

COSTWATCH

First Quarter 2021

The AuditRate Newsletter



Your Questions Answered: Are You Being Overcharged?

In our over 50 years of perfecting the AuditRate process, we've narrowed down our list of questions to determine if a company is a good candidate for an audit. There are three key questions which indicate if you are being overcharged on your general liability or workers' comp premiums. If you answer "No" to any of these questions, contact us for a complimentary audit.

The process starts with a meeting (a phone or video call is common practice these days) with the AuditRate Team to learn more about your business. We will then get your authorization to review your past payments, policies and policy calculations. For the full list of questions or to address questions specific to your business, contact John Przybylski at JPrzybylski@AuditRate.com. 

QUESTION 1:

Have you ever reviewed the classification code rates used by your current and prior insurance companies that determine your workers' compensation insurance premiums?

QUESTION 2:

Does your insurance agent have a working knowledge of the workers' compensation and general liability insurance manual rules that govern the determination of your premiums?

QUESTION 3:

When you get audited by your insurance carrier each year, do you obtain, review, and keep copies of the insurance auditors' work papers showing how the carrier arrived at their final conclusions about your premiums?

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SUCCESS STORY

Industry: Manufacturing

Policy: Workers' Comp

Company Size: Medium - 100-150 Employees

Errors Found: Payroll

Refund: \$11,000/year

Company: This high-tech equipment manufacturer located in the southern suburbs of Chicago wanted to build a new facility and requested an audit of their business to locate cost savings to devote to capital expenditures.

Findings: Since workers' comp premiums are set at a dollar rate per every \$100 in payroll cost, companies are allowed to limit the payroll expense of the highest-paid officers. During AuditRate's review, we noticed the director of operation's salary was misclassified to the business' manufacturing code, even though the management's job was not in the higher-risk manufacturing classification.

Impact: AuditRate corrected this by properly limiting the director's salary in the payroll basis saving the Client more than \$11,000 per year in subsequent-year premium expense.

Interested in putting AuditRate to work for you?
Contact John Przybylski at 312-335-2152 or
JPrzybylski@AuditRate.com. 

Corporate officers' earnings are *capped* on payroll, i.e. limited for workers' comp premium determination purposes. The appointment of an employee as an elected or appointed corporate officer must be stated in your corporate board minutes to assure that your insurer will cap the subject payroll earnings.

Officer maximum limitations vary by state.

In Illinois, for policy periods beginning on and after **January 1, 2020**, corporate officers' earnings are capped at \$234,000 annually, and sole proprietor and LLC member inclusions are capped at \$58,800. For policy periods beginning on and after **January 1, 2021**, corporate officers' earnings are capped at \$239,200 annually, and sole proprietor and LLC member inclusions are capped at \$60,400.

Please contact AuditRate with questions pertaining to officer earning caps in your state, John Przybylski, 312-335-2152 or JPrzybylski@AuditRate.com