Furlough Payroll: State Rules for Insurance Premium Calculations

In early May, Frankenmuth Insurance issued a notice that we will not charge premium for furlough payroll on any General Liability or Workers' Compensation audit while employees are not performing work for the business and are not present on the business premises, effective March 1, 2020.

To comply with state rules for insurance premium calculations, employees must not be working in **any** capacity, no matter how many hours or function, in order to be considered for furlough pay.

For example, employees who normally worked five days per week before the COVID-19 pandemic begin to work three days per week. The employer pays the employees for five days per week. The two non-worked days per week cannot be considered furlough pay for insurance premium calculations.

If the employees were furloughed due to COVID-19 for several full weeks, the furlough pay for the weeks not working (and not using vacation time/PTO) is the only pay considered furlough pay.

While this information differs from Department of Labor standards, it is the correct application for insurance premium calculations and abides by the exceptions made to the states' manual rules.

We are here to provide information and support commercial premium audit accommodations during these challenging times. If you have questions regarding premium audit, please contact our Premium Audit Team at claudit@fmins.com or (800) 234-1133 ext. 4013.