

Workers Compensation Class Code 5606: Contractors/Executive Supervisors

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Introduction

Classification Code 5606* pertains to executive level supervisors for construction companies. It is a preferred and unique classification for a construction company operating in California. It's preferred because the rate for this code is substantially less than the operational classifications that apply to the majority of a construction company's employees, and it is unique in that up until January 1st of 2017 the classification could only be used upon specific written assignment by the Workers Compensation Insurance Rating Bureau (the Bureau). While Bureau review is no longer required, careful attention to the rules governing this classification is critical. Failing to do so will result in the applicable employee being placed in the appropriate operational construction classification which as mentioned above will carry a rate significantly higher than the rate for Code 5606.

Who It Applies To

Code 5606 is available only to executive supervisors or construction superintendents having administrative or managerial responsibility for a construction or erection project. Executive Supervisors or Construction Superintendents are defined* as 'those persons exercising supervisory control through job superintendents or foremen'. Code 5606 does not apply to any person who is directly

in charge of construction work. These employees are assigned to the operational class (like carpentry or plumbing) which best describes the type of construction or erection work over which they are exercising direct supervisory control. It is also important to note that the division of a single employee's payroll with any other classification is not allowed.



There are two scenarios under which Class Code 5606 may apply.

1. The first pertains to firms that develop payroll in one or more construction or erection classifications. In order to qualify there needs to be at least two levels of supervision as defined in Part 3, Section IV Rule 2.d.*** For those firms with two levels of supervision, 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 are also included in Code 5606.

2. The second scenario under which Class Code 5606 may apply involves firms that sub out all construction operations to licensed contractors and no direct payroll is developed under any construction classifications. Executive level supervisors in these situations exercise control exclusively through licensed subcontractors. 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 construction are also included in Code 5606. On projects where all work is subbed out Classification 5610** (Contractors-construction or erection-all construction subcontracted-all other employees) applies to other employees that perform job site cleaning and debris removal and post construction warranty and repair work. Prior to January 1st 2017, this type of work was placed in to Class Code 9015.

An important exception: There is an exception to both Code 5606 and 5610. It pertains to those workers whose duties are limited to estimating, outside sales or public relations. These employees who may visit job sites for the purpose of pre-construction estimating, or for meeting with clients and other project representatives, are classified as Salespersons (Class Code 8742). Fee based construction management companies that do not perform construction or provide direct supervision are placed in the Engineering classification (Code 8601).

Best Practices

Class Code 5606 should be reviewed and understood. As mentioned above the rate for this classification is much less than the operational construction classification. Discussion of Class Code 5606 underscores a bigger issue, making certain all your classifications are correct. There are hundreds of different classifications in the Bureau Manual and it is not always clear which classification should ap-

ply. In order to make sure you are classified favorably you need to understand what options you may have. Your broker should be able to work with you to determine the best classifications for you.

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



Footnote:

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 5610, Contractors — construction or erection — all construction subcontracted, shall apply to all other employees including but not limited to job site cleaning and debris removal and post-construction warranty repair 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.

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

Footnote:

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 other concerns on a fee basis shall be classified as 9008, Janitorial Services — by contractors.

Industry Group/Related Classifications:

Construction and Erection

*****EXCERPT**

California Workers' Compensation Uniform Statistical Reporting Plan—1995

Effective January 1, 2017

Part 3, Standard Classification System, Section IV, Special Industry Classification Procedures, Rule 2, Construction or Erection, Paragraph d, Executive Level Supervisors

Executive Level Supervisors

Executive level supervisors oversee the insured's construction operations through second level (or

higher) supervisors. In addition, on job sites where the insured subcontracts all operations to licensed subcontractors, executive level supervisors may oversee operations through subcontractors. Notwithstanding any other provisions contained herein, it is not permissible to divide a single employee's payroll, within a single policy period, between Classification 5606, Contractors – executive level supervisors, and any other classification.

Executive level supervisors over construction operations wherein the insured develops payroll in one or more construction or erection classifications shall be eligible for Classification 5606 provided not less than two levels of supervision, as defined below, are retained between the executive level supervisor and the workers performing the actual construction operations.

1. First level supervisors generally work at a job site with a single crew of workers performing a single trade and do not travel between concurrent job sites to supervise different crews. While first level supervisors may engage in construction activities alongside the crew, as supervisors they have the authority to direct and control the crew's work. This control includes training, evaluating, and disciplining crewmembers. Employees who assist with training or leading a crew, but who do not have the authority to direct and discipline crewmembers, or are not accountable for the work performed by the crew, are not considered first level supervisors.
2. Second level supervisors generally have broad authority over the work crews at one or more job sites. Second level supervisors direct and control the work of first level supervisors. The duties of second level supervisors are exclusively supervisory in nature.

Risk Management Seminar Series



Coaching and Counseling Employees to Improve Their Performance (as Opposed to Discipline)

Friday, February 10, 2017

7:30am Registration

8:00am - 10:00am Program

Sexual Harassment Prevention Training

Friday, March 3, 2017

7:30am Registration

8:00am - 10:00am Program

Heat Illness Prevention and Enforcement 101

Friday, March 10, 2017

7:30am Registration

8:00am - 10:00am Program

Reserve Early, Seating is Limited!

To register, click on the 'register now' button in the announcement email, or contact Bethany Mongold at mongold@cavignac.com or call 619-744-0540.

LIVE WELL WORK WELL



The New Year and How It May Affect Your Benefits

The beginning of 2017 signals a new plan year for some insurance plans. For individuals with these plans, this means that any changes made to health plans and new deductibles will take effect **Jan. 1, 2017**.

It will be important to keep these changes in mind when you or your family seek out health care. You should also be on the lookout for things like changing prescription drug coverage limits and changing copay amounts.

In addition to reviewing your policy, be sure to follow these quick tips to be a wise health care consumer next year.

- Consider using generic prescription drugs instead of brand-name drugs, when possible.
- Shop around for the lowest rates before visiting a doctor, when possible.
- Visit the emergency room for emergencies only.
- Opt for outpatient care instead of inpatient care when given the choice.

This article is intended for informational purposes only and is not intended to be exhaustive, nor should any discussion or opinions be construed as professional advice. Readers should contact a health professional for appropriate advice.

Health and wellness tips for your work and life—

Cavignac & Associates

New Year's Resolutions: Lifestyle Changes vs. Quick Changes

Historically, one of the top New Year's resolutions is to lose weight. Unfortunately, many people look to fad diets and weight-loss products to achieve their goals quickly. While fad diets may prove effective initially, research shows that many people don't find long-term success with these types of diets.

Instead of setting a goal to lose weight fast this New Year's, set a goal to lead a healthier lifestyle. Common lifestyle New Year's resolutions include the following:

- **Exercise regularly**—Aim to get at least 150 minutes of moderate or 75 minutes of vigorous aerobic activity a week and to do strength training exercises of major muscle groups at least twice a week.
- **Maintain a well-balanced, healthy diet**—Try to eat a variety of fruits, vegetables, whole grains, protein-rich foods and healthy fats. Make it a goal to incorporate more fruits and veggies into your diet.
- **Increase the amount of sleep you get**—One of the best ways to become healthier is to get enough sleep. Try to get at least seven hours of sleep, the expert-recommended amount, per night.

Regardless of what you choose to make your New Year's resolution, make sure it is a "SMART" goal—one that is specific, measurable, attainable, realistic and timely—to increase the odds that you will stick to it.

SIMPLE GREEN SMOOTHIE

1 cup kale or spinach
1 medium banana
1 cup low-fat coconut or almond milk
1 cup plain Greek yogurt
1 medium apple, cored and sliced
1 cup frozen fruit of your choice
1 Tbsp. chia seeds (optional)
1 Tbsp. flax seeds (optional)

PREPARATIONS

1. In a blender, blend the kale or spinach and the milk.
2. Add in the rest of the ingredients one at a time, blending after each item.
3. Serve cold.
4. Reserve the leftover smoothie in the refrigerator for later in the day or the next day. The smoothie should be consumed within 24 hours.

Makes: 2 servings

Nutritional Information (per serving)

Total Calories	278
Total Fat	6 g
Protein	11 g
Carbohydrates	50 g
Dietary Fiber	7 g
Saturated Fat	3 g
Total Sugars	36 g
Sodium	120 mg

Source: USDA



National Blood Donor Month

Since 1970, National Blood Donor Month has been celebrated in January. Historically, the winter season is one of the most difficult times of the year to collect enough blood products and donations to meet patient needs. While “whole blood” donations are the most common, individuals can also make platelet, power red and plasma donations.

Donated blood is used for blood transfusions. Common scenarios in which blood transfusions are needed include the following:

- Patients suffering from severe trauma following disasters and accidents
- Patients receiving surgical treatments and some medical treatments, including cancer patients and patients with sickle cell disease
- Female patients suffering from pregnancy complications before, during and after childbirth

Making the decision to donate blood can help save a life, but not everyone is eligible to donate blood. Please visit www.redcrossblood.org/donating-blood/eligibility-requirements to see if you meet the requirements to donate blood to ensure both your safety and the safety of recipients.



FACTS ABOUT BLOOD DONATION NEEDS IN THE UNITED STATES

- **Every 2 seconds** someone needs blood
- **Approximately 36,000** units of red blood cells are needed every day
- **Approximately 7,000** units of platelets are needed every day
- **Approximately 10,000** units of plasma are needed every day

Spotlight On

Community

A photograph showing eight hands of different skin tones reaching up from the bottom of the frame to hold up large, three-dimensional letters spelling out the word "Community". The letters are colored in a rainbow sequence: red, green, yellow, blue, pink, light green, purple, and light blue. The background is plain white.

Cavignac & Associates is proud to support local and non-profit civic organizations, including The Monarch School



Monarch has served San Diego for nearly three decades, beginning as a one-room education center and expanding into a K-12 comprehensive school designed to educate homeless youth.

There are more than 1.2 million homeless students across the country and 22,000 in San Diego County alone. Research shows homelessness contributes to a wide range of challenges including physical and psychological problems, safety fears and academic struggles. It's estimated that 75% of homeless students do not receive a high school diploma. The barriers these students face, hinder their ability to become contributing, successful members of their families and society and place them at a high risk of becoming tomorrow's homeless adults.

At Monarch, we give students the skills and tools they need to overcome these odds.

Sandra McBrayer founded the school in 1987 recognizing the need to get homeless youth off the streets and in school. She was later named Teacher of the Year by President Bill Clinton for her work.

In 1999, the Monarch School Project a 501 (c)(3) was established by San Diego Rotary to help relocate the school to a new facility. Today, the partnership between the school and the non-profit continues to make Monarch a recognized leader in the education of homeless youth.

*For more information about the Monarch School
visit www.monarchschools.org*