

Premium Audit and Statement of Premium Adjustment Frequently Asked Questions and Explanation of Terms

FAQs

Why do I have to do this audit?

Audits are required by law for Workers' Compensation policies in all states, and states can impose pretty hefty penalties if you don't do it. Other types of policies may be subject to audit, too. You can check your policy to find out if it's auditable.

Doing your audit is a great checkup for your policy, and it can help you with risk management. You'll be able to see if what you paid for your policy matches up with the risks you had over that term. If you didn't pay enough to cover your risks, we'll bill you for the difference. If you paid too much, you'll get some money back. Plus, you'll be able to see how your risks are evolving, and adjust your coverage to fit them better for the next term.

Is the premium audit process a common practice?

Yes. Premium audits are a standard insurance practice. It helps to make sure customers aren't overpaying or underpaying for their coverage.

What documents do I need to start my audit?

It depends on if your policy is payroll-based (Workers' Comp or Property/Liability) or sales-based (Property/Liability).

- For payroll-based policies, you'll need:
 - » Payroll tax documents, such as IRS forms 941 or 944, or state unemployment returns
 - » A payroll report with wages by employee for the policy period

- » The names of all owners and officers, and a breakdown of their ownership percentages
- » The names, amounts paid and insurance information for any subcontractors and temporary or leased workers you had during the policy period
- For sales-based policies, you'll need:
 - » A general ledger or sales journal
 - » Cash receipts
 - » Tax records

Why would my policy premium be adjusted?

At the start of a policy term, we use estimates and assumptions to help us set your premium. We look at things like the payroll and sales revenue you expect, and the nature of your business operations. At the end of your policy term, we compare your audit information to those original estimates. If there's a difference between the numbers, we use your audit information to go back and adjust your estimates so they reflect the actual cost of your coverage over that policy term.

My policy has been canceled, and I no longer have coverage from The Hartford. Why am I getting an audit request? Do I need to do it?

Yes. The premium audit looks at your most recent policy term. So even if you don't have coverage now, we still need to audit your last policy term to make sure you didn't overpay or underpay for the coverage you had with us during that time.

Can my accountant or other party do the audit for me?

Yes. Your accountant will need to log in to your account and add your policy to their service center account to be able to access what they need to do the audit on your behalf. You'll continue to get email reminders until the audit is submitted.

Why isn't the premium audit based on the calendar year?

Your audit is unique to your policy, because it looks back at your policy period that just ended. Most policies start in one year and end in the next year.

Why do I have to provide quarterly tax returns if the audit isn't based on the calendar year?

The point of the audit is to make sure you paid the right amount for the right coverage over the full course of your most recent policy term. Part of what helps us do that is your tax information. We ask for quarterly tax returns because we need numbers from the time when your policy was active. Using quarterly returns helps us keep our numbers more accurate, which in turn keeps your premium cost as accurate as possible.

Does the audit of my last policy term have an effect on my current term?

It might. We don't audit a policy term until it's over. But we do compare the audit information from your last policy term to the coverage you currently have. If there are significant differences between your audit result and the assumptions we used to set your current premium, we may make changes to your current policy. The goal is to keep your premium payments as accurate as possible. You'll receive a policy endorsement for any changes to the current term. Another way to keep your premium accurate throughout the year is to let us know when something changes.

Can I start the audit and come back to it later?

Yes. Every page of the online audit has a Save button, so you can leave and come back later. Next time you log in, the audit will still be filled in up to the last place you saved.

Is there a timeout for inactivity on the screen?

Yes. To help keep your account safe, your session will time out after 20 minutes of inactivity. But every page of the online audit has a Save button, so the next time you log in, you can pick up from the last page you saved.

What happens after I submit my audit?

We'll review your submission and reach out with any questions. It normally takes us about three weeks to complete an audit. When we're done, you'll get a Statement of Premium Adjustment with the results. The statement isn't a bill, but it'll let you know if you owe us money, or if we owe you money.

What is the Statement of Premium Adjustment?

The Statement of Premium Adjustment shows you how we adjusted your premium at the end of your policy term.

(Not sure why we do that? See **Why would my policy premium be adjusted?**)

It's not a bill. It's there to show you the detailed results of how your premium may have changed from the original estimate, based on your actual numbers.

- If you overpaid, we'll pay back some of your premium. You'll get the amount as a credit to your account. If the total credit is bigger than your bill, we'll send you a check for the difference.
- If you owe money, the entire amount that you owe will be included on your next scheduled bill. We'll expect payment in full to close out this past policy term. If you use automatic payments, we'll withdraw it on your next scheduled withdrawal date. If you need help with a payment plan or want to pay with a credit card, call **866-467-8730**.

I don't understand how to read my Statement of Premium Adjustment. Can you help me break it down?

Absolutely. There are three main sections on the Adjustment: The Premium Audit Summary section, the Entity, Location and State section and the Rating Detail section. The Adjustment is designed so that you get high-level information on the top, and it gets more specific and detailed as you go down.

The **Premium Audit Summary** is a quick snapshot of your audit outcome. In this section we compare your original estimated premium with the total audited cost of your policy.

If you overpaid, we'll pay back some of your premium. You'll get the amount as a credit to your account. If you owe money, the entire amount that you owe will be included on your next scheduled bill. We'll expect payment in full to close out this past policy term. If you need help with a payment plan or want to pay with a credit card, call **866-467-8730**.

The **Entity, Location and State** section goes into your "exposures." Depending on what kind of business you have, your "exposures" are either your payroll numbers or your sales numbers. Where the Premium Audit Summary section does a quick before-and-after of your original estimate vs. your actual cost, this section drills down into a more detailed breakdown by entity, location and/or state.

If you're looking at a Revised Final Audit, this table will compare the exposure numbers from your last audit with your new/revised numbers.

The **Rating Detail** section is the math section. It shows everything that goes into how your premium is calculated. Here's the formula we use to get your premium amount:

Your Exposures (Payroll or Sales)

x Your Rate

÷ 100

= **Your Premium Amount**

You'll see a breakdown of all your business locations by state. Every location has a Standard Premium table where you can find the class code and description, applicable rate and total premium for each exposure group.

For example:

Class Code	Class Description	Audited Exposure	Rate (Per \$100)	Total Cost
Standard Premium				
8810	Clerical office employees-NOC	\$114,735	.43	\$493
8742	Salespersons-Outside	\$114,231	.61	\$697

If you have multiple locations within a state:

- Each location will be listed separately.
- Your taxes and surcharges will be summarized in the Other Premium Taxes and Surcharges grid.
- You'll see a total cost for each state. We then combine those state totals to get your Policy Audit Total Cost amount, which is the same number you'll see in the first two sections of your adjustment statement.

How do I get my refund if you owe me money? How do I pay if I owe you?

- If you overpaid, we'll pay back some of your premium. You'll get the amount as a credit to your account. If the total credit is bigger than your bill, we'll send you a check for the difference.
- If you owe money, the entire amount that you owe will be included on your next scheduled bill. We'll expect payment in full to close out this past policy term. If you use automatic payments, we'll withdraw it on your next scheduled withdrawal date. If you need help with a payment plan or want to pay with a credit card, call **866-467-8730**.

My audit says it was “estimated.” What does that mean? Why are you using an estimate and not real numbers? Can it be revised?

We estimate an audit for two reasons. Either you didn't complete your premium audit, or you did the audit but didn't provide enough information. **We can revise your audit** if you provide the documentation we need to complete our review as soon as possible. And it's a good idea to send in that info—depending on what state you're in, your premium could increase by up to 300% if you don't do the audit.

Your original audit request will have the instructions on how to complete your audit. If you don't have the original request, call us at **866-467-8730** and select the option for questions related to your audit.

Not sure which documents you need? See **What documents do I need to start my audit?**

I don't agree with my audit results. Who can I talk to?

If you think your audit results aren't accurate, you can open a dispute. We'll need specific documentation showing where you believe something doesn't match up. We'll also want any tax/payroll records or certificates of insurance if you didn't provide them when we first reviewed your policy.

Email us at esc.audit@thehartford.com to get started.

Who do I contact if I have additional questions?

For other questions about your audit, you can email us at esc.audit@thehartford.com. Or, you can reach us by phone at **866-467-8730**. Choose the option for “questions related to your audit.” We're here Monday through Friday from 8:00a.m. to 8:00p.m. ET.

Explanation of Terms

Here are some terms you might see in your audit documents.

Statement of Premium Adjustment: The Statement of Premium Adjustment is not a bill. It compares the estimated cost at the beginning of your last policy term to your actual numbers from the end. It shows you how we adjusted your premium based on that comparison. If you owe us money at the end of your policy term, the amount will appear on your next regular bill.

Original Estimated Premium: The premium we set at the beginning of your policy term. It's estimated because we're charging you for the future, so we have to make some assumptions about things like your payroll and sales revenue. The premium cost includes the Taxes and Surcharges that apply to your business.

Audited Actual Premium: The actual cost of insuring your business for the past policy term. We only know this number after we finish reviewing your audit, so it may be different from the Original Estimated Premium amount. In the past, you may have seen this listed as "Earned Premium."

Taxes and Surcharges: The taxes and fees for your policy. They can be different depending on the features of your policy, and the state(s) where you do business.

Total Audited Cost: The final cost of your policy for the past term. It's made up of your Audited Actual Premium plus Taxes and Surcharges.

Premium Variance: The difference between your Original Estimated Premium and the Total Audited Cost of your policy.

Additional Premium: The money you owe us if your Original Estimated Premium was lower than your Total Audited Cost.

Return Premium: The money you get back if your Original Estimated Premium was higher than your Total Audited Cost. If you have an unpaid balance, the amount will be a credit on your next billing cycle. If your balance is paid in full, we'll refund you separately.

Prior Audited Cost: The Total Audited Cost of an earlier audit. You'll see this if your audit is revised. Normally, the Statement of Premium Adjustment compares the Original Estimated Premium with the Total Audited Cost. But if your audit gets revised, it compares the Prior Audited Cost with the Total Audited Cost instead.

Estimated Annual Exposure: The forecasted or assumed payroll or sales numbers that were used to calculate the Original Estimated Premium.

Audited Annual Exposure: The actual reported payroll or sales numbers that were used to calculate the Audited Actual Premium and Total Audited Cost.

Reported Exposure: Your actual payroll or sales amounts for the policy period.

Standard Premium: The premium amount for each group of your employees, based on the nature and description of their job.

Class Code/Class Description: This is the code/description that gets assigned to each group of your employees. It's determined based on the business operations and description of job duties for each group.

Rate: This is part of what sets your premium amount. It's the cost per \$100 of coverage, to make sure your premium payments will cover any claims. The rates are approved by the state you're in.

Your Exposures (Payroll or Sales)

x Your Rate

÷ 100

= **Your Premium Amount**

Total Cost: This is your annual premium amount.

State Total Cost: The sum of all of the premium charges applied for each state where you have employees/operations.

Policy Audit Total Cost: The sum of all State Total Costs. You may see this as "Policy Audit Total Cost" or "Total Audited Cost"—they're the same thing.

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