

# Governing Committee

## Meeting Minutes

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| <b>Date</b>   | <b>Time</b> | <b>Location</b>   | <b>Staff Contact</b> |
|---------------|-------------|---|----------------------|
| June 13, 2018 | 1:00 PM     | WCIRB California<br>1221 Broadway, Suite 900<br>Oakland, CA | Eric S. Riley        |

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### **Insurer Members**

Everest National 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  
Zurich American Insurance Company

### **Represented by**

Michael Mulray  
Gretchen Thompson  
Shawn Wright  
Steve Gallacher  
Vernon Steiner  
Eric Belk  
Paul Ramont  
Susan Gordon

### **Public Members**

Roberto Cortez  
Jeremy Smith\*  
Karyn Smithson-Hughes  
Mitch Steiger\*

### **Representing**

Insured Employers  
Organized Labor  
Insured Employers  
Organized Labor

### **California Department of Insurance**

Patricia Hein  
Brentley Yim

### **WCIRB**

Bill Mudge  
David Bellusci  
Brenda Keys  
Mike Knibbs  
Eric Riley  
Brian Gray

### **Counsel**

Dan Brown, Drinker, Biddle & Reath LLP

\* Participated via teleconference

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The meeting of the Governing Committee was called to order at 1:00 PM following a reminder of applicable antitrust restrictions, with Chair Steve Gallacher presiding.

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#### **Item I**

##### **Approval of the Minutes**

The Minutes of the Governing Committee meeting held on April 4, 2018 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 II**

##### **Additions to the Agenda**

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

#### **Item III**

##### **Ratification of Actions of WCIRB Committees**

The Minutes of the Actuarial Committee meetings held on March 19, 2018 and April 3, 2018 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 meetings held on March 20, 2018 and May 8, 2018 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 IV-A**

##### **July 1, 2018 Pure Premium Rate Filing Summary**

Dave Bellusci, WCIRB Executive Vice President and Chief Actuary, reminded the Committee that at the April 4, 2018 meeting, it approved the filing of proposed July 1, 2018 advisory pure premium rates that reflected an average of \$1.80 per \$100 of payroll. Mr. Bellusci advised the Committee that the July 1, 2018 pure premium rate filing was submitted to the California Department of Insurance on April 9, 2018 and a public hearing on the filing was held on May 2, 2018. On May 29, 2018, the Insurance Commissioner approved advisory pure premium rates that averaged \$1.74 per \$100 of payroll, which is 3.3% less than the \$1.80 filed by the WCIRB and \$10.3% less than the average approved January 1, 2018 advisory pure premium rate. The approved July 1, 2018 advisory pure premium rates differed from those proposed by the WCIRB in that the approved advisory pure premium rates in part incorporated incurred loss development in the projection of ultimate medical losses and reflected a medical severity trend projection of 1% annually in lieu of the 3% reflected in the WCIRB's filing.

#### **Item V-A**

##### **January 1, 2019 Regulatory Filing**

Brenda Keys, WCIRB Senior Vice President and Chief Legal Officer, presented a summary of the changes the Classification and Rating Committee (C & R) recommended be made to the *California Workers' Compensation Uniform Statistical Reporting Plan—1995 (USRP)*, *Miscellaneous Regulations for the Recording and Reporting of Data—1995 (Miscellaneous Regulations)*, and *California Workers'*

*Compensation Experience Rating Plan—1995 (ERP)* for inclusion in the WCIRB's January 1, 2019 regulatory filing. Ms. Keys advised the Committee that the WCIRB anticipates submitting the proposed changes to the California Department of Insurance before the end of June. Most of the changes, if approved, would take effect January 1, 2019 although some changes related to limiting payroll in certain specified classifications are proposed to take effect January 1, 2020 to allow time for outreach and education. Ms. Keys highlighted the key January 1, 2019 recommendations including clarifying the treatment of equity-based compensation plans as well as amending the classification procedures related to select California industries including: (1) Private Schools; (2) Telecommunications; (3) Aircraft Charter Operations; (4) Breweries, Wineries and Distilleries; and (5) Salvage Material Dealers. Ms. Keys also noted that the C & R Committee recommended amendments to the USRP effective in 2020 to expand the number of classifications subject to annual payroll limitations.

Following Ms. Keys' presentation, Dave Bellusci, provided a detailed overview of the recommended changes to the classification treatment of those operations currently assigned to Classifications 8868 *Colleges or Schools – private – not automobile schools – professors, teachers or academic professional employees*, and 9101, *Colleges or Schools – private – not automobile schools – all employees other than professors*. In his presentation, Mr. Bellusci explained that, given the wide diversity of employers assigned by analogy to the private colleges and schools classifications, WCIRB staff performed a comprehensive review to assess whether these classifications could be better defined and whether additional classifications should be established for homogeneous subgroups. The study identified several distinct subgroups with homogeneous operations and relatively similar exposure to workers' compensation losses. Based on this review, the C & R Committee recommended amending the USRP to provide separate classification requirements for each of the following distinct and identifiable industries: (1) Private K-12 Schools, Colleges and Universities, (2) Vocational Schools, (3) Educational and Enrichment Supplemental Programs, (4) Training or Day Programs for Adults with Developmental Disabilities, (5) Special Educational Services for Children or Youth, (6) Senior Programs and (7) Social Service Organizations. Mr. Bellusci advised the Committee that the WCIRB had conducted extensive outreach and education with the affected employer groups and their insurance representatives. These education efforts included providing the employer groups an overview of the proposed new classifications as well as the potential impact to their overall cost of insurance – including changes to their experience modifications.

Mr. Bellusci also provided the committee a detailed overview of the recommendations to expand the number of classifications subject to annual payroll limitations. Mr. Bellusci reminded the Committee that given the wide dispersion of payroll among highly compensated employees and the lack of correlation of exposure to loss with payroll at very high wage levels, limitations on an individual's annual payroll for workers' compensation purposes have been applied in California for certain types of highly compensated employees. Based on an analysis of the wage level distribution for all classifications, the C & R Committee is recommending amendments to the USRP to extend the annual payroll limitations to the classifications applicable to Video Post-Production; Audio Post-Production; Mortgage Brokers; Auditing, Accounting or Management Consulting Services; Law Firms; Computer Programming or Software Development; and Internet or Web-Based Application Development or Operation. These changes are being proposed to take effect January 1, 2020 to allow the WCIRB time to conduct a comprehensive outreach and education program and to refine the calculation of the appropriate pure premium adjustment to reflect the reduction in reported payrolls due to the limitation.

At the conclusion of the discussion, a motion was made and seconded to include all of the recommended changes to the USRP, Miscellaneous Regulations and ERP in the WCIRB's January 1, 2019 regulatory filing. There being no further questions or discussion, the motion passed unanimously.

## **Item V-B**

### **Potential 2018/2019 Classification Studies**

Brian Gray, WCIRB Director of Classification Administration and Education, presented a summary of the classification research studies the WCIRB plans to undertake in preparation for the January 1, 2020

regulatory filing. Mr. Gray advised the Committee that the project list for the January 1, 2020 regulatory filing had been reviewed and approved by the C & R Committee. In the course of Mr. Gray's presentation, a Committee member asked how the WCIRB sets its priorities for classification studies and suggested that the WCIRB incorporate a more analytical approach to identify those classifications that include heterogeneous subgroups of employers and are strong candidates for a more in-depth evaluation. WCIRB staff indicated that developing such an analytical approach to identify classifications for study is currently in progress and that staff would provide an update at an upcoming meeting of the Governing Committee.

**Next Meeting Date**

The Committee noted that the next meeting is scheduled for August 8, 2018.

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There being no further business to come before the Committee, the meeting was adjourned at 2:15 PM.

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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 August 8, 2018 for approval and/or modification.