

## Report on the Property Management/ Operation Industry Study

Excerpt from the WCIRB Classification and Rating Committee Minutes  
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## Classification Study — Property Management/Operation Industry

- 8740(1), Apartment or Condominium Complex Operation – N.O.C. – property management supervisors – not resident or on-site managers or supervisors**
- 8740(2), Building Operation – commercial properties – property management supervisors**
- 8740(3), Building Operation – N.O.C. – property management supervisors – not resident or on-site managers or supervisors**
- 8740(4), Mobile Home Park Operation – property management supervisors – not resident or on-site managers or supervisors**
- 8740(5), Warehouses – self-storage – property management supervisors – not resident or on-site managers or supervisors**
- 8740(6), Apartment or Condominium Complex Operation for Seniors – age restricted – property management supervisors – not resident or on-site managers or supervisors**
- 8290, Warehouses – self-storage – all other employees – including on-site managers, resident employees and resident Clerical Office Employees**
- 9007, Apartment or Condominium Complex Operation for Seniors – age restricted – not Congregate Living Facilities or Homeowners Associations – all other employees – including on-site managers, resident employees and resident Clerical Office Employees**
- 9009, Building Operation – commercial properties – all other employees**
- 9010, Mobile Home Park Operation – all employees – including on-site managers, resident employees and resident Clerical Office Employees**
- 9011, Apartment or Condominium Complex Operation – N.O.C. – not Homeowners Associations – all other employees – including on-site managers, resident employees and resident Clerical Office Employees**
- 9015(1), Building Operation – N.O.C. – all other employees – including resident or on-site managers**
- 9066, Homeowners Associations – not Building Operation**

### Executive Summary

#### Objective

The objective of this study is to perform a comprehensive review of companion classifications<sup>1</sup> in the *Property Management/Operation* Industry Group and related applicable provisions of the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP) to ensure that the intended scope of each classification and applicable administrative procedures are clear. Specifically, the study will:

1. Provide clear and consistent instruction for the administration of the companion classifications applicable to property management operations with emphasis placed on clarifying the criteria under which *property management supervisors* qualify for assignment to Classification 8740.
2. Determine if the minimum payroll requirements for flats, apartments or multiple dwellings containing four or more units should either be retained and updated or eliminated.
3. Provide instruction on how to classify payroll for managing or operating properties of mixed commercial and residential usage, including situations in which property management personnel operate on-site at the managed location.
4. Determine if *Special Industry Classification Procedures* should be developed to summarize the administration of the classifications within the *Property Management/Operation* Industry Group, including instructions specific to the industry regarding division of payroll for property

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<sup>1</sup> These classifications are a subset of all *Property Management/Operation* Industry Group classifications.

maintenance and operations employees that work at more than one property type.

5. Determine if Section V, *Payroll – Remuneration*, Rule 1, *Payroll – Remuneration*, should be amended to define the term *market value* as certain classifications within the *Property Management/Operation* Industry Group and elsewhere in the USRP require that when lodging is provided by the employer, the total remuneration shall include the market value of such lodging to the employee.
6. Review the assignment of Classification 9015(1), *Building Operation – N.O.C.*, to certain construction industry operations as directed by a footnote for Classification 5606, *Contractors – construction or erection – executive level supervisors*, to determine if such operations are statistically credible and should be assigned to a new, unique classification outside of the *Property Management/Operation* Industry Group.
7. Review Classification 9066, *Homeowners Associations*, to clarify its intended application and provide direction as to how related operations shall be classified.

### **Findings and Recommendations**

Based upon a review of classification procedures applicable to employers assigned to *Property Management/Operation* Industry Group classifications, the WCIRB finds and recommends the following:

1. Based on industry survey responses, a majority of property management supervisors perform the same job duties regardless of whether they are based on-site or off-site, including but not limited to processing rental applications, collecting rent and performing tenant relations and exercising direction through a maintenance supervisor. A comprehensive review of Classification 8740 payroll and loss data indicates that the requirement that supervisors be based off-site does not appear to necessarily eliminate exposures that exist when employees spend some time working on-site, regardless of where they are based.

In addition, a separate classification could potentially be established for commercial property management supervisors currently assigned to Classification 8740(2), *Building Operation – commercial properties – property management supervisors*, as the experience of this segment is significantly different from the remainder of employers assigned to Classification 8740. However, the experience identified to be assigned to this potentially new classification is only large enough to be marginally credible and a separate classification for a subset of property management supervisors would lead to issues in the administration of these classifications, especially for property management supervisors that oversee multiple property types.

The WCIRB, therefore, recommends aligning all Classification 8740 alternate wordings with the existing requirements applicable to 8740(2) by eliminating the requirement that employees be based at and work from remote office locations. In addition, the WCIRB does not recommend establishing a new classification for commercial property management supervisors.

2. The minimum payroll requirements for flats, apartments or multiple dwellings containing four or more units have not been updated in more than twenty years and are no longer necessary. The WCIRB recommends eliminating these requirements from Classifications 9007, *Apartment or Condominium Complex Operation for Seniors – age restricted – not Congregate Living Facilities or Homeowners Associations*, 9011, *Apartment or Condominium Complex Operation – N.O.C. – not Homeowners Associations*, and 9015(1), *Building Operation – N.O.C. – all other employees*.
3. Commercial and residential mixed-use properties exist and are a growing phenomenon, but currently are not specifically described in the *Property Management/Operation* Industry Group

classifications. The WCIRB recommends establishing alternate wordings for Classifications 9011 and 8740(1), *Apartment or Condominium Complex Operation – N.O.C. – property management supervisors*, to describe the operation and management of commercial and residential mixed-use properties.

4. The *Property Management/Operation* Industry Group classifications have many shared characteristics; therefore, the WCIRB recommends establishing *Special Industry Classification Procedures* to clarify applicable classification and audit procedures for the industry.
5. The term *market value* is used in certain classifications within the *Property Management/Operation* Industry Group, and elsewhere in the USRP, requiring that when lodging is provided by the employer, the total remuneration shall include the market value of such lodging to the employee. As lodging value is determined in various ways for purposes unrelated to workers' compensation statistical reporting, the WCIRB recommends amending Section V, *Payroll – Remuneration*, Rule 1, *Payroll – Remuneration*, to define the term *market value* regarding lodging value that must be included as reported payroll.
6. Construction job site clean-up and post-construction warranty repair operations after construction is completed by licensed subcontractors are currently assigned to the *Property Management/Operation* Industry Group Classification 9015(1), *Building Operation – N.O.C. – all other employees*, due to a footnote for Classification 5606, *Contractors – construction or erection – executive level supervisors*. These types of operations are related to the construction industry, not the *Property Management/Operation* industry and generate sufficient data to establish a unique classification with a statistically credible advisory pure premium rate. The WCIRB, therefore, recommends establishing a classification applicable to the construction industry operations of job site clean-up and post-construction warranty repair work, when performed on jobs where all construction operations are subcontracted to licensed subcontractors and executive level supervisors are retained.
7. The WCIRB recommends amending Classification 9066, *Homeowners Associations*, to clarify its intended application and provide direction as to how related operations shall be classified.

## Introduction and Background

Employers and associations in the *Property Management/Operation* industry have expressed confusion and concern regarding companion classifications applicable to the industry, especially the inconsistent “on-site” and “resident employee” restrictions that disqualify some property management supervisors from assignment to Classification 8740 even though the employees’ job duties may otherwise be consistent with those of a property management supervisor who is based off-site. The last comprehensive review of the *Property Management/Operation* industry was performed in 1993, therefore, WCIRB staff has prepared this report as an updated comprehensive industry review. Appendix I is a timeline of significant changes to the *Property Management/Operation* Industry Group.

The USRP defines *companion classifications* as two related classifications that describe operations that normally prevail in a business. Operations assigned to related companion classifications constitute a single enterprise for classification purposes. The *Property Management/Operation* Industry Group in California includes six pairs of companion classifications.<sup>2</sup> Each pair of companion classifications consists of one narrowly described, restricted classification applicable only to specifically qualified *property management supervisors*, and a related property operation classification that broadly applies to *all other employees*.

Of the companion classifications applicable to the property management/operation industry, Classification 8740 is the lower rated, restricted classification that applies to property management supervisors. Property management supervisors collect rent, address tenant issues and maintenance requests, show properties to potential tenants, enter into contractual agreements with property owners, handle financial and budgetary arrangements, renegotiate or extend leases, periodically inspect properties for appearance and to ensure maintenance, repairs and other operational activities are being performed, negotiate and manage contracts with maintenance, repair or alteration vendors, supervise building operation, care and maintenance employees through on-site managers and perform any other additional clerical work as needed.

Currently, for all property management supervisors other than those managing commercial properties, Classification 8740 requires that the supervisor be based at and work from an office located away from the properties managed, although they may periodically travel to properties to perform supervisory and administrative duties. However, the alternate wording for property management supervisors of commercial properties, Classification 8740(2), does not have this location-based restriction.

In addition, all property management supervisors other than those managing commercial properties qualify for assignment to Classification 8740 only if they exercise direction through resident or on-site property managers that oversee property operation, maintenance and care activities, or if all property operation, maintenance and care activities are subcontracted and no payroll is assignable to a companion property operation classification. For commercial property management supervisors, a subordinate manager that directly supervises employees engaged in the operation, maintenance and care of properties, and not necessarily a *resident* or *on-site* property manager, is sufficient to qualify the property management supervisor for assignment to Classification 8740. Table 1 charts the current requirements for Classification 8740.

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<sup>2</sup> The Property Management/Operation Industry Group also includes Classifications 9066, *Homeowners Associations*, and 8741, *Real Estate Agencies*, which are not companion classifications. These classifications are not being reviewed in connection with this study, although any Special Industry Classification Procedures that may be proposed for the Property Management/Operation Industry Group will include these classifications.

**Table 1:  
Qualifying Requirements for 8740 Property Management Supervisors**

	Property management supervisor must be <u>based off-site</u>	AND exercise direction through resident/on-site manager overseeing employees that operate, maintain and care property	OR exercise direction through managers who directly supervise employees engaged in the operation, maintenance and care	OR operation, maintenance and care of property conducted by separate concerns AND no payroll assignable to property operation classification.
8740(1)	X	X		X
8740(2)			X	X
8740(3)	X	X		X
8740(4)	X	X		X
8740(5)	X	X		X
8740(6)	X	X		X

Classifications 8290, *Warehouses – self-storage – all other employees*, 9007, *Apartment or Condominium Complex Operation for Seniors – age restricted – not Congregate Living Facilities or Homeowners Associations*, 9009, *Building Operation – commercial properties – all other employees*, 9010, *Mobile Home Park Operation – all employees*, 9011, *Apartment or Condominium Complex Operation – N.O.C. – not Homeowners Associations*, and 9015(1), *Building Operation – N.O.C. – all other employees*, are the companion classifications that apply to *all other employees*, which are typically employees that perform property operation, maintenance and care activities and to any on-site property managers or resident employees. These classifications also apply to any property management supervisors that fail to meet the requirements of Classification 8740 that corresponds to the property type. Classifications 8290, 9007, 9010 and 9011 also specifically include resident Clerical Office Employees, while 9015(1) does not.

Classification 9015(1) also relates to Classification 5606, *Contractors – construction or erection – executive level supervisors*, with regard to construction job site clean-up, and warranty repairs conducted after construction is complete, where all construction work is performed by licensed subcontractors.<sup>3</sup>

Jurisdictions outside of California classify the operations in the *Property Management/Operation Industry Group* and post-construction warranty repair and job site clean-up operations differently than California. In other jurisdictions, property management/operation is assigned to a single set of companion classifications while post-construction work is assigned to a specific construction classification. The classification procedures for these operations in other jurisdictions are summarized in Appendix II.

The WCIRB also utilized an online survey to gather information about current practices in the *Property Management/Operation* industry. The California Chapter of the National Association of Residential Property Managers (CALNARPM), California Apartment Association (CAA), Building Owners and Managers Association (BOMA), Western Manufactured Housing Communities Association (WMA), Rental Housing Association of California (RHA) and individual employers were asked to participate.

<sup>3</sup> In addition, 9015(1) has a footnote directing that, "Classification 9015(1) also applies to employers that perform a variety of minor property repairs for other concerns on a fee basis for which no contractor's license is required. Such repairs include but are not limited to patching walls, touch up painting, faucet repair, door hardware repair and replacement of electrical switches." The assignment of Classification 9015(1) to such repair operations is outside the scope of this review.

## Analysis and Findings

Each of the major issues reviewed as part of this analysis are summarized in Sections A through G below:

### A. Review of Classification 8740

#### 1. Classification and Statistical Review of Property Management Supervisors

The last comprehensive study of the *Property Management/Operation* industry was performed in 1993. The study recommended the establishment of Classification 8740 for *property management supervisors* and a corresponding companion classification for *all other employees*. The study noted that for self-storage warehouses, managers often lived on-site, and therefore, in the event of any incidents or maintenance needs, the on-site or resident manager would handle such duties. Also, for mobile home parks, apartment and condominium complex operations, the study noted that if maintenance staff was unavailable or non-existent, then resident managers or other resident employees would perform such tasks. Since resident employees potentially have 24-hour exposure, resident managers and resident clerical office employees were assigned to the property classification applicable to *all other employees*.

For commercial properties, in most cases, there are no resident employees. With regard to commercial property management supervisors, separate maintenance crews with maintenance supervisors usually exist or maintenance is subcontracted, and commercial property management supervisors frequently perform over 90% clerical work in a clerical office environment even when based on-site at the property being managed. Therefore, Classification 8740(2), applicable to commercial property management supervisors, was established with no resident restriction or restriction that they be based off-site.

Since then, concerns have been raised regarding the inconsistent on-site and resident employee restrictions that disqualify some property management supervisors from assignment to the lower-rated Classification 8740 even though the employees' job duties may otherwise be consistent with those of a property management supervisor. In particular, property management firms that manage single-family homes, duplexes and triplexes often have employees that perform duties consistent with those of a property management supervisor but do not qualify for Classification 8740(3), *Building Operation – N.O.C. – property management supervisors*, because of the impracticality of having an on-site manager at the properties.<sup>4</sup> Property management firms for mobile home parks and self-storage warehouses typically have property managers that are located on-site or reside on location.<sup>5</sup>

This component of the study reviews the instructions for the administration of the companion classifications applicable to property management operations with emphasis placed on clarifying the criteria under which *property management supervisors* qualify for assignment to Classification 8740.

Staff administered an online survey to gather information from employers in the property management industry. Of the survey respondents, 61.7% (63/102) indicated that they had both on-site/resident and off-site property management supervisors and 20.5% (21/102) that indicated they only had off-site management. Only 8.8% (9/102) of respondents indicated they only had on-site/resident management supervisors and 8.7% (9/102) indicated they had no property management supervisors or failed to respond to the question.

From the group of respondents that had both on-site/resident and off-site property management supervisors (63), 28 respondents indicated that the duties between the two groups of supervisors were the same, while 41 respondents stated that the duties were different. However, when respondents were asked to describe the duties of on-site/resident managers and off-site managers, many of duties were the same – preparing lease agreements, collecting rent, addressing tenant issues and complaints, calling and

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<sup>4</sup> This information is based on discussions with individual employers and the California Chapter of the National Association of Residential Property Managers.

<sup>5</sup> This information is based on discussions with individual employers and the Western Manufactured Housing Communities Association.

contracting with vendors, attending meetings, budget and financial analysis, management of administrative work, and periodic inspection of properties for appearance and to ensure maintenance/repairs were being performed. Only 4 respondents described off-site and on-site property management employees performing actual maintenance work.

Also from the WCIRB online survey, 57.8% (59/102) of participating employers indicated that they employed maintenance workers and 61% (36/59) of participating employers with maintenance workers indicated that these employees were supervised by a maintenance supervisor or foreman. Several respondents to the survey also expressed concern as to property management supervisors being assigned to the *all other employees* property operation classification based on the current Classification 8740 restrictions when they performed no property operation, maintenance or care work.

From the survey data, it appears that the location-based restriction that currently applies to all property management supervisors other than those at commercial properties is not eliminating any significant exposure to property operations as those that are based off-site spend a portion of their time at the managed properties and perform the same types of duties as those property management supervisors that are based on-site. This restriction does not appear to change or limit exposure but instead may be complicating the classification assignment process.

The WCIRB also received input from the California Apartment Association (CAA) and the Western Manufactured Housing Communities Association (WMA). The CAA and WMA expressed support for amending Classification 8740 for clarity and uniformity, but also some of their members requested that the resident employee restriction be removed from Classification 8740. In particular, the WMA noted that the majority of mobile home park management supervisors live on-site. Some CAA members acknowledged that resident employees at residential apartment locations may have increased exposure when compared to nonresident property management supervisors.

The resident employee restriction is a long-standing restriction which recognizes that, in many cases, employees that reside at the property they manage have increased exposures when compared to nonresident employees. Resident employees may experience 24-hour exposure as they would be the first employee contacted in the absence of operation, maintenance and care staff and in the event of any after-hours emergencies. This is beyond the normal scope of duties that have been assigned to Classification 8740 and staff does not find a compelling reason to remove the resident employee restriction. The restriction was established to limit Classification 8740 to employees whose sole purpose is to perform management and supervisory duties with no exposure to property operation, maintenance or care duties.<sup>6</sup>

The WCIRB also reviewed the payroll and losses for Classification 8740 and found that the loss to payroll ratios for inspected employers assigned to Classification 8740(1), *Apartment or Condominium Complex Operation – N.O.C. – property management supervisors*, are higher than those for employers assigned to 8740(2), *Building Operation – commercial properties – property management supervisors*. This is despite the current requirement that apartment or condominium complex management supervisors *must be based off-site* to qualify for assignment to Classification 8740(1) while commercial property management supervisors can qualify for assignment to Classification 8740(2) whether they are based off-site or on-site. It is significant that a property management supervisor that is based off-site is permitted and indeed expected to spend some portion of their time on-site at the managed property. As such, the restriction contained in Classification 8740(1) that the employee be *based off-site* does not appear to necessarily eliminate any exposures that may exist by *being* on-site some portion of the time. Combined with the survey results indicating that in the current Property Management/Operation industry the duties of many property management supervisors based off-site are similar or identical to those based on-site, it does not

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<sup>6</sup> The Insurance Commissioner's precedential decision *In the Matter of the Appeal of Royal T Management, Inc.*, confirmed the assignment of Classification 9011, *Apartment or Condominium Complex Operation – N.O.C. – not Homeowners Associations*, to employees that reside at properties managed by the appellant that were stated to do no work at the properties and to have no risk exposure at the properties related to their work.

appear that the on-site or off-site status of property management supervisors results in a meaningful distinction when comparing Classifications 8740(1) and 8740(2).

The WCIRB found that the data for inspected employers assigned to Classifications 8740(3)-(6) represented a small portion of the employers assigned to Classification 8740 overall and was statistically inconclusive. In addition, large variances exist in the loss to payroll ratios for Classifications 8740(3)-(6) compared to Classifications 8740(1) and (2). The variances are driven by isolated large individual claims, and the relatively small payroll reported in each of these Classification 8740 alternate wordings. These large variances suggest that the data for Classifications 8740(3)-(6) is not statistically credible. The data for Classification 8740 is summarized in Appendix III.

Based on the survey information and analysis of Classification 8740 payroll and losses, the WCIRB recommends amending Classification 8740 to consistently reflect the requirements currently applicable to Classification 8740(2) to allow the assignment of Classification 8740 to property management supervisors exercising direction through maintenance or operations supervisors, or overseeing properties at which all operation, maintenance and care activities are conducted by separate concerns, whether based on-site or off-site. In addition, the WCIRB recommends the *resident employee* restriction remain applicable to Classification 8740 due to the 24-hour exposure of resident employees including resident property management supervisors.

## 2. Classification and Statistical Review of Commercial Property Management Supervisors

In the course of reviewing the payroll and losses for Classification 8740, the WCIRB also examined whether commercial property management supervisors, currently assigned to Classification 8740(2), *Building Operation – commercial properties – property management supervisors*, should be separately classified. Classification 8740(2) comprises most of the payroll assigned to Classification 8740 while having relatively fewer losses compared to the other Classification 8740 alternate wordings. To create a new classification for a group of employers, the industry should (1) represent a distinct and clearly identifiable group of employers, (2) engage in a relatively homogenous set of operations, (3) have exposure to hazards that clearly differ from policyholders assigned to other classifications and (4) be of sufficient size to generate enough data to develop a statistically credible rate. Based on upon a review of operations, WCIRB staff determined that commercial property management supervisors may initially appear to meet these criteria, but notes:

- a. These employers are an identifiable group of employers that manage and oversee the maintenance, care and operation of commercial properties, but only a minor portion of employers currently assigned to Classification 8740(2) manage only commercial properties. The majority of employers currently assigned to Classification 8740(2) manage both commercial and non-commercial properties.
- b. These employers generate revenue from a distinct set of relatively similar operations – management of commercial properties. However, the basic management functions closely resemble or are identical to the management of other types of properties.
- c. These employers are not exposed to significantly different hazards compared to other property management supervisors, and their job duties are similar to and overlap with the duties of property management supervisors assigned to other Classification 8740 alternate wordings.
- d. These employers generate a volume of loss and payroll experience that is only marginally credible.

Although the data showed that commercial property management supervisors develop payroll and loss experience at a significantly different level than the remainder of experience assigned to Classification 8740, its statistical credibility level (approximately 50% to 60%) is relatively low. The above data reflects only the experience of employers that manage only commercial properties; a majority of employers currently assigned to Classification 8740(2) also manage non-commercial properties. Establishing a

separate classification for property management supervisors that exclusively manage commercial properties when a majority of commercial property management firms also manage non-commercial properties may lead to an increased number of audit disputes, statistical volatility within the new classification and the reclassification of commercial property management supervisors when they manage multiple property types. As a result, the WCIRB does not recommend that a new classification be established for commercial property management supervisors.

## **B. Minimum Payroll Limits for Flats, Dwellings or Multiple Dwellings of Four or More Units**

In 1937, a minimum payroll limit of \$1,500 for one location and \$750 for additional locations for flats, apartments or multiple dwellings having four or more units was introduced. Since that time, the limits have only been increased once, to the current minimum payroll limit of \$2,000 for one location and \$1,000 for each additional location. The purpose of the minimum payroll limits when they were created was to ensure the collection of adequate premium to cover workers' compensation claims for property operation employees whose work pertains to more than one location and situations in which insurance carriers had to pay claims where employers stated they had no employees.

The WCIRB spoke with several insurance company audit managers to determine the extent to which they were still applying this provision in their audits and was informed that this provision is generally not being applied and is no longer needed.

The minimum payroll limits in Classifications 9007, *Apartment or Condominium Complex Operation for Seniors – age restricted – not Congregate Living Facilities or Homeowners Associations*, 9011, *Apartment or Condominium Complex Operation – N.O.C. – not Homeowners Associations*, and 9015(1), *Building Operation – N.O.C. – all other employees*, have not been updated in more than twenty years and are no longer needed. As a result, the WCIRB recommends eliminating the minimum payroll limits for flats, apartments or multiple dwellings having four or more units in Classifications 9007, 9011 and 9015(1).

## **C. Mixed-Use Commercial and Residential Properties**

The existing *Property Management/Industry* classifications do not currently address how to classify property management firms that manage mixed-use commercial and residential properties that are becoming increasingly prevalent in California. Mixed-use properties are typically multi-story properties consisting of a commercial space on the bottom floor with apartments, condominiums or living spaces on the floors above. Firms that manage mixed-use properties may or may not lease and manage both the residential and commercial components. In some instances, commercial tenants are responsible not only for rent, but also for maintaining and operating the commercial space. Because no classification specifically describes such properties, there is confusion as to whether employees at such properties should be assigned to the classification applicable to commercial properties (Classification 9009, *Building Operation – commercial properties – all other employees*), residential apartments or condominiums (Classification 9011, *Apartment or Condominium Complex Operation – N.O.C. – not Homeowners Associations*), or *not otherwise classified* properties (Classification 9015(1), *Building Operation – N.O.C. – all other employees*), as they share aspects of each classification. There have been significant differences in the pure premium rates for these classifications from year to year.<sup>7</sup>

In the WCIRB survey of the property management industry, 14 of 102 respondents indicated that they managed and operated mixed-use properties. Of these 14 respondents, 9 indicated that property management supervisors were located off-site; 2 indicated property management supervisors were located on-site; and the remaining 3 employers indicated that both off-site and on-site property management supervisors were used. Respondents stated that their mixed-use property management supervisors manage common areas, meet and manage vendors, receive and schedule maintenance requests, manage tenant relations, inspect properties for habitability and appearance, and collect rent.

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<sup>7</sup> 2016 pure premium rate for Classifications 9009 – \$5.00; 9011 – \$7.11; 9015 – \$7.09.

At most mixed-use properties, the number of residential units exceed the number of commercial spaces. The management of the residential portion of the property closely resembles the residential apartment or condominium complex operations associated with Classification 9011.

The WCIRB recommends that a new alternate wording be established for commercial and residential mixed-use property management operations. These types of properties exist and are a growing phenomenon, but currently are not specifically described in the *Property Management/Operation* Industry Group classifications. Establishing this alternate wording will allow for the experience of these mixed-use properties to be better assessed separately in the future. Specifically, the WCIRB recommends establishing Classifications 9011(2), *Commercial and Residential Mixed-Use Building Operation – not Homeowners Associations – all other employees*, and 8740(7), *Commercial and Residential Mixed-Use Building Operation – not Homeowners Associations – property management supervisors*, to describe the management, operation and supervision of commercial and residential mixed-use properties. As these proposed classifications apply to a subset of commercial use properties, the WCIRB recommends amending the phraseology of Classifications 9009, *Building Operation – commercial properties – all other employees*, and 8740(2), *Building Operation – commercial properties – property management supervisors*, for clarity and to include the designation N.O.C. as they apply to commercial properties that are *not otherwise classified*.

#### **D. Property Management/Operation Special Industry Classification Procedures**

The *Property Management/Operation* Industry Group classifications share characteristics that differentiate them from other classifications and pertain to classification and audit issues such as: the requirements for a property management supervisor to qualify for assignment to Classification 8740; employees that must be assigned to an *all other employees* classification; maintenance and operations crews that may work in connection with different types of properties; and resident employee issues. These classification characteristics have required frequent clarification for employers and insurers and the WCIRB recommends developing *Special Industry Classification Procedures* to provide a clear and organized set of instructions addressing the following common issues.

##### *Property Management Supervisors*

The *Property Management/Operation* Industry Group includes six<sup>8</sup> pairs of companion classifications, each consisting of one narrowly described, restricted classification applicable only to specifically qualified *property management supervisors* (Classification 8740), and related classifications that broadly apply to *all other employees*.<sup>9</sup> Property management supervisors employed by homeowners associations are not classified as 8740 but are included in Classification 9066, *Homeowners Associations – not Building Operation*, and this will be specified in the *Special Industry Classification Procedures*.

Employees must meet certain common criteria in order to qualify for the property management supervisor classification: they must be a non-residing employee that either exercises direction through maintenance or operations supervisors or foremen, or oversee properties at which all operations, maintenance and care activities are conducted by separate concerns. Employees failing to meet either of these requirements shall be classified to the applicable *all other employees* classification to which their work pertains.

##### *All Other Employees*

There is currently confusion regarding which employees must be assigned to the *all other employees* classifications. For example, a common misunderstanding is that only employees performing physical labor such as maintenance operations are assignable to an *all other employees* classification. However, each *all other employees* classification applies broadly to any *Property Management/Operation*

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<sup>8</sup> If changes proposed in this study are adopted there will be seven pairs of companion classifications.

<sup>9</sup> The *Property Management/Operation* classifications currently applicable to *all other employees* are 8290, 9007, 9009, 9010, 9011 and 9015(1).

employees that do not meet the qualifications for assignment to a *property management supervisors* classification, are not engaged exclusively in leasing operations, and are not a Standard Exception employee. While maintenance employees are assignable to the applicable *all other employees* classification, an *all other employees* classification does not equate to “the maintenance class.” Payroll cannot be divided between an *all other employees* classification and a property management supervisor classification.

#### *Maintenance, Operation or Care for Different Property Types*

Property management firms may manage different types of properties maintained and operated by a common crew of workers. The payrolls of these employees that may interchange between separately classifiable operations are reportable under the applicable *Property Management/Operation* Industry Group classification with the highest pure premium rate unless the payrolls are segregated by classification in accordance with the USRP, Part 3, Section V, Rule 3, *Division of Single Employee’s Payroll*.

#### *Resident Employees*

The term “resident” is currently undefined but refers to any employee who resides at a property managed by the employer. A *resident employee* shall be assigned to the applicable *all other employees Property Management/Operation* Industry Group classification without regard to the duties performed by the employee. Such employees experience 24-hour exposure to property management operations as they live on-site and would be the first employee contacted in the absence of maintenance, operation and care staff and in the event of any emergencies. This is beyond the scope of duties included in Classification 8740. Because an employee’s status as a *resident employee* can be determinative for classification purposes the term *resident employee* should be defined.

#### *Leasing Agents*

As a result of a 2013 classification study, non-residing employees of property management firms engaged exclusively in the rental or leasing of property to clients who have no other duties of any kind in the service of the employer except clerical office work are separately classified as 8741, *Real Estate Agencies*, provided separate employees are retained to manage the property. While the assignment of leasing agents is currently addressed in the footnotes of select *Property Management/Operation* Industry Group classifications, addressing the issue as a Special Industry Classification Procedure will provide clear instructions regarding the assignment of leasing agents throughout the *Property Management/Operation* industry.

#### *Real Estate Agencies*

When a real estate agency also retains employees engaged in the operation or management of rental property, such employees shall be separately classified to a *Property Management/Operation* Industry Group classification as a property management supervisor if so qualified or the appropriate *Property Management/Operation* Industry Group classification that has the phrase *all other employees*, depending on the type of property being managed or operated. While this classification procedure is currently addressed in a footnote to Classification 8741, *Real Estate Agencies*, addressing the issue as a Special Industry Classification Procedure will provide clear instructions regarding the assignment of real estate agencies with additional property management/operation employees throughout the *Property Management/Operation* Industry Group.

#### *Homeowners Associations*

There currently is confusion whether homeowners associations are considered property management firms and whether they can qualify for assignment to Classification 8740 when all maintenance and care work is performed by separate concerns. Homeowners associations are not property management firms, but instead are legal entities with a board of directors elected from the membership of property owners for the specific purpose of operating the common areas of the premises owned by association members. Although they manage and operate properties, they are not property management firms, and therefore they are not eligible for Classification 8740.

### E. Market Value of Lodging

During the course of this study, the WCIRB noted that some of the *Property Management/Operation* Industry Group classifications state when the employer provides lodging, the total remuneration shall include the market value of such lodging to the employee. The term “market value” is not defined in the USRP, however, the WCIRB has consistently defined *market value* as the cost to rent similar lodging in the open market minus any paid rent by the resident employee.

The WCIRB recommends adding a definition of the term *market value* to Part 3, Section V, *Payroll – Remuneration*, Rule 1(b), *Meals and Lodging*, in order to ensure clarity and consistency in the application of this term.

### F. Construction Job Site Clean-up and Post-Construction Warranty Repair

Construction job site clean-up and warranty repair operations conducted after construction is complete at the job site are currently assigned to Classification 9015(1), *Building Operation – N.O.C. – all other employees*, based on a footnote in Classification 5606, *Contractors – construction or erection – executive level supervisors*. These operations historically had not been sufficiently credible to support a unique classification and are considered to be similar to many of the general maintenance operations associated with property management employees assigned to Classification 9015(1).

Construction job site clean-up and post-construction warranty repair, however, only occur after construction has been completed by licensed subcontractors with no payroll assigned to any other classification other than Classification 5606. Construction and property management are two separate industries that are subject to different classification procedures.

The WCIRB reviewed payroll and loss data of employers assigned to Classifications 9015(1) and 5606 with no additional construction or property management classifications assigned. Table 2 presents Classification Relativity data for Classification 9015 overall. Table 3 presents Classification Relativity data for Classification 9015 for employers with payroll assigned only to Classifications 9015(1) and 5606. Table 4 presents Classification Relativity data for Classification 9015 excluding the experience of employers assigned to Classifications 9015(1) and 5606. Table 5 compares average weekly wage and injury data for employers with payroll assigned to both Classifications 9015(1) and 5606 against all employers classified as 9015. Table 6 presents the impact analysis that establishing a unique classification for construction job site clean-up and post-construction warranty repair would have on the Classification Relativity for Classification 9015.

**Table 2:  
Classification 9015(1)  
Loss to Payroll Ratio at Policy Year 2015 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2008	995,597,830	34,100,978	3.425
2009	923,984,076	29,947,501	3.241
2010	779,081,728	29,819,127	3.827
2011	717,174,315	29,378,392	4.096
2012	790,344,708	27,840,732	3.523
	1,507,519,023	57,219,124	3.796

**Table 3:  
Classification 9015(1) when Assigned with Classification 5606  
Loss to Payroll Ratio at Policy Year 2015 Level**

Year	Number of Employers	Payroll	Losses	Loss to Payroll Ratio
2008	296	128,915,538	2,990,124	2.319
2009	303	112,172,146	2,364,153	2.108
2010	318	108,856,712	1,748,954	1.607
2011	335	97,601,448	3,212,928	3.292
2012	363	122,293,791	2,757,949	2.255
		569,839,635	13,074,107	2.294

Credibility	
Indemnity	Medical
1.00	0.95

**Table 4:  
Comparison of Average Weekly Wage  
Classification 9015(1) when Assigned with Classification 5606 v. Classification 9015  
Overall at Policy Year 2015 Level**

Classification 9015 Assigned with 5606	Average Weekly Wage	Claim Total
	739	649

  

Classification 9015	Average Weekly Wage	Claim Total
	585	8,243

**Table 5:  
Classification 9015 without Classification 9015(1) when Assigned with Classification 5606  
Loss to Payroll Ratio**

Year	Payroll	Losses	Loss to Payroll Ratio
2008	866,682,292	31,086,937	3.587
2009	811,811,930	27,458,346	3.382
2010	670,225,016	27,899,062	4.163
2011	619,572,867	26,163,873	4.223
2012	668,050,917	25,081,444	3.754
	1,287,623,784	51,245,316	3.980 <sup>10</sup>

**Table 6:  
Comparison of All Classification 9015 to Classification 9015(1)  
when Assigned with Classification 5606  
Indicated Classification Relativity**

All Classification 9015	9015(1) when Assigned with 5606	Difference
5.290	4.374	-0.916 (-17.3%)

All Classification 9015	Residual of Classification 9015	Difference
5.290	5.553	+0.263 (+4.97%)

The above data supports the finding that employers that perform construction job site clean-up and post-construction warranty repair develop sufficient payroll and loss experience to generate a statistically credible pure premium rate that differs significantly from that for Classification 9015. These construction industry operations are sufficiently different from Classification 9015 as evidenced by a lower loss to payroll ratio as well as higher weekly wages of injured workers. In addition, the data above shows that a separate classification for construction job site clean-up and post-construction warranty repair is statistically credible and is significantly different from the experience of all remaining employers assignable to Classification 9015.

As a result, the WCIRB recommends that Classification 5610, *Contractors – construction or erection – all other employees*, be established for construction job site clean-up and post-construction warranty repair where all construction work is performed by licensed subcontractors and to direct how related operations shall be classified. In addition, the WCIRB recommends amending the *Special Industry Classification Procedures* for Construction or Erection Work to direct how to classify the operations at a job or location that are limited to minor property repairs for other concerns on a fee basis for which no contractor's license is required.

<sup>10</sup> Classification 9015 remains fully credible after removing the data for employers assigned to Classification 9015(1) and 5606.

## G. Homeowners Associations

Homeowners associations are comprised of property owners that form a legal entity with a board of directors elected from the membership for the specific purpose of operating and maintaining the common areas of premises owned collectively by association members. Homeowners associations perform, or contract with separate concerns to perform, property operations including but not limited to the maintenance of common grounds, operation of swimming pools, tennis courts, saunas, weight rooms and recreational clubhouse facilities, and functions performed by security personnel.

Homeowners associations are assigned to Classification 9066, *Homeowners Associations*, and are not eligible for assignment to Classification 8740. The WCIRB recommends enhancing the classification description of Classification 9066 for clarity and to provide direction as to how related operations are classified.

### Summary of Recommendations

The WCIRB recommends the following:

1. Provide clarity and uniformity in the application of Classification 8740 by aligning all qualifying requirements for nonresident property management supervisors with the existing requirements applicable to commercial property management supervisors; maintain the resident employee restriction in Classification 8740, and do not establish a separate classification for commercial property management supervisors at this time.
2. Eliminate the minimum payroll requirements for Classifications 9007, *Apartment or Condominium Complex Operation for Seniors – age restricted – not Congregate Living Facilities or Homeowners Associations*, 9011, *Apartment or Condominium Complex Operation – N.O.C. – not Homeowners Associations*, and 9015(1), *Building Operation – N.O.C. – all other employees*.
3. Establish Classifications 9011(2), *Commercial and Residential Mixed-Use Building Operation – not Homeowners Associations – all other employees*, and 8740(7), *Commercial and Residential Mixed-Use Building Operation – property management supervisors*, to describe the management, operation and supervision of commercial and residential mixed-use properties. Amend Classifications 9009, *Building Operation – commercial properties – all other employees*, and 8740(2), *Building Operation – commercial properties – property management supervisors*, for clarity.
4. Establish *Special Industry Classification Procedures* for the Property Management/Operation industry within the USRP that provide guidance on the common characteristics particular to the industry.
5. Establish a definition of the term “market value” in Part 3, Section V, *Payroll – Remuneration*, Rule 1, *Payroll – Remuneration*, Subrule (b), *Meals and Lodging*.
6. Establish Classification 5610 to apply to all employees other than executive level supervisors that have been classified as 5606, *Contractors – construction or erection*, on jobs where the employer subcontracts all operations to licensed subcontractors, amend Classification 5606, *Contractors – construction or erection – executive level supervisors*, for consistency and amend the *Special Industry Classification Procedures* for Construction and Erection Work to direct how certain operations shall be classified.
7. Amend Classification 9066, *Homeowners Associations*, for clarity and to provide direction as to how related operations are classified.

## **Recommendation**

Add Section IV, *Special Industry Classification Procedures*, Rule 9, *Property Management/Operation*, for clarity and consistency.

## PROPOSED

### **Section IV – Special Industry Classification Procedures**

#### **9. Property Management/Operation**

Property management firms engage in managing their own real property or properties owned by others. The *Property Management/Operation* Industry Group includes seven pairs of companion classifications. Each pair of companion classifications consists of one narrowly described, restricted classification applicable only to *property management supervisors*, and a related classification that broadly applies to *all other employees*.

##### a. Property Management Supervisors

Property management supervisors are nonresident employees that perform a variety of duties, including but not limited to processing rental applications, interviewing rental applicants, collecting rent, performing tenant relations, hiring and managing vendors and subcontractors, managing maintenance, care and operations employees, performing inspections of the property for appearance and habitability and other administrative tasks if necessary.

Except for employees of Homeowners Associations, property management supervisors who exercise direction through maintenance or operations supervisors or foremen or oversee properties at which all operation, maintenance and care activities are conducted by separate concerns shall be assigned to a *Property Management/Operation* Industry Group classification that includes the designation *property management supervisors*, based on the type of property being managed or operated. *Property Management/Operation* Industry Group classifications that includes the designation *property management supervisors* are as follows: 8740(1), *Apartment or Condominium Complex Operation – N.O.C. – not Homeowners Associations – property management supervisors*; 8740(2), *Commercial Properties – N.O.C. – property management supervisors*; 8740(3), *Building Operation – N.O.C. – property management supervisors*; 8740(4), *Mobile Home Park Operation – property management supervisors*, 8740(5), *Warehouses – self-storage – property management supervisors*, 8740(6), *Apartment or Condominium Complex Operation for Seniors – age-restricted – not Congregate Living Facilities or Homeowners Associations – property management supervisors*, and 8740(7), *Commercial and Residential Mixed-Use Building Operation – not Homeowners Associations – property management supervisors*.

##### b. All Other Employees

Except as otherwise specified, all other property management and operations employees, including but not limited to maintenance, security, grounds keeping, resident employees, and property management supervisors that do not meet the requirements and limitations for assignment to one of the property management supervisors classifications shall be assigned to a *Property Management/Operation* Industry Group classification that includes the phrase *all other employees* based on the type of property being managed or operated. *Property Management/Operation* Industry Group classifications that include the phrase *all other employees* are as follows: 8290, *Warehouses – self-storage – all other employees*, 9007, *Apartment or Condominium Complex Operation for Seniors – age restricted – not Congregate Living Facilities or Homeowners Associations – all other employees*, 9009, *Commercial Properties – N.O.C. – all other employees*, 9010, *Mobile Home Park Operation – all other employees*, 9011(1), *Apartment or Condominium Complex Operation – N.O.C. – not Home-*

owners Associations – all other employees, 9011(2), Commercial and Residential Mixed-Use Building Operation – not Homeowners Associations – all other employees, and 9015(1), Building Operation – N.O.C. – all other employees.

c. Division of Payroll between Property Management/Operation Classifications

For property management firms engaged in maintenance, operation and care of different types of properties, the payrolls of those employees who interchange between separately classifiable operations shall be reported under the classification carrying the highest pure premium rate, unless the payroll of such employees is segregated by classification in accordance with the Uniform Statistical Reporting Plan, Part 3, Section V, Rule 3, *Division of Single Employee's Payroll*.

It is not permissible to divide a single employee's payroll between Classification 8740 and any other Property Management/Operation classification.

It is not permissible to divide a single employee's payroll between Classification 8741, *Real Estate Agencies*, and any other Property Management/Operation classification.

d. Residing or Resident Employees

Any employee who resides at any property managed by the employer shall be classified to the appropriate *Property Management/Operation* Industry Group classification that includes the phrase *all other employees* based on the type of property being managed or operated without regard to the duties performed by such employee. "Resident" shall refer to any employee who resides at a property managed by the employer.

e. Leasing Agents

Non-residing employees of property management firms who are engaged exclusively in the rental or leasing of property to clients and who have no other duties of any kind in the service of the employer except clerical office work shall be separately classified as 8741, *Real Estate Agencies*, provided separate property managers are retained to manage the property.

f. Real Estate Agencies

Employees of real estate agencies who are engaged in the operation or management of rental property shall be separately classified to a *Property Management/Operation* Industry Group classification as property management supervisors if so qualified, or to a *Property Management/Operation* Industry Group classification that includes the phrase *all other employees*, based on the type of property being managed or operated.

g. Homeowners Associations

Homeowners associations are comprised of property owners that form a legal entity with a board of directors elected from the membership for the specific purpose of operating and maintaining the common areas of the premises owned by association members. Homeowners associations perform or contract with separate concerns to perform property operations, including but not limited to the maintenance of common grounds, operation of swimming pools, tennis courts, saunas, weight rooms and recreational clubhouse facilities and functions performed by security personnel. Homeowners associations shall be classified as 9066, *Homeowners Associations*, and are not eligible for assignment to Classification 8740.

\* \* \* \* \*

**Recommendation**

Amend Section IV, *Special Industry Classification Procedures*, Rule 2, *Construction or Erection Work*, to specify the classification assignment procedure for operations at a job or location that are limited to minor property repairs for other concerns on a fee basis for which no contractor’s license is required.

PROPOSED

**Section IV – Special Industry Classification Procedures**

**2. Construction or Erection Work**

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When the operations at a job or location are limited to minor property repairs for other concerns on a fee basis for which no contractor’s license is required, such operations shall be classified as 9015(1), *Building Operation*. Such repairs include but are not limited to patching walls, touch-up painting, faucet repair, door hardware repair and replacement of electrical switches.

In addition, the remuneration of employees assigned to construction and erection classifications is subject to the following:

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\* \* \* \* \*

**Recommendation**

Amend Section V, *Payroll – Remuneration*, Rule 1, *Payroll – Remuneration*, to define the term “market value” regarding lodging value that must be included as reported payroll.

PROPOSED

**Section V – Payroll – Remuneration**

**1. Payroll – Remuneration**

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b. Meals and Lodging

The value of meals or lodging provided to an employee shall not be included in the payroll unless:

- (1) the special industry classification procedures or the classification phraseology specifically prescribe otherwise,

- (2) the employee's wages are reduced by an amount equal to the value of such meals or lodging, or
- (3) the meals or lodging are provided expressly in lieu of wages.

When the value of lodging is included in the payroll based on the preceding requirements, the total market value of such lodging to the employee is included. "Market value" is the cost to rent similar lodging in the open market minus any rent paid by the employee. The market value shall not be reduced based on partial business use of the housing unit, the tax value of lodging, the rent control value or similar reasons. For hotel and motel lodging, market value is the cost to rent a comparable apartment unit in the local open market, not the nightly room rate paid by hotel or motel customers.

\* \* \* \* \*

**Recommendation**

Add a reference to the *Property Management/Operation* Industry Group to refer to Section IV, *Special Industry Classification Procedures*, Rule 9, *Property Management/Operation*.

PROPOSED

**PROPERTY MANAGEMENT/OPERATION**

Refer to Section IV, *Special Industry Classification Procedures*, Rule 9, *Property Management/Operation*.

\* \* \* \* \*

**Recommendation**

Amend Classification 9011, *Apartment or Condominium Complex Operation – N.O.C. – not Homeowners Associations*, which is part of the *Property Management/Operation* Industry Group, to remove the minimum payroll requirements, clarify its intended application and provide direction as to how related operations shall be classified.

PROPOSED

**PROPERTY MANAGEMENT/OPERATION**

**APARTMENT OR CONDOMINIUM COMPLEX OPERATION – N.O.C. – not Homeowners Associations – all other employees – including ~~on-site managers~~, resident employees and resident Clerical Office Employees** 9011(1)

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

**~~Flats, apartments, or multiple dwellings having four or more units are subject to a minimum payroll of \$2,000 per annum for one location and to a minimum of \$1,000 for each~~**

**~~additional location covered by the same policy.~~**

This classification applies to employers engaged in the management and operation of residential apartment or condominium complexes comprised of one or more multi-unit buildings with four or more units per building. ~~Such employers may own the property or may be contracted by the property owner or homeowners association to provide management operations.~~ This classification includes property managers engaged in the direct supervision of employees engaged in the operation, maintenance and care of properties. Such operations include but are not limited to cleaning and maintaining lobbies and common areas, maintaining ventilation and heating systems, changing door locks and directories, interior remodeling, exterior landscape maintenance, swimming pool maintenance, security and the operation of parking facilities.

~~On-site property managers are those employees whose base of operations is at any property location that they are employed to manage. The term "resident" shall refer to any employee who resides at a property managed by the employer.~~

Also refer to companion Classification 8740(1), *Apartment or Condominium Complex Operation – N.O.C. – not Homeowners Associations – property management supervisors* ~~– not resident or on-site managers or supervisors~~. Classification 8740(1) applies to ~~off-site~~ property management supervisors who exercise direction through ~~resident or on-site apartment or condominium complex managers~~ maintenance or operations supervisors who directly supervise employees engaged in the operation, maintenance and care of properties. Classification 8740(1) also applies to ~~off-site~~ non-residing property management supervisors who oversee apartment or condominium complexes at which all operation, maintenance and care activities are conducted by separate concerns and no payroll is assignable to 9011(1), ~~Apartment or Condominium Complex Operation~~. Property managers not meeting the above conditions shall be classified as 9011(1).

Non-residing employees engaged exclusively in the rental or leasing of property to clients and who have no other duties of any kind in the service of the employer except clerical office work shall be separately classified as 8741, *Real Estate Agencies*, provided separate employees are retained to manage the property.

New construction, alteration or demolition work shall be separately classified.

The preparation or serving of hot foods shall be separately classified as 9079(1), *Restaurants or Taverns*.

The management and operation of individual apartment or condominium units (not apartment or condominium complexes), single-family residences, duplexes, triplexes and other residential properties consisting of not more than three units at each location shall be classified as 9015(1), *Building Operation – N.O.C. – all other employees*.

The management and operation of properties, including but not limited to residential homes and apartment or condominium complexes, by homeowners associations shall be classified as 9066, *Homeowners Associations*.

~~New construction, alteration or demolition work shall be separately classified.~~

~~The preparation or serving of hot foods shall be separately classified as 9079(1), *Restaurants or Taverns*.~~

\* \* \* \* \*

**Recommendation**

Amend Classification 8740(1), *Apartment or Condominium Complex Operation – N.O.C. – property management supervisors*, which is part of the *Property Management/Operation* Industry Group, to be consistent with the existing requirements for Classification 8740(2), *Building Operation – commercial properties – property management supervisors*, clarify its intended application and provide direction as to how related operations shall be classified.

PROPOSED

**PROPERTY MANAGEMENT/OPERATION**

**APARTMENT OR CONDOMINIUM COMPLEX OPERATION – N.O.C. – not Homeowners 8740(1)**

**Associations – property management supervisors – not resident or on-site managers or supervisors**

This classification applies to ~~off-site~~non-residing apartment or condominium complex property management supervisors who exercise direction through ~~resident or on-site apartment or condominium complex managers~~maintenance or operations supervisors who directly supervise employees engaged in the operation, maintenance and care of residential apartment or condominium complexes comprised of one or more multi-unit buildings with four or more units per building. This classification also applies to ~~off-site~~non-residing property management supervisors who oversee such apartment or condominium complexes at which all operation, maintenance and care activities are conducted by separate concerns and no payroll is assignable to 9011(1), *Apartment or Condominium Complex Operation – N.O.C. – not Homeowners Associations – all other employees*.

~~Off-site property management supervisors are those employees who do not work at or from the properties being managed. Such employees are based at and work from remote office locations and periodically travel to the property to perform supervisory and/or administrative duties.~~

Apartment or condominium complex property management supervisors not meeting the above conditions shall be classified as 9011(1), *Apartment or Condominium Complex Operation – N.O.C. – not Homeowners Associations – all other employees*.

Also refer to companion Classification 9011(1), *Apartment or Condominium Complex Operation – N.O.C. – not Homeowners Associations – all other employees*.

\* \* \* \* \*

## Recommendation

Amend Classification 9007, *Apartment or Condominium Complex Operation for Seniors – age restricted not Congregate Living Facilities or Homeowners Associations*, which is part of the *Property Management/Operation* Industry Group, to clarify its intended application and provide direction as to how related operations shall be classified.

## PROPOSED

### PROPERTY MANAGEMENT/OPERATION

**APARTMENT OR CONDOMINIUM COMPLEX OPERATION FOR SENIORS – age restricted – not 9007  
Congregate Living Facilities or Homeowners Associations – all other employees – includ-  
ing ~~on-site managers~~, resident employees and resident Clerical Office Employees**

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

**~~Flats, apartments, or multiple dwellings having four or more units are subject to a minimum payroll of \$2,000 per annum for one location and to a minimum of \$1,000 for each additional location covered by the same policy.~~**

This classification applies to employers engaged in the management and operation of apartment or condominium complexes comprised of one or more multi-unit buildings with four or more units per building that, in compliance with State or Federal housing laws, restrict tenancy to persons who have reached a minimum age (typically either 55 or 62 depending on the type of facility). ~~Such employers may own the property or may be contracted by the property owner or homeowners association to provide management operations.~~ This classification includes property managers engaged in the direct supervision of employees engaged in the operation, maintenance and care of properties. Such operations include but are not limited to cleaning and maintaining lobbies and common areas, maintaining ventilation and heating systems, changing door locks and directories, interior remodeling, exterior landscape maintenance, swimming pool maintenance, security and the operation of parking facilities.

~~On-site managers are those employees whose base of operations is at any property location that they are employed to manage. The term "resident" shall refer to any employee who resides at a property managed by the employer.~~

Also refer to companion Classification 8740(6), *Apartment or Condominium Complex Operation for Seniors – age-restricted – not Congregate Living Facilities or Homeowners Associations – property management supervisors* ~~—not resident or on-site managers or supervisors~~. Classification 8740(6) applies to ~~off-site~~non-residing property management supervisors who exercise direction through ~~resident or on-site apartment or condominium complex managers~~maintenance or operations supervisors who directly supervise employees engaged in the operation, maintenance and care of properties. Classification 8740(6) also applies to ~~off-site~~non-residing property management supervisors who oversee such apartment or condominium complexes for seniors at which all operation, maintenance and care activities are conducted by separate concerns and no payroll is assignable to 9007, ~~Apartment or Condominium Complex Operation for Seniors~~. Property managers not meeting the above conditions shall be classified as 9007.

Non-residing employees engaged exclusively in the rental or leasing of property to clients and who have no other duties of any kind in the service of the employer except clerical office work shall be separately classified as 8741, *Real Estate Agencies*, provided separate employees are retained to manage the property.

New construction, alteration or demolition work shall be separately classified.

The preparation or serving of hot foods shall be separately classified as 9079(1), *Restaurants or Taverns*.

Those 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 shall be classified as 8851, *Congregate Living Facilities for the Elderly*.

The management and operation of individual apartment or condominium units (not apartment or condominium complexes), single-family residences, duplexes, triplexes and other multi-unit residential properties consisting of not more than three units per building shall be classified as 9015(1), *Building Operation – N.O.C. – all other employees*.

\* \* \* \* \*

**Recommendation**

Amend Classification 8740(6), *Apartment or Condominium Complex Operation for Seniors – age restricted – property management supervisors*, which is part of the *Property Management/Operation Industry Group*, to be consistent with the existing requirements for Classification 8740(2), *Building Operation – commercial properties – property management supervisors*, clarify its intended application and provide direction as to how related operations shall be classified.

PROPOSED

**PROPERTY MANAGEMENT/OPERATION**

**APARTMENT OR CONDOMINIUM COMPLEX OPERATION FOR SENIORS – age restricted – not 8740(6)  
Congregate Living Facilities or Homeowners Associations – property management supervisors – not resident or on-site managers or supervisors**

This classification applies to ~~off-site~~ non-residing property management supervisors engaged in the management and operation of apartment or condominium complexes comprised of one or more multi-unit buildings with four or more units per building that, in compliance with State or Federal housing laws, restrict tenancy to persons who have reached a minimum age (typically either 55 or 62 depending on the type of facility), who exercise direction through resident or on-site apartment or condominium complex managers, maintenance or operations supervisors who directly supervise employees engaged in the operation, maintenance and care of apartment or condominium complexes for seniors. This classification also applies to ~~off-site~~ non-residing property management supervisors who oversee such apartment or condominium complexes for seniors at which all operation, maintenance and care activities are conducted by separate concerns and no payroll is assignable to 9007, *Apartment or Condominium Complex Operation for Seniors – age restricted – not Congregate Living Facilities or Homeowners Associations – all other employees*.

~~Off-site property management supervisors are those employees who do not work at or from the properties being managed. Such employees are based at and work from remote office locations and periodically travel to the property to perform supervisory and/or administrative duties.~~

Apartment or condominium complex for seniors property management supervisors not meeting the above conditions shall be classified as 9007, *Apartment or Condominium Complex Operation for Seniors – age restricted – not Congregate Living Facilities or Homeowners Associations – all other employees*.

Also refer to companion Classification 9007, *Apartment or Condominium Complex Operation for Seniors – age restricted – not Congregate Living Facilities or Homeowners Associations – all other employees*.

\* \* \* \* \*

**Recommendation**

Amend Classification 9009, *Building Operation – commercial properties – all other employees*, which is part of the *Property Management/Operation* Industry Group, to include the N.O.C. (not otherwise classified) designation, clarify its intended application and provide direction as to how related operations shall be classified.

PROPOSED

**PROPERTY MANAGEMENT/OPERATION**

**~~BUILDING OPERATION – COMMERCIAL PROPERTIES – N.O.C. – all other employees~~**

**9009**

This classification applies to employers engaged in the management and operation of commercial properties, including but not limited to office buildings, office complexes, shopping malls and centers, and industrial buildings. ~~Such firms may own the property or may be contracted by the property owner to provide management operations.~~ This classification includes property managers engaged in the direct supervision of employees engaged in the operation, maintenance and care of properties. Such operations include, but are not limited to cleaning and maintaining restrooms, lobbies and common areas, maintaining ventilation and heating systems, changing door locks and office directories, interior remodeling, exterior landscape maintenance, security and the operation of parking facilities.

Also refer to companion Classification 8740(2), ~~*Building Operation – Commercial Properties – N.O.C. – property management supervisors*~~. Classification 8740(2) applies to property management supervisors who exercise direction through ~~managers~~ maintenance or operations supervisors who directly supervise employees engaged in the operation, maintenance and care of properties. Classification 8740(2) also applies to non-residing property management supervisors who oversee commercial properties at which all operation, maintenance and care activities are conducted by separate concerns and no payroll is assignable to 9009, ~~*Building Operation – commercial properties*~~. Property managers not meeting the above conditions shall be classified as 9009.

Non-residing ~~E~~employees engaged exclusively in the rental or leasing of property to clients and who have no other duties of any kind in the service of the employer except clerical office work shall be separately classified as 8741, *Real Estate Agencies*, provided separate employees are retained to manage the property.

New construction, alteration or demolition work shall be separately classified.

The preparation or serving of hot foods shall be separately classified as 9079(1), *Restaurants or Taverns*.

The management and operation of combined commercial and residential mixed-use buildings shall be classified as 9011(2), *Commercial and Residential Mixed-Use Building Operation – not Homeowners Associations – all other employees*.

\* \* \* \* \*

**Recommendation**

Amend Classification 8740(2), *Building Operation – commercial properties – property management supervisors*, which is part of the *Property Management/Operation* Industry Group, to include the N.O.C. (not otherwise classified) designation, clarify its intended application and provide direction as to how related operations shall be classified.

PROPOSED

**PROPERTY MANAGEMENT/OPERATION**

**~~BUILDING OPERATION – COMMERCIAL PROPERTIES – N.O.C.~~ – property management supervisors 8740(2)**

This classification applies to non-residing commercial property management supervisors who exercise direction through ~~managers~~ maintenance or operations supervisors who directly supervise employees engaged in the operation, maintenance and care of commercial properties, including but not limited to office buildings, office complexes, shopping malls and centers, and industrial buildings. This classification also applies to non-residing property management supervisors who oversee commercial properties at which all operation, maintenance and care activities are conducted by separate concerns. Property managers not meeting the above conditions shall be classified as 9009, ~~*Building Operation – Commercial Properties – N.O.C.*~~ – *all other employees*.

Commercial property management supervisors not meeting the above conditions shall be classified as 9009, *Commercial Properties – N.O.C. – all other employees*.

Also refer to companion Classification 9009, ~~*Building Operation – Commercial Properties – N.O.C.*~~ – *all other employees*.

Property management supervisors of combined commercial and residential mixed-use buildings shall be classified as 8740(7), *Commercial and Residential Mixed-Use Building Operation – not Homeowners Associations – property management supervisors*.

\* \* \* \* \*

**Recommendation**

Amend Classification 9015(1), *Building Operation – N.O.C. – all other employees*, which is part of the *Property Management/Operation* Industry Group, to remove the minimum payroll requirements, remove the assignment of job site clean-up and post-construction warranty repair work when performed by employers who subcontract all construction operations, clarify its intended application and provide direction as to how related operations shall be classified.

PROPOSED

**PROPERTY MANAGEMENT/OPERATION**

**BUILDING OPERATION – N.O.C. – all other employees – including resident ~~or on-site~~ manager employees** **9015(1)**

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

**~~Flats, apartments, or multiple dwellings having four or more units are subject to a minimum payroll of \$2,000 per annum for one location and to a minimum of \$1,000 for each additional location covered by the same policy.~~**

This classification applies to the management or operation of properties such as ~~family residences, including but not limited to duplexes and triplexes,~~ individual apartment or condominium units (not apartment or condominium complexes), single-family residences, duplexes, triplexes, and other multi-unit residential properties consisting of not more than three units per building, undeveloped land, recreational vehicle parks and campgrounds that are not described by another *Property Management/Operation* classification. ~~Such employers may own the property or may be contracted by the property owner or homeowners association to provide management operations.~~ This classification includes property managers engaged in the direct supervision of employees engaged in the operation, maintenance and care of properties. Such operations include but are not limited to cleaning and maintaining property grounds and structures, maintaining ventilation and heating systems, changing door locks and directories, interior remodeling, exterior landscape maintenance, swimming pool maintenance, restroom maintenance, security and the operation of parking facilities.

~~Resident or on-site managers are those employees whose base of operations is at any property location that they are employed to manage.~~

Also refer to companion Classification 8740(3), *Building Operation – N.O.C. – property management supervisors*. Classification 8740(3) applies to ~~off-site non-residing~~ property management supervisors who exercise direction through ~~resident or on-site property managers~~ maintenance or operations supervisors who directly supervise employees engaged in the operation, maintenance and care of properties. Classification 8740(3) also applies to ~~off-site non-residing~~ property management supervisors who oversee properties at which all operation, maintenance and care activities are conducted by separate concerns and no payroll is assignable to 9015(1), ~~*Building Operation – N.O.C. – all other employees*~~. Property managers not meeting the above conditions shall be classified as 9015(1).

~~Employees engaged exclusively in the rental or leasing of property to clients and have no other duties of any kind in the service of the employer except clerical office work shall be separately classified as 8741, *Real Estate Agencies*, provided separate employees are retained to manage the property.~~

Classification 9015(1) also applies to employers that perform a variety of minor property repairs for other concerns on a fee basis for which no contractor’s license is required. Such repairs include but are not limited to patching walls, touch-up painting, faucet repair, door hardware repair and replacement of electrical switches.

Non-residing employees engaged exclusively in the rental or leasing of property to clients and who have no other duties of any kind in the service of the employer except clerical office work shall be separately classified as 8741, Real Estate Agencies, provided separate employees are retained to manage the property.

New construction, alteration or demolition work shall be separately classified.

~~For construction or erection employers that subcontract all construction operations to licensed subcontractors, this classification applies to employees engaged in job site cleanup and warranty repair conducted after construction is completed.~~

The preparation or serving of hot foods shall be separately classified as 9079(1), *Restaurants or Taverns*.

\* \* \* \* \*

**Recommendation**

Amend Classification 8740(3), *Building Operation – N.O.C. – property management supervisors*, which is part of the *Property Management/Operation* Industry Group, to be consistent with the existing requirements for Classification 8740(2), *Building Operation – commercial properties – property management supervisors*, clarify its intended application and provide direction as to how related operations shall be classified.

PROPOSED

**PROPERTY MANAGEMENT/OPERATION**

**BUILDING OPERATION – N.O.C. – property management supervisors – not resident or on-site managers or supervisors 8740(3)**

This classification applies to ~~off-site~~non-residing property management supervisors who exercise direction through ~~resident or on-site property managers~~maintenance or operations supervisors who directly supervise employees engaged in the operation, maintenance and care of such properties. This classification also applies to ~~off-site~~non-residing property management supervisors who oversee properties at which all operation, maintenance and care activities are conducted by separate concerns and no payroll is assignable to 9015(1), *Building Operation – N.O.C. – all other employees*.

Off-site pProperty management supervisors are those employees who do not work at or from the properties being managed. Such employees are based at and work from remote office locations and periodically travel to the property to perform supervisory and/or administrative dutiesnot meeting the above conditions shall be classified as 9015(1), Building Operation – N.O.C. – all other employees.

Also refer to companion Classification 9015(1), *Building Operation – N.O.C. – all other employees*.

\* \* \* \* \*

## **Recommendation**

Establish Classification 9011(2), *Commercial and Residential Mixed-Use Building Operation not Homeowners Associations – all other employees*, as part of the *Property Management/Operation Industry Group*, to describe properties of commercial and residential mixed-use and provide direction as to how related operations shall be classified.

## PROPOSED

### **PROPERTY MANAGEMENT/OPERATION**

#### **COMMERCIAL AND RESIDENTIAL MIXED-USE BUILDING OPERATION – not Homeowners** **9011(2)**

##### **Associations – all other employees – including resident employees and resident Clerical Office Employees**

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

This classification applies to employers engaged in the management and operation of combined commercial and residential mixed-use multi-unit properties comprised of one or more mixed-use multi-unit buildings with four or more units per building. This classification includes property managers engaged in the direct supervision of employees engaged in the operation, maintenance and care of properties. Such operations include but are not limited to cleaning and maintaining lobbies and common areas, maintaining ventilation and heating systems, changing door locks and directories, interior remodeling, exterior landscape maintenance, swimming pool maintenance, security and the operation of parking facilities.

Also refer to companion Classification 8740(7), *Commercial and Residential Mixed-Use Building Operation – not Homeowners Associations – property management supervisors*. Classification 8740(7) applies to property management supervisors who exercise direction through maintenance or operations supervisors who directly supervise employees engaged in the operation, maintenance and care of mixed-use buildings. Classification 8740(7) also applies to non-residing property management supervisors who oversee commercial and residential mixed-use buildings at which all operation, maintenance and care activities are conducted by separate concerns and no payroll is assignable to 9011(2). Property managers not meeting the above conditions shall be classified as 9011(2).

Non-residing employees engaged exclusively in the rental or leasing of property to clients and who have no other duties of any kind in the service of the employer except clerical office work shall be separately classified as 8741, *Real Estate Agencies*, provided separate employees are retained to manage the property.

New construction, alteration or demolition work shall be separately classified.

The preparation or serving of hot foods shall be separately classified as 9079(1), *Restaurants or Taverns*.

The management and operation of only the residential portion of a commercial and residential mixed-use building where a separate concern manages the commercial portion shall be classified as 9011(1), *Apartment or Condominium Complex Operation – N.O.C. – not Homeowners Associations – all other employees*.

The management and operation of only the commercial portion of a commercial and residential mixed-use building where a separate concern manages the residential portion shall be classified as 9009, *Commercial Properties – N.O.C. – all other employees*.

The management and operation of individual apartment or condominium units (not apartment or condominium complexes), single-family residences, duplexes, triplexes and other multi-unit residential properties consisting of not more than three units per building shall be classified as

9015(1), Building Operation – N.O.C. – all other employees.

The management and operation of properties, including but not limited to residential homes and apartment or condominium complexes, by homeowners associations shall be classified as 9066, Homeowners Associations.

\* \* \* \* \*

**Recommendation**

Establish Classification 8740(7), *Commercial and Residential Mixed-Use Building Operation – not Homeowners Associations – property management supervisors*, as part of the *Property Management/Operation* Industry Group, to describe properties of commercial and residential mixed-use and provide direction as to how related operations shall be classified.

PROPOSED

**PROPERTY MANAGEMENT/OPERATION**

**COMMERCIAL AND RESIDENTIAL MIXED-USE BUILDING OPERATION – not Homeowners Associations – property management supervisors – not resident managers or supervisors** **8740(7)**

This classification applies to non-residing commercial and residential mixed-use building property management supervisors who exercise direction through maintenance or operations supervisors who directly supervise employees engaged in the operation, maintenance and care of commercial and residential mixed-use multi-unit properties comprised of one or more mixed-use multi-unit buildings with four or more units per building. This classification also applies to non-residing property management supervisors who oversee such commercial and residential mixed-use buildings at which all operation, maintenance and care activities are conducted by separate concerns and no payroll is assignable to 9011(2), *Commercial and Residential Mixed-Use Building Operation – not Homeowners Associations – all other employees.*

Commercial and residential mixed-use building property management supervisors not meeting the above conditions shall be classified as 9011(2), *Commercial and Residential Mixed-Use Building Operation – not Homeowners Associations – all other employees.*

Property management supervisors that meet the above conditions, but manage only the residential portion of a commercial and residential mixed-use building where a separate concern manages the commercial portion shall be classified as 8740(1), *Apartment or Condominium Complex Operation – N.O.C. – not Homeowners Associations – property management supervisors.*

Property management supervisors that meet the above conditions, but manage only the commercial portion of a commercial and residential mixed-use building where a separate concern manages the residential portion shall be classified as 8740(2), *Commercial Properties – N.O.C. – property management supervisors.*

Also refer to companion Classification 9011(2), *Commercial and Residential Mixed-Use Building Operation – not Homeowners Associations – all other employees.*

\* \* \* \* \*

**Recommendation**

Amend Classification 9066, *Homeowners Associations*, which is part of the *Property Management/Operation* Industry Group, to clarify its intended application and provide direction as to how related operations shall be classified.

PROPOSED

**PROPERTY MANAGEMENT/OPERATION**

**HOMEOWNERS ASSOCIATIONS – not Building Operation**

**9066**

This classification shall apply to entities with the specific purpose of operating and maintaining the premises owned and occupied by association members. Such operations include, but are not limited to the maintenance of common grounds; the operation of swimming pools, tennis courts, saunas, weight rooms and recreational clubhouse facilities; and the functions performed by security personnel; and front desk operations such as receptionists and lobby attendants.

Timeshare operations where the majority of payroll is developed in hotel type operations and rooms are rented by the day, week or longer shall be classified as 9050(1), *Hotels*.

Property management firms shall be separately classified.

Operations such as, but not limited to, golf courses, stables, restaurants, out-patient clinics, boat marinas, day nurseries, water works, new construction, alteration or demolition work and fire departments shall be separately classified.

\* \* \* \* \*

**Recommendation**

Amend Classification 9010, *Mobile Home Park Operation – all other employees*, which is part of the *Property Management/Operation* Industry Group, to remove the minimum payroll requirements, clarify its intended application and provide direction as to how related operations shall be classified.

PROPOSED

**PROPERTY MANAGEMENT/OPERATION**

**MOBILE HOME PARK OPERATION – all other employees – including ~~on-site managers, resident employees and resident Clerical Office Employees~~**

**9010**

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

~~**Mobile home parks are subject to a minimum payroll of \$2,000 per annum for one location and to a minimum of \$1,000 for each additional location covered by the same policy.**~~

This classification applies to employers engaged in the management and operation of mobile home parks where tenants are provided with a space for the placement of the mobile home and utility services. The mobile home unit may be owned by the tenant or the mobile home may be owned by the park owner and rented or leased to the resident. Spaces are rented on a month-to-month or extended lease basis. ~~Such employers may own the mobile home park property or~~

~~may be contracted by the property owner to provide management operations.~~ This classification includes property managers engaged in the direct supervision of employees engaged in the operation, maintenance and care of ~~properties~~ mobile home parks. Such operations include, but are not limited to cleaning and maintaining restrooms, lobbies, swimming pools and common areas, general property repairs, exterior landscape maintenance and security.

~~On-site managers are those employees whose base of operations is at any property location that they are employed to manage. The term "resident" shall refer to any employee who resides at a property managed by the employer.~~

Also refer to companion Classification 8740(4), *Mobile Home Park Operation – property management supervisors* ~~—not resident or on-site managers or supervisors~~. Classification 8740(4) applies to ~~off-site~~ non-residing property management supervisors who exercise direction through ~~resident or on-site mobile home park managers~~ maintenance or operations supervisors who directly supervise employees engaged in the operation, maintenance and care of mobile home parks. Classification 8740(4) also applies to ~~off-site~~ non-residing property management supervisors who oversee mobile home parks at which all operation, maintenance and care activities are conducted by separate concerns and no payroll is assignable to 9010, *Mobile Home Park Operation – all employees*. Mobile home park Pproperty managers not meeting the above conditions shall be classified as 9010.

Non-residing employees engaged exclusively in the rental or leasing of property to clients and who have no other duties of any kind in the service of the employer except clerical office work shall be separately classified as 8741, *Real Estate Agencies*, provided separate employees are retained to manage the property.

New construction, alteration, or demolition work shall be separately classified.

The preparation or serving of hot foods shall be separately classified as 9079(1), *Restaurants or Taverns*.

The management and operation of recreational vehicle parks and campgrounds shall be classified as 9015(1), *Building Operation – N.O.C. – all other employees*.

\* \* \* \* \*

**Recommendation**

Amend Classification 8740(4), *Mobile Home Park Operation – property management supervisors*, which is part of the *Property Management/Operation* Industry Group, to be consistent with the existing requirements for Classification 8740(2), *Building Operation – commercial properties – property management supervisors*, clarify its intended application and provide direction as to how related operations shall be classified.

PROPOSED

**PROPERTY MANAGEMENT/OPERATION**

**MOBILE HOME PARK OPERATION – property management supervisors – not resident ~~or on-site managers~~ or supervisors 8740(4)**

This classification applies to ~~off-site~~non-residing mobile home park property management supervisors who exercise direction through ~~resident or on-site mobile home park managers~~maintenance or operations supervisors who directly supervise employees engaged in the operation, maintenance and care of mobile home parks where tenants are provided with a space for the placement of the mobile home and utility services. This classification also applies to ~~off-site~~non-residing property management supervisors who oversee mobile home parks at which all operation, maintenance and care activities are conducted by separate concerns and no payroll is developed under 9010, *Mobile Home Park Operation – all other employees*.

~~Off-site property management supervisors are those employees who do not work at or from the properties being managed. Such employees are based at and work from remote office locations and periodically travel to the property to perform supervisory and/or administrative duties.~~

Mobile home park property management supervisors not meeting the above conditions shall be classified as 9010, *Mobile Home Park Operation – all other employees*.

Also refer to companion Classification 9010, *Mobile Home Park Operation – all other employees*.

\* \* \* \* \*

**Recommendation**

Amend Classification 8290, *Warehouses – self-storage – all other employees*, which is part of the *Property Management/Operation* Industry Group, to clarify its intended application and provide direction as to how related operations shall be classified.

PROPOSED

**PROPERTY MANAGEMENT/OPERATION**

**WAREHOUSES – self-storage – all other employees – including ~~on-site managers~~, resident employees and resident Clerical Office Employees 8290**

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

~~On-site managers are those employees who work at any property location that they are employed to manage. The term "resident" shall refer to any employee who resides at a property managed by the employer. This classification applies to employers engaged in the operation of self-storage warehouses. Such operations include but are not limited to opening and closing access gates, directing customers to storage spaces, maintaining common areas and landscaping, security and repairing or maintaining storage units, and work at the front counter to rent or sell supplies, including but not limited to storage, shipping and moving boxes, packaging tape, security locks, rope, dollies and moving tools.~~

~~This classification also applies to managers engaged in the direct supervision of employees engaged in the operation, maintenance and care of self-storage warehouses.~~

~~Also refer to companion Classification 8740(5), *Warehouses – self-storage – property management supervisors – not resident or on-site managers or supervisors*. Classification 8740(5) applies to property management supervisors who exercise direction through maintenance or operations supervisors who directly supervise employees engaged in the operation, maintenance and care of self-storage warehouses. Classification 8740(5) also applies to property management supervisors who oversee self-storage warehouses at which all operation, maintenance and care activities are conducted by separate concerns and no payroll is assignable to Classification 8290, *Warehouses – self-storage – all other employees*. Self-storage warehouse property managers not meeting the above conditions shall be classified as 8290.~~

\* \* \* \* \*

**Recommendation**

Amend Classification 8740(5), *Warehouses – self-storage – property management supervisors*, which is part of the *Property Management/Operation Industry Group*, to be consistent with the existing requirements for Classification 8740(2), *Building Operation – commercial properties – property management supervisors*, clarify its intended application and provide direction as to how related operations shall be classified.

PROPOSED

**PROPERTY MANAGEMENT/OPERATION**

**WAREHOUSES – self-storage – property management supervisors – not resident ~~or on-site~~ managers or supervisors** **8740(5)**

This classification applies to ~~off-site~~non-residing self-storage warehouse property management supervisors who exercise direction through ~~resident or on-site self-storage warehouse managers~~maintenance or operations supervisors who directly supervise employees engaged in the operation, maintenance and care of self-storage warehouses, including employees that work at the front counter to rent or sell supplies, including but not limited to storage, shipping and moving boxes, packaging tape, security locks, rope, dollies and moving tools. This classification also applies to ~~off-site~~non-residing property management supervisors who oversee self-storage warehouses at which all operation, maintenance and care activities and front counter operations are conducted by separate concerns and no payroll is assignable to 8290, *Warehouses – self-storage – all other employees*.

~~Off-site~~Self-storage warehouse property management supervisors ~~are those employees who do not work at or from the properties being managed. Such employees are based at and work from remote office locations and periodically travel to the property to perform supervisory and/or administrative duties~~not meeting the above conditions shall be classified as 8290, *Warehouses – self-storage – all other employees*.

Also refer to companion Classification 8290, *Warehouses – self-storage – all other employees*.

\* \* \* \* \*

**Recommendation**

Amend Classification 5606, *Contractors – construction or erection*, to provide direction as to how to classify job site clean-up and post-construction warranty repair work by employers who subcontract all construction operations, clarify its intended application and provide direction as to how related operations shall be classified.

**PROPOSED**

**CONTRACTORS – construction or erection – executive level supervisors – no direct supervision – division of a single employee’s payroll with any other classification is not permitted** **5606**

This classification may be assigned only in connection with the construction or erection classifications listed in Appendix I, *Construction and Erection Classifications*.

This classification applies to executive level supervisors of construction operations wherein the employer develops payroll in one or more construction or erection classifications provided not less than two levels of supervision, as defined in Part 3, Section IV, Rule 2d, *Executive Level Supervisors*, are retained between the executive level supervisor and the workers performing actual construction operations.

This classification also includes management level employees such as safety managers, project managers and engineers, who do not supervise construction operations but whose duties include walking through a construction site during the construction phase, provided the employer retains two levels of supervision over the construction crew(s) or where all operations have been subcontracted to licensed subcontractors. Otherwise, such employees are miscellaneous employees and shall be classified in accordance with Part 3, Section IV, Rule 2c, *Miscellaneous Employees (Construction or Erection)*.

This classification also applies to executive level supervisors when all construction operations are subcontracted to licensed contractors and no payroll is developed under any construction classification. In such instances, executive level supervisors exercise control exclusively through licensed subcontractors.

On jobs where all construction operations are subcontracted to licensed subcontractors, Classification ~~9015(1), *Building Operation – all other employees*~~, 5610, *Contractors – construction or erection – all construction subcontracted – all other employees*, shall apply to all other employees including but not limited to job site cleanup, cleaning and debris removal and post-construction warranty repair conducted after construction is completed operations.

Classification 5606 does not apply to employees whose job site duties are limited to estimating, outside sales or public relations. Employees whose non-clerical duties are confined to visiting job sites for the purpose of pre-construction estimating, or for meeting with clients and other project representatives, are classified as 8742(1), *Salespersons – Outside*, provided they have no supervisory responsibilities over construction operations and they do not walk through job sites for purposes such as assessing construction progress, evaluating quality or determining compliance with safety standards.

Fee-based construction management companies that do not engage in or perform supervision over construction operations, but serve as an intermediary between the general contractor and project owner or otherwise provide expertise regarding a construction project, shall be classified as 8601(1), *Engineers – consulting*.

Also refer to Part 3, Section IV, Rule 2, *Construction or Erection Work*.

\* \* \* \* \*

**Recommendation**

Establish Classification 5610, *Contractors – construction or erection – all construction subcontracted*, to apply to all employees other than executive level supervisors on jobs where the employer subcontracts all operations to licensed subcontractors.

PROPOSED

**CONTRACTORS – construction or erection – all construction subcontracted – all other employees** **5610**

This classification applies to all employees other than executive level supervisors on jobs where the employer subcontracts all operations to licensed subcontractors. This classification applies to operations, including but not limited to job site cleaning and debris removal and post-construction warranty repair operations. Otherwise, such employees are miscellaneous employees and shall be classified in accordance with Part 3, Section IV, Rule 2c, *Miscellaneous Employees (Construction or Erection)*.

Employers that perform construction job site cleaning for separate concerns on a fee basis shall be classified as 9008, *Janitorial Services – by contractors*.

\* \* \* \* \*

**Recommendation**

Amend Section VIII, *Abbreviated Classifications – Numeric Listing*, for consistency.

PROPOSED

**Section VIII – Abbreviated Classifications – Numeric Listing**

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- 5610 Contractors–construction subcontracted
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- 8740(2) Building–Commercial Prop–N.O.C.–prop management supervisor mgmt supv
- 8740(7) Comm/Resident Mixed-Use–prop mgmt supv
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- 
- 
- 9009 Building Operation–eCommercial Prop–N.O.C.–other
- 9011(1) Apt/Condo Operation–N.O.C.–other
- 9011(2) Comm/Resident Mixed-Use–other
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\* \* \* \* \*

**Recommendation**

Amend Appendix I, *Construction and Erection Classifications*, for consistency.

PROPOSED

Appendix I

**Construction and Erection Classifications**

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5610 Contractors—construction subcontracted

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## Appendix I – Classification History

Presented below is a timeline of the significant changes to the scope and application of the relevant classifications:

- **1923:** Two classifications existed for the assignment of firms engaged in the management of properties: Classification 9014, *Buildings – N.O.C. – operation by contractors*, and 9015, *Buildings – N.O.C. – operation by owner or leaseholder*.
- **1937:** Classification and Rating (C & R) Committee established minimum payroll limit of \$1500 for one location and \$750 for each additional location for flats, apartments and dwellings of four or more units for Classification 9015, *Buildings – N.O.C.* This rule was established to ensure that adequate premium is collected to cover workers' compensation claims for property operation employees whose work pertains to more than one location and in situations where insurance carriers had to pay claims where employers stated they had no employees.
- **1950:** The C & R Committee heard an appeal by an employer stating that there is no difference between the operation of properties by owners and those owned by separate parties and operated by management firms on a contract basis. The Committee agreed with the employer's argument and combined Classifications 9014 and 9015 for ratemaking purposes.
- **1978:** Classification 9014 was eliminated and its constituents were reassigned to Classification 9015. In addition, the C & R Committee determined that Classification 8741 can apply to off-site property management supervisors and added an entry to the *Rulings and Interpretations Manual* stating that 9015 is assignable to post-construction warranty work and clean-up operations where executive level supervisors exist and licensed subcontractors perform all construction work.
- **1985:** The C & R Committee established that the "market value" of lodging is based upon the probable cost of such lodging if made available in the open market of location's vicinity. This "market value" term is added to the phraseology of Classification 9015.
- **1987:** From the recommendations of a Manual Subcommittee study, the C & R Committee established Classification 9015(7), *Apartment or Condominium Complex Operation*. In addition, resident managers, employees and clerical office workers continue to be assigned to the property operation classifications due to the normality of such resident employees likely performing care, maintenance and operation in the absence or non-existence of maintenance workers.
- **1991:** The WCIRB performed a study due to ongoing difficulties in classifying property management firms. As a result of the study, the C & R Committee established two alternate phraseologies to Classification 8741: *Apartment or Condominium Complex Operation – property management supervisors*, and *Building Operation – property management supervisors – non-resident or on-site managers*. This study also resulted in a *Rulings and Interpretations* entry directing that 8741 be assigned to off-site property manager supervisors who exercise direction through resident or on-site managers, or who supervise properties at which all operation, care and maintenance activities are conducted by separate concerns.
- **1994:** The C & R Committee established nine new classifications for property management supervisors and property management operations as a result of a comprehensive study of the Property Management/Operation industry. The following classifications were established for property management supervisors:

8740(1), *Apartment or Condominium Complex Operations – property management supervisors*

8740(2), *Building Operation – commercial properties – property management supervisors*

8740(3), *Building Operation – property management supervisors*

8740(4), *Mobile Home Park Operations – property management supervisors*

8740(5), *Warehouses – self-storage – property management supervisors*

Since property management supervisors were previously assigned by analogy to Classification 8741 and data for Classification 8740 was insufficient to produce credible rates, the C & R Committee combined data from Classification 8740 with 8741 for ratemaking purposes.

The following classifications were established for *all other employees* of property management operations:

8290, *Warehouse – self-storage – all other employees*

9009, *Building Operation – commercial properties – all other employees*

9010, *Mobile Home Park Operation – all other employees*

9011, *Apartment of Condominium Complex Operations – all other employees*

The C & R Committee noted that for self-storage warehouses, managers often lived on-site, and therefore in the event of any incidents or maintenance needs, the on-site or resident manager would handle such duties. Also, for mobile home parks, apartment and condominium complex operations, the Committee noted that if maintenance staff was unavailable or non-existent then on-site or resident managers or other resident employees would perform such tasks. Resident employees potentially have 24-hour exposure for which the employer is legally liable. Therefore, any on-site or resident managers and resident clerical office employees would be assigned to the property classification applicable to *all other employees*.

For commercial properties, in most cases, maintenance crews with supervisors existed or maintenance was subcontracted, and commercial property management supervisors frequently performed over 90% clerical work in a clerical office environment, even when located on-site at the property being managed. Therefore, Classification 8740(2), applicable to commercial property management supervisors, has no *on-site* restriction.

The C & R Committee also reiterated that employees of a general contractor engaged in jobsite clean-up and warranty repair conducted after construction is completed are assignable to Classification 9015, *Building Operations – N.O.C.*, where licensed subcontractors performed all construction work. At the time, the C & R Committee noted that these pick-up and clean-up crews retained by general contractors that subcontract all construction lacked sufficient homogeneity to establish their own classification. This assignment is directed by a footnote for Classification 5606, *Contractors – construction or erection – executive level supervisors*: On jobs where all construction operations are subcontracted to licensed subcontractors, Classification 9015(1), *Building Operation – all other employees*, shall apply to job site cleanup and warranty repair conducted after construction is completed.

- **1995:** The WCIRB studied employers that operate apartments and condominiums restricted to senior citizens and the C & R Committee established Classification 8740(6), *Apartment or Condominium Complex Operation for Seniors – age restricted – property management supervisors*, and 9007, *Apartment or Condominium Complex Operation for Seniors – all other employees*.

- **2004:** The WCIRB performed a study of data assigned to Classification 8740 ten years after it was established and determined that 8740 developed sufficient payroll and loss data to produce its own pure premium rate.
- **2012:** The Insurance Commissioner heard an appeal and issued a decision regarding how to establish and calculate “market value” with regard to the footnote for certain *Property Management/Operation* Industry Group classifications directing that “when lodging is provided by the employer, the total remuneration shall include the market value of such lodging to the employee.” The decision specified that the market value of lodging provided to an employee is the cost to rent comparable lodging in the open market, minus any paid rent by the resident employee.
- **2013:** The WCIRB performed a study of Classification 8741 regarding leasing agents for property management firms. It was recommended that the *Property Management/Operation* classifications be amended to specifically assign 8741 to non-residing property management employees that exclusively rent or lease properties, provided separate employees are retained to manage the property. The C & R Committee approved this change.

## Appendix II – Classification Procedures in Other Jurisdictions

Presented below is a summary of how other jurisdictions classify operations within the *Property Management/Operations* industry.

### Property Management/Operation

While California has six pairs of companion classifications describing six types of properties, in National Council on Compensation Insurance (NCCI) states, only one pair of classifications applies:

Classification 9012, *Building or Property Management – property managers and leasing agents & clerical, salespersons*, is assigned to property managers, leasing agents, model home hosts, clerical employees and outside salespersons for apartments, condominiums, cooperatives, mini-storage and self-storage facilities, mobile home/trailer parks, flea markets and buildings. Classification 9012 is also assignable to non-resident management of farms or ranches for others, real estate trusts and management companies, homeowner association administrators and clerical employees and outside salespersons that operate at locations away from managed properties. Duties that 9012 employees perform include but are not limited to rent collection, showing vacant dwellings, preparing rental contracts and overseeing maintenance and security. Classification 9012 applies to the specified employees without restrictions based on working on-site or residing at the managed property, and with no requirement for a subordinate level of supervision between the property managers and the property operations employees.

Classification 9015, *Building or Property Management – all other employees*, is the companion classification to 9012. Classification 9015 is assigned to care, custody and maintenance employees of apartments, condominiums, cooperatives, mini-storage facilities, mobile home/trailer parks, flea markets and buildings. 9015 is also assignable to care, custody and maintenance employees for real estate trusts and management companies. In addition, 9015 is also assignable to camps.

### Handyman Operations and Construction Warranty Repair, Clean-Up Crews and Debris Removal

In addition, other jurisdictions assign handyman operations and construction warranty repair, clean-up crews and debris removal differently than California.

NCCI jurisdictions assign Classification 5610, *Cleaner – Debris Removal – construction*, for cleaners and timekeepers at construction or wrecking sites, but only if payroll for cleaners and timekeepers is more than all other payroll of the insured which is subject to construction classifications at the same job or location. Employees performing work to complete tasks that are part of a post-construction “punch-out” list such as, but not limited to repairing paint flaws, leaky faucets, broken tiles or malfunctioning electrical outlets, are assignable to the appropriate NCCI construction classification.

New York assigns Classification 5610, *Cleaner – Debris Removal – construction or erection*, to construction clean-up crews provided they are not engaged in construction or erection operations. Classification 5610 also applies to specialty contractors’ construction clean-up crews, but only if payroll for cleaners, timekeepers and watch guards is more than the payroll for construction operations.

Wisconsin assigns Classification 5610 to general contractors that subcontract all construction work if the clean-up work qualifies as debris removal.

Minnesota assigns construction warranty repair and clean-up crews to a carpentry classification, even on jobs where all licensed subcontractors perform all construction work.

## Appendix III – Summary of Classification 8740w Statistical Analysis

Presented below is the data for Classification 8740. Table 1 presents Classification Relativity data for Classification 8740 as a whole.

**Table 1:  
Loss to Payroll Ratio of Classification 8740 at Policy Year 2015 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2008	670,625,270	7,073,566	1,055
2009	658,094,431	6,071,685	0.923
2010	771,914,375	8,156,577	1.207
2011	768,682,038	10,295,273	1.116
2012	768,682,038	10,295,273	1.339
	225,797,229	33,140,034	1.153

Tables 2 and 3 present Classification Relativity data for inspected employers assigned to Classification 8740(1), *Apartment or Condominium Complex Operation – N.O.C. – property management supervisors*, alone and with the companion Classification 9011.

**Table 2:  
Loss to Payroll Ratio of Classification 8740(1) Assigned with  
Classification 9011 at Policy Year 2015 Level**

Year	Number of Reports	Payroll	Losses	Loss to Payroll Ratio
2008	88	28,401,398	225,025	0.792
2009	86	28,581,187	595,557	2.084
2010	90	30,551,107	1,567,789	5.132
2011	99	37,133,184	212,475	0.572
2012	98	40,549,448	429,701	1.060
		165,216,324	3,030,547	1.834

**Table 3:  
Loss to Payroll Ratio of Classification 8740(2) Assigned  
with Classification 9009 at Policy Year 2015 Level**

Year	Number of Inspected Employers	Payroll	Losses	Loss to Payroll Ratio
2008	114	60,238,187	64,714	0.107
2009	118	60,301,376	33,067	0.055
2010	124	64,347,026	86,810	0.135
2011	128	75,047,629	489,199	0.652
2012	129	75,378,686	555,206	0.737
		335,312,904	1,228,995	0.367

Tables 4 and 5 present Classification Relativity data for inspected employers assigned to Classification 8740(2), *Building Operation – commercial properties – property management supervisors*, alone and with the companion Classification 9009, *Building Operation – commercial properties – all other employees*.

**Table 4:  
Loss to Payroll Ratio of Classification 8740(1) Assigned  
without Classification 9011 at Policy Year 2015 Level**

Year	Number of Inspected Employers	Payroll	Losses	Loss to Payroll Ratio
2008	149	38,841,000	551,899	1.421
2009	156	43,717,365	863,150	1.974
2010	159	46,741,552	727,752	1.557
2011	164	47,145,995	1,598,901	3.391
2012	161	49,351,387	682,019	1.382
		225,797,229	4,423,720	1.959

**Table 5:**  
**Loss to Payroll Ratio of Classification 8740(2) Assigned**  
**without Classification 9009 at Policy Year 2015 Level**

Year	Number of Inspected Employers	Payroll	Losses	Loss to Payroll Ratio
2008	85	43,838,907	692,362	1.579
2009	94	39,561,425	76,518	0.193
2010	96	42,878,773	248,097	0.579
2011	100	45,733,002	583,879	1.277
2012	107	49,418,746	23,485	0.048
		221,431,853	1,624,342	0.734

Table 6 presents Classification Relativity data for inspected employers assigned only to Classifications 8740(3), *Building Operation – N.O.C. – property management supervisors*, and 9015(1), *Building Operation – N.O.C. – all other employees*. Due to the low number of inspected employers, Classification 8740(3) was not analyzed independently.

**Table 6:**  
**Loss to Payroll Ratio of Classifications 8740(3) and 9015(1) at Policy Year 2015 Level**

Year	Number of Inspected Employers	Payroll	Losses	Loss to Payroll Ratio
2008	17	7,192,465	47,049	0.654
2009	19	6,800,604	9,939	0.146
2010	18	6,610,434	14,533	0.220
2011	17	5,950,316	19,948	0.335
2012	19	6,782,357	1,981	0.029
		33,336,176	93,450	0.280

Table 7 presents Classification Relativity data for inspected employers assigned to Classification 8740(4), *Mobile Home Park Operation – property management supervisors*, and its companion Classification 9010, *Mobile Home Park Operation – all employees*. Due to the low number of inspected employers, Classification 8740(4) was not analyzed independently.

**Table 7:  
Loss to Payroll Ratio of Classifications 8740(4) and 9010 at Policy Year 2015 Level**

Year	Number of Inspected Employers	Payroll	Losses	Loss to Payroll Ratio
2008	35	17,320,376	72,554	0.419
2009	39	17,457,631	319,695	1.831
2010	38	16,780,989	60,674	0.362
2011	40	18,339,135	26,664	0.145
2012	41	19,806,222	152,259	0.769
		89,704,353	1,624,342	0.704

Table 8 presents Classification Relativity data for inspected employers assigned to Classifications 8740(5), *Warehouses – self-storage – property management supervisors*, and 8290, *Warehouses – self-storage – all other employees*. Due to the low number of inspected employers, Classification 8740(5) was not analyzed independently.

**Table 8:  
Loss to Payroll Ratio of Classifications 8740(5) and 8290 at Policy Year 2015 Level**

Year	Number of Inspected Employers	Payroll	Losses	Loss to Payroll Ratio
2008	25	13,091,305	208,128	1.590
2009	26	12,777,708	335,302	2.624
2010	27	13,237,684	121,675	0.919
2011	28	14,554,148	18,163	0.125
2012	30	16,549,608	34,780	0.210
		70,210,453	718,048	1.023

Table 9 presents Classification Relativity data for inspected employers assigned to Classification 8740(6), *Apartment or Condominium Complex Operation for Seniors – age-restricted – property management supervisors*, and its companion Classification 9007, *Apartment or Condominium Complex Operation for Seniors – age restricted not Congregate Living Facilities or Homeowners Associations*. Due to the low number of inspected employers, Classification 8740(6) was not analyzed independently.

**Table 9:  
Loss to Payroll Ratio of Classifications 8740(6) and 9007 at Policy Year 2015 Level**

Year	Number of Inspected Employers	Payroll	Losses	Loss to Payroll Ratio
2008	4	1,408,042	244	0.017
2009	5	1,616,259	3,898	0.241
2010	6	1,831,409	206,153	11.257
2011	5	1,431,604	777	0.054
2012	7	2,210,100	43,526	1,969
		8,497,414	1,624,342	2.996

The WCIRB also reviewed the losses assigned to 8740(1), *Apartment or Condominium Complex Operation – N.O.C. – property management supervisors*, and 8740(2), *Building Operation – commercial properties – property management supervisors*, and the data revealed that there were more instances of large claims associated with 8740(1) compared to 8740(2). These instances of large claims, however, are scattered and inconsistent during the 2008 through 2012 policy years. There is limited predictability for 8740(1) and 8740(2) individually as losses tend to fluctuate significantly from year to year.



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