

Governing Committee

Meeting Minutes

Date	Time	Location	Staff Contact
September 5, 2018	9:30 AM	WCIRB California 1221 Broadway, Suite 900 Oakland, CA	Eric S. Riley

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Released: October 11, 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
Dave Kuhn**
Steve Gallacher**
Kevin Harnetiaux**
Eric Belk**
Paul Ramont**
Susan Gordon**

Public Members

Roberto Cortez (did not attend)
Jeremy Smith**
Karyn Smithson-Hughes**
Mitch Steiger

Representing

Insured Employers
Organized Labor
Insured Employers
Organized Labor

California Department of Insurance

Patricia Hein (did not attend)
Brentley Yim**

WCIRB

Bill Mudge
David Bellusci
Brenda Keys
Eric Riley
Mike Knibbs
Tony Milano
Kristen Marsh

Public Members' Staff

Mark Priven

Counsel

Dan Brown, Drinker, Biddle & Reath LLP**

* Attended part of the meeting

** 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 August 8, 2018 were distributed to Committee members in advance of the meeting for review. As there was no discussion of or corrections to the Minutes, a motion was made, seconded and unanimously passed to adopt the Minutes as written.

Item II

Additions to the Agenda

The Chair asked the Committee members if there were any items to be added to the Agenda. Bill Mudge, WCIRB President and CEO, advised the Committee that staff was adding Items V-A, *Legislation & King Decision Update*, and V-B, *Preview of WCIRB Cumulative Trauma Study*. The Chair accepted the agenda as amended.

Item III

Ratification of Actions of WCIRB Committees

The Minutes of the Actuarial Committee meeting held on August 1, 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, reminded the Committee that on June 29, 2018, the WCIRB submitted the January 1, 2019 Regulatory Filing to the California Department of Insurance (CDI) and on August 1, 2018, the WCIRB submitted clarifying amendments to that filing. A public hearing was held on August 3, 2018 at which time the CDI Hearing Officer directed the WCIRB to provide additional information in support of the amended filing, which the WCIRB submitted later that day. On August 21, 2018, the CDI issued a *Notice of Availability of Revised Text* soliciting written comments on the changes in the amended filing only. The extended comment period ends at 5:00 PM on September 5, 2018. Ms. Keys advised the Committee that the WCIRB will begin issuing 2019 experience modifications soon after receiving the Insurance Commissioner's decision.

Item IV-B

January 1, 2019 Pure Premium Rate Filing

Dave Bellusci, WCIRB Executive Vice President and Chief Actuary, reminded the Committee that at its August 8, 2018 meeting, the Committee approved the filing of proposed advisory January 1, 2019 pure premium rates that reflected an average of \$1.70 per \$100 of payroll, which is 4.5% lower than the average July 1, 2018 approved advisory pure premium rate of \$1.78. On August 20, 2018, the WCIRB submitted its January 1, 2019 Pure Premium Rate Filing to the Insurance Commissioner.

Mr. Bellusci reminded the Committee that the WCIRB advised in its filing that it planned to review loss experience valued as of June 30, 2018 and, if appropriate, amend the proposed January 1, 2019 pure premium rates. Mr. Bellusci also noted that the filing indicated that if legislative or regulatory changes

were adopted or a significant judicial decision was issued prior to the public hearing on the filing, the WCIRB would evaluate the estimated cost impact of these actions and, to the extent appropriate, modify the proposed advisory pure premium rates.

Mr. Bellusci advised the Committee that on September 4, 2018, the Actuarial Committee reviewed June 30, 2018 experience and noted that it was emerging at a level generally consistent (within 1%) with that reflected in the January 1, 2019 filing. Mr. Bellusci also reminded the Committee that, historically, the WCIRB has not amended its filing if the change in the indicated pure premium rate level based on June 30, 2018 experience compared to the original January 1, 2019 filing, which is based on March 31, 2018 loss experience, was less than 2%. Finally, the Committee was advised that the Actuarial Committee did not identify any recent changes in legislation, regulation or judicial action that would significantly impact the projected 2019 loss ratio.

In concluding his presentation, Mr. Bellusci summarized the Actuarial Committee's findings, noting that using the June 30, 2018 experience and the same methodologies reflected in the January 1, 2019 Pure Premium Rate Filing, the indicated average January 1, 2019 pure premium rate is \$1.68 per \$100 of payroll, which is approximately 1% lower than the indicated average of \$1.70 reflected in the WCIRB's January 1, 2019 filing. Based on the WCIRB's longstanding policy of not submitting amended filings if the indicated rate change from the original filing is relatively small, WCIRB staff suggested that the updated experience be provided to the CDI, but that the January 1, 2019 filing not be amended.

Mark Priven, the consulting actuary to the Public Members of the Committee, summarized differences in his recommended projection methodology from that recommended 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 when using the June 30, 2018 experience, his indicated January 1, 2019 average pure premium rate of \$1.63 is approximately 3% lower than that based on the Actuarial Committee's review of the June 30, 2018 experience, which is approximately the same difference in indications as that based on March 31, 2018 experience.

At the close of the discussion, a motion was made and seconded to amend the WCIRB's January 1, 2019 pure premium rate filing to reflect both the June 30, 2018 experience and the methodology recommended by the consulting actuary to the Public Members of the Committee. After further discussion, the motion failed by a vote of 3 in favor and 8 against.

Following the failed motion, a motion was made and seconded to affirm without amendment the WCIRB's January 1, 2019 Pure Premium Rate Filing. Following further discussion, the motion passed by a vote of 8 in favor and 3 against.

Item V-A Legislation & King Decision Update

Kristen Marsh, WCIRB Managing Attorney, summarized current legislative, regulatory and judicial actions that affect the California's workers' compensation system. Ms. Marsh highlighted those activities that may have a significant impact on cost levels underlying advisory pure premium rates. Included in her presentation was a summary of the California Supreme Court's recent ruling in *King v. CompPartners Inc.*, which held that workers' compensation insurance is the exclusive remedy for workplace injuries and, as a result, there is no cause of action against a utilization review physician.

Item V-B

Preview of WCIRB Cumulative Trauma Study

Tony Milano, WCIRB Vice President, Actuarial Services, presented a summary of the WCIRB's upcoming research study related to the impact cumulative trauma claims are having on California's workers' compensation system. Mr. Milano advised the Committee that the WCIRB will publish its findings within the next 30 days.

Next Meeting Date

The Committee noted that the next meeting is scheduled for December 12, 2018.

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There being no further business to come before the Committee, the meeting was adjourned at 10:25 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 December 12, 2018 for approval and/or modification.