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Insurance With Assurance

Workers' Compensation — Buyer Beware

by Rick Janis

The 1996 figures from the National Council on Compensation Insurance show that across the country 32.6% of all Workers' Compensation risks were placed in the Assigned Risk Pool. Although this number has declined since the last statics were published in 1990 there still is a good probability that you have been told: "Workers' Compensation costs are the same among all insurance carriers." Contrary to this statement there are specific steps you can take to reduce your compensation cost.

The most frequent problem that contributes to higher costs for an alarm dealer's Workers' Compensation premium is improper classifications. Let's briefly review the rules published by the National Council on Compensation Insurance. First, the National Council has developed a separate and distinct classification for alarm dealers. Review your policy to confirm that this classification appears - Burglar Alarm Installation or Repair and Drivers. Secondly, because different classifications carry lower rates it is important for you to know that you are entitled to separate your payroll by employee and by job duties. For example, an employer can assign employees, according to their job duties to the following categories: Burglar Alarm Installation, Outside Salespeople, Clerical, Administrative and Telemarketing. Keep in mind that National Council rules generally do not allow one employee's payroll to be assigned to multiple classifications and that his or her payroll gets assigned to the highest rated applicable classification.

Now that you have determined the proper classifications applicable to each employee we need to address what defines payroll. The National Council considers payroll to mean remuneration; and that the extra pay for overtime is excluded from an employees payroll calculation provided the employer's records show separately the extra payroll from the overtime pay.

At this point you have identified those areas that directly affect your Workers' Compensation costs and can now communicate that information to your insurer to obtain a premium reduction. Also, please keep the above rules in mind when preparing your records for the insurance company (Workers' Compensation Payroll Auditor). The auditor should be aware of the compensation rules but is not obliged to be your advocate; if you present complete payroll records as noted above then you can be assured of paying the fair and lowest premium. There are of course exceptions to the above guidelines, which is why it is important to provide complete payroll information with a description of duties to obtain the lowest possible premium available.

In addition to the above rules you should also be aware that in today's competitive insurance market many alarm insurance programs will also offer Workers' Compensation rates that are deviated. That is, the insurance company may have filed lower rates for the alarm business they are soliciting and the premium reduction for those businesses that have 10 or more employees can be significant.

Rick Janis is a Certified Insurance Counselor and president of the Alarm Insurance Agency. With over 7 years of experience in the security industry, he has been responsible for developing and managing comprehensive insurance and bonding programs for alarm dealers and monitoring companies. Rick is CEU certified by NBFAA and teaches CEU courses to the alarm industry on General Liability/Errors and Omissions and Worker's Compensation. He can be reached at 800-474-0933 or by fax at 800-240-0631. You may also e-mail him at rjanis@alarmins.com.