

AGENCY FORMS

WORKERS COMP CARRIER

*Synergy Comp, Pennsylvania – based
WC insurer, focuses on loss prevention*



Synergy Comp Insurance Company has a very specific game plan – one that...is based upon this theory: “We are in the business to help create a safer work environment for our insured employers.”



- *Lew Kachulis
President
Synergy Comp Insurance Company
Sharon, PA*

Gilbert's Insurance Agency of Sharon, Pennsylvania, is a 155-year-old insurance agency and one of the largest agencies in northwestern Pennsylvania. Early in this decade it was facing many of the same problems that were being faced by agencies throughout the United States. The issue at hand was how to survive in a radically changing insurance environment.

The principals of the Gilbert's Agency not only had faced changes over the firm's entire history but, for the most part, had welcomed them. Through the years, Gilbert's developed relationships with a number of insurance carriers.

One of those carriers, EBI Insurance Company, had provided a viable market for some of Gilbert's workers compensation accounts. Gilbert's found that EBI had developed a proactive approach to loss prevention and claims management, which could be used to turn around some of their troubled workers comp accounts. However, when the Royal & Sun Alliance purchased EBI in 1999, EBI's focus began to evaporate and soon vanished altogether.

Opportunity knocks

Gilbert's believed that the EBI approach could be duplicated and, as a result, the agency developed a business plan in 2000 to take advantage of the EBI model. In search of his team to carry out this plan, in 2000, Lew Kachulis, president of Gilbert's Insurance Agency, hired both Jim Culligan and Marie Swanson. Culligan was a former EBI loss prevention consultant and Swanson was a former EBI claims adjuster.

Culligan started by developing a customized loss prevention business plan for Gilbert's self-insured clients. At the same time, Swanson was trying to assist Gilbert's insureds with workers compensation issues; however, she soon became frustrated with the insurance companies' approach to workers compensation claims.

Kachulis and Culligan were discussing this problem when Culligan suggested starting a TPA to adjudicate claims for their self-insured loss prevention clients. He describes "seeing Kachulis' right eyebrow raise up and a smile go from ear to ear, and then a nod of Kachulis' head." This was ultimately the birth of Synergy Comp Insurance Company.

After five years of operating as a TPA, Gilbert's was interested in assessing the value of the TPA services it was providing. As a result, they retained the services of an actuary to determine the results of their self-insured book of business. "The actuarial study considered the three years prior to our involvement," says Kachulis, "This information was then compared with the results of our self-insured clients."

On an annualized basis, the study found that there was a 60% reduction in the payout. He notes that the study went on to show that, "If these accounts had been fully insured, assuming a 1.00 experience

modification, the loss ratio of the book of business would have been less than 15%."

The actuarial study confirmed what Gilbert's management team believed would be the case—that their approach to loss prevention and claims management worked very well. Based upon the information provided by the actuary, they began to create an additional business plan. However, rather than concentrating on self-insured accounts, they decided to start a specialty workers comp carrier. "At that point in time, we were looking to grow more on the risk side of the business," says Kachulis.

A better way

In 2006, Kachulis was successful in raising the necessary capital and then applied for a "Certificate of Authority" with the Pennsylvania Insurance Department. They requested to be a single-state, mono-line workers comp insurer under the name Synergy Comp Insurance Company (Synergy). The company would be operated under the management of Kachulis as president, Culligan as chief operating officer, and Swanson as vice president of claims. Pennsylvania granted the authority in July 2006, and Synergy wrote its first account in September 2006.

From the start, Synergy's approach to the workers comp market has centered on the idea of providing employers with a safer working environment for their employees. But after reviewing the EBI approach of proactive loss prevention and claims management, they believed that they could improve upon this method. To begin with, they had several criteria that they were looking for in new accounts. These included an annualized premium of at least \$100,000 and a loss experience modification of 1.20 or above.

Kachulis also explains that they were interested in accounts that were "four-wall businesses." As such, they were not interested in building contractors that moved from job to job, or those with high trucking or auto exposures. The typical account would be a hospital, a nursing home or a light manufacturing account. However, the most important criterion was a management commitment from the prospect. Kachulis says, "If you are not committed to reducing losses, we are not going to be a good match."

Culligan points out that Synergy's loss prevention program centers around a trademarked approach known as "Synergy of Safety" (SOS). This approach begins even before the account is written, when the loss prevention consultant is required to perform an on-site inspection. Culligan says this same effort is what creates a customized loss prevention business plan.

Consultants assist insureds in implementing a proactive safety and loss prevention program aimed at providing a safer work environment. One of the bigger components of the program deals with changing employees' behavior as well as the company's culture towards safety. He

says that all core elements of the SOS model are focused on the changes that are needed to reduce the insured's workplace injuries.

The claims management aspect of the program is equally important. Swanson points out, "Our goal of resolving claims is different than most carriers." First, she says, "We try to resolve them within the first 90 days, and each of our claims managers understands the importance of the 90-day goal." After the first report of injury, the claims person interviews the injured employee to see if the employee knows how these types of injuries could be eliminated in the future. Swanson says this is usually very good information because the employee knows the details of the job better than any other person and thus is in a position to offer guidance.

Transitional-return-to-work (TRTW) programs also play an important part in the claims management effort. In fact, agreement to a strong TRTW program is a prequalification requirement before writing the account, Culligan points out. The company's CEO must commit to our "transitional return to work process," according to Swanson. She goes on to say, that since the employer is willing to sign onto the TRTW program, the indemnity reserves that remain when the employee returns to work are reduced. All in all, Synergy's claims management program is directed at returning the employee safely back to his or her job. Over a period of years, employers realize a premium reduction due to a decreasing experience modification factor.

Synergy's approach to the workers comp market is quite basic. "All CEOs are looking for the 'silver bullet' for improving the long-term profitability for their companies," Kachulis states. He points out that for every dollar of workers comp cost that can be driven down, there is typically about \$8 in indirect cost that will be saved as well. Indirect costs include lost productivity, overtime pay, absenteeism, and the costs of hiring and training. This is particularly true for employers with poor loss experience.

"We want to help these employers by providing a viable, long-term alternative," says Kachulis.

Synergy Comp Insurance Company has a very specific game plan—one that Kachulis says is based upon this theory: "We are in business to help create a safer work environment for our insured employers." It is as simple as that. When they were unable to find an outside resource that could provide this type of service, they took it upon themselves to develop one. What resulted was Synergy Comp Insurance Company, a Pennsylvania-domiciled work comp carrier with a bright future.

Kachulis says it best. "Most insurance companies are just people pushing paper. Our employees are engaged in preventing losses, creating safer work environments, and providing the best quality of care after an accident occurs."

And while many employers continue to believe that their workers comp costs are beyond their control,

the fact is that they just need to find the right partner—one that is as passionate about preventing injuries and resolving claims as Synergy. ■