

September 15, 2020

By Email

The Honorable Ricardo Lara
Insurance Commissioner
California Department of Insurance
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Bill Mudge
President
& Chief Executive Officer

**RE: California Workers' Compensation Insurance
Advisory Pure Premium Rates and Experience Rating Plan Values
Effective January 1, 2021
CDI File No. REG-2020-00014 – Amendments to Proposed Pure Premium Rates**

Dear Commissioner Lara:

In the WCIRB's January 1, 2021 Pure Premium Rate Filing submitted on August 26, 2020 (hereinafter referred to as the August 26, 2020 Filing), the WCIRB recommended advisory pure premium rates that average \$1.56 per \$100 of payroll. In the August 26, 2020 Filing, the WCIRB advised that it "will be reviewing accident year experience valued as of June 30, 2020 once it is received and will continue to review more current information on the COVID-19 pandemic. Based on these reviews, and if authorized by the WCIRB Governing Committee, the WCIRB will amend the pure premium rates proposed in this filing prior to the time of the CDI public hearing on this filing. Further, the Legislature remains in session and several bills related to the presumption of compensability of COVID-19 claims of specified workers remain under consideration. If legislative or regulatory changes are adopted or a significant judicial decision is issued prior to the public hearing on this filing, the WCIRB will evaluate the estimated cost impact of these actions and, to the extent appropriate and as approved by the WCIRB Governing Committee, modify the pure premium rates proposed in its filing."

The WCIRB has completed this re-evaluation. Based on its review of June 30, 2020 experience and its re-evaluation of the overall estimated cost of COVID-19 claims on January 1, 2021 to August 31, 2021 policies in light of COVID-19 legislation enacted by the Legislature, the WCIRB is not recommending a change to the average proposed January 1, 2021 advisory pure premium rate of \$1.56 per \$100 of payroll. However, as discussed in Attachment A, Appendix A, the WCIRB is recommending amendments, as authorized by the WCIRB's Governing Committee, to individual classification advisory pure premium rates proposed in the August 26, 2020 Filing based on updated information on COVID-19 claim filings by industrial sector. Each of these components is summarized below.

Review of June 30, 2020 Experience

The WCIRB has reviewed the June 30, 2020 statewide experience that recently became available. As expected, the pandemic and resultant stay-at-home orders have had a distorting impact on second quarter 2020 experience with significant slowdowns in claim closings and in non-emergency medical services and sharp drops in claim filings and underlying exposure. As a result, the WCIRB is not recommending the use of June 30, 2020 experience as a basis to determine the indicated average January 1, 2021 advisory pure premium rate. A summary of June 30, 2020 experience as reviewed by the Actuarial Committee at the September 8, 2020 meeting is being submitted into the hearing record for this filing.

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Re-Evaluation of Overall Cost of COVID-19 Claims on January 1, 2021 to August 31, 2021 Policies

In the August 26, 2020 Filing, the WCIRB reflected an estimate of the cost of COVID-19 claims to be incurred against January 1, 2021 to August 31, 2021 policies. In total, the WCIRB estimated that the cost of COVID-19 claims on these policies is 3.8% of total costs, or \$0.06 per \$100 of payroll. As discussed above, the WCIRB planned to re-evaluate the estimated cost of COVID-19 claims on January 1, 2021 to August 31, 2021 policies based on updated information on COVID-19 workers' compensation claims filed thus far in 2020, updated COVID-19 model forecasts and any legislation enacted by the Legislature impacting COVID-19 claim costs.

On August 31, 2020, the California Legislature enacted Senate Bill No. 1159 (SB 1159).¹ Among other provisions, SB 1159 codified the presumption of compensability of COVID-19 claims in the Governor's Executive Order (N-62-20) that applied through July 5, 2020 to workers directed to work outside their home. In addition, SB 1159 provides for a similar disputable presumption to apply from July 6, 2020 to January 1, 2023 to COVID-19 claims of first responders and certain healthcare workers as well as to the claims of other workers directed to work outside the home if the worker's employer suffers a COVID-19 "outbreak."²

The WCIRB has reassessed its COVID-19 valuation summarized in the August 26, 2020 Filing in consideration of SB 1159 as well as an additional month of COVID-19 claims information and updated statistical model forecasts. Based on this re-evaluation, the WCIRB continues to estimate that the cost of COVID-19 claims on January 1, 2021 to August 31, 2021 policies is approximately 4% (4.1%), or \$0.06 per \$100 of payroll. As a result, the WCIRB is not amending its estimate of the indicated average January 1, 2021 advisory pure premium rate included in the August 26, 2020 Filing of \$1.56 per \$100 of payroll. A summary of the WCIRB's re-evaluation of the overall cost impact of COVID-19 claims on January 1, 2021 to August 31, 2021 policies, as reviewed by the WCIRB's Actuarial Committee at the September 8, 2020 meeting, is being submitted into the hearing record for this filing.

Re-Evaluation of Individual Classification Advisory Pure Premium Rate Adjustments to Reflect Expected COVID-19 Claim Costs

As discussed in the August 26, 2020 Filing, exposure to COVID-19 workers' compensation claims in a particular California Standard Classification³ (classification) is largely a function of a business' employees being exposed to individuals who may carry the virus and is not proportional to other exposures for the classification. As a result, the WCIRB recommended that the provision to reflect the projected cost of COVID-19 claims on policies incepting between January 1, 2021 and August 31, 2021 be applied as an additive amount to each classification's advisory pure premium rate rather as a multiplicative factor. In addition, as exposure to COVID-19 claims varies significantly by classification, rather than applying a uniform additive amount of \$0.06 per \$100 of payroll to each classification, the WCIRB recommended varying the amount by industry sector based on the estimated relativity of the COVID-19 claims per \$100 of payroll reported in that industry sector. Specifically, in the August 26, 2020 Filing, the WCIRB proposed classification advisory pure premium rates that included a COVID-19 additive amount for each classification that varied according to which of four groupings of industrial sectors that classification was assigned. The additive amounts by industrial sector included in the proposed January 1, 2021 advisory pure premium rates in the August 26, 2020 Filing ranged from \$0.02 per \$100 of payroll to \$0.24 per \$100 of payroll.

¹ At this time, the Governor has not signed SB 1159. However, it is widely expected that the Governor will sign the Bill.

² SB 1159 specifies that an outbreak exists if for an employer with less than 100 employees at least four test positive for COVID-19 and for an employee with 100 employee or more 4% or more test positive for COVID-19.

³ California standard classifications are approved by the Insurance Commissioner as reflected in Part 3 of the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP).

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The WCIRB has re-evaluated these additive amounts based on updated information from the Division of Workers' Compensation on COVID-19 claims filed by industry sector through August 28, 2020. Based on this updated information, the WCIRB is amending the additive amounts included in advisory pure premium rates by classification. The amended additive amounts, while continuing to average \$0.06 per \$100 of payroll as in the August 26, 2020 Filing, now reflect six industrial sector groupings and range from \$0.01 per \$100 of payroll to \$0.24 per \$100 of payroll. The determination of these amounts is described in Attachment A, Appendix A.

Attachment A contains the WCIRB's proposed January 1, 2021 advisory pure premium rates that are amended as described above. The proposed advisory pure premium rates shown in Attachment A are based on (1) insurer losses incurred during accident year 2019 and prior accident years valued as of March 31, 2020, (2) insurer loss adjustment expenses for 2019 and prior years, (3) information on COVID-19 related infections, hospitalizations and deaths through approximately August 30, 2020, (4) classification payroll and loss experience reported for policies incepting in 2017 and prior years and (5) the 2021 experience rating off-balance correction factor. The first three components are discussed in the August 26, 2020 filing as well as in Attachment A. The last two components are discussed in Section C of the WCIRB's January 1, 2021 Regulatory Filing.

The proposed January 1, 2021 advisory pure premium rates contained in Attachment A, like those in the August 26, 2020 filing, average \$1.56 per \$100 of payroll and represent an overall average 2.6% increase from the approved January 1, 2020 advisory pure premium rates.

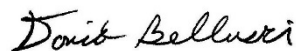
Pure premium rates, which reflect loss costs including loss adjustment expenses per unit of exposure, are only advisory in that an insurer is not required to use either the proposed or the approved pure premium rates in establishing the rates it will charge.

We shall endeavor to provide you with any additional information you may require.

Sincerely,



Bill Mudge
President & Chief Executive Officer



Dave Bellusci
Executive Vice President & Chief Actuary



Tony Milano
Vice President & Actuary

BM:smd
Enclosures

Attachment A

Proposed Pure Premium Rates

This Attachment sets forth the calculation of the proposed pure premium rates applicable to workers' compensation policies with an effective date on or after January 1, 2021 as amended based on the updated provision for the cost of COVID-19 workers' compensation claims by classification as discussed in Appendix A. The pure premium rates prior to the application of the cost of COVID-19 workers' compensation claims are computed as discussed in Section A of the WCIRB's January 1, 2021 Pure Premium Rate Filing submitted on August 26, 2020 (August 26, 2021 Filing).

As detailed in Section A of the August 26, 2020 Filing, the proposed January 1, 2021 pure premium rate for each classification, prior to reflecting the impact for COVID-19 workers' compensation claims, is calculated by (a) multiplying the indemnity component shown on the "Selected (Unlimited) Loss to Payroll Ratio" or, if applicable, the "Selected Loss to Payroll Ratio (Restricted to 25% Change)" line on the classification relativity review sheet for the classification contained in Section C, Appendix C of the January 1, 2021 Regulatory Filing by the indemnity composite factor of 1.370 shown in Section A of the August 26, 2020 Filing, (b) multiplying the medical component shown on the "Selected (Unlimited) Loss to Payroll Ratio" or, if applicable, the "Selected Loss to Payroll Ratio (Restricted to 25% Change)" line on the classification relativity review sheets contained in Section C, Appendix C of the January 1, 2021 Regulatory Filing by the medical composite factor of 1.389 shown in Section A of the August 26, 2020 Filing, and (c) adding the resulting products.

As discussed in Section B, Appendix D of the August 26, 2020 Filing, the WCIRB projects the cost of COVID-19 workers' compensation claims on January 1, 2021 to August 31, 2021 policies to be 3.8% of losses and loss adjustment expenses.¹ As discussed in Appendix A, the exposure to COVID-19 workers' compensation claims varies significantly by industry. In addition, given that the exposure to COVID-19 workers' compensation costs is not proportional to other exposures for the classification, the WCIRB is reflecting this provision as an additive amount rather than a multiplicative factor to each classification. Appendix A summarizes the WCIRB's approach for computing the provision for COVID-19 workers' compensation claims by classification, which has been updated from that reflected in the August 26, 2020 Filing based on updated information on COVID-19 claims by industry sector. To derive the proposed January 1, 2021 advisory pure premium rate for each classification shown in this Attachment, the pure premium rate prior to the impact of COVID-19 costs computed as described above is added to the provision for COVID-19 workers' compensation claims for the classification shown in Appendix A, Exhibit 1.

¹ Based on updated data and assumptions on COVID-19 claims on 2021 policies and in consideration of SB 1159, the provision for COVID-19 costs in January 1, 2021 to August 31, 2021 policies is 4.1%. However, this provision results in an overall cost of \$0.06 per \$100 of payroll which is consistent with the provision reflected in the August 26, 2020 Filing.

Proposed January 1, 2021 Pure Premium Rates (as amended September 15, 2020)**Effective January 1, 2021 on New and Renewal Policies****Effective on or after January 1, 2021**

Class Code	P.P. Rate*	Class Code	P.P. Rate*	Class Code	P.P. Rate*	Class Code	P.P. Rate*	Class Code	P.P. Rate*	Class Code	P.P. Rate*	Class Code	P.P. Rate*
0005	5.09	2108	5.71	3039	5.53	3651	2.52	4420	8.54	5160	1.83	6003	13.82
0016	6.38	2109	4.46	3040	6.95	3681	0.75	4432	3.00	5183	5.49	6011	6.12
0034	6.18	2111	4.80	3060	5.95	3682	1.23	4470	1.97	5184	2.37	6204	6.79
0035	5.49	2113	7.34	3066	4.36	3683	1.61	4478	4.79	5185	4.83	6206	2.70
0036	7.47	2116	5.36	3070	0.36	3719	1.79	4492	5.51	5186	2.30	6213	1.72
0038	7.35	2117	6.63	3076	5.34	3724	3.94	4494	5.70	5187	2.53	6216	2.70
0040	3.67	2121	2.79	3081	7.84	3726	2.31	4495	3.25	5190	4.11	6218	5.81
0041	5.39	2123	6.00	3082	13.89	3805	0.99	4496	5.94	5191	2.36	6220	2.68
0042	5.14	2142	2.43	3085	8.25	3808	3.92	4497	3.83	5192	3.65	6233	2.08
0044	4.03	2163	6.40	3099	3.50	3815	5.25	4498	3.89	5193	1.23	6235	3.14
0045	4.08	2222	4.86	3110	5.77	3821	7.15	4499	5.81	5195	3.25	6237	1.67
0050	6.03	2362	14.57	3131	4.27	3828	3.36	4511	0.50	5201	6.91	6251	4.64
0079	3.27	2402	8.32	3146	2.76	3830	1.71	4512	0.26	5205	4.19	6258	5.49
0096	5.75	2413	5.03	3152	3.18	3831	2.93	4557	3.19	5212	5.73	6307	8.05
0106	10.91	2501	6.00	3165	3.78	3840	3.85	4558	3.01	5213	4.53	6308	3.11
0171	5.72	2570	9.81	3169	3.67	4000	2.47	4611	1.32	5214	4.63	6315	4.78
0172	4.12	2571	7.84	3175	3.14	4034	5.07	4623	6.35	5222	5.96	6316	3.98
0251	4.64	2576	5.33	3178	1.98	4036	4.41	4635	2.49	5225	5.15	6325	3.10
0400	3.00	2584	5.91	3179	3.23	4038	5.59	4665	6.58	5348	4.78	6361	3.98
0401	6.96	2585	6.77	3180	4.96	4041	3.32	4683	4.17	5403	10.93	6364	5.07
1122	2.60	2589	4.24	3220	2.36	4049	3.14	4691	1.63	5432	4.45	6400	5.35
1123	16.15	2660	8.04	3241	3.54	4111	2.53	4692	1.51	5436	3.95	6504	6.22
1124	4.51	2683	5.10	3257	4.89	4112	0.48	4717	3.87	5443	4.63	6834	5.10
1320	1.59	2688	5.62	3339	6.49	4114	2.65	4720	3.39	5446	5.31	7133	2.88
1322	3.86	2702	18.75	3365	4.26	4130	6.00	4740	1.06	5447	2.54	7198	7.72
1330	2.58	2710	5.70	3372	5.18	4150	2.69	4771	1.39	5467	7.84	7207	7.74
1438	4.55	2727	10.64	3383	3.39	4239	2.92	4828	2.29	5470	3.83	7219	7.08
1452	2.45	2731	4.83	3400	7.09	4240	8.58	4829	1.52	5473	10.12	7227	8.35
1463	2.93	2757	7.86	3401	4.29	4243	3.67	4831	4.25	5474	8.86	7232	8.99
1624	4.72	2759	7.63	3501	5.70	4244	4.44	4983	3.23	5479	5.71	7248	1.45
1699	1.89	2790	1.91	3507	4.15	4250	4.06	5020	3.76	5482	3.99	7272	6.36
1701	3.14	2797	7.97	3560	2.93	4251	3.79	5027	8.99	5484	8.81	7332	3.15
1710	3.90	2806	5.19	3568	2.60	4279	5.02	5028	4.60	5485	6.29	7360	5.62
1741	3.31	2812	5.06	3569	1.81	4283	2.89	5029	5.28	5506	4.07	7365	6.06
1803	7.67	2819	7.71	3570	3.72	4286	6.42	5040	9.24	5507	3.76	7382	6.66
1925	9.48	2840	3.90	3572	1.01	4295	6.20	5057	4.87	5538	5.23	7392	5.06
2002	7.78	2842	6.31	3573	1.27	4297	0.27	5059	9.53	5542	3.01	7403	5.47
2003	6.35	2852	5.81	3574	3.59	4299	4.08	5102	6.05	5552	23.15	7405	1.94
2014	4.61	2881	5.80	3577	1.35	4304	6.54	5107	4.52	5553	8.58	7409	7.74
2030	3.74	2883	13.27	3612	2.90	4312	4.31	5108	8.47	5606	0.84	7410	4.90
2063	4.23	2915	5.66	3620	6.07	4351	2.78	5128	1.34	5610	3.54	7421	1.60
2081	12.30	2923	3.69	3632	2.74	4354	2.30	5129	0.66	5632	10.93	7424	1.75
2095	5.69	3018	2.97	3634	2.79	4361	1.89	5130	1.05	5633	4.45	7428	3.45
2102	5.21	3022	5.16	3643	2.39	4362	1.80	5140	1.61	5650	5.73	7429	2.50
2107	4.19	3030	7.21	3647	5.00	4410	6.21	5146	4.81	5951	0.64	7500	3.13

*Pure Premium Rates are per \$100 of payroll unless otherwise noted. Note that payroll limitations apply to Classifications 7607, 7610, 8743, 8803, 8820, 8859, 9151, 9156, 9181 and 9610. Refer to the classification phraseology in Part 3, Section VII of the *California Workers' Compensation Uniform Statistical Reporting Plan – 1995* for more information.

Proposed January 1, 2021 Pure Premium Rates (as amended September 15, 2020)**Effective January 1, 2021 on New and Renewal Policies****Effective on or after January 1, 2021**

(Continued)

Legend:

(A) See below

Class Code	P.P. Rate*	Class Code	P.P. Rate*	Class Code	P.P. Rate*	Class Code	P.P. Rate*	Class Code	P.P. Rate*	Class Code	P.P. Rate*	Class Code	P.P. Rate*
7515	1.14	8039	2.45	8292	8.08	8800	2.85	8868	0.80	9097	3.54	9610	1.39
7520	3.13	8041	6.76	8293	10.05	8801	0.64	8870	1.05	9101	4.73	9620	2.65
7538	2.68	8042	3.41	8304	7.42	8803	0.15	8871	0.25	9151	0.82		
7539	1.59	8046	3.58	8324	3.25	8804	3.06	8875	0.79	9154	2.34		
7580	2.91	8057	3.90	8350	4.76	8806	3.97	9007	3.21	9155	1.33		
7600	8.14	8059	3.07	8370	2.14	8807	0.33	9008	8.77	9156	4.16		
7601	3.66	8060	1.86	8387	3.39	8808	0.49	9009	2.95	9180	2.91		
7605	2.65	8061	3.13	8388	5.26	8810	0.25	9010	4.09	9181	10.31		
7607	0.31	8062	1.25	8389	3.35	8811	0.23	9011	3.68	9182	1.32		
7610	0.48	8063	3.26	8390	3.11	8812	0.23	9015	4.63	9184	9.44		
7706	4.89	8064	3.59	8391	2.95	8813	0.60	9016	3.23	9185	14.81		
7707	(A)	8065	2.28	8392	2.99	8818	0.72	9031	4.28	9220	5.63		
7720	2.45	8066	1.27	8393	2.58	8820	0.40	9033	3.96	9402	3.51		
7721	3.48	8071	1.26	8397	2.73	8821	0.97	9043	1.60	9403	6.09		
7722	(A)	8078	1.50	8400	2.24	8822	0.55	9048	3.36	9410	1.31		
7855	3.26	8102	1.42	8500	6.03	8823	3.72	9050	6.62	9420	7.20		
8001	4.59	8106	4.94	8601	0.33	8827	3.69	9053	1.62	9422	1.73		
8004	3.64	8107	2.31	8631	(A)	8829	3.60	9054	4.57	9424	5.41		
8006	3.79	8110	2.60	8720	1.47	8830	1.60	9059	2.41	9426	5.56		
8008	2.43	8116	2.84	8729	0.90	8831	1.61	9060	3.75	9501	4.19		
8010	3.20	8117	3.71	8740	0.95	8834	0.84	9061	3.18	9507	2.65		
8013	1.33	8209	5.71	8741	0.13	8838	1.18	9066	2.73	9516	2.11		
8015	3.81	8215	7.64	8742	0.37	8839	0.86	9067	1.78	9519	6.75		
8017	2.92	8227	4.20	8743	0.21	8840	0.40	9069	4.18	9521	5.01		
8018	5.46	8232	6.02	8744	0.40	8846	1.48	9070	5.29	9522	6.24		
8019	1.90	8267	7.11	8745	6.87	8847	8.11	9079	3.08	9529	4.70		
8021	6.25	8278	(A)	8746	0.37	8850	2.26	9085	3.31	9531	3.06		
8028	4.30	8286	5.49	8748	0.96	8851	3.41	9092	2.26	9549	10.17		
8031	5.36	8290	2.78	8749	0.24	8852	2.06	9095	4.01	9552	8.02		
8032	4.84	8291	4.48	8755	0.86	8859	0.05	9096	11.18	9586	1.56		

Per Capita
Classifications

Firefighters, Police, Police Deputies, etc.

Class Code	P.P. Rate*
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Firefighting Operations - volunteers

7707 238.45

Police, Sheriffs - volunteers

7722 113.44

Horse Racing
Classifications

Horse Racing

Class Code	P.P. Rate*
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Jockeys or Harness Racing Drivers (per race)

8278 150.11

Racing Stables (per occupied stall day)

8631 4.95

*Pure Premium Rates are per \$100 of payroll unless otherwise noted. Note that payroll limitations apply to Classifications 7607, 7610, 8743, 8803, 8820, 8859, 9151, 9156, 9181 and 9610. Refer to the classification phraseology in Part 3, Section VII of the *California Workers' Compensation Uniform Statistical Reporting Plan – 1995* for more information.

Attachment A**Appendix A****Computation of COVID-19 Factors Included in Proposed Pure Premium Rates**

This Appendix sets forth the component calculation of the WCIRB's proposed January 1, 2021 pure premium rates attributable to the cost of losses and loss adjustment expenses projected to be incurred on COVID-19 claims on policies incepting between January 1, 2021 and August 31, 2021.

Section B, Appendix D of the WCIRB's January 1, 2021 Pure Premium Rate Filing submitted on August 26, 2020 summarizes the WCIRB's projection of the overall cost of COVID-19 losses and loss adjustment expenses on policies incepting between January 1, 2021 and August 31, 2021 of 3.8%, or \$0.06 per \$100 of payroll.¹ Exposure to COVID-19 workers' compensation claims in a particular California Standard Classification² (classification) is largely a function of an employers' employees being exposed to individuals who may carry the virus and is not proportional to other exposures for the classification. As a result, the WCIRB recommends that the provision to reflect the projected cost of COVID-19 claims on policies incepting between January 1, 2021 and August 31, 2021 be applied as an additive amount to the classification's pure premium rate rather than a multiplicative factor. In addition, as exposure to COVID-19 claims varies significantly by classification, rather than applying a uniform additive amount of \$0.06 per \$100 of payroll to each classification, the WCIRB recommends varying the amount by industry sector based on the relativity of the COVID-19 claims per \$100 of payroll reported in that industry sector. The computation is summarized below.

COVID-19 Claim Data

This computation is based on claim data provided by the Division of Workers' Compensation (DWC) on the statewide number of First Report of Injuries (FROI) filed via the Workers' Compensation Information System (WCIS) between May 14, 2020 and August 23, 2020.³ The provided data includes COVID-19 claim counts by classification. In instances where the classification was not provided for a reported claim, the industry sector based on the North American Industry Classification System (NAICS) for the claim was reported.

Statewide Payroll Computation

The WCIRB derived industry level estimates of 2020 payroll for the COVID-19 loss to payroll relativities using employment forecasts from the June 2020 UCLA Anderson Forecast (UCLA). The employment forecasts were translated to payroll by multiplying by industry average wages from the Bureau of Labor Statistics Quarterly Census of Employment and Wages Data Series.⁴ The resulting payroll amounts were converted to workers' compensation exposure by subtracting WCIRB estimates of the average amount of payroll excluded from workers' compensation exposure by industry sector.⁵

COVID-19 Claim to Payroll Relativities

The WCIRB calculated the by-industry sector frequency of COVID-19 claims by dividing each industry sector's COVID-19 claim counts reported between May 14, 2020 and August 23, 2020 by that industry

¹ Based on updated data and assumptions on COVID-19 claims on 2021 policies and in consideration of SB 1159, the provision for COVID-19 costs in January 1, 2021 to August 31, 2021 policies is 4.1%. However, this provision results in an overall cost of \$0.06 per \$100 of payroll which is consistent with the provision reflected in the WCIRB's January 1, 2021 Pure Premium Rate Filing submitted on August 26, 2020.

² California standard classifications are approved by the Insurance Commissioner as reflected in Part 3 of the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP).

³ COVID-19 claims filed before May 14, 2020 were not reflected in this analysis as these claims were filed during the shelter-in-place order before the economy began the initial stages of reopening.

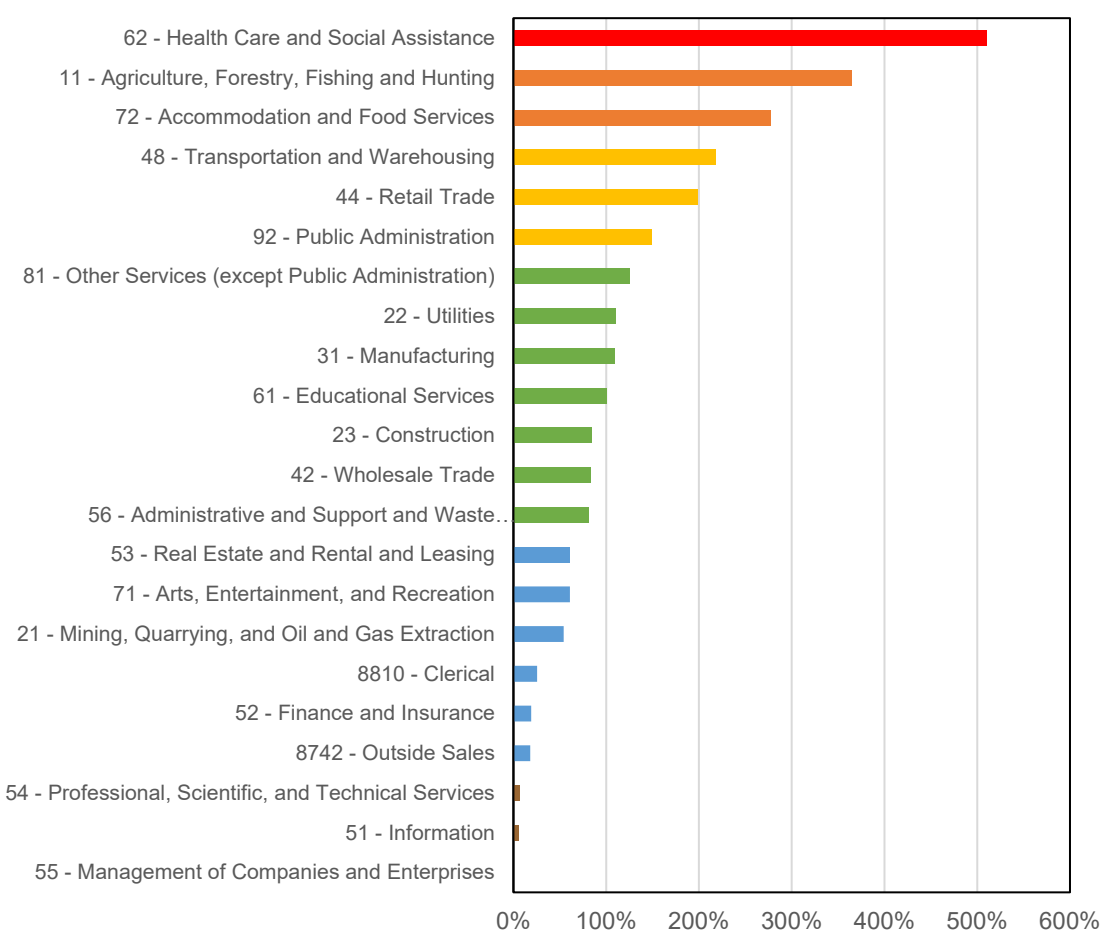
⁴ Industry average wages from 2019 were used as 2020 forecasts are unavailable. Use of 2019 wages implicitly assumes that industry average wage relativities are the same in 2019 and 2020.

⁵ The share of payroll by industry sector, which is not included in workers' compensation exposure, was estimated based on payroll and workers' compensation exposure data collected as part of the WCIRB Premium Audit Accuracy Program.

sector's workers' compensation payroll adjusted to a 2020 level. Each industry sector's COVID-19 claim frequency was translated into a claim to payroll relativity by dividing by the statewide COVID-19 claim frequency.

Industry sectors were assigned to six groupings of COVID-19 exposure based on their COVID-19 claim frequency relativities to the statewide average ratio of COVID-19 claims to payroll, with Group 6 representing the highest frequency relativity. These groupings are shown in Chart 1 with the group assignments color-coded. These groupings are more refined than the four groupings reflected in the WCIRB's January 1, 2021 Pure Premium Rate Filing submitted on August 26, 2020 based on updated data on COVID-19 claims by industry.

**Chart 1: Ratio of COVID-19 Claim Count to Payroll
Relative to Statewide**



Classification COVID-19 Pure Premium Rate Components

A relativity to the statewide average amount of \$0.06 per \$100 of payroll was selected for each of the six industry sector groupings based on the combined industry sector COVID-19 claim to payroll relativities shown in Chart 1. Due to the heterogeneity of classifications within industry sectors and the uncertainty around the estimates, the WCIRB's selected relativities for Groups 1, 2, and 6 were tempered from those indicated based strictly on the data. Observed and selected relativities, along with the estimated payroll and pure premium shares by industry sector grouping are shown in Chart 2.

Chart 2: Exposure and Pure Premium Shares and COVID-19 Claim Count to Payroll Ratio Relativities

Industry Sector Grouping	Exposure Share ⁶	Non-COVID		
		Pure Premium Share	Observed Relativity	Selected Relativity
6	3.1%	5.1%	510%	400%
5	5.8%	14.0%	300%	300%
4	11.1%	19.4%	203%	200%
3	20.1%	46.6%	99%	100%
2	41.5%	11.1%	27%	50%
1	18.4%	3.8%	7%	17%

The proposed January 1, 2021 advisory pure premium rate additive amount for COVID-19 losses for each classification within a particular industry⁷ was calculated by multiplying the appropriate selected relativity from Chart 2 by the indicated statewide average rate for COVID-19 claims incurred on January 1, 2021 to August 31, 2021 policies of \$0.06 per \$100 of payroll. The resultant additive amounts recommended to be applied to the classifications assigned to each of the six industry sector groupings are summarized in Chart 3.⁸

Chart 3: Recommended Additive Factors by Industry Sector Grouping

Industry Sector Grouping	Recommended Addition to Proposed Pure Premium Rates
6	\$0.24
5	\$0.18
4	\$0.12
3	\$0.06
2	\$0.03
1	\$0.01

These proposed January 1, 2021 pure premium rate COVID-19 additive amounts by classification are shown in Exhibit 1 and are included in the proposed January 1, 2021 advisory pure premium rates shown in Attachment A.

Given the magnitude of the additive amount indicated for Industry Sector Group 6 and the heterogeneity of some classifications within the Healthcare and Social Assistance Industry Sector with respect to exposure to COVID-19 claims, the WCIRB reviewed transactional indemnity COVID-19 claim data for classifications within this industry sector.⁹ As shown in Chart 4, the relative rate of reported COVID-19 claims to payroll Classifications 8834, *Physicians' Practices and Outpatient Clinics*, 8839, *Dentists and Dental Surgeons*, and 9059, *Day Care Centers* was significantly lower than that of other classifications in the Healthcare and Social Assistance industrial sector.¹⁰ Based on these findings, as shown in Exhibit 1, the WCIRB is recommending an additive amount of \$0.12, per \$100 of payroll consistent with the additive

⁶ Exposures are prior to the recent shifts in industry mix due to the pandemic and economic slowdown.

⁷ The assignment of classifications to NAICS sector (industry) is shown in Exhibit 2.2 of Section C, Appendix C of the WCIRB's January 1, 2021 Regulatory Filing.

⁸ COVID-19 provisions for classifications that use an exposure basis other than payroll were computed by increasing their pure premium rate indication excluding COVID-19 claims by the ratio of their industry grouping's COVID-19 provision to the average pure premium rate indication excluding COVID-19 claims for their industry grouping.

⁹ The volume of COVID-19 claim data was insufficient to make reliable determinations for classifications in other industrial sectors.

¹⁰ The payroll amounts used for this calculation are from unit statistical data from the subset of insurers submitting WCIRB transactional indemnity data. Estimated employment changes for 2020 are not available at the classification level so these amounts have not been adjusted for changes in employment during 2020.

amount for Group 4, rather than the \$0.24 per \$100 of payroll indicated for Group 6, the Healthcare and Social Assistance sector.

**Chart 4: Relative COVID-19 Claim Frequencies
for Health Care and Social Assistance Classifications**

NAICS 62 Sub-Group	Relative Ratio of COVID-19 Claim Count to Payroll
Physicians, Dentists, and Day Care	44%
Other NAICS 62 Classifications	150%

Provision for COVID-19 Claim Costs in Proposed Pure Premium Rates (as amended September 15, 2020)

Class Code	P.P. Rate*	Class Code	P.P. Rate*	Class Code	P.P. Rate*	Class Code	P.P. Rate*	Class Code	P.P. Rate*	Class Code	P.P. Rate*	Class Code	P.P. Rate*
0005	0.18	2108	0.06	3039	0.06	3651	0.06	4420	0.06	5160	0.06	6003	0.06
0016	0.18	2109	0.06	3040	0.06	3681	0.06	4432	0.06	5183	0.06	6011	0.06
0034	0.18	2111	0.06	3060	0.06	3682	0.06	4470	0.06	5184	0.06	6204	0.03
0035	0.18	2113	0.06	3066	0.06	3683	0.06	4478	0.06	5185	0.06	6206	0.03
0036	0.18	2116	0.06	3070	0.06	3719	0.06	4492	0.06	5186	0.06	6213	0.03
0038	0.18	2117	0.06	3076	0.06	3724	0.06	4494	0.06	5187	0.06	6216	0.03
0040	0.18	2121	0.06	3081	0.06	3726	0.06	4495	0.06	5190	0.06	6218	0.06
0041	0.18	2123	0.06	3082	0.06	3805	0.06	4496	0.06	5191	0.06	6220	0.06
0042	0.06	2142	0.06	3085	0.06	3808	0.06	4497	0.06	5192	0.12	6233	0.06
0044	0.18	2163	0.06	3099	0.06	3815	0.06	4498	0.06	5193	0.06	6235	0.03
0045	0.18	2222	0.06	3110	0.06	3821	0.06	4499	0.06	5195	0.06	6237	0.03
0050	0.18	2362	0.06	3131	0.06	3828	0.06	4511	0.01	5201	0.06	6251	0.06
0079	0.18	2402	0.06	3146	0.06	3830	0.06	4512	0.01	5205	0.06	6258	0.06
0096	0.18	2413	0.06	3152	0.06	3831	0.06	4557	0.06	5212	0.06	6307	0.06
0106	0.06	2501	0.06	3165	0.06	3840	0.06	4558	0.06	5213	0.06	6308	0.06
0171	0.18	2570	0.06	3169	0.06	4000	0.03	4611	0.06	5214	0.06	6315	0.06
0172	0.18	2571	0.06	3175	0.06	4034	0.06	4623	0.06	5222	0.06	6316	0.06
0251	0.06	2576	0.06	3178	0.06	4036	0.06	4635	0.06	5225	0.06	6325	0.06
0400	0.06	2584	0.06	3179	0.06	4038	0.06	4665	0.06	5348	0.06	6361	0.06
0401	0.18	2585	0.06	3180	0.06	4041	0.06	4683	0.06	5403	0.06	6364	0.06
1122	0.03	2589	0.06	3220	0.06	4049	0.06	4691	0.06	5432	0.06	6400	0.06
1123	0.03	2660	0.06	3241	0.06	4111	0.06	4692	0.06	5436	0.06	6504	0.06
1124	0.03	2683	0.06	3257	0.06	4112	0.06	4717	0.06	5443	0.06	6834	0.06
1320	0.03	2688	0.06	3339	0.06	4114	0.06	4720	0.06	5446	0.06	7133	0.12
1322	0.03	2702	0.18	3365	0.06	4130	0.06	4740	0.06	5447	0.06	7198	0.12
1330	0.06	2710	0.06	3372	0.06	4150	0.06	4771	0.06	5467	0.06	7207	0.03
1438	0.06	2727	0.18	3383	0.06	4239	0.06	4828	0.06	5470	0.06	7219	0.12
1452	0.03	2731	0.06	3400	0.06	4240	0.06	4829	0.06	5473	0.06	7227	0.12
1463	0.06	2757	0.06	3401	0.06	4243	0.06	4831	0.06	5474	0.06	7232	0.12
1624	0.03	2759	0.06	3501	0.06	4244	0.06	4983	0.06	5479	0.06	7248	0.01
1699	0.06	2790	0.06	3507	0.06	4250	0.06	5020	0.06	5482	0.06	7272	0.06
1701	0.06	2797	0.06	3560	0.06	4251	0.06	5027	0.06	5484	0.06	7332	0.24
1710	0.03	2806	0.06	3568	0.06	4279	0.06	5028	0.06	5485	0.06	7360	0.12
1741	0.03	2812	0.06	3569	0.06	4283	0.06	5029	0.06	5506	0.06	7365	0.12
1803	0.06	2819	0.06	3570	0.06	4286	0.06	5040	0.06	5507	0.06	7382	0.12
1925	0.06	2840	0.06	3572	0.06	4295	0.06	5057	0.06	5538	0.06	7392	0.06
2002	0.06	2842	0.06	3573	0.06	4297	0.06	5059	0.06	5542	0.06	7403	0.12
2003	0.06	2852	0.06	3574	0.06	4299	0.06	5102	0.06	5552	0.06	7405	0.12
2014	0.06	2881	0.06	3577	0.06	4304	0.01	5107	0.06	5553	0.06	7409	0.18
2030	0.06	2883	0.06	3612	0.06	4312	0.12	5108	0.06	5606	0.06	7410	0.18
2063	0.06	2915	0.06	3620	0.06	4351	0.06	5128	0.06	5610	0.06	7421	0.12
2081	0.06	2923	0.06	3632	0.06	4354	0.06	5129	0.06	5632	0.06	7424	0.12
2095	0.06	3018	0.06	3634	0.06	4361	0.01	5130	0.06	5633	0.06	7428	0.12
2102	0.06	3022	0.06	3643	0.06	4362	0.01	5140	0.06	5650	0.06	7429	0.12
2107	0.06	3030	0.06	3647	0.06	4410	0.06	5146	0.06	5951	0.06	7500	0.06

*COVID-19 provisions in Pure Premium Rates are per \$100 of payroll unless otherwise noted. The statewide average provision for COVID-19 claim costs in January 1, 2021 Pure Premium rates is \$0.06 per \$100 of payroll.

Provision for COVID-19 Claim Costs in Proposed Pure Premium Rates (as amended September 15, 2020)

(Continued)

Legend:

(A) See below

Class Code	P.P. Rate*	Class Code	P.P. Rate*	Class Code	P.P. Rate*	Class Code	P.P. Rate*	Class Code	P.P. Rate*	Class Code	P.P. Rate*	Class Code	P.P. Rate*
7515	0.12	8039	0.12	8292	0.12	8800	0.01	8868	0.06	9097	0.06	9610	0.01
7520	0.06	8041	0.06	8293	0.12	8801	0.03	8870	0.06	9101	0.06	9620	0.06
7538	0.06	8042	0.06	8304	0.12	8803	0.01	8871	0.03	9151	0.03		
7539	0.06	8046	0.12	8324	0.12	8804	0.24	8875	0.06	9154	0.03		
7580	0.06	8057	0.12	8350	0.06	8806	0.24	9007	0.03	9155	0.01		
7600	0.01	8059	0.06	8370	0.06	8807	0.01	9008	0.06	9156	0.03		
7601	0.06	8060	0.12	8387	0.06	8808	0.03	9009	0.03	9180	0.03		
7605	0.06	8061	0.12	8388	0.12	8810	0.03	9010	0.03	9181	0.03		
7607	0.01	8062	0.12	8389	0.06	8811	0.01	9011	0.03	9182	0.03		
7610	0.01	8063	0.06	8390	0.06	8812	0.01	9015	0.03	9184	0.03		
7706	0.12	8064	0.06	8391	0.12	8813	0.06	9016	0.03	9185	0.03		
7707	(A)	8065	0.12	8392	0.06	8818	0.01	9031	0.06	9220	0.06		
7720	0.12	8066	0.12	8393	0.06	8820	0.01	9033	0.12	9402	0.06		
7721	0.06	8071	0.12	8397	0.06	8821	0.01	9043	0.24	9403	0.06		
7722	(A)	8078	0.18	8400	0.12	8822	0.03	9048	0.18	9410	0.12		
7855	0.06	8102	0.06	8500	0.06	8823	0.24	9050	0.18	9420	0.12		
8001	0.06	8106	0.06	8601	0.01	8827	0.24	9053	0.03	9422	0.12		
8004	0.06	8107	0.06	8631	(A)	8829	0.24	9054	0.06	9424	0.06		
8006	0.12	8110	0.06	8720	0.03	8830	0.24	9059	0.12	9426	0.06		
8008	0.12	8116	0.06	8729	0.06	8831	0.01	9060	0.03	9501	0.06		
8010	0.12	8117	0.06	8740	0.03	8834	0.12	9061	0.03	9507	0.01		
8013	0.12	8209	0.18	8741	0.03	8838	0.03	9066	0.06	9516	0.06		
8015	0.12	8215	0.06	8742	0.03	8839	0.12	9067	0.03	9519	0.06		
8017	0.12	8227	0.06	8743	0.03	8840	0.06	9069	0.03	9521	0.06		
8018	0.06	8232	0.06	8744	0.06	8846	0.06	9070	0.24	9522	0.06		
8019	0.06	8267	0.06	8745	0.06	8847	0.06	9079	0.18	9529	0.06		
8021	0.06	8278	(A)	8746	0.03	8850	0.03	9085	0.24	9531	0.06		
8028	0.03	8286	0.06	8748	0.12	8851	0.24	9092	0.03	9549	0.01		
8031	0.12	8290	0.03	8749	0.03	8852	0.24	9095	0.03	9552	0.06		
8032	0.06	8291	0.12	8755	0.06	8859	0.01	9096	0.06	9586	0.06		

Per Capita
Classifications

Firefighters, Police, Police Deputies, etc.

Class Code	P.P. Rate*
7707	10.46
7722	4.98

Horse Racing
Classifications

Horse Racing

Class Code	P.P. Rate*
8278	10.39
8631	0.34

*COVID-19 provisions in Pure Premium Rates are per \$100 of payroll unless otherwise noted. The statewide average provision for COVID-19 claim costs in January 1, 2021 Pure Premium rates is \$0.06 per \$100 of payroll.