

# Actuarial Committee

## Meeting Minutes

Date	Time	Location	Staff Contact
May 19, 2020	9:30 AM	Webinar Teleconference	David M. Bellusci
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Released: June 3, 2020

### Members

Mauro Garcia  
Jim Gebhard  
Miranda Ma  
Joanne Ottone  
Jill Petker  
Mark Priven  
Kate Smith  
Bryan Ware  
Chris Westermeyer

### Representing

Zurich North America  
Farmers Insurance Group of Companies  
American International Group  
Berkshire Hathaway Homestate Companies  
Liberty Mutual Group  
Public Members of Governing Committee  
State Compensation Insurance Fund  
AmTrust  
Travelers

### California Department of Insurance

Pat Hein  
Giovanni Muzzarelli  
Mitra Sanandajifar  
Garen Sargsyan  
Brentley Yim

### WCIRB

Bill Mudge  
David Bellusci  
Laura Carstensen  
Tony Milano  
Julia Zhang

The webinar teleconference of the Actuarial Committee was called to order at 9:30 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 16, 2020 and April 2, 2020 were distributed to the Committee members in advance of the meeting for review. As there were no corrections to the Minutes, a motion was made, seconded and unanimously approved to adopt the Minutes for both meetings as written.

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Item AC20-04-04  
COVID-19 Crisis

***Valuation of Governor's May 6, 2020 Executive Order***

The Committee was advised that the WCIRB had been requested to evaluate the cost impact of Governor Newsom's May 6, 2020 Executive Order providing for a rebuttable presumption of compensability for COVID-19 claims of workers directed to work outside their home. The Committee was further advised that the Order applies to injuries arising between March 19, 2020 and July 5, 2020. Staff summarized the approach being used to evaluate the cost impact of the Order.

The Committee was advised that staff's estimate of the number of workers impacted by the presumption involved determining pre-pandemic levels of employment by sector based on Federal Government sources with adjustments for the estimated number of workers recently unemployed and those estimated to be exclusively telecommuting. As in the WCIRB's earlier evaluation of a potential conclusive presumption of compensability, American Community Survey data was used to estimate the wage and age distributions of the workers affected by the Order.

Staff next summarized the approach used to estimate the number of COVID-19 claims arising from workers impacted by the Order. Staff noted that the Order applies for less than a four-month period, of which two months have already elapsed and, in addition, there is significantly more information on California COVID-19 hospitalizations and deaths by age interval currently available. As a result, the Committee was advised that staff estimated the COVID-19 claims to be filed by first projecting statewide overall death and hospitalization counts by age interval for the period the Order applies. Specifically, death counts were projected to the end of July based on the Institute for Health Metrics and Evaluation projections and hospitalizations were projected to mid-July based on CDC data on COVID-19 hospitalizations to date using an inverse power curve. The Committee was further advised that low-range, mid-range and high-range estimates were made based on varying assumptions as to the relative rate of COVID-19 claims by age interval of healthcare workers and first responders, other workers and the general population. A Committee member asked whether the potential relaxation of stay-at-home orders was considered in the estimate. While no explicit adjustment was made, staff noted that the high-range estimate implicitly considered this relaxation of the stay-at-home order by reflecting a significantly higher number of COVID-19 deaths and hospitalizations for the remaining time for which the order applies.

The Committee next discussed the extent to which an adjustment should be made to the WCIRB's cost evaluation to reflect that the presumption of compensability in the Order can be rebutted. It was noted that staff's preliminary estimate included modest offsets to reflect that the presumption can be rebutted with those offsets lower for more severe claims than for mild claims and for healthcare worker and first responders than for other workers. Several Committee members as well as Claims Working Group members indicated that they believed that it will be difficult to rebut COVID-19 claims of workers contracting COVID-19 if working outside the home, particularly those of healthcare workers and first responders. It was also suggested that some claims of workers with mild COVID-19 may not be filed in the workers' compensation system to the extent that any potential lost wages are being reimbursed through other mechanisms. Staff agreed to reconsider the offsets reflected in the preliminary evaluation based on the feedback provided.

The Committee next discussed the average projected costs of COVID-19 claims. The Committee was advised that based on recently available research on the longer-term health impacts of COVID-19 as well as feedback from physicians, average medical cost and temporary disability duration estimates had been updated from the WCIRB's prior COVID-19 conclusive presumption cost evaluation. Staff also advised that the permanent disability cost estimates reflected in the preliminary evaluation were based on data of similar claims, feedback from claims experts and emerging research on longer-term effects of COVID-19

and SARS. Several Claims Working Group members suggested that, in particular for COVID-19 patients on a ventilator, estimated permanent disability costs could be higher than reflected in the WCIRB's preliminary estimate. Staff agreed to re-evaluate the assumptions related to permanent disability based on the feedback provided.

Staff summarized the overall cost estimates of the Order based on the assumptions discussed at the meeting. A Committee member suggested that the number of claims projected appeared high given the volume of COVID-19 workers' compensation claims that has emerged thus far. Staff noted that it was planning to re-evaluate the number of mild claims projected based on feedback received at the meeting, which could lower the overall projected number of COVID-19 claims. Also, several Committee and Claims Working Group members suggested that with the issuance of the Order providing for a rebuttable presumption, the filing of COVID-19 claims in the workers' compensation system could escalate.

The Committee was advised that staff plans to finalize the evaluation reflecting the feedback provided at the meeting and release it by the end of the week. Given that the COVID-19 presumption included in the Order is estimated to significantly impact costs, a Committee member asked whether a WCIRB pure premium rate filing would be appropriate. Staff indicated that since the order expires July 5, 2020, which is well before any filed advisory pure premium rate change can be made to be effective, no filing was planned.

***Potential Impact of Economic Downturn on Claim Frequency***

The Committee was advised that given the current economic downturn resulting from the pandemic, staff was undertaking an analysis of the historical impacts of prior economic downturns on indemnity claim frequency. Staff summarized the preliminary findings of the analysis.

The Committee was advised that, historically, indemnity claim frequency in California declined at a greater rate during economic downturns than during periods of economic expansion. However, it was noted that the average differential in claim frequency changes between recession and expansion periods was modest, in part due to the prevalence of cumulative trauma claims in California, which increased during the last two recessions.

The Committee was reminded that while economic changes impact indemnity claim frequency, other factors such as legislative reforms, regulatory changes or judicial action often have a more significant impact. Staff summarized the range of indemnity claim frequency changes projected for 2020 produced by the WCIRB's econometric model under alternative assumed unemployment rates. It was noted that these forecasts did not reflect any potential surge of COVID-19 claims or fully reflect recent trends in post-termination cumulative trauma claims. Staff also presented separate estimates of the potential volumes of COVID-19 and post-termination claims that may emerge in 2020.

Staff advised the Committee that it anticipates releasing the full report by the beginning of June.

The meeting was adjourned at 12:50 PM.

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Note to Committee Members: These Minutes, as written, have not been approved. Please refer to the meeting scheduled for June 12, 2020 for approval and/or modification.