



Frequently Asked Questions

Premium Audit

Why is an audit necessary?

Your policy was written based on estimates at policy inception. Audits are performed after your policy has expired to determine the actual exposure. With the information obtained from the audit, your carrier is able to properly adjust the premium for your policy.

What information is needed to complete the audit?

Depending on the policy type, the auditor will need some or all of the following records; State and Federal Unemployment Returns, payroll journals, individual earnings records, general ledger, cash disbursements journal, check register, certificates of insurance, financial statements such as a Profit and Loss statement, Income Statement, balance sheet, trial balance, and/ or a tax return.

Financial Statements contain sensitive information. Is it really necessary to provide this information?

The requirements regarding premium audits have changed drastically in the past few years. Financials are necessary to the audit process as they contain information vital to accurately assessing the business being audited. A financial report such as a Profit and Loss Statement or an Income Statement helps to summarize the various types of accounts in the General Ledger. This aides the auditor in more efficiently identifying the accounts that may contain subcontract, contract or casual labor without having to review the general ledger in its entirety. It also assists the auditor in verifying the total payroll when leased payroll is utilized.

My coverage has been cancelled or is now with a new carrier. Do I still need to do an audit?

Yes. Audits are conducted for the period of time that coverage was provided for your business. The audit will encompass only that period of time which is subject to premium adjustment.

My coverage was replaced prior to the period you are requesting. What do I need to provide as proof?

A declarations page from the new carrier showing the policy dates, policy number and the name of the carrier, or a Letter of Assumption from the new carrier showing the same information.

The auditor has asked for “Gross Payroll”. What does that include?

Gross payroll includes regular pay, overtime, tips, gratuities, bonuses, PTO, vacation, sick pay, all pre-tax items such as 401k, Sec 125 Cafeteria Plans, and other pre-tax insurance and investment plans, housing allowances or fair market value for housing provided, and full officer compensation.

I have a General Liability policy, and all of my subcontractors are insured. Why do I have to pay premium for “Insured Subcontractors”?

The premium you pay for “insured Subcontractors” is not intended to extend coverage to those subcontractors. It is a measure of the vicarious liability that exists when utilizing adequately insured subcontractors. “Vicarious Liability” arises when the actions of the subcontractor result in a general liability claim that exposes the insurer to legal costs and potential judgments against the hiring contractor.

Will the auditor be able to determine if we owe money or are due a refund?

No. The auditor is not provided information for premium, payments, etc., and is not able to calculate that information. The auditor is able to provide you with the net chargeable amounts by classification, which you will be able to compare to policy estimates to assist you in determining the overall outcome of the audit.

If I have questions about this audit or the online portal, who should I contact?

You can email our customer service team for State Farm policyholders at SFAudit@isg-se.com, or you can call our toll-free line to speak with an ISG representative at 888-383-2966 and follow the prompts to connect to our team.

Please note that any coverage or premium related questions should be directed to your State Farm agent.