

Carrier Test Insurance Company 111 Main Street Any City, AL 35801	Policy Information WC 12-AB-1234-1 Workers' Compensation 05/30/2004 to 05/30/2005 AuditID: 184473 Audit Method: Physical Audit Complete Type: Regular	Insured Name and Address XYZ Construction Inc 123 Any St Nashville, TN 37208	Completed By Keith West Wilkinson Insurance Services 5650 Sanderson Street Suite Q Huntsville, AL 35805 Date Completed: 12/07/2006 FA Version: 3.0.5232 PID: 26
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Description of Operations ... Audit 184473 ... Entity: XYZ Construction Inc

Policy No(s): 12-AB-1234-1; Policy Period: 05/30/2004 to 05/30/2005

Legal Entity: CORPORATION

The insured is a corporation in Nashville, TN operating under the name of XYZ Construction Inc. The insured is a general contractor working for insurance companies performing residential restoration work. They are doing fire, water, and wind damage restoration. This type of work includes cleaning up homes after these types of disasters have occurred. Field employees could perform a variety of tasks, depending on the damage incurred, including tearing out old flooring (carpet, tile, wood, etc.) and replacing with new, tearing out damaged drywall and replacing with new, painting, etc. In this period field employees performed primarily painting and carpentry work, no interchange of labor. The painting employees were classified under the 5474 class code and all carpentry related work was placed under the 5645 class code.

Employees working in the offices of the insured have been placed in the 8810 class code. These workers are performing various tasks such as receptionist, bookkeeping, scheduling, etc.

Several employees are included in the 8742 class code as outside estimators. They are performing job estimates and have travel responsibilities included within the regular scope of the job duties.

The insured also used a number of insured subcontractors and uninsured subcontractors. Certificates of insurance were reviewed for all insured subs and all have been excluded per verification of their COI's. Payments made to the insured subs were all covered within the COI dates. All uninsured subs were included in the appropriate class code per their duties. One performed glass installation work while the others were general carpentry laborers.

Officer 1 is the President and is excluded per endorsement. Officer 2 is the Secretary/Treasurer and is excluded per endorsement. Both officers are active in the business overseeing all operations, visiting job sites on a regular basis to determine job progress, provide indirect supervision through the job site foremen, etc.

Exposure Summary ... Audit 184473 ... 06/01/2004 to 06/01/2005 ... Policy 12-AB-1234-1

Policy No(s): 12-AB-1234-1; Policy Period: 05/30/2004 to 05/30/2005

State	Code	Classification	Premium Basis	Exposure
TN	0042	Landscape gardening	Payroll	0
TN	5213	Concrete private residences construction - monolithic	Payroll	0
TN	5348	Tile, stone, mosaic or terrazzo work - inside	Payroll	0
TN	5474	Painting NOC	Payroll	188,096
TN	5645	Carpentry - detached dwellings	Payroll	85,384
TN	8742	Salespersons, collectors, messengers	Payroll	369,308
TN	8810	Clerical office employees	Payroll	208,164
Subcontractors Exposure Summary ... 06/01/2004 to 06/01/2005				
State	Code	Classification	Premium Basis	Exposure
TN	5462	Glazier - away from shop	Payroll	2,446
TN	5645	Carpentry - detached dwellings	Payroll	8,369

Principal's Information ... Audit 184473 ... Entity: XYZ Construction Inc

Policy No(s): 12-AB-1234-1; Policy Period: 05/30/2004 to 05/30/2005

Officer 1	President	Excluded		
CORPORATION	TN 41	EXCLUDED		
Audit Period: 06/01/2004 to 06/01/2005	Total Amount:	94,000	Included At:	0
Operations mgr / visits job sites				
Officer 2	S/T	Excluded		
CORPORATION	TN 41	EXCLUDED		
Audit Period: 06/01/2004 to 06/01/2005	Total Amount:	52,200	Included At:	0
Operations mgr / visits job sites				

Exposure Recap ... Audit 184473 ... 06/01/2004 to 06/01/2005

Policy No(s): 12-AB-1234-1; Policy Period: 05/30/2004 to 05/30/2005

State	Code	Classification	Premium Basis
TN	0042	Landscape gardening	Payroll
			0
		<i>Total:</i>	0
TN	5213	Concrete private residences construction - monolithic	Payroll
			0
		<i>Total:</i>	0
TN	5348	Tile, stone, mosaic or terrazzo work - inside	Payroll
			0
		<i>Total:</i>	0
TN	5474	Painting NOC	Payroll
		Emp 1 - <i>Painting</i>	37,209
		Emp 10 - <i>Painting</i>	5,685
		Emp 11 - <i>Painting</i>	13,388
		Emp 12 - <i>Painting</i>	8,190
		Emp 2 - <i>Painting</i>	30,126
		Emp 3 - <i>Painting</i>	32,730
		Emp 4 - <i>Painting</i>	22,486
		Emp 5 - <i>Painting</i>	360
		Emp 6 - <i>Painting</i>	7,721
		Emp 7 - <i>Painting</i>	5,175
		Emp 8 - <i>Painting</i>	2,168
		Emp 9 - <i>Painting</i>	22,858
		<i>Total:</i>	188,096
TN	5645	Carpentry - detached dwellings	Payroll
		Emp 13 - <i>Carpentry</i>	23,007
		Emp 14 - <i>Carpentry</i>	31,493
		Emp 15 - <i>Carpentry</i>	28,986
		Emp 16 - <i>Carpentry</i>	1,898
		<i>Total:</i>	85,384
TN	8742	Salespersons, collectors, messengers	Payroll
		Emp 23 - <i>Outside estimator</i>	191,352
		Emp 24 - <i>Outside estimator</i>	94,000
		Emp 25 - <i>Outside estimator</i>	73,539
		Emp 26 - <i>Outside estimator</i>	10,417
		<i>Total:</i>	369,308
TN	8810	Clerical office employees	Payroll
		Emp 17 - <i>Receptionist</i>	20,661
		Emp 18 - <i>Accounting</i>	40,000
		Emp 19 - <i>Secretary</i>	52,497
		Emp 20 - <i>Checks/paperwork</i>	37,625
		Emp 21 - <i>A/R</i>	25,900
		Emp 22 - <i>Payroll</i>	31,481
		<i>Total:</i>	208,164
TN		EXCLUDED	

		*Officer 1 -Operations mgr / visits job sites		94,000
		*Officer 2 -Operations mgr / visits job sites		52,200
			<i>Total:</i>	146,200

Subcontractors Exposure Recap ... Audit 184473 ... 06/01/2004 to 06/01/2005

Policy No(s): 12-AB-1234-1; Policy Period: 05/30/2004 to 05/30/2005

State	Code	Classification	Premium Basis
TN	5462	Glazier - away from shop	Payroll
		Sub 6	2,446
		<i>Total:</i>	2,446
TN	5645	Carpentry - detached dwellings	Payroll
		Sub 10	7,682
		Sub 13	90
		Sub 7	597
		<i>Total:</i>	8,369

Worksheet Stacked #1 ... Audit 184473

Policy No(s): 12-AB-1234-1; Policy Period: 05/30/2004 to 05/30/2005

Date	Gross	Col 3	Col 4	Col 5	Col 6
	Payroll	EXCLUDE	EXCLUDE	5474 Painting NOC	5474 Painting NOC
	Computer Reports	Officer 2	Officer 1	Emp 1	Emp 2
	TN	TN	TN	TN	TN
06/1-06/30:	65,746	4,350	4,667	2,545	2,555
07/1-09/30:	194,480	13,050	14,000	9,415	7,711
10/1-12/31:	435,367	13,050	52,000	10,490	8,170
01/1-3/30:	180,819	13,050	14,000	8,561	6,719
04/1-05/31:	120,740	8,700	9,333	6,198	4,971
	997,152	52,200	94,000	37,209	30,126

Date	Col 7	Col 8	Col 9	Col 10	Col 11
	5474 Painting NOC	5474 Painting NOC	5474 Painting NOC	5474 Painting NOC	5474 Painting NOC
	Emp 3	Emp 4	Emp 5	Emp 6	Emp 7
	TN	TN	TN	TN	TN
06/1-06/30:	2,352	1,806	360	1,946	1,671
07/1-09/30:	8,212	7,039		5,775	3,504
10/1-12/31:	9,032	6,753			
01/1-3/30:	7,328	6,671			
04/1-05/31:	5,806	217			
	32,730	22,486	360	7,721	5,175

Date	Col 12	Col 13	Col 14	Col 15	Col 16
	5474 Painting NOC	5474 Painting NOC	5474 Painting NOC	5474 Painting NOC	5474 Painting NOC
	Emp 8	Emp 9	Emp 10	Emp 11	Emp 12

	TN	TN	TN	TN	TN
06/1-06/30:	2,168	384			
07/1-09/30:		4,616	1,224		
10/1-12/31:		6,586	4,461	1,312	
01/1-3/30:		6,240		7,244	4,221
04/1-05/31:		5,032		4,832	3,969
	2,168	22,858	5,685	13,388	8,190
Date	Col 17	Col 18	Col 19	Col 20	Col 21
	5645 Carpentry - detached dwellings	5645 Carpentry - detached dwellings	5645 Carpentry - detached dwellings	5645 Carpentry - detached dwellings	8810 Clerical office employees
	Emp 13	Emp 14	Emp 15	Emp 16	Emp 17
	TN	TN	TN	TN	TN
06/1-06/30:	1,913	2,538	2,314		1,598
07/1-09/30:	6,044	8,461	7,567		5,075
10/1-12/31:	5,919	7,010	7,702		5,755
01/1-3/30:	4,981	7,289	6,510		4,778
04/1-05/31:	4,150	6,195	4,893	1,898	3,455
	23,007	31,493	28,986	1,898	20,661
Date	Col 22	Col 23	Col 24	Col 25	Col 26
	8810 Clerical office employees	8810 Clerical office employees	8810 Clerical office employees	8810 Clerical office employees	8810 Clerical office employees
	Emp 18	Emp 19	Emp 20	Emp 21	Emp 22
	TN	TN	TN	TN	TN
06/1-06/30:	3,167	4,000	3,750	1,994	2,500
07/1-09/30:	9,500	12,999	11,250	6,288	7,500
10/1-12/31:	11,500	14,499	13,250	7,006	8,981
01/1-3/30:	9,500	11,999	9,375	5,853	7,500
04/1-05/31:	6,333	9,000		4,759	5,000
	40,000	52,497	37,625	25,900	31,481
Date	Col 27	Col 28	Col 29	Col 30	Col 31
	8742 Salespersons, collectors, messenger	8742 Salespersons, collectors, messenger	8742 Salespersons, collectors, messenger	8742 Salespersons, collectors, messenger	0042 Landscape gardening
	Emp 23	Emp 24	Emp 25	Emp 26	
	TN	TN	TN	TN	TN
06/1-06/30:	4,167	4,667	4,167	4,167	
07/1-09/30:	12,500	14,000	12,500	6,250	
10/1-12/31:	153,852	52,000	36,039		

01/1-3/30:	12,500	14,000	12,500		
04/1-05/31:	8,333	9,333	8,333		
	191,352	94,000	73,539	10,417	
Date	Col 32	Col 33	Col 34	Col 35	Col 36
	5213 Concrete private residences constru	5348 Tile, stone, mosaic or terrazzo wor			
	TN	TN			

Subcontractors ... Audit 184473 ... Entity: XYZ Construction Inc

Policy No(s): 12-AB-1234-1; Policy Period: 05/30/2004 to 05/30/2005

Sub 1	Granite State			
WC8164271	Policy period: 06/26/2004 to 06/26/2005	Audit State:		
		Liability Lim:		100,000
Contract period: 06/01/2004 to 06/01/2005	Cost: 36,906	Materials: 0	Exposure: 36,906	

Cost and Contract Period Detail

06/01/2004	0			
06/01/2005	0			

Sub 10	Carpentry			
5645	Carpentry - detached dwellings	Payroll		Liability Lim: 0
Contract period: 06/01/2004 to 06/01/2005	Cost: 15,314	Materials: 7,632	Exposure: 7,682	

Cost and Contract Period Detail

06/01/2004	0			
06/01/2005	0			

Sub 11	Liberty Mutual/WoCompAR			
WC5-35S-351966-014	Policy period: 04/29/2004 to 04/29/2006	Audit State:		
		Liability Lim:		100,000
Contract period: 06/01/2004 to 06/01/2005	Cost: 16,971	Materials: 0	Exposure: 16,971	

Cost and Contract Period Detail

06/01/2004	0			
06/01/2005	0			

Sub 12	Builders Mutual Insurance			
WC24281102	Policy period: 07/25/2004 to 07/25/2005	Audit State:		
		Liability Lim:		1,000,000
Contract period: 06/01/2004 to 06/01/2005	Cost: 14,686	Materials: 0	Exposure: 14,686	

Cost and Contract Period Detail

06/01/2004	14,686			
06/01/2005	0			

Sub 13	Carpentry			

5645	Carpentry - detached dwellings	Payroll	Liability Lim: 0
Contract period: 06/01/2004 to 06/01/2005	Cost: 160	Materials: 70	Exposure: 90

<i>Cost and Contract Period Detail</i>			
06/01/2004		0	
06/01/2005		0	

Sub 14	Bridgefield Casualty Insurance			
19901702	Policy period: 09/01/2004 to 07/19/2005	Audit State:		
			Liability Lim:	100,000
Contract period: 06/01/2004 to 06/01/2005	Cost: 101,641	Materials: 0	Exposure: 101,641	

<i>Cost and Contract Period Detail</i>			
06/01/2004		0	
06/01/2005		0	

Sub 15	Builders Mutual Insurance			
20012813	Policy period: 09/01/2004 to 09/01/2005	Audit State:		
			Liability Lim:	500,000
Contract period: 06/01/2004 to 06/01/2005	Cost: 260	Materials: 0	Exposure: 260	

<i>Cost and Contract Period Detail</i>			
06/01/2004		0	
06/01/2005		0	

Sub 16	Builders Mutual Insurance			
001000032429104	Policy period: 09/19/2004 to 09/19/2005	Audit State:		
			Liability Lim:	100,000
Contract period: 06/01/2004 to 06/01/2005	Cost: 9,218	Materials: 0	Exposure: 9,218	

<i>Cost and Contract Period Detail</i>			
06/01/2004		9,218	
06/01/2005		0	

Sub 17	Commerce & Industry			
WC7834707	Policy period: 07/01/2004 to 07/01/2005	Audit State:		
			Liability Lim:	500,000
Contract period: 06/01/2004 to 06/01/2005	Cost: 150	Materials: 0	Exposure: 150	

<i>Cost and Contract Period Detail</i>			
06/01/2004		0	
06/01/2005		0	

Sub 18	State Auto Insurance			
WCP9635706	Policy period: 05/01/2004 to 05/01/2006	Audit State:		
			Liability Lim:	100,000
Contract period: 06/01/2004 to 06/01/2005	Cost: 750	Materials: 0	Exposure: 750	

<i>Cost and Contract Period Detail</i>					
06/01/2004		750			
06/01/2005		0			

Sub 19	Union Insurance				
WCA4169228	Policy period: 10/01/2004 to 10/01/2005	Audit State:			
			Liability Lim:	500,000	
Contract period: 06/01/2004 to 06/01/2005	Cost: 45,686	Materials: 0	Exposure: 45,686		

<i>Cost and Contract Period Detail</i>					
06/01/2004		0			
06/01/2005		0			

Sub 2	Companion Property & Casualty				
WC-7056078	Policy period: 12/01/2004 to 12/01/2005	Audit State:			
			Liability Lim:	1,000,000	
Contract period: 06/01/2004 to 06/01/2005	Cost: 1,000	Materials: 0	Exposure: 1,000		

<i>Cost and Contract Period Detail</i>					
06/01/2004		1,000			
06/01/2005		0			

Sub 20	AON/ American Zurich				
6ZZUB-3413B68	Policy period: 08/01/2004 to 08/01/2005	Audit State:			
			Liability Lim:	100,000	
Contract period: 06/01/2004 to 06/01/2005	Cost: 1,880	Materials: 0	Exposure: 1,880		

<i>Cost and Contract Period Detail</i>					
06/01/2004		0			
06/01/2005		0			

Sub 3	Pennsylvania National Ins. Co.				
WC9009727303	Policy period: 08/29/2004 to 08/29/2005	Audit State:			
			Liability Lim:	1,000,000	
Contract period: 06/01/2004 to 06/01/2005	Cost: 6,655	Materials: 0	Exposure: 6,655		

<i>Cost and Contract Period Detail</i>					
06/01/2004		0			
06/01/2005		0			

Sub 4	Ace American				
CA3691831	Policy period: 06/21/2004 to 06/21/2005	Audit State:			
			Liability Lim:	500,000	
Contract period: 06/01/2004 to 06/01/2005	Cost: 76,989	Materials: 0	Exposure: 76,989		

<i>Cost and Contract Period Detail</i>					

06/01/2004	0			
06/01/2005	0			

Sub 5	Zurich			
042896218	Policy period: 01/05/2005 to 01/05/2006	Audit State:		
			Liability Lim:	100,000
Contract period: 06/01/2004 to 06/01/2005	Cost: 7,583	Materials: 0	Exposure: 7,583	

<i>Cost and Contract Period Detail</i>				
06/01/2004		7,583		
06/01/2005		0		

Sub 6	Glass installation			
5462	Glazier - away from shop	Payroll	Liability Lim: 0	
Contract period: 06/01/2004 to 06/01/2005	Cost: 4,892	Materials: 2,446	Exposure: 2,446	

<i>Cost and Contract Period Detail</i>				
06/01/2004		4,892		
06/01/2005		0		

Sub 7	Carpentry			
5645	Carpentry - detached dwellings	Payroll	Liability Lim: 0	
Contract period: 06/01/2004 to 06/01/2005	Cost: 1,194	Materials: 597	Exposure: 597	

<i>Cost and Contract Period Detail</i>				
06/01/2004		0		
06/01/2005		0		

Sub 8	Hartford Fire Insurance Company			
1560568-SDF	Policy period: 03/18/2004 to 03/18/2005	Audit State:		
			Liability Lim:	100,000
Contract period: 06/01/2004 to 06/01/2005	Cost: 5,645	Materials: 0	Exposure: 5,645	

<i>Cost and Contract Period Detail</i>				
06/01/2004		5,645		
06/01/2005		0		

Sub 9	TWCIP			
WC65465151	Policy period: 01/01/2005 to 01/01/2006	Audit State:		
			Liability Lim:	100,000
Contract period: 06/01/2004 to 06/01/2005	Cost: 1,230	Materials: 0	Exposure: 1,230	

<i>Cost and Contract Period Detail</i>				
06/01/2004		1,230		
06/01/2005		0		

Workers' Compensation Verification ... Audit 184473 ... 06/01/2004 to 06/01/2005

Policy No(s): 12-AB-1234-1; Policy Period: 05/30/2004 to 05/30/2005

State	Code	Classification	Exposure/Adjustments

TN	0042	Landscape gardening		0
TN	5213	Concrete private residences construction - monolithic		0
TN	5348	Tile, stone, mosaic or terrazzo work - inside		0
TN	5474	Painting NOC		188,096
TN	5645	Carpentry - detached dwellings		85,384
TN	8742	Salespersons, collectors, messengers		369,308
TN	8810	Clerical office employees		208,164
TN		EXCLUDED		146,200
			Audit Total:	997,152

Worksheet Gross Total:	997,152	Verification Source Total:	997,152
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End of Report -- Audit No: 184473; Policy No(s): 12-AB-1234-1; Policy Period: 05/30/2004 to 05/30/2005

General Information ... Audit 184473 ... Policy 12-AB-1234-1

Policy No(s): 12-AB-1234-1; Policy Period: 05/30/2004 to 05/30/2005

Insured: XYZ Construction Inc 123 Any Street Nashville, TN 12345 <i>Entity:</i> XYZ Construction Inc <i>Phone:</i> 615-123-4567
Records obtained from: Jane Doe 123 Any Street Nashville, TN 12345

-----**Verification Source Record**-----

Entity: XYZ Construction Inc.
Verification Source Record: Federal 941 & State U/C
Employer's Federal ID No.: 12-3456789

1st Quarter 2005:	180,819	
2nd Quarter 2005:	0	
3rd Quarter 2004:	194,480	
4th Quarter 2004:	435,367	
Subtotal:	810,666	
<i>Adjustment Dates</i>	<i>Description</i>	<i>Adjustment Amount</i>
04/01/2005 to 05/31/2005		120,740
06/01/2004 to 06/30/2004		65,746
Adjusted Subtotal:		997,152
Grand Total:	997,152	

Workers' Compensation Checklist

Were there leased employees?	NO	Were bonuses included?	N/A
Were employee contributions to benefit plans included?	N/A	Were commissions included?	N/A
Was board and lodging included?	N/A	Were tips excluded?	N/A
Were subcontractors used?	YES	Were contract drivers used?	N/A
Was premium overtime deducted?	NO	Does the insured operate an aircraft?	N/A
Is the legal entity correct?	NO	Are there any additional entities?	See Notes
Are there any new operations?	YES		

General Information Checklist

Are the records computerized?	YES	What is the condition of the records?	GOOD
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Were payroll journal records examined?	YES	Were general ledger records examined?	YES
Was the check book examined?	NO	Were income tax return records examined?	NO
Were cash disbursement records examined?	NO	Were S/S Returns examined?	YES
Were U/C Returns examined?	YES	Were cash receipt records examined?	YES
Were Certificates of Insurance examined?	YES	Were 1099 records examined?	NO
What other records were examined?	NONE	All locations/addresses shown verified/discussed on audit?	YES

Notes To Audit Department ... Audit 184473 ... Policy 12-AB-1234-1

Policy No(s): 12-AB-1234-1; Policy Period: 05/30/2004 to 05/30/2005

Test Insurance Company
XYZ Construction Inc
XYZ Construction Inc

Any City, AL
Nashville, TN

Auditor: Keith West Wilkinson Insurance Services, Inc. (256) 880-2900

Percent difference between actual and estimated exposures (negative if est. > act.):

State	Code	Classification	Prem. Basis	Extra ID	Percent Difference
TN	0042	Landscape gardening	Payroll		(100)%
TN	5213	Concrete private residences construction - monolithic	Payroll		(100)%
TN	5348	Tile, stone, mosaic or terrazzo work - inside	Payroll		(100)%
TN	5474	Painting NOC	Payroll		276%
TN	5645	Carpentry - detached dwellings	Payroll		(48)%
TN	8742	Salespersons, collectors, messengers	Payroll		143%
TN	8810	Clerical office employees	Payroll		221%

Exit Interview conducted on: 08/31/2005 at 11:00:00 AM

Interviewee: Jane Doe

Title: Bookkeeper

Notes To Audit Department-----

Gross Sales for the period 06/01/2004 to 05/30/2005 is \$4,330,582.

Exposures vary based on available jobs for the insured versus use of insured and uninsured subs. In this insured's line of work exposures will vary from year to year based on this availability of work and what is needed to be completed in each job.

The insured provided payroll reports broken down by employee and class code which were used for the audit exposure. The only problem was that they had overtime, vacation, and holiday pay excluded from the payroll as one total for each employee. I informed the insured that vacation and holiday could not be deducted but premium O/T could. I requested that she forward me the O/T by itself for each employee so that this deduction could be made. This request was made on Thursday, 6/30. As of 7/8 I have not received this information. I am submitting the audit with no O/T deductions at this time.

Extra time spent completing this audit due to the number of employees and subs. Payroll was verified and detailed off the even quarters and all insured subs had to have their COI's verified. This took extra time based on the large number of employees and subs.

Proper COI's are maintained by the insured for their insured subs. Current COI's are also backed up by COI's from the prior years.

A maximum of 50% was allowed for deduction of materials. Invoices were reviewed.