

WCIRB Classification and Rating Committee

January 30, 2025

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2025 Classification Relativities



September 1, 2025 Classification Relativities

- Relativities underlie proposed September 1, 2025 advisory pure premium rates and expected loss rates
- Reflects unit statistical data through “policy year 2022”
 - Based on data availability, “policy year 2022” refers to 12/1/2021 to 11/30/2022 policies
- COVID-19 claim data excluded
- Actuarial methodologies generally consistent with September 1, 2024 Regulatory Filing
- No longer includes refinement to mitigate impact of pandemic period data as latest two years (2021 and 2022) are post-pandemic
- Reflects classification changes adopted by this Committee for the September 1, 2025 Regulatory Filing

Summary of Classification Relativity Process

- Reflects changes in classification's advisory pure premium rate relative to statewide average
- Based on unit statistical data on losses and payroll by classification
 - Through policy year 2022
 - Data subject to series of data quality controls
 - Excludes data of insolvent insurers
 - Excludes COVID-19 claims
- Components of computation
 - Expected loss to payroll ratios
 - Adjusted (actual) loss to payroll ratios
 - Selected loss to payroll ratios
 - 25% change restriction

Expected Loss to Payroll Ratios

- Reflects loss component of approved September 1, 2024 advisory pure premium rate change
- Adjustments
 - Large loss limitation (\$500,000 per claim)
 - Change in industrial sector average relativity

Adjusted Actual Loss to Payroll Ratios – Adjusted Payroll

- Includes indicated wage inflation and minimum wage change impacts by classification
 - Wage level changes to policy year 2019 level adjusted by classification on a relative basis
 - Wage data from 2020, 2021 and 2022 not reflected due to pandemic-related anomalies
- Includes adjustment for maximum payroll limitation for 18 classifications, similar to 2024 relativities

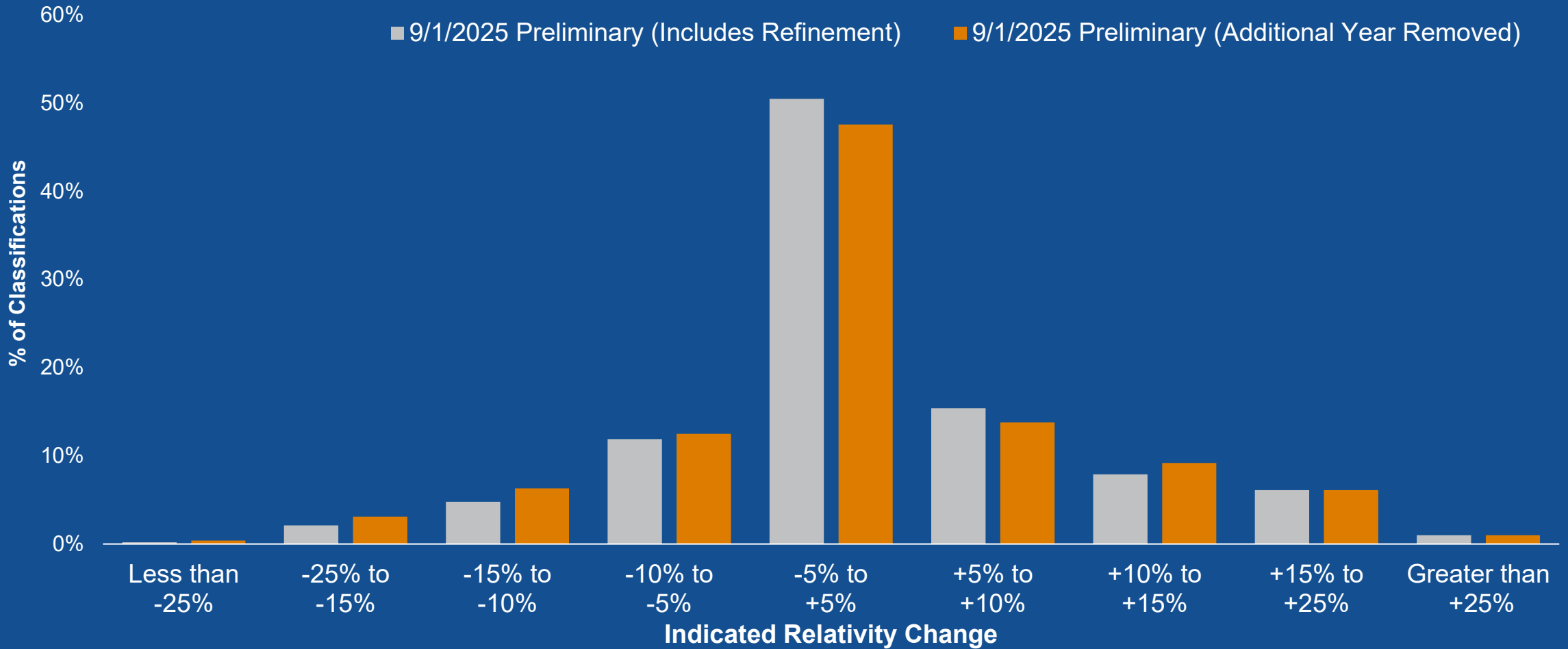
Adjusted Actual Loss to Payroll Ratios – Adjusted Losses

- Reflects current benefit level
- Large loss limitation – \$500,000 per claim at a policy year 2022 level
 - Limitation for earlier policy years inflation-adjusted to 2022 level
 - Some special limitations applied to classes with significant number of post-termination CT claims filed against a single employer
- Development to ultimate
 - Development based on losses limited to \$500,000 at a policy year 2022 level
 - Different development applied to open and closed claims and by class loss development groupings
- All years adjusted to current year's average losses
- Adjusted to overall expected level of experience

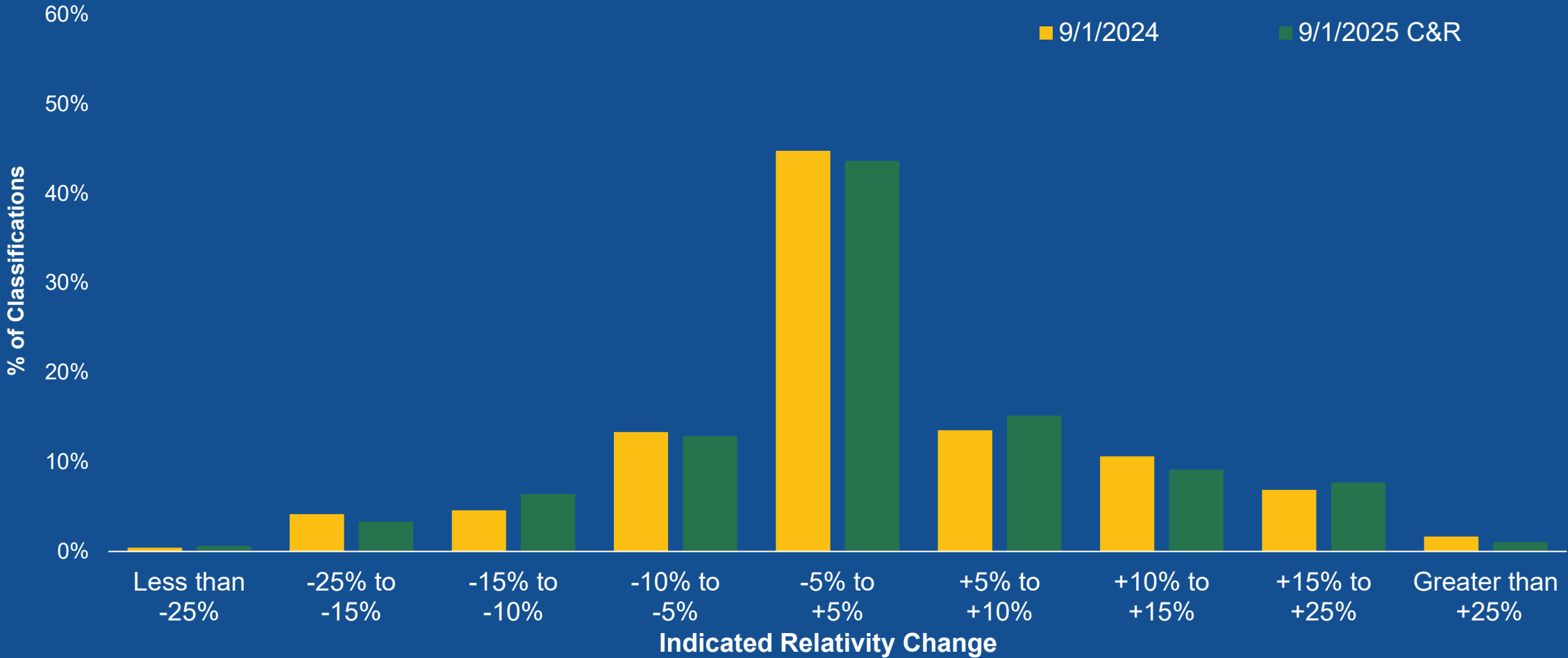
Selected Loss to Payroll Ratios

- Combination of Adjusted Actual and Expected Loss to Payroll Ratios
- Credibility
 - Full credibility standards based on claim counts and average claim size
 - Classification's credibility based on total expected losses for years used in computation
 - 2 to 5 years determined for full credibility
 - Full credibility → expected loss to payroll ratio not used in computation
 - Actuarial Committee adopted removal of pandemic-period refinement to include an additional year
- Relativity changes restricted to 25%
 - Net impact of restrictions spread across all classifications
 - Some special restrictions applied to classes with definitional changes

Distribution of Indicated Classification Relativity Changes – Impact of Pandemic Refinement



Distribution of Preliminary Indicated Classification Relativity Changes



* Includes staff recommendation to not add a year to classifications already reflecting an additional year for full credibility.

Classifications with Recent Changes

- 2004, *Baked Goods Mfg. – wholesale*
 - Newly established classification with data transferred from Classification 2003, *Bakeries or Cracker Mfg.*
 - Relativity is 13% higher than prior 2003 relativity
- 2030, *Sugar Mfg. or Refining*
 - Classification eliminated and data transferred to Classification 4683(3), *Sugar Mfg. or Refining*
 - Relativity is 18% lower than prior 2030 relativity
- 4717, *Butter Substitutes Mfg.*
 - Classification eliminated and data transferred to Classification 2063, *Dairy Products or Ice Mfg.*
 - Relativity is 7% higher than prior 4717 relativity

Other Classifications with Large Indicated Relativity Changes

- 2222, *Spinning, Weaving or Fiber Processing* (37%)
- 3070, *Computer Memory Disk Mfg.* (31%)
- 3647, *Battery Mfg.; Lead Reclaiming or Alloying* (36%)
- 4740, *Oil Refining; Asphalt or Tar Distilling or Refining; Gasoline Recovery* (31%)
- 8021, *Stores – meat, fish or poultry – wholesale* (39%)
- 8871, *Clerical Telecommuter Employees* (-30%)
- 8874, *Instrument Mfg.; et al. – hardware or software design or development* (-49%)
- 9069, *Clubs – gaming* (-38%)

Classifications with Recommended Changes

- 0400, *Warehouses – cotton*
 - Classification eliminated and data transferred to Classification 0401, *Cotton Gin Operation*
 - Relativity is 10% higher than prior 0400 relativity
- 4312, *Newspaper Delivery*
 - Classification eliminated and data transferred to Classifications 7198(1), *Parcel Delivery and Messenger Service Companies*, and 4304, *Newspaper Publishing or Printing*
 - Relativity is 5% higher than prior 4312 relativity (for 7198 piece)

02

Proposed USRP & ERP Changes



Proposed Amendments to the USRP and ERP

Section V – Inquiries, Complaints and Requests for Action, Reconsideration and Appeals

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3. Complaints and Requests for Action

An insured employer, insurer, or other aggrieved person seeking review of the WCIRB's decision, action, or omission to act, or review of the manner in which this Plan, or any other applicable regulations of the Insurance Commissioner, has been applied in connection with its workers' compensation insurance shall serve the WCIRB with a written Complaint and Request for Action pursuant to the regulations found at Title 10, California Code of Regulations, Sections 2509.40 *et seq.* Complaints and Requests for Action must be served on the WCIRB at the following address:

WCIRB
~~1901 Harrison Street, 17th Floor~~ One Montgomery Street, Suite 400
~~Oakland~~ San Francisco, CA 94612-94104
Attention: Complaints and Reconsideration
Fax 415.371.5204
customerservice@wcirb.com

Upon receipt of a Complaint and Request for Action, the WCIRB shall respond in accordance with the regulations found at Title 10, California Code of Regulations, Sections 2509.40 *et seq.* Any change resulting from such response shall be applied in accordance with the rules of this Plan or other applicable statutes or regulations. If a loss correction is required pursuant to the Revision of Losses rule, the current experience rating for purposes of the application of that rule shall be the experience modification in effect

Proposed Amendments to the USRP and ERP

Section VI – Administration of Classification System

1. Inspection of Employer's Premises

- a. The WCIRB has authority to inspect the premises of any employer for classification assignment purposes.
- b. The WCIRB shall be responsible for conducting a comprehensive inspection program to ensure that insurers use the proper classifications in reporting payroll and losses.
- c. Questions concerning the WCIRB's inspection program may be directed to:

WCIRB Customer Service
~~1901 Harrison Street, 17th Floor~~ One Montgomery Street, Suite 400
~~Oakland~~ San Francisco, CA 94612 94104
888.229.2472 (CAWCIRB)
Fax 415.778.7272
customerservice@wcirb.com

Proposed Amendments to the USRP and ERP

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