



Commercial Lines Premium Audit Services Frequently Asked Questions

1 What is Premium Audit?

Commercial Premium Audit is a review of a policyholder's business operations and records to determine the actual insurance exposure for the coverage provided. The need for Premium Audit arises because many insurance policies (including Workers' Compensation, General Liability, and Contractor policies) are based on estimates when the policy is underwritten. These policy types provide for an adjustment of the premium according to the exposures actually incurred during the policy term. The Premium Auditor is responsible for measuring the exposure base accurately, and classifying it according to the manual specifications.

2 Why do policies undergo Premium Audits?

Per policy conditions, Workers' Compensation, General Liability, and Contractor policies may be subject to an audit. Donegal performs a physical audit on all new business, no matter the premium size. We are verifying that the proper classifications are being used, the estimates on the policies are in line with the actual exposures and if subcontractors are used that they have a Certificate of Insurance (COI).

3 What are the typical questions customers have regarding a Premium Audit?

Donegal policyholders and agents typically have questions regarding the status of an audit, how to request audit worksheets and how to dispute an audit.

4 What happens when an audit cannot be completed?

NEW BUSINESS: Donegal requires a physical audit on all new business. If unsuccessful, a non-compliant charge will be applied. Premium audit will send the underwriter an alert. Underwriting is to non-renew the current term.

RENEWAL ACCOUNTS: If a renewal account is unsuccessful for multiple years in a row, Premium Audit will alert the underwriter to review and a non-compliant charge will be applied.



(800) 877 - 0600 ext. 7236

Contact us!

CommercialAuditTeam@donegalgroup.com

5 What constitutes an unsuccessful/non-compliant audit?

The auditor makes 3 attempts to complete the audit and will make contact with the agency requesting help when an audit cannot be completed. If no assistance, the audit will be returned to Donegal as unsuccessful. A letter will be sent to the agent from Donegal requesting assistance. If we do not receive any input within 20 days from the date of the letter, we will process as non-complaint. It is important that the agency provides assistance when contacted.

6 What should an agent do when a customer wants to dispute an audit?

Email the [Commercial Premium Audit Team](#) requesting audit worksheets be forwarded to either the agent and/or insured. We will also forward our Audit Dispute Resolution letter informing the insured on how to proceed if they disagree with results.

7 How is an audit disputed?

Please note, we will not accept dispute documentation until worksheets are sent/reviewed. If the insured does not agree with the results after reviewing the documents, they need to follow the steps outlined in the Audit Dispute Resolution letter. Note: Audit amount(s) are not placed on hold during the dispute process.

8 How can Audit Disputes be minimized?

When the auditor schedules an appointment, the owner of the business should be available to provide a description of the business operations and specific duties of the employees so they can be properly classified. The audit contact should not be the agent or the accountant.

9 If the insured uses subcontractors, how are they handled?

The insured should have Workers' Compensation (WC) and/or General Liability (GL) COI on file at the time of the audit. If the COIs are not available, the subcontractors may be charged as employees on the WC and/or GL policies.

10 Why is the auditor requesting so much information?

PAYROLL: Two sources of records are required for verification including Federal 941s and State Unemployment Compensation Reports. In addition, payroll computer printout reports can be used.

GROSS SALES: The best source is the monthly State Sales Tax Reports along with computer printout.

SUBCONTRACTORS VERIFICATION: The auditor may request the general ledger, check register, copy of the Business Tax Return/Schedule C, a Profit & Loss Statement, etc. All of these do not have to be made available, just need verification for subcontractor use.

Examples of Financial and Business Records:

- Payroll records of original entry
- Job cost records
- State sales tax returns
- Federal 941 and state quarterly unemployment compensation reports
- Sales and receipts journals
- Subcontractor costs
- Certificates of Insurance for subcontractors used