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Classification and Rating Committee

Meeting Agenda

Date	Time	Location	Staff Contact
May 18, 2021	9:30 AM	Webinar Teleconference	Brenda Keys

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To Members of the Classification and Rating Committee, WCIRB Members and All Interested Parties:

Due to the COVID-19 pandemic, this meeting is being held by webinar teleconference. **This meeting is Open to the Public.**

Please register at: https://attendee.gotowebinar.com/register/6196267406789107979

I. Approval of Minutes

Meeting held February 2, 2021

II. Unfinished Business

III. New Business **Page**

IV. Matters Arising at Time of Meeting

V. Next Meeting Date: September 22, 2021

VI. Adjournment

Notice

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Item III-A
Experience Rating Eligibility Threshold

Background and Objectives
Experience Rating is defined in Section 11730(c) of the California Insurance Code as a “rating procedure utilizing past insurance experience of the individual policyholder to forecast future losses by measuring the policyholder’s loss experience against the loss experience of policyholders in the same classification to produce a prospective premium credit, debit, or unity modification.” Section 11736 of the California Insurance Code requires that the experience rating plan “shall contain reasonable eligibility standards, provide adequate incentives for loss prevention, and sufficient premium differentials so as to encourage safety.” Given these statutory requirements, the threshold used to determine which employers are eligible for experience rating is an essential component of experience rating in California.

The regulations adopted by the Commissioner that detail the Experience Rating System are contained in the *California Workers’ Compensation Experience Rating Plan—1995* (ERP). The ERP provides that experience rating should be applied uniformly to all eligible employers. To compute an experience modification for an employer, the historical claim experience over the most recent three historical policies is compared to the average expected for an employer of similar size and industry. The experience modification is applied to the premium paid by the employer for the upcoming policy.

Following a directive from the Insurance Commissioner, in 2007, the WCIRB convened a broad stakeholder task force to review all aspects of the ERP to determine if experience rating was meeting its statutory goal of encouraging safety. The Task Force released its report in 2008 and concluded that experience rating did encourage safety but provided a number of recommendations to improve the experience rating process in California.

Since that time, the WCIRB has continued to review and propose amendments to the ERP consistent with its statutory intent and the Task Force recommendations. Relatively recent changes to the ERP include:

- 2015 – To reduce plan volatility particularly for smaller experience rated employers, the ERP was amended to limit the impact of a single claim in the experience period to 25 percentage points.
- 2017 – To increase plan accuracy and simplicity and to help emphasize the importance of preventing workplace injuries, the ERP was amended to replace the single primary and excess split point of $7,000 with a split point that varies with the size of the employer.
- 2019 – To address fairness issues related to the treatment of “first aid” claims, the ERP was amended to eliminate the first $250 of each claim from the experience modification calculation.
- 2019 – To simplify the Plan, the ERP formula was amended to remove any reference to primary and excess credibility.

Not all California policyholders generate a sufficient volume of payroll and claims to produce a meaningful experience modification. As a result, the ERP provides that, for policies effective January 1, 2021 and later, only employers that generate at least $9,900 by applying their experience period payroll by classification to the current approved expected loss rates are eligible for experience rating. (An experience period eligibility threshold of $9,900 corresponds to approximately $9,000 in average annual premium.) In policy year (PY) 2018, less than 20% of all policyholders were experience rated in California, but these policyholders generated almost 88% of statewide premium.

The ERP eligibility threshold is adjusted for wage inflation and changes in the average level of expected loss rates annually. In this way, approximately the same share of all insured employers are experience rated each year.

As mentioned, the threshold used to determine which employers are eligible for experience rating is an essential component of experience rating in California. While many of the other critical components of experience rating have been reviewed and, in many cases, enhanced in recent years, a comprehensive review of the threshold was deferred until other Plan changes were implemented. Given this, and in consideration of the principal objectives of experience rating to promote workplace safety and help distribute the cost of the workers' compensation system equitably, the WCIRB has undertaken a comprehensive review of the ERP eligibility threshold. The study addressed the following questions:

1. Is the historical loss and payroll experience of employers below the current eligibility threshold predictive of future claim experience?
2. Is a five-year experience period more predictive of future claim costs than the experience from a three-year period, particularly for smaller employers?
3. To the extent the historical experience of employers below the current eligibility threshold is predictive, to what extent, if any, should the current structure of the ERP be modified to reflect the goals of providing a safety incentive and helping facilitate a fair distribution of costs, while not creating undue volatility in employer premium costs from year-to-year.

Study Approach
In order to evaluate the efficacy of alternative experience rating approaches for smaller employers, the WCIRB used unit statistical report (USR) loss and exposure records for policy projection years 1997 to 2017. The data for each policy projection year consists of the loss and exposure data for the typical three-year experience period underlying an experience modification computation as well as for the subsequent year to which the modification would apply (projection year). For example, the PY 2017 projection data reflects the PY 2017 loss and exposure unit statistical data as well as the data for the PY 2013-2015 experience period, with PY 2013 losses evaluated at third report level (losses evaluated at 42 months from policy inception), PY 2014 losses evaluated at second report level (losses evaluated at 30 months from policy inception) and PY 2015 losses evaluated at first report level (losses evaluated at 18 months from policy inception).

Overall, the study findings were similar throughout the 21-year study period. For the purpose of illustration, the analysis and exhibits summarized below will focus on data from PY 2017 unless otherwise indicated. Approximately 652,000 employers had experience in the projection year 2017 experience period. Of those 652,000 employers, 125,000, or 19%, were eligible for experience rating. Experience rated employers accounted for approximately 92% of total expected losses in 2017. The ERP eligibility threshold in 2017 was $10,100.

The WCIRB constructed a database for the 2017 projection year as well as each of the other years in the 21-year period containing employer experience for 48 cohorts with equal numbers of employers in each cohort, with the exception that the first cohort containing the largest employers is further divided into 9 groups. This database includes 400,000 employers per rating year with experience period expected losses of approximately $300 or more. The variable split plan easily facilitates expanding eligibility to smaller employers as the optimal primary thresholds decrease with the size of the employer. The primary thresholds and D-ratios were optimized for this larger database using the same methodology underlying the primary threshold update in the January 1, 2021 and September 1, 2021 regulatory filings. The WCIRB found that the indicated primary thresholds continued to decrease smoothly, down to $500 in experience period expected losses for the smallest employers included in the database.

Analysis and Findings
Exhibit 1 shows the fitted primary thresholds by cohort for the 2017 projection year. In accordance with the current rules of the ERP, the first $250 of losses were excluded from each claim and claims with $250 or less of incurred loss were excluded when determining claim counts. Pro forma experience modifications were calculated for employers that were not initially rated using the standard experience rating formula from PY 2017 and the expanded optimized primary threshold table as shown in Exhibit 1.

Predictiveness of Historical Experience of Small Employers

The WCIRB reviewed the predictiveness of the past exposure and claim experience of small employers by examining the distributions of projection period claim counts and actual to expected losses[1] given alternative counts of experience period claims. These distributions for PY 2017 are shown separately for currently ineligible employers with experience period expected losses between $1,000 and $8,417,[2] for currently ineligible employers with experience period expected losses between $8,417 and $10,100 and for the smallest 55% of currently rated employers in Exhibits 2a and 2b. Exhibit 2a shows for each set of employers segregated by the number of claims in the experience period the number of claims incurred in the projection period. Based on the number of claims in the experience period, Exhibit 2b shows the share of employers, the ratio of average actual losses in the projection period compared to the expected losses in the projection period, the average calculated experience modification and the ratio of the average actual loss compared to the modified expected loss in the projection period. If experience rating is performing well for a particular cohort of employers, the ratios after application of the experience modification should be significantly closer to 100% than before application of the experience modification.

The WCIRB found that, even for very small employers, the occurrence of claims in the experience period significantly increased the likelihood of claims in the projection period. In addition, the ratio of actual to expected losses in the projection year was significantly higher for very small employers that had claims in the experience period than for those that did not. The modified projection period ratios of actual losses to modified expected losses were closer to 100% for each group of employers than were the ratios prior to application of experience modifications.

The WCIRB also reviewed predictive performance by expected loss cohort using quintiles tests. For each cohort, employers were grouped into quintiles by their experience modification with each quintile in a cohort containing an equal number of employers. For each quintile, the projection period ratio of actual to expected losses were calculated both before and after modification. These tests indicated that experience modifications calculated using the current formula and methodology are generally predictive of projection period ratios of actual to expected loss for employers with experience period expected losses above approximately $1,000 for projection year 2017. Exhibit 3a shows the quintiles tests for select cohorts as well as the average ratio of actual to expected losses both before and after modification, average experience modification and the share of employers that are claim free in each cohort.

For employers with experience period expected losses below $1,000, the projection period ratios of actual to expected loss by modification quintile did not increase monotonically with the number of claims. For employers with expected losses above this threshold, the projection period ratios of actual to expected losses almost always increased monotonically, and the variance ratio,[3] which measures the amount of the variation in ratios of actual to expected losses which is explained by the experience modification, was almost in a similar range for the smallest employers currently rated as for many of the employers that are not currently rated. (A lower variance ratio indicates that the experience modification explains more of the variation.) The efficiency[4], which measures the amount of the variation in ratios of actual to expected loss which is explained by the experience modification in a way that penalizes large differences for individual employers, was also in a similar range for the smallest employers currently rated and for many of those not currently rated. A higher efficiency means that the experience modification explains more of the variation in year-to-year loss experience. Exhibit 3b shows the variance ratios and efficiency by cohort.

Five-Year Experience Period

While experience rating appears to be predictive for employers below the current eligibility threshold, concern remains that modifications for smaller employers could be less stable from year to year.

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[1] Loss amounts were evaluated at first unit statistical report level (18 months from policy inception).

[2] The equivalent of $8,250 for PY 2021 was $8,417 in PY 2017.

[3] The variance ratio is defined as the ratio of the variance of the modified ratio of actual to expected losses to the variance of the ratio without modification.

[4] The efficiency is defined as the reduction in squared error between any potential experience modification and ratios of actual to expected losses for the projection year, measured against a modification of 100%. Efficiencies are calculated by cohort, with each observation receiving equal weight.

Currently, the ERP provides that the experience modification is calculated based on the three most recent complete policy years of experience. The WCIRB explored the option of lengthening the experience period from three years to five years to determine if it might help stabilize the modifications and better predict projection period loss ratios, especially for smaller employers.

The WCIRB optimized the primary thresholds and D-ratios for a five-year experience period using the same methodology underlying the primary threshold update reflected in the last two regulatory filings and reviewed plan performance based on a review of the quintiles tests and on the efficiency of the plans.

The WCIRB analysis found that a five-year experience period did not add significant predictive accuracy to the ERP and in many cases led to worse performance. As discussed above, a lower variance ratio shows that the modification calculation explains more of the variance in actual to expected loss. The variance ratios calculated using three and five years of experience are very similar and neither is consistently lower. Exhibit 4a shows the quintiles test variance ratios by cohort using a three- and five-year experience period. A higher efficiency measure shows that the modification calculation explains more of the variance in actual to expected loss. As for the variance ratios, the efficiencies are similar for the modifications calculated based on three and five years of experience. Neither is consistently higher for the five-year experience period. Exhibit 4b shows the efficiency by cohort.

The result that using additional years of experience in the calculation does not significantly improve the predictiveness of the experience may be due to changing risk parameters over time, changing safety practices, and generally less predictive power in older data. From an operational standpoint, using a five-year experience period would allow a single claim to affect the modification for five years instead of three years, which could be perceived as overly punitive. Additionally, a five-year experience period may also be viewed as providing less of a safety incentive since there would be a longer lag between safety improvements and the impact of those improvements on the experience modification.

Experience Modification Limitations

Employers express concern over the potential for volatility in their annual workers' compensation premiums due to sharp changes in the experience modification from year-to-year. This makes financial planning more difficult for employers and may reduce the impact of the safety incentive. While employers currently below the eligibility threshold that had claims in the experience period are significantly more likely to have claims in the projection period, there are still a significant number of these employers that do not have claims in the projection period. In addition, there are considerations of the differential impact by size of expected losses as well as the number of employers that may potentially move in and out of eligibility for experience rating. Exhibit 5 shows, by threshold, the share of employers that became eligible for experience rating at that eligibility threshold in projection year 2017 as well as the share of employers that became ineligible for experience rating. The share of all employers becoming eligible or ineligible increases as the eligibility threshold decreases. These factors suggest a benefit from limiting experience modifications for small employers.

The current ERP limits the impact of losses on experience modifications in two ways. First, the ERP limits the impact of a single claim during the experience period to 25 percentage points. Second, the ERP provides that the dollar amount of any claim reflected in the experience modification calculation is limited to the primary threshold for the employer less $250. Exhibit 6 shows how the limitations due to the primary thresholds decrease as the expected losses for an employer increases.

The WCIRB reviewed alternative approaches to limit the experience modification for smaller employers. Maximum experience modifications could be developed and implemented in a number of ways. This section lays out two potential options. For simplicity, both options are applied to employers with up to $30,000 in expected losses. Any limitation could be phased out at smaller sizes of expected losses and, if so, would have a smaller impact on the overall performance of the ERP.

Single Maximum Experience Modification
For claim-free employers, a maximum modification of 90% could be applied to ensure that all claim-free employers would receive at least a 10% credit. This would primarily impact very small experience rated employers for which the primary threshold is low. If the eligibility threshold was only lowered modestly below the current threshold, the impact would be small, as very few employers would be affected by this. The largest employer that would have been impacted by this in policy year 2017 had approximately $10,800 in experience period expected losses.

For employers that have claims and primary thresholds between $5,500 and $10,500, a maximum modification of 150% could be applied. At the current eligibility threshold, this is roughly equivalent to the experience modification for an employer with one average size indemnity claim and one average size medical-only claim. Exhibit 7a shows the number of employers with each primary threshold, the share affected by the maximum modification, the average modification before and after the maximum modification is applied and the average ratio of actual to expected losses before application of the experience modification and after the current modification subject to the maximum limitation are applied.

Variable Maximum Modifications
A more gradual limitation methodology could have different maximum modifications by employer size as reflected in different primary thresholds for employers to which the caps apply. A series of maximum modifications that increases with the size of the primary threshold may be appealing as it would limit the potential impact to a modification that any one employer would receive simply from growth in expected losses.

Under this approach, a maximum claims free experience modification of 90% could still apply to all employers and the maximum modification for employers with claims would vary depending on the size of the employer. The variable limitations would be set by reviewing the share of claims at the 97.5th percentile of claim counts for employers at each primary threshold. Consistent with the maximum impact of the first claim in an experience period, a maximum per claim impact of 0.25 was judgmentally selected and the empirical maximum modification by primary threshold was calculated. For example, if fewer than 2.5% of employers of a given size had 3 or more claims, the empirical cap would be the claim-free modification plus 75 points. A line was fit to this data to select a maximum modification for each primary threshold. Exhibit 7b shows the experience modification limitation for each primary threshold, the number of employers affected by primary threshold, the average modification before and after the limitation is applied and the average ratios of actual to expected losses before modification, after modification and after the limited modification.

The impacts on smaller employers are modest for either limitation methodology. Because the maximum modifications apply to small employers only, representing 10% of pure premium, the total impact of the caps is very small. With all cohorts included, the simple limitation approach increases the average modified actual to expected losses for all insureds by only 0.004. The phased limitation approach increases the average modified actual to expected losses by approximately 0.002.

Recommendations
This review has shown that past exposure and claim experience is predictive of future claim costs for employers well below the current eligibility threshold. These results suggest that lowering the experience rating eligibility threshold could both help to incentivize safety for smaller employers and help to distribute the costs of the workers' compensation system in a fair manner. Based on the findings of this study, the WCIRB recommends the following:

1. Even for very small employers, the occurrence of claims in the experience period significantly increased the likelihood of claims in the projection period. Given this and the goals of the experience rating system, the eligibility threshold should be lowered.
2. Given the operational challenges of applying experience rating to additional employers as well as the potential impact on employers, the eligibility threshold should be lowered gradually to allow for education and outreach as well as time to assess if the lowering of the threshold achieves the

intended impact. The first phase should include employers in one additional primary threshold interval relative to the current eligibility threshold. In PY 2017, this would have included approximately 10,000 additional employers.

3. The experience rating calculation should continue to use three years of experience as there was no significant improvement in performance using a five-year experience period and there are significant operational and employer perception challenges in using older years in the experience period.
4. As the eligibility threshold is lowered, the potential volatility of experience ratings for small employers should be mitigated with limitations on the maximum size of modifications. This should apply to the newly rated employers as well as, for continuity, some of the smallest employers currently experience rated.
5. Prior to developing any proposed changes to the ERP eligibility threshold, a comprehensive stakeholder outreach campaign should be undertaken and stakeholder feedback considered before proposing changes to the ERP.

Exhibit 1

Table of Optimized Primary Thresholds

Cohort	Median Expected Loss	Approximate Annual Premium	Primary Threshold	Cohort	Median Expected Loss	Approximate Annual Premium	Primary Threshold
L01 Q1 P1	8,262,754	6,610,203	80,000	L17	15,868	12,694	7,500
L01 Q1 P2	3,704,336	2,963,469	68,000	L18	14,633	11,706	7,000
L01 Q1 P3	2,511,997	2,009,598	62,000	L19	13,524	10,819	6,500
L01 Q1 P4	1,836,886	1,469,509	57,000	L20	12,544	10,035	6,500
L01 Q1 P5	1,505,684	1,204,547	54,000	L21	11,646	9,317	6,000
L01 Q2	981,852	785,482	48,000	L22	10,832	8,666	6,000
L01 Q3	611,989	489,591	41,000	L23	10,109	8,087	5,500
L01 Q4	453,265	362,612	37,000	L24	9,437	7,550	5,500
L01 Q5	362,407	289,926	34,000	L25	8,821	7,057	5,000
L02	220,562	176,450	28,000	L26	8,266	6,613	5,000
L03	133,872	107,097	23,000	L27	7,735	6,188	4,500
L04	95,824	76,660	19,500	L28	7,261	5,809	4,500
L05	73,794	59,035	17,500	L29	6,833	5,467	4,500
L06	59,616	47,692	15,500	L30	6,438	5,150	4,000
L07	49,518	39,614	14,000	L31	5,394	4,315	3,500
L08	42,153	33,722	13,000	L32	4,071	3,257	3,000
L09	36,493	29,195	12,000	L33	3,097	2,478	2,500
L10	31,992	25,594	11,000	L34	2,360	1,888	2,000
L11	28,398	22,718	10,500	L35	1,801	1,440	1,500
L12	25,483	20,387	10,000	L36	1,353	1,083	1,250
L13	22,973	18,378	9,000	L37	999	799	1,000
L14	20,861	16,689	8,500	L38	719	575	750
L15	18,915	15,132	8,000	L39	492	394	500
L16	17,319	13,855	8,000	L40	313	250	500

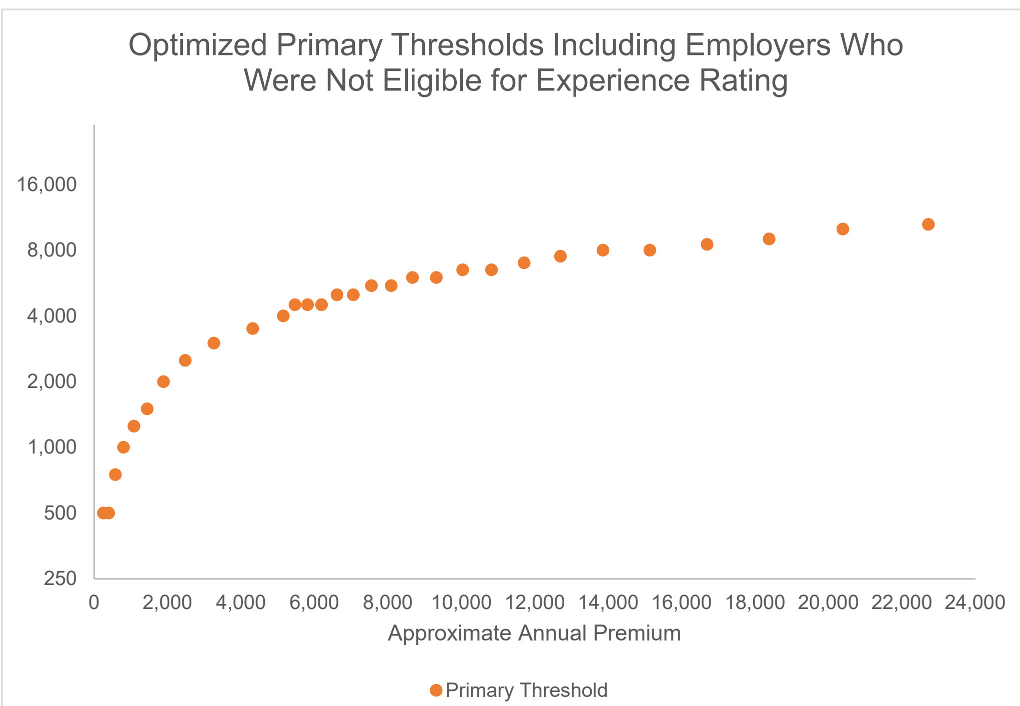
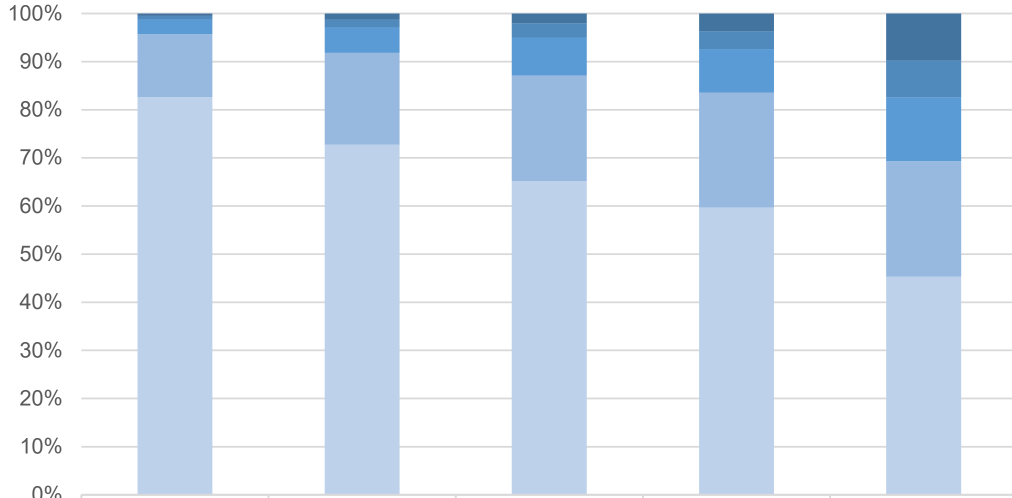


Exhibit 2a

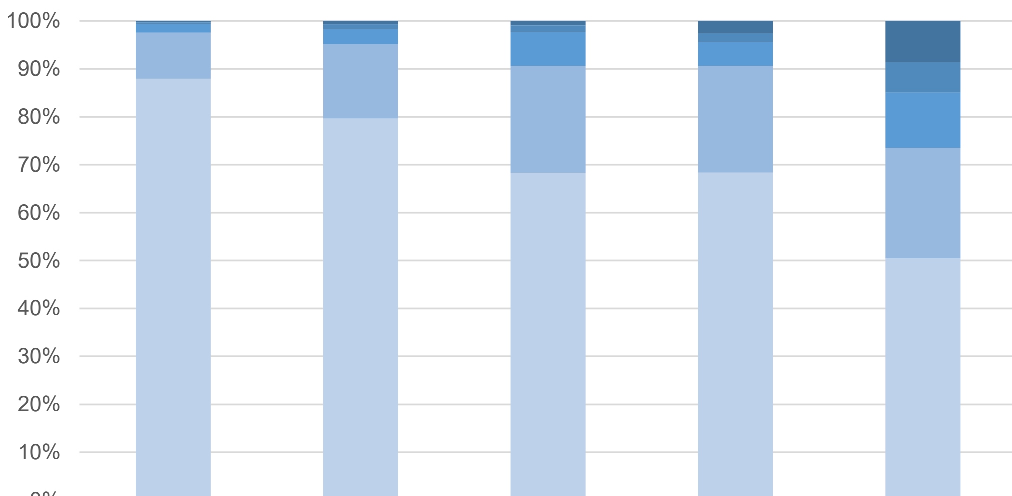
Distribution of Projection Period Claim Counts by # of Claims in the Experience Period when Expected Loss is in [10100, 30000]



	0	1	2	3	4+
	53%	24%	11%	5%	6%
4+	1%	1%	2%	4%	10%
3	1%	2%	3%	4%	8%
2	3%	5%	8%	9%	13%
1	13%	19%	22%	24%	24%
0	83%	73%	65%	60%	45%

Share of Employers by Experience Period Claim Count

Distribution of Projection Period Claim Counts by # of Claims in the Experience Period when Expected Loss is in [8417, 10100)

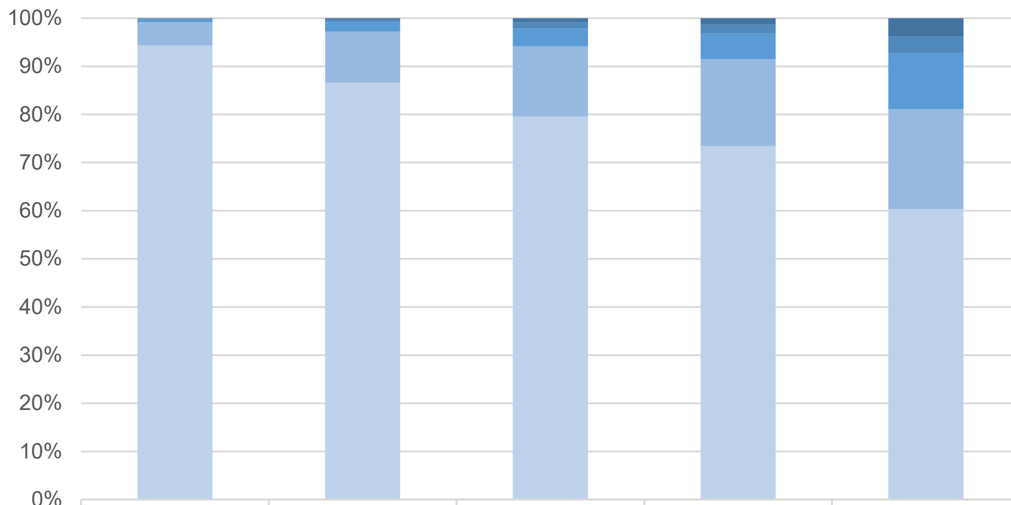


	0	1	2	3	4+
	68%	21%	7%	2%	2%
4+	0%	1%	1%	3%	9%
3	0%	1%	1%	2%	6%
2	2%	3%	7%	5%	12%
1	10%	16%	22%	22%	23%
0	88%	80%	68%	68%	50%

Share of Employers by Experience Period Count

Exhibit 2a

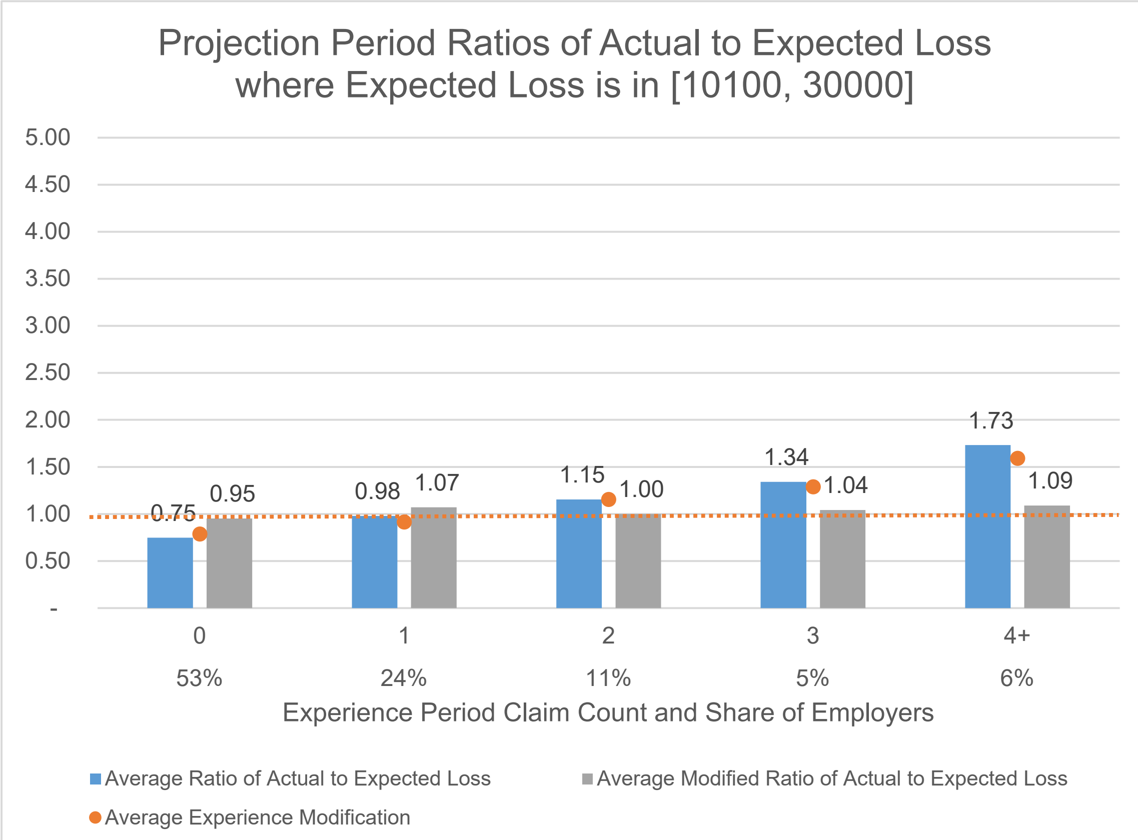
Distribution of Projection Period Claim Counts by # of Claims in the Experience Period when Expected Loss is in [1000, 8417)



	0	1	2	3	4+
	86%	11%	2%	1%	0%
4+	0%	0%	1%	1%	4%
3	0%	0%	1%	2%	3%
2	1%	2%	4%	5%	12%
1	5%	11%	15%	18%	21%
0	94%	87%	80%	73%	60%

Share of Employers by Experience Period Count

Exhibit 2b


Projection Period Ratios of Actual to Expected Loss
where Expected Loss is in [10100, 30000]
5.00
4.50
4.00
3.50
3.00
2.50
2.00
1.50
1.00
0.50
-
0.75
0.95
0.98
1.07
1.15
1.00
1.34
1.04
1.73
1.09
0
53%
1
24%
2
11%
3
5%
4+
6%
Experience Period Claim Count and Share of Employers
Average Ratio of Actual to Expected Loss
Average Modified Ratio of Actual to Expected Loss
Average Experience Modification

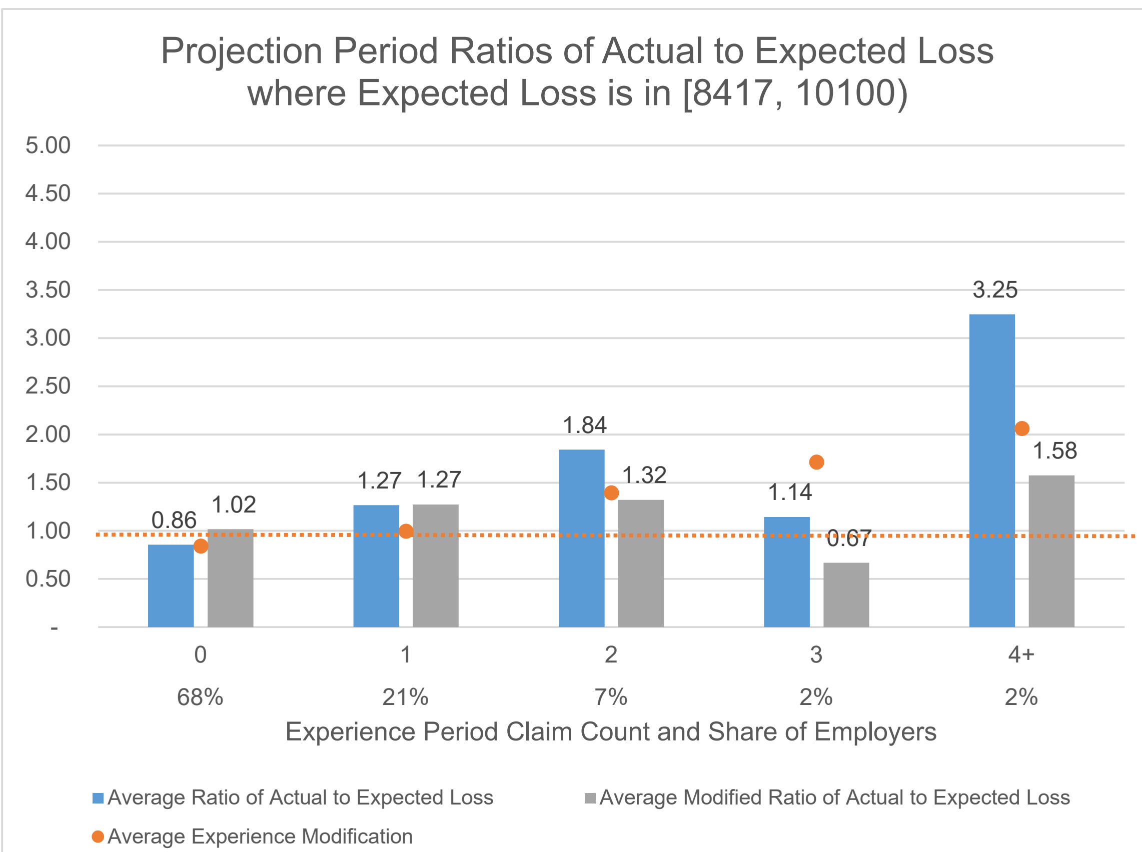
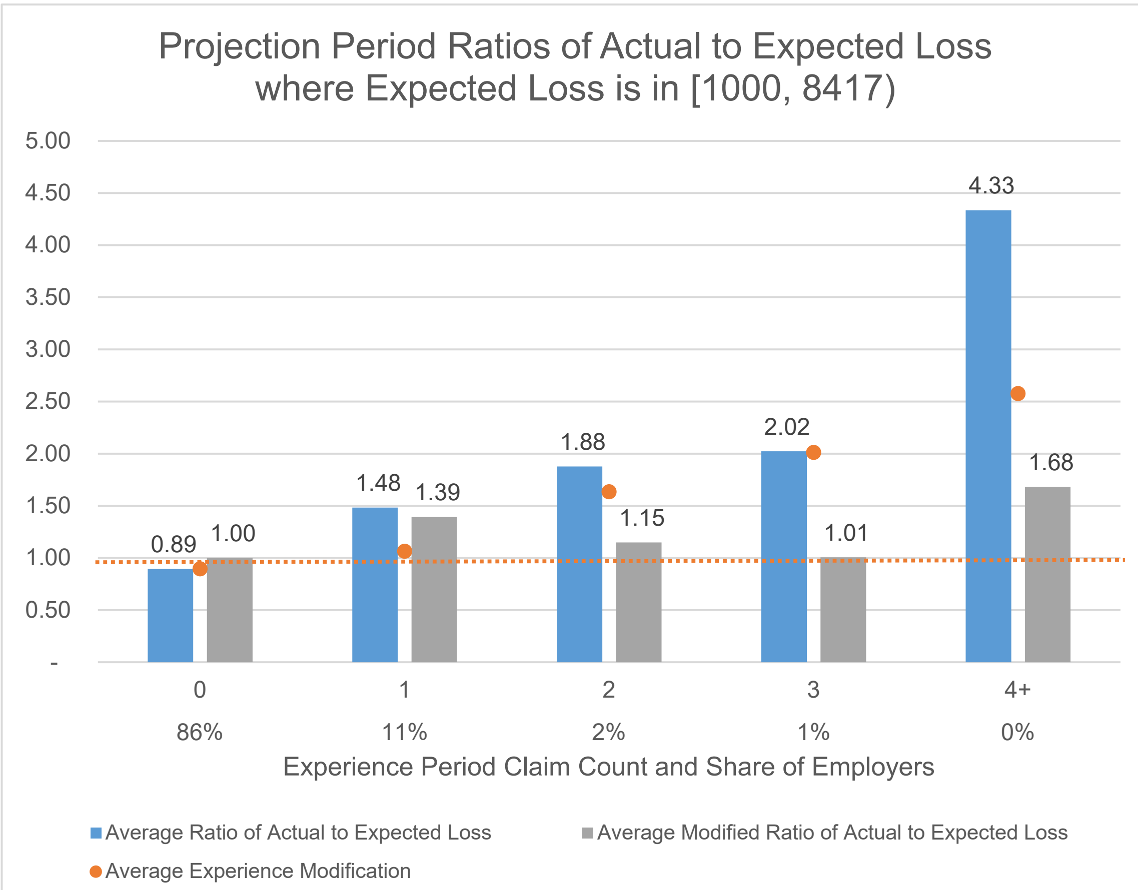
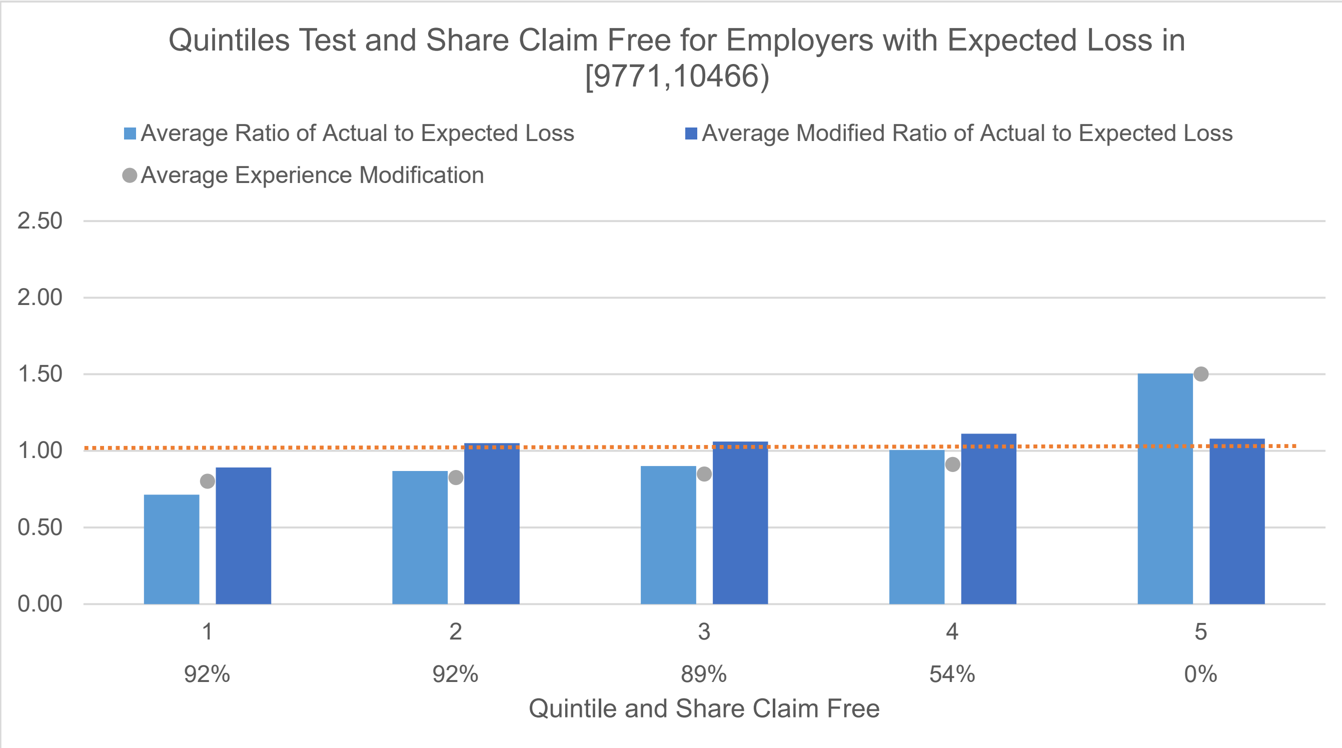

Projection Period Ratios of Actual to Expected Loss
where Expected Loss is in [8417, 10100)
5.00
4.50
4.00
3.50
3.00
2.50
2.00
1.50
1.00
0.50
-
0.86
1.02
1.27
1.27
1.84
1.32
1.14
0.67
3.25
1.58
0
68%
1
21%
2
7%
3
2%
4+
2%
Experience Period Claim Count and Share of Employers
Average Ratio of Actual to Expected Loss
Average Modified Ratio of Actual to Expected Loss
Average Experience Modification

Exhibit 2b


Projection Period Ratios of Actual to Expected Loss
where Expected Loss is in [1000, 8417)
5.00
4.50
4.00
3.50
3.00
2.50
2.00
1.50
1.00
0.50
-
0.89
1.00
1.48
1.39
1.88
1.15
2.02
1.01
4.33
1.68
0
86%
1
11%
2
2%
3
1%
4+
0%
Experience Period Claim Count and Share of Employers
Average Ratio of Actual to Expected Loss
Average Modified Ratio of Actual to Expected Loss
Average Experience Modification


Quintiles Test and Share Claim Free for Employers with Expected Loss in [9771,10466)
Average Ratio of Actual to Expected Loss
Average Modified Ratio of Actual to Expected Loss
Average Experience Modification
2.50
2.00
1.50
1.00
0.50
0.00
1
92%
2
92%
3
89%
4
54%
5
0%
Quintile and Share Claim Free

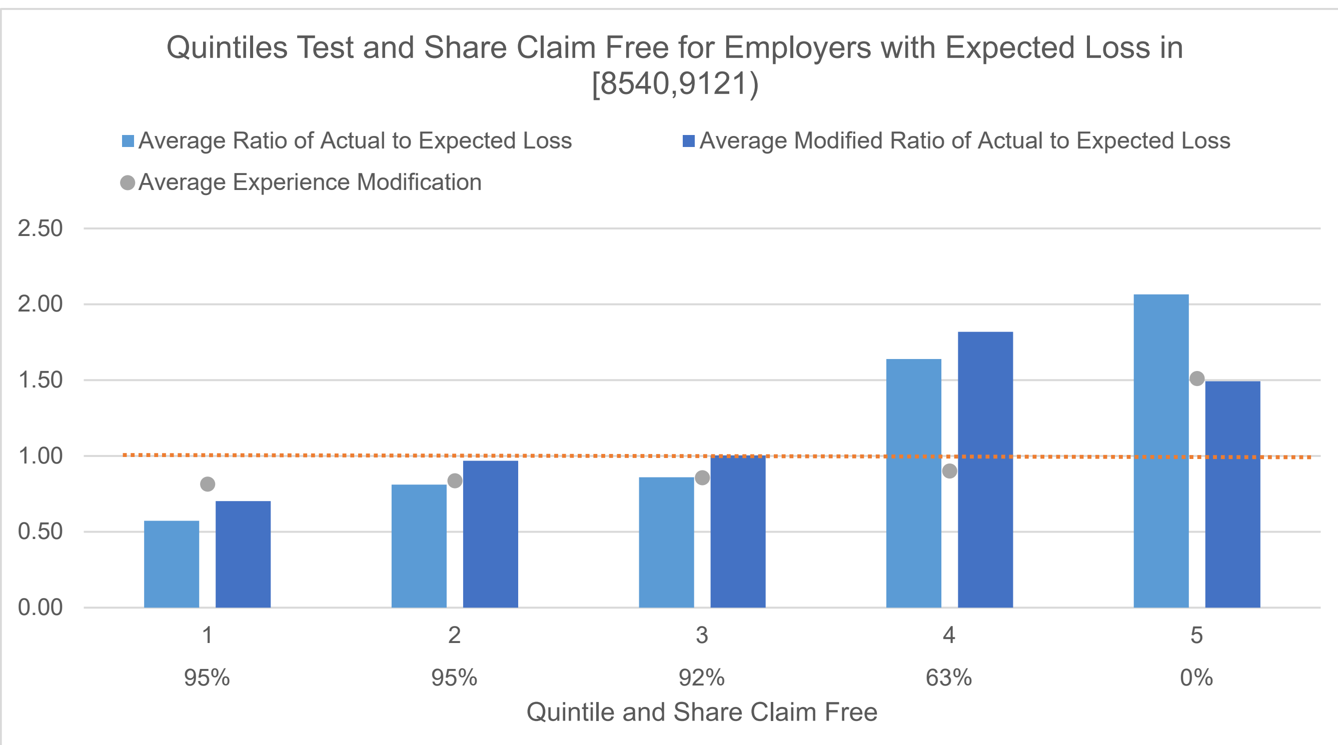
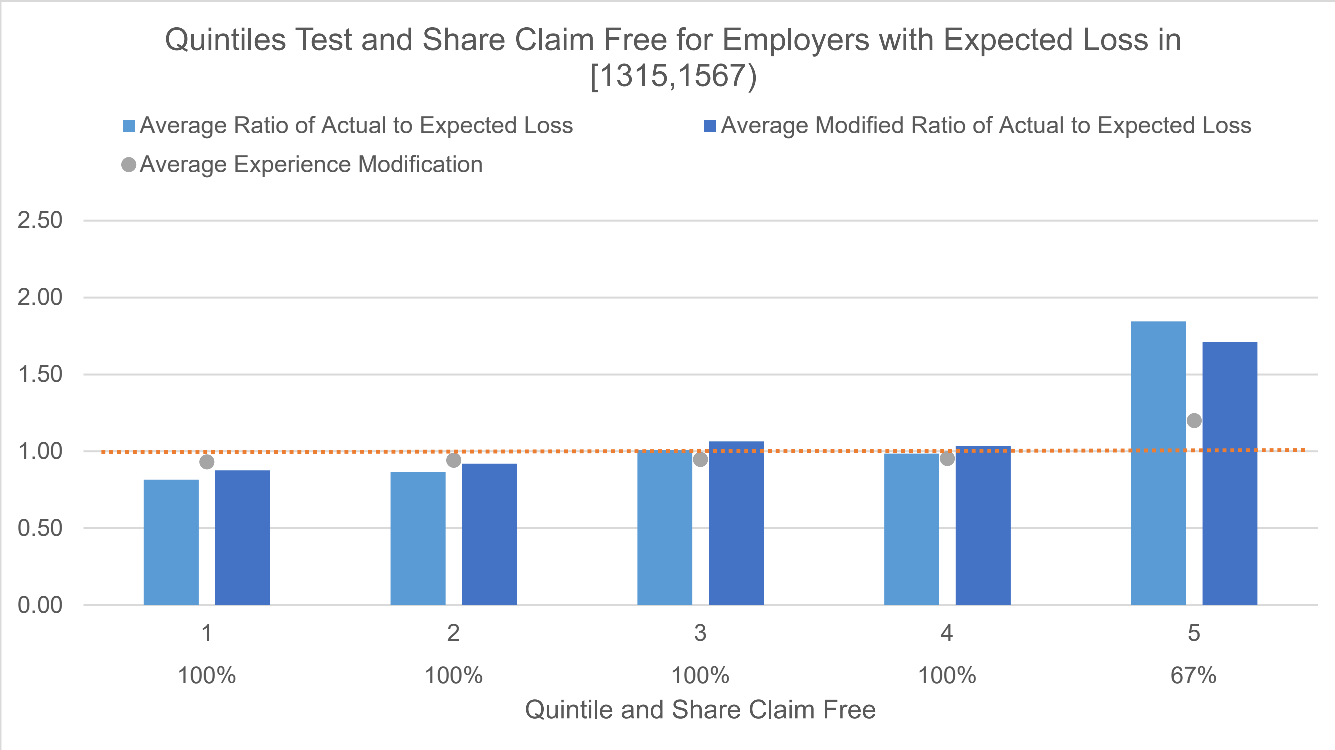

Quintiles Test and Share Claim Free for Employers with Expected Loss in [8540,9121)
Average Ratio of Actual to Expected Loss
Average Modified Ratio of Actual to Expected Loss
Average Experience Modification
2.50
2.00
1.50
1.00
0.50
0.00
1
95%
2
95%
3
92%
4
63%
5
0%
Quintile and Share Claim Free

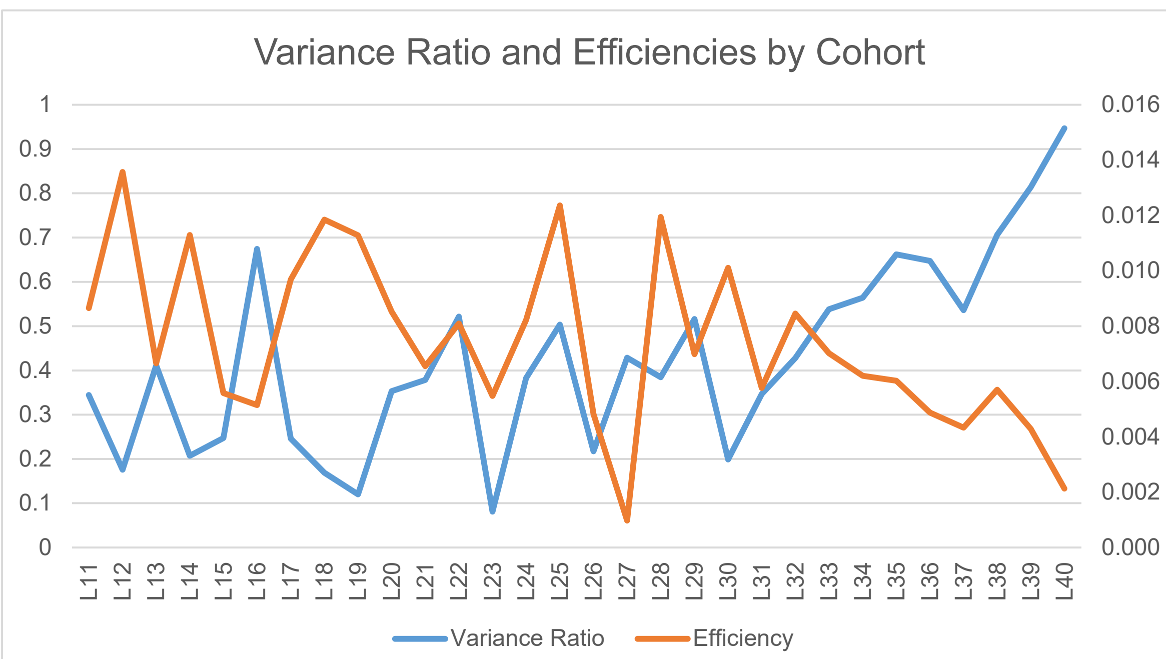
Exhibit 3a


Quintiles Test and Share Claim Free for Employers with Expected Loss in [1315,1567)
Average Ratio of Actual to Expected Loss
Average Modified Ratio of Actual to Expected Loss
Average Experience Modification
2.50
2.00
1.50
1.00
0.50
0.00
1
100%
2
100%
3
100%
4
100%
5
67%
Quintile and Share Claim Free

Variance Ratio and Efficiencies by Cohort

Cohort	Variance Ratio	Efficiency
L01 Q1 P1	0.05	0.578
L01 Q1 P2	0.05	0.302
L01 Q1 P3	0.04	0.360
L01 Q1 P4	0.01	0.366
L01 Q1 P5	0.07	0.339
L01 Q2	0.03	0.176
L01 Q3	0.05	0.193
L01 Q4	0.01	0.082
L01 Q5	0.08	0.082
L02	0.00	0.078
L03	0.07	0.053
L04	0.05	0.048
L05	0.06	0.045
L06	0.07	0.032
L07	0.08	0.026
L08	0.05	0.019
L09	0.35	0.002
L10	0.30	0.019
L11	0.34	0.009
L12	0.18	0.014
L13	0.41	0.007
L14	0.21	0.011
L15	0.25	0.006
L16	0.67	0.005

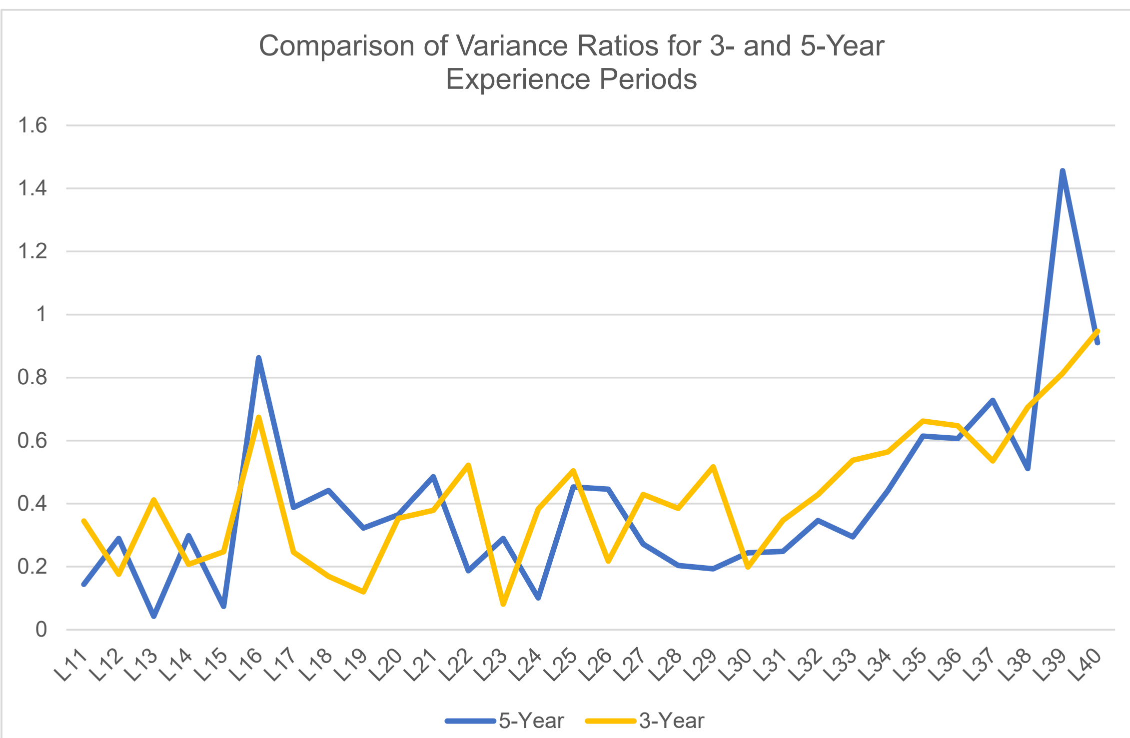
Cohort	Variance Ratio	Efficiency
L17	0.25	0.010
L18	0.17	0.012
L19	0.12	0.011
L20	0.35	0.009
L21	0.38	0.007
L22	0.52	0.008
L23	0.08	0.005
L24	0.38	0.008
L25	0.50	0.012
L26	0.22	0.005
L27	0.43	0.001
L28	0.38	0.012
L29	0.52	0.007
L30	0.20	0.010
L31	0.35	0.006
L32	0.43	0.008
L33	0.54	0.007
L34	0.56	0.006
L35	0.66	0.006
L36	0.65	0.005
L37	0.54	0.004
L38	0.71	0.006
L39	0.81	0.004
L40	0.95	0.002



Comparison of Variance Ratios for 3- and 5-Year Experience Periods

Cohort	Variance Ratio 5-Year	3-Year
L01 Q1 P1	0.10	0.05
L01 Q1 P2	0.05	0.05
L01 Q1 P3	0.11	0.04
L01 Q1 P4	0.02	0.01
L01 Q1 P5	0.07	0.07
L01 Q2	0.02	0.03
L01 Q3	0.09	0.05
L01 Q4	0.01	0.01
L01 Q5	0.06	0.08
L02	0.01	0.00
L03	0.03	0.07
L04	0.02	0.05
L05	0.01	0.06
L06	0.10	0.07
L07	0.10	0.08
L08	0.22	0.05
L09	0.44	0.35
L10	0.24	0.30
L11	0.14	0.34
L12	0.29	0.18
L13	0.04	0.41
L14	0.30	0.21
L15	0.07	0.25
L16	0.86	0.67

Cohort	Variance Ratio 5-Year	3-Year
L17	0.39	0.25
L18	0.44	0.17
L19	0.32	0.12
L20	0.36	0.35
L21	0.49	0.38
L22	0.19	0.52
L23	0.29	0.08
L24	0.10	0.38
L25	0.45	0.50
L26	0.45	0.22
L27	0.27	0.43
L28	0.20	0.38
L29	0.19	0.52
L30	0.24	0.20
L31	0.25	0.35
L32	0.35	0.43
L33	0.29	0.54
L34	0.44	0.56
L35	0.61	0.66
L36	0.61	0.65
L37	0.73	0.54
L38	0.51	0.71
L39	1.46	0.81
L40	0.91	0.95



3- and 5-Year Experience Period Efficiencies by Cohort

	Efficiency	
Cohort	5-Year	3-Year
L01 Q1 P1	0.530	0.578
L01 Q1 P2	0.287	0.302
L01 Q1 P3	0.334	0.360
L01 Q1 P4	0.333	0.366
L01 Q1 P5	0.257	0.339
L01 Q2	0.151	0.176
L01 Q3	0.185	0.193
L01 Q4	0.108	0.082
L01 Q5	0.076	0.082
L02	0.057	0.078
L03	0.067	0.053
L04	0.041	0.048
L05	0.053	0.045
L06	0.038	0.032
L07	0.020	0.026
L08	0.016	0.019
L09	0.011	0.002
L10	0.019	0.019
L11	0.013	0.009
L12	0.014	0.014
L13	0.008	0.007
L14	0.013	0.011
L15	0.007	0.006
L16	0.004	0.005

	Efficiency	
Cohort	5-Year	3-Year
L17	0.013	0.010
L18	0.009	0.012
L19	0.006	0.011
L20	0.011	0.009
L21	0.009	0.007
L22	0.008	0.008
L23	0.002	0.005
L24	0.011	0.008
L25	0.004	0.012
L26	0.012	0.005
L27	0.012	0.001
L28	0.009	0.012
L29	0.009	0.007
L30	0.008	0.010
L31	0.007	0.006
L32	0.007	0.008
L33	0.011	0.007
L34	0.008	0.006
L35	0.006	0.006
L36	0.005	0.005
L37	0.006	0.004
L38	0.004	0.006
L39	0.002	0.004
L40	0.003	0.002

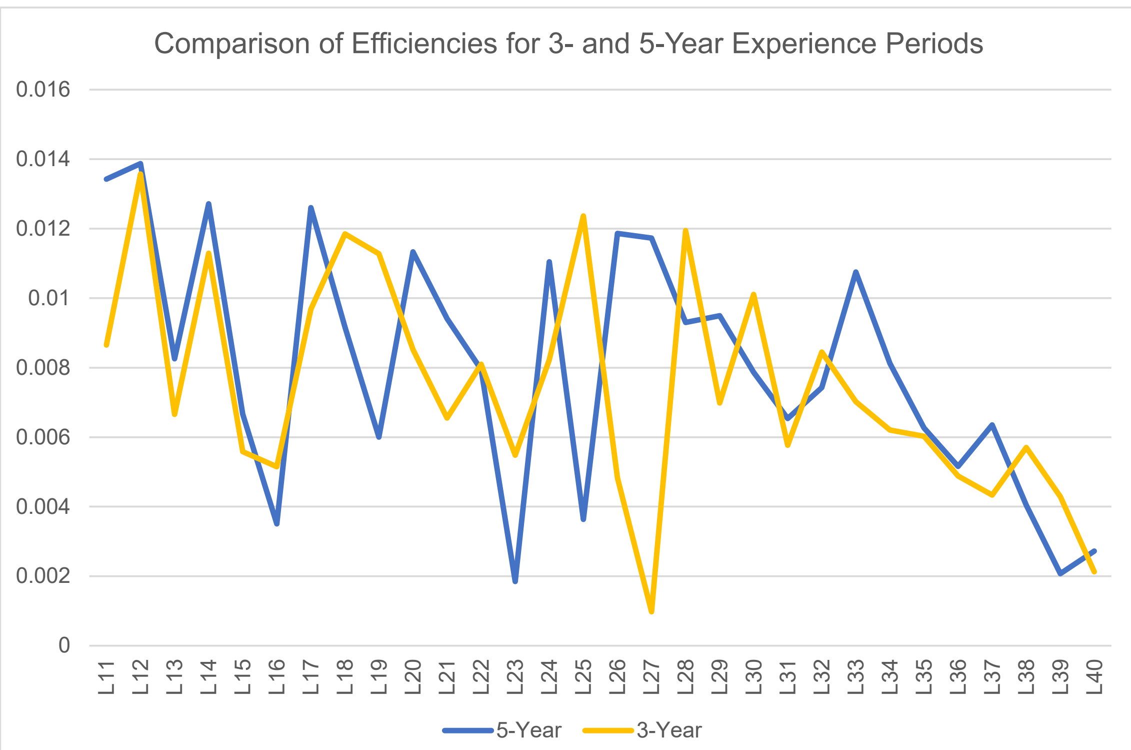


Exhibit 5

Share of Employers Crossing Potential Eligibility Thresholds between PY 2016-2017

Potential Eligibility Threshold	# Transitions	% Up	% Down
500	38,738	2.7%	3.8%
1,000	40,594	3.1%	3.7%
1,500	39,849	3.2%	3.5%
2,000	38,632	3.2%	3.3%
2,500	36,302	3.1%	3.0%
3,000	34,202	2.9%	2.8%
3,500	32,438	2.8%	2.6%
4,000	30,637	2.7%	2.4%
4,500	29,178	2.6%	2.3%
5,000	27,823	2.5%	2.1%
5,500	26,471	2.4%	2.0%
6,000	25,575	2.3%	1.9%
6,500	24,651	2.3%	1.8%
7,000	23,874	2.2%	1.8%
7,500	22,616	2.1%	1.7%
8,000	22,040	2.1%	1.6%
8,500	21,142	2.0%	1.5%
9,000	20,544	2.0%	1.5%
9,500	19,837	1.9%	1.4%
10,000	19,171	1.9%	1.3%
10,500	18,538	1.8%	1.3%

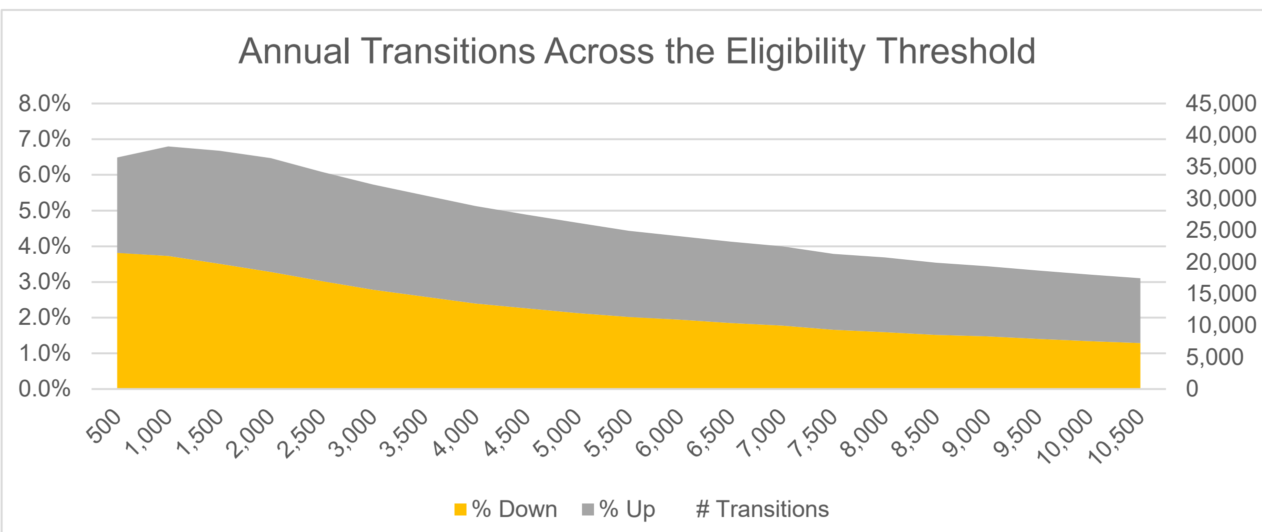
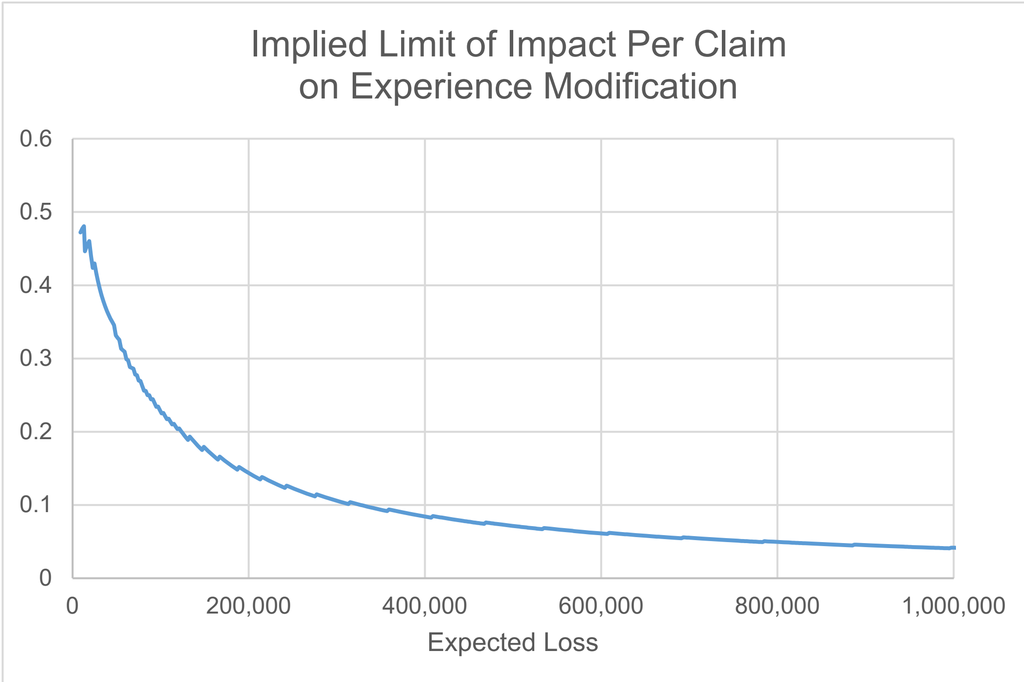


Exhibit 6



The implied cap is (Primary Threshold - 250) / Expected Loss

Exhibit 7a

Impact of Single Maximum Experience Modification

Primary Threshold	Number of Employers	% Capped by Maximum Modification	Average Modification Current Methodology	Average Modification Single Maximum Methodology	Ratio of Actual to Expected Loss Before Modification	Ratio of Actual to Expected Loss After Current Maximum Modification	Ratio of Actual to Expected Loss After Single Maximum Modification
5,500	9,840	5.5%	0.953	0.919	1.000	1.047	1.086
6,000	8,836	5.7%	0.951	0.916	0.957	1.010	1.045
6,500	7,870	5.5%	0.941	0.910	0.958	1.025	1.055
7,000	7,092	6.3%	0.948	0.913	0.964	1.018	1.057
7,500	6,252	6.4%	0.944	0.911	0.868	0.920	0.954
8,000	5,777	8.0%	0.953	0.915	0.987	1.040	1.082
8,500	4,978	7.7%	0.947	0.912	0.925	0.972	1.015
9,000	4,813	9.5%	0.959	0.915	0.957	1.002	1.047
9,500	4,321	8.5%	0.957	0.920	0.955	1.008	1.045
10,000	3,999	7.9%	0.957	0.920	0.999	1.045	1.087
10,500	3,656	7.3%	0.953	0.915	0.999	1.049	1.092

Exhibit 7b

Impact of Multiple Maximum Experience Modification

Primary Threshold	Maximum Modification	% Capped by Maximum Modification	Average Modification Current Methodology	Average Modification Variable Maximum Methodology	Ratio of Actual to Expected Loss Before Modification	Ratio of Actual to Expected Loss After Current Maximum Modification	Ratio of Actual to Expected Loss After Variable Maximum Modification
5,500	1.523	1.5%	0.953	0.921	1.000	1.047	1.083
6,000	1.576	1.6%	0.951	0.920	0.957	1.010	1.041
6,500	1.632	1.4%	0.941	0.915	0.958	1.025	1.050
7,000	1.691	1.1%	0.948	0.920	0.964	1.018	1.049
7,500	1.749	1.0%	0.944	0.920	0.868	0.920	0.945
8,000	1.811	1.2%	0.953	0.927	0.987	1.040	1.068
8,500	1.876	0.7%	0.947	0.924	0.925	0.972	1.001
9,000	1.942	1.0%	0.959	0.934	0.957	1.002	1.029
9,500	2.011	0.6%	0.957	0.936	0.955	1.008	1.027
10,000	2.083	0.6%	0.957	0.939	0.999	1.045	1.065
10,500	2.152	0.5%	0.953	0.937	0.999	1.049	1.065

Item III-B
WCIRB Policy Data Quality Program and WCIRB Unit Statistical Data Quality Program Revisions

As part of the WCIRB's ongoing effort to improve the effectiveness of its data quality programs, staff is proposing the following revisions to the *WCIRB Policy Data Quality Program* (PDQP) and *WCIRB Unit Statistical Data Quality Program* (USDQP):

1. Refine two existing PDQP metrics to align with recent updates to regulatory reporting requirements for policy, cancellation and reinstatement transactions;
2. Refine other existing PDQP and USDQP metrics to improve their effectiveness in detecting potential data quality issues; and
3. Incorporate editorial changes for clarity and consistency with other WCIRB data quality programs.

These revisions are proposed to take effect October 2021.

A. Refine PDQP Metrics to Align with New USRP Submission Timeliness Requirements

Effective January 1, 2021, the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP), Part 2, *Policy Reporting Requirements*, was amended to change the timeframe by which insurers must submit policy information, including new and renewal policies, annual rerate endorsements (AREs), renewal certificates, renewal agreements, cancellations and reinstatements. The time period for submitting these documents was reduced from 60 to 30 days.

In view of this change, staff recommends changes to the following PDQP metrics:

1. _Submission Timeliness – Policies (5% tolerance for submissions >30 days)_
   Amend the policy reporting timeliness standard from 60 days from policy inception to 30 days from policy inception.

2. _Submission Timeliness – Cancellations/Reinstatement (5% tolerance for submissions >30 days)_
   Amend the cancellation/reinstatement reporting timeliness standard from 60 days from issuance to 30 days from issuance.

Currently, 92% of all policies and cancellations/reinstatements are submitted within the new 30-day standard.

With respect to insurer performance against the new policy timeliness standard, based on the four quarter results ending March 31, 2021, 68% of insurers meet both the old and the new standard, 24% percent meet the old but not the new standard, and 8% meet neither standard.

With respect to insurer performance against the new cancellation and reinstatement standard, based on the four quarter results ending March 31, 2021, 85% of insurers meet both the old and the new standard, 6% meet the old but not the new standard, and 9% meet neither standard.

Given that these reporting standards became effective January 1, 2021, WCIRB staff advised insurers of the reporting changes during the 2020 quarterly insurer meetings and will keep insurers apprised on a quarterly basis of their progress towards meeting these new targets. Staff will provide targeted coaching and outreach to further assist insurers that will not meet the new standards. Staff will not initiate new remediation actions based on the new 30-day requirements until a full four quarters of data measured under the new metrics is received. Remediation actions under the new metrics will resume October 1, 2022.

B. Refine PDQP Metrics to Improve Accuracy

Responsiveness to Policy Work Items (20% tolerance)
The current metric is intended to measure the portion of an insurer's policy work items that take more than 60 days[1] to resolve. As currently constructed, however, this metric incorporates only those work items that are either closed or for which the applicable policy has expired. As such, the metric excludes all outstanding work items. By not counting the outstanding work items, the metric fails to take into account the total portion of work items, including those that are either late or never resolved. This omission may actually create unintended outcomes whereby an insurer that actively resolves delinquent work items would have worse results than an insurer that merely neglects its unresolved work items.

Staff recommends amending the metric to more accurately measure insurer responsiveness in resolving work items. Rather than just counting 'closed' work items, the revised metric will incorporate all unresolved items that have passed the 60-day threshold.[2] Under this approach, each quarter under review would measure:

$$\frac{\textit{Number of unresolved work items that have passed the 60-day threshold}^{3}}{\textit{Total of the number of resolved work items within the 60-day threshold plus the number of unresolved work items that have passed the 60-day threshold}}$$

As indicated above, the focus will shift to the portion of all work items that are not resolved (and remain open) within the 60-day standard. This will improve the PDQP's accuracy in measuring insurer responsiveness in resolving work items on a timely basis.

With respect to insurer performance against this new standard, based on the four quarter results ending March 31, 2021, 72% of insurers meet both the old and new standard, 8% meet the new but not the old standard, 4% meet the old but not the new standard, and 17% meet neither standard. Overall, the statewide performance will transition from 76% of insurers successfully achieving the standard to 80%.

Staff will keep insurers apprised on a quarterly basis of their progress and will not initiate new remediation actions until two quarters of data has been summarized. This will give insurers adequate time to transition to the new measurement. Thereafter, staff will continue to work with insurers and only initiate remediation actions if responsiveness issues remain unaddressed.

C. Refine USDQP Metrics to Improve Effectiveness

Responsiveness to USR Work Items (20% tolerance)
The current metric measures the portion of USR work items that an insurer takes more than 60 days to resolve, and only counts the work item when it is closed. Similar to the *Responsiveness to Policy Work Items*, staff recommends revising the metric to measure the portion of all USR work items that remain unresolved for more than 60 days.

With respect to insurer performance against the new standard, based on the four quarter results ending March 31, 2021, 90% of insurers meet both the old and new standard and 10% did not meet the old but would meet the new standard.

[1] The 60 days counts only time in the insurer's WCIRB Connect work queue.

[2] Work items unresolved within the 60-day period are not counted in the metric because their responsiveness under the metric has not yet been determined. Any work items resolved after the 60-day threshold would have already been counted in the rolling four-quarter metric results used to evaluate insurers.

[3] A work item will be included in the metric on the 61st day of being unresolved.

D. Editorial Changes

Several non-substantive clarifying and editorial changes are recommended to improve the clarity and consistency of the Programs.

The revised PDQP also includes changes that reclassify the *Unmatched Policy Transactions – Cancellations/Reinstatements* and *Unmatched USRs* metrics as measures of timeliness instead accuracy. These metrics better align with timeliness because they measure an insurer's ability to resolve an unmatched policy transaction or USR within 60 days. Staff is not recommending substantive changes to either metric at this time.

The revised USDQP also changes the title of the *Late Reported Specific Injury Claims* metric to *Specific Injury Claims Initially Reported After First Report Level* to more accurately describe this metric. Staff is not recommending any substantive changes to this metric.

A copy of the updated versions of the PDQP and USDQP are attached as Exhibits 1 and 2, respectively.

WCIRB Policy Data Quality Program

Effective ~~January 2020~~October 2021

WCIRBCalifornia®
Objective.Trusted.Integral.

I. Background and Purpose

Timely, complete and accurate policy data is critical to the development of correct experience modifications and the provision of accurate policyholder coverage information, as well as to ensure the proper and complete use of approved policy forms. The *WCIRB Policy Data Quality Program* (Program) is intended to assist and encourage insurers in identifying and, as appropriate, modifying their data reporting procedures, thereby enhancing the timeliness, completeness and accuracy of their policy submissions to the WCIRB and minimizing any adverse impact from the inaccurate or untimely submission of data on the overall quality of WCIRB data.

II. General Administration of the Program

A. Eligibility and Participation Requirements

1. This Program is administered on an insurer group basis. For purposes of the Program, an insurer group (hereinafter collectively referred to as "insurer") is based on the ownership groups designated by the National Association of Insurance Commissioners (NAIC).[1]
2. Insurers that wrote at least 100 policies and $35 million[2] in total California workers' compensation written pure premium in the latest available calendar year[3] will be subject to the Program.
3. An insurer that is subject to the Remedial Procedures detailed in Part V, Section B, shall remain subject to the Program even if the insurer's premium volume or policy count falls below the eligibility standards noted above.
4. Notwithstanding the above, the WCIRB reserves the right to include any insurer in the Program.

Insurers must designate a primary authorized individual to act as the Program Coordinator to receive all correspondence related to the Program. An insurer shall immediately notify the WCIRB of any change in the designated Program Coordinator or his/her contact information by emailing pdqp@wcirb.com. Failure to do so prevents an insurer from asserting that it did not receive written notifications related to the Program, including for purposes of waiving fines.

III. Accuracy of Electronic Reporting

A. Selection of Policy Transactions Subject to Part III of the Program

1. Scheduling Insurer Review: The WCIRB will establish a schedule to ensure that each insurer subject to the Program will be issued a Selection List of policy documents to be submitted to the WCIRB for purposes of verifying the accuracy of electronically reported policy data at least once every ~~four~~three years. The WCIRB will notify each insurer of its schedule at least three months in advance of publishing the Selection List. The WCIRB reserves the right to initiate more frequent reviews based on the findings for an individual insurer.
2. Quota: The minimum selection quota for each insurer is twenty policies, twenty endorsements and ten cancellation/reinstatement transactions. Based upon its initial review of the documents, and as necessary to conduct a complete and thorough analysis, the WCIRB may issue the insurer a supplemental Selection List of additional policy documents to be submitted to the WCIRB.

[1] In some instances, to reflect insurers' business operations, insurers within a particular NAIC group may be grouped into separate subgroups for purposes of the Program.

[2] This amount is subject to change by the WCIRB president based on significant changes in the average statewide rate level.

[3] This standard is based on direct written premium at the advisory pure premium rate level as reported on the WCIRB call for quarterly experience. This pure premium is after the application of experience modifications but prior to the application of deductible credits.

3. Selection List(s): The WCIRB will issue each insurer scheduled for review a Selection List comprising a sample of the insurer's recently submitted policy transactions. The Selection List will indicate the ~~WCIRB file number,~~ insurer's ~~name, policyholder name~~California insurer code, policy number, and policy effective date.
4. Providing Requested Materials: Within thirty days following publication of the Selection List, the insurer shall submit electronic copies (print images or PDFs) of the hard copy documents provided to policyholders, representing each of the requested policy transactions ("hard copy" or "hard copies"). Hard copy documents must be submitted electronically and in the manner prescribed by the WCIRB.
5. Fines for Delinquent Material: Submissions will not be considered received until all requested materials are provided to the WCIRB.
   a. If all of the requested materials are not received by the WCIRB within thirty days following publication of the Selection List, the insurer will be charged a $500 fine.
   b. If all of the requested materials are still not received by the WCIRB within sixty days following publication of the Selection List, the insurer will be charged another $500 fine, and the WCIRB will provide the insurer with an updated Selection List that identifies a new sample of policy transactions.
      i. If all of the requested materials from the updated Selection List are not received by the WCIRB within thirty days following publication of the updated Selection List, the insurer will be charged a $1,000 fine.
      ii. If all of the requested materials from the updated Selection List are still not received by the WCIRB within sixty days following publication of the updated Selection List, the insurer will be charged another $1,000 fine, and the insurer's results will be subject to remedial action as described in Part V, Section B.
   c. Waivers of fines for delinquent materials may be granted at the WCIRB's sole discretion upon a demonstration of good cause, provided an application for waiver is received within thirty days following publication of the Selection List or updated Selection List.

B. Comparison of Hard Copy to Electronic Transactions

The WCIRB will compare the following data elements submitted electronically with the corresponding information on the hard copy policy documents:

1. Policyholder Name(s)
2. Address – Mailing
3. Address – Location(s)
4. Classification(s)
5. Coverage Dates
6. Experience Modification(s)
7. Form Number(s)
8. Forms – Variable Text on Limiting and Restricting Endorsements

Based on its initial review, the WCIRB may determine that a complete and thorough analysis requires examination of additional information. If so, the WCIRB will send the insurer a request for additional documents and/or policy transactions. Submission of the requested hard copy documents to the WCIRB is subject to the same timeline(s) and fines as set forth in Part III, Section A, Rules 4 and 5, except that the time period will begin on the date the WCIRB issued its request or updated request for the additional information.

At the close of its review of all submitted documents, the WCIRB will advise the insurer of its findings:

1. Subject to Part III, Section A, Rule 1, if there were no differences between the hard copy and electronic transactions, then no further action is needed until the next scheduled selection.
2. If there were differences between the hard copy and electronic transactions, then the WCIRB will require the insurer to identify the root cause of each difference and submit a proposed time frame for remedying the identified cause(s), which will be subject to WCIRB approval. At the end of the agreed-upon time frame, the WCIRB will provide the insurer with a new Selection List of policy transactions, and submission of the requested hard copy documents to the WCIRB will be subject to the same timeline(s) and fines as set forth in Part III, Section A, Rules 4 and 5.
   a. Subject to Part III, Section A, Rule 1, if the WCIRB's review of these documents shows that the identified issues have been resolved, then no further action is needed until the next scheduled selection.
   b. If the WCIRB determines that the identified issues have not been resolved by the agreed-upon time frame, the insurer's results will be subject to remedial action as described in Part V, Section B.

IV. Data Quality Metrics

All policy transactions will be reviewed using the data quality measurements outlined in this Part. Within thirty days from the end of each quarter, the WCIRB will publish for each participating insurer a report detailing the insurer's results with respect to policy transactions submitted to the WCIRB during the quarter as well as during the latest four-quarter period. Unless otherwise specified, if an insurer's results over a four-quarter period exceed the designated tolerance in the Appendix for one or more of the data quality measurements outlined in this Part, the insurer's results will be subject to remedial action pursuant to the Administrative Procedures described in Part V, provided the established minimum volume during the four-quarter period is met.

Refer to the Appendix for the designated tolerance and minimum volume for each metric.

A. Timeliness

1. *Submission Timeliness – Policies*

The "Submission Timeliness – Policies" data quality metric measures an insurer's success in submitting all policies on a timely basis as specified in the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP).[4] Specifically, for each insurer, the percentage of policies[5] received more than ~~sixty~~thirty days after the policy inception date is determined as follows for the time period under review:

$$\frac{\text{Number of policies received more than }\cancel{\text{sixty}}\text{thirty days after the policy inception date}}{\text{Total number of policies received}}$$

2. *Submission Timeliness – Cancellations/Reinstatements*

The "Submission Timeliness – Cancellations/Reinstatements" data quality metric measures an insurer's success in submitting all cancellations and reinstatements ~~on a timely basis as specified in the USRP~~within thirty days after the issuance date.[6] Specifically, for each insurer, the

[4] Pursuant to Part 2, Section 1, Rule 1a(1), of the USRP, policies are due to the WCIRB no later than ~~sixty~~thirty days after policy inception.

[5] "Policies" includes the following WCPOLS transactions: New Policy, Renewal Policy, Annual Rating Endorsement, and Renewal Certificate/Renewal Agreement.

[6] ~~Pursuant to Part 2, Section 1, Rule 3, of the USRP,~~This requirement will ensure that cancellations~~/~~ and reinstatements are ~~due~~ reported to the WCIRB ~~no later than sixty days~~in a timely manner after issuance ~~date~~of such transactions.

percentage of cancellations and reinstatements received more than ~~sixty~~thirty days after the issuance date is determined as follows for the time period under review:

Number of cancellations and reinstatements received more than ~~sixty~~thirty days after the issuance date
Total number of cancellations and reinstatements received

3. *Responsiveness to Policy Work Items*

The "Responsiveness to Policy Work Items" data quality metric measures an insurer's success in responding on a timely and accurate basis to WCIRB policy work item inquiries related to verifying the accuracy of data reported on policies. This metric looks at the volume of work items that remain unresolved for more than sixty days from issuance of the inquiry.[7] Specifically, for each insurer, the responsiveness to policy work items percentage is determined as follows for the time period under review:

Number of ~~policy~~unresolved work items~~[8]~~ ~~more than~~that have passed the sixty-~~-~~days ~~from issuance of the inquiry~~threshold[9]
Total of the number of ~~policy~~resolved work items ~~closed~~within the sixty-day threshold plus the number of unresolved work items that have passed the sixty-day threshold

4. *Unmatched Policy Transactions – Cancellations/Reinstatements*

The "Unmatched Policy Transactions – Cancellations/Reinstatements" data quality metric measures an insurer's success in reporting required policy transactions to the WCIRB. ~~As a measure of this, t~~This metric looks at the volume of cancellations and reinstatements reported to the WCIRB that are not matched within sixty days to its corresponding policy~~ies previously submitted to the WCIRB~~. Specifically, for each insurer, the percentage of unmatched cancellations and reinstatements is determined as follows for the time period under review:

Number of cancellations and reinstatements not matched within sixty days
Total number of cancellations and reinstatements received

5. *Unmatched USRs*

The "Unmatched USRs" data quality metric measures an insurer's success in reporting required policy transactions to the WCIRB. ~~As a measure of this, t~~This metric looks at the volume of original[10] first report level unit statistical reports (USRs) reported to the WCIRB that are not matched within sixty days to its corresponding policy~~ information previously submitted to the WCIRB~~. Specifically, for each insurer, the percentage of unmatched USRs is determined as follows for the time period under review:

Number of original first report level USRs not matched within sixty days
Total number of original first report level USRs received

[7] The date of issuance of the inquiry is the date the work item is generated by the WCIRB and the insurer is notified. This metric only considers the days a work item is assigned to the insurer and does not include the days a work item is pending with the WCIRB.

~~[8] An inquiry is considered "closed" when WCIRB records reflect the WCIRB Connect work item as "closed" or "approved".~~

[9] ~~The date of issuance of the inquiry is the date the work item is generated by the WCIRB and the insurer is notified. This metric only considers the days a work item is assigned to the insurer and does not include the days a work item is pending with the WCIRB.~~Work items unresolved within the sixty-day period are not counted in the metric because their responsiveness under the metric has not yet been determined. Any work items resolved after the sixty-day threshold would have already been counted in the rolling four-quarter metric results used to evaluate insurers.

[10] An "original" USR refers to the first submission of the USR at a specific report level.

Data Quality Metrics

B. Completeness and Accuracy

~~1. *Unmatched Policy Transactions – Cancellations/Reinstatements*~~

~~The "Unmatched Policy Transactions – Cancellations/Reinstatements" data quality metric measures an insurer's success in reporting required policy transactions to the WCIRB. As a measure of this, this metric looks at the volume of cancellations and reinstatements reported to the WCIRB that are not matched within sixty days to policies previously submitted to the WCIRB. Specifically, for each insurer, the percentage of unmatched cancellations and reinstatements is determined as follows for the time period under review:~~

$$\cancel{\frac{\text{Number of cancellations and reinstatements not matched within sixty days}}{\text{Total number of cancellations and reinstatements received}}}$$

~~2. Unmatched USRs~~

~~The "Unmatched USRs" data quality metric measures an insurer's success in reporting required policy transactions to the WCIRB. As a measure of this, this metric looks at the volume of original[11] first report level unit statistical reports (USRs) reported to the WCIRB that are not matched within sixty days to corresponding policy information previously submitted to the WCIRB. Specifically, for each insurer, the percentage of unmatched USRs is determined as follows for the time period under review:~~

$$\cancel{\frac{\text{Number of original first report level USRs not matched within sixty days}}{\text{Total number of original first report level USRs received}}}$$

~~2.~~1. *Experience Modification Reporting Success – Policy Transactions*

The "Experience Modification Reporting Success – Policy Transactions" data quality metric measures an insurer's success in reporting its initial policies[12] to the WCIRB with WCIRB published experience modification data within sixty days of receipt of the initial policy. Specifically, for each insurer, the percentage of initial policies reported with experience modification audit errors is determined as follows for the time period under review:

$$\frac{\text{Number of initial policies with unresolved experience modification audit errors sixty days after receipt of the initial policy}}{\text{Total number of initial policies with published experience modifications}}$$

~~3.~~2. *Forms Compliance*

The "Forms Compliance" data quality metric measures an insurer's success related to the use of approved policy forms and the endorsement of provisions required by California law using approved forms. Specifically, for each insurer, all instances are identified where an unapproved form is used, along with a count of the number of policies impacted. In addition, all instances are identified where a policy is not endorsed with provisions required by California law using approved forms.

Insurer results for this metric are advisory only. However, an insurer may be subject to remedial action as described in Part V if deficiencies are identified.

~~[11] An "original" USR refers to the first submission of the USR at a specific report level.~~

[12] An "initial policy" is the first of any of the following WCPOLS transactions received by the WCIRB: New Policy, Renewal Policy, Annual Rerate Endorsement and Renewal Certificate/Renewal Agreement.

V. Administrative Procedures

A. Review of Results from Part IV, *Data Quality Metrics*

Unless otherwise specified, if an insurer's results over a four-quarter period exceed the designated tolerance for one or more of the data quality measurements specified in Part IV, the insurer will be notified in writing by WCIRB staff within thirty days following the end of the four-quarter period.

Within thirty days of this notice, the insurer must submit either:

1. A detailed written explanation that includes sufficient documentation confirming that the data exceeding the designated tolerance is correct as reported and does not indicate a data and/or reporting deficiency, or
2. A remediation plan that describes the data and/or reporting deficiencies that caused the designated tolerance(s) to be exceeded, the actions the insurer has taken or will take to remedy the deficiencies, and the time frame by which the insurer expects all the deficiencies will be resolved and its performance will meet Program tolerances.

Insurers shall provide, at the request of the WCIRB, all relevant documents required to validate the accuracy and completeness of reported data.

The WCIRB president or his/her designated representative (hereafter collectively referred to as "the WCIRB") will respond to the insurer within thirty days of receipt of the insurer's written explanation or remediation plan.

The insurer will be subject to the Remedial Procedures described in Section B if any of the following occurs:

1. No detailed written explanation or remediation plan is submitted by the insurer within thirty days of the WCIRB's initial notice;[13]
2. ~~t~~The WCIRB determines the insurer's detailed written explanation does not provide sufficient documentation confirming that the data exceeding the designated tolerance is correct as reported;
3. The WCIRB determines that the insurer's data and/or reporting deficiencies have not been resolved and its results continue to exceed the Program tolerances; or
4. Notwithstanding an insurer's results under Parts III and IV of the Program, the WCIRB determines that an insurer has (1) systemic data and/or reporting deficiencies or (2) egregiously or persistently failed to timely, completely and satisfactorily respond to WCIRB requests for written explanation or documentation to validate the quality of reported data.

B. Remedial Procedures

1. Stage 1: WCIRB Staff. The following actions shall be taken when the WCIRB determines that an insurer must undergo Stage 1 remediation.
    a. The WCIRB will notify the insurer that it is subject to Stage 1 remediation and determine the time frame by which all the deficiencies must be resolved and the Program tolerances must be met (Remediation Evaluation Period) to avoid being cited to the Classification and Rating Committee for further administrative action as described in Stage 2. The Remediation Evaluation Period shall encompass a minimum of two quarters and may be subsequently extended until enough data has been attained to produce a credible determination of whether all the deficiencies have been remediated.

[13] An extension of the deadline may be granted, provided the insurer requests an extension on or before the original deadline. All extensions are subject to written pre-approval by WCIRB staff on a case-by-case basis.

i. If the insurer does not make significant progress in resolving all the deficiencies and meeting the Program tolerances during the Remediation Evaluation Period, the insurer will be cited to the Classification and Rating Committee for further administrative action as described in Stage 2.

ii. If significant progress is made in resolving all the deficiencies and results meet the Program tolerances during the Remediation Evaluation Period, such performance must be sustained over the subsequent four consecutive quarters (Remediation Monitoring Period); otherwise, the insurer will be cited to the Classification and Rating Committee for further administrative action as described in Stage 2.

iii. If significant progress is made in resolving all the deficiencies and results meet the Program tolerances during the Remediation Evaluation Period, and such performance is sustained through the Remediation Monitoring Period, the insurer will not be cited to the Classification and Rating Committee as described in Stage 2. If, following the Remediation Monitoring Period, (a) the insurer's results for one or more of the data quality metrics specified in Part IV exceed one or more of the Program tolerances, (b) data and/or reporting deficiencies are identified, or (c) both types of issues are identified, the insurer's performance will again be subject to remedial action pursuant to Part V.

2. Stage 2: Classification and Rating Committee. If an insurer's results do not meet the Program's tolerances and all deficiencies are not resolved after completion of Stage 1 as described above, the insurer will be subject to the following:

a. The WCIRB will cite the insurer to the Classification and Rating Committee.

b. Within thirty days of notification of citation to the Classification and Rating Committee, the insurer shall provide a new remediation plan that describes:

i. The specific remedial measures to be undertaken by the insurer,

ii. The time frames during which the remedial measures will be implemented, and

iii. The date by which the insurer expects all of its data and/or reporting deficiencies will be resolved and its performance will meet Program tolerances.

c. An officer of the insurer will be required to meet with the Classification and Rating Committee to explain why the insurer's remediation plan submitted in Stage 1 failed to achieve the desired results and to present the new remediation plan.

d. At the meeting of the Classification and Rating Committee, the following actions shall be taken:

i. The insurer's performance with respect to Part III, the data quality metrics listed in Part IV, and any other data quality concerns in other WCIRB data quality programs will be reported to the Classification and Rating Committee;

ii. A fine equal to 1/100 of 1% of the most recent certified calendar year written pure premium[14] at the time the insurer was notified that it had been cited to the Classification and Rating Committee pursuant to subparagraph a. above, subject to a minimum of $5,000 and a maximum of $50,000, will be imposed; and

iii. A Remediation Evaluation Period will be established.

e. The Classification and Rating Committee may recommend any additional lawful administrative actions it deems necessary, reasonable or appropriate to facilitate or

[14] Complete calendar year (January 1 to December 31) direct written premium at the pure premium rate level (prior to application of deductible credits), as reported on the WCIRB *Data Call for Direct California Workers' Compensation Experience* (due by February of the following year), that has been certified as to its accuracy on the *WCIRB Financial Call Data Certification* (due by June of the following year) submitted by that insurer.

encourage the insurer's implementation of adequate remedial measures, including citation to the Governing Committee.

f. The WCIRB will report the Classification and Rating Committee's findings and actions to the appropriate insurance company officer and advise of the following:

   i. If the insurer does not make significant progress in resolving all the deficiencies and meeting the Program tolerances during the Remediation Evaluation Period, the insurer will be cited to the Governing Committee for further administration action as described in Stage 3.

   ii. If significant progress is made in resolving all the deficiencies and results meet the Program tolerances during the Remediation Evaluation Period, such performance must be sustained through the Remediation Monitoring Period; otherwise, the insurer will be cited to the Governing Committee for further administrative action as described in Stage 3.

   iii. If significant progress is made in resolving all the deficiencies and results meet the Program tolerances during the Remediation Evaluation Period, and such performance is sustained through the Remediation Monitoring Period, the insurer will not be cited to the Governing Committee. If, following the Remediation Monitoring Period, (a) results for one or more of the data quality metrics specified in Part IV exceed the Program's designated tolerances, (b) data and/or reporting deficiencies are identified, or (c) both types of issues are identified, the insurer's performance will again be subject to remedial action pursuant to Part V.

3. Stage 3: Governing Committee. If an insurer's results do not meet the Program's tolerances and all deficiencies are not resolved after completion of Stage 2 as described above, the insurer will be subject to the following:

   a. The WCIRB will cite the insurer to the Governing Committee.

   b. Within thirty days of notification of citation to the Governing Committee, the insurer shall provide a new remediation plan that describes:

      i. The specific remedial measures to be undertaken by the insurer,

      ii. The time frames during which the remedial measures will be implemented, and

      iii. The date by which the insurer expects all of its deficiencies will be resolved and its performance will meet Program tolerances.

   c. A senior officer of the insurer will be required to meet with the Governing Committee to explain why the insurer's remediation plan submitted in Stage 2 failed to achieve the desired results and to present the new remediation plan.

   d. The insurer's performance with respect to Part III, the data quality metrics listed in Part IV, and any other data quality concerns in other WCIRB data quality programs will be reported to the Governing Committee.

   e. Within sixty days of notification to the insurer that it has been cited to the Governing Committee:

      i. A Remediation Evaluation Period will be established; and

      ii. A monthly fine equal to 1/100 of 1% of the most recent certified calendar year written pure premium[15] at the time the insurer was notified that it had been cited to the

[15] Complete calendar year (January 1 to December 31) direct written premium at pure premium rate level (prior to application of deductible credits), as reported on the WCIRB *Data Call for Direct California Workers' Compensation Experience* (due by February of the following year), that has been certified as to its accuracy on the *WCIRB Financial Call Data Certification* (due by June of the following year) submitted by that insurer.

Classification and Rating Committee pursuant to Paragraph 2, Stage 2: Classification and Rating Committee, subparagraph a, subject to a minimum of $5,000 and a maximum of $50,000, will be imposed. The monthly fine will continue until such time as:

- Enough data has been reported and evaluated subsequent to the meeting with the Governing Committee to produce a credible evaluation of the insurer's performance, and
- The insurer's performance meets Program tolerances and resolves all of the deficiencies.

f. The Governing Committee may recommend any additional lawful administrative actions it deems necessary, reasonable or appropriate to facilitate or encourage the insurer's implementation of adequate remedial measures, including citation to the California Insurance Commissioner.

g. The WCIRB will report the Governing Committee's findings and actions to the appropriate insurance company senior officer and advise of the following:

i. If the insurer does not make significant progress in resolving all the deficiencies and meeting Program tolerances during Remediation Evaluation Period, the WCIRB president will, unless instructed otherwise by the Governing Committee, cite the insurer to the California Insurance Commissioner for consideration of further remedial action, including but not limited to additional fines, penalties, and/or suspension of authority to transact workers' compensation insurance. The citation to the California Insurance Commissioner will include a report on the insurer's performance with respect to this Program and any other data quality concerns in other WCIRB data quality programs.

ii. If significant progress is made in resolving all the deficiencies, and results meet the Program tolerances during the Remediation Evaluation Period, such performance must be sustained through the Remediation Monitoring Period; otherwise, the insurer will be cited to the California Insurance Commissioner unless the Governing Committee instructs the WCIRB president otherwise.

iii. If significant progress is made in resolving all the deficiencies, results meet the Program tolerances during the Remediation Evaluation Period, and such performance is sustained through the Remediation Monitoring Period, the insurer will not be cited to the California Insurance Commissioner. If, following the Remediation Monitoring Period, (a) the insurer's results exceed the Program's designated tolerances for one or more of the data quality metrics specified in Part IV, (b) data and/or reporting deficiencies are identified, or (c) both types of issues are identified, the insurer's performance will again be subject to remedial action pursuant to Part V.

4. An insurer whose results are approaching Program tolerances or that has data and/or reporting deficiencies may be requested to meet periodically or correspond with the WCIRB for the purpose of outlining the remedial measures the insurer proposes to implement to improve performance.

Appendix

Metric Tolerances

Unless otherwise specified:

- The data quality metrics in this Program are measured against specified tolerances defined below. The WCIRB evaluates each metric's tolerance from time to time, taking into consideration the distribution of statewide data.
- If an insurer exceeds a designated metric tolerance over a four-quarter period, the insurer's results will be subject to remedial action as described in Part V, provided the minimum volume for the metric is met during the four-quarter period.

	Metric	Tolerance	Minimum Volume for Remediation	Other Criteria
Timeliness				
1	Submission Timeliness – Policies	5%	25 policies received more than ~~sixty~~thirty days after the policy inception date	
2	Submission Timeliness – Cancellations/Reinstatements	5%	25 cancellations and/or reinstatements received more than ~~sixty~~thirty days after the issuance date	
3	Responsiveness to Policy Work Items	20%	25 unresolved policy work items ~~closed more than~~that passed the sixty-~~-~~days ~~from issuance of the inquiry~~threshold	
4	Unmatched Policy Transactions – Cancellations/Reinstatements	2%	25 cancellations and/or reinstatements not matched within sixty days	
5	Unmatched USRs	2%	25 original first report level USRs not matched within sixty days	
Completeness and Accuracy				
~~1~~	~~Unmatched Policy Transactions – Cancellations/Reinstatements~~	~~2%~~	~~25 cancellations and/or reinstatements not matched within sixty days~~	
~~2~~	~~Unmatched USRs~~	~~2%~~	~~25 original first report level USRs not matched within sixty days~~	

Appendix

	Metric	Tolerance	Minimum Volume for Remediation	Other Criteria
3	Experience Modification Reporting Success – Policy Transactions	10%	25 initial policies reported with experience modification audit errors within sixty days of receipt of the initial policy	
4	Forms Compliance	N/A	N/A	Insurer results for this metric are advisory only. However, an insurer may be subject to remedial action as described in Part V if deficiencies are identified

WCIRB Unit Statistical Data Quality Program

Effective ~~January 2020~~October 2021

WCIRBCalifornia®
Objective.Trusted.Integral.

I. Background and Purpose

Reliable statistical data is critical to the development of accurate classification pure premium rates and experience modifications. The *WCIRB Unit Statistical Data Quality Program* (Program) is intended to assist and encourage insurers in identifying and, as appropriate, modifying their data reporting procedures, thereby enhancing the timeliness, completeness and accuracy of their unit statistical report (USR) submissions to the WCIRB and minimizing any adverse impact from the inaccurate or untimely submission of data on the overall quality of WCIRB data used for experience rating and ratemaking.

II. General Administration of the Program

A. Eligibility and Participation Requirements

1. This Program is administered on an insurer group basis. For purposes of the Program, an insurer group (hereinafter collectively referred to as "insurer") is based on the ownership groups designated by the National Association of Insurance Commissioners (NAIC).[1]
2. Insurers that wrote at least 100 policies and $35 million[2] in total California workers' compensation written pure premium in the latest available calendar year[3] will be subject to the Program.
3. An insurer that is subject to the Remedial Procedures detailed in Part IV, Section B, shall remain subject to the Program even if the insurer's premium volume or policy count falls below the eligibility standards noted above.
4. Notwithstanding the above, the WCIRB reserves the right to include any insurer in the Program.

Insurers must designate a primary authorized individual to act as the Program Coordinator to receive all correspondence related to the Program. An insurer shall immediately notify the WCIRB of any change in the designated Program Coordinator or his/her contact information by emailing dataqualityprogram@wcirb.com. Failure to do so prevents an insurer from asserting that it did not receive written notifications related to the Program, including for purposes of waiving fines.

B. Insurer Results

Within thirty days from the end of each quarter, the WCIRB will publish for each participating insurer a report detailing the insurer's results with respect to USRs submitted to the WCIRB during the quarter as well as during the latest four-quarter period. Unless otherwise specified, if an insurer's results over a four-quarter period exceed the designated tolerance in the Appendix for one or more of the data quality measurements specified in Part III, the insurer's results will be subject to remedial action pursuant to the Administrative Procedures described in Part IV, provided the established minimum volume during the four-quarter period is met.

III. Data Quality Metrics

Refer to the Appendix for the designated tolerance(s) and minimum volume(s) for each metric.

A. Timeliness

1. *Submission Timeliness <u>– USRs</u>*

The "Submission Timeliness <u>– USRs</u>" data quality metric measures an insurer's success in submitting all original[4] USRs on a timely basis as specified in the *California Workers'*

[1] In some instances, to reflect insurers' business operations, insurers within a particular NAIC group may be grouped into separate subgroups for purposes of the Program.

[2] This amount is subject to change by the WCIRB president based on significant changes in the average statewide rate level.

[3] This standard is based on direct written premium at the advisory pure premium rate level as reported on the WCIRB call for quarterly experience. This pure premium is after the application of experience modifications but prior to the application of deductible credits.

[4] An "original" USR refers to the first submission of the USR at a specific report level.

Compensation Uniform Statistical Reporting Plan—1995 (USRP).[5] Specifically, for each insurer, the percentage of original USRs received after the month of the USR's due date is determined as follows for the time period under review:

Number of original USRs received
after the month of the USR's due date as specified by the USRP
____
Total number of original USRs received

2. *Responsiveness to USR Work Items*

The "Responsiveness to USR Work Items" data quality metric measures an insurer's success in responding on a timely and accurate basis to WCIRB USR work item~~s~~ inquiries related to verifying the accuracy of data reported on USRs. This metric looks at the volume of work items that remain unresolved for more than sixty days from issuance of the inquiry.[6] Specifically, for each insurer, the responsiveness to USR work items percentage is determined as follows for the time period under review:

Number of ~~USR~~unresolved work items ~~closed~~[7] ~~more than~~that have passed the sixty-~~-~~
day~~s from issuance of the inquiry~~threshold[8]
____
Total of the number of ~~USR~~resolved work items ~~closed~~within the sixty-day threshold
plus the number of unresolved work items that have passed the sixty-day threshold

B. Completeness and Accuracy

1. *Large Policies with No Claims*

The "Large Policies with No Claims" data quality metric measures an insurer's success in reporting claims by identifying "large policies"[9] for which one or more claims are expected, but no claims are reported. This metric includes two parts:

a. *Policies with at least $250,000 in modified pure premium and no reported claims on the original first report level USR:*

For each insurer, the percentage of large policies with no claims reported is determined as follows for the time period under review:

Number of original first report level USRs for large policies that are reported with no claims
____
Total number of original first report level USRs for large policies

b. *Policies with at least $1,000,000 in modified pure premium and no reported claims on the original first report level USR:*

---

[5] Pursuant to Part 4, Section I, Rule 3, of the USRP, first report level USRs are due to the WCIRB no later than 20 months after the inception date of the policy. Subsequent report level USRs are due every 12 months thereafter.

[6] The date of issuance of the inquiry is the date the work item is generated by the WCIRB and the insurer is notified. This metric only considers the days a work item is assigned to the insurer and does not include the days a work item is pending with the WCIRB.

~~[7] An inquiry is considered "closed" when WCIRB records reflect the WCIRB Connect work item as "closed" or "approved".~~

[8] ~~The date of issuance of the inquiry is the date the work item is generated by the WCIRB and the insurer is notified. This metric only considers the days a work item is assigned to the insurer and does not include the days a work item is pending with the WCIRB.~~Work items unresolved within the sixty day period are not counted in the metric because their responsiveness under the metric has not yet been determined. Any work items resolved after the sixty-day threshold would have already been counted in the rolling four-quarter metric results used to evaluate insurers.

[9] "Large Policies" are defined using modified pure premium (gross of deductible credits). Modified pure premium for a policy is determined based on applying the policy's experience modification(s) to the sum generated by applying the California advisory pure premium rates for each classification to the payroll reported in that classification.

Data Quality Metrics

For each large policy with at least $1,000,000 in modified pure premium reported with no claims on the original first report level USR, acceptable documentation[10] is required[11] to verify that no claims exist for the policy term at the original first report level USR. An insurer will be subject to further evaluation as described in Part IV if either of the following occur:

i. Acceptable documentation is not provided within thirty days from issuance of the work item;[12] or

ii. The documentation indicates that claims occurred within the term of the policy, denoting a claim reporting deficiency.

2. *~~Late Reported~~ Specific Injury Claims Initially Reported After First Report Level*

The "~~Late Reported~~ Specific Injury Claims Initially Reported After First Report Level" data quality metric measures an insurer's success in reporting claims on a timely basis. This metric evaluates the volume of specific injury[13] claims that are first reported to the WCIRB after the first report level USR.[14] Specifically, for each insurer, the percentage of late reported specific injury claims is determined based on two components, with separate tolerances, as defined below for the time period under review:

$$\frac{\text{Number of specific injury claims reported for the first time on second level USRs}}{\text{Total number of specific injury claims reported on first level USRs}}$$

$$\frac{\text{Number of specific injury claims reported for the first time on third or subsequent level USRs}}{\text{Total number of specific injury claims reported on first level USRs}}$$

3. *USRs with Edit Failures That Impact Experience Rating*

The "USRs with Edit Failures That Impact Experience Rating" data quality metric measures an insurer's success in submitting USR data that is ready to be used in the promulgation of experience modifications. The metric measures the volume of USRs that contain one or more edit failures that must be resolved before the experience modifications using the data in those USRs can be published. Specifically, for each insurer, the percentage of USRs that contain one or more edit failures that impact experience rating is determined as follows for the time period under review:

$$\frac{\text{Number of USRs processed with one or more edit failures that impact experience rating}}{\text{Total number of USRs processed}}$$

This metric has two possible tolerances—depending on whether the insurer's average policyholder payroll size is "large" or "small". Refer to the Appendix for the designated tolerances.

[10] Documentation acceptable to the WCIRB may include:
(a) Loss runs, corresponding with the policy term, from the system(s) of the source(s) administering the claims, indicating that no claims exist within the term of the policy; if claims were administered by one or more third party administrators (TPAs), the loss runs must originate from the system(s) of the TPA(s); or
(b) Written confirmation from a certified actuary or company officer from the source(s) administering the claims, certifying that no claims exist at first unit statistical report level for the policy; if claims were administered by one or more TPAs, the written confirmation must be from a certified actuary or company officer of the TPA. The written confirmation(s) must be provided on the company letterhead of the source(s) administering the claims.

[11] A WCIRB Connect USR work item will be created to request the documentation.

[12] An extension of the deadline may be granted, provided the insurer requests an extension via the USR work item on or before the original deadline. All extensions are subject to written pre-approval by WCIRB staff on a case-by-case basis. If an approved extended deadline is not adhered to, the insurer will be subject to further evaluation as described in Part IV.

[13] "Specific injury" claims are claims reported on USRs as trauma claims (not cumulative injury or occupational disease claims).

[14] The USRP provides that the first USR is due 20 months from policy inception; each of the second through tenth level reports is due at subsequent 12-month intervals on claims reported as open at the immediately prior report level. (See footnote 5.)

4. *USRs with Inaccurate Experience Modifications or Experience Modification Effective Dates Reported*

The "USRs with Inaccurate Experience Modifications or Experience Modification Effective Dates Reported" data quality metric measures an insurer's success in ensuring that USR data reflects the correct experience modification information. The metric measures the volume of USRs that contain reported experience modification information that differs from the WCIRB published experience modification information. Specifically, for each insurer, the percentage of USRs containing reported experience modification information that differs from the WCIRB published experience modification information is determined as follows for the time period under review:

$$\frac{\text{Number of USRs}^{15}\text{ processed with reported experience modifications or experience modification effective dates differing from the published experience modification information}}{\text{Total number of USRs}^{16}\text{ processed for policies with published experience modifications}}$$

5. *USRs with Critical Preprocessing Edit Failures*

The "USRs with Critical Preprocessing Edit Failures" data quality metric measures an insurer's success in submitting USR data that passes initial validations and is available for further processing and use by the WCIRB. Specifically, for each insurer, the percentage of USRs that are rejected as a result of one or more critical preprocessing edit failures[17] is determined as follows for the time period under review:

$$\frac{\text{Number of USRs received with critical preprocessing edit failures}}{\text{Number of USRs received with critical, non-critical or no preprocessing edit failures}}$$

6. *USRs with Data Quality Edit Failures*

The "USRs with Data Quality Edit Failures" data quality metric measures an insurer's success in submitting USR data without inaccuracies that may impact ratemaking. The metric measures the volume of USRs that contain one or more data quality edit failures. Specifically, for each insurer, the percentage of USRs that contain one of more data quality edit failures is determined as follows for the time period under review:

$$\frac{\text{Number of USRs processed with one or more data quality edit failures}}{\text{Total number of USRs processed}}$$

This metric has two categories—depending on whether the insurer's average policyholder payroll size is "large" or "small". (See Appendix.) Insurer results for both categories within this metric are advisory only. However, an insurer may be subject to remedial action as described in Part IV if deficiencies are identified.

IV. Administrative Procedures

A. Review of Results

Unless otherwise specified, if an insurer's results over a four-quarter period exceed the designated tolerance for one or more of the data quality measurements specified in Part III, the insurer will be notified in writing by WCIRB staff within thirty days following the end of the four-quarter period.

Within thirty days of this notice, the insurer must submit either:

[15] For policies with published experience modifications.

[16] Original first report level USRs for policies with published experience modifications, and any corrections to first report level USRs (for policies with published experience modifications) where exposure is being updated.

[17] https://www.wcirb.com/data-reporting/unit-statistical-data/preprocessing-and-audit-validations

Administrative Procedures

1. A detailed written explanation that includes sufficient documentation confirming that the data exceeding the designated tolerance is correct as reported and does not indicate a data and/or reporting deficiency, or
2. A remediation plan that describes the data and/or reporting deficiencies that caused the designated tolerance(s) to be exceeded, the actions the insurer has taken or will take to remedy the deficiencies, and the time frame by which the insurer expects all the deficiencies will be resolved and its performance will meet Program tolerances.

Insurers shall provide, at the request of the WCIRB, all relevant documents required to validate the accuracy and completeness of reported data. This includes, but is not limited to, loss runs, premium audit documentation and certifications attesting that no claims exist on a policy or policies.

The WCIRB president or his/her designated representative (hereafter collectively referred to as "the WCIRB") will respond to the insurer within thirty days of receipt of the insurer's written explanation or remediation plan.

The insurer will be subject to the Remedial Procedures described in Section B if any of the following occurs:

1. No detailed written explanation or remediation plan is submitted by the insurer within thirty days of the WCIRB's initial notice.[18]
2. The WCIRB determines the insurer's detailed written explanation does not provide sufficient documentation confirming that the data exceeding the designated tolerance is correct as reported.
3. The WCIRB determines that the insurer's data and/or reporting deficiencies have not been resolved and its results continue to exceed the Program tolerances; or
4. Notwithstanding an insurer's results under Part III of the Program, the WCIRB determines that an insurer has (1) systemic data and/or reporting deficiencies or (2) egregiously or persistently failed to timely, completely and satisfactorily respond to WCIRB requests for written explanation or documentation to validate the quality of reported data.

B. Remedial Procedures

1. Stage 1: WCIRB Staff. The following actions shall be taken when the WCIRB determines that the insurer must undergo Stage 1 remediation.
   a. The WCIRB will notify the insurer that it is subject to Stage 1 remediation and determine the time frame by which all the deficiencies must be resolved and the Program tolerances must be met (Remediation Evaluation Period) to avoid being cited to the Classification and Rating Committee for further administrative action as described in Stage 2. The Remediation Evaluation Period shall encompass a minimum of two quarters and may be subsequently extended until enough data has been attained to produce a credible determination of whether all the deficiencies have been remediated.
      i. If the insurer does not make significant progress in resolving all the deficiencies and meeting the Program tolerances during the Remediation Evaluation Period, the insurer will be cited to the Classification and Rating Committee for further administrative action as described in Stage 2.
      ii. If significant progress is made in resolving all the deficiencies and results meet the Program tolerances during the Remediation Evaluation Period, such performance must be sustained over the subsequent four consecutive quarters (Remediation Monitoring Period); otherwise, the insurer will be cited to the Classification and Rating Committee for further administrative action as described in Stage 2.

[18] An extension of the deadline may be granted, provided the insurer requests an extension on or before the original deadline. All extensions are subject to written pre-approval by WCIRB staff on a case-by-case basis.

iii. If significant progress is made in resolving all the deficiencies, results meet the Program tolerances during the Remediation Evaluation Period, and such performance is sustained through the Remediation Monitoring Period, the insurer will not be cited to the Classification and Rating Committee as described in Stage 2. If, following the Remediation Monitoring Period, (a) the insurer's results for one or more of the data quality metrics specified in Part III exceed one or more of the Program tolerances, data and/or reporting deficiencies are identified, or (c) both types of issues are identified, the insurer's performance will again be subject to remedial action pursuant to Part IV.

2. Stage 2: Classification and Rating Committee. If an insurer's results do not meet the Program's tolerances and all deficiencies are not resolved after completion of Stage 1 as described above, the insurer will be subject to the following:

   a. The WCIRB will cite the insurer to the Classification and Rating Committee.

   b. Within thirty days of notification of citation to the Classification and Rating Committee, the insurer shall provide a new remediation plan that describes:

      i. The specific remedial measures to be undertaken by the insurer,

      ii. The time frames in which the remedial measures will be implemented, and

      iii. The date by which the insurer expects all of its data and/or reporting deficiencies will be resolved and its performance will meet Program tolerances.

   c. An officer of the insurer will be required to meet with the Classification and Rating Committee to explain why the insurer's remediation plan submitted in Stage 1 failed to achieve the desired results and to present the new remediation plan.

   d. At the meeting of Classification and Rating Committee, the following actions shall be taken:

      i. The insurer's performance with respect to the data quality metrics listed in Part III and any other data quality concerns in other WCIRB data quality programs will be reported to the Classification and Rating Committee;

      ii. A fine equal to 1/100 of 1% of the most recent certified calendar year written pure premium[19] at the time the insurer was notified that it had been cited to the Classification and Rating Committee pursuant to subparagraph a. above, subject to a minimum of $5,000 and a maximum of $50,000, will be imposed; and

      iii. A Remediation Evaluation Period will be established.

   e. The Classification and Rating Committee may recommend any additional lawful administrative actions it deems necessary, reasonable or appropriate to facilitate or encourage the insurer's implementation of adequate remedial measures, including citation to the Governing Committee.

   f. The WCIRB will report the Classification and Rating Committee's findings and actions to the appropriate insurance company officer and advise of the following:

      i. If the insurer does not make significant progress in resolving all the deficiencies and meeting the Program tolerances during the Remediation Evaluation Period, the insurer will be cited to the Governing Committee for further administration action as described in Stage 3.

[19] Complete calendar year (January 1 to December 31) direct written premium at the pure premium rate level (prior to application of deductible credits), as reported on the WCIRB *Data Call for Direct California Workers' Compensation Experience* (due by February of the following year), that has been certified as to its accuracy on the *WCIRB Financial Call Data Certification* (due by June of the following year) submitted by that insurer.

ii. If significant progress is made in resolving all the deficiencies and results meet the Program tolerances during the Remediation Evaluation Period, such performance must be sustained through the Remediation Monitoring Period; otherwise, the insurer will be cited to the Governing Committee for further administrative action as described in Stage 3.

iii. If significant progress is made in resolving all the deficiencies, results meet the Program tolerances during the Remediation Evaluation Period, and such performance is sustained through the Remediation Monitoring Period, the insurer will not be cited to the Governing Committee. If, following the Remediation Monitoring Period, (a) results for one or more of the data quality metrics specified in Part III exceed the Program's designated tolerances, (b) data and/or reporting deficiencies are identified, or (c) both types of issues are identified, the insurer's performance will again be subject to remedial action pursuant to Part IV.

3. Stage 3: Governing Committee. If an insurer's results do not meet the Program's tolerances and all deficiencies are not resolved after completion of Stage 2 as described above, the insurer will be subject to the following:

a. The WCIRB will cite the insurer to the Governing Committee.

b. Within thirty days of notification of citation to the Governing Committee, the insurer shall provide a new remediation plan that describes:

i. The specific remedial measures to be undertaken by the insurer,

ii. The time frames in which the remedial measures will be implemented, and

iii. The date by which the insurer expects all of its deficiencies will be resolved and its performance will meet Program tolerances.

c. A senior officer of the insurer will be required to meet with the Governing Committee to explain why the insurer's remediation plan submitted in Stage 2 failed to achieve the desired results and to present the new remediation plan.

d. The insurer's performance with respect to the data quality measurements listed in Part III and any other data quality concerns in other WCIRB data quality programs will be reported to the Governing Committee.

e. Within sixty days of notification to the insurer that it has been cited to the Governing Committee:

i. A Remediation Evaluation Period will be established; and

~~i.~~ii. A monthly fine equal to 1/100 of 1% of the most recent certified calendar year written pure premium[20] at the time the insurer was notified that it had been cited to the Classification and Rating Committee pursuant to paragraph 2, Stage 2: Classification and Rating Committee, subparagraph a., subject to a minimum of $5,000 and a maximum of $50,000, will be imposed. The monthly fine will continue until such time as:

- Enough data has been reported and evaluated subsequent to the meeting with the Governing Committee to produce a credible evaluation of the insurer's performance, and
- The insurer's performance meets Program tolerances and resolves all the deficiencies.

[20] Complete calendar year (January 1 to December 31) direct written premium at pure premium rate level (prior to application of deductible credits), as reported on the WCIRB *Data Call for Direct California Workers' Compensation Experience* (due by February of the following year), that has been certified as to its accuracy on the *WCIRB Financial Call Data Certification* (due by June of the following year) submitted by that insurer.

f. The Governing Committee may recommend any additional lawful administrative action it deems necessary, reasonable or appropriate to facilitate or encourage the insurer's implementation of adequate remedial measures, including citation to the California Insurance Commissioner.

g. The WCIRB will report the Governing Committee's findings and actions to the appropriate insurance company senior officer and advise of the following:

   i. If the insurer does not make significant progress in resolving all the deficiencies and meeting Program tolerances during the Remediation Evaluation Period, the WCIRB president will, unless instructed otherwise by the Governing Committee, cite the insurer to the California Insurance Commissioner for consideration of further remedial action, including but not limited to additional fines, penalties, and/or suspension of authority to transact workers' compensation insurance. The citation to the California Insurance Commissioner will include a report on the insurer's performance with respect to this Program and any other data quality concerns in other WCIRB data quality programs.

   ii. If significant progress is made in resolving all the deficiencies, and results meet the Program tolerances during the Remediation Evaluation Period, such performance must be sustained through the Remediation Monitoring Period; otherwise, the insurer will be cited to the California Insurance Commissioner unless the Governing Committee instructs the WCIRB president otherwise.

   iii. If significant progress is made in resolving all the deficiencies, results meet the Program tolerances during the Remediation Evaluation Period, and such performance is sustained through the Remediation Monitoring Period, the insurer will not be cited to the California Insurance Commissioner. If, following the Remediation Monitoring Period, (a) the insurer's results exceed the Program's designated tolerances for one or more of the data quality metrics specified in Part III, (b) data and/or reporting deficiencies are identified, or (c) both types of issues are identified, the insurer's performance will again be subject to review and evaluation pursuant to Part IV.

4. An insurer whose results are approaching Program tolerances or that has data and/or reporting deficiencies may be requested to meet periodically or correspond with the WCIRB for the purpose of outlining the remedial measures the insurer proposes to implement to improve performance.

Appendix

Metric Tolerances

Unless otherwise specified:

- The data quality metrics in this Program are measured against specified tolerances defined below. The WCIRB evaluates each metric's tolerance(s) from time to time, taking into consideration the distribution of statewide data.
- If an insurer exceeds a designated metric tolerance over a four-quarter period, the insurer's results will be subject to further evaluation as described in Part IV, provided the minimum volume for the metric is met during the four-quarter period.

	Metric	Tolerance	Minimum Volume for Remediation
Timeliness			
1	Submission Timeliness – USRs	7%	20 delinquent original USRs
2	Responsiveness to USR Work Items	20%	25 unresolved USR work items ~~closed more than~~that passed the sixty-~~-~~days ~~from issuance of the inquiry~~threshold
Completeness and Accuracy			
1	Large Policies with No Claims: Policies with at least $250,000 in modified pure premium and no reported claims on original first report level USR *Note: All policies with at least $1,000,000 in modified pure premium and no reported claims on original first report level USRs are subject to review as described in Part III.*	6%	5 original first report level USRs for large policies that are reported with no claims
2	~~Late Reported~~ Specific Injury Claims: Initially Reported on Report Level 2	4%	15 specific injury claims reported for the first time on Report Level 2
	~~Late Reported~~ Specific Injury Claims: Initially Reported on Report Levels 3-10	1%	5 specific injury claims reported for the first time on Report Levels 3-10
3	USRs with Edit Failures That Impact Experience Rating	5% for insurers with large average policyholder payroll size of at least $1,250,000	20 USRs processed with one or more edit failures that impact experience rating

Appendix

	Metric	Tolerance	Minimum Volume for Remediation
		2% for insurers with small average policyholder payroll size of less than $1,250,000	10 USRs processed with one or more edit failures that impact experience rating
4	USRs with Inaccurate Experience Modifications or Experience Modification Effective Dates Reported	5%	10 USRs processed with reported experience modifications or experience modification effective dates differing from the published experience modification information
5	USRs with Critical Preprocessing Edit Failures	1%	5 USRs received with critical preprocessing edit failures
6	USRs with Data Quality Edit Failures	N/A (advisory) For insurers with large average policyholder payroll size of at least $1,250,000	N/A Insurer results for this metric are advisory only. However, an insurer may be subject to remedial action as described in Part IV if deficiencies are identified
		N/A (advisory) For insurers with small average policyholder payroll size of less than $1,250,000	N/A Insurer results for this metric are advisory only. However, an insurer may be subject to remedial action as described in Part IV if deficiencies are identified

Draft Carnivals and Circuses Study

9185, *Carnivals or Circuses – all employees – including Clerical Office Employees, Clerical Telecommuter Employees and Outside Salespersons*

Executive Summary

Objectives

Employers assigned to Classification 9185, *Carnivals or Circuses – all employees – including Clerical Office Employees, Clerical Telecommuter Employees and Outside Salespersons*, do not develop sufficient data to produce a statistically credible advisory pure premium rate. Consistent with the WCIRB's practice of reviewing classifications with relatively low statistical credibility, the WCIRB studied business operations and the payroll and claim experience of employers currently assigned to Classification 9185 to determine if it should continue to be a stand-alone classification or if some or all of the operations in Classification 9185 should be combined with the operations in other classifications. This study addresses the following questions:

1. Are there distinct and easily identifiable subgroups of employers that are currently assigned to Classification 9185?

2. If there are distinct and easily identifiable subgroups, should they be included in other existing classifications or continue to be assigned to Classification 9185?

Findings

The key findings of this study are:

1. Within Classification 9185, there is a clear line of demarcation between the operations of traveling carnivals and those of circuses. In addition, traveling carnival operations appear significantly more hazardous than those of circuses and have significantly higher loss to payroll ratios.

2. Circus employers have similar operations, loss to payroll ratios, and typical causes of injury as employers assigned to Classifications 9154, *Theaters – not motion picture – all employees other than performers and directors of performers – including managers, stage hands, box office employees or ushers*, and 9156, *Theaters – dance, opera or theater companies – all performers and directors of performers – N.O.C.*

3. Employers operating traveling carnivals share some operational similarities with employers assigned to Classifications 9016(1), *Amusement or Recreational Facilities – N.O.C. – all employees other than those engaged in the operation or maintenance of amusement devices, restaurants or retail stores,* and 9180(1), *Amusement or Recreational Facilities – N.O.C. – operation or maintenance of amusement devices – including ticket collectors connected therewith*; however, the loss to payroll ratios for the traveling carnival subgroup have been significantly higher for more than a decade, and this subgroup has dissimilar typical causes of injury.

4. Removing the circus employer subgroup from Classification 9185 and amending theater Classifications 9154 and 9156 to include circus operations would have minimal impact (less than 1%) on the employers currently assigned to Classifications 9154 and 9156. Similarly, no longer including circus employers within the scope of Classification 9185 would have only a modest impact on the carnival subgroup and all other employers that remain in Classification 9185. Classification 9185 currently includes standard exception employees, while Classifications 9154 and 9156 do not. However, based on feedback from industry representatives and a review of

WCIRB inspection reports, it is the WCIRB's understanding that a significant proportion of circus employees would not meet the strict guidelines needed to be classified as standard exception employees. Similarly, while the payroll of performers in Classification 9156 is subject to limitation, that of employees in Classifications 9185 and 9154 is not. However, based on feedback from industry representatives and a review of payroll information on WCIRB inspection reports, it is the WCIRB's understanding that a significant portion of circus reported payroll would not have been limited if a limitation had applied to circuses, and no adjustment to the historical experience or classification relativity for circuses is needed.

5. Circus employers currently assigned to Classification 9185 that would be reassigned to Classifications 9154 and 9156 would see a significant reduction in the selected loss to payroll ratio. This reduction is consistent with the subgroup's historical loss experience.

Recommendations
Based on the findings, the WCIRB recommends the following:

1. Amend Classification 9154, *Theaters – not motion picture – all employees other than performers and directors of performers – including managers, stage hands, box office employees or ushers*, to include circus employees who are not performers and to clarify its intended application.

2. Amend Classification 9156, *Theaters – dance, opera or theater companies – all performers and directors of performers – N.O.C.*, to include all circus employees who are performers, including musicians, and directors of performers and to clarify its intended application.

3. Amend Classification 9185, *Carnivals or Circuses*, to remove circus operations.

I. Introduction

Employers assigned to Classification 9185, *Carnivals or Circuses,* do not develop sufficient data to produce a statistically credible advisory pure premium rate, which can result in undue volatility in the pure premium rate from year-to-year. Specifically, the credibility for both medical and indemnity is around 0.4.[1] The low credibility is a result of a decreasing number of employers engaged in Carnival or Circus operations. In policy years 2006 through 2018, only 50 employers reported data in Classification 9185, and at the time of this study, only 9 employers are reporting payroll in this classification. In addition, over time, the operations of circuses and carnivals have diverged as circuses have shifted toward more theatrical and artistic performances, while carnival operations have remained largely unchanged. As an apparent result, circuses have developed different hazard experience than carnival operations.

The WCIRB studied the business operations and the payroll and claim experience of employers currently assigned to Classification 9185 to determine if Classification 9185 should continue to be a stand-alone classification or if some or all of the operations contemplated in that Classification should be combined with the operations in other classifications. In this regard, the WCIRB also evaluated the scope of several classifications that have relatively similar operations to Classification 9185. This study addresses the following questions:

1. Are there distinct and easily identifiable subgroups of employers that are currently assigned to Classification 9185?

2. If there are distinct and easily identifiable subgroups, should they be included in other existing classifications or continue to be assigned to Classification 9185?

[1] WCIRB January 1, 2021 Regulatory Filing

II. Analysis Approach

The WCIRB analyzed business operations and payroll and claim experience of employers operating circuses and carnivals using both qualitative and quantitative data from a variety of sources.

Classification Inspection Reports: The WCIRB has Classification Inspection Reports pertaining to about one-half of the employers reporting payroll in Classification 9185. The WCIRB reviewed these inspection reports to better understand the business operations of employers assigned to Classification 9185 and employee responsibilities.

Industry Outreach: The WCIRB contacted members of the industry, including employers and industry associations, to gain insight into the operational characteristics of circuses and carnivals.

Unit Statistical Reports: The WCIRB analyzed the historical Unit Statistical Report (USR) data reported for Classification 9185, including employers' payroll and loss experience and injury characteristics of claims, between policy years 1993 and 2018. Losses were limited to $500,000 per claim to minimize large swings in the loss to payroll ratios over time often seen in small classifications.

Other Jurisdictions: The WCIRB reviewed the classification of circuses and carnivals in several other jurisdictions.[2]

Similar Classifications: Using the same data sources and methodology used in the review of Classification 9185, the WCIRB reviewed several classifications, including two classifications pertaining to theaters and two involving amusement parks[3] that have relatively similar operations to Classification 9185.

Classification Relativity Data: Classification relativities submitted as part of the WCIRB's January 1, 2021 Regulatory Filing were used to analyze the impact of the potential reclassification of Classification 9185 operations on both the employers that are recommended to be included in other existing classifications and the employers currently assigned to the destination classifications.

III. Analysis Results

1. Two Distinct Subgroups in Classification 9185

Classification 9185, *Carnivals or Circuses*, applies to all operations of circuses as well as all operations of traveling carnivals that provide entertainment and amusement rides. Between policy years 2006 and 2018, there were 30 carnival employers accounting for 60% of the total payroll of Classification 9185 and 4 circus employers accounting for only 8% of the classification's payroll.[4] The remainder of the payroll assigned to Classification 9185 was developed by either staffing companies or by employers for which the WCIRB has no record of their operations. The number of staffing companies dropped sharply over time, with only 1 reporting payroll in this classification during the past six years.

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[2] Jurisdictions reviewed were: National Council on Compensation Insurance, Inc., Workers' Compensation Insurance Rating Bureau of Massachusetts, the Delaware and Pennsylvania Compensation Rating Bureaus and the Compensation Advisory Organization of Michigan. See Appendix II for a summary of how these jurisdictions classify carnivals and circuses.

[3] Classifications 9154, *Theaters – not motion picture – all employees other than performers and directors of performers – including managers, stage hands, box office employees or ushers*, 9156, *Theaters – dance, opera or theater companies – all performers and directors of performers – N.O.C.*, 9016(1), *Amusement or Recreational Facilities – N.O.C. – all employees other than those engaged in the operation or maintenance of amusement devices, restaurants or retail stores* and 9180(1), *Amusement or Recreational Facilities – N.O.C. – operation or maintenance of amusement devices – including ticket collectors connected therewith*. See Section III, *Analysis Results,* Part 2 and 3 for the analysis of the potential reclassifications.

[4] Policy year 2006 is the earliest year the WCIRB has sufficient data and information to determine if an employer had circus, carnival or other types of operations. Therefore, the data analysis on the circus and carnival employers focused on policy years 2006 through 2018.

- **Traveling Carnival and Circus Operations**
  Based on a review of WCIRB inspection reports for employers assigned to Classification 9185, as well as interviews with employers operating carnivals and circuses, the WCIRB found that traveling carnivals and circuses operate quite differently.

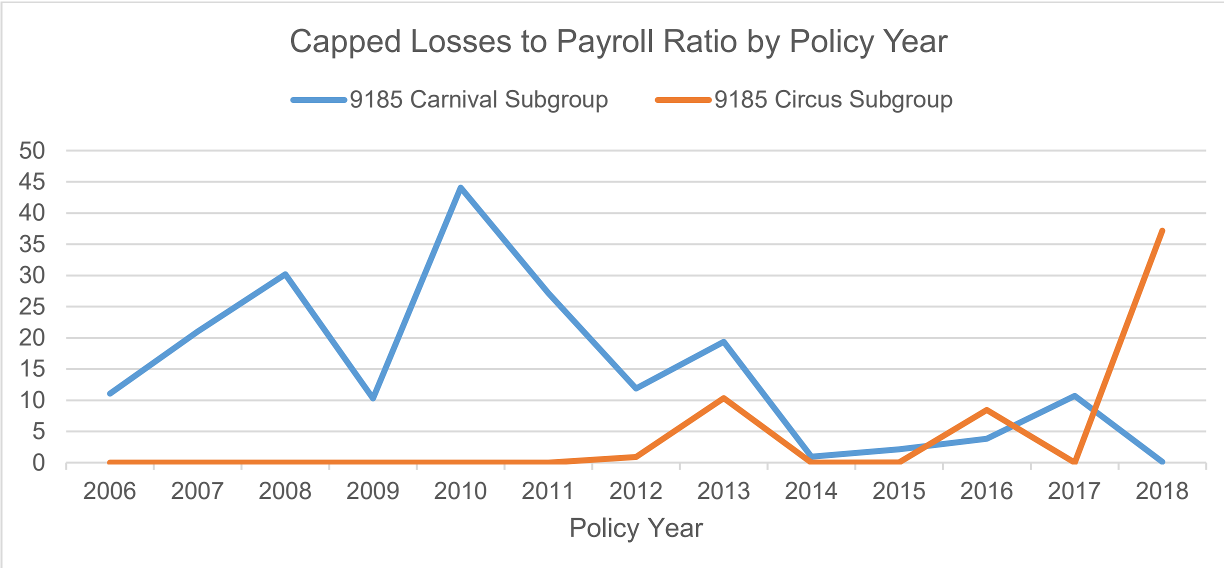
  Specifically, traveling carnival operations typically involve the set-up, operation and tear-down of large equipment for rides and amusement devices. Because transporting larger heavy-duty mechanical rides requires tractor trailer trucks, it is common for employers that operate traveling carnivals to contract the transport of large equipment to separate trucking firms. In addition to equipment set-up, operation and tear-down, a crew of employees also engages in event operations, including providing security and selling tickets, food and souvenirs.

  Employers that operate circuses, on the other hand, rarely are involved in setting up and operating large mechanical equipment. These employers primarily produce theatrical and artistic performances that involve acrobatic and athletic elements. Circus performers typically include acrobats, trapeze acts, musicians, dancers and other entertainers. Based on an interview with a circus employer that has been in the industry for over 20 years, like with many theater companies, it is not uncommon for circuses to classify their performers as independent contractors. While, like carnivals, circuses may retain event staff, the event staff do not share in the same exposure to heavy equipment set-up, operation and tear-down.

  Classification 9185 includes clerical office, clerical telecommuter and outside sales employees. Given the way circuses and traveling carnivals operate and staff's review of the inspection reports for circus and carnival operations, both typically have few, if any, employees whose duties would fall within the strict definition of the standard exception classifications.

- **Payroll and Claim Experience of Traveling Carnivals and Circuses**
  Based on the USR data between 2006 and 2018, the loss to payroll ratio for the Classification 9185 carnival employers was consistently and significantly higher than that for the Classification 9185 circus employers except for a few years (Figure 1). In fact, circus employers had zero losses for most of the policy years and had only seven claims during this entire period. Conversely, carnival employers had more than 260 claims reported during the same period. The 13-year weighted average loss to payroll ratio for carnival employers ($11.9 per $100 of payroll) is more than four times higher than that for circus employers ($2.7 per $100 of payroll). The only policy years for which circus employers had a higher loss to payroll ratio than carnival employers were 2016, when three claims occurred, including a large claim that involved a fall injury with $134,000 of incurred losses, and 2018, when one claim involving a broken ankle occurred and a relatively small amount of payroll was reported.

Figure 1. Historical Loss to Payroll Ratios[5] Comparing Classification 9185 Circus Employers with Classification 9185 Carnival Employers



	Loss to Payroll Ratio (00s) (13-Year Weighted Average)[6]
Classification 9185 Circus Subgroup	2.7
Classification 9185 Carnival Subgroup	11.9

In summary, employers operating circuses and traveling carnivals have significantly different business operations, underlying hazards and claim experience. In that the objective of the Standard Classification System is *to group employers into classifications so that each classification reflects the risk of loss common to those employers*, circuses and traveling carnivals should no longer be assigned to the same classification based on the data detailed above. However, since the credibility of Classification 9185 is already low (approximately 40%), the WCIRB explored the potential of combining each of the circus and carnival employer subgroups in Classification 9185 with existing classifications that have relatively similar operations.

2. Potential Reclassification of the Classification 9185 Circus Subgroup

The WCIRB identified two theater companion classifications to potentially reassign the Classification 9185 circus operations:

- 9154, *Theaters – not motion picture – all employees other than performers and directors of performers – including managers, stage hands, box office employees or ushers*
- 9156, *Theaters – dance, opera or theater companies – all performers and directors of performers – N.O.C.*[7]

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[5] Loss to payroll ratios before policy year 2018 were calculated using the losses and payroll reported at the second Report Level (RL). For policy year 2018, losses and payroll reported at the first RL, the latest data that we have on 2018 policies, were used to calculate the loss to payroll ratio. The same methodology was used for Figures 2 and 3.

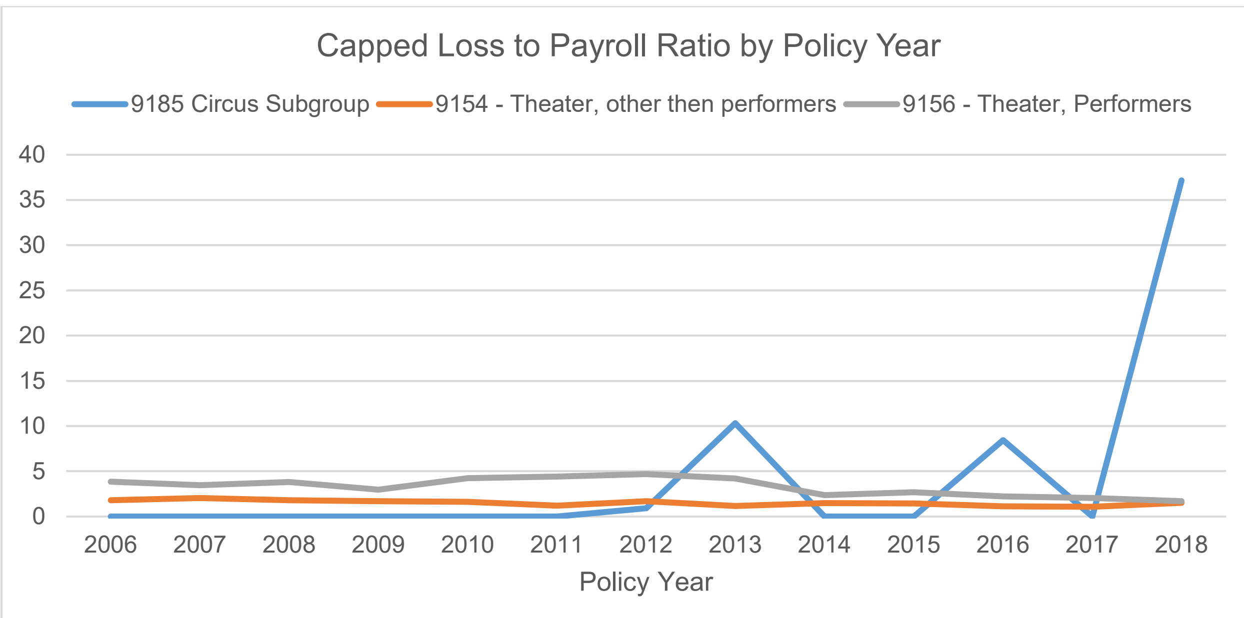
[6] The 13-year weighted average loss to payroll ratio was calculated as the aggregate losses over the 13-year period divided by the aggregate payroll during the same period.

[7] Classifications 9154 and 9156 are "Companion Classifications". The USRP at Part 3, Section II, Rule 4, defines Companion Classifications as: "[t]wo classifications that together describe the operations that normally prevail in a business. Businesses that are classified using related companion classifications, as identified by the classification footnote, shall constitute a single enterprise."

The operations contemplated under these two classifications are similar to circus operations. Classification 9156 in particular includes performers of live onstage dance, music and other theatrical performances, all of which are also part of the modern circus performance. In fact, in reviewing the operations of some large traveling theater and dance companies, there is no clear line of demarcation between their operations and the operations of “circuses” currently assigned to Classification 9185. In addition, like theater companies, circuses assigned to Classification 9185 also retain non-performers, such as ticket sellers, stage hands and lighting technicians.

In addition to similar operational characteristics, employers assigned to Classifications 9154 and 9156 have loss to payroll experience relatively similar to that of circus employers. As shown in Figure 2, between policy years 2006 and 2018, the loss to payroll ratio for circus employers was consistently lower than that for employers assigned to either Classification 9154 or Classification 9156, except for three policy years when five claims were reported, and only one claim involved a heavy loss of $134,000 from a fall injury. The 13-year average loss to payroll ratio for circus employers ($2.7 per $100 of payroll) is relatively similar to the average for the theater non-performers assigned to Classification 9154 ($1.5 per $100 of payroll) and the theater performers assigned to Classification 9156 ($3.3 per $100 of payroll).

Figure 2. Historical Loss to Payroll Ratios Comparing Classification 9185 Circus Employers with Employers in Classifications 9154 and 9156



	Loss to Payroll Ratio (00s) (13-Year Weighted Average)[8]
Classification 9185 Circus Subgroup	2.7
Classification 9154 Non-Performers	1.5
Classification 9156 Performers	3.3

[8] The 13-year weighted average loss to payroll ratio was calculated as the aggregate losses over the 13-year period divided by the aggregate payroll during the same period.

Despite limited loss information for circus employers, as only seven claims were reported for circus employers between policy years 2006 and 2018, the causes of injury of these seven claims are comparable to those of claims reported in both Classifications 9154 and 9156.[9]

The payroll of performers in Classification 9156 is subject to limitation, while that of employees in Classifications 9185 and 9154 is not. However, based on feedback from industry representatives and a review of WCIRB Inspection Report payroll information for Classification 9185 circus employers, the wage of circus performers often falls below the payroll cap. Therefore, it is the WCIRB's understanding that a significant portion of circus reported payroll would not have been limited if a limitation had applied to circuses.

The WCIRB's analysis indicates that circus employers have business operations and loss to payroll experience similar to those of employers assigned to Classifications 9154 and 9156. The WCIRB, therefore, recommends amending Classifications 9154 and 9156 to include circus operations. The impact of this recommendation on employers currently assigned to Classifications 9154 and 9156 and on employers in the Classification 9185 circus subgroup is shown in the Impact Analysis section of this report.

3. Potential Reclassification of the Classification 9185 Carnival Subgroup

The WCIRB identified two companion amusement facilities classifications to potentially reassign the Classification 9185 carnival operations:

- 9016(1), *Amusement or Recreational Facilities – N.O.C. – all employees other than those engaged in the operation or maintenance of amusement devices, restaurants or retail stores*[10]
- 9180(1), *Amusement or Recreational Facilities – N.O.C. – operation or maintenance of amusement devices – including ticket collectors connected therewith*

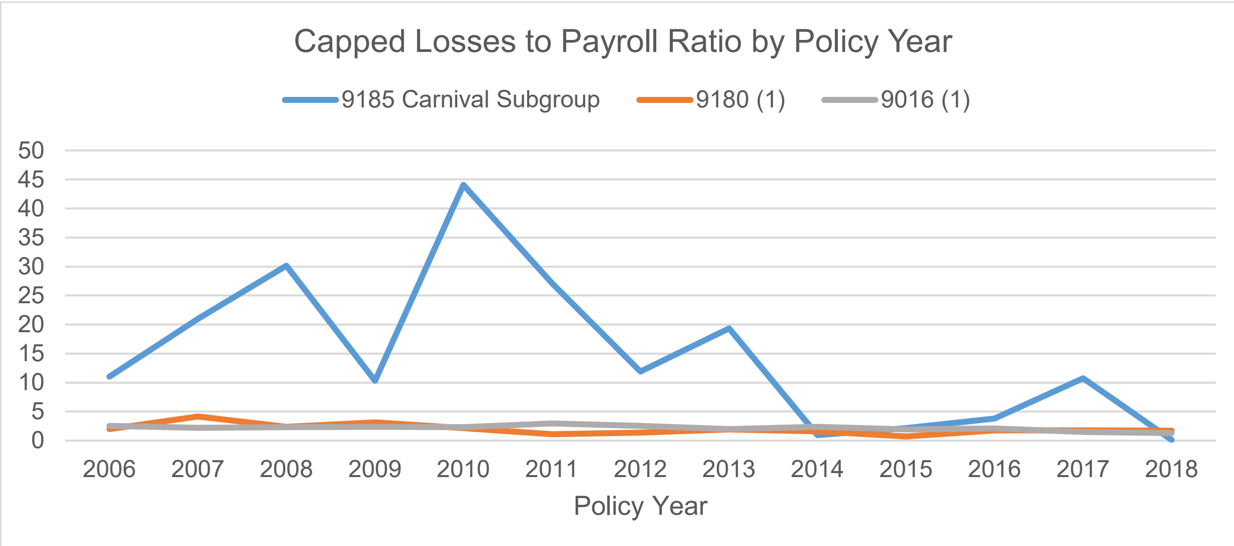
The operations contemplated under Classifications 9016(1) and 9180(1) are somewhat similar to traveling carnival operations. Most notably, both traveling carnivals and amusement facilities engage in the operation and maintenance of amusement rides and entertainment devices, as well as event operations, including providing security and selling tickets, food and souvenirs.

As shown in Figure 3, the loss to payroll ratio for Classification 9185 carnival employers is significantly higher than that for employers in both Classifications 9016(1) and 9180(1), except for policy years 2014 and 2018. The 13-year weighted average loss to payroll ratio for carnival employers is five times higher than that of both Classification 9016(1) and Classification 9180(1).

[9] The causes of injury for the circus employee claims include strain injuries and falls, which are among the top five causes of injuries for both classifications 9154 and 9156.

[10] Classifications 9180(1) and 9016(1) are Companion Classifications.

Figure 3. Historical Loss to Payroll Ratios Comparing Classification 9185 Carnival Employers with Employers in Classifications 9016(1) and 9180(1)

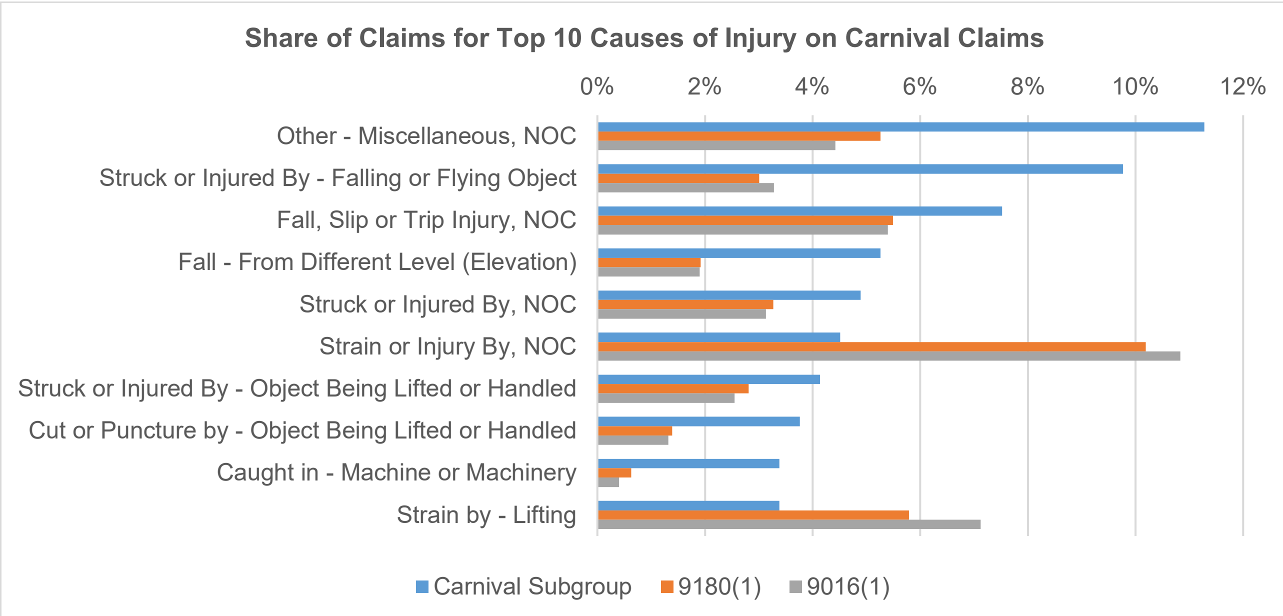


	Loss to Payroll Ratio (00s) (13-Year Weighted Average)[11]
Classification 9185 Carnival Subgroup	11.9
Classification 9016(1)	2.1
Classification 9180(1)	1.9

The WCIRB also compared the leading causes of injury reported for Classification 9185 carnival employee claims to those of claims reported for employees in Classifications 9016(1) and 9180(1). As shown in Figure 4, Classification 9185 carnival employee claims are more likely to involve injuries from falls or being struck by falling or flying objects, likely resulting from setting up rides and amusement devices, while claims from Classification 9016(1) and 9180(1) employees tend to involve strain injuries that are consistent with operating and maintaining amusement devices.

[11] The 13-year weighted average loss to payroll ratio was calculated as the aggregate losses over the 13-year period divided by the aggregate payroll during the same period.

Figure 4. Top 10 Causes of Injury on Claims in the Classification 9185 Carnival Subgroup and Corresponding Claim Shares in Classifications 9016(1) and 9180(1)



While the business operations of traveling carnivals bear some similarity to the operations of amusement or recreational facilities assigned to Classifications 9016(1) and 9180(1), the loss to payroll experience and cause of injury distribution suggest that operating traveling carnivals is significantly more hazardous than operating and maintaining amusement facilities. Therefore, the WCIRB does not recommend combining carnivals with either of these two classifications and recommends that traveling carnival operations continue to be assigned to Classification 9185, despite its relatively low credibility.

Although the WCIRB does not recommend changes to the classification for traveling carnivals at this time, in view of the documented similarities between traveling carnivals and some aspects of the amusement industry, the WCIRB plans to conduct further study of Classifications 9016(1) and 9180(1) in the future to assess similarities in business operations and loss experience between traveling carnivals and aspects of the amusement industry.

IV. Impact Analysis

The WCIRB evaluated the impact of reclassifying circus operations to the theater companion classifications on employers currently assigned to these classifications, as well as on circus employers.[12] Classification relativities for Classifications 9185, 9154 and 9156, as well as the Classification 9185 circus and carnival subgroups, are included in Appendix III.

1. Impact on Employers in Classifications 9154 and 9156

Table 1 shows that the selected loss to payroll ratio for Classification 9154 would increase by 0.03% after the inclusion of circus operations, while Classification 9156 would see a 0.11% increase. Therefore, the overall impact of reclassifying the Classification 9185 circus operations to Classifications 9154 and 9156 would be minimal.

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[12] Based on the loss and payroll experience of the employers currently assigned to Classifications 9154 and 9156 and data for the small number of circus employers, the WCIRB thinks it is reasonable to assume that 20% of circus payroll and 15% of circus losses are from non-performers and therefore would be reported in Classification 9154, and 80% of circus payroll and 85% of circus losses are from performers and would be reported in Classification 9156.

Table 1. Changes in the Selected (Unlimited) Loss to Payroll Ratio for Classifications 9154 and 9156 Under Proposed Recommendations

Classification 9154 (A)	Classifications 9154 and 9185 Circus Subgroup Combined (weighted[13]) (B)	% Difference (B/A-1)
1.677	1.678	+0.03%
Classification 9156	**Classifications 9156 and 9185 Circus Subgroup Combined (weighted[14])**	**% Difference**
2.990	2.993	+0.11%

2. Impact on Employers Currently Assigned to Classification 9185

The WCIRB also analyzed the impact to: (a) circus employers if circus operations are assigned to Classifications 9154 and 9156, and (b) carnival employers and all other employers that would continue to be assigned to Classification 9185.

As shown in Table 2, after combining circus employers with both Classifications 9154 and 9156, circus employers would have a significant drop in their selected loss to payroll ratio (-74%), while carnival employers and all other employers that would continue to be assigned to Classification 9185 would experience a modest increase in their selected loss to payroll ratio (13.8%). Since the circus employers would be included in an existing classification, the WCIRB is recommending that the normal 25% limitation on year-to-year classification relativity changes not apply to the circus employer subgroup.

Table 2. Changes in the Selected (Unlimited) Loss to Payroll Ratio for Classifications 9154 and 9156 Under Proposed Recommendations

Classification 9185 (A)	9185 Circus Subgroup (weighted[15]) (B)	% Difference (B/A-1)
10.681	2.730	-74.4%
Classification 9185	**9185 Carnival Subgroup and All Others**	**% Difference**
10.681	12.155	+13.8%

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[13] Because Classifications 9154 and 9156 are Companion Classifications, the Classification 9185 circus employers would be reporting only a fraction of the payroll and losses, specifically the payroll and losses of non-performers, to Classification 9154. Therefore, the combined employer experience in Classification 9154 and the Classification 9185 circus subgroup was weighted to reflect the apportionment of payroll and losses to Classification 9154.

[14] Similar to the apportionment of payroll and losses to Classification 9154, the remaining payroll and losses of performers were portioned to Classification 9156 in the combined set.

[15] The Classification 9185 circus employers would be reporting payroll and losses to both Classifications 9154 and 9156; therefore, the loss to payroll ratio for the reclassified circus operations was a weighted average of (1) the combined Classification 9154 and the circus operations and (2) the combined Classification 9156 and the circus operations.

V. Findings

Based on this review, the WCIRB has determined:

1. Within Classification 9185, there is a clear line of demarcation between the operations of traveling carnivals and those of circuses. In addition, traveling carnival operations appear significantly more hazardous than those of circuses and have significantly higher loss to payroll ratios.

2. Circus employers have similar operations, loss to payroll ratios, and typical causes of injury as employers assigned to Classifications 9154, *Theaters – not motion picture – all employees other than performers and directors of performers – including managers, stage hands, box office employees or ushers*, and 9156, *Theaters – dance, opera or theater companies – all performers and directors of performers – N.O.C.*

3. Employers operating traveling carnivals share some operational similarities with employers assigned to Classifications 9016(1), *Amusement or Recreational Facilities – N.O.C. – all employees other than those engaged in the operation or maintenance of amusement devices, restaurants or retail stores,* and 9180(1), *Amusement or Recreational Facilities – N.O.C. – operation or maintenance of amusement devices – including ticket collectors connected therewith*; however, the loss to payroll ratios for the traveling carnival subgroup have been significantly higher for more than a decade, and this subgroup has dissimilar typical causes of injury. The WCIRB intends to conduct a comprehensive review of Classifications 9016(1) and 9180(1) in the future to further assess similarities in business operations and loss experience between traveling carnivals and aspects of the amusement industry.

4. Removing the circus employer subgroup from Classification 9185 and amending theater Classifications 9154 and 9156 to include circus operations would have minimal impact (less than 1%) on the employers currently assigned to Classifications 9154 and 9156. Similarly, no longer including circus employers within the scope of Classification 9185 would have only a modest impact on the carnival subgroup and all other employers that remain in Classification 9185. Classification 9185 currently includes standard exception employees, while Classifications 9154 and 9156 do not. However, based on feedback from industry representatives and a review of WCIRB inspection reports, it is the WCIRB's understanding that a significant proportion of circus employees would not meet the strict guidelines needed to be classified as standard exception employees. Similarly, while the payroll of performers in Classification 9156 is subject to limitation, that of employees in Classifications 9185 and 9154 is not. However, based on feedback from industry representatives and a review of payroll information on WCIRB inspection reports, it is the WCIRB's understanding that a significant portion of circus reported payroll would not have been limited if a limitation had applied to circuses, and no adjustment to the historical experience or classification relativity for circuses is needed.

5. Circus employers currently assigned to Classification 9185 that would be reassigned to Classifications 9154 and 9156 would see a significant reduction in the selected loss to payroll ratio. This reduction is consistent with the subgroup's historical loss experience.

VI. Recommendations

Based on the findings, the WCIRB recommends the following:

1. Amend Classification 9154, *Theaters – not motion picture – all employees other than performers and directors of performers – including managers, stage hands, box office employees or ushers*, to include circus employees who are not performers and to clarify its intended application.

2. Amend Classification 9156, *Theaters – dance, opera or theater companies – all performers and directors of performers – N.O.C.*, to include all circus employees who are performers, including musicians, and directors of performers and to clarify its intended application.

3. Amend Classification 9185, *Carnivals or Circuses – all employees – including Clerical Office Employees, Clerical Telecommuter Employees and Outside Salespersons*, to remove circus operations.

Appendix I – History

The following is a timeline of the significant changes to the scope and application relevant to Classification 9185, *Carnivals or Circuses*:

- **1944:** The Classification and Rating Committee at its meeting on September 12, 1944 requested that a new classification for carnivals or circuses be established using the rate for Classification 9180, *Amusement Parks or Exhibitions.*

- **1945:** Classification 9185, *Carnivals or Circuses – all employees including Clerical, Salesman, Drivers, Chauffeurs and their Helpers*, was established with the same rate as Classification 9180, *Amusement Parks or Exhibitions – Operation and maintenance of merry-go-rounds, swings, roller coasters or other amusement devices not specifically classified in this Manual – including ticket sellers or collectors connected therewith; Drivers, Chauffeurs and their Helpers*.

- **1970:** The WCIRB conducted a study to review the classifications that included salesmen and clerical office employees to deteremine the feasibility of amending these classifications to permit salesmen and clerical office employees to be separately classified. Based on this review, it was determined that Classification 9185 should continue to include salesmen and clerical office employees.

- **2021:** Based on the establishment of Classification 8871, *Clerical Telecommuter Employees – N.O.C.*, as a Standard Exception, Classificaiton 9185 was among 41 classificaitons amended to include *Clerical Telecommuter Employees.*

Appendix II – Other Jurisdictions

The WCIRB reviewed how other jurisdictions classify the operations reviewed in this study, including surveying members of the Policy Research Advisory Committee (PRAC) on whether they have encountered any issues administering the classifications applicable to traveling carnival or circus operations, and whether they have studied this classification/industry or have plans to study it in the future. Almost all other jurisdictions retain Classification 9186 for traveling carnivals or circuses, and it is administered similarly to how the WCIRB administers Classification 9185. Classification 9186 in other jurisdictions also applies to traveling rodeos, traveling animals shows, traveling automobile stunt shows and traveling device operators. This classification applies to ticket sellers in connection with these operations but does not include Clerical Office Employees or Outside Salespersons. Some jurisdictions retain a weekly payroll limitation for Classification 9186, while California does not have a weekly payroll limitation for Classification 9185. However, Classification 9156, *Theaters – dance, opera or theater companies – all performers and directors of performers – N.O.C.,* in California is subject to a maximum remuneration per year per person.

The National Council on Compensation Insurance, Inc. (NCCI) advised that the credibility and rate fluctuation for Classification 9186 varies greatly from state to state. NCCI is currently planning to propose some changes to Classification 9186 and other amusement classifications for the consistent inclusion of ticket sellers and gate attendants, and to clarify that 9186 applies to all traveling amusement operations. It was noted that in NCCI jurisdications Classification 9016 applies to amusement parks or exhibitions at fixed locations, and there is a large rate differential between these two classifications.

The Wisconsin Rating Bureau advised that Classification 9186 generates a fair amount of payroll in their state and there is not currently any plan to study 9186 due to credibility concerns.

The Workers' Compensation Insurance Rating Bureau of Massachusetts (WCIRBMA) advised that due to its low credibility, in 1999, Classification 9186 was combined for ratemaking with Classification 9180, *Amusement Device Operation NOC*. At the time, Classification 9186 contained a weekly payroll limitation; however, Classification 9180 did not. Therefore, when they were combined the rate decreased drastically.

The Delaware and Pennsylvania Compensation Rating Bureaus (DCRB/PCRB) use Classification 939, *Carnival, Circus or Amusement Device Operator – Travelling,* which is applied in a manner similar to Classification 9186 in other jurisdictions. Interestingly, Classification 939 was initially established in 1984 and was later merged with Classification 969, *Amusements Outdoor.* Later, in 1999, Classification 939 was reestablished. Both PCRB and DCRB have observed declines in the loss costs for Classification 939. However, because the scope of this classification is narrow and well defined, they do not experience misapplication or confusion with other classifications.

In contrast to other jurisdictions, the Compensation Advisory Organization of Michigan uses Classification 9015, *Buildings – NOC – Operation by Owner of Lessee,* to classify carnivals and circuses and does not use Classification 9186. This classification is fully credible, there are not apparent issues with misapplication, and they do not have plans to study this classification/industry in the future.

Appendix III – Classification Relativities[16]

Table 1: All of Classification 9185 – Classification Relativity at Policy Year 2021 Level

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2013	4,211,294	42,198	493,825	536,023	12.728
2014	3,931,739	142,508	225,754	368262	9.366
2015	7,139,712	80,549	170,094	250,643	3.511
2016	6,751,793	202,040	183,077	385117	5.704
2017	7,148,579	189,183	547,143	736326	10.300
Total	29,183,118	656,478	1,619,893	2,276,371	

Adjusted Loss to Payroll Ratio	7.800
Selected Loss to Payroll Ratio	10.681

Credibility	
Indemnity	Medical
0.38	0.45

Table 2: Classification 9185 Circus Subgroup – Classification Relativity at Policy Year 2021 Level

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2013	537,854	2959	35439	38,398	7.139
2014	219,796	0	0	0	0.000
2015	2,743,614	0	421	421	0.015
2016	1,626,363	88417	74860	163277	10.039
2017	1,576,906	0	0	0	0.000
Total	6,704,534	91376	110,720	202,095	

Adjusted Loss to Payroll Ratio	3.014
Selected Loss to Payroll Ratio	9.262

Credibility	
Indemnity	Medical
0.21	0.25

[16] WCIRB January 1, 2021 Regulatory Filing.

Table 3: Classification 9185 Carnival Subgroup – Classification Relativity at Policy Year 2021 Level

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2013	3,644,186	39,387	460,113	499,500	13.707
2014	3,685,567	142,397	225,579	367976	9.984
2015	4,152,912	34,927	62,666	97,593	2.350
2016	4,896,185	113657	107,769	221426	4.522
2017	5,474,189	55903	513,552	569455	10.403
Total	21,853,038	386,271	1,369,679	1,755,950	

Adjusted Loss to Payroll Ratio	8.035
Selected Loss to Payroll Ratio	10.859

Credibility	
Indemnity	Medical
0.34	0.40

Table 4: All of Classification 9154 – Classification Relativity at Policy Year 2021 Level

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2015	514,992,164	3,999,534	4,615,742	8,615,276	1.673
2016	631,936,097	3,970,312	5,358,739	9,329,051	1.476
2017	761,325,549	5,418,158	4,546,037	9,964,195	1.309
Total	1,908,253,811	13,388,004	14,520,518	27,908,522	

Adjusted Loss to Payroll Ratio	1.463
Selected Loss to Payroll Ratio	1.677

Credibility	
Indemnity	Medical
1.00	1.00

Table 5: All of Classification 9156 – Classification Relativity at Policy Year 2021 Level

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2013	90,529,962	1,322,321	1,794,592	3,116,913	3.443
2014	94,542,356	902,284	1,086,281	1988565	2.103
2015	87,562,064	1,184,947	1,252,359	2,437,306	2.784
2016	100,882,858	1,375,384	1,328,199	2703583	2.680
2017	107,961,023	1,252,246	1,152,223	2404469	2.227
Total	481,478,262	6,037,182	6,613,654	12,650,836	

Adjusted Loss to Payroll Ratio	2.627
Selected Loss to Payroll Ratio	2.990

Credibility	
Indemnity	Medical
0.94	0.83

Recommendation

Amend Classification 9185, *Carnivals or Circuses,* to reassign circus operations to Classifications 9154, *Theaters – not motion picture*, and 9156, *Theaters – dance, opera or theater companies.*

PROPOSED

CARNIVALS ~~OR CIRCUSES~~ – all employees – including Clerical Office Employees, Clerical Telecommuter Employees and Outside Salespersons **9185**

This classification applies to all operations of traveling carnivals that provide entertainment and amusement rides, including but not limited to transporting, setting up and taking down amusement sites and equipment, assisting patrons on and off rides, operating game booths and arcades, providing entertainment, selling and taking tickets, providing security, selling food and souvenirs, cleaning and maintaining equipment and premises, and operating and controlling amusement rides. ~~This classification also applies to all operations of circuses, including performers, entertainers and the care, feeding and training of circus animals.~~

Rental and operation of game booths at locations where no mechanical amusement rides are operated shall be classified as 8017(1), *Stores – retail.*

Amusement parks at fixed locations shall be classified as 9016(1)/9180(1), *Amusement or Recreational Facilities – N.O.C.*

The production of live dance, opera, dramatic, comedic, circus or other theatrical presentations before a live audience shall be assigned to companion Classifications 9156, *Theaters – dance, opera and theater companies*, or 9154, *Theaters – not motion picture – all employees other than performers and directors of performers.*

The operation of events, including but not limited to farmers' markets, flea markets, street fairs, swap meets, art or antique festivals, trade shows (public or private), fun runs, foot races, cycling events, marathons, triathlons and athletic charity events, shall be classified as 9095, *Event Market, Festival or Trade Show Operation*.

* * * * * * *

Recommendation

Amend Classification 9154, *Theaters – not motion picture,* to include circus employees who are not performers, such as managers, stage technicians, box office employees or ushers, as these operations are more properly assignable to 9154, and to clarify the intended application.

PROPOSED

THEATERS – not motion picture – all employees other than performers and directors of performers – including managers, stage ~~hands~~technicians, box office employees or ushers **9154**

This classification applies to the production of live musical, dance, opera, dramatic, comedic, circus or other theatrical presentations before a live audience or the operation of venues used for such live entertainment. This classification includes all theater employees other than performers and directors of performers, including managers, stage technicians, box office employees or ushers.

Also refer to companion Classification 9156, *Theaters – dance, opera or theater companies – all performers and directors of performers – N.O.C.,* and to companion Classification 9151, *Theaters – musical entertainment – live performances.*

If an employee who performs duties described by Classification 9154 also performs duties described by Classifications 9151 or 9156, the payroll of that employee may be divided between Classifications 9154 and 9156, or between Classifications 9151 and 9154 provided the employer maintains accurate records supported by time cards or time book entries that show such division. Refer to Section V, Rule 3.

* * * * * * *

Recommendation

Amend Classification 9156, *Theaters – dance, opera or theater companies,* to include circus employees who are performers or directors of performers, as these operations are more properly assignable to 9156, and to clarify the intended application.

PROPOSED

THEATERS – dance, opera or theater companies – all performers and directors of performers – N.O.C. **9156**

The entire remuneration of performers and directors of performers shall be included, subject to a maximum of $139,100 per year per person. When such employees do not work the entire year, the payroll limitation shall be prorated based upon the number of weeks in which such employees worked during the policy period.

This classification applies to the production of live musical, dance, opera, dramatic, comedic, circus or other theatrical presentations before a live audience. This classification includes all ~~stage~~ performers, directors and musicians in connection ~~therewith~~with the theater operations.

Musical entertainers who are not employees of dance, opera or theater companies, but who provide entertainment for a live audience, including but not limited to orchestras, touring bands, casual or steady engagement music groups and event disc jockeys, shall be classified as 9151, *Theaters – musical entertainment*.

The operation of motion picture theaters shall be classified as 9155, *Theaters – motion picture.*

Also refer to companion Classification 9154, *Theaters – not motion picture – all employees other than performers and directors of performers.*

If an employee who performs duties described by Classification 9156 also performs duties described by Classification 9154, the payroll of that employee may be divided between Classifications 9154 and 9156, provided the employer maintains accurate records supported by time cards or time book entries that show such division. See Section V, Rule 3, *Division of Single Employee's Payroll*.

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Recommendation

Amend Classification 9016(1), *Amusement or Recreational Facilities – N.O.C. – all employees other than those engaged in the operation or maintenance of amusement devices, restaurants or retail stores,* for consistency with other proposed changes.

PROPOSED

AMUSEMENT OR RECREATIONAL FACILITIES – N.O.C. – all employees other than those engaged in the operation or maintenance of amusement devices, restaurants or retail stores **9016(1)**

This classification applies to the operation of amusement or recreational facilities, including but not limited to amusement parks, water parks, miniature golf courses, batting cages, bumper car facilities, archery ranges, water excursions/tours, laser tag, airsoft or paintball facilities, Nordic (cross-country) ski facilities and zoos, including veterinarians employed by zoos.

This classification also applies to the operation of golf driving ranges that are not operated by golf courses or country clubs.

This classification also applies to automobile or horse race~~-~~track operations by employers that are not public agencies.

This classification also applies to the operation of athletic or sports venues, including ballparks and stadiums, during non-sporting activities, including but not limited to concerts and exhibitions.

Boat marinas or boat rental facilities shall be classified as 9016(4), *Boat Marina and Boat Rental Operation*.

Golf courses or country clubs shall be classified as 9060, *Clubs – country or golf*.

Traveling carnivals ~~or circuses~~ shall be classified as 9185, *Carnivals ~~or Circuses~~*.

The operation of events, including but not limited to farmers' markets, flea markets, street fairs, swap meets, art or antique festivals, trade shows (public or private), fun runs, foot races, cycling events, marathons, triathlons and athletic charity events shall be classified as 9095, *Event Market, Festival or Trade Show Operation*.

The operation of race~~-~~tracks by public agencies shall be classified as 9410/9420, *Municipal, State or Other Public Agency Employees*.

Bowling centers shall be classified as 9092(1), *Bowling Centers*.

Billiard halls shall be classified as 9092(2), *Billiard Halls.*

Skating rinks or skate parks shall be classified as 9092(3), *Skating Centers.*

Also refer to companion Classification 9180(1), *Amusement or Recreational Facilities – N.O.C. – operation or maintenance of amusement devices*.

If an employee who performs duties described by Classification 9016(1) also performs duties described by Classification 9180(1), the payroll of that employee may be divided between Classifications 9016(1) and 9180(1), provided the employer maintains accurate records supported by time cards or time book entries that show such division. See Section V, Rule 3, *Division of Single Employee's Payroll*.

Restaurants or retail stores shall be separately classified.

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Recommendation

Amend Classification 9180(1), *Amusement or Recreational Facilities – N.O.C. – operation or maintenance of amusement devices – including ticket collectors connected therewith,* for clarity and consistency with other proposed changes.

PROPOSED

AMUSEMENT OR RECREATIONAL FACILITIES – N.O.C. – operation or maintenance of amusement devices – including ticket collectors ~~connected therewith~~ **9180(1)**

This classification applies to the operation or maintenance of amusement devices at recreational facilities, including but not limited to amusement parks, zoos, water parks, miniature golf courses, batting cages, bumper car facilities, archery ranges, water excursions/tours and laser tag, airsoft or paintball facilities.

This classification also applies to guided tours for water-based activities or water-based athletic or fitness instructional programs at locations other than swimming pools, including but not limited to surfing, scuba, kayaking, paddle boarding or kite surfing on lakes, bays, rivers or oceans.

This classification also applies to guided wilderness expeditions; motorsports operations; or ski instructors, ski patrol personnel or employees engaged in ski trail grooming at ski resort locations that exclusively provide Nordic (cross-country) skiing activities. This classification also applies to the detonation of fireworks for pyrotechnic displays.

Traveling carnivals ~~or circuses~~ shall be classified as 9185, *Carnivals ~~or Circuses~~*.

Employers that operate boat marinas and boat rental facilities shall be classified as 9016(4), *Boat Marina and Boat Rental Operation*.

Bowling centers shall be classified as 9092(1), *Bowling Centers*.

Billiard halls shall be classified as 9092(2), *Billiard Halls.*

Skating rinks or skate parks shall be classified as 9092(3), *Skating Centers.*

The operation of Alpine (downhill) ski resorts, including the operation of Nordic (cross-country) ski trails at Alpine ski resort locations, shall be classified as 9184, *Ski Resorts – Alpine.*

Also refer to companion Classification 9016(1), *Amusement or Recreational Facilities – N.O.C. – all employees other than those engaged in the operation or maintenance of amusement devices, restaurants or retail stores*.

If an employee who performs duties described by Classification 9180(1) also performs duties described by Classification 9016(1), the payroll of that employee may be divided between Classifications 9016(1) and 9180(1), provided the employer maintains accurate records supported by time cards or time book entries that show such division. See Section V, Rule 3, *Division of Single Employee's Payroll*.

Restaurants or retail stores shall be separately classified.

* * * * * * *

Recommendation
Amend Classification 9095, *Event Market, Festival or Trade Show Operation,* for clarity and consistency with other proposed changes.

PROPOSED

EVENT MARKET, FESTIVAL OR TRADE SHOW OPERATION – all employees – N.O.C. 9095

This classification applies to employers that organize and operate events or rent spaces to vendors that sell products or provide information to customers. Such events include but are not limited to farmers' markets, flea markets, street fairs, swap meets, art or antique festivals and trade shows (public or private). This classification also applies to the operation of events, including but not limited to fun runs, foot races, cycling events, marathons, triathlons and athletic charity events.

Employers that promote or market events but do not operate events shall be separately classified.

Traveling carnivals ~~or circuses~~ shall be classified as 9185, *Carnivals ~~or Circuses~~.*

The rental, delivery ~~and~~or set up of temporary chain link fences or road traffic safety barricades when performed by separate concerns shall be classified as 8028, *Equipment or Machinery Rental Yards.*

The rental, service or repair of portable toilets when performed by separate concerns shall be classified as 9426, *Septic or Portable Toilet Services.*

Vendors, performers, entertainers, retail stores ~~and~~or the preparation and sale of food shall be separately classified.

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Recommendation
Amend Classification 9155, *Theaters – motion picture,* for clarity and consistency with other proposed changes.

PROPOSED

THEATERS – motion picture – all employees other than employees exclusively engaged in restaurant or tavern operations 9155

This classification applies to all employees engaged in the operation of "walk-in" or "drive-in" motion picture theaters, including but not limited to ushers, motion picture projection and sound equipment operators, box office and snack bar cashiers, security staff and parking lot attendants.

The operation of a concession stand or snack bar by separate concerns shall be classified as 9079(2), *Concessionaires.*

~~Theater stage~~Theatrical performers, directors ~~and~~or musicians engaged in dance, opera, dramatic, comedic, circus or other theatrical presentations before a live audience shall be classified as 9156, *Theaters – dance, opera and theater companies.*

Orchestras, touring bands, casual or steady engagement music groups ~~and~~or event disc jockeys engaged in the provision of musical entertainment before a live audience shall be classified as 9151, *Theaters – musical entertainment.*

Employees other than ~~stage~~ performers, directors ~~and~~or musicians engaged in the operation of live performance theaters shall be classified as 9154, *Theaters – not motion picture.*

The payroll of employees engaged exclusively in restaurant or tavern operations shall be separately classified as 9079(1), *Restaurants or Taverns*.

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Recommendation

Amend Classification 9151, *Theaters – musical entertainment,* for clarity and consistency with other proposed changes.

PROPOSED

THEATERS – musical entertainment – live performances – all performers and directors of performers **9151**

The entire remuneration of performers and directors of performers shall be included subject to a maximum of $139,100 per year per person. When such employees do not work the entire year, the payroll limitation shall be prorated based upon the number of weeks in which such employees worked during the policy period.

This classification applies to employers that provide musical entertainment for a live audience. This classification includes but is not limited to orchestras, touring bands, casual or steady engagement music groups and event disc jockeys. This classification also applies to stage performers ~~and~~or dancers incidental to the musical performance.

Theatrical performers, directors or musicians engaged in d~~D~~ance, opera, ~~ballet~~dramatic, comedic, circus or other live theater performers ~~including musicians~~ shall be classified as 9156, *Theaters – dance, opera or theater companies*.

Also refer to companion Classification 9154, *Theaters – not motion picture – all employees other than performers and directors of performers.*

If an employee who performs duties described by Classification 9151 also performs duties described by Classification 9154, the payroll of that employee may be divided between Classifications 9151 and 9154 provided the employer maintains accurate records supported by time cards or time book entries that show such division. See Section V, Rule 3, *Division of Single Employee's Payroll*.

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Recommendation
Amend Section VIII, *Abbreviated Classifications – Numeric Listing*, for consistency with other proposed changes.

PROPOSED

Section VIII – Abbreviated Classifications – Numeric Listing

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9185 Carnivals~~/Circuses~~
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Recommendation
Amend Appendix IV, *Classifications Including Clerical Office Employees, Clerical Telecommuter Employees or Outside Salespersons*, for consistency with other proposed changes.

PROPOSED

Appendix IV

Classifications Including Clerical Office Employees, Clerical Telecommuter Employees or Outside Salespersons

See Section III, *General Classification Procedures*, Rule 4, *Standard Exceptions*, Subrule c, *Standard Exception Classification Procedures*.

Code	Name	Including Clerical Office Employees / Clerical Telecom-muter Employees	Including Outside Salespersons
•			
•			
•			
9185	Carnivals~~/Circuses~~	X	X
•			
•			
•			

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Draft Tile and Cabinet Stores and Stone Material Dealers Study

8010, *Stores – hardware, electrical or plumbing supplies – wholesale or retail*
8017(1), *Stores – retail – N.O.C.*
8059, *Stores – tile – wholesale or retail*
8232(2), *Building Material Dealers – commercial – including counterpersons*

Executive Summary

Objective

Employers specializing in the sale of products used in the construction or remodeling of kitchens and bathrooms frequently sell a variety of products, including cabinets and tile. Some of these employers also sell stone slabs, stone countertops or other stone materials. There is, however, no single classification that specifically contemplates the sale of this combination of merchandise. Instead, distinct classifications exist for each product: cabinet retailers are assigned to Classification 8017(1), *Stores – retail*; tile stores are assigned to Classification 8059, *Stores – tile;* and stone material, slab or countertop dealers are assigned to Classification 8232(2), *Building Material Dealers.* Although employers that sell a variety of these products are engaged in relatively homogenous operations, they are classified in accordance with the *Stores Special Industry Classification Procedures* and the *Multiple Enterprises* rule – a process that can lead to disparate results for otherwise similar operations.

To address this issue, the WCIRB conducted a comprehensive review of employers engaged in the sale of tile, cabinets and stone material, slabs or countertops to determine:

1. If employers that sell tile and cabinets are a distinct and easily identifiable group engaged in a relatively homogenous set of operations.

2. If so, whether all employers specializing in the sale of tile and cabinets should be combined into a single classification.

3. If employers that sell tile and cabinets are combined into a single classification and some of these employers also sell stone material, stone slabs or fabricated stone products, including but not limited to stone countertops (stone material):
    a. Should all such operations be assigned to a single store classification; or
    b. Should Classification 8232(2) continue to be assigned to the stone material portion of such operations.

Findings

The WCIRB's review of employers engaged in the sale of tile, cabinets and stone material found:

1. There is significant overlap and similarity of operations between stores specializing in the sale of tile and those specializing in the sale of cabinets. Taken together, this group constitutes a distinct and identifiable group of employers engaged in a relatively homogenous set of operations. Further, reassigning cabinet retailers currently assigned to 8017(1), *Stores – retail,* to Classification 8059, *Stores – tile*, would have little impact on the pure premium rates for either the reassigned employers or Classification 8059 as a whole.

2. Some employers that sell tile or cabinets also sell stone material. These stone material sales operations, currently separately assigned to Classification 8232(2), *Building Material Dealers,* develop a distinctly higher loss to payroll ratio than that developed by Classification 8059, *Stores – tile*. While not fully credible, the loss to payroll ratio for the stone material sales operations is more consistent with that of Classification 8232(2) than that of Classification 8059. Accordingly,

stone material sales should continue to be separately assigned to Classification 8232(2), provided the sale of stone materials represents greater than 10% of total sales.

3. When the sale of stone materials in a tile or cabinet store represents greater than 10% of total sales, employees engaged in stocking, handling or delivering stone products should be assigned to Classification 8232(2) and common sales or cashiering operations should be assigned to Classification 8059. This approach will avoid the complexities of the *Multiple Enterprises* rule and ensure that Classification 8232(2) applies to employees engaged in stocking, handling or delivering the stone products.

4. When a building material dealer also sells tile or cabinets (or other store merchandise), employees engaged in the store operations should be separately assigned to the appropriate store classification, provided the store merchandise sales represent greater than 25% of total sales.

5. Stores specializing in the sale of tile or cabinets that also sell building materials or lumber should be administered similarly to hardware stores assigned to Classification 8010, *Stores – hardware, electrical or plumbing supplies,* which also sell building materials or lumber. Accordingly, Classifications 8010, 8232(1), *Lumberyards*, and 8232(2) should be amended for consistency based on the proposed changes to Classification 8059.

Recommendations
Based on these findings, the WCIRB recommends:

1. Amending Classification 8059, *Stores – tile,* to

   a. Direct that the classification includes the sale of cabinets, including but not limited to kitchen or bathroom cabinets and, as appropriate, reassign operations currently assigned to Classification 8017(1) to Classification 8059.

   b. Direct that when building material sales exceed 10% of gross receipts, employees, other than store salespersons or cashiers, who are engaged in stocking, handling or delivering building materials are separately classified as 8232(2); and when building material sales do not exceed 10% of gross receipts, these employees are included in Classification 8059.

2. Amending Classification 8232(2), *Building Material Dealers,* to

   a. Direct that the classification includes the sale of stone material, stone slabs or fabricated stone products, including but not limited to stone countertops.

   b. Direct that when, at a single location, the sale of store merchandise, including but not limited to tile, cabinets or hardware, electrical or plumbing supplies exceeds 25% of gross receipts, employees who sell, stock, handle or deliver store merchandise shall be separately classified to the applicable *Stores* Industry Group classification; cashiers who process sales of store merchandise in addition to building material shall also be assigned to the applicable *Stores* Industry Group classification.

3. Amending Classifications 8010, *Stores – hardware, electrical or plumbing supplies,* 8232(1), *Lumberyards,* and 8232(2), *Building Material Dealers*, for consistency with the changes recommended to administer Classifications 8059 and 8232(2).

In addition to the above, within the next several years, the WCIRB intends to conduct a comprehensive review of Classification 8232 to determine whether its constituents continue to represent employers engaged in a relatively homogenous set of operations that have relatively similar loss experience.

Introduction and Background
The WCIRB reviewed the classifications applicable to the sale of products used in the construction or remodeling of kitchens and bathrooms to address specific classification concerns and determine if these classifications constitute a distinct and identifiable group of employers engaged in relatively similar operations. This review was driven by the considerable overlap in both the nature of the business operations and the type of products sold by employers in the tile, cabinet and stone material sales industry.[1] Additionally, the WCIRB regularly receives questions regarding the points of demarcation between the classifications in question.

The objective of this study is to determine:

1. If employers that sell tile and cabinets are a distinct and easily identifiable group engaged in a relatively homogenous set of operations.

2. If so, whether all employers specializing in the sale of tile and cabinets should be combined into a single classification.

3. If employers that sell tile and cabinets are combined into a single classification and some of these employers also sell stone material, stone slabs or fabricated stone products, including but not limited to stone countertops (stone material):

    a. Should all operations assigned to a single *Stores* classification; or

    b. Should Classification 8232(2) continue to be assigned to the stone material portion of their operations.

Scope of Classification Assignments Under Review
The operations of employers engaged in the sale of kitchen or bathroom construction or remodeling products are typically assigned to one or more of the following classifications:

Classification 8017(1), *Stores – retail – N.O.C.*
Classification 8017(1) applies to retail stores engaged in the sale of items not more specifically described by another *Stores* classification. As there is no *Stores* classification that specifically describes cabinet sales, retail stores that sell cabinets have been assigned to Classification 8017(1). However, many stores that sell cabinets also sell tile, stone slabs or countertops, or other merchandise that may fall outside the scope of Classification 8017(1). While most cabinets are intended for use in kitchen or bathroom environments, there is no material difference between cabinets that may be installed in other settings, including but not limited to laundry rooms, garages or storage rooms. Stores that sell cabinets that are installed in settings other than kitchens or bathrooms have also been assigned to Classification 8017(1).

Classification 8059, *Stores – tile – wholesale or retail*
Classification 8059[2] applies to stores engaged in the sale of tile, including but not limited to ceramic, stone, porcelain and glass tile. This classification directs that dealers in stone slabs or countertops, including but not limited to those comprised of marble, granite, quartz and limestone, are assigned to Classification 8232(2)*, Building Material Dealers.* It is not uncommon for employers that sell tile to also sell stone material, slabs or fabricated stone products, including but not limited to stone countertops, as well as cabinets and related kitchen and bathroom remodeling products.

[1] During its review, the WCIRB also analyzed how other jurisdictions classify employers that sell kitchen and bathroom construction or remodeling products, specifically tile, cabinets and stone materials. A summary of the classifications maintained by the National Council on Compensation Insurance (NCCI) for the operations subject to this study can be found in Appendix I.
[2] Classification 8059 was established in 1989 for wholesale or retail store locations that specialize in the sale of ceramic tile and amended in 2016 to direct that the sale of stone and slab countertops is classified as 8232(2).

<u>Classification 8232(2), *Building Material Dealers – commercial – including counterpersons*</u>
Classification 8232(2)[3] applies to the sale of building materials, including but not limited to sand, gravel, cement, drilling mud, brick, fencing wire, wallboard, doors, roofing paper, paneling, decorative stone and foundation piers. This classification also includes the delivery of building materials. While not specifically referenced, this classification is also assigned to dealers of stone slabs or stone countertops. Employers engaged in the sale of stone materials, slabs or countertops generally sell marble, granite and quartz prefabricated countertops or slabs. Classification 8232(2) also directs that the operation of a store for the sale of hardware, electrical or plumbing supplies is separately classified as 8010, *Stores – hardware, electrical or plumbing supplies*.

Description of Operations
Employers that sell kitchen or bathroom construction or remodeling products frequently sell a variety of items used in building or remodeling kitchens or baths. Products include tile and cabinets, and in some cases, stone material. While these employers are generally engaged in similar operations and are in competition with each other, they may be classified differently based on minor operational differences. There are three slightly different business models that are prevalent in stores that sell kitchen or bathroom construction or remodeling products.

Description of Operations	**Model 1**	**Model 2**	**Model 3**
Type of Products for Sale	Tile and cabinets; a minor amount of incidental supplies – tubes of caulk, caulk guns, blades and similar items[4]	Same as those in Model 1 **AND** stone material.	Same as Model 2
Product Display	In a showroom	In a showroom that is physically separated from the stone material and store inventory storage area	Same as Model 2
Customers	General contractors and general public	Same as Model 1	Same as Model 1
Employees' Activities	**All employees** assist customers with their design concepts, write sales orders and process payments	1. **Salespersons** show customers product samples exclusively <u>from within the showroom</u>. 2. Separate **employees that work in the inventory storage area** stock, ship and receive stone material and other showroom items. 3. If customers are permitted to view product within the inventory storage area, they are assisted by **inventory storage area employees** not the showroom salespersons.	1. **Salespersons** show customers stone products by <u>walking them through the inventory storage area</u>. 2. Same as Model 2. 3. Customers are permitted to view stone material within the inventory storage area **assisted by showroom salespersons**.

[3] Classification 8232 is an original Manual classification. This classification was amended in 1965 to allow store operations in connection with 8232 operations, and in 2016 to direct that the sale of decorative stone is classified as 8232(2).
[4] Employers that sell a combination of cabinets, tile and stone slabs or countertops often also sell a minor amount of ancillary items used in the construction or remodeling of kitchens and bathrooms including handles, faucets, fixtures, sinks, ventilation hoods and other related kitchen and bathroom remodeling materials that account for a nominal amount of their overall sales.

Description of Operations	Model 1	Model 2	Model 3
Potential Classification Assignment	8059 or 8017(1) depending on the type of customer and percentage of tile sold	A store classification and 8232(2) based on the *Multiple Enterprises* rule	Often the higher-rated 8232(2) based on the *Multiple Enterprises* rule

Classification Analysis

Employers Selling Tile and Cabinets
With regard to classifying stores, the *Stores Special Industry Classification Procedures*[5] direct that the applicable *Stores* classification is determined based upon the type of merchandise sold and whether the operations are wholesale or retail.

Like tile stores, cabinet stores typically sell to both retail customers as well as contractors and other professional users. Classification 8017(1) is designated as a *retail* classification; however, it is often difficult to discern whether the majority of gross receipts are from sales to retail customers as defined in the *Stores Special Industry Classification Procedures*.[6]

As indicated in Model 1 above, a store that sells both tile and cabinets would be classified based on the percentage of tile sold. If tile sales exceed 25% of gross receipts, the store is assigned to Classification 8059*, Stores – tile*, as 8059 is currently higher rated than Classification 8017(1). Accordingly, many stores that sell cabinets are assigned to Classification 8059 because the sale of tile exceeds 25% of gross receipts.

As stores selling both tile and cabinets constitute a distinct and identifiable group of employers engaged in a relatively homogenous set of operations, in the current study, the WCIRB analyzed the feasibility of assigning stores that sell cabinets to Classification 8059. Additionally, as Classification 8059 applies to both wholesale and retail operations, combining stores that sell cabinets with Classification 8059 addresses the challenge of discerning whether the majority of gross receipts are from sales to retail customers. This approach would provide consistent classification treatment for similar operations.

Employers Selling Tile, Cabinets and Stone Materials
Models 2 and 3 describe many employers that sell stone materials in addition to tile and cabinets.

In Model 2, the store showroom is physically separated from the stone material and store inventory storage area. Under a *Multiple Enterprises* rule analysis, since employees' activities in the inventory storage area are integral to both the store and building material dealer operations,[7] the showroom can only be assigned to a lower-rated store classification if it develops the governing payroll.[8] If it does not develop the governing payroll, the store showroom employees must be assigned to the higher-rated

[5] The *Stores Special Industry Classification Procedures* are found in the USRP at Part 3, *Standard Classification System*, Section IV, *Special Industry Classification Procedures*, Rule 6, *Stores*.

[6] Pursuant to the *Stores* rule, "the term retail is defined as the selling of merchandise to the general public for personal or household consumption or use.…A store that sells merchandise on both a wholesale and a retail basis shall be assigned to the appropriate store classification, depending upon whether the gross receipts are primarily (more than 50%) from wholesale or retail sales." (Part 3, *Standard Classification System*, Section IV, *Special Industry Classification Procedures*, Rule 6, *Stores*.)

[7] When employees, other than Miscellaneous Employees or employees engaged in operations described by a General Inclusion, either: (a) alternate between two or more separately classifiable operations, or (b) engage in a single activity or work in a single department that is integral to two or more separately classifiable activities, Interchange of Labor exists. (USRP at Part 3, Section II, Rule 11, *Interchange of Labor*.)

[8] Under a *Multiple Enterprises* rule analysis, where there is physical separation and Interchange of Labor, if the operation that develops the most payroll is described by the classification with the lower pure premium rate, the payroll of employees engaged in activities described by the lower-rated classification who do not interchange can be assigned to that classification.

Classification 8232(2).[9] Additionally, the classification of store employees in Model 2 is complicated by the fact that salespersons who write orders for stone material likely meet the definition of *counterpersons* who must be specifically included in Classification 8232(2).

Model 3 differs only slightly from Model 2 in that sales employees take customers into the inventory storage area to view stone material, resulting in no physical separation and an interchange of labor as the salespersons walk through the inventory storage area showing stone material to customers. In this model, because the showroom employees are showing the 8232(2) products to customers, these employees are most often assigned to the higher-rated Classification 8232(2).[10]

Although the employers described in Models 2 and 3 sell identical merchandise and have only slight operational differences, the *Multiple Enterprises* rule can result in inconsistent classification assignments for employers engaged in relatively similar operations. To address this inconsistency, the WCIRB explored whether the sale of stone material should be included in Classification 8059 (see discussion in the Statistical Analysis section).[11]

Additional Classification Considerations

The WCIRB also found that similar issues exist for many hardware stores that sell both building materials and store merchandise. For example, Classification 8010, *Stores – hardware, electrical or plumbing supplies,*[12] directs that when lumber or building material sales exceed 10% of gross receipts,[13] employees, other than store cashiers, engaged in handling or delivering lumber or building materials are separately classified as 8232(1), *Lumberyards*, or 8232(2), *Building Material Dealers*. As a result, only the employees directly involved in handling, stocking or delivering lumber or building materials are separately classified. As none of these classifications contain a restriction on dividing a single employee's payroll, employees engaged in operations that are described by Classification 8232 in addition to Classification 8010 are subject to Section V, Rule 3, *Division of Single Employee's Payroll*.

Similar to hardware stores that also sell lumber or other building materials, many tile or cabinet stores sell stone material and may sell other building materials.[14] If Classification 8059 is modeled in a manner similar to Classification 8010, when building material sales exceed 10% of gross receipts, employees engaged in handling, stocking or delivering building materials can be separately classified as 8232(2),[15] while cashiers and store salespersons who sell both building materials and other store merchandise can be assigned to Classification 8059. When building material sales do not exceed 10% of gross receipts, the employees who handle, stock or deliver building materials are included in Classification 8059. Amending Classification 8059 to include such direction would lead to more consistent classification assignments and data reporting.

[9] Under *Multiple Enterprises* rule analysis, where there is physical separation and Interchange of Labor, if the operation that develops the most payroll is described by the classification with the higher pure premium rate, all employees are assigned to the higher-rated classification.

[10] Under *Multiple Enterprises* rule analysis, where there is no physical separation and Interchange of Labor exists, (1) if the operation that develops the most payroll is described by the classification with the higher pure premium rate, all employees are assigned to the higher-rated classification; and (2) if the operation that develops the most payroll is described by the classification with the lower pure premium rate, the payroll of employees whose activities interchange with those described by the higher-rated classification are assigned to the higher-rated classification, unless complete and accurate payroll records are maintained per Section V, Rule *3, Division of Single Employee's Payroll.*

[11] Changes to the *Multiple Enterprises* rule were approved at the October 13, 2020 Classification and Rating Committee meeting to be included in the September 1, 2021 Regulatory Filing. The proposed rule change requires that distinct operations be *Physically Separated* in order to be separately classified and removes *Interchange of Labor* and the *Governing* classification from the *Multiple Enterprises* rule analysis. The proposed changes included in this study address the issue of physical separation for these employers as these operations will be separately classified and not subject to the *Multiple Enterprises* rule.

[12] Classification 8010 was established January 1, 2020.

[13] When a store engages in the sale of building materials, a higher-rated category of non-store merchandise, such sales become determinative for classification assignment purposes when they exceed 10% of gross receipts.

[14] While less common, it is possible for lumberyard products assignable to Classification 8232(1), *Lumberyards,* to be sold by the same employer that sells tile or cabinets.

[15] As neither of these classifications contain a restriction on dividing a single employee's payroll, employees engaged in operations that are described by Classification 8232(2) in addition to Classification 8059 are subject to Section V, Rule 3, *Division of Single Employee's Payroll*.

In conjunction with the footnote in Classification 8010 referenced above, Classifications 8232(1), *Lumberyards*, and 8232(2), *Building Material Dealers*, contain footnotes directing that the operation of a store for the sale of hardware, electrical or plumbing supplies is separately classified as 8010 and that cashiers who work in support of hardware, electrical or plumbing supplies sales in addition to lumber and building material sales are classified as 8010. The WCIRB reviewed the administration of Classification 8010 in connection with lumberyards and building material dealers and noted that some employers sell only minimal amounts of store merchandise. However, in order to establish a store operation where store cashiers or store salespersons are retained and separately classified (provided they do not handle, stock or deliver building materials), the amount of store merchandise sold needs to exceed 25%[16] of gross receipts. Amending Classification 8232(2) to provide similar specific direction regarding 8059 store operations would promote consistent classification assignments and data reporting. Conforming amendments to Classifications 8010, *Stores – hardware, electrical or plumbing supplies*, 8232(1), *Lumberyards*, and 8232(2), *Building Material Dealers*, should also be made for consistency.

Based upon the above classification analysis, the WCIRB conducted the following statistical analysis to determine the propriety of: (1) combining all employers specializing in the sale of tile and cabinets into Classification 8059 and (2) including within Classification 8059 the sale of stone material.

Statistical Analysis
As discussed above, employers that sell tile and cabinets constitute a distinct and identifiable industry, and some of these employers also sell stone material. Therefore, the WCIRB compared the average loss to payroll ratios for Classifications 8017, 8059 and 8232(2) based on the 2021 Classification Relativity data.

Table 1 shows the Classification Relativity[17] data for all of Classification 8017[18] at the policy year 2021 level. The experience of these employers is fully credible with two years of experience.

Table 1: All of Classification 8017
Classification Relativity Data at Policy Year 2021 Level

Policy Year	Adjusted Payroll	Adjusted Losses	Adjusted Loss to Payroll Ratio (00s)
2016	11,976,626,051	222,377,099	1.857
2017	12,554,372,783	219,979,014	1.752
	24,530,998,834	442,356,112	

Adjusted Loss to Payroll Ratio: 1.803
Selected (Unlimited) Loss to Payroll Ratio[19]: 2.026

[16] Pursuant to the *Stores Special Industry Classification Procedures*, 25% of gross receipts is commonly used to establish the significance of store sales and determine the applicable store classification when an employer sells more than one type of merchandise. Although 8232 is not a store classification, the same rationale would apply. This solution was modeled after the classification procedures for the operation of combination gasoline stations and stores as directed in Section IV, *Special Industry Classification Procedures*, Rule 6h, *Stores*.

[17] The Classification Relativities used in this study are from statewide ratemaking data from the WCIRB's January 1, 2021 Regulatory Filing.

[18] Based on the most recent Classification Relativity data, Classification 8017 includes approximately 20,700 employers.

[19] The Selected (Unlimited) Loss to Payroll Ratio is the basis of the pure premium rate and the expected loss rate for the classification(s). It is derived from the loss to payroll experience from the latest two-, three-, four- or five-year periods by taking into account the following: previous year's pure premium rate, credibility and the impact of atypically large claims, etc.

Credibility	
Indemnity	Medical
1.00	1.00

Table 2 shows the Classification Relativity data for employers assigned to Classification 8017 that sell cabinets.[20] These employers generated lower levels of payroll and had very few claims, contributing to significantly lower loss to payroll ratios than those of all employers assigned to Classification 8017; however, the subset represents a small number of employers and has very low statistical credibility and, as a result, their loss experience does not warrant meaningful inferences.

Table 2: Classification 8017 Cabinet Subset
Classification Relativity Data at Policy Year 2021 Level

Policy Year	Adjusted Payroll	Adjusted Losses	Adjusted Loss to Payroll Ratio (00s)
2013	3,836,266	0	0.000
2014	4,790,934	3467	0.072
2015	5,618,462	295	0.005
2016	6,777,014	0	0.000
2017	7,548,477	0	0.000
	28,571,153	3,762	

Adjusted Loss to Payroll Ratio:	0.013
Selected (Unlimited) Loss to Payroll Ratio:	1.738

Credibility	
Indemnity	Medical
0.24	0.23

Table 3 shows the Classification Relativity data for all of Classification 8059.[21] These loss to payroll ratios are higher than those for the cabinet subset of 8017; however, the data for the cabinet subset has very limited statistical credibility.

[20] This subset is comprised of only 22 employers as most employers that sell cabinets have been assigned to other classifications, including 8059 and 8232, based on the sale of additional merchandise.
[21] Based on the most recent Classification Relativity data, Classification 8059 includes approximately 320 employers.

Table 3: All of Classification 8059
Classification Relativity Data at Policy Year 2021 Level

Policy Year	Adjusted Payroll	Adjusted Losses	Adjusted Loss to Payroll Ratio (00s)
2013	66,593,895	2,038,106	3.06
2014	76,494,219	1,789,734	2.34
2015	122,742,378	2,003,494	1.632
2016	121,415,480	1,880,885	1.549
2017	113,218,136	1,733,867	1.531
	500,464,107	9,446,085	

Five-Year Adjusted Loss to Payroll Ratio: 1.887
Selected (Unlimited) Loss to Payroll Ratio: 2.18

Credibility	
Indemnity	Medical
0.75	0.76

As many tile stores also sell cabinets, and in light of the very limited experience in the cabinet subset and similarity of operations with stores in Classification 8059, the WCIRB computed the payroll and loss experience for the combined Classification 8059 and the cabinet subset of 8017[22] (Table 4). Due to the limited experience in the 8017 cabinet subset, the loss to payroll ratios and statistical credibility of the combination of Classification 8059 and the cabinet subset of 8017 are very similar to those for Classification 8059. This indicates that combining Classification 8059 and the cabinet subset of 8017 would have minimal impact on the loss to payroll ratio and statistical credibility for Classification 8059.

Table 4: All of Classification 8059 and 8017 Cabinet Subset
Classification Relativity Data at Policy Year 2021 Level

Policy Year	Adjusted Payroll	Adjusted Losses	Adjusted Loss to Payroll Ratio (00s)
2013	70,887,276	2,064,960	2.930
2014	81,171,870	1,818,629	2.240
2015	120,422,279	2,008,674	1.668
2016	128,333,142	1,863,022	1.452
2017	120,673,541	1,748,191	1.449
	521,488,109	9,503,475	

Five-Year Adjusted Loss to Payroll Ratio: 1.822
Selected (Unlimited) Loss to Payroll Ratio: 2.109

[22] Based on the most recent Classification Relativity data, the combination of Classification 8059 and the cabinet subset of 8017 includes approximately 340 employers.

Credibility	
Indemnity	**Medical**
0.76	0.77

Because some tile or cabinet stores that also sell stone material are assigned to Classification 8232, the WCIRB reviewed the Classification Relativity data for all of Classification 8232[23] to determine if the sale of stone material should be included in Classification 8059 (Table 5). The experience of employers assigned to 8232 is fully credible with two years of experience and the loss to payroll ratio is at a significantly higher level than that of Classification 8017.

Table 5: All of Classification 8232
Classification Relativity Data at Policy Year 2021 Level

Policy Year	Adjusted Payroll	Adjusted Losses	Adjusted Loss to Payroll Ratio (00s)
2016	1,045,188,769	39,677,704	3.796
2017	1,206,965,908	38,762,622	3.212
	2,252,154,676	78,440,326	

Five-Year Adjusted Loss to Payroll Ratio: 3.483
Selected (Unlimited) Loss to Payroll Ratio: 4.317

Credibility	
Indemnity	**Medical**
1.0	1.0

Table 6 shows the Classification Relativity data for the stone countertop subset of Classification 8232,[24] comprised of employers that specialize in the sale of stone materials. The experience of the stone countertop subset of 8232 is only moderately credible, and the loss to payroll ratios for this group of employers are higher than those of all employers assigned to 8232.

Table 6: Classification 8232 Stone Countertop Subset
Classification Relativity Data at Policy Year 2021 Level

Policy Year	Adjusted Payroll	Adjusted Losses	Adjusted Loss to Payroll Ratio (00s)
2013	31,622,733	2,244,259	7.097
2014	40,361,466	2,408,962	5.968
2015	47,851,576	1,847,304	3.860
2016	50,315,350	2,089,526	4.153
2017	56,414,736	2,480,207	4.396
	226,565,860	11,070,258	

[23] Based on the most recent Classification Relativity data, Classification 8232 includes approximately 1,700 employers.

[24] This subset is comprised of approximately 120 employers that specialize in the sale of stone slabs, stone countertops or stone material that have been assigned to Classification 8232 based on the percentage of products sold. These employers may also sell additional items used in the construction or remodeling of kitchens and bathrooms.

Five-Year Adjusted Loss to Payroll Ratio:	4.886
Selected (Unlimited) Loss to Payroll Ratio:	5.300

Credibility	
Indemnity	Medical
0.72	0.64

Table 7 compares the indicated selected (unlimited) loss to payroll ratio of the 8232 countertop subset to that of both Classification 8232 as a whole and Classification 8059. The loss to payroll ratio for the 8232 stone countertop subset, though not fully credible, is significantly higher (by 143%) than that for tile stores. In view of this difference, the WCIRB does not recommend including the sale of stone material in Classification 8059.

In view of the difference in the loss to payroll ratio between the 8232 stone countertop subset and the full 8232 group, further research is warranted and the WCIRB recommends performing a comprehensive review of Classification 8232 in the next several years to further assess if the stone countertop subset as well as other potentially distinct subsets currently included in Classification 8232 need to be separately classified. Prior to the comprehensive review, the WCIRB recommends that employers specializing in the sale of stone materials continue to be assigned to Classification 8232.

Table 7: Classification 8059 and 8232 Countertop Subset
Comparison of Selected (Unlimited) Loss to Payroll Ratio at Policy Year 2021 Level

8232 Countertop Subset	Classification 8232	Difference
5.300	4.317	0.983 (22.77%)
8232 Countertop Subset	Classification 8059	Difference
5.300	2.180	3.12 (143.12%)

Table 8 compares the indicated selected (unlimited) loss to payroll ratio of the 8017 cabinet subset to that of both Classification 8017 as a whole and Classification 8059. The loss to payroll ratio of the cabinet subset in 8017 is somewhat comparable to both 8017 as a whole and Classification 8059. Therefore, combining the 8017 cabinet subset and Classification 8059 will not negatively impact the experience of employers in the 8017 cabinet subset.

Table 8: Classification 8059 and 8017 Cabinet Subset
Comparison of Selected (Unlimited) Loss to Payroll Ratio at Policy Year 2021 Level

8017 Cabinet Subset	Classification 8017	Difference
1.738	2.026	-0.288 (-14.22%)
8017 Cabinet Subset	Classification 8059	Difference
1.738	2.18	-0.442 (-20.28%)

Impact Analysis
The WCIRB recommends combining employers that sell cabinets (currently assigned to Classification 8017) with tile stores (assigned to Classification 8059). Table 9 shows that the recommended change would result in a modest increase (+4.1%) in the selected loss to payroll ratio for cabinet stores and a modest decrease (-3.3%) for employers currently assigned to Classification 8059.

Table 9: Classification 8059 and 8017 Cabinet Subset
Comparison of Selected (Unlimited) Loss to Payroll Ratio at Policy Year 2021 Level

Classification 8059	Classifications 8059 and 8017 Cabinet Subset Combined	Difference
2.180	2.109	-0.071 (-3.3%)
Classification 8017	Classifications 8059 and 8017 Cabinet Subset Combined	Difference
2.026	2.109	0.083 (+4.1%)

Findings
The WCIRB's review of employers engaged in the sale of tile, cabinets and stone material found:

1. There is significant overlap and similarity of operations between stores specializing in the sale of tile and those specializing in the sale of cabinets. Taken together, this group constitutes a distinct and identifiable group of employers engaged in a relatively homogenous set of operations. Further, reassigning cabinet retailers currently assigned to 8017(1), *Stores – retail,* to Classification 8059, *Stores – tile*, would have little impact on the pure premium rates for either the reassigned employers or Classification 8059 as a whole.

2. Some employers that sell tile or cabinets also sell stone material. These stone material sales operations, currently separately assigned to Classification 8232(2), *Building Material Dealers*, develop a distinctly higher loss to payroll ratio than that developed by Classification 8059, *Stores – tile*. While not fully credible, the loss to payroll ratio for the stone material sales operations is more consistent with that of Classification 8232(2) than that of Classification 8059. Accordingly, stone material sales should continue to be separately assigned to Classification 8232(2), provided the sale of stone materials represents greater than 10% of total sales.

3. When the sale of stone material in a tile or cabinet store represents greater than 10% of total sales, employees engaged in stocking, handling or delivering stone products should be assigned to Classification 8232(2) and common sales or cashiering operations should be assigned to Classification 8059. This approach will avoid the complexities of the *Multiple Enterprises* rule and ensure that Classification 8232(2) applies to employees engaged in stocking, handling or delivering the stone products.

4. When a building material dealer also sells tile or cabinets (or other store merchandise), employees engaged in the store operations should be separately assigned the appropriate store classification, provided the store merchandise sales represent greater than 25% of total sales.

5. Stores specializing in the sale of tile or cabinets that also sell building materials or lumber should be administered similarly to hardware stores assigned to Classification 8010, *Stores – hardware, electrical or plumbing supplies,* which also sell building materials or lumber. Accordingly, Classification 8010, 8232(1), *Lumberyards*, and 8232(2) should be amended for consistency based on the proposed changes to Classification 8059.

Recommendations
Based on these findings, the WCIRB recommends:

1. Amending Classification 8059, *Stores – tile,* to

   a. Direct that the classification includes the sale of cabinets, including but not limited to kitchen or bathroom cabinets and, as appropriate, reassign operations currently assigned to Classification 8017 to Classification 8059.

b. Direct that when building material sales exceed 10% of gross receipts, employees, other than store salespersons or cashiers, who are engaged in stocking, handling or delivering building materials are separately classified as 8232(2); and when building material sales do not exceed 10% of gross receipts, these employees are included in Classification 8059.

2. Amending Classification 8232(2), *Building Material Dealers,* to

   a. Direct that the classification includes the sale of stone material, stone slabs or fabricated stone products, including but not limited to stone countertops.

   b. Direct that when, at a single location, the sale of store merchandise, including but not limited to tile, cabinets or hardware, electrical or plumbing supplies exceeds 25% of gross receipts, employees who sell, stock, handle or deliver store merchandise shall be separately classified to the applicable *Stores* Industry Group classification; cashiers who process sales of store merchandise in addition to building material shall also be assigned to the applicable *Stores* Industry Group classification.

3. Amending Classifications 8010*, Stores – hardware, electrical or plumbing supplies,* 8232(1), *Lumberyards*, and 8232(2), *Building Material Dealers*, for consistency with the changes recommended to administer Classifications 8059 and 8232(2).

In addition to the above, within the next several years, the WCIRB intends to conduct a comprehensive review of Classification 8232 to determine whether its constituents continue to represent employers engaged in a relatively homogenous set of operations that have relatively similar loss experience.

Appendix I

Classification Procedures in Other Jurisdictions
The WCIRB reviewed how other jurisdictions classify the operations reviewed in this study, focusing on how the National Council on Compensation Insurance, Inc. (NCCI) classifies these operations.

NCCI retains the following classifications for operations covered in this study:

- Classification 8058, *Building Material Dealer – New Materials Only – Store Employees,* with cross reference to *Home Improvement Center – New Materials Only – Store Employees,* is assignable to employees of building material dealers, home improvement centers and lumberyards who are engaged in store operations. Home improvement centers are defined as building material dealers characterized by an extensive store operation handling a wide variety of products in addition to normal building materials and related hardware items. A home improvement center contemplates both inside sales and outside yard operations.

- Classification 8232, *Building Material Dealer – New Materials Only – All Other Employees & Yard, Warehouse, Drivers,* with cross reference to *Home Improvement Center – New Materials Only – All Other Employees & Yard, Warehouse, Drivers* applies to those employees, other than employees assigned to Code 8058.

- Similar to California, NCCI assigns Classification 8017, *Store – Retail – N.O.C.,* to retail stores that are engaged in selling merchandise that is not described by a specialty retail store classification.

Recommendation

Amend Classification 8232(2), *Building Material Dealers,* to (1) include the sale of stone materials, stone slabs or fabricated stone products, including but not limited to stone countertops, (2) provide direction to separately classify employees engaged in cashiering operations or selling, stocking, handling or delivering store merchandise when the sale of store merchandise at a single locations exceeds 25% of gross receipts and (3) provide direction as to how related operations should be classified, and for clarity.

PROPOSED

BUILDING MATERIAL DEALERS – commercial – including counterpersons **8232(2)**

This classification applies to the sale of building materials, including but not limited to sand, gravel, cement, drilling mud, brick, fencing wire, wallboard, doors, roofing ~~paper~~materials, paneling, ~~decorative stone and~~ foundation piers, stone materials, stone slabs and fabricated stone products, including but not limited to stone countertops. This classification includes handling, stocking or delivery of building materials.

This classification also applies to the sale of used building materials, including incidental cleaning, trimming or cutting operations to prepare items for sale.

~~The operation of a store for~~When, at a single location, the sale of store merchandise, including but not limited to tile, cabinets or hardware, electrical or plumbing supplies exceeds 25% of gross receipts, employees engaged in selling, stocking, handling or delivery of store merchandise shall be separately classified ~~as 8010, *Stores – hardware, electrical or plumbing supplies*~~to the applicable *Stores* Industry Group classification; refer to Section IV, *Special Industry Classification Procedures*, Rule 6, *Stores.* Cashiers who ~~work in support of hardware, electrical or plumbing supplies~~process store merchandise sales in addition to building material sales shall also be ~~classified as 8010~~assigned to the applicable *Stores* Industry Group classification.

The cutting or fabrication of stone materials, stone slabs or fabricated stone products shall be separately classified as 1803, *Stone Cutting or Fabrication.*

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Recommendation

Amend Classification 8059, *Stores – tile,* which is part of the *Stores* Industry Group, to include the sale of cabinets, provide direction to separately classify employees engaged in handling, stocking or delivering lumber or building materials when lumber or building material sales exceed 10% of gross receipts and provide direction as to how related operations should be classified.

PROPOSED

STORES

STORES – tile or cabinets – wholesale or retail **8059**

This classification applies to stores engaged in the sale of ~~decorative~~ tile, including but not limited to ceramic, stone, porcelain and glass tile. This classification also applies to stores engaged in the sale of cabinets that are designed to be affixed to building walls or floors, including but not limited to kitchen or bath cabinets.

~~Dealers in stone slabs or countertops~~When lumber or building material sales, including but not limited to ~~marble, granite, quartz and lime~~stone countertop or stone slab materials exceed 10% of gross receipts, employees, other than store salespersons or cashiers, engaged in handling, stocking or delivering lumber or building materials shall be separately classified as 8232(1), *Lumberyards*, or 8232(2), *Building Material Dealers.* When lumber or building material sales do not exceed 10% of gross receipts, such employees are included in Classification 8059.

~~The installation of tile shall be separately classified as 5348, *Tile, Stone, Mosaic or Terrazzo Work.*~~

Stores engaged in the sale of hardware, electrical or plumbing supplies shall be classified as 8010, *Stores – hardware, electrical or plumbing supplies – wholesale or retail.*

Stores engaged in the sale of furniture, including but not limited to couches, chairs, tables, dressers, bed frames, desks and bookcases shall be classified as 8015, *Stores – furniture – wholesale or retail.*

Stores engaged in the sale of vinyl, linoleum, asphalt, laminate or rubber tile floor coverings shall be classified as 8042, *Stores – floor covering*.

The installation of tile shall be separately classified as 5348, *Tile, Stone, Mosaic or Terrazzo Work.*

The installation of cabinets, fixtures, or wood or laminate countertops shall be separately classified as 5146(1), *Cabinet, Fixture or Trim Installation.*

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Recommendation

Amend Classification 8232(1), *Lumberyards*, to separately classify employees engaged in cashiering operations or selling, stocking, handling or delivering store merchandise when the sale of store merchandise at a single location exceeds 25% of gross receipts.

PROPOSED

LUMBERYARDS – commercial – including counterpersons **8232(1)**

This classification applies to commercial lumberyards engaged in the sale of lumber, plywood, moldings, paneling or incidental building materials. This classification includes incidental cutting of lumber to length and handling, stocking or delivery of lumber.

~~The operation of a store for~~When, at a single location, the sale of store merchandise, including but not limited to tile, cabinets or hardware, electrical or plumbing supplies exceeds 25% of gross receipts, employees engaged in selling, stocking, handling or delivery of store merchandise shall be separately classified ~~as 8010, *Stores – hardware, electrical or plumbing* supplies~~to the applicable *Stores* Industry Group classification; refer to Section IV, *Special Industry Classification Procedures*, Rule 6, *Stores*. Cashiers who ~~work in support of hardware, electrical or plumbing supplie~~process store merchandise sales in addition to ~~lumber~~building material sales shall also be ~~classified as 8010~~assigned to the applicable *Stores* Industry Group classification.

The sale of building materials, including secondhand building materials, shall be classified as 8232(2), *Building Material Dealers*.

Dealers of solid combustible fuel materials or soil amendments shall be classified as 8232(3), *Fuel and Material Dealers.*

The processing of logs into shingles or rough lumber shall be separately classified as 2710(1), *Sawmills or Shingle Mills*.

Planing of lumber to produce finished lumber, flooring or unassembled millwork shall be separately classified as 2731, *Planing or Moulding Mills*.

The application of preservative treatments to logs or lumber shall be separately classified as 2710(3), *Wood Treating or Preserving*.

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Recommendation

Amend Classification 8010, *Stores – hardware, electrical or plumbing supplies,* which is part of the *Stores* Industry Group, for consistency with other proposed changes.

PROPOSED

STORES

STORES – hardware, electrical or plumbing supplies – wholesale or retail **8010**

This classification applies to the sale of hardware, electrical or plumbing supplies, including but not limited to nails, screws ~~and~~or threaded fasteners; hand or power tools; door or lock hardware; electrical wire, conduit, switches, outlets ~~and~~or circuit breakers; new or used gas or water fittings, pipe, valves, faucets ~~and~~or filters; bathroom fixtures~~,~~; water heaters~~,~~ or boilers~~,~~; insulation; and ventilating ducts. This classification also applies to the sale of oil, gas or water well supplies, such as pipe (new or used), tubing, flanges, fittings and valves, and includes incidental cleaning operations to prepare the pipe for sale.

This classification also applies to locksmith operations performed at fixed or outside locations.

~~When lumber sales exceed 10% of gross receipts, employees, other than store cashiers, engaged in handling or delivering lumber shall be separately classified as 8232(1), *Lumberyards*.~~

When lumber or building material sales exceed 10% of gross receipts, employees, other than store salespersons or cashiers, engaged in handling, stocking or delivering lumber or building materials shall be separately classified as 8232(1), *Lumberyards*, or 8232(2), *Building Material Dealers*. When lumber or building material sales do not exceed 10% of gross receipts, such employees are included in Classification 8010.

Dealers of oil or gas well machinery or equipment shall be classified as 8107, *Machinery and Equipment Dealers – N.O.C.*, or 8267, *Machinery and Equipment Dealers – secondhand.*

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Recommendation

Amend Classification 8042, *Stores – floor covering,* which is part of the *Stores* Industry Group, for consistency with other proposed changes.

PROPOSED

STORES

STORES – floor covering – wholesale or retail – carpet, rugs, vinyl or linoleum – including showroom sales **8042**

This classification applies to stores engaged in the sale of floor coverings, including but not limited to carpet ~~and~~or rugs; vinyl, linoleum, asphalt ~~and~~or rubber sheets, planks ~~and~~or tile; prefinished hardwood ~~and~~or bamboo strips ~~and~~or planks; and laminate ~~and~~or cork planks ~~and~~or tiles. This classification also applies to floor covering auctioneers.

The installation of linoleum, vinyl, laminate, carpet, rugs or asphalt or rubber tile shall be separately classified as 9521(2), *Floor Covering – installation.*

The installation or refinishing of hardwood or bamboo flooring shall be separately classified as 5436, *Hardwood Floor Laying.*

Dealers of building materials, including unfinished hardwood flooring, shall be classified as 8232(2), *Building Material Dealers*.

Stores engaged in the sale of ceramic ~~floor~~, stone, porcelain or glass tile shall be classified as 8059, *Stores – tile or cabinets – wholesale or retail*.

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Recommendation

Amend Classification 8015, *Stores – furniture,* which is part of the *Stores* Industry Group, for consistency with other proposed changes.

PROPOSED

STORES

STORES – furniture – wholesale or retail **8015**

This classification applies to stores engaged in the sale or rental of furniture, including but not limited to couches, chairs, tables, dressers, bed frames, desks and bookcases. This classification also applies to furniture auctioneers.

This classification also applies to the operation of furniture galleries or showrooms that display samples of furniture for viewing and direct sale to customers. Such operations include but are not limited to the sale of furniture by salespersons, interior decorators or designers retained by the employer, and furniture shipping, receiving and delivery. This classification includes travel to customers' locations by salespersons, interior decorators or designers to gather information or provide advice in support of furniture sales.

This classification does not apply to the operation of furniture galleries or showrooms that sell exclusively from samples to buyers for stores (no direct sales) and where no inventory (exclusive of showroom samples) is maintained at the gallery or showroom location. Such gallery or showroom salespersons shall be classified as 8742, *Salespersons – Outside,* provided they have no other duties of any kind in the service of the employer except clerical work or outside sales. See Part 3, Section IV, Rule 6, *Stores*.

Stores engaged only in the sale of mattresses or box springs shall be classified as 8017(1), *Stores – retail.*

Stores engaged in the sale of tile or cabinets, including but not limited to kitchen or bath cabinets shall be classified as 8059, *Stores – tile or cabinets – wholesale or retail.*

The installation, service or repair of household appliances shall be separately classified as 9519(1), *Household Appliances.*

The installation of linoleum, vinyl, cork, asphalt or rubber tile, or laminate (not hardwood) flooring within buildings, as well as the laying of carpets or rugs, shall be separately classified as 9521(2), *Floor Covering – installation.*

The installation of hardwood or bamboo floors, including baseboard molding installed in connection therewith, shall be separately classified as 5436, *Hardwood Floor Laying.*

The installation of window coverings, including associated hardware, within buildings shall be separately classified as 9521(3), *Window Covering.*

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Recommendation

Amend Section VIII, *Abbreviated Classifications – Numeric Listing*, for consistency with other proposed changes.

Section VIII – Abbreviated Classifications – Numeric Listing

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8059 Stores–tile<u>/cabinets</u>

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Item III-E
Proposed Classification Enhancements to the *California Workers' Compensation Uniform Statistical Reporting Plan—1995*

The WCIRB continually reviews the standard classifications contained in the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* to ensure that the intended application of each classification is comprehensive and clear. WCIRB staff has identified several classifications that could be clarified and, therefore, the following revisions are proposed for clarity, consistency and to provide direction about how related operations are classified.

Recommendation

Amend Classification 2589(2), *Dry Cleaning – N.O.C.,* to clarify the intended application and provide direction as to how related operations should be classified.

PROPOSED

DRY CLEANING – ~~N.O.C.~~commercial – including repairing or pressing, and cash and carry departments on plant premises **2589(2)**

This classification applies to locations at which more than 50% of gross receipts are derived from the dry cleaning of garments, linens or other household items that are owned by commercial customers rather than the general public.

Locations at which 50% or more of gross receipts are derived from the dry cleaning or laundering of garments, linens or other household items that are owned by the general public shall be classified as 2589(1), *Dry Cleaning or Laundry*.

Commercial laundry operations, including the rental and laundering of clothing, towels, linens, diapers ~~and~~or similar items shall be classified as 2585(1), *Laundries.*

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Recommendation

Amend Classification 3805(1), *Aircraft Engine Mfg. or Rebuilding,* to clarify the intended application and provide direction as to how related operations should be classified.

PROPOSED

AIRCRAFT ENGINE MFG. OR REBUILDING **3805(1)**

This classification applies to manufacturing or rebuilding aircraft engines when such operations are not performed in connection with aircraft manufacturing.

~~Employers that remove or install engines or otherwise work~~The repair, rebuilding or modification of aircraft engines, when performed directly on the aircraft or in connection with the removal and reinstallation of engines, components or accessories by the same employer shall be classified as 7428(3), *Aircraft Remanufacture, Conversion, Modification and Repair Companies.*

The manufacture or repair of machined aircraft components ~~and~~or accessories (not aircraft engines) by employers approved by the Federal Aviation Administration, when such operations are not performed directly on the aircraft or in connection with the removal and reinstallation of engines, components or accessories by the same employer, shall be classified as 3831, *Machine Shops – aircraft components*~~, in accordance with the provisions of the Multiple Enterprises rule~~.

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Recommendation
Amend Classification 8388, *Rubber Tire Dealers,* which is part of the *Automotive* Industry Group, to clarify the intended application and provide direction as to how related operations should be classified.

PROPOSED

AUTOMOTIVE INDUSTRY

RUBBER TIRE DEALERS ~~– wholesale or retail, or combined wholesale and retail~~ – including ~~inside salespersons,~~ estimators, service writers, customer service representatives ~~and~~, cashiers~~; repairing and adjusting tires away from the premises;~~, and accessories and spare parts departments **8388**

This classification applies to dealers that sell rubber tires to commercial customers or the general public. This classification also applies to automobile, truck or bus service or repair facilities at which the sale of rubber tires exceeds 10% of the total gross receipts. Automobile, truck or bus service or repair facilities at which the sale of rubber tires does not exceed 10% of the total gross receipts shall be assigned to the applicable *Automotive* Industry Group classification.

Recapping or retreading ~~of~~used tires shall be separately classified as 4420, *Rubber Tire Recapping or Retreading*.

* * * * * * *

Recommendation
Amend Classification 8839, *Dentists and Dental Surgeons,* which is part of the *Health and Human Services* Industry Group, to clarify the intended application and provide direction as to how related operations should be classified.

PROPOSED

HEALTH AND HUMAN SERVICES

~~DENTISTS AND~~ DENTAL ~~SURGEONS~~OR ORTHODONTIA PRACTICES – ~~all employees –~~ including Clerical Office Employees and Clerical Telecommuter Employees **8839**

This classification applies to dental practices or clinics that provide general, restorative or cosmetic dental services or teeth whitening or straightening procedures. This classification also applies to ~~orthodontists and periodontists~~periodontal or oral surgery practices. This classification includes the manufacture or customization of dental products, including but not limited to crowns, dentures, inlays and bridges when performed in connection with the dental services provided.

~~This classification includes the manufacture or customization of dental products, including but not limited to crowns, dentures, inlays and bridges when such operations are primarily in support of the dental services provided~~Physicians' practices or clinics that provide outpatient medical services shall be classified as 8834, *Physicians' Practices and Outpatient Clinics*.

The manufacture ~~or customization~~ of dental products primarily for other concerns shall be separately classified as 4692, *Dental Laboratories*.

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Recommendation

Amend Classification 8601(4), *Forest Engineers,* to clarify the intended application and provide direction as to how related operations should be classified.

PROPOSED

FOREST ENGINEERS – including Clerical Office Employees, Clerical Telecommuter Employees and Outside Salespersons **8601(4)**

This classification applies to forest engineers performing forest management related duties in support of the employer's own operations or on a consulting basis. Such duties include but are not limited to developing or reviewing logging plans, computing the value of standing timber and planning extensions of fire roads constructed in connection with logging operations.

This classification includes timber cruising.

Commercial timber harvesting shall be separately classified as 2702(1), *Logging*.

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Recommendation

Amend Classification 0096, *Nut Hulling, Shelling or Processing,* which is part of the *Food Packaging and Processing* Industry Group, to clarify the intended application and provide direction as to how related operations should be classified.

PROPOSED

FOOD PACKAGING AND PROCESSING

NUT HULLING, SHELLING OR PROCESSING **0096**

This classification applies to the hulling, shelling, cleaning, drying, sorting or packaging of nuts, including but not limited to peanuts, almonds, walnuts, pecans, pistachios and cashews. This classification also applies to nut processing, including but not limited to roasting, smoking, salting ~~and~~or flavoring; the manufacture of peanut butter or other nut butters; or grinding nuts to produce meal or pastes for baking.

The manufacture of non-alcoholic juice or juice concentrates from fruit, vegetables, nuts or seeds shall be separately classified as 2116, *Juice or Juice Concentrate Mfg.*

The manufacture of food products shall be separately classified as 6504, *Food Products Mfg. or Processing,* unless the operations are more specifically described by another *Food Packaging and Processing* Industry Group classification.

Growing or harvesting, including field packing, of crops~~,~~ shall be assigned to the applicable *Farms* Industry Group classification.

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Recommendation

Amend Classification 4692, *Dental Laboratories*, for consistency with other proposed changes.

PROPOSED

DENTAL LABORATORIES – including foundry or casting operations **4692**

This classification applies to the manufacture of dental appliances or devices, including but not limited to crowns, dentures, inlays, bridges, braces and retainers in accordance with orders placed by dentists or orthodontists for individual patients.

~~Dentists, orthodontists and d~~Dental ~~surgeons~~, orthodontia, periodontal and oral surgery practices shall be separately classified as 8839, *~~Dentists and~~ Dental ~~Surgeons~~or Orthodontia Practices*.

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Recommendation

Amend Classification 2585(1), *Laundries*, to clarify the intended application and provide direction as to how related operations should be classified.

PROPOSED

LAUNDRIES – ~~N.O.C.~~commercial – all employees – including cash and carry departments on the premises **2585(1)**

This classification applies to the washing and pressing of fabric items, including but not limited to clothing, uniforms, draperies, diapers and linens for commercial customers on a fee basis. This classification also applies to specialty processing by stone washing, bleaching or hand sanding and dyeing of clothing items. This classification also applies to the rental and laundering of clothing, towels, linens, diapers ~~and clothing~~or similar items.

This classification also applies to the commercial processing of cow hide.

The rental of fabric items, including but not limited to towels, linens, gowns, scrubs and lab coats shall be classified as 8017(8), *Linen Rental or Restroom Supply Services*, provided no laundry operations are performed by the employer.

Locations at which more than 50% of gross receipts are derived from the cleaning or laundering of garments, linens ~~and~~or other household items that are owned by the general public shall be classified as 2589(1), *Dry Cleaning or Laundry*. Cash and carry facilities, situated away from the dry cleaning or laundry location, that solely engage in the receipt and distribution of items to be cleaned shall be classified as 8017(1), *Stores – retail.*

~~Cash and carry facilities, situated away from the dry cleaning or laundry location, that solely engage in the receipt and distribution of items to be cleaned shall be classified as 8017(1), *Stores – retail.*~~Locations at which more than 50% of gross receipts are derived from the dry cleaning of garments, linens or other household items that are owned by commercial customers and not owned by the general public shall be classified as 2589(2), *Dry Cleaning – commercial.*

Self-service laundries that retain attendants to perform ~~"fluff~~wash and fold~~"~~ activities shall be classified as 2589(1), *Dry Cleaning or Laundry*.

Self-service laundries that do not retain attendants to perform ~~"fluff~~wash and fold~~"~~ activities shall be classified 8017(1), *Stores – retail*.

Dyeing~~ of textile~~, bleaching, mercerizing or finishing fabric~~s~~ raw materials, not finished garments or other finished fabric products, shall be classified as 2413, *Textiles.*

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Recommendation

Amend Classification 2585(2), *Dyeing*, to clarify the intended application and provide direction as to how related operations should be classified.

PROPOSED

DYEING – including yarn or thread dyeing or finishing – no yarn or thread manufacturing 2585(2)

This classification ~~shall not be used for division of payroll in connection with any other classification (other than the Standard Exceptions or General Exclusions) unless the operations described by Classification 2585(2) constitute a separate and distinct enterprise having no connection with the operations covered by any other applicable classification~~applies to dyeing finished garments or other finished fabric products or dying or finishing yarn or thread. This classification also applies to stone washing, bleaching, sanding or dyeing clothing when performed for other concerns on a fee basis and not in connection with clothing manufacturing operations by the same employer.

Dyeing~~ of textile~~, bleaching, mercerizing or finishing fabric~~s~~ raw materials, not finished garments or other finished fabric products, shall be classified as 2413, *Textiles.*

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Recommendation

Amend Classification 2589(1), *Dry Cleaning or Laundry*, to clarify the intended application and provide direction as to how related operations should be classified.

PROPOSED

DRY CLEANING OR LAUNDRY – retail – including alterations, repairing or pressing, and cash and carry departments on premises **2589(1)**

This classification applies to locations at which more than 50% of gross receipts are derived from the dry cleaning or laundering of garments, linens ~~and~~or other household items that are owned by the general public. This classification also applies to self-service laundries that retain attendants to perform ~~"fluff~~wash and fold~~"~~ activities.

Locations at which 50% or more of gross receipts are derived from the dry cleaning of garments, linens or other household items that are owned by commercial customers rather than the general public shall be classified as 2589(2), *Dry Cleaning – commercial.*

Self-service laundries that do not retain attendants to perform ~~"fluff~~wash and fold~~"~~ activities shall be classified 8017(1), *Stores – retail*.

Cash and carry facilities, situated away from the dry cleaning or laundry location, that solely engage in the receipt and distribution of items to be cleaned shall be classified as 8017(1), *Stores – retail.*

~~Diaper service companies and uniform and linen rental or service companies~~Commercial laundry operations, including but not limited to the washing and pressing of fabric items, clothing, uniforms, draperies, diapers or linens for commercial customers on a fee basis or the rental and laundering of towels, linens, diapers or similar items shall be classified as 2585(1), *Laundries*.

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Recommendation

Amend Classification 3830(1), *Aircraft or Spacecraft Mfg.*, to provide direction as to how related operations should be classified.

PROPOSED

AIRCRAFT OR SPACECRAFT MFG. – including foundry operations **3830(1)**

This classification applies to the manufacture of aircraft, including but not limited to fixed wing airplanes and helicopters. This classification also applies to the manufacture of aerospace products, including but not limited to missiles, rockets and other spacecraft. This classification also applies to the manufacture of light sport aircraft ~~and~~or hang gliders.

This classification includes foundry operations performed in connection with the aircraft or spacecraft manufacturing operations.

All members of the flying crew for aircraft operations, including but not limited to test flight operations performed by the manufacturer shall be classified in accordance with Section III, Rule 6, *General Exclusions*.

The manufacture of Unmanned Aircraft Systems (aerial drones) with a total combined weight of 55 pounds or heavier shall be classified as 3830(2), *Unmanned Aircraft System Mfg.*

The manufacture of Unmanned Aircraft Systems (aerial drones) with a total combined weight of less than 55 pounds shall be classified as 3681(1), *Instrument Mfg. – electronic*.

The manufacture of communication satellites shall be classified as 3681(3), *Telecommunications Equipment Mfg.*

Aircraft engine manufacturing or rebuilding not in connection with aircraft manufacturing by the same employer shall be classified as 3805(1), *Aircraft Engine Mfg. or Rebuilding*.

~~The~~Employers that are approved by the Federal Aviation Administration and manufacture or repair ~~of~~ machined aircraft components ~~performed by employers that are approved by the Federal Aviation Administration, when such operations are not performed directly on the aircraft or in connection with components that are removed from and later reinstalled on the aircraft,~~or accessories (not aircraft engines) shall be classified as 3831, *Machine Shops – aircraft components*, provided the employer does not perform such operations directly on the aircraft or remove and reinstall the components or accessories.

The repair, ~~and~~ rebuilding or modification of aircraft components ~~and parts~~or accessories, including aircraft engines, when ~~such operations are~~ performed directly on the aircraft or in connection with the removal and reinstallation of components ~~that are removed from and later reinstalled on the aircraft~~or accessories by the same employer~~,~~ shall be classified as 7428(3), *Aircraft Remanufacture, Conversion, Modification and Repair Companies.*

Aircraft operation, demonstration or flight testing shall be separately classified.

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Recommendation

Amend Classification 3831, *Machine Shops – aircraft components*, to clarify the intended application and provide direction as to how related operations should be classified.

PROPOSED

MACHINE SHOPS – aircraft components **3831**

This classification applies to employers that are approved by the Federal Aviation Administration and ~~engage in the~~ manufacture or repair ~~of~~ machined aircraft components ~~and~~or accessories ~~provided the employer does not remove or install parts or otherwise work directly on the aircraft~~(not aircraft engines) when such operations are not performed directly on the aircraft or in connection with the removal and reinstallation of components or accessories by the same employer.

Aircraft engine manufacturing or rebuilding not in connection with aircraft manufacturing by the same employer shall be classified as 3805(1), *Aircraft Engine Mfg. or Rebuilding*.

~~Employers that remove or install parts or otherwise work directly on the aircraft~~The repair, rebuilding or modification of aircraft components or accessories, including engines, when performed directly on the aircraft or in connection with the removal and reinstallation of components or accessories by the same employer, shall be classified as 7428(3), *Aircraft Remanufacture, Conversion, Modification and Repair Companies*.

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Recommendation

Amend Classification 7428(3), *Aircraft Remanufacture, Conversion, Modification and Repair Companies*, to clarify the intended application and provide direction as to how related operations should be classified.

PROPOSED

AIRCRAFT REMANUFACTURE, CONVERSION, MODIFICATION AND REPAIR COMPANIES – not engaged in the original manufacturing of aircraft **7428(3)**

This classification applies to the repair,~~ and~~ rebuilding or modification of aircraft. This classification includes the manufacture or repair of machined aircraft components~~ and parts~~, accessories or engines when ~~such operations are~~ performed directly on the aircraft or in connection with the removal and reinstallation of engines, components ~~that are removed from and later reinstalled on the aircraft~~or accessories by the same employer. This classification also includes but is not limited to aircraft cleaning, ~~and~~ detailing and ~~aircraft~~ fueling on a fee basis.

Employers that are approved by the Federal Aviation Administration and ~~engage in the~~ manufacture or repair ~~of~~ machined aircraft components ~~and~~or accessories (not aircraft engines) shall be classified as 3831, *Machine Shops – aircraft components*, provided the employer does not ~~remove or install parts or otherwise work directly on the aircraft~~perform such operations directly on the aircraft or remove and reinstall the components or accessories.

Aircraft engine manufacturing or rebuilding not in connection with aircraft manufacturing by the same employer shall be classified as 3805(1), *Aircraft Engine Mfg. or Rebuilding*.

The shop repair of Unmanned Aircraft Systems (aerial drones) with a total combined weight of 55 pounds or heavier by the manufacturer shall be classified as 3830(2), *Unmanned Aircraft System Mfg.*

Also refer to companion Classification 7424(1), *Aircraft Operation – other than agricultural or scheduled air carriers – members of the flying crew.*

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Recommendation
Amend Classification 3632, *Machine Shops – N.O.C.*, to provide direction as to how related operations should be classified.

PROPOSED

MACHINE SHOPS – N.O.C. **3632**

This classification applies to machining operations performed on a contract or proprietary basis when such operations are not specifically described by another machining, manufacturing or assembly classification. This classification includes the drilling of printed circuit boards on a contract basis.

Manufacturing screw machine products, including but not limited to connectors, fittings, spacers, pins and bushings, on a fee basis or as proprietary products using fully automatic screw machines for some or all of the machining operations shall be classified as 3152(3), *Screw Machine Products Mfg.*

Manufacturing nuts, bolts, screws or similar threaded fasteners shall be classified as 3152(2), *Nut, Bolt or Screw Mfg.*

~~The~~Employers that are approved by the Federal Aviation Administration and manufacture ~~of~~or repair machined aircraft ~~parts by employers that are approved by the Federal Aviation Administration~~components or accessories (not aircraft engines) shall be classified as 3831, *Machine Shops – aircraft components*, provided the employer does not perform such operations directly on the aircraft or remove and reinstall the components or accessories.

Manufacturing new automobile, truck or motorcycle parts shall be classified as 3840, *Automobile, Truck or Motorcycle Parts Mfg.*

The ~~machining or~~ rebuilding of ~~used automotive~~automobile, truck or motorcycle parts shall be classified as 3828, *Automobile or Truck Parts Rebuilding.*

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Recommendation
Amend Section VIII, *Abbreviated Classifications – Numeric Listing*, for consistency with other proposed changes.

PROPOSED

Section VIII – Abbreviated Classifications – Numeric Listing

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2116 ~~Fruit/Vegetable~~ Juice/Juice Concentrate Mfg
•
•
•

2589(2) Dry Cleaning~~ N.O.C.~~commercial

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•

8839 ~~Dentists/~~Dental~~ Surgeons~~/Orthodontia Practices

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Amend Appendix IV, *Classifications Including Clerical Office Employees, Clerical Telecommuter Employees or Outside Salespersons*, for consistency with other proposed changes.

PROPOSED

Appendix IV

Classifications Including Clerical Office Employees, Clerical Telecommuter Employees or Outside Salespersons

See Section III, *General Classification Procedures*, Rule 4, *Standard Exceptions*, Subrule c, *Standard Exception Classification Procedures*.

Code	Name	Including Clerical Office Employees / Clerical Telecommuter Employees	Including Outside Salespersons
•			
•			
•			
8839	~~Dentists/~~Dental~~ Surgeons~~/Orthodontia Practices	X	
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