



Pennsylvania Compensation Rating Bureau

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PENNSYLVANIA TEST AUDIT PROGRAM **BULLETIN # 102**

Test Audit Program Changes Effective 7/1/10 (Bureau Circular No. 1574)

Procedure and language changes to the Pennsylvania Test Audit Program will be implemented effective July 1, 2010. These changes are identified legislative style in Bureau Circular No. 1574 (Bureau Circular No. 1575 is a "clear" version). The revisions are color coded with deleted language shown in red strike-through style and new language appearing in blue underline style. Carriers are responsible for conducting a comprehensive review of these changes. While all of the changes are important, take special notice of the following:

Section II – C: The policy selection chart has been revised to provide an additional 30 days prior to policy selection for test audit. This change is in concert with the reduction in time carriers will have to respond to policy selection (see Section IV – D below) and will allow carriers more time to conduct their audits prior to being notified of test audit selections and being required to submit audit work papers. Note that due to this change there will not be any policy selections dated June 1, 2010 with carrier notification dates of July 1, 2010.

Section IV – A: Carrier contacts will now be comprised of a primary contact for non-electronic communication and secondary contacts for electronic communication. Up to three additional secondary contacts will be accepted. New and/or revised contact information for a carrier group should be directed via e-mail to Christina Yost, Manager – Field Operations (cyost@pcrb.com). The following information must be submitted for both the primary contact and secondary contacts: Name, title, company name, company address, telephone number and e-mail address.

Section IV – D: Responses to policy selection (i.e., submission of audit workpapers) has been reduced from 45 calendar days (with a 30 calendar day extension) to **ten business days** (with no extension or Bureau follow-up). The primary purpose for this change is to discourage the special treatment of policies selected for test audit. A grace period will apply from July 1, 2010 until June 30, 2011, during which incentive charges for failure to submit timely responses will be waived.

Section VII – B: Incentive charges are being increased for the first time since their inception in 1993. The initial base incentive charge per difference is being increased from \$23 to \$50. Charges then graduate in \$50 increments. The maximum charge per difference increases from \$150 to \$650. The intention of this change is to maintain the incentive charges at levels which will motivate remedial action and discourage carrier indifference. The current relatively modest

cost of “fine” payments generally fall well below the cost of taking any meaningful administrative steps needed to improve audit functionality.

Section VIII: The action plan procedure is being revised to reflect different qualifying criteria, as well as specifying successful completion requirements. The dispensation period for subsequent review after successfully completing the action plan review process is being increased from four to eight quarters.

Questions can be directed to:

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