

What Is An Audit?



Definition

- According to Webster's Dictionary, an auditor is, "a person authorized to examine and verify accounts"



Why do we audit?

- Insureds (the companies or individuals who need the insurance) provide an estimate of their business exposure at policy inception.
- When a policy is canceled and/or expires/renews annually, the audit is conducted to compare the estimated exposure to the actual exposure.
- If the Insured did not estimate high enough, they could receive an additional premium bill.
- If the Insured overestimated, they could receive a policy credit.

Are Audits Required?

- Audits are generally what we call a “condition of policy.” Meaning: When the Insured takes out the policy and signs the policy endorsement to put the policy in force, they agree to any ordered audit.
- If an Insured fails to comply with a required audit, they are risking an estimated audit with automatic premium increase and/or policy cancellation.

Audit Types

- For the purposes of Insurance Auditing, we primarily audit two types:
 - Workers Compensation
 - General Liability

Workers Compensation

- Insurance which protects employees or anyone who provides labor assistance to an employer against injury, harm, and/or financial hardship related to their work duties.

Sample WC Audit Request



Insurance Carrier

Policy Number

EMPLOYERS MUTUAL CASUALTY COMPANY
LANSING BRANCH

Policy Number
5 H 6 - 6 7 - 5 4---20

PREMIUM AUDIT REQUISITION

Name

Insured Name

TURN-KEY SOLUTIONS, INC
3550 WALKER AVE NW
WALKER, MI 49544-9776

Agent Information

OLIVIER-VAN DYK INSURANCE
AGENCY, INC.
2780 44TH ST SW
WYOMING, MI 49519-4108

Agent: AE-4573
Agent Phone: 616-454-0800

Direct Bill

Audit Type

Workers Compensation

Policy Period

Physical Audit

Policy Period: 04/21/19 to 04/21/20

Audit Period: 04/21/19 to 04/21/20

Sample WC Payroll Request

Policy Number	Policy Type	Estimated Premium	Inception Date	Expiration Date	Cancel- Policy Period	ARD	Audit Period Start Date	Audit Period End Date
WWC3419635	WC	29,513	04/25/2019	04/25/2020			04/25/2019	04/25/2020

Entity Number	Location Number	State	Location Description
1	1	VA	14213 Forbes Pl Gainesville, VA 20155
1	2	VA	3 Oak Road Stafford, VA 22556

Officer/Owner/ Partner Name	Title	Class Code	Class Description	Include/Exclude
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Entity Number	Location Number	State	Class- SecID	Class Codes	Class Description	Estimated Exposure	Basis	Rate
1	1	VA	8810-00	04/25/2019 01/01/2020	Clerical Office Employees NOC	20,580	payroll	0.13
1	1	VA	8810-00	01/01/2020 04/25/2020	Clerical Office Employees NOC	9,420	payroll	0.13
1	1	VA	9015-07	04/25/2019 01/01/2020	Swimming Pool—Public— Operation	773,335	payroll	2.53
1	1	VA	9015-07	01/01/2020 04/25/2020	Swimming Pool—Public— Operation	353,976	payroll	2.53

General Liability

- Insurance which protects customers and/or the end user from harm due to the business' error with respect to a product or service they provide.

Sample GL Audit Request



Insurance Carrier

EMPLOYERS MUTUAL CASUALTY COMPANY
LANSING BRANCH

Policy Number

Policy Number
5 D 6 - 6 7 - 5 4 ---20

PREMIUM AUDIT REQUISITION

Named Insu

Insured Name

TURN-KEY SOLUTIONS, INC
3550 WALKER AVE NW
WALKER, MI 49544-9776

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Agent Information

OLIVIER-VAN DYK INSURANCE
AGENCY, INC.
2780 44TH ST SW
WYOMING, MI 49519-4108

Agent: AE-4573
Agent Phone: 616-454-0800

Direct Bill

Audit Type

General Liability

Policy Period

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Policy Period: 04/21/19 to 04/21/20

Audit Period: 04/21/19 to 04/21/20

Sample GL Payroll Request



Insurance Carrier

Policy Number

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EMC PROPERTY & CASUALTY COMPAN
 TMI COMPRESSED AIR SYSTEMS INC
 POLICY NO: 4D8-37-85---19
 EXP DATE: 11/05/18 EXP DATE: 11/05/19
 STATUS AS OF *****
 G E N E R A L L I A B I L I T Y S C H E D U L E
 (C O N T I N U E D)

CODE NO./EXPOSURE/CLASS	PRODUCTS/COMPL OPS	ADVANCE PREM	ALL OTHER	ADVANCE PREM
Class Code	Rate	Rate	Rate	Rate
97223	1.308!	\$ 0!	1.668!	\$ 0
MACHINERY OR EQUIPMENT - INSTALLATION, SERVICING OR REPAIR - NOC	!	!	!	!
PREMIUM BASIS: THOUSANDS OF PAYROLL	!	!	!	!
EXPOSURE: IF ANY (SUBLINE 336/334)	!	!	!	!
\$ 500 DEDUCTIBLE APPLIES TO PD PER CLAIM FOR OTHER THAN PROD/COMPL OPS	!	!	!	!
\$ 500 DEDUCTIBLE APPLIES TO PD PER CLAIM FOR PROD/COMPL OPS	!	!	!	!

Exposure Basis/Estimate

Sample GL Sales Request



Insurance Carrier

Policy Number

Insured Name

EMPLOYERS MUTUAL CASUALTY
TURN KEY SOLUTIONS INC

EFF DATE: 04/21/19

POLICY NO: 5D6-67-54---20

EXP DATE: 04/21/20

STATUS AS OF *****

GENERAL LIABILITY SCHEDULE

CODE NO./EXPOSURE/CLASSIFICATION	! PRODUCTS/COMPL OPS !		ALL OTHER	
	! RATE !	!ADVANCE PREM!	RATE !	!ADVANCE PREM
LOCATION 001	!	!	!	!
15062	! 0.873!\$	4,024!	0.127!\$	585
MACHINERY OR EQUIPMENT DEALERS NOC	!	!	!	!
PREMIUM BASIS:	!	!	!	!
THOUSANDS OF GROSS SALES	!	!	!	!
EXPOSURE: 4,609,691	!	!	!	!
(SUBLINE 336/334)	!	!	!	!

Premium Basis/Estimates