

The following information explains what is meant by "*Subject to Audit.*" It is also meant to:

1. Eliminate confusion and anxiety from the premium audit process
2. Save you time when completing the audit
3. Help you provide information that will minimize your premium charges

What is an insurance premium audit?

A premium audit is a report of the findings from an examination of the insured's operation, records and books of account to determine the actual insurance exposures for the coverages provided.

When the policy is written, it is based on estimated information and a premium charge is made on this estimated exposure. Once your policy expires, an audit is conducted and premium adjustments are then determined by comparing the audited exposures and operations with those originally estimated when the policy was issued.

Note:

Interim audits and verification of classifications and payroll are available if requested.

Why is an audit necessary?

An audit is necessary to determine the correct exposure or premium base for the insurance coverage afforded. If necessary, an adjustment will be made to the premium that was estimated when your policy was issued.

When is an audit necessary?

An audit is necessary after the expiration of a policy which has a variable premium base. Examples of coverages subject to audit:

- Workers' Compensation
- General Liability
 - Premises/Operations Liability
 - Products-Completed Operations
 - Independent Contractors
 - Contractors' Liability
- Garage Liability
- Automobile Liability

Who will make the audit?

A Premium Auditor from Heritage will contact you by postcard or phone call shortly after your policy expires to set up an appointment. If you must change a scheduled appointment, please advise our office or the Auditor as soon as possible.

Most audits take less than two hours, depending on the type and size of your operation and records available.

What records will be needed?

The Premium Auditor will examine and audit all your records that related to your policy.

The records needed will vary depending on the type of coverage you have. In most cases, the Premium Auditor will be able to obtain the necessary audit data from two or more of the following records:

- a. Payroll Journals
- b. Sales Journals
- c. Certificates of Insurance
- d. 941 Quarterly Tax Report
- e. Unemployment Report
- f. Individual Earnings Records
- g. Vehicle Titles, Registrations or Ownership Tax Receipts

In the course of the audit, the Auditor may also ask some questions about your records and personally observe the various operations of your business.

Automated records

If your records are automated, or if you plan to automate them in the near future, you can obtain maximum benefits by setting up your records to include insurance requirements.

Our Premium Auditor will be pleased to advise you on setting up your records. Contact your agent to arrange.

How to keep records

Often there are allowable credits according to insurance manual classification and rating rules. The Premium Auditor will be able to give you the credits to which you are entitled, if your records provide the necessary details.

Gross payroll and overtime should be totaled by employee or allocated by type of work performed.

Gross sales should be totaled by month and assigned to various categories.

Many of the premiums for your insurance are based on payroll, which is defined as total remuneration for services performed by an employee. Remuneration, in most states, means money or substitutes for money and includes:

- Wages and Salaries
- Commissions
- Bonuses
- Overtime Pay
- Holiday, Vacation and Sick Pay
- Profit Sharing Plans
- Employee Contributions to 401-k plans and Sec. 125 plans
- Value of Board/Lodging