

Governing Committee

Meeting Minutes

| Date | Time | Location | Staff Contact |
|--|---------|-------------------------|---------------|
| February 8, 2023 | 9:30 AM | Microsoft Teams Webinar | Kristen Marsh |
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Andrea Coleman
Roger Cottman
Kristen Marsh
Eric Riley

Counsel

Dan Brown, Eversheds Sutherland (US) LLP

* Attended in person

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The meeting of the Governing Committee was called to order at 9:39 AM following confirmation of a quorum and a reminder of applicable antitrust restrictions, with Chair Paul Ramont presiding.

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Approval of the Minutes

The Minutes of the Governing Committee meeting held on December 14, 2022 were distributed to Committee members in advance of the meeting for review. As there was no discussion or corrections to the Minutes, a motion was made, seconded and unanimously passed to adopt the Minutes as written.

Item II

Additions to the Agenda

The Chair asked the Committee members and staff if there were any items to be added to the Agenda. Hearing none, the Chair accepted the Agenda as published.

Item III

Ratification of Actions of WCIRB Committees

The Minutes of the Classification and Rating Committee meeting held on November 1, 2022 were provided to Committee members in advance of the meeting for review. As there were no questions or discussion regarding the information, a motion was made, seconded and unanimously passed to ratify the actions of the Classification and Rating Committee.

Item V-A

September 1, 2023 Regulatory Filing

Kristen Marsh, WCIRB Senior Vice President and Chief Legal Officer, presented a summary of the amendments that the Classification and Rating (C & R) Committee recommended be made to the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP), *Miscellaneous Regulations for the Recording and Reporting of Data—1995* (Miscellaneous Regulations) and *California Workers' Compensation Experience Rating Plan—1995* (ERP) for inclusion in the WCIRB's September 1, 2023 Regulatory Filing. Once approved by the Governing Committee, the WCIRB anticipates submitting the Filing by the end of February.

Ms. Marsh summarized the key proposed amendments to the USRP to be effective September 1, 2023 including: (1) combining the loss and payroll experience of employers that deliver newspapers to customers for their personal use on a fee basis with Classification 7198(1), *Parcel Delivery and Messenger Service Companies*, and combining the loss and payroll experience of operations comprising the sale or delivery of newspapers to customers for their personal use by newspaper publishers or printers with Classification 4304, *Newspaper Publishing or Printing*, for ratemaking purposes and limiting the advisory pure premium rate relativity change to 25% each year until the advisory pure premium rate for Classification 4312 better aligns with that of Classification 7198(1) and 4304, respectively, at which time Classification 4312 would be eliminated and the operations reassigned; (2) reassigning retreat facilities to Classification 9048(1), *Camps*, and yacht club operations to 9060, *Clubs – country or golf*; (3) clarifying the definition of computer peripheral equipment, (4) decreasing the dual wage threshold for Classifications 6218/6220, *Excavation, Grading, Land Leveling*, 6307/6308, *Sewer Construction*, and 6315/6316, *Water Mains/Gas Mains*, (5) amending numerous classifications to clarify their application, (6) increasing the minimum and maximum payrolls for executive officers, partners, individual employers and members of a limited liability company, as well as other payroll limitations relevant to specific classifications, and (7) increasing the minimum annual payroll per taxicab and department stores to reflect wage inflation since the minimum was last amended.

Ms. Marsh also noted that WCIRB staff reviewed the preliminary payroll and loss data for Classification 8871, *Clerical Telecommuter Employees*, with the C & R Committee and plans to review it with the Actuarial Committee to determine if there is a sufficiently credible differential in loss to payroll ratios to establish an advisory pure premium rate for Classification 8871 distinct from that of Classification 8810. The Committee was advised that based on the limited data available at this time, Classification 8871 has a significantly lower loss to payroll ratio than Classification 8810 and that due to the preliminary nature of the data, staff is recommending a tempered approach consistent with the WCIRB's standard practice of limiting the relativity change to 25% per year when establishing the separate advisory pure premium rate for Classification 8871 effective September 1, 2023.

Ms. Marsh also summarized the C & R Committee's recommendation to subject 7 additional classifications to the USRP annual payroll maximums effective September 1, 2024.

Finally, Eric Riley, WCIRB Senior Vice President and Chief Customer Officer, presented the C & R Committee's recommendation to establish separate classifications effective September 1, 2024 to apply to distinct restaurant industry segments currently assigned to Classification 9079, *Restaurants or Taverns*. Mr. Riley explained that the classifications would be combined for ratemaking and experience rating purposes and that dividing the current restaurant classification into segments would allow for the WCIRB to collect the data to determine if there is a sufficient differential in the loss and payroll experience to support separate advisory pure premium and expected loss rates for the classifications at some point in the future. In respect to a question from a Committee member regarding the impact on experience modifications, Mr. Riley also explained that dividing Classification 9079 into more homogeneous segments will also allow for a more refined comparison for experience rating purposes as the various businesses in a segment will be compared to other more similarly operated businesses. In addition, gathering the data into the more refined segments will allow for greater analysis of the characteristics of the loss data for risk mitigation purposes. The Committee also asked if there were plans to change the treatment of tips for payroll reporting purposes. WCIRB staff explained that any changes in the treatment of tips and gratuities was not contemplated as part of this study, but because the impact of including tips in payroll may be very different for each of the new segmented classifications, gathering the data in this manner will potentially help facilitate a change in how tips are treated in the future for purposes of determining workers' compensation premium.

Following the discussion, a motion was made, seconded and unanimously passed to include the proposed changes to the USRP, ERP and Miscellaneous Regulations in the WCIRB's September 1, 2023 Regulatory Filing.

Item VI

Next Meeting Dates

The Chair noted that the next meeting is scheduled for April 19, 2023 and that the WCIRB's Annual Meeting of the Membership is scheduled for March 16, 2023.

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There being no further business to come before the Committee, the meeting was adjourned at 10:15 AM.

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Note to Committee Members: These Minutes, as written, have not been approved. Please refer to the Minutes of the meeting scheduled for April 19, 2023 for approval and/or modification.