



40 Tips for Contractors to Reduce Insurance Costs

The following list of 40 tips provides suggestions on how to reduce your insurance costs. Not all of these suggestions may apply to your company. We offer these ideas to reduce your insurance costs and to offer insight into the viewpoint of underwriters who price the risks associated with construction business!

WORKERS' COMPENSATION INSURANCE TIPS

1. **Check classification codes.** Classification is sometimes a "best guess" undertaking, and mis-classification can result in substantially higher premiums. Provide us or your insurance company with job descriptions so we can determine appropriate classifications. Classifications are updated periodically and new ones created. Employee insurance classification codes should be reviewed at time of hire and promotion—particularly the field wage sensitive classifications. See our 2015 workers' compensation update for a list of classifications.
2. **Require subcontractors to provide evidence of workers' compensation coverage and waiver of subrogation** to avoid being charged a premium at audit time or ending up paying a claim for their injured workers.
3. **Delete overtime surcharges and review payroll limitations.** Report only the straight time portion of any overtime payments to workers, make sure not to over-report any overtime payments, and make sure not to over-report payrolls of owners or executive officers whose payroll is capped at a maximum of \$111,800 per year (and a minimum of \$44,200) for 2015.
4. **Consider excluding owners from coverage.** California law allows owners of closely held companies to be excluded from coverage. This is a good option for owners who already are covered by a comprehensive medical/disability/life Insurance program.
5. **Implement a first-aid policy.** State law allows employers to pay for first aid cases directly if the employee received one-time medical treatment. We recommend you reach an agreement with your medical clinic to pay all first aid bills.
6. **Choose your workers' compensation carrier carefully.** Does your carrier specialize in construction? Do they have cost containment programs, recommended doctors, fraud investigators, pricing options, and loss control departments specializing in construction? With approximately 20 insurers to choose from, selecting the right service provider is crucial.

7. **Review loss data to pinpoint problem areas.** Focusing loss control, employee training and/or safety incentives in these areas will reduce these claims and will lower your premiums. Our Owners' Safety Dashboard app will help you track your safety progress and results.
8. **Investigate accidents and document witness accounts immediately.** A policy of thorough investigation will discourage fraud. Legitimate claims will be settled quicker and probably for less money.
9. **Understand underwriting criteria to lower workers' compensation rates.** Underwriters can lower rates by 25% or more depending upon your meeting several criteria including:
 - Early return to work programs
 - Drug testing
 - Union wage scale and low turnover
 - Health insurance benefits
 - Safety incentive programs

Check with us to find out which criteria you meet to qualify for more credit to lower your rates.

10. **Consider loss sensitive insurance programs.** If your annual premium exceeds \$250,000, consider a loss sensitive insurance program such as a retro, deductible or group captive program. Your premiums can be lowered substantially if your losses are less than 50% of your premium.
11. **Stay in touch with injured workers.** If possible, have a supervisor drive your injured worker to your pre-designated medical facility. Stay in touch with the injured worker so they feel like they are still part of the company, and let them know you have a job waiting for them when they are ready to come back to work. This reduces claims cost and possible litigation.
12. **Negotiate waiver of subrogation charges up front.** Premium charges vary from 1% to 5% of job premium. Some companies charge a \$100 minimum for waivers. Do not be surprised at audit time! Endorse policy with blanket waiver instead of multiple, minimum premium charges.
13. **Review your experience modifier.** Make sure it reflects any revised premium audits, and that OCIPs and subrogated claims are properly stated. EMR calculations frequently contain errors that can lead to the wrong rate. We perform EMR estimates for our clients five months prior to renewal, and review open claims seven months prior to renewal, adjusting reserves accordingly.

AUTOMOBILE INSURANCE TIPS

14. **Review classifications regarding use and garaging location.** Vehicles that qualify should be classified as "service use" or "personal use" instead of "commercial use". Make sure vehicles garaged at an outlying area are properly identified and rated on the policy.

15. **Save money on physical damage premiums.** Consider self-insuring vehicles older than 10 years. Increase deductibles to at least \$1,000, and consider \$2,500 for high valued vehicles.
16. **Drop or lower unnecessary coverages.** Medical payments coverage may not be needed as the majority of people riding in company cars are employees and they are covered by workers' compensation or group health insurance. Uninsured motorist limits may be reduced to \$60,000 to meet minimum requirements.
17. **Negotiate automobile property damage deductibles.** Most contractors handle small damage claims themselves. A \$1,000 Property Damage deductible could lower your automobile liability premium by 5-10%.
18. **Establish a written vehicle and driver selection policy.** Insurance underwriters will reduce premiums if they can document a good written program that addresses:
 - Driving record review
 - Accident investigation
 - Vehicle use
 - Vehicle maintenance/self-inspection program
19. **Think twice about rental car collision waivers.** If you rent a lot of vehicles, purchase rental physical damage coverage under your auto policy and/or rent vehicles using a "Gold" credit card. No need to purchase physical damage insurance from a rental agency.
20. **Negotiate a composite rate charge per vehicle.** If you have over 25 vehicles, and are frequently adding or deleting vehicles, negotiate a composite rate which sets the insurance cost per vehicle and defers premium charges to audit time.
21. **Negotiate a "per occurrence", not a "per claim" deductible.** If you garage multiple vehicles at a single location, you do not want multiple deductibles to apply if there is a major loss such as a fire where multiple vehicles are damaged.

GENERAL LIABILITY/UMBRELLA LIABILITY INSURANCE TIPS

22. Know the rules to avoid paying too much at audit time.

If your premium is based on payroll:

- Make sure full-time truck driver payroll is excluded.
- Delete clerical and sales payrolls.
- Delete overtime surcharges.
- Use executive/owner payroll limitations.
- Make sure lowest rated classifications are used.
- Exclude payroll for ongoing wrap-ups.

If your premium is based on sales:

- Foreign sales should be excluded.
- Intercompany sales, sales tax and excise taxes should be excluded.
- Exclude sales of any ongoing wrap-up projects.

23. **Transfer risk to subcontractors.** Use up-to-date insurance requirements and obtain certificates of insurance and additional insured endorsements from your subcontractors. This will ensure that you avoid unnecessary premium charges at audit, and will qualify you to obtain additional rate credits from the underwriter. See our Advanced Strategies article to reduce subcontractor risk.
24. **Negotiate liability deductibles.** Property damage deductibles of \$5,000 to \$25,000 should be considered to give you control over small claims and will reduce your cost of insurance by 5 to 10%.
25. **Do not perform residential work unless covered by an OCIP.** Review OCIP coverages, deductibles and terms carefully before bidding work. Don't let your project manager purchase your OCIP insurance coverage without our reviewing the contract and coverage.
26. **Negotiate broad coverages.** In a "soft" market, underwriters are willing to provide special coverages as an inducement to obtain your account. Are you covered for subsidence, job site pollution, actions of leased/temporary workers, Notice of Claim wording, joint ventures, per job aggregate, mental anguish, unintentional failure to disclose, etc.? Most companies will add these coverages for no additional premium.
27. **Verify you are covered on the project builder's risk insurance policy.** There is no cost to the owner/general contractor to name you as an insured under the project builder's risk policy. Damage resulting from testing, faulty design/workmanship may be covered under a Builder's Risk Policy, thus allowing you to avoid a lawsuit or back charge to your company.
28. **Obtain higher limits of coverage.** Umbrella premiums are very competitive. You should purchase higher limits to make sure you do not run out of coverage, as recent court awards for bodily injury and construction defect claims are increasing. See our article on Umbrella Coverage Limits.

PROPERTY/COMPUTERS/EQUIPMENT INSURANCE TIPS

29. **Purchase a computer/EDP policy.** Don't insure your computer equipment or software under a standard property policy. Computer policies are comparably priced and include power surge, mechanical breakdown, software duplication coverages, and extra expense to get your system running again.
30. **On-hook/crane overload coverage.** If you use cranes, make sure you have coverage for the value of items "on hook" and for damage to the crane from unintentional overload of the boom.
31. **Negotiate all inland marine coverages with underwriter.** Many insurance companies have specialized departments that have broad coverage forms and experienced underwriters who are willing to deal on price and coverage terms (equipment, installation coverage, transportation, etc.).
32. **Purchase rented equipment coverage.** You save money by purchasing this coverage from your insurance company as opposed to purchasing it from the equipment rental yard. Consider a master builders risk program with quarterly reporting provisions, rather than project-specific builder's risk policies.

GENERAL TIPS

33. **Stay on top of claims.** All underwriters take your past (5 year) claims history into consideration when determining your rates. Make sure you are kept up-to-date on all claims over \$25,000, and work actively with your carrier to close these claims as soon as practical.
34. **Defer premiums.** Many companies have flexibility in payment plans. Negotiate 10 equal payments at no finance charge, or consider financing your premiums over 12 months to help cash flow.
35. **Implement safety and loss control measures.** Everybody wants to avoid claims. Make job site supervisors responsible for losses. Deduct cost of at-fault auto claims, property claim deductibles, and preventable employee injuries from the annual bonus pool. Or take account of these claims in the supervisor's annual review.
36. **Know your underwriter.** Meet your underwriter and make sure they understand your business. The better an underwriter knows your particular business, the fewer unanswered questions they will have, and lower rates are sure to follow.
37. **Review contracts carefully.** Other parties will attempt to transfer risk to you. Beware of unusually broad hold harmless and indemnity clauses. Don't agree to onerous contract terms. We review contracts and advise you on insurance and indemnity provisions.
38. **Use a knowledgeable and professional broker.** By consolidating all coverage with an experienced broker, you will reduce the possibility of oversights that could result in coverage gaps. You will also be able to maximize your buying power in the marketplace.
39. **Maintain a comprehensive insurance database.** Keep your policies for a least 10 years to be prepared for construction defect claims. Insurance companies are not required to keep your policies past 7 years. You may have to prove you had coverage when that 10 year old lawsuit for property damage is presented. You should keep policies forever if you are concerned about possible claims for pollution or asbestos.
40. **Move your coverage dates off of 1/1, 4/1, 7/1, and 10/1 expirations.** These busy dates for underwriters don't allow for as much personal attention in negotiating premiums.

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