

The 60 Second “Circle of Safety”

A Newsletter for Friends of PDCM Insurance
“Protecting What Matters Most”

June 2005

15 Ways To Turn Your Workers’ Comp Premium Audit Into Big Savings!

1. Make it easy on your premium auditor. Have their information ready. Give them a quiet room, coffee, etc. The easier it is for them, the easier it may be for you. (But don’t let the auditor roam freely around your facility.)
2. Recap your payroll by classification code. Why? An auditor may automatically place any unexplained payroll in your highest rated classification! Don’t let that happen.
3. Before sending the premium auditor to see your CPA, make sure the CPA firm knows something about Workers’ Compensation classifications. If they don’t, get us involved.
4. Clearly recap overtime figures. The auditor will discount all overtime wages back to regular wage rates. At time and a half, that’s a savings of 33%.
5. Exclude tips. Tips are not included in Workers’ Compensation premium calculations. Make sure the auditor doesn’t include them.
6. Don’t pay Workers’ Compensation premium on uninsured subcontractor materials ... labor only! If a material/labor split is not available on subcontractor billings, use 50% as a guide.
7. For heavy equipment operators (uninsured subcontractors) use 1/3 of total billings as reportable labor cost. The other 2/3 is machine usage charges and should be excluded.
8. Severance pay is excluded from Workers’ Compensation premium calculations.
9. Third-party sick pay – i.e. Short/Long-term Disability Insurance payments are excluded as well.
10. Be sure covered officers’ payroll is capped at the state maximum.
11. Expenses advanced for travel and meals are excluded.
12. Pay to active duty military employees (still drawing check) is excluded.
13. Keep your Certificates of Insurance on file from all subcontracted labor. Don’t let the auditor charge you for any subcontracted labor that has Workers’ Compensation insurance. Be Sure to require certificates of insurance from your sub contractors.
14. Ask your auditor to provide you a copy of the audit worksheet.
15. If you have employees that do clerical work only but are physically located in your shop area, many insurers rate them with the higher rated classes. Consider relocating these people to a separate area. (i.e. wall separation) to qualify for the lower-rated clerical codes.