



Insurance Cost Watch

Insurance Cost Reduction Strategies for Executives Seeking
to Reduce Their Insurance Costs by 20%–40%


November, 2008

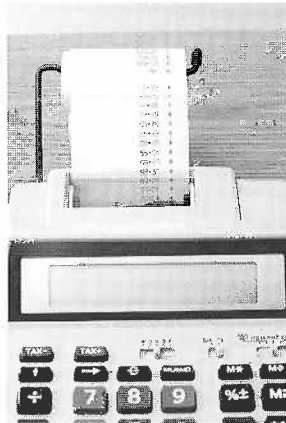
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Audit Adjustment Reduced 91%


One Client was shocked to receive a bill for \$164,528 additional premium on a General Liability audit!

After reassuring the Client that we would uncover the reason for this error, AuditRate went to work.

We analyzed the sales records of the Client and compared them to the audit performed by the insurance company. Surprisingly, we found that the insurance company double-counted their sales! And, if that wasn't enough... the carrier included the sales of a related company that was covered under a separate policy... with the same carrier. When we completed our work, the additional premium bill was reduced by \$149,424, down to \$15,104. 




Monitoring is Key to Cost Control

Monitoring processes that help control workers' compensation costs are very important; specifically claims management. One Client put measures in place to help manage claim costs. During a review of their Experience Mod, we discovered a claim that was described as OPEN, but closed on the loss run and claim review... and it has been closed for almost a year. The insurance company reported the claim value to be much higher than actually paid. After reviewing the appropriate manual, we confirmed that the Insurance Company was mistaken. We asked the carrier to file a correction report reflecting the actual figures. As a result, a new, lower, Experience Mod was produced. While the cost of this "oversight" was only \$2,000, the monitoring process could avoid a much larger future cost. 


Employee Title Results in Misclassification

While reviewing a workers comp audit, we discovered something suspect. The insurance company auditor had classified the "Shop Supervisor" in the higher rated, manufacturing code. In determining the actual duties, the HR manager stated that the "Shop Supervisor" doesn't work in the shop. We asked, "does this employee spend part of their time in the shop and part in the office?" The response was no. As it turned out, this "Shop Supervisor"


did all of his shop supervision through the Shop Foreman, who carried out the direction of the Shop Supervisor. The insurance company auditor would never have known this—unless the question was asked. Since we did, this Client saved \$9,679. 



Location Does Matter

We were asked to review the workers' compensation program of a company that had recently been audited by one of our competitors. This cost reduction organization is located out of state and accomplishes their work via fax and email. While this process can be effective for limited aspects of our work, it misses many key areas of possible overcharge. During our review, we toured the facility and talked to employees in various stages of production. This local, hands on review, uncovered an error in the classification of their tool and die workers. The insurance company auditors had mistakenly included these employees in the higher rated manufacturing code. There is a Special Exception in Illinois regarding the classification of these employees. Since the out of state competition didn't visit the facility, they did not uncover that this Special Exception was applicable. This oversight cost the client \$30,000 over the past five years. 

Error Repeated

In December of 2006, we corrected a class code error made by the insurance company on our new Client. This error had taken place every year since the business began. The past overcharges due to this error totaled almost \$50,000. When we reviewed this firm's cost calculations this summer, we discovered that the insurance company had reverted to the incorrect codes that they used before our correction. So we corrected the error, again! The moral of this story – constant vigilance to avoid overpayment. 

Over \$27,000,000
Insurance Overpayments
Uncovered and Recovered

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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