

WHY ARE AUDITS NECESSARY?

Workers' compensation premiums are based on the type of work being done – called a classification – and the amount of wages or payroll for your employees and uninsured subcontractors. When you purchase a workers' compensation policy, you tell us what kind of work you do and estimate the amount of payroll you expect to have.

A premium audit is an examination of your business operations and records used to determine your actual payroll and premium for the policy period being audited, and to determine proper classification.

LCI performs an audit on each workers' comp policy upon expiration or cancellation.

MINIMUM PREMIUM AND PAYROLL

All LCI Workers' Comp policies are subject to the following minimum premium and payroll:

Minimum Premium: \$1,300

Minimum Payroll: \$18,000

These minimums are subject to change without notice.

TYPE OF ENTITY

To complete your audit correctly, it is important that LCI know what type of entity your company is:

:: For audit purposes, your company is a Corporation if you are Incorporated (Inc.) or a Limited Liability Corporation (LLC).

:: For audit purposes, your company is an Individual if you are a Sole-Proprietor or Partnership.

FAQS

Q: What if I don't agree with my audit?

A: You may dispute the audit in writing with documentation that supports your reason for contesting it. A letter which states you are disputing the audit without backup documentation will be rejected.

Q: What if I had no payroll during the policy period?

A: Your coverage was in effect during the policy period, thus you are responsible for paying the premium.

(See policy minimum premium/payroll requirements on the previous page.)

Policies in effect less than 90 days will be audited at the premium paid.

Audits resulting in premium refunds over \$5,000 require a physical audit.

CONTACT

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THE PREMIUM AUDIT PROCESS
How we determine your
workers' compensation premiums.

For information, forms, location map and more go to lciwc.com

LCI
WORKERS' COMP



FEES

LCI Workers' Comp charges the following fees on each policy:

Membership: \$250

Expense Constant: \$200

Risk Management : 3% of premium

These fees are collected at policy inception and are non-refundable.

RECORDS REQUIRED FOR AN AUDIT

:: Preferred:

State Quarterly Unemployment Forms (SUTA)

Federal Quarterly 941 Forms

Federal 1099 Forms (*a copy of the 1096 transmittal form is required*)

Check Register

:: Acceptable:

Computer Generated Payroll Journal

Computer Generated Payroll Register

General Ledger

W2's (*a copy of the W3 transmittal form is required*)

Bank Statements with Check Copies

:: Unacceptable:

Handwritten documentation

Excel Spreadsheets (*unless generated from accounting software such as Quickbooks or Peachtree.*)

SUBCONTRACTORS

When hiring a subcontractor you will need to know if they have workers' comp insurance in force or if you will be responsible for their payroll on your audit. If you hire an insured contractor it is very important to get a current certificate of insurance from their Insurance Agent or Insurance Company and keep it in your records so it will be available at audit time.

CASH PAYMENTS

If you pay any employee or subcontractor in cash, your policy will be deemed unauditible.

YOUR AUDIT RESPONSIBILITIES

LCI Workers' Comp members are responsible for cooperating with the audit process and providing the documentation necessary to complete the audit.

:: Physical Audit

If you are scheduled for an in-person visit by our auditor you will receive a letter with a proposed date for the audit. It is important that you call and confirm the date. Once the audit is scheduled if you need to change the date or time, please contact our auditor immediately. If you fail to make a scheduled audit appointment your audit will be treated as nonproductive.

:: Voluntary Audit

Voluntary audit forms will be mailed to you after your policy has expired or is cancelled. The forms are due back to LCI Workers' Comp within 30 days. If not received after 30 days the audit will be deemed unobtainable.

If you do not provide audit records or your voluntary audit is returned without documentation your audit will be deemed unobtainable.

:: Audits that are Nonproductive/Unobtainable/Un-auditible

Audits deemed by LCI as nonproductive, unobtainable or un-auditible will be subject to cancellation of the current policy. If payroll information is not provided within 30 days Louisiana law RS 23, § 1196 (A)(2)(c)(iii) allows LCI to charge up to two times the estimated annual premium plus attorney's fees to collect the premium.