

# Classification and Rating Committee

## Meeting Minutes

Date	Time	Location	Staff Contact
June 13, 2012	9:45 AM	Vintner's Court Silverado Resort Napa, California	Brenda J. Keys

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Released: July 2, 2012

**Members Present:**

National Union Fire Insurance Company of Pittsburgh PA  
Pacific Compensation Insurance Company  
Republic Indemnity Company of America  
SeaBright Insurance Company  
State Compensation Insurance Fund  
Travelers Indemnity Company  
United States Fire Insurance Company

**Represented By:**

Ellen Sonkin  
Karen Sterner  
Reggie Fradkin  
Keith Laughlin  
Diane Lawrence  
Heather Loupe  
Margaret Tsai

**California Department of Insurance**

Christina Carroll  
Christopher Citko

**WCIRB**

Bill Mudge, Chair  
Brenda Keys  
David Bellusci  
Tim Benjamin  
Eric Riley  
Warren Clark

The meeting of the Classification and Rating Committee was called to order at 9:30 AM, with Brenda Keys, Senior Vice President and CLO, presiding.

**Antitrust Notice**

As members of the Workers' Compensation Insurance Rating Bureau of California, you are bound, when involved in meetings or other activities of the WCIRB California, to limit your actions (and discussions other than social ones) to matters relating to the business of the WCIRB California. Matters that do not relate directly to WCIRB California business should be avoided. Members should particularly avoid discussions or conduct that could be construed as intended to affect competition (or access to markets). Thus, as members, you should not discuss or pursue the business interests of individual insurers or others, including, in particular, the plans of individual members involving, or the possibility or desirability of (a) raising, lowering, or stabilizing prices (premiums or commissions); (b) doing business or refusing to do business with particular, or classes of, insurers, reinsurers, agents, brokers, or insureds, or in particular locales; or (c) potential actions that would affect the availability of products or service either generally or in specific markets or locales.

**Approval of Minutes**

The Minutes of the meeting held on January 10, 2012, 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.

## **Item CR12-06-01**

### **Draft Report on Potential Changes to the Physical Audit Threshold**

The Committee noted that Part 3, *Standard Classification System*, Section VI, *Administration of Classification System*, Rule 4, *Audit of Payroll*, of the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP) includes the requirement that all policies that generate a final premium at or above a specific threshold amount are subject to physical audit. The threshold has historically been set at a level that corresponds approximately with eligibility for experience rating so that the vast majority of payroll experience reflected in the experience rating calculation is subject to audit. The threshold has been reviewed on a regular basis and adjusted as appropriate to maintain the same approximate volume of policies subject to the audit requirement.

The USRP audit threshold has been in place for many years. Effective January 1, 2002, the threshold was increased from \$10,000 to \$12,000 to reflect estimated increases in wages and changes in rates since the threshold was last increased in 1993. Effective January 1, 2004, the threshold was increased to \$16,000. Based on (a) the average insurer rate changes through the fourth quarter of 2005 (30%), (b) wage inflation since 2003 (8%), and (c) the approved 15.3% pure premium and 16.4% pure premium rate decreases effective January 1, 2006 and July 1, 2006, respectively, a 37% decrease in the audit threshold to \$10,000 was adopted effective January 1, 2007.

In 2009, 2010 and 2011, the Committee reviewed the physical audit threshold level and noted that a decrease could be supported based on the information presented for insurer rate level and projected wage level (as forecasted by UCLA). However, given concern with decreasing the threshold and then possibly having to increase it again if insurer rates and wage inflation were to increase with a recovering economy, the consensus of the Committee was to maintain the current \$10,000 audit threshold in 2010, 2011 and again in 2012 and no change to the physical audit threshold amount was proposed.

WCIRB staff reviewed the level of the audit threshold in preparation for the January 1, 2013 Pure Premium Rate Filing. In total, the \$10,000 threshold reflected an estimated 50% reduction in insurer rates from the pre-reform level. Through the fourth quarter of 2011, insurer rates have declined by 62% or approximately 24% [ $1.0 - (0.38/0.50)$ ] further than contemplated in the current \$10,000 threshold. Since the threshold was last changed in 2007, the projected average wage level (as forecast by UCLA) has increased by approximately 14%. As a result, combining the impact of wage inflation and the further insurer rate decreases, an approximate 13% decrease in the threshold to \$8,700 is indicated based on this information.

As previously stated, the audit threshold is set at a level that corresponds approximately with eligibility for experience rating so that the vast majority of payroll experience reflected in the experience rating calculation is subject to audit. Experience rating eligibility is determined based on the total payroll reported for the experience period multiplied by the current advisory pure premium rates. The audit threshold is based on insurer "final" premium and, as of December 31, 2011, insurer final premium for 2011 was approximately 42% higher than premium at the pure premium rates. As a result, assuming a three-year experience rating period, the January 1, 2012 experience rating eligibility threshold of \$23,300 would correspond to a single year average insurer premium level of approximately \$11,000.

Based on these two indicators and continued uncertainty as to future insurer premium levels, the consensus of the Committee was to maintain the current physical audit threshold of \$10,000 for policies incepting on or after January 1, 2013.

## **Item CR12-06-02 Draft Report on Payroll Remuneration Thresholds**

The Committee was advised that each year, WCIRB staff reviews current wage and payroll limits in the *California Worker's Compensation Uniform Statistical Reporting Plan—1995 (USRP)* to ensure their accuracy. The WCIRB is projecting that wage inflation for 2013 will be approximately 2.2%. This wage inflation projection is based on the UCLA Anderson All Industries Wage Forecast as of March 28, 2012. Based on this projection, the WCIRB recommends the following revisions to the USRP.

### **Executive Officers, Partners, Individual Employers and Members of a Limited Liability Company**

WCIRB staff reviewed the minimum and maximum reportable payrolls to be used for executive officers, partners, individual employers, and members of a limited liability company, so that these thresholds in the USRP reflect prospective economic conditions. To reflect the projected 2013 wage inflation of approximately 2.2%, staff recommends that the current maximum remuneration of \$104,000 be revised to \$106,600 (this corresponds to \$2,050 per week) and the current minimum of \$40,300 be revised to \$41,600 (this corresponds to \$800 per week).

### **Classification 9181, *Athletic Teams or Parks* — all players on salary list of insured, whether regularly played or not — including umpires**

WCIRB staff reviewed the salary limitation for athletic teams that is contained in the footnote to Classification 9181, *Athletic Teams or Parks*. To reflect the projected 2013 wage inflation of approximately 2.2%, staff recommends that the maximum remuneration for Classification 9181 be revised from \$104,000 to \$106,600.

### **Classification 9610, *Motion Pictures* — production**

### **Classification 7610, *Radio, Television or Commercial Broadcasting Stations***

### **Classification 9156, *Theaters* — dance, opera and theater companies**

### **Classification 9151, *Theaters* — music ensembles**

WCIRB staff reviewed the payroll limitations for performers in the entertainment classifications with a view toward adjusting the limitations to account for inflation and to remain consistent with adjustments to the payroll limitations for executive officers, partners and individual proprietors. To reflect the projected 2013 wage inflation of approximately 2.2%, staff recommends that the payroll limitations for the entertainment classifications referenced above be increased from \$104,000 per annum to \$106,600 per annum.

### **Classification 7365, *Taxicab Operations* — all employees**

WCIRB staff reviewed the minimum payroll per taxicab that is contained in the footnote to Classification 7365, *Taxicab Operations* — all employees. To reflect the projected 2013 wage inflation of approximately 2.2%, staff recommends that the minimum payroll per taxicab be increased from \$29,200 per year to \$29,800.

The Committee concurred with the adjustments based on 2013 wage inflation recommended by WCIRB staff. A motion was made, seconded and passed unanimously to recommend the changes to the payroll maximums and minimums reflected in the Agenda materials to be effective on policies incepting on or after January 1, 2013.

**Proposed Revisions to Part 3, *Standard Classification System,*  
of the *California Workers' Compensation Uniform Statistical Reporting Plan—1995***

**Recommendation**

Amend Part 3, Section V, *Payroll – Remuneration*, Rule 1, *Payroll – Remuneration*, Subrule j, *Executive Officers*, Subrule k, *Partners*, Subrule l, *Individual Employers*, and Subrule m, *Members of a Limited Liability Company*, to adjust the minimum and maximum payroll limitations for executive officers, partners, individual employers, and members of a limited liability company to reflect wage inflation since the minimum and maximum payroll limitations were last amended in 2012.

PROPOSED

**Section V — Payroll — Remuneration**

**1. Payroll — Remuneration**

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**j. Executive Officers**

The entire remuneration earned by each executive officer during the policy period shall be used as the payroll, subject to a minimum remuneration of ~~\$40,300~~41,600 per annum and a maximum remuneration of ~~\$104,000~~106,600 per annum for each executive officer covered under the policy. This provision also applies to executive officers of a corporation while the corporation is covered as a member of a partnership or joint venture operation and to executive officers of a limited liability company.

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**k. Partners**

If the policy covers one or more partners as employee(s) during the policy period, the entire remuneration earned by such partner(s) during such coverage (including the annual amount of wages, salary, emoluments or profits of each such partner) shall be included in the payroll, subject to a minimum remuneration of ~~\$40,300~~41,600 per annum and a maximum remuneration of ~~\$104,000~~106,600 per annum for each partner so included. This provision also applies to partners of a partnership while such partnership is covered as a member of another partnership or joint venture.

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**l. Individual Employers**

If an individual employer is covered under the policy, the entire remuneration earned by such person during the policy period (including the annual amount of wages, salary, emoluments or profits of such person) shall be included in payroll, subject to a minimum remuneration of ~~\$40,300~~41,600 per annum and a maximum remuneration of ~~\$104,000~~106,600 per annum for such person.

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**m. Members of a Limited Liability Company**

If the policy covers one or more members as employee(s) during the policy period, the entire remuneration earned by such member(s) during such coverage (including the annual amount of wages, salary, emoluments or profits of each such member) shall be included in the payroll, subject to a minimum remuneration of ~~\$40,300~~\$41,600 per annum and a maximum remuneration of ~~\$404,000~~\$106,600 per annum for each member so included. This provision also applies to managers of a limited liability company when the limited liability company is manager-managed.

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**Examples – for subrules j, k, l and m**

A person joined a partnership as a partner effective week 27 of a 52-week policy period. The person did not work as an employee prior to becoming partner. The partner drew only \$400 per week as partner, and no other earnings were distributed to the partner. (\$400 x 26, or \$10,400, was drawn during the policy period.) The prorated weekly minimum payroll for partners based upon Subrule k, above, is more than \$10,400 (~~\$40,300~~\$41,600 ÷ 52 x 26 = ~~\$20,150~~\$20,800). The reportable payroll for this partner must therefore be increased by ~~\$9,750~~\$10,400 to equal the prorated minimum remuneration for this person’s 26 weeks as partner (~~\$10,400 + \$9,750~~\$10,400 = ~~\$20,150~~\$20,800).

An employee is promoted to an executive officer position effective week 40 during a 52-week policy period. The individual was paid an annual salary of \$150,000 for the policy period. Payroll for weeks 1 through 39 is \$112,500. The earnings for the 13-week period (\$37,500) as executive officer are reduced to the prorated executive officer maximum remuneration based upon Subrule j; above (~~\$404,000~~\$106,600 ÷ 52 x 13 = ~~\$26,000~~\$26,650). The total reportable payroll for this individual is ~~\$112,500 + \$26,000~~\$26,650 = ~~\$138,500~~\$139,150.

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**Recommendation**

Amend Classification 9181, *Athletic Teams or Parks – all players on the salary list of employer, whether regularly played or not*, to increase the annual payroll limitation for players from \$104,000 to \$106,600 per year per person to reflect wage inflation since the threshold was last amended in 2012.

PROPOSED

**ATHLETIC TEAMS OR PARKS — all players on salary list of employer, whether regularly played or not — including umpires 9181**

**The entire remuneration of each player shall be included, subject to a maximum of ~~\$104,000~~\$106,600 per season. When a player works for two or more teams in the same sport during the season, the maximum of ~~\$104,000~~\$106,600 per person shall be prorated.**

Season shall include preseason and postseason exposure.

Also refer to companion Classification 9182, *Athletic Teams or Parks — all employees other than players or umpires*.

If an employee who performs duties described by Classification 9181 also performs duties described by Classification 9182, the payroll of that employee may be divided between Classifications 9181 and 9182, provided the employer maintains accurate records supported by time cards or time book entries that show such division. Refer to Part 3, Section V, Rule 3.

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**Recommendation**

Amend Classification 9610, *Motion Pictures – production*, to increase the annual payroll limitation for actors, musicians, producers and the motion picture director from \$104,000 to \$106,600 per person to reflect wage inflation since the threshold was last amended in 2012.

PROPOSED

**MOTION PICTURES — production — in studios and outside — all employees 9610**

**The actual remuneration of actors, musicians, producers and the motion picture director must be included, subject, however, to a maximum of ~~\$104,000~~\$106,600 per year per person. When such employees do not work the entire year, the payroll limitation shall be prorated based upon the number of weeks in which such employees worked during the policy period.**

This classification applies to firms that specialize in the production of motion pictures, television features, commercials, music videos or industrial films that are recorded on motion picture film stock, videotape, digital or other media.

Employees engaged exclusively in the electronic editing of digital files using computerized editing equipment are assignable to Classification 8810(1), *Clerical Office Employees*, provided they otherwise meet the definition of Clerical Office Employees as contained in Part 3, Section III, Rule 4.

Employees that create animation using computer or digital applications are assignable to Classification 8810(1), *Clerical Office Employees*, provided they otherwise meet the definition of Clerical Office Employees as contained in Part 3, Section III, Rule 4.

The payroll limitation of this classification is applicable to the director responsible for all aspects of production. The payroll for all other directors such as assistant and associate directors is not subject to limitation.

The payroll limitation also applies to motion picture producers responsible for overseeing the financial, administrative and creative aspects of a motion picture.

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**Recommendation**

Amend Classification 7610, *Radio, Television or Commercial Broadcasting Stations – all employees*, to increase the annual payroll limitation for players, entertainers or musicians from \$104,000 to \$106,600 per person to reflect wage inflation since the threshold was last amended in 2012.

PROPOSED

**RADIO, TELEVISION OR COMMERCIAL BROADCASTING STATIONS — all employees — including Clerical Office Employees and Outside Salespersons 7610**

**The actual remuneration of players, entertainers or musicians shall be subject to a maximum of ~~\$104,000~~\$106,600 per year per person. When such employees do not work the entire year, the payroll limitation shall be prorated based upon the number of weeks in which such employees worked during the policy period.**

Motion picture production shall be separately classified.

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**Recommendation**

Amend Classification 9156, *Theaters – dance, opera and theater companies*, to increase the annual payroll limitation for performers and directors of performers from \$104,000 to \$106,600 per person to reflect wage inflation since the threshold was last amended in 2012.

PROPOSED

**THEATERS — dance, opera and theater companies — all performers and directors of performers — N.O.C. 9156**

**The actual remuneration of performers and directors of performers must be included, subject, however, to a maximum of ~~\$104,000~~106,600 per year per person. When such employees do not work the entire year, the payroll limitation shall be prorated based upon the number of weeks in which such employees worked during the policy period.**

This classification shall apply to those firms engaged in the production of dance, opera, dramatic, musical, comedic or other theatrical presentations before a live audience. This classification includes all stage performers, directors and musicians in connection therewith.

Also refer to companion Classification 9154, *Theaters — not motion picture — all employees other than performers and directors of performers*.

If an employee who performs duties described by Classification 9156 also performs duties described by Classification 9154, the payroll of that employee may be divided between Classifications 9156 and 9154, provided the employer maintains accurate records supported by time cards or time book entries that show such division. Refer to Part 3, Section V, Rule 3.

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**Recommendation**

Amend Classification 9151, *Theaters – music ensembles*, to increase the annual payroll limitation for performers and directors of performers from \$104,000 to \$106,600 per person to reflect wage inflation since the threshold was last amended in 2012.

PROPOSED

**THEATERS — music ensembles — all performers and directors of performers 9151**

**The actual remuneration of performers and directors of performers must be included, subject, however, to a maximum of ~~\$104,000~~106,600 per year per person. When such employees do not work the entire year, the payroll limitation shall be prorated based upon the number of weeks in which such employees worked during the policy period.**

This classification shall apply to those firms that primarily retain professional musicians for the provision of musical entertainment before a live audience. This includes, but is not limited to, orchestras, touring bands and casual or steady engagement music groups.

Also refer to companion Classification 9154, *Theaters — not motion picture — all employees other than performers and directors of performers*.

If an employee who performs duties described by Classification 9151 also performs duties described by Classification 9154, the payroll of that employee may be divided between Classifications 9151 and 9154, provided the employer maintains accurate records supported by time cards or time book entries that show such division. Refer to Part 3, Section V, Rule 3.

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**Recommendation**

Amend Classification 7365, *Taxicab Operations – all employees*, to increase the minimum annual payroll per taxicab from \$29,200 per year to \$29,800 to reflect wage inflation since the threshold was last amended in 2012.

PROPOSED

**TAXICAB OPERATIONS — all employees**

**7365**

Payroll shall include the entire remuneration earned by all taxicab drivers during the policy period. In the event an employer does not keep verifiable payroll records for all taxicab drivers, the minimum remuneration for taxicab drivers shall not be less than ~~\$29,200~~**\$29,800** per annum per taxicab dispatched by or operated under the auspices of the insured. The minimum payroll amount is in consideration of vehicle down-time, vacation time or other periods during which the vehicle is not in operation. The per annum payroll amount shall be prorated only when the vehicle is not dispatched by or under the auspices of the insured or registered for the full policy period or when the policy period is less than one year.

**Item CR12-06-03**  
**Draft Report on Newspaper, Magazine or Book Publishing and**  
**Newspaper Publishing or Newspaper Printing**

**8807, Newspaper, Magazine or Book Publishing – no printing – editing, designing, proofreading, and photographic composing – including Clerical Office Employees**  
**8818, Newspaper Publishing or Newspaper Printing – editing, designing, proofreading, and photographic composing – including Clerical Office Employees**

The Classification and Rating Committee (Committee) reviewed a draft WCIRB report on the long-standing procedure of combining, for advisory pure premium ratemaking purposes, the experience of Classifications 8807, *Newspaper, Magazine or Book Publishing – no printing – editing, designing, proofreading, and photographic composing – including Clerical Office Employees*, and 8818, *Newspaper Publishing or Newspaper Printing – editing, designing, proofreading, and photographic composing – including Clerical Office Employees*.

The Committee was informed that Classifications 8807 and 8818 were combined for ratemaking purposes in 1986 following a comprehensive study of newspaper publishers/printers and commercial printers. To determine whether the current ratemaking procedure should be continued, WCIRB staff reviewed the operations and classification experience (payroll and losses) of each industry. The review determined that Classifications 8807 and 8818 are clearly defined and apply to separate industries, and that each classification develops sufficient payroll and losses to produce credible advisory pure premium rates. Accordingly, the WCIRB recommended that the combination of Classifications 8807 and 8818 for ratemaking purposes be discontinued.

The Committee was informed that based on experience at the 2012 policy year level, the Selected (Unlimited) Loss to Payroll Ratio for Classification 8818 is 27.4% greater than the Selected (Unlimited) Loss to Payroll Ratio for Classifications 8807 and 8818 combined and the Selected (Unlimited) Loss to Payroll Ratio for Classification 8807 is 22.2% less.

The draft WCIRB report also recommended that the phraseology of Classification 8807 be amended to clarify that it does not apply to publishing firms that perform distribution operations.

Following staff's presentation and a review of the draft report, the Committee voted unanimously to approve the recommendations that (1) separate advisory pure premium rates be developed for Classifications 8807 and 8818, and (2) the phraseology of Classification 8807 be amended to clarify that it does not apply to newspaper, magazine, or book publishing firms that perform distribution operations, and that this amendment be included in the January 1, 2013 Advisory Pure Premium Rate Filing.

## **Report on Newspaper, Magazine or Book Publishing and Newspaper Publishing or Newspaper Printing**

**8807, Newspaper, Magazine or Book Publishing – no printing – editing, designing, proofreading, and photographic composing – including Clerical Office Employees**  
**8818, Newspaper Publishing or Newspaper Printing – editing, designing, proofreading, and photographic composing – including Clerical Office Employees**

### **Executive Summary**

#### **Objective**

The WCIRB reviewed the procedure of combining, for ratemaking purposes, the experience of Classifications 8807, *Newspaper, Magazine or Book Publishing – no printing – editing, designing, proofreading, and photographic composing – including Clerical Office Employees*, and 8818, *Newspaper Publishing or Newspaper Printing – editing, designing, proofreading, and photographic composing – including Clerical Office Employees*.

#### **Findings**

Based on its review, the WCIRB has determined that:

1. The operations contemplated by Classification 8807 are separate, distinct and easily identifiable from those contemplated by Classification 8818;
2. Classifications 8807 and 8818 each develop sufficient data to produce separate, credible advisory pure premium rates;
3. Based on experience at the 2012 policy year level, Classification 8807 has a Selected (Unlimited) Loss to Payroll Ratio that is 22.2% less than the current Selected (Unlimited) Loss to Payroll Ratio for Classifications 8807 and 8818 combined; and
4. Based on experience at the 2012 policy year level, Classification 8818 has a Selected (Unlimited) Loss to Payroll Ratio that is 27.4% greater than the current Selected (Unlimited) Loss to Payroll Ratio for Classifications 8807 and 8818 combined.

#### **Recommendation**

In view of the above, the WCIRB recommends:

1. Discontinuing the combination of experience of Classifications 8807 and 8818 for ratemaking purposes and allowing each classification to develop its own advisory pure premium rate.
2. Amending the phraseology for Classification 8807 to clarify that it does not apply to publishing firms that perform distribution operations.

## Introduction

The WCIRB reviewed the procedure of combining, for ratemaking purposes, the experience of Classifications 8807, *Newspaper, Magazine or Book Publishing – no printing*, and 8818, *Newspaper Publishing or Newspaper Printing – editing*. Typically, classifications are combined for ratemaking purposes for the following reasons:

1. Similarity in Operations  
Classifications are combined for ratemaking purposes when the proper classification may be difficult to determine due to a significant similarity in operations, for example, a clear line of delineation does not exist between the two classifications.
2. Low Statistical Credibility  
The experience of two or more classifications is combined for ratemaking purposes when one or more of the classifications lack statistical credibility. Although the classification(s) may be clearly defined, due to insufficient statistical credibility, the classifications are 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.

With respect to the combination of experience of Classifications 8807 and 8818, this report focuses on:

1. Whether Classifications 8807 and 8818 describe two separate and distinct industries that would permit, from a classification administration standpoint, the development of accurate advisory pure premium rates, and, if so
2. Whether, from a ratemaking perspective, there is sufficient data to produce statistically credible advisory pure premium rates for Classifications 8807 and 8818.

## Classification History

Classification 8807, *Editing, Designing, Proofreading and Photographic Composing – including Clerical Office Employees*, was established in 1972 to apply to the prepress operations and clerical office employees of all types of printing firms. It was a companion classification to Classification 4304, *Newspaper Publishing or Newspaper Printing – all other employees – including drivers and their helpers*, and Classification 4299, *Printing Operation – all other employees – including counterpersons and drivers and their helpers – N.O.C.*, which at the time were combined for ratemaking purposes.

In 1986, the Classification and Rating Committee (Committee) reviewed a study of the printing industry and determined that the manual rates for Classifications 4304 and 4299 should be developed separately based on each classification's own experience. In addition, the Committee determined that separate classifications should be established to apply to the prepress operations and clerical office employees of each industry. Classification 8813, *Printing Operation – editing, designing, proofreading, and photographic composing – including Clerical Office Employees*, was established as the companion classification to Classification 4299, and Classification 8818, *Newspaper Publishing or Newspaper Printing – editing, designing, proofreading, and photographic composing – including Clerical Office Employees*, was established as the companion classification to Classification 4304. The Committee also determined that Classification 8807 should be retained; however, the classification phraseology was amended to indicate that it applies only to newspaper, magazine or book publishing firms that do not perform any printing.

At the time, the indicated manual rate for Classification 8813 was lower than the manual rate that applied to all prepress operations and clerical office employees of printing firms; however, the indicated manual rates for Classifications 8818 and 8807 were much higher. To reduce the impact on employers being reassigned to Classification 8818, the Committee determined that Classifications 8807 and 8818 should be combined for ratemaking purposes. This ratemaking procedure has not been reviewed since 1986.

In 1987, the Committee reviewed the operations of newspaper publishing firms that subcontract the printing of newspapers to other firms, but engage in post printing operations, such as inserting, bundling, and delivery of newspapers. The concern was whether such operations are *General Inclusions* and assignable to Classification 8807. The Committee determined that publishers that handle and deliver newspapers should be assigned to Classifications 4304 and 8818, even though such firms do not print the newspapers, and that Classification 8807 should only apply to those publishers that engage exclusively in prepress and clerical office operations.

Although no clarifying changes were made to Classification 8807 as result of the 1987 review, as discussed below, it is now recommended that the phraseology for Classification 8807 be amended to clarify that it does not apply to firms that engage in newspaper, magazine, or book distribution operations.

### **Description of Operations**

Following are the classification phraseologies, footnotes and relevant summaries of operations currently assigned to Classifications 8807, *Newspaper, Magazine or Book Publishing – no printing*, 8818, *Newspaper Publishing or Newspaper Printing*, and 4304, *Newspaper Publishing or Newspaper Printing – all other employees – including drivers and their helpers*.

**NEWSPAPER, MAGAZINE OR BOOK PUBLISHING — no printing — editing, designing, proofreading, and photographic composing — including Clerical Office Employees** **8807**

Classification 8807 applies to firms engaged in publishing newspapers, magazines, or books where all printing and distribution operations are conducted by separate concerns. Operations contemplated by this classification include editing, designing, proofreading, and photographic composing. Articles and stories for newspapers, magazines or books are edited and advertising material, photographs, camera-ready copy, artwork and similar materials are coordinated with the written text to produce lay outs or camera ready copy, which are typically entered into computer files. The finished computer files are sent to outside parties for the eventual printing and distribution activities. Classification 8807 also includes general clerical office functions.

**NEWSPAPER PUBLISHING OR NEWSPAPER PRINTING — editing, designing, proofreading, and photographic composing — including Clerical Office Employees** **8818**

Also refer to companion Classification 4304, *Newspaper Publishing or Newspaper Printing – all other employees*.

**NEWSPAPER PUBLISHING OR NEWSPAPER PRINTING — all other employees — including drivers and their helpers** **4304**

Selling or delivering of newspapers to customers for their personal use and not for resale shall be separately classified.

Also refer to companion Classification 8818, *Newspaper Publishing or Newspaper Printing — editing, designing, proofreading, and photographic composing*.

Classification 8818 applies to prepress activities of firms engaged in the publishing or printing of newspapers. Graphic composition and typesetting of news copy is performed prior to newspaper printing. Information such as size of the page, number and width of the lines, ink, spacing, type of heading and font size are input into composition computers. Camera ready copy is produced and edited. Specialized photographic machines produce half tones from photographs that are pasted up on art boards that correspond to the newspaper printed page. Copy is designed and proofread and camera ready photo compositions and typeset copy are laid out and photographed producing a negative which is photographed producing a master negative. The master negative is placed into a vacuum frame together with a pre-sensitized aluminum plate which is exposed to a specialized light, reproducing the negative image onto the plate. The plate is washed, etched, processed, and used in printing equipment. In addition to the above operations, Classification 8818 includes general clerical office activities.

Classification 4304, *Newspaper Publishing or Newspaper Printing – all other employees – including drivers and their helpers*, applies to the printing, cutting, sorting, folding, collating and distribution of newspapers.

**Classification Analysis**

Based on the description of operations provided above, firms assigned to Classification 8807 conduct no printing or distribution of newspapers, magazines or books. Conversely, Classification 8818, as the companion classification to 4304, applies only to firms that engage in printing and/or distribution of newspapers. This distinction is made clear in the classification phraseologies as Classification 8807 specifically includes “no printing” while Classification 8818 specifically includes “printing.” Accordingly, there appears to be a clear line of delineation between Classifications 8807 and 8818.

Below is a summary of 2008 policy year Unit Statistical Reports (USR)<sup>1</sup> that shows the number of employers for which payroll was reported in Classifications 8807 and 8818.

**Table 1: 2008 USR Summary – Number of Employers For Which Payroll Was Reported in Classifications 8807 and 8818**

Classification	Employers with Payroll Reported in Indicated Classification	Employers with Payroll Reported in Both Classifications	Percent – Payroll only Reported in Indicated Classification	Percent – Payroll Reported in Both Classifications
8807	758	16	97.9%	2.1%
8818	206	16	92.8%	7.2%

As noted above, 97.9% of the employers that reported payroll in Classification 8807 did not report any payroll in Classification 8818. In addition, 92.8% of the employers that reported payroll in Classification 8818 did not report any payroll in Classification 8807.

In a similar manner, below is a summary of the number of inspection reports that assign Classifications 8807 and 8818.

**Table 2: Number of WCIRB Inspection Reports That Assign Classifications 8807 and 8818**

Classification	Employers Assigned to Indicated Classification	Employers Assigned to Both Classifications	Percent – Employers Assigned only to Indicated Classification	Percent – Employers Assigned to Both Classifications
8807	463	0	100%	0%
8818	238	0	100%	0%

As noted above, the WCIRB has assigned no employers to both Classifications 8807 and 8818. This information indicates that the two industries have little commonality in operations. Each classification is clearly defined and the potential for misclassification of payroll is low. Therefore, from a classification

<sup>1</sup> A USR is a record of the total exposure and the claims pertaining to a policy. At the time this report was prepared, 2008 was the most recent policy year for which complete ratemaking data was available.

perspective, there appears to be no compelling reason to continue to combine Classifications 8807 and 8818 for ratemaking purposes.

**Statistical Analysis**

Table 3 presents the classification relativity data for Classification 8807 and 8818 combined at policy year 2012 level:

**Table 3: Newspaper, Magazine or Book Publishing (8807) and Newspaper Publishing or Newspaper Printing (8818) Classification Relativity Data at Policy Year 2012 Level**

Year	Number of Employers	Payroll	Losses	Loss to Payroll Ratio
2004	1,027	1,044,674,363	6,389,042	0.612
2005	1,044	1,035,279,504	6,968,179	0.673
2006	1,009	1,076,853,110	3,523,353	0.327
2007	1,006	1,052,140,388	3,198,393	0.304
2008	980	948,063,983	3,059,440	0.323
<b>Total</b>	<b>5,066</b>	<b>5,157,011,348</b>	<b>23,138,408</b>	<b>0.449</b>

Selected (Unlimited) Loss to Payroll Ratio 0.482

Credibility <sup>2</sup>	
Indemnity	Medical
0.95	1.00

<sup>2</sup> 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).

Tables 4 and 5 present the classification relativity data at the policy year 2012 level for each classification independently:<sup>3</sup>

**Table 4: Newspaper, Magazine, or Book Publishing (8807)  
 Classification Relativity Data at Policy Year 2012 Level**

Year	Number of Employers	Payroll	Losses	Loss to Payroll Ratio
2004	774	439,971,242	1,842,586	0.419
2005	797	485,723,442	1,916,810	0.395
2006	785	501,807,738	1,110,574	0.221
2007	780	560,341,223	1,308,502	0.234
2008	774	519,913,357	1,459,329	0.281
<b>Total</b>	<b>3910</b>	<b>2,507,787,002</b>	<b>7,637,801</b>	<b>0.305</b>

Selected (Unlimited) Loss to Payroll Ratio 0.375

Credibility	
Indemnity	Medical
0.71	0.89

**Table 5: Newspaper Publishing or Newspaper Printing (8818)  
 Classification Relativity Data at Policy Year 2012 Level**

Year	Number of Employers	Payroll	Losses	Loss to Payroll Ratio
2004	283	604,703,121	4,546,456	0.752
2005	277	549,556,062	5,051,369	0.919
2006	253	575,045,372	2,412,779	0.420
2007	245	491,799,165	1,889,891	0.384
2008	222	428,150,626	1,600,112	0.374
<b>Total</b>	<b>1280</b>	<b>2,649,254,346</b>	<b>15,500,607</b>	<b>0.585</b>

Selected (Unlimited) Loss to Payroll Ratio 0.614

<sup>3</sup> Classification 8813(1), *Printing Operation – editing, designing, proofreading, and photographic composition – including Clerical Office Employees*, a companion classification to 4299(1), *Printing Operation – all other employees*, applies to the prepress activities of commercial printing firms. These operations are comparable to the operations assigned to Classifications 8807 and 8818. For informational purposes, shown in Exhibit 1 are the classification relativity data at the policy year 2012 level for Classification 8813; the Selected (Unlimited) Loss to Payroll Ratio for Classification 8813 compared to Classification 8807; and the Selected (Unlimited) Loss to Payroll Ratio for Classification 8813 compared to Classification 8818.



Credibility	
Indemnity	Medical
0.72	0.91

As shown above, Classifications 8807 and 8818 develop sufficient payroll and loss data to produce credible advisory pure premium rates. Therefore, from a ratemaking perspective, there appears to be no compelling reason to continue to combine Classifications 8807 and 8818 for ratemaking purposes.

**Impact Analysis**

Tables 6 and 7 depict the impact on affected policyholders if separate classification relativities – and thus advisory pure premium rates – are established for Classifications 8807 and 8818.

**Table 6: Classifications 8807 and 8818 Combined vs. Classification 8807  
 Comparison of Selected (Unlimited) Loss to Payroll Ratios at Policy Year 2012 Level**

Classifications 8807 and 8818	Classification 8807	Difference
0.482	0.375	-0.107 (-22.2%)

**Table 7: Classifications 8807 and 8818 Combined vs. Classification 8818  
 Comparison of Selected (Unlimited) Loss to Payroll Ratios at Policy Year 2012 Level**

Classifications 8807 and 8818	Classification 8818	Difference
0.482	0.614	+0.132 (+27.4%)

As shown above, based on experience at the 2012 policy year level, Classification 8807 has a Selected (Unlimited) Loss to Payroll Ratio that is 22.2% less than the Selected (Unlimited) Loss to Payroll Ratio for Classifications 8807 and 8818 combined; and Classification 8818 has a Selected (Unlimited) Loss to Payroll Ratio that is 27.4% greater than the Selected (Unlimited) Loss to Payroll Ratio for Classifications 8807 and 8818 combined.

**Conclusion**

Based on its review of the procedure of combining Classifications 8807 and 8818 for ratemaking purposes, the WCIRB finds that:

1. The operations contemplated by Classification 8807 are separate, distinct and easily identifiable from those contemplated by Classification 8818;
2. Classifications 8807 and 8818 each develop sufficient data to produce separate, credible advisory pure premium rates;
3. Based on experience at the 2012 policy year level, Classification 8807 has a Selected (Unlimited) Loss to Payroll Ratio that is 22.2% less than the current Selected (Unlimited) Loss to Payroll Ratio for Classifications 8807 and 8818 combined; and

4. Based on experience at the 2012 policy year level, Classification 8818 has a Selected (Unlimited) Loss to Payroll Ratio that is 27.4% greater than the current Selected (Unlimited) Loss to Payroll Ratio for Classifications 8807 and 8818 combined.

Based on the above, the WCIRB recommends that (1) separate advisory pure premium rates be developed for Classifications 8807 and 8818, and (2) the phraseology for Classification 8807 be amended to clarify that it does not apply to newspaper, magazine, or book publishing firms that perform distribution operations, and that this amendment be included in the January 1, 2013 Advisory Pure Premium Rate Filing.

For informational purposes, shown below in Tables 1, 2 and 3 are the classification relativity data at the policy year 2012 level for Classification 8813; the Selected (Unlimited) Loss to Payroll Ratio for Classification 8813 compared to Classification 8807; and the Selected (Unlimited) Loss to Payroll Ratio for Classification 8813 compared to Classification 8818.

**Table 1: Printing Operation – Editing (8813)  
 Classification Relativity Data at Policy Year 2012 Level**

Year	Number of Employers	Payroll	Losses	Loss to Payroll Ratio
2004	2,010	679,471,036	4,263,676	0.672
2005	1,999	760,776,675	4,134,392	0.543
2006	1,927	763,777,211	3,318,867	0.435
2007	1,881	737,126,223	3,539,933	0.480
2008	1,785	709,865,278	3,290,284	0.464
<b>Total</b>	<b>9,602</b>	<b>3,651,016,423</b>	<b>18,547,153</b>	<b>0.508</b>

Selected (Unlimited) Loss to Payroll Ratio 0.531

Credibility	
Indemnity	Medical
0.86	1.00

**Table 2: Classification 8813 vs. Classification 8807  
 Comparison of Selected (Unlimited) Loss to Payroll Ratios at Policy Year 2012 Level**

Classification 8813	Classification 8807	Difference
0.531	0.375	-0.156 (+29.4%)

**Table 3: Classification 8813 vs. Classification 8818  
 Comparison of Selected (Unlimited) Loss to Payroll Ratios at Policy Year 2012 Level**

Classification 8813	Classification 8818	Difference
0.531	0.614	+0.083 (-15.6%)

**Proposed Changes to the *California Workers' Compensation Uniform Statistical Reporting Plan—1995***

**Recommendation**

Amend the phraseology of Classification 8807, *Newspaper, Magazine or Book Publishing – no printing – editing, designing, proofreading, and photographic composing – including Clerical Office Employees*, to clarify that it does not apply to publishing firms that perform distribution operations.

PROPOSED

**NEWSPAPER, MAGAZINE OR BOOK PUBLISHING — no printing or distribution — editing, designing, proofreading, and photographic composing — including Clerical Office Employees** 8807

**Item CR12-06-04**  
**Draft Report on Commercial Dry Cleaning or Dyeing and Retail Dry Cleaning or Laundry**

*2586(1), Dry Cleaning or Dyeing — N.O.C. — including repairing or pressing, and cash and carry departments on plant premises*

*2586(2), Yarn or Thread Dyeing or Finishing — no yarn or thread manufacturing*

*2586(3), Hide or Fur Cleaning, Processing or Preserving*

*2589, Dry Cleaning or Laundry — retail — including repairing or pressing, and cash and carry departments on premises*

*2585, Laundries — N.O.C. — all employees — including cash and carry departments on plant premises*

This item was removed from the Committee's Agenda to allow additional time for staff to confer again with interested parties and review staff's recommended change to the procedure of combining, for advisory pure premium ratemaking purposes, the experience of Classification 2586(1), *Dry Cleaning or Dyeing — N.O.C. — including repairing or pressing, and cash and carry departments on plant premises*, and Classification 2589, *Dry Cleaning or Laundry — retail — including repairing or pressing, and cash and carry departments on premises*. This matter will be considered by the Committee at its next meeting.

**Item CR12-06-05**  
**Draft Report on Stock Farms and Stables**

**0038(1), Stock Farms**  
**0038(2), Feed Yards**  
**7207(1), Stables — all employees**  
**7207(2), Clubs —riding — all employees**  
**7207(3), Horse Shows — stable employees**  
**7207(4), Pack Trains — all employees**

The Classification and Rating Committee reviewed a draft WCIRB report on the long-standing procedure of combining, for advisory pure premium ratemaking purposes, the experience of Classifications 0038(1), *Stock Farms*, and 7207(1), *Stables — all employees*.

The Committee was informed that Classifications 0038(1) and 7207(1) were combined for ratemaking purposes in 1975 following a comprehensive study of the farming industry. To determine whether the current ratemaking procedure should be continued, WCIRB staff reviewed the operations and the classification experience (payroll and losses) pertaining to each classification. The review determined that Classifications 0038(1) and 7207(1) are clearly defined and apply to separate groups of employers, and that each classification develops sufficient payroll and losses to produce credible advisory pure premium rates. Accordingly, the WCIRB report recommended that the combination of Classifications 8807 and 8818 for ratemaking purposes be discontinued.

The Committee was informed that based on experience at the 2012 policy year level, the Selected (Unlimited) Loss to Payroll Ratio for Classification 0038(1) is 1.6% greater than the Selected (Unlimited) Loss to Payroll Ratio for Classifications 0038(1) and 7207(1) combined and the Selected (Unlimited) Loss to Payroll Ratio for Classifications 7207(1) is 17.8% less.

Following staff's presentation and a review of the draft report, the Committee voted unanimously to approve the recommendation that Classifications 0038(1) and 7207(1) be permitted to develop their own advisory pure premium rates effective January 1, 2013.

## **Report on Stock Farms and Stables**

**0038(1), Stock Farms**  
**0038(2), Feed Yards**  
**7207(1), Stables — all employees**  
**7207(2), Clubs —riding — all employees**  
**7207(3), Horse Shows — stable employees**  
**7207(4), Pack Trains — all employees**

### **Executive Summary**

#### **Objective**

The WCIRB reviewed the procedure of combining , for ratemaking purposes, the experience of Classifications 0038(1), *Stock Farms*, and 7207(1), *Stables — all employees*.

#### **Findings**

Based on its review, the WCIRB has determined that:

1. The operations contemplated by Classification 0038 are separate, distinct and easily identifiable from those contemplated by Classification 7207;
2. The present phraseologies and footnotes for Classifications 0038 and 7207 clearly define these two classifications;
3. Classifications 0038 and 7207 each develop sufficient data to produce separate, credible advisory pure premium rates;
4. Classification 0038 has a Selected (Unlimited) Loss to Payroll Ratio that is 1.6% greater than the current Selected (Unlimited) Loss to Payroll Ratio for Classifications 0038 and 7207 combined; and
5. Classification 7207 has a Selected (Unlimited) Loss to Payroll Ratio that is 17.8% less than the current Selected (Unlimited) Loss to Payroll Ratio for Classifications 0038 and 7207 combined.

#### **Recommendation**

In view of the above, the WCIRB recommends discontinuing the combination of the experience of Classifications 0038 and 7207 for ratemaking purposes and allowing each classification to develop its own advisory pure premium rate.

## Introduction

The WCIRB has reviewed the procedure of combining, for ratemaking purposes, the experience of Classification 0038(1), *Stock Farms*, and Classification 7207(1), *Stables — all employees*. Typically, classifications are combined for the following reasons:

1. Similarity in Operations  
Classifications are combined for ratemaking purposes when the proper classification may be difficult to determine due to a significant similarity in operations; for example, a clear line of delineation does not exist between the two classifications.
2. Low Statistical Credibility  
The experience of two or more classifications is combined for ratemaking purposes when one or more of the classifications lack statistical credibility. Although the classifications may be clearly defined, due to insufficient statistical credibility, the classifications are 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 is not expected to continue into the future.

With respect to the combination of experience of Classifications 0038 and 7207, this report focuses on:

1. Whether Classifications 0038 and 7207 describe two separate and distinct industries that would permit, from a classification administration standpoint, the development of accurate advisory pure premium rates, and, if so
2. Whether, from a ratemaking perspective, there is sufficient data to produce statistically credible advisory pure premium rates for Classifications 0038 and 7207.

## Classification History

The history of Classification 0038 is as follows:

- **1915:** Classification 0006, *Farm Labor*, was established to contemplate all types of farm operations.
- **1928:** Six new farm classes were established, including Classification 0018, *Farms — N.O.C.*, to apply to farms that produce diversified crops and/or engage in the raising of various farm animals.
- **1934:** Several classifications were established to apply to specific farming operations including Classification 0038, *Stock Farms*, for the raising of cattle, horses and hogs.<sup>1</sup>
- **1947:** Classification 0038, *Stock Farms*, was eliminated and Classification 0037 was amended to read *Field Crops and Stock Farms*.

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<sup>1</sup> Classification 0034(B), *Sheep Raising and Hog Farms*, was established in 1975.



- **1975:** Classification 0038, *Stock Farms*, was re-established after an extensive study of the farming industry. The experience for Classifications 0038 and 7207 were combined for ratemaking purposes based on past procedure.<sup>2</sup> This ratemaking procedure has not been reviewed since 1975.

The history of Classification 7207 is as follows:

- **1915:** Classification 7207, *Riding Academies, Clubs and Schools*; Classification 7201, *Livery and Boarding Stables*, and Classification 8280, *Sales Stables — including exhibition and delivery of horses*, were established.
- **1947:** Classification 7201, *Livery and Boarding Stables*, and Classification 8280, *Sales Stables*, were eliminated and Classification 7207, *Livery Stables or Riding Clubs*, was amended to include livery, boarding and sales stables.
- **1967:** The National Forest Recreation Association (Association) requested a review of pack train operations since members of the Association performed pack train operations and spent a majority of their time grazing horses and other livestock. The Association felt that all operations were assignable to Classification 0037, *Field Crops and Stock Farms*. At the time, the rate for Classification 7207 was significantly higher than the rate for Classification 0037.
- **1969:** As a result of the review conducted in 1967, a new cross reference to Classification 7207 for pack trains was established and Classifications 0037 and 7207 were combined for ratemaking purposes.

### Description of Operations

Following are the classification phraseologies, footnotes and relevant summaries of operations currently assigned to Classification 0038(1), *Stock Farms*; Classification 0038(2), *Feed Yards*; Classification 7207(1), *Stables — all employees*; Classification 7207(2), *Clubs — riding — all employees*; Classification 7207(3), *Horse Shows — stable employees*; and Classification 7207(4), *Pack Trains — all employees*.

#### STOCK FARMS

0038(1)

This classification applies to all acreage devoted to the raising of beef cattle and horses.

This classification includes growing incidental feed, hay or grain crops for the purpose of maintaining the subject animals, unless the majority of feed, hay or grain crops are sold commercially and not used by the employer.

Stock farms maintain acres of land devoted to the breeding or raising of beef cattle and horses. A stock farm consists of livestock, land, structures and equipment; all of which require regular maintenance and care. The care of livestock includes breeding, feeding, watering, rounding up, branding and providing medical care for the animals. Horses are typically raised for racing or stud purposes, or for sale to riding stables. Cattle are typically raised for meat production. Land maintenance involves growing hay or grain to be utilized as feed for the livestock. Land is seeded, fertilized, irrigated and crops are harvested. Fences, barns and buildings are repaired as needed. Farm machinery and equipment including tractors, tillers, swathers, balers, harvesters, mowers, plows, pipe threaders, loaders, grain elevators, grinders and crushers are maintained and repaired as needed.

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<sup>2</sup> Noted below in 1969.

**FEED YARDS**

**0038(2)**

This classification applies to all operations of feeding cattle, sheep and hogs.

This classification includes growing incidental feed, hay or grain crops for the purpose of maintaining the subject animals, unless the majority of feed, hay or grain crops are sold commercially and not used by the employer.

Feed yards operate much like stock farms; however, the main objective is to prepare beef cattle, sheep or hogs for market. A feed yard consists of livestock, land, structures, and equipment; all of which require regular maintenance and care. Livestock is received from stock farms, weighed and tagged for identification. The animals are treated for internal and external parasites, given vitamins, growth stimulants, and vaccinations as needed. Large holding pens retain the livestock and they are usually grouped by size. Animals are fed and watered for the designated contract period or until the desired weight has been reached.

A significant amount of feed is maintained in order to feed the livestock. Feed yards may engage in the incidental growing of feed and may also conduct milling or blending of feed purchased from suppliers. The operation of a feed mill consists of grinding hay, straw, cubed alfalfa and cottonseed hulls; cleaning, rolling and crushing barley, corn, oats and other grains; and mixing and blending these ingredients with liquid fat and molasses according to a formula to produce cattle feed, which is stored in bins, stockpiles or buildings.

**STABLES — all employees**

**7207(1)**

Stables board and care for horses for customers and rent horses to the general public for recreation and riding lessons. Horses are received from owners and placed in designated stalls. Horses are fed, exercised and groomed. Stalls are regularly cleared of waste. Veterinary care is provided as needed. General maintenance and repair of structures such as stables, corrals and fences are conducted as necessary. Instructors may be retained to teach proper riding techniques and horse control methods.

**CLUBS — riding — all employees**

**7207(2)**

Riding clubs care for, board and train horses on a membership basis. Horses are fed, exercised and groomed. Stalls are regularly cleared of waste. General maintenance and repair of structures such as stables, corrals and fences are conducted as necessary. Instructors are retained to teach proper riding techniques to riders. Trainers may be retained to train horses by teaching commands and conditioning horses for the equestrian show environment.

**HORSE SHOWS — stable employees**

**7207(3)**

Horse shows engage in the exhibition of horses and ponies.<sup>3</sup> Stables that are operated in association with a horse show retain employees to feed, groom, exercise and provide water for show horses. Stalls are cleaned, feed is maintained, and stable grounds and structures are repaired as needed.

**PACK TRAINS — all employees**

**7207(4)**

Pack trains lead groups of people by means of horseback on leisurely excursions. Firms that operate pack trains provide guided tours on nature trails, state parks and other scenic terrain. Trail guides are retained to lead the excursion, give general advice to riders and demonstrate proper riding techniques and the packing of gear. Pack train operators may retain stables and stable employees who feed, groom,

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<sup>3</sup> The operation of horse shows is assignable to Classification 9016(3), *Horses Shows — operation, care, custody and maintenance of premises; operation of elevators or heating, lighting or power apparatus — including police, watchpersons, musicians, box office employees, ticket sellers or gate attendants.*

exercise and provide water to the horses. General repair and maintenance of the stable grounds is conducted.

**Classification Analysis**

Firms engaged in the operation of stock farms and feed yards (0038) are easily distinguished from firms engaged in operating stables, riding clubs, horse show stables or pack trains (7207). The primary function of stock farms is to raise beef cattle and horses and the primary function of feed yards is to prepare beef cattle and other livestock for slaughter. By contrast, stables care for horses mainly for racing, show exhibitions, entertainment or leisure purposes. Further, stock farms and feed yards contemplate the incidental growing, milling and blending of feed, which presents another set of exposures to hazard, whereas firms assigned to Classification 7207 do not perform that operation. Accordingly, the operations assigned to Classifications 0038 and 7207 are separate, distinct and easily identifiable.

Below is a summary of 2008 policy year Unit Statistical Reports (USR) that shows the number of employers for which payroll was reported in Classifications 0038 and 7207.

**Table 1: 2008 USR Payroll Summary — Number of Employers For Which Payroll Was Reported in Classifications 0038 and 7207**

Classification	Employers with Payroll Reported in Indicated Classification	Employers with Payroll Reported in Both Classifications	Percent – Payroll only Reported in Indicated Classification	Percent – Payroll Reported in Both Classifications
0038	1,379	16	98.9%	1.1%
7207	732	16	97.9%	2.1%

As shown above, 98.9% of the employers that reported payroll in Classification 0038 did not report payroll in Classification 7207. In addition, 97.9% of the employers that reported payroll in Classification 7207 did not report payroll in Classification 0038.

In a similar manner, below is a summary of the number of inspection reports that assign Classifications 0038 and 7207.

**Table 2: Number of WCIRB Inspection Reports that Assign Classifications 0038 and 7207**

Classification	Employers Assigned to Indicated Classification	Employers Assigned to Both Classifications	Percent – Employers Assigned only to Indicated Classification	Percent – Employers Assigned to Both Classifications
0038	469	12	97.5%	2.5%
7207	627	12	98.1%	1.9%

As shown above, 97.5% of the employers assigned to Classification 0038 were not assigned to Classification 7207. In addition, 98.1% of the employers assigned to Classification 7207 were not assigned to Classification 0038.

This information indicates that these two industries have little commonality in operations. Each classification is clearly defined and the potential for misclassification of payroll is low. Therefore, from a classification perspective, there appears to be no compelling reason to continue to combine Classifications 0038 and 7207 for ratemaking purposes.

**Statistical Analysis**

Table 3 presents the classification relativity data for Classifications 0038 and 7207 at policy year 2012 level:

**Table 3: Stock Farms and Feed Yards (0038) and Stables, Riding Clubs, Horse Shows and Pack Trains (7207) Classification Relativity Data at Policy Year 2012 Level**

Year	Number of Employers	Payroll	Losses	Loss to Payroll Ratio
2005	2,142	125,488,101	8,145,946	6.491
2006	2,141	135,653,134	9,975,532	7.354
2007	2,134	145,170,296	7,442,021	5.126
2008	2,127	147,065,730	6,694,199	7.712
<b>Total</b>	<b>8,544</b>	<b>553,377,261</b>	<b>36,904,828</b>	<b>6.669</b>

Selected (Unlimited) Loss to Payroll Ratio 7.151

Credibility <sup>4</sup>	
Indemnity	Medical
1.00	1.00

<sup>4</sup> 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 means 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).

Tables 4 and 5 present the classification relativity data at the policy year 2012 level for each classification independently:<sup>5</sup>

**Table 4: Stock Farms and Feed Yards (0038)  
 Classification Relativity Data at Policy Year 2012 Level**

Year	Number of Employers	Payroll	Losses	Loss to Payroll Ratio
2004	1,504	84,786,196	4,036,818	4.761
2005	1,482	81,417,673	5,403,063	6.636
2006	1,461	84,990,970	7,275,260	8.560
2007	1,419	89,036,696	4,578,311	5.152
2008	1,395	88,406,551	7,837,932	8.866
<b>Total</b>	<b>7,261</b>	<b>428,638,086</b>	<b>29,140,385</b>	<b>6.789</b>

Selected (Unlimited) Loss to Payroll Ratio 7.269

Credibility	
Indemnity	Medical
0.96	1.00

**Table 5: Stables, Riding Clubs, Horse Shows and Pack Trains (7207)  
 Classification Relativity Data at Policy Year 2012 Level**

Year	Number of Employers	Payroll	Losses	Loss to Payroll Ratio
2004	657	42,527,871	2,801,722	6.588
2005	678	44,070,428	2,742,883	6.224
2006	699	50,662,164	2,700,271	5.330
2007	734	56,133,600	2,854,710	5.086
2008	748	58,659,179	3,503,396	5.972
<b>Total</b>	<b>3,516</b>	<b>252,053,242</b>	<b>14,602,983</b>	<b>5.794</b>

Selected (Unlimited) Loss to Payroll Ratio 6.236

Credibility	
Indemnity	Medical
0.77	1.00

<sup>5</sup> The Classification Relativities shown in Tables 4 and 5 each require five years of data to achieve statistical credibility; the Classification Relativity [combined] shown in Table 3 requires four years of data to achieve statistical credibility.

As shown above, Classifications 0038 and 7207 each develop sufficient payroll and loss data to produce separate advisory pure premium rates. Therefore, from a ratemaking perspective, there appears to be no compelling reason to combine Classifications 0038 and 7207 for ratemaking purposes.

### Impact Analysis

Tables 6 and 7 depict the impact on affected policyholders if separate classification relativities – and thus advisory pure premium rates – are established for Classifications 0038 and 7207.

**Table 6: Classifications 0038 and 7207 Combined vs. Classification 0038  
Comparison of Selected (Unlimited) Loss to Payroll Ratio at Policy Year 2012 Level**

Classifications 0038 and 7207	Classification 0038	Difference
7.151	7.269	+0.118 (+1.6%)

**Table 7: Classifications 0038 and 7207 Combined vs. Classification 7207  
Comparison of Selected (Unlimited) Loss to Payroll Ratio at Policy Year 2012 Level**

Classifications 0038 and 7207	Classification 7207	Difference
7.151	6.236	-1.274 (-17.8%)

As shown above, Classification 0038 has a Selected (Unlimited) Loss to Payroll Ratio that is 1.6% greater than the Selected (Unlimited) Loss to Payroll Ratio for Classifications 0038 and 7207 combined. Classification 7207 has a Selected (Unlimited) Loss to Payroll Ratio that is 17.8% less than the Selected (Unlimited) Loss to Payroll Ratio for Classification 0038 and 7207 combined.

### Conclusion

Based on its review of the procedure of combining Classifications 0038 and 7207 for ratemaking purposes, the WCIRB finds that:

1. The operations contemplated by Classification 0038 are separate, distinct, and easily identifiable from those contemplated by Classification 7207;
2. The present phraseologies and footnotes for Classifications 0038 and 7207 clearly define these two classifications;
3. Classifications 0038 and 7207 each develop sufficient data to produce separate, credible advisory pure premium rates;
4. Classification 0038 has a Selected (Unlimited) Loss to Payroll Ratio that is 1.6% greater than the current Selected (Unlimited) Loss to Payroll Ratio for Classifications 0038 and 7207 combined; and,
5. Classification 7207 has a Selected (Unlimited) Loss to Payroll Ratio that is 17.8% less than the current Selected (Unlimited) Loss to Payroll Ratio for Classifications 0038 and 7207 combined.

Based on the above, the WCIRB recommends that separate advisory pure premium rates be developed for Classifications 0038 and 7207 and that they be included in the January 1, 2013 Advisory Pure Premium Rate Filing. This recommendation does not require any changes to the USRP.

**Item CR12-06-06**  
**Draft Report on Operators of Farmers' Markets**

**9016(1), Amusement Parks or Exhibitions — all employees other than those engaged in the operation or maintenance of merry-go-rounds, swings, roller coasters or other amusement devices and ticket collectors connected therewith — including care, custody and maintenance of premises; operation of elevators or heating, lighting or power apparatus — including police, watchpersons, musicians, box office employees, ticket sellers or gate attendants**

**8006(2), Stores — fruit or vegetable — retail**

This item was removed from the Committee's Agenda to allow additional time for staff to confer again with interested parties and review staff's recommended change to the classification procedure that applies to operators of farmers' markets. This matter will be considered by the Committee at its next meeting.



**Item CR12-06-07**  
**Draft Report on Advisory Rulings and Interpretations companion to the**  
***California Workers' Compensation Uniform Statistical Reporting Plan—***  
***1995***

- A. Aircraft Remanufacture, Conversion, Modification and Repair
- B. Alcoholic and Drug Recovery Homes
- C. Automobile or Automobile Truck Towing, Roadside Assistance or Freeway Service Patrol
- D. Automobile Sales Lots or Dealers
- E. Beverage Preparation Shops, Ice Cream or Frozen Yogurt Shops, and Sandwich Shops
- F. Cabinet or Fixtures
- G. Camps
- H. Church Camps<sup>1</sup>
- I. Clubs<sup>2</sup>
- J. Concrete Sawing and Drilling
- K. Congregate Living Facilities
- L. Gasoline Station and Store — Combination
- M. Hotels or Motels and Restaurants or Taverns

The Classification and Rating Committee was informed that the *Advisory Rulings and Interpretations* (R & I) companion to the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP) provides guidance regarding a variety of topics, including classification procedure for industries and operations, underwriting, submission of self-insurance data, and endorsement forms. Most of the rulings and interpretations are based on decisions regarding individual risks that have broad application, classification studies of particular industries or operations, or established practices. The R & I does not bear the official approval of the Insurance Commissioner.

The Committee was informed that WCIRB staff is undertaking a two-year comprehensive review of the R & I to determine whether information from the R & I should be formally incorporated into the USRP. The Committee was assured that all of the recommended changes to the USRP resulting from this review reflect established classification procedure. During its review of staff's analysis and recommendations for each R & I entry noted above, the following actions were taken:

**Alcoholic and Drug Recovery Homes**

The Committee was informed that experts from the health and human services industry recommended that the phraseology of Classification 8804(1), *Alcoholic and Drug Recovery Homes — all employees*, should be changed to *Substance Use Disorder Recovery Homes — all employees*, to reflect terminology currently used in the health and human services industry. The Committee agreed with the recommended change to the phraseology of Classification 8804(1).

**Church Camps**

The proposed footnotes to Classifications 8840, *Churches — clergy, professional assistants, organists, or members of choir — including Clerical Office Employees*, and 9015(4), *Churches — all employees other than clergy, professional assistants, organists, members of choir or Clerical Office Employees*, were revised with the intent that seasonal day camps or programs, such as Vacation Bible School, that operate

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<sup>1</sup> Following the June 13, 2012 Committee meeting, WCIRB staff determined that further clarifying amendments should be made to the classifications at issue here. Accordingly, this matter will be referred back to the Committee for further consideration at its next meeting.

<sup>2</sup> This matter was removed from the agenda for the June 13, 2012 meeting and will be considered by the Committee at its next meeting.

for a short duration, e.g., 1–2 weeks per year, would continue to be assigned to the church classifications [8840 and 9015(4)].<sup>1</sup>

**Clubs**

The R & I entry pertaining to Clubs, which was included in the draft report provided to the Committee in advance of the meeting, was removed from the report to allow additional time for staff to confer with interested parties and review staff's recommended changes to the various classifications that apply to clubs. This matter will be considered by the Committee at its next meeting.

After amending the recommendations for *Alcoholic and Drug Recovery Homes* and *Church Camps*, and noting that the review of the report on *Clubs* was deferred, the Committee voted unanimously to approve the accepted recommendations for each R & I entry for inclusion in the January 1, 2013 Pure Premium Rate Filing.

## A. Aircraft Remanufacture, Conversion, Modification and Repair

The R & I entry shown below resulted from a 1981 employer appeal to the Classification and Rating Committee. The appellant contended that Classification 7428(3) should be assigned to firms that are solely engaged in the repair of aircraft parts in a shop environment. The Committee affirmed that Classification 7428(3) is intended to apply to repair work performed directly on an aircraft and to the repair of parts in a shop only if the employer removes and reinstalls the parts on the aircraft. Employers that engage in the repair of aircraft parts solely in a shop environment and that do no work directly on an aircraft are assigned to the appropriate shop classification.

### R & I Entry

#### Aircraft

7428(3) Aircraft Remanufacture, Conversion, Modification and Repair

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This classification applies to remanufacturing, conversion, modification, repairing or servicing of aircraft on a job basis. It is also applicable to the repair or rebuilding of aircraft components provided such operations are performed directly on the aircraft or in connection with components removed from and later reinstalled on the aircraft.

This classification is not applicable to aircraft component repair or rebuilding operations if such operations do not include removing the components from and installing the repaired or rebuilt components onto the aircraft, notwithstanding the fact that firms engaged in such repair or rebuilding operations are required to be certified by the Federal Aviation Administration as an approved aircraft repair station.

The current phraseology of Classification 7428(3) is:

**AIRCRAFT REMANUFACTURE, CONVERSION, MODIFICATION AND REPAIR COMPANIES — 7428(3)  
not engaged in the original manufacturing of aircraft**

Also refer to companion Classification 7424(1), *Aircraft Operation — members of flying crew — N.O.C.*

#### Analysis

Classification 7428(3) includes aircraft component and parts repair or rebuilding operations if the employer removes, replaces and/or installs the repaired or rebuilt components directly on the aircraft. Firms that do not remove, replace or install parts, but only receive components or parts for repair or rebuilding are assigned to the classification that describes the repair of such components or parts. As indicated above, Classification 7428(3) does not address this classification procedure.

#### Recommendation

Amend the footnote to Classification 7428(3), *Aircraft Remanufacture, Conversion, Modification and Repair Companies – not engaged in the original manufacturing of aircraft*, to clarify that it includes the repair and rebuilding of aircraft components when the employer works directly on the aircraft.

PROPOSED

**AIRCRAFT REMANUFACTURE, CONVERSION, MODIFICATION AND REPAIR COMPANIES — 7428(3)**  
**not engaged in the original manufacturing of aircraft**

This classification includes the repair and rebuilding of aircraft components and parts when such operations are performed directly on the aircraft or in connection with components that are removed from and later reinstalled on the aircraft by the employer.

Also refer to companion Classification 7424(1), *Aircraft Operation — members of flying crew — N.O.C.*

## B. Alcoholic and Drug Recovery Homes

### Social Rehabilitation Facilities

The R & I entries shown below resulted from a 1978 study of social rehabilitation facilities assigned to Classifications 8804, *Alcoholic and Drug Recovery Homes*, 9070(1), *Residential Care Facilities for the Elderly — N.O.C. — all employees*, and 9070(3), *Residential Care Facilities for Adults — N.O.C. — all employees*. The purpose of the study was to develop phraseologies more descriptive of the operations assigned to these classifications. The study also resulted in the establishment of a cross-reference classification to Classification 8804 to include all types of social rehabilitation facilities other than alcoholic and drug recovery homes.

### R & I Entries

#### Alcoholic and Drug Recovery Homes

8804(1) Alcoholic and Drug Recovery Homes  
8804(2) Social Rehabilitation Facilities for Adults

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These classifications apply to those residential facilities providing a transitional non-institutional environment that emphasizes, through guidance and counseling, the social rehabilitation of the resident and the reintegration of the resident into the community.

Types of facilities to be included in these classifications would be alcoholic and drug recovery homes, psychiatric halfway houses, pre-parole or probation halfway houses, and similar social rehabilitation facilities.

#### Social Rehabilitation Facilities

8804(2) Social Rehabilitation Facilities for Adults

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See Classification 8804(1), *Alcoholic and Drug Recovery Homes*

The current phraseologies of Classifications 8804(1) and 8804(2) are:

#### **ALCOHOLIC AND DRUG RECOVERY HOMES — all employees**

**8804(1)**

**Classification 8804(1) shall not be used for division of payroll in connection with Classifications 9070(1), *Residential Care Facilities for the Elderly*, 9070(3), *Residential Care Facilities for Adults*, 8823, *Residential Care Facilities for Children*, or 8851, *Congregate Living Facilities for the Elderly*, unless the operation described by Classification 8804(1) constitutes a separate and distinct enterprise having no connection with the operations covered by Classifications 9070(1), 9070(3), 8823 or 8851.**

This classification shall apply to nonmedical residential care facilities providing services in a group setting to persons who are capable of meeting their life support needs independently, but who temporarily need assistance, guidance or counseling.

**SOCIAL REHABILITATION FACILITIES FOR ADULTS — all employees**

**8804(2)**

**Classification 8804(2) shall not be used for division of payroll in connection with Classifications 9070(1), Residential Care Facilities for the Elderly, 9070(3), Residential Care Facilities for Adults, 8823, Residential Care Facilities for Children, or 8851, Congregate Living Facilities for the Elderly, unless the operation described by Classification 8804(2) constitutes a separate and distinct enterprise having no connection with the operations covered by Classifications 9070(1), 9070(3), 8823 or 8851.**

This classification shall apply to nonmedical residential care facilities providing services in a group setting to persons who are capable of meeting their life support needs independently, but who temporarily need assistance, guidance and counseling.

**Analysis**

The R & I entry under *Alcoholic and Drug Recovery Homes* lists the types of facilities assigned to Classifications 8804(1) and 8804(2). While it is clear that Classification 8804(1) is assigned to homes for individuals recovering from alcohol and drug use disorders, it is not clear that other types of social rehabilitation facilities such as “psychiatric halfway houses, pre-parole or probation halfway houses, and similar social rehabilitation facilities”, are assigned to 8804(2).

According to health and human services industry experts, the term “Alcoholic and Drug,” which appears in the phraseology of Classification 8804(1), was replaced with the term “Substance Use Disorder” several years ago.

**Recommendation**

Amend Classification 8804(1), *Alcoholic and Drug Recovery Homes — all employees*, to reflect terminology currently used in the health and human services industry.

PROPOSED

**~~ALCOHOLIC AND DRUG~~ SUBSTANCE USE DISORDER RECOVERY HOMES — all employees**

**8804(1)**

**Classification 8804(1) shall not be used for division of payroll in connection with Classifications 9070(1), Residential Care Facilities for the Elderly, 9070(3), Residential Care Facilities for Adults, 8823, Residential Care Facilities for Children, or 8851, Congregate Living Facilities for the Elderly, unless the operation described by Classification 8804(1) constitutes a separate and distinct enterprise having no connection with the operations covered by Classifications 9070(1), 9070(3), 8823 or 8851.**

This classification shall apply to nonmedical residential care facilities providing services in a group setting to persons who are capable of meeting their life support needs independently, but who temporarily need assistance, guidance or counseling.

\* \* \* \* \*

**Recommendation**

Amend the cross-reference for *Alcoholic and Drug Recovery Homes* listed under the *Health and Human Services Industry Group* for consistency.

PROPOSED

**ALCOHOLIC AND DRUG SUBSTANCE USE DISORDER RECOVERY HOMES**

See Health and Human Services.

\* \* \* \* \*

**Recommendation**

Amend the phraseology of Classification 9070(3), *Residential Care Facilities for Adults — N.O.C. — all employees*, for clarity and consistency.

PROPOSED

**HEALTH AND HUMAN SERVICES**

**RESIDENTIAL CARE FACILITIES FOR ADULTS — N.O.C. — all employees** **9070(3)**

**Classification 9070(3) shall not be used for division of payroll in connection with Classifications 8804(1), ~~Alcoholic and Drug Substance Use Disorder Recovery Homes~~, or 8804(2), *Social Rehabilitation Facilities for Adults*, unless the operation described by Classification 9070(3) constitutes a separate and distinct enterprise having no connection with the operations covered by Classifications 8804(1) or 8804(2).**

This classification shall apply to those firms providing community care facilities for residents who are ambulatory and where the facilities are nonmedically oriented.

When skilled nursing care is provided as an identifiable unit, such nursing care unit shall be separately classified as 8829(1), *Nursing Homes*.

\* \* \* \* \*

**Recommendation**

Amend the phraseology of Classification 9070(3), *Residential Care Facilities for the Elderly — N.O.C. — all employees*, for clarity and consistency.

PROPOSED

**HEALTH AND HUMAN SERVICES**

**RESIDENTIAL CARE FACILITIES FOR THE ELDERLY — N.O.C. — all employees** **9070(1)**

**Classification 9070(1) shall not be used for division of payroll in connection with Classifications 8804(1), ~~Alcoholic and Drug Substance Use Disorder Recovery Homes~~, or 8804(2), *Social Rehabilitation Facilities for Adults*, unless the operation described by Classification 9070(1) constitutes a separate and distinct enterprise having no connection with the operations covered by Classifications 8804(1) or 8804(2).**

This classification shall apply to those firms that provide nonmedical care and supervision to their residents.

When a separate unit is operated for the provision of congregate living services only (no care and supervision), such unit shall be separately classified as 8851, *Congregate Living Facilities*.

When skilled nursing care is provided as an identifiable unit, such nursing care shall be separately classified as 8829(1), *Nursing Homes*.

\* \* \* \* \*

**Recommendation**

Add a cross-reference for *Alcohol and Drug Recovery Homes* referring to the newly renamed classification.

PROPOSED

**ALCOHOL AND DRUG RECOVERY HOMES**

See Substance Use Disorder Recovery Homes under Health and Human Services.

\* \* \* \* \*

**Recommendation**

Amend the footnote to Classification 8804(2), *Social Rehabilitation Facilities for Adults — all employees*, to include the specific types of facilities that are assigned to this classification for clarity.

PROPOSED

**SOCIAL REHABILITATION FACILITIES FOR ADULTS — all employees**

**8804(2)**

**Classification 8804(2) shall not be used for division of payroll in connection with Classifications 9070(1), *Residential Care Facilities for the Elderly*, 9070(3), *Residential Care Facilities for Adults*, 8823, *Residential Care Facilities for Children*, or 8851, *Congregate Living Facilities for the Elderly*, unless the operation described by Classification 8804(2) constitutes a separate and distinct enterprise having no connection with the operations covered by Classifications 9070(1), 9070(3), 8823 or 8851.**

This classification shall apply to nonmedical residential care facilities including, but not limited to, psychiatric, pre-parole or probation halfway houses that provideing services in a group setting to persons who are capable of meeting their life support needs independently, but who temporarily need assistance, guidance and counseling.

\* \* \* \* \*



**Recommendation**

Amend Section VIII, *Abbreviated Classifications — Numeric Listing*, for Classification 8804(1), *Alcoholic and Drug Recovery Homes — all employees*, for consistency.

PROPOSED

**Part 3 — Standard Classification System**

**Section VIII — Abbreviated Classifications — Numeric Listing**

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- 
- 8804(1) ~~Alcohol/Drug~~ Substance Use Disorder Recovery Homes
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### C. Automobile or Automobile Truck Towing, Roadside Assistance or Freeway Service Patrol

Classification 7227, *Automobile or Automobile Truck Towing, Roadside Assistance or Freeway Service Patrol*, and the R & I entry shown below were created in 2010 following a study of the classification procedure applicable to automobile towing, roadside assistance and freeway service patrol operations.

#### R & I Entry

#### Automobile or Automobile Truck Towing, Roadside Assistance or Freeway Service Patrol

7227 Automobile or Automobile Truck Towing, Roadside Assistance or Freeway Service Patrol

This classification applies to firms that: (1) engage in towing of vehicles that are not owned by the employer, or (2) provide freeway service patrol operations or roadside assistance under an agreement with a third party such as a motor club or law enforcement entity. Operations most common to the towing, freeway service patrol, and roadside assistance industry include:

**Automobile or Automobile Truck Towing:** Employers contract with vehicle owners or third parties including motor clubs, private property owners, and law enforcement entities to tow disabled, illegally parked, abandoned or wrecked vehicles. As required, the driver transports the vehicle to a customer-designated location, a location determined by the law enforcement entity, or to a vehicle impound or storage facility. Classification 7227 includes all operations in connection with the storage of impounded vehicles that the employer tows.

**Roadside Assistance and Emergency Road Service:** Employers contract with third parties including motor clubs and law enforcement entities to dispatch service vehicles to the location of the disabled vehicle. As necessary to get the vehicle operational, employees change tires, jump-start batteries, supply a small amount of gasoline or perform minor vehicle repairs such as reattaching ignition wires or battery cables. Only firms engaged in these activities under a third party agreement are considered to be engaged in roadside assistance operations assignable to Classification 7227.

**Freeway Service Patrol:** Towing and roadside assistance firms contract with a law enforcement or other government entity to drive the freeways and highways during commute hours and to either tow disabled vehicles or to make the vehicle operable by providing services including, but not limited to, supplying gasoline, jump-starting batteries, and changing tires. If vehicles cannot be made operable within a specified time period, employees will tow the stranded vehicle to locations designated safe by the law enforcement entity.

It is not uncommon for firms engaged in towing, freeway service patrol and roadside assistance operations to also operate a fixed location for the fee-based service and repair of automobiles. In such instances, the towing and roadside assistance operations shall be classified separately from the service and repair activities conducted at the fixed location. The payroll of workers that engage in both automobile service/repair and towing/roadside assistance operations shall be divided between Classification 7227 and the appropriate automobile service or repair classification provided complete and accurate payroll records are maintained pursuant to the Uniform Statistical Reporting Plan at Part 3, Section V, *Payroll — Remuneration*, Rule 3, *Division of Single Employee's Payroll*.

#### Examples

The following examples are illustrative of the classification procedure applicable to towing and roadside assistance operations.

1. **An employer contracts with third parties including motor clubs, private property owners, and law enforcement agencies to tow illegally parked or disabled vehicles. In support of these operations, this employer retains workers to operate an impound yard for the storage of towed vehicles.**

Because the yard activities – including cashiering, vehicle retrieval, and maintenance of the employer’s own vehicles – are conducted in connection with the storage of impounded vehicles that the employer tows, these activities are assignable to Classification 7227.

- 2. An employer operates an automobile repair shop. In addition, the employer contracts with motor clubs to provide towing and roadside assistance operations. Drivers are dispatched to the location of the disabled vehicle. In order to make the vehicle operational, employees, as necessary, change tires, jump-start batteries, supply a small amount of gasoline or perform minor vehicle repairs such as reattaching ignition wires or battery cables.**

The automobile repair operations are assignable to Classification 8389, *Automobile or Automobile Truck Repair Shops or Garages — no retail gasoline sales — all employees — including estimators, service writers and customer service representatives — N.O.C.* The towing and roadside assistance operations are assignable to Classification 7227. If an employee interchanges between the automobile repair and the towing/roadside assistance operations, then his or her payroll may be divided between Classifications 8389 and 7227 in accordance with the Uniform Statistical Reporting Plan at Part 3, Section V, Rule 3.

- 3. An employer operates an auto-body shop. In support of this operation, the employer retains drivers to tow inoperable vehicles in need of body repair to the employer’s body shop location. The employer does not have a contract with a third party to provide towing or roadside services. The employer does not tow vehicles to any other location.**

The automobile body shop operations are assignable to Classification 8393, *Automobile or Automobile Truck Body and Fender Repairing and Painting.* Because the employer is towing vehicles that it does not own, all towing operations are assignable to Classification 7227. If an employee interchanges between the automobile body repair and the towing operations, then his or her payroll may be divided between Classifications 8293 [sic] and 7227 in accordance with the Uniform Statistical Reporting Plan at Part 3, Section V, Rule 3.

- 4. An employer operates an automobile repair facility. The employer does not contract with any third parties to provide towing or roadside assistance operations. This employer receives calls from customers whose vehicles require service but they cannot bring their vehicle to the employer’s location. As calls are received, the employer sends one of its mechanics to the customer’s location to provide the needed services.**

Because the employer does not: (1) engage in any towing; or (2) provide freeway service patrol operations or roadside assistance service under a third party agreement, the above operations are considered incidental to the employer’s automobile repair operations and are assignable to the appropriate classification such as 8387, *Automobile or Automobile Truck Service Stations*, or 8389, *Automobile or Automobile Truck Repair Shops or Garages.*

The current phraseologies of Classifications 7227, 8387, 8389, 8391,<sup>1</sup> 8392, 8393 and 3821 are:

**AUTOMOBILE OR AUTOMOBILE TRUCK TOWING, ROADSIDE ASSISTANCE OR FREEWAY SERVICE PATROL — for vehicles not owned by employer** **7227**

This classification applies to vehicle towing, roadside assistance and freeway service patrol operations that are conducted away from premises occupied and operated by the employer. This classification also includes all operations – including cashiering, vehicle retrieval, and maintenance of the employer’s own vehicles – conducted in connection with the storage of impounded vehicles that the employer tows to its premises.

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<sup>1</sup> See review of R & I entry Automobile Sales Lots or Dealers for proposed changed to Classification 8391.

“Roadside assistance” refers to services provided to the vehicle owner under an agreement with a third party (such as a motor club or law enforcement agency). Contemplated services include changing tires, jump-starting batteries, supplying a small amount of gasoline or performing minor vehicle repairs such as reattaching ignition wires or battery cables.

This classification does not apply to automobile or automobile truck shipping operations.

**AUTOMOBILE OR AUTOMOBILE TRUCK SERVICE STATIONS — all employees — including accessories and spare parts departments and estimators, service writers, customer service representatives and cashiers — N.O.C. 8387**

**Classification 8387 shall not be used for division of payroll in connection with Classifications 8392, Automobile or Automobile Truck Storage Garages or Parking Stations or Lots, or 8388, Rubber Tire Dealers, unless the operation described by Classification 8387 constitutes a separate and distinct enterprise having no connection with the operations covered by Classifications 8392 or 8388.**

This classification does not apply to those service station locations at which the sale of rubber tires exceeds 10% of the total gross receipts. Such locations shall be classified as 8388, Rubber Tire Dealers.

Towing, roadside assistance, and freeway service patrol operations when conducted on vehicles not owned by the employer shall be separately classified as 7227, Automobile or Automobile Truck Towing, Roadside Assistance or Freeway Service Patrol.

“Roadside assistance” refers to services provided to the vehicle owner under an agreement with a third party (such as a motor club or law enforcement agency). Contemplated services include changing tires, jump-starting batteries, supplying a small amount of gasoline or performing minor vehicle repairs such as reattaching ignition wires or battery cables.

Refer to the Special Industry Classification Procedure for stores to classify the operations of combination gasoline stations and stores.

**AUTOMOBILE OR AUTOMOBILE TRUCK REPAIR SHOPS OR GARAGES — no retail gasoline sales — all employees — including estimators, service writers and customer service representatives — N.O.C. 8389**

**Classification 8389 shall not be used for division of payroll in connection with Classification 8388, Rubber Tire Dealers, unless the operation described by Classification 8389 constitutes a separate and distinct enterprise having no connection with the operations covered by Classification 8388.**

This classification does not apply to those automobile repair shop or garage locations at which the sale of rubber tires exceeds 10% of the total gross receipts. Such locations shall be classified as 8388, Rubber Tire Dealers.

Towing, roadside assistance, and freeway service patrol operations when conducted on vehicles not owned by the employer shall be separately classified as 7227, Automobile or Automobile Truck Towing, Roadside Assistance or Freeway Service Patrol.

“Roadside assistance” refers to services provided to the vehicle owner under an agreement with a third party (such as a motor club or law enforcement agency). Contemplated services include changing tires, jump-starting batteries, supplying a small amount of gasoline or performing minor vehicle repairs such as reattaching ignition wires or battery cables.

**AUTOMOBILE OR AUTOMOBILE TRUCK DEALERS — all employees other than automobile or automobile truck salespersons — including estimators, service writers, accessory or spare parts sales and the transporting of vehicles that are owned by the employer** 8391

This classification shall apply only to those concerns having in addition to proprietors a full-time clerical office force and a regular sales force engaged exclusively in the demonstration and sale of automobiles and/or automobile trucks.

Also refer to companion Classification 8748, Automobile or Automobile Truck Salespersons.

Towing, roadside assistance, and freeway service patrol operations when conducted on vehicles not owned by the employer shall be separately classified as 7227, Automobile or Automobile Truck Towing, Roadside Assistance or Freeway Service Patrol.

“Roadside assistance” refers to services provided to the vehicle owner under an agreement with a third party (such as a motor club or law enforcement agency). Contemplated services include changing tires, jump-starting batteries, supplying a small amount of gasoline or performing minor vehicle repairs such as reattaching ignition wires or battery cables.

**AUTOMOBILE OR AUTOMOBILE TRUCK STORAGE GARAGES OR PARKING STATIONS OR LOTS — no repair — including cashiers** 8392

**Classification 8392 shall not be used for division of payroll in connection with Classifications 8387, Automobile or Automobile Truck Service Stations, or 8389, Automobile or Automobile Truck Repair Shops or Garages, unless the operation described by Classification 8392 constitutes a separate and distinct enterprise having no connection with the operations covered by Classifications 8387 or 8389.**

**This classification is intended to cover automobile or automobile truck storage garages or parking stations where the operations are restricted to the storing or parking of automobiles or automobile trucks with incidental sale of gasoline or oil or servicing, such as washing, polishing or greasing, but does not apply to an employer engaged in repairing automobiles or automobile trucks. Such employers shall be assigned to the appropriate automobile repairing or servicing classification.**

Parking attendants on the payroll of enterprises such as, but not limited to, hotels, restaurants, stores, apartment complexes, commercial or industrial buildings, or theaters that operate parking facilities for their own customers or tenants shall be classified with the enterprise.

This classification does not apply to the storage of impounded vehicles that the employer tows to its premises.

Towing, roadside assistance, and freeway service patrol operations when conducted on vehicles not owned by the employer shall be separately classified as 7227, Automobile or Automobile Truck Towing, Roadside Assistance or Freeway Service Patrol.

“Roadside assistance” refers to services provided to the vehicle owner under an agreement with a third party (such as a motor club or law enforcement agency). Contemplated services include changing tires, jump-starting batteries, supplying a small amount of gasoline or performing minor vehicle repairs such as reattaching ignition wires or battery cables.

**AUTOMOBILE OR AUTOMOBILE TRUCK BODY AND FENDER REPAIRING AND PAINTING — all employees including estimators, service writers and customer service representatives 8393**

Towing, roadside assistance, and freeway service patrol operations when conducted on vehicles not owned by the employer shall be separately classified as 7227, *Automobile or Automobile Truck Towing, Roadside Assistance or Freeway Service Patrol*.

“Roadside assistance” refers to services provided to the vehicle owner under an agreement with a third party (such as a motor club or law enforcement agency). Contemplated services include changing tires, jump-starting batteries, supplying a small amount of gasoline or performing minor vehicle repairs such as reattaching ignition wires or battery cables.

**AUTOMOBILE OR AUTOMOBILE TRUCK DISMANTLING — including transport of vehicles owned by the employer, the salvaging or junking of parts and store operations 3821**

Towing, roadside assistance, and freeway service patrol operations when conducted on vehicles not owned by the employer shall be separately classified as 7227, *Automobile or Automobile Truck Towing, Roadside Assistance or Freeway Service Patrol*.

“Roadside assistance” refers to services provided to the vehicle owner under an agreement with a third party (such as a motor club or law enforcement agency). Contemplated services include changing tires, jump-starting batteries, supplying a small amount of gasoline or performing minor vehicle repairs such as reattaching ignition wires or battery cables.

**Analysis**

The R & I entry describes the most common operations for the towing, roadside assistance/emergency road service and freeway service patrol industry. Further, for firms engaged in fee-based service and repair of automobiles at a fixed location, the R & I entry directs that towing, roadside assistance and freeway service patrol operations are to be separately classified when conducted on vehicles not owned by the employer.

Classifications 8387, 8389, 8391, 8392, 8393 and 3821 include footnotes that direct that towing, roadside assistance, and freeway service patrol operations shall be separately classified as Classification 7227 when conducted on vehicles not owned by the employer. In addition, the footnotes for these classifications, including Classification 7227, contain a definition of roadside assistance. Accordingly, staff does not believe that the classification of the towing, roadside assistance, and freeway service patrol<sup>2</sup> industry warrants further explanation in the USRP.

**Recommendation**

The WCIRB concludes that no changes are required to the USRP with respect to the classification procedure for the towing, roadside assistance and freeway service patrol industry.

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<sup>2</sup> Freeway service patrol is a specific program that is operated by Caltrans, the California Highway Patrol and local transportation agencies.

#### D. Automobile Sales Lots or Dealers

The R & I entry shown below was established in 1966 and revised in 1985 to reflect the establishment of Classification 8393, *Automobile or Automobile Truck Body and Fender Repairing and Painting*.

#### R & I Entry

##### Automobile Sales Lots or Dealers

8748 Automobile or Automobile Truck Salespersons

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The payroll of all automobile salespersons of new or used cars is assigned to Classification 8748, *Automobile or Automobile Truck Salespersons*.

Where car sales lot does not meet requirements of the Automobile Dealers classification, but maintains yard employees to clean and wash cars, change tires and recharge batteries, the remuneration of yardmen is assigned to Classification 8392, *Automobile or Automobile Truck Storage Garages or Parking Stations or Lots*.

Where car sales firms do not meet the requirements of the Automobile Dealers classification and maintain repairing facilities, remuneration developed by mechanical repair shop employees is assigned to Classification 8389, *Automobile or Automobile Truck Repair Shops or Garages*, and remuneration developed by body and fender repair and paint shop employees is assigned to Classification 8393, *Automobile or Automobile Truck Body and Fender Repairing and Painting*.

The current phraseologies of Classifications 8748 and 8391 are:

##### **AUTOMOBILE OR AUTOMOBILE TRUCK SALESPERSONS**

**8748**

Also refer to companion Classification 8391, *Automobile or Automobile Truck Dealers — all employees other than automobile or automobile truck salespersons*.

##### **AUTOMOBILE OR AUTOMOBILE TRUCK DEALERS — all employees other than automobile or automobile truck salespersons — including estimators, service writers, accessory or spare parts sales and the transporting of vehicles that are owned by the employer**

**8391**

This classification shall apply only to those concerns having in addition to proprietors a full-time clerical office force and a regular sales force engaged exclusively in the demonstration and sale of automobiles and/or automobile trucks.

Also refer to companion Classification 8748, *Automobile or Automobile Truck Salespersons*.

Towing, roadside assistance, and freeway service patrol operations when conducted on vehicles not owned by the employer shall be separately classified as 7227, *Automobile or Automobile Truck Towing, Roadside Assistance or Freeway Service Patrol*.

“Roadside assistance” refers to services provided to the vehicle owner under an agreement with a third party (such as a motor club or law enforcement agency). Contemplated services include changing tires, jump-starting batteries, supplying a small amount of gasoline or performing minor vehicle repairs such as reattaching ignition wires or battery cables.

### Analysis

The footnote to Classification 8391 limits its application to automobile dealers that employ a full time clerical office force and a regular sales force. For purposes of applying this rule, the reference to a “full-time clerical office force” is equivalent to maintaining “a separate clerical office” where one or more office workers are engaged exclusively in clerical office activities; it is not required that the office worker(s) be employed full-time or forty (40) hours per week.

While the footnote requires the employer to maintain a separate clerical office and regular sales force to qualify for Classification 8391, it does not specify the proper classification procedure for dealers that do not meet these requirements. Further, the current phraseologies of Classifications 8748 and 8391 are not consistent with the style of other companion classifications in the USRP; specifically, the capitalized segment of the phraseology of Classification 8748 should read, *Automobile or Automobile Truck Dealers*.

### Recommendations

Amend the phraseology of Classification 8391, *Automobile or Automobile Truck Dealers — all employees other than automobile or automobile truck salespersons*, to include “vehicle maintenance and repair” for clarity. Amend the footnote to Classification 8391 to indicate “separate clerical office” instead of “full-time clerical office force” for clarity, and specify the classification procedure applicable to automobile dealers that do not have a separate clerical office and a regular sales force in addition to proprietors.

Amend the phraseology of Classification 8748, *Automobile or Automobile Truck Salespersons*, to be consistent with that of its companion classification, 8391, *Automobile or Automobile Truck Dealers — all employees other than automobile or automobile truck salespersons*.

### PROPOSED

**AUTOMOBILE OR AUTOMOBILE TRUCK DEALERS — all employees other than ~~automobile or automobile truck~~ vehicle salespersons — including estimators, service writers, vehicle maintenance and repair, accessory or spare parts sales and the transporting of vehicles that are owned by the employer** 8391

~~This classification shall apply only to those ~~concerns employers~~ having, in addition to proprietors, a full time clerical office force and a regular sales force engaged exclusively in the demonstration and sale of automobiles and/or automobile trucks vehicles and separate clerical staff. If these conditions do not exist, Classification 8391 does not apply. If Classification 8391 does not apply and the employer performs vehicle repair work, assign the applicable vehicle repair classification(s) and if the employer performs no vehicle repairing assign Classification 8392, *Automobile or Automobile Truck Storage Garages or Parking Stations or Lots*, to employees who perform activities such as cleaning and washing vehicles, changing tires and recharging batteries.~~

Also refer to companion Classification 8748, *Automobile or Automobile Truck Dealers — vehicle Salespersons*.

Towing, roadside assistance, and freeway service patrol operations when conducted on vehicles not owned by the employer shall be separately classified as 7227, *Automobile or Automobile Truck Towing, Roadside Assistance or Freeway Service Patrol*.

“Roadside assistance” refers to services provided to the vehicle owner under an agreement with a third party (such as a motor club or law enforcement agency). Contemplated services include changing tires, jump-starting batteries, supplying a small amount of gasoline or performing minor vehicle repairs such as reattaching ignition wires or battery cables.



**AUTOMOBILE OR AUTOMOBILE TRUCK SALESPERSONS DEALERS — vehicle salespersons** 8748

Also refer to companion Classification 8391, *Automobile or Automobile Truck Dealers — all employees other than automobile or automobile truck salespersons.*

## **E. Beverage Preparation Shops, Ice Cream or Frozen Yogurt Shops, and Sandwich Shops**

The R & I entries shown below were established in 2003 to provide guidance regarding the application of Classifications 8078(1), *Sandwich Shops — not restaurants*, 8078(2), *Beverage Preparation Shops*, and 8078(3), *Ice Cream or Frozen Yogurt Shops*.

### **R & I Entries**

#### **Beverage Preparation Shops**

##### 8078(2) Beverage Preparation Shops

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Beverage preparation shops serve hot or cold non-alcoholic beverages. They are styled as coffeehouses or juice shops. Coffeehouses serve a variety of coffee based drinks, such as cappuccinos, lattes, mochas, and espressos, in addition to freshly brewed coffee. Juice shops serve fresh squeezed juice drinks. When the sale of beverages or other prepared food items equals or exceeds 50% of the gross receipts, Classification 8078(2) shall apply. In addition to prepared beverages, these firms may sell a variety of purchased prepackaged snack items, muffins, pastries, other baked goods, coffee beans and coffee mugs.

When the combined gross receipts from the sale of beverages, ice cream or frozen yogurt, sandwiches or prepared food items exceeds 50% but no single category exceeds 50% by itself, assign Classification 8078(1), 8078(2) or 8078(3) based upon the category with the highest percentage.

#### **Example**

The employer operates a coffee house engaged in the sale of coffee drinks, 45%; sandwiches, 25%; ice cream, 10%; and miscellaneous snack items, 20%. The sale of prepared food items exceeds 50% of gross receipts; however, no single category of prepared food items exceeds 50%.

The operations of this firm are assigned to Classification 8078(02), *Beverage Preparation Shops*, as the highest percentage of sales is developed from the sale of beverages (coffee drinks).

Beverage preparation shops that prepare and serve hot food items are assignable to Classification 9079(1), *Restaurants or Taverns*. Likewise, beverage preparation shops that also prepare and serve alcoholic beverages for consumption on the premises shall be assigned to Classification 9079(1).

#### **Ice Cream or Frozen Yogurt Shops**

##### 8078(3) Ice Cream or Frozen Yogurt Shops

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Ice cream shops sell individual servings of ice cream to the walk-in trade. Employees prepare and serve ice cream cones, ice cream sundaes, milk shakes, floats, malts or other similar items. Frozen yogurt shops receive various ingredients, such as yogurt mix and flavorings, which are combined in a yogurt machine, mixed and frozen to produce frozen yogurt. Employees dispense frozen yogurt and add toppings to customer specification. Frozen yogurt is combined with fruit, protein powder and flavorings to produce smoothies or yogurt based health drinks. In addition to ice cream or frozen yogurt, these firms may sell purchased prepackaged ice cream novelties. When the sale of ice cream or yogurt equals or exceeds 50% of the gross receipts, Classification 8078(3), *Ice Cream or Frozen Yogurt Shops*, shall apply.

When the combined gross receipts from the sale of beverages, ice cream or frozen yogurt, sandwiches or prepared food items exceeds 50% but no single category exceeds 50% by itself, assign classification 8078(1), *Sandwich Shops*, 8078(2), *Beverage Preparation Shops*, or 8078(3) based upon the category with the highest percentage.

### Example

The employer operates an ice cream shop engaged in the sale of ice cream, 45%; sandwiches, 20%; coffee, 20%; and miscellaneous snack items, 15%. The sale of prepared food items exceeds 50% of gross receipts; however, no single category of prepared food items exceeds 50%. The operations of this firm are assigned to Classification 8078(3) as the highest percentage of sales is developed from the sale of ice cream.

Ice cream or frozen yogurt shops that also prepare and serve hot food items shall be assigned to Classification 9079(1), *Restaurants or Taverns*.

### Sandwich Shops

9079(1)	Restaurants or Taverns
8078(1)	Sandwich Shops — not restaurants

Sandwich shops prepare and sell sandwiches and other food items for the immediate consumption of the walk-in trade. Such establishments are distinguished from restaurants, as hot food items are not cooked to order for customers. Customers order food items at a counter where employees prepare menu items by combining ingredients such as sliced cold cuts, cheese, vegetables, condiments and bread to customer order. In addition, sandwiches may be assembled from prepared meats such as pastrami, roast beef and meatballs that are kept warm in a steam table. The prepared food items may be consumed on the premises or wrapped for consumption away from the premises. Sandwich shops may also prepare food items, such as potato salad, macaroni salad or other items that require the cooking of ingredients in the preparation process. Macaroni, potatoes and pasta are cooked, cooled and combined with other ingredients and set aside pending sale. Shops engaged in the preparation and sale of a variety of food items, including sandwiches, salads, soups and similar food items that are prepared from cold or warm ingredients, shall be assigned to Classification 8078(1) when the gross receipts from the sale of such items equals or exceeds 50% of the total gross receipts. Classification 8078(1) includes the incidental sale of canned or bottled drinks, packages of potato chips, cookies or other snack items. Incidental warming of prepared food items using microwave ovens, toaster ovens or heat lamps shall not be considered cooking food to order.

Classification 8078(1) also includes “take and bake” pizza stores that prepare fresh, unbaked pizzas that customers purchase and bake at home. Dough is purchased or produced by combining flour, water, yeast and similar ingredients. The dough is sheeted, cut to size and placed into pizza trays. Pizzas are made to order by combining the dough, sauce, cheese and toppings. In addition, these firms may sell items such as sodas, salads, bread sticks and pizza peppers.

When the combined gross receipts from the sale of beverages, ice cream or frozen yogurt, sandwiches or prepared food items exceeds 50% but no single category exceeds 50% by itself, assign Classification 8078(1), 8078(2) or 8078(3) based upon the category with the highest percentage.

### Example

The employer operates a sandwich shop engaged in the sale of sandwiches, 45%; coffee drinks, 25%; ice cream, 10%; and prepackaged snack items, 20%. The sale of prepared food items exceeds 50% of gross receipts; however, no single category of prepared food items exceeds 50%. The operations of this firm are assigned to Classification 8078(1), *Sandwich Shops*, as the highest percentage of sales is developed from the sale of sandwiches.

Some sandwich shops bake bread or rolls that are exclusively used in sandwiches or served with prepared foods. Incidental baking of bread or rolls is included within Classification 8078(1). Other sandwich shops conduct bakery operations for the baking of bread, muffins, scones and similar items that are sold as such. Bakery operations are assignable to Classification 2003, *Bakeries or Cracker Mfg.*

Sandwich shops that also prepare and serve hot food items shall be assigned to Classification 9079(1), *Restaurants or Taverns*. Likewise, sandwich shops that also pour alcoholic beverages for consumption on the premises shall be assigned to Classification 9079(1).

The current phraseologies of Classifications 8078(1), 8078(2) and 8078(3) are:

**SANDWICH SHOPS — not restaurants — N.O.C.**

**8078(1)**

This classification contemplates the preparation, serving and sale of cold food items such as sandwiches, salads, and side dishes that are prepared for consumption by the walk-in trade.

Cold food items are foods that are prepared and served cold or cooked in advance of orders and allowed to cool.

This classification shall apply to each separate location at which the sale of prepared cold food items for consumption on or away from the premises equals or exceeds 50% of the gross receipts.

Sandwich shops that pour and serve alcoholic beverages for consumption on the premises shall be assigned to Classification 9079(1), *Restaurants or Taverns*.

**BEVERAGE PREPARATION SHOPS — not bars or taverns**

**8078(2)**

This classification contemplates firms that prepare and serve beverages such as coffee; coffee based beverages such as mochas, cappuccinos, lattes, and espressos; or juice drinks such as juice blends, smoothies, and lemonade for consumption by walk-in trade on or away from the premises. This classification includes the incidental sale of muffins, pastries and other baked goods.

This classification shall apply to each separate location at which the sale of prepared non-alcoholic beverages for consumption on or away from the premises equals or exceeds 50% of the gross receipts.

Beverage preparation shops that pour and serve alcoholic beverages for consumption on the premises or prepare and serve hot food for consumption on or away from the premises shall be assigned to Classification 9079(1), *Restaurants or Taverns*.

The bottling or canning of beverages or the manufacture of concentrates shall be separately rated.

**ICE CREAM OR FROZEN YOGURT SHOPS**

**8078(3)**

This classification contemplates firms that sell individual servings of ice cream and frozen yogurt for consumption by the walk-in trade on or away from the premises. This classification includes the incidental sale of hand packed ice cream and prepackaged ice cream confections sold as such.

This classification shall apply to each separate location at which the sale of individual servings of ice cream or frozen yogurt for consumption on or away from the premises equals or exceeds 50% of the gross receipts.

Ice cream or frozen yogurt shops that pour and serve alcoholic beverages for consumption on the premises or prepare and serve hot food for consumption on or away from the premises shall be assigned to Classification 9079(1), *Restaurants or Taverns*.

**Analysis**

The subject R & I entries specify the classification procedure for store locations where combined gross receipts from the sale of beverages, ice cream, frozen yogurt, sandwiches and prepared food items exceed 50% of total gross sales but no single category exceeds 50% by itself. This instruction is omitted from the phraseologies for the subject classifications; however, the WCIRB has not received any inquiries

or complaints regarding the assignment of Classifications 8078(1), 8078(2) or 8078(3). Moreover, the advisory pure premium rate is the same for all three classifications. Therefore, there are no compelling reasons to amend the subject classifications to provide direction about how to classify employers when the combined gross receipts from the sale of beverages, ice cream, frozen yogurt, sandwiches and prepared food items exceed 50% but no single category exceeds 50% by itself.

The R & I entry for Sandwich Shops (1) directs that “take and bake” pizza stores shall be assigned to Classification 8078(1), *Sandwich Shops*; (2) provides that Classification 8078(1) contemplates incidental warming of cold food items using microwave ovens, toaster ovens or heat lamps and the preparation of sandwiches with meats that are kept warm in a steam table; and (3) provides direction with respect to preparing and serving hot food. This information should be included in the phraseology for Classification 8078(1).

Classification 8078(2), *Beverage Preparation Shops*, lists many types of beverages that are typically served in stores assigned to Classification 8078(2); however, it does not include tea or tea-based beverages. The WCIRB receives inquiries regarding whether tea and tea-based beverages are considered when determining the gross receipts for beverages as respect the assignment of Classifications 8078(1), 8078(2) and 8078(3). Therefore, tea or tea-based beverages should be added to the list of beverages that are typically served in stores assigned to Classification 8078(2).

### **Recommendations**

Amend the footnote to Classification 8078(1) to: (1) include stores that prepare and sell fresh, unbaked pizzas; (2) provide that this classification contemplates incidental warming of cold food items using microwave ovens, toaster ovens or heat lamps and the preparation of sandwiches with meats that are kept warm in a steam table; and (3) provide direction with respect to preparing and serving hot food.

Amend Classification 8078(2) to add tea or tea-based beverages to the list of beverages that are typically served by firms assigned to this classification.

## PROPOSED

### **SANDWICH SHOPS — not restaurants — N.O.C.**

**8078(1)**

This classification contemplates the preparation, serving and sale of cold food items such as sandwiches, salads, and side dishes that are prepared for consumption by the walk-in trade.

Cold food items are foods that are prepared and served cold or cooked in advance of orders and allowed to cool. This classification contemplates incidental warming of cold food items using microwave ovens, toaster ovens or heat lamps and the preparation of sandwiches with meats that are kept warm in a steam table.

Classification 8078(1) also applies to stores that prepare and sell fresh, unbaked pizzas.

This classification shall apply to each separate location at which the sale of prepared cold food items for consumption on or away from the premises equals or exceeds 50% of the gross receipts.

Sandwich shops that pour and serve alcoholic beverages for consumption on the premises or prepare and serve hot food for consumption on or away from the premises shall be assigned to Classification 9079(1), *Restaurants or Taverns*.

**BEVERAGE PREPARATION SHOPS — not bars or taverns**

**8078(2)**

This classification contemplates firms that prepare and serve beverages such as coffee; coffee based beverages such as mochas, cappuccinos, lattes, and espressos; tea and tea-based beverages; or juice drinks such as juice blends, smoothies, and lemonade for consumption by walk-in trade on or away from the premises. This classification includes the incidental sale of muffins, pastries and other baked goods.

This classification shall apply to each separate location at which the sale of prepared non-alcoholic beverages for consumption on or away from the premises equals or exceeds 50% of the gross receipts.

Beverage preparation shops that pour and serve alcoholic beverages for consumption on the premises or prepare and serve hot food for consumption on or away from the premises shall be assigned to Classification 9079(1), *Restaurants or Taverns*.

The bottling or canning of beverages or the manufacture of concentrates shall be separately rated.

## F. Cabinet or Fixtures

In 1991, Classification 5146 was amended to include “interior trim” and provide that division of payroll is not allowed with the carpentry construction classifications. The R & I entries shown below were established to provide additional clarity with respect to the scope of Classification 5146.

### R & I Entries

#### Cabinet or Fixtures

5146(1) *Cabinet or Fixtures*

Classification 5146(1), *Cabinet or Fixtures — portable; interior trim — installation — N.O.C.*, applies to employers engaged exclusively in the installation of cabinets, fixtures, counters, interior trim or builders finish at a specific job or location. The installation of doors, door frames and sash at such job or location shall be separately rated as Classification 5107, *Door, Door Frame or Pre-Glazed Window Installation*.

Classification 5146(1) may not be applied at any job or location where the employer is engaged in the construction or remodeling of structures, involving rough carpentry (framing) and finish carpentry performed in connection therewith. All carpentry work performed at such job or location must be assigned to the appropriate carpentry construction/remodeling classification.

#### Carpentry — Finish

See Classification 5146(1), *Cabinet or Fixtures*

#### Finish Carpentry

See Classification 5146(1), *Cabinet or Fixtures*

The current phraseology of Classification 5146(1) is:

**CABINET OR FIXTURES — portable; interior trim — installation — N.O.C. 5146(1)**  
**At a particular job or location, Classification 5146(1) shall not be used for division of payroll in connection with Classifications 5403, *Carpentry*, or 5432, *Carpentry*.**

#### Analysis

The R & I entry states that this classification applies to employers that exclusively install cabinets, counters, fixtures, interior trim or builders finish. These activities are adequately addressed in the phraseology of Classification 5146(1).

The R & I entry also states that the installation of doors, door frames and sash shall be separately rated as Classification 5107, *Door, Door Frame or Pre-Glazed Window Installation — not overhead doors*; however, Classification 5146(1) does not explicitly direct that door installation shall be separately classified.

Finally, the R & I entry states that Classification 5146(1) may not be applied at any job or location where the employer is engaged in the construction or remodeling of structures, involving rough carpentry (framing) and finish carpentry performed in connection therewith. All carpentry work performed at such job or location must be assigned to the appropriate carpentry construction/remodeling classification. This classification procedure is already addressed in the footnote to Classification 5146(1).

**Recommendation**

Add a footnote to Classification 5146(1), *Cabinet or Fixtures — portable; interior trim — installation — N.O.C.*, to direct that the installation of doors, door frames and sash shall be assigned to Classification 5107, *Door, Door Frame or Pre-Glazed Window Installation — not overhead doors.*

PROPOSED

**CABINET OR FIXTURES — portable; interior trim — installation — N.O.C.**

**5146(1)**

**At a particular job or location, Classification 5146(1) shall not be used for division of payroll in connection with Classifications 5403, *Carpentry*, or 5432, *Carpentry*.**

The installation of doors, door frames and sash shall be assigned to Classification 5107, *Door, Door Frame or Pre-Glazed Window Installation — no overhead doors.*



## G. Camps

A 1975 study on recreational and educational camps resulted in the establishment of a new classification for recreational and educational camps [Classification 9048(1)], a cross-reference classification for camps operated by Boy and Girl Scout Councils [Classification 9048(2)] and the R & I entry<sup>1</sup> shown below.

### R & I Entry

#### Camps

##### 9048(1) Camps

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The operations of camps shall include supervised recreational or educational activities that provide instruction in activities such as, but not limited to, swimming, boating, archery, gymnastics, arts and crafts, typing, dramatics and language. The operations of camps shall also include guidance or counseling services and shall be operated under conditions that maintain predetermined schedules and afford a degree of discipline.

Classification 9048(1), *Camps — recreational or educational*, contemplates the operation or provision of overnight lodging facilities. Firms that solely operate recreational and/or educational day camps where the program does not include overnight lodging shall be assigned to Classification 9059, *Day Care Centers*.

The current phraseologies of Classifications 9048(1) and 9048(2) are:

**CAMPS — recreational or educational — all operations — including Clerical Office Employees at camp locations** 9048(1)

This classification applies to camps that provide supervised recreational or educational activities with guidance or counseling services and with overnight facilities for camp participants.

Firms that solely operate recreational and/or educational day camps that do not include overnight lodging shall be assigned to Classification 9059, *Day Care Centers*.

**BOY AND GIRL SCOUT COUNCILS — all camp operations — including Clerical Office Employees at camp locations** 9048(2)

This classification applies to camps that provide supervised recreational or educational activities with guidance or counseling services, and with overnight facilities for camp participants.

#### Analysis

The R & I entry lists a number of recreational or educational activities – swimming, boating, archery, gymnastics, arts and crafts, typing, dramatics and language – that typically are found in camps assigned to 9048(1). Although these recreational or educational activities are not listed in the footnote to Classification 9048(1), WCIRB staff does not believe that the inclusion of this information would add value.

#### Recommendation

No changes are recommended to Classification 9048(1).

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<sup>1</sup> The R & I entry for camps was amended in 2003 to include the reference that day camps are contemplated by Classification 9059, *Day Care Centers*.

## J. Concrete Sawing and Drilling

The R & I entry shown below was established in 1967 as a result of an appeal to the Classification and Rating Committee by an employer who protested the assignment of Classification 3724, *Millwright Work – N.O.C.*, to jobs solely involving the cutting and drilling of holes in concrete walls, floors and ceilings.

### R & I Entry

#### Concrete Sawing and Drilling 3724(1) Millwright Work

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Concrete sawing and drilling involving the cutting of holes in concrete building walls, floors and ceilings, as well as the cutting of openings for doors, windows, patio slabs, sidewalks, curbs, gutters and driveways, by specialty contractors not engaged in other operations in connection with said concrete sawing and drilling, shall be assigned to Classification 3724(1), *Millwright Work – N.O.C.*

The current phraseology of Classification 3724(1) is:

**MILLWRIGHT WORK — N.O.C. — erection or repair of machinery or equipment** **3724(1)**  
**This classification is not available for division of payroll of employees of an employer engaged in millwright work on the premises both occupied and operated by the employer. Such payroll shall be included in the governing classification.**

### Recommendation

Since Classification 3724(1) does not explicitly include concrete sawing or drilling operations and according to WCIRB records, several hundred specialty contractors perform such operations in California, the WCIRB recommends the establishment of a cross reference classification to Classification 3724(1), *Millwright Work*, and Classification 3724(2), *Electrical Machinery or Auxiliary Apparatus – installation or repair – including incidental wiring*, for specialty contractors engaged exclusively in concrete sawing or drilling at a specific jobsite or location.

### PROPOSED

**CONCRETE SAWING OR DRILLING — N.O.C.** **3724(3)**  
**This classification is not available for division of payroll when the concrete sawing or drilling is in support of a construction activity performed by the employer. Such concrete sawing or drilling shall be assigned to the appropriate construction classification.**

**Recommendation**

Amend Section VIII, *Abbreviated Classifications — Numeric Listing*, to add Classification 3724(3), *Concrete Sawing or Drilling — N.O.C.*, for consistency.

PROPOSED

**Part 3 — Standard Classification System**

**Section VIII — Abbreviated Classifications — Numeric Listing**

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- 3724(3)     Concrete Sawing or Drilling
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**Recommendation**

Amend Appendix II, *Construction and Erection Classifications*, to add Classification 3724(3), *Concrete Sawing or Drilling — N.O.C.*, for consistency.

PROPOSED

**Appendix II**

**Construction and Erection Classifications**

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- 3724(3)     Concrete Sawing or Drilling
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## K. Congregate Living Facilities

The R & I entry shown below and Classification 8851, *Congregate Living Facilities for the Elderly – no care or supervision*, were established in 1993 following a study on congregate living facilities.

### R & I Entry

#### Congregate Living Facilities

8851 Congregate Living Facilities for the Elderly

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This classification applies to concerns renting apartment or condominium style units to senior citizens (over 55 years of age) who either do not need or do not desire the provision of care and supervision. Included in the monthly rental fee paid by residents is a service package which, at a minimum, includes one to three meals a day served in a common dining area, weekly or biweekly in-unit housekeeping, personal laundry service, facility security, and participation in group activities. Congregate living facilities are not licensed by the State Department of Social Services as they engage exclusively in the provision of room and board and do not provide care and supervision. Care and supervision includes assisting residents with dressing, eating, personal hygiene, taking medications and scheduling doctor appointments.

When assisted care or skilled nursing care is provided as identifiable units, such care units shall be assigned to Classification 9070, *Residential Care Facilities for the Elderly*, or Classification 8829, respectively. Employees common to all operations, such as in the preparation and serving of food and in the operation of laundries, shall be assigned to the governing classification.

The current phraseology of Classification 8851 is:

#### **CONGREGATE LIVING FACILITIES FOR THE ELDERLY — no care or supervision**

**8851**

This classification shall apply to those firms providing retirement facilities that, for a single monthly fee, provide a service package that typically includes a living unit, one to three meals a day, in-unit housekeeping, and personal laundry service. This classification shall not be assigned to operations that are licensed by the Department of Social Services.

Age restricted apartment or condominium complexes that do not provide the above services shall be classified as 9007, *Apartment or Condominium Complex Operation for Seniors*. Operations licensed by the Department of Social Services to provide assisted care services shall be classified as 9070(1), *Residential Care Facilities for the Elderly*.

When skilled nursing care is provided as an identifiable unit, such nursing care shall be classified as 8829(1), *Nursing Homes*.

### Analysis

The R & I entry describes the types of facilities, residents and services associated with congregate living facilities, and provides the proper classification assignment for identifiable units that are licensed by regulatory agencies. These aspects of congregate living facilities are adequately addressed in the phraseology and footnote of Classification 8851. The R & I entry also states that congregate living facilities are not licensed by the Department of Social Services as they engage exclusively in the provision of room and board and do not provide care and supervision. The R & I defines care and supervision to include assisting residents with dressing, eating, personal hygiene, taking medications and scheduling doctor appointments. With the exception of scheduling doctor appointments, these provisions should be added to the footnote of Classification 8851 to clarify what constitutes care and supervision, or assisted care services.

In addition, the R & I provides that employees common to all operations, such as those who prepare and serve food and operate laundries, shall be assigned to the governing classification. Since the *Multiple Enterprises* rule directs that *Miscellaneous Employees* who "...perform operations in general support of

more than one classifiable operation...shall be assigned to the governing classification...”, the WCIRB does not recommend adding this provision to Classification 8851.

**Recommendation**

The WCIRB recommends amending the footnote to Classification 8851 to describe the principal types of assisted care services that are provided by employers assigned to Classification 9070(1), *Residential Care Facilities for the Elderly*.

PROPOSED

**CONGREGATE LIVING FACILITIES FOR THE ELDERLY — no care or supervision**

**8851**

This classification shall apply to those firms providing retirement facilities that, for a single monthly fee, provide a service package that typically includes a living unit, one to three meals a day, in-unit housekeeping, and personal laundry service. This classification shall not be assigned to operations that are licensed by the Department of Social Services.

Age restricted apartment or condominium complexes that do not provide the above services shall be classified as 9007, *Apartment or Condominium Complex Operation for Seniors*. Operations licensed by the Department of Social Services to provide assisted care services, including but not limited to assisting residents with dressing, eating, personal hygiene and taking medications shall be classified as 9070(1), *Residential Care Facilities for the Elderly*.

When skilled nursing care is provided as an identifiable unit, such nursing care shall be classified as 8829(1), *Nursing Homes*.

## L. Gasoline Station and Store — Combination

The R & I entry for *Gasoline Station and Store – Combination* was established in 1982 as a result of a decision by the Classification and Rating Committee that the appropriate store classification applies if the sale of merchandise in the store, other than gasoline or automobile services, exceeds ten percent (10%) of the total annual receipts for the location. Following a study of combination self-service gasoline stations and stores, the R & I entry was revised in 2005 to change the store receipts threshold from 10% to twenty-five percent (25%). This change is consistent with the *Special Industry Classification Procedures for Stores*, which directs that the assignment of a store classification is based on the type of merchandise sold, provided such merchandise exceeds 25% of the gross receipts, when a store sells more than one type of merchandise that would result in the assignment of different classifications.

### R & I Entry

#### Combination Gasoline Station and Store

See Gasoline Station and Store — combination

#### Gasoline Station and Store — Combination

8324	Automobile Gasoline Stations
8387	Automobile or Automobile Truck Service Stations

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For purposes of classifying firms engaged in the operation of a combination gasoline station and retail store, the following guidelines shall apply.

The appropriate store classification shall apply at each location, provided the sale of merchandise in the store, other than gasoline or automobile services, exceeds twenty-five percent (25%) of the total annual receipts for the location.

(In determining the appropriate store classification, consideration shall be given only to the types of merchandise sold within the store area. The amount of gasoline sales or automobile services shall not be considered in determining the appropriate store classification.)

When a store location sells gasoline and also provides automobile service, including, but not limited to, fueling vehicles, oil changes, mechanical repairs or washing vehicles, the automobile service operations shall be separately classified in accordance with the *Special Industry Classification Procedures* for stores.

When the sale of merchandise within the store does not exceed 25% of the total annual receipts for the location, the appropriate automobile gasoline station or automobile service station classification, Classification 8324, *Automobile Gasoline Stations — retail*, or Classification 8387, *Automobile or Automobile Truck Service Stations*, shall apply.

When separate gasoline service station activities and store activities are conducted at a single location and employees do not interchange, then the appropriate gasoline service station classification and the appropriate store classification shall apply to each of the respective operations.

Shown below are the relevant sections of the *Special Industry Classification Procedures* for stores, which appear in the USRP at Part 3, *Standard Classification System*, Section IV, *Special Industry Classification Procedures*, 5., *Stores*, subparagraphs d and e.

### 5. Stores

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- d. If a store maintains a department for the service or repair of automobiles or automobile trucks on a fee basis, the payroll of employees engaged in such service and repair operations shall be assigned to the applicable automobile or automobile truck service or repair classification.
- e. If a store engages in the sale of gasoline or automobile services, the appropriate store classification shall apply at each location wherein the sale of merchandise in the store, other than gasoline or automobile services, exceeds twenty-five percent (25%) of the total annual receipts for the location. Employees engaged in the fueling, service or repair of automobiles or automobile trucks shall be assigned to the applicable gasoline station classification. Cashiers that work within the store and accept payments for store merchandise and automobile services shall be assigned to the applicable store classification.

### Examples

An employer operates a combination convenience store and retail gasoline station with 30% of gross receipts developed in the sale of store merchandise. The store occupies 3,000 square feet and is open 24 hours per day. All gasoline sales are controlled from inside the store. The operations of this employer are assignable to Classification 8061, *Stores – groceries or provisions – retail*.

At a second location, the employer operates a similar store; however, only 20% of the gross receipts are developed in the sale of store merchandise. The operations of this employer are assignable to Classification 8324, *Automobile Gasoline Stations – retail*.

Also at this second location, the employer opens a service bay to perform automobile oil changes and smog checks in addition to gasoline and store sales. The operations at this location are now assignable to Classification 8387, *Automobile or Automobile Truck Service Station*, due to the automobile service operations provided.

The current phraseologies of Classifications 8387 and 8324 are:

**AUTOMOBILE OR AUTOMOBILE TRUCK TRANSMISSION REPAIRING AND REBUILDING —  
including removal and installation operations — all employees — including estimators,  
service writers and customer service representatives** **8397**

**Classification 8397 shall not be used for division of payroll in connection with Classifications 8389, *Automobile or Automobile Truck Repair Shops or Garages*, 8387, *Automobile or Automobile Truck Service Stations*, or 3828, *Automobile or Automobile Truck Parts Machining and Rebuilding*, unless the operation described by Classification 8397 constitutes a separate and distinct enterprise having no connection with the operations covered by Classifications 8389, 8387 or 3828.**

**AUTOMOBILE GASOLINE STATIONS — retail — all employees — including cashiers** **8324**

**This classification shall not be used for division of payroll in connection with any other classification (other than the Standard Exceptions or General Exclusions) unless the operations described by Classification 8324 constitute a separate and distinct enterprise having no connection with the operations covered by any other applicable classification.**

This classification shall apply to those concerns engaged exclusively in the sale of gasoline or oil or replacement of accessories, such as wiper blades, radiator caps, fuses, dash lamps or similar accessories not requiring the use of any tools.

This classification does not apply to any concern that engages in or maintains facilities for automobile repair, lubrication, tire repair or tire sales at the same location.

Refer to the Special Industry Classification Procedure for stores to classify the operations of combination gasoline stations and stores.

**Analysis**

The R & I entry discusses three areas of classification procedure: (1) classification of a combination gasoline station and retail store based on a threshold of 25% of the total annual receipts; (2) classification of employees engaged in automobile service at locations that operate a store, sell gasoline and provide automobile service; and (3) classification of a gasoline service station and a store when both operations are conducted at a single location and employees do not interchange. Subparagraphs d and e of Rule 5 shown above provides the appropriate classification procedure for each of these scenarios.

**Recommendation**

The WCIRB recommends no changes to the USRP as the *Special Industry Classification Procedures for Stores* sufficiently addresses the classification procedure outlined in the R & I.



## **M. Hotels or Motels and Restaurants or Taverns**

Prior to 1964, restaurant or tavern operations in hotels or motels were included in Classification 9052, *Hotels and Motels*. In response to a 1962 request from the motel and hotel industry, changes were adopted that provided for restaurants and taverns in hotels or motels to be separately classified as Classification 9079(1), *Restaurants or Taverns*. At that time, Classification 9052 was eliminated and Classifications 9050(1), *Hotels*, and 9050(2), *Motels*, were established as well as the subject R & I entries. Following a 1965 Committee decision that limited the assignment of Classification 9079(1) in connection with hotels or motels to employees engaged exclusively in restaurant or tavern operations, the R & I entries were amended accordingly. In 1970, the entry for Hotels or Motels was again amended to clarify which employees may be assigned to Classification 8810, *Clerical Office Employees*.

This report provides separate analysis and recommendations for the R & I entries for Hotels or Motels and Restaurants or Taverns.

### **R & I Entry**

#### **Hotels or Motels**

9050(1)	Hotels
9050(2)	Motels
9079(1)	Restaurants or Taverns

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Classification 9050, *Hotels* or *Motels*, shall include all operations performed by hotel or motel employees, including those performed by “front desk” employees such as, but not limited to, cashiers or information and reservation clerks. It shall also include all hotel or motel employees engaged in the operation of newsstands, gift or souvenir shops, clothing stores, pharmacies, candy or cigar shops, or similar activities. Hotel or motel employees performing special services, such as, but not limited to, arranging for tours, theater tickets, or the rental of automobiles, shall be included in this classification.

While Classification 9079(1), *Restaurants or Taverns*, is generally not available for division of payroll in connection with any other classification, it may be used for division of payroll in connection with Classification 9050 in accordance with the footnotes under the latter classifications. When so used, it applies only to employees whose work is connected solely with the restaurant or tavern (or food and beverage department) operations. Room service delivery of food and/or restocking in-room refrigerators by restaurant or food and beverage department employees shall be assigned to Classification 9079(1), provided no hotel duties are performed by the same employees. All other employees, including miscellaneous employees, are considered hotel or motel employees and shall be classified accordingly.

Only those employees who perform operations as defined in Part 3, Section III, Rule 4a, *Clerical Office Employees*, of the Uniform Statistical Reporting Plan, shall be assigned to Classification 8810(1), *Clerical Office Employees*.

#### **Motels**

9050(2)	Motels
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See Classification 9050(1), *Hotels*

The current phraseologies of Classifications 9050(1) and 9050(2) are:

**HOTELS — all employees**

**9050(1)**

**When lodging is provided by the employer, the total remuneration shall include the market value of such lodging to the employee.**

This classification includes “front desk” employees, such as, but not limited to, cashiers or information and reservation clerks.

The payroll of employees engaged exclusively in connection with restaurant or tavern operations shall be separately classified as 9079(1), *Restaurants or Taverns*.

**MOTELS — all employees**

**9050(2)**

**When lodging is provided by the employer, the total remuneration shall include the market value of such lodging to the employee.**

This classification includes “front desk” employees, such as, but not limited to, cashiers or information and reservation clerks.

The payroll of employees engaged exclusively in connection with restaurant or tavern operations shall be separately classified as 9079(1), *Restaurants or Taverns*.

**Analysis**

The R & I entry for Hotels and Motels directs that all operations performed by hotel or motel employees, including front desk employees, cashiers, or information and reservation clerks be included in Classification 9050. Although the footnotes to Classification 9050(1) and 9050(2) currently include this information, they do not reference all of the services and employees listed in the R & I entry, such as newsstands, gift or souvenir shops, clothing stores, pharmacies, candy or cigar shops as well as employees performing special services, such as, but not limited to, arranging for tours, theater tickets or automobile rentals. Including this additional information in the classification footnotes would be helpful.

The footnotes to Classifications 9050(1) and 9050(2) provide that employees engaged *exclusively* in restaurant or tavern operations shall be separately classified as 9079(1).<sup>1</sup> The R & I entry further clarifies that Classification 9079(1) includes employees who work in food and beverage departments or room service employees who deliver food or restock in-room refrigerators, provided they perform no hotel or motel duties.

Questions have arisen concerning the classification of employees who prepare breakfast meals *exclusively* for hotel or motel patrons. The WCIRB has consistently assigned the preparation and serving of hot cooked breakfast meals to Classification 9079(1), even if the breakfast is complimentary. However, if the employees are solely engaged in preparing self-serve items such as purchased cereal, sweet rolls, muffins, fruit, instant oatmeal, milk, orange juice and coffee, the employees are assigned to Classification 9050(1) or 9050(2) since they do not engage in the preparation and serving of hot, cooked foods.

The R & I entry also directs that all other employees, including miscellaneous employees, are considered hotel or motel employees and shall be classified accordingly.

**Recommendation**

The WCIRB recommends amending the footnote to Classifications 9050(1) and 9050(2) to include some of the services and employees listed in the R & I entry, specifically, concierge services and retail

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<sup>1</sup> The essential operations that must be present to assign Classification 9079(1) are the preparation and serving of hot cooked food and/or the pouring and serving of alcoholic beverages.

operations, such as, but not limited to, newsstands, gift shops and clothing stores. The footnote also should be amended to provide that Classification 9079(1) includes employees who prepare and serve hot food in connection with complimentary breakfasts, employees who work in food and beverage departments, and room service employees who deliver food or restock in-room refrigerators, provided such employees perform no hotel (or motel) duties. Further, the footnote should be amended to state that employees who perform restaurant or tavern activities and hotel activities shall be assigned to Classification 9050(1).

PROPOSED

**HOTELS — all employees other than employees exclusively engaged in restaurant or tavern operations 9050(1)**

**When lodging is provided by the employer, the total remuneration shall include the market value of such lodging to the employee.**

This classification includes “front desk” employees, ~~such as~~ including but not limited to, cashiers or information and reservation clerks; ~~employees who perform concierge services; and the operation of retail stores, including but not limited to newsstands, gift shops and clothing stores.~~

The payroll of employees engaged exclusively in connection with restaurant or tavern operations shall be separately classified as 9079(1), *Restaurants or Taverns*. This includes employees who prepare and serve hot food in connection with complimentary breakfasts, work in food and beverage departments, and room service employees who deliver food or restock in-room refrigerators, provided such employees perform no hotel duties. Employees who perform both restaurant or tavern activities and hotel activities shall be assigned to Classification 9050(1).

**MOTELS — all employees other than employees exclusively engaged in restaurant or tavern operations 9050(2)**

**When lodging is provided by the employer, the total remuneration shall include the market value of such lodging to the employee.**

This classification includes “front desk” employees, ~~such as~~ including but not limited to, cashiers or information and reservation clerks; ~~employees who perform concierge services; and the operation of retail stores, including but not limited to newsstands, gift shops and clothing stores.~~

The payroll of employees engaged exclusively in connection with restaurant or tavern operations shall be separately classified as 9079(1), *Restaurants or Taverns*. This includes employees who prepare and serve hot food in connection with complimentary breakfasts, work in food and beverage departments, and room service employees who deliver food or restock in-room refrigerators, provided such employees perform no motel duties. Employees who perform both restaurant or tavern activities and motel activities shall be assigned to Classification 9050(2).

**R & I Entry**

**Restaurants or Taverns**

9050	Hotels or Motels
9079(1)	Restaurants or Taverns

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Restaurants prepare and serve a variety of hot and cold food items to order. Restaurants are characterized by the preparation or cooking of hot food items to order. At restaurant locations, kitchen staff performs food preparation operations such as washing and cutting produce for salads, preparing soups, baking bread, making sauces, trimming meat, and other activities to prepare items that are utilized throughout the business day. As customer orders are received, ingredients, such as fresh produce, herbs,

spices, meats, and seafood, are sliced, diced, mixed, blended, sautéed, fried, broiled, baked, boiled, grilled or otherwise cooked or prepared to customer order. Prepared foods are arranged on plates for consumption on the premises or packaged for consumption away from the premises (take out). Hot foods are prepared by cooking ingredients to order using equipment, such as, but not limited to, stoves, grills, deep fat fryers, ovens, and similar restaurant equipment. Buffet style restaurants prepare a variety of hot foods, displayed in steam tables, and cold foods, displayed in chilled display tables, that allow customers to select the food items they desire. Firms engaged in the preparation of hot foods or combination hot and cold food items shall be assigned to Classification 9079(1), *Restaurants or Taverns*. Some establishments also prepare or serve alcoholic beverages for patrons.

Bars or taverns are engaged in the preparation and sale of alcoholic beverages such as wine, beer, or mixed drinks. Such firms may also sell, prepare and cook food for consumption by patrons. Firms engaged in the preparation and sale of alcoholic beverages for consumption on the premises are assignable to Classification 9079(1).

Many grocery stores or supermarkets have departments dedicated to the preparation of hot food items such as fried chicken, pizza, Chinese food and similar hot food items. The hot food is most often packaged in serving size containers “to go” for consumption away from the premises. The payroll for store employees engaged in the preparation and sale of hot food items shall be assigned to Classification 9079(1). (See also *Stores — preparation and sale of hot food.*<sup>2</sup>)

Clerical office employees who spend any part of their time as cashier, host or hostess shall be assigned to Classification 9079(1).

While Classification 9079(1) is generally not available for division of payroll in connection with any other classification, it may be used for division of payroll in connection with Classification 9050, *Hotels or Motels*, in accordance with the footnotes under the latter classifications. (See Classification 9050, *Hotels or Motels*.)

The current phraseology of Classification 9079(1) is:

**RESTAURANTS OR TAVERNS — all employees — including musicians and entertainers 9079(1)**

**This classification shall not be used for division of payroll in connection with any other classification (other than the Standard Exceptions or General Exclusions) unless the operations described by Classification 9079(1) constitute a separate and distinct enterprise having no connection with the operations covered by any other applicable classification.**

This classification contemplates the preparation and serving of hot and cold food items for consumption on or away from the premises or the preparation, pouring and serving of alcoholic beverages for consumption on the premises.

Hot foods items are foods that are cooked to order for customers and served hot. Foods that are prepared continuously throughout the day and served from a warming tray or similar device are also considered hot foods.

### **Analysis**

The R & I entry for Restaurants or Taverns characterizes restaurants as enterprises that prepare or cook hot food items to order or for placement in steam or chilled display tables for selection by customers. The footnote to Classification 9079(1) provides that this classification contemplates the preparation and serving of hot and cold food items for consumption on or away from the premises and defines what is considered to be hot foods. With respect to hot foods that are served from a warming tray or similar device, the footnote states that the foods are prepared continuously throughout the day. In those cases where the establishment serves a single meal, such as breakfast, this statement is not valid and should therefore be removed.

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<sup>2</sup> This entry will be reviewed in 2013.

The R & I entry also directs that the payroll for store employees engaged in the preparation and sale of hot food items shall be assigned to Classification 9079(1) and specifically references the hot food departments of grocery stores or supermarkets. The *Special Industry Classification Procedures for Stores* and the footnote to Classification 8006(1), *Stores – groceries*, currently provide that employees engaged in the preparation and sale of hot food items shall be assigned to Classification 9079(1).

**Recommendation**

It is recommended that the footnote to Classification 9079(1) that defines *hot food* be amended to remove the statement, “continuously throughout the day,” as many buffet type restaurants assigned to Classification 9079(1) do not serve meals throughout the day.

PROPOSED

**RESTAURANTS OR TAVERNS — all employees — including musicians and entertainers 9079(1)**

**This classification shall not be used for division of payroll in connection with any other classification (other than the Standard Exceptions or General Exclusions) unless the operations described by Classification 9079(1) constitute a separate and distinct enterprise having no connection with the operations covered by any other applicable classification.**

This classification contemplates the preparation and serving of hot and cold food items for consumption on or away from the premises or the preparation, pouring and serving of alcoholic beverages for consumption on the premises.

Hot foods items are foods that are cooked to order for customers and served hot. Foods that are prepared ~~continuously throughout the day~~ and served from a warming tray or similar device are also considered hot foods.

## **Item CR12-06-08 Draft Report on Cancellation Notices**

### ***California Workers' Compensation Uniform Statistical Reporting Plan—1995, Part 2, Policy Document Filing Requirements***

The Committee was advised that the WCIRB is proposing changes to the policy filing requirements in the USRP to be effective with respect to new and renewal policies as of the first anniversary rating date of a risk on or after January 1, 2013.

#### **A. Cancellation Mailed to Insured Date**

The Committee was reminded that insurers are currently required to report coverage issued under the Longshore and Harbor Workers' Compensation Act and its extensions, the Defense Base Act, Outer Continental Shelf Lands Act and Non-Appropriated Fund Instrumentalities Act (USL&H) by mailing a hardcopy of DOL Form LS-570 to the United States Department of Labor (US DOL). The US DOL has indicated that it intends to eventually phase out hard copy reporting of policy information and replace it with electronic filing to the National Office of the Division of Longshore and Harbor Workers' Compensation (DLHWC). The US DOL has authorized the WCIRB to act on behalf of its member insurers to collect, translate and electronically transmit reports of policy issuance, endorsement, and notices of cancellation in the approved format to the NCCI, which will use the data for the sole purpose of electronic retransmission to the US DOL. Insurers that submit USL&H data to the US DOL through the WCIRB are not required to report policy issuance and endorsements to the US DOL using Form LS-570.

With respect to notices of cancellation, the electronic submission described above does not eliminate the USL&H requirements and regulations that the policyholder and the US DOL receive 30 days advance written notice of an intended policy cancellation. However, the US DOL has advised that notice to the US DOL may be satisfied by electronic submission and the date indicated in the electronic data field "Cancellation Mailed to Insured Date" will be considered as the date of the notice to the US DOL. For cancellation endorsements submitted to the WCIRB in hard copy, the "Cancellation Mailed to Insured Date" must be noted on the cancellation endorsement so the WCIRB can electronically submit this date to the US DOL. The current *California Workers' Compensation Uniform Statistical Reporting Plan—1995* indicates that the "Cancellation Mailed to Insured Date" is an optional field. Therefore, the WCIRB recommended that Part 2, *Policy Document Filing Requirements*, Section I, *General Instructions*, Rule 3, *Cancellations or Reinstatements*, be amended to require that the date the cancellation is mailed to the insured is reported to the WCIRB.

#### **B. Reason for Cancellation**

The Committee was also reminded that the Workers Compensation Insurance Organizations (WCIO)<sup>1</sup> Workers Compensation Policy Reporting Specifications (WCPOLS) provides standards for the electronic reporting of policy information, cancellation, reinstatement and endorsement data. Currently, it is optional in California for insurers to report the 2-digit code identifying the reason for the cancellation.

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<sup>1</sup> The WCIO is a voluntary association of statutorily authorized or licensed rating, advisory, or data service organizations that collect workers' compensation insurance information in one or more states, and is responsible for developing standards for the electronic transmission of information between insurers and rating/advisory organizations.

Last year, a Classification and Rating Committee member suggested that it would be helpful to have a unique exposure policy indicator for companies that have gone out of business. The WCIRB staff shared that observation with the appropriate WCIO committee which thought this was unnecessary because WCPOLS provides for the reporting of the reason for a cancellation and one of those reasons is an employer going out of business. Therefore, the WCIRB recommended that Part 2, *Policy Document Filing Requirements*, Section I, *General Instructions*, Rule 3, *Cancellations or Reinstatements*, be amended to require the reporting of the reason for the cancellation.

The Committee concurred with both proposed amendments to the Cancellations or Reinstatements rule. A motion was made, seconded and passed unanimously to recommend the changes to be effective on policies incepting on or after January 1, 2013.

**Proposed Revisions to the *California Workers' Compensation Uniform Statistical Reporting Plan—1995***

**Recommendation**

Amend Part 2, *Policy Document Filing Requirements*, Section I, *General Instructions*, Rule 3, *Cancellations or Reinstatements*, to require the reporting of the date the cancellation notice is mailed to the insured and the reason for the cancellation for consistency with standard national data reporting specifications.

PROPOSED

**Part 2 — Policy Document Filing Requirements**

**Section I — General Instructions**

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**3. Cancellations or Reinstatements**

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- b. The following information must be provided on all cancellations or reinstatement notices submitted to the WCIRB:

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(5) The date the cancellation was mailed to the insured.

(6) The reason for the cancellation.



## **Item CR12-06-09**

### **Draft Report on USR Filing Requirements**

The Committee was advised that Part 4, *Unit Statistical Report Filing Requirements*, of the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP) sets forth the unit statistical report filing requirements insurers must follow. The WCIRB recommends the following changes for clarity and/or consistency with the Workers Compensation Insurance Organization's (WCIO)<sup>1</sup> Workers Compensation Statistical Reporting Specifications (WCSTAT) Manual. If approved, these changes would be effective with respect to new and renewal policies as of the first anniversary rating date of a risk on or after January 1, 2013.

#### **A. Effective Date**

Effective January 1, 1998, the USRP was amended to allow insurers to choose between different reporting formats for submitting unit statistical data, regardless of the policy inception date, provided the date of valuation was July 1998 or later. Effective January 1, 2003, the USRP was amended to require the use of one specific reporting format only. In order to allow insurers sufficient time to update their systems, Part 4, Section I, Rule 2, *Effective Date*, required that insurers submit unit statistical report data in accordance with the provisions of Part 4, irrespective of the policy inception date, for all unit statistical report data with a required date of valuation on or after July 1, 2003. At the May 19, 2004 Manual Subcommittee meeting, the Subcommittee considered a proposal to delete this section. It was agreed at that time, however, that the rule should remain in the USRP as the transition to the required reporting format was not yet complete.

In addition, the second sentence of this rule requires that the sixth through tenth level unit statistical reports are effective for policies incepting on or after January 1, 2001. Tenth level reports for policies incepting on or after January 1, 2001 policies were required starting in September of 2011.

As both of these provisions have now been fully implemented, there is no longer any need for the reporting format-related effective date or the reference to sixth through tenth level unit statistical reports and, therefore, the WCIRB recommends that the rule be eliminated.

#### **B. Electronic Reporting**

Section I, *General Instructions*, Rule 4, *Electronic Reporting*, sets forth the requirements for electronically submitting unit statistical report data to the WCIRB. The WCIRB is recommending changes to delete references to magnetic tape, cartridge, diskette and other outdated mediums of submitting unit statistical report data to the WCIRB.

#### **C. Average Weekly Wage**

Section II, *Definitions*, Rule 44, *Weekly Wage*, provides the definition for purposes of reporting the injured worker's average weekly wage. Section V, *Loss Information*, Rule 24, *Weekly Wage Amount (Average Weekly Wage)*, directs insurers to "[r]eport the whole dollar amount of the injured worker's weekly wage". Currently, the definition in the USRP refers to "actual weekly wages at date of injury upon which the indemnity benefits are based." California Labor Code Section 4453 provides that indemnity benefits are to be based upon "average weekly earnings" and that when the earnings are based on piecework, commission basis or are specified to be by week, month or some other period, the average weekly earnings are not based on the wages at the time of injury but are taken as the actual weekly earnings averaged over a time period, not to exceed one year, to determine an average rate of pay. For clarity and consistency with the Labor Code, as well as Section V, Rule 24 of the USRP which references the "average" weekly wage, the WCIRB is recommending that the definition of "weekly wage" be amended to

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<sup>1</sup> The WCIO is a voluntary association of statutorily authorized or licensed rating, advisory, or data service organizations that collect workers' compensation insurance information in one or more states, and is responsible for developing standards for the electronic transmission of information between insurers and rating/advisory organizations.

specify that the wages reported should be the *average* weekly earnings upon which the indemnity benefits are based in accordance with the California Labor Code.

#### **D. Correction Sequence Number.**

Section III, *Policy Information (Header)*, Rule 2, *Correction Sequence Number (Corr. No.)* requires that insurers report a correction sequence number for each unit statistical report that identifies the sequence of corrections for a particular report level. The WCIO Data Specifications Manual instructs that a "0" (zero) be reported when the USR is an original report level submission. The USRP, however, directs that "blanks" be reported for original report level submissions. For consistency with the WCIO's WCSTAT Manual, the WCIRB recommends that the USRP be amended to require the reporting of a zero, as opposed to blanks, for original report level submissions.

#### **E. Unit Certificate Number**

Section III, *Policy Information (Header)*, Rule 11, *Certificate Number Identifier (Certificate No.)* permits but does not require the reporting of a certificate number identifier, which is used primarily to distinguish individual group insurance policies that have the same policy number. Since all insurers have discontinued the use of this field, the WCIRB recommends eliminating this field.

#### **F. Rate Effective Date**

Section IV, *Exposure and Premium Information*, Rule 5, *Rate Effective Date (Rate Effective Date)*, is currently identified in the USRP as "not applicable in California." Currently, California is the only jurisdiction that does not require the reporting of this data field. With the implementation of the WCIRB's new computer system, this information would be helpful for purposes of identifying exposure records when the same unit statistical report has more than one record with the same classification code and exposure amount. Therefore, the WCIRB is recommending amendments to indicate that this field is required in California and to clarify what data must be reported for this field.

#### **G. Experience Modification and Effective Date**

Section IV, *Exposure and Premium Information*, Rule 9, *Experience Modification Effective Date (Mod Effective Date)* and Rule 10, *Experience Modification Factor (Experience Mod)*, require the reporting of the experience modification on an "if any" basis and the experience modification date if it is different from the policy effective date. The WCIRB is proposing amendments to clarify what should be reported if there is no applicable experience modification factor.

#### **H. Accident Date Claim Count**

Section V, *Loss Information*, Subsection B, *Loss Data Elements*, Rule 3, *Accident Date/Number of Claims (Acc. Date/No. Claims)*, requires that insurers report the accident date on which the injury occurred. The WCIO's WCSTAT Manual provides two separate USR fields for accident date and claim count. The USRP combines the two fields as one field on the hard copy USR form, and requires that insurers report the accident date when the injury occurred. Currently, California is the only jurisdiction that does not require the reporting of this data field. With the implementation of the WCIRB's new computer system, the WCIRB would like to collect this information for data quality purposes and consistency with the standard national data reporting specifications.

#### **I. Type of Settlement Code**

Section V, *Loss Information*, Subsection B, *Loss Data Elements*, Rule 9, *Loss Condition Codes (Loss Conditions)*, Subrule e, *Type of Settlement (Settl)*, provides for the reporting of the type of settlement. In California, if a claim is open, this field must be reported as "00." There appears to be confusion on this point so the WCIRB is recommending amendments to clarify that "00" is reported only for open claims and that if the type of settlement for closed or resolved claims is anything other than one of the types listed, it should be reported as "09."

**J. Claim Count Total**

Section V, *Loss Information*, Subsection B, *Loss Data Elements*, Rule 30, *Number of Claims Total (Total No. Claims)* allows for the reporting of the total number of claims for a policy as of the valuation date. Currently, California is the only jurisdiction that does not require the reporting of this data field. With the implementation of the WCIRB's new computer system, the WCIRB would like to collect this information for data quality purposes and consistency with the standard national data reporting specifications.

The Committee concurred with the USR reporting requirement amendments recommended by staff. A motion was made, seconded and passed unanimously to recommend the changes to be effective on policies incepting on or after January 1, 2013.

**Proposed Revisions to the *California Workers' Compensation Uniform Statistical Reporting Plan—1995, Part 4, Unit Statistical Reporting Filing Requirements***

**A. Effective Date**

**Recommendation**

Eliminate Part 4, *Unit Statistical Report Filing Requirements*, Section I, *General Instructions*, Rule 2, *Effective Date*, as it has been fully implemented and re-number all subsequent rules in Section I.

PROPOSED

**Part 4 – Unit Statistical Reporting Filing Requirements**

**Section I – General Instructions**

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~~2. Effective Date~~

~~Insurers must submit unit statistical report data in accordance with the provisions of Part 4 of this Plan, regardless of the policy inception date, for all unit statistical report data with a required date of valuation, and for all correction reports filed, on or after July 1, 2003. The reporting requirements for the sixth through tenth level unit statistical reports are effective for policies incepting on or after January 1, 2001.~~

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~~76. Date of Filing~~

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~~j. Tenth Reports~~

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**Example**

For a policy that incepts on January 15, the first level unit statistical report is valued 18 months later (during July of the following year) and is due in the WCIRB no later than 20 months later (by the end of September of the following year).

Report Number	Report Level	Date of Valuation (number of months after the month in which policy inception)	Date of Filing (number of months after the month in which policy inception)
1	First Level	18	20
2	Second Level	30	32
3	Third Level	42	44
4	Fourth Level	54	56
5	Fifth Level	66	68
6 <sup>±</sup>	Sixth Level	78	80
7 <sup>±</sup>	Seventh Level	90	92
8 <sup>±</sup>	Eighth Level	102	104
9 <sup>±</sup>	Ninth Level	114	116
10 <sup>±</sup>	Tenth Level	126	128

~~Sixth through tenth level reports are required for policies incepting on or after January 1, 2001.~~

## B. Electronic Reporting

### Recommendation

Amend Section I, *General Instructions*, Rule 4, *Electronic Reporting* to eliminate references to outdated submission methods.

### PROPOSED

#### 4. Electronic Reporting

Unit statistical report data filed electronically with the WCIRB shall be filed ~~on magnetic tape, cartridge, diskette, or by any other medium or means approved in advance by the WCIRB.~~ In addition, by electronic transmissions of unit statistical report data shall be and in a reporting format that has been approved in advance by the WCIRB.

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## C. Average Weekly Wage

### Recommendation

Amend Section II, *Definitions*, Rule 44, *Weekly Wage*, to clarify that the wages reported should be average weekly wages.

### PROPOSED

#### Section II — Definitions

The definitions set forth in this Section shall govern the construction and meaning of the terms and phrases used for the reporting of data under Part 4 of this Plan.

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#### 44. Weekly Wage

~~Actual~~Average weekly wages at ~~date of injury~~ upon which the indemnity benefits are based pursuant to the California Labor Code (but not the maximum or minimum weekly earnings specified in the California Labor Code).

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#### D. Correction Sequence Number.

##### Recommendation

Amend Section III, *Policy Information (Header)*, Rule 2, *Correction Sequence Number (Corr. No.)* to require reporting of a zero on original report level submissions for consistency with the WCIO Data Specifications Manual.

PROPOSED

#### Section III — Policy Information (Header)

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#### 2. Correction Sequence Number (Corr. No.)

Report the sequential number that corresponds to the number of correction reports submitted within a particular report level. Report ~~blanks~~ zero for original report level submissions. Example: Third correction to a first report should be reported with Report Level Code / Report Number = "1", Correction Sequence Number = "3". For the tenth through thirty-fifth corrections to a particular report, use "A" through "Z", respectively.

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#### E. Unit Certificate Number

##### Recommendation

Amend to eliminate Section III, *Policy Information (Header)*, Rule 11, *Certificate Number Identifier (Certificate No.)* as it is no longer in use and to renumber all subsequent rules.

PROPOSED

#### ~~11. Certificate Number Identifier (Certificate No.)~~

~~Report the 6-digit number used in identifying a risk covered under group insurance.~~

#### ~~1211. Card Serial Number (Card Serial Number) – hard copy only~~

~~Report the card serial number assigned to the hard copy unit statistical report.~~

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## F. Rate Effective Date

### Recommendation

Amend Section IV, *Exposure and Premium Information*, Rule 5, *Rate Effective Date (Rate Effective Date)* to require the reporting of the rate effective date for data quality purposes.

PROPOSED

## Section IV — Exposure and Premium Information

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### 5. Rate Effective Date (Rate Effective Date) — ~~not applicable in California~~

Report the rate (exposure) effective date. If the rate effective date precedes the policy effective date, report the policy effective date.

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## G. Experience Modification and Effective Date

### Recommendation

Amend Section IV, Rule 9, *Experience Modification Effective Date (Mod Effective Date)* and Rule 10, *Experience Modification Factor (Experience Mod)* to clarify that if there is no applicable experience modification, the policy effective date should be reported in the experience modification date field and a “zero” should be reported in the experience modification factor field.

PROPOSED

### 9. Experience Modification Effective Date (Mod Effective Date)

Report the California experience modification effective date, ~~if any, when different from the policy effective date.~~ When more than one modification applies to a single policy, report the corresponding standard classification codes and exposures for each experience modification period separately, with the appropriate effective date of each modification. If no experience modification applies to the policy, report the policy effective date.

### 10. Experience Modification Factor (Experience Mod)

Report the California experience modification, ~~if any,~~ applicable to the policy. When more than one experience modification applies to a single policy, report the corresponding standard classification codes and exposures for each experience modification period separately, with the appropriate effective date of each modification. If no experience modification applies to the policy, report zero.

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**H. Accident Date Claim Count**

**Recommendation**

Amend Section V, *Loss Information*, Subsection B, *Loss Data Elements*, Rule 3, *Accident Date/Number of Claims (Acc. Date/No. Claims)* to delete the reference to Number of Claims from the Accident Date field and create a new field to report Claim Count for consistency with the standard national data reporting specifications and to renumber all subsequent rules.

PROPOSED

**Section V — Loss Information**

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**B. Loss Data Elements**

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**3. Accident Date/Number of Claims (Acc. Date/No. Claims)**

Report the accident date on which the injury occurred. (See Section II, *Definitions*, for the definition of “Accident Date” as applicable to this Plan.)

**4. Claim Count (No. Claims)**

Report the claim count. For individually listed claims, report “0001” or “0000.” For grouped claims, report the number of claims in the grouping.

\* \* \* \* \*

**I. Type of Settlement Code**

**Recommendation**

Amend Section V, Subsection B, Rule 9, *Loss Condition Codes (Loss Conditions)*, Subrule e, *Type of Settlement (Settl)*, to clarify that only open claims are to be reported as “00” and that closed or resolved claims that are not settled through one of the mechanisms listed are reported as “09,” even if they do not involve a formal settlement mechanism.

PROPOSED

**9. Loss Condition Codes**

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**e. Type of Settlement (Settl)**

**Description**

00	Claim not subject to settlement (applicable to <u>Open</u> <u>Claims</u> only)
01	Non-Compensable — Pursuant to California Labor Code Section 3761
03	Stipulated Award*
04	Findings and Award*



05	Non-Compensable**
06	Compromise and Release*
09	All Other Settlements <u>— includes any closed claim that did not involve a formal settlement mechanism</u>

\* See Section II, *Definitions*, for definitions as applicable to this Plan.

\*\* See Subsection C, *Special Loss Reporting Instructions*, for definitions as applicable to this Plan.

\* \* \* \* \*

## J. Claim Count Total

### Recommendation

Amend Section V, Subsection B, Rule 30, *Number of Claims Total (Total No. Claims)*, to require that the total number of claims be reported as of the date of valuation for consistency with the standard national data reporting specifications.

### PROPOSED

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### **30. ~~Number of Claims~~ Count Total (Total No. Claims) — ~~not applicable in California~~**

Report the total number of claims reported as of the valuation date. In the case of subsequent reports and correction reports, the totals shown must be the revised totals. For multi-page hard copy reports, report the totals on the last page only.

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**Recommendation**

Amend Appendix V, *Required Loss Fields for Particular Injury Types and Types of Claims, Loss Totals* for consistency with the proposed changes to Rule 30, *Number of Claims Total (Total No. Claims)*.

PROPOSED

**Appendix V**

**Required Loss Fields for Particular Injury Types and Types of Claims**

Loss Field / Injury Type and/or Type of Claim	Injury Type 1 (Death) Injury Type 2 (Permanent Total) Injury Type 3 (Major) Injury Type 4 (Minor)	Injury Type 5 (Temporary)	Injury Type 6 (Medical Only) Injury Type 7 (Contract Medical)	Joint Coverage, Partially Fraudulent, or Subrogation Claims (All Injury Types) Injury Type 8 ("S" Claims)
• • •				
<b>LOSS TOTALS</b>				
<b>Number of Claims Total</b> <b>Claim Count Total</b> (Total No. Claims) (N/A in CA)	X	X	X	X
• •				

## **Item CR12-06-10 Draft Report on Proposed Non-Substantive Amendments**

### ***California Workers' Compensation Uniform Statistical Reporting Plan—1995***

The Committee was advised that Part 3 of the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP), sets forth the Standard Classification System rules and the phraseologies and footnotes for the standard classifications. Various non-substantive changes to the listing of standard classifications are being proposed for clarity and consistency.

### ***Miscellaneous Regulations for the Recording and Reporting of Data—1995***

The Committee was also advised that Part 1, *General Provisions*, Section III, *Inquiries, Complaints and Requests for Action, Reconsideration and Appeals* of the *Miscellaneous Regulations for the Recording and Reporting of Data—1995*, sets forth the dispute resolution process to request review of a decision of the WCIRB. The WCIRB is proposing amendments for clarity and consistency with the USRP and *California Workers' Compensation Experience Rating Plan—1995* to (1) specify that the WCIRB is required to follow certain procedures when responding to an Inquiry, Complaint and Request for Action, Request for Reconsideration or an Appeal and (2) clarify the notice provision regarding the application of the Revision of Losses rule.

The Committee concurred with the non-substantive amendments recommended by staff. A motion was made, seconded and passed unanimously to recommend the changes to be effective on policies incepting on or after January 1, 2013.

**Proposed Revisions to the California Workers' Compensation Uniform Statistical Reporting Plan—1995**

**Recommendation**

Amend to establish a cross-reference to indicate that Classification 8019(2), *Document Duplication or Photocopying Service — all employees — including Clerical Office Employees and Outside Salespersons*, is listed under the *Printing, Publishing and Duplicating* Industry Group for clarity and consistency.

PROPOSED

**DOCUMENT DUPLICATION OR PHOTOCOPYING SERVICE — all employees — including Clerical Office Employees and Outside Salespersons**

See Printing, Publishing and Duplicating.

\* \* \* \* \*

**Recommendation**

Amend the cross-reference to Classification 4354, *Printed Circuit Board Mfg.* to correct the name of the classification.

PROPOSED

**PRINTED CIRCUIT BOARD MANUFACTURINGMFG.**

See Electronics Industry.

\* \* \* \* \*

**Recommendation**

Amend to establish cross-references to indicate that Classifications 9410, *Municipal, State or Other Public Agency Employees — not engaged in manual labor, or direct supervision of construction or erection work — N.O.C.*, and 9420, *Municipal, State or Public Agency Employees — all other employees — including laborers, mechanics, and storekeepers — N.O.C.*, are listed under the *Municipal, State or Other Public Agencies* Industry Group for clarity and consistency.

PROPOSED

**MUNICIPAL, STATE OR OTHER PUBLIC AGENCY EMPLOYEES — not engaged in manual labor, or direct supervision of construction or erection work — N.O.C.** **9410**

See Municipal, State or Other Public Agencies.

**MUNICIPAL, STATE OR PUBLIC AGENCY EMPLOYEES — all other employees — including laborers, mechanics, and storekeepers — N.O.C.** **9420**

See Municipal, State or Other Public Agencies.

**Proposed Revisions to the *Miscellaneous Regulations for the Recording and Reporting of Data—1995***

**Recommendation**

Amend Part 1, *General Provisions*, Section III, *Inquiries, Complaints and Requests for Action, Reconsideration and Appeals*, for clarity and consistency with the USRP and ERP to (1) specify that the WCIRB is required to follow certain procedures when responding to an Inquiry, Complaint and Request for Action, Request for Reconsideration or an Appeal and (2) clarify the notice provision regarding the application of the Revision of Losses rule.

PROPOSED

**Part 1 – General Provisions**

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**Section III – Inquiries, Complaints and Requests for Action, Reconsideration and Appeals**

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**2. Inquiries**

An insured employer may commence the review process and the WCIRB shall issue a decision by following the procedures for written Inquiries found at Part 1, Section V, Rule 2, of the Uniform Statistical Reporting Plan.

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**4. Reconsideration and Appeals to the Insurance Commissioner**

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**5. Revisions**

Any change resulting from a decision upon an Inquiry, Complaint and Request for Action, request for reconsideration, or appeal shall be applied in accordance with this regulation or other applicable statutes or regulations. If a loss correction is required pursuant to the Revision of Losses rule found at Section VI, Rule 13, ~~Revision of Losses~~, of the Experience Rating Plan, the current experience rating for purposes of the application of that rule shall be the experience modification in effect on the day the initial request for review was received by the WCIRB.

## **Item CR12-06-11 Review of Experience Rating Credibility Values**

The Committee was reminded that at its June 1, 2011 meeting, the Committee reviewed an analysis of indicated credibilities based on the then most current available information. While recognizing the need for credibility values to be kept current, the Committee agreed that making changes to the credibility values effective January 1, 2012 could create confusion with the format changes to the experience rating formula and worksheet that had already been adopted by the Commissioner to be effective January 1, 2012. As a result, in lieu of proposing changes to credibility values to be effective January 1, 2012, at the meeting of June 1, 2011 the Committee agreed that staff should prepare updated credibility information for review by the Actuarial and Classification and Rating Committees in 2012 for consideration to be effective January 1, 2013.

The Committee was advised that staff completed a parameterization of primary and excess credibility values indicated for policy year 2013 experience modifications. These indicated values were based on optimizing policy year 2009 modified loss ratios by optimizing primary and excess credibilities used with the policy year 2009 experience period – policy years 2005 at third, 2006 at second, and 2007 at first report levels – then projecting these values to the level expected for policy year 2013 experience period. The optimization methodology is the same used in prior credibility parameterizations, namely, identification of the primary/excess credibility combination that maximizes squared error efficiency. The Committee was advised that, as with the credibility updates presented in 2011, the updated experience suggests a small increase in credibility for most employers.

The Committee was also reminded that in past studies, regular increases in the primary threshold have been suggested to maintain the D-Ratio and the plan's performance. Staff therefore developed a proposal to increase the primary threshold to \$9,000 for policy year 2013 modifications. Staff projected that this increase in threshold would maintain the policy year 2013 D-Ratio at 0.241, near the D-Ratio of 0.238 for policy year 2009 modifications. However, staff observed that the continued decline in total claim frequency is resulting in even larger shares of experience rated risks being claim-free during the experience period. The interaction between this phenomenon and the maintenance of the D-Ratio would result in lower credit experience modifications for these claim-free employers and, commensurately, as the plan is balanced, significantly higher debit experience modifications for the fewer number of small employers that are not claim-free during the experience period.

The Committee reviewed the expected distribution of impacts of the updated credibilities on 2013 experience modifications for both the \$7,000 and \$9,000 thresholds by groups of risks of similar size by expected loss. It was noted that in either case the movements in experience modifications due to the indicated credibility and split point changes are relatively small compared to the typical movement in year-to-year experience modifications due to other factors (e.g. changes in loss experience, changes in exposure, and changes in expected loss rates). It was also noted, however, that including the indicated change to the split point would further increase the impact of a single claim on a smaller employer's experience modification.

The Committee was advised that while the overall indication was to increase the primary and excess split point from \$7,000 to \$9,000, prior staff research reviewed by the Actuarial Committee suggested that the threshold should potentially be decreased for smaller employers and increased even further for larger employers. Given this, as well as the continuing trends in smaller experience rated employer's experience, staff suggested that it might be appropriate to explore an alternative simplified approach to experience rating smaller employers rather than applying the same formula to employers of very different sizes.

The consensus of the Committee was that the WCIRB should recommend updating the experience rating credibility values effective January 1, 2013 to reflect the most current experience available but maintain the current primary and excess split point at \$7,000. In addition, it was recommended that staff should commence an analysis of alternative approaches to experience rating smaller employers in 2013.

**Item CR11-06-01**  
**Classification and Rating Committee Members' Fiduciary**  
**Obligations**

The members of the Classification and Rating Committee were reminded that, when acting in their capacity as members of the Committee, they have a fiduciary duty to act in the best interest of the WCIRB. This duty requires that the member act with the same care, diligence and prudence in WCIRB matters as the member uses to manage his or her own business. The fiduciary duty consists of two primary duties: the duty of loyalty and the duty of care. Included within the duty of loyalty is the duty to maintain the confidentiality of non-public WCIRB information learned during the performance of a member's duties.



## **Item SI-2012-01**

### **Use of Self-Insured Data in Experience Rating**

The Committee was advised that an insurer providing coverage for this employer requested that the payroll and losses developed while this employer was self-insured be used to promulgate an experience modification effective January 1, 2012.

WCIRB staff confirmed that the experience data developed during the self-insured period was submitted and verified by the insurer in accordance with the rules set forth in the *California Workers' Compensation Experience Rating Plan—1995* and the *Self-Insured Data for Experience Rating Purposes*, guidelines contained in the *Rulings and Interpretations* companion of the *California Workers' Compensation Uniform Statistical Reporting Plan—1995*. WCIRB staff also confirmed the following:

- All of the information required on Form 701, *Report of California Self-Insured Data for Experience Rating Purposes*, was provided.
- The reported payrolls and classifications are consistent with the employer's prior coverage.
- The reported losses for the period of January 1, 2008 to January 1, 2011 are supported by a loss report.
- The self-insured data that was submitted accounts for the entire lapse in coverage that falls within the experience period for the proposed experience modification.

WCIRB staff recommended that the self-insured data be used to compute an experience modification for this employer.

The Committee was provided copies of the insurer's request, with attachments, and the referenced entry from the *Rulings and Interpretations* companion.

During review of the self-insured data submission, the Committee asked if the submission of self-insured data includes all of the entities commonly owned by the employer. The Committee was informed that, to staff's knowledge, the submission includes the self-insured data for all of the commonly owned entities. While not attesting to the validity of the data, a motion was made, seconded and unanimously passed to permit the self-insured data to be used for experience rating purposes.

## **Item SI-2012-02**

### **Use of Self-Insured Data in Experience Rating**

The Committee was advised that an insurer providing coverage for this employer requested that the payroll and losses developed while this employer was self-insured be used to promulgate an experience modification effective June 6, 2011.

WCIRB staff confirmed that the experience data developed during the self-insured period was submitted and verified by the insurer in accordance with the rules set forth in the *California Workers' Compensation Experience Rating Plan—1995* and the *Self-Insured Data for Experience Rating Purposes*, guidelines contained in the *Rulings and Interpretations* companion of the *California Workers' Compensation Uniform Statistical Reporting Plan—1995*. WCIRB staff also confirmed the following:

- All of the information required on Form 701, *Report of California Self-Insured Data for Experience Rating Purposes*, was provided.
- The reported payrolls and classifications are consistent with the employer's prior coverage.
- The reported losses for the period of January 1, 2008 to June 6, 2010 are supported by a loss report.
- The self-insured data that was submitted accounts for the entire lapse in coverage that falls within the experience period for the proposed experience modification.

WCIRB staff recommended that the self-insured data be used to compute an experience modification for this employer.

The Committee was provided copies of the insurer's request, with attachments, and the referenced entry from the *Rulings and Interpretations* companion.

During review of the self-insured data submission, the Committee inquired about (1) the ownership of the various entities represented in the submission; (2) the payroll and losses associated with an entity that performs trucking operations; and (3) the loss value of a claim shown on Form 701. The Committee directed WCIRB staff to obtain additional information concerning the filing and if necessary, a corrected Form 701 and to bring the item back to the Committee for further review.

### **Item SI-2012-03**

#### **Use of Self-Insured Data in Experience Rating**

The Committee was advised that an insurer providing coverage for this employer requested that the payroll and losses developed while this employer was self-insured be used to promulgate an experience modification effective June 1, 2011.

WCIRB staff confirmed that the experience data developed during the self-insured period was submitted and verified by the insurer in accordance with the rules set forth in the *California Workers' Compensation Experience Rating Plan—1995* and the *Self-Insured Data for Experience Rating Purposes*, guidelines contained in the *Rulings and Interpretations* companion of the *California Workers' Compensation Uniform Statistical Reporting Plan—1995*. WCIRB staff also confirmed the following:

- All of the information required on Form 701, *Report of California Self-Insured Data for Experience Rating Purposes*, was provided.
- The reported payrolls and classifications are consistent with the employer's prior coverage. It is noted that the payroll reported under Classification 8810(1), *Clerical Office Employees*, decreased significantly beginning with the self-insured coverage period of June 1, 2008 to June 1, 2009. The insurer has advised that the decrease in payroll is due to the officers electing to be excluded from coverage effective June 1, 2008.
- The reported losses for the period of June 1, 2007 to June 1, 2010 are supported by loss reports.
- The self-insured data that was submitted accounts for the entire lapse in coverage that falls within the experience period for the proposed experience modification.

WCIRB staff recommended that the self-insured data be used to compute an experience modification for this employer.

The Committee was provided copies of the insurer's request, with attachments, and the referenced entry from the *Rulings and Interpretations* companion.

While not attesting to the validity of the data, a motion was made, seconded and unanimously passed by those eligible to vote to permit the self-insured data to be used for experience rating purposes.

Classification and Rating Committee  
Meeting Minutes for June 13, 2012

The meeting was adjourned at 12:40 PM.

Note to Committee Members: These Minutes, as written, have not been approved. Please refer to the Minutes of the meeting scheduled for July 31, 2012 for approval and/or modification.