Chapter 12

Audits

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Adding an Audit

Audits are processed on policies where an accurate exposure and premium for the coverage period cannot be determined ahead of time. The exposure the premium is based on, such as sales, payroll, number of employees, etc., will fluctuate throughout the policy term. Therefore, the exposure given by the client, at the beginning of the policy term, is an 'estimate' of what they believe they will incur.

An audit serves as an examination of the insured's records by the carrier, done after the auditable period, to revise the estimated exposure and premium to reflect the actual exposure and premium for the audit period. Audits can be performed at expiration or during the policy term. Interim audits performed during the policy term may be on a monthly, quarterly, semi-annual or other basis. Use the **SERVICING** > **Audit** option to process interim audit adjustments or final audits on the expired policy term.

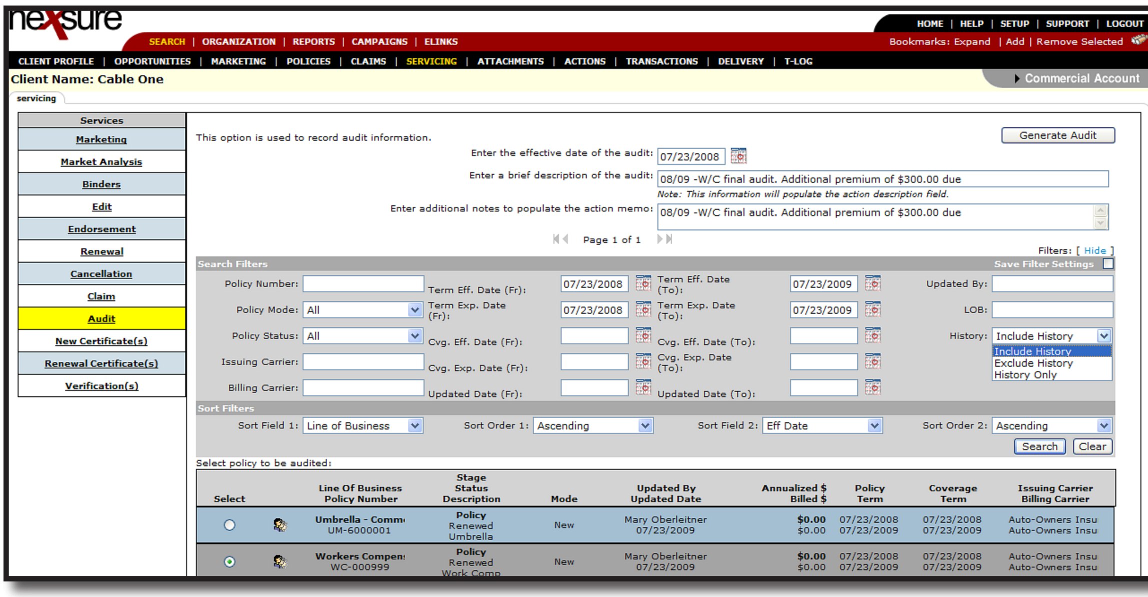
Audits reflecting a significant change in exposure basis may be followed by a carrier initiated endorsement to the current policy term. For instructions on processing endorsements, see "Endorsements", Chapter 7 in this Training Manual.

> **Note:** An expired auditable policy term can be left in an Expired status on the **POLICIES** link on the **Client** menu. After the audit has been received and processed on the Expired term, the expired term should then be sent to history.

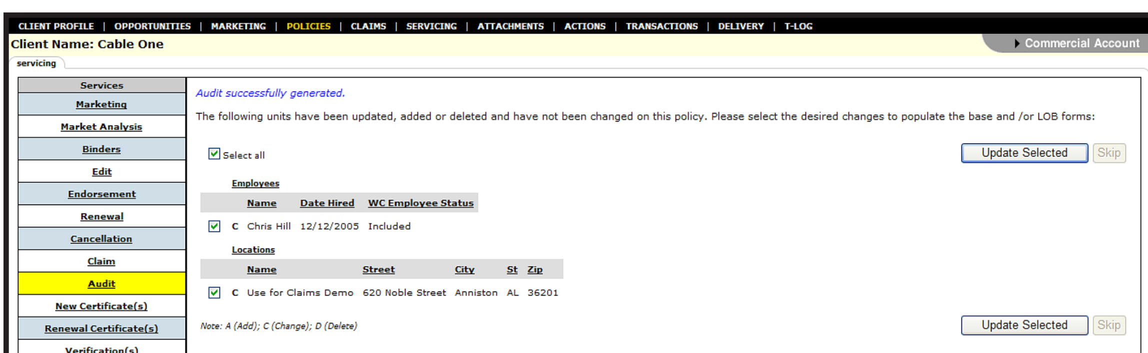
HOW to Add an Audit

- After accessing the appropriate client through **SEARCH**, click the **SERVICING** link on the **Client** menu.
- Select the **Audit** option.

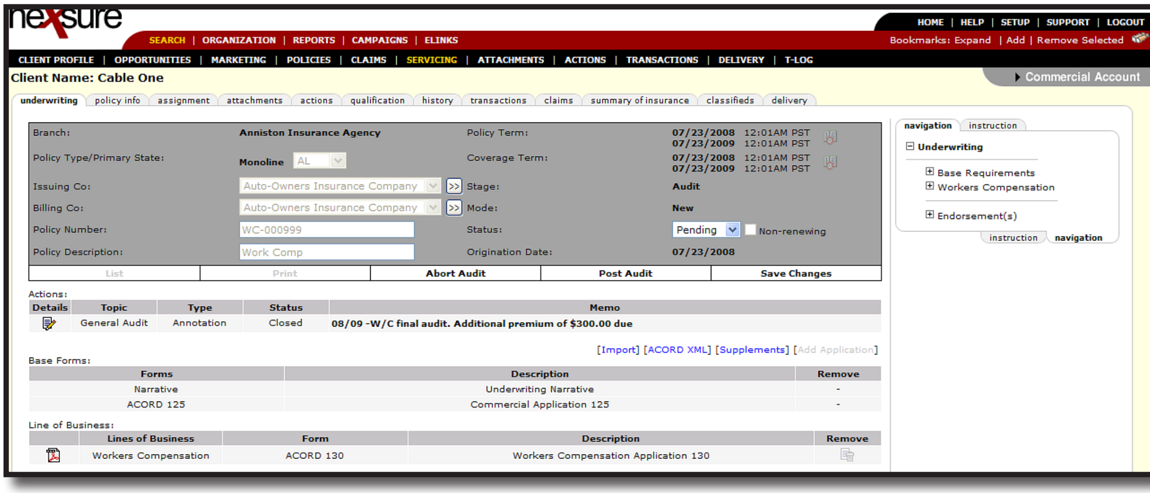
- Enter the effective date of the audit in the **Eff date** field; use the **Calendar** icon or key the date in using the correct formatting. The effective date entered here will populate to the coverage term date in the audit.
- The description field at the top of the **Servicing** menu will default to **Process audit**. Enter the description of the audit in the **Description** field. The description will display in the **Memo** field of the action created through the servicing process.



- All in force policies are displayed. If the audit being processed is for an expired policy term that has been sent to history, click the **[Show]** filter and change the History drop-down box to **Include History**. Click the **Search** button.
- Select the policy term the audit applies to and click the **[Next]** link.
- If changes were made to the units at risk associated to the policy, changed items are displayed providing an opportunity to update the record after the audit is created. Selecting to update will add the changes to the pending audit.



- The **underwriting** tab is displayed. In the example below an expired policy term that has been sent to history is the term being audited. The policy header is displayed in a gray background.



- The header **Status** defaults to pending and may be changed as the audit is processed. Select the appropriate **Status** of **Disputed**, **Final**, **Interim** or **Pending** from the drop-down selection box. Make sure to click the **Save Changes** link in the navigation toolbar under the header to save the **Status** change.

Note: An **Action**, with a **closed** status, is created through the servicing process. Nexsure tracks all un-posted audits for you, but if a personal follow up for the audit is needed, the status of the action can be changed to **Open**. For information on Actions, see "Editing Actions" in Chapter 16, "Actions".

- Audited exposures are entered on the line of business form(s) being audited. Proceed to the **HOW to Update the Form** section in this chapter.

Updating the Form

The **Actions**, **Base Forms** and **Line of Business** forms display beneath the policy header.

Note: The audit in this chapter is processed on an expired policy term that has been sent to history. The policy header displays in a gray background and the information contained in the header other than Status is locked down and cannot be changed.

HOW to Update the Form

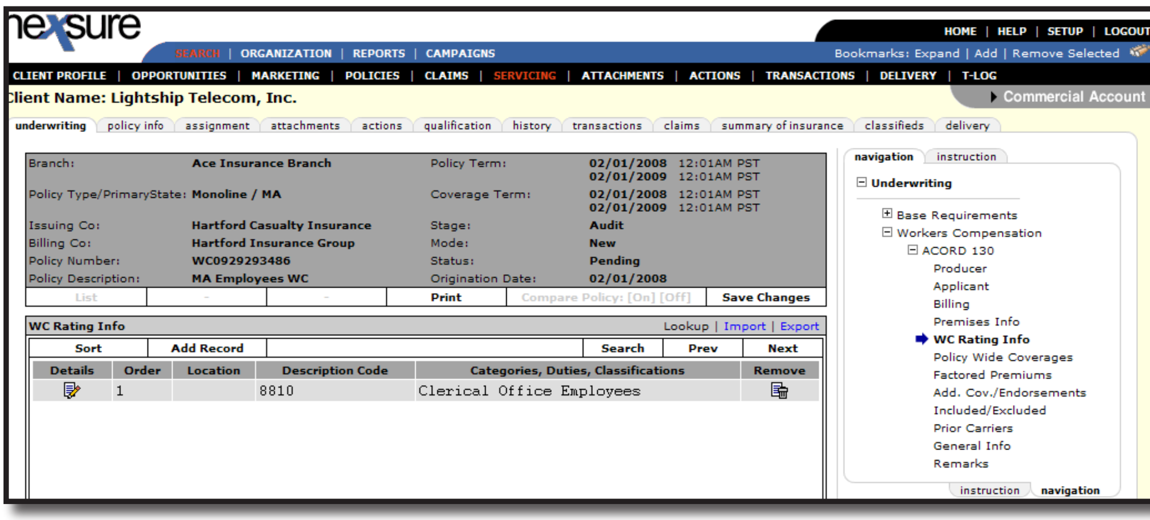
Audit changes are always made to the original line of business form being audited.

All form(s) are available for editing in the **navigation** found on the right side of the screen and will display forms in a tree format as they are accessed.

In the **navigation** tab, click the plus **[+]** of the appropriate line of business form.

Click the plus **[+]** in front of the line of business to be modified (**Workers' Compensation** in this example). This will expand the ACORD form out into a tree format.

Click the link in the form that contains the **Exposure.** The form will open on the left side of the screen under the header for editing.



Click the List link in the navigation toolbar under the header to open the form in list view for editing.

> **Note:** The List link becomes active after the ACORD form is opened and accessed in the navigation tab if the policy being audited has not been sent to history.

Change the estimated exposure to the audited exposure. Make sure to change all audited exposures if there are more than one.

Click the **Save Changes** link in the navigation toolbar to save changes.

Click the word **Underwriting** in the **navigation** tab to close the application.

When updates to the audit form are complete, the audit may be invoiced, left un-posted for tracking purposes or posted if tracking is no longer needed.

- To invoice the audit, proceed to "Invoicing the Audit".

- To track the audit, proceed to “Tracking the Audit”.
- To post the audit, proceed to “Posting the Audit”.

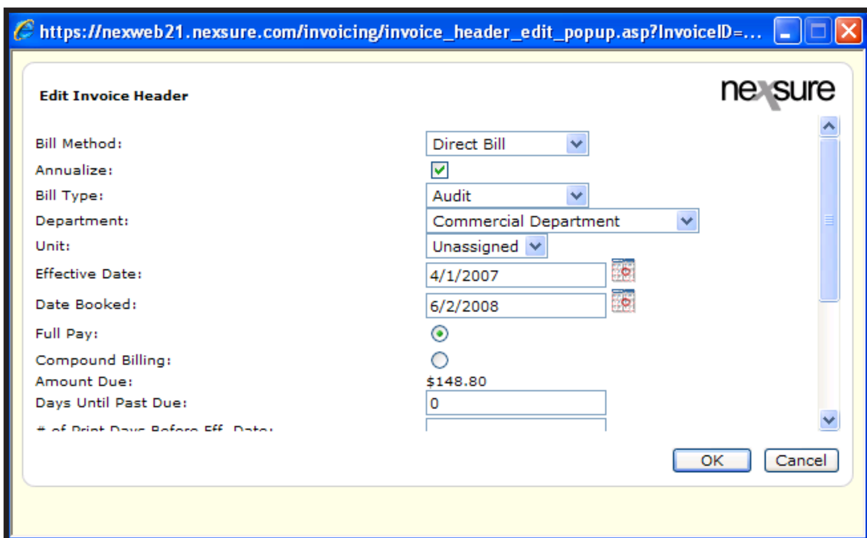
Invoicing the Audit

Audits can be invoiced at any time; they do not need to be posted to be invoiced in Nexsure.

> Note: If the agent is not invoicing in Nexsure, the annualized premium can be changed on the policy info tab before the audit is posted so an accurate book of business report can be generated.

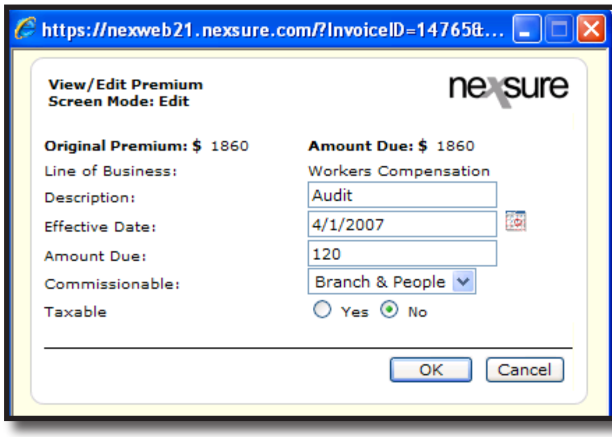
- After accessing the appropriate client through **SEARCH**, click the **POLICIES** link on the **Client** menu.
    - If the audit is not posted, click the **Details** icon of the audit.
    - If the audit is posted, click the **Details** icon of the policy term that was audited to be invoiced.
- If the audit was processed on an expired policy in history:
    - Click the **history** tab, if the audit is not posted click the **Details** icon of the audit.
    - Click the **history** tab, if the audit is posted click the **Details** icon of the policy in history that was audited.
- Click the **transactions** tab and click the **Add New Invoice** link.
- The **Invoice** header is displayed with the Invoice number, Bill to, date created, audit effective date, bill method, invoice status and amounts.
- Using the scroll bar, or the links in the Quick Navigation panel, to amend the invoice as follows:
- Click the **Edit Invoice Header** link.
    - **Bill Method**: This will default from the **policy info** tab, if it is incorrect; select the correct bill method from the drop-down box.
    - **Bill Type**: Select **Audit** from the drop-down box. **Audit** is used for invoicing all audits that result in a premium change.
    - **Department**: The department will default in, if it is incorrect, select the correct one from the drop-down box.
    - **Unit**: If a unit was selected it will default in, if it is incorrect, select the correct one from the drop-down box. Units are not required.
    - **Effective Date**: This defaults to the effective date of the audit.
    - **Date Booked**: This defaults to the effective date of the audit or the invoice creation date based on which is later.

- ❑ **Full Pay**: Select this option if billing full pay.
- ❑ **Compound Bill**: Do not select this option.
- ❑ **Amount Due**: This defaults to the commission amount if Direct Bill, or the total premium amount if Agency Billed.
- ❑ **Days until Past Due**: Enter the number of days this bill will become past due.
- ❑ **# of Print Days before Effective Date**: Enter the number of days prior to the effective date this invoice will automatically post and be available to print.
- ❑ **Unique Invoice Message**: A message entered here will print out on the invoice.
- ❑ **Internal Note**: Enter any internal notes, internal notes are for your information only and will not print on the invoice.
- ❑ Click **OK** to save the changes.



- ■ **Policy Information**:
  - ❑ This displays the information in the policy header and cannot be changed in the invoice.
- ■ **LOB Forms**:
  - ❑ This displays all ACORD forms for the policy and cannot be changed in the invoice.
- ■ **Premiums**:
  - ❑ This will default from the **policy info** tab.
  - ❑ Click the **Details** icon of the premium.
  - ❑ Enter **Audit** in the Description field.
  - ❑ The **Effective Date** field defaults to the effective date of the audit.
  - ❑ Enter the **Amount Due** of the audit in the **amount due** field. If the audit has resulted in a return premium place a "**-**" and enter the amount of the return.

- The **Commissionable** field defaults in from the **policy info** tab, if it is incorrect, select the correct one from the drop-down box.
- The **Taxable** option defaults in from the **policy info** tab, if it is incorrect, select the correct one.
- Click **OK** to save the changes. Click **Cancel** to abort.



- **Fees**:
  - Fees will default in from the **policy info** tab if there was one entered when the policy term was originally billed. If fees do not apply to the invoice click the **Remove** icon, click **OK** to confirm.
- **Taxes**:
  - Taxes will default in from the **policy info** tab if there was one entered when the policy term was originally billed. If the audit is taxable, and the tax is based on a percentage of the premium, Nexsure will recalculate it based on the amount of the audit premium entered on the premium line.
  - If the tax does not to apply to the invoice click the **Remove** icon, click **OK** to confirm.
- **Agency Commissions**:
  - Nexsure will recalculate the agency commissions based on the amount of the audit premium entered on the premium line.
- **Other Commissions**:
  - Nexsure will recalculate the other commissions based on the amount of the agency commissions.
- After the invoice has been review and all information accurate, click the **Post Now** link in the navigation toolbar under the invoice header.
- A post invoice confirmation pop-up box will be displayed. The **Yes** option will be selected by default, click **OK** to post the invoice. Click **Cancel** to abort.

Note: A posted invoice cannot be deleted or edited, it must be reversed and re-entered if incorrect.

- The **Invoice Status** in the header will now display **Posted** and there will be a **Reverse Now** link in the navigation toolbar under the invoice header.
- The **Invoice Posting** link in the Quick Navigation panel will display the general ledger posting information for this invoice.
- For instructions on how to deliver the posted invoice by email or fax, see “Delivering an Invoice”, Chapter 6, “Policy”.
- Click the **Transaction Summary** link under the invoice header to exit the invoice.

Notes

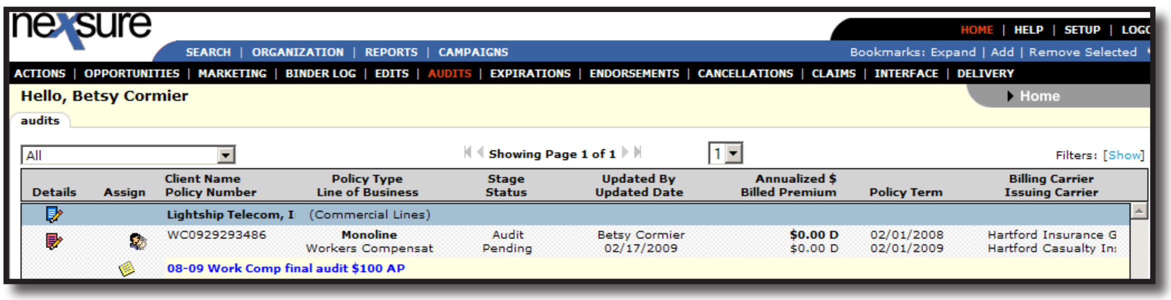
Tracking the Audit

Policies with an audit that has not yet been posted can be tracked from the **Home** menu or the **Client** menu.

HOW to Track Pending Audits from the Home Menu

The **HOME > AUDITS** link serves as a way to keep track of all policies with unposted audits. The **Home** menu is accessible by clicking the **HOME** link on the **Utility** menu in the upper right hand corner of the screen. The **Home Actions** screen will be the first screen displayed, to track unposted audits click the **AUDITS** link on the **Home** menu. The **Home** menu is the third menu down.

> **Note:** When the audit is either posted or aborted, it will no longer appear on the **HOME** > **AUDITS** link.

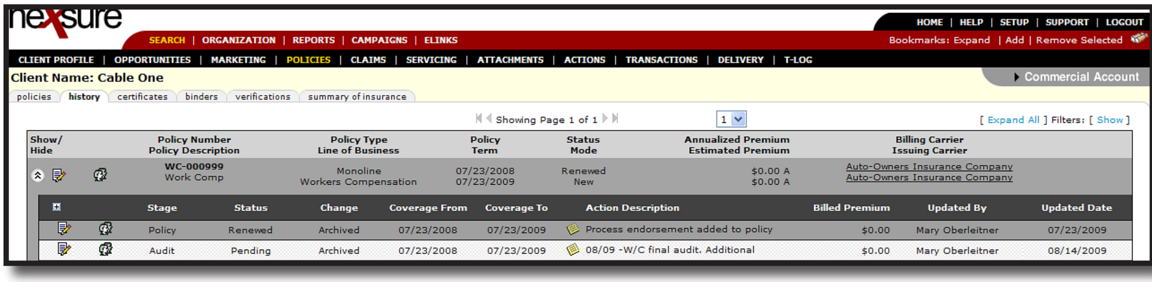


- Clicking the **AUDITS** link displays all unposted audits that fall within the search filter criteria.
- If the audit is not displayed, click the **[Show]** filter, change the search criteria and click the **Search** button to initiate a new search.
- All unposted audits, which fall within the search criteria, will appear in a summary view. Each client will have two **Details** icons.
  - Clicking the first **Details** icon, with the **dark blue border**, displays the card file for the client.
  - Clicking the second **Details** icon displays the **underwriting** tab for the unposted audit.

HOW to Track Pending Audits from the Client Menu

- Access the appropriate entity through **SEARCH.**
- Click the **POLICIES** link on the **Client** menu.
  - If the audit was done on an in force policy term the audit displays beneath the policy to which it applies. The unposted audit will have its own **Details** icon.
  - If the audit was done on an expired policy term, which has not yet been sent to history, the audit displays beneath the expired policy to which it applies. Each unposted audit will have its own **Details** icon.

- If the audit was done on an expired policy that has been sent to history click the **history** tab. The audit displays beneath the expired policy to which it applies. Each unposted audit will have its own **Details** icon.



- Clicking the **Details** icon of the unposted audit displays the **underwriting** tab for the audit selected. Continue updating the audit **Status** and **Action** as appropriate. When tracking of the audit is no longer necessary, **Post** the audit.

Notes

Posting the Audit

Audits are initiated by the carrier, the agent is usually notified an audit has been done when they receive the audit paperwork from the carrier. If the agent believes there will be no dispute over the audit results between the client and carrier, the audit can be processed and posted in Nexsure when the paperwork is received.

The audit can be left in an unposted status if the agent believes the client will be questioning the carrier's audit or other workflow considerations such as payment of any additional premium due. This allows the audit to be tracked on the **Home** and **Client** menus. When the client and carrier have come to an agreement over a disputed audit, the audit can then be revised and posted. Posting the audit will remove it from the **HOME > AUDITS** link.

HOW to Post an Audit

- The audit can be accessed from the **AUDITS** link on the **Home** menu or from the **POLICIES** link on the **Client** menu.
    - If accessing the audit from the **POLICIES** link on the **Client** menu and the audit was processed on a policy in history, click the **history** tab. The audit displays beneath the expired policy in history to which it applies.
- Click the **AUDITS** link on the **Home** menu**.** All audits, which fall within the search criteria, will appear in a summary view. The client is displayed with two **Details** icons.
- Clicking the **Details** icon to the left of the audit to be posted displays the **underwriting** tab of the audit. Update the **Status** and audited exposures if necessary.
- Click the **Post Audit** link in the navigation toolbar under the header to post.
- The policy header will display in blue if the audit is posted to a policy that has not yet been sent to history. A copy of the policy, prior to the audit, is sent to **history**.
- If the audit was done on a policy in history the header will remain gray after posting the audit.
- Clicking on the **history** tab will allow access to a copy of the policy prior to the audit.

Notes