



Workers' Compensation Insurance Rating Bureau of California®

WCIRB Classification Inspections and Test Audits

Purpose of Classification Inspections and Test Audits

The WCIRB is authorized by the California Insurance Code (§11750.3) and the Insurance Commissioner's regulations (Part 3, Section VI of the *California Workers' Compensation Uniform Statistical Reporting Plan – 1995*) to inspect the premises of any insured business for classification assignment purposes and to conduct test audits.

The purpose of a classification inspection is to ensure that your insurance company is reporting premium and claims cost data to the WCIRB using the proper classification(s). The intent is to verify the correct classifications are being utilized to describe the business as a whole. The classification inspection does not determine specific class codes by employee. A classification inspection is also conducted as part of a test audit.

A test audit of your insurance company's premium audit is conducted to check the accuracy of the premium audit and to ensure the proper experience modification is used on your policy.

Premium and claims cost data reported to the WCIRB by insurance companies is used to develop advisory pure premium rates for each California classification. In addition, the classification(s) applicable to your business are an important factor in the calculation of your experience modification by the WCIRB.

Why Was My Business Selected?

Classification inspections and test audits are among the ways the WCIRB ensures the quality of the data we use. They are routine, but have an important role in the regulation of workers' compensation insurance. Most employers that are experience rated (i.e. have an experience modification) will be inspected within one year of becoming eligible for experience rating. Depending on the complexity of the business, follow up inspections generally occur every four to six years. Test audits usually are conducted less frequently.

During Our Visit

Prior to our visit, we send you a letter advising you that your business has been selected for a classification inspection or test audit. We realize that your time is important, and the WCIRB representative that visits your business will make every effort to complete the classification inspection and/or test audit as quickly as possible. There are several things you can do to make the process move smoothly and to minimize the disruption to your schedule:

- Please make available a management employee who has detailed knowledge of the business and who has the authority to discuss the business' operations.
- Please be prepared to discuss the operations, machinery, tools or equipment used.
- Please be prepared to provide approximate employee head counts and payroll estimates by department.
- Please be prepared to give the WCIRB representative a tour of your premises.

After Our Visit

Once a classification inspection is completed, an "Inspection Report" will be issued, usually within 30 days. The WCIRB will automatically send a copy of the Inspection Report to you and your insurance company. It summarizes the overall operations and shows which classifications are assignable to each operation or process. If you have any questions regarding the report, you may contact the WCIRB Customer Service Department. Your insurance agent, broker or insurance company may also be a resource to answer your questions about the report, the classification inspection and the test audit. The results of a test audit are reported to your insurer; however, you will receive a copy of the inspection report as a result of the inspection that is conducted as a part of most test audits.

About the WCIRB

The Workers' Compensation Insurance Rating Bureau of California (WCIRB) is a private, nonprofit association comprised of all companies licensed to transact workers' compensation insurance in California. It is licensed by the Insurance Commissioner as an insurance rating organization and is the Commissioner's designated statistical agent. The operations of the WCIRB are funded primarily by membership fees and assessments. No taxpayer money is used to fund its operations.

The WCIRB performs a number of functions designed to accurately measure the cost of workers' compensation benefits. This includes collecting data on premium and claims costs for every workers' compensation insurance policy, examining policy documents for compliance with the Insurance Commissioner's regulations, conducting classification inspections of insured businesses, and performing test audits of insurer payroll audits and claims classifications to ensure accurate data reporting.

WCIRB California
1221 Broadway, Suite 900
Oakland, CA 94612

888.229.2472
customerservice@wcirb.com
<http://www.wcirb.com>

Facebook.com/wcirb
Twitter: @WCIRB

Online Resources for Employers

The WCIRB provides a variety of free workers' compensation informational modules on its website. To learn more, please visit www.wcirb.com and select "Learning Center" and then "Online Learning Modules" from the navigation menu.

California's Experience Rating System

Experience rating can have a big impact on a company's workers' compensation insurance premium. This module explains the purpose of the system, the eligibility requirements, the source of experience rating data and the experience modification calculation.

Ownership Changes

Changes in business ownership, employees and operations can impact experience rating. This module covers changes in ownership and what happens to an employer's experience when changes occur.

Preparing for the Workers' Compensation Premium Audit

Learn about the workers' compensation premium audit process, why an audit is required, the role of the premium auditor, the WCIRB California Premium Audit Accuracy program and audit dispute procedures.

Classification Basics

This module explains the basic principles of the classification system, including assignment by analogy, single vs. multiple enterprises, general inclusions and exclusions, and more.

Classification Standard Exceptions

The module will help you determine when an employee is eligible for a Clerical or Outside Salesperson classification, how payroll may and may not be divided between classifications, and how to apply the Standard Exceptions in connection with other classifications.

The Rates You Pay

This module provides an overview of the WCIRB and also covers the difference between Advisory Pure Premium Rates and the rates charged by an insurer.

Classification inspections are routine, but have an important role in the regulation of California workers' compensation insurance.



General Assistance

Your first resource for assistance with workers' compensation issues is your insurance representative (agent, broker or insurer). Your insurance representative should be able to answer questions concerning classification, experience rating, and the impact of ownership changes on your experience modification. In addition, your insurance representative should be able to help you with many issues that are not under the jurisdiction of the WCIRB, such as billing problems, claims adjusting, and employment status i.e., whether a worker is an employee or an independent contractor.

WCIRB Customer Service Department

The WCIRB Customer Service Department is available Monday-Friday, 7:30 AM to 5:00 PM Pacific Time. To speak with a Customer Service Analyst, please call (888) 229-2472. You may also email customerservice@wcirb.com.

Workers' Compensation Insurance Rating Bureau of California
Attn: Customer Service
1221 Broadway, Suite 900
Oakland, California 94612
888.229.2472

customerservice@wcirb.com
<http://www.wcirb.com>

Facebook.com/wcirb
Twitter: @WCIRB

Insurance Regulations

The Insurance Commissioner's regulations for workers' compensation insurance are contained in the *California Workers' Compensation Uniform Statistical Reporting Plan - 1995* and the *California Workers' Compensation Experience Rating Plan - 1995*. These publications may be helpful in answering questions concerning workers' compensation insurance in California. They are free and available online. Visit www.wcirb.com and select "Publications and Filings" and then select "Manuals and Plans" to view, print or download these publications. Paper copies of these publications may be purchased for a small fee. See the "Products and Services" section of the website for details.

Policyholder Ombudsman

The Policyholder Ombudsman can help you obtain, evaluate, and understand workers' compensation insurance information pertaining to loss experience, claims, classification assignments, experience modifications, and other factors that impact your policy premium. To reach the Policyholder Ombudsman, call (415) 778-7159 or email ombudsman@wcirb.com. More information about the Ombudsman is available on the WCIRB website.