



Pennsylvania Compensation Rating Bureau

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January 03, 2003

PENNSYLVANIA TEST AUDIT PROGRAM

BULLETIN #80

Re: PROCEDURES PERTAINING TO SUBMISSION OF ACTION PLANS

The Governing Board of the PCRB has approved additional language for the Pennsylvania Test Audit Program, effective January 1, 2003. The new language will be inserted as Section IX, with the current Section IX and all subsequent sections of the Test Audit Program being renumbered accordingly. A complete reprinting and updating of the Test Audit Program, including this change, will be produced via Bureau circular in the near future. The new language is provided below for interim reference.

IX: ACTION PLANS

Any carrier group that attains a difference ratio of 25 percent or above for a four consecutive quarter measurement period (minimum 25 audits) and a difference ratio of 20 percent or above for the most recent quarter will be required to submit an action plan, detailing in writing measures it will be taking to bring the carrier group in compliance with the less than 20 percent difference standard of the Test Audit Program. This plan must include a comprehensive analysis of the problems the carrier group understands to be the basis for its substandard test audit performance, as well as the specific steps the carrier group will be taking to remedy these problems. In addition, to facilitate a mutual evaluation of progress towards compliance, the action plan must establish interim target difference ratios for each of four consecutive quarters subsequent to the approval of the action plan by the PCRB, such that the Test Audit Program standard of a less than 20 percent difference ratio is reached not later than the last quarter of that period.

Bureau staff will review the action plan to ascertain the feasibility and appropriateness of the measures listed. Based on this review, Bureau staff will then consult with the Audit Committee, as necessary, to determine whether an appearance before the Audit Committee by an officer of the carrier group will be required, as authorized by Section VIII of the Pennsylvania Test Audit Program. Once a carrier group is notified that an action plan is required, it will not be subject to subsequent requests for an action plan while the monitoring process takes place. Each quarter during the action plan measurement period the carrier group will be notified as to the results of their performance, as compared to the targeted results contained in their action plan. At the end of the four-quarter action plan measuring period, the carrier group will be apprised of the final results of the action plan process. Should the results fail to achieve the target level(s) specified in that plan, the carrier group may be required to appear before the Audit Committee to report on the status of the action plan, discuss reasons for the failure to meet target performance levels and describe additional efforts to be applied in the continuing attempt to remedy the substandard test audit performance. However, in no case will a carrier group be required to submit more than one action plan in any 12-month period of review.