



Pennsylvania Compensation Rating Bureau

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October 6, 2017

PCRB CIRCULAR NO. 1691

To All Members of the PCRB:

Re: APPROVAL OF PCRB FILING NO. 288
REVISIONS TO DESIGNATED AUDITABLE PAYROLLS
BASIC MANUAL - SECTIONS 1 AND 2
EFFECTIVE APRIL 1, 2018

PCRB's filing to revise the designated auditable weekly and annual payrolls for policies effective on or after 12:01 a.m., April 1, 2018, was approved by the Pennsylvania Insurance Commissioner. The effective date of these changes are concurrent with PCRB's normal annual loss cost revision filing, which will be filed with the Commissioner at a later date. This coordination will consolidate necessary changes that our members and other constituents must make to policies, forms and systems so that they occur less frequently than would otherwise be the case.

The Basic Manual designates the following auditable payrolls:

- Weekly minimum and maximum corporate officer payrolls
- Annual taxicab operator payroll
- Annual minimum auxiliary or special school police payroll
- Weekly maximum musicians' or entertainers' payrolls

The revisions to these designated payrolls are a function of Pennsylvania's Statewide Average Weekly Wage (SAWW) effective January 1, 2017 (\$995.00 – an increase of 1.74% versus the January 1, 2016 SAWW of \$978.00).

PCRB continues to use the formula approved by the Bureau's Actuarial and Classification & Rating Committees in 1982 for the corporate officer weekly maximum payroll, annual taxicab operator payroll and annual minimum auxiliary or special school police payroll. The calculations are rounded to the nearest \$50. The corporate officer weekly minimum is set at 100% of SAWW. The following are the calculations for these auditable payrolls:

- 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
- Ten percent of SAWW times 50 for the auxiliary or special police minimum annual payroll

This filing also continues the practice of revising the maximum auditable payroll for musicians or entertainers who are not independent contractors. PCRB proposes, effective April 1, 2018, that this designated payroll be set at 83% of SAWW. Concurrent with the April 1, 2019 comprehensive loss cost filing, PCRB plans to complete the phasing of this designated payroll to 100% of SAWW.

In summary, this filing results in the following revisions:

- The corporate officer minimum is revised from \$978 per week to \$995 per week.
- The corporate officer maximum is revised from \$2,450 per week to \$2,500 per week.
- The taxicab driver's annual payroll is revised from \$48,900 to \$49,750.
- The auxiliary or special police annual payroll is revised from \$4,900 to \$5,000.
- The maximum auditable payroll for musicians or entertainers is revised from \$650 per week to \$850 per week.

Please refer to Filing No. 288, posted under the "Filings" tab of PCRB's website (<http://www.pcrb.com>), for additional details regarding these revisions. Please contact Robert Ferrante, Senior Classification Analyst – Technical Services, at (215) 320-4584 or at rferrante@pcrb.com for any questions regarding this circular. The Basic Manual will be updated on PCRB's website at a later date.

William V. Taylor
President



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TO: Pennsylvania Compensation Rating Bureau Classification & Rating Committee

FROM: Robert Ferrante, Senior Classification Analyst – Technical Services

DATE: June 1, 2017

RE: Proposed Revisions to Designated Auditable Payrolls and Concurrent Sections
1 and 2 Manual Amendments – April 1, 2018

The Manual designates the following auditable weekly or annual payrolls: 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. PCR B reviews these designated 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, 2017 (\$995.00 – an increase of 1.74% in relation to the January 1, 2016 SAWW of \$978.00) with results rounded to the nearest \$50 for the 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. PCR B recommends that all of the designated payroll revisions discussed herein become effective concurrent with the implementation of PCR B's April 1, 2018 comprehensive loss cost revision.

At their November 16, 2012 joint meeting, the Pennsylvania Actuarial and Classification & Rating Committees reviewed a National Council on Compensation Insurance, Inc. (NCCI) proposal to revise the formula for calculating the minimum auditable payroll for a corporate officer. The new formula proposed an incremental increase in the corporate officer minimum until the auditable minimum reached 100% of SAWW. PCR B adopted the new formula and completed the phasing of the corporate officer auditable minimum to 100% of SAWW concurrent with the implementation of PCR B's April 1, 2017 comprehensive loss cost revision. For April 1, 2018, PCR B proposes an increase to the corporate officer auditable minimum from the current \$978 per week to the January 1, 2017 SAWW of \$995.

PCR B 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. Use of these formulas produces the following April 1, 2018 proposals:

- That the corporate office maximum be revised from \$2,450 to \$2,500.
- That the taxicab driver's annual payroll be revised from \$48,900 to \$49,750.
- That the auxiliary or special police payroll be revised from \$4,900 to \$5,000.

Pennsylvania Classification & Rating Committee

RE: RE: Proposed Revisions to Designated Auditable Payrolls and Concurrent Sections 1 & 2
Manual Amendments – April 1, 2018

June 1, 2017

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The maximum payroll to be audited for musicians or entertainers who are not independent contractors was set at \$450 effective for new and renewal business as of April 1, 2012. The \$450 was derived by using half of SAWW in effect at that time rounded to the nearest \$50. PCRB did not propose revisions to this designated payroll for April 1, 2013, April 1, 2014, April 1, 2015 or April 1, 2016 as it was thought to be rarely invoked. PCRB reconsidered this approach and concluded that while issues pertaining to this designated payroll were rare, such may arise and as a result it should be revised along with the other designated payrolls discussed above. For April 1, 2017 PCRB proposed that this designated payroll be set at 65% of SAWW rounded to the nearest \$50, resulting in an increase from \$450 per week to \$650 per week. Beginning with the April 1, 2017 filing, PCRB also determined to propose incremental increases to this designated payroll concurrent with subsequent comprehensive loss cost revisions until it reaches 100% of SAWW. PCRB aims to achieve this by April 1, 2019. Thus, for April 1, 2018 PCRB proposes that this designated payroll be set at 83% of the January 1, 2017 SAWW rounded to the nearest \$50. This produces a proposed increase from the current \$650 per week to \$850 per week.

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 **\$995** per week.
- c. The maximum individual payroll for an executive officer is **\$2,500** per week.
- d. These limitations.....average weekly payroll.
- e. A part of a week.....weekly payroll.

RULE V – PREMIUM BASIS

B. REMUNERATION

2. INCLUSIONS

Remuneration includes:

No changes to 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 \$850 per week for each musician or entertainer**);

No changes to Items o. through t.

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RE: RE: Proposed Revisions to Designated Auditable Payrolls and Concurrent Sections 1 & 2
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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 **\$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.

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 **\$5,000** per year for each employee performing services at any time during the year.
2. No change
3. No change