

## Report on Ice Manufacturing, Ice Dealers, Creameries and Dairy Products Manufacturing Study

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# **Ice Manufacturing, Ice Dealers, Creameries and Dairy Products Manufacturing Study**

**2150, *Ice Mfg. or Ice Dealers*  
2063, *Creameries and Dairy Products Mfg.***

## **I. Executive Summary**

### **Objective**

Employers assigned to Classification 2150, *Ice Mfg. or Ice Dealers*, develop relatively little payroll and loss experience for purposes of developing statistically credible advisory pure premium rates. Consistent with the WCIRB's practice of reviewing classifications with relatively low statistical credibility, the WCIRB studied this classification to assess whether it should continue to stand alone or be eliminated and its constituents reassigned to one or more existing classifications.

### **Findings**

Based on staff's review, the WCIRB determined:

1. There is insufficient payroll and loss data reported for Classification 2150, *Ice Mfg. or Ice Dealers*, to generate a fully credible pure premium rate and, as a result, there have been wide fluctuations in year-to-year loss to payroll ratios.
2. The operations of the employers currently assignable to Classification 2150 are comparable to the operations assignable to Classification 2063, *Creameries and Dairy Products Mfg.* The loss to payroll ratios for at least the two most recent years for the two classifications have been relatively comparable and the leading causes of injury for the two classifications are very similar.
3. If Classification 2150 is eliminated and its payroll and loss experience combined with that of Classification 2063, the Selected (Unlimited) Loss to Payroll Ratio for the constituents previously assignable to Classification 2150 would decrease by 19% and the Selected (Unlimited) Loss to Payroll Ratio for Classification 2063 would increase by less than 1%.
4. The manufacture of nondairy frozen novelty treats, currently assignable to Classification 6504, *Food Products Mfg. or Processing*, is operationally similar to the manufacture of ice cream and ice cream novelty treats as well as the manufacture of ice.

### **Recommendations**

Based on these findings, the WCIRB recommends the following:

1. Eliminate Classification 2150 and reassign its constituents to Classification 2063, *Creameries and Dairy Products Mfg.*
2. Amend Classification 2063 to include ice manufacturing and ice dealer operations.
3. Amend Classification 2063 to include the manufacture of nondairy frozen novelty treats.

## **II. Introduction**

The WCIRB regularly reviews classifications that do not develop sufficient data to produce statistically credible advisory pure premium rates. Classification 2150, *Ice Mfg. or Ice Dealers*, has relatively low statistical credibility (49% for indemnity and 42% for medical) and, as a result, the classification has experienced fairly wide fluctuations in loss to payroll ratios from year-to-year. In light of the low statistical credibility, the WCIRB studied Classification 2150 to assess whether it should continue to stand alone or be eliminated and its constituents reassigned to another classification.

The WCIRB also reviewed the operations and experience of the following classifications that have relatively similar operations to Classification 2150 to assess whether one of these classifications should be combined with Classification 2150.

- 2063, *Creameries and Dairy Products Mfg.*
- 8291(1), *Warehouses – cold storage*, and 8291(2), *Warehouses – climate controlled storage*
- 6504, *Food Products Mfg or Processing – N.O.C.*

### **III. Description of Operations**

Classification 2150 applies to the sale or manufacture of ice, including but not limited to block, cube, flake, nugget or crushed ice. The operations and processes of ice manufacturers and ice dealers are typically highly automated and typically include maintaining refrigerated facilities and units, pumping water into automatic ice making machines to make ice, packaging ice into different sizes of bags, storing ice before shipment and delivering ice to outside customers.

Classification 2063, *Creameries and Dairy Products Mfg.*, applies to the manufacturing or processing of dairy products, including but not limited to milk, evaporated milk, powdered milk, cheese, ice cream, ice cream novelty treats, yogurt, whipped cream and butter, in automated refrigerated facilities. Classification 2063 involves packaging, bottling, storage and distribution to customers.

Classification 6504, *Food Products Mfg. or Processing*, applies to the manufacture of food products not more specifically described by another classification. The operations typically include milling and mixing/blending ingredients; adding seasonings/flavorings; shaping/forming food products on sheets, in molds or pans, or by extrusion or similar methods; packaging processed food products; and performing quality control. Nondairy frozen novelty treats are food products that are not more specifically described by another classification and have been historically assigned to Classification 6504, although their manufacture is similar to the manufacture of ice and ice cream novelty treats.

Classification 8291(1), *Warehouses – cold storage*, applies to the storage of items at temperatures below 45° Fahrenheit on a fee basis. This classification also applies to the cold storage and precooling of field packed or prepacked produce by employers that hold title to the stored or precooled produce, or by employers that store or precool produce on a contract basis. The operations of this classification typically include receiving merchandise, placing merchandise in cold storage, pulling merchandise from storage and loading merchandise onto delivery vehicles.

Classification 8291(2), *Warehouses – climate controlled storage*, applies to the storage of items at controlled temperatures at or above 45° Fahrenheit to prevent damage or deterioration. The operations typically include receiving merchandise, placing merchandise in climate-controlled storage, pulling merchandise from storage and loading merchandise onto delivery vehicles.

### **IV. Classification Analysis**

Due to its low statistical credibility, as well as the relatively low frequency and high severity loss experience of Classification 2150, the WCIRB reviewed the operations, loss to payroll ratios, the North American Industry Classification System (NAICS) industry group assignment for the subject operations and the causes of injury associated with Classification 2150, as well as those associated with the other classifications being reviewed.

Similar to Classification 2150, Classifications 8291(1), *Warehouses – cold storage*, and 8291(2), *Warehouses – climate controlled storage*, involve storing products in chilling or refrigeration units. The loss to payroll ratios for Classifications 2150 and 8291 are relatively similar.<sup>1</sup> However, Classifications 8291(1) and 8291(2) are assigned to the Transportation & Warehousing Industry (based on NAICS industry classification), while Classification 2150 is assigned to the Manufacturing Industry. The WCIRB does not recommend combining a manufacturing classification with a transportation and warehousing classification.

Classification 6504, *Food Products Mfg. or Processing*, also shares some similarity in operations with Classification 2150, and both Classifications 2150 and 6504 are assigned to the NAICS Manufacturing Industry Group. However, Classification 6504 applies broadly to food manufacturing that is not more specifically described by another classification, is not limited to frozen foods, and has a loss to payroll ratio at the policy year 2019 level that is 46% higher than that for Classification 2150. In addition, many of the manufacturing operations associated with Classification 6504 are dissimilar to those of Classification 2150. For these reasons, the WCIRB does not recommend combining Classification 2150 with Classification 6504.

Employers assignable to Classification 2150 perform the highly automated operations required to make and store ice, and they maintain refrigerated facilities. Employers assigned to Classification 2063, *Creameries and Dairy Products Mfg.*, perform operations required to process and make dairy products in automated refrigerated facilities. While the commodities each type of employer provides to customers differ, there are similarities in their operations. Both types of operations process liquid in highly automated refrigerated food grade processing facilities comprised of tanks, pipes, pumps and chilling/refrigeration units. Employers in both classifications are required to follow similar food sanitation rules. In addition, both classifications contemplate packing, storage and distribution of products to customers. Lastly, both classifications have relatively similar loss to payroll ratios, particularly in the last two years, and the causes of injuries to claimants working for employers in each classification are relatively similar, suggesting relatively similar hazards. Based on the foregoing, the WCIRB recommends combining these classifications.

Consistent with this recommendation, the WCIRB also recommends amending Classification 2063 to include the manufacture of nondairy frozen novelty treats.<sup>2</sup> The manufacture of these nondairy frozen products, including but not limited to ice pops and fruit juice bars, is operationally similar to the manufacture of frozen ice cream novelty treats, such as ice cream bars and ice cream sandwiches, and to the manufacture of ice. As a food product that is not more specifically described by another classification, the manufacture of nondairy frozen novelty treats is currently assigned to Classification 6504, a broad food products manufacturing classification that is primarily assigned to the manufacture of non-frozen food products.

## **V. Statistical Analysis**

Table 1 shows the classification relativity data at the policy year 2019 level for Classification 2150, *Ice Mfg. or Ice Dealers*. As shown, the credibility for indemnity and medical are below 50%. Due to the low credibility, relatively low frequency and high severity losses, Classification 2150's loss to payroll ratio has fluctuated fairly wide over time.

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<sup>1</sup> The Selected Loss to Payroll Ratios of Classifications 2150 and 8291 at the policy year 2019 level are 3.978 and 3.874, respectively.

<sup>2</sup> This proposal would reassign a limited number of manufactures of nondairy frozen novelty treats in California from Classification 6504 to Classification 2063.

**Table 1: Classification 2150  
Classification Relativity Data at Policy Year 2019 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2011	15,455,910	710,037	4.594
2012	20,683,774	677,814	3.277
2013	18,062,530	1,060,773	5.873
2014	23,261,454	539,112	2.318
2015	20,640,692	786,406	3.810
<b>Total</b>	<b>98,104,360</b>	<b>3,774,142</b>	

Average Loss to Payroll Ratio 3.847  
 Selected (Unlimited) Loss to Payroll Ratio 3.978

Credibility	
Indemnity	Medical
0.49	0.42

Table 2 shows the Classification Relativity Data at the policy year 2019 level for Classification 2063, *Creameries and Dairy Products Mfg.* As shown, this classification is fully credible with two years of experience. In addition, the loss to payroll ratios of Classifications 2150 and 2063 for the last two years are relatively comparable.

**Table 2: Classification 2063  
Classification Relativity Data at Policy Year 2019 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2014	718,426,166	19,191,435	2.671
2015	735,548,632	20,935,581	2.846
<b>Total</b>	<b>1,453,974,798</b>	<b>40,127,016</b>	

Average Loss to Payroll Ratio 2.760  
 Selected (Unlimited) Loss to Payroll Ratio 3.199

Credibility	
Indemnity	Medical
1.00	1.00

Table 3 shows the Classification Relativity Data for Classifications 2150 and 2063 combined at the policy year 2019 level. The Selected (Unlimited) Loss to Payroll Ratio for Classifications 2150 and 2063 combined is 3.217.

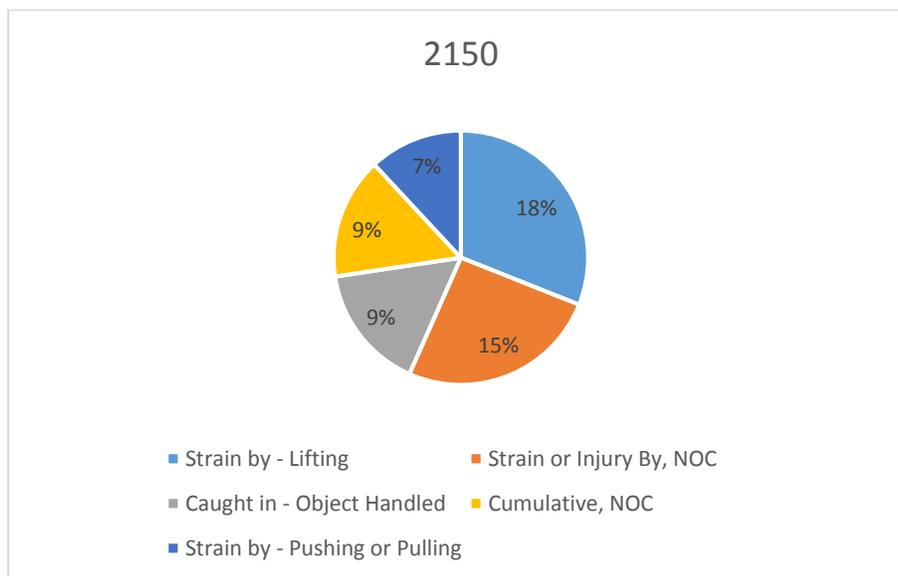
**Table 3: Classification 2150 and Classification 2063  
Classification Relativity Data at Policy Year 2019 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2014	741,690,269	19,769,444	2.665
2015	756,188,226	21,796,215	2.882
<b>Total</b>	<b>1,497,878,496</b>	<b>41,565,659</b>	

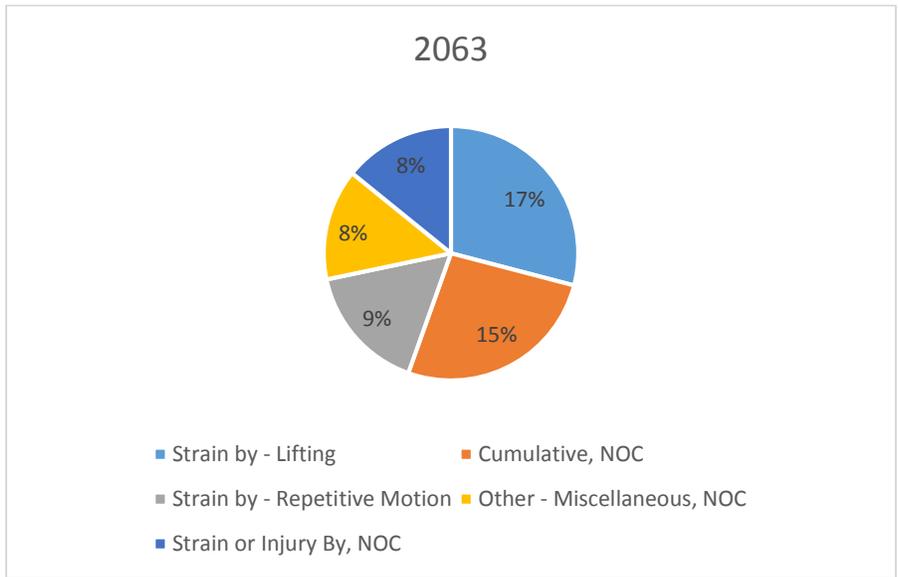
Average Loss to Payroll Ratio 2.775  
 Selected (Unlimited) Loss to Payroll Ratio 3.217

Credibility <sup>3</sup>	
Indemnity	Medical
1.00	1.00

The following charts show that the leading causes of injury for claimants working for employers assigned to Classifications 2150 and 2063 were similar.



<sup>3</sup> The relativity for each classification in the upcoming policy year is determined based on a comparison of that classification's actual losses per \$100 of payroll and the ratio of losses per \$100 of payroll underlying the current pure premium rate. The "credibilities" assigned to a classification are the statistical weights assigned to that classification's experience as a predictor of future claim experience relative to the loss per \$100 of payroll underlying the classification's current pure premium rate. The predictability or credibilities assigned to a classification's recent historical experience depends on the volume of indemnity and medical claims incurred during the experience period. The WCIRB strives to have classifications that are fully, or 100%, statistically credible based on historical experience over five or fewer years, which means that the classification's relativity in the upcoming policy year can be best estimated using only the loss per \$100 of payroll experience from the latest two-, three-, four- or five-year periods. The WCIRB generally will not recommend the establishment of a new classification if the credibility factors are less than one-half (< 0.50).



**VI. Impact Analysis**

Table 4 shows the relatively small potential impact on affected policyholders currently assigned to Classification 2063 if Classification 2063 is combined with Classification 2150. The Selected (Unlimited) Loss to Payroll Ratio for Classifications 2150 and 2063 combined is 0.6% higher than that for Classification 2063.

**Table 4: Classification 2063 vs. Classifications 2150 and 2063 Combined Comparison of Selected (Unlimited) Loss to Payroll Ratios at Policy Year 2019 Level**

Classification 2063	Classifications 2150 and 2063	Difference
3.199	3.217	0.018 (+0.6%)

Table 5 shows the potential impact on affected policyholders currently assigned to Classification 2150 if Classification 2150 is combined with Classification 2063. The Selected (Unlimited) Loss to Payroll Ratio for Classifications 2150 and 2063 combined is 19.1% less than that for Classification 2150.

**Table 5: Classification 2150 vs. Classifications 2150 and 2063 Combined Comparison of Selected (Unlimited) Loss to Payroll Ratios at Policy Year 2019 Level**

Classification 2150	Classification 2150 and 2063	Difference
3.978	3.217	-0.761 (-19.1%)

## **Findings**

Based on staff's review, the WCIRB determined:

1. There is insufficient payroll and loss data reported for Classification 2150, *Ice Mfg. or Ice Dealers*, to generate a fully credible pure premium rate and, as a result, there have been wide fluctuations in year-to-year loss to payroll ratios.
2. The operations of the employers currently assignable to Classification 2150 are comparable to the operations assignable to Classification 2063, *Creameries and Dairy Products Mfg.*, the loss to payroll ratios for at least the two most recent years for the two classifications have been relatively comparable and the leading causes of injury for the two classifications are very similar.
3. If Classification 2150 is eliminated and its payroll and loss experience are combined with that of Classification 2063, the Selected (Unlimited) Loss to Payroll Ratio for the constituents previously assignable to Classification 2150 would decrease by 19% and the Selected (Unlimited) Loss to Payroll Ratio for Classification 2063 would increase by less than 1%.
4. The manufacture of nondairy frozen novelty treats, currently assignable to Classification 6504, *Food Products Mfg. or Processing*, is operationally similar to the manufacture of ice cream and ice cream novelty treats as well as the manufacture of ice.

## **Recommendations**

Based on these findings, the WCIRB recommends the following:

1. Eliminate Classification 2150 and reassign its constituents to Classification 2063, *Creameries and Dairy Products Mfg.*
2. Amend Classification 2063 to include ice manufacturing and ice dealer operations.
3. Amend Classification 2063 to include the manufacture of nondairy frozen novelty treats.

**Recommendation**

Eliminate Classification 2150, *Ice Mfg. or Ice Dealers*, and reassign its constituents to Classification 2063, *Creameries and Dairy Products Mfg.*

PROPOSED

**ICE MFG. OR ICE DEALERS**

**2150**

~~This classification applies to the manufacture of ice. This classification also applies to the purchase and resale of ice.~~

~~The manufacture of dry ice shall be classified as 4635, *Oxygen or Hydrogen Mfg.*~~

~~The mixing or packaging of artificial (blue) ice shall be classified as 4828, *Chemical Mixing or Repackaging.*~~

\* \* \* \* \*

**Recommendation**

Amend Classification 2063, *Creameries and Dairy Products Mfg.*, which is part of the *Food Packaging and Processing Industry Group*, to include ice dealers, the manufacture of ice and the manufacture of nondairy frozen novelty treats, clarify its application and provide direction as to how related operations should be classified.

PROPOSED

**FOOD PACKAGING AND PROCESSING**

**CREAMERIES AND DAIRY PRODUCTS OR ICE MFG.**

**2063**

This classification applies to the manufacture or processing, including pasteurization, of dairy products, including but not limited to milk, evaporated milk, dairy beverages, powdered milk, cheese, ice cream, yogurt, whipped cream and butter, and includes the incidental packaging of products in containers, including but not limited to bottles, metal and paper cans, boxes, and plastic containers and metal or paper cans. This classification also applies to route drivers who deliver bottled milk to customers and perform no other duties on the farm premises.

This classification also applies to the manufacture of ice or the purchase and resale of ice.

This classification also applies to the manufacture of sorbet, gelato or sherbet, as well as frozen dairy or nondairy novelty treats, including but not limited to ice pops, fruit juice bars, ice cream bars and ice cream sandwiches.

The sale of individual servings of ice cream or frozen yogurt for consumption by the walk-in trade on or away from the premises, including the incidental sale of hand packed ice cream or prepackaged ice cream confections sold as such, shall be classified as 8078(3), *Ice Cream or Frozen Yogurt Shops*, at each separate location at which the sale of individual servings of ice cream or frozen yogurt for consumption on or away from the premises equals or exceeds 50% of gross receipts.

The manufacture of dry ice shall be classified as 4635, *Oxygen or Hydrogen Mfg.*

The mixing or packaging of artificial (blue) ice shall be classified as 4828, *Chemical Mixing or Repackaging*.

The manufacture of butter substitutes shall be classified as 4717, *Butter Substitutes Mfg.*

The bottling or packaging of nondairy, nonalcoholic beverages shall be classified as 2163, *Bottling*.

Can manufacturing shall be separately classified.

\* \* \* \* \*

**Recommendation**

Amend the cross-reference for Classification 2063, *Creameries and Dairy Products Mfg.*, which is part of the *Food Packaging and Processing Industry Group*, for consistency with other proposed changes.

PROPOSED

**~~CREAMERIES AND DAIRY PRODUCTS OR ICE MFG.~~**

See Food Packaging and Processing.

\* \* \* \* \*

**Recommendation**

Amend Classification 0036, *Dairy Farms*, which is part of the *Farms Industry Group*, for consistency with other proposed changes.

PROPOSED

**FARMS**

**DAIRY FARMS**

**0036**

This classification applies to all acreage devoted to the raising of cows for the production of milk or cream, and/or the raising of replacement dairy heifers. This classification also includes acreage devoted to the raising of goats for milk, cream or meat production.

This classification includes growing feed, hay or grain crops when more than 50% of such crops are used by the employer. Cultivation and harvesting of crops that are primarily sold to others shall be assigned to the appropriate *Farms Industry Group* classification.

Milk pasteurization, processing or bottling; dairy products manufacturing; and/or route drivers who deliver bottled milk to customers and perform no other duties on the farm premises shall be separately classified as 2063, ~~*Creameries and Dairy Products*~~ *or Ice Mfg.*

The raising of beef cattle shall be classified as 0038(1), *Stock Farms*.

The raising of calves for others shall be classified as 0034(2), *Sheep, Hog or Calf Farms*.

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**Recommendation**

Amend Classification 2163, *Bottling*, which is part of the *Food Packaging and Processing* Industry Group, for consistency with other proposed changes.

PROPOSED

**FOOD PACKAGING AND PROCESSING**

**BOTTLING – beverages – no spirituous liquors, wine or beer**

**2163**

This classification applies to the bottling or packaging of beverages, including but not limited to soft drinks, sports drinks, coffee, tea and water. This classification includes the blending of purchased fruit concentrates with water and flavorings to produce fruit drinks. This classification also includes the manufacture of containers, including but not limited to cans, bottles and paperboard boxes when performed in support of the employer’s bottling or packaging operations.

The production and bottling or canning of fruit or vegetable juice or concentrate shall be classified as 2116, *Fruit or Vegetable Juice or Concentrate Mfg.*

The production and bottling of wine shall be classified as 2142(1), *Wineries*.

The production and bottling of distilled spirits shall be classified as 2142(2), *Distilling*.

The production and bottling or canning of beer shall be classified as 2121, *Breweries*.

The production and bottling or canning of milk shall be classified as 2063, ~~*Creameries and Dairy Products*~~ *or Ice Mfg.*

\* \* \* \* \*

**Recommendation**

Amend Classification 4717, *Butter Substitutes Mfg.*, which is part of the *Food Packaging and Processing* Industry Group, for consistency with other proposed changes.

PROPOSED

**FOOD PACKAGING AND PROCESSING**

**BUTTER SUBSTITUTES MFG.**

**4717**

This classification applies to the manufacture of butter substitutes, including but not limited to margarine, shortening and lard.

The manufacture of butter shall be classified as 2063, ~~*Creameries and Dairy Products*~~ *or Ice Mfg.*

\* \* \* \* \*

**Recommendation**

Amend Section VIII, *Abbreviated Classifications – Numeric Listing*, for consistency with other proposed changes.

PROPOSED

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- 2063 Creameries/Dairy Products/Ice Mfg
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- 2450 ~~Ice Mfg/Ice Dealers~~
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-