

Audit FAQ

Why Are Policy Audits Important? Your General Liability policy was issued with an estimated premium based upon you and your Insurance Producer's predicted operations and exposures, and as your policy states, is subject to audit after policy expiration. We audit to determine actual exposures and operations performed so that we can calculate final premium.

Does A Policy Audit Mean I Will Owe More Premium? It can mean more premium is due or it may mean that a return premium will be processed, depending on the actual exposures documented during the policy period.

Do You Share Responses On My Audit Questionnaire? Only BIS and your Insurance Producer have access to your completed Audit Questionnaire.

If I Have Questions, Who Do I Contact? Please contact your Producer for questions and assistance in completing the Questionnaire.

How Do I Submit the Mandatory Audit Questionnaire? Please email it to us at BSaudit@InsuranceBIS.com. You may instead mail or fax it back to us using the contact information provided.

What If I Don't Complete and Return the Mandatory Audit Questionnaire in a Timely Manner? Your cooperation in completing the Mandatory Audit is important so that we can calculate final premium and get an accurate picture of your exposures and operation. If it is not returned, negative underwriting action is likely; we will not offer renewal terms if there are outstanding audits. We will issue an "estimated audit" based on our best guess of policy exposures and you will receive an invoice. Payment of the invoice does not absolve you of your responsibility for completing and returning the Mandatory Questionnaire. Once compliant, we will reverse the estimated audit and recalculate using actual exposures and re-invoice.

Why Does the Audit Questionnaire Have "Audit Term" and "Projected Current Policy Term" Columns? The primary purpose of the audit is to determine if we have properly classified and rated your operations and exposures for the expired Audit Term. If you have renewed your policy with us, we also take the opportunity to ask some questions about your Current Policy Term to assure we are using the correct estimated exposures and that your operations are in accordance with our program eligibility; if you did not renew your policy with us please leave that column blank.

How Do I Answer "# Of Active Owners in the Field"? Silent partners or owners that only work in office should not be included. If the owner is out bidding jobs, doing inspections, delivering materials, working on jobsites, supervising, coordinating subs etc., they should be included as an "active owner".

Number of Employees Varies Throughout the year- How Do I Answer? Please report the range. For instance, if you typically have two employees but during a busy period/large project you had eight employees for a time, please indicate "2-8" on the Audit Questionnaire. We also use that information for underwriting purposes to help with an accurate picture of your operations and exposures.

How do I report “Employee Payroll”? Report total payroll before taxes including vacation time. Do not include owner or clerical payroll. Overtime should be included at the regular hourly rate only.

How is Employee Payroll for WA Reported Differently? WA has the same Payroll rules except cap payroll at \$31,200 for employees who worked for you the entire annual policy term. If worked only part of the policy term or earned less than \$31,200, report at \$600 per week or actual earnings if less than \$600 per week. This is only for business domiciled in WA with the majority of their work in WA. This does not apply to multi-state policies domiciled elsewhere.

How Do I Report Payments I Made Under A 1099? If these were made to licensed and insured sub-contractors who provided you with certificates of insurance, report as sub-costs; other payments should be reported as payroll.

I Obtain Workers from Labor Leasing Firms; How Do I Report This Cost? These laborers are not insured sub-contractors so they must be reported as temporary payroll.

What Figures Do I Include in Sub Costs? In addition to labor, sub costs include materials and equipment provided to the sub and by the sub in execution of the work, with the exception of finished products installed by the sub for which no other work is performed.

Why Collect Certificates of Insurance from My Sub-Contractors? Your policy requires you to collect Certificates of Insurance from your sub-contractors (before the start of work on each job) showing at least concurrent limits to your policy (not greater than \$1M required). The policy also requires that your sub-agreement include state specific Hold Harmless and Indemnity agreements, and that you be added as an Additional Insured to their policy. Rates charged for sub-contractor costs are substantially lower than payroll rates because of these protections. If you are named as an Additional Insured on your sub’s policy and they have agreed to hold you harmless, this decreases your exposure to loss and helps maintain your low rates. Neglecting to collect Certificates of Insurance will result in being charged the payroll rate at audit for sub-contractor work.

What is “Gross Income” and Why Do I Need to Report it? Gross Income is the total revenue the organization received from all sources during the audit policy period, before subtracting any costs or expenses. We do not rate on income or sales, but we need this information for underwriting purposes in evaluating your operation.

What are WRAP, OCIP, and CCIP? These are types of project-specific policies controlled by the owner or general contractor of a project and provide coverage for all contractors and subcontractors working on the project. If you did work under one of these policies, you should subtract the associated payroll and sub-costs allocated to those projects from the amounts you report on this audit. Please forward us copies of the Certificates of Insurance for all this type of project work you participated in during the Audit Period.

Why is the Percentage of my Commercial Work Important? For some classifications, percentage of commercial work can impact premium. With us, work on habitational structures including apartments, assisted living facilities, dorms, hotels and motels is considered residential work.

Why Do You Need to Know Number of New Homes I Worked on? Our policy has limitations so this may be important and may impact premium.

Does It Matter if I Build Spec vs. Custom Homes or Build in Tracts? These are different exposures with coverage implications and are rated differently.

What is Meant by “Construction valued \$1.5M+ (minus land)? Our Small Contractors Program is generally geared towards contractors working on homes valued at \$1.5 million or less, not including the real estate value of the land. We consider work on higher-end properties up to \$3 million with some additional underwriting requirements. If you are working as the General Contractor on high-end homes, there may be additional questions posed depending on circumstances and your classification.

Why The Questions About Unsold Homes I've Built and Vacant Lots/Acreage I own? If they are owned by the Named Insured and not insured elsewhere, they should be added to this policy, and we should understand the future plans for the unimproved lands. Please describe those plans towards the bottom of the Audit Questionnaire.

What if I Want to Dispute My Final Audit? Please forward supporting documentation to your Producer who can initiate an audit dispute where a final review is conducted. Documentation should include QuickBooks (or whatever accounting software you use) records for the audit term that show sub costs, including materials provided by and to the subs, as well as payroll, with owners, clerical, and overtime clearly delineated.

What if I Don't Pay an Outstanding Audit Invoice? If we have not received payment within 90 days, the balance is sent to collections and we will not make future renewal offers.