

## General Agent Best Practices For A Successful Audit

### Best Practices – Where To Send

- Audit and dispute correspondence: [nicaudit@nautilus-ins.com](mailto:nicaudit@nautilus-ins.com)
- Inquiries regarding direct collection and payments: [niccollections@nautilus-ins.com](mailto:niccollections@nautilus-ins.com)
- Endorsements and mailing address changes: [nicmail@nautilus-ins.com](mailto:nicmail@nautilus-ins.com)

### Preparation

- Prepare Beforehand
  - Advise insureds that an audit may be performed at the expiration of their policy and encourage them to maintain the necessary records throughout the policy period.
  - Explain that the policy premium is an advance premium based on estimated exposure(s) and the implications of underestimating exposures.
  - Ensure complete contact information is included on the application.

### Audit Completion

- Gather all necessary records and additional documentation relevant to the audit.
- Obtain an updated Certificate of Insurance (COI) for each subcontractor used during the policy period.
  - This helps the insured avoid being charged for them unnecessarily.

- Keep separation of records for different classifications and /or locations on the policy.
  - This helps ensure exposures are included in the correct class code during an audit.

### Helpful Info & Tips

- Help prepare insureds for audit by emphasizing the importance of keeping up-to-date COIs on file for each of their subcontractors.
  - This can help avoid an overcharge and minimize the number of audit disputes.
  - Most audit revisions are due to missing COIs from subcontractors.
- If unable to obtain information necessary to complete the audit after three documented attempts, we may estimate the exposures with a 50% increase in premium.
  - Insureds have the option to dispute the estimated findings by providing the requested audit information or remit payment for the additional premium charged.
- If the insured's audited exposure has increased by 50% or \$1,000, whichever is greater, on the expiring term audit, we request the current term be endorsed accordingly.
  - If additional classifications are found at audit, please endorse the current term to reflect new classifications.

### Records To Maintain For A Successful Audit

The following schedule provides a list of acceptable records that may be used to calculate audit endorsements or to resolve audit disputes.

#### Payroll Records

- State Unemployment Reports
- Federal Form 941
- Cash Disbursement Journal
- Payroll Ledger
- Schedule C
- Workers Comp Audit

#### Sales Records

- Sales Journal
- Profit or Loss Statement
- Income Statement
- Federal Form 1120
- Sales Tax Report
- General Ledger

#### Cost Records

- Transaction by Vendor List
- Federal Form 1099
- General Ledger
- Cash Disbursement Journal

#### A.M. Best A+XV Rated Carrier

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