

Per California Code of Regulations, title 2, section 548.5, the following information will be posted to CalHR's Career Executive Assignment Action Proposals website for 30 calendar days when departments propose new CEA concepts or major revisions to existing CEA concepts. Presence of the department-submitted CEA Action Proposal information on CalHR's website does not indicate CalHR support for the proposal.

A. GENERAL INFORMATION

1. Date

March 15, 2019

2. Department

State Compensation Insurance Fund

3. Organizational Placement (Division/Branch/Office Name)

Actuarial Analytics and Reinsurance

4. CEA Position Title

Senior Vice President of Actuary

5. Summary of proposed position description and how it relates to the program's mission or purpose. (2-3 sentences)

State Fund's purpose is to provide fairly priced workers' compensation insurance, make workplaces safe, and restore injured workers. The Actuarial Analytics and Reinsurance program plays a critical role in forecasting expected rates of loss, setting premium rates, or calculating our liabilities to ensure State Fund remains solvent and a company as we currently support about 20% of California's employers who need workers compensation insurance coverage in order to do business in our state.

6. Reports to: (Class Title/Level)

Chief Actuarial Officer

7. Relationship with Department Director (Select one)

- Member of department's Executive Management Team, and has frequent contact with director on a wide range of department-wide issues.
- Not a member of department's Executive Management Team but has frequent contact with the Executive Management Team on policy issues.

(Explain): Incumbent would report to Executive Committee on changes in marketplace trends that could potentially effect our reserve levels and report on any audit findings from internal and external entities.

8. Organizational Level (Select one)

- 1st 2nd 3rd 4th 5th (mega departments only - 17,001+ allocated positions)

B. SUMMARY OF REQUEST

9. What are the duties and responsibilities of the CEA position? Be specific and provide examples.

Position Responsibilities:

- Serve as the lead of the Actuarial team overseeing the subject areas of reserving, reinsurance, economic capital modeling, financial reporting, claims analytics and modeling
- Full management and supervisory responsibility
 - o Manage recruitment and selection of new staff and hiring decisions
 - o Establish staff goals in alignment with enterprise goals
 - o Evaluate staff performance and accomplishments
 - o Approve staffing expenditures on office equipment, computer hardware and software, and training and development within department budget
- Oversee management of contracts with external parties
- Review policies of regulatory or professional entities to determine the financial impact on loss and LAE reserves
- Drive continuous improvement in reserving and claims modeling processes to enhance operational efficiency, department continuity and innovation
- Develop and evolve reserving models to more accurately quantify loss and LAE reserves
- Collaborate with stakeholders in Claims Management, Safety & Health, Premium Audit and Finance to provide subject matter expertise, evaluation of initiatives and provide actuarial and statistical expertise
- Complete ad hoc projects as requested by State Fund stakeholders
- Facilitate, establish and build strong working relationships and partnerships with business units and senior management
- Perform and present complex actuarial and statistical analysis to internal and external stakeholders including auditors and regulators
 - o Collaborate with stakeholders to determine project scope and requirements.
 - o Prepare comprehensive analysis which may include technical reports, summaries and quantitative analysis.
 - o Serve as an actuarial department lead for actuarial related IT initiatives
 - o Serve as a lead for Audit department requests for information through timely and effective customer service.
 - o Thoroughly document analysis and satisfy all audit and compliance requirements.
- Monitor the general developments in the California workers compensation market
 - o Actively monitor and review the Workers' Compensation Insurance Rating Bureau (WCIRB), the California Workers' Compensation Institute (CWCI) published materials, and complex legislative, judicial and regulatory changes.
- Stay current with trends and developments in the California workers' compensation marketplace
- Serve on industry committees, attend hearings and provide expert testimony
- Support all regulatory and compliance audits

General Responsibilities:

- Uphold and ensure that operations meet the highest ethical standards.
- Foster a performance-based, accountable environment.
- Provide quality customer service in an ethical and timely manner.
- Take ownership of each customer contact and diligently make every effort to meet State Fund objectives
- Follow the principles of State Fund's Equal Employment Opportunity guidelines.
- Maintain a safe working environment.
- Defend State Fund against fraudulent activities.
- Follow all principles as governed by State Fund's code of conduct
- Adhere to all State Fund policies and procedures and complete all compliance training timely
- Participate in in-depth department knowledge transfer, including but not limited to, cross training among actuarial staff, staff training and training in other State Fund departments including the preparation and presenting of training material; serve as a Subject Matter Expert (SME) on specific higher level actuarial tasks and procedures.
- Lead the department toward efficient and financially responsible operating activities and anticipate internal and external factors impacting those decisions
- Foster a culture enabling the department and the organization to attract, develop, and retain talent necessary to achieve objectives.
- Mentor, coach, and train junior staff
- Lead succession planning efforts, work continuity, and staff development.
- Maintain compliance with the continuing education requirements of the Casualty Actuarial Society (CAS)
- Maintain department documentation and audit compliance related to reserving and claims analytics, enterprise risk management
- Understand and incorporate actuarial and insurance industry best practices in area of expertise.

B. SUMMARY OF REQUEST (continued)

10. How critical is the program's mission or purpose to the department's mission as a whole? Include a description of the degree to which the program is critical to the department's mission.

- Program is directly related to department's primary mission and is critical to achieving the department's goals.
- Program is indirectly related to department's primary mission.
- Program plays a supporting role in achieving department's mission (i.e., budget, personnel, other admin functions).

Description: The program provides actuarial and statistical expertise to the department and operations in the areas of loss and loss adjustment expense reserving, reinsurance program administration, economic capital modeling to support the Own Risk Solvency Assessment (ORSA) regulatory report, financial reporting, claims analytics and modeling. The program advances State Fund's purpose of providing fairly priced workers' compensation insurance and help make workplaces safe and restore injured workers by:

- Evaluating loss and loss adjustment expense (LAE) reserves for the organization and direct input to the published financial statements
- Evaluating initiatives and providing analytics for State Fund departments related to Policy, Pricing, Claims, Safety & Health and Premium Audit to inform senior management, regulators, auditors and other stakeholders
- Review policies and proposals and provide input to legislative, regulatory or professional entities to determine the financial impact on the organization related to premiums, loss and LAE

B. SUMMARY OF REQUEST (continued)

11. Describe what has changed that makes this request necessary. Explain how the change justifies the current request. Be specific and provide examples.

The department programs are visible to the public, sensitive and complex. In addition to regulators and legislators, employers, injured workers and medical providers have interest in the operations of the organization.

In 2014, State Fund had six staff positions including the Chief Actuary. In January 2019, the size of the department has grown to sixteen staff positions including the Chief Actuary.

In January 2018, the exempt SVP Pricing Actuary position was created and has full management responsibility for the Pricing function.

Staff in the core functional areas of reserving and financial reporting, reinsurance, predictive analytics and modeling currently report directly to the Chief Actuarial Officer.

- The department now produces a quarterly reserve report for executive management, external auditor and CDI regulator for solvency monitoring.
- The department is actively involved with supporting the Enterprise Risk Management function with economic capital modeling of four key risks of reserving, catastrophe, investment and pricing. This work is included in the Own Risk Solvency Assessment (ORSA) report required by the CDI regulator.
- The department now develops and maintains predictive models to improve operational efficiency in the areas of claims operations through claims triage, premium audit operations, premium leakage detection and Safety & Health operations. These models are operationalized through extensive collaboration with State Fund Information and Technology and coordination with other agencies such as California Department of Industrial Relations (DIR), CAL OSHA and California Employment Development Department and others.
- The department administers the legacy and active reinsurance programs
- The department manages external vendors to issue catastrophe bonds for earthquake exposure; the bond issued in 2018 totaled \$220 million.

C. ROLE IN POLICY INFLUENCE

12. Provide 3-5 specific examples of policy areas over which the CEA position will be the principle policy maker. Each example should cite a policy that would have an identifiable impact. Include a description of the statewide impact of the assigned program.

The position is involved with policy areas related to:

- State Fund's reserving policy of evaluation of funding workers' compensation benefits and the financial impact of changes to the system arising from regulation or legislation or judicial decision, including the impact on existing loss and loss adjustment expense reserves. Current loss and loss adjustment expense reserves covering more than 40,000 claims and \$13 billion. State Fund relies upon sound and accurate reserving policy setting to ensure funding to fulfill our fiduciary and legal obligations to injured workers and the workers compensation insurance market.
- Establishing State Fund's economic capital modeling policy to manage the key risks of reserving, pricing, investment and catastrophe and support solvency monitoring. It is imperative that our department has the capital to absorb unexpected losses in order to stay solvent. Today we have 23 offices across the state which increases our exposure to a disaster such as earthquake, flooding, wildfire, etc. Without accurate modeling policies in place one natural disaster could seriously impact and financially cripple our department in being able to provide workers compensation insurance services to California employers.
- Establishing the reinsurance policy to manage earthquake and terrorism catastrophic risk. The current program affords \$600 million of reinsurance coverage. These policies impact not only our ability to stay open but also be able to provide the necessary support to our policyholders should any of these disasters impact their employees.

C. ROLE IN POLICY INFLUENCE (continued)

13. What is the CEA position's scope and nature of decision-making authority?

The CEA position is be responsible for setting State Fund's reserving policy to evaluate claim benefit and claim administration reserves, currently valued at \$13 billion. Reserves are needed to pay existing claims that will be paid out to injured workers for decades in the future. There is a high degree of complexity in evaluating reserves as they are paid over many decades and subject to assumptions about future benefit levels and medical inflation.

Additionally, the CEA position will be responsible for managing the economic capital modeling of the four key risk areas of reserves, investment, pricing and catastrophe. The model information is a critical component of the annual regulatory filing of the Own Risk Solvency Assessment (ORSA) report.

Another component of the position is securing and administering the reinsurance program currently valued at \$600 million. The CEA position will evaluate competing reinsurance programs with varying contractual terms.

The CEA position will lead teams comprised of employees and consultants to transform State Fund legacy data systems to capture data needed for advanced analytics to support State Fund's mission to provide fairly priced workers' compensation insurance coverage to California employers and mitigate fraud by system constituents.

The SVP Actuary will report to State Fund's Chief Actuarial Officer.

14. Will the CEA position be developing and implementing new policy, or interpreting and implementing existing policy? How?

The CEA position will be responsible for the development and implementation of new or existing polices by staying current with trends and developments in the California workers' compensation marketplace, serving on industry committees, and attending legislative hearings.