

Preparing for an Insurance Audit...

National Ornamental & Miscellaneous Metals Association



Middleton & Company
Insurance

*“How you make your money is YOUR business.
How you protect it, is OUR business!”*

Reducing Your Insurance Premiums and Headaches

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Workers Compensation & General Liability Policies



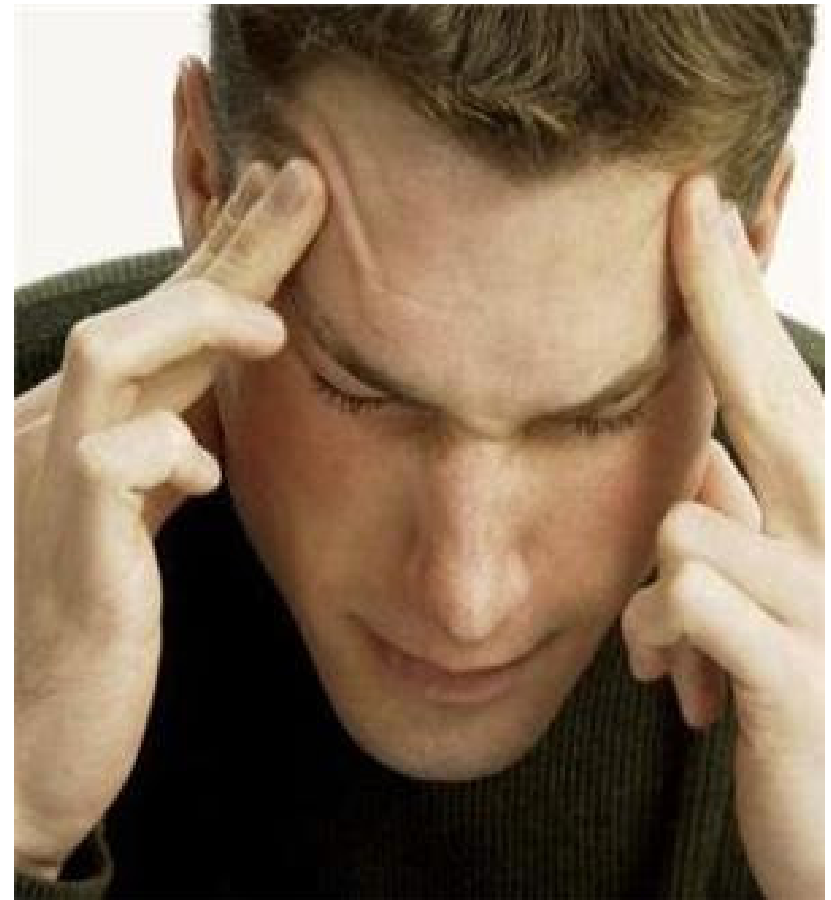
All Workers Compensation and most General Liability policies are subject to audit.

- Audits are performed 30 – 45 days after the policy has expired.
- Based on **estimated** annual exposures (payroll, remunerations, total costs, gross sales, etc.) for each classification
- After the policy period expires, the insurance company auditor will confirm your **actual** exposures.
- Too Low = Additional Premium (Charge)
- Too High = Return Premium (Refund)
- Unless it's a fully earned minimum premium policy

Audits = Headaches, Unless Prepared Correctly

What is the Auditor looking for?

- Auditors determine actual exposures (Payroll, Sales or Costs) for the annual policy period – 12 months
- **Check that All necessary classifications are listed.**
 - ☞ If not, he may recommend that another classification be added.
 - ☞ Could be to your benefit, however, many times its not.
 - ☞ Remember Auditor works for Insurance company.



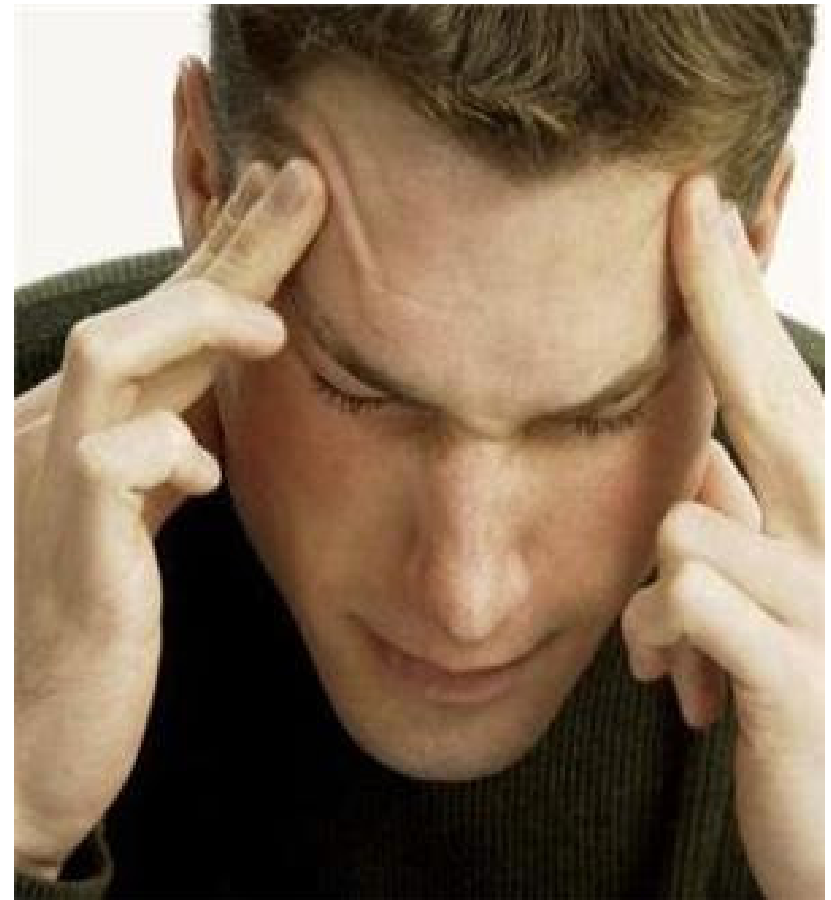
Audits = Headaches , Unless Prepared Correctly

Preparation of your records reduces the Auditor's time

- Reviewing your records
- Asking about your operations
- Checking the details of each employee's job functions

Audits prepared correctly require:

- Records that delineate without ambiguity
 - ☞ Company
 - ☞ Employee
 - ☞ Overtime Pay
 - ☞ Subcontractor Costs paid
 - ☞ Certificates of Ins. – GL & WC
- Ambiguity will usually not be to your favor.



Items to Review and Prepare



Items that should be prepared for the auditor and reviewed with your Insurance agent prior to your audit.

- Payroll records
- Classify each employee using class title
 - ⌘ Most appropriate employee classification
 - Use spreadsheet
 - Segregate Overtime Pay
 - ⌘ Only straight pay is chargeable
 - Have 941 and/or WR-30 reports available
 - ⌘ 4 quarters closest to your policy period
 - ⌘ Must closely equal employee payroll records

Items to Review and Prepare



Items that should be prepared for the auditor and reviewed with your Insurance agent prior to your audit.

If you use Subcontractors:

- Obtain Certificates of Insurance for all Subs
- General Liability Limits
 - ⊗ Get added on as “Additional Insured”
AND
 - ⊗ Make Subcontractor sign Hold Harmless Agreement in your favor.
- Workers Compensation
 - ⊗ Proprietors, Partnerships, and LLC’s should include owners as covered individuals.

Items to Review and Prepare



- ⑩ Subcontractors are rated on Total Costs
 - General Ledger lists all subcontractors
 - Recommend using spreadsheet
- ⑩ Prior to the Auditor leaving, ask the auditor for a copy of the audit worksheet.

ASK THE AUDITOR FOR A COPY OF THE AUDIT WORKSHEET!

Be Prepared.

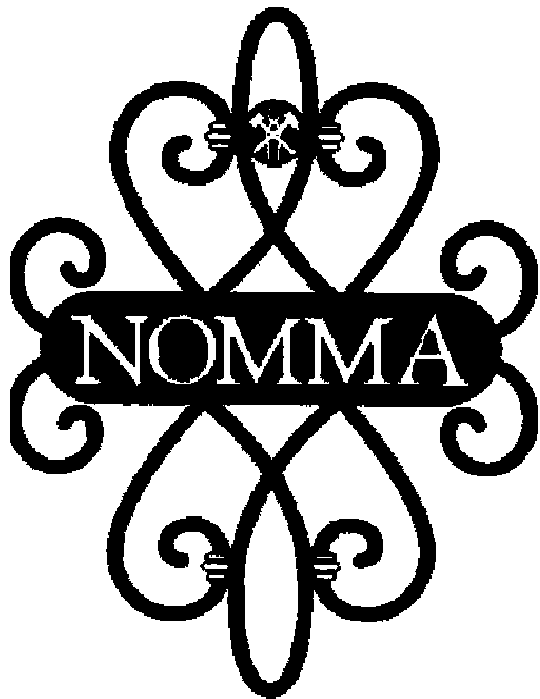
If you make the Auditor's job easy, you will both benefit.

Don't let your audit opportunity go to waste.



Thank you for your time.

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