

New Business Starts off Misclassified

A new business... in their third year of operation... asked us to review their workers' compensation insurance program. During the course of our work, we immediately noticed that the insurance company had incorrectly applied two governing classification codes to this business. While it is true that there are circumstances in which the assigning of more than one governing classification is allowed by the Rules of Insurance, this business did not meet that criteria.

The Controller had been exposed to workers' comp at a previous employer and knew that this wasn't right. When they brought this to the attention of the insurance company auditor, the auditor simply said "we are right unless you can prove us wrong." At that point the business manager was sunk; they did not have available to them a copy of the Insurance Manuals, nor did they know where to find them. Sometimes knowing and finding the error is not the most difficult part of the process, it is explaining the problem in a way that leaves the insurance company no choice but to correct the error.

The incorrect class code was 5½ times higher rated than the corrected code. We corrected the error by asking the regulator to survey this business and assign the one correct governing class code. The result of our work was a refund of \$30,000 back to this business. They will continue to realize this savings (and more as they continue to grow) every future year.

What's the Hurry? (continued from previous page)

the insurer to tell us the date when the decision was made to close the claim, the insurer would only tell us "the closing letter was issued on 12/14/05." When we asked for a copy of the 12/14/05 letter, the insurer told us they couldn't reproduce it. At that point, it was clear that still another business would suffer the financial consequence of insurance hocus pocus.

If we had been authorized to start our audit earlier, we would have been able to lower the reported value of the subject claim, which would have lowered our Client's 2006 experience modification factor, and saved them over \$50,000. Like anything else, time is of the essence.

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 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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