



CASE STUDY

HILB PARTNERS WITH DC BASED FRANCHISE INSURED TO WIN AUDIT DISPUTE

Background

NCCI surveys and classification updates are constant activities within our industry, and often the carriers implement changes to their insured's workers compensation policies without really reviewing the actual guidance. In this case the Governing Classification was changed because the former governing class was no longer available. What the carrier missed is that there are two Standard Exceptions to the Governing Classification. They are 1.) Clerical Employees 2). Sales Employees. In this case the carrier had applied the governing classification to every employee within the Insured's organization. An incorrect application of the NCCI update and guidance. This incorrect application resulted in a very large additional premium of \$287,000.

Challenge

Because most carrier's systems are automated, an invoice was generated at the time the audit was processed. The Insured was registered for EFT for their premium payments and the carrier was going to debit the Insured's account for the entire AP audit amount.

At a Glance

In May of 2019, the NCCI performed an employee classification update for a Washington, DC based franchise that sells commercial dishwashing systems and their related products to the hotel and restaurant industry. The former governing class code had been updated and revised and the NCCI required the Insured's carrier to use the new governing class code. The carrier misinterpreted the guidance provided by the NCCI and issued an audit for an Additional Premium of \$287,000. The Insured sought assistance from their Hilb Advisor who immediately disputed the audit and had the additional premium put on hold pending the result of the Insured's appeal.

" Without our Hilb Advisor's experience and advocacy, we would have been at the mercy of the carrier and would have vastly overpaid on this audit. Our Hilb broker has become one of our most trusted advisors"

*~ John Fegan, CEO,
AutoChlor Systems of Northern Virginia*



Solution

The Insured reached out to their Hilb Risk Advisor, an experienced industry veteran. The Advisor immediately reached out to a Senior member of the carrier's executive team to dispute the audit results and so that the audit billing and EFT debit would immediately be placed on hold pending the outcome of the Insured's appeal. The carrier thus suspended all action until the dispute could be resolved.

Next, the Advisor scheduled a meeting with the carrier's audit and underwriting supervisors. During this meeting it was pointed out that the contract auditor for the carrier had placed the entirety of the Insured's payroll into the new governing class code without accounting for the two Standard Exception class codes. Because the Insured had been with this carrier for over 5 years there was a history of prior audits showing the proper class code allocation. The carrier requested a re-audit of the account by an in-house auditor and the original audit was revised accordingly. The audit revision resulted in an additional premium of \$48,000 which was in range with previous audits for this Insured.

Results

In October 2019 after the 2nd audit had been completed. The carrier revised the original audit by taking down the incorrectly issued invoice for \$287,000 and replacing it with the correct amount of \$48,000. The Insured called the Advisor personally to express his gratitude for the Advisors advocacy in this matter.

