

Classification and Rating Committee

Meeting Minutes

Date	Time	Location	Staff Contact
February 2, 2021	9:45 AM	WCIRB Webinar Teleconference	Brenda Keys

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California Department of Insurance

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WCIRB

Brenda Keys, Chair
Bill Mudge
David Bellusci
Eric Riley
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Kristen Marsh
Tony Milano

The meeting of the Classification and Rating Committee, which was held by webinar teleconference, 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 October 13, 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-A

Reporting of COVID-19 Premium Charges

At the meeting, the Committee was reminded that in the California Insurance Commissioner's Decision and Order on the WCIRB's January 1, 2021 Pure Premium Rate Filing, the Commissioner did not include a provision for COVID-19 claims in the approved 2021 advisory pure premium rates and noted that insurers "shall submit any rate component and/or rating plan that includes an adjustment for COVID-19; the filed rates and rating plans in 2021 shall reflect the expected cost of COVID-19 claims on the policies to which they apply and be clearly identified in the rate filings submitted to the Department." The CDI also directed the WCIRB to collect "data of aggregate premium charged for any rate component and/or rating plan that includes an adjustment for COVID-19."

Staff explained that in order to comply with the Insurance Commissioner's directive, the WCIRB is amending its aggregate financial data call to collect information regarding COVID-19 premium charges, either reflected in the insurer's rates or as a separate charge, starting with the reporting of premium on 2021 policies. In addition, the WCIRB is proposing changes to the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP), Part 4, Section II, *Definitions*, Rule 2, *Final Premium*, to clarify that any COVID-19 premium charge, whether reflected in insurer filed rates or filed rating plans, must be included in the reported Final Premium.

In addition, in order to provide insurers with a statistical code that can be used to track the separate charge, the WCIRB, in consultation with the other data collection organizations, established statistical code 1200, *COVID-19 premium charges not included in insurer's filed rates*. In the Agenda, the WCIRB proposed amending Part 4, Section IV, *Exposure Information*, Rule 1, *Classification Code*, and Rule 5, *Premium Amount*, to require that COVID-19 premium charges applied as part of a filed rating plan but not included in an insurer's filed rates, be reported using statistical code 1200. However, the Committee members thought the use of this statistical code should be voluntary for purposes of unit statistical data reporting, and WCIRB staff agreed since the WCIRB intends to obtain the data through the aggregate financial data calls and not through unit statistical reporting. Therefore, the Committee determined that the proposed amendments to Part 4, Section IV, Rules 1 and 5 are no longer needed. Instead of including information regarding the use of the statistical code in the USRP, the WCIRB agreed to provide information regarding the use of statistical code 1200 in the WCIRB's *Data Reporting Handbook – Unit Statistical Reporting*.

Following the discussion, the WCIRB agreed to email the amended proposed USRP rule changes to the Committee members for final review and approval. If approved, these changes would be included in the September 1, 2021 Regulatory Filing and would be effective with respect to unit statistical report data for policies incepting on or after January 1, 2021 with a required date of reporting on or after September 1, 2022.¹

¹ Following the meeting, WCIRB staff emailed the amended proposed USRP rule changes to the Committee members and the Committee approved the changes. A copy of the proposed rules approved by the Committee is attached to these minutes.

Recommendation

Amend Part 4, Section II, *Definitions*, Rule 12, *Final Premium*, to clarify in the example that premium charges related to Coronavirus 2019 (COVID-19) are included in the reported Final Premium for policies incepting on or after January 1, 2021 with a required date of reporting on or after September 1, 2022.

PROPOSED

12. Final Premium(s)

Reported in the "Standard Premium Total" field on the unit statistical report, this is the total premium charged to the policyholder, EXCEPT that it does not include the following:

- a. Reinsurance assumed,
- b. Adjustment for reinsurance ceded,
- c. Retrospective rating adjustments,
- d. Policyholder dividends,
- e. Application of deductible credits,
- f. Premium charges arising from the Terrorism Risk Insurance Program established by the Terrorism Risk Insurance Act of 2002, and any amendments thereof,
- g. The costs incurred by the insurer in unsuccessfully attempting to perform a payroll audit that are reimbursable pursuant to Insurance Code Section 11760.1, and
- h. Policy assessments, including but not limited to California Insurance Guarantee Association (CIGA) assessments, California Workers' Compensation Revolving Fund assessments, California workers' compensation fraud surcharges, Uninsured Employers Benefits Trust Fund assessments, Occupational Safety and Health Fund assessments, Labor Enforcement and Compliance Fund assessments, and Subsequent Injuries Benefits Trust Fund assessments.

The following hypothetical examples illustrate how final premiums on two large policies are to be determined (assuming, for simplicity, that retrospective rating adjustments and policyholder dividends do not apply to these two policies, but a charge arising from the Terrorism Risk Insurance Program, and any amendments thereof, does apply):

		Example One	Example Two
(1)	Subject Premium (Based on exposure and insurer's rates)	\$5,000	\$200,000
(2)	Experience Rating Credit	—	20,000
(3)	Experience Rating Debit	—	—
(4)	Deductible Credit	—	50,000
(5)	Premium Discount	—	10,000
(6)	Expense Constant	50	—
(7)	Other Credit Adjustments*	100	2,000
(8)	Other Debit Adjustments**	75	3,000
(9)	Charge for the Terrorism Risk Insurance Program and any amendments thereof	40	1,500

(10)	Actual Premium Charged [(1) + (3) + (6) + (8) + (9)] – [(2) + (4) + (5) + (7)]	5,065	122,500
(11)	Final Premium to be Reported [(1) + (3) + (6) + (8)] – [(2) + (5) + (7)], or simply (10) + (4) – (9)	\$5,025	\$171,000

* schedule rating credits, merit rating credits, Insolvent Insurer Rating Adjustment Factor credits, etc., if applicable.

** schedule rating debits, surcharge for waiver of subrogation, surcharge for Coverage B increased limits, surcharge for policyholder audits authorized by Insurance Code Section 11665, additional premium estimated pursuant to Insurance Code Section 11760.1, Insolvent Insurer Rating Adjustment Factor debits, premium charges not included in insurer's filed rates related to Coronavirus 2019 (COVID-19), etc., if applicable.

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Item III-B

Withdrawal of Classification Enhancements to the *California Workers' Compensation Uniform Statistical Reporting Plan—1995*

The Committee members were reminded that at the October 13, 2020 meeting, the Committee approved clarifying revisions to several classifications for inclusion in the September 1, 2021 Regulatory Filing.

The WCIRB advised that, after further consideration, it is requesting the withdrawal of the proposed clarifying changes to Classification 6504, *Food Products Mfg. or Processing*, regarding the manufacture of packaged meals and the cross-reference to Classification 9079, *Restaurants or Taverns*. Staff indicated that the WCIRB will be conducting further review of these proposed changes and potentially revising them to ensure that the proposed language regarding the manufacture of packaged meals is sufficiently clear and descriptive of the operations assigned to this classification and distinguishable from operations assigned to restaurants. The previously approved change to remove the manufacture of milk powder is not being withdrawn and will be included in the September 1, 2021 Regulatory Filing.

Following staff's presentation, a motion was made, seconded and unanimously passed to withdraw the previously approved recommend changes for inclusion in the WCIRB's September 1, 2021 Regulatory Filing.

Item III-C

Revised 2021 Schedule of Meetings

The following revised 2021 meeting schedule for the Classification and Rating Committee was presented to the Committee members and approved.

Day of Week	Date & Time	Content
Tuesday	February 2, 2021 at 9:30 AM	Review classification relativities for September 1, 2021 Regulatory Filing
Tuesday	May 18, 2021 at 9:30 AM	Review September 1, 2022 Regulatory Filing matters
Wednesday	September 22, 2021 at 9:30 AM	Review September 1, 2022 Regulatory Filing matters
Tuesday	October 26, 2021 at 9:30 AM	Review September 1, 2022 Regulatory Filing matters

Additional dates to note:

Tuesday	March 11, 2021	Annual Meeting of the Membership
Thursday	September 23, 2021 (tentative)	Annual WCIRB Conference

Item III-D

Classification Relativities

The Agenda included preliminary September 1, 2021 classification relativity review sheets. The Committee was advised that the review sheets were preliminary in that WCIRB staff would be continuing the process of validating the underlying data and factors used in the computation of these classification relativities. The Committee was also advised that the methodologies and processes used to compute the September 1, 2021 classification relativities were consistent with those used in the computation of the January 1, 2021 relativities. Staff noted that in order to have sufficient data by classification for the September 1, 2021 Regulatory Filing to be submitted later this month, the September 1, 2021 classification relativities reflected data from October 1 to September 30 policies in lieu of January 1 to December 31 policies as had been used in prior January 1 relativities. Staff summarized the overall methodology used to compute the classification relativities.

Staff summarized the results for several individual classifications including those of all classifications requiring special adjustments as noted in the Agenda. Staff noted that the distribution of preliminary September 1, 2021 relativity changes were generally spread less widely than the January 1, 2021 relativity changes with fewer large swings.

Staff noted that the WCIRB's 2019 study of the hardware store industry¹ recommended "combining Classification 8110, *Stores – welding supplies – wholesale or retail*, with Classification 8010 for ratemaking purposes and limiting the increase in its relativity to 25% per year. Once the classification relativities for Classifications 8110 and 8010 are better aligned, eliminate Classification 8110 and assign the constituents to Classification 8010." Staff noted that, the indicated September 1, 2021 Classification 8110 relativity is within 25% of the combined Classifications 8110 and 8010 indicated relativity. As a result, staff recommended the elimination of Classification 8110 to be effective September 1, 2021 and summarized the proposed USRP changes intended to facilitate the elimination of Classification 8110 that were included in the Agenda. A motion was made, seconded and unanimously passed to include the proposed changes in the September 1, 2021 Regulatory Filing.

Following the presentation and discussion, the consensus of the Committee was that the September 1, 2021 classification relativities should be filed, once finalized, as outlined by staff.

¹ See *Report on the Hardware Stores and Dealers Study*, WCIRB, May 2019.

Recommendation

Amend Classification 8010, *Stores – hardware, electrical or plumbing supplies*, which is part of the *Stores* Industry Group, to clarify that it includes the sale of welding supplies and welding or medical gases, as Classification 8110, *Stores – welding supplies*, is being eliminated, and provide direction as to how related operations should be classified.

PROPOSED

STORES

STORES – hardware, electrical or plumbing supplies – wholesale or retail

8010

This classification applies to the sale of hardware, electrical or plumbing supplies, including but not limited to nails, screws and threaded fasteners; hand or power tools; door or lock hardware; electrical wire, conduit, switches, outlets and circuit breakers; new or used gas or water fittings, pipe, valves, faucets and filters; bathroom fixtures, water heaters, boilers, insulation and ventilating ducts. This classification also applies to the sale of oil, gas or water well supplies, such as pipe (new or used), tubing, flanges, fittings and valves, and includes incidental cleaning operations to prepare the pipe for sale. This classification also applies to the sale of welding supplies, including but not limited to welding rods, torch tips, gauges, electrode holders, welding generators, electric welders, protective clothing or eyewear, and welding gases such as oxygen, argon, carbon dioxide, nitrogen, or helium, including recharging bottles or tanks with gas. This classification also applies to stores engaged in the sale of medical gases.

This classification also applies to locksmith operations performed at fixed or outside locations.

When lumber sales exceed 10% of gross receipts, employees, other than store cashiers, engaged in handling or delivering lumber shall be separately classified as 8232(1), *Lumberyards*.

When building material sales exceed 10% of gross receipts, employees, other than store cashiers, engaged in handling or delivering building materials shall be separately classified as 8232(2), *Building Material Dealers*.

Dealers of oil or gas well machinery or equipment shall be classified as 8107, *Machinery and Equipment Dealers – N.O.C.*, or 8267, *Machinery and Equipment Dealers – secondhand*.

The manufacture of welding gases shall be classified as 4635, *Oxygen or Hydrogen Mfg.*

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Recommendation

Eliminate Classification 8110, *Stores – welding supplies*, which is part of the *Stores* Industry Group, and reassign the operations described by this classification to Classification 8010, *Stores – hardware, electrical or plumbing supplies*.

PROPOSED

STORES

~~STORES – welding supplies – wholesale or retail – including the charging of welding cylinders~~

~~8110~~

~~This classification applies to stores engaged in the sale of welding supplies, including but not limited to welding rods, torch tips, gauges, electrode holders, welding generators, electric~~

~~welders, protective clothing and eyewear, and welding gases such as oxygen, argon, carbon dioxide, nitrogen, and helium, including recharging bottles or tanks with gas.~~

~~This classification also applies to stores engaged in the sale of medical gases, including recharging bottles or tanks with gas.~~

~~The manufacture of welding gases shall be classified as 4635, *Oxygen or Hydrogen Mfg.*,~~

* * * * *

Recommendation

Amend Classification 4635, *Oxygen or Hydrogen Mfg.*, for consistency with other proposed changes.

PROPOSED

OXYGEN OR HYDROGEN MFG. – including tank charging

4635

This classification applies to the manufacture, mixing or blending of gases, including but not limited to oxygen, hydrogen, acetylene, carbonic acid, nitrogen, nitrous oxide, helium and arsine. This classification also applies to the manufacture of liquefied hydrogen or nitrogen, or dry ice. This classification includes the refilling of tanks with gas for customers.

The manufacture of propane, butane or liquefied petroleum gas shall be classified as 4740(3), *Gasoline Recovery*.

The sale of gases for use in welding or medical purposes shall be classified as ~~8110~~8010, *Stores – ~~welding hardware, electrical or plumbing supplies.~~*

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Amend Section VIII, *Abbreviated Classifications – Numeric Listing*, for consistency with other proposed changes.

PROPOSED

Section VIII – Abbreviated Classifications – Numeric Listing

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- 8110 ~~Stores – welding supplies~~
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The meeting was adjourned at 10:25 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 May 18, 2021 for approval and/or modification.