



Pennsylvania Compensation Rating Bureau

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PENNSYLVANIA TEST AUDIT PROGRAM

BULLETIN #84

C - REPORT COMPLIANCE

The Pennsylvania Test Audit Program (Section III – Disposition of Test Audits) requires that carriers, as confirmation of a reportable difference, submit a revised unit statistical report (“C” report) reflecting the results of the test audit. A recent analysis indicates that carriers are not complying with this requirement over 60 percent of the time. Accordingly, in order to address the historical deficiencies in carrier compliance with submission of the appropriate statistical correction reports required by test audit differences, the Governing Board of the PCRB recently approved the following change in test audit procedure effective April 1, 2004.

1. Return Premiums

If results of the test audit produce a return premium to the risk, the carrier is required to:

- a. Prepare a revised premium adjustment statement returning the appropriate premiums to the risk.
- b. Prepare a revised unit statistical report reflecting the results of the test audit and forward that unit statistical report to the Bureau within 60 days. Failure to submit the required correction report within the specified time frame will result in the inclusion of the file in the Bureau's Statistical Plan fine program.

2. Additional Premiums

If results of the test audit produce an additional premium, the carrier:

- a. May not bill the additional premium on the test audited policy. For the outstanding policy, changes in authorized classifications shall be deferred until the next renewal, effective at least 60 days after notice has been given to the employer.

Issues of allocation or adequacy of payrolls between or within authorized classifications for the outstanding policy shall be governed by applicable Manual rules.

- b. ~~Must prepare a revised unit statistical report reflecting the results of the test audit and forward that unit statistical report to the Bureau (except for deferred classification changes).~~ Will not be required to prepare a revised statistical report reflecting the results of the test audit. The correction of statistical data relative to test audits resulting in additional premium will be internally processed by Bureau staff.

You will note this new procedure reflects a segregation of test audit differences resulting in return premium and those resulting in additional premium, i.e., test audit differences resulting in return premium will require the submission of a statistical correction report while test audit differences resulting in additional premium will not. The latter will be processed internally by the Bureau staff via a Bureau Generated Correction (BGC). Note the Bureau's Statistical Plan fine program only applies to the failure to file a correction report in return premium situations.