



Pennsylvania Compensation Rating Bureau

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**PENNSYLVANIA TEST AUDIT PROGRAM
BULLETIN #30
TEST AUDIT APPEALS**

As per Bureau Circular No. 1285, the results of an insurance carrier appeal are presented to the membership for their information.

"G" Iron and Metal Yard

The carrier's appeal centered around the classification of the payroll of the insured's president. The carrier representative stated that their audit had been correct in assigning the president's payroll to the governing classification, Code 861, Scrap Metal Dealers, notwithstanding the fact that the Bureau's test audit had assigned the president's payroll to Code 951, Outside Salesmen. The carrier contended in part that the insured had informed their auditor that the president had exposure to the scrap yard on a daily basis. Based on information given to the carrier's auditor, the president reportedly spent about one hour a day in the scrap yard at different intervals and was responsible for the operations of the yard in addition to handling clerical duties, finances and ordering supplies. The carrier also had received information indicating the president did not travel in the course of conducting his business.

The carrier advised the Committee that the insured had disputed the audit after receiving a billing for additional premium. To address the dispute the carrier auditor had made several attempts to contact the president to confirm his job duties. The auditor was unsuccessful in reaching the president. However, the controller of the company did contact the auditor and stated that he may have provided incorrect information for the original audit.

Later the vice president of the corporation had called the carrier to protest the president's payroll inclusion in the governing classification. In the course of that discussion the vice president claimed that the president did spend one hour a day in the yard but performed no physical labor in the scrap yard with the metals.

Based on the above factors, the carrier had concluded that the president was a "miscellaneous employee," as he supported all the various undertakings of the insured. Finally, the carrier noted that in accordance with Manual rules the entire remuneration of miscellaneous employees is assignable to the governing classification.

The Bureau's test audit assigned the president's payroll to Code 951 based on information received from the controller that the president spent four to five hours per day visiting customers or engaged in non-business concerns. The Bureau audit had developed information indicating that the executive officer worked in the office wearing a suit and tie and was engaged exclusively in clerical, administrative and outside sales activities. The Bureau also noted other sources including a previous test audit and a survey report in defending its payroll assignment of the president.

In executive session the Committee reviewed the facts presented in the appeal.

The following points and conclusions were noted by the Committee:

1. It was the consensus of the Committee the carrier's audit worksheets provided a detailed description of the executive officer's job duties and the audit file was well documented concerning the follow-up correspondence and contact with the insured.
2. The Bureau test audit completed on March 16, 1994 contained an almost identical description of the president job duties found in the insured's February 18, 1994 letter to the carrier auditor.
3. The president of the corporation was never interviewed by the Bureau auditor. It was the consensus of the Committee that the comment on the Bureau audit to the effect that the officer "comes into office in suit coat and tie" was given to the auditor by the informant rather than being the result of first-hand observation by the Bureau auditor.
4. The assignment of the payroll of the president to Code 951 by a prior Bureau test audit and inspection was deemed irrelevant because the employee's classification should be based solely on the job duties the employee had during the appropriate policy period.

As per Bureau Circular No. 1285, those facts supported by a preponderance of the available credible evidence shall be used for purposes of the test audit. Therefore, the Committee voted to sustain the carrier audit in its payroll allocation of the president to the governing classification for the 1992-93 policy period.