

# Advisory Service - Reducing Expenses: Lowering Your Worker's Compensation Costs

By Lynda Artesani

"Advisory services" are the buzz words in the world of accounting nowadays. For some of us, we don't know where to start. We all want to help our clients reduce their expenses and increase their profits. If you are an accountant that provides advisory services, it is one of the most accessible places we can show off our skills.

Workers Compensation Insurance is a mandatory expense in most locations. In even in the few states that don't require it, it is the prudent thing to do. Not having proper coverage and having an injury can bankrupt a business. In some states where workers' compensation insurance is mandatory, the business owner can be fined or put in jail!

Getting Workers Compensation Insurance will protect employees as well as the business overall. One injury or lawsuit can bankrupt a company. The statistics are staggering:

The average cost of a comp claim is \$40k+

While this insurance may be mandatory, how can we, as the accountant for the firm, lower the worker's compensation premiums? First, we need to understand how these rates are calculated.

## It is Simple Math

The calculation looks like this ~ Employee Classification Rate x Employer Payroll (per \$100) x Experience Modification Rate = Workers Compensation Premium

A workers' compensation calculation all comes down to payroll costs, the proper classification of employees, and fewer injuries on the job. Making sure your client's employees are correctly classified can be as simple as getting job descriptions for the staff and sitting down with the insurance agent. Evaluate the NCCI or state rating calculation annually. Make sure you track the injuries that are job-related, especially the ones that have been filed, and insurance has paid the benefits to the employee. Keeping track of these on the job injuries is critical to evaluating the year-end calculation for the next insurance period.



## My Advisory Story - How I helped lower the premiums for my client

Many years ago, I worked as a bookkeeper at a construction firm. Part of my job was making sure this rate was correctly calculated and accurate. This company had many claims from employees with injuries on the job and employees getting hurt and had multiple claims. There was also several "incident only" injuries where the employee would have a minor claim, but the employer would pay the doctor visit or treatment for the employee instead of putting the claim through the worker's compensation policy.

Did you know that multiple smaller claims hurt your modification rate probably more so than a more substantial claim? Part of my job was to review these claims to be sure that the claims against the client's firm belonged to the experience modification sheet. I can remember finding a claim that did not belong to this company, and I found some of the incident only ones were counting against the construction firm.

The next thing I did was reach out to the insurance agent to review the injuries listed on the form. I asked him what steps this company can do to start to "right the ship" and reduce on the job injuries? The agent's answer: Educate the staff on safety. He put me in touch with a state-sponsored program that had free training for the employees on work safety. By attending the safety program, it allowed the company to receive a premium reduction.



## In Conclusion

Assisting my client in lowering their worker's compensation costs and helping him find the tools to implement a safety program was crucial to reducing the annual insurance costs. Add to that the benefit of fewer injuries by educating the staff on best practices made me look like the accountant rockstar! Sometimes, it is the little things that help the client and also helps the accountant retain a happy client who will then refer you to another new client.

**Lynda Artesani** is the president of Artesani Bookkeeping where she uses her expertise and organizational skills to help her small business clients grow their firms, thrive and become profitable. Her specialty is working with attorneys.

### **Social Media Links:**

Facebook: <https://www.facebook.com/artesanibookkeeping/>

Twitter: [https://twitter.com/lynda\\_artesani](https://twitter.com/lynda_artesani)

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Instagram: <https://www.instagram.com/lyndaartesani/>

### **Contact Points:**

Phone: (239) 349-2004 Ext.1001

Email: [lynda@artesanibookkeeping.com](mailto:lynda@artesanibookkeeping.com)