



Pennsylvania Compensation Rating Bureau

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PENNSYLVANIA TEST AUDIT PROGRAM
BULLETIN # 46

As per Bureau Circular No. 1285, the result of an insurance carrier appeal to the Audit Committee is presented to the membership for their information.

“K” Automotive, Inc.

The insured operates a shop providing a full line of automobile mechanical repairs. The carrier appeal involved the classification of the wife of the firm’s president. A diagram provided by the carrier indicated a 15 foot by 20 foot room where this employee works, physically separated from the automobile shop area by floor to ceiling walls. Her desk is located behind a counter. It was noted by the Committee the customers that come in use the entrance that leads them to the counter.

The employee in question does the bookkeeping and preparing of invoices for payment of work performed in the garage. She also waits on customers, including taking their keys from them, and will collect payment from customers upon the completion of service. The carrier further noted that a significant number of customers leave their keys overnight in a box before the office is open while the president of the company also accepts keys from customers if he happens to be in the same area at the time the customer is there. There are approximately 10-12 customers per day that come into the insured’s location. The employee performs no work in the shop and does not go into that area. She does not handle parts or other supplies. There are no parts sold over the counter. The garage has three bays and four mechanics. The employee’s salary is less than 19% of the total payroll.

The Bureau field representative’s report essentially agreed with the carrier’s portrayal of the situation, noting on the audit worksheets the employee in question worked behind the counter doing bookkeeping work, greeting customers, taking their keys and accepting payment from the customer for completed services. The employee would also sign for any parts that were delivered by UPS and collect payment for any parts that may have been purchased by customers. There were no gasoline or convenience store items sold at the insured’s location.

The carrier cited material from the test audit educational seminars conducted in 1993 allowing for the assignment of Code 953 if an employee worked exclusively in physically separated areas with no or nominal merchandise on display and no job duties in the shop area. The Bureau responded that the seminar material cited was superseded in the case of Code 815, Automobile Service Center, by the adoption of Manual language which specifically included counter

personnel in Code 815. The revised Manual wording became effective December 1, 1995. Subsequently in April 1996 the Bureau released Test Audit Bulletin No. 37 - Counter Personnel - Automobile Repair Facilities, which categorically reaffirmed the placement of counter employees within the parameters of Code 815. The carrier conceded the accuracy of Test Audit Bulletin No. 37 but they did not believe it applied to all counter persons and that the employee in this case should not be considered a counter employee.

In executive session the Committee reviewed at length the facts presented in the appeal. It was noted the employee in question did not perform any service writing work. Further, the insured did not have a parts department as all parts were delivered directly to the garage. However, the employee at issue was usually the only employee behind the counter and she would wait on customers and collect payment for services rendered. Therefore the Committee concluded this employee was a counter person and that Test Audit Bulletin No. 37 and the Manual wording under Code 815 is applicable.

The Audit Committee voted to sustain the Bureau's position on this test audit.