




# Insurance Cost *Watch*

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

November, 2011

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## Two-Plant Payroll Assumption Overcharges \$7,900

An auditor should have visited two separate facilities because each location handles their own payroll. The first location was visited, but not the second. The auditor added the four Quarterly Federal Tax Reports (941's) as the total combined payroll for both locations, and deducted the first location's payroll. The balance of payroll for the second location was assigned to a classification that was not even on the policy. The auditor assumed that the location had a warehouse and placed the payroll in a warehouse code; however, the employees were all clerical, as they handled all the orders by phone in an office, and the goods were shipped directly to the customer's home. The Client never took possession of the product. "Guessing" at the job duties and payroll of the employees at the second location resulted in an overcharge of \$7,900. 

**Do you feel you or your Client's  
Work Comp claims or premiums are  
OUT OF CONTROL?**

**Have your WC premiums increased  
by more than 10% per year?**


**Is your modification factor over 1.15  
(or do you even know)?**

**Our audit expertise can identify and  
solve WC cost escalation problems.**

**Contact Howard Alper to learn more  
(312) 867-7300 Direct.**




## \$2,000,000 Payroll Inclusion Error Cost \$45,000

During one audit, when reviewing their prior actual payroll audits, we noted the experience mod worksheets reflected a one-year spike in payroll two million dollars larger than both the year prior and the year following. This increase occurred during a period when the economy and businesses were struggling. After digging deeper, we learned that two individuals that had been with the company for many years were rewarded for their skills and loyalty, by being paid funds to purchase shares of the company's stock. The Client's minutes acknowledged the agreement and the purchase of the shares, but did not state that the individuals had been made officers. By not identifying these individuals as officers, the Client ended up paying an extra \$45,000 in premium. Had they checked with us first, this overpayment could have been avoided. 

## NCCI Mod Factor Method System Changed

The delivery of your NCCI Experience Modification Factor worksheets has changed effective July 01, 2011. Instead of receiving by mail, you will be receiving a letter from NCCI, which will include your risk ID and pin information, as well as instructions on how to retrieve your information. The NCCI website will allow you to retrieve your rating and revisions for that specific effective date. The website also includes a tutorial that explains what the data means on their worksheet.

If you have any questions or need assistance you may e-mail their customer service center at [customer\\_service@ncci.com](mailto:customer_service@ncci.com) or call the customer service center at 1-800-NCCI-123 (1-800-622-4123) and select the experience rating option #4. 

## SAMPLE

WORKERS COMPENSATION EXPERIENCE RATING									
NCCI Risk Name: Lilly's Sheltered Workshop					Risk ID: 000000				
Rating Effective Date: 06/30/2011			Production Date: 02/04/2011			State: ILLINOIS			
State	WT	SRP	Exp Excess Losses	Expected Losses	Exp Prim Losses	Act Exc Losses	Ballast	Act Inc Losses	Act Prim Losses
IL	.12	D	125,946	144,766	18,820	410,740	51,800	443,682	32,933
(A) (B) WT	(C) Exp Excess Losses (D - E)	(D) Expected Losses	(E) Exp Prim Losses	(F) Act Exc Losses (H - I)	(G) Ballast	(H) Act Inc Losses	(I) Act Prim Losses		
.12	125,946	144,766	18,820	410,740	51,800	443,682	32,933		
			Primary Losses	Stabilizing Value	Ratable Excess		Totals		
			(I)	C * (1 - A) + G	(A) * (F)	(J)			
Actual			32,933	162,632	49,290	244,855			
			(E)	C * (1 - A) + G	(A) * (C)	(K)			
Expected			18,820	162,632	15,114	196,566			
			ARAP	FLARAP	SARAP	MAARAP	Exp Mod		
Factors			1.25				(J) / (K)	1.25	

RATING REFLECTS A DECREASE OF 70% MEDICAL ONLY PRIMARY AND EXCESS LOSS DOLLARS WHERE ERA IS APPLIED  
THE ARAP FACTOR SHOWN IS CAPPED AT THE APPROVED MAXIMUM  
ARAP SURCHARGE FOR THIS STATE.

[www.ncci.com](http://www.ncci.com)

**Electronic Version**—If you prefer to receive future issues of CostWatch electronically, please send your e-mail address to [TChamberlain@AlperServices.com](mailto:TChamberlain@AlperServices.com).

## 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.

Since 1966 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.**

Contact [RSwoik@AuditRate.com](mailto:RSwoik@AuditRate.com) 312-607-5742 or [PMoore@AuditRate.com](mailto:PMoore@AuditRate.com) 312-335-2161.

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