

UNPAID LOSS AND LOSS ADJUSTMENT EXPENSE ANALYSIS AS OF JUNE 30, 2014

USING DATA AS OF JUNE 30, 2014

OHIO BUREAU OF WORKERS' COMPENSATION
AUGUST 22, 2014



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Ohio Bureau of Workers' Compensation
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August 22, 2014

Subject: June 30, 2014 Unpaid Loss and Loss Adjustment Expense Analysis

Dear Mr. Carlson:

Oliver Wyman Actuarial Consulting, Inc. (Oliver Wyman) has completed the actuarial study of the loss and loss adjustment expense (LAE) reserves as of June 30, 2014 for the Ohio Bureau of Workers' Compensation (BWC). The unpaid loss and LAE estimates as of June 30, 2014 are based on actual data as of June 30, 2014 and additional information provided to us through August 18, 2014. This letter and its attachments constitute our report.

The following table summarizes the BWC's projected unpaid liability as of June 30, 2014 using data as of June 30, 2014.

Unpaid Liability	Undiscounted (\$millions)	Discounted 4.0% (\$millions)
State Insurance Fund	24,770	15,038
Disabled Workers' Relief Fund	4,212	2,131
Coal Workers Fund	148	58
Public Work-Relief Employees' Compensation Fund	8	5
Marine Industry Fund	4	2
Self-Insuring Guaranty Fund	808	464
Administrative Cost Fund	1,688	1,025
Total Unpaid Loss and LAE	31,638	18,723

We estimate the unpaid loss and LAE as of June 30, 2014 to be approximately \$18.7 billion on a discounted basis, assuming an annual interest rate of 4.0%, and \$31.6 billion on an undiscounted basis.

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Unpaid Liability Discounted at Annual Rate of 4.0%	6/30/2014	6/30/2013	Difference
	as of 6/30/2014	as of 6/30/2013	
	Estimate	Estimate	
	(\$millions)	(\$millions)	(\$millions)
State Insurance Fund	15,038	15,149	(111)
Disabled Workers' Relief Fund	2,131	2,105	27
Coal Workers Fund	58	44	14
Public Work-Relief Employees' Compensation Fund	5	4	1
Marine Industry Fund	2	2	1
Self-Insuring Guaranty Fund	464	450	14
Administrative Cost Fund	1,025	1,031	(6)
Total Unpaid Loss and LAE	18,723	18,783	(61)

Unpaid Liability Discounted at Annual Rate of 4.0%	6/30/2014	6/30/2014	Difference
	as of 6/30/2014	as of 3/31/2014	
	Estimate	Estimate	
	(\$millions)	(\$millions)	(\$millions)
State Insurance Fund	15,038	15,119	(81)
Disabled Workers' Relief Fund	2,131	2,071	60
Coal Workers Fund	58	44	13
Public Work-Relief Employees' Compensation Fund	5	6	(1)
Marine Industry Fund	2	2	1
Self-Insuring Guaranty Fund	464	471	(7)
Administrative Cost Fund	1,025	1,032	(7)
Total Unpaid Loss and LAE	18,723	18,745	(22)

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Ultimate loss and LAE estimates by accident year are discounted at a 4.0% rate as selected by the BWC. Actuarial Standards Board Standard of Practice No. 20, Discounting of Property and Casualty Loss and Loss Adjustment Expense Reserves, indicates that a discounted unpaid loss and allocated loss adjustment expense (ALAE) is not an adequate estimate of economic value unless a risk margin is included. We have not computed an explicit provision for adverse deviation on the discounted unpaid loss and ALAE.

We have provided the BWC with a complete set of exhibits in 'Adobe PDF' electronic format which contain the above summary exhibits in addition to all supporting exhibits. We have provided our analysis in the following separate reports:

- Private Employers - Unpaid Loss and Loss Adjustment Expense Analysis as of June 30, 2014 Using Data as of June 30, 2014
- Public Employers Taxing Districts - Unpaid Loss and Loss Adjustment Expense Analysis as of June 30, 2014 Using Data as of June 30, 2014
- Public Employers State Agencies - Unpaid Loss and Loss Adjustment Expense Analysis as of June 30, 2014 Using Data as of June 30, 2014
- Ancillary Funds - Unpaid Loss and Loss Adjustment Expense Analysis as of June 30, 2014 Using Data as of June 30, 2014
- Coal Workers Pneumoconiosis Fund (CWPF)
- Appendix – Unpaid Loss and Loss Adjustment Expense Analysis as of June 30, 2014 Using Data as of June 30, 2014

We have relied on the data which the BWC provided to us. If the data is inaccurate or incomplete, our projections may need to be revised.

The estimates in this report were developed in accordance with the principles of the Casualty Actuarial Society and the applicable standards of the Actuarial Standard Board.

The "expected value" estimates presented in this report are intended to represent actuarial central estimates which, consistent with the applicable actuarial standard of practice, we define as the expected value over the range of reasonably possible (as opposed to all conceivable) outcomes. All data is considered to be gross of recoveries for salvage, subrogation, and the net data are net

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of reinsurance. However, no evaluation has been performed on the collectability of such recovery amounts due to the BWC.

It should be understood that our conclusions are based on the available data and on informed judgment. Insurance liabilities are subject to many inherent uncertainties concerning future events. Macroeconomic events such as unanticipated changes in inflation, judicial decisions, legislation, claim consciousness, claim management, and mass torts may significantly alter the conclusions. Actual results may therefore vary significantly from our estimates.

We have enjoyed working with the BWC on this assignment and look forward to working with you in the future. Please let us know if we can be of further assistance.

Sincerely,



Jeffery J. Scott, FCAS, MAAA



Jeffery W. Scholl, FCAS, MAAA

Enclosure

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Executive Summary

Purpose and Scope

Oliver Wyman Actuarial Consulting, Inc. (Oliver Wyman) has been retained by the Ohio Bureau of Workers' Compensation (the BWC) to evaluate its unpaid loss and loss adjustment expense (LAE) for all claims occurring through June 30, 2014. The data is evaluated as of June 30, 2014, including additional information provided through August 5, 2014.

The enclosed report provides an independent actuarial analysis by the firm of Oliver Wyman Actuarial Consulting, Inc. of the unpaid loss and LAE of the State Insurance Fund (SIF) and related funds administered by the Ohio Bureau of Workers' Compensation (BWC). The unpaid loss and LAE is an estimate of the future payments for Ohio workers covered by the Funds for injuries sustained on or before June 30, 2014. These future payments have been discounted to their present value as of June 30, 2014 at an assumed annual interest rate of 4.0%.

Actuarial Findings

The present value unpaid liability for loss and loss adjustment expenses for all funds as of June 30, 2014 indicated by our analysis is \$18.7 billion, which is \$22.3 million lower than the unpaid liability for all Funds included in the BWC's Financial Statements as of June 30, 2014. The total liabilities, by fund, are shown below:

Unpaid Liability	Undiscounted (\$millions)	Discounted 4.0% (\$millions)
State Insurance Fund	24,770	15,038
Disabled Workers' Relief Fund	4,212	2,131
Coal Workers Fund	148	58
Public Work-Relief Employees' Compensation Fund	8	5
Marine Industry Fund	4	2
Self-Insuring Guaranty Fund	808	464
Administrative Cost Fund	1,688	1,025
Total Unpaid Loss and LAE	31,638	18,723

A comparison to the current June 30, 2014 financial statement balances, by fund, is shown below.

Unpaid Liability Discounted at Annual Rate of 4.0%	Oliver Wyman Estimate (\$millions)	BWC 06/30/14 Balance Sheet (\$millions)	Difference (\$millions)
State Insurance Fund	15,038	15,118	(80)
Disabled Workers' Relief Fund	2,131	2,071	60
Coal Workers Fund	58	44	13
Public Work-Relief Employees' Compensation Fund	5	6	(1)
Marine Industry Fund	2	2	1
Self-Insuring Guaranty Fund	464	472	(8)
Administrative Cost Fund	1,025	1,032	(7)
Total Unpaid Loss and LAE	18,723	18,745	(22)

Relevant Comments

The estimates of unpaid claim liabilities are subject to a high level of uncertainty associated with the claims process, parameter estimates, interest rate selection, and other actuarial modeling assumptions. Therefore it is probable that the estimated liabilities could be either redundant or insufficient when all of the final costs are determined.

Comparison to Prior Estimates

In the table below, we show the comparison of Oliver Wyman's estimated 6/30/2013 discounted unpaid liability to the current estimate of discounted unpaid liability at 6/30/2014 (using data through 6/30/2014).

Unpaid Liability Discounted at Annual Rate of 4.0%	6/30/2014	6/30/2013	Difference (\$millions)
	as of 6/30/2014 Estimate (\$millions)	as of 6/30/2013 Estimate (\$millions)	
State Insurance Fund	15,038	15,149	(111)
Disabled Workers' Relief Fund	2,131	2,105	27
Coal Workers Fund	58	44	14
Public Work-Relief Employees' Compensation Fund	5	4	1
Marine Industry Fund	2	2	1
Self-Insuring Guaranty Fund	464	450	14
Administrative Cost Fund	1,025	1,031	(6)
Total Unpaid Loss and LAE	18,723	18,783	(61)

The table below shows the Oliver Wyman estimated unpaid liability for June 30, 2014, evaluated using data as of 3/31/2014 and 6/30/2014.

Unpaid Liability Discounted at Annual Rate of 4.0%	6/30/2014	6/30/2014	Difference (\$millions)
	as of 6/30/2014 Estimate (\$millions)	as of 3/31/2014 Estimate (\$millions)	
State Insurance Fund	15,038	15,119	(81)
Disabled Workers' Relief Fund	2,131	2,071	60
Coal Workers Fund	58	44	13
Public Work-Relief Employees' Compensation Fund	5	6	(1)
Marine Industry Fund	2	2	1
Self-Insuring Guaranty Fund	464	471	(7)
Administrative Cost Fund	1,025	1,032	(7)
Total Unpaid Loss and LAE	18,723	18,745	(22)

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Background

Under the mandates of the Ohio Revised Code, the Ohio workers' compensation system is the largest exclusive state insurance fund system in the United States, with invested assets of approximately \$25 billion and annual insurance premiums and assessments of approximately \$2 billion. The Ohio Bureau of Workers Compensation (BWC) exercises fiduciary authority with respect to the State Insurance Fund (SIF) and related Specialty Funds. These BWC Trust Funds are held for the benefit of the injured workers and employers of Ohio. It is from these trust funds that all claims for both medical and compensation for disability benefits are paid with the exception of self-insured claims.

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Results

The estimated unpaid loss and LAE as of June 30, 2014 using data as of June 30, 2014 is approximately \$18.7 billion on a discounted basis, assuming an annual interest rate of 4.0%, and \$31.6 billion on a nominal basis. This is an estimate of the liability provision necessary for future payments on insured workers compensation injuries occurring through June 30, 2014 using data as of June 30, 2014. The “expected value” estimates presented in this report are intended to represent actuarial central estimates which, consistent with the applicable actuarial standard of practice, we define as the expected value over the range of reasonably possible (as opposed to all conceivable) outcomes.

The current estimate of the discounted unpaid loss and LAE in the June 30, 2014 Statement of Net Position is \$18.7 billion.

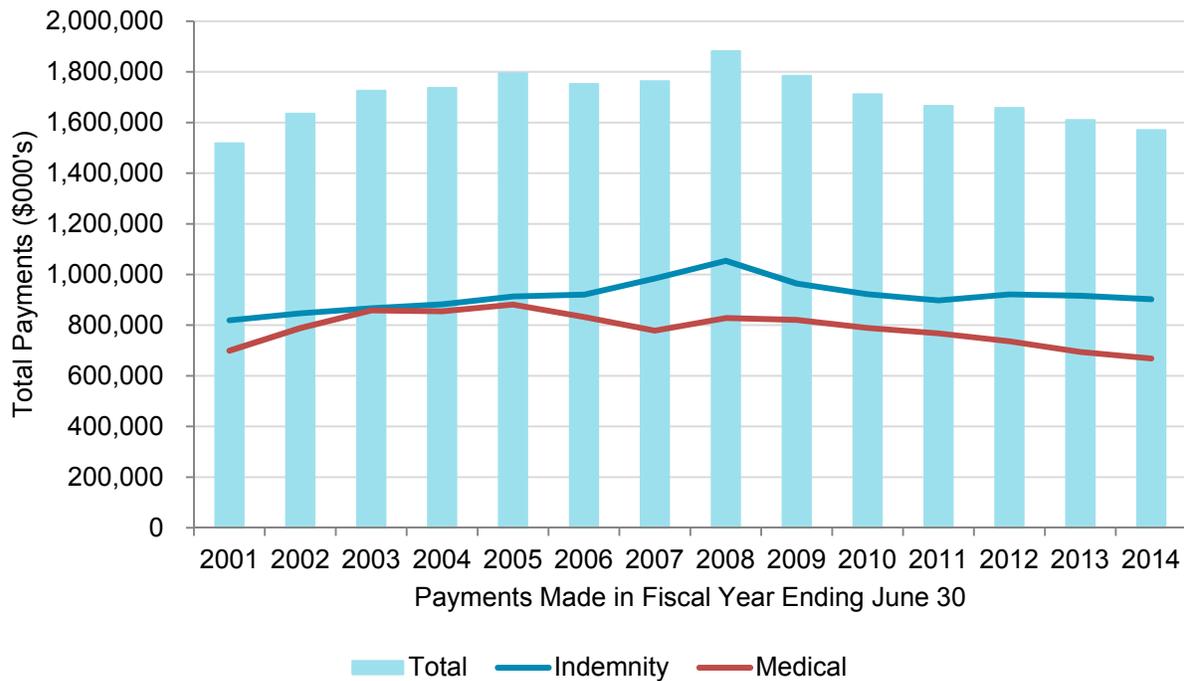
No explicit contingency reserve is included within the unpaid loss estimates; nonetheless, we suggest a portion of the Net Position be available to support the potential variation in loss emergence. Actual costs are expected to vary from the actuarial estimates.

The Actuarial Standards Board’s Actuarial Standard of Practice No. 20, Discounting of Property and Casualty Loss and Loss Adjustment Expense Reserves, indicates that a discounted unpaid loss and loss adjustment expense is not an adequate estimate of economic value unless a risk margin is included. We have not computed an explicit provision for adverse deviation on the discounted unpaid loss and loss adjustment expense.

SIF Unpaid Liability

The discounted unpaid loss and loss adjustment liability for the SIF is \$15.0 billion. The liability is split between indemnity losses of \$8.5 billion (56.9%), medical losses of \$5.6 billion (37.1%), Health Partnership Program expenses (HPP) of \$0.8 billion (5.4%) and Self-Insured of \$0.1 billion (0.6%). These liabilities represent future payments over a long period of time. Below is a chart of annual fiscal year indemnity and medical payments from 2001 through 2014.

Annual Indemnity and Medical Payments



- Fiscal Year 2014 is actual payments through June 30, 2014.

During the past 14 years, the annual payments have remained steady, ranging from a low of \$1.5 billion in 2001 to a high of \$1.9 billion in 2008. The 2014 Fiscal Year, with payments totaling \$1.6 billion, is the lowest amount since 2001. The 2014 Fiscal Year is slightly lower than 2013. These numbers include SIF payments only.

SIF Indemnity (PA, PEC and PES only)

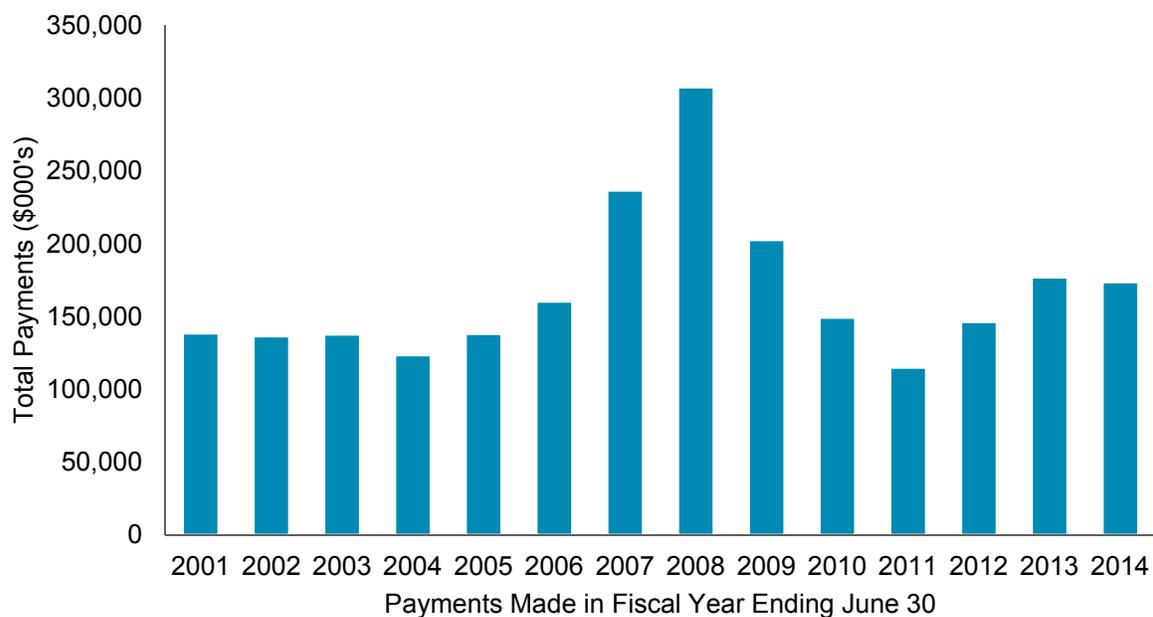
The indicated unpaid indemnity as of June 30, 2014 for the SIF is \$8.5 billion on a discounted basis and \$13.4 billion on an undiscounted basis. The discounted values are summarized in Summary 5 by benefit type.

The analysis of the indemnity ultimate losses is performed at the benefit type level, and the selection of ultimate losses varies by injury year.

Permanent Total Disability (PTD) claims are the largest segment of indemnity reserves. The estimated discounted unpaid liability is \$4.0 billion and represents 26.4% of the total SIF reserve estimate.

Lump Sum Settlements represent the next largest liability, at \$1.8 billion. Below is a chart that shows the annual payments related to lump sum settlements. As can be seen, payments were elevated in the years 2007- 2009, reaching a peak at \$307 million in 2008, and declining until the most recent three years. The current estimate of the 2014 Fiscal Year payments is \$173 million.

Lump Sum Settlements Payments



- Fiscal Year 2014 is actual payments through June 30, 2014.

With the addition of fiscal year ending June 30, 2014 payments it appears that the rapid increase in calendar year payments is leveling off. This benefit type needs watching as the potential exists for a rapid increase in payments, as can be seen in 2007 and 2008.

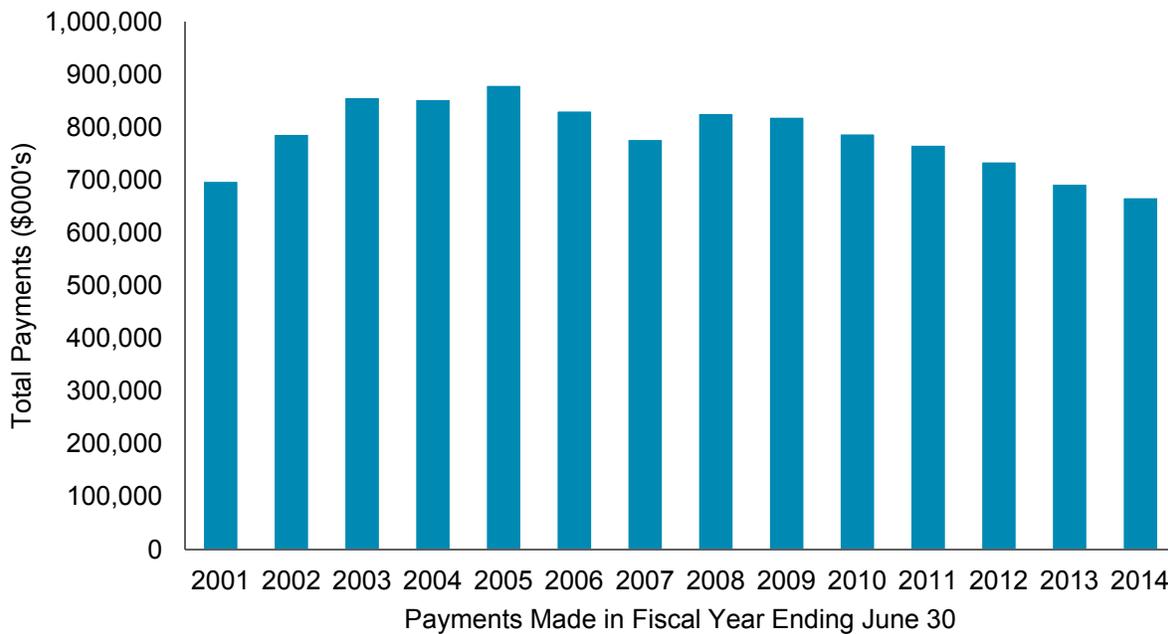
SIF Medical (PA, PEC and PES only)

The indicated unpaid medical as of June 30, 2014 is \$5.6 billion on a discounted basis and \$9.9 billion on a nominal basis. The discounted values are summarized in Summary 5.

Unpaid medical payments represent 37.1% of the SIF liability. The analysis was performed by provider type. The largest medical related liabilities are for future pharmacy payments (\$1.9 billion) and future hospital payments (\$1.3 billion).

In 2014, medical payments totaled \$668 million, making 2014 the sixth consecutive year of lower payments since \$828 million in 2008.

Medical Payments



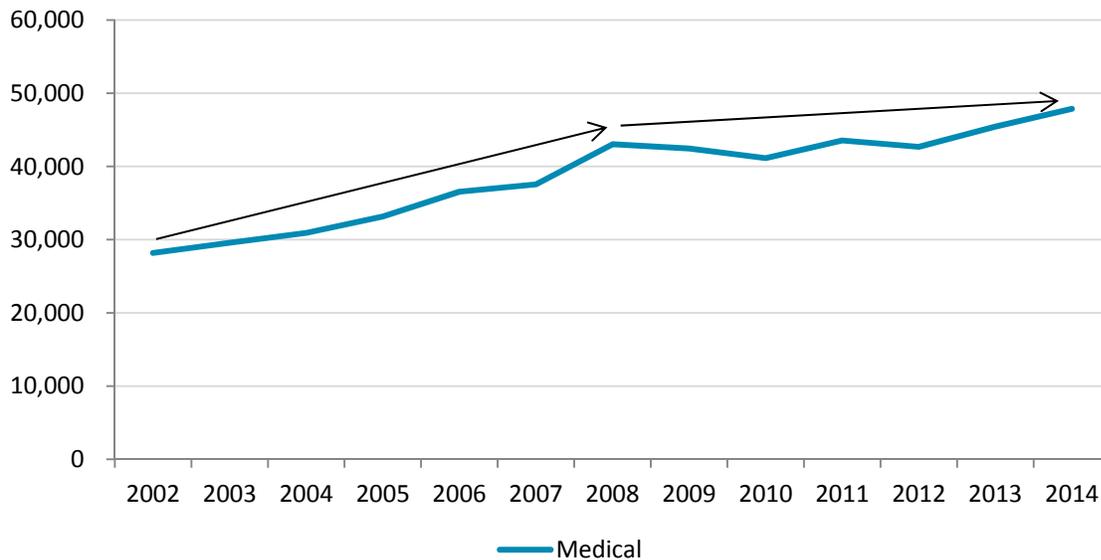
- Fiscal Year 2014 is actual payments through June 30, 2014.
- Includes payments on all medical types (hospital, physician, pharmacy, chiropractor, rehabilitation, health other and medical only).

Medical is a benefit where the cost of the claim is based on current prices for medical services and is not dependent on the year of injury like indemnity benefits, therefore the cost of future payments is dependent on future inflation and future utilization rates. Most actuarial methodologies use historical patterns to determine the future, so it is important to recognize that these past patterns reflect past medical inflation, cost containment measures, and utilization rates of medical services. Looking at the average claim costs per lost time claim for private employers, the average annual trend from 2002 through 2013 is 4.5%. These statistics can be seen in the cost trend sections in

Exhibit PACT.7. The annual trend from 2002-2008 is 7.1%, whereas the trend from 2008-2013 is nearly level at 1.0%.

Trend 4.5% (2002-2013)

Average Cost per Lost Time Claim



Comparison of Unpaid Liability as of June 30, 2014 evaluated as of June 30, 2014 to Unpaid Liability as of June 30, 2013 evaluated as of June 30, 2013

Indicated SIF unpaid loss and LAE as of June 30, 2014 is lower than our June 30, 2013 unpaid loss and LAE by approximately \$0.111 billion, or -0.7%. The change for all Funds from 2013 to 2014 is a decrease of \$0.061 billion, or -0.3%. These changes are shown by Fund in Summary 3.

The changes in SIF (excluding HPP) unpaid loss and LAE between June 30, 2013 and June 30, 2014 can be separated into three components:

1. An “expected” addition to unpaid loss and LAE which is the result of the addition of unpaid loss and LAE for another year of accidents (July 1, 2013 through June 30, 2014.) This amount is estimated to be \$1,079 million.
2. A decrease in unpaid loss and LAE for accidents occurring prior to July 1, 2013, from payments being made, \$1,497 million, offset by the interest amortization, i.e. one year less discount remaining in the liability (\$544 million). The net expected reduction in unpaid loss and LAE for these prior accident years is a decrease of \$952 million.

3. An unexpected change in unpaid loss and LAE due to changes in the base of payments and factors used to establish the unpaid loss and LAE. These changes, which result in a decrease of unpaid loss and LAE of approximately \$254 million, amount to a 1.8% decrease in unpaid loss and LAE.

The three components of SIF unpaid loss and LAE changes are summarized in Summary 4. The "expected" change in unpaid loss and LAE amounts to an increase of 0.9%. In addition, there is also the "unexpected" decrease in the amount of 1.8%. This adds up to a total change in unpaid loss and LAE of a decrease of 0.9%.

Comparison of Unpaid Liability as of June 30, 2014 evaluated as of June 30, 2014 to Unpaid Liability as of June 30, 2014 evaluated as of March 31, 2014

The comparison to our prior quarter evaluation is shown below. For the PA, PEC and PES employers, the total change was a decrease of \$79 million, or -0.6%. Including all funds, the reduction in discounted reserve is \$36 million, or -0.2%.

Unpaid Loss as of 6/30/2014	Evaluation 6/30/2014	Evaluation 3/31/2014	Difference	Percentage
Medical	5,583	5,681	(98)	-1.7%
Indemnity	8,550	8,530	19	0.2%
Total Unpaid Loss	14,133	14,212	(79)	-0.6%

A more detailed summary can be found in Summary 7.

The fourth quarter payments, in total, were lower than our expected estimates by 5.5%. This in the range of the three previous quarters, where the actual payments were lower by 4.7%, 4.5%, and 7.1%, respectively.

4/1/14 to 6/30/2014 Quarterly Payments (\$000's)	Actual	Expected	Difference	Percentage
Medical	157,579	178,870	(21,291)	-11.9%
Indemnity	219,339	219,878	(539)	-0.2%
Total Payments	376,917	398,748	(21,831)	-5.5%

The medical payments continue to be lower than expected by 11.9%. The indemnity payments are lower by 0.2%.

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Methodology

Loss Estimates

The methods used to estimate the unpaid loss by accident year include paid loss development, incurred loss development, Bornhuetter/Ferguson, persistency and payment projection approaches.

Under the **paid development method**, the historical loss payment pattern is applied directly to the latest cumulative paid losses to estimate the ultimate amount. The advantage to this method is that the estimates of the ultimate loss are independent of case reserve adequacy and are unaffected by changes in the case reserving philosophy. However, the nature of liability payment patterns requires the application of large development factors to relatively small payments in most immature years.

Under the **incurred development method**, the historical loss reporting pattern is applied directly to the latest cumulative reported losses (paid plus case reserves) to estimate ultimate losses. An advantage to this method is that it tends to be responsive to changes in reported losses. It may also provide a more accurate estimate of ultimate losses for less mature years if historical levels of reserve accuracy are maintained. However, it may inaccurately react to a change in the adequacy of case reserves. Therefore, understanding the causes for changes in the underlying claim values is essential when employing this method. This is an area of concern in that the case reserves for BWC are based on MIRA II, which is a formula approach to establishing case reserves.

The **paid development based Bornhuetter/Ferguson (B/F) method** bases the estimation of losses on the earned premium (or payroll) and percent of losses paid to date for an accident year. In this method, a loss ratio (or loss cost) is selected and multiplied by the accident year earned premium (or payroll) to produce an ultimate loss estimate. One estimation method would be to subtract the paid losses from this "initial" estimate to arrive at an estimate of reserves. However, the B/F method refines the estimate by using the payment pattern for a typical accident year. The percentage of paid losses is used as a weight. The percent of unpaid losses (one minus percent paid) is applied to the expected losses and the paid to date losses are added to this amount to obtain an ultimate loss estimate. The advantage of this method is that it is less sensitive than the paid loss development method to the volatility that is present in the paid losses in the early stages of development.

The **incurred based B/F method** is similar to the paid development based B/F method except it uses incurred development for weights to obtain the expected ultimate losses.

We also have two types of persistency methods. Under the **persistency per lost time claim method**, our selections of persistency (development) factors are based on the historical experience of the average paid losses per lost time claim by age of development. The “profile” of persistency factors is calculated within each fiscal year by age of development, rather than using the “traditional” method of calculating year-to-year development factors by accident year. This methodology allows the use of all of the experience available and the calculations are not distorted by significant changes in payments in the past years. Persistency factors have been selected based on the recent history for each of the early development periods, and a constant persistency rate was calculated for the middle development periods based on the historical experience for these years. For persistency beyond approximately the thirtieth period of development, we have used the assumption that persistency will be a constant percentage of the theoretical mortality rate.

In the case of medical benefits, the selected indexed persistency assumptions are multiplied by an annual inflation assumption to derive estimated payments.

“Persistency” refers to the ratio of payments for a particular age of development to payments for the prior age of development. For instance, if temporary total (TT) payments for accident year 2006 were \$100 million in 2008 and \$90 million in 2009, we would calculate a persistency factor of 0.90 for the 2008 accident year for calendar year 2009. Another measurement of persistency could be determined by comparing payments per claim during 2007. For example, if medical payments per claim averaged \$100 per claim in the calendar year for claims that were four years old and \$90 per claim during the same calendar year for claims that were five years old, we could calculate a persistency factor of 0.90 for the fourth vs. fifth year of development based on these relationships within this calendar year. In order to use the second measurement of persistency to project unpaid medical loss, it is necessary to include explicit consideration of the expected future trend in the average cost per claim.

We have considered persistency factors to project the future payments (unpaid loss) for some indemnity benefits. For example the weekly compensation benefits for TT, LM, PTD and death benefits are “fixed” for each claimant at the date of injury or death, and the payments have tended to continue for relatively long periods of time. It is logical to expect the payments for these benefits and the related medical payments to exhibit particular patterns by benefit type which reflect the reporting pattern and the rate at which these claims are eventually closed due to beneficiaries returning to work, transferring to other compensation types, or in the case of death benefits, remarriage or death of the beneficiary.

For medical payments, we have computed persistency factors by type of provider for lost time claims as well as for medical only claims for all provider types combined. Explicit considerations of the effects of inflation on medical costs (as measured by the annual increase in average payment

per lost time claim) have also been included in our projections for the calendar year persistency method. The measurement of the increase in average payment per claim includes both the inflationary increase in costs as well as the increase in "utilization" of medical services. Based on the long term trend in the medical costs per claim, we have selected an annual trend of 7% for our projections of future medical payments after June 30, 2014 for all provider types. Our trend assumption is based on long term national and BWC workers' compensation trends. These trends are higher than the most recent trends observed in the Ohio BWC data. The other methods of loss development include an implicit inflation assumption that is a reflection of the actual past inflation.

We use a smoothing technique for the middle (for example 6 - 25) development years. The smoothing develops a constant persistency during this time period. It is equal to the overall decay using each of the period's average persistency. This allows for incorporation of the overall average of all persistency factors during these periods as well as to provide a stable decline from period to period. We have further broken this down into two 10 year segments, so that we can have persistency factors that are more likely to reflect the actual development periods while giving us enough data points to calculate an average factor.

We also use a **persistency incremental paid** method. In this method, we compare incremental payments within an accident year. This method will reflect the historical development trends, including all past inflation. The main difference in this method and the prior persistency method, is that the actual payments are used in the calculation. No adjustment is needed as they relate to the same group of claims in the accident year. Therefore, no inflation adjustment is needed, as the past inflation is reflected in the development factors.

For permanent total disability (PTD) and "Other Compensation" (Percent Permanent Partial (%PP), Permanent Partial (PP), Temporary Partial (TP), Wage Loss (WL), Living Maintenance/Wage Loss (LM/WL), Lump Sum Settlements (LSS), Lump Sum Advancements (LSA) and Additional Awards (AA)), our methodology uses historical relationships of "weeks of benefits" by development year. These are calculated using payments, numbers of ultimate lost time claims (ultimate number of PTD claims for PTD and LSA), and the average benefit level for each accident year.

An additional clarification is required regarding the terminology used for persistency factors calculated using the fiscal year data. In the Appendix, we have used the terminology "calendar year" persistencies to describe the persistencies calculated using the relationships between development years within a fiscal year to distinguish these calculations from the traditional calculations of year-to-year development by accident year.

We have separated medical payments for claims with compensation and medical only claims. Due to the significant changes in claims procedures, fee schedules, etc., which may affect the medical payments on lost time claims differently than medical only claims, we believe that more accurate estimates can be obtained by separating the medical only claims from the lost time claim payments.

For injury years prior to 1979, the latest fiscal year payments are multiplied by an annuity factor based on mortality assumptions that are derived based on a uniform distribution of injured workers ages 18 – 65 at time of injury.

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Distribution and Use

This report was prepared for the sole use of the BWC and Oliver Wyman. All decisions in connection with the implementation or use of advice or recommendations contained in this report are the sole responsibility of the BWC.

Third Party Reliance and Due Diligence – Oliver Wyman’s consent to any distribution of this report (whether herein or in the written agreement pursuant to which this report has been issued) to parties other than the BWC does not constitute advice by Oliver Wyman to any such third parties and shall be solely for informational purposes and not for purposes of reliance by any such third parties. Oliver Wyman assumes no liability related to third party use of this report or any actions taken or decisions made as a consequence of the results, advice or recommendations set forth herein. This report should not replace the due diligence on behalf of any such third party.

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Considerations and Limitations

Data Verification (Claim and Exposure) – For our analysis, we relied on data and information provided by the BWC without independent audit. Though we have reviewed the data for reasonableness and consistency, we have not audited or otherwise verified this data. It should also be noted that our review of data may not always reveal imperfections. We have assumed that the data provided is both accurate and complete. The results of our analysis are dependent on this assumption. If this data or information is inaccurate or incomplete, our findings and conclusions may need to be revised.

Prospective Policy/Accident Period Estimates – The prospective policy/accident period estimates developed in this analysis are based on estimated loss costs and the projected exposures. It should be noted that prospective period loss and ALAE estimates are directly related to the projected exposures. Therefore, if actual exposures differ from the projection, prospective policy/accident period estimates would need to be adjusted accordingly.

Assumption of Valid Insurance / Reinsurance – All excess insurance / reinsurance is considered to be valid and fully collectible. We made no assessment, and do not express any opinion, concerning the collectability of any excess insurance or reinsurance. We have not evaluated the financial strength, claims paying ability or any other factors with regard to the BWC's past, current, and / or prospective excess insurers / reinsurers. Our estimates do not include any reduction in unpaid loss due to excess reinsurance.

Discounting – Additional uncertainty is introduced with discounting of unpaid loss and ALAE. In addition to the risk of underestimating or overestimating the overall amount of the nominal unpaid loss and ALAE, there is the additional risk that the timing of the future payment of those liabilities will differ from the expected payout, or that the future actual yield on the underlying assets (if any) will differ from the assumed yield rate used for determining present value factors. Actual loss and ALAE payments could occur materially more or less rapidly than projected, due to random variations. We have not included any specific provision for this additional risk.

Interest Rate – The interest rate of 4% used in this analysis has been provided by the BWC. An assessment of the reasonableness of the interest rate assumption(s) is beyond the scope of our analysis.

Supporting Assets – We have not examined the assets supporting the liabilities, but have assumed they are supported by valid assets which have appropriate maturities and sufficient

liquidity to meet payment obligations associated with the amounts that are within the scope of our review.

Rounding and Accuracy – Our models may retain more digits than those displayed. In addition, the results of certain calculations may be presented in the exhibits with more or less digits than would be considered significant. As a result, it should be recognized that (i) there may be rounding differences between the results of calculations presented in the exhibits and replications of those calculations based on displayed underlying amounts, and (ii) calculation results may not have been adjusted to reflect the precision of the calculation.

Unanticipated Changes – Our conclusions are based on an analysis of the BWC's data and on the estimation of the outcome of many contingent events. Future costs were developed from the historical claim experience and covered exposure, with adjustments for anticipated changes. Our estimates make no provision for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in historical databases or which are not yet quantifiable.

Internal / External Changes – The sources of uncertainty affecting our estimates are numerous and include factors internal and external to the BWC. Internal factors include items such as changes in claim reserving or settlement practices. The most significant external influences include, but are not limited to, changes in the legal, social, or regulatory environment surrounding the claims process. Uncontrollable factors such as general economic conditions also contribute to the variability.

Uncertainty Inherent in Projections – While this analysis complies with applicable Actuarial Standards of Practice and Statements of Principles, users of this analysis should recognize that our projections involve estimates of future events, and are subject to economic and statistical variations from expected values. We have not anticipated any extraordinary changes to the legal, social, or economic environment that might affect the frequency or severity of claims. For these reasons, no assurance can be given that the emergence of actual losses will correspond to the projections in this analysis.

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Acknowledgement of Qualifications

I, Jeffery J. Scott, am a Principal with Oliver Wyman Actuarial Consulting, Inc. I am a Fellow of the Casualty Actuarial Society, a member of the American Academy of Actuaries, and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial report contained herein.



Jeffery J. Scott, FCAS, MAAA

8

Graphs

Graph 1 – Claim Severities

Graph 2 – Claim Frequencies per \$1M Payroll

Graph 3 – Loss Rates per \$100 Payroll

Graph 4 – Claim Severities by type

Graph 5 – Comparison of Ultimate Loss Selections – Total

Graph 6 – Comparison of Unpaid Loss – Total

Graph 7 – Fiscal Year Paid – Total

Graph 8 – Comparison of Ultimate Loss Selections – Indemnity

Graph 9 – Comparison of Unpaid Loss – Indemnity

Graph 10 – Fiscal Year Paid – Indemnity

Graph 11 – Comparison of Ultimate Loss Selections – Medical on Indemnity

Graph 12 – Comparison of Unpaid Loss – Medical on Indemnity

Graph 13 – Fiscal Year Paid – Medical on Indemnity

Graph 14 – Comparison of Ultimate Loss Selections – Medical Only

Graph 15 – Comparison of Unpaid Loss – Medical Only

Graph 16 – Fiscal Year Paid – Medical Only

Graph 17 – Comparison of Undiscounted Loss Ratios

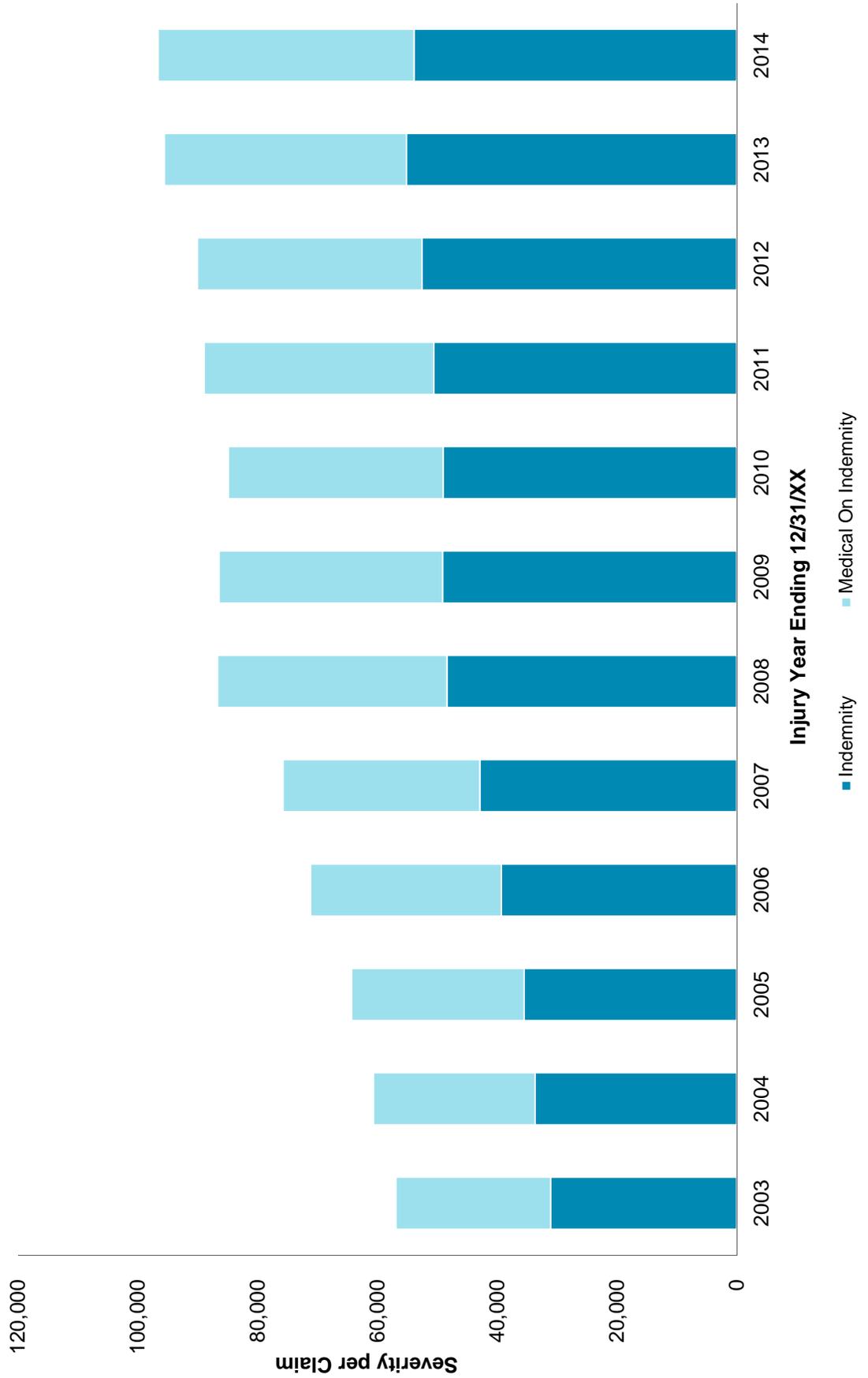
Graph 18 – Comparison of Discounted Loss Ratios

Graph 19 – Comparison of Undiscounted Pure Premiums

Graph 20 – Comparison of Discounted Pure Premiums

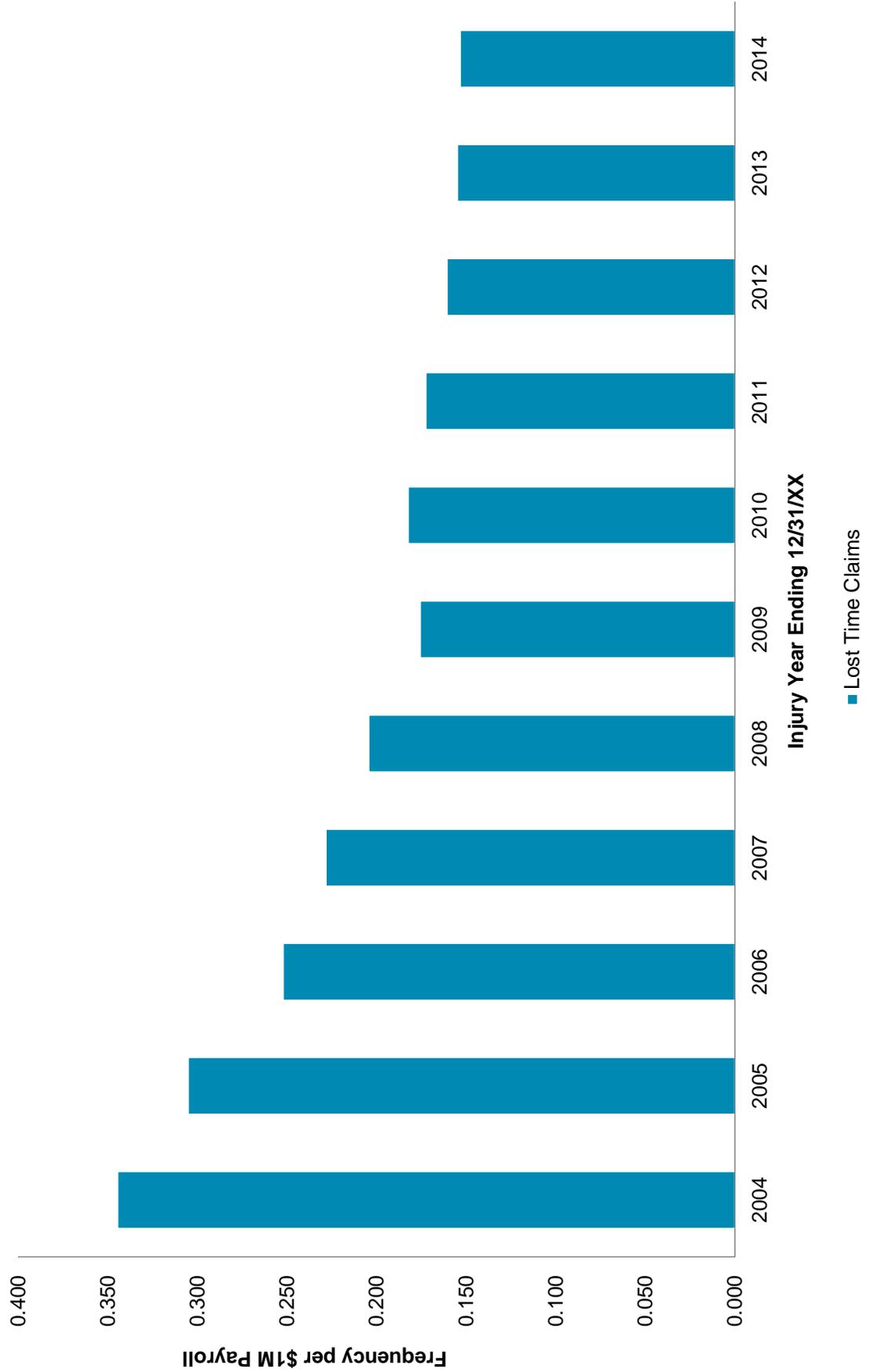
Graph 1

**Ohio Bureau of Workers' Compensation
Private Employers (PA)
Claim severity – lost time claims**



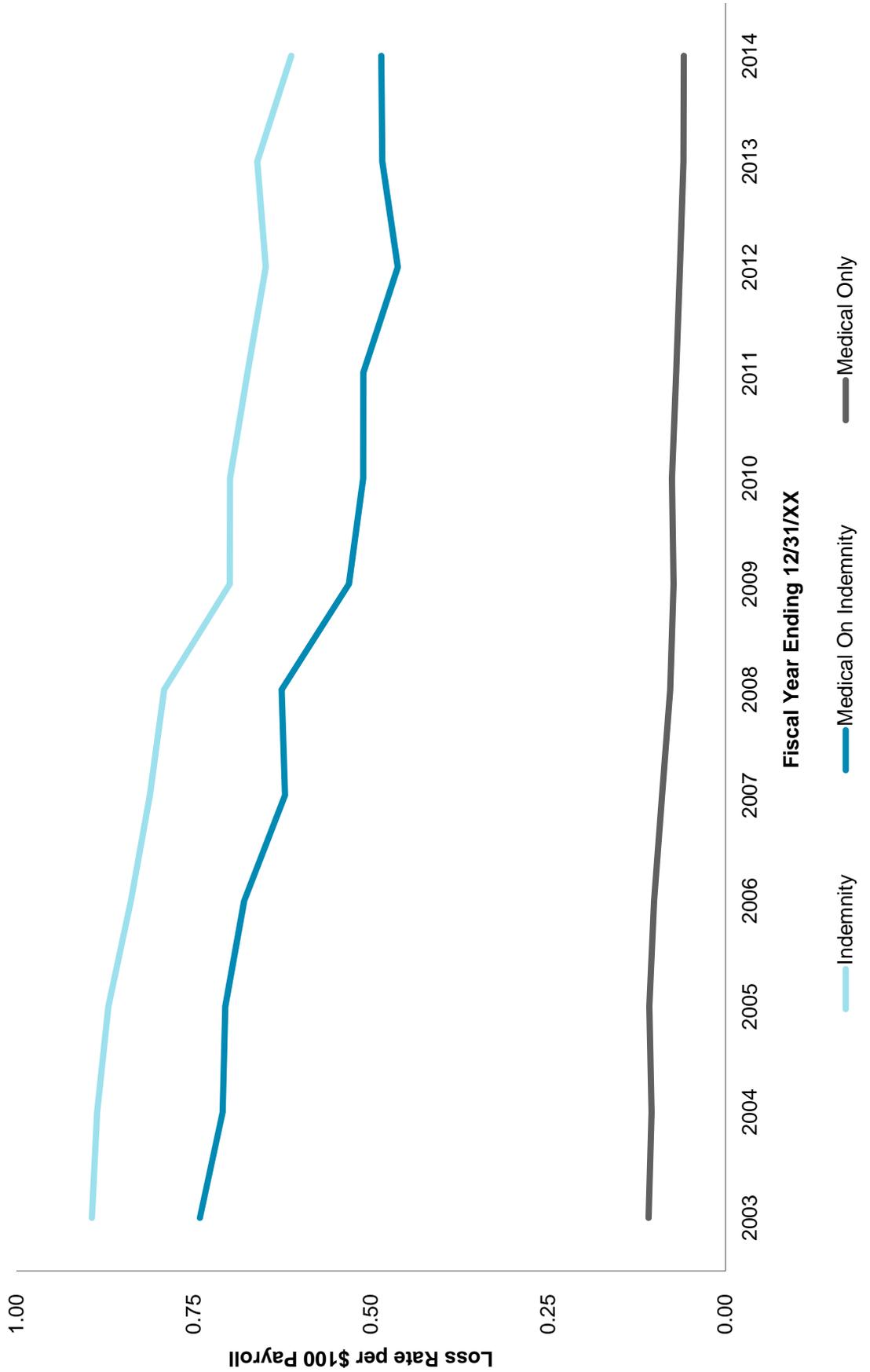
Graph 2

**Ohio Bureau of Workers' Compensation
Private Employers (PA)
Claim frequency per \$1 Million of payroll**



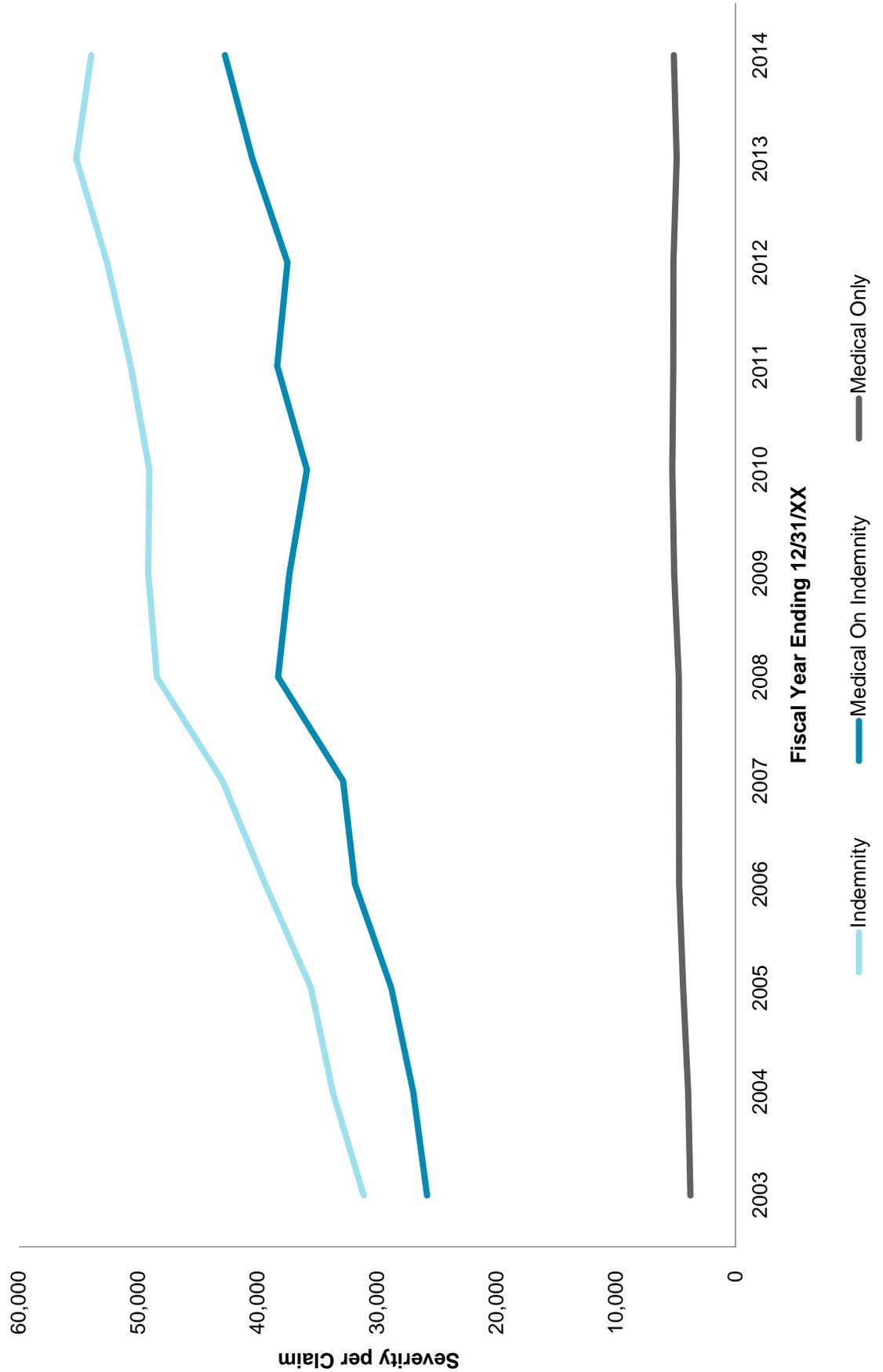
Graph 3

**Ohio Bureau of Workers' Compensation
Private Employers (PA)
Loss rate per \$100 payroll by type**



Graph 4

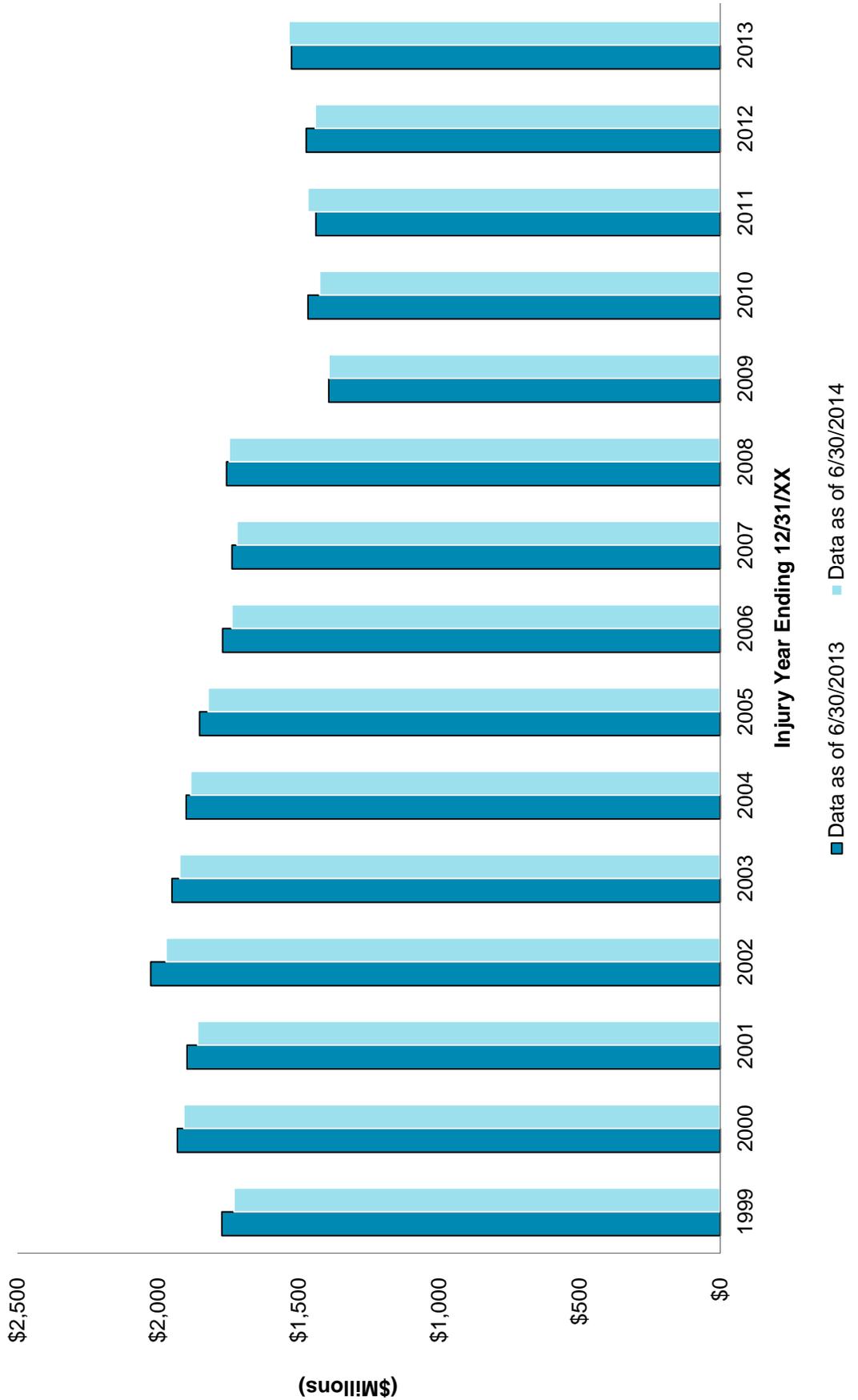
Ohio Bureau of Workers' Compensation Private Employers (PA) Claim severity by type



Graph 5

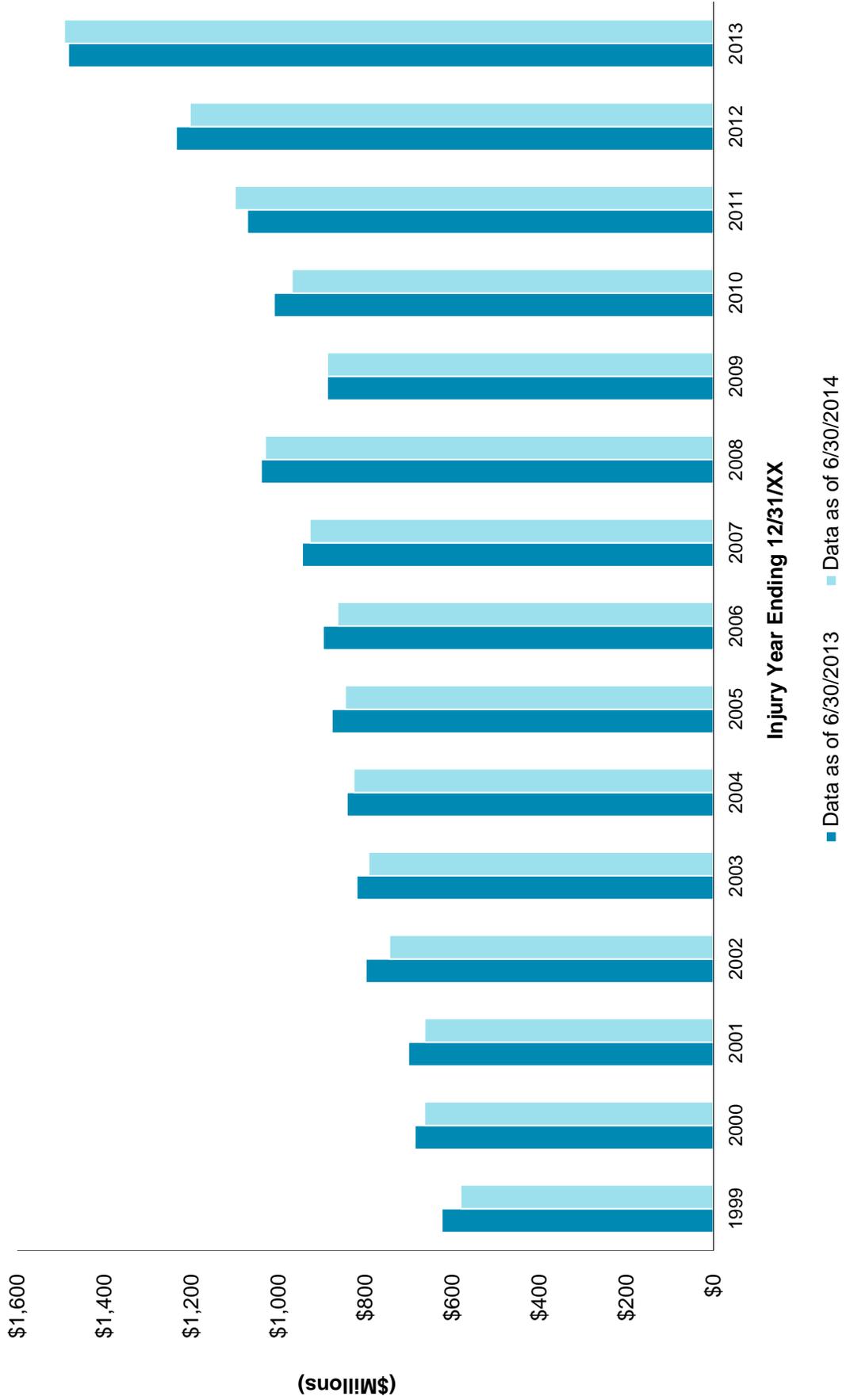
Ohio Bureau of Workers' Compensation Private Employers (PA)

Total loss (indemnity, medical on indemnity and medical only)
Comparison of *ultimate loss selections*



Graph 6

**Ohio Bureau of Workers' Compensation
Private Employers (PA)**
Total loss (indemnity, medical on indemnity and medical only)
Comparison of Unpaid Loss as of June 30, 2013



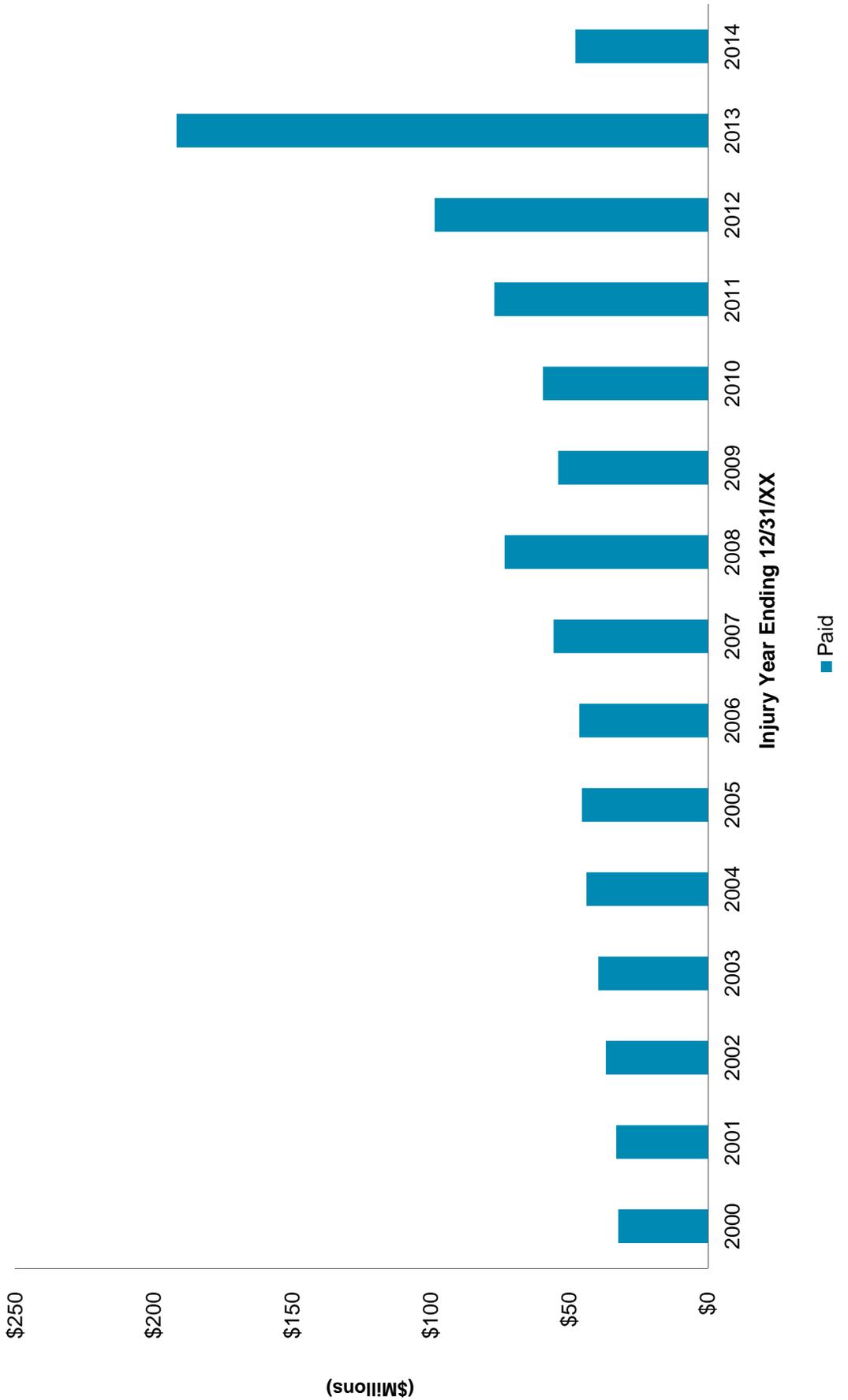
Graph 7

**Ohio Bureau of Workers' Compensation
Private Employers (PA)**

Total Loss (Indemnity, Medical on Indemnity and Medical Only)

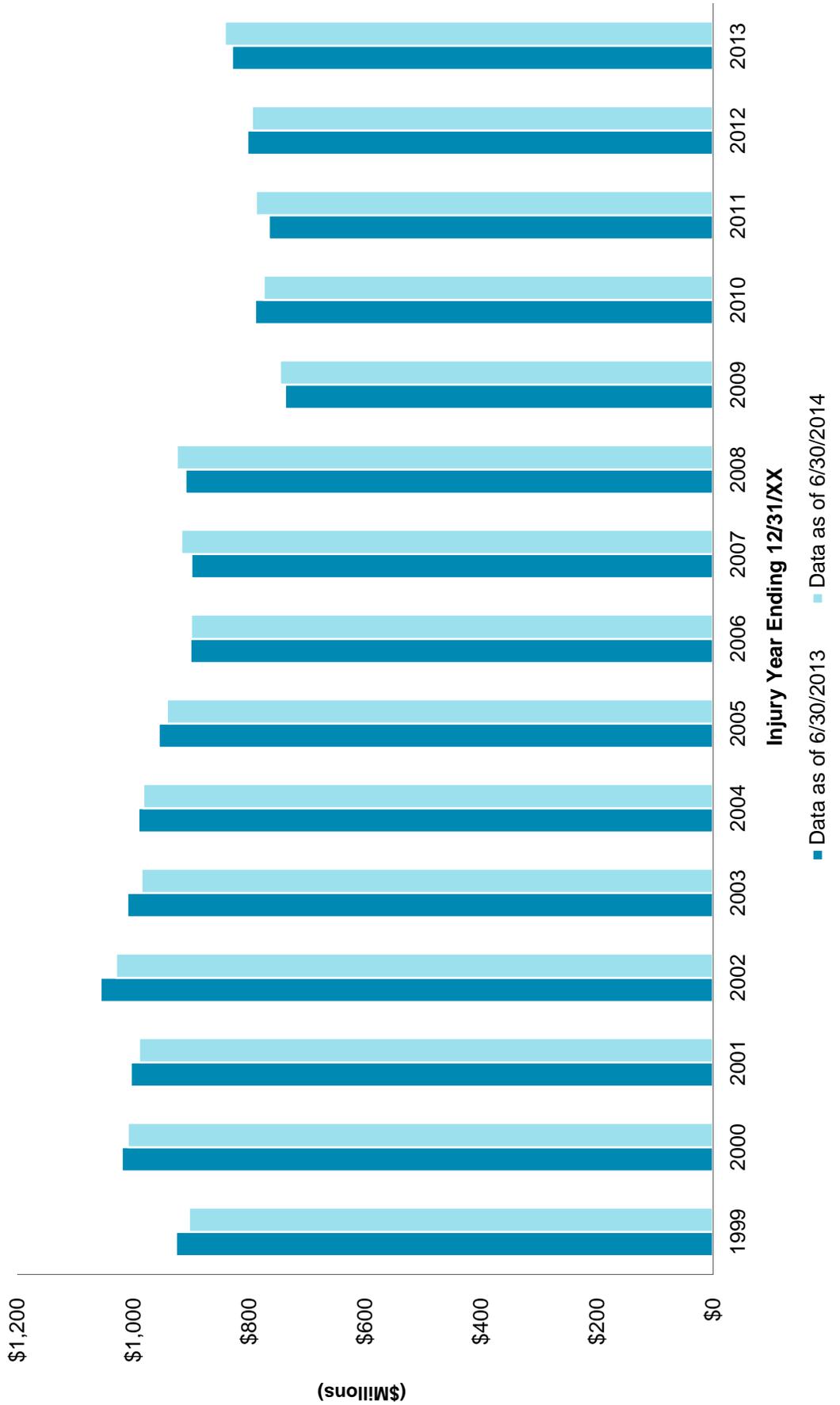
Fiscal Year Payments (7/1/13-6/30/14)

(Actual through 6/30/14)



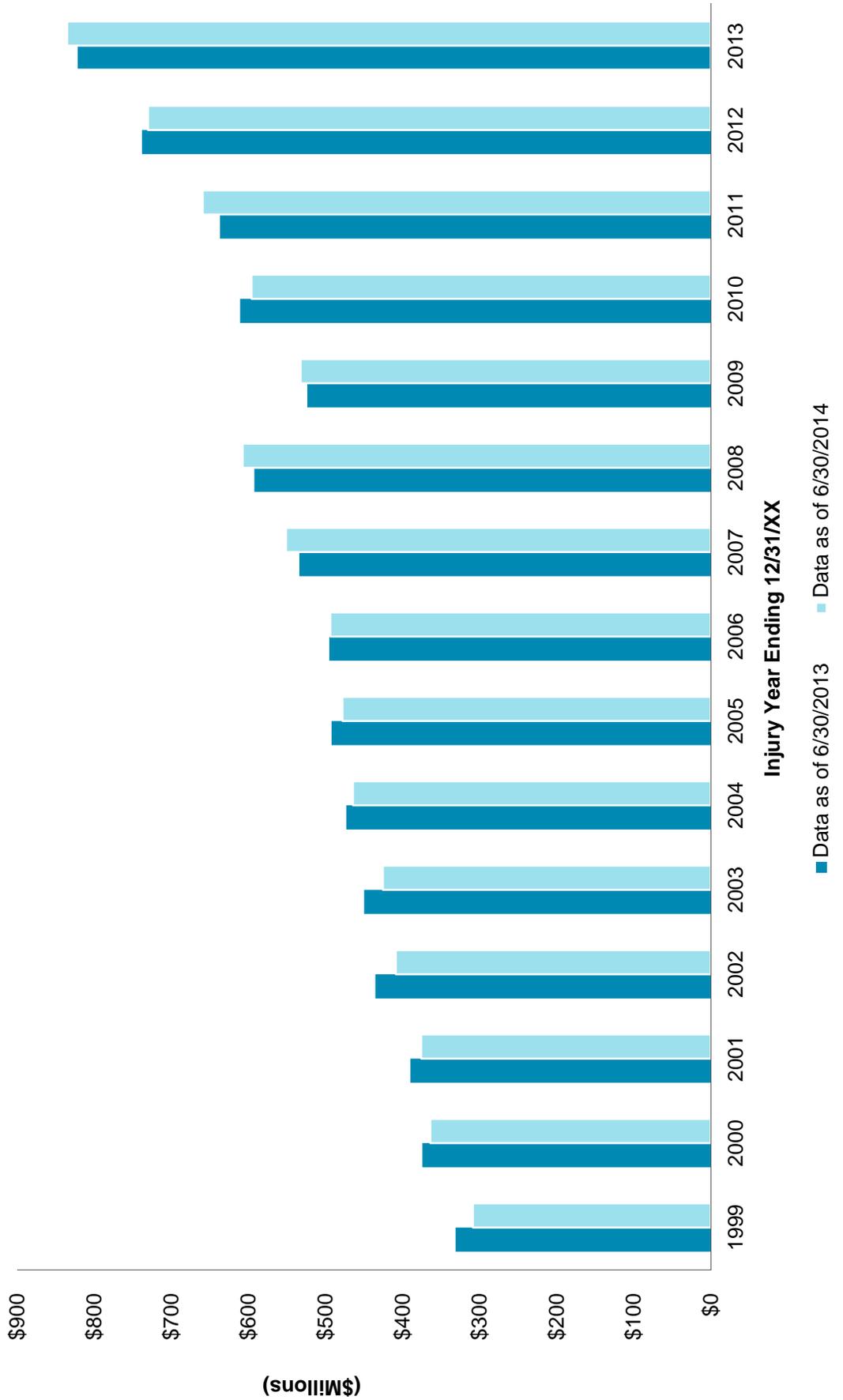
Graph 8

**Ohio Bureau of Workers' Compensation
Private Employers (PA)
Indemnity Only
Comparison of Ultimate Loss Selections**



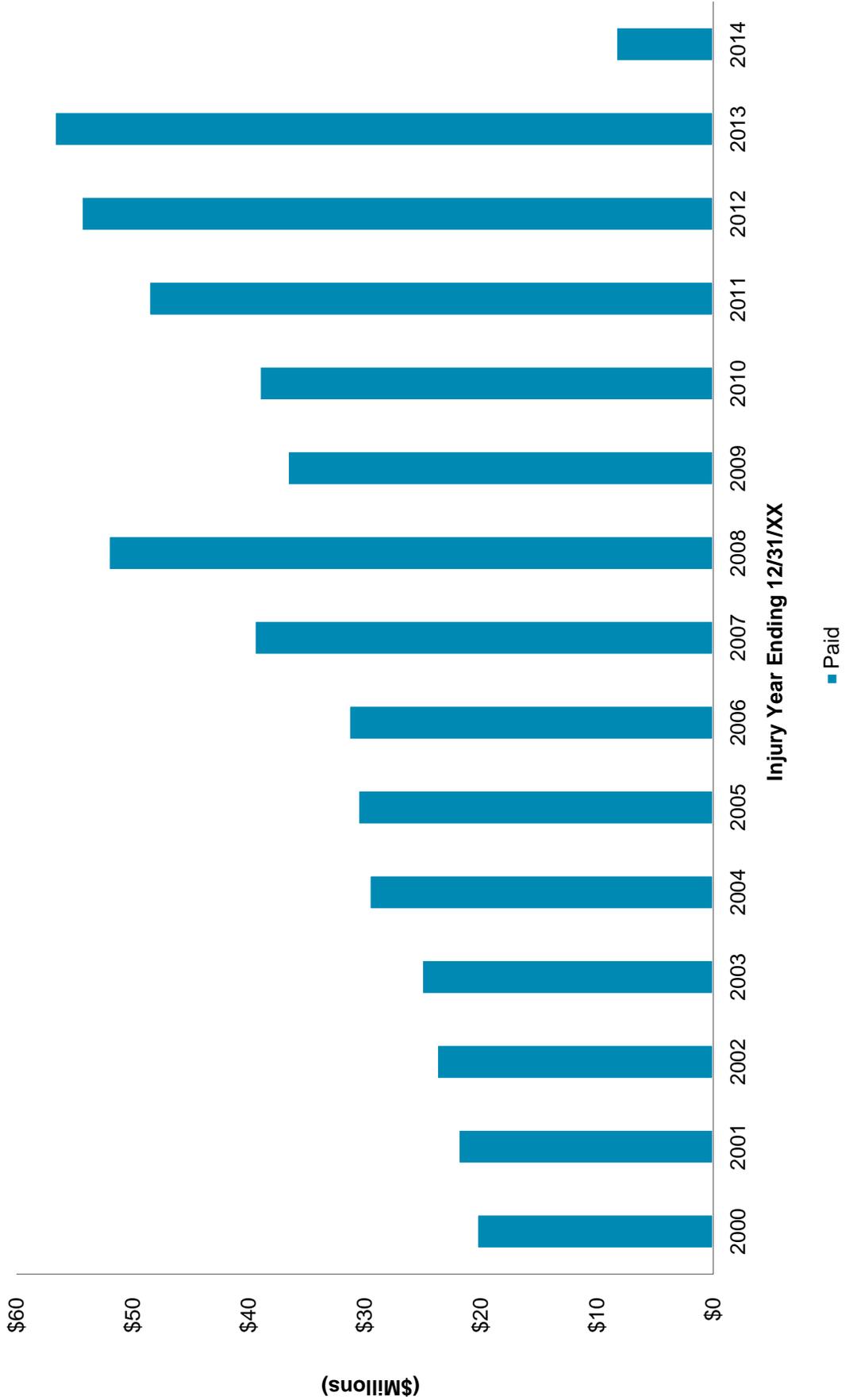
Graph 9

**Ohio Bureau of Workers' Compensation
Private Employers (PA)
Indemnity Only
Comparison of Unpaid Loss as of June 30, 2013**



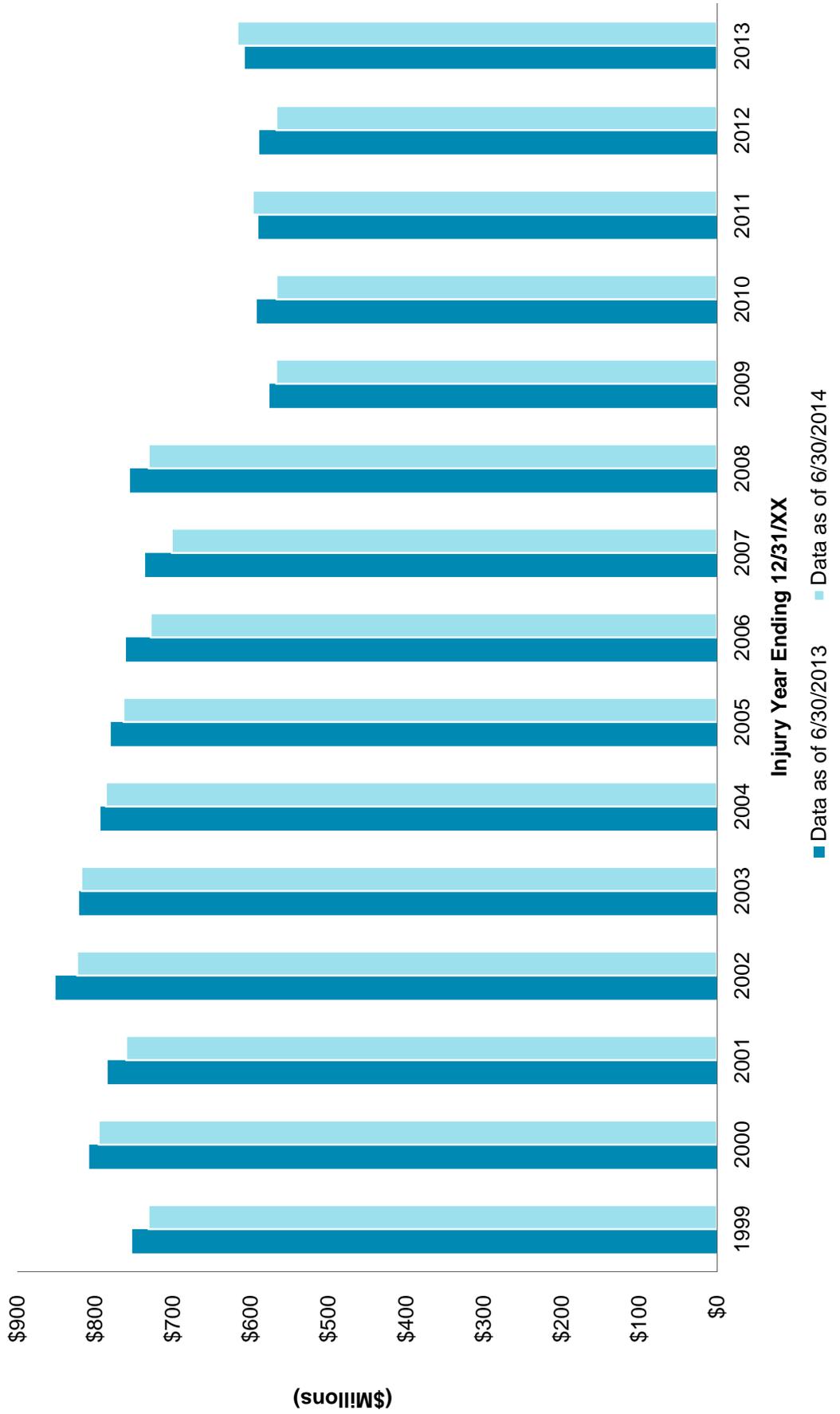
Graph 10

**Ohio Bureau of Workers' Compensation
Private Employers (PA)
Indemnity Only
Fiscal Year Payments (7/1/13-6/30/14)
(Actual through 6/30/14)**



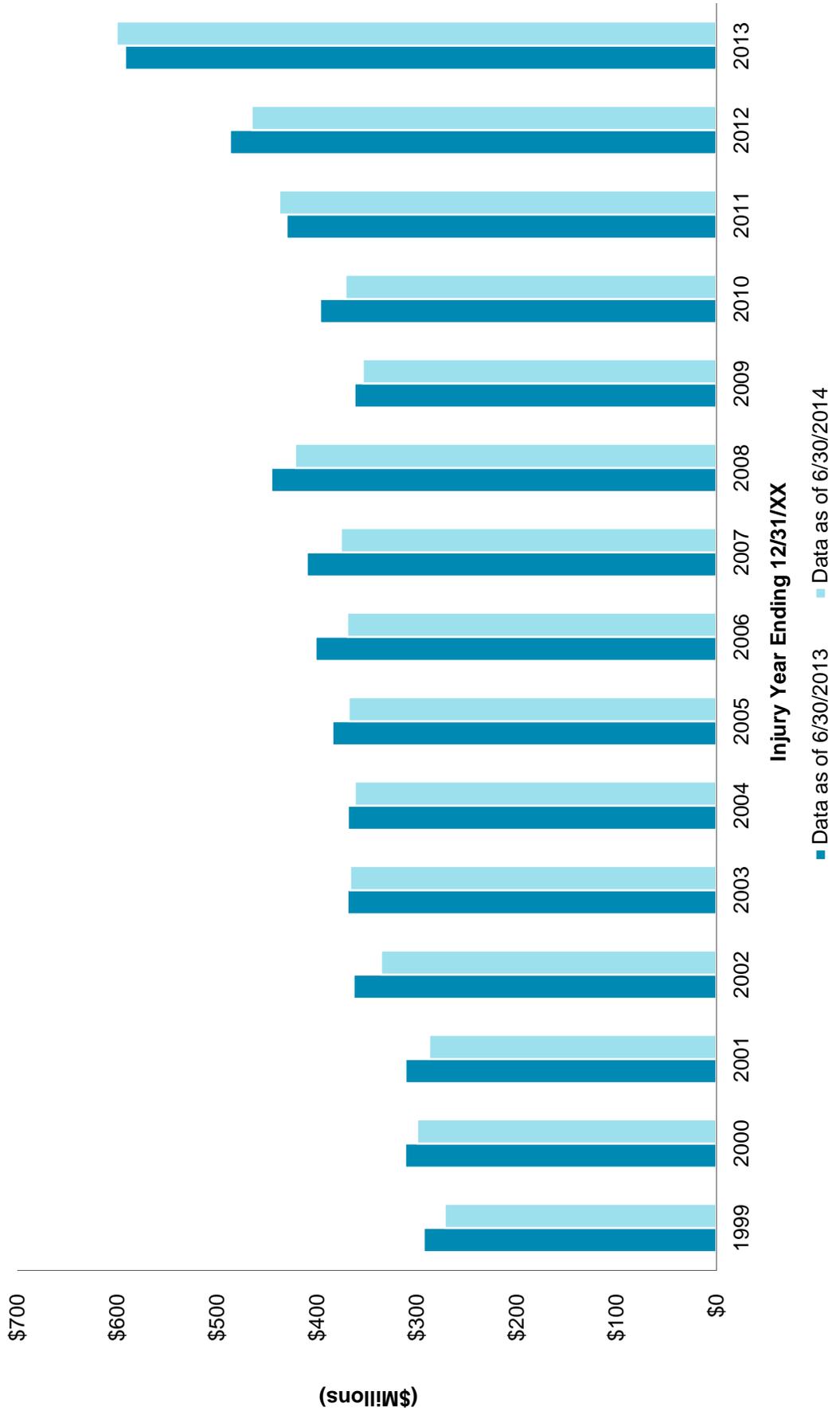
Graph 11

**Ohio Bureau of Workers' Compensation
Private Employers (PA)
Medical on Indemnity
Comparison of Ultimate Loss Selections**



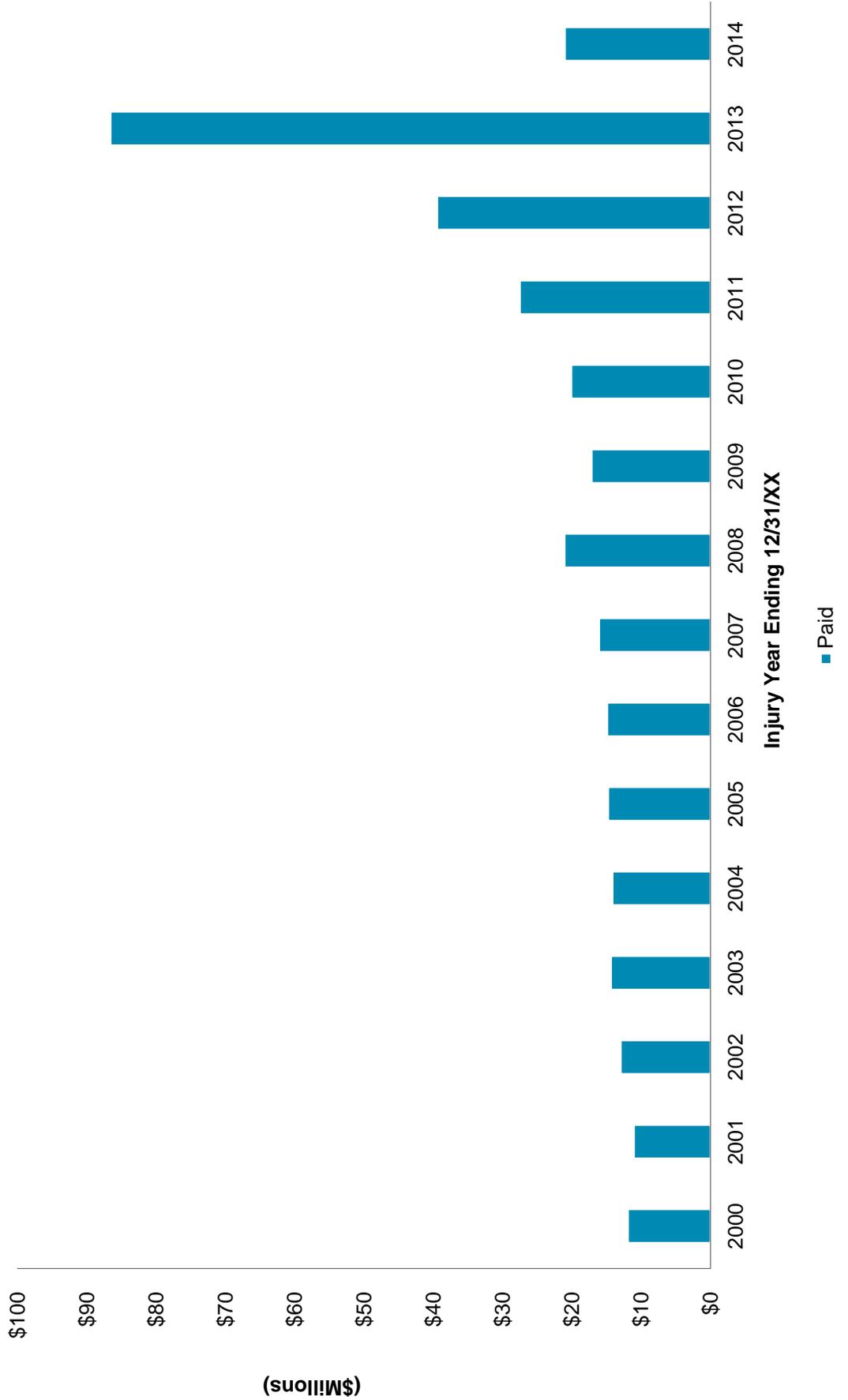
Graph 12

**Ohio Bureau of Workers' Compensation
Private Employers (PA)
Medical on Indemnity
Comparison of Unpaid Loss as of June 30, 2013**



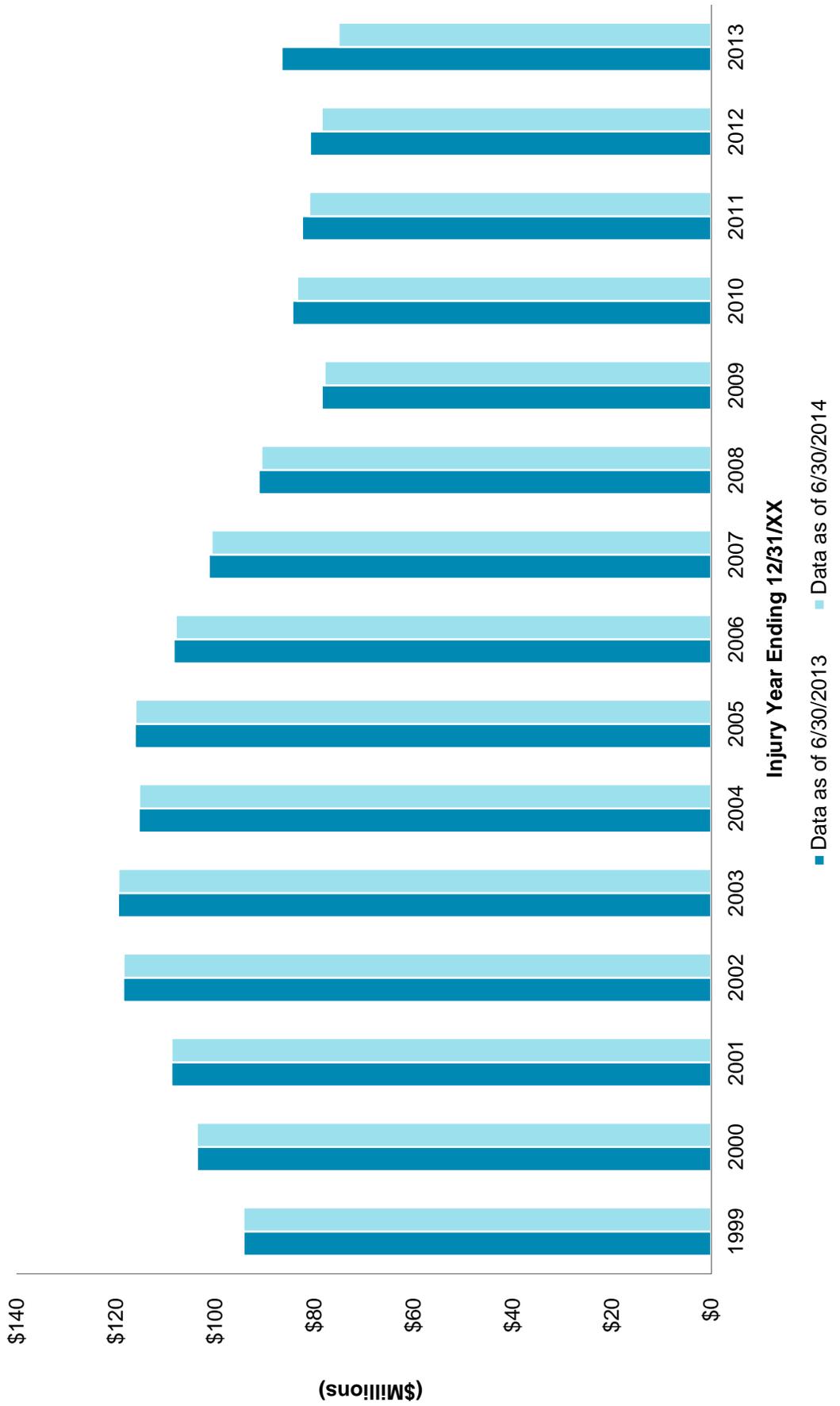
Graph 13

**Ohio Bureau of Workers' Compensation
Private Employers (PA)
Medical on Indemnity
Fiscal Year Payments (7/1/13-6/30/14)
(Actual through 6/30/14)**



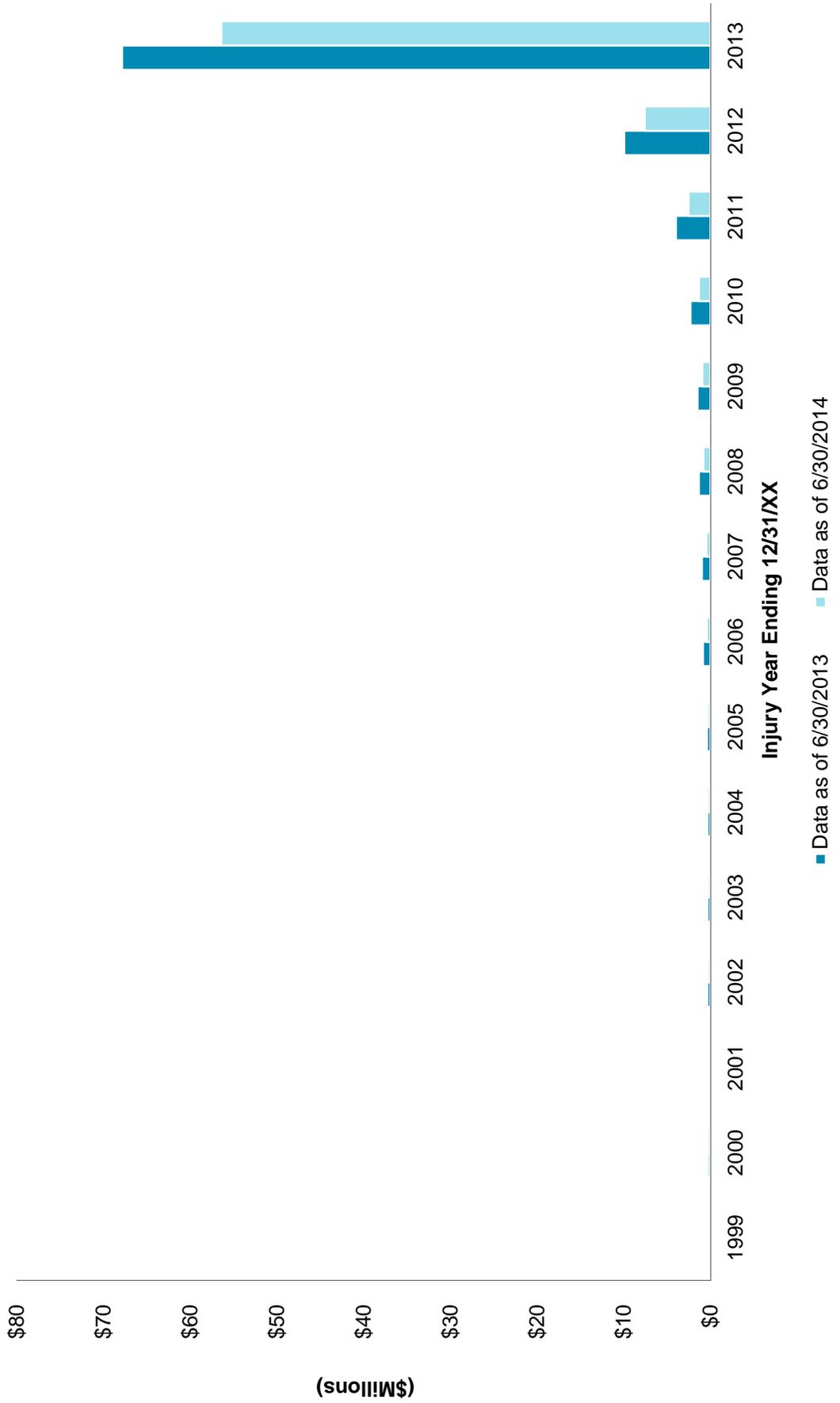
Graph 14

**Ohio Bureau of Workers' Compensation
Private Employers (PA)
Medical Only
Comparison of Ultimate Loss Selections**



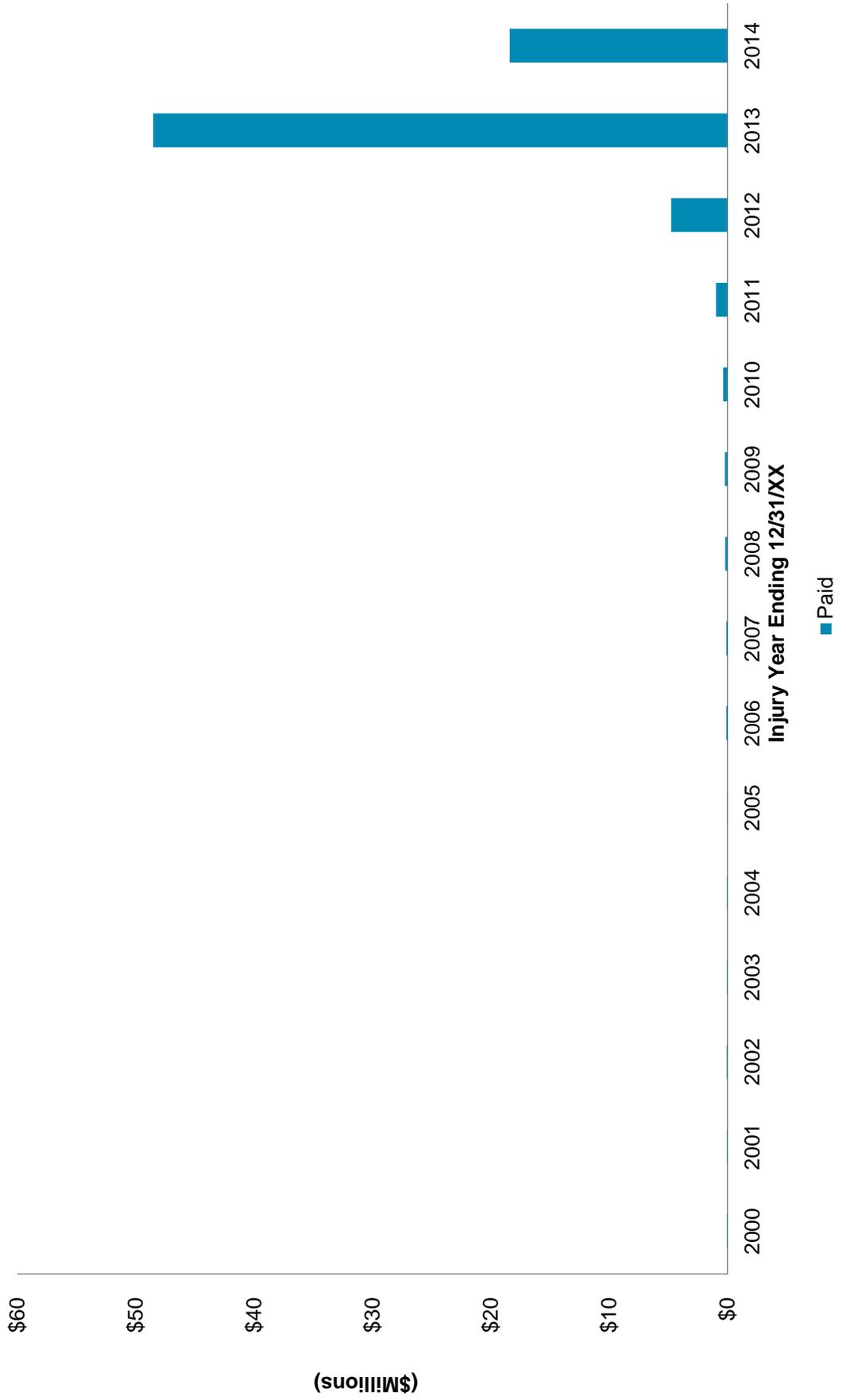
Graph 15

**Ohio Bureau of Workers' Compensation
Private Employers (PA)
Medical Only**
Comparison of Unpaid Loss as of June 30, 2013



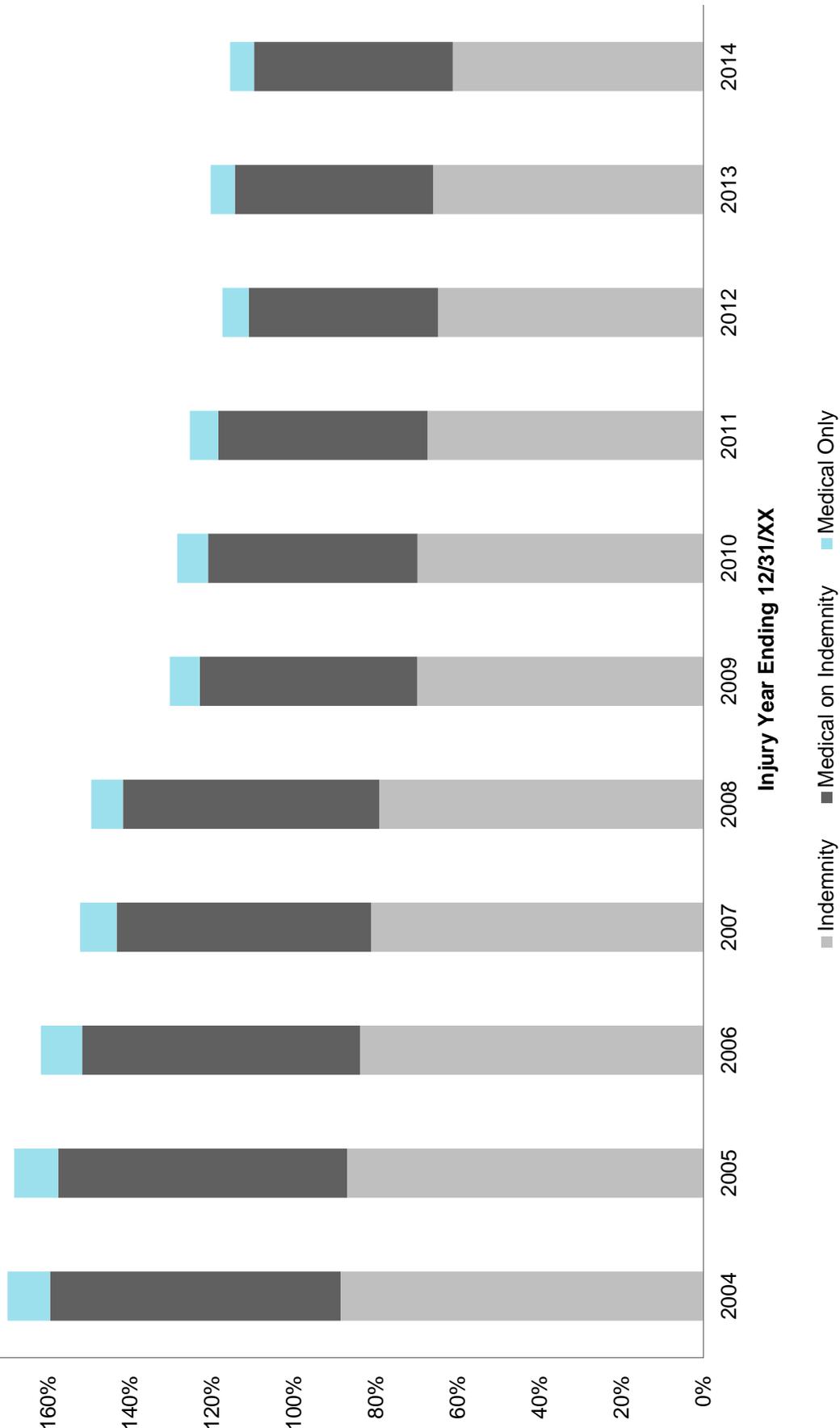
Graph 16

**Ohio Bureau of Workers' Compensation
Private Employers (PA)
Medical Only
Fiscal Year Payments (7/1/13-6/30/14)
(Actual through 6/30/14)**



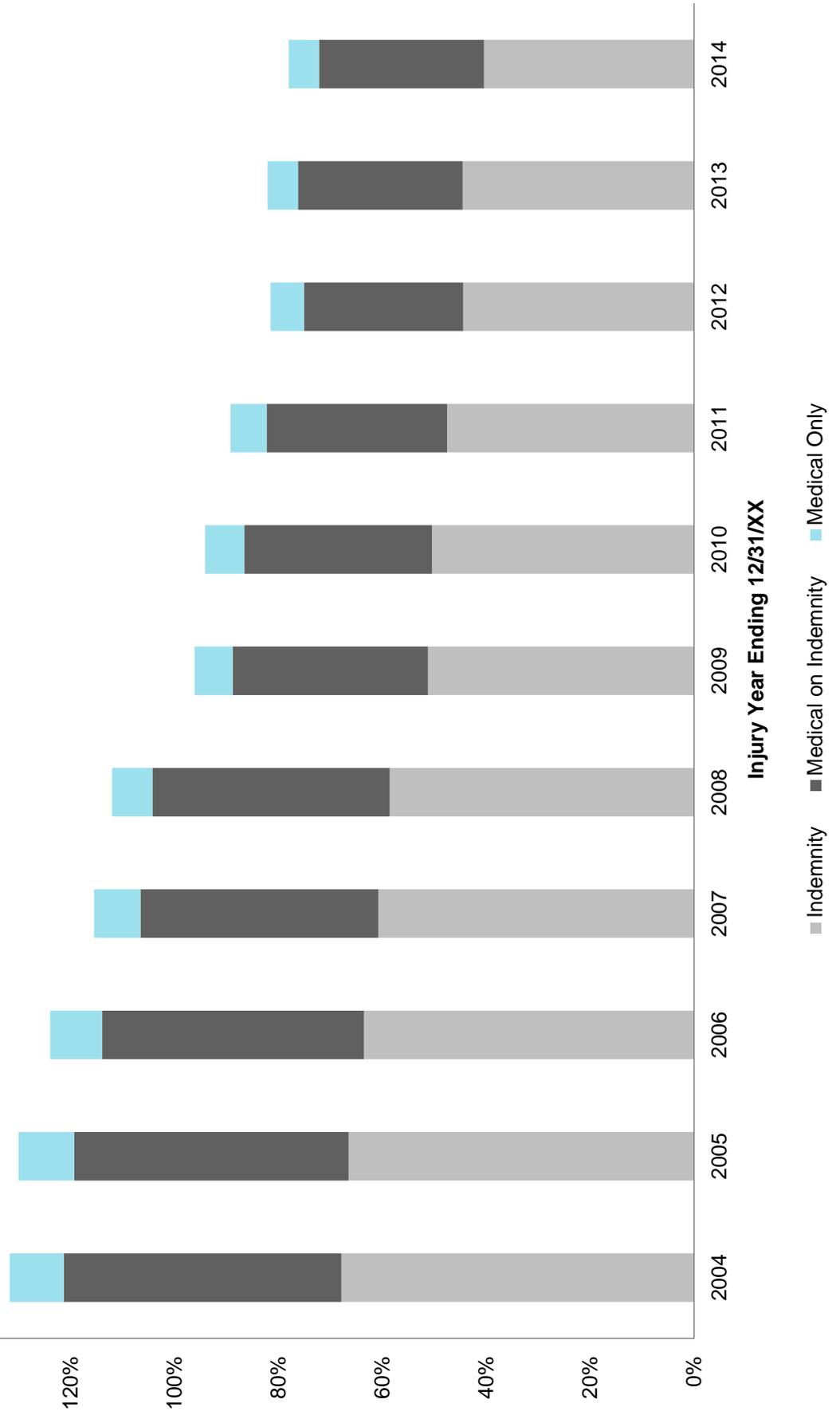
Graph 17

**Ohio Bureau of Workers' Compensation
Private Employers (PA)
Total Loss (Indemnity, Medical on Indemnity and Medical Only)
Comparison of Undiscounted Loss Ratios**



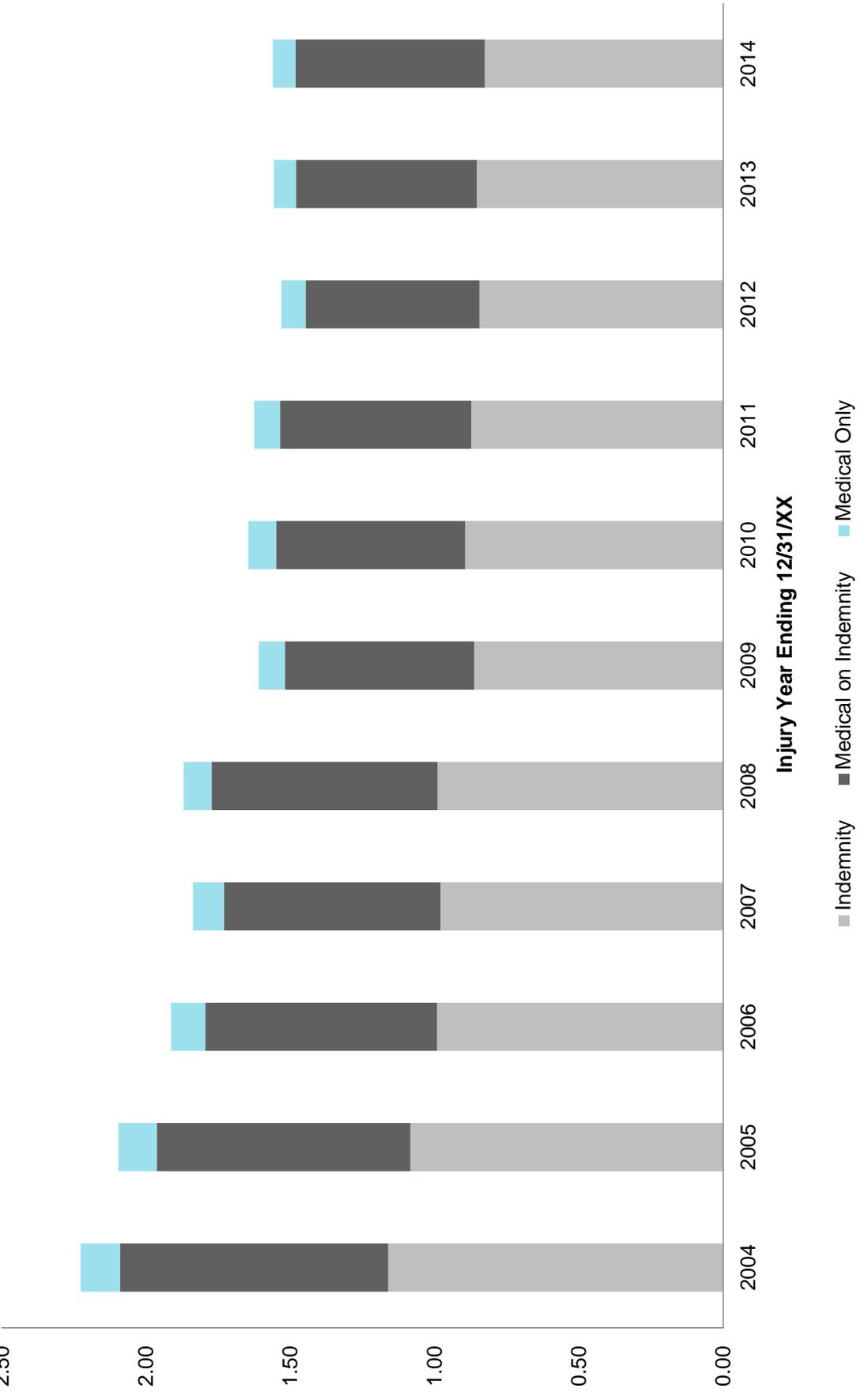
Graph 18

**Ohio Bureau of Workers' Compensation
Private Employers (PA)
Total Loss (Indemnity, Medical on Indemnity and Medical Only)
Comparison of Discounted Loss Ratios**



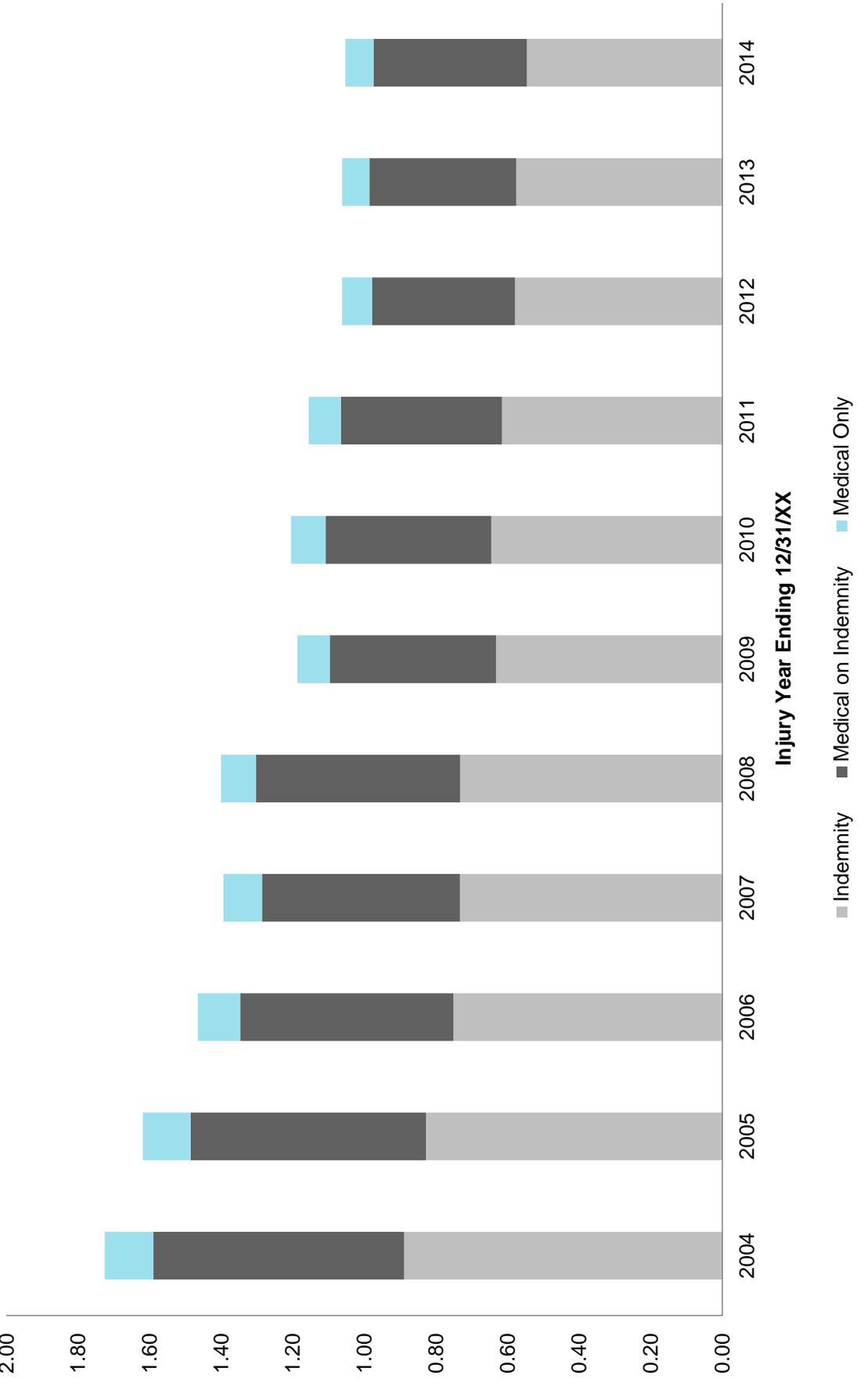
Graph 19

**Ohio Bureau of Workers' Compensation
Private Employers (PA)
Total Loss (Indemnity, Medical on Indemnity and Medical Only)
Comparison of Undiscounted Pure Premiums**



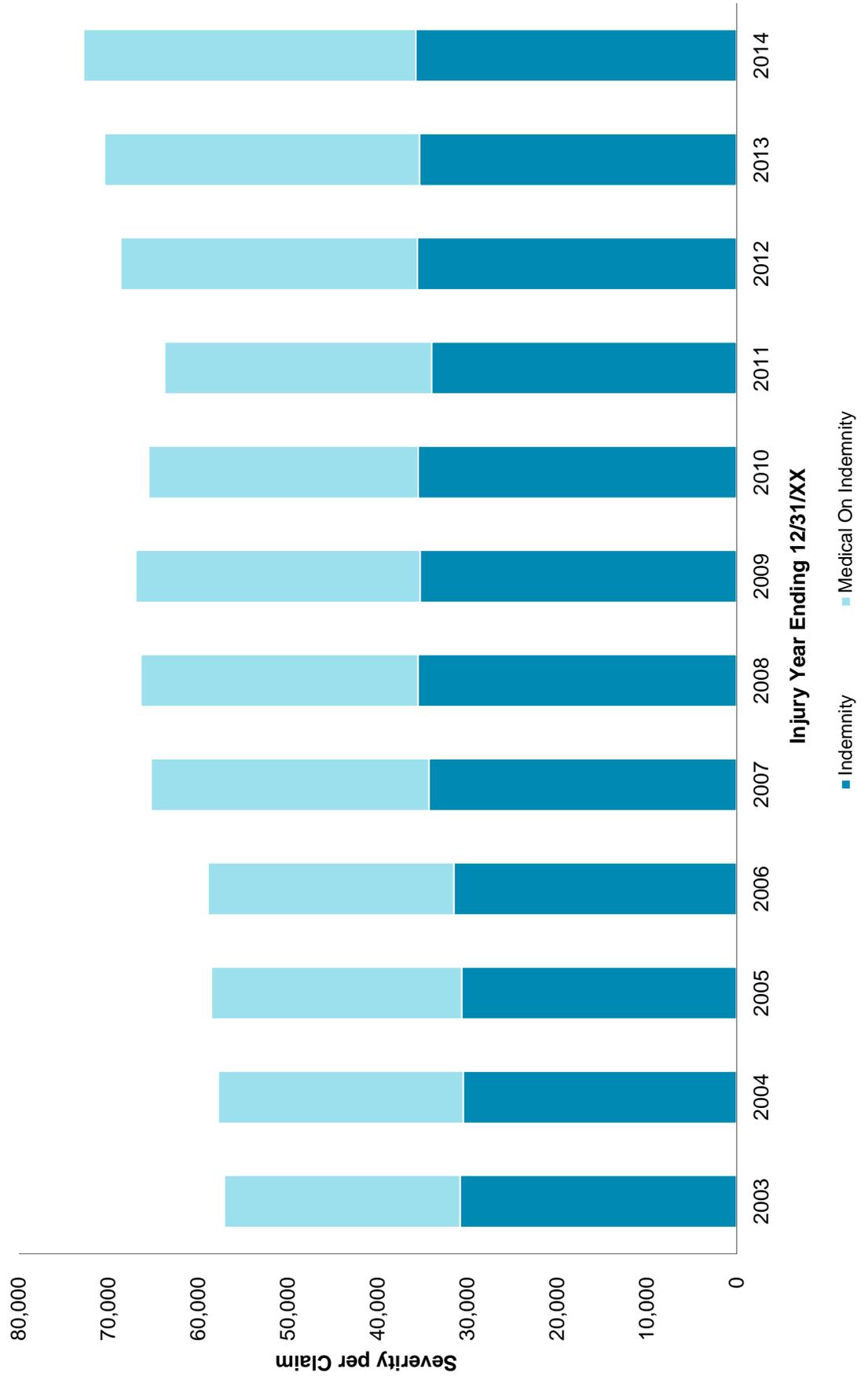
Graph 20

**Ohio Bureau of Workers' Compensation
Private Employers (PA)
Total Loss (Indemnity, Medical on Indemnity and Medical Only)
Comparison of Discounted Pure Premiums**



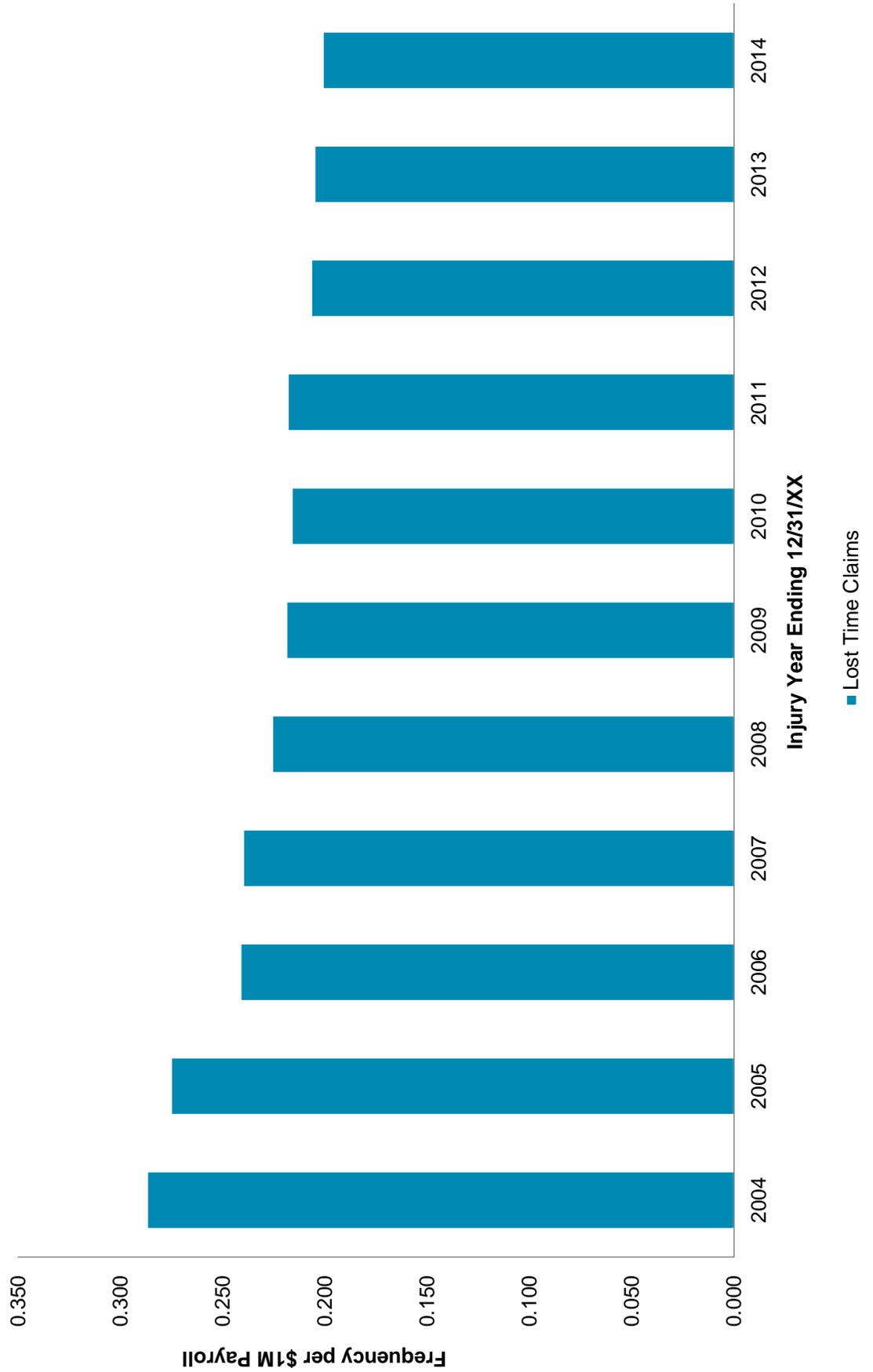
Graph 1

Ohio Bureau of Workers' Compensation Public Employers Taxing Districts (PEC) Claim severity – lost time claims



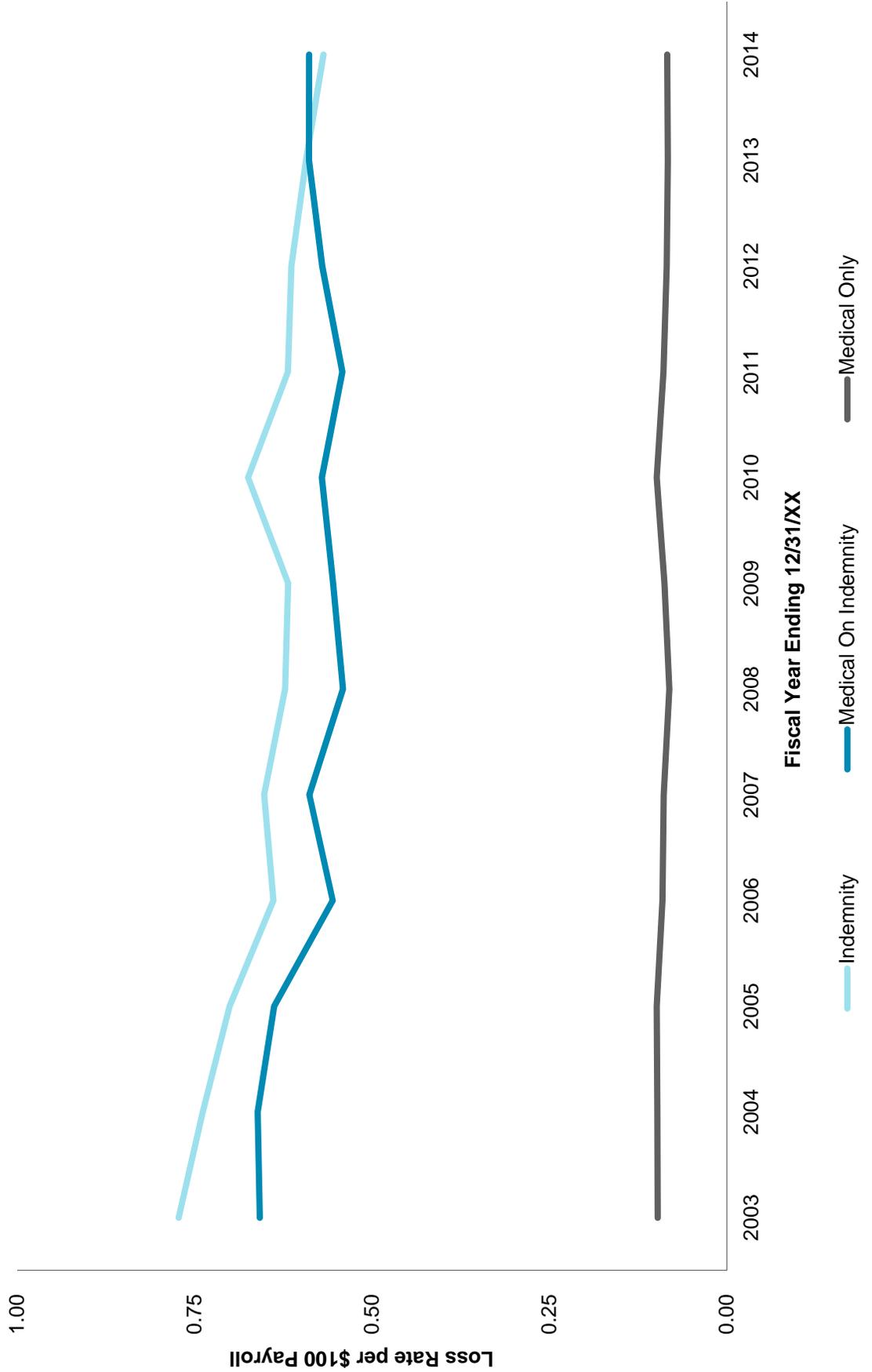
Graph 2

**Ohio Bureau of Workers' Compensation
Public Employers Taxing Districts (PEC)
Claim frequency per \$1 Million of payroll**



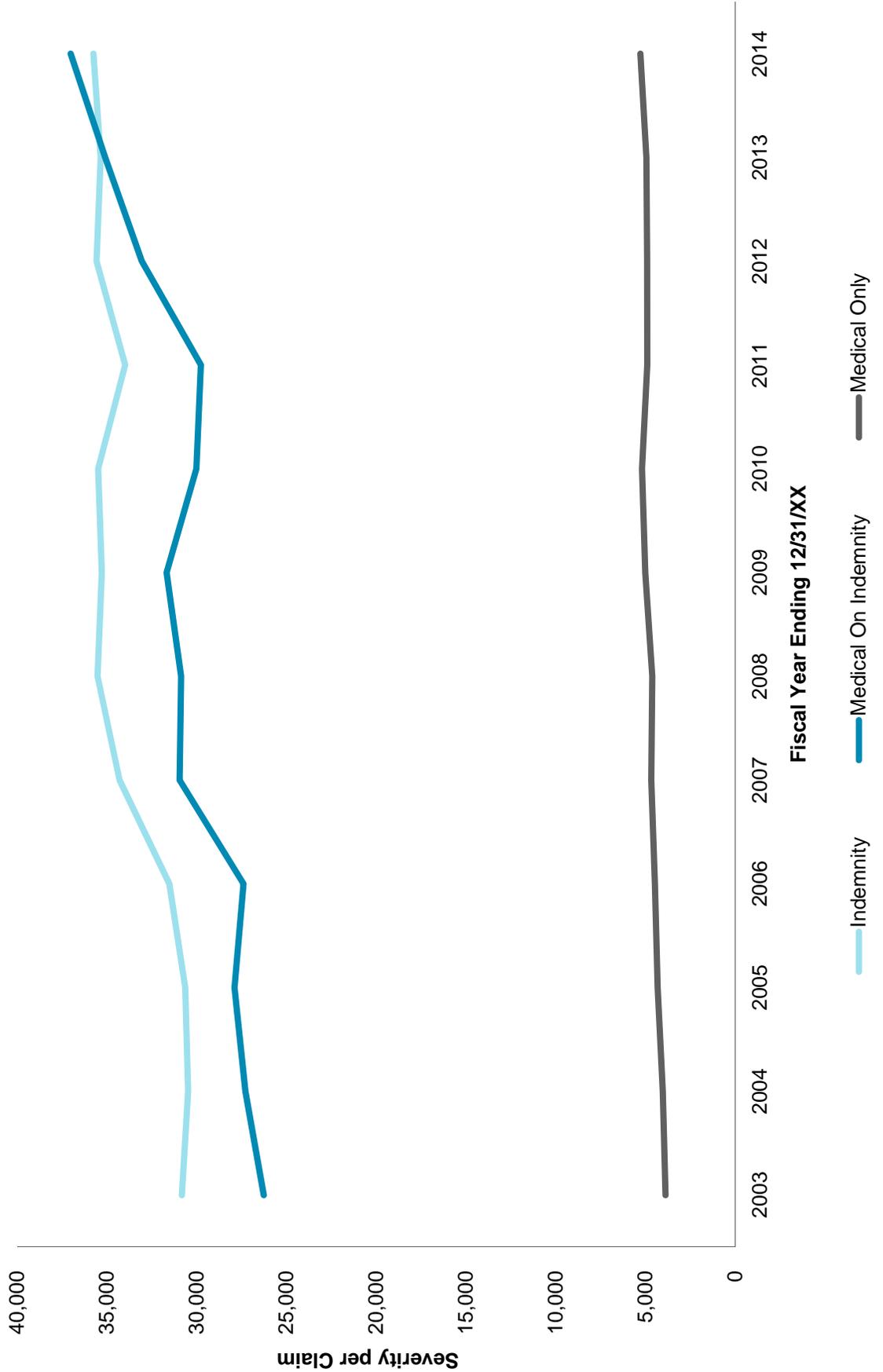
Graph 3

Ohio Bureau of Workers' Compensation Public Employers Taxing Districts (PEC) Loss rate per \$100 payroll by type



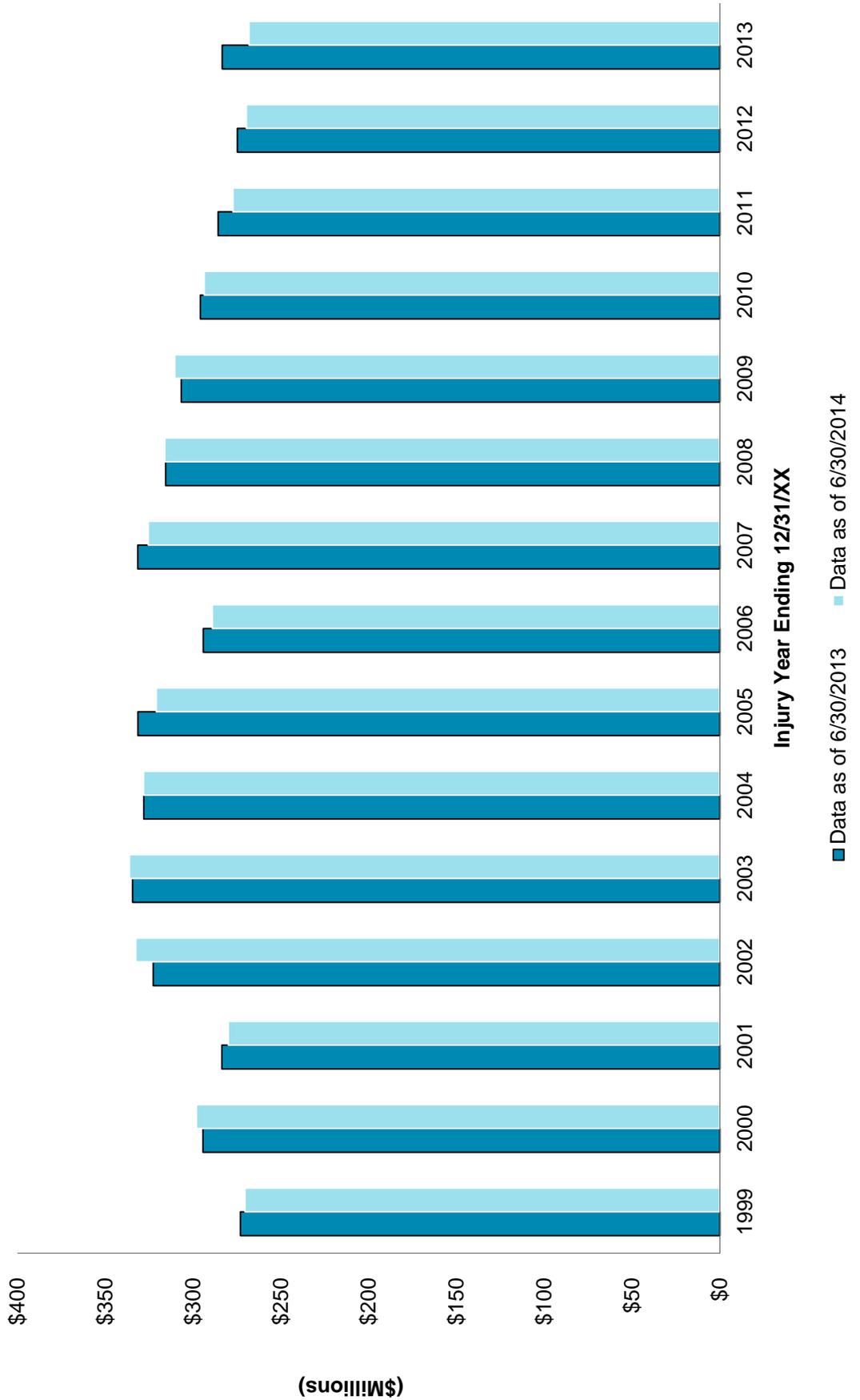
Graph 4

Ohio Bureau of Workers' Compensation Public Employers Taxing Districts (PEC) Claim severity by type



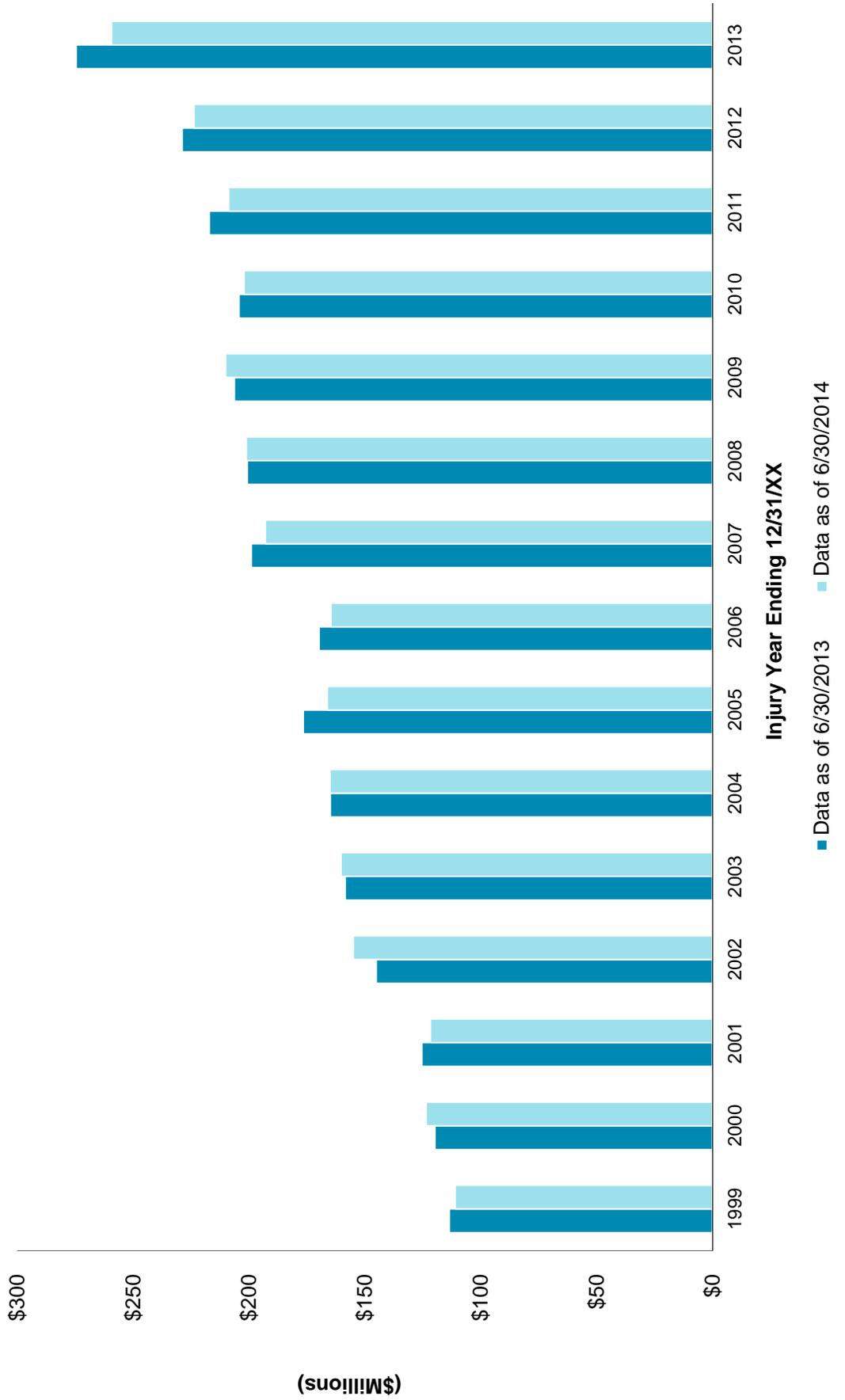
Graph 5

**Ohio Bureau of Workers' Compensation
Public Employers Taxing Districts (PEC)**
Total loss (indemnity, medical on indemnity and medical only)
Comparison of Ultimate Loss selections



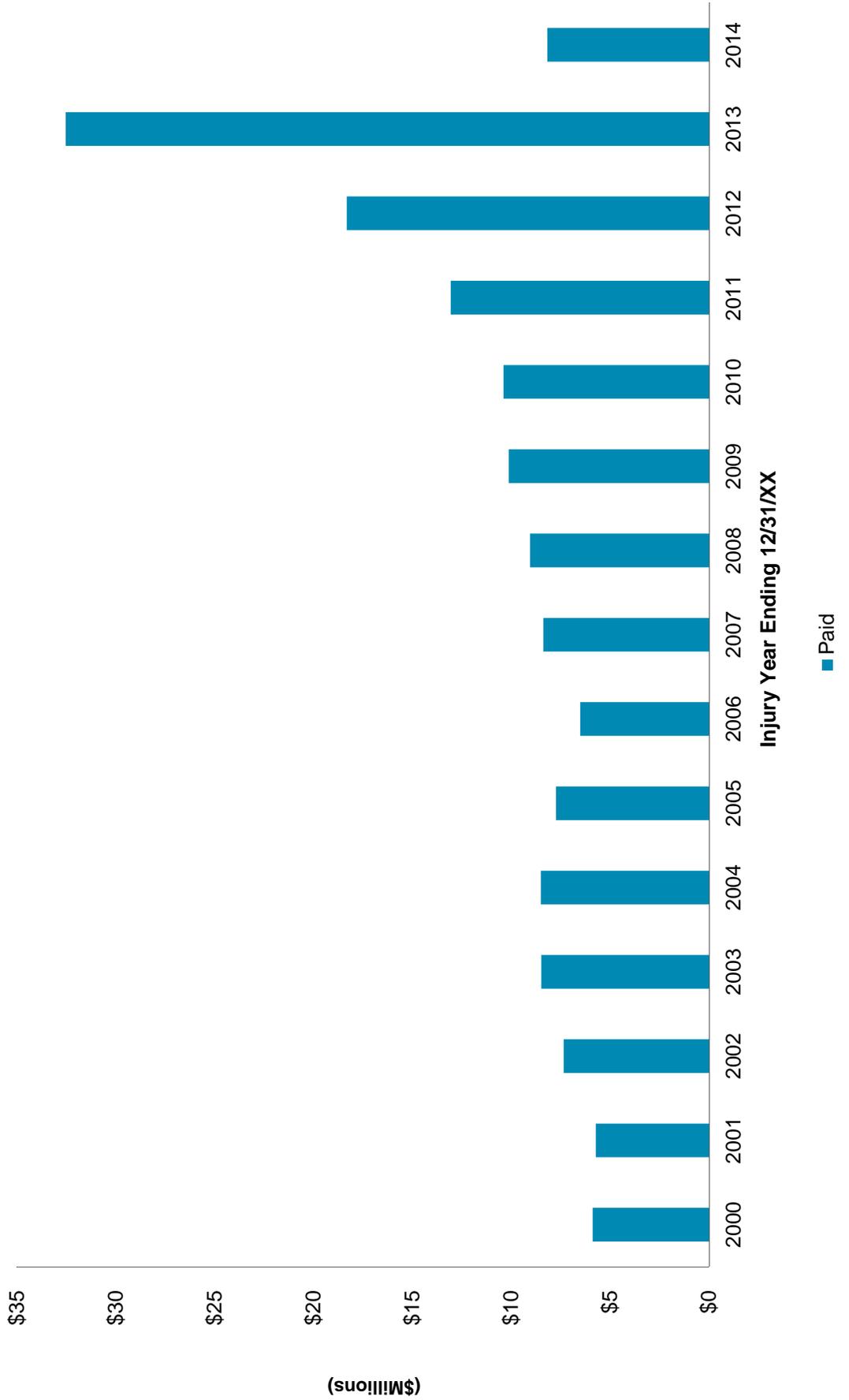
Graph 6

**Ohio Bureau of Workers' Compensation
Public Employers Taxing Districts (PEC)
Total loss (indemnity, medical on indemnity and medical only)
Comparison of Unpaid Loss as of June 30, 2013**



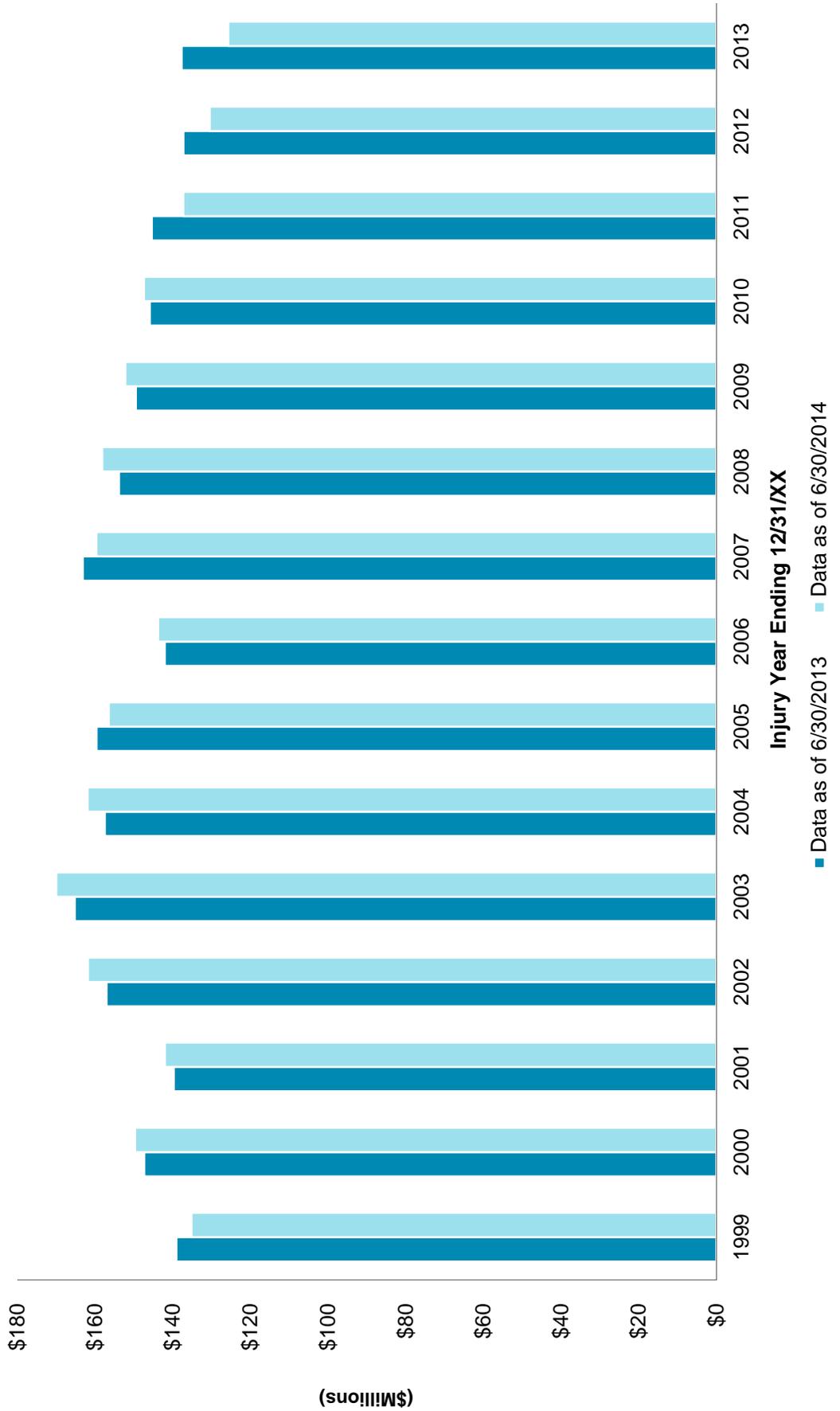
Graph 7

**Ohio Bureau of Workers' Compensation
Public Employers Taxing Districts (PEC)
Total Loss (Indemnity, Medical on Indemnity and Medical Only)
Fiscal Year Payments (7/1/13-6/30/14)**
(Actual through 6/30/14)



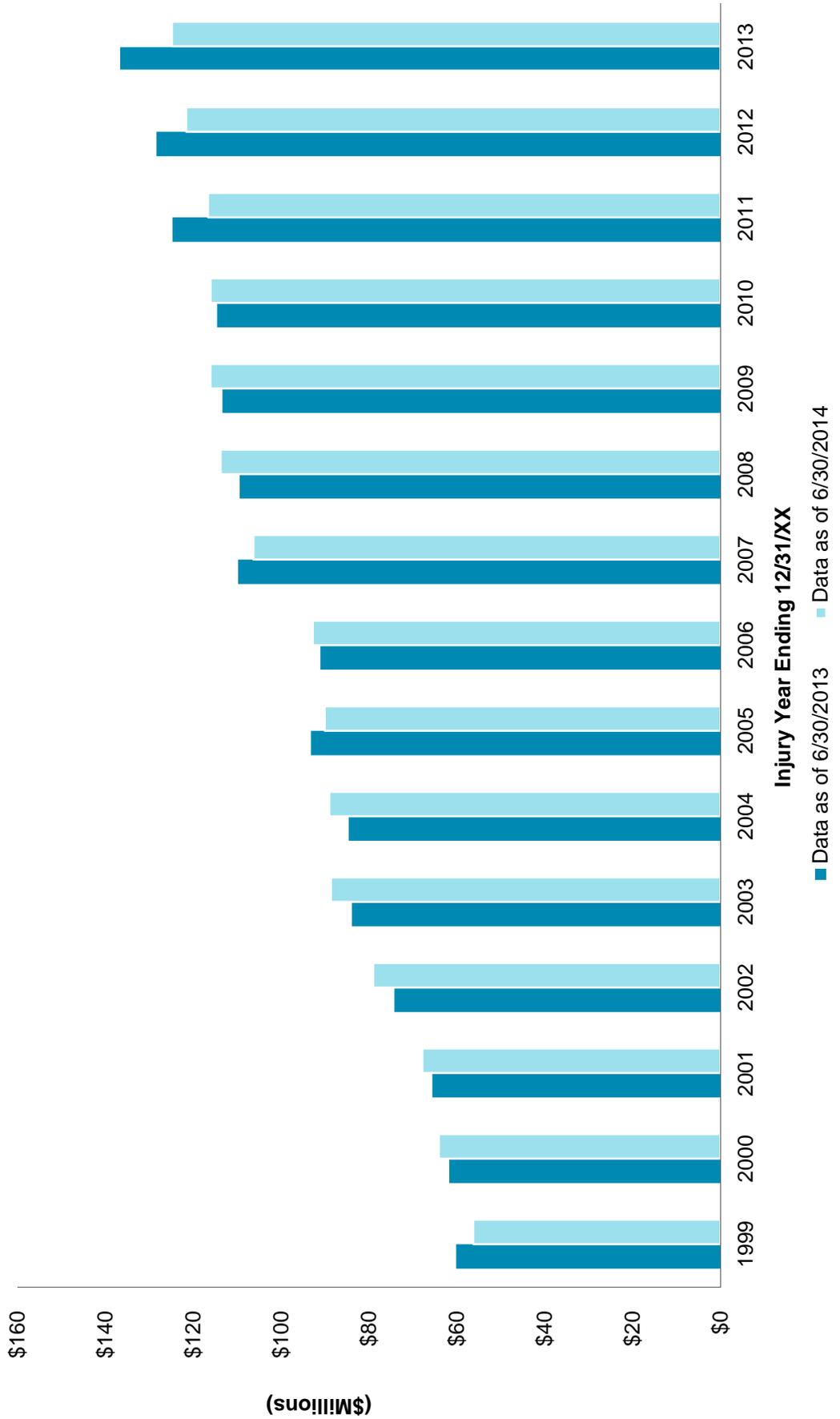
Graph 8

**Ohio Bureau of Workers' Compensation
Public Employers Taxing Districts (PEC)
Indemnity Only
Comparison of Ultimate Loss Selections**



Graph 9

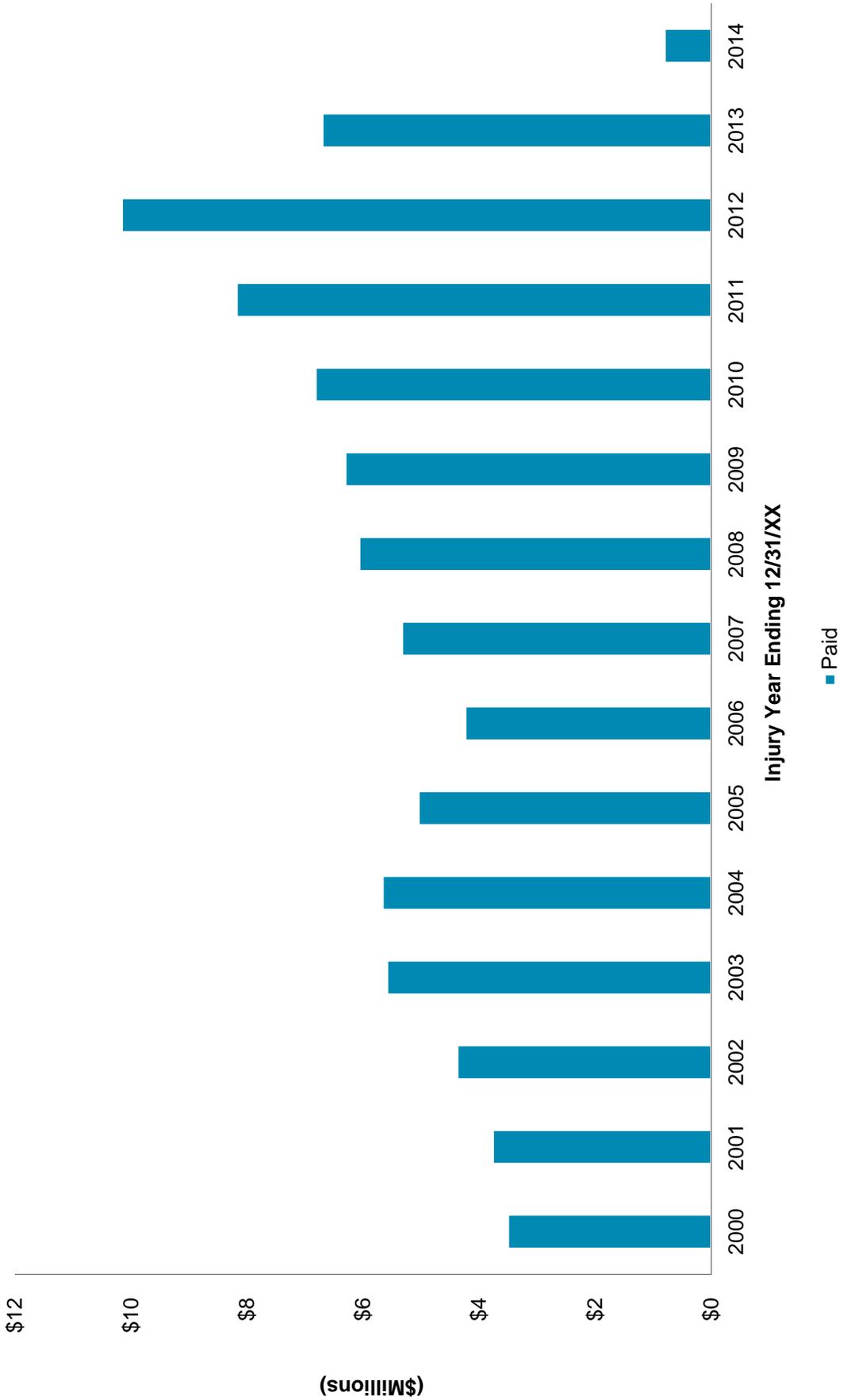
**Ohio Bureau of Workers' Compensation
Public Employers Taxing Districts (PEC)
Indemnity Only
Comparison of Unpaid Loss as of June 30, 2013**



Graph 10

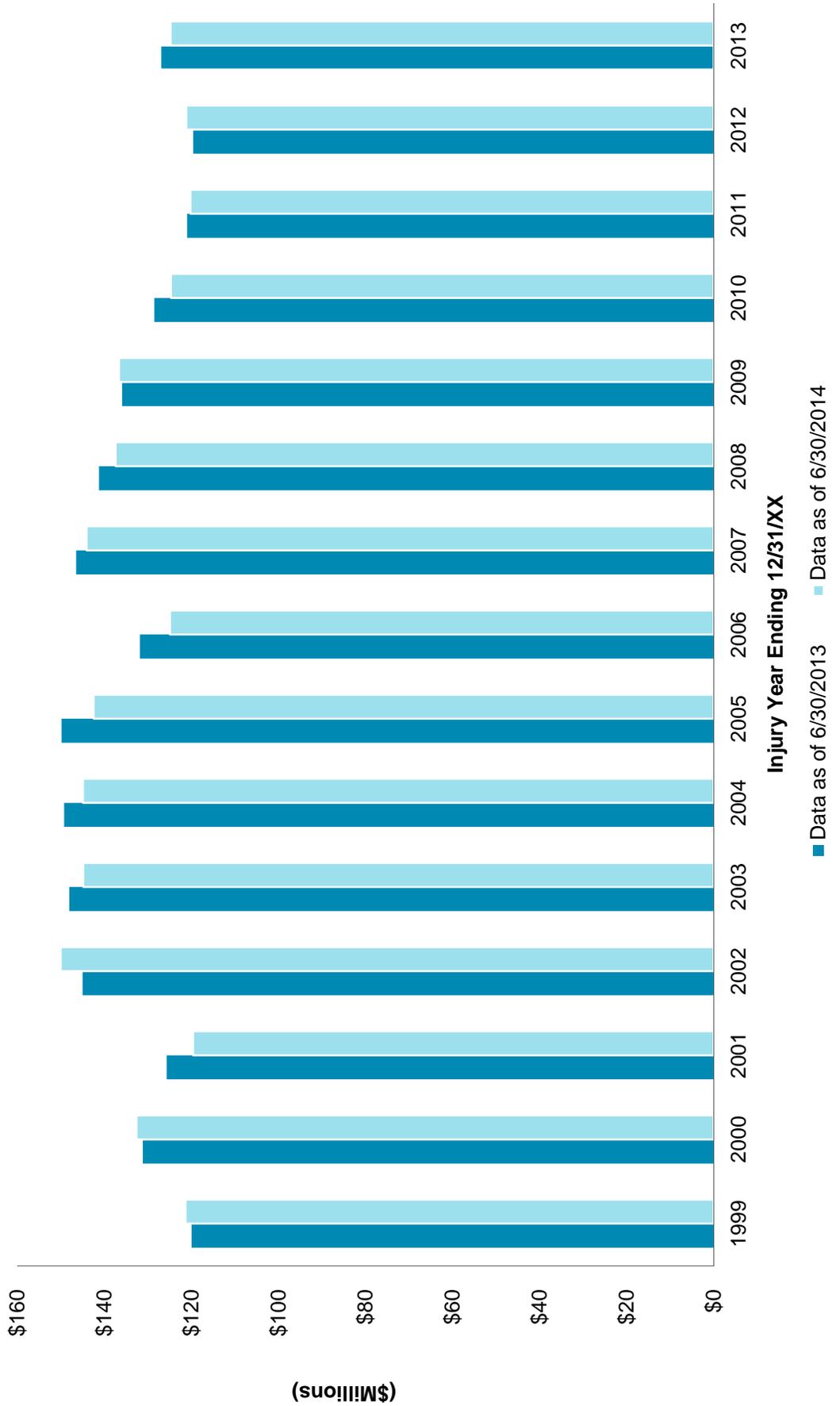
**Ohio Bureau of Workers' Compensation
Public Employers Taxing Districts (PEC)
Indemnity Only**

Fiscal Year Payments (7/1/13-6/30/14)
(Actual through 6/30/14)



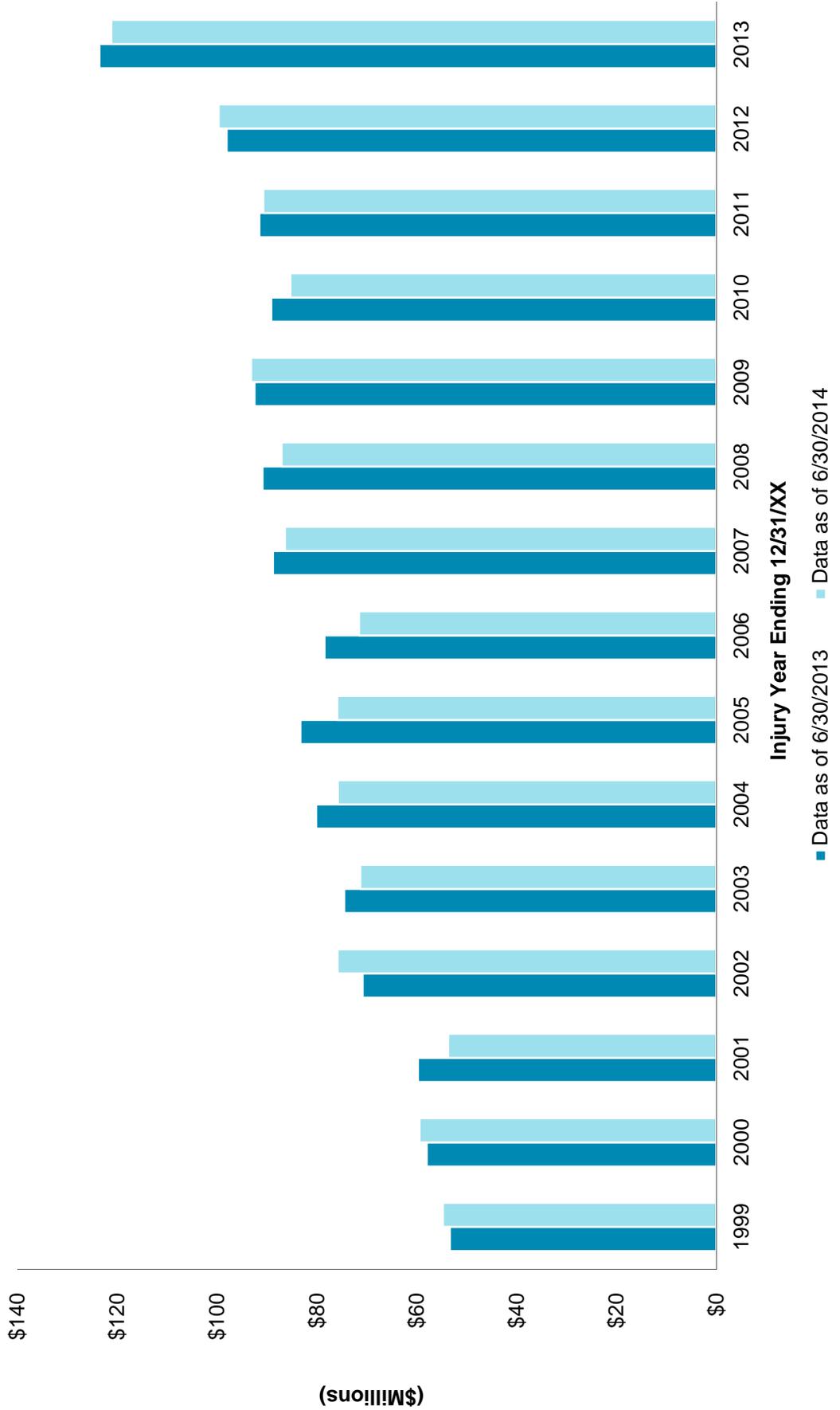
Graph 11

**Ohio Bureau of Workers' Compensation
Public Employers Taxing Districts (PEC)
Medical on Indemnity
Comparison of Ultimate Loss Selections**



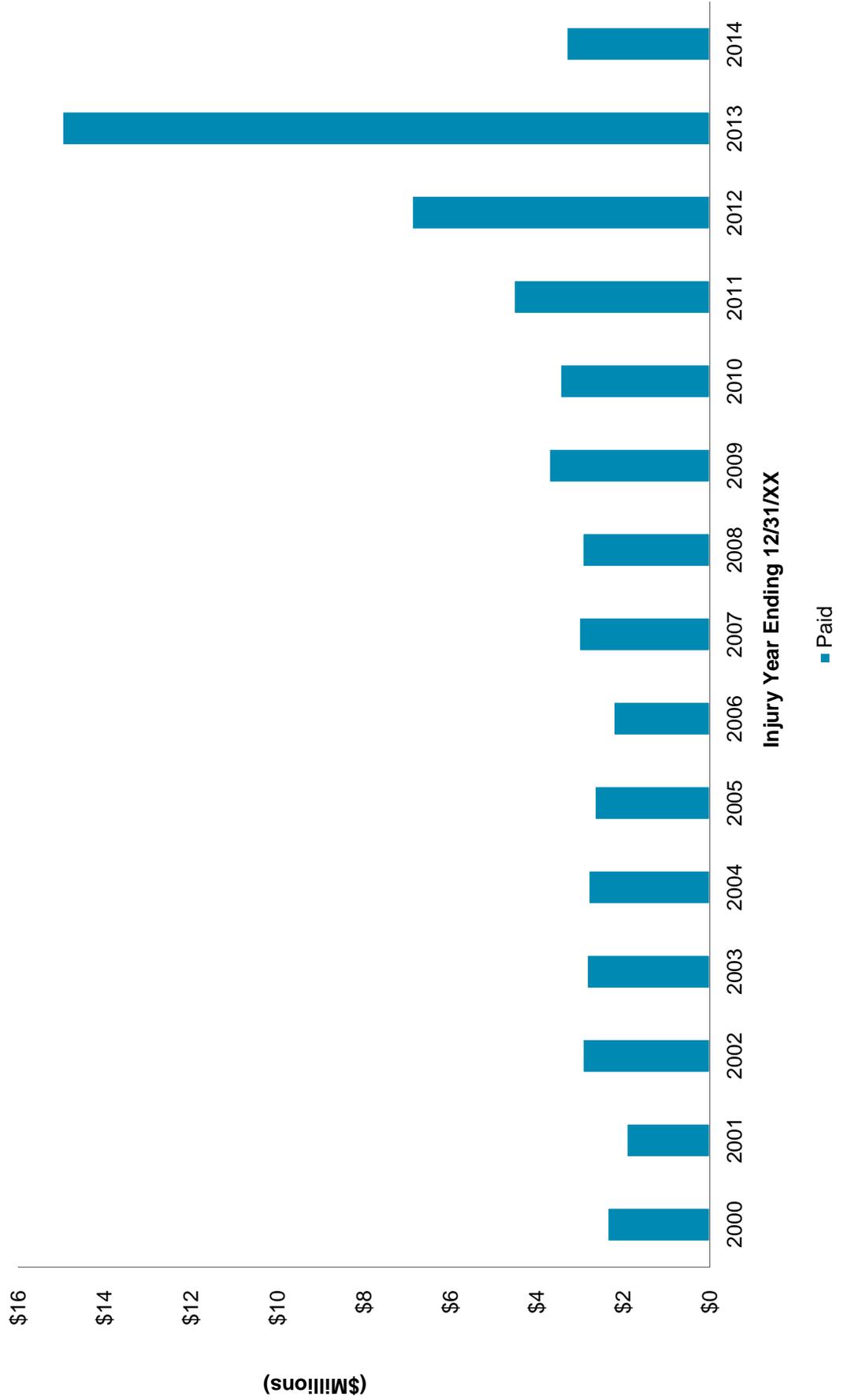
Graph 12

**Ohio Bureau of Workers' Compensation
Public Employers Taxing Districts (PEC)
Medical on Indemnity
Comparison of Unpaid Loss as of June 30, 2013**



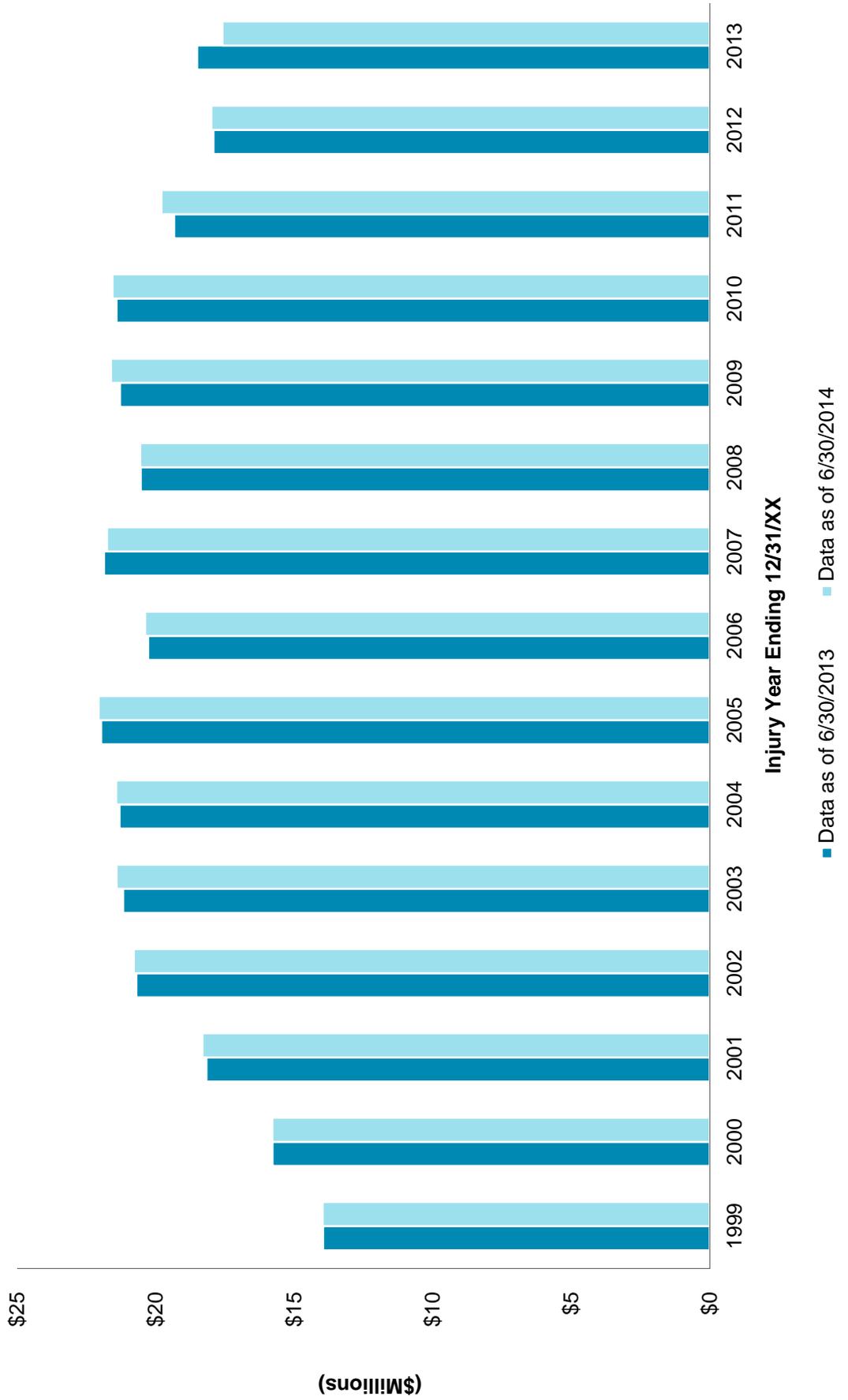
Graph 13

**Ohio Bureau of Workers' Compensation
Public Employers Taxing Districts (PEC)
Medical on Indemnity
Fiscal Year Payments (7/1/13-6/30/14)
Actual through 6/30/14**



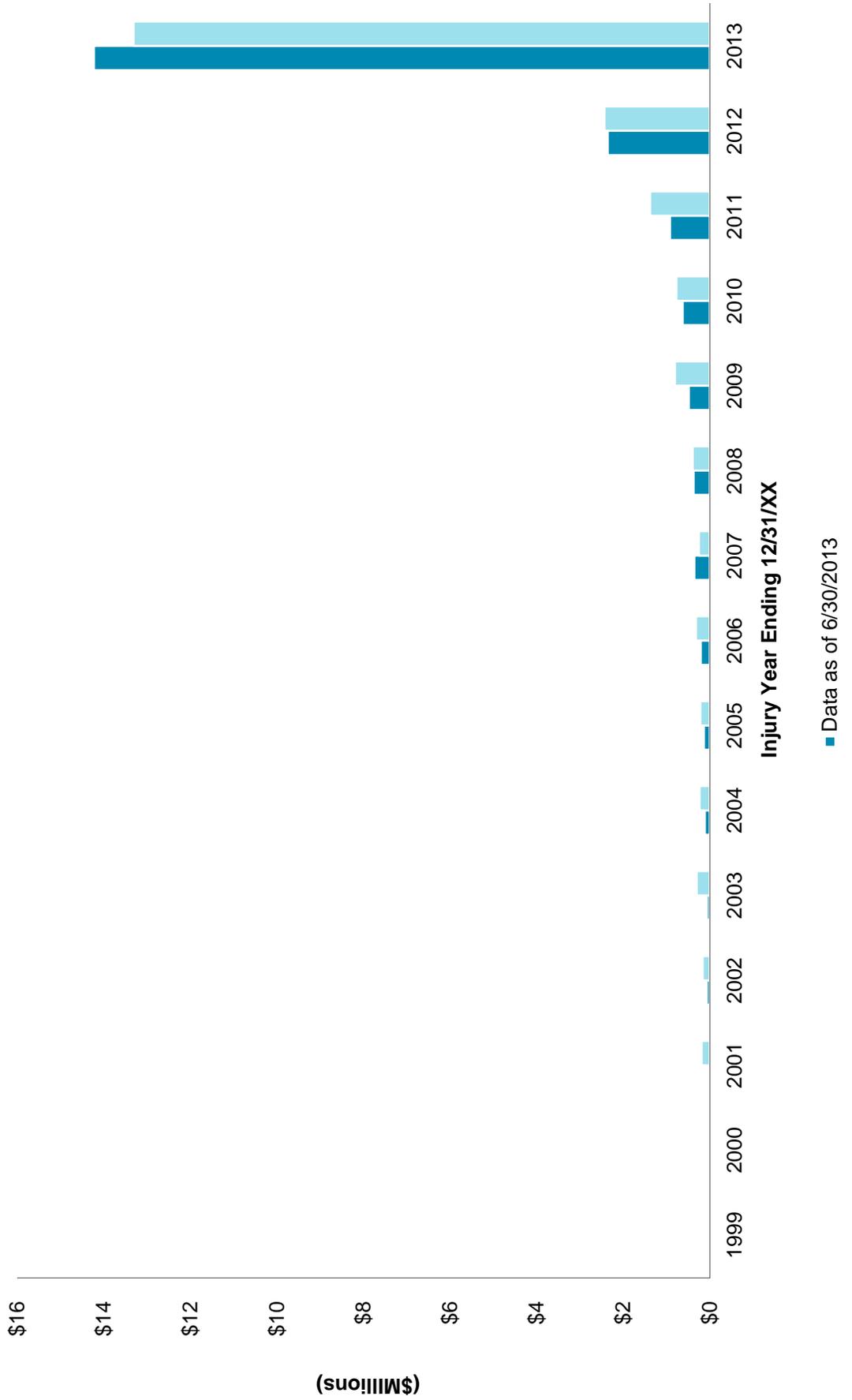
Graph 14

**Ohio Bureau of Workers' Compensation
Public Employers Taxing Districts (PEC)
Medical Only
Comparison of Ultimate Loss Selections**



Graph 15

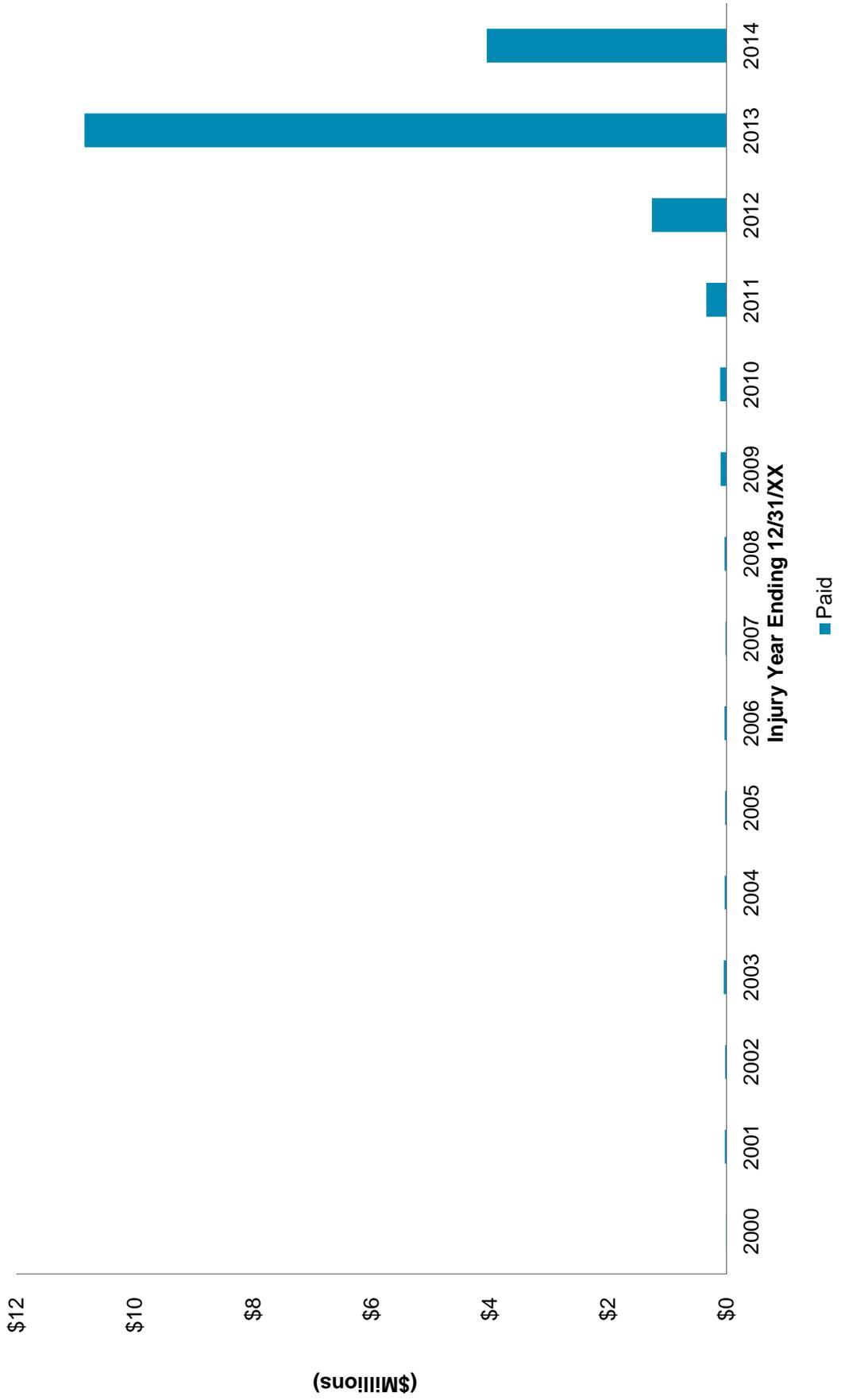
**Ohio Bureau of Workers' Compensation
Public Employers Taxing Districts (PEC)
Medical Only**
Comparison of Unpaid Loss as of June 30, 2013



Graph 16

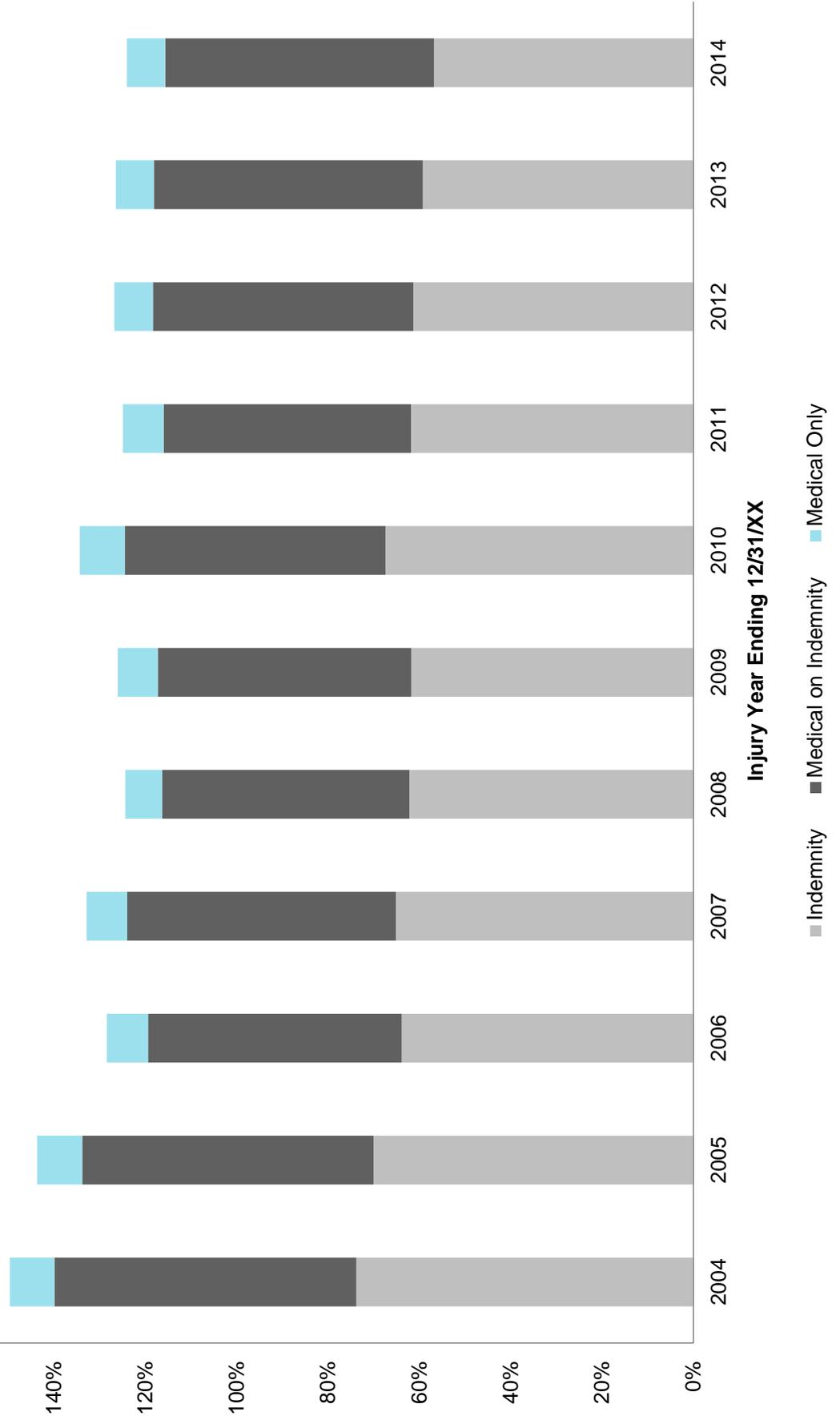
**Ohio Bureau of Workers' Compensation
Public Employers Taxing Districts (PEC)
Medical Only**

Fiscal Year Payments (7/1/13-6/30/14)
(Actual through 6/30/14)



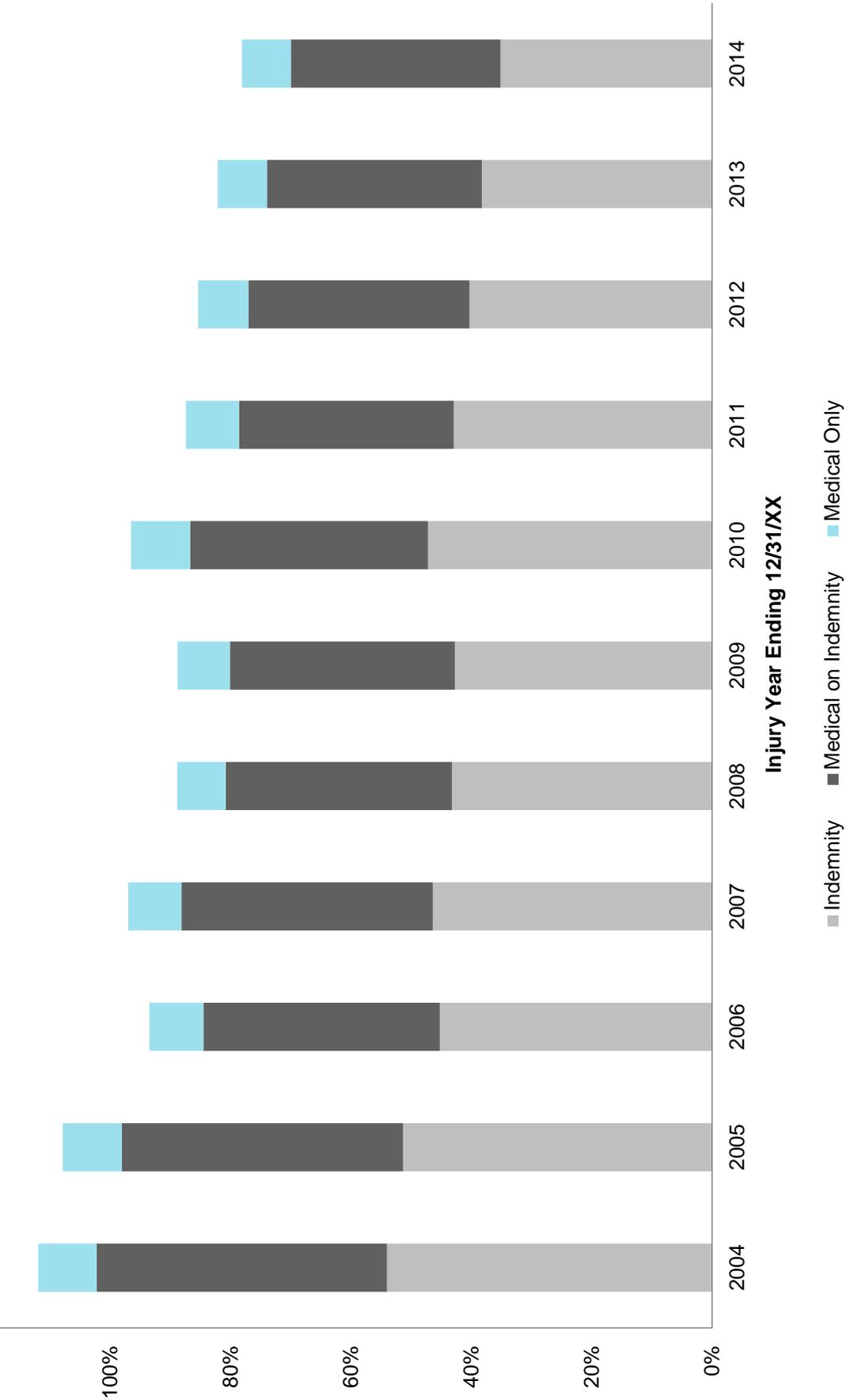
Graph 17

**Ohio Bureau of Workers' Compensation
Public Employers Taxing Districts (PEC)
Total Loss (Indemnity, Medical on Indemnity and Medical Only)
Comparison of Undiscounted Loss Ratios**



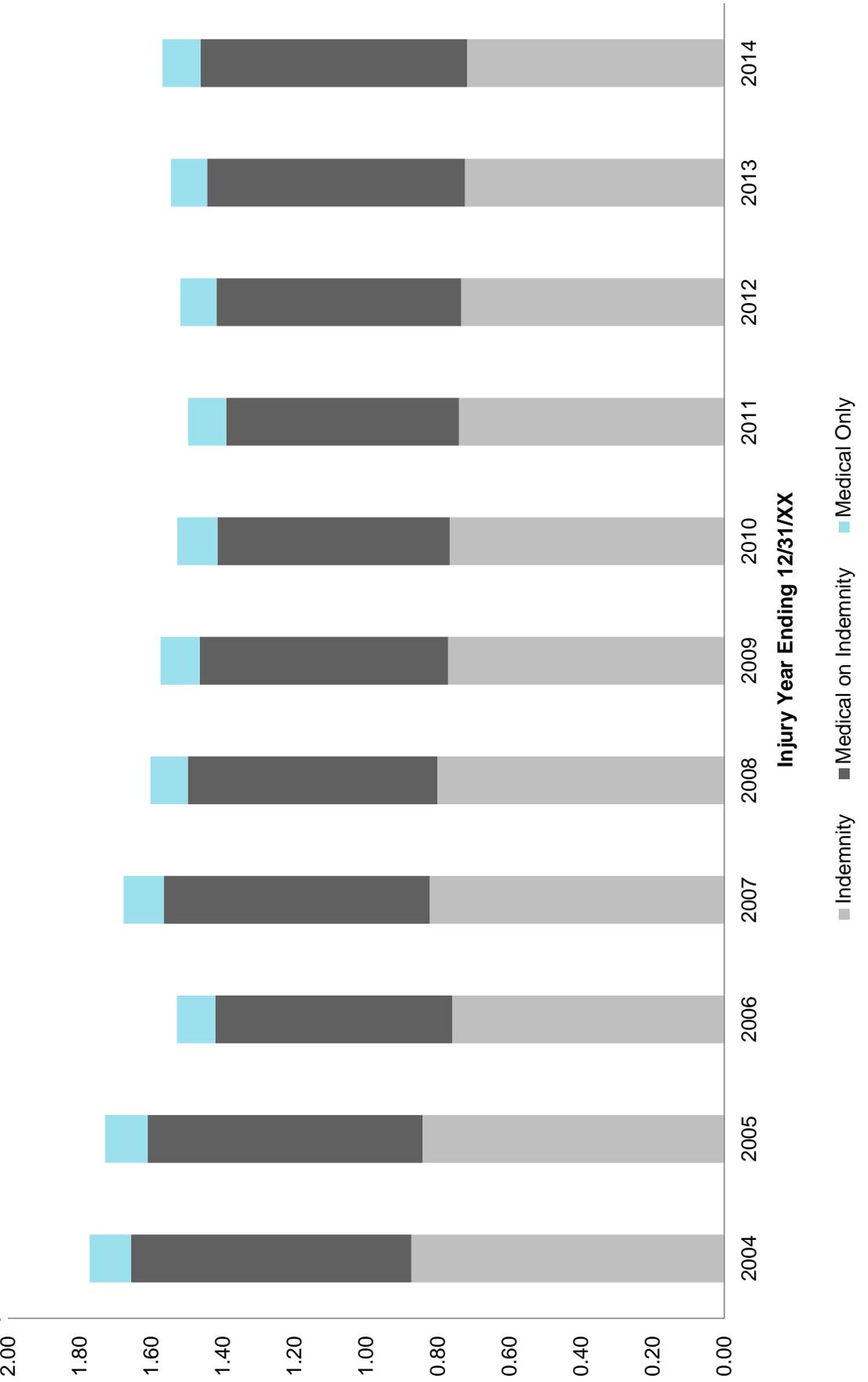
Graph 18

**Ohio Bureau of Workers' Compensation
Public Employers Taxing Districts (PEC)
Total Loss (Indemnity, Medical on Indemnity and Medical Only)
Comparison of Discounted Loss Ratios**



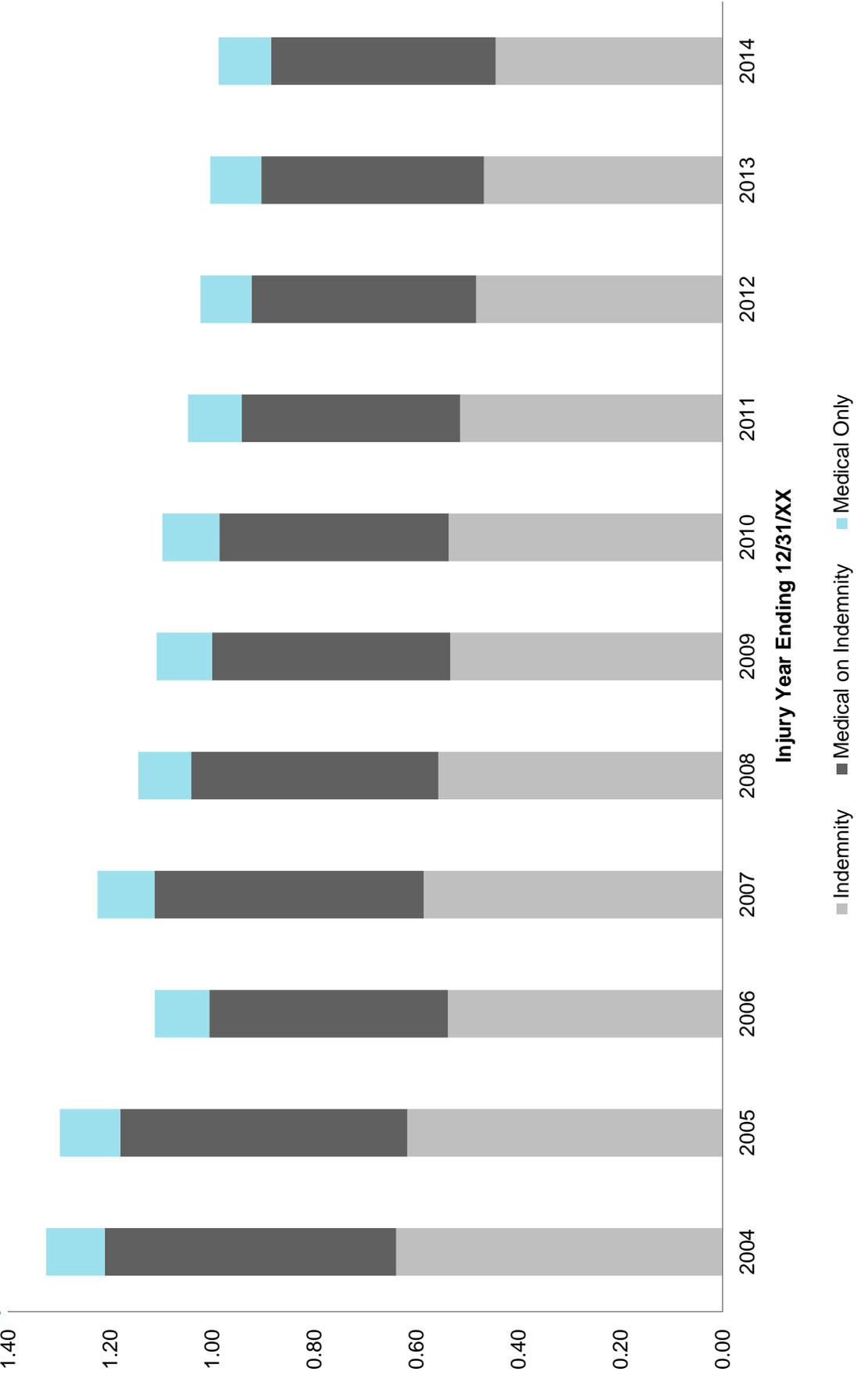
Graph 19

**Ohio Bureau of Workers' Compensation
Public Employers Taxing Districts (PEC)
Total Loss (Indemnity, Medical on Indemnity and Medical Only)
Comparison of Undiscounted Pure Premiums**



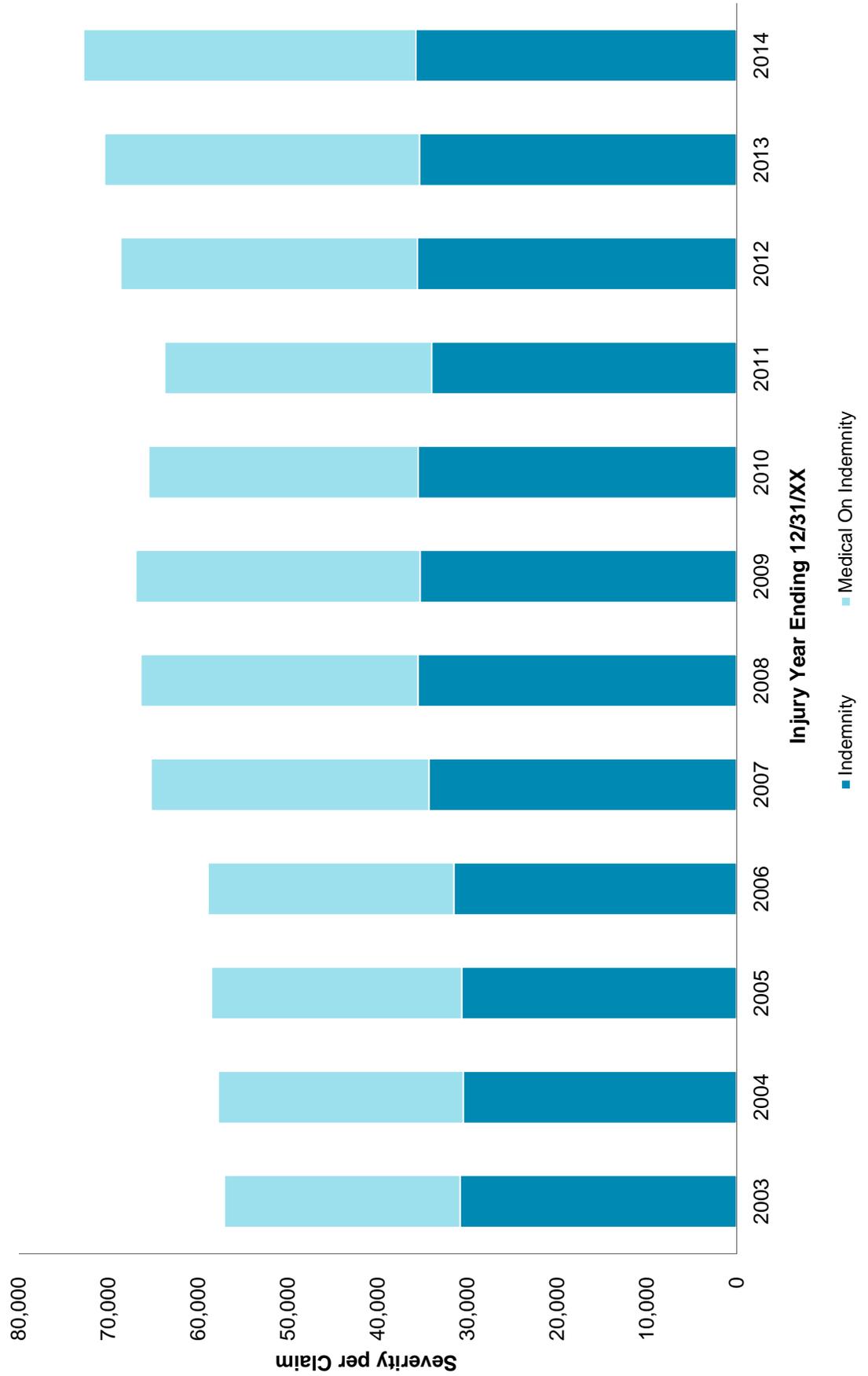
Graph 20

**Ohio Bureau of Workers' Compensation
Public Employers Taxing Districts (PEC)
Total Loss (Indemnity, Medical on Indemnity and Medical Only)
Comparison of Discounted Pure Premiums**



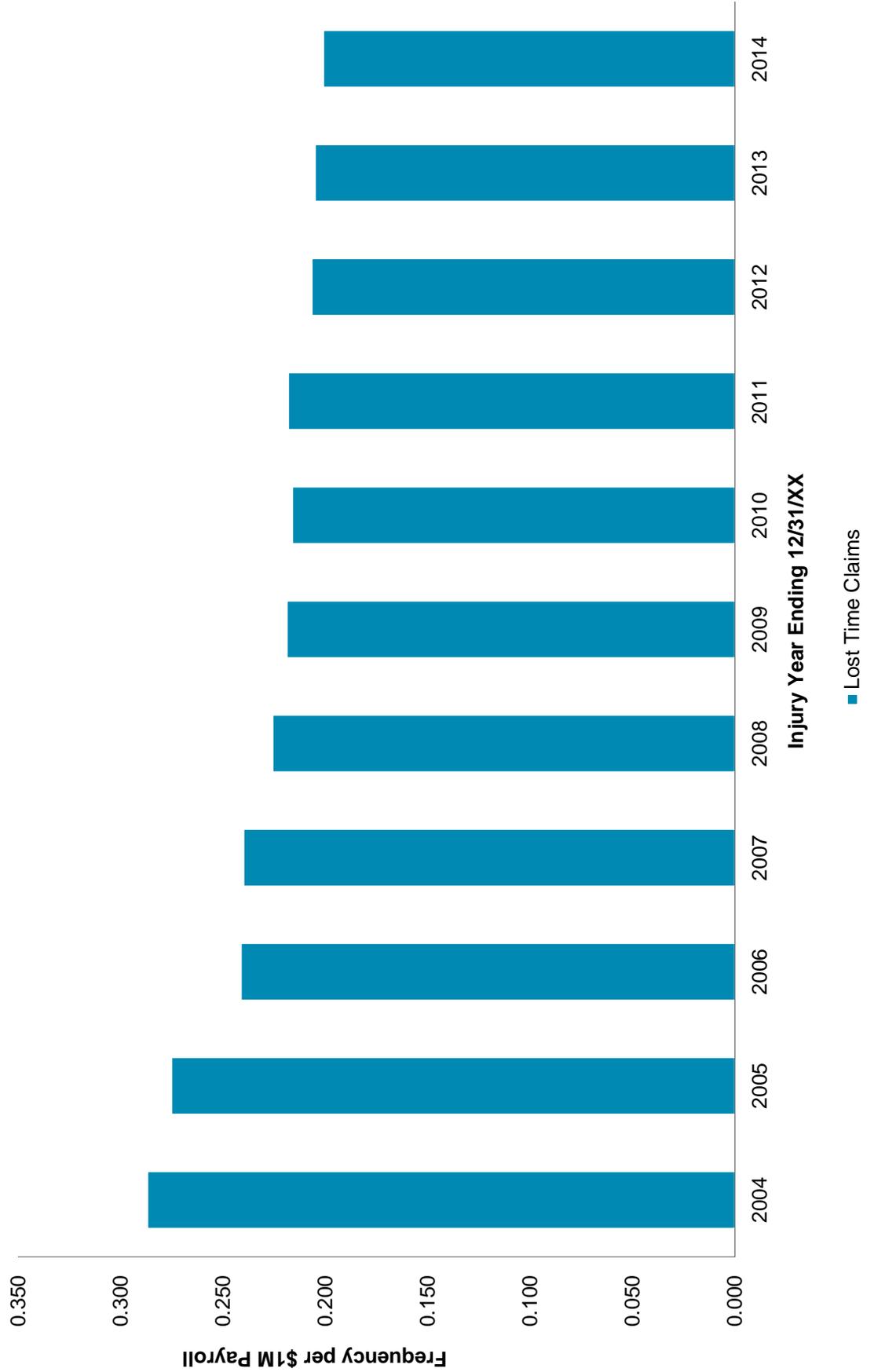
Graph 1

**Ohio Bureau of Workers' Compensation
Public Employers State Agencies (PES)
Claim severity – lost time claims**



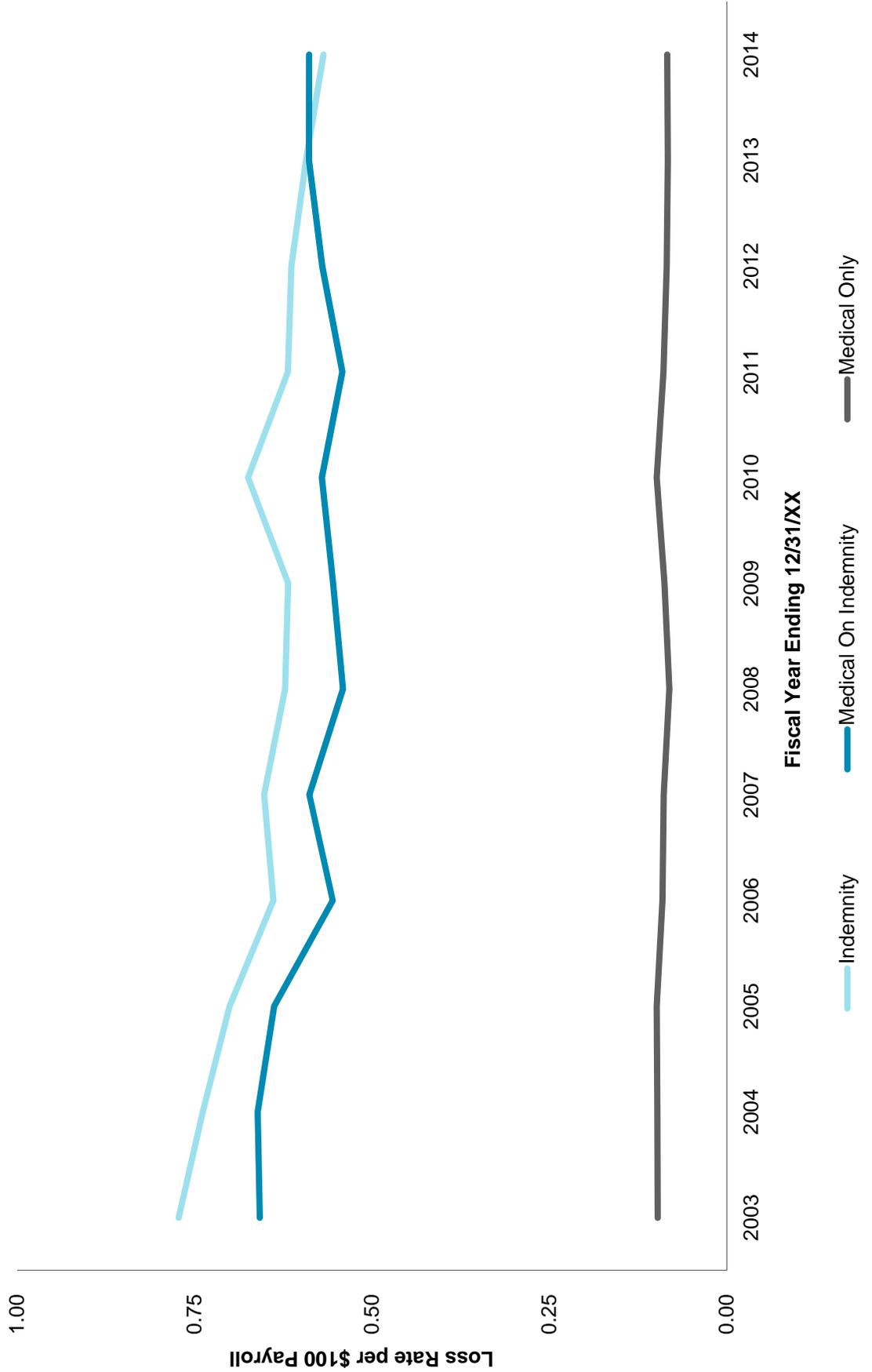
Graph 2

**Ohio Bureau of Workers' Compensation
Public Employers State Agencies (PES)
Claim frequency per \$1 Million of payroll**



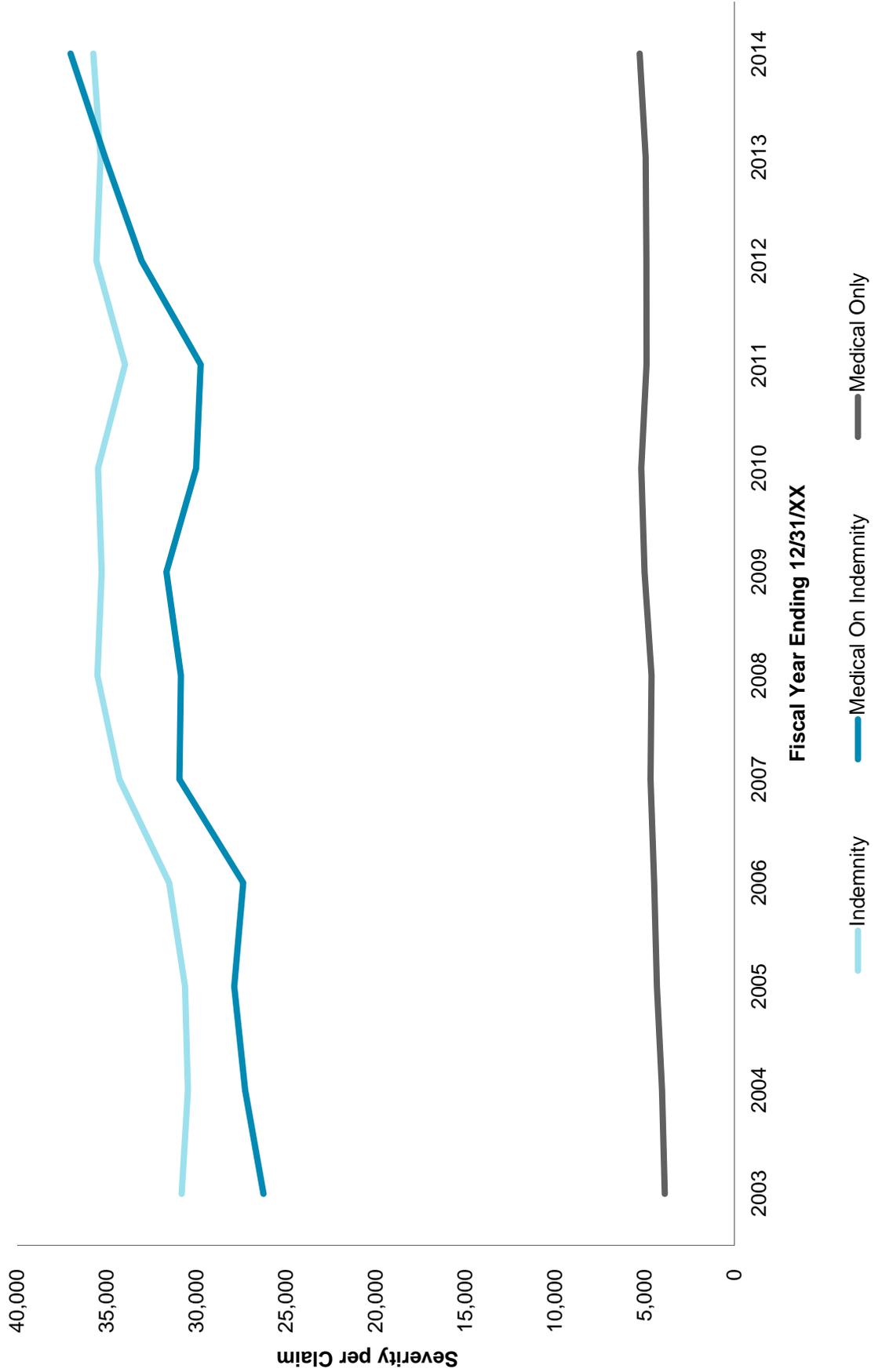
Graph 3

Ohio Bureau of Workers' Compensation Public Employers State Agencies (PES) Loss rate per \$100 payroll by type



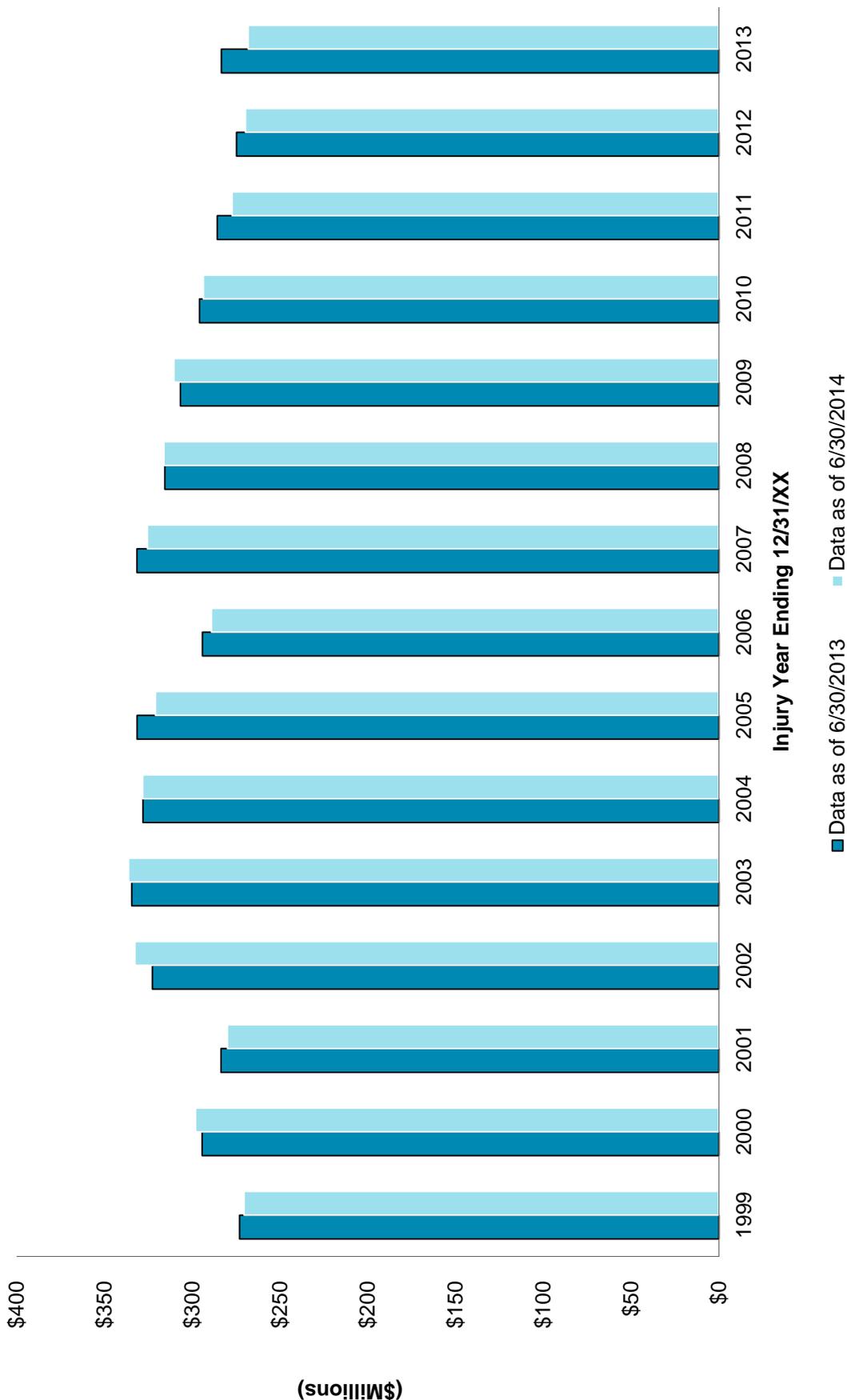
Graph 4

Ohio Bureau of Workers' Compensation Public Employers State Agencies (PES) Claim severity by type



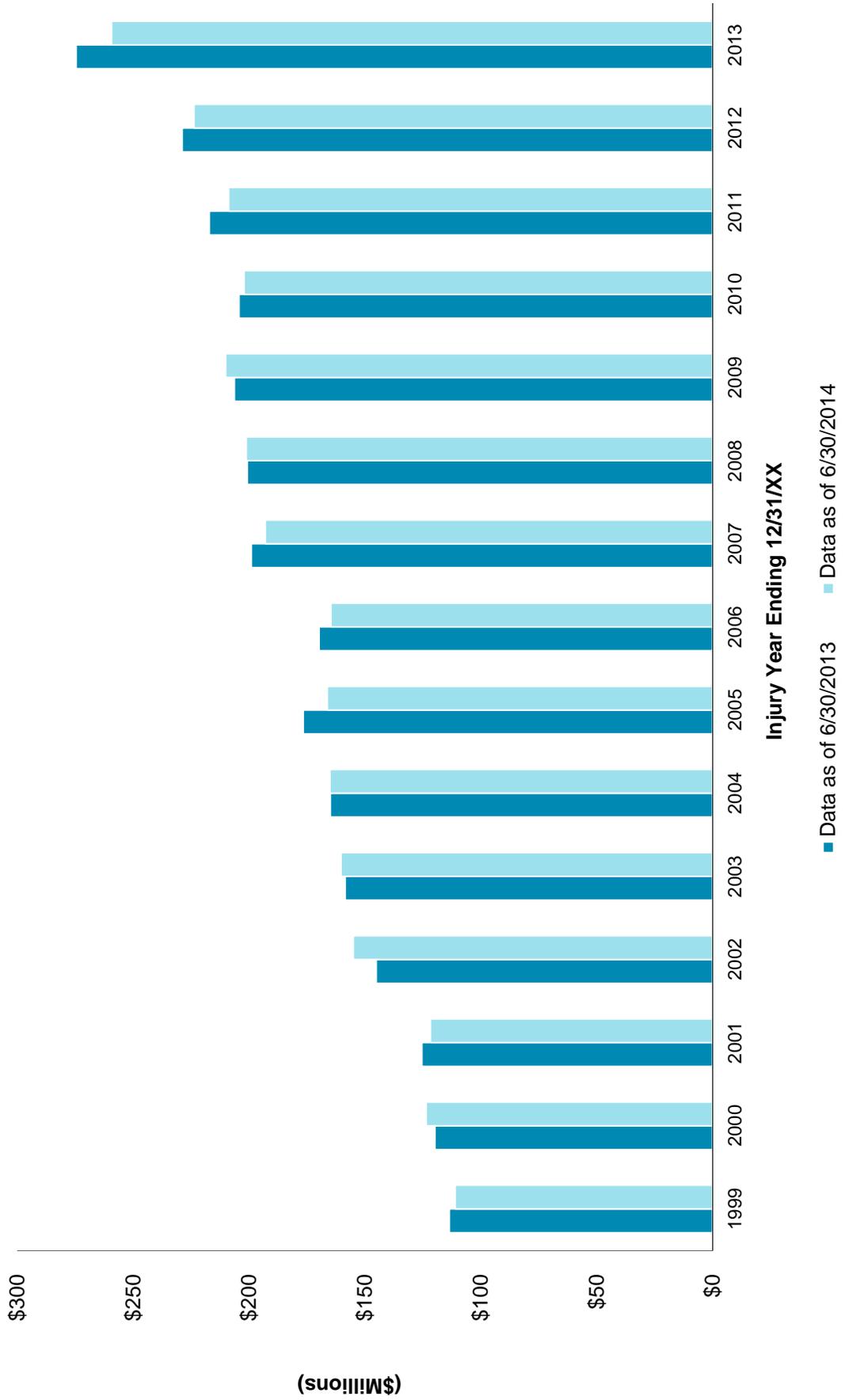
Graph 5

**Ohio Bureau of Workers' Compensation
Public Employers State Agencies (PES)**
Total loss (indemnity, medical on indemnity and medical only)
Comparison of Ultimate Loss selections



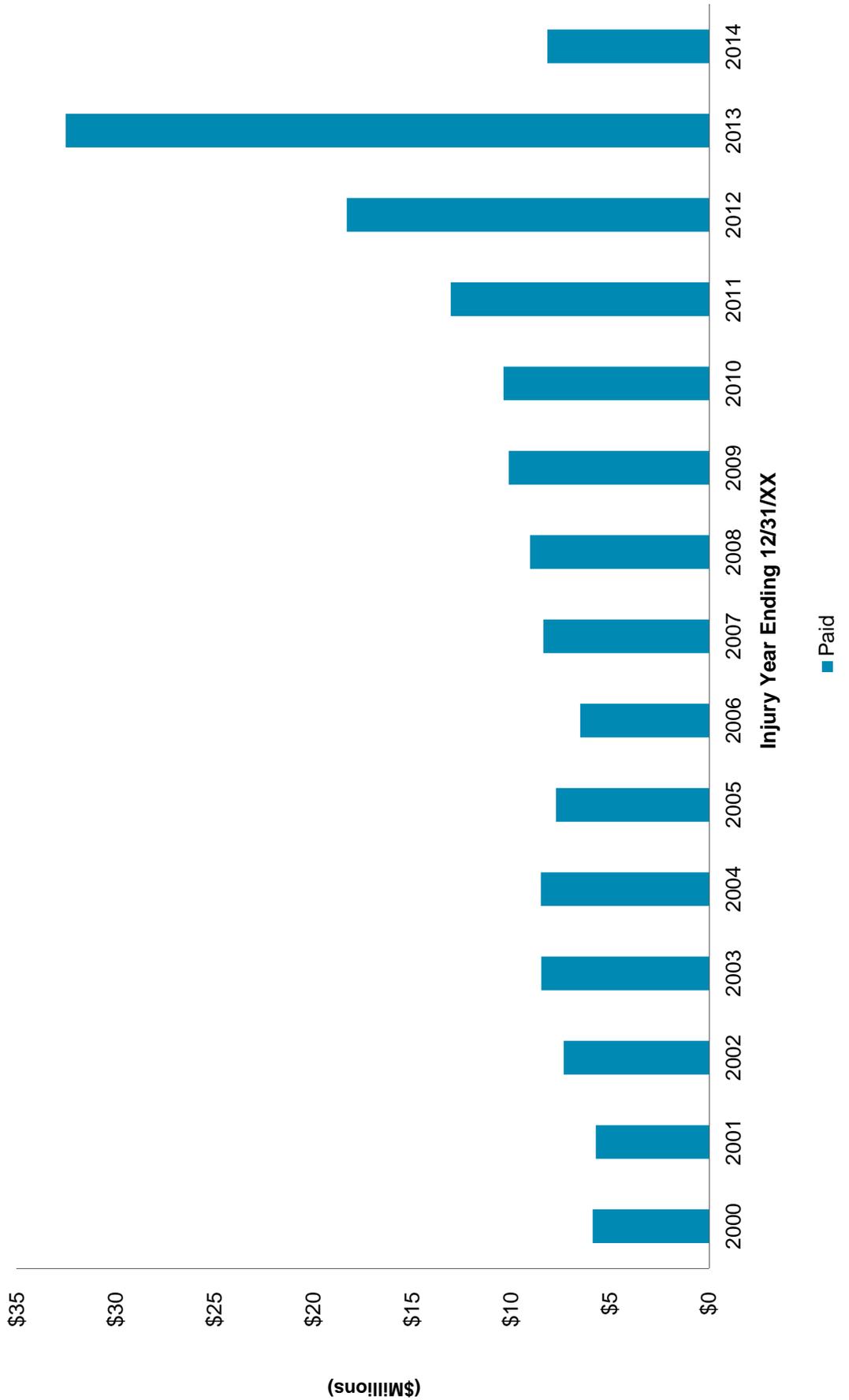
Graph 6

**Ohio Bureau of Workers' Compensation
Public Employers State Agencies (PES)
Total loss (indemnity, medical on indemnity and medical only)
Comparison of Unpaid Loss as of June 30, 2013**



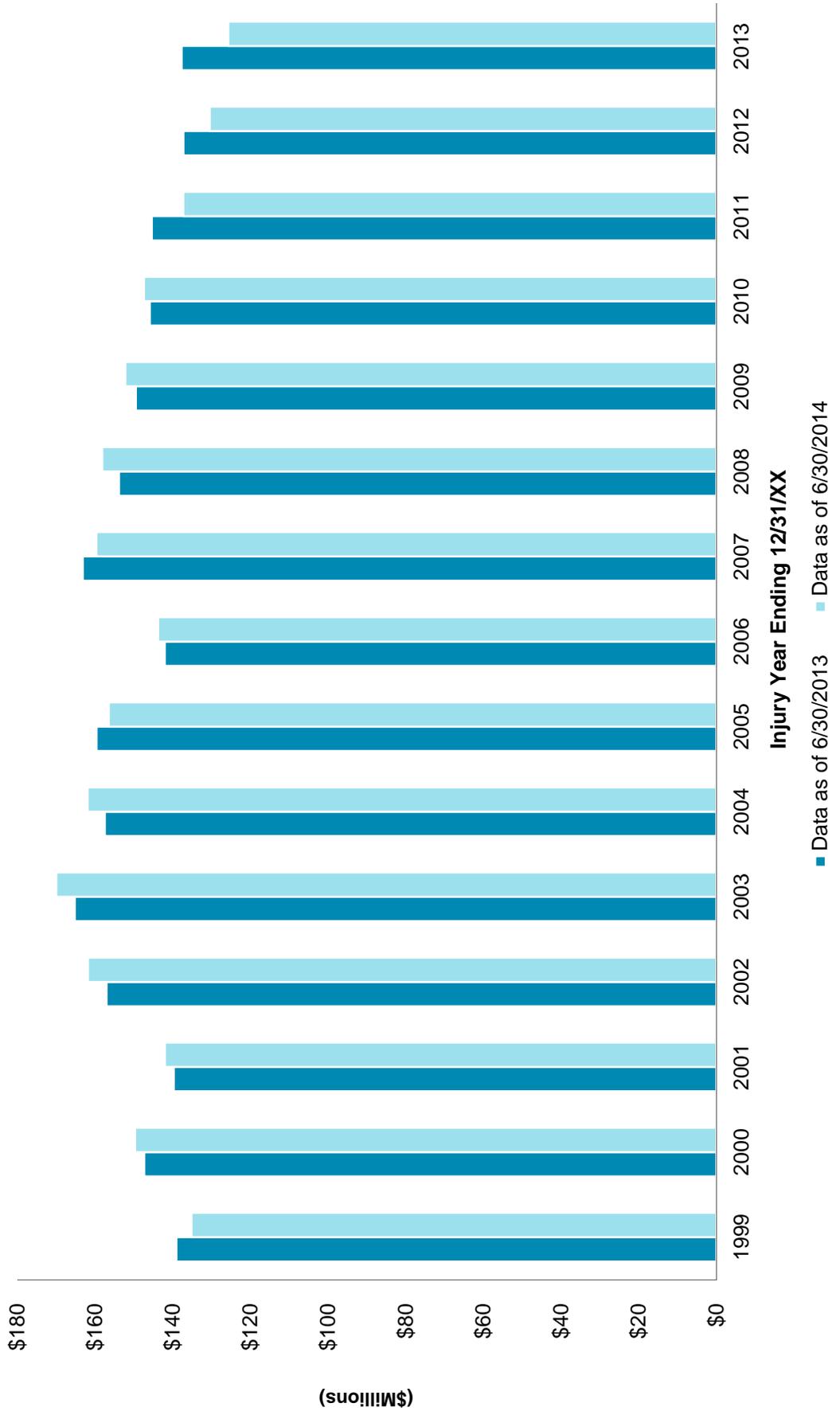
Graph 7

**Ohio Bureau of Workers' Compensation
Public Employers State Agencies (PES)
Total Loss (Indemnity, Medical on Indemnity and Medical Only)
Fiscal Year Payments (7/1/13-6/30/14)**
(Actual through 6/30/14)



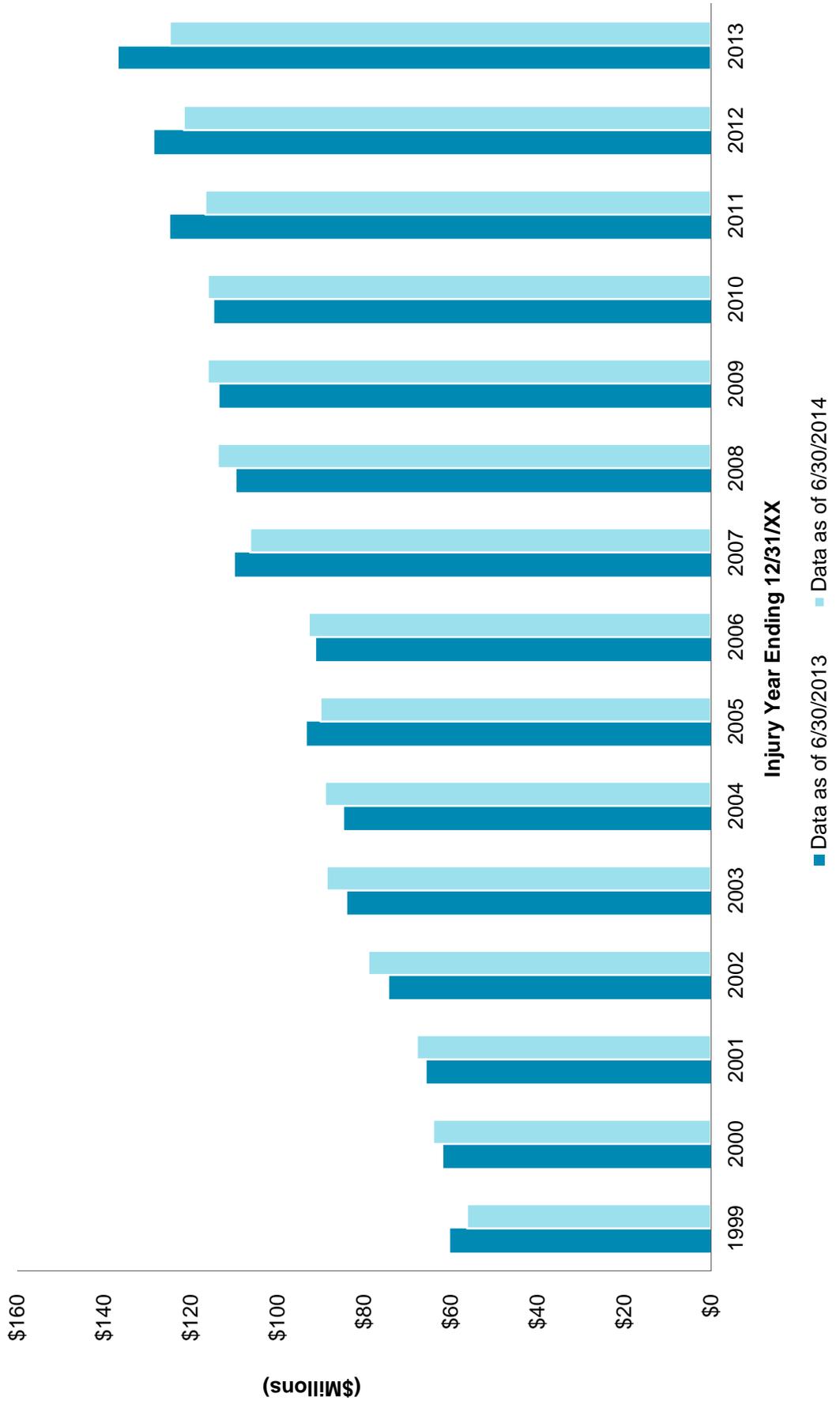
Graph 8

**Ohio Bureau of Workers' Compensation
Public Employers State Agencies (PES)
Indemnity Only
Comparison of Ultimate Loss Selections**



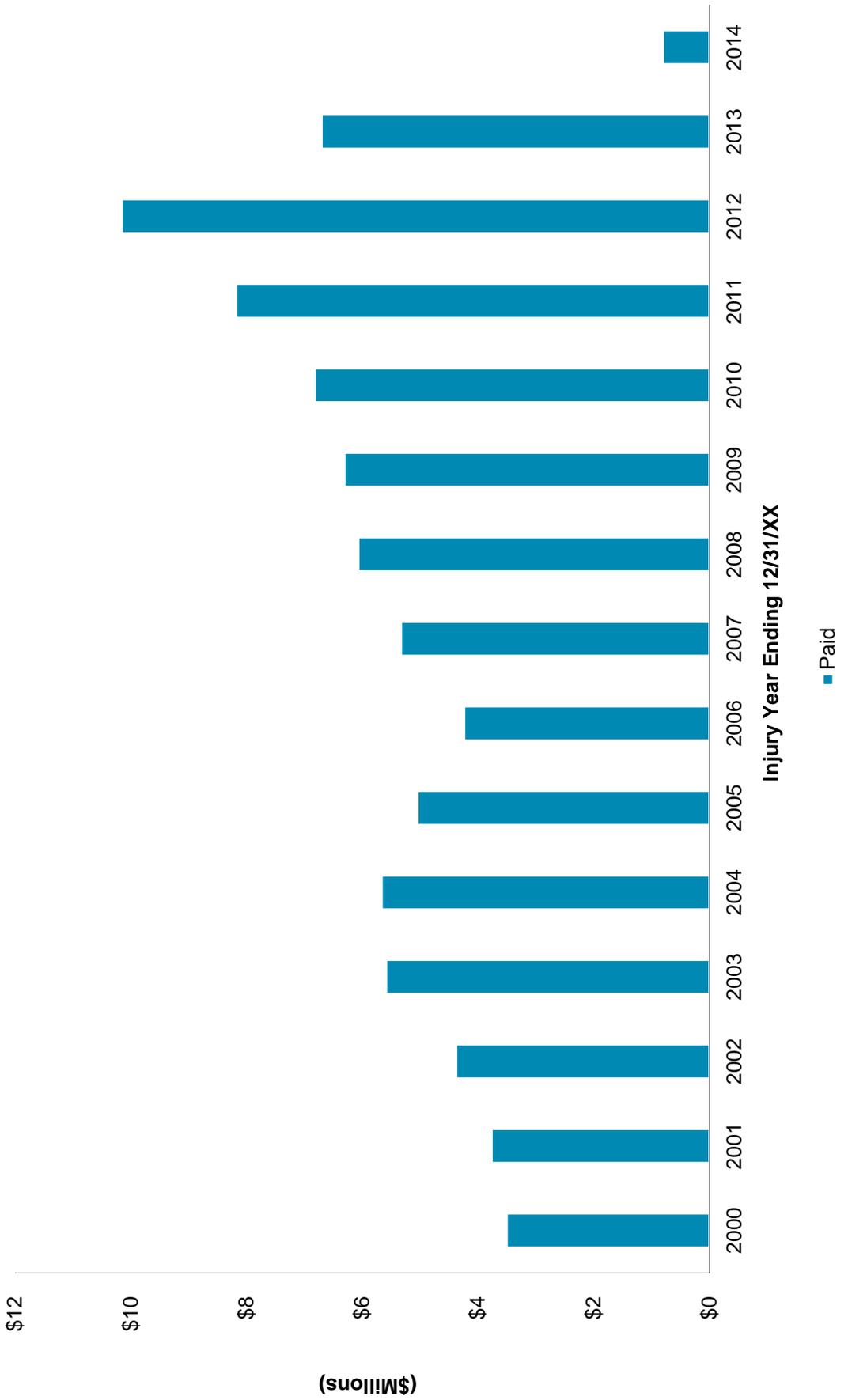
Graph 9

**Ohio Bureau of Workers' Compensation
Public Employers State Agencies (PES)
Indemnity Only**
Comparison of Unpaid Loss as of June 30, 2013



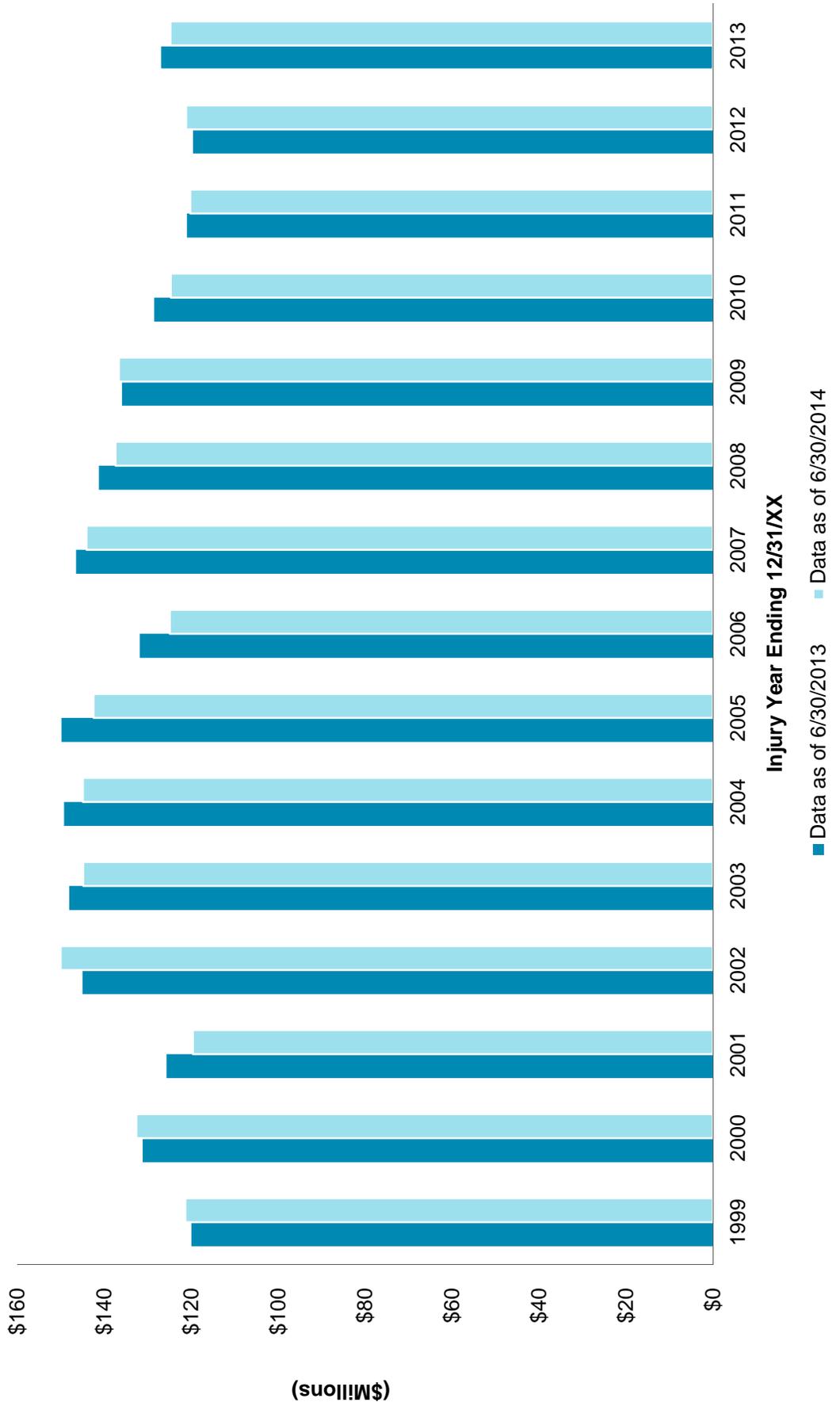
Graph 10

**Ohio Bureau of Workers' Compensation
Public Employers State Agencies (PES)
Indemnity Only
Fiscal Year Payments (7/1/13-6/30/14)**
(Actual through 6/30/14)



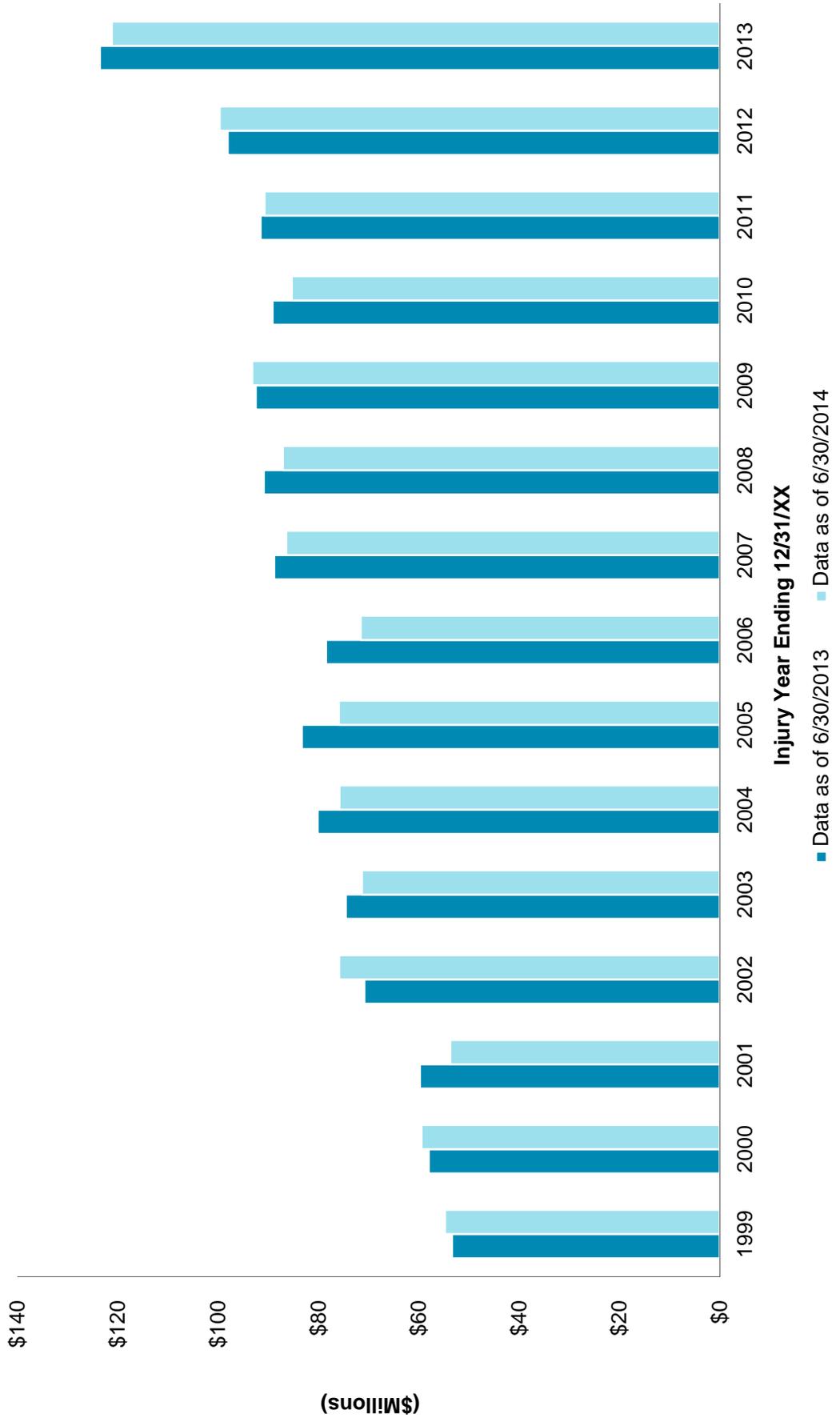
Graph 11

**Ohio Bureau of Workers' Compensation
Public Employers State Agencies (PES)
Medical on Indemnity
Comparison of Ultimate Loss Selections**



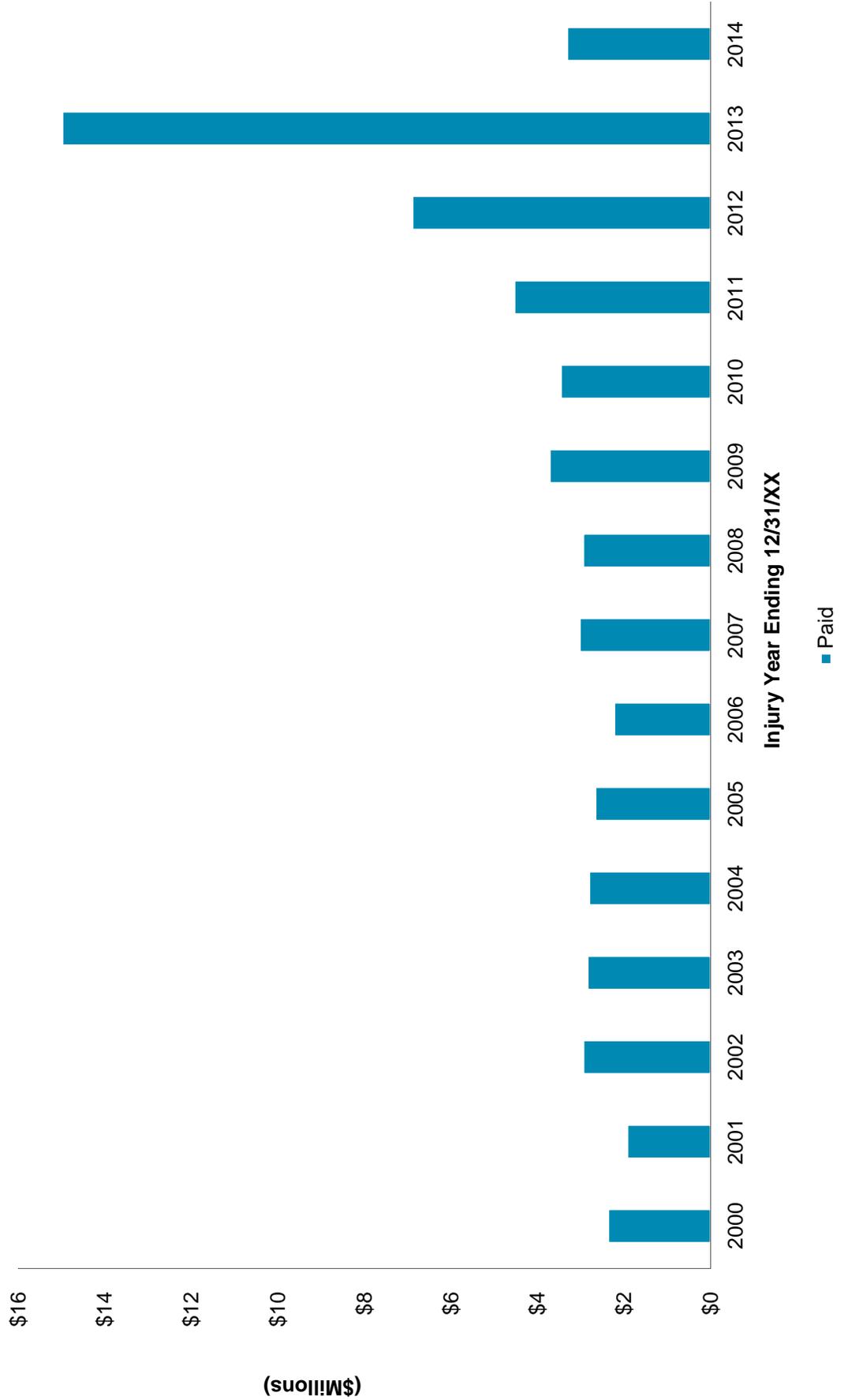
Graph 12

**Ohio Bureau of Workers' Compensation
Public Employers State Agencies (PES)
Medical on Indemnity
Comparison of Unpaid Loss as of June 30, 2013**



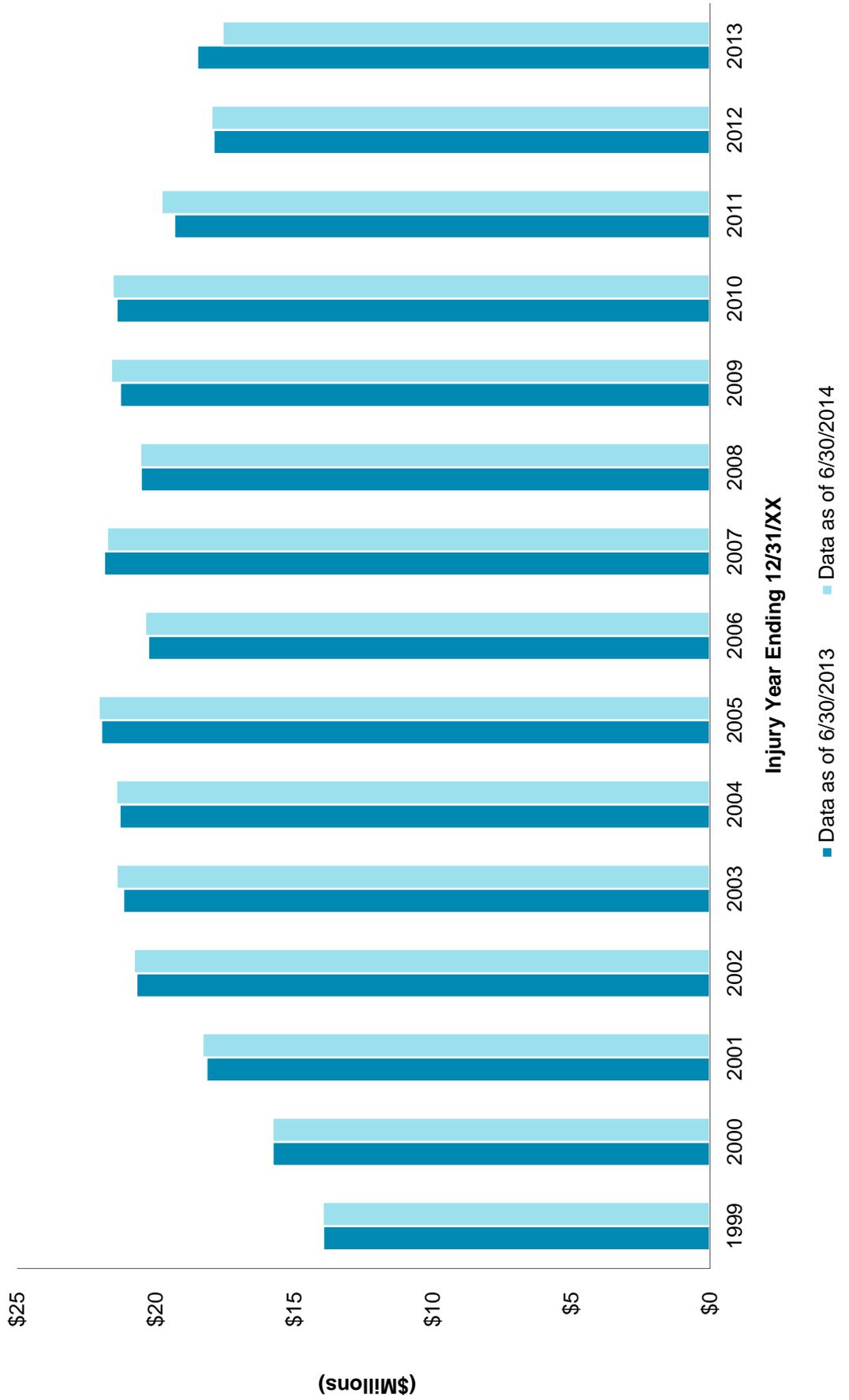
Graph 13

**Ohio Bureau of Workers' Compensation
Public Employers State Agencies (PES)
Medical on Indemnity
Fiscal Year Payments (7/1/13-6/30/14)
(Actual through 6/30/14)**



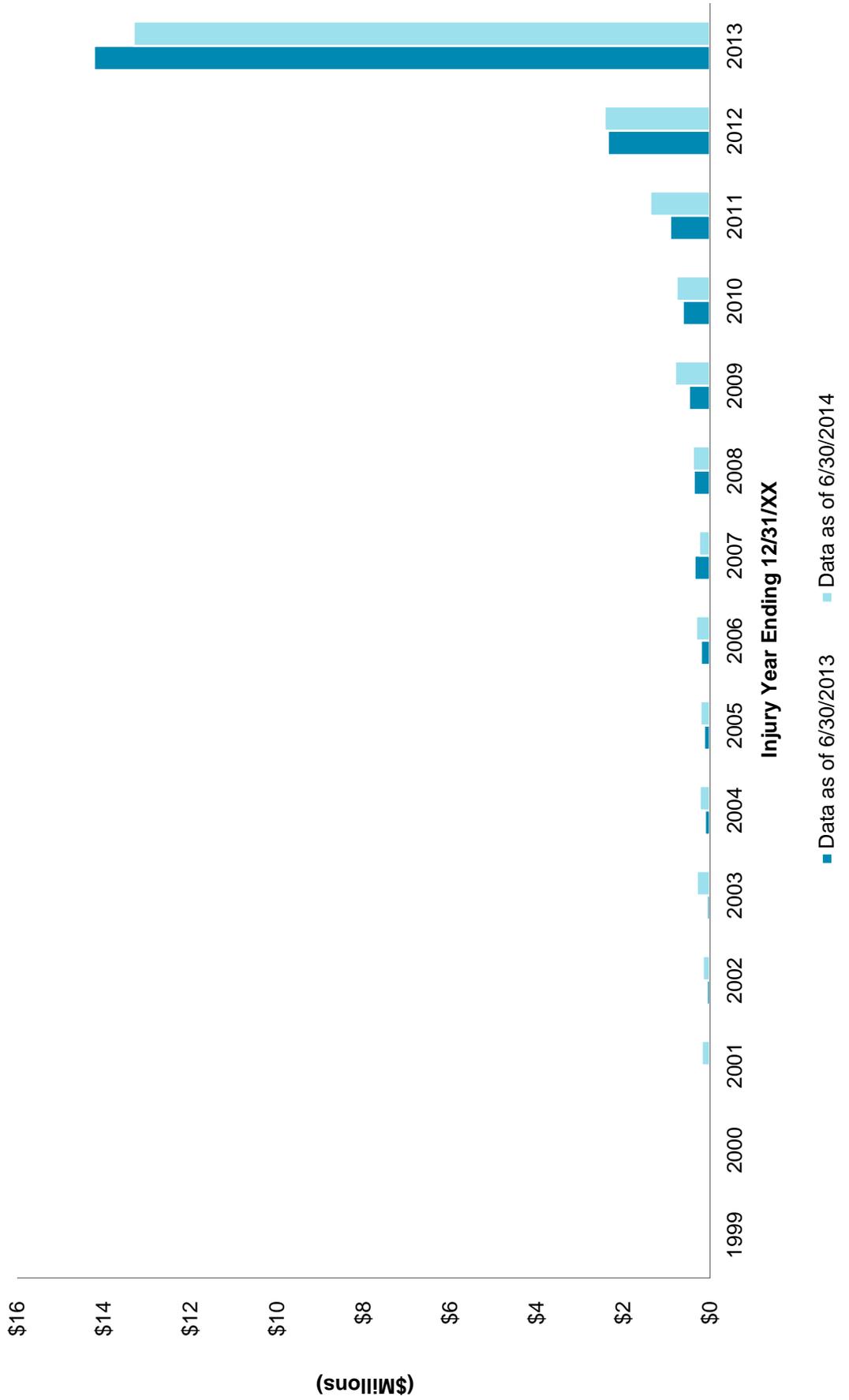
Graph 14

**Ohio Bureau of Workers' Compensation
Public Employers State Agencies (PES)
Medical Only
Comparison of Ultimate Loss Selections**



Graph 15

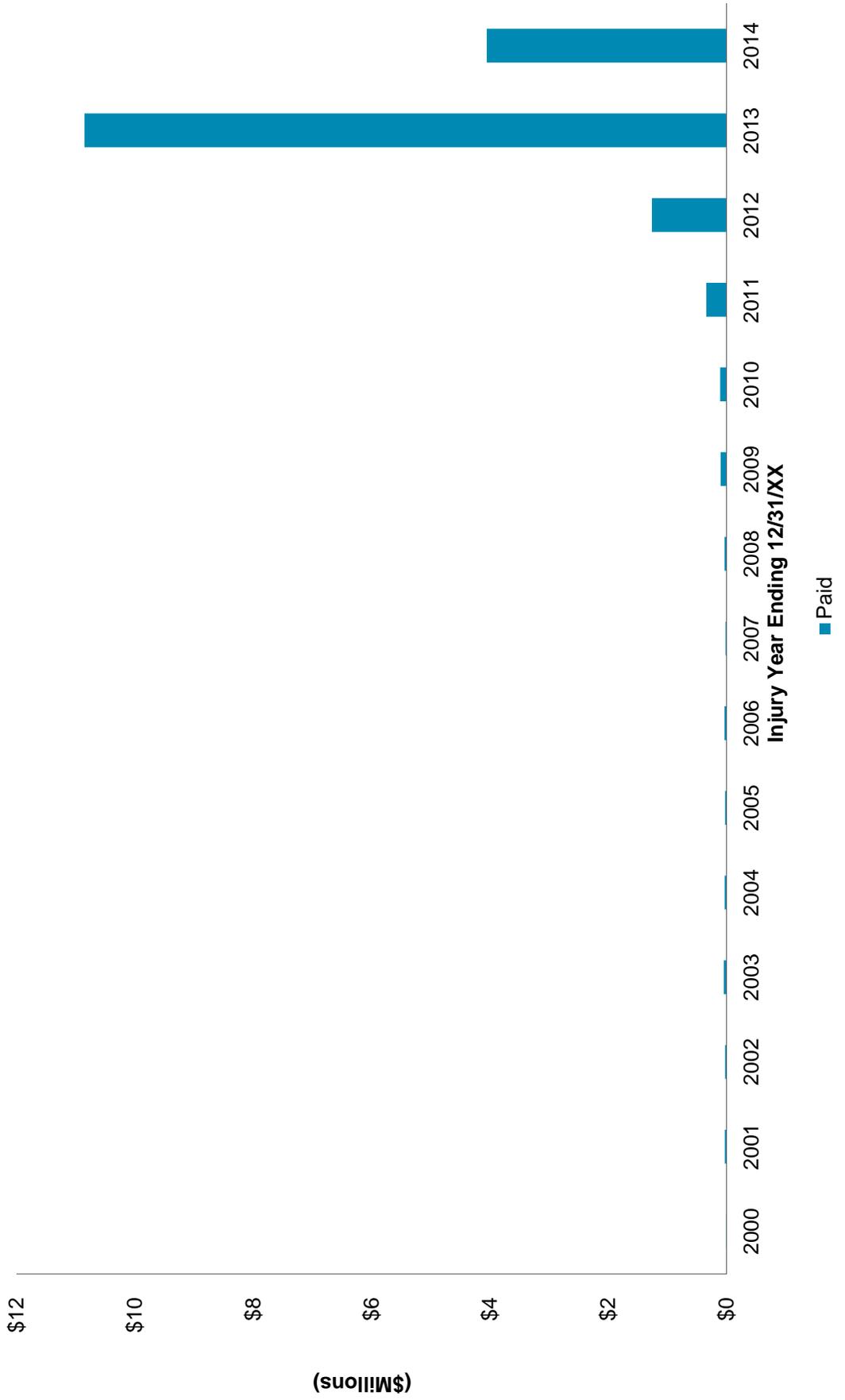
**Ohio Bureau of Workers' Compensation
Public Employers State Agencies (PES)
Medical Only**
Comparison of Unpaid Loss as of June 30, 2013



Graph 16

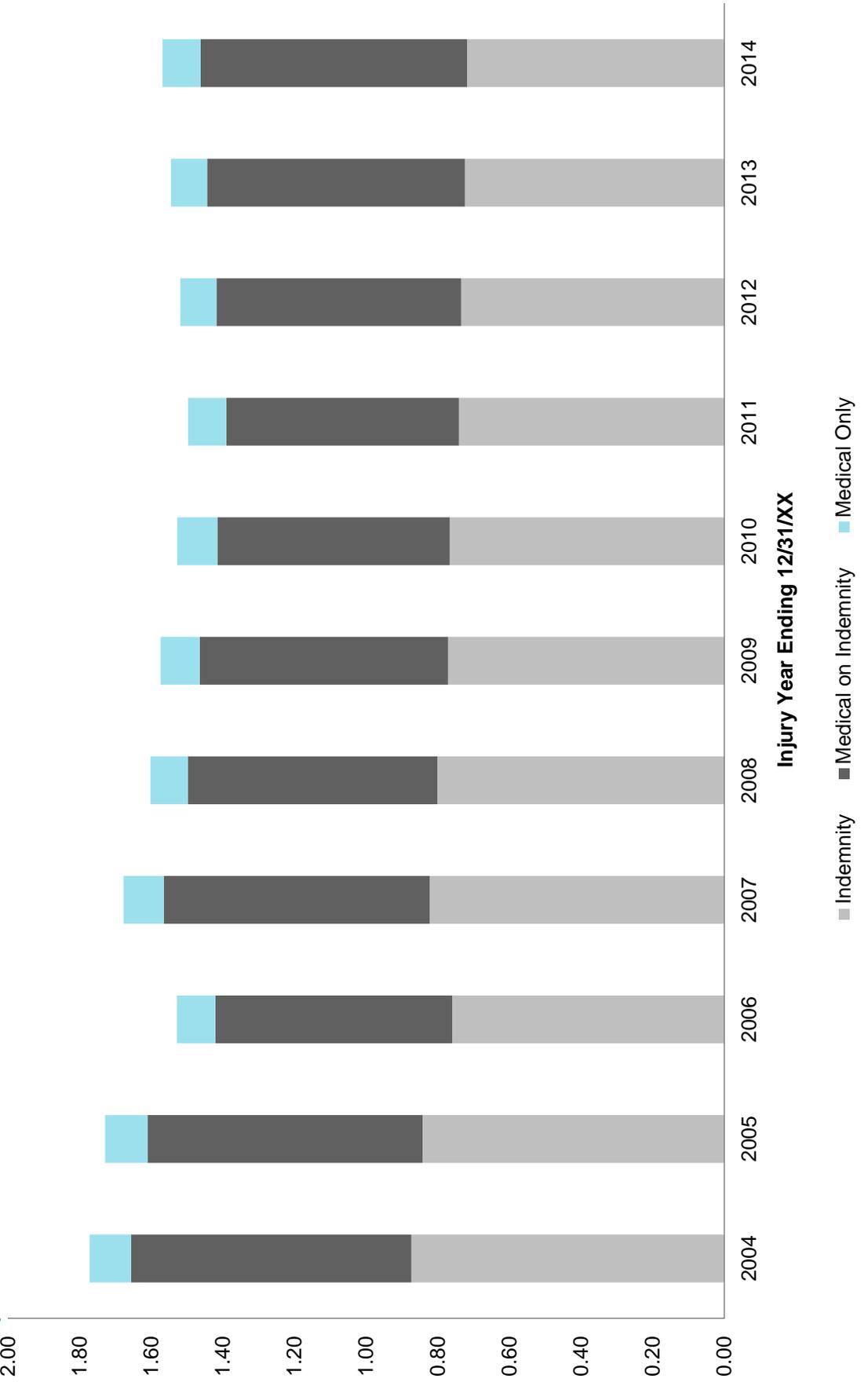
**Ohio Bureau of Workers' Compensation
Public Employers State Agencies (PES)
Medical Only**

Fiscal Year Payments (7/1/13-6/30/14)
(Actual through 6/30/14)



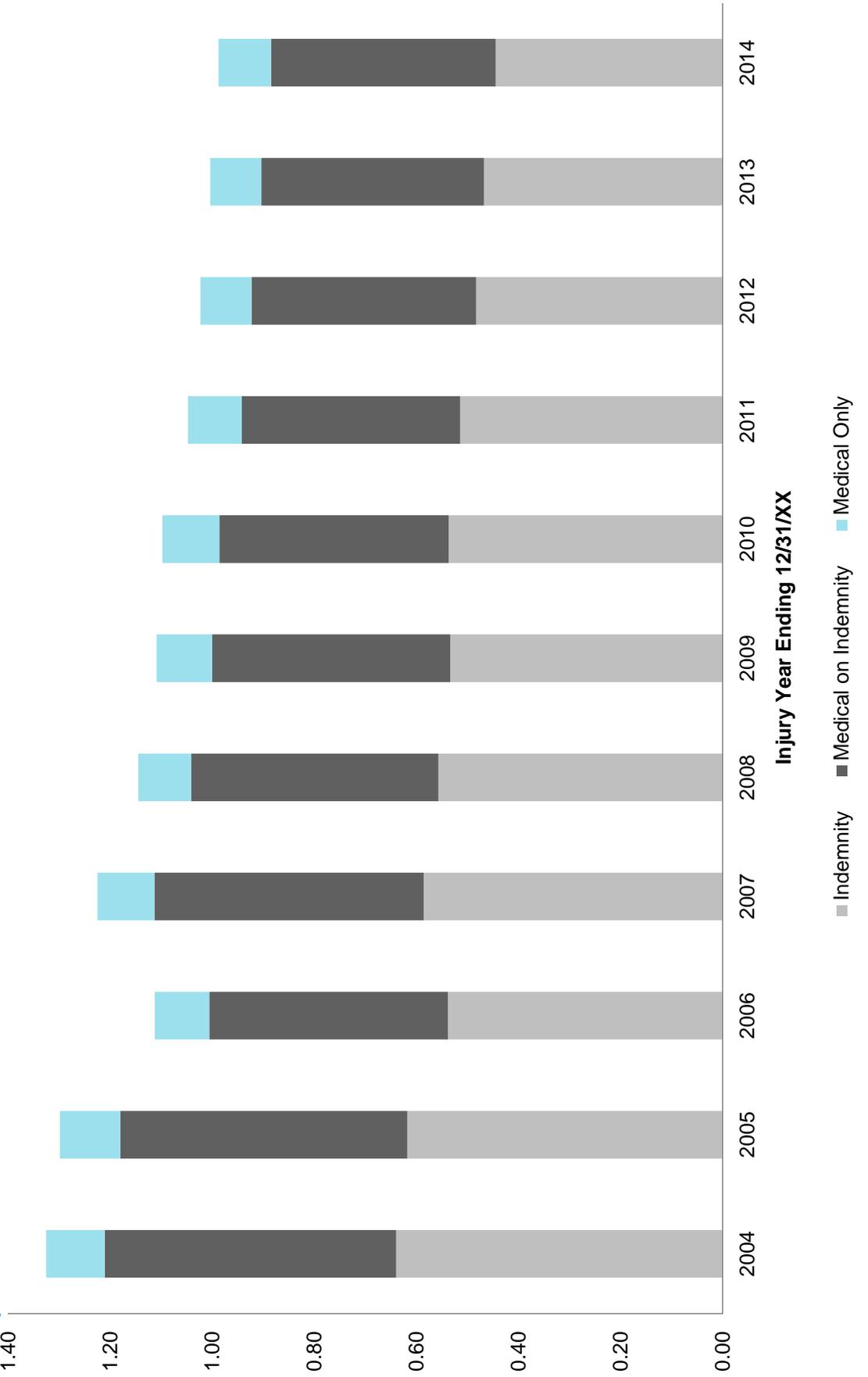
Graph 17

**Ohio Bureau of Workers' Compensation
Public Employers State Agencies (PES)
Total Loss (Indemnity, Medical on Indemnity and Medical Only)
Comparison of Undiscounted Pure Premiums**



Graph 18

**Ohio Bureau of Workers' Compensation
Public Employers State Agencies (PES)
Total Loss (Indemnity, Medical on Indemnity and Medical Only)
Comparison of Discounted Pure Premiums**



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Glossary

Accident Period

The period in which the event giving rise to a claim occurred, regardless of when the claim is actually reported.

Accounting Date

The point in time at which the estimate of unpaid claims and ACAE is evaluated.

Actuarial Central Estimate

An estimate that represents an expected value over the range of reasonably possible outcomes. Such range of reasonably possible outcomes may not include all conceivable outcomes.

Adjusting and Other Expenses (AO)

Those expenses other than allocated expenses, which include fees of adjusters and settling agents, loss adjustment expenses for participation in voluntary and involuntary market pools if reported by calendar year, attorney fees incurred in the determination of coverage, including litigation between the insurer and the policyholder; and fees or salaries for appraisers, private investigators, hearing representatives, re-inspectors and fraud investigators, if working in the capacity of an adjuster.

Allocated Claim Adjustment Expense (ACAE)

Expense costs associated with the handling and settling of an individual claim that can be directly attributed to the particular claim. Fees paid to outside defense attorneys and investigation firms are examples of this expense cost.

Allocated Loss Adjustment Expense (ALAE)

Expense costs associated with the handling and settling of an individual claim that can be directly attributed to the particular claim. Fees paid to outside defense attorneys and investigation firms are examples of this expense cost.

Recorded Claim Reserve or Liability

The provision for unpaid claim amounts shown in a published financial statement or in an internal statement of financial condition.

Case Reserves

The unpaid claim estimates established by adjusters on an individual claim basis.

Claim

A demand for payment under the coverage provided by a plan or contract. As used throughout this Glossary, it also includes suits, potentially compensable events, notifications, and unasserted claims.

Claim Adjustment Expenses

The costs of administering, determining coverage for, settling, or defending claims. Claim adjustment expenses include allocated claim adjustment expenses and unallocated claim adjustment expenses.

Claim Frequency

The number of claims that occur over a period of time per unit of exposure.

Claim Reporting Pattern

The rate at which claims are assumed to be reported over time.

Claim Severity

The average cost per claim.

Claims-Made Insurance Coverage

Insurance coverage for claims reported during the policy period regardless of the date the event occurred (subject to a retroactive date that defines the earliest occurrence date that is covered and other policy terms / conditions).

Claims-Made Period

The period in which the claim arising from an event is considered to be reported under the terms of the claims-made insurance coverage.

Coefficient of Variation

A statistical measure of dispersion. The coefficient of variation is calculated as the standard deviation of the random process divided by the expected value (mean).

Confidence Level

The probability that the outcome of a random process will not exceed an associated estimated. For example, a 75% confidence level for an unpaid claim estimate of \$10 million would indicate that there is a 75% probability that the actual claim payments will be less than or equal to \$10 million. The estimate is defined in the context of the risks modeled in our analysis and may not consider all factors contributing to variability of outcomes.

Credibility

A measure of the predictive value of a body of data.

Defense and Cost Containment Expenses (DCC)

Defense and cost containment expenses include:

- (a) Surveillance expenses;
- (b) Fixed amounts for cost containment expenses;
- (c) Litigation management expenses;
- (d) Fees or salaries for appraisers, private investigators, hearing representatives, reinspectors and fraud investigators, if working in defense of a claim, and fees or salaries for rehabilitation nurses, if such cost is not included in losses;
- (e) Attorney fees incurred owing to a duty to defend, even when other coverage does not exist; and
- (f) The cost of engaging experts.

Defense and cost containment expenses do not include:

- (a) Fees of adjusters and settling agents (but not if engaged in a contentious defense);
- (b) Attorney fees incurred in the determination of coverage, including litigation between the insuring entity and the policyholder; and
- (c) Fees or salaries for appraisers, private investigators, hearing representatives, reinspectors and fraud investigators, if working in the capacity of an adjuster.

Discounted Unpaid Claim Estimate

The unpaid claim amount estimate presented on a basis that reflects the time value of money. In other words, how much would need to be invested as of the accounting date such that principal and interest would be equal to the expected future claim payments as they come due.

Discounted Unpaid Loss Estimate

The unpaid loss amount estimate presented on a basis that reflects the time value of money. In other words, how much would need to be invested as of the accounting date such that principal and interest would be equal to the expected future claim payments as they come due.

Estimated Ultimate Claim Costs

The estimated cost of claims during a period. Ultimate incurred claims represent the total of paid claim amounts, case reserves, and IBNR.

Estimated Ultimate Incurred Losses

The estimated cost of claims during a period. Ultimate incurred losses represent the total of paid claim amounts, case reserves, and IBNR.

Event

The incident or activity that triggers potential for claim or allocated claim adjustment expense payment.

Exposure

A measure of the underlying potential for claim costs.

IBNR

The unpaid claim estimate for: (a) events that have occurred for which claims have not been reported as of the accounting date, (b) future development of the case reserves, (c) claims that have been reported but not yet recorded in the loss listing, and (d) claims that have been closed but that will be reopened.

Loss

The cost associated with a claim. The cost may or may not include loss adjustment expenses.

Loss Adjustment Expenses

The costs of administering, determining coverage for, settling, or defending claims. Loss adjustment expenses include allocated loss adjustment expenses and unallocated loss adjustment expenses.

Loss Cost

The loss amount per exposure unit.

Development

The change between valuation dates in the observed values of certain fundamental quantities that may be used in the unpaid claim estimation process.

For example, the number of reported claims associated with events occurring within a particular period will change from one valuation date to the next until all claims have been reported. In a similar fashion, the paid claim amounts for events occurring within a particular period will change from one valuation date to the next until all claims have been reported and closed. The change in the number of reported claims or the change in the paid claim amounts is referred to as development. The concept of development also applies to reported incurred losses.

Method

The systematic procedure for developing an actuarial estimate.

Model

A mathematical or empirical representation of a specified phenomenon.

Model Risk

The risk that the methods are not appropriate to the circumstances or the models are not representative of the specified phenomenon.

Occurrence Insurance Coverage

A policy that provides coverage for all claims arising from events that occur during the policy period, no matter when they are reported.

Occurrence Period

The period in which the event giving rise to a claim occurred, regardless of when the claim is actually reported.

Paid Claims

The total aggregate dollar amount paid on all reported claims as of a certain date.

Paid Losses

The total aggregate dollar amount paid on all reported claims as of a certain date.

Parameter Risk

The risk that the assumptions or parameters used in the methods or models are not representative of future outcomes.

Payment Pattern

The rate at which claims are paid over time.

Process Risk

The uncertainty associated with the projection of future contingencies that are inherently variable, even when the parameters are known with certainty.

Recorded Date

The date on which the claim is first entered in the statistical records of the insurer or claims administrator.

Report Date

The date on which the claim is first reported or recorded (in practice it is often taken to be the recorded date).

Report Period

The period in which a claim is reported, regardless of the time period in which the event occurred.

Reported Incurred Claim Amount

The total of paid claim amounts and case reserves.

Reported Incurred Loss Amount

The total of paid claim amounts and case reserves.

Review Date

The date through which information is considered in the unpaid claim estimate analysis.

Risk Margin

An amount that may be added to the unpaid claim estimate to recognize the uncertainty in the estimate.

Salvage

Recoveries due to the sale of damaged or recovered property.

Subrogation

Recoveries from a third party responsible for the event for which a claim has already been paid.

Tail or Unreported Claim Estimate

The unpaid claim estimate for events that have occurred for which claims have not been reported as of the accounting date.

Tail or Unreported Loss Estimate

The unpaid loss estimate for events that have occurred for which claims have not been reported as of the accounting date.

Unallocated Claim Adjustment Expense (UCAE)

Claim adjustment expenses that cannot be attributed to an individual claim. Typically includes salaries, utilities, and rent apportioned to the claim adjustment expense function but not readily assignable to specific claims.

Unallocated Loss Adjustment Expense (ULAE)

Loss adjustment expenses that cannot be attributed to an individual claim. Typically includes salaries, utilities, and rent apportioned to the claim adjustment expense function but not readily assignable to specific claims.

Undiscounted Unpaid Claim Estimate

The unpaid claim estimate presented on a basis that does not reflect the time value of money.

Undiscounted Unpaid Loss Estimate

The unpaid loss estimate presented on a basis that does not reflect the time value of money.

Unpaid Claim Estimate

The estimate of the obligation for future payments resulting from claims due to past events.

Unpaid Loss Estimate

The estimate of the obligation for future payments resulting from losses due to past events.

Valuation Date

The date through which transactions are included in the data used in the unpaid claim estimate analysis.

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Data

For this study we relied on the information provided by BWC. Additional details can be found in the appendix.

The most recent files were provided by Mr. Jon Turnes and Mr. David Childress of the BWC. The following files were provided along with historic files that had been provided in previous analyses by Mr. Jon Turnes and Mr. David Childress of the BWC:

- 2nd qtr 2014 QTRMRCR.TRENDS.CSV
- WCIS503R-July 2014.xlsx
- payroll projection 1.docx
- Hospital Overpayment Recoveries as of 07012014.xlsx
- 1 - MII Analysis 2014 Q2 CLX5620B Validation Extract.accdb
- 2 - MII Analysis 2014 Q2 CLX5620B Validation Extract.accdb
- 3 - MII Analysis 2014 Q2 CLX5620B Validation Extract.accdb
- 4 - MII Analysis 2014 Q CLX5620B Validation Extract.accdb
- Triangle Study IY1993-IY2014 MERCER Quarterly Incremental Comp PTD and Death 6-30-2014.xls
- SI Bankrupt as of 06-30-2014.accdb
- Surplus Report_FY2014 6-30-2014.xlsx
- Black Lung Claims July 2014.xlsx
- ACF Payments fiscal years 2006 through fiscal year to date 2014 6-30-2014.xlsx
- MCO FEE PMTS1 6-30-2014.xlsx
- Contraunbilled balances and BWC's portion of Unbilled 6-30-2014.xlsx

- PTD and Death First Payment as of 6-30-2014 all Injury Years - Quarterly.xlsx
- Unaudited June 2014 Financial Statements.pdf
- July 2014 Enterprise Report proof 5.pdf
- 21 - PA 6-30-2013 Retro Annual Evaluation Report.txt
- PEC 12-31-2013 Retro Annual Evaluation Report.txt
- Oliver Wyman's prior analysis using data evaluated as of March 31, 2014 and the underlying workpapers.

In addition, we relied on correspondence with Mr. Christopher Carlson, Mr. Jonathan Turnes, Mr. James Robertson, Ms. Elizabeth Bravender and Mr. David Childress regarding background information on the BWC's data and accounting information.

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Exhibits

Summary

*Private Employers - Unpaid Loss and Loss Adjustment Expense Analysis as of June 30, 2014
Using Data as of June 30, 2014*

PA Cost Trends

Medical

- A1. Hospital
- A2. Physician
- A3. Pharmacy
- A4. Chiropractor
- A5. Rehabilitation
- A6. Health Other
- A7. Medical Only
- A8. Total Medical (excluding Medical Only)

Indemnity

- B. Temporary Total
- C. Permanent Total Disability
- D. Death
- E. % Permanent Partial Total
- F. Permanent Partial
- G. Wage Loss+Living Maintenance/Wage Loss & Change of Occupation
- H. Temporary Partial & Change of Occupation (<1987)
- I. Lump Sum Settlements
- J. Living Maintenance
- K. Lump Sum Advancements
- L. Additional Awards

*Public Employers – Taxing Districts - Unpaid Loss and Loss Adjustment Expense Analysis as of
June 30, 2014 Using Data as of June 30, 2014*

PEC Cost Trends

Medical

- A1. Hospital
- A2. Physician
- A3. Pharmacy
- A4. Chiropractor
- A5. Rehabilitation
- A6. Health Other
- A7. Medical Only
- A8. Total Medical (excluding Medical Only)

Indemnity

- B. Temporary Total
- C. Permanent Total Disability
- D. Death
- E. % Permanent Partial Total
- F. Permanent Partial
- G. Wage Loss+Living Maintenance/Wage Loss & Change of Occupation
- H. Temporary Partial & Change of Occupation (<1987)
- I. Lump Sum Settlements
- J. Living Maintenance
- K. Lump Sum Advancements
- L. Additional Awards

Public Employers – State Agencies - Unpaid Loss and Loss Adjustment Expense Analysis as of June 30, 2014 Using Data as of June 30, 2014

PES Cost Trends

Medical

- A1. Hospital
- A2. Physician
- A3. Pharmacy
- A4. Chiropractor
- A5. Rehabilitation
- A6. Health Other
- A7. Medical Only
- A8. Total Medical (excluding Medical Only)

Indemnity

- B. Temporary Total
- C. Permanent Total Disability
- D. Death
- E. % Permanent Partial Total
- F. Permanent Partial

- G. Wage Loss+Living Maintenance/Wage Loss & Change of Occupation
- H. Temporary Partial & Change of Occupation (<1987)
- I. Lump Sum Settlements
 - J. Living Maintenance
- K. Lump Sum Advancements
- L. Additional Awards

*Ancillary Funds - Unpaid Loss and Loss Adjustment Expense Analysis as of June 30, 2014
Using Data as of June 30, 2014*

- M. Administrative Cost Fund (ACF)
- N. Self-Insured Employers Guaranty Fund (SIEGF)
- O. Coal Workers' Pneumoconiosis (CWPF) (*separate report*)
- P. Public Work-Relief Employee's Fund (PWREF)
- Q. Marine Industry Fund (MIF)
- R. Disabled Workers' Relief Fund (DWRF)

Miscellaneous Unpaid Liability

- S. Self-Insured Employers (Prior to 1987)
- T. Health Plan Partnership (HPP)

*Appendix - Unpaid Loss and Loss Adjustment Expense Analysis as of June 30, 2014 Using
Data as of June 30, 2014*

Supporting Calculations and Tables

- U. Re-estimated Unpaid Loss Analysis
- V. Lost Time and PTD Claim Counts
- W. Investment Income
- X. Mortality
 - Wage Distribution Reserve
 - Reserve Factor Calculations
 - Calendar Year Payment Reconciliations
 - Estimated Payments through 6/30/14
 - Additional Retrospective Premium Projection

**OHIO BUREAU OF WORKERS' COMPENSATION
UNPAID LOSS AND LOSS ADJUSTMENT EXPENSE**

As of 6/30/2014 (Using data as of 6/30/2014)

(\$Millions)

**Comparison of Indicated Discounted Unpaid Loss and LAE and Fund Balance
To Preliminary Discounted Unpaid Loss and LAE and Fund Balance**

		(1) Indicated Unpaid <u>6/30/2014</u>	(2) Preliminary Unpaid <u>6/30/2014</u>	(3) Difference <u>(1) - (2)</u>
A.1	State Insurance Fund (SIF) (excluding HPP)	14,221	14,302	(80)
A.2	Health Partnership Program	<u>817</u>	<u>816</u>	<u>1</u>
A	State Insurance Fund (SIF)	15,038	15,118	(80)
B	Self-Insuring Employers Guaranty Fund (SIEGF)	464	472	(8)
C	Coal-Workers Pneumoconiosis Fund (CWPF)	58	44	13
D	Public Work-Relief Employees' Compensation Fund (PWREF)	5	6	(1)
E	Marine Industry Fund (MIF)	2	2	1
F	Disabled Workers' Relief Fund (DWRF)	2,131	2,071	60
G	Administrative Cost Fund (ACF)	<u>1,025</u>	<u>1,032</u>	<u>(7)</u>
	Loss Adjustment Expense Reserve (LAE)			
H	Total Unpaid Loss and LAE	18,723	18,745	(22)
I	Adjustment for Unbilled Premiums Receivable Loss and LAE	(3,115)	(3,032)	(83)
J	Adjustment to Asset for Retrospective Premiums Receivable PA and PEC	252	303	(51)

Row and Column Notes

- A - H Column (1) are from Summary 3, Column (1).
I Column (1) from Exhibit 8, Column (6).
J From EXHIBIT PA-1, PAGE 1, Column (11) + EXHIBIT PEC-1, Page 1, Column (13).
(2) From the June 30, 2014 BWC Preliminary Financial Statement.
(4) From the June 30, 2014 BWC Preliminary Financial Statement.
SIF includes unpaid HPP expense.
All figures are shown rounded to nearest million and may not add to totals for this reason.
Total unpaid includes estimates for compensation and compensation adjustment expense.
Unpaid DWRF amounts are offset by premium receivable.
Annual Discount Rate = 4.0%

**OHIO BUREAU OF WORKERS' COMPENSATION
UNPAID LOSS AND LOSS ADJUSTMENT EXPENSE**

As of 6/30/2014 (Using data as of 6/30/2014)

(\$Millions)

Summary of Undiscounted and Discounted Unpaid Loss and LAE by Fund

		(1) Undiscounted Unpaid <u>6/30/2014</u>	(2) Discounted Unpaid <u>6/30/2014</u>	(3) Discount <u>(1) - (2)</u>
A.1	State Insurance Fund (SIF) (excluding HPP)	23,423	14,221	9,202
A.2	Health Partnership Program	<u>1,346</u>	<u>817</u>	<u>529</u>
A	State Insurance Fund (SIF)	24,770	15,038	9,732
B	Self-Insuring Employers Guaranty Fund (SIEGF)	808	464	344
C	Coal-Workers Pneumoconiosis Fund (CWPF)	148	58	91
D	Public Work-Relief Employees' Compensation Fund (PWREF)	8	5	3
E	Marine Industry Fund (MIF)	4	2	1
F	Disabled Workers' Relief Fund (DWRF)	4,212	2,131	2,081
G	Administrative Cost Fund (ACF)	<u>1,688</u>	<u>1,025</u>	<u>663</u>
	Loss Adjustment Expense Reserve (LAE)			
H	Total Unpaid Loss and LAE	31,638	18,723	12,915

Row Notes

- A (1) Summation of the undiscounted unpaid loss on Page 1 of the respective employer type and category's analysis.
 B (1) From Exhibit N.2, Column (6) + Exhibit N.11, Column (3) + Exhibit T.2, Rows (A) and (C) (adjusted to remove discount).
 C (1) From Coal Report as of 6/30/14.
 D (1) From Exhibit P.1, Column (8).
 E (1) From Exhibit Q.1, Column (8).
 F (1) From Exhibit R.1.
 G (1) Row (A1) / Row (A2) x Row (G2).
 A (2) Summary 3, Row (A), Column (1).
 B (2) Summary 3, Row (B), Column (1).
 C (2) Summary 3, Row (C), Column (1).
 D (2) From Exhibit P.1, Column (5).
 E (2) From Exhibit Q.1, Column (5).
 F (2) Summary 3, Row (F), Column (1).
 G (2) Summary 3, Row (G), Column (1).

All figures are shown rounded to nearest million and may not add to totals for this reason.

Total unpaid includes estimates for compensation and compensation adjustment expense.

Unpaid DWRF amounts are offset by premium receivable.

6/30/2014 unpaid loss and LAE are discounted at 4.00% annual interest rate. 6/30/2013 unpaid loss and LAE are discounted at 4.00%.

**OHIO BUREAU OF WORKERS' COMPENSATION
UNPAID LOSS AND LOSS ADJUSTMENT EXPENSE**

As of 6/30/2014 (Using data as of 6/30/2014)

(\$Millions)

Comparison of Current Indicated and Prior Indicated Discounted Unpaid Loss and LAE

		(1)	(2)	(3)	(4)
		Discounted Unpaid 6/30/2014	Discounted Unpaid 6/30/2013	Change (1) - (2)	% Change (3) / (2)
A.1	State Insurance Fund (SIF) (excluding HPP)	14,221	14,348	(127)	-0.9%
A.2	Health Partnership Program	<u>817</u>	<u>801</u>	<u>16</u>	<u>2.0%</u>
A	State Insurance Fund (SIF)	15,038	15,149	(111)	-0.7%
B	Self-Insuring Employers Guaranty Fund (SIEGF)	464	450	14	3.1%
C	Coal-Workers Pneumoconiosis Fund (CWPF)	58	44	14	31.3%
D	Public Work-Relief Employees' Compensation Fund (PWREF)	5	4	1	12.9%
E	Marine Industry Fund (MIF)	2	2	1	54.8%
F	Disabled Workers' Relief Fund (DWRF)	2,131	2,105	27	1.3%
G	Administrative Cost Fund (ACF)	<u>1,025</u>	<u>1,031</u>	<u>(6)</u>	<u>-0.5%</u>
	Loss Adjustment Expense Reserve (LAE)				
H	Total Unpaid Loss and LAE	18,723	18,783	(61)	-0.3%

Row Notes

- A (1) Summary 6, Row (A.21), Column (4).
 B (1) Summary 6, Row (B.1), Column (4).
 C (1) Summary 6, Row (B.2), Column (4).
 D (1) Summary 6, Row (B.3), Column (4).
 E (1) Summary 6, Row (B.4), Column (4).
 F (1) Summary 6, Row (B.5), Column (4).
 G (1) Summary 6, Row (B.6), Column (4).
 A (2) Summary 6, Row (A.21), Column (8).
 B (2) Summary 6, Row (B.1), Column (8).
 C (2) Summary 6, Row (B.2), Column (8).
 D (2) Summary 6, Row (B.3), Column (8).
 E (2) Summary 6, Row (B.4), Column (8).
 F (2) Summary 6, Row (B.5), Column (8).
 G (2) Summary 6, Row (B.6), Column (8).

All figures are shown rounded to nearest million and may not add to totals for this reason.

SIF includes HPP.

Total unpaid includes estimates for compensation and compensation adjustment expense.

Unpaid DWRF amounts are offset by premium receivable.

6/30/2014 unpaid loss and LAE are discounted at 4.00% annual interest rate. 6/30/2013 unpaid loss and LAE are discounted at 4.00%.

OHIO BUREAU OF WORKERS' COMPENSATION
UNPAID LOSS AND LOSS ADJUSTMENT EXPENSE
As of 6/30/2014 (Using data as of 6/30/2014)
(\$Millions)
Summary of SIF Discounted Unpaid Loss Changes

	(1)	(2)	(3)	(4)
	Fiscal Years Prior to <u>13/14</u>	Fiscal Year <u>13/14</u>	<u>Totals</u>	% Change <u>(3) / (A1)</u>
A	Unpaid Loss @ 6/30/2013	14,348		
B	Expected Payments in Fiscal Year 13/14	1,497		
C	Expected Payments discounted to 6/30/2013	1,467		
D	Expected Unpaid Loss 6/30/2014	13,396	1,079	14,475
E	Expected Change in Unpaid Loss	(952)	1,079	127
F	Unexpected Change in Unpaid Loss	(254)		(254)
G	Actual Unpaid Loss @ 6/30/2014	13,142	1,079	14,221

* Excludes HPP and Self-Insured.

Row Notes

A	From Exhibit U.1.
B	From Exhibit U.1.
C	Row (B) / 1.04 ^{0.5} .
D (1)	[Row (A) - Row (C)] x 1.04.
D (2)	Row (G3) - Row (G1).
D (3)	Row (D1) + Row (D2).
E (1)	Row (D1) - Row (A1).
E (2)	Row (D2).
E (3)	Row (E1) + Row (E2).
F (1)	Row (G1) - Row (D1).
F (3)	Row (F1) + Row (F2).
G (1)	From Exhibit U.1, Column (1).
G (2)	Row (G3) - Row (G1).
G (3)	Summary 6, Row (A.21), Column (4) - Summary 6, Row (A.20), Column (4).

All figures are shown rounded to nearest million and may not add to totals for this reason.

6/30/2014 unpaid loss and LAE are discounted at 4.00% annual interest rate. 6/30/2013 unpaid loss and LAE are discounted at 4.00%.

**OHIO BUREAU OF WORKERS' COMPENSATION
UNPAID LOSS AND LOSS ADJUSTMENT EXPENSE**

As of 6/30/2014 (Using data as of 6/30/2014)

(\$Millions)

Comparison of Indicated Discounted Unpaid Loss to 6/30/2013 By Benefit and Employer Type

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	
	6/30/2014	6/30/2013	6/30/2013	Difference				
	6/30/14 Eval	6/30/13 Eval.	6/30/14 Eval	6/30/2014 vs	Difference	% Change	% Change	
	Indicated	Indicated	Re-estimate	6/30/2014 vs	6/30/2013 vs	6/30/2014 vs	6/30/2014 vs	
	<u>Unpaid Loss</u>	<u>Unpaid Loss</u>	<u>Unpaid Loss</u>	<u>6/30/2013</u>	<u>Re-estimate</u>	<u>6/30/2013</u>	<u>Re-estimate</u>	
By Benefit Type								
A	State Insurance Fund (SIF)							
A.1	Hospital	1,333	1,406	1,289	(72)	(117)	-5.1%	-8.3%
A.2	Physician	1,086	1,171	1,062	(85)	(109)	-7.2%	-9.3%
A.3	Pharmacy	1,936	1,983	1,897	(47)	(87)	-2.4%	-4.4%
A.4	Chiropractor	209	241	204	(32)	(37)	-13.4%	-15.3%
A.5	Rehabilitation	359	382	348	(23)	(34)	-5.9%	-8.8%
A.6	Health Other	609	519	572	90	53	17.3%	10.2%
A.7	Medical Only	<u>50</u>	<u>57</u>	<u>47</u>	<u>(7)</u>	<u>(10)</u>	<u>-12.3%</u>	<u>-17.5%</u>
A.8	Sub-Total Medical	5,583	5,759	5,419	(176)	(340)	-3.1%	-5.9%
A.9	Temporary Total	828	851	830	(23)	(21)	-2.8%	-2.4%
A.10	Permanent Total Disability	3,973	3,933	3,935	40	2	1.0%	0.0%
A.11	Death	1,120	1,145	1,118	(25)	(27)	-2.2%	-2.3%
A.12	% Permanent Partial	267	275	274	(8)	(1)	-2.9%	-0.4%
A.13	Permanent Partial	69	70	70	(2)	(1)	-2.3%	-1.2%
A.14	Wage Loss and Temporary Partial	146	151	145	(5)	(6)	-3.3%	-3.9%
A.15	Lump Sum Settlements	1,750	1,722	1,713	29	(8)	1.7%	-0.5%
A.16	Living Maintenance	94	98	94	(4)	(4)	-4.0%	-4.4%
A.17	Lump Sum Advancements	269	218	259	51	42	23.4%	19.1%
A.17	Additional Awards	<u>34</u>	<u>36</u>	<u>34</u>	<u>(2)</u>	<u>(2)</u>	<u>-6.6%</u>	<u>-6.4%</u>
A.18	Sub-Total Indemnity	8,550	8,500	8,473	50	(27)	0.6%	-0.3%
A.19	Self Insured	<u>88</u>	<u>89</u>	<u>126</u>	<u>(0)</u>	<u>37</u>	<u>-0.3%</u>	<u>41.6%</u>
A.20	Total SIF Unpaid Loss (Excluding HPP)	14,221	14,348	14,018	(127)	(330)	-0.9%	-2.3%
A.20	Health Partnership Program	<u>817</u>	<u>801</u>	<u>801</u>	<u>16</u>	<u>0</u>	<u>2.0%</u>	<u>0.0%</u>
A.21	Total SIF Unpaid Loss	15,038	15,149	14,819	(111)	(330)	-0.7%	-2.2%
By Employer Type								
B	State Insurance Fund (SIF)							
B.1	Private Employers (PA)	11,465	11,560	11,263	(96)	(297)	-0.8%	-2.6%
B.2	Public Employers-Taxing Districts (PEC)	2,092	2,115	2,061	(23)	(54)	-1.1%	-2.5%
B.3	Public Employers-State Agencies (PES)	576	584	568	(8)	(16)	-1.3%	-2.7%
B.4	Self Insured	88	89	126	(0)	37	-0.3%	41.6%
B.5	Health Partnership Program	<u>817</u>	<u>801</u>	<u>801</u>	<u>16</u>	<u>0</u>	<u>2.0%</u>	<u>0.0%</u>
B.6	Total SIF Unpaid Loss	15,038	15,149	14,819	(111)	(330)	-0.7%	-2.2%

Column Notes

- (1) From Summary 6, Column (1) through Column (3); using 6/30/2014 data.
- (2) From Summary 6, Column (5) through Column (7); using 6/30/2013 data.
- (3) From Summary 6, Column (9) through Column (11); using 6/30/2014 data.
- (4) Column (1) - Column (2).
- (5) Column (3) - Column (2).
- (6) Column (1) / Column (2) - 1.00.
- (7) Column (3) / Column (2) - 1.00.

All figures are shown rounded to nearest million and may not add to totals for this reason.

Indicated Unpaid Loss' are those indicated by actuarial analyses as of 6/30/2014 and 6/30/2013.

Retrospective Unpaid Loss' as of 6/30/2013 represent the re-stated unpaid loss required as of 6/30/2013, using developments as of 6/30/2014.

6/30/2014 unpaid loss and LAE are discounted at 4.00% annual interest rate. 6/30/2013 unpaid loss and LAE are discounted at 4.00%.

OHIO BUREAU OF WORKERS' COMPENSATION
UNPAID LOSS AND LOSS ADJUSTMENT EXPENSE

As of 6/30/2014 (Using data as of 6/30/2014)

(\$Millions)

Comparison of Indicated Discounted Unpaid Loss and LAE

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	6/30/2014	6/30/2014	6/30/2014	6/30/2014	6/30/2013	6/30/2013	6/30/2013	6/30/2013	6/30/2013	6/30/2013	6/30/2013	6/30/2013
	6/30/14 Eval	6/30/14 Eval	6/30/14 Eval	6/30/14 Eval	6/30/13 Eval	6/30/13 Eval	6/30/13 Eval	6/30/13 Eval	6/30/14 Eval	6/30/14 Eval	6/30/14 Eval	6/30/14 Eval
	Unpaid	Re-estimate	Re-estimate	Re-estimate	Re-estimate							
	PA	PEC	PES	Total	PA	PEC	PES	Total	PA	PEC	PES	Total
A State Insurance Fund (SIF)												
A.1 Hospital	1,030	236	67	1,333	1,093	250	63	1,406	998	228	63	1,289
A.2 Physician	860	173	52	1,086	940	176	55	1,171	843	168	51	1,062
A.3 Pharmacy	1,595	274	67	1,936	1,642	268	74	1,983	1,565	266	65	1,897
A.4 Chiropractor	159	43	7	209	186	44	10	241	155	41	7	204
A.5 Rehabilitation	283	58	18	359	304	55	23	382	274	56	18	348
A.6 Health Other	538	55	16	609	453	54	12	519	504	53	15	572
A.7 Medical Only	<u>37</u>	<u>11</u>	<u>2</u>	<u>50</u>	<u>44</u>	<u>10</u>	<u>3</u>	<u>57</u>	<u>35</u>	<u>11</u>	<u>2</u>	<u>47</u>
A.8 Sub-Total Medical	4,501	851	231	5,583	4,663	857	239	5,759	4,374	823	222	5,419
A.9 Temporary Total	648	127	53	828	661	131	60	851	648	128	54	830
A.10 Permanent Total Disability	3,191	608	174	3,973	3,162	610	161	3,933	3,158	604	173	3,935
A.11 Death	926	172	22	1,120	936	186	22	1,145	925	171	22	1,118
A.12 % Permanent Partial	197	54	15	267	198	59	18	275	201	56	17	274
A.13 Permanent Partial	58	9	2	69	59	9	2	70	59	9	2	70
A.14 Wage Loss and Temporary Pa	107	28	12	146	111	28	12	151	104	28	13	145
A.15 Lump Sum Settlements	1,494	202	54	1,750	1,475	193	54	1,722	1,461	200	53	1,713
A.16 Living Maintenance	78	11	5	94	82	12	5	98	77	12	5	94
A.17 Lump Sum Advancements	231	29	9	269	180	28	10	218	222	29	8	259
A.17 Additional Awards	<u>33</u>	<u>1</u>	<u>1</u>	<u>34</u>	<u>34</u>	<u>2</u>	<u>1</u>	<u>36</u>	<u>33</u>	<u>1</u>	<u>1</u>	<u>34</u>
A.18 Sub-Total Indemnity	6,963	1,241	345	8,550	6,898	1,258	345	8,500	6,889	1,238	346	8,473
A.19 Self Insured				88				89				126
A.20 Health Partnership Program	<u>650</u>	<u>135</u>	<u>30</u>	<u>817</u>				<u>801</u>				<u>801</u>
A.21 Total SIF Unpaid Loss	12,115	2,227	606	15,038				15,149				14,819
B Ancillary Funds												
B.1 Self-Insuring Employers Guaranty Fund (SIEGF)				464				450				
B.2 Coal-Workers Pneumoconiosis Fund (CWPF)				58				44				
B.3 Public Work-Relief Employees' Comp. Fund (PWREF)				5				4				
B.4 Marine Industry Fund (MIF)				2				2				
B.5 Disabled Workers' Relief Fund (DWRF)				2,131				2,105				
B.6 Administrative Cost Fund (ACF)				<u>1,025</u>				<u>1,031</u>				
C Total Unpaid Loss and LAE				18,723				18,783				

Column Notes

- (1) - (3) From the discounted unpaid loss on Page 1 of the respective employer type and category's unpaid liability analysis.
 - (4) Column (1) + Column (2) + Column (3).
 - (5) From Summary 6, Column (1) of the prior report evaluated as of 6/30/2013.
 - (6) From Summary 6, Column (2) of the prior report evaluated as of 6/30/2013.
 - (7) From Summary 6, Column (3) of the prior report evaluated as of 6/30/2013.
 - (8) Column (5) + Column (6) + Column (7).
 - (9) From Exhibit U.2, Column (5).
 - (10) From Exhibit U.3, Column (5).
 - (11) From Exhibit U.4, Column (5).
 - (12) Indicated Unpaid Loss' are those indicated by actuarial analyses as of 6/30/2014 and 6/30/2013.
- All figures are shown rounded to nearest million and may not add to totals for this reason.
6/30/2014 unpaid loss and LAE are discounted at 4.00% annual interest rate. 6/30/2013 unpaid loss and LAE are discounted at 4.00%.

OHIO BUREAU OF WORKERS' COMPENSATION
 UNPAID LOSS AND LOSS ADJUSTMENT EXPENSE
 As of 6/30/2014 (Using data as of 6/30/2014)
 (\$Millions)

Comparison of Indicated 6/30/14 Discounted Unpaid Loss and LAE
 Difference in 6/30/2014 and 3/31/2014 Evaluations

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	6/30/14 Eval	6/30/14 Eval	6/30/14 Eval	6/30/14 Eval	3/31/14 Eval	3/31/14 Eval	3/31/14 Eval	3/31/14 Eval	Difference	Difference	Difference	Difference
	Unpaid	Difference	Difference	Difference	Difference							
	<u>PA</u>	<u>PEC</u>	<u>PES</u>	<u>Total</u>	<u>PA</u>	<u>PEC</u>	<u>PES</u>	<u>Total</u>	<u>PA</u>	<u>PEC</u>	<u>PES</u>	<u>Total</u>
A State Insurance Fund (SIF)												
A.1 Hospital	1,030	236	67	1,333	1,063	240	70	1,373	(32)	(4)	(3)	(40)
A.2 Physician	860	173	52	1,086	867	174	53	1,094	(7)	(1)	(0)	(8)
A.3 Pharmacy	1,595	274	67	1,936	1,605	279	68	1,951	(10)	(5)	(0)	(15)
A.4 Chiropractor	159	43	7	209	162	43	7	212	(3)	(0)	0	(4)
A.5 Rehabilitation	283	58	18	359	287	59	19	365	(4)	(1)	(0)	(5)
A.6 Health Other	538	55	16	609	559	58	16	633	(21)	(2)	(1)	(24)
A.7 Medical Only	<u>37</u>	<u>11</u>	<u>2</u>	<u>50</u>	<u>39</u>	<u>11</u>	<u>3</u>	<u>53</u>	<u>(2)</u>	<u>(0)</u>	<u>(1)</u>	<u>(3)</u>
A.8 Sub-Total Medical	4,501	851	231	5,583	4,581	865	236	5,681	(79)	(14)	(5)	(98)
A.9 Temporary Total	648	127	53	828	649	127	52	828	(1)	0	0	(0)
A.10 Permanent Total Disability	3,191	608	174	3,973	3,214	611	171	3,996	(23)	(3)	3	(23)
A.11 Death	926	172	22	1,120	919	174	22	1,115	7	(1)	(0)	5
A.12 % Permanent Partial	197	54	15	267	203	55	16	274	(6)	(1)	(0)	(7)
A.13 Permanent Partial	58	9	2	69	59	9	2	70	(1)	(0)	(0)	(1)
A.14 Wage Loss and Temporary Pa	107	28	12	146	109	28	12	148	(2)	(0)	(0)	(2)
A.15 Lump Sum Settlements	1,494	202	54	1,750	1,460	198	53	1,711	35	4	1	40
A.16 Living Maintenance	78	11	5	94	79	12	5	96	(1)	(1)	(0)	(1)
A.17 Lump Sum Advancements	231	29	9	269	221	30	9	260	9	(1)	0	9
A.17 Additional Awards	<u>33</u>	<u>1</u>	<u>1</u>	<u>34</u>	<u>32</u>	<u>1</u>	<u>1</u>	<u>33</u>	<u>1</u>	<u>(0)</u>	<u>(0)</u>	<u>1</u>
A.18 Sub-Total Indemnity	6,963	1,241	345	8,550	6,945	1,243	343	8,530	18	(2)	3	19
A.19 Self Insured				88				90				(1)
A.20 Health Partnership Program	<u>650</u>	<u>135</u>	<u>30</u>	<u>817</u>	<u>650</u>	<u>136</u>	<u>30</u>	<u>818</u>	<u>(0)</u>	<u>(1)</u>	<u>(0)</u>	<u>(1)</u>
A.21 Total SIF Unpaid Loss	12,115	2,227	606	15,038	12,176	2,243	609	15,119	(61)	(16)	(3)	(81)
B Ancillary Funds												
B.1 Self-Insuring Employers Guaranty Fund (SIEGF)				464				471				(7)
B.2 Coal-Workers Pneumoconiosis Fund (CWPF)				58				58				0
B.3 Public Work-Relief Employees' Comp. Fund (PWREF)				5				6				(1)
B.4 Marine Industry Fund (MIF)				2				2				1
B.5 Disabled Workers' Relief Fund (DWRF)				2,131				2,071				60
B.6 Administrative Cost Fund (ACF)				<u>1,025</u>				<u>1,032</u>				<u>(7)</u>
C Total Unpaid Loss and LAE				18,723				18,759				(36)

Column Notes

- (1) - (3) From the discounted unpaid loss on Page 1 of the respective employer type and category's unpaid liability analysis.
- (4) Column (1) + Column (2) + Column (3).
- (5) From Summary 7, Column (1) of the prior report evaluated as of 3/31/2014.
- (6) From Summary 7, Column (2) of the prior report evaluated as of 3/31/2014.
- (7) From Summary 7, Column (3) of the prior report evaluated as of 3/31/2014.
- (8) Column (5) + Column (6) + Column (7).
- (9) Column (1) - Column (5).
- (10) Column (2) - Column (6).
- (11) Column (3) - Column (7).
- (12) Column (4) - Column (8).

All figures are shown rounded to nearest million and may not add to totals for this reason.
 6/30/2014 unpaid loss and LAE are discounted at 4.00% annual interest rate. 3/31/2014 unpaid loss and LAE are discounted at 4.00%.

OHIO BUREAU OF WORKERS' COMPENSATION
UNPAID LOSS AND LOSS ADJUSTMENT EXPENSE

As of 6/30/2014

(\$Millions)

Unbilled Premium Receivable

	(1)	(2)	(3)	(4)	(5)	(6)
	<u>Discounted Unpaid Loss</u>	<u>Discounted Unpaid LAE</u>	<u>Discounted Unpaid Total</u>	<u>Contra Account</u>	<u>BWC Portion of Unbilled</u>	<u>Unbilled Premium Receivable</u>
A.1 Public Employers - State Agencies	576.1		576.1			
A.2 Self Insured	88.5		88.5			
A.3 Health Partnership Program		31.4	31.4			
A State Insurance Fund	664.5	31.4	695.9		5.4	690.5
B Disabled Workers' Relief Fund (PA, PE, PWREF)	2,129.0	2.0	2,131.0	197.6	0.6	1,932.8
C Self-Insuring Employers Guaranty Fund	457.0	5.4	462.4	39.3		423.1
D Administrative Cost Fund		69.2	69.2		0.4	68.8
E Total	3,250.6	108.0	3,358.5	236.9	6.5	3,115.2

Row Notes

- A.1 (1) Summary 6, Row (A.8), Column (3) + Summary 6, Row (A.18), Column (3).
- A.2 (1) Summary 6, Row (A.19), Column (4).
- A.3 (2) From Exhibit T.1, Row (F), PES and SI.
- B (1) From Exhibit R.1.
- B (2) From Exhibit M, Row (F.7), Column (2).
- C (1) From Exhibit N.2, Column (8) + Exhibit N.11, Column (3) [Total].
- C (2) From Exhibit M, Row (F.8), Column (2) + Exhibit T.2, Row (D).
- D (2) From Exhibit M, Row (F.2), Column (3) + Exhibit M, Row (F.5), Column (3) + Exhibit M, Row (F.6), Column (3).
- (3) Column (1) + Column (2).
- (4) Provided by Ohio Bureau of Workers' Compensation.
- (5) Provided by Ohio Bureau of Workers' Compensation.
- (6) Column (3) - Column (4) - Column (5).



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