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# TEST AUDIT BULLETIN

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## **PENNSYLVANIA TEST AUDIT PROGRAM** **TEST AUDIT BULLETIN #130**

### **ENSURING ACCURACY IN TEST AUDITS: BEST PRACTICES FOR INSURERS WEBINAR RECAP**

On February 26, 2025, PCRB hosted a webinar to address essential topics related to the Test Audit Program. The session was designed to help insurers enhance their audit performance, ensure compliance, and reduce classification discrepancies. Topics included rescind requests, frequently observed audit differences, best practices in classifications, and guidance for preparing effective responses. The full recording is available here: [Ensuring Accuracy in Test Audits: Best Practices for Insurers Webinar Recording](#). Below is a summary of the topics covered:

**RESCIND PROCESS** - There are three valid reasons for requesting the rescindment of a test audit selection. These requests must be submitted at the time of initial audit entry via the Test Audit Portal, using the appropriate option in the *Type of Audit* dropdown.

- Three attempts - Carriers must document three distinct outreach attempts made on separate dates prior to test audit selection. (See Test Audit Bulletin #118)
- Audit Noncompliance (ANC) - Carrier must follow requirements as outlined in PCRB Basic Manual rules including documenting two prior attempts and clear notice to the insured about premium implications of noncompliance. The ANC endorsement must be issued at policy inception.
- Cancellations - The cancellation must be electronically filed with and accepted by the PCRB/DCRB prior to the final response date.

### **RESPONDING TO DIFFERENCES**

- When responding to a cited difference, carriers must defend the original audit position and information with detailed narrative and supporting documentation. Written confirmation or documentation validating employee classifications is especially helpful. Please note that all endorsements must be electronically filed prior to a response is submitted to mitigate the difference.

**COMMON DIFFERENCES** – The webinar reviewed commonly observed audit differences:

- Construction - Construction trade operations are to be separately rated per PCRB Basic Manual rules. The employer must maintain separate payroll records, or all work must be assigned to the highest rated applicable classification representing the work performed. Construction classes are unique in that the primary field of business rule is not applied and classes can be extended for various duties performed at a job site regardless of time/revenue. The Basic Manual should be used as a reference to review the scope of each construction class.
- Stores - Proper classification requires details about how goods are sold (e.g., in-store vs. internet), payment methods, and staffing roles. Internet sales are treated as wholesale.
- Clerical Employees – Carriers should describe the employee's location and duties in detail. For hybrid work arrangements, specify the number of days are worked in-office versus remotely to justify a clerical assignment.

**OWNERS & OFFICERS**

- Inclusion or exclusion of any business owners must follow the PCRB/DCRB Basic Manual rules and be properly endorsed to the policy. If the endorsement is not properly filed with the PCRB/DCRB and the carrier audit conflicts with the test audit, a difference is cited. "Hardcopy" attachments will not be accepted as valid documentation.

**CLASSIFICATION CHANGE REQUESTS**

- A carrier-initiated request for a classification review submitted before the test audit selection is not considered a difference. Classification review requests may be submitted via the PCRB/DCRB website under Industry Resources > Classifications > Classification Inquiries.

Questions regarding the webinar or any of the topics summarized above, please contact Christina Yost (215-320-4552 or [cyost@pcrb.com](mailto:cyost@pcrb.com))