

Recordkeeping and Payroll Reporting Tips

At BHHC, we view the audit process as a customer service function—an opportunity for us to educate our policyholders and ensure you are paying the right premium on your workers compensation policy. We have compiled some recordkeeping and payroll reporting tips to assist you with this and help you avoid surprises at audit.

i **TIP: Classifications are applied based on the nature of the business—not employees’ duties within the business.**

For example, a janitor and a security officer employed by a manufacturing firm are assigned to the classification that contemplates the type of manufacturing the company engages in.

Exceptions

The most common exceptions to this rule are employees who qualify for assignment to the clerical or outside sales class codes. Please consult with your agent if you are unsure if employees qualify for these classifications, as there are strict criteria established by the workers compensation rating bureaus that must be met.

i **TIP: Records should contain the correct job titles for all employees who were paid during the period being audited to ensure proper classification.**

If any staff members had a permanent job change during the policy period, payroll records should reflect the different titles and exact payroll associated with each position.

i **TIP: What is considered payroll?**

Payroll for all employees paid during the policy period is used to calculate workers compensation premium.

Deductions from gross payroll for workers compensation premium calculation purposes generally include, but are not limited to, one-third of overtime earnings, half of double-time earnings, employee contributions towards a section 125 plan for CA only (N/A to 401k or retirement plans) and severance. Please be aware this varies by state, and it is always best to consult with your agent prior to excluding certain payments when reporting your payroll.

- Vacation, holiday, sick time, and bonuses are included as payroll in most jurisdictions.
- Shift differential payments are included as payroll in most jurisdictions.

Additional payments that are generally considered payroll for workers compensation premium calculation purposes include the value of lodging, housing and meals provided to employees, car allowances, payments made to staff outside of payroll, and amounts paid to uninsured subcontractors.

If principals are not excluded from the policy, their wages should be included in your payroll reporting.



i TIP: In addition to gross wages...

Payroll reports should show overtime, double-time payments and section 125 deductions (CA only) by employee to ensure proper credit is applied.

i TIP: Track employees' hours and pay (supported by timecards) to ensure their wages can be properly allocated to the correct code.

If your business qualifies for multiple classifications and your employees interchange between them, track their hours and pay accordingly (supported by timecards) to ensure their wages can be properly allocated to the correct code. Not doing so will result in all of their earnings being assigned to the classification which carries the highest rate in accordance with bureaus' rules.

- Allocations based on percentages or estimates are not permitted.
- Does not apply to the classifications for clerical staff and outside salespersons. They are not available for division of payroll and any employee performing duties within these functions, along with others, will be assigned to the code that covers the other function being performed.

i TIP: Make sure you are aware of the hourly wage threshold applicable to your policy (CA only).

If your policy includes dual wage classifications, make sure you are aware of the hourly wage threshold applicable to your policy. This is often updated by the California Workers' Compensation Insurance Rating Bureau (WCIRB) and failure to use the correct threshold may result in reclassifications at audit, and you will be charged for any additional premium owed. This information can be found in your policy declaration, our payroll reporting portal (if applicable), and at the WCIRB's website.

i TIP: Payroll needs to be provided on a weekly basis at audit for construction classifications (NY only).

If your policy includes construction classifications, it is important that payroll be provided on a weekly basis at audit in order for the payroll cap to be assessed where applicable.

i TIP: Obtain appropriate certificates of insurance for subcontractors.

If your company utilizes subcontractors, obtain appropriate certificates of insurance showing proof of workers compensation coverage for the period they worked for you.

Important Note

While contractors often appear independent, they may not qualify based on different factors and the specific statutes in your state. If they are deemed to be employees or subcontractors and do not have the proper workers compensation coverage, amounts paid to them will be included in the calculation of your premium.

i TIP: For wrap-up construction projects, maintain the proper certificates of insurance along with the certified payrolls submitted throughout the work period.

For construction companies engaged in work on OCIP/CCIP projects, maintain the proper certificates of insurance along with the certified payrolls submitted throughout the work period. Failure to present this documentation at audit will result in credit not being applied.