



Products & Services | Property & Casualty

Increasing Your Workers' Compensation Confidence

From improved cash flow to smoother audits, here's how to lessen the inconvenience and minimize the financial implications of a workers' compensation audit.



Tackling the challenges of workers' compensation

For every growing business, workers' compensation is a necessity to protect your employees as well as your organization.

But no one will argue that managing workers' compensation is time-consuming, confusing and expensive. Historically, insurance carriers require a large, up-front premium deposit, which can be tough on cash flow. You have to deal with catch-up payments as your payroll changes throughout the year and try to avoid financial penalties for inaccurate or late payments. Misclassify an employee and the damage can really add up.

Nobody likes the word "audit" in any context. But it's a regular part of the workers' compensation process — and can be conducted annually, quarterly or even monthly depending on your business. When audit time rolls around, you need to pull together the necessary paperwork, check the resulting bill for accuracy, and be prepared to dispute it if necessary.

It's no surprise that many organizations turn to the experts to handle their workers' compensation administration — dealing with carriers, helping you reduce your risk exposure, managing the premium payments and providing knowledgeable guidance.



The carrier audit: Ready or not, here it comes

For companies that still manage their workers' compensation in-house, the biggest challenge is often the carrier audit. Depending on your business, these time-consuming audits can be conducted at any time, from once a year to once a month.

To minimize the disruption and expense of an audit, try these three best practices:



1. Keep your payroll records in tip-top shape.

Detailed documentation is the biggest challenge for most people at audit time, because you're forced to scramble to collect the information you need.

The better approach? Having a system that keeps you organized all year long. During the audit, be ready to provide copies of the following to your carrier:

- Payroll registers
- Master registry
- Quarterly state and federal tax filing reports
- 1099s for all independent contractors
- Cash labor records
- Certificates of insurance for 1099 payroll (if any)
- Employee time cards



2. Know your employee classifications.

Did you know that workers' compensation premiums are calculated based on employees' job classification codes? A premium rate for each code is then applied to calculate your base premium.

If you've misclassified an employee — for example, a clerical worker who also makes deliveries in your company van — you could get hit with an additional premium payment at audit time. That's why it's important to review employee classifications on a regular basis to ensure that they match current job descriptions.



3. Follow state rules for owners and officers.

Workers' compensation rules that govern company owners and officers are determined by individual states. Be sure you are using the correct classification terminology for your type of business entity — "owners" refer to sole proprietors or partners, while "officers" are members of a corporation.

Just like misclassification, incorrectly including/excluding certain employees, owners or officers can be expensive, difficult and time-consuming to fix. Be sure you understand and follow the state regulations that govern your business.

A little preparation and organization goes a long way in reducing stress levels at audit time. So does partnering with a proven expert who can help you save time, reduce risk and better manage your cash flow.

Workers' compensation for the 21st century

From classifying workers to your year-end audit, workers' compensation can be complex if you choose to go it alone. With Automatic Data Processing Insurance Agency, Inc. and its affiliate ADP, Inc., you'll know you have a trusted partner on your side — one that can make you feel more confident about the accuracy of your classifications and premium payments and help you get the right policy for your workers' compensation needs.

Automatic Data Processing Insurance Agency and its affiliate ADP Inc. supports companies like yours with strategies to help save time, improve cash flow and allocate your resources toward making money, not spending it.



Innovative thinking, smart solutions

You have plenty of choices when it comes to an insurance agency partner. So, why choose ADPIA? Because we're known as innovators who never stop looking for a better way.

We combine a unique system of checks and balances with accurate data and clear communication so our customers are not caught by surprise. We'll help simplify things by:

- Disputing inaccuracies in your audit premiums
- Automatically reviewing audit results prior to billing
- Asking for corrections before you ever see an invoice
- Reducing the frequency of audits whenever possible
- Personalizing communication so you have advance notice of charges
- Giving you the documentation you need to feel informed and in control

Our goal is to make the workers' compensation process more accurate and transparent, with a level of detail you won't find anywhere else.

Streamlining Your Premium Payments

From payroll to benefits administration, assistance with compliance to human capital management, companies come to ADP for one big reason: process improvement. Add ADP's Pay-by-Pay® Premium Payment Program for Workers' Compensation to the list, because we've applied fresh thinking to the traditional, cumbersome premium payment model and brought it into the 21st century.

ADP's Pay-by-Pay streamlines the handling of workers' compensation premium payments from end to end. Now, your organization can benefit from:

- **Better cost control and cash flow** — By virtually eliminating up-front annual premium deposits* and spreading your payments over each pay period, ADP's Pay-by-Pay helps you minimize the possibility of big lump-sum deposits. And because payments are calculated using actual payroll and carrier rates rather than estimates, you'll minimize unexpected "catch-up" payments.
- **Visibility into important data** — How can detailed reporting protect your business and perhaps save you money? More accurate premium payments, accurate wage data and better audit outcomes can help minimize additional premiums due, which can translate into improved cash flow.
- **Regained time to spend on strategy** — Imagine what you could do with the time you've been spending on paperwork, audits and data accuracy. With ADP doing the heavy lifting on documentation and forwarding your premium payments, you'll be free to focus on growing your business.

ADP's Pay-by-Pay: Simply a better way to manage your workers' compensation premium payments, especially if your payroll includes overtime, seasonal or commission wages.

The better way to tackle workers' compensation

Traditional Workers' Compensation Premium Payments	ADP's Pay-by-Pay Premium Payment Program for Workers' Compensation
– A 25-100% premium deposit required	+ No premium deposit required*
– Premium based on estimated annual payroll	+ Premium based on actual payroll and carrier rates
– Limited payment terms (e.g. monthly, quarterly, semi-annual, annual)	+ Payments spread out over company's payroll cycle
– Greater risk of additional premium due at year-end audit	+ Reduced risk of over- or under-payment at year-end audit
– Need to hand-write checks and send via mail, risking late payment or cancellation	+ Eliminates writing checks and helps assure accurate, on-time payments
– Variations in monthly outlays and year-end audit corrections wreak havoc on financial planning	+ Predictable and precise premium payments simplify forecasts and budgets

*While premium deposits may be eliminated by most carriers, mandatory state assessment fees may be required in some states.



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“ Pay-by-Pay is...seamless and automatically takes care of the administrative responsibilities that were slowing me down. Getting back two days each month allows me to focus more attention on our employees and customers. ”

Joseph Zingale, GM
Berghoff Design Group

Contact us today to learn more. Call us at (855) 237.5335.



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