



Pennsylvania Compensation Rating Bureau

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PENNSYLVANIA TEST AUDIT PROGRAM BULLETIN #127

COVID-19 IMPACT ON PREMIUM AUDIT

PCRB is providing the following guidance to assist carriers in preparing for and completing premium audits impacted by COVID-19. PCRB Basic Manual (Manual) language changes were outlined in Circular [#1740](#) and are included in the most recent Manual posting. **NOTE: While these changes are rule exceptions due to the impact of the pandemic, they are rules that should be applied during the auditing process and test audit differences may be cited for failure to apply Manual rules.**

The Manual language changes due to COVID-19 impacting premium audit require the employer to maintain specific payroll records to receive proper premium relief and include:

- Reallocating an employee's payroll to Code 953 – Clerical for the time an employee worked from home due to COVID-19 even if the employer's operations are contemplated by an all-inclusive classification.
- Allocation of wages to Code 1212 for any furloughed employee that did not perform any duties during the stay-at-home order but continued to be paid by the employer.
- Amending classifications for a business if the operational changes are directly related to COVID-19.

To mitigate audit delays and disputes related to payroll developed during the COVID-19 pandemic PCRB staff suggests that carriers ask the employer to provide:

- Company memos or emails outlining when changes were made such as when the office/business temporarily closed as a result of the stay-at-home orders as well as when operations resumed.
- Detailed payroll records for each employee including specific details of the employee's duties before, during, and after stay-at-home orders.
- Employee timecards or time sheets.

It is important to note that the above documentation is in addition to the documentation normally provided at audit such as payroll records, general ledgers, quarterly tax filings, etc.

Employers should be prepared to provide specific payroll breakdowns from the policy inception to the date of any mandated stay-at-home orders or change in business operations related to COVID-19. In an attempt to better understand the impact of an audit, below is an example of the payroll record breakdown the employer should be prepared to provide to the carrier auditor. The example uses a policy term 11/01/2019-11/01/2020 where offices closed March 16, 2020 and resumed operations on June 8, 2020.

Prior to Stay-at-Home Orders	During Stay-at-Home Orders	After Stay-at-Home Orders
11/01/20-03/15/20	03/16/20-06/07/20	06/08/20-10/31/20

Carriers should carefully review the employer's documentation and payroll records to ensure that an employee's payroll is being properly allocated for work performed during the stay-at-home orders. The lack of a specific breakdown as indicated above will result in payroll being allocated as it normally would. Carriers should fully document their audits regarding the records used and the application of these exceptions due to COVID-19.

Since implementation of these rules, PCRb has observed various scenarios regarding COVID-19 wages and employments. Some of the most common scenarios are highlighted below:

- Hazard Pay - any increase in pay or bonus that an employee received due to COVID-19. Usually seen with frontline workers like CNAs, nursing home staff, grocery stores, hotel housekeepers and delivery drivers. May be referred to as hazard pay, hero pay, appreciation pay, COVID pay. This is included as remuneration.
- Families First Coronavirus Response Act (FFCRA) - pay for sick time or family leave directly related to COVID-19. Reported on Form 941, line 5a (i) and/or (ii). This is allocated to Code 1212 and excluded from premium calculation.
- Loans/Grants Related to COVID-19 (Payroll Protection Program (PPP), SBA/EIDL loans, PA Cares Grant, Chamber of Commerce grants, etc.) - government programs to provide funding to businesses. The source of the payroll funding is not relevant.
- Telecommuting - if an employee performs their duties from home and from the employer's location they do not qualify for the telecommuting exception.
- PCRb approval is not needed for a carrier to apply Code 953 and Code 1212 due to COVID-19 related rules and impacts.
- PCRb approval is needed in the event an employer's operations changed and an alternate classification is applicable. Requests should be submitted via the Classification Inquiry form found at www.pcrb.com.

Bureau staff is available to answer questions regarding the various auditing questions that may arise because of COVID-19. For specific questions please contact Christina Yost (cyost@pcrb.com) or Roxanne Walker (rwalker@pcrb.com).