



# Insurance Cost *Watch*

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

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## FOR THE SECOND CONSECUTIVE YEAR

Alper Services Named 2010 BEST Commercial Agent/Broker in U.S. by Business Insurance Magazine (revenue <\$25M category)

### Rule Change Missed


Rules guide insurance companies to properly assign workers' compensation insurance premium classifications. Periodically these rules are updated. A classification change for a non-profit Client allowed certain payrolls to be separated into a lower-rated classification. Their carrier did not notice this rule change which caused an overcharge for a three year period.

We guided the reallocation of payroll to the proper lower rated class codes, reducing one non-profit's premiums by over \$113,000. 


### Exclusions Save Money

Workers' Compensation premiums are calculated based on payroll. There are many exclusions that can be deducted from your payroll, and can reduce your workers' compensation costs. Our Clients benefit from our knowledge of how these many exclusions can be applied to their businesses.




Most recently, one Client's audit incorrectly calculated certain aspects of their overtime, as well as expenses that should have been deducted from the audit totals. This resulted in a refund of \$11,895. 

### Workers Compensation—Useful info for Buyers

Industry premiums for workers comp dropped 23 percent countrywide between 2007 and 2009 due in part to the recession, in particular the loss of jobs in the manufacturing and construction sectors, and to intense competition among workers compensation insurers for market share. On the positive side, the number of injuries reported continues to decline, with lost-time claims falling 4 percent in 2009 (and 54 percent since 1991), as the workplace becomes safer. 




## Correction Report Error Almost Cost \$19,500

For experience rating purposes, a series of reports are filed with the National Council on Compensation Insurance (NCCI) reflecting payroll and claim information. A major insurer filed their reports for a manufacturer, reflecting one claim that was initially reserved at \$42,000, but subsequently closed without payment, as the claim was determined non-compensable. The insurer's next report correctly stated no cost for this claim. However, they failed to comply with rules that require insurers' to "go back" in time to correct the prior mods. We worked with the insurer, and then the NCCI, to revise the previous experience mod factors. The result—mod reductions that refunded \$19,500! 

## Monitoring Audits Pays

While reviewing an organization's workers' compensation audit, we discovered that several employees were mis-classified, and corporate officers' salaries were not capped. A corporate officer's salary is excluded over a certain amount, which limits vary by state. AuditRate, being knowledgeable of classification descriptions and officer maximums, uncovered this error immediately.

We took action which resulted in a recovery of \$8,100, as well as reducing their current premium. 

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

For over 44 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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