

# Classification and Rating Committee

## Meeting Agenda

Date	Time	Location	Staff Contact
August 7, 2020	9:30 AM	Webinar Teleconference	Brenda Keys
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Released: July 31, 2020

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

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

Please register at <https://attendee.gotowebinar.com/register/2087253909176796943>

**I. Approval of Minutes**

Meeting held June 2, 2020

**II. Unfinished Business**

**III. New Business**

A. Clerical Telecommuter Employees

**IV. Matters Arising at Time of Meeting**

**V. Next Meeting Date:** October 13, 2020

**VI. Adjournment**

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## Clerical Telecommuter Employees

In the January 1, 2021 Regulatory Filing, the WCIRB proposed that Classification 8871, *Clerical Telecommuter Employees – N.O.C.*, be established as a Standard Exception classification applicable to clerical employees who work more than 50% of their time at their home or other office space away from any location of their employer. This proposed new Standard Exception classification will not apply to the 41 classifications that specifically include *Clerical Office Employees* and the 2 classifications that specifically exclude *Clerical Office Employees*.<sup>1</sup> This new classification was proposed in order to enable the collection of payroll and loss data for these telecommuting employees to determine if their exposure differs from that of other clerical employees who work primarily at their employer's office location. Additionally, it will align California with other jurisdictions that assign clerical telecommuters to Classification 8871.<sup>2</sup> If the Commissioner approves the establishment of Classification 8871, no loss and payroll information underlying 2021 experience modifications will be reported in the new classification. As a result, the 2021 experience rating values (e.g., expected loss rates and D-ratios) for Classification 8871 will not be used in 2021 experience modifications so there was no need to differentiate between the proposed experience rating values for Classification 8810 and those for Classification 8871.

In discussing the proposed January 1, 2021 advisory pure premium rates to be submitted to the Insurance Commissioner for approval this August, staff suggested proposing an advisory pure premium rate for Classification 8871 equal to that of Classification 8810 until such time as California-based experience for the new classification is available that supports a differentiation in advisory pure premium rates. At the June 11, 2020 Governing Committee and June 12, 2020 Actuarial Committee meetings, Committee members recommended that since the rate for the telecommuting classification in most states is well below that of the clerical classification, consideration be given to basing a differential for Classification 8871's proposed 2021 advisory pure premium rates on information from other jurisdictions.

In response to these requests, WCIRB staff analyzed the pure premium rates in New York and a number of NCCI states that have established Classification 8871 for telecommuter employees.<sup>3</sup> The rate for Classification 8871 in New York is significantly higher than that for Classification 8810. Conversely, in the NCCI states that have established a telecommuter classification, the rate for Classification 8871 is significantly lower than for Classification 8810. However, in all of these states, reported Classification 8871 payroll is small relative to that for Classification 8810. For example, in New York, reported 8871 payroll for policy year 2016 was only \$700 million compared to approximately \$190 billion in Classification 8810. In Florida, the NCCI state with the largest payroll in Classification 8871, \$1.2 billion of payroll was reported in Classification 8871 for policy year 2016 compared to \$80 billion in Classification 8810. Exhibit 1 shows the ratio of Classification 8871 reported payroll compared to Classification 8810 reported payroll over the latest five policy years of available information, as well as the latest year for New York, all NCCI states for which the telecommuting classification is applicable, and each of the five largest NCCI states in telecommuting payroll. As shown in Exhibit 1, while the relative payroll share of Classification 8871 is growing, it remains small.

Given the modest level of payroll reported in Classification 8871, the loss and payroll information reported has relatively limited statistical credibility in the computation of the Classification 8871 pure premium rates. In addition, the year-to-year loss to payroll ratios shown in Exhibit 2 for New York and for all NCCI states that have established a telecommuter classification, and in Exhibit 3 for each of the five largest

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<sup>1</sup> In addition, Classifications 9048(1), *Camps*, and 9048(2), *Boy and Girl Scout Councils – all camp operations*, include *Clerical Office Employees*, but only at camp locations.

<sup>2</sup> 2021 experience modifications will not reflect any historical loss or payroll reported in Classification 8871. As a result, the 2021 experience rating values (e.g., expected loss rates and D-ratios) proposed for Classification 8871, which were proposed to be equal to those for Classification 8810, are not used in 2021 experience modifications.

<sup>3</sup> New York is the only independent rating bureau that has established a telecommuter classification.

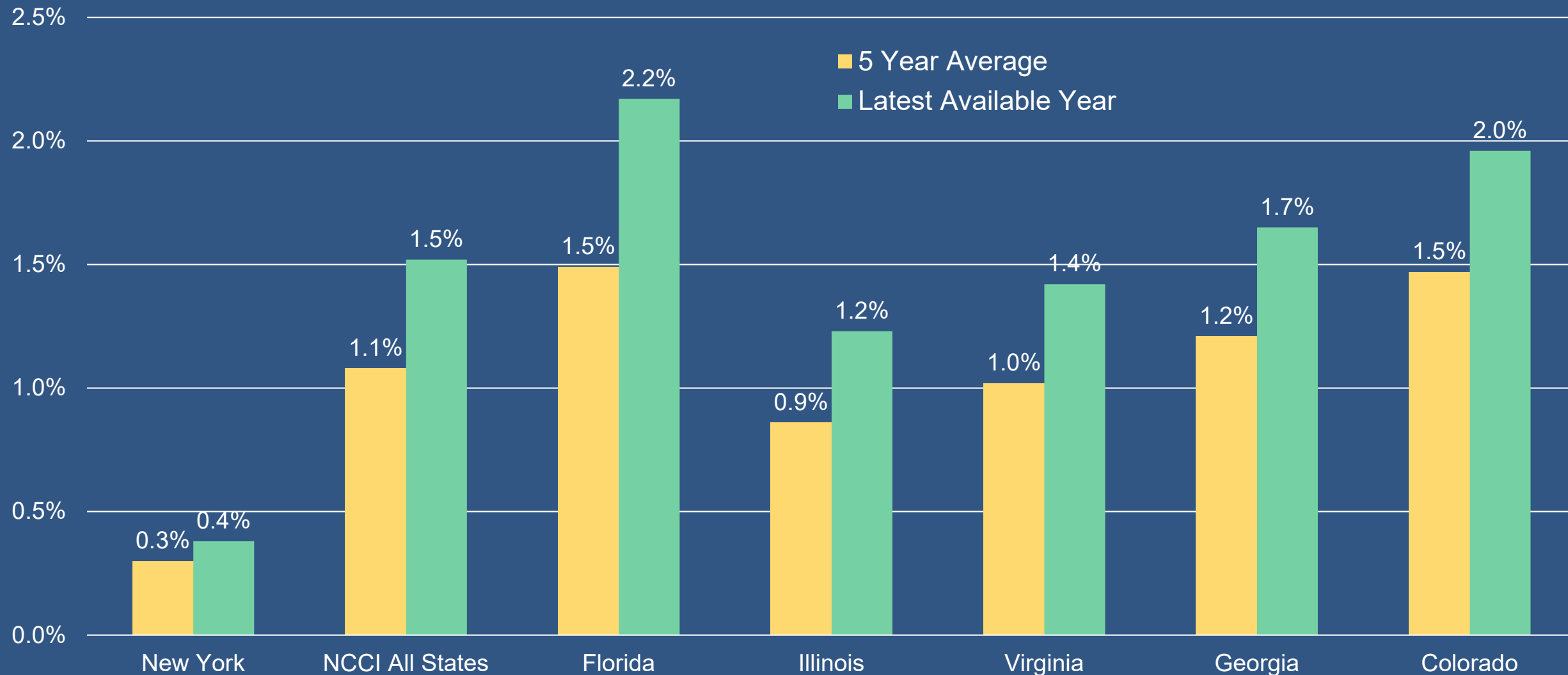
NCCI states, fluctuate somewhat from year to year. However, as shown in Exhibits 2 and 3, for most years in most states the loss-to-payroll ratio for Classification 8871 is well below that of Classification 8810.

As mentioned above, Classification 8871 is proposed to be applicable in California as a Standard Exception classification to telecommuting employees only if the classification that they would otherwise be assigned to does not explicitly include clerical (some of these classifications have lower advisory pure premium rates than Classification 8810). Exhibit 4 shows the distribution of policy year 2017 payroll by geographical region within California for (1) Classification 8810, (2) all classifications that include clerical within their definition and (3) all other classifications combined. As shown, in a number of regions, the payroll of classifications that include clerical and for which Classification 8871 would not apply is significantly greater than that reported in Classification 8810 and, as a result, the impact of the new classification may be somewhat muted in California.

Exhibits 5 and 6 show the leading “Cause of Injury” codes and “Nature of Injury” codes, respectively, for these classification groupings. As shown in Exhibit 5, claims with cumulative injury and repetitive motion cause of injury codes are relatively more common in Classification 8810 and in classifications that explicitly include clerical than in other classifications. Similarly, as shown in Exhibit 6, claims with mental stress, carpal tunnel syndrome and other cumulative injury nature of injury codes are relatively more common in Classification 8810 and in classifications that explicitly include clerical than in other classifications. It is not clear the extent to which the frequency of these types of claims would be different for an employee performing clerical duties at home rather than in the office. Also, with the COVID-19 pandemic, many workers have transitioned to working at home in non-optimal “home offices” virtually overnight creating additional uncertainty around these types of injuries.

Staff is seeking the Committee’s feedback on the extent to which it is appropriate to differentiate the proposed 2021 advisory pure premium rate for Classification 8871 relative to Classification 8810.

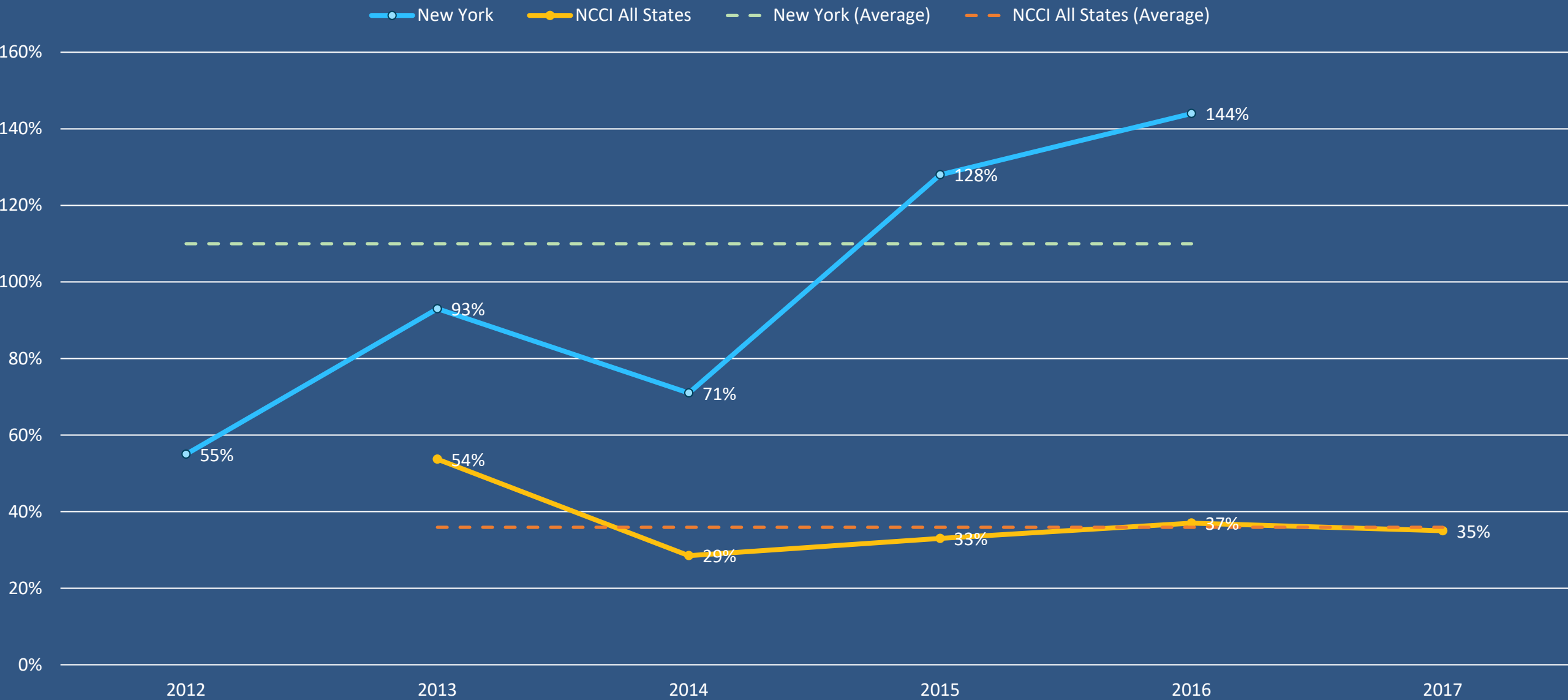
# Ratio of Classification 8871 Payroll to Classification 8810 Payroll



Source: NYCIRB through Policy Year 2016 and NCCI states through Policy Year 2017 .

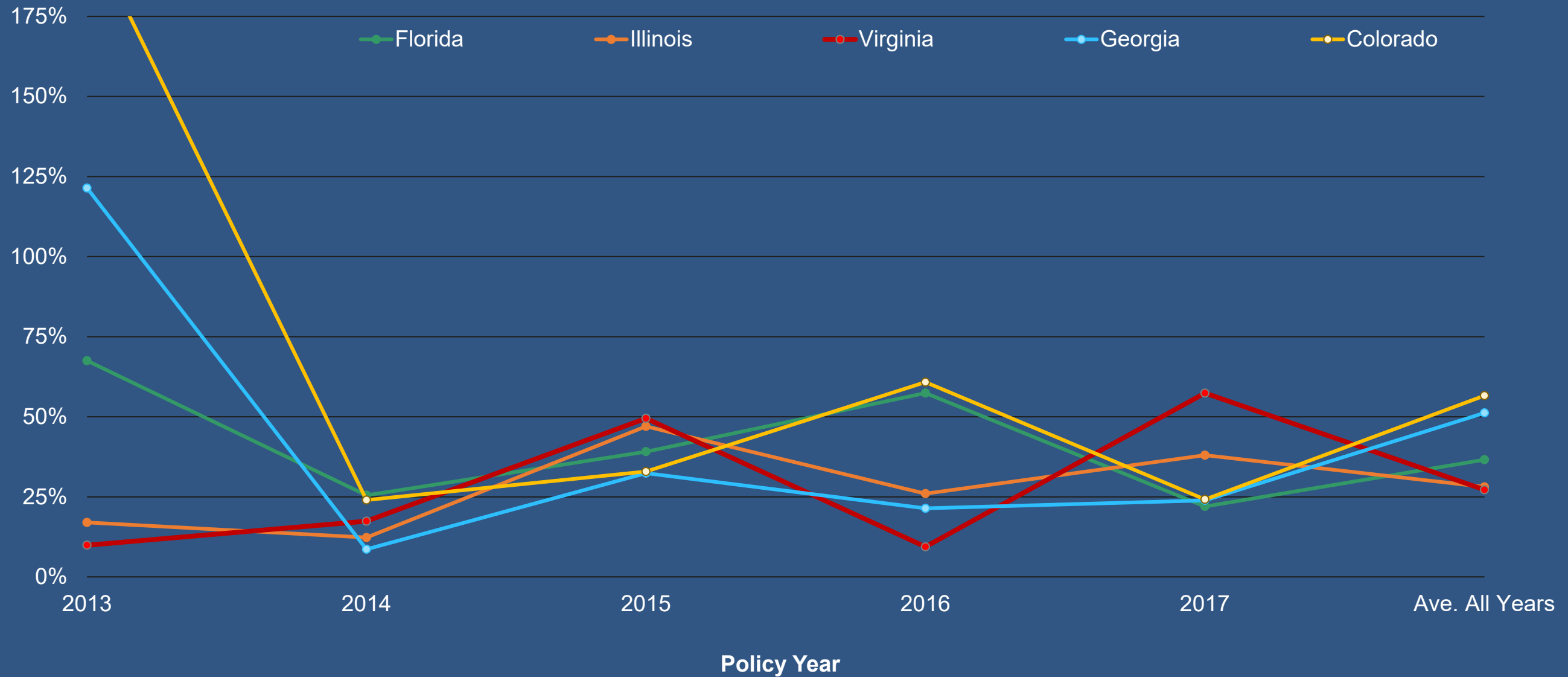
# Loss to Payroll Ratio of 8871 Relative to Class 8810 by Year & State

## New York and NCCI All State Total



# Loss to Payroll Ratio of 8871 Relative to Class 8810 by Year & State

## NCCI 5 Largest States for which 8871 Applies



Source: NCCI.

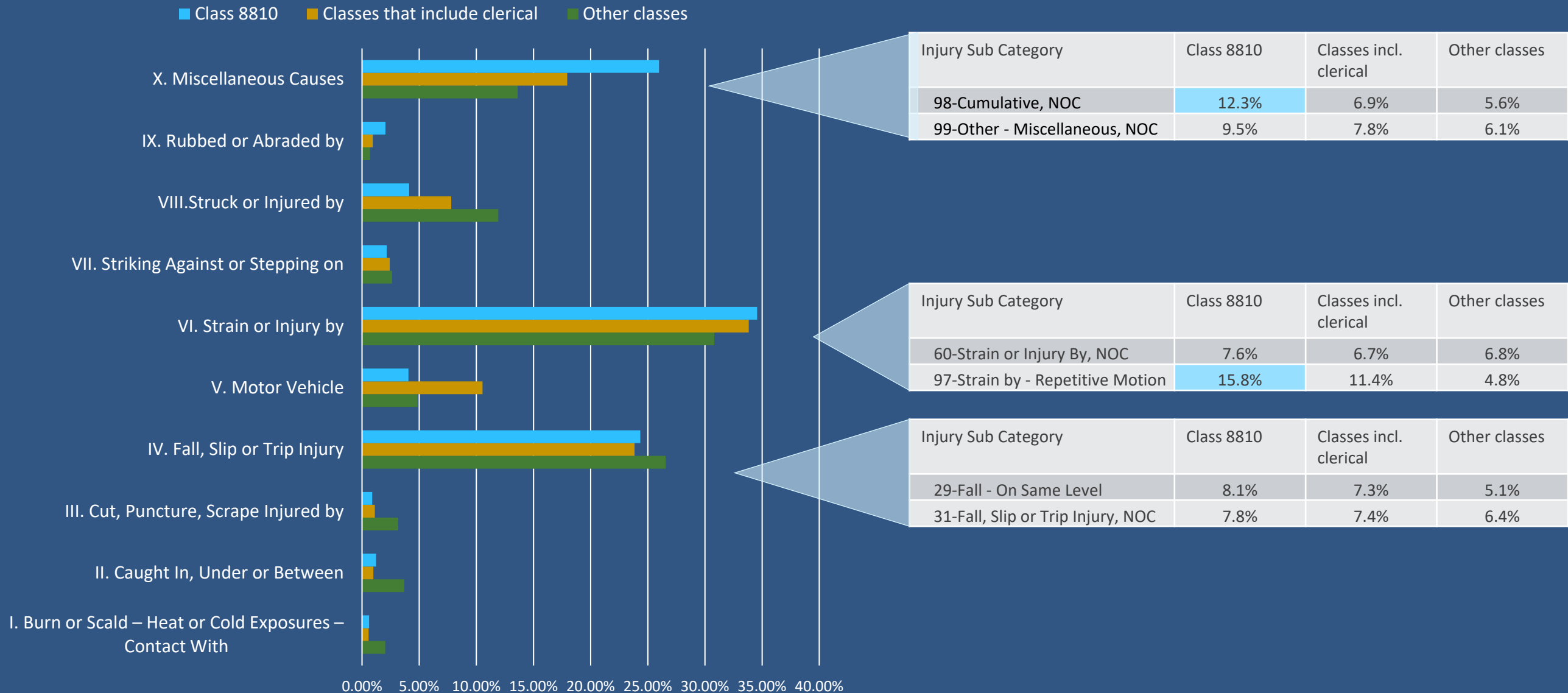
# Payroll Distribution by Region in Select California Classifications (Dollars in Billions)

Region	Class 8810	Classes that incl. clerical	Other Classes	Total	Class 8810	Classes that incl. clerical	Other Classes	Total
Bay Area	51.5	102.2	227.8	381.5	27.0%	45.0%	30.6%	32.8%
Los Angeles County	55.8	43.8	185.9	285.5	29.3%	19.3%	25.0%	24.6%
Remainder of LA Basin	25.3	25.9	101.2	152.5	13.3%	11.4%	13.6%	13.1%
Out-of-State	19.4	18.5	69.5	107.5	10.2%	8.2%	9.3%	9.2%
San Diego County	16.1	12.6	52.5	81.1	8.5%	5.5%	7.0%	7.0%
Central Coast	10.8	11.9	40.7	63.4	5.7%	5.3%	5.5%	5.5%
Central Valley	5.2	4.2	32.8	42.1	2.7%	1.8%	4.4%	3.6%
Sacramento	4.4	5.2	21.7	31.4	2.3%	2.3%	2.9%	2.7%
Remaining Cal. Regions	1.9	2.5	12.9	17.3	1.0%	1.1%	1.7%	1.5%
<b>Total</b>	<b>190.3</b>	<b>226.8</b>	<b>745.0</b>	<b>1,162.2</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Payroll distribution is based on Policy Year 2017 Unit Statistical Data.

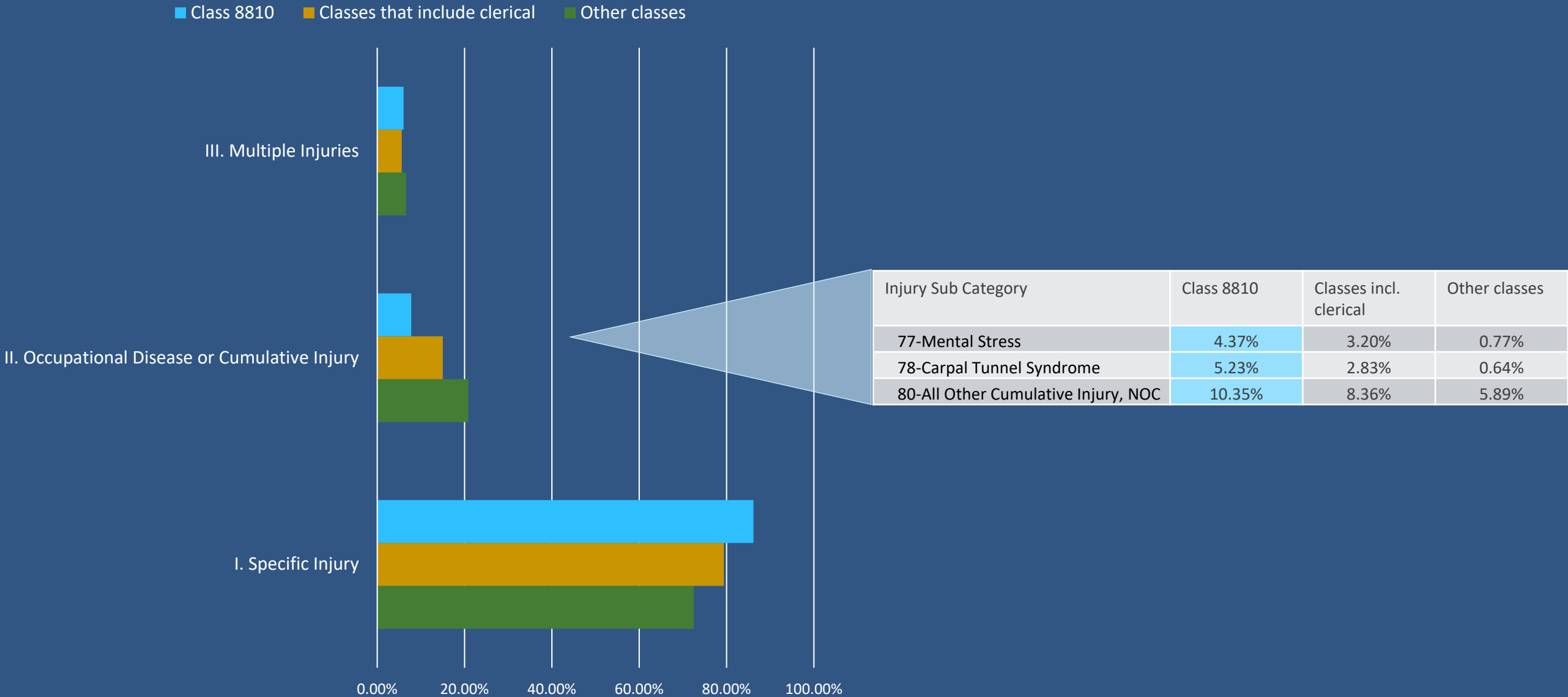


# Leading Causes of Injury in Select California Classifications



Source : Incurred losses are from Policy Year 2017 Unit Statistical Reporting data, at report level 1.

# Leading Nature of Injury Codes in Select Classifications



Source: Incurred losses are from Policy Year 2017 Unit Statistical Reporting data, at report level 1.