

# Classification and Rating Committee

## Meeting Minutes

Date	Time	Location	Staff Contact
August 7, 2020	9:30 AM	WCIRB California	Brenda Keys
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Released: August 10, 2020

### Members:

Advantage Workers Compensation Insurance Company  
Insurance Company of the West  
National Union Fire Insurance Company of Pittsburgh PA  
Preferred Employers Insurance Company  
Security National Insurance Company  
State Compensation Insurance Fund  
Zenith Insurance Company

### Represented By:

Christine Closser  
Stacey McAdam  
Ellen Sonkin  
Christine Glynn  
Matt Zender  
Gregory Hanel  
Sarah Elston

### California Department of Insurance

Brentley Yim

### WCIRB

Brenda Keys, Chair  
Bill Mudge  
David Bellusci  
Laura Carstensen  
Eric Riley

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 June 2, 2020 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**

#### **Clerical Telecommuter Employees**

The Committee was reminded that the WCIRB proposed establishing Classification 8871, *Clerical Telecommuter Employees – N.O.C.*, 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 proposal was part of the WCIRB's January 1, 2021 Regulatory Filing.

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, *Clerical Office Employees*, 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 rate on information from other jurisdictions.

The Committee was advised that, in response to these requests, staff analyzed the historical loss to payroll experience in New York and a number of NCCI states that have established Classification 8871 for telecommuter employees.<sup>1</sup> The loss to payroll ratio for Classification 8871 in New York has been volatile, but on average over the last five years was significantly higher than that for Classification 8810. Conversely, in the NCCI states that have a telecommuter classification, the average loss to payroll ratio for Classification 8871 has been significantly lower than for Classification 8810. However, in all of these states, reported Classification 8871 payroll is very small relative to that for Classification 8810.

Staff provided the Committee with information that showed 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. This information showed that, 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 will likely be somewhat muted in California.

Staff also provided the Committee with information about the leading "Cause of Injury" codes and "Nature of Injury" codes, respectively, for these classification groupings. This showed that 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, 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. Staff indicated that 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. Staff also pointed out that, with the COVID-19 pandemic, many workers transitioned to working at home in non-optimal "home offices" virtually overnight, which created additional uncertainty as to the potential for these types of injuries to occur more frequently.

Finally, staff highlighted the fact that California has a separate classification for computer programmers and software developers that includes clerical employees. This classification is a high wage/low frequency classification, constitutes 9% of total statewide payroll in California and has an advisory pure premium rate much lower the advisory pure premium rate for Classification 8810. Since the California computer programmer and software developer classification includes clerical employees, the proposed telecommuter classification would not apply to this industry in California, unlike New York and NCCI

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<sup>1</sup> New York is the only independent rating bureau that has established a telecommuter classification.

jurisdictions that include computer programmers and software developers in the clerical and telecommuter classifications.

The Committee was informed that the members of the Underwriting Working Group and Actuarial Committee considered whether it would be appropriate to differentiate the proposed 2021 advisory pure premium rate for Classification 8871 relative to Classification 8810. Given some of the concerns summarized by staff, both groups expressed hesitancy to rely on data from other jurisdictions in establishing the 2021 advisory pure premium rate for Classification 8871.

A Committee member inquired whether there was any data regarding the number of employees who transitioned to working from home at the time of the California stay-at-home order. In response, staff indicated that the information available to date suggests that there has been a significant shift in employees working from home since the start of this year and that most are still telecommuting.

Another Committee member expressed concern about the relevance of using the historical experience from other states to predict how the experience for Classification 8871 would develop in California but did not want to wait until several years of unit statistical data was available for Classification 8871 to have its own rate. Staff indicated that the WCIRB would be able to use its transactional and policy data to get an early sense of how the California telecommuter experience is emerging relative to Classification 8810 and would present that data to the Committee next year so the Committee could evaluate if a differential would be appropriate for the September 1, 2022 pure premium rate filing.

Following the Committee's discussion, there was a consensus among the members that the January 1, 2021 advisory pure premium rate for Classification 8871 should be the same as Classification 8810. Staff advised the Committee members that their feedback would be provided to the Governing Committee at the August 12, 2020 meeting.

## **Item IV**

### **COVID-19 – Classification Advisory Pure Premium Rates Summary**

The Committee was advised that, on a preliminary basis, staff estimated that COVID-19 losses and loss adjustment expenses (LAE) on January 1, 2021 through August 31, 2021 policies were approximately 4% of total projected losses and LAE and that this corresponds to approximately \$0.06 per \$100 of payroll. The Committee was further advised that staff plans to apply this factor to proposed January 1, 2021 advisory pure premium rates on an additive basis and to vary it on a high, medium and low basis based on each industry sector's ratio of reported COVID-19 claims to payroll. Finally, staff indicated that the differential in these factors may be tempered in that there could be variation in COVID-19 claim frequency among classifications within an industry sector.

The consensus of the Committee was that the approach outlined by staff seemed reasonable.

Classification and Rating Committee  
Meeting Minutes for August 7, 2020

The meeting was adjourned at 10:32 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 October 13, 2020 for approval and/or modification.