MINDFUL
INSURANCE SOLUTIONS INC.

RISK REPORT

APRIL 2024 | VOLUME 7 | ISSUE 2

Electronics, Construction Class Code Changes

THE WORKERS' Compensation Insurance Rating Bureau of California will recommend changes to class codes for some electronics manufacturing sectors, as well as increases to the wage thresholds for construction industry dual classifications.

The move comes after the Rating Bureau's governing committee unanimously approved proposed changes, which will be sent in March to the state insurance commissioner for approval. If approved, the changes will take effect Sept. 1, 2024. Here's what's on tap:

Dual-wage increases

The Rating Bureau will also recommend increasing the thresholds that separate high- and low-wage earners in 16 dual-wage construction classes as shown below.

These class codes have vastly different pure premium rates for workers above and below a certain threshold. Lower-wage workers have historically filed more workers' comp claims.

Rates for lower-wage workers are often double the rates for higher-wage workers.

DUAL-CLASS CODE CHANGES COMING 9/1*

Classification		Current per hour threshold	Recommended threshold
5027/5028	Masonry	$32	$35
5190/5140	Electrical Wiring	$34	$36
5183/5187	Plumbing	$31	$32
5185/5186	Automatic Sprinkler Installation	$32	$33
5201/5205	Concrete or Cement Work	$32	$33
5403/5432	Carpentry	$39	$41
5446/5447	Wallboard Installation	$38	$41
5467/5470	Glaziers	$36	$39
5474/5482	Painting/Waterproofing	$31	$32
5484/5485	Plastering or Stucco Work	$36	$38
5538/5542	Sheet Metal Work	$29	$33
5552/5553	Roofing	$29	$31
5632/5633	Steel Framing	$39	$41
6218/6220	Excavation/ Grading/Land Leveling	$38	$40
6307/6308	Sewer Construction	$38	$40
6315/6316	Water/Gas Mains	$38	$40

*Proposed

Electronics manufacturing

Another proposed change would link two more classes to the 8874 companion classification, which was created in September 2022 to cover certain low-risk classes in the electronics industry group.

Currently, 8874 is a companion class that covers payroll for lower-risk jobs in hardware and software design and development, computer-aided design, clerical and outside sales operations for two classes:

- 3681 (manufacturing operations for electronic instruments, computer peripherals, telecommunications equipment), and
- 4112 (integrated circuit and semi-conductor wafer manufacturing).

See 'Changes' on page 2

CONTACT US

MINDFUL
INSURANCE SOLUTIONS INC.

2043 ANDERSON RD, SUITE C
DAVIS, CA 95616
Toll Free: 877-223-4437
Fax: (530) 419-4811
E-mail: info@mindfulins.com
License #0I67525

Workplace Safety

Overdose Meds May Be Coming to Your First Aid Kit

EFFORTS ARE afoot to create new laws and regulations that would require California employers to include the opioid overdose medication Narcan in their first aid kits.

Cal/OSHA's Standards Board has received a petition from a safety group asking it to create new regulations requiring workplaces to stock medications that can reverse opioid overdoses.

On the legislative front, two state assembly members have introduced bills that would require workplace first aid kits to include naloxone hydrochloride, the substance that can reverse overdoses.

More than 83,000 people died of an opioid overdose in 2022 in the U.S., including nearly 7,000 Californians, according to the Centers for Disease Control.

Naloxone, sold under the brand names Narcan and RiVive, is available in an over-the-counter nasal spray or as an injectable.

These medications temporarily reverse overdoses from prescription and illicit opioids, are not addictive and are not harmful to people when administered.

In its Dec. 8 petition to Cal/OSHA's Standards Board, the National Safety Council asked it to add naloxone to the list of required items in both construction sites as well as general industry workplaces.

"With the number of workplace overdose deaths on the rise, opioid overdose reversal medication is now an essential component of an adequate first-aid kit," wrote Lorraine M. Martin, president and CEO of the NSC.

Legislation

Two bills are in play.

AB 1976: Authored by Assemblyman Matt Haney (D-San Francisco), this bill would require first aid kits on job sites to include Narcan. It would require the Standards Board to draft enabling regulations by Dec. 31, 2026.

AB 1996: Authored by Assemblyman Juan Alanis (D-Modesto), this measure would require operators of stadiums, concert venues and amusement parks to stock Narcan. It would not require Cal/OSHA to create new regulations as the measure is aimed at helping members of the public.

The takeaway

In light of the opioid overdose epidemic, more and more employers and operators of facilities that cater to the public have started stocking naloxone.

With opioid overdoses so prevalent in U.S. workplaces (18% in California alone), the simple addition of this over-the-counter medication can save the life of a worker.

Narcan is available for around $40 at most major retail pharmacies. It's a simple and inexpensive addition to a first aid kit for any employer. It would be good practice to keep a pack in your safety kit … just in case.

Meanwhile, if any of the legislative and possible regulatory efforts become law or regulation, we'll let you know.

Continued from page 1

Changes to Electronics Sector Class Codes in the Cards

The new proposal would move to 8874 similar low-risk white-collar personnel currently assigned to class 3572 (medical instrument manufacturing) and 3682 (non-electric instrument manufacturing).

The Bureau is also recommending merging class code 3070 (computer memory disk manufacturing) with 3681(2) (computer or computer peripheral equipment manufacturing).

If this recommendation is okayed, the higher pure premium rate of $0.46 per $100 of payroll for class code 3681 will apply to the new combined code.

Class 3070 currently has a pure premium rate of $0.25 per $100 of payroll and the new rate would be phased in at 25% per year until class 3070 is eliminated and all employers are moved to class 3681.

Commercial Property Insurance

New Rules Aim to Ease Availability Crisis

WITH THE California commercial property market increasingly stressed with fewer and fewer insurers willing to write policies in the Golden State, the state insurance commissioner has floated a plan aimed at easing the crisis.

The main thrust of the new proposal is to make it easier for insurers to get their rate-hike requests approved, efforts that have been stifled due to laws that have been on the books since the early 1990s from a law known as Prop. 103. As well, insurers are limited in the types of data they can use to justify rate increases, which has constrained them from being able to ask for hikes that are adequate to cover their potential liabilities.

The proposed rule changes, along with others that are coming this year, are aimed at luring insurers back into the marketplace after one carrier after another has either stopped writing commercial property in the state altogether, or restricted how many policies they will write in California, and where.

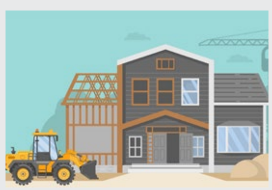
While insurers are still writing policies in California, their numbers are shrinking, making renewals a difficult process for many businesses. Insurers have also gotten pickier about properties they are willing to cover, with some setting limits on the age of a building and taking into consideration whether the property owner has filed any claims in the last three years.

The commissioner's plan

Insurance Commissioner Ricardo Lara's proposed regulations, one of those prongs, would allow insurers to use catastrophe models to better predict insurance rates for wildfire, terrorism and flooding. Currently, they are only allowed to use historical claims data, which is backward-looking and does not account for the surge in risk and costs that's occurred during the last five to 10 years.

FOUR FACTORS BEHIND INSURANCE CRISIS

Massive wildfire insurance claim losses, which have increased exponentially as wildfires have grown more destructive and in number.



The cost of rebuilding, which has surged as construction and material costs have exploded.

The rising cost of reinsurance, which carriers buy to cover themselves if they have catastrophic claims.

Difficulties in getting rate hikes approved.

As well, they are not allowed to consider the growing risk caused by climate change, or wildfire risk mitigation measures taken by communities or regionally as a result of local, state and federal investments.

Mark Sektnan, vice president for state government relations for the American Property Casualty Insurance Association, said this change would go a long way towards addressing the insurance crisis in the state.

"As Californians grapple with record inflation and become increasingly vulnerable to climate-driven extreme weather, including catastrophic wildfires, this is a critically needed tool to help identify future risks more accurately and set rates that reflect our new reality," he said. "More accurate ratemaking will help restore balance to the insurance market and ensure all Californians have access to the coverage they need."

The trade-off for consumers will be the likelihood of more insurers coming back into the market to write commercial property and homeowner's insurance in exchange for them asking for large rate hikes.

The latest proposed regulation follows another that was introduced in late February that would speed up approvals of rate-increase requests. These can sometimes take years if the Department of Insurance asks for more supporting documentation, which can reset the rate approval process, delaying final approval. Some insurers have waited more than two years to get their rate hikes even considered.

Current rules "lack clarity and fail to specify the exact materials and information required in a complete rate filing application given the change in times and increased complexity of filing," according to the Department.

This proposed rule codifies clearer instructions for what supporting documentation insurers must submit when filing for rate increases.

The takeaway

A public hearing on the proposed catastrophe-modeling regulations will be held on April 23 and it's the department's plan to get these new rules implemented by the end of 2024, along with the rules on speeding up rate-increase requests.

In the coming months, the department plans to propose additional regulations as well as legislation in order to get insurers to write business in the state again.

If enacted, it's hoped that the various planned changes will provide some relief to homeowners and businesses in the state.

We'll keep you posted as this develops.

Protecting Your Data

Deepfake Technology Used to Fool Employees

THE NEWEST cyber and financial fraud threat facing businesses is deepfake technology, which criminals are using to extract money from unsuspecting accounts payable personnel.

A finance worker at a multinational company in Hong Kong was duped into transferring $25 million to criminals who had used deepfake technology to pose as the business's chief financial officer during a video conference call, according to local police.

A deepfake is an artificial image or video generated by a special kind of machine learning called "deep" learning. The creations have grown increasingly sophisticated and harder to detect.

How it happened

The worker received an e-mail from what he thought was the company CFO, inviting him to attend a teleconference with him, other company executives and staff, according to Hong Kong police. The digitally recreated version of the CFO then ordered money transfers during the video conference call.

Based on instructions the employee got during that call, they transferred 200 million Hong Kong dollars ($25.6 million) to various Hong Kong bank accounts in a series of transactions.

The employee did not interact with the deepfakes during the video conference, and he later told police that others on the call looked and sounded like people he knew in the organization.

In fact, all of the other people on the call were fakes of real people in the company. The criminals had used deepfake tech to alter publicly available video and footage found online to create convincing digital versions of the others in the meeting.

Police said that the case was one of several recent incidents in which criminals had used deepfake technology to change publicly available video and other footage to steal from people and companies.

Warning to US businesses

This type of attack is essentially an extension of the wire transfer fraud, a threat that's been growing in recent years.

These scams usually start with e-mails or even phone calls from scammers posing as someone higher up in an organization, a client or vendor. The end goal is to convince an employee with access to the company's payment systems to transfer funds to the criminals.

Deepfake technology adds a dangerous new arrow to wire-transfer fraud criminals' quivers, making the scam even easier to fall for.

To avoid being victimized, the law firm of Fischer Phillips recommended in a November 2023 blog that businesses:

Provide deepfake training to staff. You should already be training and providing refresher meetings on preventing cyber attacks of all sorts.

Consider educating them about the dangers of deepfakes and provide the Hong Kong case as an example. Cover ways to spot deepfakes, including:

- Blurry details,
- Irregular lighting,
- Unnatural eye and facial movements,
- Mismatched audio, and
- Absence of emotion.

Urge staff to be suspicious. Your employees should be able to comfortably question the legitimacy of information and be urged to report suspicious activity.

Use strong authentication protocols. Put in place robust measures — like multi-factor authentication and similar tools — for accessing sensitive information and systems.

Insurance coverage

If your organization has a cyber insurance policy, it might cover a wire transfer fraud loss.

The coverage provided by cyber insurance can vary significantly between insurance companies and policies. Some cyber policies may explicitly cover wire fraud, while others require additional endorsements or riders to provide adequate protection.

A commercial crime policy will cover losses resulting from the use of a computer to fraudulently transfer funds from inside the business premises or the insured's bank to an outside party.

However, policies may only offer coverage if an employee was fraudulently involved in the wire transfer fraud. This type of funds transfer fraud is basically the only computer-related coverage that a crime policy offers.

MINDFUL INSURANCE SOLUTIONS INC
2043 ANDERSON RD, SUITEC DAVIS, CA 95616
Toll Free: 877-223-4437 | Fax: (530) 419-4811 | E-mail: info@mindfulins.com