



Pennsylvania Compensation Rating Bureau

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TO: Pennsylvania Actuarial & Classification and Rating Committee

FROM: David T. Rawson, Technical Director - Classification and Field Operations

DATE: December 6, 2013

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

The Manual designates various auditable weekly or annual payrolls including the weekly maximum musicians' or entertainers' payrolls, the weekly minimum and maximum corporate officer payrolls, the annual taxicab operator payroll and the annual minimum auxiliary or special school police payroll. The 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, 2013 (\$917 – an increase of 3.30 percent in relation to the January 1, 2012 SAWW of \$888) with results rounded to the nearest \$50. The PCRB recommends that all of the designated payroll revisions become effective concurrent with the implementation of the PCRB's 2014 comprehensive (all classifications) loss cost revision.

At their November 16, 2012 meeting the two 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 50 percent of the SAWW rounded to the nearest \$50. The new formula proposed an incremental increase in the corporate officer minimum until the auditable minimum reached 100 percent of the SAWW. After discussion the Committee agreed the appropriate incremental increase was ten percent a year rounded to the nearest \$50. The minimum corporate officer payroll was filed (and approved by the Department) at 60 percent of SAWW rounded to the nearest \$50 as a part of the PCRB's April 1, 2013 comprehensive loss cost filing. Thus, PCRB has calculated the proposed April 1, 2014 corporate officer auditable minimum payroll at 70 percent of SAWW. That produces a proposed increase from the current \$550 to \$650 per week.

There has been no revision to how the following auditable payrolls are calculated. Each continues to be calculated pursuant to a formula reviewed and approved by the Committee in 1982. The maximum weekly corporate officer payroll is 2.5 X the SAWW rounded to the nearest \$50. The proposed revision of the corporate officer maximum is from the present \$2,200 to \$2,300. In Section 2 there are proposed revisions to the taxicab driver annual payroll to be used when cabs are leased and no payroll records are available (from \$44,400 to \$45,850) and to the auxiliary or special police minimum annual payroll (from \$4,450 to \$4,600).

MANUAL REVISIONS

**SECTION 1
UNDERWRITING RULES**

RULE IX - SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE

A. EXECUTIVE OFFICERS

1 through 5 remain unchanged

6. Premium Determination

Premium for executive officers.....Section 1, Rule IX)

- a. The requirements of Rule V-E.
- b. The minimum individual payroll for an executive officer is \$[550]650 per week.
- c. The maximum individual payroll for an executive officer is \$[2,200]2,300 per week.
- d. and e. remain unchanged.

**SECTION 2
CLASSIFICATIONS**

803 TAXICAB COMPANY

When cabs are leased to operators and no payroll records are available, an amount of \$[44,400]45,850 per annum shall be taken as payroll per operator. 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 \$[4,450]4,600 per year for each employee performing services at any time during the year.
- 2. and 3. remain unchanged.