



UNDERSTANDING
Premium Audits



THE AUDIT PROCESS

The Premium Audit is conducted on every policy, every year. This booklet is intended to help you fulfill this requirement. More information can be found by referencing Part Five—Premium of your policy contract.

HOW IT WORKS

In the workers' compensation industry, policyholder premiums get calculated not once, but twice.



1st Calculation: Estimate is based on business operations, payroll and job classifications in effect when you applied for coverage.



2nd Calculation: Performed at the end of the year, this is based on audit performance measures. If your actual performance differs from what was estimated, your business may receive a refund or be billed additional premium.



Self-Audit Questionnaires are mailed to you to complete and return with the appropriate requested information. The questionnaires are sent the day your policy ends and allow you 30 days to complete and return.



Complete Your Self-Audit Online

This process is only for policyholders that have received a self-audit letter which includes user specific credentials to submit the audit. You can also verify your username and password by contacting our department directly at 505.343.7720.



Physical (In Person) Audit

Personal visits to a company are known as physical audits and involve a New Mexico Mutual staff auditor conducting an on-site review of business operations and employee payroll to make an accurate assessment of the final actual premium.

PREMIUM AUDITS ensure that you pay no more for your workers' compensation insurance than you should.



Point your phone camera at this code to learn more about the audit process

HOW TO PREPARE FOR YOUR AUDIT

Certificates of Insurance for Sub-Contractors (if applicable)

The following website is available to the general public and can be used as a tool to assist you in verifying valid workers' compensation coverage for your hired subcontract labor: <https://www.ewccv.com/cvs>

Verifiable Records Needed for Your Audit

- Federal Tax Returns
- IRS Form 941s or New Mexico SUTAs
- Cancelled checks and bank statements
- General Ledgers
- Cash disbursement journals
- Books of original entry (including source documents)
- Job contracts and/or invoices
- Certificates of insurance for sub-contractors (if applicable)
- Payroll records including overtime in dollars, hours, totaled by employee per pay period, and summarized by class code in order to receive credit for excess overtime pay (payroll paid in excess of the regular rate of pay)
- Job descriptions detailing each employee's duties
- Written contracts
- Executive officer payrolls and descriptions of their duties (even if the officers have elected to be excluded from state workers' compensation coverage)
- Brochures or promotional items that offer a comprehensive description of your business operations, including your products and/or services



GOOD RECORD KEEPING TIPS

Payrolls Included in Audit

In addition to W-2 direct employee income, the audit will include monies paid to cash labor, 1099 contract labor, un-insured contract or sub-contract labor. Sub-contractors can be excluded if they have lawfully secured their own workers' comp insurance and have obtained proof of coverage.

Overtime Earnings

The most common way to reduce your insurance cost is to differentiate overtime earnings in your records to separate straight time and premium time. For instance, the half-time portion of 'time and one-half' for overtime wages is not included in calculating your premium.

Tip Wages

Employee tip wages will not be included when they are separated from your employee's regular wages.

Correct Classification(s)

Use correct classification(s) to describe your business, as sometimes there are lower cost classifications available to you. Determining correct business classifications can be complicated and our premium audit professionals can help you understand this process.



LEARN MORE

There are also other record keeping methods that you can use to lower your premium costs. New Mexico Mutual provides these tips and other premium audit information on our website or by calling us at 505.343.7720.



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