

Actuarial Committee

Meeting Minutes

Date	Time	Location	Staff Contact
June 28, 2022	9:00 AM	Webinar Teleconference	David M. Bellusci

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AmTrust

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David Bellusci
Laura Carstensen
Tony Milano

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.

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Approval of Minutes

The Minutes of the meetings held on March 21, 2022 and April 14, 2022, 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.

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Item II

Working Group Meeting Summaries

The summary of the Claims Working Group meeting held on March 31, 2022 was included in the Agenda for the Committee's review and was accepted by the Committee.

Item AC22-06-01

3/31/2022 Experience Review

Staff presented a summary of the analysis of statewide accident year experience evaluated as of March 31, 2022, which was included in the Agenda. It was noted that the projected loss ratio for policies incepting between September 1, 2022 and August 31, 2023 based on March 31, 2022 experience and the methodologies reflected in the September 1, 2022 Pure Premium Rate Filing (Filing) was modestly lower than the projection included in the Filing which reflected December 31, 2021 experience. During the discussion, the Committee noted the following:

- The modest decrease in the projected loss ratio compared to the Filing was generally driven by changes in economic data rather than the March 31, 2022 insurer loss experience, particularly related to increases in forecast average wage growth impacting premium on-level estimates and increased employment impacting claim frequency estimates.
- Loss development projections based on March 31, 2022 experience were modestly lower than those based on December 31, 2021 experience. The decrease was primarily driven by the adjustment for changes in claim settlement rates in the loss development projection corresponding with the increase in claim settlement rates for accident year 2021. The actual paid and incurred loss development emerging in the first quarter of 2022 were generally flat for both indemnity and medical.
- Indemnity claim settlement rates increased for accident year 2021. For accident years 2018 through 2020, claim settlement rates continued to be below the comparable settlement rate for the prior year and well below that for the pre-pandemic period.
- The most recent projections of the California medical consumer price index (CPI) based on the California Department of Finance forecasts as of April 2022 show significantly higher medical inflation forecasts for 2022 through 2024 compared to the November 2021 projections. Although this has a modest impact on the medical on-level adjustments, these inflationary trends may be reflected in Medicare fees and California medical fee schedule updates (which are primarily based on Medicare) in the near future. A Committee member noted that these changes should be considered when selecting an on-level medical severity trend as the medical severity trend on average reflects medical payments made a number of years into the future.
- The most recent projections of wage level changes show higher average wage changes projected for 2021 through 2024, primarily based on the April 2022 California Department of Finance forecasts. It was noted that the Filing made in April reflected California Department of Finance forecasts from November 2021. Given the recent volatility in the economy, the Committee noted that it may be appropriate to give more weight to more current wage inflation projections in the next rate filing. A Committee member also suggested reviewing the estimated annual cost of living adjustments to weekly indemnity benefit maximums which are statutorily based on reported wage changes.
- The indemnity claim frequency change for accident year 2021 (excluding COVID-19 claims) based on the preliminary measure of changes in indemnity claim counts at 15 months compared to changes in statewide employment levels was a lower increase compared to that reflected in the Filing. This change was primarily driven by an increase in the Statewide employment figure reported for 2021. The indemnity claim frequency change for the first quarter of accident year 2022 (excluding COVID-19 claims) compared to the first quarter of 2021 shows a modest

decrease, as the increase in the number of indemnity claims was offset by greater increase in employment.

- Average on-level indemnity severities continue to show moderate increases for accident years 2019 and 2020 and a moderate decrease for 2021. Average on-level medical severities show modest increases for accident years 2019 and 2020 and a moderate decrease for 2021. As discussed at prior meetings, the decreases for 2021 may be impacted by shifts in the distribution of injuries during the pandemic, with a return of more smaller indemnity claims in 2021 that were not incurred during the 2020 stay-at-home period.

Item AC22-06-02 COVID-19 Claim Development

Staff summarized the comparison of claim and loss development on COVID-19 claims from 2020 and 2021 to that of non-COVID-19 claims included in the Agenda. Staff noted that, for the most part, loss development patterns on COVID-19 claims were fairly comparable to those of non-COVID-19 claims, although paid medical development on COVID-19 claims was modestly higher. Staff also noted that, as discussed at prior Committee meetings, COVID-19 claims on average are settling significantly quicker than non-COVID-19 claims. It was observed that this is likely due to the prevalence of small COVID-19 claims.

In response to a member question, staff noted that it had not yet studied the severity information on late reported COVID-19 claims but agreed to review this information at the September Committee meeting. The consensus of the Committee was that staff should continue to present COVID-19 development information as the experience matures.

The meeting was adjourned at 10:00 AM.

Note to Committee Members: These Minutes, as written, have not been approved. Please refer to the meeting scheduled for September 13, 2022 for approval and/or modification.