

Guide to Insurance and Premium Audit Terms

› Digital Capabilities | Premium Audit

During the audit experience you may be asked to provide information regarding the business. This list of common terms and definitions can help you understand what's being asked for or referred to.

Term	Definition
Annual Gross Sales	Business' total sales for the year prior to deductions
Audit Period	The 12-month policy period
Casual Labor	Generally defined as work that is not in the usual course of trade, business, occupation or profession of the employer (contracting party)
Class Code	Group of employees with similar exposures or types of hazards. The workers' compensation classification code is based on the operations of a business and the corresponding risk associated with the workplace exposure
Contract Labor	Labor based on a free but legally enforceable contract
Coverage Period	Period of time for which the business is covered
Employee	A person who performs services in the course of the trade, business, profession or occupation of an employer. Provide a count of each employee (regardless of if full time or part time) for the business during the policy period even if they are no longer employed
Employee Info	Total payroll of all employees by class code and location during the audit period. Include payroll for employees who worked during the audit period even if they are no longer employed. Overtime should be included in the total gross wages as well as in the O/T fields. If there was no payroll during the audit period, this section can be completed by entering zero
Federal 941	Federal form 941, also called a quarterly federal tax return, is an IRS return that employers use to report their FICA taxes paid and owed for the period. The IRS uses this form to calculate the amount of employer tax payments made during the year as well as the amount of taxes due at the end of the year

Term	Definition
Fiscal Year	Accounting period that can start on any day of the calendar year but has twelve consecutive months at the end of which account books are closed, profit and loss is computed and financial reports are prepared for filing
Gross Quarterly Payroll	Gross payroll of all employees that worked for an organization during a quarter
Gross Wages	Aggregate amount of wages prior to any deductions such as federal and state taxes
Gross Receipts	The total amount received for all goods or products sold or distributed, operations performed, product rentals (not real property) and dues or fees
Gross Revenue	The total amount charged for all goods or products sold or distributed, operations performed, product rentals (not real property) and dues or fees
Gross Sales	The total amount charged for all goods or products sold or distributed, operations performed, product rentals (not real property) and dues or fees. Provide the gross sales charged (in dollars) during the policy period
Legal Entity	An association, corporation, partnership, proprietorship, trust, or individual that has legal standing in the eyes of law. A legal entity has legal capacity to enter into agreements or contracts, assume obligations, incur and pay debts, sue and be sued and to be held responsible for its actions
Non-employee Labor	Subcontracted or leased employees
Owners & Officers	People who own a business and/or are formally elected/appointed corporate officers
Quarterly Reports	The document outlining fiscal operations that is reported four times throughout the year
Sales	The total amount charged for all goods or products sold or distributed, operations performed, product rentals (not real property) and dues or fees
Subcontractors	Subcontractors may also be referred to as “independent contractors.” Workers’ compensation laws may hold the insured responsible for employees of an uninsured subcontractor, as though they were the insured’s employees, if there is no certificate showing evidence of insurance. Subcontractors can easily obtain a Certificate of Insurance through their insurance agent, and it is important that a business obtain a copy for their records

