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AuditRate - Alper Services' INSURANCE Cost Watch

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To: Executives Seeking to Reduce Their Insurance Costs by 20% to 40%



Incorrect Filing Costs

In the course of reviewing the Experience Modification for a Client, we noted there were three unusually large claims. While researching the history of these claims, we discovered that they are what the Insurance Manuals describe as "Catastrophic." This definition of catastrophic is two or more workplace injuries arising from one accident. In this case,  three employees had been injured in the same accident. The manuals treat these injuries different from individual occurrences in the sense that they are limited as a group, rather than individually. While this had been represented correctly on the 2006 Experience Mod, our analysis discovered the claims were not reported correctly in the development of the 2007 Experience Mod. This error artificially inflated their 2007 Experience Mod by 9 points. Our work corrected this error which saved this business over \$21,000. 

Over-Reserved Claims Hurt Your Experience Mod

We were recently reviewing the workers' compensation program of a Client, and our analysis turned up a troubling pattern. We found that year after year, this business had large, open claims on their experience mod. This was not the issue, because accidents happen. The problem was, these claims later closed for significantly lower amounts. For example, one claim for \$24,576 (which occurred during the 03-04 policy period), appeared open on the 2005, 2006 and 2007 Experience Mods. Shortly after it's last year on the Experience Mod, the claim closed for \$3,315. The over-reserve on just this one claim alone, cost this business over \$6,000 premium during these three years. While this particular (*over*)

Erroneous Report


An insurance company was asked to describe what information they needed to complete their final audit. Our Client took that information, and produced an elaborate report listing the names and payroll totals for everyone employed during the period of a policy. The insurance company applied the information reflected in our Client's report, and generated a \$45,000 additional premium charge. AuditRate was asked to review the matter after our Client ran out of options ... realizing that the payroll totals reflected on the audit invoice were identical to the totals reflected in the report they gave the insurance company.  AuditRate found that when the insurance company was asked to describe what they needed to compete the final audit, the insurance company gave our Client a cursory explanation. Unfortunately, the policyholder didn't know better, and developed their report exactly as they were told. When the insurance company came in to audit the records, instead of making their own audit, they took the Client's report and left. AuditRate conducted a proper audit, which changed the the \$45,000 additional premium charge to a \$3,000 credit! 

Classification Code Corrected


A client has been operating their business and producing the same products, the same way, since the business began many years ago. Their insurance provider classified their business by looking at the process in which their product was manufactured. In terms of Workers Compensation insurance, businesses should be assigned to the class code that "best describes the nature of their business." (*over*)

Over-Reserved Claims Hurt Your Experience Mod
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overcharge could not be refunded, it underscores the need for a process that periodically monitors your claims ... for two reasons:

- 1) You want your current and potential insurance carrier to have an accurate portrayal of your business --- when open claim reserves are artificially inflated, your business appears less desirable.
- 2) To ensure that claim values are constantly being managed to your best advantage, so when the information is used to develop the Experience Mod, it is as low as possible. Claims drive the Experience Mod; the Experience Mod drives your premium. 


Classification Code Corrected
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AuditRate immediately identified that this business was not correctly classified. This Client's broker had recognized that something was not right, and assigned certain employees to the Tool and Die Workers Class Code. While this broker identified a way to save his client some money, he missed the "Big Picture" of this business being totally misclassified. As a result of AuditRate's work, this business received \$51,610 in refunds from past policies, plus, it will continue to save for years into the future. 

Claims Costs Wrong

While reviewing the claims charged to one Client under a loss-sensitive program, the figures reflected the carrier incurred \$5,974 of defense costs, with an additional \$1,144 expected. The carrier was asking our Client to pay an additional premium, which in part included these

costs. The Client established that the claimant did not secure the services of an attorney. Therefore, the defense costs were improper.

We explained this to the carrier; they checked their records, removed the charges, and reduced their premium. 

**What is AuditRate
And How Can We Help You!**

AuditRate is a premium sleuth and uncovers and recovers insurance premium overcharges. We search for, and find, recoverable premium overcharges for 40% of our Clients. Businesses are frequently overcharged by their insurance company (workers' compensation, liability, etc.) and do not realize it.



For over 40 years we have been reporting actual situations like those found in this newsletter. Policy overcharges are an on-going business problem that won't go away. Buying an insurance policy is not like buying a finished product. It's a work in process, with countless pitfalls all along its route. AuditRate's Clients didn't realize they were overcharged until we identified where, when, and how they were overcharged.

Because we work on a contingency fee basis, You Have Everything to Gain and Nothing to Lose.

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