

Governing Committee

Meeting Minutes

Date	Time	Location	Staff Contact
August 8, 2018	9:30 AM	WCIRB California 1221 Broadway, Suite 900 Oakland, CA	Eric S. Riley

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Released: September 4, 2018

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
Rhianna Ireland
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
Eric Riley
Tony Milano

Public Members' Staff

Mark Priven

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 9:30 AM following a reminder of applicable antitrust restrictions, with Chair Steve Gallacher presiding.

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Approval of the Minutes

The Minutes of the Governing Committee meeting held on June 13, 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

A. Classification and Rating Committee

The Minutes of the Classification and Rating Committee meeting held on May 31, 2018 were provided to Committee members in advance of the meeting for review.

The Committee was also advised that in late July 2018, members of Classification and Rating Committee also approved, via email, amendments to the January 1, 2019 Regulatory Filing. The amendments reflect an industry request to clarify the intended scope of three of the proposed classifications related to the WCIRB's study of the private school classifications. The WCIRB submitted these changes to the California Department of Insurance on August 1, 2018.

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.

B. Actuarial Committee

The Minutes of the Actuarial Committee meeting held on June 15, 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.

Item IV-A

January 1, 2019 Regulatory Filing

Brenda Keys, WCIRB Senior Vice President and Chief Legal Officer, advised the Committee that on June 29, 2018, the WCIRB submitted the January 1, 2019 Regulatory Filing to the California Department of Insurance (CDI). On August 1, 2018, the WCIRB made an amended filing to make clarifying changes to the classification wording of three of the proposed classifications related to the WCIRB's study of the private school classifications. On August 3, 2018, the CDI held a public hearing on the Regulatory Filing. The CDI indicated that it planned to issue a 15-day notice for additional public comment regarding the amended filing.

Ms. Keys also advised the Committee that the WCIRB has notified affected employer associations of the proposed changes that may impact their constituents. In addition, the WCIRB continues to work with affected employer associations in an effort to address their questions and clarify the process.

Item V-A

January 1, 2019 Pure Premium Rate Filing

Dave Bellusci, WCIRB Executive Vice President and Chief Actuary, advised the Committee that the Actuarial Committee completed its review of March 31, 2018 experience at the meeting held on August 1, 2018. Staff provided the Committee with a summary of the Actuarial Committee's review and its recommended methodologies with respect to the indicated January 1, 2019 pure premium rate level. (The relevant portions of the Actuarial Committee's Agenda materials for the August 1, 2018 meeting were included in the Agenda.)

In the presentation, the Committee was advised that the methodologies recommended by the Actuarial Committee at the meeting held on August 1, 2018 were generally consistent with the methodologies that the WCIRB used in its July 1, 2018 Pure Premium Rate Filing, although there were several refinements. The approved methodologies, when applied to the statewide experience as of March 31, 2018, produced an indicated statewide average pure premium rate of \$1.70 per \$100 of payroll. This indication is 4.5% lower than the \$1.78 average approved July 1, 2018 advisory pure premium rate and 20% below the industry average filed pure premium rate as of July 1, 2018 of \$2.13. Mr. Bellusci advised the Committee that, at the Actuarial Committee meeting to be held on September 4, 2018, the Actuarial Committee will evaluate the June 30, 2018 experience and the findings and recommendations from that meeting will be presented to the Governing Committee at the September 5, 2018 meeting. Based on these findings, the Governing Committee will evaluate if an amendment to the January 1, 2019 Pure Premium Rate Filing is appropriate.

In his presentation, Mr. Bellusci summarized the Actuarial Committee's review of the following key indicators and discussed their impact on the indicated pure premium rate:

Positive Trends:

- Downward loss development
- Accelerating claim settlement rates
- Dropping pharmaceutical costs
- Declining volume of filed liens

Areas to Monitor:

- Loss adjustment expenses
- Medical inflation

In addition to reviewing the key indicators evaluated by the Actuarial Committee, Mr. Bellusci summarized the loss development, trending and loss adjustment methodologies being recommended by the Actuarial Committee. In particular, Mr. Bellusci summarized refinements to methodology that were approved by the Actuarial Committee related to: (1) loss development, (2) trending and (3) projection of loss adjustment expenses.

Throughout the presentation, Mark Priven, the consulting actuary to the Public Members of the Committee, was asked to detail how his recommended methodologies differ from those adopted by the Actuarial Committee. Mr. Priven indicated that his recommended methodologies differ from the Actuarial Committee's recommendations primarily based on the trend projection for which he relies on a combined five-year loss ratio trend rather than separate frequency and severity trend projections as recommended by the Actuarial Committee. Mr. Priven noted that his indicated January 1, 2019 average pure premium

rate of \$1.65 is approximately 3% lower than that based on the recommendations of the Actuarial Committee.

At the close of the discussion, the Public Members requested a break so they could consult with Mr. Priven.

Following the break, a motion was made and seconded to base the proposed January 1, 2019 advisory pure premium rates on the methodology recommendations used by the consulting actuary to the Public Members of the Committee. The motion failed by a vote of 5 in favor and 7 against.

A motion was then made and seconded to approve all of the Actuarial Committee's methodology recommendations with respect to the proposed January 1, 2019 advisory pure premium rates. The motion passed by a vote of 8 in favor and 4 against.

Next Meeting Date

The Committee noted that the next meeting is scheduled for September 5, 2018.

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There being no further business to come before the Committee, the meeting was adjourned at 11:05 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 5, 2018 for approval and/or modification.