

Governing Committee

Meeting Minutes

Date	Time	Location	Staff Contact
April 19, 2023	9:30 AM	Microsoft Teams Webinar	Kristen Marsh
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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
Mary Beth Pittinger
Matthew Massaro
John Carey
John Bennett
Kenneth Van Laar
Eric Belk
Paul Ramont

Public Members

Lynne Davidson
Diana Rich
Jeremy Smith
Mitch Steiger (did not attend)

Representing

Insured Employers
Insured Employers
Organized Labor
Organized Labor

California Department of Insurance

Yvonne Hauscarriague*
Brentley Yim

WCIRB

Bill Mudge
David Bellusci
Andrea Coleman
Roger Cottman
Kristen Marsh
Eric Riley

Public Members' Staff

Mark Priven

Counsel

Dan Brown, Eversheds Sutherland (US) LLP

* Attended in person

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The meeting of the Governing Committee was called to order at 9:30 AM by Bill Mudge, WCIRB President and CEO. Following confirmation of a quorum and a reminder of the applicable antitrust restrictions, Mr. Mudge congratulated Everest National Insurance Company and Travelers Property Casualty Company of America 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

Confirmation of Governing Committee Chairperson

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

Item II

Approval of the Minutes

The Minutes of the Governing Committee meeting held on February 8, 2023 were distributed to Committee members in advance of the meeting for review. As there was no discussion of 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 6, 2022, December 8, 2022 and February 14, 2023 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.

Item V-A

September 1, 2023 Regulatory Filing (Oral Report)

WCIRB Senior Vice President and Chief Legal Officer Kristen Marsh reminded the Committee that, on February 27, 2023, the WCIRB submitted the September 1, 2023 Regulatory Filing to the California Department of Insurance (CDI). Ms. Marsh informed the Committee that the CDI is holding a public hearing on the Regulatory Filing on April 24, 2023. Upon receipt of the Decision on the Regulatory Filing, the WCIRB will begin publishing September 2023 experience modifications and update the *California Workers' Compensation Uniform Statistical Reporting Plan—1995*, *Miscellaneous Regulations for the Recording or Reporting of Data—1995*, and *California Workers' Compensation Experience Rating Plan—1995* to reflect the changes approved by the Commissioner effective September 1, 2023.

Item V-B

September 1, 2023 Pure Premium Rate Filing

WCIRB Executive Vice President and Deputy Chief Actuary Sean Cooper advised the Committee that the Actuarial Committee completed its review of the December 31, 2022 experience at the April 13, 2023 meeting. Mr. Cooper provided the Committee a summary of the Actuarial Committee's review and recommended methodologies with respect to the indicated September 1, 2023 pure premium rate level. The Actuarial Committee Agenda for the April 13, 2023 meeting was included in the Agenda.

Mr. Cooper advised the Committee that the Actuarial Committee's recommended methodologies were generally consistent with those used in the September 1, 2022 Pure Premium Rate Filing. The Actuarial Committee's recommended methodologies, when applied to the statewide experience as of December 31, 2022, excluding COVID-19 claims, indicated a 0.3% increase to the statewide average approved September 1, 2022 advisory pure premium rate level.

Mr. Cooper began by noting that the Actuarial Committee's recommendations for the September 1, 2023 Pure Premium Rate Filing generally: (1) exclude the 2020 accident year experience and (2) base projections regarding loss and allocated loss adjustment expenses on non-COVID-19 claims experience. Mr. Cooper also noted that COVID-19 claims are not expected to have as large of an impact on policies incepting on or after September 1, 2023. As a result, the Committee was advised that the Actuarial Committee recommendation does not include a separate provision for the projected cost of COVID-19 claims.

Mr. Cooper summarized the key elements of the Actuarial Committee's review of December 31, 2022 experience and the following factors that resulted in an indicated net increase of 0.3% compared to the indicated 6.9% net increase, excluding COVID-19, in the September 1, 2022 filing: decreased loss development (-1.0%); updated wage growth forecasts (+0.5%); updated frequency trend (-1.5%); accident year 2022 loss emergence, with an extra year of trend (-2.0%); updated loss adjustment expense provisions (-2.0%); and an updated experience rating off-balance factor (-0.6%).

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 his use of an average of incurred and paid loss development patterns to develop both indemnity and medical losses, lower frequency projections, and lower severity trends for both indemnity and medical. Mr. Priven noted that his indicated September 1, 2023 average pure premium rate level is an indicated 7.3% decrease to the statewide average approved September 1, 2022 advisory pure premium rate level, which is nearly 8% lower than the indication based on the recommendations of the Actuarial Committee.

Mr. Cooper also presented a summary of the recent COVID-19 claims experience, noting that COVID-19 claims represent a declining share of indemnity claim counts and of estimated ultimate incurred losses and loss adjustment expenses. Mr. Cooper advised the Committee that based on the modest number of COVID-19 claims filed over the last 12 months and declining COVID-19 claim severity, the Actuarial Committee did not recommend a separate provision to reflect expected COVID-19 claims in the September 1, 2023 advisory pure premium rates.

At the end of the presentation and discussion, the meeting was recessed to allow the Public Members to consult with Mr. Priven privately.

Following the break, a motion was made and seconded to make a September 1, 2023 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 three in favor and eight against with one member absent.

Following the failed motion, another motion was made and seconded to make a September 1, 2023 pure premium rate filing reflecting the methodology recommended by the Actuarial Committee. The motion was passed with eight in favor, three opposed and one member absent.

Item VII

Next Meeting Date

The Chair noted that the next meeting is scheduled for September 27, 2023.

Item VIII

Adjournment

There being no further business to come before the Committee, the meeting was adjourned at 10:45 AM.

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Note to Committee Members: These Minutes, as written, have not been approved. Please refer to the Minutes of the meeting scheduled for September 27, 2023 for approval and/or modification.