

UNDERSTANDING YOUR PREMIUM AUDIT



WHAT IS AN INSURANCE PREMIUM AUDIT?

The primary purpose of a premium audit is to determine your final premium. When your policy was issued, the premium was based on an estimate of variable exposure basis (usually payroll or sales). The audit will examine your records and determine the actual exposure basis and make sure that the correct classification codes and rates are used in determining your final premium. Because the original premium was an estimate, the audit will most likely result in a change of premium and/or classifications for your business.

Premium audits are commonly performed on workers compensation and general liability policies.

You will be contacted about completing a premium audit after the policy expires or is canceled.

TYPES OF AUDITS

Physical Audit

A physical audit is an on-site review of your business and business records by a Society Insurance representative. You will be sent a letter or email to schedule an appointment. If your business records are located at an address other than your policy address, such as an outside accountant's office, please notify the auditor.

Virtual Audit

A virtual audit is a convenient way to complete your audit electronically instead of an on-site physical audit. All of the records needed are uploaded to our secure portal and a Society Insurance representative will reach out to you to discuss your business.

Voluntary Audit

A voluntary audit is our most common type of audit. Log into our secure portal, answer questions about your business, enter financial information, and upload a few supporting records, such as tax reports.

Preliminary Audit (for Assigned Risk Pool Policies)

At the beginning of your policy term, the auditor will review financial records for a small period in order to project the premium for the full policy term.

ONLY PAY THE PREMIUM YOU OWE

The premium audit process is designed as a policyholder service that guarantees you only pay the premium that you owe. When your policy was issued, the premium was based on estimated figures. The audit process occurs after your policy expires and uses your actual results to determine your final premium. It is not uncommon for an audit to change the final premium of a policy.



Small details. Big difference.™



STANDARD INFORMATION REQUESTED AT TIME OF AUDIT

To perform a comprehensive and quality audit, these records are generally needed. If there are multiple companies or multiple entities insured under one policy, this information will be needed for each company or entity.

General Information

- Description
- Officers'/Owners names and titles
- Employee names and job duties
- Number of employees
- Names of subcontractors and non-payroll labor hired

Payroll Records

- Gross pay including, but not limited to: bonuses, commissions, holiday pay, sick pay, overtime pay, vacation pay and all pretax amounts
- Pretax/Section 125 amounts/401(k) amounts
- Overtime pay shown separately

Subcontractor Information

- General ledger, cash disbursements book and checkbook register
- Names of subcontractors and non-payroll labor hired
- Certificates of insurance for subcontractors

Tax Documents Required to Verify Payroll/Sales Records and Federal ID Number

- 941, 940, 1099, W-2, Schedule C, income tax return, etc.

Additional Information Typically Requested for Restaurant, Bar and Fast Food Audits

- Tips shown separately
- Number of free meals given to employees
- Subcontractors providing live entertainment
- Liquor sales and total sales to determine proper class for workers compensation

SUBCONTRACTORS/NON-PAYROLL LABOR

You must obtain workers compensation and general liability certificates of insurance for all subcontractors hired. You must prove they meet the requirements for independence in your state. If the subcontractor does not provide you with a certificate of insurance, they can be treated as your employee and a premium can be charged for them, based on your state's insurance rules.

The premium for uninsured subcontractors can be substantial, so it is to your advantage to obtain proof of insurance from subcontractors. Uninsured subcontractors covered under the principal contractor's policy are classified on the basis of the classifications that would apply if the work were performed by the principal's own employees.

FREQUENTLY ASKED QUESTIONS

I work alone. The auditor has requested payroll and tax records and because I have no employees, I have no payroll records. Is the audit still necessary? Yes. The auditor will need to verify that you work alone. To do that, they will review your Schedule C Profit and Loss and applicable tax forms.

I canceled my policy and no longer have insurance with your company. Do I need to be audited? Yes. The purpose of the audit is to review your actual business activity for the time your policy was in force. Also, state regulators require we complete audits on all workers compensation policies.

What gives you the right to look at my books and records? Your insurance policy is a legally binding contract between you and your insurance carrier. One of the conditions of that contract states, "You will let us examine and audit all of your records that relate to this policy." Policies can be canceled for failure to comply with audit.

WORKERS COMPENSATION AUDIT NON-COMPLIANCE CHARGE

The Workers Compensation Audit Non-Compliance (ANC) Charge Endorsement varies by state and is attached to all new business and renewal policies where it is used.

Per the endorsement terms, premium auditors must make at least two attempts to complete the audit. Society's premium audit department makes at least three attempts, and all attempts are documented within our audit system. Any policyholder that does not comply will be billed an additional audit surcharge in line with their state's guidelines. Current term policies can be canceled for failure to comply with policy conditions.

For more information about the variety of services and coverages Society can offer your business, call 888-5-SOCIETY or use our agent locator at societyinsurance.com to find your local independent agent.

CONTACT US



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