

# Classification and Rating Committee

## Meeting Agenda

Date	Time	Location	Staff Contact
August 8, 2023	9:30 AM	Microsoft Teams Webinar	Kristen Marsh

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Released: July 25, 2023

To Members of the Classification and Rating Committee, WCIRB Members and All Interested Parties:

**This meeting is Open to the Public.**

Please use this [link](#) to register for the meeting webinar. After registering, you will receive a confirmation email containing information about the meeting.

**I. Approval of Minutes**

Meeting held May 16, 2023

**II. Unfinished Business**

**III. New Business**

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A. COVID-19 Claims in Experience Rating	3
B. Draft Food and Beverage Manufacturing or Processing Industry Study — Phase I (Analysis Framework and Study Plan)	6

**IV. Matters Arising at Time of Meeting**

**V. Next Meeting Date: November 14, 2023**

**VI. Adjournment**

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## **Item III-A**

### **COVID-19 Claims in Experience Rating**

Workers' compensation is a no-fault system. As a result, in general, all workers' compensation claims regardless of consideration of fault are reflected in experience rating. However, given the unique nature of the 2019 Coronavirus disease (COVID-19) exposure and the emerging pandemic, the WCIRB recommended that claims arising directly from a COVID-19 diagnosis with accident dates on or after December 1, 2019 be reported with Catastrophe Number 12 and excluded from an individual employer's experience modification calculation. These recommendations were reflected in the WCIRB's July 1, 2020 Regulatory Filing and adopted by the Insurance Commissioner.

When the Governing Committee approved making this recommendation to the Insurance Commissioner at the April 17, 2020 meeting, it was noted by a Committee member that there is a safety component related to the occurrence of COVID-19 claims at an employer's workplace and removing the COVID-19 experience rating exclusion at some point after the initial emergency period would be appropriate. Since then, the WCIRB has monitored COVID-19 claims incurred to assess whether they should continue to be excluded from experience rating.<sup>1</sup>

More than three years removed from the start of the pandemic, the COVID-19 workers' compensation claims environment has normalized such that COVID-19 is similar to other workers' compensation exposures and employers have put COVID-19 safety measures in place to prevent injury. The California Division of Occupational Safety and Health (Cal/OSHA) has issued guidance and set mandatory standards to assist employers in their development of COVID-19 mitigation strategies, including but not limited to implementation of personal protective equipment, adequate ventilation of indoor spaces, employee training, social distancing and infection outbreak protocols. COVID-19 testing is also readily accessible and most Californians have been exposed to the COVID-19 virus, vaccinated and/or boosted. COVID-19 infections and workers' compensation claim filings have dropped substantially since the height of the pandemic and many businesses have reopened without restrictions.

The federal government declared an end to the COVID-19 public health emergency as of May 11, 2023 and the State of California declared an end to California's COVID-19 State of Emergency on February 28, 2023. Additionally, California Labor Code section 3212.86, specifying when a worker has a rebuttable presumption of compensability that their COVID-19 infection is work-related, is scheduled to sunset January 1, 2024.<sup>2</sup> There have been no bills introduced in the current legislative session to extend the presumption past January 1, 2024.

Other jurisdictions have also either implemented or proposed sunsetting the exclusion of COVID-19 claims from experience or merit rating. New York began including COVID-19 claims with accident dates on or after November 1, 2022 in experience rating and the National Council on Compensation Insurance (NCCI)<sup>3</sup> and Indiana have formally proposed rule changes that will include COVID-19 claims with accident dates on or after July 1, 2023 in experience rating.

In view of the above, staff is recommending to sunset the exclusion of COVID-19 claims from experience rating effective September 1, 2024. Specifically, staff is recommending the following changes to the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* and the *California Workers' Compensation Experience Rating Plan—1995* be included in the September 1, 2024 Regulatory Filing to indicate that only COVID-19 claims with accident dates from December 1, 2019 through August 31, 2024 should be reported with Catastrophe Number 12 and excluded from experience rating.

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<sup>1</sup> The WCIRB's recommendation in the September 1, 2022 Regulatory Filing that COVID-19 claims incurred on or after September 1, 2022 be included in experience rating was not adopted by the Insurance Commissioner.

<sup>2</sup> Labor Code section 3212.86 was enacted by California Senate Bill No. 1159; the original January 1, 2023 sunset provision was extended to January 1, 2024 by Assembly Bill No. 1751.

<sup>3</sup> NCCI's Item Filing E-1410.

## Proposed Changes to the Uniform Statistical Reporting Plan

### Recommendation

Amend Part 4, *Unit Statistical Reporting Requirements*, Section V, *Loss Information*, Subsection B, *Loss Data Elements*, Rule 4, *Catastrophe Number*, to confine the reporting of “Catastrophe Number” 12 to claims arising from a diagnosis of Coronavirus disease 2019 (COVID-19) with accident dates of December 1, 2019 through August 31, 2024.

### PROPOSED

#### Section V – Loss Information

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#### B. Loss Data Elements

All loss-related fields shall be reported on all claims as required for California in WCSTAT except as indicated below.

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#### 4. Catastrophe Number

Report the 2-digit sequential number for two or more claims resulting from the same occurrence. For each policy, all claims resulting from the first such occurrence shall be assigned a “Catastrophe Number” of 01, all claims resulting from the second occurrence shall be 02, etc. When an occurrence results in only one claim being reported, report zero.

#### Example

Claim No.	Policy No.	Date of Injury	Cat. No.
123	WC-1	2/15/yy	01
456	WC-1	2/15/yy	01
321	WC-1	4/23/yy	00
789	WC-1	6/14/yy	02
987	WC-1	6/14/yy	02

With respect to unit statistical report data with a required date of reporting on or after August 1, 2020, report “Catastrophe Number” 12 for all claims directly arising from a diagnosis of Coronavirus disease 2019 (COVID-19) and an accident date ~~on or after~~ of December 1, 2019 through August 31, 2024.

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## Proposed Changes to the Experience Rating Plan

### Recommendation

Amend Section VI, *Rating Procedure*, Rule 2, *Actual Losses and Actual Primary (Ap) Losses*, to exclude COVID-19 claims with accident dates of December 1, 2019 through August 31, 2024 from the computation of experience modifications.

### PROPOSED

#### Section VI – Rating Procedure

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#### 2. Actual Losses and Actual Primary (Ap) Losses

Unless otherwise noted in this Rule, Actual Losses shall be the sum of the indemnity incurred loss and medical incurred loss on each claim, with the sum limited to the Maximum Loss Value shown in Table II of this Plan.

The experience rating calculation uses the primary component of Actual Losses, or Actual Primary Losses. Actual Primary Losses for each claim represents the more predictive and controllable portion of the claim and varies with a risk's Expected Losses. Unless otherwise noted in this Rule, Actual Primary Losses for each claim is determined by the formula:

Actual Primary Losses = \$0 if Actual Losses is \$250 or less;  
= Actual Losses less \$250, if Actual Losses is more than \$250 but no more than the Primary Threshold applicable to the risk;  
= Primary Threshold less \$250, if Actual Losses is more than the Primary Threshold applicable to the risk.

The Primary Threshold applicable to the risk is based on the risk's total Expected Losses for the experience period and is shown in Table II of this Plan.

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- j. Claims directly arising from a diagnosis of Coronavirus disease 2019 (COVID-19), reported with a Catastrophe Number 12 pursuant to the Uniform Statistical Reporting Plan and an accident date of December 1, 2019 through August 31, 2024, shall not be reflected in the computation of the experience modification.

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## Item III-B

### **Draft Food and Beverage Manufacturing or Processing Industry Study — Phase I (Analysis Framework and Study Plan)**

#### **I. Background**

The food and beverage manufacturing industry is the second largest manufacturing industry in California.<sup>1</sup> This industry has been growing steadily in the last decade, with payroll increasing by 65% from 2010 to 2020. In 2020, California also had the highest number of employees working in the food and beverage manufacturing industry of any state.<sup>2</sup>

At the November 1, 2022 Classification and Rating Committee meeting, after conducting a systematic review of evolving industries, staff recommended conducting a holistic review of the food and beverage manufacturing or processing industry and evaluating the efficacy of the current classification procedures for the industry.

For purposes of this review, the WCIRB defined the food and beverage manufacturing or processing industry to include 22 food and beverage manufacturing or processing classifications in the California workers' compensation classification system.<sup>3</sup>

Most of these classifications were established several decades ago and may not reflect evolving food and beverage manufacturing and processing operations. The WCIRB has also received inquiries regarding, in particular, the precise line of demarcation between packaged meals or food products manufacturing and restaurant operations. In addition, the total payroll reported between policy years 2015 and 2019 for 19 of these 22 classifications accounts for less than one-half of the total payroll for the industry. Almost one-half of the classifications in this industry are not fully credible and three have credibility around 0.5, suggesting that some classifications may be too narrowly defined and may not constitute operations that are fully distinct from other food and beverage manufacturing or processing operations.

Furthermore, Classification 6504, *Food Products Mfg. or Processing*, one of the 22 classifications, contains a Not Otherwise Classified (N.O.C.) designation and applies to any food and beverage manufacturing or processing operations not more accurately described by another Food Packaging and Processing Industry Group classification.<sup>4</sup> The WCIRB health check tool indicated that Classification 6504 has large variability in the loss to payroll ratio distribution as well as in the experience modification distribution, suggesting Classification 6504 may have become overly broad over time and that there may be potentially distinct segments of operations within Classification 6504.

#### **II. Scope of the Study**

Given the scope of the industry, the WCIRB initiated a multi-year effort to holistically review food and beverage manufacturing or processing classifications. In Phase I of this study (2023), the WCIRB conducted an operational and data review, as well as outreach meetings with industry stakeholders, to complete the following objectives:

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<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> Census Bureau: County Business Patterns by Industry: 2020. <https://www.census.gov/library/visualizations/interactive/county-business-patterns-by-industry-2020.html>

<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. The 22 classifications are listed in the Appendix. Twenty-one of these classifications are in the Food Packaging and Processing Industry Group.

<sup>4</sup> "No classification so qualified shall be assigned in any case where another classification more accurately describes the enterprise or where the language of any classification so qualified prescribes other treatment." USRP, Part 3, *Standard Classification System*, Section II, *Classification Terminology*, Rule 17, N.O.C.

1. Develop an analysis framework to review food and beverage manufacturing or processing classifications
2. Identify key classification issues for the industry
3. Recommend future classification studies to address key classification issues

In later phases of the study (anticipated in 2024 and 2025), the WCIRB plans to undertake the classification studies recommended in Phase I and, to the extent indicated by the studies' findings, recommend changes to existing classification procedures for the food and beverage manufacturing or processing industry.

### III. Preliminary Analysis Results

#### 1. Analysis Framework: Operational Groups in the Food and Beverage Manufacturing or Processing Industry

Based on a review of operations, including raw materials used and final products produced, the WCIRB assigned each of the 22 classifications to the following groups to facilitate a holistic review: (1) fresh produce packing and handling, (2) produce processing, (3) meat/fish/seafood products manufacturing, (4) baked goods/pasta manufacturing, (5) dairy products/butter substitute manufacturing, (6) beverage manufacturing, (7) value added refining or processing and (8) other food packaging and processing. The last group includes only Classification 6504, which applies to various food and beverage manufacturing or processing operations not more accurately described by any other classification in the Food Packaging and Processing Industry Group. For each group, the WCIRB analyzed the operational characteristics, payroll and loss experience as well as claim characteristics to identify key classification issues to address in later data driven studies.

#### 2. Operational Characteristics and Loss and Payroll Experience

##### (1) Fresh Produce Packing and Handling

The fresh produce packing and handling group includes Classifications 2107, *Fruit – fresh fruit packing and handling*, 2108, *Fruit – citrus fruit packing and handling*, and 8209, *Vegetables – fresh vegetable or tomato packing and handling*. These classifications have very similar operations, primarily receiving fruits or vegetables in bulk from orchards or farms; washing, sorting and sizing produce; and packing it for distribution or processing elsewhere. The similarity in operations was confirmed through insurer outreach. About 33% of Classification 2108 employers also have payroll reported in Classification 2107, and about 20% of Classification 2108 employers also have payroll reported in Classification 8209, indicating some overlap in operations across the three classifications. All three classifications constitute a similar share (around 3%) of industry payroll and are fully credible (**Table 1**). The latest 5-year capped loss to payroll ratios for Classifications 2108 and 8209 are very similar, while that for Classification 2107 is lower.<sup>5</sup> While the advisory pure premium rate for Classification 8209 is significantly higher than that of the other two classifications, the long-term capped loss to payroll ratios for the three classifications are similar (**Figure 1**), as are the leading causes of injury. Therefore, staff recommends further study of these classifications to determine whether their operations can be combined into a single classification.

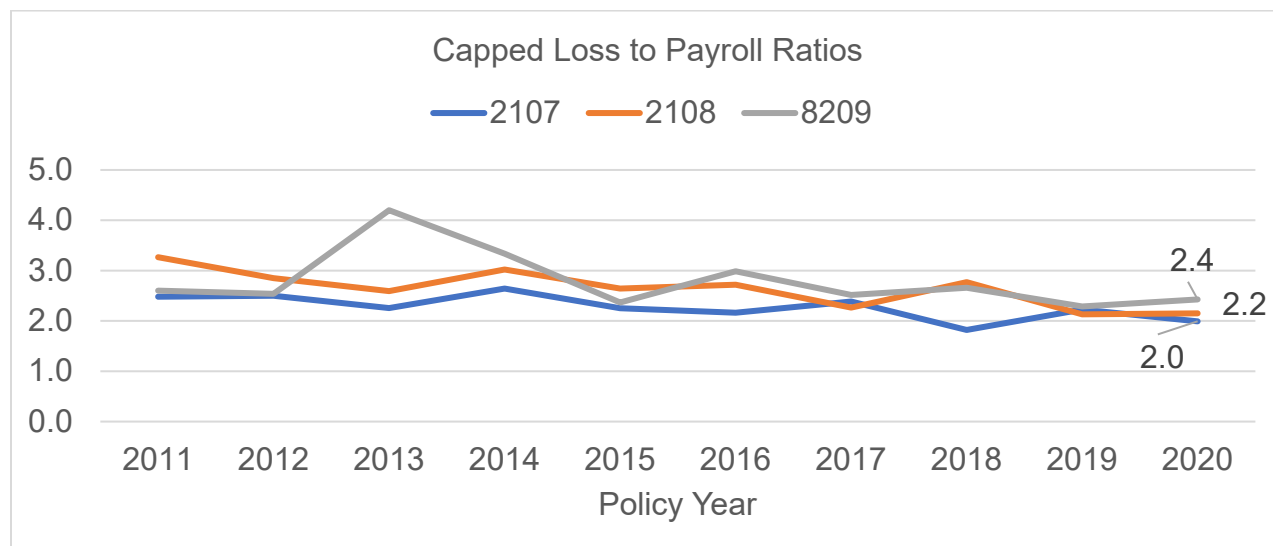
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<sup>5</sup> Loss to payroll ratios (LR) were calculated using losses capped at \$500,000 per claim and payroll reported at the latest report level between policy year (PY) 2015 and 2019. The same methodology applies to Tables 2 through 8.

**Table 1: Loss and Payroll Experience for Fresh Produce Packing and Handling Operations**

Class	Description	Industry Payroll Share	Credibility	Capped LR (PY 2015-2019)	PPR 9/1/2022	Years of experience to become credible
2107	Fruit – fresh fruit packing and handling	3.2%	1.00	2.7	\$3.99	4
2108	Fruit – citrus fruit packing and handling	2.8%	1.00	3.3	\$4.71	3
8209	Vegetables – fresh vegetable or tomato packing and handling	3.4%	1.00	3.4	\$6.00	2

**Figure 1. Trend of Capped Loss to Payroll Ratios at First Report Level for Fresh Produce Packing and Handling Operations**



**(2) Produce Processing**

The produce processing group includes Classifications 2111<sup>6</sup>, 2109, *Fruit – dried fruit packing and handling*, 2102, *Fruit or Vegetable Evaporation or Dehydrating*, 2123, *Fruit or Vegetable Processing – fresh*, and 2107, *Fruit or Vegetable Processing – frozen*. These classifications include processes that extend the shelf life of produce or make the produce ready to eat. Operations for all classifications include cleaning and cutting; some classifications also include additional processes, such as preserving or pickling, evaporating or freezing after cooking.

Classifications 2102 and 2109 apply to separate intermediate steps in the manufacturing and processing of dried fruit. Classification 2102 applies to the manufacture of dried fruit through evaporation or dehydration, while Classification 2109 applies to the packing of dried fruit. About 36% of Classification 2102 employers also have payroll reported in Classification 2109. Neither classification is fully credible, and the latest advisory pure premium rates and capped loss to payroll ratios over the most recent five years and long term are very similar (**Figure 2**). Given the similarity in operations and loss and payroll experience, staff recommends further study of Classifications 2102

<sup>6</sup> Classification 2111 consists of three alternate phraseologies (or suffixes): 2111(1), *Fruit or Vegetable Preserving*, 2111(2), *Olive Handling*, and 2111(3), *Fruit or Vegetable Pickling*.

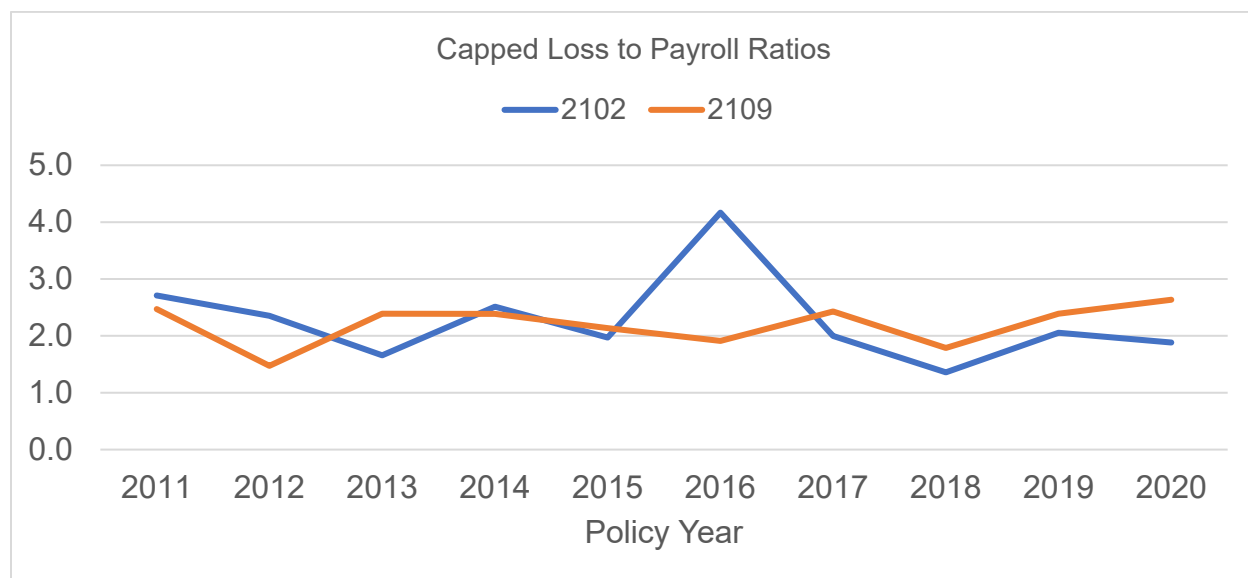


and 2109 to determine whether they should continue to be standalone classifications or if their operations should be combined. A review of operations and loss and payroll experience revealed no notable issues related to the intended scope of Classifications 2111, 2123 and 2117; therefore, staff does not recommend a further review of these three classifications.

**Table 2: Loss and Payroll Experience for Produce Processing Operations**

Class	Description	Industry Payroll Share	Credibility	Capped LR (PY 2015-2019)	PPR 9/1/2022	Years of experience to become credible
2111	Fruit or Vegetable Preserving; Olive Handling; Fruit or Vegetable Pickling	5.0%	1.00	2.6	\$4.13	2
2109	Fruit - dried fruit packing and handling	1.4%	0.90	2.8	\$4.80	n/a
2102	Fruit or Vegetable Evaporation or Dehydrating	0.7%	0.72	3.0	\$5.13	n/a
2123	Fruit or Vegetable Processing - fresh	5.2%	1.00	3.4	\$5.62	2
2117	Fruit or Vegetable Processing - frozen	0.9%	0.92	4.2	\$6.60	n/a

**Figure 2. Trend of Capped Loss to Payroll Ratios at First Report Level for Classifications 2102 and 2109**



**(3) Meat/Fish/Seafood Products Manufacturing**

The meat/fish/seafood products manufacturing group includes Classifications 2095, *Meat Products Mfg.*, 2113, *Fish or Seafood Products Mfg.*, and 2081<sup>7</sup>. Typical operations include cutting and processing meat, fish or seafood and manufacturing food products, such as processed meat and canned seafood or fish products. The capped loss to payroll ratios as well as advisory pure premium rates differ among the three classifications, suggesting distinct levels of workers' compensation risk exposure (**Table 3**). A review of operations and loss and payroll experience revealed no notable

<sup>7</sup> Classification 2081 consists of two alternate phraseologies (or suffixes): 2081(1), *Butchering*, and 2081(2), *Stockyards*.

issues related to the intended scope of the classifications and the loss to payroll ratios and advisory pure premium rates are fairly disparate; therefore, staff does not recommend a further review of the three classifications in this group.

**Table 3: Loss and Payroll Experience for Meat / Fish / Seafood Products Manufacturing Operations**

Class	Description	Industry Payroll Share	Credibility	Capped LR (PY 2015-2019)	PPR 9/1/2022	Years of experience to become credible
2095	Meat Products Mfg.	3.0%	1.00	3.9	\$6.57	3
2113	Fish or Seafood Products Mfg.	0.5%	0.74	4.4	\$7.84	n/a
2081	Butchering; Stockyards	1.5%	1.00	5.2	\$8.08	3

**(4) Baked Goods/Pasta Manufacturing**

The baked goods and pasta manufacturing group includes Classifications 2003, *Bakeries or Cracker Mfg.*, and 2002, *Macaroni Mfg.* Typical operations include mixing ingredients to form dough and baking the dough to make breads, pastries, pastas and other similar products. Classification 2003 constitutes almost a quarter (22.5%) of industry payroll and is fully credible with only two years of experience (**Table 4**). An operational review suggested that Classification 2003 may include employers with distinct operations, such as the mass production of baked goods in large commercial bakeries and small batch production of baked goods in small retail bakeries, which typically also have payroll reported in Classification 8017(1), *Stores – retail*. The latest 5-year loss to payroll ratio for the Classification 2003 experience of retail bakeries is 23% higher than that of commercial bakeries (3.7 vs. 3.0), mostly driven by a higher frequency of indemnity claims that tend to involve more severe injuries. Given the operational and data patterns, staff recommends further study of Classification 2003 to determine whether assigned operations continue to be homogenous or if any distinct segments should be reassigned to new or existing classification(s). As part of the study, staff also recommends reviewing doughnut shops (currently assigned to Classification 9079(1), *Restaurants or Taverns*) to determine if they have operational similarities to retail bakeries and combining retail bakeries and doughnut shops in the same classification if warranted. A review of operations and loss and payroll experience revealed no notable issues related to the intended scope of Classification 2002; therefore, staff does not recommend a further review of this classification.

**Table 4: Loss and Payroll Experience for Baked Goods/Pasta Manufacturing Operations**

Class	Description	Industry Payroll Share	Credibility	Capped LR (PY 2015-2019)	PPR 9/1/2022	Years of experience to become credible
2003	Bakeries or Cracker Mfg.	22.5%	1.00	3.4	\$5.64	2
2002	Macaroni Mfg.	0.9%	0.95	3.7	\$6.10	n/a

**(5) Dairy Products/Butter Substitute Manufacturing**

The dairy products and butter substitute manufacturing group includes Classifications 2063, *Dairy Products or Ice Mfg.*, and 4717, *Butter Substitute Mfg.* Classification 2063 applies to the manufacture of dairy products, as well as ice and non-dairy novelty treats. Classification 4717 applies to the manufacture of margarine, shortening and lard. Classification 4717 accounts for a very small share (0.3%) of industry payroll and has low credibility (0.45), which can result in undue volatility in the year-to-year advisory pure premium rate (**Table 5**). Between policy years 2011 and 2020, only 24 employers had payroll reported in Classification 4717. Given the low statistical credibility of

Classification 4717, staff recommends further study of Classification 4717 to determine if it should continue to be a standalone classification or if some or all of the operations contemplated by this classification should be combined with another classification(s) with similar operations and payroll and claim experience. A review of operations and loss and payroll experience revealed no notable issues related to the intended scope of Classification 2063; therefore, staff does not recommend a further review of this classification.

**Table 5: Loss and Payroll Experience for Dairy Products/Butter Substitute Manufacturing Operations**

Class	Description	Industry Payroll Share	Credibility	Capped LR (PY 2015-2019)	PPR 9/1/2022	Years of experience to become credible
<b>2063</b>	Dairy Products or Ice Mfg.	8.9%	1.00	2.1	\$3.26	2
<b>4717</b>	Butter Substitutes Mfg.	0.3%	0.45	2.4	\$3.88	n/a

**(6) Beverage Manufacturing**

The beverage manufacturing group includes Classifications 2116, *Juice or Juice Concentrate Mfg.*, and 2163, *Bottling*. Classification 2116 applies to the manufacture of non-alcoholic juice or juice concentrates from fruits, vegetables, nuts or seeds. Classification 2163 applies to the manufacture and bottling of soft drinks, sports drinks, coffee or tea drinks and water, as well as the blending of juice or juice concentrates with water or flavorings to produce beverages. An operational review and data analysis revealed no notable classification issues for either classification and the loss to payroll ratios and advisory pure premium rates are fairly disparate; therefore, staff does not recommend further study of the two classifications in this group.

**Table 6: Loss and Payroll Experience for Beverage Manufacturing Operations**

Class	Description	Industry Payroll Share	Credibility	Capped LR (PY 2015-2019)	PPR 9/1/2022	Years of experience to become credible
<b>2116</b>	Juice or Juice Concentrate Mfg.	1.4%	0.93	2.8	\$4.49	n/a
<b>2163</b>	Bottling	11.5%	1.00	3.4	\$6.57	2

**(7) Value Added Refining or Processing**

The value-added refining or processing group consists of Classifications 4683<sup>8</sup>, 2030, *Sugar Mfg. or Refining*, 0096, *Nut Hulling, Shelling or Processing*, and 2014(1), *Grain or Rice Milling*. Value added processes include milling, hulling and shelling, roasting, and pressing and extracting, which refines raw materials, such as grains, nuts, sugar cane and seeds, into various consumable food products. Classifications 2030 and 4683 constitute a very small share (0.5%) of industry payroll and have low statistical credibility (0.53), which can result in undue volatility in the year-to-year advisory pure premium rate (**Table 7**). Classification 2030, in particular, is dominated by only a few employers. As such, staff recommends further study of Classifications 2030 and 4683 to determine if they should continue to be standalone classifications or if some or all of the operations contemplated by these classifications should be combined with other classifications with similar operations and payroll and claim experience. A review of operations and loss and payroll experience revealed no notable issues related to the intended scope of Classifications 0096 and 2014(1); therefore, staff does not recommend a further review of these two classifications.

<sup>8</sup> Classification 4683 consists of two alternate phraseologies (or suffixes): 4683(1), *Vegetable Oil Mfg. or Refining*, and 4683(2), *Cottonseed Oil Mfg. or Refining*.

**Table 7: Loss and Payroll Experience for Value Added Refining or Processing Operations**

Class	Description	Industry Payroll Share	Credibility	Capped LR (PY 2015-2019)	PPR 9/1/2022	Years of experience to become credible
<b>4683</b>	Vegetable Oil Mfg. or Refining; Cottonseed Oil Mfg. or Refining	0.5%	0.53	1.5	\$2.97	n/a
<b>2030</b>	Sugar Mfg. or Refining	0.5%	0.53	1.8	\$3.51	n/a
<b>0096</b>	Nut Hulling, Shelling or Processing	4.8%	1.00	2.3	\$3.85	2
<b>2014(1)</b>	Grain or Rice Milling	1.7%	0.95	2.5	\$4.22	n/a

**(8) Other Food Packaging and Processing**

The other food packaging and processing group includes Classification 6504, *Food Products Mfg. or Processing – N.O.C.*, which applies to food products manufacturing or processing operations that are not more accurately described by another Food Packaging and Processing Industry Group classification. Classification 6504 employers perform various processes to prepare ingredients to form complete food products or meals and to package the final products. Some emerging food and beverage manufacturing or processing operations, such as meal kit manufacturing, are also included. Given its broad scope, Classification 6504 accounts for a large share (19.4%) of the industry payroll and is fully credible with only two years of experience (**Table 8**).

**Table 8: Loss and Payroll Experience for Classification 6504**

Class	Description	Industry Payroll Share	Credibility	Capped LR (PY2015-2019)	PPR 9/1/2022	Years of experience to become credible
<b>6504</b>	Food Products Mfg. or Processing – N.O.C.	19.4%	1.00	3.3	\$6.34	2

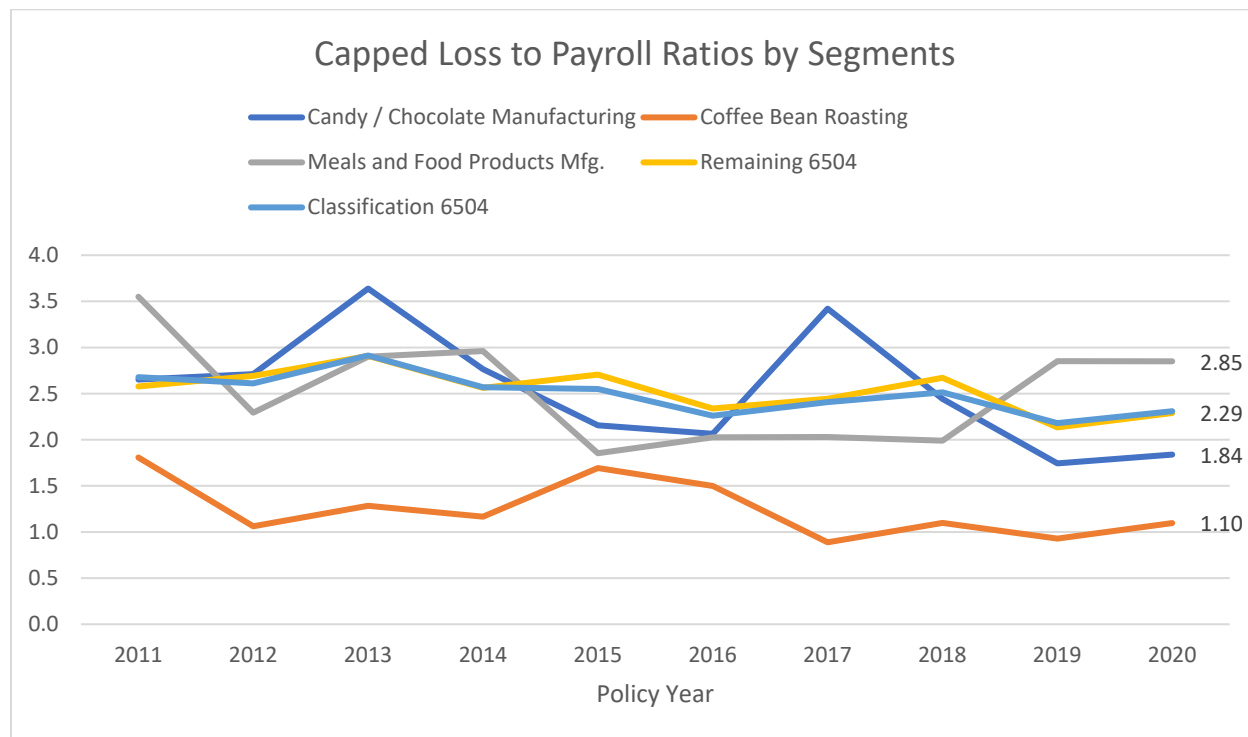
Based on a preliminary review of WCIRB Classification Inspection Reports, three potential segments within Classification 6504 were identified that are operationally distinct from the remaining food and beverage manufacturing or processing operations and constitute a significant amount of reported payroll in Classification 6504. These potential segments are meals and food products manufacturing, candy and chocolate manufacturing and coffee bean roasting. The remaining operations in Classification 6504 primarily include repackaging of bulk food items; milling of seasonings and teas; blending of dried food items or liquids; and manufacturing of food or beverage flavorings, energy or nutrition bars and sauces and condiments.

**a. Meals and Food Products Manufacturing**

Meals and food products manufacturing includes the manufacture of ready-to-eat meals, ready-to-eat food products and frozen food products. The shared characteristics of these operations include cooking food in bulk and letting it cool, packaging food into individual portions and delivering or arranging third party delivery to individual consumers or businesses (e.g., grocery stores) for use or retail sale. Based on a sample of meals and food product manufacturing operations that is fully credible and constitutes 13% of Classification 6504 payroll, the combined 10-year capped loss to payroll ratio for this segment is similar to that of the remaining operations in Classification 6504 (**Figure 3**). However, the year-over-year trends suggest more notable differences: between 2015 and 2018, the capped loss to payroll ratios for the meals and food products manufacturing segment was

lower than those for the remaining operations in Classification 6504, while the trend has reversed in the most recent two years (**Figure 3**).

**Figure 3. Ten-Year Capped Loss to Payroll Ratios at First Report Level by 6504 Segments**



Classification 6504 Segments	Class Payroll Share	Combined 10-Year Capped LRs (PY 2011-2020) <sup>9</sup>
Meals and Food Products Manufacturing	13%	4.1
Candy and Chocolate Manufacturing	6%	3.6
Coffee Bean Roasting	3%	1.9
Remaining Operations in Classification 6504	78%	4.1
Classification 6504	100%	4.0

**b. Candy and Chocolate Manufacturing**

Candy and chocolate manufacturing includes the manufacture of chocolate confections, caramels, candy bars and various forms of chocolate. Employers engaged in these operations may mill ingredients, temper chocolate, melt sugar and other flavorings, shape or form confections into molds or pans, add toppings or coatings and allow confections to cool. Other jurisdictions assign candy and chocolate manufacturing to a standalone classification.<sup>10</sup> Based on a sample of candy and chocolate manufacturing operations that constitutes 6% of Classification 6504 payroll and has credibility of 0.96, the year-over-year loss to payroll ratios are more volatile than those of the remaining operations in

<sup>9</sup> Loss to payroll ratios (LRs) were calculated using losses capped at \$500,000 per claim and payroll reported at the latest report level between policy year (PY) 2011 and 2020.

<sup>10</sup> These jurisdictions include: The National Council on Compensation Insurance (NCCI), Workers' Compensation Rating and Inspection Bureau of Massachusetts, Compensation Advisory Organization of Michigan, Minnesota Workers' Compensation Insurers Association, Inc., New Jersey Compensation Rating and Inspection Bureau, New York Compensation Insurance Rating Board, North Carolina Rate Bureau, Pennsylvania Compensation Rating Bureau and Wisconsin Compensation Rating Bureau.

Classification 6504 (**Figure 3**); however, the combined 10-year loss to payroll ratio for candy and chocolate manufacturing is 12% lower than that for the remaining operations in Classification 6504 as well as for the meals and food products manufacturing segment (**Figure 3**).

**c. Coffee Bean Roasting**

Coffee bean roasting includes the cleaning, sorting and roasting of raw coffee beans. Some roasting employers also grind roasted coffee beans prior to packaging. Additionally, some employers use these coffee beans in the operation of their own coffee shops, which could be located at the same location as the roasting operations or a separate location. Based on a sample of coffee bean roasting operations that constitutes 3% of Classification 6504 payroll and has credibility of 0.74, the year-over-year loss to payroll ratios are consistently lower than those of the remaining operations in Classification 6504 (**Figure 3**) and the combined 10-year loss to payroll ratio is 54% lower than that for the remaining operations in Classification 6504 (**Figure 3**).

In summary, based on an initial review of the operations and loss and payroll experience of Classification 6504 operations and the three identified segments, staff recommends studying these segments and the remaining operations in Classification 6504 to determine whether Classification 6504 continues to include homogenous operations or whether Classification 6504 should be modified to reassign some operations to new or existing classification(s).

**IV. Preliminary Recommendations**

At the meeting, staff will be seeking feedback on its recommendations to study the following:

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

## **Appendix: List of Classifications in the Food and Beverage Manufacturing or Processing Industry**

6504, *Food Products Mfg. or Processing*  
0096, *Nut Hulling, Shelling or Processing*  
2002, *Macaroni Mfg.*  
2003, *Bakeries or Cracker Mfg.*  
2014(1), *Grain or Rice Milling*  
2030, *Sugar Mfg. or Refining*  
2063, *Dairy Products or Ice Mfg.*  
2081(1), *Butchering*  
2081(2), *Stockyards*  
2095, *Meat Products Mfg.*  
2102, *Fruit or Vegetable Evaporation or Dehydrating*  
2107, *Fruit – fresh fruit packing and handling*  
2108, *Fruit – citrus fruit packing and handling*  
2109, *Fruit – dried fruit packing and handling*  
2111(1), *Fruit or Vegetable Preserving*  
2111(2), *Olive Handling*  
2111(3), *Fruit or Vegetable Pickling*  
2113, *Fish or Seafood Products Mfg.*  
2116, *Juice or Juice Concentrate Mfg.*  
2117, *Fruit or Vegetable Processing – frozen*  
2123, *Fruit or Vegetable Processing – fresh*  
2163, *Bottling*  
4683(1), *Vegetable Oil Mfg. or Refining*  
4683(2), *Cottonseed Oil Mfg. or Refining*  
4717, *Butter Substitutes Mfg.*  
8209, *Vegetables*