

WORKERS' COMPENSATION

What to Expect at Audit



WHAT is Premium Audit

Workers' compensation coverage is initially priced on an estimated basis. The insured estimates payrolls (and sometimes class codes) at the beginning of the policy period for the upcoming year on which the insurance carrier charges a premium using the prescribed rates. After the close of the policy year, the insurance carrier must firm up the numbers to confirm collection of the actual premium earned for the actual exposure insured. This "firming-up" is known as the premium audit.

WHEN is Premium Audit

A Policyholder can expect to be contacted by our audit representative after the policy expires or is cancelled. Most audits are completed within 90 days of the policy expiration.



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The TREAN Method

In the world of workers' compensation, premium audits are routine and relatively quick and painless. At TREAN, our goal is to make this process as stress-free as possible, therefore we believe educating our agents and insureds on the process will allow seamless and favorable audit results at the end of a policy period.

As described on the left, workers' compensation premium is based on actual payroll, operations, and job classifications. TREAN will determine the best method to conduct your final premium audit based on the size and complexity of the business. Depending on your circumstances, there are 3 ways a premium audit may be conducted.

TYPES of Premium Audit

— Phone / Mail —

Business owners complete a form with the necessary information and return it to TREAN. An auditor will then conduct a brief telephone interview to complete the process.

— Virtual —

An auditor will request business documents and then conduct an electronic or telephone interview to complete the audit. A virtual audit provides the attention to detail and accuracy consistent with that of a physical review, without the requirement of an on-site visit. Virtual audits are conducted electronically (by phone, email, secured server) and offer more flexibility with scheduling.

— Physical —

An auditor will make an appointment for an on-site visit to conduct the audit at your business. The auditor may also observe your business operations to better confirm classification for each job function.

The type of audit you will receive generally depends on the policy premium size, the number of class codes on the policy, the type of class codes, and the number of years of coverage with TREAN.

How to PREPARE for a Premium Audit

Every year, millions of US employers are asked to provide documentation as part of their annual workers' comp premium audit. There are a number of tasks you can complete ahead of the scheduled review period to make the process a bit more manageable. If you're preparing for an upcoming premium audit, consider these 3 helpful tips:

1. Select a primary point of contact who understands the full scope of what your company does and how it's structured. Having a knowledgeable point person for these audits make the process more efficient, as that person will know what records have been provided in the past. Assigning the same employee each year also helps establish a working relationship with your carrier.

2. Gather the necessary documents ahead of time, rather than waiting for the auditor to request them during the auditing process. Locating specific documentation may take some time so it's important to collect payroll, employment and tax records before your audit. Some industries have distinct requirements, so be sure to ask your insurance representative for a complete list of what the auditor will need. Also, remember to save your documents electronically for easy reference year after year.

3. Review any publicly available information about your company, including press releases and sales data listed on your website. Auditors will largely stick to the documentation you provide, but some may look to your website for information they're unable to obtain from your contact person.



Premium Audit Documentation Requirements

The most important step in preparing for your premium audit is to have the appropriate records organized and available.

Premium Audit Documentation Checklist:

- Payroll summary or similar report for the dates of your policy
 - Must include Gross Wages, Tips, Overtime & Double Time (if applicable)
 - For California construction policies, timecards and hourly rates must be made available

**Examples by Providers:*

ADP	Paychex	QuickBooks
<input type="checkbox"/> Payroll Summary	<input type="checkbox"/> Workers' Compensation Report	<input type="checkbox"/> Payroll Summary
<input type="checkbox"/> Workers' Compensation Report	<input type="checkbox"/> Employee Earnings Records	<input type="checkbox"/> Workers' Comp Report
<input type="checkbox"/> Quarterly Wage and Tax Report		

- General Ledger
- Trial Balance and Cash Disbursement Journal
- Employers Quarterly Federal Tax Return Form 941 or 943 reports
- State Employer's Quarterly Unemployment Insurance Tax Reports (DE9C for California)
- W2 and W3 transmittals if audited period is Jan. 1 – Dec. 31
- Profit and Loss Statement
- Overtime wages summarized by classification
- List of employees with a detail job description for each
- Contractor / Subcontractor records
 - 1099 Detail Report
 - 1096 if audited period is Jan. 1 – Dec. 31
 - Federal 1099s if audited period is Jan.1 – Dec. 31
 - Certificates of Insurance
 - Must show Workers' Compensation coverage
 - Must cover the dates for the policy period or dates the work was performed (this may require multiple Certificates)

Please provide payment information for all contracted and subcontracted labor used for the audit period. Also include a detailed job description for each and specify state(s) in which the work was performed.

Please ensure payroll documents are for the correct period and include information for all employees, owners, and officers including those who are excluded or may have been terminated.