

# Classification and Rating Committee

## Meeting Agenda

Date	Time	Location	Staff Contact
May 17, 2022	9:30 AM	Microsoft Teams Webinar	Kristen Marsh

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Released: May 3, 2022

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#### I. Approval of Minutes

Meeting held February 1, 2022

#### II. Unfinished Business

#### III. New Business

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A. Draft Report on Extension of Payroll Limitations	3
B. Draft Newspaper Delivery Study	14
C. Proposed Classification Enhancements to the <i>California Workers' Compensation Uniform Statistical Reporting Plan—1995</i>	35

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

#### V. Next Meeting Date: August 9, 2022

#### VI. Adjournment

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## **Item III-A**

### **Draft Report on Extension of Payroll Limitations**

- 4297(1), *Electronic Pre-Press – all operations – including Clerical Office Employees and Clerical Telecommuter Employees***
- 4297(2), *Graphic Design – all operations – including Clerical Office Employees and Clerical Telecommuter Employees***
- 4512, *Biomedical Research Laboratories – all employees – including Clerical Office Employees and Clerical Telecommuter Employees*<sup>1</sup>**
- 8807, *Newspaper, Magazine or Book Publishing – no printing or distribution – editing, designing, proofreading or photographic composing – including Clerical Office Employees and Clerical Telecommuter Employees*<sup>2</sup>**
- 8834, *Physicians’ Practices and Outpatients Clinics – all employees – including Clerical Office Employees and Clerical Telecommuter Employees***
- 8839, *Dental or Orthodontia Practices – including Clerical Office Employees and Clerical Telecommuter Employees*<sup>3</sup>**
- 9043, *Hospitals – all employees – including Clerical Office Employees, Clerical Telecommuter Employees and Outside Salespersons***

#### **Background and Objective**

Payroll, also referred to as remuneration, is used as a proxy for measuring exposure to workers’ compensation losses for ratemaking and experience rating purposes. In general, remuneration is reasonably correlated with losses and can be audited and validated against other documents that are reported to state or federal government agencies.

However, given the wide dispersion of payroll among highly compensated employees and concerns as to the lack of correlation of exposure to loss at very high wage levels, the *California Workers’ Compensation Uniform Statistical Reporting Plan—1995* (USRP) includes limitations on an individual’s annual payroll for workers’ compensation purposes for certain types of highly compensated employees. For many years, these included executive officers, partners, individual employers and members of a limited liability company as well as employees in several classifications related to entertainers and athletes.

As part of the WCIRB’s continuing efforts to analyze payroll as the basis of workers’ compensation premium, the WCIRB completed a study in 2018 and found that at very high wage levels there is no evidence of increasing exposure to workers’ compensation losses with increasing wage levels. As a result, the WCIRB determined that it is appropriate to apply payroll limitations to classifications that (a) have unusually high levels of employees with wages above the current USRP annual payroll maximum, (b) have relatively low advisory pure premium rates that are likely driven by the high wage levels in the industry and (c) include most employees so that any payroll limitation could be administered in a relatively straightforward manner.

As these results have held in updated studies, the WCIRB used these criteria to identify potential additional classifications for which payroll limitation would be appropriate. In completing this analysis, staff used publicly available sources of wage information by industry to estimate the payroll to be eliminated in each classification due to imposition of a payroll limitation and the resultant potential adjustment to future advisory pure premium rates. This adjustment is required since the payroll history underlying the relativity for these classifications is on an unlimited basis, but the exposure basis contemplated for the period that the advisory pure premium rates would apply will be on a limited basis. The annual payroll limitation is \$144,300 per year effective September 1, 2021 through August 31, 2022.<sup>4</sup>

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<sup>1</sup> The phraseology for Classification 4512 includes changes being proposed in the September 1, 2022 Regulatory Filing.

<sup>2</sup> The phraseology for Classification 8807 includes changes being proposed in the September 1, 2022 Regulatory Filing.

<sup>3</sup> The phraseology for Classification 8839 includes changes being proposed in the September 1, 2022 Regulatory Filing.

<sup>4</sup> The limit is adjusted annually for wage inflation.

### **Analysis and Findings**

To assess the variability of losses with payroll at high wage levels, the WCIRB reviewed California wage data by industry and occupation from the American Community Survey (ACS) published by the United States Census Bureau from calendar years 2019 and 2020 and unit statistical report (USR) data from policy years 2017 through 2019.

Given the lack of evidence of increasing exposure to workers' compensation losses at high wage levels, as well as potential limitations and large swings when changing advisory pure premium rates and expected loss rates for classifications for which those rates are very low, the WCIRB identified several additional classifications for which limiting each employee's annual payroll is appropriate. Specifically, the WCIRB identified the following classifications based on the study criteria:

- 4297(1), *Electronic Pre-Press – all operations – including Clerical Office Employees and Clerical Telecommuter Employees*
- 4297(2), *Graphic Design – all operations – including Clerical Office Employees and Clerical Telecommuter Employees*
- 4512, *Biomedical Research Laboratories –all employees – including Clerical Office Employees and Clerical Telecommuter Employees*<sup>5</sup>
- 8807, *Newspaper, Magazine or Book Publishing – no printing or distribution – editing, designing, proofreading or photographic composing – including Clerical Office Employees and Clerical Telecommuter Employees*
- 8834, *Physicians' Practices and Outpatients Clinics – all employees – including Clerical Office Employees and Clerical Telecommuter Employees*
- 8839, *Dental or Orthodontia Practices– including Clerical Office Employees and Clerical Telecommuter Employees*
- 9043, *Hospitals – all employees – including Clerical Office Employees, Clerical Telecommuter Employees and Outside Salespersons*

Figure 1 shows the average indemnity claim severity for workers below the average weekly wage (AWW),<sup>6</sup> workers with wages between the AWW and the current payroll maximum<sup>7</sup> and workers with wages above the current payroll maximum for workers in the selected classifications based on USR data from policy years 2017 through 2019. In general, average indemnity and medical claim severities increase with higher wages up to the approximate level of the current USRP payroll limitation. However, the average claim severities are similar at both wage levels above the current payroll maximum and at wage levels below that amount but above the AWW. Figure 1 shows that the average claim severity for the highest wage workers is 5% lower than for workers between the AWW and the current payroll maximum.

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<sup>5</sup> As part of the September 1, 2022 Regulatory Filing, the WCIRB is recommending that Classification 4512 include Clerical Office Employees and Clerical Telecommuter Employees.

<sup>6</sup> The average payrolls before payroll exclusion at calendar year 2019 level corresponds to a weekly wage of \$1,322.

<sup>7</sup> The 2022 USRP annual payroll maximum corresponds to a weekly wage of \$2,875.

**Figure 1: Average Severity on Indemnity Claims by Wage Level (Selected Classes)**

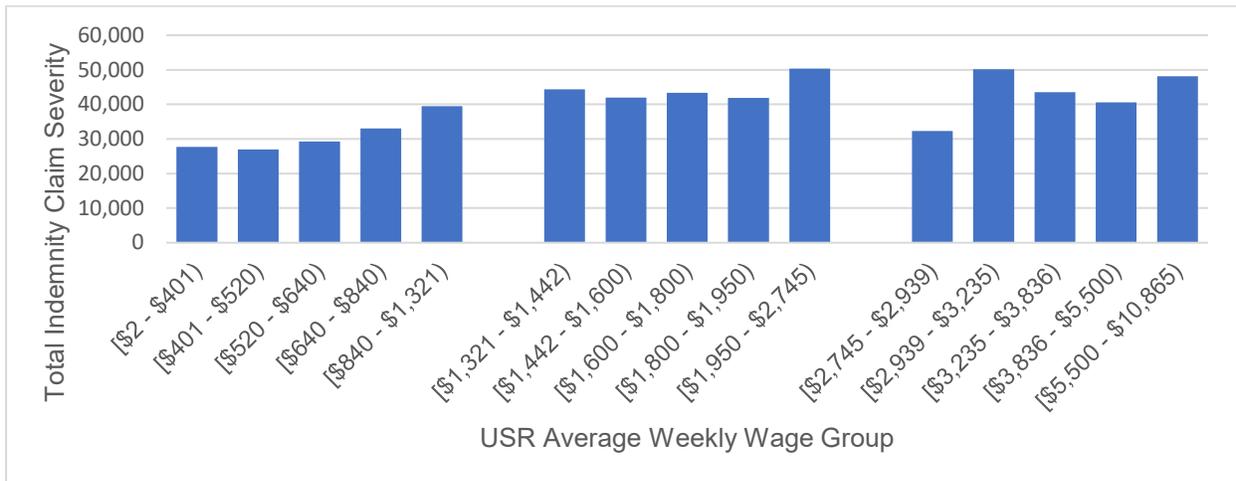
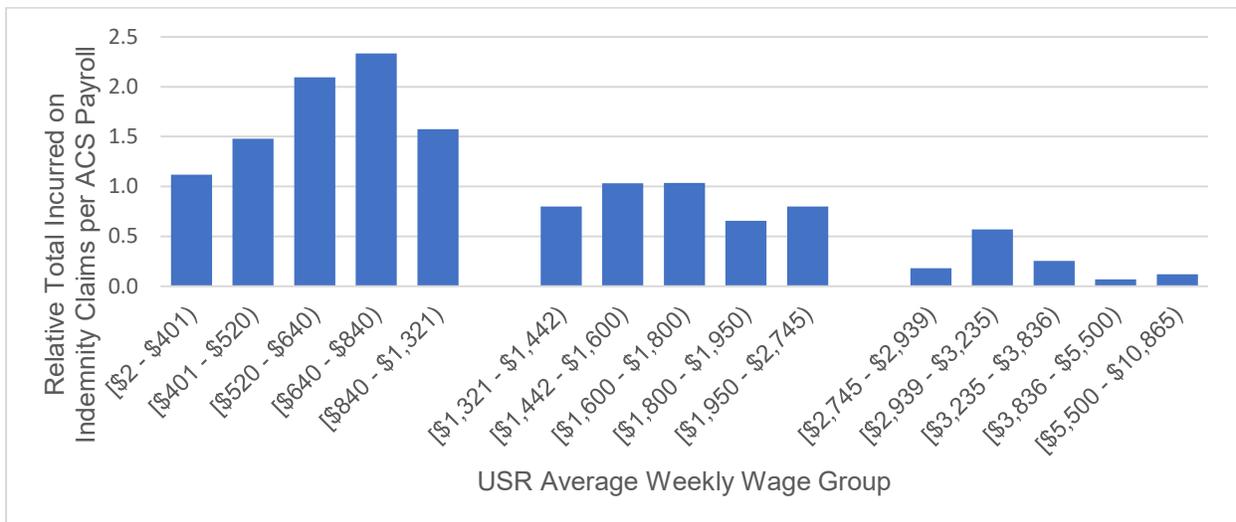


Figure 2 shows an estimated distribution of total losses on indemnity claims per ACS payroll by wage level interval for the selected classes based on ACS and USR data. As shown, when considering the impact of claim frequency differences, claim costs generally decreased as wage levels increased, particularly at high wage levels. Staff reviewed similar data for all industries combined and saw relatively similar results.

**Figure 2: Relative Total Incurred per ACS payroll by Wage Level Interval (Selected Classes)**



The WCIRB evaluated available data sources to develop factors to adjust historical insured payrolls used in the classification relativity process to a basis with a maximum payroll limitation. The ACS data provides sufficiently refined data to estimate the shares of wages and salaries expected to be above given annual salary thresholds for select occupations and industries. The data is available at both occupation and industry levels and can be used either independently or in combination.

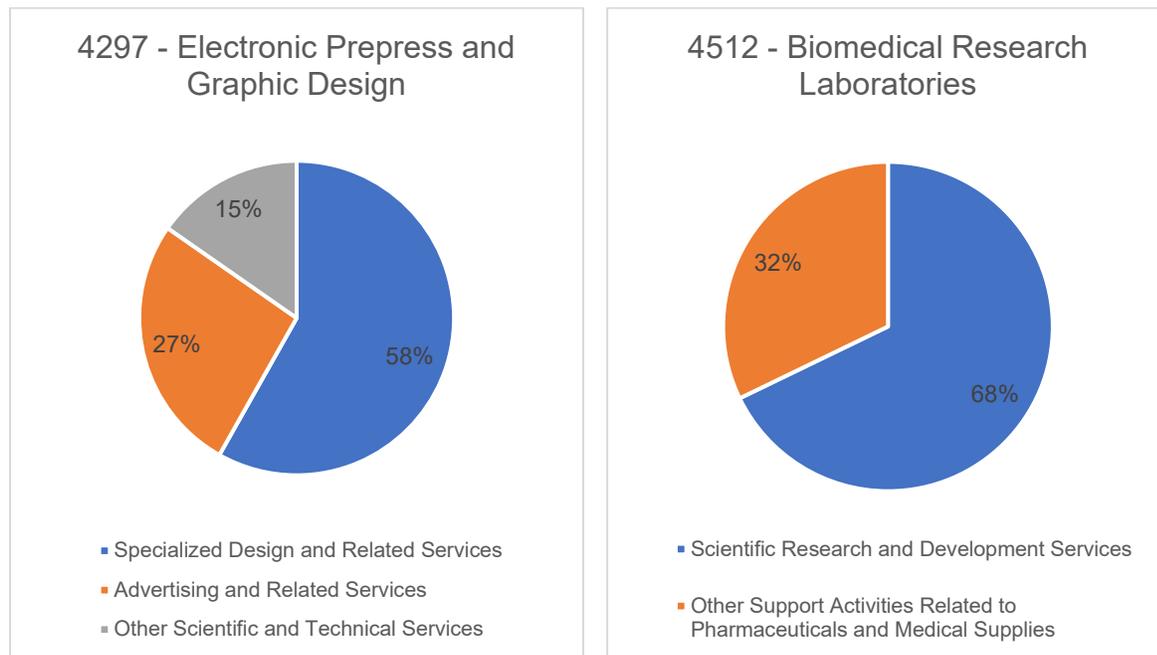
The WCIRB's preliminary analysis of ACS wage data suggests that the amount of payroll for each of the identified classifications in excess of the current USRP payroll limitation is significant, ranging from approximately 13% to 35%. As a result, in order for the implementation of a payroll limitation in these classifications to be pure premium neutral, significant adjustments to the advisory pure premium rates for

these classifications will be needed if a payroll limitation is applied. The WCIRB reviewed the methodology used to compute the adjustments at the February 1, 2022 Classification and Rating Committee meeting as well as at the February 15, 2022 Actuarial Committee meeting and both committees supported continuing to use this methodology for future adjustments for new payroll limited classifications. Figure 3 shows the preliminary estimates of the portion of payroll which would be eliminated for each classification that the WCIRB is proposing to have a payroll limitation.

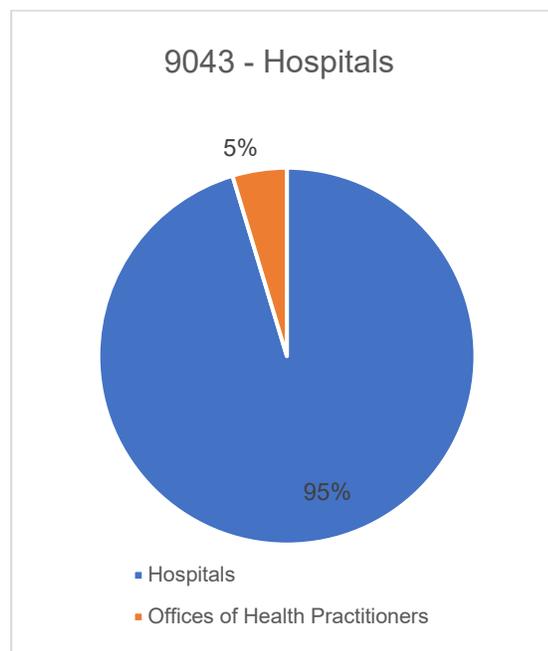
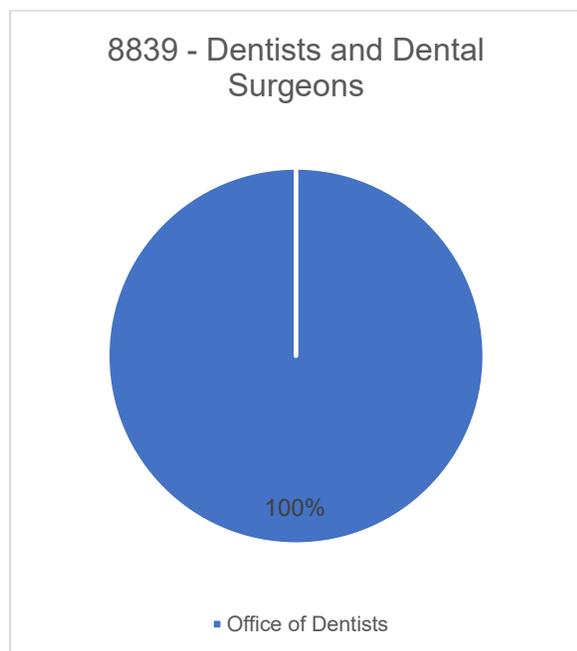
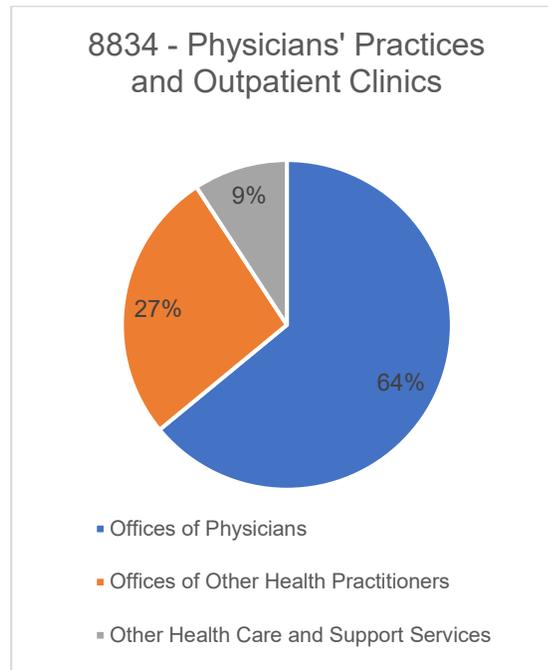
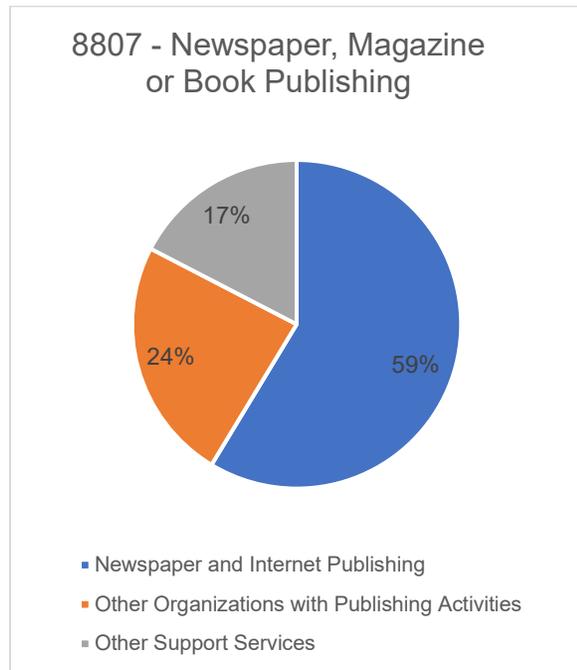
**Figure 3: Preliminary Estimated Share of Payroll to be Eliminated by Class**

Class Code	Estimated Payroll Eliminated
4297	13%
4512	18%
8807	20%
8834	35%
8839	18%
9043	17%

The appropriateness of developing adjustment factors from the ACS data relies on an adequate mapping between WCIRB classifications and ACS industries or occupations for which statewide worker wage information is available.<sup>8</sup> The WCIRB determined a mapping that they believe appropriate for each of the selected classifications. These mappings are summarized below.



<sup>8</sup> In addition to an appropriate mapping between classifications and industries or occupations, there are definitional differences among the available data sources on California wages. The WCIRB reviewed the definitions of wages and salaries in the available data sources and determined that the Bureau of Labor Statistics (BLS) wage series most closely approximates insured payrolls. The BLS series is also used to on-level wages in aggregate ratemaking and for which the UCLA Anderson Forecast provides forecasts but does not include information showing a distribution of wages within an industry. The BLS wage series includes income items such as profit sharing and stock bonuses that are not included in the ACS wage data but, for the most part, are included in insured payrolls. If needed, the WCIRB could correct for this in the advisory pure premium rate adjustment for each classification to be limited by adjusting the ACS source data to bring the average ACS wage level to the BLS level in the development of proposed advisory pure premium rates for each of the limited classifications.



**Recommendations**

Based on the analysis summarized above, the WCIRB recommends that individual employee’s annual payroll developed in Classifications 4297(1), 4297(2), 4512, 8807, 8834, 8839 and 9043 be subject to the USRP annual payroll limitation. Given the impact of this change on employers with operations in the affected classifications, as well as on producers, premium auditors and underwriters, the WCIRB recommends that these changes be included in the September 1, 2023 Regulatory Filing with a proposed effective date of September 1, 2024. If adopted by the Insurance Commissioner, this will allow the WCIRB to conduct extensive outreach prior to the September 1, 2024 effective date and propose adjusted advisory pure premium rates in the September 1, 2024 Pure Premium Rate Filing to reflect the estimated reduction in reported exposure in each classification resulting from the application of the limitation as outlined above.

**Recommendation**

Amend Classification 4512, *Biomedical Research Laboratories*, to limit an employee's annual payroll to \$XXX,XXX and direct that the maximum payroll amount shall be prorated based upon the number of weeks in the policy period when the policy is in force for less than a 12-month period.

PROPOSED

**BIOMEDICAL RESEARCH LABORATORIES – all employees – including outside operations 4512  
Clerical Office Employees and Clerical Telecommuter Employees**

**The entire remuneration of each employee shall be included, subject to a maximum of \$XXX,XXX per year. When the policy is in force for less than a 12-month period, the maximum payroll amount shall be prorated based upon the number of weeks in the policy period.**

This classification applies to biomedical research, including outside operations, in fields such as medicine, pharmacology, pathology, toxicology and microbiology. The research may be performed on a contract basis or in connection with the proprietary development of new products, medications or procedures to treat or cure diseases or conditions that cause illness.

This classification does not apply when the biomedical research is in connection with, or in support of, the commercial production of products or medications by the employer. Biomedical research in connection with other operations of the same employer is a General Inclusion. See Section III, Rule 5, *General Inclusions*.

The manufacturing, blending or packaging of drugs, medicines or pharmaceutical preparations that are intended for use in the diagnosis, cure, mitigation, treatment or prevention of disease shall be classified as 4611, *Drug, Medicine or Pharmaceutical Preparations Mfg.*

The manufacture of serums, antitoxins, viruses or medical diagnostic test kits shall be classified as 5951, *Serum, Antitoxin or Virus Mfg.*

The diagnostic testing of human tissues, blood or other biologic specimens on a fee basis shall be classified as 8834, *Physicians' Practices and Outpatient Clinics*.

\* Changes proposed to Classification 4512 in the September 1, 2022 Regulatory Filing are noted with double underlines.

\* \* \* \* \*

**Recommendation**

Amend Classification 8839, *Dentists and Dental Surgeons*, which is part of the Health and Human Services Industry Group, to limit an employee's annual payroll to \$XXX,XXX and direct that the maximum payroll amount shall be prorated based upon the number of weeks in the policy period when the policy is in force for less than a 12-month period.

PROPOSED

**HEALTH AND HUMAN SERVICES**

~~**DENTISTS AND DENTAL SURGEONS OR ORTHODONTIA PRACTICES – all employees – including Clerical Office Employees and Clerical Telecommuter Employees**~~ 8839

**The entire remuneration of each employee shall be included, subject to a maximum of \$XXX,XXX per year. When the policy is in force for less than a 12-month period, the maximum payroll amount shall be prorated based upon the number of weeks in the policy period.**

This classification applies to dental practices or clinics that provide general, restorative or cosmetic dental services or teeth whitening or straightening procedures. This classification also applies to ~~orthodontists and periodontists~~ periodontal or oral surgery practices. This classification includes the manufacture or customization of dental products, including but not limited to crowns, dentures, inlays and bridges when performed in connection with the dental services provided.

~~This classification includes the manufacture or customization of dental products, including but not limited to crowns, dentures, inlays and bridges when such operations are primarily in support of the dental services provided.~~ Physicians' practices or clinics that provide outpatient medical services shall be classified as 8834, *Physicians' Practices and Outpatient Clinics*.

The manufacture ~~or customization~~ of dental products primarily for other concerns shall be separately classified as 4692, *Dental Laboratories*.

\* Changes proposed to Classification 8839 in the September 1, 2022 Regulatory Filing are noted with double underlines.

\* \* \* \* \*

**Recommendation**

Amend Classification 9043, *Hospitals*, which is part of Health and Human Services Industry Group, to limit an employee's annual payroll to \$XXX,XXX and direct that the maximum payroll amount shall be prorated based upon the number of weeks in the policy period when the policy is in force for less than a 12-month period.

PROPOSED

**HEALTH AND HUMAN SERVICES**

**HOSPITALS – all employees – including Clerical Office Employees, Clerical Telecommuter Employees and Outside Salespersons 9043**

**The entire remuneration of each employee shall be included, subject to a maximum of \$XXX,XXX per year. When the policy is in force for less than a 12-month period, the maximum payroll amount shall be prorated based upon the number of weeks in the policy period.**

The payroll for student nurses and interns shall be included at an average wage of at least \$100 per week.

This classification applies to facilities that are licensed by the California Department of Public Health as a General Acute Care Hospital, Acute Psychiatric Hospital or Special Hospital. Hospitals retain medical staff with the capability to provide 24-hour inpatient care. This classification includes skilled nursing facilities operated by the acute care hospital when both facilities operate under a single license as an acute care hospital.

Skilled nursing facilities operated under a separate license shall be classified as 8829(1), *Skilled Nursing Facilities*.

A medical clinic that operates at a location separate from the hospital shall be classified as 8834, *Physicians' Practices and Outpatient Clinics*, provided the clinic does not provide 24-hour inpatient care.

Hospitals operated by municipal, state or other public agencies shall be classified as 8830, *Institutional Employees*.

Hospitals operated in connection with jails or prisons shall be classified as 7720, *Police, Sheriffs, Marshals, Animal Control Officers, Fish and Wildlife Officers and Correctional Officers – including deputies – not volunteers*.

\* \* \* \* \*

**Recommendation**

Amend Classification 8834, *Physician's Practices and Outpatient Clinics*, which is part of Health and Human Services Industry Group, to limit an employee's annual payroll to \$XXX,XXX and direct that the maximum payroll amount shall be prorated based upon the number of weeks in the policy period when the policy is in force for less than a 12-month period.

PROPOSED

**HEALTH AND HUMAN SERVICES**

**PHYSICIANS' PRACTICES AND OUTPATIENT CLINICS – all employees – including Clerical Office Employees and Clerical Telecommuter Employees 8834**

**The entire remuneration of each employee shall be included, subject to a maximum of \$XXX,XXX per year. When the policy is in force for less than a 12-month period, the maximum payroll amount shall be prorated based upon the number of weeks in the policy period.**

This classification applies to physicians' practices or clinics that provide outpatient medical services that are less than 24 hours in duration to treat patients for illness, disease or disorders. Outpatient medical services also include but are not limited to surgery; medical weight loss treatment; physical therapy; acupuncture; chiropractic care; dialysis; X-ray laboratory services; and blood, body fluid or tissue collection or testing. This classification includes the dispensing or provision of medication or medical equipment exclusively to patients by physicians' practices or outpatient clinics, including but not limited to eyeglasses, braces, supports, mobility aids and home testing or monitoring equipment.

This classification also applies to blood banks or blood donor centers.

Physicians employed by facilities, including but not limited to hospitals, skilled nursing facilities and residential care facilities shall be assigned to the classification applicable to the facility.

\* \* \* \* \*

**Recommendation**

Amend Classification 4297(1), *Electronic Pre-Press*, which is part of the Printing, Publishing and Duplicating Industry Group, to limit an employee's annual payroll to \$XXX,XXX and direct that the maximum payroll amount shall be prorated based upon the number of weeks in the policy period when the policy is in force for less than a 12-month period.

PROPOSED

**PRINTING, PUBLISHING AND DUPLICATING**

**ELECTRONIC PRE-PRESS – all operations – including Clerical Office Employees and Clerical Telecommuter Employees 4297(1)**

**The entire remuneration of each employee shall be included, subject to a maximum of \$XXX,XXX per year. When the policy is in force for less than a 12-month period, the maximum payroll amount shall be prorated based upon the number of weeks in the policy period.**

This classification applies to the production of computer generated typeset materials or color separations, including all incidental camera work, that are used by separate concerns in connection with commercial printing operations.

This classification does not apply when electronic pre-press operations are performed by an employer in connection with its own operations. Such operations shall be assigned to the applicable classification.

\* \* \* \* \*

**Recommendation**

Amend Classification 4297(2), *Graphic Design*, which is part of the Printing, Publishing and Duplicating Industry Group, to limit an employee's annual payroll to \$XXX,XXX and direct that the maximum payroll amount shall be prorated based upon the number of weeks in the policy period when the policy is in force for less than a 12-month period.

PROPOSED

**PRINTING, PUBLISHING AND DUPLICATING**

**GRAPHIC DESIGN – all operations – including Clerical Office Employees and Clerical Telecommuter Employees 4297(2)**

**The entire remuneration of each employee shall be included, subject to a maximum of \$XXX,XXX per year. When the policy is in force for less than a 12-month period, the maximum payroll amount shall be prorated based upon the number of weeks in the policy period.**

This classification applies to the production of camera-ready layouts by combining text, photographs, artwork and graphics for use in commercial printing operations performed by separate concerns.

This classification does not apply when graphic design operations are performed by an employer in connection with its own operations. Such operations shall be assigned to the applicable classification.

\* \* \* \* \*

Amend Classification 8807, *Newspaper, Magazine or Book Publishing*, which is part of the Printing, Publishing and Duplicating Industry Group, to limit an employee's annual payroll to \$XXX,XXX and direct that the maximum payroll amount shall be prorated based upon the number of weeks in the policy period when the policy is in force for less than a 12-month period.

PROPOSED

**PRINTING, PUBLISHING AND DUPLICATING**

**NEWSPAPER, MAGAZINE OR BOOK PUBLISHING – no printing or distribution – editing, 8807  
designing, proofreading, ~~and/or~~ photographic composing – including Clerical Office  
Employees and Clerical Telecommuter Employees**

**The entire remuneration of each employee shall be included, subject to a maximum of \$XXX,XXX per year. When the policy is in force for less than a 12-month period, the maximum payroll amount shall be prorated based upon the number of weeks in the policy period.**

\* This classification applies to pre-press activities ~~and Clerical Office Employees~~ of employers engaged in publishing printed newspapers, magazines or books where all printing and distribution is conducted by separate concerns. Pre-press activities include editing, designing, proofreading, and photographic composing, including negative stripping and plate making.

Newspaper reporters, photographers and advertising or circulation solicitors employed by newspaper publishers or printers shall be separately classified as 8746, *Newspaper Publishing or Printing – reporters or photographers – including Outside Salespersons*.

Newspaper printing operations shall be classified as 4304, *Newspaper Publishing or Printing – all other employees*, or 8818, *Newspaper Publishing or Printing – editing, designing, proofreading and photographic composing*.

Magazine or book printing operations shall be classified as 4299(1), *Printing Operation – all other employees*, or 8813(1), *Printing Operation – editing, designing, proofreading and photographic composing*.

\* Changes proposed to Classification 8807 in the September 1, 2022 Regulatory Filing are noted with double underlines.

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## **Item III-B**

### **Draft Newspaper Delivery Study**

#### **4312, Newspaper Delivery**

**7198(1), Parcel Delivery and Messenger Service Companies – including terminal employees and mechanics – no handling of bulk merchandise or freight**

**4304, Newspaper Publishing or Printing – all other employees – including drivers and their helpers**

#### **Executive Summary**

##### **Objectives**

Employers assigned to Classification 4312, *Newspaper Delivery*, do not develop sufficient data to produce statistically credible advisory pure premium rates, which can result in undue volatility in the pure premium rates from year to year without significant change in the underlying exposure to workers' compensation losses. In addition, exposure in the newspaper delivery classification has been steadily declining since early 2000. Consistent with the WCIRB's practice of reviewing classifications with low statistical credibility, the WCIRB studied the business operations and payroll and claim experience of employers currently assigned to Classification 4312 to determine if the classification should continue to be a stand-alone classification or if some or all of the operations contemplated in the classification should be combined with operations in other classifications.

##### **Findings**

The key findings of this study include:

1. Classification 4312 applies to two distinct groups of employers performing newspaper delivery operations. The first group of employers includes those that perform delivery operations on a fee-basis for newspaper publishers and printers (referred to as "fee-based 4312 employers"), while the other group includes employers that publish or print newspapers and sell and deliver these newspaper(s) to customers (referred to as "newspaper publishing 4312 employers"). While both groups of employers engage in newspaper delivery, delivery is the primary business for fee-based 4312 employers and an incidental activity for newspaper publishing 4312 employers. These two groups of employers in Classification 4312 have dissimilar payroll and loss experience.
2. Fee-based 4312 employers have similar operations, long-term loss to payroll ratios and shares of claims involving motor vehicle injuries with employers assigned to Classification 7198(1), *Parcel Delivery and Messenger Service Companies*. Given that the reported payroll of newspaper delivery employers is declining in California, reclassifying newspaper delivery operations of fee-based 4312 employers to Classification 7198(1) would improve the statistical credibility and help stabilize the advisory pure premium rate for fee-based 4312 employers.
3. The WCIRB also analyzed the operations and loss and payroll experience of employers assigned to Classification 8745, *News Agents or Distributors of Magazines or Other Periodicals*, to evaluate whether this classification should be expanded to include fee-based 4312 employers. However, the operations and loss and payroll experience are dissimilar between fee-based 4312 employers and employers in Classification 8745.
4. Reclassifying newspaper delivery operations of fee-based 4312 employers to Classification 7198(1) would lead to a significant increase (+55.4%) in the classification relativity for fee-based 4312 employers. However, the increase in the classification relativity was based on the current selected loss to payroll ratio which does not fully reflect the recent increasing trend in this classification's loss to payroll ratio primarily due to its low credibility. In accordance with standard WCIRB classification ratemaking procedures, the year-to-year classification relativity change for

fee-based 4312 employers will be limited to a 25% increase. There would be minimal impact (+0.1%) to employers currently assigned to Classification 7198(1).

5. The delivering of newspapers to customers for their personal use conducted by newspaper publishing 4312 employers is similar to the delivery of newspapers to wholesale distributors or retail locations, which is a General Inclusion<sup>1</sup> for employers assigned to Classification 4304, *Newspaper Publishing or Printing – all other employees*. A large share of newspaper publishing employers had payroll reported in both Classifications 4304 and 4312. Since most newspaper publishing employers deliver newspapers to customers for their personal use and to wholesale distributors or retail locations, it appears that both delivery operations normally prevail in the newspaper publishing industry, which is consistent with the inclusion of drivers as a General Inclusion and the Single Enterprise rule.<sup>2</sup> Some newspaper publishers may also use the same crew of employees to conduct both operations, which may create challenges for these employers to divide payroll between the two classifications. The loss and payroll experience for newspaper delivery operations of newspaper publishing 4312 employers is volatile due to the small amount of payroll reported. Given the similarity in operations, reclassifying newspaper delivery operations of newspaper publishing 4312 employers to Classification 4304 would improve the statistical credibility and help stabilize the advisory pure premium rate for the newspaper delivery operations of newspaper publishing 4312 employers.
6. Reclassifying newspaper delivery operations of newspaper publishing 4312 employers to Classification 4304 would lead to a significant increase (+51.2%) in the classification relativity for the newspaper delivery operations of newspaper publishing 4312 employers. However, the current selected loss to payroll ratio for Classification 4312 is not highly reflective of recent experience in the classification and may not be indicative of future experience of these employers. In accordance with standard WCIRB classification ratemaking procedures, the year-to-year classification relativity change for the newspaper delivery operations of newspaper publishing 4312 employers will be limited to a 25% increase. The impact to Classification 4304 is minimal (-0.1%).

## Recommendations

Based on these findings, the WCIRB recommends:

1. Combining the loss and payroll experience of employers that deliver newspapers to customers for their personal use on a fee basis, assigned to Classification 4312, with Classification 7198(1), *Parcel Delivery and Messenger Service Companies*, for ratemaking purposes and limiting the advisory pure premium rate relativity change for constituents of Classification 4312 to 25% each year until the advisory pure premium rate for Classification 4312 better aligns with that of Classification 7198(1), at which time Classification 4312 would be eliminated and the fee-based 4312 employers assigned to Classification 7198(1).
2. 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, assigned to Classification 4312, with Classification 4304, *Newspaper Publishing or Printing*, for ratemaking purposes and limiting the advisory pure premium rate relativity change for constituents of Classification 4312 to 25% each year until the advisory pure premium rate for Classification 4312 better aligns with that of Classification 4304, at which time Classification 4312 would be

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<sup>1</sup> "General inclusions shall not be separately classified, all other provisions contained herein notwithstanding." *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP), Part 3, *Standard Classification System*, Section III, *General Classification Procedures*, Rule 5, *General Inclusions*.

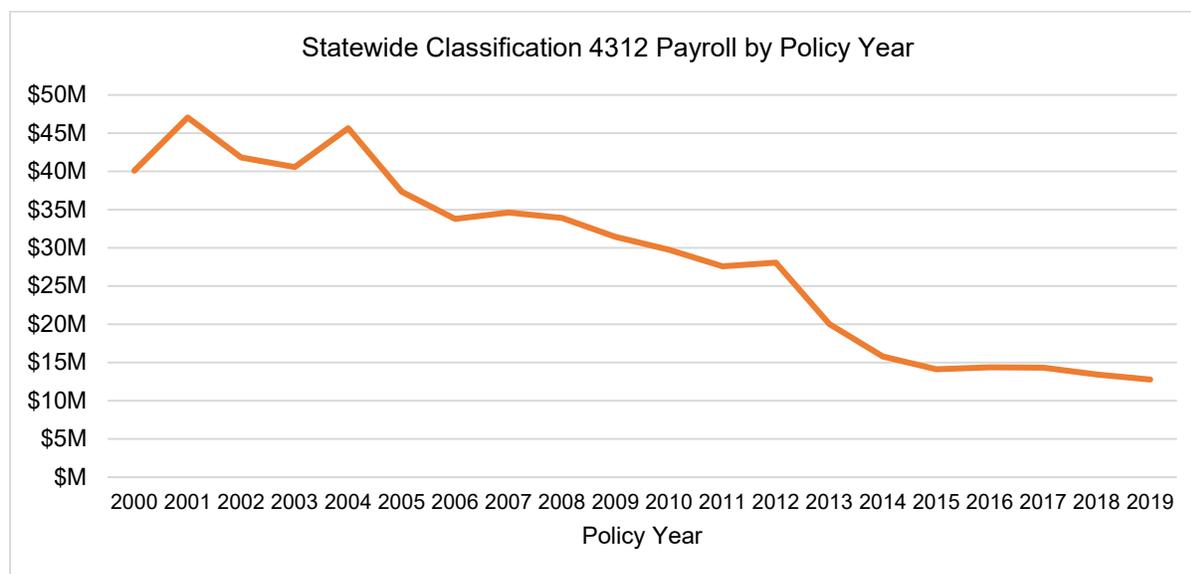
<sup>2</sup> "If the employer's business, conducted at one or more locations, consists of a single operation or a number of separate operations that normally prevail in the business described by a single classification, the entire exposure of the business shall be assigned to that single classification." USRP, Part 3, *Standard Classification System*, Section III, *General Classification Procedures*, Rule 2, *Single Enterprise*.

eliminated and the newspaper delivery operations of newspaper publishing 4312 employers assigned to Classification 4304.

## I. Introduction

Employers assigned to Classification 4312, *Newspaper Delivery*, do not develop sufficient data to produce statistically credible advisory pure premium rates, which can result in undue volatility in the pure premium rates from year to year without significant change in the underlying exposure to workers' compensation losses. The credibility of Classification 4312 is 0.38 for indemnity and 0.40 for medical. In addition, exposure in the newspaper delivery classification has been steadily declining since early 2000. Figure 1 shows that the payroll reported in Classification 4312 for policy year 2019 was only one-third of the payroll reported for policy year 2000. On average, payroll for only about 50 employers was reported in Classification 4312 annually between policy years 2015 and 2019 compared to more than 200 employers in policy year 2000. The reduction in newspaper delivery services is consistent with the trend in the industry of increasing use of digital newspapers.

**Figure 1. Statewide Payroll for Classification 4312 between Policy Years (PYs) 2000 and 2019**



Consistent with the WCIRB's practice of reviewing classifications with low statistical credibility, the WCIRB studied business operations and the payroll and claim experience of employers currently assigned to Classification 4312 to determine if the classification should continue to be a stand-alone classification or if some or all of the operations contemplated in the classification should be combined with operations in other classifications. In this regard, the WCIRB evaluated the scope of several classifications that have relatively similar operations to Classification 4312.

## II. Analysis Approach

The WCIRB analyzed the business operations and payroll and claim experience of employers delivering newspapers using both qualitative and quantitative data from a variety of sources.

Classification Inspection Reports: The WCIRB reviewed the Classification Inspection Reports of employers with payroll reported in Classification 4312 to better understand the business operations of newspaper delivery employers and employee duties and responsibilities.

Industry Outreach: The WCIRB contacted members of the industry, including employers doing business in the newspaper delivery industry as well as insurers that underwrite significant components of this industry, to gain insight into the operational characteristics of newspaper delivery.

Unit Statistical Reports: The WCIRB analyzed the historical Unit Statistical Report (USR) data reported between policy years 2000 and 2019 for Classifications 4312, 4304, 7198 and 8745, including employers' payroll and loss experience and injury characteristics of claims. Data is from the latest USR report level. Losses were limited to \$500,000 per claim to minimize large swings in the loss to payroll ratios over time that are often seen in small classifications.

Other Jurisdictions: The WCIRB reviewed the newspaper delivery classification procedures in other jurisdictions<sup>3</sup> to understand how other jurisdictions classify newspaper delivery operations.

Similar Classifications: Using the same data sources and methodology used in the review of Classification 4312, the WCIRB reviewed several classifications that have relatively similar operations to newspaper delivery, including those related to parcel delivery and newspaper delivery to retailers.

Classification Relativity Data: Classification relativities submitted as part of the WCIRB's September 1, 2021 Regulatory Filing were used to analyze the impact of the potential reclassification of Classification 4312 employers on both the employers that are recommended to be included in other existing classifications and the employers whose operations are currently assigned to the destination classifications.

### III. Analysis Results

#### 1. Two Groups of Employers in Classification 4312: Fee-Based 4312 Employers and Newspaper Publishing 4312 Employers

Classification 4312 applies to employers engaged in the sale or delivery of newspapers to customers for their personal use and not for resale. Operations contemplated within Classification 4312 include receiving printed materials such as newspaper and inserts; bundling, folding, banding or bagging the materials; and loading and delivering materials to customers. Two groups of employers are assignable to Classification 4312: one includes employers that conduct these delivery operations on a fee basis<sup>4</sup> for newspaper publishers or printers (referred to as "fee-based 4312 employers") and the other includes newspaper publishers or printers that conduct these delivery operations in connection with their own publishing or printing operations (referred to as "newspaper publishing 4312 employers"). Although the newspaper delivery operations of these two groups of employers are generally similar, the newspaper publishing 4312 employers conduct delivery in support of their core newspaper publishing or printing business, while the fee-based 4312 employers conduct newspaper delivery as their core business. Detailed analysis of the operations performed by newspaper publishing 4312 employers is summarized below.

Between policy years 2015 and 2019, fee-based 4312 employers had about 88% of the reported statewide Classification 4312 payroll and newspaper publishing 4312 employers had only a small proportion of the reported statewide Classification 4312 payroll (12%).<sup>5</sup> Therefore, the statewide Classification 4312 loss to payroll ratios are dominated by fee-based 4312 employers for which loss to

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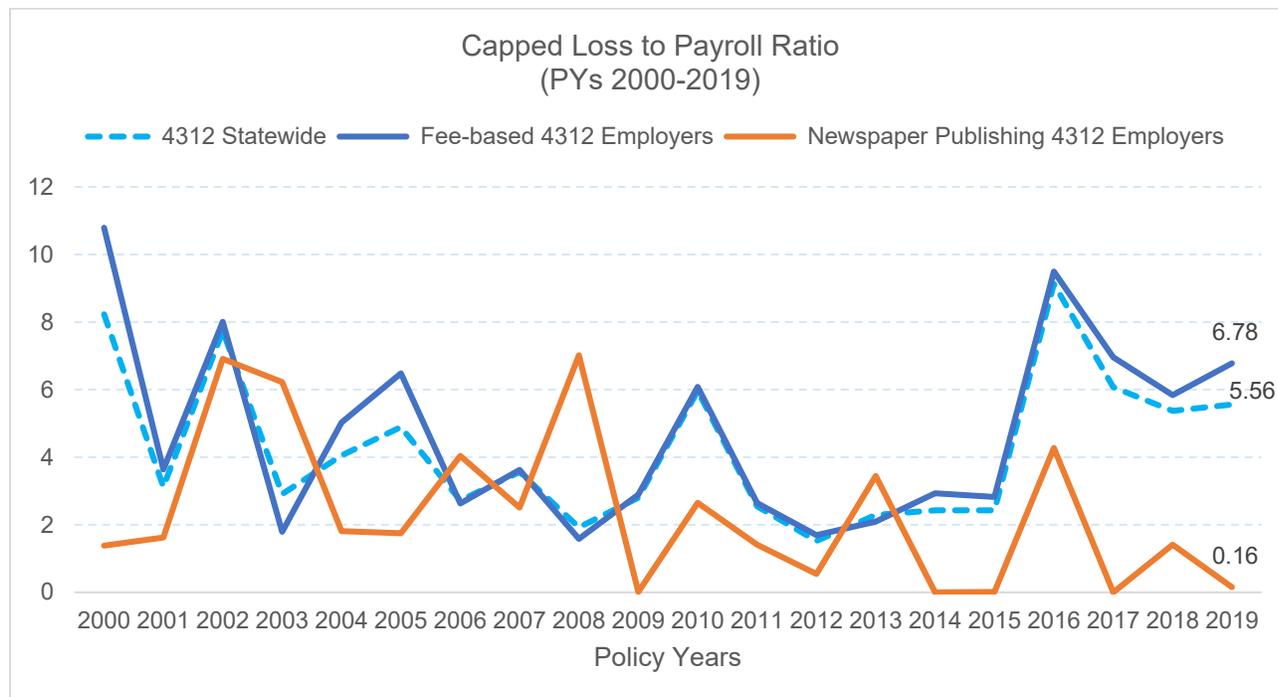
<sup>3</sup> Jurisdictions reviewed include NCCI states, Massachusetts, Michigan, Minnesota, New York, North Carolina and Wisconsin.

<sup>4</sup> Based on a review of WCIRB inspection reports and industry outreach, employers that conduct delivery operations on a fee basis for newspaper publishers or printers do not purchase newspapers from the publishers or printers and are paid a 'per copy fee' for delivery services. The fee-based delivery employers are not engaged in newspaper sales operations.

<sup>5</sup> For data analysis purposes, newspaper publishing 4312 employers are defined as newspaper publishers or printers with payroll reported in Classifications 4312, 4304 and/or 8818. The rest of the employers in Classification 4312 are defined as fee-based 4312 employers.

payroll ratios are generally higher than those for newspaper publishing 4312 employers, as shown in Figure 2.

**Figure 2. Historical Loss to Payroll Ratios Comparing Fee-Based 4312 Employers and Newspaper Publishing 4312 Employers**



In summary, newspaper delivery operations assigned to Classification 4312 include two distinct groups of employers: fee-based 4312 employers and newspaper publishing 4312 employers. The loss experience for the two segments of employers is dissimilar, partly driven by relatively low payroll reported for newspaper publishing 4312 employers. Given that both groups of employers have low statistical credibility and are relatively dissimilar, the WCIRB explored the potential of reclassifying the two groups of 4312 employers separately to other existing classifications.

**2. Potential Reclassification of Newspaper Delivery Operations of Fee-Based 4312 Employers**

Based on the potential similarity of the core operations, the WCIRB identified the following two classifications for potential combination with the newspaper delivery operations of fee-based 4312 employers:

- 7198(1), *Parcel Delivery and Messenger Service Companies – including terminal employees and mechanics – no handling of bulk merchandise or freight*
- 8745, *News Agents or Distributors of Magazines or Other Periodicals – not retail dealers – including Outside Salespersons*
- **Newspaper Delivery Operations of Fee-Based 4312 Employers and Parcel Delivery Operations Assigned to Classification 7198(1)**

Classification 7198(1) applies to employers engaged in the delivery of lightweight parcels on a fee basis if certain weight restrictions are met and app-based on-demand Delivery Network Companies (DNC) that deliver restaurant meals, groceries or various store merchandise. Operations contemplated within Classification 7198(1) include picking up parcels at a pre-determined location and delivering to customer locations. Both fee-based 4312 employers and lightweight parcel delivery employers assigned to

Classification 7198(1) perform fee-based delivery and deliver lightweight items (newspapers or parcels) to customers. The delivery operations in both classifications also include multiple delivery route stops and the regular use of automobiles to conduct deliveries.

- **Newspaper Delivery Operations of Fee-Based 4312 Employers and Wholesale Newspaper Distribution Operations Assigned to Classification 8745**

Classification 8745 applies to employers engaged in the wholesale distribution of newspapers, magazines or periodicals to other concerns for resale purposes. Both fee-based 4312 employers and employers assigned to Classification 8745 deliver printed newspapers received from newspaper publishers or printers.

However, there are some key differences in operations between the fee-based 4312 employers and employers assigned to Classification 8745. First, fee-based 4312 employers typically make multiple stops on their delivery routes and deliver to residences, while employers assigned to Classification 8745 deliver to either retail locations or to fee-based 4312 employers, likely with fewer stops. These distinctions in delivery routes and frequency of stops could potentially lead to different levels of risk exposure to, for example, motor vehicle injuries. Second, fee-based 4312 employers often use automobiles on their delivery routes, while employers assigned to Classification 8745 use delivery vans or trucks and may also use hoists, lifts or jacks in their warehouses. In addition, the delivery operations contemplated within Classification 8745 may include lifting large, heavy bundles of newspapers to their destinations, while fee-based 4312 employers usually deliver individual newspapers to residential customers. Lastly, Classification 8745 includes outside salespersons, while Classification 4312 does not. Assigning fee-based 4312 employers to Classification 8745 would also require including their outside sales employees in 8745.

In summary, newspaper delivery operations of fee-based 4312 employers and parcel delivery operations assigned to Classification 7198(1) share similar operations, including delivery of lightweight products and delivery routes with multiple stops. Newspaper delivery operations of fee-based 4312 employers and wholesale newspaper distribution operations assigned to Classification 8745 are less comparable as wholesale newspaper distribution includes more heavy lifting, different delivery routes with fewer stops and outside salespersons.

- **Comparison of Payroll and Claim Experience for Newspaper Delivery Operations of Fee-Based 4312 Employers and Parcel Delivery Operations Assigned to Classification 7198(1)**

In addition to operational characteristics, the WCIRB compared the loss and payroll experience of newspaper delivery operations of fee-based 4312 employers to those of parcel delivery operations assigned to Classification 7198.<sup>6</sup> As shown in Figure 3, the historical loss to payroll ratios for newspaper delivery of fee-based 4312 employers are similar to those for Classification 7198, except that the fee-based newspaper delivery operations had more volatile loss to payroll ratios largely due to the smaller and declining newspaper industry (Figure 1) and a propensity for occasional large claims. The historical loss to payroll ratios for Classification 7198 are more stable as Classification 7198 is fully credible with increasing payroll in recent years due to a growing demand for parcel delivery.

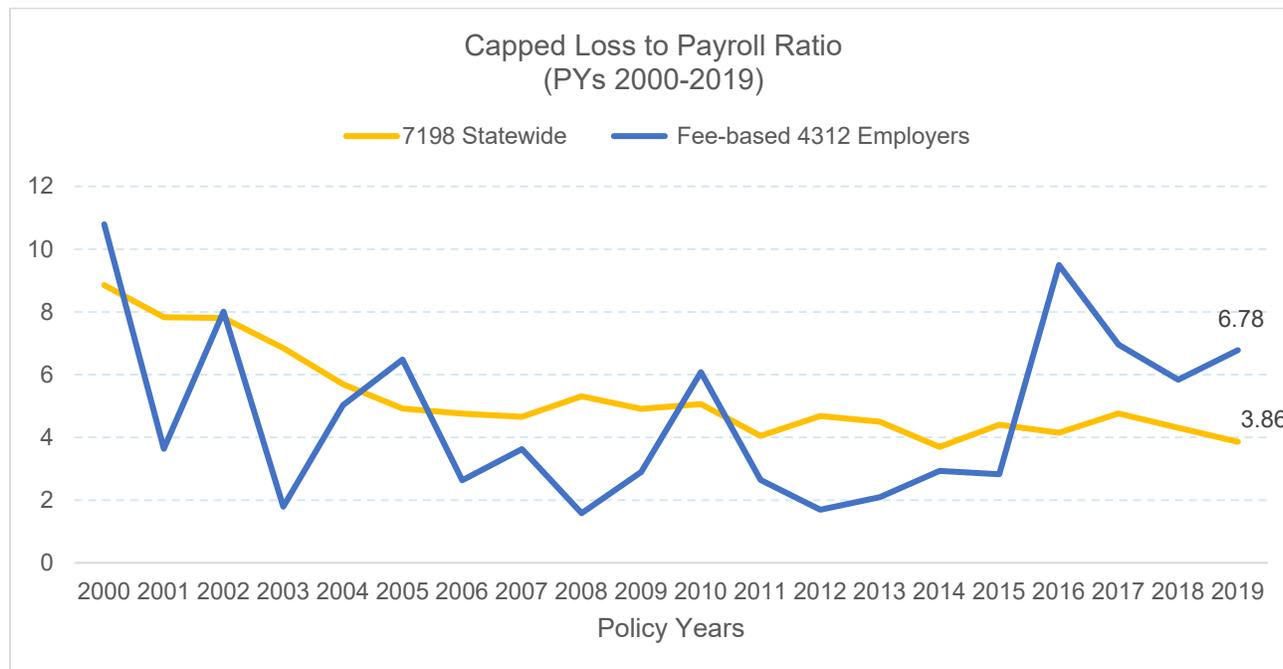
The WCIRB also analyzed long-term weighted average loss to payroll ratios. The 20-year weighted average loss to payroll ratio between policy years 2000 and 2019 for fee-based 4312 employers (\$4.5 per \$100 of payroll) was relatively close to that for parcel delivery employers (\$5.0 per \$100 of payroll). The weighted average loss to payroll ratio for the latest five policy years for fee-based 4312 employers was higher (\$6.4 per \$100 of payroll), driven by several large claims involving major permanent partial disability and low payroll. Despite higher loss to payroll ratios for the last five years, the September 1, 2021 classification relativity and advisory pure premium rate for Classification 4312 were lower than those

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<sup>6</sup> The majority of employers in Classification 7198 are assigned to 7198(1) based on the suffix information reported in the USR data. Therefore, Classification 7198(1) is analyzed based on the statewide data.

of Classification 7198. However, the classification relativity for 4312 is not highly responsive to the recent experience in the classification due to 4312's low statistical credibility and the 25% limitation applied to its September 1, 2021 classification relativity.<sup>7</sup>

**Figure 3. Historical Loss to Payroll Ratios Comparing Fee-Based 4312 Employers and Classification 7198 Employers**



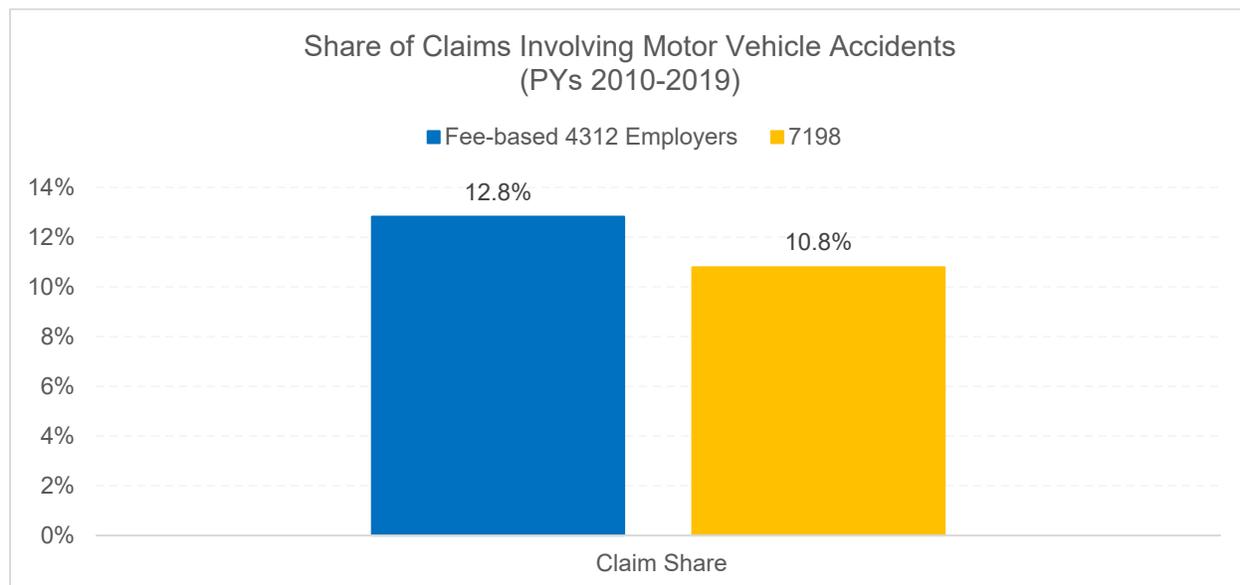
Loss to Payroll Ratio (00s) <sup>8</sup>	Classification 7198	Fee-Based 4312 Employers
20-year (PYs 2000-2019)	5.0	4.5
5-year (PYs 2015-2019)	4.3	6.4

Motor vehicle accidents are a unique risk exposure for delivery drivers and the possibility of very severe claims can potentially be a cost driver for workers' compensation losses. The share of claims involving motor vehicle accidents for fee-based 4312 employers and Classification 7198 parcel delivery employers are relatively consistent, indicating similar levels of motor vehicle risk exposure between the two operations (Figure 4).

<sup>7</sup> The selected loss to payroll ratio for Classification 4312 was 3.677 after applying the standard 25% change limitation, which is much lower than the selected loss to payroll ratio (4.107) without applying the 25% change limitation. The application of the 25% change limitation was to address the low credibility issue and weigh heavily on the expected loss to payroll ratio. Therefore, the limited selected loss to payroll ratio for Classification 4312 does not fully reflect the loss experience of operations in Classification 4312.

<sup>8</sup> The weighted average loss to payroll ratio was calculated using the aggregate losses over the policy period specified divided by the aggregate payroll during the same period.

**Figure 4. Share of Claims Involving Motor Vehicle Accidents for Fee-Based 4312 Employers and Classification 7198 Employers<sup>9</sup> for Policy Years 2010 to 2019**



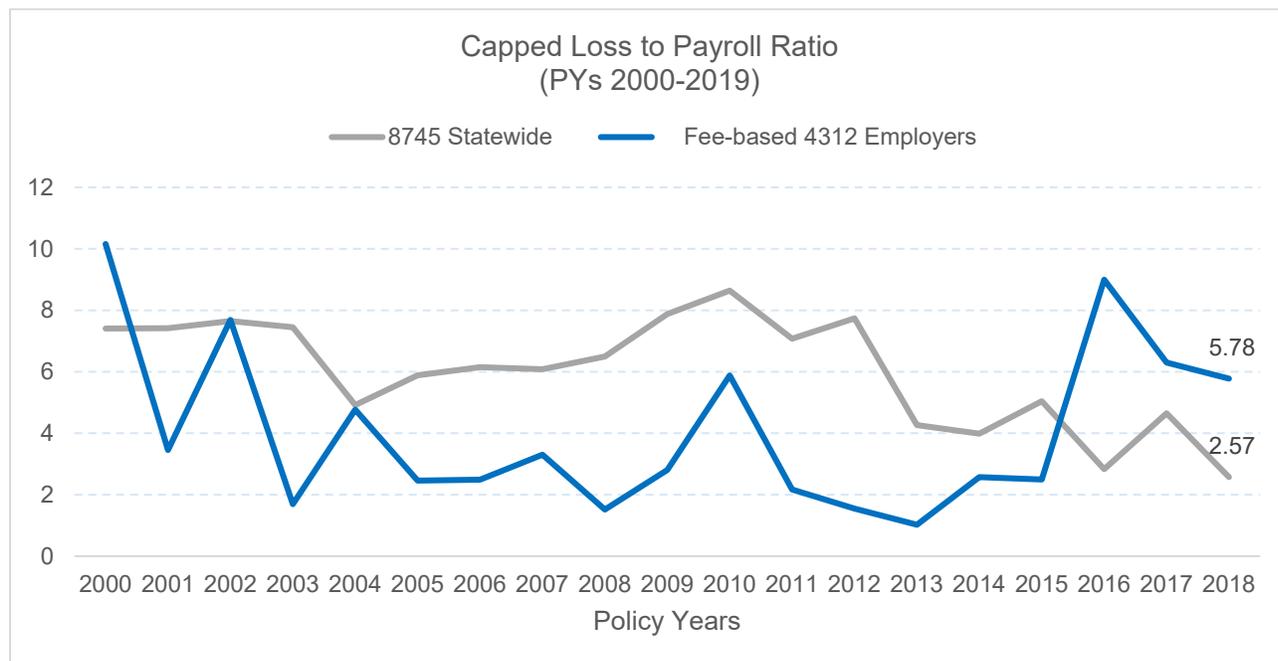
- **Comparison of Payroll and Claim Experience for Newspaper Delivery Operations of Fee-Based 4312 Employers and Newspaper Wholesale Distribution Operations Assigned to Classification 8745**

The WCIRB also compared the loss and payroll experience of fee-based 4312 employers to those of newspaper wholesale distribution employers assigned to Classification 8745. The historical loss to payroll ratios for Classification 8745 were generally higher than those of fee-based 4312 employers<sup>10</sup> prior to policy year 2016, while the loss to payroll ratios for 8745 were much lower for the most recent four policy years (Figure 5). The long-term weighted average loss to payroll ratio for policy years 2000 through 2019 for employers assigned to Classification 8745 was 63% higher than that for fee-based 4312 employers. However, the weighted average loss to payroll ratio for the latest five policy years for Classification 8745 was 38% lower than that for fee-based 4312 employers, due to low payroll and several large claims involving major permanent partial disability reported for the fee-based 4312 employers.

<sup>9</sup> Share of claims involving motor vehicle accidents for Classification 7198 excludes one large employer that dominated the share of claims by causes of injury.

<sup>10</sup> Loss and payroll experience in Classification 8742, *Salespersons – Outside*, of fee-based 4312 employers are included in Classification 4312 for comparison purposes as outside sales operations are included in the scope of Classification 8745.

**Figure 5. Historical Loss to Payroll Ratios Comparing Fee-Based 4312 Employers and Classification 8745 Employers**



Loss to Payroll Ratio (00s) <sup>11</sup>	Classification 8745	Fee-Based 4312 Employers
20-year (PYs 2000-2019)	6.2	3.8
5-year (PYs 2015-2019)	3.7	6.0

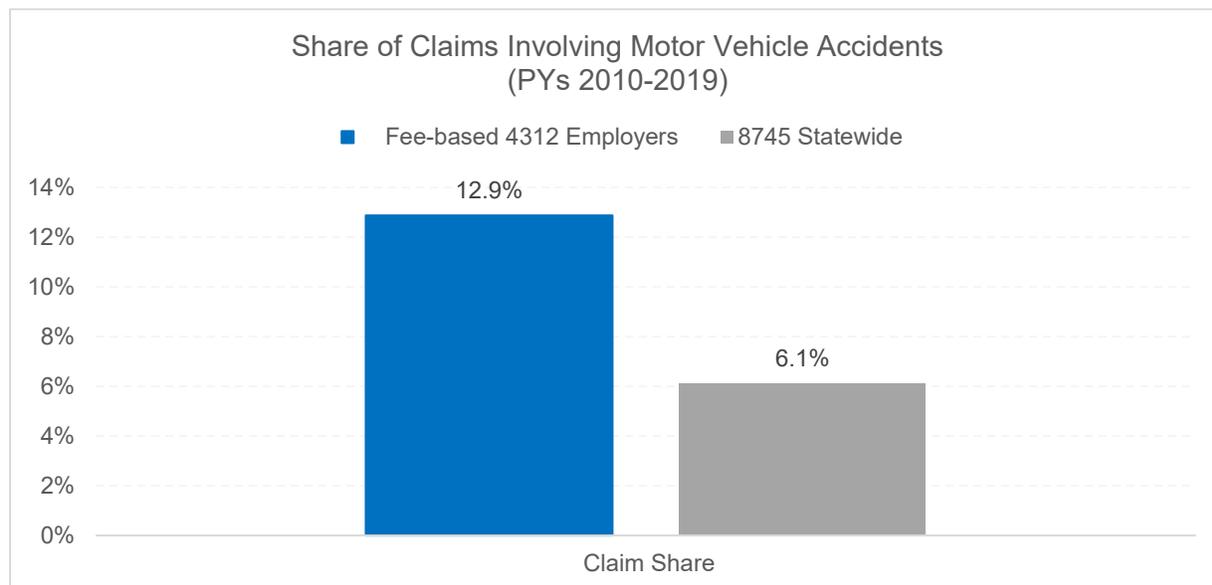
In addition, Classification 8745 is a low credibility classification<sup>12</sup> with declining payroll due to the decreased demand for the sale and delivery of physical newspapers. Payroll reported for employers assigned to Classification 8745 declined by almost 60% in policy year 2019 relative to policy year 2000. It is unclear whether the newspaper industry will continue to decline. Including fee-based 4312 employers in Classification 8745 would not largely improve the statistical credibility for fee-based 4312 employers.

As shown in Figure 6, the share of claims involving motor vehicle accidents for fee-based 4312 employers is more than double that for wholesale newspaper distributors. Hence, fee-based 4312 employers likely have more risk exposure to motor vehicle accidents and a propensity for large claims. The higher motor vehicle risk exposure for fee-based 4312 employers is likely related to their delivery process, which includes more stops in residential areas than the delivery operations assigned to Classification 8745.

<sup>11</sup> The weighted average loss to payroll ratio was calculated using the aggregate losses over the policy period specified divided by the aggregate payroll during the same period.

<sup>12</sup> The indemnity credibility of Classification 8745 is 0.61 and the medical credibility is 0.57.

**Figure 6. Share of Claims Involving Motor Vehicle Accidents for Fee-Based 4312 Employers and Classification 8745 Employers for Policy Years 2010 to 2019**



In summary, fee-based 4312 employers share more similar business operations and loss experience with the employers assigned to Classification 7198(1) than the employers assigned to Classification 8745. Fee-based 4312 employers also share more similar risk exposure to motor vehicle injuries with employers assigned to Classification 7198(1). Lastly, since Classification 7198 is fully credible and Classification 8745 has low credibility, including the experience of fee-based 4312 employers in Classification 7198(1) would largely improve the statistical credibility of fee-based 4312 employers' experience. Therefore, the WCIRB recommends amending Classification 7198(1) to include newspaper delivery operations performed on a fee-basis currently assigned to Classification 4312.<sup>13</sup> The impact of this recommendation on employers currently assigned to Classifications 4312 and 7198 is shown in the Impact Analysis Section of this report.

### **3. Potential Reclassification of the Newspaper Delivery Operations of Newspaper Publishing 4312 Employers**

The WCIRB reviewed Classification 4304, *Newspaper Publishing or Printing – all other employees – including drivers and their helpers*, to determine whether this classification should be expanded to include the newspaper delivery operations of newspaper publishing 4312 employers.

- **Newspaper Delivery Operations of Newspaper Publishing 4312 Employers Compared to Those of Classification 4304**

Classification 4304 applies to the publishing or printing of newspapers and other similar items and includes delivery of newspapers to customers for resale purposes as a General Inclusion. Operations contemplated within Classification 4304 include loading paper, ink and printing plates; bundling, folding, banding and/or bagging the materials; and loading and delivering materials to customers for resale purposes. This classification also applies to newspaper publishers that assemble, bundle, label or distribute newspapers that are printed by other employers. If the newspaper publisher also retains

<sup>13</sup> As discussed later in this report, the WCIRB is recommending limiting the classification relativity change in Classification 4312 to 25%. As a result, the WCIRB is recommending that the amendments to Classification 7198(1) and the elimination of Classification 4312 be deferred until such time as the selected classification relativity for Classification 4312 is better aligned to that of Classification 7198.

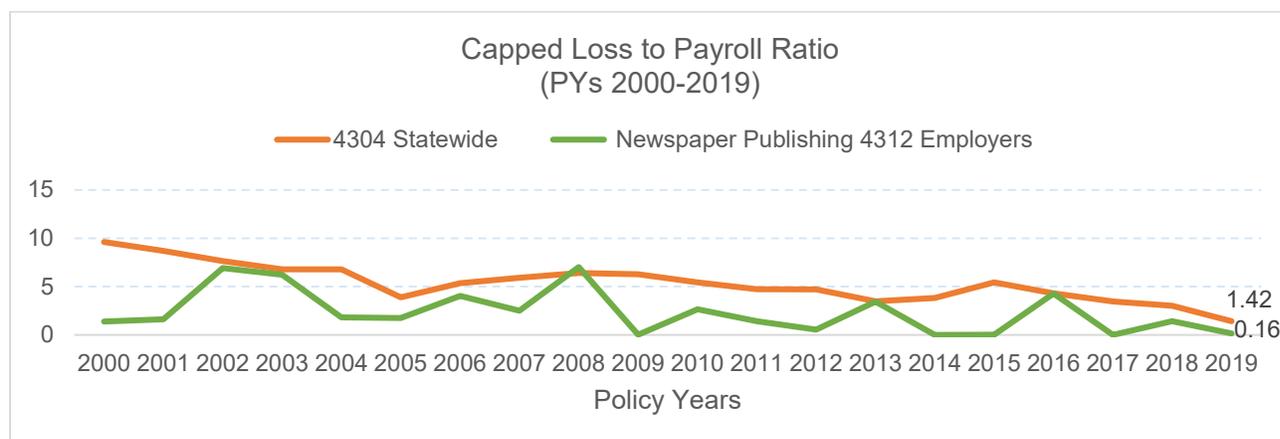
employees to deliver the publisher's newspapers to customers for their personal use, then such delivery operations are required to be separately classified to 4312.

A large share (approximately 50%) of newspaper publishing or printing employers had payroll reported in both Classifications 4312 and 4304 between policy years 2015 and 2019. Some of these employers may use the same crew of employees to deliver newspapers to both customers for their personal use (required to be separately classified to 4312) and retail locations for resale (assigned to Classification 4304). If the same group of employees performs both operations, employers must maintain separate payroll records for employees engaged in operations assigned to Classifications 4312 and 4304 based on the Division of Single Employee's Payroll rule.<sup>14</sup> If separate payroll records are not maintained, all payroll for these employees must be assigned to the classification with the higher advisory pure premium rate. Combining newspaper delivery operations of newspaper publishing 4312 employers with Classification 4304 would eliminate the need for employers to administer the payroll division rule and therefore eliminate the risk of misclassification of payroll and claims between Classifications 4304 and 4312.

- **Payroll and Claim Experience of Newspaper Delivery Operations of Newspaper Publishing 4312 Employers Compared to Those Assigned to Classification 4304**

In addition to operational characteristics, the WCIRB compared the loss and payroll experience of newspaper delivery operations of newspaper publishing 4312 employers to those of employers assigned to Classification 4304. The historical loss to payroll ratios for newspaper delivery operations of newspaper publishing 4312 employers were generally lower than those of employers assigned to Classification 4304, but the 4312 ratios were extremely volatile due to the small share of payroll generated by newspaper delivery operations of newspaper publishing 4312 employers (12%) (Figure 7). In policy year 2019, only 9 out of 40 employers assigned to Classification 4312 were newspaper publishers. In addition, on average, only one claim per year was reported for newspaper publishing 4312 employers between policy years 2015 and 2019. Therefore, the loss to payroll ratios for the 4312 delivery operations of these newspaper publishers are not statistically credible and may not be indicative of the loss experience likely to emerge for these employers in the future.

**Figure 7. Historical Loss to Payroll Ratios Comparing Newspaper Delivery Operations of Newspaper Publishing 4312 Employers and Classification 4304 Employers**



In summary, the business operations of newspaper publishing or printing employers delivering newspapers to customers for their personal use assigned to Classification 4312 are similar to the delivery of newspapers to wholesale distributors or retail locations assigned to Classification 4304. While the

<sup>14</sup> “[T]he remuneration of any one employee may be divided between two or more classifications, provided the employer has maintained complete and accurate records supported by original timecards or time book entries which show separately, both by individual employee and in summary by operations performed, the remuneration earned by such employee”. USRP, Part 3, *Standard Classification System*, Section V, *Payroll – Remuneration*, Rule 3, *Division of Single Employee’s Payroll*.

comparison of loss to payroll ratios between the two operations yields limited information due to very limited experience for newspaper delivery operations of newspaper publishing 4312 employers, a large share of newspaper publishing employers perform both operations and payroll is reported for these employers in both Classifications 4304 and 4312. Combining newspaper publisher delivery operations assigned to Classification 4312 with Classification 4304 will also reduce the administrative burden of dividing payroll for the same group of employees between the two classifications and will also be consistent with the Single Enterprise and General Inclusions rules, since most newspaper publishing employers deliver newspapers to customers for their personal use and to wholesale distributors or retail locations. Therefore, the WCIRB recommends amending Classification 4304 to include newspaper delivery operations of newspaper publishing or printing employers currently assigned to Classification 4312.<sup>15</sup> The impact of this recommendation on employers currently assigned to Classifications 4312 and 4304 is shown in the Impact Analysis Section of this report.

#### IV. Impact Analysis

The WCIRB evaluated the impact of reclassifying fee-based 4312 employers to Classification 7198 and reclassifying newspaper delivery operations of newspaper publishing 4312 employers to Classification 4304. Classification relativities for Classifications 4312, 7198 and 4304 are included in Appendix III.

##### 1. Impact on Employers in Classification 7198

Table 1 shows that the selected loss to payroll ratio for Classification 7198 would increase by only 0.1% after the inclusion of fee-based 4312 employers.

**Table 1. Changes in the Selected (Unlimited) Loss to Payroll Ratio for Classification 7198 Under WCIRB Recommendation**

Classification 7198 (A)	Classification 7198 and Fee-Based 4312 Employers Combined (B)	% Difference (B/A-1)
5.709	5.715	+0.1%

##### 2. Impact on Fee-Based 4312 Employers

The WCIRB also analyzed the impact on fee-based 4312 employers. As shown in Table 2, the selected loss to payroll ratio for fee-based 4312 employers would increase by 55.4% under the recommendation. However, the adjusted loss to payroll ratio for Classification 4312, based on the actual experience of the latest five policy years, was higher than that for Classification 7198, which is reflective of a significant increase in 4312's loss to payroll ratio in recent years (Table 1 in Appendix III). Due to 4312's low statistical credibility and the 25% limitation on classification relativity increases applied to this classification in the September 1, 2021 Regulatory Filing, 4312's recent experience is not heavily reflected in its current selected loss to payroll ratio. As a result, the selected loss to payroll ratio for Classification 4312 used in the impact analysis may not be highly reflective of the future loss experience expected in this classification.

To reduce the impact of the recommendation on the fee-based 4312 employers, the WCIRB recommends applying the standard 25% limitation to the year-to-year relativity change for the fee-based 4312 employers and maintaining Classification 4312 until such time as the selected Classification 4312 relativity is better aligned with that of Classification 7198.

<sup>15</sup> As discussed later in this report, the WCIRB is recommending limiting the classification relativity change in Classification 4312 to 25%. As a result, the WCIRB is recommending that the amendments to Classification 4304 and the elimination of Classification 4312 be deferred until such time as the selected classification relativity for Classification 4312 is better aligned to that of Classification 4304.

**Table 2. Changes in the Selected (Unlimited) Loss to Payroll Ratio for Fee-Based 4312 Employers Under WCIRB Recommendation**

Classification 4312 (A)	Classification 7198 and Fee-Based 4312 Employers Combined (B)	% Difference (B/A-1)
3.677	5.715	+55.4%

While the advisory pure premium rate applicable to fee-based 4312 employers will increase with this recommendation, for experience rated employers, some of the increase will be offset by lower experience modifications. The WCIRB calculated the retrospective 2021 experience modifications<sup>16</sup> for fee-based 4312 employers that had payroll reported in Classification 4312 in policy year 2019 and were eligible for experience rating. The calculation indicates that the 2021 experience modifications for these employers would be, on average, 13% lower if their 4312 experience had been assigned to Classification 7198.

### 3. Impact on Employers in Classification 4304

Table 4 shows that the selected loss to payroll ratio for Classification 4304 would be slightly reduced (-0.1%) after the inclusion of newspaper delivery operations of newspaper publishing 4312 employers.

**Table 4. Changes in the Selected (Unlimited) Loss to Payroll Ratio for Classification 4304 Under WCIRB Recommendation**

Classification 4304 (A)	Classification 4304 and Newspaper Delivery Operations of Newspaper Publishing 4312 Employers Combined (B)	% Difference (B/A-1)
5.575	5.558	-0.1%

### 4. Impact on Newspaper Delivery Operations of Newspaper Publishing 4312 Employers

The selected loss to payroll ratio for newspaper delivery operations of newspaper publishing 4312 employers would increase significantly, by 51.2%, after combination with Classification 4304. As discussed previously, the current selected loss to payroll ratio for Classification 4312 is not highly reflective of recent experience and may not be indicative of future experience for these operations. The future experience modifications of experience rated newspaper publishing employers with 4312 delivery operations reassigned to Classification 4304 will also likely decrease, offsetting some of the increase in the advisory pure premium rates.

Similar to the 25% limitation applied to fee-based 4312 employers, the WCIRB also recommends applying the standard 25% limitation to the year-to-year relativity change for the newspaper delivery operations of newspaper publishing 4312 employers and maintaining Classification 4312 until such time as the selected Classification 4312 relativity is better aligned with that of Classification 4304.

<sup>16</sup> The retrospective 2021 experience modification is calculated based on the reported payroll and losses in the experience rating period used for the published 2021 experience modification. The Expected Loss Rate and D-Ratio for Classification 7198 are used for calculating the expected losses and expected primary losses for Classification 4312. This calculation does not include the impact of applying the 25% limitation to the year-to-year relativity change for Classification 4312.

**Table 5. Changes in the Selected (Unlimited) Loss to Payroll Ratio for Newspaper Delivery Operations of Newspaper Publishing 4312 Employers Under WCIRB Recommendation**

Classification 4312 (A)	Classification 4304 and Newspaper Delivery Operations of Newspaper Publishing 4312 Employers Combined (B)	% Difference (B/A-1)
3.677	5.558	+51.2%

## V. Findings

Based on this review, the WCIRB has determined:

1. Classification 4312 applies to two distinct groups of employers performing newspaper delivery operations. The first group of employers includes those that perform delivery operations on a fee-basis for newspaper publishers and printers (referred to as “fee-based 4312 employers”), while the other group includes employers that publish or print newspapers and sell and deliver these newspaper(s) to customers (referred to as “newspaper publishing 4312 employers”). While both groups of employers engage in newspaper delivery, delivery is the primary business for fee-based 4312 employers and an incidental activity for newspaper publishing 4312 employers. These two groups of employers in Classification 4312 have dissimilar payroll and loss experience.
2. Fee-based 4312 employers have similar operations, long-term loss to payroll ratios and shares of claims involving motor vehicle injuries with employers assigned to Classification 7198(1), *Parcel Delivery and Messenger Service Companies*. Given that the reported payroll of newspaper delivery employers is declining in California, reclassifying newspaper delivery operations of fee-based 4312 employers to Classification 7198(1) would improve the statistical credibility and help stabilize the advisory pure premium rate for fee-based 4312 employers.
3. The WCIRB also analyzed the operations and loss and payroll experience of employers assigned to Classification 8745, *News Agents or Distributors of Magazines or Other Periodicals*, to evaluate whether this classification should be expanded to include fee-based 4312 employers. However, the operations and loss and payroll experience are dissimilar between fee-based 4312 employers and employers in Classification 8745.
4. Reclassifying newspaper delivery operations of fee-based 4312 employers to Classification 7198(1) would lead to a significant increase (+55.4%) in the classification relativity for fee-based 4312 employers. However, the increase in the classification relativity was based on the current selected loss to payroll ratio which does not fully reflect the recent increasing trend in this classification’s loss to payroll ratio primarily due to its low credibility. In accordance with standard WCIRB classification ratemaking procedures, the year-to-year classification relativity change for fee-based 4312 employers will be limited to a 25% increase. There would be minimal impact (+0.1%) to employers currently assigned to Classification 7198(1).
5. The delivering of newspapers to customers for their personal use conducted by newspaper publishing 4312 employers is similar to the delivery of newspapers to wholesale distributors or retail locations, which is a General Inclusion for employers assigned to Classification 4304, *Newspaper Publishing or Printing – all other employees*. A large share of newspaper publishing employers had payroll reported in both Classifications 4304 and 4312. Since most newspaper publishing employers deliver newspapers to customers for their personal use and to wholesale distributors or retail locations, it appears that both delivery operations normally prevail in the newspaper publishing industry, which is consistent with the inclusion of drivers as a General Inclusion and the Single Enterprise rule. Some newspaper publishers may also use the same

crew of employees to conduct both operations, which may create challenges for these employers to divide payroll between the two classifications. The loss and payroll experience for newspaper delivery operations of newspaper publishing 4312 employers is volatile due to the small amount of payroll reported. Given the similarity in operations, reclassifying newspaper delivery operations of newspaper publishing 4312 employers to Classification 4304 would improve the statistical credibility and help stabilize the advisory pure premium rate for the newspaper delivery operations of newspaper publishing 4312 employers.

6. Reclassifying newspaper delivery operations of newspaper publishing 4312 employers to Classification 4304 would lead to a significant increase (+51.2%) in the classification relativity for the newspaper delivery operations of newspaper publishing 4312 employers. However, the current selected loss to payroll ratio for Classification 4312 is not highly reflective of recent experience in the classification and may not be indicative of future experience of these employers. In accordance with standard WCIRB classification ratemaking procedures, the year-to-year classification relativity change for the newspaper delivery operations of newspaper publishing 4312 employers will be limited to a 25% increase. The impact to Classification 4304 is minimal (-0.1%).

## VI. Recommendations

Based on these findings, the WCIRB recommends:

1. Combining the loss and payroll experience of employers that deliver newspapers to customers for their personal use on a fee basis, assigned to Classification 4312, with Classification 7198(1), *Parcel Delivery and Messenger Service Companies*, for ratemaking purposes and limiting the advisory pure premium rate relativity change for constituents of Classification 4312 to 25% each year until the advisory pure premium rate for Classification 4312 better aligns with that of Classification 7198(1), at which time Classification 4312 would be eliminated and the fee-based 4312 employers assigned to Classification 7198(1).
2. 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, assigned to Classification 4312, with Classification 4304, *Newspaper Publishing or Printing*, for ratemaking purposes and limiting the advisory pure premium rate relativity change for constituents of Classification 4312 to 25% each year until the advisory pure premium rate for Classification 4312 better aligns with that of Classification 4304, at which time Classification 4312 would be eliminated and the newspaper delivery operations of newspaper publishing 4312 employers assigned to Classification 4304.

## Appendix I – History

Following is a timeline of significant changes to the scope and application of Classification 4312, *Newspaper Delivery*:

- **1975:** Classification 4312 was established to apply to the sale or delivery of newspapers to customers for their personal use and not for resale. It also included a minimum remuneration requirement of \$2.00 per person per day newspapers were sold or delivered.
  - California Legislature passed Assembly Bill No. 2935 (AB 2935), which amended the Labor Code to remove the exclusion of individuals delivering newspapers on a contract basis from being designated as employees. Prior to AB 2935, individuals hired as independent contractors to deliver newspapers were not considered employees for workers' compensation insurance purposes.
- **2003:** The *Printing, Publishing and Duplicating* Industry group was established, which included Classification 4312.
- **2012:** Classification 4312 was amended to eliminate the minimum remuneration requirement as a result of a 2011 WCIRB classification study.
- **2016:** Classification 4312 was amended to include sale and delivery operations performed by employers engaged in the publishing or printing of newspapers, tabloids, advertising newspapers, and specialty sections, and to such operations performed on a fee basis.

The following is a timeline of significant changes to the scope and application of Classification 4304, *Newspaper Publishing*:

- **1915:** Classification 4304 is an original Manual of Compensation and Liability Insurance classification.
- **2003:** The *Printing, Publishing and Duplicating* Industry group was established, which included Classification 4304.
- **2005:** Classification 4304 was amended to include drivers and their helpers and a footnote was amended to include a cross reference to the newly established companion Classification 8818, *Newspaper Publishing or Newspaper Printing – editing, designing, proofreading, and photographic composing*.
- **2014:** Classification 4304 was amended to include employers engaged in the publishing or printing of newspapers, tabloids, advertising newspapers, and specialty sections, such as the comics section and the television section of newspapers, and to newspaper publishers that assemble, bundle, label or distribute newspapers that are printed by other employers.
- **2016:** Classification 4304 was amended to include a cross reference to Classification 4312, *Newspaper Delivery*.

The following is a timeline of significant changes to the scope and application of Classification 7198, *Parcel Delivery Companies – Exclusively delivering parcels and packages not exceeding one hundred pounds in weight; including Drivers, Chauffeurs and their Helpers*:

- **1951:** Classification 7198 was established.
- **1982:** Classification 7198 was amended to exclude reference to the weight of parcels and packages and to include no handling of bulk merchandise or freight and a footnote was amended to include reference to the weight of parcels and packages.
- **2012:** Classification 7198 was changed to Classification 7198(1), *Parcel Delivery Companies – no handling of bulk merchandise or freight*, and Classification 7198(2), *Armored Car Services*, was established as an alternate phraseology to Classification 7198(1).
- **2014:** Classification 7198(1) was amended to direct that if the weight restrictions were not met, the employer's operations were to be separately classified as Classification 7219, *Trucking Firms – N.O.C.*

- **2015:** Classification 7198(1) was amended to include messenger service companies, terminal employees and mechanics and a footnote was amended to exclude the cross-reference to Classification 7219.
- **2021:** Classification 7198(1) was amended to include app-based on-demand Delivery Network Companies (DNC) that deliver restaurant meals, groceries or various store merchandise, or perform errands such as dropping off or picking up dry cleaning.

## **Appendix II – Other Jurisdictions**

The WCIRB reviewed how other jurisdictions classify newspaper delivery operations. The National Council on Compensation Insurance, Inc., the Workers' Compensation Rating and Inspection Bureau of Massachusetts, the Compensation Advisory Organization of Michigan and the North Carolina Rate Bureau direct that newspaper delivery operations conducted on foot are assigned to the employer's governing classification and delivery operations conducted using motor vehicles or bicycles are classified in their respective delivery or driver classification.

The Wisconsin Compensation Rating Bureau and New York Compensation Insurance Rating Board have similar classification procedures, except that only delivery operations conducted using motor vehicles are classified in the respective driver classification.

The Minnesota Workers' Compensation Insurers Association has two separate classification codes: one for newspaper delivery operations conducted using motor vehicles and one for those conducted using bicycles or on foot.

The delivery or driver classifications used for newspaper delivery operations for the aforementioned jurisdictions are generally for parcel delivery operations, similar to Classification 7198(1) in California.

### Appendix III – Classification Relativities<sup>17</sup>

**Table 1: Classification 4312 – Classification Relativity at Policy Year 2021 Level**

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2014	18,362,092	183,734	194,441	378,175	2.060
2015	16,214,920	215,488	451,015	666,503	4.110
2016	15,914,397	677,901	759,463	1,437,364	9.032
2017	14,680,278	333,654	477,483	811,137	5.525
2018	13,621,751	284,193	362,552	646,745	4.748
Total	78,793,438	1,694,970	2,244,954	3,939,924	

Adjusted Loss to Payroll Ratio 5.000  
Selected Loss to Payroll Ratio 3.677

Credibility	
Indemnity	Medical
0.38	0.40

**Table 2: Classification 7198 – Classification Relativity at Policy Year 2021 Level**

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2017	2,228,689,506	69,909,669	48,283,205	118,192,874	5.303
2018	2,445,278,238	69,200,325	48,106,278	117,306,603	4.797
Total	4,673,967,744	139,109,994	96,389,484	235,499,477	

Adjusted Loss to Payroll Ratio 5.039  
Selected Loss to Payroll Ratio 5.709

Credibility	
Indemnity	Medical
1.00	1.00

<sup>17</sup> WCIRB September 1, 2021 Regulatory Filing.

**Table 3: Classification 7198 Under the Proposed Change – Classification Relativity at Policy Year 2021 Level**

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2017	2,240,660,583	70,241,131	48,745,161	118,986,292	5.310
2018	2,457,143,875	69,479,230	48,463,173	117,942,403	4.800
Total	4,697,804,459	139,720,362	97,208,335	236,928,696	

Adjusted Loss to Payroll Ratio 5.043  
Selected Loss to Payroll Ratio 5.715

Credibility	
Indemnity	Medical
1.00	1.00

**Table 4: Classification 4304 – Classification Relativity at Policy Year 2021 Level**

Year	Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Loss to Payroll Ratio
2014	103,690,966	2,653,704	2,550,778	5,204,482	5.019
2015	81,103,900	3,144,647	2,586,276	5,730,923	7.066
2016	77,719,365	1,779,720	1,635,856	3,415,576	4.395
2017	73,936,292	1,456,195	1,661,072	3,117,267	4.216
2018	67,819,867	1,295,493	1,221,444	2,516,937	3.711
Total	404,270,390	10,329,759	9,655,426	19,985,185	

Adjusted Loss to Payroll Ratio 4.944  
Selected Loss to Payroll Ratio 5.575

Credibility	
Indemnity	Medical
0.96	0.87

**Table 5: Classification 4304 Under the Proposed Change – Classification Relativity at Policy Year 2021 Level**

Year	Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Loss to Payroll Ratio
2014	107,496,673	2,662,733	2,572,075	5,234,808	4.870
2015	85,004,300	3,242,590	2,888,129	6,130,719	7.212
2016	80,101,126	1,813,269	1,726,630	3,539,899	4.419
2017	76,736,744	1,461,419	1,677,898	3,139,317	4.091
2018	69,249,730	1,303,464	1,226,713	2,530,177	3.654
Total	418,588,574	10,483,475	10,091,445	20,574,920	

Adjusted Loss to Payroll Ratio 4.915  
 Selected Loss to Payroll Ratio 5.558

Credibility	
Indemnity	Medical
0.98	0.88

### **Item III-C**

#### **Proposed Classification Enhancements to the *California Workers' Compensation Uniform Statistical Reporting Plan—1995***

The WCIRB continually reviews the standard classifications contained in the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* to ensure that the intended application of each classification is comprehensive and clear. WCIRB staff has identified several classifications that could be clarified and, therefore, the following revisions are proposed for clarity, consistency and to provide direction about how related operations are classified.

**Recommendation**

Amend Classification 7421, *Aircraft Operation – transportation of personnel in the business of an employer not otherwise engaged in aircraft operation*, which is part of the Aircraft Operation Industry Group, to clarify the intended application.

PROPOSED

**AIRCRAFT OPERATION**

**AIRCRAFT OPERATION – transportation of personnel in the business of an employer not otherwise engaged in aircraft operation – members of the flying crew** **7421**

This classification applies to members of the flying crew engaged in the transportation of personnel in the business of an employer not otherwise engaged in aircraft operation and who perform no other operations for the employer. See Part 3, Section IV, Rule 1, *Aircraft Operation*.

\* \* \* \* \*

**Recommendation**

Amend Classification 3647(1), *Battery Mfg.*, to clarify the intended application.

PROPOSED

**BATTERY MFG. – ~~storage~~—including foundry operations** **3647(1)**

This classification applies to the manufacture of lead-acid storage batteries.

The manufacture of dry cell batteries shall be classified as 3179, *Electrical Apparatus Mfg.*

The manufacture of power supplies rated at less than 746 watts shall be classified as 3573, *Power Supply Mfg.*

\* \* \* \* \*

**Recommendation**

Amend Classification 9015(4), *Churches, Temples, Mosques and Synagogues – all employees other than clergy, professional assistants, organists, members of choir, Clerical Office Employees or Clerical Telecommuter Employees*, to clarify and provide direction as to how related operations should be classified.

PROPOSED

**CHURCHES, TEMPLES, MOSQUES AND SYNAGOGUES – all employees other than clergy, professional assistants, organists, members of choir, Clerical Office Employees or Clerical Telecommuter Employees** **9015(4)**

**When lodging is provided by the employer, the total remuneration shall include the market value of such lodging to the employee.**

Classification 9015(4) includes but is not limited to maintenance employees, janitors, custodians, gardeners, security personnel, drivers and parking lot attendants.

Overnight camps operated by the employer shall be separately classified as 9048(1), *Camps*. The operation of child day care centers where by services are provided to the public for a fee shall be separately classified as 9059, *Day Care Centers*.

The operation of academic schools for educating children in subjects, including but not limited to reading, language arts, mathematics, science, arts, history and geography shall be separately classified ~~in accordance with the provisions of the Multiple Enterprises rules 8868, *Colleges or Schools – private – not automobile schools – professors, teachers or academic professional employees*, and 9101, *Colleges or Schools – private – not automobile schools – all employees other than professors, teachers or academic professional employees*.~~ *Colleges or Schools – private – not automobile schools – professors, teachers or academic professional employees*.

~~The operation of retail stores for the display and sale of merchandise to congregation members or the general public shall be separately classified.~~

The operation of shops for the preparation and sale of coffee, tea ~~and~~ other nonalcoholic beverages to congregation members or the general public shall be separately classified as 8078(2), *Beverage Preparation Shops*.

The operation of retail stores for the display and sale of merchandise to congregation members or the general public shall be separately classified.

Also refer to companion Classification 8840, *Churches, Temples, Mosques and Synagogues – clergy, professional assistants, organists or members of choir*.

If an employee who performs duties described by Classification 9015(4) also performs duties described by Classification 8840, the payroll of that employee may be divided between Classifications 9015(4) and 8840, provided the employer maintains accurate records supported by time cards or time book entries that show such division. Refer to Part 3, Section V, Rule 3.

\* \* \* \* \*

**Recommendation**

Amend Classification 9101, *Colleges or Schools – private – not automobile schools – all employees other than professors, teachers, or academic professional employees*, to provide direction as to how related operations should be classified.

PROPOSED

**COLLEGES OR SCHOOLS – private – not automobile schools – all employees other than professors, teachers, or academic professional employees – including cafeterias** **9101**

Classification 9101 includes but is not limited to cafeteria workers, drivers, maintenance employees, janitors, gardeners, security personnel, resident advisors or assistants and book supply department employees.

The operation of religious organizations, including but not limited to churches, temples, mosques and synagogues shall be separately classified ~~in accordance with the provisions of the Multiple Enterprises rules~~ as 8840, Churches, Temples, Mosques and Synagogues – clergy, professional assistants, organists or members of choir, and 9015(4), Churches, Temples, Mosques and Synagogues – all employees other than clergy, professional assistants, organists, members of choir, Clerical Office Employees or Clerical Telecommuter Employees.

Also refer to companion Classification 8868, *Colleges or Schools – private – not automobile schools – professors, teachers or academic professional employees*.

If an employee who performs duties described by Classification 9101 also performs duties described by Classification 8868, the payroll of that employee may be divided between Classifications 9101 and 8868, provided the employer maintains accurate records supported by time cards or time book entries that show such division. Refer to Part 3, Section V, Rule 3.

Retail store operations shall be separately classified.

\* \* \* \* \*

**Recommendation**

Amend Classification 3569, *Electric Motor Mfg. or Repair*, to clarify the intended application.

PROPOSED

**ELECTRIC MOTOR MFG. OR REPAIR** **3569**

This classification applies to the manufacture or shop repair of electric motors, including the cleaning and rewinding of armatures, field coils, rotors and similar parts.

Dealers that sell or repair new electric motors that are used in industrial machinery or equipment shall be classified as 8107, *Machinery and Equipment Dealers*.

Dealers that sell or repair used electric motors that are used in industrial machinery or equipment shall be classified as 8267, *Machinery and Equipment Dealers – secondhand*.

\* \* \* \* \*

**Recommendation**

Amend Classification 8755, *Labor Unions*, to clarify the intended application.

PROPOSED

**LABOR UNIONS – ~~employees engaged outside of office~~—including Outside Salespersons 8755**

This classification applies to labor union employees who represent various groups of workers and are engaged in activities away from the office at least part of the time, including but not limited to handling grievances, performing job evaluations, collecting delinquent payments, checking work conditions, union organizing and performing contract, wage and benefit negotiations ~~and union organizing~~. This classification also applies to staff attorneys who work outside of the office at least part of the time. This classification also applies to employee associations and guilds that engage in collective bargaining.

\* \* \* \* \*

**Recommendation**

Amend Classification 2840(1), *Picture Frame Assembly*, to provide direction as to how related operations should be classified and for consistency with other proposed changes.

PROPOSED

**PICTURE FRAME ASSEMBLY 2840(1)**

This classification applies to the assembly of picture frames, including the cutting and assembly of frame stock, matting and glass.

The manufacture of wood picture frame stock shall be separately classified as 2731, *Planing or Moulding Mills*.

The custom framing of pictures ~~and~~ or artwork, including ~~incidental~~ picture frame assembly in connection with the framing, shall be classified as 2840(2), *Picture or Artwork Framing*.

Retail store operations shall be separately classified.

The manufacture of molded plastic components shall be separately classified.

\* \* \* \* \*

**Recommendation**

Amend Classification 2840(2), *Picture or Artwork Framing*, to clarify the intended application and for consistency with other proposed changes.

PROPOSED

**PICTURE OR ARTWORK FRAMING – including frame assembly**

**2840(2)**

This classification applies to the custom framing of pictures or artwork and includes the cutting and assembly of frame stock, matting and glass and the ~~incidental~~ assembly of picture frames in connection with the custom framing.

The manufacture of wood picture frame stock shall be separately classified as 2731, *Planing or Moulding Mills*.

The assembly of picture frames not in connection with picture or artwork framing shall be classified as 2840(1), *Picture Frame Assembly*.

Retail store operations shall be separately classified.

The manufacture of molded plastic components shall be separately classified.

\* \* \* \* \*

**Recommendation**

Amend Classification 2731, *Planing or Moulding Mills*, to clarify the intended application and for consistency with other proposed changes.

PROPOSED

**PLANING OR MOULDING MILLS**

**2731**

This classification applies to the production of finished lumber, flooring, moldings, paneling, picture frame stock or unassembled millwork.

Yard employees receiving incoming materials ~~and/or~~ stocking, grading ~~and/or~~ loading finished milled products, including drivers and their helpers, shall be separately classified as 8232(1), *Lumberyards*.

Building material dealers or fuel and material dealers shall be separately classified as 8232(2), *Building Material Dealers*, or 8232(3), *Fuel and Material Dealers*.

Forest engineering ~~and/or~~ timber cruising operations shall be separately classified as 8601(4), *Forest Engineers*.

\* \* \* \* \*

**Recommendation**

Amend Classification 2710(1), *Sawmills or Shingle Mills*, for clarity and consistency with other proposed changes.

PROPOSED

**SAWMILLS OR SHINGLE MILLS – all employees – including grading, sorting, pulling, piling, drying, loading, storage and shipping of sawmill products 2710(1)**

This classification applies to the cutting, edging ~~and/or~~ trimming of logs to produce rough lumber. This classification also applies to the cutting ~~and/or~~ splitting of logs at a permanent shop or yard location.

The planing ~~and/or~~ moulding of lumber to produce finished lumber, flooring or unassembled millwork shall be separately classified as 2731, *Planing or Moulding Mills*.

~~Subsequent manufacturing operations shall be separately classified.~~

Forest engineering ~~and/or~~ timber cruising operations shall be separately classified as 8601(4), *Forest Engineers*.

The chipping of logs, limbs ~~and/or~~ slash at logging sites, ~~and/or~~ log chipping that is performed in connection with trees felled by the employer, not in connection with sawmill operations, shall be classified as 2710(2), *Log Chipping*.

The application of preservatives onto logs, lumber or other wood materials not in connection with sawmill operations shall be classified as 2710(3), *Wood Treating or Preserving*.

Subsequent manufacturing operations shall be separately classified.

\* \* \* \* \*

**Recommendation**

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

PROPOSED

**Section VIII – Abbreviated Classifications – Numeric Listing**

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- 2731 Planing/Moulding Mills
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