

Governing Committee

Meeting Minutes

Date	Time	Location	Staff Contact
April 21, 2021	9:30 AM	Webinar Teleconference	Eric S. Riley

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Insurer Members

Everest National Insurance Company
Federal Insurance Company
Hartford Accident and Indemnity Company
Pacific Compensation Insurance Company
Preferred Employers Insurance Company
State Compensation Insurance Fund
Travelers Property Casualty Company of America
Zenith Insurance Company

Represented by

David Sandler
Andrew Spencer
Gretchen Thompson
Tom Collins
Dennis Levesque
Ken Van Laar
Eric Belk
Paul Ramont

Public Members

Lynne Davidson
Diana Rich
Jeremy Smith
Mitch Steiger

Representing

Insured Employers
Insured Employers
Organized Labor
Organized Labor

California Department of Insurance

Yvonne Hauscarriague
Brentley Yim

WCIRB

Bill Mudge
David Bellusci
Roger Cottman
Brenda Keys
Eric Riley
Julia Zhang

Public Members' Staff

Mark Priven

Counsel

Dan Brown, McDermott Will & Emery

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Bill Mudge, WCIRB President and CEO, called the meeting to order at 9:30 AM. Mr. Mudge welcomed Federal Insurance Company as the newest elected insurer member of the Governing Committee. Mr. Mudge also congratulated Pacific Compensation Insurance Company and Zenith Insurance Company on their re-election to the Committee as insurer members and Mitch Steiger and Diana Rich on their reappointment as Public Members of the Committee.

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Item I

Election of Governing Committee Chairperson

Mr. Mudge advised the Committee that the first order of business was the election of a new Chair of the Governing Committee. After discussing the responsibilities of the Governing Committee Chair, a motion was made, seconded and unanimously passed to elect Paul Ramont of Zenith Insurance Company as the Committee's Chair for a two-year term.

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Item II

Approval of the Minutes

The Minutes of the Governing Committee meeting held on February 10, 2021 were distributed to Committee members in advance of the meeting for review. As there was no discussion or corrections to the Minutes, a motion was made, seconded and unanimously passed to adopt the Minutes as written.

Item III

Additions to the Agenda

The Chair asked the Committee members and staff if there were any items to be added to the Agenda. Hearing none, the Chair accepted the Agenda as published.

Item IV

Ratification of Actions of WCIRB Committees

The Minutes of the Actuarial Committee meetings held on December 8, 2020, December 11, 2020 and February 16, 2021 were provided to Committee members in advance of the meeting for review. As there were no questions or discussion regarding the information, a motion was made, seconded and unanimously passed to ratify the actions of the Actuarial Committee.

The Minutes of the Classification and Rating Committee meeting held on February 2, 2021 were provided to Committee members in advance of the meeting for review. As there were no questions or discussion regarding the information, a motion was made, seconded and unanimously passed to ratify the actions of the Classification and Rating Committee.

Item V-A

September 1, 2021 Regulatory Filing (Oral Report)

WCIRB Senior Vice President and Chief Legal Officer Brenda Keys reminded the Committee that, on February 26, 2021, the WCIRB submitted the September 1, 2021 Regulatory Filing to the California Department of Insurance (CDI) proposing changes to the *California Workers' Compensation Uniform Statistical Reporting Plan—1995*, *Miscellaneous Regulations for the Recording and Reporting of Data—1995* and *California Workers' Compensation Experience Rating Plan—1995* (Plans). On April 8, 2021, the CDI held a public hearing on the Regulatory Filing. Ms. Keys advised the Committee that, upon receipt of the Decision, the WCIRB will begin publishing September 2021 experience modifications and preparing

the Plans to reflect the Commissioner's Decision and will post them to the WCIRB's website within a few weeks of release of the Decision.

Item VI-A

September 1, 2021 Pure Premium Rate Filing

WCIRB Executive Vice President and Chief Actuary Dave Bellusci advised the Committee that the Actuarial Committee completed its review of December 31, 2020 experience at the April 15, 2021 meeting. Mr. Bellusci provided the Committee a summary of the Actuarial Committee's review and its recommended methodologies with respect to the indicated September 1, 2021 pure premium rate level. The Actuarial Committee's Agenda for the April 15, 2021 meeting was included in the Agenda.

Mr. Bellusci advised the Committee that the Actuarial Committee's recommended methodologies were generally consistent with those used in the January 1, 2021 Pure Premium Rate Filing with several refinements that were summarized during the presentation. The approved methodologies, when applied to the statewide experience as of December 31, 2020, produced an indicated statewide average pure premium rate level of \$1.50 which is 2.7% higher than the average approved January 1, 2021 advisory pure premium rate of \$1.46.

In the presentation, the Committee was advised that the Actuarial Committee focused largely on the following four considerations: (1) 2020 claims, premiums, severities and wages impacted by pandemic; (2) wage, frequency and severity growth projections; (3) COVID-19 claim cost projections and (4) new medical fee schedules.

Mr. Bellusci began by noting that the Actuarial Committee's recommendations for the September 1, 2021 Pure Premium Rate Filing generally (1) exclude the 2020 accident year experience and (2) base projections regarding loss and loss adjustment expenses on the non-COVID-19 claims experience. The reason for the exclusion of the COVID-19 claims experience is the extraordinary nature of the COVID-19 pandemic and its impact on 2020 wage, premium and loss experience and that COVID-19 is not projected to be a significant driver for policies incepting or on after September 1, 2021. Examples of the anomalous nature of the pandemic-related results include a significant drop in medical services provided from the middle of March 2020 through May 2020, a 23.0% drop in the total number of non-COVID-19 claims filed in 2020, and significant job losses in low wage employment sectors.

Mr. Bellusci summarized the key elements of the Actuarial Committee's review of December 31, 2021 experience. He advised the Committee that the period March 31, 2020 to December 31, 2020 loss development trends, while moderating, continued to trend lower. The Committee was also advised that as the economy recovers, the Actuarial Committee's approved methodology projects a modest increase in claim frequency in 2021 and 2022.

Mr. Bellusci and WCIRB Vice President of Data Analytics Dr. Julia Zhang presented a summary of the projected 2020 cost of COVID 19 claims for insured employers. Mr. Bellusci noted that, with the winter surge of COVID-19 infections, the volume of claims to be reported for accident year 2020 are two to three times higher than projected in the WCIRB's January 1, 2021 Pure Premium Rate Filing but early preliminary estimates of the average severity of COVID-19 claims are below the filing projections. In addition, Dr. Zhang summarized three of the latest published pandemic forecasts—each of which projected a very significant drop in COVID-19 hospitalizations and deaths by late summer 2021. Following Dr. Zhang's presentation, the Committee was advised that the Actuarial Committee's recommendation does not include a provision for COVID-19 claims on policies incepting between September 1, 2021 and August 31, 2022.

The last major areas reviewed were the changes to the Official Medical Fee Schedule related to Evaluation and Management (E&M) office visit services to conform to relevant 2021 changes in the Medicare payment system effective March 1, 2021 and a new medical-legal fee schedule effective April 1,

2021. The Actuarial Committee concurred with WCIRB staff's projections that the changes would increase E&M office visit fees by 15% resulting in an overall increase in medical costs of 2.4% and medical-legal costs by 22% resulting in an overall increase in medical costs of 1.4%.

Throughout the presentation, Mark Priven, the consulting actuary to the Public Members of the Governing Committee, was asked to detail how his recommended methodologies differ from those recommended by the Actuarial Committee. Mr. Priven indicated that his recommended methodologies differ primarily based on: (1) a different projection of claim frequency; (2) the use of incurred loss development patterns to develop ultimate medical losses and (3) more modest projections for severity growth. Mr. Priven also noted that his indicated September 1, 2021 average pure premium rate of \$1.34 is more than 10% lower than that based on the recommendations of the Actuarial Committee.

At the end of the presentation, the Public Members requested a break so they could consult with Mr. Priven privately.

Following the break, a motion was made and seconded to make a September 1, 2021 pure premium rate filing reflecting the methodology recommended by the consulting actuary to the Public Members of the Committee. The motion failed by a vote of four in favor and eight against.

Following the failed motion, another motion was made and seconded to make a September 1, 2021 pure premium rate filing reflecting the methodology recommended by the Actuarial Committee. The motion passed with eight in favor and four opposed.

Next Meeting Date

The Committee noted that the next meeting is scheduled for September 22, 2021 by webinar teleconference.

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There being no further business to come before the Committee, the meeting was adjourned at 11:30 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 September 22, 2021 for approval and/or modification.