



Premium Audit

A Reference Guide to
Prepare for Your
Amynta Work Comp
Solutions' Premium
Audit

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What is a Premium Audit?

The purpose of a premium audit is to verify information necessary to calculate an insured's final premium for a specific policy term. When a policy is initially issued or renewed, the premium for the policy term is estimated based on anticipated exposure (usually payroll) multiplied by a rate factor.

The premium audit process involves an examination of the customer's records to establish the actual exposure and to make sure the correct classification codes and rates are used in determining the final premium. Because the original premium was an estimate, the audit may result in a change of premium and/or classifications for the business. Typically, the audit will generate either a bill or a refund.

A premium audit may be done after the policy term expires or after the policy is canceled. Most states require insurance companies to audit their policies to make sure your coverage and premium match.

Premium Auditor

The role of the auditor is to review the results of the audit against the estimated totals. The audit is only the initial step in determining premium. Auditors do not have the information or payment history available to confirm whether there will be "additional" or "return" premium.

Types of Audits

Field Audit - A physical audit is an on-site review of the business records by a AWCS representative. If your business records are located at an address other than your policy address, such as an accountant, you will need to notify the auditor.

Virtual/Telephone/Mail-in Audit - The customer may be asked to complete an audit by, telephone, fax, email, mail, or download of documents into a secured website. Supporting records, such as payroll records and copies of the business' quarterly tax reports, will be required.

Information Requested at Time of Audit

General Information

- Description of company operations
- Officers'/Owners' names, titles, and percentage of shares/ownership
- Employee names, titles, and job duties
- Number of employees at each location

Payroll Information

- Gross pay, including bonuses, commissions, holiday pay, sick pay, vacation pay, and all pretax amounts
- Pretax/Section 125 amounts, 401 K
- Overtime pay shown separately

Tax Information to Verify Payroll/Sales Records

- Forms 940, 941, 943, 1096, 1099, 1120, 1040C, W-2, W-3
- Income tax return- Schedule C

Verification Information

- 4 Quarterly 941 reports or state unemployment quarterly reports for the 4 quarters that most closely match the policy period.

Subcontractor/Independent Contractors Information

- Subcontractor name, work state, type of work performed, total contract cost including materials & labor
- Certificate of Insurance – Workers' Compensation
- 1099 Summary

Premium Audit Checklist

To assist in gathering the necessary records for a premium audit, please refer to the checklist below.

Note: All may not be applicable.

- ☐ Payroll Records (Journals, Registers)
- ☐ Employee Earnings Records
- ☐ Payroll Breakdowns (Overtime/Class)
- ☐ State Unemployment Quarterly - SUI
- ☐ Forms 940, 941 and 943
- ☐ Forms W-2 and W-3
- ☐ Forms 1096, 1099, 1040C and 1120
- ☐ Federal Income Tax Return
- ☐ List of Officers & Clerical Employees
- ☐ Timecards showing start and stop times for Construction Policies – *only if requested*
- ☐ Certificates of Insurance for Subcontractors – WC
- ☐ Certified Payrolls on OCIP/CCIP Jobs
- ☐ Bank Statements with Cancelled Checks - *only if requested*
- ☐ Profit & Loss Statement

Payroll Inclusions/Exclusions for Workers' Compensation

The price of your Workers' Compensation policy reflects the total payroll and type of work performed. Below is a list of what should be included or excluded from the payroll per state rules.

Common inclusions

- Gross wages/salaries
- Overtime (straight time)
- Bonuses
- Commissions
- Holiday/vacation pay

Common exclusions

- Tips/Gratuities
- Overtime (amount in excess of straight time)
- Severance pay
- Reimbursements for cell phone, mileage, meals, tuition, or lodging

Other inclusions - These are not common to most businesses but may apply to you

- Davis-Bacon wages
- Employee pre-tax contributions to retirement plans, savings plans and healthy savings accounts
- Incentive pay plan
- Lodging (only shown in payroll records)
- Meals (only shown in payroll records)
- Merchandise credits/certificates as part of pay
- Payment for filming commercials
- Per Diem payments
- Piecework
- Profit sharing
- Rental value of an apartment/house
- Stock (shares of corporate stock given to you)
- Tool allowance

Other exclusions - These are not common to most businesses but may apply to you

- Active military duty
- Auto allowance (business purpose)
- Davis-Bacon wages that are paid into a third-party trust
- Employee discounts good purchased from employer
- Employer-provided perks
- Group insurance (employer cost)
- Group pension plans (employer cost)
- Health/Country Club dues (employer cost)
- Life Insurance premiums (over \$50,000)
- Moving expenses (employer paid)
- Special rewards for individual inventions or discoveries
- Stock options (the option to purchase shares)
- Dinner money for late work
- Third-party sick pay (example short/long term disability)
- Work uniform allowance

Workers' Compensation Audit Dispute

In the event you dispute the results of your Workers' Compensation audit, the formal request must be submitted to AWCS within **30 days of the original audit invoice**.

Notifying the agent or AWCS that you want to dispute your audit or plan to dispute your audit **is not sufficient information to constitute a formal audit dispute**. If the dispute notice is not supported or vague, the audit will be reviewed for accuracy based on the information contained in the audit but will not qualify for a billing hold.

Insureds are allowed one (1) audit revision per policy period. While the prior term audit dispute is under review, you must continue to submit payments due on the current policy term to maintain coverage and avoid cancellation.

Any cancellation procedures, billing, or collections on final audits will remain in effect and move forward until we received information to warrant a dispute.

To File a Formal Workers' Compensation Audit Dispute:

- Complete the [Audit Dispute Form](#)
- Your explanation must include:
 - Basis of Dispute
 - Detailed explanation of why you believe the information on the audit is incorrect
- You must provide documents to support your dispute.
 - Copies of original financial and/or other records that support the discrepancy must cover all disputed information.
 - Spreadsheets outlining the disputed information may be included but would not be considered proper legal proof.
- Send audit dispute form and supporting documentation to AWCSaudits@amyntagroup.com

Filing a Formal Workers' Compensation Audit Dispute with All Supporting Documentation Will:

- Place on hold any cancellation procedures, billing, or collections for the premium in dispute
- Place on hold any endorsements or changes to your current year's policy until the dispute is settled

Subcontractors

You must obtain Workers' Compensation certificates of insurance (COI) for all subcontractors retained. If a Workers' Compensation COI from a subcontractor is not provided, the subcontractor may be considered an employee for premium audit purposes, and a corresponding premium will be charged. Uninsured subcontractors covered under the policy are classified based on the classifications that would apply if the work were performed by employees. The premium for uninsured subcontractors can be substantial, and proof of insurance should be obtained and verified from subcontractors prior to using their services.

Note: General Liability Certificate of Insurance does not exclude the Subcontractor from being charged.

Construction Classifications

Some construction classifications are dual-wage classifications. A division of payroll must be maintained. The policy might allow a split of an employee's wages between different types of construction jobs by keeping accurate timecards. With this breakdown, the use of more than one class code may be allowed. This would also apply if the employees are paid by piece work or salary, records of start and stop times and number of hours worked are needed to qualify for the lower-rated dual-wage class code.

Note: Standard exception codes do not allow interchange of labor.

Without this breakdown, State Manual rules require all wages be included in the highest-rated class that applies to any portion of the employee's work. Payroll may not be divided by means of percentages, averages, estimates, or any basis other than specific time records.

Examples of Common Audit Issues

Officer exclusions: Officers of corporations are automatically included for Workers' Compensation insurance coverage unless eligible for exclusion and an endorsement is on file to exclude them from coverage.

Subcontractors & Independent Contractors: Most states require the employer to provide Workers' Compensation insurance coverage for uninsured contractors and subcontractors hired. To avoid being charged premium for these contractors, the insured must provide proof of a valid Workers' Compensation insurance policy issued to the contractor or proof of their exemption from state law.

Standard Exception Classification Code-8810:

Clerical - The duties of clerical office employees must be limited to general office work and located in an area that is physically separated from all other work areas and operations of the business. No payroll division is allowed between clerical and any other classification. Any classification that contains phraseology specifically including clerical employees will prevent the assignment of the 8810 classification.

Standard Exception Classification Code-8742:

Salesperson Outside - The duties of outside sales employees must be limited to solicitation, collection activities, or meeting with clients outside the office. The balance of their time can be spent in the office performing clerical duties. No payroll division is allowed between outside salesperson and any other classification. If they have duties of any other nature, they will be classified accordingly and would not qualify for classification 8742.

Helpful Hints

- Have the proper person available during a physical, remote, or phone audit to provide records and answer the auditor's questions.
- Properly summarize overtime paid to individual employees and organize it by type of job.
- Construction companies should keep track of time and payroll for different types of work. Dual-wage classifications (a classification that requires the regular hourly wage to equal or exceed a specified amount) require timecard verification.
- Obtain Workers' Compensation COI for subcontractors or independent contractors.
- Identify individuals who perform specific job functions (clerical duties, outside sales, or drivers).
- Keep a record of tips for restaurant employees.
- Large payroll changes should be reported to your broker or underwriter as they occur. Estimated payroll can be changed during the policy period and any additional premium may be spread over several installments. Reporting changes will keep the policy in line with the actual payroll figures and avoid large differences at time of audit.

Frequently Asked Questions

- ***What is the reason for the audit?***
 - Your Workers' Compensation coverage was based on estimated payroll. When your policy expires, we conduct an audit to gather the actual payroll by classification for the audit period and make the appropriate adjustments to calculate a final audit premium (this may result in an additional balance due, a refund, or potential changes to your current policy).
- ***What happens if I do not comply with a Premium Audit?***
 - An audit is required under the terms of the policy. Failure to cooperate may result in the cancellation of your insurance coverage. AWCS will increase your final audit premium 25% or more based on the approved Audit Noncompliance charge for the state listed in 3A of your policy.
- ***What is an audit noncompliance charge (ANC)?***
 - To comply with state bureaus and the National Council on Compensation (NCCI), AWCS applies an audit noncompliance charge if a policyholder does not comply with the request for a premium audit.
- ***If a customer works alone, has no employees and no payroll records, is the audit still necessary?***
 - Yes. The auditor will need documentation to verify that information and may also look at disbursement records, bank statements, cancelled checks, or income tax returns. The auditor will also review information relative to any sub-contractors used during the policy period.
- ***What if I pay my employees in cash?***
 - If you pay your employees in cash instead of payroll checks, a log of the cash payments, the hours worked, the dates paid, the amounts paid, and the first and last name of each employee must be kept. Otherwise, all cash withdrawals on your check register may be included for computing Workers' Compensation premium.
- ***What gives the company the right to audit books and records?***
 - The policy contract allows the company to examine and audit records that relate to the policy. Customers receive additional notifications about premium audits through various inserts and letters, both when the policy is originally written and at renewal.

- ***What happens after the audit is completed?***
 - The insured may ask for a copy of the audit worksheet upon completion. Once complete, the audit is sent for review and final billing. AWCS will send a final audit statement with the payroll exposures gathered from the audit and premium calculated.
- ***Why is a subcontracted included on my Workers' Compensation audit when a general liability COI was provided?***
 - General liability insurance does not provide Workers' Compensation coverage. General liability coverage is just one factor that can be taken into consideration when determining independence.
- ***As an excluded officer/partner/owner, do I need to report gross wages?***
 - Yes, total gross wages need to be reported for all employees, including excluded individuals.
- ***Are payments reported on 1099's subject to premium?***
 - Payments to uninsured and/or unlicensed workers reported on 1099's may be subject to premium and included in the audit as payroll. Determination is made on a case-by-case basis. The auditor may require additional information to assist in that determination.
- ***Is an audit still required when a policy has been cancelled?***
 - Yes. The purpose of the audit is to verify actual payroll to use in the final calculation of premium during the time the policy was in force.
- ***Is an audit still required if my policy is written as a Monthly Self Reporter?***
 - Yes. At the end of the policy period a final audit is required to ensure that the payroll reported each month matches with the insured's annual and/or quarterly payroll reports and to verify that no employees were misclassified into an incorrect class code.
- ***How are owners classified in an audit?***
 - Owners, officers, partners, and manager/members may be able to elect exclusion under the policy depending on the type of entity insured. If owners, officers, partners, and members are covered under the policy, their wages will be included at either a fixed amount or an actual amount (subject to a minimum and maximum). Owners are classified according to their actual duties. A description of each person's duties must be provided.

- ***How can I get a copy of the audit documents?***
 - An insured may request a copy of the completed audit in writing by sending an email to AWCSaudits@amyntagroup.com or contact our Premium Audit department at (877) 388-2272 Option 2.
- ***Is overtime included in the audit, and if so, how do we calculate the payroll?***
 - Yes, we do include overtime in the audit if it is reported. We include two-thirds of the overtime payroll to determine the amount of straight-time payroll. The same would hold true with double time. We include half of the double-time payroll to come up with the amount of straight-time payroll.
- ***Are payments made to family members subject to premium?***
 - Yes, as employees, family members are entitled to Workers' Compensation benefits. Special rules apply to family members living in the main household while working on a family-owned farm.
- ***What is considered as gross wages?***
 - Total pay received by all employees (including active as well as terminated employees for the policy period) for all covered entities including, but not limited to bonuses, holiday, vacation and sick pay, as well as extra pay for overtime and pre-tax deductions for health insurance, 401K and other cafeteria plans.
- ***Can I use the same records for my Workers' Compensation Audit as I did for my General Liability Audit?***
 - Yes. Only if it is the same policy period and based on payroll.

Audit Vendors

When a physical audit is required, the following is a list of Audit Vendors AWCS is partnered with to complete your annual Workers' Compensation Audit.

Please note: we have provided a sample email address using the name John Smith for each vendor to create ease of identifying a valid email address from the vendors.

ECAP of NC, LLC

- P.O. Box 15068
 - Wilmington, NC 28408
- Email- john.s@ECAPofNC.com
- Phone- (910) 833 8377

Team Hutch Premium Audit

- P.O. Box 1354
 - Monrow, GA 30655
- Email- john@goteamhutch.com
- Phone- (855) 504 8824

Mountain Creek Solutions

- 1165 National Pike East
- Uniontown, PA 15401
 - Email- john@mountaincreeksolutions.com
 - (888) 344 2874

AWCS Premium Audit Team

The in-house Audit Team handles all Virtual, Self-audit and Phone audits, audit disputes, and audits that are reopened after noncompliance. The AWCS Auditors are available to assist with any questions during the completion of the audit even when working with an outside Premium Auditor.

Premium Audit Manager- Kevin Williams

- kevin.williams@amyntagroup.com
- (984) 304 7715

Senior Premium Auditor- Doug Doak

- doug.doak@amyntagroup.com
- (919) 218 1541

Senior Premium Auditor- Kristy Rae

- kristy.rae@amyntagroup.com
- (803) 693 2827

Audit Reviewer- Adorothy Bartolome

- AWCSaudits@amyntagroup.com

Audit Reviewer- Charlzenson Ongtangco

- AWCSaudits@amyntagroup.com

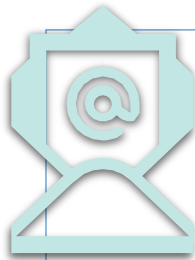
AWCS Premium Audit Contacts

Always include Policy Number and Policy Holder's name in all correspondence.



Telephone Numbers

- (984) 304 7533
- (877) 388-2272 option 2



Email Address

- AWCSaudits@amyntagroup.com



Fax Number

- (877) 928 4222
- ATTN: Premium Audit Department



Mailing Address

- Amynta Work Comp Solutions
- Attn: Premium Audit Department
- PO Box 97728
- Raleigh, NC 27624