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 Sacramento, CA 95833  
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Date August 29, 2022

**TO: MEMBERS, BOARD OF DIRECTORS**

<b>I. AGENDA ITEM # AND TITLE :</b>	Open Agenda Item 3d – Consent Calendar: Selection and Retention of Appointed Actuary
<b>II. NAME AND PROGRAM:</b>	Ken Van Laar, Chief Risk Officer
<b>III. ACTIVITY:</b>	<input type="checkbox"/> Informational <input type="checkbox"/> Request for Direction <input checked="" type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory
<b>IV. JUSTIFICATION:</b>	<input checked="" type="checkbox"/> Standard/Required Item <input type="checkbox"/> Board Request – New Item <input type="checkbox"/> New Topic from Staff

**V. EXECUTIVE SUMMARY:**

Annually, the State Fund Board of Directors’ appointed actuary provides the statement of actuarial opinion. State Fund files the opinion document with the California Department of Insurance each year along with the financial statement. Typically, at the May Board meeting, the appointed actuary provides a presentation and discussion of the State Fund loss and loss adjustment reserves.

The State Fund Board had previously appointed Milliman actuary, Guy Avagliano to provide the annual statement of actuarial opinion. At the May Board meeting, Mr. Avagliano notified the Board of his intention to retire and recommended experienced Milliman actuary Michael DeMattei to replace him. Mr. DeMattei’s statement of qualifications information has been provided to the Board of Directors. After the Board appoints the new actuary, State Fund will notify the California Department of Insurance (CDI) of the change in appointed actuary

**VI. ANALYSIS:** None

Qualifications for Appointed Actuary as required by the Annual Statement Instructions – Property and Casualty of the National Association of Insurance Commissioners (NAIC).

Michael DeMattei qualifications:

- Principal and Consulting Actuary with Milliman since 1987
- 30+ years experience in workers’ compensation unpaid claim analyses and loss ratio projections
- Member in good standing of the American Academy of Actuaries since 1992 and Fellow of the Casualty Actuarial Society since 1994
- Direct experience with State Fund for over 25 years

**VII. RECOMMENDATION:** To appoint qualified actuary, Michael DeMattei of Milliman to serve as the appointed actuary to provide the statement of actuarial opinion beginning December 31, 2022;

**VIII. PRESENTATION EXHIBITS:** Attached

**IX. APPENDIX:** None



**Michael L. DeMattei**  
FCAS, MAAA  
Principal & Consulting Actuary

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August 18, 2022

Board of Directors  
State Compensation Insurance Fund  
2860 Gateway Oaks Drive  
Sacramento, California 95833

**Re: Qualification Documentation for Michael L. DeMattei to Serve as Appointed Actuary as of December 31, 2022**

Dear Board of Directors:

#### **BACKGROUND**

I have prepared this document to describe how I meet the definition of *Qualified Actuary* and to provide the qualification documentation to serve as Appointed Actuary for State Compensation Insurance Fund (the Fund) as of December 31, 2022, as required by the Annual Statement Instructions – Property and Casualty of the National Association of Insurance Commissioners (NAIC).

#### **BIOGRAPHICAL INFORMATION AND RESPONSIBLE EXPERIENCE RELEVANT TO THE FUND**

1. I am a Principal and consulting actuary with Milliman, Inc. (Milliman). I joined the firm in 1987.
2. My primary areas of expertise include unpaid claim analyses and loss ratio projections for traditional insurers, risk retention groups, captives, and self-insureds in property and casualty lines of business like those written by the Fund. Specifically, I have years of experience with workers compensation insurance and have been performing this type of work for nearly my entire actuarial career.
3. I became a Member of the American Academy of Actuaries (MAAA) in 1992 and a Fellow of the Casualty Actuarial Society (FCAS) in 1994. I am a member in good standing of both of these organizations.
4. I have been managing the annual Milliman projects for the Fund for over 25 years. In addition to any other experience with the types of exposures involved, my years of experience with the Fund are a directly relevant example of my qualifications.

#### **QUALIFIED ACTUARY DEFINITION**

1. I meet the basic education, experience and continuing education requirements of the Specific Qualification Standards for Statements of Actuarial Opinion, NAIC Property and Casualty Annual Statement, as set forth in the U.S. Qualification Standards, promulgated by the American Academy of Actuaries (the Academy). The following describes how I meet these requirements:
  - a. Basic education met through relevant examinations administered by the Casualty Actuarial Society.

- b. Experience requirements met through relevant experience as presented in the biographical information herein.
  - c. Continuing education met through a combination of online conferences, webinars, and self-study to meet the requirements in the U.S. Qualification Standards. Some of my continuing education activities in 2022 have included topics in: California workers compensation, COVID, trends in economic and demographic data, social inflation, public entities, and actuarial professionalism. A detailed log of my continuing education credit hours is available upon request.
2. I have obtained and maintain an Accepted Actuarial Designation as defined by the NAIC. I am an FCAS and my basic education includes credit for Exam 6U – Regulation and Financial Reporting (United States).
  3. I am an FCAS and MAAA. Both the CAS and the Academy require adherence to the same Code of Professional Conduct promulgated by the Academy, require adherence to the U.S. Qualification Standards, and participate in the Actuarial Board for Counseling and Discipline when its members are practicing in the U.S.

### **DISTRIBUTION AND CONFIDENTIALITY**

This document is being provided as a supplement to the actuarial report that will be prepared in support of the Statement of Actuarial Opinion as of December 31, 2022. As such, this document is subject to the same limitations regarding distribution and other important areas as documented in the actuarial report. In particular, please note that this document is prepared solely for the internal business use of the Fund and is not to be distributed to third parties except as otherwise agreed in writing. Milliman does not intend to benefit any third party recipient of its work product, even if Milliman consents to the release of its work product to such third party.

Milliman hereby consents to the distribution of this document to state insurance regulators where such distribution is required, subject to the conditions in the prior paragraph. This document is solely for the use of, and only to be relied upon by, the Fund and the various state insurance departments with which it files its Annual Statement. Moreover, it is Milliman's understanding that, consistent with the Annual Statement Instructions, the qualifications documentation will be held confidential by state insurance regulators and is not intended for public inspection.

Any reader of this document agrees not to use Milliman's name, trademarks, or service marks, or to refer to Milliman directly or indirectly in any third party communication without Milliman's prior written consent for each such use, which consent shall be given in Milliman's sole discretion.

Milliman greatly appreciates the opportunity to work with State Compensation Insurance Fund. Please contact me if there are any questions regarding this document.

Sincerely,



Michael L. DeMattei  
FCAS, MAAA



STATE COMPENSATION INSURANCE FUND  
[DRAFT] – BOARD OF DIRECTORS

RESOLUTION OF THE BOARD OF DIRECTORS OF STATE COMPENSATION INSURANCE FUND AUTHORIZING THE  
SELECTION AND RETENTION OF APPOINTED ACTUARY

WHEREAS, Insurance Code Section 923.6 and Section 11783 authorize the Board of Directors of State Compensation Insurance Fund to select and retain an Appointed Actuary; and

WHEREAS, the Board of Directors is familiar with and has examined the professional experience and qualifications of Mr. DeMattei and has determined that Mr. DeMattei meets or exceeds all the requirements set forth in Title 10 California Code of Regulations Section 2580.4 to be selected as the Appointed Actuary;

WHEREAS, the Board of Directors of the State Compensation Insurance Fund intends to select and retain Michael L. DeMattei, a Principal and Consulting Actuary with Milliman, Inc. to be the Appointed Actuary for State Fund;

WHEREAS, the Board of Directors has delegated to the President of the State Compensation Insurance Fund, subject to conditions that the Board of Directors may from time to time prescribe, the powers, functions, and duties conferred by law on the Board of Directors in connection with the administration, management, and conduct of the business and affairs of the State Compensation Insurance Fund; and

NOW, THEREFORE,

IT IS RESOLVED, that the Board of Directors hereby selects Michael L. DeMattei as the Appointed Actuary for State Fund effective as of September 13, 2022; and

IT IS FURTHER RESOLVED, that the Board of Directors hereby ratifies and approves all actions taken by the President of the State Compensation Insurance Fund as were necessary to select and contract with Michael L. DeMattei to serve as the Appointed Actuary of the State Compensation Insurance Fund.

PASSED AND ADOPTED at the meeting of the Board of Directors of the State Compensation Insurance Fund held on the 13th day of September, 2022 by the following vote:

MEMBER

VOTE

- David M. Lanier, Chair
- Daniel M. Curtin
- Regina V. Evans
- Richard J. Guggenhime
- Sen. Michael J. Machado (Ret.)
- Alexis A. Podesta
- Arthur H. Pulaski
- Thomas E. Rankin
- Angela D. Tate
- Angie S. Wei
- William M. Zachry

BOARD of DIRECTORS of the STATE COMPENSATION INSURANCE FUND