

# CHARTIS



**Lexington Insurance  
Program Division  
New Audit Procedures**

**October 2010**

## Overview

Over the course of the last year, the Lexington Program Operations Division has increasingly become involved in the handling of audit activity. Our primary objective is to improve the flow of audit processing, from the point an audit is conducted through premium booking. This includes streamlining the audit dispute process by improving communication between Program Administrators and our Premium Audit Division, as well as restructuring our guidelines to encourage the timely booking of all audit premium.

Many of our Program Administrators have expressed frustration with the way audit premium has historically been handled by Cover-All. It is our hope that a recent enhancement to the system will make the processing of audit premium more flexible and, therefore, more timely. The pages that follow discuss this Cover-All enhancement, including an attendant change in the way revised audit premium is generated by our Premium Audit Division, and outline the procedures we expect Program Administrators to take from the time they receive an audit through to its booking.

Please be advised that these changes will not be effective immediately. You will be notified when your users have access to the new Cover-All “Revise Audit” feature and when you should expect to see changes in our Premium Audit Division’s presentation of revised audit premium.

## Final Audits

After a policy that meets the Lexington Program Division's criteria for audit eligibility has expired, our Premium Audit Division reviews the exposure amounts for all endorsements occurring during the policy period and calculates the total **earned premium** for the term. The Premium Audit Division then issues audit worksheets and an audit advice to the Program Administrator for review. **It is our expectation that Program Administrators book all final audit premium in Cover-All within 72 business hours of receipt, even if a dispute will be filed.**

It has come to our attention that many Program Administrators have not been utilizing Cover-All's "Final Audit" function, primarily because the system did not allow any further processing once a "Final Audit" had been booked. With the aforementioned Cover-All enhancement about to be launched, we ask that **all** final audit premium be booked using the "Final Audit" function once you have been notified that your users have access to the "Revise Audit" transaction. At that time, please discontinue using the "Endorsement" transaction when booking audit premium.

The pages that follow outline the steps necessary to run the mandatory "GL Policy Audit Report" and then process a "Final Audit" (Code 43) in Cover-All.

## Running Audit Reports from the Portal

- On the Portal, click the **List** tab.
- Under **Audit Reports**, select “GL Policy Audit Report.”
- Fill in the *Requested Month* and *Requested Year* fields as shown below, using the policy expiration date (if the policy has been cancelled, use the cancellation date).



The screenshot shows a web browser window titled "My Insurance Center: Administration: Rating & Issuance - Microsoft Internet Explorer". The address bar shows the URL "https://www.lexingtoncoverall.com/mic/admin/AdminReport.jsp". The page features the AIG Programs logo at the top, followed by "R & I" and "Lexington Insurance Company - Patricia St Yves". Below this is the "Rating & Issuance" section, which contains the "GL Policy Audit Report" form. The form has two input fields: "\*Requested Month: 08 mm" and "\*Requested Year: 2006 yyyy". Below the fields are "Reset" and "Submit" buttons. A note at the bottom of the form states "Fields marked \* are required." The page is powered by COVER-ALL Technologies Inc. The Windows taskbar at the bottom shows the start button and several open applications, including "Inbox - Microsoft...", "Chiarello Fire Arm...", "RE: Loggers Progr...", and "Internet Explorer". The system clock shows "1:23 PM".

- Click **Submit**.
- On the next screen, a list of policies will display. Any policy that was coded with an “A,” “S” or “M” in the *Audit Period* field on **Screen 10100** should be included in this list of policies eligible to be audited.
- If you would like to create a file that can be saved and printed, click **Export** to transfer the list to an Excel spreadsheet.

Running the “GL Policy Audit Report” cues Cover-All to prepare the policies listed for a “Final Audit.” “Final Audit” transactions will not be available for policies not listed on the report.

## Processing a Final Audit

- Select “Audit” from the dashboard to display the **Final Audit Header Screen** (please note that the endorsement date defaults to the policy expiration date).
- Click Next to proceed to the **Mid-Term Endorsement Description Screen**.

My Insurance Center - Microsoft Internet Explorer

Address: https://www-test.lexingtoncoverall.com/mic/portal/servlet/PageRenderer

My Insurance Center - Mid-Term Endorsement Description

**Master**

Transaction : Audit      Screen : 00002- Modified  
Policy No. : 01-LX-00000263-1/004      Type : Commercial General  
Insured : TEST AUDIT POLICY      Producer : Victor O Schinnerer

Occur # 1

| Type* | Description*                   | Further Description of Change |
|-------|--------------------------------|-------------------------------|
| 43    | AUDIT TRANSACTION - FINAL PERI | OD                            |
| 0     |                                |                               |
| 0     |                                |                               |
| 0     |                                |                               |
| 0     |                                |                               |
| 0     |                                |                               |
| 0     |                                |                               |
| 0     |                                |                               |
| 0     |                                |                               |

Cancel    Lookup    Notes    Go To    Delete    Skip    Finish    < Back    Next >    Finish All

Applet: com.coverall.renderer...RendererApplet started    ncloutier@test.lexington.com

- Click “FldLookup” and select reason code “43.” The *Type* and *Description* fields will automatically pre-fill with “43: Audit Transaction – Final Period.”
- Cover-All will divide the policy or GL portion of a package policy into separate policy histories using the endorsement effective dates.

- Continue to **Screen 35010**. This will show the first class in sequence, and effective dates of the first history. There will be an occurrence of **Screen 35010** for each history for each class. The sub-policy unit number is displayed at the top of this screen. Screens are displayed in order alphabetically by sub-policy state, then sequentially by location/territory and class. **Update the exposure information by entering the audit exposure in the last history.** The last history can be determined by selecting Next until a screen that indicates the expiration date in the “Endor” field is displayed. If no update is required, select Next to proceed to subsequent classes.

The screenshot shows a web browser window titled "My Insurance Center - Microsoft Internet Explorer". The address bar shows "https://www-test.lexingtoncoverall.com/mic/portal/servlet/PageRenderer". The page content is titled "My Insurance Center - PMS/OPS and PDTS/COMP OPS".

Key information displayed on the screen includes:

- Insured: TEST AUDIT POLICY
- Endor: 000
- Eff: 01-01-03 - 01-01-04
- Producer: Victor O Schinnerer &
- Class\*: 98555 QUARRIES-- OTHER THAN COAL
- Occur#: 1
- Loc#: 1
- Terr\*: 001
- Exposure: 500000
- Base: PAYROLL
- Risk Type: 34
- Annual Premium: 10923

At the bottom of the screen, there are navigation buttons: Cancel, Lookup, Notes, Go To, Delete, Skip, Finish, Premium, < Back, Next >, and Finish All. The user's email address, ncloutier@test.lexington.com, is visible in the bottom right corner.

- Repeat for each General Liability unit.
- When the adjusted exposure amount has been entered for each history, click Next until the system advances to the end.
- Cover-All will re-rate the policy using the actual exposure amounts entered in **Screen 35010**. In the policy footer, Cover-All compares the total premium for each sub-line by history. An additional or return premium is calculated accordingly.

## Key Elements of the Final Audit

- All “Final Audits” are done using the expiration date of the policy.
- “Final Audit” transactions only provide access to the **General Liability Coverage Part**.
- The policy is divided into histories using endorsement effective dates. A policy with no endorsements will have only one history. A policy with three endorsements will be divided into four policy histories.

**First History:** policy inception to endorsement 1

**Second History:** endorsement 1 to endorsement 2

**Third History:** endorsement 2 to endorsement 3

**Fourth History:** endorsement 3 to policy termination date

- All but the last history must have a “0” in the *Exposure* field. The user enters the actual exposure amount in the *Exposure* field of the last history. Cover-All will then re-rate the policy using the actual exposure amount and will calculate a final term premium.
- Cover-All recalculates the minimum premium for each of the sub-lines during each time period.
- The “Redo” function is available on a “Final Audit” transaction until it is “booked”.
- “Final Audits” **can** be processed on cancelled policies.

## Revised Audits

The aforementioned Cover-All enhancement allows audit premium requiring revision to be processed through the new “Revise Audit” function. If an “Audit” transaction (Code 43) has **already** been booked through the system, users now have the ability to process a revision (also code 43) to adjust the audit premium booked on a policy. **As with final audit premium, we expect Program Administrators to book revised audit premium within 72 business hours of receipt.**

The following example, which assumes that a final audit has already been processed in Cover-All, explains the steps necessary to book a revised audit. Once a final audit has been processed, the “Revise Audit” function automatically becomes available in the transaction dropdown menu. Because the original final audit has already been processed as an “Audit,” the system does not require the **GL Policy Audit Report\*** to be run again.

To begin processing, select “Revise Audit.”

The screenshot shows a web browser window titled "My Insurance Center - Microsoft Internet Explorer". The address bar shows "https://www-test.lexingtoncoverall.com/mic/portal/servlet/PageRenderer". The page content is divided into several sections:

- General Information:** Policy # 02-LX-42000260-0, Revision # 001 (Final Audit), Status Expired, Transaction Eff. Date 06/01/2010, Effective Date 06/01/2009, Expiration Date 06/01/2010, Last Modified Date 06/10/2010, Last modified by Natalie Cloutier. Transaction Premium \$405.00, Transaction Premium (incl. surcharges, fees, taxes) \$405.00, Written Premium \$7,925.00, Written Premium (incl. surcharges, fees, taxes) \$7,925.00.
- Producer Information:** No. 0000099999, Name Test Producer, Address 9999 Main St New Milford, NJ 07646-0000, Commission Rate 17.50%.
- Insured Information:** Name JOHN DOE, Address 100 MAIN STREET NORTH PROVIDENCE, RI 02911.

At the bottom of the page, there is a dropdown menu with the following options: Refresh, Inquire, Quote for Renewal, Renew, **Revise Audit** (highlighted), and Unbook. Below the dropdown menu, there are tabs for "Billing" and "Documents (8)". The "Pay Plan" is listed as "25% Down % 9 Installments". At the bottom, there is an "Installation Schedule" table with columns for "Installation", "Due Date", "Premium Due", and "Surcharge/Assessment". The table content is not visible as it says "Installation details are not applicable."

**\*Please note: The “Unbook” feature will not be available in the dropdown menu in Production**

\* To prepare auditable policies for the processing of audit transactions in Cover-All, navigate to the List Tab and select “GL Policy Audit Report.” Enter the required criteria and select “Submit.” As noted above, this is required to process the first “Audit” transaction, but is not necessary for subsequent “Revise Audit” transactions.



In the **GL Master** on **Screen 00002**, the *Type* and *Description* fields will automatically pre-fill with “43: Audit Transaction – Final Period.” After this wording, type, “**REVISED.**” This will ensure that the General Change Endorsement generated by Cover-All clearly indicates that this is a revised audit, not the final audit. **If “Revised” is not added to the description, it will be difficult to distinguish among the audit documents generated for a single insured.**

| Type* | Description*                   | Further Description of Change |
|-------|--------------------------------|-------------------------------|
| 43    | AUDIT TRANSACTION - FINAL PERI | OD - REVISED                  |
| 0     |                                |                               |
| 0     |                                |                               |
| 0     |                                |                               |
| 0     |                                |                               |
| 0     |                                |                               |
| 0     |                                |                               |
| 0     |                                |                               |
| 0     |                                |                               |

**Screen 35010** in the “Revise Audit” transaction does not present multiple occurrences of the same class code. Instead of these exposure “histories,” one occurrence of each class code appears. Adjust the limits as necessary to prompt Cover-All to calculate a new annual premium. All premium determined by previous Cover-All activity for that policy term is applied to the new annual premium figure. If the new annual premium is greater than the total of all premium from prior transactions, an *additional premium* figure is generated. Likewise, if the new annual premium is less than what has already been calculated, a *return premium* is generated.

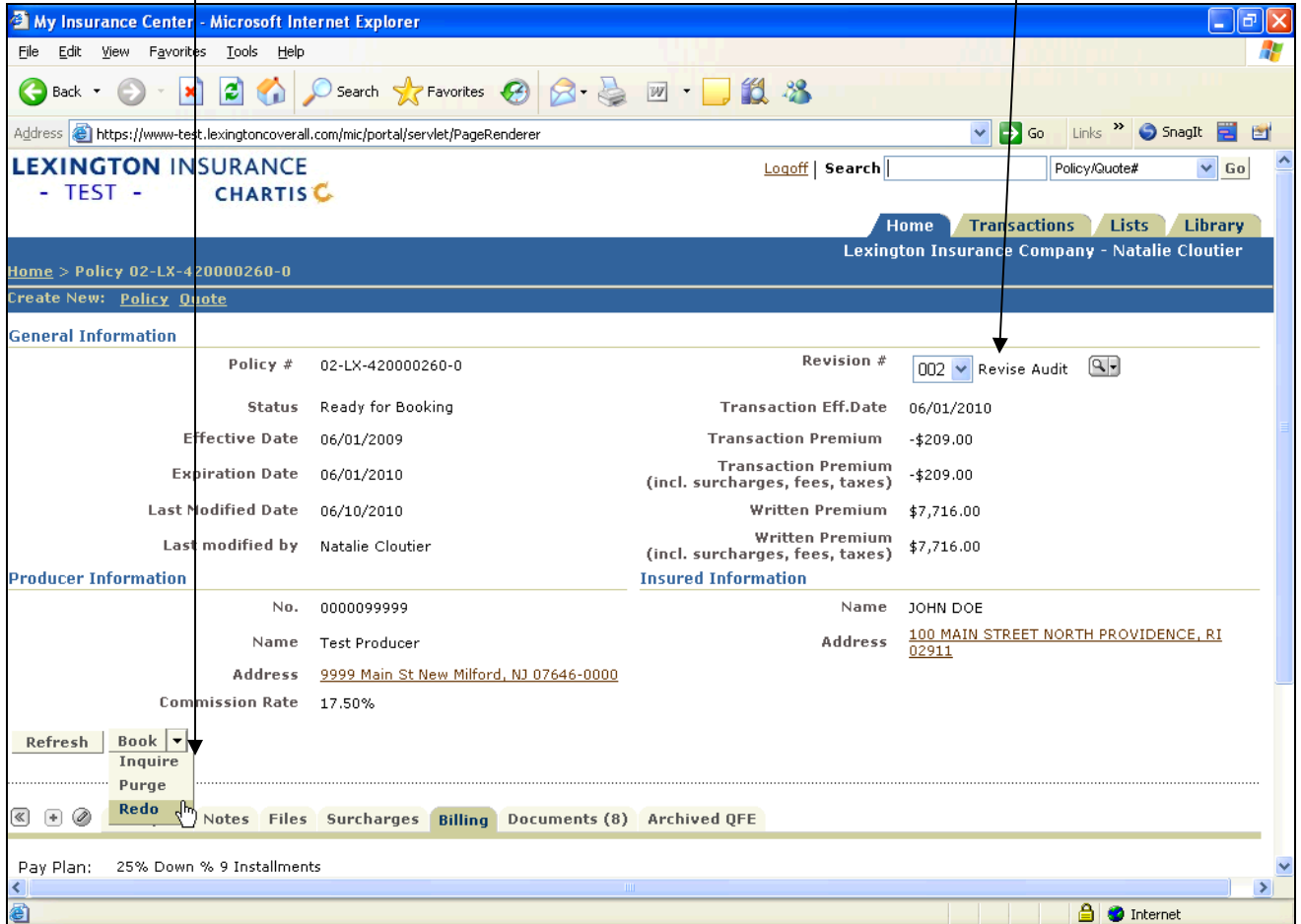
**STATE-1**

|               |                          |            |                        |
|---------------|--------------------------|------------|------------------------|
| Transaction : | Audit                    | Screen :   | 35010- Modified        |
| Policy No.    | 02-LX-42000260-0/002     | Type :     | Commercial General Lia |
| Insured :     | JOHN DOE                 | Producer : | Test Producer          |
| Endor : 001   | Eff: 06-01-10 - 06-01-10 |            |                        |

|               |      |          |                                  |              |          |      |         |
|---------------|------|----------|----------------------------------|--------------|----------|------|---------|
| Occur#        | 1    | Loc#     | 1                                | Terr*        | 503      | Grp  | 0       |
| Class*        | 0    | 91340    | CARPENTRY - CONSTRUCTION OF RESI | Expsr Basis* | P        | Cov* | B       |
| Premium       | Base | PAYROLL  | Exposure                         | 64000        | Trans Yr | 0    |         |
| Previous Base |      |          | Prev Expsr                       | 0            | Pms/Ops  |      | Pdt/Ops |
| Risk Type     | 38   | Prem/Ops | Pdt/Ops                          | Ded.         | 0.000    |      | 0.000   |
| Base Rate     |      | 16.093   | 17.597                           |              | 0.000    |      |         |
| Cov Changes   | -    | 0.000    | N/A                              |              |          |      |         |
| Inc Lmt Ftr   |      | 1.440    | 1.670                            |              |          |      |         |
| Trans Ftr     |      | 0.000    | 0.000                            |              |          |      |         |
| Claims Multp  |      | 1.000    | 1.000                            |              |          |      |         |

When Cover-All returns to the dashboard, the transaction type next to the Revision # in the upper right corner will have changed from “Final Audit” to “Revise Audit.” The “Redo” feature is available until the revised audit is booked. If the transaction is ready for processing, select “Book.” After booking, the “Revise Audit” feature can be used as many times as necessary to adjust the final premium.



Because “REVISED” was added to the wording in the **GL Master on Screen 00002**, the General Change Endorsement document generated by Cover-All indicates that this is a revised audit.

| GENERAL CHANGE ENDORSEMENT   |  |
|--|--|
| NAME AND ADDRESS OF AGENCY<br><br>Test Producer<br>9999 Main St<br>New Milford NJ 07646<br>AGENCY 0000099999   | INSURANCE COMPANY<br>Granite State Insurance Company<br><br>175 Water Street - 18th Floor.<br>New York NY 10038  |
| NAME AND MAILING ADDRESS OF INSURED<br><br>JOHN DOE<br>100 MAIN STREET<br>NORTH PROVIDENCE RI 02911  | POLICY NUMBER<br>02-LX -420000260-0/002<br><br>POLICY PERIOD<br>FROM: 06-01-09 TO: 06-01-10<br><br>at 12:01 A.M. standard time at the mailing address shown. |
| EFFECTIVE 06-01-10 THIS POLICY IS AMENDED AS SHOWN   |  |
| <b>COMMERCIAL GENERAL LIABILITY</b><br>For an additional/return premium, the items below are changed as indicated:<br>AUDIT TRANSACTION - FINAL PERIOD - REVISED |  |
| RETURN PREMIUM DUE FOR Commercial General Liability  | \$209  |
| TOTAL RETURN PREMIUM DUE FOR THIS ENDORSEMENT  | \$209  |

Please be very careful when selecting the “Revise Audit” feature. Cancelling out of a “Revise Audit” will suspend the transaction, but it will *not* cancel it. Once “Revise Audit” has been selected and the system has navigated to Rating & Issuance, clicking the cancel button in the lower left of the screen will take the user back to the dashboard, but will not remove the revision transaction. On the dashboard, the last completed transaction (the “Final Audit”) will display. The dropdown menu next to “Revision #” in the top right corner will include the “Revise Audit” transaction number. If this is selected, Cover-All will indicate that the “Revise Audit” transaction is suspended.

**If “Revise Audit” is selected in error, please complete the transaction, leaving the exposure amounts unchanged from the previous “Audit” or “Revise Audit” transaction. This will generate a revised audit premium of \$0.**

## New Audit Advice Documents

The enhancement to Cover-All is accompanied by a change to the revised audit advice document generated by our Premium Audit Division. The pages that follow include an example final audit document, a revised audit document generated using the old methodology and a revised audit document generated using the new methodology.

### Exhibit 1

#### Final Audit Display

|                        |          |
|------------------------|----------|
| Audited Premium        | \$37,522 |
| Less Estimated Premium | \$28,681 |
| Additional Premium     | \$8,841  |

### Exhibit 2

#### Revised Audit Display Using the Old Methodology

|                        |          |
|------------------------|----------|
| Audited Premium        | \$36,599 |
| Less Estimated Premium | \$28,681 |
| Additional Premium     | \$7,918  |

### Exhibit 3

#### Revised Audit Display Using the New Methodology

|                        |          |
|------------------------|----------|
| Audited Premium        | \$36,599 |
| Less Estimated Premium | \$37,522 |
| Return Premium         | \$923    |

The estimated annual premium on the new revised audit document **does not** revert back to the original estimated annual premium determined at the policy's inception. Going forward, any additional or return premium determined by a revised audit will be based on the annual premium determined at the previous audit. **Because each revised audit is dependent on previously generated audits, it is essential that all audit premium be booked in Cover-All via an "Audit" or "Revise Audit" transaction.**

Exhibit 1

GRANITE STATE INS CO  
70 PINE STREET - EXECUTIVE OFFICES, NEW YORK NY 10270

GENERAL LIABILITY  
AUDIT ADVICE

INSURED: [REDACTED]

POLICY PERIOD:  
07/29/2008 TO 07/29/2009

PRODUCER: [REDACTED]

AUDIT PERIOD:  
07/29/2008 TO 04/23/2009

CANCELLED: PRO-RATA

ISSUE DATE: 09/15/2009

| DIVISION: 066 |  | POLICY NO: [REDACTED] |        | ADJUSTMENT TYPE: Final |  |
|---------------|--|-----------------------|--------|------------------------|--|
| CODE          | EXPLANATION  | EXPOSURE              | RATE   | PREMIUM                |  |
|               | STATE: NEW JERSEY  |                       |        |                        |  |
|               | SUBLINE: PREMISES OPERATIONS   |                       |        |                        |  |
| 91580         | CONTRACTORS EXECUTIVE SUPERVISORS<br>PAYROLL/RATE PER 1000                     | 91,603.2              | 76.389 | 6,997                  |  |
| 91629         | DEBRIS REMOVAL - CONSTRUCTION SITE<br>PAYROLL/RATE PER 1000                    | 1                     | 24.315 | 0                      |  |
| 47051         | REAL ESTATE DEVELOPMENT PROPERTY<br>EACH/RATE PER UNIT                         | 100                   | 7.498  | 750                    |  |
| 91583         | CONTRACTORS - SUBCONTRACTED WORK<br>PROJECT COST/RATE PER 1000                 | 4,293,900             | 1.359  | 5,835                  |  |
| 46362         | MODEL HOMES<br>EACH/RATE PER UNIT  | 2                     | 959.38 | 1,919                  |  |
| 49451         | VACANT LAND<br>EACH/RATE PER UNIT  | 6                     | 1.265  | 8                      |  |
| 94007         | EXCAVATION<br>PAYROLL/RATE PER 1000  | 95,420                | 60.812 | 5,803                  |  |
| 99310         | SNOW & ICE REMOVAL - CONTRACTOR<br>PAYROLL/RATE PER 1000                       | 1                     | 18.734 | 0                      |  |
|               | SUBLINE: PRODUCTS/COMPLETED OPERATIONS   |                       |        |                        |  |
| 91580         | CONTRACTORS EXECUTIVE SUPERVISORS - INCL<br>DEBRIS REMOVAL - CONSTRUCTION SITE |                       |        |                        |  |
| 91629         | PAYROLL/RATE PER 1000  | 1                     | 3.057  | 0                      |  |
| 47051         | REAL ESTATE DEVELOPMENT PROPERTY - INCL<br>CONTRACTORS - SUBCONTRACTED WORK    |                       |        |                        |  |
| 91583         | PROJECT COST/RATE PER 1000   | 4,293,900             | 3.215  | 13,805                 |  |
| 46362         | MODEL HOMES - INCL   |                       |        |                        |  |
| 49451         | VACANT LAND - INCL<br>EXCAVATION   |                       |        |                        |  |
| 94007         | PAYROLL/RATE PER 1000  | 95,420                | 16.945 | 1,617                  |  |
| 99310         | SNOW & ICE REMOVAL - CONTRACTOR<br>PAYROLL/RATE PER 1000                       | 1                     | 43.431 | 0                      |  |
|               | SURCHARGE<br>NEW JERSEY 398  |                       |        |                        |  |
|               | ADD'TL INSURED   |                       |        | 300                    |  |

Exhibit 1

GRANITE STATE INS CO  
70 PINE STREET - EXECUTIVE OFFICES, NEW YORK NY 10270

GENERAL LIABILITY  
AUDIT ADVICE

INSURED: [REDACTED]

POLICY PERIOD:  
07/29/2008 TO 07/29/2009

PRODUCER: [REDACTED]

AUDIT PERIOD:  
07/29/2008 TO 04/23/2009

CANCELLED: PRO-RATA

ISSUE DATE: 09/15/2009

| DIVISION: 066             |                                 | POLICY NO: [REDACTED]                |      | ADJUSTMENT TYPE: Final |        |
|---------------------------|---------------------------------|--------------------------------------|------|------------------------|--------|
| CODE                      | EXPLANATION                     | EXPOSURE                             | RATE | PREMIUM                |        |
|                           | TERRORISM COVERAGE              |                                      |      |                        | 387    |
|                           | END'T #2 - ADDT'L INSURED       |                                      |      |                        | 100    |
|                           | END'T #2 - TERRORISM COVERAGE   |                                      |      |                        | 1      |
|                           | AUDIT ASSESSMENT/TAXES          |                                      | 398  |                        |        |
|                           | LESS ESTIMATED ASSESSMENT/TAXES |                                      | 398  |                        |        |
|                           | RETURN ASSESSMENT TAX           |                                      | 0    |                        |        |
| <b>THIS IS NOT A BILL</b> |                                 | AUDITED PREMIUM                      |      | +                      | 37,522 |
|                           |                                 | LESS ESTIMATED PREMIUM               |      | -                      | 28,681 |
|                           |                                 | ADDITIONAL PREMIUM                   |      | +                      | 8,841  |
|                           |                                 | ADDITIONAL PREMIUM (INC. ASSESS/TAX) |      | +                      | 8,841  |

ESTIMATED AUDIT IS SUBJECT TO REVISION WHEN RECORDS ARE MADE AVAILABLE.  
THIS PREMIUM ADJUSTMENT DOES NOT REFLECT THE ACTUAL PREMIUM DUE FROM OR TO THE INSURED UNLESS ALL AMOUNTS PREVIOUSLY BILLED HAVE BEEN PAID

Exhibit 2

GRANITE STATE INS CO  
175 WATER STREET - EXECUTIVE OFFICES, NEW YORK, NY 10038

GENERAL LIABILITY  
AUDIT ADVICE

INSURED: [REDACTED]

POLICY PERIOD:  
07/29/2008 TO 07/29/2009

PRODUCER: [REDACTED]

AUDIT PERIOD:  
07/29/2008 TO 04/23/2009

CANCELLED: PRO-RATA

ISSUE DATE: 08/20/2010

| DIVISION: 066 |  | POLICY NO: [REDACTED] |        | ADJUSTMENT TYPE: Revision |  |
|---------------|--|-----------------------|--------|---------------------------|--|
| CODE          | EXPLANATION  | EXPOSURE              | RATE   | PREMIUM                   |  |
|               | STATE: NEW JERSEY  |                       |        |                           |  |
|               | SUBLINE: PREMISES OPERATIONS   |                       |        |                           |  |
| 91580         | CONTRACTORS EXECUTIVE SUPERVISORS<br>PAYROLL/RATE PER 1000                     | 91,603.2              | 76.389 | 6,997                     |  |
| 91629         | DEBRIS REMOVAL - CONSTRUCTION SITE<br>PAYROLL/RATE PER 1000                    | 1                     | 24.315 | 0                         |  |
| 47051         | REAL ESTATE DEVELOPMENT PROPERTY<br>EACH/RATE PER UNIT                         | 100                   | 7.498  |                           |  |
|               | ADJUSTED PREMIUM FOR CANCELLATION  | 750                   | .734   | 550                       |  |
| 91583         | CONTRACTORS - SUBCONTRACTED WORK<br>PROJECT COST/RATE PER 1000                 | 4,293,900             | 1.359  | 5,835                     |  |
| 46362         | MODEL HOMES<br>EACH/RATE PER UNIT  | 2                     | 959.38 |                           |  |
|               | ADJUSTED PREMIUM FOR CANCELLATION  | 1,919                 | .734   | 1,408                     |  |
| 49451         | VACANT LAND<br>EACH/RATE PER UNIT  | 6                     | 1.265  |                           |  |
|               | ADJUSTED PREMIUM FOR CANCELLATION  | 8                     | .734   | 6                         |  |
| 94007         | EXCAVATION<br>PAYROLL/RATE PER 1000  | 95,420                | 60.812 | 5,803                     |  |
| 99310         | SNOW & ICE REMOVAL - CONTRACTOR<br>PAYROLL/RATE PER 1000                       | 1                     | 18.734 | 0                         |  |
|               | SUBLINE: PRODUCTS/COMPLETED OPERATIONS   |                       |        |                           |  |
| 91580         | CONTRACTORS EXECUTIVE SUPERVISORS - INCL<br>DEBRIS REMOVAL - CONSTRUCTION SITE |                       |        |                           |  |
| 91629         | PAYROLL/RATE PER 1000  | 1                     | 3.057  | 0                         |  |
| 47051         | REAL ESTATE DEVELOPMENT PROPERTY - INCL<br>CONTRACTORS - SUBCONTRACTED WORK    |                       |        |                           |  |
| 91583         | PROJECT COST/RATE PER 1000   | 4,293,900             | 3.215  | 13,805                    |  |
| 46362         | MODEL HOMES - INCL   |                       |        |                           |  |
| 49451         | VACANT LAND - INCL<br>EXCAVATION   |                       |        |                           |  |
| 94007         | PAYROLL/RATE PER 1000  | 95,420                | 16.945 | 1,617                     |  |
| 99310         | SNOW & ICE REMOVAL - CONTRACTOR<br>PAYROLL/RATE PER 1000                       | 1                     | 43.431 | 0                         |  |
|               | SURCHARGE<br>NEW JERSEY 398  |                       |        |                           |  |



Exhibit 2

GRANITE STATE INS CO  
175 WATER STREET - EXECUTIVE OFFICES, NEW YORK, NY 10038

GENERAL LIABILITY  
AUDIT ADVICE

INSURED: [REDACTED]

POLICY PERIOD:  
07/29/2008 TO 07/29/2009

PRODUCER: [REDACTED]

AUDIT PERIOD:  
07/29/2008 TO 04/23/2009

CANCELLED: PRO-RATA

ISSUE DATE: 08/20/2010

| DIVISION: 066             |                                 | POLICY NO: [REDACTED]                |      | ADJUSTMENT TYPE: Revision |        |
|---------------------------|---------------------------------|--------------------------------------|------|---------------------------|--------|
| CODE                      | EXPLANATION                     | EXPOSURE                             | RATE | PREMIUM                   |        |
|                           | ADD'TL INSURED                  |                                      |      |                           | 300    |
|                           | ADJUSTED PREMIUM                | 300                                  | .734 |                           | 220    |
|                           | TERRORISM COVERAGE              |                                      |      |                           | 387    |
|                           | ADJUSTED PREMIUM                | 387                                  | .734 |                           | 284    |
|                           | END'T #2 - ADDT'L INSURED       |                                      |      |                           | 100    |
|                           | ADJUSTED PREMIUM                | 100                                  | .734 |                           | 73     |
|                           | END'T #2 - TERRORISM COVERAGE   |                                      |      |                           | 1      |
|                           | AUDIT ASSESSMENT/TAXES          |                                      |      | 398                       |        |
|                           | LESS ESTIMATED ASSESSMENT/TAXES |                                      |      | 398                       |        |
|                           | RETURN ASSESSMENT TAX           |                                      |      | 0                         |        |
| <b>THIS IS NOT A BILL</b> |                                 | AUDITED PREMIUM                      |      | +                         | 36,599 |
|                           |                                 | LESS ESTIMATED PREMIUM               |      | -                         | 28,681 |
|                           |                                 | ADDITIONAL PREMIUM                   |      | +                         | 7,918  |
|                           |                                 | ADDITIONAL PREMIUM (INC. ASSESS/TAX) |      | +                         | 7,918  |

ESTIMATED AUDIT IS SUBJECT TO REVISION WHEN RECORDS ARE MADE AVAILABLE. REVISED TO AMEND: FLAT CHARGES TO SHOW PRO RATED PREMIUMS  
THIS PREMIUM ADJUSTMENT DOES NOT REFLECT THE ACTUAL PREMIUM DUE FROM OR TO THE INSURED UNLESS ALL AMOUNTS PREVIOUSLY BILLED HAVE BEEN PAID

Exhibit 3

INSURED: [REDACTED]

POLICY PERIOD:  
 FROM 07/29/2008 TO 07/29/2009

[REDACTED]

AUDIT PERIOD:  
 FROM 07/29/2008 TO 04/23/2009

PRODUCER: [REDACTED]

CANCELLED: PRO-RATA

[REDACTED]

ISSUE DATE: 08/19/2010

| DIVISION: 066 |  | POLICY NO: [REDACTED] | ADJUSTMENT TYPE: QR - Revision |         |
|---------------|--|-----------------------|--------------------------------|---------|
| CODE          | EXPLANATION                              | EXPOSURE              | RATE                           | PREMIUM |
|               | STATE:NEW JERSEY                         |                       |                                |         |
|               | SUBLINE: PREMISES OPERATIONS             |                       |                                |         |
|               | CONTRACTORS EXECUTIVE SUPERVISORS        |                       |                                |         |
| 91580         | PAYROLL/RATE PER 1000                    | 91,603.2              | 76.389                         | 6,997   |
|               | DEBRIS REMOVAL - CONSTRUCTION SITE       |                       |                                |         |
| 91629         | PAYROLL/RATE PER 1000                    | 1                     | 24.315                         | 0       |
|               | REAL ESTATE DEVELOPMENT PROPERTY         |                       |                                |         |
| 47051         | EACH/RATE PER UNIT                       | 100                   | 7.498                          |         |
|               | ADJUSTED PREMIUM FOR CANCELLATION        | 750                   | .734                           | 550     |
|               | CONTRACTORS - SUBCONTRACTED WORK         |                       |                                |         |
| 91583         | PROJECT COST/RATE PER 1000               | 4,293,900             | 1.359                          | 5,835   |
|               | MODEL HOMES                              |                       |                                |         |
| 46362         | EACH/RATE PER UNIT                       | 2                     | 959.38                         |         |
|               | ADJUSTED PREMIUM FOR CANCELLATION        | 1,919                 | .734                           | 1,408   |
|               | VACANT LAND                              |                       |                                |         |
| 49451         | EACH/RATE PER UNIT                       | 6                     | 1.265                          |         |
|               | ADJUSTED PREMIUM FOR CANCELLATION        | 8                     | .734                           | 6       |
|               | EXCAVATION                               |                       |                                |         |
| 94007         | PAYROLL/RATE PER 1000                    | 95,420                | 60.812                         | 5,803   |
|               | SNOW & ICE REMOVAL - CONTRACTOR          |                       |                                |         |
| 99310         | PAYROLL/RATE PER 1000                    | 1                     | 18.734                         | 0       |
|               | SUBLINE: PRODUCTS/COMPLETED OPERATIONS   |                       |                                |         |
|               | CONTRACTORS EXECUTIVE SUPERVISORS - INCL |                       |                                |         |
|               | DEBRIS REMOVAL - CONSTRUCTION SITE       |                       |                                |         |
| 91629         | PAYROLL/RATE PER 1000                    | 1                     | 3.057                          | 0       |
| 47051         | REAL ESTATE DEVELOPMENT PROPERTY - INCL  |                       |                                |         |
|               | CONTRACTORS - SUBCONTRACTED WORK         |                       |                                |         |
| 91583         | PROJECT COST/RATE PER 1000               | 4,293,900             | 3.215                          | 13,805  |
| 46362         | MODEL HOMES - INCL                       |                       |                                |         |
| 49451         | VACANT LAND - INCL                       |                       |                                |         |
|               | EXCAVATION                               |                       |                                |         |
| 94007         | PAYROLL/RATE PER 1000                    | 95,420                | 16.945                         | 1,617   |
|               | SNOW & ICE REMOVAL - CONTRACTOR          |                       |                                |         |
| 99310         | PAYROLL/RATE PER 1000                    | 1                     | 43.431                         | 0       |
|               | SURCHARGE                                |                       |                                |         |
|               | NEW JERSEY 398                           |                       |                                |         |
|               | ADD'TL INSURED                           |                       |                                | 300     |
|               | ADJUSTED PREMIUM                         | 300                   | .734                           | 220     |

ESTIMATED AUDIT IS SUBJECT TO REVISION WHEN RECORDS ARE MADE AVAILABLE.  
 REVISED TO AMEND: NO REASON GIVEN  
 THIS PREMIUM ADJUSTMENT DOES NOT REFLECT THE ACTUAL PREMIUM DUE FROM OR TO THE INSURED UNLESS ALL AMOUNTS  
 PREVIOUSLY BILLED HAVE BEEN PAID  
 PRINT DATE: 08/19/2010 10:20:1670



Exhibit 3

INSURED: [REDACTED]  
 [REDACTED]

POLICY PERIOD:  
 FROM 07/29/2008 TO 07/29/2009

PRODUCER: [REDACTED]  
 [REDACTED]

AUDIT PERIOD:  
 FROM 07/29/2008 TO 04/23/2009

CANCELLED: PRO-RATA

ISSUE DATE: 08/19/2010

|               |                       |                                |
|---------------|-----------------------|--------------------------------|
| DIVISION: 066 | POLICY NO: [REDACTED] | ADJUSTMENT TYPE: QR - Revision |
|---------------|-----------------------|--------------------------------|

| CODE | EXPLANATION                     | EXPOSURE | RATE | PREMIUM |
|------|---------------------------------|----------|------|---------|
|      | TERRORISM COVERAGE              |          |      | 387     |
|      | ADJUSTED PREMIUM                | 387      | .734 | 284     |
|      | END'T #2 - ADDT'L INSURED       |          |      | 100     |
|      | ADJUSTED PREMIUM                | 100      | .734 | 73      |
|      | END'T #2 - TERRORISM COVERAGE   |          |      | 1       |
|      | AUDIT ASSESSMENT/TAXES          |          |      | 398     |
|      | LESS ESTIMATED ASSESSMENT/TAXES |          |      | 398     |
|      | RETURN ASSESSMENT TAX           |          |      | 0       |

**THIS IS NOT A BILL**

|                                  |   |        |
|----------------------------------|---|--------|
| AUDITED PREMIUM                  | + | 36,599 |
| LESS ESTIMATED PREMIUM           | - | 37,522 |
| RETURN PREMIUM                   | - | 923    |
| RETURN PREMIUM (INC. ASSESS/TAX) | - | 923    |

ESTIMATED AUDIT IS SUBJECT TO REVISION WHEN RECORDS ARE MADE AVAILABLE.  
 REVISED TO AMEND: NO REASON GIVEN  
 THIS PREMIUM ADJUSTMENT DOES NOT REFLECT THE ACTUAL PREMIUM DUE FROM OR TO THE INSURED UNLESS ALL AMOUNTS  
 PREVIOUSLY BILLED HAVE BEEN PAID  
 PRINT DATE: 08/19/2010 10:20:16 670



## Next Steps

When you have been notified that the Cover-All enhancement has been turned on for your users, please take the applicable steps discussed below:

- First, **book, as an “Audit,”** any outstanding audit premium endorsement you have received from the Premium Audit Division. Even if you have previously coded audit premium in Cover-All as an “Endorsement,” all outstanding audit premium should be booked using the “Audit” function (Code 43).
- Going forward, please book any final (brand new) audit premium endorsement in Cover-All as an “Audit,” **even if you intend to file a dispute**. If future adjustments need to be made to the audit premium, you will be able to use the “Revise Audit” feature to code the adjustment.
- If you previously booked an audit premium endorsement in Cover-All as an “Endorsement” and you know **the audit is subject to revision** because of a pending dispute, please reverse the original “Endorsement” transaction from Cover-All and re-book the premium as an “Audit” (Code 43). When the revised audit premium endorsement is generated, you will be able to properly book this transaction in Cover-All using “Revise Audit.”

In addition, please note the following:

- No adjustment or re-booking is necessary for any audit premium endorsements booked as “Endorsements” in Cover-All that are not subject to revision.
- Any audit premium that has already been booked in Cover-All as an “Audit” can be revised using the “Revise Audit” function regardless of when it was originally booked. No reversing of previously booked “Audit” transactions is necessary.
- Future revisions to audit premium that was originally booked outside the Cover-All system for any reason can be forwarded to Lexington’s Program Operations Division for manual coding. Cover-All’s “Revise Audit” function will calculate premium correctly only if all previous activity has been booked through the system using the correct transaction code.
- To dispute an audit, complete the official Premium Audit Division dispute form and submit it, along with supporting documentation, to the Premium Audit Customer Service Center in Phoenix, Arizona at [PAD-Phoenixcs@chartisinsurance.com](mailto:PAD-Phoenixcs@chartisinsurance.com). The various dispute scenarios, as well as the documentation required for each, are discussed below.

## **Audit Processing Reminders**

- You will be notified when the “Revise Audit” feature is turned on for your Cover-All users. At that time, all booking of audit premium as an “Endorsement” should cease and all audit and revised audit premium should be coded utilizing transaction code 43.
- All final and revised audit premium must be booked within 72 business hours of receipt, even if a dispute will be filed.
- Revised audit advice documents will now reflect premium amounts resulting from an adjusted premium base amount, not the original estimated annual premium amount.
- Please ensure that all audit disputes, as well as questions regarding audit advice documents or audit worksheets, are communicated timely. Such inquiries should be directed to the Premium Audit Customer Service Center in Phoenix, Arizona, which can be contacted by email (PAD-Phoenixcs@chartisinsurance.com), toll free phone (1-800-341-5541) or fax (602-280-1918).
- Please direct, in writing, all other policy-specific questions or concerns to the Lexington Program Manager, with a copy to Martin Bowen at Martin.Bowen@chartisinsurance.com.
- Please respond to all underwriting assist requests in a timely fashion and direct those responses to the Premium Audit Division party who initiated the request.
- Please continue to focus your attention on coding all back-logged productive audits. These audits, as well as all audits you receive going forward, must be processed through Cover-All.

## **Dispute Categories and Required Supporting Documentation**

### **Subcontractor or Indirect Labor/Employment Status Dispute:**

- Letter or email indicating the audit is being disputed due to inclusion of subcontractor
- Valid Certificate of Insurance containing a policy number
- 1099s
- Signed or notarized documentation that individuals are independent contractors

### **Exposure Dispute:**

- Letter or email indicating the audit is being disputed due to the incorrect payroll being picked up at audit
- Payroll ledgers
- 941s
- W2s
- Check registers

### **Classification of Employee Dispute:**

- Letter or email indicating the audit is being disputed due to misclassification of an employee(s)
- Name of employee(s)
- Job duties

### **Non-Productive Audit Dispute:**

- Letter or email requesting an audit
- Name
- Telephone number
- Location of records

### **Classification of Risk Dispute:**

- Letter or email indicating the audit is being disputed due to the misclassification of the insured
- Class Code(s) that best represents the insured's operations
- WC application
- Correspondence from Bureau (Inspection)

### **Incorrect Policy Period Dispute:**

- Letter or email indicating the audit is being disputed due to the incorrect policy period
- Copy of declarations page and/or endorsements
- Copy of cancellation request

## **Dispute Categories and Required Supporting Documentation** **(continued)**

### **States/Entities/Locations Dispute:**

- Letter or email indicating the audit is being disputed due to a state, entity and/or location missing from audit or added at audit in error
- Copy of endorsement adding or deleting state, entity and/or location

### **Debit/Credit Calculation, Experience Mod, ARD, Rate Dispute:**

- Letter or email indicating Debit/Credit Calculation, Experience Mod, ARD, and Rate are either incorrect, not applicable, or need to be applied
- Manual rate page(s)
- Endorsements
- Correspondence from Bureau
- Policy
- Policy schedule page(s)

### **Principal Inclusion/Exclusion Dispute:**

- Letter or email indicating officer(s) was included or excluded from the audit in error
- Endorsement
- Policy
- Rejection and or exemption
- AIG Blue Card (as a reference tool)

### **Overtime Dispute:**

- Letter or email indicating overtime was not deducted or included in the audit
- Payroll ledgers
- Check registers
- State-specific guidelines (as a reference tool)

**PREMIUM AUDIT DIVISION  
AUDIT CONFIRMATION/DISPUTE NOTIFICATION**

Name of person initiating this dispute: \_\_\_\_\_ DIV: \_\_\_\_\_ DATE: \_\_\_\_\_

\_\_\_\_\_ UNDERWRITER (if different): \_\_\_\_\_

Complete mailing/interoffice address (correspondence will be sent to this address): \_\_\_\_\_ BRANCH: \_\_\_\_\_

\_\_\_\_\_ PHONE: (     ) \_\_\_\_\_

\_\_\_\_\_ FAX: (     ) \_\_\_\_\_

INSURED: \_\_\_\_\_ POLICY #: \_\_\_\_\_ POL. PERIOD: \_\_\_\_\_

AMOUNT \$ \_\_\_\_\_ AP/RP/CE \_\_\_\_\_ AUDIT REPORT DATE: \_\_\_\_\_

\_\_\_\_\_ OK TO CODE\*     \_\_\_\_\_ DO NOT CODE     \_\_\_\_\_ REINSURANCE [Y-N] If Y, attach layoff sheet

TO PLACE THIS AUDIT IN DISPUTE: 1) Attach copy of audit. 2) Fill out this form completely. 3) Attach documentation as noted below. Dispute cannot be processed without appropriate documentation. 4) Attach copy of broker/insured letter if applicable.

- |      |                                      |  |
|------|--------------------------------------|--|
| ___A | Policy number                        | Attach dec page  |
| ___B | Policy period/cancellation/extension | Attach dec page, endorsement   |
| ___C | Class code                           | Note specific codes and states below, attach applicable documentation                  |
| ___D | Exposure                             | Define specific problem in comments, attach applicable documentation                   |
| ___E | Rates                                | Attach state rate page from manual (WC) or endorsement (other LOB)                     |
| ___F | Premium Discounts                    | Attach applicable documentation  |
| ___G | Experience mod/Anniv. Rating Date    | Attach Bureau Rating Data  |
| ___H | Tax & assessment                     | Define problem in comments, attach applicable documentation                            |
| ___I | Calculation errors                   | Define problem in comments   |
| ___J | Coverage: Deductible, Cov B , etc.   | Define problem in comments, attach dec page, endorsement                               |
| ___K | Schedule mod                         | Attach policy schedule or applicable endorsement                                       |
| ___L | Deposit premium                      | For LOB other than WC, attach ARTS screen print (Div 55: attach dec page/endorsements) |
| ___M | Minimum Premium                      | Attach endorsement   |
| ___N | States/entities to be added/deleted  | Define problem in comments, attach dec/schedule page and/or endorsements               |
| ___O | Other                                | Define problem in comments, attach supporting documentation                            |

Comments: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

RETURN DISPUTES TO ONE OF THE PREMIUM AUDIT PROCESSING CENTERS BELOW: To determine the appropriate Premium Audit Processing Center: 1) Review WTS – Premium Audit assignment screen (if available). If PROC CENTER is “California”, fax dispute to the San Francisco office; if “Parsippany” or “Berkeley Heights”, fax dispute to the Berkeley Heights office; if “Phoenix”, fax dispute to the Phoenix office. 2) If you cannot determine where to send the dispute, call one of the processing centers below.

| <b>California --</b>                    | <b>New Jersey --</b>         | <b>Phoenix --</b>           |
|---|------------------------------|-----------------------------|
| Premium Audit                           | Premium Audit                | Premium Audit               |
| Customer Service                        | Customer Service             | Customer Service            |
| TWO RINCON CENTER                       | Connell Corporate Center 1   | 2929 N. Central, Suite 1900 |
| 121 Spear Street, 2 <sup>nd</sup> floor | 100 Connell Drive, 1st Floor | Phoenix, AZ 85012           |
| San Francisco, CA 94105                 | Berkeley Heights, NJ 07922   |                             |
| Phone (866) 646-0551                    | Phone (877) 579-0208         | Phone (800) 341-5541        |
| Fax (415) 836-7351                      | Fax (908) 679-3031           | Fax (602) 280-1918          |

\*SEND CONFIRMATION TO: Appropriate coding department. Please do not send forms marked “OK to Code” to Premium Audit.

cc: \_\_\_\_\_