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Actuarial Committee

Meeting Minutes

Date	Time	Location	Staff Contact
February 13, 2024	9:30 AM	WCIRB California 1901 Harrison Street, 17th Floor Oakland, CA	Sean Cooper

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Members	Representing
Mauro Garcia	Zurich North America
Ika Irsan	Republic Indemnity Company of America
Matt Jahnke	CopperPoint Insurance Companies
Joel Clark	Accident Fund Group, Inc.
Neal Leibowitz	Liberty Mutual Group
Joanne Ottone	Berkshire Hathaway Homestate Companies
Mark Priven	Public Member of Governing Committee
Bryan Ware	AmTrust
Chris Westermeyer	Travelers

California Department of Insurance
Yvonne Hauscarriague
Margaret Hosel
Giovanni Muzzarelli
Mitra Sanandajifar
Garen Sargsyan
Serina Wu
Sarah Ye

WCIRB
Bill Mudge*
Sean Cooper*
Laura Carstensen*
Tony Milano*
Hester Nguyen*
YiChen Yu
Julia Zhang
Claudia Zhou*

* Attended in Person

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

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Approval of Minutes
The Minutes of the meeting held on December 5, 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.

Item AC23-02-02
Clerical Telecommuting Employees Classification

The Committee was reminded that Classification 8871, *Clerical Telecommuter Employees – N.O.C.,* was established effective January 1, 2021 as a new Standard Exception classification applicable to clerical employees who work more than 50% of their time at their home or other office space away from any location of their employers. The Committee was also reminded that Classification 8871 was established with the same advisory pure premium rate (PPR) as Classification 8810. At the February 14, 2023 meeting, after discussing the initial unit statistical loss and payroll experience and claim characteristics reported thus far in Classification 8871 on 2021 policies, the Committee recommended a lower PPR for Classification 8871 using a tempered approach consistent with the WCIRB's standard practice of limiting the relativity change to 25% in the classification relativities for the September 1, 2023 Regulatory Filing. As of September 1, 2023, the approved PPRs for Classification 8810 and Classification 8871 are $0.20 and $0.16, respectively, per $100 of payroll.

Staff summarized the unit statistical loss and payroll experience and claim characteristics in Classification 8871 on 2021 policies and those reported thus far on 2022 policies:

- The Committee was advised that Classification 8871 has a 63% lower loss to payroll ratio than Classification 8810, driven mainly by lower claim frequency. The differential remains consistent across both the 2021 policy experience and the preliminary 2022 policy experience. Therefore, the review findings validate the difference in the PPRs between Classifications 8810 and 8871. A Committee member asked the potential impact of any future volatility in the loss to payroll differential due to the volume of claims. Staff responded that the differential is likely to persist for a couple of reasons. First, while 2022 policies are preliminary, the payroll and claim count reported in Classification 8871 represent a significant share (55%) of the class experience from the 2021 polices. The consistency in the loss and payroll differential between the two policy years suggests that the differentiation will likely remain as more 2022 policy experience becomes available. Second, staff shared that a review of the 2021 policy experience at the second report level suggests that the loss ratio of Classification 8871 is lower than that of Classification 8810 by a similar magnitude, at 64%. It should be further noted that the recommended differential is already credibility-adjusted to account for the volume of claims.

- For claim characteristics, staff noted that Classification 8871 has higher median weekly wage among injured workers and lower frequency of cumulative trauma indemnity claims than those for Classification 8810. For leading causes of injuries, staff noted that claims of Classification 8871 are more likely to involve strain injuries, while those of Classification 8810 are more likely to involve fall injuries. However, Classifications 8871 and 8810 have a similar share of indemnity claims.

- The Committee was advised that a preliminary estimation of the classification relativity change for Classification 8871 using the WCIRB's standard actuarial approach indicates a further decrease of 28% in addition to the 25% decrease reflected in the September 1, 2023 Regulatory Filing.

The Committee was advised of staff's recommendation to continue with the distinct advisory pure premium rate for Classification 8871 using a tempered approach consistent with the WCIRB's standard practice of limiting the relativity change to 25%.

After the discussion, the consensus of the Committee was to reflect staff's recommended change to the classification relativities for the September 1, 2024 Regulatory Filing.

Item AC24-02-01
9/1/2024 Regulatory Filing – Experience Rating Plan Values

Staff presented a draft analysis of the indicated September 1, 2024 experience rating off-balance correction factor. Staff noted that the methodology used to compute the indicated off-balance factor for policies incepting between September 1, 2024 and August 31, 2025 was generally consistent with the methodology reflected in the September 1, 2023 Regulatory Filing. The Committee was advised that the preliminary indicated September 1, 2024 off-balance factor using this approach is 0.7% above the factor reflected in the September 1, 2023 Regulatory Filing (1.039). Staff noted that, although the indicated off-balance factor is higher than in recent filings, it is reasonably within the longer-term range of indicated off-balance factors. The consensus of the Committee was that this methodology was appropriate and should be used to compute the final September 1, 2024 off-balance factor.

Staff then presented the methodology to compute the factors used to generate the proposed September 1, 2024 expected loss rates. Staff noted that the overall methodology to compute the expected loss rate factors was consistent with that reflected in the September 1, 2023 Regulatory Filing. The consensus of the Committee was that the proposed September 1, 2024 expected loss rates should reflect the methodologies summarized at the meeting.

During the discussion, a Committee member requested the list of classifications subject to the maximum payroll limitation. The list is provided in Table 1 below.

Table 1 – Classifications with Maximum Payroll Limitations

Classification	Effective Date
7607	1/1/2020
8743	1/1/2020
8803	1/1/2020
8820	1/1/2020
8859	1/1/2020
8601	9/1/2022
8741	9/1/2022
8749	9/1/2022
8801	9/1/2022
8808	9/1/2022
8822	9/1/2022
8874	9/1/2022
4297	9/1/2024
4512	9/1/2024
8807	9/1/2024
8834	9/1/2024
8839	9/1/2024
9043	9/1/2024

Item AC24-02-02
Review of Expected Loss Rate Projection Methodology

Staff presented the first phase of a multi-year retrospective study of the expected loss rate (ELR) projection methodology. Staff highlighted the data used in the retrospective study and its assumptions. This phase included a review of the appropriate groupings to use for projecting the factors to adjust the indicated limited loss to payroll ratios from the classification relativities analysis to the ELR level. The current groupings of North American Industrial Classification System (NAICS) sectors, as well as groupings based on NAICS sectors with loss development group (LDG), retrospective rating hazard group (RHG), statistical clustering of classifications, and groups based on Kruskal-Wallis bifurcation were reviewed.

Staff noted that the results were grouped by NAICS sector and by classification deciles. Staff summarized the results of the retrospective tests and noted that, based on this review, none of the alternative methods tested performed significantly or consistently better than the current approach of using the NAICS sector groupings. After discussion, the Committee accepted staff's analysis.

Staff noted some concerns with the current use of these groupings given that there is a significant number of groups and some of them are small and volatile. Staff plans to continue reviewing the NAICS groupings to determine if any can be further combined for this analysis. Staff plans to review other parts of the ELR methodology, such as the statewide adjustments, the years of data used and input adjustment factors, the swing limit for a classification's ELR relativity, the impact of reforms or large system changes, and the off-balance factor methodology. The Committee agreed that staff should continue to review the ELR projection methodology as outlined by staff.

The meeting was adjourned at approximately 10:55 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 March 21, 2024 for approval and/or modification.