

Insurance Audit Form HELP



This is a view of the front page of the form

Audit Exposure Report Form



Fill this section out and save the form - then use again next year!

Date: <input type="text"/>		
INSURED <input type="text"/>		
INSURED ADDRESS <input type="text"/>		
CITY <input type="text"/>	STATE <input type="text"/>	ZIP <input type="text"/>
INSURANCE COMPANY <input type="text"/>	POLICY BEGINNING DATE <input type="text"/>	
POLICY NUMBER <input type="text"/>	POLICY ENDING DATE <input type="text"/>	
YOUR NAME <input type="text"/>	YOUR EMAIL <input type="text"/>	
YOUR TELEPHONE <input type="text"/>		

Top of the form has important information so we know who the insurance company is and exactly what policy year is being audited. If you save the form you will only need to do this once for every insurance company and change the policy dates each subsequent year.

YOUR NAME <input type="text"/>	YOUR EMAIL <input type="text"/>
YOUR TELEPHONE <input type="text"/>	
<p>The annual audit for your insurance policy is due. The carrier needs the information below to replace policy estimated amounts, as part of the audit. Please complete and return within 30 days. If your accountant please forward the form to the carrier. Failure to respond may result in an estimated policy estimated exposure.</p>	
DESCRIPTION OF OPERATIONS	TYPE OF BUSINESS ENTITY
<input type="text"/>	<input type="text"/>
from POLICY BEGIN DATE through POLICY END DATE	TOTAL OVERTIME
<input type="text"/>	<input type="text"/>
roll for ALL	<input type="text"/>
- active and terminated	<input type="text"/>

What does your company make or do? Contractors mention every project.

Corporation, LLC, Partnership, etc

Description of Operations for your business explains what your company sells and what the processes are. This description is very helpful for underwriting and helps ensure your class codes and premiums are accurate. Include the type of business you run, whether it is retail or wholesale, types of tools and equipment you use and the processes to deliver your product or service. If you are a contractor it is possible that every different project you worked on can have different codes – it is ideal to list all the projects or at least the ones that were different. *EXAMPLE – Last year we did 2 home construction, 1 bathroom remodel, 1 roofing job, installed some office furniture, and some job cleanup of construction materials.* Each of these projects can have a different code and different rates depending on the circumstances.

Insurance Audit Form HELP



STEP 1 GROSS PAY from Policy Begin Date until Policy End Date <input type="text"/> Total company payroll for ALL – active and terminated Best to use policy dates - use calendaryear or quarters if it is your only option Include 941 forms OR State unemployment forms for policy period	TOTAL OVERTIME <input type="text"/> TOTAL TIPS <input type="text"/>
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STEP 1 – POLICY PERIOD GROSS

Total Gross Wages = payroll information for each employee who gets a W-2. Anyone who received FICA wages during the policy period must be reported here, including active and terminated employees. It is best to use actual policy dates – although sometimes this may be impossible. If you can only get quarterly or annual information then you will have to use that – it will not be as accurate as exact period though and so could affect your final premium.

The four 941 or state UC forms nearest the policy period must be included – important for verifying accuracy. Auditor only needs page1 – they use line 5C on 941 for verification. The state UC forms have each employee’s wages shown and can be used to provide payroll details – although remember they do not show overtime so auditor will not be able to provide the overtime credit with the data on these forms. Some people provide the state UC employee list rather than using the back of the form and they make a note of employee duties right on that UC form. The 941 shows tips paid for the quarter but does not have each employee’s payroll shown so all employees will be included in the highest rated class unless the auditor knows who worked in other classes and what their wages were.

Include 941 forms OR state unemployment forms for policy period	
STEP 2 Total All Subcontractor Costs = <input type="text"/> Total Materials provided to Subs = <input type="text"/> Total Revenues = <input type="text"/>	Sub details can be added on back or attached on separate form Attach Income statement

STEP 2 – SUMMARY INFORMATION Subcontractor and Sales information

Subcontractor total captures total amount paid to all subcontractors used – both insured and not insured. You can provide individual details on back of the form or attach a list from your accounting records. *Remember:* Attach Certificates of insurance for every subcontractor so the auditor knows they are insured. If you have too many you can always ask the auditor to visit you – you always have the right to have an auditor visit and do the work for you.

Total Revenue captures the total amount your company was paid during the policy period. Remember this is gross sales NOT Net income – include the total amount your company earned. The auditor can use the income statement to verify information provided and double check their work for accuracy so please provide that also. Even for just a workers compensation policy the auditor can use an income statement to verify cash workers, subcontractors and employee wages

Insurance Audit Form HELP



STEP 3: ENTER PRINCIPALS NAMES AND TITLES, SUCH AS PRESIDENT, SOLE PROPRIETOR, LLC MEMBER			
NAME AND TITLE	TYPE OF WORK DONE	STATE	GROSS
█	█	█	█
█	█	█	█
█	█	█	█
█	█	█	█
█	█	█	█

Enter information for Owners - make sure you enter the type of work actually done and FICA / W-2 wages paid - important information. If you save the form and use again you only type once.

STEP 3 - OWNERS

Officer and Owner payroll information is needed separately from the others employees of the business since Officers and Owners are treated differently in each of the 50 states and for different types of insurance policies.

- a. Clearly indicate the Name, Title, actual type of work the officer performs, and Total W-2 Gross Wages (if business is a corporation). If business is a sole proprietor or partnership include the draw but label it DRAW because auditor will only use that draw amount for workers compensation IF the officer is included in workers compensation coverage AND the work was done in one of the few states that use actual draws as earnings. Most states use a flat amount rather than actual draw for sole proprietors and partners who are included on a policy by endorsement.
- b. Be sure and list the actual tasks the officer or owner does rather than just a job title.
- c. The only officer to list is someone who is named in a corporate resolution as an officer, so do not list appointed officers who have a title but are not formally named in the corporate resolution. Some companies have extensive appointed officers to facilitate their work with customers and the insurance audit wants to limit the officers to those who are duly elected by the board.

Insurance Audit Form HELP



STEP 4 – ENTER EMPLOYEE DETAILS								
NAME AND TITLE	RELATIONSHIP IF FAMILY	TYPE OF WORK DONE	STATE	GROSS	OVERTIME	TIPS	IRS FRINGE	SEVERANCE

Enter detail for each employee - if you save the form and use again next year you can avoid having to retype all the names. **IRS Fringe** = items IRS considers income like personal use of company car, insurance we deduct those amounts. Overtime is the most common deduction we apply, tips and severance are second most common.

STEP 4 – EMPLOYEES

Employee Payroll information is needed for each employee, with separate totals for each different state the employee worked in and each different type work that has a unique workers compensation classification code.

- a. If an employee does more than one type of job and you keep records of amounts paid for each type of work you should report the employees payroll in that manner.
- b. 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.
- c. There are adjustments allowed for overtime paid, tips documented for restaurant employees, and certain imputed income amounts. **Adjustments** are amounts that will be deducted from payroll before calculating the final premium. These adjustments are different for every state and the auditor will be familiar with what adjustments apply in what states.
Special types of earnings include:
 - d. *Overtime-the auditor will adjust the pay to deduct any overtime in excess of straight time pay*
Severance paid will be deducted from the final totals for the audit
 - e. Other common adjustments that are not included in earnings for the audit:
Auto reimbursements of actual expenses with supporting expense accounts provided
Most fringe benefits the IRS consider income
3rd party sick pay
IRS imputed income amounts such as personal use of company car included as income in gross wages
- f. In addition in California *Section 125 and 129 amounts deducted* are excluded from payroll, in all other states these amounts are included.

Report these amounts and the audit department will know how to treat the deductions.

Insurance Audit Form HELP



STEP 5 – ENTER SUBCONTRACTOR AND CASH WORKER DETAILS						
NAME	TYPE OF WORK DONE	STATE	AMOUNT PAID	INSURANCE COMPANY	POLICY NUMBER	COVERAGE DATES

Enter names and totals paid - if you provide materials to subs include those amounts.

Insurance company information is very important - be sure to enter insurance company information or send certificates of Insurance for every subcontractor.

STEP 5 – SUBCONTRACTORS AND CASH WORKERS

Cash or Casual Laborers payment information is needed because cash workers are considered an employee for workers compensation and are included in coverage from your insurance policy. These laborers are paid cash wages but no FICA or tax withholding is reported. List the same type of information as you did for the full-time and part-time employees, so the auditor will know how to include that worker for the audit.

Subcontractors are businesses that you hire to perform a service for you. True subcontractors are in business for themselves and have their own insurance to cover their operations.

a. Provide the subcontractor’s company name, the type of work they performed, the total amount you paid them during the policy term, and indicate if the cost of materials were included in the total cost paid to the subcontractor. If the subcontractor has their own insurance they are excluded for workers compensation and included for general liability coverage in a special *insured* subcontractor code, which often has much lower rates than the employee code would. A subcontractor without their own insurance coverage will be included on the audit as if they were an employee of your company. Your licensed insurance agent can explain in more detail the exposures to your business from subcontractors.

b. Provide a copy of each of the subcontractor’s certificates of insurance that covers the policy term.

c. **Certificates of insurance are required for all subcontractors, since they will be included as employees if they cannot provide proof of insurance.** All subcontractors who are in business for themselves are potential employers and should have workers compensation policies in force.

d. If subcontractors has no employees, the subcontractors receive refunds of much of the premium paid for their workers compensation policies, so there is no reason to be in business without a workers compensation policy! General liability insurance is also essential for a true business to operate, and a subcontractor who works for you without being properly insured will be included on your audit as an employee. A licensed insurance agent can explain this in more detail.

Insurance Audit Form HELP



STEP 6 – ENTER SALES INFORMATION

	Location 1	Location 3	Location 3
TOTAL REVENUES: DO NOT INCLUDE SALES TAX	■	■	■
Food sales, IF ANY	■	■	■
Liquor Sales, IF ANY	■	■	■
OTHER Sales, IF ANY	■	■	■
OTHER Sales, IF ANY	■	■	■

Include the P&L , also called and Income Statement
Auditor will use to verify payroll, cash workers, and subcontractors

STEP 6 – REVENUES

Sales/Revenue information is used for general liability policies for retail and manufacturing businesses. You can include an income statement to list sales separately if you have several class codes on your policy.

- a. **Sales tax** is not included in your final exposures, so if the **gross sales** figure you provide includes sales tax be sure to deduct the sales tax from total sales. **Sales tax** collected and remitted to the government are not included for insurance calculations.
- b. **Returned merchandise** is not included, however. You can deduct returns from the total revenues.
- a. **Discounts** are included in the calculated premium. Include discounts in total revenues

PROCESS HINTS

- 1. Create a master form which you can use every year to save you time
- 2. Assemble amounts paid to subcontractors and certificates of insurance for workers compensation and general liability for all subcontractors
- 3. Have income statement information for sales based general liability policies
- 4. Call or email any time with questions

Remember you can ask an auditor to visit and do the work for you. The mail forms are intended to make the process easier for you.

If it is better for you to have an auditor visit then you can request a visit.

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