

Frequently Asked Questions about Work Comp

This supplemental FAQ answers questions that were not discussed in the Work Comp Premium Calculation Webinar. **Hold CTRL & click** on a subject heading below to view answers relating to your selection.

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1. How is my Work Comp premium calculated?

Premium is based on payrolls. The state approved Work Comp rate for each classification code listed on your policy is applied per \$100 of payroll. The total estimated annual premium is then divided by your estimated annual earnings to arrive at the Work Comp percentage that is applied to your weekly settlements. For a more detailed explanation please refer to the [Workers' Compensation Premium Calculation Webinar](#).

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2. Are payrolls applied to my vehicles or to my employees?

Payroll doesn't apply to a vehicle; it applies to an employee that is operating a vehicle. You will need to provide appropriate payrolls for all of your employees, including drivers, helpers, clerical staff and mechanics, so that proper coverage is maintained. Driver payrolls for the Marsh/Protective Program are determined either by applying the program minimum payrolls for each vehicle enrolled or by stating your business' payrolls.

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3. How do you determine minimum driver payroll amounts?

Minimum driver payroll is determined based on market studies of what commercial transportation drivers are paid combined with the historical data of this program. Every customer has the option to state their own payroll(s) at anytime, subject to a minimum payroll for drivers. If you state lower driver payrolls you are required to provide financial documentation, such as W-2's, quarterly 941's, Unemployment wage reports, payroll statements, Income statements, and/or other tax return filings.

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4. Why are my bonuses being charged for Work Comp?

Your bonus is income that is reported to the IRS for 1099 purposes, which is why it is included in your earnings.

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5. Why is my Work Comp percentage not deducting the correct amounts?

Your Work Comp percentage is applied to your weekly settlement earnings. As your weekly settlements fluctuate, so does your weekly Work Comp premium. Marsh also bills your Work Comp policy two weeks in arrears, so the deductions that you see are actually pertaining to a previous weekly settlement earning.

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- 6. I received my Work Comp policy from Protective Insurance Company advising that I owe \$12 per \$100 of payroll, which equates to 12%. Why do I owe 4% of my total gross settlement?**

For a detailed explanation please refer to the [Workers' Compensation Premium Calculation Webinar](#).

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- 7. Why do I have to give you information about my stated payrolls every time I call in?**

Stating your payroll(s) every time a change occurs to your Work Comp policy will help minimize the amount of premium owed/refunded in the event of a Work Comp Premium Audit.

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- 8. Why do I need to be included in a Work Comp policy when my state guidelines do not require me to be included?**

Per your FedEx Operating Agreement, your business needs to obtain and keep in force at all times a Work Comp policy and/or a Work Accident policy, depending on the state in which you operate. Only the primary officer of the business may be allowed to be excluded from Work Comp coverage and instead maintain Work Accident coverage. Again this would be determined not only by state rules, but also by your FedEx Operating Agreement.

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- 9. If I am scanning in my vehicle instead of adding it to my policy does that driver have Work Comp coverage?**

If you decide to scan in a vehicle and have it covered in the \$10/day program, the following coverages would apply: Physical Damage (Actual Cash Value) and Non-Trucking Liability. Any FedEx approved driver operating the vehicle would be covered by your Work Comp coverage if a policy is in place. If you have an employee for more than 30 days a year, a Work Comp policy must be in place.

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- 10. Why is my Work Comp percentage so high?**

There are several factors that determine your specific Work Comp percentage, such as the number of employees and their job function, payrolls, the state(s) that you operate in, the state approved Work Comp rate for each classification code listed on your policy, and your Experience Modification or Merit Rating Factor (if applicable).

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11. Why is my Work Comp percentage higher than others at my station?

Your Work Comp percentage is determined by things specific to your business, such as the number of employees and their job function, payrolls, and your Experience Modification or Merit Factor (if applicable).

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12. What is a Work Comp Audit?

A Work Comp audit allows your business and the insurance company to “true up” your payrolls by providing the insurance carrier with your business’ actual payrolls after the policy has expired. This audit could result in additional premium that is due or return premium to the business. To minimize the impact of an audit, your estimated annual payrolls reported for your Work Comp policy should be as accurate as possible and updated as your business changes.

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13. What is required to perform a Work Comp Audit?

You will need to provide the following records to Protective when requesting a Work Comp Audit.

- Gross Payroll Records for the policy period for each officer/employee
- Copies of W-2's or 1099's for each person listed for the calendar year ending during the policy period.
- Copies of Quarterly 941 Federal Tax Returns for all calendar quarters during the policy period.
- Copies of Quarterly Unemployment Insurance Wage Reports for all calendar quarters during the policy period.
- Income Statements/Tax Return Forms for all calendar years covering the policy period.
- If W-2's or 1099's cannot be provided for a specific individual, please provide actual check copies showing Gross amounts paid.

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14. Why do I owe a large amount after a Work Comp Audit has been completed?

Additional premium is owed because the payrolls that were originally used to calculate your Work Comp percentage were lower than your actual business payrolls. Another reason may be that your actual settlements were lower than your estimated settlements. By having a Work Comp Audit conducted on your policy at the end of the policy period, you may either owe additional premium or receive premium back due to overpayment throughout the year. To minimize the impact of an audit, your estimated annual payrolls reported for your Work Comp policy should be as accurate as possible and updated as your business changes.

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15. Why am I receiving a refund after a Work Comp Audit has been completed?

A refund is due because the payrolls that were originally used to calculate your Work Comp percentage were higher than your actual business payrolls. Another reason may be that your actual settlements were higher than your estimated settlements. By having a Work Comp Audit conducted on your policy at the end of the policy period, you may either owe additional premium or receive premium back due to overpayment throughout the year. To minimize the impact of an audit, your estimated annual payrolls reported for your Work Comp policy should be as accurate as possible and updated as your business changes.

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16. Which states require a Work Comp Audit?

The following states require a Work Comp Audit: California, Delaware, Florida, New Jersey, New York, North Carolina, Oregon, and Pennsylvania. In addition to state audit requirements, Protective and Marsh may require an audit based on certain criteria.

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17. Which states require a Physical Audit?

Physical Audits are required when the policy meets a certain premium threshold. The following states require a Physical Audit: California, Florida, Oregon, and North Carolina. Protective hires an audit company to provide these services.

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