

Classification and Rating Committee

Meeting Minutes

Date	Time	Location	Staff Contact
May 31, 2018	9:45 AM	Teleconference	Brenda Keys

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Released: June 7, 2018

Members Present

National Union Fire Insurance Company of Pittsburgh PA
Pacific Compensation Insurance Company
Preferred Employers Insurance Company
Republic Indemnity Company of America
Security National Insurance Company
State Compensation Insurance Fund
Zenith Insurance Company

Represented By

Ellen Sonkin**
Steve Schafer**
John Bennett**
Reggie Fradkin**
Matt Zender**
Randy Hogan**
Sarah Elston**

California Department of Insurance

Patricia Hein**
Brentley Yim**

WCIRB

Brenda Keys, Chair
Bill Mudge
David Bellusci
Eric Riley
Tony Milano

** Participated via teleconference

The meeting of the Classification and Rating Committee was called to order at 9:45 AM following a reminder of applicable antitrust restrictions, with Ms. Brenda Keys, Senior Vice President and Chief Legal Officer, presiding.

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Approval of Minutes

The Minutes of the meeting held on May 8, 2018 were distributed to the Committee members in advance of the meeting for review. As there were no corrections to the Minutes, a motion was made, seconded and unanimously approved to adopt the Minutes as written.

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Item III-A Classification Relativities

The Committee was provided Agenda material that included preliminary 2019 classification relativity review sheets. The Committee was advised that the review sheets were preliminary in that WCIRB staff would be continuing the process of validating the underlying data used in the computation of classification relativities. The Committee was also advised that the methodologies and processes used to compute the 2018 classification relativities were consistent with those used in the computation of the 2018 relativities. Staff summarized the overall methodology used to compute the classification relativities and indicated that almost 100% of policy year experience was included.

The Committee was informed that preliminary 2019 classification relativities reflect the changes to classification definitions adopted by the Committee at the January 23, 2018, March 20, 2018 and May 8, 2018 meetings for inclusion in the January 1, 2019 Regulatory Filing, including the recommended establishment of several new classifications. Staff summarized the impact on the affected classifications and noted their indicated relativity changes, which in some instances were based on the expected loss to payroll ratios from the classifications prior to the definitional changes. In particular, staff noted that the relativities for the proposed Classifications 8869, *Vocational Schools – private – professors, teachers or academic professional employees*, 8873, *Training or Day Programs for Adults with Developmental Disabilities*, 8874, *Special Educational Services for Children or Youth*, 8876(1), *Adult Day Health Care or Community-Based Adult Services*; and 8876(2), *Senior Day Programs or Activity Centers*, were limited to a 25% increase from the expected relativity for the prior Classification 8868, *Colleges or Schools – private – not automobile schools – professors, teachers or academic professional employees*. Similarly, Classification 8868's relativity was limited to a 25% decrease from the prior expected relativity of Classification 8868.

Staff also noted that Classification 5029, *Concrete or Asphalt Sawing or Drilling*, which became effective in 2014, is proposed to be uncombined for ratemaking from Classification 3724(1), *Millwright Work*. Staff noted that the indicated credibility for Classification 5029 is above 50% and the 2015 loss to payroll ratio for Classification 5029 was somewhat higher than the 2014 ratio but consistent with other years for the classification, which were based on study groups of employers.

Staff then summarized some of the individual classification results. Staff noted there were more classifications limited to a 25% increase than in recent years, particularly concentrated in low credibility manufacturing classifications. Staff noted that each of these classifications experienced 2015 loss to payroll ratios significantly higher than that for 2010 (which was included in the 2018 classification relativities) and the manufacturing sector as whole has experienced increasing loss to payroll ratios, which is used as the complement of credibility for these classifications. It was noted that the improving economy during this period was a possible contributing factor to these changes.

Following the presentation and discussion, the consensus of the Committee was that the 2019 classification relativities should be filed, once finalized, as outlined by staff.

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The meeting was adjourned at 10:15 AM.

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Note to Committee Members: These Minutes, as written, have not been approved. Please refer to the Minutes of the meeting scheduled for June 13, 2018 for approval and/or modification.