

Governing Committee

Meeting Minutes

Date	Time	Location	Staff Contact
April 8, 2020	9:30 AM	Webinar Teleconference	Eric S. Riley

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The teleconference 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 Mike Mulray's two-year term as Governing Committee Chair.

Item II

Approval of the Minutes

The Minutes of the Governing Committee meeting held on December 11, 2019 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 if there were any items to be added to the Agenda. Hearing none, the Chair accepted the Agenda as published.

Item IV

Ratification of Actions of WCIRB Committees

The Minutes of the Actuarial Committee meeting held on December 5, 2019 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.

The Minutes of the Classification and Rating Committee meeting held on February 11, 2020 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 Classification and Rating Committee.

Item VI-A

Potential July 1, 2020 Advisory Pure Premium Rate Filing

Dave Bellusci, Executive Vice President and Chief Actuary, presented the Actuarial Committee's findings and recommendations concerning the July 1, 2020 advisory pure premium rate indication. The Committee was advised that the Actuarial Committee met on March 16, and April 2, 2020 to discuss December 31, 2019 experience and to develop a recommendation with respect to the July 1, 2020 advisory pure premium rate indication. A summary of the materials reviewed by the Actuarial Committee at the April 2, 2020 meeting was provided to the Governing Committee in advance of the meeting.

Mr. Bellusci reminded the Committee that, at the December 14, 2011 meeting, the Committee adopted a general guideline that a mid-year pure premium rate filing should generally not be made unless there is either (1) evidence of highly unusual volatility in the experience or (2) major legislative, regulatory or judicial action. At the December 14, 2011 meeting, the Committee also directed that the Actuarial Committee's review of year-end experience include development of a mid-year advisory pure premium

rate indication to be provided to the Governing Committee in early April to inform their decision as to whether the WCIRB should make a mid-year filing.

Mr. Bellusci summarized the Actuarial Committee's analysis and recommendations for the Committee. In his detailed review of the December 31, 2019 experience, Mr. Bellusci noted the key considerations evaluated by the Actuarial Committee were: (1) moderating development & claim settlement trends (2) accident year 2019 claim severity trends and (3) uncertainty on economic and claim frequency forecasts.

Mr. Bellusci advised the Committee that the Actuarial Committee's recommendation was generally based on the methodologies reflected in the WCIRB's January 1, 2020 Pure Premium Rate Filing. The Committee was further advised that applying the methodologies recommended by the Actuarial Committee to the December 31, 2019 statewide experience produces a July 1, 2020 indicated statewide average pure premium rate of \$1.53 per \$100 of payroll. This represents a 0.7% increase from the average approved January 1, 2020 advisory pure premium rate of \$1.52 per \$100 of payroll.

Throughout the presentation, a number of Committee members questioned Mr. Bellusci to elicit a more thorough understanding of the data and information being presented and the basis of the Actuarial Committee's recommended methodologies. Mr. Bellusci also discussed instances in which there was a diversity of opinion among members of the Actuarial Committee and the basis for those differences.

Mark Priven, the consulting actuary to the Public Members of the Governing Committee, advised the Committee of those specific areas – and their relative impact – in which his methodology differed from that adopted by the Actuarial Committee. Mr. Priven advised the Committee that his methodology produced an indicated average July 1, 2020 pure premium rate of \$1.50, \$0.02 or 1.3% below that produced using the Actuarial Committee's recommended methodology. The principal difference in the two indications was attributable to Mr. Priven's recommended approach for the medical and indemnity trend projections, which relied on a combined short-term loss ratio trend, in lieu of the separate frequency and severity trend projections, balancing short-term and longer-term trends, which was recommended by the Actuarial Committee.

At the close of his presentation Mr. Bellusci advised the Committee that given (1) the small indicated change, (2) the high level of uncertainty and (3) the potential impact of COVID-19 related claims and the dramatic economic downturn on claim costs, the Actuarial Committee unanimously recommended that the WCIRB not make a mid-year filing.

At the conclusion of the discussion, a motion was made and seconded and unanimously passed not to submit a July 1, 2020 filing. The Committee also agreed that the potential impacts of the COVID-19 pandemic on payroll and claim cost level should be considered as part of the WCIRB's January 1, 2021 pure premium rate filing, which is scheduled to be submitted to the Insurance Commissioner in August.

Item VI-B **COVID-19 Pandemic**

Bill Mudge, WCIRB President and CEO, summarized the WCIRB's response to the COVID-19 pandemic crisis, the resultant Federal, State and Local stay-at-home orders, and the impact on the workers' compensation system both nationally and in California.

Mr. Mudge advised the Committee that, in early March, the WCIRB restructured all upcoming committee and working group meetings as teleconferences only, canceled non-essential business travel and accelerated the capability for all staff to be able to work remotely. When the "shelter-in-house" order for the six Bay Area counties was issued on March 16, 2020, all WCIRB employees began to work remotely the next day. Since that time, there have been minimal impacts to WCIRB core business operations with

the exception that, for the safety of Classification and Test Audit field staff, all on-site employer inspections were cancelled.

Mr. Mudge also advised the Committee of the following key actions:

With respect to reporting of COVID-19 claims, WCIRB staff worked with the Workers Compensation Insurance Organizations (WCIO) Data Advisory Committee to identify a catastrophe code as well as nature of injury and cause of injury codes to facilitate the reporting of COVID-19 claims in unit statistical and indemnity transaction data in a consistent manner across all WCIO jurisdictions.

Staff is assessing several issues including the treatment of COVID-19 claims in experience rating, the reporting of payroll for employees who are no longer working but are continuing to be paid, the classification of working-at-home employees and potential challenges in completing policy audits. In addition to gathering feedback from a wide range of stakeholders, WCIRB staff led a WCIO Policy Research Advisory Committee teleconference with all independent and NCCI rating bureaus to facilitate a dialogue on the consistent treatment of these issues across jurisdictions to the extent appropriate. WCIRB staff will also be discussing potential changes in these areas with the Underwriting Working Group on April 1, 2020 and the WCIRB Classification and Rating (C & R) Committee on April 14, 2020. Any changes recommended by the C & R Committee will be considered by the WCIRB Governing Committee during an April 17, 2020 teleconference and, if adopted by the Committee, filed shortly thereafter with the California Department of Insurance with a proposed July 1, 2020 effective date.

To help assess the potential impact of COVID-19 on the workers' compensation claims environment, the Committee was advised that the WCIRB is in the process of studying how prior major economic downturns have impacted the frequency and duration of claims in consideration of recent trends in post-termination claims and work-at-home arrangements, and the potential impact of a legal COVID-19 presumption on claims costs. In preparation for the annual pure premium rate filing, the WCIRB will also study how the claim frequency and severity experience emerging during the current "stay-at-home" environment is or is not likely to be indicative of future cost levels.

Next Meeting Date

The Committee noted that the next meeting is scheduled for April 17, 2020.

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There being no further business to come before the Committee, the meeting was adjourned at 10:45 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 June 10, 2020 for approval and/or modification.