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Are you overpaying for worker's comp audits?

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Are you due a refund from your insurance carrier(s) because of overpayments made in the past? Are you sending your insurance company more than you need to each month for your workers-compensation-insurance coverage? Both of these possibilities may seem unlikely, but those are exactly the questions an independent workers-compensation audit will answer. Although you may think of an audit as something that costs you money, this is an audit that can actually save you money.

The system for computing workers' compensation insurance premiums is a complicated one, involving insurance companies, rating bureaus, insurance agents and the injured. Despite the best intentions of insurance agents and insurance companies in classifying and applying the rules and regulations, it is not uncommon for errors to occur. Rarely do insurance professionals have the time, personnel or expertise to guarantee error detection and analysis of the wide variety of components in the calculation of your premium.

Additionally, since the insurance industry is regulated on a state-by-state basis, there can be significant exceptions that are not always understood even by the insurance profession-

als. Rules regarding classifications, experience modification calculations, endorsements, discounts and other credits are often overlooked or ignored, resulting in undetected overcharges.

As a result, many companies are often overcharged for their workers' compensation insurance and lose valuable savings opportunities. How do you determine if you are paying too much? You can learn through study, or as many companies do, you can hire the experts. Some workers' compensation auditing consultants are so convinced they can reduce your premium payments or uncover overcharges that they are willing to work on a contingency fee basis. No recovery, no fee.

What will happen in a workers' compensation audit and what will be the drain on your resources? The review usually involves an on-site visit to review your workers-compensation records, including billing statements, experience rating worksheets, loss histories, etc.

Through this analysis, the consultant can determine if you have overpaid and if alternate means would result in lower premium costs. If an error is located and you have been overcharged, the insurance carrier will process a refund. This type of audit has nothing to do with a company's workers-compensation claims. That is, it doesn't matter if your company has

a large number of claims or none at all.

Often, companies think their insurance agents provide such services. If this were the case and agents discovered all the mistakes that occur, auditing firms would be out of business. Technical mistakes located by auditing consultants are usually out of the hands of agents. The system is structured in such a way that it is difficult, if not impossible, for agents to catch and correct many types of overcharges that can be identified by independent consultants.

If you plan to interview potential consultants, ask if the consultant is affiliated with some insurance agency or carrier. Some firms that perform reviews of workers' compensation premiums are actually owned by insurance agencies. Although they may perform credible work, a client should know whether or not their consultant is truly independent or may have a hidden agenda.

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