


# Insurance Cost Watch

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

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## Know What's on Your Experience Mod!

When reviewing a Client's Experience Rating Factor, we uncovered excess payroll and loss information. Digging deeper, we discovered that the excess information related to a separate entity they previously sold. The Experience Rating Plan Manual stipulates when a business disposes of part of its operations, that payroll and loss information is excluded from the seller's Experience Rating Factor. The sold entity had a disproportionate share of the losses. Once we corrected this error, those claims were removed and the experience rating factor recalculated, resulting in a \$2,725 refund. And since the sold entity's losses would have stayed on the experience mod for two additional years, the total savings is \$8,175. This is part of the due diligence companies need to go through when acquiring or disposing of an entity. 


## Do we qualify for an Experience Mod?

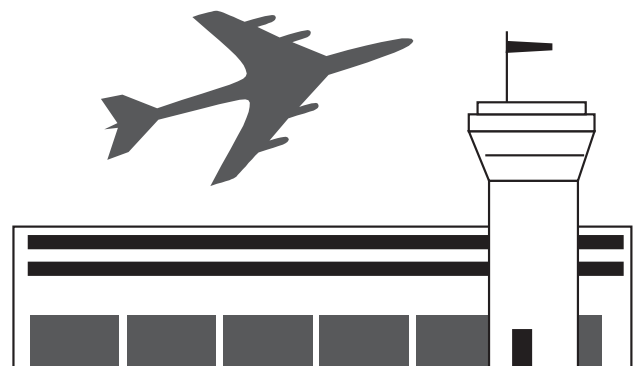
We were asked to review the workers' compensation program of a Client's new sister company. We pointed out that there was no Experience Mod on their current policy. The CFO asked "Do we qualify for an Experience Mod." AuditRate began to gather information regarding the ownership of the two related entities. What we found was there was an Experience Mod for the existing entity, which met the requirements to be applied to the new entity's policy. We approached the regulator and the insurance company to have the existing Experience Mod endorsed to the new entity's policy, resulting in a \$26,520 reduction.

The cause—the agent's lack of knowledge. 




## Flight Time Causes Overcharge

We've seen several errors occurring in the calculation of the workers' compensation premium for operation of aircraft by Executive Officers. Insurance company auditors were including the entire annual compensation of the Executive Officer as flight exposure. To correct this error, we determined how much payroll was in the performance of flight duties vs. their "regular" duties. Once this was completed and the payroll correctly allocated, this Client was refunded \$5,508. 



## State Rules Can Differ

It is widely known by Insurance Professionals that some states will “tweak” certain rules to better suit their needs. AuditRate was asked to review the workers’ compensation program for a contractor, with operations in both Illinois and Indiana. While Indiana does not offer a Contractor Credit Adjustment Program (CCPAP), Illinois does. When the workers’ compensation program was structured, the Illinois contractor credit was passed over... possibly because Indiana does not offer one, and it was assumed Illinois followed the same format. We learned this just in time to submit an application for the credit to the regulator, before the filing date had passed. This Client saved \$7,240. 



## 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 43 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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