

What's Involved in a Workers' Compensation Audit

Workers' Compensation insurance audits verify your payroll, classifications, and exposure to ensure your premium accurately reflects your business operations. Knowing what to expect—and how to prepare—can help you avoid costly adjustments and keep the process running smoothly.



Why Audits Happen

Workers' Comp premiums are based on estimated payroll and job classifications. An audit ensures your final premium reflects actual business activity.

What Auditors Review

- ▶ Payroll records and reports
- ▶ Employee classifications (job duties)
- ▶ Subcontractor payments and certificates of insurance
- ▶ Overtime calculations
- ▶ Business operations and changes during the policy period

What You'll Need to Provide

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Payroll summaries and tax reports (941s, 940, W-3, etc.)

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Detailed employee job descriptions

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Certificates of insurance (COIs) for subcontractors

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General ledger or financial statements

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Cash disbursement records



How to Prepare for an Audit

- Keep accurate, organized payroll records
- Separate job duties clearly
- Track subcontractors and collect COIs
- Review your policy before the audit
- Communicate any business changes to your agent



Common Audit Issues

- Misclassified employees
- Missing subcontractor insurance documentation
- Underreported payroll
- Changes in operations are not reflected in the policy period

What Happens After the Audit

Your premium may be adjusted up or down



Your experience modification rate (ex-mod) is then applied to the final premium



Any additional premium will be billed—or refunded

Your ex-mod isn't audited, but it's applied to your final premium and can significantly increase or decrease your cost.

Preparation is everything.
Staying organized and proactive can help you avoid surprises, reduce costs, and keep your business compliant.

**Contact Us For a Free Workers' Compensation Quote:
(800) 432-2641**

*NOTE: The insuring agreement in a policy sets out the covered perils, assumed risks, and nature of coverage that the insurance company provides to its insured in exchange for the premiums paid. Thus, the terms and conditions of the policy will dictate whether coverage exists and the nature of any potential benefits.