of premium increases or lack of availability in the voluntary standard market. However, as the softening insurance market approaches, many employers will look to the standard market to cover their exposures. With decreasing premiums and increased availability on the horizon in the voluntary market, why should an employer look to self-insurance?

Cost Stability

Self-insurance is a long-term risk-financing solution that leaves employers less exposed to the volatility of the insurance cycle. Excess insurance premiums are a fraction of the cost of first dollar programs and are therefore more stable from year to year, even in a soft market.

Long-Term Availability of Affordable Coverage

The timing and duration of the insurance cycle is difficult to predict, even for industry experts. Standard insurance programs can quickly alter their pricing structures or disappear entirely leaving participating employers with unexpected increases in costs or without coverage altogether. Because the excess insurance market is less exposed to the short-term volatility experienced in the standard market, excess coverages tend to be more affordable and available on a long-term basis.

Return on Investment

A soft insurance market is typically spurred on by a bullish economy and stock market. Every dollar saved on a self-insurance program is a dollar that goes back directly to the self-insured employer's bottom line, increasing potential for investment and thus, potential for increased return on investment.

Increased Risk and Claim Control

A self-insurance program provides employers with the utmost control over claims costs. Self-insured employers with effective loss control and safety programs often have less claims frequency and severity than employers participating in the standard market. Improved claims experience reduces lost work days, thus reducing the need to assign temporary help to certain positions and fosters better employee appreciation for this business cost component.

Management Involvement and Strategic Planning

Service providers, such as excess insurance carriers, claims handling (third party administrators), provider networks, pharmacy programs and vocational rehabilitation can be unbundled and contracted individually by the self-insurer. A self-insured employer is not tied down to any service provider or insurance carrier who may only perform some services well. Unbundling service components increases accountability for vendors who must continuously demonstrate their value to the self-insured employer.

Similar to other financial investments, self-insurance is a long-term commitment that can return value over many years time. It can help the employer to maintain affordable coverage and insurance stability on a long-term basis, regardless of the insurance cycle.

SFA - Your Partner and Solution to Workers Compensation

FUNNY CLAIMS

"The pedestrian ran for the pavement, but I got him."

"The pedestrian had no idea which way to run as I ran over him."

"To avoid hitting the bumper of the car in front I struck a pedestrian."



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