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Casualty group captive program reduces workers comp premiums, cuts costs

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Two mid-market employers that participate in a casualty insurance group captive say the program has helped them reduce their workers compensation premiums and improve safety at their companies.

Grand Rapids, Mich.-based Lumbermen's Inc., a building material distributor, and Chicago-based Rapid Displays Inc., a designer and maker of point-of-purchase displays, both belong to Summit Insurance Ltd. The captive, which covers workers comp, auto liability and general liability, includes 82 members of various industries and is advised by Schaumburg, Ill.-based Captive



Resources L.L.C.

Rapid Displays joined the captive in 1998, Chief Financial Officer Brian Greenburg said. The 450 employee company wanted to lower its workers comp costs, particularly because most of the company's workforce at that time was located in California — a challenging market for workers comp costs.

The company also noticed that its workers comp loss experience was improving, but that lower claim costs were not being reflected in Rapid Displays' workers comp premiums, Mr. Greenburg said.

“It appeared, during those years, the insurance companies were profiting from our positive results and that we were not allowed to share in those upside profits,” he said.

Lumbermen's, which has 270 employees, joined Summit in 2001 after experiencing volatile casualty insurance rates that didn't seem to improve when the company had positive loss experience, Chief Operating Officer Steve Petersen said. He said insurers also didn't seem to understand Lumbermen's distribution business and often associated the company's name with higher-risk companies, such as saw mills and lumber yards.

Both companies say they've benefitted from safety initiatives that Summit Insurance has developed to help members lower their claim costs and frequency. The captive includes funding for safety consultants to talk with members, and members confer with each other about safety best practices.

“The whole focus on safety culture becomes so much more important when you're part of a group captive than if you're in a fully insured program,” he said.

The companies also have been able to receive dividends from Summit Insurance because their losses have been lower than premiums paid into the captive.

“Our cost of doing business today is much lower than it's ever been in the 15 years we've been in the captive,” Mr. Greenburg said.
