

What is an Insurance Premium Audit?

- An insurance premium audit is part of your insurance policy contract and its primary purpose is to properly develop the exposures (these are usually payroll, sales, gallons, etc.) and also to confirm the classifications used on your policy accurately reflect the operations of your business.
- The audit is conducted in accordance with manual underwriting rules or state regulations. The information developed will ultimately determine your final premium and ensures you pay only the appropriate premium.

When is a Premium Audit performed?

It is usually performed within 90 days after your policy has expired or been cancelled. It may also be done prior to the policy being written (pre-audit) or during the policy term (interim audit). A pre-audit or interim audit is used to validate the accuracy of estimated exposures.

How will my Premium Audit be conducted?

Berkley Southwest will determine the best method to conduct your premium audit based upon the size and complexity of your business operations. We use three different methods of conducting premium audits:

- A physical visit to your business premises to review actual records and operations.
- A telephone audit, after receiving certain information requested from you in advance of the audit. The information provided will be verified over the phone.
- A mail audit where you will be asked to complete and return a form we send to you, along with supporting documents.

Who will conduct my Premium Audit?

An auditor representing the company will perform your premium audit.

For physical audits, you should always be contacted by letter and your appointment should be confirmed by phone. At audit, you will be requested to provide certain records.

How do I prepare for my Audit?

The best thing you can do is be sure your records are complete and well organized prior to the audit. This will reduce the time it takes and allow the auditor to complete the process smoothly. Advance preparation will help the auditor quickly find the information needed to properly complete the audit and will also require less of your time for questions and/or clarifications during the actual audit.

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For more information, contact your local branch office.
www.berkleysouthwest.com

How do I prepare for my Audit? (Continued)

Request Certificates of Insurance from your Subcontractors

Always require any subcontractors working for you to provide current Certificates of Insurance. This critical piece of information will allow the auditor to place your insured subcontractors into the appropriate class.

Organize your payroll records

Payroll records used for an audit should be organized to clearly show payroll by:

- Policy period
- Classification code (List each type of job separately, i.e. clerical, sales, etc.)
- Separate overtime from regular pay

Your Gross Payroll

Gross payroll is the amount of payroll prior to any deductions. It includes items such as a 401(k) or cafeteria-style plan which may reduce the employee's taxable income. Payroll for worker's compensation or general liability purposes may not be the same as payroll reported for tax purposes.

Examples of items commonly included in the payroll basis for the audit are:

- Wages and salaries
- Bonuses and Stock Bonus plans
- Vacation, Holiday, and Sick pay
- Commissions
- Profit sharing
- Payment for piece work
- Salary Reduction plans, Savings plans, Retirement or Cafeteria plans
- Substitutes for money which may include goods, board and lodging, meals, and the reasonable cash value of any non-cash item used as payment of wages.

Examples of items not commonly included in the payroll basis for the audit are:

- Tips
- Severance pay
- Premium Overtime (any pay over the normal hourly wage)
- Exercised stock options

Other documents we may review

- Monthly Sales Tax Return, if applicable
- Monthly and Annual Profit and Loss Statements
- Recent IRS Business Tax Filings

Be available for questions

An authorized employee of the business (normally an owner or officer) should be available to speak with the auditor to answer questions and review the results of the premium audit. A thorough exit interview is essential so that you and the auditor have a full understanding of the audit findings. The auditor will also be able to answer any audit questions at that time.

Your Audit results

You will receive a Final Audit Statement from us within two weeks of the audit completion.

Confidentiality is important, so details on the audit worksheets are released only to the policyholder directly. **If you have any questions with the audit findings, please contact your agent or the Berkley Premium Audit department at 866-957-3134 or BPWestAudit@wrberkley.com.**