



Pennsylvania Compensation Rating Bureau

30 South 17th Street • Suite 1500
Philadelphia, PA 19103-4007
(215)568-2371 • FAX (215)564-4328 • www.pcrb.com

October 3, 2019

PCRB CIRCULAR NO. 1726

To All Members of the PCRB:

Re: APPROVAL OF PCRB FILING 302
REVISIONS TO BASIC MANUAL RULE V – PREMIUM BASIS
EFFECTIVE APRIL 1, 2020

The Pennsylvania Insurance Commissioner has approved PCRB Filing 302. These revisions are proposed for policies with effective dates of 12:01 a.m., April 1, 2020 or later. The effective date coincides with changes resulting from PCRB's normal annual comprehensive loss cost revision, which will be filed with the Insurance Department at a later date. This coordination consolidates necessary changes that our members and other constituents must make to policies, forms and systems so that they occur once annually.

The approved revisions to Rule V emanate from Pennsylvania participation in a multistate jurisdictional Basis of Premium Working Group (BOPWG). The primary goal of the BOPWG is to establish where possible a consistent treatment of remuneration in the calculation of premium. All of the revisions approved by the Pennsylvania Insurance Commissioner, as part of Filing 302, codify existing administrative procedure in Pennsylvania with one exception – the treatment of the fringe benefit component within a prevailing wage situation.

Current PCRB procedure allows for the exclusion of the fringe benefit amount of a prevailing wage contract when paid directly to the employee. With the approval of Filing 302 the PCRB will be including the fringe benefit amount unless payment is directed to a separate group insurance product, pension plan or TPA. In accordance with this change to Rule V, the language for the Section 2 Prevailing Wage Payments entry in the General Auditing and Classification section is also revised. This change to the fringe benefit component of a prevailing wage situation will bring Pennsylvania into alignment with the national perspective.

For additional details regarding these changes refer to PCRB Filing No. 302, under the "Filings" tab of the PCRB website (<http://www.pcrb.com>). The Basic Manual will be updated on the PCRB's website at a later date. For any questions regarding this Circular, contact Roxanne Walker, Senior Field Operations Analyst – Technical Services, at (215) 320-4578 or by email at rwalker@pcrb.com, or Christina Yost, Manager – Field Operations, at (215) 320-4552 (cyost@pcrb.com) or Vincent Dean – Director – Classification & Field Operations at (215) 320-4490 (vdean@pcrb.com).

William V. Taylor
President

**PENNSYLVANIA WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS
AND RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS
LIABILITY INSURANCE**

Approved Effective April 1, 2020

INFORMATION PAGE *remains unchanged.*

PREFACE *remains unchanged.*

MEMBERSHIP *remains unchanged.*

TABLE OF CONTENTS *remains unchanged.*

SECTION 1 – Underwriting Rules-Rule I (General) through Rule IV (Classifications) *remains unchanged.*

RULE V – PREMIUM BASIS

A. *(No change to Item A.)*

B. REMUNERATION – PAYROLL

1. Definition

(No change)

2. Inclusions

Remuneration includes:

- a.** Wages or salaries ~~including retroactive wages or salaries;~~

(No change to Items b. and c.)

- d.** Stock bonus plans – market value of stock at the time it is given to employee (refer to Exclusions, m.) as well as the amount by which an employee's salary is reduced to contribute to equity based compensation plans other than stock options.

(No change to Items e. through i.)

- j.** The rental value of housing (e.g. an apartment or a house) provided for an employee based on comparable accommodations;

(No change to Items k. through n.)

- o.** Adjustments necessary to bring employees, such as tipped employees, to federal minimum wage as reported by the United States Department of Labor ~~shall be included;~~

(No change to Item p.)

- q.** Prevailing wage payments and fringe benefits paid directly to employees based on required government-specified minimum wage rates, including but not limited to the Davis-Bacon Act or the Pennsylvania Prevailing Wage Act; (see Section 2 – General Auditing and Classification Prevailing Wage Payments);

(No change to Items r. through u.)

- v.** Deferred or retroactive compensation paid to current employees at time of payment.

**PENNSYLVANIA WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS
AND RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS
LIABILITY INSURANCE**

Approved Effective April 1, 2020

3. Exclusions

Remuneration excludes:

(No change to Item a.)

- b.** Payments made by the employer to a Group Insurance, Pension Plan or [a third party administrator as part of a prevailing wage requirement](#) ~~to an employee directly in lieu of the foregoing because of the Provisions of a prevailing wage statute, including but not limited to the Pennsylvania Prevailing Wage Act or the Davis-Bacon Act.~~ For additional information please see the Section 2 General Auditing and Classification Information of this Manual.

(No change to Items c. through o.)

- p.** [Deferred or retroactive compensation paid to retired or terminated employees not employed during the policy period, provided that records adequately show these employees were no longer employees during the policy period.](#)

SECTION 1 – Underwriting Rules-Rule VI (RATING VALUES AND PREMIUM DETERMINATION) through Rule XVIII (PROFESSIONAL EMPLOYER ORGANIZATIONS, PROFESSIONAL EMPLOYER AGREEMENTS AND PROFESSIONAL EMPLOYER SERVICES) remains unchanged.

**PENNSYLVANIA WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS
AND RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS
LIABILITY INSURANCE**

Approved Effective April 1, 2020

SECTION 2

RATING VALUES *through CLASSIFICATIONS remains unchanged.*

SECTION 2 – GENERAL AUDITING & CLASSIFICATION INFORMATION (Automobile Dismantling through Prefabricated Metal Building Erection –Prefabricated Sheet Metal and Silo Erection – Metal) *remains unchanged.*

PREVAILING WAGE PAYMENTS

Prevailing wage statutes, including but not necessarily limited to the Davis-Bacon Act or the Pennsylvania Prevailing Wage Act stipulate that contractors under Federal or State government contracts, respectively, are required to pay specific minimum wage rates and specified fringe benefits ~~that may be paid into an approved fund for distribution at a later date or paid directly to the employee. Where an employer is unionized, the payments will normally go into a fund. However, if the employer is not unionized, the payments will often be made directly to the employee.~~ When auditing these types of employers, all wages paid to the employees are included for premium calculation. Fringe benefits that are required may only be excluded from premium calculation when paid to group insurance plans, pension plans or third party administrators. If fringe benefit payments are paid directly to an employee the fringe benefit amount is treated like wages and is included for premium calculation.

SECTION 2 – GENERAL AUDITING & CLASSIFICATION INFORMATION (Product Assembly Definition through Coal Mines) *remains unchanged.*

SECTION 2- CLASSIFICATION UNDERWRITING GUIDE *remains unchanged.*

**PENNSYLVANIA WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS
AND RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS
LIABILITY INSURANCE**

Approved Effective April 1, 2020

INFORMATION PAGE *remains unchanged.*

PREFACE *remains unchanged.*

MEMBERSHIP *remains unchanged.*

TABLE OF CONTENTS *remains unchanged.*

SECTION 1 – Underwriting Rules-Rule I (General) through Rule IV (Classifications) *remains unchanged.*

RULE V – PREMIUM BASIS

A. *(No change to Item A.)*

B. REMUNERATION – PAYROLL

1. Definition

(No change)

2. Inclusions

Remuneration includes:

a. Wages or salaries;

(No change to Items b. and c.)

d. Stock bonus plans – market value of stock at the time it is given to employee (refer to Exclusions, m.) as well as the amount by which an employee's salary is reduced to contribute to equity based compensation plans other than stock options.

(No change to Items e. through i.)

j. The rental value of housing (e.g. an apartment or a house) provided for an employee based on comparable accommodations;

(No change to Items k. through n.)

o. Adjustments necessary to bring employees, such as tipped employees, to federal minimum wage as reported by the United States Department of Labor;

(No change to Item p.)

q. Prevailing wage payments and fringe benefits paid directly to employees based on required government-specified minimum wage rates, including but not limited to the Davis-Bacon Act or the Pennsylvania Prevailing Wage Act; (see Section 2 – General Auditing and Classification Prevailing Wage Payments);

(No change to Items r. through u.)

v. Deferred or retroactive compensation paid to current employees at time of payment.

**PENNSYLVANIA WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS
AND RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS
LIABILITY INSURANCE**

Approved Effective April 1, 2020

3. Exclusions

Remuneration excludes:

(No change to Item a.)

- b.** Payments made by the employer to a Group Insurance, Pension Plan or a third party administrator as part of a prevailing wage requirement . For additional information please see the Section 2 General Auditing and Classification Information of this Manual.

(No change to Items c. through o.)

- p.** Deferred or retroactive compensation paid to retired or terminated employees not employed during the policy period, provided that records adequately show these employees were no longer employees during the policy period.

SECTION 1 – Underwriting Rules-Rule VI (RATING VALUES AND PREMIUM DETERMINATION) through Rule XVIII (PROFESSIONAL EMPLOYER ORGANIZATIONS, PROFESSIONAL EMPLOYER AGREEMENTS AND PROFESSIONAL EMPLOYER SERVICES) remains unchanged.

**PENNSYLVANIA WORKERS COMPENSATION MANUAL OF RULES, CLASSIFICATIONS
AND RATING VALUES FOR WORKERS COMPENSATION AND FOR EMPLOYERS
LIABILITY INSURANCE**

Approved Effective April 1, 2020

SECTION 2

RATING VALUES *through CLASSIFICATIONS remains unchanged.*

SECTION 2 – GENERAL AUDITING & CLASSIFICATION INFORMATION (Automobile Dismantling through Prefabricated Metal Building Erection –Prefabricated Sheet Metal and Silo Erection – Metal) *remains unchanged.*

PREVAILING WAGE PAYMENTS

Prevailing wage statutes, including but not necessarily limited to the Davis-Bacon Act or the Pennsylvania Prevailing Wage Act stipulate that contractors under Federal or State government contracts, respectively, are required to pay specific minimum wage rates and specified fringe benefits. When auditing these types of employers, all wages paid to the employees are included for premium calculation. Fringe benefits that are required may only be excluded from premium calculation when paid to group insurance plans, pension plans or third party administrators. If fringe benefit payments are paid directly to an employee the fringe benefit amount is treated like wages and is included for premium calculation.

SECTION 2 – GENERAL AUDITING & CLASSIFICATION INFORMATION (Product Assembly Definition through Coal Mines) *remains unchanged.*

SECTION 2- CLASSIFICATION UNDERWRITING GUIDE *remains unchanged.*