

# WCIRB Bulletin



Bulletin No. 2015-18

July 15, 2015

1221 Broadway, Suite 900 • Oakland, CA 94612 • 415.777.0777 • Fax 415.778.7007 • www.wcirb.com • wcirb@wcirb.com

## Revised Policyholder Notice Forms PN 04 99 06 C and PN 04 99 07 A

Policyholder Notices PN 04 99 06 C, *Payroll Record and Audit Requirements for Dual Wage Construction or Erection Classifications*, and PN 04 99 07 A, *January 1, 2015 Audit Requirements for Policies with Final Premium of Less than \$13,000 that Develop Payroll in High Wage Dual Wage Construction or Erection Classification*, provide notice of the special payroll record and audit requirements for policies that include one or more dual wage construction or erection classifications and reference the approved physical audit threshold.

The Insurance Commissioner approved amendments to the *California Workers' Compensation Uniform Statistical Reporting Plan—1995*, increasing the physical audit threshold from \$10,000 to \$13,000 for policies incepting on or after January 1, 2015 and adding a reference to California Insurance Code Section 11665(a) to clarify that there are additional statutory requirements regarding the audit of C-39 license holders. These Policyholder Notices have been updated to reflect the increase in the physical audit threshold, and PN 04 99 06 C has also been updated to reference California Insurance Code Section 11665(a).

THE ATTACHED POLICYHOLDER NOTICES ARE ADVISORY ONLY AND INSURERS ARE THEREFORE NOT OBLIGATED OR REQUIRED TO USE THEM.

Whether an insurer elects to use the attached advisory Policyholder Notices PN 04 99 06 C and PN 04 99 07 A or draft its own version of these Notices, insurers should file a copy of their forms with the WCIRB for recordkeeping purposes.

The revised Policyholder Notices are available in the Knowledge Center section of WCIRB Connect (<https://connect.wcirb.com>).

### Attachments:

Policyholder Notice Form PN 04 99 06 C

Policyholder Notice Form PN 04 99 07 A



**POLICYHOLDER NOTICE**  
**PAYROLL RECORD AND AUDIT REQUIREMENTS FOR**  
**DUAL WAGE CONSTRUCTION OR ERECTION CLASSIFICATIONS**

Your policy includes one or more construction or erection classifications. Dual wage classifications are pairs of classifications that describe the same construction or erection operation yet are assigned based upon whether the employee's hourly wage is above or below a specified threshold. Each pair of dual wage classifications contains one "high wage" classification that is assignable to payrolls earned by employees whose regular hourly wage equals or exceeds a specified wage threshold and one "low wage" classification that is assignable to payrolls earned by employees whose regular hourly wage is less than the specified threshold.

**Payroll Record Requirements**

The assignment of a high wage classification to any non-salaried employee is contingent on verifying that the employee's hourly wage equals or exceeds the specified wage threshold. The determination of the regular hourly wage must be supported by one of the following sources:

- Original time cards or time book entries for each employee. Original records must include the operations performed, the total hours worked each day and the times the employee started and ended each work period throughout the workday. At job locations where all of the employer's operations cease for a uniform unpaid meal period, recording the start and stop times of the uniform break period is not required.
- A valid collective bargaining agreement that shows the regular hourly wage rate by job classification of a worker. If using a collective bargaining agreement, the records must include an employee roster by job classification that permits the reconciliation of individual employees to the job classifications set forth in the collective bargaining agreement.

The non-salaried employee's regular hourly wage shall be determined by dividing that employee's total remuneration by the hours worked during the pay period, irrespective of whether the employee is paid on an hourly, piecework, production or commission basis.

The payroll earned by any non-salaried employees for whom the records specified above are not maintained and/or made available will be assigned to the low wage classification that describes the operations performed.

The regular hourly wage of salaried employees is determined by dividing the total annual remuneration by 2000 hours. If an employee is salaried for less than 12 months, the regular hourly wage for the salaried period is calculated on a prorated basis.

**Audit Requirements**

If your policy produces a final premium of \$13,000 or more, a physical audit is required at least once a year. If your policy produces a final premium of less than \$13,000 and payroll is developed under a high wage classification, a physical audit of the policy is required unless the policy is a renewal and a physical audit was completed for one of the two immediately preceding policy periods. A "physical audit" is defined as an audit of payroll, whether conducted at the policyholder's location or at a remote site, that is based upon an auditor's examination of the policyholder's books of accounts and original payroll records (in either electronic or hard copy form) as necessary to determine and verify the exposure amounts by classification.

If you hold a C-39 Roofing Contractor license from the California Contractors State License Board, a physical audit is required on the complete policy period of each policy regardless of the amount of final premium. See California Insurance Code Section 11665(a) for additional requirements regarding the audit of C-39 license holders.

**Notes:**

1. This notice is for use on policies incepting on or after January 1, 2015.
2. For more information regarding the audit requirements, see the *California Workers' Compensation Uniform Statistical Reporting Plan—1995*, Part 3, *Standard Classification System*, Section IV, *Special Industry Classification Procedures*, Rule 2, *Construction or Erection Work*, Paragraph a, *Determination of Dual Wage Construction or Erection Classification* and Section VI, *Administration of Classification System*, Rule 4, *Audit of Payroll*.
3. Construction industry employers are currently required to maintain payroll records pursuant to Industrial Welfare Commission Order No. 16-2001.

**POLICYHOLDER NOTICE**  
**JANUARY 1, 2015 AUDIT REQUIREMENTS FOR POLICIES**  
**WITH FINAL PREMIUM OF LESS THAN \$13,000 THAT DEVELOP PAYROLL IN**  
**HIGH WAGE DUAL WAGE CONSTRUCTION OR ERECTION CLASSIFICATIONS**

Dual wage classifications are pairs of classifications that describe the same construction or erection operation yet are assigned based upon whether the employee's hourly wage is above or below a specified threshold. Each pair of dual wage classifications contains one "high wage" classification that is assignable to payrolls earned by employees whose regular hourly wage equals or exceeds a specified wage threshold and one "low wage" classification that is assignable to payrolls earned by employees whose regular hourly wage is less than the specified threshold.

If your policy effective on or after January 1, 2015 produces a final premium of less than \$13,000 and develops payroll in a high wage classification, a physical audit of the policy is required unless the policy is a renewal and a physical audit was completed for one of the two immediately preceding policy periods. If your policy produces a final premium of \$13,000 or more, a physical audit is required at least once a year.

A "physical audit" is defined as an audit of payroll, whether conducted at the policyholder's location or at a remote site, that is based upon an auditor's examination of the policyholder's books of accounts and original payroll records (in either electronic or hard copy form) as necessary to determine and verify the exposure amounts by classification.

**Notes:**

1. This notice is for use on policies incepting on or after January 1, 2015.