

Actuarial Committee

Meeting Minutes

Date	Time	Location	Staff Contact
September 8, 2020	9:30 AM	WCIRB California 1221 Broadway, Suite 900 Oakland, CA	David M. Bellusci
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AmTrust
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California Department of Insurance

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Mitra Sanandajifar

WCIRB

Bill Mudge
David Bellusci
Laura Carstensen
Tony Milano
Julia Zhang

The webinar teleconference meeting 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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Item II

Working Group Meeting Summaries

The summaries of the Actuarial Research Working Group meeting held July 29, 2020, the Claims Working Group meeting held July 30, 2020, and the Medical Analytics Working Group meeting held August 24, 2020 were included in the Agenda for the Committee's review and were accepted by the Committee.

Item AC20-04-04 COVID-19 Crisis

The Committee reviewed several updated summaries of emerging COVID-19 claim experience from the WCIRB's indemnity transaction data and the Division of Workers' Compensation (DWC). The Committee was advised that approximately 20% of all indemnity claims reported in the WCIRB's transactional indemnity database between April and July were COVID-19 claims. It was also noted that updated DWC data through August 23 showed that, as the economy continued to reopen in certain sectors, the industry spread of COVID-19 claims was wider than in the early weeks of the pandemic in which the vast majority of COVID-19 claims were among healthcare workers and first responders.

The Committee was reminded that at the August 4, 2020 and August 10, 2020 meetings, it had reviewed the projection of COVID-19 costs to be incurred on January 1, 2021 to August 31, 2021 policies. Based on the recommendations approved by the Committee, the WCIRB's January 1, 2021 Pure Premium Rate Filing submitted on August 26, 2020 included a provision of 3.8%, or \$0.06 per \$100 of payroll, to reflect the projected cost of COVID-19 claims.

The Committee was also reminded that In the January 1, 2021 Pure Premium Rate Filing, the WCIRB indicated, *"Given the inherent uncertainty in the COVID-19 projection as well as the extreme fluidity of the pandemic, the WCIRB plans to re-assess its evaluation of COVID-19 claim costs to be incurred on January 1, 2021 through August 31, 2021 policies in September 2020 based on updated information and statistical models as well as reflect any legislation regarding COVID-19 if enacted by the California Legislature. If appropriate based on that re-evaluation, the WCIRB will amend the January 1, 2021 advisory pure premium rates proposed in this filing prior to the Insurance Commissioner's public hearing."*

Staff summarized its updated review of COVID-19 costs that involved projecting COVID-19 cost levels for accident year 2020 and then projecting cost levels for the January 1, 2021 to August 31, 2021 policy period in relation to the COVID-19 claim costs for accident year 2020. In this update, staff reflected an additional month of COVID-19 claim experience as well as updates to several statistical model forecasts used in the cost analysis.

At part of the updated analysis, staff also reviewed the impact of Senate Bill No. 1159 (SB 1159), which passed the Legislature on August 31 and was awaiting signature by the Governor. Staff noted that the bill generally codifies Governor Newsom's Executive Order and creates a rebuttable presumption that certain essential employees who tested positive or were diagnosed with COVID-19 within 14 days after working at a place of employment other than a home residence between March 19 and July 5 2020, did so in the course of their employment and are therefore eligible for workers' compensation benefits. The Committee was also advised that between July 6, 2020 and January 1, 2023, SB 1159 creates a presumption in which (1) firefighters, police and healthcare workers who provide direct patient care who test positive within 14 days of working, and (2) for all other employers with five or more employees, employees who test positive as part of an "outbreak" at the employer are presumed to have developed their injury in the course of their employment and it is therefore compensable. An "outbreak" is defined in SB 1159 as occurring when, during a 14-day time period: (1) four or more employees test positive for employers with 100 or fewer employees or (2) 4% of employees test positive if the employer has more than 100 employees. In that the presumption in the Governor's Executive Order is somewhat broader than that of SB 1159, staff recommended adjusting the assumed denial rate reflected in the computation of the factor converting working age deaths and hospitalizations to workers' compensation claims from 10% to 15%.

In consideration of SB 1159 as well as an additional month of COVID-19 claims information and updated statistical model forecasts, it was noted that staff's updated analysis indicated that the projected cost of COVID-19 claims on January 1, 2021 to August 31, 2021 policies remains approximately 4% (4.1%), or \$0.06 per \$100 of payroll.

The Committee next discussed the application of the \$0.06 indicated statewide average COVID-19 additive amount to proposed individual classification advisory pure premium rates. It was noted that since the exposure to COVID-19 claims by industry varies significantly and is different from that of other workers' compensation exposures, the Committee had recommended that the impact be applied as an additive amount rather than a multiplicative factor and be differentiated by industry sector based upon a sector's ratio of reported COVID-19 claims to estimated payroll. As a result, in the January 1, 2021 Pure Premium Rate Filing, the WCIRB proposed advisory pure premium rates that reflected additive amounts in four industry sector groupings ranging from to \$0.02 to \$0.24 per \$100 of payroll.

The Committee was advised that staff has re-evaluated these additive amounts based on updated information from the DWC on COVID-19 claims filed by industry sector through August 23, 2020. Based on this updated information, staff recommended segregating industry sectors into six rather than four groupings with the additive amounts ranging from \$0.01 to \$0.24 per \$100 of payroll based on the average relativity of COVID-19 claims to estimated payroll. It was also noted that staff was suggesting some tempering be applied to the lowest and highest sector indications as it is anticipated that the relativity differences may moderate somewhat as the economy continues to reopen. Given the volume of COVID-19 claims in the healthcare and social assistance industry sector and differences in COVID-19 claims by classification, staff also recommended segregating the dentist, physician and day care classifications from the remaining classifications assigned to that sector and assigned those three classifications to a sector grouping that has a more similar COVID-19 claim relativity.

Following the discussion, a motion was made and seconded to use the methodology and updated data on COVID-19 claim relativities summarized by staff to modify the indicated additive amounts to proposed 2021 advisory pure premium rates. The motion passed by a vote of 8 in favor and one opposed. The member opposed to the motion expressed the view that, given the presumptions included in SB 1159, claims arising from non-first responder non-healthcare sector employers would be less frequent than when the presumption in the Governor's Executive Order applied.

Item AC20-09-01 6/30/2020 Experience Review

Staff presented a summary of accident year experience evaluated as of June 30, 2020 that was included in the Agenda. The Committee was advised that, as anticipated, the June 30, 2020 experience included several significant distortions due to the COVID-19 pandemic and resulting shelter-in-place orders. Staff noted that in particular, slower claim count reporting, decreases in loss payments, increases in loss reserves, and declines in claim settlement rates are having a distorting effect that may be inappropriate to project into the future.

The Committee noted that paid loss development declined significantly in the second quarter, likely a result of a slowdown in claim activity during the pandemic. It was noted that, conversely, incurred loss development generally increased. Staff suggested that this increase may be related to anticipated increases in future loss payments resulting from delays in medical treatment. A Committee member suggested that this may also be related to a greater focus by insurers on evaluating open claims during the period of reduced claim activity.

It was noted that indemnity claim development for accident year 2019 decreased significantly in the second quarter. It was noted that this is likely the result of a delay in the reporting or recognizing of indemnity claims during the shelter-in-place period as accident year 2019 exposure is pre-pandemic. The Committee also noted that indemnity claim settlement rates declined significantly in the second quarter which is contrary to recent trends. However, it was observed that this decline was consistent with concerns raised by the Claims Working Group discussed at the July 30, 2020 meeting related to delays in obtaining medical-legal evaluations, approval of Compromise and Release settlements and hearings during the early period of the pandemic.

The Committee also noted that the number of reported indemnity claims and medical-only claims declined significantly in the second quarter. Staff noted that the reported claims also include COVID-19 claims. It was also noted that accident year 2020 indemnity severities show a significant increase through six months. Committee members suggested that some of the increase may be related to smaller indemnity claims not being filed as well as extended temporary disability duration during the economic slowdown.

After discussion, a motion was made and seconded to not update the projected loss ratio for January 1, 2021 to August 31, 2021 policies based on June 30, 2020 experience due to the number of distorting issues discussed. The motion passed unanimously.

During the discussion, a Committee member suggested staff explore the possibility of separately collecting aggregate financial data on COVID-19 claims in accident year 2020 to review the impact of these claims on the projection prior to the next annual rate filing. Staff agreed to explore this topic further and discuss it with the Committee at the December 8, 2020 meeting.

Item AC20-09-02
2020 Data Certification Form

The Committee was reminded that each year, insurers are required to submit the WCIRB Financial Call Data Certification ("Data Certification Form" or DCF) to certify aggregate financial data submitted to the WCIRB over the most recent year. The Committee was advised that in order to certify aggregate financial data to be used in the September 1 pure premium rate filings submitted in April, staff is recommending the 2020 DCF to be submitted by February 2021 to certify aggregate financial data submitted through the Quarterly Call for Fourth Quarter of 2020. The consensus of the Committee was to move forward with staff's recommendation.

The meeting was adjourned at 12:00 PM.

Note to Committee Members: These Minutes, as written, have not been approved. Please refer to the meeting scheduled for December 8, 2020 for approval and/or modification.