Actuarial Committee Meeting

April 24, 2008
William Green Building
Level 2, Room 2
1:30 pm – 4:00 pm

Call to Order
Chuck Bryan, Chairman

Roll Call
Larry Rhodebeck, Scribe

Approve Minutes of March 27, 2008 meeting
Chuck Bryan

New Business/Action Items

1. Public Employer State Agency Rate change, Rule 4123-17-35
2. PEC Credibility Table Changes, Rule 4123-17-33.1
3. NCCI classification changes, Rule 4123-17-04

Discussion Items

1. Review May 2008 Committee Calendar
2. Ancillary Fund Rates – question and answer
   a. Coal Worker's Pneumoconiosis Fund, Rule 4123-17-20
   b. Marine Industry Fund, Rule 4123-17-19
   c. Disabled Workers' Relief Fund (DWRF 1) and Additional Disabled Workers' Relief Fund (DWRF 2), Rule 4123-17-29
   d. Self-Insured Assessment Rates, Rule 4123-17-32
   e. Administrative Cost Fund, Rule 4123-17-36
3. Administrative Cost Fund Methodology – Tracy Valentino
4. Oliver Wyman Split Plan study results
5. MIRA Web design and transparency
6. Chief Actuarial Officer Report

Next Meeting: May 29, 2008 2:00 pm – 4:00 pm

BWC Board of Directors

Actuary Committee

Thurs., March 27, 2008, 2:30 PM

Ohio Center for Occupational Safety and Health
Conference Room B
13430 Yarmouth Drive
Pickerington, OH 43147

Members Present: Charles Bryan, Chair
Jim Hummel
Jim Matesich
Philip Fulton

Other Members Present:

Ken Haffey
Alison Falls
David Caldwell
James Harris
Larry Price

Call to order

Mr. Bryan called the meeting of the Actuarial Committee to order at 2:30 p.m. and the roll call was taken. Also present were Workers' Compensation Board members David Caldwell, Alison Falls, Kenneth Haffey, and Larry Price.

Minutes of Feb. 27 & 28, 2008

Mr. Fulton moved that the minutes of the education session of February 27, 2008, and plenary session of February 28, 2008, be approved. Mr. Hummel seconded and the minutes were approved by a unanimous roll call vote.

New business/Action items

Mr. Bryan reported that there were no new business or action items for the Actuarial Committee at this time.

Private employer rate

John Pedrick, Chief Actuarial Officer, recommended that the Actuarial Committee approve the BWC rate indication for private employers. Mr. Pedrick further reported that the indication is consistent with the actuarial reserve audit of December 31, 2007, and reflects a 5% discount rate. Exhibit 1 of the executive summary shows a downward trend of actual expense in recent years. BWC should take a conservative approach and avoid over-shooting this trend. Also, if the discount rate were to decline, then the premium reduction would be lower.

Mr. Bryan asked Mr. Pedrick if he were comfortable with the indication. Mr. Pedrick replied that he needed to avoid the most optimist indication in order to avoid a later rate increase and accompanying volatility. Exhibit 2 show the rate indication follows prior years' trends. It is the first reduction in premiums since 2001.

Mr. Hummel asked Jeffrey Scott, Oliver Wyman, if he endorsed the indication. Mr. Scott replied he agreed with the indication. Oliver Wyman is concerned about the decline in the pure premium. However, BWC has been effective in controlling medical costs and the growth of medical costs has been less than the medical inflation assumption used by Oliver Wyman.

Mr. Fulton moved the Bureau of Workers' Compensation Board of Directors consent to the Administrator fixing private employer rates beginning July 1, 2008, to achieve an overall five per cent decrease in the total collectible premium rate from the previous year. The motion also consents to the Administrator preparing private employer rate rules consistent with this policy. Mr. Matesich seconded and the motion was approved by unanimous roll call vote.

Public employer state agency rate change

Mr. Pedrick recommended approval of new rates for public employer state agencies. If the Actuarial Committee is comfortable with the recommendation, then approval will enable BWC to calculate individual employer rates

Public employer rates are not reserved, but premiums are estimated and BWC makes adjustments in later years to adjust for short-falls and overpayments. BWC recommends a 10% decrease in the pure premium. With assessments of other funds, the total decrease is 8.1%.

Mr. Harris asked why the rates of some agencies were much higher than others, such as the Exposition Commission. Ms. Ryan replied that this agency has a high rate because of its short seasonal employment for the Ohio State Fair. Thus, payroll is not a good measure of risk. Tina Kielmeyer, Chief, Customer Service, added that BWC has a project for identifying high risk employers. Two state agencies qualify and will be contacted.

Mr. Pedrick further reported that BWC calculated that this rate will collect $62 million in premiums, including payments to the plaintiffs in the Ohio Hospital Association case.

Mr. Bryan asked how rate-making for state agencies differs from that used for private employers. Mr. Pedrick responded that the premiums are used to pay existing claims, but not fund new claims. Mr. Bryan asked where does the liability for state agency claims show. Mr. Scott replied it is listed as a liability of the State Insurance Fund.

Mr. Lhota asked what would happen to the liability for claims if a state agency were to go out of existence. Mr. Pedrick replied that the claims would be paid from the State Insurance Fund.

Mr. Hummel asked what is the Governor's Incentive Program. David Childress, Supervisor for State Agency policies of the Actuarial Department, replied that it was a discount program that ran from 2003 to 2006 that funded safety programs. The program had a 10% premium discount incentive for participants.

Ms. Falls asked if there was a conflict if a Workers' Compensation Board director is also on a board of a state agency. John Williams, Assistant Attorney General, replied there was no conflict.

Mr. Pedrick further reported that the rate includes an assessment for the Managed Care Organizations (MCOs). The assessment corrects for the first MCO assessment in 2007. Rates are being published today to assist agencies in budgeting for the 2009 fiscal year. In 2009, BWC will calculate rates to allow for overshooting the MCO assessment rate.

Mr. Bryan tabled the proposal until the April meeting so the Workers' Compensation Board can understand it more thoroughly.

Discussion items

Committee calendar review for 2008

There was no discussion of the Actuarial Committee calendar.

Chief Actuarial Officer report

Mr. Pedrick reported that as the result of changing the credibility table from a maximum 90% discount to 85% discount, the base rate has declined by 3%. Rates for employers participating in groups have increased by 7.8% and rates for non-group employers have declined by 3.4%. The average rate for employers has declined by 5%. In June, BWC will come to the Workers' Compensation Board with a plan to further change group rating.

BWC has met with Deloitte to review progress. Deloitte will have its first report at the June meeting.

On group rating, BWC will have several meetings with stakeholders for the plan. The plan delivered to the Workers' Compensation Board in June will include split experience rating. BWC will increase employer knowledge of group plans and change the rules. If the Workers' Compensation Board directs BWC to implement a split plan, July 1, 2010 is the earliest, optimistic date of implementation. July 1, 2011, is a more practical date. A split plan will result in significant changes in experience rating of employers. BWC will overcome criticism made in 2007 of insufficient communication with stakeholders.

Finally, Rex Blatieri, MIRA II Project Manager, conducted an education session for the Actuarial Committee on March 26.

Adjournment

There was a motion by Mr. Matesich, second by Mr. Hummel, and adjournment by Mr. Bryan.

Prepared by: Larry Rhodebeck, Staff Counsel
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March 30, 2008

Common Sense Business Regulation (BWC Rules)

(Note: The below criteria apply to existing and newly developed rules)

Rule 4123-17-35

Rule Review

1. ☑ The rule is needed to implement an underlying statute.

   Citation: R.C. 4123.39, 4123.40

2. ☑ The rule achieves an Ohio specific public policy goal.

   What goal(s): The rule advises state agency employers of the rates for the fiscal year beginning 7-1-08.

3. ☑ Existing federal regulation alone does not adequately regulate the subject matter. (Rates for Ohio workers' compensation are not a federal matter.)

4. ☑ The rule is effective, consistent and efficient.

5. ☑ The rule is not duplicative of rules already in existence.

6. ☑ The rule is consistent with other state regulations, flexible, and reasonably balances the regulatory objectives and burden.

7. ☑ The rule has been reviewed for unintended negative consequences.

8. ☐ Stakeholders, and those affected by the rule were provided opportunity for input as appropriate.

   If no, explain: BWC rates are not subject to stakeholder input. Rates are based upon insurance principles.

9. ☑ The rule was reviewed for clarity and for easy comprehension.

10. ☑ The rule promotes transparency and predictability of regulatory activity.

11. ☑ The rule is based on the best scientific and technical information, and is designed so it can be applied consistently.

12. ☑ The rule is not unnecessarily burdensome or costly to those affected by rule.

    If so, how does the need for the rule outweigh burden and cost? ____________

13. ☑ The Chief Legal Officer, or his designee, has reviewed the rule for clarity and compliance with the Governor's Executive Order

Tom 4/23/08

BWC Board of Directors

Executive Summary

Public Employers State Agency Rate Recommendation

Employer Group: Public Employer State Agencies

Policy Year: 7-1-2008 through 6-30-2009
Rate Method: Calculate and apply premium rates designed to provide premiums equal to the payments on all injuries or occupational diseases made during the policy year. Attached is a table showing the rate changes over the past several years.

Rate Rule Process:

- Administrator and Chief Actuarial Officer of Ohio Bureau of Workers' Compensation make a recommendation to the Workers' Compensation Board of Directors Actuarial Committee
- The Actuarial Committee of the Board makes a recommendation to the Workers' Compensation Board of Directors who provide advice and consent to the overall rate change and base rates (Rules 4123-17-35) by vote
- Rules are filed with the Legislative Services Commission and the Secretary of State by June 20, 2008 with an effective date of July 1, 2008

The Administrator is recommending a 10% decrease in the overall premium for state agencies. This rate decrease will result in the collection of about $66.4 M in premiums. State agencies will pay these premiums bi-weekly beginning in July 2008, and State Universities and University Hospitals will begin quarterly premium payments starting October 2008. The premiums will be used to pay all claim payments made during the policy year. This is an overall rate change recommendation. Individual state agency rates will increase or decrease by varying amounts based upon their actual reported losses.

Historical State Agency Rate Changes

Policy Year	Approved/Proposed Rate Change
7-1-2008	-10.00%
7-1-2007	no change
7-1-2006	no change
7-1-2005	5%
7-1-2004	10%
7-1-2003	37.65%
7-1-2002	no change
7-1-2001	no change
7-1-2000	no change
7-1-1999	-6.01%
7-1-1998	-27.67%

4123-17-35 Public employer state agency contribution to the state insurance fund.

The administrator of workers' compensation, with the advice and consent of the bureau of workers' compensation board of directors, has authority to approve contributions made to the state insurance fund by employers pursuant to sections 4121.121, 4123.39, and 4123.40 of the Revised Code. The administrator hereby sets rates per one hundred dollar unit of payroll to be effective July 1, ~~2007~~ 2008, applicable to the payroll reporting period July 1, ~~2007~~ 2008, through June 30, ~~2008~~ 2009, for public employer state agencies, including state universities and university hospitals, as indicated in the attached appendix A.

For the purpose of the payment of fees to the managed care organizations that manage the claims of state agencies, including state universities and university hospitals, the administrator herby sets an additional contribution to the state insurance fund applicable to the payroll reporting period ~~January 1, 2008~~ July 1, 2008, through June 30, ~~2008~~ 2009, for public employer state agencies, including state universities and university hospitals, at ~~seven and twenty-five~~ nine and nineteen hundredths per cent of the premium as indicated in appendix A to this rule. After the end of calendar year 2008, the bureau will compare the actual and collected fees to account for any overage or shortage in the fee collected. The bureau will apply any overages or shortages to the fee for the next policy year period.

For policy years following the effective date of this rule, a public employer state (PES) agency that is not currently participating in a settlement payment program may enter into the following lump sum settlement (LSS) payment option.

(A) A PES agency that is not currently participating in a settlement payment program may participate in the lump sum settlement (LSS) direct reimbursement rating and payment program. A PES agency participating in this program will have the LSS payments excluded from the bureau's rate calculation process.

(1) Requirements.

(a) A PES agency shall make a three-year minimum commitment to the LSS direct reimbursement payment and rating program.

(b) The earliest beginning date of the LSS program is July 1, 2004.

(c) A PES agency shall notify the bureau of its desire to participate in the LSS direct reimbursement and payment program before the first day of January immediately preceding the policy year in which the agency wishes to participate in the program. The notification shall be made on the form provided by the bureau and signed by the PES agency's designee.

(d) A PES agency currently participating in a settlement program is not eligible to participate in the LSS direct reimbursement payment and rating program.

(2) Lump sum settlement (LSS) rate calculation rules.

(a) All LSS payments will be treated the same whether the result of a court-ordered settlement, an agency-negotiated settlement or any other type of settlement.

(b) Once a PES agency begins participating in the LSS direct reimbursement and rating program, all LSS payments will be excluded from the five year losses used to calculate the "pure premium rate" for future policy year rate calculations. The pure premium rate is defined as the rate that is the actual five year losses divided by the five year reported payroll used to project the rate needed to be collected for the next policy year. The calculation of the "overage and shortage rate" will include the LSS payments paid by the bureau and not reimbursed by the PES agency. The calculation will exclude the LSS payments paid by the bureau and reimbursed by the PES agency. The overage and shortage rate is defined as the rate at which the agency must pay any past shortage in rates or the reduction in rate of any past overage in premium paid.

(c) When an agency terminates a LSS direct reimbursement and rating program, the pure premium rate and the overage and shortage rate will include all LSS payments that were made by the bureau and not reimbursed by the PES agency.

(3) Lump sum settlement (LSS) reimbursement payments.

(a) A lump sum settlement will be billed in the next quarter following the date the LSS warrant was cashed. The October billing will include any lump sum settlement where the warrant was cashed in July, August or September; the January billing where the warrant was cashed in October, November or December; the April billing where the warrant was cashed in January, February or March; and the July billing where the warrant was cashed in April, May or June.

(b) The bureau will bill a structured settlement to the PES agency as the warrant is cashed.

(c) The PES agency shall pay the LSS quarterly bill within thirty days of the billing date.

(d) If the PES agency fails to pay a LSS quarterly bill within thirty days, the bureau will remove the PES agency from the LSS direct reimbursement rating and payment program and the bureau will include the outstanding LSS payments in the rate calculation.

(e) A PES agency may settle permanent total disability and death claims in which the present value was used in rate calculations for five years. The settlement amount will be included in the quarterly billings. In addition, there will be no substitution of the permanent total disability or death benefits paid to date for the present value.

(f) A PES agency shall file any dispute in writing, specifying the agency's objections to the billing, with the bureau's direct billing department. The filing of a dispute does not relieve or suspend the agency's obligation to pay the obligation. Questions concerning the rate calculations should be directed to the bureau's actuarial department.

(4) Change in status.

(a) When a PES agency combines with another PES agency, the choice that the agency that is determined to be the succeeding agency made in respect to participating in this program controls.

(b) A PES agency that is participating in a program and transfers a portion of its operations to another agency shall continue to participate in the program. The choice made in respect to participating in this program by the agency to which the operations were transferred will not be affected.

(c) Where a PES agency participating in a LSS direct reimbursement rating and payment program becomes self-insured, the bureau will calculate a buyout and any obligations owed by the PES agency under the program will be included in the buyout.

(5) Terminating a program.

(a) A PES agency may request, in writing, to terminate a program after the three year minimum commitment period has been completed. The agency's participation in the program will automatically be renewed for another three years unless the written request is submitted.

(b) A PES agency shall submit a request to terminate a program before the first day of January of the year the three year commitment ends. For example, if the PES agency starts participating in the LSS program or its participation is renewed for the policy year beginning July 1, 2004, the request must be submitted before January 1, 2007.

(c) Once a PES agency terminates a LSS program, the agency is no longer eligible to participate in a program.

Promulgated Under: 111.15
Statutory Authority: 4121.12, 4121.121
Rule Amplifies: 4121.12, 4123.39, 4123.40
Prior Effective Dates: 7/1/90, 7/1/91, 7/1/92, 7/1/93, 7/1/94, 7/1/95, 7/1/96, 7/1/97, 7/1/98, 7/1/99, 7/1/00, 7/1/01, 7/1/02, 7/1/03, 7/10/04, 7/1/05, 7/1/06, 7/1/07, 1/1/08

Table from Rule 4123-17-35 to be enacted

APPENDIX A

STATE AGENCY
RATES EFFECTIVE JULY 1, 2008

MANUAL	AGENCY	RATE
3100	General Revenue (Sch.) Commissions, Boards and Departments not otherwise classified	0.27
3101	Judiciary - Supreme Court, Judicial Conference	0.17
3102	Ohio Senate (Sch.)	0.27
3103	Ohio House of Representatives (Sch.)	0.27
3105	Legislative Service Commission (Sch.)	0.27
3106	Office of the Governor (Sch.)	0.27
3109	Secretary of State	0.15
3110	Attorney General	0.05
3111	Department of Agriculture	0.79
3112	Department of Commerce	0.64
3113	Department of Education	0.36
3114	Department of Health	0.71
3115	Industrial Commission of Ohio	0.57
3117	Public Utilities Commission of Ohio	0.31
3120	Department of Taxation	0.52
3121	Bureau of Workers' Compensation	0.52
3122	Auditor of State	0.84
3123	Civil Defense (Volunteer) (Sch.)	0.27
3124	Treasurer of Ohio	0.43
3125	Department of Administrative Services	0.90
3127	Ohio Board of Regents (Sch.)	0.27
3130	State Library Board	0.17
3136	Ohio Veterans Home Agency	3.22
3137	Department of Youth Services	4.64
3139	Ohio Arts Council (Sch.)	0.27
3150	Department of Mental Health	2.28
3152	Ohio Expositions Commission	3.71
3154	Department of Natural Resources	1.56
3156	Adjutant General	0.96
3160	Ohio National Guard	0.05
3166	Department of Development	0.10
3167	Department of Insurance	0.34
3169	Racing Commission of Ohio (Sch.)	0.27

STATE AGENCY
RATES EFFECTIVE JULY 1, 2008

MANUAL	AGENCY	RATE
3170	Ohio Civil Rights Commission	0.19
3171	Board of Barber Examiners (Sch.)	0.27
3172	State Board of Cosmetology (Sch.)	0.27
3173	State Dental Board (Sch.)	0.27
3174	State Board of Embalmers & Funeral Directors (Sch.)	0.27
3175	State Medical Board (Sch.)	0.27
3176	State Board of Nursing Education and Nurse Registration (Sch.)	0.27
3177	State Board of Optometry (Sch.)	0.27
3178	State Board of Pharmacy (Sch.)	0.27
3179	State Veterinary Medical Board (Sch.)	0.27
3180	State Board of Accountancy (Sch.)	0.27
3181	State Board of Architects (Sch.)	0.27
3183	State Board of Engineers & Surveyors (Sch.)	0.27
3186	Ohio Water Development Authority (Sch.)	0.27
3187	Rehabilitation Services Commission	0.70
3188	Department of Rehabilitation and Correction	2.10
3190	Environmental Protection Agency	0.14
3191	Office of Budget and Management	0.15
3192	Department of Aging	0.05
3193	Court of Claims (Sch.)	0.27
3194	Ohio Legal Rights Service (Sch.)	0.27
3200	Department of Transportation	1.89
3202	The Petroleum Underground Storage Tank Release Compensation Board (Sch.)	0.27
3203	Office of Inspector General (Sch.)	0.27
3204	Capital Square Review and Advisory Board (Sch.)	0.27
3206	Ohio Medical Transportation Board (Sch.)	0.27
3207	Ohio Cultural Facilities Commission (Sch.)	0.27
3208	Joint Legislative Ethics Commission (Sch.)	0.27
3209	Lake Erie Commission (Sch.)	0.27
3210	Ohio Elections Commission (Sch.)	0.27
3400	Department of Public Safety	0.80
3501	Ohio Public Defender Commission (Sch.)	0.27
3504	Office of the Consumers' Counsel (Sch.)	0.27
3512	Commission on Hispanic/Latino Affairs (Sch.)	0.27
3516	Board of Speech Pathology and Audiology (Sch.)	0.27
3518	Board of Dispensing Opticians (Sch.)	0.27

STATE AGENCY
RATES EFFECTIVE JULY 1, 2008

MANUAL	AGENCY	RATE
3519	Department of Mental Retardation and Developmental Disabilities	6.05
3520	Board of Chiropractic Examiners (Sch.)	0.27
3521	State Employee Relations Board (Sch.)	0.27
3523	Ohio Ethics Commission (Sch.)	0.27
3524	Ohio Air Quality Development Authority (Sch.)	0.27
3525	Liquor Control Commission (Sch.)	0.27
3527	Psychology Board (Sch.)	0.27
3528	Occupational & Physical Therapy Board (Sch.)	0.27
3529	Counselors and Social Workers Board (Sch.)	0.27
3530	Sanitarian Registration Board (Sch.)	0.27
3531	Athletic Commission (Sch.)	0.27
3532	Commission on Minority Health (Sch.)	0.27
3533	Board of Dietetics (Sch.)	0.27
3535	Department of Alcohol and Drug Addiction	0.56
3536	Commission on Dispute Resolution & Conflict Management (Sch.)	0.27
3537	Ohio Respiratory Care Board (Sch.)	0.27
3538	Public Works Commission (Sch.)	0.27
3539	Ohio Tuition Trust Authority (Sch.)	0.27
5600	Ohio Building Authority	0.05
5900	Lottery Commission	0.52
5902	Ohio Community Service Council (Sch.)	0.27
5903	Joint Commission on Agency Rule Review (Sch.)	0.27
5904	Ohio School Facilities Commission (Sch.)	0.27
5906	Board of Motor Vehicle Collision Repair (Sch.)	0.27
5909	Commission of African American Males (Sch.)	0.27
5910	Department of Job & Family Services	0.33
5911	State Board of Career Colleges and Schools (Sch.)	0.27
5912	Board of Tax Appeals (Sch.)	0.27
5913	Personnel Board of Review (Sch.)	0.27
5914	Southern Ohio Agricultural & Community Development Foundation (Sch.)	0.27
5923	Tobacco Use & Prevention Control Foundation (Sch.)	0.27
5924	Orthotics, Prosthetics and Pedorthics Board (Sch.)	0.27
5928	Chemical Dependency Professionals Board (Sch.)	0.27
5930	Manufactured Homes Commission (Sch.)	0.27
5931	Ohio Housing Finance Agency (Sch.)	0.27
5932	Etech Ohio Commission (Sch.)	0.27
5933	Environmental Review Appeals Commission (Sch.)	0.27

STATE AGENCY
RATES EFFECTIVE JULY 1, 2008

STATE UNIVERSITIES

MANUAL	AGENCY	RATE
3128	Cleveland State University	0.26
3141	Bowling Green State University	0.52
3142	Kent State University	0.26
3143	Miami University	0.52
3144	Ohio University	0.60
3145	Ohio State University, Ohio Agricultural Center	0.32
3146	Central State University	1.44
3148	University of Toledo Health Science Campus	0.06
3149	University of Toledo	0.45
3151	OSU Cooperative Extension	0.20
3157	Youngstown State University	0.29
3158	Wright State University	0.13
3159	University of Akron	0.16
3505	University of Cincinnati	0.21
3526	Shawnee State University	0.33
5905	Northeastern Ohio Universities College of Medicine	0.16

STATE UNIVERSITY HOSPITALS

MANUAL	AGENCY	RATE
3131	Ohio State University Hospital	0.73
3161	University Medical Center	0.40
3201	OSU Cancer Research Hospital	0.66
5907	The Ohio State University Hospitals East	1.53

STATE AGENCY RATES

State agencies including state universities and university hospitals are entities which derive their authority from and are directly responsible to state government. State agency rates are recommended by the Administrator for the advice and consent of the Workers' Compensation Board of Directors. State agency rates must be filed with the Secretary of State and the Legislative Service Commission

State agencies including state universities and university hospitals pay premiums into the State Insurance Fund on a terminal funding basis which is similar to the self-insurance concept except the Bureau of Workers' Compensation administers the claims. Currently, all state agencies with the exception of small boards, commissions, and agencies are individually rated. The Actuarial Division determines a rate for each agency that will generate premium collections that are equal to the losses anticipated to be authorized in the upcoming year. No reserves are developed for rate-making purposes to cover the future liability of state agency claims.

Five years of claims costs, payroll and premium are used in the calculation of state agency rates. Prior to July 1, 1985, the claims losses were tabulated on a fiscal year basis starting September 1st and ending August 31st. Payroll and premium were on a fiscal year basis, which ran from July 1st through June 30th. Commencing with rates effective July 1, 1985 the data base was converted to a calendar year basis (e.g. January 1st through December 31st) for claims costs, payroll and premium. This conversion, which reduced programming requirements, placed all employer (public employer state agencies, public employer taxing districts and private employers) rate calculations on a calendar year basis and eliminated comparison of dissimilar period data.

The state agency rate-making system is designed to be a self-correcting system. With rates effective July 1, 1982 a procedure was built into the computation to adjust current rates for an overage or shortage of premium paid in prior years compared to losses generated for the same period of time.

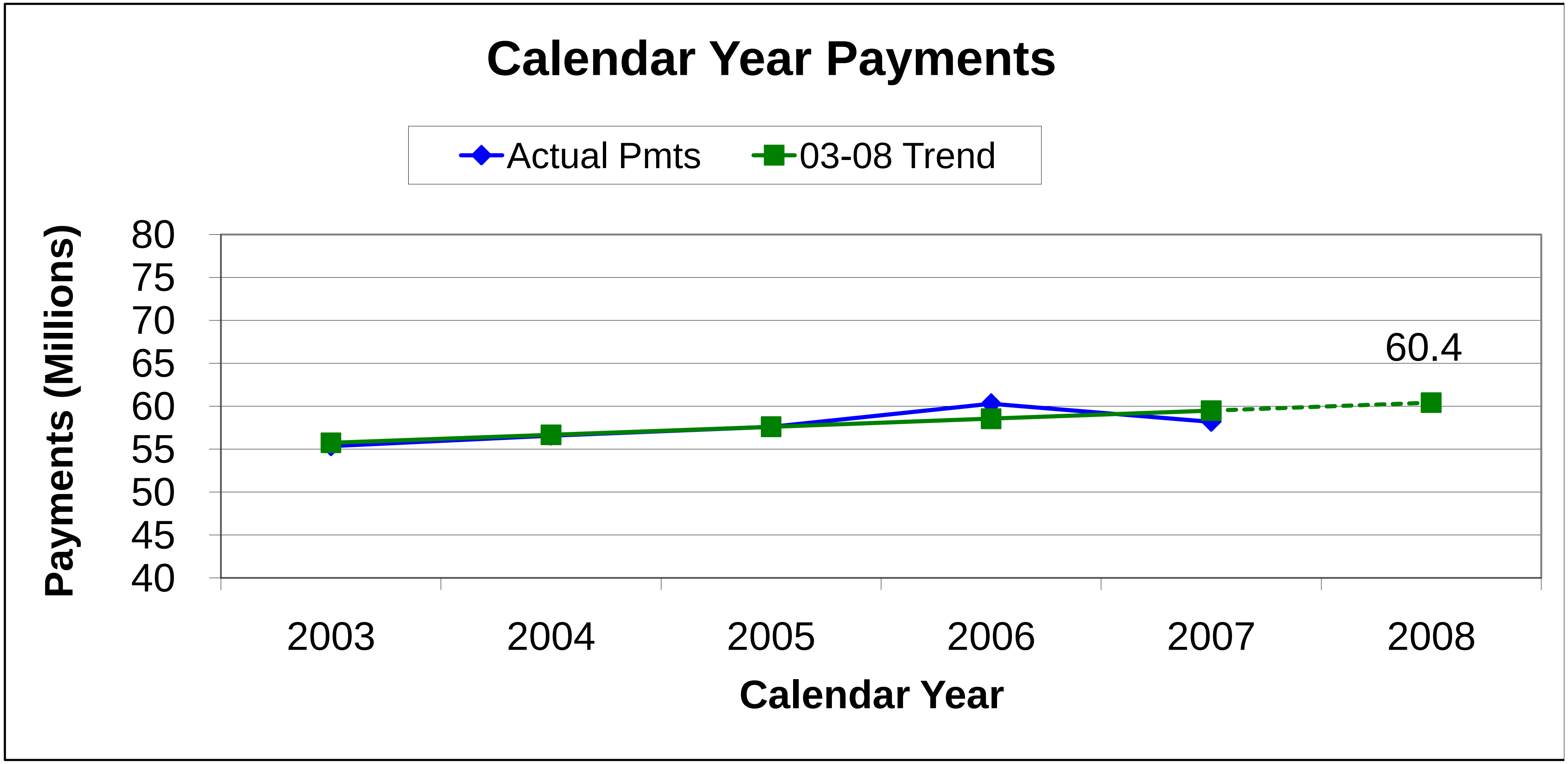
The Payroll Section of the Department of Administrative Services (DAS) will apply the rates to the payroll of the various agencies whose payroll are generated through DAS and will remit the premium to the Bureau of Workers' Compensation every two weeks by check. A list of the corresponding payroll, premium, both DWRF assessments, administrative cost, and MCO fee assessment for each agency is e-mailed to the Bureau's Direct Billing/Accounts Receivable Section. State universities and university hospitals and a few other state-operated entities (such as the Ohio Building Authority) are billed by the Bureau's Direct Billing/Accounts Receivable Section once each quarter and pay premium, DWRF, administrative cost, additional DWRF, and the MCO fee assessment directly to the Bureau. These entities are advised individually of their rates.

PUBLIC EMPLOYER STATE AGENCY LIABILITY POLICY

When a state agency employer ceases operations, the future liability of the employer for ongoing claim costs must be paid by another state agency employer. In these situations, the BWC determines who the affected agencies are, makes contacts with these agencies or their representatives, and together, determine how the future liability will be accounted for. The following scenarios give an example of what has been done in the past to account for these situations.

1. Scheduled state agency:
    - The Certificate of Need Review Board ceased operations on 6-21-1997. Since this agency's losses, payroll, and premium information is aggregated with other small boards and commissions to calculate one rate for all the small boards and commissions, the liability isn't directly transferred to another employer. The agencies ongoing losses continue to be aggregated for rate calculation purposes, and the losses get spread out over all the remaining small boards and commissions who make up the scheduled rate.
2. Agency under the Department of Administrative Services umbrella:
    - The Department of Industrial Relations ceased operations on 10-15-1995. A portion of the employees were transferred to the Ohio Bureau of Employment Services (OBES), the Ohio Department of Natural Resources (ODNR) and the Department of Commerce. Information was obtained as to which employees transferred to OBES and ODNR, and then payroll information was received for these same employees. Loss information was also determined from this list. For ratemaking purposes, the appropriate payroll, premium, and losses were transferred to OBES and ODNR. The remaining portion of the Department of Industrial Relations was combined into the Department of Commerce.
    - The Veteran's Children's Home ceased operations on 7-1-2001. The employees were not transferred to another agency, so the employer's payroll, premium, and losses were combined into the Department of Administrative Services.
3. State University or University Hospital
    - The University of Cincinnati Hospital cancelled their state agency policy on 1-1-1997 and became a self-insured employer. A couple of options were available to the employer including calculating a buyout amount for their future liability or continuing to make payments on the claims that were incurred prior to becoming self-insured. In discussions with the hospital, they decided they would like to be billed on a quarterly basis for their ongoing claim payments.

- If a state university or university hospital was not able to pay for their liability, the BWC would contact the Board of Regents to determine how the liability would be paid.



Notes:

1. Santos subrogation costs removed due to irregular payment trends; 2006 - $1.78M; 2007 - $.184M.
2. Payments for OHA Lawsuit have not been added for trending purposes.
3. Linear trend shows a 1.6% increase in losses.

QUESTIONS ON PUBLIC EMPLOYER STATE AGENCY RATE CHANGE
AS OF 4/1/2007

1. Page 15: What are the sources for the various components
   a. Source of rate of .17- I presume this is where the losses enter but do not see it. Yes, this is the individual agency rate and it is determined by taking losses divided by payroll and adjusting the rate to account for any premium deficit or surplus for the 5-year period.
   b. 15.57% Administrative Fee: how is this calculation done and has the Actuarial Committee reviewed it? This administrative fee for both the Industrial Commission and the BWC, is the rate that was approved for the 7-1-2007 to 6-30-2008 period. The Finance Division determines this rate and will educate the committee on the calculation at the April meeting. The new rates for the 7-1-2008 to 6-30-2009 period will be presented at the May meeting.
   c. Disabled Workers Relief Fund charge of .05. This rate was also previously approved for the 7-1-2007 to 6-30-2008 period. The Actuarial Division determines this rate with support from Oliver Wyman and will educate the committee on the calculation at the April meeting. The new rates for the 7-1-2008 to 6-30-2009 period will be presented for the first time as well.
   d. DWRFII Factor of .1% of the rate- what does this cover compared to the .05 additive rate? What is the statutory authorization? The Disabled Workers' Relief Fund was created to provide cost of living increases to permanently and totally disabled workers with injury dates prior to 1987. The additional Disabled Workers' Relief Fund (DWRF II) was created to provide cost of living increases to permanently and totally disabled injured workers with injury dates in 1987 or after. The statutory authorization comes from the Ohio Administrative Code 4123-17-29.
   e. What is the actual calculation for the 7-1-2008 for the total blended rate. Total Blended Rate = Premium Rate + Admin Rate + DWRF I + DWRF II + MCO Fees.
   f. Last column on page 15 should be labeled Rate change since it is not actually a difference
   g. Why don't we apply a minimum and maximum like we do with private employers? The Actuarial Division determines a rate that will generate enough premiums to cover the anticipated payments for the next policy year. Applying minimum and maximum rate changes from year to year erodes this goal and would spread the overages or shortages to other agencies.
   h. Do the percent changes weight out to –10% overall? There is no summation provided at the end of the exhibit? If so what are the weighting factors? The 7-1-2007 and 7-1-2008 premium rates are multiplied by the projected 2008 CY payroll to get premiums for each agency and policy year. The premium is then summed for each policy year, divided by the projected payroll, and multiplied by 100 to get a rate for each year. The

percent difference in the two rates equals the 10% decrease. (see attached PES2008 average rate.xls)

i. The administrative fee collected seems to vary by the loss driven rate- is this correct or should the administrative fee amount be more equal across all categories- that is, why does the administrative increase or decrease with losses? Ohio Administrative Code 4123-17-36 states that the assessments shall be based upon a percentage of the employer's premium. The reasoning behind this rule is that the agencies with the highest rates are using the system more and should be charged more.

j. Are the rates based on the prior five years of losses or on something else? The premium rates are based upon the prior five years of losses, payroll, and premium.

2. Table 4123-17-35
   a. Do we understand why there are such large differences in premium- for example, Department of Youth Services is $4.24 vs. Ohio National Guard of $.05? That seems counterintuitive. The minimum rate of $.05 is assigned to agencies that have losses, but no payroll. The Ohio National Guard doesn't report payroll to the BWC. Instead, they pay claim costs on an incurred basis as provided by Ohio Revised Code 4123.024. Civil Defense pays claim costs in the same manner.
   b. It seems that this table is rife for gaming. For example, if one agency could subcontract its work to an agency with a much lower rate, then it would save money in that year. Do our rules prevent this gaming? It would be very unlikely for gaming to occur. Agencies can not subcontract and evade losses. As reported payroll decreases, it may appear that an agency will "save" money on premium. However, there is a self-correcting feature that allows for us to collect the correct amount of premium over time and that follows the concept of a pay-as-you-go system.
   c. What are the procedures whereby an agency gets classified on its own instead of getting the $.27 rate? Boards and commissions are typically aggregated to calculate one rate for all those agencies. The remaining agencies are individually rated. Oliver Wyman has studied the size of agencies to determine which agencies should be individually rated.

3. 7-1-2008 Rate Change Information and MCO Fees (page 11):
   a. Although the MCO fees collection is stated as a percentage of premium, my understanding is that the MCO fees will be collected on an activity based basis. If so, why do we calculate the collection solely as a percentage of premiums? MCO fees will be PAID on an activity basis to the MCO's by the BWC. The activity based total amount due for PES employers is then mathematically translated into a percentage of premiums for collection purposes. MCO fees are calculated and collected as a percentage of premiums as defined in Ohio Administrative Code 4123-17-35. At the December, 2007 Board meeting, the members approved a new process as part of this rule where after the end of calendar

year 2008, the bureau will compare the actual and collected fees to account for any overage or shortage in the fee collected. The bureau will apply any overages or shortages to the fee for the next policy year period (7-1-2009).

b. **Was the $2.5M added to the total losses as a result of the OHA lawsuit also added to the losses for each category of state agency? So will each state agency end up paying its part of the $2.5M? Therefore, this cost is not socialized. Director Fulton had an issue with the assignment of the resulting losses to individual agencies (and employers)? Have we considered that objection? How have we handled the results of lawsuit decisions in the past?** The $2.5M was considered when estimating the projected losses for calendar year 2008 in order to determine what the premium collection should be for the 7-1-2008 to 6-30-2009 policy year. These losses have not been added into the individual agency rate calculations. The OHA losses will be paid out in calendar year 2008 and will enter the rate calculation for the first time with rates effective 7-1-2009. The losses will be assigned appropriately to each affected agency based on its share of the losses, and each agency will only pay its appropriate share of premium based on those losses. Previous lawsuits have been handled the same way (Santos).

c. **What is the Santos subrogation costs adjustment? Why do irregular payment trends cause us to remove the payments? Have the same procedures been used to adjust the losses?** The Santos subrogation case determined that our subrogation statutes were unlawful. The result of the Supreme Court case was that the BWC had to reverse the previous credits given to state agencies for subrogation collections. The Santos subrogation payments were only removed for the purposes of trending the calendar year 2008 losses. They were not removed from the overall losses/premium comparison that determines the cumulative surplus/deficit.

d. **What is the Governor's Incentive column and how does that work into these calculations?** The Governor's Incentive column shows the discount given to agencies that participated in the Governor's Incentive Discount Program during policy years 7-1-2003, 7-1-2004, and 7-1-2005. Pursuant to the governor's initiative on safety for state agencies as described in the report of the governor's commission on workers' compensation in state agencies, a cabinet level state agency employer that submits a letter of intent to follow the guidelines for safety and loss reduction as provided in the commission's report will receive a ten per cent discount from the filed premium rate in Appendix A of rule 4123-17-35. The premiums shown in the losses/premium comparison reflects the 10% discount given to the participating agencies.

e. Why are we setting a rate change that results in an expected cumulative deficit? Why should we permit any deficit from prior years to stretch over to the next year? Was there any interest charge applied to the cumulative deficit that we can collect? It seems proper to consider an interest charge either way since if we have a deficit it is advanced by the Bureau or if we have a surplus it is advanced by the agencies. Referring to page 11, the rate level we set will collect approximately $69 million in premiums from state agencies that will pay for approximately $62.9 million in anticipated claim payments, including the OHA lawsuit payments to be paid in calendar year 2008. This amount also decreases the deficit by $6 million. The BWC has considered the state of Ohio's budget issues and have had discussions with DAS and other agencies about their ability to pay increased costs at a time when the Governor has asked for budget decreases and layoffs.

f. **Why is there the variation in the individual rate increase limit? Who selects this limit and how does it get approved?** Previous administrations have selected the individual rate increase limit. The limit was introduced initially when there was a cumulative surplus as a way to reduce the surplus. When the surplus became a deficit, the limits were increased. The premium deficit kept growing, so ultimately the limits were removed to allow the right premium to be collected. The Oversight Commission approved the rates and subsequently the limits.

g. **What is the actual calculation to get the "Average rate?"** The 7-1-2008 premium rates are multiplied by the projected 2008 calendar year payroll to get premiums for each agency and policy year. The premium is totaled for the policy year, divided by total payroll, and multiplied by 100 to arrive at the average rate for the policy year. (see attached PES2008 average rate.xls)

h. **Do we get the premium amount by an extension of exposures approach or by some other approach? We need to understand how the premiums for both halves of the year are determined?** Premiums are determined by the payroll exposure for each six-month period. The premium for the 1st half of calendar year 2008 was assumed to be the same as the 2nd half of calendar year 2007. The premium for the 2nd half of calendar year 2008 was determined by inflating the calendar year 2007 payroll for each agency by 1.03^1.5 to bring the payroll up to the 7-1-2008 level. This payroll was then multiplied by each premium rate and divided by two to obtain premium for the 2nd half of calendar year 2008.

i. **Footnote 2: How do we adjust the premium to a policy year level? What is the nature of this adjustment and why does it need to be done?** Please see the response to section h. above. This adjustment was done to get a more accurate estimation of what the calendar year 2008 premium would be.

j. **Footnote 3: Why did we use a 3% factor to inflate the MCO fees?** In discussions with our MCO unit, it was determined that they thought the most the MCO contract would increase for the 2009 calendar year would be 3%.

k. **If the MCO fees are excessive or inadequate, do we adjust for that difference the next time like we do the payments for losses?** Yes, at the December, 2007 Board meeting, the members approved a new process as part of the rate rule where after the end of calendar year 2008, the bureau will compare the actual and collected fees to account for any overage or shortage in the fee collected. The bureau will apply any overages or shortages to the fee for the next policy year period (7-1-2009).

4. Page 12:
   a. How is the trending done- that is, what are the numbers used and for what periods? Why did we use 2003 to 2008- how did we use 2008 since we only have part of the year available? Actual calendar year 2003-2007 payments were fit to a linear trend line and projected out to estimate the calendar year 2008 payments. The most recent five years of payments were used to coincide with the losses that are included in the rate calculation for 7-1-2008 rates.
   b. Is it correct to exclude the OHA lawsuit payments? One can make the argument that these types of aberrations occur on a regular basis and should be left in since they will affect the trend. We omit them to get the best estimate of future losses and thereby future premiums needed. Since the BWC does not anticipate a similar situation occurring in the upcoming policy year, it is not necessary to include the OHA lawsuit in the trends.
   c. We should probably tie the trending approach to the $62M on page 11. On the page 12 exhibit, we can only tie to $60.4M. Actual calendar year payments for 2003-2007 were used to estimate calendar year 2008 payments of $60.4M. The OHA lawsuit payments of $2.5M were added to this number to get the $62.9M number on page 11.

5. General:
   a. Why are we using a 7-1-2008 to 6-30-2009? Does this correspond to the state agency fiscal years? Ohio Revised Code 4123.40 requires the BWC to calculate premiums on a fiscal year basis.
   b. Does the summation of the individual state agency rates balance to the overall –10% rate change? If so, can that be shown somewhere? See the response to question 1.h. for the first part of this question.
   c. Why is a three-year commitment to the LSS direct reimbursement program? Would it be better to have this tied to the biennial budgetary period? The BWC felt that it was important to create a program that would be a long term commitment for a period of time that would allow state agencies to see the impact that the program may have on their workers' compensation costs and to build in some procedural efficiencies of billing, tracking and recording the LSS activity.
   d. Why doesn't the Bureau charge interest payments on lump sum settlements that are advanced? It appears that the lump sum settlement is treated as a no interest loan to the agency. Lump sum settlements made under the LSS direct reimbursement program are billed directly to the agency at the end of the quarter after the LSS has been paid.

JULY 1, 2008
STATE AGENCY RATES
COVERS ALL LOSSES EXPECTED
NO CAP ON INDIVIDUAL EMPLOYERS

	MANUAL	AGENCY	7-1-2008 RATE	7-1-2007 RATE	% CHANGE	2008 PROJECTED PAYROLL	2008 PREMIUM	2007 PREMIUM	DIFFERENCE (2008-2007)
	3101	JUDICIARY	0.17	0.07	143	101,315,889	172,237	70,921	101,316
	3109	SECRETARY OF STATE	0.15	0.12	25	9,214,384	13,822	11,057	2,765
	3110	ATTORNEY GENERAL	0.05	0.24	-79	81,545,261	40,773	195,709	(154,936)
	3111	DEPT OF AGRICULTURE	0.79	0.73	8	24,834,488	196,192	181,292	14,900
	3112	DEPT OF COMMERCE	0.64	0.70	-9	50,893,439	325,718	356,254	(30,536)
	3113	DEPT OF EDUCATION	0.36	0.37	-3	63,319,147	227,949	234,281	(6,332)
	3114	DEPT OF HEALTH	0.71	0.64	11	84,156,448	597,511	538,601	58,910
	3115	INDUSTRIAL COMMISSION OF OHIO	0.57	0.67	-15	28,431,898	162,062	190,494	(28,432)
	3117	PUBLIC UTILITIES COMMISSION OF OHIO	0.31	0.43	-28	27,807,397	86,203	119,572	(33,369)
	3120	DEPT OF TAXATION	0.52	0.58	-10	82,572,331	429,376	478,920	(49,544)
	3121	BWC (DWRF: 3168 & S & H: 3138)	0.52	0.71	-27	152,065,926	790,743	1,079,668	(288,925)
	3122	AUDITOR OF STATE	0.84	0.93	-10	51,464,295	432,300	478,618	(46,318)
	3124	TREASURER	0.43	0.51	-16	8,503,197	36,564	43,366	(6,802)
	3125	DEPT OF ADMINISTRATIVE SERVICES	0.90	1.04	-13	56,388,202	507,494	586,437	(78,943)
*	3128	CLEVELAND STATE UNIVERSITY	0.26	0.22	18	128,689,205	334,592	283,116	51,476
	3130	LIBRARY BOARD	0.17	0.17	0	4,193,122	7,128	7,128	0
**	3131	OHIO STATE UNIVERSITY HOSPITAL	0.73	0.74	-1	334,897,431	2,444,751	2,478,241	(33,490)
	3136	OHIO VETERANS HOME AGENCY	3.22	3.21	0	33,277,062	1,071,521	1,068,194	3,327
	3137	DEPT OF YOUTH SERVICES	4.64	5.48	-15	111,962,027	5,195,038	6,135,519	(940,481)
*	3141	BOWLING GREEN UNIVERSITY	0.52	0.60	-13	186,518,809	969,898	1,119,113	(149,215)
*	3142	KENT STATE UNIVERSITY	0.26	0.28	-7	237,095,796	616,449	663,868	(47,419)
*	3143	MIAMI UNIVERSITY	0.52	0.51	2	232,932,182	1,211,247	1,187,954	23,293
*	3144	OHIO UNIVERSITY	0.60	0.57	5	277,085,598	1,662,514	1,579,388	83,126
*	3145	OHIO STATE UNIVERSITY	0.32	0.37	-14	1,097,622,044	3,512,391	4,061,202	(548,811)
*	3146	CENTRAL STATE UNIVERSITY	1.44	1.13	27	21,662,753	311,944	244,789	67,155
*	3148	MEDICAL COLLEGE OF TOLEDO	0.06	0.06	0	77,736,954	46,642	46,642	0
*	3149	UNIVERSITY OF TOLEDO	0.45	0.49	-8	135,722,384	610,751	665,040	(54,289)
	3150	DEPT OF MENTAL HEALTH	2.28	2.43	-6	171,954,950	3,920,573	4,178,505	(257,932)
*	3151	OHIO STATE UNIV COOP EXTENSION	0.20	0.53	-62	33,700,848	67,402	178,614	(111,212)
	3152	OHIO EXPOSITIONS COMMISSION	3.71	3.50	6	4,408,594	163,559	154,301	9,258
	3154	DEPT OF NATURAL RESOURCES	1.56	1.50	4	108,533,169	1,693,117	1,627,998	65,119
	3156	ADJUTANT GENERAL	0.96	1.10	-13	16,571,886	159,090	182,291	(23,201)
*	3157	YOUNGSTOWN STATE UNIVERSITY	0.29	0.30	-3	98,819,434	286,576	296,458	(9,882)
*	3158	WRIGHT STATE UNIVERSITY	0.13	0.13	0	150,153,068	195,199	195,199	0
*	3159	UNIVERSITY OF AKRON	0.16	0.17	-6	183,024,678	292,839	311,142	(18,303)
	3160	OHIO NATIONAL GUARD	0.05	0.05	0	0	0	0	0
**	3161	MED COLLEGE OF TOLEDO HOSPITAL	0.40	0.45	-11	84,178,349	336,713	378,803	(42,090)
	3166	DEPT OF DEVELOPMENT	0.10	0.10	0	23,423,814	23,424	23,424	0
	3167	DEPT OF INSURANCE	0.34	0.72	-53	19,461,980	66,171	140,126	(73,955)
	3170	CIVIL RIGHTS COMMISSION	0.19	0.07	171	7,432,230	14,121	5,203	8,918

STATE AGENCY RATES
COVERS ALL LOSSES EXPECTED
NO CAP ON INDIVIDUAL EMPLOYERS

MANUAL	AGENCY	7-1-2008 RATE	7-1-2007 RATE	% CHANGE	2008 PROJECTED PAYROLL	2008 PREMIUM	2007 PREMIUM	DIFFERENCE (2008-2007)
3187	REHAB SERVICE COMMISSION	0.70	0.63	11	71,189,444	498,326	448,493	49,833
3188	DEPT OF REHAB AND CORRECTIONS	2.10	2.45	-14	732,944,558	15,391,836	17,957,142	(2,565,306)
3190	ENVIRONMENTAL PROTECTION AGENCY	0.14	0.12	17	82,308,956	115,233	98,771	16,462
3191	OFFICE OF BUDGET AND MANAGEMENT	0.15	0.12	25	7,147,933	10,722	8,578	2,144
3192	DEPARTMENT OF AGING	0.05	0.17	-71	7,905,521	3,953	13,439	(9,486)
3200	DEPT OF TRANSPORTATION	1.89	2.15	-12	321,963,135	6,085,103	6,922,207	(837,104)
** 3201	OSU CANCER RESEARCH HOSPITAL	0.66	0.73	-10	73,326,795	483,957	535,286	(51,329)
3400	DEPT OF PUBLIC SAFETY	0.80	0.85	-6	230,792,030	1,846,336	1,961,732	(115,396)
* 3505	UNIVERSITY OF CINCINNATI	0.21	0.20	5	451,790,702	948,760	903,581	45,179
3519	DEPT OF MENTAL RETARDATION	6.05	6.72	-10	157,215,455	9,511,535	10,564,879	(1,053,344)
* 3526	SHAWNEE STATE UNIVERSITY	0.33	0.69	-52	23,985,654	79,153	165,501	(86,348)
3535	DEPT OF ALCOHOL & DRUG ADDICTION	0.56	0.93	-40	6,450,742	36,124	59,992	(23,868)
5600	OHIO BUILDING AUTHORITY	0.05	0.05	0	1,452,615	726	726	0
5900	LOTTERY COMMISSION	0.52	1.25	-58	19,722,402	102,556	246,530	(143,974)
* 5905	NORTHEASTERN OHIO UNIV COLLEGE OF	0.16	0.13	23	17,298,565	27,678	22,488	5,190
** 5907	THE OHIO STATE UNIVERSITY HOSPITALS	1.53	1.46	5	56,779,796	868,731	828,985	39,746
5910	DEPARTMENT OF JOB & FAMILY SERVICES	0.33	0.37	-11	242,297,664	799,582	896,501	(96,919)
SCH	SCHEDULED STATE AGENCIES	0.27	0.27	0	119,706,491	323,208	323,208	0
TOTALS					7,227,849,125	66,366,113	73,735,487	(7,369,374)
AVERAGE						0.9182	1.0202	
% CHANGE							-9.9980	

NOTES: * STATE UNIVERSITIES
** STATE UNIVERSITY HOSPITALS

Common Sense Business Regulation (BWC Rules)

(Note: The below criteria apply to existing and newly developed rules)

Rule 4123-17-33.1

Rule Review

1. ☑ The rule is needed to implement an underlying statute.

   Citation: R.C. 4123.39, 4123.40

2. ☑ The rule achieves an Ohio specific public policy goal.

   What goal(s): The rule advises public employer taxing districts of the credibility tables to be used in rate making.

3. ☑ Existing federal regulation alone does not adequately regulate the subject matter. (Rates for Ohio workers' compensation are not a federal matter.)

4. ☑ The rule is effective, consistent and efficient.

5. ☑ The rule is not duplicative of rules already in existence.

6. ☑ The rule is consistent with other state regulations, flexible, and reasonably balances the regulatory objectives and burden.

7. ☑ The rule has been reviewed for unintended negative consequences.

8. ☐ Stakeholders, and those affected by the rule were provided opportunity for input as appropriate.

   If no, explain: BWC rates are not subject to stakeholder input. Rates are based upon insurance principles.

9. ☑ The rule was reviewed for clarity and for easy comprehension.

10. ☑ The rule promotes transparency and predictability of regulatory activity.

11. ☑ The rule is based on the best scientific and technical information, and is designed so it can be applied consistently.

12. ✓ The rule is not unnecessarily burdensome or costly to those affected by rule.

    If so, how does the need for the rule outweigh burden and cost? ____________

13. ☑ The Chief Legal Officer, or his designee, has reviewed the rule for clarity and compliance with the Governor's Executive Order

[signature] 4/11/08

BWC Board of Directors
Executive Summary
Rate Recommendations
Public Employer Taxing Districts
1/1/2009

Rule 4123-17-33 Public employer taxing districts credibility table used for experience rating

Public Employer Taxing Districts are the approximately 3,800 cities, counties, villages, townships, schools, and miscellaneous special districts in Ohio who are provided workers' compensation insurance through the Ohio State Insurance Fund.

At the November, 2007 Workers' Compensation Board of Directors meeting, the board recommended setting the maximum credibility for Private Employers for the 7-1-2008 rating year at 85%. The recommendation of the administrator is to adopt the same credibility table for public employer taxing district rates to allow group administrators enough time to select their groups.

At the November 21, 2007 Board meeting, the Board of Directors adopted a new rule, 4123-17-05.1 to put the 85% credibility table in place for Private Employers in advance of the policy year. The purpose for the new rule was to break out the credibility table from rule 4123-17-05 and retain the old rule for the remaining two tables, the industry group table and the limited loss ratio table, that are utilized in ratemaking. Today, we are asking for approval of a similar rule, 4123-17-33.1, for Public Employer Taxing Districts to be effective for rates beginning 1-1-2009. We are bringing the rule today, so that we can provide stakeholders with advanced information for their use in forming group rating groups.

Base rates for Public Employer Taxing Districts must be approved and filed with the Secretary of State and Legislative Services Commission on or before December 20, 2008, to be effective January 1, 2009. The consent of the Workers' Compensation Board of Directors is necessary for the adoption of premium rates.

Base rates for all manual classifications will be calculated in the fall of 2008 using the adopted credibility table selected by the Workers' Compensation Board of Directors.

4123-17-33.1 Public employer taxing districts credibility table used for experience rating.

The administrator of workers' compensation, with the advice and consent of the bureau of workers' compensation board of directors, has authority to approve contributions made to the state insurance fund by employers pursuant to sections 4121.121, 4123.29, and 4123.34 of the Revised Code. The administrator hereby sets the credibility table part A, "credibility and maximum value of a loss," to be effective January 1, 2008, applicable to the payroll reporting period January 1, 2007 2008 through December 31, 2007 2008 for public employer taxing districts as indicated in the attached appendix A.

TABLE 1

PART A

Credibility and Maximum Value of a Loss

Credibility Group	Expected Losses*	Credibility Percent	Group Maximum Value
1	8,000	04	12,500
2	15,000	09	12,500
3	27,000	13	25,000
4	45,000	17	37,500
5	62,500	21	55,000
6	90,000	26	75,000
7	122,500	30	87,500
8	160,000	34	100,000
9	202,500	38	112,500
10	250,000	43	125,000
11	302,500	47	137,500
12	360,000	51	150,000
13	422,500	55	162,500
14	490,000	60	175,000
15	562,500	64	187,500
16	640,000	68	200,000
17	722,500	72	212,500
18	810,000	77	225,000
19	902,500	81	237,500
20	1,000,000	85	250,000

Catastrophe value equals $250,000
*Expected losses are lower limits of credibility groups
Revised 4-4-2008

6-month Actuarial Committee Calendar

Date	April	Notes
4/24/2008	Actuarial Committee New Business/Action Items 1. Public Employer State Agency Rate change, Rule 4123-17-35 2. PEC Credibility Table Changes, Rule 4123-17-33.1 3. NCCI classification changes, Rule 4123-17-04 Discussion Items 1. Review May 2008 Committee Calendar 2. Ancillary Fund Rates – question and answer a. Coal Worker's Pneumoconiosis Fund, Rule 4123-17-20 b. Marine Insurance Fund, Rule 4123-17-19 c. Disabled Workers' Relief Fund (DWRF 1) and Additional Disabled Workers' Relief Fund (DWRF 2), Rule 4123-17-29 d. Self-Insured Assessment Rates, Rule 4123-17-32 e. Administrative Cost Fund, Rule 4123-17-36 4. Administrative Cost Fund Methodology – Tracy Valentino 5. Oliver Wyman Split Plan study results 6. MIRA Web design and transparency 7. Chief Actuarial Officer Report	
4/25/2008	Board Meeting	
Book due on 4/11/2008		
	May	
5/28/2008	Education Session	
5/29/2008	Actuarial Committee 1. Action: Private Employer Base Rate - Rule 4123-17-05 2. Action: Private Employer Limited Loss Ratio and Industry group tables - Rule 4123-17-06 3. Action: Self-Insured Assessment Rate - Rule 4123-17-32 4. Action: Coal Workers' Pneumoconiosis Fund Rate Rule 4123-17-29 5. Action: Marine Fund Rate - Rule 4123-17-19 6. Action: Disable Workers' Relief Fund Assessments Rate - Rule 4123-17-29 7. Action: Administrative Cost Assessment - Rule 4123-17-36 (Finance) 8. One Claim Program Rule - **Possible** 9. Self-Insured	
5/30/2008	Board Meeting	
Book due on 5/16/2008		

	June
6/25/2008	Education Session
	Fair Isaac present MIRA 2 results
6/26/2008	Actuarial Committee
	1. Group/Experience Rating (NCCI) Plan
	2. Discount rate for Reserve Audit as of 6-30-08
	3. MIRA II update - BWC results
	4. HB 100 Comprehensive Study update
	5. PEC Credibility Table change - action item
6/27/2008	Board Meeting
Book due on 6/13/2008	
	July
7/23/2008	Education Session
7/24/2008	Actuarial Committee
	1. MIRA update
7/25/2008	Board Meeting
Book due on 7/11/2008	
	August
8/27/2008	Education Session
	PEC Rate training
8/28/2008	Actuarial Committee
	1. Reserve Audit update
8/29/2008	Board Meeting
Book due on 8/15/2008	

	September	
9/24/2008	Education Session	
9/25/2008	Actuarial Committee 1. Public Employer Taxing Districts rate change 2. Annuity Table - Rule 4123-17 - **possible based on discount rate** 3. Reserve Audit - full 4. PES Rate estimates for biennium 5. Comprehensive study update from consultant	
9/26/2008	Board Meeting	
Book due on 9/12/2008		

Common Sense Business Regulation (BWC Rules)

(Note: The below criteria apply to existing and newly developed rules)

NCCI rule 4123-17-04

Rule Review

1. ☑ The rule is needed to implement an underlying statute.

   Citation: R.C. 4123.29

2. ☑ The rule achieves an Ohio specific public policy goal.

   What goal(s): The rule permits BWC to comply with changes to the classifications of industries adopted by NCCI to be uniform with the NCCI standards.

3. ☑ Existing federal regulation alone does not adequately regulate the subject matter.

4. ☑ The rule is effective, consistent and efficient.

5. ☑ The rule is not duplicative of rules already in existence.

6. ☑ The rule is consistent with other state regulations, flexible, and reasonably balances the regulatory objectives and burden.

7. ☑ The rule has been reviewed for unintended negative consequences.

8. ☐ Stakeholders, and those affected by the rule were provided opportunity for input as appropriate.

   If no, explain: Since this rule adopts NCCI national standards, BWC did not seek stakeholder input, which would not be appropriate for this type of rule.

9. ☑ The rule was reviewed for clarity and for easy comprehension.

10. ☑ The rule promotes transparency and predictability of regulatory activity.

11. ☑ The rule is based on the best scientific and technical information, and is designed so it can be applied consistently.

12. ☑ The rule is not unnecessarily burdensome or costly to those affected by rule.

    If so, how does the need for the rule outweigh burden and cost? ____________

13. ☑ The Chief Legal Officer, or his designee, has reviewed the rule for clarity and compliance with the Governor's Executive Order

[signature] 4/11/08

Executive Summary
NCCI SCOPES AND RULE CHANGES

Overview

BWC uses the classification system of the National Council on Compensation Insurance (NCCI). The purpose of the proposed changes below is to bring BWC in accordance with revisions made by NCCI within its Scopes Manual publication which defines classifications.

Rule 4123-17-04

Rule 4123-17-04 establishes classifications of occupations or industries.
NCCI discontinued one NCCI code and combined it into an existing code.

- Combine 2156 BOTTLING--NOT CARBONATED LIQUIDS--OR SPIRITUOUS LIQUORS--& ROUTE SUPERVISORS, DRIVERS into 2157 BOTTLING—ALL OPERATIONS & ROUTE SUPERVISORS, DRIVERS

Other Changes Effective 07/01/2008

8864 SOCIAL SERVICE ORGANIZATIONS will be new effective 7/1/2008 resulting from combining 8861 CHARITABLE OR WELFARE ORGANIZATION -PROFESSIONAL EMPLOYEES & CLERICAL and 9110 CHARITABLE OR WELFARE ORGANIZATION-ALL OTHER EMPLOYEES & DRIVERS into one classification.
8842 GROUP HOMES—ALL EMPLOYEES & SALESPERSONS, DRIVERS will be a new code effective 7/1/2008.

Related Operations Not Classified to Code 8864 SOCIAL SERVICE ORGANIZATIONS:

- Detoxification centers, alcoholic rehabilitation centers, and narcotic rehabilitation centers are classified to Code 8833 HOSPITAL: PROFESSIONAL EMPLOYEES or Code 9040 HOSPITAL: NON-PROFESSIONAL EMPLOYEES.
- Risks that offer charitable, welfare, or social services and provide significant medical assistance are classified to Code 8833—HOSPITAL: PROFESSIONAL EMPLOYEES.

For example, Code 8833 includes hospitals, health clinics, mental institutions, and risks that provide detoxification, treatment, and rehabilitation to alcoholics or narcotic addicts. These risks differ from those assigned to Code 8864 because Code 8833 operations include significant medical treatment in addition to sleeping accommodations, food, and counseling; Code 8864 risks offer a minimal amount of medical assistance while providing the services described above.

- Juvenile detention centers, “boot camps,” and halfway houses for convicts are classified to Code 7720 POLICE OFFICERS & DRIVERS.
- Group homes with overnight accommodations are classified to Code 8842 GROUP HOMES—ALL EMPLOYEES & SALESPERSONS, DRIVERS .
- Outpatient clinics in which the insured provides counseling services for clients with mental health or substance abuse issues are classified to Code 8832 PHYSICIAN & CLERICAL.

4123-17-04 Classification of occupations or industries.

The administrator of workers’ compensation, with the advice and consent of the bureau of workers' compensation ~~oversight commission~~ board of directors, has authority to approve the classification of occupations or industries pursuant to sections 4121.12, 4121.121, and 4123.29 of the Revised Code. The administrator hereby establishes the following classifications of occupations or industries to be effective July 1, ~~2007~~ 2008, as indicated in the attached appendix A, the classification of occupations or industries that is based upon the national council on compensation insurance as required by division (A)(1) of section 4123.29 of the Revised Code.

Effective date: July 1, 2008

Promulgated under:	R.C. Chapter 111.15
Rule authorized by:	R.C. Sec. 4121.11, 4121.12, 4121.121, 4121.13, 4121.30
Rule amplifies:	R.C. Sec. 4123.29
Prior effective date:	7/1/90, 7/1/91, 7/1/92, 7/1/93, 7/1/94, 7/1/95, 7/27/96, 7/1/97, 7/1/98, 7/1/99, 7/1/00, 7/1/01, 7/1/06, 7/1/07

Bureau of Workers' Compensation

Coal Workers' Pneumoconiosis Fund, Marine Industry Fund, Disabled Workers' Relief Fund I and II, Public Work Employees' Relief Fund, Self-Insuring Employers' Guaranty Fund, and Administrative Cost Fund

Coal Workers' Pneumoconiosis Fund (CWPF)

Description of Fund: The CWPF provides benefits for injured workers under the Federal Coal Mine Health and Safety Act of 1969. The federal government sets benefit levels and determines claim eligibility for benefits. The CWPF provides voluntary coverage (employers may choose to purchase the insurance from BWC, from a private carrier, or self insure) to employers who have employee exposure to coal dust, as required by federal law.

Benefits provided by fund: CWPF provides Permanent and Total Disabled (PTD) pension benefits and medical payments to employees who have contracted pneumoconiosis in the course of their employment. CWPF provides for Death benefits for surviving spouses of injured workers who have contracted pneumoconiosis in the course of their employment and subsequently died from the pneumoconiosis.

Rate Method: Calculate and apply premium rates designed to provide premiums to equal the cost of all coal mining lung related occupational diseases that have injury dates during the policy year. The current rate will apply to new employers to the fund. <u>A moratorium on premium collections has been in place for the policy year 7-1-1999 through 7-1-2007 due to the high level of net assets</u>. Premium is paid only by employers who have newly subscribed to the CWPF fund on or after May 15, 1999.

Fund effective date: 6-27-1974
Fund policy period: July 1 though June 30 for rates; renewal dates annually
Policy year 2006 premium collections: $887,000
Policy year 2006 claim disbursements: $1,133,312
Assets as of June 30, 2007: $234,762,000
Liabilities including reserves as of June 30, 2007: $63,021,000
Net Assets as of June 30, 2007: $171,741,000
Number of Ohio Employers: 38 (8 employer pay premium due to moratorium on premium payment)
Level of Exposure in payroll: $99,638,601
Number of open claims: 1,142
Ohio Revised Code: Chapter 4131
Ohio Administrative Code: 4123-17-20, 4123-21-01 through 4123-21-08

Coal-Workers Pneumoconiosis
(Black Lung) Fund Rate History

7-1-74	Rates: Manual 1112 - $6.30 Manual 1115 - $3.68
7-1-75	No Change
7-1-76	No Change
7-1-77	No Change
7-1-78	No Change
7-1-79	No Change
7-1-80	No Change; Administrative Cost now included as a part of the base rate
7-1-81	30% increase
7-1-82	30% increase; Manual 1116 was added
7-1-83	30% decrease for Manual 1115 and Manual 1116 only
7-1-84	30% decrease for Manual 1115 and Manual 1116 only
7-1-85	30% decrease
7-1-86	30% decrease
7-1-87	30% decrease
7-1-88	No Change
7-1-89	No Change
7-1-90	30% decrease
7-1-91	30% decrease
7-1-92	No Change
7-1-93	No Change
7-1-94	No Change
7-1-95	No Change
7-1-96	No Change
7-1-97	10% decrease
7-1-98	No Change
7-1-99	No Change
7-1-2000	No Change
7-1-2001	No Change
7-1-2002	No Change
7-1-2003	No Change
7-1-2004	No Change
7-1-2005	No Change
7-1-2006	No Change
7-1-2007	No Change Rates: Manual 1112 - $3.70 Manual 1115 - $1.07 Manual 1116 - $0.83

Marine Industry Fund (MIF)

Description of Fund: The MIF provides voluntary coverage (employers may choose to purchase the insurance from BWC, from a private carrier, or self insure) to employers who have employees who work on or about navigable waters, as required by the Federal Longshoremen and Harbor Workers' Act.

Benefits provided by fund: A Marine Fund claim is filed with both the Department of Labor and the BWC; therefore, two claims will exist for the same injury. The Federal Government determines the claimant eligibility for benefits and sets the benefit levels. An injured worker may only receive lost time benefits from the federal claim or the BWC claim, but not from both for the same period. Medical benefits may be paid from either the federal claim or the BWC claim as long as duplicate payments do not occur. Injured workers covered under the Marine Industry Fund are entitled to the same benefits as other injured workers **except** for the following:

- Living Maintenance and Living Maintenance Wage Loss benefits
- Lump Sum Advancements
- Rehabilitation Services only as ordered by the Department of Labor

Rate Method: Calculate and apply premium rates designed to provide premiums to equal the cost of all losses related to the Marine Industry Fund exposure that have injury dates during the policy year.

Fund effective date: 7-1-1980
Fund policy period: July 1 though June 30 for rates; renewal dates annually
Policy year 2006 premium collections: $739,000
Policy year 200 claim disbursements: $155,425
Assets as of June 30, 2007: $15,959,000
Liabilities including reserves as of June 30, 2007: $2,157,000
Net Assets as of June 30, 2007: $13,802,000
Number of Ohio Employers: 88 (67 reported payroll for policy year 2006)
Level of Exposure in payroll: $4,223,779
Number of open claims: 434
Ohio Revised Code: Chapter 4131
Ohio Administrative Code: 4123-17-19; 4123-20, 4123-20-01 through 4123-21-07

Marine Industry Fund Rate History

7-1-80	Inception of the Marine Industry Fund with the creation of Manuals 9705, 9711, 9719, 9725 and 9741
1-1-81	Manuals 9702 and 9740 were added
7-1-81	No Change
7-1-82	30% increase All Marine Industry Fund risks must have Manual 7772 in the Ohio State Insurance Fund
7-1-83	30% increase
7-1-84	No Change
7-1-85	No Change
7-1-86	No Change
7-1-87	No Change
7-1-88	No Change
7-1-89	No Change
7-1-90	No Change
7-1-91	No Change
7-1-92	No Change
7-1-93	No Change
7-1-94	No Change
7-1-95	No Change
7-1-96	No Change
7-1-97	10% decrease
7-1-98	No Change
7-1-99	No Change
7-1-2000	No Change
7-1-2001	No Change
7-1-2002	No Change
7-1-2003	No Change
7-1-2004	No Change
7-1-2005	12% decrease
7-1-2006	No Change
7-1-2007	10% decrease

NCCI Class	Class Rate
6802	$16.71
6847	$32.06
7310	$15.50
7325	$42.01
7330	$16.71
8707	$42.01
8708	$10.68

Disabled Workers' Relief Fund I (DWRF I)

Description of Fund: The DWRF I provides supplementary payments to workers whose combined PTD plus Social Security disability benefits are lower than the DWRF entitlement amount on claims that occurred prior to 1987.

Benefits provided by fund: This allows for cost of living increases to injured workers receiving PTD benefits.

Rate Method: This fund is operated on a terminal funding or cash flow basis in which the premiums collected each policy year are to equal the payments made in the same policy year without regard to the accident/injury year. In recognition that assessments were not sufficient to cover the current cost of benefit payments, Senate Bill 307 made a number of changes affecting DWRF. It forgave the loans made to the DWRF I Fund from the State Insurance Fund (SIF) in the amount of $218.1 million. It also provided that future shortfalls in DWRF I assessments would be covered by periodic transfers to the DWRF Fund from the interest earnings of the SIF. The ORC 4123.411 (A) requires that the assessment should be levied at a rate of at least five but not to exceed ten cents per one hundred dollars of payroll, such rate to be determined annually for each employer group, which will produce an amount no greater than the amount the administrator estimates to be necessary to carry out such sections for the period for which the assessment is levied.

Fund effective date: 8-1-1959
Fund policy period: July to June for Private Employers and Public Employer State Agencies; January to December for Public Employer Taxing Districts
Policy year 2006 assessment collections*: $130,790,000
Calendar year 2006 claim disbursements: $117,798,107
Assets as of June 30, 2007*: $2,811,063,000
Liabilities including reserves as of June 30, 2007*: $2,010,878,000
Net Assets as of June 30, 2007*: $800,185,000
Number of claims with DWRF I payments in calendar year 2006: 14,950
Ohio Revised Code: Chapter 4123.41.1
Ohio Administrative Code: 4123-3-31, 4123-17-29

*Financial statements combine the DWRF I and II funds.

Disabled Workers' Relief Fund II (DWRF II)

Description of Fund: The DWRF II provides supplementary payments to workers whose combined PTD plus Social Security disability benefits are lower than the DWRF entitlement amount on claims that occurred in 1987 and after. Senate Bill 307 established DWRF II, with the apparent legislative intent of an actuarially solvent pre-funding of DWRF benefits for injuries occurring in 1987 and subsequent. This pre-funding caused the DWRF II fund to grow. However, a formal Attorney General opinion in 1993 required that DWRF II operate on a terminal funding or cash flow basis.

Benefits provided by fund: This allows for cost of living increases to injured workers receiving PTD benefits.

Rate Method: The current rate is 0.1% of premium at base rate. However, the fund balance for DWRF 2 is $768 million and is used to pay the yearly payments of about $15 million. The ORC 4123.411 (B) states that the BWC shall levy an assessment against all employers at a rate per one hundred dollars of payroll, such rate to be determined annually for each classification of employer in each employer group, which will produce an amount no greater than the amount the administrator estimates to be necessary to carry out such sections for the period for which the assessment is levied. Case Notes number 8 and OAG No. 93-011 states that the ORC does not authorize the Administrator of Workers' Compensation to levy the assessment therein described at a rate that will create a reserve within the DWRF.

Fund effective date: 1987
Fund policy period: July to June for Private Employers and Public Employer State Agencies; January to December for Public Employer Taxing Districts
Calendar year 2006 assessment collections*: $130,790,000
Calendar year 2006 claim disbursements: $16,645,234
Assets as of June 30, 2007*: $2,811,063,000
Liabilities including reserves as of June 30, 2007*: $2,010,878,000
Net Assets as of June 30, 2007*: $800,185,000
Number of claims with DWRF II payments in calendar year 2006: 3,826
Ohio Revised Code: Chapter 4123.41.1
Ohio Administrative Code: 4123-3-31, 4123-17-29

*Financial statements combine the DWRF I and II funds.
**DWRF I will eventually expire when all the PTD claims prior to 1987 are no longer being paid. The DWRF II fund will continue to grow as the BWC allows future PTD claims. Eventually, the number of PTD claims will grow to a level that will no longer be able to be supported by the current funding mechanism. As the financial needs of the DWRF I fund decline and the assessment rate is decreased each year, consideration should be given to increasing the DWRF II while using the excess net assets to avoid large or unexpected rate increases in DWRF II.

Disabled Workers' Relief Fund 1 For Injuries Prior to 1-1-87

EMPLOYER GROUP			
Private Fund:	1959 to 1975	.03	Per $100 Unit of Payroll
	1976 to 6-30-80	.05	
	7-1-80 to 6-30-2007	.10	
	7-1-2007	.09	
Self-Insured:	1959 to 1975	.03	Per $100 Unit of Payroll
	1976 to 6-30-80	.05	
	7-1-80 to 6-30-81	.08	
	7-1-81 to 8-21-86	.05	
	8-22-86*		
*Effective 8-22-86 self-insured employers must reimburse the Bureau of Workers' Compensation for DWRF benefits paid to claimants in claims which the employer was the employer of record.			
Public Employer Taxing Districts	1959 to 1975	.03	Per $100 Unit of Payroll
	1976 to 1979	.05	
	1980 to 2003	.10	
	1-1-2004 to 12-31-2004	.09	
	1-1-2005 to 12-31-2006	.08	
	1-1-2007	.06	
Public Employer State Agencies	1959 to 1975	.03	Per $100 Unit of Payroll
	1976 to 6-30-1980	.05	
	7-1-1980 to 6-30-2004	.10	
	7-1-2004 to 6-30-2005	.08	
	7-1-2005 to 6-30-2007	.06	
	7-1-2007	.05	

Disabled Workers' Relief Fund 2 -- History--Assessment For Injuries On and After 1-1-87

EMPLOYER GROUP	PERIOD	PERCENT OF PREMIUM COMPUTED AT BASE RATE
Private Employers:	1-1-87 to 12-31-87	2%
	1-1-88 to 12-31-88	3%
	1-1-89 to 12-31-89	4%
	1-1-90 to 12-31-90	5%
	1-1-91 to 12-31-91	5%
	1-1-92 to 06-30-93	5%
	7-1-93 to 12-31-93	.1%
	1-1-94 to 12-31-94	.1%
	1-1-95 to 12-31-95	.1%
	1-1-96 to 12-31-96	.1%
	1-1-97 to 12-31-97	.1%
	1-1-98 to 12-31-98	.1%
	1-1-99 to 12-31-99	.1%
	1-1-2000 to 12-31-2000	.1%
	1-1-2001 to 12-31-2001	.1%
	1-1-2002 to 12-31-2002	.1%
	1-1-2003 to 12-31-2003	.1%
	1-1-2004 to 12-31-2004	.1%
	1-1-2005 to 12-31-2005	.1%
	1-1-2006 to 12-31-2006	.1%
	1-1-2007 to 12-31-2007	.1%
Self-Insured:	Reimburse the Bureau of Workers' Compensation for DWRF benefits to claimants in claims in which the employer is the employer of record.	

Disabled Workers' Relief Fund 2 -- History--Assessment
For Injuries On and After 1-1-87

Public Employer Taxing Districts:	1-1-87 to 12-31-87	2%
	1-1-88 to 12-31-88	3%
	1-1-89 to 12-31-89	4%
	1-1-90 to 12-31-90	5%
	1-1-91 to 12-31-91	5%
	1-1-92 to 12-31-92	5%
	1-1-93 to 12-31-93	.1%
	1-1-94 to 12-31-94	.1%
	1-1-95 to 12-31-95	.1%
	1-1-96 to 12-31-96	.1%
	1-1-97 to 12-31-97	.1%
	1-1-98 to 12-31-98	.1%
	1-1-99 to 12-31-99	.1%
	1-1-2000 to 12-31-2000	.1%
	1-1-2001 to 12-31-2001	.1%
	1-1-2002 to 12-31-2002	.1%
	1-1-2003 to 12-31-2003	.1%
	1-1-2004 to 12-31-2004	.1%
	1-1-2005 to 12-31-2005	.1%
	1-1-2006 to 12-31-2006	.1%
	1-1-2007 to 12-31-2007	.1%
Public Employer State Agencies:	1-1-87 to 12-31-87	2%
	1-1-88 to 12-31-88	3%
	1-1-89 to 12-31-89	4%
	1-1-90 to 12-31-90	5%
	1-1-91 to 12-31-91	5%
	1-1-92 to 06-30-93	5%
	7-1-93 to 12-31-93	.1%
	1-1-94 to 12-31-94	.1%
	1-1-95 to 12-31-95	.1%
	1-1-96 to 12-31-96	.1%
	1-1-97 to 12-31-97	.1%
	1-1-98 to 12-31-98	.1%
	1-1-99 to 12-31-99	.1%
	1-1-2000 to 12-31-2000	.1%
	1-1-2001 to 12-31-2001	.1%
	1-1-2002 to 12-31-2002	.1%
	1-1-2003 to 12-31-2003	.1%
	1-1-2004 to 12-31-2004	.1%
	1-1-2005 to 12-31-2005	.1%
	1-1-2006 to 12-31-2006	.1%
	1-1-2007 to 12-31-2007	.1%

Public Work Relief Employees' Fund (PWRE)

Description of Fund: The PWRE fund provides workers' compensation benefits for "work-relief employees" who are engaged in any public relief employment and receiving "work-relief" in the form of public funds or goods in exchange for any service or labor rendered in connection with any public relief employment. Employers are public employer taxing districts or public employer state agencies.

Benefits provided by fund: Injured workers covered under the PWRE are entitled to the same benefits as other injured workers without any exceptions.

Rate Method: PWRE rates are calculated at the same time and in the same manner as the Public Employer Taxing Districts and are segregated by a manual classification which has its own base rate.

Fund effective date: 10-1-1953
Fund policy period: January to December
Calendar year 2007 premium collections: $371,000
Calendar 2007 claim disbursements: $416,207
Assets as of June 30, 2007: $22,087,000
Liabilities including reserves as of June 30, 2007: $3,792,000
Net Assets as of June 30, 2007: $18,295,000
Number of Ohio Employers: 87 policies (85 reporting payroll)
Level of Exposure in payroll: $50,489,207
Number of open claims: 114
Ohio Revised Code: Chapter 4127
Ohio Administrative Code: 4123-17-33, 4123-17-34

Self-Insuring Employers' Guaranty Fund (SIEGF) /Surety Bond Fund (SBF)

Description of Fund: This fund provides for payment of compensation and benefits to injured workers of bankrupt self-insured employers. Claims with injury dates prior to 1987, self-insured employers provided security in the form of letters of credit or bonds from private insurance carriers to cover the cost of claims in the event of bankruptcy or default. In 1986, Senate Bill 307 created the Surety Bond Fund (SBF) to provide security to cover the cost of claims in the event of bankruptcy or default. It was replaced in 1993 by the Self Insured Employers Guaranty Fund (SIEGF) for claims with injury dates after 1986.

Benefits provided by fund: All injured worker benefits (including DWRF benefits) that would normally be paid by the self-insured employer that has defaulted.

Rate Method: The BWC is to maintain a minimum balance of funds in the SIEGF at rates as low as possible but such as will assure sufficient moneys to guarantee the payment of any claims against the fund. At one time, the fund balance was to equal two times the prior year's payments from the fund as determined at the end of each calendar year to ensure sufficient monies to guarantee the payment of any claims against the fund. The current minimum fund balance requirement is found in Rule 4123-19-15 (B) *"The bureau shall maintain a minimum balance of funds in the self-insuring employers' guaranty fund of one and a quarter times the prior year's payments from the fund as determined at the end of each calendar year to ensure sufficient monies to guarantee the payment of any claims against the fund"*. When the BWC determines that the SIEGF has insufficient funds, an assessment is necessary to ensure the minimum balance in the fund and will assess all self-insuring employers an annual contribution. New self-insuring employers will be assessed six percent of base rate premium as reported on the last two six month payroll reports for the first three years of self-insurance. When a self-insured employer declares bankruptcy, the BWC will make an effort to obtain funds from the employer. The following is a list of the assessments:

1. Mandatory Surplus Fund (SIF Surplus Fund): This assessment is to fund costs charged to the Self Insured Employers Account of the Surplus Account of the State Insurance Fund. These costs are primarily for claims with injury dates prior to 1987 of bankrupt self insured employers, for costs of claims that are now disallowed claims, and for specific medical costs (some exams and prostheses).
2. Safety and Hygiene Fund (SIF Fund): This assessment is to fund the work done by the Division of Safety and Hygiene for self insured employers.
3. Self Insured Employers Guaranty Fund (SIEGF Fund): This assessment is to fund the costs charged to the SIEGF. These costs are for claims of bankrupt self insured employers with injury dates after 1986, and for the costs of DWRF on claims of bankrupt self insured employers with any injury date.
4. Administrative Cost Fund (ACF): This assessment is to fund costs of administering the BWC and IC, with only the activities that support the self insured employers included in the assessment calculation.
5. Optional Handicap Program (SIF Surplus Fund): This assessment is to fund the costs of mutualizing handicap claim costs among all self insured participants.
6. Optional Rehabilitation Program (SIF Surplus Fund): This assessment is to fund the costs of mutualizing rehabilitation costs among all self insured participants. A small number of self insured employers continue to be reimbursed from this fund for the costs of rehabilitation of injured workers.
7. Optional Disallowed Claim Reimbursement Program (SIF Surplus Fund): This assessment is to fund the costs of mutualizing reimbursed disallowed claim costs among all self insured participants.

Fund effective date: SBF 1986 to 1993, SIEGF since 1993
Fund policy period: July 1 though June 30 for rates; renewal dates annually
2007 annual SIEGF assessment collections*: $37,343,683
2007 annual SIEGF claim disbursements*: $26,768,715 (including DWRF and MCO fees)
2007 annual SBF collections:** $16,480,285
2007 annual SBF claim disbursements*: $20,815,425 (including disallowed claims)
Assets as of June 30, 2007: $753,109,000
Liabilities including as of June 30, 2007: $746,901,000
Net Assets as of June 30, 2007: $6,208,000
* Assessment Income prior to adjustments
****** SBF assessments include bankruptcy collections

Number of Bankrupt Ohio Employers: 263

Calendar Year	Number of Bankruptcies
1993	7
1994	1
1995	3
1996	4
1997	2
1998	6
1999	4
2000	12
2001	13
2002	24
2003	13
2004	23
2005	8
2006	4
2007	9

Number of open claims: 2,652
Ohio Revised Code: Chapter 4123.35.1
Ohio Administrative Code: 4123-19-15

Self-Insuring Employer Assessments
7/1/1999 thru 7/1/2007

Mandatory				
	7/1/2004	**7/1/2005**	**7-1-2006**	**7-1-2007**
Safety & hygiene fund	0.0098	0.0098	0.0098	0.0098
Administrative cost fund: BWC	0.0790	0.0790	0.0822	0.0822
Administrative cost fund: IC	0.0666	0.0666	0.0726	0.0790
Surplus fund (mandatory)	0.0450	0.0706	0.0706	0.0450
Self-Insuring Employer Guaranty Fund	0.1400	0.1349	0.1349	0.0527
Total Assessment	0.3404	0.3609	0.3701	0.2687
	2003	**2004**	**2005**	**2006**
Self-Insured Paid Compensation	$247,824,915	$235,396,391	$225,172,693	$219,472,217
Assessment Collections	$84,359,601	$84,954,558	$83,336,414	$58,972,185
Optional	**7/1/2004**	**7/1/2005**	**7/1/2006**	**7-1-2007**
Surplus fund (rehabilitation)	0.1300	0.1300	0.1300	0.1300
Surplus fund (handicap)	0.2480	0.2480	0.2480	0.2480
Surplus Fund (Disallowed Claims)	NA	NA	0.0360	0.0236

Administrative Cost Fund (ACF)

Description of Fund: The Administrative Cost Fund (ACF) provides for administrative expenses for the BWC and the Industrial Commission. ACF also includes the portion of premiums paid by employers earmarked for the safety and loss prevention activities performed by the Safety and Hygiene Division. The financial statements include compensation adjustment expense (CAE) reserves for the estimated loss adjustment expenses to be incurred in all claims. Loss adjustment expenses are those expenses functionally associated with settling claims, except for the claim payment itself.

Benefits provided by fund: Pays for BWC and IC administration, salaries, rent, other operating costs.

Rate Method: Terminal funding or pay-as-you-go. A separate rate is calculated for BWC and the Industrial Commission.

Fund effective period: July 1 though June 30 for rates
Net Fiscal year 2007 assessment*: $385,010,000
Fiscal year 2007 budgeted disbursements*: $542,211,000
Assets as of June 30, 2007: $459,129,000
Liabilities including loss adjustment expense reserves as of June 30, 2007: $1,243,859,000
Net Assets (Deficit) as of June 30, 2007: ($784,730,000)*
Ohio Revised Code: Chapter 4123.34.1 effective date 10-21-53
Ohio Administrative Code: Chapter 4123-17, 4123-17-32, 413-17-36

*The deficit in ACF is a result of recognizing the actuarially estimated liabilities in accordance with generally accepted accounting principles, while the funding for ACF is on a terminal funding basis in accordance with the Ohio Revised Code. Consequently, the incurred expenses are not fully funded.

ADMINISTRATIVE COST RATE --HISTORY

PRIVATE EMPLOYERS		PUBLIC EMPLOYER TAXING DISTRICTS	
PERIOD	RATE PER $100 UNIT OF PAYROLL	PERIOD	RATE PER $100 UNIT OF PAYROLL
7-1-76 to 12-31-76	.060	CY 1976	.023
1-1-77 to 6-30-78	.095	CY 1977	.038
7-1-78 to 6-30-79	.092	CY 1978	.035
7-1-79 to 6-30-80	.113	CY 1979	.055
7-1-80 to 6-30-81	.113	CY 1980	.055
7-1-81 to 6-30-82	.134	CY 1981	.065
7-1-82 to 6-30-83	.150	CY 1982	.089
7-1-83 to 6-30-84	.196	CY 1983	.103
7-1-84 to 6-30-85	.196	CY 1984	.103
7-1-85 to 6-30-86	.200	CY 1985	.095
7-1-86 to 6-30-87	.200	CY 1986	.095
7-1-87 to 6-30-88	.243	CY 1987	.104
7-1-88 to 6-30-89	.240	CY 1988	.104
7-1-89 to 6-30-90	.220	CY 1989	.108
7-1-90 to 6-30-91	.220	CY 1990	.108
7-1-91 to 6-30-92	.267	CY 1991	.122
7-1-92 to 6-30-93	.267	CY 1992	.122
7-1-93 to 6-30-94	.414	CY 1993	.265
7-1-94 to 12-31-94	.411	CY 1994	.265
1-1-95 to 6-30-95	.377	CY 1995	.231
7-1-95 to 6-30-96	.371	CY 1996	11.2% of premium
7-1-1996 to 6-30-1997	15.57% of premium	CY 1997	12.75% of premium
7-1-1997 to 6-30-1998	15.98% of premium	CY 1998	12.60% of premium
7-1-1998 to 6-30-1999	15.98% of premium	CY 1999	12.60% of premium
7-1-1999 to 6-30-2000	15.35% of premium	CY 2000	12.60% of premium
7-1-2000 to 6-30-2001	15.35% of premium	CY 2001	13.72% of premium
7-1-2001 to 6-30-2002	17.27% of premium	CY 2002	16.65% of premium
7-1-2002 to 6-30-2003	19.50% of premium	CY 2003 (BWC)	12.65% of premium
7-1-2003 to 6-30-2004 (BWC)	15.78% of premium	CY2003 (IC)	1.82% of premium
7-1-2003 to 6-30-2004 (IC)	2.24% of premium	CY 2004 (BWC)	7.84% of premium
7-1-2004 to 6-30-2005 (BWC)	13.55% of premium	CY2004 (IC)	1.13% of premium
7-1-2004 to 6-30-2005 (IC)	1.71% of premium	CY 2005 (BWC)	7.84% of premium
7-1-2005 to 6-30-2006 (BWC)	13.55% of premium	CY2005 (IC)	1.13% of premium
7-1-2005 to 6-30-2006 (IC)	1.71% of premium	CY 2006 (BWC)	8.15% of premium
7-1-2006 to 6-30-2007 (BWC)	14.09% of premium	CY2006 (IC)	1.90% of premium
7-1-2006 to 6-30-2007 (IC)	2.27% of premium	CY 2007 (BWC)	8.15% of premium
7-1-2007 to 6-30-2008 (BWC)	14.09% of premium	CY2007 (IC)	1.77% of premium
7-1-2007 to 6-30-2008 (IC)	2.25% of premium		

ADMINISTRATIVE COST RATE – HISTORY

PUBLIC EMPLOYER STATE AGENCIES		SELF-INSURING EMPLOYERS	
PERIOD	**RATE PER $100 UNIT OF PAYROLL**	**PERIOD**	**RATE PER $100 UNIT OF PAYROLL**
1-1-77 to 6-30-78	.109	7-1-76 to 12-31-76	.014
7-1-78 to 6-30-79	.104	1-1-77 to 6-30-79	.026
7-1-79 to 6-30-80	.121	7-1-79 to 6-30-80	.036
7-1-80 to 6-30-81	.121	7-1-80 to 6-30-81	.036
7-1-81 to 6-30-82	.185	7-1-81 to 6-30-82	.042
7-1-82 to 6-30-83	.157	7-1-82 to 6-30-83	.046
7-1-83 to 6-30-84	.137	7-1-83 to 6-30-84	.057
7-1-84 to 6-30-85	.137	7-1-84 to 6-30-85	.057
7-1-85 to 6-30-86	.106	7-1-85 to 6-30-86	.060
7-1-86 to 6-30-87	.106	7-1-86 to 6-30-87	.060
7-1-87 to 6-30-88	.104	7-1-87 to 6-30-88	.087
7-1-88 to 6-30-89	.104	7-1-88 to 6-30-89	.085
7-1-89 to 6-30-90	.133	7-1-89 to 12-31-89	.093
7-1-90 to 6-30-91	.133	**RATE BASED ON PAID COMP**	
7-1-91 to 6-30-92	.146	1-1-90 to 6-30-90 .0500 times CY 89 paid comp	
7-1-92 to 6-30-93	.146	7-1-90 to 6-30-91 .1000 times CY 89 paid comp	
7-1-93 to 6-30-94	.265	7-1-91 to 6-30-92 .1000 times CY 90 paid comp	
7-1-94 to 12-31-94	.269	7-1-92 to 6-30-93 .1109 times CY 91 paid comp	
1-1-95 to 6-30-95	.252	7-1-93 to 6-30-94 .1342 times CY 92 paid comp	
7-1-95 to 6-30-96	.235	7-1-94 to 12-31-94 .0741 times CY 93 paid comp	
7-1-96 to 6-30-97	14.83% of premium	1-1-95 to 6-30-95 .0613 times CY 93 paid comp	
7-1-97 to 6-30-98	15.73% of premium	7-1-95 to 6-30-96 .1084 times CY 94 paid comp	
7-1-98 to 6-30-99	15.73% of premium	7-1-96 to 6-30-97 .0916 times CY 95 paid comp	
7-1-1999 to 6-30-2000	15.73% of premium	7-1-97 to 6-30-98 .1087 times CY 96 paid comp	
7-1-2000 to 6-30-2001	16.00% of premium	7-1-98 to 6-30-99 .1087 times CY 97 paid comp	
7-1-2001 to 6-30-2002	18.94% of premium	7-1-99 to 6-30-00 .1087 times CY 98 paid comp	
7-1-2002 to 6-30-2003	21.91% of premium	7-1-00 to 6-30-01 .1100 times CY 99 paid comp	
7-1-2003 to 6-30-2004 (BWC)	15.53% of premium	7-1-01 to 6-30-02 .1377 times CY 00 paid comp	
7-1-2003 to 6-30-2004 (IC)	3.54% of premium	7-1-02 to 6-30-03 .1606 times CY 01 paid comp	
7-1-2004 to 6-30-2005 (BWC)	11.95% of premium	7-1-03 to 6-30-04 (BWC) .0805 * CY 02 paid comp	
7-1-2004 to 6-30-2005 (IC)	1.97% of premium	7-1-03 to 6-30-04 (IC) .0889 * CY 02 paid comp	
7-1-2005 to 6-30-2006 (BWC)	11.95% of premium	7-1-04 to 6-30-05 (BWC) .0790 * CY 03 paid comp	
7-1-2005 to 6-30-2006 (IC)	1.97% of premium	7-1-04 to 6-30-05 (IC) .0666 * CY 03 paid comp	
7-1-2006 to 6-30-2007 (BWC)	12.43% of premium	7-1-05 to 6-30-06 (BWC) .0790 * CY 04 paid comp	
7-1-2006 to 6-30-2007 (IC)	3.28% of premium	7-1-05 to 6-30-06 (IC) .0666 * CY 04 paid comp	
7-1-2007 to 6-30-2008 (BWC)	12.43% of premium	7-1-06 to 6-30-07 (BWC) .0822 * CY 05 paid comp	
7-1-2007 to 6-30-2008 (IC)	3.14% of premium	7-1-06 to 6-30-07 (IC) .0726 * CY 05 paid comp	
		7-1-07 to 6-30-08 (BWC) .0822 * CY 06 paid comp	
		7-1-07 to 6-30-08 (IC) .0790 * CY 06 paid comp	

Bureau of Workers' Compensation

Coal Workers' Pneumoconiosis Fund, Marine Industry Fund, Disabled Workers' Relief Fund I and II, Public Work Employees' Relief Fund, Self-Insuring Employers' Guaranty Fund, and Administrative Cost Fund

As of 6/30/2007	CWPF*	MIF*	DWRF I & II	PWRE*	SIEGF	ACF*
Assets	$234,762,000	$15,959,000	$2,811,063,000	$22,087,000	$753,109,000	$459,129,000
Liabilities	$63,021,000	$2,157,000	$2,010,878,000	$3,792,000	$746,901,000	$1,243,859,000
Net Assets	$171,741,000	$13,802,000	$800,185,000	$18,295,000	$6,208,000	($784,730,000)
Number of Employers	38	88 (67 report payroll)	ALL	87 (85 reporting payroll)	Bankrupt Only 263	ALL
Number of Active Claims	1,142	434	DWRF I 14,950 DWRF II 3,826	114	2,652 SIEGF 1,044 SBF Total 3,696	N/A
Audit Reserves	$62,199,000	$1,966,000	$1,999,047,000	$3,785,000	$743,780,000	$1,075,500,000

Information sources:
Actuarial Audit at of June 30, 2007
Financial Statements ending June 30, 2007
Ohio Revised Code
Ohio Administrative Code
Data Warehouse
Financial Reporting

4123-17-20 EMPLOYER CONTRIBUTION TO THE COALWORKERS PNEUMOCONIOSIS FUND.

The administrator of workers' compensation, with the advice and consent of the workers' compensation oversight commission, has authority to establish contributions made to the coal-workers pneumoconiosis fund by employers pursuant to sections 4121.121 and 4131.04 of the Revised Code. The administrator hereby sets the premium rates per one hundred dollar unit of payroll to be effective July 1, 2001, as indicated in attached appendix A.

Effective: 7/1/01
Prior Effective Dates: 7/1/90; 7/1/91; 7/1/92; 7/1/97; 7/1/98

Appendix A

Manual	Rate
1112	$3.70
1115	$1.07
1116	$0.83

Note: the above premium rates shall only apply to employers who newly subscribe to the coal-workers pneumoconiosis fund on or after May 15, 1999. The bureau shall institute a moratorium on premium collections from all employers who were subscribers to the coalworkers pneumoconiosis fund prior to May 15, 1999, and who remain subscribers to the fund.

4123-17-19 EMPLOYER CONTRIBUTION TO THE MARINE INDUSTRY FUND.

The administrator of workers' compensation, with the advice and consent of the workers' compensation oversight commission, has authority to establish contributions made to the marine industry fund by employers pursuant to sections 4121.121 and 4131.14 of the Revised Code. The administrator hereby sets the premium rates per one hundred dollar unit of payroll to be effective July 1, 2005 as indicated in attached appendix A.

Effective: 7/1/05
Prior Effective Dates: 7/1/90, 7/1/97

Appendix A

Rates are for each $100 unit of payroll

NCCI	Manual Code Manual Rate
6802	$16.71
6847	$32.06
7310	$15.50
7325	$42.01
7330	$16.71
8707	$42.01
8708	$10.68

NOTE: Manual descriptions for the classifications are in the NCCI Classification section of this publication. Ohio's underwriting coverage of these manuals is subject to approval by the Federal
Government.

4123-17-29 Disabled workers' relief fund; employers' assessments and self-insurers' payments.

(A) State fund employers.

(1) In order to make disabled workers' relief fund ("DWRF") payments to claimants having dates of injury or disability prior to January 1, 1987, assessments shall be levied in the following manner for so long as payments to such claimants are required:

(a) Private state fund employers: ~~ten~~ nine cents per one-hundred-dollar unit of payroll, effective January 1, 1980;

(b) Public employer taxing districts: ~~eight~~ six cents per one-hundred-dollar unit of payroll, effective January 1, ~~2006~~ 2007;

(c) Public employer state agency: ~~six~~ five cents per one-hundred-dollar unit of payroll, effective July 1, ~~2006~~ 2007.

These assessments shall be billed at the same time state insurance fund premiums are billed and payments shall be credited to the disabled workers' relief fund.

(2) In order to make DWRF payments to claimants having dates of injury on or after January 1, 1987, assessments shall be levied in the following manner for so long as payments to such claimants are required:

(a) Private state fund employers: one-tenth of one per cent of premium, computed at basic rate, effective July 1, 1993;

(b) Public employer taxing districts: one-tenth of one per cent of premium, computed at basic rate, effective January 1, 1993;

(c) Public employer state agency: one-tenth of one per cent of premium, computed at basic rate, effective July 1, 1993;

These assessments shall be billed at the same time state insurance fund premiums are billed and payments shall be credited to the disabled workers' relief fund.

(B) Self-insuring employers.

(1) Each self-insuring employer shall reimburse the bureau for DWRF payments made in claims in which it is the employer of record, without regard to the date the employer was granted the privilege to pay compensation directly, for all DWRF payments made on or after August 22, 1986. Upon default and a finding of noncompliance by the administrator of workers' compensation, reimbursement shall be made from the self-insuring employers' guaranty fund.

(2) Self-insuring employers shall be billed on a semi-annual basis for the DWRF payments made pursuant to this rule.

R31729 (7-1-07).doc
June 5, 2007

4123-17-32 Self-insuring employer assessment based upon paid compensation

The administrator of workers' compensation, with the advice and consent of the workers' compensation oversight commission, has authority to determine and levy against self-insuring employers amounts to be paid to support the safety and hygiene fund, the administrative cost fund, the portion of the surplus fund that is mandatory, the portion of the surplus fund that is used for rehabilitation reimbursement subject to the self-insuring employer's election under section 4121.66 of the Revised Code, the portion of surplus fund that is used for handicap reimbursement subject to the self-insuring employer's election under section 4123.343 of the Revised Code, and the portion of the surplus fund used for claims reimbursement for self-insuring employers under division (H) of section 4123.512 of the Revised Code, pursuant to sections 4121.12, 4121.37, 4121.66, 4123.34, 4123.342, and 4123.35 of the Revised Code in conjunction with rule 4123-19-01 of the Administrative Code. The administrator hereby sets the self-insuring employer assessments to be effective July 1, ~~2007~~ 2008, for the period July 1, ~~2007~~ 2008, to June 30, ~~2008~~ 2009, payable in two equal remittances by February ~~29~~ 28, ~~2008~~ 2009, and August 31, ~~2008~~ 2009, as follows:

(A) The assessments shall be on the basis of the paid compensation attributable to the individual self-insuring employer as a fraction of the total amount of paid compensation for the previous calendar year attributable to all amenable self-insuring employers.

(B) Paid compensation means all amounts paid by a self-insuring employer for living maintenance benefits, all amounts for compensation paid pursuant to sections 4121.63, 4121.67, 4123.56, 4123.57, 4123.58, 4123.59, 4123.60 and 4123.64 of the Revised Code, all amounts paid as wages in lieu of such compensation, all amounts paid in lieu of such compensation under a nonoccupational accident and sickness program fully funded by the self-insuring employer, and all amounts paid by a self-insuring employer for a violation of a specific safety standard pursuant to section 35 of article II, Ohio Constitution and section 4121.47 of the Revised Code. Any reimbursement received from the surplus fund pursuant to section 4123.512 of the Revised Code by a self-insuring employer for any such payments or compensation paid shall be applied to reduce the amount of paid compensation reported in the year in which the reimbursement is made. Any amount recovered by the self-insuring employer under section 4123.931 of the Revised Code and any amount that is determined not to have been payable to a claimant in any final administrative or judicial proceeding shall be deducted, in the year collected, from the amount of paid compensation reported.

(C) The assessments shall be computed for all self-insuring employers operating in Ohio by multiplying the following rates by the individual self-insuring employer's paid compensation for calendar year ~~2006~~ 2007:

(1) Safety and hygiene fund: ***.0098.last years***

(2) Administrative cost fund, BWC: ***.0822 last years***

(3) Administrative cost fund, IC: ~~***.0726***~~ ***.0790.last years***

(4) Surplus fund (mandatory): ~~***.0706***~~ ***.0450.last years***

(D) The assessment to fund the portion of the surplus fund that is used for rehabilitation reimbursement for all self-insuring employers who have not made an election to opt out of the rehabilitation reimbursement program under the provisions of section 4121.66 of the Revised Code shall be computed by multiplying the following rate by the individual self-insuring employer's paid compensation for calendar year ~~2006~~ 2007:

(1) Surplus fund (rehabilitation): ***.1300. last years***

(E) The assessment to fund the portion of the surplus fund that is used for handicap reimbursement for all self-insuring employers operating in Ohio who have not made an election to opt out of the handicap reimbursement program under the provisions of division (G) of section 4123.343 of the Revised Code shall be computed by multiplying the following rate by the individual self-insuring employer's paid compensation for calendar year ~~2007~~ 2008:

(1) Surplus fund (handicap): ***.2480.last years***

(F) The assessment to fund the portion of the surplus fund that is used for claims reimbursement for all self-insuring employers operating in Ohio who have not made an election to opt out of the right to reimbursement under the provisions of division (H) of section 4123.512 of the Revised Code shall be computed by multiplying the following rate by the individual self-insuring employer’s paid compensation for calendar year ~~2006~~ 2005:

(1) Surplus fund (disallowed claims reimbursement): ***~~.0360~~*** ***.0236.last years***

(G) An employer who no longer is a self-insuring employer in Ohio or who no longer is operating in this state shall continue to pay assessments for administrative costs and for the portion of the surplus fund that is mandatory. The assessments shall be computed by such employer by multiplying the following rates by the individual employer's paid compensation for calendar year ~~2006~~ 2005:

(1) Administrative cost fund, BWC: ***.0822.last years***

(2) Administrative cost fund, IC: ***~~.0726~~*** ***.0790. last years***

(3) Surplus fund (mandatory): ***~~.0706~~*** ***.0450.last years***

(H) If the paid compensation for a self-insuring employer for calendar year ~~2006~~ 2007 is less than ~~twelve~~ thirteen thousand ~~seven~~ eight hundred and ~~fifty five~~ eighty eight dollars and ~~ten~~ eighty nine cents, the minimum assessments shall be paid as follows: ***verbiage last years***

(1) Safety and hygiene fund: ***~~$125.00~~*** ***$136.11. last years***

(2) Administrative cost fund, BWC: ***~~$1,048.47~~*** ***$1,141.67. last years***

(3) Administrative cost fund, IC: ***~~$926.02~~*** ***$1097.22. last years***

(4) Surplus fund (mandatory): *~~$900.51~~* $625.00. ***last years***

If the paid compensation for calendar year ~~2006~~ 2007 for a self-insuring employer which has not made an election to opt out of the rehabilitation reimbursement program effective on or before July 1, ~~2007~~ 2008 is less than fifteen thousand three hundred and eighty four dollars and sixty two cents, the minimum assessment for the surplus fund (rehabilitation) shall be two thousand dollars.

If the paid compensation for calendar year ~~2006~~ 2007 for a self-insuring employer which has opted to participate in the handicap reimbursement program is less than fifty thousand dollars, the minimum assessment for the surplus fund (handicap) shall be twelve thousand four hundred dollars.

Assessments are applicable only for the funds to which payments must be made based upon the status and the options exercised relative to the handicap reimbursement program and the rehabilitation reimbursement program.

An employer who no longer is a self-insuring employer in Ohio or no longer is operating in this state and who has less than ~~twelve~~ thirteen thousand ~~seven~~ eight hundred and ~~fifty five~~ eighty eight dollars and ~~ten~~ eighty nine cents in paid compensation for calendar year ~~2005~~ 2006 shall have a reduced minimum assessment. The minimum assessment shall be ninety per cent of the above minimum assessments in this paragraph in the year after becoming inactive, eighty per cent in the following year, seventy per cent in the following year, and so forth, being reduced ten per cent each year, until the assessment is phased out over ten years. ***verbiage last years***

(I) If an individual self-insuring employer has become self-insured in the last five years (on or after July 1, ~~2002~~ 2003) paid compensation shall be as defined in paragraph (B) of this rule and shall additionally include compensation paid in calendar year ~~2006~~ 2007 by the state insurance fund for claim costs directly attributable to the employer prior to becoming self-insured.

(J) The initial assessment to a self-insuring employer in its first calendar year of operation as a self-insuring employer shall be prorated to cover the time period that self-insurance was in effect, but shall not be less than the minimum assessment for a self-insuring employer as provided in paragraph (H) of this rule.

(K) Pursuant to rule 4123-19-15 of the Administrative Code, the following assessment, to be billed and payable in two equal remittances by February ~~29~~ 28, ~~2008~~ 2009, and August 31, ~~2008~~ 2009, shall be computed for all self-insuring employers by multiplying the following rate by the individual self-insuring employer's paid compensation for calendar year ~~2006~~ 2007:

(1) Self-insuring employer guaranty fund: ***~~.1349~~ .0527.last years***

(L) If an employer fails to pay the assessment when due, the administrator may add a late fee penalty of not more than five hundred dollars to the assessment plus an additional penalty amount as follows:

(1) For an assessment from sixty-one to ninety days past due, the prime interest rate, multiplied by the assessment due;

(2) For an assessment from ninety-one to one hundred twenty days past due, the prime interest rate plus two per cent, multiplied by the assessment due;

(3) For an assessment from one hundred twenty-one to one hundred fifty days past due, the prime interest rate plus four per cent, multiplied by the assessment due;

(4) For an assessment from one hundred fifty-one to one hundred eighty days past due, the prime interest rate plus six per cent, multiplied by the assessment due;

(5) For an assessment from one hundred eighty-one to two hundred ten days past due, the prime interest rate plus eight per cent, multiplied by the assessment due;

(6) For each additional thirty-day period or portion thereof that an assessment remains past due after it has remained past due for more than two hundred ten days, the prime interest rate plus eight per cent, multiplied by the assessment due.

For purposes of this division, "prime interest rate" means the average bank prime rate, and the administrator shall determine the prime interest rate in the same manner as a county auditor determines the average bank prime rate under section 929.02 of the Revised Code.

DRAFT

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10 April 2008

Mr. John Pedrick, FCAS, MAAA
Chief Actuarial Officer
Ohio Bureau of Workers' Compensation
30 West Spring Street
Columbus, OH 43266-0581

Subject:
Rate Recommendations Marine Industry Fund, Coal-Workers Pneumoconiosis Fund and DWRF I and II

Dear Mr. Pedrick:

This letter and the attached exhibits contain our recommendations for 7/1/08 rates for the Marine Industry Fund (MIF), Coal Workers-Pneumoconiosis Fund (Black Lung), and DWRF I and II.

Caveats

The actual required rate levels can vary significantly from our forecasts for many reasons. Some reasons for possible variance from our projections are:

- Unforeseen changes in claims consciousness
- Unforeseen changes in claims settlement practices
- Unforeseen changes in economic conditions
- Legislative or judicial changes

Marine Industry Fund (MIF)

Background

The Marine Industry Fund is a voluntary fund created by the Ohio General Assembly to cover exposure for maritime employers under the Federal Longshoremen and Harbor Workers' Compensation Act. The federal government determines claimant eligibility for benefits and sets the benefit levels. Maximum benefits are currently 200% of the national average weekly wage, and benefits are escalated each year on October 1.

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Ohio MIF rates are set each July 1, with the first rates established 7-1-80. Premiums had grown from less than $100,000 in 1981 (the first full year of operations for the Fund) to approximately $1.7 million in 1995. Since 1995, premiums declined to an annual level of $688,000 in fiscal year 1999 and averaged approximately $800 thousand for the last five years. The fund balance shows a surplus as of June 30, 2007 of approximately $13.7 million.

The history of the Fund from 1998 to 2007 has been as follows:

Marine Industry Fund (MIF) Statistics ($000's)

Year	Assets	Liabilities	Fund Balance	Loss + LAE Reserves	Premiums	Non-Operating Revenues (Expense)*	Rate of Return
1998	9,636	9,330	306	9,111	931	772	38.7%
1999	9,813	6,633	3,180	6,339	688	458	26.3%
2000	11,531	4,584	6,947	3,359	900	642	12.7%
2001	12,521	5,511	7,010	4,319	746	778	11.1%
2002	13,155	3,550	9,605	2,006	687	354	4.3%
2003	13,595	3,032	7,563	4,753	833	298	3.5%
2004	13,935	6,217	7,718	5,044	764	57	0.7%
2005	14,827	3,100	11,727	1,953	865	319	3.3%
2006	14,701	2,543	12,158	2,203	754	238	2.0%
2007	15,959	2,157	13,802	1,966	739	904	7.0%

*1997 and subsequent includes change in fair value. 2002 and subsequent is total non-operating revenues (expenses).

Rate Recommendation

The attached rate level analysis, Exhibit I, (based on our actuarial evaluation as of December 31, 2007) shows an indicated decrease of approximately 26.9% (Scenario 1) and an indicated decrease of 48.4% (Scenario 2). Scenario 2 uses a more conservative loss projection than Scenario 1, but lower expense ratio assumptions than Scenario 1. The year-to-year results of the fund are quite variable due to reserve changes arising from the application of reserve formulas to claim payments. We recommend continuing active management of the claims and a rate decrease between 0% and 20% at this time.

Coal-Workers Pneumoconiosis Fund

Background

The Coal-Workers Pneumoconiosis Fund ("CWPF") was established in 1974 to provide benefits prescribed under the "Federal Coal Mine Health and Safety Act of 1969," (commonly called the "Federal Black Lung program"). The enabling legislation is codified in sections 4131.01 to 4131.06 of the Ohio Revised Code. The Fund is voluntary, as coal mine operators may purchase insurance from any insurer certified by the Federal Department of Labor (DOL) or they may self-insure.

Federal Black Lung benefits are principally for coal miners who are permanently and totally disabled ("PTD") by occupational pneumoconiosis and for the survivors of miners who have died due to this disease. State benefits are also available. Since state benefits are usually higher than federal benefits, federal claimants tend to be those whose medical proof of disability is marginal.

The minimum 2007 benefit is $7,008 annually. This applies for one beneficiary. For one dependent (i.e., two beneficiaries), two or three dependents, the benefits are 150%, 175%, and 200% of the minimum amount, respectively. Benefits are escalated annually, based on federal pay scales. PTD's receive benefits for life. Surviving widows receive benefits for life or until remarriage. Medical benefits are also payable. There are no counterparts to the temporary total

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or permanent partial benefits of the Ohio Worker's Compensation system. Claimants can receive interest on late payments and attorney fees.

The DOL rules on the compensability of claims. The Federal Black Lung Trust Fund pays certain claims. It may also pay claims while the DOL determines the last responsible operator. The last responsible operator generally is the last employer to employ the miner before disablement, which employment has lasted at least one year.

The history of the Fund from 1998 to 2007 has been as follows:

Coal Workers Pneumoconiosis Fund (000's)

Year	Assets	Liabilities	Fund Balance	Loss + LAE Reserves	Premiums	Non-Operating Revenue (Expense)*	Rate of Return
1998	149,317	35,858	113,459	35,600	260	17,204	16.2%
1999	148,102	37,043	111,059	36,782	(16)	(167)	(0.1%)
2000	152,326	38,249	114,077	38,021	3	5,421	4.8%
2001	187,512	53,271	134,241	37,026	0	20,458	16.5%
2002	186,115	50,758	135,357	50,190	1,232	13,984	10.4%
2003	211,290	63,398	147,891	52,600	267	19,275	13.6%
2004	220,527	68,809	151,718	55,700	256	4,345	2.9%
2005	224,739	63,320	161,419	57,500	824	11,969	7.6%
2006	221,894	61,756	160,138	61,100	921	2,708	1.7%
2007	234,763	63,022	171,741	62,200	887	13,566	8.2%

*1997 and subsequent include change in fair value. 2002 and subsequent are total non-operating revenue (expense).

On December 20, 2000 the DOL published final regulations liberalizing benefits administered under the Black Lung Benefits Act. The regulations, which took effect on January 19, 2001 created the potential for unfunded liabilities for claims incurred on policies effective between 1973 and 1999.

Rate Recommendations

Because of the significant surplus in the fund and the small annual premiums, we recommend BWC continue the policy of only charging premiums for new employers seeking coverage under the fund. The published regulations took effect on January 19, 2001. Our rate indication calculations provide three scenarios using different periods of historical experience. The losses are based on the selected ultimate losses and number of claims from our June 30, 2007 audit, adjusted to current loss level.

Since 1983, rates have decreased substantially. Seven of these years had rate decreases of 30% (including 30% in 1990 and 1991) and 1997 had a decrease of 10%. In 2001, rates were revised to revert back to the rates effective 7/1/89. The decreases in 1991 and prior were primarily related to the 1982 Amendments to the Federal law regarding eligibility. These amendments were projected to reduce claims by approximately 75%. In consideration of the relatively large surplus in the fund, we recommend no change in rates at this time.

DWRF

Background

The Disabled Workers' Relief Fund (DWRF Fund) provides supplementary payments to workers whose combined PTD plus Social Security Disability (SSD) benefits are lower than the DWRF entitlement amount. If eligible, the DWRF benefit is the difference between the entitlement and the greater of the PTD benefit or SSD benefit. The entitlement ($306.58 per week in 2007) is indexed to the national consumer price index (CPI) each year.

S.B. 307 divided DWRF benefits into two distinct parts for funding purposes. What is now commonly referred to as "DWRF I" relates to DWRF benefits for injuries occurring prior to 1987

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(prior to 8-22-86 for self-insured employers). "DWRF II" commonly refers to DWRF benefits for injuries occurring thereafter. Funding for both DWRF I and DWRF II is currently on a pay-as-you-go or cash flow basis.

Rate Recommendations

Exhibit III, attached, provides projections of DWRF II payments as well as the premium base for assessments for calendar years 2007 through 2009. For the rating year beginning 7/1/08, the indicated DWRF II rate is approximately 0.7% of base-rated premiums. The current rate is 0.1%. Exhibits IV and V, attached, provide projections for DWRF I disbursements and receipts for calendar years 1999 through 2009.

Our actuarial evaluation as of December 31, 2007 indicates that DWRF I rates (currently \$0.09 per \$100 payroll) are expected to be redundant for the year 2008. We recommend a reduction in the rates for DWRF I to \$0.08 per \$100 payroll for private employers. For DWRF II, we recommend no change in the rates for private employers at this time. For public employer taxing districts and state agencies, we recommend the same DWRF I rate as currently charged, \$0.05 for public employer state agencies and \$0.06 per \$100 payroll for public employer taxing districts.

Sincerely,

Jeffery J. Scott, FCAS, MAAA

Jeffery W. Scholl, FCAS, MAAA

JJS/mpg
cc: Ms. Tracy Valentino, Chief Financial Officer

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Exhibit I

Ohio Bureau Of Workers'Compensation
Marine Industry Fund (MIF)
Rate Level Analysis

(1) Accident Year	(2) Premium @ Pres. Rates	(3) Incurred Losses Disc. to 12/xx	(4) Loss Ratio Disc. to 12/xx	(5) L.R. x Trend to Rt Yr Eff. 7/1/08	(6) Losses x Trend to Rt Yr Eff. 7/1/08
1996	1,025,480	1,103,613	1.076	1.112	1,139,833
1997	702,574	777,174	1.106	1.140	800,610
1998	583,323	390,084	0.669	0.687	400,810
1999	579,383	180,186	0.311	0.319	184,663
2000	603,514	296,953	0.492	0.503	303,546
2001	569,691	138,040	0.242	0.247	140,741
2002	555,051	16,834	0.030	0.031	17,119
2003	595,215	3,238	0.005	0.006	3,285
2004	653,461	108,353	0.166	0.168	109,620
2005	690,332	951,604	1.378	1.391	960,248
2006	719,319	0	0.000	0.000	0
2007	641,284	337,316	0.526	0.528	338,626
Totals	7,918,625	4,303,396			4,399,101

ʼrojected 7/1/07 to 6/30/08 using:

	(A)	(B)	(C)
996-2005	641,284	397,058	0.619
:002-2005	641,284	280,335	0.437

		Scenario 1	Scenario 2
;elected:	(D)	0.619	0.437
\ll Loss Adj. Expenses (LAE) as % of Losses:	(E)	14.0%	14.0%
ndicated Loss + LAE % of Premiums for 7/1/08 rates:	(F)	70.6%	49.8%
;elected expense ratio (ex. LAE) % of premiums:	(G)	3.5%	3.5%
ndicated Rate Change:	(H)	-26.9%	-48.4%

\otes by Column:

(2) Premiums from col. (10) of App. O.5, adjusted to current level using rate level indexes in col. (11) of same exhibit; 2007 is for full year.

(3) From Appendix O.5, col. (9) of 12/31/07 evaluation.

(4) (3)/(2).

(5) (6)/(2).

(6) 1.003 raised to power: (2008.5 - accident year) times col. (3).

(A) Assumes exposures for 7/1/2007 to 6/30/2008.

(B) (C)*(A)

(C) (6)/(2)

(D) Selected uses '96-05 for Scenario 1; Scenario 2 is based on discussion with BWC and judgment.

(E) Based on BWC ratio of LAE/Loss from Appendix K in 6/30/07 actuarial audit, Scenario 2 assumes 100% of Scenario 1.

(F) ((1+(E))*(D)

(G) Based on BWC expense ratios excluding loss adjustment expense, Scenario 2 assumes 100% of Scenario 1.

(H) ((F)/(1-(G))-1.00

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Exhibit II

Ohio Bureau of Workers' Compensation

Coal-Workers Pneumoconiosis Fund

Indicated Rate Adequacy @ 6/30/08

Calendar Accident Year	(1) Proj. No. PTD Miner Awards	(2) Proj. No. PTD Widow Awards	(3) Projected PTD Losses @ 2008 Level	(4) Projected Widow Losses @ 2008 Level	(5) Projected Ultimate Losses @ 2008 Level	(6) Collected Premiums	(7) Premiums @ Present Rate Level	(8) Payroll (\$00's)	(9) Full Manual Premium
1983-90	16.0	5.0	4,543,372	679,613	5,222,985	N/A	6,963,810	N/A	6,963,810
1991	2.0	1.2	567,921	162,789	730,710	519,218	827,991	586,049	865,238
1992	1.5	2.2	425,941	298,446	724,387	389,203	709,322	523,679	798,421
1993	5.0	3.2	1,426,745	434,103	1,860,848	157,704	287,415	233,718	323,708
1994	3.1	1.3	868,761	176,354	1,045,115	293,553	535,000	489,958	603,127
1995	4.7	0.3	1,334,616	40,697	1,375,313	269,949	491,983	438,252	554,413
1996	3.0	0.3	851,882	40,697	892,579	259,547	473,024	411,601	532,958
1997	3.0	0.3	851,882	40,697	892,579	249,628	480,222	425,089	538,625
1998	3.0	1.4	851,882	189,920	1,041,802	117,560	251,285	444,460	672,534
1999	4.5	1.5	1,277,823	203,486	1,481,309	3,206	7,214	421,661	539,732
2000	4.0	0.5	1,135,843	67,829	1,203,672	0	0	437,864	553,864
2001	6.0	3.5	1,703,764	474,801	2,178,565	1,232,056	2,002,091	1,052,156	2,326,454
2002	5.0	1.0	1,419,804	135,657	1,555,461	266,958	266,958	635,274	1,081,155
2003	8.0	1.0	2,271,686	135,657	2,407,343	254,498	254,498	585,353	931,333
2004	4.5	1.0	1,277,823	135,657	1,413,481	822,067	822,067	838,551	1,634,120
Total	73.3	23.7			24,026,150	N/A	14,372,879	N/A	18,919,491
1991-2004	57.3	18.7			18,803,166	4,835,147	7,409,069	7,523,664	11,955,681
2000-2004	27.5	7.0			8,758,522	2,575,580	3,345,615	3,549,198	6,526,926

	Scenario 1	Scenario 2	Scenario 3
(10) Loss Ratio	134.2%	127.0%	157.3%
(11) Adj. for Interest	2.5%	2.5%	2.5%
(12) Contingency	5.0%	5.0%	5.0%
(13) Adjusted Loss Ratio	142.5%	135.1%	166.2%
(14) Target Loss Ratio	85.0%	85.0%	85.0%
(15) Indicated Rate Change	67.7%	59.0%	95.5%

Notes by Column:

(1) From Appendix M.7 of the June 30, 2007 actuarial audit.
(2) From Appendix M 7 of the June 30, 2007 actuarial audit.
(3) (1) times projected 2008 average PTD of \$274,358 (Appendix M.7 of actuarial audit) times benefit level change of \$604 / \$584.
(4) (2) times projected 2008 average PTD of \$131,070 (Appendix M.7 of actuarial audit) times benefit level change of \$684 / \$584.
(5) (3)+(4)
(6) From Ohio Bureau of Workers' Compensation.
(7) For 1990 and prior, uses payroll by class times current manual rates; payroll was from BWC.
(7) For 1991 and subsequent, uses collected premiums times rate change factor of -30% 7/1/91, -10% 7/1/97, -10% 7/1/98, and +125% 7/1/01.
(8) From Ohio Bureau of Workers' Compensation.
(9) Payroll by class times current manual rates.
(10) (5) / (9). Scenario 1 selected using accident years 2000-2004. Scenario 2 selected using all accident years. Scenario 3 selected using accident years 1991-2004.
(13) (10)*[1-(11)]+(12)
(12) Selected.
(13) [(13)/(14)] - 1

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Exhibit III

Ohio Bureau of Workers' Compensation

DWRF II Rate Projections

(1) Calendar Year	(2) DWRF II Payments ($000)	(3) PA Base-Rated Premiums ($000)	(4) PEC Base-Rated Premiums ($000)	(5) Payments PES ($000)	(6) Premiums & Payments Total ($000)	(7) Indicated DWRF II Rate
Growth Factor		0.00%	1.95%	1.95%		
2007		2,402,771	404,663	68,679	2,876,113	
2008	23,158	2,402,771	412,534	70,015	2,885,320	0.8%
2009	26,948	2,402,771	420,558	71,377	2,894,706	0.9%
Avg 2008-2009	25,053	2,402,771	416,546	70,696	2,890,013	0.9%

Notes by Column:

(2) From December 31, 2007 actuarial evaluation plus estimated payments for accident years 2008 and 2009.

(3) For 2007, from the actuarial evaluation as of December 31, 2007, adjusted for PDP credit and off balance. Includes recognition of rate decrease effective 7/1/00.

(4) For 2007, from June 30, 2007 Audit Exb. 4, page 8, col (1); growth rate from same exhibit, Col. (3). Includes recognition of the rate change in PEC rates effective 1/1/2008 and adjusted for off balance.

(5) For 2007, from December 31, 2007 JPMT report; growth rate is based on PEC payroll growth.

(6) (3) + (4) + (5).

(7) (2) / (6).

EXHIBIT DRAFT

Ohio Bureau of Workers' Compensation

Disabled Workers' Relief Fund - DWRF 1 - PA Employers

	Receipts*	Disbursements*	Difference: Receipts Minus Disbursements	Payroll**	Projected*** Rate	Actual Rate Per $100 Payroll****	DWRF 1 Total Fund Balance as of 1/31/2008
PY 2009 est	$98,251,942	$74,228,439	$24,023,503	$109,168,824,848	$0.068	$0.090	
PY 2008 est	$93,306,688	$76,564,517	$16,742,170	$103,674,097,671	$0.074	$0.090	
PY 2007 est	$88,610,340	$78,498,540	$10,111,800	$98,455,933,211	$0.080	$0.090	$13,000,000
PY 2006	$91,758,118	$83,703,502	$8,054,616	$93,500,411,407	$0.090	$0.100	
PY 2005	$88,656,124	$84,753,534	$3,902,590	$90,339,183,638	$0.094	$0.100	
PY 2004	$85,416,790	$90,817,469	($5,400,679)	$86,529,302,069	$0.105	$0.100	
PY 2003	$83,528,977	$88,010,675	($4,481,698)	$83,746,543,186	$0.105	$0.100	
PY 2002	$82,788,570	$96,618,611	($13,830,041)	$83,097,816,833	$0.116	$0.100	
PY 2001	$82,125,474	$101,897,294	($19,771,820)	$81,370,998,899	$0.125	$0.100	
PY 2000	$78,333,094	$105,262,791	($26,929,697)	$80,964,117,754	$0.130	$0.100	
PY 1999	$75,264,989	$109,684,099	($34,419,110)	$78,888,423,705	$0.139	$0.100	
PY 1998	$70,352,319	$107,757,024	($37,404,705)	$73,032,067,909	$0.148	$0.100	
PY 1997	$67,158,050	$112,073,358	($44,915,308)	$68,767,063,342	$0.163	$0.100	

Disabled Workers' Relief Fund - DWRF 1 - PES Employers

	Receipts*	Disbursements*	Difference: Receipts Minus Disbursements	Payroll**	Projected*** Rate	Actual Rate Per $100 Payroll***	DWRF 1 Total Fund Balance as of 1/31/2008
PY 2009 est	$3,817,666	$3,255,658	$562,008	$7,635,332,633	$0.043	$0.050	
PY 2008 est	$3,670,833	$3,347,290	$323,543	$7,341,665,993	$0.046	$0.050	
PY 2007 est	$3,529,647	$3,421,035	$108,612	$7,059,294,224	$0.048	$0.050	$6,900,000
PY 2006	$4,180,576	$4,192,846	($12,269)	$6,787,782,908	$0.062	$0.060	
PY 2005	$3,883,760	$4,151,176	($267,416)	$6,524,200,672	$0.064	$0.060	
PY 2004	$5,184,113	$4,317,937	$866,176	$6,265,746,531	$0.069	$0.080	
PY 2003	$6,056,535	$4,326,244	$1,730,291	$6,076,172,498	$0.071	$0.100	
PY 2002	$5,954,116	$4,606,129	$1,347,987	$5,923,986,506	$0.078	$0.100	
PY 2001	$5,866,430	$4,939,105	$927,325	$5,728,090,203	$0.086	$0.100	
PY 2000	$5,757,334	$5,428,062	$329,272	$5,440,824,066	$0.100	$0.100	
PY 1999	$5,149,578	$5,388,676	($239,098)	$5,211,558,058	$0.103	$0.100	
PY 1998	$5,286,591	$5,876,983	($590,392)	$4,923,459,107	$0.119	$0.100	
PY 1997	$4,293,796	$5,598,394	($1,304,598)	$4,691,974,285	$0.119	$0.100	

PA

* Actual Receipts & Disbursements for PY 2006 are from BWC Financial Reporting.
Receipts are projected for PY 2007, 2008 and 2009 at the current rate of $0.09 per $100 of projected payroll.

**Payroll is on a Policy Year basis. Payroll through PY 2006 was taken from the Data Warehouse database as of December, 2007.
PY 2007, 2008 and 2009 payroll was estimated using PY 2006 payroll and multiplying by the approved payroll inflation factor used in rate calculations.

***Projected rates calculated using the following: Disbursements divided by Payroll/100. For DWRF 1, $0.10 per $100 of payroll is the maximum rate. The current DWRF 1 rate became effective Julyy 1, 2005.

PES

* Actual Receipts & Disbursements for PY 2006 are from BWC Financial Reporting.
Receipts are projected for PY 2007, 2008 and 2009 at the current rate of $0.05 per $100 of projected payroll.

**Payroll is on a Policy Year basis and was taken from the Data Warehouse database as of December, 2007.
PY 2007, 2008 and 2009 payroll was estimated using PY 2006 payroll and multiplying by the approved payroll inflation factor used in rate calculations.

***Projected rates calculated using the following: Disbursements divided by Payroll/100. For DWRF 1, $0.10 per $100 of payroll is the maximum rate. The current DWRF 1 rate became effective July 1, 2006.

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EXHIBIT V

Disabled Workers' Relief Fund DWRF 1 - PEC Employers

	Receipts* PEC	Disbursements* PEC	Difference: Receipts Minus Disbursements	Payroll** PEC	Projected*** PEC Rate	Actual Rate Per $100 Payroll***	DWRF 1 Total Fund Balance as of 1/31/2008
CY 2009 est	$12,531,608	$11,835,590	$236,141	$20,886,347,280	$0.057	$0.06	
CY 2008 est	$12,274,063	$12,035,912		$20,456,755,417	$0.059	$0.06	
CY 2007 est	$15,467,034	$13,327,326	$2,139,710	$20,035,999,429	$0.067	$0.06	$13,700,000
CY 2006	$14,888,628	$13,664,662	$1,223,966	$18,955,533,991	$0.072	$0.08	
CY 2005	$16,666,120	$13,136,515	$3,529,605	$18,602,416,536	$0.071	$0.08	
CY 2004	$18,034,071	$13,685,175	$4,348,896	$18,544,063,521	$0.074	$0.09	
CY 2003	$17,681,167	$15,464,593	$2,216,574	$18,021,687,597	$0.086	$0.10	
CY 2002	$16,438,385	$15,431,674	$1,006,711	$17,610,593,475	$0.088	$0.10	
CY 2001	$14,637,302	$15,639,535	($1,002,233)	$16,763,138,103	$0.093	$0.10	
CY 2000	$15,899,849	$15,504,066	$395,783	$15,842,019,040	$0.098	$0.10	
CY 1999	$14,508,114	$16,170,052	($1,661,938)	$15,091,742,314	$0.107	$0.10	
CY 1998	$12,606,666	$16,331,842	($3,725,176)	$14,344,209,475	$0.114	$0.10	
CY 1997	NA	$16,690,729	NA	$13,588,797,794	$0.123	$0.10	

PEC

* Actual Receipts & Disbursements for PY 2007 and prior are from BWC Financial Reporting.
Receipts are projected for PY 2008 and 2009 at the current rate of $0.06 per $100 of projected payroll.

**Payroll is on a calendar year basis. Payroll through CY 2006 was taken from the Data Warehouse database as of December, 2007.
CY 2007, 2008 and 2009 payroll was estimated using the approved payroll inflation factor used in rate calculations.

***Projected rates calculated using the following: Disbursements/Payroll/100. The current DWRF 1 rate became effective January 1, 2007.

Coal Workers' Pneumoconiosis Fund (CWPF)
Executive Summary

Description of Fund: The Coal Workers' Pneumoconiosis Fund (CWPF) provides benefits for injured workers under the Federal Coal Mine Health and Safety Act of 1969. The federal government sets benefit levels and determines claim eligibility for benefits. The CWPF provides voluntary coverage to employers who have employee exposure to coal dust, as required by federal law. Ohio employers may choose to purchase the insurance from BWC, from a private carrier, or self insure.

Benefits provided by fund: CWPF provides Permanent and Total Disabled (PTD) pension benefits and medical payments to employees who have contracted pneumoconiosis in the course of their employment. CWPF provides for Death benefits for surviving spouses of injured workers who have contracted pneumoconiosis in the course of their employment and subsequently died from the pneumoconiosis.

Rate Method: Calculate and apply premium rates designed to provide premiums to equal the cost of all coal mining lung related occupational diseases that have injury dates during the policy year. The current rate will apply to new employers to the fund. <u>A moratorium on premium collections has been in place beginning in the policy year 7-1-1999 through 7-1-2007 due to the high level of surplus</u>. Premium is paid only by employers who have newly subscribed to the CWPF fund on or after May 15, 1999.

Oliver Wyman Rate Indication:

The BWC's consulting actuary Oliver Wyman's rate indication is for no change in rates at this time.

Administrator's Recommendation:

The Administrator is recommending no rate change and to continue a moratorium for CWPF subscribers to the fund with active dates prior to May 15, 1999.

Coal-Workers' Pneumoconiosis (Black Lung) Fund Rate History

7-1-74	Rates: Manual 1112 - $6.30 Manual 1115 - $3.68
7-1-75	No Change
7-1-76	No Change
7-1-77	No Change
7-1-78	No Change
7-1-79	No Change
7-1-80	No Change; Administrative Cost now included as a part of the base rate
7-1-81	30% increase
7-1-82	30% increase; Manual 1116 was added
7-1-83	30% decrease for Manual 1115 and Manual 1116 only
7-1-84	30% decrease for Manual 1115 and Manual 1116 only
7-1-85	30% decrease
7-1-86	30% decrease
7-1-87	30% decrease
7-1-88	No Change
7-1-89	No Change
7-1-90	30% decrease
7-1-91	30% decrease
7-1-92	No Change
7-1-93	No Change
7-1-94	No Change
7-1-95	No Change
7-1-96	No Change
7-1-97	10% decrease
7-1-98	No Change
7-1-99	No Change
7-1-2000	No Change
7-1-2001	Rates: Manual 1112 - $3.70 Manual 1115 - $1.07 Manual 1116 - $0.83
7-1-2002	No Change
7-1-2003	No Change
7-1-2004	No Change
7-1-2005	No Change
7-1-2006	No Change
7-1-2007	No Change

Marine Industry Fund (MIF)
Executive Summary

Description of Fund: The Marine Industry Fund provides voluntary coverage to Ohio employers with employees who work on or about navigable waters, as required by the Federal Longshoremen and Harbor Workers' Act. Ohio employers in the marine industry may choose to purchase the insurance from BWC, from a private carrier, or self insure.

Benefits provided by fund: A Marine Fund claim is filed with both the Department of Labor and the BWC. The Federal Government determines the claimant eligibility for benefits and sets the benefit levels. An injured worker may only receive lost time benefits from the federal claim or the BWC claim, but not from both for the same period. Medical benefits may be paid from either the federal claim or the BWC claim as long as duplicate payments do not occur. Injured workers covered under the Marine Industry Fund are entitled to the same benefits as other injured workers **except** for the following:

- Living Maintenance and Living Maintenance Wage Loss benefits
- Lump Sum Advancements
- Rehabilitation Services only as ordered by the Department of Labor

Rate Method: Calculate and apply premium rates designed to provide premiums to equal the cost of all losses related to the Marine Industry Fund exposure that have injury dates during the policy year.

Oliver Wyman Rate Indication:

The BWC's consulting actuary Oliver Wyman has recommended a rate change of zero to a decrease of twenty percent (20%).

Administrator Recommendation:

The Administrator is recommending a decrease of 10 percent (10%).

Marine Industry Fund Rate History

7-1-80	Inception of the Marine Industry Fund with the creation of Manuals 9705, 9711, 9719, 9725 and 9741
1-1-81	Manuals 9702 and 9740 were added
7-1-81	No Change
7-1-82	30% increase All Marine Industry Fund risks must have Manual 7772 in the Ohio State Insurance Fund
7-1-83	30% increase
7-1-84	No Change
7-1-85	No Change
7-1-86	No Change
7-1-87	No Change
7-1-88	No Change
7-1-89	No Change
7-1-90	No Change
7-1-91	No Change
7-1-92	No Change
7-1-93	No Change
7-1-94	No Change
7-1-95	No Change
7-1-96	No Change
7-1-97	10% decrease
7-1-98	No Change
7-1-99	No Change
7-1-2000	No Change
7-1-2001	No Change
7-1-2002	No Change
7-1-2003	No Change
7-1-2004	No Change
7-1-2005	12% Decrease
7-1-2006	No Change
7-1-2007	10% Decrease

4123-17-19 EMPLOYER CONTRIBUTION TO THE MARINE INDUSTRY FUND

The administrator of workers' compensation, with the advice and consent of the workers' compensation oversight commission, has authority to establish contributions made to the marine industry fund by employers pursuant to sections 4121.121 and 4131.14 of the Revised Code. The administrator hereby sets the premium rates per one hundred dollar unit of payroll to be effective July 1, ~~2007~~ 2008 as indicated in attached appendix A.

Effective: 7/1/2007
Prior Effective Dates: 7/1/90, 7/1/97, 7/1/05, 7/1/2007, 7/1/2008

Appendix A

Rates are for each $100 unit of payroll

NCCI Manual	Code Manual Rate
6802	~~$16.71~~ $15.04
6847	~~$32.06~~ $28.85
7310	~~$15.50~~ $13.95
7325	~~$42.01~~ $37.81
7330	~~$16.71~~ $15.04
8707	~~$42.01~~ $37.81
8708	~~$10.68~~ $9.61

NOTE: Manual descriptions for the classifications are in the NCCI Classification section of this publication.
Ohio's underwriting coverage of these manuals is subject to approval by the Federal Government.

Disabled Workers' Relief Fund (DWRF I)
Executive Summary

Description of Fund: The Disabled Workers' Relief Fund (DWRF I) provides for supplementary payments to workers whose combined PTD plus Social Security disability benefits are lower than the DWRF entitlement amount on claims that occurred prior to 1987.

Benefits provided by fund: This allows for cost of living increases to injured workers receiving PTD benefits.

Rate Method: This fund is on a terminal funding or cash flow basis in which the premiums collected each policy year are to equal the payments made in the same policy year without regard to the accident/injury year. The ORC 4123.411 (A) requires that the assessment should be levied at a rate of at least five but not to exceed ten cents per one hundred dollars of payroll, such rate to be determined annually for each employer group, which will produce an amount no greater than the amount the administrator estimates to be necessary to carry out such sections for the period for which the assessment is levied.

Oliver Wyman Rate Indication:

Employer Type	Previous Rate	Proposed Rate
Private Employer (PA)	$0.09	$0.08
Public Employer Taxing Districts (PEC)	$0.06	$0.06
Public Employer State Agency (PES)	$0.05	$0.05

Administrator Recommendation:

The Administrator is recommending adopting the above proposed rates.

Disabled Workers' Relief Fund -- History--Assessment For Injuries Prior to 1-1-87

EMPLOYER GROUP			
Private Fund:	1959 to 1975	.03	Per $100 Unit of Payroll
	1976 to 6-30-80	.05	
	7-1-80 to 6-30-2007	.10	
	7-1-2007	.09	
Self-Insured:	1959 to 1975	.03	Per $100 Unit of Payroll
	1976 to 6-30-80	.05	
	7-1-80 to 6-30-81	.08	
	7-1-81 to 8-21-86	.05	
	8-22-86*		
*Effective 8-22-86 self-insured employers must reimburse the Bureau of Workers' Compensation for DWRF benefits paid to claimants in claims which the employer was the employer of record.			
Public Employer Taxing Districts	1959 to 1975	.03	Per $100 Unit of Payroll
	1976 to 1979	.05	
	1980 to 2003	.10	
	1-1-2004 to 12-31-2004	.09	
	1-1-2005 to 12/31/2006	.08	
	1-1-2007	.06	
Public Employer State Agencies	1959 to 1975	.03	Per $100 Unit of Payroll
	1976 to 6-30-1980	.05	
	7-1-1980 to 6-30-2004	.10	
	7-1-2004 to 6-30-2005	.08	
	7-1-2005 to 6/30/2007	.06	
	7-1-2007	.05	

Additional Disabled Workers' Relief Fund (DWRF II)
Executive Summary

Description of Fund: The Additional Disabled Workers' Relief Fund (DWRF II) provides supplementary payments to workers whose combined PTD plus Social Security disability benefits are lower than the DWRF entitlement amount on claims that occurred in 1987 and after. Senate Bill 307 established DWRF II, with the apparent legislative intent of actuarially solvent pre-funding of DWRF benefits for injuries occurring in 1987 and subsequent. This pre-funding caused the DWRF II fund to grow. Subsequently, a formal Attorney General opinion in 1993 required that DWRF II operate on a terminal funding or cash flow basis.

Benefits provided by fund: This allows for cost of living increases to injured workers receiving PTD benefits.

Rate Method: The current rate is one tenth of one percent of premium at base rate. The ORC 4123.411 (B) states that the BWC shall levy an assessment against all employers at a rate per one hundred dollars of payroll, such rate to be determined annually for each classification of employer in each employer group, which will produce an amount no greater than the amount the administrator estimates to be necessary to carry out such sections for the period for which the assessment is levied. Case Notes number 8 and OAG No. 93-011 states that the ORC does not authorize the Administrator of Workers' Compensation to levy the assessment therein described at a rate that will create a reserve within the DWRF.

Oliver Wyman Rate Indication:

The BWC's consulting actuary, Oliver Wyman has recommended that the DWRF II rate remain at one-tenth of one percent of premium at base rate.

Administrator Recommendation:

The Administrator is recommending the rate remain at one-tenth of one percent of premium at base rate.

Disabled Workers' Relief Fund -- History--Assessment
For Injuries On and After 1-1-87

EMPLOYER GROUP	PERIOD	PERCENT OF PREMIUM COMPUTED AT BASE RATE
Private Employers:	1-1-87 to 12-31-87	2%
	1-1-88 to 12-31-88	3%
	1-1-89 to 12-31-89	4%
	1-1-90 to 12-31-90	5%
	1-1-91 to 12-31-91	5%
	1-1-92 to 06-30-93	5%
	7-1-93 to 12-31-93	.1%
	1-1-94 to 12-31-94	.1%
	1-1-95 to 12-31-95	.1%
	1-1-96 to 12-31-96	.1%
	1-1-97 to 12-31-97	.1%
	1-1-98 to 12-31-98	.1%
	1-1-99 to 12-31-99	.1%
	1-1-2000 to 12-31-2000	.1%
	1-1-2001 to 12-31-2001	.1%
	1-1-2002 to 12-31-2002	.1%
	1-1-2003 to 12-31-2003	.1%
	1-1-2004 to 12-31-2004	.1%
	1-1-2005 to 12-31-2005	.1%
	1-1-2006 to 12-31-2007	.1%
Self-Insured:	Reimburse the Bureau of Workers' Compensation for DWRF benefits to claimants in claims in which the employer is the employer of record.	

Disabled Workers' Relief Fund -- History--Assessment For Injuries On and After 1-1-87

Public Employer Taxing Districts:	1-1-87 to 12-31-87	2%
	1-1-88 to 12-31-88	3%
	1-1-89 to 12-31-89	4%
	1-1-90 to 12-31-90	5%
	1-1-91 to 12-31-91	5%
	1-1-92 to 12-31-92	5%
	1-1-93 to 12-31-93	.1%
	1-1-94 to 12-31-94	.1%
	1-1-95 to 12-31-95	.1%
	1-1-96 to 12-31-96	.1%
	1-1-97 to 12-31-97	.1%
	1-1-98 to 12-31-98	.1%
	1-1-99 to 12-31-99	.1%
	1-1-2000 to 12-31-2000	.1%
	1-1-2001 to 12-31-2001	.1%
	1-1-2002 to 12-31-2002	.1%
	1-1-2003 to 12-31-2003	.1%
	1-1-2004 to 12-31-2004	.1%
	1-1-2005 to 12-31-2005	.1%
	1-1-2006 to 12-31-2007	.1%
Public Employer State Agencies:	1-1-87 to 12-31-87	2%
	1-1-88 to 12-31-88	3%
	1-1-89 to 12-31-89	4%
	1-1-90 to 12-31-90	5%
	1-1-91 to 12-31-91	5%
	1-1-92 to 06-30-93	5%
	7-1-93 to 12-31-93	.1%
	1-1-94 to 12-31-94	.1%
	1-1-95 to 12-31-95	.1%
	1-1-96 to 12-31-96	.1%
	1-1-97 to 12-31-97	.1%
	1-1-98 to 12-31-98	.1%
	1-1-99 to 12-31-99	.1%
	1-1-2000 to 12-31-2000	.1%
	1-1-2001 to 12-31-2001	.1%
	1-1-2002 to 12-31-2002	.1%
	1-1-2003 to 12-31-2003	.1%
	1-1-2004 to 12-31-2004	.1%
	1-1-2005 to 12-31-2005	.1%
	1-1-2006 to 12-31-2007	.1%

4123-17-29 **Disabled workers' relief fund; employers' assessments and self-insurers' payments.**

(A) State fund employers.

(1) In order to make disabled workers' relief fund ("DWRF") payments to claimants having dates of injury or disability prior to January 1, 1987, assessments shall be levied in the following manner for so long as payments to such claimants are required:

(a) Private state fund employers: ~~nine~~ eight cents per one-hundred-dollar unit of payroll, effective ~~January 1, 1980~~ July 1, 2008;

(b) Public employer taxing districts: six cents per one-hundred-dollar unit of payroll, effective January 1, 2007;

(c) Public employer state agency: five cents per one-hundred-dollar unit of payroll, effective July 1, 2007.

These assessments shall be billed at the same time state insurance fund premiums are billed and payments shall be credited to the disabled workers' relief fund.

(2) In order to make DWRF payments to claimants having dates of injury on or after January 1, 1987, assessments shall be levied in the following manner for so long as payments to such claimants are required:

(a) Private state fund employers: one-tenth of one per cent of premium, computed at basic rate, effective July 1, 1993;

(b) Public employer taxing districts: one-tenth of one per cent of premium, computed at basic rate, effective January 1, 1993;

(c) Public employer state agency: one-tenth of one per cent of premium, computed at basic rate, effective July 1, 1993;

These assessments shall be billed at the same time state insurance fund premiums are billed and payments shall be credited to the disabled workers' relief fund.

(B) Self-insuring employers.

(1) Each self-insuring employer shall reimburse the bureau for DWRF payments made in claims in which it is the employer of record, without regard to the date the employer was granted the privilege to pay compensation directly, for all DWRF payments made on or after August 22, 1986. Upon default and a finding of noncompliance by the administrator of workers' compensation, reimbursement shall be made from the self-insuring employers' guaranty fund.

(2) Self-insuring employers shall be billed on a semi-annual basis for the DWRF payments made pursuant to this rule.

R31729 (7-1-07).doc
June 5, 2007

Administrative Fund

Statutory Authority

Assessment Process

Assessment Calculation

Assessment History

Methodology for Calculating Administrative Cost Assessment

Ohio Bureau of Workers' Compensation

Tracy Valentino, Chief Fiscal and Planning Officer

April 25, 2008

Administrative Cost Fund

The Administrative Cost Fund (ACF) provides for the payment of administrative and operating costs of most funds administered by BWC.

Disabled Workers' Relief Fund (DWRF), Coal Workers' Pneumoconiosis Fund, Marine Industry Fund, and Safety and Hygiene pay their administrative and operating costs directly.

Administrative Fund

Statutory Authority

Assessment Process

Assessment Calculation

Assessment History

Statutory Authority

Ohio Revised Code Section 4123.342(A) states:

"...The Administrator shall calculate each employer's assessment in the class, except for self-insuring employers, on the basis of the following three factors: payroll, paid compensation, and paid medical costs of the employer..."

(Employer Class defined as Private Employers, Public Taxing Districts, Public – State Agencies and Universities, and Self Insured Employers.)

Administrative Fund
Statutory Authority
Assessment Process
Assessment Calculation
Assessment History

Assessment Process

- Cost Allocation Study
- Management Review
- Administrator and Board Approval

Administrative Fund
Statutory Authority
Assessment Process
Assessment Calculation
Assessment History

Rate Variables

- Administrative Budget
- Allocation Methodology
- Prior Period Adjustment
- Assessment Allocation Base
- ACF Cash Balance

Administrative Fund
Statutory Authority
Assessment Process
Assessment Calculation
Assessment History

Administrative Budget

- Compiled on an annual and biennial basis
- Reviewed and approved by the BWC Board of Directors
- Reviewed and approved by the Office of Budget and Management
- Biennial budget subject to review and approval of the Ohio General Assembly

Administrative Fund
Statutory Authority
Assessment Process
Assessment Calculation
Assessment History

Cost Allocation Methodology

- Cost Pools
  - Organizational units that can be used to identify specific activities and discrete pools of administrative costs
  - Organizational units that cannot be used to identify specific activities and must be allocated using a general methodology
- Service Metrics
  - Measurements of services and workload of services provided
  - Identification of recipients of services

Assessment Allocation Base

Private, Public Taxing Districts and State Agencies and Universities

- Actuarial projection of expected premiums from each employer group for the rating period
- Projections are consistent with those used in the premium rate calculations

Self Insured Employers

- Actuarial projection of paid compensation on lost time claims for the rating period
- Projections are consistent with those used in the premium rate calculations

Prior Period Adjustment

- Administrative Cost Fund is a "pay-as-you-go" fund
- Rate is designed to collect only the funds necessary to support annual expenditures
- Comparison of actual expenses to the estimates used in the prior year allocation study
- Comparison of actual revenues collected to the projected revenues used in the prior rate calculation

Administrative Fund

Statutory Authority

Assessment Process

Assessment Calculation

Assessment History

Cash Balance

- Ohio Revised Code establishes a maximum cash balance at June 30 at $45 million (unencumbered)
- Cash in excess of statutory maximum returned to employers through the rate calculation
- Cash shortfall below statutory maximum may be charged back to employers but historically has not always been done.

Administrative Fund
Statutory Authority
Assessment Process
Assessment Calculation
Assessment History

Assessment Calculation

Step One:

Estimated allocated cost by employer group
+/- Prior Period Adjustment
Net allocated cost by employer group

Step Two:

Net allocated cost by employer group
/ Projected Premium
Administrative Rate as percentage of Premium

Step Three:

Administrator's Review and Recommendation

Administrative Fund

Statutory Authority

Assessment Process

Assessment Calculation

Assessment History

Assessment History

Rate History

Employer Group		FY 2005	FY 2006	FY 2007	FY 2008
Private		13.55%	13.55%	14.09%	14.09%
Public - State		11.95%	11.95%	12.43%	12.43%
Public Taxing Districts		7.84%	7.84%	8.15%	8.15%
Self - Insured		7.90%	7.90%	8.22%	8.22%

Costs by Employer Group

Employer Group		FY 2005	FY 2006	FY 2007	FY 2008
Private		226,891,655	222,566,317	224,978,328	229,631,037
Public - State		7,180,116	10,116,651	12,949,918	10,220,182
Public Taxing Districts		33,028,532	33,240,424	32,672,554	32,158,330
Self-Insured		20,104,324	23,123,773	24,852,131	21,673,834
Total		287,204,626	289,047,165	295,452,931	293,683,383

OLIVER WYMAN

Oliver Wyman Actuarial Consulting, Inc.

April 24, 2008

Experience Rating Plan Update—BWC Actuarial Board Meeting

Jeffery J. Scott, FCAS, MAAA
William Hansen, FCAS, MAAA
Columbus, Ohio

Contents

Objectives of this Session

Objectives
Session outline

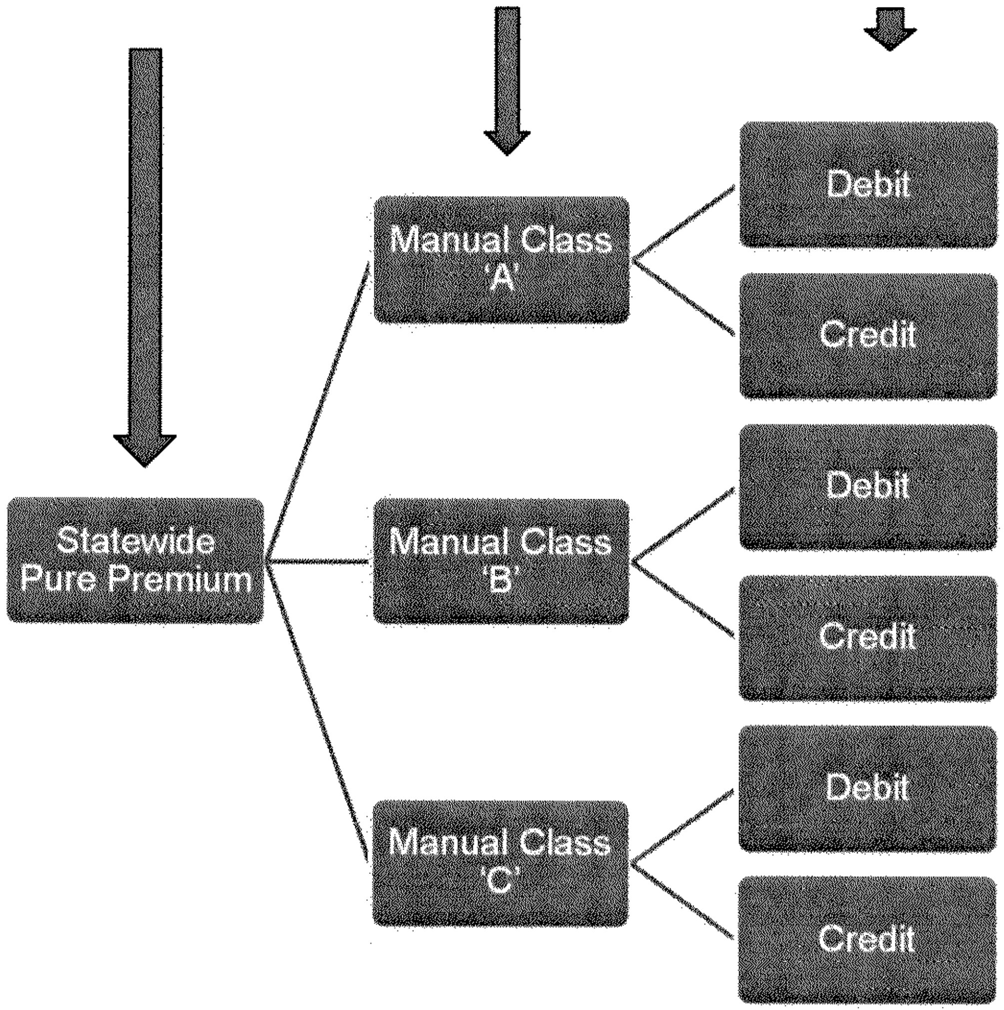
1. Review experience rating plan concepts

2. Share preliminary results on split plan performance

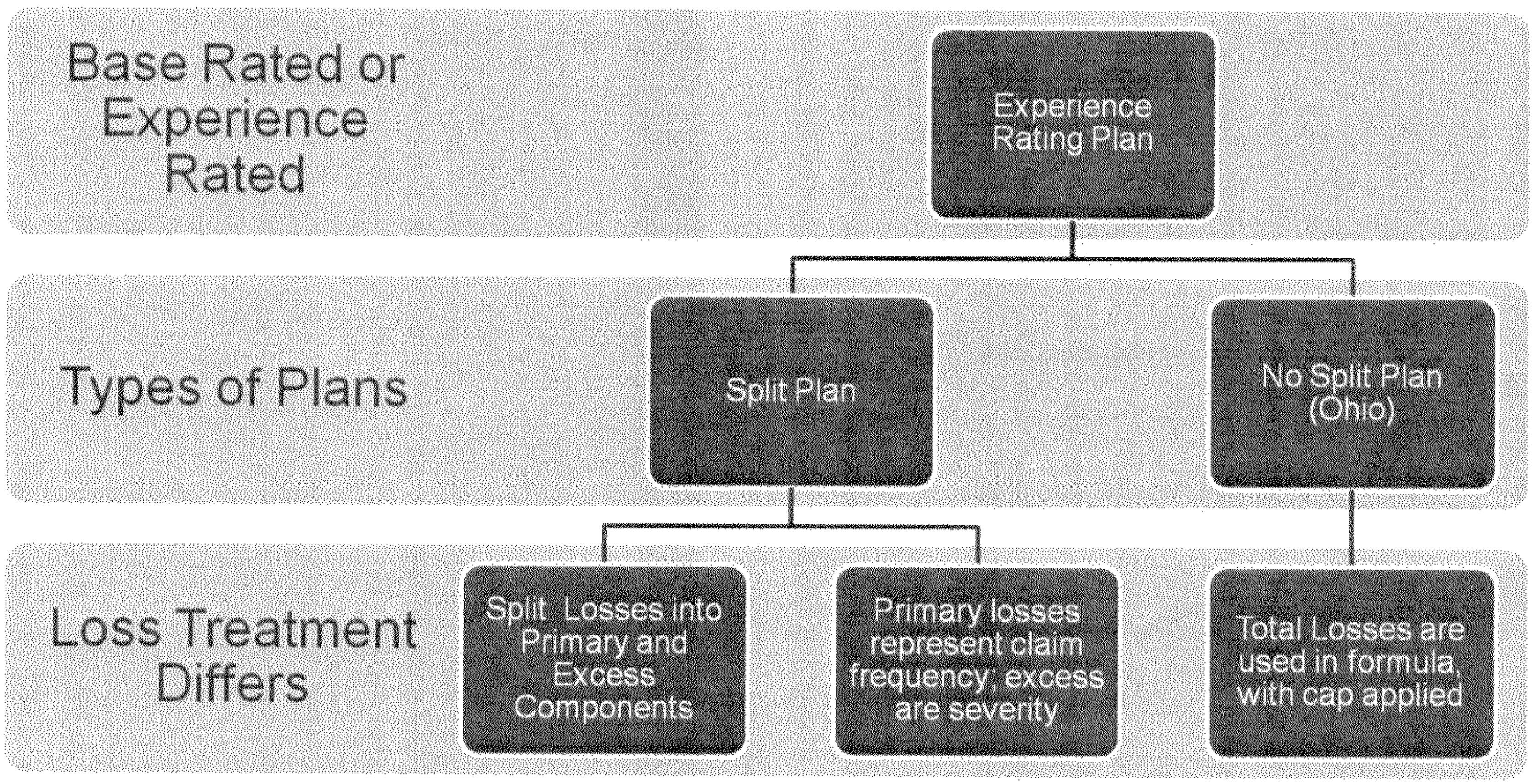
Review Experience Rating Plan Concepts

Review Experience Rating Plan Concepts
Risk Classification

Risk Classification--Base Premium --500+ Manual Risk Classes---Unlimited Debits and Credits



Review Experience Rating Plan Concepts
Split Plan Defined by Loss Treatment



Review Experience Rating Plan Concepts
Experience Rating Process

<u>Experience Rating is not a reward/penalty, it is prospective</u>

2003-2006 Payroll

2003-2006 Losses

Experience Rating Formula

2008 Experience Mod (used to determine 2008 premium)

Historical DATA

Prospective Rating Factor

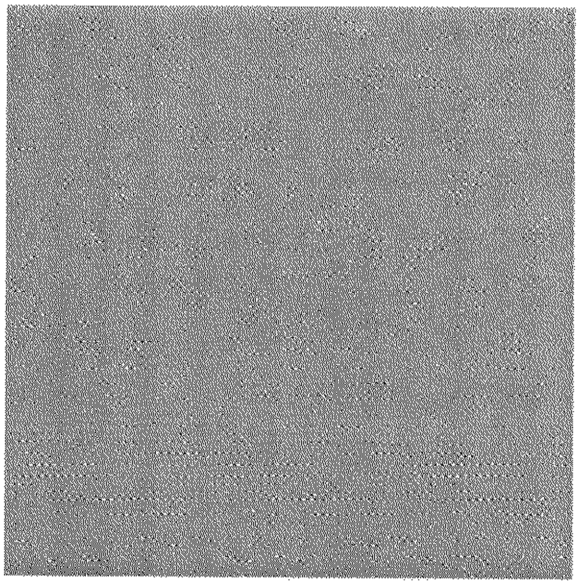
Review Experience Rating Plan Concepts
Performance Measures to Define Equity

- How do we know if experience rating is fair and equitable? Is the plan predictive of future loss cost differences?
- A basic way to review plan performance is to examine the loss ratios before and after experience rating has been applied—the desired outcome is equal loss ratios across the range of debit and credit risk groups. [we are ignoring possible expense differences]

Example of desired experience rating plan results

Quintile Rank	Description	Manual Loss Ratio	Exp Rated Loss Ratio
1	Highest	150%	85%
2	High	100%	78%
3	Average	80%	83%
4	Low	60%	75%
5	Lowest	40%	82%
Total		80%	80%

The experience rated loss ratios are within a few points of the total, or average. Rarely will the loss ratios be exactly equal with real insurance data.



Project Plan and Sample Results

The scope of the first phase of the project includes the following:

- **Analysis of a split plan for experience rating using Ohio data, capturing impacts on these segments:**
  - Base rates
  - Credibility levels
  - Experience modifiers
  - Individual premiums
- **Establish actuarially sound split rating plan parameters including:**
  - State average cost per claim
  - Maximum single loss
  - Credibility parameters
  - Primary and excess expected loss rates (ELR's)
  - Qualification minimums

Project Plan and Sample Results
$10,000 Split Point

Loss Ratios by Group Status

Policy Status	Policy Year 2003 Current	Policy Year 2003 Plan 10N	Policy Year 2004 Current	Policy Year 2004 Plan 10N	Policy Year 2005 Current	Policy Year 2005 Plan 10N
Group	145.1%	89.0%	131.7%	77.8%	117.7%	75.7%
Non Group	63.8%	79.7%	53.4%	67.7%	56.1%	69.2%
Base Rated	80.2%	106.8%	73.7%	90.0%	83.0%	96.1%
Total	87.5%	87.5%	75.0%	75.0%	75.5%	75.5%

The loss ratios of Group and Non Group segments move towards the average (total) with this split plan scenario

Project Plan and Sample Results
$10,000 Split Point

Loss Ratios by Premium Size

Premium Ranges	Policy Year 2003 Current	Policy Year 2003 Plan 10N	Policy Year 2004 Current	Policy Year 2004 Plan 10N	Policy Year 2005 Current	Policy Year 2005 Plan 10N
$4,500,000 >	148.5%	86.9%	156.2%	84.0%	126.8%	76.4%
$1,000,001 to $4,500,000	124.2%	83.3%	95.1%	68.2%	103.4%	73.1%
$250,001 to $1,000,000	62.1%	76.0%	49.8%	62.1%	60.3%	71.9%
$50,001 to $250,000	61.8%	79.3%	53.7%	70.6%	54.6%	70.3%
$50,000 <	69.5%	86.9%	59.1%	75.3%	56.7%	68.5%
Total	89.2%	84.2%	75.3%	72.3%	74.0%	72.1%

The loss ratios by premium size also move towards the total average with this split plan

Project Plan and Sample Results
$10,000 Split Point

Experience Rated Loss Ratios by Size and Quintile--Policy Year 2005

Quintile	Greater than $4,500,000 Current	Greater than $4,500,000 Plan 10N	$1,000,001 to $4,500,000 Current	$1,000,001 to $4,500,000 Plan 10N	$250,001 to $1,000,000 Current	$250,001 to $1,000,000 Plan 10N	$50,001 to $250,000 Current	$50,001 to $250,000 Plan 10N	Less than $50,000 Current	Less than $50,000 Plan 10N
1	420.2%	74.6%	378.1%	87.8%	91.2%	71.9%	57.3%	64.6%	47.6%	62.1%
2	276.9%	97.9%	166.1%	75.3%	58.9%	65.6%	57.9%	78.2%	54.3%	74.0%
3	230.3%	88.9%	115.6%	77.7%	57.0%	70.6%	58.4%	56.7%	49.4%	57.8%
4	104.7%	77.0%	86.1%	70.8%	44.9%	64.1%	42.7%	73.8%	58.9%	63.1%
5	59.3%	61.0%	58.5%	59.8%	60.7%	83.3%	57.4%	75.5%	64.6%	82.3%
Test Statistic	30.73	0.66	53.60	0.61	0.49	0.07	0.18	0.16	0.13	0.11

- As demonstrated on slide 8, the equity in the rating plan is improved with the new split plan, as the loss ratios are much more similar across the quintile segments.
- The test statistic is a formal measure of performance:
    - A measure above 1.00 means the experience rating plan is making results worse, or less equitable
    - A measure below 1.00 means the experience rating plan is predictive of higher costs, improving equity
    - In all cases a lower measure is better

Summary and Next Steps

Summary and Next Steps

- Review of experience rating fundamentals
- Performance measures—equity
- Split Plan Initial results are encouraging
- Matching premiums with expected loss costs
- Progress towards June meeting

OLIVER WYMAN

MMC

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

BWC Board of Directors
Actuarial Committee
CAO Report
John Pedrick, Chief Actuarial Officer
April 24, 2008

MCO Costs in PES Rates

During the March meeting a question arose regarding the changes to our method of including MCO costs in rates for Public Employer – State Agencies, Universities, and University Hospitals (PES). While PES rates are a separate agenda item for this meeting, a timeline is included here as a supplement to that discussion.

Time Frame	Rate	Discussion
July 1, 2007 through December 31, 2007	7.25%	Assessment rate is based directly on the MCO contract provisions.
Calendar Year 2008		New MCO contract using activity measures results in estimate of $5.7 million for PES MCO costs for calendar year 2008. This is estimated to equal 8.0% of projected premium.
January 1, 2008 through June 30, 2008	7.25%	Continue assessment rate of 7.25% since this is mid-fiscal year for state agencies. It is expected to produce $2.6 million toward MCO costs (less than half of the full year projection). Develop full assessment for calendar year 2009.
Fiscal Year 2009: July 1, 2008 through June 30, 2009	9.19%	The assessment is based on projected costs over two time periods. For the six months from July 1 through December 31, $3.1 million is needed to fully fund the 2008 costs. For January 1 through June 30, 2009, $3.0 million is projected based on an assumption of a 3% increase in the overall MCO contract for 2009. The total expected costs are $6.1 million for the fiscal year ending June 30, 2009. We have proposed a decrease in pure premium rates of 10%. The lower premium base results in a higher percentage of premium for the fixed MCO cost estimate.
Summer 2008		Estimate costs for Fiscal Year 2010, determine feasibility and suitability of a biennial rate method.
Spring 2009		Determine new estimate of MCO costs. Determine adjustment for difference between actual and projected MCO costs for 2008 – this is the “true up”. New MCO assessment is sum of expected costs and the adjustment, divided by projected premium.

Coal-Workers Pneumoconiosis Fund Potential Legislation and Rules

A proposal is in development to use a portion of the interest and dividend income from this fund for mine safety programs under ODNR. We have worked with legislators and have developed a proposed framework that allows this transfer within certain restrictions. As of 12/31/07, CWPF assets were $248.2 million, liabilities were $63.9 million, and net assets were $184.3 million. The thresholds are designed to allow the transfer as long as the total of expenses of the CWPF and the transfer do not exceed 70% of interest and dividends. An additional allowance would be made for the initial year. In addition, the ratio of net assets to liabilities, currently 2.9, must not drop below 1.5. If this ratio falls below 2.0, the annual reserve audit must contain an analysis of the viability of continuing the transfer in addition to the standard review of the entire fund.

Continuing Projects

Timelines and status for the several key BWC-wide projects, and work of the actuarial division, follow.

House Bill 100 §512.50 Actuarial Study

Task/Function	Timeline	Status
Project Begins	February 19, 2008	Completed
Initial Meeting with Deloitte	February 27, 2008	Completed
Deloitte introduced to Actuarial Committee	February 28, 2008	Completed
Deloitte presents first grouping report to Actuarial Committee	June 26, 2008 (tentative)	
Deloitte presents second grouping report to Actuarial Committee	August 28, 2008 (tentative)	
Deloitte presents third grouping report to Actuarial Committee	October 30, 2008 (tentative)	
Deloitte presents final report to Actuarial Committee/Board	December 18, 2008 (tentative)	
Project ends	December 31, 2008	
Team Leader: Larry King Executive Sponsor: John Pedrick		

- A project plan and the framework for the full report and the intermediate reports are being finalized.
- Deloitte will be meeting with group sponsors and Directors Bryan and Matesich on April 15, 2008.

Group Rating / Experience Rating (NCCI)

Task/Function	Timeline	Status
Develop Plan	December 2007 – January 2008	90%
Form Team	December 2007	Complete
Develop NCCI Split Experience Rating Plan		
Create Ohio NCCI parameters and run simulation (Oliver Wyman)	December 2007 – March 2008	90% complete
Impact of New Experience Rating Method	December 2007 – March 2008	50% complete
Communications with Stakeholders (Six Meetings)	March 7, 28, April 11, 25, May 9, 23	50% complete
Individual Stakeholder Meetings	February 26, March 3, 4, 5, 7, 12, 17, 18, 19, 20, 26, April 2, 4, 10, 15.	40% complete
Group Rating Rule changes		
Continuity of group requirements	December 2007 – March 2008	
Other rules	December 2007 – March 2008	
Compile data and report for Board	March 2008 – June 2008	
Obtain feedback from Administrator and Senior Team	March 2008 – June 2008	
Present full plan to Board	June 2008	
Team Leader: Jeremy Jackson Executive Sponsors: John Pedrick, Keary McCarthy, Tina Kielmeyer		

- We are meeting with third party administrators and employer associations in one-on-one meetings to share progress and to get input. These meetings are proving to be very helpful and provide opportunities for openness and frank discussion.

MIRA II

Task/Function	Timeline	Status
Historical Data Extraction	January – August 2007	Complete
Customer Workgroups		-----------
Employer-Web Services Focus Group	November 2007	Complete
Claim Expert Workgroup	November – December 2007	75%
MIRA II-TPA Update Meeting	December 11, 2007	Complete
MIRA II Injury Mapping Logic-Finalized and Approved	January 2008	Complete
MIRA II-Development of Reserve Models (FIC)	February – May 2008	In progress
Data Interface Testing	March – May 2008	Kick-off March 17
MIRA II- Web Services Enhancement	February – July 2008	In progress
Testing/Review of Initial MIRA II Reserves	May – June 2008	
Training/Education on MIRA II System	July – November 2008	
MIRA II Reprediction (Adjustment) System		
Design, Develop, Test, Implement	May 2008 – January 2009	
Implement MIRA II	July – August 2008	
Team Leader: Rex Blateri Executive Sponsors: John Pedrick, Leo Genders, Keary McCarthy, Tina Kielmeyer		

- On April 1, Fair Isaac Company announced a major reengineering plan, including the divestiture of unprofitable business units, simplification of company management hierarchy, and other cost management initiatives. We are watching this closely and do not yet expect a direct impact on BWC's MIRA II initiative. However, the vice president with whom we have been working and a system engineer on their MIRA development team are no longer with the company. We have held several conference calls with FICO and have restated the importance of this project to BWC and the state. As of this writing, additional conference calls and in-person meetings are expected shortly.

Private Employer (PA) Rates Effective July 1, 2008

Task/Function	Timeline	Status
Private Employer Rates	January 2008 through June 2008	On Schedule
Summary Losses	January 17, 2008 through February 20, 2008	Completed
Summary Payroll	January 21, 2008 through February 20, 2008	Completed
Group Application Deadline	February 29, 2008	Completed
Rate Calculations	February 21, 2008 though May 23, 2008	On Schedule
Rate Change Analysis to Board	February – March 2008	Complete
Final Rates to Board	May 29, 2008	On Schedule
Rule Filing Deadline	June 20, 2008	
Mailing Employer Rate Letters	June 30, 2008	

Public Employer State Agency (PES) Rates Effective July 1, 2008

Task/Function	Timeline	Status
Public Employer State Agency Rates	January 2008 - April 2008	On Schedule
Run & verify payroll and premium	February 8-21, 2008	Completed
Run & verify losses	February 28 – March 5, 2008	Completed
Run & verify base rates	March 6-17, 2008	Completed
Discuss rate change with administrator	March 6-21, 2008	Completed
Board – Initial Consideration	March 27-28, 2008	Completed
Board – Final Rates & Rule	April 24-25, 2008	Pending
Rule Filing Deadline	June 20, 2008	
Mail Employer Letters	June 30, 2008	

Ancillary Funds – Rates and Assessments

- **Self Insured Guaranty Fund**
- **Disabled Workers Relief Fund**
- **Marine Industry Fund**
- **Coal-Workers Pneumoconiosis Fund**
- **Public Work Employees' Relief Fund**
- **Administrative Cost Fund**

Task/Function	Timeline	Status
Rate Analysis and Development	April 2008 through June 2008	On schedule
Board – Initial Consideration	April 24, 2008	
Board – Final Rates & Rules	May 29 – 30, 2008	
Rule Filing Deadline	June 20, 2008	

Quarterly Loss summaries

Task/Function	Timeline	Status
Quarterly Reserve Analysis – 4th quarter 2007	January 1, 2008 through January 17, 2008	Completed
Quarterly Reserve Analysis – 1st quarter 2008	April 1, 2008 through April 17, 2008	In progress
Quarterly Reserve Analysis – 4th quarter 2007	July 1, 2008 through July 17, 2008	