

Insured vs. Self-Insured:

A predominate form of insurance policy today is the “Insured Contract”. Under this type of contract, an insurance company assumes 100% of the risk from the insured for a set premium. An attractive alternative to insured contracts are self-insured plans. A group may “Self-Insure” their employees with or without insurance protection (see Stop Loss). Self-Insured plans are attractive due to their flexibility and ability to enhance cash-flow. Under a Self-Insured arrangement, the group typically has three costs:

- Administrative costs
- Claims costs
- Stop-Loss (optional)

Groups are often able to save on plan costs by designing plans that fit their needs. Additional savings may be found by working with Third Party Administrators (TPA) whose administrative fees are more affordable than a traditional insured contract.