

# Governing Committee

## Meeting Agenda

Date	Time	Location	Staff Contact
December 13, 2023	9:30 AM	Microsoft Teams	Kristen Marsh
1901 Harrison Street, 17 <sup>th</sup> Floor • Oakland, CA 94612 • 415.777.0777 • Fax 415.778.7007 • www.wcirb.com • wcirb@wcirb.com			

Released: December 6, 2023

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

**This meeting is Open to the Public.**

Please [register](#) in advance of the meeting. After registering, you will receive a confirmation email containing information about joining the webinar.

**I. Approval of Minutes**

Meeting held September 27, 2023

**II. Additions to the Agenda**

**III. Ratification of Actions of WCIRB Committees**

A. Classification and Rating Committee Meeting Held August 8, 2023

B. Actuarial Committee Meeting Held September 12, 2023

**IV. Unfinished Business**

**V. New Business**

A. Potential 2024 Actuarial and Research Projects

B. Schedule of 2024 Meetings

**VI. Next Meeting Date: February 8, 2024 (tentative)**

**VII. Adjournment**

**Antitrust Notice**

As members of the Workers' Compensation Insurance Rating Bureau of California (WCIRB), you are bound, when involved in meetings, presentations or other activities of the WCIRB, to limit your actions (as well as discussions and virtual chats, 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, chats 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**

The information in this Agenda was developed by the Workers' Compensation Insurance Rating Bureau of California (WCIRB) for the purpose of assisting the WCIRB Governing 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.

© 2023 Workers' Compensation Insurance Rating Bureau of California. All rights reserved.

No part of this work may be reproduced or transmitted in any form or by any means, electronic or mechanical, including, without limitation, photocopying and recording, or by any information storage or retrieval system without the prior written permission of the Workers' Compensation Insurance Rating Bureau of California (WCIRB), unless such copying is expressly permitted in this copyright notice or by federal copyright law. No copyright is claimed in the text of statutes and regulations quoted within this work.

Each WCIRB member company, including any registered third party entities, (Company) is authorized to reproduce any part of this work solely for the following purposes in connection with the transaction of workers' compensation insurance: (1) as necessary in connection with Company's required filings with the California Department of Insurance; (2) to incorporate portions of this work, as necessary, into Company manuals distributed at no charge only to Company employees; and (3) to the extent reasonably necessary for the training of Company personnel. Each Company and all agents and brokers licensed to transact workers' compensation insurance in the state of California are authorized to physically reproduce any part of this work for issuance to a prospective or current policyholder upon request at no charge solely for the purpose of transacting workers' compensation insurance and for no other purpose. This reproduction right does not include the right to make any part of this work available on any website or any form of social media.

Workers' Compensation Insurance Rating Bureau of California, WCIRB, WCIRB California, WCIRB Connect, WCIRB Inquiry, WCIRB CompEssentials, X-Mod Direct, eSCAD, Comprehensive Risk Summary, X-Mods and More, Annual Business Comparative and the WCIRB California logo (WCIRB Marks) are registered trademarks or service marks of the WCIRB. WCIRB Marks may not be displayed or used in any manner without the WCIRB's prior written permission. Any permitted copying of this work must maintain any and all trademarks and/or service marks on all copies.

To seek permission to use any of the WCIRB Marks or any copyrighted material, please contact the WCIRB at [customerservice@wcirb.com](mailto:customerservice@wcirb.com).

# Classification and Rating Committee

## Meeting Minutes

Date	Time	Location	Staff Contact
August 8, 2023	9:30 AM	Microsoft Teams Webinar	Kristen Marsh
1901 Harrison Street, 17 <sup>th</sup> Floor • Oakland, CA 94612 • 415.777.0777 • Fax 415.778.7007 • www.wcirb.com • wcirb@wcirb.com			

Released: August 23, 2023

### Members:

National Union Fire Insurance Company of Pittsburgh PA  
Preferred Employers Insurance Company  
Security National Insurance Company  
State Compensation Insurance Fund  
Travelers Property Casualty Company of America  
Truck Insurance Exchange  
Zenith Insurance Company

### Represented By:

Ellen Sonkin  
John Bennett  
Matt Zender  
Gregory Hanel  
Tony Panetti  
Jennifer Fortin\*  
Sarah Elston

### California Department of Insurance

Yvonne Hauscarriague  
Margaret Hosel

### WCIRB

Kristen Marsh, Chair  
Bill Mudge  
Andrea Coleman  
Sean Cooper  
Mary Corning  
Eric Riley  
Angela Sundin  
YiChen Yu  
Julia Zhang

\* Attended part of the meeting

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. Kristen Marsh, Senior Vice President and Chief Legal Officer, presiding.

\* \* \* \* \*

### Approval of Minutes

The Minutes of the meeting held on January 31, 2023 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**

The information in these Minutes was developed by the Workers' Compensation Insurance Rating Bureau of California (WCIRB) for the purpose of assisting the WCIRB Classification and Rating 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.

© 2023 Workers' Compensation Insurance Rating Bureau of California. All rights reserved.

No part of this work may be reproduced or transmitted in any form or by any means, electronic or mechanical, including, without limitation, photocopying and recording, or by any information storage or retrieval system without the prior written permission of the Workers' Compensation Insurance Rating Bureau of California (WCIRB), unless such copying is expressly permitted in this copyright notice or by federal copyright law. No copyright is claimed in the text of statutes and regulations quoted within this work.

Each WCIRB member company, including any registered third party entities, (Company) is authorized to reproduce any part of this work solely for the following purposes in connection with the transaction of workers' compensation insurance: (1) as necessary in connection with Company's required filings with the California Department of Insurance; (2) to incorporate portions of this work, as necessary, into Company manuals distributed at no charge only to Company employees; and (3) to the extent reasonably necessary for the training of Company personnel. Each Company and all agents and brokers licensed to transact workers' compensation insurance in the state of California are authorized to physically reproduce any part of this work for issuance to a prospective or current policyholder upon request at no charge solely for the purpose of transacting workers' compensation insurance and for no other purpose. This reproduction right does not include the right to make any part of this work available on any website or any form of social media.

Workers' Compensation Insurance Rating Bureau of California, WCIRB, WCIRB California, WCIRB Connect, WCIRB Inquiry, WCIRB CompEssentials, X-Mod Direct, eSCAD, Comprehensive Risk Summary, X-Mods and More, Annual Business Comparative and the WCIRB California logo (WCIRB Marks) are registered trademarks or service marks of the WCIRB. WCIRB Marks may not be displayed or used in any manner without the WCIRB's prior written permission. Any permitted copying of this work must maintain any and all trademarks and/or service marks on all copies.

To seek permission to use any of the WCIRB Marks or any copyrighted material, please contact the WCIRB at [customerservice@wcirb.com](mailto:customerservice@wcirb.com).

## **Item III-A**

### **COVID-19 Claims in Experience Rating**

The Committee was reminded that, given the unique nature of the 2019 Coronavirus disease (COVID-19) exposure and the emerging pandemic, the WCIRB recommended that claims arising directly from a COVID-19 diagnosis with accident dates on or after December 1, 2019 be reported with Catastrophe Number 12 and excluded from an individual employer's experience modification calculation. These recommendations were reflected in the WCIRB's July 1, 2020 Regulatory Filing and adopted by the Insurance Commissioner.

The Committee was also reminded that when the Governing Committee approved making this recommendation to the Insurance Commissioner at its April 17, 2020 meeting, it was noted by a Governing Committee member that there is a safety component related to the occurrence of COVID-19 claims at an employer's workplace and removing the COVID-19 experience rating exclusion at some point after the initial emergency period would be appropriate. Since then, the WCIRB has monitored COVID-19 claims incurred to assess whether they should continue to be excluded from experience rating.<sup>1</sup>

Staff noted that the COVID-19 workers' compensation claims environment has normalized such that COVID-19 is similar to other workers' compensation exposures and employers have put COVID-19 safety measures in place to prevent injury. The California Division of Occupational Safety and Health (Cal/OSHA) has issued guidance and set mandatory standards to assist employers in their development of COVID-19 mitigation strategies, including but not limited to implementation of personal protective equipment, adequate ventilation of indoor spaces, employee training, social distancing and infection outbreak protocols. COVID-19 testing is also readily accessible and most Californians have been exposed to the COVID-19 virus, vaccinated and/or boosted. COVID-19 infections and workers' compensation claim filings have dropped substantially since the height of the pandemic and many businesses have reopened without restrictions.

In addition, staff noted that the federal government declared an end to the COVID-19 public health emergency as of May 11, 2023 and California declared an end to the COVID-19 State of Emergency on February 28, 2023. Additionally, California Labor Code section 3212.86, specifying when a worker has a rebuttable presumption of compensability that their COVID-19 infection is work-related, is scheduled to sunset January 1, 2024<sup>2</sup> and there have been no bills introduced in the current legislative session to extend the presumption past January 1, 2024.

Finally staff also noted that other jurisdictions have also either implemented or proposed sunsetting the exclusion of COVID-19 claims from experience or merit rating. New York began including COVID-19 claims with accident dates on or after November 1, 2022 in experience rating and the National Council on Compensation Insurance (NCCI)<sup>3</sup> and Indiana have formally proposed rule changes that will include COVID-19 claims with accident dates on or after July 1, 2023 in experience rating.

Following the presentation, a motion was made, seconded and unanimously passed to recommend the proposed changes to indicate that only COVID-19 claims with accident dates from December 1, 2019 through August 31, 2024 should be reported with Catastrophe Number 12 and excluded from experience rating be included in the September 1, 2024 Regulatory Filing.

---

<sup>1</sup> The WCIRB's recommendation in the September 1, 2022 Regulatory Filing that COVID-19 claims incurred on or after September 1, 2022 be included in experience rating was not adopted by the Insurance Commissioner.

<sup>2</sup> Labor Code section 3212.86 was enacted by California Senate Bill No. 1159; the original January 1, 2023 sunset provision was extended to January 1, 2024 by Assembly Bill No. 1751.

<sup>3</sup> NCCI's Item Filing E-1410.

## Proposed Changes to the Uniform Statistical Reporting Plan

### Recommendation

Amend Part 4, *Unit Statistical Reporting Requirements*, Section V, *Loss Information*, Subsection B, *Loss Data Elements*, Rule 4, *Catastrophe Number*, to confine the reporting of “Catastrophe Number” 12 to claims arising from a diagnosis of Coronavirus disease 2019 (COVID-19) with accident dates of December 1, 2019 through August 31, 2024.

### PROPOSED

#### Section V – Loss Information

- 
- 
- 

#### B. Loss Data Elements

All loss-related fields shall be reported on all claims as required for California in WCSTAT except as indicated below.

- 
- 
- 

#### 4. Catastrophe Number

Report the 2-digit sequential number for two or more claims resulting from the same occurrence. For each policy, all claims resulting from the first such occurrence shall be assigned a “Catastrophe Number” of 01, all claims resulting from the second occurrence shall be 02, etc. When an occurrence results in only one claim being reported, report zero.

#### Example

Claim No.	Policy No.	Date of Injury	Cat. No.
123	WC-1	2/15/yy	01
456	WC-1	2/15/yy	01
321	WC-1	4/23/yy	00
789	WC-1	6/14/yy	02
987	WC-1	6/14/yy	02

With respect to unit statistical report data with a required date of reporting on or after August 1, 2020, report “Catastrophe Number” 12 for all claims directly arising from a diagnosis of Coronavirus disease 2019 (COVID-19) and an accident date ~~on or after~~ on or after December 1, 2019 through August 31, 2024.

\* \* \* \* \*

## Proposed Changes to the Experience Rating Plan

### Recommendation

Amend Section VI, *Rating Procedure*, Rule 2, *Actual Losses and Actual Primary (Ap) Losses*, to exclude COVID-19 claims with accident dates of December 1, 2019 through August 31, 2024 from the computation of experience modifications.

### PROPOSED

#### Section VI – Rating Procedure

- 
- 
- 

#### 2. Actual Losses and Actual Primary (Ap) Losses

Unless otherwise noted in this Rule, Actual Losses shall be the sum of the indemnity incurred loss and medical incurred loss on each claim, with the sum limited to the Maximum Loss Value shown in Table II of this Plan.

The experience rating calculation uses the primary component of Actual Losses, or Actual Primary Losses. Actual Primary Losses for each claim represents the more predictive and controllable portion of the claim and varies with a risk's Expected Losses. Unless otherwise noted in this Rule, Actual Primary Losses for each claim is determined by the formula:

Actual Primary Losses = \$0 if Actual Losses is \$250 or less;  
= Actual Losses less \$250, if Actual Losses is more than \$250 but no more than the Primary Threshold applicable to the risk;  
= Primary Threshold less \$250, if Actual Losses is more than the Primary Threshold applicable to the risk.

The Primary Threshold applicable to the risk is based on the risk's total Expected Losses for the experience period and is shown in Table II of this Plan.

- 
- 
- 

- j. Claims directly arising from a diagnosis of Coronavirus disease 2019 (COVID-19), reported with a Catastrophe Number 12 pursuant to the Uniform Statistical Reporting Plan and an accident date of December 1, 2019 through August 31, 2024, shall not be reflected in the computation of the experience modification.

- 
- 
- 

\* \* \* \* \*

## Item III-B

### **Draft Food and Beverage Manufacturing or Processing Industry Study — Phase I (Analysis Framework and Study Plan)**

The Committee was reminded that at the November 1, 2022 meeting, after completing a systematic review of evolving industries, staff recommended conducting a holistic review of the food and beverage manufacturing or processing industry<sup>1</sup> and evaluating the efficacy of the current classification procedures for the industry.

Staff noted that almost one-half of the classifications in this industry are not fully credible and three have credibility around 0.5, suggesting that some classifications may be too narrowly defined and may not constitute operations that are fully distinct from other food and beverage manufacturing or processing operations. Furthermore, staff noted that Classification 6504, *Food Products Mfg. or Processing*, one of the 22 classifications, contains a Not Otherwise Classified (N.O.C.) designation and applies to the manufacture of food products that are not more accurately described by another Food Packaging and Processing Industry Group classification.<sup>2</sup> The WCIRB health check tool indicated that Classification 6504 has large variability in the loss to payroll ratio distribution as well as in the experience modification distribution, suggesting Classification 6504 may have become overly broad over time and that there may be potentially distinct segments of operations within Classification 6504.

Staff advised the Committee that Phase I of the study focused on an operational and data review of the industry, as well as outreach meetings with industry stakeholders, to complete the following objectives:

1. Develop an analysis framework to review food and beverage manufacturing or processing classifications
2. Identify key classification issues for the industry
3. Recommend future classification studies to address key classification issues

In later phases of the study (anticipated in 2024 and 2025), staff will undertake the classification studies recommended in Phase I and, to the extent indicated by the studies' findings, recommend changes to existing classification procedures for the food and beverage manufacturing or processing industry.

The Agenda included staff's analysis of the operations in the food and beverage manufacturing or processing industry which identified 8 groups: (1) fresh produce packing and handling, (2) produce processing, (3) meat/fish/seafood products manufacturing, (4) baked goods/pasta manufacturing, (5) dairy products/butter substitute manufacturing, (6) beverage manufacturing, (7) value added refining or processing and (8) other food packaging and processing. For each group, the WCIRB analyzed the operational characteristics, payroll and loss experience as well as claim characteristics to identify key classification issues to address in later data driven studies, which was reviewed with the Committee at the meeting.

With respect to the fresh produce packing and handling group, the Committee agreed with staff's recommendation to further study all three classifications in the group: Classifications 2107, *Fruit – fresh fruit packing and handling*, 2108, *Fruit – citrus fruit packing and handling*, and 8209, *Vegetables – fresh vegetable or tomato packing and handling*. A Committee member noted the increase in the loss to payroll

---

<sup>1</sup> For purposes of this review, the WCIRB defined the food and beverage manufacturing or processing industry to include 22 food and beverage manufacturing or processing classifications that are part of the NAICS food and beverage manufacturing groups and/or Food Packaging and Processing Industry Group in the *California Workers' Compensation Uniform Statistical Reporting Plan—1995* (USRP). The 22 classifications were listed in the Appendix included with the Agenda. Twenty-one of these classifications are in the Food Packaging and Processing Industry Group.

<sup>2</sup> "No classification so qualified shall be assigned in any case where another classification more accurately describes the enterprise or where the language of any classification so qualified prescribes other treatment." USRP, Part 3, *Standard Classification System*, Section II, *Classification Terminology*, Rule 17, N.O.C.



ratio for Classification 8209 in 2013 and suggested it would be valuable to evaluate why that occurred as part of the study. The Committee also agreed with staff's recommendation with respect to the produce processing group, which includes Classifications 2111<sup>3</sup>, 2109, *Fruit – dried fruit packing and handling*, 2102, *Fruit or Vegetable Evaporation or Dehydrating*, 2123, *Fruit or Vegetable Processing – fresh*, and 2107, *Fruit or Vegetable Processing – frozen*, to complete a further study of Classifications 2102 and 2109 only.

Staff recommended that no further study was needed for the meat/fish/seafood products manufacturing group, which includes Classifications 2095, *Meat Products Mfg.*, 2113, *Fish or Seafood Products Mfg.*, and 2081, *Butchering/Stockyards*<sup>4</sup>. A Committee member noted, however, that there may be some potential for a further study of whether there is operational overlap between Classifications 2113 and 2095 given Classification 2113 is not fully credible, and staff agreed to further analyze that issue. With respect to the baked goods/pasta manufacturing group, which includes Classifications 2003, *Bakeries or Cracker Mfg.*, and 2002, *Macaroni Mfg.*, the Committee agreed with staff's recommendation to further study Classification 2003 only to determine whether the assigned operations continue to be homogenous or if any distinct segments should be reassigned to new or existing classification(s) and to review doughnut shops (currently assigned to Classification 9079(1), *Restaurants or Taverns*) to determine whether to combine retail bakeries and doughnut shops in the same classification.

With respect to the dairy products/butter substitute manufacturing group, which includes Classifications 2063, *Dairy Products or Ice Mfg.*, and 4717, *Butter Substitute Mfg.*, the Committee agreed with staff's recommendation to further study Classification 4717 to determine if it should continue to be a standalone classification or if some or all of the operations contemplated by this classification should be combined with another classification(s) with similar operations and payroll and claim experience. The Committee also agreed with staff's recommendation that no further study was needed with respect to the beverage manufacturing group, which includes Classifications 2116, *Juice or Juice Concentrate Mfg.*, and 2163, *Bottling*.

Staff recommended with respect to the value-added refining or processing group, which consists of Classifications 4683<sup>5</sup>, 2030, *Sugar Mfg. or Refining*, 0096, *Nut Hulling, Shelling or Processing*, and 2014(1), *Grain or Rice Milling*, to further study Classifications 2030 and 4683 to determine if they should continue to be standalone classifications or if some or all of the operations contemplated by these classifications should be combined with other classifications with similar operations and payroll and claim experience. The Committee agreed with the recommendation and noted that when evaluating Classification 2014(1) as a possible destination classification it would be important to include Classification 2014(2), *Feed Mfg.*, as part of the analysis.

Finally, the Committee agreed with staff's recommendation with respect to the other food packaging and processing group to further review the operations and loss and payroll experience of Classification 6504, *Food Products Mfg. or Processing*, to determine whether Classification 6504 continues to include homogenous operations or whether it should be modified to reassign some operations to new or existing classification(s). The Committee noted that it would be important to complete this evaluation in combination with the assessments of the other groups as there may be opportunities to further refine the recommendations.

---

<sup>3</sup> Classification 2111 consists of three alternate phraseologies (or suffixes): 2111(1), *Fruit or Vegetable Preserving*, 2111(2), *Olive Handling*, and 2111(3), *Fruit or Vegetable Pickling*.

<sup>4</sup> Classification 2081 consists of two alternate phraseologies (or suffixes): 2081(1), *Butchering*, and 2081(2), *Stockyards*.

<sup>5</sup> Classification 4683 consists of two alternate phraseologies (or suffixes): 4683(1), *Vegetable Oil Mfg. or Refining*, and 4683(2), *Cottonseed Oil Mfg. or Refining*.

Classification and Rating Committee  
Meeting Minutes for August 8, 2023

The meeting was adjourned at 10:20 AM.

\* \* \* \* \*

Note to Committee Members: These Minutes, as written, have not been approved. Please refer to the Minutes of the meeting scheduled for November 14, 2023 for approval and/or modification.

# Actuarial Committee

## Meeting Minutes

Date	Time	Location	Staff Contact
September 12, 2023	9:30 AM	Microsoft Teams Webinar	Sean Cooper
1901 Harrison Street, 17 <sup>th</sup> Floor • Oakland, CA 94612 • 415.777.0777 • Fax 415.778.7007 • www.wcirb.com • wcirb@wcirb.com			

Released: October 13, 2023

### Members

Mauro Garcia  
Ika Irsan\*  
Matt Jahnke  
Joel Clark  
Joanne Ottone\*  
Mark Priven\*  
Kate Smith  
Bryan Ware  
Chris Westermeyer

### Representing

Zurich North America  
Republic Indemnity Company of America  
CopperPoint Insurance Companies  
Accident Fund Group, Inc.  
Berkshire Hathaway Homestate Companies  
Public Members of Governing Committee  
State Compensation Insurance Fund  
AmTrust  
Travelers

### California Department of Insurance

Yvonne Hauscarriague  
Margaret Hosel  
Giovanni Muzzarelli  
Mitra Sanandajifar

### WCIRB

Bill Mudge\*  
Sean Cooper  
Laura Carstensen\*  
Tony Milano\*  
Dilan Sahin\*  
Katrina Sonka\*  
Shane Steele  
Claudia Zhou\*

\* Attended in person

The meeting of the Actuarial Committee was called to order at 9:30 AM following a reminder of applicable antitrust restrictions, with Mr. Sean Cooper, Executive Vice President and Chief Actuary, presiding.

\* \* \* \* \*

### Approval of Minutes

The Minutes of the meeting held on June 22, 2023, 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**

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.

© 2023 Workers' Compensation Insurance Rating Bureau of California. All rights reserved.

No part of this work may be reproduced or transmitted in any form or by any means, electronic or mechanical, including, without limitation, photocopying and recording, or by any information storage or retrieval system without the prior written permission of the Workers' Compensation Insurance Rating Bureau of California (WCIRB), unless such copying is expressly permitted in this copyright notice or by federal copyright law. No copyright is claimed in the text of statutes and regulations quoted within this work.

Each WCIRB member company, including any registered third party entities, (Company) is authorized to reproduce any part of this work solely for the following purposes in connection with the transaction of workers' compensation insurance: (1) as necessary in connection with Company's required filings with the California Department of Insurance; (2) to incorporate portions of this work, as necessary, into Company manuals distributed at no charge only to Company employees; and (3) to the extent reasonably necessary for the training of Company personnel. Each Company and all agents and brokers licensed to transact workers' compensation insurance in the state of California are authorized to physically reproduce any part of this work for issuance to a prospective or current policyholder upon request at no charge solely for the purpose of transacting workers' compensation insurance and for no other purpose. This reproduction right does not include the right to make any part of this work available on any website or any form of social media.

Workers' Compensation Insurance Rating Bureau of California, WCIRB, WCIRB California, WCIRB Connect, WCIRB Inquiry, WCIRB CompEssentials, X-Mod Direct, eSCAD, Comprehensive Risk Summary, X-Mods and More, Annual Business Comparative and the WCIRB California logo (WCIRB Marks) are registered trademarks or service marks of the WCIRB. WCIRB Marks may not be displayed or used in any manner without the WCIRB's prior written permission. Any permitted copying of this work must maintain any and all trademarks and/or service marks on all copies.

To seek permission to use any of the WCIRB Marks or any copyrighted material, please contact the WCIRB at [customerservice@wcirb.com](mailto:customerservice@wcirb.com).

## **Item II**

### **Working Group Meeting Summaries**

The summary of the Actuarial Research Working Group meeting held on August 9, 2023 was included in the Agenda for the Committee's review and was accepted by the Committee.

### **Item AC21-03-03 Review of COVID-19 Claim Diagnostics**

Staff presented the diagnostic exhibits and discussed key observations and trends with the Committee members. Staff highlighted that reported COVID-19 claims stabilized at around 2% in the past 18 months since the Omicron surge in December 2021 and January 2022.

Staff presented estimates of incurred severities for COVID-19 and non-COVID-19 indemnity claims for accident years (AYs) 2020 through 2022, noting that COVID-19 severities in 2022 were significantly lower than for the prior two years at the same maturity level. Staff also noted that the severity differential between COVID-19 claims and non-COVID-19 claims was more significant in AY 2022 than for the prior two years.

Staff highlighted that the share of indemnity-only COVID-19 claims is higher for AY 2022 than for AY 2021. Staff showed the severity distributions of incurred losses for COVID-19 and non-COVID claims and noted that the distributions of COVID-19 claims had remained stable at later report levels for AYs 2020 and 2021, and that the distribution of COVID-19 claims at first report for AY 2022 is less severe than for prior AYs.

Staff shared that COVID-19 claim diagnostics would no longer be presented as a standalone item but would be integrated into the standard claim diagnostics package going forward.

## **Item AC23-09-01**

### **Third Quarter 2023 Review of Diagnostics**

Staff summarized the feedback from the Claims Working Group (CWG) on several of the diagnostics discussed at the CWG's September 7, 2023 meeting. It was noted that the historically low share of permanent indemnity claims suggests that the shift towards more temporary claims is a significant deflating factor in recent indemnity and medical severity trends.

The Committee then discussed the ratio of incremental closed indemnity claims to prior open indemnity claims, which has been generally flat over the most recent calendar year. It was noted that a possible contributing factor discussed by the CWG could be the qualified medical evaluation (QME) with duplicate cumulative trauma applications covering the same period but differing by one day, resulting in involvement with different panels.

Staff presented the average paid medical severities on open claims over the most recent calendar year, showing modest increases. The Committee discussed a possible contributing factor being higher inflation rates in recent years. The CWG also noted higher inflation rates as an incentive for insurers to settle claims faster to avoid higher medical costs in the future.

## **Item AC23-09-02 6/30/2023 Experience Review**

Staff presented a summary of the analysis of statewide accident year experience evaluated as of June 30, 2023, which was included in the Agenda. It was noted that the projected loss ratio for policies incepting between September 1, 2023 and August 31, 2024 based on June 30, 2023 experience and the methodologies reflected in the September 1, 2023 Pure Premium Rate Filing (Filing) was generally consistent with the projection included in the Filing, which reflected December 31, 2022 experience.

Staff noted that COVID-19 premium charges and COVID-19 claims continued to be excluded from the exhibits for accident years 2020 and later. Given the very low rates of COVID-19 claims in 2023 and that COVID-19 will be a workers' compensation exposure for the foreseeable future, staff suggested including COVID-19 premium charges and claims in the accident year 2023 experience to be reviewed at the next meeting. The Committee was comfortable with this approach.

During the discussion, the Committee noted the following:

- Early period paid and incurred loss development emerging in the second quarter of 2023 was moderately higher than projected, particularly for medical. This resulted in projected ultimate medical loss ratios modestly higher than those projected in the Filing. The increase was likely impacted by inflationary increases to medical fee schedules adopted by the Division of Workers' Compensation at the end of 2022. Staff plans to review WCIRB medical transaction data prior to the next meeting to analyze potential drivers of the loss development increase. Later period loss development was generally emerging consistent with projections.
- Changes in indemnity claim settlement rates continued to be flat through the second quarter of 2023. Given this pattern, the Committee discussed the continued appropriateness of the claim settlement rate adjustment to early period loss development. The consensus of the Committee was to not reflect the claim settlement rate adjustment in the summary of experience to be presented at the next meeting but continue to review it as an alternative loss development method in the context of the next pure premium rate filing.
- Average wage changes forecast by the UCLA Anderson School of Business as of June 2023 were modestly higher than those forecast at the time of the Filing and this had a dampening impact on the loss ratio projections. The wage changes forecast were generally consistent with long-term average changes in average annual California wages.
- The estimated indemnity claim frequency change for accident year 2022 based on aggregate indemnity claim counts and statewide employment was slightly higher than that projected in the Filing but closer to that forecast by the WCIRB indemnity claim frequency model.
- The indemnity claim frequency changes forecast by the WCIRB's model for accident years 2023 through 2025 were modestly lower than those in the Filing. This was due to a slightly lower economic variable for those years with a slightly higher unemployment rate forecast by UCLA.
- The higher emerging loss development in the second quarter resulted in slightly higher indemnity and medical claim severity changes compared to those reviewed last quarter. The projected indemnity and medical severity trends reflected in the Filing continued to appear appropriate given the emerging experience.
- Paid ALAE development continued to increase in the second quarter of 2023, corresponding with the increase in paid medical loss development.



### **Item AC23-09-03**

#### **Impact of Payroll Limitations in the Frequency Model**

Staff presented an investigation of the impact on the WCIRB's indemnity claim frequency model of classifications that have recently changed to reporting unit statistical payroll on a limited basis. The Committee was reminded that for classification ratemaking, historical payroll is adjusted to a limited basis.

Staff presented the results of two potential methods of accounting for the change in payroll reporting. The first was to allow the reported data to flow through the hazardousness adjustment already included in the model. The second was to adjust historical payroll in a manner analogous to the adjustment made for classification ratemaking.

Staff described a testing methodology that allowed testing of several different potential scenarios. This scenario testing showed:

- Adjusting historical payroll would result in the true frequency change when the factors selected to adjust payroll were equal to the true factors.
  - Estimation error using this method increases as the selected factor deviates from the true factor.
  - This method outperforms the hazardousness adjustment unless the selected factor to limit payroll is significantly more extreme than the true factor.
- Using the hazardousness adjustment will result in estimation error that increases with each of:
  - The size of the classification, as measured by payroll.
  - The share of payroll eliminated by limitation.
  - The relative frequency of the classification.

Staff presented results showing that using actual unit statistical data, the difference between the two methods was negligible and noted that this was due to the very low claim frequencies of the affected classifications. Finally, staff showed that significant measurement error would be introduced if the hazardousness adjustment was used when the limited classification has high claim frequency.

Staff recommended using the hazardousness adjustment, without any direct adjustment of reported payroll, given the minimal impact of the choice of methodology. A Committee member asked if this selection pertained only to the frequency model and staff confirmed.

**Item AC23-09-04**  
**WCIRB Member Analytics Tools**

Staff presented a demonstration of enhancements to the WCIRB AnalyticsPortal and WCIRB Inquiry® member analytics tools that were recently released to subscribed members.

Actuarial Committee  
Meeting Minutes for September 12, 2023

The meeting was adjourned at 11:00 AM.

\* \* \* \* \*

Note to Committee Members: These Minutes, as written, have not been approved. Please refer to the Minutes of the meeting scheduled for December 5, 2023 for approval and/or modification.

## **Item V-A**

### **Potential 2024 Actuarial and Research Projects**

Potential actuarial and medical research studies under consideration for 2024 are shown below. Also shown for each potential study is staff's assessment of the status of the study. Classification studies are separately reviewed by the Classification & Rating Committee. Committee input is being solicited as to the completeness and relative priority of these potential studies, which have been reviewed by the Actuarial Committee at the December 5, 2023 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. At the Public Hearings on recent pure premium rate filings, the CDI raised several questions related to the claim frequency projections.

**Project Status:** The WCIRB regularly reviews its frequency projection model and has made a number of enhancements over the years. Staff completed a comprehensive study of the frequency projection model in 2021 with recommended methodology enhancements approved by the Actuarial Committee at the December 9, 2021 meeting. While most of the enhancements were adopted by the Committee for use in the September 1, 2022 Pure Premium Rate Filing, implementation of several were deferred due to the anomalous impact of some of the emerging post-pandemic data on the model. Staff presented a review of these potential frequency model enhancements with an additional year of data in the first quarter of 2023, but the implementation was again deferred.

**Staff anticipates presenting another review of these potential frequency model enhancements in the first quarter of 2024 for possible inclusion in the September 1, 2024 Pure Premium Rate Filing.**

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 2024.

3. 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:** WCIRB aggregate data calls were modified in 2021 to collect information on insurer premium charges related to COVID-19. A summary of the premium information collected for 2021, 2022 and 2023 will be summarized for the Actuarial Committee in the second quarter of 2024.

#### **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 2023 calendar year report is required to be completed by June 2024.

**Project Status:** Staff anticipates publishing the required report by the end of the second quarter of 2024. 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 2024.

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 2023 dividends to the CDI by the third quarter of 2024.

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 annual report to the CDI in the second quarter of 2024.

#### C. COVID-19 Pandemic Related Research

1. Projected Cost of Future COVID-19 Claims. Approximately 300,000 workers’ compensation claims have been filed in the state. Beginning in mid-2020, the Actuarial Committee has been reviewing the potential impact of COVID-19 claims on advisory pure premium rates.

**Project Status:** In 2020, the WCIRB published several evaluations of prospective and adopted presumptions of compensability for specified COVID-19 claims. The WCIRB’s Amended January 1, 2021 Pure Premium Rate Filing included an evaluation of the cost impact on COVID-19 claims on 2021 policies that contemplated the impact of the presumption in Senate Bill No. 1159. Based on updated projections of COVID-19 cost drivers available at various points in time:

- The September 1, 2021 and September, 2023 Pure Premium Rate Filings did not include a provision for the projected cost of COVID-19 claims.
- The September 1, 2022 Pure Premium Rate Filing did include a provision for the projected cost of COVID-19 claims.

**Staff will propose a strategy for addressing the projected cost of COVID-19 claims as part of the September 1, 2024 Pure Premium Rate Filing process in the second quarter of 2024.**

2. Impact of Pandemic-Related Recession on Wage and Claim Projections. Unemployment in California increased sharply during the pandemic and resultant stay-at-home orders resulting in many business slowdowns and closures. The impacts of the recession varied dramatically by industry sector and wage level and the economic recovery over the last two years has been uneven. Sharp economic shifts can significantly impact future changes in wage levels, claim frequency and claim severity.

**Project Status:** In 2020, the WCIRB published a research brief on the impact of economic downturns on indemnity claim frequency. In early 2021, early 2022 and early 2023, staff presented updated analyses of the impacts of the pandemic on wages, premiums, claim frequencies and claim severities and many of those projected impacts were reflected in the September 1, 2021, September 1, 2022 and September 1, 2023 Pure Premium Rate

**Filings. Staff anticipates updating these projections in consideration of the September 1, 2024 Pure Premium Rate Filing in the first and second quarters of 2024.**

3. COVID-19 Claim Indicators. The COVID-19 pandemic is having a significant impact on emerging costs. 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:** In 2020, the WCIRB initiated a COVID-19 cost monitoring process using indemnity transaction data, medical transaction data, unit statistical 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 at several Actuarial Committee meetings, and research briefs summarizing the latest available information were published in October 2021 and October 2022. Staff continued to provide regular updates to the Committee in 2023 and an updated research brief on COVID-19 claim characteristics was published in October 2023. COVID-19 has become more endemic and the volume and cost of COVID-19 claims declined during 2022 and remained stable in 2023. In 2024 and forward, staff does not plan to present COVID-19 claim diagnostics as a standalone item but will integrate COVID-19 data into the standard claim diagnostics package.

4. Countrywide COVID-19 Claim Information. While there have been several state-specific analyses of the impact of COVID-19 claims on the workers' compensation system, limited analyses published from a countrywide perspective have been published. In 2021, the WCIRB, NCCI and several other independent bureaus have discussed preparing an analysis summarizing the countrywide impact of COVID-19 claims as well as highlighting state differentials.

**Project Status:** Staff collaborated with a team of actuaries from other rating bureaus to prepare an analysis of the countrywide patterns of COVID-19 claim characteristics based on aggregate data evaluated as of December 31, 2020. The report was published on December 15, 2021. An updated study based on aggregate financial data as of December 31, 2021, as well as unit statistical data was published on November 15, 2022, and a webinar summarizing the results took place in January 2023. No further work on this countrywide analysis is anticipated for 2024.

5. COVID-19 Claim Severity and "Long COVID". Extensive information is available on the number of COVID-19 claims. However, given how recently these claims have occurred, the nature of the more severe claims and typical lags in the reporting of hospital payments, limited information has been summarized on the cost and treatment patterns of COVID-19 claims. Similarly, there is limited information available on the potential impact of post-acute sequelae SARS-CoV-2 (commonly referred to as "long COVID") claims on the workers' compensation system.

**Project Status:** An analysis of the cost and treatment patterns of severe COVID-19 claims based on data from both the workers' compensation system and the group health system was published on March 2, 2022. An update was presented to the Actuarial Committee for review at the December 8, 2022 meeting and an update was published in June 2023. Another update of the Long COVID component of the study based on an additional year of experience will be presented to the Actuarial Committee at the December 5, 2023 meeting and the publication of a second update to the original study is anticipated to be published in the third quarter of 2024.

6. Telemedicine. With the COVID-19 pandemic and resultant stay-at-home orders, the use of telemedicine in workers' compensation has increased. While the level of telemedicine services has declined somewhat from the early months of the pandemic, it appears that telemedicine will remain a permanent component of the workers' compensation system. At the November 4, 2021

meeting, the Medical Analytics Working Group (MAWG) recommended that the WCIRB complete an in-depth analysis of the use of telemedicine in workers' compensation.

**Project Status: In 2020 and 2021, staff presented regular summaries of costs reported in telemedicine codes to the Actuarial Committee. Staff presented an in-depth analysis of telemedicine for Actuarial Committee review at the December 8, 2022 meeting and a report was published in March 2023. Staff does not anticipate further analysis of this issue in 2024.**

7. 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 beyond the pandemic. A new classification for telecommuting was proposed by the WCIRB and adopted by the Insurance Commissioner effective January 1, 2021.

**Project Status: At the August 4, 2020 Actuarial Committee and August 7, 2020 Classification and Rating (C & R) Committee meetings, the Committees agreed that the advisory pure premium rate for the new classification being proposed to be initially equal to that for the clerical classification. Both Committees also recommended that preliminary experience emerging in the new classification be reviewed as soon as initially available to assess whether there is a significant differential in experience between the new classification and the clerical classification. Staff presented its analysis of emerging experience in the new telecommuting classification to both the Actuarial Committee and the C & R Committee during 2023 for consideration in the September 1, 2023 Regulatory and Pure Premium Rate Filings and included an adjustment to the pure premium rate for the new classification, Classification 8871, in the September 1, 2023 Pure Premium Rate Filing. During 2024, staff plans to present the latest Classification 8871 experience for Actuarial Committee review in consideration of the September 1, 2024 Pure Premium Rate Filing by the second quarter of 2024.**

8. Impact of Pandemic on Classification Relativities. While COVID-19 claims have been excluded from classification relativities as from experience rating and overall pure premium ratemaking, the indirect pandemic impacts have affected different classifications in different ways. As a result, staff is reviewing potential adjustments to the classification ratemaking process to correct for any potential distortions caused by the pandemic.

**Project Status: Staff presented an initial analysis of alternative approaches at the September 13, 2022 meeting. Staff's recommendations were adopted by the Actuarial Committee and included in the September 1, 2023 Regulatory Filing in February 2023. At the December 5, 2023 meeting, staff will review the adjustments, as appropriate, with respect to the September 1, 2024 filings.**

9. Future Pandemic Losses. With the COVID-19 pandemic emerging in 2020 and generating more than 300,000 workers' compensation claims in California, the Actuarial Committee has discussed analyses of the potential system costs of future pandemics.

**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. Staff does not anticipate further analysis of this issue in 2024 but suggests that consideration be given as to whether a study in the future may be appropriate.**

#### **D. Cost Impact of Legislative and Regulatory Changes**

1. 2021 Fee Schedule Changes. Effective March 1, 2021, the DWC adopted changes to the Evaluation and Management Section of California's Official Medical Fee Schedule (OMFS) to conform to recent changes to Medicare that included significant changes to the values and

structure of the Schedule. Effective April 1, 2021, the DWC adopted significant changes to California's Medical-Legal Fee Schedule intended to increase the reimbursement rate for medical-legal reports while eliminating the increased hourly billing provisions.

**Project Status:** The WCIRB's evaluation of the impact of the 2021 fee schedule changes was included in the WCIRB's September 1, 2021 Pure Premium Rate Filing. Staff's initial retrospective evaluation of these two fee schedule changes were reviewed by the Actuarial Committee at the April 14, 2022 meeting with updated estimates reflected in the September 1, 2022 Pure Premium Rate Filing. Given that the impact of the Medical-Legal Fee Schedule change was much greater than originally estimated, staff completed a retrospective evaluation of the impact of the April 1, 2021 Medical-Legal Fee Schedule for review at the April 13, 2023 Actuarial Committee meeting, and updated estimates were reflected in the September 1, 2023 Pure Premium Rate Filing. Staff anticipates completing another retrospective evaluation of the impact of the April 1, 2021 Medical-Legal Fee Schedule for Actuarial Committee review in consideration of the September 1, 2024 Pure Premium Rate Filing by the second quarter of 2024.

2. Additional Fee Schedules. SB 863 provided for new fee schedules for interpreter and home health services to be promulgated.

**Project Status:** At this time, the DWC has not promulgated final schedules for interpreter or home health services. If any of those fee schedules are finalized or significant changes are made to an existing fee schedule, 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. Adjustments to Loss Development Projections for Reforms. In that legislative and regulatory reforms can not only impact overall cost levels but also the rate at which claims are paid, the WCIRB often adjusts loss development patterns for the impact of the reforms.

**Project Status:** The WCIRB regularly reviews the adjustments to loss development for reform impacts as part of the annual pure premium rate process. Staff anticipates continuing to review these adjustments as part of the regular review of alternative loss development projections in the second quarter of 2024.

#### **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 completed a comprehensive study of loss development as the first phase of a multi-year comprehensive study of classification ratemaking methodologies with the results included in the September 1, 2022 Regulatory Filing. The second phase of the study, which focused on payroll on-leveling for the impact of wage growth was reviewed by the Actuarial Committee at the December 9, 2021 meeting and reflected in the September 1, 2022 Regulatory Filing. Staff presented the results of the third phase of the comprehensive review focusing on pure premium ratemaking for smaller classifications at the December 6, 2022 Actuarial Committee meeting. Staff is presenting the results of the fourth phase of this comprehensive review with a focus on loss limitations at the December 5, 2023 meeting. In 2024, staff anticipates continuing its analysis of small classification ratemaking with recommended methodology enhancements to be presented to the Actuarial Committee in the fourth quarter of 2024.



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 2023 update to the dual wage thresholds was approved by the C & R Committee at the November 14, 2023 meeting for inclusion in the September 1, 2024 Regulatory Filing. Staff anticipates completing the next comprehensive study of the dual wage thresholds for the C & R Committee's review by the fourth quarter of 2025 in preparation for the September 1, 2026 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 and it was agreed that staff begin 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 January 1, 2020. The CDI approved payroll limitations for six additional classifications as part of the September 1, 2021 Regulatory Filing to be effective September 1, 2022. Pure premium rates for these classifications reflected estimated adjustments for the impacts of the limitations on payroll. In 2022, staff validated the reasonability of initial pure premium rate adjustment factors by completing a survey of payroll audits to help analyze the accuracy of the advisory pure premium rate adjustment factors to reflect payroll limitations that have been applied. At the May 17, 2022 C & R Committee meeting, the Committee approved establishing payroll limitations for six additional classifications to be included in the September 1, 2023 Regulatory filing to be effective September 1, 2024. In 2024, staff anticipates exploring a further broadening of the payroll limited classifications.

4. Loss Development Analysis. While the WCIRB regularly reviews the accuracy of alternative loss development methodologies, at the April 14, 2022 meeting, the Committee noted the recent diverging of paid and incurred methodology projections. As a result, a more in-depth exploration of recent paid and incurred patterns was suggested.

**Project Status:** Staff presented analysis comparing paid and incurred loss development patterns at the December 8, 2022 meeting as well as at the April 13, 2023 meeting. Staff has been reviewing a blended methodology that uses incurred development at early development ages and paid development at later development ages and plans to present this work at the December 5, 2023 meeting.

5. Allocated Loss Adjustment Expense (ALAE) Development. At the April 14, 2022 Actuarial Committee meeting, the Committee noted that after an extended period of decline, ALAE development has begun to increase with the pandemic-related slowdown in claim settlement. While the last several filings included adjustments to ALAE development for changing settlement patterns, the Committee suggested that the paid ALAE development methodology should be reviewed.

**Project Status:** Staff presented an analysis of ALAE development patterns and methodologies for the Actuarial Committee's review in the first and second quarters of 2023 and does not anticipate further work on this issue in 2024.

## **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 \$3 million in incurred value on an on-level and trended basis). The WCIRB plans to collaborate with other rating bureaus to publish an updated study of “mega” claims. It is anticipated that the threshold of this study will be \$2 million in incurred value and that the study will also include exposure and more refined claim groupings. Staff has also been conducting some internal analyses exploring machine learning techniques to identify early drivers of what makes certain relatively small claims increase into very large claims and anticipates continuing this work in 2024.**

2. 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 2024.**

3. 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 of 2018. Staff’s analysis of the medical characteristics of cumulative trauma claims was presented to the Actuarial Committee at the September 13, 2022 meeting and a report was published in December 2022. Staff does not anticipate further analysis of this issue in 2024.**

4. Analysis of Claim Duration. Despite improvement over the last decade, average claim duration in California is significantly higher than in most other jurisdictions and a significant driver of the higher-than-average premium rates in the state.

**Project Status: Staff’s analysis of the key drivers of the extended claim duration in California was presented to the Actuarial Committee at the September 13, 2022 meeting and a report was published in November 2022. Staff does not anticipate further analysis of this issue in 2024.**

5. Analysis of Work-Related Violence in the Workers’ Compensation System. Worker injuries resulting from workplace violence has become a significant component of the California workers’ compensation system. Staff has identified over 100,000 claims involving workplace violence injuries between 1993 and 2019.

**Project Status: Staff entered a partnership with researchers at Johns Hopkins University to jointly study workplace violence claims in California. The partner researcher left Johns Hopkins before preliminary results could be published, but staff will share preliminary results with the Actuarial Committee at the December 5, 2023 meeting and anticipates publishing a report in the second quarter of 2024.**

6. Impact of Employee Tenure on Claim Frequency. Published studies have shown that newer workers are more likely to be injured on the job than more experienced workers. Increases in new hires as the economy began to recover from the pandemic-related downturn has been suggested as a driver of the sharp increase in claim frequency in 2021.

**Project Status:** Staff has started a comprehensive study of the impact of changing employee tenure on claim frequency and a comparison of changes in tenure among injured workers and those of the general worker population in California. Staff plans to present initial results to the Actuarial Committee at the December 5, 2023 meeting and anticipates publishing a report in the first quarter of 2024.

#### **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 Experience Rating Plan being adopted and noted that staff had not completed a comprehensive review of experience rating eligibility in a number of years.

**Project Status:** In 2020 and early 2021, staff completed a review of the eligibility threshold for experience rating that showed that the threshold could be reduced and was accepted by the Actuarial Committee at the December 11, 2020 meeting and by the C & R Committee at the May 18, 2021 meeting. Staff began some initial outreach to stakeholders on reducing the experience rating threshold but has deferred further activity due to operational concerns.

2. Experience Rating Parameters. Until 2020, it had been several years since the parameters of the WCIRB's variable split Experience Rating Plan (Plan) had been updated. 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 a comprehensive analysis of the Experience Rating Plan parameters with recommended changes approved by the Actuarial Committee at the April 2, 2020 meeting for inclusion in the January 1, 2021 Regulatory Filing. As recommended in the analysis, staff now develops regular annual changes to the primary threshold intervals and D-ratio credibility constants in the Plan for inclusion in subsequent regulatory filings. Considering recent volatility in experience, staff specifically reviewed the D-ratio credibility methodology and presented its analysis to the Actuarial Committee at the February 14, 2023 meeting. At that time, the Committee agreed to use the same credibility constants from the September 1, 2022 Regulatory Filing in the September 1, 2023 Regulatory Filing.

**Staff intends to conduct an abbreviated review of the updated values in advance of the September 1, 2024 Regulatory Filing and anticipates prioritizing a study on the credibility methodology used for D-ratios during 2024.**

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:** The WCIRB published its report called "Does Experience Rating Help Keep Workers Safe?" in March 2023. Staff does not anticipate further analysis of this issue in 2024.

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, but a comprehensive analysis has not been undertaken for some time. The methodology used for this process was adopted by the Actuarial Committee at the June 11, 2008 meeting.

**Project Status:** Staff began a comprehensive review of the expected loss rate projection methodology during 2023 and anticipates presenting initial results to the Actuarial Committee in the first quarter of 2024.

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:** Staff annually updates loss elimination ratios for purposes of classification ratemaking. Staff began the multi-year effort of comprehensively reviewing the Retrospective Rating Plan values by presenting a summary of the updated loss development process at the December 8, 2022 meeting. Staff continued this work in 2023 and is presenting its review of the Retro Hazard Groups at the December 5, 2023 meeting. Staff plans to continue this work in 2024 with the objective of updating advisory plans in early 2024 to be effective September 1, 2024.

#### H. Other Potential Studies

1. Analysis of California Regional Differences. Recent WCIRB analyses of claim frequency, cumulative injuries, liens, allocated loss adjustment 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 2023. Staff anticipates continuing this work in 2024 with the annual update report to be published during the fourth quarter of 2024.

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 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 2024 with a comprehensive update anticipated by the third quarter of 2024.

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:** In 2021 staff has acquired a comprehensive dataset of group health transaction data to facilitate this type of comparative analysis with an update to the dataset acquired in 2022. From 2021 through 2023, staff has used this data to better understand the severity of COVID-19 claims and "long COVID." In future years, staff plans

**to explore using this information to study potential cost shifting between systems and differences in treatment patterns between workers' compensation and group health.**

3. 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. In 2018, the WCIRB contracted with Risk Management Solutions (RMS) 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 2024.**

4. 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 an 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 an 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 2024.**

## **Item V-B**

### **Schedule of 2024 Meetings**

Following is the proposed schedule of Governing Committee meetings for 2024. The WCIRB will continue to welcome all interested parties to attend the meetings virtually. In addition, fully vaccinated Committee members may attend either in person or virtually.

<b>Day of Week</b>	<b>Date &amp; Time</b>	<b>Comment</b>
Thursday	February 8, 2024 at 9:30 AM	Consideration of September 1, 2024 Regulatory Filing
Wednesday	April 17, 2024 at 9:30 AM	Consideration of September 1, 2024 Pure Premium Rate Filing
Wednesday	September 25, 2024 at 9:30 AM	
Wednesday	December 11, 2024 at 9:30 AM	

Additional dates to note:

Tuesday	March 12, 2024	Annual Meeting of the Membership (virtual)
Thursday	July 18, 2024	WCIRB Annual Conference (virtual)