



Pennsylvania Compensation Rating Bureau

United Plaza Building • Suite 1500
30 South 17th Street • Philadelphia, PA 19103-4007
(215)568-2371 • FAX (215)564-4328 • www.pcrb.com

October 10, 2016

VIA SERFF

The Honorable Theresa D. Miller
Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
1311 Strawberry Square
Harrisburg PA 17120

Attention: Michael McKinney, Actuarial Supervisor, Property & Casualty Bureau

**RE: PCRB Filing No. 279 – Proposed Effective April 1, 2017
Proposed Revisions to Designated Auditable Payrolls and Concurrent
Sections 1 and 2 Manual Amendments**

Dear Commissioner Miller:

On behalf of the members of the Pennsylvania Compensation Rating Bureau (PCRB), we hereby submit the proposed filing for revisions to the PCRB Workers' Compensation Manual of Rules, Classifications and Rating Values for Workers Compensation and Employers Liability Insurance (Basic Manual). These revisions are proposed to be effective for policies issued on or after 12:01 a.m., April 1, 2017. This proposed effective date is intended to make implementation of these changes concurrent with PCRB's normal annual loss cost revision filing, which will be filed separately 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 once annually.

The Basic Manual designates various auditable weekly or annual payrolls including 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. PCRB 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, 2016 (\$978.00 – an increase of 2.84% in relation to the January 1, 2015 SAWW of \$951.00) with calculated values rounded to the nearest \$50.

At their November 16, 2012 joint meeting, the PCRB's 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 prior formula saw the corporate officer auditable minimum set at fifty percent of SAWW rounded to the nearest \$50. The new NCCI formula proposed an incremental increase in the corporate officer minimum until the auditable minimum reached one hundred percent of SAWW. After discussion, the Committees agreed that the appropriate incremental increase was ten percent a year rounded to the nearest \$50. Thus, for April 1, 2013, April 1, 2014, April 1, 2015 and April

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1, 2016 the minimum corporate officer payroll was filed (and approved by the Department) at sixty percent, seventy percent, eighty percent and ninety percent, respectively, of SAWW rounded to the nearest \$50. For April 1, 2017, PCRB proposes that the corporate officer auditable minimum complete its phasing to 100% of SAWW. Concurrent with completion of this phasing, PCRB also proposes to end the practice of rounding the proposed corporate officer auditable minimum to the nearest \$50.

PCRB 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.

PCRB's approved maximum payroll to be audited for musicians or entertainers who are not independent contractors was last revised to \$450 per week effective new and renewal policies of April 1, 2012 and later. The \$450 was derived by using half of SAWW in effect at that time rounded to the nearest \$50. Pursuant to conversations with senior test audit staff which advised that it is rarely used, PCRB did not propose any revision to this designated payroll for April 1, 2013, April 1, 2014, April 1, 2015 or April 1, 2016. PCRB has reconsidered this approach and opines that, while rare, issues pertaining to this designated payroll may arise and therefore it should be revised along with the other designated auditable payrolls discussed above. The current maximum payroll of \$450 per week is 46.01% of the current SAWW of \$978. For April 1, 2017 PCRB proposes that the maximum payroll be set at 65% of SAWW rounded to the nearest \$50. Concurrent with subsequent comprehensive loss cost filings, PCRB plans to propose increases to the maximum payroll to be audited for musicians or entertainers until such reaches 100% of SAWW. PCRB aims to achieve this within the next three comprehensive loss cost filings, beginning with the April 1, 2017 filing and ending with the April 1, 2019 filing.

This review results in the following April 1, 2017 proposals:

- That the corporate office minimum be revised from \$850 per week to \$978 per week.
- That the corporate office maximum be revised from \$2,400 to \$2,450.
- That the taxicab driver's annual payroll be revised from \$47,550 to \$48,900.
- That the auxiliary or special police payroll be revised from \$4,750 to \$4,900
- That the maximum auditable payroll for musicians or entertainers be revised from \$450 per week to \$650 per week.

Thank you in advance for your prompt attention to this filing. The PCRB will be pleased to answer any questions that you or the Insurance Department staff may have regarding these proposals.

Sincerely,



William V. Taylor
President

Enclosure: Revisions to Sections 1 & 2

**PENNSYLVANIA WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS AND
RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS LIABILITY
INSURANCE**

Proposed Effective April 1, 2017

INFORMATION PAGE remains unchanged.

PREFACE remains unchanged.

MEMBERSHIP remains unchanged.

SECTION 1 – Underwriting Rules

RULE V – PREMIUM BASIS

B. REMUNERATION

No Change for Item 1

2. INCLUSIONS

Remuneration includes:

No Changes for 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 \$650450 per week for each musician or entertainer);

No Changes for Items o through t.

No Changes for Items 3 through 5

RULE IX - SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE

A. EXECUTIVE OFFICERS

No Changes for Items 1 through 5

6. Premium Determination

Premium for executiveto Section 1, Rule IX):

- a. No change.
- b. The minimum individual payroll for an executive office is \$978850 per week.
- c. The maximum individual payroll for an executive officer is \$2,4502,400 per week.
- d. No change.
- e. No change.

No Changes for Items 6 through 9

SECTION 1 – PCPPAP Program through Appeals Procedure remain unchanged

**PENNSYLVANIA WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS AND
RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS LIABILITY
INSURANCE**

Proposed Effective April 1, 2017

SECTION 2 – Rating Values through **Definitions** remain unchanged

SECTION 2 - Classifications

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 ~~\$48,900~~**47,550** 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 ~~\$4,900~~**4,750** per year for each employee performing services at any time during the year.

No change to Numbers 2 or 3

SECTION 2 – General Auditing & Classification Information through **SECTION 6 – Merit Rating Plan** remain unchanged

**PENNSYLVANIA WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS AND
RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS LIABILITY
INSURANCE**

Proposed Effective April 1, 2017

INFORMATION PAGE remains unchanged.

PREFACE remains unchanged.

MEMBERSHIP remains unchanged.

SECTION 1 – Underwriting Rules

RULE V – PREMIUM BASIS

B. REMUNERATION

No Change for Item 1

2. INCLUSIONS

Remuneration includes:

No Changes for 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 \$650 per week for each musician or entertainer)**;

No Changes for Items o through t.

No Changes for Items 3 through 5

RULE IX - SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE

A. EXECUTIVE OFFICERS

No Changes for Items 1 through 5

6. Premium Determination

Premium for executiveto Section 1, Rule IX):

- a. No change.
- b. The minimum individual payroll for an executive office is **\$978** per week.
- c. The maximum individual payroll for an executive officer is **\$2,450** per week.
- d. No change.
- e. No change.

No Changes for Items 6 through 9

SECTION 1 – PCPPAP Program through Appeals Procedure remain unchanged

PENNSYLVANIA WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS AND RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS LIABILITY INSURANCE

Proposed Effective April 1, 2017

SECTION 2 – Rating Values through **Definitions** remain unchanged

SECTION 2 - Classifications

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 **\$48,900** 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.

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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 **\$4,900** per year for each employee performing services at any time during the year.

No change to Numbers 2 or 3

SECTION 2 – General Auditing & Classification Information through **SECTION 6 – Merit Rating Plan** remain unchanged