

Prep To Reduce Premiums

Liability & Work Comp Audits

- When your WC & General Liability policies are written or renewed, the payrolls for each classification is only **estimated** for the upcoming year's exposures (payrolls, remunerations, total costs, gross sales, etc.)
- After the policy period expires, the insurance company will contact you for an Audit to determine your **actual** exposures
- If your estimated exposures were too low, there will be an additional premium charge.
- Conversely, if your estimated exposures were too high, you will receive a refund for your overpayment (unless you have a fully earned minimum premium policy).

How to Prepare for your Audit

The auditor's mission is to determine your actual exposures (payroll, sales or costs) for the expired annual policy period.

- Review your classifications with your Agent! Classifications not listed can be added by the Auditor and will usually be More Expensive! The Auditor may ask you to describe the details of the work performed by each employee: "Less is More!" The less details you give the More you benefit! Don't explain what the Employee "could or might" do. Keep it short and definitive! The auditor works for the insurance company! If the employee is your "**estimator/salesmen**" then stop with that as your description. If you don't, the employee payroll will be charged in the Highest premium classification!
- Your records should delineate without ambiguity, the type(s) of work performed by your company, the work performed by each employee, overtime pay. And Subcontractor total costs along with Certificates of Insurance as proof of Liability & WC coverage for each subcontractor, for the policy period being audited.
- Ambiguity in your records will be **MORE** Expensive!

Get HELP PRIOR to the Audit

These items should be prepared prior to audit **AND** reviewed with your Insurance agent prior to your meeting with the auditor:

- A copy of your payroll records for the policy period being audited. The records must classify each employee using *the same classification title(s) as classified on your policy*.
- Classify each employee in their most appropriate classification – review this with your insurance agent to be most cost effective.

- We strongly recommend that you use a spreadsheet (in addition to your payroll records).
- Segregate Overtime pay – Only straight pay is chargeable (if you pay 1.5 times pay for overtime, the auditor should charge only the “1 times” pay.)
- **NOTE:** Prevailing Wage pay is ALL part of employees direct compensation if paid to the employee. The additional amount paid for “benefits”, if paid to the employee is still considered direct pay and is chargeable.
- Have 941 &/or WR-30 reports available for the 4 quarters closest to your policy period.
 - These reports must closely equal your total annual employee payrolls.
- If you use Subcontractors, a Certificate of Insurance must be available for every Subcontractor and must include:
 - Liability limits equal to or greater than **YOUR** coverage.
 - Workers Compensation (Proprietors, Partnerships and LLCs should Include owners as covered individuals.)
 - Subcontractors should be listed showing total costs paid to each.
- A copy of your General Ledger listing all of your subcontractors. We strongly recommend that you use a spreadsheet (in addition to your general ledger records.)
- **NOTE:** For your protection we also recommend that you require each subcontractor to add you as “additional insured” **AND** sign a hold harmless agreement in your favor agreeing to “protect, indemnify, and hold **YOU** harmless”. (Your Insurance agent should be able to help you with this.)
- Ask the auditor for a copy of the audit worksheet before he/she leaves.
- The more time an auditor needs to spend reviewing your records, asking questions about your operations and checking the details of each employee’s job functions, the more opportunity there is for him/her to be “**creative**”

Less Work, Less Money!

If you make the auditor’s job easy, you will both benefit. Don’t let your audit opportunity go to waste, be prepared!

Richard Gaynor
CIC, CRM, President

(973) 383- 5525 Ext.220

(973) 383- 9602 Fax

rgaynor@middletonins.com

www.middletonins.com

**“How you make your money is YOUR Business.
 How you protect it, is OUR Business!”**