

# Actuarial Committee

## Meeting Minutes

Date	Time	Location	Staff Contact
February 15, 2022	9:00 AM	Webinar Teleconference	David M. Bellusci

---

1901 Harrison Street, 17<sup>th</sup> Floor • Oakland, CA 94612 • 415.777.0777 • Fax 415.778.7007 • [www.wcirb.com](http://www.wcirb.com) • [wcirb@wcirb.com](mailto:wcirb@wcirb.com)

Released: March 3, 2022

### Members

Mauro Garcia  
Ika Irsan  
Matt Jahnke  
Miranda Ma  
Neal Leibowitz  
Joanne Ottone  
Mark Priven  
Kate Smith  
Bryan Ware  
Chris Westermeyer

### Representing

Zurich North America  
Republic Indemnity Company of America  
CopperPoint Insurance Companies  
American International Group  
Liberty Mutual Group  
Berkshire Hathaway Homestate Companies  
Public Member of Governing Committee  
State Compensation Insurance Fund  
AmTrust  
Travelers

### California Department of Insurance

Giovanni Muzzarelli  
Mitra Sanandajifar

### WCIRB

Bill Mudge  
David Bellusci  
Laura Carstensen  
Tony Milano  
Julia Zhang

The meeting of the Actuarial Committee was called to order at 9:00 AM following a reminder of applicable antitrust restrictions, with Mr. David Bellusci, Executive Vice President and Chief Actuary, presiding.

\* \* \* \* \*

### Approval of Minutes

The Minutes of the meetings held on December 7, 2021 and December 9, 2021, were distributed to the Committee members in advance of the meeting for review. As there were no corrections to these Minutes, a motion was made, seconded and unanimously approved to adopt these Minutes as written.

**Notice**

The information in these Minutes was developed by the Workers' Compensation Insurance Rating Bureau of California (WCIRB) for the purpose of assisting the WCIRB Actuarial Committee. The WCIRB cannot make any guarantees if this information is used for any other purpose and the WCIRB shall not be liable for any damages, of any kind, whether direct, indirect, incidental, punitive or consequential, arising from the use of or reliance upon this information for any other purpose.

© 2022 Workers' Compensation Insurance Rating Bureau of California. All rights reserved.

No part of this work may be reproduced or transmitted in any form or by any means, electronic or mechanical, including, without limitation, photocopying and recording, or by any information storage or retrieval system without the prior written permission of the Workers' Compensation Insurance Rating Bureau of California (WCIRB), unless such copying is expressly permitted in this copyright notice or by federal copyright law. No copyright is claimed in the text of statutes and regulations quoted within this work.

Each WCIRB member company, including any registered third party entities, (Company) is authorized to reproduce any part of this work solely for the following purposes in connection with the transaction of workers' compensation insurance: (1) as necessary in connection with Company's required filings with the California Department of Insurance; (2) to incorporate portions of this work, as necessary, into Company manuals distributed at no charge only to Company employees; and (3) to the extent reasonably necessary for the training of Company personnel. Each Company and all agents and brokers licensed to transact workers' compensation insurance in the state of California are authorized to physically reproduce any part of this work for issuance to a prospective or current policyholder upon request at no charge solely for the purpose of transacting workers' compensation insurance and for no other purpose. This reproduction right does not include the right to make any part of this work available on any website or any form of social media.

Workers' Compensation Insurance Rating Bureau of California, WCIRB, WCIRB California, WCIRB Connect, WCIRB Inquiry, WCIRB CompEssentials, X-Mod Direct, eSCAD, Comprehensive Risk Summary, X-Mods and More, Annual Business Comparative and the WCIRB California logo (WCIRB Marks) are registered trademarks or service marks of the WCIRB. WCIRB Marks may not be displayed or used in any manner without the WCIRB's prior written permission. Any permitted copying of this work must maintain any and all trademarks and/or service marks on all copies.

To seek permission to use any of the WCIRB Marks or any copyrighted material, please contact the WCIRB at [customerservice@wcirb.com](mailto:customerservice@wcirb.com).

## **Item AC22-02-01**

### **9/1/2022 Regulatory Filing – Experience Rating Plan Values**

Staff presented a draft analysis of the indicated September 1, 2022 experience rating off-balance correction factor. Staff noted that the methodology used to compute the indicated off-balance factor for policies incepting between September 1, 2022 and August 31, 2023 was generally consistent with the methodology reflected in the September 1, 2021 Regulatory Filing. Staff noted that the indicated off-balance factor is computed based on experience rating information for the most recent four policy periods underlying the WCIRB's regulatory filings. Given that the most recent two policy periods represent a partial period for January 1, 2021 to August 31, 2021 and a preliminary partial period for September 1, 2021 to August 31, 2022 (which only includes data through May 2022), staff recommended applying 75% weight to the data from the January 1, 2021 period and 50% weight to the data from the September 1, 2021 period. The Committee was advised that the preliminary indicated September 1, 2022 off-balance factor using this approach is 1.030, which is 1.5% above the 1.015 factor reflected in the September 1, 2021 Regulatory Filing. Staff noted that although the indicated off-balance factor is higher than in recent filings, it is generally consistent with the longer-term average. The consensus of the Committee was that this methodology was appropriate and should be used to compute the final September 1, 2022 off-balance factor.

Staff then presented a draft analysis of the factors used to generate proposed September 1, 2022 expected loss rates. Staff noted that the overall methodology to compute the expected loss rate factors was consistent with that reflected in the September 1, 2021 Regulatory Filing. It was noted that COVID-19 claims were excluded from the computation of expected loss rates since such claims will not be reflected in September 1, 2022 to August 31, 2023 experience modifications. Staff noted that there were more swings in the expected loss rates for classifications compared to recent prior years. It was noted that these were likely in part driven by greater swings in the classification relativities related to updating the loss development group assignments and the use of pandemic-period data in the expected losses underlying September 1, 2022 to August 31, 2023 experience modifications. After discussion, the consensus of the Committee was that the proposed September 1, 2022 expected loss rates should reflect the methodologies summarized at the meeting. During the discussion, a Committee member suggested reviewing the 15% swing limit in expected loss rates, which differs from the 25% swing limit used in the computation of classification relativities, in the future.

## **Item AC22-02-02**

### **Review of Payroll Limitation Methodology**

Staff presented a review of the methodology used to estimate the reduction in payroll for newly payroll limited classifications and noted that that this adjustment is based on American Community Survey data mapped to classification via occupation and industry. Staff presented the results from a survey of audited policies as well as a review of the data reported to date on unit statistical reports from policy year 2020. The Committee was advised that the estimates of excess ratios based on this information are volatile but do not differ from the initial projections in a systematic manner. Staff shared plans to continue monitoring audited payroll as it is reported and recommended continuing to use the existing methodology until actual audited unit statistical report data is available. The consensus of the Committee supported staff's recommendation to continue to use the current methodology based on ACS data to adjust for the impact of newly implemented payroll limitations.

Below are the factors to be used in the September 1, 2022 Regulatory and Pure Premium Rate Filings based on the current methodology as discussed at the meeting:

#### **Adjustments for Payroll Limitations**

Classification	Effective Date	Adjustment Factor
7607	1/1/2020	0.80
8743	1/1/2020	0.71
8803	1/1/2020	0.81
8820	1/1/2020	0.67
8859	1/1/2020	0.73
8601	9/1/2022	0.86
8741	9/1/2022	0.70
8749	9/1/2022	0.73
8801	9/1/2022	0.78
8808	9/1/2022	0.78
8822	9/1/2022	0.81
8874	9/1/2022	0.80

The meeting was adjourned at 11:20 AM.

Note to Committee Members: These Minutes, as written, have not been approved. Please refer to the meeting scheduled for March 21, 2022 for approval and/or modification.