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240 Fifth Street Po Box 48 Northumberland Pa 17857
Tel: 570-473-8107 Fax: 866-672-6037

FREE Workers Comp Report!

7 Costly Workers Comp Mistakes and How You Can Make Sure They Don't Happen To You!...

By Jim Groninger
Author, speaker, consultant

If you own a construction business, you may have been led to believe that your workers comp price is "legislated" and that you have no control over the cost. Nothing could be further from the truth. Read on for an industry insider's report on common workers comp blunders, and how you can make sure you're not taken to the cleaners by your insurance company.

Mistake #1

Under Estimating Your Payroll.

This will get you a big additional audit premium at the end of the year. One of the biggest complaints I hear is—"My agent didn't have my payrolls high enough and now I have this huge additional audit premium to pay". How can I avoid this from happening since at the beginning of the year I have no idea how much my payroll will be?"

The answer is very simple, but many agents fail to take care of this simple detail. Your agent should have a way of obtaining adjusted payrolls at least once during the year, say at the 6-month mark of your policy. You can then make adjustments depending on how your year is going. It's much easier making an increased monthly payment as opposed to having to come up with a large lump sum payment at audit time.

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Mistake #2

Overestimating payrolls and not adjusting downwards.

This essentially makes you a banker to the insurance company, loaning them money in the form of over payment of your premiums. Let's face it, if you're like most business owners, your line of credit at the bank is being used and cash flow is always tight. So why do so many business owners overpay their premiums? Again, the answer lies with a vigilant agent who understands your business needs and how they dovetail with your overall business plan of operations. Why be a lender of your money to those big, wealthy insurance companies? Make sure your agent reminds you to update payrolls at least on a 6-month basis.

Mistake #3

Not having a safety plan in place.

What is so hard about having a safety plan in place for your business? Oh, it's hard to do. Well not if you work with an agent who specializes in business and workers compensation insurance. They will have the knowledge and an easy how-to guide that will keep you out of hot water with OSHA. Nobody wants to have an injury. When an injury occurs on the jobsite, you not only lose the time of the injured employee, but lost time from other employees who stop to help, those who must take the injured worker to the doctor or emergency room, and those left behind just worrying about it.

Mistake #4

Not paying attention to past claims.

It is critical that you have a professional independent agent on your side to monitor current and past claims. Claims affect your experience modification factor, which directly affects your premium for three years. You need to work with an insurance agency who follows up with the insurance company to make sure claims are handled fairly, quickly and most of all closed when finished. Many times insurance company claim adjusters, who are

overworked and underpaid, will simply leave claims open that should be closed. This hurts you and your experience mod. Don't let it happen.

Mistake #5

Failing to Report Claims.

Some business owners think if they don't do anything, the problem will go away. When it comes to workers compensation claims, you better think again. Failure to report workers comp claims can and does result in heavy fines for both you and your insurance company. In particular where there is lost work time. Your insurance company will not look favorably upon you at renewal if you report claims late. If you suspect fraud, make sure you bring it to the attention of the claims adjustor so they can properly investigate. Don't wait until the claim has been paid and closed to say you believe the person lied about the claim.

Mistake #6

Allowing your policy to be placed in the workers comp pool.

The workers comp risk pool serves a legitimate role for businesses that have had poor loss experiences or simply don't have enough premium to attract a standard carrier. Being in a high-risk business does not immediately sentence you to the pool. Don't ever allow yourself to be automatically placed in the pool. Many businesses get put into this dead end because of indifference or lack of knowledge on their agent's part. Some agents think that it doesn't matter since all the rates are the same, right? How wrong they are. Rates vary by carrier and that is the reason why you should choose an agent who will only use the Pool as a last resort.

Mistake #7

Buying your policy from an agent who does not specialize in the contracting business.

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There are a lot of insurance agents out there. But not everyone specializes in workers comp insurance. If you do nothing else, pick an independent agent who specializes in contractors insurance. Ask to see a list of their current business clients. Is there a broad range of small, medium and large clients? Does the agent specialize in your type of business? How long have they been providing coverage for these commercial accounts?

Ask them if they offer loss control and safety services. Do they have a fraud unit that investigates employees that are dogging it when injured?

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About the author...

Jim Groninger CEO of Groninger Insurance Agency LLC, an independent agency specializing in serving the insurance needs of Pennsylvania contractors. Everyone on staff is a licensed insurance agent dedicated to educating and protecting their client's from financial disaster. Jim Groninger can be reached at:

Groninger Insurance Agency
240 5th Street Northumberland Pa 17857
Phone (570) 473-8107
Toll-free 1-800-722-3743
Fax 1-866-672-6037
Email: jim@groningerinsurance.com

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