

MONEY FOR NOTHING: 3 WAYS TO REDUCE CONTRACTOR INSURANCE PREMIUMS



By William Dorsa, *Audit Supervisor at Grassi & Co.*

Insurance costs can be daunting for any contractor, but what if there was a way to reduce premiums without affecting coverage? Here are three tips that can have a large impact on insurance premiums. .

The New York Construction Classification Premium Adjustment Program (CPAP) is a credit on insurance policies for contractors who pay above average rates to employees in specific contracting class codes. The discount was enacted to help bridge the gap between high and low-wage paying contractors operating in the construction industry. Although both high and low paying contractors perform comparable work, high paying contractors were paying higher insurance premiums simply due to their higher wages. The increased costs made it difficult for higher paying contractors to compete with lower wage-paying contractors despite having comparable risk of injury on the job. The higher the wage paid, the higher the credit. (For more information and frequently asked questions visit the New York Compensation Insurance Review Board at [www.nycirb.com](http://www.nycirb.com)).

Frequently overlooked are classification codes for employees. Are executives, project accountants or clerical workers included in field classification codes? Are all employees grouped under one category? If any of those situations apply it could be costing you. Often times employees are misclassified in field codes and the difference in premium between field codes and clerical codes can be drastic. There can also be differences in premiums for similar but different field classifications. A review of the classification codes should be performed annually before renewal and adjusted for new hires and or promotions.

Finally, employers should make sure overtime and payroll limitations are reported properly. Overtime can be reported as straight time at the normal pay rate. Any excess payment above the normal wage rate can be backed out of the payroll calculation. For those contractors paying “time and a half” or other amounts above and beyond straight time can adjust these amounts from wages paid for the purpose of premium calculation. There are also weekly payroll limits for several dozen construction classification codes that limit eligible payroll for the purpose of premium calculation. The New York State Average Weekly Wage is used for the weekly payroll cap after July 1st of 2016. These adjustments can add up to hundreds of thousands of dollars in additional payroll that can and should be adjusted for premium calculation and can lead to dramatic premium reductions and cost savings for all eligible Contractors.

*For more information on how you can save on contractor insurance premiums, contact William Dorsa, Audit Supervisor at Grassi & Co., at [wdorsa@grassicpas.com](mailto:wdorsa@grassicpas.com).*