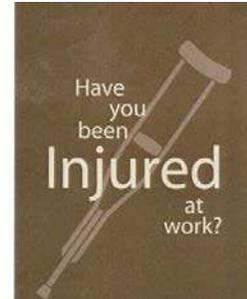


Calculation of Workers' Compensation, General Liability (GL) & Bond in your Estimates

Executive Summary: Many estimators do not understand how workers' compensation, general liability, and bond costs are calculated. This article discusses these calculations and how to properly include them in your bid.

Workers' Compensation (WC): Most contractors understand the reason for WC – the reason for WC is to provide wages and medical benefits to an employee injured on the job.

The biggest misunderstanding regarding the cost of WC is how it applies to your labor. WC rates apply to the activity, not the labor class. So, for example, the cost of a laborer sweeping the inside of your jobsite trailer is much less than when that same laborer is dangling off the 30th floor of a building erecting structural steel. The person, and his/her classification of pay, are the same; it's the WC rate that differs because the WC rate is paid based on the risk of the activity being performed.



General Liability (GL): most contractors are required to carry GL insurance as a condition of their contract with the project owner or for the contractor to whom they're subcontracted. GL is usually quoted in two different ways:

- Labor: based off of base or gross wages.
- Sales: based off of total sales (revenue).

You, as the insurance customer may not have a choice in the manner in which you are quoted. Some contractors prefer one way over the other. My preference was always based off of sales simply because it made it easy to tack on a percentage to the bottom line of my bid and my change orders.

Bond: the calculation of bond (performance/payment and labor/material) is a stepped calculation. It is quoted in cost per thousand dollars. So, as an example, bond rates may look similar to this:



First \$500,000 of your bid:	\$7.00 per \$1,000 dollars of sales
Next \$1,000,000 of your bid:	\$6.50 per \$1,000 dollars of sales
Next \$1,500,000 of your bid:	\$6.00 per \$1,000 dollars of sales
Next \$2,000,000 of your bid:	\$5.75 per \$1,000 dollars of sales
Next \$7,500,000 of your bid:	\$5.00 per \$1,000 dollars of sales
Remainder:	\$4.00 per \$1,000 dollars of sales

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In addition to the rates above, there is also a time threshold rate provided. When projects exceed twenty-four (24) months, or whatever time period deemed by your surety, there is additional premium due per month of performance.

Audits: Each of these products is audited, usually on an annual basis:

- The *workers' compensation* audit reviews the types of labor and total cost of labor you estimated prior to the coverage period.
- The *general liability* audit reviews the total labor dollars spent or revenue collected over the premium period.
- The *bond* audit reviews the final contract amount compared to the original contract amount.



After each of these audits is completed, there is a check written. Depending on how your audit went, either you write a check to the carrier or the insurance carrier writes one to you.