



Pennsylvania Compensation Rating Bureau

United Plaza Building • Suite 1500
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(215)568-2371 • FAX (215)564-4328 • www.pcrb.com

July 10, 2018

VIA SERFF

The Honorable Jessica Altman
Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
1311 Strawberry Square
Harrisburg, PA 17120

Attention: Michael McKinney, Actuarial Supervisor, Property & Casualty Bureau

**RE: PCRB Filing No. 292 – Proposed Effective April 1, 2019
Proposed Revisions to Designated Auditable Payrolls and Concurrent
Sections 1 and 2 Manual Amendments**

Dear Commissioner Altman:

On behalf of the members of the Pennsylvania Compensation Rating Bureau (PCRB), we hereby submit the proposed filing for revisions to the PCRB Workers' Compensation Manual of Rules, Classifications and Rating Values for Workers' Compensation and Employers Liability Insurance (Basic Manual). These revisions are proposed for policies with effective dates of 12:01 a.m., April 1, 2019 or later. This proposed effective date coincides with changes resulting from PCRB's normal annual comprehensive loss cost revision filing, which will be filed with the Insurance Department at a later date. This coordination consolidates necessary changes that our members and other constituents must make to policies, forms and systems so that they occur once annually.

The Basic Manual designates the following auditable weekly or annual payrolls: 1) the weekly minimum and maximum corporate officer payrolls, 2) the annual taxicab operator payroll, 3) the annual minimum auxiliary or special school police payroll, 4) the weekly maximum musicians' or entertainers' payrolls, and 5) the annual maximum payroll for each player, coach, manager or sports official subject to assignment to Code 970, Athletic Team – Contact Sports, or Code 991, Athletic Team – Noncontact Sports. The PCRB typically reviews the weekly minimum and maximum corporate officer payrolls, the annual taxicab operator payroll, the annual minimum auxiliary or special school police payroll and the weekly maximum musicians' or entertainers' payrolls annually. This year and going forward, the annual review will also include the annual maximum payroll for each player, coach, manager or sports official subject to assignment to Code 970 or Code 991. The proposed revisions to each of these designated payrolls are a function of Pennsylvania's Statewide Average Weekly Wage (SAWW) effective January 1, 2018 (\$1,025.00 – an increase of 3.015% in relation to the January 1, 2017 SAWW of \$995.00).

The PCRB continues to use the formula reviewed and approved by the Committee in 1982 for the calculation of the following auditable payrolls: the corporate officer weekly maximum at 2.5 times SAWW, SAWW times 50 for the annual taxicab driver payroll to be used when cabs are leased and no payroll records are available, and ten percent of SAWW times 50 for the auxiliary or special police minimum annual payroll. Each of these calculations is rounded to the nearest \$50.00.

The Honorable Jessica Altman
Commonwealth of Pennsylvania
July 3, 2018
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The corporate office weekly minimum payroll is set at 100% of SAWW.

The PCRB proposed that the maximum weekly payroll to be audited for musicians or entertainers who are not independent contractors be set at 65% of SAWW for April 1, 2017 and at 83% of SAWW for April 1, 2018 with the intention of ultimately phasing it to 100% of SAWW. This filing PCRB reflects the completion of the phasing process of this auditable payroll to 100% of SAWW and ends the practice of rounding it to the nearest \$50.00.

The maximum auditable payroll for staff subject to assignment to Code 970 was \$60,000 from January 1, 1981 until October 1, 2016. The PCRB conducted a study of Code 970 in 2015. Pursuant to the study results, staff proposed that Code 970 be focused to contact sports, that noncontact sports be reassigned from Code 970 to the new and separate Code 991, and that the maximum auditable payroll for both classifications be set at \$200,000. The \$200,000 figure was derived by multiplying the SAWW in effect at the time (\$951) by four, then multiplying that product by 52 and rounding to the nearest \$10,000. The Insurance Department approved the PCRB's Code 970 filing effective for new and renewal business as of October 1, 2016 and later. Since that time, PCRB did not propose revisions to the Code 970 or Code 991 maximum auditable payroll. PCRB finds that since the maximum auditable payrolls for these classifications are a product of the SAWW (which is revised annually) they too should also be reviewed annually using the same formula that resulted in the October 1, 2016 revision i.e., multiplying SAWW times four, then multiplying that product by 52 and rounding to the nearest \$10,000.

As a result of this review the PCRB proposes that for April 1, 2019:

- The corporate officer minimum be revised from \$995 per week to \$1,025 per week.
- The corporate officer maximum be revised from \$2,500 per week to \$2,550 per week.
- The taxicab driver's annual payroll be revised from \$49,750 to \$51,250.
- The auxiliary or special police annual payroll be revised from \$5,000 to \$5,150.
- The maximum auditable payroll for musicians or entertainers be revised from \$850 per week to \$1,025 per week.
- That the maximum payroll for both Codes 970 and Code 991 be revised from \$200,000 per year to \$210,000 per year.

Thank you in advance for your prompt attention to this filing. The PCRB welcomes any questions that you or the Insurance Department staff may have regarding these proposals.

Sincerely,

William V. Taylor
President

Enclosure: Revisions to Sections 1 & 2



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TO: Pennsylvania Compensation Rating Bureau Classification & Rating Committee

FROM: Robert Ferrante, Senior Classification Analyst – Technical Services

DATE: May 30, 2018

RE: Proposed Revisions to Designated Auditable Payrolls and Concurrent Sections 1 and 2 Manual Amendments – April 1, 2019

The Basic Manual designates the following auditable weekly or annual payrolls: 1) the weekly minimum and maximum corporate officer payrolls, 2) the annual taxicab operator payroll, 3) the annual minimum auxiliary or special school police payroll, 4) the weekly maximum musicians' or entertainers' payrolls, and 5) the annual maximum payroll for each player, coach, manager or sports official subject to assignment to Code 970, Athletic Team – Contact Sports, or Code 991, Athletic Team – Noncontact Sports. The PCRB typically reviews the weekly minimum and maximum corporate officer payrolls, the annual taxicab operator payroll, the annual minimum auxiliary or special school police payroll and the weekly maximum musicians' or entertainers' payrolls annually. For this year and going forward, the annual review will also include the annual maximum payroll for each player, coach, manager or sports official subject to assignment to Code 970 or Code 991.

The proposed revisions to each of these designated payrolls are a function of Pennsylvania's Statewide Average Weekly Wage (SAWW) effective January 1, 2018 (\$1,025.00 – an increase of 3.015% in relation to the January 1, 2017 SAWW of \$995.00) with results rounded to the nearest \$50 for the maximum corporate officer payrolls, the annual taxicab operator payroll and the annual minimum auxiliary or special school police payroll. The PCRB recommends that all of the designated payroll revisions discussed herein become effective concurrent with the implementation of the PCRB's April 1, 2019 comprehensive (all classifications) loss cost revision, to be filed with the Department at a later date.

The corporate officer weekly minimum auditable payroll is set at 100% of SAWW.

The PCRB continues to use the formula reviewed and approved by the Committee in 1982 for the calculation of the following auditable payrolls: the corporate officer weekly maximum at 2.5 times SAWW, SAWW times 50 for the annual taxicab driver payroll to be used when cabs are leased and no payroll records are available, and ten percent of SAWW times 50 for the auxiliary or special police minimum annual payroll. Each of these calculations is rounded to the nearest \$50.00.

The PCRB's approved maximum weekly payroll to be audited for musicians or entertainers who are not independent contractors was set at \$450.00 for April 1, 2012. The April 1, 2012 \$450.00 designated payroll was derived by using half of SAWW in effect at that time rounded to the nearest \$50.00. This maximum weekly auditable payroll was not revised for April 1, 2013 through April 1, 2016 pursuant to conversations with senior test audit staff which advised that it is rarely used. The PCRB reconsidered this approach and concluded that, while rare, issues

pertaining to this designated payroll may arise and therefore it should be revised along with the other designated auditable payrolls discussed above. The PCRB proposed that this designated auditable payroll be set at 65% of SAWW for April 1, 2017 and at 83% of SAWW for April 1, 2018 with the intention of phasing it to 100% of SAWW for April 1, 2019. Concurrent with the completion of the phasing of this designated auditable payroll to 100% of SAWW the PCRB proposes to end the practice of rounding it to the nearest \$50.00.

The maximum auditable payroll for staff subject to assignment to Code 970 was \$60,000 from January 1, 1981 until October 1, 2016. The PCRB conducted a study of Code 970 in 2015. Pursuant to the study results, staff proposed that Code 970 be focused to contact sports, that noncontact sports be reassigned from Code 970 to the new and separate Code 991, and that the maximum auditable payroll for both classifications be set at \$200,000. The \$200,000 figure was derived by multiplying the SAWW in effect at the time (\$951) by four, then multiplying that product by 52 and rounding to the nearest \$10,000. This is similar to the methodology used in most states under the jurisdiction of the National Council on Compensation Insurance, Inc. (NCCI) to determine the maximum auditable payroll for the NCCI classifications equivalent to PA Codes 970 and 991 (NCCI Codes 9179 and 9178, respectively). The Commissioner approved the PCRB's Code 970 study proposals effective for new and renewal business as of October 1, 2016 and later. PCRB did not propose revisions to the Code 970 or Code 991 maximum auditable payroll for April 1, 2017 or April 1, 2018. Staff finds that since the maximum auditable payrolls for these classifications are a product of the SAWW (which is revised annually) they should also be reviewed annually using the same formula that resulted in the October 1, 2016 revision i.e., multiplying SAWW times four, then multiplying that product by 52 and rounding to the nearest \$10,000.

As a result of this review the PCRB proposes that for April 1, 2019:

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- The taxicab driver's annual payroll be revised from \$49,750 to \$51,250.
- The auxiliary or special police annual payroll be revised from \$5,000 to \$5,150.
- The maximum auditable payroll for musicians or entertainers be revised from \$850 per week to \$1,025 per week.
- That the maximum payroll for both Codes 970 and Code 991 be revised from \$200,000 per year to \$210,000 per year.

MANUAL LANGUAGE PROPOSALS

SECTION 1

RULE IX - SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE

A. EXECUTIVE OFFICERS

6. Premium Determination

Premium for executive to Section 1, Rule IX).

- a. The requirements of Rule V-E.
- b. The minimum individual payroll for an executive office is \$~~1,025,995~~ per week.
- c. The maximum individual payroll for an executive officer is \$~~2,550,2,500~~ per week.
- d. These limitations.....average weekly payroll.
- e. A part of a week.....weekly payroll.

C. PROFESSIONAL OR SEMIPROFESSIONAL ATHLETIC TEAMS – CLASS CODES 970 AND 991

1. No change.
2. The entire remuneration of each player, coach, manager or sports official should be included in computing premium, subject to a maximum of \$~~210,000~~~~200,000~~ per policy year.
3. No change.
4. No change.

RULE V – PREMIUM BASIS

B. REMUNERATION

2. INCLUSIONS

Remuneration includes:

- a. through m. No Change
- n. Musicians or entertainers who are not independent contractors shall be included in computation of premiums of hotels or restaurants (**maximum of \$~~1,025,850~~ per week for each musician or entertainer**);
- o. through t. No Change

SECTION 2

803 TAXICAB COMPANY.

Applicable to a business.....by zone or meter.

When cabs are leased to operators and no payroll records are available, an amount of ~~\$51,250~~~~49,750~~ per annum may be taken as payroll per operator provided the insurer has made a determination of employment status. This amount may be prorated if the operator does not work a full year.

970 ATHLETIC TEAM – CONTACT SPORTS – Professional and Semi-professional.

Includes all players on the employer’s salary...or sports officials.

Contact sports include but are not necessarily limited to...roller derby.

The entire remuneration of each player, coach, manager or sports official should be included in computing premium, subject to a maximum of ~~\$210,000~~~~200,000~~ per policy year. When a player, coach or manager works for two or more teams in the same sport during the policy year, the maximum shall be pro-rated.

The remuneration of an individual player...including board and lodging.

985 POLICE OR FIREFIGHTERS, SALARIED Employees of Cities, Townships, Boroughs or Counties.

OPERATIONS ALSO INCLUDED:

1. Auxiliary police or special school police appointed by municipalities or townships. For such personnel, premium shall be based upon the actual remuneration subject to a minimum payroll of ~~\$5,150~~~~5,000~~ per year for each employee performing services at any time during the year.
2. No change
3. No change

991 ATHLETIC TEAM – NONCONTACT SPORTS – Professional or Semi-Professional

Applies to all players on the employer’s salary list whether regularly played...or sports officials.

Noncontact sports include but are not necessarily limited to...soccer.

The entire remuneration of each player, coach, manager or sports official should be included in computing premium subject to a maximum of ~~\$210,000~~~~200,000~~ per policy year. When a player, coach, or manager works for two or more teams in the same sport during the policy year, the maximum shall be pro-rated.

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C. PROFESSIONAL OR SEMIPROFESSIONAL ATHLETIC TEAMS – CLASS CODES 970 AND 991

1. No change.
2. The entire remuneration of each player, coach, manager or sports official should be included in computing premium, subject to a maximum of **\$210,000** per policy year.
3. No change.
4. No change.

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