

## **What is a Premium Audit?**

Most CGL policies are auditable policies and contain a condition commonly called “Premium Audit.” The premium that is paid at the inception of the policy is a deposit (estimated) premium. Auditable policies usually use estimated payroll, sales, or units sold as the premium base to calculate the deposit (estimated) premium.

The insurer is entitled to examine your books and records to determine whether the actual payroll, sales, or units sold are greater or less than what was estimated. This is usually done after the expiration of the policy, but may also be done during the policy period. If the actual payroll, sales, or units sold is greater than was estimated, you may owe additional premium. If the actual payroll, sales or units sold is less than what was estimated, you may be due a return premium. Therefore, it is important to provide an estimate of the payroll, sales, or units to be sold that is as accurate as possible to avoid having to pay an additional premium.