

Minutes

Tennessee Advisory Council on Workers' Compensation

Wednesday, October 11, 2017 at 1:30 p.m. Central

Legislative Plaza, Room 16

301 Sixth Avenue North

Nashville, Tennessee 37243

Members Present:

Voting Members

Christy Allen, Asst. State Treasurer, Chair

Kerry Dove

Bruce Fox

Bob Pitts

Paul Shaffer

Non-Voting Members

Joy Baker

Dr. Keith Graves

John Harris – By Telephone

Gregg Ramos – By Telephone

Pam Smith – By Telephone

Ex-Officio Members

Abbie Hudgens, Administrator, Bureau of Workers' Compensation

Michael Humphreys, Asst. Commissioner, TDC&I Designee

Also Attending

Troy Haley, BWC Legislative Liaison

Larry Scroggs, ACWC Administrator

The Chair, Christy Allen, called the meeting to order at approximately 1:32 p.m. (CDT) and welcomed the members. She explained that State Treasurer David Lillard, who serves as statutory chairman of the Advisory Council, had another commitment and that as his designee she would be chairing the meeting in his absence. A physical quorum of voting members was established.

The Chair addressed the first item on the meeting agenda, which was to approve the minutes of the previous meeting held on September 6, 2017. The minutes were approved on a unanimous voice vote, upon motion by Council member **Bruce Fox**, seconded by Council member **Kerry Dove**.

The Chair addressed the next agenda item under New Business, recognizing **Mary Jean King**, of By the Numbers, Inc. (BYNAC) who presented an actuarial review of the Tennessee Voluntary Loss Cost Filing by the National Council on Compensation Insurance (NCCI). BYNAC is the actuary for the Advisory Council. Ms. King's power point presentation may be viewed on the Advisory Council website at:

<http://www.treasury.tn.gov/claims/wcac/bynac-presentation-tacwc.pdf>

Ms. King indicated the NCCI proposed decrease of -12.6% for the Tennessee voluntary workers' compensation insurance market had been reasonably calculated in accordance with actuarial standards of practice, considering the two-year period relied upon by NCCI in its projected decrease. Ms. King stated that BYNAC reviewed paid as well as paid + case development and experience for policy years 2012 and 2013 in addition to the 2014 and 2015 policy years underlying the filing in order to test the assumptions of NCCI in selecting the data and development methods for its review. Ms. King said in her opinion a longer experience period of four years is preferable for the filing indication. Using the four year period of 2012-2015, BYNAC's experience indication for the voluntary market loss cost level is - 8.1%, compared to NCCI's -12.6%. BYNAC's full actuarial report may be viewed on the Advisory Council website at: <http://www.treasury.tn.gov/claims/wcac/tacwc-bynac-review-3-1-18-ncci-filing-issued-10-2-17.pdf>

Ex officio Council member **Abbie Hudgens** noted both indemnity and medical loss development factors appeared to be trending downward and asked if this could indicate a true change in medical costs. Ms. King said while for the second year in a row there were decreases in both categories, which she termed very unusual, she believed evaluation over a longer experience period would tend to moderate the decreases. She said she believed that so far there was insufficient actual experience to determine whether there is a true change in loss development costs in Tennessee.

The Chair addressed the next agenda item under New Business, recognizing **Chris Burkhalter** of Bickerstaff, Whatley, Ryan & Burkhalter (BWRB), analyst and consultant to the Tennessee Department of Commerce & Insurance (DC&I), who presented an analysis of the NCCI voluntary loss cost filing. Mr. Burkhalter's power point presentation to the Advisory Council may be viewed on the Council website at: http://www.treasury.tn.gov/claims/wcac/TNWCAC-Presentation-2017_10_11-BWRB.pdf

BWRB's full actuarial report may be viewed at: http://www.treasury.tn.gov/claims/wcac/TN-NCCI-Rate-Analysis-2018_03_01-BWRB-Analysis.pdf

Mr. Burkhalter noted that today's actuarial report to the Council was his fourth and that within a four year period there had been a 21% decrease in loss cost in Tennessee. He said if the current filing by NCCI proposed to be effective March 1, 2018 is approved and adopted, a 31% loss cost reduction will ultimately have been realized. Mr. Burkhalter said BWRB also used a longer experience period of five years in arriving at its overall indication of a -8.7% decrease in loss costs in the Tennessee voluntary market. He indicated BWRB agreed that NCCI's projected decrease of -12.6% is actuarially sound based on the anticipated market conditions, considering NCCI utilized only the two policy years 2014 and 2015 in its evaluation.

The Chair next addressed the third agenda item under New Business, recognizing **Ann Marie Smith**, director and actuary of NCCI, for a response and comments upon the actuarial reports by BYNAC and BWRB on NCCI's *Tennessee Workers' Compensation Voluntary Loss Cost and Assigned Risk Rate Filing* proposed to be effective on March 1, 2018. Ms. Smith's Power Point presentation may be viewed on the Advisory Council website at: <http://www.treasury.tn.gov/claims/wcac/ACWC-Hearing-3-1-18-filing.pdf>
The complete NCCI filing document may be viewed at: <http://www.treasury.tn.gov/claims/wcac/TN-3-1-2018-Filing.pdf>

The Chair thanked the presenters for their presentations and opened the floor for discussion of the presentations.

Council member **Pitts** asked Ms. Smith whether she was “totally comfortable” with the NCCI projected loss cost decrease of -12.6%. Ms. Smith said she was, in view of the virtually identical data reflected in years 2014 and 2015. She stated that if those years were “telling us different things” there might be reason to consider a longer experience period. But, she said they were “telling us the exact same things, and it is not necessary to use a longer experience period than two years.”

Following discussion, Council member **Pitts** moved that the Advisory Council formally notify **DC&I Commissioner Julie Mix McPeak** that the NCCI loss cost filing proposed to be effective March 1, 2018 was viewed favorably by the Council and should be adopted. Council member **Fox** seconded the motion. The four voting members in attendance **voted unanimously to approve the motion.**

The meeting was adjourned at approximately 2:30 p.m.

/s/ Larry Scroggs
Larry Scroggs, Administrator
Advisory Council on Workers'
Compensation

/s/ David H. Lillard, Jr.
David H. Lillard, Jr., State Treasurer
Chairman, Advisory Council on
Workers' Compensation