



## Pennsylvania Compensation Rating Bureau

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### PENNSYLVANIA TEST AUDIT PROGRAM BULLETIN #27 TEST AUDIT APPEALS

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

#### "E" Products

The carrier's appeal addressed two points. The first of the carrier's concerns centered around the Bureau's use of the exact policy period of March 12, 1992 to March 12, 1993 for the audit while the carrier used even quarters April 1, 1992 to March 31, 1993. The carrier stated that previous carriers had used even quarters for their audits as well. The carrier contended the use of the exact policy period created an inappropriate premium basis because corporate officer bonuses were paid at the end of March 1992 and were reflected in the previous audit.

The carrier's second concern addressed the proper classification for the insured's customer service representatives. In this context the Bureau had assigned governing classification Code 924, Wholesale Stores, N.O.C., while the carrier assigned Code 953, Clerical Office. The carrier requested the Audit Committee review the wording found in Rule IV B. 2. A. defining clerical office employees as it applies only to employees who work in areas physically separated from other operations by structural partitions and in which work of clerical office employees is performed exclusively. Several photographs depicting the customer service representatives, in their work area, were presented to the Committee for their review.

During review by the Committee payroll discrepancies were noted in an analysis of the Bureau's test audit. Specifically, the Bureau auditor appeared to have picked up only 51 weeks in calculating total remuneration for the policy period.

In executive session the Committee reviewed the information and comments presented by the appellant and Bureau staff. The proximity of the warehouse shelving and the merchandise sold to the area where the customer service employees work was noted by the Committee. The employees were separated from the warehouse area by four-foot partitions on one side. The definition of a clerical office employee as explained in the Pennsylvania Workers Compensation Manual was discussed by the Committee.

The Committee voted to sustain the Bureau's audit assignment of the payroll of the insured's customer service employees to Code 924, Wholesale Store, N.O.C., citing the lack of physical separation these employees from the store operations.

The Committee then considered the different audit periods used by the carrier and Bureau audits. The preference to use a given insured's exact policy period for audit purposes was reaffirmed. The 16-day maximum variance from policy period allowed by the Test Audit Program was reiterated.

The Committee voted to sustain the Bureau Test Audit Program procedure of citing incorrect audit periods as a reportable difference subject to the 16-day variance from policy period allowed by the Program.

Some Committee members expressed concern over the accuracy of the payrolls developed by the test audit. One member stated that Bureau test audits should be held to a higher standard because incentive charges are assessed by the Bureau on carriers who consistently exceed established standards. It was the consensus of the Committee an accurate premium billing could not be generated using the Bureau's test audit.

Therefore, the Committee voted to rescind the test audit difference due to an inability to produce an accurate audit billing based on the Bureau test audit.