



# Insurance Inspections & Audits

## What To Expect!

A brief summary for: Property, Liability, Workers Compensation, Auto

Insurance Companies have the right to inspect or audit your business and/or property for Risk Assessment, Verification Of Information, Compliance with Regulations, and Loss Prevention.

Inspections may be scheduled, or without warning to the carrier's discretion (yes, sometimes they can show up uninvited)!

Upon completion of inspection or audit, pending any changes to the overall exposures, or risk assessment, the carrier may require physical repairs or updates to your property, and if there are any exposure differences (i.e. property details, sales info, payroll info), changes to your annual premium may occur (+-). Usually there is a 30-day grace period to complete requirements from the time of notifications.

### Property Loss Control Inspectors (Commercial or Personal) - What are they inspecting?

The inspection is typically an overall review, and they will not go into privately rented habitational units on commercial property risks

#### Exterior

- General Condition Of Property
- Carports and/or Garages
- Steps, Balconies, Porches
- General Housekeeping
- Landscaping (Overgrown)
- Surrounding Property, and any additions such as fences, gazebos, sheds, swimming pools, tree houses
- Exterior Walls and Doors
- Driveways, and Walkways
- Roof, Roof Overhang
- Trampolines
- Foundation

#### Interior

- Electrical System
- Roofing/Ceiling
- Kitchen Cabinets and Appliances
- Central Fire and/or Burglar Alarms
- Pets/Animals
- Plumbing System
- Heating Stores, Fireplaces
- Fire Safety Systems, Detectors, Extinguishers
- Boiler/Machinery Conditions

## General Liability Loss Control Inspections (Commercial) - What will they ask for?

If the carrier is only insuring the General Liability for the business, typically these inspections may be phone interviews and not in person.

- o Estimated gross sales for the policy period
- o Estimated gross payroll for the policy period
- o How many full-time and part-time employees?
- o Are subcontractors or independent contractors hired? If so, does the policyholder secure formal agreements with indemnification and hold harmless language? Does the policyholder collect certificates of insurance with an additional named insured endorsement completed and attached?
- o What are the operations of the business?
- o How many years in business and the history of the company
- o Has the business had any prior insurance claims or losses? Any pending or known lawsuits or legal issues? Does the policyholder know of any losses?

## Workers Compensation Audits (Commercial) - What will they ask for?

**Workers Compensation is based on the exact amount of remuneration or payments to your employees, independent contractors, and sub-contracts. If your independent or sub-contractors carry their own Workers Compensation, they can submit proof and you will be exempt to pay premium on their income from your business.**

- o Payroll records that list individual wages and job duties.
- o Federal Quarterly Tax Returns (IRS Form 941) for the most recently completed four quarters (State Unemployment Quarterly Forms are also acceptable). If neither of those are available, Schedule C of the Federal Income Tax Return for Sole.
- o Proprietors, Form 1065 for LLC's/Partnerships, or Form 1120 for Corporations should be used.
- o All your Miscellaneous Income Forms (IRS Form 1099).
- o Any subcontractors' Certificates of Insurance (ACORD Form 25)
- o Photos and/or videos to support description of operations
- o Audit Tip - Here is some pay that is EXCLUDED from Workers Compensation Premium Audits:
  - Tips & other gratuities (subject to minimum wage exceptions - meaning if hourly pay plus tips do not equal minimum wage, the amount to make up the difference is included as remuneration in the audit);
  - Group Insurance/Pension Plan contributions made by employer;
  - Special rewards for individual invention or discovery;
  - Severance pay;
  - Pay for those on active military duty;
  - Employee discounts;
  - Expense reimbursements - if substantiated by the employer's records;
  - Money for meals for overtime work;
  - Work uniform allowance;
  - Sick pay paid by a third party (can't you just hear the duck - Aflac);
  - Employer-provided perks (company autos, incentive vacations, memberships); and
  - Employer contributions to salary reduction, employee savings plans, retirement or cafeteria plans.

## Commercial Auto Loss Control Inspections (Commercial) - What will they ask for?

At the beginning of policies, and in preparation for renewals, or even after a claim takes place, the insurance company may ask for the following via email or over a call.

### Driver Information:

- Updated Drivers List
- Driver Qualification Files (Motor Vehicle Records, Certifications)
- Hiring Practices & Driving Training (Procedures for hiring drivers, including background tests, drug/alcohol screening, driving tests and ongoing safety education)

### Vehicle Information:

- Maintenance Records (Documentation of regular maintenance, repairs and inspections)
- Routes and Territories (Typical routes, distances traveled and areas of operation)
- Cargo Information (Details about types of goods being transported)
- Use Of Telematics
- Registration Copies
- Contracts and Agreements
- Compliance Documentation (Records ensuring compliance with local, state and federal regulations)

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