

# Frequently Asked Questions About Risk Assessments in Canada



## What Is a Risk Assessment?

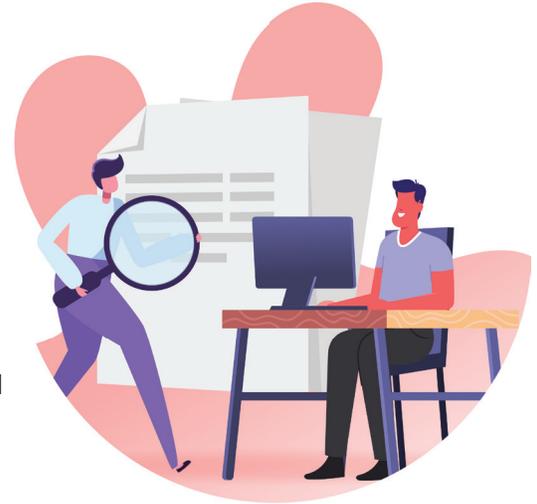
A risk assessment, or audit, is the examination of your business's financial records. An assigned third-party auditor will review information, such as financial statements, tax documents and payroll journals, to verify the premium basis (e.g., revenue, payroll, admissions) associated with your business. Your policy premium may then be adjusted to reflect the actual revenue or payroll you had during the audited period.

## Why Is a Risk Assessment Necessary?

A risk assessment is requested by the insurance carrier to confirm the accuracy of the premium basis submitted on your application for insurance coverage. This premium basis plays an important part in determining the cost of your policy and ensures we are not charging too much or too little for the coverages provided.

## What Should I Expect?

The risk assessment is completed securely online with a professional third-party auditor, Afirm Canada. The auditor should be able to identify themselves, the company they work for and your policy information. They will contact you via mail, email or phone to go over the requirements for the risk assessment, which is completed electronically. The auditor will provide you with easy-to-follow instructions to help you to submit all necessary documentation.



## What Do I Need to Do to Prepare?

The auditor will be able to advise you on the records needed and answer any questions you may have. You will fill out a simple worksheet listing the revenue or payroll information for your business for the audited time period, which will likely be 6 or 12 months.

Additionally, the auditor will ask you to provide the following supporting documentation:

- ▶ Sales-based risk assessments (e.g., restaurants/bars, stores, fitness centers): monthly revenue reports, profit and loss statement/income statement, monthly/quarterly provincial sales tax returns
- ▶ Payroll-based risk assessments (e.g., contractors): payroll journal or payroll summary reports, provincial quarterly payroll reports, profit and loss statement, T4/T4A, general ledger payments to subcontractors

## What If I Don't Comply With a Risk Assessment?

If you do not comply with the risk assessment in the required time frame, the risk assessment is considered non-productive and is closed out by the auditor. We will then review to possibly issue a notice of cancellation on the current term of your policy (if there is one) for a failure to comply with the risk assessment requirements.

Additionally, if the risk assessment is not reattempted or reopened, USLI may process an Estimated Audit endorsement on the audited policy term, in which your premium basis is doubled. This could result in a significant additional premium due.