WorkComp SPECIALISTS

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Why Outside Expertise is Important

What are dividend and loss sensitive plans?

Some Florida workers' compensation carriers will offer their policyholders the opportunity to earn back a portion of the premium they pay in back in the form of a dividend.

Also, known as "Safety Rewards" or "Profit Sharing" plans, these programs can have a significant lowering effect on your annual work comp premium cost.

Questions? Call the experts at WorkComp Specialists Now: 800-508-9126**.**

How are dividends paid out?

Most dividends are paid out based on the loss ratio that your policy has over the 12-month policy year. The loss ratio is calculated by:
Loss Ratio = Total claims dollars incurred (includes paid and reserves) / Annual Audited Premium

Are there different dividend plans that I can consider?

Yes. There are traditional and upfront dividend plans.

- Traditional dividends are normally based on a sliding scale percentage table. The lower your loss ratio, the larger the potential dividend you can earn.
- Upfront Dividends tend to be less aggressive than traditional dividends, but can be structured to pay out a certain percentage amount regardless of your loss ratio.

What factors should I consider when comparing dividend plans?

By law, carriers cannot guarantee dividends and they must be declared annually by the carrier's board of directors. The carrier's history of paying dividends and whether the carrier has not declared or paid a dividend is important.

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What is the timetable for the dividend calculation and payout?

The timetable is an important factor and carrier parameters can vary greatly. Some Florida workers' compensation carriers have a one-time calculation that is done 4 – 6 months after the policy expires and then 100% of any earned and declared dividend is paid out. This type of payout can be attractive if you don't have any open claims when the dividend loss ratio calculation is done. However, the short calculation time can work against you if your open claims have reserves that drive your loss ratio up.

Other carriers perform two dividend calculations (one 6 months after the policy expires and the second one 18 months after). On these type of plans, the carrier will normally pay 50% of any earned and declared dividend at the 6-month mark and the other 50% at the 18 month mark. It takes longer to receive your dividends but this type of dividend plan can work in your favor if you have open claims at the 6 month calculation.

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