

# How to Handle a Premium Audit without Panicking

**W**HEN YOU were first issued your policy, the carrier looked at the estimated sales figures or payroll data that you provided to them. It calculated your premiums based on this information.

Now that you have real numbers under your belt and actual experience, the information can be reassessed to determine the correct premium amount.

Depending on how your business operates and the size of your policy, there are several methods your insurance carrier can use to conduct your premium audit, including:

**1. Mail** – Your carrier will mail you an audit form and the instructions to complete it. Once completed, you return the form by mail to your carrier.

**2. Phone** – The insurer will hire an independent audit company to conduct your audit over the phone.

**3. Physical** – Your carrier will usually conduct the audit at your business, but it could be conducted at an alternative location, such as your certified public accountant’s office.

## Be prepared

The best way to handle these audits is to be prepared, and that means keeping track of certain documents and records and having them conveniently accessible so you can produce them at a moment’s notice.

The most commonly audited policies are liability and workers’ comp. The insurer will compare actual numbers from the audit to the exposure estimates made when the policy was written.

This data is then used for determining and adjusting premium amounts (either higher or lower). Information typically (though not exclusively) required includes the following:

## Liability policies

- Company sales data
- Payments made to independent contractors (insured and uninsured)
- Payroll records

## Workers’ compensation policies

- Actual employee payroll records
- Cost of independent contractors if no certificate or proof of other coverage is provided

If you are notified that you will be audited, you can make the whole process easier and less stressful and hopefully end on a positive note if you follow these tips:

## Before the auditor arrives

- Find out what the auditor will be reviewing by looking at their auditor’s work sheets and past audit billing statements.
- Determine which of your employees would be best suited

to work with the auditor. Try to choose someone who is knowledgeable about the accounting records that will be used in the audit and about what work is done by various employees and departments.

- Collect all the accounting records that will be used during the audit.
- If you use subcontractors, make sure that you have their certificates of insurance on hand. Ensure that your documentation shows all the contractors have their own general liability insurance and workers’ compensation.
- Check that your payroll documents include a breakdown of wages according to class code, department and employee.

## The day of the audit

- Make sure you have all the applicable records easily available to the auditor. You might request the audit be conducted at your business if you are concerned about having all the records accessible.
- Ask the auditor to explain any points that aren’t clear to you.
- Request a hard copy of the auditor’s findings.

## After the audit

- Carefully assess the audit billing statement, comparing it to your original policy. Discuss the findings with us for assistance and advice.
- Don’t agree to pay any additional premium dollars until after you’ve made a list of all changes and discussed any problematic areas with the auditor. ❖

