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Governing Committee

Meeting Agenda

Date	Time	Location	Staff Contact
December 15, 2021	9:30 AM	Teleconference	Eric S. Riley

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Released: December 8, 2021

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

This meeting is Open to the Public.

Please register at: https://attendee.gotowebinar.com/register/4841650394446255884

After registering, you will receive a confirmation email containing information about joining the webinar.

I. Approval of Minutes

Meeting held September 22, 2021

II. Additions to the Agenda

III. Ratification of Actions of WCIRB Committees

A. Actuarial Committee Meeting Held September 14, 2021

B. Classification and Rating Committee Meeting Held September 22, 2021

IV. Unfinished Business

V. New Business

A. Potential 2022 Actuarial and Research Projects

B. WCIRB Policy Data Quality Program and WCIRB Unit Statistical Data Quality Program Revisions

C. Schedule of 2022 Meetings

VI. Next Meeting Date: February 9, 2022 (tentative)

VII. Adjournment

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Actuarial Committee

Meeting Minutes

Date	Time	Location	Staff Contact
September 14, 2021	9:00 AM	Webinar Teleconference	David M. Bellusci

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Released: September 27, 2021

Members	**Representing**
Mauro Garcia	Zurich North America
Ika Irsan	Republic Indemnity Company of America
Miranda Ma	American International Group
Joanne Ottone	Berkshire Hathaway Homestate Companies
Neal Leibowitz	Liberty Mutual Group
Mark Priven	Public Members of Governing Committee
Kate Smith	State Compensation Insurance Fund
Bryan Ware	AmTrust
Chris Westermeyer	Travelers

California Department of Insurance
Giovanni Muzzarelli
Mitra Sanandajifar

WCIRB
Bill Mudge
David Bellusci
Laura Carstensen
Tony Milano
Dilan Sahin
Serina Wu
Julia Zhang

The meeting of the Actuarial Committee was called to order at 9:00 AM following a reminder of applicable antitrust restrictions, with Mr. David Bellusci, Executive Vice President and Chief Actuary, presiding.

*   *   *   *   *

Approval of Minutes
The Minutes of the meeting held on June 22, 2021, were distributed to the Committee members in advance of the meeting for review. As there were no corrections to the Minutes, a motion was made, seconded and unanimously approved to adopt the Minutes as written.

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Item II
Working Group Meeting Summaries

The summary of the Actuarial Research Working Group meeting held on July 6, 2021 was included in the Agenda for the Committee's review and was accepted by the Committee.

Item AC21-03-03
Review of COVID-19 Claim Diagnostics

Staff summarized a number of COVID-19 claim related diagnostics based on the WCIRB's aggregate financial data calls, unit statistical reports and indemnity transaction data. Staff presented diagnostics showing the patterns of COVID-19 indemnity claims by accident month and industry. It was noted that, while the number of COVID-19 claims had decreased dramatically in the second quarter of 2021, there could be an increase in the third quarter due to the surge in infections resulting from the Delta variant.

Staff presented diagnostics exploring the incurred severity estimates for accident year 2020 COVID-19 and non-COVID-19 indemnity claims. Unlike non-COVID-19 indemnity claims, a significant share of COVID-19 indemnity claims have incurred indemnity losses but no medical losses at first unit statistical report level. Based on indemnity transaction data, these claims often involve two or fewer weeks of paid indemnity benefits and close more quickly than COVID-19 claims with both incurred medical and indemnity losses but a small share have 4 or more weeks of paid temporary disability benefits. The Committee was advised that the Claims Working Group suggested that many of the indemnity-only claims may truly have no paid medical as the worker was sick for a short period of time with minimal medical care and then returned to work. It was also noted that the Claims Working Group also suggested that, in some cases, the medical bills may have been paid by other payers and, particularly on those involving hospitalizations, the medical costs on some of these claims may eventually be reimbursed in the workers' compensation system.

Staff shared information comparing incurred indemnity and incurred medical severities on COVID-19 and non-COVID-19 claims by open/closed status and by medical-only/indemnity-only/indemnity-medical classification. Staff showed that, while the estimated medical severity on COVID-19 indemnity claims is significantly lower than for non-COVID-19 indemnity claims, the estimated medical severity on COVID-19 indemnity-medical claims is higher than that for non-COVID-19 indemnity-medical claims. A Committee member asked if there were any adverse vaccine reaction claims included in this analysis and was advised that the time frame reflected in the data largely preceded release of the vaccines.

Staff observed that COVID-19 claims are currently more likely to be classified as Temporary Total or Death than non-COVID-19 claims. Staff highlighted that COVID-19 indemnity claims close more quickly than non-COVID-19 indemnity claims both due to the higher share of indemnity only claims as well as to faster closing rates for indemnity-medical claims. Staff noted that the share of reported indemnity claims classified as cumulative trauma continued to decrease year over year throughout accident year 2020.

Item AC21-09-01
Third Quarter 2021 Review of Diagnostics

The Agenda included the WCIRB's standard set of diagnostics that are reviewed by the Actuarial Committee and Claims Working Group (CWG) on a semi-annual basis. Among the diagnostics discussed by the Committee were the following:

1. The Committee reviewed the slower permanent partial claim settlement rates and larger compromise and release claim settlement amounts in the Bay Area compared to the Los Angeles Basin area. The Committee was advised that, as recommended by the Claims Working Group, staff plans to review information from prior years to evaluate whether this is indicative of a long-term pattern or recent trend.

2. After decreasing in the second quarter of 2020, the number of expedited hearings continues to increase over time and the number of expedited hearings in the second quarter of 2021 is the highest since 2012. The Committee was advised that the Claims Working Group suggested that with the absence of in-person WCAB hearings during the pandemic, expedited hearings may be being used to continue to move the claim process forward. With in-person hearings scheduled to resume in October 2021, staff will review the data to assess whether there is a change in the number of expedited hearings.

3. The median costs of Medicare set-aside arrangements were significantly lower in recent years than in earlier years. The Committee was advised that the Claims Working Group suggested potential reasons for these decreases, including a recent trend of more informal set-asides being established at relatively lower costs without submitting the set-asides for formal Center for Medicare and Medicaid Services (CMS) review and approval.

4. The claim settlement rates in the most recent two quarters in 2021 were still well below the pre-pandemic level which is likely at least in part due to slowdowns of in-person WCAB hearings, obtaining medical-legal reports and in compromise and release approvals.

5. The number of medical-only claim counts decreased significantly in 2020 with the COVID-19 pandemic. The Committee was advised that several possible reasons for the decrease, including that injured workers might have been hesitant to visit medical facilities during the early months of the pandemic and slowdowns in medical treatment. The Committee recommended that staff continue to monitor indemnity and medical-only claim counts.

Item AC21-09-02
6/30/2021 Experience Review

Staff presented a summary of the analysis of statewide accident year experience evaluated as of June 30, 2021, which was included in the Agenda. It was noted that the projected loss ratio for policies incepting between September 1, 2021 and August 31, 2022 based on June 30, 2021 experience was approximately one point higher than the projection included in the September 1, 2021 Pure Premium Rate Filing which reflected December 31, 2020 experience. During the discussion, the Committee noted the following:

- Loss development projections for accident years 2019 and earlier based on June 30, 2021 experience increased moderately from those based on December 31, 2020 experience. This was driven by increases in paid indemnity and medical development for earlier periods. Conversely, incurred loss development declined modestly for earlier periods.

- The projected loss ratio for accident year 2020 decreased moderately for indemnity but increased moderately for medical. For indemnity, this is likely in part driven by pandemic-related shifts in industrial and wage level mix. For medical, this is likely in part driven by the impact of initially delayed or deferred treatment during the pandemic occurring in 2021 as the economy reopens.

- The updates to the Official Medical Fee Schedule effective March 1, 2021 and the new Medical-Legal Fee Schedule effective April 1, 2021 are likely contributing to the increased paid medical development. Staff advised the Committee that it plans to review a potential adjustment to paid medical loss development for the new fee schedules with the Committee at the next meeting.

- Indemnity claim count development for accident year 2020 is relatively flat, suggesting that a surge of late reported cumulative trauma claims related to the economic slowdown is not materializing.

- Quarterly incremental indemnity claim settlement rates are beginning to flatten in the second quarter of 2021 after decreasing significantly during the pandemic period.

- The indemnity claim frequency change for accident year 2020 (excluding COVID-19 claims) based on the preliminary measure of changes in indemnity claim counts at 18 months compared to estimated changes in statewide employment levels showed a decrease generally consistent with that reflected in the September 1, 2021 Pure Premium Rate Filing.

- Estimated indemnity claim frequency changes for the first half of accident year 2021 compared to the first half of 2020 shows significant increases, both including and excluding estimated COVID-19 claims. Staff noted that there are challenges in estimating the indemnity claim frequency change compared to the first half of 2020 given the sharp decrease in exposure during the initial shelter-in-place period. When comparing the first half of 2021 to the first half of 2019, indemnity claim frequency (excluding COVID-19 claims) increased by an estimated 5.5% compared to a 2.7% decrease projected in the September 1, 2021 Pure Premium Rate Filing for the same period.

- Average on-level indemnity severities continue to show modest increases for accident years 2018 and 2019. The indicated increase for 2020 projected based on 18 months was lower than the increase projected based on 15 months experience. As discussed at prior meetings, the 2020 average indemnity claim severity is likely impacted by shifts in the wage distribution of injured workers and potential increases in temporary disability duration during the pandemic period.

- Average on-level medical severities show a moderate increase for accident year 2018 and modest decreases for 2019 and 2020. As discussed at prior meetings, the decrease for 2020 may be impacted by shifts in the distribution of injuries and delays or deferrals of medical treatment during the pandemic. Projected changes in accident year 2018 through 2020 average medical severities based on June 30, 2021 experience increased from those projected based on December 31, 2020 experience.

- After declining consistently for the last several years, paid ALAE development in the first and second quarters of 2021 increased. This is likely related to claims activity beginning to increase after declining during the pandemic period.

- Indemnity claim count development for accident year 2020 COVID-19 claims decreased from 15 to 18 months. Initial information from insurers suggests that several indemnity claims have been closed without an indemnity payment. However, paid loss development on COVID-19 claims from 15 to 18 months was higher compared to paid loss development on non-COVID-19 claims.

Item AC21-09-03
Wage Inflation Analysis

Staff shared preliminary research findings on differences between different series of wage inflation measures including inflation in workers' compensation exposure for premium determination and inflation in average weekly wages used for the determination of temporary disability (TD) benefits.

The Committee was advised that, to analyze inflation in TD benefits, the wages for each year in the analysis were capped at the level which would yield the maximum TD benefit for that year and that only a relatively small share of claims reported on unit statistical reports (USR) have reported wages that are above the capped level of wages for that year. Staff also noted that the analysis focused on wages reported for permanent disability (PD) and TD claims as the wages are reported more consistently on USRs for indemnity claims than for medical-only (MO) claims. Staff found that the changes in reported average weekly wages were relatively similar across injury types. In response to a Committee member question, staff confirmed that the study focused on inflation in TD benefits as most injured workers would receive the maximum benefits for PD and, as a result, PD benefits are relatively unaffected by wage inflation.

Staff noted that inflation in uncapped wages from American Community Survey (ACS) data was consistently but modestly higher than inflation in capped wages. Wage inflation for USR indemnity claims was lower than for both the capped and uncapped ACS series early in the study period and higher later in the period. Staff also noted that cumulative wage inflation was similar at different percentiles of the wage distribution with lower inflation in the 25th percentile early in the period and higher later in the period.

The Committee was advised that a research brief on wage inflation characteristics will be published later this fall and any staff recommendations for wage projection methodology enhancements presented at the next Committee meeting.

Item AC21-09-04
Study of California Frictional Costs

Staff noted that despite a recent moderation in average allocated loss adjustment expense (ALAE) costs, overall frictional costs in California workers' compensation are much higher than in other states. Staff presented a summary analysis of California frictional costs. The Committee noted the following:

- Although California ALAE has been recently flat, California still has the highest ALAE to loss ratio of any state. California also has among the highest unallocated loss adjustment expense (ULAE) to loss ratios.

- California has a significantly higher volume of permanent disability (PD) claims per 100,000 workers compared to other states. PD claims incur significantly higher frictional costs compared to other types of claims.

- California claims stay open much longer on average than in other states. ALAE costs develop significantly higher at later maturities.

- California has a significantly higher percentage of claims with defense costs and medical-legal costs compared to the typical state. California also has a significantly higher average defense cost and medical-legal cost on claims with these costs compared to the typical state.

- The post-SB 863 downward trend in paid ALAE development is highly correlated with the claim settlement rate increases over the same period. In the first and second quarters of 2021, both of these measures reversed with paid ALAE development increasing and claim settlement rates declining.

- Claims with nontrivial ALAE amounts (paid ALAE greater than $1,000) represent approximately 85% of PD claims which corresponds to the proportion of represented PD claims based on WCIRB survey data. These nontrivial ALAE claims represent approximately 80% of paid medical.

- While the majority of nontrivial ALAE claims are PD at later report levels, a significant proportion are reported as temporary-only at first report level. Many of these claims later develop to PD and incur significant ALAE costs.

- Over half of nontrivial ALAE claims come from the Los Angeles Basin area compared to approximately 45% of low ALAE claims. Once a claim has nontrivial ALAE, the average ALAE cost on the claim is generally similar between California regions.

- The vast majority of cumulative trauma (CT) claims involve nontrivial ALAE costs. Recent growth in CT claims has been driven by the growth in nontrivial ALAE claims. Once a claim has nontrivial ALAE, the average ALAE on the claim is generally similar between CT claims and specific injury claims.

- Growth in the proportion of nontrivial ALAE claims has been modest over recent years, corresponding to the flat average ALAE trends.

- Nontrivial ALAE claims have a significantly higher proportion of inpatient and outpatient services.

The Committee was advised that staff is conducting a pair matching study to analyze the association of higher ALAE costs with other system characteristics. Staff summarized the initial framework contemplated for the pair matching study. The Committee noted the initial framework generally appeared reasonable and the results would be of interest.

Following the discussion, the Committee accepted staff's analysis and was advised that the WCIRB's report on California frictional costs is scheduled for release in November.

The meeting was adjourned at 12:00 PM.

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Note to Committee Members: These Minutes, as written, have not been approved. Please refer to the meeting scheduled for December 7, 2021 for approval and/or modification.

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Classification and Rating Committee

Meeting Minutes

Date	Time	Location	Staff Contact
September 22, 2021	9:30 AM	Webinar Teleconference	Brenda Keys

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Released: October 4, 2021

Members:	**Represented By:**
WCF National Insurance	Ann Boyd
Insurance Company of the West	Stacey McAdam
National Union Fire Insurance Company of Pittsburgh PA	Ellen Sonkin
Preferred Employers Insurance Company	John Bennett
Security National Insurance Company	Matt Zender
State Compensation Insurance Fund	Gregory Hanel
Zenith Insurance Company	Sarah Elston

California Department of Insurance
Yvonne Hauscarriague
Brentley Yim

WCIRB
Brenda Keys, Chair
Bill Mudge
David Bellusci
Esther Li
Eric Riley
Julia Zhang

The meeting of the Classification and Rating Committee was called to order at 9:30 AM followed by a reminder of applicable antitrust restrictions, with Ms. Brenda Keys, Senior Vice President and Chief Legal Officer, presiding.

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Approval of Minutes
The Minutes of the meeting held on May 18, 2021 were distributed to the Committee members in advance of the meeting for review. As there were no corrections to the Minutes, a motion was made, seconded and unanimously approved to adopt the Minutes as written.

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Item III-A
Draft Mining Study

1122, *Mining – surface – no shafts, tunnels, or drifts – all employees*
1123, *Mining – underground – with shafts, tunnels or drifts; all employees with exposure to underground mining operations*
1124, *Mining – underground – surface employees*

The Committee was advised that WCIRB staff conducted a study of Classification 1122, *Mining – surface*, Classification 1123, *Mining – underground – with shafts, tunnels or drifts; all employees with exposure to underground mining operations*, and Classification 1124, *Mining – underground – surface employees,* to determine if the three classifications should continue to be stand-alone classifications or if some or all of the operations contemplated in these classifications should be combined with operations in other classifications. A copy of the draft report was provided to the Committee in the Agenda.

During the presentation, WCIRB staff noted that employers assigned to the three mining classifications do not develop sufficient data to produce statistically credible advisory pure premium rates and, as a result, there is significant year-to-year volatility in the advisory pure premium rate for these classifications. Based on this review, WCIRB staff determined that:

1. There is a clear line of demarcation between mining operations at surface mines (Classification 1122) and mining operations at underground mines (Classifications 1123 and 1124). Operations at underground mines are more hazardous than those at surface mines and have higher loss to payroll ratios.

2. Underground mining employers have similar operations, loss to payroll ratios and typical causes of injury as employers assigned to Classification 6251, *Tunneling – all work to completion.* Given that the underground mining industry is declining in California, reclassifying underground mining operations to Classification 6251 would improve its statistical credibility and stabilize the advisory pure premium rate for the classifications.

3. Reclassifying underground mining operations currently assigned to Classifications 1123 and 1124 to Classification 6251 would have minimal impact on the classification relativities for Classifications 6251 and 1124 (+1.1% and +3.3%, respectively). However, the reclassification would lead to a significant drop (-71.3%) in classification relativity for the operations currently assigned to Classification 1123.

4. There is a clear operational distinction between surface mining employers assigned to Classification 1122 and quarry employers assigned to Classification 1624(1), *Quarries*. The loss to payroll ratios for quarry employers were consistently higher than those for surface mining employers over time. The difference in loss to payroll ratios was largely because Classification 1122 had more minor claims that involved temporary disability, while Classification 1624(1) had more severe permanent disability claims. Therefore, the WCIRB does not recommend combining operations in Classification 1122 with those in Classification 1624(1).

5. The Special Industry Classification Procedures for Mining, as detailed in the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP), are no longer necessary as the rules specific to mining are either no longer relevant or are redundant with general rules contained in the USRP.

6. Categorizing Mining as an Industry Group is no longer necessary based on the proposed elimination of Classifications 1123 and 1124, resulting in some mining operations falling outside of this industry grouping and only two mining classifications remaining.

Based on the study findings detailed in the attached report, the WCIRB recommended the following amendments to Part 3, *Standard Classification System,* of the *California Workers' Compensation Uniform Statistical Reporting Plan—1995:*

1. Eliminate Classifications 1123, *Mining – underground – with shafts, tunnels or drifts; all employees with exposure to underground mining operations*, and 1124, *Mining – underground – surface employees*, and amend Classification 6251, *Tunneling – all work to completion*, to include both the surface and sub-surface operations of underground mines. On a related matter, WCIRB staff also recommended not applying the typical 25% change limitation on year-to-year classification relativity change to the operations assigned to Classification 1123. The rationale for this recommendation was: (1) the impact on the underground employees is a reduction in the classification relativity, which is consistent with its historical loss experience, (2) limiting the relativity change for Classification 1123 to a 25% change would preclude the elimination of that classification for several years until such time as the relativity for that classification is relatively consistent with that of the proposed combined classification and (3) underground mining employers in Classification 1123 may also have payroll in Classification 1124 so the impact of the proposed change on the average relativity would be somewhat muted by the small indicated increase in the relativity shown for Classification 1124.

2. Eliminate the Special Industry Classification Procedures for the Mining Industry and the listing of Mining as an Industry Group.

Following staff's presentation, a motion was made, seconded and unanimously passed to recommend that the proposed changes be included in the September 1, 2022 Regulatory Filing and that the 25% change limitation on year-to-year classification relativity not be applied to Classification 1123.

Mining Study

1122, *Mining – surface – no shafts, tunnels, or drifts – all employees*
1123, *Mining – underground – with shafts, tunnels or drifts; all employees with exposure to underground mining operations*
1124, *Mining – underground – surface employees*

Executive Summary

Objectives
Employers assigned to Classification 1122, *Mining – surface*, Classification 1123, *Mining – underground – with shafts, tunnels or drifts; all employees with exposure to underground mining operations*, and Classification 1124, *Mining – underground – surface employees*, do not develop sufficient data to produce statistically credible advisory pure premium rates, and exposure in the underground mining classifications in particular has been sharply declining. Consistent with the WCIRB's practice of reviewing classifications with low statistical credibility, the WCIRB studied business operations and the payroll and claim experience of employers currently assigned to Classifications 1122, 1123 and 1124 to determine if the three classifications should continue to be stand-alone classifications or if some or all of the operations contemplated in these classifications should be combined with operations in other classifications.[1]

Findings
The key findings of this study include:

1. There is a clear line of demarcation between mining operations at surface mines (Classification 1122) and mining operations at underground mines (Classifications 1123 and 1124). Operations at underground mines are more hazardous than those at surface mines and have higher loss to payroll ratios.

2. Underground mining employers have similar operations, loss to payroll ratios and typical causes of injury as employers assigned to Classification 6251, *Tunneling – all work to completion.* Given that the underground mining industry is declining in California, reclassifying underground mining operations to Classification 6251 would improve its statistical credibility and stabilize the advisory pure premium rate for the classifications.

3. Reclassifying underground mining operations currently assigned to Classifications 1123 and 1124 to Classification 6251 would have minimal impact on the classification relativities for Classifications 6251 and 1124 (+1.1% and +3.3%, respectively). However, the reclassification would lead to a significant drop (-71.3%) in classification relativity for the operations currently assigned to Classification 1123. WCIRB staff does not recommend applying the typical 25% change limitation on year-to-year classification relativity change to the operations assigned to Classification 1123.

4. There is a clear operational distinction between surface mining employers assigned to Classification 1122 and quarry employers assigned to Classification 1624(1), *Quarries*. The loss to payroll ratios for quarry employers were consistently higher than those for surface mining employers over time. The difference in loss to payroll ratios was largely because Classification 1122 had more minor claims that involved temporary disability, while Classification 1624(1) had more severe permanent disability claims. Therefore, the WCIRB does not recommend combining operations in Classification 1122 with those in Classification 1624(1).

5. The Special Industry Classification Procedures for Mining, as detailed in the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP), are no longer necessary as the

[1] Former Insurance Code section 11733, effective September 15, 1935, required a separate classification to be maintained for underground mining. This law was repealed in 1995.

rules specific to mining are either no longer relevant or are redundant with general rules contained in the USRP.

6. Categorizing Mining as an Industry Group is no longer necessary based on the proposed elimination of Classifications 1123 and 1124, resulting in some mining operations falling outside of this industry grouping and only two mining classifications remaining.

Recommendations
Based on these findings, the WCIRB recommends:

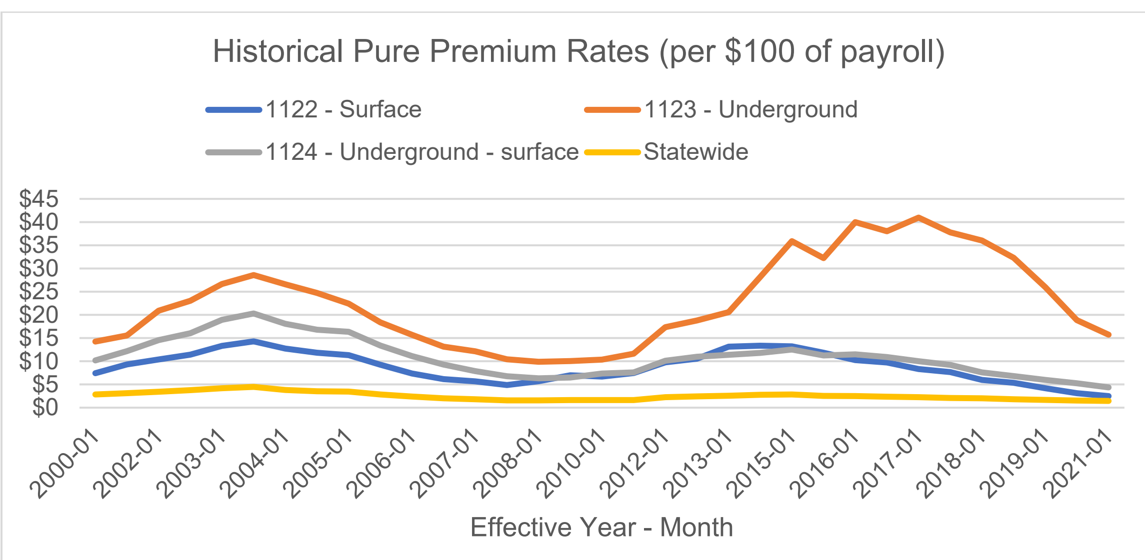
1. Eliminate Classifications 1123, *Mining – underground – with shafts, tunnels or drifts; all employees with exposure to underground mining operations*, and 1124, *Mining – underground – surface employees*, and amend Classification 6251, *Tunneling – all work to completion*, to include both the surface and sub-surface operations of underground mines.

2. Eliminate the Special Industry Classification Procedures for the Mining Industry and the listing of Mining as an Industry Group.

I. Introduction

Employers assigned to Classification 1122, *Mining – surface*, Classification 1123, *Mining – underground – with shafts, tunnels or drifts; all employees with exposure to underground mining operations*, and Classification 1124, *Mining – underground – surface employees*, do not develop sufficient data to produce statistically credible advisory pure premium rates, which can result in undue volatility in the pure premium rates from year to year without significant change in the underlying exposure to workers' compensation losses. The credibility for Classification 1122, *Mining – surface*, is around 0.5 for both indemnity and medical, and for the underground mining classifications it is less than 0.3 for Classification 1123 and around 0.1 for Classification 1124. The payroll in these classifications has also been sharply declining.[2] The low credibility for Classifications 1123 and 1124, in particular, is due to the number of employers engaged in underground mining operations decreasing. In policy year 2018, the payroll of only 5 employers was reported in Classification 1123 and the payroll of only 3 employers was reported in Classification 1124. The sharp changes in the advisory pure premium rates for these two underground mining classifications are not necessarily related to changes in the underlying exposure level (Figure 1).

Figure 1. Historical Pure Premium Rates



[2] WCIRB January 1, 2021 Regulatory Filing.

	1/1/2021 Pure Premium Rate (per $100 of payroll)[3]	Approximate Credibility
Classification 1122 – Surface Mining	$2.49	0.5
Classification 1123 – Underground Employees at Underground Mines	$15.73	0.3
Classification 1124 – Surface Employees at Underground Mines	$4.37	0.1

The WCIRB studied business operations and the payroll and claim experience of employers currently assigned to Classifications 1122, 1123 and 1124 to determine if the three classifications should continue to be stand-alone classifications or if some or all of the operations contemplated in these classifications should be combined with the operations in other existing classifications. In this regard, the WCIRB evaluated the scope of several classifications that have relatively similar operations to Classifications 1122, 1123 and 1124.

II. Analysis Approach

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

Classification Inspection Reports: The WCIRB reviewed Classification Inspection Reports of employers with payroll reported in Classifications 1122, 1123 and 1124 to better understand the business operations of mining employers and employee responsibilities.

Industry Outreach: The WCIRB contacted members of the industry, including employers doing business in the mining industry as well as insurers that underwrite significant components of this industry, to gain insight into the operational characteristics of mining.

Unit Statistical Reports: The WCIRB analyzed the historical Unit Statistical Report (USR) data reported for Classifications 1122, 1123 and 1124, including employers' payroll and loss experience and injury characteristics of claims, between policy years 1993 and 2018. Data is at the latest USR report level. Losses were limited to $500,000 per claim to minimize large swings in the loss to payroll ratios over time that are often seen in small classifications.

Other Jurisdictions: To supplement the limited mining data in California, the WCIRB reviewed the mining classifications in several other jurisdictions where mining operations are larger.[4]

Similar Classifications: Using the same data sources and methodology used in the review of Classifications 1122, 1123 and 1124, the WCIRB reviewed several classifications that have relatively similar operations to mining, included those related to tunneling and quarrying operations.

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 1122, 1123 and 1124 employers on both the employers that are recommended to be included in other existing classifications and the employers assigned to the destination classifications.

Mine Safety and Health Administration (MSHA): The WCIRB analyzed U.S. mining industry data from the MSHA to compare the industry trend in California to other states.

[3] The California Department of Insurance's decision on the WCIRB January 1, 2021 Pure Premium Rate Filing.

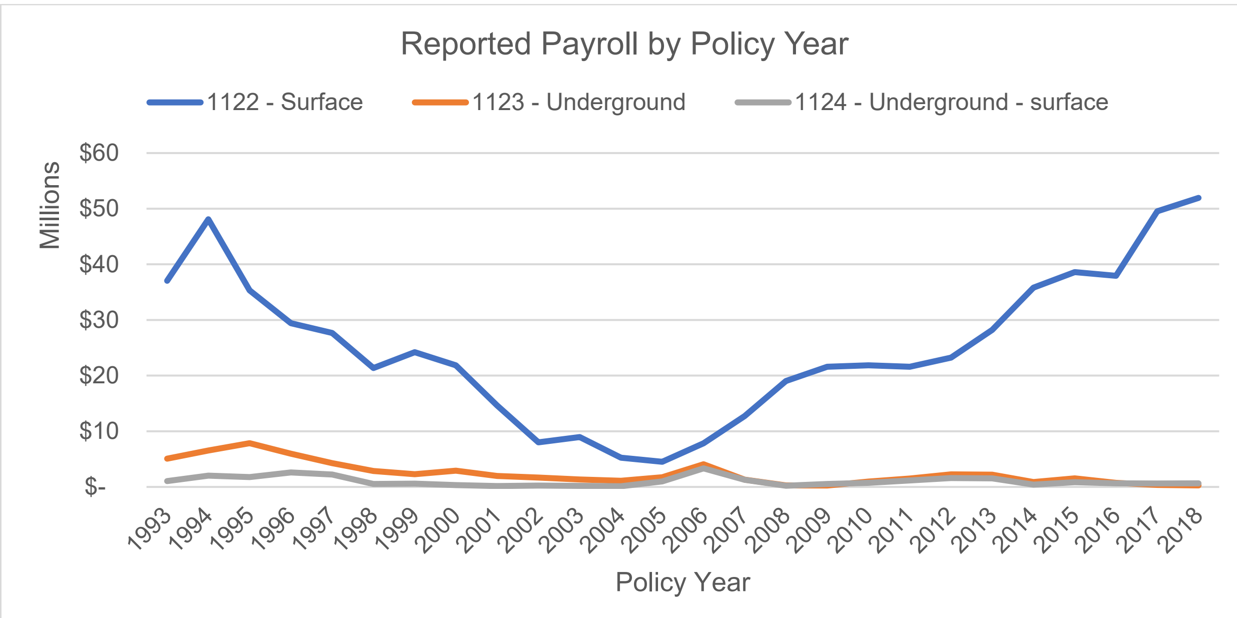
[4] The jurisdictions reviewed include Missouri, Colorado, Michigan, Wisconsin, Minnesota, Kentucky, West Virginia, Texas, New York, Pennsylvania and Delaware. These jurisdictions were selected for review because of their relatively large mining industries.

III. Analysis Results

1. Comparison of Mining Classifications 1122, 1123 and 1124

Mining operations assigned to Classifications 1122, 1123 and 1124 report a small fraction of the statewide total payroll, about 0.01% in policy year 2018. Payroll size also varied across these classifications. Between policy years 1993 and 2018, the payroll of 664 surface mining employers was reported in Classification 1122, accounting for 88% of the payroll for the three mining classifications. Of the remaining 12%, underground mining operations assigned to Classification 1123 had a larger payroll than that reported in Classification 1124 but also had disproportionally more losses, indicating that most hazards in underground mines came from employees who worked underground. In addition, payroll trajectories of surface mines and underground mines were different. Figure 2 shows that payroll reported in Classification 1122 has grown continuously since 2005, yet payroll reported from the underground mining classifications has declined and remained small.

Figure 2. Reported Payroll in the Three Mining Classifications by Policy Year



- **Distinct Operations between Surface Mines and Underground Mines**
  Classification 1122 applies to all surface mining operations that do not have any underground work, while both Classifications 1123 and 1124 apply to the operation of underground mines. Classifications 1123 and 1124 are also companion classifications.[5] Specifically, Classification 1123 applies to employees of underground mines who spend any portion of their time underground, while Classification 1124 applies to employees who work for employers engaged in underground extraction but whose work is exclusively on the surface.

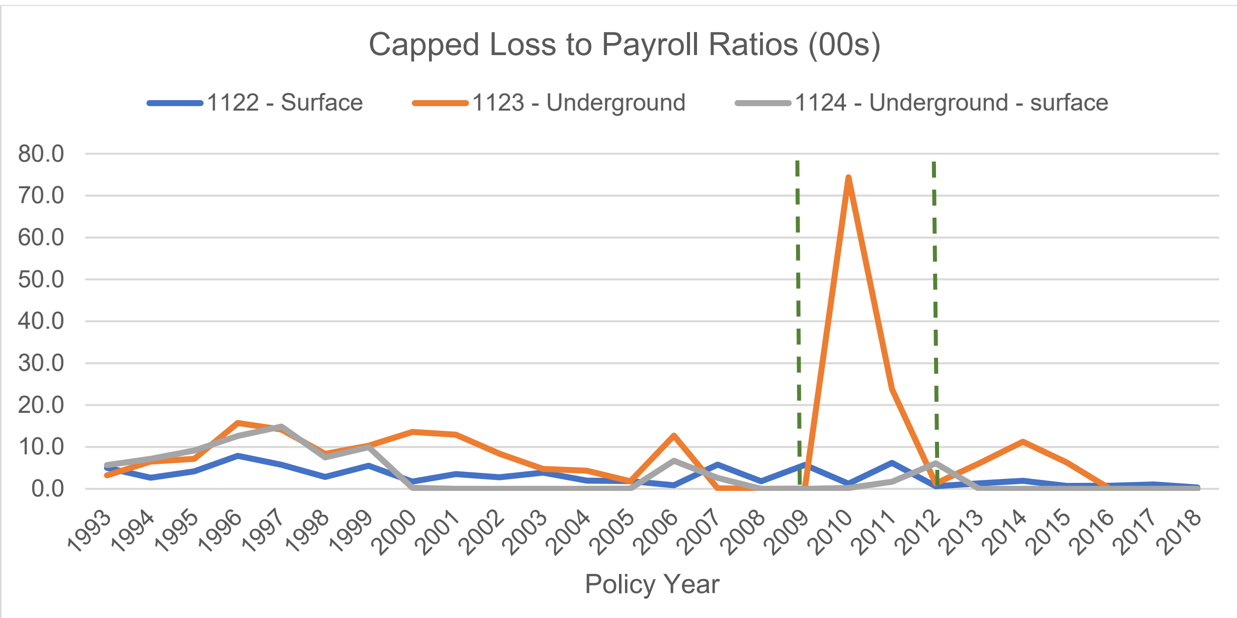
  Surface Mines: Surface mining operations assigned to Classification 1122 include the surface extraction of ores and minerals, such as iron ore, gold, borax and gypsum. The classification includes all activities involved in the construction or operation of the surface mines, including the installation, operation or maintenance of machinery or equipment and blasting when performed by the mine operator. This classification also includes mining engineers engaged in geophysical exploration, surveying and mapping of sites.

[5] 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."

Underground Mines: Underground mining operations assigned to Classifications 1123 and 1124 include the subsurface extraction of ores and minerals that are similar to those extracted by the surface mining operations, except that most of the active underground mines in California are engaged in the extraction of gold.[6] While the surface operations of underground mines are similar to the operations assigned to Classification 1122, the underground crew engages in activities, such as drilling shafts or tunnels, erecting supports and constructing underground tramways, that often involve a heightened exposure to hazards. Due to the limited number of operating mines in California, the WCIRB reviewed workplace injury statistics published by the MSHA, which indicated that the 2019 non-fatal injury rate per 100 full-time equivalent underground mining workers in the U.S. was more than twice that for surface mining workers.[7]

- **Loss to Payroll Experience of Underground Mining and Surface Mining**
  Based on USR data between 1993 and 2018, the loss to payroll ratio for Classification 1122 surface mines was generally lower than the loss to payroll ratios for Classifications 1123 and 1124 underground mines (Figure 3). The 26-year weighted average loss to payroll ratio for operating surface mines ($2.8 per $100 of payroll) is significantly lower than that for operating underground mines ($9.7 per $100 of payroll for Classification 1123 and $5.7 per $100 payroll for Classification 1124). The loss to payroll ratios for underground mining employers were also more volatile due to the relatively low payroll of the underground mining classifications and the propensity for large claims.

Figure 3. Historical Loss to Payroll Ratios[8] Comparing Classifications 1122, 1123 and 1124



[6] California Department of Conservation. In 2019, the California Department of Conservation reported seven active underground mines, six of them engaged in the extraction of gold.
[7] The National Institute for Occupational Safety and Health. https://www.cdc.gov/niosh/mining/statistics/default.html.
[8] 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 were used to calculate the loss to payroll ratio as it was the latest data available for 2018 policies. The same methodology was used for Figures 4 and 8.

	Loss to Payroll Ratio (00s) (26-Year Weighted Average)[9]
Classification 1122, Surface Mining	2.8
Classification 1123, Underground Employees at Underground Mines	9.7 (8.3 if excl. PYs 2010-2011)
Classification 1124, Surface Employees at Underground Mines	5.7

In summary, employers operating underground mines and surface mines have significantly different business operations, underlying hazards and loss experience. The WCIRB recommends continuing to separately classify the operations of surface-only mines and underground mines. However, since the credibility of the three mining classifications are low, especially Classifications 1123 and 1124, the WCIRB explored the potential of reclassifying these operations to other existing classifications. Also, given that underground mining Classifications 1123 and 1124 are companion classifications with moderately similar loss to payroll ratios and little payroll reported in either classification, combining them into a single classification would increase the credibility of the combined classification and simplify the classification procedure for underground mines while decreasing the risk of misassigned payroll or claims.

2. Potential Reclassification of the Combined Operations Assigned to Classifications 1123 and 1124

Based on the potential similarity of core operations, the WCIRB identified Classification 6251, *Tunneling – all work to completion – including lining*, as a potential classification to which the underground operations currently assigned to Classifications 1123 and 1124 could be reclassified.

- **Underground Mining and Tunneling Operations**
  Classification 6251, *Tunneling,* applies to all surface and subsurface operations integral to the construction of tunnels and caves. These operations include digging tunnels to blueprint specification and subsequently reinforcing the tunnels through the erection of structural linings. Similarly, Classifications 1123 and 1124 apply to all surface and subsurface operations integral to the construction and operation of underground mines. As noted in the comparison between operations contemplated under Classification 1122 and Classifications 1123 and 1124, the construction of underground mines involves construction activities similar to tunneling. Both tunneling and underground mining require a combination of surface and subsurface operations – with some employees working exclusively at the surface while others work underground. Given the similarity in work processes and job scope, the relevant operational comparison is between the combined (surface and subsurface) operations described by Classifications 1123 and 1124 and the surface and subsurface operations described by Classification 6251.

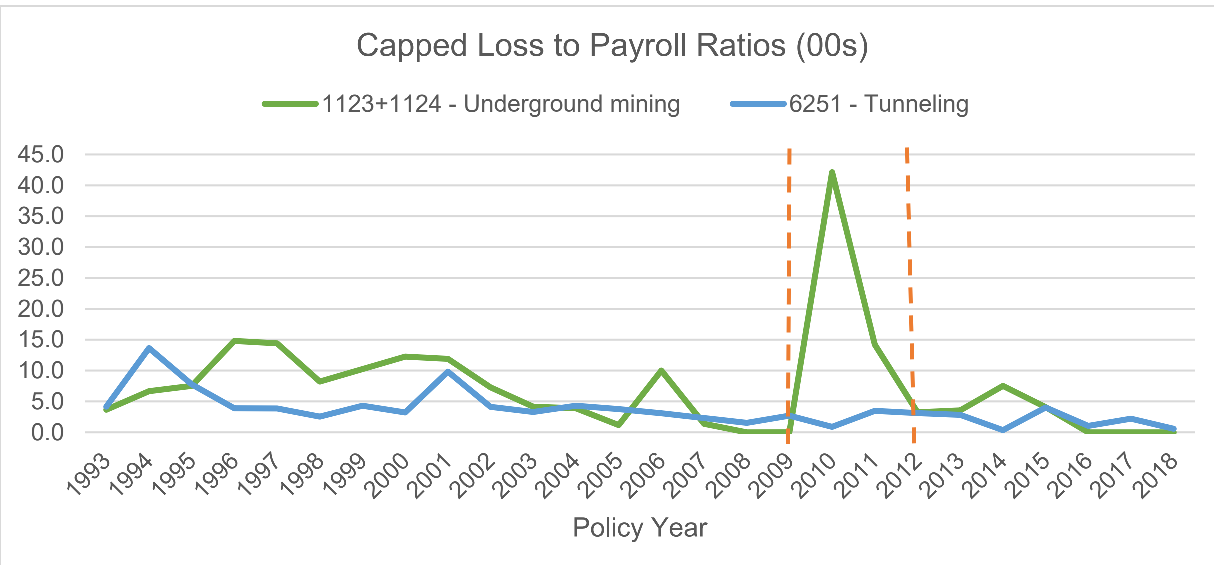
  While the objective of an underground mine is to extract ores and minerals and the objective of a tunneling operation is strictly to build an underground passageway, both mining and tunneling operations focus on the specialty area of subsurface construction. Underground mining and tunneling operations require comparable equipment, work processes, engineering and safety protocols.[10] For example, essential to both underground mining and tunneling is the use of excavation or boring machinery to remove subsurface dirt, rock and stone. Handheld tools such as jack hammers may also be used. In addition, as necessary, explosives are used to loosen stone or mineral deposits. Conveyer systems are installed in the mine or tunnel to move excavated debris to the surface for processing or disposal. Finally, structural wood or steel framing is built to support the mine or tunnel. Classification 1123 is comprised of employers that extract minerals and ores from underground deposits using mining techniques. It is common to find mines comprised of multiple tunnels on different levels that are constructed to follow the deposit.

[9] The 26-year weighted average loss to payroll ratio was calculated as the aggregate losses over the 26-year period divided by the aggregate payroll during the same period.
[10] California Department of Industrial Relations maintains a Mining and Tunneling Unit that administers all safety regulations and conducts job site inspections of California's mines, tunnels and quarries.

In summary, the nature of tunneling operations is similar to the combined surface and subsurface operations of underground mines contemplated under Classifications 1123 and 1124.

- **Payroll and Claim Experience of Underground Mining Compared to Tunneling Operations**
  In addition to similar operational characteristics, the loss to payroll experience of employers assigned to Classifications 1123 and 1124 is relatively similar to that of tunneling employers. As shown in Figure 4, the historical loss to payroll ratios for underground mining are more volatile than those for tunneling, largely due to the historically small underground mining industry in California compared to other states and the propensity for occasionally large claims (Figure 5).[11] In addition, the average number of working hours among surface and underground employees at underground mines has declined by 82% in California since 2013 (Figure 6).[12] After excluding the two years that had heavy losses, the weighted average loss to payroll ratio for underground mining employers between policy years 2012 and 2018 ($3.1 per $100 of payroll) was relatively similar to the weighted average for tunneling employers ($2.0 per $100 of payroll).

Figure 4. Historical Loss to Payroll Ratios Comparing Classifications 1123, 1124 and 6251



	Loss to Payroll Ratio (00s) (PYs 1993-2009)[13]	Loss to Payroll Ratio (00s) (PYs 2012-2018)[14]
Classifications 1123 and 1124 Combined	8.6	3.1
Classification 6251	3.7	2.0

[11] Data is from the MSHA.

[12] Data is from the MSHA.

[13] The weighted average loss to payroll ratio was calculated as the aggregate losses over the policy year period from 1993 to 2009 divided by the aggregate payroll during the same period.

[14] The weighted average loss to payroll ratio was calculated as the aggregate losses over the policy year period from 2012 to 2018 divided by the aggregate payroll during the same period.

Figure 5. Average Number of Hours Worked[15] per State for Underground Mines

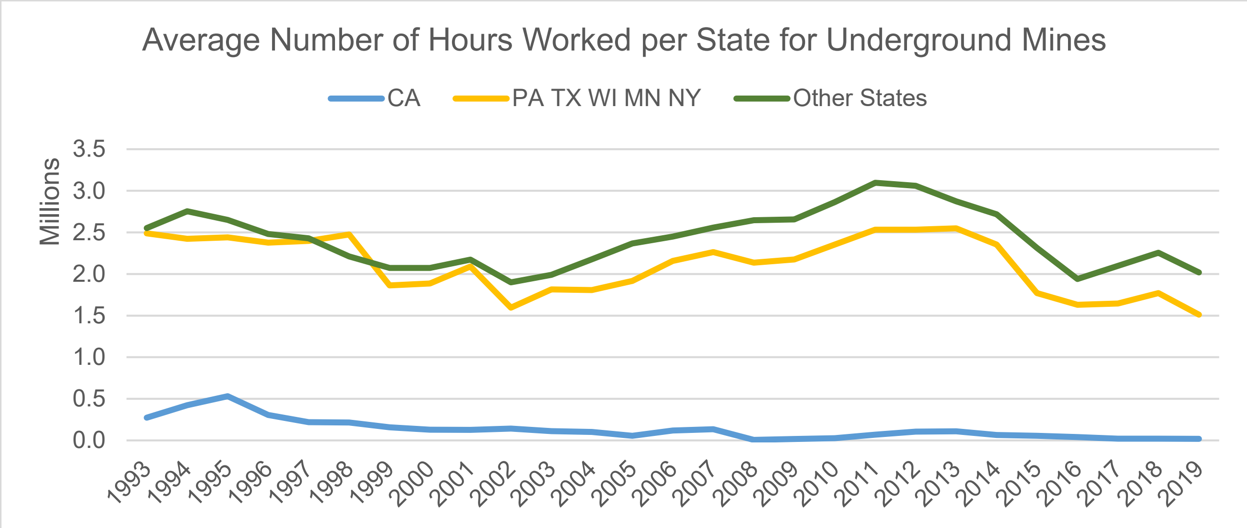
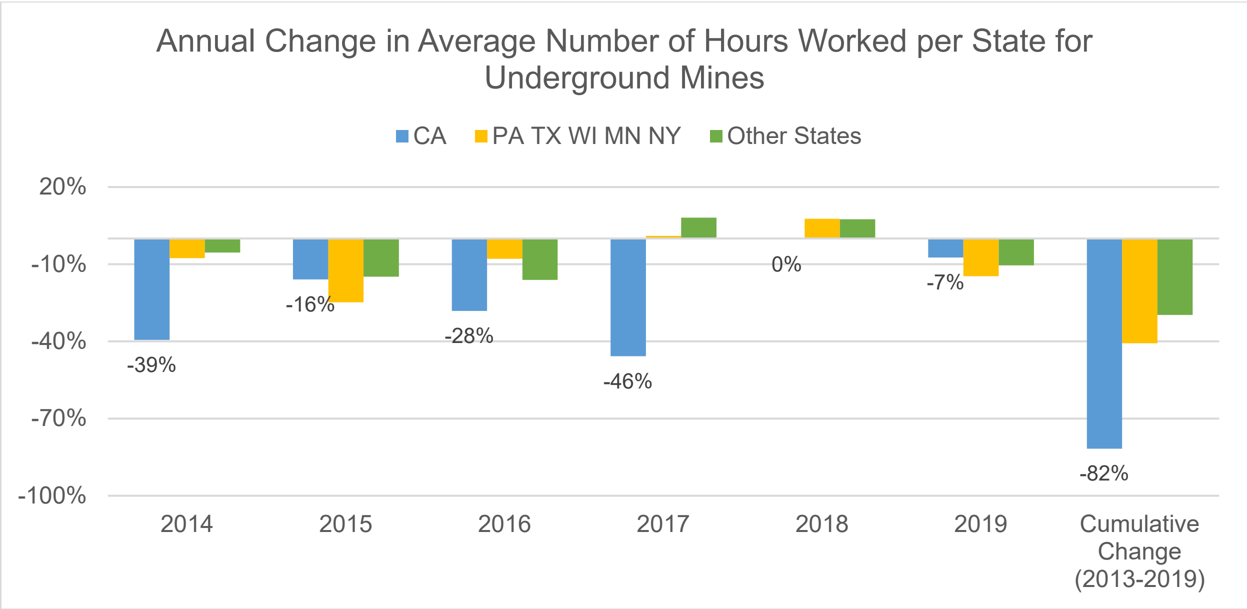


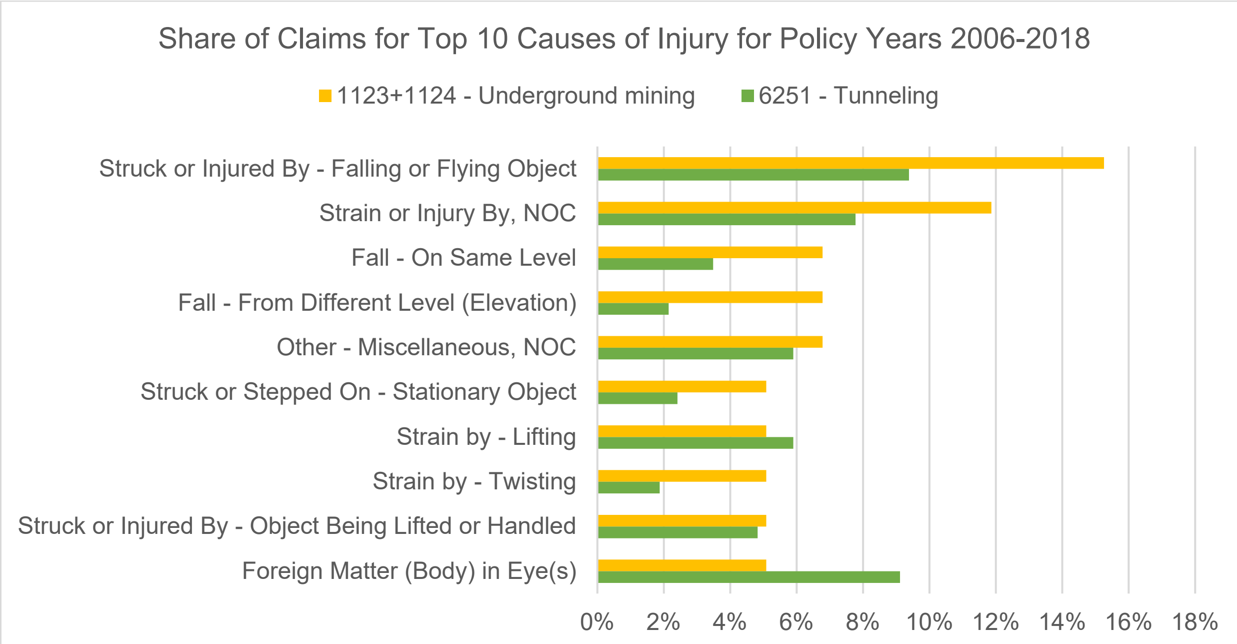
Figure 6. Year-to-Year Percentage Change in Average Number of Hours Worked at Underground Mines in California Compared to the Other States



The WCIRB also analyzed the causes of injury between underground mining operations and tunneling operations. The leading cause of injury for the underground mining operations was being struck or injured by falling or flying objects, which was also the leading cause of injury for tunneling operations. Strain and fall injuries were also common causes of injury in both operations (Figure 7).

[15] Includes both surface employees and underground employees at underground mines. These states were selected because they have relatively large mining industries.

Figure 7. Share of Claims for Top 10 Causes of Injury for Policy Years 2006 - 2018[16]



The WCIRB's analysis indicates that underground mining employers have similar business operations and loss experience as the employers assigned to Classification 6251. Therefore, the WCIRB recommends amending Classification 6251 to include both surface and underground operations performed at underground mines. The impact of this recommendation on employers currently assigned to Classifications 1123, 1124 and 6251 is shown in the Impact Analysis Section of this report.

3. Potential Reclassification of the Operations Assigned to Classification 1122

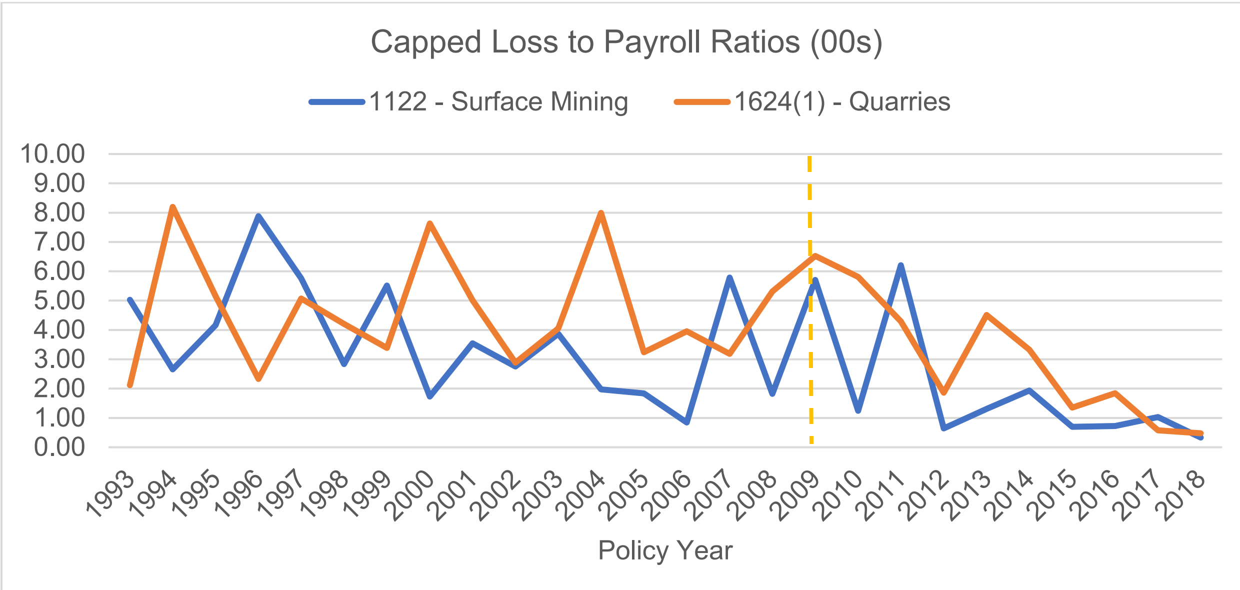
Based on the potential similarity of core operations, the WCIRB identified Classification 1624(1), *Quarries – including all employees engaged in installation of machinery and construction, repair and maintenance of all buildings, structures or equipment*, as a potential classification to which the surface mining operations currently assigned to Classification 1122 could be reclassified.

- **Comparison of Surface Mining and Quarrying Operations**
  Whereas Classification 1624(1) applies to open quarries engaged in the extraction of rock, stone, sand and gravel, Classification 1122 applies to the extraction of different materials, such as ores and minerals. In addition, quarrying operations typically include cutting stones extracted at quarry locations or hauling material from the quarry to a stone crusher operated by the quarry. Based on a review of the WCIRB inspection reports for employers assigned to Classifications 1122 and 1624, the WCIRB found no overlap in operations between employers engaged in surface mining and those engaged in quarrying, indicating that the line of differentiation between mining and quarrying is clear and the potential for misclassification is low.

- **Comparison of Surface Mining and Quarrying's Loss and Claim Experience**
  The loss to payroll ratios for Classification 1624(1) were generally higher than those for Classification 1122, and the difference between the two classifications grew over time except for the most recent two years (Figure 8). The most recent 10-year weighted average loss to payroll ratio for Classification 1624(1) was almost twice as high as that of Classification 1122. The higher loss to payroll ratios for Classification 1624(1) were mostly driven by more severe permanent disability claims and claims involving fall injuries, while Classification 1122 had more minor temporary disability claims and claims involving strain injuries (Figures 9 and 10).

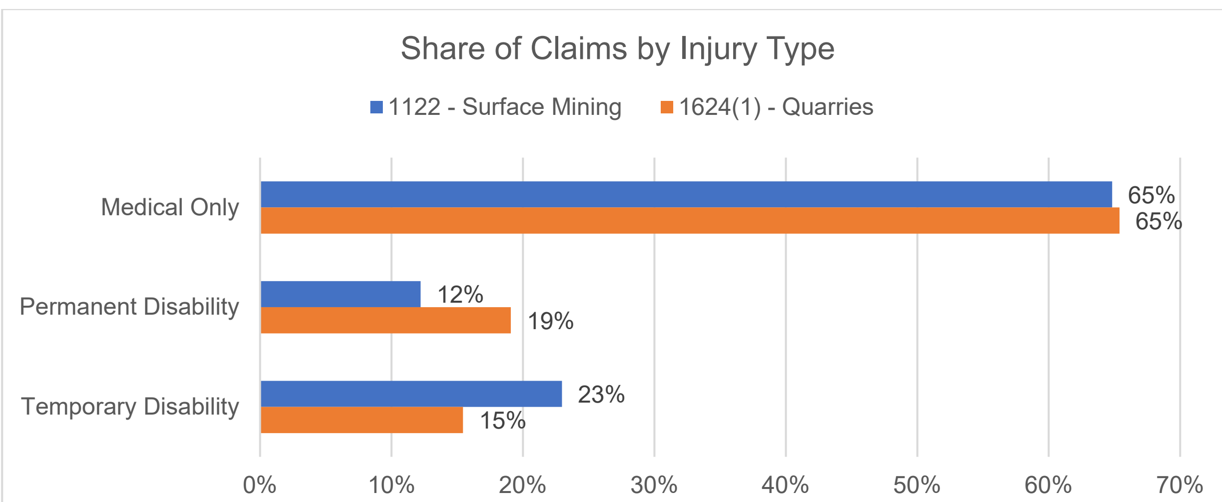
[16] Policy year 2006 is the earliest year that the WCIRB has detailed information at the claim level.

Figure 8. Historical Loss to Payroll Ratios Comparing Classifications 1122 and 1624(1)



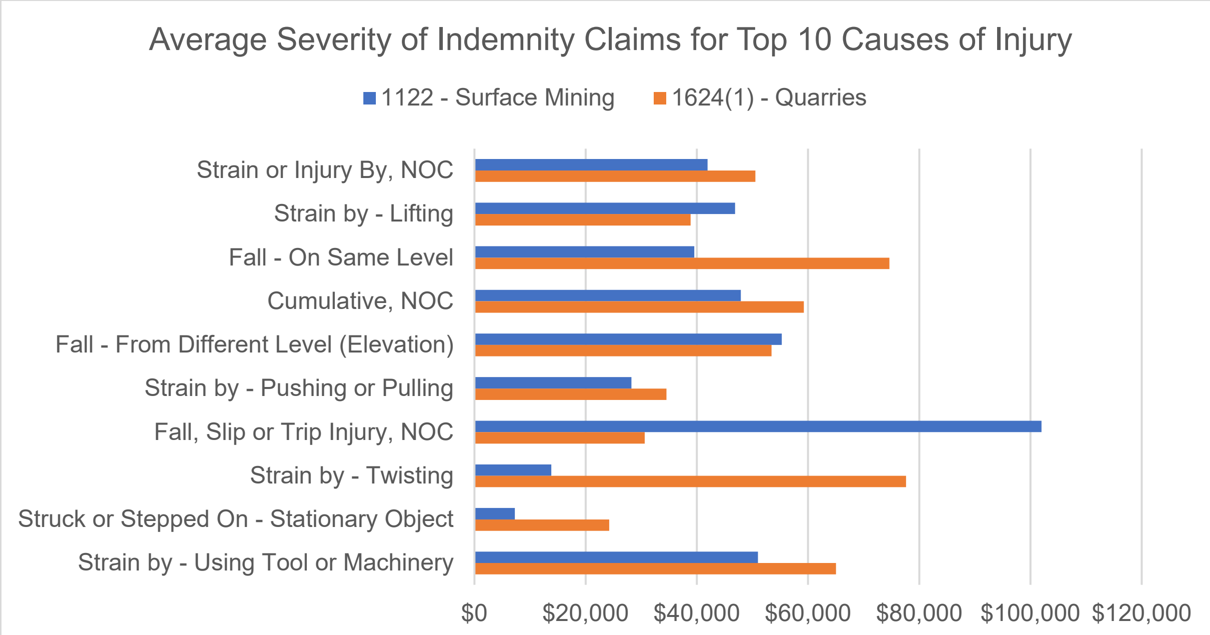
	Loss to Payroll Ratio (00s) (10-Year Weighted Average)[17]	Loss to Payroll Ratio (00s) (26-Year Weighted Average)[18]
Classification 1122	1.6	2.8
Classification 1624(1)	2.9	3.7

Figure 9. Share of Claims by Injury Type for Policy Years 2006-2018



[17] The 10-year weighted average loss to payroll ratio was calculated as the aggregate losses over the 10-year period divided by the aggregate payroll during the same period.
[18] The 26-year weighted average loss to payroll ratio was calculated as the aggregate losses over the 26-year period divided by the aggregate payroll during the same period.

Figure 10. Average Severity for Indemnity Claims Ranked by Top 10 Causes of Injury for Policy Years 2006-2018



One significant difference between operations assignable to Classification 1624(1) and those assignable to Classification 1122 is that the ore and mineral mining under Classification 1122 does not include stone hauling and cutting operations that are typical to a quarry. The average claim severity for typical injuries related to stone hauling and cutting operations, such as injuries from being struck by falling objects and strains by twisting,[19] is also higher in Classification 1624(1) than in Classification 1122.

The business operations, underlying hazards and claim experience of employers assigned to surface mining are different from operations assigned to quarrying. While the credibility of Classification 1122 is relatively low, unlike the declining underground mining industry in California, the payroll for surface mining employers has increased over the past few years. Therefore, the WCIRB does not recommend combining surface mining employers with Classification 1624(1) and recommends that the operations of surface mining employers continue to be assigned to Classification 1122.

4. Special Industry Classification Procedures for the Mining Industry

For the reasons detailed below, the USRP's *Special Industry Classification Procedures* for Mining (Procedures)[20] are no longer necessary as these rules are either no longer relevant or are redundant with general rules contained in the USRP.

- Rule 5.a., *Payroll Basis*:
  - Directs that "[n]o reduction in payroll shall be made on account of powder, explosives, detonator, blacksmithing tools, care of lamps or other materials or services furnished by the operators". This issue is already addressed in Appendix II – Payroll/Remuneration Table, *Tool or Equipment Expense Reimbursement*, of the USRP in that actual or documented expenses for tools or equipment not normally provided by the employee should not be included as payroll.
  - Establishes a minimum wage of not less than $12 per eight-hour shift. This per shift minimum is no longer necessary as California wage and hour laws already establish minimum wages for the mining industry exceeding this amount. For employers with 25 or fewer employees, the minimum

[19] International Hazard Datasheets on Occupation – Stone Cutter. International Labour Organization. 2009.

[20] See Part 3, *Standard Classification System*, Section IV, *Special Industry Classification Procedures*, Rule 5, *Mining*, of the *California Workers' Compensation Uniform Statistical Reporting Plan—1995.*

hourly wage is $13 effective January 1, 2021 and will increase to $14 effective January 1, 2022. [21] Employers with 26 or more employees are subject to minimum hourly wages that are one dollar higher. As such, the USRP's $12 per shift requirement is obsolete.

 - Directs that the market value of lodging shall be included in payroll. The treatment of meals and lodging for the mining industry no longer warrants treatment that differs from that directed by Part 3, Section V, *Payroll-Remuneration*, Rule 1.b., *Meals and Lodging*.

- Rule 5.b., *Standard Exceptions*, directs the treatment of clerical office employees and is duplicative of Part 3, Section III, Rule 4, *Standard Exceptions*.
- Rule 5.c., *Definition of* "*Surface Employees,*" is no longer relevant as all employees of underground mines and surface mines will be assigned to a single classification containing specific instructions regarding operations that shall be separately classified.
- Rule 5.d., *Shops*, is no longer needed as the proposed classification provides specific instructions regarding the scope of operations included.

IV. Impact Analysis

The WCIRB evaluated the impact of reclassifying underground mining employers to the tunneling classification. Classification relativities for Classifications 1123, 1124 and 6251 are included in Appendix III.

1. Impact on Employers in Classifications 6251

Table 1 shows that the selected loss to payroll ratio for Classification 6251 would increase by only 1.1% after the inclusion of underground mining employers.

Table 1. Changes in the Selected (Unlimited) Loss to Payroll Ratio for Classifications 6251 Under Proposed Recommendation

Classification 6251 (A)	Classifications 1123, 1124 and 6251 Combined (B)	% Difference (B/A-1)
3.322	3.357	+1.1%

2. Impact on Employers that are Currently Assigned to Classifications 1123 and 1124

The WCIRB also analyzed the impact on underground mining employers currently assigned to Classifications 1123 and 1124. As shown in Table 2, after being combined with Classification 6251, underground mining operations performed by underground employees would have a significant drop in the selected loss to payroll ratio (-71.3%), while underground mining operations performed by surface employees working exclusively at underground mines, a much smaller group than the underground crew, would have a slight increase in the selected loss to payroll ratio (+3.3%).[22]

[21] Industrial Welfare Commission Order No. 16-2001.
[22] Given that Classifications 1123 and 1124 are companion classifications, the actual impact to employers whose payroll is reported to both Classifications 1123 and 1124 would be dependent on the relative portion of their payroll split between Classifications 1123 and 1124.

Table 2. Changes in the Selected (Unlimited) Loss to Payroll Ratio for Employers that are Currently Assigned to Classifications 1123 and 1124 Under Proposed Recommendation

Classification 1123	Classifications 1123, 1124 and 6251 Combined	% Difference
11.699	3.357	-71.3%[23]
Classification 1124	**Classifications 1123, 1124 and 6251 Combined**	**% Difference**
3.249	3.357	+3.3%

V. Findings

Based on this review, the WCIRB has determined:

1. There is a clear line of demarcation between mining operations at surface mines (Classification 1122) and mining operations at underground mines (Classifications 1123 and 1124). Operations at underground mines are more hazardous than those at surface mines and have higher loss to payroll ratios.

2. Underground mining employers have similar operations, loss to payroll ratios and typical causes of injury as employers assigned to Classification 6251, *Tunneling – all work to completion.* Given that the underground mining industry is declining in California, reclassifying underground mining operations to Classification 6251 would improve its statistical credibility and stabilize the advisory pure premium rate for the classifications.

3. Reclassifying underground mining operations currently assigned to Classifications 1123 and 1124 to Classification 6251 would have minimal impact on the classification relativities for Classifications 6251 and 1124 (+1.1% and +3.3%, respectively). However, the reclassification would lead to a significant drop (-71.3%) in classification relativity for the operations currently assigned to Classification 1123. WCIRB staff does not recommend applying the typical 25% change limitation on year-to-year classification relativity change to the operations assigned to Classification 1123.

4. There is a clear operational distinction between surface mining employers assigned to Classification 1122 and quarry employers assigned to Classification 1624(1), *Quarries*. The loss to payroll ratios for quarry employers were consistently higher than those for surface mining employers over time. The difference in loss to payroll ratios was largely because Classification 1122 had more minor claims that involved temporary disability, while Classification 1624(1) had more severe permanent disability claims. Therefore, the WCIRB does not recommend combining operations in Classification 1122 with those in Classification 1624(1).

5. The Special Industry Classification Procedures for Mining, as detailed in the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP), are no longer necessary as the rules specific to mining are either no longer relevant or are redundant with general rules contained in the USRP.

[23] The WCIRB recommends that the typical 25% limitation on year-to-year classification relativity changes not apply to the underground mining employers because (1) the impact on the underground employees is a reduction in the classification relativity, which is consistent with their historical loss experience, (2) limiting the relativity change for Classification 1123 to a 25% change would preclude the elimination of that classification for several years until such time as the relativity for that classification is relatively consistent with that of the proposed combined classification and (3) underground mining employers in Classification 1123 may also have payroll in Classification 1124 so the impact of the proposed change on the average relativity will be somewhat muted by the small indicated increase in the relativity shown for Classification 1124.

6. Categorizing Mining as an Industry Group is no longer necessary based on the proposed elimination of Classifications 1123 and 1124, resulting in some mining operations falling outside of this industry grouping, and only two mining classifications remaining.

VI. Recommendations

Based on these findings, the WCIRB recommends:

1. Eliminate Classifications 1123, *Mining – underground – with shafts, tunnels or drifts; all employees with exposure to underground mining operations*, and 1124, *Mining – underground – surface employees*, and amend Classification 6251, *Tunneling – all work to completion*, to include both the surface and sub-surface operations of underground mines.

2. Eliminate the Special Industry Classification Procedures for the Mining Industry and the listing of Mining as an Industry Group.

Appendix I – History

Following is a timeline of significant changes to the scope and application of mining Classifications 1122, 1123 and 1124:

- **1934:** Classifications 1122, *Mining-surface-no shafts, tunnels or drifts-all employees*, 1123, *Mining-Underground-with shafts, tunnels or drifts; Underground employees*, and 1124, *Mining-Underground-with shafts, tunnels or drifts; Surface employees (excluding ore milling)*[24] were established to apply to surface mines, underground mine operations and surface operations at underground mines. Prior to 1934, multiple classifications applied to mining based on the extracted product. The prior classifications, 1164, 1120 and 1121, were eliminated.

- **1973:** Following a study conducted by the WCIRB, the experience of Classifications 1122 and 1624 was combined for ratemaking purposes. In addition, the two quarry classifications (1624 and 1625) were combined into a single classification – Classification 1624 – and Classification 1605, *Excavation – rock*, was amended to Classification 1624(2), an alternate wording to Classification 1624.

- **2013:** Following a study conducted by the WCIRB, the combination of experience for ratemaking purposes of Classifications 1122 and 1624 was discontinued.

The following is a timeline for the significant changes to the scope and application of tunneling Classification 6251, *Tunneling — all work to completion — including lining*:

- **1927:** Classification 5023, *Tunnel Lining*, was eliminated and constituents were combined with Classification 6251, *Tunneling*, which was amended to include all work to completion, including lining.

- **1966:** Classification 6260, *Tunneling—Pneumatic*, was established for compressed air tunneling.

- **1976:** The Classification and Rating Committee was advised that there had been no payroll developed under Classification 6260 since 1971 and that at that time there was no indication of any new pneumatic tunneling operations being conducted in California. As a result, this classification was eliminated.

[24] The classification wording reflected here is the original wording, the wording and footnotes have since been updated and enhanced.

Appendix II – Other Jurisdictions

The WCIRB reviewed how other jurisdictions classify mining operations. These jurisdictions include the states that have relatively large mining industries.[25]

In most of the leading National Council on Compensation Insurance, Inc. (NCCI) mining industry states,[26] the NCCI separately classifies coal mine and non-coal mine operations. Classifications 1016, *Coal Mining NOC & Drivers*, and 1164, *Mining NOC – Not Coal – Underground & Drivers*, are for surface and underground mining operations performed at underground coal mines and underground mines of materials other than coal, respectively. Surface operations at surface coal mines and non-coal mines that do not contemplate mining with shafts, tunnels or drifts are assigned to Classifications 1005, *Coal Mining – Surface & Drivers*, and 1165, *Mining NOC – Not Coal – Surface & Drivers*, respectively. One exception is Texas where NCCI classifies all mining operations as Classification 1165, *Coal Mining & Drivers*. For those states that have separate classifications for operations at surface mines and underground mines, the rates for classifications involving operations at underground mines are significantly higher than those for surface mines.

The Minnesota Workers' Compensation Insurers Association (MWCIA) and Wisconsin Compensation Rating Bureau (WCRB) classify surface and underground mining operations at underground mines as Classification 1164, *Mining NOC Not Coal Underground & Drivers*, and surface mining operations at surface mines as Classification 1165, *Mining NOC Not Coal Surface & Drivers*. Similarly, rates for operations at underground mines are higher than those for the surface mines in these two states.

The Pennsylvania Compensation Rating Bureaus (PCRB) classifies underground mining operations and surface mining operations as Classifications 025, *Mining – Underground*, and 055, *Sand, Gravel or Slag Excavation – Including Crushing*, respectively. The Delaware Compensation Rating Bureaus (DCRB) classifies surface mining as Classification 055, *Sand, Gravel or Slag Excavation – Including Crushing*. Classification 055 used by both PCRB and DCRB includes quarrying operations in the same classification along with the surface mining operations. The Compensation Advisory Organization of Michigan (CAOM) classifies underground mining operations as Classification 1164, *Mining – NOC – Underground – Not Coal*, and surface mining operations as Classification 1624, *Stone Crushing*, which includes both surface mining operations and quarrying operations. Similarly, the New York Compensation Insurance Rating Board (NYCIRB) classifies underground mining operations as Classification 1170, *Mining – NOC – With Shafts, Tunnels or Drifts*, and surface mining operations as Classification 1624, *Quarry – NOC & Drivers*, which includes quarrying operations as well.

All of the leading states in the mining industry use separate classifications for tunneling operations and the aforementioned leading NCCI mining industry states, MWCIA, and WCRB use separate classifications for quarrying operations. These classifications are administered similarly to how the WCIRB administers Classifications 6251 and 1624.

[25] The leading states in the mining industry include Missouri, Colorado, Michigan, Wisconsin, Minnesota, Kentucky, West Virginia, Texas, New York, Pennsylvania and Delaware. Mining industry data is from the MSHA.

[26] The leading NCCI states in the mining industry include Missouri, Colorado, Kentucky, West Virginia and Texas.

Appendix III – Classification Relativities[27]

Table 1: Classification 1122 – 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	28,394,628	110,891	62,427	173,318	0.610
2014	36,063,931	458,586	389,361	847,947	2.351
2015	38,788,696	170,689	159,805	330,494	0.852
2016	38,049,746	213,172	131,648	344,820	0.906
2017	49,536,734	234,572	388,165	622,737	1.257
Total	190,833,736	1,187,910	1,131,406	2,319,315	

Adjusted Loss to Payroll Ratio	1.215
Selected Loss to Payroll Ratio	1.862

Credibility	
Indemnity	Medical
0.53	0.46

Table 2: Classification 1123 – 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	2,217,026	117,330	28,876	146,206	6.595
2014	884,637	30,855	52,893	83,748	9.467
2015	1,597,140	74,659	16,730	91,389	5.722
2016	750,592	0	0	0	0
2017	346,671	0	0	0	0
Total	5,796,067	222,845	98,499	321,343	

Adjusted Loss to Payroll Ratio	5.544
Selected Loss to Payroll Ratio	11.699

Credibility	
Indemnity	Medical
0.29	0.22

[27] WCIRB January 1, 2021 Regulatory Filing.

Table 3: Classification 1124 – 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	1,565,618	0	0	0	0
2014	428,291	0	0	0	0
2015	857,874	0	235	235	0.027
2016	640,593	0	0	0	0
2017	617,050	0	0	0	0
Total	4,109,426	0	235	235	

Adjusted Loss to Payroll Ratio	0.006
Selected Loss to Payroll Ratio	3.249

Credibility	
Indemnity	Medical
0.15	0.12

Table 4: Classification 6251 – 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	18,589,607	394,626	367,415	762,041	4.099
2014	16,629,716	29,889	25,542	55,431	0.333
2015	21,226,715	608,084	255,869	863,953	4.070
2016	26,121,776	168,308	170,279	338,587	1.296
2017	28,416,801	334,325	332,556	666,881	2.347
Total	110,984,615	1,535,232	1,151,660	2,686,892	

Adjusted Loss to Payroll Ratio	2.421
Selected Loss to Payroll Ratio	3.322

Credibility	
Indemnity	Medical
0.54	0.43

Recommendation

Eliminate Section IV, *Special Industry Classification Procedures*, Rule 5, *Mining,* as these procedures are no longer necessary because the rules specific to mining are either no longer relevant or are redundant with general rules contained in the USRP.

PROPOSED

Section IV – Special Industry Classification Procedures

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~~**5. Mining**~~

~~a. Payroll Basis~~

~~No reduction in payroll shall be made on account of powder, explosives, detonator, blacksmithing tools, care of lamps or other materials or services furnished by the operators. Where employees work on the basis of a share in the future profits, their earnings must be included upon a definite agreed wage basis, which wage basis in no event shall be less than $12.00 per shift of eight (8) hours per employee. Where the actual remuneration is less than $12.00 per shift of eight (8) hours per employee, a wage of not less than $12.00 per shift of eight (8) hours per employee must be used.~~

~~Notwithstanding any other provisions contained herein, when lodging is provided by the employer, the market value of such lodging to the employee shall be included in payroll.~~

~~b. Standard Exceptions~~

~~Draftspersons engaged exclusively within the office of such work and Clerical Office Employees engaged exclusively in keeping the books and records shall be treated as Standard Exceptions, and their payroll shall be assigned to Classification 8810, *Clerical Office Employees*.~~

~~c. Definition of “Surface Employees” as used in Classification 1124, *Mining – underground – surface employees*~~

~~Only those employees of underground mines whose work is exclusively on the surface shall be assigned to Classification 1124. These employees include, but are not limited to, hoist engineers, top persons, blacksmiths, compressor persons, and employees engaged in land clearing and the construction and maintenance of all buildings, roads, ditches and flumes.~~

~~d. Shops~~

~~Machine shop, blacksmith shop, sawmill or mine car repair shop shall be assigned to Classification 1122, *Mining – surface*, or Classification 1124, *Mining – underground – surface employees*, depending upon the type of mine.~~

* * * * * * *

Recommendation
Amend Section VII, *Standard Classifications*, Rule 1, *Classification Section,* subrule a, *Industry Groups*, to eliminate Mining from the list of industry groups as it is no longer necessary with the elimination of Classifications 1123 and 1124, resulting in some mining operations falling outside of this industry grouping, as there are only two mining classifications remaining.

PROPOSED

Section VII – Standard Classifications

1. Classification Section

This section contains an alphabetical listing of classifications that describe most occupations, employments, industries and businesses. The classifications are organized as follows:

a. Industry Groups

Some classifications are grouped alphabetically under industry groupings to assist users in identifying and assigning classifications within similar industries. Construction-related classifications are listed in Appendix I, *Construction and Erection Classifications*. The following other industry groups are incorporated into the classifications listed in Rule 2, *Standard Classifications*, below:

(1) Aircraft Operation

(2) Automotive Industry

(3) Electronics Industry

(4) Farms

(5) Food Packaging and Processing

(6) Health and Human Services

(7) Metal Working Classifications

~~(8) Mining~~

~~(9)~~(8) Municipal, State or Other Public Agencies

~~(10)~~(9) Petroleum Industry

~~(11)~~(10) Plastic Products Manufacturing

~~(12)~~(11) Printing, Publishing and Duplicating

~~(13)~~(12) Property Management/Operation

~~(14)~~(13) Recycling and Refuse Management

~~(15)~~(14) Sign Industry

~~(16)~~(15) Stores

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Recommendation
Amend Classification 6011, *Dam Construction*, for consistency with other proposed changes.

PROPOSED

DAM CONSTRUCTION – all operations – including dam repair, alteration, seismic retrofitting and demolition **6011**

This classification applies to the construction ~~and~~or repair of dams, including but not limited to concrete ~~and~~or earth filled dams.

This classification includes the construction of access roads in connection with dam construction.

Tunneling shall be separately classified as 6251, *Tunneling or Underground Mining*.

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Recommendation
Amend Classification 1624(2), *Excavation – rock*, for consistency with other proposed changes.

PROPOSED

EXCAVATION – rock – no tunneling **1624(2)**

This classification applies to rock excavation in connection with construction projects.

Crushing operations shall be separately classified.

Tunneling shall be classified as 6251, *Tunneling or Underground Mining.*

Rock quarrying operations shall be classified as 1624(1), *Quarries.*

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Recommendation
Amend Classification 1452, *Mining – ore milling,* to provide direction as to how related operations should be classified.

PROPOSED

~~**MINING**~~

~~Refer to Section IV, Special Industry Classification Procedures, Rule 5, Mining.~~

MINING – ore milling – including sample analysis, crushing, concentration and separation **1452**

This classification applies to the processing of ore for the purpose of recovering metals ~~and~~or minerals, including but not limited to gold, silver, nickel, graphite, coke, zinc and iron.

Surface mining (open pit method) of ores or minerals shall be separately classified as 1122, *Mining – surface*.

Underground mining operations shall be separately classified as 6251, *Tunneling or Underground Mining.*

Smelting, sintering, refining or alloying operations shall be classified as 1438*, Smelting, Sintering, Refining or Alloying.*

* * * * * * *

Recommendation

Amend Classification 1122, *Mining – surface*, for consistency with other proposed changes.

PROPOSED

~~**MINING**~~

~~Refer to Section IV, *Special Industry Classification Procedures*, Rule 5, *Mining*.~~

MINING – surface – no shafts, tunnels~~,~~ or drifts – all employees **1122**

This classification applies to surface mining (open pit method) of ores ~~and~~or minerals, including but not limited to gold, borax, graphite, gypsum and perlite. This classification includes all activities involved in the construction or operation of the mine, including but not limited to the construction of buildings, roads, water systems, power lines or tramways; the installation, operation or maintenance of machinery or equipment; the operation of commissaries; and blasting when performed by the mine operator. This classification includes mining engineers engaged in geophysical exploration, surveying ~~and~~or mapping of sites.

~~Subsequent o~~Ore milling operations shall be separately classified as 1452, *Mining – ore milling.*

Underground mining operations shall be classified as ~~1123, *Mining – underground – with shafts, tunnels or drifts; all employees with exposure to underground mining operations*, and 1124, *Mining – underground – surface employees*~~6251, *Tunneling or Underground Mining*.

Rock quarrying operations shall be classified as 1624(1), *Quarries.*

Blasting operations performed on a fee basis ~~are~~shall be classified as 1330, *Blasting*.

* * * * * * *

Recommendation

Eliminate Classification 1124, *Mining – underground – surface employees*, due to its low statistical credibility and reassign the operations described by this classification to Classification 6251, *Tunneling or Underground Mining*.

PROPOSED

~~**MINING**~~

~~Refer to Section IV, Special Industry Classification Procedures, Rule 5, Mining.~~

~~**MINING – underground – surface employees**~~ ~~**1124**~~

~~This classification applies to surface employees, including mining engineers engaged in geophysical exploration, surveying and mapping of sites, of employers engaged in the underground extraction of ore and minerals, including but not limited to gold, borax, graphite, gypsum and perlite. This classification includes but is not limited to the following aboveground operations: installation, operation or maintenance of surface machinery or equipment; operation of commissaries and preparation of explosives.~~

~~This classification does not apply to any employee who is required to go underground at any time. Employees with exposure to underground mining operations shall be classified as 1123, *Mining – underground – with shafts, tunnels or drifts; all employees with exposure to underground mining operations*.~~

~~Surface mining operations shall be classified as 1122, *Mining – surface*.~~

~~Ore milling shall be separately classified as 1452, *Mining – ore milling*.~~

~~Also refer to companion Classification 1123, *Mining – underground – with shafts, tunnels or drifts; all employees with exposure to underground mining operations*.~~

* * * * * * *

Recommendation

Eliminate Classification 1123, *Mining – underground – with shafts, tunnels or drifts; all employees with exposure to underground mining operations*, due to its low statistical credibility, and reassign the operations described by this classification to Classification 6251, *Tunneling or Underground Mining*.

PROPOSED

~~**MINING**~~

~~Refer to Section IV, Special Industry Classification Procedures, Rule 5, Mining.~~

~~**MINING – underground – with shafts, tunnels or drifts; all employees with exposure to underground mining operations**~~ ~~**1123**~~

~~This classification applies to employers engaged in the underground extraction of ores and minerals, including but not limited to gold, borax, graphite, gypsum and perlite. This classification includes all underground operations, including but not limited to the drilling of~~

~~shafts, tunnels or drifts; the erection of shoring and supports; the construction of underground tramways; and the installation, operation and maintenance of underground equipment or machinery. This classification includes all employees, including mining engineers engaged in geophysical exploration, surveying and mapping of sites, who are required to go underground at any time.~~

~~Also refer to companion Classification 1124, *Mining – underground – surface employees*.~~

* * * * * * *

Recommendation
Eliminate the cross reference to Classification 1452, *Mining – ore milling*, for consistency with other proposed changes.

PROPOSED

~~**ORE MILLING**~~

~~See Mining.~~

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Recommendation
Amend Classification 1624(1), *Quarries*, for consistency with other proposed changes.

PROPOSED

QUARRIES – including all employees engaged in installation of machinery and construction, repair and maintenance of all buildings, structures or equipment **1624(1)**

This classification applies to open quarries for the removal of rock, including but not limited to granite, limestone, sandstone and soapstone.

This classification includes stone cutting in quarries or hauling material from the quarry to a stone crusher operated by the quarry.

Drilling or blasting performed in connection with the employer's quarry operations shall be classified in accordance with Section III, Rule 5, *General Inclusions*.

Crushing operations shall be separately classified.

Rock excavation in connection with construction projects shall be classified as 1624(2) *Excavation – rock.*

Surface mining (open pit method) of ores or minerals shall be classified as 1122, *Mining – surface.*

Underground mining shall be classified as ~~1123, *Mining – underground – with shafts, tunnels or drifts; all employees with exposure to underground mining operations,* and 1124, *Mining – underground – surface employees*~~6251, *Tunneling or Underground Mining*.

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Recommendation
Amend Classification 6251, *Tunneling*, to include underground mining operations, to provide direction as to how related operations should be classified and for consistency with other proposed changes.

PROPOSED

TUNNELING OR UNDERGROUND MINING – all ~~work to completion~~employees ~~– including lining~~ **6251**

This classification applies to the construction of tunnels ~~and~~or caves and includes the ~~incidental~~ installation of concrete lining, electrical wiring ~~and~~or plumbing. This classification also applies to tunneling in connection with dam construction or street or road construction, including tunneling underneath roadways or railroads by hydraulic jacking pipe exceeding 6' in diameter through the earth. ~~This classification also applies to tunneling in connection with dam construction and street or road construction.~~

~~Hydraulic jacking pipe not exceeding 6' in diameter through the earth to produce sewer, gas or water lines shall be separately classified.~~This classification also applies to the operation of underground mines for the extraction of ores or minerals, including but not limited to gold, borax, graphite, gypsum and perlite. This classification includes all underground and aboveground operations, including but not limited to the drilling of shafts, tunnels or drifts; the erection of shoring or supports; the construction of underground tramways; and the installation, operation or maintenance of underground or above-ground equipment or machinery. This classification includes mining engineers engaged in surveying, mapping or geophysical exploration of sites.

Surface mining (open pit method) operations shall be classified as 1122, *Mining – surface*.

Ore milling operations shall be separately classified as 1452, *Mining – ore milling.*

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

PROPOSED

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1123 ~~Mining–underground~~

1124 ~~Mining–underground–surface employees~~

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6251 Tunneling/Underground Mining

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Recommendation

Amend Appendix I*, Construction and Erection Classifications*, for consistency with other proposed changes.

PROPOSED

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6251 Tunneling/Underground Mining

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Item III-B
Draft Standard Exception Study

4512, *Biomedical Research Laboratories – including outside operations*
8810, *Clerical Office Employees – N.O.C*
8742, *Salespersons – Outside*

The Committee was advised that WCIRB staff conducted a pilot analysis to systematically review classifications to identify those that would be improved by the inclusion of clerical office, clerical telecommuter or outside sales activities. Classification 4512, *Biomedical Research Laboratories – including outside operations,* was selected to develop the review framework. A copy of the draft report was provided to the Committee in the Agenda.

During the presentation, WCIRB staff compared the operations, loss and payroll experience of the clerical and outside sales operations of biomedical research laboratories to the biomedical research laboratories and the statewide clerical and outsides sales experience. Based on this review, WCIRB staff determined that:

1. Operations of biomedical research laboratories assigned to Classification 4512 often involve both laboratory work and non-laboratory research work, and the latter is typically clerical in nature. Further, the line of demarcation between employees engaged exclusively in clerical operations and those performing biomedical research operations is not always clear.

2. The clerical operations of biomedical research laboratories (Classification 8810 subgroup) have better loss to payroll experience than the statewide experience of Classification 8810, mostly driven by a lower indemnity claim frequency. The typical causes of injury and indemnity claim severity for the Classification 8810 subgroup are more similar to those of Classification 4512 than to Classification 8810 as a whole.

3. Including clerical employees in Classification 4512 would lead to a drop (-28.7%) in classification relativity for Classification 4512.

4. The portion of biomedical research laboratories' payroll assigned to Classification 8742 varies widely across the industry, ranging from about 20% of employers having no reported payroll in Classification 8742 to some employers having 8742 account for more than 80% of their total reported payroll. Further, the Classification 8742 experience in connection with laboratories (Classification 8742 subgroup) had a significantly lower loss to payroll ratio than Classification 4512, and a disproportionally higher share of the losses caused by motor vehicle accidents when compared to Classification 4512. Therefore, the business operations and loss experience of outside salespersons at biomedical research laboratories are different from those of Classification 4512 operations.

Based on the study findings detailed in the attached report, the WCIRB recommended the following amendment to Part 3, *Standard Classification System,* of the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP)*:*

- Amend Classification 4512, *Biomedical Research Laboratories – including outside operations*, to include Clerical Office Employees and Clerical Telecommuter Employees as defined in Part 3, *Standard Classification System*, Section III, *General Classification Procedures*, Rule 4, *Standard Exceptions*, of the USRP. Further, in a related matter and in accordance with standard WCIRB classification ratemaking procedures, WCIRB staff recommended limiting the relativity change for the classification to a 25% decrease. The classification relativity for the statewide Classification 8810 would increase by 5.0% after removing the Classification 8810 subgroup from the statewide Classification 8810 experience.

A Committee member suggested that the higher share of claims involving motor vehicle injuries for outside salespersons of biomedical research laboratories may be a reflection of the potential inaccurate assignment of claims to Classification 8742. Staff advised the Committee that the underlying data is robust and comprised of multiple years that should mitigate any data reporting issues. Another Committee member asked about the overall amount of the Classification 8810 payroll that would be reclassified under the proposed recommendation. Staff indicated that a small percentage (about 5%) of the Classification 8810 payroll would be impacted and advised that the actual payroll amount could be found in the attached report (Appendix II: Tables 2-3).

Following staff's presentation, a motion was made, seconded and unanimously passed to recommend that the proposed changes be included in the September 1, 2022 Regulatory Filing and that the relativity change for Classification 4512 be limited to a 25% decrease.

Standard Exception Study

4512, *Biomedical Research Laboratories – including outside operations*
8810, *Clerical Office Employees – N.O.C*
8742, *Salespersons – Outside*

Executive Summary

Objectives

Most classifications allow an employer's clerical or outside sales employees' payroll to be separately assigned to Classification 8810, *Clerical Office Employees*, Classification 8742, *Salespersons – Outside*, or, beginning in 2021, Classification 8871, *Clerical Telecommuter Employees*, pursuant to the Standard Exceptions rule. Other classifications are structured to explicitly include clerical office, clerical telecommuter or outside sales operations when the employees' exposures to work-related hazards are relatively similar to those of the core classification and it is difficult to clearly distinguish an employer's primary operations from those that would otherwise be considered clerical or outside sales in nature.

As it is often challenging to determine whether individual employees meet the narrowly defined criteria for Standard Exception Employees, the WCIRB has undertaken a multi-year effort to systematically review classifications to identify those that would be improved by the inclusion of clerical office, clerical telecommuter or outside sales activities. As part of this effort, in 2021, the WCIRB completed a pilot study to establish a framework for the systematic review of other classifications in subsequent years.

The WCIRB selected Classification 4512, *Biomedical Research Laboratories – including outside operations*, for the pilot study and evaluated the business operations and the payroll and claim experience of employers currently assigned to Classification 4512 to determine if their clerical or outside sales operations are distinct and easily identifiable or if some or all of the standard exception operations should be included in Classification 4512.

Findings

The key findings of this study include:

1. Operations of biomedical research laboratories assigned to Classification 4512 often involve both laboratory work and non-laboratory research work, and the latter is typically clerical in nature. Further, the line of demarcation between employees engaged exclusively in clerical operations and those performing biomedical research operations is not always clear.

2. The clerical operations of biomedical research laboratories (Classification 8810 subgroup) have better loss to payroll experience than the statewide experience of Classification 8810, mostly driven by a lower indemnity claim frequency. The typical causes of injury and indemnity claim severity for the Classification 8810 subgroup are more similar to those of Classification 4512 than to Classification 8810 as a whole.

3. Including clerical employees in Classification 4512 would lead to a drop (-28.7%) in classification relativity for Classification 4512. In accordance with standard WCIRB classification ratemaking procedures, the relativity changes would be limited to a 25% decrease. The classification relativity for the statewide Classification 8810 would increase by 5.0% after removing the Classification 8810 subgroup from the statewide Classification 8810 experience.

4. The portion of biomedical research laboratories' payroll assigned to Classification 8742 varies widely across the industry, ranging from about 20% of employers having no reported payroll in Classification 8742 to some employers having 8742 account for more than 80% of their total reported payroll. Further, the Classification 8742 experience in connection with laboratories (Classification 8742 subgroup) had a significantly lower loss to payroll ratio than Classification 4512, and a disproportionally higher share of the losses caused by motor vehicle accidents when

compared to Classification 4512. Therefore, the business operations and loss experience of outside salespersons at biomedical research laboratories are different from those of Classification 4512 operations.

Recommendations
Based on these findings, the WCIRB recommends amending Classification 4512, *Biomedical Research Laboratories – including outside operations*, to include Clerical Office Employees and Clerical Telecommuter Employees as defined in Part 3, *Standard Classification System*, Section III, *General Classification Procedures*, Rule 4, *Standard Exceptions*, of the USRP.[1] The WCIRB does not recommend including Outside Salespersons.

I. Introduction

Most classifications allow an employer's clerical or outside sales employees to be separately assigned to Classification 8810, *Clerical Office Employees,* Classification 8742, *Salespersons – Outside,* or, beginning in 2021, Classification 8871, *Clerical Telecommuter Employees*, pursuant to the Standard Exceptions rule. In that Standard Exception classifications may only be assigned to employees whose duties fall within that narrowly defined criteria, determining which individual employees meet the criteria within a policy period can prove challenging.

Other classifications are structured to explicitly include clerical office, clerical telecommuter or outside sales operations. This typically occurs when the employees' exposures to workplace hazards are relatively similar to those of the core classification and it is difficult to clearly distinguish an employer's primary operations from those that would otherwise be considered clerical or outside sales in nature. The primary rationale for including clerical or outside sales within the scope of a classification is to capture all the payroll and loss experience – including clerical and outside sales – within that industry's classification. This produces an advisory pure premium rate that more accurately reflects the industry's overall claim and payroll experience and avoids the need to determine whether individual employees meet the criteria of a Standard Exception Employee.

Given the challenges of determining whether individual employees meet the criteria for Standard Exception classifications, the WCIRB has undertaken a multi-year effort to systematically review classifications to identify those whose application would be improved by the inclusion of clerical office, clerical telecommuter or outside sales activities. As part of this effort, in 2021, the WCIRB completed a pilot study to establish a framework for the systematic review of additional classifications in subsequent years.

Based on a preliminary review of classifications for which clerical or outside sales employees are separately classified, the WCIRB selected Classification 4512, *Biomedical Research Laboratories – including outside operations*, as that classification met the following initial criteria:

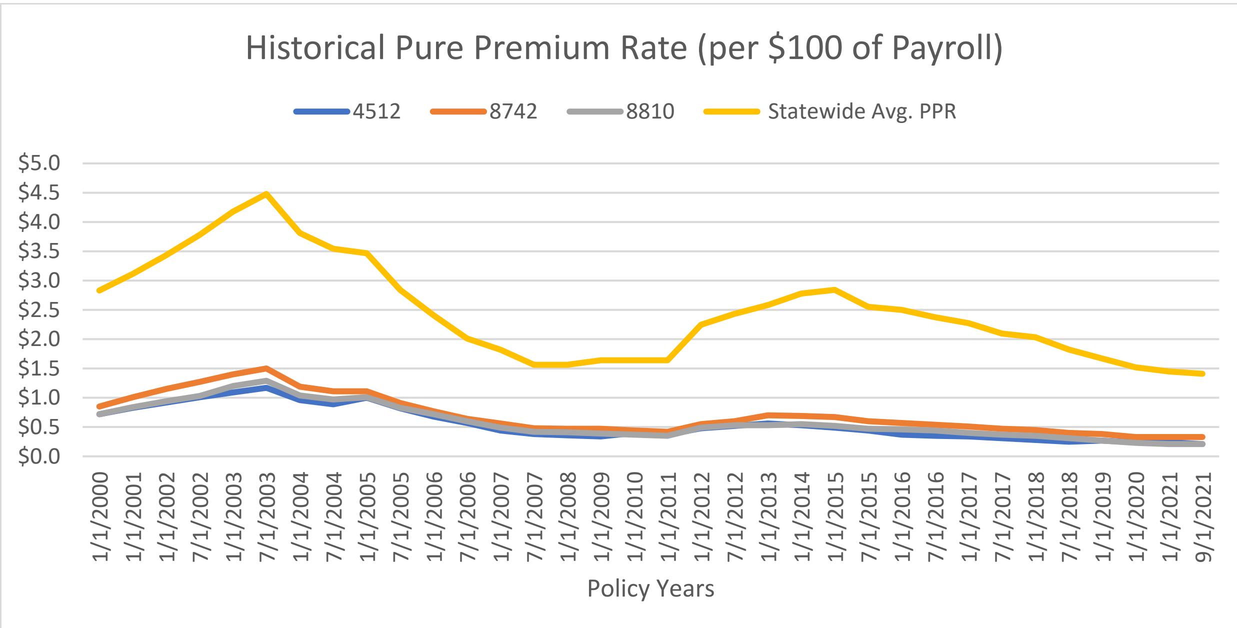
- The classification has relatively low pure premium rates;
- The core business operations are relatively similar to clerical or outside sales activities; and
- The line of demarcation between clerical or outside sales activities and other employee activities may not always be clear.

As shown in Figure 1, Classification 4512 has had much lower advisory pure premium rates than the statewide average. The advisory pure premium rates for Classification 4512 have been consistently similar to those for Classification 8810, *Clerical Office Employees*, and Classification 8742, *Salespersons – Outside*. The average credibility for Classification 4512 was approximately 0.96. While over 60% of biomedical research laboratory employers had payroll reported in Classification 8810, it was less common (33%) for these employers to retain dedicated outside salespersons with payroll assigned to Classification 8742. This is partly due to the scope of Classification 4512, which includes outside operations in

[1] *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP)

connection with research work.[2] In addition, biomedical research laboratories perform core duties in a laboratory and/or office environment for research and documentation purposes, which is largely clerical in nature.

Figure 1. Historical Pure Premium Rates



	9/1/2021 Pure Premium Rate (per $100 of payroll)[3]	Approximate Average Credibility
Classification 4512 – Biomedical Research Laboratories	$0.21	0.96
Classification 8810 – Clerical Office Employees	$0.21	1.0
Classification 8742 – Outside Salespersons	$0.33	1.0

The WCIRB analyzed the business operations and the payroll and claim experience of employers currently assigned to Classification 4512 to determine if their clerical or outside sales operations are distinct and easily identifiable or if some or all of the Standard Exception operations should be included within Classification 4512. This analysis framework would be applied to other classifications in subsequent studies.

II. Analysis Approach

The WCIRB analyzed business operations and payroll and claim experience of biomedical research laboratories using both qualitative and quantitative data from a variety of sources.

[2] The clerical or outside sales operations of biomedical research laboratory employers account for less than 0.5% of the statewide payroll reported in Classifications 8810 and 8742.
[3] CDI Decision on the WCIRB September 1, 2021 Pure Premium Rate Filing.

Classification Inspection Reports: The WCIRB reviewed Classification Inspection Reports that assigned employers' operations to Classifications 4512 to better understand these employers' laboratory, clerical office and outside sales activities.

Industry Outreach: The WCIRB contacted members of the industry, including industry associations and insurers that underwrite significant components of this industry, to gain insights into the operational characteristics of biomedical research laboratories.

Unit Statistical Reports: The WCIRB analyzed the historical Unit Statistical Report (USR) data reported for Classifications 4512, 8810 and 8742, including employers' payroll and loss experience and injury characteristics of claims, for policy years 2006 through 2018. Data is at the latest USR report level (RL). Losses were limited to $500,000 per claim to minimize large swings in the loss to payroll ratios over time.

Classification Relativity Data: Classification relativity data as reflected in the WCIRB's January 1, 2021 Regulatory Filing were used to analyze the impact of the potential inclusion of biomedical research laboratories' Standard Exception Employees currently assigned to Classifications 8810 and 8742.

III. Analysis Results

1. Comparison of Classifications 4512 and 8810

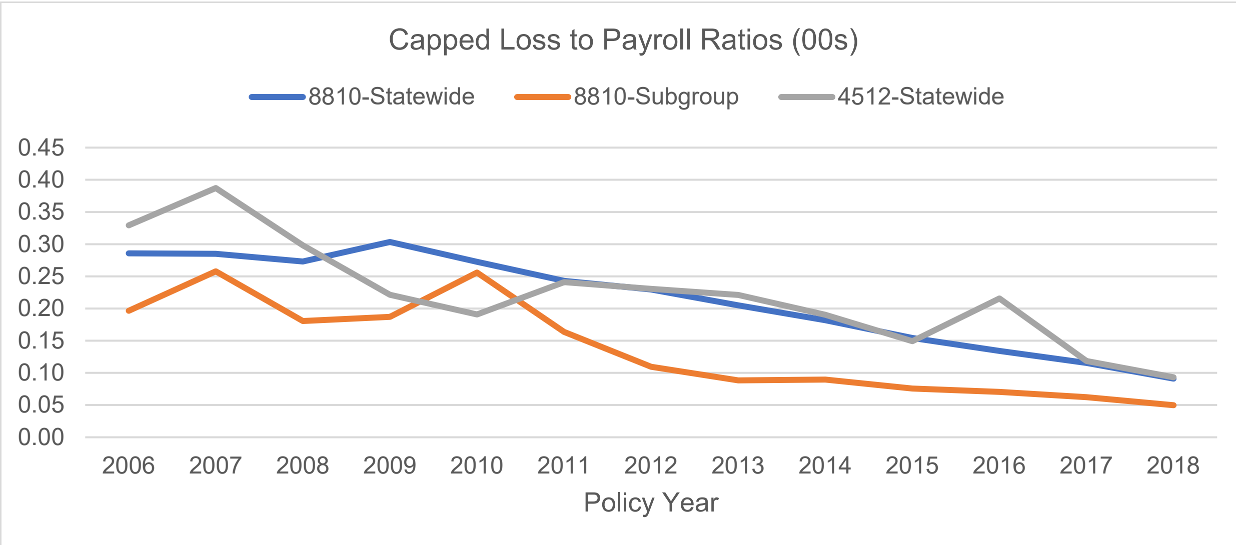
- **Biomedical Research Laboratories and Clerical Employees**
  Employers assigned to Classification 4512, *Biomedical Research Laboratories,* conduct biomedical research and development in fields such as medicine, pharmacology, pathology, toxicology and microbiology. Biomedical research laboratories typically retain research chemists and biologists and support staff (research staff) to perform laboratory work, such as conducting scientific experiments and testing biologicals or chemicals in a clean room environment. Research staff often use lab equipment, such as microscopes, centrifuges and various electronic test equipment. Research laboratories also perform a significant amount of non-laboratory research work, including preparing samples of biomedical products, writing clinical trial protocols and documenting research progress, conducting data analysis, reformulating testing compounds and taking steps necessary for market approval. The actual manufacture of approved drugs is typically contracted to other concerns. In addition, researchers may travel to medical facilities for research and clinical trial purposes.

  While employees assigned to Classification 4512 have exposures to a laboratory environment, these employees typically spend a significant portion of their time on compliance, documentation and report writing. As such, research staff often work in a clerical office environment, in which they are not engaged in laboratory operations. Given this overlap between clerical and research operations, there is often not a clear line of demarcation between employees conducting strictly clerical operations and those directly engaged in laboratory research. Many highly compensated scientists may spend minimal time in a lab, making it more difficult to discern the appropriate classification assignments. Laboratory researchers and clerical employees working at research laboratories have similar average weekly wages.[4]

- **Payroll and Claim Experience of Biomedical Research Laboratories and the Clerical Subgroup**
  The Classification 8810 subgroup represents clerical employees of biomedical research laboratories currently assigned to Classification 8810. As shown in Figure 2, the weighted average loss to payroll ratio for the Classification 8810 subgroup was lower than that for both the statewide Classification 8810 and Classification 4512. However, in more recent years, the loss to payroll ratios began to show signs of converging for the three groups, although the Classification 8810 subgroup's loss to payroll ratio still remained lower than that for the other two groups.

[4] The wage information is from the 2019 Wage, Payroll and Exposure Report for California Workers' Compensation. The full-time average weekly wage was $1,432 for Classification 4512 and $1,477 for Classification 8810.

Figure 2. Historical Loss to Payroll Ratios[5] Comparing Classification 4512, Classification 8810 and Classification 8810 Subgroup



	Loss to Payroll Ratio (00s) (PYs 2006-2018)[6]	Five-Year Loss to Payroll Ratio (00s) (PYs 2014-2018)[7]
Classification 4512	0.21	0.15
Classification 8810 Subgroup	0.11	0.07
Classification 8810 Statewide	0.20	0.13

The lower loss to payroll ratio for the Classification 8810 subgroup was mostly driven by a lower indemnity claim frequency, especially for policy years after 2012 (Figure 3). The average severity per indemnity claim for the Classification 8810 subgroup, however, is more comparable to that of Classification 4512 (Figure 4). The statewide Classification 8810 generally had a higher average severity per indemnity claim than the other two groups over time. Over the time period studied, the weighted average severity for the Classification 8810 subgroup was 11% lower than that for Classification 4512 and about 22% lower than that for the statewide Classification 8810.

[5] Loss to payroll ratios were calculated using the losses capped at $500,000 and payroll reported at the latest RL. The same methodology was used for Figures 4 and 7.
[6] The weighted average loss to payroll ratio was calculated as the aggregate losses over the policy year period from 2006 to 2018 divided by the aggregate payroll during the same period.
[7] The weighted average loss to payroll ratio was calculated as the aggregate losses over the policy year period from 2014 to 2018 divided by the aggregate payroll during the same period.

Figure 3. Indemnity Claim Frequency per 100 Full-Time Equivalents[8] by Policy Year

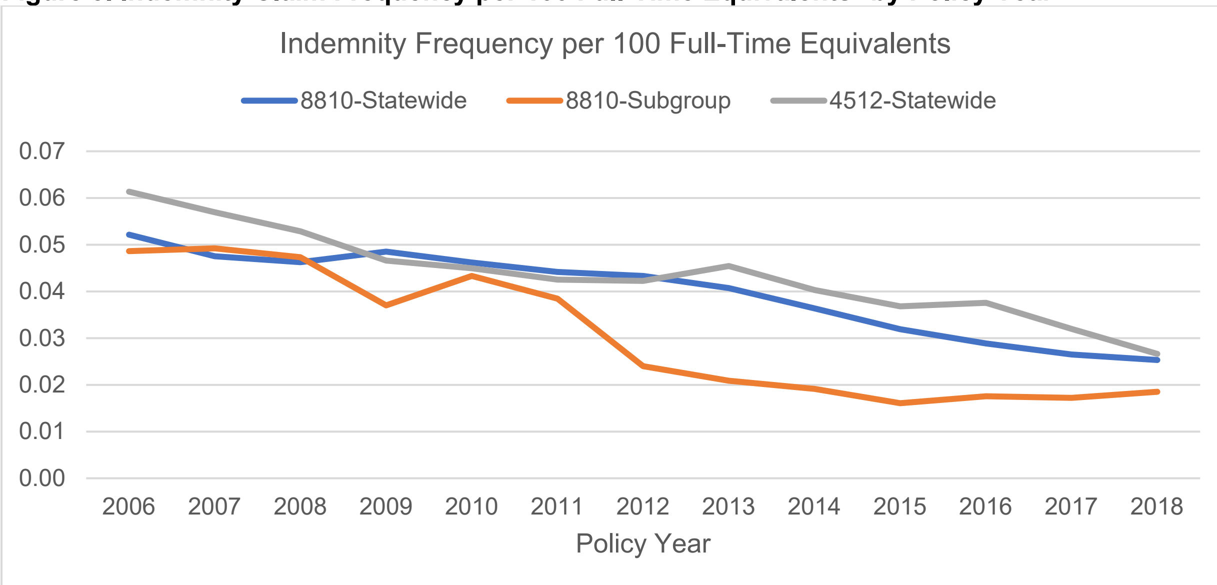
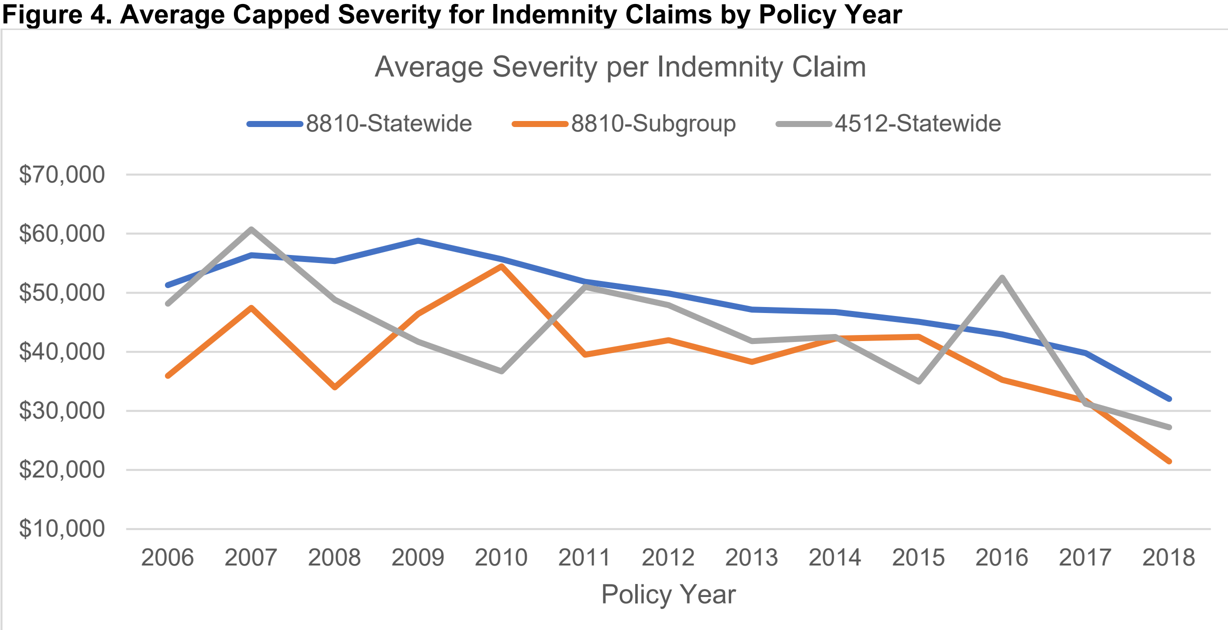


Figure 4. Average Capped Severity for Indemnity Claims by Policy Year



	Weighted Average Severity per Indemnity Claim (PYs 2006-2018)[9]
Classification 4512	$43,793
Classification 8810 Subgroup	$38,759
Classification 8810 Statewide	$49,406

[8] The exposure base is full-time equivalent employees, which is derived from payroll exposure adjusted by the full-time equivalent average annual wage. The wage information is from the 2019 Wage, Payroll and Exposure Report for California Workers' Compensation. The full-time average weekly wage was $1,432 for Classification 4512 and $1,477 for Classification 8810.

[9] The weighted average severity per indemnity claim was calculated as the aggregate losses for indemnity claims over the policy year period from 2006 to 2018 divided by the aggregate indemnity claim count during the same period.

The typical causes of injury were similar between claims reported in the biomedical research laboratories classification (4512) and claims in the Classification 8810 subgroup (Figure 5). Strain by repetitive motion was the leading cause of injury for both biomedical research laboratories and their clerical employees. The share of other leading causes of injury among Classifications 4512 and 8810 and the Classification 8810 subgroup are also comparable. The average severity for claims involving the top leading causes of injury for the Classification 8810 subgroup was also more similar to Classification 4512, and the average claim severities for both were generally lower than the statewide Classification 8810 average severity (Figure 6).

Figure 5. Share of Claims for Top 5 Causes of Injury for Policy Years 2006 – 2018[10]

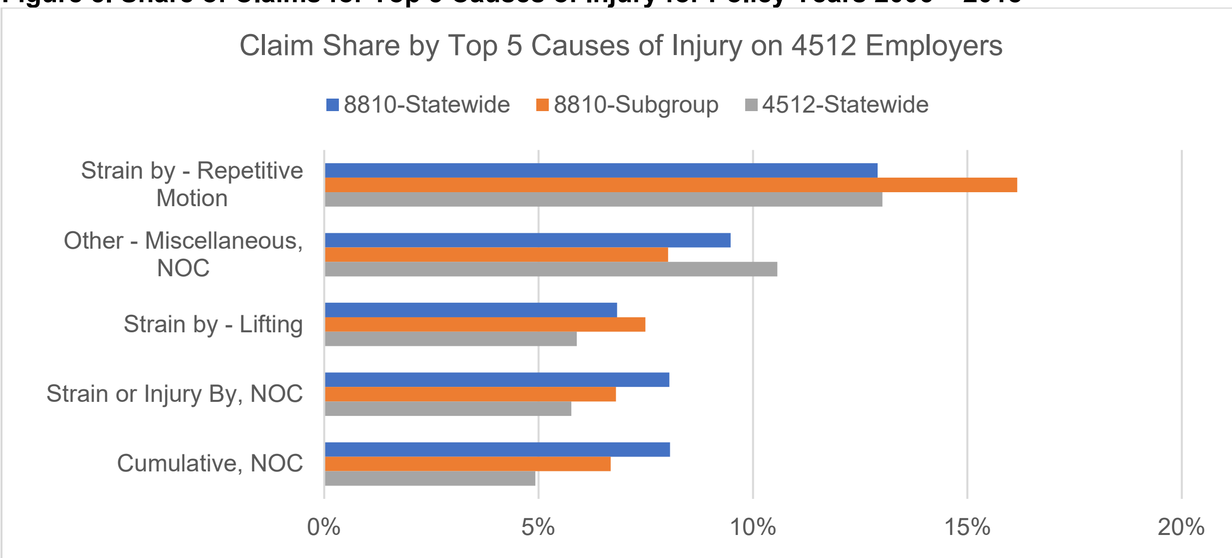
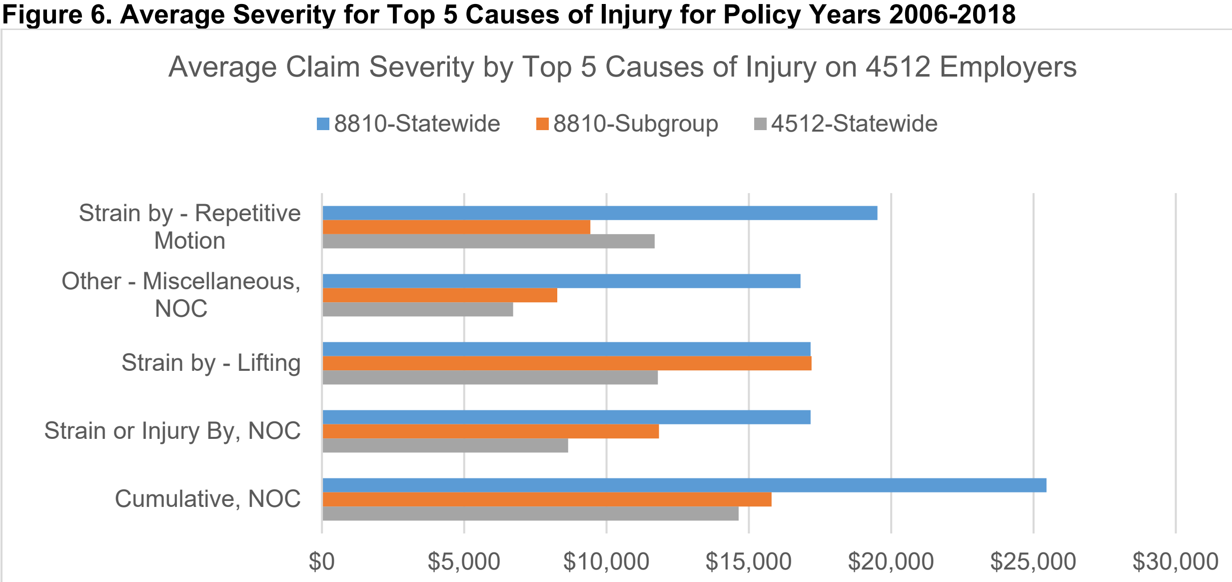


Figure 6. Average Severity for Top 5 Causes of Injury for Policy Years 2006-2018



The WCIRB's analysis indicates that biomedical research laboratories and their clerical employees share similar business operations and loss experience. A large portion of biomedical research laboratory operations involve non-laboratory research work, which is clerical in nature. Thus, it is often challenging to clearly distinguish a biomedical research laboratory employer's primary operation from those that would

[10] Policy year 2006 is the earliest year that the WCIRB has detailed information at the claim level.

otherwise be considered clerical in nature. With respect to loss experience, the reported Classification 8810 subgroup experience for biomedical research laboratories had a lower indemnity frequency than the statewide clerical experience, and the reported Classification 8810 subgroup experience shared more similar causes of injury and indemnity claim severity with the biomedical research laboratory operations than it did with the statewide Classification 8810 operations. The research laboratory clerical employees also share a similar average weekly wage as other biomedical research laboratory employees.[11]

Given the results of this analysis, the WCIRB recommends including clerical employees within the scope of Classification 4512. This would produce an advisory pure premium rate that more accurately reflects the industry's overall payroll and claim experience and avoid the need to determine whether individual employees meet the criteria of a Clerical Office Employee. The impact of this recommendation on biomedical research laboratory employers currently assigned to Classifications 4512 and 8810 is shown in the Impact Analysis section of this report.

2. Comparison of Classifications 4512 and 8742

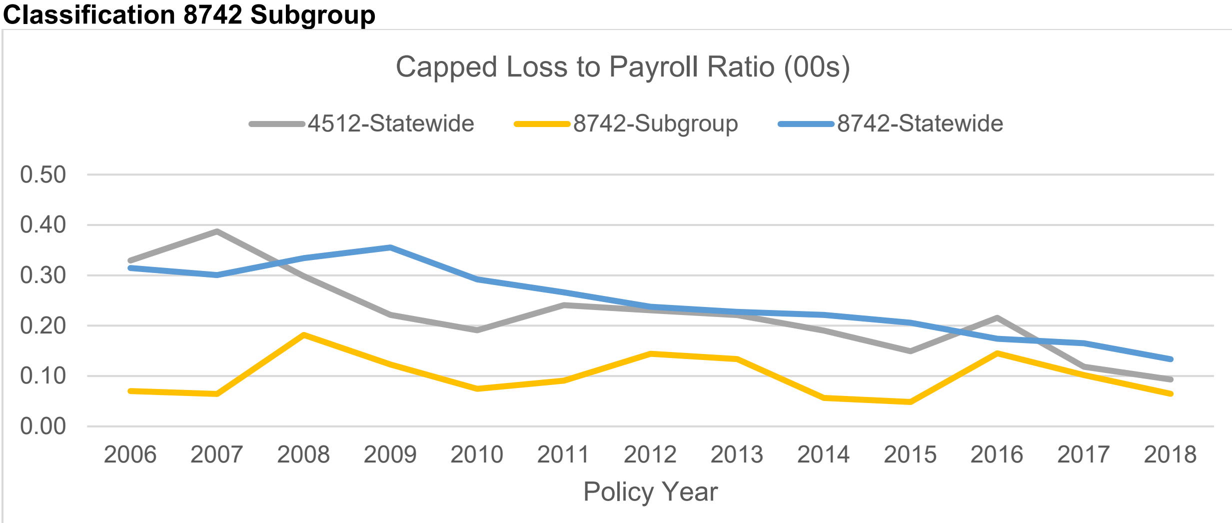
- **Biomedical Research Laboratories and Outside Sales Operations**

The Classification 8742 subgroup represents the outside sales employees of biomedical research laboratories. These employees travel to offices of clients, investors, vendors and regulatory agencies in support of the laboratory's business operations. When these employees are not traveling, they usually conduct clerical and administrative work in an office environment, which does not involve any laboratory exposure. Although Classification 4512 includes "outside operations", which typically involves research staff traveling to outside medical facilities for research and clinical trial purposes, these outside activities often are not part of the researchers' job scope and do not constitute a significant additional exposure. Therefore, operations of the Classification 8742 subgroup do not overlap significantly with the biomedical research laboratory operations assigned to Classification 4512.

- **Payroll and Claim Experience of Biomedical Research Laboratories and Outside Sales Operations**

As shown in Figure 7, the average loss to payroll ratios for the Classification 8742 subgroup were consistently lower than the statewide Classification 8742 and Classification 4512. In more recent policy years, however, the loss to payroll ratios were converging between the Classification 8742 subgroup and Classification 4512, although the Classification 8742 subgroup still had lower loss to payroll ratios.

Figure 7. Historical Loss to Payroll Ratios Comparing Classifications 4512 and 8742 Statewide and Classification 8742 Subgroup



[11] The wage information is from the 2019 Wage, Payroll and Exposure Report for California Workers' Compensation. The full-time average weekly wage was $1,432 for Classification 4512 and $1,477 for Classification 8810.

	Loss to Payroll Ratio (00s) (PYs 2006-2018)[12]	Five-Year Loss to Payroll Ratio (00s) (PYs 2014-2018)[13]
Classification 4512	0.21	0.15
Classification 8742 Subgroup	0.10	0.08
Classification 8742 Statewide	0.24	0.18

Similar to the Classification 8810 subgroup's experience, the lower loss to payroll ratio for the Classification 8742 subgroup was mostly driven by a lower indemnity claim frequency, while indemnity claim frequency for the statewide Classifications 4512 and 8742 was fairly consistent over time (Figure 8).

Figure 8. Indemnity Claim Frequency per 100 Full-Time Equivalents[14] by Policy Year

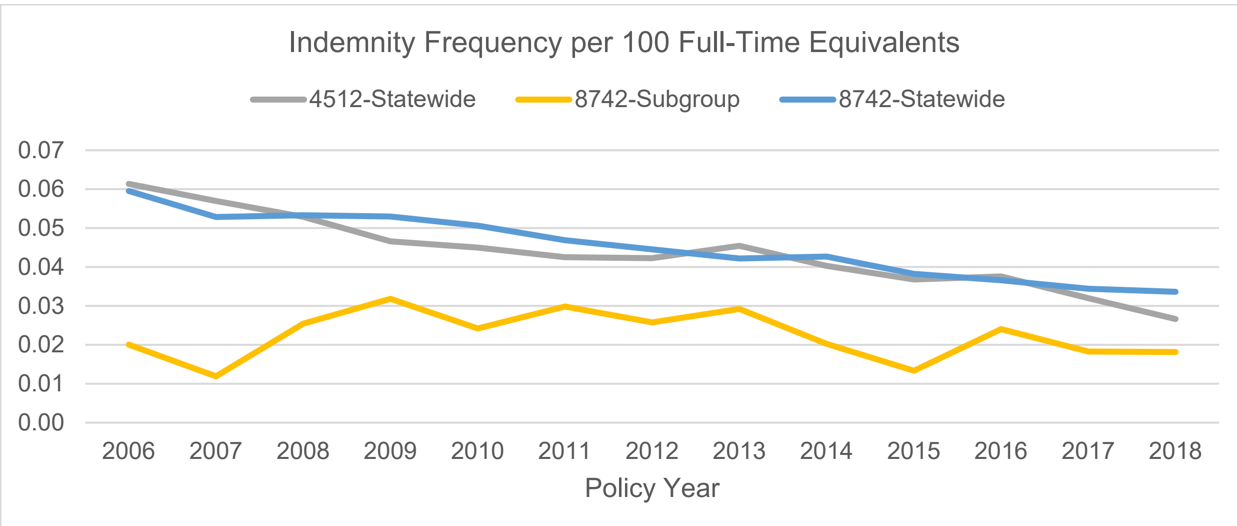


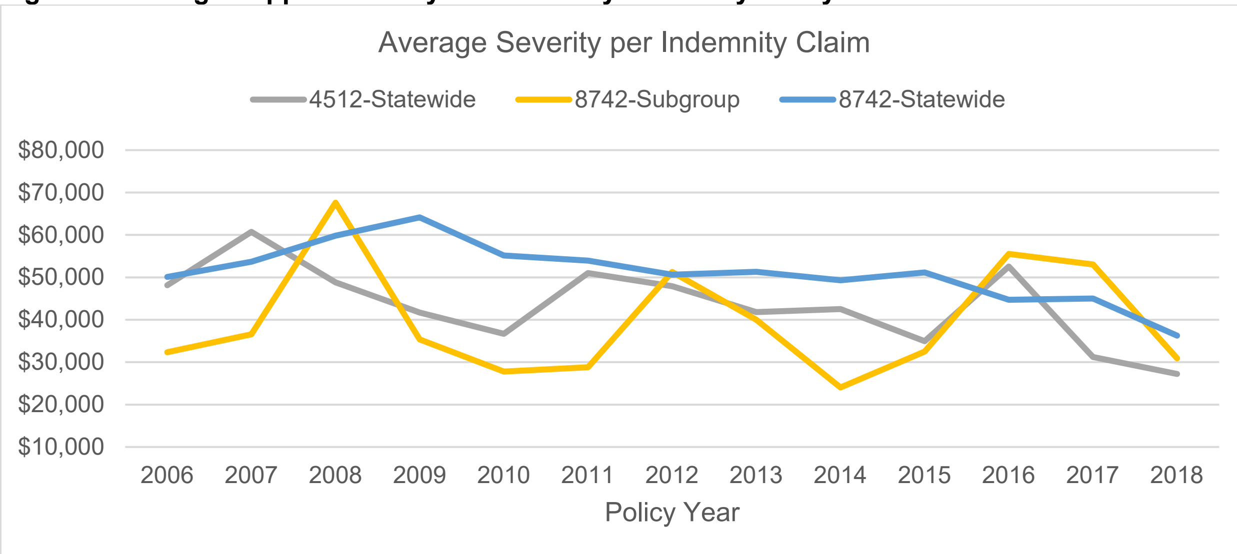
Figure 9 shows the average severity per indemnity claim for Classifications 4512 and 8742 and the Classification 8742 subgroup. The statewide Classification 8742 generally had a higher average severity than the other two groups, except for a few years. The Classification 8742 subgroup was more volatile given the relatively small reported payroll. From policy years 2006 to 2018, the weighted average severity per indemnity claim was lowest for the Classification 8742 subgroup and highest for the statewide Classification 8742 experience.

[12] The weighted average loss to payroll ratio was calculated as the aggregate losses over the policy year period from 2006 to 2018 divided by the aggregate payroll during the same period.

[13] The weighted average loss to payroll ratio was calculated as the aggregate losses over the policy year period from 2014 to 2018 divided by the aggregate payroll during the same period.

[14] The exposure base is full-time equivalent employees which is derived from payroll exposure adjusted by the full-time equivalent average annual wage. The wage information is from the 2019 Wage, Payroll and Exposure Report for California Workers' Compensation. The full-time average weekly wage was $1,432 for Classification 4512 and $1,478 for Classification 8742.

Figure 9. Average Capped Severity for Indemnity Claims by Policy Year



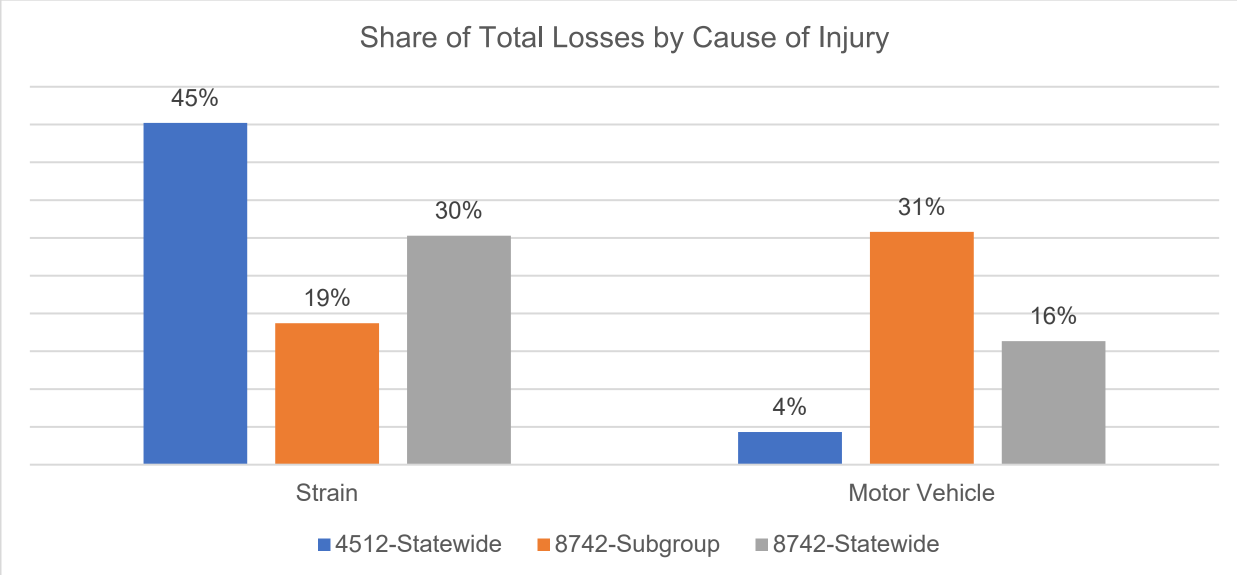
	Average Severity per Indemnity Claim (PYs2006-2018)[15]
Classification 4512	$43,793
Classification 8742 Subgroup	$40,360
Classification 8742 Statewide	$51,212

The WCIRB also analyzed the causes of injury reported for Classifications 4512 and 8742 as well as the Classification 8742 subgroup and found that the leading cause of injury differed sharply between Classification 4512 and the Classification 8742 subgroup. As shown in Figure 10, the top cause of injury for claims reported for biomedical research laboratories was strain injury, which accounted for 45% of the total losses. In comparison, strain injuries accounted for a much lower share (19%) of the total losses for the Classification 8742 subgroup. The leading cause of injury for claims reported for the Classification 8742 subgroup was motor vehicle accidents due to frequent travel, which accounted for 31% of the losses. However, motor vehicle accidents accounted for only 4% of the total losses for Classification 4512. By contrast, motor vehicle accidents accounted for 16% of the total losses for all of Classification 8742.

The contrast in the leading cause of injury and the respective share of the total losses was driven by different operational characteristics of these two types of operations, as discussed earlier, and a higher likelihood of serious injuries in motor vehicle accidents. While the research staff of biomedical research laboratories may have occasional travel exposure associated with visiting clinical trial sites, the risk is limited as these outside activities are not a common part of the researchers' jobs. Thus, the travel exposure of biomedical laboratories is borne primarily by outside salespersons contemplated by Classification 8742. Overall, the Classification 8742 subgroup's typical causes of injury are more similar to the statewide Classification 8742 experience, which involves more frequent travel exposure than the Classification 4512 experience.

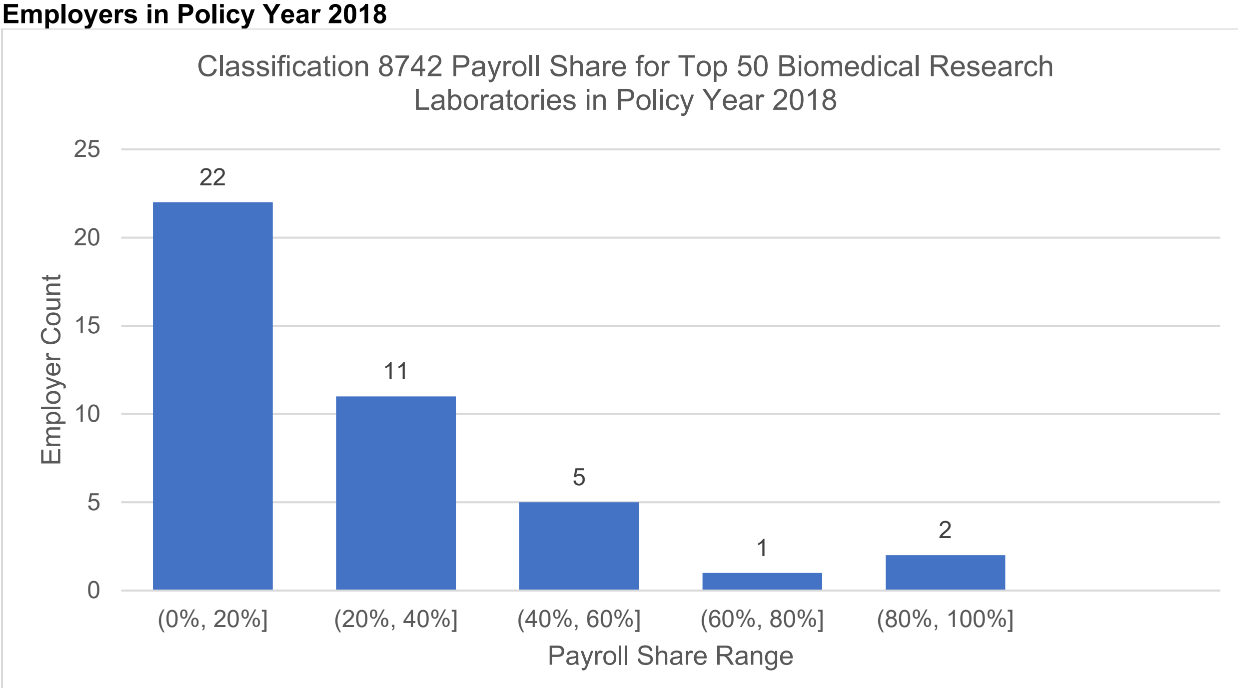
[15] The weighted average severity per indemnity claim was calculated as the aggregate losses for indemnity claims over the policy year period from 2006 to 2018 divided by the aggregate indemnity claim count during the same period.

Figure 10. Share of Total Losses by Causes of Injury for Policy Years 2006 – 2018[16]



The WCIRB also reviewed the payroll distribution of Classification 8742 across the 50 largest policyholders in Classification 4512, as disparity in payroll and claim characteristics among segments of a classification is less of a concern if the payroll split between the two segments is relatively consistent across policyholders within the classification. As shown in Figure 11, the relative share of Classification 8742 payroll reported for Classification 4512 employers differed sharply amongst the largest 50 employers in the classification, ranging from almost 20% of the employers with no reported payroll in Classification 8742 to some employers with more than 80% of the reported payroll in Classification 8742.

Figure 11. Share of Classification 8742 Payroll for Top Biomedical Research Laboratory Employers in Policy Year 2018



[16] Policy year 2006 was the earliest year that the WCIRB had detailed information at the claim level.

In summary, the business operations, underlying hazards and claim experience of biomedical research laboratory outside sales employees assigned to Classification 8742 are different from other biomedical research laboratory employees assigned to Classification 4512. Particularly, the outside sales employees tend to have a much larger exposure to potentially serious motor vehicle accidents than researchers at biomedical research laboratories. In addition, the proportion of Classification 8742 exposure varies significantly across the top employers in Classification 4512. Therefore, the WCIRB does not recommend including outside sales employees within the scope of Classification 4512 and recommends that the operations of these outside salespersons continue to be assigned to Classification 8742.

IV. Impact Analysis

The WCIRB evaluated the impact of including clerical employees in Classification 4512 on the classification relativities for Classifications 4512 and 8810.[17] Classification relativities for Classifications 4512 and 8810 and the two standard exception subgroups are included in Appendix II.

1. Impact on Employers in Classification 4512

Table 1 shows that the selected loss to payroll ratio for Classification 4512 would decrease by 28.7% after the inclusion of Clerical Office Employees. The large decrease is driven by the better loss to payroll experience among the clerical employees at biomedical research laboratories as compared to the statewide Classification 4512 experience. Standard WCIRB classification ratemaking procedures are to limit Classification Relativity changes in a particular year to 25%, leading to an adjusted selected loss to payroll ratio, 0.136.[18]

Table 1. Changes in the Selected (Unlimited) Loss to Payroll Ratio for Classification 4512 Under Proposed Recommendation

Classification 4512 (A)	Classifications 4512 + 8810 Subgroup (B)	% Difference (B/A-1)
0.181	0.129	-28.7%

2. Impact on the Employers in Classification 8810

The WCIRB also analyzed the impact on the clerical employees who are currently assigned to Classification 8810. As shown in Table 2, after excluding the loss and payroll experience of the Classification 8810 subgroup, the statewide Classification 8810 would have a modest increase in its loss to payroll ratio (+5.0%). The modest increase is attributed to the significantly better than average loss to payroll experience of clerical employees at biomedical research laboratories being removed from the experience underlying the classification relativity rate for the remainder of Classification 8810.

Table 2. Changes in the Selected (Unlimited) Loss to Payroll Ratio for Classification 8810 Under Proposed Recommendation

Classification 8810 (A)	Classification 8810 excl. 8810 Subgroup (B)	% Difference (B/A-1)
0.159	0.167	+5.0%

[17] At this time, the advisory pure premium rate for Classification 8871 is the same as that for Classification 8810.

[18] The calculation of the selected loss to payroll ratio after restricted to 25% change limitation is 0.181 x (1 - 25%) = 0.136.

3. Impact on the Employers that Currently Report Payroll in both Classifications 4512 and 8810

The WCIRB also analyzed the overall potential impact of including clerical employees in Classification 4512 on employers with historical payrolls reported in both Classifications 4512 and 8810. Payroll reported on these employers accounts for 91% of the total payroll reported in Classification 4512. The overall impact of including clerical employees would be based on a mix of the selected loss to payroll ratios for Classifications 4512 and 8810, and the impact on any individual employer would vary depending on their own mix of the two classifications.

As shown in Figure 12, on average about 25% of research laboratory employers' total payroll was reported in Classification 4512 and 75% in Classification 8810. The payroll split was relatively consistent for the latest 5 policy years.

Figure 12. Payroll Split Between Classifications 4512 and 8810 by Policy Year

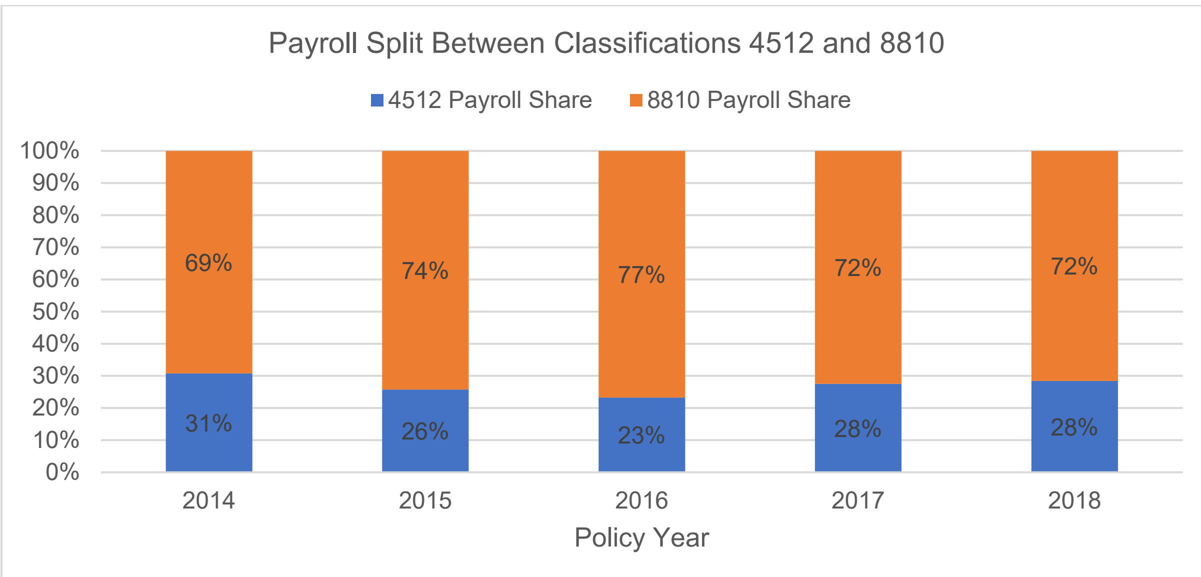


Table 3 shows the average impact of including clerical employees in Classification 4512 on biomedical research employers. Based on the historical payroll split between Classifications 4512 and 8810, on average, employers assigned to both Classifications 4512 and 8810 would experience a decline of 17.6% in the selected loss to payroll ratio under the proposed recommendation.

Table 3. Changes in the Selected (Unlimited) Loss to Payroll Ratio for Employers Currently Reporting Payroll in both Classifications 4512 and 8810

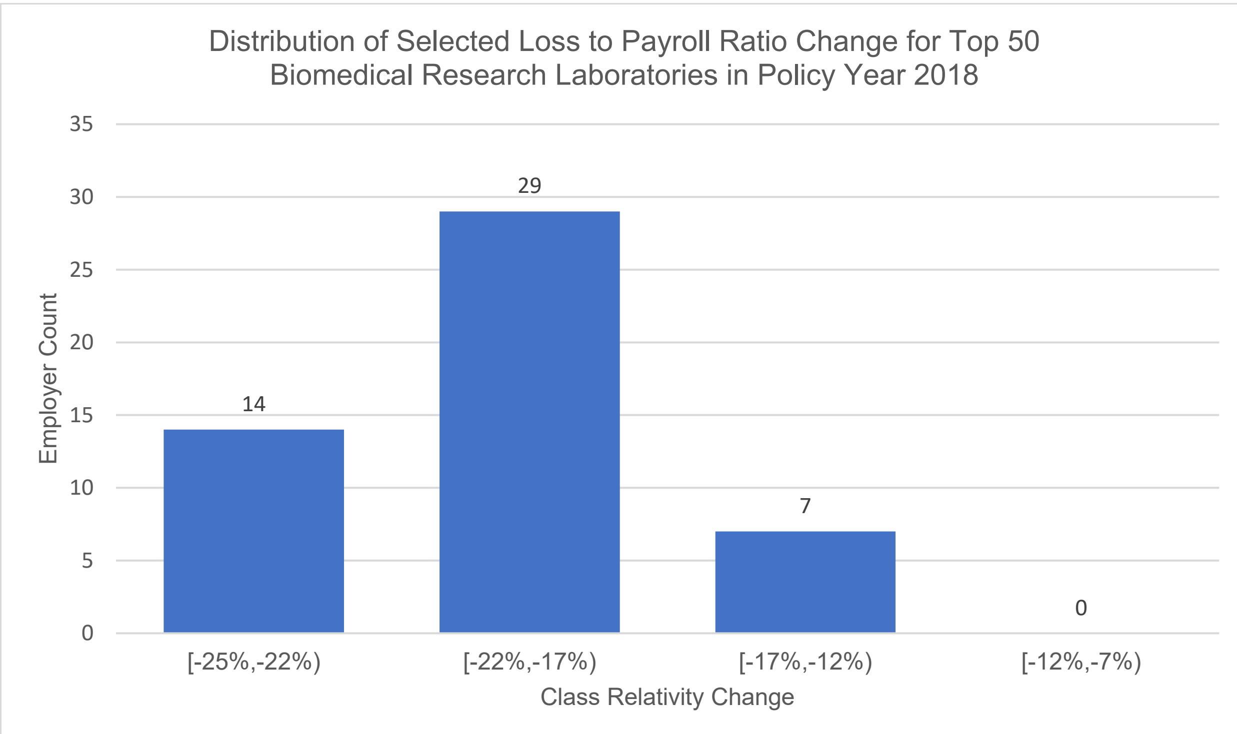
Classification 4512 Employers	Current Classification Structure[19]	Proposed Classification Structure[20]	% Difference
25%/75% Payroll Reported in Classifications 4512 and 8810	0.165	0.136	-17.6%

[19] The selected (unlimited) loss to payroll ratio in the current classification structure is the weighted average of the current selected (unlimited) loss to payroll for Classification 4512 (0.181) and Classification 8810 (0.159) based on the historical payroll share data of 25% and 75% payroll reported in Classifications 4512 and 8810, respectively. The calculation of the selected loss to payroll ratio is 25% x 0.181 + 75% x 0.159 = 0.165.

[20] The proposed selected loss to payroll ratio is restricted to 25% change. See details in paragraph 1 above in this section.

Figure 13 shows the estimated impact of the WCIRB's recommended change on the top 50 biomedical research employers based on their individual payroll mix of Classifications 4512 and 8810. All top 50 employers would have a greater than 12% decrease in the selected loss to payroll ratio due to the significant indicated reduction in the loss to payroll ratio for Classification 4512 under the proposed recommendation.

Figure 13. Change in Selected Loss to Payroll Ratios for Top 50 Biomedical Research Laboratory Employers



V. Findings

Based on this review, the WCIRB has determined:

1. Operations of biomedical research laboratories assigned to Classification 4512 often involve both laboratory work and non-laboratory research work, and the latter is typically clerical in nature. Further, the line of demarcation between employees engaged exclusively in clerical operations and those performing biomedical research operations is not always clear.

2. The clerical operations of biomedical research laboratories (Classification 8810 subgroup) have better loss to payroll experience than the statewide experience of Classification 8810, mostly driven by a lower indemnity claim frequency. The typical causes of injury and indemnity claim severity for the Classification 8810 subgroup are more similar to those of Classification 4512 than to Classification 8810 as a whole.

3. Including clerical employees in Classification 4512 would lead to a drop (-28.7%) in classification relativity for Classification 4512. In accordance with standard WCIRB classification ratemaking procedures, the relativity changes would be limited to a 25% decrease. The classification relativity for the statewide Classification 8810 would increase by 5.0% after removing the Classification 8810 subgroup from the statewide Classification 8810 experience.

4. The portion of biomedical research laboratories' payroll assigned to Classification 8742 varies widely across the industry, ranging from about 20% of employers having no reported payroll in Classification 8742 to some employers having 8742 account for more than 80% of their total reported payroll. Further, the Classification 8742 experience in connection with laboratories (Classification 8742 subgroup) had a significantly lower loss to payroll ratio than Classification 4512, and a disproportionally higher share of the losses caused by motor vehicle accidents when compared to Classification 4512. Therefore, the business operations and loss experience of outside salespersons at biomedical research laboratories are different from those of Classification 4512 operations.

VI. Recommendations

Based on these findings, the WCIRB recommends amending Classification 4512, *Biomedical Research Laboratories – including outside operations*, to include Clerical Office Employees and Clerical Telecommuter Employees as defined in Part 3, *Standard Classification System*, Section III, *General Classification Procedures*, Rule 4, *Standard Exceptions*, of the USRP. The WCIRB does not recommend including Outside Salespersons.

Appendix I – History

Following is a summary of the one substantive change to the scope and application of Classification 4512:

- **1991:** Classification 4512, *Biomedical Research Laboratories — including outside operations*, was established resulting from a WCIRB study of Classification 4511, *Analytical or Testing Laboratories — including outside operations and sample collection — N.O.C.* Classification 4511 does not include clerical employees but includes outside operations performed by analytical or testing laboratories. The study determined that biomedical research was a distinct and identifiable industry of sufficient size to merit a new classification. Classification 4512 was then established to apply only to biomedical research laboratories, including outside operations. Classification 4512 cannot be used in connection with any other separately classifiable operations by the same employer. Since then, several enhancements have been made to the footnotes for this classification, but no significant changes have taken place.

Appendix II – Classification Relativities

Table 1: Classification 4512 – 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	1,912,394,848	1,341,881	1,447,116	2,788,997	0.146
2014	2,300,634,763	1,437,547	1,748,948	3,186,495	0.139
2015	2,435,638,002	1,628,481	1,873,147	3,501,628	0.144
2016	2,551,627,536	2,795,951	2,696,016	5,491,967	0.215
2017	3,063,922,062	2,148,385	2,209,263	4,357,648	0.142
Total	12,264,217,211	9,352,245	9,974,490	19,326,735	

Adjusted Loss to Payroll Ratio	0.158
Selected (Unlimited) Loss to Payroll Ratio	0.181

Credibility	
Indemnity	Medical
0.98	0.94

Table 2: Classification 8810 – 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)
2016	184,497,725,554	125,891,895	138,477,481	264,369,376	0.143
2017	196,089,565,062	132,599,806	145,193,917	277,793,723	0.142
Total	380,587,290,616	258,491,701	283,671,397	542,163,098	

Adjusted Loss to Payroll Ratio	0.142
Selected (Unlimited) Loss to Payroll Ratio	0.159

Credibility	
Indemnity	Medical
1.00	1.00

Table 3: Classification 8810 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)
2016	8,894,910,218	3,382,756	4,244,806	7,627,562	0.086
2017	9,317,458,482	3,857,503	3,915,428	7,772,931	0.083
Total	18,212,368,700	7,240,258	8,160,235	15,400,493	

Adjusted Loss to Payroll Ratio	0.085
Selected (Unlimited) Loss to Payroll Ratio	0.126

Credibility	
Indemnity	Medical
1.00	1.00

Table 4: Classification 8742 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	1,189,102,930	628,497	821,597	1,450,094	0.122
2014	1,386,355,287	363,675	593,406	957,081	0.069
2015	1,639,223,763	499,857	666,639	1,166,496	0.071
2016	1,592,042,543	1,298,526	1,615,439	2,913,965	0.183
2017	2,087,522,162	1,513,786	954,399	2,468,185	0.118
Total	7,894,246,685	4,304,341	4,651,480	8,955,821	

Adjusted Loss to Payroll Ratio	0.113
Selected (Unlimited) Loss to Payroll Ratio	0.175

Credibility	
Indemnity	Medical
0.95	0.85

Recommendation

Amend Classification 4512, *Biomedical Research Laboratories,* to include Clerical Office Employees and Clerical Telecommuter Employees*.*

PROPOSED

BIOMEDICAL RESEARCH LABORATORIES – all employees – including ~~outside operations~~ Clerical Office Employees and Clerical Telecommuter Employees **4512**

This classification applies to biomedical research, including outside operations, in fields such as medicine, pharmacology, pathology, toxicology and microbiology. The research may be performed on a contract basis or in connection with the proprietary development of new products, medications or procedures to treat or cure diseases or conditions that cause illness.

This classification does not apply when the biomedical research is in connection with, or in support of, the commercial production of products or medications by the employer. Biomedical research in connection with other operations of the same employer is a General Inclusion. See Section III, Rule 5, *General Inclusions.*

The manufacturing, blending or packaging of drugs, medicines or pharmaceutical preparations that are intended for use in the diagnosis, cure, mitigation, treatment or prevention of disease shall be classified as 4611, *Drug, Medicine or Pharmaceutical Preparations Mfg.*

The manufacture of serums, antitoxins, viruses or medical diagnostic test kits shall be classified as 5951, *Serum, Antitoxin or Virus Mfg.*

The diagnostic testing of human tissues, blood or other biologic specimens on a fee basis shall be classified as 8834, *Physicians' Practices and Outpatient Clinics.*

*   *   *   *   *   *   *

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
•			
•			
•			
4512	Biomedical Research Laboratories	X	
•			
•			
•			

* * * * * * *

The meeting was adjourned at 10:20 AM.

*   *   *   *   *   *   *

Note to Committee Members: These Minutes, as written, have not been approved. Please refer to the Minutes of the meeting scheduled for October 26, 2021 for approval and/or modification.

Item V-A
Potential 2022 Actuarial and Research Projects

Potential actuarial and research studies under consideration for 2022 are shown below. Also shown for each potential study is the staff's assessment of the current status of the study. Exhibit 1 provides a tabular summary of these potential studies along with high level resource commitment estimates for 2022.

Committee input is being solicited as to the completeness and relative priority of these potential studies. These potential studies have been presented to the Actuarial Committee for their consideration at the December 7, 2021 meeting.

A. Studies Arising Out of California Department of Insurance (CDI) Directives and Decisions

1. Indemnity Claim Frequency Model Projections. In the CDI Decision on the January 1, 2017 Pure Premium Rate Filing, the CDI recommended that the WCIRB review its frequency projection model in light of the continued increases in indemnity claim frequency. At the Public Hearing on the September 1, 2021 Pure Premium Rate Filing, the CDI raised several questions related to the claim frequency projections.

   Project Status: The WCIRB regularly reviews its frequency projection model and has made a number of enhancements over the years. Staff has completed a comprehensive study of the frequency projection model in 2021 with a report containing recommended methodology enhancements being provided to the Actuarial Committee at the December 9, 2021 meeting. It is anticipated that any changes to the model adopted by the Actuarial Committee will be implemented in the second quarter of 2022 as part of the September 1, 2022 Pure Premium Rate Filing.

2. Terrorism Data Reporting. The CDI has directed staff to provide information to both the National Association of Insurance Commissioners (NAIC) and the Federal Insurance Office (FIO) related to terrorism exposure in California workers' compensation.

   Project Status: Staff anticipates providing the annual updates to the NAIC and FIO in the first and second quarters of 2022.

3. Adjustments to Loss Development for Reduced Lien Filings. In the CDI Decision on the January 1, 2021 Pure Premium Rate Filing, the CDI recommended that, given that there has been continued reduction in lien filings, further study is needed with respect to the impact of the lien reduction on both loss and ALAE development.

   Project Status: Staff completed an analysis of adjustments to loss development and ALAE development to reflect reduced lien filings that was reflected in the September 1, 2021 Pure Premium Rate Filing. A review of these adjustments is being provided to the Actuarial Committee at the December 7, 2021 meeting in consideration of the September 1, 2022 Pure Premium Rate Filing.

4. Collection of COVID-19 Premium Data. In the CDI Decision on the January 1, 2021 Pure Premium Rate Filing, the Insurance Commissioner directed the WCIRB to collect information on insurer premium charges related to COVID-19.

   Project Status: WCIRB aggregate data calls were modified in 2021 to collect information on insurer premium charges related to COVID-19. A summary of the premium information collected will be summarized for the Actuarial Committee by the first quarter of 2022.

B. Studies/Projects Directed by Legislation

1. Statewide Paid Costs. Section 11759.1 of the Insurance Code requires the WCIRB to report annually on workers' compensation costs paid during the preceding calendar year. The 2020 calendar year report is required to be completed by June 2021.

   Project Status: Staff anticipates publishing the required report by the end of the second quarter of 2022. In addition, as in the last several years, staff anticipates compiling information from this report and other WCIRB reports into a high level "executive summary" of the state of the California workers' compensation system to be published by the third quarter of 2022.

2. Policyholder Dividends. Section 11739 of the Insurance Code requires the WCIRB to collect information on policyholder dividends in California and prepare an annual report to the Insurance Commissioner.

   Project Status: Staff anticipates providing the report on 2021 dividends to the CDI by the third quarter of 2022.

3. Report on Roofing Industry. Section 11665 of the Insurance Code requires the WCIRB to annually compile and report the payroll and loss data reported in the roofing classification for employers holding C-39 licenses from the Contractors State License Board as well as the payroll and loss information by employer payroll size interval.

   Project Status: Staff anticipates providing this annual report to the CDI in the second quarter of 2022.

C. COVID-19 Pandemic Related Research

1. Projected Cost of Future COVID-19 Claims. As of early September 2021, about 160,000 workers' compensation claims have been filed in the state. Beginning in mid-2020, the Actuarial Committee has been reviewing the potential impact of COVID-19 claims on advisory pure premium rates.

   Project Status: In 2020, the WCIRB published several evaluations of prospective and adopted presumptions of compensability for specified COVID-19 claims. The WCIRB's Amended January 1, 2021 Pure Premium Rate Filing included an evaluation of the cost impact on COVID-19 claims on 2021 policies that contemplated the impact of the presumption in Senate Bill No. 1159. Based on updated projections of COVID-19 infection available at the time, the WCIRB's September 1, 2021 Pure Premium Rate Filing submitted on April 29, 2021 did not include a provision for potential COVID-19 claims filed on policies incepting September 1, 2021 and later. Staff anticipates updating the cost evaluation of potential future COVID-19 claims as part of the September 1, 2022 Pure Premium Rate Filing in the second quarter of 2022.

2. Impact of Pandemic-Related Recession on Wage and Claim Projections. Unemployment in California increased sharply during the pandemic and resultant stay-at-home orders resulting in many business slowdowns and closures. The impacts of the recession varied dramatically by industry sector and wage level and the economic recovery over the last year has also been uneven. Sharp economic shifts can significantly impact future changes in wage levels, claim frequency and claim severity.

   Project Status: In 2020, the WCIRB published a research brief on the impact of economic downturns on indemnity claim frequency. At the March 16, 2021 and April 15, 2021 Actuarial Committee meetings, the Committee reviewed staff analyses of the impacts of

the pandemic on wages, premiums, claim frequencies and claim severities and many of those projected impacts were reflected in the September 1, 2021 Pure Premium Rate Filing. Staff anticipates updating these projections in consideration of the September 1, 2022 Pure Premium Rate Filing in the first and second quarters of 2022.

3. COVID-19 Claim Indicators. The COVID-19 pandemic is having a significant impact on emerging costs. Among the areas potentially impacted include claim frequency, medical treatment levels, COVID-19 diagnosis claims, claim settlement rates, litigation rates, cumulative trauma claims, post-termination claims and temporary disability duration.

   Project Status: In 2020, the WCIRB initiated a COVID-19 cost monitoring process using indemnity transaction data, medical transaction data, unit statistical data, information from the Division of Workers' Compensation (DWC), special surveys as needed and other information to develop early indicators of experience emerging during the pandemic. Staff provided summaries of this information at several Actuarial Committee meetings and published a research brief summarizing the latest available information in October 2021. Staff anticipates further regular updates to the Committee in 2022 and publishing an updated research brief on COVID-19 claim characteristics by the third quarter of 2022.

4. Countrywide COVID-19 Claim Information. While there have been a number of state-specific analyses of the impact of COVID-19 claims on the workers' compensation system, limited analyses published from a countrywide perspective have been published. In 2021. the WCIRB, NCCI and a number of other independent bureaus have discussed preparing an analysis summarizing the countrywide impact of COVID-19 claims as well as highlighting state differentials.

   Project Status: WCIRB staff is working with a team of actuaries form other bureaus to prepare an analysis of the countrywide patterns of COVID-19 claim characteristics based on aggregate data evaluated as of December 31, 2020. The report is anticipated to be published in early 2022. An update to the report based on data through December 31, 2021 is anticipated to be published by the fourth quarter of 2022.

5. COVID-19 Claim Severity and "Long COVID". Extensive information is available on the number of COVID-19 claims. However, given how recently these claims have occurred, the nature of the more severe claims and typical lags in the reporting of hospital payments, limited information has been summarized on the cost and treatment patterns of COVID-19 claims. Similarly, there is limited information available on the potential impact of post-acute sequelae SARS-CoV-2 (commonly referred to as "long COVID") claims on the workers' compensation system.

   Project Status: An analysis of the cost and treatment patterns of severe COVID-19 claims based on data from both the workers' compensation system and the group health system is being presented for the Actuarial Committee's review at the December 7, 2021 meeting. A report on the study is anticipated to be published in the first quarter of 2022. An update to the study is anticipated to be presented to the Actuarial Committee in the fourth quarter of 2022.

6. Telemedicine. With the COVID-19 pandemic and resultant stay-at-home orders, the use of telemedicine in workers' compensation has increased. While the level of telemedicine services has declined somewhat from the early months of the pandemic, it appears that telemedicine will remain a permanent component of the workers' compensation system. At the November 4, 2021 meeting, the Medical Analytics Working Group (MAWG) recommended that the WCIRB complete in-depth analysis of the use of telemedicine in workers' compensation.

   Project Status: In 2020 and 2021, staff has presented regular summaries of costs reported in telemedicine codes to the Actuarial Committee. Staff anticipates completing an in-depth

analysis of telemedicine, as recommended by the MAWG, for review of the Actuarial Committee by the third quarter of 2022.

7. Telecommuting. With the COVID-19 pandemic and resultant stay-at-home orders, many employees have begun working from home and a significant level of telecommuting is likely to continue even beyond the pandemic. A new classification for telecommuting was proposed by the WCIRB and adopted by the Insurance Commissioner effective January 1, 2021.

   Project Status: At the August 4, 2020 Actuarial Committee and August 7, 2020 Classification and Rating (C & R) Committee meetings, the consensus of the committees was that the advisory pure premium rate for the new classification be proposed to be initially equal to that for the clerical classification. Both committees also recommended that preliminary experience emerging in the new classification in 2021 be reviewed in late 2021 to assess whether there is a significant differential in experience between the new classification and the clerical classification. Staff anticipates presenting a preliminary analysis of emerging experience in the new classification for telecommuting to the Actuarial Committee and the C & R Committee by the first quarter of 2022.

8. Future Pandemic Losses. With the COVID-19 pandemic emerging in 2020 and generating approximately 160,000 workers' compensation claims in California through early September 2021, the Actuarial Committee has discussed analyses of the potential system costs of future pandemics.

   Project Status: Staff has begun discussions with a catastrophe modeler who has developed a pandemic model and are building out the workers' compensation component of the model. Staff does not anticipate further analysis of this issue in 2022 but suggests that consideration be given as to whether a study in 2023 may be appropriate.

D. Cost Impact of Legislative and Regulatory Changes

1. 2021 Fee Schedule Changes. Effective March 1, 2021, the DWC adopted changes to the Evaluation and Management Section of California's Official Medical Fee Schedule (OMFS) to conform to recent changes to Medicare that included significant changes to the values and structure of the Schedule. Effective April 1, 2021, the DWC adopted significant changes to California's Medical-Legal Fee Schedule intended to increase the reimbursement rate for medical-legal reports while eliminating the increased hourly billing provisions.

   Project Status: The WCIRB's evaluation of the impact of the 2021 fee schedule changes was accepted by the Actuarial Committee at the April 15, 2021 meeting and included in the WCIRB's September 1, 2021 Pure Premium Rate Filing. Staff anticipates completing an initial retrospective evaluation of the impact of the new schedules for review of the Actuarial Committee in consideration of the September 1, 2022 Pure Premium Rate Filing by the first quarter of 2022.

2. Additional Fee Schedules. SB 863 provides for new fee schedules for interpreter and home health services to be promulgated.

   Project Status: At this time, the DWC has not promulgated final schedules for interpreter or home health services. If any of those fee schedules are finalized or significant changes are made to an existing fee schedule, working with the Claims Working Group, Medical Analytics Working Group and Actuarial Committee, staff anticipates completing its analysis of the pure premium rate impact of the new fee schedules within 120 days of the final values being promulgated.

3. Senate Bill No. 1160 (SB 1160) Restrictions on Utilization Review. SB 1160 was signed into law on September 30, 2016. Primarily, SB 1160 restricts utilization review within the first 30 days of treatment on injuries occurring on or after January 1, 2018. The WCIRB's prospective cost evaluation of SB 1160 as approved by the Actuarial Committee at the September 6, 2016 meeting was reflected in the WCIRB's Amended January 1, 2017 Pure Premium Rate Filing as well as subsequent pure premium rate filings.

   Project Status: A preliminary analysis of the SB 1160 restriction on utilization review within 30 days of the injury was reviewed by the Actuarial Committee at the August 1, 2019 meeting and reflected in the January 1, 2020 Pure Premium Rate Filing. An updated analysis was accepted by the Actuarial Committee at the June 22, 2021 meeting. No further analyses of these legislative changes are anticipated.

4. Impact of the Geographic Practice Cost Index (GPCI) on Physician Fees. The DWC adopted the Medicare GPCI, effective January 1, 2019, to replace the statewide geographic adjustment factor (GAF) as Medicare's MSA-based locality-specific GAF. This GPCI varies fee schedule amounts for various physician services based on the location of the provider.

   Project Status: A prospective analysis of the cost impact of the new GPCI factors was reviewed by the Actuarial Committee at the April 2, 2019 meeting. No further analyses of these changes are planned at this time.

5. Adjustments to Loss Development Projections for Reforms. In that legislative and regulatory reforms can not only impact overall cost levels but also the rate at which claims are paid, the WCIRB often adjusts loss development patterns for the impact of the reforms.

   Project Status: The WCIRB regularly reviews the adjustments to loss development for reform impacts as part of the annual pure premium rate process. A review of current adjustments as well as potential new adjustments to medical loss development to reflect the impact of the 2021 changes to the Medical-Legal Fee Schedule and the Evaluation and Management Section of the OMFS will be presented to the Actuarial Committee at the December 7, 2021 and December 9, 2021 meetings.

E. Other Studies Directly Impacting Pure Premium Rates and Rate Level Projections

1. Classification Ratemaking Methodologies. Although the WCIRB has reflected refinements to the classification ratemaking loss development process in 2012 as well as adjustments for differences in wage levels by classification in 2016, a comprehensive review of the classification ratemaking methodologies has not been undertaken for a number of years.

   Project Status: Staff has completed a comprehensive study of loss development as the first phase of a multi-year comprehensive study of classification ratemaking methodologies with the results accepted by the Actuarial Committee at the December 8, 2020 meeting for inclusion in the September 1, 2022 Regulatory Filing. The second phase of the study, which focuses on payroll on-leveling for the impact of wage growth, is being presented to the Actuarial Committee at the December 9, 2021 meeting. Staff anticipates completing the next phase of the comprehensive review, which will focus on pure premium ratemaking for smaller classifications, for presentation to the Actuarial Committee in the fourth quarter of 2022.

2. Study of Dual Wage Thresholds. In 2017, the C & R Committee recommended that a comprehensive study of the dual wage classification thresholds be conducted every two years.

   Project Status: The 2021 update to the dual wage thresholds was approved by the C & R Committee at the October 26, 2021 meeting for inclusion in the September 1, 2022 Regulatory

Filing. Staff anticipates completing the next comprehensive study of the dual wage thresholds for the C & R Committee's review by the fourth quarter of 2023 in preparation for the September 1, 2024 Regulatory Filing.

3. Payroll Limitations for Classification Ratemaking. At the March 21, 2017 meeting, the Actuarial Committee noted that total costs per $100 of payroll declined at higher wage levels. Given this, it was noted that staff planned to explore expanding the number of classifications subject to an employee annual payroll limitation.

   Project Status: In the January 1, 2019 Regulatory Filing, the CDI approved the WCIRB's proposal to limit an employee's payroll to the amount used to limit the payroll of executive officers for five classifications effective on January 1, 2020 and later policies. Pure premium rates for these classifications that reflect adjustment for the impacts of the limitations on payroll were adopted by the Insurance Commissioner in the Decision on the January 1, 2020 Pure Premium Rate Filing. The CDI approved payroll limitations for six classifications as part of the September 1, 2021 Pure Premium Rate Filing to be effective September 1, 2022. Staff is completing a survey of payroll audits to help analyze the accuracy of the advisory pure premium rate adjustment factors to reflect payroll limitations that have been applied and anticipates presenting a summary of the analysis to the C& R and Actuarial Committees in the first quarter of 2022. Staff also anticipates presenting an analysis of potential additional classifications for which payroll limitation may be appropriate to the C& R Committee by the second quarter of 2022.

4. Pharmaceutical Cost Reductions. At the August 1, 2018 meeting, the Actuarial Committee noted that with the sharp reductions in pharmaceutical costs and that the pharmaceutical share of medical payments varies significantly by maturity level, medical loss development could be affected. As a result, the Committee recommended that the WCIRB undertake an analysis of the impact of the recent reduction in pharmaceutical costs on medical loss development.

   Project Status: The Committee reviewed an analysis of the impact of pharmaceutical cost reductions on loss development at the June 14, 2019 meeting and the WCIRB reflected an adjustment to the loss development methodology in the January 1, 2020, January 1, 2021 and September 1, 2021 Pure Premium Rate Filings. A review of the adjustment factors based on updated data on pharmaceutical costs is being presented to the Actuarial Committee at the December 7, 2021 meeting.

6. Nine-Month Loss Projections. With the transition of the WCIRB's filing schedule to a September 1 effective date, at the December 5, 2019 meeting the Actuarial Committee recommended reviewing the accuracy of accident year experience valued as of September 30 as the basis of projecting December 31 experience, which is the basis of September 1 filings.

   Project Status: Staff presented a summary of the accuracy of nine-month experience as a basis to project December 31 experience to the Actuarial Committee at the December 8, 2020 meeting and will be updating that analysis at the December 7, 2021 meeting

F. Other Studies Indirectly Impacting Rate Level Projections

1. Analysis of Very Large Claims. Given recent patterns of medical treatment and shifts in mortality estimates, including that for impaired individuals, it has been suggested that the WCIRB undertake a comprehensive analysis of the frequency and characteristics of very large or "jumbo" claims in the California workers' compensation system.

   Project Status: On August 31, 2020, the WCIRB in collaboration with rating bureaus in other jurisdictions published a national study on the basic demographics of "mega claims" (claims which exceed $3 million in incurred value on an on-level and trended

basis). Staff anticipates continuing discussions with the other bureaus on a potential second phase of the study focusing on medical treatment patterns and individual claim development of mega claims and also plans to study the medical treatment patterns of larger (but with a different, lower threshold) claims in California. While work on these analyses may begin in 2022, these future studies are not anticipated to be completed before 2023.

2. Medicare "Set-Asides" (MSAs). At the July 28, 2015 meeting, the Claims Working Group recommended that consideration be given to conducting a more in-depth study of MSAs.

   Project Status: In 2016, the Claims Working Group and Actuarial Committee reviewed some initial work in this area which included the development differences between compromise and release settled claims and stipulated award settled claims. Staff does not anticipate further work on this issue in 2022.

3. Analysis of Cumulative Trauma Claims. Recent Actuarial Committee analyses of claim frequency changes have indicated that cumulative trauma claims are increasing and are a significant factor driving many of the key cost trends in California.

   Project Status: The WCIRB published a comprehensive report on cumulative trauma claims in October 2018. Some of the key metrics in the report have been updated and incorporated into the WCIRB's semi-annual review of system diagnostics. Staff anticipates studying the patterns of medical treatment on cumulative trauma claims with a study to be published by the fourth quarter of 2022.

4. Analysis of Claim Duration**.** Despite improvement over the last decade, average claim duration in California is significantly higher than in most other jurisdictions and a significant driver of the higher-than-average premium rates in the state.

   Project Status: Staff anticipates undertaking an in-depth analysis of claim duration in California to better understand the factors driving the unusually long level with the final report published in the fourth quarter of 2022.

G. Studies Related to Rating Plans

1. Experience Rating Eligibility. At the October 22, 2014 meeting, the Actuarial Research Working Group discussed changes to the experience rating eligibility criteria in light of other changes to the Experience Rating Plan being adopted and noted that staff has not completed a comprehensive review of experience rating eligibility in a number of years.

   Project Status: In 2020 and early 2021, staff completed a review of the eligibility threshold for experience rating that showed that the threshold could be reduced that was accepted by the Actuarial Committee at the December 11, 2020 meeting and by the C & R Committee at the May 18, 2021 meeting. Staff began some initial outreach to stakeholders on reducing the experience rating threshold but has deferred further activity until the WCIRB's analysis of the efficacy of experience rating as a safety incentive is completed (Item AC21-12-08 of the December 9, 2021 Actuarial Committee Agenda).

2. Experience Rating Parameters. Until 2020, it had been several years since the parameters of the WCIRB's variable split Experience Rating Plan had been updated. In order to keep the Plan values current and to avoid wide fluctuations in values, the experience rating parameters should be updated at regular intervals.

   Project Status: Staff completed a comprehensive analysis of the Experience Rating Plan parameters with recommended changes approved by the Actuarial Committee at the

April 2, 2020 meeting for inclusion in the January 1, 2021 Regulatory Filing. As recommended in the analysis, staff now develops regular annual changes to the primary threshold intervals and D-ratio credibility constants in the Plan for inclusion in subsequent regulatory filings.

3. Impact of Experience Rating on Workplace Safety. The statutory goal of experience rating in California is to incentivize a safe workplace. Although experience rating seems to create significant financial incentives and receives significant attention from many employers, there is limited research on its effectiveness as a safety incentive.

   Project Status: Staff is completing a study on the impact of experience rating on the frequency of workplace injuries for presentation to the Actuarial Committee at the December 9, 2021 meeting and a report to be published in the second quarter of 2022.

4. Development of Experience Rating Expected Loss Rates. The Actuarial Committee annually reviews the WCIRB's methodology to compute the experience rating expected loss rates proposed to the CDI each year. The methodology used for this process was adopted by the Actuarial Committee at the June 11, 2008 meeting.

   Project Status: It has been a decade since a comprehensive review of the expected loss rate methodology has been undertaken. Staff anticipates undertaking a comprehensive analysis of the methodology in 2023.

5. Retrospective Rating Plan Values. In 2018, the WCIRB completed a comprehensive update to the advisory *California Retrospective Rating Plan* values, including hazard group assignments, insurance charges and loss elimination ratios, to be effective January 1, 2019.

   Project Status: At the June 14, 2019 meeting, the Committee reviewed the paid loss simulation approach to loss development for purpose of computing retrospective rating plan values. Staff annually updates loss elimination ratios for purposes of classification ratemaking and anticipates providing the update needed for the September 1, 2022 Regulatory Filing by the first quarter of 2022. Also, staff anticipates beginning the multi-year effort of updating the Retrospective Rating Plan values including implementation of a joint simulation of paid and incurred losses for loss development in 2022 with a summary provided to the Actuarial Committee in the fourth quarter of 2022.

H. Other Potential Studies

1. Analysis of California Regional Differences. Recent WCIRB analyses of claim frequency, cumulative injuries, liens, allocated loss adjustment and other system components have suggested that there are significant regional differences across California.

   Project Status: Staff uses a wide range of available information to prepare analyses of regional differences in components such as frequency, severity and permanent disability patterns. The WCIRB's latest report on regional differences was published in November 2021. Staff anticipates continuing this work in 2022 with the annual update report to be published by the fourth quarter of 2022. Staff also plans to review the methodology to assign claims to region beginning in 2022.

2. Wage Data Analysis. Early in 2017, staff developed a comprehensive data cube and wage report for members with detailed information on various wage distributions by industry, classification and occupation as well as other wage related information. The information relates historical and projected wage levels by classification to industries, recognizing differences in payroll exclusions in developing insured exposures and in the allocation of standard exception classifications.

Project Status: Staff completed a comprehensive update to this wage information based on updated source information in November 2019 with an update provided to the Actuarial Committee at the December 5, 2019 meeting. The 2021 update was completed in the third quarter of 2021. Staff anticipates updating the components of this analysis needed for classification ratemaking in the first quarter of 2022 with a comprehensive update anticipated by the third quarter of 2022.

3. Comparison of Workers' Compensation Medical Costs to Group Health Costs. At the May 27, 2009 meeting, the Claims Working Group suggested that consideration be given to conducting a research study comparing occupational and non-occupational medical treatment cost data for a similar mix of injuries.

   Project Status: In 2021 staff has acquired a comprehensive dataset of group health transaction data to facilitate this type of comparative analysis. In 2021 and 2022, staff anticipates using this data to better understand the severity of COVID-19 claims and "long COVID." In future years, staff anticipates using this information to study potential cost shifting between systems and differences in treatment patterns between workers' compensation and group health.

3. Terrorism Losses. In early 2003, the WCIRB contracted with EQECAT to help estimate potential terrorism losses with respect to the Terrorism Risk Insurance Act of 2002. The results of the analysis were published in a March 12, 2003 WCIRB Bulletin. In 2018, the WCIRB contracted with Risk Management Solutions (RMS) to conduct an analysis of potential statewide workers' compensation exposure arising from terrorism. The results of the study were presented to the Actuarial Committee at the December 5, 2018 meeting and published in January 2019.

   Project Status: Staff does not anticipate further analysis of this issue in 2022.

4. Earthquake Losses. In July 2002, EQECAT completed a report estimating the average annual expected costs arising from California earthquakes. In 2003, EQECAT completed a follow-up study to address some of the issues raised by the CDI in reviewing the 2002 study. Based on the results of these studies, the WCIRB included a provision to reflect expected earthquake losses in the January 1, 2004 Pure Premium Rate Filing. In the Decision on that filing, the CDI rejected this provision based on concerns as to the underlying loss distribution projected by the model and the lack of a mechanism to fund the cost of a major earthquake if one were to occur. In 2007, the WCIRB contracted with EQECAT to update the California earthquake studies. The updated report was published in June 2007. In December 2017, the WCIRB in partnership with RMS published a further updated analysis on potential statewide workers' compensation exposure arising from earthquake.

   Project Status: At the June 14, 2019 meeting, the Actuarial Committee discussed whether a pure premium rate adjustment to reflect the long-term average expected losses arising from earthquake based on the recent RMS study would be appropriate. Given the CDI's concerns in prior decisions and that including a long-term average provision for earthquake and terrorism exposure in advisory pure premium rates may create administrative issues for some insurers, the Committee agreed that the WCIRB's proposed advisory pure premium rates should not reflect a provision for earthquake and terrorism losses at this time. Several Committee members did suggest that published information on the potential statewide exposure of these events is of value and should be updated on a regular basis. Staff does not anticipate further analysis of this issue in 2022.

Summary of Potential 2022 Actuarial Research and Medical Analytics Projects

Potential Actuarial Research/Medical Analytics Projects	Anticipated WCIRB Staff 2022 Resource Commitment (L,M,H)[1]	2022 Quarters of Staff Activity			
		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
A. Studies/Projects Arising Out of Recent CDI Directives					
Indemnity Claim Frequency Model Projection	Low	✓	✓		
Terrorism Data Reporting	Medium	✓	✓		
Collection of COVID-19 Premium Data	Low	✓			
B. Studies/Projects Directed by Legislation					
Statewide Paid Costs	Medium		✓		
Policyholder Dividends	Low			✓	
Roofing Report	Medium		✓		
C. COVID-19 Pandemic Related Research					
Projected Cost of COVID-19 Claims	Medium	✓	✓		
Impact of Pandemic-Related Recession on Projections	Low	✓	✓		
COVID-19 Claim Indicators	Medium	✓	✓	✓	
Countrywide COVID-19 Claim Indicators	Low	✓	✓	✓	✓
COVID-19 Claim Severity and Long-COVID	High	✓	✓	✓	✓
Telemedicine	Medium		✓	✓	
Telecommuting	Low	✓			
D. **Cost Impact of Legislative and Regulatory Changes**					
2021 Fee Schedule Changes	Low	✓			
E. Other Studies Directly Impacting Pure Premium Rates and Rate Level Projections					
Classification Ratemaking Methodologies	Medium	✓	✓	✓	✓
Payroll Limitations for Classification Ratemaking	Low	✓	✓		
F. Other Studies Indirectly Impacting Rate Level Projections					
Cumulative Trauma Claims	High	✓	✓	✓	✓
Analysis of Claims Duration	High		✓	✓	✓
G. Studies Related to Rating Plans					
Experience Rating Parameters	Low	✓			
Impact of Experience Rating on Workplace Safety	Medium	✓	✓		
Retrospective Rating Plans Values	High	✓	✓	✓	✓
H. Other Potential Studies					
Analysis of California Regional Differences	High		✓	✓	✓
Wage Data Analysis	Medium	✓	✓	✓	

[1] Estimated WCIRB staff resource commitment: "Low" corresponds to an estimate of below 50 hours; "Medium" corresponds to an estimate of between 50 and 200 hours; and "High" corresponds to an estimate in excess of 200 hours.

Item V-B
Proposed Revisions to WCIRB Policy Data Quality Program and WCIRB Unit Statistical Data Quality Program

The Classification and Rating (C & R) Committee is recommending changes to the WCIRB Policy Data Quality Program (PDQP) and WCIRB Unit Statistical Data Quality Program (USDQP) designed to improve the timeliness and completeness of policy and USR data. The changes, if approved, would take effect January 1, 2022.

The C & R Committee is recommending the PDQP and USDQP be amended to:

1. Refine the PDQP timeliness metrics to align with January 1, 2021 amendments to the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP), *Part 2, Policy Reporting Requirements*, that changed from 60 days to 30 days 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.
2. Refine the PDQP and USDQP responsiveness metrics to more accurately measure insurer responsiveness and completeness in resolving open reporting issues; and
3. Incorporate editorial changes for clarity and consistency with other WCIRB data quality programs.

The WCIRB's Data Quality Assurance office has conducted significant outreach with member insurers to advise them of the proposed changes and of any potential impact they have.

Copies of the amended PDQP and USDQP are included in the Agenda.

WCIRB Policy Data Quality Program

Effective January 2022

WCIRB California™
Objective. Trusted. Integral.

Table of Contents

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. <u>Scheduling Insurer Review</u>: 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 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. <u>Quota</u>: 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 insurer's 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 thirty days after the policy inception date is determined as follows for the time period under review:

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

2. *Submission Timeliness – Cancellations/Reinstatements*

The "Submission Timeliness – Cancellations/Reinstatements" data quality metric measures an insurer's success in submitting all cancellations and reinstatements within thirty days after the issuance date.[6] Specifically, for each insurer, the percentage of cancellations and reinstatements

[4] Pursuant to Part 2, Section 1, Rule 1a(1), of the USRP, policies are due to the WCIRB no later than 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] This requirement will ensure that cancellations and reinstatements are reported to the WCIRB in a timely manner after issuance of such transactions.

received more than thirty days after the issuance date is determined as follows for the time period under review:

$$\frac{\text{Number of cancellations and reinstatements received more than thirty days after the issuance date}}{\text{Total number of cancellations and reinstatements received}}$$

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:

$$\frac{\text{Number of unresolved work items that have passed the sixty-day threshold}^{9}}{\text{Total of the number of resolved work items within the sixty-day threshold plus the number of unresolved work items that have passed the sixty-day threshold}}$$

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. 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. Specifically, for each insurer, the percentage of unmatched cancellations and reinstatements is determined as follows for the time period under review:

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

5. *Unmatched USRs*

The "Unmatched USRs" data quality metric measures an insurer's success in reporting required policy transactions to the WCIRB. 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. Specifically, for each insurer, the percentage of unmatched USRs is determined as follows for the time period under review:

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

[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.

[9] 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.

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

B. Completeness and Accuracy

1. ~~2.~~ *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:

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

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.

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:

[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.

1. No detailed written explanation or remediation plan is submitted by the insurer within thirty days of the WCIRB's initial notice;[13]
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 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.
        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.

[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.

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 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.

[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.

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 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

[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.

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 thirty days after the policy inception date	
2	Submission Timeliness – Cancellations/Reinstatements	5%	25 cancellations and/or reinstatements received more than thirty days after the issuance date	
3	Responsiveness to Policy Work Items	20%	25 unresolved policy work items that passed the sixty-day 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				
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	

Appendix

	Metric	Tolerance	Minimum Volume for Remediation	Other Criteria
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~~2022

WCIRB California™
Objective. Trusted. Integral.

Table of Contents

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 – USRs*

The "Submission Timeliness – USRs" 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.

Data Quality Metrics

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.

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

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

Item V-C
Schedule of 2022 Meetings

Following is the proposed schedule of Governing Committee meetings for 2022. The WCIRB will continue to welcome all interested parties to attend the meetings virtually. In addition, fully vaccinated Committee members may attend either in person or virtually.

Day of Week	Date & Time	Comment
Wednesday	February 9, 2022 at 9:30 AM	Consideration of September 1, 2022 Regulatory Filing
Wednesday	April 20, 2022 at 9:30 AM	Consideration of September 1, 2028 Pure Premium Rate Filing
Wednesday	September 21, 2022 at 9:30 AM	
Wednesday	December 14, 2022 at 9:30 AM	

Additional date to note:

Tuesday	March 8, 2022 at 8:30 AM	Annual Meeting of the Membership (virtual)