

## Group Insurance Quagmire

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I regularly find clients have signed up for “group” insurance policies – usually because they appear to be a low-cost option in these tough times.

These group (or ‘shared’) policies can come from a variety of sources. Co-employers or PEOs (Professional Employer Organizations) offer Workers’ Compensation and sometimes Employment Practices Liability insurance. Payroll service providers offer Workers’ Comp and sometimes Employee Benefits and 401(k) plans. Some Membership groups or Associations (like Nurses, Teachers, or Social Workers) offer Professional Liability coverages, or Errors & Omissions. And even Vendors or subcontractors can add your firm to their General Liability policy as an Additional Insured – this is also shared insurance.

Smaller businesses go this route for three reasons: cost, service, and coverage.

- Costs can be less than taking out your own policy and some can be ‘free’ (for example becoming an Additional Insured) or ‘included’ (which can mean ‘costs unknown’).
- Outsourcing payroll and certain HR services can be very advantageous to some businesses; service quality definitely can vary, and I always recommend you delegate with full understanding – don’t abdicate.
- Insurance coverages can range from standard and acceptable (Workers’ Comp for example) to limited and perhaps dangerous – if not well understood.

### What can go wrong? ~

- Like most things we purchase, ‘You get what you pay for’ often applies to insurance. It’s easy to get trapped: cheaper options need careful scrutiny.
- I’ve almost always found that group solutions have lower coverage limits and some surprising exclusions and limitations.
- And, finally, many clients develop a false sense of security – “This provider/ association/ other is high quality, why should I worry?”

*Recently a client signed up with a co-employment firm to outsource almost all their HR needs. With this deal they got Employment Practices Liability insurance in a type of group policy. Careful coverage review found a number of gaps and limitations that were unacceptable. A separate policy was required for proper coverage.*

### How to manage ~

You don’t have to automatically eliminate group solutions, but here are a few suggestions:

- Dig deeper and get details, testimonials and references: call them!
- Have Service Agreements reviewed by your attorney, as for all contracts.
- Get insurance coverages reviewed by your professional insurance advisor without fail; and get written comments and recommendations.
- Delegating to your service provider can be fine, but don’t abdicate. Stay on top of renewals, cost increases, changes to a new insurer and, of course, scheduled service deliveries, especially for safety, training, etc.