

# What You'll Need for Your General Liability Audit

To prepare your company for an audit, we have assembled this audit guide to help explain what is included, why, and what you need to get through the premium audit process with ease. It is important to note that there are two types of documents required to complete your audit: A primary source showing transactions or payments during your policy period and a secondary source, such as a tax document that is used to verify the primary source. There are a number of premium bases for a general liability policy and, as a result, the types of records requested can be difficult to identify. Set out below is a listing of the kinds of documents we will need for the most common general liability policies. These may vary depending on the type of audit:



## Gross-Payroll-Based General Liability Audits

Before we conduct your audit, we will need you to provide us with a source document showing payroll information during your policy period, plus one or more payroll verification documents used to validate reported payroll to the federal and state governments. Below is a list of records required for a Gross Payroll Based General Liability Audit:

1. Federal 941 and/or State Payroll Quarterlies
  - Closest Four Quarters to Policy Period
2. Employee Payroll Report for the Policy Period
  - All payroll reports should be generated based on check dates (the first pay day after your policy begins and the last pay day before your policy expiration date)
3. Schedule of Employees. This information will be used to ensure each employee is properly classified. The following information is needed:
  - Full Name
  - Job Title/Description of Job Duties
  - State in which the Employee Worked
  - Total Gross Earnings
  - Overtime Earnings
  - Tips/Gratuities
4. Schedule of Subcontractors, Casual Labor, or Non-W2 Workers and Helpers used
  - Complete name
  - Total amount paid
  - Description of work completed
  - Copies of Certificates of Insurance (if applicable)

## Gross-Sales-Based General Liability Audits

There are two records options for a general liability gross sales audit:

- Option 1: Provide an Income Statement or a Profit & Loss Statement for your exact policy period.
- Option 2: Provide the following primary and secondary source records:
  - Sales Journals – Provide gross sales (prior to any deductions such as returns or discounts)
  - Federal Tax Returns, State Sales Tax Returns, Income Statements/Profit & Loss Statement

## Combination-Premium-Basis General Liability Audits

Depending on your business operations, your General Liability policy may be rated on more than one premium basis. If this is the case, you will be responsible for providing multiple types of records. For example, a general liability audit for a gasoline dealer may require the policyholder to provide both payroll and sales records.

### Definitions of Common Premium Basis

Here are definitions of common premium bases as well as an explanation of the information you will be asked for to complete your audit.

PREMIUM BASIS	DEFINITION
<b>Gross Sales</b>	The total amount charged for all goods or products sold or distributed, operations performed, product rentals (not real property) and dues or fees. Provide the gross sales charged (in dollars) during the policy period.
<b>Payroll</b>	The total amount of wages paid, prior to any deductions. Provide the gross payroll, for all full-time and part time employees, paid during the policy period.
<b>Sales</b>	The total amount charged for all goods or products sold or distributed, operations performed, product rentals (not real property) and dues or fees. Provide the gross sales charged (in dollars) during the policy period.
<b>Subcontracted Cost</b>	This is the total amount paid to subcontractors who performed work on your behalf. This should include the amount paid to the subcontractor for labor, material, and equipment costs. Please include any value of material that was supplied by you for the subcontractor to install.
<b>Total Cost</b>	This is the total amount paid to subcontractors who performed work on your behalf. This should include the amount paid to the subcontractor for labor, material, and equipment costs. Please include any value of material that was supplied by you for the subcontractor to install.
<b>Admission</b>	A person, other than an employee of the named insured, admitted to an event conducted on the premises, regardless of entry type (e.g., paid admission, ticket, complimentary ticket or pass). Provide a count of each person admitted during the policy period.
<b>Gallon</b>	A U.S. unit of liquid capacity equal to four quarts or 231 cubic inches or 3.785 liters. Provide a count of each gallon sold by the business during the policy period.

### We strive to have policy audits completed within 60 days of the policy expiration.

Proper preparation, as described in this document, will greatly help us complete your audit swiftly and efficiently. Shortly after policy expiration, we will contact you regarding the specific documents needed for your audit and the timeframe for providing them.

