



REVIEWED COSTS

g.c.g. risk management, inc.

WORKERS' COMPENSATION, INSURANCE, CLAIMS AND LAW FOR THE EMPLOYER

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OOPS!

It turns out in reviewing our Reviewed Costs issues in 2018, our roman numerals were a bit off, and so we listed our Volume as #39 rather than #38, which would have been correct. Thankfully, not one of our readers picked up this minor mistake. So, we are correcting by continuing our Volume #39 with edition #6 in 2019, rather than our customary edition #1 (for those of you playing along at home). Needless to say, next year (2020) is our 40th year of publication, so we want to get it right.

LOOSE ENDS

As any business owner knows, insurance is the last thing you want to think about, let alone act upon. Typically, policies are renewed year after year, and apart from the price, most business owners don't pay a lot of attention to the year over year renewals. Business owners, and of course our clients, rely on their insurance professionals (GCG for one, and thank you all for that) to pick up mistakes, correct calculations, find hidden savings, make recommendations, and generally provide the kind of professional services for which we are compensated. However, even with our best intentions, insurance professionals are not in the business owner's office, nor can we read minds, or anticipate situations that arise. We can be the brain, but not the "eyes" and "ears". Often there are loose ends. Every employer has them. Those are stray items that you never think to clear up until something grabs your attention, like a compliance notice from some state agency, or an email from the accountant. So, below is a "cheat sheet" to prompt you to check your next insurance policy (not just the workers' compensation one), and make sure you don't have any loose ends:

- **Company Names and Covered Entities.** You probably bound your insurance policy a few years (or even decades) ago, and maybe you picked up a couple of other stray entities, or trade names over the years. There's no harm in leaving an entity or name on a policy if you are still using it, but it can also lead to inquiry at audit time as to where the books are for that entity, which may be inactive or even dissolved. So take a quick look and make sure all the names you are using are current. That being said, don't delete a name just because it is inactive, if the entity is still active with the tax department. With electronic cross-referencing, an entity removed from your workers' compensation policy, for instance, could result in an inquiry or even a fine from the Workers' Compensation Board for non-compliance, forcing you to demonstrate that the entity is not operating.
- **Mailing Address.** This sounds intuitive if you move from one primary location to another, but it is not if you have your mail going to one location and you move the desired recipient address to a PO Box, or the insurance person switches offices. The last thing you need is for your insurance bills to go unpaid because you never got them. In this era of electronic delivery, that can often be avoided by arranging for electronic copies of bills and policies to your email addresses. But, it's better to tie up this loose end.
- **Locations.** This is less a concern with workers' compensation coverage, where "all locations" are covered, but it can be a concern with your property insurance. You do not want to continue to pay premium on a location you no longer own or control, or where the extent of the coverage is excessive for a vacant space, for example. This is also true with vehicles on your auto policy. You also don't want to forget any new location you are using or occupying, whether you own it or not. Make sure the coverage at each location meets the exposure.

- **Payroll Audits.** The annual workers' compensation audit is a staple of determining the correct policy premium, and it has implications for your experience modifications going forward, since the payroll allocation by code is a component of this experience modification factor. In addition, getting the correct premium helps determine the proper "loss ratio" to assess how good (or not so good) an account you are, which affects premium pricing in future years. Sometimes the auditor shows up, and you don't have all your required records available or complete. The auditor takes down whatever information you have, and the audit remains incomplete, even though the auditor has left. Maybe he or she is missing a tax return to cross-reference a payroll period. Whatever it is, make sure the audit is completed. Make sure that if it is NOT complete, you know exactly what the auditor believes is missing, and expeditiously supply it, or if there is some issue with supplying it, contact our office (assuming it's a workers' compensation audit with us) and we can help.
- **Pay the Party Who Does the Work.** A payroll audit is not merely an audit of payroll. It also encompasses disbursements to independent contractors, and companies who may receive compensation as subcontractors for working on jobs you have. This is most common in the contracting business, but not exclusive to that business. First of all, make sure you are paying the party who is doing the work. It is your obligation to secure workers' compensation Certificates of Insurance from third parties you pay to perform work for you, particularly if on your premises or on job sites. We can help verify these certificates, DURING the time the work is being done, making sure they are current and valid, so you can act on discrepancies on a timely basis. However, the entity name on the Certificate of Insurance you receive has to match the name on the disbursement or check you pay. If you pay ABC company, but the Certificate says ABCDE company, that is not sufficient. If ABCDE company is part of ABC company, then they need to get the correct Certificate to you to exclude the cost of compensation to them. If you accept their promise that it is so but the documents are not available to back it up, that is not sufficient, and it will cost you money on your audit, or time and effort to correct this.
- **Make sure that your payment corresponds to an invoice and that the invoice date reflects the period of time worked by the subcontractor, AND that the Certificate of Insurance covers the entire period of the time worked by the subcontractor.** This sounds simple, but it can be a VERY loose end. We just had a policyholder/client get a large audit charge. It resulted from two payments made to a subcontractor whose workers' compensation policy had lapsed as the subcontractor shut down operations. The payments were made AFTER the date the subcontractors workers' compensation lapsed, where there had been negotiated settlements for periods PRIOR to the lapse, but the payments did not reflect that and the invoices from the subcontractor did not match up with the payments and did not properly reflect the dates the work was done (i.e. BEFORE THEY SHUT THEIR OPERATION). It may seem obvious that if they shut their operation, they could not be doing work. But, as we know, just because a company lets their workers' compensation coverage lapse doesn't mean they have stopped work (it only means they didn't pay their bill). The client is now scrambling, a year later, to document the correct paperwork to show the payments related to invoicing and a period in time before the lapse of coverage. This is not the kind of loose end you need when you are staring at a large audit bill which is due within a short time frame.
- **If you have claims, take a look at your loss runs.** This is particularly true in the case of workers' compensation. For some reason, some employers seem to believe that when a claim is closed, whether or not any money was paid on the claim, that claim should magically disappear from their loss run. That is not the case. ANY claim that occurred, and was reported, would continue to appear on a loss run, even years or decades later, but if the claim is closed it should show as closed. If there is nothing more to be paid on the claim, there should be no reserve outstanding above what has been paid. Most important, make sure you recognize all the names on the loss run. They should all be your employees (or former ones). Admittedly, sometimes an employer can forget the name of someone who worked for them years ago. But, if this review is undertaken once a year that would likely not be a problem. If there are discrepancies or issues, let us know. Sometimes our case synopsis information can refresh your memory on that "long ago" employee.

We hope this "cheat sheet" will serve as your annual diary to review your insurance, and not merely the cost. After all, the worst time to find out you don't have exactly what you need on your policy, is when you need it most.