

At SAIF, the **mission** of premium audit is to **assure rate equity and correct pricing** for policyholders.

Premium audit and our policyholders

We welcome the opportunity to create a partnership with our policyholders. Our goal is to support a fair, balanced, and sustainable Oregon workers' compensation system by helping our policyholders pay the correct premium and report payroll accurately.

What is a premium audit?

A premium audit is a review of an employer's business operations and worker duties, and an examination of payroll books and accounting records. Oregon Administrative Rules require insurers to investigate all possible sources of employee earnings, including payments to uninsured contract employment.

Purpose of a premium audit

The primary purpose of a premium audit is to confirm proper classification of an employer's operations and to determine the correct premium for the coverage provided. When a policy is issued, the premium is based on estimated exposures. Periodically, employers are required to submit payroll reports (annually or monthly.) By auditing a policy, auditors can ensure that an employer's business pays the correct premium based on the actual exposures, no more and no less.

When are audits performed?

Premium audits are performed after the expiration or cancellation of a policy. Policies are selected for premium audit based on multiple criteria, including size, rating characteristics, and business rules.

Occasionally, audit surveys are conducted. This type of audit is performed at the beginning of a policy and provides an opportunity for the auditor and policyholder to review the policy, the business, operations, and payroll records to provide education on how to accurately report for the future.

Scheduling an audit

A representative will contact the business to schedule an audit appointment day and time that works for the designated audit contact. A confirmation email will be sent as a reminder for the audit appointment. The confirmation email will list the records needed to complete the audit. The time it takes to complete an audit is based on the information/records provided and condition of the audit records.

How we perform an audit

The premium auditor will examine the financial records that relate to your policy. During this process it is important to have a knowledgeable representative to answer questions. After gathering information, the auditor will allocate payroll by class code and apply appropriate payroll exclusions. During the audit, the auditor may also ask some questions about your records and/or personally observe the various operations of your business.

Learn more

We understand that the audit process can feel confusing. If you have questions or concerns, feel free to contact one of the following SAIF premium audit staff members:

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Which records are audited?

The records audited depend on the type of records you keep. An audit review may include:

- Verbal interview and tour of the premises
- Employee job descriptions
- Basic information about the policy
- Ownership status of the business
- Payroll records
- State unemployment and Federal Form 941 reports, or other tax filings
- Cash disbursements journal
- Check register
- Bank statements
- General ledger
- Financial statements
- Job contracts, invoices, job costing reports
- Certificates of insurance for subcontractors
- Contract labor agreements
- Verifiable time records used to divide payroll by rate classification

Maintain detailed records

It is the employer's responsibility to maintain detailed records and to document gross, subject, and excluded payroll by employee and by classification. The auditor will compare their findings based on the source records to the employer's summaries to help identify any discrepancies and to help educate for the best possible outcomes going forward.

After the audit is completed

The auditor will explain their findings and calculations used to develop those findings. A final audit results letter is automatically generated at completion of the audit and sent to the employer for their review.

NCCI

The NCCI (National Council on Compensation Insurance) is Oregon's rating bureau. NCCI's mission is to gather data, analyze industry trends, and provide objective insurance rates and loss cost recommendations to participating states. SAIF, and other carriers in Oregon, send our premium and claims loss data to NCCI, from which NCCI calculates the necessary pure premium rates we must charge to cover expected losses.

NCCI also provides Oregon insurers with a basic manual of rules for classification and premium calculation. They perform their own audits and inspections of businesses to confirm insurers across the state are following the same set of classification and payroll reporting requirements as set forth in their manual.