Premium Audit Basics



	Premium Audit Basics
Agenda	
	Basic Terms
2	Purpose of an Audit
3	Premium Basis
4	Types of Audits

Basic Terms

- Premium
 - Cost of the policy
- Calculation of premium
 - Total amount of compensation/payroll x the rate for classification code

• TexasMutual"

Audit

WORK SAFE, TEXAS"

 An examination and verification of payroll accounts & records

Purpose of Audit

- · Initial policy premium is an estimate of payroll
- · Final premium is adjustable based on actual payroll
- Audit determines actual final premium



• TexasMutual"

Part Five- Premium

– G. Audit

WORK SAFE, TEXAS"

• Includes provision for the carriers right to conduct premium audits and the insured's obligation to provide the necessary information.

Part Six- Conditions

- A. Inspections
 - Includes provision for the carriers right to inspect your workplaces. TexasMutual

WORK SAFE, TEXAS"

Premium Basis

- Payroll
 - Money or substitutes for money
 - All forms of payments in exchange for services
 - Specific inclusions and exclusions



WORK SAFE, TEXAS"

Premium Basis

- Classification
 - Classifying payroll accurately
 - Assignment of one basic classification that reflects common exposure to loss
 - Business is classified, not individual operations
 - Some exceptions per Basic Manual

Types of Audits

TexasMutual

Online Audits

- Notification letter with information
- Sign-on to secure system
- Provide information about operations
- Provide payroll
- Audit electronically transmitted
- · Final audit results mailed to insured

Audit Scheduling

- Contact from audit appointment coordinator
- Scheduled as conveniently as possible
- Confirmation letter sent once appointment made
- Inability to secure an appointment could result in a cancellation

Telephone Audits

- Conducted via call between auditor and designated policyholder contact
- Supporting documentation may be requested



Physical Audits

- Conducted at insured premises or other designated site
- May include inspection



Final Audit Information

- Description of business operations
- Payroll report showing
 - Employee name
 - Total gross payroll with applicable deductions
 - Brief description of job
- State Unemployment Tax or Federal 941 quarterly report

Final Audit Information

- Summary list of all subcontractors (including temp employment or PEOs) with total amount paid
- Certificates of insurance evidencing coverage for subcontractors
- Profit and Loss or Income Statement
 - Verifies operations, payroll, subcontractor payments

Final Audit Additional Information

- Additional copies of information that may be required:
 - General ledger
 - Contracts
 - Work orders/invoices for subcontractors
 - Check registers
 - Income tax reports

Final Audit Results

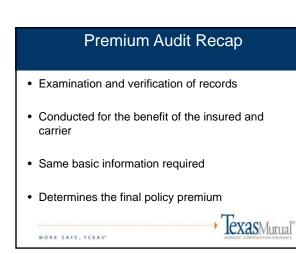
Telephone/Physical Audits

- Exit interview with auditor
- Recap of operations and classifications
- Projected premium impact- indication only of estimated return or additional premium
- All audits are subject to final corporate review

• TexasMutual"

- Final audit statement mailed

WORK SAFE, TEXAS"





Thank you!

Check the Texas Mutual website to see a list of upcoming seminars and webinars.

