

**PAYROLL CONSIDERATIONS RELATED TO WORKERS COMPENSATION INSURANCE AND
DOCUMENTATION BEST PRACTICES (PART 2)**

Dear Valued Safeguard Client,

As quickly as Safeguard issued a statement outlining the uncertainty and clarity of the payroll treatment of employers and employees utilizing the Payroll Protection Plan (PPP) throughout this pandemic, three (3) workers' compensation administrators provided further guidance, namely, Pennsylvania, New Jersey and NCCI:

Pennsylvania

The Pennsylvania Compensation Rating Bureau (PCRB) has provided three (3) guidelines for how payroll will be affected throughout this situation. These changes will apply to employers with payroll on or before April 1st and for 30-days after the stay at home order is lifted. All items outlined are beneficial to employers and have been summarized as follows:

1. Payroll made to employees who are not rendering services will be coded under a new code (1212) without a rate and for data tracking purposes only. Effectively, there will be no charge at audit for the payroll continuing to be paid to employees not rendering services to an employer.
2. All employees formerly coded to a higher hazard classification that are now working in a clerical function from home or the office (if essential), can be coded under the Clerical Office Employees Classification (953) for the period of time they are no longer performing their previous higher hazard operations.
3. Any injuries sustained by an employee who contracts Covid-19 as a result of working conditions or while at work will not be utilized in the promulgation of the employers experience modification. All claims from Covid-19 will be excluded from the experience modification calculation.

These items have been proposed to the Pennsylvania Insurance Commissioner and these changes are aimed to modify the Pennsylvania Workers' Compensation Manual.

New Jersey

The New Jersey Compensation Rating and Inspection Bureau (NJCRIB), just like Pennsylvania, has provided three (3) guidelines for how payroll will be affected throughout this situation. These changes will apply to employers with payroll on or before March 21st (the date of the stay-at-home order from the Governor) and for 45-days after that order is lifted. All items outlined are beneficial to employers and have been summarized as follows:

1. Payroll made to employees, regardless of the source, who are not rendering services will be coded under a new code (0012) without a rate and for data tracking purposes only. Effectively, there will be no charge at audit for the payroll continuing to be paid to employees not rendering services to an employer.

2. All employees formerly coded to a higher hazard classification that are now working in a clerical function from home or the office (if essential), can be coded under the Clerical Office Employees Classification (8810) for the period of time they are no longer performing their previous higher hazard operations.
3. Any injuries sustained by an employee who contracts Covid-19 as a result of working conditions or while at work will not be utilized in the promulgation of the employers experience modification. All claims from Covid-19 will be excluded from the experience modification calculation.

These items have been approved by the Commissioner of Banking and Insurance in New Jersey and these changes now modify the New Jersey Workers' Compensation Manual.

NCCI

The National Council on Compensation Insurance (NCCI) provides statistical analysis, rules and experience modification calculations for thirty-six (36) states. They are submitting a proposal, similar to New Jersey, this week to create a new statistical payroll code for employees who are still being paid but are not actively working. The salary of these employees would not be included in employers' workers' compensation insurance premium.

This rule change will be proposed to each state regulator in these thirty-six (36) states for approval. Once approved, the rule will apply retroactively to when the Federal state of emergency was declared. The details and official code have not been approved or outlined, however, the intent is for this rule change to be proposed this week.

We will continue to monitor these proposed changes with the NCCI and other state-specific rating agencies and keep you informed. This is an ever-changing situation, but the proposals, thus far, point to excluding payroll from Workers' Compensation calculations for employers who continue to pay employees who are not performing their normal duties, regardless of the source of funds.

We will continue to keep abreast of latest developments around the industry as well as provide additional resources you can use to keep your business functioning efficiently, effectively, and keeping in compliance with changing rules and regulations. Please visit our resource library at safeguardgroup.com/coronavirus for new updates.

Very Best Regards,



Apurva Upadhyay, CRIS
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