RYAN®
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SPECIALTY

WORKERS' COMPENSATION
PAYROLL REPORTING

HOW DOES TRADITIONAL PAYROLL REPORTING WORK?

A traditional payment plan generally involves a deposit and a number of installments based on premium generated from an insured's estimated annual payroll amounts per class code. Alternatively, under a payroll reporting plan, insureds report actual payrolls each month to their Workers' Compensation carrier either online, over the phone, or via a manual form. Reported amounts within each class code are multiplied by the net rate agreed upon at binding. The actual premium will generate for the insured to pay accordingly.

TRADITIONAL INSTALLMENT PAYMENT PLANS DO NOT TAKE INTO ACCOUNT THE FOLLOWING:

- **Incorrectly estimated payrolls:** If payrolls are overestimated, the insured will overpay throughout the term. If payrolls are underestimated, the insured will owe more premium at audit.
- **Employees who change roles within the company:** If proper records are not kept, an employee may be placed in the highest rated class that applies. This is another issue that can arise at audit.
- **Fluctuating payrolls:** Monthly installments are divided equally, even though amount of work may not be equal each month.

MAINTAINING A COMPANY'S PAYROLL INFORMATION:

Maintaining a company's payroll information can be a tedious manual task for business owners and retail agents. If payroll is reported incorrectly, it can result in unexpected changes and may negatively impact a Workers' Compensation premium in one of two ways. If payroll is underreported, there is potential to receive a hefty audit bill after the policy expires. If payroll is overreported, a company's financial flow may be hindered until the overpayment of funds can be recouped in an audit.

WHAT TYPE OF BUSINESS IS BEST SUITED FOR PAYROLL REPORTING?

Payroll reporting is beneficial for any business with fluctuating payroll. Common industries include contractors, healthcare, agriculture, trucking, retailers and manufacturing. Payroll reporting can also be helpful for seasonal businesses that generate varying amounts of payroll at different times of the year.

TYPES OF PAYROLL REPORTING:

RT Specialty's Workers' Compensation carriers can provide payroll reporting solutions appropriate for businesses of all sizes. Eligible insureds can help avoid payroll headaches by signing up for one of two payroll reporting options: **Monthly Self Reporting** or **Payroll Vendor Reporting**.

CONTACT

For more information, please contact your local RT Specialty WC broker or underwriter.

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1. MONTHLY SELF REPORTING: FOR SMALLER BUSINESSES

How Monthly Self Reporting works:

- Invoices are based on actual payroll and insureds will self report their payrolls each month. Carriers vary in how they collect the data, but generally it is submitted online, called in over the phone, or submitted via a manual form which is mailed or faxed to the carrier. Monthly Self Reporting helps to ensure that the monthly premium due correlates to the actual exposures incurred for each pay period.

- Insureds have control month-to-month regarding when payroll is submitted, and therefore, when premium is drafted. This can help to open up additional cash flow for other business operations.

- Deposit: This plan generally requires a premium bearing deposit, which is either used as the insured's 12th month's payment or as part of the final audit. Deposits can typically be rolled to renewal, if insureds stay with the same carrier. They would just report their 12th month normally.

2. PAYROLL VENDOR REPORTING: FOR LARGER BUSINESSES

How Payroll Vendor Reporting works:

- Insureds authorize a payroll vendor to report on their behalf. Carriers will have a list of approved vendors, so the insured must use one from the list, or get approval from the carrier to add one. The vendor provides statements to the carrier following each pay period and premium is automatically calculated based on the statement provided.

- Typically, direct draft is required for this payroll plan. Once the premium is generated, the insured's bank account will be drafted accordingly.

- Deposit: This payroll plan may allow for a reduced deposit. In certain cases, $0 is due at bind!

BENEFITS OF BOTH PAYROLL REPORTING OPTIONS INCLUDE:

- Quick premium calculation with less chance of errors
- Reduced variation in premium at audit
- May help to improve cash flows for policyholders with fluctuating payroll
- Assists in budgeting and financial planning for both employer and employee
- Less deposit is typically required
- Improved record keeping

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