



Workers Compensation Chaos: Contractors Look to Audit Policies

By Amy Ingram, ABC Today

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One way contractors can manage their costs in these difficult times is simply to audit and keep track of their policies. Doing so could result in significant savings, as Gregory Electric, Loveland, Colo., found out.

Gregory Electric never knew it was being overcharged thousands of dollars each year in workers compensation premium rates. Like other smaller contractors, it would just pay the bill—no questions asked. “We figured the insurance company consisted of professionals, that they knew what they were talking about and charging,” company President Rod Bryant said.

But the company they used at that time in 1997 had for eight years used the wrong multipliers and EMR loss/ratio ratings. Gregory paid more than it should have, because, in fact, its ratings were lower than the insurance company maintained. This, in addition, to clerical errors, led to the overcharges that amounted to more than \$10,000. “I was floored and angry when I found out,” says Bryant.

WorkComp Premium Recovery Group, then Workers Compensation Services, Inc., helped Gregory Electric discover these overpayments. The small family-owned business based out of Denver offered to investigate Gregory Electric’s workers compensation policies for free. They only agreed to be paid if it yielded the contractor significant savings or a refund. “Their no-cost services sounded too good to be true, but I figured we had nothing to lose to have them review our policies,” Bryant says. And, he says, “it was the best thing I ever did for my company.” Bryant received his \$10,000 refund from the insurance company. He figures if he had continued paying the premium he paid in 1997, he would have been overcharged right out of business by now.

More and more these days contractors are turning to companies like WorkComp Premium Recovery Group to audit their policies. “With rates going up it has been easier to convince people of the errors in the system,” confirms company President Len Schiff. He started WCPRG in 1990 after working for 32 years with State Compensation Insurance Fund of Colorado, where, he says, he became aware of numerous errors made by rating bureaus and insurance companies. “I saw that nobody represented the employers. The rates were made by insurance companies,” he says.

Schiff figures about 90 percent of businesses are being overcharged through inflated premiums. Since forming the company, Schiff and his sons have saved clients in excess of \$5 million.

According to Schiff, errors are often made when insurance companies “mis-classify” businesses in one of 600 to 700 insurance rating classifications.

A company is assigned a classification code or codes from an agent or underwriter of the insurance carrier when applying for insurance coverage. A different rate applies to each classification code, depending on the amount of risk associated with the job description, and will change every year that a general rate filing is processed by the NCCI (this does not apply in every state.)

One sand and gravel company Schiff investigated was wrongly classified for more than 80 years. The firm belonged in a less expensive classification, which, after Schiff discovered the error, resulted in a savings of \$17,500 per year for the firm.

Insurance companies or funds also make billing errors, such as payments being processed by the insurance carrier that do not match the amounts indicated on the insurance carrier’s billing statements. Rating errors are another problem point. Although all premiums are paid to the insurance company, the NCCI determines a company’s experience rating. Errors have been detected where the information filed by the insurance company is either not reported correctly to the rating bureau or is not processed correctly by the rating bureau, such as the case with Gregory Electric.

Bryant says after Schiff audited his books, he pays a whole lot more attention to the bills that come in. Gregory Electric has a new carrier now, and pays 20 percent less than what it did five years ago when it had a much smaller

Since then, Gregory Electric formed a safety committee to monitor safety in the company and lower its EMR (which has dropped from 1.4 in 1997 to .73 today.) Bryant says Associated Builders and Contractors played an instrumental role in giving the company a whole new safety focus—all of which was partly prompted by discovering his overpayment.

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