

## **Procedures for Premium Audit:**

The following procedures are being implemented in order to facilitate timely processing of Premium Audits within the Program Division.

**AIG Programs contact person:** Susan Woolsey; [susan.woolsey@aig.com](mailto:susan.woolsey@aig.com); (617) 330-8421.

### **Programs subject to Audit**

See attached spreadsheet.

### **Audit threshold- All Programs:**

If annual GL premium  $\geq$  \$10,000

### **Type of Audit:**

- If GL premium is between \$10K and \$50K, a telephone audit is completed.
- If GL premium is over \$50K, a physical audit is completed.

**Audit waived:** Any audit which results in an AP or RP of \$100 or less

### **Workflow:**

#### **Coverall Policies**

The Coverall default is to consider all policies as being auditable unless otherwise modified. If the policy is not auditable, the PA must mark this as such on screen 10100. Under no circumstances should the PA identify these as being non-auditable unless referred to and approved by the home office underwriting manager.

#### **Manually processed policies:**

We will mark all subject policies as auditable unless you specify otherwise. Exceptions must be referred to and approved by the Program Manager.

#### **Automated feed policies:**

Currently there is no way for a PA to mark a policy as being auditable. Therefore all subject policies will be considered to be auditable.

At the expiration of a policy, the Premium Audit Department (PAD) will need to obtain a copy of each policy. Although they will have direct access to Coverall policies, the PA will need to provide them with copies of all manually issued policies or those that are on an electronic premium feed. The only information they need are 1) Dec page, 2) money endorsements 3) Rating Worksheet. PAs will be required to turn these requests around quickly. If after 2 attempts, no policy is returned, PAD will contact Susan Woolsey who in turn will follow up with the PA for same.

Completed audits will be sent directly to the Program Administrator by PAD. It is the PA's responsibility to bill, code and pay the audit or to dispute same. If the insured or PA wishes to dispute the audit, then they should complete the audit dispute form (attached) and forward it to either the Berkley Heights NJ or the Walnut Creek CA office depending on the PAD assignment screen. **The PA must also notify both Susan Woolsey and NH Premium Collections that the audit is in dispute.**

#### **Payment of Audit Premium**

Audit premium should be included on the monthly account current and is due 45 days after the close of the month in which the audit was billed by PAD to the PA. For example if the audit was billed on March 20<sup>th</sup>, premium should be paid by May 15<sup>th</sup>.

#### **Non-Payment of Audit Premium**

If the Program Administrator makes all reasonable efforts to collect the audit premium due but is unable to do so, and so informs the Company\* of this fact within 30 days of the date of the premium audit, then the Program Administrator is not responsible to remit premiums due for premium audits. In such event, the PA will not receive commissions for any amounts subsequently collected by the Company. Subsequent Company collections will be handled by our NH Premium Collections unit. If they are unsuccessful in collecting audit premium, they will turn it over to our legal collections department.

\*Send notifications to: [shari.coplan@aig.com](mailto:shari.coplan@aig.com) or

Shari Coplan  
AIG Premium Collections  
5 Kilton Road  
Five Bedford Farms  
Manchester NH 03110

#### **Follow-up for un-coded audits**

Each month Susan will send a report to the PAs which outline those audits which have not yet been coded. It is imperative that the PA process these immediately or advise her if it is in dispute. If the PA's policies are coded manually by VMGU, the PA must send an audit endorsement to VMGU in order for them to process the premium, otherwise the PA needs to enter the detail into Coverall or as part of their monthly electronic feed. Any audit premium which remains unprocessed for more than 90 days (regardless of the processing system) will be manually coded by VMGU. Since we'd like to give our PAs the opportunity to get caught up with outstanding audit codings, we will not start this latter procedure until May 15, 2003.

#### **Non-Productive Audit**

PAD will make two attempts to conduct audits where warranted. If the insured is unresponsive, PAD will automatically process an AP for 30% of the subject premium.

**Large Audit Adjustments**

PAD will send a cc of the audit to the Program manager if either or both of the following occur:

- If an audit results in a premium difference of \$10,000 or more
- If the premium difference is > 25% of the original premium

**New Programs**

A representative from our compliance department will notify PAD of any new program that is subject to premium audit.

Please contact Doug Knapp at (617) 330-8311; [douglas.knapp@aig.com](mailto:douglas.knapp@aig.com) if you or your PAs have any questions.