

# Governing Committee

## Meeting Minutes

Date	Time	Location	Staff Contact
April 20, 2022	9:30 AM	Microsoft Teams Webinar	Eric S. Riley
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### Insurer Members

Everest National Insurance Company  
Federal Insurance Company  
Hartford Accident and Indemnity Company  
Pacific Compensation Insurance Company  
Preferred Employers Insurance Company  
State Compensation Insurance Fund  
Travelers Property Casualty Company of America  
Zenith Insurance Company

### Represented by

David Sandler  
Mary Beth Pittinger  
Matthew Massaro  
Tom Collins  
Dennis Levesque\*  
Vernon Steiner  
Eric Belk  
Paul Ramont

### Public Members

Lynne Davidson  
Diana Rich  
Jeremy Smith (Did not attend)  
Mitch Steiger (Did not attend)

### Representing

Insured Employers  
Insured Employers  
Organized Labor  
Organized Labor

### California Department of Insurance

Yvonne Hauscarriague  
Brentley Yim

### WCIRB

Bill Mudge  
David Bellusci  
Kristen Marsh  
Eric Riley  
Roger Cotman

### Public Members' Staff

Mark Priven

### Counsel

Dan Brown, McDermott Will & Emery

\*attended part of the meeting

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The meeting of the Governing Committee was called to order at 9:30 AM by Bill Mudge, WCIRB President and CEO, following a reminder of applicable antitrust restrictions.

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**Item I**

**Confirmation of Governing Committee Chairperson**

Mr. Mudge reminded the Committee that this meeting starts the second year of Paul Ramont's two-year term as Governing Committee Chair.

**Item II**

**Approval of the Minutes**

The Minutes of the Governing Committee meeting held on February 9, 2022 were distributed to Committee members in advance of the meeting for review. As there was no discussion or corrections to the Minutes, a motion was made, seconded and unanimously passed to adopt the Minutes as written.

**Item III**

**Additions to the Agenda**

The Chair asked the Committee members and staff if there were any items to be added to the Agenda. Hearing none, the Chair accepted the Agenda as published.

**Item IV-A**

**Ratification of Actions of WCIRB Committees**

The Minutes of the Actuarial Committee meetings held on December 7, 2021 and December 9, 2021 were provided to Committee members in advance of the meeting for review. As there were no questions or discussion regarding the information, a motion was made, seconded and unanimously passed to ratify the actions of the Actuarial Committee.

**Item V-A**

**September 1, 2022 Regulatory Filing (Oral Report)**

WCIRB Senior Vice President and Chief Legal Officer Kristen Marsh reminded the Committee that, on February 28, 2022, the WCIRB submitted the September 1, 2022 Regulatory Filing to the CDI proposing changes to the *California Workers' Compensation Uniform Statistical Reporting Plan—1995*, *Miscellaneous Regulations for the Recording and Reporting of Data—1995* and *California Workers' Compensation Experience Rating Plan—1995* (Plans). The Committee was also reminded that the CDI will hold a public hearing on the Regulatory Filing on April 26, 2022. Ms. Marsh advised the Committee that upon receipt of the Insurance Commissioner's Decision, the WCIRB will begin publishing September 2022 experience modifications and preparing the Plans to reflect the Commissioner's Decision and will post them to the WCIRB's website within a few weeks of release of the Decision.

**Item VI-A**

**September 1, 2022 Pure Premium Rate Filing**

WCIRB Executive Vice President and Chief Actuary Dave Bellusci advised the Committee that the Actuarial Committee completed its review of December 31, 2021, experience at the April 14, 2022, meeting. Mr. Bellusci provided the Committee a summary of the Actuarial Committee's review and its recommended methodologies with respect to the indicated September 1, 2022 pure premium rate level. The Actuarial Committee's Agenda for the April 14, 2022 meeting was included in the Agenda.

Mr. Bellusci advised the Committee that the Actuarial Committee's recommended methodologies were generally consistent with those used in the September 1, 2021 Pure Premium Rate Filing with several refinements that were summarized during the presentation. The Actuarial Committee's recommended

methodologies, when applied to the statewide experience as of December 31, 2021 excluding COVID-19 claims, produced an indicated statewide average pure premium rate level of \$1.55 which is 6.9% higher than the average approved September 1, 2021, advisory pure premium rate of \$1.45.

Mr. Bellusci began by noting that the Actuarial Committee's recommendations for the September 1, 2022 Pure Premium Rate Filing generally: (1) exclude the 2020 accident year experience and (2) base projections regarding loss and loss adjustment expenses on non-COVID-19 claims experience. Mr. Bellusci noted that COVID-19 claims significantly impacted 2020 and 2021 claim experience but is not expected to have as large an impact on policies incepting on or after September 1, 2022. As a result, the Committee was advised that the Actuarial Committee recommended excluding COVID-19 claims experience in the September 1, 2022 (non-COVID-19) projection and reviewing the potential cost of COVID-19 claims separately.

Mr. Bellusci summarized the key elements of the Actuarial Committee's review of December 31, 2021 experience as compared to the December 31, 2020 experience and the following factors that caused an indicated net increase from 1.54 to 1.55: increased loss development (+1.5%); updated wage growth forecasts (-3%); updated frequency forecast (+0.5%); updated severity forecasts (+2%); updated loss adjustment expense provisions (-1.5%); and an updated experience rating off-balance factor (+1.5%).

Throughout the presentation, Mark Priven, the consulting actuary to the Public Members of the Governing Committee, was asked to detail how his recommended methodologies differ from those recommended by the Actuarial Committee. Mr. Priven indicated that his recommended methodologies differ primarily based on his using a blending of incurred and paid loss development patterns to develop both medical and indemnity losses and lower frequency and medical severity growth assumptions. Mr. Priven noted that his indicated September 1, 2022 average pure premium rate of \$1.42 is more than 8% lower than that based on the recommendations of the Actuarial Committee.

Mr. Bellusci also reviewed the projections of COVID-19 claim costs on policies incepting between September 1, 2022 and August 31, 2023. Mr. Bellusci advised that the estimated costs of COVID-19 claims as a percent of total losses decreased from 6.1% in accident year 2020 to 2.4% in accident year 2021 – and is projected to continue to drop. That said, Mr. Bellusci indicated that the Actuarial Committee believed that the cost of COVID-19 claims will continue to represent a portion of claims costs for the September 1, 2022 to August 31, 2023 period. Using a “tempered” estimate based on forecasts of future COVID-19 fatalities from the Rockefeller Foundation and Institute for Health Metrics and Evaluation, the Actuarial Committee projected the costs of COVID-19 claims for this period to be 0.5% of total claims cost. Mr. Bellusci advised the Committee that, while the Actuarial Committee unanimously agreed that this was a reasonable provision for the cost of COVID-19 claims, it did not make a specific recommendation with respect to whether the projected cost of COVID-19 claims should be included in the recommended advisory pure premium rates.

At the end of the presentation, the Public Members requested a break so they could consult with Mr. Priven privately.

Following the break, the Committee agreed to consider the non-COVID-19 and COVID-19 components of the filing separately. With respect to the non-COVID-19 component of the filing, a motion was made and seconded to make a September 1, 2022 pure premium rate filing reflecting the methodology recommended by the consulting actuary to the Public Members of the Committee. The motion failed by a vote of two in favor and seven against.

Following the failed motion, another motion was made and seconded to make a September 1, 2022 pure premium rate filing reflecting the methodology recommended by the Actuarial Committee. The motion passed with seven in favor and two opposed.

After the Committee voted to make a September 1, 2022 pure premium rate filing reflecting the methodology recommended by the Actuarial Committee with respect to non-COVID-19 claims, the

question was raised regarding whether the filing should include the projected cost of COVID-19 claims. Mr. Bellusci advised the Committee that if the cost of COVID-19 claims is included, consideration should be given to applying it to each classification as an additive rather than a multiplicative factor. In this way, the COVID-19 provision would be consistent by industry and not vary proportionately to other workers' compensation exposures reflected in classification advisory pure premium rates.

In the ensuing discussion, a Committee member noted that the WCIRB's responsibility is to base its recommendation on the best available data and actuarial projections of future losses and therefore should include the projected COVID-19 costs that are estimated to be incurred in the upcoming period.

At the close of the discussion, a motion was made and seconded to include, on an additive basis, the 0.5% "tempered" estimate based on forecasts from the Rockefeller Foundation and Institute for Health Metrics and Evaluation in the September 1, 2022 Pure Premium Rate Filing. The motion passed by a vote of seven in favor and two against.

#### **Next Meeting Date**

The Committee noted that the next meeting is scheduled for September 21, 2022.

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There being no further business to come before the Committee, the meeting was adjourned at 11:30 AM.

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