



# Artisan & Service Contractor Policy

## Important Information on How Your General Liability Premium Is Determined and the Audit Process

When your policy was written, the liability portion of the premium was based on an estimate of your scope of operations and the associated operation payroll.

At the end of the policy period an audit will be performed to determine your **actual** payroll and scope of operations. From this information we will be able to calculate the final premium.

### The Audit Process

A review of your financial records, such as payroll logs, general ledgers and tax returns may be required either by asking you directly for the information or by having a premium auditor contact you to obtain the information. It is to your benefit to have your accounting records set up by employee and type of work performed by each. We will also obtain a complete description of your business operations to confirm the classifications on your policy.

We will allocate the payroll by class codes and apply the appropriate credits, debits or discounts. From these details, we will determine your final premium. Based on this audit, premium adjustments, if any, will be made and a Premium Adjustment Statement will be sent to you.

### Items That Affect Your Premium

- **Sole Proprietor/Partner/Officer** - In most instances, a set payroll amount will be charged for each sole proprietor/partner/officer.
- **Employees/Temporary Employees/Leased Employees** - Actual remuneration paid to each employee, temporary employee and/or leased employee. If temporary or leased employee's remuneration cannot be determined from your records, the charge will be based on 100% of the total cost of the contract. You will be charged for these employees regardless of the temporary or leasing company's insurance arrangements.
  - *Remuneration means all payroll and other forms of earnings such as bonuses, commissions, sick days, meals and lodging, etc.*
- **Use of Subcontractors** - Certificates of Liability Insurance need to be obtained annually for every subcontractor you hire so that proper classification of job costs can be made. If they are not obtained, the subcontractor and their employees will be considered as your employees for premium calculation. This could increase your final premium substantially.
- **Scope of Operations** – The actual remuneration will be assigned to a class code in accordance with industry rules as published by the Insurance Services Office – Premium Audit Advisory Service and applicable State Farm filings.

**All audit information provided will be kept confidential.**

If you have any questions concerning this information, please contact your State Farm agent.

*The information contained in this document outlines general concepts.  
Information required may vary by state and could be impacted by state law.*