

1 SCHEDULING

You will be contacted in advance by a letter or phone call to schedule an audit appointment.

When making your appointment, obtain the auditor's name and phone number. If you need to cancel your audit appointment, please call the auditor as soon as possible. We ask that you give the auditor another appointment date at that time. If an appointment is not made within a reasonable time period, an estimated audit will be used in determining your premium.

2 FINANCIAL RECORDS

The financial records which should be available at the auditor's request, include:

- Payroll Records (*preferably YTD payroll registers*)
- Quarterly Payroll Tax Reports (*state and federal*)
- Cash Disbursement Journal or Business Checkbook
- Job Contracts
- General Ledger

3 REMUNERATION

Remuneration means money or substitutes for money

Premium = Rate x Remuneration

- Money: gross wages, commissions, bonuses, holiday pay, vacation pay, allowances for tools.
- Substitutes for money: the rental value of an apartment, meals or lodging to the extent they are shown in the payroll records, the value of a store certificate or merchandise received as pay.

Remuneration excludes - severance pay, business expense reimbursements, uniform allowance, payments for active military duty, employer-provided prerequisites (perks) such as: use of an auto.

Exclusion of overtime payroll - the extra pay for overtime shall be excluded from the payroll on which premium is computed, as long as it is kept separate in the payroll records.

Example

An employee's hourly wage is \$8.00, their overtime wage is \$12.00/hour, the extra pay of \$4.00/hour is excluded.

4 CLASSIFICATION

The auditor will review your job contracts to determine which classification codes are pertinent to the policy period. Each job may be subject to an individual classification code. Some common construction job classification codes are listed in this flyer for your reference. If your job contracts are not available, the auditor will review your invoices. If you were involved in a wrap-up project, the auditor will need a copy of the contract and the actual payroll for the wrap-up job.

5 SUBCONTRACTORS

- The auditor will review your cash disbursements journal to account for payments made to your subcontractors.
- For each subcontractor you hire, Beacon's auditors will look for either of the following:
 1. A certificate of workers' compensation insurance
 2. (a) DWC-11-IC "Notice of Designation as Independent Contractor"*
(b) General Liability Certificate
(c) Business Invoice
- All sub-contractors and independent contractors that have not provided the requested documentation will be included on the audit and billed for premium charge.

Common Carpentry Classification Codes

5437 - CARPENTRY-INSTALLATION OF CABINET WORK OR INTERIOR TRIM.

Not applicable to contractors who perform any other carpentry operations at the same job or location. This is true regardless of a time lapse between two types of carpentry work performed on the same job by separate crews employed by the same contractor. This classification is designed primarily for specialist contractors performing interior carpentry finish work or trim such as the installation of paneling, molding, cornices, parquet or finished wood flooring, mantels, staircases, cabinets and counters. Door installations that involve a great degree of finish work are also included, as are the installation of locks in new buildings, the sanding or scraping of wooden floors and the installation of weather stripping.

5645 - CARPENTRY-DETACHED ONE OR TWO FAMILY DWELLINGS.

When all of the carpentry work in connection with the construction of a private residence is performed by employees of the same contractor, all work including the construction and erection of the sill, rough framework, rough floor, studs, joists, rafters, roof deck, all types of roofing materials, sidewall sheathing, siding, doors, wallboard installation, lathing, windows, stairs, finished flooring, cabinet installations, fencing, decking and all interior wood trim is assignable to Code 5645.

Carpentry repair remodeling of private residences that takes place along with some framing or structural carpentry renovation is also contemplated under this classification. Aluminum or vinyl siding installation and/or light-gauge interior or exterior steel frame erection is assigned by analogy to Code 5645 provided that these operations are performed on detached one-or-two family dwellings.

5651 - CARPENTRY-DWELLINGS - THREE STORIES OR LESS.

Applicable only to buildings designed primarily for multiple dwelling occupancy.

5403 - CARPENTRY NOC (*not otherwise classified*).

Contemplates carpentry work of a commercial or industrial nature such as buildings or structures and construction of dwellings that exceed three stories in height. It includes interior or exterior framing activities that involve the use of wood and/or light gauge steel. Erection or installation operations include the erection of wooden clothes poles, the erection of portable wood or metal grandstands or bleachers, the erection of wooden silos or wooden tanks, plastic or wooden fence erection, wooden awning erection, wooden staircase installation, erection of wood or plastic playground equipment. The construction of wooden bridges is also classified as 5403.

*The DWC-11-IC "Notice of Designation as Independent Contractor" form may be obtained from the Department of Labor and Training by calling 401-462-8100, or website at www.dlt.state.ri.us. The completed form is filed with the Department of Labor and Training. Independent Contractors who have filed a DWC-11-IC will be listed on the Department of Labor and Training web site.

General Characteristics of an Employee

An employee works under the direction and control of the employer. The employer instructs the employee on how the work is to be done.

- An employee will have set work hours and be paid hourly or weekly.
- An employee is supplied with training, tools and materials for the job to be completed.
- An employee is reimbursed by the employer for his business expenses.
- An employee does not sustain a loss or make a profit from the job being performed.
- An employee can be fired by the employer or can quit without incurring any liability.
- An employee has an ongoing relationship with the employer and works as an integral part of the normal operations.



Characteristics of an Independent Contractor

An independent contractor is defined as a person who files a DWC-11-IC "Notice of Designation as Independent Contractor" with the Department of Labor & Training. Although no one factor is determinative, the following are indicative of an independent contractor/hiring entity relationship.

- The independent contractor establishes their own schedule of hours and days to work.
- The independent contractor is paid a set price for the work performed. There should be a contract for the job and **the hiring entity should be invoiced by the independent contractor for the work performed.**
- An independent contractor provides their own transportation, uses their own tools, orders their own supplies, and controls the method and the manner of their work.
- **The independent contractor has an in force general liability policy and a business license where applicable.**
- An independent contractor may have their own place of business, may advertise their services and may work for others.

If the independent contractor meets the above conditions and files a DWC-11-IC, then the legal presumption is that the individual is an independent contractor and will not be included for Workers' Compensation premium by The Beacon Mutual Insurance Company.

In the event the independent contractor does not meet the above conditions and files a DWC-11-IC, The Beacon Mutual Insurance Company can determine that an employer/employee relationship exists and the independent contractor will be added to the audit and a premium charge will be applied.

If you have questions concerning your workers' compensation program please call The Beacon Mutual Insurance Company at 401-825-2667 or visit our website at www.beaconmutual.com.



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To A Workers' Compensation Audit For Contractors And Subcontractors

