



Wisconsin Compensation Rating Bureau

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## GENERAL CIRCULAR LETTER 633—SEPTEMBER 24, 2015

TO: Members of the Bureau  
FROM: Donna Knepper  
RE: Final Premium Determination

Occasionally, the WCRB receives inquiries regarding the audit requirements on a worker's compensation insurance policy. Since the basis of premium for the policies is payroll, the policies are issued using estimated payrolls. The actual premium for these policies cannot be determined until the final audit of the expiring policy, using the actual remuneration developed during the policy period. **There are no rules or statutes that allow a carrier to waive the final premium audit, regardless of estimated premium size.**

The standard, approved, worker's compensation insurance policy provides that the policy will be audited and that the policyholder will allow the audit of such policies. The language is as follows:

### **E. Final Premium**

The premium shown on the Information Page, schedules, and endorsements is an estimate. The final premium will be determined after this policy ends by using the actual, not the estimated, premium basis and the proper classifications and rates that lawfully apply to the business and work covered by this policy. If the final premium is more than the premium you paid to us, you must pay us the balance. If it is less, we will refund the balance to you. The final premium will not be less than the highest minimum premium for the classifications covered by this policy.

### **G. Audit**

You will let us examine and audit all your records that relate to this policy. These records include ledgers, journals, registers, vouchers, contracts, tax reports, payroll and disbursement records, and programs for storing and retrieving data. We may conduct the audits during regular business hours during the policy period and within three years after the policy period ends. Information developed by audit will be used to determine final premium. Insurance rate service organizations have the same rights we have under this provision

Carriers are also reminded to apply the "Minimum Minimum Premium" rule found in the WI Basic Manual. This rule states, in part:

In the event that the designated minimum premium is greater than 20 percent of the earned payroll, then the minimum premium shall be 20 percent of the earned payroll, but not less than the applicable expense constant.

This amount is not subject to pro rata or short rate cancellation.

If you have any questions, please contact: [donna.knepper@wcrb.org](mailto:donna.knepper@wcrb.org).