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**Congratulations...
You've just taken the
first step to getting the
best buy for your
insurance dollar!**

Dear Friend:

You are about to discover some of the most effective methods to save money on your contracting business insurance and avoid mistakes that could cost you **thousands** of dollars. This report will reveal to you:

- How to effectively slash precious dollars off the premiums you pay.
- Secrets known only to “insurance insiders”.
- Pitfalls to avoid when purchasing insurance for your business.
- And much, much more!

Why would I give away my “inside” secrets?

That’s a really fair question and I want to answer it honestly and truthfully.

**Because It’s Good For You ... And It’s Good For My Business.
Period.**

You see, I’m willing to give away a lot of my knowledge to contractors. Knowledge that’s taken me years to accumulate, organize and perfect.

And I have found – time and time again – that generosity and the willingness to help others comes back to me. Tenfold! (After all, if we want others to care about us, we must show that we care about them.)

In fact, that’s how I’ve built my business.

Once you’ve read this report, pick up the phone and give me a call... I’ll be happy to answer any questions you might have, or give you a no obligation, hassle free quote.

Warmest regards,

Steve

PS You can reach me or a member of my staff toll free anytime during normal business hours at (877) 875-2555 Press 0. Please don't hesitate to call... I'll be glad to help in any way I can.

PPS Call us to compare. Our contractor insurance companies offer the lowest rates in Connecticut. We've saved other contractors up to **37%** on their insurance costs. Property, Liability, Automobile, Workers Compensation, Life and Medical Insurance.

Special Report

“How To *Slash* Your Contracting Insurance Costs, Get Rock-Solid Protection And The Super Service You Deserve”

- **An Insider’s Guide To Getting The Best Protection At The Lowest Price**

Maybe you’ve asked yourself this question, “How can I save money on my contractor insurance? What can I do to lower these ridiculous insurance prices”?

I’ve been working inside the insurance industry for over twenty-five years. I know in detail how it works.

I’ve specialized in insuring contractors for over 30 years. I’m frequently asked by my clients, “Steve, what tips can you give us to save money on our insurance? We want the real scoop – no B.S.!”

At their request, I’ve put together this special report. So let’s get started....

I. Subcontractors (Independent Contractors)

I could write a book on this subject alone.

I’ve written many new contractor clients because their prior agent didn’t tell them how subcontractors would affect their insurance costs. Consequently, they received what we call “The Big Audit Surprise”. A payroll audit bill at the end of the year that crippled their business and ate up their profits!

The fact is, in the State of Connecticut, if a sub does not provide you with a Certificate of Insurance (proof that he has insurance) you will be charged for

the insurance as if he was an employee, based on what you paid him during the policy year. This applies to both General Liability and Workers' Compensation insurance (if you have Workers' Compensation insurance). This is true even if the sub is a partnership or sole proprietor and is not required to carry Workers' Compensation insurance because they have no employees.

Picture this – it's the end of the year. Your policies renew on January 1st. Things went well with the business. You were very busy and hired some subs to help out. Overall you were showing a profit. The insurance company audits your payroll books to determine what your actual payroll was compared to the estimated payroll you gave them when the policies started (workers' compensation and general liability). The auditor asks to see the Certificates of Insurance from your subs. "No problem" you say, "Here they are". You show the auditor the certificates showing General Liability coverage. "That's fine." the auditor says. Then he asks the big question, the one that often leads to the Big Audit Surprise, "Where are the Workers' Compensation Certificates of Insurance for the subs?"

You reply, "I don't need them because one sub had no employees and the other sub was a partnership and also had no employees". Feeling pretty good you continue, "and in the State of Connecticut they don't need Workers' Compensation insurance because they didn't have any employees". The auditor says, "Yes that's true, but we can charge you for Workers' Compensation coverage for these subs if they don't give you proof that they purchased it, even though the law says they can exclude themselves from coverage." Bam!! The "Big Audit Surprise" – additional premium that you have to pay! Heck, you're scrambling just to get together the downpayment on the renewal policy! You sigh, "I never knew that, nobody ever told me. It doesn't even make sense to me. How am I supposed to make a living with all these costs?!"

Yes, the State of Connecticut allows the insurance companies to do this. They will charge you the same rate as if they were employees.

You see, many years ago, contractors were calling their employees "subcontractors" to keep their costs low. No worries about paying payroll taxes, social security, insurance costs, etc. As I'm sure you know, this practice is still going on.

Consequently, there were many Workers' Compensation claims paid when these "subs" got injured since Workers' Compensation insurance pays for employee injuries. These injured "subs" were really employees and their lawyers proved it in court. This caused great losses for the insurance companies because they were paying claims on policies that did not have the proper payrolls used to price the policy. The contractors never included as payroll what they paid these "subs". These policies were under priced and the insurance companies lost money.

This situation clogged the courts with injured "subs" suing their employer's and their employer's insurance companies. After all, many of these "subs" had no medical insurance of their own. Faced with large medical bills, what were they supposed to do? This problem continues today. And worse yet, these "subs" are suing the contractors they work for directly, and many contractors don't carry any Workers' Compensation insurance. What a nightmare!

So, the State Insurance Department decided to allow the insurance companies to charge Workers' Compensation and General Liability premiums for all hired subs that did not show proof of insurance. It didn't matter whether they were sole proprietor subs, had no employees or whatever. If they were a sub, they must provide proof of insurance for both Workers' Compensation and General Liability Insurance. This is the way it is now.

You say, "I don't have to worry because I don't carry Workers' Compensation insurance".

Well, that may be true until that part-time college student you hired gets injured. You thought you had an understanding with him that he was to be a subcontractor. Heck, you even got him to sign an agreement saying so (Hold Harmless Agreement). But, let me tell you, when they get injured and have no medical insurance, who's going to pay their medical bills? It could be you!

They will hire an attorney who will try to prove that they were an employee according to law. If he is proved to be an employee, you will be required to pay your attorney's fees, perhaps the "sub's" attorney's fees, the "sub's" medical expenses and loss of wages and possibly a fine by the insurance

department for not carrying workers compensation insurance. I've seen this happen, it can put you out of business and in debt.

If you are required to get a Certificate of Insurance from your sub, do so. Before they start work for you.

Don't let them work without it or you'll end up paying. The sub can purchase a Workers' Compensation policy based on an "if any" payroll. The sub can exclude himself. They will have to pay for any employees that they hire at the end of the year after their payroll is audited. These are so called "Dummy Policies". They don't really cover anybody if the sub doesn't have any employees. Right now this policy costs about \$1,050/year.

So, be sure to know exactly how subcontractors will affect your insurance costs before you hire them. Ask your insurance agent. You should also consult an attorney to be sure that you are hiring "subs" and not employees.

II. Use the Services of An Insurance Agent Who Specializes in Contractors

Insurance is a huge industry. There's insurance for everything.

Anything you can have, do, own, manage or whatever – there's insurance for it.

And nobody can specialize in all of it.

In fact, a professional insurance agent can only specialize in a few businesses and really understand them.

Insurance is a very technical business. Policies, coverages, endorsements, and exclusions.

It has a language all its own. And the insurance needs of each industry are highly specific.

If someone specializes in insuring homes or autos or retail stores downtown, that doesn't mean they know anything about contractors.

And just because your wife's cousin sells insurance, doesn't mean he's the guy to trust the financial health of your business to.

And this is what you're not looking for:

An agent or an agency that just tries to sell you their services on meaningless platitudes, like "quality" or "excellence". They're just buzzwords that don't mean anything anymore.

An agency that tries to sell you on their services just because they've "been around since 1934" or some such nonsense. Yes, you want a professional that has studied the business, but what do you care what they were doing in 1934. Believe me, insurance back then wasn't anything like it is today!

When you choose an agent, ask them how many other contractors they insure. Ask them if they specialize in insurance for contractors. Can they provide you with the coverages you need? Can they provide you with Certificates of Insurance quickly?

Bottom-line – choose a contractor insurance specialist – you'll get the best deal.

III. "If Your Workers Compensation Policy Has An Experience Modification, Make Sure It's Correct."

In Connecticut, if your unmodified workers compensation premium is \$11,000 for 2 years or an average of \$5,500/yr. for 3 years, then you qualify for an experience modification factor.

If you're lucky, it will lower your premium. If not, it could cost you more, a lot more!!

What is the experience modification factor? It's a debit or credit applied to your workers compensation premium. It's based on your loss experience as compared to the average loss experience of all others in the same business as you, located in Connecticut.

The National Council on Compensation Insurance (N.C.C.I.) calculates it. It's based on your classification of employees (e.g. carpentry, painting, electrical work, plumbing, roofing, etc.) the payroll for each class and the losses that have occurred for each class. They use 3 years of payroll and losses (excluding the most recent year) to calculate it.

If your losses are higher than average, you will pay an additional premium and your experience modification factor will be greater than 1.00.

If your losses are lower than average, then your experience modification factor will be less than 1.00 and you will get a credit applied to your premium.

If your payroll or losses by employee classification are incorrect, then your experience modification will be wrong and you could be paying more than you should.

How could this happen? The insurance company that insured you sends the payroll and loss data to the N.C.C.I. If it's wrong, then your experience modification factor will be incorrect. Believe me, mistakes do happen.

For example, I have a client that was charged thousands of dollars more than he should have paid because of an incorrect experience modification.

I reviewed his experience modification calculation and determined that the loss data was wrong. The insurance company never sent the N.C.C.I. an updated amount for the losses that happened.

You see many losses take years to finally be paid. And many times these losses are paid out at a lower amount than originally estimated by the insurance company.

If the insurance company doesn't send an update to the N.C.C.I., then you will be charged for losses based on prior estimates and not what was actually paid.

In the case of my client, he was being charged for a loss originally estimated to be \$100,000. It was finally paid for a total of \$34,000. So we contacted the insurance company and they sent the corrected loss data to the N.C.C.I.

This resulted in a lower experience modification. It saved my client thousands of dollars on his Workers Compensation premium. Needless to say, he was very happy.

Does this happen often? You bet it does! People make mistakes or worse yet don't do their jobs properly. Insurance company employees make mistakes. What can you do about it? You should have your agent review your experience modification for errors. To do this he must check your audited payrolls and losses for the past three years (excluding the most recent year). If an error is found, he must notify the insurance company to correct it and forward the proper information to the N.C.C.I.

In addition, in Connecticut, if your experience modification factor is greater than 1.00 and your insurance is written through the state pool (as many contractors are), you will also get an ARAP (Assigned Risk Adjustment Program) surcharge.

This surcharge is also based on losses.

If the losses used to calculate your experience modification are too high, then your ARAP surcharge as well as your Experience Modification factor will be too high and you could be paying thousands of dollars more than you should be. Your insurance agent should make sure it's correct.

IV. Know How to Insure Your Tools and Equipment

You should insure your tools and equipment. One of the most common losses for contractors is the theft of tools from a vehicle or the job site.

Picture this (this has really happened to a number of my clients). You go to Home Depot for some supplies. When you return to your truck you notice that the rear window is broken. Your heart sinks. You think, "What'd they steal?" Sure enough, some tools are missing. Worse yet, your not exactly sure what's missing! (More about this problem later.) You call your insurance agent who insures your truck. He tells you that your broken window is covered but not your tools. Your auto policy doesn't cover the contents of your vehicle. You have to buy that coverage separately. "I never knew that", you say, "Why didn't someone tell me?"

You need what's called *Inland Marine Coverage – Tools and Equipment Floater* – to cover your tools and equipment no matter where they are located.

This coverage can be fairly cheap. You can purchase a blanket limit for all your small tools (usually tools worth less than \$1,000 each). For example, if you buy \$5,000 in blanket tool coverage, it would cover your tools up to a total of \$5,000 but no more than \$1,000 for any one tool. If you had a loss, it would be subject to the deductible you chose. The lowest deductible is \$250. It rarely saves you much to purchase a higher deductible unless you have a lot of small tools – say over \$20,000.

For tools or equipment valued at greater than \$1,000 each you can schedule them (list them separately with its value). This coverage costs less than blanket tool coverage. It's always cheaper to schedule your equipment when you can.

How are tools and equipment valued when you have a loss?

Tools and equipment on a floater policy are valued at what they are worth today – not what you paid for them and not what it would cost to replace them. There are a few companies that will give you replacement cost on your tools. To get replacement cost you will have to buy new tools and give them the receipts. Most companies will pay you no more than what you originally paid for them. So be sure not to overinsure your tools.

Worse yet, do you know what tools you have? If your vehicle was stolen, would you know what tools and equipment you lost? If it's scheduled on your policy –no problem. But, small tools – most contractors have no idea what they have. Especially the tools they only use once in awhile.

My suggestion – Once each year clean out your vehicle – lay all your tools out on the garage floor – and take a picture. If you have a loss, you will have a much better idea as to what's missing. And proof that you had the tools.

Buy tool coverage. It's worth the price. Check your policy every year to be sure they are insured for the proper amounts. You can't work without your tools and equipment.

V. *Your Business Automobile Insurance*

Your business vehicle can be classified in one of two ways to determine your premium – service use or commercial use.

Service use is defined as a vehicle used to transport your tools, equipment and incidental supplies to or from a job location. This classification applies to vehicles that are parked at the job site for most of the day or used to transport supervisory people between job locations.

Commercial use is defined as a vehicle used for transporting property other than defined as service use. This is the “all other” classification. Commercial use applies to vehicles like dump trucks and trucks used to deliver supplies and remove debris from the job site.

You want your vehicles rated as service use. The liability premium is 30% cheaper than commercial use and physical damage coverage (comprehensive, collision, etc.) is 15% cheaper.

So remember, the definition of service use above. You want all your vehicles classified as service use. The savings is phenomenal.

The vehicle classification codes are 5 digits.

Service or commercial classes are represented by the first 3 digits.

Service class codes can be identified by the following numbers – 011, 211, 311, 341, 401, 341, 501, 014, 214, 314, and 344.

Commercial class codes can be identified by the following numbers 031, 231, 331, 361, 034, 234, 334, and 404.

Pull out your auto policy. Find the vehicle classification code. Check out the first 3 digits and match with one of the numbers given above. Is it commercial or service rated?

If you can't tell by looking at your policy, call your agent. Ask him how your vehicles are classified. You want service use whenever possible.

VI. Ask for Premium Credits

Many insurance companies can give you premium credits that can reduce your insurance premiums by up to 25%. These credits are given for good loss history, good driving records, good financial rating, longtime in business, low employee turnover, good safety management and finally just because you ask for them.

That's right – sometimes you just have to ask for credits.

You see, many agents will not give you the lowest possible price for your insurance. Just like when you bid – many times you could price it lower – but you don't unless you are very “hungry” for work. This is called “charging what the market will bear” and trying to put a little more money in your pocket. This is human nature and is essentially what growing a business and making a profit is all about.

But, if you know there are other bidders on the project that you believe can compete with you, you will bid lower than normal. After all, you want the work even if it does mean lowering your profits a bit.

Well, insurance works the same way. If the agent knows he has competition, you can bet he will “push” the insurance company to get you the lowest price he can. He needs your business – he wants your business. Some profit is better than no profit.

So, when you request a quote from an agent tell him that you want to do business with him. But like any prudent businessman, you must shop around. Ask him to give you his best price up front. You want all the premium credits he can give you – tell him why you deserve credits (e.g. no losses, stable employees, longtime in business, good driving record, etc.).

In this way you will be assured of getting his best price.

I'm often asked if it is ok to tell the competing agent what you are paying now for your insurance. My answer is yes, tell them. I realize that in your business you submit “sealed” bids with very little room for negotiating. It is different in the insurance business.

In the insurance business (particularly business insurance), the premiums are not finalized until the price has been negotiated with the insurance company underwriter. If the underwriter doesn't know what you are paying now, then he has nothing to compare his price against. And he will be very conservative with his quote.

You must remember, the agent is going to give you his best price if he knows he has competition. Just by knowing your current premium doesn't mean that he must quote just a bit lower than you are paying now. Sure he knows what you are paying now but he doesn't know the other competing agents' prices.

The agent cannot negotiate with the insurance company if he doesn't know your current premiums. So by all means tell the competing agent what you are paying now. And don't forget to tell him there are others quoting too.

VII. Insurance Company Financial Rating

Insurance companies are rated as to their financial stability by a number of organizations.

A.M. Best rates companies in a report card type format. If your insurance company has a poor financial rating (C or lower) then it may have trouble paying claims.

A poorly rated insurance company must either increase its income or decrease expenses to become more profitable and become more financially stable. You will often find that these companies offer lower premiums to bring in the money and stay afloat.

The biggest expense for an insurance company is payroll. Troubled companies will cut their payroll by laying-off employees. What this means to you is slower policy issuance, slower billing, and slower claims handling.

When you do have a claim they will "nickel and dime" you to death since they are in poor financial condition and need to cut costs wherever they can.

So be sure to choose an insurance company with a good financial rating. Ask your insurance agent for the financial rating of your insurance company. Otherwise, you may find out it's too late (when you have a claim) that the low premium did not payoff in the end.

Final Thoughts

I hope you found the information in this report helpful. It has saved many of my clients **thousands** of dollars.

I've built my business on my reputation. I find that the more I give away, the more comes back to me.

My clients stay with me a long time and they refer their friends. And frankly I get a lot of clients by being generous with my advice.

If you are looking for Contracting Insurance Experts, **CALL US TODAY** for a free, no-obligation quote and protection analysis: **(877) 875-2555 TOLL FREE, Press 4** or fax me the first 3 pages of your policy and I'll call you.

Warmest regards,

Steve

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PS. We have 17 companies that are interested in insuring Connecticut Contractors.

PS#1. As an added bonus I've included the "ultimate" definition of "Who is an Independent Subcontractor?" – the I.R.S. definition!

Bonus

Who is an Independent Subcontractor?

The IRS is stepping up its scrutiny of employee classifications. In Revenue Ruling 87-41, the IRS developed a test to classify employee-independent contractor status. The factors and considerations pointing toward independent contractor status are as follows:

1. **Degree of Control.** The organization should not have the right to control the method or manner of the job to be performed.
2. **Right to Discharge.** The organization cannot terminate the contractor as long as he or she meets his or her obligations under the contract.
3. **Right to Delegate Work.** The contractor can bring in whomever he or she wants to accomplish
4. **Hiring Practices.** The Contractor should have the right to hire and fire assistants that he or she uses in performing the contract.
5. **Payment Practice.** An independent contractor should be paid by the job as opposed to by the
6. **Furnish Training.** The organization should not provide any type of training of inexperienced workers.
7. **Skill.** Independent contractors are generally viewed as skilled workers.
8. **Duration of Relationship.** The contractor should be hired for a specific time period. Continuous work implies an employee relationship
9. **Control Over Hours of Work.** An independent contractor should be allowed to set his or her own hours.
10. **Independent Trade.** The contractor should be free to work for any number of persons or firms Simultaneously.
11. **Furnishing of Tools.** The contractor should be able to provide his or her own tools.
12. **Place of Work.** If possible, the independent contractor should perform his or her job off the organization's premises.
13. **Profit and Loss.** The contractor should have the opportunity for profit or loss.
14. **Intent of Parties.** The parties' intent to create an independent contractor relationship should be documented.
15. **Principal in Business.** The contractor should be the principal in his or her own business.
16. **Sequence of Work.** The contractor should be able to determine the sequence of the work performed outside of the organization's control.
17. **Reports Required.** The contractor should not be required to submit regular oral or written reports or to attend organizational meetings.
18. **Same Work as Regular Employees.** The organization should not have the independent contractor do the same type of work, as it's regular employees.
19. **Integration.** The organization should not engage an independent contractor to do something that is part of the day-to-day operations of the company.
20. **Industry Customs.** The industry should have a definite custom regarding worker classification.