

All [building contractors](#) working in North Carolina who carry either a [NC general liability insurance policy](#)
or a [NC workers compensation insurance policy](#), or both,

probably know that these insurance policies are subject to an annual audit.

What few contractors understand is that they have the power to stack the deck in their favor when it comes to that audit.

And since some of the audit process is subjective, this can mean money in your pocket if you are a building contractor.

Here are 5 tips that will put you on the road to more successful insurance audits.

Let me start by emphasizing that insurance auditors are people just like any other. If you grease the path for them and make their job easier, then they are much more likely to cut you some slack in the audit process and this can end up saving you a lot of money.

So, what are those 5 tips?

Tip # 1 – Have Those Insurance Certificates Ready. I just can't preach this enough. Do not allow any subcontractors on to your job site until they have provided you with a current certificate of insurance.

And more than that, be sure that the limits on their general liability insurance policy are at least equal to your own policy limits.

And if you have a workers compensation policy, make sure that their certificate shows that they have one as well.

Last of all, check the policy dates on the certificate to be sure that they are current and active.

If any policies will run out while these subs are still on the job, make sure that you also obtain an updated certificate.

Put copies of all of these certs in your audit file.

If the auditor shows up at your office and you don't have your certs ready, he will charge you for the subcontractor payroll and leave it up to you to fix it later.

And usually, fixing it later takes a lot more of your time.

Tip #2 – Take Some Time To Study Your Classifications. First of all, take the time with your agent to understand all of the classifications on your

[general liability insurance policy](#)

and your

[workers compensation insurance policy](#)

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Make sure that you understand the nuances of each class code and that your policy is set up accurately.

If you are going to fudge the gray area between two similar classifications, understand that you might not get it past the auditor and you should have funds ready should you fail.

Tip #3 - Have The Audit Done and Ready To Hand Over. Once you have done your homework on your classifications, set up a spreadsheet to dump the payroll for each employee each week into the correct classification.

You will want to keep a spreadsheet for both the [workers compensation](#) and the [general liability](#) policies.

If you have done this correctly, you will be able to hand that spreadsheet over to the auditor and essentially all of the auditor's work is done.

This is more likely to keep them from digging around in your books to find new problems to share with the underwriters that can cost you in increased premiums.

Tip #4 - Keep The Overtime Payroll Separate. The [NC workers compensation insurance policy](#) allows you to avoid paying premiums on the extra overtime pay.

But, to keep from paying work comp rates on this payroll, you must have it segregated.

I suggest that you add a column on the work comp spreadsheet that you are keeping to show the amount of payroll that

is overtime bonus and deduct it from the total payroll for each classification.

Tip #5 - Always Schedule the Audit for Friday Afternoons. This one may sound a little goofy but it works. If the auditor shows up at your office on Friday afternoon, and you can put all the information in his hands with up to date spreadsheets and copies of all subcontractor certificates, then he is more likely to accept your figures and get on home for the weekend.

The less time he spends digging around in your books and your operations, the less likely he is to find a surprise that the underwriter doesn't like which means higher insurance costs for you.

At [Clinard Insurance Group, in Winston Salem, NC](#) , we specialize in helping all kinds of contractors with their insurance needs, from [general liability insurance](#) and [workers compensation insurance](#) to commercial auto insurance and equipment insurance.

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