

VFBL Audit Tips

Most Workers' Compensation policies are very easy to audit. The Auditor will simply apply the payroll for a particular employee to the Worker Compensation class code that represents the scope of work performed.

Auditing a VFBL policy is much different. Because volunteer firefighters are not paid, a Workers' Compensation insurer cannot use payroll as a rating basis for a policy. Instead, insurance companies use the population a Volunteer Fire Department serves in order to calculate the VFBL premium.

For a Municipal Fire Department, the population served may be a "Census Designated Place" like a Village or Hamlet, so Census data is all that is needed to determine population. For a Fire District however, population served is sometimes more difficult to determine.

Many Fire Districts cover areas that are not Census Designated Places and do not have discernible geographical boundaries. Some Fire Districts may cover a small portion of a Town (or a fire protection district) or segments of multiple municipalities. Because of this issue, it is very important for all VFBL policyholders to keep accurate records of the population that they serve and have the proper procedures in place to obtain accurate population data when needed.

Items to Keep in Mind

The following are some noteworthy topics to assist our members in their VFBL audit process.

- **Self-Audits** — If the State Insurance Fund is not requesting an on site audit, they will send an email for the Fire Department to complete. In the email, they will ask for the population served by the Fire Department/District. If

the population the insured lists on the report is greater than the population listed on the expiring policy, then there will be additional premium owed. If the population listed on the report is less than what is currently on the policy, the State Insurance Fund may want to set up an on site visit or require written verification as to why the population served has decreased.

PLEASE NOTE: IT IS EXTREMELY IMPORTANT TO DESIGNATE ONLY SELECT INDIVIDUALS WITHIN THE FIRE DEPARTMENT/DISTRICT TO COMPLETE THESE FORMS. THEY SHOULD KNOW THE CORRECT POPULATION THE FIRE DEPARTMENT SERVES AND UNDERSTAND THE SIGNIFICANCE OF THE POPULATION THEY ARE ATTESTING TO ON THE FORM.

- **Audit Disputes** — If a Fire Department wants to dispute a population determined at audit, the best course of action is for that Fire Department to document how they are arriving at a different population.

This is typically accomplished by going to the Town Assessor's office in which the department is providing fire protection, and requesting the number of parcels (residential, non-vacant parcels) within the Town receiving



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tax bills for their Fire District. The number of parcels are then multiplied by 2.5 (the average number of people per parcel) to determine the population that is being served. If a Fire District covers multiple municipalities, this process will have to be repeated for each municipality. This process has proven to be the most accurate way to determine populations for fire protection areas that are not located 100% in a census designated place.

- **Census** — Census figures are compiled every 10 years. When a VFBL policy is audited, the State Fund will acknowledge the census data as long as the audit period is within a reasonable time frame to the last reported census. However, if there is a VFBL audit for a policy in 2016, the 2010 Census may not be accurate. The State Fund does have the ability to use approved resources that estimate populations between Census periods.
- **Fire Department Media** — Please review “population served” references on Fire Department websites and other media and make sure that it is accurate. This information may be noted by auditors if there is a discrepancy from the population served that is listed on the Fire Department's website and the population exposure that is listed on the policy.

If you have any questions regarding completing a VFBL self-audit report, would like to contest a VFBL audit, or have any questions regarding this article, please contact our office at: (518) 478-6314.

