TRAVELERS

Preparing for your Premium Audit - General Liability (Payroll-Based) Policy

This article provides helpful information regarding the documents you will need to provide for your premium audit. Two types of documents are required to complete your Premium Audit: A source document showing transactions or payments during your policy period and a verification document, such as tax forms that are used to verify the source documents.

- The **source documents** should match as closely to your policy period as possible. For payroll reports, you can round to the first of the month (it is acceptable to deviate from the policy period by 30 days.) For example, if your policy period is 6/15 - 6/15 you can provide payroll for 7/1 to 7/1 or 6/1 to 6/1.
- The **verification documents** may not line up with your policy period. If your policy period falls in the middle of the month, simply provide the most recent four filed quarterly (or annual) tax reports that most closely aligns with your policy period.

Your General Liability premium audit will require payroll information as well as details on payments to others including Subcontractors and Contract Labor. Specific information is detailed below and on the next page. Additional information may be found online.

You will need to provide **one source document** and **one or more** of the following **verification records** for your policy period. You may print this article to use as a check list to assist you in gathering the documents necessary to complete your audit:

<table>
<tr><th colspan="2">PAYROLL INFORMATION
For your audit period, provide payroll information for all Employees, Owners, and Officers including those who may have terminated.</th></tr>
<tr><th>Source Document</th><th>Verification Documents</th></tr>
<tr><td>☐ Payroll Option 1. If you use a payroll vendor (i.e. ADP®, Paychex®)
– Reports available in these reporting applications will provide sufficient information for payroll (see next page for requirements)*
– Contact your auditor with specific reporting questions</td><td>☐ Required - CA only: If you have employees, provide Quarterly DE-9</td></tr>
<tr><td>☐ Payroll Option 2. If you use an internal reporting application (i.e. QuickBooks®, PeopleSoft®)
– Reports available in these tools will provide sufficient information for payroll (see next page for requirements)*
– Contact your auditor with specific reporting questions</td><td>☐ Tax Report Option 1. If you have employees, provide one of the following:
– Employer's Quarterly Federal Tax Return (Form 941) – Preferred
– W-2/W-3 Wage and Tax Statement (best for calendar year audits in Dec & Jan)
– State Unemployment Wage Reports (forms vary by state)</td></tr>
<tr><td>☐ Payroll Option 3. If you use an accountant or bookkeeping service - Most bookkeeping services will be able to provide payroll information that will be sufficient for the premium audit (see next page for requirements)*</td><td>☐ Tax Report Option 2. If you do not file any of the above, provide one of the following:
– For Sole Proprietor, Profit or Loss (Form 1040) Schedule C pages 1 and 2
– For a Partnership, U.S. Partnership Return of Income (Form 1065) Page 1 and 1125-A
– For a Corporation, U.S. Corporation Income Tax Return (Form 1120) Page 1 and Cost of Goods Sold (Form 1125-A)</td></tr>
<tr><th colspan="2">CONTRACTED LABOR INFORMATION
Provide payment information for all contracted and sub-contracted labor used during your audit period</th></tr>
<tr><td>☐ Provide a report with the following:
– Contract laborer/subcontractor name
– Description of work performed
– State in which work was performed
– Date work started/ended within the policy term
– Total amount paid
– Cost of materials supplied</td><td>☐ Provide Certificates of Insurance (COIs) for subcontractors including dates worked
– Definitions and requirements may vary by state. Contact your Agent or Producer with questions concerning your particular situation. Additional tests of independent status may apply.</td></tr>
</table>

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PAYROLL REPORT REQUIREMENTS

Provide payroll information for all Owners, Officers and Employees *including those who may have terminated employment* during the policy period.

*Your payroll report must include the following items:

- Employee Name
- Description of Work Performed (which may be different from the Job Title)
- State of Employment
- Gross Wages per Employee

If your company pays any of the following wages please separate them in the report:

- Overtime Wages
- Double Time Wages
- Tips
- Section 125 (cafeteria plan) Employee contributions - **California only**

Below is a **sample payroll** report:

EXAMPLE

Audit Period:	Report must include payroll data for the audited time period									
Company Code	**Entity**	**Employee**	**Job Title**	**Brief description of duties (if not clear from the job title)**	**State Worked**	**Gross Wages**	**Overtime (OT)**	**Severance**	**Section 125 Contributions (CA only)**
6HB	ABC Company	Employee Name 1	Facilities Maintenance Technician	Clean up in offices and warehouse	MA				
6HB	ABC Company	Employee Name 2	Environmental Health & Safety Officer	OSHA Compliance	MA	You can provide payroll in a manner that compliments your payroll system. For example, payroll may be reported for the entire audit period, by quarter or by year when the audit period overlaps years.			
6HB	ABC Company	Employee Name 3	Lead Facilities Maint. Technician	Manages maintenance techs	MA				
6HB	ABC Company	Employee Name 5	Sr. Facilities Manager	Manages maintenance staff	MA				
82S	BCD Company	Employee Name 6	Account Manager	Visits with clients at their sites	AL				
82S	BCD Company	Employee Name 7	Sr. Account Manager	Visits with clients at their sites	AL				
82S	BCD Company	Employee Name 8	Sr. Field Service Engineer	Works in the office	AL				
82S	BCD Company	Employee Name 9	Area Business Manager	Visits with clients at their sites	AL				
82S	BCD Company	Employee Name 10	Executive Technical Sales Rep	Manages tech sales staff	AR	The payroll supplied must show payroll for the entire audit period			
82S	BCD Company	Employee Name 11	Sr. Field Service Engineer	Works at customer sites	AZ				
82S	BCD Company	Employee Name 12	Technical Sales Representative	Technical assistance via phone	AZ				

If available please provide the payroll information in an Excel spreadsheet. Refer to Helpful Tips-GL Payroll to learn more about information needed in payroll reports.

Please note*:* Your auditor may ask for additional items as requirements vary by state. Contact your Agent or Producer with questions concerning your particular situation.