



Pennsylvania Compensation Rating Bureau

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PENNSYLVANIA TEST AUDIT PROGRAM

BULLETIN #76

TEST AUDIT APPEAL DECISION

Per Bureau Circular No. 1415, the result of an insurance carrier appeal to the Audit Committee is presented to the membership for their information.

“V” & Sons

The carrier was appealing a test audit difference related to the insured, “V” & Sons, for the policy period of June 20, 2000 to June 20, 2001. The carrier appeal focused on the payroll assignment of one of the executive officers. The carrier stated that during the policy period the officer’s job duties were limited to performing clerical work. About three-to-four months after that policy period, his job duties changed, and he became much more involved with the business.

The carrier stated that the test auditor was not specific as to the timeframe when asking for information about the officer’s job duties. The carrier explained that the insured was under the impression that the questions dealt with the executive officer’s present duties and not those during the policy period of June 20, 2000 to 2001. The Bureau field representative completed the test audit on November 20, 2001.

The carrier then went on to address the Bureau’s response to the carrier’s original appeal of the test audit difference in which the Bureau indicated that the informant felt uncomfortable when asked by the carrier to sign a statement that the executive officer in question would only spend 30 minutes per day in the production area. According to the carrier, rather than being uncomfortable about the specific issue of the time spent by the executive officer, the insured was more displeased by the whole audit process because of the numerous contacts with both carrier and bureau auditors. Ultimately, the carrier presented an undated letter the insured had sent to them attesting to the fact that the information provided to the carrier was accurate.

In executive session the Committee reviewed the facts presented in this appeal. The Committee noted the following:

- The carrier audit contained detailed documentation about the job duties of the executive officer in question.
- The undated letter from the insured specifically addressed the timing issue of the officer’s job duties as to how and when they changed.
- The carrier audit and the presentation provided more documentation than the test audit.

After some further discussion, upon motion made and duly seconded, it was voted to sustain the carrier’s audit. The test audit will be brought to compatibility.