

## Report on the Food and Beverage Manufacturing or Processing Industry

Excerpts from the WCIRB Classification and Rating Committee Agenda and  
Minutes  
August 6, 2024

### **About this Report**

The WCIRB prepares and presents reports to the WCIRB's Classification and Rating Committee to assist in the formulation of proposed changes to the Insurance Commissioner's regulations. Once adopted by the Classification and Rating Committee, the recommendations contained in the report are provided to the WCIRB Governing Committee and may be included in a WCIRB regulatory filing that is submitted to the Insurance Commissioner for approval.

### **About the WCIRB**

The WCIRB is California's trusted, objective provider of actuarially-based information and research, advisory pure premium rates, and educational services integral to a healthy workers' compensation system. Learn more at [www.wcirb.com](http://www.wcirb.com).

**Notice**

This Report was developed by the Workers' Compensation Insurance Rating Bureau of California (WCIRB) to assist in the formulation of proposed changes to the Insurance Commissioner's regulations. The WCIRB has made reasonable efforts to ensure the accuracy of this Report. You must make an independent assessment regarding the use of this Report based upon your particular facts and circumstances.

© 2024 Workers' Compensation Insurance Rating Bureau of California. All rights reserved.

No part of this work may be reproduced or transmitted in any form or by any means, electronic or mechanical, including, without limitation, photocopying and recording, or by any information storage or retrieval system without the prior written permission of the Workers' Compensation Insurance Rating Bureau of California (WCIRB), unless such copying is expressly permitted in this copyright notice or by federal copyright law. No copyright is claimed in the text of statutes and regulations quoted within this work.

Each WCIRB member company, including any registered third party entities, (Company) is authorized to reproduce any part of this work solely for the following purposes in connection with the transaction of workers' compensation insurance: (1) as necessary in connection with Company's required filings with the California Department of Insurance; (2) to incorporate portions of this work, as necessary, into Company manuals distributed at no charge only to Company employees; and (3) to the extent reasonably necessary for the training of Company personnel. Each Company and all agents and brokers licensed to transact workers' compensation insurance in the state of California are authorized to physically reproduce any part of this work for issuance to a prospective or current policyholder upon request at no charge solely for the purpose of transacting workers' compensation insurance and for no other purpose. This reproduction right does not include the right to make any part of this work available on any website or any form of social media.

Workers' Compensation Insurance Rating Bureau of California, WCIRB, WCIRB California, WCIRB Connect, WCIRB Inquiry, WCIRB CompEssentials, X-Mod Direct, eSCAD, Comprehensive Risk Summary, X-Mods and More, Annual Business Comparative and the WCIRB California logo (WCIRB Marks) are registered trademarks or service marks of the WCIRB. WCIRB Marks may not be displayed or used in any manner without the WCIRB's prior written permission. Any permitted copying of this work must maintain any and all trademarks and/or service marks on all copies.

To seek permission to use any of the WCIRB Marks or any copyrighted material, please contact the WCIRB at [customerservice@wcirb.com](mailto:customerservice@wcirb.com).

# Food and Beverage Manufacturing or Processing Industry Study

Sugar Mfg. or Refining  
Vegetable and Cottonseed Oil Mfg. or Refining  
Butter Substitute Mfg.

## Executive Summary

### I. Background and Objectives

The food and beverage manufacturing or processing industry (Industry) is the second largest manufacturing industry in California,<sup>1</sup> with growing payroll in the last decade.<sup>2</sup> In 2023, the WCIRB initiated a multi-year effort to holistically review the 22 classifications in this Industry to ensure that the classification procedures reflect evolving food and beverage manufacturing and processing operations.<sup>3</sup>

The first phase of the study developed an analysis framework to identify key classification issues for the Industry and recommended future classification studies to address those issues. One of the recommendations was to review three classifications with low statistical credibility, which can result in undue volatility in the year-to-year advisory pure premium rates. Therefore, as part of the second phase of the study, the WCIRB continued its analysis of the Industry and performed an in-depth operational and data review of low credibility Classifications 2030, *Sugar Mfg. or Refining – beet or cane – including beet dumps*, 4717, *Butter Substitutes Mfg.*, 4683(1), *Vegetable Oil Mfg. or Refining – N.O.C.*, and 4683(2), *Cottonseed Oil Mfg. or Refining – during both active and dormant seasons – including installation or repair of equipment; yard employees; seed or fuel haulers*, to determine whether they 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

#### Sugar/Oil Mfg. or Refining Study (Classifications 2030 and 4683)

The key findings include:

1. Classification 2030 and vegetable oil manufacturing and refining assigned to Classification 4683(1) have similar operations, including the use of similar processes and automated equipment. The loss and payroll experience and leading causes of injury of claims reported in Classification 2030 are generally similar to those of Classification 4683. Reassigning sugar manufacturing or refining operations from Classification 2030 to Classification 4683 would improve the statistical credibility and help stabilize the advisory pure premium rate for employers currently assigned to Classification 2030 or Classification 4683.
2. Reassigning sugar manufacturing or refining operations to Classification 4683 would lead to a decrease (-16.1%) in the selected loss to payroll ratio for employers currently assigned to Classification 2030, and an increase (+12.2%) in the selected loss to payroll ratio for employers currently assigned to Classification 4683.

---

<sup>1</sup> Based on the North American Industry Classification System (NAICS) Food Manufacturing component of subsector 311 and the Beverage Manufacturing component of subsector 312.

<sup>2</sup> The payroll for the Industry increased by 76% from 2010 to 2021 based on the historical Unit Statistical Report data at the first report level between policy years 2010 and 2021.

<sup>3</sup> The identified 22 food and beverage manufacturing or processing classifications are part of the NAICS food and beverage manufacturing groups and/or the *California Workers' Compensation Uniform Statistical Reporting Plan—1995's (USRP) Food Packaging and Processing Industry Group*. See also Item III-B Draft Food and Beverage Manufacturing or Processing Industry Study – Phase I (Analysis Framework and Study Plan) of the August 8, 2023 WCIRB Classification and Rating Committee Meeting Minutes.

3. Classification 4683(2) applies to the extraction or refining of cottonseed oil. However, there are currently very few cotton farming or cottonseed oil manufacturing or refining operations in California. The WCIRB found no inspected Classification 4683 employers that manufacture or refine cottonseed oil. Therefore, Classification 4683 is primarily comprised of Classification 4683(1) operations and cottonseed oil manufacturing or refining operations do not warrant a separate phraseology.

Based on these findings, WCIRB staff recommends:

1. Eliminating Classification 2030, *Sugar Mfg. or Refining*, and establishing Classification 4683(3), *Sugar Mfg. or Refining*, to include sugar manufacturing or refining operations.
2. Eliminating Classification 4683(2), *Cottonseed Oil Mfg. or Refining*, and amending Classification 4683(1) to include cottonseed oil manufacturing or refining operations.

### **Butter Substitute Mfg. Study (Classification 4717)**

The key findings include:

1. Classification 4717 operations are similar to the butter manufacturing operations assigned to Classification 2063, *Dairy Products or Ice Mfg.*, in that both classifications have similar processes, equipment and final products. The loss and payroll experience and leading causes of injury of Classification 4717 are generally similar to those of Classification 2063. Reassigning butter substitutes manufacturing operations from Classification 4717 to Classification 2063 would largely improve statistical credibility and help stabilize the advisory pure premium rate for employers currently assigned to Classification 4717.
2. Reassigning Classification 4717 employers to Classification 2063 would lead to a decrease of 15.3% in the loss to payroll ratio for employers currently assigned to Classification 4717 and a slight increase of 0.3% in the loss to payroll ratio for employers currently assigned to Classification 2063.
3. The manufacture of nondairy gelato currently assigned to Classification 6504, *Food Products Mfg. or Processing – N.O.C.*, has operations similar to the manufacture of gelato currently assigned to Classification 2063. Reassigning nondairy gelato manufacturing employers will have no impact on Classification 6504 or Classification 2063.

Based on these findings, WCIRB staff recommends:

1. Eliminating Classification 4717, *Butter Substitutes Mfg.*, and amending Classification 2063, *Dairy Products or Ice Mfg.*, to include butter substitute manufacturing operations.
2. Amending Classification 2063, *Dairy Products or Ice Mfg.*, to include nondairy gelato manufacturing operations.

## Sugar/Oil Mfg. or Refining Study

**2030, Sugar Mfg. or Refining – beet or cane – including beet dumps**

**4683(1), Vegetable Oil Mfg. or Refining – N.O.C.**

**4683(2), Cottonseed Oil Mfg. or Refining – during both active and dormant seasons – including installation or repair of equipment; yard employees; seed or fuel haulers**

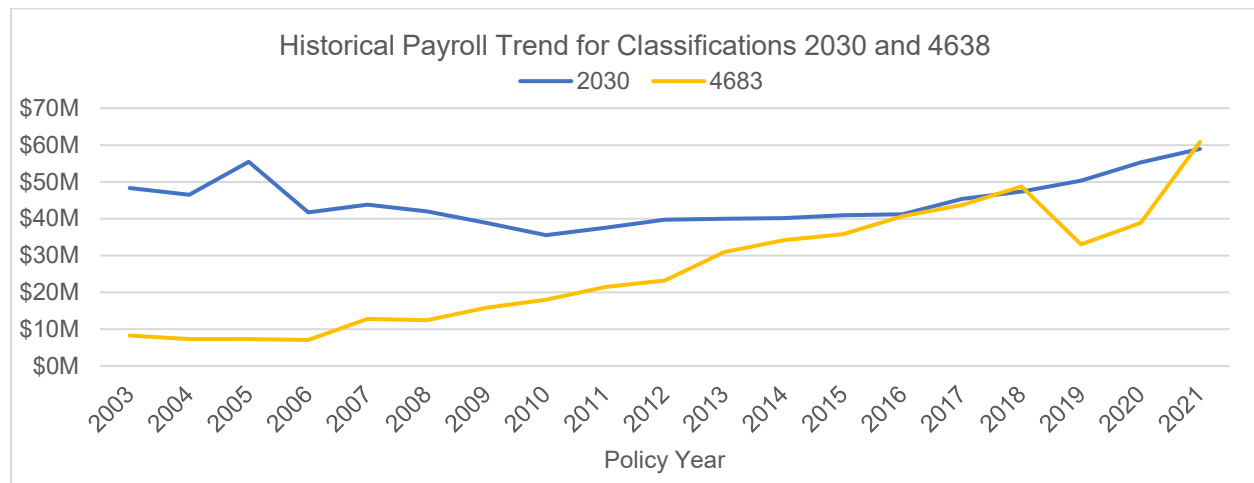
### I. Introduction and Study Objective

Employers assigned to Classifications 2030, *Sugar Mfg. or Refining – beet or cane – including beet dumps*, 4683(1), *Vegetable Oil Mfg. or Refining – N.O.C.*, or 4683(2), *Cottonseed Oil Mfg. or Refining — during both active and dormant seasons — including installation or repair of equipment; yard employees; seed or fuel haulers*, do not develop sufficient data to produce statistically credible advisory pure premium rates, which can result in undue volatility in the pure premium rates from year to year without significant change in the underlying exposure to workers' compensation losses.

The credibility of Classification 2030 is 0.53 for medical and 0.55 for indemnity. Payroll reported in Classification 2030 has been consistently low but relatively stable since 2002, with a steady increase after 2016 (Figure 1). On average, only about nine employers had payroll reported in Classification 2030 annually between policy years (PYs) 2017 and 2021, including one large employer which accounts for 70% of the classification's payroll.

The credibility of Classification 4683 is 0.48 for medical and 0.50 for indemnity. Payroll reported in Classification 4683 has increased steadily over the past decade, with some volatility in recent years<sup>1</sup> (Figure 1). On average, about 70 employers had payroll reported in Classification 4683 annually between PYs 2017 and 2021.

**Figure 1. Historical Payroll Trend for Classifications 2030 and 4683 (PYs 2003-2021)**



Consistent with the WCIRB's practice of reviewing classifications with low statistical credibility dominated by large employers,<sup>2</sup> the WCIRB studied business operations and payroll and claim experience of employers currently assigned to Classification 2030 and those of employers currently assigned to

<sup>1</sup> The volatility in payroll for Classification 4683 for PYs 2019 and 2020 was driven by payroll fluctuations from large Classification 4683 employers.

<sup>2</sup> The year-to-year experience of low credibility classifications that are dominated by large employers may be overly impacted by the change in the experience of those large employers, which can result in undue volatility in the advisory pure premium rates year-to-year.

Classification 4683 to determine if these classifications should continue to be stand-alone classifications or if the operations contemplated in these two classifications should be combined given they are operationally similar and have similar loss and payroll experience and claim characteristics.<sup>3</sup>

## II. Analysis Results

### • Operational Comparison between Classification 2030 and Classification 4683

Classification 2030 applies to employers engaged in the manufacture or refining of sugar. Operations contemplated in this classification include processing sugarcane or sugar beets to produce juice, heating juice, melting milled sugarcane to produce liquid sugar then filtering and crystallizing it, and then washing and drying sugar. The majority of the equipment used in these processes is automated.

Classification 4683 has two alternate phraseologies. Classification 4683(1) applies to employers engaged in the extraction and refining of oil from vegetables, seeds (not cottonseed) and nuts. Operations contemplated in this classification include crushing or pressing ingredients to extract oil, clarifying crude vegetable oil, separating oil from impurities, deodorizing and hydrogenating oil, filtering oil and interesterification. The majority of the equipment used in these processes is automated. Classification 4683(1) also applies to employers engaged in the processing and refining of waste cooking oil to produce fuel oil, including biodiesel. These operations include filtering waste cooking oil and adding methanol to produce fuel oil or biodiesel.

Classification 4683(2) applies to employers engaged in the extraction and refining of cottonseed oil. Based on a review of WCIRB classification inspection reports, none of the inspected Classification 4683 employers manufacture or refine cottonseed oil. This is consistent with the industry trend that there are very few cotton farming and cottonseed oil manufacturing operations currently in California.<sup>4</sup> Therefore, it appears Classification 4683 is comprised primarily of Classification 4683(1) operations.

Vegetable oil manufacturing or refining operations of Classification 4683(1) employers are similar to the operations of Classification 2030 employers, which was confirmed by employer feedback gathered during outreach. Both types of employers crush, press or grind raw ingredients to produce liquid, which may be filtered and heated, and utilize similar automated equipment. About three quarters of inspected Classification 4683(1) employers manufacture or refine vegetable oil based on WCIRB classification inspection reports.

### • Comparison of the Loss and Payroll Experience of Classifications 2030 and 4683

In addition to operational characteristics, the WCIRB compared the loss and payroll experience of Classification 2030 and that of Classification 4683. As shown in Figure 2, the historical year-to-year advisory pure premium rates for Classification 2030 fluctuate, while those for Classification 4683 are relatively stable and follow the trend of the statewide advisory pure premium rates. Before policy year

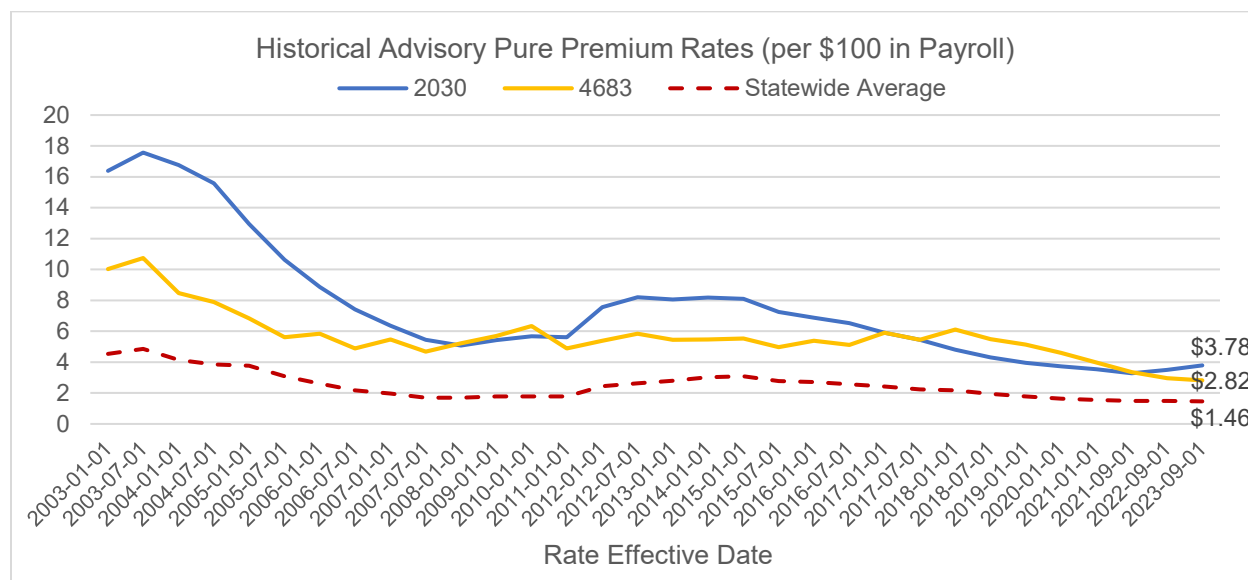
---

<sup>3</sup> The WCIRB also evaluated Classification 2116, *Juice or Juice Concentrate Mfg.*, as a potential destination classification for Classification 2030 employers and Classification 4683 employers. Classification 2116 applies to the manufacture of nonalcoholic juice or juice concentrates from fruit, vegetables, nuts or seeds. The WCIRB conducted an operational and data analysis and determined that the operations and loss and payroll experience of Classification 2116 are dissimilar from those of Classifications 2030 and 4683. Therefore, Classification 2116 was not a good fit for employers assigned to Classifications 2030 or 4683.

<sup>4</sup> According to information published by the California Cotton Ginners & Growers Association, acreage devoted to farming cotton and cotton production has decreased significantly over the past several years in California. California's production represents approximately 7% of the total annual cottonseed production in the United States and only 5% of this production is used to produce cottonseed oil. Additionally, in the last few years, the WCIRB consolidated low credibility classifications for cotton growing, spinning and weaving operations. Classification 0044, *Cotton Farms*, was eliminated effective September 1, 2022, and the operations contemplated in that classification were combined with Classification 0171, *Field Crops*. Classification 2211, *Cotton Batting, Wadding or Waste Mfg. / Felting Mfg. / Wool Combing or Scouring*, was eliminated effective January 1, 2021, and the operations contemplated in that classification were combined with Classification 2222, *Spinning or Weaving*.

2007, the advisory pure premium rates for Classification 2030 were historically higher than those for Classification 4683 but have become more similar since then. Effective September 1, 2023, the approved advisory pure premium rate for Classification 4683 (\$2.82 per \$100 of payroll) is about 25% lower than that for Classification 2030 (\$3.78 per \$100 of payroll).

**Figure 2: Historical Advisory Pure Premium Rates**



The historical year-to-year loss to payroll ratios for Classifications 2030 and 4683 were volatile<sup>5</sup> over time due to low levels of payroll and several large claims.<sup>6</sup> As shown in Figure 3, the latest 5-year loss to payroll ratio<sup>7</sup> for Classification 4683 is about 20% lower than that for Classification 2030. The difference in their loss to payroll ratios is consistent with the difference in their latest advisory pure premium rates, which is mostly driven by claim severity.<sup>8</sup> Because Classifications 2030 and 4683 did not develop sufficient data within the latest 5 PYs, the WCIRB compared the long-term loss to payroll ratios for Classifications 2030 and 4683. The 15-year loss to payroll ratios are similar between Classification 2030 (\$2.40 per \$100 of payroll) and Classification 4683 (\$2.28 per \$100 of payroll), indicating similar levels of risk exposure between the two classifications over a longer period.

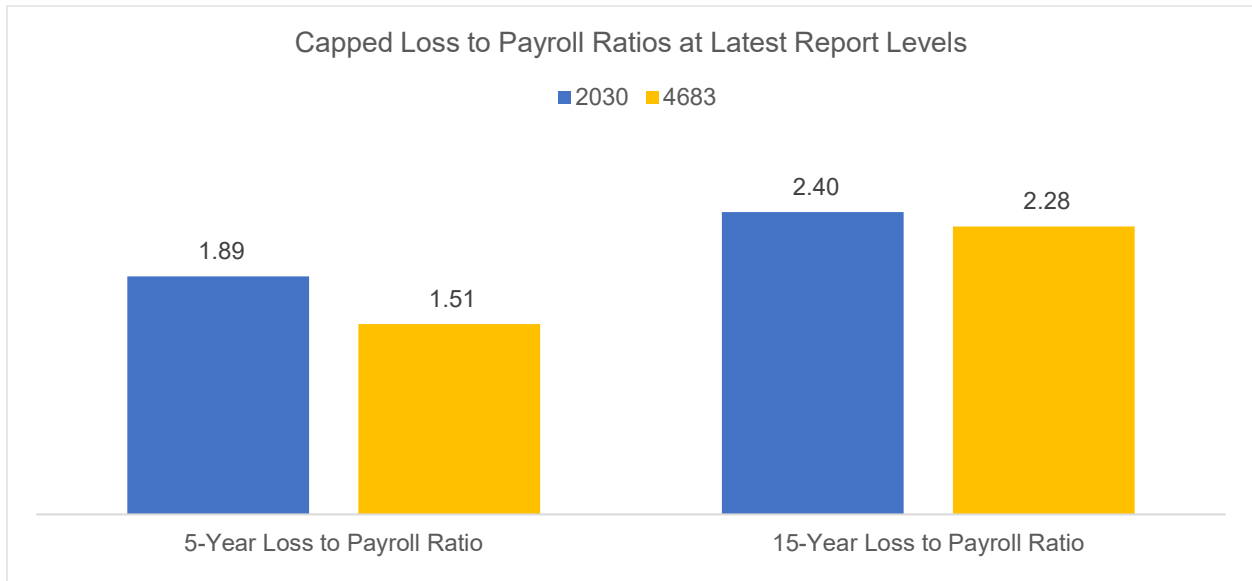
<sup>5</sup> The year-to-year loss to payroll ratios for Classifications 2030 and 4683 are volatile at both the first report and latest report levels.

<sup>6</sup> Classifications 2030 and 4683 had, on average, about 40 to 50 claims per year between PYs 2007 and 2021.

<sup>7</sup> The loss to payroll ratio was calculated using the aggregate losses over the specified period divided by the aggregate payroll during the same period. Losses were evaluated at the latest report level.

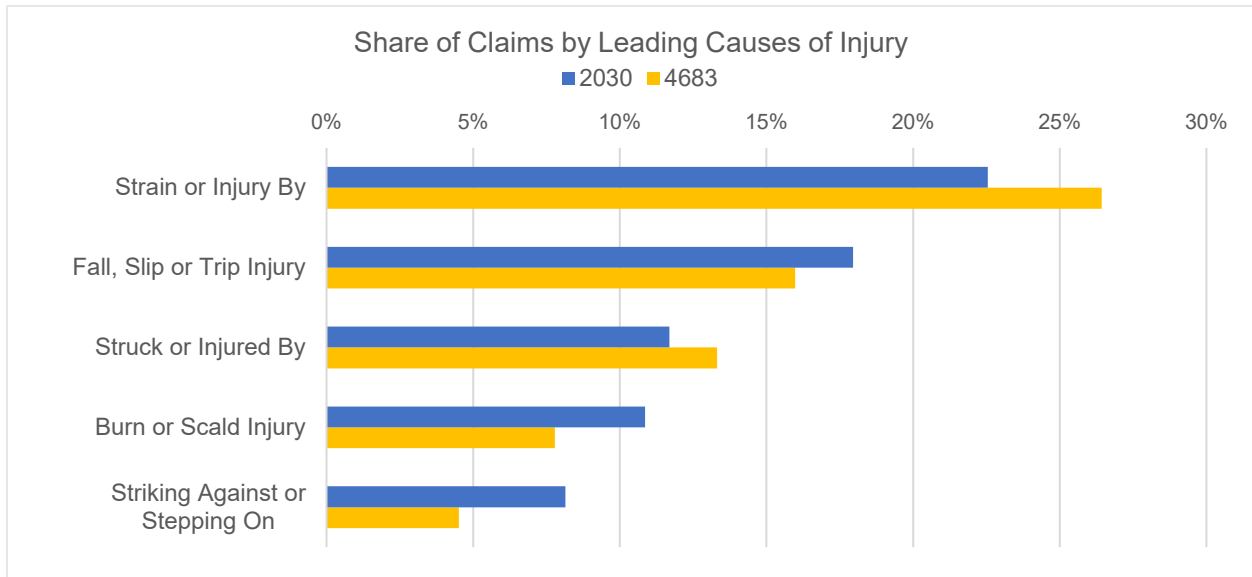
<sup>8</sup> The 5-year average claim severity for Classification 4683 was 33% lower compared to that for Classification 2030. The higher average claim severity for Classification 2030 was mainly driven by large claims in PYs 2019 and 2020 and volatility in claims data.

**Figure 3. Long-Term Capped Loss to Payroll Ratios at Latest Report Levels (PYs 2007-2021)**



In addition, the typical causes of injury were generally similar between claims reported in Classification 2030 and those reported in Classification 4683 (Figure 4). Strain injury was the leading cause of injury for both, followed by fall, slip or trip injury.

**Figure 4. Share of Claims by Leading Causes of Injury (PYs 2012-2021)**



In summary, the business operations and loss and payroll experience for Classification 2030 and for Classification 4683 are similar. In particular, the long-term loss to payroll ratio was similar between Classifications 2030 and 4683, indicating similar levels of risk exposure between the two classifications. Also, since both classifications have low credibility, including Classification 2030 employers in Classification 4683 would improve the statistical credibility for employers and help stabilize the advisory pure premium rates by reducing the impact of large claims or a change in payroll for the large employer currently assigned to Classification 2030.



In addition, Classification 4683 appears to be primarily comprised of Classification 4683(1) operations, which is consistent with the industry trend that cotton farming and cottonseed oil manufacturing or refining operations, currently assigned to Classification 4683(2), are very limited in California such that these operations do not warrant a separate phraseology.

Therefore, WCIRB staff recommends (1) eliminating Classification 2030 and establishing Classification 4683(3) to include sugar manufacturing or refining operations currently assigned to Classification 2030 and (2) eliminating Classification 4683(2), *Cottonseed Oil Mfg. or Refining*, and amending Classification 4683(1) to include cottonseed oil manufacturing or refining operations. The impact of this recommendation on employers with reported payroll in Classification 2030 and employers with reported payroll in Classification 4683 is shown below.

### III. Impact Analysis

The WCIRB evaluated the impact of reassigning Classification 2030 operations to Classification 4683.<sup>9</sup> Classification relativities for Classifications 2030 and 4683 are included in Appendix IV.

As shown in Table 1, the selected loss to payroll ratio for employers currently assigned to Classification 2030 would decrease by 16.1% under the proposed recommendation. The selected loss to payroll ratio for Classification 4683 would increase by 12.2% after including the experience of sugar manufacturing or refining employers currently assigned to Classification 2030. The estimated credibility of Classification 4683 after including operations currently assigned to Classification 2030 would be about 0.70 for indemnity and 0.67 for medical.<sup>10</sup> While the combined experience would not be fully credible, the credibility is unlikely to decrease in the future due to the consistent number of employers over the past decade with reported payroll in either classification and the recent increase in the payroll reported in Classifications 2030 and 4683. Outreach feedback also indicated that Classification 2030 payroll may continue to increase in the future.

**Table 1. Changes in the Selected (Unlimited) Loss to Payroll Ratio for Classifications 2030 and 4683 Under the Recommendation**

Classification	Current Selected Loss to Payroll Ratio (A)	Selected Loss to Payroll Ratio Under Proposed Recommendation (B)	% Difference (B/A-1)
2030	2.821	2.368	-16.1%
4683	2.110	2.368	+12.2% <sup>11</sup>

### IV. Findings

Based on this review, the WCIRB has determined:

1. Classification 2030 and vegetable oil manufacturing and refining assigned to Classification 4683(1) have similar operations, including the use of similar processes and automated equipment. The loss and payroll experience and leading causes of injury of claims reported in

<sup>9</sup> The share of Classifications 2030 payroll and Classification 4683 payroll relative to the total payroll of the two classifications is 53% and 47%, respectively, based on the September 1, 2023 classification relativities. Reassigning sugar manufacturing or refining employers currently assigned to Classification 2030 to Classification 4683 and eliminating Classification 2030 would be more appropriate for classification relativity purposes and would reduce the potential impact to Classification 2030 and Classification 4683 employers.

<sup>10</sup> This estimation is based on the September 1, 2023 classification relativities.

<sup>11</sup> This increase may be partially offset by a decrease in experience modifications for these employers.

Classification 2030 are generally similar to those of Classification 4683. Reassigning sugar manufacturing or refining operations from Classification 2030 to Classification 4683 would improve the statistical credibility and help stabilize the advisory pure premium rate for employers currently assigned to Classification 2030 or Classification 4683.

2. Reassigning sugar manufacturing or refining operations to Classification 4683 would lead to a decrease (-16.1%) in the selected loss to payroll ratio for employers currently assigned to Classification 2030, and an increase (+12.2%) in the selected loss to payroll ratio for employers currently assigned to Classification 4683.
3. Classification 4683(2) applies to the extraction or refining of cottonseed oil. However, there are currently very few cotton farming or cottonseed oil manufacturing or refining operations in California. The WCIRB found no inspected Classification 4683 employers that manufacture or refine cottonseed oil. Therefore, Classification 4683 is primarily comprised of Classification 4683(1) operations and cottonseed oil manufacturing or refining operations do not warrant a separate phraseology.

## **V. Recommendations**

Based on these findings, WCIRB staff recommends:

1. Eliminating Classification 2030, *Sugar Mfg. or Refining*, and establishing Classification 4683(3), *Sugar Mfg. or Refining*, to include sugar manufacturing or refining operations.
2. Eliminating Classification 4683(2), *Cottonseed Oil Mfg. or Refining*, and amending Classification 4683(1) to include cottonseed oil manufacturing or refining operations.

## **Appendix I – Analysis Approach**

The WCIRB analyzed the business operations and payroll and claim experience of employers that manufacture or refine sugar and employers that manufacture or refine vegetable oil 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 Classification 2030 and for employers with payroll reported in Classification 4683 to better understand these employers' business operations.

Industry Outreach: The WCIRB contacted members of the industry, including employers that manufacture and/or refine sugar and those that manufacture vegetable oil, as well as industry associations, to gain insight into the operational characteristics of sugar manufacturing and refining, and vegetable oil manufacturing and refining.

Unit Statistical Reports: The WCIRB analyzed historical Unit Statistical Report data at the first report level and latest report level, including employers' payroll and loss experience, and the 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 and discussed classification procedures for sugar manufacturing and refining operations and vegetable oil manufacturing or refining operations with rating organizations in other jurisdictions to understand how these operations are classified.

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 on sugar manufacturing or refining employers and vegetable oil manufacturing or refining employers.

## **Appendix II – History of Classifications 2030 and 4683**

Following is a timeline of significant changes to the scope and application of Classifications 2030, *Sugar Mfg. or Refining*, 4683(1), *Vegetable Oil Mfg. or Refining – N.O.C.*, and 4683(2), *Cottonseed Oil Mfg. or Refining*:

### **Classification 2030**

- **1915:** Classifications 2030, *Beet Sugar Mfg.*, and 2021, *Sugar Refining*, were original California Workmen's Compensation Insurance Manual (Manual) classifications.
- **1982:** Classification 2030, *Sugar Mfg. or Refining – beet or cane – including beet dumps*, was amended to include cane sugar manufacturing and sugar refining operations. Classification 2021, *Sugar Refining – not beet sugar mfg.*, was eliminated and its constituents were reassigned to 2030.
- **2010:** The Food Packaging and Processing Industry Group was established and included Classification 2030.

### **Classification 4683**

- **1915:** Classifications 4683, *Oil Mfg. – vegetable*, 4670, *Cottonseed Oil Mfg. – with or without refining*, and 4671, *Cottonseed Oil Refining (no manufacturing or expressing of oil)*, were original Manual classifications.
- **1937:** An alternative phraseology was added to Classification 4683, *Cottonseed Oil Refining*. Classification 4671 was eliminated, and its constituents were reassigned to Classification 4683.
- **1992:** Classification 4683(1), *Oil. Mfg. or Refining – vegetable – N.O.C.*, was amended to include vegetable oil refining operations. Classification 4683(2), *Cottonseed Oil Mfg. or Refining*, was amended to include cottonseed oil manufacturing. Classification 4670, *Cottonseed Oil Mfg.*, was eliminated and its constituents were reassigned to 4683(2).
- **2010:** The Food Packaging and Processing Industry Group was established and included Classification 4683.

## Appendix III – Other Jurisdictions

The WCIRB reviewed how other jurisdictions classify sugar manufacturing or refining operations and vegetable oil manufacturing or refining operations.

### Sugar Manufacturing or Refining Operations:

The National Council on Compensation Insurance, Inc. (NCCI), the Workers' Compensation Rating and Inspection Bureau of Massachusetts, the Compensation Advisory Organization of Michigan, the Minnesota Workers' Compensation Insurers Association, Inc., the New York Compensation Insurance Rating Board, the North Carolina Rate Bureau and the Wisconsin Compensation Rating Bureau direct that sugar manufacturing or refining operations be assigned to Classification 2021, *Sugar Manufacturing or Refining from Sugar Cane or Sugar Beets*.<sup>12</sup>

The New Jersey Compensation Rating and Inspection Bureau directs that sugar manufacturing or refining from sugar cane or sugar beets be assigned to Classification 6504, *Sugar Manufacturing or Refining from Sugar Cane or Sugar Beets*.

The Pennsylvania Compensation Rating Bureau directs that sugar refining operations (including beet sugar manufacturing, sugar cane milling and cane sugar refining) be assigned to Classification 103, *Sugar Refining*.

### Vegetable Oil Manufacturing or Refining Operations:

NCCI, the Workers' Compensation Rating and Inspection Bureau of Massachusetts, the Minnesota Workers' Compensation Insurers Association, Inc., the New Jersey Compensation Rating and Inspection Bureau, the North Carolina Rate Bureau and the Wisconsin Compensation Rating Bureau direct that vegetable oil manufacturing or refining operations be assigned to Classification 4683, *Oil Mfg. – Vegetable NOC*.<sup>13</sup>

The Compensation Advisory Organization of Michigan directs that vegetable oil manufacturing operations be assigned to Classification 4712.<sup>14</sup>

The New York Compensation Insurance Rating Board directs that vegetable oil manufacturing operations be assigned to Classification 6504, *Food Sundries Mfg. – NOC – No Cereal Milling*.

The Pennsylvania Compensation Rating Bureau directs that vegetable oil manufacturing operations be assigned to Classification 551, *Chemical Processing or Products Mfg., N.O.C.*

---

<sup>12</sup> This phraseology is utilized by NCCI., though other jurisdictions use similar language.

<sup>13</sup> This phraseology is utilized by NCCI, though other jurisdictions use similar language.

<sup>14</sup> This classification has multiple phraseologies including *Asphalt or Tar Distilling or Refining; Cod Liver Oil Mfg; Fish Oil Mfg; Gasoline Recovery; Gelatine Mfg; Not Food; Glue, Paste or Mucilage Mfg; Grease or Oil Mixing or Blending; Lard Refining; Oil Reclaiming from Used Oil; Oil Refining: Petroleum; Rendering Works; Roofing Compound Mfg.*

## Appendix IV – Classification Relativities

**Table 1: Classification 2030 – 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	42,791,010	510,270	607,616	1,117,886	2.612
2017	46,090,025	318,575	215,715	534,290	1.159
2018	46,649,297	314,787	373,970	688,757	1.476
2019	50,355,263	954,162	557,970	1,511,553	3.002
2020	53,903,186	853,058	1,136,045	1,989,103	3.690
Total	239,788,781	2,950,852	2,890,737	5,841,589	

Adjusted Loss to Payroll Ratio 2.436  
 Selected Loss to Payroll Ratio 2.821

Credibility	
Indemnity	Medical
0.55	0.53

**Table 2: Classification 4683 – 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	43,504,835	278,158	201,788	479,946	1.103
2017	44,717,305	326,753	333,071	659,824	1.476
2018	49,425,050	280,531	386,706	667,237	1.350
2019	35,849,235	750,578	570,230	1,320,808	4.021
2020	38,344,193	172,611	355,148	527,759	1.376
Total	208,840,618	1,808,631	1,846,942	3,655,573	

Adjusted Loss to Payroll Ratio 1.750  
 Selected Loss to Payroll Ratio 2.110

Credibility	
Indemnity	Medical
0.50	0.48

**Table 3: Classification 4683 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)
2016	85,897,505	772,539	797,230	1,569,768	1.827
2017	90,618,571	633,658	544,504	1,178,162	1.300
2018	96,106,398	557,438	740,814	1,298,252	1.351
2019	83,204,498	1,539,224	1,095,301	2,634,525	3.166
2020	92,247,379	773,808	1,399,248	2,173,057	2.356
Total	448,074,351	4,276,667	4,577,097	8,853,763	

Adjusted Loss to Payroll Ratio 1.976  
 Selected Loss to Payroll Ratio 2.368

Credibility	
Indemnity	Medical
0.70	0.67

**Recommendation**

Eliminate Classification 4683(2), *Cottonseed Oil Mfg. or Refining*, which is part of the Food Packaging and Processing Industry Group, due to its low statistical credibility and reassign the operations described by this classification to Classification 4683(1), *Vegetable Oil Mfg. or Refining*.

PROPOSED

**FOOD PACKAGING AND PROCESSING**

~~**COTTONSEED OIL MFG. OR REFINING — during both active and dormant seasons — including installation or repair of equipment; yard employees; seed or fuel haulers**~~ **4683(2)**

~~This classification applies to the extraction and refining of cottonseed oil.~~

~~The extraction and refining of oil from vegetables, seeds (other than cottonseed) and nuts, including but not limited to olives, peanuts, safflower seed, coconut meat and soy beans shall be classified as 4683(1), *Vegetable Oil Mfg. or Refining*.~~

\* \* \* \* \*

**Recommendation**

Eliminate Classification 2030, *Sugar Mfg. or Refining*, which is part of the Food Packaging and Processing Industry Group, due to its low statistical credibility and reassign the operations described by this classification to Classification 4683(3), *Sugar Mfg. or Refining*.

PROPOSED

**FOOD PACKAGING AND PROCESSING**

~~**SUGAR MFG. OR REFINING — beet or cane — including beet dumps**~~ **2030**

~~This classification applies to the manufacture or refining of sugar, including granulated, powdered, raw, brown and liquid sugar and molasses.~~

\* \* \* \* \*



**Recommendation**

Amend Classification 4683(1), *Vegetable Oil Mfg. or Refining*, which is part of the Food Packaging and Processing Industry Group, to include the extraction and refining of oil from cottonseed and for consistency with other proposed changes.

PROPOSED

**FOOD PACKAGING AND PROCESSING**

**VEGETABLE OIL MFG. OR REFINING – N.O.C.**

**4683(1)**

This classification applies to the extraction and refining of oil from vegetables, seeds (~~not cottonseed~~) and nuts, including but not limited to olives, peanuts, safflower seed, cottonseed, coconut meat and soy-beans.

This classification also applies to processing and refining waste cooking oil to produce fuel oil, including biodiesel.

~~The extraction and refining of cottonseed oil shall be classified as 4683(2), *Cottonseed Oil Mfg. or Refining*.~~

\* \* \* \* \*

**Recommendation**

Establish Classification 4683(3), *Sugar Mfg. or Refining – N.O.C.*, which is part of the Food Packaging and Processing Industry Group, to apply to manufacturing or refining of sugar cane or beet sugar operations previously described by Classification 2030, *Sugar Mfg. or Refining*.

PROPOSED

**FOOD PACKAGING AND PROCESSING**

**SUGAR MFG. OR REFINING – N.O.C.**

**4683(3)**

This classification applies to the manufacture or refining of sugar, including granulated, powdered, raw, brown and liquid sugar or molasses from beets or cane.

\* \* \* \* \*

**Recommendation**

Amend Classification 4740(1), *Oil Refining*, which is part of the Petroleum Industry Group, for consistency with other proposed changes.

PROPOSED

**PETROLEUM INDUSTRY**

**OIL REFINING – petroleum**

**4740(1)**

This classification applies to the processing and refining of crude oil ~~and~~ reclaimed oil through a series of operations such as heating, distilling, fractionating, vaporizing and condensing to produce products such as gasoline, diesel fuel, petroleum naphtha, kerosene, heating oil, asphalt base and liquefied petroleum gas.

~~Oil producing shall be separately classified.~~

The refining of vegetable oil or waste cooking oil shall be classified as 4683(1), *Vegetable Oil Mfg. or Refining*.

Oil producing shall be separately classified.

\* \* \* \* \*

**Recommendation**

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

PROPOSED

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

- 
- 
- 
- 2030      ~~Sugar Mfg/Refining~~
- 
- 
- 
- 4683(2)      ~~Cottonseed Oil Mfg/Refining~~
- 4683(3)      Sugar Mfg/Refining
- 
- 
- 

\* \* \* \* \*

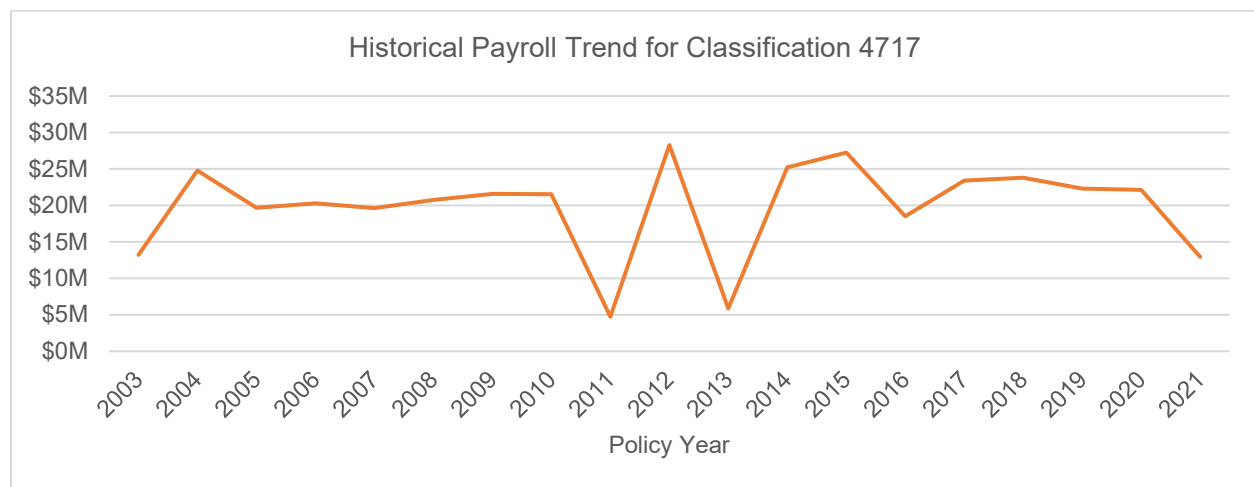
## Butter Substitutes Mfg. Study

4717, *Butter Substitutes Mfg.*  
2063, *Dairy Products or Ice Mfg.*

### I. Introduction and Study Objective

Employers assigned to Classification 4717, *Butter Substitutes Mfg.*, do not develop sufficient data to produce statistically credible advisory pure premium rates, which can result in undue volatility in the pure premium rate from year to year without significant change in the underlying exposure to workers' compensation losses. The credibility of Classification 4717 is 0.41 for medical and 0.44 for indemnity. Payroll reported in Classification 4717 has been somewhat volatile<sup>1</sup> and consistently low since 2000 (Figure 1). On average, about 12 employers<sup>2</sup> had payroll reported in Classification 4717 annually between policy years (PYs) 2017 and 2021.

**Figure 1. Historical Payroll Trend for Classification 4717 (PYs 2003-2021)**



Consistent with the WCIRB's practice of reviewing classifications with low statistical credibility dominated by large employers,<sup>3</sup> the WCIRB studied business operations and payroll and claim experience of employers currently assigned to Classification 4717 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 2063, *Dairy Products or Ice Mfg.*, a fully credible classification, as operations in 2063 are relatively similar to those contemplated in Classification 4717.

<sup>1</sup> The volatility in payroll for Classification 4717 for PYs 2011 and 2013 is driven by payroll fluctuations from large Classification 4717 employers.

<sup>2</sup> The largest employer assigned to Classification 4717 accounted for about half of the classification's payroll between PYs 2017 and 2021.

<sup>3</sup> The year-to-year experience of low credibility classifications that are dominated by large employers may be overly impacted by the change in the experience of those large employers, which can result in undue volatility in the advisory pure premium rates year-to-year.

## II. Analysis Results

- **Operational Comparison between Classification 4717 and Classification 2063**

Classification 4717 applies to employers engaged in the manufacture of butter substitutes, including but not limited to margarine, shortening and lard, which are made from either vegetable oil or animal fat. Operations contemplated in this classification include receiving and rendering animal fat to extract oil or receiving and clarifying vegetable oil with heat and/or centrifugal force, agitating the oil to mix in flavorings, mixing in stabilizers to prevent oxidization, and extruding and tempering the final product.

Classification 2063 applies to employers engaged in the manufacture or processing, including pasteurization, of dairy products such as butter. Butter manufacturing operations include receiving purchased cream or separating cream from milk, pasteurizing cream, adding cultures and/or ice and salt, churning the butter until it reaches the desired consistency and extruding the butter. Classification 2063 also applies to employers engaged in the manufacture of ice, sorbet, gelato or sherbet, or frozen dairy or nondairy novelty treats.

Classification 2063 does not include the manufacture of nondairy gelato, which is currently assigned to Classification 6504, *Food Products Mfg. or Processing – N.O.C.* However, the WCIRB conducted an operational review of nondairy gelato manufacturing and determined that it is similar to gelato manufacturing contemplated in Classification 2063. Including the payroll for nondairy gelato manufacturing employers in Classification 2063 would represent only about 0.03% of the Classification 2063 payroll between PYs 2017 and 2021.<sup>4</sup>

Operations of Classification 4717 employers are similar to butter manufacturing operations of Classification 2063 employers, which was confirmed by feedback provided by employers. Both types of employers heat substances to clarify or pasteurize, add various ingredients as an intermediate process, agitate or churn and extrude the final product, and utilize some similar equipment. In addition, butter and butter substitutes are similar final products that consumers often use interchangeably. Lastly, employees of both groups of employers have similar average weekly wages, suggesting similar job responsibilities and skills and experience required.<sup>5</sup>

- **Comparison of the Loss and Payroll Experience of Classifications 4717 and 2063**

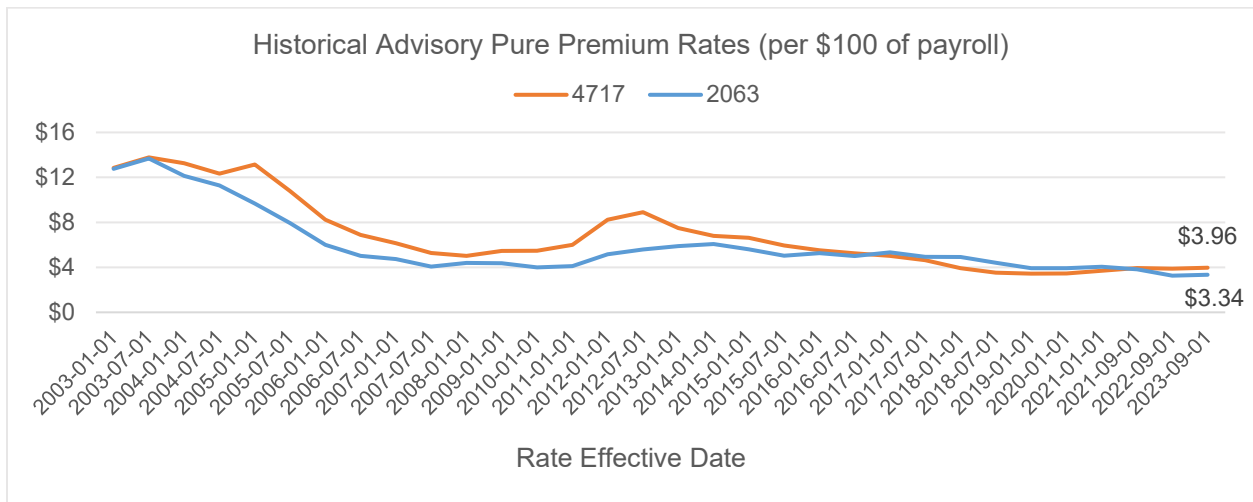
In addition to operational characteristics, the WCIRB compared the loss and payroll experience of Classification 4717 and that of Classification 2063. As shown in Figure 2, the historical year-to-year advisory pure premium rates for Classification 4717 follow a similar trend as those for Classification 2063 and have become more similar since PY 2016. Effective September 1, 2023, the approved advisory pure premium rate for Classification 4717 (\$3.96 per \$100 of payroll) is about 19% higher than that for Classification 2063 (\$3.34 per \$100 of payroll).

---

<sup>4</sup> The WCIRB identified only one inspected employer assigned to Classification 6504 that performed nondairy gelato manufacturing operations between PYs 2017 and 2021.

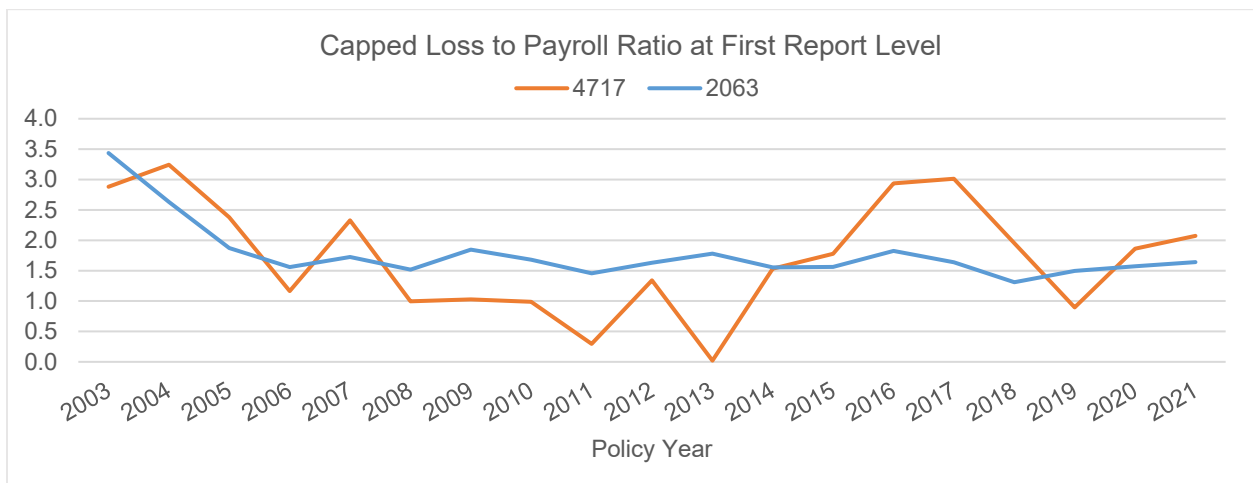
<sup>5</sup> The average weekly wage was \$652 for Classification 4717 and \$658 for Classification 2063 at the calendar year 2020 wage level. See American Community Survey 2020 data in the 2022 Wage, Payroll and Exposure Report for California Workers' Compensation.

**Figure 2. Historical Advisory Pure Premium Rates**



The historical loss to payroll ratios for Classification 4717 were volatile over time due to low levels of payroll and several large claims,<sup>6</sup> but were generally similar to those of Classification 2063 employers (Figure 3). A similar trend was observed for the year-to-year loss to payroll ratios at the latest report level. The latest 5-year loss to payroll ratio for Classification 4717 is about 27% higher than that for Classification 2063, driven by higher claim frequency. Because Classification 4717 did not develop sufficient data within the latest 5 PYs, the WCIRB compared the long-term loss to payroll ratios for Classifications 4717 and 2063. The 15-year loss to payroll ratios are similar between Classification 4717 (\$2.54 per \$100 of payroll) and Classification 2063 (\$2.58 per \$100 of payroll), indicating similar levels of risk exposure between the two classifications over a longer period.

**Figure 3. Historical Capped Loss to Payroll Ratios at First Report Level (PYs 2003-2021)**



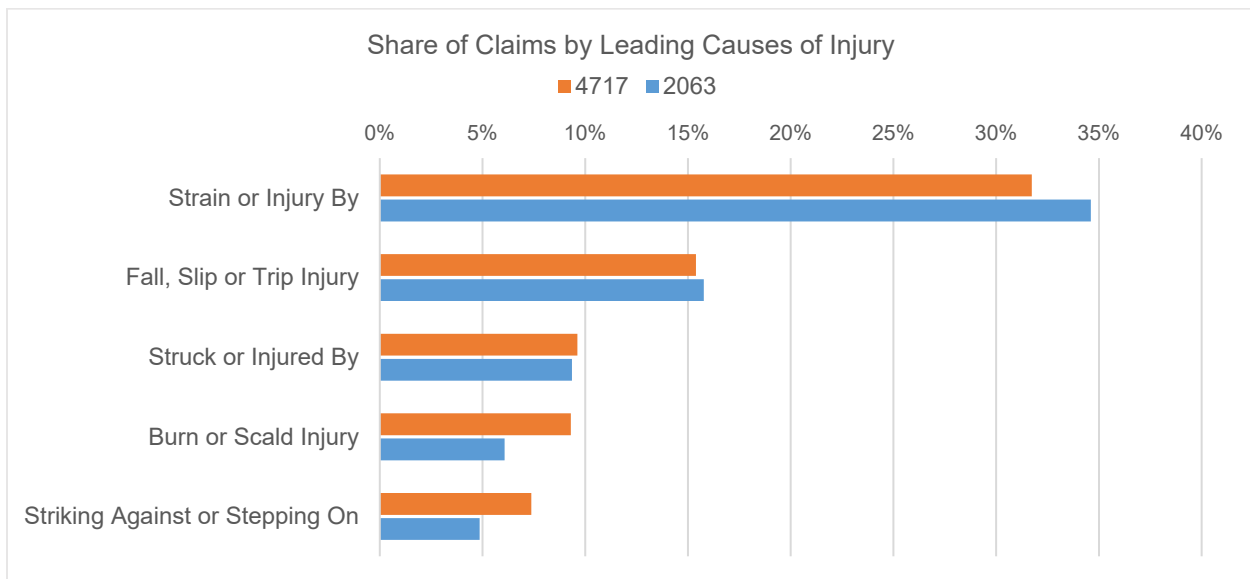
<sup>6</sup> Classification 4717 had, on average, about 44 claims per year between PYs 2003 and 2021.

### Loss to Payroll Ratio Table at the Latest Report Level

Capped Loss to Payroll Ratio (00s) <sup>7</sup>	Classification 4717	Classification 2063
5-year (PYs 2017-2021)	2.70	2.12
15-year (PYs 2007-2021)	2.54	2.58

In addition, the typical causes of injury were generally similar between claims reported in Classification 4717 and those reported in Classification 2063 (Figure 4). Strain injury was the leading cause of injury for both classifications, followed by fall and struck injuries.

**Figure 4. Share of Claims by Leading Causes of Injury (PYs 2012-2021)**



In summary, the operations and loss and payroll experience of Classification 4717 and those of Classification 2063 are similar. Also, including low credibility Classification 4717 employers in Classification 2063, a fully credible classification,<sup>8</sup> would largely improve the statistical credibility for those employers, reduce the impact of large claims or a change in payroll for the large employers, and help stabilize the advisory pure premium rates.

In addition, gelato and nondairy gelato manufacturing operations are similar, and there is only a small amount of reported payroll for nondairy gelato manufacturing employers.

Therefore, WCIRB staff recommends (1) eliminating Classification 4717 and amending Classification 2063 to include butter substitute manufacturing operations currently assigned to Classification 4717, and (2) amending Classification 2063 to include the manufacture of nondairy gelato. The impact of these recommendations on employers with reported payroll in Classification 4717 and employers with reported payroll in Classification 2063 is shown below.

<sup>7</sup> The loss to payroll ratio was calculated using the aggregate losses over the specified period divided by the aggregate payroll during the same period. Losses were evaluated at the latest report level.

<sup>8</sup> California Department of Insurance's approved WCIRB September 1, 2023 Regulatory Filing.

### III. Impact Analysis

The WCIRB evaluated the impact of Classification 4717 operations to Classification 2063. Classification relativities for Classifications 4717 and 2063 are included in Appendix IV.

As shown in Table 1, the selected loss to payroll ratio for Classification 4717 would decrease by 15.3% under the proposed recommendation. Additionally, Classification 2063 would experience a slight increase of 0.3% in the selected loss to payroll ratio<sup>9</sup>.

**Table 1. Changes in the Selected (Unlimited) Loss to Payroll Ratio for Classifications 4717 and 2063 Under the Recommendation**

Classification	Current Selected Loss to Payroll Ratio (A)	Selected Loss to Payroll Ratio Under Proposed Recommendation (B)	% Difference (B/A-1)
4717	2.964	2.512	-15.3%
2063	2.505	2.512	+0.3%

### IV. Findings

Based on this review, the WCIRB has determined:

1. Classification 4717 operations are similar to the butter manufacturing operations assigned to Classification 2063, *Dairy Products or Ice Mfg.*, in that both classifications have similar processes, equipment and final products. The loss and payroll experience and leading causes of injury of Classification 4717 are generally similar to those of Classification 2063. Reassigning butter substitutes manufacturing operations from Classification 4717 to Classification 2063 would largely improve statistical credibility and help stabilize the advisory pure premium rate for employers currently assigned to Classification 4717.
2. Reassigning Classification 4717 employers to Classification 2063 would lead to a decrease of 15.3% in the loss to payroll ratio for employers currently assigned to Classification 4717 and a slight increase of 0.3% in the loss to payroll ratio for employers currently assigned to Classification 2063.
3. The manufacture of nondairy gelato currently assigned to Classification 6504, *Food Products Mfg. or Processing – N.O.C.*, has operations similar to the manufacture of gelato currently assigned to Classification 2063. Reassigning nondairy gelato manufacturing employers will have no impact on Classification 6504 or Classification 2063.

### V. Recommendations

Based on these findings, WCIRB staff recommends:

1. Eliminating Classification 4717, *Butter Substitutes Mfg.*, and amending Classification 2063, *Dairy Products or Ice Mfg.*, to include butter substitute manufacturing operations.
2. Amending Classification 2063, *Dairy Products or Ice Mfg.*, to include nondairy gelato manufacturing operations.

<sup>9</sup> The impact of including nondairy gelato manufacturing operations in Classification 2063 would be minimal given there are very few nondairy gelato manufacturing employers in California.

## **Appendix I – Analysis Approach**

The WCIRB analyzed the business operations and payroll and claim experience of employers that manufacture butter substitutes and butter 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 Classifications 4717 and 2063 to better understand these employers' business operations.

Industry Outreach: The WCIRB contacted members of the industry, including employers that manufacture butter substitutes and employers that manufacture butter, as well as industry associations, to gain insight into the operational characteristics of butter substitutes manufacturing and butter manufacturing.

Unit Statistical Reports: The WCIRB analyzed historical Unit Statistical Report data at the first report level and latest report level, including employers' payroll and loss experience and the 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 and discussed classification procedures for butter substitutes manufacturing operations with rating organizations in other jurisdictions to understand how these operations are classified.

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 on butter substitutes manufacturing employers and dairy products or ice manufacturing employers.

Wage Report: The WCIRB's 2022 Wage, Payroll and Exposure Report for California Workers' Compensation was used to compare the average weekly wage of workers in Classification 4717 and that of workers in Classification 2063.



## Appendix II – History of Classification 4717

Following is a timeline of significant changes to the scope and application of Classifications 4717, *Butter Substitutes Mfg.*, and 2063, *Dairy Products or Ice Mfg.*:

### Classification 4717

- **1915:** Classification 2060, *Butter and Butterine Mfg.*, was an original California Workmen's Compensation Insurance Manual (Manual) classification.
- **1916:** Classification 4717, *Butterine Mfg.*, was established and relevant constituents assigned to Classification 2060 were reassigned to 4717.
- **1920:** Classification 4717 was amended to include two phraseologies: *Butter Substitutes Mfg.* and *Oleomargarine Mfg.*
- **1937:** Classification 4717, *Oleomargarine Mfg.*, was eliminated.
- **2010:** The Food Packaging and Processing Industry Group was established and included Classification 4717.

### Classification 2063

- **1915:** Classification 2063, *Creameries*, was an original Manual classification.
- **1916:** Classification 2067, *Butter Mfg.*, was established.
- **1924:** Classification 2067, *Butter Mfg.*, was eliminated and its constituents were reassigned to Classification 2063, *Creameries and Dairies – excluding the manufacture of ice cream.*
- **1947:** Classification 2063's phraseology was amended to *Creameries and Dairy Products Mfg.*
  - Classifications 2040, *Ice Cream or Ice Cream Products Mfg.*, and 2065, *Milk Products Mfg.*, were eliminated, and their constituents were reassigned to Classification 2063.
- **2010:** The Food Packaging and Processing Industry Group was established and included Classification 2063, *Creameries and Dairy Products Mfg.*
- **2020:** Classification 2063, *Dairy Products or Ice Mfg.*, was amended to include ice dealers, the manufacture of ice and the manufacture of nondairy frozen novelty treats.
  - Classification 2150, *Ice Mfg. or Ice Dealers*, was eliminated and its constituents were reassigned to Classification 2063.

### **Appendix III – Other Jurisdictions**

The WCIRB reviewed how other jurisdictions classify butter substitutes manufacturing.

The National Council on Compensation Insurance, Inc. directs that butter substitutes manufacturing operations be assigned to Classification 4717, *Butter Substitutes Mfg.*

The Workers' Compensation Rating and Inspection Bureau of Massachusetts and the New York Compensation Insurance Rating Board direct that butter substitutes manufacturing operations be assigned to Classification 6504, *Food Sundries Mfg. - NOC – No Cereal Milling.*

The Pennsylvania Compensation Rating Bureau directs that butter substitutes manufacturing operations be assigned to Classification 104, *Food Products Mfg. N.O.C.*

Other jurisdictions do not have a separate classification for butter substitutes manufacturing or do not have classifications that specifically include butter substitutes manufacturing.

## Appendix IV – Classification Relativities

**Table 1: Classification 4717 – 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	19,070,307	216,645	247,513	464,158	2.434
2017	23,644,769	483,753	474,916	958,669	4.054
2018	23,787,509	283,094	261,054	544,148	2.288
2019	22,304,742	162,345	202,307	364,652	1.635
2020	22,144,814	382,322	267,292	649,614	2.933
Total	110,952,141	1,528,159	1,453,083	2,981,242	

Adjusted Loss to Payroll Ratio 2.687  
 Selected Loss to Payroll Ratio 2.964

Credibility	
Indemnity	Medical
0.44	0.41

**Table 2: Classification 2063 – 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	788,291,651	8,701,574	7,588,504	16,290,078	2.067
2019	821,951,636	9,361,248	7,514,953	16,876,201	2.053
2020	879,767,049	12,300,572	9,398,364	21,698,936	2.466
Total	2,490,010,336	30,363,394	24,501,822	54,865,215	

Adjusted Loss to Payroll Ratio 2.203  
 Selected Loss to Payroll Ratio 2.505

Credibility	
Indemnity	Medical
1.00	1.00

**Table 3: Classification 2063 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	812,114,452	8,995,405	7,852,365	16,847,770	2.075
2019	844,256,378	9,534,248	7,723,873	17,258,121	2.044
2020	901,911,863	12,733,724	9,686,758	22,420,482	2.486
Total	2,558,282,693	31,263,377	25,262,996	56,526,373	

Adjusted Loss to Payroll Ratio 2.210  
 Selected Loss to Payroll Ratio 2.512

Credibility	
Indemnity	Medical
1.00	1.00

**Recommendation**

Eliminate Classification 4717, *Butter Substitutes Mfg.*, which is part of the Food Packaging and Processing Industry Group, due to its low statistical credibility and reassign the operations described by this classification to Classification 2063, *Dairy Products or Ice Mfg.*

PROPOSED

**FOOD PACKAGING AND PROCESSING**

**~~BUTTER SUBSTITUTES MFG.~~**

**4717**

~~This classification applies to the manufacture of butter substitutes, including but not limited to margarine, shortening and lard.~~

~~The manufacture of butter shall be classified as 2063, *Dairy Products or Ice Mfg.*~~

\* \* \* \* \*

**Recommendation**

Amend Classification 2063, *Dairy Products or Ice Mfg.*, which is part of the Food Packaging and Processing Industry Group, to include the manufacture of butter substitutes and nondairy gelato and for clarity and 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/or 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 the manufacture of butter substitutes, including but not limited to margarine, shortening or lard. This classification also applies to route drivers who deliver bottled milk to customers and perform no other duties on the farm premises. This classification includes packaging of products in containers, including but not limited to bottles, boxes, plastic containers and metal or paper cans in connection with the employer's manufacturing or processing operations.

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

This classification also applies to the manufacture of dairy or nondairy 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 2163, *Bottling*, which is part of the Food Packaging and Processing Industry Group, for consistency with other proposed changes.

PROPOSED

**FOOD PACKAGING AND PROCESSING**

**BOTTLING – beverages – no spirituous liquors, wine or beer**

**2163**

This classification applies to the bottling or packaging of nonalcoholic beverages, including but not limited to soft drinks, sports drinks, coffee, tea and water. This classification includes the blending of purchased juice or juice concentrates with water or flavorings to produce beverages.

~~The manufacturing or processing, including Milk pasteurization, of processing or bottling or dairy products manufacturing shall be separately classified as 2063, *Dairy Products or Ice Mfg.*~~

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

The production and bottling of wine, sparkling wine or alcoholic cider shall be classified as 2142(1), *Wineries.*

The production and bottling of distilled spirits shall be classified as 2142(2), *Distilling.*

The production and bottling or canning of beer or similarly brewed beverages shall be classified as 2121, *Breweries.*

\* \* \* \* \*

**Recommendation**

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

PROPOSED

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

- 
- 
- 
- 4717      ~~Butter Substitutes Mfg~~
- 
- 
-







1901 Harrison Street, 17<sup>th</sup> Floor  
Oakland, CA 94612

Voice 415.777.0777

Fax 415.778.7007

[www.wcirb.com](http://www.wcirb.com)

[wcirb@wcirb.com](mailto:wcirb@wcirb.com)