PRISM
Public Risk Innovation,
Solutions, and Management

March 30, 2021

FROM: Gina Dean, CEO
TO: GL1 Program Members
RE: GL1 Program Offers New Individual Member Corridor Deductibles

What they are and why you should consider using one.

On March 5, 2021, PRISM's Board of Directors approved offering Individual Member Corridor Deductibles (IMCDs) in the GL1 Program. What is an IMCD you ask? An IMCD is a risk financing tool that allows members to retain an aggregated or limited amount of risk above a member's Self-Insured Retention (SIR) in exchange for a premium discount. Simply put, it allows members to bet on the possibility that they will not have a great deal of claim experience above their SIR and thus reap the benefit of discounted excess premium. To see if this is a good idea for your entity, staff can work with you to see if taking on additional risk above your SIR, offset by the discount to your GL1 premium (as determined by the matrixes below), would provide you with overall cost savings.

Matrixes

The IMCD pricing structure utilizes a matrix approach and provides an applicable pool premium discount based on the member's SIR and selected dollar amount of your IMCD. Staff developed four matrixes to incorporate the differences in both member type (Non-School and School members) and a member's exposure size. Both variables affect the resulting premium discount. The discount is applied in the allocation model after the application of the Ex Mod, pool loss surcharges, and the allocation of the Program's administration costs.

Matrix 1

*Applies to Non-School mbrs **under $25M in payroll** and School mbrs **under 18,000 ADA***

	GL1 IMCDs									
GL1 SIRs	$250k	$300k	$350k	$500k	$600k	$700k	$750k	$1000k	$1500k	$2000k
$250k	-22.5%			-35.0%						
$300k		-25.0%			-37.5%					
$350k			-30.0%			-38.5%				
$500k				-35.0%				-50.0%		
$750k							-40.0%		-55.0%	
$1000k								-50.0%		-60.0%

Matrix 2

*Applies to Non-School mbrs between **$25M - $50M in payroll** and School mbrs between **18,000 - 36,000 ADA***

	GL1 IMCDs									
GL1 SIRs	$250k	$300k	$350k	$500k	$600k	$700k	$750k	$1000k	$1500k	$2000k
$250k	-20.0%			-32.5%						
$300k		-22.5%			-34.0%					
$350k			-27.5%			-36.0%				
$500k				-32.5%				-47.5%		
$750k							-37.5%		-52.5%	
$1000k								-47.5%		-57.5%

Matrix 3

*Applies to Non-School mbrs between **$50M - $100M in payroll** and School mbrs between **36,000 - 73,000 ADA***

	GL1 IMCDs									
GL1 SIRs	$250k	$300k	$350k	$500k	$600k	$700k	$750k	$1000k	$1500k	$2000k
$250k	-12.5%			-22.5%						
$300k		-15.0%			-25.0%					
$350k			-17.0%			-27.5%				
$500k				-22.5%				-35.0%		
$750k							-30.0%		-45.0%	
$1000k								-35.0%		-50.0%

Matrix 4

*Applies to Non-School mbrs **over $100M in payroll** and School mbrs **over 73,000 ADA***

	GL1 IMCDs									
GL1 SIRs	$250k	$300k	$350k	$500k	$600k	$700k	$750k	$1000k	$1500k	$2000k
$250k	-10.0%			-12.5%						
$300k		-10.0%			-13.5%					
$350k			-10.0%			-14.0%				
$500k				-12.5%				-20.0%		
$750k							-15.0%		-27.5%	
$1000k								-20.0%		-35.0%

These matrixes help ensure the premium discount given to a member for an IMCD option is equitable relative to their size.

All requests to implement an IMCD are subject to underwriting and approval. Authority will be with PRISM staff or the Underwriting Committee, based on the Delegation of Authority Policy adopted by the Board.

How an IMCD works.

An IMCD allows members to retain a limited amount of risk above their SIR. Members will continue to pay, per loss, within the SIR as they do currently, but would also pay losses excess of the SIR, up to a maximum amount determined by the IMCD.

Following is an example that illustrates how this would work for a member with ***$250k SIR*** and ***$250k IMCD,*** as the member experiences and pays losses from the program year.

Member's SIR: $250k per occurrence
Member's IMCD: $250k annual aggregate above $250k SIR

Loss #1: $300k paid on 10/1/21
- Member pays $250k SIR
- Member pays $50k of IMCD

Loss #2: $400k paid on 11/1/21
- Member pays $250k SIR
- Member pays $150k of IMCD ($200k of $250k IMCD now paid)

Loss #3: $500k paid on 12/1/21
- Member pays $250k SIR
- Member pays $50k of IMCD ($250k IMCD is now exhausted)
- GL1 pays $200k

Loss #4: $500k paid on 1/1/22
- Member pays $250k SIR
- GL1 pays $250k

To see the same example in a table format, see the following:

Date of Loss	Total Paid	Member SIR	Member IMCD	GL1 Program
10/1/2021	300,000	250,000	50,000	-
11/1/2021	400,000	250,000	150,000	-
12/1/2021	500,000	250,000	50,000	200,000
1/1/2022	500,000	250,000	-	250,000

In this example, the member will not pay any more than $250k excess of their SIR. This allows the member to take on some additional risk without moving to a new, higher retention where they would be responsible for that additional amount on each and every loss. Members are encouraged to work with their actuary regarding the potential funding of an IMCD.

Please contact PRISM Underwriting for more information on IMDCs.