

For most people, including restaurant owners, the word audit carries some pretty negative connotations. But with your restaurant workers compensation insurance policy as well as your restaurant general liability insurance policy, an audit is the way that you settle up with your insurance company at the end of the policy term. And while the audit process will undoubtedly take up some of your time, understanding it in advance could save you a lot of time, money and frustration.

Why does your insurance policy need to be audited by the insurance company? Well, this happens when the rate basis is something that cannot be determined accurately before the policy has expired. Your workers compensation policy is based on the dollar amount of payroll that you pay to each employee over the policy term. And your restaurant general liability insurance may well be based on your gross sales for the policy period. All you can do in the beginning is to make an estimate of these numbers. Once the policy term has passed, an audit is necessary to find the actual payroll or sales numbers and to calculate the final premium for that policy. At that time you will either owe a little more money or be due some back, depending on whether your estimate was too low or too high.

To keep your audit process as painless as possible, start by carefully reading and reviewing the pre-audit letter that you receive from your auditor. This letter will tell you just what you need to have ready when the auditor calls or visits. Take the time, right then if possible, to gather your documentation and go over it for yourself to make sure that it is accurate.

Next put your payroll records into order with totals and details available by the following criteria:

- Policy Period – from inception to expiration date
- Job Classification – have your payroll separated between the different classifications from cooks to managers to wait staff and clerical people.
- Overtime versus regular pay – Be sure to have the overtime amounts documented clearly as the workers compensation rates do not apply to the extra bonus paid for overtime work. This step will help lower your costs if you have paid out significant overtime over the year.

Make sure that you are clear on the meaning of the term Gross Payroll. The audit will be based on the gross payroll numbers. This is the amount of payroll before deductions that reduce the employees' taxable income like 401k plans or cafeteria-style plans.

Keep the lines of communication open. If you are able to meet your auditor with all the information that he or she needs, the chances that the audit will go awry or waste your precious time are much reduced. The more research work that the auditor must do when visiting your restaurant, the greater the chances of the process getting tangled up, resulting in errors that will take your time to correct.

Once the auditor has finished the audit and submitted it back to the insurance company, you will receive a final audit statement. Take a moment to review the numbers to be sure that they are correct. If you see any errors, contact your agent for help in resolving them.

Clinard Insurance Group insures hundreds of restaurants all across North Carolina, South Carolina, Georgia and Tennessee. We work hard to help our restaurant owners to have a smooth and trouble free audit process each and every year. If you would like help with your restaurant insurance, please call our office, toll free, at 877-687-7557. We look forward to helping you.