



# AuditRate Case Study: Professional Services

## THE COMPANY

After starting a smaller, less-risky secondary professional services business, this medium-sized firm contacted AuditRate to review their workers' compensation coverage and rates.

## THEIR CHALLENGE

The AuditRate Team discovered an error in payroll classifications—the business owner paid employees of both businesses through one payroll account, but under separate department codes. Rather than separate out the payroll expense for the two businesses and assess them separately (one at a higher-rated classification, and the other at the lower-rated classification), the insurance company used the "balance" method of determining chargeable wages. That is, they recorded gross wages, rather than deducting the secondary business's clerical wages, officers' salaries, and payroll from the total payroll. By keeping the payroll for the secondary business in the gross, they incorrectly inflated the payroll for the higher-rated classification.

## OUR SOLUTION

This resulted in a 37% overcharge in the insured's workers' comp policy premiums. Neither the client nor their broker noticed, until we uncovered the error and petitioned the insurance carrier to adjust the premiums downward.

**EMPLOYEE COUNT:** Medium  
**POLICY:** Workers' Compensation  
**ERRORS FOUND:** Payroll  
**SAVINGS:** 37% reduction in annual premiums

Since its 1984 founding, AuditRate has secured overcharge refunds in excess of \$30,000,000 for its Clients. If this unique service may benefit you, please contact AuditRate Consultant John Przybylski by email at [JPrzybylski@AuditRate.com](mailto:JPrzybylski@AuditRate.com) or by phone 312.335.2152.