



Pennsylvania Compensation Rating Bureau

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PENNSYLVANIA TEST AUDIT PROGRAM BULLETIN #23

TEST AUDIT APPEALS

As per Bureau Circular #1285, the results of an insurance carrier appeal are presented to the membership for their information.

"A" PHARMACY INC

The insured was a multiple enterprise that owned and operated four (4) pharmacies and a retail card/gift shop. The carrier auditor assigned the payroll of the president of the corporation to Code 928, Retail Stores, the higher rated classification, citing the president's job duties as "involved in all phases of the business, ordering all supplies." Further information developed by the carrier included the fact that the officer visited each store location at least twice a day to view the merchandise on display and confer with employees. The officer's payroll was assigned to the higher rated classification based on the interchange of labor rule.

The Bureau auditor assigned the payroll of this employee to Code 927, Pharmacy - all employees including office. Although the president performed the above duties as listed by the carrier, he did not work in the card and gift shop waiting on customers. The president worked at one of the drug store locations as a pharmacist filling prescriptions. The card and gift shop had a full time manager. The Bureau maintained the position that the president was a miscellaneous employee serving functions supporting all the various undertakings of the insured. Therefore, the president's payroll was properly assignable to the drug store code which was the governing classification.

In Executive Session, the Audit Committee voted to sustain the Bureau audit. It was the consensus of the Committee that the duties of the president fell under the miscellaneous employee rule rather than the interchange of labor rule. The president's daily visits to each location to check operations did not fit the interchange of labor rule where an employee "performs duties directly related to more than one classification."

RS/jh

8/2/93