

# WCIRB Classification and Rating Committee

January 30, 2024

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# 01

## Clerical Telecommuting Employees



# Background and Objective

## ■ Background

- Classification 8871, *Clerical Telecommuter Employees – N.O.C.*, became effective January 1, 2021
  - For clerical office employees who work more than 50% of their time at their home or other office space away from any employer location
- Committee recommended reviewing 8871 experience as soon as data becomes available to assess whether a differential in advisory pure premium rate (PPR) between Classifications 8810 and 8871 may be appropriate
- PPR for Classification 8871 was the same as that for Classification 8810 in 2021 and 2022
- Based on a review of initial 8871 experience as of January 2023, the Committee agreed to recommend establishing a different rate for Classification 8871 using a tempered approach consistent with the WCIRB's standard practice of limiting the relativity change to 25%
- As of September 1, 2023, the approved PPR for:
  - 8810: \$0.20
  - 8871: \$0.16

## ■ Objective

- Review available Classification 8871 experience to validate the differential in PPR between Classifications 8871 and 8810 in preparation for the September 1, 2024 Regulatory Filing.

# Analysis of 8871 Experience

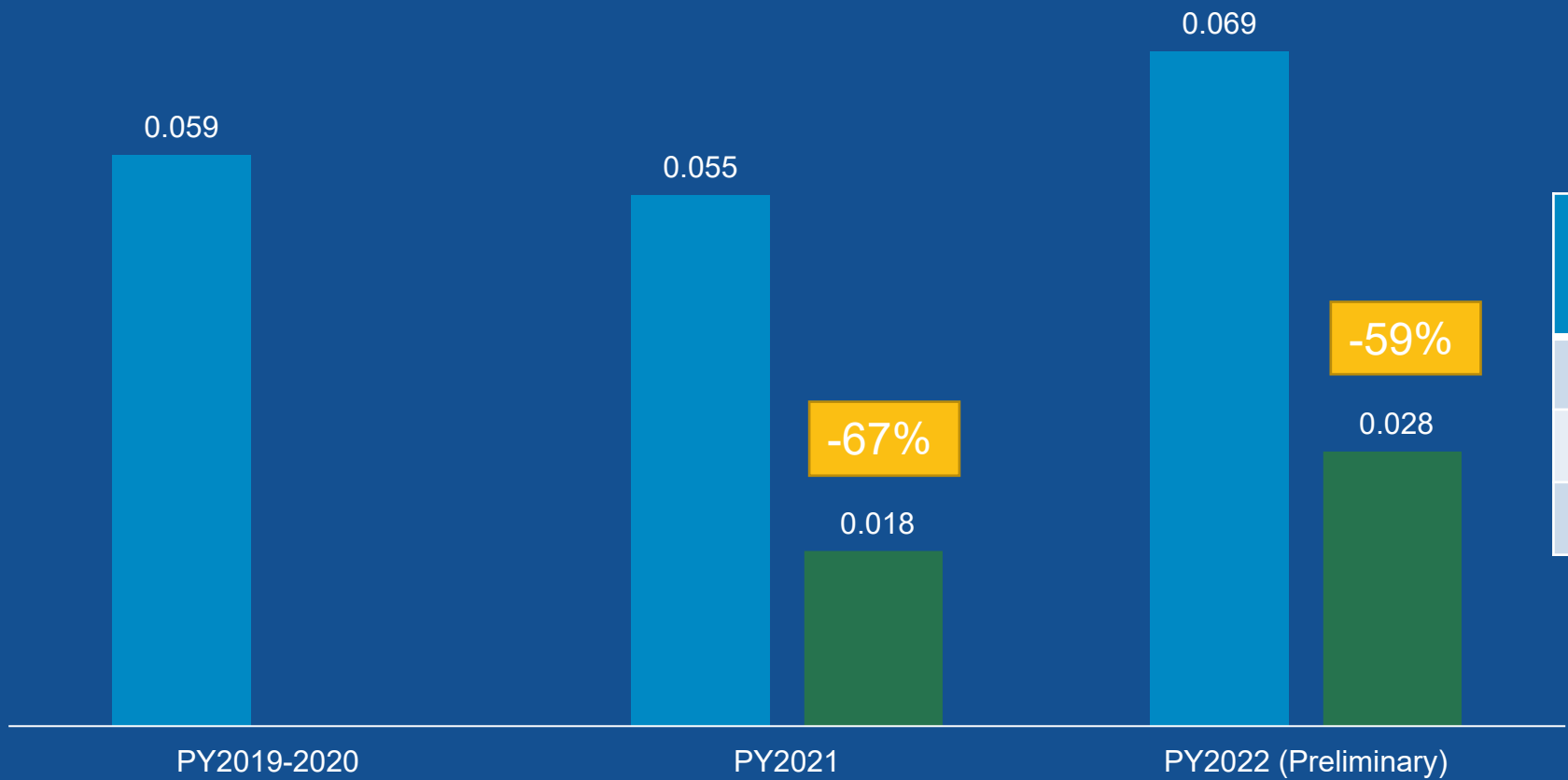
- Data source:
  - Unit Statistical Report (USR) data
    - All 2021 policies
    - 2022 policies reported as of January 15, 2024
  - WCIRB Indemnity Transaction data
  - COVID-19 claims are excluded except for statistics that explicitly include them
  
- Reported PY2022 experience:
  - Reflects the first few months of 2022 policy experience
  - 8810 payroll: \$95B reported (38% of PY2021 8810 experience)
  - 8871 payroll: \$9.4B reported (55% of PY2021 8871 experience)
  - 125 claims reported for 8871 (55% of PY2021 8871 claims)

# Loss and Payroll Experience: 8871 vs. 8810

As of January 15, 2024

Capped Loss to Payroll Ratio at First Report Level (per \$100 of payroll)

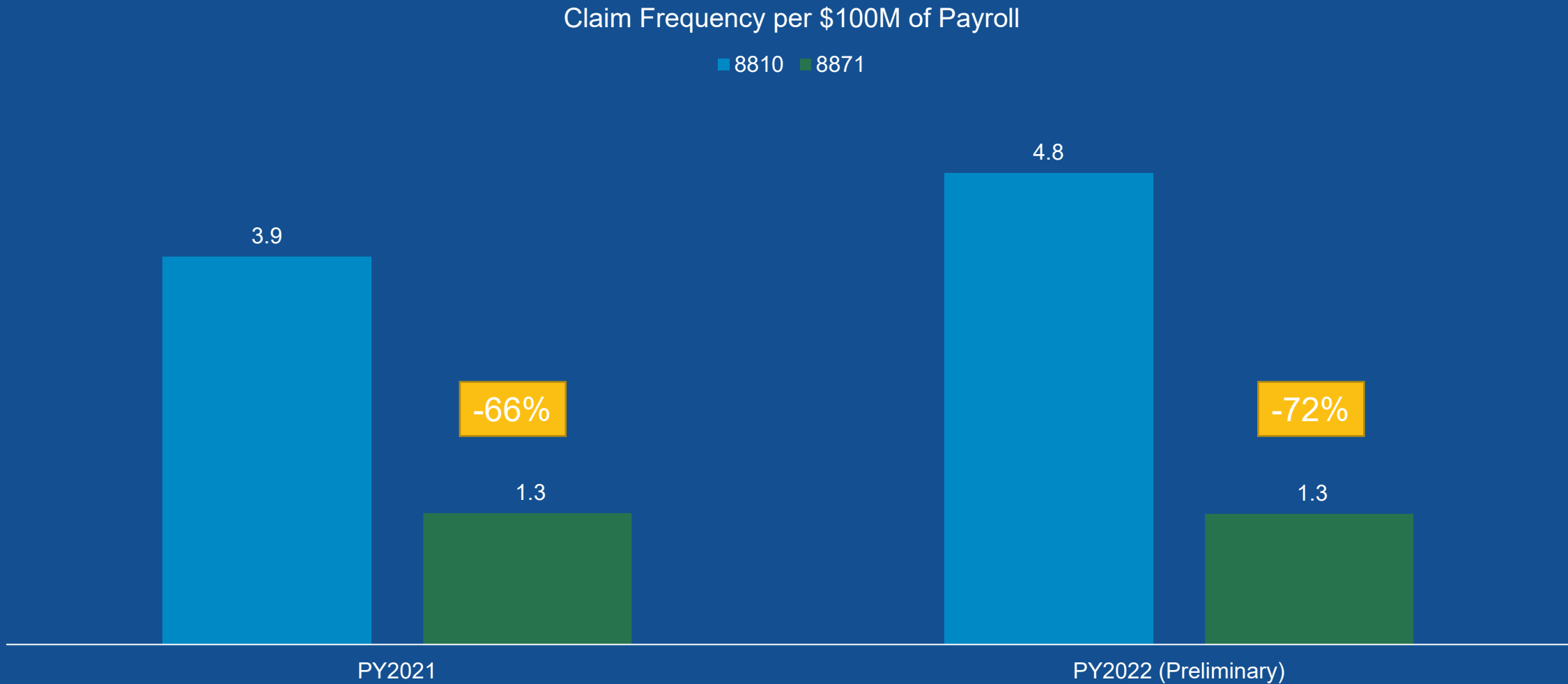
■ 8810 ■ 8871



Classification	Loss to Payroll Ratio (PY2021-2022)
8810	0.059
8871	0.022
% difference	-63%

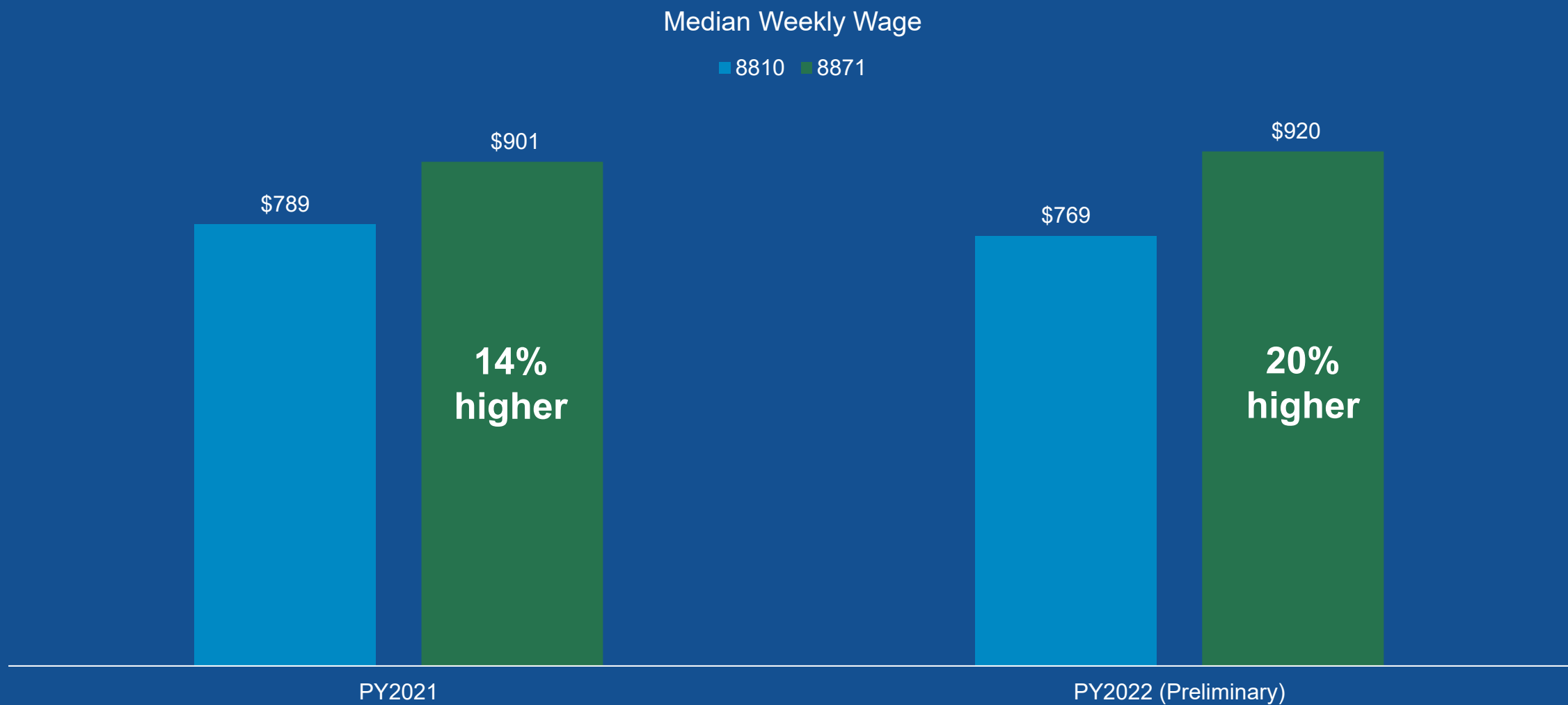
# Claim Frequency: 8871 vs. 8810

As of January 15, 2024



# Weekly Wage for Injured Workers: 8871 vs. 8810

As of January 15, 2024

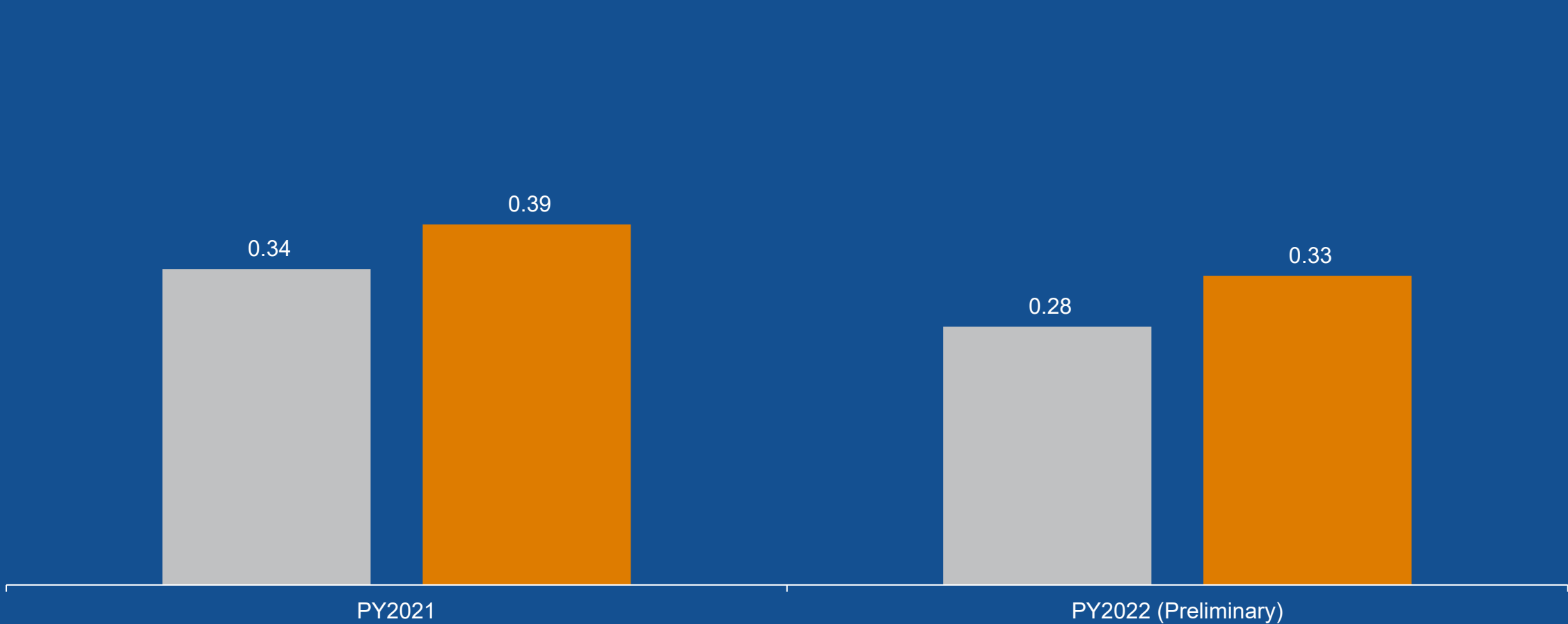


# Estimated Differential in Claim Frequency: 8871 vs. 8810

As of January 15, 2024

8871 Claim Frequency Relative to 8810

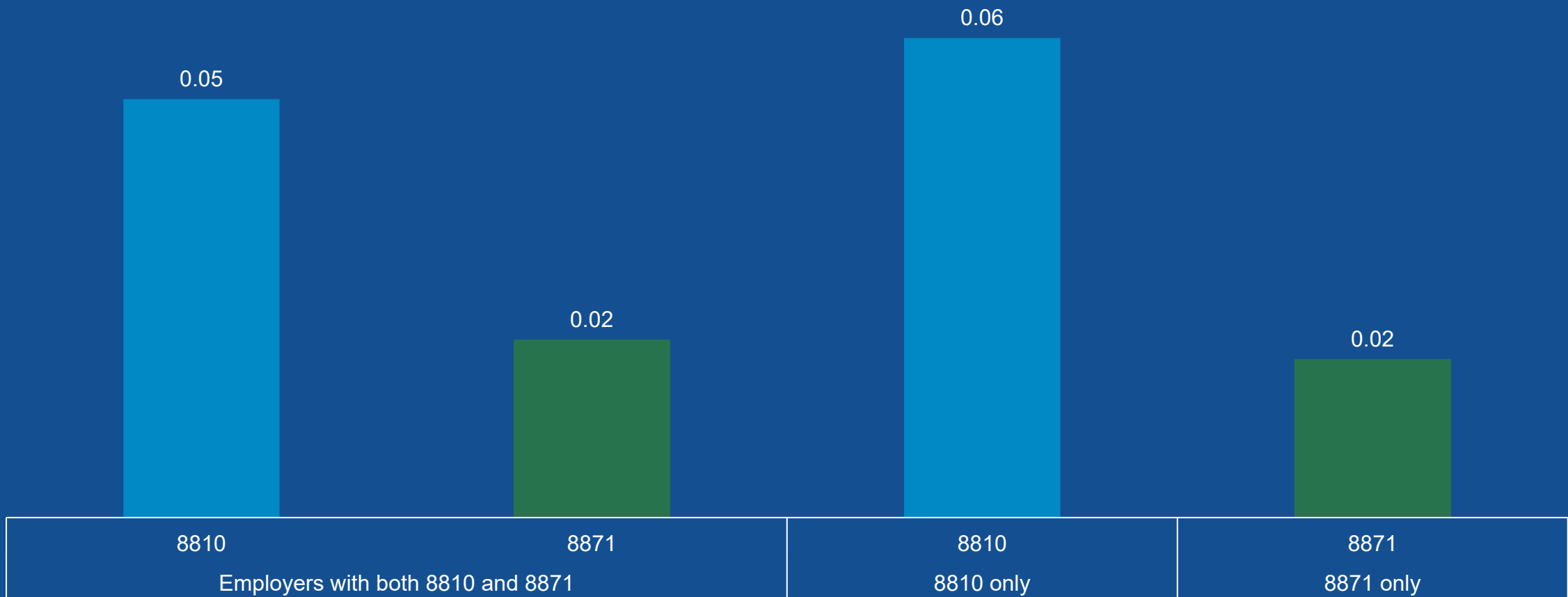
■ Before adjusting for wage differential    ■ After adjusting for wage differential



# Loss and Payroll Experience by Types of Employers

As of January 15, 2024

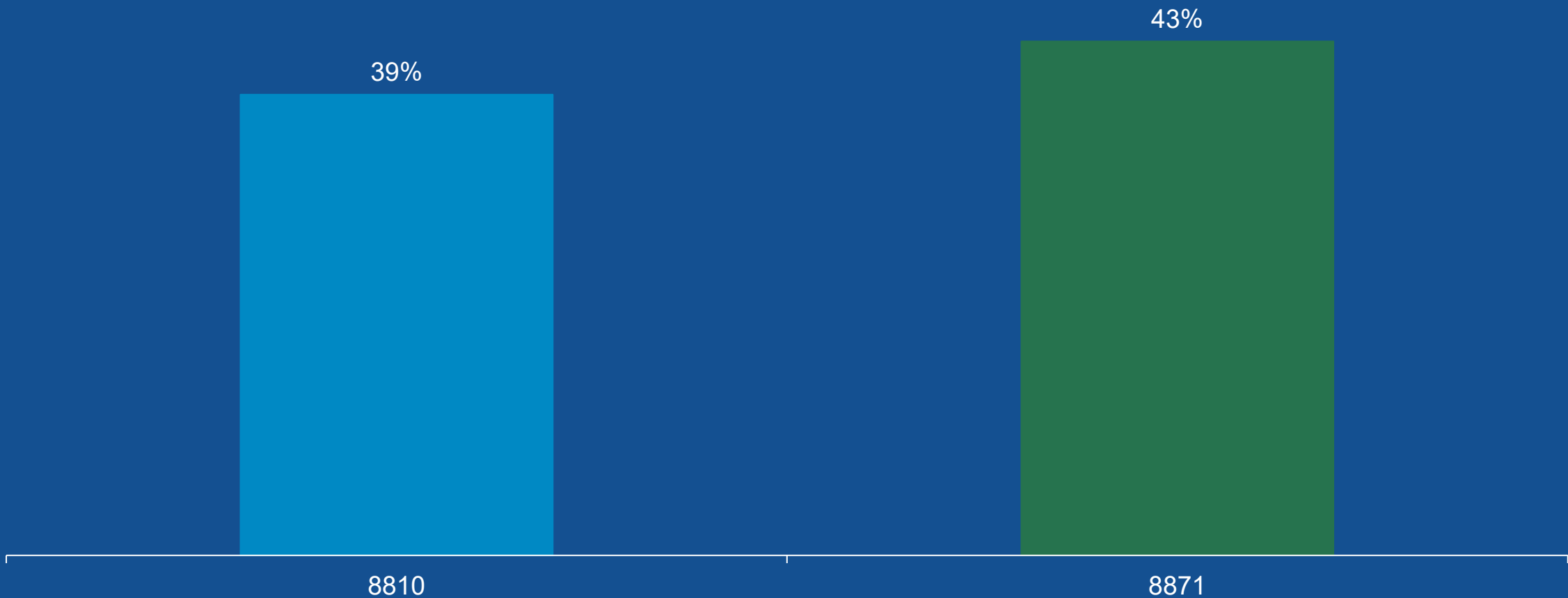
Capped Loss to Payroll Ratio (PYs 2021-2022)



# Share of Indemnity Claims: 8871 vs. 8810

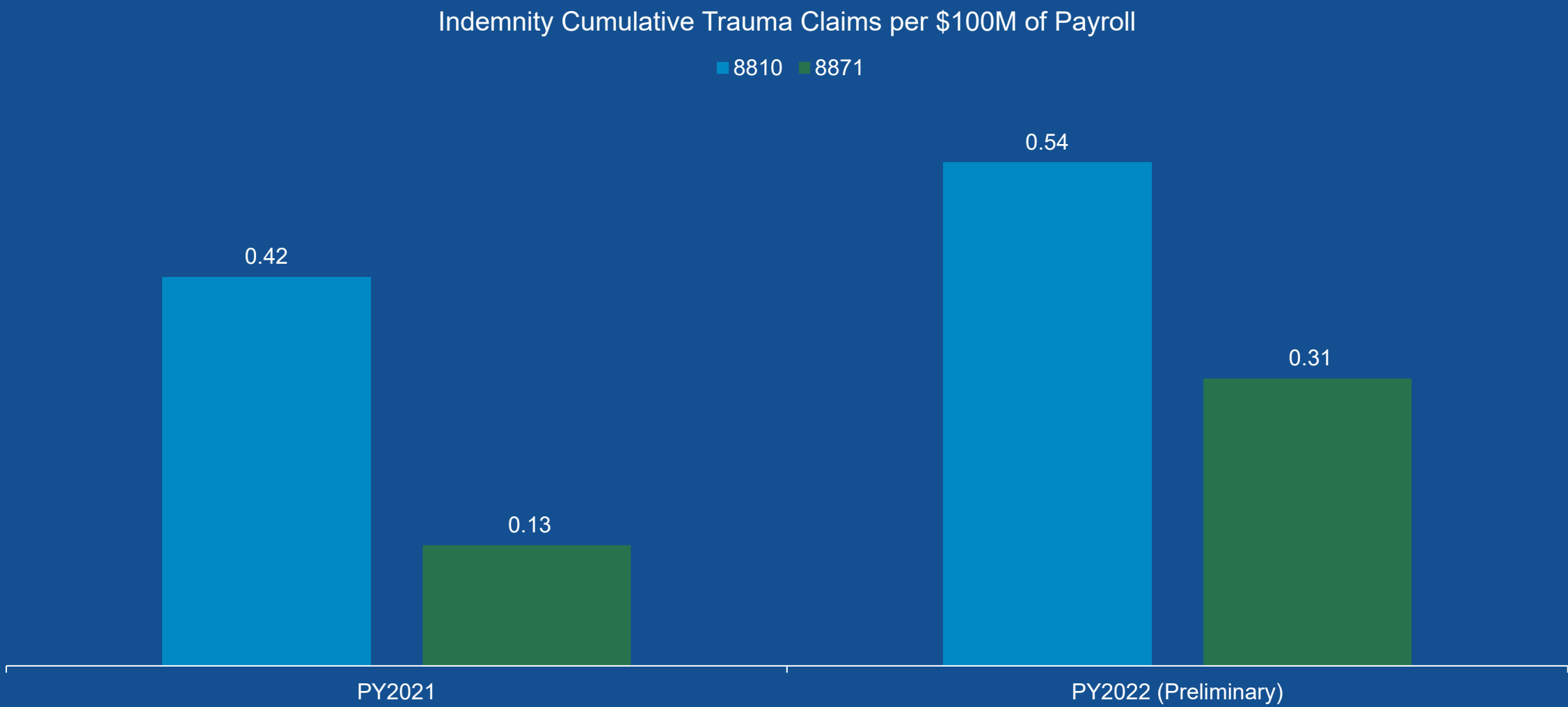
As of January 15, 2024

Share of Indemnity Claims (PYs 2021-2022)



# Indemnity Claim Frequency of Cumulative Trauma Claims: 8871 vs. 8810

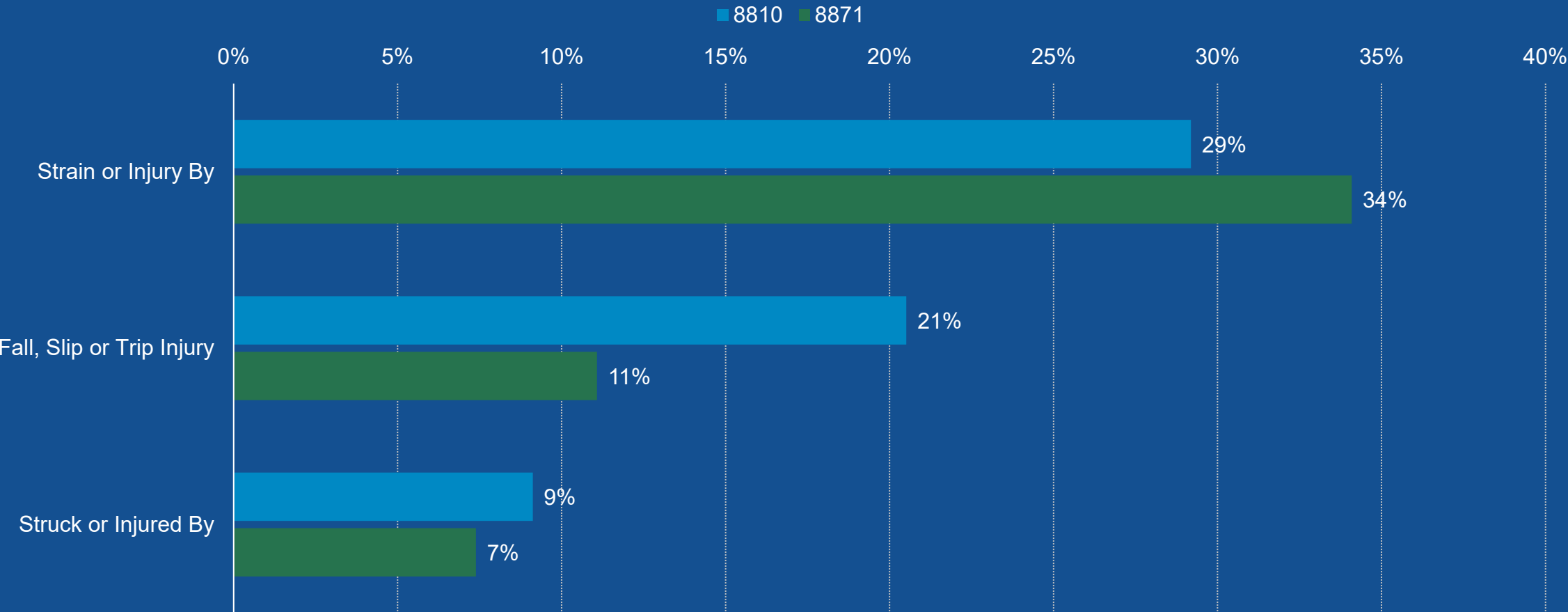
As of January 15, 2024



# Distribution of Leading Causes of Injury: 8871 vs. 8810

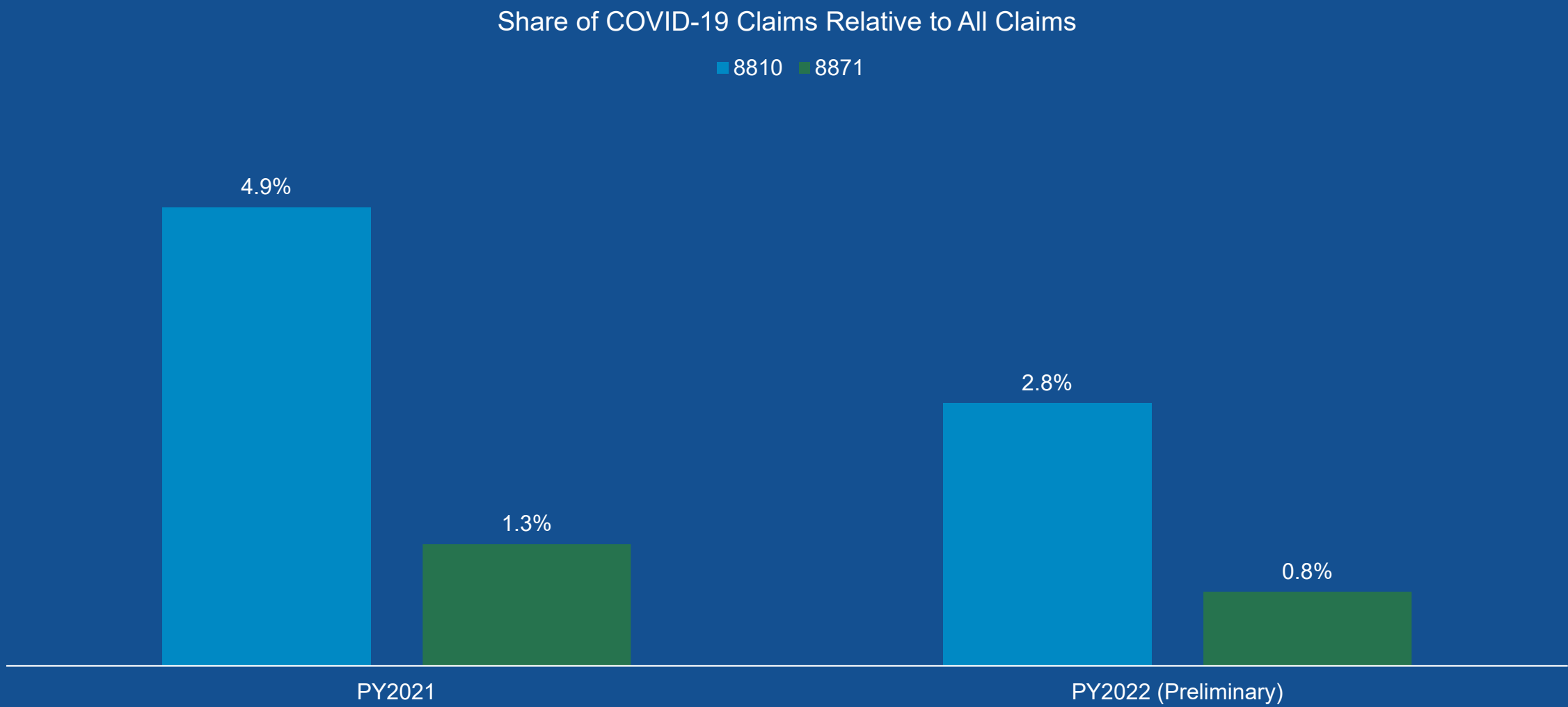
As of January 15, 2024

Share of Claims by Leading Causes of Injury  
(PYs 2021-2022)



# Share of COVID-19 Claims: 8871 vs. 8810

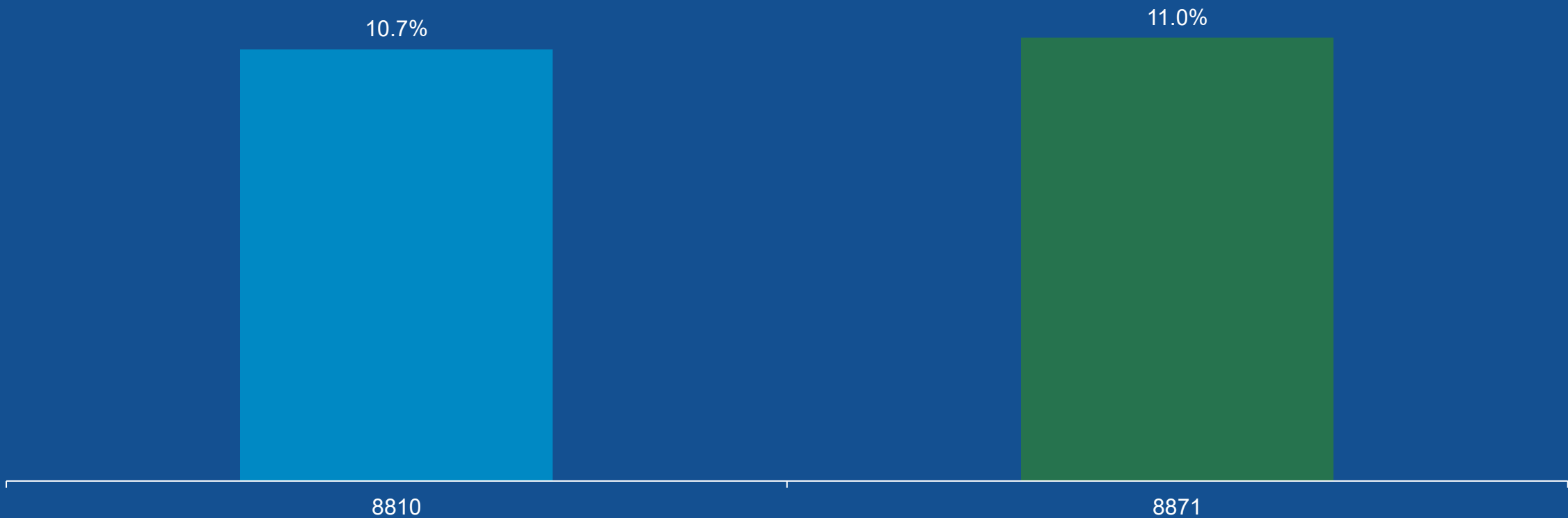
As of January 15, 2024



# Denial Rate: 8871 vs. 8810

As of January 15, 2024

Share of Denied Claims Relative to All Claims (PY2021-2022)



# Summary of Preliminary Findings

- Based on reported 2021 and 2022 policy data, Classification 8871 has different loss and payroll experience from Classification 8810
  - 8871 has significantly lower loss to payroll ratio than 8810 by 63%, mostly driven by lower claim frequency
  - Key characteristics of 8871 claims compared to 8810 claims:
    - Higher median weekly wage among injured workers
    - Lower frequency of cumulative trauma claims
    - Similar share of indemnity claims
    - More strain injuries for Classification 8871, while more fall injuries for Classification 8810
- The reported 8871 loss and payroll experience thus far validates the differential in the advisory PPRs between Classifications 8871 and 8810
  - Indicated relativity change for 8871 using the WCIRB standard approach on the reported data would be a decrease of 28%
- Staff recommends continuing the tempered approach consistent with WCIRB's standard practice and limiting the relativity change of Classification 8871 to 25%

# 02

## 2024 Classification Relativities



# September 1, 2024 Classification Relativities

- Relativities underlie proposed September 1, 2024 advisory pure premium rates and expected loss rates
- Reflects unit statistical data through “policy year 2021”
  - Based on data availability, “policy year 2021” refers to 12/1/2020 to 11/30/2021 policies
- COVID-19 claim data excluded
- Actuarial methodologies consistent with September 1, 2023 Regulatory Filing
  - Reflects refinement to mitigate impact of pandemic period data
- Reflects classification changes adopted by this Committee for the September 1, 2024 Regulatory Filing
- Includes updated Retro Hazard Groups (RHG) assigned to each classification based on the updated *California Retrospective Rating Plan*

# Summary of Classification Relativity Process

- Reflects changes in classification's advisory pure premium rate relative to statewide average
- Based on unit statistical data on losses and payroll by classification
  - Through policy year 2021
  - Data subject to series of data quality controls
  - Excludes data of insolvent insurers
  - Excludes COVID-19 claims
- Components of computation
  - Expected loss to payroll ratios
  - Adjusted (actual) loss to payroll ratios
  - Selected loss to payroll ratios
  - 25% change restriction

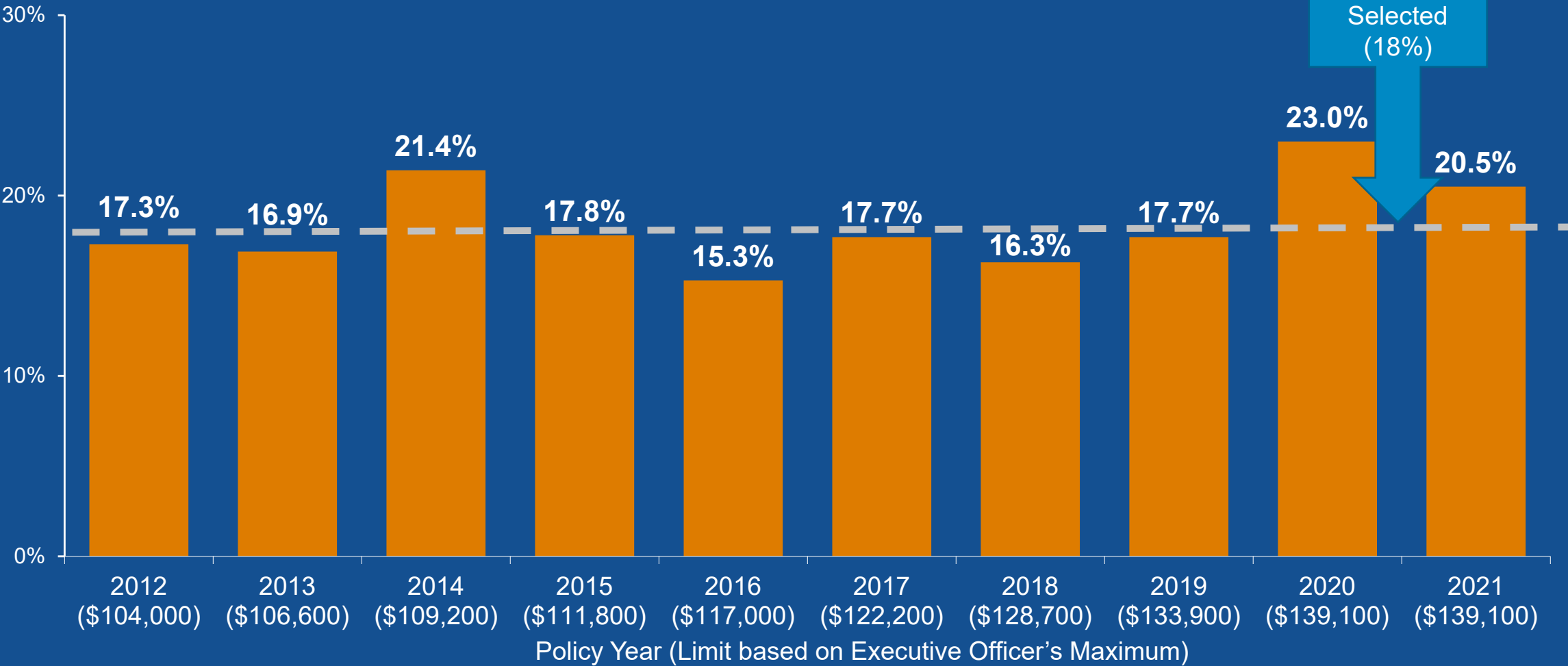
# Expected Loss to Payroll Ratios

- Reflects loss component of approved September 1, 2023 advisory pure premium rate change
- Adjustments
  - Large loss limitation (\$500,000 per claim)
  - Change in industrial sector average relativity

# Adjusted Actual Loss to Payroll Ratios – Adjusted Payroll

- Includes indicated wage inflation and minimum wage change impacts by classification
  - Wage level changes to policy year 2019 level adjusted by classification on a relative basis
  - Wage data from 2020, 2021 and 2022 not reflected due to pandemic-related anomalies
- Includes adjustment for maximum payroll limitation for 18 classifications, similar to 2023 relativities
  - For five classifications effective 1/1/2020, only pre-2020 payroll is adjusted
  - Six classifications newly limited for 9/1/2024

# Percent of Payroll Above Maximum – Classification 8839



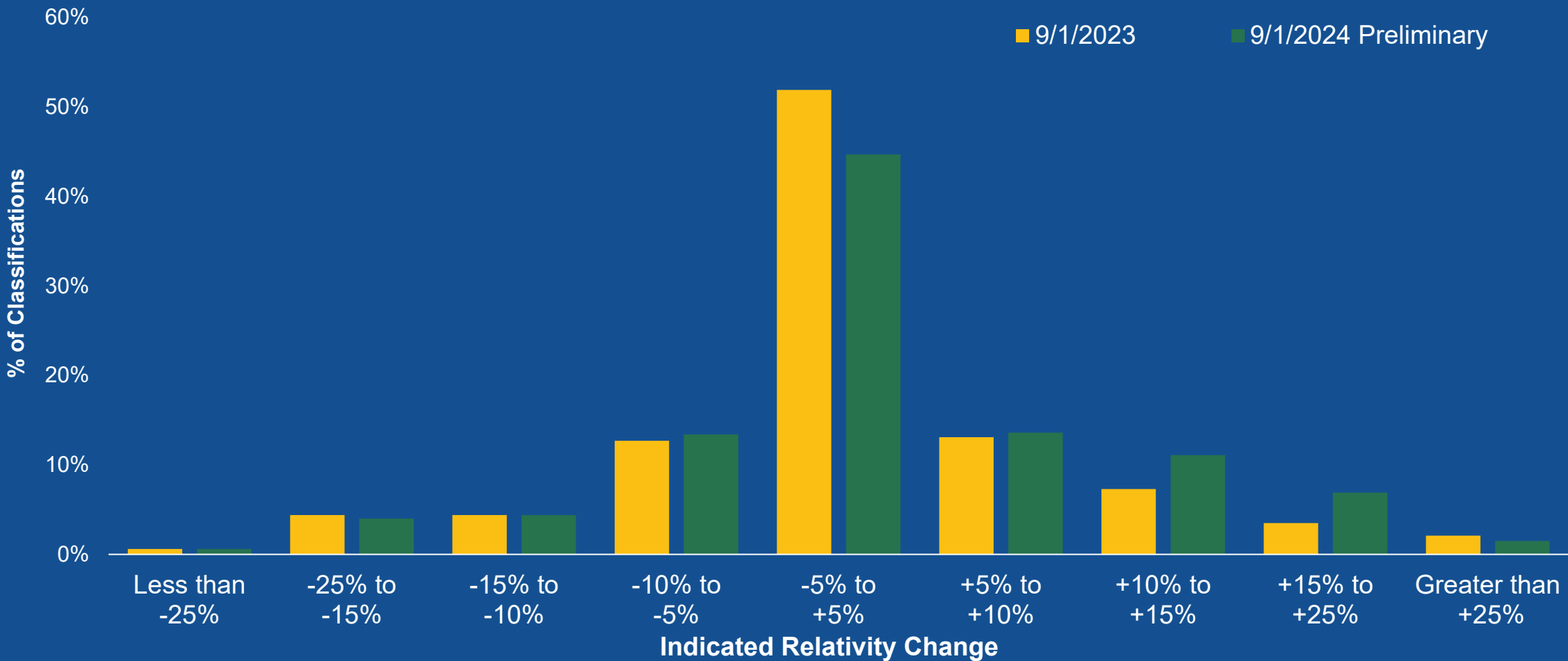
# Adjusted Actual Loss to Payroll Ratios – Adjusted Losses

- Reflect current benefit level
- Large loss limitation – \$500,000 per claim at a policy year 2021 level
  - Limitation for earlier policy years inflation-adjusted to 2021 level
  - Some special limitations applied to classes with significant number of post-termination CT claims filed against a single employer
- Development to ultimate
  - Development based on losses limited to \$500,000 at a policy year 2021 level
  - Different development applied to open and closed claims and by class loss development groupings
- All years adjusted to current year's average losses
- Adjusted to overall expected level of experience

# Selected Loss to Payroll Ratios

- Combination of Adjusted Actual and Expected Loss to Payroll Ratios
- Credibility
  - Full credibility standards based on claim counts and average claim size
  - Classification's credibility based on total expected losses for years used in computation
  - 2 to 5 years determined for full credibility
  - Additional year (up to 5 years) used in computation to mitigate impact of pandemic period data
  - Full credibility → expected loss to payroll ratio not used in computation
- Relativity changes restricted to 25%
  - Net impact of restrictions spread across all classifications
  - Some special restrictions applied to classes with definitional changes

# Distribution of Preliminary Indicated Classification Relativity Changes



# Classifications with Recent or Recommended Changes

- 3070, *Computer Memory Disk Mfg.*
  - Data transferred to Classification 3681(2), *Computer or Computer Peripheral Equipment Mfg.*
  - Relativity restricted to 25% increase until within 25% of 3681 relativity (indicated at a 60% increase)
- 8830, *Institutional Employees*
  - No longer combined with Classification 9043, *Hospitals*, for ratemaking as 9043 is subject to the maximum payroll limitation
  - Relativity consistent with prior expected relativity
- Restaurant Industry
  - Classification 9079 eliminated and replaced with six new classifications (9058, 9080, 9081, 9082, 9083, 9084)
  - Classifications are combined for ratemaking until sufficient data becomes available

# Other Classifications with Large Indicated Relativity Changes

- 0400, *Warehouses – cotton* (59%)
- 4312, *Newspaper Delivery* (29%)
- 4829, *Chemical Mfg.* (25%)
- 5553, *Roofing – high wage* (35%)
- 6251, *Tunneling or Underground Mining* (28%)
- 8631, *Racing Stables – all other employees* (30%)
- 8749, *Mortgage Bankers* (-30%)
- 8874, *Instrument Mfg., et al. – design or development* (-33%)
- 9420, *Municipal/State/Public Agency – all other employees* (-27%)
- 9552, *Sign Erection or Repair* (38%)



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