

Actuarial Committee

Meeting Minutes

Date	Time	Location	Staff Contact
September 4, 2018	9:30 AM	WCIRB California 1221 Broadway, Suite 900 Oakland, CA	David M. Bellusci

1221 Broadway, Suite 900 • Oakland, CA 94612 • 415.777.0777 • Fax 415.778.7007 • www.wcirb.com • wcirb@wcirb.com

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Members

Laura Carstensen
Jim Gebhard*
Joanne Ottone
Jill Petker*
Mark Priven
Kate Smith*
Bryan Ware*
Chris Westermeyer*
Doug Zearfoss

Representing

Zurich North America
Farmers Insurance Group of Companies
Berkshire Hathaway Homestate Companies
Liberty Mutual Group
Public Members of Governing Committee
State Compensation Insurance Fund
AmTrust
Travelers
Employers Insurance Group

California Department of Insurance

Robert Hallstrom
Giovanni Muzzarelli

WCIRB

Bill Mudge
David Bellusci
Ward Brooks
Tony Milano
Chris M. Wong

* Participated via teleconference

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

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Approval of Minutes

The Minutes of the meeting held on August 1, 2018, 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.

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Item II

Working Group Meeting Summaries

The summaries of the Claims Working Group meeting held on July 25, 2018 and the Medical Analytics Working Group meeting held on August 14, 2018, which were included in the Agenda materials, were accepted by the Committee.

Item AC18-09-01 6/30/2018 Experience – Review of Methodologies

Staff presented a summary of accident year experience evaluated as of June 30, 2018 that was included in the Agenda materials. The Committee was advised that the approximate one percentage point decrease in the projected policy year 2019 loss ratio was due to modest declines in projected loss development. The Committee noted that there were no major recent changes in legislation, regulation or judicial action that would significantly impact the projected 2019 loss ratio.

The Committee noted that the decreases in paid and incurred loss development in the second quarter of 2018 were modest, particularly when compared to the declines in recent prior quarters. It was noted that indemnity claim settlement rates continued to increase at a steady rate in the second quarter.

The Committee then discussed the indemnity claim frequency and claim severity projections. It was noted that the estimated indemnity claim frequency change for 2017 and the preliminary change for 2018 based on six months were slightly lower than that reviewed at the August 1, 2018 meeting based on March 31 experience, but that these decreases did not materially impact the projection. It was also noted that the projected ultimate indemnity and medical severities for accident years 2016 and 2017 based on June 30, 2018 experience were somewhat lower than those projected based on March 31, 2018 experience. After discussion, the consensus of the Committee was that the projected severity trends reflected in the January 1, 2019 Pure Premium Rate Filing and in the Agenda materials, which consider both short-term and long-term trends, continue to be appropriate.

The Committee discussed the recommended methodologies to base any amendment to the projected policy year 2019 loss ratio based on June 30, 2018 experience. After discussion, a motion was made and seconded to recommend the methodologies reflected in the January 1, 2019 Pure Premium Rate Filing and the Agenda materials. The motion passed with eight in favor and one opposed. The actuary representing the Public Members of the Governing Committee who opposed the motion indicated that the differences in his recommended methodology from that recommended by the majority of the Actuarial Committee were consistent with those discussed at the August 1, 2018 meeting.

Item AC18-09-02 Cumulative Trauma Claim Study

Staff presented a draft analysis of recent trends in cumulative trauma (CT) claims. The Committee noted the following:

- CT claim rates have grown by 50% since 2008.
- CT claim reporting is significantly slower than for specific injury claims, and the reporting of CT claims has become slower in recent years.
- All recent CT claim growth is in the Los Angeles and San Diego regions, which now have 75% of CT claims but only 50% of pure premium.
- Recent CT claim growth is spread across many industries in the Los Angeles region. The Manufacturing and Hospitality sectors have experienced the most significant growth rates.
- CT claim growth in Southern California is concentrated in lower wage workers. The Committee noted that some of the differences by wage level are affected by industrial mix differences.
- CT loss payouts are much slower than for specific injury claims. CT claims at early report levels cost less on average than non-CT claims, but as CT claim costs develop, average ultimate costs are higher. A Committee member suggested reviewing the impact of the recent CT claim increases on projected loss development given that these claims have significantly different development patterns.
- CT claims incur significantly more medical-legal and lien payments than other types of claims, particularly at early and mid-maturity levels.
- CT claims stay open longer than other claims, but claim settlement rates have accelerated across all claim types.

After the discussion, the Committee accepted staff's analysis. Staff advised the Committee that it would summarize these findings in a comprehensive report that is anticipated to be published within a month.

The meeting was adjourned at 11:00 AM.

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Note to Committee Members: These Minutes, as written, have not been approved. Please refer to the meeting scheduled for December 5, 2018 for approval and/or modification.