

COSTWATCH

Fourth Quarter 2021

The AuditRate Newsletter



Want to Avoid Premium Overcharges? Be Proactive.

We're over a year into COVID-19 disrupting the way we do business, and the AuditRate Team has started to see a large uptick (over 60%) in premium overcharges as a result of a specific occurrence in your insurance policy life cycle.

Prior to the start of the pandemic, insurance carriers conducted annual insurance audits by mail, phone, online, or in-person. Currently, most audits start with a company receiving a request in the mail or in their inbox asking for the completion of an audit form that supplies information to their insurance carrier about their policies that expired 30-60 days previously. From there, the insurance company's auditor reviews these premiums based on their interpretation of the information supplied by the business owner.

We've identified two factors in this scenario that can lead to an overcharge:

1. The insurance auditor simply enters the information they've received and doesn't dig deeper to really understand the nature of the business and breakdown of the data they've been provided.
2. The insurance auditor is not accounting for the portions of payroll that should be excluded from payroll.

We encourage businesses to take a proactive

approach to their audit to mitigate the risk of being overcharged. Two ways to do so are:

- **Don't wait until audit time to get your information in order.** If you're not sure which files and data will factor into your "story" that the insurance auditor will see, ask your insurance agent.
- **Provide as many detailed payroll records as possible.** Ideally, you should identify **every** portion of payroll that makes up your gross payroll. This includes overtime, expense reimbursement, vacation time, etc.

The AuditRate Team is seeing a large increase in completed audits that overcharge the business due to errors in the process that we've described. **In fact, the last two months have uncovered overcharges ranging from \$7,000 to \$37,000.** Make it a point to review your audit summary for accuracy, especially if you are being charged more as a result of the audit.

The AuditRate Team is available to provide a complimentary review of your audit. If we find that you've been overcharged, we will help you secure a refund from your insurance carrier. **For questions on what information to provide to the insurance auditor or on your resulting audit summary, please contact John Przybylski at 847-293-0913 or JPrzybylski@AuditRate.com** 

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SUCCESS STORY

Industry: Manufacturing

Company Size: Medium - 100-150 Employees

Errors Found: Payroll

Refund: \$10,700

Often times, clients will group employees with varying job duties into “departments” within their payroll records. While it may foster efficiencies in their own record keeping, it creates the opportunity for insurance company auditors to make mistakes. The mistakes occur when auditors do not inquire if everyone in the department performs the same tasks.

Findings: Our client grouped employees into the “manufacturing” department in their payroll records. This department consisted of production employees, schedulers and managers with one specific senior manager titled “Production Manager.” This individual performed his duties from an office and very rarely visited the production floor. He held morning meetings with his shop foremen to review the day’s plans, and those foremen, then, reported the plans to the production employees.

Impact: By misclassifying this employee and one other, our client was overcharged \$10,700. Once notified of the error and the proper classification, the insurance company revised the audit and lowered the total premium by the previously mentioned amount.

By digging a little deeper and simply asking the question, “Are all employees in this department production employees?” we uncovered the overcharge. 

To review the best way to set up your payroll to avoid misclassifications by the auditor, contact John Przybylski at 847-293-0913 or JPrzybylski@AuditRate.com