

10 WAYS CONTRACTORS CAN SAVE MONEY ON INSURANCE



Photo: Ricardo Gomez Angel

Best practices for containing insurance costs are critical because insurance is one of the biggest costs in the dangerous construction environment. Here are 10 ways contractors may be able to save money on insurance.

Know Your Policy, Know Your Needs

Insurance agents are salespeople. They may not be as concerned with trimming your company's costs as they are with binding a policy. Recognize the limits, coverages, and language you need in a policy or consult with an independent risk advisor before finalizing your renewal. It will save you from paying for inclusions that you don't need.

For example:

- Do you need a fidelity bond?
- Do you need completed operations coverage?
- Is builders' risk included in your pricing?

Shopping for insurance annually is not a best practice. But, when you do compare one quote with another, make sure both have the same limits, coverages, and language. If not, you're comparing apples to oranges.

Get and Stay with a Safety Group

Contractors who belong to safety groups for Workers' Compensation insurance know that their premiums can't be beat. Independent brokers can't realistically compete with safety group insurance rates.

In some cases, safety group Workers' Compensation packages are made available if your firm joins a trade association. The association's dues can be minor in comparison to the cost savings on insurance. And keep in mind you will get other perks as well.

Run an In-House Safety Program

To contain damage when injuries do occur, create formal written procedures to minimize on-site accidents and to streamline reporting. For example:

- Do you have a written cell phone policy?
- Do your supervisors check for eye protection and hard hats?
- Do you have eyewitness account forms and supervisor sign-offs that get filled out with every “first report of injury?”

Tightening up your safety controls may qualify your company for a lower insurance premium, simply by proving that you have a formal written safety manual in place.

You will definitely improve your loss runs by reducing the frequency and severity of injuries, which will then reduce your experience modifier and lower your premiums.

Confirm Your Assets

Double check the vehicle insurance coverage sheet with your actual inventory list of vehicles throughout the year. When a vehicle is sold, traded or turned in, be sure it comes off the policy and subsequent premiums go down significantly as a result. This can save you thousands of dollars if you are running a fleet or have machinery.

Create a Performance Culture That’s Drug-Free

Many carriers give substantial insurance premium reductions if you hire an outside agency to conduct random drug screens and drug test new hires. The insurance savings can far outweigh the program’s administrative costs. Plus, portraying this as “common sense” to the workforce can help gain general acceptance.

Your company may consider sharing some of the cost savings in the form of worker bonuses for good project management. This helps promote a “performance” culture that leaves no room for drugs.

Forecast Your Sales and Payroll Figures Accurately

Liability and Workers’ Compensation premiums are heavily based on estimated sales and payroll costs for the current year. If your forecast changes—either by way of a sudden upturn in business, a long-term project that requires a lot of overtime, or an extended lull—notify your insurance broker right away with new sales and payroll cost figures for the current year. Your monthly premiums will change immediately, which will lead to fewer surprises when the policy year closes.

Manage Your Annual Premium Audits

All policies require a year-end audit that allows the carrier to either charge or credit you back for actual results that differ from the original forecasts that the insurer used in the original premium calculations. There are ways to manage these annual audits to reduce costs.

For example, Workers’ Compensation audits require you to provide subcontractors’ certificates of insurance. Make sure to provide them to auditors. Otherwise, they will add the subcontractor payments into your gross

payroll figure and charge your firm extra retroactive premiums.

Know Your State Discount Programs

States may offer steep discount programs for construction firms to aid in managing the high cost of insurance. For example, New York offers the New York Construction Classification Premium Adjustment Program (NYCCPAP). This is a significant Workers' Compensation insurance rebate program and is open to all contractors — but only if they apply for the program each year. Check with your state labor board to find similar ways to save.

Build Synergies and Relationships

No one has to tell you the value of relationships. Brokers who sell insurance often sell performance and payment bonds as well. Establish a rapport with your broker. It can open doors, just like it does with other professionals you deal with. A broker who knows your company may get better access for you to the bond market. And giving him or her more business means more room for price negotiations through synergies that develop.

Manage Claims Effectively

Having at least one claim is almost unavoidable. Be aware that accumulated costs on a claim are tracked on your loss runs. Your carrier will carefully monitor the condition of a claimant to assign projected costs and risk factors. That, in turn, will feed into your risk premium and affect your insurance rates in coming years.

Of course, you want employees who get injured to get good medical care. But if you can encourage a settlement on an injury that occurred months ago or stem the flow of insurance dollars to a claimant you feel is abusing the system, your loss runs will terminate that claim and lessen the upward pressure on future premiums.

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Additional Resources

- [Is your company facing a cash-flow crunch?](#)
- [Get an edge on construction financing.](#)
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- [Protect your money-saving use of independent contractors.](#)

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