

Short-term COVID-19 Payroll with No Working Exposure

COVID-19 has created a challenging environment for many businesses and workers across the country. The Federal government has responded by passing the CARES Act and the Paycheck Protection Program designed to support businesses and workers through a time of uncertainty. The Paycheck Protection Program provides loan forgiveness to businesses that keep employees on their payroll even if they aren't working. During this unique time, we expect some businesses to pay wages to employees who are **not** performing work. Because there is no exposure for workers' compensation claims when an employee is being paid but not working, Pinnacol is implementing a short-term policy to reclassify qualifying payroll of employees not working into a new class code, 0012- Paid No Work COVID19.

Colorado businesses and workers are looking to the insurance industry to step up and do the right thing during these challenging times. We believe waiving workers' compensation premiums for businesses paying workers to not work is the right thing to do.

Use Case of COVID-19 Proposed Class Code

The 0012 class code will only be used on active policies for qualifying employers from 3/11/2020 (date Colorado Governor declared emergency) to 6/30/2020 (date in which loan from Payroll Protection Program ends) where payroll is being paid to employees but work is not being performed at all.

The amount of payroll that is being paid for work not being performed must be clearly separated and documented. Separate payroll records of the wages paid for time not worked will be removed from the original classification and reclassified into the new class code, 0012. Policyholders must submit a certification form naming the impacted employees and the time paid for no work performed.

Rate

The rate for \$0.00 due to no exposure for workplace injury/disease while the employee is collecting wages and not working. Any injuries an employee sustains during this period of time not working will not be work-related and therefore not covered by their employer's workers' compensation policy.

Qualifying Employers

To qualify for the use of 0012 on an active policy, an employer must pay worker(s) not performing work because of COVID-19. The classification is on a per-employee basis, and that employee must not be working, regardless of location, but collecting wages. If an employee is performing some work during this time period, the payroll allocated to actual work performed will be classified in their original classification code, while the payroll collected as a result of no work performed will be allocated to 0012.

To qualify for the 0012 code, employers **must** keep separate payroll records for employees being paid when not working for audit purposes. Employers must also submit the Certification of Employees Receiving Wages for Time Not Worked During COVID-19, naming impacted employee before 6/30/2020. If Pinnacol does not receive the completed form, the payroll will all be included in the original classification.

For example, if an employee is receiving full pay but only working a portion of their normal hours, the payroll for the time worked will be allocated to the original class code, and the remaining payroll for the time not worked will be allocated to class code 0012.

Effective Date

The 0012 classification will be effective for policies in-force between 3/11/2020 and 6/30/2020. After 6/30/2020, this program will no longer be effective and no payroll will be permitted to remain in class code 0012. All payroll after that date will be reclassified into the appropriate class code.

Who is Not Eligible?

If the above criteria are not met, the employer is not eligible for the 0012 class code, including if the employer does not keep separate payroll records for the time period stated above or if the employer does not submit the necessary certification form outlining employee names and the payroll for no work performed.

Payroll of employees performing work-related duties for their employer, whether inside or outside their home, is not eligible for class code 0012. This approach is only in response to the COVID-19 pandemic and will not override NCCI's description of "Idle time workers" in the future. PTO, sick days, and other paid "idle time" according to NCCI rules are not included in eligibility of 0012 is to be used solely for COVID-19 related business closures or reduced hours worked.

How Will the Workers' Compensation Premium be Impacted?

Since class code 0012 will have a \$0.00 rate, no premium will be charged for the exposure (payroll) coded to 0012. All other filed rating elements in the algorithm, including expense constant and minimum premium remain unchanged.

How will Premium Audit be Handled for Policies with Payroll Coded to 0012?

Proper documentation of payroll records for employees not working but receiving wages will be required at audit.

Pinnacol Assurance reserves the right to audit policyholders to confirm whether the use of the COVID-19 class code is valid and appropriate according to the criteria above.