



Workers' Compensation Premium Audits- Avoid Sticker Shock
CONNECTING·THE·DOTS

<p align="center">How Your Premium is Calculated?</p>	<p>Unlike other insurance policies, your workers' compensation premium is not a set price and is subject to end of the year adjustments. Make sure you understand how the pricing works so you can charge the full cost of your workers' comp to the correct fiscal year and/or contracts.</p> <p>Each workers' comp carrier handles premium collection differently but simply stated, your annual payroll is estimated at the beginning of the year and then applied to your class code rates. This calculation generates your "Projected Premium". At the end of the year, the carrier applies your class code rates to your <u>actual</u> payroll. If you're lucky, your Projected Premium payroll was higher than your actual payroll and you'll get a refund from your carrier. If you're not so lucky, your actual payroll came in higher than expected and you'll owe premium to the carrier.</p> <p>It's important to pay attention to this end-of-the-year adjustment bill (usually called "audit billing or invoice"). If not paid promptly, the carrier will cancel your current policy and you won't be reinstated until both your past due and current due are paid in full.</p> <p>If you don't understand your audit bill or don't think you owe it, contact your insurance agent. S/he should be able to help you understand the charge and possibly appeal the bill with the carrier.</p>
<p align="center">Short Term Solution:</p>	<p>Before your contract(s) or fiscal year ends, do your own simple comp audit. You probably have a pretty good idea of what your salaries are going to be by the end of your contracts. Compare figures to the payroll estimates given to your workers' comp carrier for your current policy. Are they in the same ballpark?</p>

This factsheet is a general overview of Workers' Compensation audits and should not be construed as legal advice. In no event will we be liable for any damages whatsoever resulting from use of this material.

<p style="text-align: center;">Short Term Solution (Continued)</p>	<p>If it looks like your actual payroll is going to be higher than projected payroll, you should roll up your sleeves and do a new projection.</p> <p>Create an accounts payable for the additional premium so you can charge the correct contract and fiscal period. When the audit bill eventually comes from your carrier, you'll be able to pay it from your accounts payable. Not only will you have set aside the money and it won't come as a surprise, you'll also have charged the correct contract and fiscal period.</p> <p>Don't know the payroll projection used for your premium? Ask your insurance agent - s/he should be able to easily give you that information.</p>
<p style="text-align: center;">Long Term Solution:</p>	<p>You may be fortunate and have a policy where you make payments to your carrier based on actual payroll costs as they occur. If you're on this type of policy, you don't need to do any special accounting. You shouldn't be surprised at the end of a year because you've been "paying as you go".</p> <p>But if your payments are based on estimated payroll, your best solution is to calculate your workers' comp costs (actual payroll x class code rates) each month. If that calculation is higher than what you're paying your carrier, place the difference into an accounts payable fund. You'll be able to charge your contracts/grants both the amount you paid to the carrier as well as the amount charged to the accounts payable. At the end of the year when the audit bill arrives, you'll pay it from the accounts payable. No surprises and no problems with closed contracts and grants.</p>
<p style="text-align: center;">Where to go if you have questions?</p>	<p>Use our free helpline 888.565.1326 help@1connectinsurance.com</p>

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