



4 Questions to Help Reduce Worker's Compensation Premium



The first step in evaluating workers' compensation costs begins with a clear understanding of the Experience Modification Factor (EMF) and its direct impact on premium. Equally

critical is a complete understanding of an organization's key loss drivers and the effect individual claims has on the experience modifier.

Not only does it impact the workers' compensation premium, but a higher experience modifier may also limit a construction company's insurability in the voluntary market, preventing bidding eligibility and opportunities for certain types of businesses. On the other hand, a lower experience modifier may result in more opportunities to compete, create more bidding opportunities and position the company as a better risk for underwriters.

The process of reducing premium in an experience-rated workers' compensation program begins with making sure the data used to calculate the experience modifier is accurate. As part of the process, brokers should routinely perform the same experience modifier evaluation as state regulators in order to determine accuracy and forecast future financial impact on the premium.

Inaccurate experience modifier calculations are often the result of errors in payroll amounts, inaccurate job classifications, improper claim reserves and open claims that should be closed. A comprehensive process should include a detailed analysis of an organization's payroll, class codes and claim history, which will ensure the experience modifier is accurate and that workers' compensation premiums are reduced accordingly.

Take the case of one owner of a large construction company who was looking at ways to reduce the company's overall workers' compensation premium. An analytical review uncovered an error based on a rating rule. This led to the successful negotiation with the insurance carrier to revise the experience modifier calculation in order to address this error properly. The correction impacted 3 separate years, resulting in \$41,000 of premium refunded to the client.

Accuracy First & Foremost

In another case, a mechanical contractor enrolled for 5 years in a guaranteed cost workers' compensation program with \$300,000 in annual premium saw its experience modifier escalate from .91 to 1.08, which resulted in the contractor being excluded from bidding on projects that had an Experience Modification Rate (EMR) prequalification factor that required the bidders to have an EMR of 1.0 or less.

To Read More See Excerpt: <http://www.constructionbusinessowner.com/strategy/business-management/september-2017-how-lower-your-experience-modification-rate>



About The FDOT

The goal of the DBE Supportive Services Program is to increase the number of DBEs participating on FDOT contracts and facilitate the opportunity for DBEs to obtain contracts. The services are designed to:

- Assist established construction firms to move them from bidding as a subcontractor to bidding as a Prime Contractor to produce sound bids.
- Provide access to training increases DBE expertise in handling of daily business operations.

About The Program

The Construction Estimating Institute (CEI) works with FDOT as the statewide provider of the federally funded Disadvantaged Business Enterprises (DBE) Supportive Services Program. We want to increase the number of certified DBEs participating in highway and bridge construction, as well as assist DBEs in growing and eventually becoming self-sufficient. Additionally, CEI provides supportive services by assisting prime contractors and consultants with identifying DBEs for subcontracting opportunities on priority projects.

How to Recognize Red Flags



The risk-to-reward ratio in construction is among the most unbalanced of any mature industry. The disproportionate downside, risks associated with an extremely bad project, far

outweigh the upside gained from even the most successful projects. At their worst, truly disastrous projects can cost firms and owner/agencies millions of dollars, push their best people to the breaking point and cause long-term damage to reputations and key relationships that are important to future work.

When examining which projects most significantly impact a firm's bottom line, professional management and consulting firm FMI often finds that a small handful of the worst-performing projects in a firm can wipe out the total profits gained from all of the top-performing projects combined.

Over-optimism, underestimates of project complexity and skilled labor shortages are the primary causes of project distress industrywide. While it is very true that these causes are all typical drivers, they are diagnosed with the benefit of hindsight; typically, after the design is finished, the contract is signed and construction is well underway or even complete. Because no contractor enters a project expecting it to go poorly, they often fail to recognize the signs until it is too late.

Generally, both contractors and owners implicitly understand that the rising tide lifts all boats and that a construction project is rarely a zero-sum game. Put simply, it is uncommon for some parties to incur significant losses, while others experience a windfall. All parties involved in a construction project are highly interdependent.

However, the litigious nature of the construction industry can force project stakeholders into a reactive and protective mindset, in which the focus shifts to assigning as much blame as possible. Predictably, parties quickly stop thinking in the best interest of the project, and instead focus on how to protect their individual firms.

Symptoms of Project Distress

A historical study of distressed projects conducted by FMI found that there are four main causal factors leading to project distress.

While much could be written about these areas, this article focuses on the effects of unresolved change order disputes and poorly performing submittal processes.

Unresolved Change Order Disputes

Poor or incomplete design can lead to a number of constructive changes. Generally, these types of changes arise from errors, omissions or poor design coordination, and only allow the project to function as initially intended. Once the construction process has begun, there is a significant premium attached to the work that must be performed, and at little or no additional value added to the project.

Most contracts are written in a way that allows the upstream party to direct contractors to proceed with the work in the absence of an agreed-upon change order. This is typically referred to as a construction change directive (CCD).

Most contract language is written so that there is no limit to the number of CCDs that can be issued, and downstream contractors can become extremely over-extended as they attempt to effectively fund the additional, completed work.

To Read More See Excerpt: <http://www.constructionbusinessowner.com/technology/project-management/september-2017-how-recognize-red-flags>

Supportive Services Offered



- Estimating Training
- Building Capacity
- Mobilization Financing
- Bonding Assistance
- Marketing Plan Development
- Creating a Business Plan
- Building a Website



**BONDING,
FINANCING,
AND
INSURANCE**

CEI is an educational organization providing the highest quality construction training in the industry. Over 100,000 owners, estimators, project managers, field supervisors, office support staff, foremen, laborers, and key management personnel have attended courses that are offered nationwide. The courses provide students with construction skills training and the critical information needed to be effective within their companies and organizations.

Call 800-423-7058 or 866-378-6653 or visit us online at www.cmdp-bgp.com

www.fdotdbesupportservices.com

CEI, 5016 Calle Minorga, Sarasota, FL 34242