



## Dividends, Dividends, Dividends

I was recently meeting with a business manager at one of my school districts, and he noted to me that there was a lot of discussion about the topic of workers compensation dividends. He showed me a list of comments from school business managers discussing what dividend they had and what they were seeing at renewal. Many were commenting that their dividends and the percentage being offered were up this year.

After reviewing this, I asked him one question; do you see anything missing from these comments? He looked at me and said, "nobody is noting their experience mod or claims." I said yes, and that is certainly a key part of the dividend equation. I would like to express a few thoughts when comparing dividend plans and overall service from the workers compensation marketplace.

1. *Not all dividends are created equal.* What do I mean by that? Look at the history of the insurance carrier and their financial ratings, and ask them how long their company has been paying dividends in the State of Wisconsin. As you may know, legally no insurance company can guarantee a dividend and are only subject to approval by an insurance carrier's board of directors. The Office of Commissioner of Insurance notes that dividends should not be shown as a net amount on a proposal.
2. *Does the insurance carrier providing this dividend have long-term experience in the State of Wisconsin?* We have seen in just the past 10 years several insurance carriers enter the school insurance market and offer very aggressive dividends, only to see them exit the marketplace a couple years later.
3. *Analyze and critique their claims management services.* I was speaking at the WASB Legal and Human Resources Conference this past February on workers compensation. Afterwards, a business manager came up to me from a school district I do not work with and noted the following; "I will never make the mistake of jumping at the high dividend again". I asked her what happened, and she noted that the year prior they moved to a fairly new work comp market in Wisconsin because they offered such a good dividend. Then they had two claims happen that were severe in nature only to find the claims management with the new company was not on the same level as their old carrier. And now, because of poor case management, they have two bad claims that are going to negatively impact their experience mod for the next three years. She stated, "There goes my savings from the higher dividend."
4. *Why do we have dividends in Wisconsin?* Wisconsin is unique as the Workers Compensation Rating Bureau does not allow crediting of the manual rate. If your school was located in Iowa, the underwriter in Iowa can apply an up-front credit on the main class codes like 8868 and 9101, thus lowering your premium from the start. To compete in Wisconsin, carriers offer dividends as a way to price your school's workers compensation.
5. *If you have long term experience purchasing workers compensation you know the market has been cyclical for the last many years.* The last hard pricing cycle happened from 2003-2004. In those years, we saw dividends dramatically drop, and we had a mild hardening of the market in 2012 when a significant insurance company pulled out of the market.
6. *To impact your long-term workers compensation costs, I would advise you to look at dividends as the icing on the cake.* Focus on what is driving your frequency and severity of your claims. Driving down your experience mod is the best way to long-term savings and to minimize the impact of a changing market. What analytics and services does the company you are looking to partner with have to reduce your claims experience?

7. *If you are obtaining bids this year, make sure all the major carriers are involved in the process.* You will obtain the best proposals if you widen your markets.
8. *There is a benefit to combining your workers compensation with the other lines of coverage.* It's just like your home and auto insurance; most carriers will be more competitive with the property and liability rates if they know the workers compensation is included. This is spread of risk. It makes sense sometimes to go with a mono-line carrier on the workers comp, but depending on your loss experience it may not.
9. *The last item to consider is the bid cycle.* I insure a couple school districts that bid their insurance almost every year. The underwriters at the insurance companies know who these schools are and are less likely to give their best proposal. I see the best proposals when a school commits to a 3- to 5-year bid cycle. You will obtain better proposals when a carrier knows they have a long-term commitment.
10. *Monitor your renewals.* Dividends should not be declining this year unless you have had some adverse loss experience. It is not too late to obtain a bid if you do not receive a favorable renewal proposal.

In conclusion, be cautious when an insurance carrier offers a large dividend, and they do not have a long-term presence in the Wisconsin school insurance market. I can name off the top of my head 4-5 insurance companies that have entered Wisconsin in the past 10 years with aggressive dividends only to leave the market after a couple years. Look for long term stability and insurance company partners that have the claims management experience and tools to effectively keep your claim costs down. Attached to this email is a questionnaire I developed to ask very specific questions related to workers compensation in Wisconsin. None of them are trick questions. Any experienced workers compensation claims adjuster should be able to answer all of them. As a broker, I can answer all of them.

If you have further questions or would like to contact me, feel free to email [jgibson@tricorinsurance.com](mailto:jgibson@tricorinsurance.com) or call 608-778-6441.

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