



# Workers' compensation

## Calculating your total cost of risk

### 1. FIXED COSTS

Evaluating your carrier administration costs, taxes and assessments, profits, and insurance premiums for losses above the deductible

- What kind of coverage are you interested in—Insurance plan or self-insured?
- How do you plan to finance your program? Things to consider:
  - Risk appetite—Per loss limit and policy aggregate limit
  - Paid, incurred, or pre-funded
  - Cash flow—Payment plans and program design
  - Collateral (security)

### 2. LOSS ADJUSTMENT EXPENSES (LAE)

Investigating and adjusting your losses

- Unallocated expenses—Your general claim administration costs
  - Loss conversion factor or fee per claim
- Allocated expenses—Expenses associated with managing your individual claims, examples include:
  - Medical cost containment fees
  - Surveillance
  - Defense counsel

### 3. INDEMNITY COST

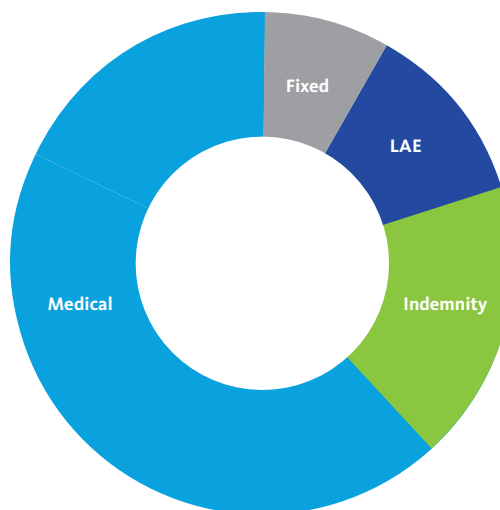
Protecting you from financial loss and legal liability

- Temporary disability
  - Transitional work opportunities
  - Effective return to work programs
- Permanent disability
  - Accommodate permanent restrictions
  - Address severity exposures through safety programs

### 4. MEDICAL COSTS

Managing your medical treatment and associated expenses

- Monitoring medical treatment
  - Type of treatment
  - Frequency and duration of treatment
- Containing medical costs—We do the work to identify opportunities for savings
  - We review bills, using state fee schedules and software logic.
    - Industry fees are typically charged as a percentage of savings, per line or per bill
  - We leverage PPO contracts and negotiate rates with non-network providers.
    - Industry fees are typically a percentage of savings
  - Our pharmacy program monitors prescription costs and use.
    - Separate fees may apply
  - We enlist the expertise of rehabilitation nurses when appropriate.



### How do your workers' compensation costs add up?

Expected losses can amount to hundreds of thousands of dollars. That's where plan fees can add up to significant net savings.



# How does Sentry impact your total cost of risk?

## 1. FIXED COSTS

We design custom plans with your business in mind.

- We evaluate each risk individually and consider the culture and management philosophy of each business we underwrite.
- We provide you with options—so together we can craft a plan that balances your appetite for risk with the appropriate financing mechanisms.

## 2. LOSS ADJUSTMENT EXPENSES (LAE)

We work hard every day to investigate and adjust your losses.

- We offer all-inclusive claim administration charges, rather than low base fees with multiple add-ons for additional services.
- Our claim reps retain ownership and responsibility for your claim management.
- We use resources such as legal counsel selectively, to keep your allocated expenses low.
- We employ vendors for legal and surveillance work, to avoid high staffing costs that contribute to overhead.
- With advance approval, we will work with your preferred vendor.
- We offer subrogation and fraud staff work at no additional charge.
- We stand behind our low cost containment fees:
  - Bill review: \$1.30 per bill
  - PPO/negotiated: 18% of savings
  - Pharmacy: \$2 per script

## 3. INDEMNITY COST

We manage your disability claims to facilitate return to work and accommodate permanent restrictions.

- We coordinate return to work between you, your employee, and applicable providers, as necessary.
- We assign nurse case managers when appropriate.
- We facilitate ongoing communication to help ensure your return to work efforts are successful.
- We evaluate permanent disability ratings and reach out to medical providers regarding inappropriate permanent disability ratings.
- We arrange second opinions when appropriate.
- We calculate reserving based on probable and estimable scenarios, not best- or worst-case scenarios.



## 4. MEDICAL COSTS

We evaluate medical treatment and fees to keep your costs down.

- We recognize risk factors and take action to address them quickly.
- We leverage industry resources and claim staff expertise to determine appropriate treatment plans and evaluate progress.
- Our pharmacy program identifies and addresses medication use and abuse.
- We continually communicate with providers to monitor progress, address delays or issues, and develop an action plan.
- We engage nurse case managers to maximize cost effectiveness.
- We enforce state fee schedules, monitor PPO contracted rates, and eliminate duplicate bills.
- We contract rates with specialty program vendors.
- We calculate reserving based on probable and estimable scenarios, not best- or worst-case scenarios.

**At Sentry, we leverage staff expertise, input from our clients and brokers, and tested best practices to craft a customized workers' compensation program for your business.**

**Questions? Your Sentry territory executive is here to help. Together we can find the best plan for you.**