



Pennsylvania Compensation Rating Bureau

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June 4, 2013

TO: Pennsylvania Classification & Rating Committee

RE: **E-MAIL ADVISORY:** Manual Revision – Section 1, Rule IX, D

Act 20 of 2011, effective August 29, 2011, provides for the issuance of standard workers compensation insurance coverage for sole proprietors, partners and members of Limited Liability Companies (LLC), if and as agreed upon by any licensed insurer (including the State Workers' Insurance Fund) and the individual(s) subject to such coverage. See PCRB Circular No. 1590 for further information.

Subsequent to the implementation of this Act and its associated Manual changes, the question has been raised as to the methodology for calculating "wages" (i.e., payroll) for the individuals in question in the absence of specific payroll documentation. To address this question the following Manual language change is proposed:

RULE IX – SPECIAL CONDITIONS OR OPERATIONS AFFECTING COVERAGE

D. SOLE PROPRIETORS, PARTNERSHIPS AND MEMBERS OF LIMITED LIABILITY COMPANIES

Sole proprietors, partners and members of a Limited Liability Company (LLC) are not mandatorily covered by the Pennsylvania Workers' Compensation Act or the Pennsylvania Occupational Disease Act. A sole proprietor, partner or member of a Limited Liability Company (LLC) may be able to purchase and/or be insured under a standard workers compensation insurance policy. When such coverage is provided, attach WC 00 03 10, Sole Proprietors, Partners, Officers and Others Coverage Endorsement, to the policy, naming the individual(s) so insured. Minimum and maximum payrolls on which premium is based for sole proprietors, partners and members of a Limited Liability Company shall be the same as those set forth in Rule IX, A., 6. for executive officers. If payroll information is not available for a sole proprietor(s), partner(s) or member(s) of a Limited Liability Company (LLC), develop payroll using the statewide average weekly wage in effect as of the inception date of the policy. For purposes of this rule, profit or loss amounts attributed to the insured individual's interest in the business are not to be considered as payroll.

All Committee members are encouraged to review and consider this proposed change prior to the PCRB's filing with the Insurance Department. If you have comments regarding this proposal or are of the opinion that this proposal merits discussion of the Committee prior to filing, please respond via return e-mail to vdean@pcrb.com, by no later than **Friday, June 14, 2013**.

Committee members not responding within this designated time will be considered as opining in favor of the proposed change.

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