



Pennsylvania Compensation Rating Bureau

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November 12, 2018

PENNSYLVANIA TEST AUDIT PROGRAM **BULLETIN #123**

TEST AUDIT APPEAL DECISION

The appeal centered on an insured who acts as the sales and administrative office for three summer camps operated by a related but separately insured entity. The PCRB's test audit found that Code 978, Camps, was applicable to the insured's policy. The carrier's audit used only the standard exceptions, Code 951, Salesperson-Outside and Code 953, Office. Specifically the test audit difference was the use of Code 951 and the failure to use Code 978 for employees that worked at camp locations.

In support of its position the carrier indicated the Pennsylvania Manual (Manual) was not explicit about the treatment of like the insured. So the carrier made an analogy with management service operations where employees provide management services to customers. As an example the carrier postulated that the Manual allows for the assignment of Code 951 to executive supervisors in the construction industry who visit various locations. The carrier also noted the Manual provision for Code 978 that assigns Code 951 to Executive Secretaries of Boy Scout Councils. Based on these examples the carrier argued that because the insured was simply sending management staff to the camps they should be assigned to Code 951.

In response to questions from the Committee the carrier stated the insured's employees are at the camp site for the entire two month duration of the camp, checking on operations and making sure work is being performed as needed. Notwithstanding this level of exposure to the camp site it was the carrier's position that the insured operated only as a management company and therefore should not be subject to Code 978. Any employee at the camp site that was not exclusively performing clerical duties was assigned to Code 951 as that was the "governing" classification for the insured.

In response to the carrier's presentation the PCRB stated that the test audit difference in this matter was risk misclassification i.e. the failure to apply Code 978 to the policy in question. The PCRB found the extensive exposure by the insured's employees working at the camp sites during the camping season to warrant the application of Code 978. The insured's employees at the camps spent time engaged in hiring camp staff and counselors as well as acting as directors and nurses at the camps for the duration of the camp season. The PCRB contends that the carrier should have recognized that the insured's exposure at the camp sites exceeded the scope of the standard exceptions and requested a classification review to facilitate the authorization of Code 978. The intrinsic on site camp duties performed by the insured's employees cannot be viewed as analogous to executive supervisors or Executive Secretaries of Boy Scout Councils. The administrative parameters of Code 978 are definitive and adherence to those parameters is required. Specifically the scope of Code 978 includes all payroll developed by employees working at a camp location.

In executive session the Committee quickly recognized that the carrier should have applied Code 978 to the policy in question. The administrative parameters of Code 978 clearly direct that the insured's employees working at the camp sites must be assigned to Code 978. The use of Code 951 for these employees is contrary to Manual rules. Accordingly, via unanimous vote, the Committee ruled that the test audit difference was sustained.