





ADVANCED PREMIUM AUDIT TOPICS



Employer Education Series



Our Presenters



Kimberly Brunson
Senior Payroll Auditor
Premium Audit



Deborah Tjaden
Senior Payroll Auditor
Premium Audit


STATE FUND IS NOT A BRANCH OF THE STATE OF CALIFORNIA © 2023 State Compensation Insurance Fund




Purpose of a Premium Audit

At the end of your policy period State Fund conducts an audit to;

- Review your payroll and ensure that you are charged the correct amount of premium for the policy term
- Update any details that may affect your coverage and rates
- Confirm information for calculating your experience modification



STATE FUND IS NOT A BRANCH OF THE STATE OF CALIFORNIA © 2023 State Compensation Insurance Fund






Audit Guidelines

Workers' Compensation Insurance Rating Bureau of California (WCIRB) Guidelines


- Annual premium is \$10,500 or more
- Annual premium is less than \$10,500 - at sufficient interval.
- Contractors holding a C-39 license (Roofing) - includes a site inspection
- Exposure in high-wage construction classes - at least every three (3) years

STATE FUND IS NOT A BRANCH OF THE STATE OF CALIFORNIA © 2023 State Compensation Insurance Fund




General Classification Rules


- Single Enterprise Rule** - one classification that most accurately describes the entire business
- Multiple Enterprise Rule** - separate classifications for operations that are physically separated and conducted with no interchange of labor



STATE FUND IS NOT A BRANCH OF THE STATE OF CALIFORNIA © 2023 State Compensation Insurance Fund



Standard Exception Classifications



Clerical Office Employees - 8810

- Engaged 100% in clerical activities with no additional duties
- Physical separation
- Not exposed to the operative hazards of the business

Salespersons, outside - 8742


- 100% of work time in the field calling on customers
- Outside salespersons on part-time basis with strictly clerical work while at employer's location
- Not exposed to the operative hazards of the business

Telecommuters - 8871

- Perform their work at least 51% of the time from home office or other office away from the employer's location
- Not exposed to the operative hazards of the business

Cannot divide a worker's payroll between Standard Exception classes and any other classifications

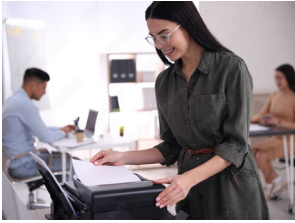
STATE FUND IS NOT A BRANCH OF THE STATE OF CALIFORNIA © 2023 State Compensation Insurance Fund





General Classification Principles

- "Includes Clerical"
- "All employees"
- "By Contract for Others"
- Incidental operations in construction



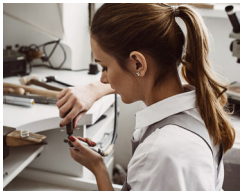
STATE FUND IS NOT A BRANCH OF THE STATE OF CALIFORNIA © 2023 State Compensation Insurance Fund STATE COMPENSATION INSURANCE FUND

General Inclusions

Certain activities that are specifically included in all classifications and may not be separately classified

Examples:

- Manufacturing of containers e.g. bags, bottles, boxes, cartons, or packing cases
- Maintenance of the employer's buildings or equipment when performed by employees
- Printing e.g. printing instruction sheets or product labels
- Stamping, welding, drilling, blasting in connection with other construction or manufacturing operations
- Drivers and their helpers
- Supervisors



STATE FUND IS NOT A BRANCH OF THE STATE OF CALIFORNIA © 2023 State Compensation Insurance Fund STATE COMPENSATION INSURANCE FUND

Supervisor Inclusion

Supervisors that are directly responsible for the day-to-day operations would generally be **classified the same as those they are supervising.**



STATE FUND IS NOT A BRANCH OF THE STATE OF CALIFORNIA © 2023 State Compensation Insurance Fund STATE COMPENSATION INSURANCE FUND



General Exclusions

Certain operations present a unique exposure to hazard that is not common or prevalent in most industries. Employees engaged in these activities must be assigned to a separate classification.

Examples:

- Aircraft operation
- New construction or alteration work (work that goes beyond facility maintenance or repair)
- Foundry operations
- Asbestos abatement
- Day care services if provided by the employer primarily for use by its employees' dependents



STATE FUND IS NOT A BRANCH OF THE STATE OF CALIFORNIA © 2023 State Compensation Insurance Fund STATE COMPENSATION INSURANCE FUND

Remuneration / Payroll

- Gross wages/salaries
- Commissions, bonuses, allowances
- Sick, vacation and holiday pay
- Overtime payments
- Market value of gifts
- Housing (in lieu of wages)
- Employee contribution to pension or retirement plans
- Any substitute for money



STATE FUND IS NOT A BRANCH OF THE STATE OF CALIFORNIA © 2023 State Compensation Insurance Fund STATE COMPENSATION INSURANCE FUND

What Is NOT Considered Payroll?



- Tips
- Meals
- Overtime Excess
- Severance Pay
- Employer Contributory Payments
- Auto & Travel Reimbursement
- Employer matching funds to pension/ retirement/ cafeteria plans
- Internal Revenue Code 125 (IRC 125)
- Lodging (some lodging may be excluded)
- Some prevailing wage fringe

STATE FUND IS NOT A BRANCH OF THE STATE OF CALIFORNIA © 2023 State Compensation Insurance Fund STATE COMPENSATION INSURANCE FUND



Officer and Supervisor Payroll Inclusions

Officer Inclusions

Eff 9/2/2022
Min \$57,200 / Max \$149,500

Supervisor Inclusions


Supervisors whose work is necessary, incidental or appurtenant to any operations of the business other than clerical office, **cannot be included in class code 8810-Clerical Office**

STATE FUND IS NOT A BRANCH OF THE STATE OF CALIFORNIA © 2023 State Compensation Insurance Fund

Payroll Segregation


Division of a Single Employee's Wages

- Wages may be divided between two or more classifications in accordance with the Multiple Enterprise rule or as directed by specific class footnotes or phraseologies



STATE FUND IS NOT A BRANCH OF THE STATE OF CALIFORNIA © 2023 State Compensation Insurance Fund

Dual Wage Classifications



- Employers must keep daily time records showing employee's hours worked, including daily start and stop times and lunch breaks
- Hourly rate of salaried employees is calculated at 2000 hours per year, not daily time records


For valid collective bargaining agreement with regular hourly wage rate by job class, an employee roster by job classification may be used in lieu of daily time records.

STATE FUND IS NOT A BRANCH OF THE STATE OF CALIFORNIA © 2023 State Compensation Insurance Fund



Overtime Excess

- Premium costs include the straight time portion of paid overtime
- Straight time portion of overtime pay
 - Employee's hourly wage = \$10/hour
 - Overtime rate of pay = \$15/hour (time and a half)
 - Overtime excess = \$5/hour
- Does not include extra pay for swing or graveyard shifts



STATE FUND IS NOT A BRANCH OF THE STATE OF CALIFORNIA © 2023 State Compensation Insurance Fund

Employment Status Determination The "ABC Test"

- Prong A "Free from Control"**
 - The person (worker) is free from the control and direction of the hiring entity in connection with the performance of the work, both under the contract for the performance of the work and in fact.
- Prong B "Outside the usual course of business"**
 - The person (worker) performs work that is outside the usual course of the hiring entity's business.
- Prong C "Customarily engaged in business of the same nature"**
 - The person (worker) is customarily engaged in an independently established trade, occupation, or business of the same nature as that involved in the work performed.

STATE FUND IS NOT A BRANCH OF THE STATE OF CALIFORNIA © 2023 State Compensation Insurance Fund

Independent Contractors

Independent Contractors status is determined on case by case basis

Documents to provide:

- Certificate of Workers' Compensation Insurance
- Contractor's license number and expiration date
- Business license
- Copy of contract



Visit our [Employment Status Resource Center](#) on [StateFundCA.com](#)

STATE FUND IS NOT A BRANCH OF THE STATE OF CALIFORNIA © 2023 State Compensation Insurance Fund



What If You Disagree With Your Audit?




- Contact your State Fund auditor
- Contact your Broker to assist with any questions
- You can also contact State Fund at: **(888) 782-8338**
- Email your written statement along with copies of supporting documentation to ADispute@scif.com


STATE FUND IS NOT A BRANCH OF THE STATE OF CALIFORNIA © 2023 State Compensation Insurance Fund



State Fund Premium Audit Videos




Premium Audit Video



Construction Industry Premium Audit Video

STATE FUND IS NOT A BRANCH OF THE STATE OF CALIFORNIA © 2023 State Compensation Insurance Fund



Audit Resources

- Uniform Statistical Reporting Plan WCIRB.com > usrp.pdf
- WCIRB Class Search WCIRB.com/class-search
- WCIRB Remuneration Table [WCIRB.com](http://WCIRB.com/pay-remuneration) > pay-remuneration
- Contractors State License Board CSLB.com
- Department of Consumer Affairs search.dca.ca.gov



Employment Status Resource Center on StateFundCA.com

STATE FUND IS NOT A BRANCH OF THE STATE OF CALIFORNIA © 2023 State Compensation Insurance Fund





Thank you for making State Fund your carrier of choice

Visit us at StateFundCA.com

Customer Support Center:
(888) 782-8338

For safety resources visit
SafeAtWorkCA.com

Safety Support Unit:
(800) 675-2667



STATE FUND IS NOT A BRANCH OF THE STATE OF CALIFORNIA © 2023 State Compensation Insurance Fund