

Classification and Rating Committee

Meeting Agenda

Date	Time	Location	Staff Contact
November 14, 2023	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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Please use this [link](#) to register for the meeting webinar. After registering, you will receive a confirmation email containing information about the meeting.

I. Approval of Minutes

Meeting held August 8, 2023

II. Unfinished Business

III. New Business

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IV. Matters Arising at Time of Meeting

V. Next Meeting Date: January 30, 2024 (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, 2024 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 16.8% 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 17.6%. Combining the impact of wage inflation and insurer rate changes, no change to the threshold of \$10,500 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 2022 was approximately 15.9% higher than premium at the pure premium rate level. Also, the average of the September 1, 2023 advisory pure premium rates is approximately 114% higher than the average of the September 1, 2023 expected loss rates. Assuming a three-year experience rating period, the current September 1, 2023 experience rating eligibility threshold of \$10,200, which is set at the September 1, 2023 expected loss rate level and applies to the September 1, 2019 to August 31, 2022 projected payroll level, would correspond to a single year average insurer premium level of approximately \$9,500, after adjusting for estimated wage inflation (14.3%).²

Based on the approximate average of these two indications, the indicated physical audit threshold for policies incepting on or after September 1, 2024 is approximately \$10,000. However, since this estimate is generally consistent with the current threshold and the threshold is intended to be changed relatively infrequently, WCIRB staff recommends maintaining the current physical audit threshold of \$10,500 for September 1, 2024.

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

² $10,200 * [(2.114 * 1.159) / 3] * 1.143$

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 for September 1, 2024¹ will be approximately 3.4%. This wage inflation projection is based on the average of the UCLA Anderson School of Business and California Department of Finance wage forecasts as of June 2023 and April 2023, respectively. Based on this projection, WCIRB staff recommends the following revisions to the USRP to be effective September 1, 2024.

Executive Officers, Partners, Individual Employers and Members of a Limited Liability Company

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 September 1, 2024 wage inflation of approximately 3.4%, staff recommends that the current maximum remuneration of \$154,700 (\$2,975 per week) be increased to \$159,900 (\$3,075 per week) and the current minimum of \$59,800 (\$1,150 per week) be increased to \$62,400 (\$1,200 per week).

Classifications with Payroll Limitations

WCIRB staff reviewed the salary and payroll limitations for all employees in certain classifications listed in Table 1 below that are subject to limitation with a view toward adjusting the limitations to account for inflation and to remain consistent with adjustments to the payroll limitations for executive officers, partners and individual employers and members of an LLC. To reflect the projected September 1, 2024 wage inflation of approximately 3.4%, staff recommends that the maximum payroll for all employees in these classifications be increased from \$154,700 to \$159,900.

Beginning September 1, 2024, an individual employee's annual payroll developed in Classifications 4297(1), *Electronic Pre-Press*, 4297(2), *Graphic Design*, 4512, *Biomedical Research Laboratories*, 8807, *Newspaper, Magazine or Book Publishing*, 8834, *Physicians' Practices and Outpatient Clinics*, 8839, *Dental or Orthodontia Practices*, 8874(6), *Medical Instrument Mfg. – electronic – diagnostic or treatment – hardware or software design or development*, 8874(7), *Instrument Mfg. – non-electronic – scientific or medical – hardware or software design or development*,² and 9043, *Hospitals*, will be subject to an annual payroll limitation. To be consistent with the payroll limitations for executive officers, partners, individual employers, and members of an LLC and other classifications subject to maximum payroll limitation, staff recommends that the payroll limitation for each of these classifications be set at \$159,900 per year per employee.

Classification 7365, *Taxicab Operations – all employees*

WCIRB staff reviewed the minimum payroll per taxicab that is contained in the footnote to Classification 7365, *Taxicab Operations*. To reflect the projected September 1, 2024 wage inflation of approximately 3.4%, staff recommends that the minimum payroll be increased from \$42,400 to \$43,800 per annum per taxicab.

Classification 8039, *Stores – department stores – retail*

Staff reviewed the minimum payroll that is contained in the footnote to Classification, *Stores – department stores – retail*. Given that the impact of wage inflation of approximately 3.4% is \$44,505 and therefore well below the \$100,000 threshold for changes to the minimum, staff is not recommending any changes to the current threshold of \$1,300,000, which was last changed September 1, 2023.

¹ The wage inflation is based on the average inflation from policies incepting between September 1, 2023 and August 31, 2024 to policies incepting between September 1, 2024 and August 31, 2025.

² As part of the 2023 Draft Electronics Industry Study, WCIRB staff recommended establishing two alternate phraseologies (or suffixes), Classifications 8874(6) and 8874(7), to be effective September 1, 2024.

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

Table 1 – Wage and Payroll Limitation Recommendations					
Class Code	Phraseology	Current		Recommended for September 1, 2024	
		Payroll Minimum	Payroll Maximum	Payroll Minimum	Payroll Maximum
7365	<i>Taxicab Operations</i> (per year per taxicab)	\$42,400	N/A	\$43,800	N/A
4297(1)	<i>Electronic Pre-Press</i> (per year per employee)	N/A	N/A	N/A	\$159,900
4297(2)	<i>Graphic Design</i> (per year per employee)	N/A	N/A	N/A	\$159,900
4512	<i>Biomedical Research Laboratories</i> (per year per employee)	N/A	N/A	N/A	\$159,900
7607(1)	<i>Video Post-Production</i> (per year per employee)	N/A	\$154,700	N/A	\$159,900
7607(2)	<i>Audio Post-Production</i> (per year per employee)	N/A	\$154,700	N/A	\$159,900
7610	<i>Radio, Television or Commercial Broadcasting Stations</i> (on-air personalities, entertainers and musicians/per year per person)	N/A	\$154,700	N/A	\$159,900
8601(1)	<i>Engineers</i> (per year per employee)	N/A	\$154,700	N/A	\$159,900
8601(2)	<i>Oil or Gas Geologists or Scouts</i> (per year per employee)	N/A	\$154,700	N/A	\$159,900
8601(4)	<i>Forest Engineers</i> (per year per employee)	N/A	\$154,700	N/A	\$159,900
8741	<i>Real Estate Agencies</i> (per year per employee)	N/A	\$154,700	N/A	\$159,900
8743	<i>Mortgage Brokers</i> (per year per employee)	N/A	\$154,700	N/A	\$159,900

Table 1 – Wage and Payroll Limitation Recommendations					
Class Code	Phraseology	Current		Recommended for September 1, 2024	
		Payroll Minimum	Payroll Maximum	Payroll Minimum	Payroll Maximum
8749	<i>Mortgage Bankers (per year per employee)</i>	N/A	\$154,700	N/A	\$159,900
8801	<i>Credit Unions (per year per employee)</i>	N/A	\$154,700	N/A	\$159,900
8803	<i>Auditing, Accounting or Management Consulting Services (per year per employee)</i>	N/A	\$154,700	N/A	\$159,900
8807	<i>Newspaper, Magazine or Book Publishing (per year per employee)</i>	N/A	N/A	N/A	\$159,900
8808	<i>Banks (per year per employee)</i>	N/A	\$154,700	N/A	\$159,900
8820	<i>Law Firms (per year per employee)</i>	N/A	\$154,700	N/A	\$159,900
8822	<i>Insurance Companies (per year per employee)</i>	N/A	\$154,700	N/A	\$159,900
8834	<i>Physician's Practices and Outpatient Clinics (per year per employee)</i>	N/A	N/A	N/A	\$159,900
8839	<i>Dental or Orthodontia Practices (per year per employee)</i>	N/A	N/A	N/A	\$159,900
8859(1)	<i>Computer Programming or Software Development (per year per employee)</i>	N/A	\$154,700	N/A	\$159,900
8859(2)	<i>Internet or Web-Based Application Development or Operation (per year per employee)</i>	N/A	\$154,700	N/A	\$159,900
8874(1)	<i>Instrument Mfg. – electronic – professional or scientific – hardware or software design or development (per year per employee)</i>	N/A	\$154,700	N/A	\$159,900

Table 1 – Wage and Payroll Limitation Recommendations					
Class Code	Phraseology	Current		Recommended for September 1, 2024	
		Payroll Minimum	Payroll Maximum	Payroll Minimum	Payroll Maximum
8874(2)	<i>Computer or Computer Peripheral Equipment Mfg. – hardware or software design or development (per year per employee)</i>	N/A	\$154,700	N/A	\$159,900
8874(3)	<i>Telecommunications Equipment Mfg. – hardware or software design or development (per year per employee)</i>	N/A	\$154,700	N/A	\$159,900
8874(4)	<i>Audio/Video Electronic Products Mfg. – hardware or software design or development (per year per employee)</i>	N/A	\$154,700	N/A	\$159,900
8874(5)	<i>Integrated Circuit and Semiconductor Wafer Mfg. – hardware or software design or development (per year per employee)</i>	N/A	\$154,700	N/A	\$159,900
8874(6)	<i>Medical Instrument Mfg. – electronic – diagnostic or treatment – hardware or software design or development (per year per employee)</i>	N/A	N/A	N/A	\$159,900
8874(7)	<i>Instrument Mfg. – non-electronic – scientific or medical – hardware or software design or development (per year per employee)</i>	N/A	N/A	N/A	\$159,900
9043	<i>Hospitals (per year per employee)</i>	N/A	N/A	N/A	\$159,900
9151	<i>Theaters – musical entertainment (performers and directors of performers/per year per person)</i>	N/A	\$154,700	N/A	\$159,900

Table 1 – Wage and Payroll Limitation Recommendations					
Class Code	Phraseology	Current		Recommended for September 1, 2024	
		Payroll Minimum	Payroll Maximum	Payroll Minimum	Payroll Maximum
9156	<i>Theaters – dance, opera and theater companies</i> (performers and directors of performers/per year per person)	N/A	\$154,700	N/A	\$159,900
9181	<i>Athletic Teams or Athletic Facilities – players, umpires, referees and game officials</i> (per season per player)	N/A	\$154,700	N/A	\$159,900
9610	<i>Motion Pictures – production</i> (actors, musicians, producers and the motion picture director/per year per person)	N/A	\$154,700	N/A	\$159,900
N/A	Executive Officers, Partners, Individual Employers and Members of a Limited Liability Company	\$59,800	\$154,700	\$62,400	\$159,900

Item III-C

Review of Dual Wage Classification Thresholds

In 2016, the Classification and Rating Committee adopted a modified process for the analysis of dual wage classification thresholds that includes an analytical review of the wage thresholds for each of the dual wage classifications every other year. The analytical approaches are based on a review of unit statistical data and external wage data from published government sources. The most recent comprehensive review of all dual wage thresholds was conducted in 2021 with updated thresholds effective September 1, 2022.

WCIRB staff has completed its review of all dual wage classification thresholds and included in the attached draft report are the findings and recommended thresholds to be included in the September 1, 2024 Regulatory Filing.

Draft Review of Dual Wage Classification Thresholds

I. Background

In 1986, the Dual Classification by Wage Level Program (Program) was adopted by the California Insurance Commissioner following a WCIRB study initiated to address employer concerns about potential inequities in premiums paid due to variations in wage levels for construction employees. The Program was established for construction classifications that were large enough to be segregated into two statistically credible classifications and for which survey results showed (a) a significant variation in wages paid by employers and (b) a significant disparity in claim costs per \$100 of payroll by wage level. The Program involves segregating a classification into two distinct (dual) classifications based on the hourly wages paid by employers assigned to the classification. The wage threshold for each classification was established at a level so that (a) both the high and low wage dual classifications would have credible experience, (b) relatively few employees in the classifications were paid wages at a level close to the threshold and (c) there was a significant differential indicated between the losses per \$100 of payroll among employers with average wages below the threshold and those with average wages above the threshold.

For a number of years, the WCIRB reviewed and adjusted dual wage thresholds regularly to reflect several measures of wage inflation in construction. However, beginning in 2010, threshold adjustments were not made for several years due to concerns that these measures of wage inflation were not accurately reflecting shifts in the structure of the construction industry in California resulting from the Great Recession. As a result of these and other concerns, in 2012, the WCIRB conducted a comprehensive review of the dual wage system.

The 2012 comprehensive study recommended that the dual wage system be retained in California. In addition, the study recommended that in order to maintain the integrity of the dual wage classifications, the wage thresholds should be reviewed regularly for inflation as well as for structural changes in the construction industry. Since that time, the WCIRB has regularly reviewed the threshold amounts for specific dual wage classifications in accordance with the schedule adopted by the C & R Committee. The most recent comprehensive review of all dual wage classifications was conducted in 2021 and the resulting changes to the thresholds took effect September 1, 2022.¹ Exhibit 1 shows a history of the thresholds underlying each pair of dual wage classifications by policy year.

This study of dual wage classification thresholds is based on an analytical review of WCIRB unit statistical data and external wage data from published government sources. The unit statistical data reviewed was based on information from policies incepting in 2020 and prior as reported to the WCIRB. Wage data was primarily based on information obtained from the Bureau of Labor Statistics (BLS) Occupational Employment and Wage Statistics (OEWS) program published in April 2023. Other published sources of wages for construction occupations were also reviewed. For each pair of dual wage classifications, the dual wage thresholds indicated by several alternative analytical methods using different assumptions were reviewed to determine the proposed threshold for the classifications to be effective September 1, 2024. These approaches are described in detail in Appendix I. The results of the review are discussed below.

II. Dual Wage Classification Study Results

Classifications 5027/5028, *Masonry*

The current threshold for Classifications 5027/5028, *Masonry*, is \$32. This threshold became effective on September 1, 2022, which is selected as the “base year” for this study. The approximate wage percentile corresponding to the \$32 dual wage threshold effective in 2022 is 54% based on the OEWS wage

¹ The thresholds of three dual wage classifications (6218/6220, *Excavation/Grading/Land Leveling*, 6307/6308, *Sewer Construction* and 6315/6316, *Water/Gas Mains*) were last amended effective September 1, 2023.

distribution in 2022. Changes in wage levels around the threshold for 2020 and 2021 based on the OEWS data for these classifications appear atypical, with significantly high inflation in 2020 followed by deflation in 2021 (Exhibit 4.1). While inflation in 2022 appears within the typical range, extrapolating this data to the future in the primary method suggests no change in the threshold for these classifications. However, the extrapolation would be partially based on the anomalous negative inflation in 2021, which may not be indicative of future wage inflation for these classifications.

The WCIRB reviewed alternative wage sources for these classifications, including prevailing wage determinations made by the California Department of Industrial Relations (DIR). This information suggests modest growth in wages for these classifications with some further growth projected (Exhibit 4.1). Based on the DIR's prevailing wage information, wage inflation for Classifications 5027/5028 workers with wages approximated at the threshold level from the policy period incepting September 1, 2022 to the policy period incepting September 1, 2024 is estimated to be 8.3% over the entire period (Exhibit 4.2). Applying the estimated wage inflation to the current \$32 threshold results in an indicated threshold of \$35.

Under the supplemental method, a \$35 threshold is estimated to increase the low wage payroll share from 35% at the current threshold to 42% and increase the loss to payroll differential from 196% to 223% (Exhibit 4.3). The \$35 threshold also indicates a consistently low concentration of injured workers around the threshold level.

Although the primary method based on OEWS data suggests no change in the threshold for these classifications, the anomalous wage inflation in the OEWS data for 2021 and 2022 covering the pandemic period may not be appropriate to project into the future for these classifications. The supplemental method strongly supports a \$35 threshold, which is also supported by the alternative wage inflation based on DIR prevailing wages. As a result, WCIRB staff recommends an increase in the threshold for Classifications 5027/5028 from \$32 to \$35.

Classifications 5190/5140, *Electrical Wiring*

The current threshold for Classifications 5190/5140, *Electrical Wiring*, is \$34. This threshold became effective on September 1, 2022, which is selected as the "base year" for this study. The approximate wage percentile corresponding to the \$34 dual wage threshold effective in 2022 is 50% based on the OEWS wage distribution in 2022. Changes in wage levels around the threshold for 2021 and 2022 based on the OEWS data for these classifications appear atypical, with some negative inflation in those years (Exhibit 5.1). Extrapolating this data to the future in the primary method suggests no change in the threshold for these classifications.² However, the recent negative wage inflation during the pandemic period may not be indicative of future wage inflation for these classifications.

The WCIRB reviewed alternative wage sources for these classifications, including prevailing wage determinations made by the DIR. This information suggests modest growth in wages for these classifications with some further growth projected (Exhibit 5.1). Based on the DIR's prevailing wage information, wage inflation for Classifications 5190/5140 workers with wages approximated at the threshold level from the policy period incepting September 1, 2022 to the policy period incepting September 1, 2024 is estimated to be 7.3% over the entire period (Exhibit 5.2). Applying the estimated wage inflation to the current \$34 threshold results in an indicated threshold of \$36.

Under the supplemental method, a \$36 threshold is estimated to increase the low wage payroll share from 23% at the current threshold to 27% and sustain a loss to payroll differential at around 187%. A \$36 threshold would lower the concentration of injured workers' wages within one dollar of the threshold (Exhibit 5.3). The maximum increase in the loss to payroll ratio differential is achieved with a threshold of \$38, which also has a low concentration of wages around the threshold.

² For the purpose of dual wage thresholds review, the minimum projected wage inflation is capped at 0%.

Although the primary method based on OEWS data suggests no change in the threshold for these classifications, the anomalous wage inflation in the OEWS data for 2021 and 2022 during the pandemic period may not be appropriate to project into the future for these classifications. The alternative wage inflation based on DIR prevailing wages indicates a \$36 threshold, which is also supported by the supplemental method. As a result, WCIRB staff recommends an increase in the threshold for Classifications 5190/5140 from \$34 to \$36.

Classifications 5183/5187, *Plumbing/Refrigeration Equipment/Heating or Air Conditioning Equipment*

The current threshold for Classifications 5183/5187, *Plumbing/Refrigeration Equipment/Heating or Air Conditioning Equipment*, is \$31. This threshold became effective on September 1, 2022, which is selected as the “base year” for this study. The approximate wage percentile corresponding to the \$31 dual wage threshold effective in 2022 is 52% based on the OEWS wage distribution in 2022. Wage inflation for Classifications 5183/5187 workers with wages approximated at the threshold level from the policy period incepting September 1, 2022 to the policy period incepting September 1, 2024 is estimated to be 2.5% over the entire period (Exhibit 6.1). Applying the estimated wage inflation to the current \$31 threshold results in an indicated threshold of \$32.

Under the supplemental method, a \$32 threshold is estimated to increase the low wage payroll share from 27% at the current threshold to 29% and increase the loss to payroll differential from 223% to 226%. The \$32 threshold is also estimated to reduce the concentration of wages within one dollar of the threshold based on the distribution of injured workers’ average weekly wage reported in unit statistical data (Exhibit 6.2). The maximum incremental increase in the loss to payroll differential under this method is achieved at a \$34 threshold, which also has a lower concentration of wages near the threshold than a \$32 threshold, along with further increases in the low wage payroll share.

Although the supplemental method suggests a larger increase to a \$34 threshold for these classifications may be appropriate, the primary method indication of \$32 is also supported by the supplemental method. As a result, WCIRB staff recommends an increase in the threshold for Classifications 5183/5187 from \$31 to \$32.

Classifications 5185/5186, *Automatic Sprinkler Installation*

The current threshold for Classifications 5185/5186, *Automatic Sprinkler Installation*, is \$32. This threshold became effective on September 1, 2022, which is selected as the “base year” for this study. The approximate wage percentile corresponding to the \$32 dual wage threshold effective in 2022 is 53% based on the OEWS wage distribution in 2022. Wage inflation for Classifications 5185/5186 workers with wages approximated at the threshold level from the policy period incepting September 1, 2022 to the policy period incepting September 1, 2024 is estimated to be 2.6% over the entire period (Exhibit 7.1). Applying the estimated wage inflation to the current \$32 threshold results in an indicated threshold of \$33.

Under the supplemental method, a \$33 threshold is estimated to increase the low wage payroll share from 30% at the current threshold to 32% and increase the loss to payroll differential from 208% to 233% (Exhibit 7.2). A \$33 threshold is also estimated to lower the concentration of wages within one dollar of the threshold based on the distribution of injured workers’ average weekly wage reported in unit statistical data. While a further increase in the loss to payroll ratio differential and a slightly lower concentration of wages within one dollar of the threshold are obtained at a threshold of \$34, the supplemental method strongly supports a \$33 threshold as well.

Given that the primary method indication of \$33 is well supported by the supplemental method, WCIRB staff recommends an increase in the threshold for Classifications 5185/5186 from \$32 to \$33.

Classifications 5201/5205, *Concrete or Cement Work*

The current threshold for Classifications 5201/5205, *Concrete or Cement Work*, is \$32. This threshold became effective on September 1, 2022, which is selected as the “base year” for this study. The approximate wage percentile corresponding to the \$32 dual wage threshold effective in 2022 is 59%

based on the OEWS wage distribution in 2022. Wage inflation for Classifications 5201/5205 workers with wages approximated at the threshold level from the policy incepting September 1, 2022 to the policy period incepting September 1, 2024 is estimated to be 4.7% over the entire period (Exhibit 8.1). Applying the estimated wage inflation to the current \$32 threshold results in an indicated threshold of \$33.

Under the supplemental method, a \$33 threshold is estimated to increase the low wage payroll share from 26% at the current threshold to 29% while maintaining a loss to payroll differential at around 198% (Exhibit 8.2). Although the maximum incremental increase in the loss to payroll differential under this method occurs at a \$35 threshold, this threshold is significantly higher than the current \$32 threshold. As also shown in Exhibit 8.2, \$33 has a lower concentration of wages within one dollar of the threshold based on the distribution of injured workers' average weekly wage reported in unit statistical data.

Although the supplemental method suggests a larger increase to a \$35 threshold may be appropriate, the primary method indication of a \$33 threshold is supported by the recent wage inflation in these classifications and is not contra-indicated by the supplemental method. As a result, WCIRB staff recommends an increase in the threshold for Classifications 5201/5205 from \$32 to \$33.

Classifications 5403/5432, Carpentry, and 5632/5633, Steel Framing

Classifications 5632/5633, *Steel Framing*, do not produce sufficient experience to be fully credible on their own and, as a result, are included with Classifications 5403/5432, *Carpentry*, experience for the purpose of classification ratemaking and this analysis of dual wage thresholds. The current threshold for Classifications 5403/5432 and 5632/5633 is \$39. The threshold became effective on September 1, 2022, which is selected as the "base year" for this study. The approximate wage percentile corresponding to the \$39 dual wage threshold effective in 2022 is 73% based on the OEWS wage distribution in 2022. Wage inflation for Classifications 5403/5432 and 5632/5633 workers with wages approximated at the threshold level from the policy period incepting September 1, 2022 to the policy period incepting September 1, 2024 is estimated to be 5.6% over the entire period (Exhibit 9.1). Applying the estimated wage inflation to the current \$39 threshold results in an indicated threshold of \$41.

Under the supplemental method, a \$41 threshold is estimated to increase the low wage payroll share from 34% at the current threshold to 37% and increase the loss to payroll differential from 228% to 240% (Exhibit 9.2). A \$41 threshold is estimated to obtain the largest incremental increase (9%) in the loss to payroll differential compared to other alternative thresholds. Also as shown in Exhibit 9.2, there does not appear to be a significant concentration of wages within one dollar of the \$41 threshold based on the distribution of injured workers' average weekly wage as reported in unit statistical data.

As the primary method indication of \$41 is well supported by the supplemental method, WCIRB staff recommends an increase in the threshold for Classifications 5403/5432 and 5632/5633 from \$39 to \$41.

Classifications 5446/5447, Wallboard Installation

The current threshold for Classifications 5446/5447, *Wallboard Installation*, is \$38. The threshold became effective on September 1, 2022, which is selected as the "base year" for this study. The approximate wage percentile corresponding to the \$38 dual wage threshold effective in 2022 is 68% based on the OEWS wage distribution in 2022. Wage inflation for Classifications 5446/5447 workers with wages approximated at the threshold level from the policy period incepting September 1, 2022 to the policy period incepting September 1, 2024 is estimated to be 8.0% over the entire period (Exhibit 10.1). Applying the estimated wage inflation to the current \$38 threshold results in an indicated threshold of \$41.

Under the supplemental method, a \$41 threshold is estimated to increase the low wage payroll share from 33% at the current threshold to 40% and the loss to payroll differential from 212% to 229% (Exhibit 10.2). A \$41 threshold is estimated to obtain the largest incremental increase (10%) in the loss to payroll differential compared to other alternative thresholds. As also shown in Exhibit 10.2, there is a low concentration of wages within one dollar of the \$41 threshold based on the distribution of injured workers' average weekly wage reported in unit statistical data.

As the primary method indication of \$41 is well supported by the supplemental method, WCIRB staff recommends an increase in the threshold for Classifications 5446/5447 from \$38 to \$41.

Classifications 5467/5470, *Glaziers*

The current threshold for Classifications 5467/5470, *Glaziers*, is \$36. This threshold became effective on September 1, 2022, which is selected as the “base year” for this study. The approximate wage percentile corresponding to the \$36 dual wage threshold effective in 2022 is 64% based on the OEWS wage distribution in 2022. Changes in wage levels around the threshold for 2020 through 2022 during the pandemic period based on the OEWS data for these classifications appear atypical, with high inflation in 2020 and 2022 and deflation in 2021 (Exhibit 11.1). Extrapolating this data to the future in the primary method results in an indicated threshold of \$37. However, the recent volatile wage inflation pattern may not be indicative of future wage inflation for these classifications.

The WCIRB reviewed alternative wage sources for these classifications including prevailing wage determinations made by the DIR. This information suggests modest growth in wages for these classifications with some further growth projected (Exhibit 11.1). Based on the DIR’s prevailing wage information, wage inflation for Classifications 5467/5470 workers with wages approximated at the threshold level from the policy period incepting September 1, 2022 to the policy period incepting September 1, 2024 is estimated to be 7.6% over the entire period (Exhibit 11.2). Applying the estimated wage inflation to the current \$36 threshold results in an indicated threshold of \$39.

Under the supplemental method, a \$39 threshold is estimated to increase the low wage payroll share from 28% at the current threshold to 34% and increase the loss to payroll differential from 216% to 238% (Exhibit 11.3). A \$39 threshold is estimated to produce the largest incremental increase (11%) in the loss to payroll differential compared to other alternative thresholds. In addition, a \$39 threshold is also estimated to slightly lower the concentration of wages within one dollar of the threshold compared to the current threshold of \$36.

Although the primary method based on OEWS data suggests a \$1 increase in the threshold for these classifications, the anomalous wage inflation in the OEWS data for 2020 through 2022 during the pandemic period may not be appropriate to project into the future for these classifications. The supplemental method supports a \$39 threshold, which is also supported by the alternative wage inflation based on DIR prevailing wages. As a result, WCIRB staff recommends an increase in the threshold for Classifications 5467/5470 from \$36 to \$39.

Classifications 5474/5482, *Painting/Waterproofing*

The current threshold for Classifications 5474/5482, *Painting; Waterproofing*, is \$31. The threshold became effective on September 1, 2022, which is selected as the “base year” for this study. The approximate wage percentile corresponding to the \$31 dual wage threshold effective in 2022 is 77% based on the OEWS wage distribution in 2022. Wage inflation for Classifications 5474/5482 workers with wages approximated at the threshold level from the policy period incepting September 1, 2022 to the policy period incepting September 1, 2024 is estimated to be 3.6% over the entire period (Exhibit 12.1). Applying the estimated wage inflation to the current \$31 threshold results in an indicated threshold of \$32.

Under the supplemental method, a \$32 threshold is estimated to increase the low wage payroll share from 46% at the current threshold to 50% and increase the loss to payroll differential from 201% to 211% (Exhibit 12.2). As also shown in Exhibit 12.2, \$32 has a lower concentration of wages (7.5%) within one dollar of the threshold based on the distribution of injured workers’ average weekly wage reported in unit statistical data.

Given that the primary method indication of \$32 is well supported by the supplemental method, WCIRB staff recommends an increase in the threshold for Classifications 5474/5482 from \$31 to \$32.

Classifications 5484/5485, *Plastering or Stucco Work*

The current threshold for Classifications 5484/5485, *Plastering or Stucco Work*, is \$36. The threshold became effective on September 1, 2022, which is selected as the “base year” for this study. The approximate wage percentile corresponding to the \$36 dual wage threshold effective in 2022 is 80% based on the OEWS wage distribution in 2022. Wage inflation for Classifications 5484/5485 workers with wages approximated at the threshold level from the policy period incepting September 1, 2022 to the policy period incepting September 1, 2024 is estimated to be 4.6% over the entire period (Exhibit 13.1). Applying this estimated wage inflation to the current \$36 threshold results in an indicated threshold of \$38.

Under the supplemental method, a \$38 threshold is estimated to increase the low wage payroll share from 49% at the current threshold to 54% and increase loss to payroll differential from 183% to 193% (Exhibit 13.2), with some further increase in the loss to payroll differential one dollar higher at a \$39 threshold. As also shown in Exhibit 13.2, \$38 has a significantly lower concentration of wages within one dollar of the threshold than other alternative thresholds based on the distribution of injured workers’ average weekly wage reported in unit statistical data.

Given that the primary method indication of \$38 is well supported by the supplemental method, WCIRB staff recommends an increase in the threshold for Classifications 5484/5485 from \$36 to \$38.

Classifications 5538/5542, *Sheet Metal Work/Heating or Air Conditioning Ductwork*

The current threshold for Classifications 5538/5542, *Sheet Metal Work/Heating or Air Conditioning Ductwork*, is \$29. The threshold became effective on September 1, 2022, which is selected as the “base year” for this study. The approximate wage percentile corresponding to the \$29 dual wage threshold effective in 2022 is 33% based on the OEWS wage distribution in 2022. Wage inflation for Classifications 5538/5542 workers with wages approximated at the threshold level from the policy period incepting September 1, 2022 to the policy period incepting September 1, 2024 is estimated to be 14.2% over the entire period (Exhibit 14.1). Applying this estimated wage inflation to the current \$29 threshold results in an indicated threshold of \$33.

Under the supplemental method, a \$33 threshold is estimated to produce the maximum incremental increase in the loss to payroll differential, leading to an overall increase in the differential from 218% at the current threshold to 232% (Exhibit 14.2). Any threshold lower than \$33, including the current threshold, is estimated to reduce the loss to payroll differential. A \$33 threshold is also estimated to significantly increase the low wage payroll share from 24% to 33%. As shown in Exhibit 14.2, compared to alternative thresholds, \$33 has the lowest concentration of wages within one dollar of the threshold based on the distribution of injured workers’ average weekly wage reported in unit statistical data.

Given that the primary method indication of \$33 is well supported by the supplemental method, WCIRB staff recommends an increase in the threshold for Classifications 5538/5542 from \$29 to \$33.

Classifications 5552/5553, *Roofing*

The current threshold for Classifications 5552/5553, *Roofing*, is \$29. This threshold became effective on September 1, 2022, which is selected as the “base year” for this study. The approximate wage percentile corresponding to the \$29 dual wage threshold effective in 2022 is 24% based on the OEWS wage distribution in 2022. Changes in wage levels around the threshold for 2022 based on the OEWS data for these classifications reflect significantly higher inflation (15.5%) than the prior three years at around 5% (Exhibit 15.1). Extrapolating this data to the future in the primary method suggests 23% wage inflation over the two-year period and an increase to the current threshold from \$29 to \$36. However, the recent significant increase in wage inflation may not be indicative of future wage inflation for these classifications.

The WCIRB reviewed alternative wage sources for these classifications, including prevailing wage determinations made by the DIR. This information also suggests slightly higher growth in wages for these classifications in 2021 and 2022 than prior years, but the magnitude of the wage growth is more

consistent with prior years (Exhibit 15.1). Based on the DIR's prevailing wage information, wage inflation for Classifications 5552/5553 workers with wages approximated at the threshold level from the policy period incepting September 1, 2022 to the policy period incepting September 1, 2024 is estimated to be 8.3% over the entire period (Exhibit 15.2). Applying the estimated wage inflation to the current \$29 threshold results in an indicated threshold of \$31.

Under the supplemental method, a \$31 threshold is estimated to increase the low wage payroll share from 16% at the current threshold to 22% and increase the loss to payroll differential from 191% to 211% (Exhibit 15.3). While a \$30 threshold is estimated to obtain the maximum incremental increase in the loss to payroll differential compared to the current \$29 threshold, a \$31 threshold further increases the loss to payroll differential by 5%. In addition, a \$31 threshold has a lower concentration of wages within one dollar of the threshold compared to the current \$29 threshold or the \$30 threshold based on the distribution of injured workers' average weekly wage reported in the unit statistical data (Exhibit 15.3).

Although the primary method based on the OEWS data suggests a \$7 increase in the threshold for these classifications, the wage inflation in the OEWS data for 2022 appears atypical and may not be appropriate to project into the future for these classifications. The primary method indication of \$31 based on the alternative wage inflation in the DIR prevailing wages is supported by the supplemental method. As a result, WCIRB staff recommends an increase in the threshold for Classifications 5552/5553 from \$29 to \$31.

Classifications 6218/6220, *Excavation/Grading/Land Leveling*; 6307/6308, *Sewer Construction*, and 6315/6316, *Water/Gas Mains*

In 2006, as part of the dual wage threshold study for Classifications 6307/6308, *Sewer Construction*, and 6315/6316, *Water/Gas Mains*, WCIRB staff noted that it was not unusual for employers to engage in operations using the same employees assignable to Classifications 6218/6220, *Excavation/Grading/Land Leveling*, and 6307/6308 and/or 6315/6316. Given concerns over disparate thresholds potentially applicable to the same workers engaged in more than one of these types of operations, the experience of Classifications 6307/6308 and 6315/6316 were included with the experience of Classifications 6218/6220 in subsequent dual wage threshold analyses and a single threshold is applied to all these classifications.

The current threshold for Classifications 6218/6220, 6307/6308 and 6315/6316 is \$38. The threshold became effective on September 1, 2023, which is selected as the "base year" for this study.³ The approximate wage percentile corresponding to the current dual wage threshold effective in 2023 is 63% based on the OEWS wage distribution in 2022. Wage inflation for Classifications 6218/6220, 6307/6308 and 6315/6316 workers with wages approximated at the threshold level from the policy period incepting from September 1, 2023 to the policy period incepting September 1, 2024 is estimated to be 5% (Exhibit 16.1). Applying this estimated wage inflation to the current \$38 threshold results in an indicated threshold of \$40.

Under the supplemental method, a \$40 threshold is estimated to increase the low wage payroll share from 23% at the current threshold to 26% and the loss to payroll differential from 196% to 201% (Exhibit 16.2). A \$40 threshold is estimated to obtain a significant incremental increase (9%) in the loss to payroll differential, and a lower threshold (\$39) is estimated to reduce the differential (-3%) compared to the current threshold. As also shown in Exhibit 16.2, there is a smaller concentration of wages within one dollar of the \$40 threshold compared to lower thresholds based on the distribution of injured workers' average weekly wage reported in unit statistical data.

³ The thresholds for Classifications 6218/6220, 6307/6308 and 6315/6316 was changed to \$39 effective September 1, 2022 after the most recent comprehensive review of all dual wage classifications in 2021. However, after validating and incorporating employer feedback on revising occupation mapping for Classification 6218/6220 to include construction laborers (Exhibit 3), WCIRB staff recommended a \$1 decrease from the \$39 threshold to be effective September 1, 2023. The recommendation was approved by Insurance Commissioner.

Given that the primary method indication of \$40 is well supported by the supplemental method, WCIRB staff recommends an increase in the threshold for Classifications 6218/6220, 6307/6308 and 6315/6316 from \$38 to \$40.

Table 1 summarizes the dual wage classification threshold recommendations to be effective September 1, 2024.

Table 1 – Dual Wage Classification Threshold Recommendations				
Dual Wage Classifications	Current Threshold Effective Year	Current Threshold	9/1/2024 Recommended Threshold Change	9/1/2024 Recommended Threshold
5027/5028, <i>Masonry</i>	2022	\$32	+\$3	\$35
5190/5140, <i>Electrical Wiring</i>	2022	\$34	+\$2	\$36
5183/5187, <i>Plumbing/Refrigeration Equipment/Heating or Air Conditioning Equipment</i>	2022	\$31	+\$1	\$32
5185/5186, <i>Automatic Sprinkler Installation</i>	2022	\$32	+\$1	\$33
5201/5205, <i>Concrete or Cement Work</i>	2022	\$32	+\$1	\$33
5403/5432, <i>Carpentry</i>	2022	\$39	+\$2	\$41
5446/5447, <i>Wallboard Installation</i>	2022	\$38	+\$3	\$41
5467/5470, <i>Glaziers</i>	2022	\$36	+\$3	\$39
5474/5482, <i>Painting/Waterproofing</i>	2022	\$31	+\$1	\$32
5484/5485, <i>Plastering or Stucco Work</i>	2022	\$36	+\$2	\$38
5538/5542, <i>Sheet Metal Work/Heating or Air Conditioning Ductwork</i>	2022	\$29	+\$4	\$33
5552/5553, <i>Roofing</i>	2022	\$29	+\$2	\$31
5632/5633, <i>Steel Framing</i>	2022	\$39	+\$2	\$41
6218/6220, <i>Excavation/Grading/Land Leveling</i>	2023	\$38	+\$2	\$40
6307/6308, <i>Sewer Construction</i>	2023	\$38	+\$2	\$40
6315/6316, <i>Water/Gas Mains</i>	2023	\$38	+\$2	\$40

Appendix I

Technical Overview of Methods

This study of dual wage classifications incorporated a variety of data and approaches. The primary method used to determine the indicated dual wage threshold for each classification was based on adjusting the classification's current threshold to the projected wage level underlying policies incepting between September 1, 2024 and August 31, 2025 based on the changes in the distribution of wages by occupation. A supplemental method was used to determine the indicated threshold by analyzing unit statistical payroll and loss data to project changes in the statistical viability of the classification at different thresholds. For each method, alternative assumptions and sources of wage inflation were also reviewed for sensitivity testing. Each of the methods reviewed is summarized below.

Primary Method – Changes in Wage Levels

Prior studies of dual wage classification thresholds included an analysis of various wage inflation measures for the construction sector in California. In many cases, this data was based on average wages for the construction sector in California as a whole or for select occupations within each classification and did not contemplate how structural changes within the classification may impact the wages within the classification and the indicated dual wage threshold. For example, during the Great Recession, a disproportionate reduction in the number of lower wage construction employees shifted the total wage distribution upward which resulted in increases in measures of aggregate average wages, even if the typical worker was not experiencing increased wages. A similar shift in the wage distribution occurred during the COVID-19 economic slowdown in 2020.

The OEWS data published by the BLS includes wage information for a variety of construction occupations within California. The data is published by various wage percentiles, which allows for an analysis of the distribution of wages within an occupation in addition to average wages. The data is also available to the public and relatively current, with the most recent data including wage information through May of 2022.⁴ Other sources of wage inflation such as average annual wages based on information published by the BLS, changes in prevailing wage determinations made by the DIR, and annual wage information published by the U.S. Census Bureau's American Community Survey in conjunction with unit statistical report payroll data reported to the WCIRB were also reviewed. In general, these other sources of wage information were not as comprehensive, consistent or readily available as the OEWS data.

In order to project how changes in the wage distribution impact the dual wage threshold for a classification, a "base year" was selected for each classification to form the basis from which the changes will apply. In the current review, the "base year" for all dual wage classifications was the year in which the classification's current dual wage threshold became effective. Alternative "base years" for classifications were also reviewed for sensitivity testing. The "base year" selected for each classification is shown in Exhibit 2 and discussed in more detail by classification in the Dual Wage Classification Study Results section.

The OEWS data is published on an occupation basis. As a result, to use this information, each dual wage classification was mapped to one or more of the occupations published in the OEWS data. This mapping was updated in the current study based on an in-depth review by the WCIRB as well as employer feedback and is shown in Exhibit 3.⁵ For classifications that mapped to more than one OEWS occupation, a wage distribution for the classification as a whole was determined based on a weighted average of the OEWS wages for each of the mapped occupations using OEWS employment counts for the occupations

⁴ The OEWS data is published each March/April based on data up through May of the preceding year. The data is based on a semiannual survey of occupational employment and wage rates. Each data update is based on three survey years; however, prior survey years are adjusted to the most recent survey level. See www.bls.gov/OES/home.htm for more information.

⁵ Since the completion of the prior study, Occupation 49-9021, Heating, Air Conditioning and Refrigeration Mechanics and Installers was added to the occupation mapping for Classifications 5183/5187, *Plumbing/Refrigeration Equipment/Heating or Air Conditioning Equipment*; Occupation 47-2221, Structural Iron and Steel Workers was added to the occupation mapping for Classifications 5632/5633, *Steel Framing*; and Occupation 47-2061, Construction Laborers was added to the occupation mapping for Classifications 6218/6220, *Excavation/Grading/Land Leveling*.

as the weights. Additional adjustments to the weights were made for occupations (e.g., construction laborers and operating engineers) that spread across different construction trades to ensure the occupation mapping reflects the occupation mix in the construction classifications. The adjustments were based on the distribution of payroll reported to the WCIRB by classifications mapped to the specific OEWS occupations.

The approximate wage percentile corresponding to the current dual wage threshold for each classification was determined based on the OEWS wage distribution for the classification's "base year" using linear interpolation. The impact of changes in the wage distribution on the dual wage threshold was projected based on changes in the wage corresponding to that percentile in the base year. In other words, each dual wage threshold was inflated by a weighted average inflation factor determined by changes in the wage levels for the published OEWS wage percentiles immediately above and below the percentile corresponding to base year dual wage threshold. In this way, each dual wage threshold is adjusted by changes in wage levels for workers close to the threshold level based on changes in the distribution of wages rather than relying on all-worker aggregate averages.

The dual wage classification thresholds proposed in this study will be proposed to become effective September 1, 2024. However, the OEWS data and other historical wage data is only available through 2022. If the proposed dual wage threshold for the classification is not adjusted for estimated wage inflation through 2024 and 2025, the viability of the threshold may already have eroded once it becomes effective. A number of sources of future wage projections were reviewed, including (a) linear extrapolation of the OEWS data from September 1, 2023 (the approximate midpoint of exposure from policies incepting between September 1, 2022 and August 31, 2023) to September 1, 2025 (the approximate midpoint of exposure from policies incepting between September 1, 2024 and August 31, 2025), (b) predetermined increases in prevailing wage determinations made by the DIR⁶ and (c) predictive wage models developed by the WCIRB for research and classification ratemaking purposes. Many of these sources were based on aggregate wages for all workers in the industry and did not contemplate wage inflation at or near the dual wage threshold for the classification, which can differ significantly by occupation. As a result, wage inflation from September 1, 2023 through September 1, 2025 was projected primarily based on a review of recent growth in wages at the OEWS percentile mapped to that classification. For the majority of classifications, future projected growth in wages was based on the average annual rate of growth in 2021 and 2022 using linear extrapolation. For some classifications in which wage growth at the mapped percentiles showed anomalous patterns or was inconsistent with the prior years, the alternative wage inflation methods were relied upon more heavily. The actual wage inflation projected for each classification is discussed in more detail in the Dual Wage Classification Study Results section.

The results for this method for each classification are summarized in Exhibits 4 through 16 and discussed in the Dual Wage Classification Study Results section.

Supplemental Method – Unit Statistical Payroll and Loss Analysis

The supplemental method provides validation and support of the proposed dual wage threshold for each pair of dual wage classifications and is based on a detailed analysis of how changes in the thresholds would directly impact various characteristics of the classifications using unit statistical payroll, loss, and wage information reported to the WCIRB. This method is comparable in approach to the method used in prior WCIRB studies of dual wage thresholds that were based on employer wage survey data. It differs from the studies completed prior to 2019 in that reported injured worker weekly wages were used in lieu of employer surveyed wage information for all the employer's employees in the dual wage classifications. In addition, this approach allows for an analysis of a broader group of employers within all dual wage classifications rather than a small select group of employers from which surveys were received.

⁶ Each year, the DIR sets prevailing wages for construction workers employed in public works projects. The rates may also include future predetermined increases based on collective bargaining agreements. These rates differ widely by region and occupation. When reviewing prevailing wages for the alternative inflation method, the rates were weighted to best reflect the distribution of exposures by region and occupation present in WCIRB data.

Unit statistical report payroll, loss, and wage data from the most recent four policy years (2017 through 2020) were contemplated for each dual wage classification. For smaller classifications for which four years of data were not statistically credible, up to five additional policy years (2012 through 2016) were used to ensure the loss and payroll data was fully credible for the analysis. In order to compare the data on a consistent level, reported payroll and injured worker wages were adjusted to the level underlying policies incepting between September 1, 2024 and August 31, 2025. Wage inflation was based on the average annual wage change in the prevailing wage data by the DIR. Losses were developed to a tenth unit statistical report level and adjusted to a consistent (policy year 2020) benefit level.⁷ Losses were also capped at \$500,000 per claim in order to limit the impact of large claims in the analysis. Each of these adjustments was sensitivity tested to ensure that it did not materially affect the overall results.

Payroll and losses are reported to the WCIRB in the low or high wage classification based on the threshold in effect for that year. While the dual wage threshold is based on an hourly wage, injured worker wages are reported to the WCIRB at an average weekly wage level. In order to translate the hourly wage threshold into a weekly wage equivalent, distributions of injured worker weekly wages reported in the low wage and high wage classifications were compared. For each pair of classifications, there existed a distinct weekly wage cutoff point which maximized the proportion of claims reported in the low wage classification below this wage and the proportion of claims reported in the high wage classification above this wage. This wage level was determined to be the “modal” weekly wage corresponding to the dual wage threshold in effect for that year for that classification. The corresponding number of hours worked at the hourly dual wage threshold required to produce this weekly wage was found to be generally comparable to average numbers of hours worked per week in the construction sector based on BLS data.

For the dual wage classifications, changes to the dual wage threshold occurred over time in the data used for this analysis. In order to analyze the impact of changes to the current threshold in this method, each historical policy year’s data was adjusted to the current threshold level. For claim data, the weekly wage reported on the claim was compared to the estimated weekly wage corresponding to the current threshold. Claims with wages that fell below the current threshold were then assigned to the low wage classification. For payroll, the distribution of payroll between the low wage and high wage classifications was compared to the distribution of total injured worker wages between the low wage and high wage classifications. Although a significantly higher proportion of injured worker wages are reported in the low wage classification, the relative difference (relativity) between the injured worker wage and overall employee payroll distributions was generally consistent over time. As a result, the payroll distribution was adjusted to the current dual wage threshold level based on applying that relativity to the distribution of injured worker wages after adjusting the claims to the current threshold level for each policy year.

In some cases, workers making at or close to the dual wage threshold hourly rate will have reported weekly wages below or above the “modal” weekly wage corresponding to the dual wage threshold due to working a number of hours fewer or greater than those needed to generate the “modal” weekly wage during the week of injury. Losses with this characteristic were adjusted for changes in the dual wage threshold based on the proportion of data adjusted at the “modal” weekly wage level. This refinement to the method was sensitivity tested and had an overall minor impact on the results.

Once losses and payroll were adjusted to the current dual wage threshold level, the amounts were further adjusted to reflect estimated wage inflation from the year they were reported to the projected level underlying policies incepting between September 1, 2024 and August 31, 2025. Each claim’s reported weekly wage was adjusted to the projected level based on changes in the average annual wages in the DIR’s prevailing wages data. If the injured worker’s weekly wage adjusted to the projected level was above the current dual wage threshold, the claim was assigned to the high wage classification. Part-time and overtime wages were also adjusted based on the process described above. Payroll was likewise adjusted based on the relativity of the payroll distribution compared to the injured worker wage distribution, as described above.

⁷ Loss development and benefit level adjustment factors were based on those underlying that classification’s relativity in the WCIRB’s September 1, 2023 Regulatory Filing. See Part A, Section C, Appendix C of that filing for more information.

Once losses and payroll had been adjusted to the current dual wage threshold level and the projected wage level, information on (a) the estimated proportion of payroll in the low and high wage classifications, (b) the loss to payroll ratio differential estimated between the low and high wage classifications and (c) the estimated concentration of wages at the threshold was compiled. These statistics at the current threshold were compared to their equivalents at the dual wage threshold indicated by the primary method as well as potential alternative thresholds (the process for adjusting the data to an alternative dual wage threshold is identical to the process for adjusting to the current threshold described above). In general, alternative thresholds were reviewed to ensure (a) a credible distribution of payroll between the low wage and high wage classifications, (b) maximization of the incremental increase in the loss to payroll ratio differential and (c) no significant concentration of worker wages near the threshold.

The results for this method for each classification are summarized in Exhibits 4 through 16 and discussed in the Dual Wage Classification Study Results section.

Dual Wage Classification Thresholds by Policy Year

Policy Year	Classifications																	
	5027	5190	5183	5185	5201	5403	5446	5467	5474	5484	5538	5552	5630	5632	5645	6218	6307	6315
	5028	5140	5187	5186	5205	5432	5447	5470	5482	5485	5542	5553	5631	5633	5697	6220	6308	6316
2023	\$32	\$34	\$31	\$32	\$32	\$39	\$38	\$36	\$31	\$36	\$29	\$29	n/a	\$39	n/a	\$38	\$38	\$38
2022	\$32	\$34	\$31	\$32	\$32	\$39	\$38	\$36	\$31	\$36	\$29	\$29	n/a	\$39	n/a	\$39	\$39	\$39
2021	\$28	\$32	\$28	\$29	\$28	\$35	\$36	\$33	\$28	\$32	\$27	\$27	n/a	\$35	n/a	\$34	\$34	\$34
2020	\$28	\$32	\$28	\$29	\$28	\$35	\$36	\$33	\$28	\$32	\$27	\$27	n/a	\$35	n/a	\$34	\$34	\$34
2019	\$27	\$32	\$26	\$27	\$25	\$32	\$34	\$32	\$26	\$29	\$27	\$25	n/a	\$32	n/a	\$31	\$31	\$31
2018	\$27	\$32	\$26	\$27	\$25	\$32	\$34	\$31	\$26	\$29	\$27	\$25	n/a	\$32	n/a	\$31	\$31	\$31
2017	\$27	\$30	\$26	\$27	\$24	\$30	\$33	\$31	\$24	\$27	\$27	\$23	n/a	\$30	n/a	\$30	\$30	\$30
2016	\$27	\$30	\$26	\$27	\$24	\$30	\$33	\$31	\$24	\$27	\$27	\$23	n/a	\$30	n/a	\$30	\$30	\$30
2015	\$27	\$30	\$26	\$27	\$24	\$29	\$31	\$29	\$24	\$27	\$27	\$23	n/a	\$29	n/a	\$30	\$30	\$30
2014	\$27	\$30	\$26	\$27	\$24	\$29	\$31	\$29	\$24	\$27	\$27	\$23	n/a	\$29	n/a	\$30	\$30	\$30
2013	\$27	\$28	\$24	\$27	\$24	\$29	\$31	\$29	\$24	\$25	\$25	\$23	\$26	\$29	n/a	\$26	\$26	\$26
2012	\$24	\$28	\$24	\$27	\$24	\$26	\$26	\$26	\$24	\$25	\$25	\$23	\$26	\$26	n/a	\$26	\$26	\$26
2011	\$24	\$28	\$24	\$27	\$24	\$26	\$26	\$26	\$24	\$25	\$25	\$23	\$26	\$26	\$26	\$26	\$26	\$26
2010	\$24	\$28	\$24	\$27	\$24	\$26	\$26	\$26	\$24	\$25	\$25	\$23	\$26	\$26	\$26	\$26	\$26	\$26
2009	\$24	\$28	\$24	\$27	\$24	\$26	\$26	\$26	\$24	\$25	\$25	\$23	\$26	\$26	\$26	\$26	\$26	\$26
2008	\$23	\$27	\$24	\$26	\$23	\$25	\$25	\$25	\$23	\$24	\$24	\$22	\$25	\$25	\$25	\$25	\$25	\$25
2007	\$22	\$26	\$23	\$25	\$22	\$24	\$24	\$24	\$22	\$23	\$23	\$21	\$24	\$24	\$24	\$25	\$24	\$24
2006	\$21	\$25	\$23	\$24	\$21	\$23	\$23	\$23	\$21	\$22	\$22	\$20	\$23	\$23	\$23	\$25	\$23	\$23
2005	\$21	\$25	\$23	\$24	\$21	\$23	\$23	\$23	\$21	\$22	\$22	\$20	\$23	\$23	\$23	\$25	\$23	\$23
2004	\$21	\$25	\$23	\$24	\$21	\$23	\$23	\$23	\$20	\$22	\$22	\$20	\$23	\$23	\$23	\$25	\$23	\$23
2003	\$20	\$24	\$22	\$23	\$20	\$22	\$22	\$22	\$20	\$21	\$21	\$20	\$22	\$22	\$22	\$24	\$22	\$22
2002	\$20	\$23	\$22	\$23	\$20	\$22	\$22	\$22	\$19	\$21	\$21	\$20	\$22	\$22	\$22	\$24	\$22	\$22
2001	\$19	\$22	\$21	\$22	\$19	\$21	\$21	\$21	\$19	\$20	\$20	\$19	\$21	\$21	\$21	\$23	\$21	\$21
2000	\$19	\$22	\$21	\$22	\$19	\$21	\$21	\$21	\$19	\$20	\$20	\$19	\$20	\$20	\$21	\$23	\$21	\$21
1999	\$18	\$21	\$20	\$21	\$18	\$20	\$20	\$20	\$19	\$19	\$19	\$18	\$20	\$20	\$20	\$22	\$20	\$20
1998	\$18	\$21	\$20	\$21	\$18	\$20	\$20	\$20	\$19	\$19	\$19	\$18	\$20	\$20	\$20	\$22	\$20	\$20
1997	\$18	\$21	\$20	\$21	\$18	\$20	\$20	\$20	\$19	\$19	\$19	\$18	\$20	\$20	\$20	\$22	\$20	\$20
1996	\$17	\$21	\$20	\$21	\$17	\$20	\$19	\$19	\$18	\$18	\$19	\$17	\$20	\$20	\$20	\$21	\$19	\$19
1995	\$17	\$20	\$19	\$21	\$17	\$19	\$19	\$19	\$18	\$18	\$18	\$17	n/a	n/a	\$19	\$21	\$19	\$19
1994	\$17	\$20	\$19	n/a	\$17	\$19	\$19	\$19	\$18	\$18	\$18	\$17	n/a	n/a	\$19	\$21	\$19	\$19
1993	\$17	\$20	\$19	n/a	\$17	\$19	\$19	\$19	\$18	\$18	\$18	\$17	n/a	n/a	\$19	\$21	\$19	\$19
1992	\$17	\$19	\$18	n/a	\$17	\$19	\$19	\$19	\$18	\$18	\$17	\$17	n/a	n/a	\$19	\$21	\$19	\$19
1991	n/a	\$19	\$18	n/a	n/a	\$18	n/a	n/a	\$18	n/a	\$17	n/a	n/a	n/a	\$18	n/a	n/a	n/a
1990	n/a	\$18	\$18	n/a	n/a	\$17	n/a	n/a	\$17	n/a	\$16	n/a	n/a	n/a	\$17	n/a	n/a	n/a
1989	n/a	\$18	\$18	n/a	n/a	\$17	n/a	n/a	\$17	n/a	\$16	n/a	n/a	n/a	\$17	n/a	n/a	n/a
1988	n/a	\$18	\$17	n/a	n/a	\$17	n/a	n/a	\$17	n/a	\$16	n/a	n/a	n/a	\$17	n/a	n/a	n/a
1987	n/a	\$18	\$17	n/a	n/a	\$17	n/a	n/a	\$17	n/a	\$16	n/a	n/a	n/a	\$17	n/a	n/a	n/a
1986	n/a	\$18	\$17	n/a	n/a	\$17	n/a	n/a	\$17	n/a	\$16	n/a	n/a	n/a	\$17	n/a	n/a	n/a

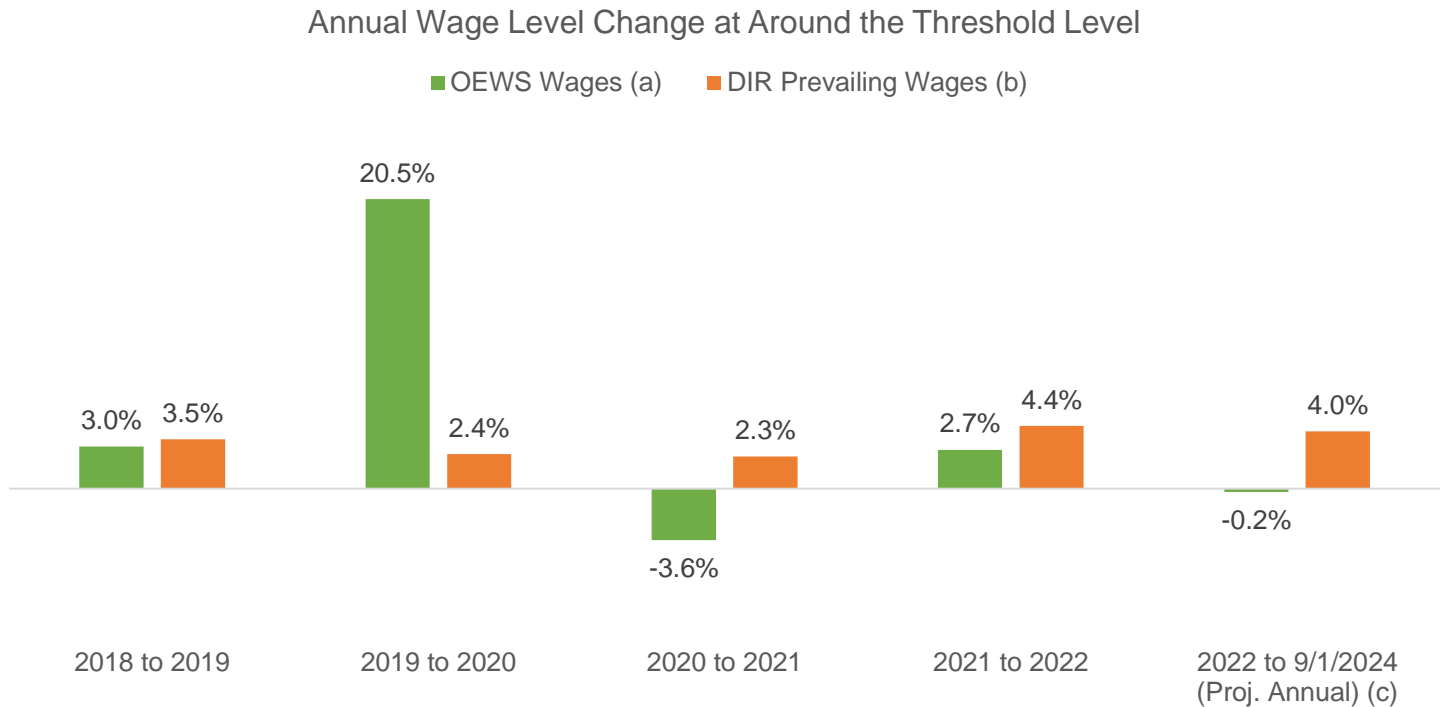
Selected "Base Year" for Each Dual Wage Classification Pair

Dual Wage Classifications	Base Year	Rationale for Selection
5027/5028, <i>Masonry</i>	2022	Effective year for which most recent threshold was adopted.
5190/5140, <i>Electrical Wiring</i>	2022	Effective year for which most recent threshold was adopted.
5183/5187, <i>Plumbing/Refrigeration Equipment/Heating or Air Conditioning Equipment</i>	2022	Effective year for which most recent threshold was adopted.
5185/5186, <i>Automatic Sprinkler Installation</i>	2022	Effective year for which most recent threshold was adopted.
5201/5205, <i>Concrete or Cement Work</i>	2022	Effective year for which most recent threshold was adopted.
5403/5432, <i>Carpentry</i>	2022	Effective year for which most recent threshold was adopted.
5446/5447, <i>Wallboard Installation</i>	2022	Effective year for which most recent threshold was adopted.
5467/5470, <i>Glaziers</i>	2022	Effective year for which most recent threshold was adopted.
5474/5482, <i>Painting/Waterproofing</i>	2022	Effective year for which most recent threshold was adopted.
5484/5485, <i>Plastering or Stucco Work</i>	2022	Effective year for which most recent threshold was adopted.
5538/5542, <i>Sheet Metal Work/Heating or Air Conditioning Ductwork</i>	2022	Effective year for which most recent threshold was adopted.
5552/5553, <i>Roofing</i>	2022	Effective year for which most recent threshold was adopted.
5632/5633, <i>Steel Framing</i>	2022	Effective year for which most recent threshold was adopted.
6218/6220, <i>Excavation/Grading/Land Leveling</i>	2023	Effective year for which most recent threshold was adopted.
6307/6308, <i>Sewer Construction</i>	2023	Effective year for which most recent threshold was adopted.
6315/6316, <i>Water/Gas Mains</i>	2023	Effective year for which most recent threshold was adopted.

Mapping of Dual Wage Classification to OES Occupations

Dual Wage Classifications	Mapped OES Occupations
5027/5028, <i>Masonry</i>	47-2021, Brickmasons and Blockmasons 47-2022, Stonemasons
5190/5140, <i>Electrical Wiring</i>	47-2111, Electricians
5183/5187, <i>Plumbing/Refrigeration Equipment/Heating or Air Conditioning Equipment</i>	47-2152, Plumbers, Pipefitters, and Steamfitters 49-9021, Heating, Air Conditioning, and Refrigeration Mechanics and Installers
5185/5186, <i>Automatic Sprinkler Installation</i>	47-2151, Pipelayers 47-2152, Plumbers, Pipefitters, and Steamfitters
5201/5205, <i>Concrete or Cement Work</i>	47-2051, Cement Masons and Concrete Finishers
5403/5432, <i>Carpentry</i>	47-2031, Carpenters
5446/5447, <i>Wallboard Installation</i>	47-2081, Drywall and Ceiling Tile Installers 47-2082, Tapers
5467/5470, <i>Glaziers</i>	47-2121, Glaziers
5474/5482, <i>Painting/Waterproofing</i>	47-2141, Painters, Construction and Maintenance 47-2142, Paperhangers
5484/5485, <i>Plastering or Stucco Work</i>	47-2161, Plasterers and Stucco Masons
5538/5542, <i>Sheet Metal Work/Heating or Air Conditioning Ductwork</i>	47-2211, Sheet Metal Workers
5552/5553, <i>Roofing</i>	47-2181, Roofers
5632/5633, <i>Steel Framing</i>	47-2221, Structural Iron and Steel Workers (Data is combined with Carpentry)
6218/6220, <i>Excavation/Grading/Land Leveling</i>	47-2061, Construction Laborers 47-2073, Operating Engineers and Other Construction Equipment Operators
6307/6308, <i>Sewer Construction</i>	47-2151, Pipelayers (Data is combined with Excavation)
6315/6316, <i>Water/Gas Mains</i>	47-2151, Pipelayers (Data is combined with Excavation)

Classifications 5027/5028, *Masonry*
Changes in OEWS/DIR Prevailing Wage at Around the Threshold Level



- (a) Based on the current dual wage threshold of \$32 mapped to the 54th percentile based on the BLS OEWS data (see Exhibit 4.2).
- (b) Based on prevailing wage determinations adopted by the DIR. The rates may also include future predetermined increases based on collective bargaining agreements. These rates were weighted by region and occupation to best reflect the distribution of exposures by region and occupation for the classification.
- (c) OEWS Wages: Projected annual changes from 2022 to effective date 9/1/2024 are estimated based on the average annual wage change observed in 2021 and 2022 using linear extrapolation.
DIR Prevailing Wages: Projected annual changes from 2022 to effective date 9/1/2024 are estimated based on the weighted predetermined increases in prevailing wages made by the DIR as of February 2023.

Classifications 5027/5028, *Masonry*
Primary Method: Changes in Wage Levels - Using Prevailing Wage Data

Current Dual Wage Threshold:	\$32
Selected "Base Year" (a):	2022
Proposed Threshold Effective Date:	9/1/2024
Threshold Wage Percentile at Base Year (b):	54%
Wage Inflation at Percentile from 9/1/2022 to 9/1/2024 (c):	8.3%
Primary Method Indicated Threshold (d):	\$35

- (a) See Exhibit 2.
- (b) Based on wage distributions from the OEWS data published by the Bureau of Labor Statistics for the occupations mapped to the classification (see Exhibit 3).
Differences between published percentiles determined based on linear interpolation.
- (c) Based on changes in the OEWS wage at the current threshold's percentile in 2022.
Changes from 9/1/2022 to effective date 9/1/2024 are estimated based on the average annual wage change of the prevailing wage by the DIR.
- (d) Equal to the current threshold adjusted by the estimated wage inflation.

Classifications 5027/5028, Masonry
Supplemental Method: Unit Statistical Payroll and Loss Analysis

Current Dual Wage Threshold: \$32
Weekly Wage Corresponding to Current Threshold (a): \$1,114

Threshold	Corresponding Weekly Wage	Proportion of Injured Workers within \$1 of Threshold	Low Wage Payroll Share	Incremental Change	Loss to Payroll Differential (b)	Incremental Change
\$30	\$1,045	8.3%	30.5%	2.0%	208%	-4.4%
\$31	\$1,079	7.9%	33.1%	2.7%	201%	-6.3%
\$32	\$1,114	7.2%	35.1%	2.0%	196%	-5.3%
\$33	\$1,149	4.1%	37.9%	2.9%	197%	1.0%
\$34	\$1,184	7.8%	40.3%	2.3%	205%	7.7%
\$35	\$1,219	7.5%	42.5%	2.2%	223%	18.1%
\$36	\$1,254	6.1%	44.1%	1.6%	228%	5.5%

Supplementary Method Indicated Threshold (c): **\$35**

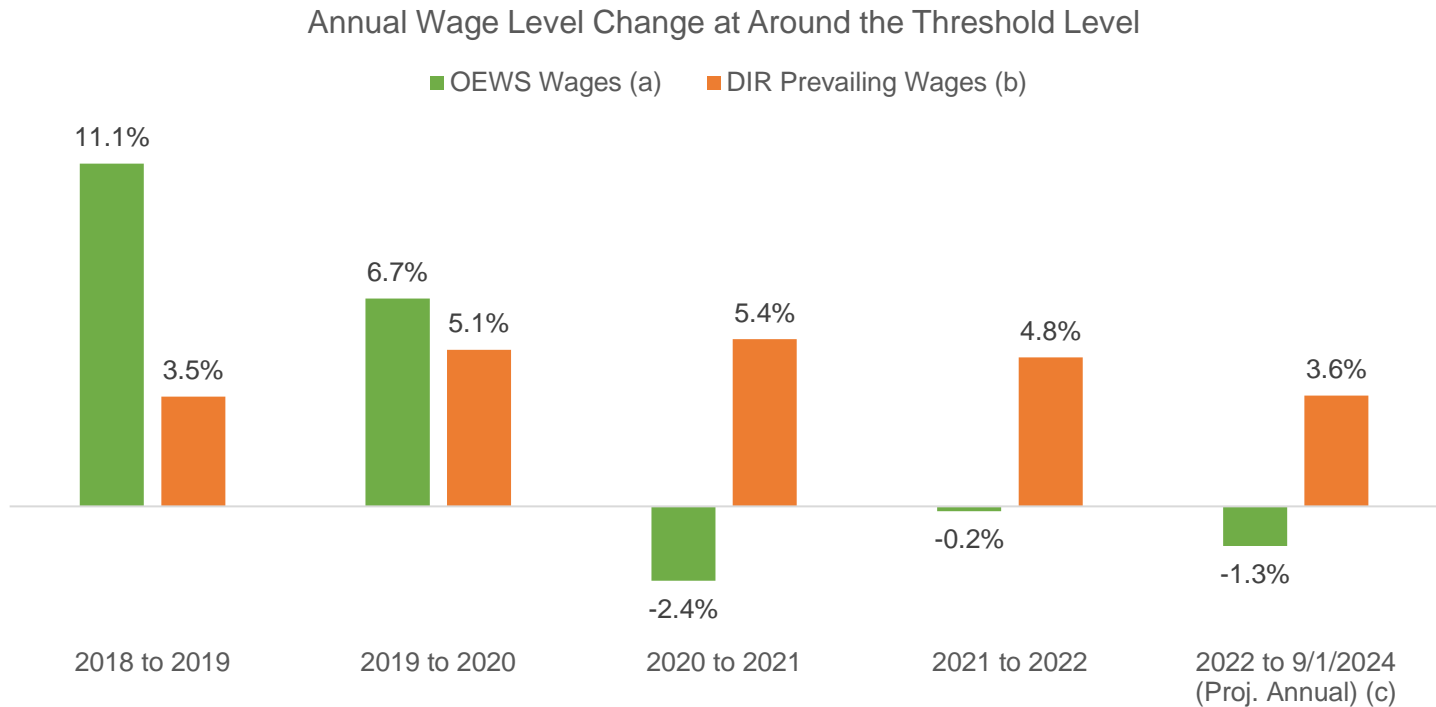
Source: WCIRB unit statistical data from policy years 2014 through 2020.

Claims are adjusted to tenth unit statistical report level and a policy year 2020 benefit level.

Payroll and wages are adjusted to a September 1, 2024 wage level.

- (a) Based on an analysis of injured workers' weekly wage distributions for the low wage and high wage classifications. Selected weekly wage corresponds to the largest gap in the cumulative distribution functions for the two classifications.
- (b) Equal to the loss to payroll ratio for the low wage classification divided by the loss to payroll ratio for the high wage classification based on the given threshold. Losses are limited to \$500,000 per claim.
- (c) Indicated threshold generally represents the threshold at which future increases would result in diminishing returns in the improvement of the loss to payroll differential, while also considering other criteria.

Classifications 5190/5140, *Electrical Wiring*
Changes in OEWS/DIR Prevailing Wage at Around the Threshold Level



- (a) Based on the current dual wage threshold of \$34 mapped to the 50th percentile based on the BLS OEWS data (see Exhibit 5.2).
- (b) Based on prevailing wage determinations adopted by the DIR. The rates may also include future predetermined increases based on collective bargaining agreements. These rates were weighted by region and occupation to best reflect the distribution of exposures by region and occupation for the classification.
- (c) OEWS Wages: Projected annual changes from 2022 to effective date 9/1/2024 are estimated based on the average annual wage change observed in 2021 and 2022 using linear extrapolation.
DIR Prevailing Wages: Projected annual changes from 2022 to effective date 9/1/2024 are estimated based on the weighted predetermined increases in prevailing wages made by the DIR as of February 2023.

Classifications 5190/5140, *Electrical Wiring*
Primary Method: Changes in Wage Levels - Using Prevailing Wage Data

Current Dual Wage Threshold:	\$34
Selected "Base Year" (a):	2022
Proposed Threshold Effective Date:	9/1/2024
Threshold Wage Percentile at Base Year (b):	50%
Wage Inflation at Percentile from 9/1/2022 to 9/1/2024 (c):	7.3%
Primary Method Indicated Threshold (d):	\$36

- (a) See Exhibit 2.
- (b) Based on wage distributions from the OEWS data published by the Bureau of Labor Statistics for the occupations mapped to the classification (see Exhibit 3).
Differences between published percentiles determined based on linear interpolation.
- (c) Based on changes in the OEWS wage at the current threshold's percentile in 2022.
Changes from 9/1/2022 to effective date 9/1/2024 are estimated based on the average annual wage change of the prevailing wage by the DIR.
- (d) Equal to the current threshold adjusted by the estimated wage inflation.

Classifications 5190/5140, *Electrical Wiring*
Supplemental Method: Unit Statistical Payroll and Loss Analysis

Current Dual Wage Threshold: \$34
Weekly Wage Corresponding to Current Threshold (a): \$1,275

Threshold	Corresponding Weekly Wage	Proportion of Injured Workers within \$1 of Threshold	Low Wage Payroll Share	Incremental Change	Loss to Payroll Differential (b)	Incremental Change
\$32	\$1,200	4.8%	19.7%	1.8%	182%	1.5%
\$33	\$1,238	6.5%	21.6%	1.9%	183%	0.7%
\$34	\$1,275	6.9%	22.9%	1.3%	186%	2.9%
\$35	\$1,313	5.0%	25.2%	2.3%	186%	-0.1%
\$36	\$1,350	5.5%	27.2%	2.0%	187%	0.9%
\$37	\$1,388	7.2%	29.5%	2.3%	190%	3.0%
\$38	\$1,425	5.9%	31.2%	1.7%	197%	7.2%

Supplementary Method Indicated Threshold (c): **\$38**

Source: WCIRB unit statistical data from policy years 2017 through 2020.

Claims are adjusted to tenth unit statistical report level and a policy year 2020 benefit level.

Payroll and wages are adjusted to a September 1, 2024 wage level.

- (a) Based on an analysis of injured workers' weekly wage distributions for the low wage and high wage classifications. Selected weekly wage corresponds to the largest gap in the cumulative distribution functions for the two classifications.
- (b) Equal to the loss to payroll ratio for the low wage classification divided by the loss to payroll ratio for the high wage classification based on the given threshold. Losses are limited to \$500,000 per claim.
- (c) Indicated threshold generally represents the threshold at which future increases would result in diminishing returns in the improvement of the loss to payroll differential, while also considering other criteria.

**Classifications 5183/5187,
Plumbing/Refrigeration Equipment/Heating or Air Conditioning Equipment
Primary Method: Changes in Wage Levels**

Current Dual Wage Threshold:	\$31
Selected "Base Year" (a):	2022
Proposed Threshold Effective Date:	9/1/2024
Threshold Wage Percentile at Base Year (b):	52%
Wage Inflation at Percentile from 9/1/2022 to 9/1/2024 (c):	2.5%
Primary Method Indicated Threshold (d):	\$32

- (a) See Exhibit 2.
- (b) Based on wage distributions from the OEWS data published by the Bureau of Labor Statistics for the occupations mapped to the classification (see Exhibit 3).
Differences between published percentiles determined based on linear interpolation.
- (c) Based on changes in the OEWS wage at the current threshold's percentile in 2022.
Changes from 9/1/2022 to effective date 9/1/2024 are estimated based on the average annual wage change observed in 2021 and 2022.
- (d) Equal to the current threshold adjusted by the estimated wage inflation.

**Classifications 5183/5187,
Plumbing/Refrigeration Equipment/Heating or Air Conditioning Equipment
Supplemental Method: Unit Statistical Payroll and Loss Analysis**

Current Dual Wage Threshold: \$31
Weekly Wage Corresponding to Current Threshold (a): \$1,218

Threshold	Corresponding Weekly Wage	Proportion of Injured Workers within \$1 of Threshold	Low Wage Payroll Share	Incremental Change	Loss to Payroll Differential (b)	Incremental Change
\$29	\$1,139	7.9%	22.9%	2.1%	219%	1.4%
\$30	\$1,179	8.1%	24.7%	1.9%	222%	2.4%
\$31	\$1,218	8.1%	26.9%	2.2%	223%	1.4%
\$32	\$1,257	7.8%	29.1%	2.2%	226%	3.0%
\$33	\$1,296	6.8%	31.0%	1.9%	231%	4.6%
\$34	\$1,336	5.6%	33.1%	2.1%	241%	10.2%
\$35	\$1,375	7.8%	34.8%	1.7%	243%	1.7%

Supplementary Method Indicated Threshold (c): **\$34**

Source: WCIRB unit statistical data from policy years 2017 through 2020.

Claims are adjusted to tenth unit statistical report level and a policy year 2020 benefit level.

Payroll and wages are adjusted to a September 1, 2024 wage level.

- (a) Based on an analysis of injured workers' weekly wage distributions for the low wage and high wage classifications. Selected weekly wage corresponds to the largest gap in the cumulative distribution functions for the two classifications.
- (b) Equal to the loss to payroll ratio for the low wage classification divided by the loss to payroll ratio for the high wage classification based on the given threshold. Losses are limited to \$500,000 per claim.
- (c) Indicated threshold generally represents the threshold at which future increases would result in diminishing returns in the improvement of the loss to payroll differential, while also considering other criteria.

Classifications 5185/5186, Automatic Sprinkler Installation
Primary Method: Changes in Wage Levels

Current Dual Wage Threshold:	\$32
Selected "Base Year" (a):	2022
Proposed Threshold Effective Date:	9/1/2024
Threshold Wage Percentile at Base Year (b):	53%
Wage Inflation at Percentile from 9/1/2022 to 9/1/2024 (c):	2.6%
Primary Method Indicated Threshold (d):	\$33

- (a) See Exhibit 2.
- (b) Based on wage distributions from the OEWS data published by the Bureau of Labor Statistics for the occupations mapped to the classification (see Exhibit 3).
Differences between published percentiles determined based on linear interpolation.
- (c) Based on changes in the OEWS wage at the current threshold's percentile in 2022.
Changes from 9/1/2022 to effective date 9/1/2024 are estimated based on the average annual wage change observed in 2021 and 2022.
- (d) Equal to the current threshold adjusted by the estimated wage inflation.

Classifications 5185/5186, Automatic Sprinkler Installation
Supplemental Method: Unit Statistical Payroll and Loss Analysis

Current Dual Wage Threshold: \$32
Weekly Wage Corresponding to Current Threshold (a): \$1,214

Threshold	Corresponding Weekly Wage	Proportion of Injured Workers within \$1 of Threshold	Low Wage Payroll Share	Incremental Change	Loss to Payroll Differential (b)	Incremental Change
\$30	\$1,138	7.1%	26.7%	1.7%	213%	-3.1%
\$31	\$1,176	7.7%	28.6%	1.8%	206%	-7.7%
\$32	\$1,214	7.0%	30.5%	1.9%	208%	2.9%
\$33	\$1,252	6.1%	32.4%	1.9%	233%	24.7%
\$34	\$1,290	5.4%	33.9%	1.5%	259%	25.4%
\$35	\$1,328	6.0%	36.0%	2.1%	249%	-10.0%
\$36	\$1,366	5.6%	39.3%	3.3%	255%	6.8%

Supplementary Method Indicated Threshold (c): **\$33**

Source: WCIRB unit statistical data from policy years 2012 through 2020.

Claims are adjusted to tenth unit statistical report level and a policy year 2020 benefit level.

Payroll and wages are adjusted to a September 1, 2024 wage level.

- (a) Based on an analysis of injured workers' weekly wage distributions for the low wage and high wage classifications. Selected weekly wage corresponds to the largest gap in the cumulative distribution functions for the two classifications.
- (b) Equal to the loss to payroll ratio for the low wage classification divided by the loss to payroll ratio for the high wage classification based on the given threshold. Losses are limited to \$500,000 per claim.
- (c) Indicated threshold generally represents the threshold at which future increases would result in diminishing returns in the improvement of the loss to payroll differential, while also considering other criteria.

Classifications 5201/5205, Concrete or Cement Work
Primary Method: Changes in Wage Levels

Current Dual Wage Threshold:	\$32
Selected "Base Year" (a):	2022
Proposed Threshold Effective Date:	9/1/2024
Threshold Wage Percentile at Base Year (b):	59%
Wage Inflation at Percentile from 9/1/2022 to 9/1/2024 (c):	4.7%
Primary Method Indicated Threshold (d):	\$33

- (a) See Exhibit 2.
- (b) Based on wage distributions from the OEWS data published by the Bureau of Labor Statistics for the occupations mapped to the classification (see Exhibit 3).
Differences between published percentiles determined based on linear interpolation.
- (c) Based on changes in the OEWS wage at the current threshold's percentile in 2022.
Changes from 9/1/2022 to effective date 9/1/2024 are estimated based on the average annual wage change observed in 2021 and 2022.
- (d) Equal to the current threshold adjusted by the estimated wage inflation.

Classifications 5201/5205, Concrete or Cement Work
Supplemental Method: Unit Statistical Payroll and Loss Analysis

Current Dual Wage Threshold: \$32
Weekly Wage Corresponding to Current Threshold (a): \$1,229

Threshold	Corresponding Weekly Wage	Proportion of Injured Workers within \$1 of Threshold	Low Wage Payroll Share	Incremental Change	Loss to Payroll Differential (b)	Incremental Change
\$30	\$1,152	8.2%	23.4%	2.0%	199%	2.0%
\$31	\$1,190	7.8%	24.9%	1.5%	195%	-3.2%
\$32	\$1,229	7.8%	26.0%	1.1%	196%	0.2%
\$33	\$1,267	6.6%	28.9%	3.0%	198%	2.6%
\$34	\$1,305	7.2%	30.7%	1.8%	203%	5.2%
\$35	\$1,344	7.8%	32.9%	2.2%	212%	9.2%
\$36	\$1,382	7.2%	35.2%	2.2%	221%	8.2%

Supplementary Method Indicated Threshold (c): **\$35**

Source: WCIRB unit statistical data from policy years 2017 through 2020.

Claims are adjusted to tenth unit statistical report level and a policy year 2020 benefit level.

Payroll and wages are adjusted to a September 1, 2024 wage level.

- (a) Based on an analysis of injured workers' weekly wage distributions for the low wage and high wage classifications. Selected weekly wage corresponds to the largest gap in the cumulative distribution functions for the two classifications.
- (b) Equal to the loss to payroll ratio for the low wage classification divided by the loss to payroll ratio for the high wage classification based on the given threshold. Losses are limited to \$500,000 per claim.
- (c) Indicated threshold generally represents the threshold at which future increases would result in diminishing returns in the improvement of the loss to payroll differential, while also considering other criteria.

Classifications 5403/5432, Carpentry and 5632/5633, Steel Framing
Primary Method: Changes in Wage Levels

Current Dual Wage Threshold:	\$39
Selected "Base Year" (a):	2022
Proposed Threshold Effective Date:	9/1/2024
Threshold Wage Percentile at Base Year (b):	73%
Wage Inflation at Percentile from 9/1/2022 to 9/1/2024 (c):	5.6%
Primary Method Indicated Threshold (d):	\$41

- (a) See Exhibit 2.
- (b) Based on wage distributions from the OEWS data published by the Bureau of Labor Statistics for the occupations mapped to the classification (see Exhibit 3).
Differences between published percentiles determined based on linear interpolation.
- (c) Based on changes in the OEWS wage at the current threshold's percentile in 2022.
Changes from 9/1/2022 to effective date 9/1/2024 are estimated based on the average annual wage change observed in 2021 and 2022.
- (d) Equal to the current threshold adjusted by the estimated wage inflation.

Classifications 5403/5432, Carpentry and 5632/5633, Steel Framing
Supplemental Method: Unit Statistical Payroll and Loss Analysis

Current Dual Wage Threshold: \$39
Weekly Wage Corresponding to Current Threshold (a): \$1,365

Threshold	Corresponding Weekly Wage	Proportion of Injured Workers within \$1 of Threshold	Low Wage Payroll Share	Incremental Change	Loss to Payroll Differential (b)	Incremental Change
\$37	\$1,295	5.8%	30.3%	1.1%	224%	6.7%
\$38	\$1,330	5.8%	32.2%	1.9%	229%	5.2%
\$39	\$1,365	7.5%	33.7%	1.5%	228%	-0.7%
\$40	\$1,400	4.6%	35.9%	2.1%	231%	3.2%
\$41	\$1,435	4.8%	37.2%	1.3%	240%	8.9%
\$42	\$1,470	4.5%	39.2%	2.0%	248%	7.3%
\$43	\$1,505	4.3%	40.6%	1.4%	256%	8.2%

Supplementary Method Indicated Threshold (c): **\$41**

Source: WCIRB unit statistical data from policy years 2017 through 2020.

Claims are adjusted to tenth unit statistical report level and a policy year 2020 benefit level.

Payroll and wages are adjusted to a September 1, 2024 wage level.

- (a) Based on an analysis of injured workers' weekly wage distributions for the low wage and high wage classifications. Selected weekly wage corresponds to the largest gap in the cumulative distribution functions for the two classifications.
- (b) Equal to the loss to payroll ratio for the low wage classification divided by the loss to payroll ratio for the high wage classification based on the given threshold. Losses are limited to \$500,000 per claim.
- (c) Indicated threshold generally represents the threshold at which future increases would result in diminishing returns in the improvement of the loss to payroll differential, while also considering other criteria.

Classifications 5446/5447, Wallboard Installation
Primary Method: Changes in Wage Levels

Current Dual Wage Threshold:	\$38
Selected "Base Year" (a):	2022
Proposed Threshold Effective Date:	9/1/2024
Threshold Wage Percentile at Base Year (b):	68%
Wage Inflation at Percentile from 9/1/2022 to 9/1/2024 (c):	8.0%
Primary Method Indicated Threshold (d):	\$41

- (a) See Exhibit 2.
- (b) Based on wage distributions from the OEWS data published by the Bureau of Labor Statistics for the occupations mapped to the classification (see Exhibit 3).
Differences between published percentiles determined based on linear interpolation.
- (c) Based on changes in the OEWS wage at the current threshold's percentile in 2022.
Changes from 9/1/2022 to effective date 9/1/2024 are estimated based on the average annual wage change observed in 2021 and 2022.
- (d) Equal to the current threshold adjusted by the estimated wage inflation.

Classifications 5446/5447, Wallboard Installation
Supplemental Method: Unit Statistical Payroll and Loss Analysis

Current Dual Wage Threshold: \$38
Weekly Wage Corresponding to Current Threshold (a): \$1,399

Threshold	Corresponding Weekly Wage	Proportion of Injured Workers within \$1 of Threshold	Low Wage Payroll Share	Incremental Change	Loss to Payroll Differential (b)	Incremental Change
\$36	\$1,325	4.5%	29.7%	2.1%	205%	0.3%
\$37	\$1,362	5.3%	31.7%	2.0%	208%	2.6%
\$38	\$1,399	6.1%	33.3%	1.6%	212%	4.3%
\$39	\$1,435	7.4%	34.7%	1.4%	214%	1.4%
\$40	\$1,472	6.1%	37.4%	2.7%	219%	5.3%
\$41	\$1,509	5.3%	39.7%	2.3%	229%	9.8%
\$42	\$1,546	5.5%	41.4%	1.7%	234%	5.3%

Supplementary Method Indicated Threshold (c): **\$41**

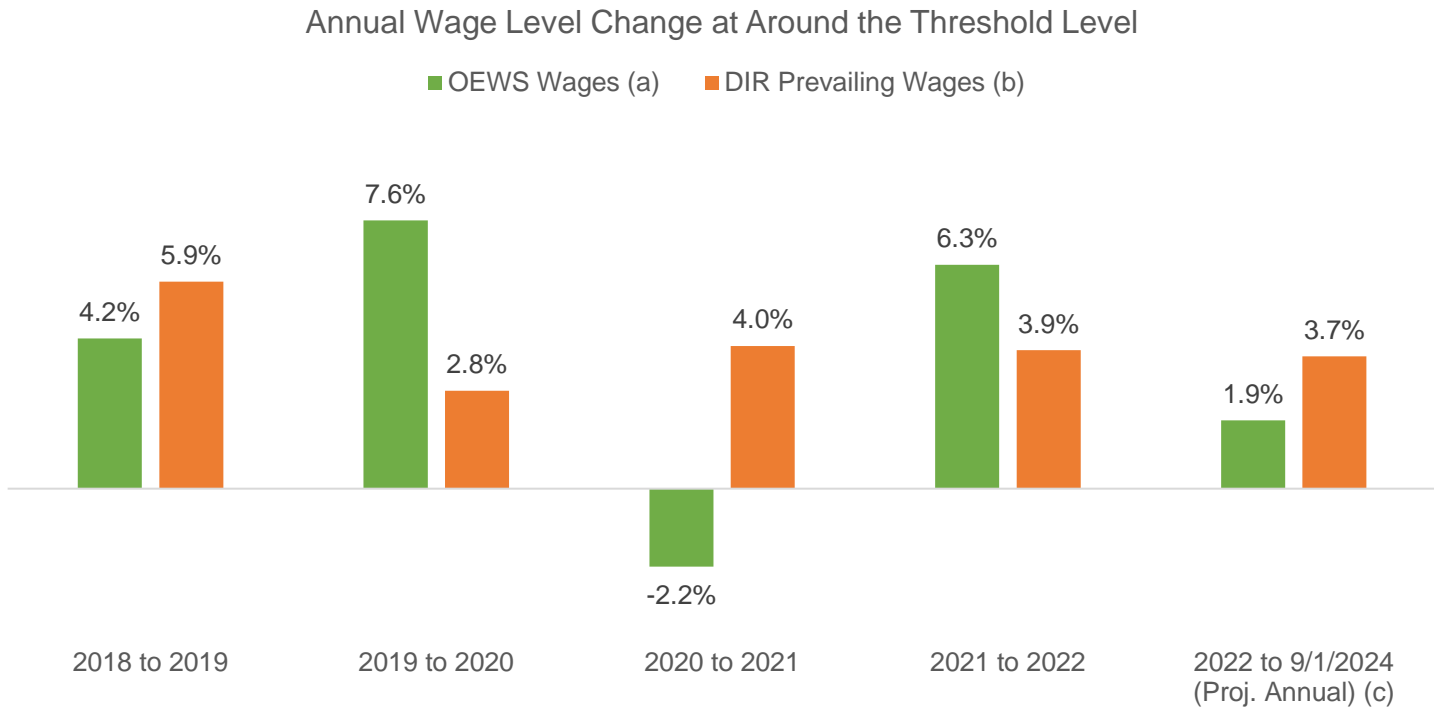
Source: WCIRB unit statistical data from policy years 2017 through 2020.

Claims are adjusted to tenth unit statistical report level and a policy year 2020 benefit level.

Payroll and wages are adjusted to a September 1, 2024 wage level.

- (a) Based on an analysis of injured workers' weekly wage distributions for the low wage and high wage classifications. Selected weekly wage corresponds to the largest gap in the cumulative distribution functions for the two classifications.
- (b) Equal to the loss to payroll ratio for the low wage classification divided by the loss to payroll ratio for the high wage classification based on the given threshold. Losses are limited to \$500,000 per claim.
- (c) Indicated threshold generally represents the threshold at which future increases would result in diminishing returns in the improvement of the loss to payroll differential, while also considering other criteria.

Classifications 5467/5470, Glaziers
Changes in OEWS/DIR Prevailing Wage at Around the Threshold Level



- (a) Based on the current dual wage threshold of \$36 mapped to the 64th percentile based on the BLS OEWS data (see Exhibit 11.2).
- (b) Based on prevailing wage determinations adopted by the DIR. The rates may also include future predetermined increases based on collective bargaining agreements. These rates were weighted by region and occupation to best reflect the distribution of exposures by region and occupation for the classification.
- (c) OEWS Wages: Projected annual changes from 2022 to effective date 9/1/2024 are estimated based on the average annual wage change observed in 2021 and 2022 using linear extrapolation.
DIR Prevailing Wages: Projected annual changes from 2022 to effective date 9/1/2024 are estimated based on the weighted predetermined increases in prevailing wages made by the DIR as of February 2023.

Classifications 5467/5470, Glaziers
Primary Method: Changes in Wage Levels - Using Prevailing Wage Data

Current Dual Wage Threshold:	\$36
Selected "Base Year" (a):	2022
Proposed Threshold Effective Date:	9/1/2024
Threshold Wage Percentile at Base Year (b):	64%
Wage Inflation at Percentile from 9/1/2022 to 9/1/2024 (c):	7.6%
Primary Method Indicated Threshold (d):	\$39

- (a) See Exhibit 2.
- (b) Based on wage distributions from the OEWS data published by the Bureau of Labor Statistics for the occupations mapped to the classification (see Exhibit 3).
Differences between published percentiles determined based on linear interpolation.
- (c) Based on changes in the OEWS wage at the current threshold's percentile in 2022.
Changes from 9/1/2022 to effective date 9/1/2024 are estimated based on the average annual wage change of the prevailing wage by the DIR.
- (d) Equal to the current threshold adjusted by the estimated wage inflation.

Classifications 5467/5470, Glaziers
Supplemental Method: Unit Statistical Payroll and Loss Analysis

Current Dual Wage Threshold: \$36
Weekly Wage Corresponding to Current Threshold (a): \$1,418

Threshold	Corresponding Weekly Wage	Proportion of Injured Workers within \$1 of Threshold	Low Wage Payroll Share	Incremental Change	Loss to Payroll Differential (b)	Incremental Change
\$34	\$1,339	3.4%	25.4%	1.3%	214%	-3.3%
\$35	\$1,379	5.8%	26.9%	1.4%	213%	-1.4%
\$36	\$1,418	5.4%	27.7%	0.8%	216%	2.9%
\$37	\$1,458	3.7%	29.9%	2.2%	220%	3.9%
\$38	\$1,497	4.6%	32.2%	2.3%	227%	7.8%
\$39	\$1,536	5.2%	33.6%	1.4%	238%	10.7%
\$40	\$1,576	5.5%	34.3%	0.7%	247%	9.3%

Supplementary Method Indicated Threshold (c): **\$39**

Source: WCIRB unit statistical data from policy years 2012 through 2020.

Claims are adjusted to tenth unit statistical report level and a policy year 2020 benefit level.

Payroll and wages are adjusted to a September 1, 2024 wage level.

- (a) Based on an analysis of injured workers' weekly wage distributions for the low wage and high wage classifications. Selected weekly wage corresponds to the largest gap in the cumulative distribution functions for the two classifications.
- (b) Equal to the loss to payroll ratio for the low wage classification divided by the loss to payroll ratio for the high wage classification based on the given threshold. Losses are limited to \$500,000 per claim.
- (c) Indicated threshold generally represents the threshold at which future increases would result in diminishing returns in the improvement of the loss to payroll differential, while also considering other criteria.

Classifications 5474/5482, *Painting/Waterproofing*
Primary Method: Changes in Wage Levels

Current Dual Wage Threshold:	\$31
Selected "Base Year" (a):	2022
Proposed Threshold Effective Date:	9/1/2024
Threshold Wage Percentile at Base Year (b):	77%
Wage Inflation at Percentile from 9/1/2022 to 9/1/2024 (c):	3.6%
Primary Method Indicated Threshold (d):	\$32

- (a) See Exhibit 2.
- (b) Based on wage distributions from the OEWS data published by the Bureau of Labor Statistics for the occupations mapped to the classification (see Exhibit 3).
Differences between published percentiles determined based on linear interpolation.
- (c) Based on changes in the OEWS wage at the current threshold's percentile in 2022.
Changes from 9/1/2022 to effective date 9/1/2024 are estimated based on the average annual wage change observed in 2021 and 2022.
- (d) Equal to the current threshold adjusted by the estimated wage inflation.

Classifications 5474/5482, *Painting/Waterproofing*
Supplemental Method: Unit Statistical Payroll and Loss Analysis

Current Dual Wage Threshold: \$31
Weekly Wage Corresponding to Current Threshold (a): \$1,135

Threshold	Corresponding Weekly Wage	Proportion of Injured Workers within \$1 of Threshold	Low Wage Payroll Share	Incremental Change	Loss to Payroll Differential (b)	Incremental Change
\$29	\$1,062	9.6%	41.3%	2.9%	196%	3.1%
\$30	\$1,098	8.7%	43.5%	2.2%	197%	1.2%
\$31	\$1,135	9.1%	46.0%	2.6%	201%	4.2%
\$32	\$1,171	7.5%	49.5%	3.5%	211%	10.3%
\$33	\$1,208	7.8%	52.3%	2.8%	222%	11.0%
\$34	\$1,245	7.3%	54.9%	2.6%	233%	10.6%
\$35	\$1,281	5.1%	57.0%	2.1%	243%	9.8%

Supplementary Method Indicated Threshold (c): **\$32**

Source: WCIRB unit statistical data from policy years 2017 through 2020.

Claims are adjusted to tenth unit statistical report level and a policy year 2020 benefit level.

Payroll and wages are adjusted to a September 1, 2024 wage level.

- (a) Based on an analysis of injured workers' weekly wage distributions for the low wage and high wage classifications. Selected weekly wage corresponds to the largest gap in the cumulative distribution functions for the two classifications.
- (b) Equal to the loss to payroll ratio for the low wage classification divided by the loss to payroll ratio for the high wage classification based on the given threshold. Losses are limited to \$500,000 per claim.
- (c) Indicated threshold generally represents the threshold at which future increases would result in diminishing returns in the improvement of the loss to payroll differential, while also considering other criteria.

Classifications 5484/5485, *Plastering or Stucco Work*
Primary Method: Changes in Wage Levels

Current Dual Wage Threshold:	\$36
Selected "Base Year" (a):	2022
Proposed Threshold Effective Date:	9/1/2024
Threshold Wage Percentile at Base Year (b):	80%
Wage Inflation at Percentile from 9/1/2022 to 9/1/2024 (c):	4.6%
Primary Method Indicated Threshold (d):	\$38

- (a) See Exhibit 2.
- (b) Based on wage distributions from the OEWS data published by the Bureau of Labor Statistics for the occupations mapped to the classification (see Exhibit 3).
Differences between published percentiles determined based on linear interpolation.
- (c) Based on changes in the OEWS wage at the current threshold's percentile in 2022.
Changes from 9/1/2022 to effective date 9/1/2024 are estimated based on the average annual wage change observed in 2021 and 2022.
- (d) Equal to the current threshold adjusted by the estimated wage inflation.

Classifications 5484/5485, *Plastering or Stucco Work*
Supplemental Method: Unit Statistical Payroll and Loss Analysis

Current Dual Wage Threshold: \$36
Weekly Wage Corresponding to Current Threshold (a): \$1,209

Threshold	Corresponding Weekly Wage	Proportion of Injured Workers within \$1 of Threshold	Low Wage Payroll Share	Incremental Change	Loss to Payroll Differential (b)	Incremental Change
\$34	\$1,142	8.2%	44.5%	2.5%	180%	0.1%
\$35	\$1,176	5.6%	46.7%	2.1%	185%	5.5%
\$36	\$1,209	8.8%	48.6%	1.9%	183%	-2.3%
\$37	\$1,243	9.3%	51.4%	2.8%	182%	-1.2%
\$38	\$1,277	5.4%	53.6%	2.3%	193%	11.1%
\$39	\$1,310	8.0%	55.6%	2.0%	204%	10.5%
\$40	\$1,344	7.7%	57.1%	1.5%	212%	8.9%

Supplementary Method Indicated Threshold (c): **\$38**

Source: WCIRB unit statistical data from policy years 2012 through 2020.
Claims are adjusted to tenth unit statistical report level and a policy year 2020 benefit level.
Payroll and wages are adjusted to a September 1, 2024 wage level.

- (a) Based on an analysis of injured workers' weekly wage distributions for the low wage and high wage classifications. Selected weekly wage corresponds to the largest gap in the cumulative distribution functions for the two classifications.
- (b) Equal to the loss to payroll ratio for the low wage classification divided by the loss to payroll ratio for the high wage classification based on the given threshold. Losses are limited to \$500,000 per claim.
- (c) Indicated threshold generally represents the threshold at which future increases would result in diminishing returns in the improvement of the loss to payroll differential, while also considering other criteria.

Classifications 5538/5542, *Sheet Metal Work/Heating or Air Conditioning Ductwork*
Primary Method: Changes in Wage Levels

Current Dual Wage Threshold:	\$29
Selected "Base Year" (a):	2022
Proposed Threshold Effective Date:	9/1/2024
Threshold Wage Percentile at Base Year (b):	33%
Wage Inflation at Percentile from 9/1/2022 to 9/1/2024 (c):	14.2%
Primary Method Indicated Threshold (d):	\$33

- (a) See Exhibit 2.
- (b) Based on wage distributions from the OEWS data published by the Bureau of Labor Statistics for the occupations mapped to the classification (see Exhibit 3).
Differences between published percentiles determined based on linear interpolation.
- (c) Based on changes in the OEWS wage at the current threshold's percentile in 2022.
Changes from 9/1/2022 to effective date 9/1/2024 are estimated based on the average annual wage change observed in 2021 and 2022.
- (d) Equal to the current threshold adjusted by the estimated wage inflation.

Classifications 5538/5542, Sheet Metal Work/Heating or Air Conditioning Ductwork
Supplemental Method: Unit Statistical Payroll and Loss Analysis

Current Dual Wage Threshold: \$29
Weekly Wage Corresponding to Current Threshold (a): \$1,101

Threshold	Corresponding Weekly Wage	Proportion of Injured Workers within \$1 of Threshold	Low Wage Payroll Share	Incremental Change	Loss to Payroll Differential (b)	Incremental Change
\$27	\$1,025	13.2%	19.0%	2.4%	223%	-0.2%
\$28	\$1,063	8.6%	21.2%	2.2%	220%	-2.6%
\$29	\$1,101	6.6%	23.5%	2.2%	218%	-2.3%
\$30	\$1,139	8.3%	26.4%	2.9%	215%	-2.7%
\$31	\$1,177	8.4%	28.2%	1.9%	211%	-4.4%
\$32	\$1,215	6.7%	30.4%	2.2%	215%	4.3%
\$33	\$1,253	5.3%	33.0%	2.6%	232%	16.7%
\$34	\$1,291	5.4%	35.2%	2.2%	236%	4.0%
\$35	\$1,329	6.0%	36.7%	1.5%	249%	13.0%

Supplementary Method Indicated Threshold (c): **\$33**

Source: WCIRB unit statistical data from policy years 2017 through 2020.

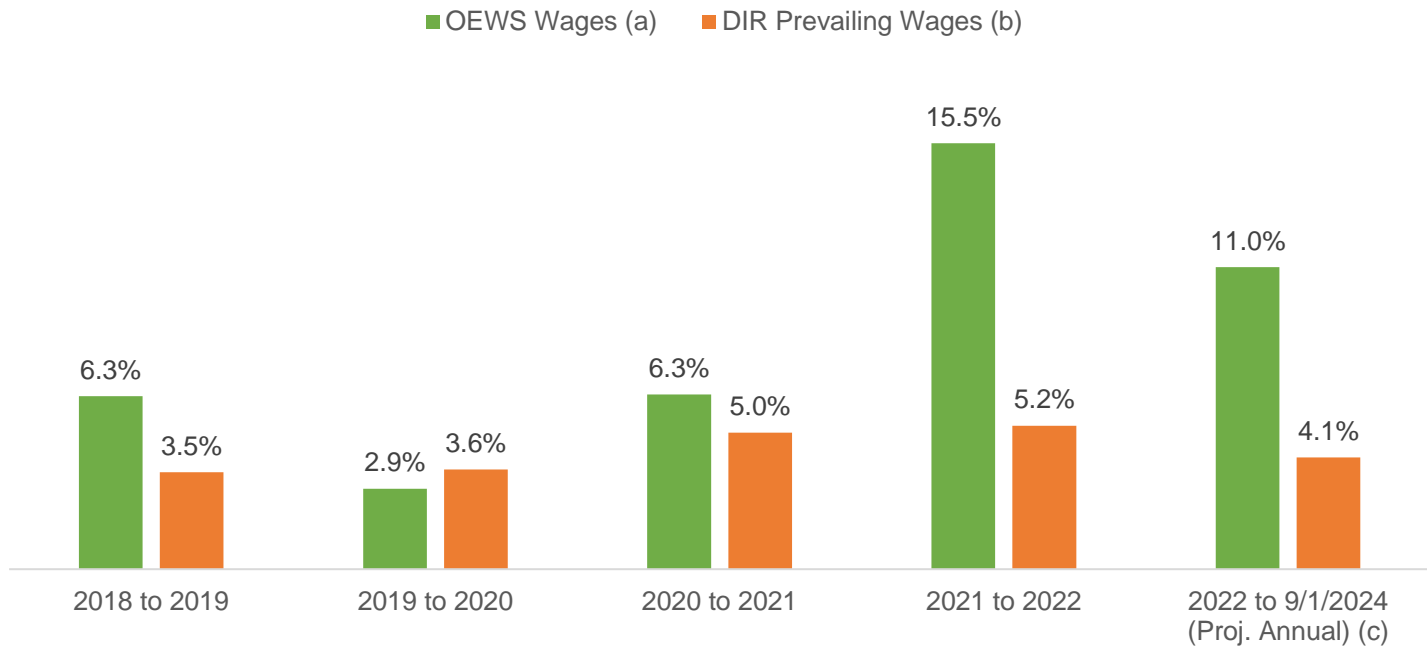
Claims are adjusted to tenth unit statistical report level and a policy year 2020 benefit level.

Payroll and wages are adjusted to a September 1, 2024 wage level.

- (a) Based on an analysis of injured workers' weekly wage distributions for the low wage and high wage classifications. Selected weekly wage corresponds to the largest gap in the cumulative distribution functions for the two classifications.
- (b) Equal to the loss to payroll ratio for the low wage classification divided by the loss to payroll ratio for the high wage classification based on the given threshold. Losses are limited to \$500,000 per claim.
- (c) Indicated threshold generally represents the threshold at which future increases would result in diminishing returns in the improvement of the loss to payroll differential, while also considering other criteria.

Classifications 5552/5553, Roofing
Changes in OEWS/DIR Prevailing Wage at Around the Threshold Level

Annual Wage Level Change at Around the Threshold Level



- (a) Based on the current dual wage threshold of \$29 mapped to the 24th percentile based on the BLS OEWS data (see Exhibit 15.2).
- (b) Based on prevailing wage determinations adopted by the DIR. The rates may also include future predetermined increases based on collective bargaining agreements. These rates were weighted by region and occupation to best reflect the distribution of exposures by region and occupation for the classification.
- (c) OEWS Wages: Projected annual changes from 2022 to effective date 9/1/2024 are estimated based on the average annual wage change observed in 2021 and 2022 using linear extrapolation.
DIR Prevailing Wages: Projected annual changes from 2022 to effective date 9/1/2024 are estimated based on the weighted predetermined increases in prevailing wages made by the DIR as of February 2023.

Classifications 5552/5553, Roofing
Primary Method: Changes in Wage Levels - Using Prevailing Wage Data

Current Dual Wage Threshold:	\$29
Selected "Base Year" (a):	2022
Proposed Threshold Effective Date:	9/1/2024
Threshold Wage Percentile at Base Year (b):	24%
Wage Inflation at Percentile from 9/1/2022 to 9/1/2024 (c):	8.3%
Primary Method Indicated Threshold (d):	\$31

- (a) See Exhibit 2.
- (b) Based on wage distributions from the OEWS data published by the Bureau of Labor Statistics for the occupations mapped to the classification (see Exhibit 3).
Differences between published percentiles determined based on linear interpolation.
- (c) Based on changes in the OEWS wage at the current threshold's percentile in 2022.
Changes from 9/1/2022 to effective date 9/1/2024 are estimated based on the average annual wage change of the prevailing wage by the DIR.
- (d) Equal to the current threshold adjusted by the estimated wage inflation.

Classifications 5552/5553, Roofing
Supplemental Method: Unit Statistical Payroll and Loss Analysis

Current Dual Wage Threshold: \$29
Weekly Wage Corresponding to Current Threshold (a): \$1,047

Threshold	Corresponding Weekly Wage	Proportion of Injured Workers within \$1 of Threshold	Low Wage Payroll Share	Incremental Change	Loss to Payroll Differential (b)	Incremental Change
\$27	\$975	4.8%	13.4%	1.4%	197%	1.3%
\$28	\$1,011	7.6%	15.0%	1.7%	189%	-7.6%
\$29	\$1,047	8.9%	16.4%	1.4%	191%	1.4%
\$30	\$1,083	8.9%	18.7%	2.3%	206%	15.1%
\$31	\$1,119	7.1%	21.6%	2.9%	211%	4.9%
\$32	\$1,156	6.6%	24.0%	2.4%	217%	6.3%
\$33	\$1,192	6.9%	26.3%	2.3%	222%	5.2%

Supplementary Method Indicated Threshold (c): **\$31**

Source: WCIRB unit statistical data from policy years 2017 through 2020.

Claims are adjusted to tenth unit statistical report level and a policy year 2020 benefit level.

Payroll and wages are adjusted to a September 1, 2024 wage level.

- (a) Based on an analysis of injured workers' weekly wage distributions for the low wage and high wage classifications. Selected weekly wage corresponds to the largest gap in the cumulative distribution functions for the two classifications.
- (b) Equal to the loss to payroll ratio for the low wage classification divided by the loss to payroll ratio for the high wage classification based on the given threshold. Losses are limited to \$500,000 per claim.
- (c) Indicated threshold generally represents the threshold at which future increases would result in diminishing returns in the improvement of the loss to payroll differential, while also considering other criteria.

**Classifications 6218/6220, *Excavation/Grading/Land Leveling*,
6307/6308, *Sewer Construction* and 6315/6316, *Water/Gas Mains*
Primary Method: Changes in Wage Levels**

Current Dual Wage Threshold:	\$38
Selected "Base Year" (a):	2023
Proposed Threshold Effective Date:	9/1/2024
Threshold Wage Percentile at Base Year (b):	63%
Wage Inflation at Percentile from 9/1/2023 to 9/1/2024 (c):	5.0%
Primary Method Indicated Threshold (d):	\$40

- (a) See Exhibit 2.
- (b) Based on wage distributions from the OEWS data published by the Bureau of Labor Statistics for the occupations mapped to the classification (see Exhibit 3).
Differences between published percentiles determined based on linear interpolation.
- (c) Based on changes in the OEWS wage at the current threshold's percentile in 2023.
Changes from 9/1/2023 to effective date 9/1/2024 are estimated based on the average annual wage change observed in 2021 and 2022.
- (d) Equal to the current threshold adjusted by the estimated wage inflation.

**Classifications 6218/6220, *Excavation/Grading/Land Leveling*,
6307/6308, *Sewer Construction* and 6315/6316, *Water/Gas Mains*
Supplemental Method: Unit Statistical Payroll and Loss Analysis**

Current Dual Wage Threshold: \$38
Weekly Wage Corresponding to Current Threshold (a): \$1,453

Threshold	Corresponding Weekly Wage	Proportion of Injured Workers within \$1 of Threshold	Low Wage Payroll Share	Incremental Change	Loss to Payroll Differential (b)	Incremental Change
\$36	\$1,376	5.7%	20.4%	1.0%	196%	0.8%
\$37	\$1,415	6.0%	21.8%	1.5%	193%	-3.0%
\$38	\$1,453	5.5%	22.7%	0.9%	196%	2.8%
\$39	\$1,491	4.2%	24.4%	1.6%	193%	-3.1%
\$40	\$1,529	4.0%	26.0%	1.7%	201%	8.5%
\$41	\$1,568	5.7%	27.2%	1.2%	205%	4.0%
\$42	\$1,606	5.3%	28.7%	1.4%	209%	3.7%

Supplementary Method Indicated Threshold (c): **\$40**

Source: WCIRB unit statistical data from policy years 2017 through 2020.
Claims are adjusted to tenth unit statistical report level and a policy year 2020 benefit level.
Payroll and wages are adjusted to a September 1, 2024 wage level.

- (a) Based on an analysis of injured workers' weekly wage distributions for the low wage and high wage classifications. Selected weekly wage corresponds to the largest gap in the cumulative distribution functions for the two classifications.
- (b) Equal to the loss to payroll ratio for the low wage classification divided by the loss to payroll ratio for the high wage classification based on the given threshold. Losses are limited to \$500,000 per claim.
- (c) Indicated threshold generally represents the threshold at which future increases would result in diminishing returns in the improvement of the loss to payroll differential, while also considering other criteria.

Item III-D

Draft Electronics Industry Study

Executive Summary

I. Background and Objectives

The WCIRB conducted a multi-year comprehensive review of the 12 classifications in the Electronics Industry Group in the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* to ensure the classification procedures still reflect current operations in the industry and align with the overall goals of the Standard Classification System.

The first phase of the study focused on the growing integration between computer programming and electronics manufacturing operations, particularly with respect to Classifications 3681¹ and 4112, *Integrated Circuit and Semiconductor Wafer Mfg.* As a result of the 2022 Study of Computer Programming in the Electronic Manufacturing Industry, the WCIRB recommended and the Insurance Commissioner approved the establishment of Classification 8874² as a companion classification to Classifications 3681 and 4112, effective September 1, 2022. Classification 8874 applies to hardware or software design or development, as well as clerical and outside sales operations, performed in connection with manufacturing operations assigned to Classifications 3681 and 4112.

In the second and final phase of the study, the WCIRB continued its analysis of the Electronics Industry Group and performed an in-depth operational review of the remaining classifications in the Electronics Industry Group resulting in several classification studies to determine:

1. Whether Classifications 3572, *Medical Instrument Mfg. – electronic*, and 3682, *Instrument Mfg. – non-electronic*, meet the criteria for companion Classification 8874.
2. Whether Classifications 3070, *Computer Memory Disk Mfg.*, and 3573, *Power Supply Mfg.*, should continue to be stand-alone classifications or if some or all of their operations should be combined with operations in other classifications.

II. Summary of Findings and Recommendations

Companion Classification Study (Classifications 3572 and 3682)

The key findings include:

1. Employers assigned to Classifications 3572 and 3682 typically retain computer programmers and/or design engineers that have similar job duties and average wages as those assigned to Classification 8874. The loss and payroll experience for hardware and software design and development, clerical and outside sales operations of Classifications 3572 and 3682 employers are much more similar to those of employers assigned to Classification 8874 than to those of the statewide clerical and outside sales experience. Similarities in the operations and loss and payroll

¹ Classification 3681 consists of four alternate phraseologies (or suffixes): 3681(1), *Instrument Mfg. – electronic – professional or scientific – all other employees – N.O.C.*; 3681(2), *Computer or Computer Peripheral Equipment Mfg. – all other employees – N.O.C.*; 3681(3), *Telecommunications Equipment Mfg. – all other employees*; and 3681(4), *Audio/Video Electronic Products Mfg. – all other employees*.

² Classification 8874 consists of five alternate phraseologies (or suffixes): 8874(1), *Instrument Mfg. – electronic – professional or scientific – hardware or software design or development*; 8874(2), *Computer or Computer Peripheral Equipment Mfg. – hardware or software design or development*; 8874(3), *Telecommunications Equipment Mfg. – hardware or software design or development*; 8874(4), *Audio/Video Electronic Products Mfg. – hardware or software design or development*; 8874(5), *Integrated Circuit and Semiconductor Wafer Mfg. – hardware or software design or development*.

experience suggest that Classifications 3572 and 3682 meet the criteria for use of the companion Classification 8874.

2. The changes in the selected loss to payroll ratios for Classifications 8874, 8810 and 8742 after reassigning hardware and software design and development, clerical and outside sales experience are minimal (0%, +1.3% and +1.4%, respectively). Employers assigned to Classifications 3572 and 3682 with reported payroll currently in Classifications 8810 and/or 8742 would have, on average, a significant decrease (-65.3%) in the selected loss to payroll ratio under the proposed classification structure recommendation.

Based on the findings, WCIRB staff recommends:

1. Establishing two alternate phraseologies (or suffixes) to Classification 8874 to apply to the hardware and software design and development, clerical and outside sales operations performed in connection with manufacturing operations assigned to Classifications 3572 and 3682:
 - a. Classification 8874(6), *Medical Instrument Mfg. – electronic – diagnostic or treatment – hardware or software design or development – including Clerical Office Employees, Clerical Telecommuter Employees and Outside Salespersons*, which will be included in the Electronics Industry Group; and
 - b. Classification 8874(7), *Instrument Mfg. – non-electronic – scientific or medical – hardware or software design or development – including Clerical Office Employees, Clerical Telecommuter Employees and Outside Salespersons – N.O.C.*, which will not be included in the Electronics Industry Group.
2. Amending the following classifications to reference the corresponding proposed companion classifications:
 - a. Classification 3572, *Medical Instrument Mfg. – electronic – diagnostic or treatment*
 - b. Classification 3682, *Instrument Mfg. – non-electronic – scientific or medical – N.O.C.*

Low Credibility Studies

Computer Memory Disk Mfg. (Classification 3070)

The key findings include:

1. The business operations and loss and payroll experience of computer memory disk manufacturing assigned to Classification 3070 are similar to those of computer or computer peripheral equipment manufacturing assigned to Classification 3681(2), *Computer or Computer Peripheral Equipment Mfg. – all other employees*. Reassigning Classification 3070 operations to Classification 3681(2) would improve the statistical credibility and stabilize the advisory pure premium rate for 3070.
2. Employers assigned to Classifications 3070 and 3681(2) both typically retain design or development engineers, clerical staff and outside salespersons that support manufacturing operations. These employees share similar loss and payroll experience, indicating a good fit between the computer programming, design engineering, clerical and outside sales operations in support of Classification 3070 operations and Classification 8874(2), which includes similar operations that support Classification 3681(2).
3. Reassigning Classification 3070 employers to Classification 3681 would lead to a large increase (+82.8%) in the classification relativity for employers currently assigned to Classification 3070 and a slight reduction (-0.6%) for employers assigned to Classification 3681. The year-to-year classification relativity for Classification 3070 will be limited to a 25% increase, in accordance with standard WCIRB classification ratemaking procedures. Applying the companion Classification

8874(2) to include computer programming, design engineering, clerical and outside sales operations of employers assigned to Classification 3070 would have no impact on employers assigned to Classifications 8810, 8742 and 8874.

Based on the findings, WCIRB staff recommends:

1. Combining Classification 3070, *Computer Memory Disk Mfg.*, with Classification 3681(2), *Computer or Computer Peripheral Equipment Mfg. – all other employees*, for ratemaking purposes and limiting the advisory pure premium rate relativity change for constituents of Classification 3070 to 25% each year until the advisory pure premium rate for Classification 3070 better aligns with that of Classification 3681, at which time Classification 3070 would be eliminated and Classification 3070 employers would be assigned to Classification 3681(2).
2. Reassigning the hardware and software design and development, clerical and outside sales operations performed in connection with computer memory disk manufacturing operations assigned to Classification 3070 from Classifications 8810, 8871 and 8742 to 8874(2) in conjunction with the elimination of Classification 3070 and assignment of Classification 3070 employers to Classification 3681(2).

Power Supply Mfg. (Classification 3573)

The key findings include:

1. The low wattage and high wattage power supply manufacturing operations assigned to Classifications 3573 and 3643(1) share some similarities, particularly with respect to employees' job duties, but require the use of different manufacturing tools. In addition, only about a quarter of inspected employers with operations assigned to Classification 3643(1) manufacture high wattage power supplies, while the remaining employers manufacture other types of electric power or transmission equipment, use different raw materials and have different manufacturing processes.
2. The loss to payroll ratios for Classification 3573 are much lower than those for Classifications 3643 and 3643(1) and high wattage operations in Classification 3643(1). The typical causes of injury were generally dissimilar between claims of Classification 3573 and those of Classification 3643. In addition, the payroll, number of employers and advisory pure premium rates for Classification 3573 have been stable historically, suggesting a further reduction in credibility for Classification 3573 is unlikely.

Based on the findings, WCIRB staff does not recommend any changes to the operations assigned to Classification 3573, *Power Supply Mfg.*, at this time.

Companion Classification Study

3572, Medical Instrument Mfg. – electronic – diagnostic or treatment

3682, Instrument Mfg. – non-electronic – scientific or medical – N.O.C.

8874(1), Instrument Mfg. – electronic – professional or scientific – hardware or software design or development – including Clerical Office Employees, Clerical Telecommuter Employees and Outside Salespersons

8874(2), Computer or Computer Peripheral Equipment Mfg. – hardware or software design or development – including Clerical Office Employees, Clerical Telecommuter Employees and Outside Salespersons – N.O.C.

8874(3), Telecommunications Equipment Mfg. – hardware or software design or development – including Clerical Office Employees, Clerical Telecommuter Employees and Outside Salespersons

8874(4), Audio/Video Electronic Products Mfg. – hardware or software design or development – including Clerical Office Employees, Clerical Telecommuter Employees and Outside Salespersons

8874(5), Integrated Circuit and Semiconductor Wafer Mfg. – hardware or software design or development – including Clerical Office Employees, Clerical Telecommuter Employees and Outside Salespersons

I. Introduction and Study Objective

Following the 2022 Study of Computer Programming in the Electronics Manufacturing Industry¹, the WCIRB further performed an in-depth operational review of the remaining classifications in the Electronics Industry Group and suggested conducting a data-driven study of Classifications 3572, *Medical Instrument Mfg.*, and 3682, *Instrument Mfg. – non-electronic*,² to assess whether either classification meets the following criteria for utilizing Classification 8874 as a companion classification:

1. Employers retain computer programmers and/or design engineers in support of their manufacturing operations, and those hardware and software design and development operations, as well as clerical and outside sales operations are operationally similar to those currently assigned to Classification 8874; and
2. The loss and payroll experience of hardware and software design and development, clerical and outside sales in support of the manufacturing operations are similar to that of those currently assigned to Classification 8874.

¹ The Study of Computer Programming in the Electronic Manufacturing Industry focused on the increasing integration between computer programming and electronics manufacturing operations, particularly with respect to Classifications 3681 and 4112, *Integrated Circuit and Semiconductor Wafer Mfg.* Based on the study findings, the WCIRB recommended and the Insurance Commissioner approved the establishment of Classification 8874, as a companion classification to Classifications 3681 and 4112, effective September 1, 2022. Classification 8874 applies to hardware or software design or development, as well as clerical and outside sales operations, performed in connection with manufacturing operations assigned to Classifications 3681 and 4112.

² While Classification 3682, *Instrument Mfg. – non-electronic*, is not part of the Electronics Industry Group, the WCIRB found it may operationally be similar to the electronic product manufacturing classifications and thus merit consideration of the companion classification approach. A footnote in Classification 3682 directs that it applies to employers that design a proprietary product and subcontract manufacturing to other concerns provided the employer also manufactures the prototype or subcontracts the manufacture of the prototype or receives the manufactured product and performs quality control operations prior to shipment. The Special Industry Classification Procedures for Electronic Products Design and Manufacturing direct that employers engaged in these same operations be assigned to the appropriate Electronics Industry Group manufacturing classification.

II. Analysis Results

- **Operational Analysis**

Classification 3572 applies to employers engaged in the manufacture of electronic medical equipment used for diagnostic or treatment purposes. Classification 3682 applies to employers engaged in the manufacture of non-electronic instruments used for scientific or medical purposes. Although employers assigned to Classification 3572 (Classification 3572 employers) and employers assigned to Classification 3682 (Classification 3682 employers) manufacture different types of products, these employers typically retain computer programmers and/or design engineers who support their manufacturing operations by developing software for their hardware products and associated applications and performing hardware design for new products or existing product iterations.³ The job duties and average wages of these computer programmers and/or design engineers are very similar to those of the computer programmers and/or design engineers of employers assigned to Classification 8874 (Classification 8874 employers).

The outside sales operations performed in connection with manufacturing operations of Classifications 3572 and 3682 employers are generally comparable to the outside sales activities of Classification 8874 employers. In addition, Classification 3572 employers also typically retain medical device sales representatives who have large sales territories and engage in operations such as post-sale product demonstration, training and clinical trial monitoring, which indicates outside salespersons of Classification 3572 employers may have more frequent and longer-distance travel than those of Classification 3682 employers.⁴

- **Comparison of the Loss and Payroll Experience of Computer Programming, Design Engineering, Clerical and Outside Sales Operations in Support of Classifications 3572 and 3682 and that of Classification 8874**

In addition to the operational analysis, the WCIRB also compared the loss and payroll experience of computer programming, design engineering and the typical clerical and outside sales operations in support of employers with payroll reported in Classifications 3572 and 3682 to that of Classification 8874 and to the statewide clerical and outside sales experience.

Following Classifications 3681 and 4112, Classification 3572 is the third largest classification in the Electronics Industry Group, accounting for 10% of the industry payroll.⁵ While Classification 3682 is not part of the Electronics Industry Group, its reported payroll for policy year (PY) 2020 was slightly lower than that for Classification 3572. Accordingly, the share of payroll for the computer programming, design engineering, clerical⁶ and outside sales operations in support of Classifications 3572 and 3682 employers is much lower than that for the same operations in support of Classifications 3681 and 4112 employers currently assigned to Classification 8874 (see Figure 1). Around 1% of the statewide payroll in both Classifications 8810 and 8742 was reported for Classifications 3682 and 3572 employers, while Classification 8874 employers⁷ constitute a significantly higher payroll share for both Classifications 8810

³ A review of WCIRB Inspection Reports indicated that 82% of Classification 3572 employers and 44% of Classification 3682 employers had computer programming and/or design engineering operations at the time of the inspection. Classification 3682 employers were more likely to have design engineering operations than computer programming operations.

⁴ Information based on feedback from employer outreach.

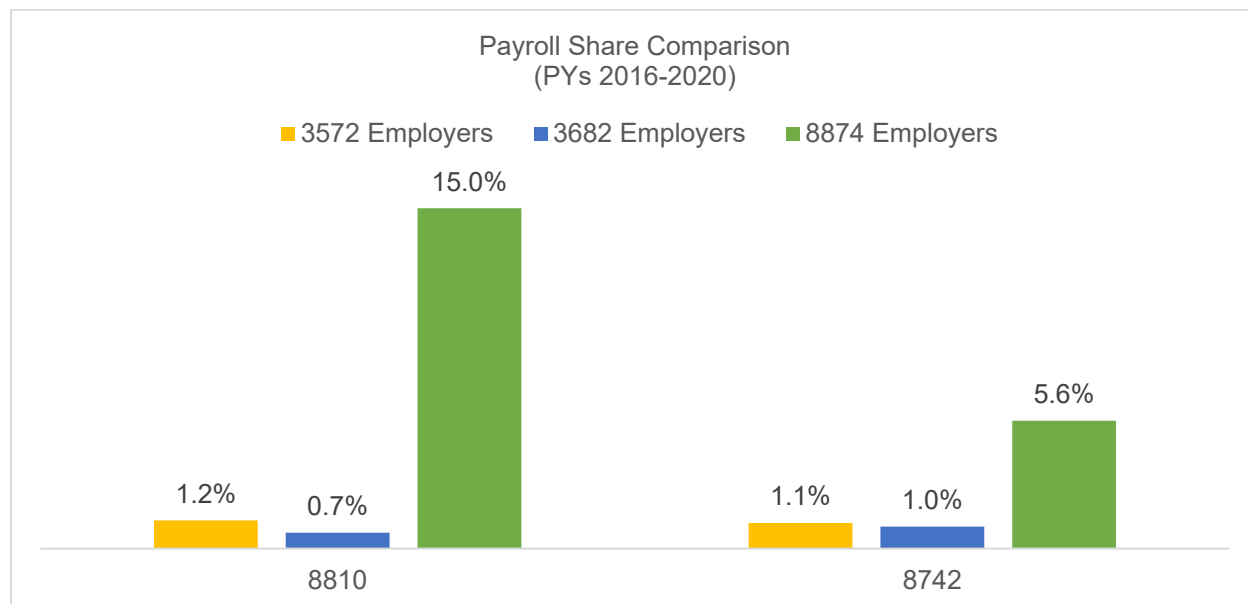
⁵ Classifications 3681 and 4112 account for 65% and 11%, respectively, of the Electronics Industry Group payroll.

⁶ Classification 8874 also applies to clerical telecommuting operations supporting Classifications 3681 and 4112's manufacturing operations. These clerical telecommuting operations were previously assigned to Classification 8871, *Clerical Telecommuter Employees*. Since Classification 8871 became effective as of January 1, 2021, there is insufficient data available for this classification at the time of this study. Thus, the data for clerical operations in support of employers assigned to Classifications 3681 and 4112 for this study is solely based on the experience reported in Classification 8810.

⁷ Because Classification 8874 was established effective September 1, 2022, the payroll for Classification 8874 is based on the reported experience of computer programming, clerical and outside sales operations assigned to Classifications 8810 and 8742 performed in connection with manufacturing operations assigned to Classifications 3681 and 4112 between PYs 2016 and 2020. Such experience was used in this study.

and 8742⁸, which suggests the impact will not be significant, as further discussed in the Impact Analysis section.

Figure 1. Statewide Payroll Share of Classifications 8810 and 8742 for Classifications 3572, 3682 and 8874 Employers (PYs 2016-2020)

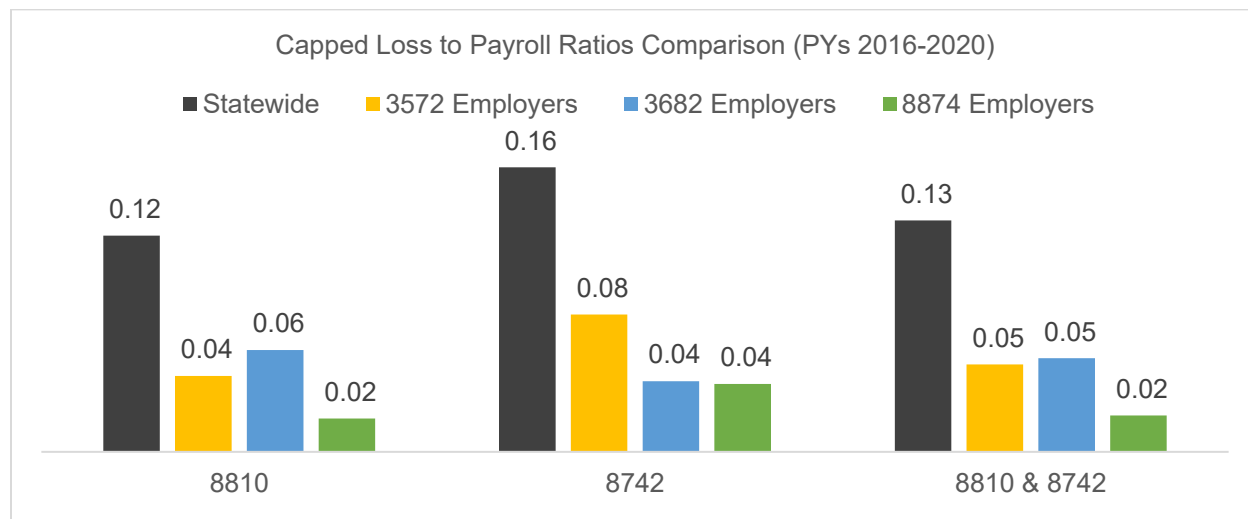


The levels of workers' compensation risk exposure for the hardware and software design and development, clerical and outside sales operations currently assigned to Classifications 8810 and 8742 and in support of Classifications 3572 and 3682 operations are much more similar to those of hardware and software design and development, clerical and outside sales operations assigned to Classification 8874 and lower than those of statewide Classifications 8810 and 8742.⁹ As shown in Figure 2, the 5-year combined loss to payroll ratios, including both 8810 and 8742 operations of Classifications 3572 and 3682 employers, are around \$0.05 per \$100 of payroll, which are more similar to those for Classification 8874 (\$0.02 per \$100 of payroll) than to those for statewide Classifications 8810 and 8742 experience combined (\$0.13 per \$100 of payroll).

⁸ The experience of Classification 8859, which consists of two alternate phraseologies (or suffixes): 8859(1), *Computer Programming or Software Development*; 8859(2), *Internet or Web-Based Application Development or Operation*, was not included in the analysis. If an employer's business, conducted at one or more locations, consists of two or more distinct operations that do not normally prevail in the business described by a single classification, then the distinct operations shall be separately classified. See *California Workers' Compensation Uniform Statistical Reporting Plan—1995 (USRP)*, Part 3, *Standard Classification System*, Section III, *General Classification Procedures, Rule 3, Multiple Enterprises*. In this study, computer programming operations assigned to Classification 8859 are for a separate enterprise not connected to any manufacturing operations assigned to Classifications 3572 and 3682 and thus would not be impacted by the companion classification.

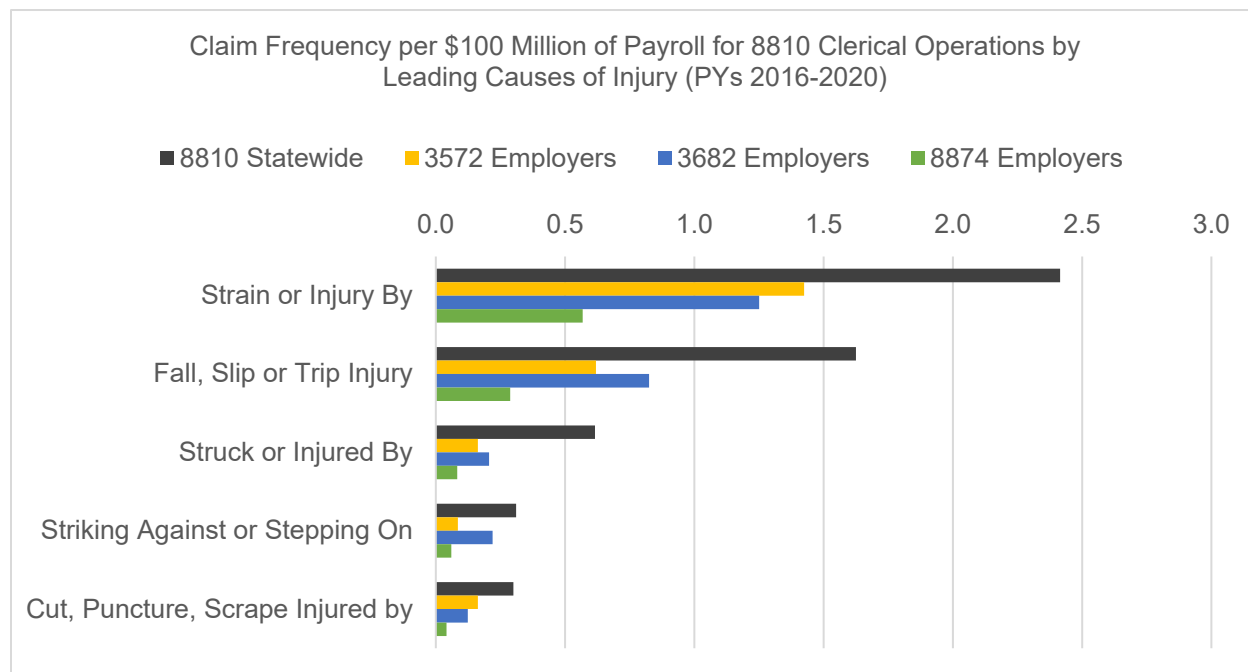
⁹ The reported historical statewide experience of Classifications 8810 and 8742 includes computer programming, design engineering, clerical and outside sales operations now assigned to Classification 8874. Therefore, such Classification 8874 experience is excluded from the statewide experience of Classifications 8810 and 8742 for the purpose of this study.

Figure 2. Capped Loss to Payroll Ratios for Clerical and Outside Sales Operations of Classifications 3572, 3682, and 8874 Employers and Statewide Classifications 8810 and 8742 at Latest Report Levels (PYs 2016-2020)



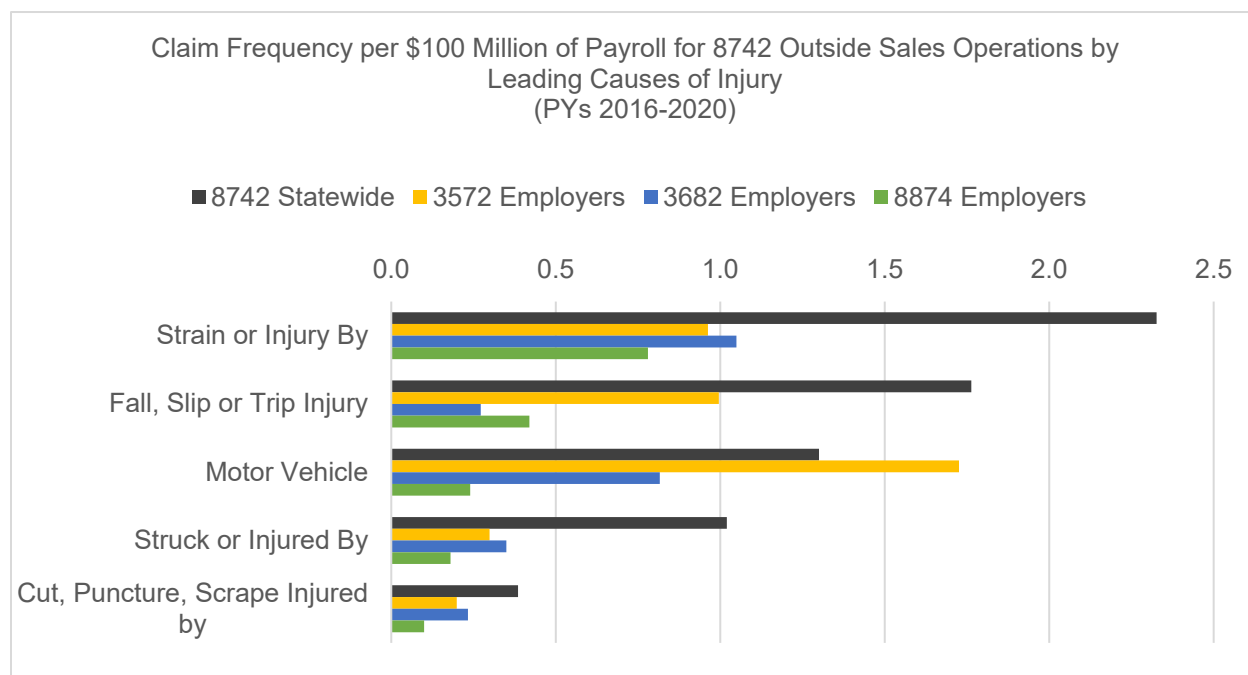
The differences in loss to payroll ratios between Classifications 8810 and 8742 operations supporting Classifications 3572 and 3682 employers and their respective statewide 8810 and 8742 experience are mostly driven by claim frequency. As shown in Figure 3, claim frequencies of the typical causes of injury for the Classification 8810 experience of Classifications 3572 and 3682 employers are generally more similar to those of Classification 8874 employers than to those of statewide Classification 8810. The patterns suggest that the computer programming, design engineering and clerical operations of Classifications 3572 and 3682 employers share similar claim characteristics with those of Classification 8874 employers.

Figure 3. Claim Frequency by Top 5 Causes of Injury for Clerical Operations of Classifications 3572, 3682 and 8874 Employers, and Statewide Classification 8810 at Latest Report Levels (PYs 2016-2020)



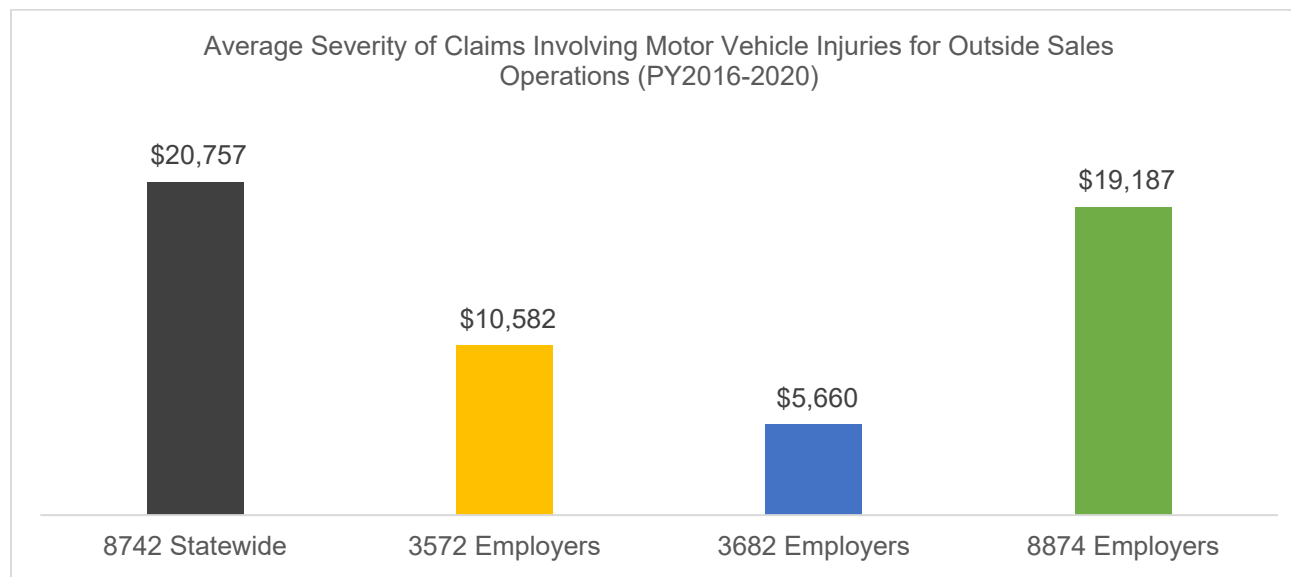
Similarly, the typical causes of injury for the Classification 8742 experience of Classifications 3572 and 3682 employers are generally more similar to those of Classification 8874 employers than to the statewide Classification 8742 experience (see Figure 4). However, the outside sales operations of Classification 3572 employers have a significantly higher claim frequency for claims involving motor vehicle injuries than those for other groups of employers and the statewide Classification 8742 experience. As discussed in the operational analysis, based on employer outreach, the difference in motor vehicle injuries is potentially related to more frequent and longer-distance travel among sales representatives of Classification 3572 employers than those of Classification 3682 employers and typical outside sales operations in statewide Classification 8742.

Figure 4. Claim Frequency by Top 5 Causes of Injury for Outside Sales Operations of Classifications 3572, 3682 and 8874 Employers and Statewide Classification 8742 at Latest Report Levels (PYs 2016-2020)



Given the higher claim frequency of motor vehicle injuries for outside sales operations of Classification 3572 employers, the WCIRB further reviewed the severity of those claims as motor vehicle claims tend to involve serious and catastrophic injuries. However, as shown in Figure 5, the average severity of the motor vehicle claims for the outside sales operations of Classification 3572 employers was only about one half of those of Classification 8874 employers and statewide Classification 8742. A similarly low average severity for motor vehicle claims was observed for outside sales operations of Classification 3682 employers. Considering both frequency and severity, this suggests the overall loss experience of motor vehicle claims is more comparable between the outside sales operations of Classifications 3572 and 3682 employers and those of Classification 8874 employers than when compared to the statewide outside sales experience.

Figure 5. Average Severity of Claims Involving Motor Vehicle Injuries for Outside Sales Operations of Classifications 3572, 3682 and 8874 Employers at Latest Report Levels (PYs 2016-2020)



In summary, Classifications 3572 and 3682 meet the criteria for utilizing companion Classification 8874. Classifications 3572 and 3682 employers typically retain computer programmers and/or design engineers to support their manufacturing operations. The outside sales operations of Classifications 3572 and 3682 employers are also similar to those of Classification 8874. The loss to payroll ratios and typical causes of injury for computer programming, design engineering, clerical and outside sales operations of Classifications 3572 and 3682 employers are more similar to those of Classification 8874 employers than to those of the statewide experience of Classifications 8810 and 8742. Therefore, WCIRB staff recommends including the hardware and software design and development, clerical and outside sales operations performed in connection with manufacturing operations assigned to Classifications 3572 and 3682 in Classification 8874.

III. Impact Analysis

The WCIRB evaluated the impact of reassigning the hardware and software design and development, clerical and outside sales operations of Classifications 3572 and 3682 employers to Classification 8874 as well as the indicated changes for statewide Classifications 8810 and 8742. Classification relativities for Classifications 8874, 8810 and 8742 are included in Appendix III.

1. Impact on Employers Assigned to Classifications 8874, 8810 and 8742

As shown in Table 1, the indicated loss to payroll ratio for Classification 8874 would increase by 25.0% due to the inclusion of hardware and software design and development, clerical and outside sales operations of Classifications 3572 and 3682 employers. This change in the indicated loss to payroll ratio is estimated without consideration of the WCIRB's 25% change limitation. However, because the selected loss to payroll ratio under the current classification structure was already limited to a 25% decrease as of September 1, 2023,¹⁰ the selected loss to payroll ratio for Classification 8874 under the proposed recommendation would remain the same.

¹⁰ As of September 1, 2023, the indicated (unlimited) loss to payroll ratio for Classification 8874 before applying a 25% change limitation is 0.024, which is 68.5% lower than the September 1, 2022 selected (unlimited) loss to payroll ratio (0.076). Therefore, the selected (unlimited) loss to payroll ratio restricted to the 25% change is 0.058.

Table 1. Changes in the Indicated (Unlimited) and Selected (Unlimited) Loss to Payroll Ratio for Classification 8874 Under the Recommendation¹¹

Classification 8874	Current Classification Structure¹² (A)	Proposed Classification Structure (B)	% Difference (B/A-1)
Indicated (Unlimited) Loss to Payroll Ratio Prior to 25% Change Limitation	0.024	0.030	+25.0%
Selected (Unlimited) Loss to Payroll Ratio Restricted to 25% Change	0.058	0.058	0%

As shown in Table 2, the selected loss to payroll ratios for Classifications 8810 and 8742 would increase slightly by 1.3% and 1.4%, respectively, under the proposed recommendation. This is because a small share of the statewide Classifications 8810 and 8742 payroll in connection with Classifications 3572 and 3682 employers, with loss to payroll ratios that are lower than the rest of the statewide, would be moved to Classification 8874.

Table 2. Changes in the Selected (Unlimited) Loss to Payroll Ratio for Classifications 8810 and 8742 Under the Recommendation

Classification	Current Selected Loss to Payroll Ratio (A)	Selected Loss to Payroll Ratio Under Proposed Recommendation (B)	% Difference (B/A-1)
8810	0.153	0.155	+1.3%
8742	0.210	0.213	+1.4%

2. Impact on Classification 3572 and 3682 Employers Currently with Payroll Reported in Classifications 8810 and/or 8742

The WCIRB further analyzed the potential impact of the proposed recommendation on Classifications 3572 and 3682 employers with payroll currently reported in Classifications 8810 and/or 8742, based on the typical mix of Classifications 8810 and 8742 operations for these employers. The impact on individual employers would vary depending on their own mix of payroll reported in the two classifications. As shown in Table 3, for employers with payroll reported in only Classification 8810, the selected loss to payroll ratio under the proposed recommendation would decline significantly by 62.1%. For employers with payroll reported in only Classification 8742, the reduction in the selected loss to payroll ratio under the proposed recommendation would be even larger, at 72.4%. The WCIRB also analyzed the impact on employers based on the average payroll share between Classifications 8810 and 8742 (75% and 25%, respectively) for the largest 100 employers that were identified using payroll reported between PYs 2016 and 2020. The selected loss to payroll ratio for these employers under the proposed recommendation would be 65.3% lower than that under the current payroll mix of the 8810 and 8742 experience.

¹¹ The payroll limitation adjustment used to adjust the classification relativity for Classification 8874 is 20% as of September 1, 2023. Based on an initial review of the payroll in excess of the maximum payroll limitation threshold (\$154,700 as of September 1, 2023) for hardware and software design and development, clerical and outside sales operations of Classifications 3572 and 3682 employers, as well as the experience currently assigned to Classification 8874, approximately 21% of the payroll is estimated to be in excess of the maximum payroll limitation threshold. Therefore, Classification 8874 continues to meet the criteria for payroll limitation under the proposed recommendation. The current payroll limitation adjustment (20%) is used to calculate the indicated and selected (unlimited) loss to payroll ratios for Classification 8874 under the proposed recommendation.

¹² The current indicated and selected loss to payroll ratios for Classification 8874, as of September 1, 2023, are based on the reported experience of computer programming and/or design engineering, clerical and outside sales operations assigned to Classifications 8810 and 8742 performed in connection with manufacturing operations assigned to Classifications 3681 and 4112 between PYs 2018 and 2020.

Table 3. Estimated Changes in the Selected (Unlimited) Loss to Payroll Ratio for Classifications 3572 and 3682 Employers Currently with Payroll Reported in Classifications 8810 and/or 8742

Classifications 3682 and 3572 Employers	Current Classification Structure (A)	Proposed Classification Structure¹³ (B)	% Difference (B/A-1)
100% / 0% Payroll Reported in Classifications 8810 and 8742	0.153	0.058	-62.1%
0% / 100% Payroll Reported in Classifications 8810 and 8742	0.210	0.058	-72.4%
75% / 25% Payroll Reported in Classifications 8810 and 8742 ¹⁴	0.167	0.058	-65.3%

IV. Findings

Based on this review, the WCIRB has determined:

1. Classification 3572 employers often conduct computer programming and/or design engineering operations assignable to Classification 8810. Classification 3682 employers typically conduct design engineering operations assignable to Classification 8810. Computer programmers and/or design engineers of Classification 3572 or 3682 employers have similar job duties and average wages as computer programmers and/or design engineers assigned to Classification 8874. The outside sales operations of Classifications 3572 and 3682 employers are also similar to those of Classification 8874.
2. The loss to payroll ratios for hardware and software design and development, clerical and outside sales operations of Classifications 3572 and 3682 employers are more similar to those of Classification 8874 employers than to those of the statewide clerical and outside sales experience.
3. The claim frequencies of the typical causes of injury for hardware and software design and development, clerical and outside sales operations of Classifications 3572 and 3682 employers are generally more similar to those of Classification 8874 employers and lower than those for statewide Classifications 8810 and 8742. Although outside sales operations of Classification 3572 employers have a higher frequency of claims involving motor vehicle injuries than those of Classification 8874 and statewide Classification 8742, the average severity of those claims was less than half of the statewide Classification 8742 severity. Therefore, the overall loss experience of motor vehicle claims between Classification 3572 and 3682 employers and Classification 8874 employers is comparable.
4. Similarities in the loss and payroll experience between hardware and software design and development, clerical and outside sales operations of Classifications 3572 and 3682 employers and that of Classification 8874 employers suggest Classifications 3572 and 3682 meet the criteria for companion Classification 8874. The changes in the selected loss to payroll ratios for employers in Classifications 8874, 8810 and 8742 after reassigning hardware and software design and development, clerical and outside sales experience are minimal (0%, +1.3% and +1.4%, respectively).

¹³ The selected (unlimited) loss to payroll ratio under the proposed recommendation for Classification 8874 is restricted to a 25% change.

¹⁴ The selected (unlimited) loss to payroll ratio under the current classification structure is the weighted average of the current selected (unlimited) loss to payroll ratio for Classifications 8810 and 8742. The weighting is 75% for Classification 8810 and 25% for Classification 8742, based on the average payroll shares between policy years 2016 and 2020 reported in the two classifications for the largest 100 Classifications 3682 and 3572 employers with payroll reported in Classifications 8810 and/or 8742. The calculation of the selected loss to payroll ratio under the current classification structure is $75\% \times 0.153 + 25\% \times 0.210 = 0.167$.

5. Classifications 3572 and 3682 employers currently with payroll reported in Classifications 8810 and/or 8742 would have, on average, a significant decrease (-65.3%) in the selected loss to payroll ratio under the proposed classification structure. The impact on individual employers would vary depending on their own mix of payroll reported in Classifications 8810 and 8742.

V. Recommendations

Based on these findings, WCIRB staff recommends:

1. Establishing two alternate phraseologies (or suffixes) to Classification 8874 to apply to the hardware and software design and development, clerical and outside sales operations performed in connection with manufacturing operations assigned to Classifications 3572 and 3682:
 - a. Classification 8874(6), *Medical Instrument Mfg. – electronic – diagnostic or treatment – hardware or software design or development – including Clerical Office Employees, Clerical Telecommuter Employees and Outside Salespersons*, which will be included in the Electronics Industry Group; and
 - b. Classification 8874(7), *Instrument Mfg. – non-electronic – scientific or medical – hardware or software design or development – including Clerical Office Employees, Clerical Telecommuter Employees and Outside Salespersons – N.O.C.*, which will not be included in the Electronics Industry Group
2. Amending the following classifications to reference the corresponding proposed companion classifications:
 - a. Classification 3572, *Medical Instrument Mfg. – electronic – diagnostic or treatment*
 - b. Classification 3682, *Instrument Mfg. – non-electronic – scientific or medical – N.O.C.*

Appendix I – Analysis Approach

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

Classification Inspection Reports: The WCIRB reviewed Classification Inspection Reports for employers with payroll reported in the classifications to better understand these employers' business operations.

Industry Outreach: The WCIRB contacted members of the industry, including industry associations and insurers that underwrite significant components of the industry, to gain insight into the operational characteristics.

Unit Statistical Reports: The WCIRB analyzed historical Unit Statistical Report data at the first report level and latest report level, including employers' payroll, loss experience and injury characteristics of claims. Losses were limited to \$500,000 per claim to minimize large swings in the loss to payroll ratios over time.

Classification Relativity Data: Classification relativity data as reflected in the WCIRB's September 1, 2023 Regulatory Filing were used to analyze the impact of the potential classification changes.

Wage Report: The WCIRB's 2022 Wage, Payroll and Exposure Report for California Workers' Compensation was used to analyze the wage levels of the classifications, as well as the estimated amount of payroll in excess of the WCIRB's standard payroll limitation threshold for employers assigned to Classifications 3572 and 3682.

Appendix II – History of Classifications 3572 and 3682

Following is a timeline of significant changes to the scope and application of **Classification 3572, *Medical Instrument Mfg. – electronic – diagnostic or treatment***:

- **1998:** Classification 3572, *Medical Instrument Mfg.*, was established to apply to the manufacture of electronic medical equipment used for diagnostic or treatment purposes and was included in the Electronics Industry Group.
- **2016:** Classification 3572 was amended to provide examples of instruments that should be included in this classification.

Following is a timeline of significant changes to the scope and application of **Classification 3682, *Instrument Mfg. – non-electronic – scientific or medical – N.O.C.***:

- **2006:** Classification 3682, *Instrument Mfg. – non-electronic – scientific or medical – N.O.C.*, was established to apply to the manufacture of non-electronic medical or scientific instruments.
 - These operations were previously assigned to Classification 3681, *Instrument Mfg. – professional or scientific – N.O.C.*
- **2020:** Classification 3682 was amended to clarify that, under prescribed circumstances similar to those stated in the Electronic Products Design and Manufacturing Special Industry Classification Procedures, it applies to employers that design proprietary products and subcontract manufacturing to other concerns.

Appendix III – Classification Relativities

Table 1: Classification 8810 – Classification Relativity at Policy Year 2023 Level

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2018	168,270,720,200	119,540,743	106,935,548	226,476,291	0.135
2019	170,915,149,527	120,840,829	107,395,133	228,235,962	0.134
2020	183,144,403,887	130,224,285	114,479,251	244,703,536	0.134
Total	522,330,273,614	370,605,857	328,809,933	699,415,789	

Adjusted Loss to Payroll Ratio 0.134
Selected Loss to Payroll Ratio 0.153

Credibility	
Indemnity	Medical
1.00	1.00

Table 2: Classification 8742 – Classification Relativity at Policy Year 2023 Level

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2018	51,536,383,256	49,689,228	42,503,762	92,192,990	0.179
2019	52,216,206,892	50,348,669	42,890,333	93,239,002	0.179
2020	49,471,456,466	47,544,966	40,620,734	88,165,700	0.178
Total	153,224,046,614	147,582,863	126,014,829	273,597,692	

Adjusted Loss to Payroll Ratio 0.179
Selected Loss to Payroll Ratio 0.210

Credibility	
Indemnity	Medical
1.00	1.00

Table 3: Classification 8874 – Classification Relativity at Policy Year 2023 Level

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2018	24,584,413,745	3,549,428	3,539,244	7,088,672	0.029
2019	28,375,478,178	3,818,416	3,397,057	7,215,473	0.025
2020	40,815,011,890	3,351,590	2,728,573	6,080,163	0.015
Total	93,774,903,813	10,719,434	9,664,874	20,384,308	

Adjusted Loss to Payroll Ratio 0.022
Selected Loss to Payroll Ratio 0.058

Credibility	
Indemnity	Medical
1.00	1.00

Table 4: Classification 8810 Under the Proposed Change – Classification Relativity at Policy Year 2023 Level

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2018	165,237,110,451	118,679,888	106,167,620	224,847,508	0.136
2019	167,500,901,338	119,717,180	106,624,709	226,341,890	0.135
2020	179,619,269,598	129,053,153	113,224,400	242,277,553	0.135
Total	512,357,281,387	367,450,221	326,016,729	693,466,951	

Adjusted Loss to Payroll Ratio 0.135
Selected Loss to Payroll Ratio 0.155

Credibility	
Indemnity	Medical
1.00	1.00

Table 5: Classification 8742 Under the Proposed Change – Classification Relativity at Policy Year 2023 Level

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2018	50,491,970,913	49,249,061	42,214,959	91,464,020	0.181
2019	51,024,653,307	50,156,332	42,500,999	92,657,331	0.182
2020	48,333,020,762	47,416,980	40,202,235	87,619,215	0.181
Total	149,849,644,982	146,822,373	124,918,192	271,740,566	

Adjusted Loss to Payroll Ratio 0.181
Selected Loss to Payroll Ratio 0.213

Credibility	
Indemnity	Medical
1.00	1.00

Table 6: Classification 8874 Under the Proposed Change – Classification Relativity at Policy Year 2023 Level

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2018	27,846,972,062	4,837,755	4,583,671	9,421,427	0.034
2019	32,060,119,605	5,121,920	4,599,024	9,720,944	0.030
2020	44,545,867,889	4,682,632	4,358,259	9,040,891	0.020
Total	104,452,959,556	14,642,308	13,540,955	28,183,262	

Adjusted Loss to Payroll Ratio 0.027
Selected Loss to Payroll Ratio 0.058

Credibility	
Indemnity	Medical
1.00	1.00

Recommendation

Amend Classification 3572, *Medical Instrument Mfg.*, which is part of the Electronics Industry Group, to reference the corresponding proposed companion Classification 8874(6), *Medical Instrument Mfg. – electronic – diagnostic or treatment – hardware or software design or development*, clarify its intended application and for consistency with previously approved changes.

PROPOSED

ELECTRONICS

MEDICAL INSTRUMENT MFG. – electronic – diagnostic or treatment – all other employees 3572

This classification applies to the manufacture or shop repair of electronic medical ~~equipment~~ instruments used for diagnostic or treatment purposes, including but not limited to medical X-ray equipment, blood pressure monitors, pulse monitors, magnetic resonance imaging (MRI) equipment, heart scan systems, ophthalmology diagnostic ~~and/or~~ eye surgery equipment, endoscopes, vital sign monitoring equipment, radiation treatment equipment, blood ~~and/or~~ gas analyzers, brain analyzers, surgical lasers, computerized axial tomography (CAT) scanners, ultrasound imagers ~~and/or~~ defibrillators.

The installation or repair of instruments away from the shop shall be separately classified as 5128, Instrument Installation, Service or Repair.

The manufacture of non-electronic medical instruments shall be classified as 3682, *Instrument Mfg. – non-electronic*.

~~The installation or repair of instruments away from the shop shall be separately classified as 5128, Instrument~~ Also refer to companion Classification 8874(6), *Medical Instrument Mfg. – electronic – diagnostic or treatment – hardware or software design or development*.

* * * * *

Recommendation

Establish Classification 8874(6), *Medical Instrument Mfg. – electronic – diagnostic or treatment – hardware or software design or development*, as a companion classification in the Electronics Industry Group to (1) apply to hardware or software design or development, clerical office and outside sales operations performed in connection with manufacturing operations assigned to Classification 3572, *Medical Instrument Mfg.*, (2) direct that the maximum payroll amount be prorated based upon the number of weeks in the policy period when the policy is in force for less than a 12-month period and (3) limit an employee's annual payroll to \$159,900.

PROPOSED

ELECTRONICS

MEDICAL INSTRUMENT MFG. – electronic – diagnostic or treatment – hardware or software design or development – including Clerical Office Employees, Clerical Telecommuter Employees and Outside Salespersons 8874(6)

The entire remuneration of each employee shall be included, subject to a maximum of \$159,900 per year. When the policy is in force for less than a 12-month period, the maximum payroll amount shall be prorated based upon the number of weeks in the policy period.

This classification applies to employees engaged exclusively in hardware or software design or development, computer aided design, or clerical or outside sales operations in connection with the employer's electronic medical instrument manufacturing operations.

This classification does not apply to employees engaged in the manufacture, assembly, repair, testing or otherwise handling of electronic medical instruments or prototypes in connection with the employer's manufacturing operations.

Also refer to companion Classification 3572, *Medical Instrument Mfg. – electronic – diagnostic or treatment*.

* * * * *

Recommendation

Amend Classification 3682, *Instrument Mfg. – non-electronic*, to reference the corresponding proposed companion Classification 8874(7), *Instrument Mfg. – non-electronic – scientific or medical – hardware or software design or development*.

PROPOSED

INSTRUMENT MFG. – non-electronic – scientific or medical – all other employees – N.O.C.

3682

This classification applies to the manufacture or shop repair of non-electronic instruments, including but not limited to micrometers, surveying levels, sighting rods, hypodermic syringes, scalpels and microscopes. This classification also applies to the manufacture of catheters, binoculars, compasses, telescopes, implantable medical devices, orthodontic components, medical hand tools, non-electronic scales, measuring tapes or rifle scopes.

This classification also applies to employers that design proprietary, non-electronic instruments and subcontract manufacturing to other concerns provided the employer also:

1. Manufactures the prototype or subcontracts the manufacture of the prototype; or
2. Receives the manufactured product and performs quality control operations prior to shipment.

Employers that neither design nor manufacture the product, but purchase products from manufacturers for resale purposes, shall be assigned to the applicable *Stores* Industry Group classification notwithstanding that they may engage in some product preparation or quality control operations.

The manufacture of electronic medical instruments shall be classified as 3572, *Medical Instrument Mfg.*

The manufacture of electronic professional or scientific instruments shall be classified as 3681(1), *Instrument Mfg. – electronic*.

The repair of instruments away from the shop shall be separately classified.

Also refer to companion Classification 8874(7), *Instrument Mfg. – non-electronic – scientific or medical – hardware or software design or development*.

* * * * *

Recommendation

Establish Classification 8874(7), *Instrument Mfg. – non-electronic – scientific or medical – hardware or software design or development*, as a companion classification to (1) apply to hardware or software design or development, clerical office and outside sales operations performed in connection with manufacturing operations assigned to Classification 3682, *Instrument Mfg. – non-electronic – scientific or medical*, (2) direct that the maximum payroll amount be prorated based upon the number of weeks in the policy period when the policy is in force for less than a 12-month period and (3) limit an employee's annual payroll to \$159,900.

PROPOSED

INSTRUMENT MFG. – non-electronic – scientific or medical – hardware or software design or development – including Clerical Office Employees, Clerical Telecommuter Employees and Outside Salespersons – N.O.C. **8874(7)**

The entire remuneration of each employee shall be included, subject to a maximum of \$159,900 per year. When the policy is in force for less than a 12-month period, the maximum payroll amount shall be prorated based upon the number of weeks in the policy period.

This classification applies to employees engaged exclusively in hardware or software design or development, computer aided design, or clerical or outside sales operations in connection with the employer's non-electronic instrument manufacturing operations.

This classification does not apply to employees engaged in the manufacture, assembly, repair, testing or otherwise handling of non-electronic instruments or prototypes in connection with the employer's manufacturing operations.

Also refer to companion Classification 3682, *Instrument Mfg. – non-electronic – scientific or medical*.

* * * * *

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

PROPOSED

Section VIII – Abbreviated Classifications – Numeric Listing

-
-
-
- 3572 Medical Instrument Mfg–electronic–all other employees
-
-
-
- 3682 Instrument Mfg–non-electronic–all other employees

-
-
-
- 8874(5) Integrated Circuit Mfg–design
- 8874(6) Medical Instrument Mfg–electronic–design
- 8874(7) Instrument Mfg–non-electronic–design
- 8875(1) Public Colleges/Schools
-
-
-

* * * * *

Amend Appendix IV, *Classifications Including Clerical Office Employees, Clerical Telecommuter Employees or Outside Salespersons*, for consistency with other proposed changes.

PROPOSED

Appendix IV

Classifications Including Clerical Office Employees, Clerical Telecommuter Employees or Outside Salespersons

See Section III, *General Classification Procedures*, Rule 4, *Standard Exceptions*, Subrule c, *Standard Exception Classification Procedures*.

Code	Name	Including Clerical Office Employees / Clerical Telecom- muter Employees	Including Outside Salespersons
•			
•			
•			
8874(5)	Integrated Circuit Mfg–design	X	X
8874(6)	<u>Medical Instrument Mfg–electronic–design</u>	<u>X</u>	<u>X</u>
8874(7)	<u>Instrument Mfg–non-electronic–design</u>	<u>X</u>	<u>X</u>
8875(1)	Public Colleges/Schools	X	X
•			
•			
•			

* * * * *

Low Credibility Study – Computer Memory Disk Mfg.

3070, Computer Memory Disk Mfg. – rigid

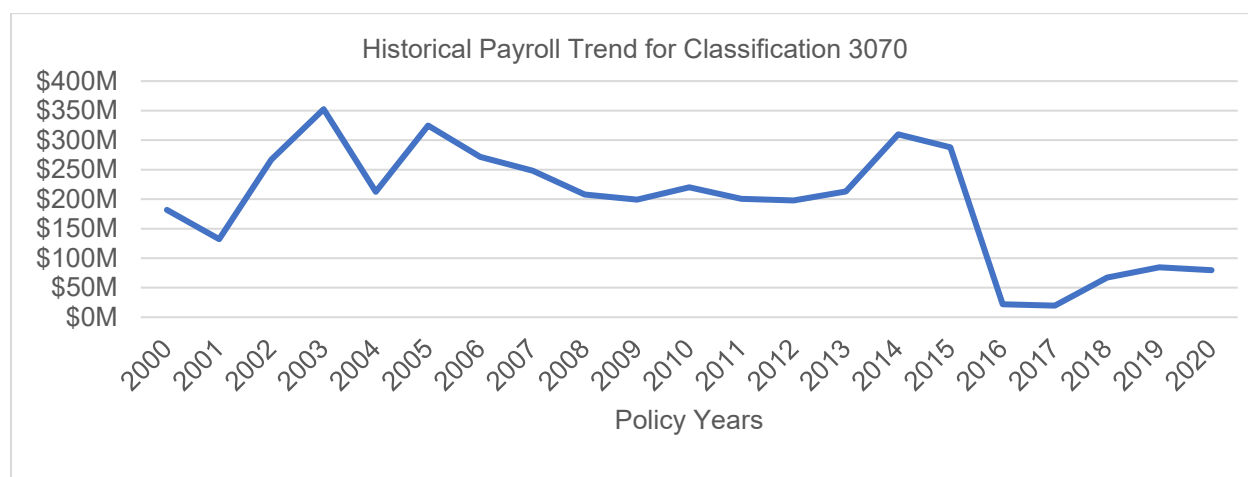
3681(2), Computer or Computer Peripheral Equipment Mfg. – all other employees – N.O.C.

8874(2), Computer or Computer Peripheral Equipment Mfg. – hardware or software design or development

I. Introduction and Study Objective

Employers assigned to Classification 3070, *Computer Memory Disk Mfg.*, do not develop sufficient data to produce statistically credible advisory pure premium rates,¹ which can result in undue volatility in the advisory pure premium rate from year to year without significant change in the underlying exposure to workers' compensation losses. The credibility of Classification 3070 is 0.22 for medical and 0.21 for indemnity. Payroll reported in Classification 3070 has been volatile since 2000. It dropped significantly in 2016 and has remained low since (see Figure 1). On average, only about 14 employers had payroll reported in Classification 3070 annually between 2016 and 2020, and over 97% of this payroll was developed by a single employer.

Figure 1. Historical Payroll Trend for Classification 3070



Consistent with the WCIRB's practice of reviewing classifications with low statistical credibility, as well as those that may be dominated by large risks, the WCIRB studied the business operations and payroll and claim experience of employers currently assigned to Classification 3070 to determine if this classification should continue to be a stand-alone classification or if the operations contemplated in the classification should be combined with operations in other classifications that are operationally similar and have similar loss and payroll experience and claim characteristics. In this regard, the WCIRB evaluated the scope of Classification 3681(2)² based on the relatively similar operations to Classification 3070.

¹ California Department of Insurance's (CDI) approved advisory pure premium rate for Classification 3070 is \$0.25 per \$100 of payroll as of September 1, 2023.

² Classification 3681 consists of four alternate phraseologies (or suffixes): 3681(1), *Instrument Mfg. – electronic – professional or scientific – all other employees – N.O.C.*; 3681(2), *Computer or Computer Peripheral Equipment Mfg. – all other employees – N.O.C.*; 3681(3), *Telecommunications Equipment Mfg. – all other employees*; and 3681(4), *Audio/Video Electronic Products Mfg. – all other employees*.

II. Analysis Results

- **Characteristics of Operations Assigned to Classification 3070, *Computer Memory Disk Mfg.***

Classification 3070 applies to the manufacture of rigid computer memory disks used within computer hard disk drives to store data. Rigid computer memory disks are typically round metal platters which store data magnetically and are attached to a motor that spins them within the drive casing while a read/write head manipulates the information stored on them. These disks are components within a device, rather than a device itself. It is common for employers assigned to Classification 3070 (Classification 3070 employers) to retain engineering staff to support the design and development of hardware and these engineers are currently assignable to Classification 8810, *Clerical Office Employees*.

- **Characteristics of Operations Assigned to Classifications 3681(2), *Computer or Computer Peripheral Equipment Mfg. – all other employees*, and 8874(2), *Computer or Computer Peripheral Equipment Mfg. – hardware or software design or development***

Classification 3681(2) applies to the manufacture of two broad categories of products: computers and computer peripheral equipment. Computers may include desktops, laptops, tablets and similar full computer systems, and their use may or may not require peripherals. Computer peripheral devices consist of devices that enable or enhance the functionality and usability of a computer. These range from monitors, keyboards and mice to internal or external components such as hard drives and disk drives. While many hard drives are now “solid-state” with no moving parts, it is still common for hard drives to consist of a case that houses motors, read/write heads, rigid computer memory disks and a variety of solid-state controllers or data storage chips and associated circuitry. As such, employers assigned to Classification 3681(2) (Classification 3681(2) employers) that manufacture hard drives often use component parts produced by Classification 3070 employers and integrate them into drive devices, which may be internally mounted in computers or externally plugged in. Classification 3681(2) employers may also vertically integrate and manufacture component parts, such as computer memory disks, which are used in their own finished peripheral products.

Classification 3681(2) is a companion classification to Classification 8874(2), *Computer or Computer Peripheral Equipment Mfg. – hardware or software design or development*,³ which applies to hardware or software design or development, computer aided design as well as clerical and outside sales operations performed in connection with the associated manufacturing operations.

- **Comparison of Classification 3070 Operations and Classification 3681(2) Operations**

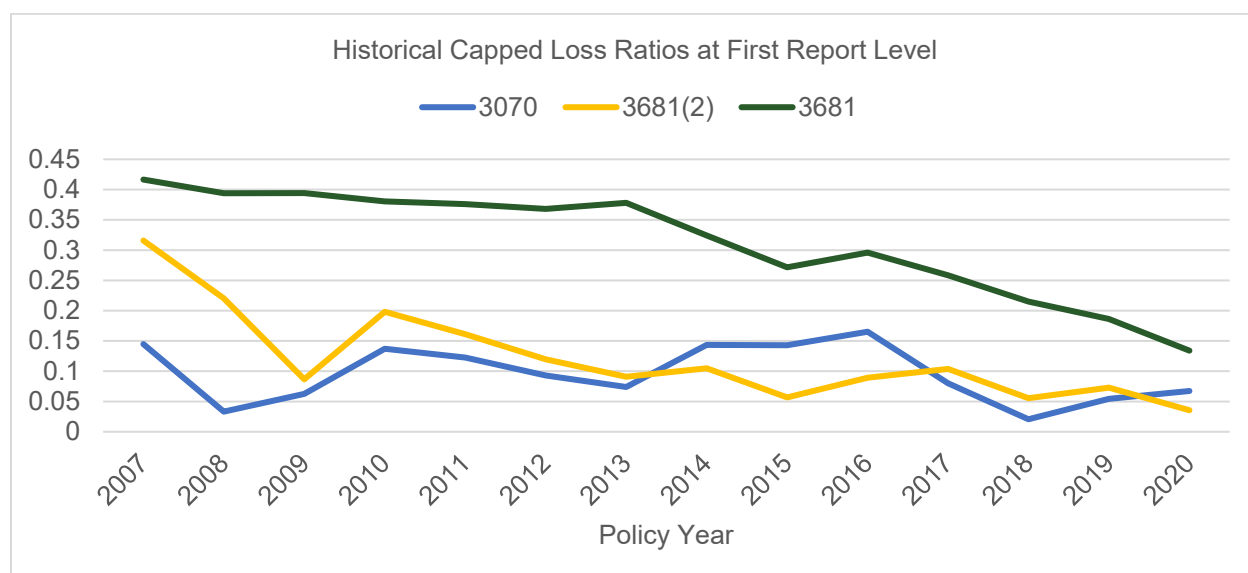
Operations typical for Classification 3070 employers are broadly similar to those of Classification 3681(2) employers. Both groups of employers may manufacture component parts, which involves cutting, forming, cleaning or otherwise preparing materials, applying coatings using deposition methods and curing the coatings. The finished products made by Classification 3070 employers are components of hard disk drives, which are devices manufactured by Classification 3681(2) employers. Furthermore, similar to Classification 3681(2) employers, Classification 3070 employers typically retain, in addition to clerical staff, design or development engineers who support their manufacturing operations and are currently assignable to Classification 8810, *Clerical Office Employees*. The outside sales operations of Classification 3070 employers, which are currently assignable to Classification 8742, *Salespersons – Outside*, are also relatively similar to those of Classification 3681(2) employers, which are currently assignable to Classification 8874(2), *Computer or Computer Peripheral Equipment Mfg. – hardware or software design or development*.

³ Classification 8874 consists of five alternative phraseologies (or suffixes): 8874(1), *Instrument Mfg. – electronic – professional or scientific – hardware or software design or development*; 8874(2), *Computer or Computer Peripheral Equipment Mfg. – hardware or software design or development*; 8874(3), *Telecommunications Equipment Mfg. – hardware or software design or development*; 8874(4), *Audio/Video Electronic Products Mfg. – hardware or software design or development*; and 8874(5), *Integrated Circuit and Semiconductor Wafer Mfg. – hardware or software design or development*.

- **Comparison of the Loss and Payroll Experience of Classifications 3070, 3681(2) and 3681**

In addition to operational characteristics, the WCIRB compared the loss and payroll experience of Classifications 3070 and inspected employers assigned to 3681(2),⁴ as well as the experience of Classification 3681 as a whole.⁵ As shown in Figure 2, the historical loss to payroll ratios between policy years (PYs) 2007 and 2020 and the latest 10-year loss to payroll ratios between PYs 2011 and 2020 were similar between Classifications 3070 (\$0.10 per \$100 of payroll)⁶ and 3681(2) (\$0.09 per \$100 of payroll). Both trends suggest a similar level of workers' compensation risk exposure between Classifications 3070 and 3681(2). However, the historical loss to payroll ratios for Classification 3681 were much higher than those for Classification 3070, partly due to wage differentials between computer memory disk manufacturing employees assigned to Classification 3070 and electronic product and equipment manufacturing employees assigned to Classification 3681.⁷ Despite the gap, the loss to payroll ratios between Classifications 3070 and 3681 appear to have converged in more recent years. In addition, the majority of Classification 3070 employers were small with reported average annual payroll of less than \$1 million.⁸ The loss to payroll ratios for these small Classification 3070 employers were much higher than those for Classification 3070 employers as a whole and more comparable to those for Classification 3681.

Figure 2. Historical Capped Loss to Payroll Ratios at First Report Level (PYs 2007-2020)



⁴ Classification 3681(2) employers were identified based on inspection reports where Classification 3681(2) was assigned. Therefore, the loss and payroll experience of Classification 3681(2) was based solely on inspected Classification 3681(2) employers that account for 24% of the statewide Classification 3681 payroll between PYs 2016 and 2020.

⁵ Since the impact of any potential classification changes on advisory pure premium rates is at the classification level, this analysis included the experience of Classification 3681 as a whole.

⁶ The underlying data for Classification 3070 was volatile with, on average, fewer than 10 claims per year for the latest 5 PYs. Therefore, a 10-year loss to payroll ratio was considered to reduce volatility in the data.

⁷ According to the American Community Survey's 2022 Wage, Payroll and Exposure Report for California Workers' Compensation, in 2020, the average weekly wage was \$1517 for Classification 3070 and \$1157 for Classification 3681. The gap in the 10-year loss per full-time equivalent employee, adjusting for wage differentials, between Classifications 3070 and 3681 is narrowed by about 10% compared to the 10-year loss to payroll ratio gap before adjusting for wage differentials.

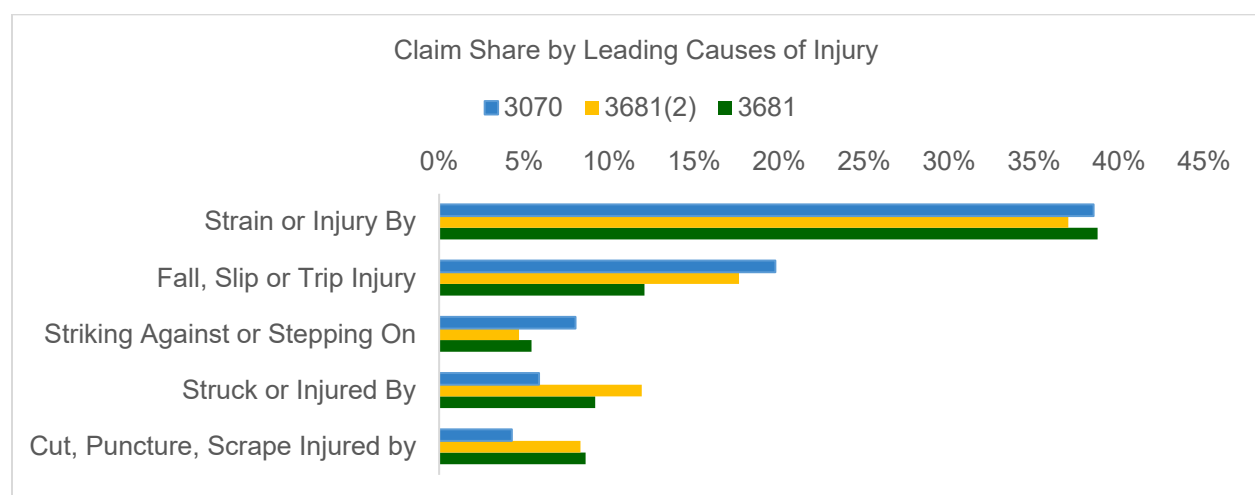
⁸ About 86% of the employers assigned to Classification 3070 had an average annual payroll of less than \$1 million in Classification 3070. In addition, the Classification 3070 experience is mainly driven by one large employer that accounted for 97% of the payroll in Classification 3070 between PYs 2016 and 2020.

Loss to Payroll Ratio (00s) ⁹	Classification 3070	Classification 3681(2)	Classification 3681
5-year (PYs 2016-2020)	0.08	0.07	0.22
10-year (PYs 2011-2020)	0.10	0.09	0.28

The WCIRB also compared the historical loss to payroll ratios among Classifications 3070, 3681 and 3681(2) at the latest report level. The loss to payroll ratios for Classification 3070 at the latest maturity levels continued to track closely with those for Classification 3681(2), although the loss to payroll differential between Classifications 3070 and 3681 continued to hold.

The typical causes of injury were generally similar between claims reported in Classification 3070 and those reported in Classification 3681(2) and in Classification 3681 as a whole (see Figure 3). Strain injury was the leading cause of injury for all, while the share of claims involving fall injuries was more similar between Classifications 3070 and 3681(2).

Figure 3. Share of Claims by Top 5 Causes of Injury (PYs 2011-2020)



In summary, the business operations and loss and payroll experience of computer memory disk manufacturing employers assigned to Classification 3070 are similar to those of computer or computer peripheral equipment manufacturing employers assigned to Classification 3681(2). Also, since Classification 3681 is fully credible, including Classification 3070 employers in Classification 3681 would largely improve the statistical credibility of the Classification 3070 employers' experience. Therefore, WCIRB staff recommends amending Classification 3681(2) to include computer memory disk manufacturing operations currently assigned to Classification 3070. The impact of this recommendation on employers currently assigned to Classifications 3070 and 3681 is shown in the Impact Analysis section of this report.

- **Comparison of the Loss and Payroll Experience of Design or Development Engineering, Clerical and Outside Sales Operations in Support of Classification 3070 Operations and that of Classification 8874**

As described earlier, Classification 3681(2) is a companion classification to Classification 8874(2), which includes hardware or software design or development, clerical¹⁰ and outside sales operations in support of manufacturing operations assigned to Classification 3681(2). The proposed reassignment of

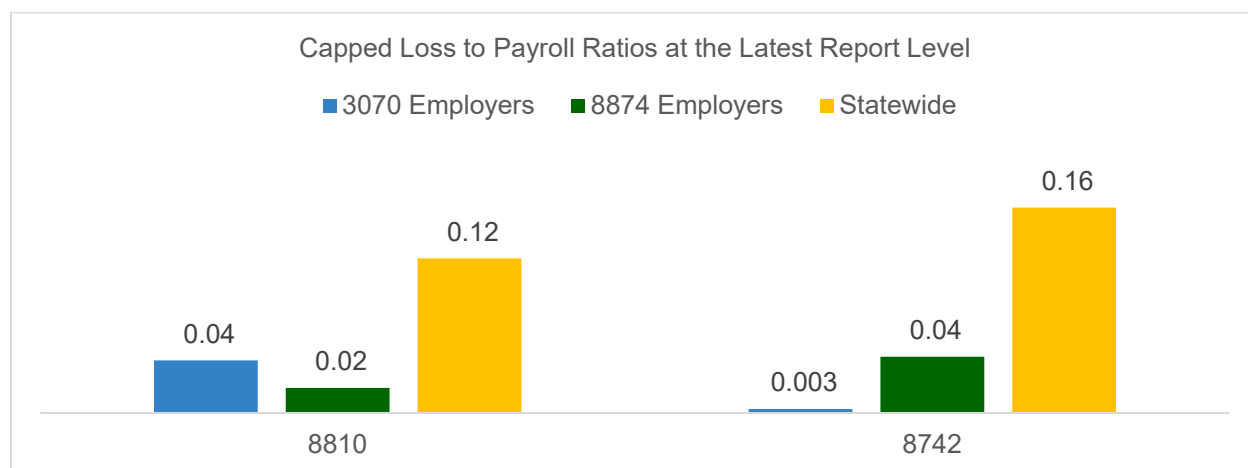
⁹ The loss to payroll ratio was the average of the loss to payroll ratio for each PY over the specified policy period to stabilize the significant volatility in the reported payroll in Classifications 3070 and 3682(2).

¹⁰ Classification 8874 also applies to clerical telecommuting operations that support Classifications 3681 and 4112's manufacturing operations, that were previously assigned to Classification 8871. However, as Classification 8871 became effective as of January 1, 2021, there is insufficient data available at the time of this study. Thus, the data for clerical operations in support of employers assigned to Classifications 3681 and 4112 for this study is solely based on the experience reported in Classification 8810.

Classification 3070 operations to Classification 3681(2) would also require reassigning the hardware or software design or development, clerical and outside sales operations in support of Classification 3070 operations to Classification 8874(2). Therefore, the WCIRB analyzed whether the design or development engineering and clerical operations (currently assigned to Classification 8810), and outside sales operations (currently assigned to Classification 8742), that support Classification 3070 computer memory disk manufacturing operations have similar loss and payroll experience to those assigned to Classification 8874.¹¹

As shown in Figure 4, the 5-year average loss to payroll ratio for hardware or software design or development and clerical operations (currently assigned to Classification 8810) supporting Classification 3070 operations¹² (\$0.04 per \$100 of payroll) is about one-third of that for statewide Classification 8810 (\$0.12 per \$100 of payroll) and is much more similar to that for hardware or software design or development and clerical operations supporting Classification 8874 (\$0.02 per \$100 of payroll). Similarly, the 5-year average loss to payroll ratio for outside sales operations (currently assigned to Classification 8742) supporting Classification 3070 operations is only \$0.003 per \$100 of payroll, which is more comparable to that for the outside sales operations supporting Classification 8874 than to that for Classification 8742.¹³

Figure 4. Capped Loss to Payroll Ratios¹⁴ for Hardware or Software Design or Development, Clerical and Outside Sales Operations of Classifications 3070 and 8874¹⁵ and Statewide Classifications 8810 and 8742¹⁶ (PYs 2016-2020)



¹¹ The 2022 Study of Computer Programming in the Electronics Manufacturing Industry indicated that the computer programming, design engineering, clerical and outside sales operations of employers in Classifications 3681 and 4112 have similar operational characteristics and loss and payroll experience and are distinct from the statewide Classifications 8810 and 8742 experience. As a result, Classification 8874 was established to contemplate these operations. The study resulted in the establishment of five alternative phraseologies (or suffixes) for Classification 8874 to facilitate a mapping between Classification 8874 and the corresponding electronics manufacturing classes (3681(1), 3681(2), 3681(3), 3681(4) and 4112). See footnote 3 for the listing of the five alternate phraseologies.

¹² The payroll reported in the computer programming, design engineering and clerical operations in connection with computer memory disk manufacturing operations accounted for 0.08% of the statewide payroll reported in Classification 8810 from PYs 2016 to 2020.

¹³ The loss to payroll ratios for the computer programming, design engineering, clerical and outside sales operations of employers assigned to Classification 8874 are based on the reported historical statewide experience of Classifications 8810 and 8742 in support of employers assigned to Classifications 3681 and 4112 between PYs 2016 and 2020.

¹⁴ The loss to payroll ratio for PYs 2016 to 2020 was calculated as the aggregate losses over the PY period from 2016 to 2020 divided by the aggregate payroll during the same period.

¹⁵ The payroll reported in the outside sales operations in connection with computer memory disk manufacturing operations accounted for 0.02% of the statewide payroll reported in Classification 8742 for PYs 2016 to 2020. There was only one claim during the policy period which resulted in the low loss to payroll ratio over the 5-year policy period.

¹⁶ The reported historical statewide experience of Classifications 8810 and 8742 includes computer programming, design engineering, clerical and outside sales operations now assigned to Classification 8874. Therefore, such Classification 8874 experience is excluded from the statewide experience of Classifications 8810 and 8742 for the purpose of this study.

In summary, Classification 3070 employers typically retain design or development engineers to support their manufacturing operations. The loss to payroll ratios for those design or development engineers, as well as clerical and outside sales employees supporting Classification 3070 operations, are much more similar to those of Classification 8874 than to those of the statewide experience for Classifications 8810 and 8742. Therefore, WCIRB staff recommends amending Classification 8874(2) to include the design or development engineering, clerical and outside sales operations of Classification 3070 employers. The impact of this recommendation on employers with reported payroll in Classifications 3070, 8810, 8742 and/or 8874 is shown in the Impact Analysis section of this report.

III. Impact Analysis

The WCIRB evaluated the impact of including computer memory disk manufacturing operations in Classification 3681(2) and including design or development engineering, clerical and outside sales operations supporting Classification 3070 operations in Classification 8874(2), the companion classification for Classification 3681(2). Classification relativities for Classifications 3681, 8874, 8810 and 8742 are included in Appendix IV.

1. Impact on Employers Assigned to Classifications 3070 and 3681

As shown in Table 1, the selected loss to payroll ratio for Classification 3070 would increase by 82.8% under the proposed recommendation. To mitigate the impact of the recommendation on the classification, WCIRB staff recommends applying the standard 25% limitation to the year-to-year relativity change for Classification 3070 and maintaining Classification 3070 until such time as the selected classification relativity for Classification 3070 better aligns with that for Classification 3681. The selected loss to payroll ratio for Classification 3681 would decrease slightly (-0.6%) with the inclusion of Classification 3070.

Table 1. Changes in the Selected (Unlimited) Loss to Payroll Ratio for Classifications 3070 and 3681 Under the Recommendation

Classification	Current Selected Loss to Payroll Ratio (A)	Selected Loss to Payroll Ratio Under Proposed Recommendation (B)	% Difference (B/A-1)
3070	0.186	0.340	+82.8%
3681	0.342	0.340	-0.6%

2. Impact on Employers Assigned to Classifications 8810, 8742 and 8874

The WCIRB also evaluated the impact on Classifications 8810, 8742 and 8874 after excluding the design or development engineering, clerical and outside sales operations of computer memory disk manufacturing employers from the statewide Classifications 8810 and 8742 and including it in Classification 8874. Table 2 shows that the selected loss to payroll ratios for Classifications 8810, 8742 and 8874 would remain the same under the proposed recommendation, as only a very small proportion of the statewide payroll for Classifications 8810 and 8742 in connection with computer memory disk manufacturing would be moved to Classification 8874.

Table 2. Changes in the Selected (Unlimited) Loss to Payroll Ratio for Classifications 8810, 8742 and 8874 Under the Recommendation

Loss to Payroll Ratios			
Classification	Current Selected (A)	Selected Under Proposed Recommendation (B)	% Difference (B/A-1)
8810	0.153	0.153	0%
8742	0.210	0.210	0%
8874 ¹⁷	0.058	0.058	0%

3. Impact on Employers Currently with Payroll Reported in Classifications 3070, 8810 and 8742

The WCIRB further analyzed the potential impact of the proposed recommendation on employers that currently have payroll reported in Classifications 3070, 8810 and 8742, based on the typical mix of Classifications 3070, 8810 and 8742 operations for these employers. The impact on individual employers would vary depending on their own mix of payroll reported in the three classifications. As shown in Table 3, based on the payroll splits among Classifications 3070, 8810 and 8742 for these employers for PY 2020, the selected loss to payroll ratio under the proposed recommendation would be 6.0% lower than that for the current mix of Classifications 3070, 8810 and 8742 experience.

Table 3. Estimated Changes in the Selected Loss to Payroll Ratios for Employers Currently with Payroll Reported in Classifications 3070, 8810 and 8742¹⁸

Classification 3070 Employers	Current Classification Structure (A)	Proposed Classification Structure (B)	% Difference (B/A-1)
35% / 60% / 5% Payroll Reported in Classifications 3070, 8810 and 8742	0.167	0.157	-6.0%

IV. Findings

Based on this review, the WCIRB has determined:

1. Classifications 3070 and 3681(2) share a number of operational similarities, and the products manufactured by employers assigned to Classification 3070 are components used in the manufacturing operations assigned to Classification 3681(2). The loss and payroll experience of Classification 3070 is similar to that of Classification 3681(2). Reassigning the operations of Classification 3070 to Classification 3681(2) would improve the statistical credibility of 3070 and help stabilize the advisory pure premium rate for Classification 3070 employers.
2. Employers assigned to Classifications 3070 and 3681(2) both typically retain design or development engineers in addition to clerical staff and outside salespersons. The loss to payroll ratios for design or development engineers, as well as clerical and outside sales employees

¹⁷ Classification 8874 was established and approved effective September 1, 2022. Therefore, the current indicated and selected loss to payroll ratios for Classification 8874, as of September 1, 2023, are based on the reported experience of computer programming, clerical and outside sales operations assigned to Classifications 8810 and 8742 performed in connection with manufacturing operations assigned to Classifications 3681 and 4112 between PYs 2018 and 2020. The current selected loss to payroll ratio and selected loss to payroll ratio under the proposed recommendation for Classification 8874 are restricted to a 25% change limitation based on the September 1, 2023 classification relativities. The indicated (unlimited) loss to payroll ratio without the 25% change limitation under the proposed recommendation is 0.025, which is 3.6% higher than the current indicated (unlimited) loss to payroll ratio without the 25% change limitation (0.024) as of September 1, 2023.

¹⁸ The selected (unlimited) loss to payroll ratio under the current classification structure is the weighted average of the current selected (unlimited) loss to payroll ratio for Classifications 3070, 8810 and 8742 based on the payroll splits among these three classifications for these employers for PY 2020, which are 35%, 60% and 5% for Classifications 3070, 8810 and 8742, respectively. The calculation of the selected loss to payroll ratio under the current classification structure is $35\% \times 0.186 + 60\% \times 0.153 + 5\% \times 0.210 = 0.167$. The calculation of the selected loss to payroll ratio under the proposed classification structure is $35\% \times 0.340 + 65\% \times 0.058 = 0.157$.

supporting Classification 3070 operations, are much more similar to those of Classification 8874 than those of the statewide clerical or outside sales experience. The similarities in both operations and loss and payroll experience suggest a good fit between the computer programming, design or development engineering, clerical and outside sales operations in support of Classification 3070 operations and the operations assigned to Classification 8874(2), the companion classification to Classification 3681(2).

3. Reassigning Classification 3070 employers to Classification 3681 would lead to a large increase (+82.8%) in the classification relativity for employers currently assigned to Classification 3070. To mitigate the impact of reassignment on those employers and in accordance with standard WCIRB classification ratemaking procedures, the year-to-year classification relativity for Classification 3070 would be limited to a 25% increase. There would be a slight reduction (-0.6%) in the classification relativity for employers currently assigned to Classification 3681.
4. Including the design or development engineering, clerical and outside sales operations of Classification 3070 employers in the companion classification, Classification 8874(2), would have no impact on Classifications 8810, 8742 and 8874. Only a very small proportion of the payroll for statewide Classifications 8810 and 8742 supports computer memory disk manufacturing and would be moved to Classification 8874.
5. Employers currently with payroll reported in Classifications 3070, 8810 and 8742 would have, on average, a modest decrease (-6.0%) in the selected loss to payroll ratio under the proposed classification structure involving Classifications 3681(2) and 8874(2). The impact on individual employers would vary depending on their own mix of payroll reported in Classifications 3070, 8810 and 8742.

V. Recommendations

Based on these findings, WCIRB staff recommends:

1. Combining Classification 3070, *Computer Memory Disk Mfg.*, with Classification 3681(2), *Computer or Computer Peripheral Equipment Mfg. – all other employees*, for ratemaking purposes and limiting the advisory pure premium rate relativity change for constituents of Classification 3070 to 25% each year until the advisory pure premium rate for Classification 3070 better aligns with that of Classification 3681, at which time Classification 3070 would be eliminated and Classification 3070 employers would be assigned to Classification 3681(2).
2. Reassigning the hardware and software design and development, clerical and outside sales operations performed in connection with computer memory disk manufacturing operations assigned to Classification 3070 from Classifications 8810, 8871 and 8742 to 8874(2) in conjunction with the elimination of Classification 3070 and assignment of Classification 3070 employers to Classification 3681(2).

Appendix I – Analysis Approach

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

Classification Inspection Reports: The WCIRB reviewed Classification Inspection Reports for employers with payroll reported in the classifications to better understand these employers' business operations.

Industry Outreach: The WCIRB contacted members of the industry, including industry associations and insurers that underwrite significant components of the industry, to gain insight into the operational characteristics.

Unit Statistical Reports: The WCIRB analyzed historical Unit Statistical Report data at the first report level and latest report level, including employers' payroll, loss experience and injury characteristics of claims. Losses were limited to \$500,000 per claim to minimize large swings in the loss to payroll ratios over time.

Other Jurisdictions: The WCIRB reviewed the classification procedures by the National Council on Compensation Insurance, Inc. to understand how other jurisdictions classify operations contemplated within the classifications.

Classification Relativity Data: Classification relativity data as reflected in the WCIRB's September 1, 2023 Regulatory Filing were used to analyze the impact of the potential classification changes.

Wage Report: The WCIRB's 2022 Wage, Payroll and Exposure Report for California Workers' Compensation was used to analyze the wage levels of the classifications.

Appendix II – History of Classifications 3070 and 3681(2)

Following is a timeline of significant changes to the scope and application of Classifications 3070, *Computer Memory Disk Mfg. – rigid*, and 3681(2), *Computer or Computer Peripheral Equipment Mfg. – all other employees – N.O.C.*:

- **1985:** Classification 3070, *Computer Memory Disk Mfg. – rigid*, was established to apply to employers engaged in the manufacture of rigid computer memory disks, operations previously assigned to Classification 4350, *Electrotyping – N.P.D.*
- **1996:** Classification 3567, *Computer or Computer Peripheral Equipment Manufacturing*, was established after the WCIRB's review of the electronics industry in 1995.
 - The Electronics Industry Group was created by consolidating various classifications related to the manufacture of electronic and electrical products.
- **2006:** Classifications 3567, *Computer or Computer Peripheral Equipment Manufacturing*, 3578, *Telecommunications Equipment Manufacturing*, and 3566, *Audio/Visual Electronic Products Manufacturing*, were eliminated as unique classifications and established as alternate phraseologies (or suffixes) to Classification 3681, as Classifications 3681(2), 3681(3) and 3681(4), respectively.
- **2022:** As part of the multi-year effort to review computer programming in the electronics industry, Classification 8874 was established as a companion classification to Classifications 3681 and 4112, *Integrated Circuit and Semiconductor Wafer Mfg.* Classification 8874 consists of five alternative phraseologies (or suffixes) and applies to employees engaged exclusively in software or hardware design or development, computer aided design, or clerical or outside sales operations conducted in connection with the associated manufacturing operations.

Appendix III – Other Jurisdictions

The WCIRB reviewed how the National Council on Compensation Insurance, Inc. (NCCI) classifies the operations reviewed in this study. NCCI retains the following classifications:

- Classification 4431, *Magnetic and Optical Recording Media Mfg.*, applies to the manufacture or assembly of cassettes, videotapes, CDs, DVDs, and other recording media which also includes audio or visual recording media manufacturing and recording tape or disk manufacturing.
- Classification 3574, *Computing, Recording or Office Machine Mfg. – N.O.C.*, applies to the manufacture of adding, computing, recording typewriters or other office machines. Computing machines include computers of all sizes, whether of the desktop or larger variety.

Appendix IV – Classification Relativities

Table 1: Classification 3070 – Classification Relativity at Policy Year 2023 Level

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2016	21,051,928	2,703	18,563	21,266	0.101
2017	18,543,207	9,634	4,884	14,518	0.078
2018	67,365,742	133	12,452	12,585	0.019
2019	84,431,907	25,981	35,504	61,485	0.073
2020	79,546,819	64,703	42,848	107,551	0.135
Total	270,939,602	103,153	114,251	217,404	

Adjusted Loss to Payroll Ratio 0.080
Selected Loss to Payroll Ratio 0.186

Credibility	
Indemnity	Medical
0.22	0.21

Table 2: Classification 3681 – Classification Relativity at Policy Year 2023 Level

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2018	9,289,867,141	16,888,197	14,459,747	31,347,944	0.337
2019	9,504,253,815	16,734,780	13,507,224	30,242,004	0.318
2020	12,162,826,707	14,049,582	14,305,552	28,355,134	0.233
Total	30,956,947,663	47,672,559	42,272,524	89,945,083	

Adjusted Loss to Payroll Ratio 0.291
Selected Loss to Payroll Ratio 0.342

Credibility	
Indemnity	Medical
1.00	1.00

Table 3: Classification 8810 – Classification Relativity at Policy Year 2023 Level

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2018	168,270,720,200	119,540,743	106,935,548	226,476,291	0.135
2019	170,915,149,527	120,840,829	107,395,133	228,235,962	0.134
2020	183,144,403,887	130,224,285	114,479,251	244,703,536	0.134
Total	522,330,273,614	370,605,857	328,809,933	699,415,789	

Adjusted Loss to Payroll Ratio 0.134
Selected Loss to Payroll Ratio 0.153

Credibility	
Indemnity	Medical
1.00	1.00

Table 4: Classification 8742 – Classification Relativity at Policy Year 2023 Level

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2018	51,536,383,256	49,689,228	42,503,762	92,192,990	0.179
2019	52,216,206,892	50,348,669	42,890,333	93,239,002	0.179
2020	49,471,456,466	47,544,966	40,620,734	88,165,700	0.178
Total	153,224,046,614	147,582,863	126,014,829	273,597,692	

Adjusted Loss to Payroll Ratio 0.179
Selected Loss to Payroll Ratio 0.210

Credibility	
Indemnity	Medical
1.00	1.00

Table 5: Classification 8874 – Classification Relativity at Policy Year 2023 Level

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2018	24,584,413,745	3,549,428	3,539,244	7,088,672	0.029
2019	28,375,478,178	3,818,416	3,397,057	7,215,473	0.025
2020	40,815,011,890	3,351,590	2,728,573	6,080,163	0.015
Total	93,774,903,813	10,719,434	9,664,874	20,384,308	

Adjusted Loss to Payroll Ratio 0.022
Selected Loss to Payroll Ratio 0.058

Credibility	
Indemnity	Medical
1.00	1.00

Table 6: Classification 3681 Under the Proposed Change – Classification Relativity at Policy Year 2023 Level

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2018	9,357,229,093	16,888,330	14,472,200	31,360,530	0.335
2019	9,588,685,722	16,759,473	13,542,728	30,302,201	0.316
2020	12,242,373,526	14,105,881	14,348,400	28,454,281	0.232
Total	31,188,288,341	47,753,684	42,363,328	90,117,011	

Adjusted Loss to Payroll Ratio 0.289
Selected Loss to Payroll Ratio 0.340

Credibility	
Indemnity	Medical
1.00	1.00

Table 7: Classification 8810 Under the Proposed Change – Classification Relativity at Policy Year 2023 Level

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2018	168,167,257,212	119,392,686	106,852,664	226,245,350	0.135
2019	170,749,583,995	120,776,469	107,338,363	228,114,832	0.134
2020	182,957,585,244	130,088,381	114,407,071	244,495,452	0.134
Total	521,874,426,451	370,257,537	328,598,098	698,855,635	

Adjusted Loss to Payroll Ratio 0.134
Selected Loss to Payroll Ratio 0.153

Credibility	
Indemnity	Medical
1.00	1.00

Table 8: Classification 8742 Under the Proposed Change – Classification Relativity at Policy Year 2023 Level

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2018	51,506,862,702	49,661,932	42,470,903	92,132,834	0.179
2019	52,190,031,849	50,348,669	42,889,749	93,238,418	0.179
2020	49,449,389,735	47,538,092	40,619,350	88,157,442	0.178
Total	153,146,284,286	147,548,693	125,980,001	273,528,694	

Adjusted Loss to Payroll Ratio 0.179
Selected Loss to Payroll Ratio 0.210

Credibility	
Indemnity	Medical
1.00	1.00

Table 9: Classification 8874 Under the Proposed Change – Classification Relativity at Policy Year 2023 Level

Policy Year	Adjusted Payroll	Adjusted Indemnity Losses	Adjusted Medical Losses	Adjusted Total Losses	Adjusted Loss to Payroll Ratio (00s)
2018	24,690,803,744	3,721,504	3,653,164	7,374,668	0.030
2019	28,528,870,637	3,881,953	3,456,891	7,338,844	0.026
2020	40,982,120,190	3,498,104	2,798,835	6,296,939	0.015
Total	94,201,794,571	11,101,561	9,908,890	21,010,451	

Adjusted Loss to Payroll Ratio 0.022
Selected Loss to Payroll Ratio 0.058

Credibility	
Indemnity	Medical
1.00	1.00

Low Credibility Study – Power Supply Mfg.

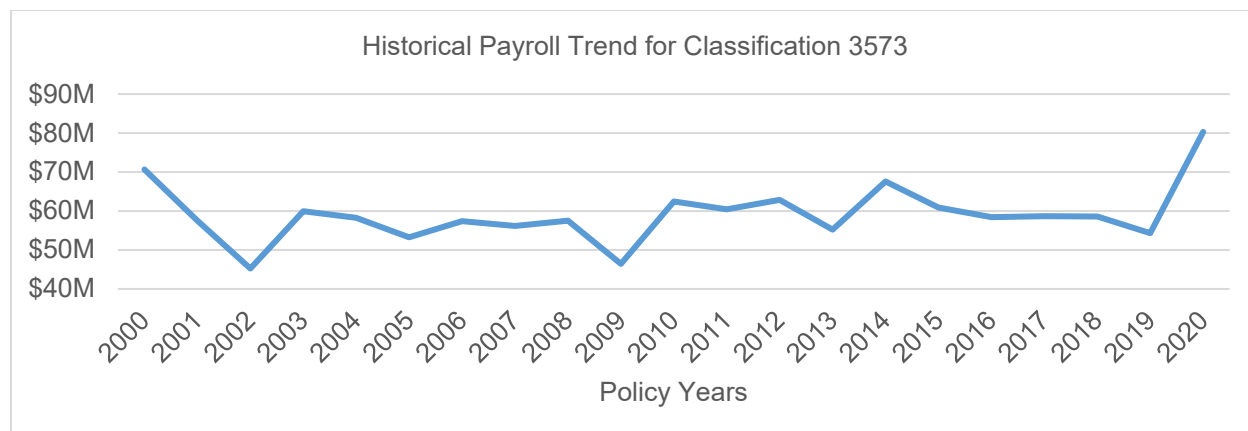
3573, Power Supply Mfg.

3643(1), Electric Power or Transmission Equipment Mfg. – N.O.C.

I. Introduction and Study Objective

Employers assigned to Classification 3573, *Power Supply Mfg.*, do not develop sufficient data to produce statistically credible advisory pure premium rates, which can result in undue volatility in the advisory pure premium rates from year to year without significant change in the underlying exposure to workers' compensation losses. The credibility of Classification 3573 is 0.38 for medical and 0.42 for indemnity. The exposure in Classification 3573 has been relatively stable but consistently low since 2000, with a significant increase (+48%) for the latest policy year (PY) (see Figure 1).¹ The number of employers with payroll reported in Classification 3573 had been stable in the past decade, on average about 62 employers per year.

Figure 1. Historical Payroll Trend for Classification 3573 – PYs 2000-2020



The WCIRB studied the business operations and payroll and claim experience of employers currently assigned to Classification 3573 (Classification 3573 employers) to determine if this classification should continue to be a stand-alone classification or if its operations should be combined with operations in other classifications that are operationally similar and have similar loss and payroll experience and claim characteristics. In this regard, the WCIRB evaluated the scope of Classification 3643(1), *Electric Power or Transmission Equipment Mfg.*, which has relatively similar operations to Classification 3573.²

¹ The increase in payroll for Classification 3573 in the latest policy year was due to a significant payroll increase by large employers assigned to Classification 3573.

² The WCIRB also evaluated Classification 3179, *Electrical Apparatus Mfg. – N.O.C.*, as a potential destination classification for Classification 3573 employers. Classification 3179 applies to the manufacture or shop repair of electrical apparatus, including but not limited to electric controls, switchboard assemblies, solenoids, electrical-mechanical switches, actuators and relays with a power rating of less than 746 watts that is not specifically described by another classification. The WCIRB conducted an operational and data analysis and determined that the operations and loss and payroll experience assigned to Classification 3179 are dissimilar compared to those assigned to Classification 3573. Therefore, Classification 3179 was not a good fit for employers assigned to Classification 3573.

II. Analysis Results

- **Comparison of the Characteristics of Operations Assigned to Classification 3573 and Classification 3643(1)**

Classification 3573 applies to employers engaged in the manufacture or shop repair of power supplies with a power rating of less than 746 watts (low wattage), which typically include assembling components, securing electronic components onto circuit boards and assembling circuit boards and other components within housings.

Classification 3643(1), *Electric Power or Transmission Equipment Mfg.*, applies to employers engaged in the manufacture or shop repair of electric power or transmission equipment with a power rating of higher than 746 watts (high wattage), such as generators, converters, transformers and power supplies (Classification 3643(1) employers). Operations contemplated in the classification include assembling components, securing electronic components onto circuit boards, winding materials onto components, assembling circuit boards and other components within housings and securing wire leads to coils.

A review of WCIRB inspection reports indicated that about a quarter of inspected Classification 3643(1) employers manufacture high wattage power supplies. A majority (about 77%) of inspected Classification 3643(1) employers manufacture products other than high wattage power supplies, such as other electric power or transmission equipment, and these employers accounted for about 85% of the payroll reported in Classification 3643(1) between PYs 2016 and 2020. These non-high wattage power supply manufacturing operations may require different raw materials, tools and manufacturing processes, which may result in different risk exposure.

If an employer engages in the manufacture of both high and low wattage power supplies, the primary operation (over 50% shop time) determines the classification assignment to either Classification 3573 or 3643(1).³ A review of WCIRB inspection reports indicated that about a quarter of inspected Classification 3573 employers and inspected high wattage power supply manufacturing employers assigned to Classification 3643(1) (high wattage operations in 3643(1)) engage in the manufacture of both low and high wattage power supplies. These employers may use the same crew or separate crews of employees for the manufacture of both low and high wattage power supplies.

- **Comparison of the Loss and Payroll Experience of Classifications 3573, 3643, 3643(1) and High Wattage Operations in 3643(1)**

In addition to operational characteristics, the WCIRB compared the loss and payroll experience of Classifications 3573, 3643⁴ and 3643(1), and high wattage operations in 3643(1).⁵ As shown in Figure 2, the historical year-to-year advisory pure premium rates for Classification 3573 has been stable and consistently lower than those for the statewide average of all classifications and Classification 3643. Effective September 1, 2023, the California Department of Insurance's approved advisory pure premium

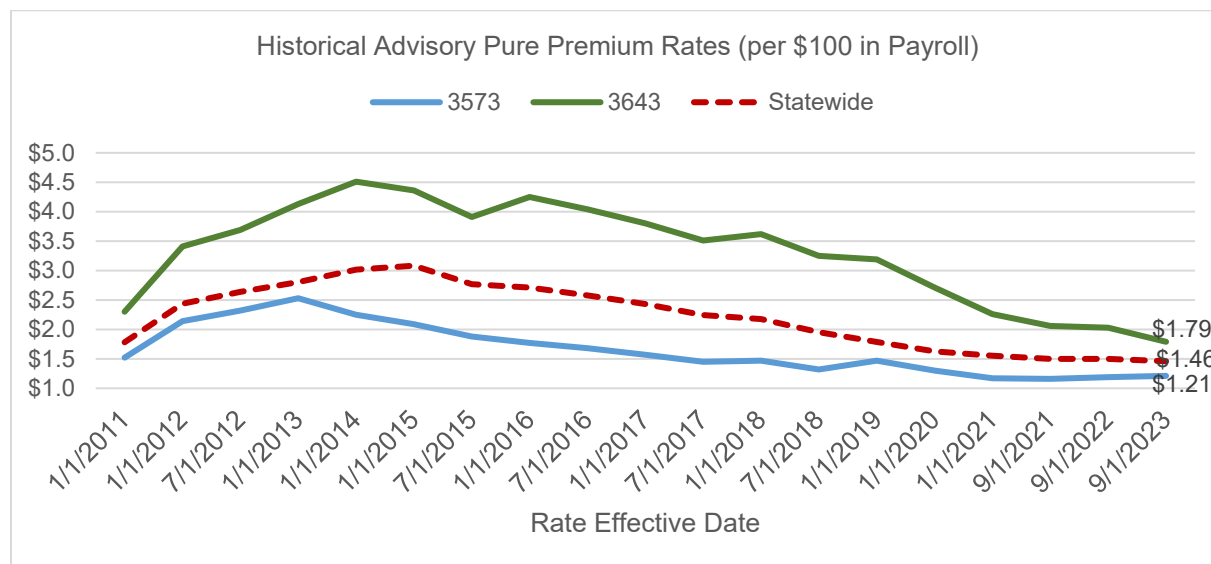
³ This assignment is based on footnotes in Classifications 3573 and 3643(1). For example, if an employer engages in the manufacture or shop repair of both low wattage and high wattage power supplies, but the primary operation (over 50% of shop time) is the manufacture of low wattage power supplies, then both the high wattage and low wattage manufacturing operations are classified in Classification 3573.

⁴ Since the impact of any potential classification changes on advisory pure premium rates is at the classification level, the analysis included the statewide experience of Classification 3643. Classification 3643 has two alternate phraseologies (or suffixes): 3643(1), *Electric Power or Transmission Equipment Mfg.*; and 3643(2), *Electric Control Panel or Switchgear Mfg.*

⁵ Classification 3643(1) employers were identified based on inspection reports where Classification 3643(1) was assigned. High wattage operations in 3643(1) were identified based on inspection reports where Classification 3643(1) was assigned for high wattage power supply manufacturing operations. Therefore, the loss and payroll experience of Classification 3643(1) and for high wattage operations in 3643(1) were based solely on inspected Classification 3643(1) employers. Inspected Classification 3643(1) employers and inspected high wattage operations in 3643(1) accounted for 19% and 3% of Classification 3643 payroll between PYs 2011 and 2020, respectively. Each group had limited available data, which may not be credible and therefore was not shown for some of the data comparisons.

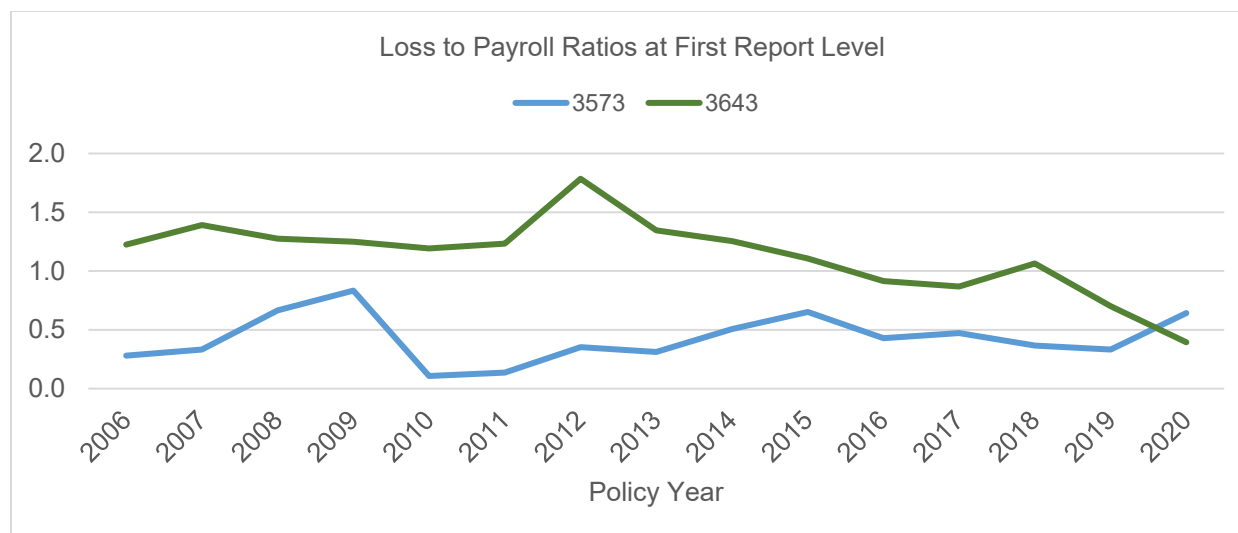
rate for Classification 3643 (\$1.79 per \$100 of payroll) is 48% higher than that for Classification 3573 (\$1.21 per \$100 of payroll).

Figure 2. Historical Pure Premium Rates



Similarly, the historical loss to payroll ratios at the first report level for Classification 3573 have been much lower than those for Classification 3643 (see Figure 3). The 5-year loss to payroll ratios between PYs 2016 and 2020 for Classification 3643 (\$0.73 per \$100 of payroll) is about 59% higher as compared to that for Classification 3573 (\$0.46 per \$100 of payroll). The gap in the 10-year loss to payroll ratios between the two classifications is even larger between PYs 2011 and 2020. While the loss to payroll ratios started to converge in recent PYs 2019 and 2020, the convergence may have been impacted by the pandemic and may not represent the future experience of the two classifications.

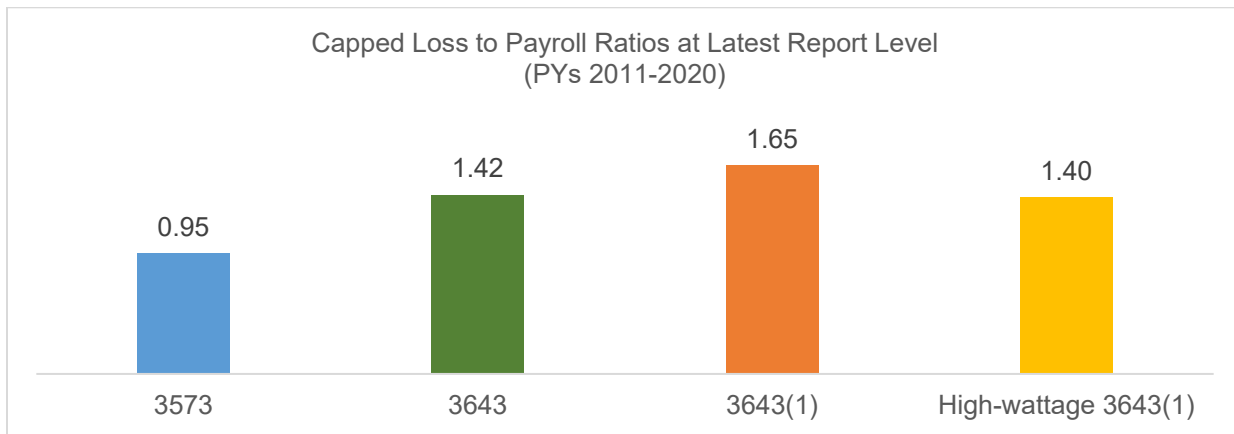
Figure 3. Historical Capped Loss to Payroll Ratios at First Report Level (PYs 2006-2020)



Loss to Payroll Ratio (00s) ⁶	Classification 3573	Classification 3643
5-year (PYs 2016-2020)	0.46	0.73
10-year (PYs 2011-2020)	0.43	0.95

The WCIRB further compared the 10-year loss to payroll ratios at the latest report level⁷ between Classifications 3573, 3643 and 3643(1) and high wattage operations in 3643(1) (see Figure 4). The large gap between Classifications 3573 and 3643 continues to hold at the latest maturity level. The 10-year loss to payroll ratio for high wattage operations in 3643(1) is 47% higher than that for Classification 3573 suggesting the risk exposure of employers assigned to the two classifications may be significantly different.

Figure 4. 10-Year Combined Capped Loss to Payroll Ratios at Latest Report Level (PYs 2011 – 2020)

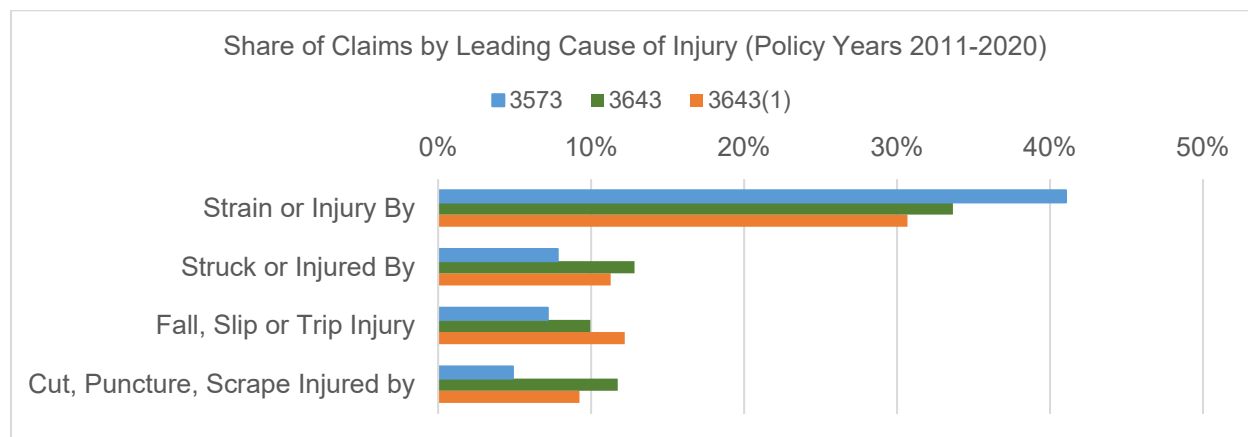


Also as shown in Figure 5, the typical causes of injury were generally dissimilar between claims reported in Classification 3573 and those reported in Classification 3643(1). Claims reported in Classification 3573 are more likely to involve strain injuries and less likely to involve struck, fall and cut injuries as compared to Classifications 3643(1) and 3643. The difference between Classifications 3573 and 3643(1) may be related to the different manufacturing processes of employers manufacturing non-high wattage products assigned to Classification 3643(1) and employers primarily manufacturing low wattage power supply assigned to Classification 3573. In addition, the WCIRB found that high wattage operations in 3643(1) share similar leading causes of injuries to Classification 3643(1) and are dissimilar compared to those of Classification 3573.

⁶ The loss to payroll ratios were calculated as the aggregate losses over the PY period specified divided by the aggregate payroll during the same period. Losses were evaluated at the first report level.

⁷ The 10-year loss to payroll ratios were calculated as the aggregate losses over PYs 2011 to 2020 divided by the aggregate payroll during the same period. Losses were evaluated at the latest report level. The 10-year loss to payroll ratios were used in the comparisons to increase the stability of the data due to the limited data available for Classifications 3643(1) and for high wattage operations in 3643(1).

Figure 5. Share of Claims by Leading Causes of Injury (PYs 2011–2020)



III. Findings and Recommendations

In summary, while Classification 3573 employers have some operational similarities to high wattage operations in Classification 3643(1), only a small proportion of Classification 3643(1) employers manufacture high wattage power supplies. The remaining Classification 3643(1) employers have operations that are less similar to high wattage power supply manufacturing operations. Further, the loss and payroll experience of Classification 3573 is dissimilar to that of Classifications 3643 and 3643(1) and high wattage operations in 3643(1). Although Classification 3573 is a low credibility classification, the reported payroll, number of employers and advisory pure premium rates have been historically stable, with a significant increase in payroll for the latest policy year. These trends do not suggest a further reduction in the credibility of Classification 3573.

Based on the findings, WCIRB staff does not recommend reassigning Classification 3573 employers to Classification 3643(1) and recommends that low wattage power supply manufacturing operations continue to be assigned to Classification 3573.

Appendix I – Analysis Approach

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

Classification Inspection Reports: The WCIRB reviewed Classification Inspection Reports for employers with payroll reported in the classifications to better understand these employers' business operations.

Industry Outreach: The WCIRB contacted members of the industry, including industry associations and insurers that underwrite significant components of the industry, to gain insight into the operational characteristics.

Unit Statistical Reports: The WCIRB analyzed historical Unit Statistical Report data at the first report level and latest report level, including employers' payroll, loss experience and injury characteristics of claims. Losses were limited to \$500,000 per claim to minimize large swings in the loss to payroll ratios over time.

Other Jurisdictions: The WCIRB reviewed the classification procedures in other jurisdictions to understand how other jurisdictions classify operations contemplated within the classifications.

Classification Relativity Data: Classification relativity data as reflected in the WCIRB's September 1, 2023 Regulatory Filing were used to analyze the impact of the potential classification changes.

Appendix II – Classification History

Following is a timeline of significant changes to the scope and application of Classification 3573, *Power Supply Mfg.*:

- **1996:** Classification 3573, *Power Supply Mfg. – N.P.D.*, was established to apply to the manufacture of power supplies with a power rating of less than 746 watts and was included in the newly established Electronics Industry Group.
 - Constituents of Classification 3573 were previously classified in Classification 3681
- **2016:** Classification 3573 was amended to clarify its intended application and provide direction as to how related operations shall be classified.

Following is a timeline of significant changes to the scope and application of Classification 3643(1), *Electric Power or Transmission Equipment Mfg. – N.O.C.*:

- **1930:** Classification 3643, *Electric Power or Transmission Equipment Mfg.*, was established to apply to the manufacture or repair of motors, generators, converters, transformers, switchboards, circuit breakers, switches and switchboard apparatus and incidental equipment.
- **1965:** Classification 3643 was amended to indicate that it applies only to the manufacture of equipment with a rating of one horsepower or more.
- **1996:** Classification 3643, *Electric Power or Transmission Equipment Mfg.*, was amended to include the manufacture of power supplies with a power rating of 746 watts or more and to add a suffix. A new classification, Classification 3643(2), *Electric Control Panel or Switch Gear Mfg.*, was established to apply to the manufacture of electric control panels and switch gears. Both classifications were included in the newly established Electronics Industry Group.
- **2016:** Classification 3643(1) was amended to clarify its intended application and provide direction as to how related operations shall be classified.

Appendix III – Other Jurisdictions

The WCIRB reviewed how other jurisdictions classify power supply manufacturing. The National Council on Compensation Insurance, Inc. and the Workers' Compensation Rating and Inspection Bureau of Massachusetts direct that power supply manufacturing be assigned to Classification 3643, *Electric Power or Transmission Equipment Mfg.*

The New Jersey Compensation Rating and Inspection Bureau directs that the manufacture of wired electrical products, such as power supplies, be assigned to Classification 3179, *Electrical Apparatus Mfg.*

The New York Compensation Insurance Rating Board directs that the manufacture of equipment based on a small electrical supply unit be assigned to Classification 3179, *Electrical Apparatus Mfg.*, and the manufacture of larger power supply and transmission equipment be assigned to Classification 3643, *Electric Power or Transmission Equipment Mfg.*

Item III-E

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

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

Amend Section IV, *Special Industry Classification Procedures*, Rule 5, *Stores*, subrules e and f, for consistency with other proposed changes.

PROPOSED

Section IV – Special Industry Classification Procedures

-
-
-

5. Stores*

-
-
-
- e. If a store maintains a department for the preparation and sale of ~~hot foods~~ or beverages, unless otherwise provided in the classification phraseology or footnote, such operations shall be separately classified. Refer to the *Food and Beverage Service* Industry Group for a complete list of classifications applicable to the preparation or serving of food or beverages. The payroll of employees who interchange between store operations and the department engaged in the preparation and sale of ~~hot foods~~ or beverages shall be assigned in accordance with Section V, Rule 3, *Division of Single Employee's Payroll*.
- f. Mobile food vendors engaged in the retail sale of beverages or packaged or cold foods from food trucks, trailers, carts or temporary booths, including the incidental storage of such merchandise, shall be classified as 8017(1), *Stores – retail*, 8078(1), *Sandwich Shops*, 8078(2), *Beverage Preparation Shops*, or 8078(3), *Ice Cream or Frozen Yogurt Shops*, depending on the products sold. The operation of mobile food trucks, trailers, carts or temporary booths wherein hot food is prepared for sale to customers shall be classified as 9081(1), *Restaurants – N.O.C.*

* This rule contains changes that were approved in the September 1, 2023 Regulatory Filing to be effective September 1, 2024.

* * * * *

Recommendation

Amend Classification 8078(2), *Beverage Preparation Shops*, which is part of the Food and Beverage Service Industry Group, to clarify its intended application and provide direction as to how related operations should be classified.

PROPOSED

FOOD AND BEVERAGE SERVICE*

BEVERAGE PREPARATION SHOPS – not restaurants, bars or taverns

8078(2)

This classification applies to preparing and serving beverages such as coffee; coffee-based beverages such as mochas, cappuccinos, lattes ~~and/or~~ espressos; tea or tea-based beverages; ~~an-~~ ~~do~~ ~~r~~ juice drinks such as juice blends, smoothies ~~and/or~~ lemonade, for consumption by the walk-in trade on or away from the premises. This classification ~~shall apply~~ applies to each separate ~~location at which~~ and distinct department where 50% or more of the gross receipts are generated from the sale of prepared nonalcoholic beverages for consumption on or away from the premises ~~equals or exceeds 50% of gross receipts~~. This classification includes the sale of additional items, including but not limited to muffins, pastries and other baked goods.

Shops that prepare and sell a combination of (1) cold items such as sandwiches, wraps and salads; (2) coffee, tea or other nonalcoholic beverages and (3) individual servings of ice cream, gelato or frozen yogurt shall be assigned to Classifications 8078(1), *Sandwich Shops*, 8078(2), *Beverage Preparation Shops*, or 8078(3), *Ice Cream or Frozen Yogurt Shops*, based on the category of items with the highest percentage of sales.

The bottling or canning of beverages or the manufacture of concentrates shall be separately classified.

This classification does not apply to locations that: (1) prepare and serve hot food or (2) pour and serve alcoholic beverages for consumption by the walk-in trade. Such operations shall be assigned to the applicable *Food and Beverage Service* Industry Group classification.

* This classification contains changes that were approved in the September 1, 2023 Regulatory Filing to be effective September 1, 2024.

* * * * *

Recommendation

Amend Classification 9082, *Caterers*, which is part of the Food and Beverage Service Industry Group, to clarify its intended application.

PROPOSED

FOOD AND BEVERAGE SERVICE*

CATERERS – not restaurants

9082

This classification applies to employers engaged exclusively in the preparation, delivery and set-up or service of hot and cold food at customer-specified locations for weddings, conferences, parties, meetings or similar events and includes the pouring and serving of beverages in connection with the employer's catering operations. Employers typically prepare large quantities of food in advance that are kept warm and served from a warming tray or similar device or reheated and served hot. This classification applies only to employers that do not maintain a location for (1) customers to dine-in or consume beverages, or (2) ~~for~~ the preparation of individually ordered meals for consumption away from the premises.

Employers that do not operate restaurants but manufacture or process individually packaged meals or salads that are not cooked to order, kept warm or served hot to the walk-in trade shall be classified as 6504, *Food Products Mfg. or Processing*.

Mobile food vendors that prepare hot food shall be classified as 9081(1), *Restaurants – N.O.C.* Mobile food vendors that do not prepare hot food shall be classified as 8017(1), *Stores – retail*, 8078(1), *Sandwich Shops*, 8078(2), *Beverage Preparation Shops*, or 8078(3), *Ice Cream or Frozen Yogurt Shops*, depending on the products sold.

App-based on-demand Delivery Network Companies (DNC) that deliver restaurant meals on a fee basis shall be classified as 7198(1), *Parcel Delivery and Messenger Service Companies*.

Off-site catering operations performed by a restaurant or hotel shall be assigned to the applicable *Food and Beverage Service* Industry Group classification.

* This classification contains changes that were approved in the September 1, 2023 Regulatory Filing to be effective September 1, 2024.

* * * * *

Recommendation

Amend Classification 8078(3), *Ice Cream or Frozen Yogurt Shops*, which is part of the Food and Beverage Service Industry Group, to clarify its intended application and provide direction as to how related operations should be classified.

PROPOSED

FOOD AND BEVERAGE SERVICE*

ICE CREAM OR FROZEN YOGURT SHOPS – not restaurants, bars or taverns

8078(3)

This classification applies to the sale of individual servings of ice cream, gelato or frozen yogurt for consumption by the walk-in trade on or away from the premises. This classification ~~shall~~

~~apply~~ applies to each separate location at which and distinct department where 50% or more of the gross receipts are generated from the sale of individual servings of ice cream, gelato or frozen yogurt for consumption on or away from the premises ~~equals or exceeds 50% of gross receipts~~. This classification includes the incidental sale of hand-packed ice cream or prepackaged ice cream confections sold as such.

Shops that prepare and sell a combination of (1) cold items such as sandwiches, wraps and salads; (2) coffee, tea or other nonalcoholic beverages and (3) individual servings of ice cream, gelato or frozen yogurt shall be assigned to Classifications 8078(1), *Sandwich Shops*, 8078(2), *Beverage Preparation Shops*, or 8078(3), *Ice Cream or Frozen Yogurt Shops*, based on the category of items with the highest percentage of sales.

This classification does not apply to locations that: (1) prepare and serve hot food or (2) pour and serve alcoholic beverages for consumption by the walk-in trade. Such operations shall be assigned to the applicable *Food and Beverage Service* Industry Group classification.

* This classification contains changes that were approved in the September 1, 2023 Regulatory Filing to be effective September 1, 2024.

* * * * *

Recommendation

Amend Classification 8078(1), *Sandwich Shops*, which is part of the Food and Beverage Service Industry Group, to clarify its intended application and provide direction as to how related operations should be classified.

PROPOSED

FOOD AND BEVERAGE SERVICE*

SANDWICH SHOPS – N.O.C. – not restaurants, bars or taverns

8078(1)

This classification applies to the preparation, serving or sale of cold food items such as sandwiches, wraps or salads and side dishes that are prepared for consumption by the walk-in trade. This classification ~~shall apply~~ applies to each separate location at which and distinct department where 50% or more of the gross receipts are generated from the sale of prepared cold food items for consumption on or away from the premises ~~equals or exceeds 50% of gross receipts~~ and where no hot food or alcoholic beverages are prepared or poured and served.

Cold food items ~~are~~ include:

- foods that are prepared and served cold or;
- foods that are cooked in advance of orders, and allowed to cool; This classification includes the incidental warming of cold food items and served cold or warmed using microwave ovens, sandwich presses, toaster ovens or heat lamps;
- and the preparation of sandwiches prepared with meats that are kept warm in a steam table cooked in advance of orders and kept warm; and
- fresh, unbaked pizzas.

This classification also applies to stores that prepare and sale of fresh, unbaked pizzas. Shops that prepare and sell a combination of (1) cold items such as sandwiches, wraps and salads; (2) coffee, tea or other nonalcoholic beverages and (3) individual servings of ice cream, gelato or frozen yogurt shall be assigned to Classifications 8078(1), *Sandwich Shops*, 8078(2), *Beverage*

Preparation Shops, or 8078(3), Ice Cream or Frozen Yogurt Shops, based on the category of items with the highest percentage of sales.

Employers that do not operate sandwich shops but manufacture or process individually packaged meals or salads that are not prepared and served to the walk-in trade shall be classified as 6504, Food Products Mfg. or Processing.

This classification does not apply to locations that: (1) prepare and serve hot food or (2) pour and serve alcoholic beverages for consumption by the walk-in trade. ~~Such operations shall be assigned to the applicable Food and Beverage Service Industry Group classification.~~ Hot food items are foods that are cooked to order from a raw or partially cooked state to a safe consumable minimum internal temperature using cooking equipment, including but not limited to deep fryers, ovens, stovetops, griddles, barbeques, grills, hot plates and pressure or steam cookers and served hot for consumption by the walk-in trade. Except for the cold food items listed above, this also includes foods that are cooked in advance and served from a warming tray or similar device.

Refer to the Food and Beverage Service Industry Group for a complete list of classifications applicable to the preparation or serving of hot food or pouring and serving of alcoholic beverages.

* This classification contains changes that were approved in the September 1, 2023 Regulatory Filing to be effective September 1, 2024.

* * * * *

Recommendation

Amend Classification 2063, *Dairy Products or Ice Mfg.*, which is part of the Food Packaging and Processing Industry Group, for consistency with other proposed changes.

PROPOSED

FOOD PACKAGING AND PROCESSING

DAIRY PRODUCTS OR ICE MFG.

2063

This classification applies to the manufacturing or processing, including pasteurization, of dairy products, including but not limited to milk, evaporated milk, dairy beverages, powdered milk, cheese, ice cream, yogurt, whipped cream and butter, and includes the incidental packaging of products in containers, including but not limited to bottles, boxes, plastic containers and metal or paper cans. This classification also applies to route drivers who deliver bottled milk to customers and perform no other duties on the farm premises.

This classification also applies to the manufacture of ice or the purchase and resale of ice.

This classification also applies to the manufacture of sorbet, gelato or sherbet, as well as frozen dairy or nondairy novelty treats, including but not limited to ice pops, fruit juice bars, ice cream bars and ice cream sandwiches.

The manufacture of nonalcoholic juice or juice concentrates from fruit, vegetables, nuts or seeds shall be separately classified as 2116, *Juice or Juice Concentrate Mfg.*

The sale of individual servings of ice cream, gelato or frozen yogurt for consumption by the walk-in trade on or away from the premises, including the incidental sale of hand-packed ice cream or prepackaged ice cream confections sold as such, shall be classified as 8078(3), *Ice Cream or Frozen Yogurt Shops*, at each separate ~~location at which~~ and distinct department

where 50% or more of the gross receipts are generated from the sale of individual servings of ice cream, gelato or frozen yogurt for consumption on or away from the premises ~~equals or exceeds 50% of gross receipts.~~

The manufacture of dry ice shall be classified as 4635, *Oxygen or Hydrogen Mfg.*

The mixing or packaging of artificial (blue) ice shall be classified as 4828, *Chemical Mixing or Repackaging.*

The manufacture of butter substitutes shall be classified as 4717, *Butter Substitutes Mfg.*

The bottling or packaging of nondairy, nonalcoholic beverages shall be classified as 2163, *Bottling.*

* * * * *

Recommendation

Amend Classification 8006(1), *Stores – groceries – retail*, which is part of the Stores Industry Group, to clarify its intended application.

PROPOSED

STORES

STORES – groceries – retail

8006(1)

This classification applies to stores primarily (over 50% of gross receipts) engaged in the sale of grocery items, including but not limited to fresh or frozen produce, dairy products, cereals, canned goods, frozen foods, bread, condiments, herbal spices or flavorings, baking supplies, flour, soft drinks, coffee, tea, delicatessen style meats, salads, and cheeses. This classification includes the preparation or serving of delicatessen style meats, cheeses, sandwiches, salads or the preparation and sale of coffee, tea and other nonalcoholic beverages.

The following departments shall be separately classified:

- Fresh meat (cutting or wrapping)
- Bakery
- Hot food (preparation or serving)

For purposes of determining gross receipts, only the portion of lottery ticket sales identified by the California State Lottery as commission shall be included in the calculation. Refer to Section IV, Rule 5, *Stores*.

Stores engaged in the sale of grocery, snack and convenience items, having less than 5,000 square feet devoted to the display and sale of merchandise and open after 11:00 PM any night of the week shall be classified as 8061, *Stores – convenience*.

Stores engaged in the sale of gasoline or automobile services shall be classified in accordance with Section IV, Rule 5, *Stores*.

* * * * *

Recommendation

Amend Classification 8006(2), *Stores – fruit or vegetables – retail*, which is part of the Stores Industry Group, to clarify its intended application.

PROPOSED

STORES

STORES – fruit or vegetables – retail

8006(2)

This classification applies to stores primarily (over 50% of gross receipts) engaged in the sale of fresh produce. This classification includes the preparation or serving of sandwiches or salads or the preparation and sale of coffee, tea or other nonalcoholic beverages.

The following departments shall be separately classified:

- Fresh meat (cutting or wrapping)
- Bakery
- Hot food (preparation or serving)

For purposes of determining gross receipts, only the portion of lottery ticket sales identified by the California State Lottery as commission shall be included in the calculation. Refer to Section IV, Rule 5, *Stores*.

Stores primarily (over 50% of gross receipts) engaged in the sale of grocery items shall be classified as 8006(1), *Stores – groceries – retail*.

* * * * *

Item III-F

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 consistency with other industry group naming conventions and previously approved changes:

- Part 3, *Standard Classification System*, Section VII, *Standard Classifications*, Rule 1, *Classification Section*, subrule a, *Industry Groups*
- Classification 3082, *Foundries – steel castings*
- Classification 2923, *Musical Instrument Mfg.*
- Cross-reference to Classification 3066(3), *Aluminum Ware Mfg.*
- Cross-reference to Classification 3620(1), *Boiler Mfg.*
- Cross-reference to Classification 3066(4), *Coppersmithing*
- Cross-reference to Classification 8350, *Gasoline or Oil Dealers*
- Cross-reference to Classification 4740(3), *Gasoline Recovery*
- Cross-reference to Classification 8324, *Gasoline Stations – retail*
- Cross-reference to Classification 3040, *Iron or Steel Works – non-structural*
- Cross-reference to Classification 3030, *Iron or Steel Works – structural*
- Cross-reference to Classification 3647(2), *Lead Reclaiming or Alloying*
- Cross-reference to Classification 3400, *Metal Goods Mfg.*
- Cross-reference to Classification 8601(2), *Oil or Gas Geologists or Scouts*
- Cross-reference to Classification 1320, *Oil or Gas Lease Operators*
- Cross-reference to Classification 6216, *Oil or Gas Lease Work*
- Cross-reference to Classification 6233, *Oil or Gas Pipeline Construction*
- Cross-reference to Classification 7515, *Oil or Gas Pipeline Operation*
- Cross-reference to Classification 3719, *Oil or Gas Refineries*
- Cross-reference to Classification 1322, *Oil or Gas Well Servicing*
- Cross-reference to *Oil or Gas Well Supplies or Equipment Dealers*
- Cross-reference to Classification 6206(2), *Oil or Gas Wells – acidizing or hydraulic fracturing*
- Cross-reference to Classification 6206(1), *Oil or Gas Wells – cementing*
- Cross-reference to Classification 6235(1), *Oil or Gas Wells – drilling or redrilling*
- Cross-reference to Classification 6206(4), *Oil or Gas Wells – gravel packing*
- Cross-reference to Classification 6235(2), *Oil or Gas Wells – installation or recovery of casing*
- Cross-reference to Classification 6237(2), *Oil or Gas Wells – perforating of casing*
- Cross-reference to Classification 6213, *Oil or Gas Wells – specialty tool companies*
- Cross-reference to Classification 6206(3), *Oil or Gas Wells – vacuum truck service companies*
- Cross-reference to Classification 6237(1), *Oil or Gas Wells – wireline service companies*
- Cross-reference to Classification 4740(1), *Oil Refining*
- Cross-reference to Classification 9501(3), *Painting – automobile or truck bodies*
- Cross-reference to Classification 3022, *Pipe, Tube or Extrusion Mfg.*
- Cross-reference to Classification 3620(2), *Plate Steel Products Fabrication*
- Cross-reference to Classification 2797(3), *Recreational Vehicle Mfg.*
- Cross-reference to Classification 3039, *Reinforcing Steel Fabrication*
- Cross-reference to Classification 8388, *Rubber Tire Dealers*
- Cross-reference to Classification 3066(1), *Sheet Metal Products Mfg.*
- Cross-reference to Classification 3018, *Steel Making or Processing*
- Cross-reference to Classification 8046, *Stores – automobile or truck parts or accessories*
- Cross-reference to Classification 3815(2), *Truck Body Mfg.*
- Cross-reference to Classification 3815(1), *Truck, Truck Trailer or Bus Mfg. or Assembling*
- Cross-reference to Classification 3401(1), *Tube or Pipe Products Mfg.*
- Cross-reference to Classification 3257, *Wire Goods Mfg.*

Recommendation

Amend Part 3, *Standard Classification System*, Section VII, *Standard Classifications*, Rule 1, *Classification Section*, subrule a, Industry Groups, for consistency with other industry group naming conventions.

PROPOSED

Section VII – Standard Classifications

1. Classification Section

This section contains an alphabetical listing of classifications that describe most occupations, employments, industries and businesses. The classifications are organized as follows:

a. Industry Groups

Some classifications are grouped alphabetically under industry groupings to assist users in identifying and assigning classifications within similar industries. Construction-related classifications are listed in Appendix I, *Construction and Erection Classifications*. The following other industry groups are incorporated into the classifications listed in Rule 2, *Standard Classifications*, below:

- (1) Aircraft Operation
- (2) Automotive ~~Industry~~
- (3) Electronics
- (4) Farms
- (5) Food and Beverage Service*
- ~~(5)(6)~~ Food Packaging and Processing
- ~~(6)(7)~~ Health and Human Services
- ~~(7)(8)~~ Metal Working ~~Classifications~~
- ~~(8)(9)~~ Municipal, State or Other Public Agencies
- ~~(9)(10)~~ Petroleum ~~Industry~~
- ~~(10)(11)~~ Plastic Products Manufacturing
- ~~(11)(12)~~ Printing, Publishing and Duplicating
- ~~(12)(13)~~ Property Management/Operation
- ~~(13)(14)~~ Recycling and Refuse Management
- ~~(14)(15)~~ Sign ~~Industry~~
- ~~(15)(16)~~ Stores

*Changes approved in the September 1, 2023 Regulatory Filing to be effective September 1, 2024 are noted with double underlines.

* * * * *

Recommendation

Amend the cross-reference to Classification 3066(3), *Aluminum Ware Mfg.*, for consistency with other industry group naming conventions and previously approved changes.

PROPOSED

ALUMINUM WARE MFG. – ~~shop only~~ – from sheet aluminum

See Metal Working ~~Classifications~~.

* * * * *

Recommendation

Amend the Automotive Industry Group for consistency with other industry group naming conventions.

PROPOSED

AUTOMOTIVE ~~INDUSTRY~~

* * * * *

Recommendation

Amend the cross-reference to Classification 3620(1), *Boiler Mfg.*, for consistency with other industry group naming conventions.

PROPOSED

BOILER MFG. – plate steel – shop only

See Metal Working ~~Classifications~~.

* * * * *

Recommendation

Amend the cross-reference to Classification 3066(4), *Coppersmithing*, for consistency with other industry group naming conventions and previously approved changes.

PROPOSED

COPPERSMITHING – shop only

See Metal Working ~~Classifications~~.

* * * * *

Recommendation

Amend the cross-reference to Classification 8350, *Gasoline or Oil Dealers*, for consistency with other industry group naming conventions.

PROPOSED

GASOLINE OR OIL DEALERS – wholesale – including mixing or blending

See Petroleum ~~Industry~~.

* * * * *

Recommendation

Amend the cross-reference to Classification 4740(3), *Gasoline Recovery*, for consistency with other industry group naming conventions and previously approved changes.

PROPOSED

GASOLINE RECOVERY – from casing head or natural gas

See Petroleum ~~Industry~~.

* * * * *

Recommendation

Amend the cross-reference to Classification 8324, *Gasoline Stations – retail*, for consistency with other industry group naming conventions.

PROPOSED

GASOLINE STATIONS – retail – all employees – including cashiers

See Automotive Industry.

* * * * *

Recommendation

Amend the cross-reference to Classification 3040, *Iron or Steel Works – non-structural*, for consistency with other industry group naming conventions.

PROPOSED

IRON OR STEEL WORKS – non-structural – shop – fabricating, assembling or manufacturing ornamental brass, bronze or iron work; railings; balconies; fire escapes; staircases; iron shutters or other non-structural iron or steel work

See Metal Working Classifications.

* * * * *

Recommendation

Amend the cross-reference to Classification 3030, *Iron or Steel Works – structural*, for consistency with other industry group naming conventions.

PROPOSED

IRON OR STEEL WORKS – structural – shop – fabricating or assembling girders, beams, columns, trusses, stringers or other structural iron or steel

See Metal Working Classifications.

* * * * *

Recommendation

Amend the cross-reference to Classification 3647(2), *Lead Reclaiming or Alloying*, for consistency with other industry group naming conventions and previously approved changes.

PROPOSED

LEAD RECLAIMING OR ALLOYING – including litharge and lead oxide manufacturing

See Metal Working ~~Classifications~~

* * * * *

Recommendation

Amend the cross-reference to Classification 3400, *Metal Goods Mfg.*, for consistency with other industry group naming conventions.

PROPOSED

METAL GOODS MFG. – N.O.C.

See Metal Working ~~Classifications~~.

* * * * *

Recommendation

Amend the Metal Working Classifications Industry Group for consistency with other industry group naming conventions.

PROPOSED

METAL WORKING CLASSIFICATIONS

The following grouping includes classifications applicable to the manufacturing and machining of metal stock to produce an end-product that is not specifically described by another classification. Pursuant to Part 3, Section II, Rule 17, a classification having a N.O.C. (not otherwise classified) qualifier shall not be used if another classification more accurately describes the operation. As such, the following group does not include all possible classifications applicable to the manufacture or machining of metal products. For classifications that describe the manufacture or assembly of specific products, refer to the alphabetical listing of classifications. Foundry operations shall be classified in accordance with the provisions of Part 3, Section III, Rule 6, *General Exclusions*.

* * * * *

Recommendation

Amend the Classification 2923, *Musical Instrument Mfg.*, for consistency with other industry group naming conventions.

PROPOSED

MUSICAL INSTRUMENT MFG. – other than metal – N.O.C.

2923

This classification applies to the manufacture or repair of non-metal musical instruments, including but not limited to pianos, guitars, violins, cellos, violas, harps, banjos, organs and drums.

The manufacture of electronic music instruments, synthesizers, amplifiers and musical instrument digital interface (MIDI) equipment shall be classified as 3681(4), *Audio/Video Electronic Products Mfg.*

The manufacture or repair of metal musical instruments shall be assigned to the applicable *Metal Working* ~~Classifications~~ Industry Group classification.

* * * * *

Recommendation

Amend the cross-reference to Classification 8601(2), *Oil or Gas Geologists or Scouts*, for consistency with other industry group naming conventions and previously approved changes.

PROPOSED

OIL OR GAS GEOLOGISTS OR SCOUTS – including mapping of subsurface areas – including Clerical Office Employees, Clerical Telecommuter Employees and Outside Salespersons

See Petroleum Industry.

* * * * *

Recommendation

Amend the cross-reference to Classification 1320, *Oil or Gas Lease Operators*, for consistency with other industry group naming conventions and previously approved changes.

PROPOSED

OIL OR GAS LEASE OPERATORS – all operations

See Petroleum Industry.

* * * * *

Recommendation

Amend the cross-reference to Classification 6216, *Oil or Gas Lease Work*, for consistency with other industry group naming conventions and previously approved changes.

PROPOSED

OIL OR GAS LEASE WORK – N.O.C. – not lease operators

See Petroleum Industry.

* * * * *

Recommendation

Amend the cross-reference to Classification 6233, *Oil or Gas Pipeline Construction*, for consistency with other industry group naming conventions and previously approved changes.

PROPOSED

OIL OR GAS PIPELINE CONSTRUCTION – all operations

See Petroleum Industry.

* * * * *

Recommendation

Amend the cross-reference to Classification 7515, *Oil or Gas Pipeline Operation*, for consistency with other industry group naming conventions.

PROPOSED

OIL OR GAS PIPELINE OPERATION

See Petroleum Industry.

* * * * *

Recommendation

Amend the cross-reference to Classification 3719, *Oil or Gas Refineries*, for consistency with other industry group naming conventions.

PROPOSED

OIL OR GAS REFINERIES – erection or repair – all operations

See Petroleum Industry.

* * * * *

Recommendation

Amend the cross-reference to Classification 1322, *Oil or Gas Well Servicing*, for consistency with other industry group naming conventions and previously approved changes.

PROPOSED

**OIL OR GAS WELL SERVICING – N.O.C. – by contractors using well service or work-over rigs
– no drilling or redrilling – including Outside Salespersons**

See Petroleum Industry.

* * * * *

Recommendation

Eliminate the cross-reference to *Oil or Gas Well Supplies or Equipment Dealers*, for consistency with previously approved changes.

PROPOSED

**~~OIL OR GAS WELL SUPPLIES OR EQUIPMENT DEALERS – store or yard only – not
secondhand~~**

See Petroleum Industry.

* * * * *

Recommendation

Amend the cross-reference to Classification 6206(2), *Oil or Gas Wells – acidizing or hydraulic fracturing*, for consistency with other industry group naming conventions.

PROPOSED

OIL OR GAS WELLS – acidizing or hydraulic fracturing – all operations

See Petroleum Industry.

* * * * *

Recommendation

Amend the cross-reference to Classification 6206(1), *Oil or Gas Wells – cementing*, for consistency with other industry group naming conventions.

PROPOSED

OIL OR GAS WELLS – cementing

See Petroleum Industry.

* * * * *

Recommendation

Amend the cross-reference to Classification 6235(1), *Oil or Gas Wells – drilling or redrilling*, for consistency with other industry group naming conventions and previously approved changes.

PROPOSED

OIL OR GAS WELLS – drilling or redrilling – including installation of casing

See Petroleum Industry.

* * * * *

Recommendation

Amend the cross-reference to Classification 6206(4), *Oil or Gas Wells – gravel packing*, for consistency with other industry group naming conventions.

PROPOSED

OIL OR GAS WELLS – gravel packing

See Petroleum Industry.

* * * * *

Recommendation

Amend the cross-reference to Classification 6235(2), *Oil or Gas Wells – installation or recovery of casing*, for consistency with other industry group naming conventions.

PROPOSED

OIL OR GAS WELLS – installation or recovery of casing

See Petroleum Industry.

* * * * *

Recommendation

Amend the cross-reference to Classification 6237(2), *Oil or Gas Wells – perforating of casing*, for consistency with other industry group naming conventions and previously approved changes.

PROPOSED

OIL OR GAS WELLS – perforating of casing – all operations

See Petroleum Industry.

* * * * *

Recommendation

Amend the cross-reference to Classification 6213, *Oil or Gas Wells – specialty tool companies*, for consistency with other industry group naming conventions and previously approved changes.

PROPOSED

OIL OR GAS WELLS – specialty tool companies – N.O.C. – all employees – including shop, yard or storage operations and outside supervisors

See Petroleum-Industry.

* * * * *

Recommendation

Amend the cross-reference to Classification 6206(3), *Oil or Gas Wells – vacuum truck service companies*, for consistency with other industry group naming conventions and previously approved changes.

PROPOSED

OIL OR GAS WELLS – vacuum truck service companies – all operations

See Petroleum-Industry.

* * * * *

Recommendation

Amend the cross-reference to Classification 6237(1), *Oil or Gas Wells – wireline service companies*, for consistency with other industry group naming conventions and previously approved changes.

PROPOSED

OIL OR GAS WELLS – wireline service companies – including instrument logging or survey work in wells

See Petroleum-Industry.

* * * * *

Recommendation

Amend the cross-reference to Classification 4740(1), *Oil Refining*, for consistency with other industry group naming conventions and previously approved changes.

PROPOSED

OIL REFINING – petroleum

See Petroleum Industry.

* * * * *

Recommendation

Amend the cross-reference to Classification 9501(3), *Painting – automobile or truck bodies*, for consistency with other industry group naming conventions and previously approved changes.

PROPOSED

PAINTING – automobile or truck bodies – including incidental sanding – no body or fender repairing – including estimators, service writers and customer service representatives who inspect vehicles

See Automotive Industry.

* * * * *

Recommendation

Amend the Petroleum Industry Group for consistency with other industry group naming conventions.

PROPOSED

PETROLEUM INDUSTRY

* * * * *

Recommendation

Amend the cross-reference to Classification 3022, *Pipe, Tube or Extrusion Mfg.*, for consistency with other industry group naming conventions.

PROPOSED

PIPE, TUBE OR EXTRUSION MFG. – metal – not iron or steel

See Metal Working ~~Classifications~~.

* * * * *

Recommendation

Amend the cross-reference to Classification 3620(2), *Plate Steel Products Fabrication*, for consistency with other industry group naming conventions.

PROPOSED

PLATE STEEL PRODUCTS FABRICATION – N.O.C.

See Metal Working ~~Classifications~~.

* * * * *

Recommendation

Amend the cross-reference to Classification 2797(3), *Recreational Vehicle Mfg.*, for consistency with other industry group naming conventions.

PROPOSED

RECREATIONAL VEHICLE MFG.

See Automotive ~~Industry~~.

* * * * *

Recommendation

Amend the cross-reference to Classification 3039, *Reinforcing Steel Fabrication*, for consistency with other industry group naming conventions.

PROPOSED

REINFORCING STEEL FABRICATION – at permanent shop or yard location

See Metal Working ~~Classifications~~.

* * * * *

Recommendation

Amend the cross-reference to Classification 8388, *Rubber Tire Dealers*, for consistency with other industry group naming conventions and clarity.

PROPOSED

RUBBER TIRE DEALERS – including estimators, service writers, customer service representatives, and cashiers, and accessories and spare parts departments

See Automotive ~~Industry~~.

* * * * *

Recommendation

Amend the cross-reference to Classification 3066(1), *Sheet Metal Products Mfg.*, for consistency with other industry group naming conventions.

PROPOSED

SHEET METAL PRODUCTS MFG. – shop only – N.O.C.

See Metal Working ~~Classifications~~.

* * * * *

Recommendation

Amend the Sign Industry Group for consistency with other industry group naming conventions.

PROPOSED

SIGN INDUSTRY

* * * * *

Recommendation

Amend the cross-reference to Classification 3018, *Steel Making or Processing*, for consistency with other industry group naming conventions.

PROPOSED

STEEL MAKING OR PROCESSING

See Metal Working Classifications.

* * * * *

Recommendation

Amend cross-reference to Classification 8046, *Stores – automobile or truck parts or accessories*, for consistency with previously approved changes.

PROPOSED

**STORES – automobile or truck parts or accessories – wholesale or retail – including inside
Salespersons or Outside Salespersons**

See Stores.

* * * * *

Recommendation

Amend Classification 3082, *Foundries – steel castings*, for consistency with previously approved changes.

PROPOSED

FOUNDRIES – steel castings

3082

This classification applies to foundries that produce steel castings, including incidental processing operations such as the removal of gates, risers, burrs and flash.

This classification includes the manufacture of foundry sand cores that are used in the employer's foundry operations.

Foundry operations are General Exclusions; therefore, unless specifically included in the language of a classification, foundry operations shall be separately classified. See Part 3, Section III, Rule 6, *General Exclusions*.

The manufacture of patterns for use in foundry operations shall be separately classified as 2790, *Pattern or Model Mfg.*

The casting of nonferrous metal shall be classified as 3085, *Foundries – nonferrous*, in accordance with the provisions of the Multiple Enterprises rule.

The casting of iron shall be classified as 3081, *Foundries – iron*, in accordance with the provisions of the Multiple Enterprises rule.

Die casting shall be classified as 1925, *Die Casting Mfg.*

The manufacture of metal castings, either ferrous or nonferrous, by the lost wax or investment process shall be classified as 3339, *Foundries – investment casting*.

The machining and assembly of castings to produce finished parts or products, including but not limited to water meter covers, pump housings, fire grates, bolt anchors, gas burners and weights suspension components, impellers, hinges, golf club heads, valves and rods shall be separately classified.

* * * * *

Recommendation

Amend the cross-reference to Classification 3815(2), *Truck Body Mfg.*, for consistency with other industry group naming conventions.

PROPOSED

TRUCK BODY MFG. – truck, truck trailer or bus bodies

See Automotive Industry.

* * * * *

Recommendation

Amend the cross-reference to Classification 3815(1), *Truck, Truck Trailer or Bus Mfg. or Assembling*, for consistency with other industry group naming conventions.

PROPOSED

TRUCK, TRUCK TRAILER OR BUS MFG. OR ASSEMBLING

See Automotive Industry.

* * * * *

Recommendation

Amend the cross-reference to Classification 3401(1), *Tube or Pipe Products Mfg.*, for consistency with other industry group naming conventions.

PROPOSED

TUBE OR PIPE PRODUCTS MFG. – N.O.C.

See Metal Working Classifications.

* * * * *

Recommendation

Amend the cross-reference to Classification 3257, *Wire Goods Mfg.*, for consistency with other industry group naming conventions.

PROPOSED

WIRE GOODS MFG. – N.O.C.

See Metal Working Classifications.

* * * * *

Item III-G

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.

With respect to the September 1, 2024 Regulatory Filing, staff has now completed Phase I of the Food and Beverage Manufacturing or Processing Industry, Electronics Industry Group and Dual Wage studies as well as the annual evaluation of the physical audit threshold, payroll limitations and classification enhancements for inclusion in the September 1, 2024 Regulatory Filing. The Committee will review the classification relativities at the January 2024 meeting and the September 1, 2024 Regulatory Filing will be submitted in February 2024.

Staff has identified several potential studies for the Committee's consideration and recommends that the classification studies summarized in Table 1 be conducted in 2023-2024 for inclusion in the September 1, 2025 Regulatory Filing. These recommendations are the result of input provided by the California Department of Insurance (CDI), Committee members, stakeholders and staff. Table 1 also includes a rough estimate of the resource commitment for each study. Staff is seeking the Committee's input regarding the list of potential classification studies as well as the proposed prioritization of studies.

Table 1
Recommended Classification Research Studies
September 1, 2025 Regulatory Filing

Potential Classification Studies	Anticipated Commitment ¹
Food and Beverage Manufacturing or Processing Industry (Phase II) <ul style="list-style-type: none"> N.O.C. Classification 6504, <i>Food Products Mfg. or Processing</i> Classification 2003, <i>Bakeries or Cracker Mfg.</i> Low credibility classifications: <ul style="list-style-type: none"> 4717, <i>Butter Substitutes Mfg.</i> 4683(1), <i>Vegetable Oil Mfg. or Refining</i>, and 4683(2), <i>Cottonseed Oil Mfg. or Refining</i> 2030, <i>Sugar Mfg. or Refining</i> 	Very High
Potential Universal Maximum Payroll Limitation	Moderate to Very High
Telecommuting Classification: Policy Year 2021 Experience Review	Low
Sheltered Workshops	Low
Classification Enhancements	Low

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, "High" corresponds to an estimate between 251 and 400 hours, and "Very High" corresponds to an estimate exceeding 400 hours.

Recommended 2023-2024 Classification Studies

1. Food and Beverage Manufacturing or Processing Industry

Source: WCIRB

In 2022, staff conducted a systematic review of rapidly evolving industries using the WCIRB Classification Health Check tool to identify industries whose classification procedures may not continue to reflect typical industry operations. Based on this analysis, staff recommended and the Committee approved a multi-year review of the food and beverage manufacturing or processing industry, the second largest segment in the manufacturing industry which includes 22 classifications. In Phase I, staff developed an analysis framework which resulted in a recommendation to complete the following data-driven studies to address key classification issues identified in the industry, including:

- a. Whether operations assigned to Classification 6504, *Food Products Mfg. or Processing*, continue to be homogenous or if any distinct segments should be assigned to new or existing classification(s)
- b. Whether operations assigned to Classification 2003, *Bakeries or Cracker Mfg.*, continue to be homogeneous or if any distinct segments, such as commercial and retail bakeries, should be assigned to new or existing classification(s) and whether doughnut shops, currently assigned to Classification 9079(1), *Restaurants or Taverns*, are more similar to retail bakeries in Classification 2003
- c. Whether the following classifications should continue to be standalone classifications or if some or all of the operations contemplated in these classifications should be combined with operations in other classifications:
 - 4717, *Butter Substitutes Mfg.*
 - 4683(1), *Vegetable Oil Mfg. or Refining*, and 4683(2), *Cottonseed Oil Mfg. or Refining*
 - 2030, *Sugar Mfg. or Refining*
- d. Whether the operations assigned to the following classifications should be combined:
 - 2107, *Fruit – fresh fruit packing and handling*, 2108, *Fruit – citrus fruit packing and handling*, and 8209, *Vegetables – fresh vegetable or tomato packing and handling*
 - 2102, *Fruit or Vegetable Evaporation or Dehydrating*, and 2109, *Fruit – dried fruit packing and handling*

For Phase II, staff recommends completing studies a through c in 2024 for inclusion in the September 1, 2025 Regulatory Filing and for Phase III, completing the studies in d in 2025 for inclusion in the September 1, 2026 Regulatory Filing.

2. Potential Universal Maximum Payroll Limitation

Source: WCIRB

Over the last several years, the annual payroll limitation for executive officers, partners, individual employers and members of a limited liability company in the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP) has been extended to a number of additional classifications that had a large volume of highly compensated employees and variability in wages among employees in the classification. As part of the September 1, 2023 Regulatory Filing, the Insurance Commissioner approved the extension of the payroll limitations to six additional classifications with a proposed effective date of September 1, 2024. Based on the consistent findings of prior studies, staff recommends conducting outreach discussions with industry stakeholders and other jurisdictions in 2024 as part of the process to evaluate whether a universal payroll limitation should be applied to all classifications for inclusion in the September 1, 2025 filing with a September 1, 2026 effective date.

3. Telecommuting Classification: Policy Year 2021 Experience Review

Source: Classification and Rating Committee

Classification 8871, *Clerical Telecommuter Employees – N.O.C.*, was established January 1, 2021 and combined with Classification 8810, *Clerical Office Employees*, for purposes of pure premium ratemaking. Based on a review of initial unit statistical loss and payroll experience and claim characteristics reported on 2021 policies as of January 2023, a separate rate for Classification 8871 was established September 1, 2023 using a tempered approach consistent with the WCIRB standard practice of limiting the relativity change to 25%. Staff recommends further review of loss and payroll data reported in Classification 8871 on all 2021 policies and early 2022 policies to validate the differential in advisory pure premium rates between Classification 8810 and Classification 8871 in preparation for the September 1, 2025 Regulatory Filing.

4. Sheltered Workshops

Source: WCIRB

This study would review the operations assigned to Classification 8806, *Sheltered Workshops or Work Activity Centers*, to determine whether this classification needs to be amended or eliminated to align with the forthcoming January 1, 2024 legislative changes prohibiting the Industrial Welfare Commission from issuing any new special minimum wage licenses to sheltered workshops. The current scope of Classification 8806 is limited to “sheltered workshops or rehabilitation facilities certified as exempt from the minimum wage law by the United States Department of Labor, Employment Standards Administration, Wage and Hour Division, or the California Department of Industrial Relations, Division of Labor Standards Enforcement.”

Potential Future Classification Studies

5. 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. In addition, this review would include aquarium operations that are currently assigned to Classification 8838, *Museums*, to determine whether there is a more appropriate assignment for this group of operations.

6. Mining, Quarrying, and Oil and Gas Extraction Industry

Source: WCIRB

Based on a systematic review of evolving industries using the WCIRB Classification Health Check tool to identify industries whose classification procedures may not continue to reflect typical industry operations completed in 2022, staff recommends a multi-year review of the mining, quarrying, and oil and gas extraction industry. The Health Check analysis revealed that (1) industry payroll declined by 17% between policy years 2015 and 2019, mostly driven by the payroll decline in the oil and gas extraction industry segment and (2) all classifications in this industry are not fully credible, with five classifications having credibility less than 50%.

7. Stores Industry

Source: Multiple

Staff conducted a comprehensive review of the various metrics in the Classification Health Check tool for rapidly evolving industries completed in 2022, 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: (a) continue to be assigned to Classification 8017(1) or 8018, respectively, (b) be included in Classification 8062 or (c) qualify for its own unique standard classification.
- 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 completed in 2022, 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(5), *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 next phase, the Commissioner adopted the following 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*, (3) include yacht club operations in Classification 9060, *Clubs – country or golf*. In addition, a companion classification for the food and beverage service operations of hotels and motels was established to be effective September 1, 2024.

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. This will include a review of Classifications 9060, *Clubs – country, golf or yacht*, 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 the Food and Beverage Service Industry Group.

10. 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.

11. 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.

12. Social Services Agencies

Source: WCIRB

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

Item III-H

2024 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 30, 2024 at 9:30 AM	Review classification relativities for September 1, 2024 Regulatory Filing
Tuesday	May 21, 2024 at 9:30 AM	Review September 1, 2025 Regulatory Filing matters
Tuesday	August 6, 2024 at 9:30 AM	Review September 1, 2025 Regulatory Filing matters
Tuesday	November 12, 2024 at 9:30 AM	Review September 1, 2025 Regulatory Filing matters