

Classification and Rating Committee

Meeting Agenda

Date	Time	Location	Staff Contact
November 1, 2022	9:30 AM	Microsoft Teams Webinar	Kristen Marsh
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To Members of the Classification and Rating Committee, WCIRB Members and All Interested Parties:

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I. Approval of Minutes

Meeting held August 9, 2022

II. Unfinished Business

III. New Business

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IV. Matters Arising at Time of Meeting

V. Next Meeting Date: January 31, 2023 (tentative)

VI. Adjournment

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Item III-A

Physical Audit Threshold

The *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP) requires that all policies that generate a final premium at or above a specific threshold amount are subject to physical audit.¹ The threshold has historically been set at a level that corresponds approximately with eligibility for experience rating so that the vast majority of payroll reflected in an experience rating calculation is subject to physical audit. The threshold is reviewed on a regular basis and adjusted as appropriate to maintain the same approximate volume of policies subject to the audit requirement.

The USRP audit threshold is intended to be changed on a relatively infrequent basis. Nevertheless, the WCIRB reviews the physical audit threshold level annually. The audit threshold was last changed to \$10,500 effective January 1, 2020.

WCIRB staff reviewed the audit threshold in preparation for the September 1, 2023 Regulatory Filing. As in the past, the indication is based on the average of the results of two methods. First, insurer rates have on average decreased approximately 18.3% from the amount contemplated in the current \$10,500 threshold. Since the threshold was last changed in 2020, the average wage level (as forecast based on the average of UCLA Anderson School of Business and California Department of Finance wage forecasts) is projected to increase by approximately 19.0%. As a result, combining the impact of wage inflation and insurer rate changes, a modest decrease in the threshold to \$10,000 is indicated.

Second, experience rating eligibility is determined based on the total payroll reported for the experience period multiplied by the current expected loss rates. In contrast, the audit threshold is based on insurer "final premium." Based on WCIRB aggregate financial data, insurer final premium for 2021 was approximately 21.7% higher than premium at the advisory pure premium rate level, and the average September 1, 2022 advisory pure premium rate is approximately 128% higher than the average of the September 1, 2022 expected loss rates. As a result, assuming a three-year experience rating period, the current September 1, 2022 experience rating eligibility threshold of \$9,200, which is set at the September 1, 2022 expected loss rate level and applies to the September 1, 2018 to August 31, 2021 projected payroll level, would correspond to a single year average insurer premium level of approximately \$11,000, after adjusting for estimated wage inflation (27.3%).

Based on the approximate average of these two indications, the indicated physical audit threshold for policies incepting on or after September 1, 2023 is approximately \$10,500, which is equal to the current threshold. As a result, staff recommends maintaining the current physical audit threshold of \$10,500 for September 1, 2023.

¹ See Part 3, *Standard Classification System*, Section VI, *Administration of Classification System*, Rule 4, *Audit of Payroll*.

Item III-B Payroll Limitations

Each year, WCIRB staff reviews current wage and payroll limits in the *California Worker's Compensation Uniform Statistical Reporting Plan—1995* (USRP) in light of projected wage inflation. The WCIRB is projecting that wage inflation from the current limits effective for policies incepting between September 1, 2022 and August 31, 2023 to the level underlying policies incepting between September 1, 2023 and August 31, 2024 will be approximately 3.5%. This wage inflation projection is based on the average of the UCLA Anderson School of Business and California Department of Finance wage forecasts. Based on this projection, the WCIRB recommends the following revisions to the USRP to be effective September 1, 2023:

- WCIRB staff reviewed the minimum and maximum reportable payrolls for executive officers, partners, individual employers, and members of a limited liability company (LLC), so that these thresholds in the USRP reflect prospective economic conditions. To reflect the projected wage inflation of approximately 3.5%, the WCIRB recommends that the current maximum remuneration of \$149,500 (\$2,875 per week) be increased to \$154,700 (\$2,975 per week) and the current minimum of \$57,200 (\$1,105 per week) be increased to \$59,800 (\$1,150 per week).
- WCIRB staff also reviewed the salary and payroll limitations for employees in the classifications listed in Table 1 below that are subject to limitation. To reflect the projected wage inflation of approximately 3.5% and to remain consistent with adjustments to the payroll limitations for executive officers, partners, individual employers and members of an LLC, the WCIRB recommends that the maximum payroll relative to the specified employees in the listed classifications be increased from \$149,500 to \$154,700.
- To reflect the approximate 3.5% projected wage inflation, the WCIRB recommends that the minimum payroll per taxicab that is contained in the footnote to Classification 7365, *Taxicab Operations*, be increased from \$41,000 to \$42,400 per annum per taxicab.
- To reflect the approximate 7.1% projected wage inflation from the September 1, 2021 to August 31, 2022 level¹ to the September 1, 2023 to August 31, 2024 policy period, staff recommends that the minimum payroll amount that is contained in the footnote to Classification 8039, *Stores – department stores – retail*, be increased from \$1,200,000 to \$1,300,000 per year.

The results of the WCIRB's review of the current wage and payroll limits are detailed in Table 1 below for each classification or type of employee.

Table 1 – Wage and Payroll Limitation Recommendations					
Class Code	Phraseology	Current		Recommended for September 1, 2023	
		Payroll Minimum	Payroll Maximum	Payroll Minimum	Payroll Maximum
7365	<i>Taxicab Operations</i> (per year per taxicab)	\$41,000	N/A	\$42,400	N/A

¹ The threshold was last changed effective September 1, 2021.

Table 1 – Wage and Payroll Limitation Recommendations					
Class Code	Phraseology	Current		Recommended for September 1, 2023	
		Payroll Minimum	Payroll Maximum	Payroll Minimum	Payroll Maximum
8039	<i>Stores – department stores – retail (per year)</i>	\$1,200,000	N/A	\$1,300,000	N/A
7607(1)	<i>Video Post-Production (per year per employee)</i>	N/A	\$149,500	N/A	\$154,700
7607(2)	<i>Audio Post-Production (per year per employee)</i>	N/A	\$149,500	N/A	\$154,700
7610	<i>Radio, Television or Commercial Broadcasting Stations (on-air personalities, entertainers and musicians/per year per person)</i>	N/A	\$149,500	N/A	\$154,700
8601(1)	<i>Engineers (per year per employee)</i>	N/A	\$149,500	N/A	\$154,700
8601(2)	<i>Oil or Gas Geologists or Scouts (per year per employee)</i>	N/A	\$149,500	N/A	\$154,700
8601(4)	<i>Forest Engineers (per year per employee)</i>	N/A	\$149,500	N/A	\$154,700
8741	<i>Real Estate Agencies (per year per employee)</i>	N/A	\$149,500	N/A	\$154,700
8743	<i>Mortgage Brokers (per year per employee)</i>	N/A	\$149,500	N/A	\$154,700
8749	<i>Mortgage Bankers (per year per employee)</i>	N/A	\$149,500	N/A	\$154,700
8801	<i>Credit Unions (per year per employee)</i>	N/A	\$149,500	N/A	\$154,700
8803	<i>Auditing, Accounting or Management Consulting Services (per year per employee)</i>	N/A	\$149,500	N/A	\$154,700
8808	<i>Banks (per year per employee)</i>	N/A	\$149,500	N/A	\$154,700

Table 1 – Wage and Payroll Limitation Recommendations					
Class Code	Phraseology	Current		Recommended for September 1, 2023	
		Payroll Minimum	Payroll Maximum	Payroll Minimum	Payroll Maximum
8820	<i>Law Firms</i> (per year per employee)	N/A	\$149,500	N/A	\$154,700
8822	<i>Insurance Companies</i> (per year per employee)	N/A	\$149,500	N/A	\$154,700
8859(1)	<i>Computer Programming or Software Development</i> (per year per employee)	N/A	\$149,500	N/A	\$154,700
8859(2)	<i>Internet or Web-Based Application Development or Operation</i> (per year per employee)	N/A	\$149,500	N/A	\$154,700
8874(1)	<i>Instrument Mfg. – electronic – professional or scientific – hardware or software design or development</i> (per year per employee)	N/A	\$149,500	N/A	\$154,700
8874(2)	<i>Computer or Computer Peripheral Equipment Mfg. – hardware or software design or development</i> (per year per employee)	N/A	\$149,500	N/A	\$154,700
9151	<i>Theaters – musical entertainment</i> (performers and directors of performers/per year per person)	N/A	\$149,500	N/A	\$154,700
9156	<i>Theaters – dance, opera and theater companies</i> (performers and directors of performers/per year per person)	N/A	\$149,500	N/A	\$154,700
9181	<i>Athletic Teams or Athletic Facilities – players, umpires, referees and game officials</i> (per season per player)	N/A	\$149,500	N/A	\$154,700

Table 1 – Wage and Payroll Limitation Recommendations					
Class Code	Phraseology	Current		Recommended for September 1, 2023	
		Payroll Minimum	Payroll Maximum	Payroll Minimum	Payroll Maximum
9610	<i>Motion Pictures – production</i> (actors, musicians, producers and the motion picture director/per year per person)	N/A	\$149,500	N/A	\$154,700
N/A	Executive Officers, Partners, Individual Employers and Members of a Limited Liability Company	\$57,200	\$149,500	\$59,800	\$154,700

Item III-C

Proposed Classification Enhancement 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 one classification that could be clarified and, therefore, the following revisions are proposed for clarity and to provide direction about how related operations are classified.

Recommendation

Amend Classification 3569, *Electric Motor Mfg. or Repair*, to clarify the intended application and provide direction as to how related operations should be classified.

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*.

The installation or repair of electric motors away from the shop shall be classified as 3724(2), *Electrical Machinery or Auxiliary Apparatus*.

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Item III-D

Proposed Non-Substantive Amendments

California Workers' Compensation Uniform Statistical Reporting Plan—1995 (USRP)

Part 3 of the USRP contains the standard classification rules and phraseology and footnotes for the standard classifications. The WCIRB is proposing changes to the following rules for clarity and consistency with previously approved or proposed changes:

- 5205(2), *Concrete or Cement Work – pouring or finishing of concrete floor slabs, poured in place and on the ground, and concrete slab-type foundations, for other than concrete buildings or structural steel buildings of multi-story construction*
- 2102, *Fruit or Vegetable Evaporation or Dehydrating*

California Workers' Compensation Experience Rating Plan—1995 (ERP)

Section IV of the ERP contains the rules regarding changes in status and combining entities. The WCIRB is proposing changes to the following rule for consistency:

- Rule 2, *Combination of Entities*

Recommendation

Amend Classification 5205(2), *Concrete or Cement Work – pouring or finishing of concrete floor slabs, poured in place and on the ground, and concrete slab-type foundations, for other than concrete buildings or structural steel buildings of multi-story construction*, for consistency with previously approved changes.

PROPOSED

CONCRETE OR CEMENT WORK – pouring or finishing of concrete floor slabs, poured in place and on the ground, and concrete slab-type foundations, for other than concrete buildings or structural steel buildings of multi-story construction – including the making or stripping of forms – employees whose regular hourly wage equals or exceeds \$32.00 per hour **5205(2)**

Assignment of this classification is subject to verification at the time of final audit that the employee's regular hourly wage equals or exceeds \$32.00 per hour. The payroll of an employee whose regular hourly wage is not shown to equal or exceed \$32.00 per hour shall be classified as 5201(2), *Concrete or Cement Work*.

This classification applies to the pouring or finishing of concrete foundations, footings and slabs for residential buildings not exceeding three stories in height. This classification also applies to the pouring or finishing of concrete slab foundations, with or without integrated footings, for one or two story wood framed or masonry commercial buildings and single story structural steel commercial buildings. This classification includes the incidental installation of reinforcing steel by the employer engaged in the pouring or finishing of concrete flatwork.

This classification also applies to the installation and removal of forms at the job site whether performed by the employer engaged in the pouring or finishing of concrete or by a separate employer.

This classification also applies to the pouring or finishing of lightweight cellular concrete floors within buildings.

The pouring or finishing of concrete floor slabs, foundations, retaining walls, basement walls and/or footings in connection with the construction of poured in place concrete buildings, residential buildings exceeding three stories in height, masonry commercial buildings exceeding two stories in height, and multi-story structural steel buildings, shall be separately classified as 5213, *Concrete Construction – N.O.C.*

* * * * *

Recommendation

Amend Classification 2102, *Fruit or Vegetable Evaporation or Dehydrating*, which is part of the Food Packaging and Processing Industry Group, for consistency with previously approved changes and clarity.

PROPOSED

FOOD PACKAGING AND PROCESSING

FRUIT OR VEGETABLE EVAPORATION OR DEHYDRATING

2102

This classification applies to the drying of fruits or vegetables to produce products, including but not limited to raisins, prunes, and dried figs, oranges, apricots, apples, onions, garlic, peppers and tomatoes.

Packing of dried fruits shall be separately classified as 2109, *Fruit – dried fruit packing and handling*.

Growing or harvesting, including field packing of crops, shall be assigned to the applicable *Farms* Industry Group classification.

* * * * *

Recommendation

Amend Section IV, *Change in Status and Combination of Entities*, Rule 2, *Combination of Entities*, for consistency with naming conventions for rules.

PROPOSED

Section IV – Change in Status and Combination of Entities

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2. Combination of Entities

Separate entities shall be combined for experience rating purposes when the same person or combination of persons own a majority interest in each of the entities.

A risk in bankruptcy or receivership shall not be combined with any other entity for experience rating purposes unless (a) the other entity is a part of the same bankruptcy or receivership proceeding and under the same trustee or receiver, or (b) the risk is being operated by the Debtor in Possession and the other entity is combinable with the debtor.

Except as specified in the immediately preceding paragraph, a trust shall not be combined with any entity for experience rating purposes except under the following circumstances: (a) if the parent or parents are the only trustees of a trust set up for the benefit of their minor children, the trust shall be combined with the operations of the trustee; or (b) two or more trusts having identical trustees and identical beneficiaries shall be combined.

If two or more different combinations are possible in accordance with the provisions of this Rule, the combination producing the greatest amount of expected losses during the experience period shall be made.

If two or more entities are no longer combinable as a result of a change in ownership that is not material, the entire experience developed by the combined entities prior to the change and during the experience period shall be used in developing experience modifications for each of the entities after the change. If two or more entities are no longer combinable as a result of a change in ownership that is material, the experience incurred prior to the change and during the experience period shall be used in developing the experience modification for each of the entities that has not undergone a material change.

When a combination is made, the experience used in the combination shall be subject to the provisions of Rule 1, *Change in Status (Ownership, Operations and Employees)*.

This Rule applies only where the entities are, or have been, operating and insured concurrently in California. It does not apply where concurrent operations are for a short period of time, not exceeding one year, provided the operation of the original entity during the period both entities were operating was restricted to the completion of contracts entered into prior to the new entity commencing operations. Rule 1 applies in all situations where this Rule is not applicable.

* * * * *

Item III-E

Draft Food and Beverage Study

The WCIRB initiated a multi-year effort in 2021 to holistically review the classification procedures for the restaurant industry to address ongoing concerns of industry stakeholders that evolving trends in the restaurant industry may have led to divergent business operations and loss experience across different segments. In 2022, the WCIRB completed an in-depth review of the operations, loss and payroll experience and claim characteristics of several identified distinct segments in Classification 9079, including bars and taverns, professional caterers, fast food and fast casual restaurants, and full service restaurants. In addition, hotel food service operations were reviewed to determine if separate treatment for food and beverage operations in connection with hotels and motels is warranted. The WCIRB also gathered feedback from industry stakeholders, including employers, insurers, researchers and regulators, revealing that the COVID-19 pandemic has significantly disrupted the restaurant industry and may have varying impacts on the distinct segments as the business operations of these segments may have evolved or are evolving to adapt to the changes in the marketplace in distinct and potentially permanent ways.

Given that (a) indicated loss-to-payroll differences between the identified Classification 9079 segments were relatively modest, (b) the COVID-19 pandemic has caused fundamental shifts in the operations of many segments of the restaurant industry and (c) the potential impact of pandemic-related changes in operations and the resultant payroll and loss experience are not yet reflected in this study, the WCIRB is seeking feedback from the Committee regarding next steps. In particular, staff is seeking feedback on whether to establish separate classifications for the distinct segments currently assigned to Classification 9079 and combine them for ratemaking purposes until the new classifications have developed sufficient experience subsequent to the outbreak of the pandemic that is more reflective of current restaurant operations to support a differentiation in the advisory pure premium rates. This would allow for the collection of payroll and loss data for the new classifications on a more comprehensive basis without disrupting the restaurant industry with advisory pure premium rate differentials based on pre-pandemic data that may not be reflective of how the industry has or is evolving.

If the Committee agrees with this approach, the proposed new classifications would be segmented as follows:

- a. Bars and taverns;
- b. Professional or event caterers with no fixed location for customer dining or pick-up;
- c. Fast food and fast casual restaurants with no table service;
- d. Full service restaurants with table service;
- e. Hotel food service operations (potentially a companion classification for hotels); and
- f. Other operations that serve hot food with a Not Otherwise Classified (N.O.C.) designation

The proposed rule changes would be developed for approval by the Committee at the January 2023 meeting for inclusion in the September 1, 2023 Regulatory Filing to be effective September 1, 2024. This would provide staff with the time to conduct an extensive educational outreach campaign and identify the impacted risks to ensure a smooth transition to the new classification structure. In addition, staff recommends continuing its multi-year study of the restaurant industry once more experience subsequent to the outbreak of the pandemic is available by analyzing whether restaurant tips and service charges should continue to be excluded from the basis of workers' compensation premium and reviewing the classification procedures related to food and beverage operations in connection with other industry sectors, including the hospitality and resort industries, grocery stores, wineries, breweries and amusement parks.

Classification and Rating Committee
Meeting Agenda for November 1, 2022

A copy of the Draft Food and Beverage Study is included with the Agenda which includes the review of the operations and loss and payroll experience of the identified segments of Classification 9079 for reference.

Draft Food and Beverage Study

9079(1), *Restaurants or Taverns – all employees – including musicians and entertainers*
9079(2), *Concessionaires – dispensing food and beverage items at ball parks, racetracks, theaters, concert venues and amusement and recreational facilities*
9050, *Hotels, Motels or Short-Term Residential Housing*

Executive Summary

Study Objectives

The restaurant industry is a driving force in California's economy. In the California workers' compensation system, food and beverage operations are typically assigned to Classifications 9079 or 8078.¹ In particular, Classification 9079 is one of the largest classifications in the workers' compensation system, accounting for 6.0% of statewide pure premium and 7.7% of statewide policies in 2019. The classification contemplates various types of restaurant operations that prepare and serve hot and cold food, including fast food and full service restaurants, bars and taverns and professional caterers. Discussions with industry stakeholders and a preliminary review of WCIRB data indicated that evolving trends in the restaurant industry may have led to divergent business operations and loss experience across different segments.

Based on a recommendation from the WCIRB Classification and Rating Committee, the WCIRB initiated a multi-year effort in 2021 to holistically review the classification procedures for the restaurant industry with the following objectives:

1. Identify distinct segments within the restaurant industry regarding operations and workers' compensation claim patterns and experience;
2. Identify key drivers of workers' compensation claim costs in the restaurant industry;
3. Determine if the key cost drivers differ by industry segment;
4. Determine the propriety of continuing to exclude tips and service charges from the basis of workers' compensation premium; and
5. Recommend changes to the existing classification process for the restaurant industry, if indicated by study findings.

The WCIRB has completed an in-depth review of the operations, loss and payroll experience and claim characteristics of several identified distinct segments in Classification 9079 and gathered feedback from industry stakeholders, including employers, insurers, researchers and regulators, revealing among other things that the COVID-19 pandemic has significantly disrupted the restaurant industry and may have varying impacts on the distinct segments as the business operations of these segments may have evolved or are evolving to adapt to the changes in the marketplace in distinct and potentially permanent ways.

Later phases of this study will include an in-depth review of food and beverage operations in connection with other industry sectors, continued industry outreach to obtain feedback on the treatment of tips and service charges for purposes of workers' compensation premium determination and a review of the

¹ Classification 9079 consists of two alternate phraseologies (or suffixes): 9079(1), *Restaurants or Taverns*, and 9079(2), *Concessionaires*. Classification 8078 consists of three alternate phraseologies (or suffixes): 8078(1), *Sandwich Shops*, 8078(2), *Beverage Preparation Shops*, and 8078(3), *Ice Cream or Frozen Yogurt Shops*.

restaurant industry's post-pandemic operational patterns and trends as well as the impact of Assembly Bill No. 257 (AB 257)² on the fast food industry and the restaurant industry as a whole.

Preliminary Findings

The preliminary findings of this study include:

1. Five segments with distinct operations were identified from the operations assigned to Classification 9079: bars and taverns, professional caterers, fast food restaurants, fast casual restaurants and full service restaurants. The remaining employers classified in 9079 include operations that cannot be clearly identified as belonging to one of these five segments and therefore were not included in the data analysis of each of these segments.
2. For purposes of this study, the bars and taverns segment is defined as business operations that have been issued one of the five alcoholic beverage license types for bars and taverns issued by the California Department of Alcoholic Beverage Control. This segment excludes restaurants that also serve alcoholic beverages. Bars and taverns operate differently from other segments in that the primary operation is the preparing, pouring and serving of alcoholic beverages. Based on a credible sample of Classification 9079 employers allocated in this manner to the bars and taverns segment, the loss to payroll ratios of bars and taverns were somewhat higher than those of all Classification 9079 employers. In addition, the impact of the COVID-19 pandemic may have permanently changed some aspects of bar and tavern operations, the effects of which are not yet reflected in the available data.
3. For purposes of this study, the professional caterers segment is defined as businesses hired to provide food and beverage services for specific events at customer designated locations and excludes businesses that have brick-and-mortar locations that serve food to walk-in customers and full service restaurants that may perform catering as an added service. The operations of professional caterers are distinct from other food and beverage operations, mostly due to transportation and food service at event locations. Based on a credible sample of Classification 9079 employers allocated in this manner to the professional caterers segment, the loss to payroll ratios of professional caterers were somewhat higher than that of all Classification 9079 employers. Professional caterers have also been heavily impacted by the pandemic and may have evolved to providing new types of food services. More recent data is needed to evaluate these new trends.
4. For purposes of this study, the fast food and fast casual restaurant segments are both defined as restaurant operations with limited to no table service (absence of wait staff) but are differentiated by the duration of posted business hours. In this study, fast food restaurants are identified as those that operate longer business hours (at least 12 hours a day on average and open before 11 AM) than fast casual restaurants (fewer than 12 hours a day on average). Both fast food and fast casual restaurants operate differently from other Classification 9079 food service operations due to the limited presence of wait staff and table service. However, based on credible samples of Classification 9079 employers allocated in this manner to the fast food and fast casual restaurant segments, their historical payroll and loss experience did not appear to be significantly different from each other or from that of Classification 9079 as a whole. Notably, the pandemic has

² AB 257 was signed into law on September 5, 2022. Among other provisions, the new legislation establishes a council that would establish minimum standards on wages, working hours and other working conditions related to the health, safety and welfare of fast food restaurant workers. AB 257 defines a fast food restaurant as an establishment that primarily provides food or beverages in a specific manner and is a part of a set of restaurants consisting of 100 or more establishments nationally that share a common brand or that are characterized by standardized options for decor, marketing, packaging, products and services.

impacted fast food restaurants differently than fast casual restaurants, which may have diminished some operational differences between the two segments.

5. For purposes of this study, the full service restaurants segment is defined as restaurant operations with wait staff and table service. The operations of full service restaurants differ from other segments in Classification 9079 mostly due to the presence of wait staff and table service. Based on a credible sample of Classification 9079 employers allocated in this manner to the full service restaurants segment, the loss to payroll ratios for the full service restaurants were only marginally lower than those for Classification 9079 as a whole. The pandemic had significant impact on full service restaurants since many restaurants discontinued dine-in services and pivoted to providing solely take-out or using a third party for delivery. While many full service restaurants have started to resume dine-in services, labor shortages have created further challenges for this as well as other segments in the industry, such as employment of relatively inexperienced employees who may be more likely to have work-related injuries.
6. Food and beverage operations commonly appear in the hotel and motel industry and are currently separately assigned to Classification 9079. In this study, hotel food service in Classification 9079 is defined as restaurants owned and operated by hotels or motels, room service provided by the hotel or motel restaurant and the restocking of in-room refrigerators. Typically, hotel food service operations are located adjacent to or in hotels or motels and consist of bars and taverns or full service restaurants with wait staff and table service. Hotel food service operates slightly differently than other types of food and beverage operations assigned to Classification 9079 and for the recent five years has had somewhat higher loss to payroll ratios than that of Classification 9079 experience as a whole, partly driven by the differences in frequency and severity of the leading causes of injuries. Like other segments of Classification 9079, hotel food service operations have also been significantly impacted by the pandemic.

I. Background and Study Objective

The restaurant industry is a driving force in California's economy. In the California workers' compensation system, food and beverage operations are typically assigned to Classifications 9079 or 8078.³ In particular, Classification 9079 is one of the largest classifications in the workers' compensation system, accounting for 6.0% of statewide pure premium and 7.7% of statewide policies in 2019. The classification contemplates various types of restaurant operations that prepare and serve hot and cold food, including fast food and full service restaurants, bars and taverns and professional caterers. Discussions with industry stakeholders and a preliminary review of WCIRB data indicated that evolving trends in the restaurant industry may have led to divergent business operations and loss experience across different segments.

Based on a recommendation from the Classification and Rating Committee, the WCIRB initiated a multi-year effort in 2021 to holistically review the classification procedures for the restaurant industry with the following objectives:

1. Identify distinct segments within the restaurant industry regarding operations and workers' compensation claim patterns and experience;
2. Identify key drivers of workers' compensation claim costs in the restaurant industry;
3. Determine if the key cost drivers differ by industry segment;

³ Classification 9079 consists of two alternate phraseologies (or suffixes): 9079(1), *Restaurants or Taverns*, and 9079(2), *Concessionaires*. Classification 8078 consists of three alternate phraseologies (or suffixes): 8078(1), *Sandwich Shops*, 8078(2), *Beverage Preparation Shops*, and 8078(3), *Ice Cream or Frozen Yogurt Shops*.

4. Determine the propriety of continuing to exclude tips and service charges from the basis of workers' compensation premium; and
5. Recommend changes to the existing classification process for the restaurant industry, if indicated by study findings.

In Phase I (2021) of this study, the WCIRB researched the business operations and loss experience of the restaurant industry and gathered industry feedback on the differentiating factors and cost drivers of potential industry segments. Initial research findings indicated a clear line of demarcation between Classifications 9079 and 8078 regarding operations as well as claim characteristics and loss experience. In addition, exploratory research as well as industry feedback indicated that Classification 9079 may have several potential distinct operational segments, including fast food, bars and taverns and professional caterers.

Currently, in Phase II, the WCIRB built upon Phase I's initial findings to focus on Classification 9079's potential operational segments and developed a working definition for each potential segment. The WCIRB also created a credible sample of operations for each segment to review the loss and payroll experience and claim characteristics of the segment. More recently, the COVID-19 pandemic has significantly disrupted the restaurant industry and may have varying impacts on different segments. These segments may also be evolving to adapt to the changes in the marketplace in distinct and potentially permanent ways. The WCIRB contacted industry associations, employers, insurers, regulators and researchers to gain insights into current industry trends and the impact of the pandemic on restaurant operations. A preliminary review of food and beverage services provided in the hotel industry was also completed. Taken together, the WCIRB assessed whether separate classifications for these distinct segments should be created. This analysis is detailed in this report.

In Phase III of the study, the WCIRB plans to review whether restaurant tips and service charges should continue to be excluded from the basis of workers' compensation premium as well as further review food and beverage operations in connection with other industry sectors, such as additional classifications in the hospitality and resort industries, grocery stores, breweries, wineries and amusement parks, to determine if different treatments for food and beverage operations are warranted for different industry sectors. In addition, the WCIRB plans to review the impact of recently passed AB 257 on the fast food industry and the restaurant industry as a whole.

II. Analysis Approach

The WCIRB analyzed the business operations and payroll and claim experience of employers in different industry segments, including bars and taverns, professional caterers, fast food restaurants, fast casual restaurants and full service restaurants, using both qualitative and quantitative information from a variety of sources. In addition, hotel food service was reviewed based on similar sources of information.

Classification Inspection Reports: The WCIRB reviewed the Classification Inspection Reports for employers with payroll reported in Classification 9079 to better understand the business operations of bars and taverns, professional caterers, fast food restaurants, fast casual restaurants and full service restaurants. In addition, the WCIRB reviewed the Classification Inspection Reports for employers with payroll also reported in Classification 9050 to better understand food and beverage services provided by hotels and motels.

Industry Outreach: The WCIRB met with restaurant employers in different industry segments and insurers that underwrite significant components of the restaurant industry to gain insight into the operational characteristics of the different segments of the food and beverage industry. Additionally, the WCIRB met with the California Department of Alcoholic Beverage Control (ABC) to discuss various alcoholic beverage license types, and an occupational health and safety researcher from the University of California, Los Angeles Labor Occupational and Safety Health Program (UCLA LOSH) to gain insight into fast food

restaurant operations. The WCIRB also met with labor organizations to better understand job duties and work processes in the restaurant industry.

Unit Statistical Reports: The WCIRB analyzed the historical Unit Statistical Report (USR) data at the latest, and at the first and second report levels for Classifications 9079 and 9050, including payroll and claim experience and the injury characteristics of the claims, for policy years 2003 through 2019.⁴ Losses were limited to \$500,000 per claim to minimize large swings in the loss to payroll ratios over time.

Dun and Bradstreet Hoovers Data: Based on the 2021 WCIRB Geo Study database, USR data was mapped to the Dun and Bradstreet Hoovers (D&B Hoovers) data, which provides business information by employer locations, to help analyze employer payroll and claim experience by location.

ABC Data: The WCIRB linked ABC license type information, which includes employer name and location for all ABC license type holders, to D&B Hoovers and USR data to analyze employer payroll and claim experience for specific license types.

California Restaurant Data: The WCIRB linked a public dataset of a sample of California restaurants published on a California government website to coordinate emergency responses to the COVID-19 pandemic, which includes business information and employer self-identified attributes, to D&B Hoovers and USR data to analyze employer payroll and claim experience for specific employer attributes. The business information in this dataset was also used to validate the allocation of employers to different industry segments.

Other Jurisdictions: The WCIRB reviewed other jurisdictions' classification procedures for food and beverage operations, including bars and taverns, professional caterers, fast food restaurants, fast casual restaurants, full service restaurants and hotel food service to understand how these operations are classified.

III. Analysis Results

Based on operational characteristics, the WCIRB identified several potential segments in the restaurant industry: bars and taverns, professional caterers, fast food restaurants, fast casual restaurants and full service restaurants. In addition, operations and loss and payroll experience of hotel food service were reviewed.

1. Bars and Taverns

- **Definition and Operational Characteristics**

For purposes of this study, the WCIRB defined the bars and taverns operational segment as any business location that has been issued one of the five ABC license types for bars and taverns and excludes restaurants that serve alcoholic beverages.⁵ If an employer has different food and beverage operations at multiple locations, only bar and tavern locations are included in this segment.

There are currently 75 ABC license types available, five of which are associated with bars or taverns (license types 40, 42, 48, 60 and 61) (Table 1). These five license types represent what the state of California considers a bar or tavern as opposed to a bona fide public eating place (restaurant) that serves

⁴ The first report level is valued 18 months from policy inception and the second report level is valued 30 months from policy inception.

⁵ ABC licenses are established pursuant to the California Alcoholic Beverage Control Act: <https://www.abc.ca.gov/law-and-policy/legislation/abc-act/>

alcoholic beverages.⁶ These license types have restrictions on the type of alcoholic beverages (e.g., beer, wine or distilled spirits) that can be served for consumption on-site and whether minors are allowed on the premises (if minors are allowed on-site, the establishment typically also serves hot food). None of the five license types require hot food to be served, and only one requires snacks and sandwiches to be served. Employers that hold one of these five license types, however, may choose to serve hot food for consumption on-site.

Table 1. ABC License Types for Bars and Taverns

License Type	Allowed to serve beer	Allowed to serve wine	Allowed to serve distilled spirits	Hot food required	Minors allowed on premises	Examples
40	Yes	No	No	No, but snacks and sandwiches are required	Yes	Bars with bowling alleys or skating rinks
42	Yes	Yes	No	No	No	Beer or wine bars
48	Yes	Yes	Yes	No	No	Bars and nightclubs
60	Yes	No	No	No	Yes	Ski resorts
61	Yes	No	No	No	No	Bars with a billiard hall

Typical establishments in the bars and taverns segment have at least one bar counter (also known as the front bar or bar top) behind which drinks are prepared or poured. Customers can walk up to the bar counter and place their orders directly with the bartenders, who serve drinks directly to the customers. Some establishments may also have wait staff, depending on the type of bar or tavern and the available seating area. These establishments may also provide entertainment such as live music or games (e.g., pool tables, arcade consoles and darts) for customers to enjoy while consuming their beverages on-site. Feedback from bar and tavern owners as well as insurers indicated support for using ABC license types to classify bars and taverns separately from other food and beverage operations.

Several jurisdictions have a separate classification for bars and taverns and, to qualify, a majority (more than 50%) of gross receipts must be derived from the sale of alcoholic beverages. However, a key challenge of administering this classification rule based on employer and insurer feedback is that gross receipts may fluctuate from year to year, particularly for employers that prepare and serve hot food and also have expensive bottles of alcohol available for purchase and consumption. In these cases, employers may generate more than 50% of their gross receipts from the sale of alcohol and thus would be classified in the jurisdiction's respective bar and tavern classification even though they do not truly operate a bar or tavern. Additionally, if employers are close to the 50% gross receipt threshold from year to year, their operations may switch between the bars and taverns and full service restaurant classifications, even though the employers' operations have not significantly changed.

- **Impacts of the Pandemic**

Outreach to bar and tavern owners revealed that bars and taverns have been almost “decimated” by the pandemic. Many bars and taverns do not have full kitchens and, as a result, were unable to pivot to providing food service for pick up or delivery to compensate for the lost revenue during the California shelter-in-place periods. Additionally, bar and tavern owners indicated that customers are sensitive to price increases for alcoholic beverages, so despite the growing inflation that has made operations more costly since 2021, they are unable to recoup lost revenue by increasing sale prices. Industry feedback

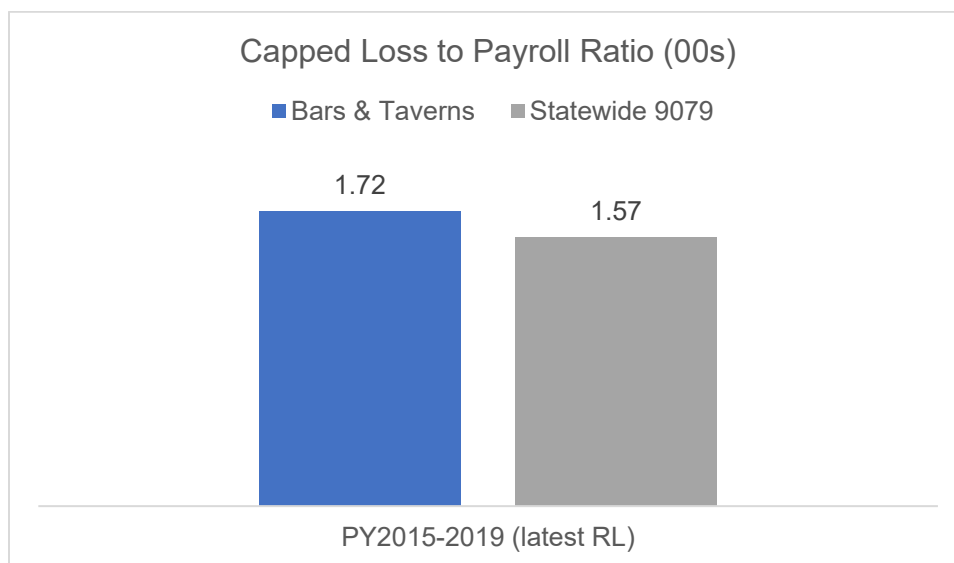
⁶ ABC also issues licenses for “bona fide public eating places,” which are restaurants that also prepare, pour and serve alcoholic beverages. These restaurants must have suitable kitchen facilities and make actual and substantial sales of meals for consumption on the premises. Additionally, minors are allowed on premises.

also indicated that some bars and taverns with full kitchens have started to expand their operations to include food service.

- **Loss and Payroll Experience**

Using the 2022 ABC license type information, the WCIRB identified a sample of bar and tavern operations from policy years 2015 to 2019 that account for about 0.7% of the reported statewide payroll in Classification 9079. The statistical credibility of this sample is approximately 90%.⁷ As shown in Figure 1, the historical capped loss to payroll ratio for bars and taverns was 10% higher than that of statewide Classification 9079 for policy years 2015 to 2019, mostly driven by a significantly higher average indemnity claim severity (Figure 2).

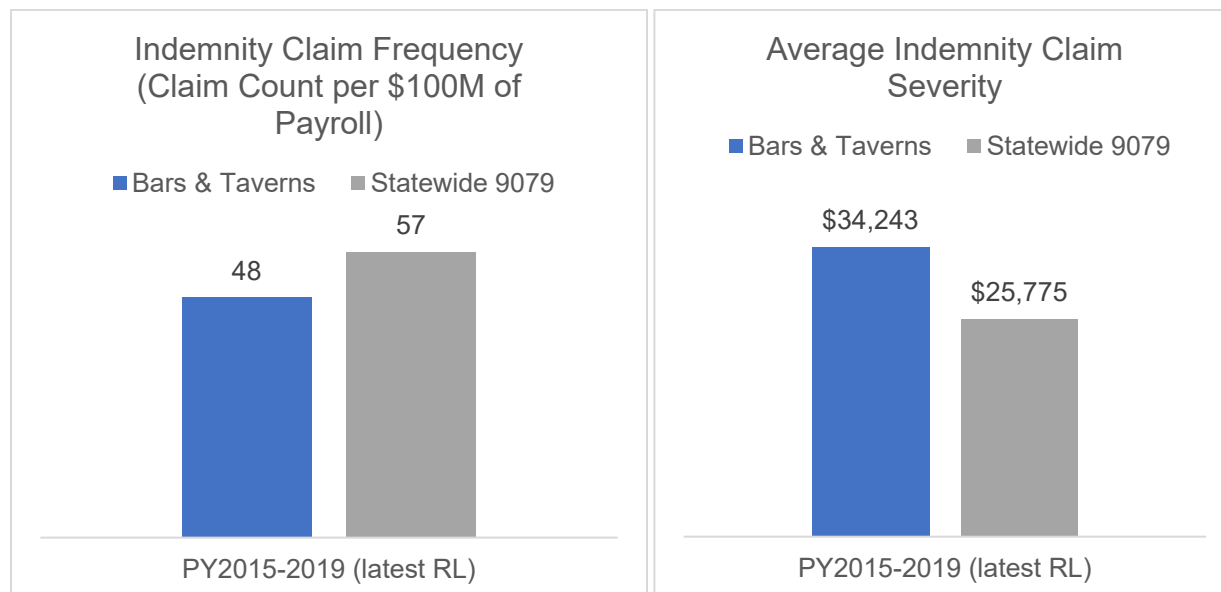
Figure 1. Historical Capped Loss to Payroll Ratios⁸ Comparing Bars and Taverns to Statewide Classification 9079



⁷ Credibility was calculated based on the Classification Relativities from the January 1, 2021 Regulatory Filing. The same methodology was applied to the credibility calculation for other segments.

⁸ The capped loss to payroll ratio was calculated as the aggregate losses at the latest report level over policy years 2015 to 2019 divided by the aggregate payroll during the same period. Losses were capped at \$500,000 per claim. The same methodology was used for Figures 4, 7, 8, 11 and 13.

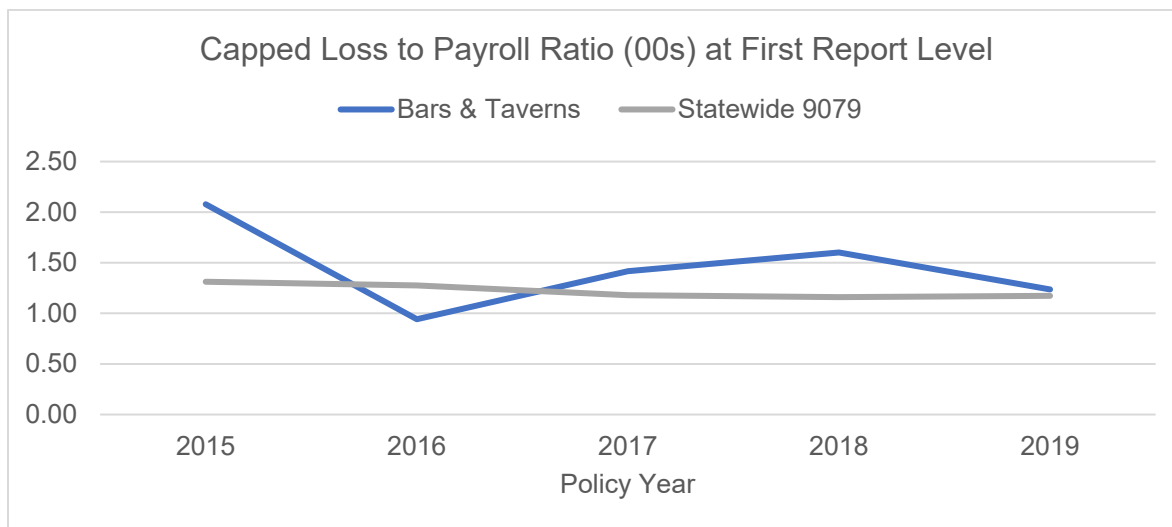
Figure 2. Indemnity Claim Frequency and Severity Comparing Bars and Taverns to Statewide Classification 9079



To assess if the differential in loss to payroll ratios was consistent over time, the WCIRB explored the loss to payroll ratios at the first report level over time. As shown in Figure 3, the capped loss to payroll ratios for the bars and taverns sample have been volatile over the most recent five years, fluctuating above and below those of statewide Classification 9079, with only two years in which bars and taverns had significantly higher loss levels than the statewide experience. This pattern appeared to be consistent with the patterns shown in other jurisdictions for which pure premium rates for the bars and taverns classification have fluctuated and become more similar to the rates for other restaurant classifications (i.e., fast food and full service restaurants) in recent years.⁹ The data patterns do not provide compelling support for classifying bars and taverns separately from other operations assigned to Classification 9079 at this time.

⁹ NCCI indicated that their pure premium rates for bars and taverns and for fast food and full service restaurants are starting to converge.

Figure 3. Historical Capped Loss to Payroll Ratio Trend at First Report Level¹⁰ Comparing Bars and Taverns to Statewide Classification 9079



The WCIRB also compared the typical causes of injuries for bar and tavern employees to those for employees of statewide Classification 9079. Overall, bars and taverns had similar typical causes of injuries as the statewide restaurant experience, except for significantly lower frequency and average claim severity for burn injuries. This suggests bars and taverns are less likely to involve hot food preparation.

In summary, while bars and taverns operate differently from other restaurant operations, the historical payroll and loss experience of a credible sample of bar and tavern operations showed only a modest difference between the bars and taverns segment and the statewide experience of Classification 9079. In addition, the impact of the pandemic may have permanently changed some aspects of bar and tavern operations, which is not yet reflected in available data.

2. Professional Caterers

• Definition and Operational Characteristics

For purposes of this study, the WCIRB defined the professional caterers segment of Classification 9079 as business operations hired to provide food and beverage services for specific events and excluding those with brick-and-mortar locations that serve food to walk-in customers and full service restaurants that may perform catering as an added service.

Professional caterers typically prepare food in advance of the event at their own location; transport the food and beverages to the event location; set up and warm food; may serve food and beverages to guests; and lastly, transport soiled items back to their own location. Professional caterers may employ event production staff to help customers choose a venue and theme, secure table and chair rentals, and select food and beverages prior to the catered event. Depending on the size of the employer, they may also have employees who engage solely in loading, transporting and unloading food and beverage items. These caterers often employ part-time employees, as well as contract with staffing agencies for temporary employees, to serve or assist at events. Use of staffing agencies and contracting with independent contractors for related services are more prevalent among the professional caterers

¹⁰ The capped loss to payroll ratio was calculated as the aggregate losses divided by aggregate payroll at the first report level for each policy year from 2015 to 2019. Losses were capped at \$500,000 per claim. The identified bars and taverns segment is based on linked USR data, D&B Hoovers data and ABC data by location. Location data is only available for the recent five policy years. The same methodology was used for Figure 7.

segment than other operational segments within Classification 9079. The industry and insurers were generally in agreement with the WCIRB's definition of professional caterers and identification as a distinct segment.

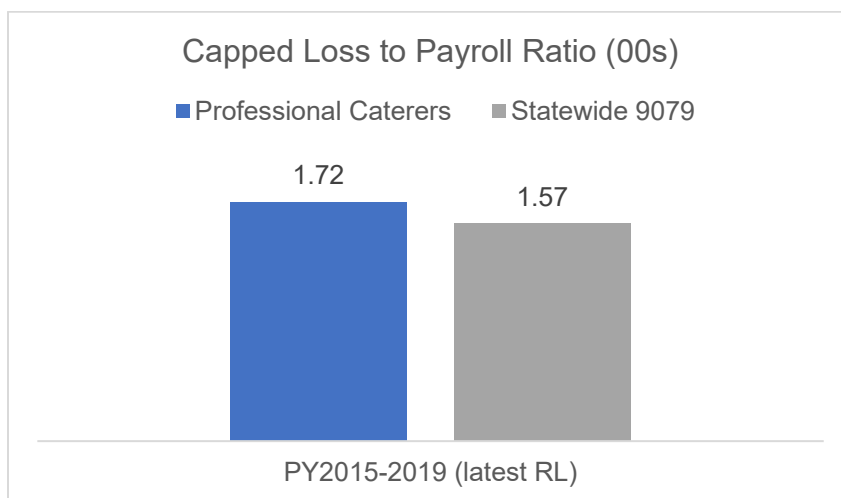
- **Impacts of the Pandemic**

Similar to bars and taverns, professional caterers were heavily impacted by the pandemic. Feedback from professional caterers revealed that many caterers shut down completely when California's shelter-in-place orders went into effect as many events were cancelled and catering services were no longer required. After the shelter-in-place orders were lifted, demand for professional catering services started to return but is not back to pre-pandemic levels. Additionally, many professional caterers have pivoted to providing new food and beverage services in order to recoup lost revenue from the early months of the pandemic. For example, some professional caterers began assembling boxed lunches for delivery to the homes of corporate employees, and these operations would not be considered professional catering services as defined in this study as preparing bulk orders of boxed lunches does not involve food or beverage operations at an event location.

- **Loss and Payroll Experience**

The WCIRB identified a credible sample¹¹ of professional caterers based on the policyholder names reported for the employer's policy.¹² The sample accounted for about 1.4% of reported statewide payroll in Classification 9079. As shown in Figure 4, the historical capped loss to payroll ratio for professional caterers was 10% higher than that of the statewide Classification 9079 experience for policy years 2015 to 2019. When comparing each policy year separately, the loss to payroll ratios for professional caterers were quite volatile over time, fluctuating above and below those of statewide Classification 9079. In general, professional caterers had a slightly lower claim frequency but on average more severe claims than the average of all Classification 9079 employers.

Figure 4. Historical Capped Loss to Payroll Ratios Comparing Professional Caterers to Statewide Classification 9079



¹¹ A credible sample has a statistical credibility of 100%.

¹² Any employer that had a reported policyholder name that included "cater," "event" or "banquet" and fewer than five policyholder names listed on their policy was included in this segment. An analysis of restaurant and catering employers with more than five policyholder names listed on their policies revealed that these employers typically operated casual or fine dining restaurants and may perform catering as an added service.

The WCIRB also compared the leading causes of injuries between professional caterers and statewide Classification 9079 experience. The professional caterers segment had a slightly higher claim frequency and claim severity for fall injuries and struck injuries. Although there appears to be a significant vehicle exposure for professional caterers, only 1% of indemnity claims from professional catering employees involved motor vehicle accidents, similar to the share of motor vehicle claims in the experience of all employers in Classification 9079. In general, there does not seem to be a significant difference in the typical causes of injuries between professional caterers and Classification 9079 experience as a whole.

In summary, the operations of professional caterers are distinct from other food and beverage operations, mostly due to aspects of transportation and the provision of food services at event locations that vary by customer. However, based on a credible sample of professional caterers, the payroll and loss experience of professional caterers was modestly different from that of the statewide Classification 9079 experience. Similar to the bars and taverns segment, operations of professional caterers were heavily impacted by the pandemic and may have evolved to providing new types of food services which are not yet reflected in available data. More recent pandemic data is needed to evaluate these new trends.

3. Fast Food and Fast Casual

- **Definition and Operational Characteristics**

For purposes of this study, the WCIRB defined the fast food and fast casual operational segments as restaurant operations with limited to no table service (absence of wait staff) that are differentiated based on posted business hours, with longer business hours for fast food operations and shorter hours for fast casual operations.

The posted business hours for fast food restaurants typically begin before 11 AM to serve breakfast and continue for at least twelve hours, on average, every day to also serve lunch and dinner. These fast food establishments have a more diverse menu than fast casual establishments since they prepare food for all three meals. Some fast food establishments are open for 24 hours at least one day of the week, and many of them have drive-through windows. Generally, fast food restaurants have among the lowest priced menu items of all hot food establishments and therefore have lower sales per transaction than restaurants in other operational segments in Classification 9079. Fast food employers and insurers who underwrite a significant number of policies for restaurants were generally supportive of the WCIRB using posted business hours in defining a fast food establishment.

In comparison, fast casual restaurants are hot food establishments focused on lunch service and whose operations, as characterized by some fast casual employers, “combine the speed of fast food with the quality of casual dining.” Some fast casual employers have expanded to providing breakfast or dinner service, but most of the revenue generated is still derived from the lunch service. Since these employers do not typically prepare food for breakfast, lunch and dinner, they have a more limited menu than fast food establishments. Menu items are also generally priced slightly higher than menu items at fast food establishments, so fast casual employers generally have slightly higher sales per transaction.

Besides duration of business hours, fast food and fast casual restaurants have very similar operations. Typically, employees take orders and serve customers from a counter inside the establishment or from a drive-through window, and customers pay for orders before eating. Some food is prepared or cooked in advance and is typically assembled when customer orders are received. Feedback from both fast food and fast casual employers revealed that some food items are received pre-cut or pre-made from food distributors, so more time can be dedicated to cooking and assembling food items. Food and beverages are prepared for immediate consumption on or off premises and served in disposable containers. In both segments, tips and service charges are generally not expected since there is no permanent wait staff.¹³

¹³ Tips and service charges are currently not included in the basis of premium for workers' compensation in California.

- **Different Impacts of the Pandemic**

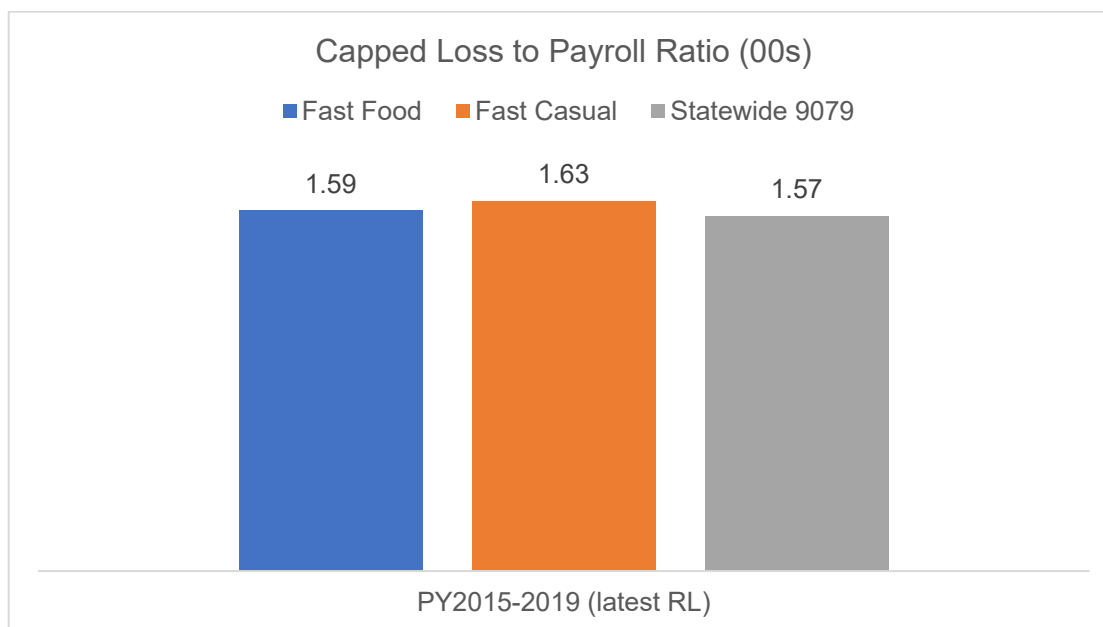
Fast food employers were less impacted by California's shelter-in-place orders than other operational segments due to the presence of drive-through windows that allowed customers to complete their transactions without entering the establishments.

Fast casual employers, on the other hand, were more heavily impacted by the pandemic than fast food employers. Feedback from employers revealed that revenues plummeted during California's shelter-in-place orders. Many of these fast casual establishments were located near corporate offices, and when employees were required to work from home, the demand for lunch service dropped significantly. As a result, some fast casual employers that solely operated during lunch hours or primarily depended on lunch sales went out of business. More recently, some large fast casual restaurants have begun adding drive-through windows to adapt to the changing environment.

- **Loss and Payroll Experience**

The WCIRB identified a credible sample of fast food employers that accounted for about 12% of reported statewide payroll in Classification 9079 and a credible sample of fast casual employers that accounted for about 7% of reported statewide payroll.¹⁴ As shown in Figure 5, the capped loss to payroll experience for fast food, fast casual and all Classification 9079 were very similar for policy years 2015 to 2019, suggesting limited differences in the risk levels between the segments. In addition, the lack of wait staff for fast food and fast casual employers does not seem to have an impact on the loss to payroll experience compared to other types of food operations in Classification 9079.

Figure 5. Historical Capped Loss to Payroll Ratios Comparing Fast Food, Fast Casual and Statewide Classification 9079



Regarding typical causes of injuries, fast casual restaurant employees had a higher claim frequency of burn injuries than fast food and all Classification 9079 employees, but overall fast food and fast casual

¹⁴ The fast food and fast casual employers were identified in the WCIRB data based on (1) linking business attributes reported by employers from the external California Restaurant Data and (2) a review of individual employer's WCIRB Classification Inspection Reports and business information online. In the external California Restaurant Data, fast food employers were those with "counter service" and "served both breakfast and dinner" or "open until late night" attributes, and fast casual employers were those with "counter service" attributes and no "serving breakfast or dinner" attributes. Buffets were also included in the fast casual segment.

restaurant employees had slightly higher frequency and lower severity of typical causes of injuries as compared to all Classification 9079 employees.

In summary, both fast food and fast casual restaurants operate differently from other food operations in Classification 9079 due to the presence of limited to no wait staff and no table service. For purposes of this study, the WCIRB differentiated between the fast food and fast casual segments based on business hours. However, the historical payroll and loss experience of the fully credible samples of both fast food and fast casual employers did not show significant differences between the fast food and fast casual segments as well as between the two segments and all Classification 9079 experience. Notably, the pandemic has affected fast food restaurants differently from fast casual restaurants, which may diminish some operational differences between the two segments.

4. Full Service Restaurants

- **Definition and Operational Characteristics**

For purposes of this study, the full service restaurants segment is defined as business operations with wait staff and table service, such as fine dining and casual dining establishments. The operations of full service restaurants differ from those of other segments in Classification 9079 as full service restaurants typically have full kitchens where food is prepared using raw ingredients, which more likely involves cutting. In addition, full service restaurants have permanent wait staff who serve hot and cold food to customers for consumption on the premises, and customers pay for food and beverages after consumption. Distinct from bars and taverns, full service restaurants may not always prepare, pour and serve alcoholic beverages in connection with preparing and serving food. Full service restaurants that provide alcoholic beverages also maintain different ABC liquor license types than bars and taverns. While full service restaurants may also provide professional catering services, it is not their primary operation or means of revenue. Finally, tips and service charges are likely a more significant component of compensation in this segment than in others.

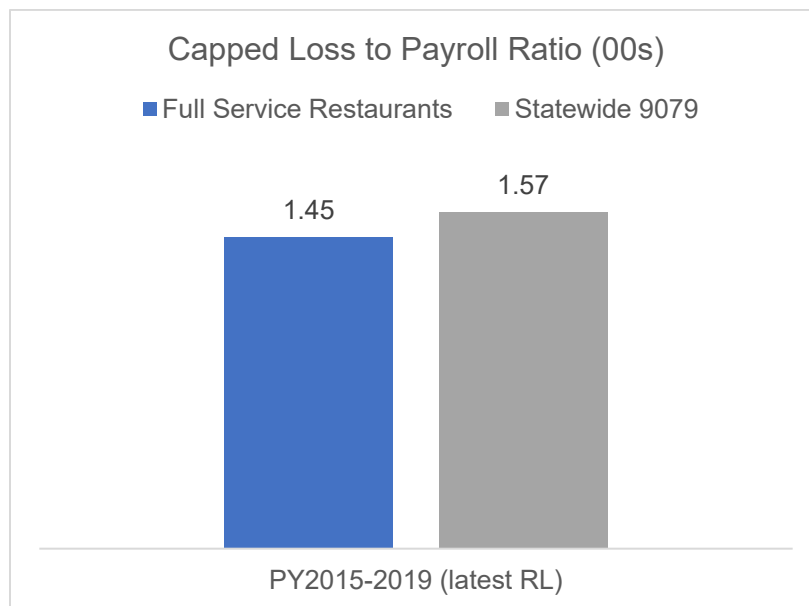
- **Impact of the Pandemic**

The pandemic has also had a significant impact on California full service restaurants since many restaurants had to discontinue dine-in services and pivot to providing solely take-out or delivery services via a third party during the shelter-in-place orders as well as during later COVID surges. Many restaurants also created new or expanded existing outdoor dining areas to make up for limited to no indoor dining and have kept these areas even as indoor dining has been reinstated. More recently, while many full service restaurants have reinstated dine-in services, labor shortages have created further challenges to the industry, such as employment of relatively inexperienced employees who may be more likely to have work-related injuries.

- **Loss and Payroll Experience**

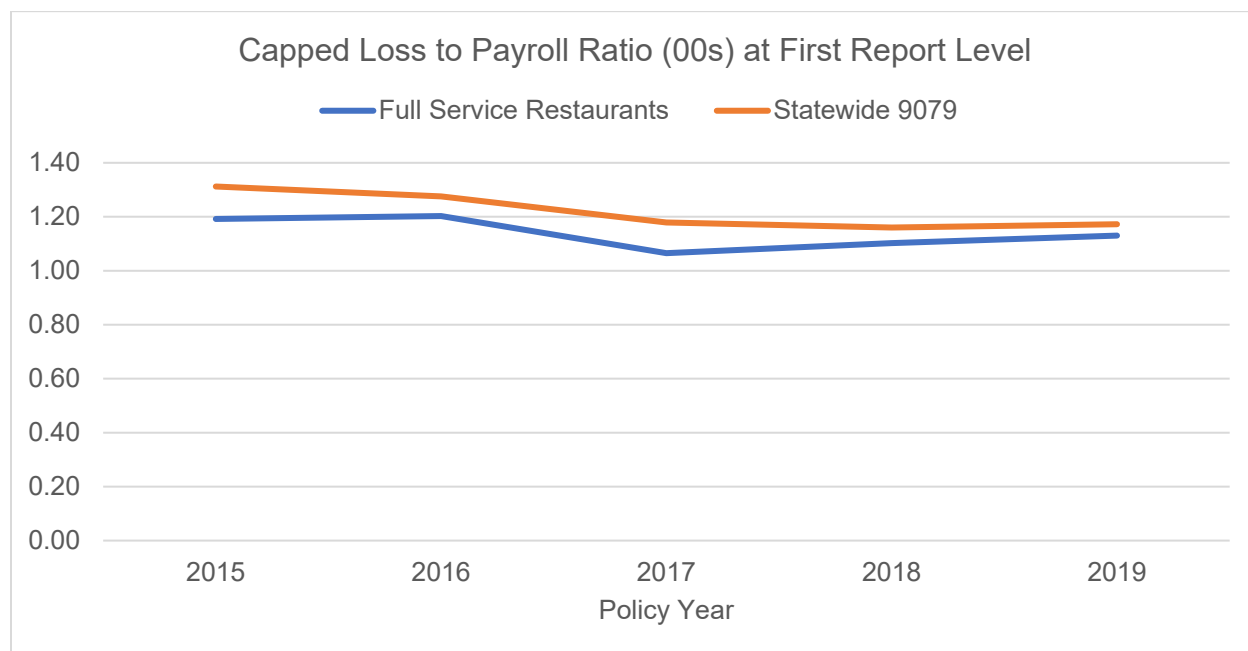
The WCIRB identified a credible sample of full service restaurants that accounted for about 28% of reported statewide payroll in Classification 9079. As shown in Figure 6, the historical capped loss to payroll ratio for full service restaurants was 8% lower than that of the statewide Classification 9079 experience for policy years 2015 to 2019, driven by both a slightly lower claim frequency and average claim severity.

Figure 6. Historical Capped Loss to Payroll Ratios Comparing Full Service Restaurants to Statewide Classification 9079



To assess if the differential in loss to payroll ratios was consistent over time, the WCIRB explored the loss to payroll ratios at the first report level over the latest five years available. As shown in Figure 7, the historical loss to payroll ratio trend for full service restaurants was consistently lower than statewide Classification 9079 experience, and the difference between the two remained at a similar level over the five-year period studied.

Figure 7. Historical Capped Loss to Payroll Ratio Trend at First Report Level Comparing Full Service Restaurants to Statewide Classification 9079



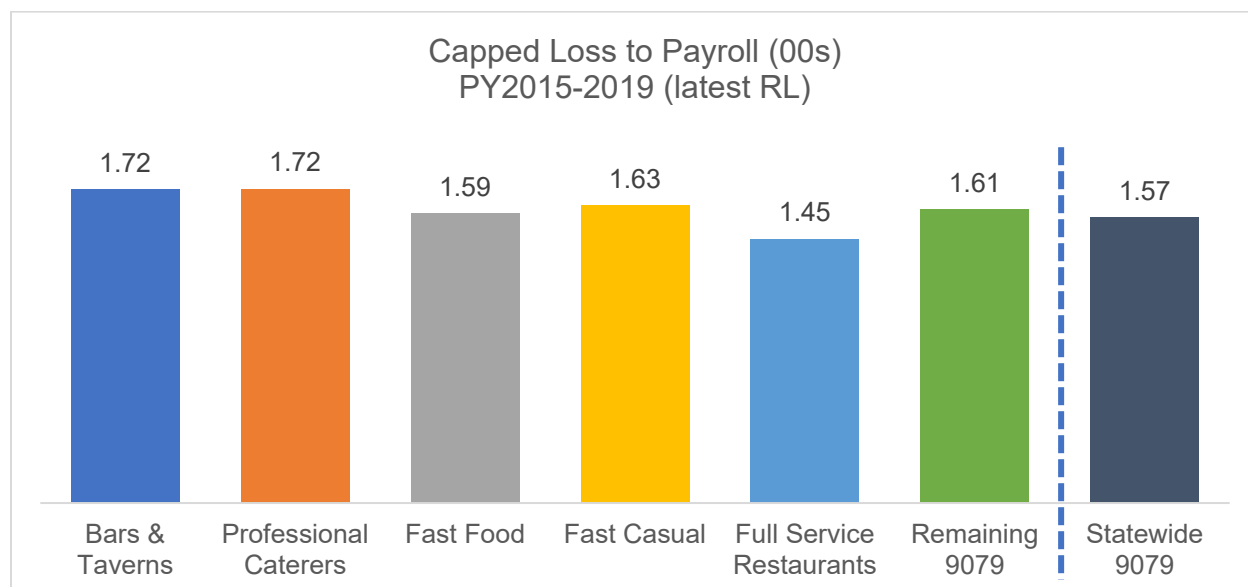
While full service restaurants share the same typical causes of injuries, including fall and strain injuries, with the statewide Classification 9079 experience, they have slightly higher frequencies of cut, puncture and scrape injuries, potentially due to full service restaurant employees needing to do more cutting in food preparation than in other segments.

In summary, full service restaurants operate differently from other segments in Classification 9079 mostly due to the presence of wait staff and table service. However, based on a credible sample of full service restaurants, the historical loss to payroll ratios were only modestly lower than those of statewide Classification 9079. In addition, the pandemic and current economic environment have brought challenges to the industry that may yield implications to the workers' compensation risk exposure.

5. Remaining Operations in Classification 9079

The remaining operations in Classification 9079 include employers whose operations could not be definitively identified in the data as belonging to one of the study segments and therefore were not included in any of the segments discussed above. For example, these would include donut shops or hot food served in connection with grocery stores or by food trucks. This remaining segment of Classification 9079 had a capped loss to payroll ratio slightly lower than those for the bars and taverns and professional caterers segments and slightly higher than those for the other segments studied (Figure 8). Overall, the historical loss to payroll experience of different industry segments was not substantially different and was also fairly similar to the statewide Classification 9079 experience.

Figure 8. Historical Capped Loss to Payroll Ratios Comparing Identified Segments to Statewide Classification 9079



6. Hotel Food Service

In addition to distinct segments of employers assigned to Classification 9079, the WCIRB also reviewed food and beverage service operations provided by hotels and motels that are currently also assigned to Classification 9079 to determine if separate classification treatment is warranted.

- **Definition and Operational Analysis**

For purposes of this study, the WCIRB defined hotel food service in Classification 9079 as restaurants owned and operated by hotels or motels, room service provided by those restaurants and the restocking

of in-room refrigerators.¹⁵ Typically, hotel food service is located adjacent to or in hotels or motels and consists of bars and taverns and full service restaurants with wait staff. Employees typically work in the food and beverage departments of the hotel or motel, prepare and serve hot food (including complimentary breakfast, if applicable) and alcoholic beverages, provide room service, including delivering food to guests' rooms or restock in-room refrigerators. These hotel food service employees must perform no other hotel or motel duties to be assigned to Classification 9079.¹⁶ Hotel food service operations differ slightly from those of the full service restaurants or bars and taverns segments in that hotel food service employees may restock in-room refrigerators and deliver food and beverages to guests' rooms as part of the hotel's room service. While many hotels suspended room service during the pandemic, feedback from hotel food service employers suggested that some hotels have recently reinstated room service, while others are likely to reinstate it in the future.

A number of other jurisdictions have a separate companion classification for restaurant employees who work under the direct management of hotels, motels or similar operations. This companion classification can only be used in connection with each jurisdiction's respective hotel or motel classification. Conversely, two other jurisdictions do not have a companion classification for hotel food service employees and direct that hotel food service operations are assigned to that jurisdiction's respective restaurant classification.

- **Loss and Payroll Experience**

The WCIRB identified a credible sample of hotel food service operations, accounting for approximately 6% of the statewide payroll reported in Classification 9079.¹⁷ The WCIRB compared historical loss to payroll ratios for hotel food service to statewide hotel experience (Classification 9050) and statewide restaurant experience (Classification 9079) for policy years 2003 to 2019. The loss to payroll ratios for statewide hotel experience had been consistently higher (approximately double) than statewide restaurant experience and hotel food service, suggesting much higher workers' compensation risk exposure in hotel operations than in their food service operations, and the difference remained relatively consistent over time (Figure 9). The loss to payroll ratio trend for hotel food service had closely tracked the statewide restaurant trend but the two trends began to diverge modestly in recent years. As shown in Figure 10, the five-year combined historical loss to payroll ratio for hotel food service was 14% higher than that for all Classification 9079 experience, mostly driven by higher average claim severity for hotel food service operations. While hotel food service had loss to payroll ratios similar to the bars and taverns segment, they had much higher loss to payroll ratios than the full service restaurants segment, potentially related to the distinct hotel food service operations, such as room service.

¹⁵ Restaurants located adjacent to hotels or motels but owned and operated by a third party were not included in this segment.

¹⁶ Hotel or motel employees who perform food or beverage operations and hotel/motel activities are assigned to Classification 9050.

¹⁷ Hotel food service operations were identified as employers with reported payroll in Classifications 9050 and 9079, and for which payroll reported in Classification 9050 was higher than the sum of other associated classifications that do not include restaurant operations. Classification 9050 includes both hotels and motels, but an inspection report analysis revealed that the vast majority of hotel and motel employers with reported payroll in Classification 9079 were hotels.

Figure 9. Historical Capped Loss to Payroll Ratios at Second Report Level Comparing Statewide Classification 9050, 9079 and Hotel Food Service¹⁸

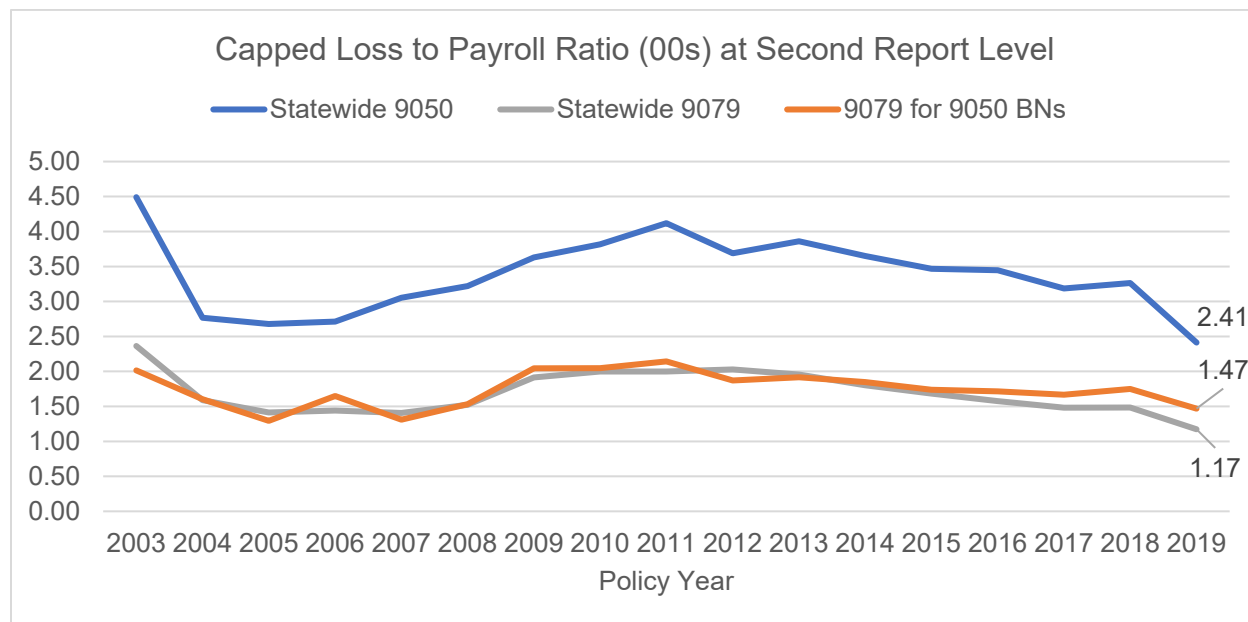
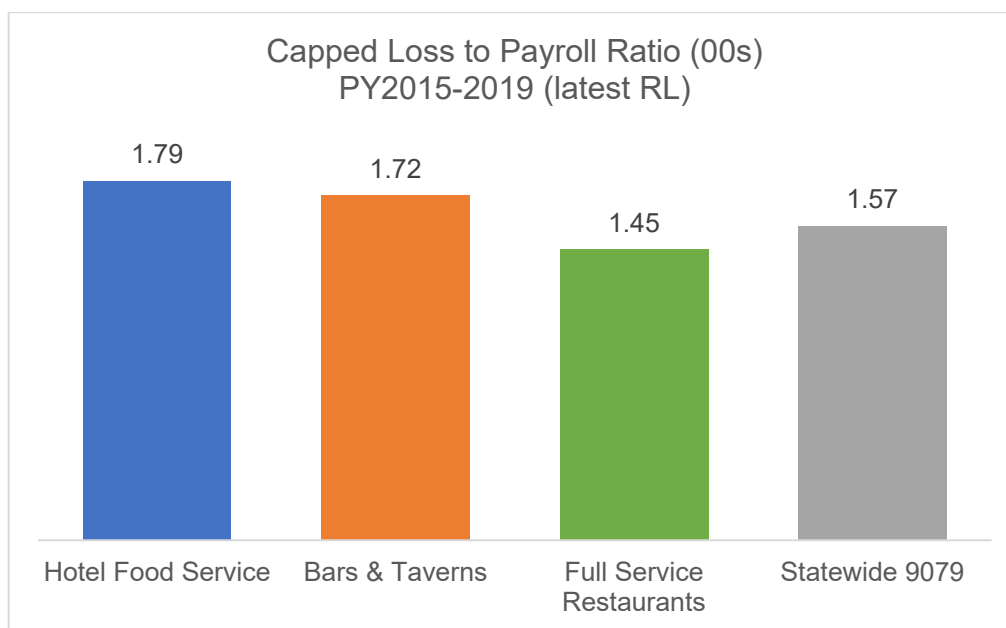


Figure 10. Historical Capped Loss to Payroll Ratios Comparing Hotel Food Service to Statewide Classification 9079



For leading causes of injuries, hotel food service had a higher indemnity claim frequency for strain injuries and fall injuries but lower frequency for cut and burn injuries than both the bars and taverns and full service restaurants segments (Figures 11 and 12). Overall, hotel food service had more severe indemnity claims than the bars and taverns and full service restaurants segments for most of the typical causes of injuries.

¹⁸ Loss to payroll ratios were calculated using losses capped at \$500,000 per claim and payroll reported at the second report level for PY2003 - 2018. PY2019 losses and payroll were reported at the first report level.

Figure 11. Indemnity Claim Frequency for the Top Five Leading Causes of Injuries Comparing Hotel Food Service and Statewide Classification 9079

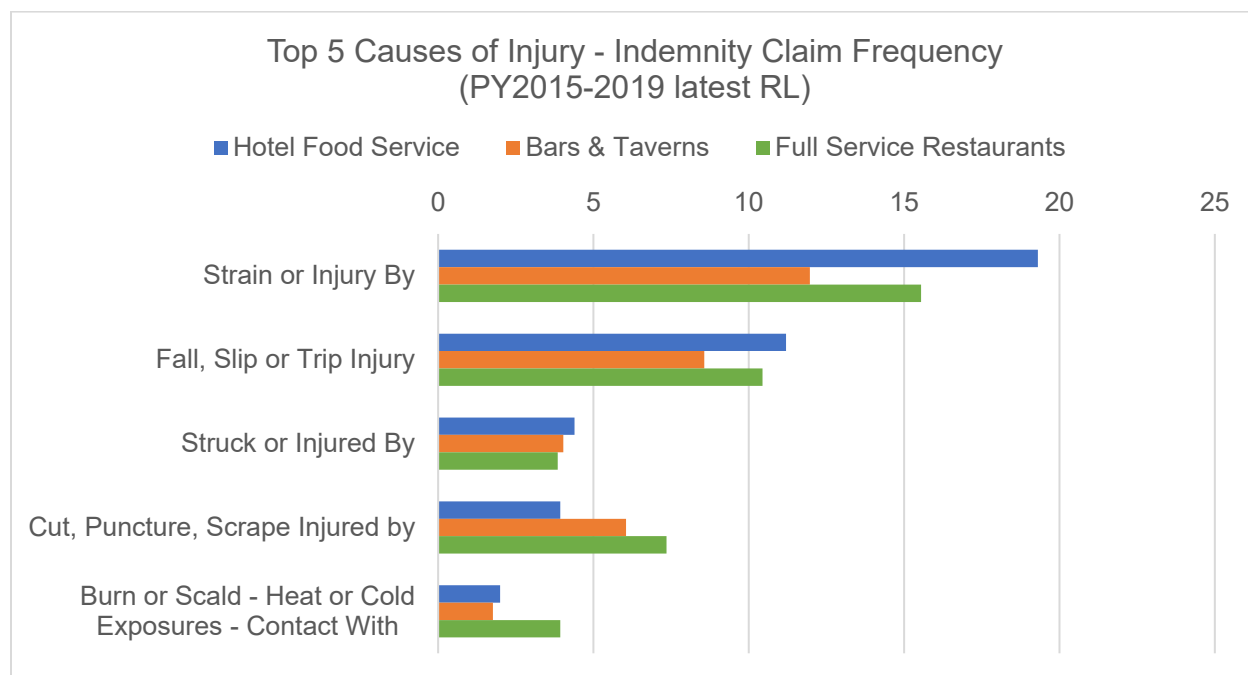
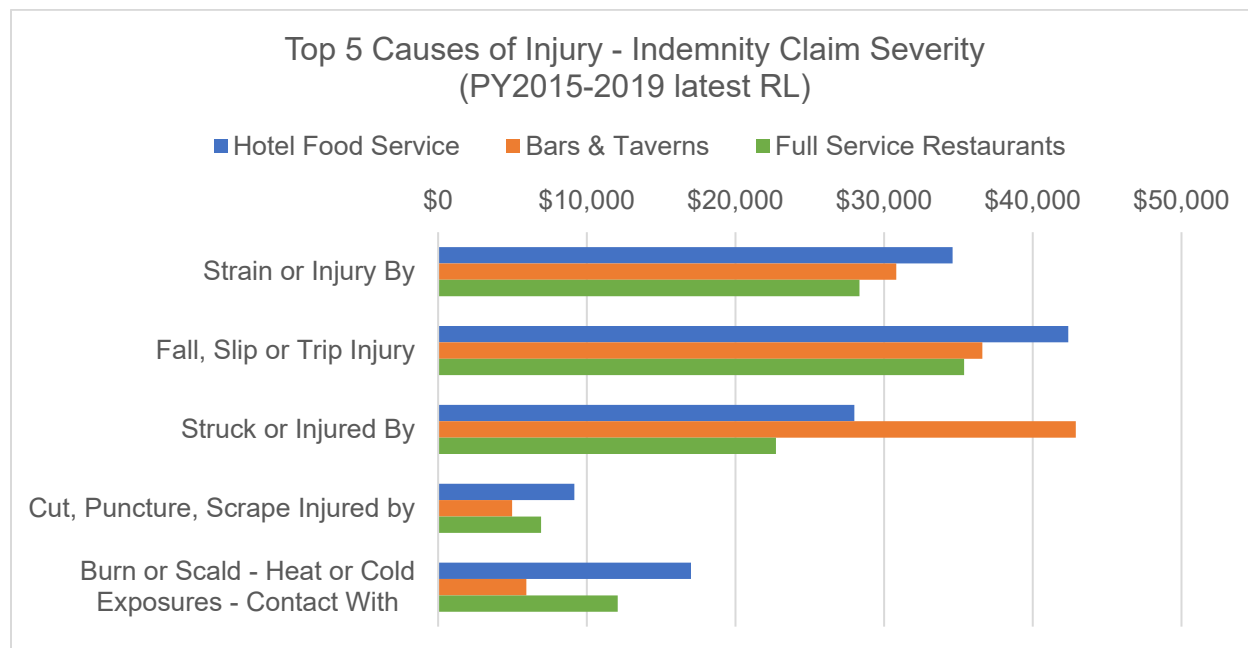


Figure 12. Indemnity Claim Frequency for the Top Five Leading Causes of Injuries Comparing Professional Caterers and Statewide Classification 9079



In summary, hotel food service operates slightly differently from typical full service restaurants or bars and taverns assigned to Classification 9079. Hotel food service operations also had higher loss to payroll ratios than the bars and taverns and full service restaurants segments for the recent five years, partly driven by different frequency and severity of leading causes of injuries.

IV. Preliminary Findings

The preliminary findings of this study include:

1. Five segments with distinct operations were identified from the operations assigned to Classification 9079: bars and taverns, professional caterers, fast food restaurants, fast casual restaurants and full service restaurants. The remaining employers classified in 9079 include operations that cannot be clearly identified as belonging to one of these five segments and therefore were not included in the data analysis of each of these segments.
2. For purposes of this study, the bars and taverns segment is defined as business operations that have been issued one of the five alcoholic beverage license types for bars and taverns issued by the California Department of Alcoholic Beverage Control. This segment excludes restaurants that also serve alcoholic beverages. Bars and taverns operate differently from other segments in that the primary operation is the preparing, pouring and serving of alcoholic beverages. Based on a credible sample of Classification 9079 employers allocated in this manner to the bars and taverns segment, the loss to payroll ratios of bars and taverns were somewhat higher than those of all Classification 9079 employers. In addition, the impact of the COVID-19 pandemic may have permanently changed some aspects of bar and tavern operations, the effects of which are not yet reflected in the available data.
3. For purposes of this study, the professional caterers segment is defined as businesses hired to provide food and beverage services for specific events at customer designated locations and excludes businesses that have brick-and-mortar locations that serve food to walk-in customers and full service restaurants that may perform catering as an added service. The operations of professional caterers are distinct from other food and beverage operations, mostly due to transportation and food service at event locations. Based on a credible sample of Classification 9079 employers allocated in this manner to the professional caterers segment, the loss to payroll ratios of professional caterers were somewhat higher than that of all Classification 9079 employers. Professional caterers have also been heavily impacted by the pandemic and may have evolved to providing new types of food services. More recent data is needed to evaluate these new trends.
4. For purposes of this study, the fast food and fast casual restaurant segments are both defined as restaurant operations with limited to no table service (absence of wait staff) but are differentiated by the duration of posted business hours. In this study, fast food restaurants are identified as those that operate longer business hours (at least 12 hours a day on average and open before 11 AM) than fast casual restaurants (fewer than 12 hours a day on average). Both fast food and fast casual restaurants operate differently from other Classification 9079 food service operations due to the limited presence of wait staff and table service. However, based on credible samples of Classification 9079 employers allocated in this manner to the fast food and fast casual restaurant segments, their historical payroll and loss experience did not appear to be significantly different from each other or from that of Classification 9079 as a whole. Notably, the pandemic has impacted fast food restaurants differently than fast casual restaurants, which may have diminished some operational differences between the two segments.
5. For purposes of this study, the full service restaurants segment is defined as restaurant operations with wait staff and table service. The operations of full service restaurants differ from other segments in Classification 9079 mostly due to the presence of wait staff and table service. Based on a credible sample of Classification 9079 employers allocated in this manner to the full service restaurants segment, the loss to payroll ratios for the full service restaurants were only marginally lower than those for Classification 9079 as a whole. The pandemic had significant

impacts on full service restaurants since many restaurants had to discontinue dine-in services and pivot to providing solely take-out or using a third party for delivery. While many full service restaurants have begun to provide dine-in services again, labor shortages have created further challenges for this as well as other segments in the industry, such as employment of relatively inexperienced employees who may be more likely to have work-related injuries.

6. Food and beverage operations commonly appear in the hotel and motel industry and are currently separately assigned to Classification 9079. In this study, hotel food service in Classification 9079 is defined as restaurants owned and operated by hotels or motels, room service provided by the hotel or motel restaurant and the restocking of in-room refrigerators. Typically, hotel food service operations are located adjacent to or in hotels or motels and consist of bars and taverns or full service restaurants with wait staff and table service. Hotel food service operates slightly differently than other types of food and beverage operations assigned to Classification 9079 and for the recent five years has had somewhat higher loss to payroll ratios than that of Classification 9079 experience as a whole, partly driven by the differences in frequency and severity of the leading causes of injuries. Like other segments of Classification 9079, hotel food service operations have also been significantly impacted by the pandemic.

Appendix I: History of Classifications 9079 and 9050

The following is a timeline of significant changes to the scope and application of **Classifications 9079(1), Restaurants or Taverns**, and **9079(2), Concessionaires**:

- **1915:** Classifications 9071, *Restaurants*, and 9069, *Catering – including services away from store*, are original Manual classifications.
- **1929:** Classification 9079, *Restaurants*, was established and included clerical office employees. Classification 9091, *Caterers – including clerical office employees*, was established.
 - Classification 9071, *Restaurants*, was eliminated and its constituents were reassigned to Classification 9079.
 - Classification 9069, *Caterers*, was eliminated and its constituents were reassigned to Classification 9091.
- **1937:** Three new classifications were established under Classification 9079: *Vending Concessionaires – dispensing food, drinks, candy, etc., at ball parks, race tracks, theaters and exhibitions*; *Caterers – including Clerical Office Employees*; and *Beer Gardens, Parlors or Taverns – including musicians, entertainers or Clerical Office Employees*.
 - Classification 9091, *Caterers – including Clerical Office Employees*, was eliminated and its constituents were reassigned to Classification 9079, *Caterers*.
- **1938:** Classification 9079, *Beer Gardens, Parlors or Taverns*, was eliminated and its constituents were reassigned to Classification 8012, *Beer Gardens, Parlors or Taverns (On Sale Permit) – including musicians, entertainers or Clerical Office Employees*.
- **1945:** Classification 9079, *Restaurants*, was amended to include taverns.
 - Classification 8012, *Beer Gardens, Parlors or Taverns (On Sale Permit)*, was eliminated and its constituents were reassigned to Classification 9079, *Restaurants or Taverns*.
- **1947:** Classification 9079, *Caterers*, was eliminated.
- **1957:** Classification 9079, *Vending Concessionaires*, was amended to include clerical office employees and salesmen.
- **1970:** Classification 9079, *Restaurants or Taverns*, was amended to include all employees and exclude clerical office employees. Classification 9079, *Vending Concessionaires*, was amended to exclude clerical office employees and salesmen.
- **2003:** Classification 9079(1) was amended to include the preparing and serving of hot and cold food items for consumption on or away from the premises or the preparing, pouring and serving of alcoholic beverages for consumption on the premises, and a definition of hot food.
- **2014:** Classification 9079(1) was amended to include the operation of mobile food trucks wherein hot food is prepared for sale to customers.
- **2015:** Classification 9079(1) was amended to clarify mobile food vending operations includes the use of food trucks, trailers, carts or temporary booths wherein hot food is prepared for sale to customers.
- **2016:** Classification 9079(1) was amended to include doughnut shops.
- **2019:** Classification 9079(1) was amended to include brewery taproom operations and on-site beer making operations performed by restaurants where the beer brewed on-site is primarily sold to the general public for consumption on the premises.
- **2020:** Classification 9079(1) was amended to include the manufacture of baked goods (baked or fried) or filled pasta, including but not limited to ravioli and tortellini, by restaurants to be used or sold at restaurant locations operated by the same employer.

The following is a timeline of significant changes to the scope and application of **Classification 9050, Hotels, Motels or Short-Term Residential Housing**:

- **1915:** Classifications 9009, *Hotels – excluding laundry*, and 9005, *Apartment Hotels and Hotel Apartments (excluding laundry)*, are original Manual classifications.
- **1916:** Classification 9050, *Hotels – excluding laundry*, was established.
 - Classification 9009, *Hotels*, was eliminated and its constituents were reassigned to Classification 9050, *Hotels*.

- **1924:** Classification 9050, *Apartment Hotels and Hotel Apartments*, was established.
 - Classification 9005, *Apartment Hotels and Hotel Apartments (excluding laundry)*, was eliminated and its constituents were reassigned to Classification 9050, *Apartment Hotels and Hotel Apartments*
- **1929:** Classification 9052, *Hotels*, was established and included clerical office employees. Classification 9052, *Apartment Hotels and Hotel Apartments*, was established.
 - Classification 9050, *Hotels*, was eliminated and its constituents were reassigned to Classification 9052, *Hotels*.
 - Classification 9050, *Apartment Hotels and Hotel Apartments*, was eliminated and its constituents were reassigned to Classification 9052, *Apartment Hotels and Hotel Apartments*.
- **1930:** Classification 9052, *Hotels*, was amended to include all employees.
- **1938:** Classification 9052, *Apartment Hotels and Hotel Apartments*, was amended to include all employees including clerical employees.
- **1947:** Classification 9052, *Hotels*, was amended to include salesmen. Classification 9024, *Motor Courts, Motels, Auto Courts*, was established.
 - Classification 9052, *Apartment Hotels and Hotel Apartments*, was eliminated and its constituents were assigned to Classification 9024, *Motor Courts, Motels, Auto Courts*.
- **1950:** Classification 9052, *Motor Courts, Motels, Auto Courts*, was established.
 - Classification 9024, *Motor Courts, Motels, Auto Courts*, was eliminated and its constituents were reassigned to Classification 9052, *Motor Courts, Motels, Auto Courts*
- **1960:** Classification 9052, *Hotels*, was amended to include restaurant or tavern employees, but this was not a change in classification procedure.
- **1964:** Classifications 9050, *Hotels*, and 9050, *Motels*, were established
 - Classification 9052, *Hotels*, was eliminated and its constituents were reassigned to Classification 9050, *Hotels*, which directed that restaurants or taverns were separately rated.
 - Classification 9052, *Motels*, was eliminated and its constituents were reassigned to Classification 9050, *Motels*, which directed that restaurants or taverns were separately rated.
- **1970:** Classifications 9050, *Hotels*, and 9050, *Motels*, were amended to exclude clerical office employee and salesmen and to include front desk employees.
- **2013:** Classifications 9050(1), *Hotels*, and 9050(2), *Motels*, were amended to include concierge services and retail operations; direct that employees who prepare and serve hot food in connection with complimentary breakfasts, work in food and beverage departments and deliver food or restock in-room refrigerators, provided such employees perform no hotel duties, are assignable to Classification 9079(1), *Restaurants or Taverns*; and direct that employees who perform both restaurant or tavern activities and hotel activities shall be assigned to Classification 9050(1) or 9050(2).
- **2020:** Classification 9050, *Hotels, Motels or Short-Term Residential Housing*, was established to apply to hotel operations and motel and short-term rental housing operations.
 - Classification 9050(1), *Hotels*, was eliminated and its constituents were reassigned to Classification 9050, *Hotels, Motels or Short-Term Residential Housing*.
 - Classification 9050(2), *Motels*, was eliminated and its constituents were reassigned to Classification 9050, *Hotels, Motels or Short-Term Residential Housing*.

Appendix II: Classification of Food and Beverage Operations in Other Jurisdictions

Similar to the WCIRB, the Workers' Compensation Rating and Inspection Bureau of Massachusetts (Massachusetts Bureau), Compensation Advisory Organization of Michigan (Michigan Bureau) and New Jersey Compensation Rating and Inspection Bureau (New Jersey Bureau) direct that the preparing and serving of hot and cold food for consumption on or away from the premises and the preparing, pouring and serving of alcoholic beverages for consumption on the premises are classified as one classification. This classification includes bars and taverns, full service restaurants, professional caterers and fast food and fast casual establishments.

Other jurisdictions have multiple classifications for the restaurant industry described below:

- **Bars and Taverns**

The National Council on Compensation Insurance (NCCI), Minnesota Workers' Compensation Insurers Association, Inc. (Minnesota Bureau), New York Compensation Insurance Rating Board (New York Board), North Carolina Rate Bureau (North Carolina Bureau), Pennsylvania Compensation Rating Bureau (Pennsylvania Bureau) and Wisconsin Compensation Rating Bureau (Wisconsin Bureau) define bars and taverns as employers whose principal receipts are derived from the sale of alcoholic beverages such as beer, liquor or wine, and direct that these operations are separately classified from full service restaurants with wait staff, professional caterers whose principal receipts are derived from the sale of prepared food and fast food and fast casual establishments.

- **Professional Caterers**

The NCCI, Minnesota, North Carolina and Wisconsin Bureaus and New York Board direct that professional catering operations whose principal receipts are derived from the sale of prepared food are classified in the same classification as full service restaurant operations with wait staff.

The Pennsylvania Bureau directs that professional catering operations whose principal receipts are derived from the sale of prepared food are classified in the same classification as cafeterias, concessionaires and mobile food vending operations. This classification does not include full service restaurants with wait staff, bars and taverns and fast food and fast casual establishments.

- **Fast Food / Fast Casual**

The NCCI, Minnesota, North Carolina, Pennsylvania and Wisconsin Bureaus and New York Board define fast food restaurants as employers that do not employ wait staff and for which principal receipts are derived from the sale of prepared foods. These operations are classified separately from full service restaurants with wait staff, professional caterers whose principal receipts are derived from the sale of prepared food and fast food and fast casual establishments.

In addition, the New York Board specifies that take-out service for fast food restaurants must account for more than 50% of gross receipts.

- **Full Service Restaurants**

The NCCI and Minnesota, North Carolina, Pennsylvania and Wisconsin Bureaus direct that restaurants that cannot otherwise be classified in an existing classification are classified in each bureau's respective N.O.C. restaurant classification. These respective N.O.C. restaurant classifications do not include bars and taverns or restaurants that do not employ wait staff, such as fast food and fast casual establishments.

The New York Board directs that full service restaurants and similar types of food service establishments, provided there is wait service and more than 50% of sales are derived from the service of food consumed on the premises, are classified separately from bars and taverns and fast food and fast casual establishments.

- **Hotel Food Service**

The NCCI, Massachusetts, Minnesota, North Carolina, Pennsylvania and Wisconsin Bureaus and New York Board direct that restaurant employees who work under the direct management of hotels, motels or similar operations are classified separately from other hotel and motel operations. This hotel and motel restaurant classification functions as a companion code for the hotel classification in these jurisdictions.

The Michigan and New Jersey Bureaus do not direct that restaurant employees who work under the direct management of hotels, motels or similar operations are separately classified. These operations are classified in each respective Bureau's single restaurant classification.

Item III-F Potential Classification Studies

The objectives of the WCIRB's classification research process are to (1) provide insightful tools and analytics to facilitate decision making, identify emerging trends and understand system implications, and (2) improve the Standard Classification System to facilitate advisory pure premium rates and experience rating values that provide the basis for an equitable distribution of costs among policyholders. To further this objective, the WCIRB analyzes existing classifications to ensure that they appropriately group businesses with similar exposure to workers' compensation losses and are of sufficient size to develop credible advisory pure premium rates and that they remain reasonably easy to administer. The WCIRB has identified several potential classification studies for the Committee's consideration.

The WCIRB recommends that the classification studies summarized in Table 1 be conducted in 2022-2023 for inclusion in the September 1, 2024 Regulatory Filing. These recommendations include the continuation of multi-year initiatives, a comprehensive review of analytical information on each classification, as well as input provided from the California Department of Insurance (CDI), Committee, stakeholders and staff. Table 1 also includes a rough estimate of the resource commitment for each study.

Table 1
Recommended Classification Research Studies
September 1, 2024 Regulatory Filing

Potential Classification Studies	Anticipated Commitment ¹
Electronics Industry Group	High
Food Manufacturing Industry (Phase I)	High
Dual Wage Classifications	High
Review Classifications in Order to Determine Inclusion of Clerical Office, Clerical Telecommuter and Outside Sales Activities:	Low
<ul style="list-style-type: none"> Classification 8755, <i>Labor Unions – employee engaged outside of office – including outside salespersons</i> 	
Telecommuting Classifications	Low
Class Enhancements	Low

Staff is seeking the Committee's input regarding the list of potential classification studies as well as the proposed prioritization of studies to be completed in preparation for the September 1, 2024 Regulatory Filing.

¹ Estimated WCIRB staff resource commitment: "Low" corresponds to an estimate of below 100 hours, "Moderate" corresponds to an estimate of between 101 and 250 hours, and "High" corresponds to an estimate between 251-400 hours.

Recommended 2022-2023 Classification Studies

1. Electronics Industry Group

Source: Multiple

As part of a multi-year review of the electronics industry, in 2021, the WCIRB reviewed the electronics manufacturing industry and established Classification 8874 as a companion classification to Classifications 3681 and 4112, applicable to the hardware or software design or development, as well as clerical and outside sales operations, performed in connection with the associated manufacturing operations. In 2022, the WCIRB reviewed the remaining classifications in the Electronics Industry Group and recommended data driven studies of Classifications 3572, *Medical Instrument Mfg.*, and 3682, *Instrument Mfg. – non-electronic*, to assess whether either classification meets the criteria for the newly established companion Classification 8874. In 2023, staff recommends continuing to review the schedule of classifications included in the Electronics Industry Group to clarify the Electronic Products Design and Manufacturing Special Industry Classification Procedure and conduct data-driven studies that include an analysis of:

- Low credibility Classifications 3070, *Computer Memory Disk Mfg.*, and 3573, *Power Supply Mfg.*, to determine whether these two classifications with low and declining statistical credibility and undue advisory pure premium rate volatility should be eliminated and their constituents reassigned to one or more existing classifications; and
- Classifications 3572, *Medical Instrument Mfg.*, and 3682, *Instrument Mfg. – non-electronic*, to assess whether either classification meets the criteria for the recently established companion Classification 8874 in the Electronics Industry Group.

2. Food Manufacturing Industry

Source: WCIRB

Staff conducted a systematic review of rapidly evolving industries using its Classification Health Check tool to identify industries whose classification procedures may not continue to reflect typical industry operations. Based on this analysis, staff recommends a multi-year review of the food manufacturing industry, the second largest segment in the manufacturing industry which includes 20 classifications. Specifically, the analysis revealed that (1) industry payroll is concentrated in relatively few classifications, which contributes to a large number (over 50%) of classifications in the industry without full statistical credibility and three with low credibility; (2) Classification 6504, *Food Products Mfg. or Processing – N.O.C.*, was identified by the Health Check tool to have atypical distributions of loss to payroll ratios and experience modifications that may be indicative of the inclusion of potentially non-homogeneous employer segments in this classification; (3) a large number of classifications in this industry have relatively similar classification scope, loss to payroll experience and pure premium rates suggesting that some may be combinable and (4) industry feedback indicated that rapidly changing food manufacturing operations may warrant a holistic review of the current classification procedures for the industry. Given the scope of the food manufacturing industry, staff recommends a multi-year review with an analysis framework developed in Phase I (2023) and in-depth data analysis of specific classification issues in the industry conducted subsequently in Phase II (2024 and 2025).

3. Dual Wage Classifications

Source: Classification and Rating Committee

To keep the dual wage thresholds current with wage inflation, the thresholds are comprehensively reviewed every two years. Since the thresholds were last reviewed and adjusted as part of the September 1, 2022 Regulatory Filing, staff recommends reviewing the thresholds to determine if any adjustments are needed.

4. Standard Exception Study

Source: Underwriting Working Group/WCIRB

In 2021, the WCIRB began a multi-year effort to systematically review classifications to identify those that would be improved by the inclusion of clerical office, clerical telecommuter or outside sales activities. Based on a review of information in the Classification Health Check tool, staff recommends reviewing Classification 8755, *Labor Unions – employees engaged outside of office – including outside salespersons*, in 2023 to assess whether clerical operations should be included within the definition of the classification.

5. Not Otherwise Classified (N.O.C.) Classifications

Source: CDI

The CDI has recommended that the WCIRB evaluate whether any Not Otherwise Classified (N.O.C.) classifications are overly broad, resulting in disparate groups of employers being combined into a single classification. Based on the results of the Classification Health Check tool,² staff recommends a comprehensive review of Classification 6504, *Food Products Mfg. or Processing – N.O.C.*, be included as part of the multi-year study of the Food Manufacturing Industry recommended above (Item 2).

6. Telecommuting Classifications

Source: Classification and Rating Committee

The Commissioner approved the establishment of Classification 8871, *Clerical Telecommuter Employees – N.O.C.*, as a Standard Exception classification effective January 1, 2021 with an advisory pure premium rate equal to that of Classification 8810, *Clerical Office Employees*. Staff recommends reviewing preliminary loss and payroll information reported in the new classification to assess if a differential in advisory pure premium rates between Classification 8810 and Classification 8871 is appropriate for inclusion in the pure premium rate filing.

Potential Future Classification Studies

7. Stores Industry

Source: Multiple

Staff conducted a comprehensive review of the various metrics in the Classification Health Check tool for rapidly evolving industries, and based on this analysis and stakeholder feedback, recommends a future multi-year effort to review the Stores Industry, including several data-driven studies to analyze:

- Low credibility Classifications 8071, *Stores – books, video media or recorded audio media*, and 8066, *Stores – bicycles and bicycle accessories*;
- Classifications 8018, *Stores – wholesale – N.O.C.*, and 8017(1), *Stores – retail – N.O.C.*, both of which were identified by the Classification Health Check tool to have atypical distributions of loss to payroll ratios and experience modifications that may be indicative of the grouping of potentially non-homogeneous employer segments in the classification;
- Computer store operations as recommended by the 2022 study of Computer Stores and Cell Phone Industries, including an analysis of:
 - The wholesale and retail subsets of Classifications 8062, *Stores – computer*, to determine if they should continue to be combined into a single classification; and
 - Whether retail or wholesale cell phone stores should: (i) continue to be assigned to Classification 8017(1) or 8018, respectively, (ii) be included in Classification 8062 or (iii) qualify for its own unique standard classification.

² The Classification Health Check tool is a recently developed data-driven analytical framework.

- Distribution centers that are the only California operation of the manufacturing industries to determine how to classify these operations (originally discussed in relation to Classification 2501(1), *Clothing Mfg.*);
- Cannabis industry for indications of differentiated loss experience and claim drivers and determine if a data-driven study is warranted.

8. Property Management/Operation Industry

Source: WCIRB

Based on a comprehensive review of the various metrics in the Classification Health Check tool, staff recommends reviewing the Property Management Industry and related special industry classification procedures. Available data indicates: (1) atypical loss to payroll ratio and experience modification distributions for Classifications 9015(1), *Building Operation – N.O.C.*; 9015(4), *Churches, Temples, Mosques and Synagogues*; 9015(4), *Libraries – private*, and 9009, *Commercial Properties – N.O.C.*, that may be indicative of the grouping of potentially non-homogeneous employer segments in the classifications and (2) potential ambiguity or lack of clarity with respect to the precise scope of each property management classification.

9. Hospitality and Resort Industry

Source: Underwriting Working Group

This is a multi-year study reviewing the efficacy of the classification procedures relative to hospitality and resort industry operations, including the food and beverage, spa and other services performed in connection with these operations. The WCIRB began its review of this industry by studying Classifications 9050(1), *Hotels*, and 9050(2), *Motels*, and short-term housing operations and proposed changes that were adopted by the Commissioner effective January 1, 2020. The next phase of the study included changes to provide specific direction for separately classifying recreational, personal care and leisure operations when operated in connection with a hotel or club that were adopted by the Commissioner effective September 1, 2021. As part of the most recent phase, the WCIRB is recommending the following proposed changes to be effective September 1, 2023: (1) remove retreat facilities and yacht club operations from Classification 9061, *Clubs – N.O.C.*; (2) include retreat facility operations and onsite clerical in Classification 9048(1), *Camps*, and (3) include yacht club operations in Classification 9060, *Clubs – country or golf*. In addition, staff is seeking the Classification and Rating Committee's guidance on establishing a companion classification for the food and beverage service operations of hotels and motels as part of the Food and Beverage study.

The last projected phase of this study would assess the extent to which operations conducted within this industry – particularly food service and retail store activities – are sufficiently homogeneous to warrant a more uniform classification approach. Included in this will be a review of Classifications 9060, *Clubs – country or golf*, 9069, *Clubs – gaming*, 9054, *Spas or Baths*, 9586, *Barber Shops, Hair Styling Salons and Personal Appearance Services*, 9016(1), *Amusement or Recreational Facilities – N.O.C. – all employees other than those engaged in the operation or maintenance of amusement devices, restaurants or retail stores*, 9180(1), *Amusement or Recreational Facilities – N.O.C. – operation or maintenance of amusement devices*, 9184, *Ski Resorts*, 9016(4), *Boat Marina and Boat Rental Operation*, and 9079(1), *Restaurants or Taverns*. Staff recommends that this phase of the study be conducted in concert with the next phase of the Food and Beverage study.

10. Expansion of Maximum Payroll Limitations to Additional Classifications

Source: WCIRB

Over the last several years, the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP) annual payroll limitation for executive officers, partners, individual employers and members of a limited liability company has been applied to a number of classifications that had a large volume of highly compensated employees and variability in wages among employees in the classification. At the May 17, 2022 meeting, the Committee recommended establishing payroll

limitations for six additional classifications as part of the September 1, 2023 Regulatory Filing with a proposed effective date of September 1, 2024. Staff recommends evaluating whether payroll limitations should be applied to additional classifications in 2024 in preparation for the September 1, 2025 filing.

11. Construction Material Dealers

Source: Underwriting Working Group

This study would review operations assigned to Classifications 8232(1), *Lumberyards*, 8232(2), *Building Material Dealers*, and 8232(3), *Fuel and Material Dealers*, to determine whether its constituents continue to represent employers engaged in a relatively homogenous set of operations that have relatively similar loss experience.

12. Amusement Industry

Source: Underwriting Working Group

As the next phase of the 2021 study on the carnival and circus industry, this study would review operations assigned to Classifications 9185, *Carnivals*, 9016(1), *Amusement or Recreational Facilities – N.O.C. – all employees other than those engaged in the operation or maintenance of amusement devices, restaurants or retail stores*, and 9180(1), *Amusement or Recreational Facilities – N.O.C. – operation or maintenance of amusement devices*, to assess similarities in business operations and loss experience between traveling carnivals and aspects of the amusement industry. Staff anticipates conducting some initial discovery of the risks that are currently in these classifications to determine if there are clear operational distinctions and identifiable segments (e.g., traveling versus permanent location) within the industry. In addition, as part of the review, the WCIRB anticipates reviewing aquarium operations that are currently assigned to Classification 8838, *Museums*, to determine if whether there is a more appropriate assignment for this group of operations. Based upon these initial findings, the WCIRB will assess if a future data-driven study is warranted.

13. Home Health Services

Source: WCIRB

This study would review the operations assigned to Classifications 8827(1), *Home Care Services*, 8827(2), *Nursing Care*, and 8852, *Home Infusion Therapists*, to determine if any of these classifications should be amended to include additional in-home health care service providers such as respiratory, physical or occupational therapists.

14. Social Services Agencies

Source: WCIRB

This study would review the efficacy of the current classification procedures relative to the social services industry.

15. Classification of Responsible Managing Officers (RMO) in Construction

Source: Classification and Rating Committee

This study would evaluate the efficacy of the current classification procedures for RMOs and Responsible Managing Employees (RMEs), including whether to amend the USRP to specifically reference RMO/RMEs.

Item III-G

2023 Schedule of Meetings

Following is a proposed schedule of Classification and Rating Committee meetings for the coming year. At this time, the WCIRB intends to hold hybrid meetings so that fully vaccinated Committee members may attend either in person or virtually.

Day of Week	Date & Time	Content
Tuesday	January 31, 2023 at 9:30 AM	Review classification relativities for September 1, 2023 Regulatory Filing
Tuesday	May 16, 2023 at 9:30 AM	Review September 1, 2024 Regulatory Filing matters
Tuesday	August 8, 2023 at 9:30 AM	Review September 1, 2024 Regulatory Filing matters
Tuesday	November 14, 2023 at 9:30 AM	Review September 1, 2024 Regulatory Filing matters

Item III-H

WCIRB Policy Data Quality Program Enhancements

As part of the WCIRB's ongoing effort to improve the effectiveness of its data quality programs, the WCIRB is proposing the following enhancements to the *WCIRB Policy Data Quality Program* (PDQP) to be effective January 1, 2023:

1. Establish governing timelines by when an insurer must become fully approved for electronic reporting of policy information and remediation process;
2. Change the *Experience Modification Reporting Success – Policy Transactions* data quality metric tolerance from 10% to 5% to reflect the importance of applying the correct experience modification to policies and in view of the tools now available to enable successful reporting; and
3. Incorporate editorial changes to improve clarity.

A detailed description of the substantive changes is outlined below.

I. Policy Reporting Electronic Submissions

The *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP) requires all insurers to submit policy data electronically no later than 30 days subsequent to the inception date for new or renewal policies and 30 days subsequent to the issuance of all other policy transactions.

The reporting of policy information must comply with California requirements described in the Workers Compensation Insurance Organizations' Workers Compensation Policy Reporting Specifications (WCPOLS) and USRP. To ensure specifications are met, the WCIRB must approve all insurers or third-party entities reporting data on their behalf (data submitters) prior to submitting policy data electronically.

Currently, the PDQP does not have established governing time frames by when a data submitter must become fully approved for electronic reporting. While the WCIRB encourages data submitters to complete testing as soon as possible, with most data submitters receiving approval within 180 days from when they start testing, some data submitters have taken close to or over a year to complete testing.

To ensure the timely approval of electronic reporting of policy data, maintain data integrity of policy reporting and minimize risks associated with manual data entries, the WCIRB proposes the following revisions to the PDQP:

1. Establish a prescribed timeframe by when a data submitter must be approved for electronic reporting.
2. If the data submitter is unable to meet the established timeframe:
 - a. Impose a one-time fine on the insurer;
 - b. Refer the insurer to the Classification and Rating Committee; and
 - c. Increase the fee for keying policy documents from \$25 to \$250 per document.

A. Timeframe to Complete Testing

The WCIRB recommends establishing a deadline of 180 days¹ from the Testing Commencement Date for data submitters to complete testing. The Testing Commencement Date shall be based on the earlier of (1) the date that the data submitter provides notice to the WCIRB that they have met all pre-testing requirements and are ready to start testing or (2) the 30th day after the inception date of the first policy document received by the WCIRB from the data submitter.

¹ Based on a review of data submitters who completed testing during a 12-month period, on average, data submitters were able to complete testing within a 180-day period.

To facilitate the testing process with the WCIRB, the insurer will be required to designate a coordinator to receive communication regarding the testing progress and potential issues. To assist data submitters, the WCIRB will provide pre-testing requirements, recommended testing benchmarks and guidelines in advance.

B. Remediation Actions

In consideration of the importance of successfully transitioning to electronic reporting, the WCIRB recommends establishing a remediation process similar to that currently in place in other WCIRB data quality programs. If the insurer is not approved for reporting within 180 days of the Testing Commencement Date, the following will occur:

- (1) the insurer's designated officer will meet with the WCIRB staff to explain why the insurer has not met the deadline and provide their plan and timeline for achieving success;
- (2) the insurer will be subject to an increased processing fee from \$25 to \$250 per document until the data submitter completes testing and receives approval for all policy transaction types²;
- (3) the insurer will be fined an amount equal to 1/100 of 1% of the most recent certified calendar year written pure premium, subject to a minimum of \$5,000 and a maximum of \$50,000;
- (4) the issuer will be cited to the Classification and Rating Committee; and
- (5) the next deadline of 180 days will be set by which the insurer is expected to receive approval or be referred to the WCIRB Governing Committee.

C. Notice of Changes

The proposed changes will become effective January 1, 2023. Insurers actively testing before January 1, 2023 will be given at least 30 days' notice before changes are in effect and the WCIRB will communicate expectations to complete testing in accordance with the proposed changes. Insurers that start testing on or after January 1, 2023 will be immediately subject to the recommended changes.

II. Experience Modification Reporting Success Tolerance Changes

The WCIRB reviews all policy transactions pursuant to the data quality measurements outlined in the PDQP. An insurer's success in applying the correct modification³ is measured by the *Experience Modification Reporting Success – Policy Transactions* data quality metric. The percentage of initial policies reported with an incorrect experience modification is determined by dividing the number of initial policies with unresolved experience modification audit errors 60 days after receipt of the initial policy by the total number of initial policies with published experience modifications.

The initial error tolerance for this metric was set at 10% when the PDQP was launched in 2018. Due to an increased usage of electronic reporting tools that facilitate the accurate capturing and reporting of experience modification, the WCIRB has observed a steady improvement in insurers' success in applying the correct experience modification. The statewide average for each year is provided below for reference.

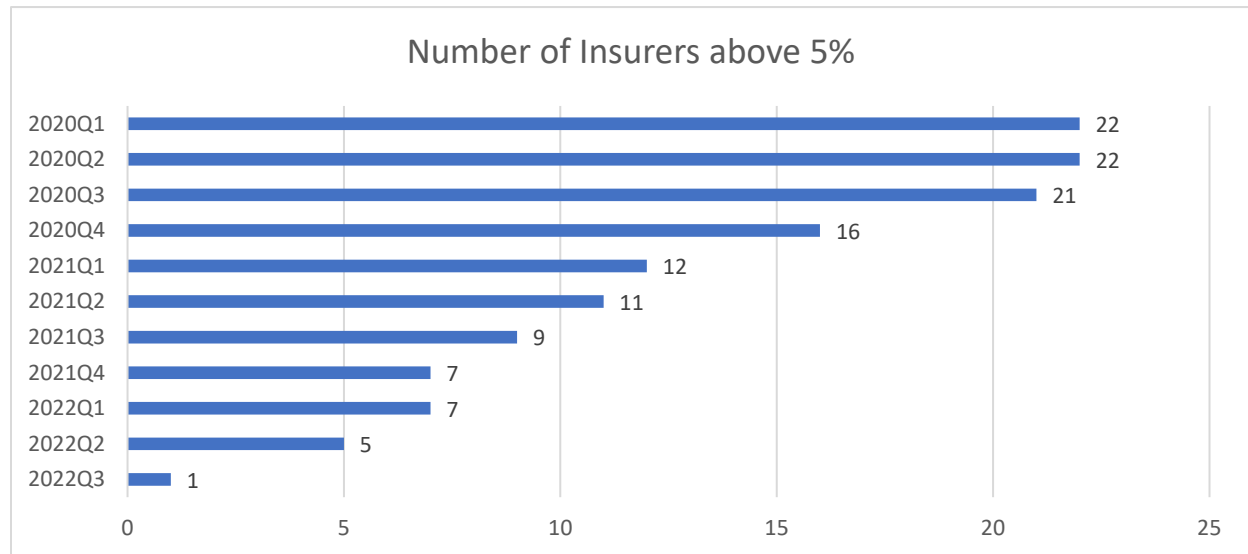
² Exceptions may be made for data submitters who are (i) approved to submit electronically for all transaction types, but due to system limitations or capabilities, submitting electronic copies of certain hard copy policy documents is the only reasonable way to provide the required information to the WCIRB or (ii) unable to complete testing due to causes beyond reasonable control (such as acts of nature, fire or casualty or malfunction of public utilities, communications or computer services). In either instance, the insurer will continue to be subject to the \$25 per electronic copy fee.

³ An "initial policy" is the first of any of the following WCPOLS transactions received by the WCIRB: New Policy, Renewal Policy, Annual Rerate Endorsement and Renewal Certificate/Renewal Agreement.

Experience Modification Reporting Success – Policy Transactions Metric – Tolerance: 10%

Reporting Period	Policies with Unresolved X-Mod Errors	Total Policies	Percent
2018	7,995	134,733	5.93%
2019	7,082	166,611	4.25%
2020	5,256	164,618	3.19%
2021	4,839	165,935	2.92%
2022 (as of Sept 30)	3,387	161,905	2.09%

In reviewing the 3rd Quarter 2022 rolling four-quarter data, 98% of insurers in the PDQP were below the proposed 5% threshold, with only 2% above 5% (1 out of 55).



The WCIRB also reviewed insurers' historical performance and over the last 11 quarters, only 3 insurers would have been impacted by the reduction of the metric tolerance from 10% to 5% and subjected to remedial procedures according to the PDQP provisions.

Based on the data provided above, the WCIRB proposes changing this metric's tolerance from 10% to 5% as the application of the correct experience modification is essential to California policyholders. The reduction will also help the WCIRB with early identification of insurers with experience modification reporting issues and allow the WCIRB an opportunity to provide coaching to those insurers and help them utilize the available electronic reporting tools provided by the WCIRB. This will also better align the PDQP *Experience Modification Reporting Success – Policy Transactions* metric with the *WCIRB Unit Statistical Data Quality Program's USRs with Inaccurate Experience Modification* data quality metric, which is set at 5%, as many insurers' unit statistical data reporting systems extract experience modification information from their policy reporting system.

If approved, outreach will be conducted to insurers immediately and insurers will have four quarters starting January 1, 2023 to meet the new standard.

WCIRB Policy Data Quality Program

Effective January ~~2022~~2023

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Background and Purpose

I. Background and Purpose

Timely, complete and accurate policy data is critical to the development of correct experience modifications and the provision of accurate policyholder coverage information, as well as to ensure the proper and complete use of approved policy forms. The *WCIRB Policy Data Quality Program* (Program) is intended to assist and encourage insurers in identifying and, as appropriate, modifying their data reporting procedures, thereby enhancing the timeliness, completeness and accuracy of their policy submissions to the WCIRB and minimizing any adverse impact from the inaccurate or untimely submission of data on the overall quality of WCIRB data.

II. Eligibility and Participation Requirements

- A. This Program is administered on an insurer group basis. For purposes of the Program, an insurer group (hereinafter collectively referred to as “insurer”) is based on the ownership groups designated by the National Association of Insurance Commissioners (NAIC).¹
- B. All insurers are subject to Part III of the Program.
- C. Insurers that wrote at least 100 policies and \$35 million² in total California workers’ compensation written pure premium in the latest available calendar year³ will be subject to Part IV and will remain so even if the insurer’s premium volume or policy count falls below the eligibility threshold while the insurer is subject to the Remedial Procedures detailed in Part IV, Sections C and D. Notwithstanding the above, the WCIRB reserves the right to include any other insurer in Part IV.
- D. Insurers must designate a primary authorized individual to act as the Program Coordinator to receive all correspondence related to the Program.⁴ An insurer shall immediately notify the WCIRB of any change in the designated Program Coordinator or their contact information by emailing pdqp@wcirb.com. Failure to provide the WCIRB with proper notification of any change prevents an insurer from asserting that it did not receive written notifications related to the Program, including for purposes of waiving fines.

III. Policy Reporting Electronic Submissions

Pursuant to the *California Workers’ Compensation Uniform Statistical Reporting Plan—1995 (USRP)*, insurers must report policy information for every workers’ compensation insurance policy extending insurance coverage under California’s workers’ compensation laws by electronic submission to the WCIRB in accordance with the reporting requirements of the USRP and those described in the *Workers Compensation Insurance Organizations’ Workers Compensation Policy Reporting Specifications (WCPOLS)*.

A. Submissions Requirements

The USRP requires that insurers receive the WCIRB’s approval to submit data electronically. Insurers must receive approval when:

- preparing to write California workers’ compensation insurance policies;
- developing a new policy reporting system; and
- changing or adding a Data Submitter⁵ to report policy data on their behalf.

¹ In some instances, to reflect insurers’ business operations, insurers within a particular NAIC group may be grouped into separate subgroups for purposes of the Program.

² This amount is subject to change by the WCIRB President based on significant changes in the average statewide rate level.

³ This standard is based on direct written premium at the advisory pure premium rate level as reported on the WCIRB call for quarterly experience. This pure premium is after the application of experience modifications but prior to the application of deductible credits.

⁴ Insurers may designate different coordinators for Part III and Part IV.

⁵ A Data Submitter is a unique reporting entity registered as a Third Party Entity with the WCIRB and authorized to submit policy data on behalf of the insurer.

Policy Reporting Electronic Submissions

B. Timeliness Standards

1. Insurers or their Data Submitters must notify DataSubmissions@wcirb.com that their policy reporting system is ready for testing. Insurers or their Data Submitters should submit their first test submission file no later than 30 days prior to the inception date of the first workers' compensation insurance policy or issuance date for other policy transactions to be reported by the insurer or their Data Submitter.
2. Insurers or their Data Submitters must complete testing and receive approval by the WCIRB for all policy transaction types within 180 days from the Testing Commencement Date. The Testing Commencement Date is the earlier of: (1) the date the WCIRB acknowledges receipt of the notification that the policy reporting system is ready for testing or (2) the 30th day after the inception date of the first policy document received from the insurer or their Data Submitter. The WCIRB will advise insurers in writing of the Testing Commencement Date, subsequent deadlines and remediation procedures. Extensions to the 180-day deadline may be granted exclusively at the WCIRB's sole discretion.

C. Electronic Versions of Policy Documents and Processing Fees

1. Until approved for electronic policy submissions, insurers or their Data Submitters shall submit to the WCIRB electronic versions (digital images or PDFs) of policy, cancellation, reinstatement and endorsement documents provided to policyholders for processing and in accordance with the timing requirements of the USRP.
2. Insurers are subject to a processing fee of \$25 per electronic version of the policy, cancellation, reinstatement or endorsement document.

D. Remediation Procedures

If (1) the WCIRB does not approve an insurer or their Data Submitter for all policy transaction types within 180 days from the Testing Commencement Date or (2) the insurer or their Data Submitter continues to submit electronic versions of policy documents for policy transactions for which the insurer has already been approved, unless an extension (see Part III, Section B, Subsection 2 above) or an exception (see Part III, Section D, Subsection 3 below) has been granted by the WCIRB, then the following actions will be taken:

1. WCIRB Staff: The Program Coordinator will be notified in writing by the WCIRB within 30 days following the end of the 180-day deadline. Within 30 days of notice, the insurer must submit a detailed written statement explaining why the insurer or their Data Submitter has not met the deadline and including a remediation plan that describes:
 - The specific measures to be undertaken by the insurer,
 - The time frames during which the measures will be implemented, and
 - The date by which the insurer expects completion of Part III.The WCIRB will respond to the insurer within 30 days of receipt of the insurer's written explanation or remediation plan.
2. Fine for Non-Compliance: The insurer will be assessed a fine equal to 1/100 of 1% of the most recent certified calendar year written pure premium⁶, subject to a minimum of \$5,000 and a maximum of \$50,000.
3. Increase in Document Processing Fees: Insurers will be subject to an increased processing fee of \$250 per electronic version of the policy, cancellation, reinstatement or endorsement

⁶ Complete calendar year (January 1 to December 31) direct written premium at the pure premium rate level (prior to application of deductible credits), as reported on the WCIRB *Data Call for Direct California Workers' Compensation Experience* (due by February of the following year), that has been certified as to its accuracy on the *WCIRB Financial Call Data Certification* (due by June of the following year) submitted by that insurer.

Policy Reporting Electronic Submissions

document until the insurer or their Data Submitter completes testing and receives approval for all policy transaction types.

Upon request by the insurer, exceptions may be made for insurers who are: (i) approved to submit electronically for all transaction types, but due to system limitations or capabilities, submitting electronic versions of certain policy documents is the only reasonable way to submit policy transactions to the WCIRB or (ii) unable to complete testing due to causes beyond reasonable control (such as acts of nature, fire or casualty or malfunction of public utilities, communications or computer services). In either instance, the insurer will continue to be subject to the \$25 per electronic version document fee.

4. Classification and Rating Committee: The WCIRB will cite the insurer to the Classification and Rating (C&R) Committee that fail to meet the standards in Part III.
 - a. The remediation plan provided to the WCIRB above may be modified and updated by the insurer prior to the C&R Committee meeting.

An officer from the insurer will be required to meet with the C&R Committee to explain the insurer's non-compliance with Part III and the USRP's policy reporting requirements and to present the remediation plan.
 - b. At the meeting of the C&R Committee, the following actions will be taken:
 - The insurer's non-compliance will be reported to the C&R Committee.
 - Any additional lawful administrative actions the C&R Committee may deem necessary, reasonable or appropriate to facilitate or encourage the insurer's compliance with Part III and the USRP's policy reporting requirements.
 - c. The WCIRB will report the C&R Committee's findings and actions to the appropriate insurance company officer and advise that if the insurer is not approved for electronic reporting within the 180 days following the expiration of the first 180-day deadline, the insurer will be cited to the Governing Committee for further administrative action.
5. Governing Committee: If an insurer has not been approved for electronic reporting within 180 days following the expiration of the first 180-day deadline, the WCIRB will cite the insurer to the Governing Committee.
 - a. Within 30 days of notification of the citation to the Governing Committee, the insurer shall provide a new remediation plan that describes:
 - The specific measures to be undertaken by the insurer,
 - The time frames during which the measures will be implemented, and
 - The date by which the insurer expects completion of Part III.

A senior officer of the insurer will be required to meet with the Governing Committee to explain why the insurer's remediation plan submitted to the C&R Committee failed to achieve the desired results and to present the new remediation plan.
 - b. At the meeting of the Governing Committee, the following actions will be taken:
 - The insurer's non-compliance with the USRP will be reported to the Governing Committee.
 - A monthly fine equal to 1/100 of 1% of the most recent certified calendar year written pure premium⁷ at the time the insurer was notified that it had been cited to the C&R

⁷ Complete calendar year (January 1 to December 31) direct written premium at pure premium rate level (prior to application of deductible credits), as reported on the WCIRB *Data Call for Direct California Workers' Compensation Experience* (due by February of the following year), that has been certified as to its accuracy on the WCIRB *Financial Call Data Certification* (due by June of the following year) submitted by that insurer.

General Administration of the Program and Monitoring of Data Accuracy

Committee pursuant to Part III, Section D, Subsection 4 above, subject to a minimum of \$5,000 and a maximum of \$50,000, may be imposed. The monthly fine will continue until such time as the insurer has completed testing and receive approval for all policy transaction types.

- Any other additional lawful administrative actions the Governing Committee deems necessary, reasonable or appropriate to facilitate or encourage the insurer's compliance with Part III and the USRP's policy reporting requirements, including citation to the California Department of Insurance.
- c. The WCIRB will report the Governing Committee's findings and actions to the appropriate insurance company officer.
- d. If the insurer fails complete testing by the upon deadline, the insurer will be cited to the California Insurance Commissioner unless the Governing Committee instructs the WCIRB President otherwise.

II.IV. General Administration of the Program and Monitoring of Data Accuracy

A. Eligibility and Participation Requirements

1. ~~This Program is administered on an insurer group basis.~~
2. ~~Insurers that wrote at least 100 policies and \$35 million⁸ in total California workers' compensation written pure premium in the latest available calendar year⁹ will be subject to the Program.~~
3. ~~An insurer that is subject to the Remedial Procedures detailed in Part V, Section B, shall remain subject to the Program even if the insurer's premium volume or policy count falls below the eligibility standards noted above.~~
4. ~~Notwithstanding the above, the WCIRB reserves the right to include any insurer in the Program.~~

~~Insurers must designate a primary authorized individual to act as the Program Coordinator to receive all correspondence related to the Program. An insurer shall immediately notify the WCIRB of any change in the designated Program Coordinator or his/her contact information by emailing pdqp@wcirb.com. Failure to do so prevents an insurer from asserting that it did not receive written notifications related to the Program, including for purposes of waiving fines.~~

B.A. Accuracy of Electronic Reporting

1. Selection of Policy Transactions Subject to Part III of the Program

- a. Scheduling Insurer Review: The WCIRB will establish a schedule to ensure that each insurer subject to the Program Part IV will be issued a Selection List of policy documents to be submitted to the WCIRB for purposes of verifying the accuracy of electronically reported policy data at least once every three years. The WCIRB will notify each insurer of its schedule at least three months in advance of publishing the Selection List. The WCIRB reserves the right to initiate more frequent reviews based on the findings for an individual insurer.
- b. Quota: The minimum selection quota for each insurer is twenty policies, twenty endorsements and ten cancellation/reinstatement transactions. Based upon its initial review of the documents, and as necessary to conduct a complete and thorough analysis, the WCIRB may issue the insurer a supplemental Selection List of additional

⁸ This amount is subject to change by the WCIRB president based on significant changes in the average statewide rate level.

⁹ This standard is based on direct written premium at the advisory pure premium rate level as reported on the WCIRB call for quarterly experience. This pure premium is after the application of experience modifications but prior to the application of deductible credits.

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policy documents to be submitted to the WCIRB. The WCIRB reserves the right to adjust the selection minimum based on the findings for an individual insurer.

~~b.c.~~ Selection List(s): The WCIRB will issue each insurer scheduled for review a Selection List comprising a sample of the insurer's recently submitted policy transactions. The Selection List will indicate the insurer's California insurer code, policy number, and policy effective date.

~~c.d.~~ Providing Requested Materials: Within ~~thirty~~30 days following publication of the Selection List, the insurer shall submit electronic copies (~~print~~digital images or PDFs) of the ~~hard copy~~policy documents provided to policyholders, representing each of the requested policy transactions (~~"hard copy" or "hard copies"~~). Hard copy policy documents must be submitted electronically, and in the manner prescribed by the WCIRB.

~~d.e.~~ Fines for Delinquent Material: Submissions will not be considered received until all requested materials are provided to the WCIRB.

- i. If all of the requested materials are not received by the WCIRB within ~~thirty~~30 days following publication of the Selection List, the insurer will be charged a \$500 fine.
- ii. If all of the requested materials are still not received by the WCIRB within ~~sixty~~60 days following publication of the Selection List, the insurer will be charged another \$500 fine, and the WCIRB will provide the insurer with an updated Selection List that identifies a new sample of policy transactions.
 1. If all of the requested materials from the updated Selection List are not received by the WCIRB within ~~thirty~~30 days following publication of the updated Selection List, the insurer will be charged another \$1,000 fine.
 2. If all of the requested materials from the updated Selection List are still not received by the WCIRB within ~~sixty~~60 days following publication of the updated Selection List, the insurer will be charged another \$1,000 fine, and the insurer's results will be subject to remedial action as described in Part V, Sections C and B D.
- iii. Waivers of fines for delinquent materials may be granted at the WCIRB's sole discretion upon a demonstration of good cause, provided ~~an application~~ a request for waiver is received within ~~thirty~~30 days following publication of the Selection List or updated Selection List.

2. Comparison of Hard Copy to Electronic Transactions

The WCIRB will compare the following data elements submitted electronically with the corresponding information on the hard copy policy documents:

- a. Policyholder Name(s)
- b. Address – Mailing
- c. Address – Location(s)
- d. Classification(s)
- e. Coverage Dates
- f. Experience Modification(s)
- g. Form Number(s)
- h. Forms – Variable Text on Limiting and Restricting Endorsements

Based on its initial review, the WCIRB may determine that a complete and thorough analysis requires examination of additional information. If so, the WCIRB will send the insurer a

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request for additional documents and/or policy transactions. Submission of the requested hard copy policy documents to the WCIRB is subject to the same timeline(s) and fines as set forth in Part ~~III~~IV, Section A, Subsection 1, Rules ~~4d~~ and ~~5e~~, except that the time period will begin on the date the WCIRB issued its request or updated request for the additional information.

At the close of its review of all submitted documents, the WCIRB will advise the insurer of its findings:

- i. Subject to Part ~~III~~IV, Section A, Subsection 1, Rule ~~4~~a if there were no differences between the hard copy and electronic transactions, then no further action is needed until the next scheduled selection.
- j. If there were differences between the hard copy and electronic transactions, then the WCIRB will require the insurer to identify the root cause of each difference and submit a proposed time frame for remedying the identified cause(s), which will be subject to WCIRB approval. At the end of the agreed-upon time frame, the WCIRB will provide the insurer with a new Selection List of policy transactions, and submission of the requested hard copy policy documents to the WCIRB will be subject to the same timeline(s) and fines as set forth in Part ~~III~~IV, Section A, Subsection 1, Rules ~~4d~~ and ~~5e~~.
- i. Subject to Part ~~III~~IV, Section A, RuleSubsection 1, Rule a, if the WCIRB's review of these documents shows that the identified issues have been resolved, then no further action is needed until the next scheduled selection.
- ii. If the WCIRB determines that the identified issues have not been resolved by the agreed-upon time frame, the insurer's results will be subject to remedial action as described in Part IV, Sections C and D~~B~~.

C.B. Data Quality Metrics

All policy transactions will be reviewed using the data quality measurements outlined in this ~~Part~~therein. Within ~~thirty~~30 days from the end of each quarter, the WCIRB will publish for each participating insurer a report detailing the insurer's results with respect to policy transactions submitted to the WCIRB during the quarter as well as during the latest four-quarter period. Unless otherwise specified, if an insurer's results over a four-quarter period exceed the designated tolerance identified in the Appendix for one or more of the data quality measurements outlined in this ~~Part~~section, the insurer's results will be subject to remedial action pursuant to the ~~Administrative Procedures described in Part IV, Sections C and D~~, provided the established minimum volume during the four-quarter period is met.

Refer to the Appendix for the designated tolerance and minimum volume for each metric.

D. Timeliness

1. Submission Timeliness – Policies

The "Submission Timeliness – Policies" data quality metric measures an insurer's success in submitting all policies on a timely basis as specified in the ~~California Workers' Compensation Uniform Statistical Reporting Plan—1995~~ (USRP).¹⁰ Specifically, for each insurer, the percentage of policies¹¹ received more than ~~thirty~~30 days after the policy inception date is determined as follows for the time period under review:

Number of policies received more than ~~thirty~~30 days after the policy inception date

¹⁰ Pursuant to Part 2, Section 1, Rule 1a(1), of the USRP, policies are due to the WCIRB no later than ~~thirty~~30 days after policy inception.

¹¹ "Policies" includes the following WCPOLS transactions: New Policy, Renewal Policy, Annual Rating Endorsement, and Renewal Certificate/Renewal Agreement.

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Total number of policies received

2. Submission Timeliness – Cancellations/Reinstatements

The “Submission Timeliness – Cancellations/Reinstatements” data quality metric measures an insurer’s success in submitting all cancellations and reinstatements within ~~thirty~~30 days after the issuance date.¹² Specifically, for each insurer, the percentage of cancellations and reinstatements received more than ~~thirty~~30 days after the issuance date is determined as follows for the time period under review:

$$\frac{\text{Number of cancellations and reinstatements received more than ~~thirty~~30 days after the issuance date}}{\text{Total number of cancellations and reinstatements received}}$$

3. Responsiveness to Policy Work Items

The “Responsiveness to Policy Work Items” data quality metric measures an insurer’s success in responding on a timely and accurate basis to WCIRB policy work item inquiries related to verifying the accuracy of data reported on policies. This metric looks at the volume of work items that remain unresolved for more than ~~sixty~~60 days from issuance of the inquiry.¹³ Specifically, for each insurer, the responsiveness to policy work items percentage is determined as follows for the time period under review:

$$\frac{\text{Number of unresolved work items that have passed the ~~sixty~~60-day threshold^{14sixty60-day threshold plus the number of unresolved work items that have passed the ~~sixty~~60-day threshold}}}$$

4. Unmatched Policy Transactions – Cancellations/Reinstatements

The “Unmatched Policy Transactions – Cancellations/Reinstatements” data quality metric measures an insurer’s success in reporting required policy transactions to the WCIRB. This metric looks at the volume of cancellations and reinstatements reported to the WCIRB that are not matched within ~~sixty~~60 days to its corresponding policy. Specifically, for each insurer, the percentage of unmatched cancellations and reinstatements is determined as follows for the time period under review:

$$\frac{\text{Number of cancellations and reinstatements not matched within ~~sixty~~60 days}}{\text{Total number of cancellations and reinstatements received}}$$

5. Unmatched USRs

The “Unmatched USRs” data quality metric measures an insurer’s success in reporting required policy transactions to the WCIRB. This metric looks at the volume of original¹⁵ first report level unit statistical reports (USRs) reported to the WCIRB that are not matched within ~~sixty~~60 days to its corresponding policy. Specifically, for each insurer, the percentage of unmatched USRs is determined as follows for the time period under review:

¹² This requirement will ensure that cancellations and reinstatements are reported to the WCIRB in a timely manner after issuance of such transactions.

¹³ The date of issuance of the inquiry is the date the work item is generated by the WCIRB and the insurer is notified. This metric only considers the days a work item is assigned to the insurer and does not include the days a work item is pending with the WCIRB.

¹⁴ Work items unresolved within the ~~sixty~~60-day period are not counted in the metric because their responsiveness under the metric has not yet been determined. Any work items resolved after the ~~sixty~~60-day threshold would have already been counted in the rolling four-quarter metric results used to evaluate insurers.

¹⁵ An “original” USR refers to the first submission of the USR at a specific report level.

Administrative Procedures

Number of original first report level USRs not matched within ~~sixty~~60 days
Total number of original first report level USRs received

~~E. Completeness and Accuracy~~

~~4.6. Experience Modification Reporting Success – Policy Transactions~~

The “Experience Modification Reporting Success – Policy Transactions” data quality metric measures an insurer’s success in reporting its initial policies¹⁶ to the WCIRB with WCIRB published experience modification data within ~~sixty~~60 days of receipt of the initial policy. Specifically, for each insurer, the percentage of initial policies reported with experience modification audit errors is determined as follows for the time period under review:

Number of initial policies with unresolved experience modification audit errors
~~sixty~~60 days after receipt of the initial policy
Total number of initial policies with published experience modifications

~~2.7. Forms Compliance~~

The “Forms Compliance” data quality metric measures an insurer’s success related to the use of approved policy forms and the endorsement of provisions required by California law using approved forms. Specifically, for each insurer, all instances are identified where an unapproved form is used, along with a count of the number of policies impacted. In addition, all instances are identified where a policy is not endorsed with provisions required by California law using approved forms.

Insurer results for this metric are advisory only. However, an insurer may be subject to remedial action as described in Part IV, Sections C and D if deficiencies are identified.

~~III. Administrative Procedures~~

~~A.C. Review of Data Quality Metric Results from Part IV, Data Quality Metrics~~

Unless otherwise specified, if an insurer’s results over a four-quarter period exceeds the designated tolerance for one or more of the data quality measurements specified in Part IV, Section B, the insurer will be notified in writing by WCIRB staff within ~~thirty~~30 days following the end of the four-quarter period and requested to provide either an explanation for exceeding the designated tolerance or a remediation plan.

Within ~~thirty~~30 days of this notice, the insurer must submit either:

1. A detailed written explanation that includes sufficient documentation confirming that the data exceeding the designated tolerance is correct as reported and does not indicate a data and/or reporting deficiency, or
2. A remediation plan that describes the data and/or reporting deficiencies that caused the designated tolerance(s) to be exceeded, the actions the insurer has taken or will take to remedy the deficiencies, and the time frame by which the insurer expects all the deficiencies will be resolved and its performance will meet ~~Program~~Part IV, Section B tolerances.

Insurers shall provide, at the request of the WCIRB, all relevant documents required to validate the accuracy and completeness of reported data.

¹⁶ An “initial policy” is the first of any of the following WCPOLS transactions received by the WCIRB: New Policy, Renewal Policy, Annual Rate Endorsement and Renewal Certificate/Renewal Agreement.

Administrative Procedures

The WCIRB ~~president or his/her designated representative (hereafter collectively referred to as “the WCIRB”)~~ will respond to the insurer within ~~thirty~~30 days of receipt of the insurer’s written explanation or remediation plan.

The insurer will be subject to the Remedial Procedures described in Part IV, Section B if any of the following occurs:

1. No detailed written explanation or remediation plan is submitted by the insurer within ~~thirty~~30 days of the WCIRB’s initial notice;¹⁷
2. The WCIRB determines the insurer’s detailed written explanation does not provide sufficient documentation confirming that the data exceeding the designated tolerance is correct as reported;
3. The WCIRB determines that the insurer’s data and/or reporting deficiencies have not been resolved and its results continue to exceed ~~the Program~~Part IV, Section B tolerances; or
4. Notwithstanding an insurer’s results under ~~Parts I and IV of the Program~~, the WCIRB determines that an insurer has (1) systemic data and/or reporting deficiencies or (2) egregiously or persistently failed to timely, completely and satisfactorily respond to WCIRB requests for written explanation or documentation to validate the quality of reported data.

B.D. Remedial Procedures

1. Stage 1: WCIRB Staff. The following actions shall be taken when the WCIRB determines that an insurer must undergo Stage 1 remediation.
 - a. The WCIRB will notify the insurer that it is subject to Stage 1 remediation and determine the time frame by which all the deficiencies must be resolved and ~~the Program~~Part IV, Section B tolerances must be met (Remediation Evaluation Period) to avoid being cited to the ~~Classification and Rating~~C&R Committee for further administrative action as described in Stage 2. The Remediation Evaluation Period shall encompass a minimum of two quarters and may be subsequently extended until enough data has been attained to produce a credible determination of whether all the deficiencies have been remediated.
 - i. If the insurer does not make significant progress in resolving all the deficiencies and meeting ~~the Program~~Part IV, Section B tolerances during the Remediation Evaluation Period, the insurer will be cited to the ~~Classification and Rating~~C&R Committee for further administrative action as described in Stage 2.
 - ii. If significant progress is made in resolving all the deficiencies and results meet ~~the Program~~Part IV, Section B tolerances during the Remediation Evaluation Period, such performance must be sustained over the subsequent four consecutive quarters (Remediation Monitoring Period); otherwise, the insurer will be cited to the ~~Classification and Rating~~C&R Committee for further administrative action as described in Stage 2.
 - iii. If significant progress is made in resolving all the deficiencies and results meet ~~the Program~~Part IV, Section B tolerances during the Remediation Evaluation Period, and such performance is sustained through the Remediation Monitoring Period, the insurer will not be cited to the ~~Classification and Rating~~C&R Committee as described in Stage 2. If, following the Remediation Monitoring Period, (a) the insurer’s results for one or more of the data quality metrics ~~specified in Part IV~~ exceed one or more of ~~the Program~~ tolerances specified in Part IV, Section B, (b) data and/or reporting

¹⁷ An extension of the deadline may be granted, provided the insurer requests an extension on or before the original deadline. All extensions are subject to written pre-approval by WCIRB staff on a case-by-case basis.

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deficiencies are identified, or (c) both types of issues are identified, the insurer's performance will again be subject to remedial action pursuant to Part IV, Sections C and D.

2. ~~Stage 2: Classification and Rating~~C&R Committee. If an insurer's results do not meet ~~the Program's~~Part IV, Section B tolerances and all deficiencies are not resolved after completion of Stage 1 as described above, the insurer will be subject to the following:
 - a. The WCIRB will cite the insurer to the ~~Classification and Rating~~C&R Committee.
 - b. Within ~~thirty~~30 days of notification of citation to the ~~Classification and Rating~~C&R Committee, the insurer shall provide a new remediation plan that describes:
 - i. The specific remedial measures to be undertaken by the insurer,
 - ii. The time frames during which the remedial measures will be implemented, and
 - iii. The date by which the insurer expects all of its data and/or reporting deficiencies will be resolved and its performance will meet ~~Program~~Part IV, Section B tolerances.
 - c. An officer of the insurer will be required to meet with the ~~Classification and Rating~~C&R Committee to explain why the insurer's remediation plan submitted in Stage 1 failed to achieve the desired results and to present the new remediation plan.
 - d. At the meeting of the ~~Classification and Rating~~C&R Committee, the following actions shall be taken:
 - i. The insurer's performance with respect to ~~this Part IV, the data quality metrics listed in Part IV,~~ and any other data quality concerns in other WCIRB data quality programs will be reported to the ~~Classification and Rating~~C&R Committee;
 - ii. A fine equal to 1/100 of 1% of the most recent certified calendar year written pure premium¹⁸ at the time the insurer was notified that it had been cited to the ~~Classification and Rating~~C&R Committee pursuant to Part IV, Section D, Subsection 2~~subparagraph a-~~, above, subject to a minimum of \$5,000 and a maximum of \$50,000, will be imposed; and
 - iii. A Remediation Evaluation Period will be established.
 - e. The ~~Classification and Rating~~C&R Committee may recommend any additional lawful administrative actions it deems necessary, reasonable or appropriate to facilitate or encourage the insurer's implementation of adequate remedial measures, including citation to the Governing Committee.
 - f. The WCIRB will report the ~~Classification and Rating~~C&R Committee's findings and actions to the appropriate insurance company officer and advise of the following:
 - i. If the insurer does not make significant progress in resolving all the deficiencies and meeting ~~the Program~~Part IV, Section B tolerances during the Remediation Evaluation Period, the insurer will be cited to the Governing Committee for further administrative action as described in Stage 3.
 - ii. If significant progress is made in resolving all the deficiencies and results meet ~~the Program~~Part IV, Section B tolerances during the Remediation Evaluation Period, such performance must be sustained through the Remediation Monitoring Period; otherwise, the insurer will be cited to the Governing Committee for further administrative action as described in Stage 3.

¹⁸ Complete calendar year (January 1 to December 31) direct written premium at the pure premium rate level (prior to application of deductible credits), as reported on the WCIRB *Data Call for Direct California Workers' Compensation Experience* (due by February of the following year), that has been certified as to its accuracy on the *WCIRB Financial Call Data Certification* (due by June of the following year) submitted by that insurer.

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- iii. If significant progress is made in resolving all the deficiencies and results meet the ~~Program~~ Part IV, Section B tolerances during the Remediation Evaluation Period, and such performance is sustained through the Remediation Monitoring Period, the insurer will not be cited to the Governing Committee. If, following the Remediation Monitoring Period, (a) results for one or more of the data quality metrics ~~specified in Part IV~~ exceed the ~~Program's~~ designated tolerances specified in Part IV, Section B, (b) data and/or reporting deficiencies are identified, or (c) both types of issues are identified, the insurer's performance will again be subject to remedial action pursuant to Part IV, Sections C and D.
- 3. Stage 3: Governing Committee. If an insurer's results do not meet the ~~Program's~~ Part IV, Section B tolerances and all deficiencies are not resolved after completion of Stage 2 as described above, the insurer will be subject to the following:
 - a. The WCIRB will cite the insurer to the Governing Committee.
 - b. Within ~~thirty~~ 30 days of notification of citation to the Governing Committee, the insurer shall provide a new remediation plan that describes:
 - i. The specific remedial measures to be undertaken by the insurer,
 - ii. The time frames during which the remedial measures will be implemented, and
 - iii. The date by which the insurer expects all of its deficiencies will be resolved and its performance will meet ~~Program~~ Part IV, Section B tolerances.
 - c. A senior officer of the insurer will be required to meet with the Governing Committee to explain why the insurer's remediation plan submitted in Stage 2 failed to achieve the desired results and to present the new remediation plan.
 - i. The insurer's performance with respect to ~~the Part III, the data quality metrics listed in Part IV,~~ and any other data quality concerns in other WCIRB data quality programs will be reported to the Governing Committee.
 - d. Within ~~sixty~~ 60 days of notification to the insurer that it has been cited to the Governing Committee:
 - i. A Remediation Evaluation Period will be established; and
 - ii. A monthly fine equal to 1/100 of 1% of the most recent certified calendar year written pure premium¹⁹ at the time the insurer was notified that it had been cited to the ~~Classification and Rating~~ C&R Committee pursuant to ~~Paragraph~~ Part IV, Section D, Subsection 2a, Stage 2: ~~Classification and Rating~~ C&R Committee, ~~subparagraph a~~, subject to a minimum of \$5,000 and a maximum of \$50,000, will be imposed. The monthly fine will continue until such time as:
 - ————— Enough data has been reported and evaluated subsequent to the meeting with the Governing Committee to produce a credible evaluation of the insurer's performance, and
 - ————— The insurer's performance meets ~~Program~~ Part IV, Section B tolerances and resolves all of the deficiencies.
 - e. The Governing Committee may recommend any additional lawful administrative actions it deems necessary, reasonable or appropriate to facilitate or encourage the insurer's

¹⁹ Complete calendar year (January 1 to December 31) direct written premium at pure premium rate level (prior to application of deductible credits), as reported on the WCIRB *Data Call for Direct California Workers' Compensation Experience* (due by February of the following year), that has been certified as to its accuracy on the *WCIRB Financial Call Data Certification* (due by June of the following year) submitted by that insurer.

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implementation of adequate remedial measures, including citation to the California Insurance Commissioner.

- f. The WCIRB will report the Governing Committee's findings and actions to the appropriate insurance company senior officer and advise of the following:
 - i. If the insurer does not make significant progress in resolving all the deficiencies and meeting ~~Program~~Part IV, Section B tolerances during Remediation Evaluation Period, the WCIRB pPresident will, unless instructed otherwise by the Governing Committee, cite the insurer to the California Insurance Commissioner for consideration of further remedial action, including but not limited to additional fines, penalties, and/or suspension of authority to transact workers' compensation insurance. The citation to the California Insurance Commissioner will include a report on the insurer's performance with respect to this Program and any other data quality concerns in other WCIRB data quality programs.
 - ii. If significant progress is made in resolving all the deficiencies, and results meet ~~the Program~~Part IV, Section B tolerances during the Remediation Evaluation Period, such performance must be sustained through the Remediation Monitoring Period; otherwise, the insurer will be cited to the California Insurance Commissioner unless the Governing Committee instructs the WCIRB pPresident otherwise.
 - iii. If significant progress is made in resolving all the deficiencies, results meet ~~the Program~~Part IV, Section B tolerances during the Remediation Evaluation Period, and such performance is sustained through the Remediation Monitoring Period, the insurer will not be cited to the California Insurance Commissioner. If, following the Remediation Monitoring Period, (a) the insurer's results exceed the ~~Program's~~ designated tolerances for one or more of the data quality metrics specified in Part IV, Section B, (b) data and/or reporting deficiencies are identified, or (c) both types of issues are identified, the insurer's performance will again be subject to remedial action pursuant to Part IV, Sections C and D.
4. An insurer whose results are approaching ~~Program~~Part IV, Section B tolerances or that has data and/or reporting deficiencies may be requested to meet periodically or correspond with the WCIRB for the purpose of outlining the remedial measures the insurer proposes to implement to improve performance.

Appendix

Appendix

Metric Tolerances

Unless otherwise specified:

- The data quality metrics in this Program are measured against specified tolerances defined below. The WCIRB evaluates each metric's tolerance from time to time, taking into consideration the distribution of statewide data.
- If an insurer exceeds a designated metric tolerance over a four-quarter period, the insurer's results will be subject to remedial action as described in Part IV, Sections C and D, provided the minimum volume for the metric is met during the four-quarter period.

Metric		Tolerance	Minimum Volume for Remediation	Other Criteria
Timeliness				
1	Submission Timeliness – Policies	5%	25 policies received more than thirty 30 days after the policy inception date	
2	Submission Timeliness – Cancellations/Reinstatements	5%	25 cancellations and/or reinstatements received more than thirty 30 days after the issuance date	
3	Responsiveness to Policy Work Items	20%	25 unresolved policy work items that passed the sixty 60-day threshold	
4	Unmatched Policy Transactions – Cancellations/Reinstatements	2%	25 cancellations and/or reinstatements not matched within sixty 60 days	
5	Unmatched USRs	2%	25 original first report level USRs not matched within sixty 60 days	
Completeness and Accuracy				
3 6	Experience Modification Reporting Success – Policy Transactions	10 5%	25 initial policies reported with experience modification audit errors within sixty 60 days of receipt of the initial policy	

Appendix

Metric		Tolerance	Minimum Volume for Remediation	Other Criteria
4 7	Forms Compliance	N/A	N/A	Insurer results for this metric are advisory only. However, an insurer may be subject to remedial action as described in Part IV, Sections C and D if deficiencies are identified.