



Pennsylvania Compensation Rating Bureau

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September 27, 2019

VIA SERFF

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

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

**RE: PCR B Filing No. 305 – Proposed Effective April 1, 2020
Proposed Revision to the Maximum Weekly Corporate Officer Designated Payroll
and Concurrent Section 1 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. PCR B Filing No. 303, currently pending before the Insurance Department, proposed revisions to the weekly minimum corporate officer payrolls, the annual taxicab operator payroll, the annual minimum auxiliary or special school police payroll, the weekly maximum musicians' or entertainers' payrolls, and the annual maximum payroll for each player, coach, manager or sports official subject to assignment to Code 970 or to Code 991 for policies with effective dates of 12:01 a.m., April 1, 2020 or later.

This filing proposes revision to the weekly maximum corporate officer designated payroll. This revision is a function of Pennsylvania's Statewide Average Weekly Wage (SAWW) effective January 1, 2019 (\$1,049.00 – an increase of 2.34% versus the January 1, 2018 SAWW of \$1,025.00). The PCR B also recommends that this revision become effective concurrent with the implementation of the PCR B's comprehensive (all classifications) loss cost revision, to be filed with the Insurance Department at a later date with a proposed effective date of April 1, 2020.

The weekly minimum corporate officer 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 proposing incremental increases to the formula with the goal of phasing it to 100 percent of SAWW. This phasing was completed with the Insurance Department's approval of the PCR B's April 1, 2017 filing, and the weekly minimum corporate officer auditable payroll is now set at 100 percent of SAWW. The current formula for determining the corporate officer weekly maximum 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. PCR B finds that it is appropriate to adjust

the formula for determining the corporate officer maximum given the increase in the formula for the corporate officer minimum.

PCRB staff reviewed Bureau of Labor Statistics (BLS) data in preparing this filing. That data shows that executive officer pay has been increasing at a rate that is greater than the average for overall pay increases. That data also shows that the top 10% of all workers average more than \$4,000 per week, and that the national average executive officer weekly wage is \$3,657. Pennsylvania's executive officer SAWW (\$4,445) is higher than the national average, and is third highest among the regional jurisdictions that staff examined in preparing this filing per the following table:

JURISDICTION	EXECUTIVE OFFICE SAWW
District of Columbia	\$4,760
New Jersey	\$4,482
Pennsylvania	\$4,445
Massachusetts	\$4,266
New York	\$4,232
Ohio	\$3,867
Maryland	\$3,813
New Hampshire	\$3,466

Staff also reviewed the formula used for determining the corporate officer maximum in other jurisdictions. That review shows that an average of between 3.5 times SAWW and 4 times SAWW is used nationally, with most jurisdictions using a formula of 4 times SAWW.

PCRB proposes that the formula for determining the corporate officer maximum be revised from 2.5 times SAWW to 4 times SAWW (rounded to the nearest \$50). For April 1, 2020 this results in a proposed revision of the corporate officer maximum from \$2,550 to \$4,200. Staff finds that such proposal accounts for the noted increases in executive officer pay, reinstates a reasonable differential between the corporate officer minimum and the corporate officer maximum, and will align the PCRB with the national perspective on this matter.

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

Sincerely,

William V. Taylor
President

Enclosure: Revisions to Section 1

**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 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. *(No change)*

c. The maximum individual payroll for an executive officer is \$~~2,550~~4,200 per week.

(No change to Items d. and e.)

(No change to Item 7. through 9.)

(No change to Items B. through I.)

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

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RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS LIABILITY
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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. *(No change)*

c. The maximum individual payroll for an executive officer is \$4,200 per week.

(No change to Items d. and e.)

(No change to Item 7. through 9.)

(No change to Items B. through I.)

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