



## Pennsylvania Compensation Rating Bureau

30 South 17th Street • Suite 1500  
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(215)568-2371 • FAX (215)564-4328 • www.pcrb.com

August 5, 2019

### **VIA SERFF**

The Honorable Jessica Altman  
Insurance Commissioner  
Commonwealth of Pennsylvania  
Insurance Department  
11311 Strawberry Square  
Harrisburg, PA 17120

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

**RE: PCR B Filing No. 303 – Proposed Effective April 1, 2020  
Proposed Revisions to Designated Auditable Payrolls and Concurrent  
Sections 1 and 2 Manual Amendments**

Dear Commissioner Altman:

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 PCR B reviews these auditable payrolls annually.

The proposed revisions to each of these designated payrolls are a function of Pennsylvania's Statewide Average Weekly Wage (SAWW) effective January 1, 2019 (\$1,049.00 – an increase of 2.34 percent versus the January 1, 2018 SAWW of \$1,025.00). The PCR B recommends that all of the designated payroll revisions discussed herein become effective concurrent with the implementation of the PCR B's April 1, 2020 comprehensive (all classifications) loss cost revision, to be filed with the Department at a later date.

The corporate officer weekly minimum auditable payroll was set at 50 percent of SAWW until the PCR B's April 1, 2013 filing. Starting with the April 1, 2013 filing, the PCR B began gradually phasing this auditable payroll to 100 percent of SAWW. This phasing was completed with the PCR B's April 1, 2017 filing, and the corporate officer weekly minimum auditable payroll is now set at 100 percent of SAWW. The current formula for determining the weekly maximum corporate officer auditable payroll (2.5 times SAWW) was established at the same time as the former formula for the weekly minimum corporate officer auditable payroll (50 percent of SAWW). The PCR B however did not propose increases to the corporate officer maximum concurrent with the phasing of the corporate officer minimum to 100 percent of SAWW. With this filing, the PCR B proposes that the corporate office maximum be revised from 2.5 times SAWW to 5 times SAWW so that the relativity between the corporate officer minimum and the corporate officer maximum as originally intended is restored.

The formulas for calculating the remaining auditable payrolls are as follows:

- SAWW times 50 (rounded to the nearest \$50.00) for the annual taxicab driver payroll to be used when cabs are leased and no payroll records are available.
- 10 percent of SAWW times 50 (rounded to the nearest \$50.00) for the auxiliary or special school police minimum annual payroll.
- 100 percent of SAWW for the maximum weekly payroll to be audited for musicians or entertainers who are not independent contractors.
- SAWW times four multiplied by 52 (rounded to the nearest \$10,000) for the annual maximum payroll for each player, coach, manager or sports official subject to assignment to Code 970 or Code 991.

As a result of this review the PCRB proposes that for April 1, 2020:

- The corporate officer minimum be revised from \$1,025 per week to \$1,049 per week.
- The corporate officer maximum be revised from \$2,550 per week to \$5,250 per week.
- The taxicab driver's annual payroll be revised from \$51,250 to \$52,450.
- The auxiliary or special school police annual payroll be revised from \$5,150 to \$5,250.
- The maximum auditable payroll for musicians or entertainers be revised from \$1,025 per week to \$1,049 per week.
- The maximum payroll for both Codes 970 and Code 991 be revised from \$210,000 per year to \$220,000 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: June 12, 2019 Staff Memo  
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: June 12, 2019

RE: Proposed Revisions to Designated Auditable Payrolls and Concurrent Sections 1 and 2 Manual Amendments – April 1, 2020

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 reviews these auditable payrolls annually.

The proposed revisions to each of these designated payrolls are a function of Pennsylvania's Statewide Average Weekly Wage (SAWW) effective January 1, 2019 (\$1,049.00 – an increase of 2.34% in relation to the January 1, 2018 SAWW of \$1,025.00). The PCRB recommends that all of the designated payroll revisions discussed in this memorandum become effective concurrent with the implementation of the PCRB's April 1, 2020 comprehensive (all classifications) loss cost revision, to be filed with the Department at a later date.

The corporate officer weekly minimum auditable payroll was set at 50% of SAWW until the PCRB's April 1, 2013 filing. Starting with the April 1, 2013 filing, the PCRB began gradually phasing this auditable payroll to 100% of SAWW. This phasing was completed with the PCRB's April 1, 2017 filing, and the corporate officer weekly minimum auditable payroll is now set at 100% of SAWW. The current formula for determining the weekly maximum corporate officer auditable payroll (2.5 times SAWW) was established at the same time as the former formula for the weekly minimum corporate officer auditable payroll (50% of SAWW). The PCRB however did not propose increases to the corporate officer maximum concurrent with the phasing of the corporate officer minimum to 100% of SAWW. For this filing, staff proposes that the corporate office maximum be revised from 2.5 times SAWW to 5 times SAWW so that the relativity between the corporate officer minimum and the corporate officer maximum as originally intended is restored.

The formulas for calculating the remaining auditable payrolls are as follows:

- SAWW times 50 (rounded to the nearest \$50.00) for the annual taxicab driver payroll to be used when cabs are leased and no payroll records are available.
- 10% of SAWW times 50 (rounded to the nearest \$50.00) for the auxiliary or special school police minimum annual payroll.
- 100% of SAWW for the maximum weekly payroll to be audited for musicians or entertainers who are not independent contractors.
- SAWW times four multiplied by 52 (rounded to the nearest \$10,000) for the annual maximum payroll for each player, coach, manager or sports official subject to assignment to Code 970 or Code 991.

As a result of this review the PCRB proposes that for April 1, 2020:

- The corporate officer minimum be revised from \$1,025 per week to \$1,049 per week.
- The corporate officer maximum be revised from \$2,550 per week to \$5,250 per week.
- The taxicab driver's annual payroll be revised from \$51,250 to \$52,450.
- The auxiliary or special school police annual payroll be revised from \$5,150 to \$5,250.
- The maximum auditable payroll for musicians or entertainers be revised from \$1,025 per week to \$1,049 per week.
- The maximum payroll for both Codes 970 and Code 991 be revised from \$210,000 per year to \$220,000 per year.

The enabling Basic Manual language proposals are attached.

**PENNSYLVANIA WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS AND  
RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS LIABILITY  
INSURANCE**

*Proposed Effective April 1, 2020*

**SECTION 1**

**INFORMATION PAGE** *remains unchanged.*

**PREFACE** *remains unchanged.*

**MEMBERSHIP** *remains unchanged.*

**TABLE OF CONTENTS** *remains unchanged.*

**SECTION 1 – Underwriting Rules-Rule I (GENERAL) through Rule IV (CLASSIFICATIONS)** *remains unchanged.*

**RULE V – PREMIUM BASIS**

*(No change to Item A.)*

**B. REMUNERATION – PAYROLL**

*(No change to Item 1.)*

**2. Inclusions**

*(No change)*

*(No change Items a. through m.)*

- n. Musicians or entertainers who are not independent contractors shall be included in computation of premiums of hotels or restaurants (maximum of ~~\$1,025~~1,049 per week for each musician or entertainer);

*(No change Items o. through u.)*

*(No change to Item 3. through 5.)*

*(No change to Items C. through F.)*

**SECTION 1 – Underwriting Rules-Rule VI (RATING VALUES AND PREMIUM DETERMINATION) through Rule VIII (LIMITS OF LIABILITY)** *remains unchanged.*

**RULE IX- SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE AND PREMIUM**

**A. EXECUTIVE OFFICERS**

*(No change to Items 1. through 5.)*

**6. Premium Determination**

*(No change)*

a. *(No change)*

b. The minimum individual payroll for an executive officer is ~~\$1,025~~1,049 per week.

c. The maximum individual payroll for an executive officer is ~~\$2,550~~5,250 per week.

*(No change to Items d. and e.)*

**PENNSYLVANIA WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS AND  
RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS LIABILITY  
INSURANCE**

*Proposed Effective April 1, 2020*

*(No change to Item B.)*

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

1. *(No change to Item 1.)*

2. The entire remuneration of each player, coach, manager or sports official should be included in computing premium, subject to a maximum of ~~\$240,000~~220,000 per policy year.

*(No change to Items 3. and 4.)*

**SECTION 1 – Underwriting Rules-Rule X (CANCELLATION) through Rule XVIII (PROFESSIONAL EMPLOYER ORGANIZATIONS, PROFESSIONAL EMPLOYER AGREEMENTS AND PROFESSIONAL EMPLOYER SERVICES) remains unchanged.**

**PENNSYLVANIA WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS AND  
RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS LIABILITY  
INSURANCE**

*Proposed Effective April 1, 2020*

**SECTION 2**

**RATING VALUES** *through SUB-CLASSIFICATION – DEFINITIONS* *remains unchanged.*

**CLASSIFICATIONS**

**803 TAXICAB COMPANY**

*(No change)*

When cabs are leased to operators and no payroll records are available, an amount of \$~~51,250~~52,450 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**

*(No change)*

The entire remuneration of each player, coach, manager or sports official should be included in computing premium, subject to a maximum of \$~~210,000~~220,000 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.

*(No change)*

**985 POLICE OR FIREFIGHTERS, SALARIED EMPLOYEES OF CITIES, TOWNSHIPS, BOROUGH 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~~5,250 per year for each employee performing services at any time during the year.

*(No change to Items 2. and 3.)*

**991 ATHLETIC TEAM - NONCONTACT SPORTS – PROFESSIONAL OR SEMI-PROFESSIONAL**

*(No change)*

The entire remuneration of each player, coach, manager or sports official should be included in computing premium subject to a maximum of \$~~210,000~~220,000 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.

*(No change)*

**CLASSIFICATION UNDERWRITING GUIDE** *remains unchanged.*

**PENNSYLVANIA WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS AND  
RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS LIABILITY  
INSURANCE**

*Proposed Effective April 1, 2020*

**SECTION 1**

**INFORMATION PAGE** *remains unchanged.*

**PREFACE** *remains unchanged.*

**MEMBERSHIP** *remains unchanged.*

**TABLE OF CONTENTS** *remains unchanged.*

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**RULE V – PREMIUM BASIS**

*(No change to Item A.)*

**B. REMUNERATION – PAYROLL**

*(No change to Item 1.)*

**2. Inclusions**

*(No change)*

*(No change Items a. through m.)*

- n.** Musicians or entertainers who are not independent contractors shall be included in computation of premiums of hotels or restaurants (maximum of \$1,049 per week for each musician or entertainer);

*(No change Items o. through u.)*

*(No change to Item 3. through 5.)*

*(No change to Items C. through F.)*

**SECTION 1 – Underwriting Rules-Rule VI (RATING VALUES AND PREMIUM DETERMINATION) through Rule VIII (LIMITS OF LIABILITY)** *remains unchanged.*

**RULE IX- SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE AND PREMIUM**

**A. EXECUTIVE OFFICERS**

*(No change to Items 1. through 5.)*

**6. Premium Determination**

*(No change)*

**a.** *(No change)*

**b.** The minimum individual payroll for an executive officer is \$1,049 per week.

**c.** The maximum individual payroll for an executive officer is \$5,250 per week.

*(No change to Items d. and e.)*

**PENNSYLVANIA WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS AND  
RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS LIABILITY  
INSURANCE**

*Proposed Effective April 1, 2020*

*(No change to Item B.)*

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

1. *(No change to Item 1.)*

2. The entire remuneration of each player, coach, manager or sports official should be included in computing premium, subject to a maximum of \$220,000 per policy year.

*(No change to Items 3. and 4.)*

**SECTION 1 – Underwriting Rules-Rule X (CANCELLATION) through Rule XVIII (PROFESSIONAL EMPLOYER ORGANIZATIONS, PROFESSIONAL EMPLOYER AGREEMENTS AND PROFESSIONAL EMPLOYER SERVICES) remains unchanged.**

**PENNSYLVANIA WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS AND RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS LIABILITY INSURANCE**

*Proposed Effective April 1, 2020*

**SECTION 2**

**RATING VALUES** *through SUB-CLASSIFICATION – DEFINITIONS* *remains unchanged.*

**CLASSIFICATIONS**

**803 TAXICAB COMPANY**

*(No change)*

When cabs are leased to operators and no payroll records are available, an amount of \$52,450 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**

*(No change)*

The entire remuneration of each player, coach, manager or sports official should be included in computing premium, subject to a maximum of \$220,000 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.

*(No change)*

**985 POLICE OR FIREFIGHTERS, SALARIED EMPLOYEES OF CITIES, TOWNSHIPS, BOROUGHES 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 \$5,250 per year for each employee performing services at any time during the year.

*(No change to Items 2. and 3.)*

**991 ATHLETIC TEAM - NONCONTACT SPORTS – PROFESSIONAL OR SEMI-PROFESSIONAL**

*(No change)*

The entire remuneration of each player, coach, manager or sports official should be included in computing premium subject to a maximum of \$220,000 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.

*(No change)*

**CLASSIFICATION UNDERWRITING GUIDE** *remains unchanged.*