

Oregon Employers Beware!

If you report your year's payroll to your workers' compensation insurer only at the end of the year, you may be in for an unpleasant surprise!



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If you are among those Oregon employers who must purchase workers' compensation policies for your workers, and your payroll varies widely from month to month, contact your insurance company frequently to keep abreast of the premium you owe. Most insurance companies will use the "premium level" (the amount of your estimated annual premium) to determine how often they will ask you to complete payroll reports, which you use to report payroll for the period indicated, do a short calculation, and return to the insurer with your check. Usually, the higher your premium, the more often the reports will be sent by your insurer. They can be sent monthly, quarterly, semiannually, or annually.

If your payroll varies widely during the year, it is far better to be on a frequent reporting schedule, which allows you to budget for more consistent payments.

If you are reporting annually, the high-payroll month or months will be long gone by the time the policy ends and the final premium audit is done. This could result in a **huge** additional premium being owed on audit. If you owe a large audit premium and cannot afford to pay it, it could be the end of your business.

There are two ways to avoid this pitfall if you are placed on annual reporting:

- 1. Estimate your annual payroll high.** This will cause you to have to pay more premium up front. The higher premium may also enable the insurer to put you on a more frequent schedule of payroll reports.
- 2. Keep your own tally of how much premium you will owe.** Because the amount of premium you owe is determined by the payroll multiplied by the rate which is divided by 100, multiplied by your experience modification (if any), you can easily keep your own records of what will be owed at the end of the year over what has been estimated on the policy. If you can see that there will likely be a large additional premium due at the end of the year, you can ask your insurer or agent to revise your estimated payroll so that you can pay more now instead of later, when the funds might not be available.