

The background of the top half of the cover is a photograph of a modern, two-story house with a large, irregularly shaped swimming pool in the foreground. The pool is surrounded by a brick patio. The house has a covered porch with columns. The sky is clear and blue.

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2018 **excel** | INDUSTRY
AWARDS

RENOVATION REALITIES

Industry Advances and Set-Backs

THE 39TH ANNUAL
**AURORA
AWARDS**
CELEBRATING DESIGN
FOR LIVING

Photo Credit: Ueek Image c/o Aurora Award Silver
Winner Winter Park Royal, Builder Rick Nursey

THAT FIVE LETTER WORD:



A cringe-worthy term. But, with the proper accountability and monitor of your workflow, it can be just another step in your day-to-day business model.

Every policy written for both general contractors and subcontractors are based on an estimated exposure for the coming year. Whether it's payroll, gross sales, or subcontractor costs, the premium for the current policy year is only an estimate of what the actual premium basis will be.

Audit is the process that takes an estimate premium to actual premium.

The audit done by your insurance company allows them to collect the premium that reflects the actual exposure they had from what you've done during the year.

Let's use payroll as our example.

If payroll is higher than estimated, that means you did more work than expected. Insurance premiums are adjusted upward to compensate for the increased exposure. On the other hand, if the payroll is lower than estimated, premiums are adjusted downward and you receive money back because your exposure was less than what was estimated.

Looking at the current economy, what we typically see is our customers doing more work than they thought they would. Which translates into more audits on additional premiums.

Those audit premiums are usually due right away because they represent premiums for the prior policy. They also come at a tough time—right after you just paid your renewal premium.

If the audit shows more exposure, then the current policy is also endorsed to reflect the increase in exposure, too. Wow...a triple audit "whammy."

How can you keep this from happening?

- Have your agent give you the basis for your premiums. They can tell you what the estimated payroll, gross sales, or sub costs are.
- Keep track of it.
- Check out your estimated exposure and compare it to your monthly financials to see where your numbers are going.

If it looks like it's going to be a significant increase, ask your agent to increase the exposures during the policy term so you don't have to deal with the surprise of paying out more money.

Plan ahead. Monitoring your work flow and communicating with your agent can save you a lot of headaches and frustration later!

www.fhbinsurance.com | 888.513.1222
| info@fhbinsurance.com 

