



THE STATE
of **ALASKA**

GOVERNOR BILL WALKER

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BULLETIN B 15-08

**TO: INSURERS AUTHORIZED TO WRITE WORKERS' COMPENSATION
INSURANCE IN THE STATE OF ALASKA AND OTHER INTERESTED
PARTIES**

RE: AUDIT OF WORKERS' COMPENSATION INSURANCE POLICIES

The Workers' Compensation Rate and Advisory Committee has recommended distribution of a bulletin that addresses the documentation an insurer may request of an insured when auditing a workers' compensation policy to determine the final premium. This bulletin identifies the type of records that insurers may require at policy audit.

When a workers' compensation insurance policy is issued, the initial premium amount shown for that policy is an estimate based on the insured's anticipated payroll/remuneration for the period of coverage.

The final premium is determined after the policy ends by using the actual payroll and the proper classifications and rates that lawfully apply to the business and work covered by the policy. To determine final premium, the insurer must audit the insured's records that relate to the policy.

This audit requirement is found in Part Five – Premium of the Workers Compensation and Employers Liability Insurance Policy. The policy requires that the insured maintain records of information needed to compute premium and that copies of those records be provided to the insurer for the purpose of determining final premium, when requested. The policy further states that these records of information include ledgers, journals, registers, vouchers, contracts, tax reports, payroll and disbursement records, and programs for storing and retrieving data.

An insurer may request any one or more of the following records as appropriate for review during the audit process:

- IRS Form 941 Quarterly Payroll Tax Report
- IRS Forms 1099 and/or 1096
- IRS Form 940 Quarterly Unemployment Tax Report
- W-2 and/or W-3
- State of Alaska – Quarterly Unemployment Contribution Report

- Copy of the latest policy period general liability insurance audit report
- Copy of the payroll ledger
- Certified payroll reports
- A list of vendors and subcontractors used during the policy term (including the amounts paid) and copies of Certificates of Insurance

An insurer may request additional records if questions arise concerning relevant payroll and other remuneration during the audit process. In unique circumstances, the following additional records may be required:

- Bank statements or check registers for the insured's business
- IRS Schedule C
- IRS Form 1120

Policyholders are encouraged to discuss the audit requirements of their worker's compensation insurance policy with their insurance agent or insurer prior to the completion of a final audit.

Dated July 15th, 2015



Lori Wing-Heier
Director