LEADERS' CHOICE
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NEWSALERT

Workers' Compensation

Electronics, Construction Class Code Changes

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

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

Dual-wage increases

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

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

DUAL-CLASS CODE CHANGES COMING 9/1*

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

*Proposed

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

Electronics manufacturing

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

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

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

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

See 'Changes' on page 2

LEADERS' CHOICE
INSURANCE
700 E Street
Sacramento, CA 95814
Phone: 866.211.2123
Fax: 866.913.7036
www.leaderschoiceins.com
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If you would like to receive this newsletter electronically, e-mail us at:
info@leaderschoiceins.com

Workplace Safety

Overdose Meds May Be Coming to Your First Aid Kit

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

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

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

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

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

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

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

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

Legislation

Two bills are in play.

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

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

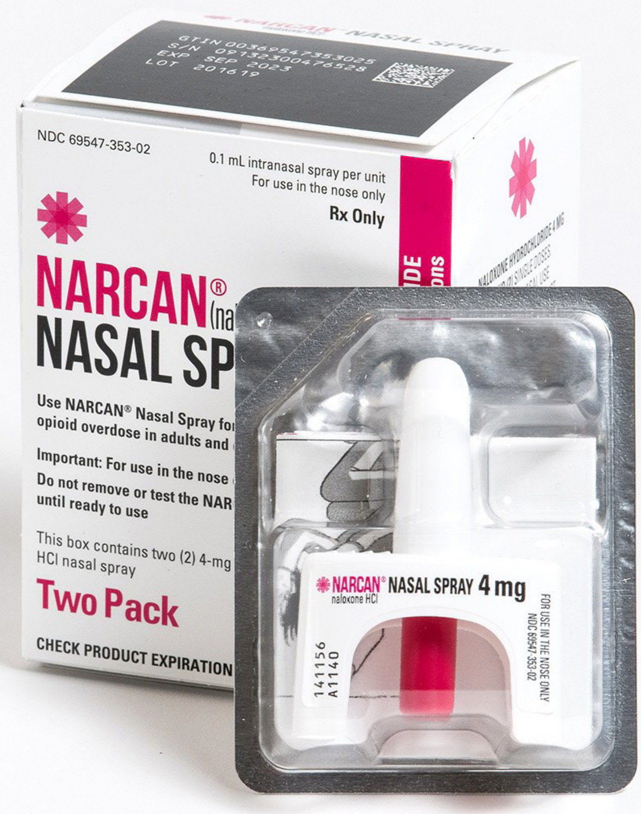
The takeaway

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

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

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

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



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Changes to Electronics Sector Class Codes in the Cards

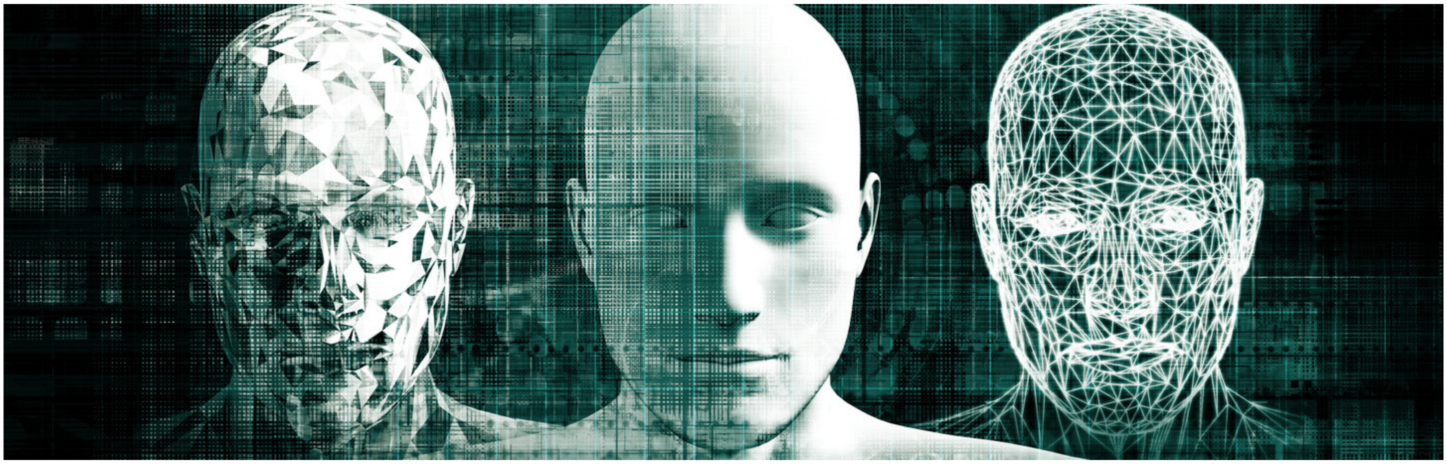
The Bureau is also recommending merging class code 3070 (computer memory disk manufacturing) with 3681(2) (computer or computer peripheral equipment manufacturing).

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

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

Protecting Your Data

Deepfake Technology Used to Fool Employees



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

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

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

How it happened

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

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

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

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

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

Warning to US businesses

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

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

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

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

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

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

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

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

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

Insurance coverage

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

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

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

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

Commercial Property Risks

Vacant Buildings May Present Insurance Problems

THE TREND toward employees working remotely that began during the COVID-19 pandemic has proven popular, and many employers have been able to shrink their office costs by leasing smaller spaces.

However, these changes have resulted in increased commercial building vacancy rates, and that can leave their owners with insurance problems.

The National Association of Realtors has reported that the nationwide office vacancy rate in 2023 was 13.3%, up from 12.2% the year before. Moody's Analytics estimates the rate at a record 19.6%.

Insurance companies are hesitant to insure buildings that fall below 50% occupancy because these properties may:

- Be poorly maintained.
- Have pest problems.
- Be susceptible to water leaks.
- Be vulnerable to vandalism and broken windows.
- Be an attractive shelter for homeless individuals, who may use improvised heat sources that can cause fires.

Vacancy has insurance coverage implications even for those that are covered. Different insurance policies define "vacant" in different ways, so a building considered vacant under one policy might not be under another.

Standard vacancy definition

However, a standard policy defines a building as vacant unless at least 31% of its square foot area is either rented to and used by a tenant for normal business operations and/or used by the building owner for normal operations.

If a commercial building falls below 31% occupancy during the insurance policy's term, the coverage on it may decrease automatically. A typical policy provision states that if the building is vacant for more than 60 consecutive days before a loss occurs, the insurance will not cover a loss caused by:

- Vandalism.
- Leakage of an automatic sprinkler system, unless the owner has protected it against freezing.
- Building glass breakage.
- Water damage.
- Theft or attempted theft.

In addition, the payment for covered losses caused by anything else will be reduced by 15%. For example, if a fire caused $100,000 damage, the insurer will pay only $85,000.

Some state laws may permit insurance companies to cancel a policy if they discover that the building has become vacant or not adequately occupied. In hard markets where insurance companies are struggling for profitability, many of them may cancel policies.

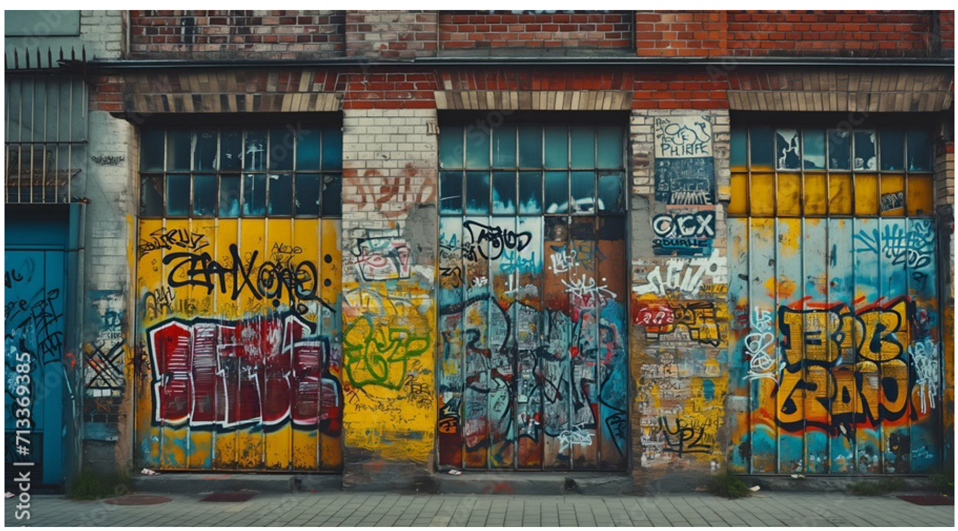
In some cases, insurance on vacant buildings may be available only from unregulated insurance companies in the "excess and surplus lines market." These companies can use policies and rates without getting approval from the state insurance regulator.

They can provide recourse for a building owner who cannot otherwise get coverage, but the policies may provide less coverage for higher premiums than the owners were used to.

STEPS FOR RETAINING COVERAGE

To remain attractive to insurance companies, commercial building owners should ensure that:

- A building has heat.
- Protective devices (such as alarm systems and sprinkler systems) are still operational and monitored, if possible.
- Security is still in place.



The takeaway

Insurance companies ordinarily like to insure office buildings. Their occupancies are normally not dangerous, they are usually built with fire-resistive materials, and they typically have visitors for only eight or nine hours a day, five days a week.

Building owners who keep their properties in good shape during a drop in occupancy may have to pay higher premiums, but they may find it easier getting coverage. ❖