

Central Carolina Insurance Agency, Inc.

PREPARING FOR YOUR ANNUAL PREMIUM AUDIT

The annual premium audit determines your company's actual Workers' Compensation insurance premium for the policy period, as opposed to the estimated premium originally used on the policy. You could possibly need three types of accounting information for your audit: Payroll information for all employees, cost of subcontractors used, and proceeds information on your business.

Payroll information: You will need the payroll information for each employee. You will also need separate totals for each state an employee worked in. If you keep records for each type of job the employee performs you should report their payroll in that manner. If you are allowed to split the employee's wages into different workers compensation classes the audit department will make sure the payrolls are allocated correctly. Adjustments are also allowed for overtime paid, certain imputed income amounts and tips documented for restaurant employees.

Subcontractor costs: These are the total amounts you paid your subcontractors. These amounts are listed along with the type of work the subcontractor did and information from the certificate of insurance. If you employ subcontractors, the Workers Compensation Act holds you responsible for injuries to them and their employees unless you are furnished a certificate of insurance. Make sure you have on file certificates of insurance documenting that these people have their own Workers' Compensation insurance. Otherwise, your company may well be charged for this exposure.

Business Proceeds: Sales information is used for general liability policies for retail and manufacturing businesses. It is generally easier to include an income statement than to list sales separately, especially if you have class codes on your policy. If your gross sales include sales tax be sure to list the tax also, because taxes collected and remitted to the government are not included for insurance calculations. Returned merchandise is also not included, however discounts are included in the calculated premium.

Office and owner information for the business is very important. You should plainly indicate the name, title, earnings if a corporation, and type of work the officer does. Be sure to also list the actual tasks the owner does, rather than just a job title.

An accurate description of operations for your business is also very helpful for underwriting and helps ensure your premiums are accurate. If you include the type of business, retail or wholesale, tools and equipment used and business processes the underwriter can get a better idea about your company.

