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Governing Committee

Meeting Agenda

Date	Time	Location	Staff Contact
December 9, 2020	9:30 AM	Webinar Teleconference	Eric Riley

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Released: December 2, 2020

To Members of the Governing Committee, WCIRB Members and All Interested Parties:

This meeting is Open to the Public.

Please register at:

https://attendee.gotowebinar.com/register/7748190682594604559

After registering, you will receive a confirmation email containing information about joining the webinar.

I. Approval of Minutes

Meeting held September 9, 2020

II. Additions to the Agenda

III. Ratification of Actions of WCIRB Committees

A. Actuarial Committee

Meetings Held August 4, 2020, August 10, 2020 and September 8, 2020

B. Classification and Rating Committee

Meeting Held August 7, 2020

IV. Unfinished Business

A. January 1, 2021 Pure Premium Rate Filing

V. New Business

A. Potential 2021 Actuarial and Research Projects

B. Transactional Data Reporting

C. Schedule of 2021 Meetings

VI. Next Meeting Date: February 10, 2021 (tentative)

VII. Adjournment

Antitrust Notice
As members of the Workers' Compensation Insurance Rating Bureau of California (WCIRB), you are bound, when involved in meetings or other activities of the WCIRB, to limit your actions (and discussions other than social ones) to matters relating to the business of the WCIRB. Matters that do not relate directly to WCIRB business should be avoided. Members should particularly avoid discussions or conduct that could be construed as intended to affect competition (or access to markets). Thus, as members, you should not discuss or pursue the business interests of individual insurers or others, including, in particular, the plans of individual members involving, or the possibility or desirability of (a) raising, lowering, or stabilizing prices (premiums or commissions); (b) doing business or refusing to do business with particular, or classes of, insurers, reinsurers, agents, brokers, or insureds, or in particular locales; or (c) potential actions that would affect the availability of products or service either generally or in specific markets or locales.

Notice

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Actuarial Committee

Meeting Minutes

Date	Time	Location	Staff Contact
August 4, 2020	9:30 AM	WCIRB California 1221 Broadway, Suite 900 Oakland, CA	David M. Bellusci

1221 Broadway, Suite 900 • Oakland, CA 94612 • 415.777.0777 • Fax 415.778.7007 • www.wcirb.com • wcirb@wcirb.com

Released: October 5, 2020

Members	Representing
Mauro Garcia	Zurich North America
Jim Gebhard	Farmers Insurance Group of Companies
Miranda Ma	American International Group
Joanne Ottone	Berkshire Hathaway Homestate Companies
Jill Petker	Liberty Mutual Group
Mark Priven	Public Members of Governing Committee
Kate Smith	State Compensation Insurance Fund
Bryan Ware	AmTrust
Chris Westermeyer	Travelers

California Department of Insurance
Gio Muzzarelli
Mitra Sanandajifar

WCIRB
Bill Mudge
David Bellusci
Laura Carstensen
Tony Milano
Shane Steele
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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Approval of Minutes
The Minutes of the webinar teleconference meeting held on June 12, 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 as written.

Notice

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Item AC19-08-04
Impact of Claim Settlement Rate Changes on ALAE Development

The Agenda included an updated staff analysis of the impact of changes in claim settlement rates on allocated loss adjustment expense (ALAE) development, which was first reviewed at the August 1, 2019 meeting. Staff summarized the updated analysis which included a recommended refinement to the approach used to adjust for significant changes in claim settlement rates that is based on age-to-age paid ALAE development rather than cumulative development. Staff noted that due to the increased precision of the refined approach, judgmental tempering of the adjustment was not needed (as compared to the cumulative adjustment approach which included a 40% tempering). The consensus of the Committee was that the recommended refinement significantly enhanced the methodology and should be considered in projecting paid ALAE development beginning with the January 1, 2021 Pure Premium Rate Filing during periods of significant claim settlement rate changes.

Item AC19-08-05
Review of Loss Development Tail Methodology

The Committee was reminded that at the March 16, 2020 meeting, the Committee reviewed an updated analysis of the WCIRB's loss development tail methodology which suggested that paid development at later maturities produced consistently more accurate and stable projections than incurred development over the last several years. However, given the potential impact of recent significant changes in claim settlement rates on later period paid development, the Committee recommended staff review the issue further. Staff presented a summary of the updated analysis included in the Agenda.

Staff summarized its recommended approach for adjusting later period paid development for the impact of claim settlement rate changes. Staff noted that the recommended approach directly adjusts the projected age-to-age factors for an accident year proportionately based on the accident year change in claim settlement rates. Staff also noted that based on a review of historical changes in claim settlement rates and paid development, the change in paid development was approximately 40% of the change in settlement rates on average, which is reflected in the recommended approach. Staff recommended applying this approach (based on a three-year average which is consistent with the selection of other longer-term paid development factors) after 264 months in lieu of the current approach of applying incurred loss development.

The Committee was also reminded that at the August 1, 2019 meeting, the Committee reviewed a study of the loss development tail methodology that suggested that a tail factor based on an inverse power curve fit to four-year average paid loss development was more stable than any of the alternatives reviewed (including those based on incurred development). Based on the results of this study, staff recommended applying the four-year average paid-based tail factor with the adjustments for changes in claim settlement rates discussed earlier.

Staff noted that the combined impact of the recommended changes resulted in modest (1%) decreases in the projected development factors for accident year 2019 relative to the current approach. After discussion, the consensus of the Committee was that staff's recommended approach was appropriate and should be reflected in the loss development projections included in the January 1, 2021 Pure Premium Rate Filing.

Item AC20-04-04
COVID-19 Crisis

The Committee reviewed several 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 updated DWC data through July 8 showed that, as the economy began to re-open 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 further advised that the rate of claim closing in the early months of the pandemic was significantly slower among COVID-19 claims than non-COVID-19 claims.

Staff then summarized its recommended approach to evaluate the overall cost of COVID-19 claims to be incurred on January 1, 2021 to August 31, 2021 policies. Staff noted that almost 23,000 workers' compensation claims had been filed in the state as of mid-July and infectious disease experts and epidemiologists expect the COVID-19 pandemic to continue into 2021 and beyond. As a result, staff suggested that reflecting some provision for the cost of COVID-19 claims on 2021 policies was appropriate. There is very limited information available on projected COVID-19 infection, hospitalization or death rates in 2021 and 2022. As a result, staff suggested first estimating the cost of COVID-19 claims arising in 2020 based on available information about COVID-19 deaths and hospitalizations in California as well as from several publicly available disease and statistical models and then projecting COVID-19 claim costs for 2021 and 2022 based on judgmental assumptions relating COVID-19 deaths and hospitalizations in 2021 and 2022 to those in 2020.

Staff summarized its projection of COVID-19 deaths among the working age population. The Committee was advised that the projection was based on published forecasts from the Institute for Health Metrics and Evaluation and Youyang Gu from MIT. At the time of this valuation, both sources projected the statewide COVID-19 deaths through November 1, 2020. Staff recommended extending the average of the two models of projected deaths to the end of 2020 assuming the incremental monthly change in deaths in October persists in November and December 2020, given that a potential winter wave of COVID-19 infections may occur concurrently with the flu season that typically starts around October. The year-end projection for 2020 COVID-19 deaths was adjusted to the California working age population based on the age distribution of deaths published by the California Department of Public Health (CDPH).

The Committee next discussed the projection of the number of 2020 COVID-19 hospitalizations. The Committee was advised that staff projected statewide 2020 COVID-19 hospitalizations based on an assumed total hospitalization rate (including deaths) after the "first infection wave" by using data from five other states that essentially completed a first infection wave. For many of these states, the rate of COVID-19 infections was higher, compared to California, as they were considered "hotspots" during the early months of the pandemic. The Massachusetts total post-first infection wave hospitalization rate was selected by staff to project year-end hospitalizations in California. The year-end projection for COVID-19 hospitalizations (including deaths) was then adjusted to the California working age population based on the age distribution of COVID-19 hospitalizations published by the CDC. A Committee member questioned the appropriateness of using Massachusetts hospitalization data as the sole basis to project California hospitalizations. Staff agreed to compare the industrial mix of Massachusetts to that of California and to review the hospitalization data for Maryland, which essentially completed its first wave but did not have as significant an early spike of infections as did several other states that had completed its first wave such as New York and New Jersey.

The Committee next discussed the adjustment of the projected counts of 2020 working age deaths and hospitalizations to filed workers' compensation claims. To estimate the number of workers' compensation claims that will potentially be filed for accident year 2020, staff recommended comparing the number of claims filed with the DWC through First Report of Injury as of July 23, 2020 with reported working age COVID-19 infections from the CDPH (which include deaths, hospitalizations and mild cases) during the

same time period. Staff also recommended assuming that approximately 50% of the working age population with mild cases of COVID-19 will not file a workers' compensation claim, which was consistent with the assumption in the WCIRB's May evaluation of the impact of the rebuttable presumption in the Governor's Executive Order.

A Committee member questioned the extent to which legislation concerning the presumption of compensability under consideration by the California Legislature was reflected in the staff projections. Staff responded that the cost projections presented implicitly assumed that a presumption similar to that reflected in the Governor's Executive Order would apply from the time the order expired. If no presumption legislation is enacted or if legislation is enacted into law that reflects a presumption of compensability that is significantly more or less broad than that of the Governor's Executive Order, staff recommended re-assessing the key assumptions underlying the COVID-19 claim cost projections.

The Committee next discussed the average projected cost of COVID-19 claims. The Committee was advised that staff's projected average cost of losses and loss adjustment expenses on mild, severe, critical and death COVID-19 claims were consistent with those projected in the WCIRB's May 2020 evaluation of the Governor's Executive Order that were reviewed by the Committee at the May 19, 2020 meeting.

The Committee next discussed the projection of accident year 2021 and 2022 COVID-19 claim costs. Staff advised the Committee that while there is very limited information available on COVID-19 infections to occur in 2021 and beyond, a number of published expert forecasts indicate that COVID-19 infections in 2021 will not be significantly better or worse than in 2020, and the number of hospitalizations in 2021 is likely to be similar to that in 2020. Staff also noted that available forecasts indicated that more infection waves will occur in 2020 and 2021 and likely continue until the middle of 2022 when herd immunity may be reached. However, staff noted that there is potential for the pandemic to improve significantly in 2021 due to ongoing improvements in medical treatments for COVID-19 patients and the impact of potential vaccines or treatments likely to be proven effective in 2021. As a result, staff's projection reflected a judgmental estimate of a 25% reduction in COVID-19 cost levels in 2021 due to improved treatments and the potential impact of a vaccine.

For 2022, staff suggested that there is likely continued improvements in treatments and the potential for a reduced number and severity of waves caused by continued impact of COVID-19 vaccines and potential herd immunity to COVID-19. As a result, staff's projection reflected a judgmental estimate of a 67% reduction in COVID-19 cost levels in 2022 relative to 2020.

The Committee discussed staff's projection of COVID-19 claims cost to be incurred on January 1, 2021 to August 31, 2021 policies at length. The consensus of the Committee was that, while a very challenging projection, the underlying assumptions generally appeared reasonable. Given the fluidity of the situation and several of the topics raised during the Committee discussion, it was agreed the Committee would re-evaluate the projection and consider how cost estimates should be reflected in individual classification 2021 advisory pure premium rates at the August 10, 2020 meeting.

Item AC20-06-01
3/31/2020 Experience – Review of Methodologies

The Agenda included an updated analysis of March 31, 2020 experience, which was first reviewed by the Committee at the June 12, 2020 meeting. The Committee reviewed loss development and noted that the paid and incurred loss development patterns reflected in the Agenda were consistent with those reviewed at the June 12, 2020 meeting. It was noted that the projected ultimate loss ratios based on March 31, 2020 experience are only slightly lower than those based on December 31, 2019 experience. It was also noted that this quarterly decrease is lower in magnitude compared to the same period one year ago. The Committee also noted that indemnity claim settlement rates continue to increase for the 2017 and prior accident years but have moderated for 2018 and 2019.

The Committee reviewed the loss development projections, including the alternative loss development projections included in the Agenda (Item AC20-08-03). It was noted that the projections based on unadjusted incurred development continue to be lower than the projections based on unadjusted paid development but the paid loss development projections with the adjustments reflected in the last several filings are approximately in the middle of the unadjusted methods. Staff noted that the loss development projections based on paid development including staff's recommended adjustment to longer-term loss development for the impact of claim settlement rate changes (see Item AC19-08-05) would bring the adjusted paid method projections somewhat closer to the incurred method projections.

After a discussion, a motion was made and seconded to recommend basing the projected indemnity loss ratio for January 1, 2021 to August 31, 2021 policies on the latest year paid loss development methodology adjusted for changes in claim settlement rates including staff's recommended adjustment to longer-term paid loss development (see Item AC19-08-05). The motion passed unanimously.

A second motion was made and seconded to recommend basing the projected medical loss ratio for January 1, 2021 to August 31, 2021 policies on the latest year paid loss development methodology adjusted for reforms and changes in claim settlement rates including staff's recommended adjustment to longer-term paid loss development. The motion passed with seven in favor, one opposed, and one abstention. The actuary representing the Public Members of the Governing Committee who opposed the motion believed averaging the projection based on the methodology recommended by the majority of the Committee members with the projection based on three-year average incurred medical loss development adjusted for changes in case reserve levels was appropriate. The Committee member abstaining from the motion agreed with the general medical loss development approach recommended by the majority of the Committee members but expressed some concern with the adjustment to longer-term loss development for the impact of claim settlement rate changes.

The Committee was advised that staff completed a review of medical fee schedule updates adopted by the Division of Workers' Compensation for 2020 to determine if any anomalous changes should be reflected in the medical on-level adjustments. Staff noted that although there were some atypical updates related to COVID-19, they were not anticipated to have a significant impact on average medical costs. The majority of the updates were modest and based on inflationary changes consistent with updates in prior years. Staff noted that, as a result, no adjustments to the medical on-level factors for these changes are needed at this time.

The Committee next discussed the severity trend projections. Staff noted that the projected increases in the proportion of cumulative trauma claims due to the recent economic downturn should have an overall modest impact on average claim severities. It was noted that, for medical in particular, continued impacts of the pandemic and economic downturn may result in delays in treatment or more a prolonged claim duration which could push average medical costs upward. It was also noted that a preliminary review of medical transaction data showed that pharmaceutical costs are beginning to increase in recent months.

Given these considerations, the Committee preliminarily recommended reflecting a 2.5% annual medical severity trend, representing the approximate average in the long-term and shorter-term averages rates of growth, in the updated analysis of March 31, 2020 experience to be reviewed at the August 10, 2020 meeting in lieu of the 1.5% trend rate reflected in the Agenda. A Committee member noted that increases in the duration of claims during the pandemic and recession may also increase average indemnity costs.

The Committee was advised that, due to the many aspects of the trending projection related to the pandemic that are still being reviewed, staff recommended deferring the determination of the recommended trending methodology to project the loss ratio for January 1, 2021 to August 31, 2021 policies until the August 10, 2020 meeting. The Committee agreed with staff's recommendation.

Item AC20-08-01
Third Quarter 2020 Review of Diagnostics

The Agenda included the WCIRB's standard set of diagnostics that are reviewed by the Actuarial Committee and Claims Working Group (CWG) on a semi-annual basis. Among the diagnostics discussed by the Committee were the following:

1. The Committee reviewed the summary of claim settlement rates. The Committee was advised that the CWG noted there will likely be a post-pandemic slowdown in settlement due to slowdowns in medical treatment, obtaining medical-legal reports and in WCAB processes. A Committee member noted that this slowdown could significantly impact loss development beginning in the second quarter of 2020.

2. The number of filed liens continue to decrease. Compared to the first half year of 2019, there was a sharper dip in the second quarter. The Committee was advised that the CWG noted that due to the time lag inherent in lien filings, there might be a larger pandemic-related reduction later.

3. After reaching a historical high in the 2nd quarter of 2018, the number of filed and eligible independent medical reviews has decreased steadily. The Committee was advised that the CWG noted that the larger decrease during the 2nd quarter of 2020 was largely due to the general slowdown of medical activities during the pandemic.

4. Retrospective evaluations of the performance of alternative loss development methodologies indicate that paid development methodologies generally continue to outperform the other methods reviewed. Staff noted that the retrospective evaluations also show that claim settlement adjustments are improving the accuracy of the paid projections.

5. The number of very large claims has increased sharply in policy years 2016 and 2017. The Committee was advised that the CWG suggested several factors which may have impacted the relative volume of large claims including: recent reforms reducing medical costs may have had less impact on these very large claims, improved mortality rates for seriously injured workers, prolonged hospital stays and increased nursing and home health care. Staff noted that the growth of very large claims was likely a driving factor of the increased medical severity on the 2018 accident year.

6. Early indicators of claim severity for accident year 2020 suggest a significant increase. It was suggested that with the effects of the pandemic including the economic slowdown and delays in medical treatment, accident year 2020 severities on an ultimate basis could increase.

Item AC20-08-02
1/1/2021 Filing – Loss Adjustment Expense Experience Review

The Agenda included an analysis of the projected ratio of loss adjustment expense (LAE) to loss for January 1, 2021 to August 31, 2021 policies based on calendar year unallocated loss adjustment expense (ULAE) experience through calendar year 2019 and accident year allocated loss adjustment expense (ALAE) and medical cost containment program (MCCP) experience as of March 31, 2020.

The Committee was reminded that the ULAE projection included in the Agenda was based on the average of (a) a projection based on the relationship of paid ULAE to open indemnity claims and (b) a projection based on the relationship of paid ULAE to paid losses, with average ULAE amounts based on private insurer experience, which is consistent with the methodology used in the last several pure premium rate filings. Staff recommended that, for the open indemnity claim count-based projection, the forecast claim frequency changes be based on the intra-class indemnity claim frequency changes projected by the WCIRB's claim frequency model with the recommended adjustments for the impact of the recent economic downturn on the proportion of cumulative trauma claim filings (see Item AC20-08-04). Staff noted that the projected average ULAE per open indemnity claim trend was based on the average wage trends from the UCLA Anderson School of Business and California Department of Finance forecasts and recommended that these forecasts include the judgmental adjustment to the 2020 wage level change for the impact of the shifting employment mix (see Item AC20-08-04). After discussion, a motion was made and seconded to base the January 1, 2021 ULAE projection on the methodology reflected in the Agenda with the recommendations made by staff. The motion passed with eight in favor and one abstention.

The Committee next discussed the projection of ALAE (excluding MCCP costs). It was noted that paid ALAE development continued its steady decline through the first quarter of 2020. The Committee was reminded that the ALAE projection included in the Agenda was based on the relationship between projected ultimate ALAE for private insurers and statewide ultimate indemnity claim counts and that the claim frequency projections are based on the same forecasts used in the ULAE projection. The Committee was advised that the projected ALAE severity trend reflected in the Agenda of 2.0% was based on the average of the longer-term and shorter-term average rates of growth in (a) calendar year ALAE per open indemnity claim and (b) accident year ultimate ALAE per indemnity claim for private insurers. It was noted that after reflecting the recommended refinement to the adjustments to paid ALAE development for the impact of the recent increases in claim settlement rates (see Item AC19-08-04), the approximate average annual ALAE severity trend is 1.5%. The consensus of the Committee was that the 1.5% ALAE severity trend was appropriate given the recent moderation of average ALAE cost levels and continued improvement in paid ALAE development.

The Committee was reminded of the approach to adjust the projected ALAE ratio for the impact of Senate Bill No. 1160 reforms to lien filings. Staff noted that based on updated paid ALAE development information, the indicated adjustment for the impact of the reforms not yet reflected in the emerging ALAE experience was -4.8% compared to -7.2% reflected in the January 1, 2020 Pure Premium Rate Filing. After discussion, a motion was made and seconded to base January 1, 2021 ALAE excluding MCCP costs projection on the methodology reflected in the Agenda with the recommendations made by staff. The motion passed with eight in favor and one abstention.

The Committee reviewed the projection of MCCP costs. It was noted that average MCCP cost per indemnity claim for 2019 declined at a level comparable to recent prior years after increasing sharply in 2018. The Committee was reminded that the MCCP cost projection included in the Agenda was based on a similar method to that used to project ALAE excluding MCCP costs. It was noted that the projected MCCP severity trend based on the average rates of growth in calendar year MCCP cost paid per open

indemnity claim and accident year ultimate MCCP per indemnity claim was approximately 0%. After a discussion, a motion was made and seconded to base the January 1, 2021 MCCP cost projection on the methodology reflected in the Agenda. The motion passed with eight in favor and one abstention.

Item AC20-08-03
1/1/2021 Filing – Review of Alternative Loss Projection Methodologies

The Agenda included a number of alternative loss development methodologies that had been reflected in prior WCIRB pure premium rate filings or discussed at prior Actuarial Committee meetings. The Committee reviewed summaries of the alternative loss projection methodologies during the discussion of loss development methodologies in the context of its review of March 31, 2020 experience. (Please refer to the August 4, 2020 Actuarial Minutes for Item AC20-06-01.)

Item AC20-08-04
Impact of Economic Slowdown on Pure Premium Rate Indications

Staff presented an analysis of estimated potential impacts on pure premium rate indications due to economic impacts driven by the COVID-19 pandemic. These included both direct and indirect impacts to several components of the ratemaking methodology.

Two potential adjustments to statewide average wage projections were presented. These adjustments were designed to account for dramatic changes in the industrial mix of employment, as employment in lower wage industries were most severely impacted by the pandemic. Absent this adjustment, projections of the statewide average wage in 2020 could be artificially inflated. The first method used observed data through June 2020 from the Bureau of Labor Statistics (BLS) Current Employment Statistics (CES) data set. It was noted that the employment mix in June was assumed to continue for the remainder of 2020. This method produced an estimated 1.9% increase in the statewide average wage in 2020 due to the change in employment mix. It was noted that staff measured the alternate assumptions that either the first half of 2020 was treated as a full year or that a second shutdown period occurred. The impact of either assumption was immaterial. It was further noted that staff considered the estimate of this method to be a reasonableness check for the second method used, as the data set used in this first estimate does not include employment from the agriculture or government sectors and future projections of employment by industry are not available.

The second method uses employment projections from the UCLA Anderson Forecast and observed industry wage relativities from the BLS Quarterly Census of Employment and Wages (QCEW) data series. This method generated estimated wages changes due to the projected shift in industrial mix of 2.5% in 2020, 0.1% in 2021, and -0.5% in 2022. Staff noted that current wage change projections of 1.5% in 2020, 2.6% in 2021, and 3.8% in 2022 based on the March UCLA and April Department of Finance forecasts do not reflect the changes in industrial mix underlying the estimates of this method. Staff noted that it was therefore inappropriate to adjust projected wage changes using this method.

Staff presented an alternate analysis of mean vs. median wage changes during the Great Recession. This analysis showed an average of 0.8% difference between the mean and median wage changes during that period. Based on this analysis staff suggested that tempering the projected 2020 wage change of 1.5% by this 0.8% may be an appropriate estimate to better reflect the expected wage change of the “typical” California worker. The consensus of the Committee was that this judgmental adjustment should be reflected in the wage on-level adjustments for projecting the loss ratio for January 1, 2021 to August 31, 2021 policies.

Staff reminded Committee members that the WCIRB frequency model projections are in part based on projections of economic conditions as well as projected changes in the relative ratio of cumulative trauma claims, which have been correlated with worsening economic conditions in the past. Staff noted that the magnitude of the 2020 value of projected changes in economic conditions is more than twice as large as any prior observation and had investigated whether tempering this observation was appropriate. Staff showed that any tempering of the economic variables below the prior observed maximum reduced the effectiveness of the model fit. Based on this analysis, staff suggested that this tempering was inappropriate and that any tempering of the economic variables at a value between the current maximum and the 2020 projection would be arbitrary and that, as a result, the economic variables should be used unaltered in the model.

The Committee was reminded that the WCIRB’s claim frequency projection model currently assumes no future changes in the relative level of cumulative trauma claim filings. Staff also noted that the cumulative injury index has the largest coefficient in the frequency model, so it would be particularly sensitive to

these changes. Staff showed alternative projections of frequency changes that used observed changes in the cumulative injury index during the Great Recession for 2020 and 2021. Given the rise in the cumulative injury index in prior recessions as well as the rise in recent years in post-termination cumulative trauma claims and the magnitude of recent job losses in California, staff suggested that it was appropriate to reflect anticipated changes in the cumulative injury index in the frequency model projection. Staff suggested reflecting this impact based on the average change from the prior two recessions. The consensus of the Committee was that these adjustments should be reflected in the indemnity claim frequency projections to be reviewed at the August 10, 2020 meeting.

Staff also noted that while the frequency model projection used in the pure premium rate projection already adjusts for changes in industrial mix, an additional 3.3% decrease in overall indemnity claim frequency was expected in 2020 due to shifting industrial mix as the greatest loss in employment projected for 2020 was in industries with relatively high frequency rates.

Staff noted that changes in indemnity claim severity due to shifting industrial mix in the past had been modest and are regularly shown for policy years for which unit statistical report (USR) data is available in Exhibit S15 of the semiannual WCIRB set of diagnostic exhibits. (See Item AC20-08-01 of the Agenda for this meeting.) Staff presented an extension of this exhibit that estimates changes in severity due to industrial mix for future years for which USR data is not yet available separately for indemnity and medical components of claim severity. This method uses the latest observed USR industrial claim severity relativities and projects a future claim count distribution by adjusting the most recent observed distribution of claim counts for observed and projected changes in industry level employment. It was noted that this method implicitly assumes that industry frequency and severity relativities are unchanged in the forecast period. Staff noted that this adjustment will be material when and if accident year 2020 severity data is used to project changes in claim severity.

For informational purposes, staff also presented an estimate of the impact of changing industrial mix on overall pure premium. This estimate used approved classification pure premium rates for policy years through 2020 and filed classification pure premium rate relativities for policy year 2021. The exposure distribution used USR data through policy year 2017 and was adjusted for observed and projected changes in industry level employment through 2021.

Item AC20-08-04
Telecommuting Advisory Pure Premium Rate

The Committee was reminded that the WCIRB proposed establishing Classification 8871, *Clerical Telecommuter Employees – N.O.C.*, as a Standard Exception classification applicable to clerical employees who work more than 50% of their time at their home or other office space away from any location of their employer. This proposal was part of the WCIRB's January 1, 2021 Regulatory Filing.

In discussing the January 1, 2021 advisory pure premium rates to be proposed to the Insurance Commissioner this August, staff suggested proposing an advisory pure premium rate for Classification 8871 equal to that of Classification 8810, *Clerical Office Employees,* until such time as California-based experience for the new classification is available that supports a differentiation in advisory pure premium rates. At the June 11, 2020 Governing Committee and June 12, 2020 Actuarial Committee meetings, Committee members recommended that, since the rate for the telecommuting classification in most states is well below that of the clerical classification, consideration be given to basing a differential for Classification 8871's proposed 2021 advisory pure premium rate on information from other jurisdictions.

The Committee was advised that, in response to these requests, staff analyzed the historical loss to payroll experience in New York and a number of NCCI states that have established Classification 8871 for telecommuter employees.[1] The loss to payroll ratio for Classification 8871 in New York has been volatile, but on average over the last five years was significantly higher than that for Classification 8810. Conversely, in the NCCI states that have a telecommuter classification, the average loss to payroll ratio for Classification 8871 has been significantly lower than for Classification 8810. The Committee was further advised that in all of these states reported Classification 8871 payroll is very small relative to that for Classification 8810.

Staff provided the Committee with information that showed the distribution of policy year 2017 payroll by geographical region within California for (1) Classification 8810, (2) all classifications that include clerical within their definition and (3) all other classifications combined. This information showed that, in a number of regions, the payroll of classifications that include clerical and for which Classification 8871 would not apply is significantly greater than that reported in Classification 8810 and, as a result, the impact of the new classification will likely be somewhat muted in California.

Staff also provided the Committee with information about the leading "Cause of Injury" codes and "Nature of Injury" codes, respectively, for these classification groupings showing that claims with cumulative injury and repetitive motion Cause of Injury codes are relatively more common in Classification 8810 and in classifications that explicitly include clerical than in other classifications. Similarly, claims with mental stress, carpal tunnel syndrome and other cumulative injury Nature of Injury codes are relatively more common in Classification 8810 and in classifications that explicitly include clerical than in other classifications. Staff indicated that it is not clear the extent to which the frequency of these types of claims would be different for an employee performing clerical duties at home rather than in the office. Staff also pointed out that, with the COVID-19 pandemic, many workers transitioned to working at home in non-optimal "home offices" virtually overnight, which created additional uncertainty as to the potential for these types of injuries to occur more frequently.

Finally, staff highlighted the fact that California has a separate classification for computer programmers and software developers that includes clerical employees. This classification is a high wage/low frequency classification, constitutes 9% of total statewide payroll in California and has an advisory pure premium rate much lower the advisory pure premium rate for Classification 8810. Since the California computer programmer and software developer classification includes clerical employees, the proposed telecommuter classification would not apply to this industry in California, unlike New York and NCCI

[1] New York is the only independent rating bureau that has established a telecommuter classification.

jurisdictions that include computer programmers and software developers in the clerical and telecommuter classifications.

A Committee member suggested that, while for the reasons discussed it is probably not appropriate to use historical data from other states as the basis to establish the 2021 Classification 8871 advisory pure premium rate, staff should review California experience reported in the telecommuting classification as soon as possible. Staff indicated that the WCIRB should be able to use its transactional and policy data to get an early sense of how the California telecommuter experience is emerging relative to Classification 8810 and would present that data next year so the Committee could evaluate if a differential would be appropriate for the September 1, 2022 pure premium rate filing.

Following the Committee's discussion, there was a consensus that the January 1, 2021 advisory pure premium rate for Classification 8871 should be the same as Classification 8810. Staff advised the Committee members that their feedback would be provided to the Governing Committee at the August 12, 2020 meeting.

The meeting was adjourned at 2:40 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.

Actuarial Committee

Meeting Minutes

Date	Time	Location	Staff Contact
August 10, 2020	9:00 AM	WCIRB California 1221 Broadway, Suite 900 Oakland, CA	David M. Bellusci

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Released: October 5, 2020

Members	Representing
Mauro Garcia	Zurich North America
Jim Gebhard	Farmers Insurance Group of Companies
Miranda Ma	American International Group
Joanne Ottone	Berkshire Hathaway Homestate Companies
Jill Petker	Liberty Mutual Group
Mark Priven	Public Members of Governing Committee
Kate Smith	State Compensation Insurance Fund
Bryan Ware	AmTrust
Chris Westermeyer	Travelers

California Department of Insurance
Gio Muzzarelli
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 9:00 AM following a reminder of applicable antitrust restrictions, with Mr. David Bellusci, Executive Vice President and Chief Actuary, presiding.

* * * * *

Notice

The information in these Minutes was developed by the Workers' Compensation Insurance Rating Bureau of California (WCIRB) for the purpose of assisting the WCIRB Actuarial Committee. The WCIRB cannot make any guarantees if this information is used for any other purpose and the WCIRB shall not be liable for any damages, of any kind, whether direct, indirect, incidental, punitive or consequential, arising from the use of or reliance upon this information for any other purpose.

Item AC20-08-05
Potential Impact of Medical Care Delays

Staff presented the preliminary findings from its analysis of the potential impact of delays in medical care arising from the COVID-19 pandemic and the resultant stay-at-home order.

Staff first shared the preliminary findings on the magnitude of medical treatment delays post-COVID-19 based on the WCIRB's medical transaction data. The analysis compared medical treatment patterns observed in 2020 for the last two weeks of March, April and May to those for the same period in 2019. The comparison was based on medical transaction data of a subset of insurers that submit medical transaction data monthly.

- Based on the preliminary post-COVID-19 data as of July 21, 2020, staff observed that the number of active claims, overall medical services per claim and the total paid per claim dropped significantly in the last two weeks of March and April, but service volumes and the medical payments per claim started to rebound in May.
- Staff also noted there were significant drops in the number of inpatient and outpatient services per claim in late March through April.
- Conversely, average pharmaceutical payments per claim increased in April and May of 2020 compared to the same period of 2019. The increases were mostly driven by a higher paid per transaction for both opioids and non-opioids and slightly higher uses of non-opioids, such as pain medications and dermatologicals.
- Staff also highlighted the surge in telemedicine utilization that started in late March and continued to grow through May.

Staff then presented the preliminary findings of the analysis that quantifies the impact of delays in medical treatments on future claim costs and outcomes. The analysis focused on existing claims with specified leading primary diagnoses in the WCIRB medical transaction data. Preliminary results of the claims with soft tissue injuries were presented.

Staff advised the Committee that soft tissue claims involving delays in their first medical service of about a month tended to have significantly higher medical and indemnity costs, a slower claim closure rate, and a longer duration of receiving temporary disability benefits. Staff noted that patterns for the other leading diagnoses studied, while not yet finalized were very similar to those of claims with soft tissue injuries.

Item AC20-06-01
3/31/2020 Experience – Review of Methodologies

The Committee was reminded that at the August 4, 2020 meeting, the Committee recommended loss development methodologies to be used to project ultimate loss ratios for use in the January 1, 2021 Pure Premium Rate Filing. However, given the number of issues related to the trending projection discussed at the August 4, 2020 meeting, the final review of trending methodologies was deferred until the August 10, 2020 meeting. The Agenda included an updated analysis of March 31, 2020 experience that included updating trending information based on the discussions at the August 4, 2020 meeting.

The Committee was advised that the loss experience summary included in the Agenda reflected the loss development methodology recommended by the Committee at the August 4, 2020 meeting. The Committee was also advised that the wage level projection included the judgmental adjustment of -0.8% to the 2020 wage level change to reflect the shift in the mix of employments which was also recommended at the August 4, 2020 meeting. The Committee was further advised that consistent with the recommendations made at the August 4, 2020 meeting, the frequency projections for 2020 and later were based on (a) the WCIRB's indemnity claim frequency model forecasts, (b) forecast changes in economic conditions based on the June 2020 UCLA Anderson forecast, and (c) a projected increase in the proportion of cumulative trauma claims based on the average increase from the prior two recessions.

The Committee discussed the severity trend projections. The Committee noted that on-level indemnity severities increased by a little less than 1% for each of the last two years after decreasing in each of the prior eight years and the average of the long-term and shorter-term average rates of growth is approximately 0%. A Committee member noted that delays in return-to-work caused by the economic downturn may extend temporary disability and push average indemnity costs upward. The Committee also noted that delays in medical treatment caused by the pandemic may also increase ultimate indemnity payments. Finally, it was noted that the decline in projected non-COVID-19 claim frequency for 2020 may have a greater impact on smaller claims driving average severities up. After discussion, the majority of the Committee members agreed that a 1% annual on-level indemnity severity trend was appropriate.

For on-level medical severities, it was noted that there is significant uncertainty as to how the pandemic will impact medical treatment levels in the future. The Committee noted that a number of factors may push future average medical costs upward including (a) delays or modifications in medical treatment due to shelter-in-place orders, increased social distancing, or a general slowdown in the claims process, (b) a preliminary review of medical transaction data shows that pharmaceutical costs, which have been a cost driver in the past, have begun to rise in recent months, and (c) the projected indemnity claim frequency declines for 2020 may disproportionately impact smaller indemnity claims. After discussion, the majority of the Committee members agreed that a 2.5% annual on-level medical severity trend, which is the approximate average of the long-term and shorter-term average rates of growth, was appropriate.

The Committee reviewed the alternative trending projections included in the Agenda (Item AC20-08-03). It was noted that the projections based on short-term or long-term combined loss ratio trends were generally consistent with those based on separate frequency and severity projections for the comparable period. Given the rapid changes in the claims environment resulting from the COVID-19 pandemic, staff recommended continuing to separately trend frequency and severity as forecasts and judgment about each component can be separately applied.

A motion was made and seconded to base the indemnity trending projection for the January 1, 2021 to August 31, 2021 policy period loss ratio on the frequency trends reflected in the Agenda and a 1% annual indemnity severity trend. The motion passed with eight in favor and one abstention. The actuary representing the Public Members of the Governing Committee who abstained from the motion supported

the separate frequency and severity trending approach and frequency trends recommended by the majority of the Committee but supported a somewhat different approach to the indemnity severity trending projection which varied the projected severity trend rate by year.

A second motion was made and seconded to base the medical trending projection for the January 1, 2021 to August 31, 2021 policy period loss ratio on the frequency trends reflected in the Agenda and a 2.5% annual medical severity trend. The motion passed with eight in favor and one opposed. The actuary representing the Public Members of the Governing Committee who opposed the motion supported the separate frequency and severity trending approach and frequency trends recommended by the majority of the Committee but supported a lower medical severity trend projection.

Item AC20-08-03
1/1/2021 Filing – Review of Alternative Loss Projection Methodologies

The Agenda included a number of alternative trending methodologies that had been reflected in prior WCIRB pure premium rate filings or discussed at prior Actuarial Committee meetings. The Committee reviewed summaries of the alternative loss projection methodologies during the discussion of trending methodologies in the context of its review of March 31, 2020 experience. (Please refer to the August 10, 2020 Actuarial Minutes for Item AC20-06-01.)

Item AC20-04-04
COVID-19 Crisis

At the August 4, 2020 meeting, the Committee reviewed staff's recommended projection of COVID-19 claim costs to be incurred on January 1, 2021 to August 31, 2021 policies. The consensus of the Committee was that, while a very challenging projection, the underlying assumptions generally appeared reasonable. Given the fluidity of the situation and several of the topics raised during the Committee discussion at the meeting, it was agreed the Committee would re-evaluate the projection and consider how cost estimates should be reflected in individual classification 2021 advisory pure premium rates at the August 10, 2020 meeting.

Staff presented an updated analysis of the projected overall cost of COVID-19 claims on January 1, 2021 to August 31, 2021 policies. The Committee was advised that the COVID-19 working age deaths and hospitalizations were unchanged from those presented at the August 4, 2020 meeting. With respect to hospitalizations and in response to issues raised at the August 4, 2020 meeting, staff noted that the industrial mix in Massachusetts was relatively similar to that in California and that Maryland was experiencing a recent increase in infections that suggested it may be beginning a second wave. As a result, staff recommended continuing to use only the Massachusetts hospital data to project California hospitalizations. The Committee also reviewed a comparison of deaths and hospitalizations projected for the remainder of the year compared to those reported to date that showed that the projected growth rate in deaths and hospitalizations, while projected using different approaches, were comparable and, as expected with improving treatments, the hospital mortality rate was dropping.

The Committee next discussed the adjustment of the projected counts of 2020 working age deaths and hospitalizations to filed workers' compensation claims which somewhat differed from the approach reflected in the summary presented at the August 4, 2020 meeting. To estimate the number of workers' compensation claims that will potentially be filed for accident year 2020, staff recommended comparing the number of claims filed with the Division of Workers' Compensation (DWC) as of July 23, 2020 with reported working age COVID-19 infections from the California Department of Public Health (which include deaths, hospitalizations and mild cases) during the same time period. Staff also recommended assuming that approximately 50% of the working age population with mild cases of COVID-19 will not file a workers' compensation claim, which was consistent with the assumption in the WCIRB's May evaluation of the impact of the rebuttable presumption in the Governor's Executive Order, and that about 10% of all COVID-19 claims filed with the DWC will be denied with the denial ultimately upheld. It was noted that the reasonability of both of these assumptions was validated based on information about COVID-19 claims filed thus far and on feedback from claims experts.

The Committee was also advised that the underlying assumptions related to COVID-19 claim severities and the relativities of cost levels on 2021 and 2022 claims relative to 2020 were similar to those reviewed at the August 4, 2020 meeting. Staff also reminded the Committee that the cost projections being summarized implicitly assumed that a presumption similar to that reflected in the Governor's Executive Order would apply from the time the order expired. If no presumption legislation is enacted or if legislation is enacted into law that reflects a presumption of compensability that is significantly more or less broad than that of the Governor's Executive Order, staff recommended re-assessing the key assumptions underlying the COVID-19 claim cost projections prior to the time of the California Department of Insurance (CDI) Public Hearing on the January 1, 2021 Pure Premium Rate Filing.

The Committee discussed the application of the 4% overall cost estimate in proposed January 1, 2021 classification advisory pure premium rates. The Committee was advised that since the exposure to COVID-19 claims by industry varies significantly and is different to that of other workers' compensation exposures, staff was recommending that the impact be applied as an additive amount rather than a multiplicative factor. In addition, since there are significant differences in COVID-19 claim filing rates by industry sector, staff recommended that the additive amounts be differentiated by industry sector based

upon whether the industry was evaluated to be a “high”, “medium”, or “low” risk as determined by the ratio of reported COVID-19 claims to estimated payroll in the industry sector.

A Committee member asked if the usual practice of limiting any proposed increase or decrease to an individual classification’s advisory pure premium rate to 25% would apply in the allocation of projected COVID-19 costs to specific industries. Staff indicated that the 25% limitation typically applies to changes in classification relativities distinct from the overall rate level change and would not normally apply to the application of the COVID-19 additive amounts.

A Committee member asked if the impact could be better applied by individual classification rather than by industry. Staff indicated that sufficient detailed data on COVID-19 claims by individual classification is not yet available and the proposed approach would effectively temper the impact on those classes that might otherwise see larger increases. The Committee was also advised that staff plans to review the industry sector additive amounts at the September 8, 2020 meeting based on an additional month of COVID-19 claim information and, to the extent appropriate based on that review, can amend the proposed January 1, 2021 advisory pure premium rates prior to the time of the CDI Public Hearing.

Following discussion, a motion was made and seconded to reflect provisions for the projected cost of COVID-19 claims on January 1, 2021 to August 31, 2021 policies based on the methodologies and assumptions presented by staff. The motion passed with 8 in favor and one abstention.

The meeting was adjourned at 11:45 AM.

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.

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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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.

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Classification and Rating Committee

Meeting Minutes

Date	Time	Location	Staff Contact
August 7, 2020	9:30 AM	WCIRB California	Brenda Keys

1221 Broadway, Suite 900 • Oakland, CA 94612 • 415.777.0777 • Fax 415.778.7007 • www.wcirb.com • wcirb@wcirb.com

Released: August 10, 2020

Members:	**Represented By:**
Advantage Workers Compensation Insurance Company	Christine Closser
Insurance Company of the West	Stacey McAdam
National Union Fire Insurance Company of Pittsburgh PA	Ellen Sonkin
Preferred Employers Insurance Company	Christine Glynn
Security National Insurance Company	Matt Zender
State Compensation Insurance Fund	Gregory Hanel
Zenith Insurance Company	Sarah Elston

California Department of Insurance
Brentley Yim

WCIRB
Brenda Keys, Chair
Bill Mudge
David Bellusci
Laura Carstensen
Eric Riley

The meeting of the Classification and Rating Committee was called to order at 9:30 AM followed by a reminder of applicable antitrust restrictions, with Ms. Brenda Keys, Senior Vice President and Chief Legal Officer, presiding.

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Approval of Minutes
The Minutes of the meeting held on June 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 as written.

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Item III
Clerical Telecommuter Employees

The Committee was reminded that the WCIRB proposed establishing Classification 8871, *Clerical Telecommuter Employees – N.O.C.*, as a Standard Exception classification applicable to clerical employees who work more than 50% of their time at their home or other office space away from any location of their employer. This proposal was part of the WCIRB's January 1, 2021 Regulatory Filing.

In discussing the proposed January 1, 2021 advisory pure premium rates to be submitted to the Insurance Commissioner for approval this August, staff suggested proposing an advisory pure premium rate for Classification 8871 equal to that of Classification 8810, *Clerical Office Employees,* until such time as California-based experience for the new classification is available that supports a differentiation in advisory pure premium rates. At the June 11, 2020 Governing Committee and June 12, 2020 Actuarial Committee meetings, Committee members recommended that, since the rate for the telecommuting classification in most states is well below that of the clerical classification, consideration be given to basing a differential for Classification 8871's proposed 2021 advisory pure premium rate on information from other jurisdictions.

The Committee was advised that, in response to these requests, staff analyzed the historical loss to payroll experience in New York and a number of NCCI states that have established Classification 8871 for telecommuter employees.[1] The loss to payroll ratio for Classification 8871 in New York has been volatile, but on average over the last five years was significantly higher than that for Classification 8810. Conversely, in the NCCI states that have a telecommuter classification, the average loss to payroll ratio for Classification 8871 has been significantly lower than for Classification 8810. However, in all of these states, reported Classification 8871 payroll is very small relative to that for Classification 8810.

Staff provided the Committee with information that showed the distribution of policy year 2017 payroll by geographical region within California for (1) Classification 8810, (2) all classifications that include clerical within their definition and (3) all other classifications combined. This information showed that, in a number of regions, the payroll of classifications that include clerical and for which Classification 8871 would not apply is significantly greater than that reported in Classification 8810 and, as a result, the impact of the new classification will likely be somewhat muted in California.

Staff also provided the Committee with information about the leading "Cause of Injury" codes and "Nature of Injury" codes, respectively, for these classification groupings. This showed that claims with cumulative injury and repetitive motion Cause of Injury codes are relatively more common in Classification 8810 and in classifications that explicitly include clerical than in other classifications. Similarly, claims with mental stress, carpal tunnel syndrome and other cumulative injury Nature of Injury codes are relatively more common in Classification 8810 and in classifications that explicitly include clerical than in other classifications. Staff indicated that it is not clear the extent to which the frequency of these types of claims would be different for an employee performing clerical duties at home rather than in the office. Staff also pointed out that, with the COVID-19 pandemic, many workers transitioned to working at home in non-optimal "home offices" virtually overnight, which created additional uncertainty as to the potential for these types of injuries to occur more frequently.

Finally, staff highlighted the fact that California has a separate classification for computer programmers and software developers that includes clerical employees. This classification is a high wage/low frequency classification, constitutes 9% of total statewide payroll in California and has an advisory pure premium rate much lower the advisory pure premium rate for Classification 8810. Since the California computer programmer and software developer classification includes clerical employees, the proposed telecommuter classification would not apply to this industry in California, unlike New York and NCCI

[1] New York is the only independent rating bureau that has established a telecommuter classification.

jurisdictions that include computer programmers and software developers in the clerical and telecommuter classifications.

The Committee was informed that the members of the Underwriting Working Group and Actuarial Committee considered whether it would be appropriate to differentiate the proposed 2021 advisory pure premium rate for Classification 8871 relative to Classification 8810. Given some of the concerns summarized by staff, both groups expressed hesitancy to rely on data from other jurisdictions in establishing the 2021 advisory pure premium rate for Classification 8871.

A Committee member inquired whether there was any data regarding the number of employees who transitioned to working from home at the time of the California stay-at-home order. In response, staff indicated that the information available to date suggests that there has been a significant shift in employees working from home since the start of this year and that most are still telecommuting.

Another Committee member expressed concern about the relevance of using the historical experience from other states to predict how the experience for Classification 8871 would develop in California but did not want to wait until several years of unit statistical data was available for Classification 8871 to have its own rate. Staff indicated that the WCIRB would be able to use its transactional and policy data to get an early sense of how the California telecommuter experience is emerging relative to Classification 8810 and would present that data to the Committee next year so the Committee could evaluate if a differential would be appropriate for the September 1, 2022 pure premium rate filing.

Following the Committee's discussion, there was a consensus among the members that the January 1, 2021 advisory pure premium rate for Classification 8871 should be the same as Classification 8810. Staff advised the Committee members that their feedback would be provided to the Governing Committee at the August 12, 2020 meeting.

Item IV
COVID-19 – Classification Advisory Pure Premium Rates Summary

The Committee was advised that, on a preliminary basis, staff estimated that COVID-19 losses and loss adjustment expenses (LAE) on January 1, 2021 through August 31, 2021 policies were approximately 4% of total projected losses and LAE and that this corresponds to approximately $0.06 per $100 of payroll. The Committee was further advised that staff plans to apply this factor to proposed January 1, 2021 advisory pure premium rates on an additive basis and to vary it on a high, medium and low basis based on each industry sector's ratio of reported COVID-19 claims to payroll. Finally, staff indicated that the differential in these factors may be tempered in that there could be variation in COVID-19 claim frequency among classifications within an industry sector.

The consensus of the Committee was that the approach outlined by staff seemed reasonable.

The meeting was adjourned at 10:32 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 October 13, 2020 for approval and/or modification.

Item IV-A
January 1, 2021 Pure Premium Rate Filing

At the August 12, 2020 meeting, the Committee approved the filing of proposed advisory January 1, 2021 pure premium rates that averaged $1.56 per $100 of payroll and were on average 2.6% higher than the average January 1, 2020 approved advisory pure premium rates. On August 26, 2020, the WCIRB submitted its January 1, 2021 Pure Premium Rate Filing to the Insurance Commissioner.

At the September 9, 2020 meeting, the Committee reviewed the Actuarial Committee's analysis of recently available June 30, 2020 experience as well an updated evaluation of the projected cost impact of COVID-19 claims that reflected the impact of the recently enacted Senate Bill No. 1159. Based on that review, the Committee recommended amending the WCIRB's filing to revise individual proposed advisory pure premium rates by classification to reflect updated information on the frequency of COVID-19 claims by industry sector. (The average of the amended proposed advisory pure premium rates remained $1.56 per $100 of payroll.) The WCIRB submitted the amended filing on September 15. 2020.

The Commissioner held a public hearing to consider all matters in the January 1, 2021 Pure Premium Rate Filing on October 5, 2020 and the record was kept open following the hearing until the close of business on October 26, 2020. On November 25, 2020, the Commissioner issued his Decision (see attached).

In the Decision, the Commissioner approved advisory pure premium rates that average $1.45 per $100 of payroll. The average approved 2021 advisory pure premium rate, which does not reflect a provision for projected COVID-19 claim costs, is 4.6 percent below the average approved January 1, 2020 advisory pure premium rate. The approved January 1, 2021 advisory pure premium rates differ from the WCIRB's proposed pure premium rates, which averaged $1.50 per $100 of payroll excluding the provision for COVID-19 claim costs, due to somewhat different assumptions regarding medical loss development and future indemnity, medical, allocated loss adjustment expense and medical cost containment program severity trends.

While the Insurance Commissioner's approved advisory pure premium rates do not reflect a provision for projected COVID-19 claim costs on 2021 policies, his Decision indicated that,"[t]he WCIRB's thorough efforts to estimate COVID-19 costs are noted and appreciated but I am not persuaded that there is sufficient and reliable data upon which to base an adjustment for COVID-19 costs. Insurance companies are encouraged to take under advisement the actuarial analyses provided in the proposed decision as well as ongoing developments when evaluating whether and to what extent an adjustment for the costs of COVID-19 should be incorporated into a given insurer's rate filing." The Proposed Decision includes a *Table of Recommended COVID-19 Additive Adjustment per $100 of Payroll* that average $0.05 per $100 of payroll. (The WCIRB's proposed January 1, 2021 advisory pure premium rates reflect an average $0.06 per $100 of payroll provision to reflect expected COVID-19 claim costs.) The Table from the Proposed Decision was not adopted by the Commissioner in his Order.

The Commissioner's Decision also directs insurers to clearly identify any filed rate or rating plan component that includes an adjustment for COVID-19 in its rate filing submitted to the CDI. Finally, the Insurance Commissioner directs the WCIRB to collect data on the aggregate premium charged for any rate or rating plan component that includes an adjustment for COVID-19.

STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
300 Capitol Mall, 17th Floor
Sacramento, CA 95814

DECISION AND ORDER

JANUARY 1, 2021 WORKERS' COMPENSATION CLAIMS COST BENCHMARK AND ADVISORY PURE PREMIUM RATES

FILE NUMBER REG-2020-00014

In the Matter of: Proposed adoption or amendment of the Insurance Commissioner's regulations pertaining to the Workers' Compensation Insurance Claims Cost Benchmark and Advisory Pure Premium Rates. CDI File Number REG-2020-00014. The benchmark will be effective on **January 1, 2021**.

The WCIRB's thorough efforts to estimate COVID-19 costs are noted and appreciated but I am not persuaded that there is sufficient and reliable data upon which to base an adjustment for COVID-19 costs. Insurance companies are encouraged to take under advisement the actuarial analyses provided in the proposed decision as well as ongoing developments when evaluating whether and to what extent an adjustment for the costs of COVID-19 should be incorporated into a given insurer's rate filing.

DECISION AND ORDER

I adopt the Proposed Decision and Order of Patricia Hein dated November 24, 2020, in part, and order that

1. The WCIRB adopt an average advisory claims cost benchmark of $1.45 per $100 of employer payroll and adjust the pure premium rates for individual classifications, excluding the additional adjustment for COVID-19, based upon this benchmark;

2. Insurance companies shall submit any rate component and/or rating plan that includes an adjustment for COVID-19; the filed rates and rating plans in 2021 shall reflect the expected cost of COVID-19 claims on the policies to which they apply and be clearly identified in the rate filings submitted to the Department; and

3. The WCIRB collect data of aggregate premium charged for any rate component and/or rating plan that includes an adjustment for COVID-19.

IT IS SO ORDERED THIS 24th DAY OF NOVEMBER, 2020.

RICARDO LARA
Insurance Commissioner

STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE
300 Capitol Mall, 17th Floor
Sacramento, CA 95814

PROPOSED DECISION AND ORDER

JANUARY 1, 2021 WORKERS' COMPENSATION CLAIMS COST BENCHMARK AND ADVISORY PURE PREMIUM RATES

FILE NUMBER REG-2020-00014

In the Matter of: Proposed adoption or amendment of the Insurance Commissioner's ("Commissioner") regulations pertaining to the workers' compensation insurance claims cost benchmark and advisory pure premium rates. These regulations will be effective on January 1, 2021.

SUMMARY OF PROCEEDINGS

The California Department of Insurance ("Department") held a public hearing in the above captioned matter on October 5, 2020 at the time and place set forth in the Notice of Proposed Action and Notice of Public Hearing, File Number REG-2020-00014, dated September 4, 2020 ("Notice"). A copy of the Notice is included in the record. The record closed on October 26, 2020.

The Department distributed copies of the Notice to the persons and entities referenced in the record. The Notice included a summary of the proposed changes and instructions for interested persons who wanted to view a copy of the information submitted to the Commissioner in connection with the proposed changes. The filing letter dated August 26, 2020, submitted by the Workers' Compensation Insurance Rating Bureau of California ("WCIRB"), and related documents were available for inspection by the public at the Oakland office of the Department and were available online at the WCIRB's website, www.wcirb.com.

The WCIRB's filing proposes a change in the workers' compensation claims cost benchmark and advisory pure premium rates ("benchmark") in effect since January 1, 2020, that reflects insurer loss costs and loss adjustment expenses ("LAE").

In its filing, the WCIRB requested that the Commissioner adopt a set of pure premium rates for each classification to be effective January 1, 2021. The

WCIRB recommended an average pure premium rate of $1.56 per $100 of payroll, which is 2.6% more than the approved pure premium rates as of January 1, 2020.

The Department accepted testimony and written comments at a hearing in Oakland on October 5, 2020, and also received exhibits into the record. Members of the public submitted additional materials along with correspondence and documents prior to the hearing. The Commissioner announced that the record would remain open pending the receipt of additional information from the WCIRB. After the hearing and before the closure of the record, the Department received into the record additional comments from the WCIRB and Bickmore, the public members' actuary. The record closed at 5:00 p.m. on October 26, 2020. Having been duly heard and considered, the Department now presents the following review, analysis, Proposed Decision, and Proposed Order.

REVIEW OF WORKERS' COMPENSATION CLAIMS COST BENCHMARK AND ADVISORY PURE PREMIUM RATES FILING

Subdivision (b) of California Insurance Code Section 11750 states that the Commissioner shall hold a public hearing within 60 days of receiving an advisory pure premium rate filing made by a rating organization pursuant to subdivision (b) of Insurance Code Section 11750.3 and either approve, disapprove, or modify the proposed rate. Subdivision (b) of Section 11750.3 states a licensed rating organization, such as the WCIRB, shall collect and tabulate information and statistics for the purpose of developing pure premium rates for its insurance company members to be submitted to the Commissioner. Pure premium rates are the cost of workers' compensation benefits and the expense to provide those benefits.

The pure premium rates approved in this process by the Commissioner are only advisory. Insurers are permitted under California law to make their own determinations as to the pure premium rates each insurer will use, as long as the ultimate rates charged do not threaten the insurer's financial solvency, are not unfairly discriminatory, and do not tend to create a monopoly in the marketplace.

The Department's actuary, Mitra Sanandajifar, provides below in the Actuarial Evaluation a review and analysis based upon the filing information presented by the WCIRB and the public's comments about the filing. The pure premium rate process serves as an important gauge or benchmark of the costs in the workers'

compensation system, but must also reflect the reality of insurer rate filings and the premiums insurers charge to employers.

The pure premium rate process does not reflect an employer's final paid insurance rate or premium. Instead, the pure premium process is narrowly tailored to project a specific sub-component of an overall rate. For example, the pure premium rate does not include the costs associated with underwriting expenses, profit, or a return on an insurer's investments. The analysis of pure premium in California projects the cost of benefits and LAE for the upcoming policy period beginning January 1, 2021. The term "rate" can be confusing in the pure premium context since it is a measurement of average claim cost per $100 of employer payroll rather than the rates insurers may charge.

These figures are not predictive of an individual employer's insurance premium. That premium may fluctuate greatly from these figures based upon an employer's business, the mix of employees and operations, and the employer's actual claims experience. It is not possible to determine an individual employer's premium from these figures or from the Commissioner's pure premium determination because the review of pure premium rates represents just one component of insurance pricing**.**

ACTUARIAL RECOMMENDATION

The WCIRB has proposed an average advisory pure premium rate level of $1.56 per $100 of payroll in its January 1, 2021 filing for policies incepting during January 1st and August 31st 2021 (PY21). The $1.56 average pure premium rate includes an adjustment for the estimate of the cost of COVID-19 claims during PY21. The WCIRB's proposed average pure premium rate excluding the COVID-19 adjustment is $1.50 per $100 of payroll. The Department's staff actuaries' analysis, as set forth in the following Actuarial Evaluation section, results in an average pure premium rate level of $1.45 per $100 of payroll, excluding the COVID-19 adjustment, and an average of $0.05 per $100 of payroll as an additive adjustment for the projected cost of COVID-19 claims. The most recently available industry average level of pure premium rates filed by insurers with the Department is $1.80 per $100 of payroll as of July 1, 2020. While the indicated pure premium rate level represents our central estimate, and thus our recommendation, we note that both the WCIRB's estimate of $1.56 ($1.50 excluding COVID-19) and the middle estimate of $1.49 ($1.44 excluding COVID-19) from the Public Members' Actuary (Bickmore) are within reasonable actuarial range.

Due to differences in the nature of exposure to risk underlying the non-COVID-19 portion of the pure premium rates by classification, and the COVID-19 adjustment, as discussed in more detail in Section 5, the Department's staff believe that the non-COVID-19 advisory pure premium rates by classification, and COVID-19 adjustment by classification, should be kept separate and not promulgated on a combined basis.

Moreover, given the temporary nature of the adjustment for the cost of the COVID-19 pandemic, the Department's staff recommends that the advisory pure premium rates be kept on a non-COVID-19 basis to avoid distorting the pure premium rates for temporary non-recurring and rare events similar to terrorism and the global pandemic. The adjustment for the cost of COVID-19 claims would be recommended as a separate provision for the periods affected by the pandemic, and not as part of the advisory pure premium rates.

In order to preserve separation of the non-COVID-19 pure premium rates from the COVID-19 loss costs, the Department's staff recommends that starting with January 1, 2021 policies, the premiums collected to cover COVID-19 claims costs be separately accounted for, to allow for an undistorted determination of the non-COVID-19 pure premium rates, and facilitate potential loss cost analyses for COVID-19 claims.

The WCIRB's proposed pure premium rate level of $1.50, excluding the COVID-19 adjustment, is based on data evaluated as of March 31, 2020. While the WCIRB reviewed the data available as of June 30, 2020, the review did not result in changes in the proposed average pure premium rate in the amended filing due to consideration of the distorting impact of the pandemic and resultant stay-at-home orders on the 2nd quarter 2020 experience. However, as discussed in the COVID-19 section, the amended filing proposed changes to the distribution of the COVID-19 costs to various NAICS industry sectors.

The WCIRB's filing compares its proposed average pure premium rate level to the average industry-filed pure premium rate level. We believe this comparison is useful. It provides an appropriate basis for assessing both the industry's ability to adapt to the proposed pure premium rate level and the size of the potential market impact of such an adjustment. We note that under California law, the Insurance Commissioner's adopted pure premium rates are advisory, and insurers are free to make their own decisions as to what pure premium rates they will use in their rate filings and what rates to charge. The most recently filed pure premium rates by insurers are higher than the Insurance Commissioner's most recently adopted pure premium advisory rates.

The California workers' compensation market appears to be competitive and financially healthy. Collected premiums in the first quarter of 2020 produced an average charged rate of $1.90[1], which compares to $1.96[2] and $2.21[3] observed in 2019 and 2018 respectively, showing a continuation of a downward trend in charged market rates that has been in progress since the first half of 2015 when the average charged rate was $3.01. The average charged rate of $1.90 for the first quarter of 2020 (which reflects all insurer expenses) was approximately 25% more than the Insurance Commissioner's adopted January 1, 2020 average advisory pure premium rate of $1.52, which reflects loss and loss adjustment expense only. It was also approximately 25.5% less than the industry average filed manual rate of $2.55, thus indicating the average effect of schedule rating and other rating plan credits.

As of March 31, 2020, the WCIRB estimates overall industry combined ratios at or below 87% for accident years 2014 through 2018, and a combined ratio of 95% for accident year 2019. After a period of combined ratios in excess of 100% over the 2008 through 2012 accident years, the 2019 accident year is the seventh consecutive year for the industry with a projected combined ratio at or below 95%. However, current charged rate levels are somewhat lower than the charged rates that underlay the combined ratios for accident years 2015 through 2019.

Actuarial Evaluation

The actuarial evaluation will focus on the following main components of the analysis: (1) loss development; (2) loss trends; (3) loss adjustment expense ("LAE") provision, which include allocated loss adjustment expense ("ALAE"), unallocated loss adjustment expense ("ULAE") and medical cost containment programs ("MCCP"); (4) the impact of reform legislation contained in Senate Bill 863 ("SB 863"), Senate Bill 1160 ("SB 1160"), Assembly Bill 1244 ("AB 1244"), and Assembly Bill 1124 ("AB 1124"); and (5) the estimated cost and distribution of the costs of the COVID-19 claims.

Table 1 shows the components of the WCIRB's pure premium rate indications over the past several years, separated into medical, indemnity, LAE, and for this filing, COVID-19 components, along with a comparison to Bickmore's current

[1] Includes adjustment for new payroll limitations effective in 2020 applicable to five classifications.
[2] $2.06 if adjusted for new payroll limitations effective in 2020, to make it comparable to the $1.90 for the first quarter of 2020
[3] $2.32 if adjusted for new payroll limitations effective in 2020, to make it comparable to the $1.90 for the first quarter of 2020

indication based on its middle scenario. Table 2 displays advisory average pure premium rates and the COVID-19 average cost per $100 of payroll from the WCIRB's recommendation, as compared to those of both the Department's staff recommendation, and Bickmore's middle projection.

Table 1

	WCIRB Filed Rates										Bickmore	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	7/1/15	1/1/16	7/1/16	1/1/17	7/1/17	1/1/18	7/1/18	1/1/19	1/1/20	1/1/21	1/1/21	1/1/2020
Medical $	1.14	1.10	1.00	0.95	0.87	0.84	0.76	0.70	0.65	0.62	0.56	0.59
Indemnity $	0.72	0.69	0.70	0.67	0.64	0.63	0.58	0.54	0.51	0.50	0.50	0.48
LAE $	0.61	0.63	0.61	0.60	0.51	0.49	0.46	0.46	0.42	0.38	0.38	0.45
COVID-19 $	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.06	0.05	N/A
Total $	$ 2.47	$ 2.42	$ 2.30	$ 2.22	$ 2.02	$ 1.96	$ 1.80	$ 1.70	$ 1.58	$ 1.56	$ 1.49	$ 1.52
Industry Avg Filed PP Rate							$ 2.13	$ 1.99	$ 1.80			
Industry Avg Filed Manual Rate (with expenses)							$ 3.10	$ 2.82	$ 2.55			
Industry Avg Charged Rate (net discounts)							$ 2.38	$ 2.04	$ 1.90			

Table 2

	Excluding COVID-19 Adjustment		Including COVID-19 Adjustment		
	Recommended 1/1/2021 Average Pure Premium Rate	% Difference from the WCIRB Recommendation	Recommended 1/1/2021 Average Pure Premium Rate	% Difference from the WCIRB Recommendation	Average COVID-19 Adjustment per $100 of Payroll
WCIRB	$1.50		$1.56		$0.06
CDI	$1.45	-3.3%	$1.50	-3.8%	$0.05
Bickmore (Middle)	$1.44	-4.0%	$1.49	-4.5%	$0.05

1. Loss Development

Some form of the paid loss development method has consistently served as the basis for determining ultimate loss estimates for both indemnity and medical losses in the WCIRB's advisory pure premium rate filings for many years. While focusing on the paid method, the WCIRB has also reviewed the results of other methods, particularly the incurred development method, along with multiple variations on these basic methods. At the same time, Bickmore has been giving equal weight to both the paid and incurred development methods in its analysis of ultimate medical losses. The WCIRB's final selection, however, has always been based on the paid development method.

In recent years, particularly after the implementation of SB 863 in 2013, it has become increasingly apparent that claims are closing more quickly than in years

past. This phenomenon is very likely to cause the paid development method to overestimate ultimate losses. In order to try to prevent such overstatement, the WCIRB has incorporated a Berquist-Sherman adjustment for changes in claim settlement rates to the historical paid loss triangles for both indemnity and medical losses in its filings.

In addition, the WCIRB has incorporated the impact of various reforms in the paid development factors. Similar to the January 1, 2020 filing, the cumulative paid medical development factors have been adjusted for the impact of SB 1160 and AB 1244 lien-related provisions, assuming a 60% decline in liens compared to the 2nd quarter of 2016.

Based on a study performed in 2019, and similar to the January 1, 2020 filing, the WCIRB has also made an adjustment to the paid losses underlying the paid medical development factors for the impact of the significant decline in pharmaceutical costs, which represent a much larger proportion of later period development compared to earlier periods (i.e. varies widely by maturity) and, if left unadjusted, would distort projected age-to-age medical development factors.

Earlier this year, the WCIRB conducted two studies that resulted in the implementation of changes in methodology and additional adjustments to late-term development factors and development tail for both indemnity and medical loss development, which are incorporated in this filing.

While the WCIRB has for the most part relied on paid losses for the determination of both indemnity and medical loss development factors, following a comprehensive study in 2014, for later maturities, and corresponding to accident years 1997 and prior, development factors had been determined based on incurred losses.

A retrospective study on late-term loss development conducted by the WCIRB this year showed that compared to the incurred method, the paid loss development method after 267 months was significantly more accurate at projecting recent emerging loss development for these late periods, and produced more stable tail factors.

The WCIRB also performed an analysis of the impact of acceleration in claim settlement rates on later period loss development, which showed that there is a strong correlation between changes in the proportion of ultimate claims open at a point in time, and changes in later period loss development.

The results of the above-mentioned studies have been incorporated in indemnity and medical loss development factors, in that the loss development factors for 267 months and later are based on the paid loss development method, adjusted for the impact of acceleration in claim settlement rates.

The Department appreciates the WCIRB's continued efforts to re-evaluate the impact of various reforms and the suitability of the methods underlying the projections, as well as conducting studies to monitor appropriateness of the projections and proper implementation of adjustments to improve the accuracy of the estimates.

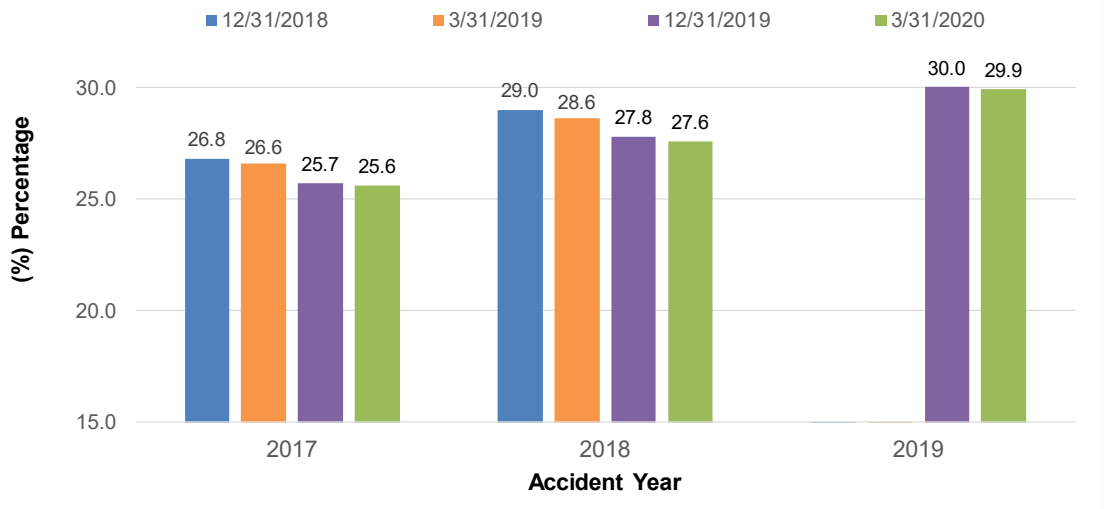
In our reviews of filings prior to July 1, 2018, we had declined to give any weight to the incurred loss development method, noting that there were several drawbacks with the use of this method, especially on an industrywide basis for the workers' compensation line of insurance. While we had outlined the range of estimates produced by the various actuarial methods utilized by the WCIRB, and provided our commentary on the relative merits of the alternatives, we eventually concluded that the WCIRB's reliance on the paid development method, after adjustment for changes in settlement rates and for the effects of reforms, was appropriate.

However, in the review of the July 1, 2018 WCIRB proposed pure premium rate filing, we found it appropriate to give some weight to the incurred loss development method for projecting ultimate medical losses, despite the impediments to properly adjust the incurred method. Given the shortcomings identified with the incurred method stated below, we chose to give 75% weight to the WCIRB's paid development method, which included the adjustments for reforms and changes in claim settlement rates, and 25% weight to the unadjusted incurred development method. Our selection was made in consideration of the strong evidence that the paid development method has been overestimating ultimate medical losses—and can be expected to continue to do so—and that the lower projections based on the incurred method—despite its shortcomings and distortions—could be utilized as an offset to moderate the overstatement in projected ultimate medical losses by the paid method.
The drawbacks with the use of the incurred method lie in the challenges associated with formulating the proper adjustments to make the incurred method more accurate, which include the difficulty of adjusting incurred losses for the impacts of the various reforms that have affected the historical data. Making such adjustments to historical paid loss data is relatively straightforward, but knowing how much the reforms have influenced the setting of case reserves across the entire insurance industry would seem to be well-nigh impossible.

There is also difficulty in adjusting historical case reserve data to the current level of case reserve adequacy when there are likely to have been different claims handling procedures and case reserving philosophies across the industry, as well as a changing mix of insurers over time. Sorting these effects out would also be quite difficult.

On the other hand, despite the use of the Berquist-Sherman adjustment, estimated ultimate medical loss ratios have continued to decline. Information provided in the hearing and in the Executive Summary of the filing demonstrate that the successive evaluations of the accident year ultimate medical losses have shown continued downward development since December 2018 (see Table 3), and while the decline has moderated, the accident year 2018 loss ratio has declined by about 3.5% between March 31, 2019 and March 31, 2020, and during the same period, the loss ratio for the more mature accident year 2017 also declined by about 3.8%. These loss ratios have been adjusted for changing claim settlement rates, the impact of pharmaceutical cost reductions to bring the historical payments to the current pharmaceutical cost level, as well as the impact of SB 1160, and AB 1244 provisions, and include changes in methodology and adjustments for the late-term loss development discussed above.

Table 3 **Projected Ultimate Medical Loss Ratios**

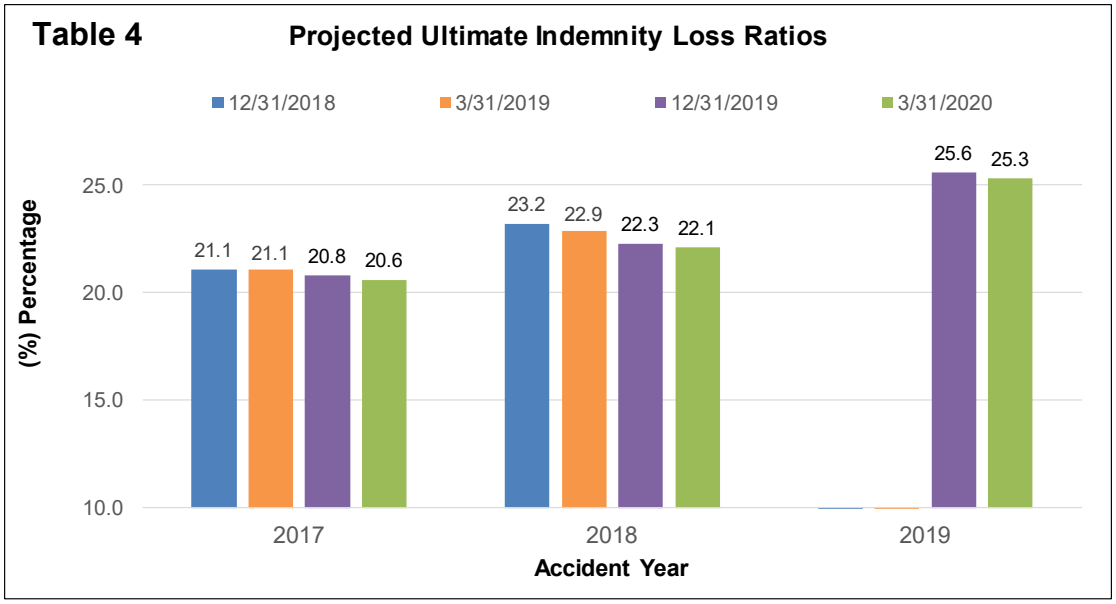


Note: All loss ratios are adjusted to the loss development methodology presented in the WCIRB 1/1/2021 filing.

Similarly, the successive estimates for indemnity loss ratios show that the accident year 2018 loss ratio has declined by about 3.5% between March 31, 2019 and March 31, 2020, and the loss ratio for the more mature accident year 2017 declined

by about 2.4% during the same period, despite utilization of a common more refined loss development methodology.

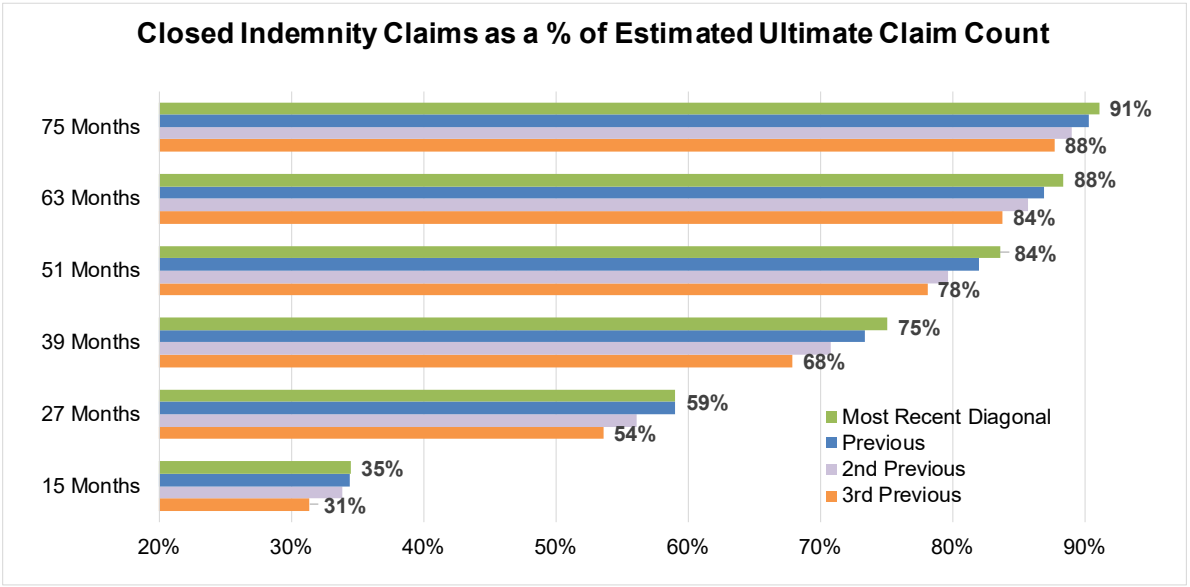
Table 4 **Projected Ultimate Indemnity Loss Ratios**



Note: All loss ratios are adjusted to the loss development methodology presented in the WCIRB 1/1/2021 filing.

While the acceleration in claim settlement rates has plateaued for early evaluation of less mature accident years, as shown in Table 5, the trend continues for 39-months-plus maturities, and despite the utilization of the Berquist-Sherman adjustment for changes in claim settlement rates in recent filings, the improvement in loss development has continued, although at a more moderate level.

Table 5



Moreover, there are several factors that can be expected to have an impact on shortening the payout pattern for medical losses. Bickmore has provided some commentary in its review of this current filing. Bickmore cites three reasons for believing future medical paid loss development patterns will be less than what is indicated from historical patterns. These are: first, permanent disability claims are closing more quickly, while the closing rates for temporary disability claims appear to be increasing at a much slower pace; second, the change in the medical fee schedule to a resource-based relative value scale ("RBRVS") and the utilization of the Independent Medical Review (IMR) could have sped up payments for medical benefits; and third, substantial declines in pharmaceutical costs could lead to lower loss development in later stages, as these costs were particularly heavy in the mature development periods.

Our evaluation would add to this list the significant reduction in opioid use and the effectiveness of recent lien reforms. While the WCIRB has been able to make an adjustment for the lien reforms, the decline in liens has continued beyond the level of the adjustment incorporated by the WCIRB, and the indirect impacts of IMR, RBRVS, and the significant reduction in opioid use and other narcotics on future development of indemnity and medical losses have been difficult to quantify and are being allowed to work their way through the indications over time.

As an example, claims that involve high-risk opioid use are about two to three times costlier, both on the medical and the indemnity side, and are almost twice as likely to remain open after four years, compared to similar lower-dose opioid use claims that are essentially identical in all aspects, except for the level of opioid use. Given that the differences in cost and proportion of permanent disability for claims subject to high-risk opioid usage appear to be more pronounced beyond four years since injury date[4], the impact of reduced opioid use, and more appropriate courses of treatment for injured workers (which may have shifted the cost to earlier development periods), on future development of indemnity and medical losses for these accident years may not have been fully realized.

Accordingly, we believe it is appropriate to continue to give some weight to the incurred loss development method for projecting ultimate medical losses in this filing. Hence, we choose to give 75% weight to the WCIRB's paid development method, which includes adjustments for the impact of pharmaceutical cost reductions to bring the historical payments to the current pharmaceutical cost

[4] WCIRB Study, "Early Indicators of High-Risk Opioid Use and Potential Alternative Treatments."

level, change in claim settlement rates, and SB 1160 and AB 1244 provisions, and 25% weight to the unadjusted incurred development method. However, given the sharp decline in the medical case reserves in recent calendar periods, consistent with the approach in the review of the January 1, 2020 filing, we use the projected ultimate incurred losses based on the 3-year average incurred development factors for this purpose. This weighting approach should recognize the continuing tendency of the paid development method to overstate ultimate medical losses while still preserving an element of caution that we believe is necessary when estimating future medical costs in California's uncertain workers' compensation environment.

2. Loss Trends

The WCIRB analyzes a range of trending assumptions to roll forward the estimates of ultimate losses developed above to the future time period during which the filing's proposed pure premium rates will be in effect.

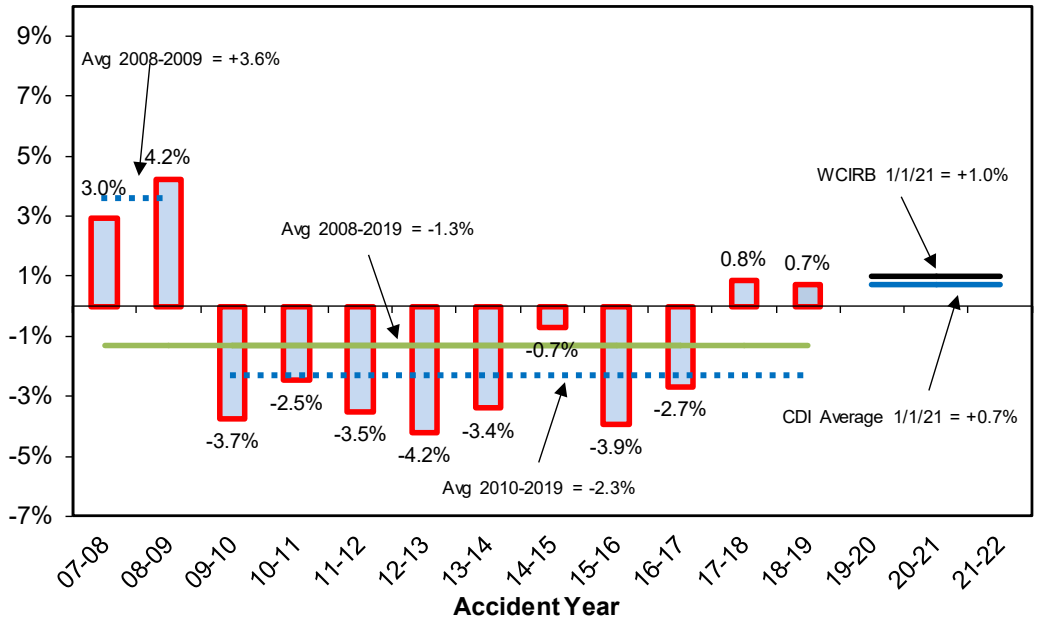
The various trend assumptions differ in terms of (1) the particular historical time period used to determine severity and frequency trends, and (2) the experience period that these trends are applied to, in order to roll forward to the future time period of the filing.

The preferred method utilized by the WCIRB has been the use of separate trends for frequency and severity and the application of these trends to the latest two years of experience. The WCIRB has conducted studies to determine the merits of alternative assumptions about trends in various environments such as reform, transition, and recession periods, and used the results to guide its selections based on the perceived current state of the environment.

As shown in Tables 6 and 7, indemnity and medical severities over the time period 2010-2019 have decreased relative to historical averages prior to 2010, discussed further following the severity and frequency charts.

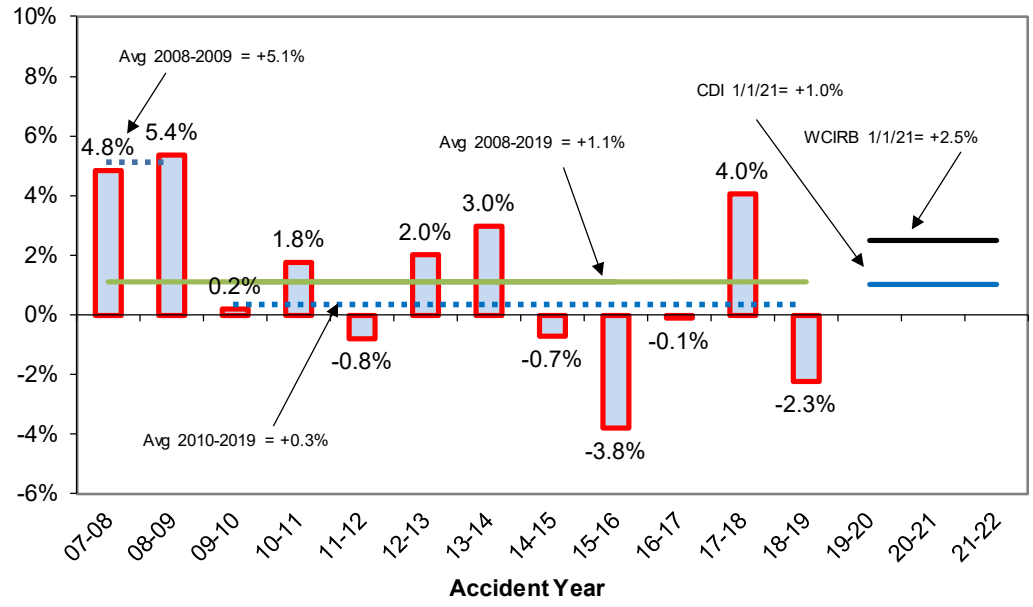
Table 6

On-Level Indemnity Severity Annual % Change*



*Ultimate Indemnity Loss Projections are Based on the Paid Method, and Data Evaluated as of March 31, 2020

Table 7 **On-Level Medical Severity Annual % Change***

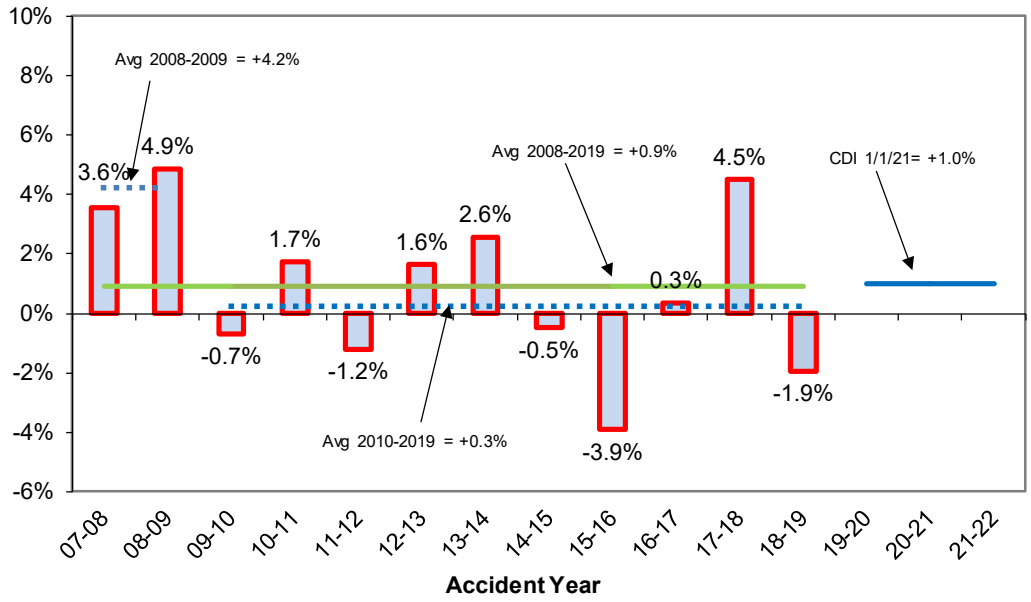


*Ultimate Medical Loss Projections are Based on the Paid Method, and Data Evaluated as of March 31, 2020

The changes in average medical severities in Table 7, as mentioned in the footnote, are based on ultimate medical losses that use the paid loss development method to project losses to ultimate. Table 8 shows the changes in average medical severities based on the Department-selected development method, discussed above, which relies on a combination of the paid and incurred development methods. While the individual data points may differ between Tables 7 and 8, the averages remain similar, especially for 2010 onward.

Table 8

On-Level Medical Severity Annual % Change*

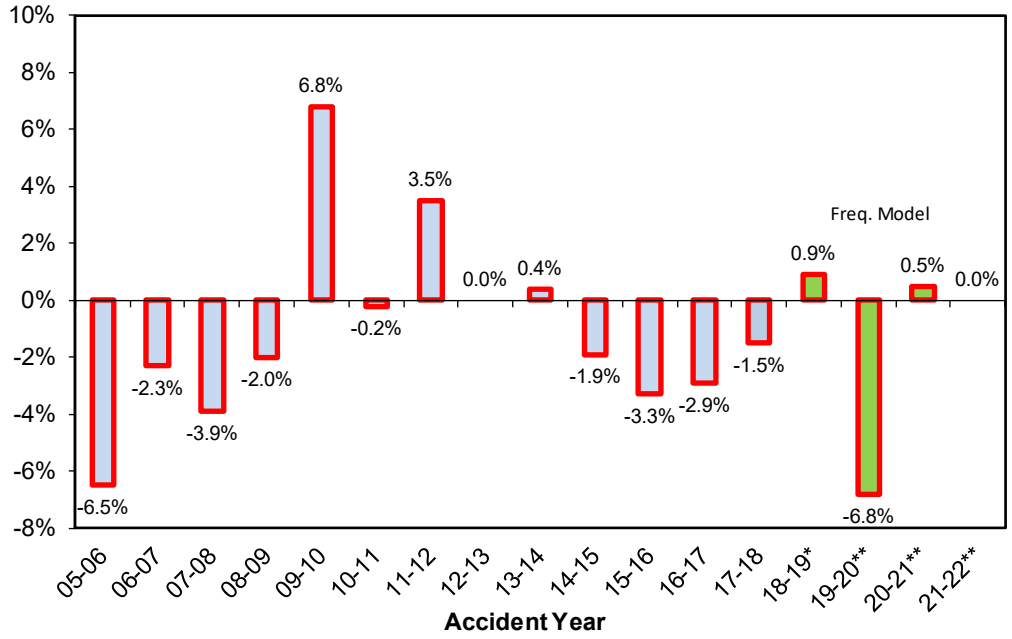


*Ultimate Medical Loss Projections are Based on Mix of Paid and Incurred Methods, and Data Evaluated as of March 31, 2020

Table 9

Indemnity Claim Frequency Annual % Change

As of March 31, 2020



*The 2018-2019 estimate is based on comparison of claim counts based on WCIRB accident year experience as of March 31, 2020 relative to the estimated change in statewide employment. Prior years are based on unit statistical data.

**Projections based on Frequency Model.

While the estimated changes shown in Table 9 are based on unit statistical plan data for 2018 and earlier periods, for 2019, the estimates also rely on proxies for changes in frequency (i.e. changes in reported aggregate indemnity claim counts compared to changes in statewide employment).

The WCIRB attributes the frequency increases since 2011 to cumulative trauma ("CT") claims, where claims are much more likely to involve multiple body parts, often include a psychiatric component, and are more concentrated to the Los Angeles Basin area. A significant portion of CT claims are filed post-termination of the employee, and had been initially denied. The WCIRB has published an in-depth study of the cumulative injury claim patterns in 2018 to provide detailed information on the characteristics of these types of claims, and in its continued efforts to analyze the driver(s) of the frequency pattern.

Earlier this year, the WCIRB published a study of the historical impact of prior economic slowdowns on claim frequency, which showed that during periods of

economic slowdown, the accelerated decline in indemnity claim frequency is accompanied by an increase in the proportion of indemnity claims involving CT. Given the significant economic slowdown, caused abruptly by the pandemic, there is concern that the situation will give rise to an increase in CT claims, especially in 2020.

The green bars in Table 9 reflect the WCIRB's forecast of changes in frequency, which are based on an econometric model developed using a long-term history of frequency changes in relation to changes in economic and other claims-related factors, including the proportion of CT claims. In this filing, a projected increase in the proportion of CT claims, consistent with that of the last two economic recessions, has been incorporated in the WCIRB's frequency forecast model, and the 6.8% projected decline in indemnity frequency for accident year 2020 reflects this adjustment. Prior to adjustment for the impact of CT claims, the projected indemnity claim frequency decline would have been 11.1%. The indemnity frequency projections include an adjustment for a shift in industrial mix, consistent with the methodology used in prior filings.

In terms of methodology, in contrast to prior filings, there is no difference in this filing between the public members' actuary, Bickmore, and the WCIRB, in the application of trend methodology. In recent prior filings, Bickmore used a loss ratio trend applied to the latest two years, while the WCIRB uses separate frequency and severity trends. However, for this filing, Bickmore has also opted to make trend selections separately for frequency and severity. Moreover, for its middle scenario, Bickmore is also in agreement with the WCIRB in regard to the selected annual frequency trends, and therefore, any distinctions between the public members' actuary and the WCIRB in regards to trend is due to differences in selected indemnity and medical severity trends.

We agree with the WCIRB and Bickmore that the use of two years of experience for the application of the trend is appropriate, as it has also outperformed alternative assumptions based on the WCIRB's most recent study. In examining the merits of the loss ratio trend versus separate frequency and severity trends in various environments, we recognize that separate severity and frequency trends may better reflect the underlying causes in this changing environment. While there is not yet a full understanding of the changes that are happening, the separate analyses of frequency and severity provide information that the combined trend may smooth or mask.

Following a period of year-over-year decreases in on-leveled indemnity severity between 2010 and 2017, sometimes with sharp declines, the 2018 and 2019 accident years show a modest increase in indemnity severity based on data as of

March 31, 2020. The 2018 increase may be associated with a higher than usual proportion of large claims, similar to the medical severity for this period, and the 2019 increase is preliminary, given that at this stage in maturity, the underlying losses are mostly from temporary disability claims, which have higher indemnity benefits, but comprise about fifty percent of the indemnity claim counts. As an example, the increase in indemnity severity for 2018 has moderated from +3.0% as of March 31, 2019 to +0.8% as of the current valuation.

The WCIRB-selected annual severity trend for indemnity in this filing is +1.0%, compared to -0.5% selected in the January 1, 2020 filing. The average change in indemnity severities between accident years 2008 through 2019, which provides a longer term view, is -1.3%, and the short term average since 2015 is about the same.

The WCIRB's selection of indemnity severity trend is based on considering several factors related to the impact of the environment caused by the COVID-19 pandemic, and the resulting economic downturn on the indemnity severity. Specifically, the filing mentions that the following factors may result in increases in on-leveled indemnity severities in the near future: increases in temporary disability duration during a recession as injured workers may have fewer employment opportunities to return to; an upward shift in average indemnity costs due to increase in CT claims; and a shift towards larger claims, as the economic-driven sharp decrease in indemnity frequency projected for 2020, may be disproportionately geared towards smaller claims being not filed.

Bickmore's selection of indemnity severity trend, as noted in the public members' actuary's hearing testimony, takes into consideration the factors mentioned by the WCIRB, and while Bickmore selects separate annual trends for 2019 through 2022 accident years, the impact of the trend selections, on average, resemble a uniform annual indemnity severity trend of +1.0%.

The Department's staff also agrees with considerations regarding the impact of the economic downturn on the indemnity severity for non-COVID-19 claims, cited by the WCIRB and Bickmore, and based on separate selections for 2019 through 2022, which are similar to the annual trends selected by Bickmore, except for 2019, project indemnity severity trends that on average resemble a uniform annual indemnity severity trend of +0.7%. The Department's staff's selections for 2019 through 2022 are -1.0%, +2.5%, +0.5%, and -1.0% respectively. The -1.0% selection for 2019 and 2022 reflect consideration for the pattern of indemnity severity trend for 2008 through 2019, as discussed above.

The Department's staff notes that the medical severity trend of +2.5% selected by the WCIRB in this filing is comparable to the average of the long-term rate of growth since 1990 of +5.5% per year, and five-year rate of growth of -0.1% per year. As shown in Table 7, the ten-year average change in medical severities during the 2010-2019 period evaluated as of March 31, 2020 is +0.3%, and the five-year average change is -0.6%. As with indemnity, the WCIRB cites potential changes in average severities from the pandemic and the resulting economic downturn, in addition to the review of historical trends in medical severity, as the basis for the selected medical severity trend. During the hearing, the WCIRB presented four considerations for the selection of a +2.5% annual trend for medical severity, namely: impact of economic slowdown on return to work; delays in medical treatment during pandemic; growth in very large claims; and reduction in filing of smaller claims during slowdown.

Bickmore's selected annual severity trend is +1.0%, based on long-term average of changes in medical severity, which is +0.3% for 2011-2019.

While the Department is sensitive to the WCIRB's concerns about the impact of the pandemic and the economic downturn on future medical severity, the Department's actuarial staff believes that some of the concerns raised, such as the impact of delays in medical treatment, may be more relevant to the 2020 accident year. In addition, as noted by the WCIRB, the spike in the average severity for accident year 2018 is driven by a greater than usual number of large claims for this period, and based on the reference study provided as a follow-up to the hearing, the growth in very large claims has been a byproduct of economic expansion since 2013. Therefore, the historical pattern of changes in the average severities already include the impact of growth in large claims. Moreover, as the WCIRB has noted in the selection of its frequency trend, one of the potential consequences of the economic downturn is the rise in proportion of CT claims, and while the average indemnity cost on post-termination CT claims is somewhat higher than the overall average indemnity, the average medical cost on post-termination CT claims is to a larger extent lower than the overall average medical severity.

Furthermore, while the Department agrees with the WCIRB that the COVID-19 pandemic has sent a significant shock through the California workers' compensation system, generating additional uncertainty in projecting the future cost of medical severity, the essential structure of utilization of medical services following the enactment of SB 863 and the subsequent legislation continues to impact the California workers' compensation system, and has the potential to further the realization of the reduction in medical costs, and postponing of the return to the long term medical inflation trends.

During the past several years, a sequence of reforms has impacted the California workers' compensation system, starting with the SB 863 reforms in 2013, and continuing with SB 1160, AB 1244, and AB 1124, the latter of which became effective in January 2018. Given the timing of these reforms and the interaction between the elements of these reforms, it is reasonable to assume that various elements of these reforms, in conjunction with anti-fraud efforts, are continuing to combine to lower medical costs.

And while the WCIRB has incorporated several aspects of the reforms in determining the costs, the reforms interact with the drivers of the system in multifaceted ways that are difficult to adjust for. As an example, the lower level of lien filings and higher rate of lien dismissals could possibly have an impact on speeding up the claim closure rates, as well as reducing costs. Another example is reduction in opioid use, which may facilitate earlier return to work, and result in lower indemnity and medical costs. Moreover, as discussed in the development section, the significant reduction in opioid use, and the increased utilization of alternative medical services, appears to have the effect of shifting the cost to earlier development periods, where alternative treatments such as physical medicine, along with evaluation and management, comprise a significant portion of payments for medical services.

The Department appreciates the balance that the WCIRB is trying to achieve in considering both the long-term and the more recent trend indications, in recognition of the inherent volatility of severities at early evaluations, the long-term medical severity growth rates, the long period over which the medical payments are made, and the implications of the COVID-19 pandemic. However, while we share the concerns that the WCIRB has raised, we note that there are offsetting effects, as discussed above, that require consideration.

The Department's actuarial staff believe that it is important to keep in mind that the workers' compensation system is an adaptive system where the various service providers respond to changes in the environment brought on by reform or court decisions. We recognize that particular attention needs to be paid to medical trends, as belated recognition of increasing medical costs has been a major problem in the not-too-distant past. However, the average change in medical severities during the 2008-2019 period evaluated as of March 31, 2020, is about +1.1%, and the accident years included in this period strike a balance between pre- and post-SB 863 phases. In consideration of the factors stated above, the Department is selecting a +1.0% medical severity trend, as shown in Tables 7 and 8, for this filing, which reflects considerations for both long-term and

short-term changes in the average medical severity, as well as the current and prospective environments.

3. Loss Adjustment Expenses

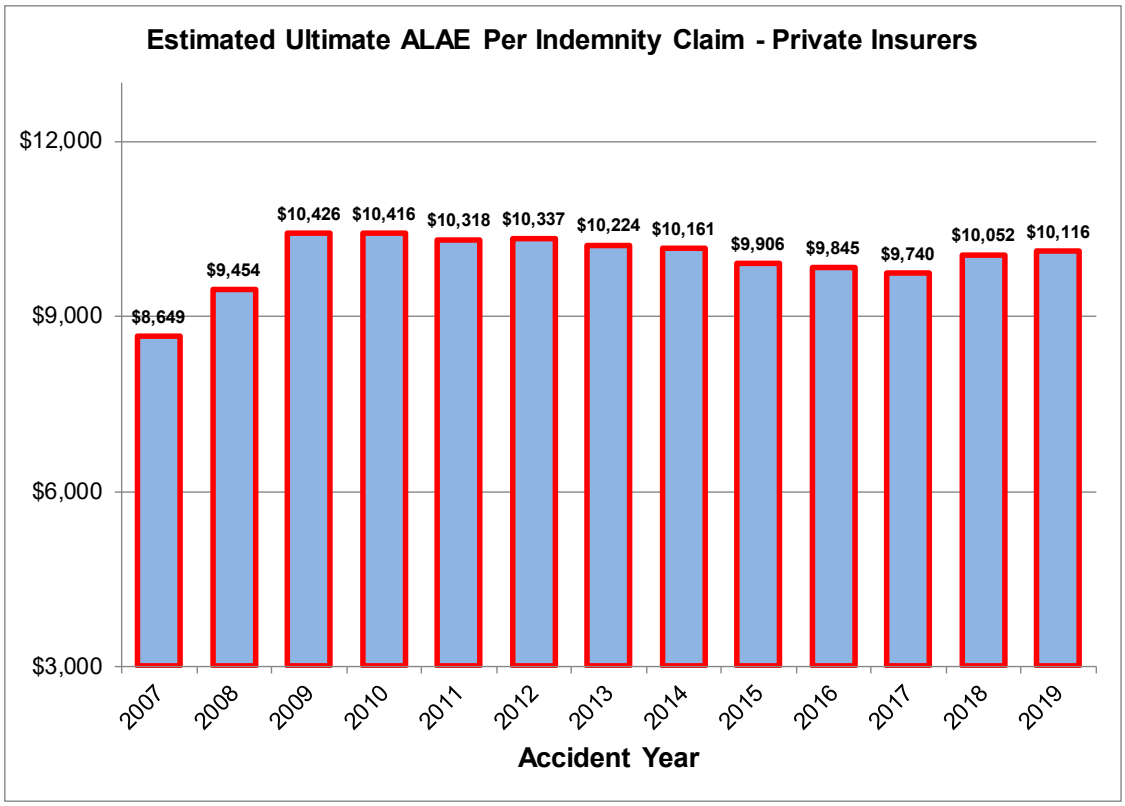
In its determination of the provision for LAE in the proposed rates, the WCIRB developed separate indications for the ALAE and ULAE, and medical cost containment programs ("MCCP").

Starting with the January 1, 2015 filing, the WCIRB adopted a change in its methodology to reflect only private carrier data in its evaluation of ALAE and ULAE to avoid distortion due to the impact of the higher expenses of the State Compensation Insurance Fund. The WCIRB has continued to apply this methodology in this current filing. The Department's staff concur with this methodology.

ALAE

Several evaluations underlying the past filings had shown that the estimated ultimate ALAE per indemnity claim increased steadily following the implementation of SB 863. Since the prior filing, this pattern has changed, and the estimated ultimate ALAE per indemnity claim shows relatively flat ALAE per indemnity claim between 2009 and 2019 (Table 10). While there is an expectation that ALAE costs decrease after the immediate periods following the reforms have elapsed, the ultimate ALAE per indemnity claim for 2018 and 2019 reverses the pattern of slight decline observed between the 2014 and 2017 accident years in the March 31, 2020 evaluation.

Table 10



Based on Data as of March 31, 2020.

In the review of the January 1, 2019 WCIRB pure premium rate filing, the Department noted that the projected ultimate ALAE per indemnity claim at successive quarterly evaluations had shown a downward trend with increased maturity, suggesting a consistent overstatement of the ultimate ALAE, and questioned whether an adjustment due to the speed-up in claims settlement rates would be needed to more accurately project ultimate ALAE.

The WCIRB performed a study to explore the potential impact of claim settlement rate changes on paid ALAE development in 2019, and determined that while the changes in claim settlement rates do not appear to significantly impact paid ALAE age-to-age development factors during the period of the change in settlement rates, there is a negative correlation between changes in claim settlement rates in earlier periods and the ALAE development that emerges in later periods for a given accident year. On the basis of that study, the one-year change in settlement rate was compared to cumulative development patterns from that age to ultimate for a given accident year. This approach created inconsistency in adjustments to various accident years, when settlement rates do not change consistently over time, or within a calendar year. As an example, in the January 1, 2020 filing, the 2017 accident year age to ultimate ALAE

development factor had been adjusted for higher claim settlement rates as of 27 months, but no adjustment had been made to the 2018 age to ultimate development factor, creating an inconsistency in the application of the concept underlying the adjustment.

As a follow-up to that study, prior to this filing, the WCIRB refined its approach for adjustment of the ALAE development factors to reflect incremental adjustments to age-to-age factors based on indicated cumulative adjustment per one point of change in claim settlement rates. Consequently, in this filing the WCIRB has incorporated an adjustment to the ALAE age to ultimate development factor for the 2015 and 2016 accident years and based on age 39 to ultimate development factors for 2017 through 2019 accident years.

The Department appreciates the WCIRB's efforts in researching the impact of changes in settlement patterns on ALAE projections, and finding more appropriate ways to incorporate the results of the study. However, even after incorporating these adjustments, it appears that ALAE emergence is more favorable than considered in the adjusted ALAE development factors. As an example, the ALAE development factor to ultimate for 2017 accident year was adjusted by the same -2.7% in the prior filing and in this filing. Nonetheless, the 2017 accident year average ALAE declined by about 6.8% from $10,446 to $9,740 between the March 31, 2019 and March 31, 2020 evaluations. Similarly, the mature 2014 accident year average ALAE, which did not have any development factor adjustment in either of the evaluations, declined by about 3.1% during the same period. In fact, even after controlling for the adjustments incorporated in this filing, all of the accident years since 2007 had persistent downward development within the past 12 months, and the pattern reflects increasing magnitude of downward development for less mature accident years.

The persistent downward trend in successive evaluations of ALAE may signal a need for further investigation of the underlying causes of the ALAE downward development, especially since unresolved issues with the ALAE development factors could become magnified in future filings, for which the evaluation of the underlying data will be as of 12 months and the ALAE development factors to ultimate are more leveraged.

Moreover, the overstatement in the average ALAE per indemnity claim can also result in an overstatement of the implied annual trend, as the decline in average ALAE appears to be higher for less mature accident years.

In consideration of this effect, the Department's staff is selecting an average ALAE per indemnity annual trend of 1.0% based on the approximate average of

the rates of growth in (a) estimated ultimate ALAE per indemnity claim for private insurers, and (b) incremental paid ALAE per open indemnity claim for private insurers, since 2013. The WCIRB-selected annual ALAE severity trend in this filing is +1.5%, compared to +2.5% selected in the January 1, 2020 filing.

Similar to the January 1, 2020 filing, the WCIRB has adjusted the projected ALAE for the impact of the SB 1160 and AB 1244 reforms, based on an assumed 60% reduction in lien filings compared to the 3rd quarter of 2016. The full 9.6% estimate of the impact of the decline in liens is judgmentally tempered by 50% to reflect the impact of the reforms that is not yet reflected in the emerged ALAE data as of March 31, 2020.

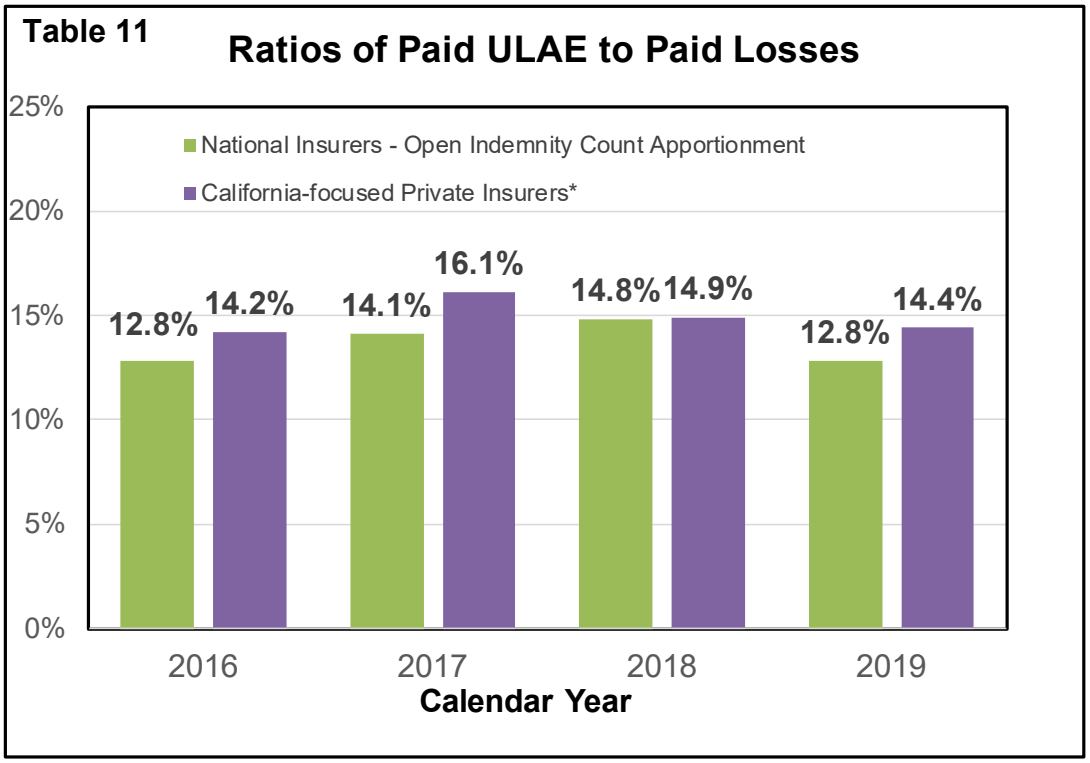
As discussed in Section 4, the more recent level of lien filings reflects a higher reduction than the 60% assumed by the WCIRB. Further study of the impact of reduction in liens is needed to determine an appropriate adjustment to the projected ALAE.

While the projected ALAE has been adjusted for the impact of SB 1160 and AB 1244, the filing does not include any adjustment to the ULAE for the impact of these reforms, as medical bill disputes that would otherwise result in a filed lien are continuing to be pursued, and generate ULAE costs.

ULAE

Similar to the January 1, 2020 filing, the WCIRB has allocated national carriers' countrywide ULAE expenses on the basis of open indemnity claim count, in order to more completely reflect the additional complexity and duration of California workers' compensation claims. The allocation method uses the open indemnity claim count as a basis to apportion the ULAE, compared to the method utilized before the January 1, 2019 filing that had used paid losses to determine California's share of countrywide paid ULAE for national insurers. As shown in Table 11, using the open indemnity claim count as the basis of apportionment of the ULAE for national insurers' results in paid ULAE ratios that are comparable to the ULAE ratios for other private insurers that primarily write workers' compensation business in California. The rest of the difference could be attributed to economies of scale, as most of the national insurers tend to be much larger than the California-focused insurers.

Table 11



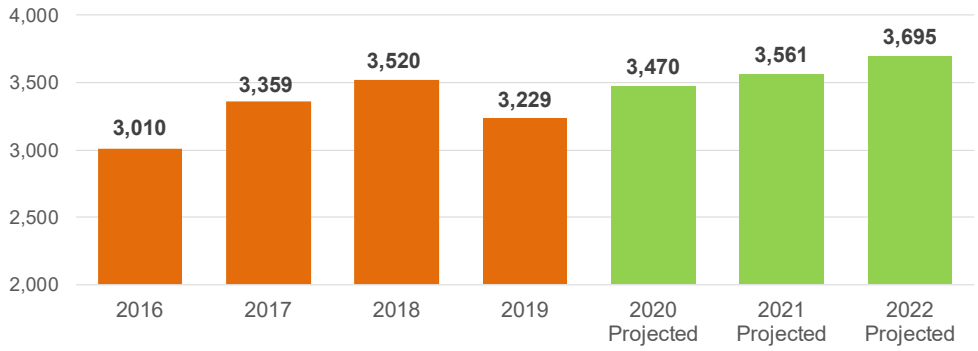
Source: WCIRB aggregate financial data as of December 31, 2019
*California-focused Private Insurers are insurers with at least 80% of their workers' compensation writings in California.

As shown in Table 12, following increases in the average paid ULAE per open indemnity claim in calendar years 2017 and 2018, the 2019 paid ULAE per open indemnity declined by about 8.3%. The WCIRB has attributed the decrease partly to the effort from insurers to settle larger and more complex claims faster over the last several years.

The WCIRB projections based on the paid ULAE per open indemnity claim method account for wage inflation, and trend the ULAE costs to the prospective period by applying California average annual wage level changes based on UCLA and California Department of Finance forecasts. The projected average paid ULAE per open indemnity claim shown in Table 12, is based on the application of the wage trends to the ULAE severities for the 2018 and 2019 calendar years.

Table 12

Paid ULAE per Open Indemnity Claim -- Private Insurers



Source: WCIRB aggregate financial data for private insurers only and projections.

The decline in average ULAE costs in 2019, along with lower projected wage inflation due to the economic downturn caused by the pandemic, has tempered the recent increase of this component of the LAE as a percentage of losses, as shown in Table 13 below.

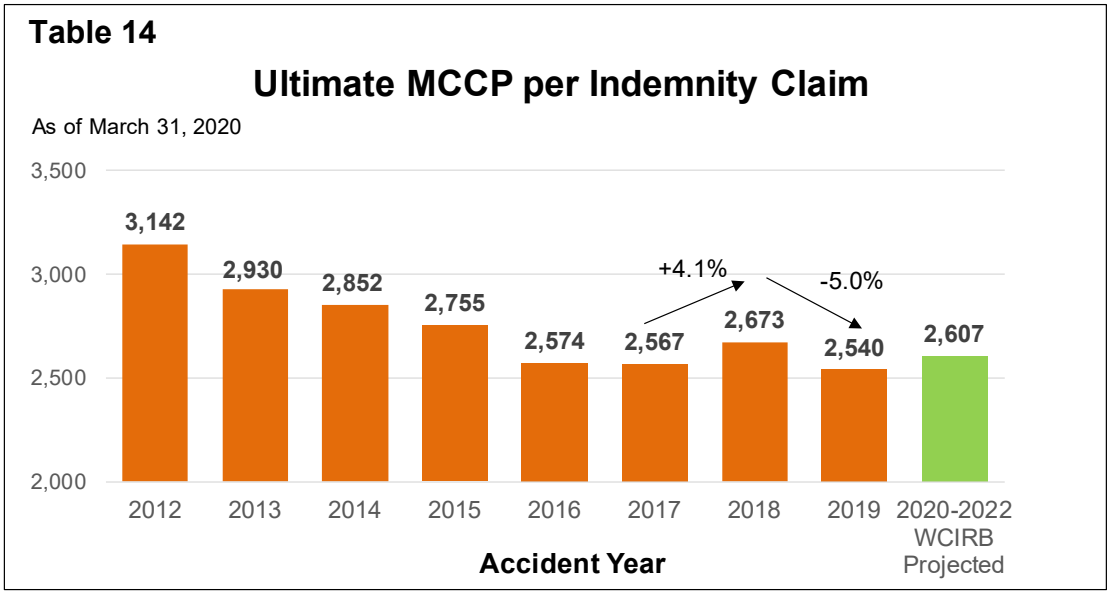
Table 13

Method	January 1, 2019 Filing ULAE Projection	January 1, 2020 Filing ULAE Projection	January 1, 2021 Filing ULAE Projection
Paid ULAE per Open Indemnity Claim	14.9%	15.6%	14.1%
Paid ULAE to Paid Losses	12.2%	13.8%	13.2%
Average of Two Projection Methods	**13.6%**	**14.7%**	**13.7%**

MCCP

The period between 2012 and 2019 shows a steady decline in ultimate MCCP per indemnity claim, except for an unusual spike for accident year 2018, as shown in Table 14.

Table 14



Source: WCIRB aggregate financial data and projections. Excludes the cost of IMR and IBR from all years.

Although the increase in ultimate MCCP cost per indemnity claim for accident year 2018 has subsided from +8.0% evaluated as of March 31, 2019 to +4.1% as of March 31, 2020, the fact that MCCP costs increased in 2018 compared to 2017 is counterintuitive, given that SB 1160 has imposed some restrictions on utilization review ("UR") within the first 30 days of a claim beginning with 2018 injuries, and the new drug formulary, implemented as of January 1st 2018, restricts UR on certain types of drugs, both of which were expected to lower the UR component of the MCCP costs.

The decline in ultimate MCCP cost per indemnity claim for accident year 2019, on the other hand, is in line with expectations, and while it is not clear what the drivers of the 2018 increase have been, continuation of that increase was not anticipated. Further research may be required to determine the underlying drivers of this unexpected increase.

The WCIRB's projected MCCP per indemnity claim is based on the average of the 2018 and 2019 accident years, with 0.0% inflation going forward. In consideration of the recent pattern in the average MCCP per indemnity claim, the Department's staff has selected an annual MCCP severity trend of -1.0%, based on the average of the annual rates of growth in (a) ultimate accident year MCCP costs per indemnity claim from 2015 through 2019 and (b) calendar year MCCP costs per open indemnity claim from 2013 through 2019. Consistent with the WCIRB's method, the selected MCCP severity trend is applied to the latest two years.

A comparison of the components of LAE between the prior filing and the current filing based on WCIRB projections is shown below in Table 15, which shows that compared to the January 1, 2020 filing, all components of LAE have decreased as a percentage of losses.

Table 15

LAE Provision Underlying WCIRB Pure Premium Rate Filings

	1/1/20 Filing		1/1/21 Filing	
(ALAE ex/MCCP)/Loss	17.2%		16.1%	
MCCP/Loss	4.5%		4.2%	
Total ALE/Loss	21.7%	$0.25	20.3%	$0.23
ULAE/Loss	14.7%	$0.17	13.7%	$0.15
Total LAE/Loss	36.4%	$0.42	34.0%	$0.38
Indicated Pure Premium Rate*		$1.58		$1.50

*Excluding COVID-19 Adjustment

The projected LAE as a percentage of losses considered in the Department's analysis is 35.0% compared to the WCIRB's selection of 34.0%. The higher LAE percentage reflects slightly lower ALAE-to-loss and MCCP-to-loss projections based on the CDI trend assumptions for these components, and an adjustment for the differences in projected losses in the denominator of the LAE-to-loss ratio.

In its projection of the LAE component for the middle scenario, Bickmore has assumed a slightly higher LAE-to-loss ratio compared to the WCIRB, although the LAE dollar-value after adjustment for the differences in projected losses in the denominator of the LAE-to-loss ratio matches the WCIRB's projection. Bickmore highlights differences in its assumptions from the WCIRB in the written testimony and in the exhibits provided as follow-up to the hearing testimony, as selection of lower ALAE severity trend based on the average change in ALAE per indemnity claim during the most recent three years, projection of lower ULAE per earned premium in consideration for how stable these ratios have been in the most recent three years, projection of lower MCCP severity trend, and projection of higher indemnity claim count by utilizing only the 2019 ultimate indemnity claim count as the basis for the indemnity claim count projection during the prospective period. The higher indemnity claim count partially offsets the lower average LAE per indemnity claim, and once normalized by the lower projected losses, results

in a projected LAE-to loss ratio of 35.0%, compared to 34.0% assumed by the WCIRB.

The WCIRB's consistency in using the selected frequency trends, and the periods that the trends apply to in the projection of both the losses and the LAE components provides comparable bases for a determination of the LAE-to-loss ratio, and the Department's staff agrees with this approach.

The Department believes that the continued monitoring of direct and indirect impacts of recent reforms and legislation on LAE costs require particular attention and appreciates the WCIRB's and Bickmore's efforts in this regard.

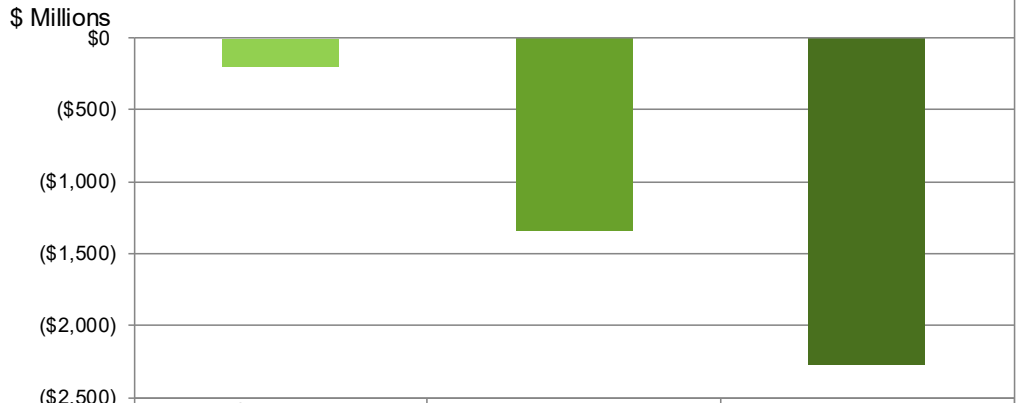
4. Impact of SB 863, SB 1160, AB 1244, and AB 1124

SB 863

In developing its actuarially-indicated pure premium rates, the WCIRB included its updated estimate of the effect of SB 863. In its October, 2019 SB 863 Cost Monitoring Report, the WCIRB has estimated that the various provisions of SB 863 have reduced annual system-wide costs by approximately $2.3 billion, as shown in Table 16. This estimate is an update to the November 2016 estimate of $1.3 billion, and an initial assessment of overall savings of $200 million.

Table 16

Evaluation of SB 863 Cost Impact



	WCIRB Initial Proposective Estimate (October 2012)	WCIRB November 2016 Estimate	WCIRB October 2019 Estimate
All SB 863 Components Including Indirect Impacts	($200)	($1,340)	($2,270)

The substantial decreases in medical cost projections, which have been noted and reflected in filings over the last couple of years, have, in large part, been attributed to SB 863. In particular, the impact of IMR on medical costs is thought to represent a substantial portion of the "indirect impact" component discussed in the October 2019 retrospective evaluation. Assuming this to be true, it far outweighs the increase in frictional costs due to IMRs.

With the exception of the 2018 year, for which the number of eligible IMRs filed reached a record level high, the number of eligible IMRs filed has been relatively stable, around 172,500, between 2016 and 2019. It is worth noting here that greater than 20% of the filed IMRs in each year are determined to be duplicates, which could be the consequence of the automatic filing of IMRs, and impose unnecessary frictional costs on the system.

We appreciate the WCIRB's continuous efforts in re-evaluating the impacts of various reforms, some of which are discussed below.

Based on the analysis of the indirect impact of SB 863 on overall indemnity cost levels reflected in the October 2019 "SB 863 Cost Monitoring Updated" report, the WCIRB estimated that the decline in the average temporary disability duration and the average permanent disability ratings since the full implementation of SB 863 have decreased the indemnity costs by about 4.5% on a combined basis. Given that several provisions of SB 863 impacted outstanding claims in addition to new claims, consistent with the approach employed in the January 1, 2020 filing, the WCIRB has distributed the 4.5% decrease in indemnity costs uniformly over the 2012 through 2015 accident years, and incorporated a 1.125% yearly decrease for these accident years in the calculation of indemnity on-level factors underlying the January 1, 2021 pure premium rate filing.

As mentioned in the Loss Development section, in 2019 the WCIRB studied the impact of the recent pharmaceutical cost declines on paid medical loss development factors, and similar to the January 1, 2020 filing, reflected the results of this study in the adjustments made to the paid medical loss development.

SB 863 has also resulted in a significant reduction in the utilization of a number of types of medical services, particularly pharmaceuticals. In the January 1, 2019 pure premium rate filing, the WCIRB had reflected a 17% reduction in the utilization of medical services resulting from SB 863 in the medical on-level factors. The 17% decrease had been judgmentally spread to accident years 2011

through 2015, based on indications of the relative impact of SB 863 provisions impacting medical utilization on those years' medical costs.

Starting with the January 1, 2020 filing, given that the decline in pharmaceutical costs have been partially reflected in the adjustments to the paid medical losses underlying paid medical development factors, the WCIRB has judgmentally[5] reduced the total impact of SB 863 on medical utilization incorporated in the medical on-level factors from 17% to 13%, to avoid double counting for the portion of the decline that has been accounted for in adjustments to the paid medical development factors.

SB 1160, AB 1244, AB 1124

On September 30, 2016, SB 1160 and AB 1244 were signed into law. SB 1160 includes a number of provisions related to utilization review, while SB 1160 and AB 1244 include a number of provisions related to liens. In its January 1, 2017 filing, the WCIRB reviewed the impact of SB 1160 and AB 1244 on losses and loss adjustment expenses for policy year 2017 and estimated the impact at a 0.6% reduction in the indicated pure premium loss costs, which was an approximate savings of $135 million annually relative to the overall insured and self-insured California workers' compensation system size of $22.5 billion. The 0.6% favorable impact was based on an estimated 10% reduction in number of liens filed.

Lien activity in 2017 and early 2018 indicated that the reduction in lien volume based on more recent data was in the ballpark of 40%. This reduction level assumed the 2nd quarter of 2016 to be the previous norm, before the transition period of late 2016 through early 2017 started, and the new environment was represented by the March 2017 through February 2018 period. The removal of the transition period from the calculations reflects the concern that the recent reform measures had resulted in many liens being filed before the January 1, 2017 reform effective date, potentially moving some of the 2017 volume into late 2016, and therefore the data for this period is distorted. Accordingly, in the July 1, 2018 pure premium rate filing, the WCIRB reflected a 40% reduction in lien volume in the adjustments applied to the medical loss development factors and the ALAE.

The number of liens filed continued to decline, and in the review of the January 1, 2019 pure premium rate filing, the Department incorporated a 50% reduction in

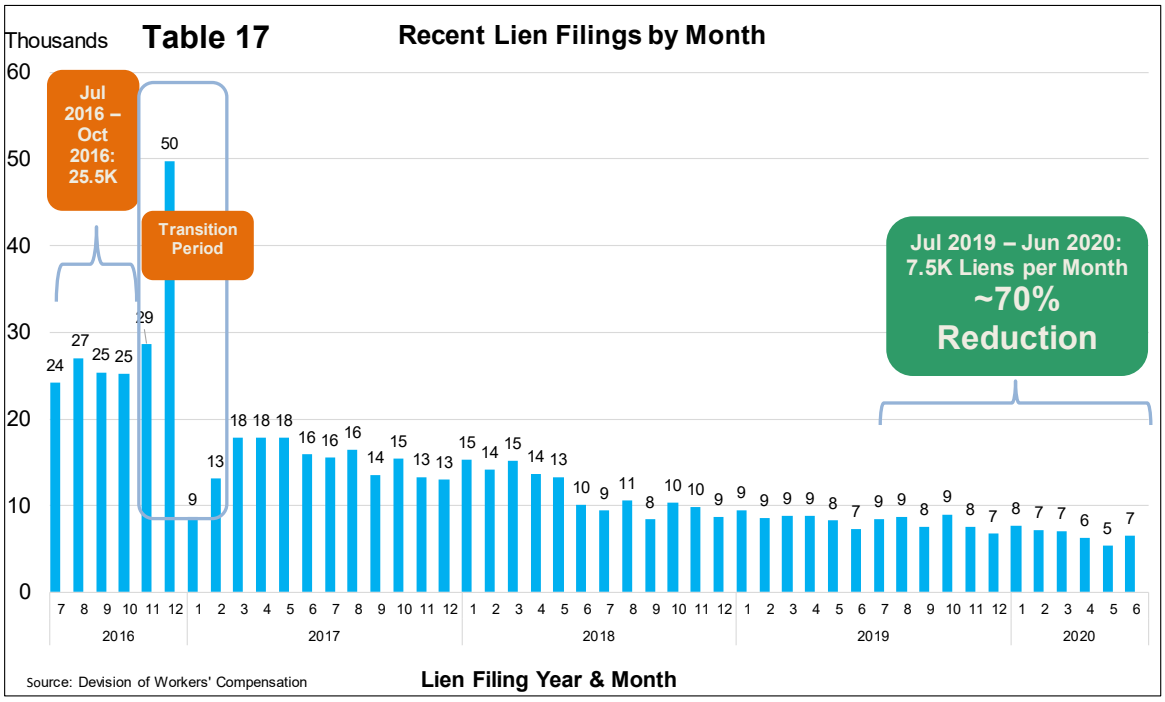
[5] Based on the differential in pharmaceutical cost declines in California compared to other states.

its analysis, based on the comparison of lien filings in the 2nd quarter of 2018 to the 2nd quarter of 2016.

Due to a continued decline in the number of liens filed, the WCIRB incorporated a 60% reduction in lien volume in the January 1, 2020 pure premium rate filing, on the basis of a comparison of the average number of liens filed during the July 2018 through June 2019 period, to the average level of filings shortly before the reforms.

In this filing, the WCIRB continued to make adjustments to the medical loss development factors and the ALAE reflecting a 60% reduction in liens, based on the WCIRB's retrospective review of the reforms.

However, the reduction in lien volume has continued, and reflect an approximate 70% decline based on the average number of liens filed during the July 2019 through June 2020 period, and about 75% decline based on the first half of 2020. Table 17 shows the monthly lien filings between July 2016 and June 2020.



The WCIRB, in response to the questions raised in the hearing, noted that the assumption of a 60% reduction in liens was based on the post-reform evaluation of the lien reduction, and any further reduction in liens is more of a natural trend in the lien filings. The WCIRB also suggested that given that the way that the

adjustments were calculated assumed an immediate impact of the change in lien volume, the WCIRB would have to conduct a study to understand how the last couple of years of lien reductions would impact the specific adjustments made to loss development.

It is unclear why the natural trend in the lien filings would be a downward trend in the absence of the continued impact of the reforms. The Department appreciates WCIRB's efforts to further understand the impact of the reduction in lien filings and making appropriate adjustments, especially as the decline in lien filings has direct and indirect effects on medical development, settlement rates, and ALAE.

A new medical treatment utilization schedule ("MTUS") drug formulary, as directed by AB 1124, was adopted by the Department of Industrial Relations, Division of Workers' Compensation, with an effective date of January 1, 2018. The primary goals of the formulary were to regulate the prescribing of opioids, reduce frictional costs from utilization review and IMR, and ensure medically necessary and timely medications for injured workers.

The prospective review of the MTUS drug formulary performed by the WCIRB estimated an overall reduction of 0.5% in loss and LAE costs, which were included in the WCIRB's July 1, 2018 and January 1, 2019 pure premium rate filings as an adjustment to the overall pure premium rate level. The 0.5% reduction was determined based on an estimated 10% decrease in pharmaceutical costs, amounting to 0.4% of total loss and LAE, and reduction in utilization review costs, estimated at 0.1% of total loss and LAE.

In 2019, the WCIRB performed its first retrospective analysis of the impact of the drug formulary based on pharmaceutical costs as of December 31, 2018, and found that the 10% reduction in pharmaceutical costs assumed in the prospective evaluation of the formulary has been reasonable in light of the emerged data, which showed that the pharmaceutical costs declined at an approximately 10% greater rate in 2018 compared to the rate of decrease observed in the immediate period before MTUS's implementation. Consistent with the January 1, 2020 filing, the WCIRB has reflected the -0.6% estimated impact of MTUS on medical costs, in the medical on-level factors applied to 2017 and prior accident years.

5. COVID-19

As mentioned in the introduction, the WCIRB's proposed average advisory pure premium rate of $1.56 per $100 of payroll, includes an adjustment for the estimate of the cost of COVID-19 claims during PY21. Given that without this adjustment the WCIRB's indicated average pure premium rate would be $1.50

per $100 of payroll, the WCIRB is estimating the COVID-19 claims cost to be on average $0.06 per $100 of payroll. However, since not all industries, and the associated classifications, are similarly exposed to COVID-19, and the exposure to COVID-19 is not proportional to other exposures for the classification, the WCIRB has proposed to distribute the COVID-19 claims cost to various classifications as an additive load, and vary the amount of load based on a COVID-19 frequency relativity measure for NAICS industry sectors, with a few exceptions/carve outs.

The frequency relativities were calculated based on filed COVID-19 claim count to payroll for each industry sector to statewide, and the industry sectors were assigned to four groupings in the WCIRB's initial filing, and then six groupings in the amended filing, based on each industry sector's COVID-19 frequency relativity.

The Department is appreciative of the WCIRB's efforts in the face of uncertainties surrounding the COVID-19 projections and recognizes the tremendous challenges and amount of research dedicated to determine and examine various assumptions underlying the COVID-19 claims cost estimates.

The Department's actuarial staff agrees in general with the WCIRB's approach in estimating the COVID-19 costs, but takes a slightly more optimistic view of the improvement of 2021 accident year over 2020, and includes a 3.2% load for the estimated cost of COVID-19 claims in the determination of the average pure premium rates for PY21, bringing the projected average pure premium rate per $100 of payroll from $1.45 without adjustment for COVID-19, to $1.50 after adjustment for COVID-19, which results in an average $0.05 additive charge per $100 of payroll for the cost of COVID-19 claims.

While the presumption of compensability, as the WCIRB has noted, may not have a significant impact on filing workers' compensation COVID-19 claims by infected workers, the rules of presumption included in SB 1159, such as requiring an outbreak event for presumption, in addition to the reporting requirements included in this legislation, could generate more incentives for employers to avoid an outbreak event by imposing higher level of care and guidance in the workplace. Moreover, higher level of availability of personal protective equipment (PPE), masks, and mask-wearing rules in California can be expected to have an effect on the frequency of the COVID-19 claims going into 2021. In consideration for the above, the Department's actuarial staff estimates the relativity of accident year 2021 to accident year 2020 at about 85%, as opposed to 100% assumed by the WCIRB.

Bickmore, in its written testimony includes a 2.9% load for the estimated cost of COVID-19 claims for PY21, based on the assumption that the COVID-19 costs in 2021 and 2022 will be slightly lower than those projected by the WCIRB. As shown in Table 2, Bickmore's assumptions result in an average $0.05 additive charge per $100 of payroll for the cost of COVID-19 claims. While Bickmore's written testimony does not comment on how the $0.05 additive charge should be distributed to classifications, the public members' actuary noted in his hearing testimony that he is in agreement with the way that the WCIRB has allocated the COVID-19 costs and proposes to distribute the $0.05 COVID-19 load per $100 of payroll determined by his analysis, utilizing the relativities by the six categories based on industry sectors, as determined by the WCIRB.

While the WCIRB has estimated the COVID-19 claim costs for 2021 and 2022 based on assumptions founded on its comprehensive research and review of a wide range of available statistics, we recognize the limited information available on projected infection rates in 2021 and 2022 and the tremendous challenges associated with any kind of projection. And there are other uncertainties including, but not limited to, the efficacy of vaccines, treatment, and governmental policy. Given these and other factors, and the extreme fluidity of the pandemic, there is inherent uncertainty in the estimation of the COVID-19 cost to the California workers' compensation system, including the overall estimated cost, and the determination of fair spreading of the cost.

Also, while the WCIRB's approach to distribute the cost of COVID-19 claims based on industry sector of the classifications seems reasonable based on available information and limitations of pursuing higher granularity for the distribution of the cost, there may be significant variation in exposure to COVID-19 for classifications within an industry sector, and changes in the level of exposure to COVID-19 by classification, as the course of the pandemic evolves, and based on multi-faceted changes in the environment affected by the pandemic.

Therefore, while the Department's staff believes that the cost of COVID-19 claims should be accounted for in the form of an adjustment to the advisory pure premium rates, the Department's staff expresses caution in utilizing the additional charge by classification for the purposes of distributing this cost without careful consideration given to the evaluation of the COVID-19 exposure for the risk at hand.

Consequently, the Department's staff finds it appropriate to provide the industry with advisory pure premium rates by classification without application of the COVID-19 estimated cost. In addition, the estimated COVID-19 cost by

classification based on the six categories reflected in the groupings of NAICS sectors by WCIRB, and as shown in Table 18, are recommended to be the basis for a proposed additive charge per $100 of payroll outside the scope of the advisory pure premium rates, to enable insurance carriers to use the information entailed in the cost of COVID-19 by classification judiciously, and also take into consideration the evolving information in the currently fluid conditions. In this way, insurance carriers would also be able to tailor the COVID-19 cost to specific risks separately from the average pure premium rates by classification, as the exposure underlying the pure premium rates and the COVID-19 adjustment are different in nature, and would require contemplation of separate factors.

The Department's staff also recommends that premiums related to the coverage of COVID-19 claims cost, starting with the January 1, 2021 policies, be separately collected and accounted for, to allow for the determination of pure premium rates not distorted by the provision for the COVID-19 claims cost, and facilitate potential COVID-19 claims cost analysis.

The table below reflects the WCIRB's recommended charge for COVID-19 claims cost by NAICS industry sector, compared to the Department staff's recommendation.

Table 18

Industry	Group	Recommended COVID-19 Additive Adjustment per $100 of Payroll	
		WCIRB	Department Staff
Management, information, professional/Scientific/technical services	1	$0.01	$0.01
Outside sales, finance/insurance, clerical, mining, arts, entertainment, recreation, real estate and rental and leasing	2	$0.03	$0.02
Administrative support, wholesale trade, construction, education, manufacturing, utilities, othe services (except for public administration)	3	$0.06	$0.05
Public administration, retail trade, transportation, physicians, dentists, day care	4	$0.12	$0.10
Accommodation and food services, agriculture and forestry	5	$0.18	$0.15

Table 18 continued

Health care and social assistance (excluding physicians, dentists, and day care)	6	$0.24	$0.20

DETERMINATION OF WORKERS' COMPENSATION CLAIMS COST BENCHMARK BASED UPON CURRENT FILING

It is the determination of this Hearing Officer, based upon the current filing and public comments received, that the Commissioner should adopt an advisory pure premium rate of $1.45 per $100 of payroll, with a separate advisory $.05 average COVID-19 adjustment. This recommended average pure premium rate is proposed to be effective with respect to new and renewal policies as of the first anniversary rating date of a risk on or after January 1, 2021. The recommended average COVID-19 adjustment is proposed to be effective with respect to new and renewal policies as of the first anniversary rating date of a risk on or after January 1, 2021. The change in the benchmark is based upon the hearing testimony and an examination of all materials submitted in the record as well as the Actuarial Recommendation and Evaluation set forth above by the Department's actuary, Mitra Sanandajifar.

PROPOSED ORDER

IT IS ORDERED, by virtue of the authority vested in the Insurance Commissioner of the State of California by California Insurance Code sections 11734, 11750, 11750.3, 11751.5, and 11751.8, that the WCIRB's filed advisory workers' compensation pure premium rates and Sections, 2353.1 and 2318.6 of Title 10 of the California Code of Regulations shall be amended and modified in the respects specified in this Proposed Decision;

IT IS FURTHER ORDERED that the advisory pure premium rates for individual classifications shall change based upon the classification relativities reflected in the WCIRB's filing to reflect an average workers' compensation claims cost benchmark and advisory pure premium rate of $1.45 per $100 of employer payroll, and a separate advisory COVID-19 adjustment on average of $.05 per $100 of employer payroll, to be adjusted to the relative classifications consistent with this Proposed Decision;

IT IS FURTHER ORDERED that these advisory pure premium rates, and advisory COVID-19 adjustment, shall be effective January 1, 2021 for all new and renewal policies.

I CERTIFY that this is my Proposed Decision and Order as a result of the hearing held on October 5, 2020, as well as additional written comments entered into the record, and I recommend its adoption as the Decision and Order of the Insurance Commissioner of the State of California.

Date: November 24, 2020

Patricia Hein
Assistant Chief Counsel

Item V-A
Potential 2021 Actuarial and Research Projects

Potential actuarial and research studies under consideration for 2021 are shown below. Also shown for each potential study is staff's assessment of the current status of the study. Exhibit 1 provides a tabular summary of these potential studies along with high level resource commitment estimates for 2021.

Committee input is being solicited as to the completeness and relative priority of these potential studies. These potential studies will be presented to the Actuarial Committee for their consideration at the December 8, 2020 meeting.

A. Studies Arising Out of California Department of Insurance (CDI) Directives and Decisions

1. Indemnity Claim Frequency Model Projections. In the CDI Decision on the January 1, 2017 Pure Premium Rate Filing, the CDI recommended that the WCIRB review its frequency projection model in light of the continued increases in indemnity claim frequency.

   Project Status: The WCIRB regularly reviews its frequency projection model and has made a number of enhancements over the years. Staff anticipates conducting a comprehensive study of the frequency projection model in 2021 with a report containing recommended methodology enhancements provided to the Actuarial Committee by the fourth quarter of 2021.

2. Terrorism Data Reporting. The CDI has directed staff to provide information to both the National Association of Insurance Commissioners (NAIC) and the Federal Insurance Office (FIO) related to terrorism exposure in California workers' compensation.

   Project Status: Staff anticipates providing the annual updates to the NAIC and FIO in the first and second quarters of 2021.

3. Potential Adjustments to Allocated Loss Adjustment Expense (ALAE) Projections. In the CDI Decision on the January 1, 2019 Pure Premium Rate Filing, the CDI recommended that the WCIRB review the ALAE projection methodology in light of accelerating claim settlement rates. In the CDI Decision on the January 1, 2021 Pure Premium Rate Filing, the CDI noted that despite adjustments for changing claim settlement, there is continued downward development in ALAE and recommended that the WCIRB further study the underlying causes.

   Project Status: Staff completed an analysis of potential adjustments to the ALAE projection methodology that was accepted by the Actuarial Committee at the August 1, 2019 meeting and reflected in the January 1, 2020 Pure Premium Rate Filing. Staff completed a follow-up analysis with enhanced methodology adjustments that was accepted by the Actuarial Committee at the August 4, 2020 meeting and reflected in the January 1, 2021 Pure Premium Rate Filing. In light of the concerns discussed in the recent CDI Decision, staff anticipates further reviewing ALAE development methods with the Actuarial Committee in consideration of the September 1, 2021 Pure Premium Rate Filing by the second quarter of 2021.

4. Adjustments to Loss Development for Reduced Lien Filings. In the CDI Decision on the January 1, 2019 Pure Premium Rate Filing, based on recently available lien filing information, the CDI predicated the approved January 1, 2019 pure premium rates on an assumed 50% reduction in lien filings rather than the 40% reflected in the WCIRB's Filing. The CDI also recommended that the WCIRB review the adjustment based on the most recent lien information available. In the CDI Decision on the January 1, 2021 Pure Premium Rate Filing, the CDI recommended that, given that there has been continued reduction in lien filings, further study is needed with respect to the impact of the lien reduction on both loss and ALAE development.

Project Status: Staff completed an analysis of adjustments to loss development and ALAE development to reflect reduced lien filings that was reflected in the January 1, 2020 and January 1, 2021 Pure Premium Rate Filings. Staff anticipates reviewing these adjustments in light of the concerns discussed in the recent CDI Decision with the Actuarial Committee in consideration of the September 1, 2021 Pure Premium Rate Filing by the second quarter of 2021.

5. Collection of Indemnity Transaction Data. In December 2018, the Insurance Commissioner directed the WCIRB to begin the collection of indemnity transaction data in accordance with the requirements reflected in the Workers' Compensation Information System (WCIS).

   Project Status: Indemnity transaction data is being submitted and processed by all required insurers in accordance with the schedule established by the Governing Committee. A report on the potential ratemaking and research uses of this data is being presented to the Actuarial Committee at the December 8, 2020 meeting (Item AC20-12-06).

6. Collection of COVID-19 Premium Data. In the CDI Decision on the January 1, 2021 Pure Premium Rate Filing, the Insurance Commissioner directed the WCIRB to collect information on insurer premium charges related to COVID-19.

   Project Status: Staff will discuss potential changes to WCIRB aggregate data calls to collect information on insurer premium charges related to COVID-19 at the December 8, 2020 Actuarial Committee meeting (Item AC20-12-05).

B. Studies/Projects Directed by Legislation

1. Statewide Paid Costs. Section 11759.1 of the Insurance Code requires the WCIRB to report annually on workers' compensation costs paid during the preceding calendar year. The 2020 calendar year report is required to be completed by June 2021.

   Project Status: Staff anticipates publishing the required report by the end of the second quarter of 2021. In addition, as in the last several years, staff anticipates compiling information from this report and other WCIRB reports into a high level "executive summary" of the state of the California workers' compensation system to be published by the third quarter of 2021.

2. Policyholder Dividends. Section 11739 of the Insurance Code requires the WCIRB to collect information on policyholder dividends in California and prepare an annual report to the Insurance Commissioner.

   Project Status: Staff anticipates providing the report on 2020 dividends to the CDI by the third quarter of 2021.

3. Report on Roofing Industry. Section 11665 of the Insurance Code requires the WCIRB to annually compile and report the payroll and loss data reported in the roofing classification for employers holding C-39 licenses from the Contractors State License Board as well as the payroll and loss information by employer payroll size interval.

   Project Status: Staff anticipates providing this report to the CDI in the second quarter of 2021.

C. COVID-19 Pandemic Related Research

1. Cost of COVID-19 Claims. On April 8, 2020, the WCIRB was requested by the Assembly Insurance Committee to provide a cost estimate of a potential conclusive presumption of

compensability of COVID-19 claims applied to "essential" workers. On May 6, 2020, Governor Newsom issued an Executive Order providing for a rebuttable presumption of compensability for COVID-19 claims to apply from March 19, 2020 to July 5, 2020 to all workers directed to work outside the home. Senate Bill No.1159 (SB 1159) was signed into law in September 17, 2020 codifying the Governor's Executive Order and establishing another COVID-19 presumption of compensability once the Governor's Executive Order expired.

Project Status: On April 17, 2020, the WCIRB provided the Assembly Insurance Committee a cost evaluation of a potential COVID-19 conclusive presumption of compensability. On May 22, 2020, the WCIRB published a cost evaluation of the Governor's Executive Order. The WCIRB's Amended January 1, 2021 Pure Premium Rate Filing submitted on September 15, 2020 included an evaluation of the cost impact on COVID-19 claims on 2021 policies that contemplated the impact of SB 1159. Staff anticipates updating the cost evaluation of COVID-19 claims as part of the September 1, 2021 Pure Premium Rate Filing in the second quarter of 2021.

2. Impact of Pandemic-Related Recession on Claim Frequency. Unemployment in California has skyrocketed with the pandemic and resultant stay-at-home orders resulting in many business slowdowns and closures. Historically, frequency has generally declined during recessions. However, with the suddenness and magnitude of the drop in employment, recent trends in cumulative trauma claims and post-termination claims and potential waves of COVID-19 claims, the overall impact on claim frequency is not clear.

   Project Status: On June 1, 2020, the WCIRB published a research brief on the impact of economic downturns on indemnity claim frequency. The brief summarized the historical impact of prior economic downturns on claim frequency, WCIRB model projections of the range of potential impacts of the current downturn, and the potential impacts of cumulative trauma, post-termination and COVID-19 claims. Staff anticipates continuing to report on these key frequency measures regularly through 2021.

3. COVID-19 Early Claim Cost Indicators. The COVID-19 pandemic and resultant stay-at-home orders are expected to have a major impact on accident year 2020 emerging costs as well as the loss development of earlier accident years. Among the areas potentially impacted include claim frequency, medical treatment levels, COVID-19 diagnosis claims, claim settlement rates, litigation rates, cumulative trauma claims, post-termination claims and temporary disability duration.

   Project Status: The WCIRB initiated a COVID-19 cost monitoring process using transactional indemnity data, medical transactional data, information from the Division of Workers' Compensation (DWC), special surveys as needed and other information to develop early indicators of experience emerging during the pandemic. Staff provided summaries of this information to the Actuarial Committee at several 2020 Committee meetings. Staff anticipates further regular updates to this information in 2021.

4. COVID-19 Early Exposure and Premium Indicators. The COVID-19 pandemic and resultant stay-at-home orders will have a major impact on calendar year 2020 and later exposure and premium. In addition to the impact of employment reductions by sector, the temporary reassignment to the clerical classification of employees temporarily performing clerical duties at home, the continuation of pay to employees not working and return premium on expiring 2019 and early 2020 policies will significantly impact calendar year 2020 and later premiums.

   Project Status: Staff has undertaken a survey of employers with over 1,500 employer responses thus far to help quantify the impact of the pandemic on premium levels due to staff and work hour reductions, furloughs and reassignment of workers to clerical duties. Staff is also preparing summaries of quarterly premiums by policy year. Staff anticipates presenting this information to the Actuarial Committee in the first quarter of 2021 in

consideration as to whether any premium adjustment for calendar year 2020 may be appropriate in the September 1, 2021 Pure Premium Rate Filing.

5. Impact of Medical Treatment Delays. With the COVID-19 pandemic and resultant stay-at-home orders, a significant level of medical treatment that would otherwise have been provided was delayed or foregone completely. At the April 2, 2020 meeting, the Actuarial Committee discussed that, with these potential delays or avoidance of medical treatments early in the life of a claim, future medical costs and return-to-work may be impacted.

   Project Status: On October 30, 2020, the WCIRB released a research report on the impact of delayed medical treatment on future medical treatment and outcomes. Staff anticipates presenting an analysis to the Actuarial Committee as to whether any additional adjustment to the loss development projections in the September 1, 2021 Pure Premium Rate Filing are appropriate given the delays in medical treatment in the early weeks of the pandemic in the first quarter of 2021.

6. COVID-19 Claim Severity. There is significant information available on the number of COVID-19 claims. However, given how recently these claim have occurred, the nature of the more severe claims and typical reporting lags in the reporting of hospital payments, there is limited information on the cost and treatment pattern of the more severe COVID-19 claims. In WCIRB cost evaluations published in 2020, many of the severity assumptions were predicated on the cost and treatment patterns of similar claims as well as expert medical and claims opinion.

   Project Status: Staff anticipates preparing an analysis of the cost and treatment patterns of severe COVID-19 claims for the Actuarial Committee's review in the fourth quarter of 2021 based on data from both the workers' compensation system and data from the group health system.

7. Increased Usage of Telemedicine. With the COVID-19 pandemic and resultant stay-at-home orders, the use of telemedicine in workers' compensation is increasing. In recent months, the DWC has adopted a number of changes to fee schedules to address telemedicine.

   Project Status: In 2020, staff has presented regular summaries of costs reported in telemedicine codes to the Actuarial Committee. Staff anticipates continuing to provide regular updates on telemedicine costs in 2021. Based on this information, the Actuarial Committee can consider in the latter part of 2021 whether an in-depth study of telemedicine is appropriate in 2022.

8. Increase in Telecommuting. With the COVID-19 pandemic and resultant stay-at-home orders, many employees have begun working from home and a significant level of telecommuting is likely to continue even after stay-at-home orders expire.

   Project Status: A new classification for telecommuting was proposed by the WCIRB and adopted by the Insurance Commissioner effective January 1, 2021. At the August 4, 2020 Actuarial Committee and August 7, 2020 Classification and Rating (C & R) Committee meetings, the consensus of the committees was that the advisory pure premium rate for the new classification be proposed to be initially equal to that for the clerical classification. Both committees also recommended that preliminary experience emerging in the new classification in 2021 be reviewed in late 2021 to assess whether there is a significant differential in experience between the new classification and the clerical classification. Staff anticipates presenting a preliminary analysis of emerging experience in the new classification for telecommuting to the Actuarial Committee and the C & R Committee by the fourth quarter of 2021.

D. Cost Impact of Legislative and Regulatory Changes

1. Senate Bill No. 863 (SB 863) Cost Monitoring. SB 863 was enacted in 2012 and included a number of reform provisions related to the California benefit delivery system. In March 2013, the WCIRB submitted a comprehensive plan to the CDI to monitor the emerging costs related to SB 863.

   Project Status: The WCIRB's fourth and final comprehensive retrospective cost evaluation of SB 863 was published on November 17, 2016. In October 2019, the WCIRB published a research brief providing an updated retrospective evaluation of several components of SB 863 for which updated data was available. Staff does not anticipate further analyses as to the overall cost impacts of SB 863.

2. Additional Fee Schedules. SB 863 provides for new fee schedules for interpreter and home health services to be promulgated. In addition, the DWC is contemplating changes to the medical-legal fee schedule.

   Project Status: At this time, the DWC has not promulgated final schedules for interpreter, home health or medical-legal services. If any of those fee schedules are finalized, working with the Claims Working Group, Medical Analytics Working Group and Actuarial Committee, staff anticipates completing its analysis of the pure premium rate impact of the new fee schedules within 120 days of the final values being promulgated.

3. Drug Formulary. Pursuant to Assembly Bill No. 1124, the DWC adopted a new drug formulary to be effective January 1, 2018.

   Project Status: The WCIRB's prospective evaluation of the new drug formulary was completed in the first quarter of 2018 and reflected in the July 1, 2018 and subsequent premium rate filings. In August 2019, the WCIRB published an initial retrospective analysis of the impact of the drug formulary. Staff has updated the analysis based on additional post-drug formulary experience through early 2020 for presentation to the Actuarial Committee at the December 8, 2020 meeting (Item AC17-12-02) with a research brief to be published in the first quarter of 2021. No further analysis of the formulary is contemplated for 2021.

4. Senate Bill No. 1160 (SB 1160) Restrictions on Utilization Review. SB 1160 was signed into law on September 30, 2016. Primarily, SB 1160 restricts utilization review within the first 30 days of treatment on injuries occurring on or after January 1, 2018. The WCIRB's cost evaluation of SB 1160 as approved by the Actuarial Committee at the September 6, 2016 meeting was reflected in the WCIRB's Amended January 1, 2017 Pure Premium Rate Filing as well as subsequent pure premium rate filings.

   Project Status: A preliminary retrospective analysis of the SB 1160 restriction on utilization review within 30 days of the injury was reviewed by the Actuarial Committee at the August 1, 2019 meeting and reflected in the January 1, 2020 Pure Premium Rate Filing. Staff anticipates updating this analysis based on an additional post-SB 1160 experience by the second quarter of 2021.

5. Impact of the Geographic Practice Cost Index (GPCI) on Physician Fees. The DWC adopted the Medicare GPCI, effective January 1, 2019, to replace the statewide geographic adjustment factor (GAF) as Medicare's MSA-based locality-specific GAF. This GPCI varies fee schedule amounts for various physician services based on the location of the provider.

   Project Status: A prospective analysis of the cost impact of the new GPCI factors was reviewed by the Actuarial Committee at the April 2, 2019 meeting. Staff anticipates

updating this analysis based on additional post-GPCI experience by the third quarter of 2021.

E. Other Studies Directly Impacting Pure Premium Rates and Rate Level Projections

1. Classification Ratemaking Methodologies. Although the WCIRB has reflected refinements to the classification ratemaking loss development process in 2012 as well as adjustments for differences in wage levels by classification in 2016, a comprehensive review of the classification ratemaking methodologies has not been undertaken for a number of years.

   Project Status: Staff has completed a comprehensive study of loss development as the first phase of a multi-year comprehensive study of classification ratemaking methodologies with the results being presented to the Actuarial Committee at the December 8, 2020 meeting (Item AC20-12-03). Staff anticipates beginning the second phase of the analysis related to premium on-leveling adjustments with a report to be presented to the Actuarial Committee by the fourth quarter of 2021.

2. Study of Dual Wage Thresholds. In 2017, the C & R Committee recommended that a comprehensive study of the dual wage classification thresholds be conducted every two years.

   Project Status: The last comprehensive study of dual wage thresholds was completed in 2019 and reflected in the January 1, 2020 Regulatory Filing. Staff anticipates completing a comprehensive study for the C & R Committee's review by the fourth quarter of 2021 in preparation for the September 1, 2022 Regulatory Filing.

3. Payroll Limitations for Classification Ratemaking. At the March 21, 2017 meeting, the Actuarial Committee noted that total costs per $100 of payroll declined at higher wage levels. Given this, it was noted that staff planned to explore expanding the number of classifications subject to an employee annual payroll limitation.

   Project Status: In the January 1, 2019 Regulatory Filing, the CDI approved the WCIRB's proposal to limit an employee's payroll to the amount used to limit the payroll of executive officers for five classifications effective on January 1, 2020 and later policies. Pure premium rates for these classifications that reflect adjustment for the impacts of the limitations on payroll were adopted by the Insurance Commissioner in the Decision on the January 1, 2020 Pure Premium Rate Filing. Additional classifications for which limitations are appropriate were approved by the C & R Committee in the first quarter of 2020 to be included in the September 1, 2021 Pure Premium Rate Filing to be submitted in the first quarter of 2021 with the limitations proposed to be effective September 1, 2022.

4. Pharmaceutical Cost Reductions. At the August 1, 2018 meeting, the Actuarial Committee noted that with the sharp reductions in pharmaceutical costs and that the pharmaceutical share of medical payments varies significantly by maturity level, medical loss development could be affected. As a result, the Committee recommended that the WCIRB undertake an analysis of the impact of the recent reduction in pharmaceutical costs on medical loss development.

   Project Status: The Committee reviewed an analysis of the impact of pharmaceutical cost reductions on loss development at the June 14, 2019 meeting and the WCIRB reflected an adjustment to the loss development methodology in the January 1, 2020 and January 1, 2021 Pure Premium Rate Filings. Staff anticipates reviewing the adjustment factors based on updated data on pharmaceutical costs with the Actuarial Committee in the fourth quarter of 2021.

5. Review of ULAE Projection Methodologies. As discussed at the August 1, 2018 Actuarial Committee meeting, while the WCIRB has continued to modify the data collected related to ULAE

in order to enhance the accuracy of the ULAE projection, a comprehensive review of the ULAE projection methodologies has not been undertaken for some time.

Project Status: The Actuarial Committee reviewed an initial analysis of ULAE projection methodologies at the December 5, 2019 meeting. Staff is presenting an updated analysis of ULAE methodologies for the Actuarial Committee's review at the December 8, 2020 meeting (Item AC19-12-02).

6. Nine-Month Loss Projections. At the December 5, 2019 meeting, with the transition of the WCIRB's filing schedule to a September 1 effective date, the Actuarial Committee recommended reviewing the accuracy of accident year experience valued as of September 30 as the basis of projecting December 31 experience, which will be the basis of future September 1 filings.

   Project Status: Staff is presenting a summary of the accuracy of nine-month experience as a basis to project December 31 experience at the December 8, 2020 Actuarial Committee meeting (Item AC20-12-02).

F. Other Studies Indirectly Impacting Rate Level Projections

1. Analysis of Very Large Claims. Given recent patterns of medical treatment and shifts in mortality estimates, including that for impaired individuals, it has been suggested that the WCIRB undertake a comprehensive analysis of the frequency and characteristics of very large or "jumbo" claims in the California workers' compensation system.

   Project Status: On August 31, 2020, the WCIRB in collaboration with rating bureaus in other jurisdictions published a national study on the basic demographics of "mega claims" (claims which exceed $3M in incurred value on an on-level and trended basis). Staff anticipates continuing discussions with the other bureaus on a potential second phase of the study focusing on medical treatment patterns and individual claim development of mega claims and also plans to study the medical treatment patterns of larger (but with a different lower threshold) claims in California. While work on these analyses may begin in 2021, the studies are not anticipated to be completed before 2022.

2. Frictional Costs in California. The cost of delivering benefits in California is much higher than in other states and a key factor that makes California a high cost state for workers' compensation.

   Project Status: Staff anticipates undertaking an in-depth analysis of these frictional costs to better understand the factors driving their exceptionally high levels with the final report published in the third quarter of 2021.

3. Medicare "Set-Asides" (MSAs). At the July 28, 2015 meeting, the Claims Working Group recommended that consideration be given to conducting a more in-depth study of MSAs.

   Project Status: In 2016, the Claims Working Group and Actuarial Committee reviewed some initial work in this area which included the development differences between compromise and release settled claims and stipulated award settled claims. Staff does not anticipate further work on this issue in 2021.

4. Impact of the Affordable Care Act (ACA) on Workers' Compensation Costs. The ACA has fundamentally altered the healthcare delivery system in the United States and may have significant impact on workers' compensation medical costs in California. At the October 1, 2013 meeting, the Medical Analytics Working Group discussed various ways to assess the ACA impact on California workers' compensation costs in the future when sufficient post-ACA experience is available.

Project Status: The WCIRB published a report on the impact of the ACA on California workers' compensation in May 2018. The study results indicated that the increased availability of healthcare insurance through the ACA may be a factor in reducing the frequency of soft tissue claims in workers' compensation. Staff does not anticipate further work on this specific issue in 2021, but anticipates analyzing the potential impact of high deductible group health plans on workers' compensations claim costs for review of the Medical Analytics Working Group by the second quarter of 2021.

5. Analysis of Cumulative Trauma Claims. Recent Actuarial Committee analyses of claim frequency changes have indicated that cumulative trauma claims are increasing and are a significant factor driving many of the key cost trends in California.

   Project Status: The WCIRB published a comprehensive report on cumulative trauma claims in October 2018. Some of the key metrics in the report have been updated and incorporated into the WCIRB's semi-annual review of system diagnostics. Staff also anticipates studying the patterns of medical treatment on cumulative trauma claims with a study to be published by the third quarter of 2021. Additionally, staff anticipates analyzing cumulative trauma claims as part of the comprehensive review of the WCIRB frequency model (item A1 above) to be presented to the Actuarial Committee in the fourth quarter of 2021.

6. Provider Treatment Pattern Analysis. In 2018, the WCIRB began to explore the impact of behavioral factors on the workers' compensation system. As part of that exploration, staff has entered into a partnership with a University of California, Berkeley behavioral scientist to study treatment patterns of various types of providers.

   Project Status: Staff presented preliminary results on this study in the second quarter of 2019 and anticipates continuing research in this area in 2022 and beyond as available resources permit.

G. Studies Related to Rating Plans

1. Experience Rating Eligibility. At the October 22, 2014 meeting, the Actuarial Research Working Group discussed changes to the experience rating eligibility criteria in light of other changes to the Plan being adopted and noted that staff has not completed a comprehensive review of experience rating eligibility in a number of years.

   Project Status: Now that the changes to the experience rating formula to vary the split point by the size of the employer and the non-reporting of small medical-only claims have been implemented, staff is presenting a comprehensive analysis of the current eligibility threshold for review of the Actuarial Committee at the December 8, 2020 meeting (Item AC20-12-04) and the C & R Committee by the first quarter of 2021. Based upon the input of the two committees, staff will begin a comprehensive stakeholder outreach program in 2021.

2. Experience Rating Parameters. Until 2020, it had been several years since the parameters of the WCIRB's variable split Experience Rating Plan had been updated. In order to keep the Plan values current and to avoid wide fluctuations in values, the experience rating parameters should be updated at regular intervals.

   Project Status: Staff completed an analysis of the Experience Rating Plan parameters with recommended changes approved by the Actuarial Committee at April 2, 2020 meeting for inclusion in the January 1, 2021 Regulatory Filing. As recommended in the analysis, staff will develop annual changes to the primary threshold intervals and D-ratio credibility constants in the Plan for inclusion in subsequent regulatory filings.

3. Impact of Experience Rating on Workplace Safety. The statutory goal of experience rating in California is to incentivize a safe workplace. Although experience rating seems to create significant financial incentives and receives significant attention from many employers, there is limited research on its effectiveness as a safety incentive.

   Project Status: Staff anticipates completing a study on the impact of experience rating on the frequency of workplace injuries for presentation to the Actuarial Committee by the fourth quarter of 2021.

4. Development of Experience Rating Expected Loss Rates. The Actuarial Committee annually reviews the WCIRB's methodology to compute the experience rating expected loss rates proposed to the CDI each year. The methodology used for this process was adopted by the Actuarial Committee at the June 11, 2008 meeting.

   Project Status: It has been a decade since a comprehensive review of the expected loss rate methodology has been undertaken. Staff anticipates undertaking a comprehensive analysis of the methodology in 2022.

5. Retrospective Rating Plan Values. In 2018, the WCIRB completed a comprehensive update to the advisory *California Retrospective Rating Plan* values, including hazard group assignments, insurance charges and loss elimination ratios, to be effective January 1, 2019.

   Project Status: At the June 14, 2019 meeting, the Actuarial Committee reviewed the paid loss simulation approach to loss development for purpose of computing retrospective rating values. Staff updated loss elimination ratios for purposes of classification ratemaking in the second quarter of 2020 and anticipates providing the update needed for the September 1, 2021 Regulatory Filing by the first quarter of 2021. Also, staff anticipates beginning the multi-year effort of updating the Retrospective Rating Plan values including implementation of a joint simulation of paid and incurred losses for loss development in 2022.

H. Other Potential Studies

1. Analysis of California Regional Differences. Recent WCIRB analyses of claim frequency, cumulative injuries, liens, and other system components have suggested that there are significant regional differences across California.

   Project Status: Staff uses a wide range of available information to prepare analyses of regional differences in components such as frequency, severity and permanent disability patterns. The WCIRB's latest report on regional differences was published in November 2020. Staff anticipates continuing this work in 2021 with the annual update report to be published by the fourth quarter of 2021.

2. Wage Data Analysis. Early in 2017, staff developed a comprehensive data cube and wage report for members with detailed information on various wage distributions by industry, classification and occupation as well as other wage related information. The information relates historical and projected wage levels by classification to industries, recognizing differences in payroll exclusions in developing insured exposures and differences in the allocation of standard exception classifications.

   Project Status: Staff completed a comprehensive update to this wage information based on updated source information in November 2019 with an update provided to the Actuarial Committee at the December 5, 2019 meeting. Staff anticipates updating the components of this analysis needed for classification ratemaking in the first quarter of 2021 with a comprehensive update anticipated by the third quarter of 2021.

3. Comparison of Workers' Compensation Medical Costs to Group Health Costs. At the May 27, 2009 meeting, the Claims Working Group suggested that consideration be given to conducting a research study comparing occupational and non-occupational medical treatment cost data for a similar mix of injuries.

   Project Status: Staff is recommending acquiring a dataset of group health transaction data to facilitate this type of research on potential cost shifting between systems and differences in treatment patterns between workers' compensation and group health.

4. Aging of the Work Force. This study would quantify the aging of the work force and identify changes in costs – particularly severities – due to this demographic shift. The study would also identify future aging patterns and forecast their impact.

   Project Status: Staff completed some preliminary analysis of the impact of aging on claim costs as part of prior frequency studies, but does not anticipate conducting any further analysis in this area in 2021.

5. Terrorism Losses. In early 2003, the WCIRB contracted with EQECAT to help estimate potential terrorism losses with respect to the Terrorism Risk Insurance Act of 2002. The results of the analysis were published in a March 12, 2003 WCIRB Bulletin. In 2018, the WCIRB contracted with Risk Management Solutions (RMS), a leading catastrophe risk modeling firm, to conduct an analysis of potential statewide workers' compensation exposure arising from terrorism. The results of the study were presented to the Actuarial Committee at the December 5, 2018 meeting and published in January 2019.

   Project Status: Staff does not anticipate further analysis of this issue in 2021.

6. Earthquake Losses. In July 2002, EQECAT completed a report estimating the average annual expected costs arising from California earthquakes. In 2003, EQECAT completed a follow-up study to address some of the issues raised by the CDI in reviewing the 2002 study. Based on the results of these studies, the WCIRB included a provision to reflect expected earthquake losses in the January 1, 2004 Pure Premium Rate Filing. In the Decision on that filing, the CDI rejected this provision based on concerns as to the underlying loss distribution projected by the model and the lack of a mechanism to fund the cost of a major earthquake if one were to occur. In 2007, the WCIRB contracted with EQECAT to update the California earthquake studies. The updated report was published in June 2007. In December 2017, the WCIRB in partnership with RMS published a further updated analysis on potential statewide workers' compensation exposure arising from earthquake.

   Project Status: At the June 14, 2019 meeting, the Actuarial Committee discussed whether a pure premium rate adjustment to reflect the long-term average expected losses arising from earthquake based on the recent RMS study would be appropriate. Given the CDI's concerns in prior decisions and that including a long-term average provision for earthquake and terrorism exposure in advisory pure premium rates may create administrative issues for some insurers, the Committee agreed that the WCIRB's proposed advisory pure premium rates should not reflect a provision for earthquake and terrorism losses at this time. Several Committee members did suggest that published information on the potential statewide exposure of these events is of value and should be updated on a regular basis. Staff does not anticipate further analysis of this issue in 2021.

7. Pandemic Losses. With the COVID-19 pandemic emerging in 2020 and generating more than 50,000 workers' compensation claims in California through October, the Actuarial Committee has discussed whether some analysis of the potential costs to the system of future pandemics might be appropriate.

Project Status: Staff has begun discussions with a catastrophe modeler who has developed a pandemic model and are building out the workers' compensation component of the model. However, staff does not anticipate further analysis of this issue in 2021 but suggests that consideration be given as to whether a study in 2022 may be appropriate.

8. Universal Healthcare Proposals. In 2017, the California Senate passed Senate Bill No. 563, which was intended to establish a government-run universal healthcare system in California. While this legislation did not address the funding issues and was never enacted into law, it is possible that the issue may arise again in California.

   Project Status: Staff does not anticipate analysis of this issue in 2021.

Summary of Potential 2021 Actuarial Research and Medical Analytics Projects

Potential Actuarial Research/Medical Analytics Projects	Anticipated WCIRB Staff 2021 Resource Commitment (L,M,H)[1]	2021 Quarters of Staff Activity			
		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
Studies/Projects Arising Out of Recent CDI Directives					
Indemnity Claim Frequency Model Projection	High	✓	✓	✓	✓
Terrorism Data Reporting	Medium	✓	✓		
Adjustments to ALAE Projections	Low	✓	✓		
Adjustment to Loss Development for Reduced Lien Filings	Low	✓	✓		
Collection of COVID-19 Premium Data	Low	✓	✓	✓	✓
Studies/Projects Directed by Legislation					
Statewide Paid Costs	Medium		✓		
Policyholder Dividends	Low			✓	
Roofing Report	Medium		✓		
COVID-19 Pandemic Related Research					
Cost of COVID-19 Claims	High	✓	✓		
COVID-19 Early Cost Indicators	Medium	✓	✓	✓	✓
Impact of Medical Treatment Delays	Medium	✓	✓		
COVID-19 Claim Severity	High	✓	✓	✓	✓
Increase in Telecommuting	Low				✓
Cost Impact of Legislative and Regulatory Changes					
SB 1160 Restriction on Utilization Review	Low	✓	✓		
Geographic Practice Cost Index Impact on Physician Fees	Low		✓	✓	
Other Studies Directly Impacting Pure Premium Rates and Rate Level Projections					
Classification Ratemaking Methodologies	Medium		✓	✓	✓
Study of Dual Wage Thresholds	High		✓	✓	✓
Pharmaceutical Cost Reductions	Low			✓	✓
Other Studies Indirectly Impacting Rate Level Projections					
Frictional Costs In California	High	✓	✓	✓	
Cumulative Trauma Claims	Medium		✓	✓	✓
Studies Related to Rating Plans					
Experience Rating Eligibility	Low	✓	✓	✓	✓
Impact of Experience Rating on Workplace Safety	High		✓	✓	✓
Other Potential Studies					
Analysis of California Regional Differences	High		✓	✓	✓
Wage Data Analysis	Medium	✓	✓	✓	
Comparison of Medical Costs to Group Health Costs	Medium		✓	✓	✓

[1] Estimated WCIRB staff resource commitment: “Low” corresponds to an estimate of below 50 hours; “Medium” corresponds to an estimate of between 50 and 200 hours; and “High” corresponds to an estimate in excess of 200 hours.

Item V-B
Transactional Data Reporting

Since 2012, the WCIRB has collected detailed medical transaction information on a relatively contemporaneous basis. This information has been used in ratemaking and research and is used in several components of the pure premium rate filing. In 2017, the WCIRB began collecting detailed indemnity transaction information on a voluntary basis and began collecting this information as a mandatory data call in 2020. This year, both datasets have greatly enhanced our ability to understand the changes in claim reporting and development due to the COVID-19 pandemic and resulting economic downturn. For example, the new indemnity transaction data was used in the January 1, 2021 Pure Premium Fate Filing to help model relative exposure to COVID-19 by industry.

Eligibility Threshold

The current eligibility threshold for both data calls requires insurer groups (at the NAIC group level) that write at least 1% of the statewide written pure premium to submit data. Insurer groups are required to continue reporting even if their market share decreases below the 1% threshold. When the Medical Data Call began, insurers reporting represented 88% of the total market submitted medical transaction data, and by 2015, the share had increased to 94%. The market share has declined as market concentration has decreased and currently participating insurers represent 92% of the market. Groups representing 89% of the market are currently required to submit indemnity transaction data based on the 1% threshold. Given the growing reliance on the more contemporaneous and comprehensive transactional datasets in pure premium ratemaking, staff is recommending consideration be given to lowering the threshold for required reporting of both transaction data calls to 0.5%.

Staff solicited feedback from the six insurer groups who are currently projected to be required to submit medical transaction data if the threshold is lowered to 0.5% and received four responses. Staff also solicited feedback from the nine insurer groups who are currently projected to be required to submit the indemnity transaction data if the threshold is lowered to 0.5% and received six responses. None of the insurer groups responding expressed significant concerns with reporting transaction data in California given sufficient lead time. The longest suggested lead time for implementing such a change was 12 months.

Given the value of the additional information and the survey responses, staff proposes to lower the eligibility threshold to 0.5% for the medical transaction data effective January 1, 2022 and for the indemnity transaction data effective July 1, 2022. Based on the 2019 written pure premium market share, lowering the eligibility threshold to 0.5% would increase the share of the market reporting medical and indemnity transaction data to 96%.

Reporting Frequency

Insurer groups that report medical transaction data can elect to report on either a monthly or a quarterly basis. Insurer groups that report indemnity transaction data can elect to report on a daily, weekly or monthly basis. In both cases, the WCIRB Reporting Guides provide that all transaction data from a prior quarter must be submitted to the WCIRB by the end of the subsequent quarter. Given the importance of contemporaneous data, as highlighted recently in analyses of emerging COVID-19 claims trends and delays in medical treatment during the early weeks of the pandemic, staff is recommending that consideration be given to requiring monthly reporting of data with each month of transactions due to the WCIRB no later than two months from the end of the transaction month.

Currently, 30% of insurer groups participating in medical transaction data reporting, representing a 28% share of pure premium, submit on a monthly basis. Staff solicited feedback from five insurer data reporting groups and two third-party data reporters who currently report medical transaction data on a quarterly basis and received six responses. The responding parties all indicated that monthly reporting

can be done, although two insurer respondents suggested that the time and cost in reporting infrastructure could be a concern with increasing the frequency of submissions. Responding insurer groups who rely on third-party administrators to adjust claims did not have any special concerns.

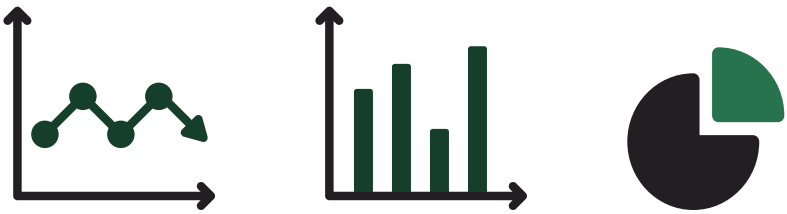
Staff proposes modifying transaction data reporting requirements to require all insurer groups required to submit transaction data to submit no less frequently than on a monthly basis with the transactions occurring in a particular month due to the WCIRB no later than two months from the end of the month. To provide sufficient lead time to insurers groups, staff suggests that this change be effective for transactions beginning as of January 1, 2023.

Transaction Data Quality Program

The WCIRB began collecting medical transaction data in the third quarter of 2012 as directed by the California Department of Insurance. The Governing Committee approved a medical transaction data quality program to promote the submission of timely, complete and accurate data needed for WCIRB ratemaking and research purposes beginning in 2014. At the December 12, 2018 meeting, the Governing Committee authorized the collection of indemnity transaction data beginning with transaction occurring in the second quarter of 2020.

As part of the indemnity transaction data collection implementation program, staff has developed a combined transaction data quality program. Specifically, staff is proposing a new Transaction Data Quality Program (Program) to be effective with respect to transactions occurring on or after April 1, 2021 (due to be submitted by September 30, 2021). The proposed program operates on an informational basis during the remainder of 2021 with fines for (a) late, (b) incomplete or (c) systemic and unresolved data quality issues related to medical and indemnity transactions under the new Program beginning with January 1, 2022 transactions. The existing *WCIRB Medical Transaction Data Quality Program* provisions and fines are proposed to expire as of December 31, 2021 transactions as the new combined Program incorporates much of the existing medical data quality program.

Attached for the Committee's review is the new Program proposed to be effective April 1, 2021. This Program was reviewed and accepted by the Classification and Rating Committee at the October 13, 2020 meeting.



WCIRB Transaction Data Quality Program

April 2021

Notice

This *WCIRB Transaction Data Quality Program* was developed by the Workers' Compensation Insurance Rating Bureau of California for the convenience and guidance of its members. It does not bear the official approval of the Insurance Commissioner and is not a regulation.

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I. Introduction

In order to meet the WCIRB's ratemaking and research needs and respond to California Department of Insurance directives, the Workers' Compensation Insurance Rating Bureau of California (WCIRB) has facilitated the collection of medical and indemnity transaction data in California. The *WCIRB Medical Data Call Reporting Guide* and the *WCIRB Indemnity Data Call Reporting Guide* detail the general rules for reporting each respective transactional data set, including the data call structure, record layouts, data dictionary, reporting rules and schedule, editing and other validation procedures pertaining to the reporting of California medical and indemnity transaction data to the WCIRB.

This *WCIRB Transaction Data Quality Program* (Program) is intended to promote the timely, complete and accurate submission of California medical (Medical Data Call) and indemnity (Indemnity Data Call) transaction data information to the WCIRB inasmuch as this data will be used for research and cost trend analyses and to enhance pure premium ratemaking. Analogous to other WCIRB data quality programs, insurers are subject to monetary fines for failure to submit data in a timely manner or for failure to adequately address documented and significant data completeness or data quality reporting issues in a timely manner.

The Program is effective with respect to transactions occurring on or after April 1, 2021 and due to be submitted to the WCIRB by September 30, 2021. Fines may be incurred beginning with January 1, 2022 transactions, which are due no later than June 30, 2022.

II. Program Administration

A. Eligibility

The Program is administered on a calendar quarter basis and applies to the production of Medical Data Call and Indemnity Data Call submissions made in accordance with the rules in their respective Guide.

The applicable Guide defines the eligibility and reporting requirements for submission of medical or indemnity transaction data. Eligibility to report the data associated with either Call is determined based on the insurer group structure as designated by the National Association of Insurance Commissioners (NAIC). These NAIC groups may elect to report the data as a single group or as separate subgroupings, referred to in this Program as "Insurer Groups." All NAIC Groups that are required to report the transaction data associated with either of these Data Calls in accordance with the applicable Guide are subject to this Program.

An Insurer Group must complete testing and receive certification approval from the WCIRB to submit the specific Call's production files no later than one year from the date of notification of eligibility. If the Insurer Group is unable to meet this deadline, the Insurer Group must submit and receive WCIRB approval for a Request for Extension of Certification Testing prior to the one year deadline. The Insurer Group's request must include the specific reasons for the delay and the time frame by which certification testing will be completed and the submission of the applicable Call's production files will commence. If the Insurer Group fails to obtain WCIRB approval or if the time frame approved by the WCIRB is not met, the Insurer Group will be subject to fines as described in Part V, Section A, *Certification Approval Timeliness Fines*.

B. Insurer Group Results

Within 30 calendar days after the end of the quarter subsequent to the submission Due Date, the WCIRB will provide Insurer Groups with a quarterly Data Quality Notice that summarizes the submission completeness for the reporting quarter, as outlined in Part III, *Submission Timeliness and*

Completeness. This Notice also includes a summary of the submission data quality for the reporting quarter and any open Transaction Data Inquiries as outlined in Part IV, *Data Quality.*

III. Submission Timeliness and Completeness

A. Timeliness of Data Submissions

A transactional data call submission is considered timely if the submission is received by the WCIRB on or before its Due Date, as specified in the respective Guides. A file is considered successfully processed if the Insurer Group and/or Data Submitter receives an email notification acknowledging File Acceptance. A Data Submitter is a unique data reporting entity authorized by means of a "Consent to Use Third Party Entity and Agreement to Indemnify" to send Medical Data Call or Indemnity Data Call information to the WCIRB on behalf of an Insurer Group.

If the Insurer Group fails to submit any data by the Due Date, the Insurer Group will be subject to fines as described in Part V, Section B, *Data Submission Timeliness and Completeness Fines*.

B. Completeness of Data Submissions

Within thirty days from the end of each quarter, the WCIRB will provide Insurer Groups with a Data Submission Report detailing the group's results with respect to completeness measurements for each transactional data set for the quarter. This will provide Insurer Groups with an opportunity to identify and resolve any potential data reporting deficiencies prior to the Due Date and prior to issuance of the Data Quality Notice. The Insurer Group must identify the root cause of any difference and resolve the anomalous data quality issue by the end of the subsequent quarter after the Due Date to ensure timely submission of complete data and avoid *Data Submission Timeliness and Completeness Fines* (See Part V, Section B) or other remedial action under this Program.

The completeness measurements for this Program include:

1. Transactions Present for All Insurers in the Insurer Group

Transactional data should be reported for all insurers within the Insurer Group.

2. Unmatched Transactions

New injury medical transactions should be generally comparable to original/new injury FROI transactions.

3. Claim Counts – Indemnity Data

Unique indemnity data claim counts should be generally comparable to those reported under the Data Call for Direct Workers' Compensation Experience – Quarterly.

4. Total Paid Medical – Medical Data

The Paid Amount total for the quarter for all medical transactions reported should be generally comparable to the Total Medical Paid reported under the Data Call for Direct Workers' Compensation Experience – Quarterly.

IV. Data Quality

The medical and indemnity transaction data submitted to the WCIRB will be used for research and cost trend analyses and to enhance pure premium ratemaking. As such, the Program is intended to identify and address data quality issues that will significantly impact the WCIRB's ratemaking and research capabilities.

Examples of potential data quality issues that may impact the WCIRB's ability to effectively utilize the medical and transaction indemnity data include, but are not limited to the following:

- Claim Number or Claim Administrator Claim Number reported is inconsistent and cannot be matched with the claim number used for Unit Statistical (USR) reporting.

- Policy Number, Policyholder Name, Policy Effective Date or Class Code reported is largely inconsistent with the policy information reported.

- Medical Data reported is largely inconsistent with the specifications included in the *WCIRB Medical Data Call Reporting Guide,* such as the proper reporting of any applicable Modifier, Secondary Procedure Code, Taxonomy, Place of Service and/or Quantity Number of Units.

- Indemnity Data reported is largely inconsistent with the specifications included in the *WCIRB Indemnity Data Call Reporting Guide*, such as the proper reporting of the Payment Adjustment Paid to Date and the Permanent Impairment Percentage.

An Insurer Group's Medical Data Call and Indemnity Data Call submissions are evaluated for quality based on the WCIRB's analysis of the Insurer Group's data (a) as compared to industry averages or the Insurer Group's previously reported data, or (b) based on relational editing of data elements. Before determining if a potential significant data quality issue exists, the WCIRB's evaluation will include an analysis of data previously reported by the Insurer Group as well as a review of previous communications from the Insurer Group to determine if the issue has already been addressed.

A Data Quality Inquiry will be sent to an Insurer Group if a potential data quality issue is identified that may have a significant impact on the WCIRB's ability to conduct research using the transaction data submitted. Inquiries will include a description of the potential data quality issue, the evaluation criteria used to identify the issue, and the WCIRB's expectations for submitting corrections to the data or a written remediation plan.

Insurer Groups must provide a complete and satisfactory response to a Data Quality Inquiry within 60 calendar days of the date of Inquiry. If necessary, Insurer Groups may request additional time to prepare a response, provided the request is received prior to the due date for the response to the Inquiry. All extensions are subject to written pre-approval by the WCIRB based on the specific circumstances as well as the significance of the data issues. If an approved extension is not adhered to, the Insurer Group will be subject to fines accruing from the original response due date.

A complete and satisfactory response must include:

a) identification and submission of any potential missing data,
b) a valid, fully documented business reason that the Insurer Group's data is complete and accurate as reported, or
c) a written remediation plan that includes a description of the data reporting deficiency(ies) that caused the data quality issue, the actions the Insurer Group has taken or will take to remedy the

deficiency(ies), and the time frame by which the Insurer Group expects all the deficiencies will be resolved.[1]

The WCIRB may also request that an Insurer Group provide additional information or supporting documentation, if necessary, to substantiate the response. The WCIRB will review the response based on the validity and reasonableness of the information provided by the Insurer Group. If a response is submitted timely and approved as complete and satisfactory by the WCIRB and all applicable remediation efforts outlined in the response to the Inquiry are satisfactorily completed, the data quality issue will be closed, and no further action will be required. If an Insurer Group's response is not timely, is not deemed complete by the WCIRB or the data reporting deficiency is not satisfactorily addressed in accordance with the Insurer Group's written plan, the Insurer Group may be subject to Data Quality Inquiry Fines (see Part V, Section C).

V. Fines

When an Insurer Group is subject to a fine under this Program, the WCIRB will send the Insurer Group a Fine Notice imposing the fine(s).

A. Certification Approval Timeliness Fines

Fines for Insurer Groups that fail to obtain certification approval no later than one year from the date of notification of eligibility, as described in Part II, *Program Administration*, Section A, *Eligibility*, are as follows:

1. Fines for failure to obtain WCIRB approval of a Request for Extension of Certification Testing will be $150 per calendar day, beginning on the first business day following the one year from the date of notification of eligibility deadline, and will continue until the Insurer Group obtains the WCIRB's certification approval or approval of a Request for Extension of Certification Testing.
2. Fines for failure to meet the Request for Extension of Certification Testing's approved time frames will be $150 per calendar day, beginning on the first business day following the missed deadline, and will continue until the Insurer Group completes certification testing and Indemnity and/or Medical Data Call production files are received and successfully processed by the WCIRB.

B. Data Submission Timeliness and Completeness Fines

Submission Timeliness Fines will be $150 per calendar day. If no files have been submitted by the Due Date, fines will begin on the first business day following the Due Date. If files have been submitted by the Due Date but the WCIRB determines the data to be incomplete, as specified in Part III, *Submission Timeliness and Completeness*, fines begin on the first business day following the end of the quarter after the Due Date. In either case, fines will continue until all expected data is received and successfully processed.[2]

C. Data Quality Inquiry Fines

Insurer Groups that fail to provide a complete and satisfactory response to an Inquiry, as outlined in Part IV, *Data Quality* within 60 calendar days of the date of Inquiry shall be subject to a fine of $2,500. The WCIRB's Fine Notice will indicate that additional fines may be imposed, beginning 30 calendar days after the Fine Notice, if the Insurer Group does not provide the previously requested response.

[1] An Insurer Group may later revise the schedule for remediation indicated in a response to an Inquiry subject to the approval of WCIRB staff if they are demonstrating a good faith effort to address the data quality issues and the nature of the data issues is not having a significant impact on the WCIRB's research and ratemaking efforts.

[2] A brief extension to the Due Date may be granted under special, limited circumstances, provided the request for an extension is made in writing by the Insurer Group to the WCIRB on or before the Due Date and the extension does not have a significant impact on the WCIRB's research needs. All extensions are subject to written pre-approval by WCIRB staff. If an approved extended Due Date is not adhered to, the Insurer Group will be subject to fines accruing from the original Due Date.

If a complete and satisfactory response is not received within 30 calendar days after issuance of the Fine Notice or the Insurer Group fails to resolve the identified data reporting deficiency within the timeframes specified in the response to the Data Quality Inquiry,[3] the Insurer Group shall be subject to an additional fine of $100 per business day, beginning on the first business day following the missed deadline, that will continue until the missing data is received or a valid, fully documented business reason that the Insurer Group's data is complete and accurate as reported is received.

D. WCIRB Medical Transaction Data Quality Program Incentive Credits

Timeliness Incentive Credits earned by an Insurer Group under the Medical Transaction Data Quality Program, in effect for submissions from January 1, 2015 through December 31, 2021, may be used to offset fines levied pursuant to the Program until December 31, 2023. Beginning January 1, 2024, any previously accrued credits will expire and may no longer be used to offset fines.

E. Maximum Annual Fines

The total fines levied pursuant to this Program will be limited to a maximum of $100,000 per calendar year.

F. Appeal Procedures

An Insurer Group may file an appeal with the WCIRB regarding fines imposed pursuant to this Program, provided that such appeal is submitted, in writing, with a detailed explanation as to the reason the Insurer Group believes the fine imposed is not appropriate. An appeal of a fine must be filed with the WCIRB within 60 calendar days from the date of the Fine Notice which imposes the fine.

The WCIRB will respond within 30 calendar days of receipt of a timely filed appeal. If the appeal is denied by the WCIRB, the Insurer Group may appeal the WCIRB's decision to the WCIRB Classification and Rating Committee. All appeals to the WCIRB Classification and Rating Committee must be submitted within 45 calendar days of the WCIRB's response to the initial appeal.

Appeals, including all appropriate supporting documentation, must be sent to medicaldata@wcirb.com or indemnitydata@wcirb.com, as applicable to each Call, and shall specify "Appeal of WCIRB Transaction Data Quality Program Fines" in the subject line.

[3] Requests to extend the scheduled date to complete the resolution of data reporting deficiencies stated in the Insurer Group's response to the Inquiry are subject to WCIRB approval based on the progress being made by the Insurer Group as well as the criticality of the data issues for WCIRB research purposes.

Item V-C
Schedule of 2021 Meetings

Following is the proposed schedule of Governing Committee meetings for 2021. All 2021 Committee meetings will be held virtually.

Day of Week	Date & Time	Comment
Wednesday	February 10, 2021 at 9:30 AM	Consideration of September 1, 2021 Regulatory Filing
Wednesday	April 21, 2021 at 9:30 AM	Consideration of September 1, 2021 Pure Premium Rate Filing
Wednesday	September 22, 2021 at 9:30 AM	
Wednesday	December 15, 2021 at 1:00 PM	

Additional dates to note are:

Thursday	March 11, 2021 at 8:30 AM	Annual Meeting of the Membership (virtual)
Thursday	September 23, 2021	Annual WCIRB Conference (virtual)