

Report on Marine Appraisers or Surveyors and Inspection for Insurance or Valuation Purposes

Excerpt from the WCIRB Classification and Rating Committee Minutes
May 5, 2015

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Report on Marine Appraisers or Surveyors and Inspection for Insurance or Valuation Purposes

7248, Marine Appraisers or Surveyors

8720(1), Inspection for Insurance or Valuation Purposes – N.O.C. – including Outside Salespersons

8720(2), Elevator Inspecting – including Outside Salespersons – no service inspection, oiling, adjusting or repairing

8720(3), Weighers, Samplers or Inspectors of Merchandise on Docks or at Railway Stations or Warehouses – including mending or repacking or damaged containers – including Outside Salespersons

Executive Summary

Objective

The WCIRB reviewed the appropriateness of combining, for ratemaking purposes, the experience of Classification 7248, *Marine Appraisers or Surveyors*, and Classifications 8720(1), *Inspection for Insurance or Valuation Purposes*, 8720(2), *Elevator Inspecting*, and 8720(3), *Weighers, Samplers or Inspectors of Merchandise on Docks or at Railway Stations or Warehouses*, to determine if the classifications should remain combined for ratemaking purposes.

Findings

Based on its review, the WCIRB has determined that:

1. The statistical credibility of the payroll and loss data generated by Classification 8720 is within the range the WCIRB considers sufficient to create an advisory pure premium rate;
2. The statistical credibility of the payroll and loss data generated by Classification 7248, *Marine Appraisers or Surveyors*, is not within the range the WCIRB considers sufficient to create an advisory pure premium rate;
3. The operations of employers assigned to Classification 7248 are similar in nature to those assigned to Classification 8720(1), *Inspection for Insurance or Valuation Purposes*; however, the operations are typically performed on or over navigable waters. Accordingly, there may be exposure subject to the Longshore and Harbor Workers Compensation Act (USL&H).

Recommendation

In view of the above, the WCIRB recommends the following:

1. Classifications 7248, *Marine Appraisers or Surveyors*, and 8720 should continue to be combined for ratemaking purposes; and
2. Classifications 7248, 8720(1), *Inspection for Insurance or Valuation Purposes*, 8720(2), *Elevator Inspecting*, and 8720(3), *Weighers, Samplers or Inspectors of Merchandise on Docks or at Railway Stations or Warehouses*, should be amended for clarity and to provide direction as to how related operations shall be classified.

Introduction

The WCIRB reviewed the appropriateness of combining, for ratemaking purposes, the experience of Classification 7248, *Marine Appraisers or Surveyors*, and Classifications 8720(1), *Inspection for Insurance or Valuation Purposes*, 8720(2), *Elevator Inspecting*, and 8720(3), *Weighers, Samplers or Inspectors of Merchandise on Docks or at Railway Stations or Warehouses*. Typically, classifications are combined for ratemaking purposes for the following reasons:

1. Similarity in Operations
There is significant overlap within the operations contemplated under the respective classifications, thus providing no clear line of delineation between the two classifications.
2. Low Statistical Credibility
The statistical credibility of the payroll and loss data generated by one or both classifications does not meet the level that the WCIRB considers sufficient to create an advisory pure premium rate. As such, the classifications may be combined based on similarity in industry type and operations.
3. Temporary Variance in Experience
There is a temporary dissimilarity in the relative experience of two related classifications that results in a relationship between the relativities for the classifications that are not expected to continue into the future.

Classification History

The history of Classification 7248, *Marine Appraisers or Surveyors*, is as follows:

- **1928:** Classification 7248, *Marine Appraisers and Surveyors*, was established. The operations described by Classification 7248 were previously assignable to Classification 8720, *Inspection of Mercantile, Manufacturing and Marine Risks for Insurance and Valuation Purposes*. Classifications 7248 and 8720 were combined for ratemaking purposes because Classification 7248 developed low statistical credibility and its operations were determined to be most comparable to those contemplated under Classification 8720.
- **1962:** A review of the procedure of combining, for ratemaking purposes, the experience of Classifications 7248 and 8720 was performed and the Manual Subcommittee agreed that the classifications should remain combined since the statistical credibility of the payroll and loss data generated by Classification 7248 was not within the range the WCIRB considered sufficient to create a premium rate.
- **1966:** The Classification and Rating Committee again reviewed the process of combining the data of Classifications 7248 and 8720 for ratemaking purposes and agreed such data should remain combined for the reasons stated above.
- **1973:** The Manual Subcommittee recommended the continuation of Classification 7248 as a separate classification since the operations assignable to this classification are typically performed on or over navigable waters; that is, there may be exposure subject to the Longshore and Harbor Workers Compensation Act (USL&H).

The history of Classification 8720(1), *Inspection for Insurance or Valuation Purposes*, is as follows:

- **1916:** Classification 8720, *Inspection of Mercantile, Manufacturing and Marine Risks for Insurance and Valuation Purposes; Elevator Inspecting – no service inspections, oiling, adjusting or repairing; and Labor unions – employees engaged outside of office*, was established.
- **1928:** “Marine risks” was deleted from Classifications 8720 and 7248, *Marine Appraisers or Surveyors*, was established.

- **1952:** Classification 8720 was amended to include *Outside Salespersons*.
- **1965:** Classification 8720 was amended to remove the reference to *Mercantile or Manufacturing Risks* while a new classification was established for *Labor Unions (8755)*.
- **1990:** Classification 8720(3), *Weighers, Samplers or Inspectors of Merchandise on Docks or at Railway Stations or Warehouses – including mending or repacking of damaged containers – including Outside Salespersons*, was established.

Description of Operations

Below are the classification phraseologies, footnotes and relevant summaries of operations currently assigned to Classifications 7248, 8720(1), 8720(2) and 8720(3).

MARINE APPRAISERS OR SURVEYORS

7248

Classification 7248 applies to the fee inspection of marine vessels for seaworthiness and safety for insurance underwriting purposes. Inspectors visually and physically inspect ship hulls, chain cables, anchors, tanks, machinery, electrical apparatus and boilers. Inspectors may also review ship maintenance and safety records. Inspectors compile the information into a report for the purpose of classifying ships for insurance and valuation purposes. The operations described above are typically performed on or over navigable waters.

Classification 7248 also applies to the fee inspection of cargo for insurance companies to determine damage that may have occurred in transit. Inspectors travel to docks or dockside warehouses and inspect damaged shipping containers and cargo and determine the cause and extent of the damage and settlement cost estimates. The information is compiled into a report for clients.

WCIRB insurance policy records indicate that there are twelve employers with current coverage that perform the operations described above.

INSPECTION FOR INSURANCE OR VALUATION PURPOSES – N.O.C. – including Outside Salespersons

8720(1)

Classification 8720(1) applies to employers that perform inspections for safety, performance, insurance or valuation purposes on a fee basis. Inspections of various items, including but not limited to roofs, cranes, boilers, all types of equipment, fire sprinklers, hydrant and escape systems, automobiles, trucks, automobile and truck parts, produce, businesses and property damage caused by smoke, water or fire.

Classification 8720(1) also applies to pumpers and gaugers who oversee the flow of fluids on oil leases or oil pipelines on a fee basis and employers that perform sub-rosa insurance claim investigations on a fee basis. Such activities include taking pictures and video without the claimant's knowledge, interviewing people, taking and recording statements and collecting necessary information to determine the validity of pending workers' compensation claims.

WCIRB insurance policy records indicate that there are 577 employers with current coverage that perform the operations described above.

ELEVATOR INSPECTING – including Outside Salespersons – no service inspections, oiling,

8720(2)

adjusting or repairing

Classification 8720(2) applies to employers that inspect elevators, including crane elevators, on a fee basis for certification from the state of California.

WCIRB insurance policy records indicate that there are thirty-three employers with current coverage that perform the operations described above.

WEIGHERS, SAMPLERS OR INSPECTORS OF MERCHANDISE ON DOCKS OR AT RAILWAY STATIONS OR WAREHOUSES – including mending or repacking of damaged containers – including Outside Salespersons 8720(3)

The operation of warehouses shall be separately classified.

Classification 8720(3) applies to employers that weigh and sample a variety of merchandise such as fruits, vegetables, meats, fish, beer and coffee and cocoa beans on a fee basis. Classification 8720(3) also applies to employers that operate public scales.

WCIRB insurance policy records indicate that there are twenty-seven employers with current coverage that perform the operations described above.

Payroll and Loss Experience for Classifications 7248 and 8720

Below is a summary of 2011 policy year Unit Statistical Reports (USR)¹ that show the number of USRs for which payroll was reported in Classifications 7248 and 8720.

Table 1: 2011 USR Summary – Number of Employers in 2011 for Which Payroll Was Reported in Classifications 7248 and 8720

Classification	USRs with Payroll Reported in Indicated Classification	USRs with Payroll Reported in Both Classifications
7248	11	0
8720	521	0

The WCIRB's library of inspection reports contains two reports that assign Classification 7248, and 226 reports that assign Classification 8720. No reports assign both 7248 and 8720.

¹ A USR is a record of the total exposure and the claims pertaining to a policy. At the time this report was prepared, 2011 was the most recent policy year for which complete ratemaking data was available.

Statistical Analysis

Table 2 presents the classification relativity data for Classification 7248 and 8720 combined at policy year 2015 level:

**Table 2: Combined Classifications 7248 and 8720
Payroll and Loss Experience at Policy Year 2015 Level**

Year	Number of Employers	Payroll	Losses	Loss to Payroll Ratio
2007	552	164,581,223	3,996,388	2.428
2008	527	166,361,912	2,088,899	1.256
2009	500	153,073,439	2,040,814	2.072
2010	508	178,280,371	4,874,927	2.734
2011	532	196,298,939	3,933,177	2.004
Total		858,595,884	18,065,067	2.104

Credibility ²	
Indemnity	Medical
0.85	0.79

Selected (Unlimited) Loss to Payroll Ratio 2.855

Tables 3 and 4 present the classification relativity data at the policy year 2015 level for each classification independently:

² The relativity for each classification in the upcoming policy year is determined based on a comparison of that classification's actual losses per \$100 of payroll and the ratio of losses per \$100 of payroll underlying the current pure premium rate. The "credibilities" assigned to a classification are the statistical weights assigned to that classification's experience as a predictor of future claim experience relative to the loss per \$100 of payroll underlying the classification's current pure premium rate. The predictability or credibilities assigned to a classification's recent historical experience depends on the volume of indemnity and medical claims incurred during the experience period. The WCIRB strives to have classifications that are fully, or 100%, statistically credible based on historical experience over five or fewer years, which mean that the classification's relativity in the upcoming policy year can be best, estimated using only the loss per \$100 of payroll experience from the latest two-, three-, four- or five-year periods. The WCIRB generally will not recommend the establishment of a new classification if the credibility factors are less than one-half (< 0.50).

**Table 3: Classification 7248
Payroll and Loss Experience at Policy Year 2015 Level**

Year	Number of Employers	Payroll	Losses	Loss to Payroll Ratio
2007	2	792,873	0	0
2008	5	812,993	495	0.061
2009	6	1,035,858	0	0
2010	6	2,457,157	0	0
2011	11	5,706,014	0	0
Total		10,804,865	495	0.005

Credibility	
Indemnity	Medical
0.15	0.14

Selected (Unlimited) Loss to Payroll Ratio 2.160

**Table 4: Classification 8720
Payroll and Loss Experience at Policy Year 2015 Level**

Year	Number of Employers	Payroll	Losses	Loss to Payroll Ratio
2007	550	163,788,380	3,996,388	2.440
2008	522	165,548,919	2,088,403	1.262
2009	494	152,037,581	3,171,677	2.086
2010	502	175,823,214	4,874,927	2.773
2010	521	190,592,925	3,933,177	2.064
Total		847,791,019	18,064,572	2.131

Credibility	
Indemnity	Medical
0.85	0.78

Selected (Unlimited) Loss to Payroll Ratio 2.881

As shown above, the statistical credibility of the payroll and loss data generated by Classification 8720 is within the range (+50%) the WCIRB considers sufficient to create an advisory pure premium rate; however, this is not true for Classification 7248. Accordingly, either Classifications 8720 and 7248 should continue to be combined for ratemaking; Classification 7248 should be combined with a different classification; or Classification 7248 should be eliminated and its constituents assigned to a different classification.

Classification Analysis

Firms assigned to Classification 7248 conduct inspections of marine vessels to determine seaworthiness and inspect cargo damaged in marine transit for insurance or valuation purposes. Firms assigned to 8720(1), 8720(2) and 8720(3) conduct inspections of a wide variety of items for insurance or valuation purposes. In each case, the purpose and manner of inspections are similar; however, it is noted that the operations assignable to Classification 7248 are often performed on or over navigable waters and therefore, such exposure may be subject to the USL&H Act. Because of this possible unique exposure, WCIRB staff recommends that Classification 7248 be retained, and in view of the similarity in operations, Classifications 8720 and 7248 should continue to be combined for pure premium ratemaking purposes.

Conclusion

Based on its review, the WCIRB has determined that:

1. The statistical credibility of the payroll and loss data generated by Classification 8720 is within the range the WCIRB considers sufficient to create an advisory pure premium rate;
2. The statistical credibility of the payroll and loss data generated by Classification 7248, *Marine Appraisers or Surveyors*, is not within the range the WCIRB considers sufficient to create an advisory pure premium rate;
3. The operations of employers assigned to Classification 7248 are similar in nature to those assigned to Classification 8720(1), *Inspection for Insurance or Valuation Purposes*; however, the operations are typically performed on or over navigable waters. Accordingly, there may be exposure subject to the USL&H Act.

Recommendation

In view of the above, the WCIRB recommends the following:

1. Classifications 7248, *Marine Appraisers or Surveyors*, and 8720 should continue to be combined for ratemaking purposes; and
2. Classifications 7248, 8720(1), *Inspection for Insurance or Valuation Purposes*, 8720(2), *Elevator Inspecting*, and 8720(3), *Weighers, Samplers or Inspectors of Merchandise on Docks or at Railway Stations or Warehouses*, should be amended for clarity and to provide direction as to how related operations shall be classified.

Recommendation

Amend Classification 8720(2), *Elevator Inspecting*, to clarify its intended application.

PROPOSED

ELEVATOR INSPECTING – including Outside Salespersons – no service inspections, oiling, adjusting or repairing **8720(2)**

This classification applies to the inspection of elevators, including crane elevators on a fee basis for certification by the State.

Elevator servicing, oiling adjusting or repairing shall be classified as 8729, *Elevator Service Inspections, Oiling and Adjusting*.

Elevator erection or repair shall be classified as 5160, *Elevator Erection or Repair*.

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Recommendation

Amend Classification 8720(1), *Inspection for Insurance or Valuation Purposes*, to clarify its intended application and provide direction as to how related operations shall be classified.

PROPOSED

INSPECTION FOR INSURANCE, SAFETY OR VALUATION PURPOSES – N.O.C. – including Outside Salespersons **8720(1)**

This classification applies to employers that perform inspections for insurance, safety or valuation purposes on a fee basis, including but not limited to boiler inspections, electric meter inspection and testing, backflow valve inspection and testing, energy efficiency inspections, fire protection and safety inspections, log scaling and agricultural products inspection.

This classification also applies to insurance claims investigations performed on a fee basis that involve surveillance of persons without their knowledge.

This classification also applies to monitoring the flow of fluids on oil leases or along pipelines on a fee basis.

Insurance claims investigations performed on a fee basis that do not require surveillance of persons without their knowledge shall be classified as 8742(1), *Salespersons – Outside*, or 8810(1), *Clerical Office Employees*, in accordance with the rules for Standard Exceptions. Insurance claims investigations performed by insurance companies shall be classified as 8822, *Insurance Companies*.

Property appraisal on a fee basis shall be classified as 8742(1), *Salespersons – Outside*.

The weighing, grading, inspecting and sampling of merchandise at docks, railway stations or warehouses on a fee basis shall be classified as 8720(3), *Weighers, Samplers or Inspectors of Merchandise on Docks or at Railway Stations or Warehouses*.

The fee inspection of boats, ships and marine vessels for safety and to determine seaworthiness and the fee inspection and surveying of cargo that may have been damaged in marine transit shall be classified as 7248, *Marine Appraisers or Surveyors*.

The provision of legal support services on a fee basis, including but not limited to process serving of summons, subpoenas and complaints; filing court documents; or reproducing documents shall be classified as 8821, Attorney Support Services.

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Recommendation

Amend Classification 7248, *Marine Appraisers or Surveyors*, to clarify its intended application.

PROPOSED

MARINE APPRAISERS OR SURVEYORS

7248

This classification applies to the inspection and surveying of marine vessels, including but not limited to ships, boats and barges for safety and to determine seaworthiness for insurance or valuation purposes on a fee basis.

This classification also applies to the fee inspection and surveying of cargo that may have been damaged in marine transit.

Inspection for insurance, safety or valuation purposes that is not performed in connection with marine vessels shall be classified as 8720(1), *Inspection for Insurance, Safety or Valuation Purposes*.

The weighing, grading, inspecting and sampling of merchandise other than marine cargo shall be classified as 8720(3), *Weighers, Samplers or Inspectors of Merchandise on Docks or at Railway Stations or Warehouses*.

* * * * *

Recommendation

Amend Classification 8720(3), *Weighers, Samplers or Inspectors of Merchandise on Docks or at Railway Stations or Warehouses*, to clarify its intended application and provide direction as to how related operations shall be classified.

PROPOSED

WEIGHERS, SAMPLERS OR INSPECTORS OF MERCHANDISE ON DOCKS OR AT RAILWAY STATIONS OR WAREHOUSES – including mending or repacking of damaged containers – including Outside Salespersons

8720(3)

This classification applies to the weighing, grading, inspecting and sampling of a variety of merchandise, including but not limited to fruits, vegetables, grains, equipment parts and machinery at docks, railway stations or warehouses on a fee basis.

This classification also applies to operation of public scales.

The operation of warehouses shall be separately classified.

The inspection and surveying of marine vessels to analyze cargo that may have been damaged

in marine transit shall be classified as 7248, Marine Appraisers or Surveyors.

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Recommendation

Amend Section VIII, *Abbreviated Classifications – Numeric Listing*, for consistency.

PROPOSED

Section VIII – Abbreviated Classifications – Numeric Listing

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- 8720(1) Inspection for Insurance/~~Safety/Valuation~~Value
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