BWC Board of Directors

Actuarial Committee Agenda

Wednesday, February 23, 2011
William Green Building
Level 2, Room 3
1:00 p.m. to 2:30 p.m.

Call to Order
Jim Matesich, Committee Vice-Chair

Roll Call
Larry Rhodebeck, Scribe

Approve Minutes of December 15, 2010 meeting
Jim Matesich, Committee Vice-Chair

Review and approve Agenda
Jim Matesich, Committee Vice-Chair

New Business/ Action Items

Motions for Board Consideration:

A. For Second Reading
   1. None

B. For First Reading
   1. 2011 NCCI Classification Code Changes
      Tom Prunte, Executive Director of Employer Management
      Michael Glass, Director of Underwriting and Premium Audit
   2. PA Deductible Program – Rule 4123-17-72
      Jon Turnes, Actuarial Manager of Reserving
      Joy Bush, Actuarial Program Development Director
      Deloitte Consulting LLP

Discussion Items

1. Base Rate Stability Analysis
   Deloitte Consulting LLP
   John Pedrick, Chief Actuarial Officer
2. State of Ohio Workers' Compensation Report
   Elizabeth Bravender, Actuarial Operations Director
3. Legislative discussion and analysis – if necessary
4. CAO report
   John Pedrick, Chief Actuarial Officer
5. Committee Calendar
   Jim Matesich, Committee Vice Chair

Executive Session

Litigation update – if necessary

Adjourn

Jim Matesich, Committee Vice-Chair

Next Meeting: Thursday March 24, 2011

*Not all agenda items have material.

**Agenda Subject to change

Common Sense Business Regulation (BWC Rules)
(Note: The below criteria apply to existing and newly developed rules)

Rules Chapter 4123-17-04

Rule Review

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

   Citation: ___4123.29 (A) (1)________________________

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

   What goal(s): _Utilization of NCCI Classification System as prescribed by law.___

3. ☒ Existing federal regulation alone does not adequately regulate the subject matter.
   Yes, Federal regulation does not regulate this 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.

   Explain: State & national associations for each industry were contacted for their review and input as well as the Ohio Chamber of Commerce and third party administrators.

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.
    Individual class code rates for FY 2012 are not yet known, so the full impact has not been completely determined.
    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.

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NCCI SCOPES AND RULE CHANGES
2011 EXECUTIVE SUMMARY

OVERVIEW

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

BACKGROUND

NCCI has an ongoing process dedicated to the systematic research, analysis, and maintenance of NCCI's class system. This process ensures that the class system remains healthy, viable, and responsive to the needs of various industry stakeholders. This process also ensures that the system reflects the responses that industries and their operations make to technological, competitive, and regulatory changes. Classifications and industry grouped classifications are analyzed to determine which, if any, should be considered for modernization, consolidation, discontinuation, and/or clarification. Another objective of the classification project is to simplify the classification section of NCCI's ***Basic Manual*** by discontinuing redundant phraseologies or streamlining current phraseologies with ***format only*** changes. NCCI's analysis of the class system is national in scope and the recommendations are being proposed in all NCCI states.

Rule 4123-17-04

Rule 4123-17-04 establishes BWC's use of NCCI classifications of occupation

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4123-17-04 Classification of occupations or industries

The administrator of workers' compensation, with the advice and consent of the bureau of workers' compensation 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, 2011, 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.

Promulgated Under: 111.15
Statutory Authority: 4121.11, 4121.12, 4121.121, 4121.13, 4121.30
Rule Amplifies: 4123.29
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, 7/1/06, 7/1/07, 7/1/08, 7/1/10

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Summary of NCCI Classification Changes
July 1, 2011

Industry	Existing Class Code(s)	New/Discontinued Class Code(s)	Change
Manufactured, Modular Home Mfg.	2802,2812	2797-new	New code added for uniform treatment of exposure
Manufactured Homes Set Up	8380, 7228, 7229, 9015, 6400	2799-new	New code to consolidate references to other codes.
Potato Chip, Popcorn, Snack Chip Mfg.	6504	6503-new	New code to recognize separate exposure
Superstores & Warehouse Clubs	8017, 8039	8037-new	New code for industry not currently identified in classification system.
Fiber Optics & Semiconductors	4112,4150	4109, 4110, 4149-new 4112, 4150-discontinue	New codes to clearly differentiate the industries
Carpentry	5645, 5651	Combine into 5645 5651-discontinue	Combine similar exposures
Carpentry Shop	2812, 2883	Combine into 2883 2812-discontinue	Combine similar exposures
Telecommunications/Electronics Installation	7600, 7601, 7611, 7612, 7613	Combine into 7600 7601, 7611, 7612-discontinue	Combine similar exposures
Film Exchange	4360, 4362	Combine into 4360 4362-discontinue	Combine similar exposures
Lacquer or Spirit Varnish Mfg.	4439, 4561	Combine into 4439 4561-discontinue	Combine similar exposures
Bakery, Cookies, & Crackers	2001, 2003	Combine into 2003 2001-discontinued	Combine similar exposures
Door, Door Frame, and Sash Erection	5102	N/A	Phraseology changes to clarify usage
Wallboard Installation	5445	N/A	Phraseology changes to clarify usage
Painting/Paperhanging	5474, 5491	N/A	Phraseology changes to clarify usage
Punch Out Employees-Cleaner-Debris Removal	5610	N/A	Phraseology changes to clarify usage
Construction-Permanent Yard	8227	N/A	Phraseology changes to clarify usage

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NCCI Changes Effective 7/1/2011
SUMMARY

Manufactured, Modular Homes Mfg. (Erection of new classification code)
2797 MANUFACTURED, MODULAR, OR PREFABRICATED HOME MANUFACTURING—SHOP WORK—ALL OPERATIONS & DRIVERS

The focus of the proposed change for this industry is to establish a new code **(2797)** specifically for the manufactured, modular homes mfg. industry. The focus of the proposed changes from NCCI for this industry is to create a new national classification from the various state specials for this industry and to discontinue existing state specials treatments. Note: Ohio does not use state special codes for this industry. New code represents exposures within the existing (**2802)** CARPENTRY—SHOP ONLY—& DRIVERS code. This change will allow all manufactured and modular homes manufacturing to be included under one code.

Currently, these two types of shop-built homes are classified to different codes on a national basis:

- Code 2802—Carpentry—Shop is used for the manufacture of prefabricated wood houses, portable buildings, and prefabricated modular houses (factory built)
- Code 2812—Cabinet Works—With Power Machinery is used for the manufacture of home-type trailers and home-type trailers not used for residential purposes (medical trailers, bank trailers, etc.)

Note: Code 2812 includes cabinet manufacturing shops and is being discontinued and combined by NCCI into Code 2883 FURNITURE MFG.—WOOD—NOC.

	Code 2802	**Code 2812 (Inactivate)**
Employers Reporting Payroll - 1st Half 2010	268	680
Aggregate Payroll Reported - 1st Half 2010	$20,960,295	$49,369,902
2009 Total Losses - Med Comp & Reserves	$14,942,901	$17,384.021
Policy Year 2009 Base Rate	$5.36	$4.26
Policy Year 2010 Base Rate	$4.24	$3.92

Underwriting or Rate Impacts
This item proposes to establish new national Code 2797—Manufactured, Modular, or Prefabricated Home Manufacturing—Shop Work & Drivers. It is proposed that the initial loss cost or rate and experience rating values be that of Code 2802 until Code 2797 establishes sufficient experience to determine its own loss cost or rate. While experience may be transferred from numerous other class codes, it is expected that most operations applicable to the new Code 2797 are currently being assigned to Code 2802. This proposal is, therefore, not expected to cause a significant change in statewide premium. The impact to individual risk premium will vary depending on current payroll distribution between previously assigned class codes, other than Code 2802, and the differences from the previously assigned codes' loss cost or rate. The new class code's loss cost or rate will eventually reflect the new phraseology

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wording and underlying experience of all risks with payroll and loss experience assigned to that classification.

Manufactured Homes Set Up (Erection of new classification code)
2799 MANUFACTURED, MODULAR, OR PREFABRICATED HOME SETUP, HOOKUP, OR INSTALLATION AT BUILDING SITE

The focus of the proposed change for this industry is to establish a new code **(2799) f**or the manufactured, modular homes set up industry. The code will apply to setting home sections into place on the foundation or foundation walls and bolting them together. It also includes the hookup of any preinstalled utilities in the foundation to the connections on the manufactured or modular home. The focus of the proposed changes for this industry is to create a new national classification code for the manufactured home setup industry by consolidating references in other codes. The manufactured, modular homes setup industry is currently classified across five separate national codes for specific portions of the installation process. Each of the codes includes extensive operations within its phraseology.

The onsite placement and hookup is currently assigned to Code 8380. The delivery or transportation only is assigned to Code 7228 or Code 7229. The windstorm tie-down installation is assigned to Code 8380 for a dealer installation, Code 9015 for mobile home park operator installation, and Code 6400 for a specialist contractor installation. None of these codes specifically addresses the installation of modular homes, only mobile homes.

	Code 8380
Employers Reporting Payroll - 1st Half 2010	7,408
Aggregate Payroll Reported - 1st Half 2010	$710,628,270
2009 Total Losses - Med Comp & Reserves	$199,592,028
Policy Year 2009 Base Rate	$3.49
Policy Year 2010 Base Rate	$3.26

Underwriting or Rate Impacts
This item proposes to establish new national Code 2799—Manufactured, Modular, or Prefabricated Home Setup, Hookup, or Installation at Building Site. It is also proposed that the initial loss cost or rate and experience rating values be that of Code 8380 until Code 2799 establishes sufficient experience to determine its own loss cost or rate. While experience may be transferred from numerous other class codes, it is expected that most operations applicable to the new Code 2799 are currently being assigned to Code 8380. This proposal is, therefore, not expected to cause a significant change in statewide premium. The impact to individual risk premium will vary depending on current payroll distribution between previously assigned class codes, other than Code 8380, and the differences from the previously assigned codes' loss costs or rates. The new class code's loss cost or rate will eventually reflect the new phraseology and underlying experience of all risks with payroll and loss experience assigned to that classification.

This item also proposes to assign activities related to windstorm tie-down installations by dealers or specialty contractors to this new national Code 2799. These operations are currently being assigned to Codes 8380 and 6400. NCCI is not able to determine the amount of payroll that will transfer from each of these codes into Code 2799. Windstorm tie-down installations by mobile home park operators will remain in Code 9015, as this is considered an incidental part of their operations.

The other change primarily consists of expanding phraseology in Code 6400—Fence Erection to include specific fence types into the filed phraseology. This change is for clarification only and is not expected to result in a change in statewide or individual risk premium.

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Food Sundry (Erection of new classification code)
6503 POTATO CHIP, POPCORN & SNACK CHIP MFG. NOC

The focus of the proposed changes for this industry is to consolidate cross-reference phraseologies of Code 6504 and to introduce a new classification 6503 for Potato Chip, Popcorn & Snack Chip Mfg. NOC. New code represents exposures within the existing code: **6504- FOOD SUNDRIES MFG NOC - NO CEREAL MILLING.**

The range of products in classification 6504 has increased beyond simple preparation. Code 6504 was once the simple preparation or packaging of already manufactured items. This NOC exception (not otherwise classified) is now the first choice in assigning insureds for both human and animal food sundries business. There are several characteristics that these products share in common. Most of these products are produced in highly automated plants that are set up to produce each of the products in large bulk quantity. There are extensive packaging operations that are equally automated with items prepared and sold in bulk to wholesale customers who use these products as ingredients in other products or as retail consumer sized packaging that can be purchased in supermarkets or food stores.

	Code 6504
Employers Reporting Payroll - 1st Half 2010	280
Aggregate Payroll Reported - 1st Half 2010	76,638,315
2009 Total Losses - Med Comp & Reserves	12,943,307
Policy Year 2009 Base Rate	$4.71
Policy Year 2010 Base Rate	$4.37

Underwriting or Rate Impacts

This item proposes to establish new national Code 6503—Potato Chip & Other Snack Chip Mfg. & Drivers. It is also proposed that the initial loss cost or rate and experience rating values be that of Code 6504 until Code 6503 establishes sufficient experience to determine its own loss cost or rate. It is expected that most experience generated for the new code will come from Code 6504. This proposal is, therefore, not expected to cause a significant change in statewide or individual risk premium. The new class code's loss cost or rate will eventually reflect the new phraseology wording and underlying experience of all risks with payroll and loss experience assigned to that classification.

The other changes in phraseology for Code 6504, which primarily consist of consolidating multiple cross-reference wording into the actual code phraseology, are for clarification only and are not expected to result in a change in statewide or individual risk premium.

Superstores and Warehouse Clubs (Erection of new classification code)
8037 STORE—SUPERSTORES AND WAREHOUSE CLUBS

The focus of the proposed changes for this industry is to create a new classification Code 8037—Store—Superstores and Warehouse Clubs for superstores and warehouse clubs.

Superstores and warehouse clubs became popular in the mid to late 1980s. The larger superstores belong to a national chain of stores, though the chain may be only regional in scope. As an industry, superstores have experienced a compound yearly growth rate of 28% since 1986. The future growth in superstores will come from grocery items and corporate self-distributed products.

Warehouse stores sell items in bulk quantities for reduced prices. They often display merchandise in original shipping cartons or boxes and stacked on wooden pallets rather than on shelves. In the future, warehouse clubs will focus on business members for their growth, and these clubs will concentrate on offering a larger selection at a lower price.
Superstores and warehouse clubs are becoming more popular as “one-stop shopping” establishments.

This is an identifiable, growing industry that is not currently addressed by the classification system. In addition, the principal type of merchandise sold based on gross receipts may vary from year to year for these establishments, warranting a new national code.

	Code 8017	Code 8039
Employers Reporting Payroll - 1st Half 2010	7,193	40
Aggregate Payroll Reported - 1st Half 2010	$391,783,303	$3,990,034
2009 Total Losses - Med Comp & Reserves	$103,545,706	$1,255,010
Policy Year 2009 Base Rate	$2.24	$5.54
Policy Year 2010 Base Rate	$2.06	$5.17

Underwriting or Rate Impacts

This item proposes to create Code 8037—Store—Superstores and Warehouse Clubs. A review of the reported data shows that most large superstores and warehouse clubs are currently being assigned to Code 8017—Store—Retail NOC. Some of these store entities may also have been previously assigned to Code 8039—Store—Department—Retail.

It is proposed that the initial loss cost or rate and experience rating values for new Code 8037 will be that of Code 8017 until the new code establishes sufficient experience to determine its own loss cost or rate. It is expected that the majority of risk experience generated for the new code will come from Code 8017. The new class code’s loss cost or rate will eventually reflect the new phraseology wording and underlying experience of all risks with payroll and loss experience assigned to that classification. The impact to individual risks manual loss cost/rate charge will depend on their previous class code assignment and its associated loss cost or rate as compared to the new class code’s proposed loss cost or rate.

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This item also proposes to raise the minimum annual payroll required to qualify for using Code 8039 from $400,000 to $650,000. This is expected to result in some insured operation's payroll being transferred from Code 8039 to Code 8017. The impact to individual risk's manual loss cost or rate charge will depend on their previous code's associated loss cost or rate as compared to their new class code's loss cost or rate. Only those risks with operation payroll amount between $400,000 and $650,000 in payroll will be impacted. The newly defined class code's loss cost or rate will eventually reflect the new phraseology wording and underlying experience of all risks with payroll and loss experience assigned to that classification.

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Fiber Optics and Semiconductors (Erection of new classification codes)
4109 INTEGRATED CIRCUIT MFG.
4110 ELECTRIC BULB MFG. (including a cross-reference to fiber optic cable mfg).;
4149 OPTICAL GOODS MFG. NOC

The focus of the proposed changes for this industry is to establish new national codes for the integrated circuit industry, incandescent bulb and fiber optics industry, and optical goods industry by reassigning exposures from Code 4112 and Code 4150 to three new classifications above to clearly differentiate these industries nationwide.

	Code 4112 Inactivate	**Code 4150 Inactivate**
Employers Reporting Payroll - 1st Half 2010	17	115
Aggregate Payroll Reported - 1st Half 2010	2,926,107	15,916,066
2009 Total Losses - Med Comp & Reserves	1,377,377	1,488,741
Policy Year 2009 Base Rate	$2.91	$1.16
Policy Year 2010 Base Rate	$2.16	$1.03

Incandescent Lamp Mfg. will be assigned to insureds manufacturing electric light bulbs under new code 4110 Electric Bulb Mfg. This code will also include fiber optic cable manufacturing. The main issue with the fiber optics industry is that there is no mention of the manufacturing process of fiber optics in the NCCI ***Basic Manual***. The manufacturing process is most analogous to electric bulb manufacturing and should be included in this code.

Semiconductor computer chip manufacturing is highly automated and will go to the new code 4109 Integrated Circuit Manufacturing. Optical Goods and Lens Manufacturing will go to code 4149 Optical Goods Mfg NOC.

Underwriting or Rate Impacts

The loss cost/rate and rating values for new Code **4110** will be based on the historical data reported in discontinued Code 4112 until new Code 4110 develops data to determine its own loss cost/rate. No historical data from Code 4112 will be directly reassigned into new Code 4110. While experience may be transferred from other class codes, it is expected that most operations applicable to the new Code 4110 are currently being assigned to Code 4112. This proposal is, therefore, not expected to cause a significant change in statewide premium. The impact to an individual risk's premium will vary depending on current payroll distribution between previously assigned class codes, other than Code 4112, and their differences from the new code's loss cost or rate. The new class code's loss cost or rate will eventually reflect the new phraseology wording and underlying experience of all risks with payroll and loss experience assigned to that classification.

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The loss cost/rate and rating values for new Code **4149** will be based on the historical data reported in discontinued Code 4150 until new Code 4149 develops data to determine its own loss cost/rate. No historical data from Code 4150 will be directly reassigned into new Code 4149. While experience may be transferred from other class codes, it is expected that most operations applicable to the new Code 4149 are currently being assigned to Code 4150. This proposal is, therefore, not expected to cause a significant change in statewide premium. The impact to an individual risk's premium will vary depending on current payroll distribution between previously assigned class codes, other than Code 4150, and their differences from the new code's loss cost or rate. The new class code's loss cost or rate will eventually reflect the new phraseology wording and underlying experience of all risks with payroll and loss experience assigned to that classification.

The initial loss cost or rate for new Code **4109** will be based on the payroll weighting of discontinued Codes 4112 and 4150, and will use the latest available year of payroll from these two codes until Code 4109 develops data to determine its own loss cost or rate. The experience rating values will be determined in a similar manner. To minimize any possible market disruption, the initial loss cost or rate value for Code 4109 will also be subject to the upper swing limit change resulting from the currently existing lowest loss cost or rating value of either Code 4112 or Code 4150. No historical data will be reassigned into Code 4109. Most of the new class code experience is expected to come from Codes 4112 and 4150. Therefore, this proposal is not expected to cause a significant change in statewide premium. The impact to an individual risk's premium will vary depending on current payroll distribution between previously assigned codes and their differences from the new code's loss cost or rate. The new class code's loss cost or rate will eventually reflect the new phraseology wording and underlying experience of all risks with payroll and loss experience assigned to that classification.

Carpentry (Classification Code Combination)

Current NCCI Code & Phraseology

5645 CARPENTRY-DETACHED ONE OR TWO FAMILY DWELLINGS
5651 CARPENTRY-DWELLINGS-THREE STORIES OR LESS

CHANGE

The focus of the proposed changes for this industry is to combine classifications and revise existing classification wording for clarification and plain language. Combine NCCI code 5651 into 5645.

NCCI Code and Revised Phraseology

5645 CARPENTRY—DETACHED ONE OR TWO FAMILY DWELLINGS

Background and Basis for Change
There are three national codes related to the carpentry industry. Two are for residential structures (one or two family homes—Code 5645, and dwellings three stories or less—Code 5651) and the third (5403) is for all types of commercial buildings and other non-classified carpentry not related to Code 5645 and Code 5651. All three carpentry codes include steel stud framing and the installation of aluminum or vinyl siding. There is an exception for roofing operations conducted by a contractor building a residential home under Code 5645 and Code 5651. In this circumstance, roofing operations would be assigned to Code 5645 and Code 5651 if conducted by the contractor building the residential building.

Due to the various types of residential structures that are three stories or less, it can be difficult to differentiate between Code 5651 and Code 5403. It is common for residential structures (such as apartments or condominiums) to be built above store fronts or offices. Depending on the location (such as urban areas), many one and two-family homes can exceed three stories in height, which can also make it difficult to differentiate between Code 5651 and Code 5645.

Changes by NCCI

1. Discontinue Code 5651—Carpentry—Dwellings—Three Stories or Less and reassign this exposure to Code 5645—Carpentry—Detached One or Two Family Dwellings. All cross-reference phraseologies associated with Code 5651 will also be discontinued. The new loss cost or rate and rating values for Code 5645 will be determined from combined data of both Code 5651 and Code 5645.
2. Revise the phraseology of Code 5645 to incorporate the construction of buildings designed primarily for multiple dwelling occupancy that do not exceed three stories in height. The phraseology note will also be revised to clarify that all carpentry work in connection with the construction of residential dwellings when performed by employees of the same contractor or general contractor is assigned to Code 5645. Revise the cross-reference phraseology of Code 5645—Siding Installation—Aluminum or Vinyl: Detached One or Two Family Dwellings to clarify

that Code 5645 is assigned to specialty contractors that install all types of siding (aluminum, cedar shingles, engineered or composite wood, seamless steel, vinyl, wood) on existing dwellings that do not exceed three stories in height.
Discontinue the cross-reference phraseology of Code 5645—Iron or Steel: Erection: Steel Frame—Interior—Light Gauge Steel: By Carpentry Contractors in Connection with the Construction of Detached One or Two Family Dwellings. The assignment of Code 5645 for the installation of light-gauge steel framing in connection with the construction of residential dwellings will be referenced in the phraseology note of Code 5645.
3. Discontinue the cross-reference phraseology of Code 5645—Vinyl Siding Installation—Detached One or Two Family Dwellings due to redundancy.
4. Discontinue cross-reference phraseologies of Code 5645—Door Installation—Screened—Metal or Wood; Jalousie or Jalousie Screen—Erection, Storm Door or Storm Sash Installation—Wood or Metal; and Window Screen or Door Installation—Metal or Wood and reassign this exposure when performed by specialty contractors to Code 5102—Door, Door Frame or Sash Erection—Metal or Metal Covered.
The phraseology note of Code 5102 will also be revised to clarify that the installation of all types (aluminum, vinyl, wood, composite, fiberglass, steel) of interior and exterior doors and windows — commercial and residential—be assigned to Code 5102. The installation of doors and windows in connection with the construction or remodeling of residential dwellings or commercial buildings will continue to be assigned to Code 5645 or Code 5403. The installation of interior doors by trim or finish carpenters will continue to be assigned to Code 5437.
5. Create a cross-reference phraseology for Code 5403—Carpentry—Construction of Residential Dwellings Exceeding Three Stories in Height or Commercial Buildings and Structures. The phraseology note will clarify that Code 5403 applies to the construction of mixed-use buildings and multiunit residential buildings exceeding three stories in height.
Revise the cross-reference phraseology of Code 5403—Siding Installation—Aluminum or Vinyl: All Other Buildings or Structures to clarify that Code 5403 is assigned to specialty contractors that install all types of siding on existing commercial buildings and/or existing dwellings that exceed three stories in height. Discontinue the cross-reference phraseology for 5403—Iron or Steel: Erection: Steel Frame—Interior—Light Gauge Steel: By Other Carpentry Contractors. The assignment of Code 5403 for the installation of all light gauge steel framing in connection with the construction of residential dwellings exceeding three stories in height or commercial buildings and structures will be referenced in the phraseology note of Code 5403.
6. Discontinue cross-reference phraseologies for Hod Hoist or Construction Elevator Installation, Repair or Removal & Drivers, Derrick or Oil Rig Erecting or Dismantling—All Operations—Wood, and Code 5403—Vinyl Siding Installation—All Other Buildings or Structures due to redundancy.
7. Revise the phraseology of Code 5551—Roofing—All Kinds & Drivers to further clarify that Code 5551 is assigned to all types of roofs—new and existing.
8. Revise ***Basic Manual*** Rule 1C2j to replace the reference to Code 5651 with Code 5645—Carpentry—Construction of Residential Dwellings Not Exceeding Three Stories in Height and Code 5403—Carpentry—Construction of Residential Dwellings Exceeding Three Stories in Height or Commercial Buildings and Structures.

	Code 5645	Code 5651 (Inactivate)
Employers Reporting Payroll - 1st Half 2010	10,623	934
Aggregate Payroll Reported - 1st Half 2010	81,307,452	9,278,617
2009 Total Losses - Med Comp & Reserves	89,699,068	7,002,006
Policy Year 2009 Base Rate	$9.81	$8.30
Policy Year 2010 Base Rate	$9.01	$6.82

Underwriting or Rate Impacts

This item proposes that Code 5651—Carpentry—Dwellings—Three Stories or Less be discontinued with its experience combined into Code 5645.

The proposal to reassign the installation of metal or wood screened doors, jalousie or jalousie screens, wood or metal storm doors or storm sash, and metal or wood window screens and doors from Code 5645 to Code 5102 will better align these operations with their associated work hazards. The resulting reassignment of individual risk payroll due to this clarification cannot be determined by using any currently available data source. No modifications or adjustments to filed loss costs or rates are proposed for this portion of the recommendation. The class code's loss cost or rate will eventually reflect the new phraseology and underlying experience of all risks with payroll and loss experience assigned to that classification.

The other changes to this industry primarily consist of the consolidation of cross-references into the actual classification wording and this consolidation is not expected to result in any reclassification of risks' payroll or change in loss costs, rates, or premium.

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Date _______1/20/2011___________

Carpentry Shop (Classification Code Combination)

Current NCCI Code & Phraseology
2812 CABINET WORKS-WITH POWER MACHINERY
2883 FURNITURE MFG-WOOD-NOC

CHANGE
The focus of the proposed changes for this industry is to combine operations into classifications that reflect exposures common to those operations. Also, several cross-references will be consolidated into the phraseology note of the remaining codes in this industry. Combine NCCI Code 2812 into Code 2883.

NCCI Code and Revised Phraseology

2883 FURNITURE MANUFACTURING AND CABINET SHOP—WOOD—NOC

Includes assembling and finishing.

Background and Basis for Change
Cabinet makers are making complex items, such as entertainment centers, which are more like furniture. At the same time, furniture makers are making products that are less complex in design and manufacturing, and they use the same engineered wood products and fiberboard that cabinet shops use.

With the use of the same building materials, such as laminated lumber or pressboard with a high gloss laminate coating, more and more furniture, and kitchen and bathroom cabinets, are being sold as boxed furniture in a knockdown state for the customer to assemble. The line between the two types of shops and the products they manufacture is no longer clear.

Changes by NCCI
1. Discontinue Code 2812—Cabinet Works—With Power Machinery and combine the existing exposure into Code 2883—Furniture Mfg.—Wood—NOC. It is also proposed to revise the phraseology of Code 2883 to: Furniture Manufacturing and Cabinet Shop—Wood—NOC. The phraseology note will list a range of operations from both cabinet shop work to wood furniture manufacturing. Several types of materials used in this new combined code will be listed, such as wood, laminates, engineered wood products, hardy plank, plywood, Formica, and any incidental application of stain, lacquer, or finish.
2. Discontinue the following cross-reference phraseologies for Code 2883: Billiard Table Mfg., Box Mfg.—Cigar—Wood, Cabinet Mfg. for Audio or Video Device, Piano Case Mfg., and Trunk Mfg. These operations will be included in the reference note of the new phraseology for Code 2883.
3. Revise the phraseology of Code 2802—Carpentry—Shop Only & Drivers to include several products. It is recommended that the following cross-reference phraseologies be discontinued: Door, Sash, or Assembled Millwork Mfg.—Wood & Drivers; Fence Mfg.—Wood, Picket & Drivers; Laminated Wood Building Beams and Columns Mfg. & Drivers; Prefabricated House Mfg.—Wood & Drivers; and Sash, Door, or Assembled Millwork—Mfg.—Wood & Drivers.
4. Discontinue the cross-reference for Code 2881—Cabinet Works—No Power Woodworking Machinery, and Sign Manufacturing—Wood—No Painting or Using Power Machinery. These

operations will be described by the new phraseology for Code 2881—Furniture Manufacturing and Cabinet Shop—Assembly by Hand—Wood.
5. Revise the phraseology note of Code 9501—Sign Manufacturing—Wood—Painting, Spraying, Sandblasting With or Without Power Machinery & Drivers to reflect the replacement of Code 2812 with Code 2883.

	Code 2883	**Code 2812 (Inactivate)**
Employers Reporting Payroll - 1st Half 2010	352	680
Aggregate Payroll Reported - 1st Half 2010	81,307,452	9,278,617
2009 Total Losses - Med Comp & Reserves	89,699,068	7,002,006
Policy Year 2009 Base Rate	$4.78	$4.26
Policy Year 2010 Base Rate	$5.04	$3.92

Underwriting or Rate Impacts

This item proposes that Code 2812 be discontinued with its experience combined into newly defined national Code 2883.

The other changes to this industry primarily consist of the consolidation of cross-references into the actual classification wording. This consolidation is not expected to result in a reclassification of risk payroll or change in loss costs, rates, or premium.

Created by _John Best__________
Date _______1/20/2011__________

Telecommunications/Electronics Installation (Classification Code Combination)

Current NCCI Code and Phraseology

7600 TELEPHONE OR TELEGRAPH CO: ALL OTHER EMPLOYEES & DRIVERS
7601 TELEPHONE, TELEGRAPH OR FIRE ALARM LINE CONSTRUCTION & DRIVERS
7611 TELEPHONE/CABLE TV LINE INST CONTRACTORS, UNDERGROUND & DRIVERS
7612 TELEPHONE OR CABLE TV LINE INST CONTRACTORS, OVERHEAD & DRIVERS
7613 TELEPHONE/CABLE TV LINE INST CONT. SERV. LINE & CONN. & DRIVERS

CHANGE

The focus of the proposed changes for this industry is to combine operations into classifications that reflect the exposures common to those operations.
Combine Codes 7601, 7611, 7612 and 7613 into Code 7600.

NCCI Code and Revised Phraseology

7600 TELECOMMUNICATIONS CO.—CABLE TV, OR SATELLITE—ALL OTHER EMPLOYEES & DRIVERS.

Background and Basis for Change

Currently, telephone company employees, classified under Code 7600, perform the same variety of tasks performed by employees assigned to Code 7601 and contractors assigned to Codes 7611, 7612, and 7613. Research shows great similarity in the nature of the work performed by the risks and exposure assigned to the reviewed codes. The similarity is so great that it points to the feasibility of combining these codes. Additionally, replacing the words “telephone,” “telegraph,” and “cable” with a more encompassing term, “telecommunications,” helps to modernize the phraseology and describe the various businesses within this industry.

Changes by NCCI

1. Revise the phraseology of Code 7600 from Telephone or Telegraph Co.: All Other Employees & Drivers to Telecommunications Co.—Cable TV, or Satellite—All Other Employees & Drivers.
2. Revise the phraseology of Code 8901 from Telephone or Telegraph Co.: Office or Exchange Employees & Clerical to Telecommunications Co.—Office or Exchange Employees & Clerical.
3. Discontinue:
   Code 7601—Telephone, Telegraph or Fire Alarm Line Construction & Drivers
   Code 7611—Telephone or Cable TV Line Installation—Contractors, Underground & Drivers
   Code 7612—Telephone or Cable TV Line Installation—Contractors, Overhead & Drivers
   Code 7613—Telephone or Cable TV Line Installation—Contractors, Service Lines and Connections & Drivers

Note: All experience will be reassigned to newly defined Code 7600.

4. Revise the phraseology of Code 9516 from Radio, Television, Video and Audio Equipment Installation, Service, or Repair & Drivers to Electronic Equipment—Installation, Service, or Repair—Shop and Outside & Drivers.
5. Discontinue the cross-reference phraseologies of Code 9516—Automobile: Radio, Television, Video and Audio Equipment Installation, Service, or Repair & Drivers; Television, Radio, Video and Audio Equipment Installation, Service, or Repair & Drivers; and Video, Television, Radio, and Audio Equipment Installation, Service, or Repair & Drivers. A reference to the installation, service, or repair of automobile electronic equipment will be referenced in the phraseology note

of Code 9516. The other cross-reference phraseologies are being discontinued due to redundancy.

6. Revise the phraseology note of Code 9519—Household and Commercial Appliances—Electrical—Installation, Service or Repair & Drivers to update the reference to Code 9516.

7. Revise the phraseology of Code 7605 from Burglar Alarm Installation or Repair & Drivers to Burglar and Fire Alarm Installation or Repair & Drivers.

8. Discontinue the cross-reference phraseology of Code 7605—Fire Alarm Installation or Repair & Drivers. The assignment of fire alarm installation or repair will be referenced in the phraseology of Code 7605.

9. Discontinue the cross-reference phraseologies of Code 7605—Intercommunication Systems Installation or Repair & Drivers and Sound Systems Installation or Repair & Drivers and transfer these exposures to Code 9516.

	Code 7600	**Code 7601**	**Code 7611**	**Code 7612**	**Code 7613**
Employers Reporting Payroll - 1st Half 2010	147	91	123	166	396
Aggregate Payroll Reported - 1st Half 2010	44,300,149	6,586,198	2,379,403	8,175,817	4,215,766
2009 Total Losses - Med Comp & Reserves	14,204,968	3,609,075	1,046,506	1,542,811	6,521,535
Policy Year 2009 Base Rate	$2.97	$7.13	$6.99	$9.84	$16.48
Policy Year 2010 Base Rate	$2.68	$8.39	$4.48	$7.85	$17.96

Underwriting or Rate Impacts

This item proposes that Code 7601, Code 7611, Code 7612, and Code 7613 all be discontinued with their experience combined into redefined existing national Code 7600.

This item also proposes to discontinue the cross-reference phraseologies of Code 7605—Intercommunication Systems Installation or Repair & Drivers and Sound Systems Installation or Repair & Drivers and transfer these operations to Code 9516. No modification or adjustment to filed loss costs or rates is proposed for these codes. The amount of payroll transferred cannot be obtained using current industry data sources. It is estimated that the amount of payroll transferred and/or the differences in loss cost or rate is not large enough to result in a significant change in overall statewide premium. The impact to individual risks will vary depending on their current code payroll assignments in Code 7605 and the amount of payroll transferred from Code 7605 to Code 9516. The class codes' loss costs or rates will eventually reflect the new phraseology and underlying experience of all risks with payroll and loss experience assigned to these classifications.

The other phraseology changes primarily consolidate cross-reference phraseology into the actual classification wording or are for clarification only and are generally not anticipated to result in a reclassification of risk payroll or change in loss cost, rate, or premium.

Film Exchange (Classification Code Combination)

Current NCCI Code and Phraseology

4360 MOTION PICTURE: DEVELOPMENT OF NEGATIVES, PRINTING AND ALL SUBSEQUENT OPERATIONS

Note: Marketing of the product through film exchanges at locations other than the studio to be separately rated as 4362 MOTION PICTURE—FILM EXCHANGE.

4362 MOTION PICTURE: FILM EXCHANGE & PROJECTION ROOMS, CLERICAL

CHANGE

The focus of the proposed changes for this industry is to consolidate film exchanges under one classification code.

NCCI Code and Revised Phraseology

4360—MOTION PICTURE—DEVELOPMENT OF NEGATIVES, PRINTING AND ALL SUBSEQUENT OPERATIONS

Changes by NCCI

1. Discontinue Code 4362—Motion Picture—Film Exchange & Projection Rooms, Clerical and Cross-reference phraseology Film Exchange & Clerical and assign these operations to Code 4360—Motion Picture—Development of Negatives, Printing and All Subsequent Operations.

2. Revise the note under Code 4360—Motion Picture—Development of Negatives, Printing and All Subsequent Operations to clarify that digital media processing and editing, as well as marketing through film exchanges, are included under Code 4360, whether performed by a contractor or the production company.

	Code 4360	**Code 4362 (Inactivate)**
Employers Reporting Payroll - 1st Half 2010	9	5
Aggregate Payroll Reported - 1st Half 2010	211,842	231,731
2009 Total Losses - Med Comp & Reserves	0	530
Policy Year 2009 Base Rate	$10.12	$2.19
Policy Year 2010 Base Rate	$3.86	$1.96

Underwriting or Rate Impacts

This item proposes that Code 4362—Motion Picture—Film Exchange & Projection Rooms, Clerical be discontinued with its experience combined into newly defined national Code 4360.

Lacquer or Spirit Varnish Manufacturing, Oleo-resinous Varnish Manufacturing, and Paint Manufacturing. (Classification Code Combination)

Current NCCI Code and Phraseology
4439 LACQUER OR SPIRIT VARNISH MFG
4561 VARNISH MFG-OLEO-RESINOUS

The focus of the proposed changes for this industry is to consolidate varnish manufacturing under one classification code and update or clarify language.

NCCI Code and Revised Phraseology
4439 LACQUER OR VARNISH MFG.

Background and Basis for Change
NCCI conducted a review of lacquer or spirit varnish manufacturing, varnish manufacturing, and paint manufacturing to determine if a consolidation of all manufacturing processes is warranted. Manufacturing of varnish is generally a sub-operation of a larger paint manufacturer.

Changes by NCCI
1. Discontinue Code 4561—Varnish Mfg.—Oleo-Resinous and assign these operations to Code 4439—Lacquer or Spirit Varnish Mfg.
2. Amend the phraseology of Code 4439 from Lacquer or Spirit Varnish Mfg. to Lacquer or Varnish Manufacturing.

	Code 4439	**Code 4561 (Inactivate)**
Employers Reporting Payroll - 1st Half 2010	2	2
Aggregate Payroll Reported - 1st Half 2010	194,428	244,056
2009 Total Losses - Med Comp & Reserves	408,605	112,617
Policy Year 2009 Base Rate	$26.97	$8.63
Policy Year 2010 Base Rate	$3.86	$3.86

Underwriting or Rate Impacts
This item proposes that Code 4561—Varnish Mfg.—Oleo-Resinous be discontinued, with its experience combined into newly defined national Code 4439.

Initially, the new loss cost or rate for Code 4439 will be calculated as a payroll weighted average of the loss costs or rates of Code 4561 and Code 4439. Thereafter, the data for Code 4561 will be combined with the data for Code 4439 prior to deriving the loss cost or rate. Using the combined experience from the two codes to calculate the loss cost or rate will minimize any change in overall statewide premium. The impact to individual risk will vary depending on their current payroll distribution between the codes and the resulting combined experience loss cost or rate.

The other changes to this industry primarily consists of the consolidation of cross-references into the actual classification wording, and this consolidation is not expected to result in a reclassification of risk payroll or change in loss costs, rates, or premium.

Bakery, Cookies & Crackers (Classification Code Combination)

Current NCCI Code and Phraseology
2003 BAKERY & DRIVERS, ROUTE SUPERVISORS
2001 CRACKER MFG.

CHANGE
The focus of the proposed changes for this industry is to combine operations into classifications that reflect exposures common to those operations.

NCCI Code and Revised Phraseology
2003 BAKERY— SALESPERSONS & DRIVERS.

Changes by NCCI
1. Phraseology of Code 2003—Bakery& Drivers, Route Supervisors to Bakery— Salespersons & Drivers will clarify the application of salespersons or drivers who stock the shelves at their customer's location when they deliver product. The phraseology note of Code 2003 will also be revised to clarify the treatment of a bakery with a retail store operation versus a retail store operation where no baking is done on the premises.
2. Discontinue Code 2001—Cracker Mfg. and reassign the exposure to Code 2003—Bakery—Salespersons & Drivers.
3. Revise phraseology of Code 2002—Macaroni Mfg. to Pasta or Noodle Mfg.
4. Discontinue the cross-reference phraseology for Code 2003—Doughnut Mfg. & Drivers and include it in the phraseology note of Code 2003.

	Code 2003	**Code 2001 (Inactivate)**
Employers Reporting Payroll - 1st Half 2010	393	40
Aggregate Payroll Reported - 1st Half 2010	31,575,247	5,339,556
2009 Total Losses - Med Comp & Reserves	9,772,175	1,490,649
Policy Year 2009 Base Rate	$5.09	$7.41
Policy Year 2010 Base Rate	$4.43	$7.53

Underwriting or Rate Impacts
This item proposes that Code 2001—Cracker Mfg. be discontinued and its experience combined into newly defined national Code 2003.

The other changes to this industry primarily consists of the consolidation of cross–references into the actual classification wording and this consolidation is not expected to result in a reclassification of risk payroll or change in loss costs, rates, or premium.

Created by _John Best__________
Date _______1/20/2011__________

Door, Window, Cabinets & Interior Trim Installation (Clarification of Usage)

NCCI Code and Phraseology
5102 DOOR, DOOR FRAME/SASH ERECTION- METAL OR METAL COVERED

CHANGE
The focus of the proposed changes for this industry is to revise existing classification wording for clarification and plain language.

Currently, the installation of doors may be assigned to various codes—Code 5437, Code 5645, Code 5403, or Code 5102—depending on the material and/or use. It is common for these types of specialty contractors to install all types of doors (residential and commercial) and windows, which can make it difficult to assign the proper classification.

NCCI Code and Revised Phraseology
5102 DOOR AND WINDOW INSTALLATION—ALL TYPES—RESIDENTIAL AND COMMERCIAL

Clarifications of construction coding will include the following:

1. Code 5102—Door, Door Frame or Sash Erection—Metal or Metal Covered will incorporate the installation of all types (aluminum, vinyl, wood, composite, fiberglass, steel) of interior and exterior doors and windows—commercial and residential. The installation of all types of screened doors, storm doors or storm sash, and window screens or doors and the setup of jalousie or jalousie screens to Code 5102 will be clarified in the description of the code. The installation of shower enclosures and doors made from materials other than glass to Code 5102. Code 5462 includes the installation of glass shower enclosures and doors is classified to Code 5462—Glazier, Away From Shop & Drivers.
2. Installation of fabric awnings (vinyl or canvas) is assigned to Code 5102. Installation of metal awnings exclusively is classified to Code 5535—Awning Erection—Metal—Erection of Metal Awning Exclusively and Drivers. Scope of Code 2501 Cloth, Canvas and Related Products mfg will be updated to include these installation clarifications.
3. Installation of interior light gauge steel in connection with residential or commercial construction is classified to Code 5645 or Code 5403 when performed by a specialty contractor or the general contractor.
4. Installation of stone, granite, marble, or tile countertops is assigned to Code 5348. All other types of countertops are assigned to Code 5437.

	Code 5102	Code 5645
Employers Reporting Payroll - 1st Half 2010	624	10,623
Aggregate Payroll Reported - 1st Half 2010	$13,870,174	$81,307,451
2009 Total Losses - Med Comp & Reserves	$3,398,387	$89,699,068
Policy Year 2009 Base Rate	$6.38	$9.81
Policy Year 2010 Base Rate	$6.17	$9.01

Created by _John Best__________
Date _______1/20/2011__________

Underwriting or Rate Impacts

The change in national phraseologies for Codes 5102, 2501, 5437, and 5348 consists primarily of the consolidation of cross-reference phraseologies into the actual classification wording or are made to add clarification to current operation assignments. These changes are not anticipated to result in any reclassification of risks' payroll or change in loss cost, rate, or premium.

Created by _John Best__________
Date _______1/20/2011__________

Wallboard and Plastering (Clarification of Usage)

NCCI Code and Phraseology
5445 WALLBOARD INSTALLATION WITHIN BUILDINGS & DRIVERS

CHANGE
The focus of the proposed changes for this industry is to clarify the treatment of contractors that specialize in either drywall framing or drywall finishing and consolidate cross-reference phraseologies into the note of the main phraseology for Code 5445—Wallboard Installation—Within Buildings & Drivers.

NCCI Code and Revised Phraseology
5445 WALLBOARD, SHEETROCK, DRYWALL, PLASTERBOARD, OR CEMENT BOARD INSTALLATION WITHIN BUILDINGS & DRIVERS

Clarifications of construction work included under the 5445 code will include the following three main phases or steps common to wallboard installation:

- Drywall framing - installation of light gauge aluminum or steel for the purpose of securing the drywall in place.
- Drywall hanging - screwing or nailing panels into existing studs or the previously installed drywall framing.
- Drywall finishing - taping, filling, and sanding of drywall joints and screw or nail holes.

Code 5480—Plastering NOC & Drivers is a national code that applies to specialist contractors engaged in interior plastering operation not otherwise classified in the ***NCCI Basic Manual***. Plastering involves the mixing of plaster with water and the hand application of the mixture by use of a trowel to interior walls or partitions.

	Code 5445	**Code 5480**
Employers Reporting Payroll - 1st Half 2010	2,184	174
Aggregate Payroll Reported - 1st Half 2010	$39,431,854	$3,383,311
2009 Total Losses - Med Comp & Reserves	$22,618,994	$34,547,337
Policy Year 2009 Base Rate	$5.75	$5.54
Policy Year 2010 Base Rate	$5.47	$7.20

Underwriting or Rate Impacts
The changes to this industry consist of revisions to phraseologies in Code 5445. This portion of the proposal is not anticipated to result in any reclassification of risk payroll or change in loss cost, rate, or premium.

Created by _John Best__________
Date _______1/20/2011__________

Painting (Clarification of Usage)
NCCI Code and Phraseology
5474 PAINTING OR PAPERHANGING NOC & SHOP OPERATIONS, DRIVERS

CHANGE
The focus of the proposed changes for this industry is to allow painting and paperhanging operations to be separately classified when conducted at the same location. In addition, wording will be added to clarify that automobile painting cannot be separately rated by risks that also perform automobile body repair.

NCCI Code and Revised Phraseology
5474 PAINTING NOC & SHOP OPERATIONS, DRIVERS
Note: Includes the painting of metal storage tanks, fire escapes, staircases, balconies, shutters, window frames or sash. Painting ship hulls, metal structures over two stories in height or bridges to be separately rated.

5491 PAPERHANGING & DRIVERS

Code 5474-old—Painting or Paperhanging NOC and Shop Operations, Drivers. Includes the painting of metal storage tanks, fire escapes, staircases, balconies, shutters, window frames or sash. Painting ship hulls, metal structures over two stories in height or bridges to be separately rated.

Code 5491—Paperhanging and Drivers. Applies only to insureds engaged exclusively in paperhanging.

Code 5474—Painting or Paperhanging shall not be assigned at the same job or location to which Code 5491 applies. Insureds engaged in general painting or interior decorating to be separately rated.

Code 5037—Painting: Metal Structures—Over Two Stories in Height—and Drivers. Includes shop operations. The painting of metal storage tanks, fire escapes, staircases, balconies, shutters, window frames or sash to be separately rated as 5474—Painting NOC.

Code 9501—Painting: Shop Only and Drivers. Shall not be assigned to a risk engaged in operations described by another classification unless the operations subject to 9501 are conducted as a separate and distinct business.

Code 9505—Painting: Automobile or Carriage Bodies. Codes 9505 and 3808—Automobile Mfg. shall not be assigned to the same risk unless the operations described by these classifications are conducted as separate and distinct businesses.

	Code 5474	Code 5491	Code 8393	Code 9501	Code 9505
Employers Reporting Payroll - 1st Half 2010	5,192	49	1,258	536	110
Aggregate Payroll Reported - 1st Half 2010	50,675,499	82,282	125,503,992	37,922,222	9,832,844
2009 Total Losses - Med Comp & Reserves	38,155,173	23,134	14,015,752	258,866	7,788,876
Policy Year 2009 Base Rate	$7.86	$8.17	$2.53	$3.92	$1.85
Policy Year 2010 Base Rate	$7.64	$5.43	$2.34	$3.79	$1.52

Underwriting or Rate Impacts
This Item proposes to remove paperhanging from Code 5474 and transfer all paperhanging operations to redefined national Code 5491. No modification is proposed to the loss cost/rate for Codes 5474 or 5491. The amount of payroll transferred cannot be identified using current industry data sources. The impact to individual risks will depend upon the amount of payroll (if any) that transfers from Code 5474 into redefined Code 5491.

The additional changes being proposed for this industry relate to revision to phraseologies and phraseology notes for Codes 5037, 5491, 9501, and 9505. This portion of the proposal is not anticipated to result in any reclassification of risk payroll or change in loss costs, rates, or premium.

Created by _John Best__________
Date _______1/20/2011__________

Punch Out Employees (Clarification of Usage)

NCCI Code and Phraseology
5610 CLEANER-DEBRIS REMOVAL

Applies only in connection with construction or erection. Does not apply to the payroll for cleaners except when the payroll for watch guards, timekeepers and cleaners is more than all other payroll of the insured which is subject to construction or erection classifications at the same job or location.

CHANGE
The focus of the proposed changes for this industry is to revise existing classification wording for clarification and plain language.

NCCI Code and Revised Phraseology
5610 CLEANER—DEBRIS REMOVAL—CONSTRUCTION
Does not apply to the payroll for cleaners except when the payroll for cleaners, timekeepers, and watch guards is more than all other payroll of the insured which is subject to construction classifications at the same job or location. Cleaners included in Code 5610 remove debris left by the construction crews after construction has been completed. Refer to Code 9014 for cleaning service contractors who provide clean-up crews to wash windows and sweep and mop floors to prepare a location for its intended use. Refer to the appropriate construction code for laborers who perform work to complete tasks that have been identified as part of a post-construction “punch-out” list.

Background and Basis for Change
The industry title comes from the phrase “punch-out list.” Punch out employees are laborers who perform work to complete tasks that have been identified as part of a post-construction “punch-out” list. This is typically done when a home is built, and the punch out employee, along with the buyer, walks through the structure to note any deficiencies that need to be corrected prior to the close of escrow. Minor repairs are completed by the punch out employee, who is a handy person or jack of all trades. Punch out employees are employed by the builder, seller, or seller’s agent. The punch out employee may also do any minor warranty repair work, as needed, after the sale is completed. Any major repairs, such as plumbing, broken tiles, and leaky water heaters, are referred back to the contractor that did the installation.

There are two distinct processes involved within the codes under review. Code 5610 is geared toward job site cleanup during construction of a building. Code 9014—Janitorial Services by Contractors—No Window Cleaning Above Ground Level & Drivers and Code 9015—Buildings—Operation by Owner or Lessee or Real Estate Management Firm: All Other Employees are assigned if the repair or maintenance is minor or janitorial in nature. Code 9014’s operations tend to be primarily janitorial in nature, while Code 9015’s operations tend to include minor maintenance and repair, as well as janitorial duties.

The primary issue with punch out employees is one of degree—the duties are closely related to those of the other codes in this analysis. The main issue with Code 5610 is that there is a range of operations that have been assigned to these codes under debris removal that overlap with Code 9014, Code 9015, and other construction codes.

	Code 5610
Employers Reporting Payroll - 1st Half 2010	126
Aggregate Payroll Reported - 1st Half 2010	380,104
2009 Total Losses - Med Comp & Reserves	993,148
Policy Year 2009 Base Rate	$15.10
Policy Year 2010 Base Rate	$13.01

Underwriting or Rate Impacts

The changes in national phraseology for Code 5610 are made to add clarification to current operation assignments. These changes are not anticipated to result in any reclassification of risks' payroll or change in loss cost, rate, or premium.

Created by _John Best__________
Date _______1/20/2011__________

Construction Permanent Yard (Clarification of Usage)

NCCI Code and Phraseology
8227 CONSTRUCTION OR ERECTION PERMANENT YARD
Applies only to a permanent yard maintained by a construction or erection risk for the storage of material or the storage and maintenance of equipment. Not available at construction site. Mill operations or fabrication to be separately rated

CHANGE
The focus of the proposed changes for this industry is to clarify when it is appropriate to classify employees to Code 8227 for construction yards.

NCCI Code and Revised Phraseology
8227 CONSTRUCTION OR ERECTION PERMANENT YARD
Note: Applies only to a permanent yard maintained by a construction or erection risk for the storage of material or the storage and maintenance of equipment. Code 8227 includes incidental pickup or delivery of parts. Not available at a construction site. Code 8227 is not available for division of a single employee's payroll during a single day. Operations such as loading and unloading materials, equipment, and tools, performing maintenance on equipment or vehicles, and prefabrication work performed by construction site workers is incidental to the overall construction operation and must not be assigned to Code 8227. Mill operations or fabrication to be separately rated.

Changes by NCCI
1. Code 8227—Construction or Erection Permanent Yard will include incidental pickup or delivery of parts. Also, 8227 Scope phraseology note discontinues the division of payroll for a single employee with any other classification during a single day.

2. Work performed in permanent yards by key personnel (e.g., superintendents, foremen or engineers) of construction or erection firms, for periods during which no jobs are in progress, is appropriately assigned to this classification on the basis that the work of such key personnel while they are in the yard constitutes a change of employment. Personnel who ordinarily are assigned to Code 5606 may also be assigned to Code 8227 under the above conditions since "change of employment" does not come under the division of payroll rule as described in the footnote for Code 5606 in the ***Basic Manual.***

	Code 8227
Employers Reporting Payroll - 1st Half 2010	746
Aggregate Payroll Reported - 1st Half 2010	20,688,594
2009 Total Losses - Med Comp & Reserves	3,599,485
Policy Year 2009 Base Rate	$4.01
Policy Year 2010 Base Rate	$3.86

Underwriting or Rate Impacts
The changes to this industry consist of revisions to phraseologies in Code 8227. This portion of the proposal is not expected to result in any reclassification of risk payroll or change in loss cost, rate, or premium.

Created by _John Best__________
Date _______1/20/2011__________

Ohio | Bureau of Workers' Compensation

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Administrator/CEO **Stephen Buehrer**

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Stakeholder Feedback Recommendations for Proposed changes to NCCI Classification Codes

Line #	Rule #/Subject Matter	Stakeholder	Draft Rule Suggestions	Stakeholder Rationale	BWC Response	Resolution
	4123-17-04 Classification Codes	Ohio Council of Retail Merchants (Ohio Bakers Assn)				
	4123-17-04 Classification Codes	Ohio Manufactured Homes Association				
	4123-17-04 Classification Codes	Ohio Manufactured Homes Commission				
	4123-17-04 Classification Codes	Ohio Manufacturers Association	Expressed support for changes. Asked to be kept apprised of outcome	Action is actuarially sound	Advised BWC will inform them of outcome of committee and Board proceedings	
	4123-17-04 Classification Codes	Ohio Contractors Association				
	4123-17-04 Classification Codes	Builders Exchange of Central Ohio				
	4123-17-04 Classification Codes	Fiber Optics Association (Nat'l)				
	4123-17-04 Classification Codes	Ohio Chamber of Commerce				
	4123-17-04 Classification Codes	Workers' Compensation Forum				
	4123-17-04 Classification Codes	Employer- through TPA CompManagement, Inc.	None-expressed concern re: rate impact	None provided	Base rate to be taken from existing classification code	TPA advised employer.

Created by _John Best_________
Date ______1/20/2011_________

<u>Common Sense Business Regulation (BWC Rules)</u>

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

Rule 4123-17-72

<u>Rule Review</u>

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.

   Allows BWC to decline an aggregate stop loss request when the employer's premium or estimate premium is so large that the discount would be larger than the maximum deductible billing in aggregate. Makes the necessary changes in Table of Classifications by hazard group (Appendix C) to support the changes being made to 4123-17-04.

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.

   Explain: Generally, rate rules are not subject to stakeholder feedback.

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.

Created by: Joy Bush
Create Date: 2/4/2011

BWC Board of Directors

Executive Summary

Deductible Program Rules Changes

Introduction

Rule 4123-17-72 was passed by BWC's Board of Directors in February of 2009. This rule enabled Ohio employers to receive a premium discount for agreeing to pay a per claim deductible. The Deductible Program gives employers an option that is industry standard and available in over 40 other states. The Deductible Program Rule is the same as was passed by the board in the July 2010 meeting except for the limiting language added to section F.

Background Information

Rule 4123-17-72 was passed by BWC's Board of Directors in February of 2009. This rule enabled Ohio employers to receive a premium discount for agreeing to pay a per claim deductible. An updated version was passed by the board in April 2010 that included changes to compatibility and PEC Large Deductible pricing. Pricing for PEC employers was adjusted in July of 2010 for January 2011 to make a minor adjustment. At that time it was noted that a PA pricing adjustment may be required.

Proposed Changes

In lieu of changing the PA pricing in appendix A and D BWC has added language that allows BWC to deny aggregate stop loss in cases. Aggregate/Stop Loss is an option that allows an employer to pay a deductible amount per claim and have a policy year maximum. BWC has found situations in which it needs the ability to not extend this option, specifically because of the employer's premium or estimated premium size, the employer would receive a discount under this rule that would exceed the employer's maximum aggregate stop-loss liability.

Appendix C is the table that identifies what NCCI hazard group each of BWC's manual classifications is associated with. Deductible pricing tables are by NCCI hazard group. Because of the addition of new manuals classifications for the 2011 policy year, this table also needs to be adjusted.

4123-17-72 Deductible rule.

(A) As used in this rule:

(1) "Coverage period" means the twelve month period beginning July first through June thirtieth for private employers, and January first through December thirty-first for public employers. The deductible selected by the employer will apply only to claims with a date of injury within the coverage period defined in the deductible agreement.

(2) "Deductible" means the maximum amount an insured participating in the deductible program must reimburse the bureau for each claim that occurs during the policy year.

(3) "Experience rated premium" means the premium obligations of an employer for the policy year excluding DWRF and administrative cost assessments. This may include any experience premium related to policy combinations.

(4) "Modified rate" means the rate that employers who are experience rated pay as a percentage of their payroll. This rate is calculated by taking the base rate and multiplying it by the employer's experience modification (EM) factor.

(5) "NCCI base rate" means the rate that employers who are not experience rated pay as a percentage of their payroll.

(6) "Policy in good standing" means the employer is current on all payments due to the bureau and is in compliance with bureau laws, rules, and regulations at the time of enrollment or reenrollment.

(7) "Premium" means money paid (due) from an employer for workers' compensation insurance. It does not include money paid as fees, fines, penalties or deposits.

(8) "Qualified employer" means an employer that has a bureau policy that is in good standing at the time of enrollment or reenrollment. Although the employer may be a qualified employer, the bureau may not accept the employer into the deductible program for other reasons set forth in this rule.

(B) Eligibility requirements.

Each employer seeking to enroll in the bureau deductible program shall have active workers' compensation coverage and shall meet the following standards:

(1) The employer shall have a bureau policy that is in good standing at the time of enrollment.

(2) The employer shall be a private state funded employer or public employer taxing district. A self-insuring employer or a state agency public employer shall not be eligible for participation in the deductible program.

(3) The employer shall be current on all premium payments and deductible billings as of the original application deadline or anniversary date of participation.

(4) The employer shall have active coverage as of the original application deadline or anniversary date of participation.

(5) The employer shall demonstrate the ability to make payments under the deductible program based upon a credit score established by the bureau on an annual basis which will be applicable to all applicants for the program year. The bureau shall obtain the credit reports from an established vendor of such information.

(6) If the employer selects a deductible amount of five hundred dollars, one thousand dollars, two thousand five hundred dollars, five thousand dollars, or ten thousand dollars, the employer may not have cumulative lapses in workers' compensation coverage in excess of forty days within the twelve months preceding the original application deadline or subsequent anniversary deadline wherein the employer seeks renewal in the deductible program. If the employer selects a deductible amount of twenty-five thousand dollars, fifty thousand dollars, one hundred thousand dollars, or two hundred thousand dollars, the employer may not have cumulative lapses in workers' compensation coverage in excess of fifteen days within the five years preceding the original application deadline or subsequent anniversary deadline wherein the employer seeks renewal in the deductible program.

(C) In selecting an employer deductible program under this rule, the employer must select, on an application provided by the bureau, a per claim deductible amount, which shall be applicable for all claims with dates of injury within a one year coverage period. The employer shall choose one deductible level from the following:

(1) Five hundred dollars;

(2) One thousand dollars;

(3) Two thousand five hundred dollars;

(4) Five thousand dollars;

(5) Ten thousand dollars;

(6) Twenty-five thousand dollars;

(7) Fifty thousand dollars;

(8) One hundred thousand dollars;

(9) Two hundred thousand dollars.

(D) In choosing a deductible amount of five hundred dollars, one thousand dollars, two thousand five hundred dollars, five thousand dollars, or ten thousand dollars, the employer may not choose a deductible amount that exceeds twenty-five per cent of their experience rated premium obligation during the most recent full policy year. For a new employer policy, the deductible amount shall not exceed twenty-five per cent of the employer's expected premium. In choosing a deductible amount of twenty-five thousand dollars, fifty thousand dollars, one hundred thousand dollars, or two hundred thousand dollars, the employer may not choose a deductible amount that exceeds forty per cent of their experience rated premium obligation for the most recent full policy year. For self-insured employers re-entering the state fund system, the bureau will use the paid workers' compensation benefits from the last full policy year in place of experience rated premium.

BWC may estimate a full year's premium should only a partial year be available or if no premium is available in the most recent full policy year.

(E) A deductible level of twenty-five thousand dollars, fifty thousand dollars, one hundred thousand dollars, or two hundred thousand dollars will be considered a large deductible and will undergo additional credit analysis. Employers enrolling in a large deductible program must submit financial information to the bureau during the enrollment period preceding each policy year they elect to participate in the program.

(1) An employer choosing a deductible level of twenty-five thousand dollars or fifty thousand dollars must submit reviewed or audited financials for at least the three most recent fiscal years. The financials must be prepared in accordance with generally accepted accounting principles.

(2) An employer choosing a deductible level of one hundred thousand dollars or two hundred thousand dollars must submit audited financials for at least the three most recent fiscal years. The financials must be prepared in accordance with generally accepted accounting principles.

(3) The bureau may require an employer to adopt additional risk mitigation measures as a prerequisite for participation in the program. These measures may include, but are not limited to: adoption of an alternative payment plan, providing securitization in the form of a letter of credit or surety bond, and selection of an aggregate stop-loss limit.

(F) An employer may ~~**elect**~~ **request** an annual aggregate stop-loss limit option in combination with deductible levels of twenty-five thousand dollars, fifty thousand dollars, one hundred thousand dollars, or two-hundred thousand dollars. If the employer ~~**elects**~~ **requests** the aggregate stop-loss limit option, the bureau ~~**will**~~ **shall** limit **the employer's** deductible billings for injuries which occur during the associated policy year to three times the deductible level chosen**. However, the bureau may reject the employer's request to participate in the aggregate stop-loss limit option if the bureau determines that, because of the employer's premium or estimated premium size, the employer would receive a discount under this rule that would exceed the employer's maximum aggregate stop-loss liability.**

(G) The employer shall file the application provided by the bureau and any other paperwork required for enrollment in the deductible program by the bureau by the appropriate enrollment period as follows:

(1) For a private employer, between March first and the last business day of April preceding a policy year that begins on July first.

(2) For a public employer taxing district, between September first the last business day of October preceding a policy year that begins on January first.

Applications and any supporting documentation may be submitted by U.S. postal service, fax, e-mail containing scanned documentation, or online submission, so long as such paperwork is received by the bureau on or before the due date.

(3) The bureau shall not permit an employer to enroll in a deductible program outside of the deadlines set forth in this rule, except that the bureau will consider a new employer, establishing a policy in Ohio for the first time, for participation where the employer submits its deductible program application to the bureau within thirty days of obtaining coverage.

(H) Renewal in the deductible program at the same level for each subsequent year shall be automatic, subject to review by the bureau of the employer's continued eligibility under paragraph (B) of this rule, unless the employer notifies the bureau in writing that the employer does not wish to participate in the program or that the employer wants to change the deductible amount for the next coverage period. The employer shall provide such notice to the bureau within the time and in the manner provided in paragraph (G) of this rule.

(I) An employer shall not be permitted to withdraw from the deductible program during the policy year, and no changes shall be made with respect to any deductible amount selected by the employer within the policy year. However, the bureau shall have the option of removing an employer from the deductible program for any of the reasons described in paragraph (N) of this rule.

(J) The bureau shall pay the claims costs under a deductible program and the employer shall reimburse to the bureau the costs under the deductible program as follows:

(1) The bureau shall pay all claims costs in accordance with the laws and rules governing payment of workers' compensation benefits. The bureau shall include the entire cost in the employer's experience for the appropriate policy year.

(2) The bureau shall bill the employer on a monthly basis for any claims costs paid by the bureau for amounts subject to the deductible as elected by the employer for the policy year. In addition to amounts paid by the bureau for which the bureau is seeking reimbursement from the employer, such monthly billings shall also reflect the payments to date for any claims to which a deductible is applicable.

(3) The employer shall pay all deductible amounts billed by the bureau within twenty-eight days of the invoice date. The employer will be subject to any interest or penalty provisions to which other monies owed the bureau are subject, including certification to the attorney general's office for collection.

(4) The employer shall continue to be liable beyond any deductible program period for billings covered under a deductible program for injuries that arose during any period for which a deductible is applicable, regardless of when payment was made by the bureau.

(K) The bureau will apply the premium reduction calculation under the deductible program directly to the NCCI base rate established for the policy year for base-rated employers, or after the modified premium rate is established for experience-rated employers, but prior to any other premium discounts, as well as DWRF and administrative expenses. An individual employer participating in both group rating under rules 4123-17-61 to 4123-17-68 of the Administrative Code and the deductible program under this rule may implement the deductible program and receive the associated premium discounts in addition to the group discount; provided, however, the combined discounts may not exceed the maximum discount allowed under the group rating plan. The maximum discount with group rating will be the maximum credibility of a rating group without the application of the breakeven factor. The bureau will calculate the reduction in accordance with the appendices of this rule, which takes into account both the deductible amount chosen by the employer and the applicable hazard group under the most current version of NCCI as established by the primary manual classification of the employer as determined at the end of the enrollment period for that year.

(1) In determining the primary manual classification and appropriate hazard group, the bureau shall utilize payroll and the associated experience premium for the rating year beginning two years prior to the period in which the employer is seeking to enroll in the deductible program.

(2) For new employers, the bureau shall base the appropriate primary manual classification and hazard group upon estimated payroll.

(L) Where there is a combination or experience transfer of an employer within a deductible program policy period, following the application of any other rules applicable to a combination or experience transfer, the employer may be eligible to remain in a deductible program as follows:

(1) Successor: entity not having coverage.

Predecessor: enrolled in deductible program currently or in prior policy years.

Where there is a combination or experience transfer, where the predecessor was a participant in the deductible program and the successor is assigned a new policy with the bureau, the successor shall make application for the deductible program within thirty days of obtaining a bureau policy, as set forth in paragraph (G)(3) of this rule. Notwithstanding this election, the successor shall be responsible for any and all existing or future liabilities stemming from the predecessor's participation in the deductible program prior to the date that the bureau was notified of the transfer as provided under paragraph (C) of rule 4123-17-02 of the Administrative Code.

(2) Successor: enrolled in the deductible program.

Predecessor: not enrolled in the deductible program.

Where there is a combination or experience transfer involving two or more entities, each having Ohio coverage at the time of the combination or experience transfer, and the successor policy is enrolled in the deductible program for the program year, the successor shall automatically remain in the deductible program for the program year and is subject to renewal in accordance with paragraph (H) of this rule.

(3) Successor: not enrolled in deductible program.

Predecessor: enrolled in deductible program.

Where there is a combination or experience transfer involving two or more entities, each having Ohio coverage at the time of the combination or experience transfer, and the successor policy is not enrolled in the deductible program, the predecessor shall not be automatically entitled to continue in the deductible program. The successor may make a formal application should it desire to participate in the deductible program for the next policy year. Whether or not the successor chooses or is otherwise eligible to participate in a deductible program, under paragraph (C) of rule 4123-17-02 of the Administrative Code, the successor remains liable for any existing and future liabilities resulting from a predecessor's participation in the deductible program.

(M) An employer participating in the deductible program shall be entitled to participate in any other bureau rate program, including group rating, concurrent with its participation in the deductible program, except that an employer cannot utilize or participate in, with respect to any injuries which occur during a period for which the employer is enrolled in a deductible program, the following bureau rate programs:

(1) Retrospective rating, whether group or individual.

(2) The fifteen-thousand medical-only program.

(3) Salary continuation.

(4) Group rating if a deductible level of twenty-five thousand dollars, fifty thousand dollars, one hundred thousand dollars, or two hundred thousand dollars is selected.

(5) Drug-Free Safety Program premium discount if a deductible level of twenty-five thousand dollars, fifty thousand dollars, one hundred thousand dollars, or two hundred thousand dollars is selected. An employer may implement or continue to use the Drug-Free Safety Program, but will not receive the premium discount typically associated with program participation.

(N) The bureau may remove an employer participating in the deductible program from the program, effective the second half of the program year, with thirty days written notice to the employer based upon any of the following:

(1) Where the employer participates in any plan or program prohibited under paragraph (M) of this rule.

(2) Where the bureau certifies a balance due from the employer to the attorney general during the program year.

(3) Where the employer makes direct payments to any medical provider for services rendered or supplies or to any injured worker for compensation associated with a workers' compensation claim.

(4) Where the employer engages in misrepresentation or fraud in conjunction with the deductible program application process.

Appendix A: Summary of Selected Deductible Credits - PA

Summary of Selected Deductible Credits

Deductible Amount	A	B	C	D	E	F	G
$500	6.3%	4.1%	3.9%	3.9%	2.8%	2.0%	1.4%
$1,000	9.5%	6.3%	6.0%	6.0%	4.4%	3.2%	2.3%
$2,500	14.0%	10.0%	9.6%	9.4%	7.2%	5.5%	3.9%
$5,000	17.9%	14.2%	13.7%	13.4%	10.3%	8.1%	5.8%
$10,000	26.0%	21.2%	20.8%	19.9%	16.6%	12.9%	9.7%

Appendix B: Summary of Selected Deductible Credits - PEC

Summary of Selected Deductible Credits – PEC

Deductible Amount	H (IG 1/5/22)	I (IG 2)	J (IG 3/4)	K (IG 6/8)	L (IG 7/20)
$500	4.3%	5.6%	4.7%	7.3%	2.0%
$1,000	6.8%	8.8%	7.4%	10.3%	3.3%
$2,500	11.3%	13.8%	11.6%	14.9%	5.6%
$5,000	16.0%	19.2%	15.7%	19.5%	8.3%
$10,000	21.9%	25.4%	20.7%	25.2%	12.0%

Appendix C: Table of Classifications by Hazard Group – PA

HAZARD GROUP	Table of Classifications by Hazard Group - PA Effective 7-1-2011
A	2300, 2670, 2835, 2836, 2881, 2913, 2942, 3119, 3223, 3255, 3865, 4038,4149, ~~4150~~, 4307, 4431, 4432, 4717, 8800, 8825, 9058, 9061, 9062, 9082, 9083, 9178, 9586
B	0035, 0917, 1860, 1924, ~~2001~~, 2002, 2016, 2039, 2041, 2105, 2110, 2111, 2112, 2114, 2143, 2174, 2286, 2288, 2386, 2388, 2503, 2534, 2570, 2585, 2587, 2600, 2651, 2660, 2683, 2688, 2714, 2735, 2759, 2790, 2841, 2923, 3022, 3076, 3118, 3122, 3179, 3180, 3188, 3224, 3227, 3240, 3303, 3315, 3383, 3385, 3574, 3581, 3629, 3634, 3638, 3648, 3681, 3685, 3807, 3851, 4061, 4109, 4111, 4131, 4133, 4240, 4282, 4299, 4352, 4360, 4361, 4557, 4611, 4653, 4692, 4902, 5402, 5951, 6503, 6504, 8001, 8008, 8010, 8017, 8018, 8032, 8037, 8039, 8045, 8047, 8072, 8102, 8105, 8824, 8868, 8869, 8871, 9040, 9044, 9052, 9060, 9063, 9089, 9093, 9101, 9179, 9600
C	0005, 0034, 0036, 0050, 0083, 0113, 0170, 0251, 2003, 2065, 2070, 2081, 2089, 2095, 2121, 2130, 2131, 2157, 2220, 2302, 2361, 2362, 2380, 2413, 2416, 2417, 2501, 2586, 2589, 2797, ~~2812~~, 2883, 2960, 3028, 3041, 3064, 3110, 3111, 3113, 3114, 3126, 3131, 3132, 3145, 3146, 3169, 3175, 3220, 3241, 3257, 3270, 3300, 3307, 3334, 3373, 3507, 3515, 3548, 3559, 3635, 3642, 3643, 3803, 3826, 3881, 4053, 4062, 4110, ~~4112~~, 4113, 4114, 4130, 4206, 4243, 4244, 4250, 4251, 4263, 4273, 4279, 4283, 4351, ~~4362~~, 4410, 4452, 4459, 4470, 4484, 4493, 4558, ~~4561~~, 4683, 4693, 4703, 4720, 4741, 4923, 5191, 5192, 5443, 5610, 7370, 7382, 7390, 7402, 7520, 8002, 8006, 8013, 8015, 8021, 8031, 8033, 8046, 8058, 8111, 8116, 8203, 8209, 8235, 8292, 8392, 8393, 8603, 8799, 8810, 8826, 8829, 8831, 8832, 8833, 8835, 8842, 8864, 9014, 9015, 9016, 9033, 9084, 9102, 9154, 9182, 9522
D	0008, 0037, 0042, 0400, 1853, 1925, 2021, 2172, 2305, 2623, 2799, 2802, 2915, 3042, 3372, 3400, 3612, 3632, 3647, 3808, 3821, 3822, 3824, 3827, 3830, 4101, 4304, 4511, 4828, 5215, 5479, 6400, 6834, 7230, 7231, 7380, 7590, 7610, 7705, 8044, 8103, 8263, 8291, 8380, 8381, 8601, 8602, 8745, 8748, 8820, 8901, 9012, 9059, 9156, 9220, 9501, 9505, 9620
E	0016, 0079, 1430, 1452, 1642, 1654, 1655, 1699, 1701, 1710, 1747, 1748, 2014, 2211, 2402, 2701, 2709, 2731, 3004, 3018, 3027, 3030, 3040, 3069, 3081, 3082, 3085, 3336, 3365, 3620, 4021, 4024, 4034, 4036, 4207, 4239, 4439, 4568, 4665, 4670, 4686, 4740, 4751, 4825, 5020, 5146, 5183, 5188, 5190, 5221, 5223, 5348, 5437, 5462, 5478, 5508, 5535, 5537, 5538, 5703, 5705, 6003, 6005, 6017, 6018, 6045, 6236, 6237, 6811, 6836, 7222, 7228, 7360, 7403, 7405, 7502, 7580, 7600, 7605, ~~7611~~, ~~7612~~, ~~7613~~, 7720, 7855, 8106, 8107, 8204, 8215, 8232, 8233, 8264, 8288, 8293, 8304, 8385, 8500, 8720, 8721, 8725, 8742, 8755, 8803, 8989, 9019, 9180, 9402, 9516, 9519, 9521
F	0106, 0401, 1165, 1320, 1322, 1438, 1463, 1472, 1624, 1803, 2710, 2916, 3724, 4000, 4420, 4581, 4583, 4829, 5022, 5102, 5160, 5213, 5222, 5403, 5445, 5474, 5480, 5491, 5507, 5605, 5606, 5645~~, 5651~~, 6204, 6213, 6217, 6229, 6233, 6251, 6306, 6319, 6325, 6704, 7133, 7229, 7232, 7421, 7539, ~~7601~~, 7704, 7710, 7711, 8265, 8279, 8350, 8606, 9186, 9403, 9534, 9545, 9549, 9554
G	1005, 1016, 1164, 1741, 1852, 2702, 3719, 3726, 4635, 4771, 4777, 5037, 5040, 5057, 5059, 5069, 5472, 5473, 5506, 5551, 6206, 6214, 6216, 6235, 6252, 6260, 6854, 6882, 6884, 7409, 7420, 7422, 7425, 7431, 7515, 7538, 7540, 8227, 9088, 9170, 9984, 9985

Appendix D: Summary of PA Large Deductible Premium Discounts

Summary of PA Large Deductible Premium Discounts

Hazard Group A

	Deductible Level				Deductible Level with Aggregate Limit			
Premium Size	$ 25,000	$ 50,000	$ 100,000	$ 200,000	$ 25,000	$ 50,000	$ 100,000	$ 200,000
$ 62,500	41%				41%			
$ 75,000	41%				40%			
$ 100,000	41%				38%			
$ 125,000	41%	53%			36%	51%		
$ 150,000	41%	53%			34%	50%		
$ 175,000	41%	53%			31%	48%		
$ 200,000	41%	53%			28%	45%		
$ 250,000	41%	53%	65%		23%	40%	59%	
$ 300,000	41%	53%	65%		21%	38%	58%	
$ 400,000	41%	53%	65%		16%	30%	51%	
$ 500,000	41%	53%	65%	77%	13%	25%	45%	68%
$ 600,000	41%	53%	65%	77%	11%	21%	40%	65%
$ 700,000	41%	53%	65%	77%	10%	19%	35%	61%
$ 800,000	41%	53%	65%	77%	8%	16%	31%	56%
$ 900,000	41%	53%	65%	77%	8%	15%	28%	52%
$ 1,000,000	41%	53%	65%	77%	7%	14%	26%	48%

Hazard Group B

	Deductible Level				Deductible Level with Aggregate Limit			
Premium Size	$ 25,000	$ 50,000	$ 100,000	$ 200,000	$ 25,000	$ 50,000	$ 100,000	$ 200,000
$ 62,500	32%				32%			
$ 75,000	32%				32%			
$ 100,000	32%				31%			
$ 125,000	32%	44%			29%	43%		
$ 150,000	32%	44%			26%	40%		
$ 175,000	32%	44%			24%	39%		
$ 200,000	32%	44%			22%	37%		
$ 250,000	32%	44%	57%		19%	34%	51%	
$ 300,000	32%	44%	57%		17%	30%	49%	
$ 400,000	32%	44%	57%		13%	24%	42%	
$ 500,000	32%	44%	57%	71%	11%	21%	37%	60%
$ 600,000	32%	44%	57%	71%	9%	17%	33%	55%
$ 700,000	32%	44%	57%	71%	8%	15%	29%	51%
$ 800,000	32%	44%	57%	71%	7%	14%	26%	48%
$ 900,000	32%	44%	57%	71%	7%	13%	24%	45%
$ 1,000,000	32%	44%	57%	71%	6%	12%	22%	42%

Hazard Group C

	Deductible Level				Deductible Level with Aggregate Limit			
Premium Size	$ 25,000	$ 50,000	$ 100,000	$ 200,000	$ 25,000	$ 50,000	$ 100,000	$ 200,000
$ 62,500	31%				30%			
$ 75,000	31%				29%			
$ 100,000	31%				28%			
$ 125,000	31%	42%			27%	40%		
$ 150,000	31%	42%			25%	39%		
$ 175,000	31%	42%			25%	39%		
$ 200,000	31%	42%			22%	36%		
$ 250,000	31%	42%	55%		19%	34%	51%	
$ 300,000	31%	42%	55%		17%	30%	48%	
$ 400,000	31%	42%	55%		13%	25%	43%	
$ 500,000	31%	42%	55%	69%	11%	21%	38%	60%
$ 600,000	31%	42%	55%	69%	9%	18%	33%	55%
$ 700,000	31%	42%	55%	69%	8%	16%	30%	52%
$ 800,000	31%	42%	55%	69%	8%	15%	28%	50%
$ 900,000	31%	42%	55%	69%	7%	13%	25%	45%
$ 1,000,000	31%	42%	55%	69%	6%	12%	23%	43%

Hazard Group D

	Deductible Level				Deductible Level with Aggregate Limit			
Premium Size	$ 25,000	$ 50,000	$ 100,000	$ 200,000	$ 25,000	$ 50,000	$ 100,000	$ 200,000
$ 62,500	29%				29%			
$ 75,000	29%				27%			
$ 100,000	29%				27%			
$ 125,000	29%	39%			24%	35%		
$ 150,000	29%	39%			24%	34%		
$ 175,000	29%	39%			23%	34%		
$ 200,000	29%	39%			21%	34%		
$ 250,000	29%	39%	51%		18%	32%	47%	
$ 300,000	29%	39%	51%		16%	29%	46%	
$ 400,000	29%	39%	51%		13%	24%	41%	
$ 500,000	29%	39%	51%	64%	10%	20%	36%	56%
$ 600,000	29%	39%	51%	64%	9%	17%	32%	52%
$ 700,000	29%	39%	51%	64%	8%	15%	29%	50%
$ 800,000	29%	39%	51%	64%	7%	14%	26%	46%
$ 900,000	29%	39%	51%	64%	7%	13%	25%	44%
$ 1,000,000	29%	39%	51%	64%	6%	12%	23%	42%

Hazard Group E

	Deductible Level				Deductible Level with Aggregate Limit			
Premium Size	$ 25,000	$ 50,000	$ 100,000	$ 200,000	$ 25,000	$ 50,000	$ 100,000	$ 200,000
$ 62,500	22%				22%			
$ 75,000	22%				22%			
$ 100,000	22%				22%			
$ 125,000	22%	32%			21%	31%		
$ 150,000	22%	32%			20%	29%		
$ 175,000	22%	32%			19%	29%		
$ 200,000	22%	32%			18%	29%		
$ 250,000	22%	32%	43%		16%	26%	39%	
$ 300,000	22%	32%	43%		14%	24%	38%	
$ 400,000	22%	32%	43%		12%	21%	35%	
$ 500,000	22%	32%	43%	56%	10%	19%	32%	49%
$ 600,000	22%	32%	43%	56%	9%	17%	30%	47%
$ 700,000	22%	32%	43%	56%	8%	15%	27%	45%
$ 800,000	22%	32%	43%	56%	7%	13%	25%	42%
$ 900,000	22%	32%	43%	56%	6%	13%	24%	41%
$ 1,000,000	22%	32%	43%	56%	6%	12%	22%	39%

Hazard Group F

	Deductible Level				Deductible Level with Aggregate Limit			
Premium Size	$ 25,000	$ 50,000	$ 100,000	$ 200,000	$ 25,000	$ 50,000	$ 100,000	$ 200,000
$ 62,500	20%				19%			
$ 75,000	20%				19%			
$ 100,000	20%				19%			
$ 125,000	20%	28%			19%	28%		
$ 150,000	20%	28%			19%	28%		
$ 175,000	20%	28%			18%	27%		
$ 200,000	20%	28%			17%	27%		
$ 250,000	20%	28%	39%		16%	26%	38%	
$ 300,000	20%	28%	39%		15%	25%	37%	
$ 400,000	20%	28%	39%		13%	22%	35%	
$ 500,000	20%	28%	39%	52%	11%	20%	33%	49%
$ 600,000	20%	28%	39%	52%	10%	19%	32%	48%
$ 700,000	20%	28%	39%	52%	9%	17%	30%	46%
$ 800,000	20%	28%	39%	52%	9%	16%	28%	45%
$ 900,000	20%	28%	39%	52%	8%	16%	28%	45%
$ 1,000,000	20%	28%	39%	52%	8%	15%	27%	44%

Hazard Group G

	Deductible Level				Deductible Level with Aggregate Limit			
Premium Size	$ 25,000	$ 50,000	$ 100,000	$ 200,000	$ 25,000	$ 50,000	$ 100,000	$ 200,000
$ 62,500	16%				16%			
$ 75,000	16%				16%			
$ 100,000	16%				15%			
$ 125,000	16%	23%			15%	23%		
$ 150,000	16%	23%			14%	23%		
$ 175,000	16%	23%			14%	23%		
$ 200,000	16%	23%			14%	22%		
$ 250,000	16%	23%	32%		13%	21%	31%	
$ 300,000	16%	23%	32%		13%	21%	31%	
$ 400,000	16%	23%	32%		11%	19%	29%	
$ 500,000	16%	23%	32%	44%	11%	18%	29%	42%
$ 600,000	16%	23%	32%	44%	10%	17%	27%	41%
$ 700,000	16%	23%	32%	44%	9%	17%	27%	40%
$ 800,000	16%	23%	32%	44%	9%	16%	26%	40%
$ 900,000	16%	23%	32%	44%	9%	16%	26%	40%
$ 1,000,000	16%	23%	32%	44%	9%	16%	26%	40%

Effective Date: 2/1/2010

Appendix E: Table of Classifications by Hazard Group – PEC

TABLE OF CLASSIFICATIONS BY HAZARD GROUP - PEC

Class Code	Haz Grp H-L	NCCI Classification Description
9430	H	County employees: all employees & clerical telecommuter, salespersons, drivers
9431	I	City employees: all employees & clerical, clerical telecommuter, salespersons, drivers
9432	J	Village employees: all employees & clerical, clerical telecommuter, salespersons, drivers
9433	J	Township employees: all employees & clerical, clerical telecommuter, salespersons, drivers
9434	H	Local school districts: all employees & clerical, clerical telecommuter, salespersons, drivers
9435	H	Public Libraries: all employees & clerical, clerical telecommuter, salespersons, drivers
9436	H	Special public universities: all employees & clerical, clerical telecommuter, salespersons, drivers
9437	H	Joint vocational schools: all employees & clerical, clerical telecommuter, salespersons, drivers
9438	K	Public work-relief employees
9439	L	Public employer emergency services organizations - contract coverage
9440	K	Public hospitals: all employees & clerical, clerical telecommuter, salespersons, drivers
9441	K	Special public institutions: all employees & clerical, clerical telecommuter, salespersons, drivers
9442	L	Pulbic transit auothorities: all employees & clerical, clerical telecommuter, salespersons, drivers
9443	H	Special public authorities: all employees & clerical, clerical telecommuter, salespersons, drivers

Appendix F: PEC Large Deductible Premium Discounts

Hazard Group H								
Pure Premium	Deductible				Deductible with Aggregate Limit			
Size	25,000 per claim	50,000 per claim	100,000 per claim	200,000 per claim	25,000 per claim/ 75,000 aggregate	50,000 per claim/ 150,000 aggregate	100,000 per claim/ 300,000 aggregate	200,000 per claim/ 600,000 aggregate
62,500	21.5%				20.5%			
75,000	21.5%				20.5%			
100,000	21.5%				20.5%			
125,000	21.5%	28.6%			20.5%	27.6%		
150,000	21.5%	28.6%			20.3%	27.6%		
175,000	21.5%	28.6%			19.8%	27.6%		
200,000	21.5%	28.6%			18.6%	27.2%		
250,000	21.5%	28.6%	36.9%		17.3%	26.4%	35.9%	
300,000	21.5%	28.6%	36.9%		14.6%	24.2%	35.0%	
400,000	21.5%	28.6%	36.9%		12.2%	21.8%	33.4%	
500,000	21.5%	28.6%	36.9%	46.6%	10.4%	19.4%	31.6%	44.5%
600,000	21.5%	28.6%	36.9%	46.6%	8.9%	17.2%	29.6%	43.4%
700,000	21.5%	28.6%	36.9%	46.6%	7.8%	15.3%	27.4%	42.0%
800,000	21.5%	28.6%	36.9%	46.6%	6.9%	13.7%	25.4%	40.4%
900,000	21.5%	28.6%	36.9%	46.6%	6.3%	12.4%	23.4%	38.8%
1,000,000	21.5%	28.6%	36.9%	46.6%	5.7%	11.3%	21.7%	37.1%
1,100,000	21.5%	28.6%	36.9%	46.6%	5.2%	10.3%	20.1%	35.4%
1,200,000	21.5%	28.6%	36.9%	46.6%	4.8%	9.5%	18.6%	33.7%
1,300,000	21.5%	28.6%	36.9%	46.6%	4.4%	8.8%	17.3%	32.0%
1,400,000	21.5%	28.6%	36.9%	46.6%	4.1%	8.2%	16.1%	30.2%
1,500,000	21.5%	28.6%	36.9%	46.6%	3.9%	7.7%	15.2%	28.8%
1,600,000	21.5%	28.6%	36.9%	46.6%	3.7%	7.3%	14.3%	27.3%
1,700,000	21.5%	28.6%	36.9%	46.6%	3.4%	6.9%	13.5%	25.9%
1,800,000	21.5%	28.6%	36.9%	46.6%	3.3%	6.5%	12.8%	24.7%
1,900,000	21.5%	28.6%	36.9%	46.6%	3.1%	6.2%	12.2%	23.5%
2,000,000	21.5%	28.6%	36.9%	46.6%	2.9%	5.9%	11.6%	22.4%
2,100,000	21.5%	28.6%	36.9%	46.6%	2.8%	5.6%	11.0%	21.3%
2,200,000	21.5%	28.6%	36.9%	46.6%	2.7%	5.4%	10.5%	20.4%
2,300,000	21.5%	28.6%	36.9%	46.6%	2.6%	5.1%	10.1%	19.6%
2,400,000	21.5%	28.6%	36.9%	46.6%	2.5%	4.9%	9.7%	18.8%
2,500,000	21.5%	28.6%	36.9%	46.6%	2.4%	4.7%	9.3%	18.0%
2,600,000	21.5%	28.6%	36.9%	46.6%	2.3%	4.6%	9.0%	17.4%
2,700,000	21.5%	28.6%	36.9%	46.6%	2.2%	4.4%	8.7%	16.8%
2,800,000	21.5%	28.6%	36.9%	46.6%	2.1%	4.2%	8.4%	16.2%
2,900,000	21.5%	28.6%	36.9%	46.6%	2.0%	4.1%	8.1%	15.6%

Pure Premium	Deductible				Deductible with Aggregate Limit			
Size	25,000 per claim	50,000 per claim	100,000 per claim	200,000 per claim	25,000 per claim/ 75,000 aggregate	50,000 per claim/ 150,000 aggregate	100,000 per claim/ 300,000 aggregate	200,000 per claim/ 600,000 aggregate
3,000,000	21.5%	28.6%	36.9%	46.6%	1.9%	3.8%	7.6%	14.7%
3,200,000	21.5%	28.6%	36.9%	46.6%	1.8%	3.6%	7.1%	13.8%
3,400,000	21.5%	28.6%	36.9%	46.6%	1.7%	3.4%	6.7%	13.0%
3,600,000	21.5%	28.6%	36.9%	46.6%	1.6%	3.2%	6.4%	12.3%
3,800,000	21.5%	28.6%	36.9%	46.6%	1.5%	3.1%	6.0%	11.7%
4,000,000	21.5%	28.6%	36.9%	46.6%	1.4%	2.9%	5.7%	11.0%
4,250,000	21.5%	28.6%	36.9%	46.6%	1.3%	2.7%	5.4%	10.4%
4,500,000	21.5%	28.6%	36.9%	46.6%	1.3%	2.6%	5.1%	9.9%
4,750,000	21.5%	28.6%	36.9%	46.6%	1.2%	2.4%	4.8%	9.4%
5,000,000	21.5%	28.6%	36.9%	46.6%	1.1%	2.2%	4.4%	8.5%
5,500,000	21.5%	28.6%	36.9%	46.6%	1.0%	2.0%	4.0%	7.8%
6,000,000	21.5%	28.6%	36.9%	46.6%	0.9%	1.9%	3.7%	7.2%
6,500,000	21.5%	28.6%	36.9%	46.6%	0.8%	1.7%	3.4%	6.7%
7,000,000	21.5%	28.6%	36.9%	46.6%	0.7%	1.5%	3.0%	5.8%
8,000,000	21.5%	28.6%	36.9%	46.6%	0.6%	1.3%	2.7%	5.2%
9,000,000	21.5%	28.6%	36.9%	46.6%	0.6%	1.2%	2.4%	4.7%
10,000,000	21.5%	28.6%	36.9%	46.6%	0.5%	0.9%	1.9%	3.7%
12,500,000	21.5%	28.6%	36.9%	46.6%	0.4%	0.8%	1.6%	3.1%
15,000,000	21.5%	28.6%	36.9%	46.6%	0.3%	0.7%	1.3%	2.6%
17,500,000	21.5%	28.6%	36.9%	46.6%	0.3%	0.6%	1.2%	2.3%
20,000,000	21.5%	28.6%	36.9%	46.6%	0.2%	0.4%	0.9%	1.8%
25,000,000	21.5%	28.6%	36.9%	46.6%	0.0%	0.0%	0.0%	0.0%

Hazard Group I								
Pure Premium	Deductible				Deductible with Aggregate Limit			
Size	25,000 per claim	50,000 per claim	100,000 per claim	200,000 per claim	25,000 per claim/ 75,000 aggregate	50,000 per claim/ 150,000 aggregate	100,000 per claim/ 300,000 aggregate	200,000 per claim/ 600,000 aggregate
62,500	23.4%				22.4%			
75,000	23.4%				22.4%			
100,000	23.4%				22.4%			
125,000	23.4%	30.6%			22.3%	29.6%		
150,000	23.4%	30.6%			21.8%	29.6%		
175,000	23.4%	30.6%			21.1%	29.6%		
200,000	23.4%	30.6%			19.6%	28.9%		
250,000	23.4%	30.6%	38.9%		18.0%	27.8%	37.9%	
300,000	23.4%	30.6%	38.9%		14.9%	25.3%	36.7%	
400,000	23.4%	30.6%	38.9%		12.4%	22.5%	34.9%	
500,000	23.4%	30.6%	38.9%	48.1%	10.4%	19.8%	32.8%	45.9%
600,000	23.4%	30.6%	38.9%	48.1%	8.9%	17.3%	30.4%	44.6%
700,000	23.4%	30.6%	38.9%	48.1%	7.8%	15.4%	28.1%	43.2%
800,000	23.4%	30.6%	38.9%	48.1%	6.9%	13.7%	25.8%	41.5%
900,000	23.4%	30.6%	38.9%	48.1%	6.2%	12.4%	23.7%	39.7%
1,000,000	23.4%	30.6%	38.9%	48.1%	5.7%	11.3%	21.9%	38.0%
1,100,000	23.4%	30.6%	38.9%	48.1%	5.2%	10.3%	20.2%	36.0%
1,200,000	23.4%	30.6%	38.9%	48.1%	4.8%	9.5%	18.7%	34.2%
1,300,000	23.4%	30.6%	38.9%	48.1%	4.4%	8.8%	17.3%	32.3%
1,400,000	23.4%	30.6%	38.9%	48.1%	4.1%	8.2%	16.2%	30.6%
1,500,000	23.4%	30.6%	38.9%	48.1%	3.9%	7.7%	15.2%	29.0%
1,600,000	23.4%	30.6%	38.9%	48.1%	3.7%	7.3%	14.3%	27.5%
1,700,000	23.4%	30.6%	38.9%	48.1%	3.5%	6.9%	13.5%	26.1%
1,800,000	23.4%	30.6%	38.9%	48.1%	3.3%	6.5%	12.8%	24.7%
1,900,000	23.4%	30.6%	38.9%	48.1%	3.1%	6.2%	12.2%	23.6%
2,000,000	23.4%	30.6%	38.9%	48.1%	2.9%	5.9%	11.6%	22.5%
2,100,000	23.4%	30.6%	38.9%	48.1%	2.8%	5.6%	11.0%	21.4%
2,200,000	23.4%	30.6%	38.9%	48.1%	2.7%	5.4%	10.5%	20.4%
2,300,000	23.4%	30.6%	38.9%	48.1%	2.6%	5.1%	10.1%	19.6%
2,400,000	23.4%	30.6%	38.9%	48.1%	2.5%	4.9%	9.7%	18.8%
2,500,000	23.4%	30.6%	38.9%	48.1%	2.4%	4.7%	9.3%	18.1%
2,600,000	23.4%	30.6%	38.9%	48.1%	2.3%	4.6%	9.0%	17.4%
2,700,000	23.4%	30.6%	38.9%	48.1%	2.2%	4.4%	8.7%	16.8%
2,800,000	23.4%	30.6%	38.9%	48.1%	2.1%	4.2%	8.4%	16.2%
2,900,000	23.4%	30.6%	38.9%	48.1%	2.0%	4.1%	8.1%	15.7%
3,000,000	23.4%	30.6%	38.9%	48.1%	1.9%	3.8%	7.6%	14.7%
3,200,000	23.4%	30.6%	38.9%	48.1%	1.8%	3.6%	7.1%	13.8%
3,400,000	23.4%	30.6%	38.9%	48.1%	1.7%	3.4%	6.7%	13.0%

3,600,000	23.4%	30.6%	38.9%	48.1%	1.6%	3.2%	6.4%	12.4%

Hazard Group I								
Pure Premium	Deductible				Deductible with Aggregate Limit			
Size	25,000 per claim	50,000 per claim	100,000 per claim	200,000 per claim	25,000 per claim/ 75,000 aggregate	50,000 per claim/ 150,000 aggregate	100,000 per claim/ 300,000 aggregate	200,000 per claim/ 600,000 aggregate
3,800,000	23.4%	30.6%	38.9%	48.1%	1.5%	3.1%	6.0%	11.7%
4,000,000	23.4%	30.6%	38.9%	48.1%	1.4%	2.9%	5.7%	11.0%
4,250,000	23.4%	30.6%	38.9%	48.1%	1.3%	2.7%	5.4%	10.4%
4,500,000	23.4%	30.6%	38.9%	48.1%	1.3%	2.6%	5.1%	9.9%
4,750,000	23.4%	30.6%	38.9%	48.1%	1.2%	2.4%	4.8%	9.4%
5,000,000	23.4%	30.6%	38.9%	48.1%	1.1%	2.2%	4.4%	8.5%
5,500,000	23.4%	30.6%	38.9%	48.1%	1.0%	2.0%	4.0%	7.8%
6,000,000	23.4%	30.6%	38.9%	48.1%	0.9%	1.9%	3.7%	7.2%
6,500,000	23.4%	30.6%	38.9%	48.1%	0.8%	1.7%	3.4%	6.7%
7,000,000	23.4%	30.6%	38.9%	48.1%	0.7%	1.5%	3.0%	5.8%
8,000,000	23.4%	30.6%	38.9%	48.1%	0.6%	1.3%	2.7%	5.2%
9,000,000	23.4%	30.6%	38.9%	48.1%	0.6%	1.2%	2.4%	4.7%
10,000,000	23.4%	30.6%	38.9%	48.1%	0.5%	0.9%	1.9%	3.7%
12,500,000	23.4%	30.6%	38.9%	48.1%	0.4%	0.8%	1.6%	3.1%
15,000,000	23.4%	30.6%	38.9%	48.1%	0.3%	0.7%	1.3%	2.6%
17,500,000	23.4%	30.6%	38.9%	48.1%	0.3%	0.6%	1.2%	2.3%
20,000,000	23.4%	30.6%	38.9%	48.1%	0.2%	0.4%	0.9%	1.8%
25,000,000	23.4%	30.6%	38.9%	48.1%	0.0%	0.0%	0.0%	0.0%

Hazard Group J								
Pure Premium	Deductible				Deductible with Aggregate Limit			
Size	25,000 per claim	50,000 per claim	100,000 per claim	200,000 per claim	25,000 per claim/ 75,000 aggregate	50,000 per claim/ 150,000 aggregate	100,000 per claim/ 300,000 aggregate	200,000 per claim/ 600,000 aggregate
62,500	13.5%				12.5%			
75,000	13.5%				12.5%			
100,000	13.5%				12.5%			
125,000	13.5%	18.9%			12.5%	17.9%		
150,000	13.5%	18.9%			12.5%	17.9%		
175,000	13.5%	18.9%			12.5%	17.9%		
200,000	13.5%	18.9%			12.5%	17.9%		
250,000	13.5%	18.9%	26.1%		12.5%	17.9%	25.1%	
300,000	13.5%	18.9%	26.1%		11.6%	17.7%	25.1%	
400,000	13.5%	18.9%	26.1%		10.5%	16.8%	24.9%	
500,000	13.5%	18.9%	26.1%	35.6%	9.5%	15.9%	24.2%	34.5%
600,000	13.5%	18.9%	26.1%	35.6%	8.5%	14.9%	23.4%	34.1%
700,000	13.5%	18.9%	26.1%	35.6%	7.6%	13.8%	22.5%	33.4%
800,000	13.5%	18.9%	26.1%	35.6%	6.9%	12.8%	21.6%	32.8%
900,000	13.5%	18.9%	26.1%	35.6%	6.2%	11.9%	20.5%	32.0%
1,000,000	13.5%	18.9%	26.1%	35.6%	5.7%	11.0%	19.5%	31.1%
1,100,000	13.5%	18.9%	26.1%	35.6%	5.2%	10.2%	18.5%	30.2%
1,200,000	13.5%	18.9%	26.1%	35.6%	4.8%	9.5%	17.5%	29.2%
1,300,000	13.5%	18.9%	26.1%	35.6%	4.5%	8.8%	16.6%	28.2%
1,400,000	13.5%	18.9%	26.1%	35.6%	4.2%	8.3%	15.7%	27.3%
1,500,000	13.5%	18.9%	26.1%	35.6%	3.9%	7.7%	14.8%	26.2%
1,600,000	13.5%	18.9%	26.1%	35.6%	3.7%	7.3%	14.0%	25.1%
1,700,000	13.5%	18.9%	26.1%	35.6%	3.5%	6.9%	13.4%	24.3%
1,800,000	13.5%	18.9%	26.1%	35.6%	3.3%	6.5%	12.7%	23.4%
1,900,000	13.5%	18.9%	26.1%	35.6%	3.1%	6.2%	12.1%	22.4%
2,000,000	13.5%	18.9%	26.1%	35.6%	3.0%	5.9%	11.5%	21.6%
2,100,000	13.5%	18.9%	26.1%	35.6%	2.8%	5.6%	11.0%	20.3%
2,200,000	13.5%	18.9%	26.1%	35.6%	2.7%	5.4%	10.5%	19.4%
2,300,000	13.5%	18.9%	26.1%	35.6%	2.6%	5.1%	10.0%	18.6%
2,400,000	13.5%	18.9%	26.1%	35.6%	2.5%	4.9%	9.6%	17.8%
2,500,000	13.5%	18.9%	26.1%	35.6%	2.4%	4.7%	9.3%	17.2%
2,600,000	13.5%	18.9%	26.1%	35.6%	2.3%	4.6%	8.9%	16.5%
2,700,000	13.5%	18.9%	26.1%	35.6%	2.2%	4.4%	8.6%	15.9%
2,800,000	13.5%	18.9%	26.1%	35.6%	2.1%	4.3%	8.3%	15.4%
2,900,000	13.5%	18.9%	26.1%	35.6%	2.1%	4.1%	8.0%	14.9%
3,000,000	13.5%	18.9%	26.1%	35.6%	1.9%	3.8%	7.5%	13.9%
3,200,000	13.5%	18.9%	26.1%	35.6%	1.8%	3.6%	7.1%	13.1%
3,400,000	13.5%	18.9%	26.1%	35.6%	1.7%	3.4%	6.7%	12.4%

Hazard Group J								
Pure Premium	Deductible				Deductible with Aggregate Limit			
Size	25,000 per claim	50,000 per claim	100,000 per claim	200,000 per claim	25,000 per claim/ 75,000 aggregate	50,000 per claim/ 150,000 aggregate	100,000 per claim/ 300,000 aggregate	200,000 per claim/ 600,000 aggregate
3,600,000	13.5%	18.9%	26.1%	35.6%	1.6%	3.2%	6.3%	11.7%
3,800,000	13.5%	18.9%	26.1%	35.6%	1.5%	3.1%	6.0%	11.1%
4,000,000	13.5%	18.9%	26.1%	35.6%	1.4%	2.9%	5.7%	10.5%
4,250,000	13.5%	18.9%	26.1%	35.6%	1.4%	2.7%	5.3%	9.9%
4,500,000	13.5%	18.9%	26.1%	35.6%	1.3%	2.6%	5.1%	9.4%
4,750,000	13.5%	18.9%	26.1%	35.6%	1.2%	2.4%	4.8%	8.9%
5,000,000	13.5%	18.9%	26.1%	35.6%	1.1%	2.2%	4.4%	8.1%
5,500,000	13.5%	18.9%	26.1%	35.6%	1.0%	2.0%	4.0%	7.4%
6,000,000	13.5%	18.9%	26.1%	35.6%	0.9%	1.9%	3.7%	6.8%
6,500,000	13.5%	18.9%	26.1%	35.6%	0.9%	1.7%	3.4%	6.3%
7,000,000	13.5%	18.9%	26.1%	35.6%	0.7%	1.5%	3.0%	5.5%
8,000,000	13.5%	18.9%	26.1%	35.6%	0.7%	1.3%	2.6%	4.9%
9,000,000	13.5%	18.9%	26.1%	35.6%	0.6%	1.2%	2.4%	4.4%
10,000,000	13.5%	18.9%	26.1%	35.6%	0.5%	0.9%	1.9%	3.5%
12,500,000	13.5%	18.9%	26.1%	35.6%	0.4%	0.8%	1.6%	2.9%
15,000,000	13.5%	18.9%	26.1%	35.6%	0.3%	0.7%	1.3%	2.5%
17,500,000	13.5%	18.9%	26.1%	35.6%	0.3%	0.6%	1.2%	2.2%
20,000,000	13.5%	18.9%	26.1%	35.6%	0.2%	0.4%	0.9%	1.7%
25,000,000	13.5%	18.9%	26.1%	35.6%	0.0%	0.0%	0.0%	0.0%

Hazard Group K								
Pure Premium	Deductible				Deductible with Aggregate Limit			
Size	25,000 per claim	50,000 per claim	100,000 per claim	200,000 per claim	25,000 per claim/ 75,000 aggregate	50,000 per claim/ 150,000 aggregate	100,000 per claim/ 300,000 aggregate	200,000 per claim/ 600,000 aggregate
62,500	17.6%				16.6%			
75,000	17.6%				16.6%			
100,000	17.6%				16.6%			
125,000	17.6%	23.7%			16.6%	22.7%		
150,000	17.6%	23.7%			16.6%	22.7%		
175,000	17.6%	23.7%			16.6%	22.7%		
200,000	17.6%	23.7%			16.2%	22.7%		
250,000	17.6%	23.7%	31.3%		15.4%	22.5%	30.3%	
300,000	17.6%	23.7%	31.3%		13.6%	21.3%	30.2%	
400,000	17.6%	23.7%	31.3%		11.8%	19.8%	29.3%	
500,000	17.6%	23.7%	31.3%	40.8%	10.2%	18.1%	28.1%	39.3%
600,000	17.6%	23.7%	31.3%	40.8%	8.9%	16.5%	26.8%	38.6%
700,000	17.6%	23.7%	31.3%	40.8%	7.8%	14.9%	25.4%	37.7%
800,000	17.6%	23.7%	31.3%	40.8%	7.0%	13.6%	23.9%	36.7%
900,000	17.6%	23.7%	31.3%	40.8%	6.3%	12.3%	22.5%	35.6%
1,000,000	17.6%	23.7%	31.3%	40.8%	5.7%	11.2%	21.0%	34.4%
1,100,000	17.6%	23.7%	31.3%	40.8%	5.2%	10.3%	19.6%	33.0%
1,200,000	17.6%	23.7%	31.3%	40.8%	4.8%	9.5%	18.3%	31.7%
1,300,000	17.6%	23.7%	31.3%	40.8%	4.5%	8.9%	17.2%	30.4%
1,400,000	17.6%	23.7%	31.3%	40.8%	4.2%	8.3%	16.1%	29.1%
1,500,000	17.6%	23.7%	31.3%	40.8%	3.9%	7.7%	15.2%	27.8%
1,600,000	17.6%	23.7%	31.3%	40.8%	3.7%	7.3%	14.3%	26.6%
1,700,000	17.6%	23.7%	31.3%	40.8%	3.5%	6.9%	13.5%	25.4%
1,800,000	17.6%	23.7%	31.3%	40.8%	3.3%	6.5%	12.8%	24.3%
1,900,000	17.6%	23.7%	31.3%	40.8%	3.1%	6.2%	12.1%	23.2%
2,000,000	17.6%	23.7%	31.3%	40.8%	3.0%	5.9%	11.6%	22.2%
2,100,000	17.6%	23.7%	31.3%	40.8%	2.8%	5.6%	11.1%	21.0%
2,200,000	17.6%	23.7%	31.3%	40.8%	2.7%	5.4%	10.6%	20.1%
2,300,000	17.6%	23.7%	31.3%	40.8%	2.6%	5.2%	10.1%	19.3%
2,400,000	17.6%	23.7%	31.3%	40.8%	2.5%	4.9%	9.7%	18.5%
2,500,000	17.6%	23.7%	31.3%	40.8%	2.4%	4.8%	9.4%	17.8%
2,600,000	17.6%	23.7%	31.3%	40.8%	2.3%	4.6%	9.0%	17.1%
2,700,000	17.6%	23.7%	31.3%	40.8%	2.2%	4.4%	8.7%	16.5%
2,800,000	17.6%	23.7%	31.3%	40.8%	2.1%	4.3%	8.4%	15.9%
2,900,000	17.6%	23.7%	31.3%	40.8%	2.1%	4.1%	8.1%	15.4%
3,000,000	17.6%	23.7%	31.3%	40.8%	1.9%	3.9%	7.6%	14.4%
3,200,000	17.6%	23.7%	31.3%	40.8%	1.8%	3.6%	7.1%	13.6%
3,400,000	17.6%	23.7%	31.3%	40.8%	1.7%	3.4%	6.7%	12.8%

Hazard Group K								
Pure Premium	Deductible				Deductible with Aggregate Limit			
Size	25,000 per claim	50,000 per claim	100,000 per claim	200,000 per claim	25,000 per claim/ 75,000 aggregate	50,000 per claim/ 150,000 aggregate	100,000 per claim/ 300,000 aggregate	200,000 per claim/ 600,000 aggregate
3,600,000	17.6%	23.7%	31.3%	40.8%	1.6%	3.2%	6.4%	12.2%
3,800,000	17.6%	23.7%	31.3%	40.8%	1.5%	3.1%	6.1%	11.5%
4,000,000	17.6%	23.7%	31.3%	40.8%	1.4%	2.9%	5.7%	10.9%
4,250,000	17.6%	23.7%	31.3%	40.8%	1.4%	2.7%	5.4%	10.3%
4,500,000	17.6%	23.7%	31.3%	40.8%	1.3%	2.6%	5.1%	9.7%
4,750,000	17.6%	23.7%	31.3%	40.8%	1.2%	2.4%	4.8%	9.2%
5,000,000	17.6%	23.7%	31.3%	40.8%	1.1%	2.2%	4.4%	8.4%
5,500,000	17.6%	23.7%	31.3%	40.8%	1.0%	2.0%	4.0%	7.7%
6,000,000	17.6%	23.7%	31.3%	40.8%	0.9%	1.9%	3.7%	7.1%
6,500,000	17.6%	23.7%	31.3%	40.8%	0.9%	1.7%	3.4%	6.6%
7,000,000	17.6%	23.7%	31.3%	40.8%	0.7%	1.5%	3.0%	5.7%
8,000,000	17.6%	23.7%	31.3%	40.8%	0.7%	1.3%	2.7%	5.1%
9,000,000	17.6%	23.7%	31.3%	40.8%	0.6%	1.2%	2.4%	4.6%
10,000,000	17.6%	23.7%	31.3%	40.8%	0.5%	0.9%	1.9%	3.7%
12,500,000	17.6%	23.7%	31.3%	40.8%	0.4%	0.8%	1.6%	3.0%
15,000,000	17.6%	23.7%	31.3%	40.8%	0.3%	0.7%	1.3%	2.6%
17,500,000	17.6%	23.7%	31.3%	40.8%	0.3%	0.6%	1.2%	2.3%
20,000,000	17.6%	23.7%	31.3%	40.8%	0.2%	0.4%	0.9%	1.8%
25,000,000	17.6%	23.7%	31.3%	40.8%	0.0%	0.0%	0.0%	0.0%

Hazard Group L								
Pure Premium	Deductible				Deductible with Aggregate Limit			
Size	25,000 per claim	50,000 per claim	100,000 per claim	200,000 per claim	25,000 per claim/ 75,000 aggregate	50,000 per claim/ 150,000 aggregate	100,000 per claim/ 300,000 aggregate	200,000 per claim/ 600,000 aggregate
62,500	19.9%				18.9%			
75,000	19.9%				18.9%			
100,000	19.9%				18.9%			
125,000	19.9%	26.6%			18.9%	25.6%		
150,000	19.9%	26.6%			18.9%	25.6%		
175,000	19.9%	26.6%			18.5%	25.6%		
200,000	19.9%	26.6%			17.6%	25.5%		
250,000	19.9%	26.6%	34.5%		16.5%	24.8%	33.5%	
300,000	19.9%	26.6%	34.5%		14.2%	23.1%	33.0%	
400,000	19.9%	26.6%	34.5%		12.1%	21.0%	31.7%	
500,000	19.9%	26.6%	34.5%	43.6%	10.4%	19.0%	30.3%	41.9%
600,000	19.9%	26.6%	34.5%	43.6%	8.9%	17.0%	28.5%	41.0%
700,000	19.9%	26.6%	34.5%	43.6%	7.8%	15.2%	26.6%	39.9%
800,000	19.9%	26.6%	34.5%	43.6%	7.0%	13.6%	24.8%	38.7%
900,000	19.9%	26.6%	34.5%	43.6%	6.2%	12.3%	23.0%	37.2%
1,000,000	19.9%	26.6%	34.5%	43.6%	5.7%	11.2%	21.4%	35.8%
1,100,000	19.9%	26.6%	34.5%	43.6%	5.2%	10.3%	19.9%	34.4%
1,200,000	19.9%	26.6%	34.5%	43.6%	4.8%	9.5%	18.5%	32.7%
1,300,000	19.9%	26.6%	34.5%	43.6%	4.5%	8.8%	17.2%	31.3%
1,400,000	19.9%	26.6%	34.5%	43.6%	4.2%	8.3%	16.2%	29.8%
1,500,000	19.9%	26.6%	34.5%	43.6%	3.9%	7.7%	15.2%	28.5%
1,600,000	19.9%	26.6%	34.5%	43.6%	3.7%	7.3%	14.3%	27.0%
1,700,000	19.9%	26.6%	34.5%	43.6%	3.4%	6.9%	13.5%	25.7%
1,800,000	19.9%	26.6%	34.5%	43.6%	3.3%	6.5%	12.8%	24.5%
1,900,000	19.9%	26.6%	34.5%	43.6%	3.1%	6.2%	12.2%	23.5%
2,000,000	19.9%	26.6%	34.5%	43.6%	3.0%	5.9%	11.6%	22.4%
2,100,000	19.9%	26.6%	34.5%	43.6%	2.8%	5.6%	11.1%	21.3%
2,200,000	19.9%	26.6%	34.5%	43.6%	2.7%	5.4%	10.6%	20.3%
2,300,000	19.9%	26.6%	34.5%	43.6%	2.6%	5.1%	10.1%	19.5%
2,400,000	19.9%	26.6%	34.5%	43.6%	2.5%	4.9%	9.7%	18.7%
2,500,000	19.9%	26.6%	34.5%	43.6%	2.4%	4.7%	9.3%	18.0%
2,600,000	19.9%	26.6%	34.5%	43.6%	2.3%	4.6%	9.0%	17.3%
2,700,000	19.9%	26.6%	34.5%	43.6%	2.2%	4.4%	8.7%	16.7%
2,800,000	19.9%	26.6%	34.5%	43.6%	2.1%	4.2%	8.4%	16.1%
2,900,000	19.9%	26.6%	34.5%	43.6%	2.1%	4.1%	8.1%	15.6%
3,000,000	19.9%	26.6%	34.5%	43.6%	1.9%	3.8%	7.6%	14.6%
3,200,000	19.9%	26.6%	34.5%	43.6%	1.8%	3.6%	7.1%	13.7%
3,400,000	19.9%	26.6%	34.5%	43.6%	1.7%	3.4%	6.7%	13.0%

3,600,000	19.9%	26.6%	34.5%	43.6%	1.6%	3.2%	6.4%	12.3%

Hazard Group L								
Pure Premium	Deductible				Deductible with Aggregate Limit			
Size	25,000 per claim	50,000 per claim	100,000 per claim	200,000 per claim	25,000 per claim/ 75,000 aggregate	50,000 per claim/ 150,000 aggregate	100,000 per claim/ 300,000 aggregate	200,000 per claim/ 600,000 aggregate
3,800,000	19.9%	26.6%	34.5%	43.6%	1.5%	3.1%	6.1%	11.7%
4,000,000	19.9%	26.6%	34.5%	43.6%	1.4%	2.9%	5.7%	11.0%
4,250,000	19.9%	26.6%	34.5%	43.6%	1.4%	2.7%	5.4%	10.4%
4,500,000	19.9%	26.6%	34.5%	43.6%	1.3%	2.6%	5.1%	9.8%
4,750,000	19.9%	26.6%	34.5%	43.6%	1.2%	2.4%	4.8%	9.3%
5,000,000	19.9%	26.6%	34.5%	43.6%	1.1%	2.2%	4.4%	8.5%
5,500,000	19.9%	26.6%	34.5%	43.6%	1.0%	2.0%	4.0%	7.8%
6,000,000	19.9%	26.6%	34.5%	43.6%	0.9%	1.9%	3.7%	7.2%
6,500,000	19.9%	26.6%	34.5%	43.6%	0.9%	1.7%	3.4%	6.6%
7,000,000	19.9%	26.6%	34.5%	43.6%	0.7%	1.5%	3.0%	5.8%
8,000,000	19.9%	26.6%	34.5%	43.6%	0.7%	1.3%	2.7%	5.2%
9,000,000	19.9%	26.6%	34.5%	43.6%	0.6%	1.2%	2.4%	4.6%
10,000,000	19.9%	26.6%	34.5%	43.6%	0.5%	0.9%	1.9%	3.7%
12,500,000	19.9%	26.6%	34.5%	43.6%	0.4%	0.8%	1.6%	3.1%
15,000,000	19.9%	26.6%	34.5%	43.6%	0.3%	0.7%	1.3%	2.6%
17,500,000	19.9%	26.6%	34.5%	43.6%	0.3%	0.6%	1.2%	2.3%
20,000,000	19.9%	26.6%	34.5%	43.6%	0.2%	0.4%	0.9%	1.8%
25,000,000	19.9%	26.6%	34.5%	43.6%	0.0%	0.0%	0.0%	0.0%

Ohio Bureau of Workers' Compensation Actuarial Committee

Review of Base Rate Methodology

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Deloitte Consulting LLP
February 23, 2011

Deloitte.

Background

- Review of Private Employers ("PA") and Public Employer Taxing Districts ("PEC") class ratemaking
- Suggest changes to the class ratemaking methodology in order to enhance stability and fairness in Ohio's base rates by class
- The areas for improvement are separated into two stages:
  1) Potential changes for the next policy year beginning 7-1-2011
  2) Potential changes for policy years beginning 7-1-2012 or for subsequent policy years
- The items included for the first stage relate to two of the findings from Deloitte Consulting's 2008 Comprehensive Study:
  - The current base rate change is limited to +/- 30% in Ohio, higher than most states
  - Currently, class credibility is used to weigh the class loss costs, reflecting updated average losses of each class, with the current pure premium for the class
  - The existing approach does not always work well in terms of stability and fairness for classes with low volume (low credibility)
  - Other states use additional factors for low credibility classes, such as rate relativities by class from other states or relativities to similar classes.

Background – Simplified Example of Current Approach

The current approach used by BWC for class base rates is illustrated below:

Formula for Indicated New Rate (illustrated without loads & assessments):

Indicated New Rate = Credibility for Class x Indicated New Pure Premium + (100% - Credibility) x Current Pure Premium

		Current Method
1.	Four (4) years of historical losses for the class	$650,000
2.	Class credibility weight of historical losses	80%
3.	Indicated pure premium (losses / payroll)	$3.50
4.	Balance of credibility weight (100%-80%)	20%
5.	Current pure premium (underlying current rates)	$2.50
6.	Indicated New Class Base Pure Premium (80% x $3.50) + (20% x $2.50)	$3.30
7.	Current Class Base Pure Premium	$2.50
8.	Capped Rate (+/- 30%) (Max = $2.50 x 1.30 = $3.25) or (Min = $2.50 x 0.70 = $1.75)	$3.25

Summary of Recommended Improvements

The following improvements are recommended for policy year 7-1-2011:

1) Change current cap on class rate change to +/- 25%

- 25% is commonly used in other states
- Apply cap to class rates (after loadings and assessments where possible)
- Continue to apply experience rating for group and individual employers after the cap

2) Add transparency to the process for determining and applying expense and other loadings

Summary of Recommended Improvements (continued)

The following additional improvements could be implemented for future policy years 7-1-2012 or for subsequent policy years:

3) Adjust the procedure for determining the class credibility assigned to the indicated class pure premium

4) Use industry information from other states as a factor to supplement the base rate analysis for classes that are not fully credible

5) Adjust rates for “catastrophe” losses by hazard group (which is based on the hazardousness of the employer’s operations) rather than industry group

6) Evaluate impact of further incorporation of additional industry workers compensation class ratemaking techniques and methods used in other states, such as NCCI’s recent changes to their methods

Simplified Example of Recommend Changes in Approach

Recommended changes in approach for class base rates are illustrated below:

		Current Method	+/- 25% Rate Cap	+/- 25% Cap & Adjusted Credibility
1.	Historical losses (4 years)	$650,000	same	same
2.	Class credibility weight	80%	same	57%
3.	Indicated new pure premium	$3.50	same	same
4.	Balance of credibility weight	20%	same	43%
5.	Current pure premium	$2.50	same	same
6.	Indicated New Class Base Rate	$3.30	same	$3.07
7.	Current Class Base Rate	$2.50	same	same
8.	Capped New Class Base Rate	$3.25	$3.13	$3.07

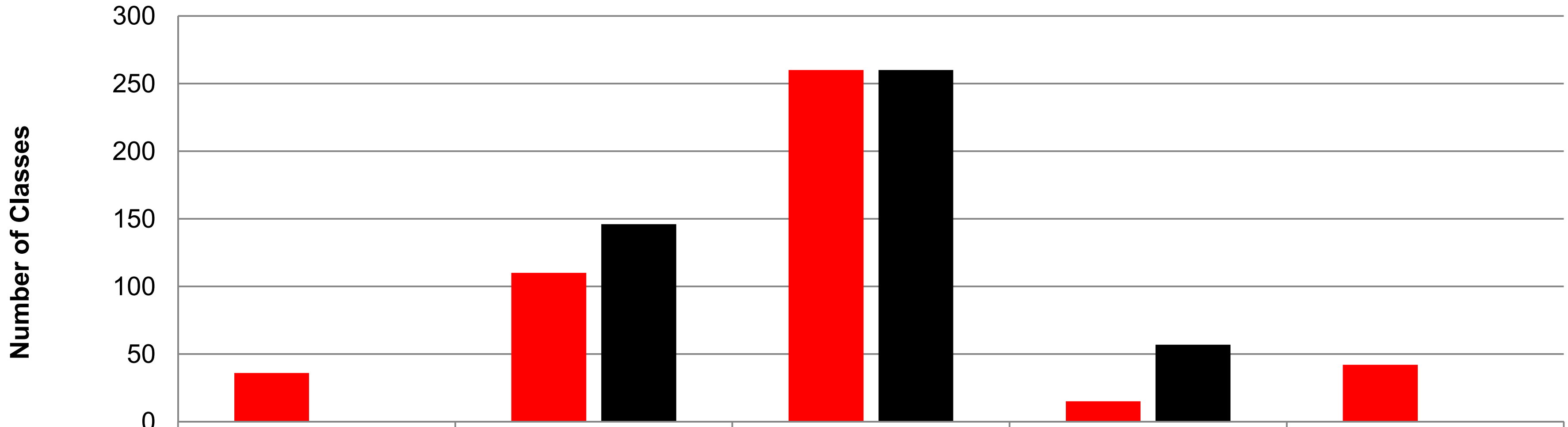
Cap on Change in Class Rates (2011 Recommendation)

- The current process has the following cap on the change in a class rate:
  - Maximum increase of 30%
  - No maximum decrease (since July 1, 2009; previously capped at 30% decrease)
- Deloitte Consulting recommends capping the change in class rates to:
  - Maximum increase of 25%
  - Maximum decrease of 25%
  - This is consistent with most other states
  - Rate adjustments are made if the caps affect the overall premium change
- Alternatively, BWC could apply a cap around the overall indicated rate change
  - For example, if the overall indicated rate change were -5%, the caps would be:
    - Maximum class rate increase of 20% [= +25% cap - 5% rate decrease]
    - Maximum class rate decrease of 30% [= -25% cap - 5% rate decrease]
  - A similar approach is used in Pennsylvania
- The proposal to cap rate changes simply to a maximum increase / decrease of 25% is clear, but it might result in the fairness issues for the rates between classes if the caps apply to many classes over multiple years.

Impact on Stability from Proposed Cap on Change in Rates

- Impact on 2010 class rates if +/- 25% cap had been used
- Table below shows the number of PA classes by:
  - Actual 2010 base rate change
  - 2010 base rate change if proposed cap had been used
- Excludes 68 small classes where 2010 rates were selected manually by BWC

Improvement in Rate Stability from Capping at +/- 25%
Change from 2009 to 2010
(3.9% Overall Rate Decrease)



	Decrease more than 25%	Decrease more than 15%, but not more than 25%	Increase/ Decrease not more than 15%	Increase more than 15%, but not more than 25%	Increase more than 25%
Actual 2010 Rates	36	110	260	15	42
Rates Capped at +/- 25%	0	146	260	57	0

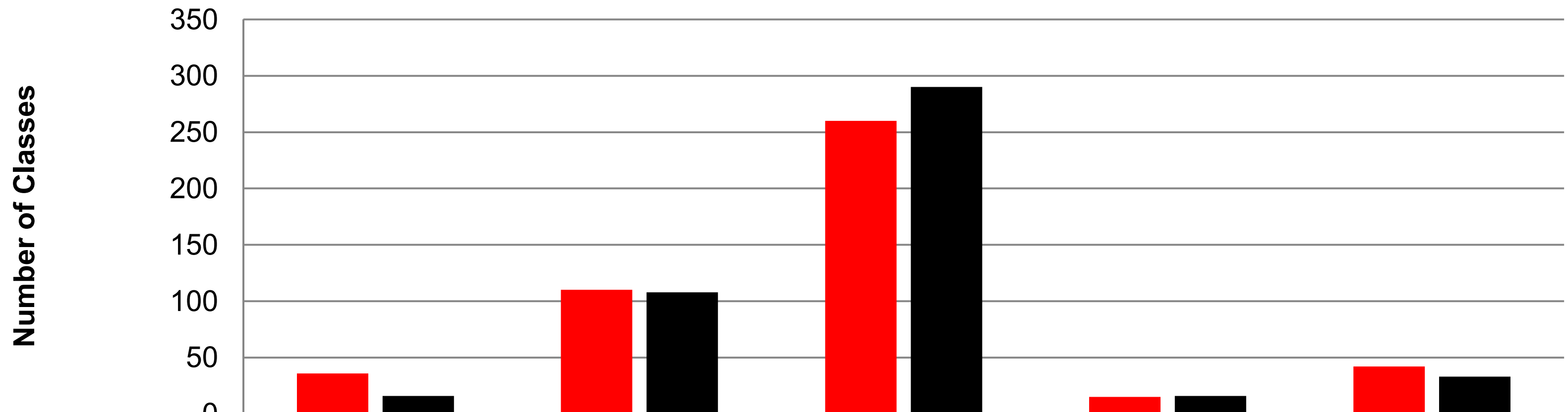
Proposed Improvements to Class Ratemaking

- The current process for the use of class credibility in ratemaking:
  - 100% credibility for a class if there is $1 million in losses during the experience period
  - For classes with less than 100% credibility, the current pure premium for the class is also included in the formula for the indicated class pure premium
- The proposed improvements to the class credibility process:
  - Modify the credibility standard applied to class experience
    - Increase the amount of losses for 100% credibility to be consistent with other states
  - For classes with less than 100% class credibility, change the pure premium indicator applied to the balance of credibility in the formula for the indicated pure premium
    - Use the relationship among class rates (“class relativities”) from other states in addition to (or instead of) the current pure premium for the class
    - Modify the use of other states’ class rates directly where there are significant differences in state laws, legal & medical environments, etc.
  - These changes should be supported by further research and could be implemented for policy years beginning 7-1-2012 or for subsequent policy years

Impact on Stability from Proposed Change to Class Credibility

- Impact on 2010 class rates if higher standard for 100% class credibility had been used
- Table below shows the number of PA classes by:
  - Actual 2010 base rate change
  - 2010 base rate change with example of a change to credibility
- Excludes 68 small classes where 2010 rates were selected manually by BWC

Improvement in Rate Stability from Increasing Standard for Full Credibility
Change from 2009 to 2010
(3.9% Overall Rate Decrease)



	Decrease more than 25%	Decrease more than 15%, but not more than 25%	Increase/ Decrease not more than 15%	Increase more than 15%, but not more than 25%	Increase more than 25%
Actual 2010 Rates	36	110	260	15	42
Change using $2m credibility table	16	108	290	16	33

Impact of Proposed Changes for PEC Classes

We considered similar changes for PEC and observed:

- There are 14 PEC classes
  - Nine (9) PEC classes decreased by more than 25% in 2010
  - With a +/- 25% cap, those 9 PEC classes would be capped at -25%
  - One PEC class had an increase of 30%
  - The remaining 4 PEC classes had decreases between 15% and 20%
    - These 4 PEC classes represent approximately 90% of the PEC payrolls
  - Thirteen (13) PEC classes received 100% credibility under the current credibility
    - All 13 PEC classes would get 100% credibility even if the credibility standard was increased to $2 million
    - The one PEC class with an actual change of 30% would have a smaller change under proposed changes for capping and credibility
  - The overall rate change for PEC is adjusted if the caps would affect the overall premium change

Longer-term (1-3 years) Items to be Investigated

- Further research on the applicability of industry data from other states for use in Ohio class ratemaking
- Other improvements in line with industry class ratemaking procedures including recent NCCI changes
- Use of hazard groups rather than industry groups for loadings such as excess losses
- Hindsight analysis of class performance, particularly as it relates to the stability and equity of class rates

Summary

- A change to the caps on class rate changes would bring BWC more in line with other states
- The credibility process should also be adjusted, though the specific changes require additional research
  - The current $1 million full credibility amount has not been changed in many years to reflect any increasing loss trends
  - Consider the impact on stability of class rates and fairness between classes by using data from other states for low credibility classes

Ohio Comparative Data

February 2011

Prepared by Actuarial Division

Ohio Comparative Data
February 2011

The graphs and data in the following report were created to examine how the Ohio Bureau of Workers' Compensation (BWC) compared to the workers' compensation insurance line.

The first section, "Actuarial Data" is primarily data collected from the National Council of Compensation Insurers (NCCI) and from BWC's June 30, 2010, Actuarial Audit. NCCI presents a review of the workers' compensation insurance line each year at the NCCI Annual Issues Symposium. The materials created by Dennis Mealy, FCAS, MAAA, NCCI Chief Actuary, were the basis for the comparison.

The second section, Payment reports, is the ten year history of BWC payments by benefit type that is reported quarterly and annually.

The last section contains the NCCI State of the Line report for 2010 and PowerPoint presentation in its entirety, downloaded from the NCCI website. All NCCI information in this compilation is used with permission.

Chart Title: Ohio Bureau of Workers' Compensation Accident Year Premium

Description and Conclusions:
This chart is a ten year history of premiums for Private Employers (PA), Public Employer Taxing Districts (PEC) and Public Employer State Agencies (PES) by accident year. The cumulative change in rates for the PA employers for this ten year period is a 12.6% rate decrease. The premiums for Ohio have been stable up until accident year 2009. Private employer premiums have dropped by $259 Million.

This overall decrease of 13.77% is consistent with the national trend of a premium decrease of 12.6%

The major contributor to the Ohio decrease is the rate level decrease of 12% adopted in the spring of 2009.

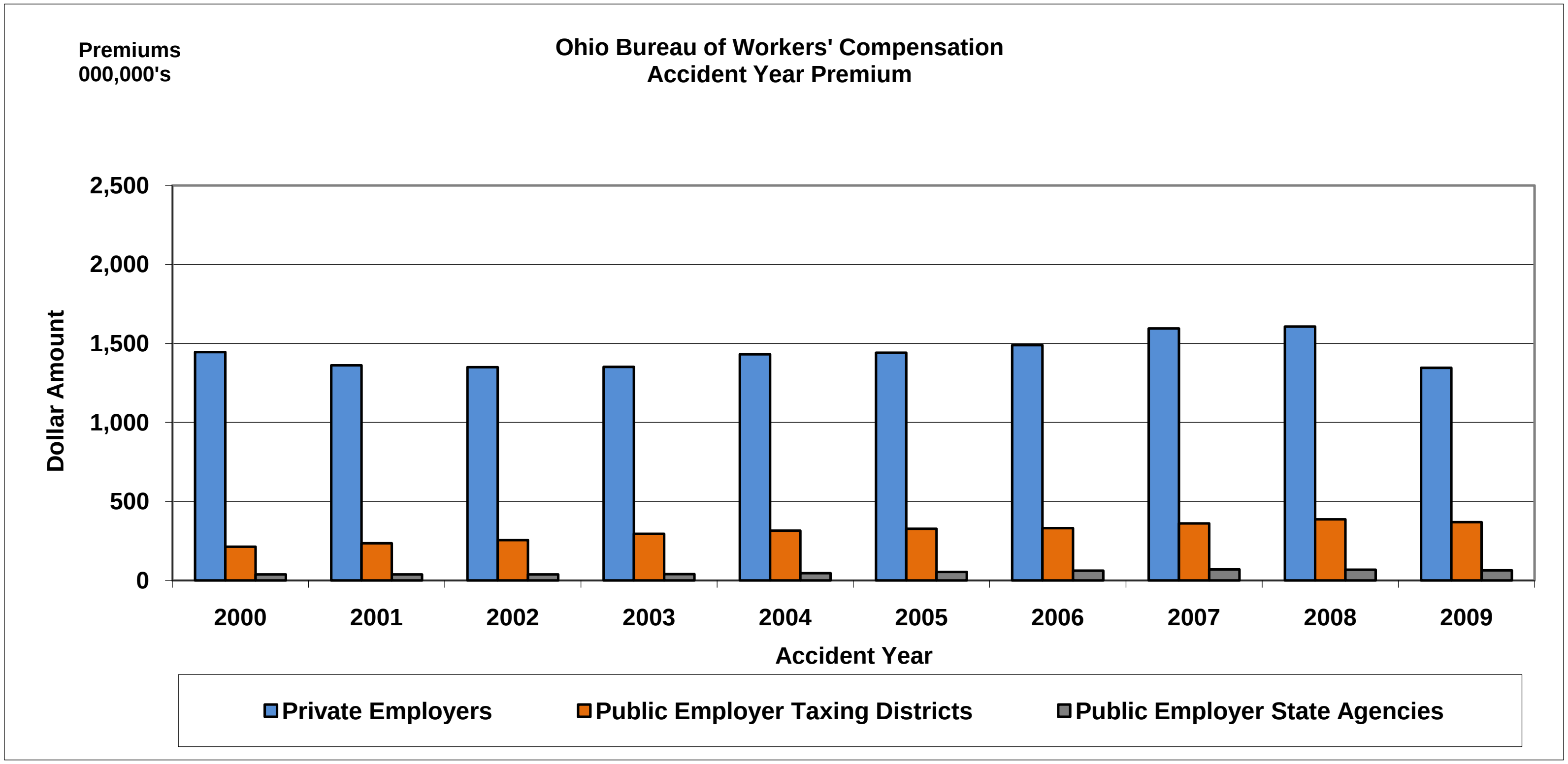
Source of Data:
The premiums are from the June 30, 2010 Actuarial Audit, by Deloitte Consulting LLP.

Ohio Bureau of Workers' Compensation
History of actual premium
($000,000)

Accident Year	Private Employers	Public Employer Taxing Districts	Public Employer State Agencies	Total Premium from Private and Public Employers	Percent Change	change from 2000 to 2009
2000	1,445	213	38	1,696		
2001	1,361	235	38	1,634	-3.66%	
2002	1,350	255	39	1,644	0.61%	
2003	1,352	296	40	1,688	2.68%	
2004	1,431	315	46	1,792	6.16%	
2005	1,442	327	54	1,823	1.73%	
2006	1,489	331	62	1,882	3.24%	
2007	1,594	361	71	2,026	7.65%	
2008	1,607	387	69	2,063	1.83%	
2009	1,345	369	65	1,779	-13.77%	4.89%

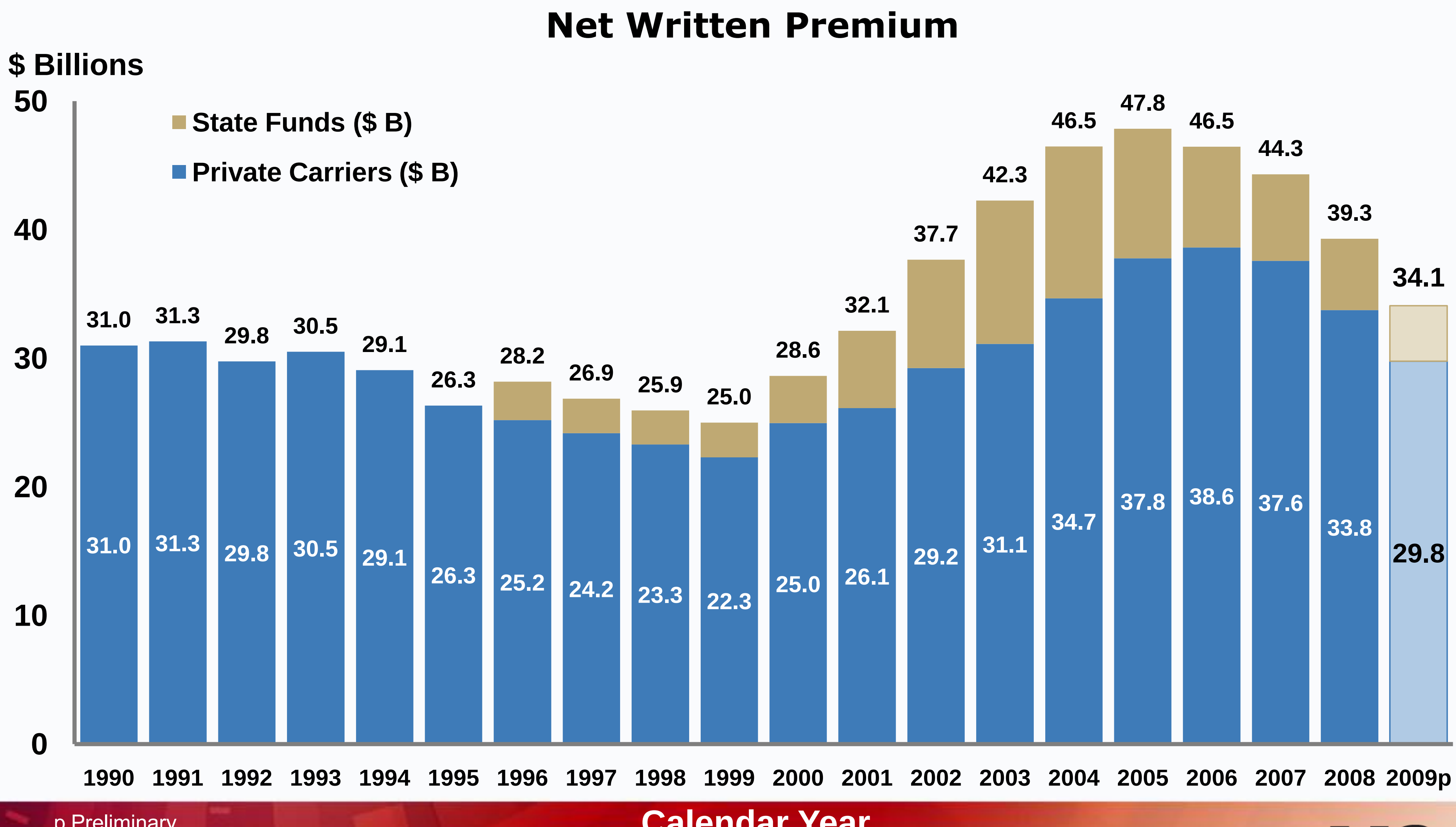
NCCI	State Funds ($billion)			Private		
Accident Year	Premium	Percent Change	change from 2000 to 2009	Premium	Percent Change	change from 2000 to 2009
2000	28.6			25		
2001	32.1	12.24%		26.1	4.40%	
2002	37.7	17.45%		29.2	11.88%	
2003	42.3	12.20%		31.1	6.51%	
2004	46.5	9.93%		34.7	11.58%	
2005	47.8	2.80%		37.8	8.93%	
2006	46.5	-2.72%		38.6	2.12%	
2007	44.3	-4.73%		37.6	-2.59%	
2008	39.3	-11.29%		33.8	-10.11%	
2009p	34.1	-13.23%	19.23%	29.8	-11.83%	19.20%

p-Preliminary



Source: June 30, 2010 Actuarial Audit, Deloitte, Actuarial Consultants

Workers Compensation Premium Continues Its Sharp Decline



p Preliminary

Source: 1990–2008 Private Carriers, *Best's Aggregates & Averages*; 2009p, NCCI
1996–2009p State Funds: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, UT Annual Statements
State Funds available for 1996 and subsequent

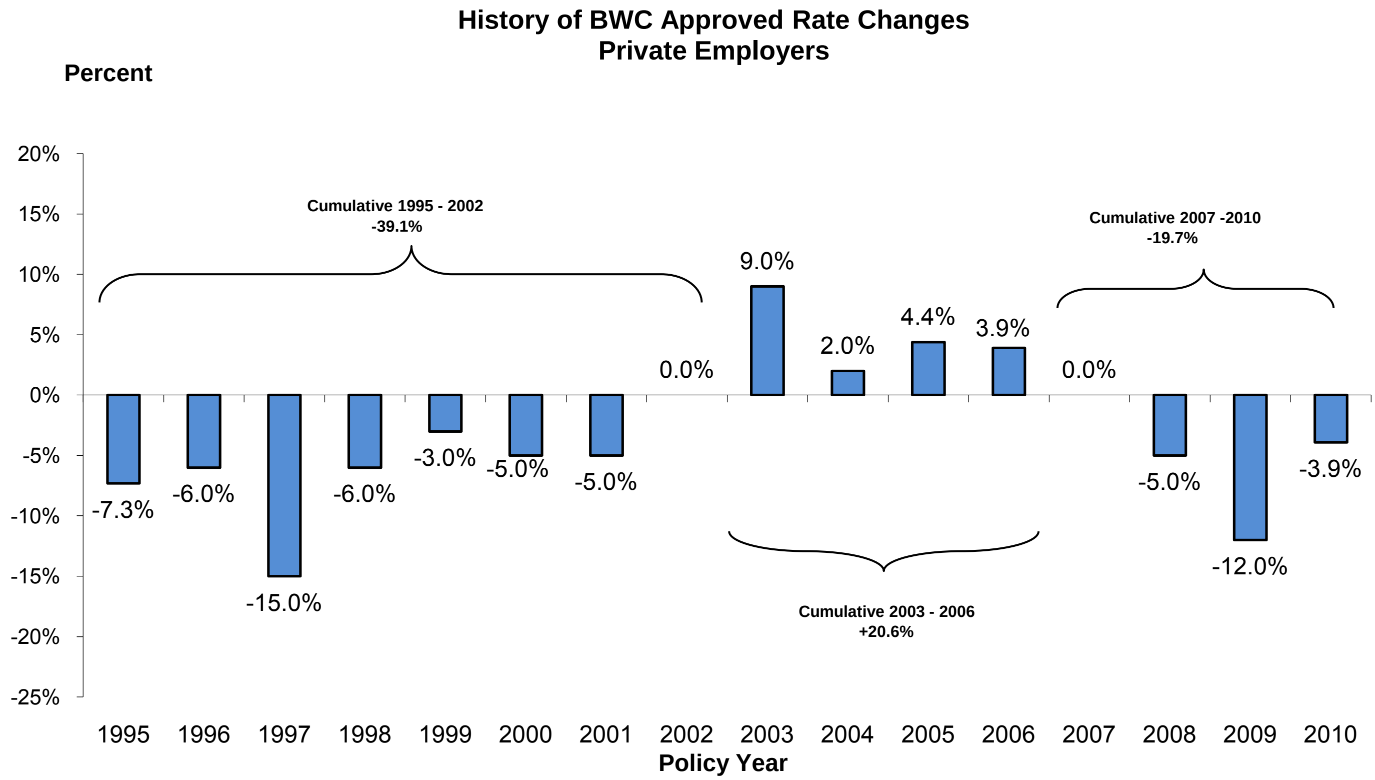
5

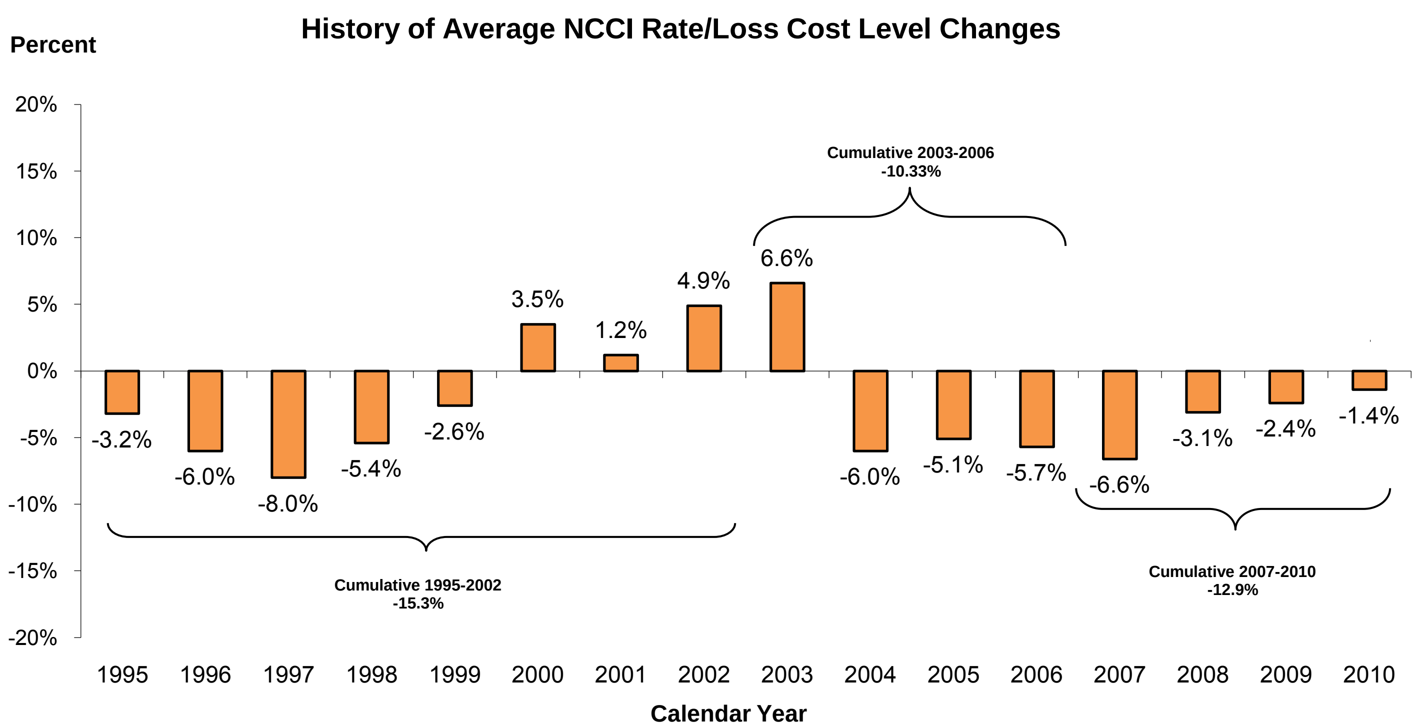
AIS Annual Issues Symposium 2010

Chart Title: History of BWC Approved Rate Changes, Private Employers / History of Average NCCI Rate/Loss Cost Level Changes

Description and Conclusions:
These charts show a sixteen year history of rate changes separately for both the Ohio BWC and the NCCI subscribers. For the period of 1995 through 2010, the BWC's cumulative rate change was a decrease of 40.9%, while the rest of the industry had a cumulative decrease of 33.8%. The rates used in this chart are for the Private Employer group.

Source of Data:
The NCCI data are from the Annual Issues Symposium 2010, Dennis Mealy, FCAS, MAAA, and NCCI Chief Actuary. The BWC data are from annual rate filings.





* NCCI Annual Issue Symposium 2010
* NCCI rate change for 2010 is only for states approved through 4/23/2010
* BWC data is based on Private employer rates

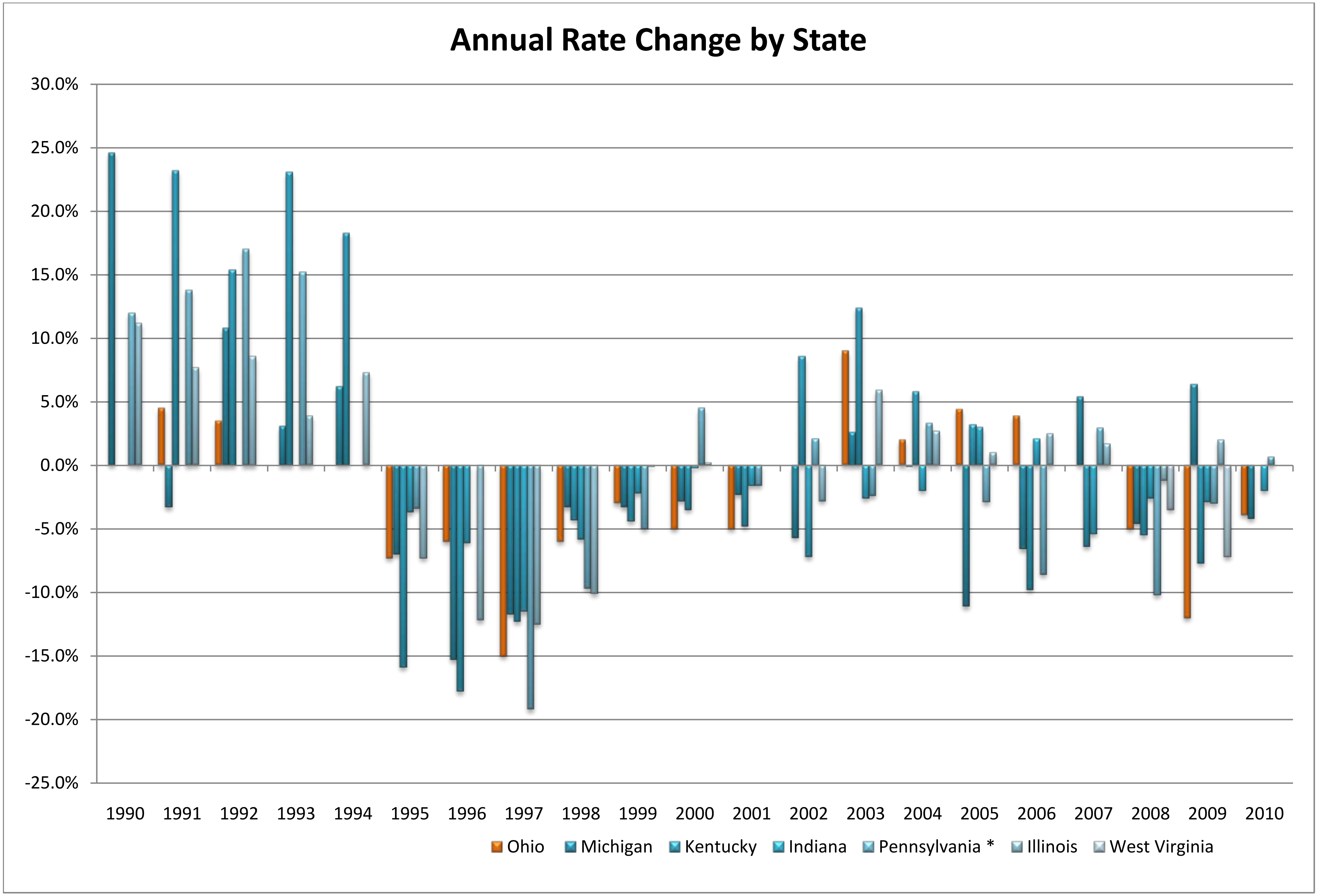
Chart Title: Annual Rate Change by State

Description and Conclusions:

This bar chart shows a twenty-one year history of rate changes for the Ohio BWC and the states surrounding Ohio. The orange colored bars are Ohio's private employer adopted rate changes. West Virginia data is only available for the last two years listed.

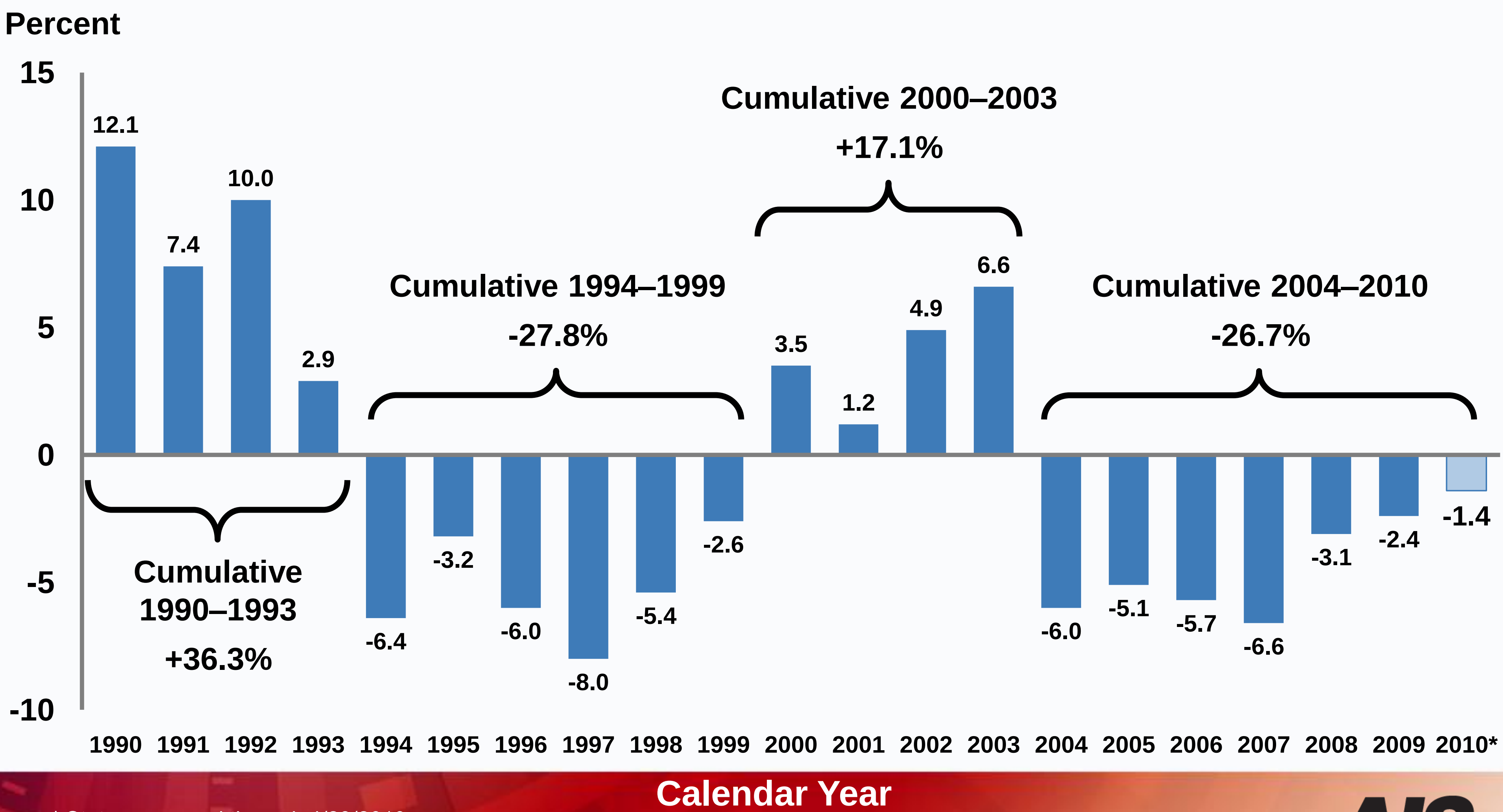
Source of Data:

Ohio data is from the chart base rate percent change history and the surrounding states data is from the 2010 NCCI Annual Statistical Report.


Annual Rate Change by State
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
-10.0%
-15.0%
-20.0%
-25.0%
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
Ohio
Michigan
Kentucky
Indiana
Pennsylvania *
Illinois
West Virginia

Average Approved Bureau Rates/Loss Costs

History of Average WC Bureau Rate/Loss Cost Level Changes



* States approved through 4/23/2010

Countrywide approved changes in advisory rates, loss costs, and assigned risk rates as filed by the applicable rating organization

AIS Annual Issues Symposium 2010

HISTORICAL
PERCENT CHANGE IN PRIVATE EMPLOYER BASE RATES

Period	Percent Change	Period	Percent Change
7-1-60	3.7% increase	7-1-1992	3.5% increase
7-1-61	No Change	7-1-1993	No Change
7-1-62	6.4% increase	7-1-1994	No Change
7-1-63	2.1% increase	7-1-1995	7.3% decrease
7-1-64	1.5% increase	7-1-1996	6% decrease
7-1-65	.6% decrease	7-1-1997	15% decrease
7-1-66	4.9% decrease	7-1-1998	6% decrease
7-1-67	1.9% increase	7-1-1999	3% decrease
7-1-68	.2% decrease (no change)	7-1-2000	5% decrease
7-1-69	2.2% decrease	7-1-2001	5% decrease
7-1-70	5.6% decrease	7-1-2002	No Change
7-1-71	12.5% increase	7-1-2003	9% increase
7-1-72	13.1% increase	7-1-2004	2% increase
7-1-73	17.3% increase	7-1-2005	4.4% increase
7-1-74	7.8% decrease	7-1-2006	3.9% increase
7-1-75	10.5% increase	7-1-2007	No Change
7-1-76	28.8% increase	7-1-2008	5.0% decrease
7-1-77	29.7% increase	7-1-2009	12.0% decrease
7-1-78	19.4% decrease	7-1-2010	3.9% decrease
7-1-79	3% decrease		
7-1-80	No Change		
7-1-81	3% decrease		
7-1-82	1% decrease		
7-1-83	3% decrease		
7-1-84	6% decrease		
7-1-85	6% increase		
7-1-86	6% decrease		
7-1-87	30% increase		
7-1-88	15% increase		
7-1-89	9.5% increase		
7-1-90	No Change		
7-1-91	4.5% increase		

Private Employer
Average Collectible Rate

	Average Base Rate*	Average Collectible Rate*
7-1-76	$1.83	
7-1-77	$2.38	
7-1-78	$1.93	
7-1-79	$1.88	
7-1-80	$1.88	
7-1-81	$1.83	
7-1-82	$1.82	
7-1-83	$1.76	
7-1-84	$1.65	
7-1-85	$1.75	
7-1-86	$1.75	
7-1-87	$2.34	
7-1-88	$2.61	
7-1-89	$2.78	
7-1-90	$2.91	
7-1-91		$2.97
7-1-92		$3.00
7-1-93		$2.85
7-1-94		$2.73
7-1-95		$2.67
7-1-96		$2.63
7-1-97		$2.17
7-1-98		$2.11
7-1-99		$2.03
7-1-2000		$1.93
7-1-2001		$1.81
7-1-2002		$1.80
7-1-2003		$1.94
7-1-2004		$1.98
7-1-2005		$1.76
7-1-2006		$1.85
7-1-2007		$1.85
7-1-2008		$1.76
7-1-2009		$1.55
7-1-2010		$1.49

*Rates have been rounded to the nearest cent

Percent Change in Base Rates for Public Employer Taxing Districts

Period	Percent Change
1-1-1985	**6% decrease**
1-1-1986	**4% increase**
1-1-1987	**16% increase**
1-1-88 – 1987 payroll	**10% increase**
1-1-88 – 1988 payroll	**10% increase**
1-1-1989	**4% increase**
1-1-1990	**2% increase**
1-1-1991	**No Change**
1-1-1992	**4.5% increase**
1-1-1993	**4.8% increase**
1-1-1994	**No Change**
1-1-1995	**No Change**
1-1-1996	**7.3% decrease**
1-1-1997	**5 % decrease**
1-1-1998	**10% decrease**
1-1-1999	**10% decrease**
1-1-2000	**No Change**
1-1-2001	**3.7% increase**
1-1-2002	**6.4% increase**
1-1-2003	**12.1% increase**
1-1-2004	**2% increase**
1-1-2005	**2% increase**
1-1-2006	**1% decrease**
1-1-2007	**3.2% increase**
1-1-2008	**No Change**
1-1-2009	**5% decrease**
1-1-2010	**17% decrease**

Public Employer Taxing Districts
Average Rate

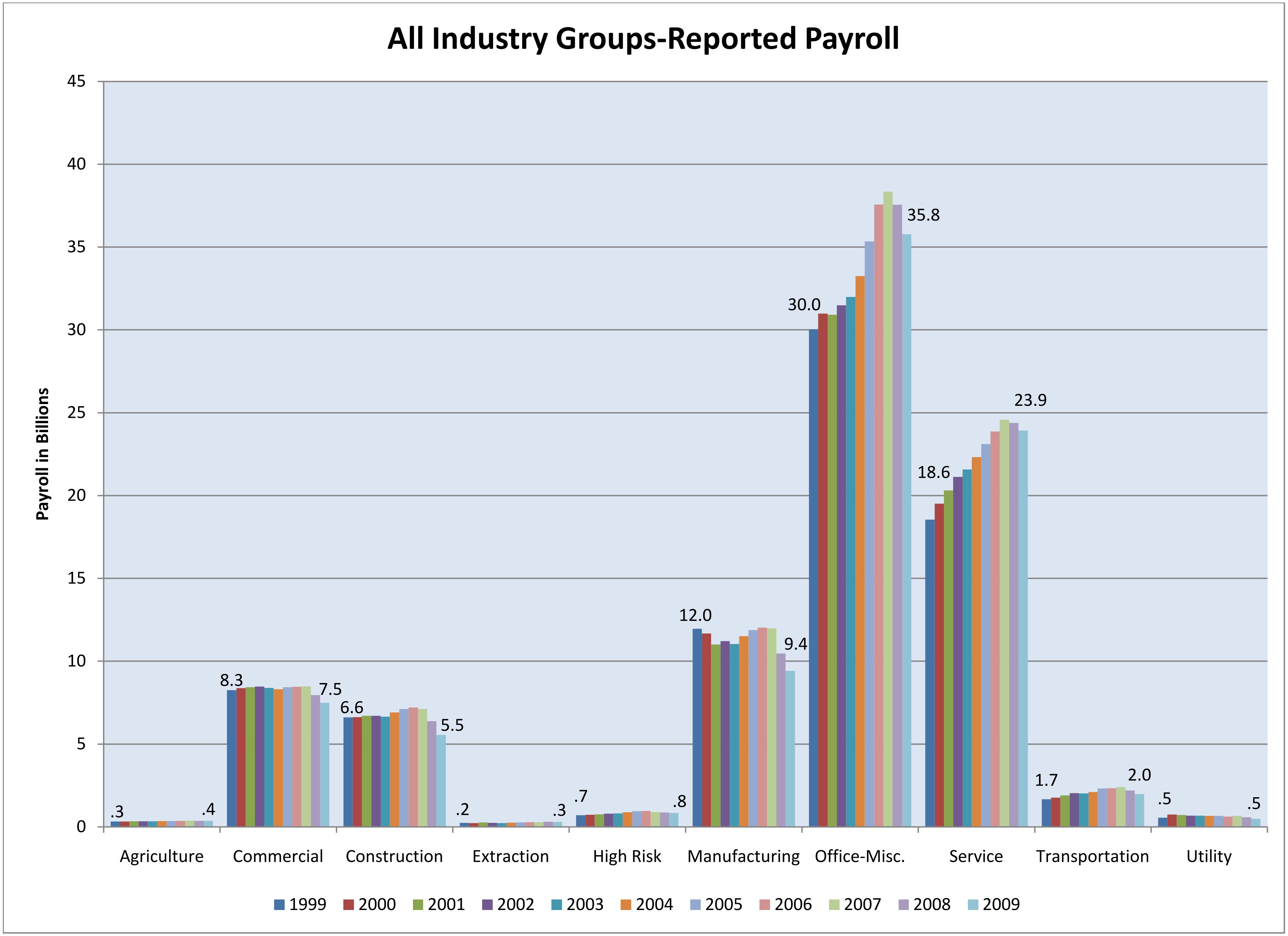
Rate Date	Applicable to Calendar Year	Average Collectible Rate
1-1-1983	1982	1.44
1-1-1984	1983	1.36
1-1-1985	1984	1.28
1-1-1986	1985	1.33
1-1-1987	1986	1.51
1-1-1988	1987	1.62
1-1-1988	1988	1.77
1-1-1989	1989	1.85
1-1-1990	1990	1.88
1-1-1991	1991	1.90
1-1-1992	1992	2.01
1-1-1993	1993	2.08
1-1-1994	1994	2.09
1-1-1995	1995	2.07
1-1-1996	1996	1.95
1-1-1997	1997	1.80
1-1-1998	1998	1.64
1-1-1999	1999	1.47
1-1-2000	2000	1.47
1-1-2001	2001	1.53
1-1-2002	2002	1.62
1-1-2003	2003	1.81
1-1-2004	2004	1.84
1-1-2005	2005	1.89
1-1-2006	2006	1.87
1-1-2007	2007	1.84
1-1-2008	2008	1.85
1-1-2009	2009	1.76
1-1-2010	2010	1.46

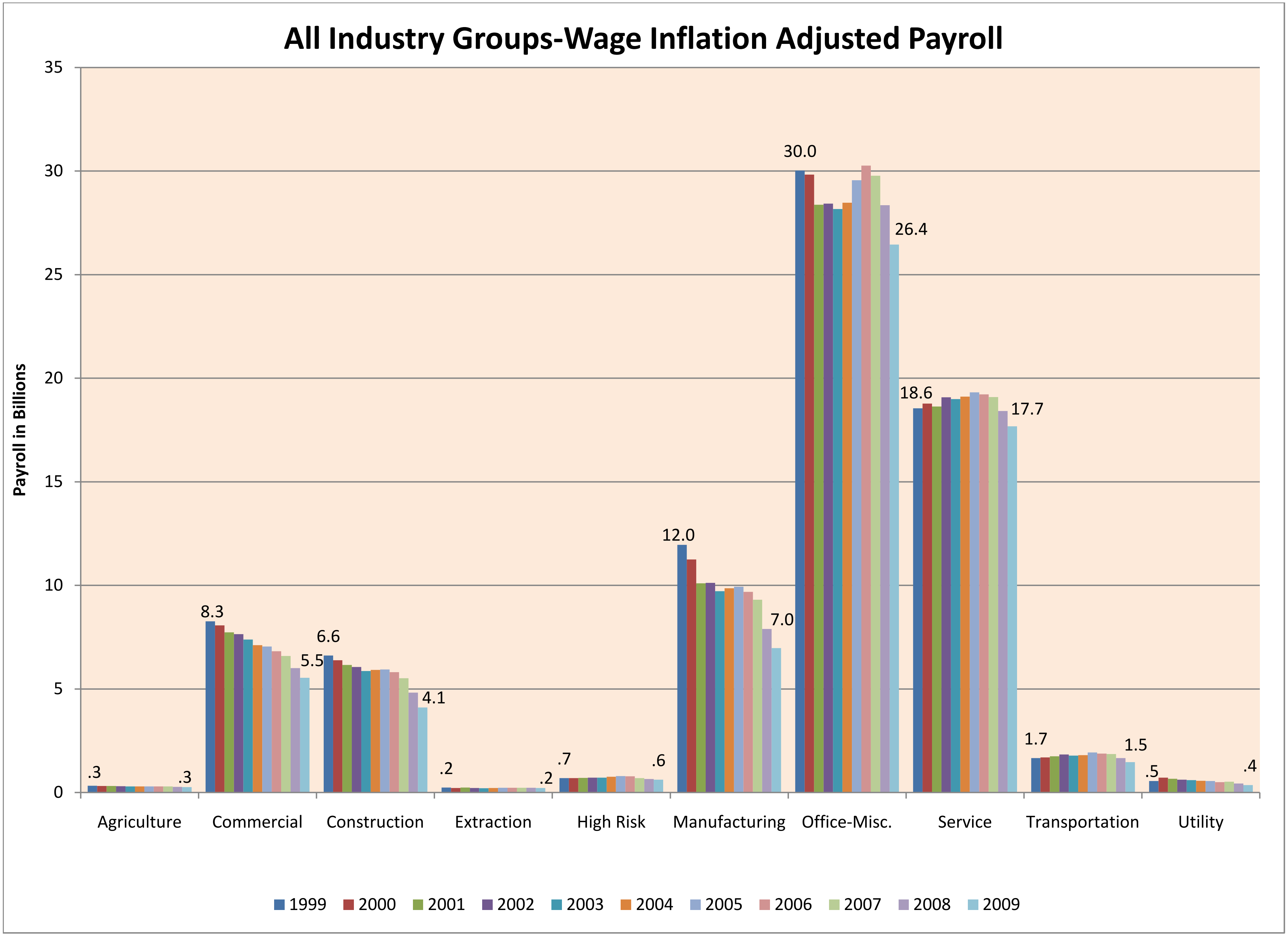
Chart Title: All Industry Groups – Reported Payroll
All Industry Groups – Wage Inflation Adjusted Payroll
10 graphs by Industry Group

Description and Conclusions:
The following graphs show an eleven year history of reported payroll by industry group, payroll adjusted for wage inflation, and reported medical only and lost time claim counts by policy year.

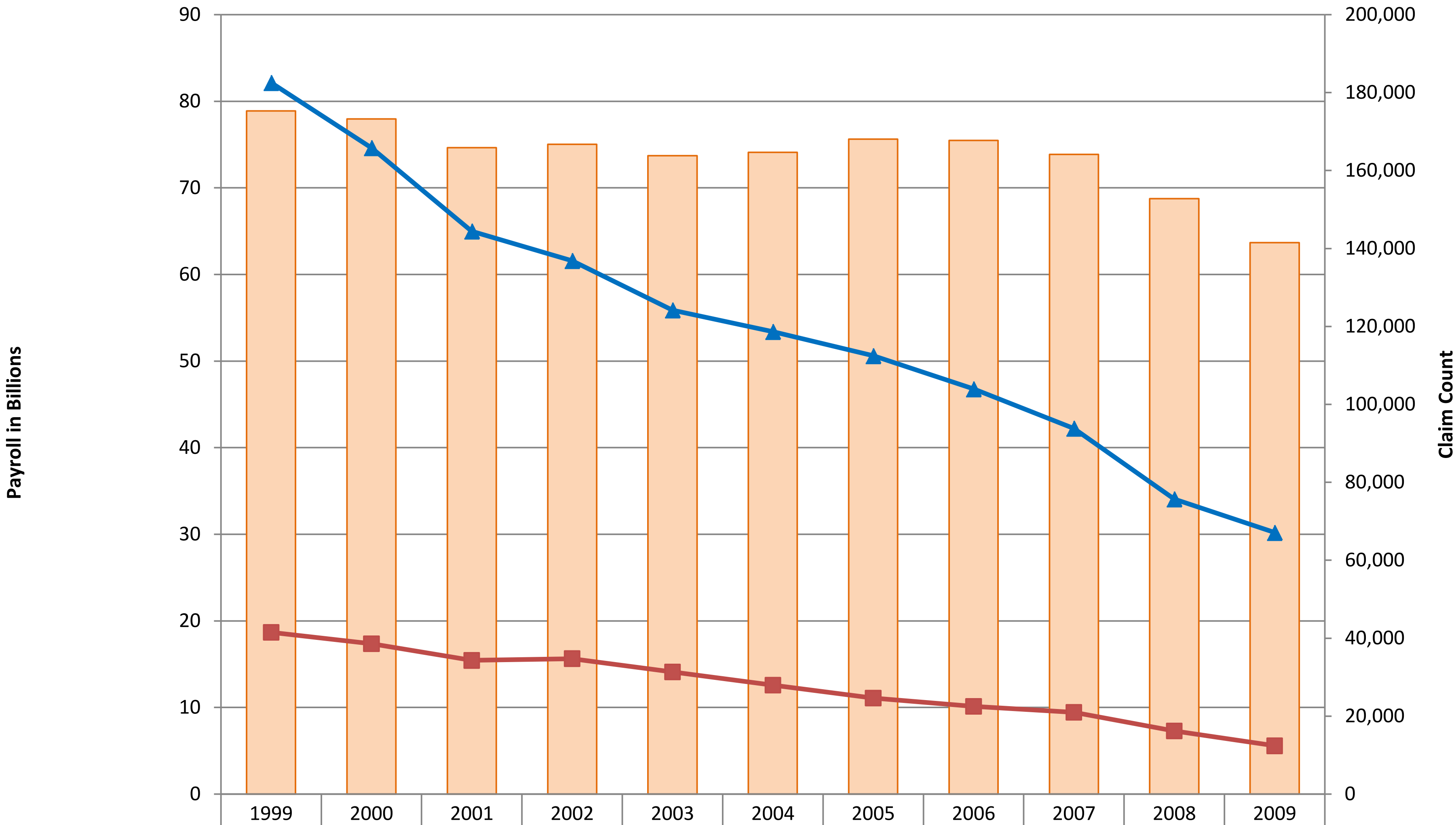
The payroll was adjusted to take out the effect of wage inflation which allows us to look at the actual exposure base compared to the frequency of claims. The wage inflation factor is derived from the Ohio maximum weekly wage. The maximum weekly wages are created by the Actuarial Division using data from the Ohio Department of Job and Family Service's report on the Average Employment, Total payroll and Average Weekly Wage Earnings of All Ohio Workers Covered under the Ohio Unemployment Compensation Law.

Source of Data:
The payroll is taken from the BWC's data warehouse as of January 14, 2011. Wage inflation was calculated using the BWC's maximum Death and Temporary Total maximum wage indexed using policy year 1999 as the base year. Claim counts are also from the BWC's data warehouse as of January 14, 2011.


All Industry Groups-Reported Payroll
Payroll in Billions
45
40
35
30
25
20
15
10
5
0
.3
.4
8.3
7.5
6.6
5.5
.2
.3
.7
.8
12.0
9.4
30.0
35.8
18.6
23.9
1.7
2.0
.5
.5
Agriculture
Commercial
Construction
Extraction
High Risk
Manufacturing
Office-Misc.
Service
Transportation
Utility
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009

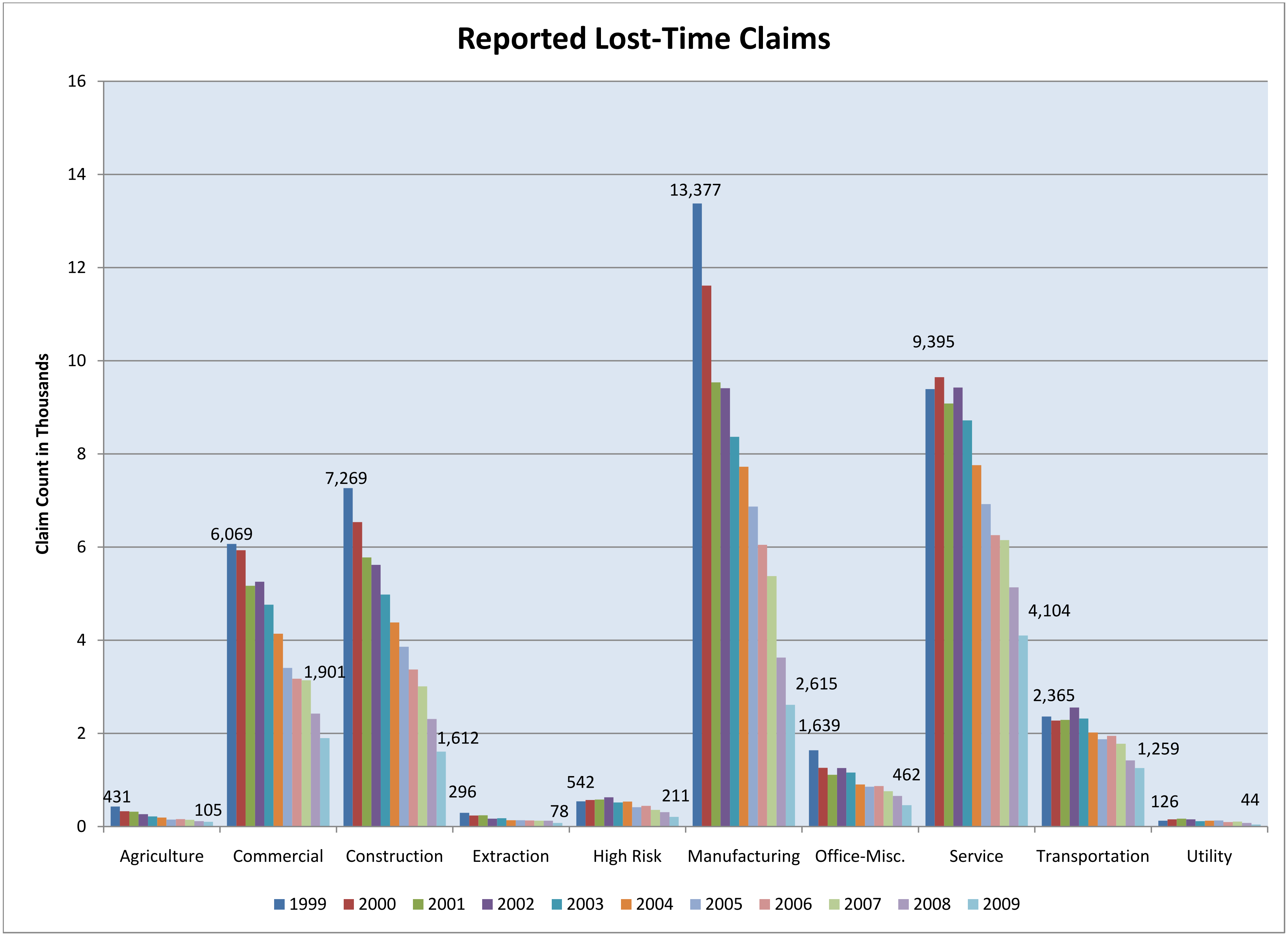

All Industry Groups-Wage Inflation Adjusted Payroll
Payroll in Billions
35
30
25
20
15
10
5
0
30.0
26.4
18.6
17.7
12.0
8.3
7.0
6.6
5.5
4.1
1.7
1.5
.3
.3
.2
.2
.7
.6
.5
.4
Agriculture
Commercial
Construction
Extraction
High Risk
Manufacturing
Office-Misc.
Service
Transportation
Utility
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009

Total Wage Inflation Adjusted Payroll & Claims

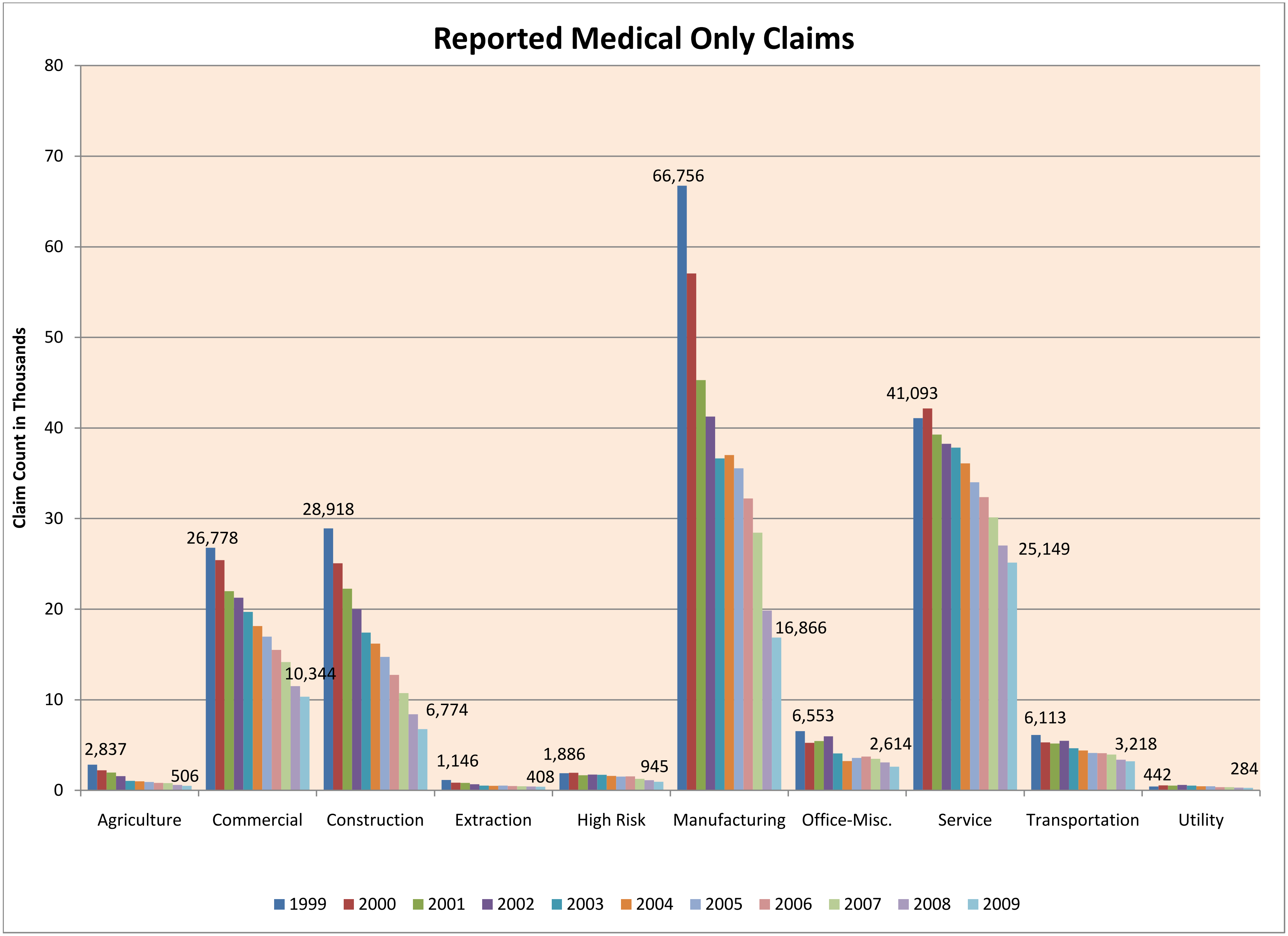


	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Indexed Payroll	78.89	77.94	74.65	75.02	73.73	74.11	75.61	75.47	73.87	68.75	63.67
Total LT Claims	41,509	38,589	34,301	34,754	31,359	27,943	24,641	22,518	20,971	16,223	12,391
Total MO Claims	182,522	165,821	144,430	136,865	124,193	118,664	112,454	103,948	93,855	75,716	67,108

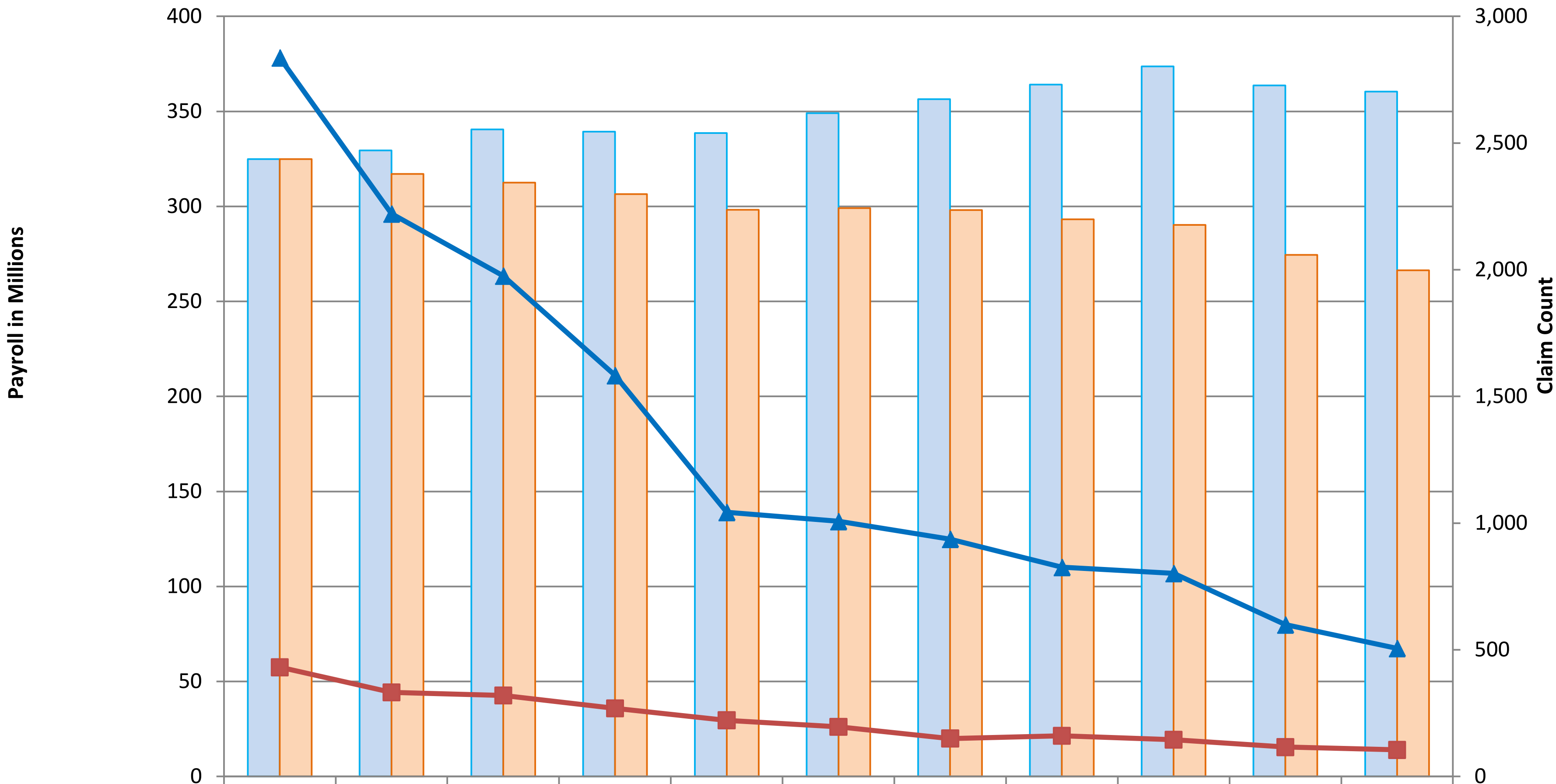
*Indexed payroll is wage inflation adjusted payroll.



Reported Lost-Time Claims
Claim Count in Thousands
16
14
12
10
8
6
4
2
0
431
105
6,069
1,901
7,269
1,612
296
78
542
211
13,377
2,615
1,639
462
9,395
4,104
2,365
1,259
126
44
Agriculture
Commercial
Construction
Extraction
High Risk
Manufacturing
Office-Misc.
Service
Transportation
Utility
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009


Reported Medical Only Claims
Claim Count in Thousands
80
70
60
50
40
30
20
10
0
2,837
506
26,778
10,344
28,918
6,774
1,146
408
1,886
945
66,756
16,866
6,553
2,614
41,093
25,149
6,113
3,218
442
284
Agriculture
Commercial
Construction
Extraction
High Risk
Manufacturing
Office-Misc.
Service
Transportation
Utility
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009

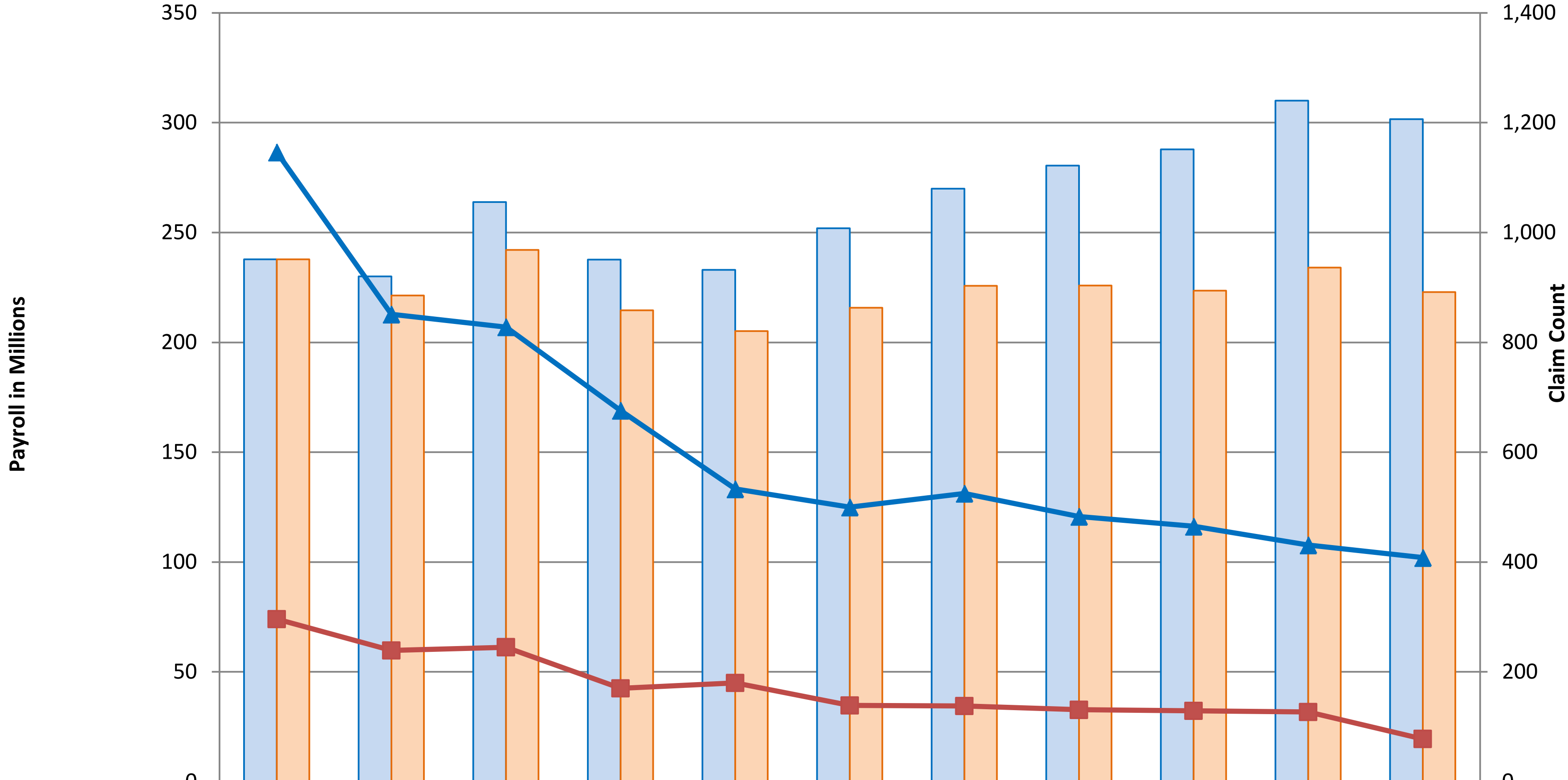
Agriculture Payroll & Reported Claims
Industry Group 1



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Payroll	324.86	329.44	340.56	339.35	338.65	349.12	356.36	364.02	373.62	363.63	360.36
Indexed Payroll*	324.86	317.14	312.45	306.39	298.16	299.02	298.02	293.18	290.19	274.54	266.39
LT Claims	431	332	320	269	222	196	150	161	145	116	105
MO Claims	2,837	2,221	1,976	1,583	1,043	1,007	937	826	802	599	506

*Indexed payroll is wage inflation adjusted payroll.

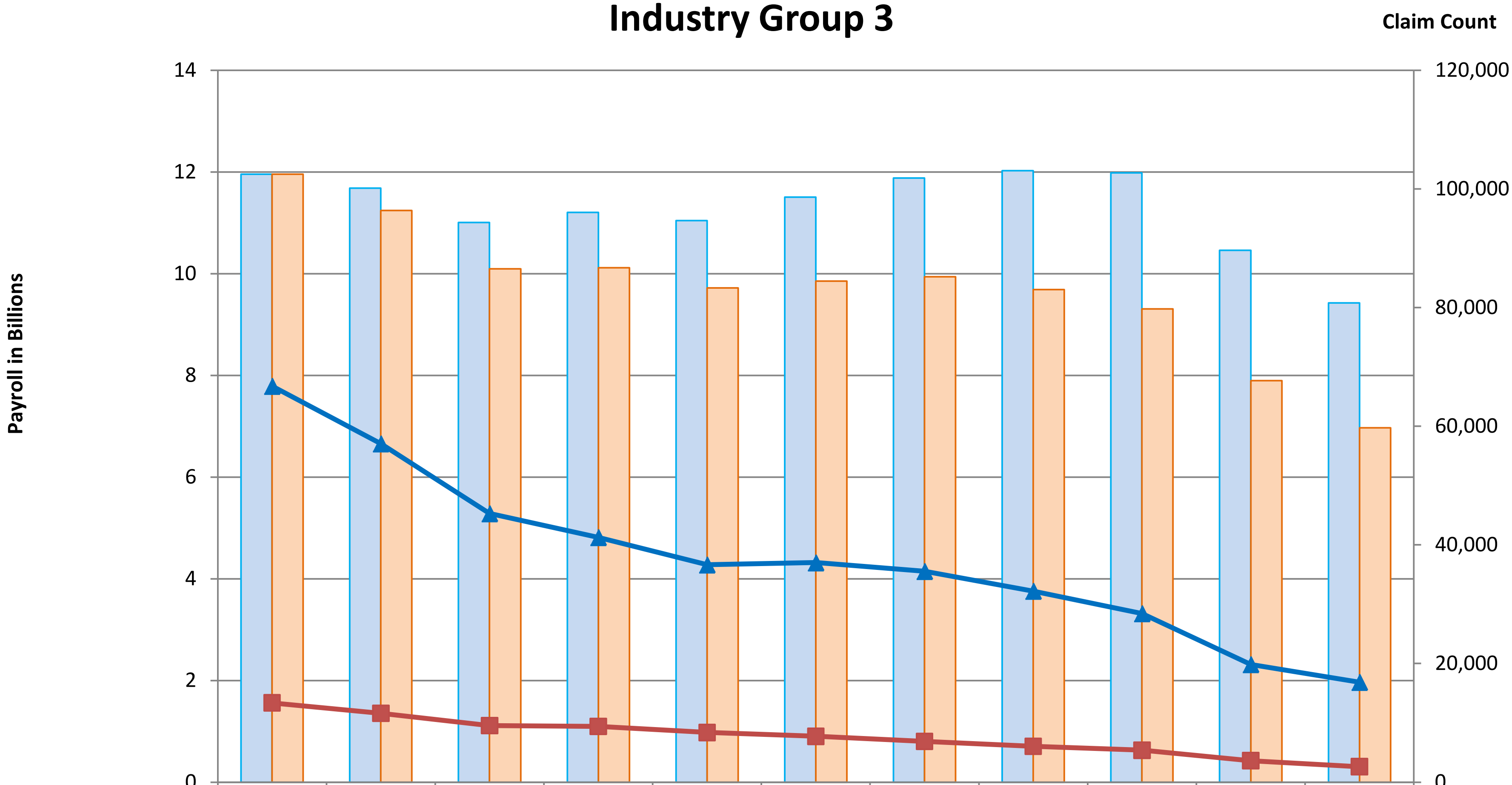
Extraction Payroll & Reported Claims
Industry Group 2



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Payroll	237.84	229.99	263.82	237.66	232.96	251.90	269.94	280.47	287.83	309.99	301.60
Indexed Payroll*	237.84	221.40	242.05	214.58	205.11	215.76	225.75	225.89	223.56	234.04	222.96
LT Claims	296	239	245	170	180	139	138	131	129	127	78
MO Claims	1,146	851	828	676	533	500	525	483	465	431	408

*Indexed payroll is wage inflation adjusted payroll.

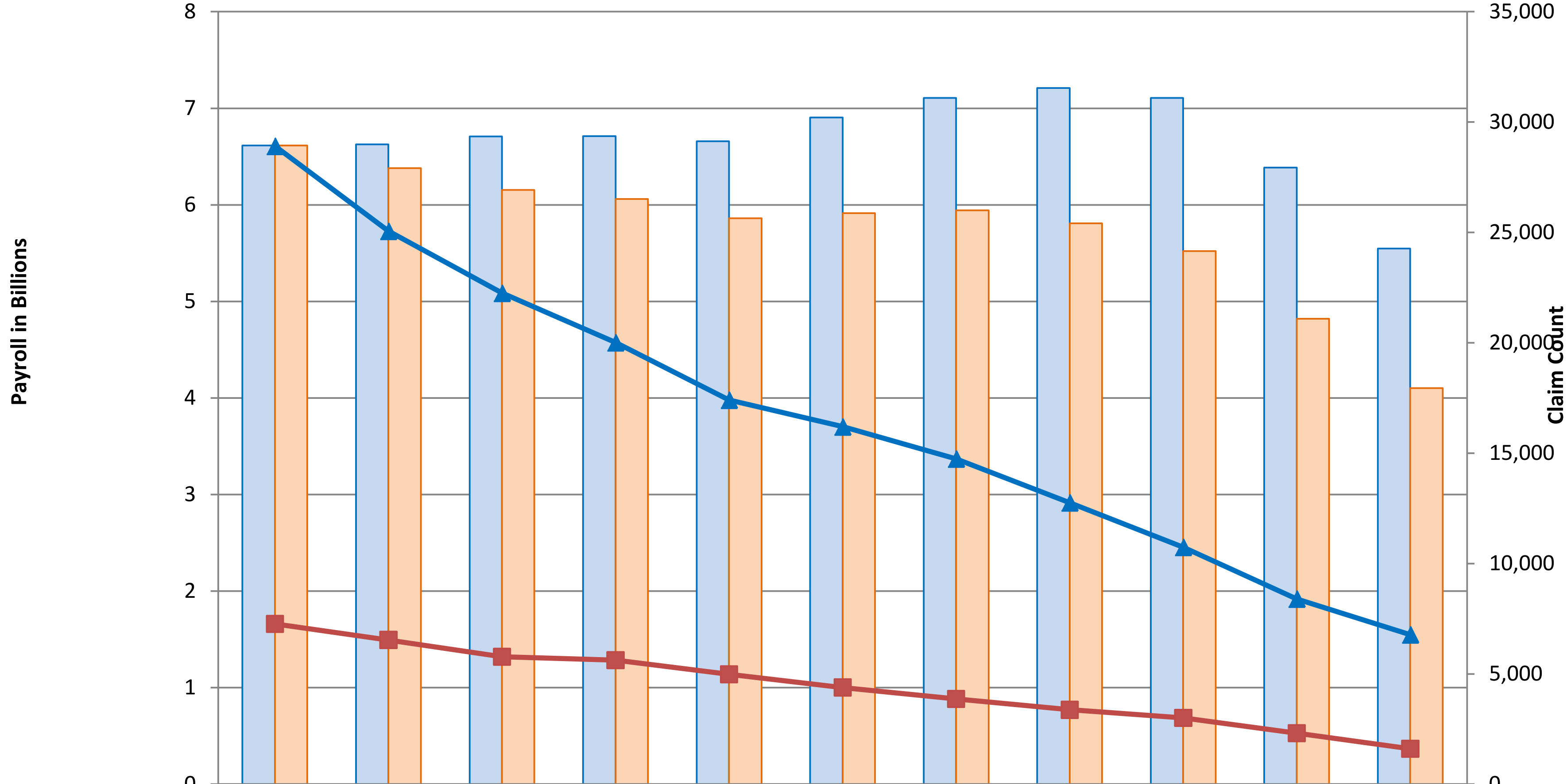
Manufacturing Payroll & Reported Claims
Industry Group 3



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Payroll	11.96	11.68	11.01	11.21	11.04	11.51	11.88	12.03	11.98	10.46	9.43
Indexed Payroll*	11.96	11.25	10.10	10.12	9.72	9.86	9.94	9.69	9.31	7.90	6.97
LT Claims	13,377	11,617	9,540	9,414	8,369	7,729	6,870	6,051	5,381	3,628	2,615
MO Claims	66,756	57,058	45,281	41,268	36,650	37,005	35,555	32,220	28,439	19,858	16,866

*Indexed payroll is wage inflation adjusted payroll.

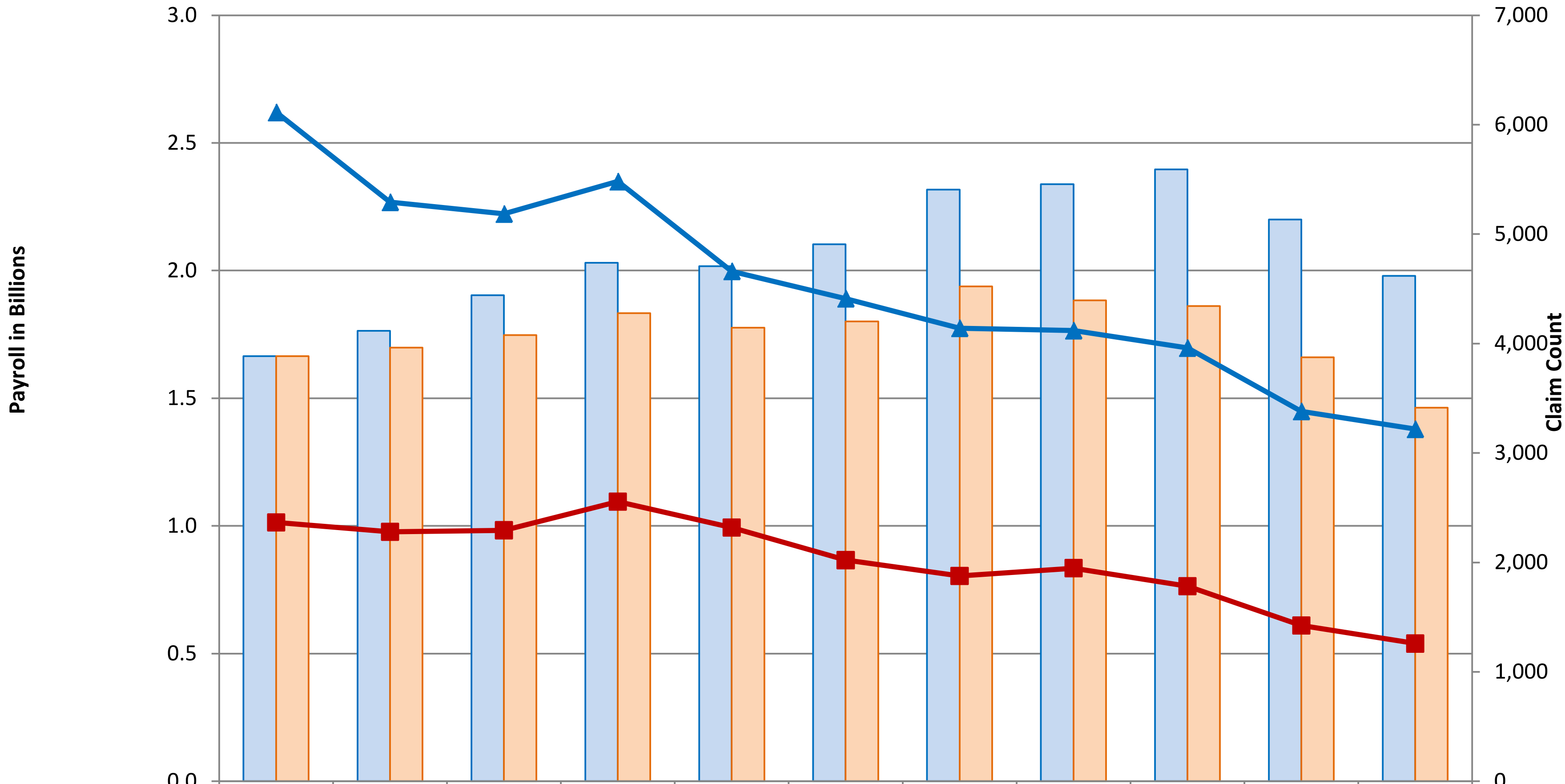
Construction Payroll & Reported Claims
Industry Group 4



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Payroll	6.62	6.63	6.71	6.71	6.66	6.90	7.11	7.21	7.11	6.39	5.55
Indexed Payroll*	6.62	6.38	6.16	6.06	5.86	5.91	5.94	5.81	5.52	4.82	4.10
LT Claims	7,269	6,540	5,781	5,620	4,981	4,385	3,864	3,373	3,011	2,312	1,612
MO Claims	28,918	25,066	22,256	20,014	17,409	16,198	14,744	12,758	10,741	8,396	6,774

*Indexed payroll is wage inflation adjusted payroll.

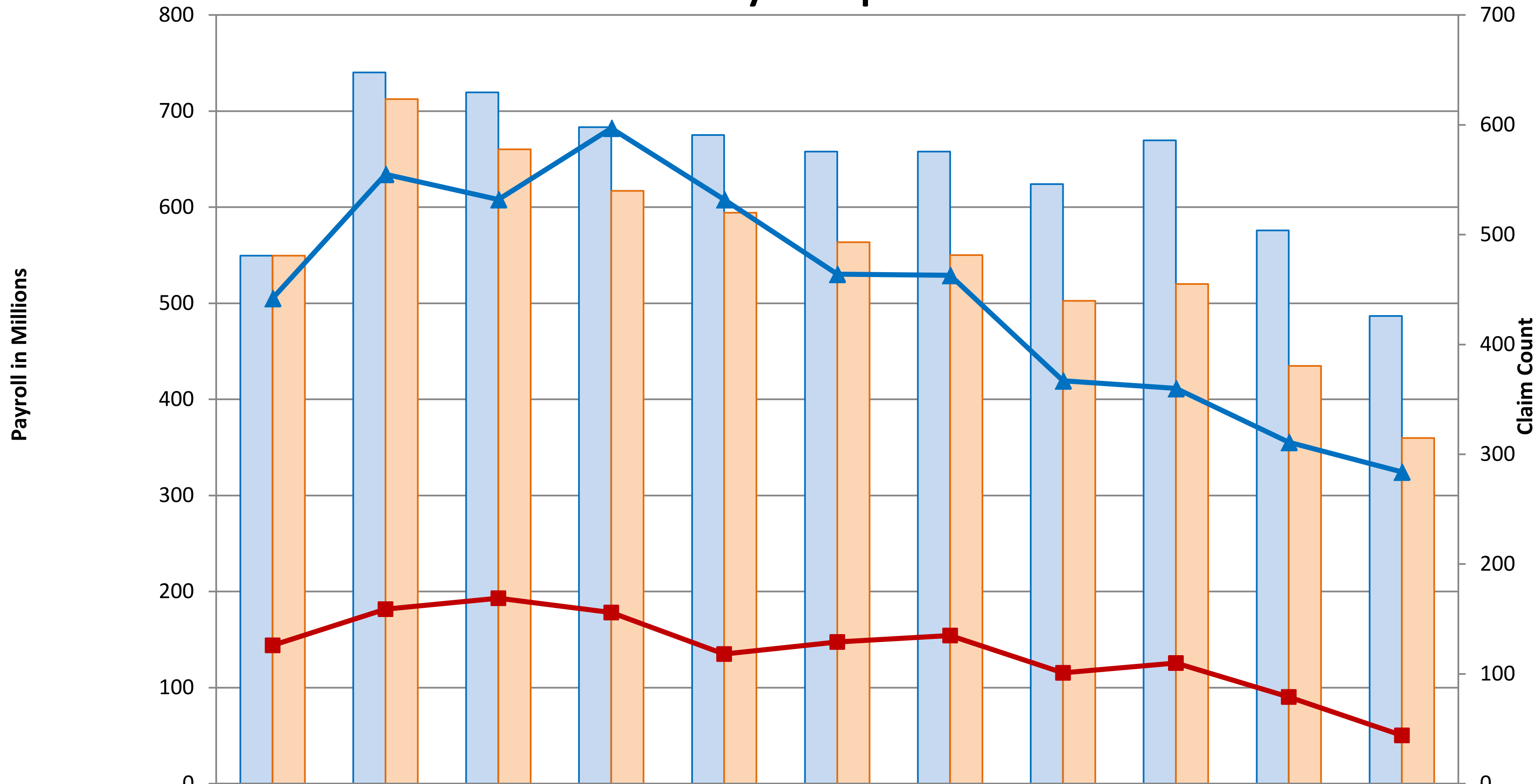
Transportation Payroll & Reported Claims
Industry Group 5



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Payroll	1.66	1.76	1.90	2.03	2.02	2.10	2.32	2.34	2.40	2.20	1.98
Indexed Payroll*	1.66	1.70	1.75	1.83	1.78	1.80	1.94	1.88	1.86	1.66	1.46
LT Claims	2,365	2,280	2,294	2,556	2,319	2,021	1,876	1,948	1,782	1,424	1,259
MO Claims	6,113	5,292	5,185	5,481	4,661	4,411	4,141	4,119	3,960	3,381	3,218

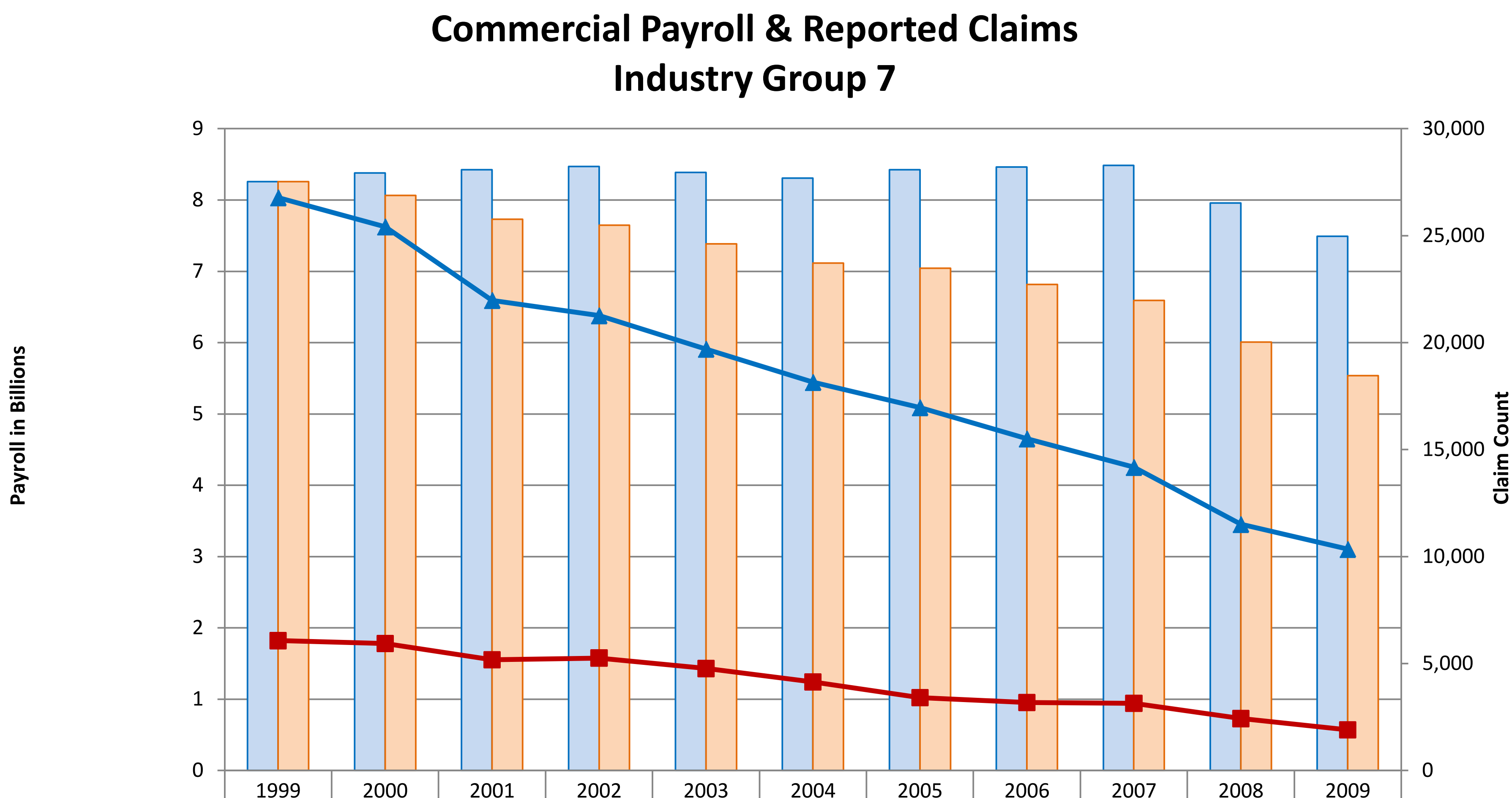
*Indexed payroll is wage inflation adjusted payroll.

Utility Payroll & Reported Reported Claims
Industry Group 6



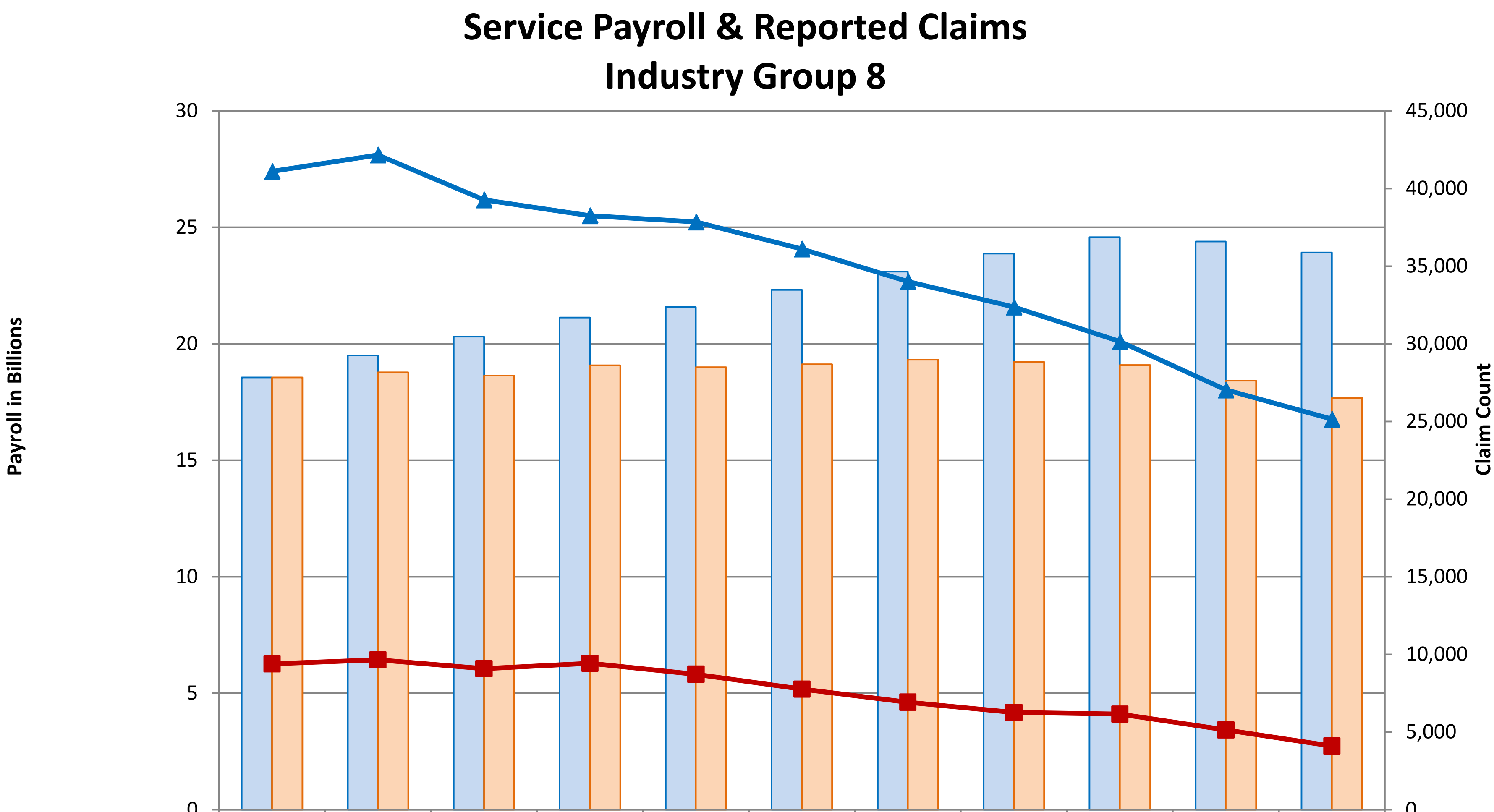
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Payroll	549.68	740.23	719.64	683.29	675.03	657.97	657.85	623.90	669.53	575.96	486.85
Indexed Payroll*	549.68	712.58	660.26	616.92	594.32	563.55	550.15	502.49	520.03	434.84	359.90
LT Claims	126	159	169	156	118	129	135	101	110	79	44
MO Claims	442	555	532	597	532	464	463	367	360	311	284

*Indexed payroll is wage inflation adjusted payroll.



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Payroll	8.26	8.38	8.42	8.47	8.39	8.31	8.42	8.46	8.49	7.96	7.49
Indexed Payroll*	8.26	8.06	7.73	7.65	7.38	7.12	7.04	6.82	6.59	6.01	5.54
LT Claims	6,069	5,935	5,173	5,257	4,767	4,142	3,409	3,174	3,142	2,426	1,901
MO Claims	26,778	25,418	21,979	21,264	19,701	18,148	16,969	15,509	14,177	11,510	10,344

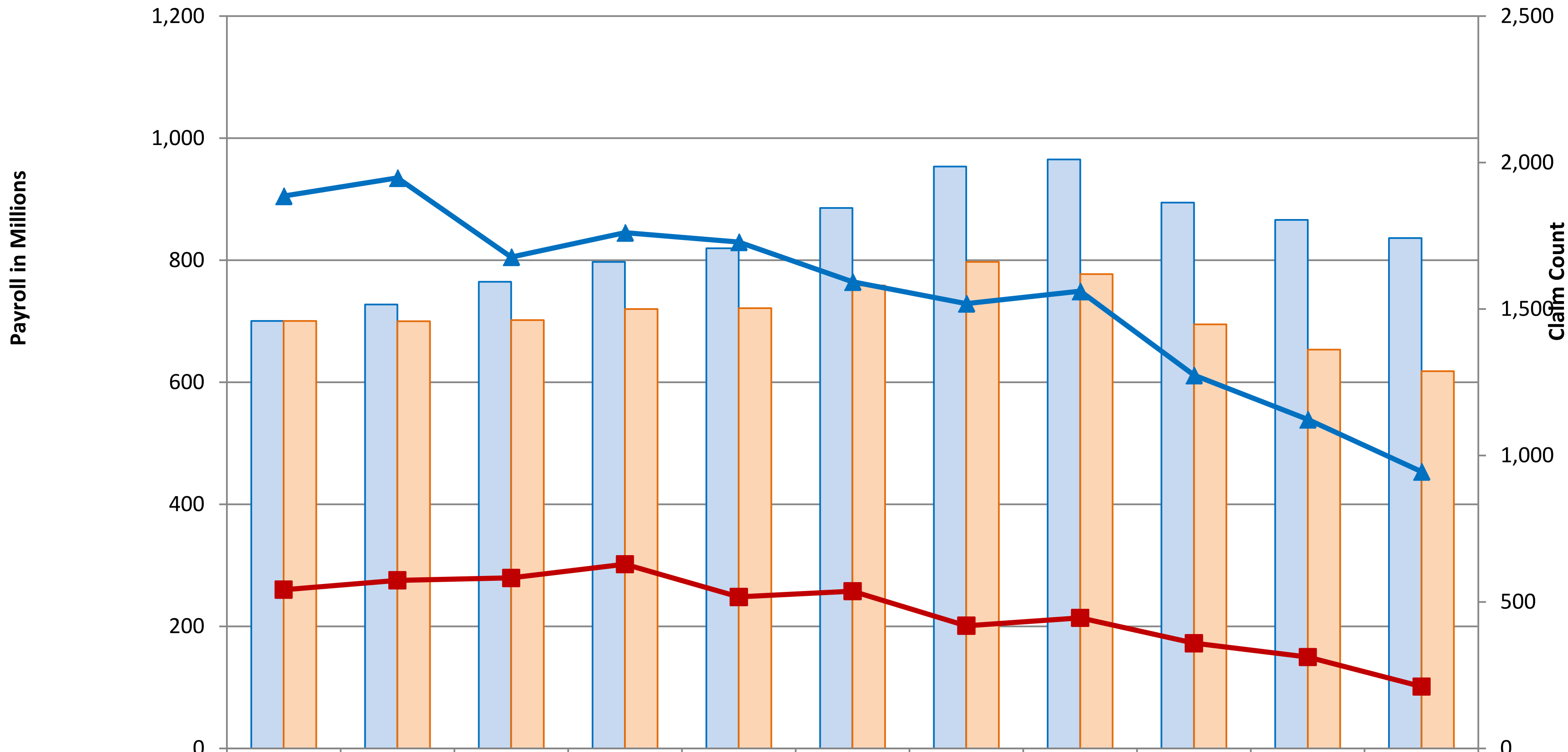
*Indexed payroll is wage inflation adjusted payroll.



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Payroll	18.55	19.50	20.31	21.13	21.58	22.32	23.10	23.87	24.57	24.39	23.92
Indexed Payroll*	18.55	18.77	18.64	19.08	19.00	19.11	19.32	19.22	19.09	18.41	17.68
LT Claims	9,395	9,651	9,084	9,425	8,723	7,760	6,924	6,259	6,150	5,138	4,104
MO Claims	41,093	42,161	39,267	38,252	37,846	36,107	34,009	32,370	30,144	27,029	25,149

*Indexed payroll is wage inflation adjusted payroll.

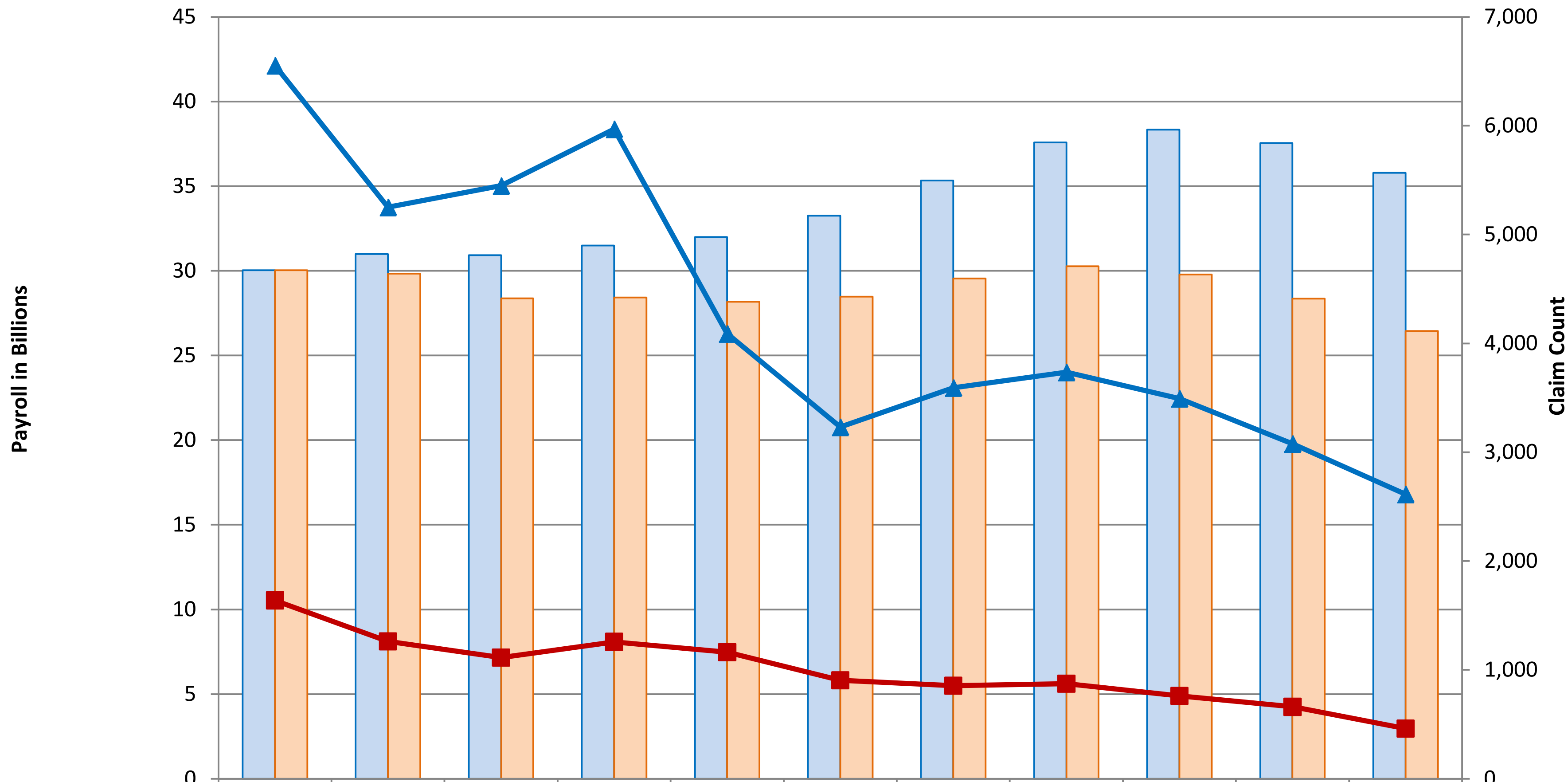
High Risk Commercial Payroll & Reported Claims
Industry Group 9



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Payroll	700.71	727.38	764.95	797.48	819.48	885.89	953.56	965.28	894.70	865.96	836.40
Indexed Payroll*	700.71	700.21	701.82	720.02	721.50	758.76	797.45	777.43	694.92	653.80	618.30
LT Claims	542	574	582	629	517	537	419	446	359	312	211
MO Claims	1,886	1,948	1,678	1,761	1,729	1,593	1,519	1,561	1,274	1,123	945

*Indexed payroll is wage inflation adjusted payroll.

Office-Miscellaneous Payroll & Reported Claims
Industry Group 10



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Payroll	30.03	30.98	30.92	31.48	31.99	33.25	35.34	37.57	38.34	37.55	35.78
Indexed Payroll*	30.03	29.83	28.37	28.43	28.16	28.48	29.55	30.26	29.78	28.35	26.45
LT Claims	1,639	1,262	1,113	1,258	1,163	905	856	874	762	661	462
MO Claims	6,553	5,251	5,448	5,969	4,089	3,231	3,592	3,735	3,493	3,078	2,614

*Indexed payroll is wage inflation adjusted payroll.

Chart Title: BWC and NCCI Subscriber Workers' Compensation Lost-Time Claim Frequency Percentage Change

Description and Conclusions:
The chart, on the following page, shows the BWC and NCCI Subscribers change in lost-time claims frequency for the period 1996 through 2009. The data indicate that the workers' compensation industry continues to make improvements in the number of lost-time claims filed. The BWC's cumulative change for this period is a decrease of 56%, while NCCI subscribers have a cumulative change of a 42% decrease.

On the following page, are claim frequencies per 100,000 workers from the NCCI Annual Statistical Bulletin developed to the 5th report for surrounding states within the 2002 to 2003 policy year period. This chart shows the number of permanent total disability (PTD) claims and lost time claims reported 60 months after the policy period begins. The bottom half of the chart is all Ohio data beginning with the calendar year 2002 through 2009. Ohio calendar years 2002 through 2005 are actual reported claim counts at 60 months and calendar years 2006 through 2009 are projected to the 60 month point using loss development factors from the Deloitte reserve report.

Claim Frequencies per 100,000 workers:

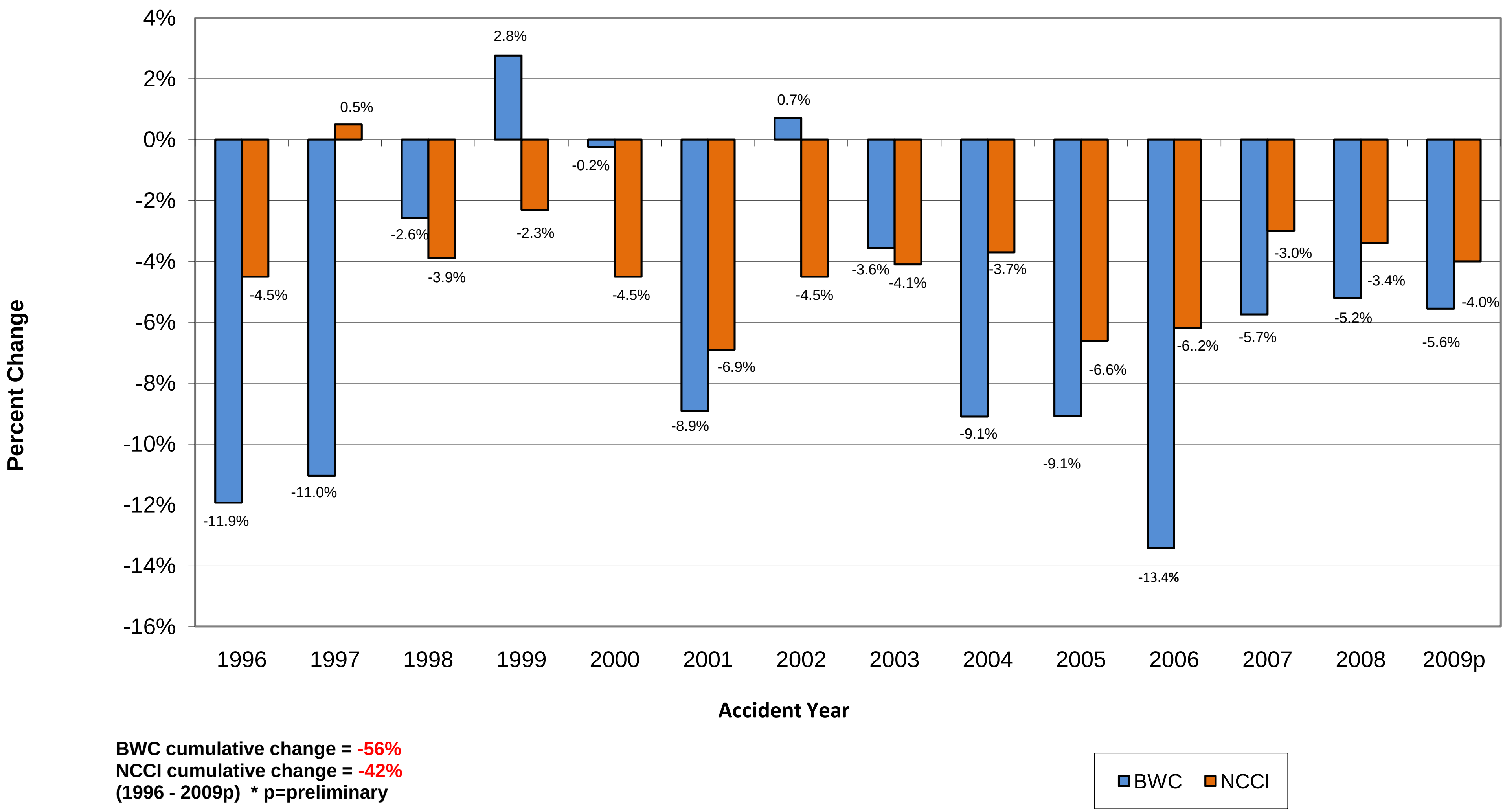
2010 NCCI annual statistical bulletin (developed to 5st report)			
State	Policy Year	PTD count	Lost-time claim count
Illinois	04/02-03/03	8.5	1,377
Indiana	07/02-06/03	1.8	955
Kentucky	05/02-04/03	6.8	1,096
Michigan	04/02-0303	7.9	1,186
Pennsylvania	01/02-12/02	1.6	1,204
Ohio Data from the Actuarial Reserve Estimate – actual numbers			
Ohio	01/02-12/02	16.8	2,961
Ohio	01/03-12/03	18.0	2,907
Ohio	01/04-12/04	18.8	2,783
Ohio	01/05-12/05	16.7	2,651
Ohio	01/06-12/06	10.7 p	2,329 p
Ohio	01/07-12/07	12.7 p	2,359 p
Ohio	01/08-12/08	6.8 p	2,260 p
Ohio	01/09-12/09	5.3 p	2,221 p
Ohio	01/10-12/10	N/A	N/A

p indicates preliminary data

Source of Data:

The BWC data from the June 30, 2010 Actuarial Audit, by Deloitte Consulting, Actuarial Consultants.
The NCCI data from the Annual Issues Symposium 2010, Dennis Mealy, FCAS, MAAA, and NCCI Chief Actuary.

BWC and NCCI Subscriber
Workers' Compensation Change in Lost-Time Claim Frequency



BWC cumulative change = -56%
NCCI cumulative change = -42%
(1996 - 2009p) * p=preliminary

I:\Actuarial_Confidential\Executive Reporting\Executive Reporting\State of the Line August 2010\Graphs and Charts\Done freq data and chart.xls&[Tab]

Ohio BWC
Ultimate Lost Time Claim Count
Private Employer only

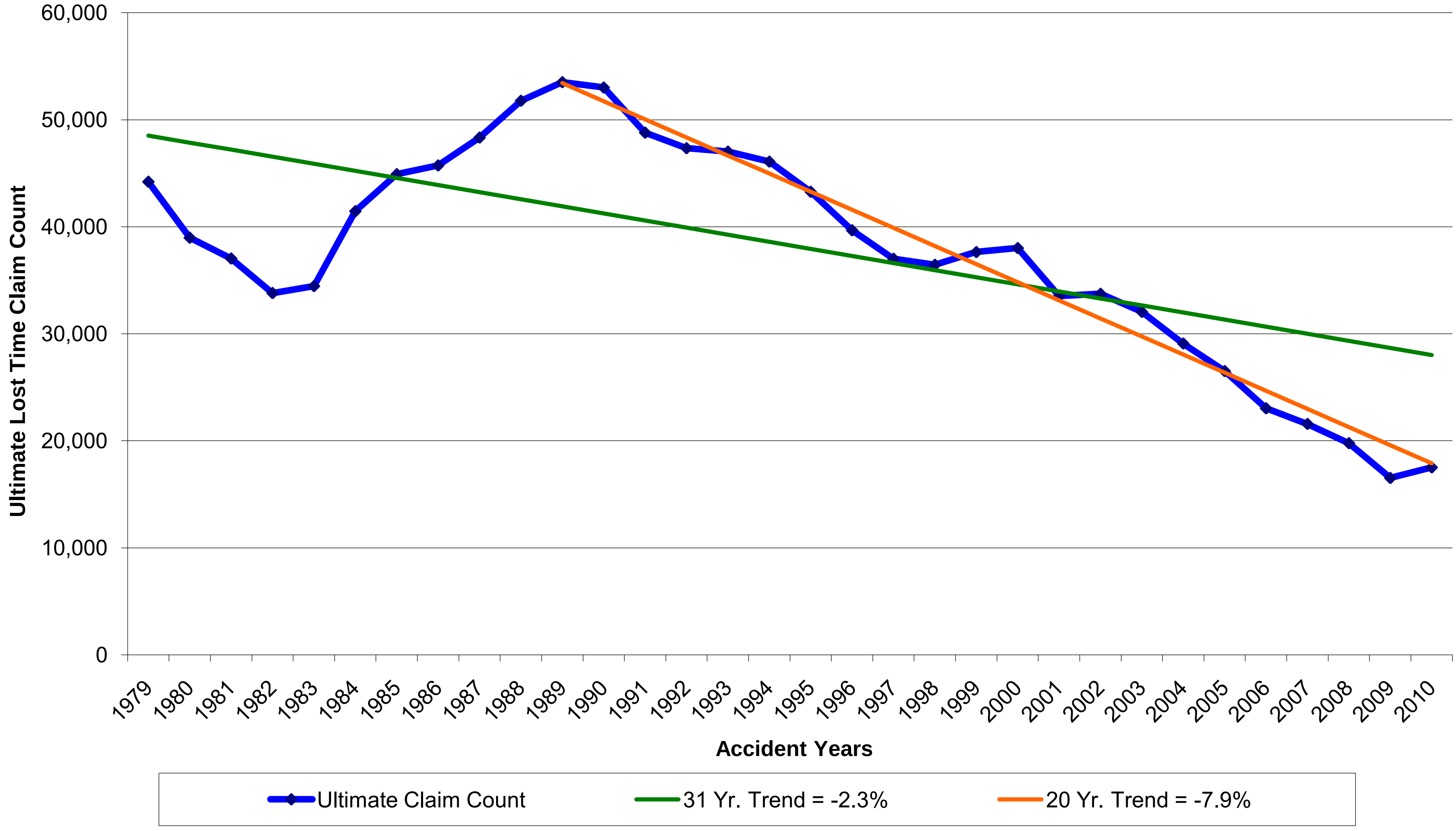


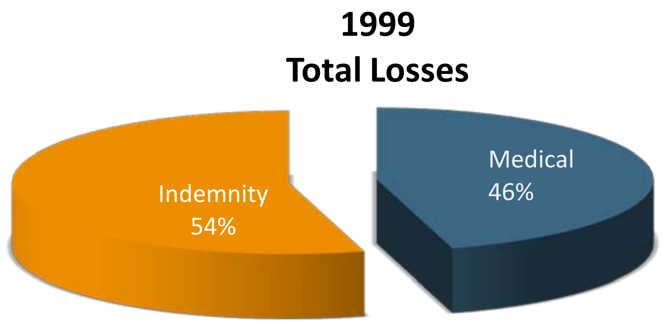
Chart Title: Ohio Bureau of Workers' Compensation Ratio of Nominal Indemnity and Medical Costs to Total Losses for Accident Years 1999 and 2009; Ratio of Indemnity and Medical Costs To Total Losses for the Ohio Bureau of Workers' Compensation and Surrounding States

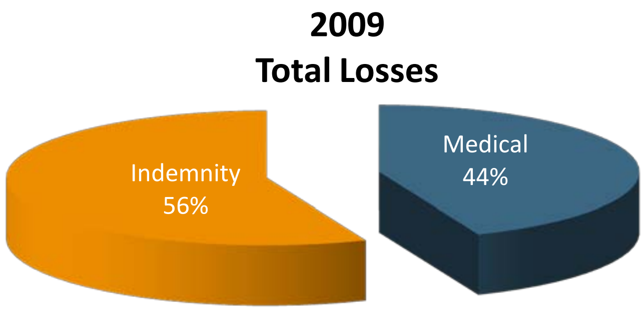
Description and Conclusions:
The information in the first chart shows the ratio of nominal indemnity and medical costs to total losses for injury years 1999 and 2009 for the Ohio Bureau of Workers' Compensation. In 1999, the majority of a claim's ultimate cost was wage replacement or indemnity for the Ohio Bureau of Workers' Compensation. In 2009, the majority of a claim's ultimate cost continued to be indemnity. In fact, the percent of indemnity increased slightly, from 54% to 56% of total losses.

The second chart shows the ratio of nominal indemnity and medical costs to total losses for the Ohio Bureau of Workers Compensation and surrounding states. Pennsylvania, Michigan, and Illinois appear to have similar ratios to Ohio, with indemnity making up from 52.5% to 55.8% of total claim costs. Kentucky and Indiana have a much higher percentage of medical costs when compared to total losses. The medical ratios for these states are 62.8% and 68.3% respectively.

Source of Data: Information for surrounding states comes from the 2010 NCCI Statistical Bulletin using the 5th report. BWC data comes from the June 30, 2010 Actuarial Audit, by Deloitte Consulting, Actuarial Consultants, using accident year 2002.

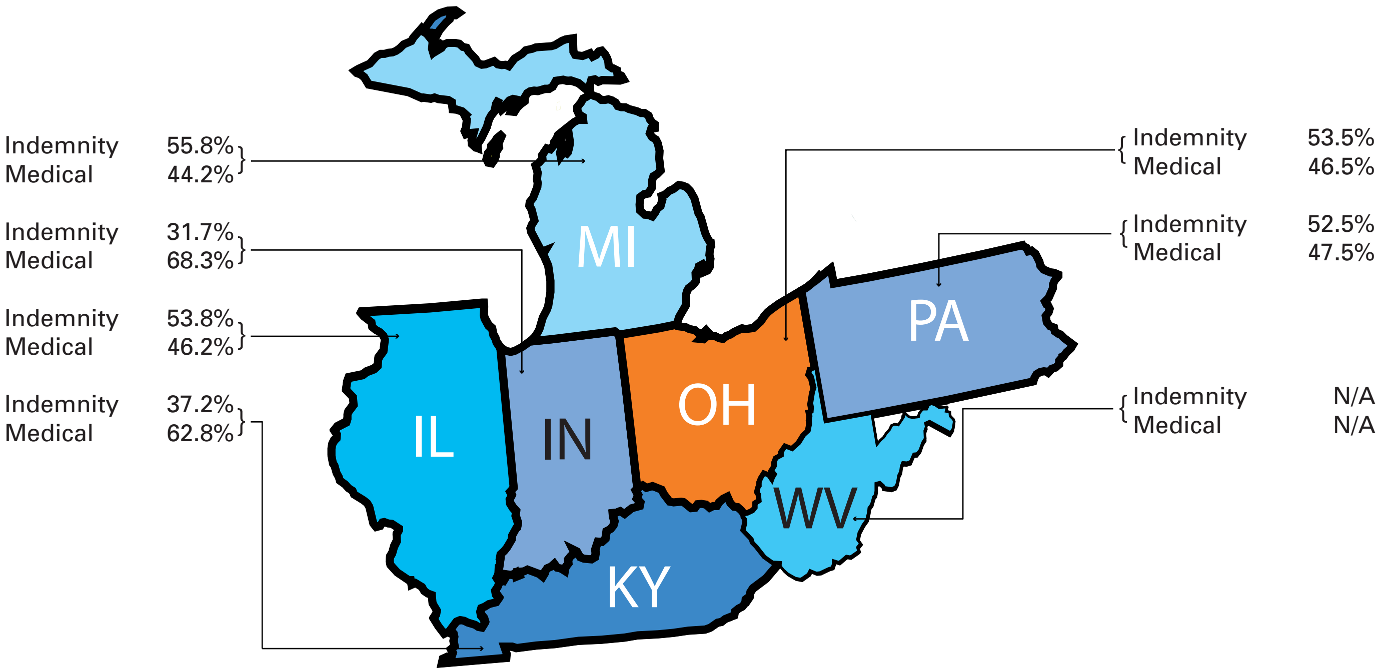
Ohio Bureau of Workers' Compensation Ratio of Nominal Indemnity and Medical Costs to Total Losses for Accident Years 1999 and 2009





* BWC data is based on Private employer claim costs from the 6/30/2010 Actuarial Audit

Ratio of Indemnity and Medical Costs to Total Losses for the Ohio BWC and Surrounding States



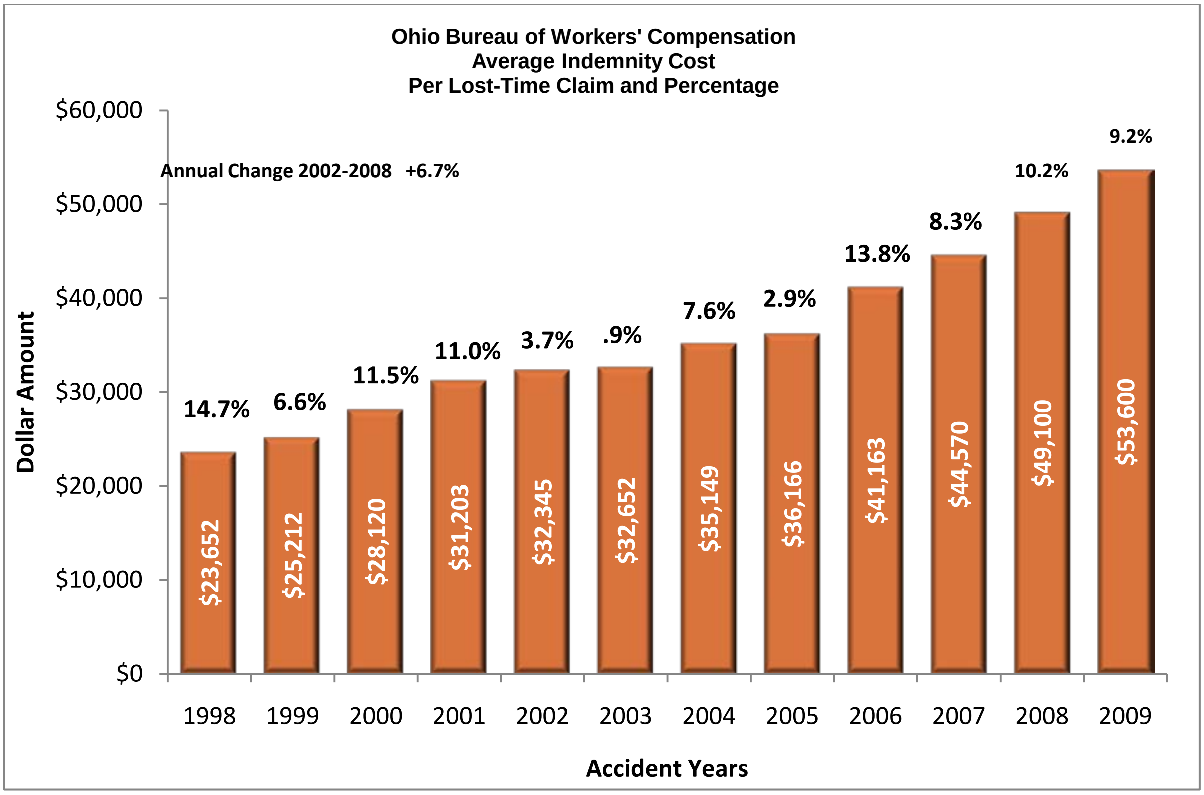
*Information for OBWC comes from the Deloitte Consulting, LLC reserve report as of 6/30/2010 using accident year 2002.

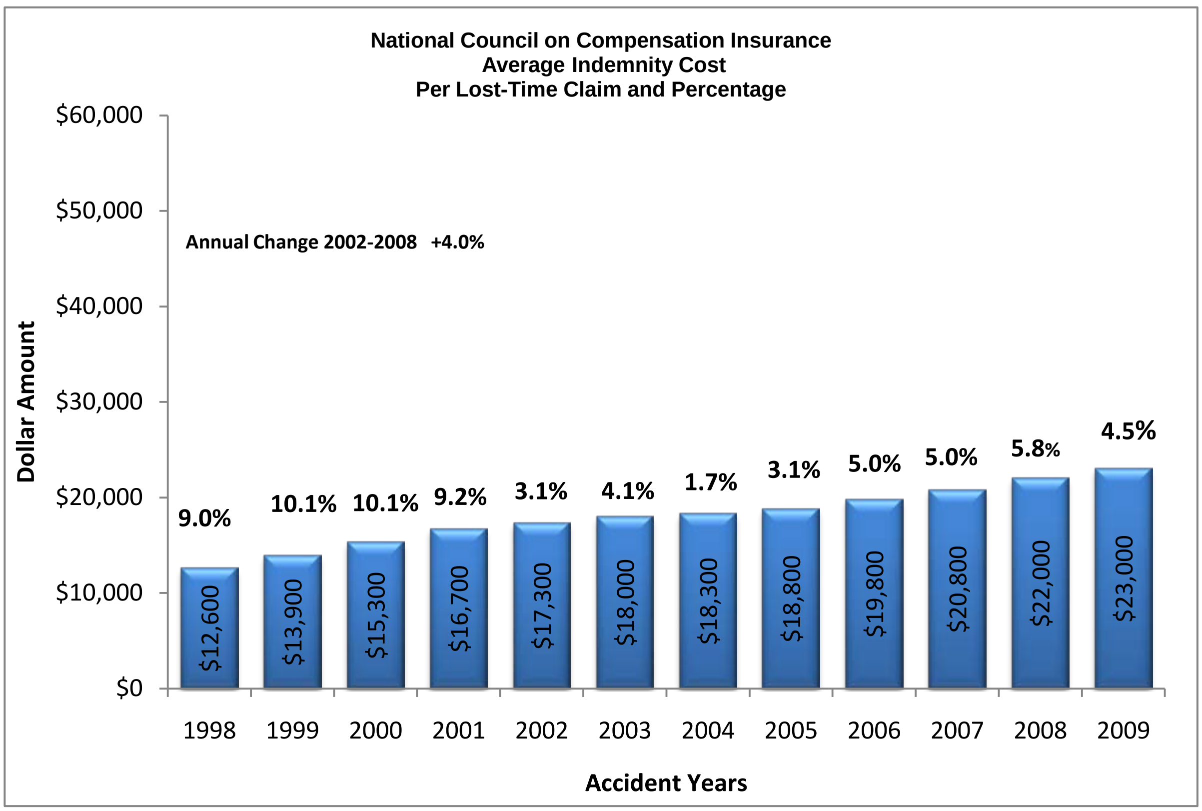
**Information for surrounding states comes from the 2010 NCCI Statistical Bulletin using the 5th report.

Chart Title: Ohio Bureau of Workers' Compensation Average Indemnity Cost per Lost-Time claim and Percentage Change/ NCCI Average Indemnity Cost per Lost-Time claim and Percentage Change

Description and Conclusions:
This bar chart shows a twelve year history and percent change in the average indemnity cost per lost-time claim for the BWC and the NCCI subscribers. The percent at the top of each bar is the percentage change in the cost from the year before. Each bar represents the average ultimate indemnity dollar cost by injury year. The BWC is following a similar trend as the industry. The BWC's average ultimate indemnity cost per claim is higher overall.

Source of Data:
The NCCI data are from the Annual Issues Symposium 2010, Dennis Mealy, FCAS, MAAA, and NCCI Chief Actuary. The BWC data are from the June 30, 2010 Actuarial Audit, by Deloitte Consulting, Actuarial Consultants.





NCCI data from the NCCI Annual Issues Symposium 2010, Dennis Mealy, FCAS, MAAA, NCCI Chief Actuary

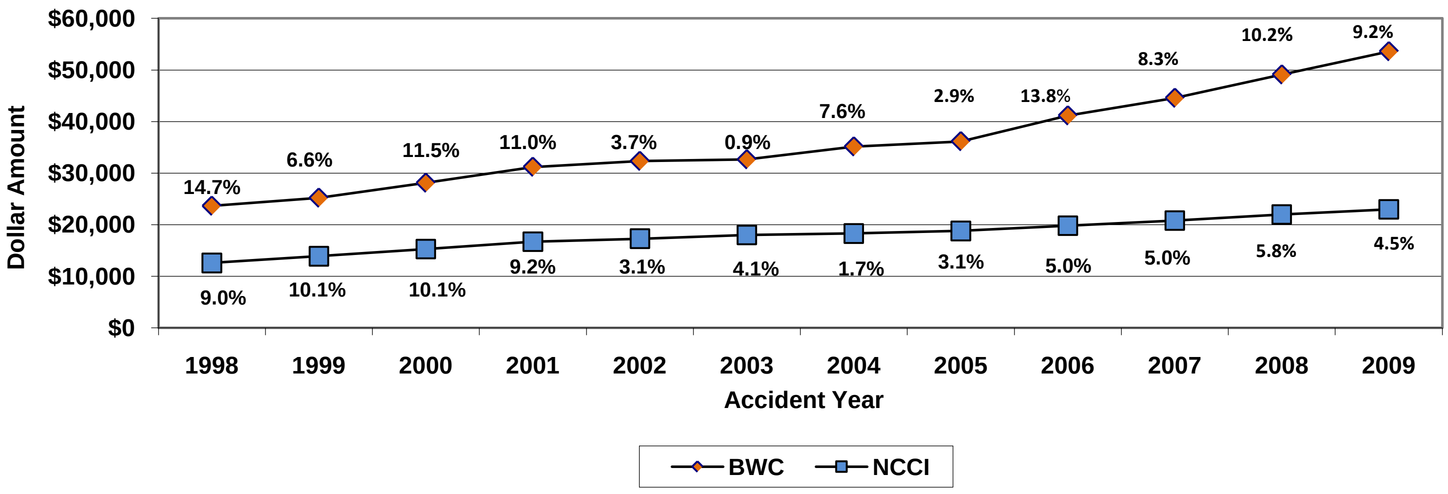
BWC data from the June 30, 2010 Actuarial Audit, Deloitte, Actuarial Consultants

Chart Title: Ohio Bureau of Workers' Compensation Average Indemnity Cost per Lost-Time claim and Percentage Change/ NCCI Average Indemnity Cost per Lost-Time claim and Percentage Change

Description and Conclusions:
This line chart shows a twelve year history and percent change in the average indemnity cost per lost-time claim for the BWC and the NCCI subscribers. The percent at the top or bottom of each point is the percentage change in the cost from the year before. Each point represents the average ultimate indemnity dollar cost by injury year. The BWC is following a similar trend as the industry. The BWC's average ultimate indemnity cost of claims is higher overall.

Source of Data:
The NCCI data are from the Annual Issues Symposium 2010, Dennis Mealy, FCAS, MAAA, and NCCI Chief Actuary. The BWC data are from the June 30, 2010 Actuarial Audit, by Deloitte Consulting, Actuarial Consultants.

NCCI and Ohio Bureau of Workers' Compensation
Percentage Change in Average Indemnity Costs on
Lost-Time Claims



NCCI data from the NCCI Annual Issues Symposium 2010, Dennis Mealy, FCAS, MAAA, NCCI Chief Actuary
BWC data from the June 30, 2010 Actuarial Audit, Oliver Wyman, Actuarial Consultants

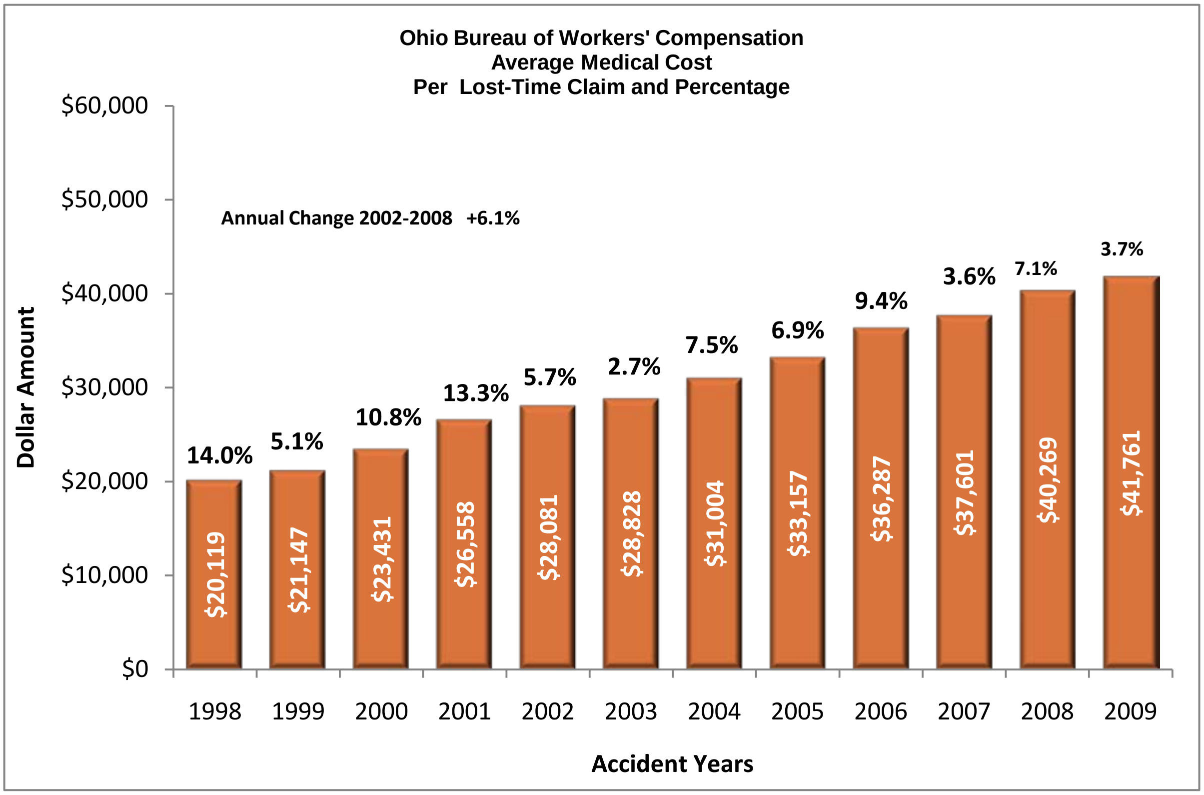
Chart Title: Ohio Bureau of Workers' Compensation Average Medical Cost per Lost-Time claim and Percentage Change/ NCCI Average Medical Cost per Lost-Time claim and Percentage Change

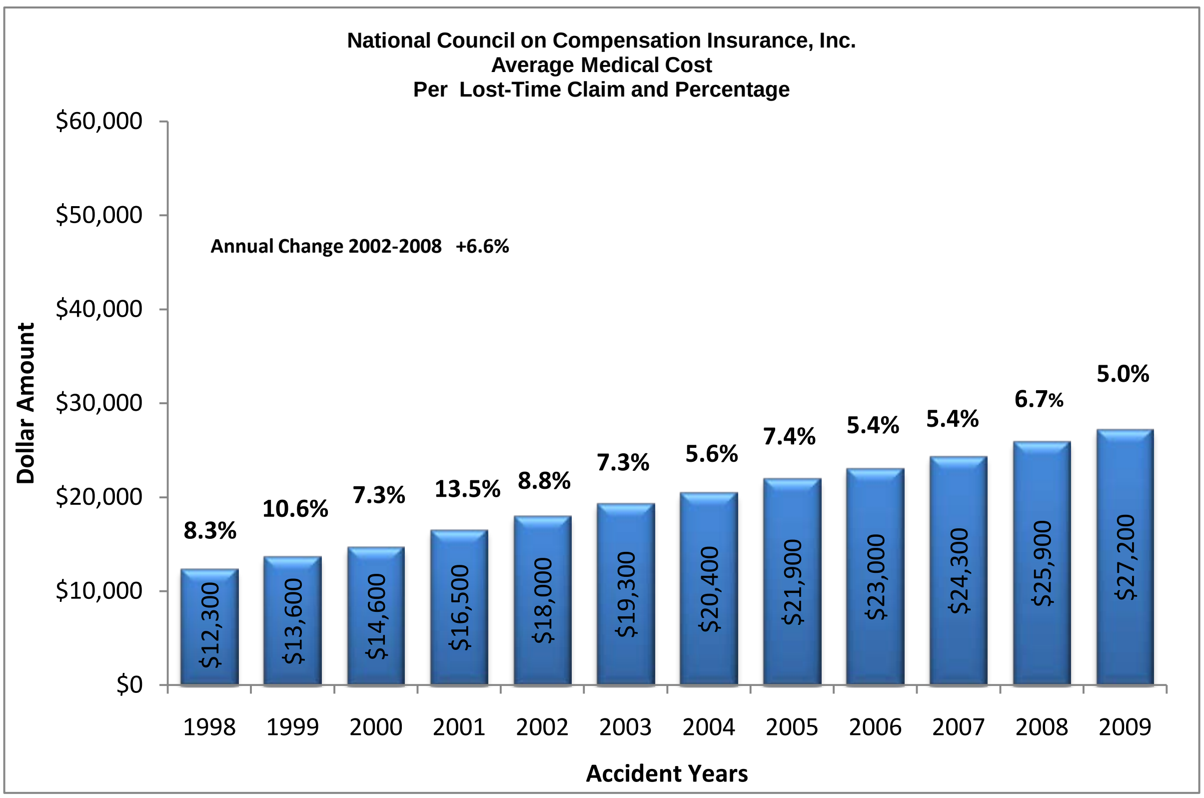
Description and Conclusions:

This bar chart shows a twelve year history and percent change in the average medical cost per lost-time claim for the BWC and the NCCI subscribers. The percent at the top of each bar is the percentage change in the cost from the year before. Each bar represents the average ultimate medical dollar cost by injury year. The BWC is following a similar trend as the industry. The BWC's average ultimate medical cost of claims is higher overall.

Source of Data:

The NCCI data are from the Annual Issues Symposium 2010, Dennis Mealy, FCAS, MAAA, and NCCI Chief Actuary. The BWC data are from the June 30, 2010 Actuarial Audit, by Deloitte Consulting, Actuarial Consultants.





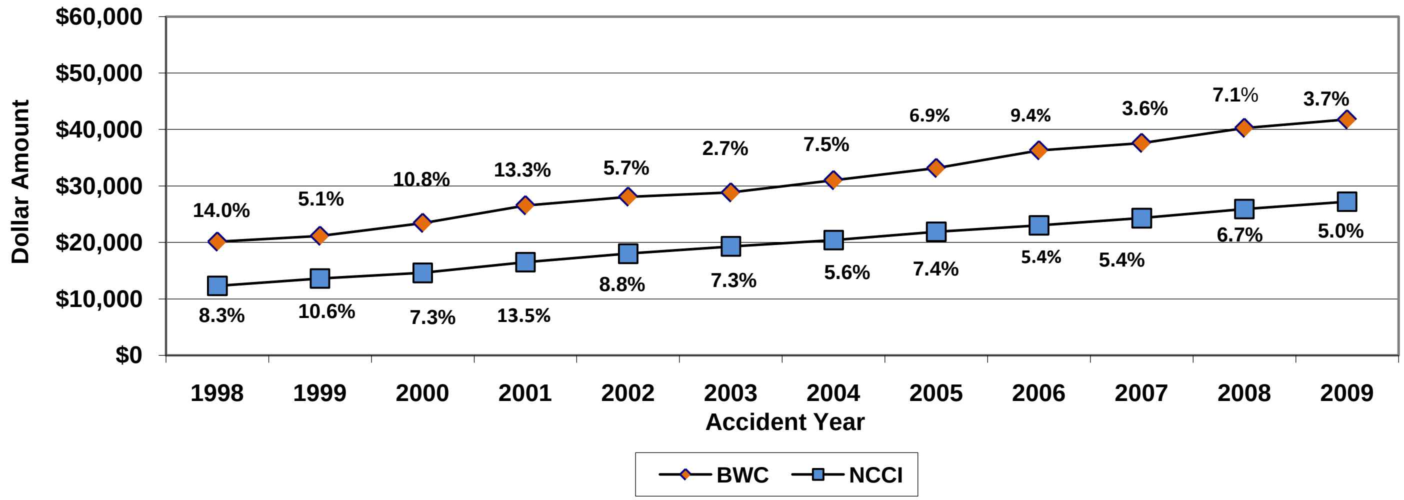
NCCI data from the NCCI Annual Issues Symposium 2010, Dennis Mealy, FCAS, MAAA, NCCI Chief Actuary
BWC data from the June 30, 2010 Actuarial Audit, Oliver Wyman, Actuarial Consultants

Chart Title: Ohio Bureau of Workers' Compensation Average Medical Cost per Lost-Time claim and Percentage Change/NCCI Average Medical Cost per Lost-Time claim and Percentage Change

Description and Conclusions:
This line chart shows a twelve year history and percent change in the average medical cost per lost-time claim for the BWC and the NCCI subscribers. The percent at the top or bottom of each point is the percentage change in the cost from the year before. Each point represents the average ultimate medical dollar cost by injury year. The BWC is following a similar trend as the industry. The BWC's average ultimate medical cost of claims is higher overall.

Source of Data:
The NCCI data are from the Annual Issues Symposium 2010, Dennis Mealy, FCAS, MAAA, and NCCI Chief Actuary. The BWC data are from the June 30, 2010 Actuarial Audit, by Deloitte Consulting, Actuarial Consultants.

NCCI and Ohio Bureau of Workers' Compensation
Percentage Change in Average Medical Costs on
Lost-Time Claims



NCCI data from the NCCI Annual Issues Symposium 2010, Dennis Mealy, FCAS, MAAA, NCCI Chief Actuary
BWC data from the June 30, 2010 Actuarial Audit, Oliver Wyman, Actuarial Consultants

Chart Title: Claim Percent Unpaid Over Time
Description and Conclusions: This chart displays the percent of claim yet to be paid as of specific times from the beginning of a policy year, for each NCCI state and countrywide for all NCCI states. Ohio data is displayed separately as well as maximums, minimums, medians and modes for each time period.

Analysis shows that for all time periods after the first 12 months, Ohio has the highest percent of an average claim to be paid out, indicating that the claim payment tails in Ohio are longer in comparison to all NCCI states, including Washington D.C. After 8 tears (96 months) Ohio still has over 45% of a claim yet to be paid, in comparison to the countrywide average of 17%.

Source of Data: 2010 NCCI Statistical Bulletin and Deloitte's analysis as of 9/30/2010. See Excel workbook titled "Chart Claim Percent Unpaid Over Time and Paid Loss Development Factors.xlsx", tab titled "Claim Percent Unpaid Over Time".

Ohio Bureau of Workers' Compensation

Percentage Unpaid

	months from the beginning of accident year							
	12	**24**	**36**	**48**	**60**	**72**	**84**	**96**
Ohio	86.9%	74.1%	65.4%	58.4%	54.2%	51.5%	48.7%	45.4%
Countrywide	77.0%	50.4%	37.1%	29.4%	24.5%	21.2%	18.9%	17.1%
Maximum	89.3%	73.7%	61.6%	52.7%	45.7%	43.4%	41.9%	40.7%
Minimum	58.2%	23.0%	14.2%	10.6%	8.3%	7.0%	5.9%	5.2%
Median	76.6%	49.9%	37.4%	29.3%	24.3%	21.1%	18.8%	17.1%
Mode*	76.0%	50.0%	51.0%	22.0%	17.0%	15.0%	21.0%	13.0%

* Mode data was rounded to whole percentages

States including Washington D.C.

Percentage Unpaid

	months from the beginning of accident year							
	12	**24**	**36**	**48**	**60**	**72**	**84**	**96**
AK	74.7%	46.6%	34.3%	27.5%	23.4%	20.6%	18.8%	17.1%
AL	79.9%	58.5%	48.1%	40.6%	35.8%	32.6%	30.3%	28.4%
AR	65.9%	35.4%	24.6%	20.1%	17.1%	14.9%	13.4%	12.7%
AZ	70.4%	48.2%	41.6%	38.0%	35.5%	33.5%	31.6%	30.1%
CA	75.8%	58.0%	44.8%	35.6%	29.4%	24.9%	21.4%	18.8%
CO	71.9%	40.6%	28.2%	21.6%	17.8%	15.0%	13.1%	11.6%
CT	83.7%	63.0%	50.0%	41.6%	35.4%	31.0%	27.6%	24.8%
DC	84.5%	64.1%	51.2%	41.0%	33.6%	28.5%	24.5%	22.1%
FL	75.9%	51.0%	38.5%	31.1%	26.5%	23.0%	20.7%	19.1%
GA	80.8%	52.8%	37.6%	29.1%	23.9%	20.3%	17.6%	15.3%
HI	78.1%	46.5%	27.3%	18.2%	14.1%	11.5%	9.9%	8.8%
IA	74.5%	45.7%	31.4%	23.3%	18.2%	15.5%	13.8%	12.6%
ID	67.4%	38.9%	26.9%	20.3%	16.4%	13.5%	11.7%	10.6%
IL	77.9%	48.1%	32.2%	22.3%	16.0%	12.0%	9.5%	7.8%
IN	58.2%	23.0%	14.2%	10.6%	8.3%	7.0%	5.9%	5.2%
KS	71.1%	38.7%	24.5%	17.4%	13.9%	11.9%	10.5%	9.4%
KY	80.3%	60.8%	50.6%	44.4%	40.7%	37.7%	35.3%	33.4%
LA	82.9%	61.6%	48.3%	38.7%	32.1%	27.8%	24.4%	20.9%
MA	77.8%	49.0%	31.6%	22.4%	17.2%	14.5%	13.1%	11.9%
MD	84.7%	64.7%	51.6%	42.7%	36.9%	32.1%	28.7%	25.9%
ME	81.1%	62.8%	51.6%	43.0%	36.0%	30.1%	25.6%	22.3%
MI	78.2%	55.1%	38.9%	29.1%	23.5%	19.9%	17.4%	15.5%
MN	84.6%	65.5%	55.1%	49.3%	45.7%	43.4%	41.9%	40.7%
MO	72.5%	42.6%	29.1%	22.1%	17.6%	14.7%	12.3%	10.8%
MS	75.8%	47.0%	32.4%	23.2%	17.4%	13.6%	11.6%	9.2%
MT	83.5%	62.4%	51.1%	44.4%	39.9%	36.4%	33.6%	31.0%
NC	83.7%	58.7%	43.0%	32.5%	25.7%	20.9%	17.6%	15.3%
NE	73.4%	45.2%	33.6%	26.8%	22.7%	19.5%	17.3%	15.8%
NH	76.2%	50.5%	37.1%	30.4%	26.4%	23.5%	21.5%	19.7%
NJ	78.9%	57.1%	44.6%	35.1%	28.8%	24.1%	20.5%	17.5%
NM	75.1%	49.1%	36.0%	28.4%	22.6%	18.6%	15.9%	13.3%
NY	89.3%	73.7%	61.6%	52.7%	45.5%	39.9%	35.7%	32.2%
OK	79.3%	47.7%	30.8%	21.9%	16.8%	13.1%	10.9%	9.3%
OR	76.1%	49.8%	38.3%	32.5%	29.4%	27.3%	25.8%	24.7%
RI	73.4%	44.5%	29.9%	21.8%	17.4%	14.6%	12.7%	11.9%

Percentage Unpaid

months from the beginning of accident year

	12	24	36	48	60	72	84	96
SC	79.3%	46.4%	26.5%	16.5%	11.5%	9.3%	8.2%	7.5%
SD	73.7%	50.1%	41.2%	35.7%	32.5%	30.8%	28.8%	27.8%
TN	74.5%	44.1%	29.8%	22.9%	19.2%	16.9%	15.4%	14.2%
TX	71.0%	40.9%	30.4%	26.4%	24.1%	22.2%	20.7%	19.3%
UT	71.8%	50.0%	42.9%	39.0%	36.2%	34.0%	32.0%	30.5%
VA	78.5%	54.2%	41.1%	32.6%	27.0%	23.1%	20.6%	18.4%
VT	80.1%	53.1%	38.7%	31.3%	26.6%	23.8%	21.6%	20.3%
WI	69.9%	41.6%	31.0%	24.6%	20.3%	17.1%	15.1%	13.5%

All data except Ohio was gathered from the 2010 NCCI Statistical Bulletin.

Ohio's data is based on Deloitte's 9/30/10 analysis.

Chart Title: Reported Lost Time Claim per $1M-Adjusted Payroll
Reported Death and PTD Claim per $1M-Adjusted Payroll
Reported Temporary Total and Permanent Partial Claim per $1M-Adjusted Payroll

Description and Conclusions:

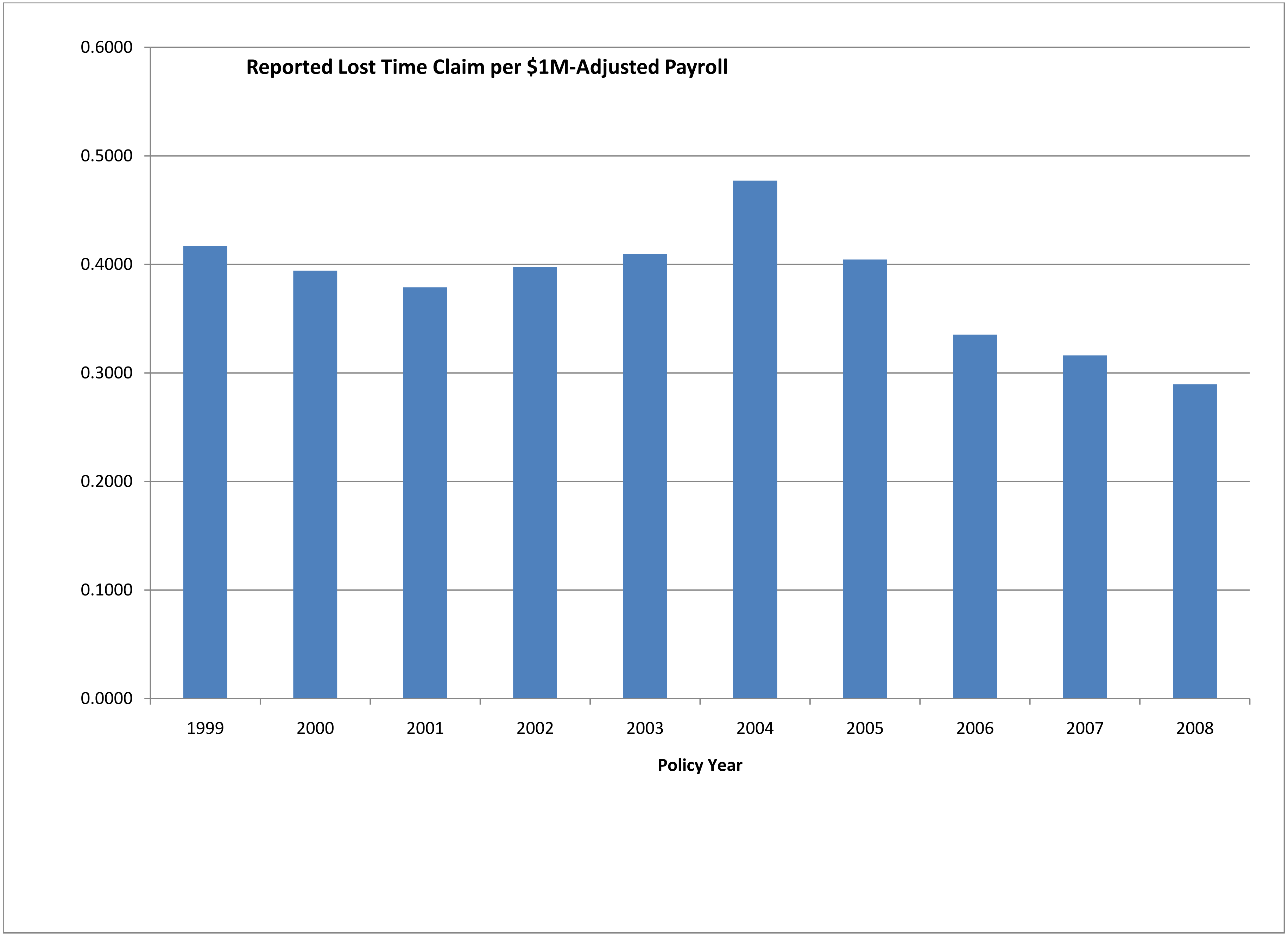
The Reported Lost Time Claim per $1M-Adjusted Payroll chart shows the amount of lost time claims reported per $1 million of wage inflation adjusted payroll. The claim counts per $1 million of wage inflation adjusted payroll is further broken out by claim type in the graphs labeled Reported Death and PTD Claim per $1M-Adjusted Payroll and Reported Temporary Total and Permanent Partial Claim per $1M-Adjusted Payroll.

The PTD chart is misleading in that it is indicating a sharp decrease in the reported PTD claims. Typically, it takes an average of about 10 years before a claim files and becomes a PTD claim.

The TT and Permanent Partial chart reflects claim frequency higher than the frequency for Temporary claims. This is primarily as result of Percent Permanent Partial (%PP) awards in Ohio. MIRA II maps the claim injury type as Permanent if a %PP is awarded. The awards can be made on claims that are currently listed as Medical Only claims, therefore causing the claim to be considered permanent by the MIRA II system and also will include in the Permanent mapping of a claim where the percent award is greater than 0%.

Source of Data:
The payroll used in the calculation of claim frequency is taken from the BWC's data warehouse as of January 14, 2011. Wage inflation was calculated using the BWC's maximum Death and Temporary Total maximum wage indexed using policy year 1999 as the base year.

The claim data is obtained from the MIRA II claim reserving system and was obtained on February 4, 2011, with predictions as of Dec. 31, 2010. The claim injury type determined by the MIRA II system reflects the ultimate claim severity as of the evaluation date and is based primarily on the type and/or duration of indemnity payments. MIRA II will assign an injury type of Death and/or PTD to claims that have had actually death and/or PTD awards paid. Therefore MIRA II does not predict Death and/or PTD claims prior to the actual awards being paid. The claim counts include claims that are Open/Close, and Active/Inactive.



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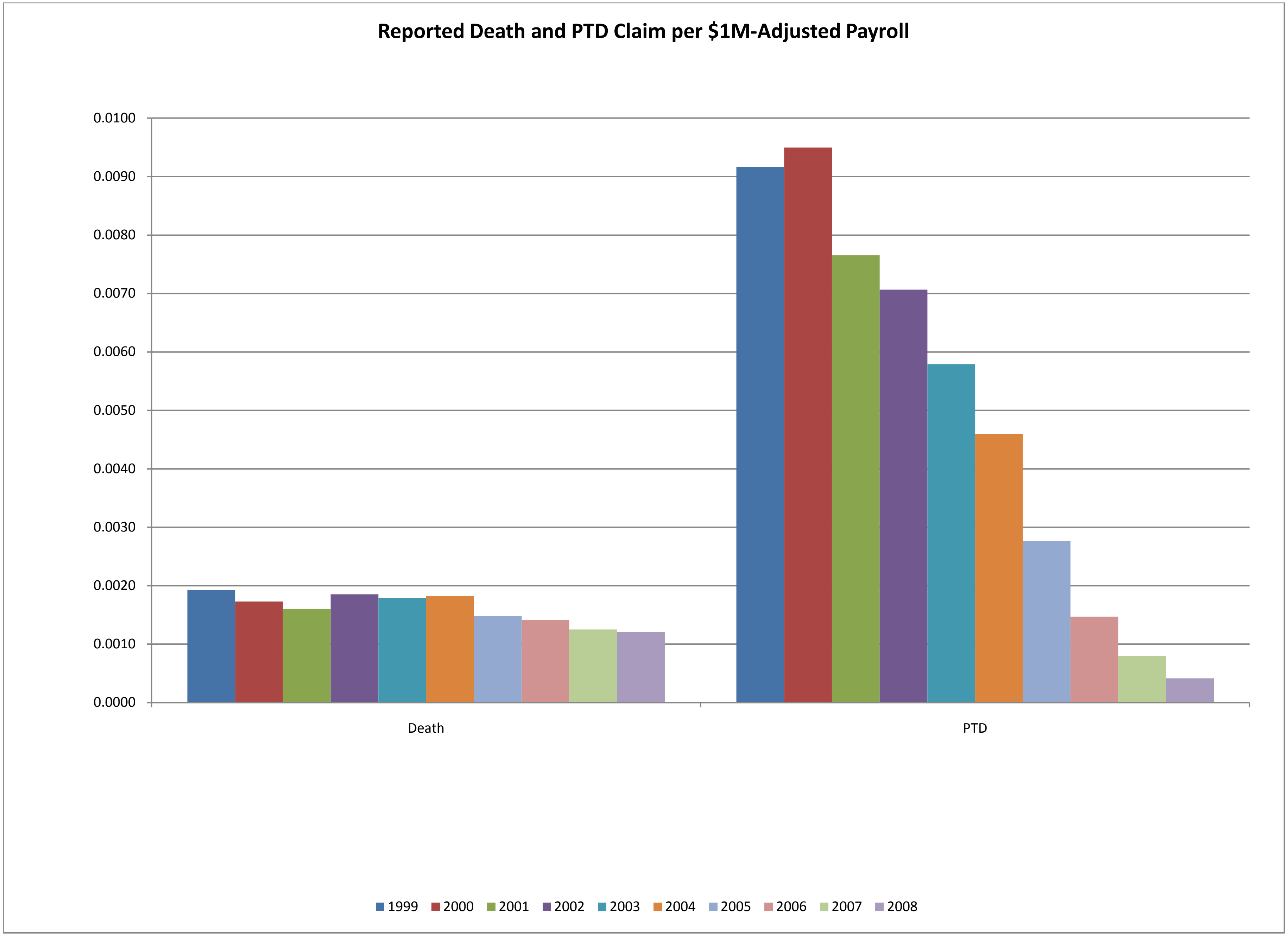

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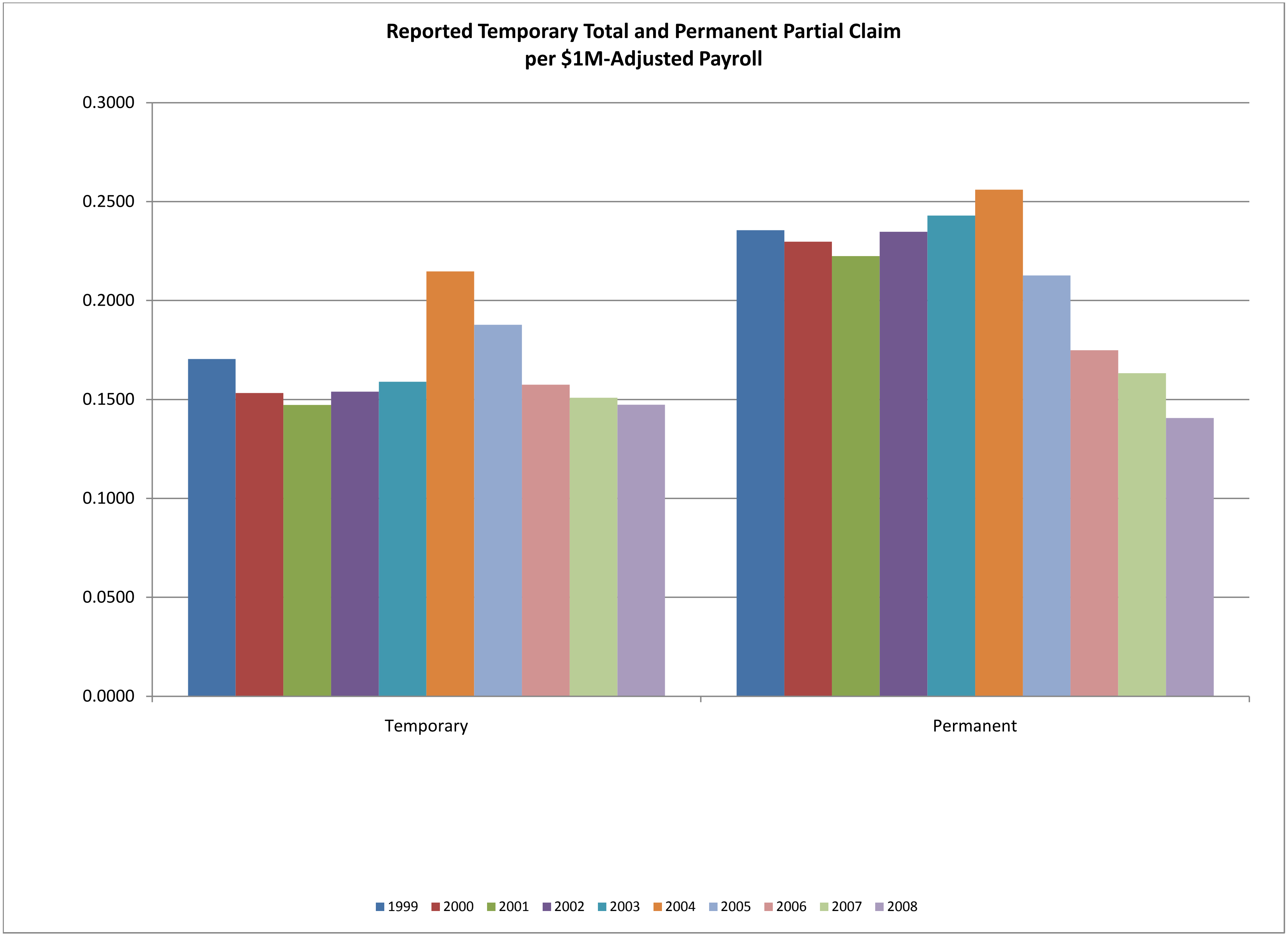

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Benefit Payment Reports

The following charts and data are from the Actuarial Division's "Actual versus Expected Payment Reports". This information is gathered monthly, quarterly and annually. The expected payments are projections from the Actuarial Consultant based upon the past payment trends and other information from the actuarial audit. The actual payments are from the BWC's "P30" file, which is a file created from all the payment sources at the BWC.

The following table is information that has been gathered and provided in past quarterly or annual reports. This is not a complete history of events at the BWC, but is a list of the events that have impacted the flow of benefit payments.

Date and Quarter	Event	Description
October 11, 1996 Fiscal Year Quarter: 2-97	Claim conversion to New V3 claim system	All COLA claims were converted to V3 beginning October 11, 1996. The conversion took place in phases. A total of 4 million active claims were converted. This conversion created an additional pension payment that was not routine and is reflected on indemnity payment graphs during the 4-96 quarter.
January 1997 through March 1997 Quarter: 2-97	HPP Information Effect	The average number of bills received prior to implementation of HPP was approximately 210,000 bills per month. The information about the impending HPP program caused an upsurge of bills to be submitted to the BWC by medical providers. The number of bills submitted increased by about 10% above typical in January and by roughly 25% in February and March of 1997.
March 1, 1997 Quarter: 1-97	Pharmacy Benefits Manager	A contract with RxNet Inc. was signed for them to serve as the Pharmacy Benefits Manager and online pharmacy bill adjudication system. RxNet became the single processor of all drug bills. There was no phase-in of this change.
March 1, 1997 Quarter: 1-97	Alpha Claims	MCO's began to accept the processing of "Alpha Claims" which are the new claims filed as of March 1, 1997.

Date and Quarter	Event	Description
March 1997 through June 1997 Quarter: 3-97 and 4-97 (impact first shown)	Transition Period	During this time, the BWC was continuing to pay bills that had been submitted to the BWC prior to the inception of HPP and bills on non-Alpha claims. At the same time, MCO's were beginning to manage Alpha claims. The number of bills submitted to the BWC from the MCO's amounted to approximately 25,000. The expected number of bills as estimated by the Medical Division for this period was approximately 90,000. During these quarters, payments dropped as a result of the BWC not receiving medical bills from MCO's, shown on the "Transition Period".
September 1997 Quarter: 3-97	Beta Claims	MCO's began to manage the Beta claims, those claims with filing dates of October 20, 1993 to March 1, 1997.
December 1997	Gamma Claims	MCO's receive the rest of the claims inventory.
September 1998 and October 1998 Quarter: 3-98 and 4-98	Russell Decision	The Supreme Court of Ohio ruled that injured workers receiving TT compensation are entitled to keep the compensation they received between the time they reached MMI and the IC hearing. The BWC then reviewed all claims that fell under this scenario and issued increased TT payments in September and October 1998.
January 1999 Quarter: 1-99	Rehabilitation Eligibility Rules	The eligibility rules for rehabilitation participation were revised to relax the criteria for participation. There is also a noticeable increase in rehabilitation payments beginning in 1997. This is believed to be a result of the inception of the HPP program and the MCO's use of Rehabilitation as a claims management tool.
April 1999 through May 1999 Quarter: 1-99	Hospital Bill Clean-up Project	This project was initiated to pay outstanding hospital bills with dates of service from 3-1-97 through 8-31-98. As of March 1999, approximately 198 hospitals had submitted 51,547 outstanding bills totaling $40 million dollars.
November and December 2002	PTD / Social Security Disability benefit clean-up	PTD rates on claims in which the injured worker was collecting regular social security benefits were not being paid at the appropriate rate. PTD claimants receiving social security disability benefits have a reduced PTD benefit rate. Apparently, this reduction was being systematically applied to all PTD claimants receiving any kind of

Date and Quarter	Event	Description
		social security benefit. The claims department corrected this situation by reviewing claims that fell into this situation and adjusted the benefit rate and made reimbursement payments for back pay entitled. The impact to the payment reports was a slight increase in PTD benefits during the months of November and December 2002.
May 2004	Death conversion clean up	Death payments increased over the expected due to the death payment clean up that occurred in the months of March, April and May 2004. In the May 2004 report, death payments are approximately $2.3 M above expected. All death claims were reviewed as a part of a V3 death payment enhancement project that took place this year. The statistics compiled by the clean up team indicate that there were approximately $13.9 million in payments identified as being underpaid and payments were made (where possible) as was evidenced in the actual vs. expected payment reports. The clean up statistics also indicate that the BWC overpaid death payments by $8 million. This information has been provided to the auditors to ensure that the future forecasts used in the actuarial and financial audits are not impacted by this aberration in payments.
Fiscal Year 2004	Rehabilitation	The decreased payment and claims volume may be attributable to new policies implemented by BWC to assure that the “right” injured workers were being placed in the program. That is, injured workers who were medically stable and would likely benefit from the services. BWC also moved the high cost service of behavioral Pain Management programs from being provided in a vocational rehab plan to being a part of the medical management of a claim.
May 2005	LSS Initiative	“Proactive settlement” project to settle claims as soon as they have a RTW date. Project was piloted in Cleveland and Canton from Feb 2005 thru May 2005. In May 2005, the project became a statewide initiative.

Date and Quarter	Event	Description
July 2005	Pharmacy Benefit decreases	There are two factors that have been identified by the BWC that have caused the pharmacy benefits to have a 20% decrease for the 1st and 2nd quarters. First, the reimbursement rate policy was changed on July 10th, 2005. It is referred to as the "Preferred Drug Program", and it provides for an expanded generic drug pricing methodology. This change allowed for more drugs to have a maximum allowable price. Prior to the change, only 489 drugs from a federal list had a maximum allowable price. The change resulted in using a proprietary list that includes 1,426 drugs. Secondly, the BWC is reimbursing drug costs at a much lower rate on an additional 937 drugs. According to the Injury Management Section's Pharmacy Consultant, this change accounted for approximately 80% of the decrease in payments.
October 2005	Hospital	BWC instituted a new fee schedule which required inpatient reimbursement at the hospital cost –to-charge ration (CCR) plus 12% and capped at 60% maximum and outpatient reimbursement at hospital CCR plus 16% capped at 50%.
July 2006	PTD Reserves	Per Law Section, the Stevens vs. Industrial Commission override the Price Supreme court decision.
August 2006	PTD LSS	67 claims settled. $6 million total payout, $90,228 average cost per claim $4.5 million in removed MIRA reserves on settled claims.
Fiscal Year 2006	%PP	%PP awards have steadily increased from 37,853 in FY 2002 to 39,730 in FY 2005, a 5% change. More significantly the %PP awards in excess of $10,000 per injured worker award have increased from 265 awards in 2002 up to 534 awards in 2006 more than doubling. The actual dollar increases of the over $10,000 award group are from $3.3 M in 2002 to $6.9 in 2006, a 109% increase.
January 2007	Hospital	On January 1, 2007 BWC implemented the Diagnosis Related Group payment methodology. This may have resulted in an increased reduction in medical costs.

Date and Quarter	Event	Description
May 2007	LSA	Attorney fees and expenses were increased from $8,500 ($8,000 fees and $500 expenses) to 11,000 ($10,000 fees and $1,000 expenses) on 5/2/2007. Also, in December, 2004 BWC provided various options for paying back the advancement instead of reducing the rate for the life of the claim, although that is still an option. The IW can opt to pay back in 5, 10, 20 years or life of claim reduction. More applications may be filed for LSA due to flexibility in pay back options.
Fiscal Year 2007	LSS	The focus has been on the closing of the long tail, high dollar claims. BWC continues this focus, with the addition of the C-92 filings. These are claims which are mainly inactive; however, activate with the filing of a C92 (PP) application and potential unknown liability is now relevant. BWC streamlined the work flows, gave authority for settlements to the Legal Department, and have worked hand in hand with the claimant attorneys to fulfill this goal. The new philosophy is utilized with all C240 submissions. BWC is well on its way to settling triple the numbers in relation to pre pursuit of settlement results.
Fiscal Year 2007	TT, TP, WL	The TT, TP and WL reductions could be due to the increase in Settlements and it could also be because BWC implemented the Disability Management IME (DM IME) policy in early 2006. The DM IME claims management strategy is to facilitate the earliest possible safe return to work and to ensure appropriate and timely medical treatment.
March 2008	Hospital	Settlement of the Ohio Hospital Association lawsuit in regards to how BWC sets its fee schedules explains the increases in hospital expenditures and medical paid in medical only claims.
Fiscal Year 2008	PP	Senate Bill 7 was passed in fiscal year 2007. It reduced the 40 week waiting period for filing of an application for PP to 26 weeks. While this may have led to an earlier awarding of benefits in the claim development and an increase in payments, the trend may be leveling off now. The number of payments has decreased about 4% from fiscal year 2007 to fiscal year 2008.

Date and Quarter	Event	Description
Fiscal Year 2008	%PP	This reduction may be due to the “fast track” settlement process wherein BWC attempted to settle claims when a %PP award was requested in a claim; so BWC settles the claims instead of awarding the %PP.
Fiscal Year 2008	Pharmacy	In FY 08 there were 53 warrants issued to Affiliated Computer Services (ACS) while in FY 07 there were only 52, an increase of approximately $2 million. Additionally, approx. $5.8 million of the increase is directly attributed to the drug OxyContin. Although BWC reimbursed for fewer Rxs for this drug in FY08, the removal of the generic equivalents of this drug from the market in mid-FY08 caused a major increase in cost for this drug. New drugs on the market that were introduced in FY08 account for approx. $1.2 million in increases as well, with the drug Flector being responsible for approx. $500K of this amount. Price increases and increased utilization of Cymbalta and Lyrica resulted in an increase in cost for these drugs of approx. $1.3 million for Cymbalta and $1.6 million for Lyrica.
Fiscal Year 2008	Rehabilitation	The spike in payment most likely reflects increased service utilization. This could be due to the economic landscape in which we may see injured workers needing to participate in rehabilitation services for a longer time in order to secure employment.
Fiscal Year 2008	Health Related Other	There were no changes in reimbursement so this most likely reflects increased utilization. There is a trend towards shortened hospital length of stays (cost containment measure), which may have resulted in the increase in home healthcare services paid by BWC. Home healthcare services increased by $2.4 million dollars over the previous year, which most likely accounts for a significant portion of the increased costs in this category.
Fiscal Year 2009	LSS	The reduction is multi-fold. One, in late 2008 and early 2009 BWC began a comprehensive reevaluation of its settlement philosophy and process. As such some settlement strategies, such as the fast track settlement process were eliminated, thereby requiring all settlements to go through the

Date and Quarter	Event	Description
		formal settlement process. Second, with implementation of the new MIRAII system, we believe employers may be less likely to engage in settlements with the suppression of reserves at earlier dates and changes to reserving of claims receiving C92 awards specifically. Finally, at the end of the fiscal year, April 20th, several new processes were put in place during our redesign efforts. As a result, there was an initial learning curve that would have delayed action on some of these settlements.
Fiscal Year 2009	Health Related Other	There was a change in reimbursement level that increased reimbursement rates on some bills with dates of service 2/19/2009 and later. This may account for part of the change. In addition, there may be increased utilization.
Fiscal Year 2009 and Fiscal Year 2010	Medical on Medical Only Claims	Because overall reimbursement rates increased in the second half of the fiscal year, this most likely reflects decreased utilization as a result of fewer claims being filed, remaining active and receiving treatment.
Fiscal Year 2010	LM	There was a 5% increase in the number of claims receiving LM from FY09-FY10 and the total number of days injured workers received LM also increased 15% during the same timeframe. These increases are likely a result of the economy and the difficulty finding jobs.
Fiscal Year 2010	TP, WL, LMWL	LMWL payments may have increased due to a difficult economy where full time, high paying jobs are less abundant.
Fiscal Year 2010	LSS	The reduction is due to a larger emphasis on the new process requiring that all settlement dollars allocated for a claim be justified in the evaluation. Additionally there has been a substantial decrease in the number of C240's, Requests for Lump Sum Settlement, from customers.
Fiscal Year 2010	Hospital	All hospital services were affected by Hospital Lawsuit adjustments. In FY10, payments pursuant to this lawsuit were $17.2 million less than those in FY09. It appears that the remaining difference in total payments for hospital services can be attributed to the reduction in the total number of claims, which

Date and Quarter	Event	Description
		has been the trend over the past several years.
Fiscal Year 2010	Health Related Other	A payment increase of $3.9 million was seen from fiscal year 2009 to fiscal year 2010. There were changes in reimbursement levels that increased reimbursement rates on bills with dates of service 2/19/2009 and then again 11/1/2009. This would have increased the fiscal year 2010 payments over fiscal year 2009 payments. For Ambulatory Surgical Centers (ASC), there were changes in reimbursement levels that increased reimbursements rates on bills with dates of service 4/1/2009 and then again 4/1/2010. While the 2010 change would have had little impact on fiscal year 2010 payments, the fiscal year 2009 change was estimated to increase fiscal year 2010 payments by $1.7 million. While we would expect payments in this category to decrease due to the reduction in the total number of claims, which has been the trend over the past several years, the increase may be due to shifting of utilization from a hospital to ASC setting and other changes in treatment patterns.

Chart Title: Ohio Bureau of Workers' Compensation; PA, PEC, PES Employers; Temporary Total and Living Maintenance; Fiscal Year Payments

Description and Conclusions:
This bar chart shows an eleven year history of total Temporary Total (TT) and Living Maintenance (LM) benefit payments made for Private Employers (PA), Public Employer Taxing Districts (PEC) and Public Employer State Agencies (PES) for fiscal years 2000 through 2010.

Benefit Description:
TT compensation is provided to compensate an injured worker who is totally disabled from work on a temporary basis or a short period of time due to the work related injury or occupational disease. TT is generally the initial award of compensation paid to an injured worker to compensate for lost wages.

LM is a type of compensation paid to an injured worker while he/she is actively participating in an approved rehabilitation plan.

Notable Events/Information:
The decrease in payments from fiscal year 2005 to fiscal year 2008 is likely due to the Settlement programs that BWC has implemented during that time period and it could also be because BWC implemented the Disability Management IME (DM IME) policy in early 2006. The DM IME claims management strategy is to facilitate the earliest possible safe return to work and to ensure appropriate and timely medical treatment.

TT and LM payments increased approximately $12.3 million from fiscal year 2009 to fiscal year 2010. There was a 5% increase in the number of claims receiving LM from fiscal year 2009 to fiscal year 2010 and the total number of days injured workers received LM also increased 15% during the same timeframe. These increases are likely a result of the economy and the difficulty finding jobs.

Source of Data:
BWC Actuarial Division reporting on the Actual versus Expected payment reports.

Ohio BWC
PA, PEC, PES Employers
Temporary Total and Living Maintenance
Fiscal Year Payments

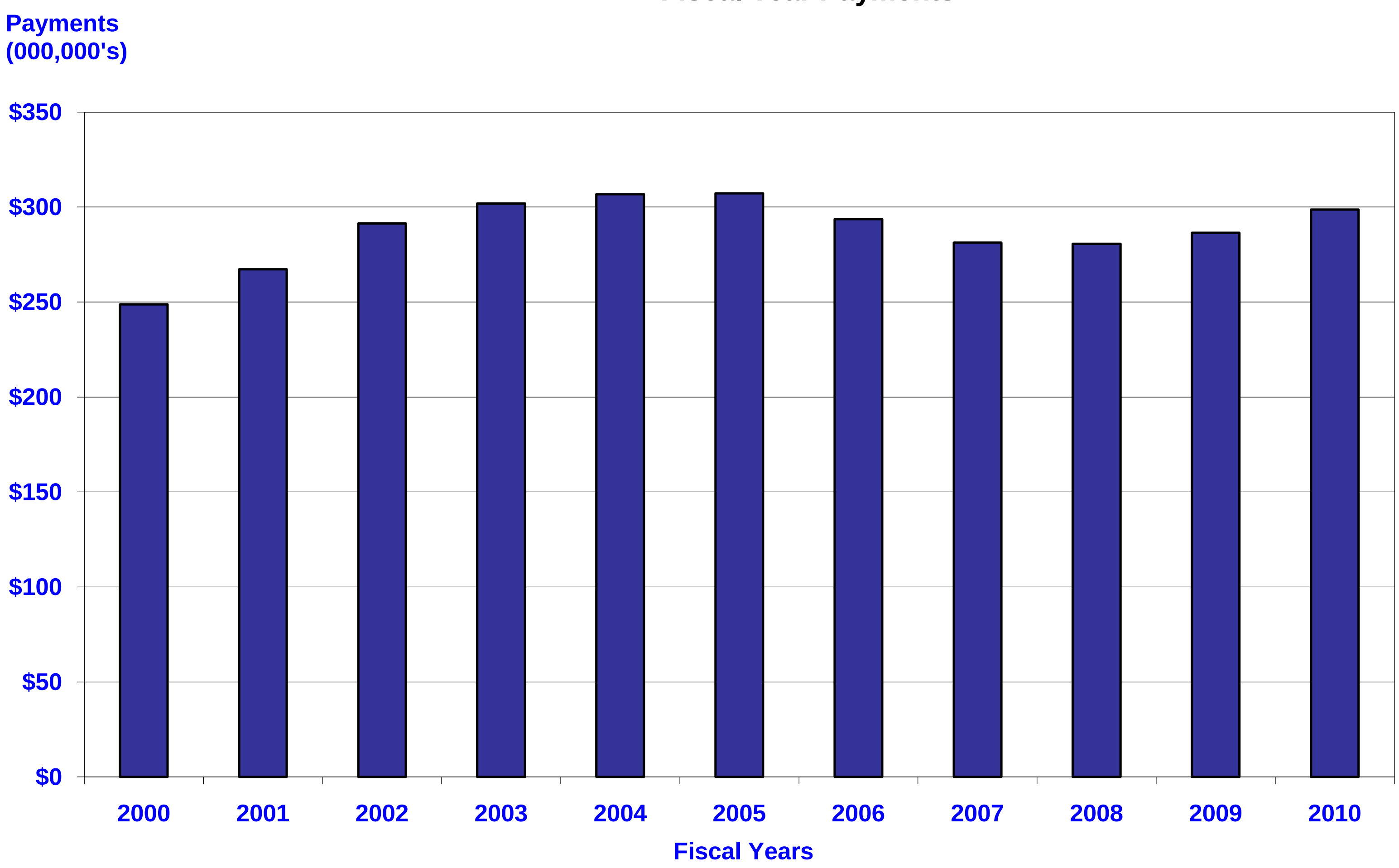

Chart Title: Ohio Bureau of Workers' Compensation; PA, PEC, PES Employers; Permanent Total Disability (PTD) and Lump Sum Advancements (LSA); Fiscal Year Payments

Description and Conclusions:
This bar chart shows an eleven year history of Permanent Total Disability and Lump Sum Advancements benefit payments made for Private Employers (PA), Public Employer Taxing Districts (PEC) and Public Employer State Agencies (PES) for fiscal years 2000 through 2010.

The increase of approximately $15 million between fiscal year 2004 and 2005 is attributable to an increase in both the PTD and the LSA benefits. An increase in PTD benefits of approximately $11 million is due to both an extra benefit payment of approximately $5.3 million and an increase in the average payment amount, which resulted in an approximately $7 million increase in benefits in fiscal year 2005.

The LSA benefits increased approximately $4.3 million between fiscal year 2004 and 2005. The average payment amount increased from $8,837 per LSA payment in fiscal year 2004 to $10,675 per LSA payment in fiscal year 2005. The number of LSA benefits payments increased by 158 payments.

The PTD payments for fiscal year 2006 have decreased by approximately $9M from FY 2005. As shown on the graph, the 2006 payments are similar to 2004 PTD payments with a $4.3M increase between 2004 and 2006.

Attorney fees and expenses were increased from $8,500 ($8,000 fees and $500 expenses) to 11,000 ($10,000 fees and $1,000 expenses) on 5/2/2007. Also, in December, 2004 BWC provided various options for paying back the advancement instead of reducing the rate for the life of the claim, although that is still an option. The IW can opt to pay back in 5, 10, 20 years or life of claim reduction. More applications may be filed for LSA due to flexibility in pay back options.

From fiscal year 2006 to fiscal year 2010, payments have increased approximately $19.8 million despite the number of payments decreasing by about 49,000 during this time frame. The average payment, meanwhile, has increase by 12.4% from fiscal year 2006 to fiscal year 2010. Most of the increase in payments appears to be caused by PTD payments rather than by LSA payments.

Benefit Description:
PTD benefits are to compensate the injured worker for permanent impairment of earning capacity. Compensation for PTD is payable for life. When an injured worker applies for permanent total disability, he/she must attend an Industrial Commission examination and hearing to determine if he/she meets the eligibility criteria for this type of compensation.

A Lump Sum Advancement (LSA) is the prepayment of future compensation. Advancement applications will be reviewed for meeting financial relief and rehabilitation purposes only. Advancements may be requested by injured workers or dependents (in case of death) who are currently receiving Permanent Total Disability, Scheduled Loss or Death Benefits.

Other Notable Events:
PTD rates on claims in which the injured worker was collecting regular social security benefits were not at the appropriate level. PTD claimants receiving social security *disability* benefits have a reduced PTD benefit rate. Apparently, this reduction was being systematically applied to all PTD claimants receiving any kind of social security benefit. The claims department has corrected this by reviewing claims that fall into this situation and adjusting the benefit rate and making reimbursement payments for back pay entitled. The impact to the payment reports was a slight increase in PTD benefits during the months of November and December 2002.

<u>The Price Supreme Court Decision</u>: This decision found that the PTD benefit rate that was based upon the injured workers' average weekly wage at the time of the injury was not appropriate for those injured workers who may have returned to work for a period of time before becoming PTD and where the injured workers' pay had increased substantially over the pay at the time of the injury.

On July 19, 2006 the Price Supreme Court Decision was overruled. The Supreme Court decision held that the original AWW rate established in a claim should not be adjusted.

Source of Data:
BWC Actuarial Division reporting on the Actual versus Expected payment reports.

Ohio BWC PA, PEC, PES Employers
Permanent Total Disability and Lump Sum Advancements
Fiscal Year Payments

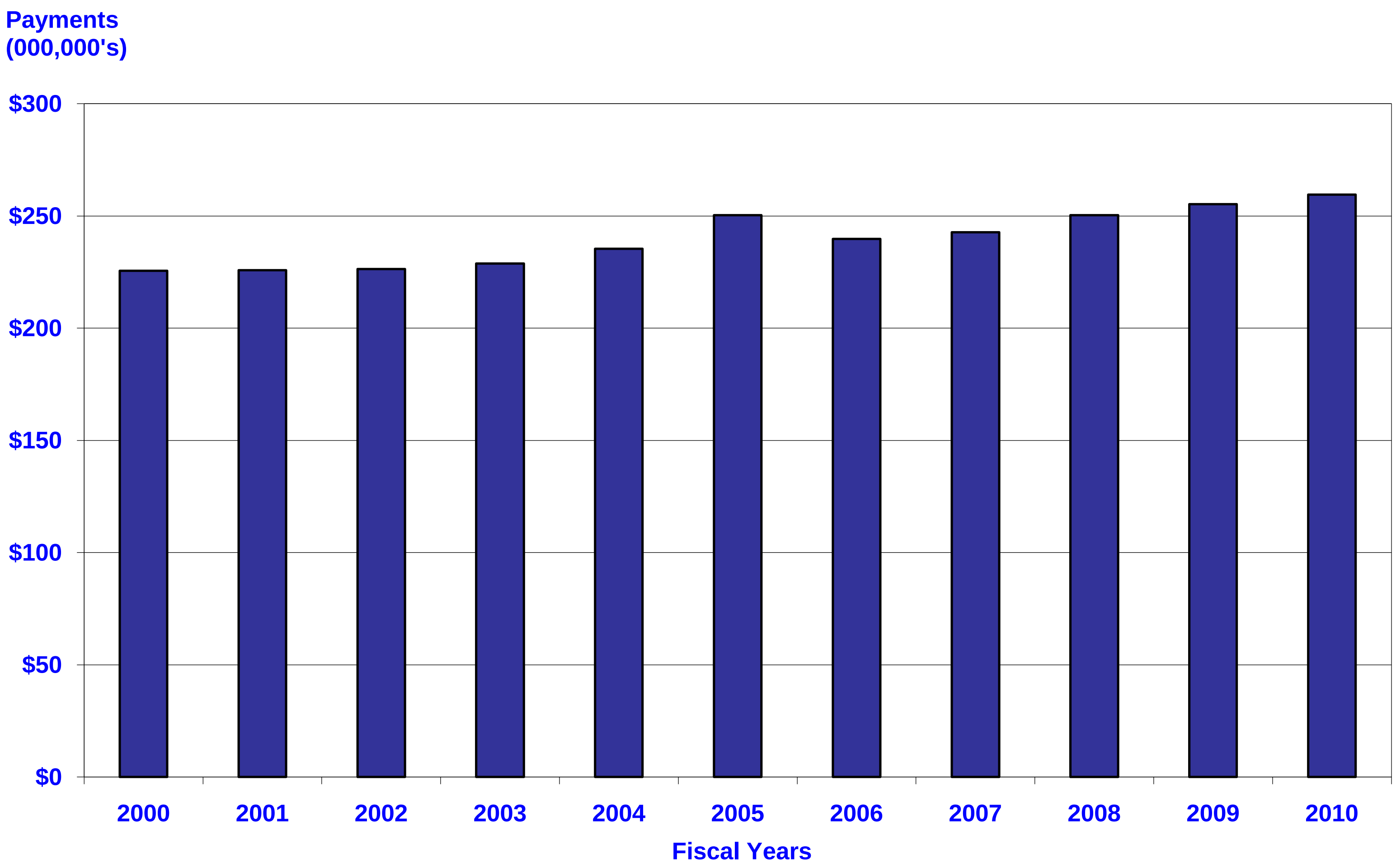

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Chart Title: Ohio Bureau of Workers' Compensation; PA, PEC, PES Employers; Death; Fiscal Year Payments

Description and Conclusions:
This bar chart shows an eleven year history of total Death benefit payments made for Private Employers (PA), Public Employer Taxing Districts (PEC) and Public Employer State Agencies (PES) for fiscal years 2000 through 2010

Benefit Description:
A death claim is filed by the dependents of an injured worker (IW) who died as a result of an industrial accident or occupational disease. Dependent death benefits will be based on the level of dependency or support each dependent had while the worker was living. Death benefits can be divided into two categories. The first is when death results instantaneously as a result of an injury. The second is when death is not an instantaneous but a proximate result of an injury or occupational disease.

Notable Events/Information:
From the May 2004 report, Death payments are about $2.3 M above expected. As a part of the death payments conversion to allow Electronic Fund Transfer (EFT) payments, a "clean-up" of death payments occurred.

Death payments increased over the expected due to the death payment clean up that occurred in the months of March, April and May 2004. All death claims were reviewed as a part of a V3 death payment enhancement project that took place in 2004. The statistics compiled by the clean up team indicate that there were approximately $13.9 million in payments identified as being underpaid, and payments were made (where possible) as was evidenced in the actual vs. expected payment reports. The clean up statistics also indicate that the BWC overpaid death payments by $8 million. This information has been provided to the auditors to ensure that the future forecasts used in the actuarial and financial audits are not impacted by this aberration in payments.

Death payments have decreased from FY 2005 to FY 2006 by 3%. Death claim counts have decreased by 297 claims. The 2006 Actuarial Audit indicated lower actual payments then were expected.

There are 4,320 active death claims where payments are currently being made.

Source of Data:
BWC Actuarial Division reporting on the Actual versus Expected payment reports.

Ohio BWC PA, PEC, PES Employers
Death
Fiscal Year Payments

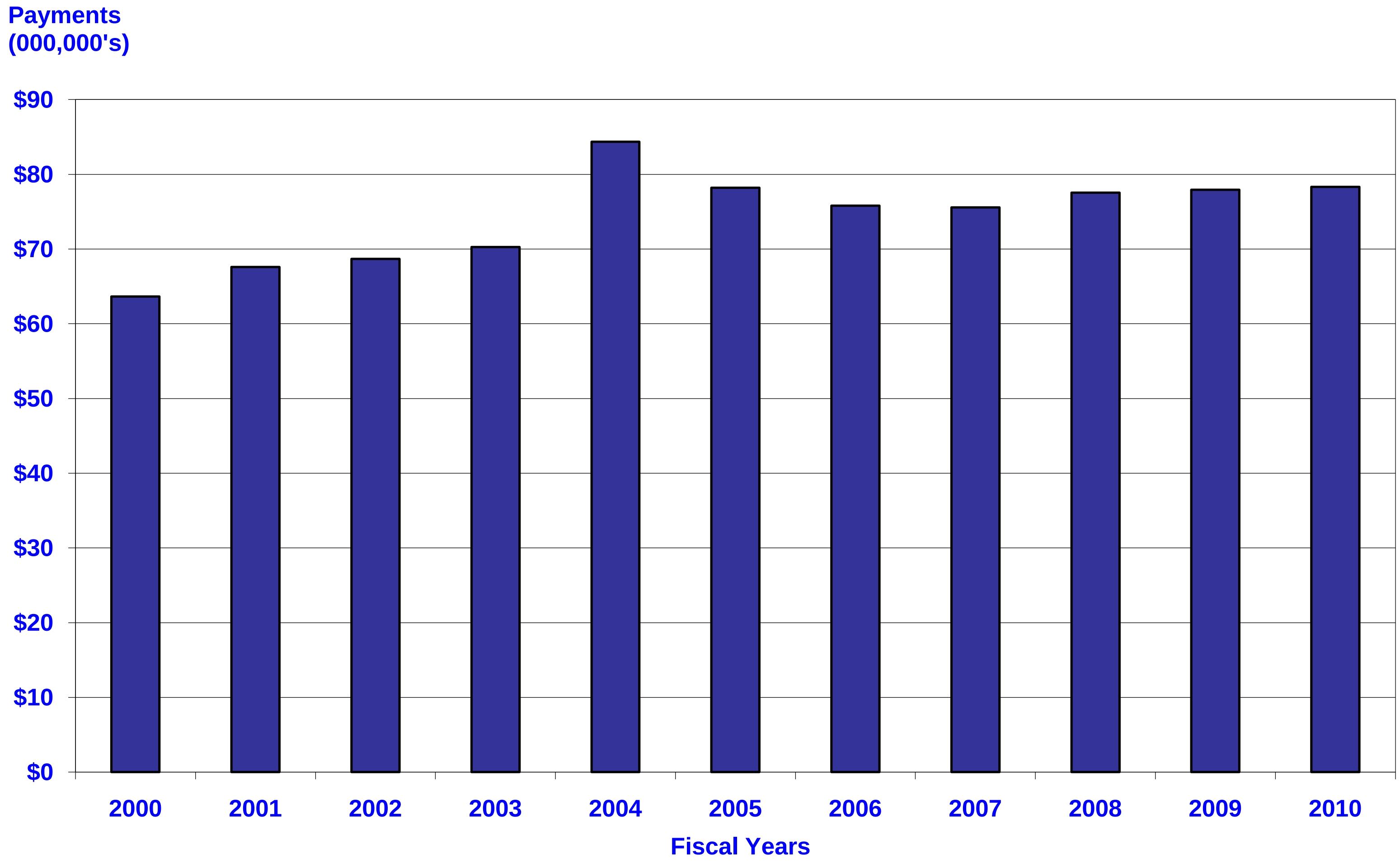

Chart Title: Ohio Bureau of Workers' Compensation; PA, PEC, PES Employers; Percent Permanent Partial (%PP); Fiscal Year Payments

Description and Conclusions:
This bar chart shows an eleven year history of total Percent Permanent Partial (%PP) benefit payments made for Private Employers (PA), Public Employer Taxing Districts (PEC) and Public Employer State Agencies (PES) for fiscal years 2000 through 2010.

Benefit Description:
A certain amount of permanent damage (called residual damage) may remain as a result of the injury. Percent Permanent Partial (%PP) is compensation awarded for residual impairment resulting from an allowed injury or occupational disease. The permanent impairment may be physical, psychological or psychiatric.

Notable Events/Information:
Payments for %PP benefits decreased approximately $7.5 million from fiscal year 2007 to 2008. This reduction is likely due to the "fast track" settlement process wherein BWC attempted to settle claims when a %PP award was requested in a claim; so BWC settled the claims instead of awarding the %PP.

There was a $4 million increase in payments from fiscal year 2008 to 2009. This is due to the number of %PP payments increasing from 33,594 in fiscal year 2008 to 35,071 in fiscal year 2009 and an increase in the average payment amount from $2,471 to $2,494. It is also likely that the large decrease in lump sum settlements attributed to this increase.

This increase was followed by a $4.9 million decrease in payments from fiscal year 2009 to fiscal year 2010, which is caused by a decrease in the number of payments from 35,071 in fiscal year 2009 to 31,640 in fiscal year 2010. This large decrease offset the increase in the average payment from $2,494 to $2,601.

Source of Data:
BWC Actuarial Division reporting on the Actual versus Expected payment reports.

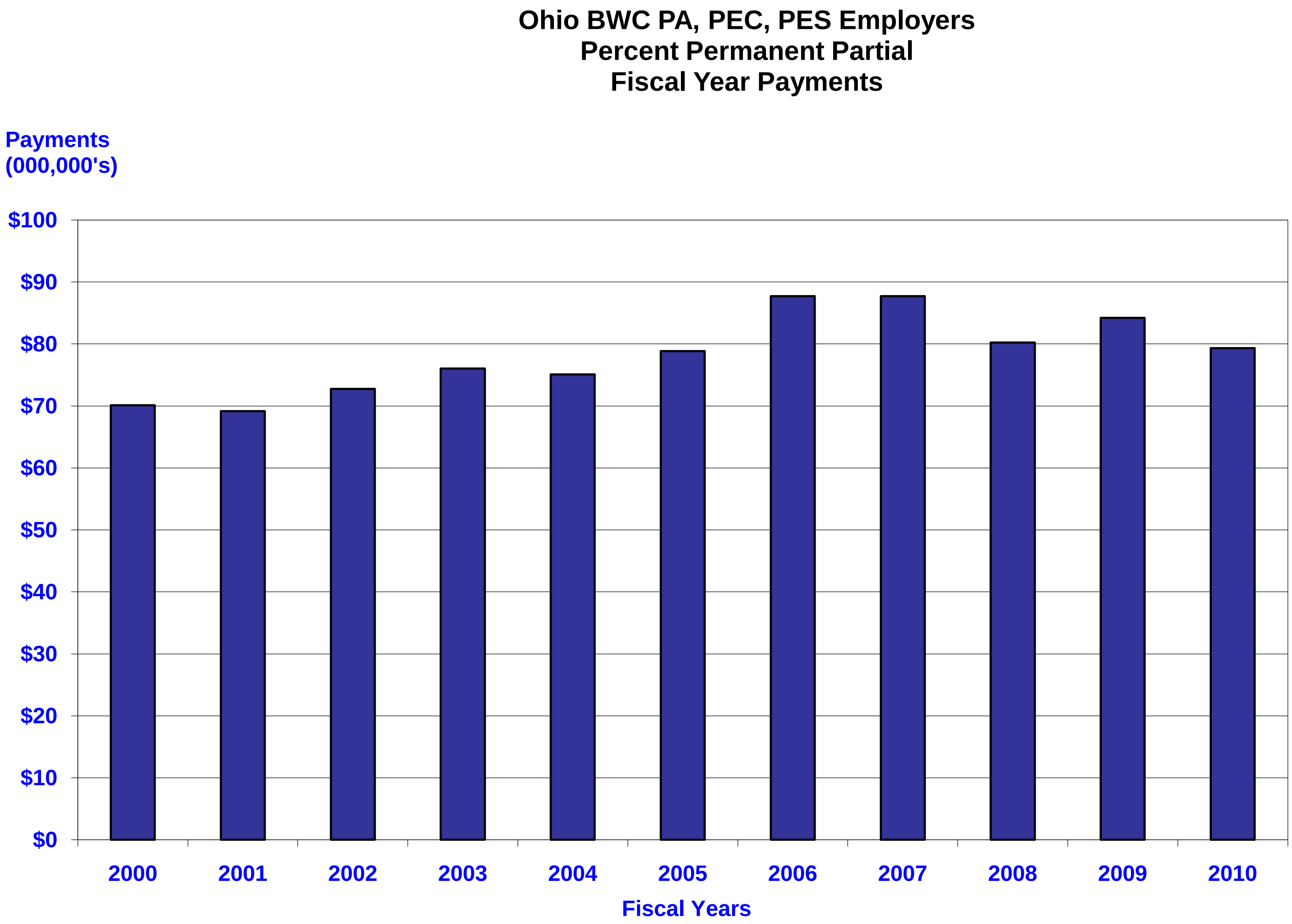

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Chart Title: Ohio Bureau of Workers' Compensation; PA, PEC, PES Employers; Permanent Partial; Fiscal Year Payments

Description and Conclusions:
This bar chart shows an eleven year history of Permanent Partial benefit payments made for Private Employers (PA), Public Employer Taxing Districts (PEC) and Public Employer State Agencies (PES) for fiscal years 2000 through 2010.

Benefit Description:
A certain amount of permanent damage (called residual damage) may remain as a result of the injury. A scheduled loss (permanent partial) award encompasses amputations and loss of use, including vision and hearing. A scheduled loss award is based on the loss suffered by the injured worker prior to treatment, not on the injured worker's condition after treatment. A Facial Disfigurement Award (FD) is a one-time award granted for visible damage to the face or head with the potential to impair the injured worker's ability to secure or retain employment.

Notable Events/Information:
The increase of approximately $2 million between fiscal year 2004 and 2005 is an extra benefit payment of approximately $2.6 million which was off-set by a decrease in the average payment amount totaling $536,522.

BWC had an unusually high number of IW who were entitled to %PP and PP suddenly dying and the practice of paying accrued benefits to the beneficiaries in a lump sum settlement occurred. This may be the result of an aging workforce with more degenerative types of injuries and an increase of allowance for psychological conditions. PP payments increased 13.6% from FY 2004 to FY 2006.

Senate Bill 7 was passed in fiscal year 2007. It reduced the 40 week waiting period for filing of an application for PP to 26 weeks. While this may have led to an earlier awarding of benefits in the claim development and an increase in payments, the trend may be leveling off now. The number of payments has decreased about 4% from fiscal year 2007 to fiscal year 2008.

Payments decreased approximately $569,000 from fiscal year 2008 to 2009. Although there were no law, rule, policy, procedure or process changes that can be contributed to the decrease in PP benefit payments, the count of PP payments and the average payment decreased from fiscal year 2008 to 2009. The payment counts decreased from 14,973 to 14,670, and the average payment decreased from $2,116 to $1,946.

Payments continued to decrease in fiscal year 2010, as shown by a $3.0 million drop in payments from fiscal year 2009. The payment count decreased from 14,670 in fiscal year 2009 to 12,424 in fiscal year 2010. This decrease offset the increase in the average payment from $1,946 to $2,164.

Source of Data:
BWC Actuarial Division reporting on the Actual versus Expected payment reports.

Ohio BWC PA, PEC, PES Employers
Permanent Partial
Fiscal Year Payments

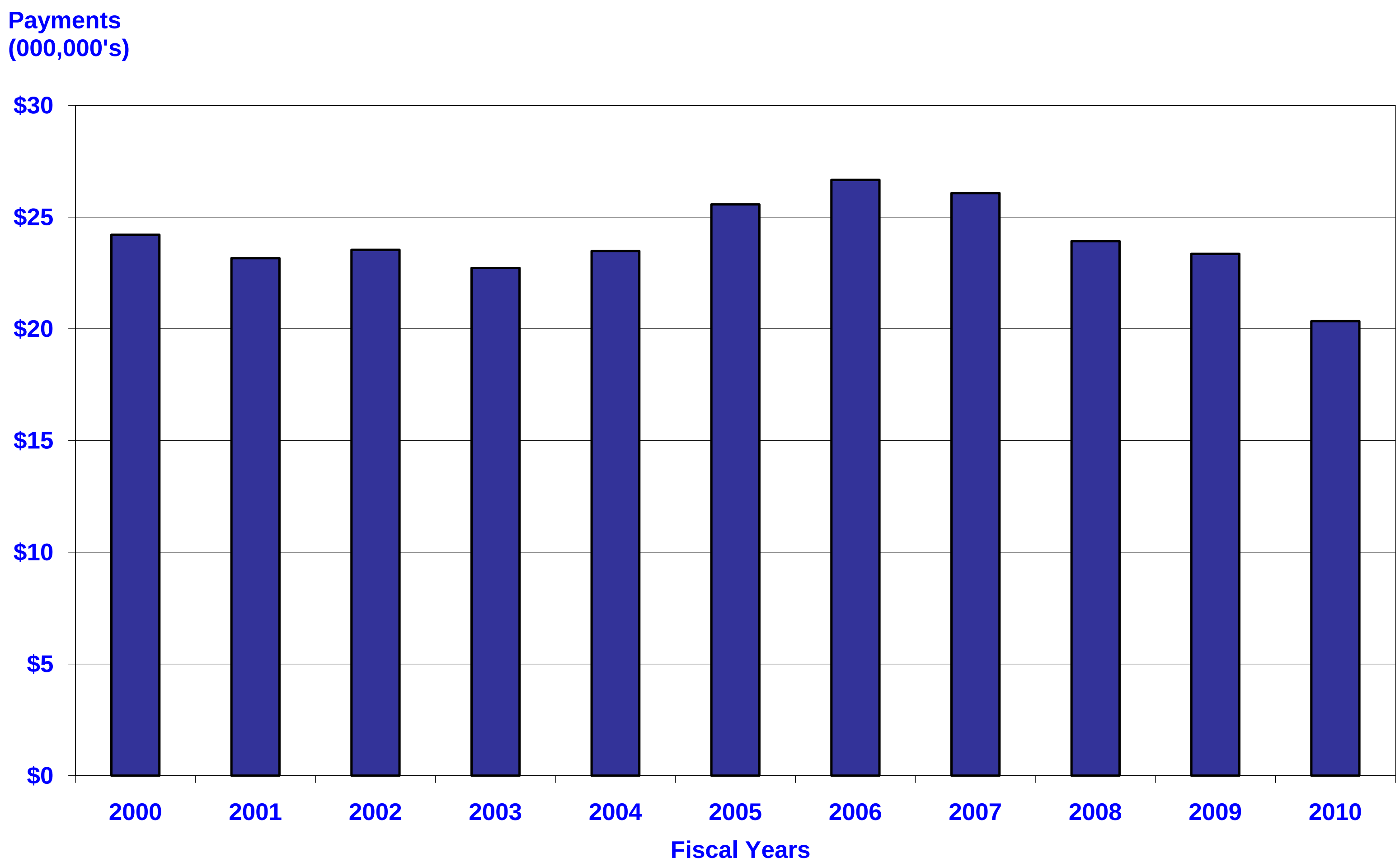

Chart Title: Ohio Bureau of Workers' Compensation; PA, PEC, PES Employers; Temporary Partial, Wage Loss, Living Maintenance Wage Loss and Change of Occupation; Fiscal Year Payments

Description and Conclusions:
This bar chart shows an eleven year history of total Temporary Partial, Wage Loss, Living Maintenance Wage Loss and Change of Occupation benefit payments made for Private Employers (PA), Public Employer Taxing Districts (PEC) and Public Employer State Agencies (PES) for fiscal years 2000 through 2010.

Benefit Description:
Living Maintenance Wage Loss may be paid to an injured worker with a date of injury on or after Aug. 22, 1986. The injured worker must have completed a rehabilitation plan and continues to have physical restrictions and experiences a wage loss upon return to work.

Wage Loss compensation may be paid to an injured worker that suffers a reduction in earnings as a direct result of restrictions from the allowed conditions in the claim. Wage loss is payable in claims with a date of injury or diagnosis on or after Aug. 22, 1986.

Working Wage Loss (NWWL) is payable when the IW returns to employment other than his or her former position of employment. This would include return to work with the employer of record or a new employer with different job duties, fewer hours and less pay resulting from the physical restrictions.

Non-Working Wage Loss is payable when the IW is unable to find suitable employment. In order to qualify for NWWL the injured worker must demonstrate that he/she is making a good faith effort to secure employment within his/her physical restrictions.

Change of Occupation is payable when the IW has contracted silicosis, coal miners pneumoconiosis, or asbestosis, and a change of occupation is medically advisable in order to substantially decrease further exposure to silica dust, asbestos, or coal dust.

Notable Events/Information:
The decrease in payments from fiscal year 2005 to fiscal year 2008 is likely due to the Settlement programs that BWC has implemented during that time period and it could also be because BWC implemented the Disability Management IME (DM IME) policy in early 2006. The DM IME claims management strategy is to facilitate the earliest possible safe return to work and to ensure appropriate and timely medical treatment.

Payment increases from fiscal year 2008 to 2010 may be due to the large decrease in settlements. Also the LMWL payments may have increased due to a difficult economy where full time, high paying jobs are less abundant.

Source of Data:
BWC Actuarial Division reporting on the Actual versus Expected payment reports.

Ohio BWC PA, PEC, PES Employers
Temporary Partial, Wage Loss, Living Maintenance Wage Loss and Change of Occupation
Fiscal Year Payments

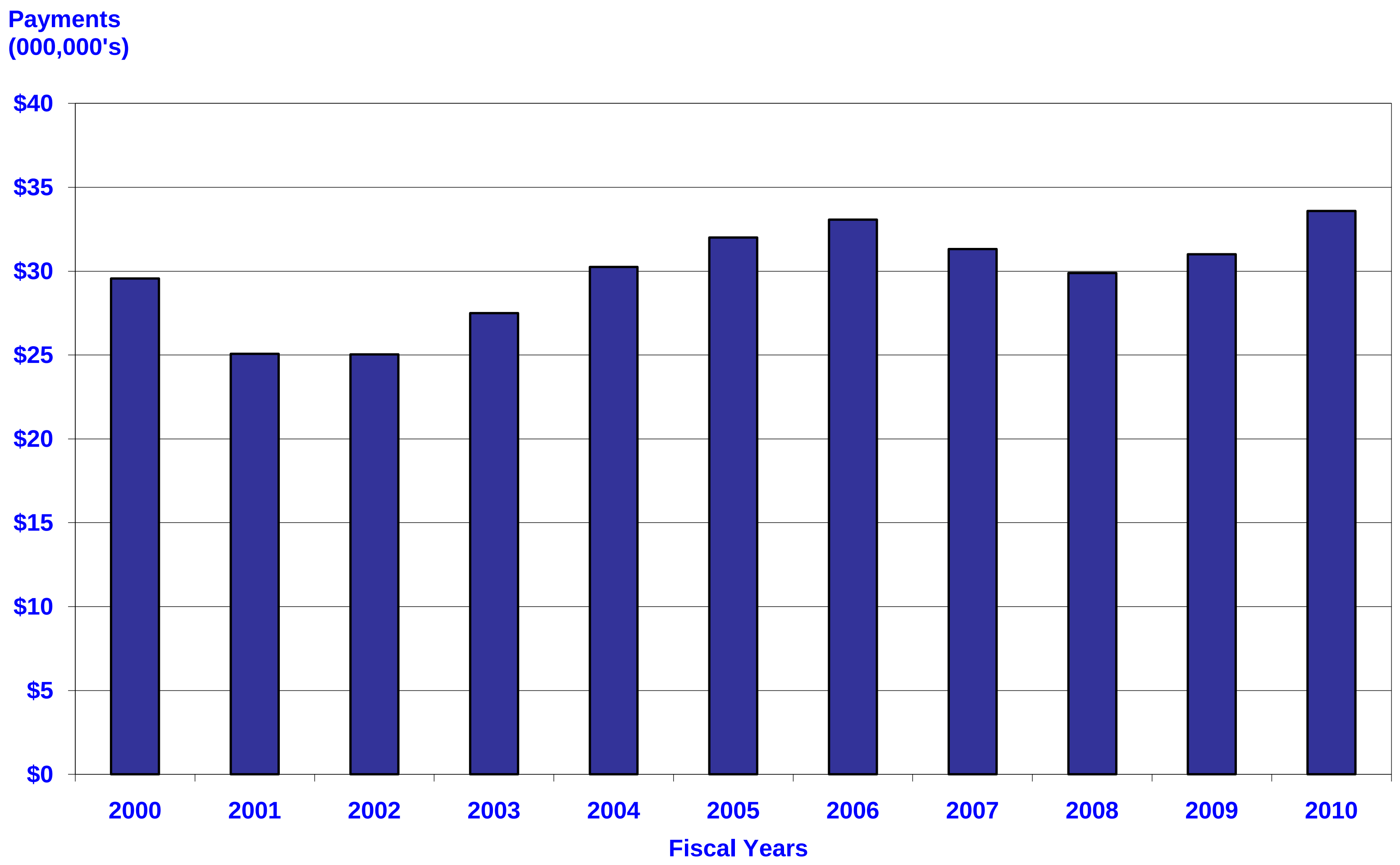

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Chart Title: Ohio Bureau of Workers' Compensation; PA, PEC, PES Employers; Lump Sum Settlement; Fiscal Year Payments

Description and Conclusions:
This bar chart shows an eleven year history of total Lump Sum Settlement benefit payments made for Private Employers (PA), Public Employer Taxing Districts (PEC) and Public Employer State Agencies (PES) for fiscal years 2000 through 2010.

Benefit Description:
A lump sum settlement is a negotiated amount between the injured worker, the employer and the BWC to close a claim.

Notable Events/Information:
The steady increase in lump sum settlements from fiscal year 2005 to fiscal year 2008 is due to various lump sum settlement initiatives that have been instituted at BWC in order to reduce BWC's future claim liability. One initiative was to target PTD and Death claims; another was to target claims that had a return to work date. Both initiatives were implemented late in fiscal year 2005. A subsequent initiative was implemented in fiscal year 2007. Claims that were mainly inactive, but became active after the filing of an application for Percent Permanent Partial (%PP) benefits, were targeted.

The reduction in lump sum settlements for FY2008 to FY2009 is multi-fold. One, in late 2008 and early 2009, BWC began a comprehensive reevaluation of its settlement philosophy and process. As such some settlement strategies, such as the fast track settlement process were eliminated, thereby requiring all settlements to go through the formal settlement process. Second, with implementation of the new MIRAII system, we believe employers may be less likely to engage in settlements with the suppression of reserves at earlier dates and changes to reserving of claims receiving C92 awards specifically. Finally, at the end of the fiscal year, April 20th, several new processes were put in place during our redesign efforts. As a result, there was an initial learning curve that would have delayed action on some of these settlements.

Overall, the BWC philosophy on settling claims has changed, causing fewer settlements.

Source of Data:
BWC Actuarial Division reporting on the Actual versus Expected payment reports.

Ohio BWC PA, PEC, PES Employers
Lump Sum Settlement
Fiscal Year Payments

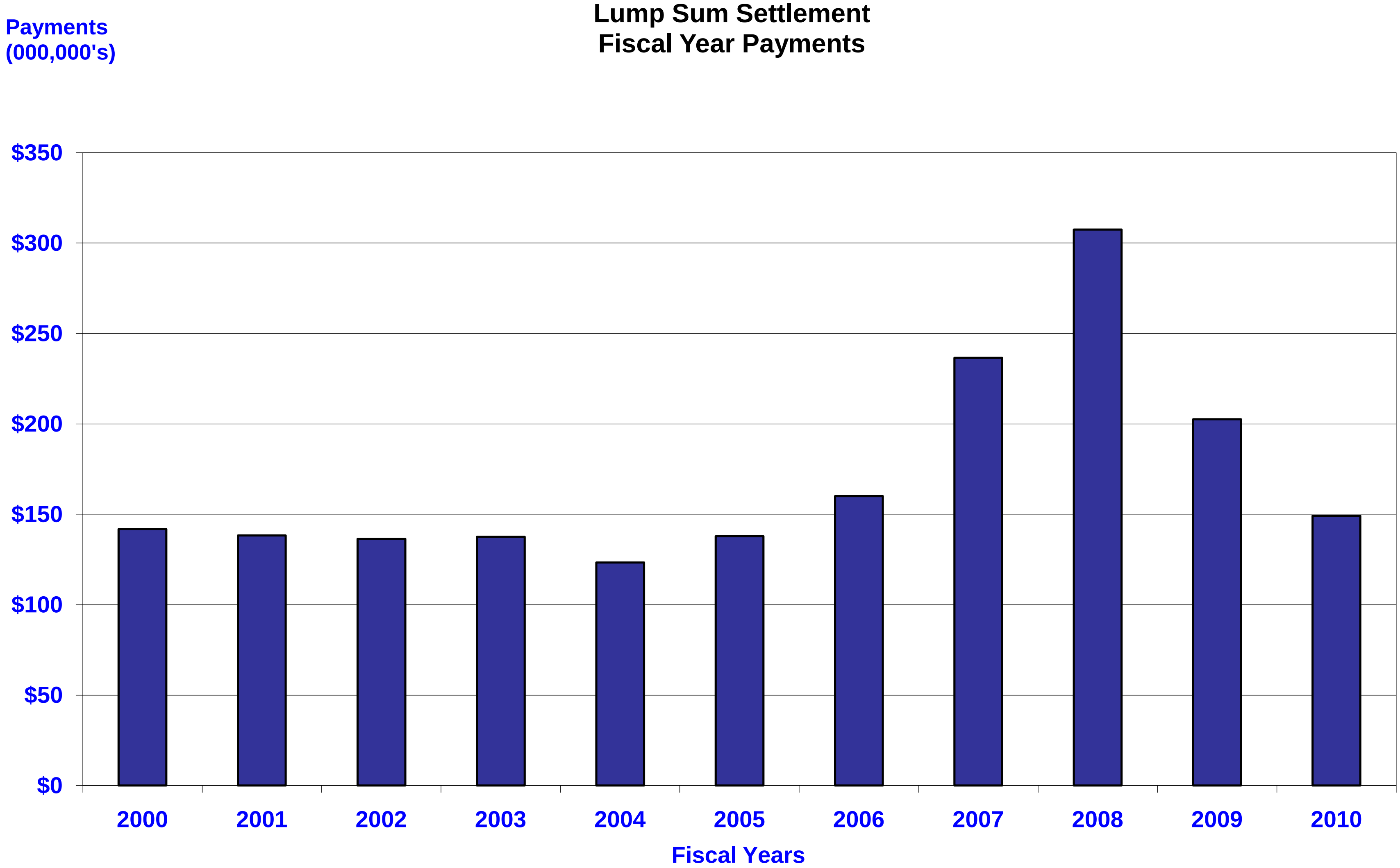
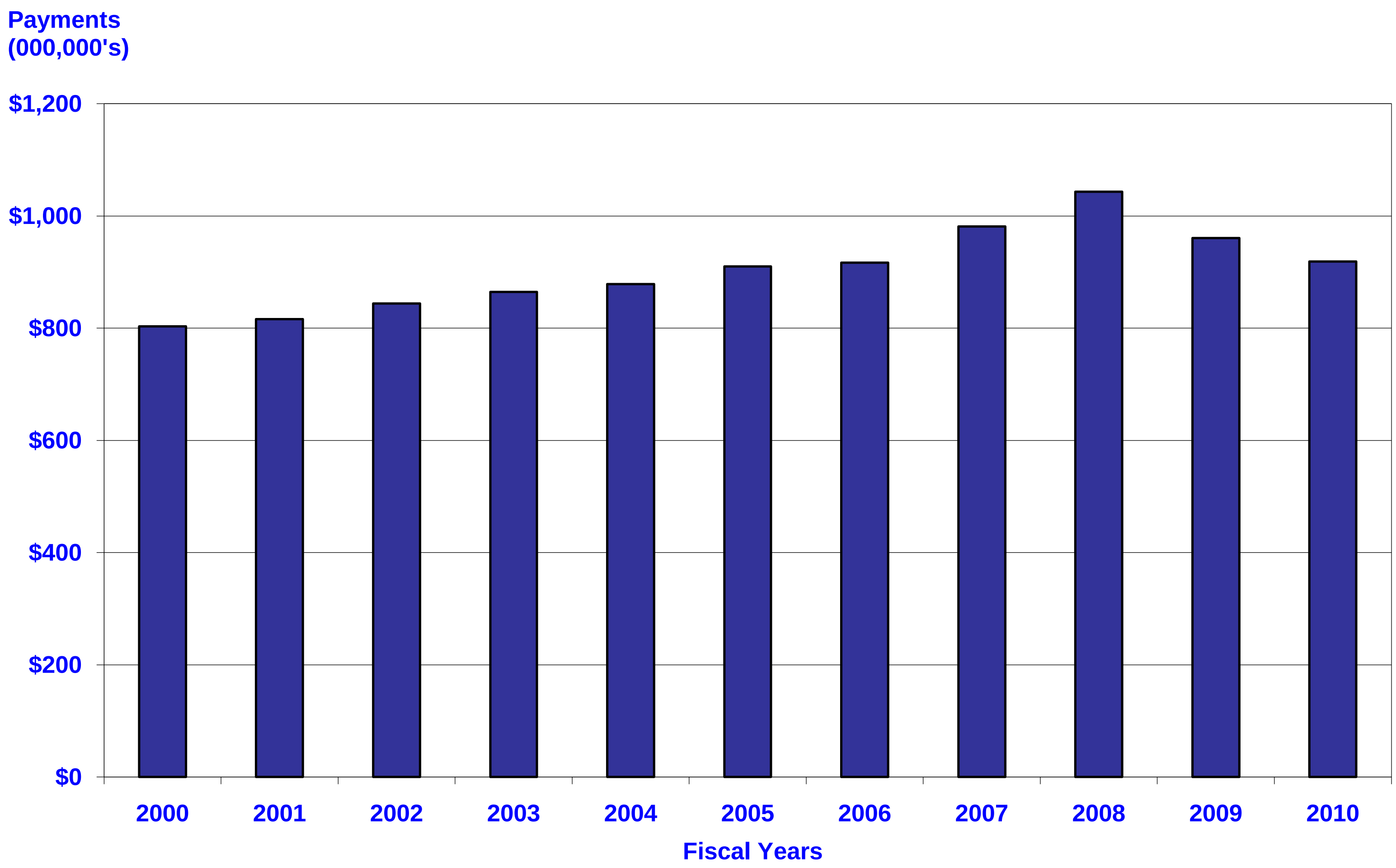


Chart Title: Ohio Bureau of Workers' Compensation; PA, PEC, PES Employers; Indemnity Totals; Fiscal Year Payments

Description and Conclusions:
This bar chart shows an eleven year history of total indemnity benefit payments made for Private Employers (PA), Public Employer Taxing Districts (PEC) and Public Employer State Agencies (PES) for fiscal years 2000 through 2010.

Source of Data:
BWC Actuarial Division reporting on the Actual versus Expected payment reports.

Ohio BWC PA, PEC, PES Employers
IndemnityTotals
Fiscal Year Payments



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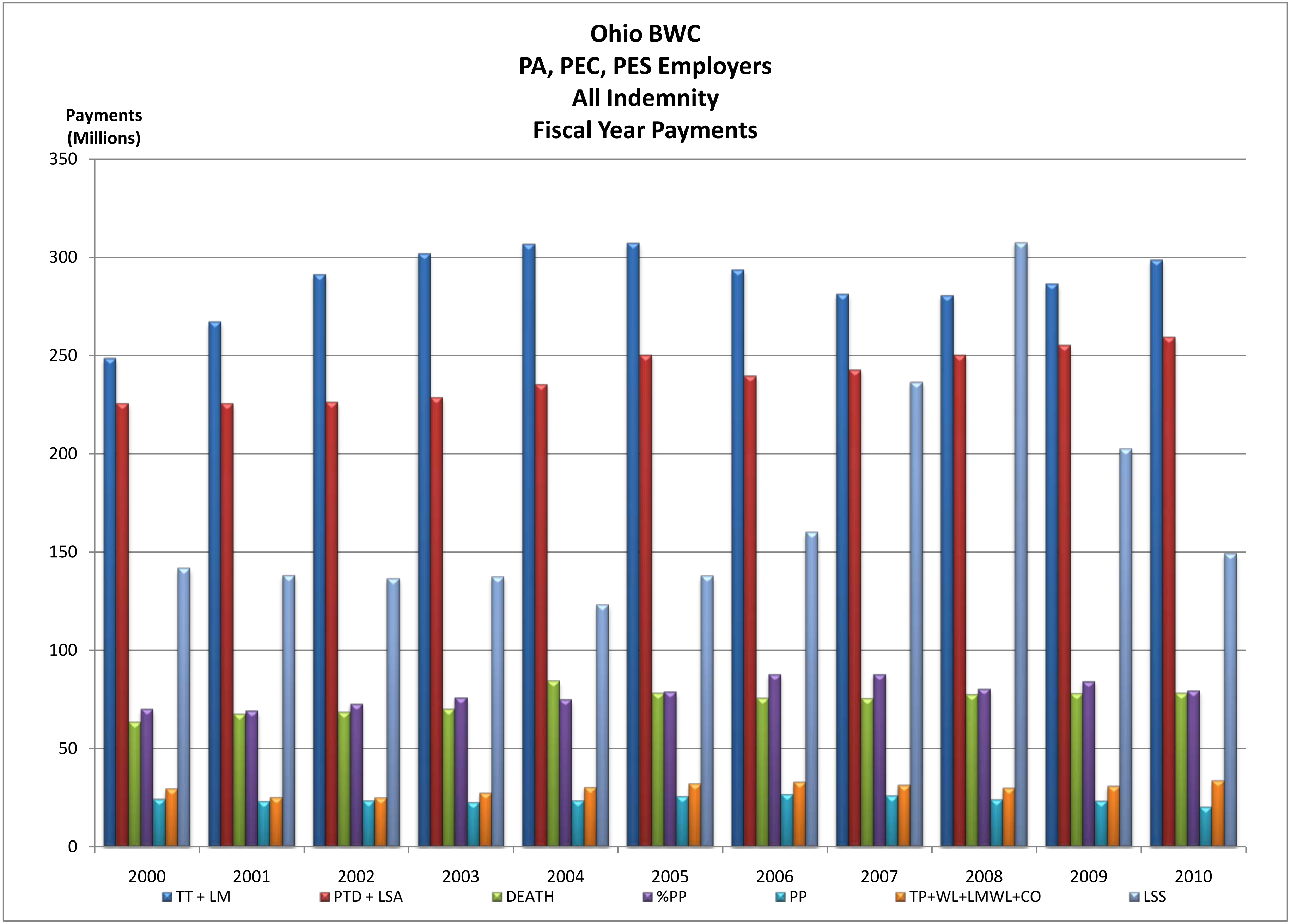

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Chart Title: Ohio Bureau of Workers' Compensation; PA, PEC, PES Employers; Hospital; Fiscal Year Payments

Description and Conclusions:
This bar chart shows an eleven year history of Hospital benefit payments on lost-time claims made for Private Employers (PA), Public Employer Taxing Districts (PEC) and Public Employer State Agencies (PES) for fiscal years 2000 through 2010.

Notable Events/Information:
Payments have decreased 13.8% from fiscal year 2005 to fiscal year 2007. This decrease is a result of changes to the fee schedules for inpatient and outpatient hospital charges. It is also being caused by a decrease in the number of claims being filed on an annual basis.

Settlement of the Ohio Hospital Association lawsuit in regards to how BWC sets its fee schedules accounts for about $23.7 million of the $26 million increase in hospital expenditures from fiscal year 2007 to fiscal year 2008.

There was a $4.2 million increase in hospital payments from fiscal year 2008 to fiscal year 2009. BWC continued to pay inpatient bills using the Diagnosis Related Group methodology. This methodology has a built-in "cost-of-living" increase. In addition, BWC went from paying 115% of Medicare in CY 2007 and 2008 to 120% of Medicare in 2009. This would have accounted for part of the cost increase. For both periods analyzed, outpatient hospital services were reimbursed according to the cost to charge methodology. Because this methodology pays a percent of charges, a portion of this increase may have been due to higher charges.

Hospital payments decreased $25.9 million from fiscal year 2009 to fiscal year 2010. All hospital services were affected by the Ohio Hospital Association lawsuit adjustments. In fiscal year 2010, payments pursuant to this lawsuit were $17.2 million less than those in fiscal year 2009. It appears that the remaining difference in total payments for hospital services can be attributed to the reduction in the total number of claims, which has been the trend over the past several years.

Source of Data:
BWC Actuarial Division reporting on the Actual versus Expected payment reports.

Ohio BWC PA, PEC, PES Employers
Hospital
Fiscal Year Payments

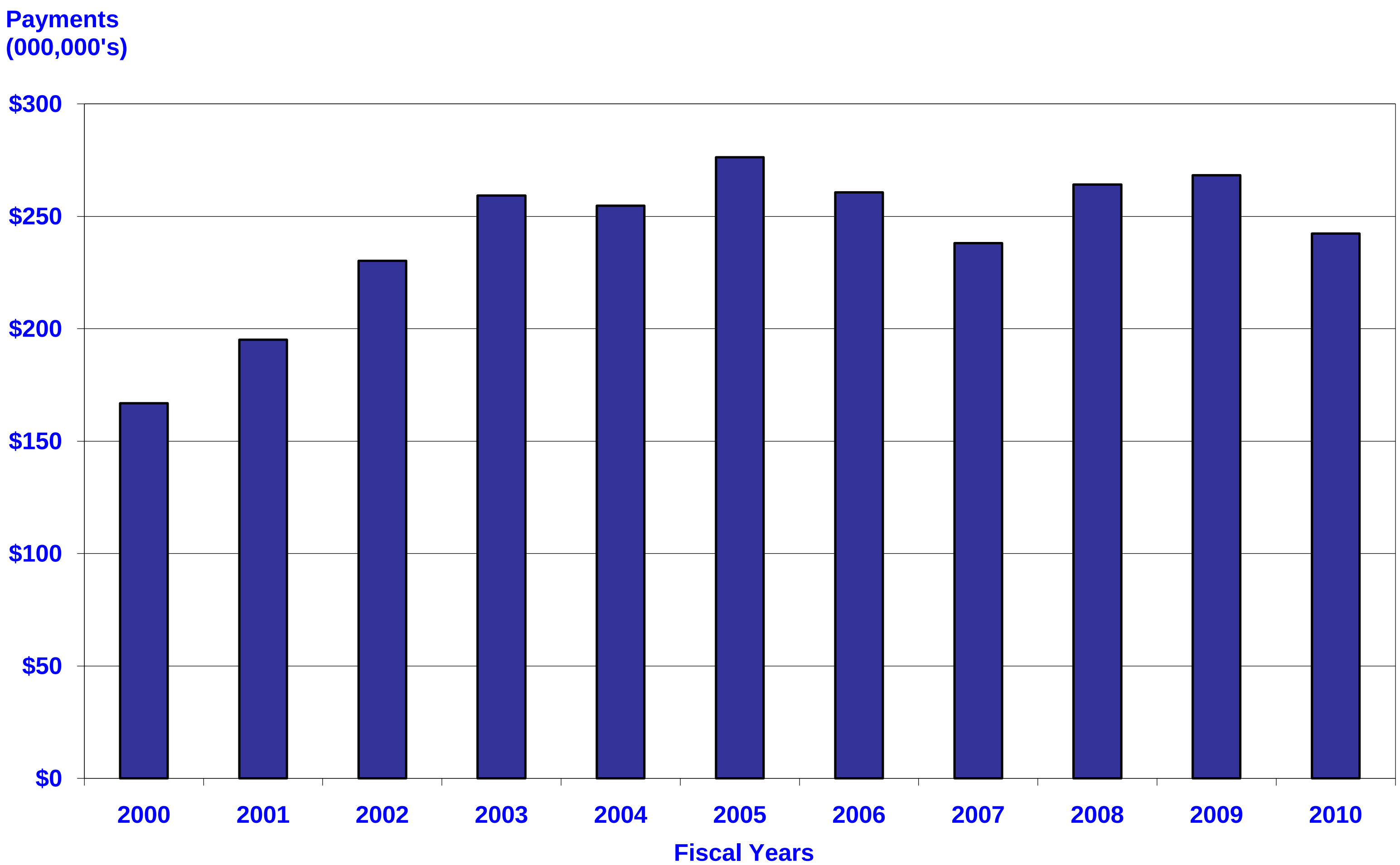

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Chart Title: Ohio Bureau of Workers' Compensation; PA, PEC, PES Employers; Physician; Fiscal Year Payments

Description and Conclusions:
This bar chart shows an eleven year history of Physician benefit payments on lost-time claims made for Private Employers (PA), Public Employer Taxing Districts (PEC) and Public Employer State Agencies (PES) for fiscal years 2000 through 2010.

Notable Events/Information:
There was a change in reimbursement level that increased reimbursement rates on bills with dates of service 2/19/2009 and later. The net decrease in expenditures most likely reflects decreased utilization as a result of fewer claims being active and receiving treatment.

Source of Data:
BWC Actuarial Division reporting on the Actual versus Expected payment reports.

Ohio BWC PA, PEC, PES Employers
Physician
Fiscal Year Payments

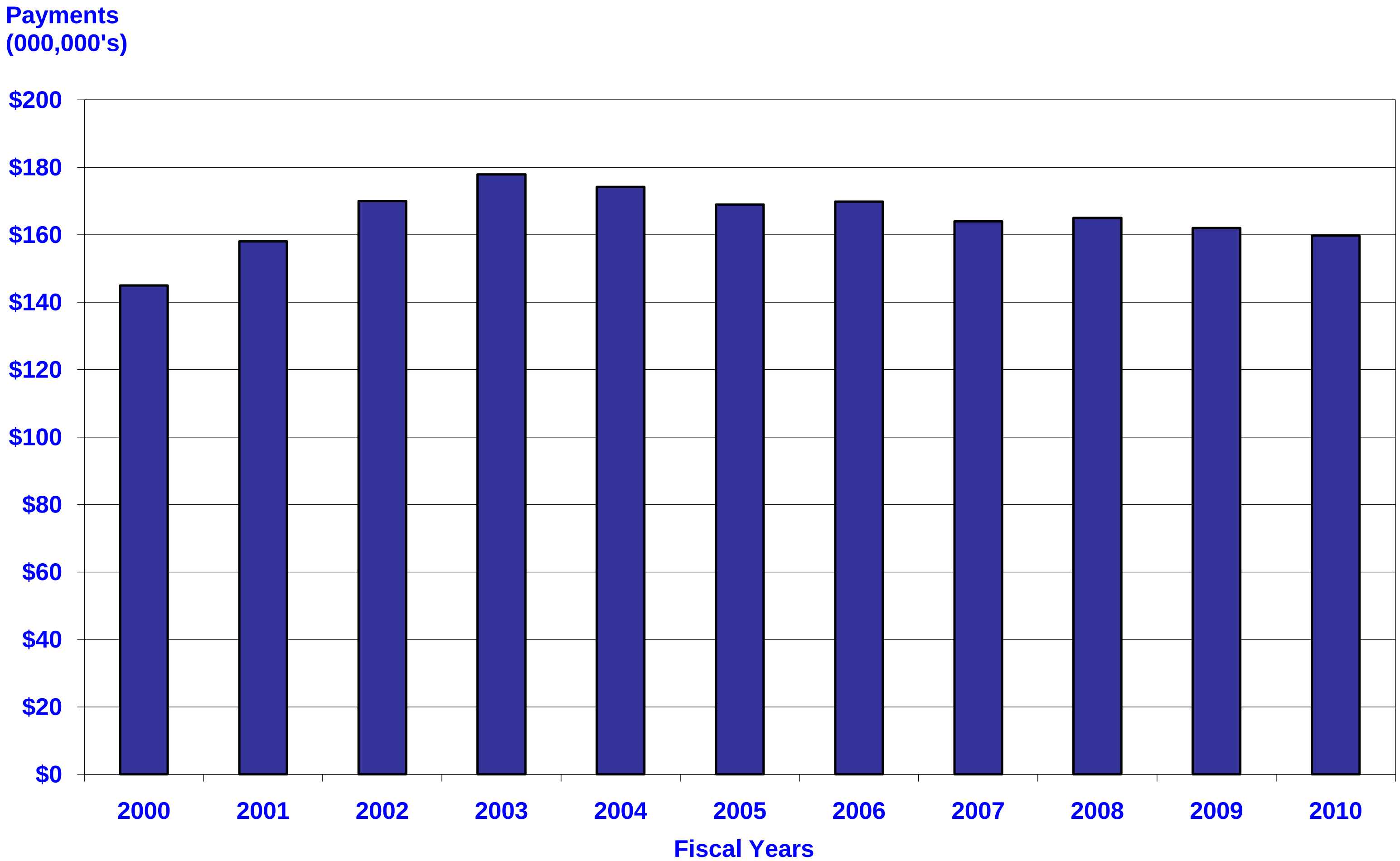

Chart Title: Ohio Bureau of Workers' Compensation; PA, PEC, PES Employers; Pharmacy; Fiscal Year Payments

Description and Conclusions:
This bar chart shows an eleven year history of Pharmacy benefit payments on lost-time claims made for Private Employers (PA), Public Employer Taxing Districts (PEC) and Public Employer State Agencies (PES) for fiscal years 2000 through 2010.

Notable Events/Information:
The BWC began a preferred drug program on 7-10-05 which impacted anti-inflammatory, analgesics and skeletal muscle relaxants. BWC and its PBM (Pharmacy Benefits Manager) also introduced MAC pricing and in December 2005 began a mandatory generic drug policy in which BWC pays only the amount of the generic drug for brand names in which a generic equivalent exists. These changes resulted in approximately $30 million in savings in fiscal year 2006 compared to fiscal year 2005.

Payments increased approximately $13 million from fiscal year 2007 to fiscal year 2008. In fiscal year 2008 there were 53 warrants issued to Affiliated Computer Services (ACS) while in fiscal year 2007 there were only 52, an increase of approximately $2 million. Additionally, roughly $5.8 million of the increase is directly attributed to the drug OxyContin. Although BWC reimbursed for fewer Rxs for this drug in fiscal year 2008, the removal of the generic equivalents of this drug from the market in mid-fiscal year 2008 caused a major increase in cost for this drug. New drugs on the market that were introduced in fiscal year 2008 account for approximately $1.2 million in increases as well, with the drug Flector being responsible for almost $500 thousand of this amount. Price increases and increased utilization of Cymbalta and Lyrica resulted in an increase in cost for these drugs of about $1.3 million for Cymbalta and $1.6 million for Lyrica.

The following changes in mediations available for treatment were made during late fiscal year 2008: payment was denied for Lidoderm, Actiqk Fentora, soma 250, Flector, Amarix, and Fexmid. These changes may have been a factor in the 1.4% overall reduction in prescription payments seen between fiscal year 2008 and 2009.

Source of Data:
BWC Actuarial Division reporting on the Actual versus Expected payment reports.

Ohio BWC PA, PEC, PES Employers
Pharmacy
Fiscal Year Payments

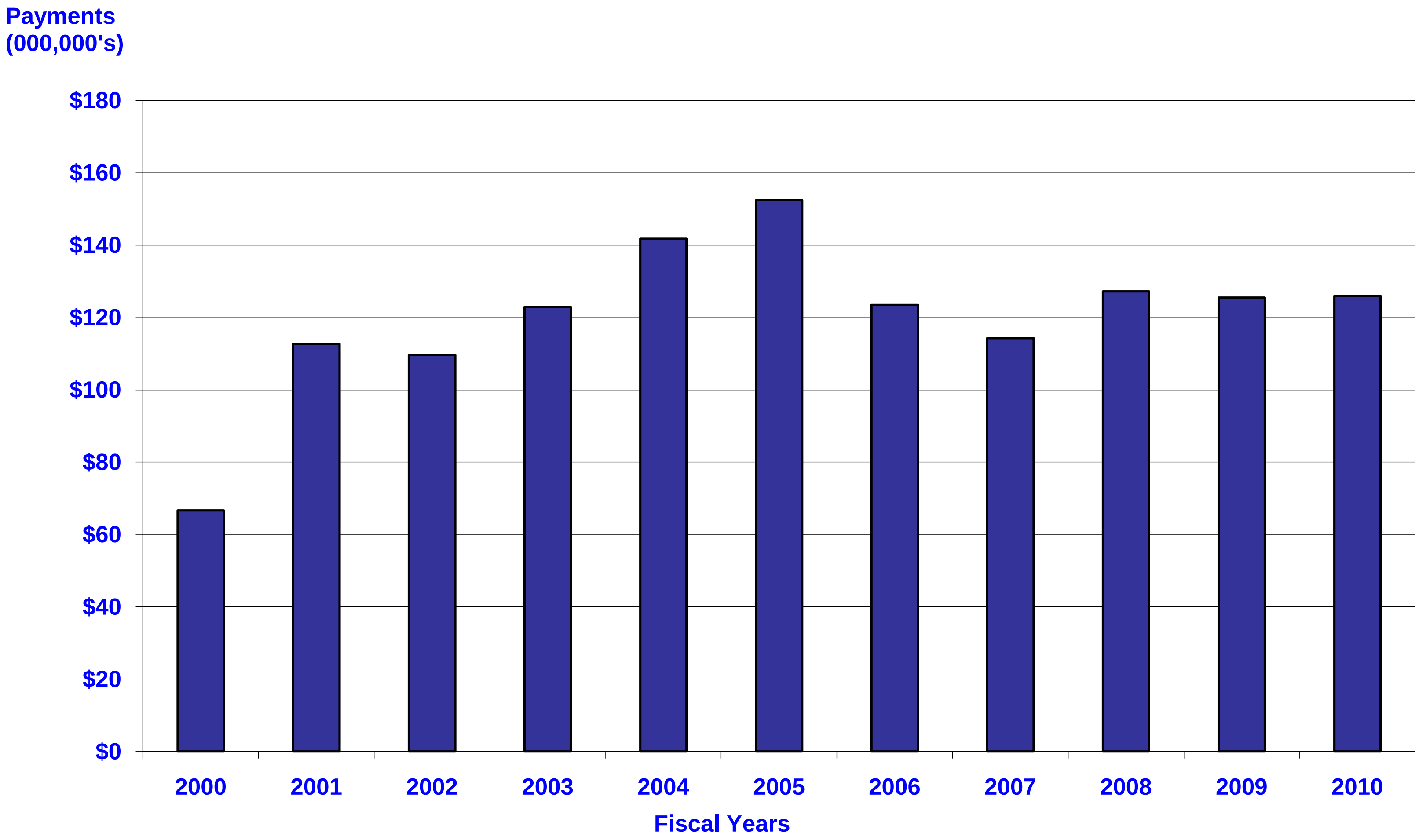

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Chart Title: Ohio Bureau of Workers' Compensation; PA, PEC, PES Employers; Chiropractor; Fiscal Year Payments

Description and Conclusions:
This bar chart shows an eleven year history of Chiropractor benefit payments on lost-time claims made for Private Employers (PA), Public Employer Taxing Districts (PEC) and Public Employer State Agencies (PES) for fiscal years 2000 through 2010.

Notable Events/Information:
The Chiropractor payment category decreased at the time of the implementation of the Health Partnership Program (HPP). Prior to HPP, the providers were all re-registered with the BWC and given new provider certification and numbers. There was a policy change to the way the Chiropractors were categorized. A new category, "group practice" was added and many of the Chiropractors were now captured in this category. The "group practice" code is included in the Physician benefit payment bucket.

There was a slight change in reimbursement level that increased reimbursement rates on bills with dates of service 2/19/2009 and later. This may account for part of the change. In addition there may be increased utilization.

Source of Data:
BWC Actuarial Division reporting on the Actual versus Expected payment reports.

Ohio BWC PA, PEC, PES Employers
Chiropractor
Fiscal Year Payments

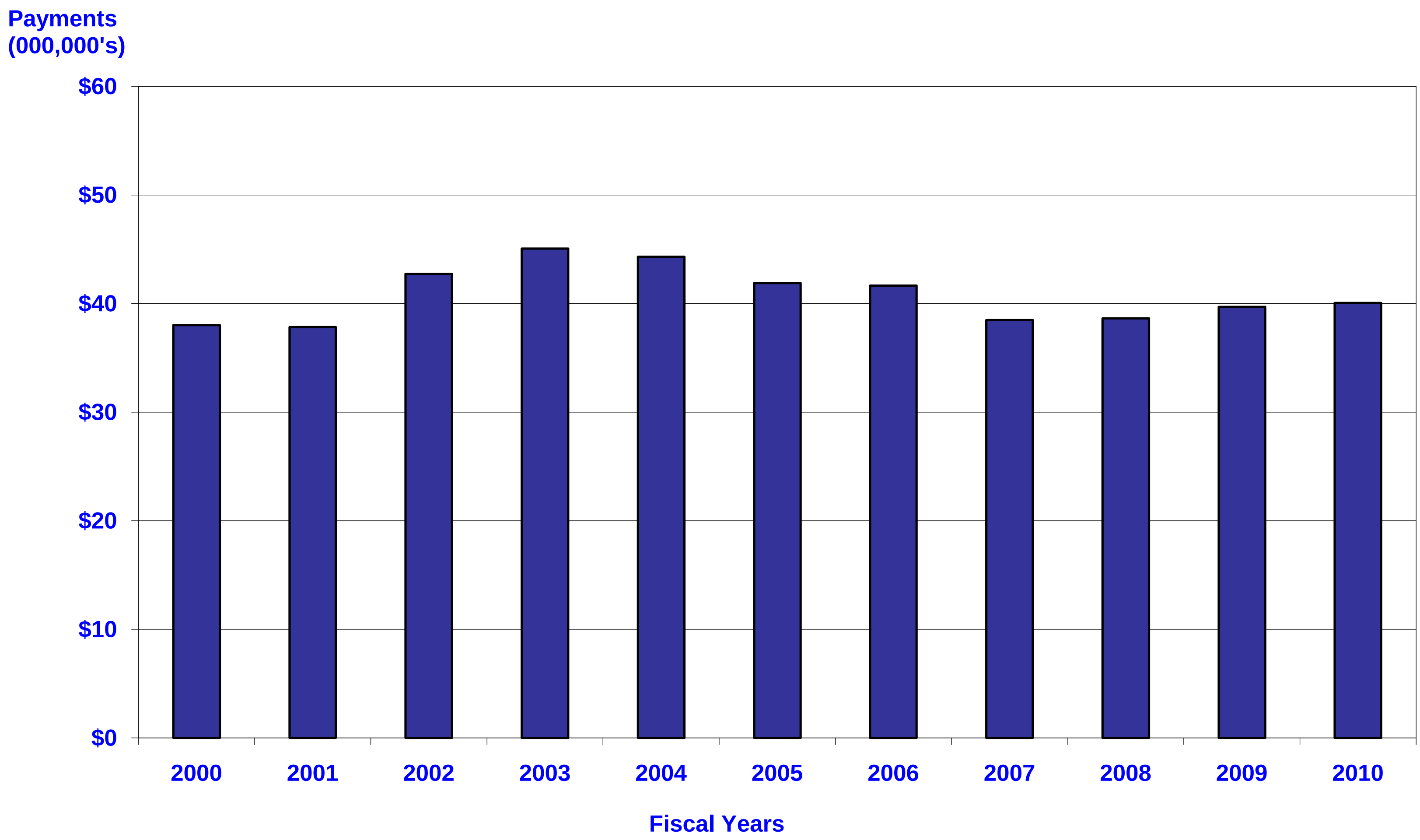

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Chart Title: Ohio Bureau of Workers' Compensation; PA, PEC, PES Employers; Rehabilitation; Fiscal Year Payments

Description and Conclusions:
This bar chart shows an eleven year history of Rehabilitation benefit payments on lost-time claims made for Private Employers (PA), Public Employer Taxing Districts (PEC) and Public Employer State Agencies (PES) for fiscal years 2000 through 2010.

Notable Events/Information:
Rehabilitation benefits are "charged" to the State Insurance Fund surplus account. Charges to this account are not included in the individual employer rate calculation and the costs are spread among all employers. This information is widely known and employers are encouraged by their third party administrators and some BWC employees to get their injured workers into rehab as a cost savings measure.

From fiscal years 2000 to 2002, there was a $31.7 million increase in rehabilitation payments. In calendar year 1999 the eligibility rules for Rehab participation were revised to include injured workers who were determined to be Maximally Medically Improved or had a Permanent Partial award. This may have contributed to an increase in participants and rehab payments. Educational efforts put forth by BWC beginning in calendar year 1999 to assure that all eligible and feasible injured workers were being identified by the MCOs as candidates for vocational rehab could have also contributed. BWC initiated the Transitional Work Grant Program beginning in calendar year 2001, and the use of transitional work therapy services increased significantly.

In fiscal year 2004, there was a $12.1 million drop in payments. The decreased payment and claims volume may be attributable to new policies implemented by BWC to assure that the "right" injured workers were being placed in the program. That is, injured workers who were medically stable and would likely benefit from the services. BWC also moved the high cost service of behavioral Pain Management programs from being provided in a vocational rehab plan to being a part of the medical management of a claim.

Payments increased by $3.6 million in fiscal year 2008. The spike in payment most likely reflects increased service utilization. This could be due to the economic landscape in which we may see injured workers needing to participate in rehabilitation services for a longer time in order to secure employment.

Source of Data:
BWC Actuarial Division reporting on the Actual versus Expected payment reports.

Ohio BWC PA, PEC, PES Employers
Rehabilitation
Fiscal Year Payments

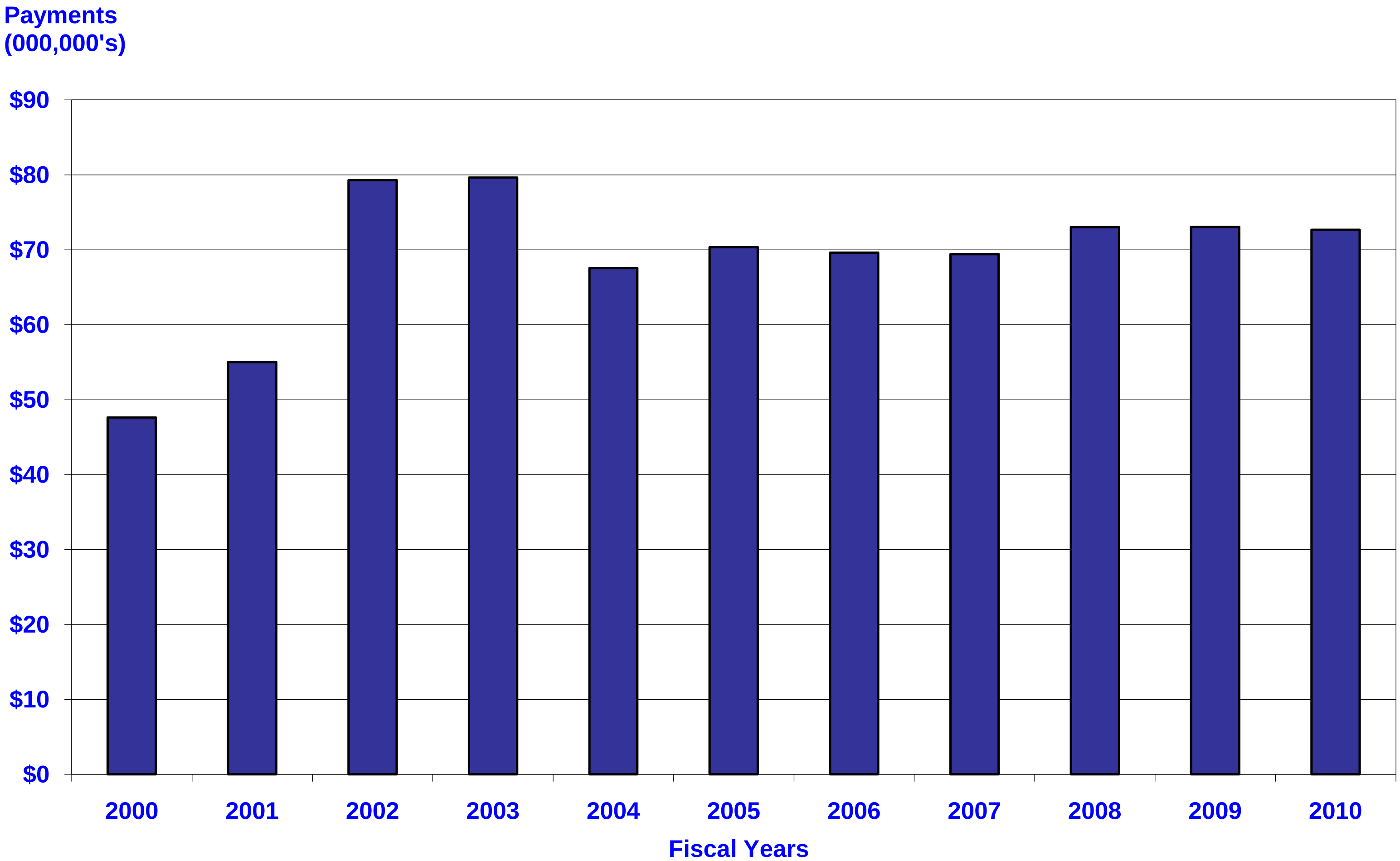

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Chart Title: Ohio Bureau of Workers' Compensation; PA, PEC, PES Employers; Health Related Other; Fiscal Year Payments

Description and Conclusions:
This bar chart shows an eleven year history of Health Related Other benefit payments on lost-time claims made for Private Employers (PA), Public Employer Taxing Districts (PEC) and Public Employer State Agencies (PES) for fiscal years 2000 through 2010.

Notable Events/Information:
Payments increased approximately $3.4 million from fiscal year 2007 to fiscal year 2008. There were no changes in reimbursement so this most likely reflects increased utilization. There is a trend towards shortened hospital length of stays (cost containment measure), which may have resulted in the increase in home healthcare services paid by BWC. Home healthcare services increased by $2.4 million dollars over the previous year, which accounts for a significant portion of the increased costs in this category.

Payments from fiscal year 2008 to fiscal year 2009 increased approximately $4.2 million. There was a change in reimbursement level that increased reimbursement rates on some bills with dates of service 2/19/2009 and later. This may account for part of the change. In addition, there may be increased utilization. There have been no new payment codes or provider codes added to the health related other payment bucket, so the increase is not due to any similar problem as in 1997.

A payment increase of $3.9 million was seen from fiscal year 2009 to fiscal year 2010. There were changes in reimbursement levels that increased reimbursement rates on bills with dates of service 2/19/2009 and then again 11/1/2009. This would have increased the fiscal year 2010 payments over fiscal year 2009 payments. For Ambulatory Surgical Centers (ASC), there were changes in reimbursement levels that increased reimbursements rates on bills with dates of service 4/1/2009 and then again 4/1/2010. While the 2010 change would have had little impact on fiscal year 2010 payments, the fiscal year 2009 change was estimated to increase fiscal year 2010 payments by $1.7 million. While we would expect payments in this category to decrease due to the reduction in the total number of claims, which has been the trend over the past several years, the increase may be due to shifting of utilization from a hospital to ASC setting and other changes in treatment patterns.

Source of Data:
BWC Actuarial Division reporting on the Actual versus Expected payment reports.

Ohio BWC PA, PEC, PES Employers
Health Related Other
Fiscal Year Payments

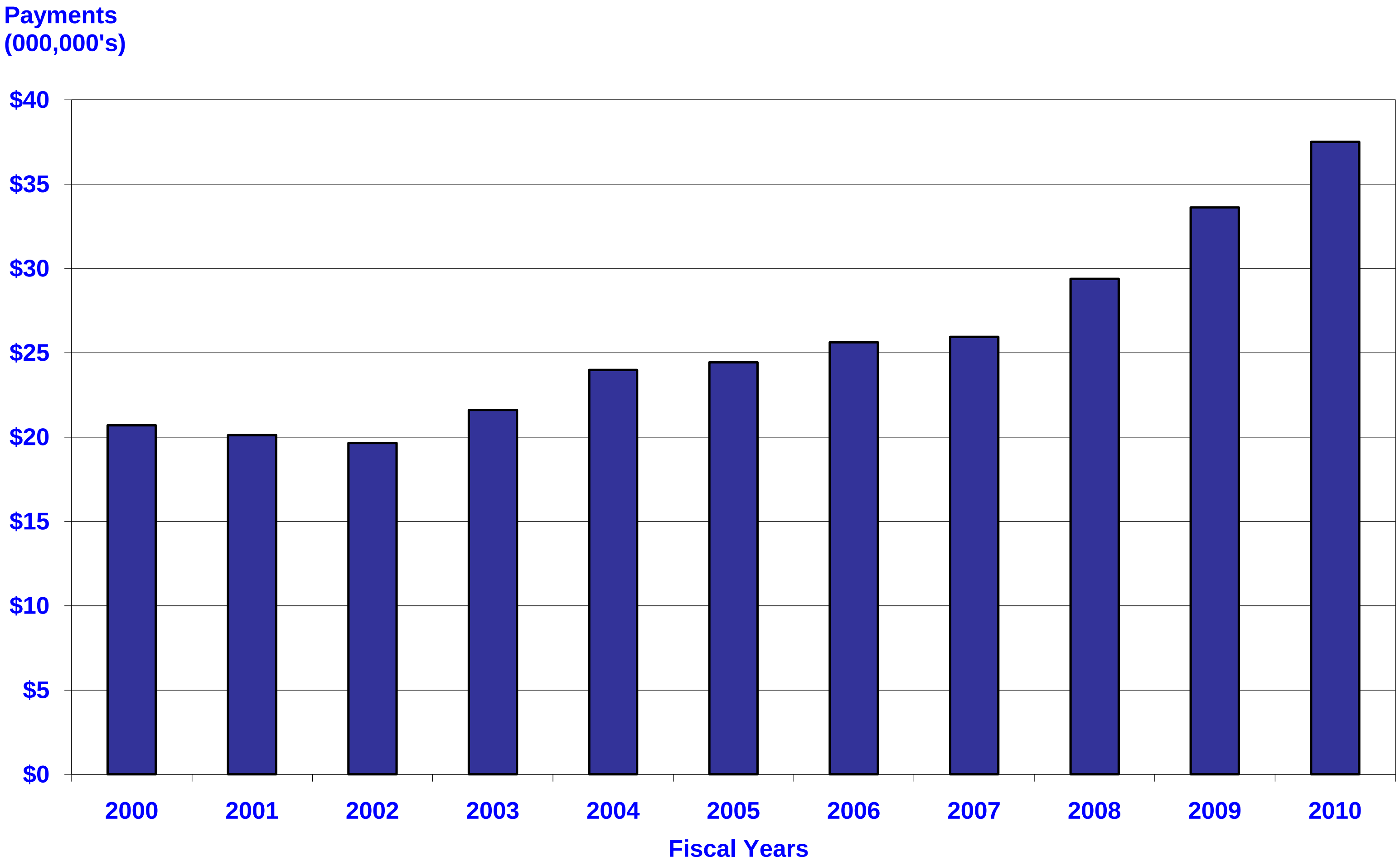

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Chart Title: Ohio Bureau of Workers' Compensation PA, PEC, PES Employers; Medical on Medical Only Claims; Fiscal Year Payments

Description and Conclusions:
This bar chart shows an eleven year history of medical benefit payments on medical-only Claims made for Private Employers (PA), Public Employer Taxing Districts (PEC) and Public Employer State Agencies (PES) for fiscal years 2000 through 2010.

Notable Events/Information:
Settlement of the Ohio Hospital Association lawsuit in regards to how BWC sets its fee schedules accounted for about $5.3 million in this category for fiscal year 2008. Without the settlement, payments would have decreased approximately $3.1 million from fiscal year 2007 to fiscal year 2008.

Payments decreased $12 million from fiscal year 2008 to fiscal year 2009. Because overall reimbursement rates increased in the second half of the fiscal year, this most likely reflects decreased utilization as a result of fewer claims being filed, remaining active and receiving treatment

Payments continued to decrease in fiscal year 2010. There was a $7.8 million decrease from fiscal year 2009 to fiscal year 2010. Since overall reimbursement rates increased in the second half of the fiscal year, this most likely reflects continued decrease in utilization as a result of fewer claims being filed, remaining active and receiving treatment.

Source of Data:
BWC Actuarial Division reporting on the Actual versus Expected payment reports.

Ohio BWC PA, PEC, PES Employers
Medical on Medical Only Claims
Fiscal Year Payments

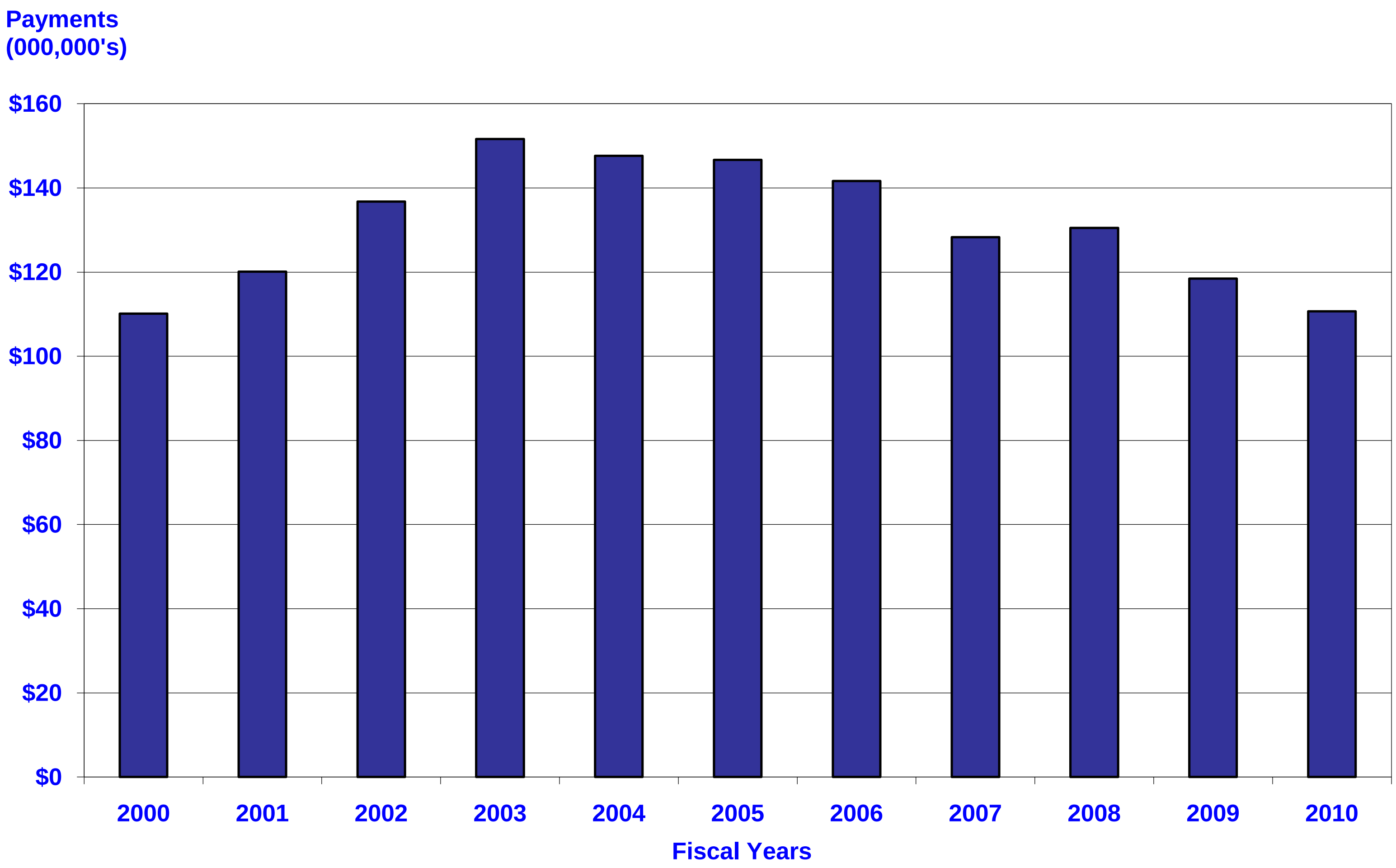

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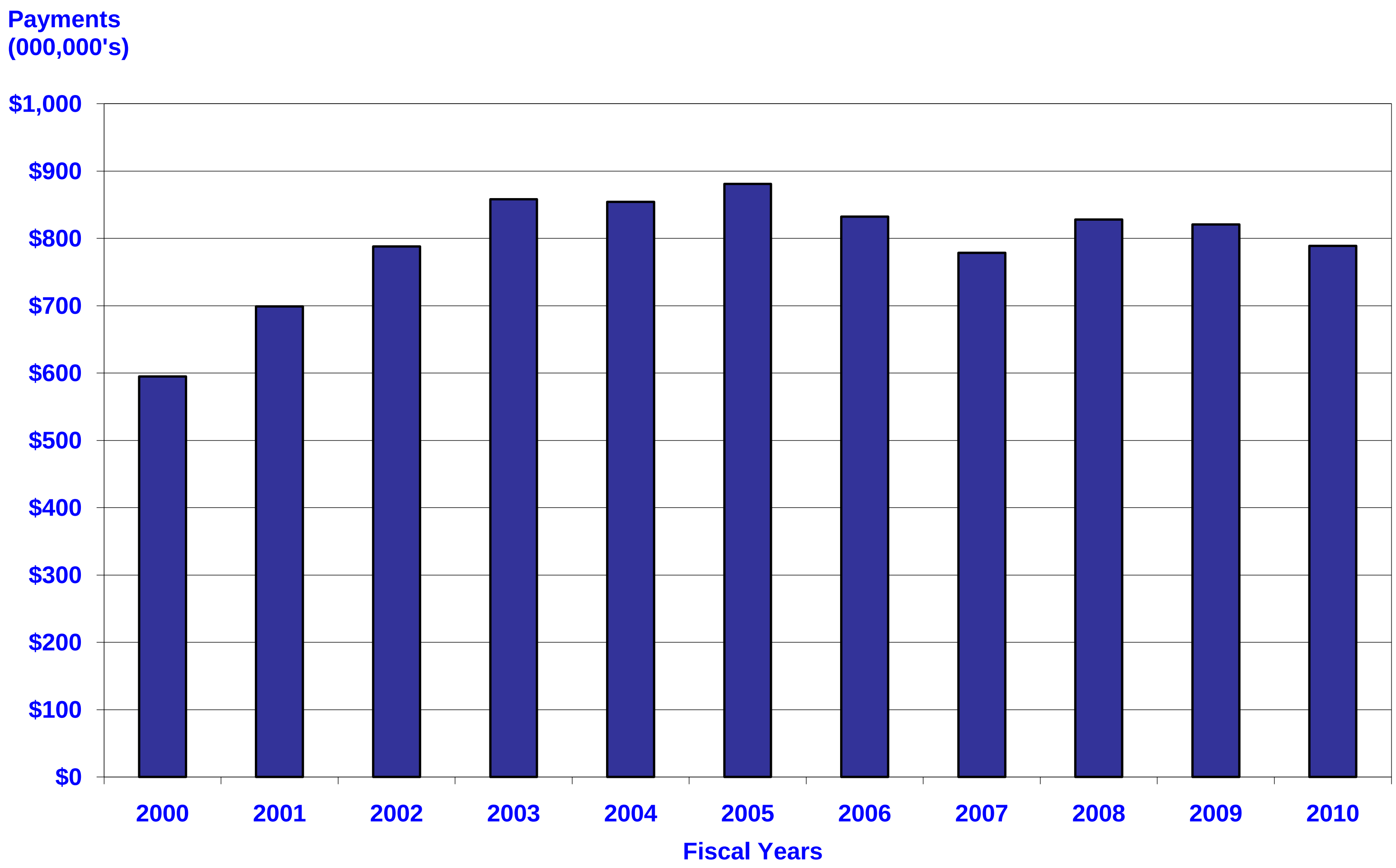
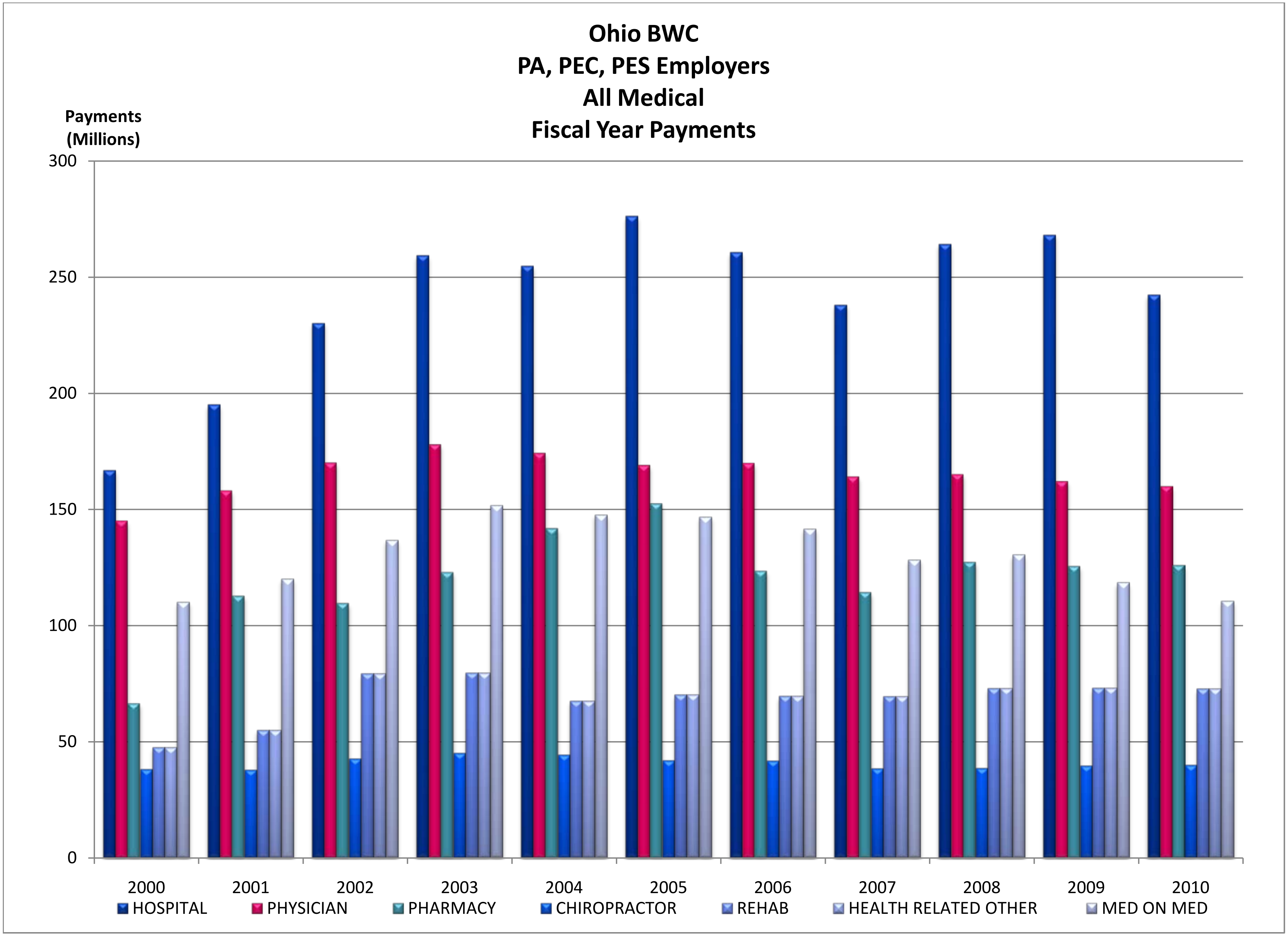
Chart Title: Ohio Bureau of Workers' Compensation; PA, PEC, PES Employers; Medical Payment Totals; Fiscal Year Payments

Description and Conclusions:
This bar chart shows an eleven year history of total medical payments for Private Employers (PA), Public Employer Taxing Districts (PEC) and Public Employer State Agencies (PES) for fiscal years 2000 through 2010.

Source of Data:
BWC Actuarial Division reporting on the Actual versus Expected payment reports.

Ohio BWC PA, PEC, PES Employers
Medical Totals
Fiscal Year Payments





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2010 STATE OF THE LINE

Analysis of Workers Compensation Results

NCCI Holdings, Inc.

By Dennis C. Mealy, FCAS, MAAA, Chief Actuary, National Council on Compensation Insurance, Inc.

Given the continued turmoil in many areas of the financial services industry, the property/casualty insurance industry had a relatively quiet year in 2009. Underwriting losses moderated. Catastrophes were manageable, with no major hurricanes hitting the United States. The stock market recovered. All of these factors combined to help boost industry surplus and push the premium/surplus ratio to 0.82 to 1, the lowest ratio in years.

Unfortunately, the workers compensation insurance industry had a more trying year than the overall property/casualty business. After very minor underwriting losses in 2007 and 2008, the combined ratio for workers compensation shot up 9 points in 2009, the largest single-year increase since the mid-1980s. The line was one of only two of the major lines (along with general liability) that had an increase in combined ratio for 2009. The deteriorating underwriting results, combined with the record low interest rate environment, left the line at only slightly better than breakeven after investment income is considered.

Once again, the calendar year net written premium declined precipitously in 2009 for both private carriers and the state funds. The recessionary impacts, particularly on manufacturing and contracting, along with price decreases, took their toll on industry premium. Industry net written premium has declined 23% over the last two years!

The countrywide frequency declines persisted in 2009, continuing the long trend downward and becoming somewhat more negative as the recession deepened, consistent with NCCI's research findings. Not surprisingly, workers compensation insurance prices also continued their declines in 2009 in most jurisdictions. Those declines were driven by bureau rate and loss cost decreases resulting from the frequency declines, which were only partially offset by moderate increases in medical and indemnity average claim costs. Carrier discounting from bureau rates and loss costs remained nearly constant in 2009.

In addition to the decline in premium volume and a significantly deteriorating combined ratio, we have the uncertain impacts from the recently passed national healthcare reform bill. The only direct impact on workers compensation was a change to the Federal Coal Mine Black Lung program that liberalized criteria for qualifying for direct benefits and survivor benefits. However, the bill is a major reorganization of the healthcare industry that will increase the number of people with insurance and impose several new taxes and regulations on the healthcare system that could have significant implications for workers compensation insurance.

The line has its challenges, ranging from poor results to uncertainty surrounding medical costs. Those challenges include:

- The impact of national healthcare reform on workers compensation is uncertain, from the new taxes, to changes in Medicare reimbursements, to the strain on the medical care system from the newly insured.
- The current combined ratio, together with low investment yields, is not close to providing an adequate return on the industry's capital. Even with some modest increase in investment yields, the combined ratio will need to be reduced substantially to earn a reasonable return on capital.
- If enacted, an increasing number of legislative proposals in many states resulting from the changed political climate since the 2008 election may put upward pressure on indemnity costs.
- The political situation in Washington, DC, with the potential to change the nation's financial regulatory system, makes for a continued period of uncertainty for workers compensation insurers.
- The underwriting cycle could be nearing an inflection point, but the early signs are still faint.

NCCI's outlook of the line is precarious.

Prior to a discussion of the detailed exhibits, here is an overview of some of the key findings.

The workers compensation calendar year combined ratio for private carriers was 110 in 2009, up 9 points from 2008. This is the largest one-year increase in the combined ratio for the line since the mid-1980s. However, 3 points of the increase in combined ratio was due to one carrier adding more than $1 billion to excess workers compensation reserves for Accident Years 2000 and prior. This reserve strengthening was almost 90% of the prior year reserve strengthening for the entire industry. Excluding that reserve addition, the industry combined ratio would have been 107, still a significant deterioration from 2008. The 107 would make the recent pattern of combined ratios since 2006 almost identical to that experienced from 1995 to 1998, which were similar points in the last cycle. The 2009 accident-year combined ratio is 107, up 5 points from Accident Year 2008.

NCCI estimates that the reserve position of private carriers deteriorated a bit to a $9 billion deficiency at year-end 2009, up from a $6 billion deficiency last year. After consideration of the allowable discounting of the indemnity reserves of lifetime pension cases, the reserve position is a relatively slight inadequacy of about $4 billion, on a total reserve base of more than $106 billion.

Claim frequency continued to decrease in 2009. For NCCI states, the frequency change was –4%. The prior year's decline was 3.4%, and 2007 was a 3.0% reduction. NCCI's research anticipated that the recession would put additional downward pressure on frequency, as the lack of hiring allows the workforce to become more experienced and less prone to injury.

Medical costs have moderated somewhat over the last few years, although they continue to increase faster than wages. In four of the last six years, the average cost increases have been about 5–5.5% per year, down substantially from the near double-digit increases we were used to seeing in the late 1990s and early 2000s. States continue to look for ways to control medical costs in their workers compensation systems. Some of our research indicates that the moderating medical cost trends of the last few years are coincident with a moderation in the number of medical procedures per claim that began in the early 2000s. That flattening followed a period of sharp increases in the number of procedures per claim that began in the mid-1990s.

Indemnity claim costs also continue to outpace wage increases, although indemnity costs have also moderated since 2002. At the state level, we have seen some push to increase benefits. However, little has been enacted, most likely due to the impact of the recession on the business climate. As the economy improves, some may sense that it is an opportune time to review benefit levels and past reforms, to the potential detriment of efficiently running and well-balanced workers compensation systems.

Low investment yields will likely continue for a while longer. As the economy begins to recover, all eyes will be on the Federal Reserve to see what it plans to do with interest rates and with all of the monetary stimulus that it has pumped into the economy over the last two years. Longer term rates have already edged up a bit. As of this writing, the 10-year Treasury yield is almost 4% and the 30-year yield is almost 4.75%. Last year at this time, 10-year Treasuries were yielding less than 3%. At this juncture, there is a school of thought that suggests that a significant increase in inflation is an inevitable result of the fiscal and monetary stimulus poured into the world economy since early 2008. However, there are some who feel that the recovery is still fragile, depressing demand so much that with reasonable central bank actions, and some serious attempt to rein in the Federal deficit, significantly higher inflation is not a certainty.

The old adage that "elections have consequences" was certainly true as a result of the 2008 election. The Democratically controlled Congress finally passed a sweeping healthcare reform package in March 2010 with no Republican votes. Although the legislation did not directly change the way healthcare is delivered, paid for, and regulated for workers compensation, the bill will certainly impact the line.

The most direct impact to workers compensation was a provision inserted into the bill that was not related to healthcare reform. That provision dealt with the Federal Black Lung benefits for coal miners and their survivors. The change contained in the healthcare bill loosened the requirements for miners and their survivors to qualify for benefits.

Another aspect of the healthcare bill that directly impacts workers compensation is the potential to change the price levels and procedures for Medicare reimbursements. Many states base their medical fee schedules on various aspects of Medicare reimbursements. Those states will have to watch for impacts to their fee schedules as the Medicare changes are made.

Lastly, provisions in the healthcare bill increase taxes on medical device manufacturers, pharmaceutical companies, and health insurers; any higher costs will likely be passed on to the workers compensation system.

However, there could be some benefits to workers compensation from the healthcare bill as well. The fact that a higher percentage of the population will have access to health insurance may take some pressure off of workers compensation. Also, the bill has some provisions on wellness and treatment protocols that could help to address health risks like obesity—a factor that we know from our research significantly affects the cost of workplace injuries.

Another issue still before Congress that bears watching is financial regulatory reform. Although mostly focused on Wall Street and the banking industry, there are some aspects and outcomes that could significantly affect the property/casualty insurance industry.

A more detailed discussion of the workers compensation insurance market follows a brief overview of the total property/casualty industry results. The results discussed are averages of all states and carriers; they can vary significantly from state to state and company to company.

Property/Casualty Industry Results

The combined ratio for the property/casualty insurance industry decreased 3 points in 2009 to 101% (Exhibit 1). This returned the industry to its pattern of near or better than an underwriting breakeven, which it experienced from 2003–2007. The decrease in combined ratio was primarily driven by the lack of natural catastrophes, as evidenced by an 11-point improvement in the homeowners' combined ratio and similar improvements in the property exposure-dominated commercial multiple peril and fire and allied lines (Exhibit 2). In fact, all lines other than general liability and workers compensation experienced a decreased combined ratio for 2009. The workers compensation combined ratio of 110% for private carriers, with an increase of 9 points over 2008, "sticks out like a sore thumb." (More on that later.)

Not shown on this exhibit is evidence of the industry experiencing its third straight year of premium decreases. Premiums declined another 4%, led by a 12% decrease in workers compensation. Decreases were also experienced for the other commercial lines, while premiums increased a bit for personal auto and homeowners.

The property/casualty insurance industry earned a 5.8% after-tax return on surplus (Exhibit 3). The decreased combined ratio and lower realized capital losses helped to produce the improved bottom line from 2008. The 5.8% gain is below the 8.7% average return over the last 24 years and below our estimate of the industry's cost of capital. The low interest rate environment continued to take its toll, with investment income declining almost 9% to $47 billion, and down 15% from 2007.

The property/casualty insurance industry's surplus increased $54 billion to a near record, $514 billion, at year-end 2009. The higher surplus combined with the decreased premium lowered the premium-to-surplus ratio to 0.82 to 1, the lowest level in years. The stock market recovery helped the surplus increase with unrealized capital gains of $23 billion, after 2008's unrealized losses of nearly $53 billion. Other changes to surplus also registered a $13 billion increase as some of the assets written off in the meltdown of 2008 were found to have some value as the financial markets recovered.

The industry appears to have weathered the financial storm of the last 18 months remarkably well. It is financially strong and ready to meet the needs of its customers and the recovering economy.

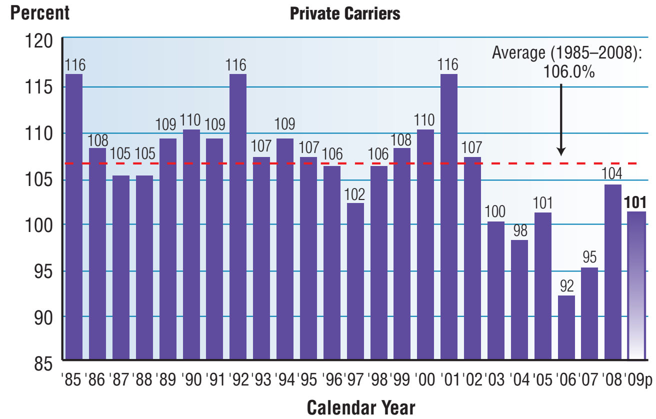
Workers Compensation Calendar Year Results

NCCI's preliminary analysis indicates that the workers compensation combined ratio for private carriers was 110 for 2009, up a whopping 9 points from 2008 and the highest combined ratio of all of the major lines of insurance (Exhibit 4). One can no longer even say that the ratio is low by historic standards, and when one considers the low interest rate environment, it is not at all satisfactory. However, as mentioned previously, 3 points of the increase in the combined ratio was from one carrier adding about $1 billion to excess workers compensation reserves for Accident Years 2000 and prior. These reserve additions were about 90% of the industry's prior accident year reserve adjustments. If not for that adjustment, the combined ratio would be 107%, not a good result, but more in line with what might be expected at this point in the cycle, and based on observed price, frequency, and severity changes over the last year. The premium drop is taking its toll on the underwriting and loss adjustment expense ratios as they each were up about a point from 2008.

The change in the combined ratio breaks down as follows:

- The loss ratio increased 7.4 points to 67.7%
- The loss adjustment expense ratio to premium is up 0.8 points to 15.0%
- The underwriting expense ratio is up 1.3 points to 25.9%
- The dividend ratio dropped 0.2 point to 1.6%

Exhibit 1 Property/Casualty Industry Calendar Year Net Combined Ratios



p Preliminary
Source: 1985–2008, *Best's Aggregates & Averages*; 2009p, ISO

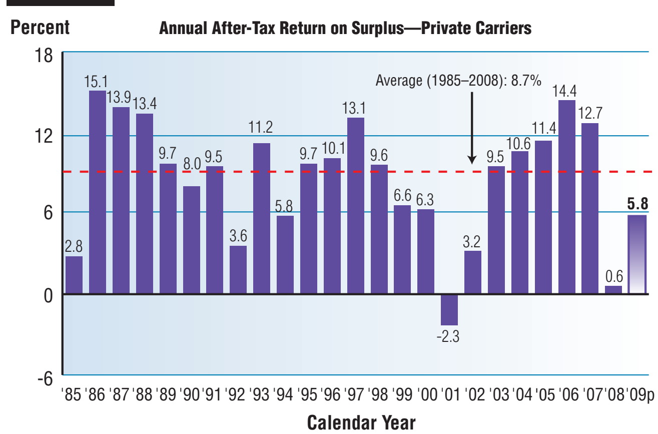
Exhibit 2 Property/Casualty Underwriting Losses Moderate

Net Combined Ratio—Private Carriers

	Calendar Year		
Line of Business (LOB)	**2007**	**2008**	**2009p**
Personal Auto	98%	100%	99%
Homeowners	96%	117%	106%
Other Liability (Incl Prod Liab)	99%	95%	100%
Workers Compensation	**101%**	**101%**	**110%**
Commercial Multiple Peril	92%	104%	97%
Commercial Auto	94%	97%	97%
Fire & Allied Lines (Incl EQ)	70%	100%	81%
All Other Lines	93%	112%	108%
Total P/C Industry	**95%**	**104%**	**101%**

p Preliminary
Source: Workers Compensation, NCCI;
All Other Lines, *Best's Review Preview* and ISO

Exhibit 3 Property/Casualty Industry Return on Surplus



p Preliminary
Source: 1985–2008, *Best's Aggregates & Averages*; 2009p After-Tax Net Income, ISO;
2009p Surplus, *2008 Best's Aggregates & Averages* + 2009 ISO contributions to surplus
Note: After-tax return on average surplus, excluding unrealized capital gains

The investment gain associated with workers compensation insurance transactions increased a bit to 11.8% (Exhibit 5). The ratio has been hovering between 10 and 12% for the last several years. It is dramatically lower than it was from 1997–2000 when it was around 20%. At that time, interest rates were higher and the stock market was booming. The increase in the latest year was partially caused by the significant premium drop over the last couple of years, which is dramatically lowering the denominator of this ratio.

Combining the underwriting loss with the investment gains, the result is a pre-tax operating gain of 1.6% (Exhibit 6). This operating result is significantly below the industry's long-term cost of capital and is the worst result since the 0.9% gain of 2003. Clearly, with investment returns at current levels, any significant underwriting loss will lead to an unsatisfactory bottom-line result.

Workers Compensation Net Written Premium

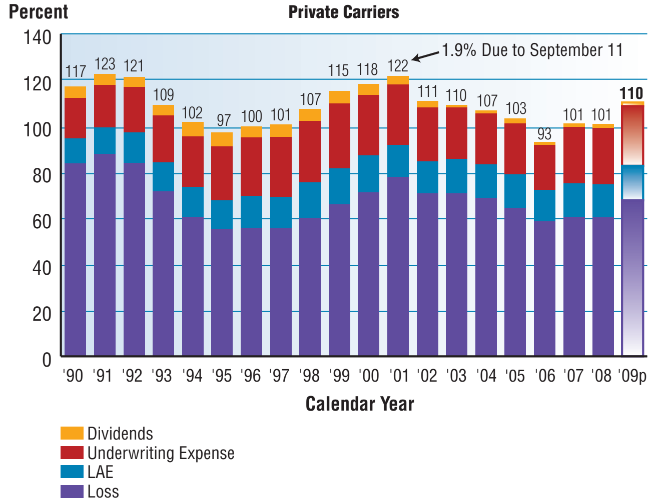
Net written premiums, including the state funds, had a fourth year of decline in 2009, dropping another 13% to $34.1 billion (Exhibit 7). The private carriers decreased by 12% to $29.8 billion. Premiums have dropped precipitously the last two years, declining by 23% since 2007. This is a significantly larger decrease than might be explained by rate decreases and the decline in overall payroll due to the recession.

In order to understand the sharp premium declines over the last two years, let us look at the components of the change.

Exhibit 8 breaks out NCCI's estimates of the drivers of the 23% premium decline since 2007. Bureau rate and loss cost decreases contributed about 7%, and carrier pricing another 4%.

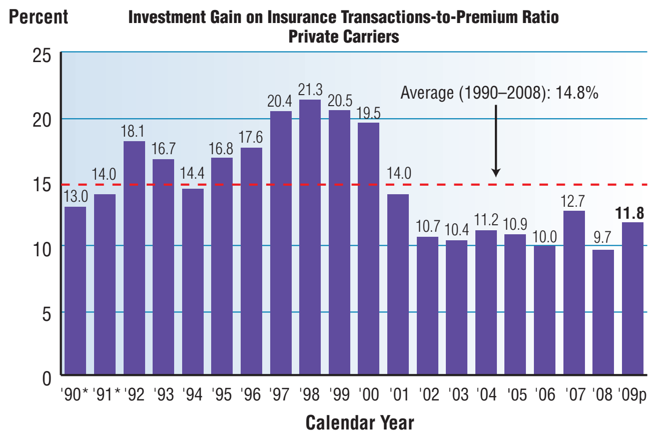
Overall, the decrease in private sector payrolls is about 4%. However, more than 40% of workers compensation premium is generated by manufacturing and contracting, even though only about 20% of the workers are employed in those industry groups. The recession has hit the manufacturing and construction sectors much harder than office and clerical, causing a greater decline in premiums. NCCI estimates that this industry group impact caused another 4–6% decline in workers compensation premium.

Exhibit 4 Workers Compensation Calendar Year Combined Ratio Up Markedly



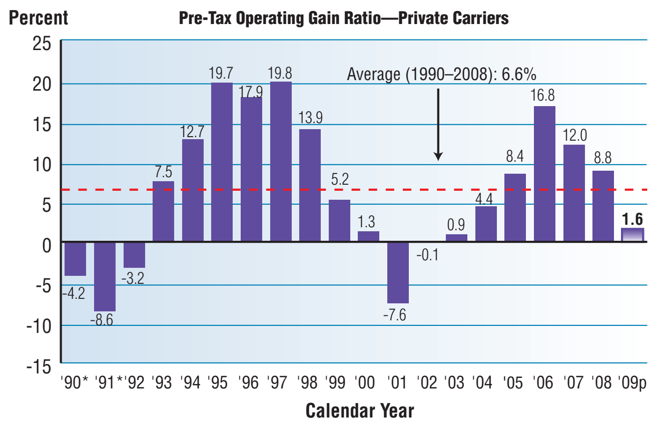
p Preliminary
Source: 1990–2008, *Best's Aggregates & Averages;* 2009p, NCCI

Exhibit 5 Workers Compensation Investment Returns Remain Below Historical Average



p Preliminary
*Adjusted to include realized capital gains to be consistent with 1992 and after
Source: 1990–2008, *Best's Aggregates & Averages*; 2009p, NCCI
Investment Gain on Insurance Transactions includes Other Income

Exhibit 6 Workers Compensation Results—Barely an Operating Gain



p Preliminary
*Adjusted to include realized capital gains to be consistent with 1992 and after
Source: 1990–2008, *Best's Aggregates & Averages*; 2009p, NCCI
Operating Gain equals 1.00 minus (Combined Ratio less Investment Gain on Insurance Transactions and Other Income)

Another impact that NCCI has investigated is the impact of the business cycle on smaller versus larger firms. Our preliminary research indicates that in recessions, smaller firms tend to have greater decreases in employees and payroll than larger firms. Small firms buy workers compensation policies that tend to be full coverage (i.e., no deductibles) and, therefore, generate more workers compensation premium per employee than larger firms. Larger businesses tend to be self-insured or buy workers compensation policies with large deductibles. Therefore, drops in employment in smaller firms have a disproportionate impact on workers compensation premiums. We estimate that this effect caused premiums to drop 4–6% over the last two years.

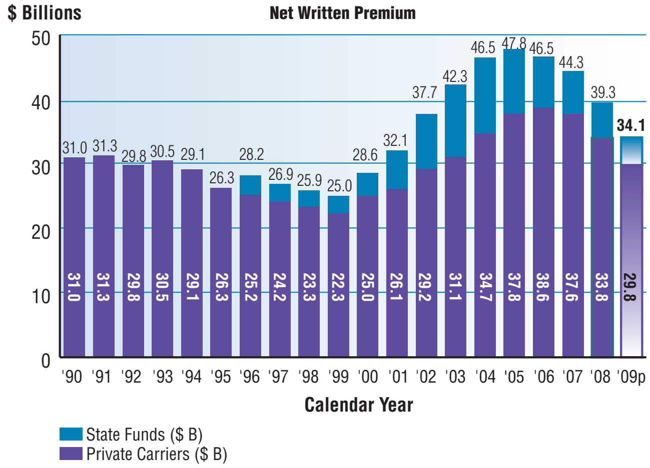
The good news on this last point is that the converse also seems to be true. As the economy starts to expand, smaller firms will add proportionally more employees than larger firms, generating a bigger boost to workers compensation premiums. Exhibit 9 illustrates this firm size phenomenon over the last business cycle. It shows the growth rates in total manufacturing payroll, compared to workers compensation payroll growth rates excluding large deductible policies. Observe the slower growth rates for the workers compensation payroll excluding large deductibles compared to the total in the last recession (2000–2002). Note that the converse is true during the strong growth of 1996–1999.

Accident Year Results

Analyzing experience on an accident year basis can provide additional insights about the underlying performance of "long tail" lines like workers compensation without the distortions of prior year reserve adjustments.

NCCI estimates that the combined ratio for private carriers for Accident Year 2009 is 107% (Exhibit 10). On an accident year basis, the current underwriting cycle peaked in 2006 at a combined ratio of 86. Since that point, the combined ratio has increased by 21 points. For 2009, the carrier booked accident year combined ratio is the

Exhibit 7 **Workers Compensation Premium Continues Its Sharp Decline**



p Preliminary
Source: 1990–2008 Private Carriers, *Best's Aggregates & Averages*; 2009p, NCCI
1996–2009p State Funds: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, UT Annual Statements
State Funds available for 1996 and subsequent

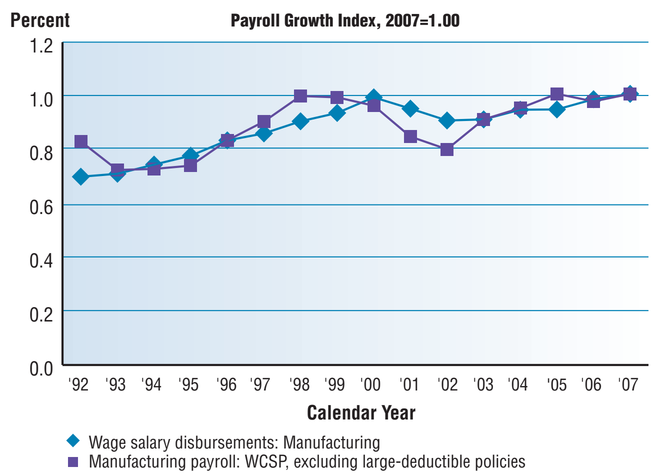
Exhibit 8 **Contributions to Workers Compensation Net Written Premium Decline**

Calendar Years 2007–2009

2-Year Change in Countrywide NWP	**-23%**
Known Pricing Impacts	
Change in Bureau Rates and Loss Costs	**-7%**
Change in Carrier Pricing	**-4%**
Economic Impacts	
Change in Total Payroll	**-4%**
Impact of Recession on Industry Group Mix	**-4% to -6%**
Impact of Recession by Firm Size	**-4% to -6%**
Other Impacts	**+1% to -2%**

Source: NCCI Analysis

Exhibit 9 **Workers Compensation Manufacturing Payroll Is Highly Cyclical**



Source: Wage and salary disbursements—US Bureau of Economic Analysis; Moody's Analytics Estimates
Manufacturing payroll—NCCI

same as NCCI's estimate of 107%. The 2009 accident year combined ratio of 107 is identical to the adjusted calendar year combined ratio mentioned earlier.

Unlike recent years, California has a minimal impact on the countrywide numbers for 2009.

Reserve Position

The private carrier reserve position continued its modest deterioration in 2009 for the second year. NCCI's estimate of the reserve position for the private carriers as of year-end 2009 is a $9 billion deficiency (Exhibit 11). After allowing for the permissible discounting of the indemnity reserves for lifetime pension cases, the inadequacy is about $4 billion, which is less than 4% of the carried reserves of more than $106 billion. The industry worked hard during the last cycle to get to reserve adequacy and, hopefully, it will not let its reserve position deteriorate much further.

Bureau Rate/Loss Cost Changes

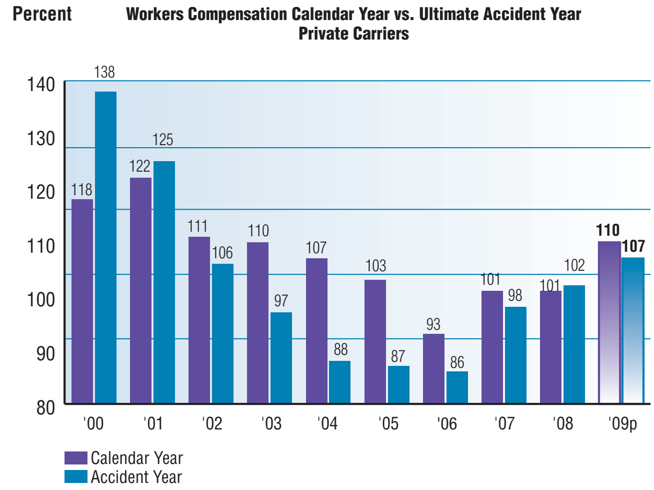
Exhibit 12 displays a history of bureau rate and loss cost changes since 2000. Excluding the impact of California changes (which were heavily affected by significant system problems, subsequent reforms, and return to some problems, all in one decade), the average of the rest of the states is quite modest through 2006. Since 2006, we have seen generally modest declines for states other than California. These reductions are largely the result of the significant claim frequency declines in recent years, particularly from 2005–2006. When netted with average wage increases, the frequency declines have more than offset the loss severity increases. The net effect was to decrease overall loss costs in the vast majority of states. We saw that effect continue to play out with more modest impacts in 2009 and 2010 as the better-than-expected experience worked its way through bureau experience filings.

Carrier discounting from bureau loss costs/rates increased again in 2009 in NCCI states. In 2009, it stood at 7.9%, which is ½ point higher than in 2008 (Exhibit 13).

Indemnity and Medical Average Claim Costs

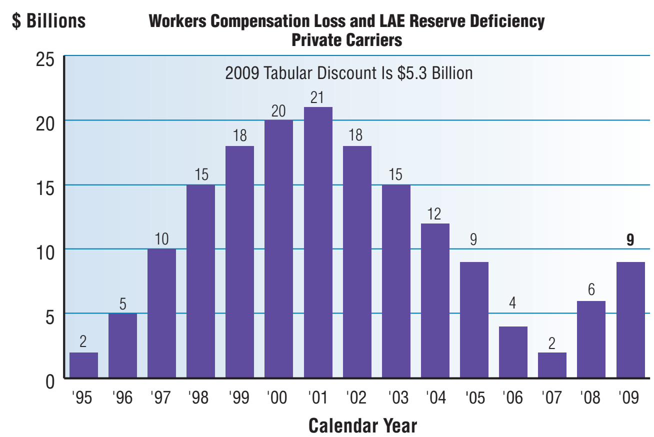
NCCI estimates that the average workers compensation indemnity claim cost increased by 4.5% in 2009 (Exhibit 14). This continues the pattern of recent

Exhibit 10 Accident Year Combined Ratios



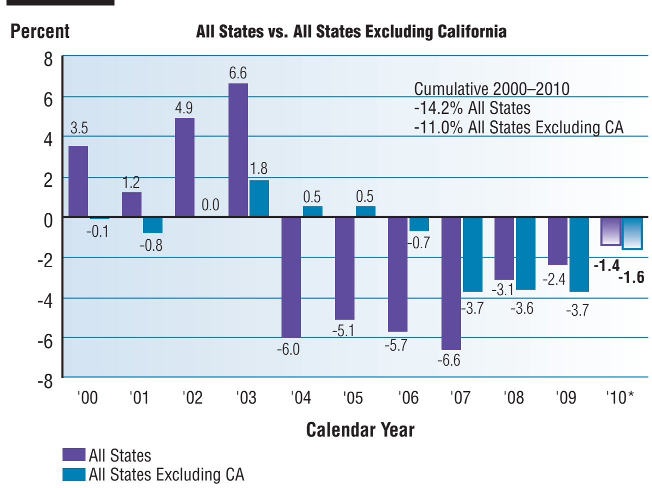
p Preliminary
Accident Year data is evaluated as of 12/31/2009 and developed to ultimate
Source: Calendar Years 2000–2008, *Best's Aggregates & Averages*;
Calendar Year 2009p and Accident Years 2000–2009p, NCCI analysis based on Annual Statement data
Includes dividends to policyholders

Exhibit 11 Calendar Year Reserve Deficiencies



Considers all reserve discounts as deficiencies
Loss and LAE figures are based on NAIC Annual Statement data for each valuation date and NCCI latest selections
Source: NCCI analysis

Exhibit 12 Average Approved Bureau Rates/Loss Costs



*States approved through 4/23/2010
Countrywide approved changes in advisory rates, loss costs, and assigned risk rates as filed by the applicable rating organization

years that has seen the indemnity claim costs increase by between 2% and 5% each year, generally in the vicinity of the 3.5% change in average wages over the same time period. The exhibit shows that average indemnity claim cost increases have moderated in recent years (2002–2009), compared to 1997–2001.

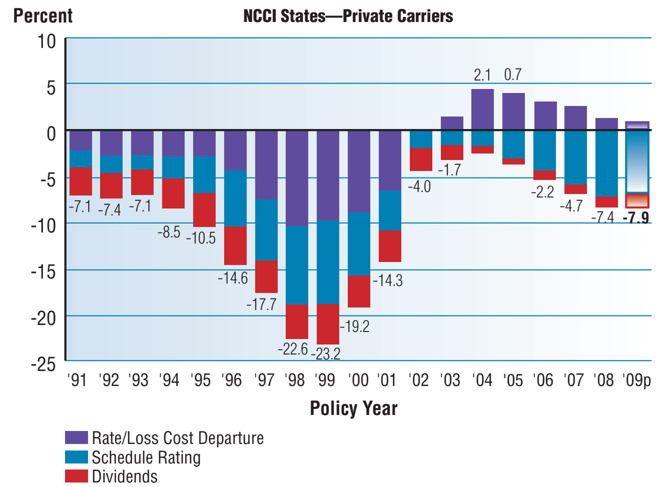
Medical average claim costs per lost-time claim continued to increase in 2009, although the increases have tempered a bit for the last several years (Exhibit 15). NCCI estimates that the average medical claim costs per lost-time claim increased by 5% in 2009. For three out of the last five accident years, the average medical claim costs per lost-time claim have increased by less than 5.5%, a far cry from the double-digit rates we were estimating just a few years ago. NCCI research indicates that some of the reasons for the tempering of the medical cost increases include a flattening in the number of treatments per claim and a leveling of prescription drug prices in recent years. Both of these impacts are likely related to the continued focus on medical cost control on the part of public policy makers and carriers.

Claim Frequency Continues to Decline

Based on a preliminary analysis of data in NCCI states, the frequency of lost-time claims per 100,000 workers declined 4% in 2009 (Exhibit 16). This frequency drop is greater than the revised 3.4% in 2008 and 3.0% for 2007.

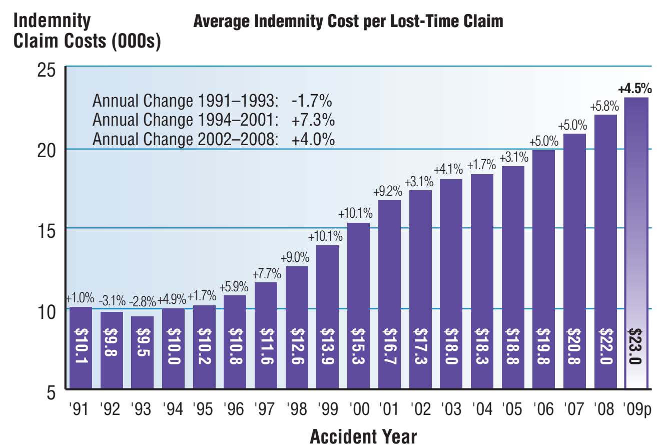
As we have previously related, our research indicates that the decline in claim frequency is a long-term trend related to improved technology and its application in the economy to create ever-safer workplaces over time. Further research has shown that economic slowdowns put additional downward pressure on claim frequency. Exhibit 17 shows that workplace incidence rates have declined in the last four economic downturns. Further, the graph displays how closely aligned the changes in incidence rates from the US Bureau of Labor Statistics are to lost-time claim frequencies from NCCI financial data. (For more detailed information, please refer to the research paper, "Workplace Injuries and Job Flows," by Dr. Frank Schmid on **ncci.com**.)

Exhibit 13 Impact of Discounting on Workers Compensation Premium



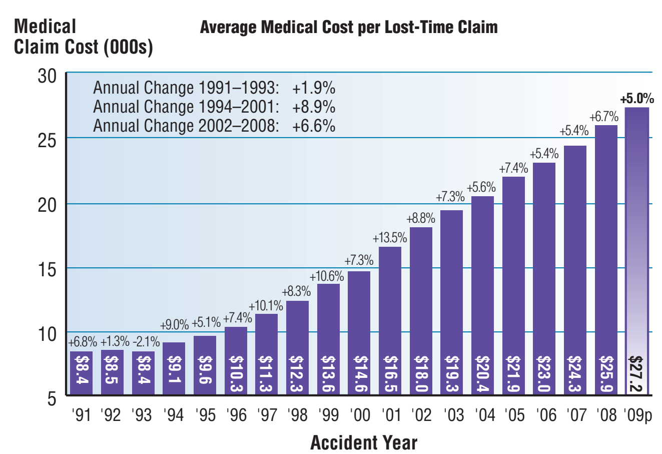
p Preliminary
NCCI benchmark level does not include an underwriting contingency provision
Dividend ratios are based on calendar year statistics
Based on data through 12/31/2009 for the states where NCCI provides ratemaking services

Exhibit 14 Workers Compensation Indemnity Claim Costs Continue to Grow



2009p: Preliminary based on data valued as of 12/31/2009
1991–2008: Based on data through 12/31/2008, developed to ultimate
Based on the states where NCCI provides ratemaking services, including state funds
Excludes high deductible policies

Exhibit 15 Workers Compensation Medical Claim Costs Will Moderate Trends Continue?



2009p: Preliminary based on data valued as of 12/31/2009
1991–2008: Based on data through 12/31/2008, developed to ultimate
Based on the states where NCCI provides ratemaking services, including state funds
Excludes high deductible policies

The final point to be made from this exhibit is that the last time workers compensation claim frequency increased consistently was back in the late 1980s, when many workers compensation systems were grossly out of balance and performing poorly. This led to the worst results for insurers in history followed by the reforms of the early 1990s, which restored the system to balance.

Residual Market Update

Depopulation of the residual market continues, albeit at a somewhat slower pace than in recent years. Premiums dropped by nearly 30% in 2009 and are now approximately $500 million (Exhibit 18). Premiums have dropped by two-thirds since 2004. A few states continue to struggle to depopulate their residual markets as rapidly as one might hope at this point in the cycle. Overall, the market share of the residual market pools serviced by NCCI for 2009 fell one point to 5%.

The combined ratio of the residual market pool remains in the 105–115 range, where it has been since 1998 (Exhibit 19). The combined ratio has drifted up slightly in recent years as the pools have continued to shrink, leaving the more challenging risks in the residual market. The current policy year underwriting loss is about $75 million. Although it is not at our goal of self-funded residual markets, it is not an undue burden on the voluntary market at this time.

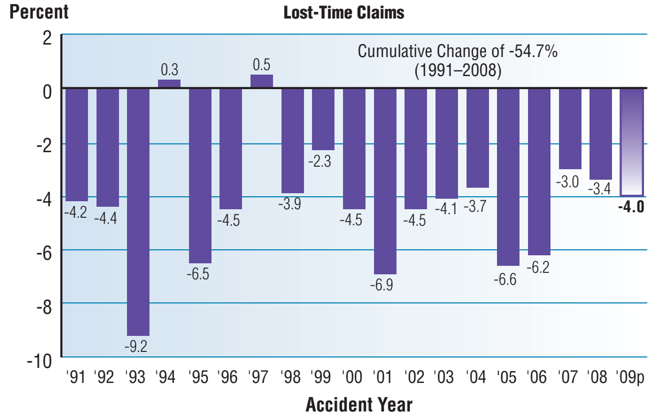
No discussion of the state of the workers compensation line this year would be complete without some comments on the potential impact on the line by the recently passed national healthcare bill.

National Healthcare Bill—Implications for Workers Compensation Insurance

NCCI has completed an extensive review of the recently passed federal legislation to reform the nation's healthcare system. The formal title of the act is, "The Patient Protection and Affordable Care Act" (HR 3590 as amended by HR 4872).

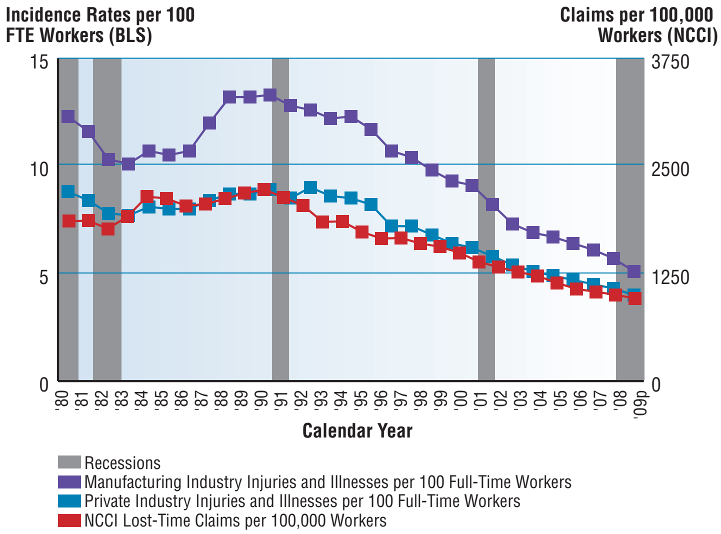
Although the Act did not include workers compensation in the revamped national healthcare system, there are several aspects of the legislation that will impact workers compensation (Exhibits 20 and 21).

Exhibit 16 Workers Compensation Lost-Time Claim Frequency Continues to Decline



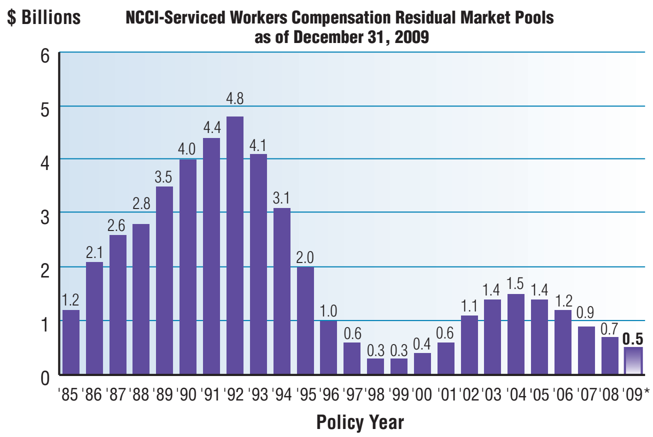
2009p: Preliminary based on data valued as of 12/31/2009
1991–2008: Based on data through 12/31/2008, developed to ultimate
Based on the states where NCCI provides ratemaking services, including state funds; excludes high deductible policies
Frequency is the change in lost-time claims per 100,000 workers as estimated from reported premium

Exhibit 17 Workplace Injury Incidence Rates Have Shown Declines in Last Four Economic Downturns



p Preliminary
Source: US Department of Labor, Bureau of Labor Statistics (BLS), National Bureau of Economic Research
NCCI Frequency and Severity Analysis; based on the states where NCCI provides ratemaking services, including state funds; excludes high deductible policies

Exhibit 18 Workers Compensation Residual Market Premium Volume Declines



* Incomplete Policy Year projected to ultimate

The most direct impacts of the bill are in the areas of Federal Black Lung Benefits and the potential for changes in Medicare.

Black Lung

The Senate inserted a section into the bill that modifies the eligibility criteria for Federal Black Lung benefits for coal miners and survivors retroactively to claims filed on or after January 1, 2005, although the section was unrelated to the larger issue of healthcare reform. These changes will likely increase disease loadings for coal mine exposure and increase reserves for occupational disease in the various pools that have significant exposure to black lung disease.

Medicare

Many states use Medicare reimbursements as a basis for all or part of their workers compensation medical fee schedules. To the extent that the Medicare changes included in the bill affect reimbursements in states that use Medicare as a basis for their fee schedules, reimbursement levels paid to doctors by workers compensation insurers may be affected. How the individual states react to the federal changes will be critical in determining how workers compensation costs are affected.

Other Provisions With Potential to Impact Workers Compensation

There are several new taxes imposed on medical device manufacturers, pharmaceutical companies, and health insurance companies that hold the potential for cost shifting that may impact workers compensation if these companies pass the taxes along to customers as increased prices.

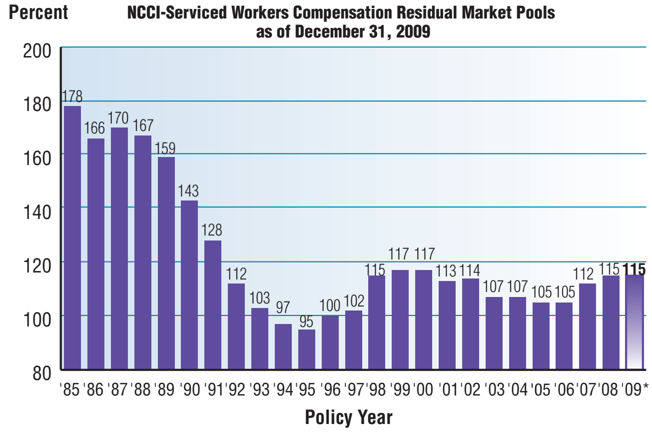
However, there are other aspects of the bill that could produce some benefits to the workers compensation system. For instance, increased health coverage in the general population and wellness initiatives may ultimately mean that the population will become healthier and, therefore, when injured on the job, less costly to rehabilitate.

NCCI will continue to monitor the situation and react where appropriate in our filings and research.

Looking Forward

The property/casualty insurance industry recovered quite well after the tumultuous financial meltdown of 2008.

Exhibit 19 **Workers Compensation Residual Market Combined Ratios**



* Incomplete Policy Year projected to ultimate

Exhibit 20 **National Healthcare Bill**
Implications for Workers Compensation Insurance

The Patient Protection and Affordable Care Act*

Direct Impacts

1. Changes to Federal Black Lung Benefit Entitlement Provisions**
   a. Reinstates the 15-year rebuttable presumption of total disability for benefits
   b. Eliminates the requirement to prove that death of miner was due to occupational disease for survivor benefits
2. Changes to Medicare reimbursement levels; potential impacts will depend on:
   a. Potential modifications to Medicare reimbursements
   b. How the states react to those potential changes

*HR3590 as amended by HR4872
**Section 1556: Federal Coal Mine Health and Safety Act

Exhibit 21 **National Healthcare Bill**
Implications for Workers Compensation Insurance

The Patient Protection and Affordable Care Act*

Provisions Worth Watching

- Increased healthcare coverage in general population
- Wellness initiatives
- Consumer access to more generic drugs
- New taxes on medical devices, pharmaceutical manufacturers, and health insurance companies
- Fraud and abuse provisions

Other Areas of Interest

- Electronic transaction standards
- Coordination, subrogation, and reimbursement issues
- Medicare as a secondary payer

*HR3590 as amended by HR4872

Although the industry was not severely impacted by the financial system problems, it did take a hit to surplus in 2008, which was largely made up in 2009. Overall, the industry is strongly capitalized for these uncertain times. The workers compensation part of the industry did not fare quite so well. Although it benefits from the strong capital position overall, the 9-point increase in combined ratio is troublesome. In addition, the line is taking a very hard hit to revenue due to the recession's impact on business payrolls, particularly in the manufacturing and construction industries, which traditionally have generated more than 40% of the industry's premium. The line is posting combined ratios that are not sustainable at these low interest rates, and reserve adequacy is starting to slip.

Overall, NCCI is watching the following:
Areas of concern include:
- Low investment returns continue to put pressure on underwriting results
- Potential reform erosion
- Uncertain impacts from healthcare reform
- Unknown scope of future federal actions in the regulatory arena
- Underwriting cycle

Some positives include:
- Industry's capital position
- Claim frequency declines
- Claim severity increases are moderate
- Residual market depopulation continues

NCCI will continue to work with all workers compensation system stakeholders to help ensure that rates and loss costs are adequate, to provide unbiased quantification of the impact of legislative reforms proposals, and to strive for self-funded residual markets. In addition, we will continue to produce pertinent and timely research to help stakeholders understand current and emerging trends impacting workers compensation. All of these objectives will help to maintain a healthy workers compensation insurance market that is able to deliver the promised benefits quickly, fairly, and efficiently to the injured worker and provide the proper incentives to have the safest workplaces possible.

NCCI Holdings, Inc.

ANNUAL ISSUES SYMPOSIUM 2010

State of the Line

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Orlando, Florida

AIS Annual Issues Symposium 2010

I. **Property/Casualty Results**

II. **Workers Compensation Results**

III. **Current Topics of Interest**

IV. **Concluding Remarks**

Property/Casualty Results

P/C Industry Net Written Premium Another Decline

Private Carriers

Line of Business (LOB)	2007	2008	2009p	2008–2009p Change
Personal Auto	$159.1 B	$157.9 B	$159.9 B	1.2%
Homeowners	$54.8 B	$55.6 B	$56.3 B	1.3%
Other Liability (Incl Prod Liab)	$44.3 B	$42.0 B	$41.6 B	-0.9%
Workers Compensation	**$37.6 B**	**$33.8 B**	**$29.8 B**	**-11.8%**
Commercial Multiple Peril	$31.1 B	$30.1 B	$27.0 B	-10.2%
Commercial Auto	$25.5 B	$23.7 B	$23.1 B	-2.6%
Fire & Allied Lines (Incl EQ)	$21.9 B	$23.8 B	$20.3 B	-14.5%
All Other Lines	$66.4 B	$68.1 B	$61.0 B	-10.5%
Total P/C Industry	**$ 440.6 B**	**$ 434.9 B**	**$ 419.0 B**	**-3.7%**

p Preliminary

Source: Workers Compensation, NCCI;
All Other Lines, *Best's Review Preview* and ISO

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P/C Underwriting Losses Moderate

Net Combined Ratio—Private Carriers

Line of Business (LOB)	Calendar Year		
	2007	2008	2009p
Personal Auto	98%	100%	99%
Homeowners	96%	117%	106%
Other Liability (Incl Prod Liab)	99%	95%	100%
Workers Compensation	**101%**	**101%**	**110%**
Commercial Multiple Peril	92%	104%	97%
Commercial Auto	94%	97%	97%
Fire & Allied Lines (Incl EQ)	70%	100%	81%
All Other Lines	93%	112%	108%
Total P/C Industry	**95%**	**104%**	**101%**

p Preliminary

Source: Workers Compensation, NCCI;
All Other Lines, *Best's Review Preview* and ISO

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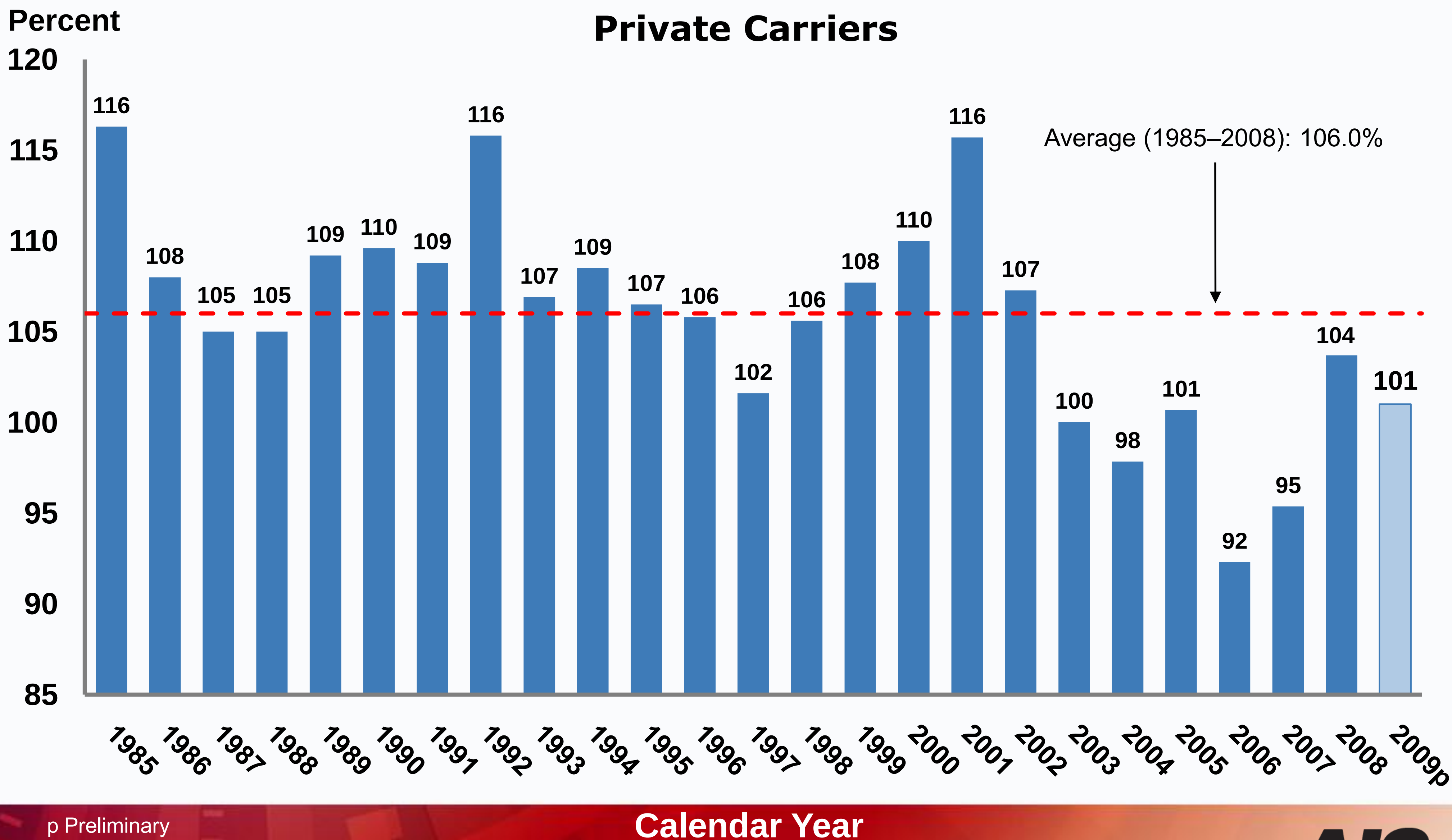
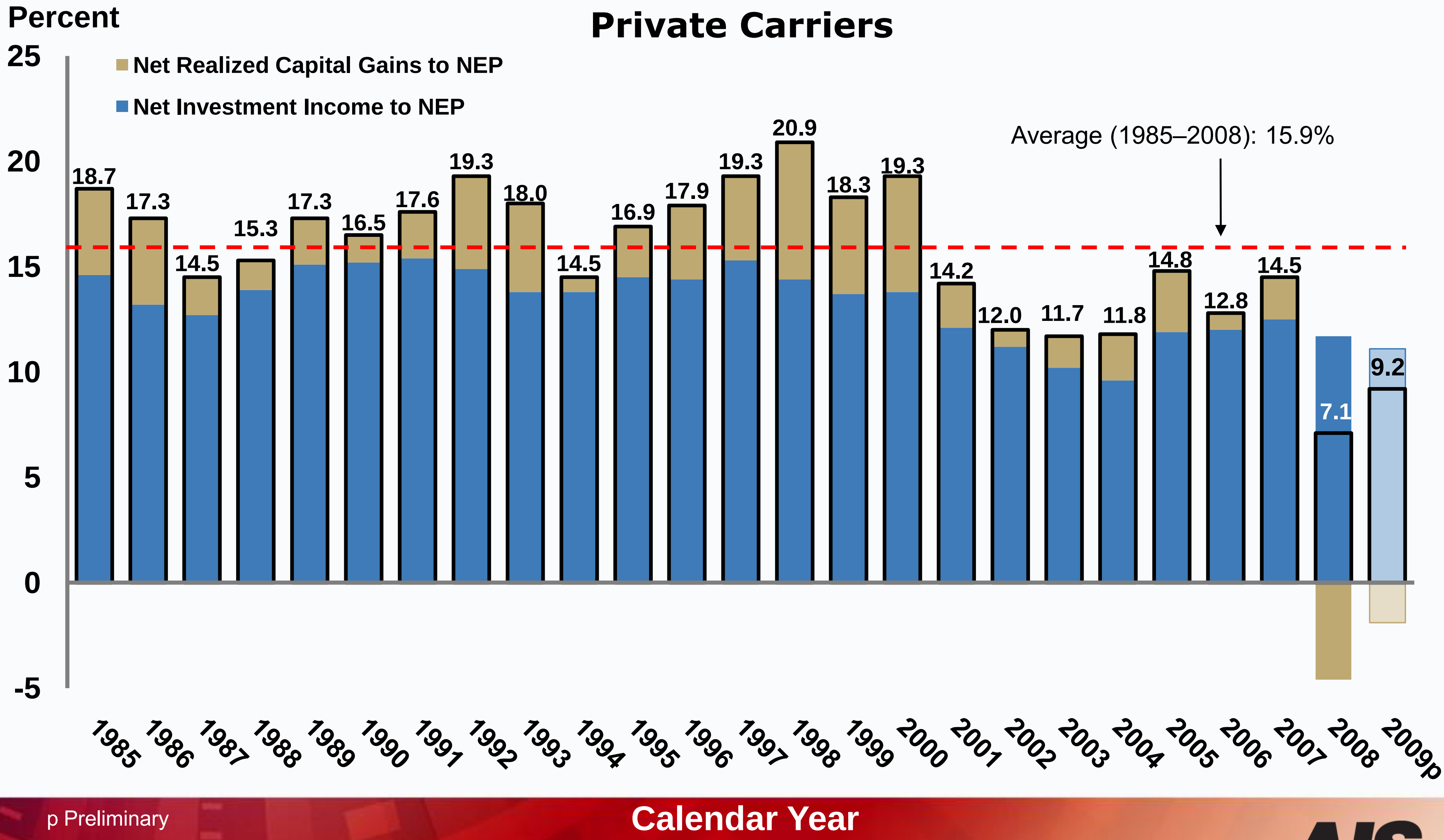
P/C Industry Calendar Year Net Combined Ratios



p Preliminary

Source: 1985–2008, *Best's Aggregates & Averages*; 2009p, ISO

Investment Gain Ratio Remains Below Historical Average



p Preliminary

Source: 1985–2008, *Best's Aggregates & Averages*; 2009p, ISO

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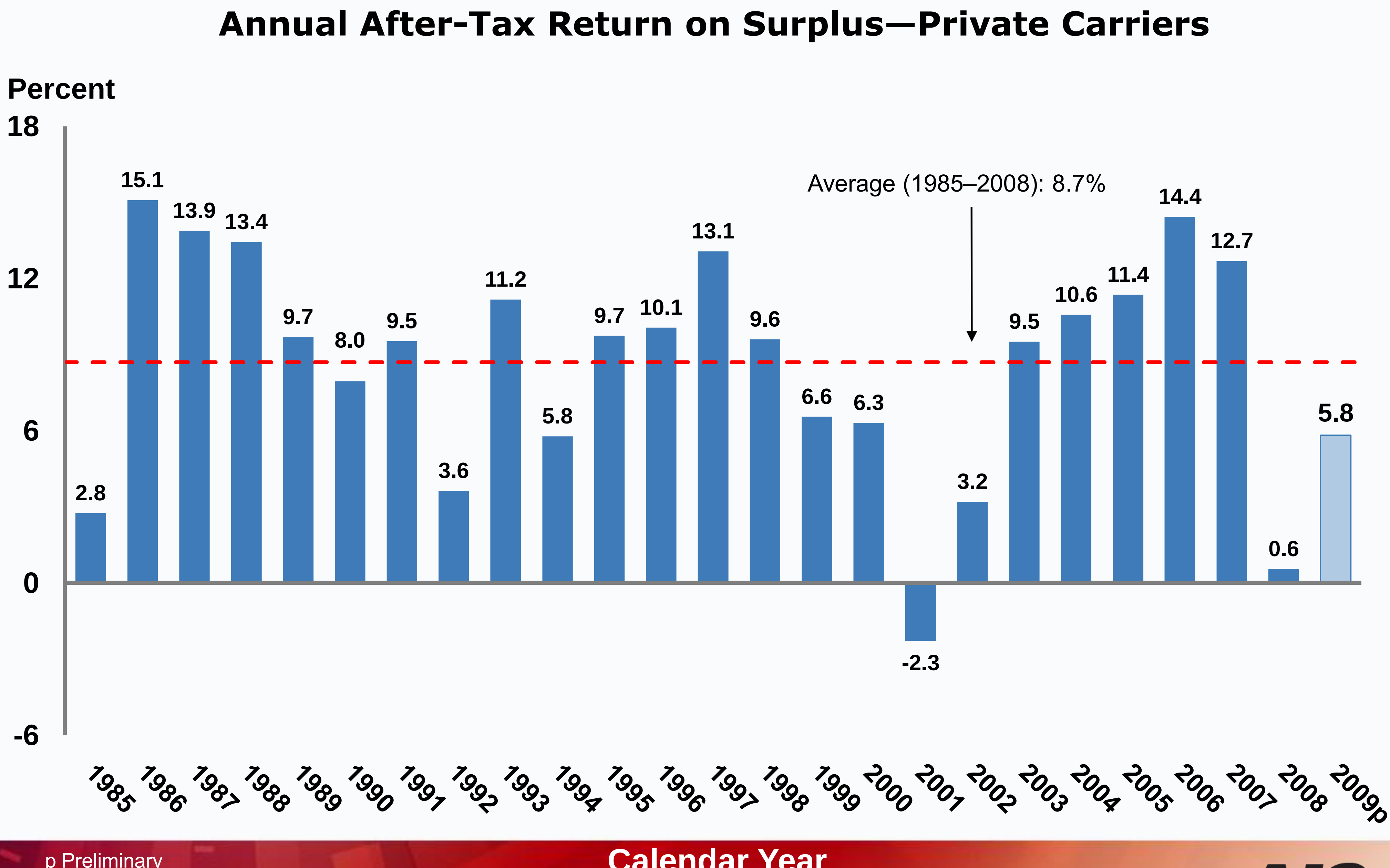
P/C Industry Return on Surplus



p Preliminary

Note: After-tax return on average surplus, excluding unrealized capital gains
Source: 1985–2008, *Best's Aggregates & Averages*; 2009p After-Tax Net Income, ISO;
2009p Surplus, *2008 Best's Aggregates & Averages* + 2009 ISO contributions to surplus

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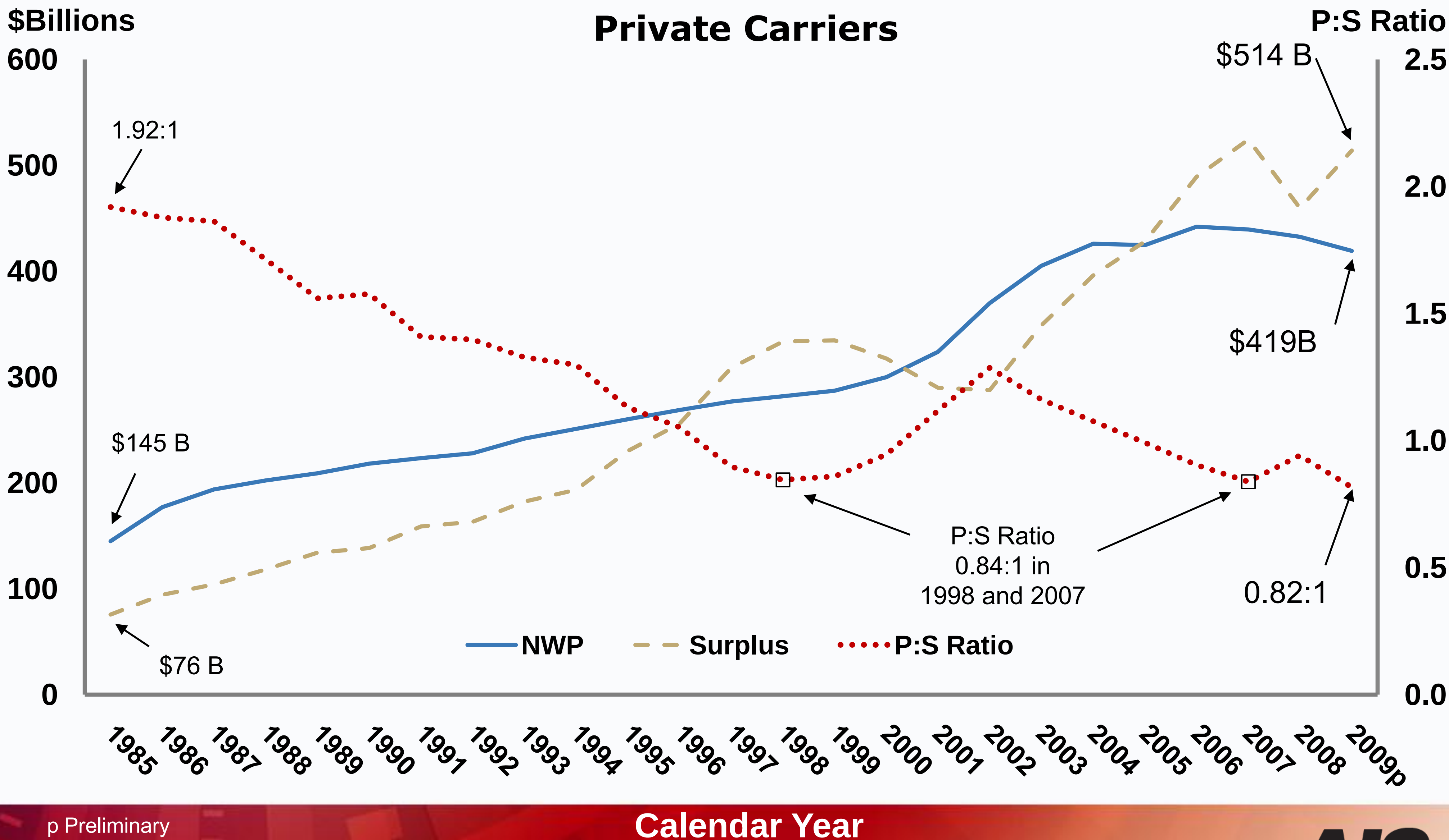
P/C Industry Premium-to-Surplus Ratio Remains Strong



p Preliminary

Source: 1985–2008, *Best's Aggregates & Averages*;
2009p Surplus, *2008 Best's Aggregates & Averages* + 2009 ISO contributions to surplus

Contributions to Surplus

Private Carriers

	2007	2008	2009p
Underwriting Gains/Losses	$ 19.3 B	$ (21.2) B	$ (3.1) B
Investment Income	$ 55.1 B	$ 51.5 B	$ 47.0 B
Realized Capital Gains/Losses	$ 8.9 B	$ (19.8) B	$ (8.0) B
Other Income	$ (1.0) B	$ 0.4 B	$ 0.8 B
Unrealized Capital Gains/Losses	$ (0.6) B	$ (52.9) B	$ 23.1 B
Federal Taxes	$ (19.8) B	$ (7.8) B	$ (8.4) B
Shareholder Dividends	$ (32.2) B	$ (24.1) B	$ (16.7) B
Contributed Capital	$ 3.2 B	$ 12.3 B	$ 6.5 B
Other Changes to Surplus	$ (1.2) B	$ 1.1 B	$ 13.0 B
Total	$ 31.7 B	$ (60.6) B	$ 54.2 B

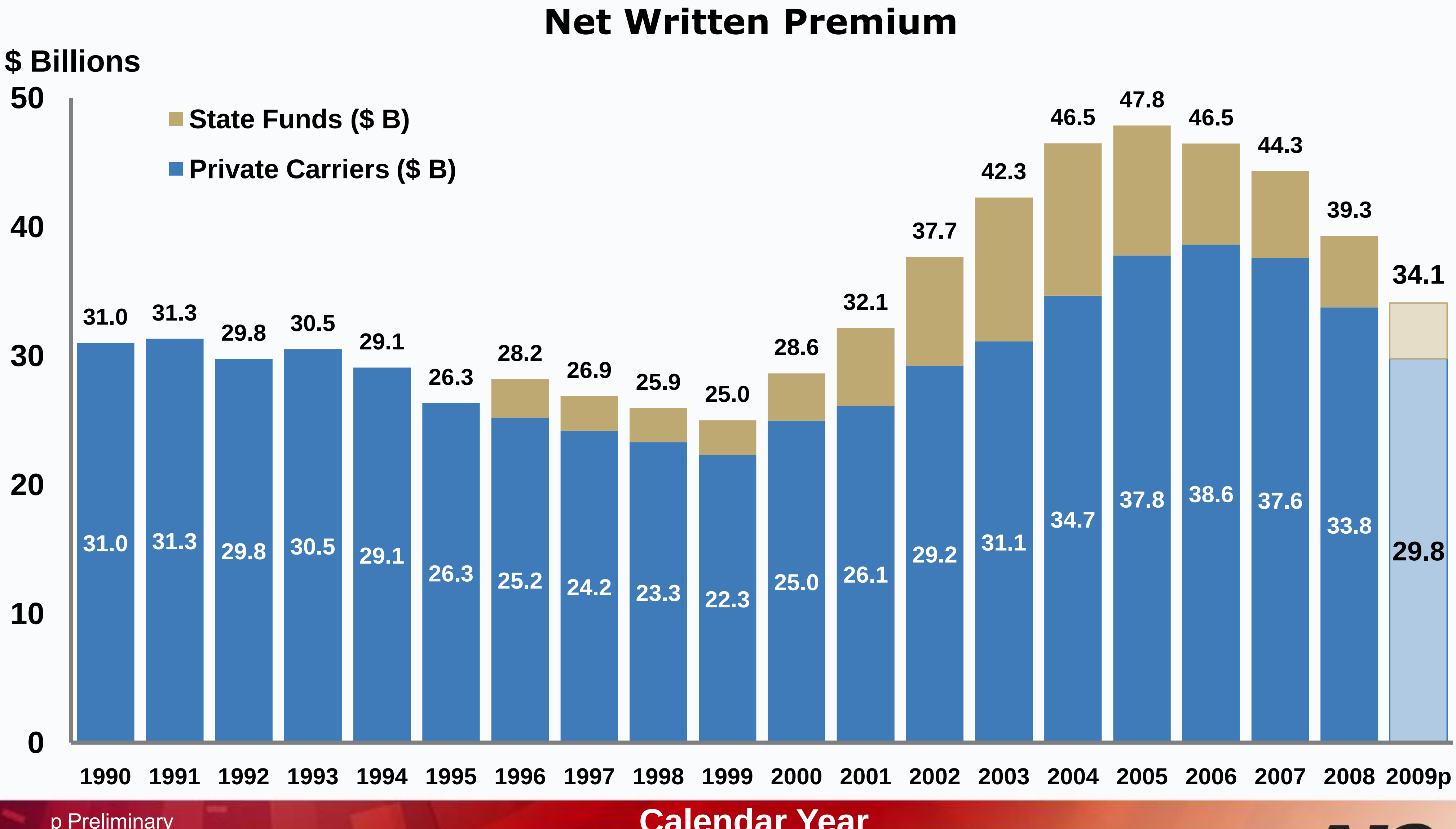
p Preliminary

Source: ISO

Workers Compensation

Results

Workers Compensation Premium Continues Its Sharp Decline



p Preliminary

Source: 1990–2008 Private Carriers, *Best's Aggregates & Averages*; 2009p, NCCI
1996–2009p State Funds: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, UT Annual Statements
State Funds available for 1996 and subsequent

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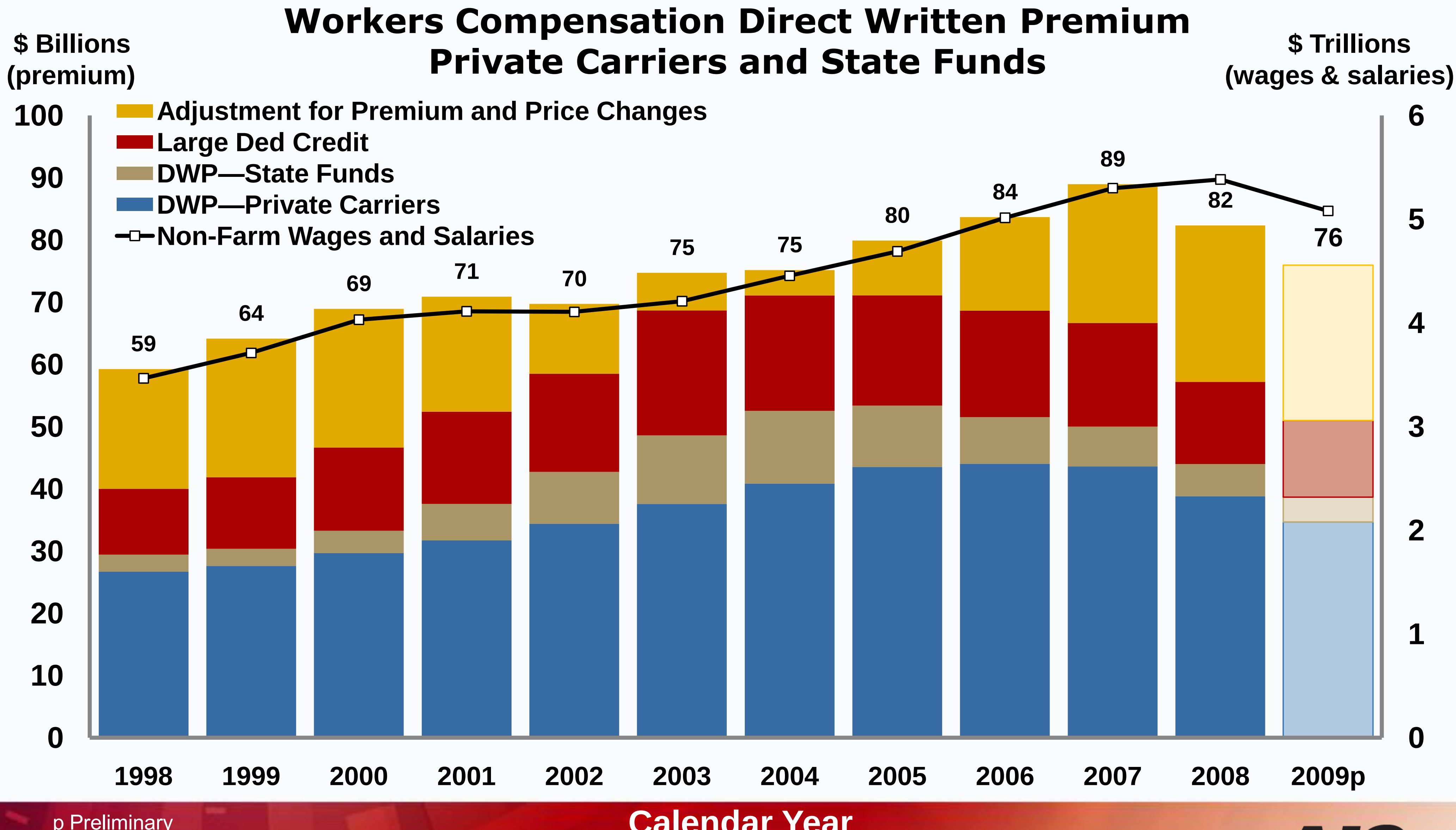
Adjusted Workers Compensation Premium Volume

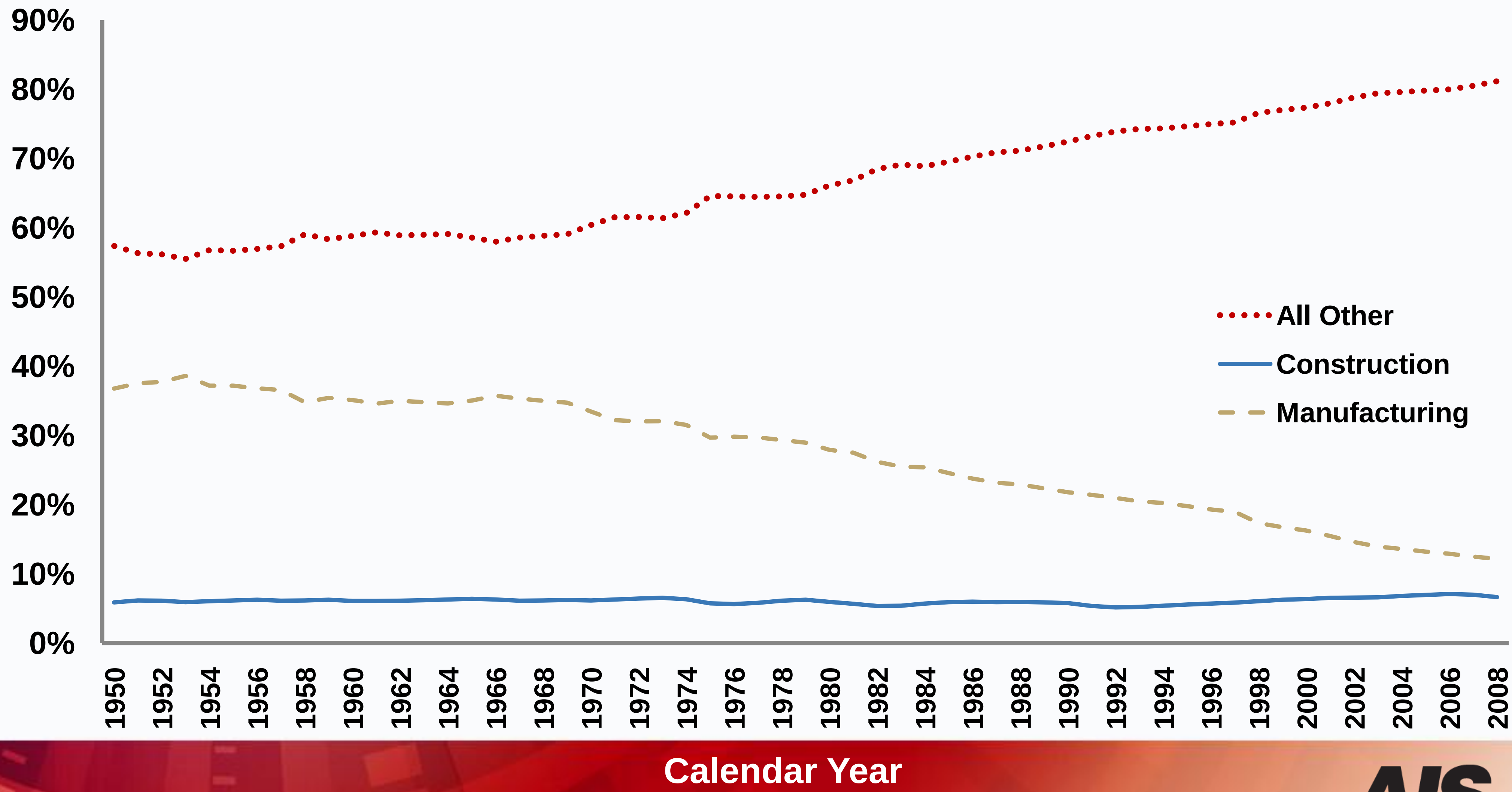


p Preliminary

Source: 1998–2008 Private Carriers, *Best's Aggregates & Averages;* 2009p, NCCI
1998–2009p State Funds: AZ, CA, CO, HI, ID, KY, LA, MO, MT, NM, OK, OR, RI, TX, UT Annual Statements
Adjustment for premium and price level changes relative to 1995; premium adjustment to 1995 rate level

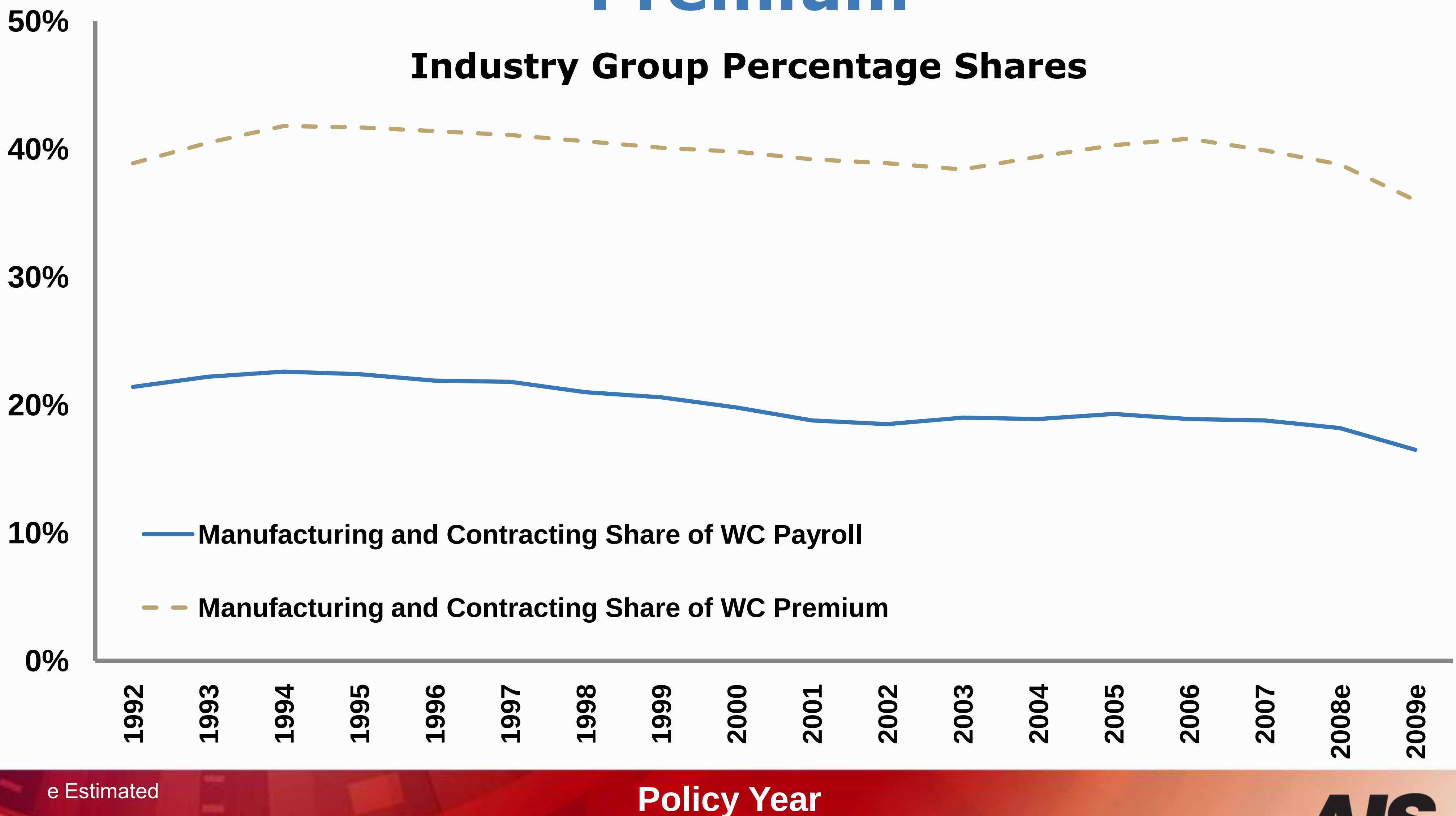
Manufacturing Share of Employment Has Declined Steadily Over the Past 50 Years

Full-Time Equivalent Employees by Industry (% of Total Private Industry)



Source: Bureau of Economic Analysis, Moody's Economy.com, NCCI

Manufacturing and Contracting 20% of WC Payroll But 40% of WC Premium



e Estimated

Source: NCCI Workers Compensation Statistical Plan (WCSP)
2008 and 2009 are NCCI projections

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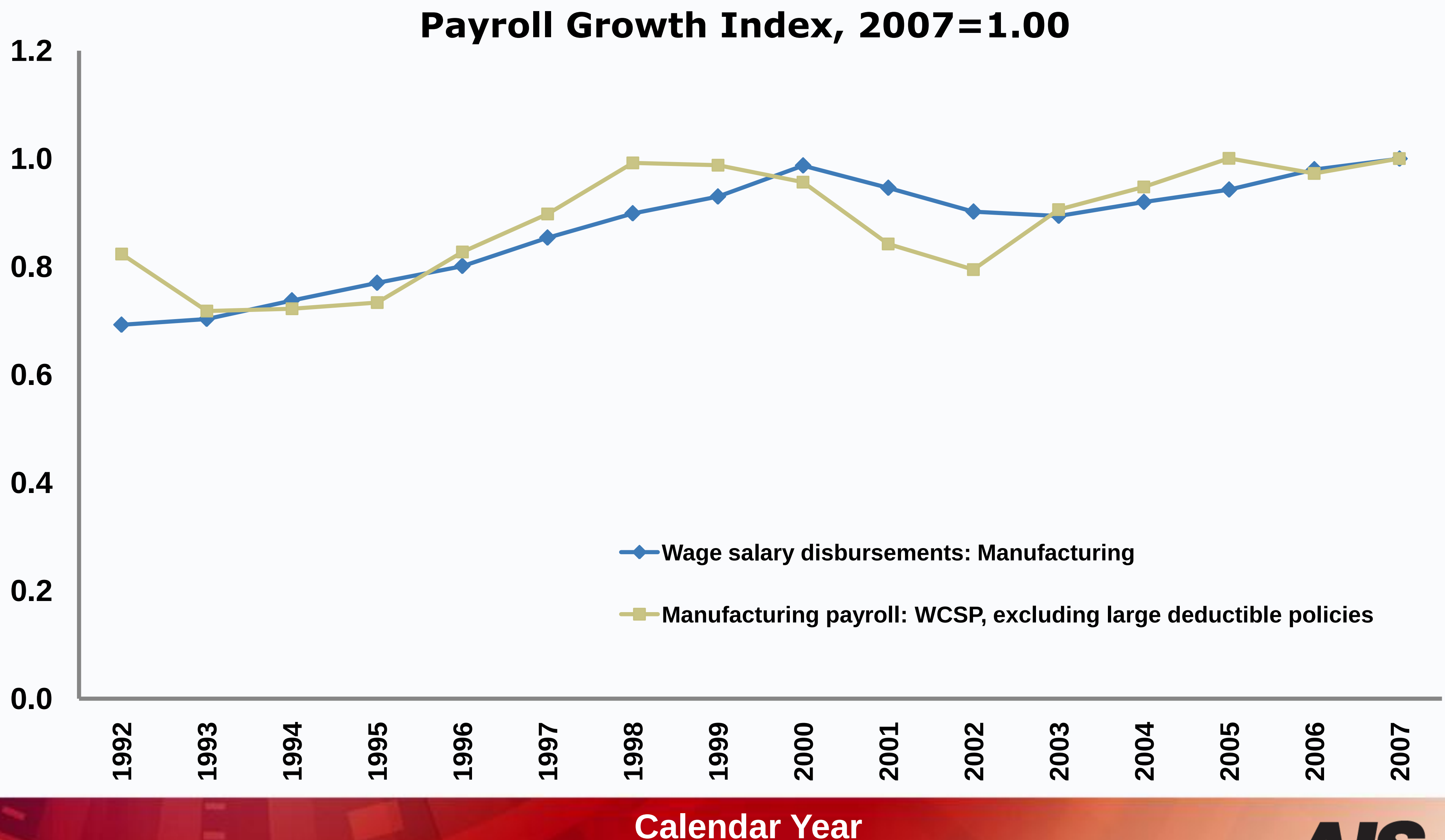
Workers Compensation Manufacturing Payroll Is Highly Cyclical



Source: Wage and salary disbursements —US Bureau of Economic Analysis; Moody's Analytics Estimates
Manufacturing payroll—NCCI

Contributions to WC Net Written Premium Decline

Calendar Years 2007–2009

2-Year Change in Countrywide NWP	**-23%**
Known Pricing Impacts	
Change in Bureau Rates and Loss Costs	**-7%**
Change in Carrier Pricing	**-4%**
Economic Impacts	
Change in Total Payroll	**-4%**
Impact of Recession on Industry Group Mix	**-4% to -6%**
Impact of Recession by Firm Size	**-4% to -6%**
Other Impacts	**+1% to -2%**

Source: NCCI Analysis

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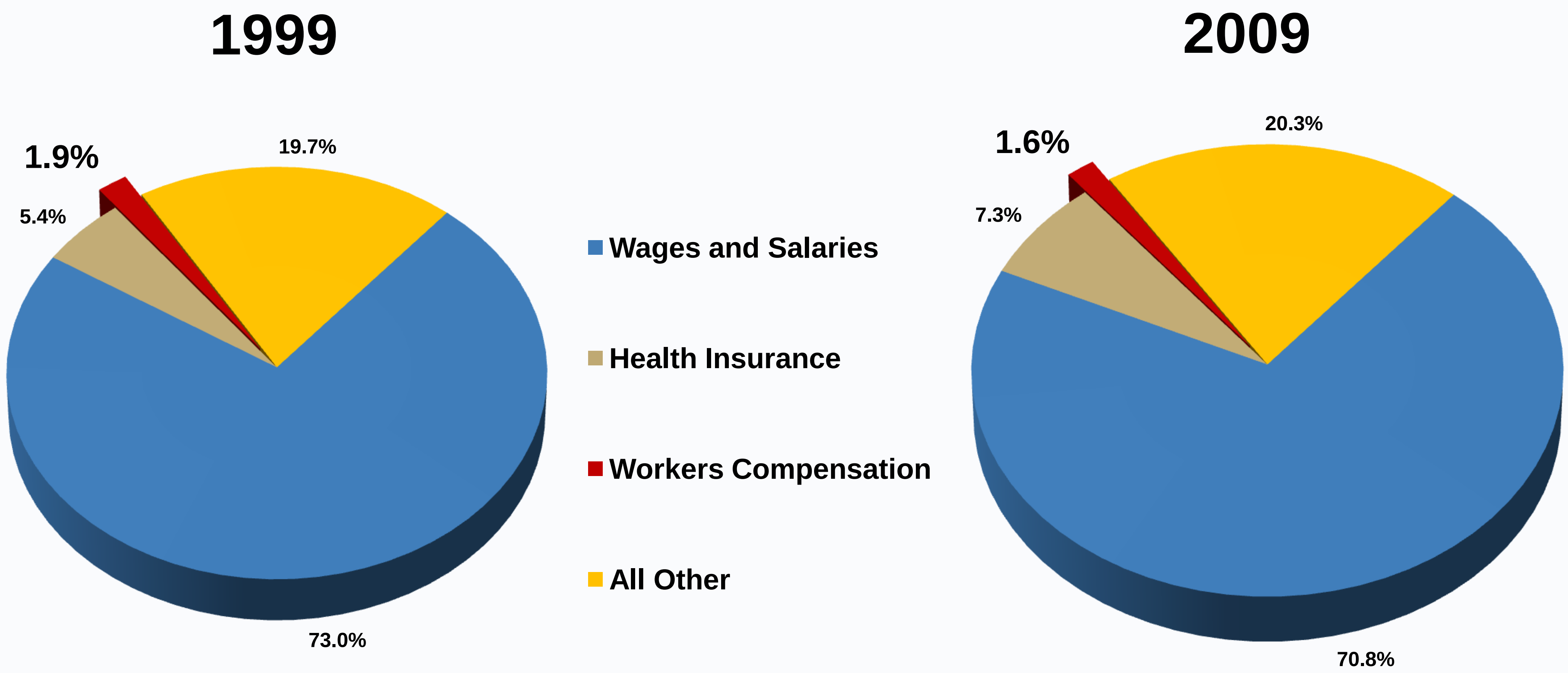
Employer Costs as Percentage of Total Compensation

Private Industry



All Other includes Paid Leave, Supplemental Pay, Insurance (other than Health), Social Security, Retirement and Savings
Source: US Department of Labor, Bureau of Labor Statistics

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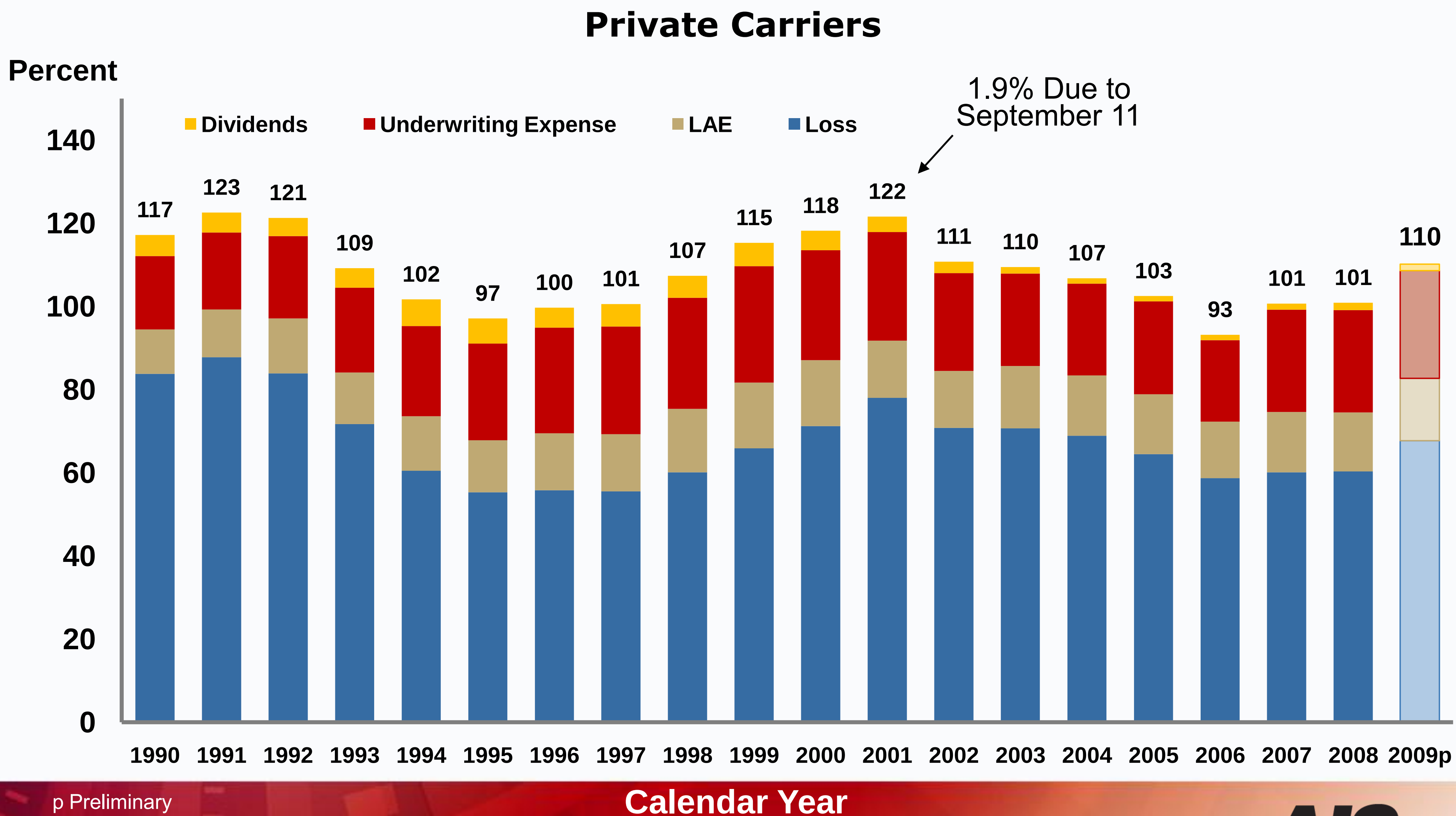
WC Calendar Year Combined Ratio Up Markedly



p Preliminary

Source: 1990–2008, *Best's Aggregates & Averages*; 2009p, NCCI

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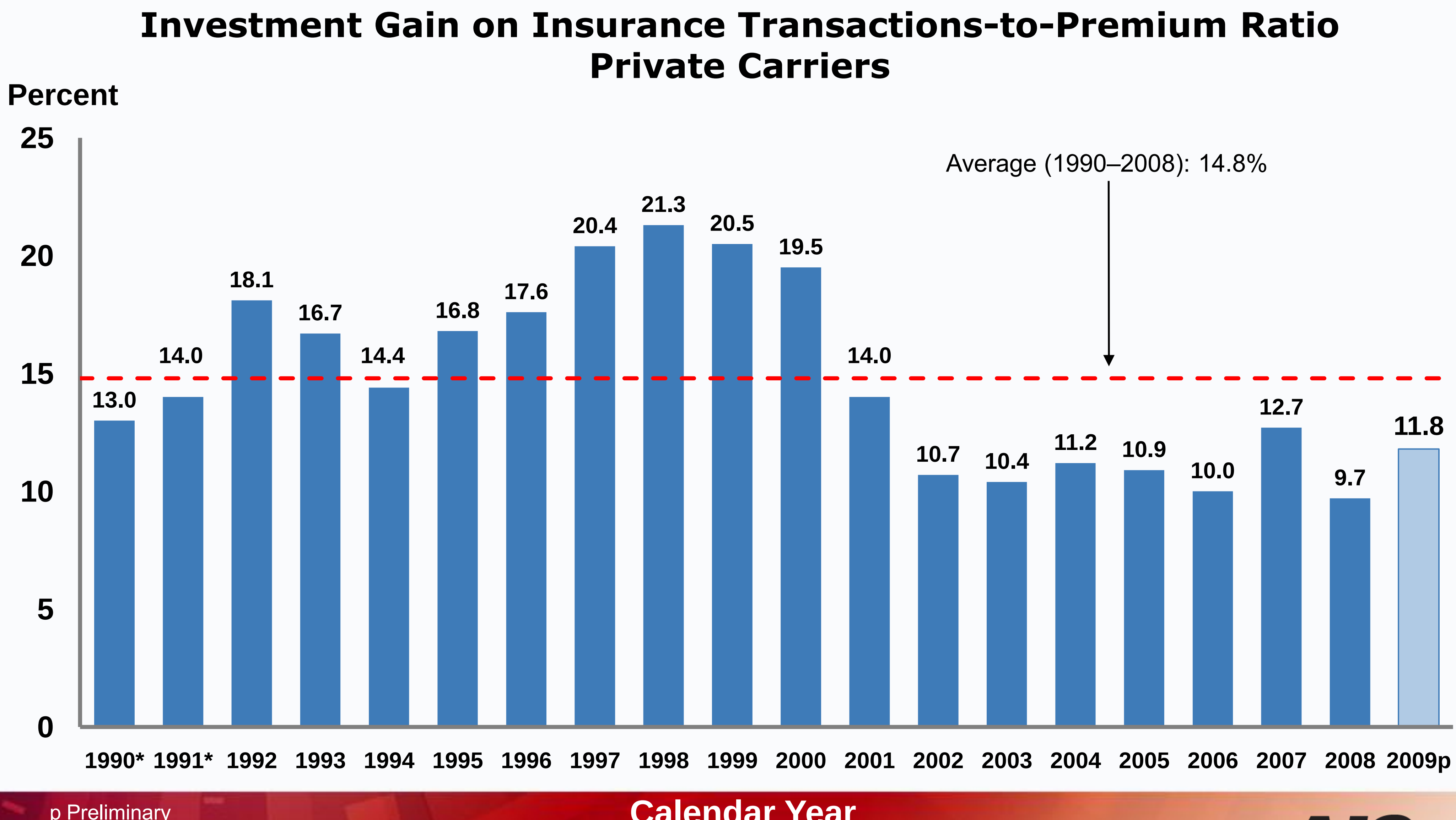
Workers Compensation Investment Returns Remain Below Historical Average



p Preliminary

Source: 1990–2008, *Best's Aggregates & Averages*; 2009p, NCCI
Investment Gain on Insurance Transactions Includes Other Income
* Adjusted to include realized capital gains to be consistent with 1992 and after

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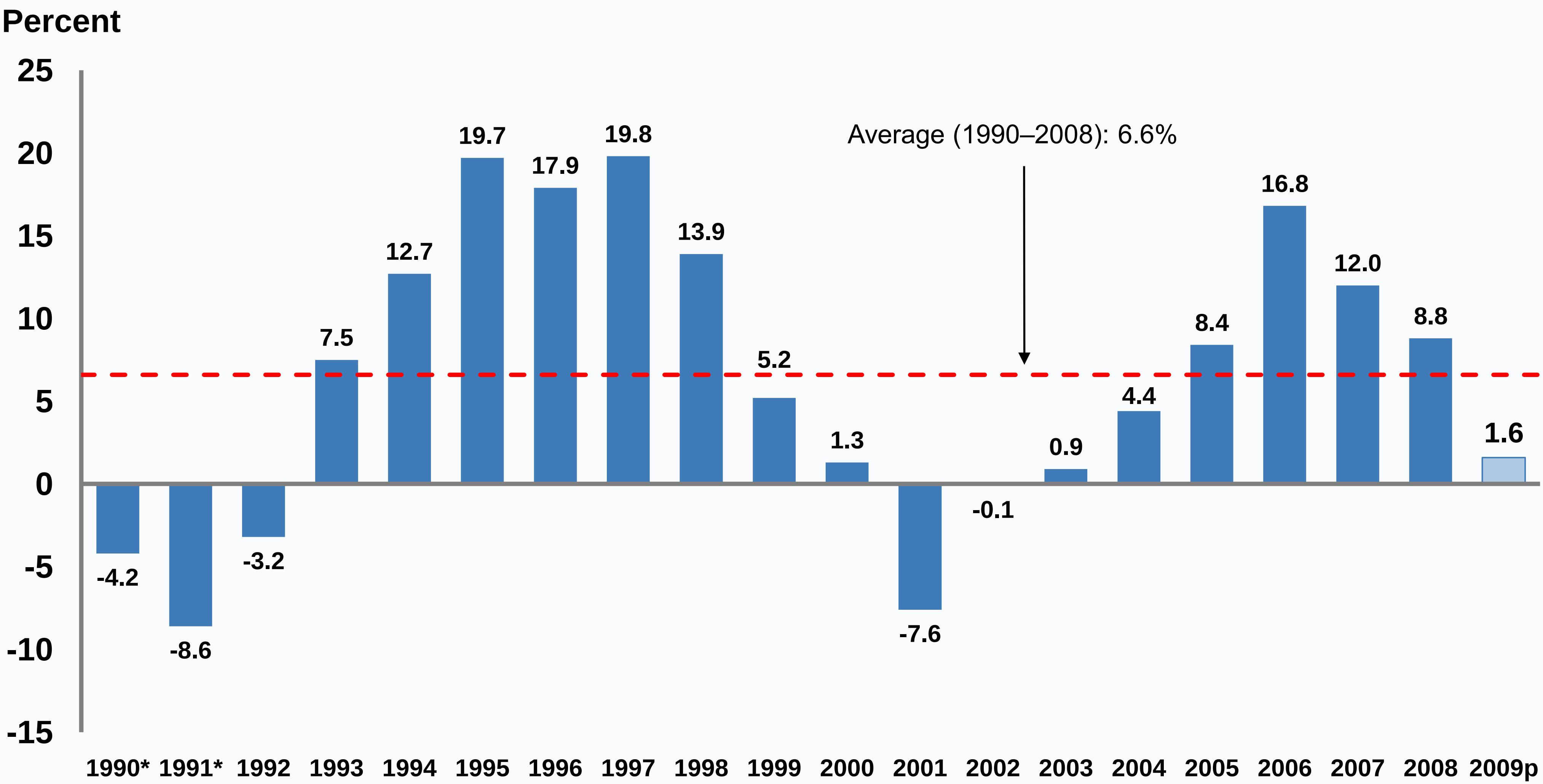
Workers Compensation Results Barely an Operating Gain

Pre-Tax Operating Gain Ratio—Private Carriers



p Preliminary

Source: 1990–2008, *Best's Aggregates & Averages*; 2009p, NCCI
Operating Gain Equals 1.00 minus (Combined Ratio Less Investment Gain on Insurance Transactions and Other Income)
* Adjusted to include realized capital gains to be consistent with 1992 and after

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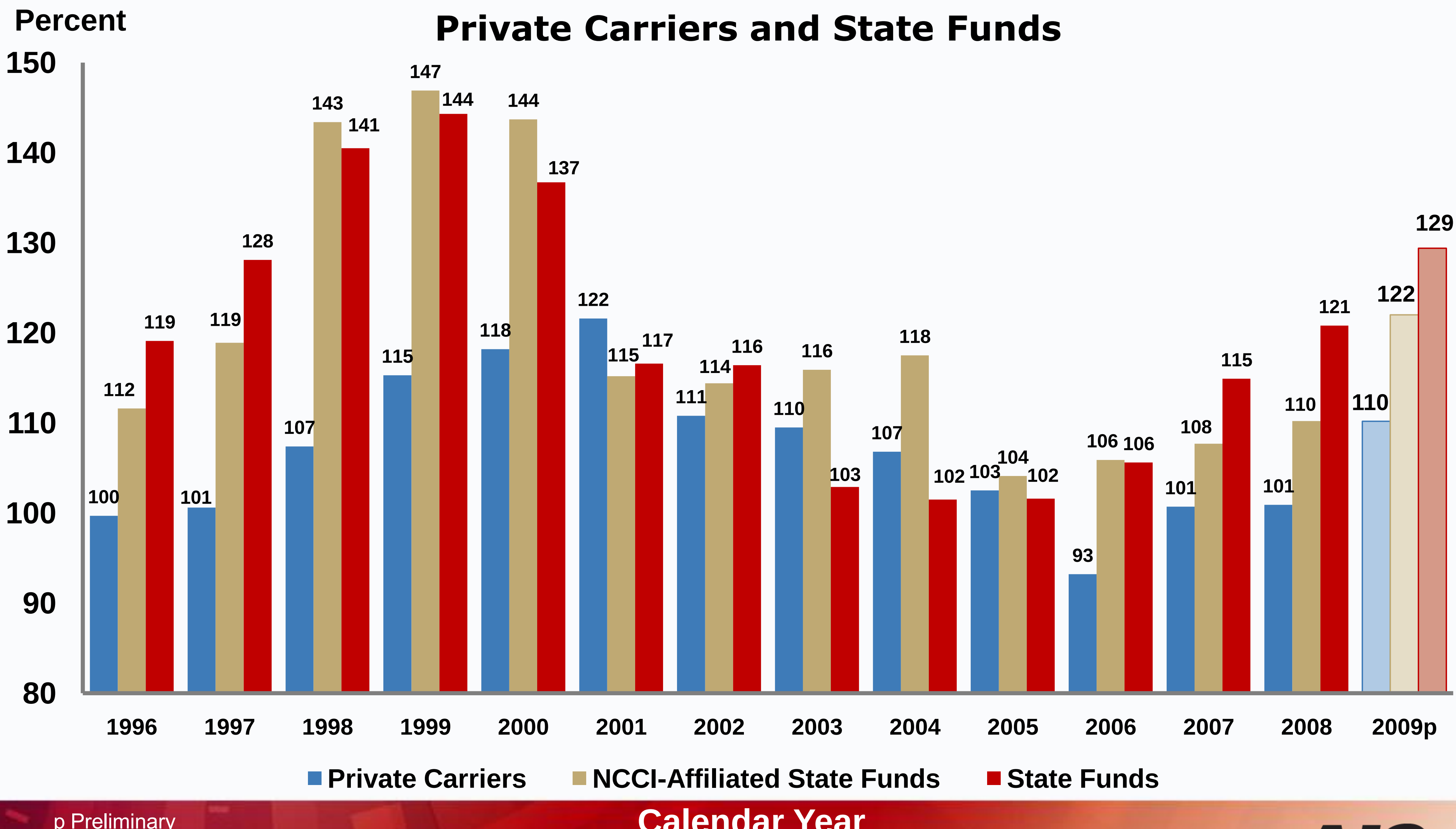
Workers Compensation Calendar Year Net Combined Ratios



p Preliminary

Source: 1996–2008 Private Carriers, *Best's Aggregates & Averages*; 2009p, NCCI
1996–2009p NCCI-Affiliated State Funds: AZ, CO, HI, ID, KY, LA, MO, MT, NM, OK, OR, RI, UT Annual Statements
1996–2009p State Funds: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, UT Annual Statements

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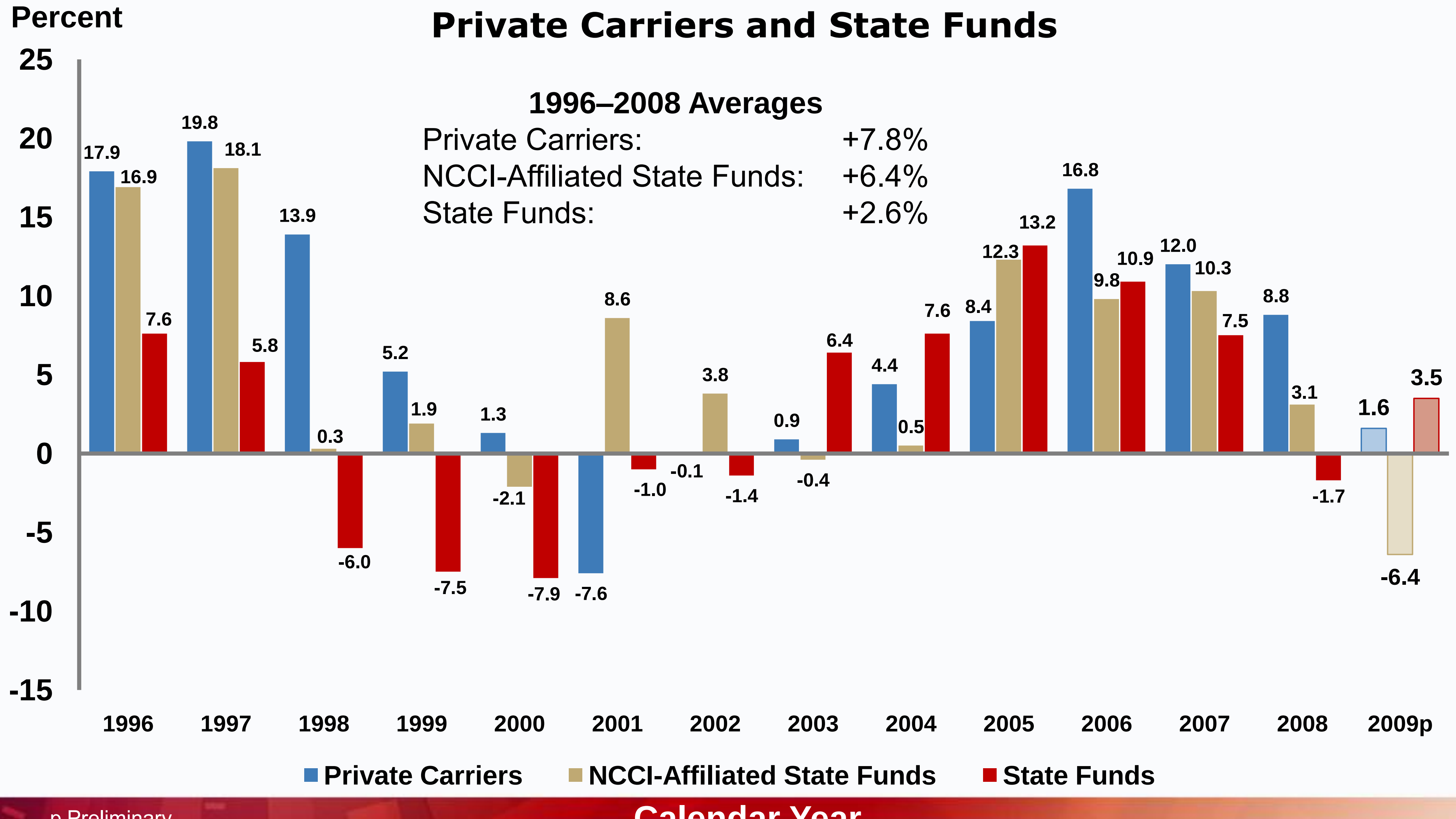
Workers Compensation Pre-Tax Operating Gain Ratios



p Preliminary

Operating Gain Equals 1.00 minus (Combined Ratio Less Investment Gain on Insurance Transactions and Other Income)

Source: 1996–2008 Private Carriers, *Best's Aggregates & Averages*; 2009p, NCCI
1996–2009p NCCI-Affiliated State Funds: AZ, CO, HI, ID, KY, LA, MO, MT, NM, OK, OR, RI, UT Annual Statements
1996–2009p State Funds: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, UT Annual Statements

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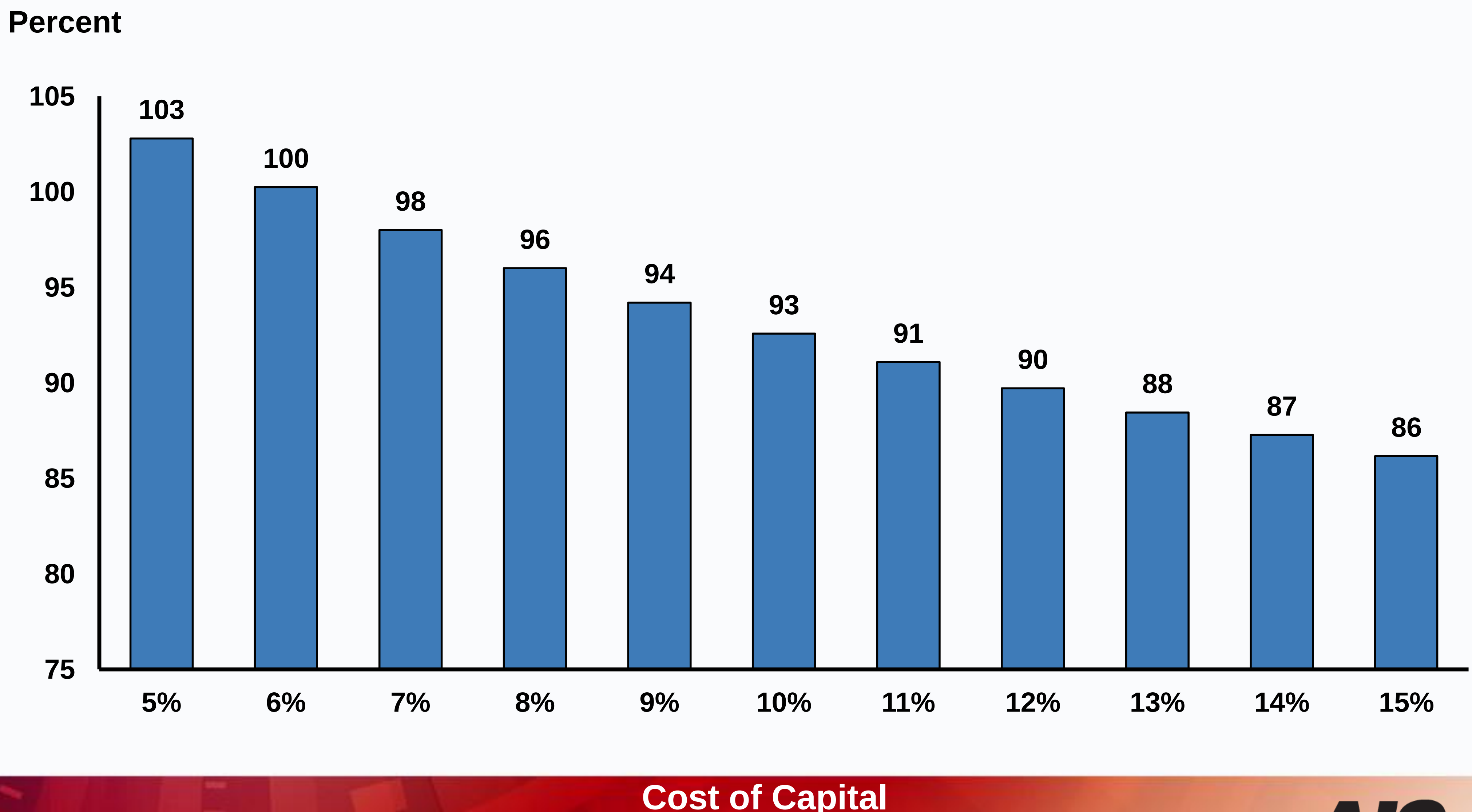
Workers Compensation Combined Ratios for Given Cost of Capital



Assumptions: 3.4% Pre-Tax Investment Yield
2.7% After-Tax Investment Yield
WC Reserve to Surplus Ratio = 2.05
Based on NCCI's 2009 Internal Rate of Return model

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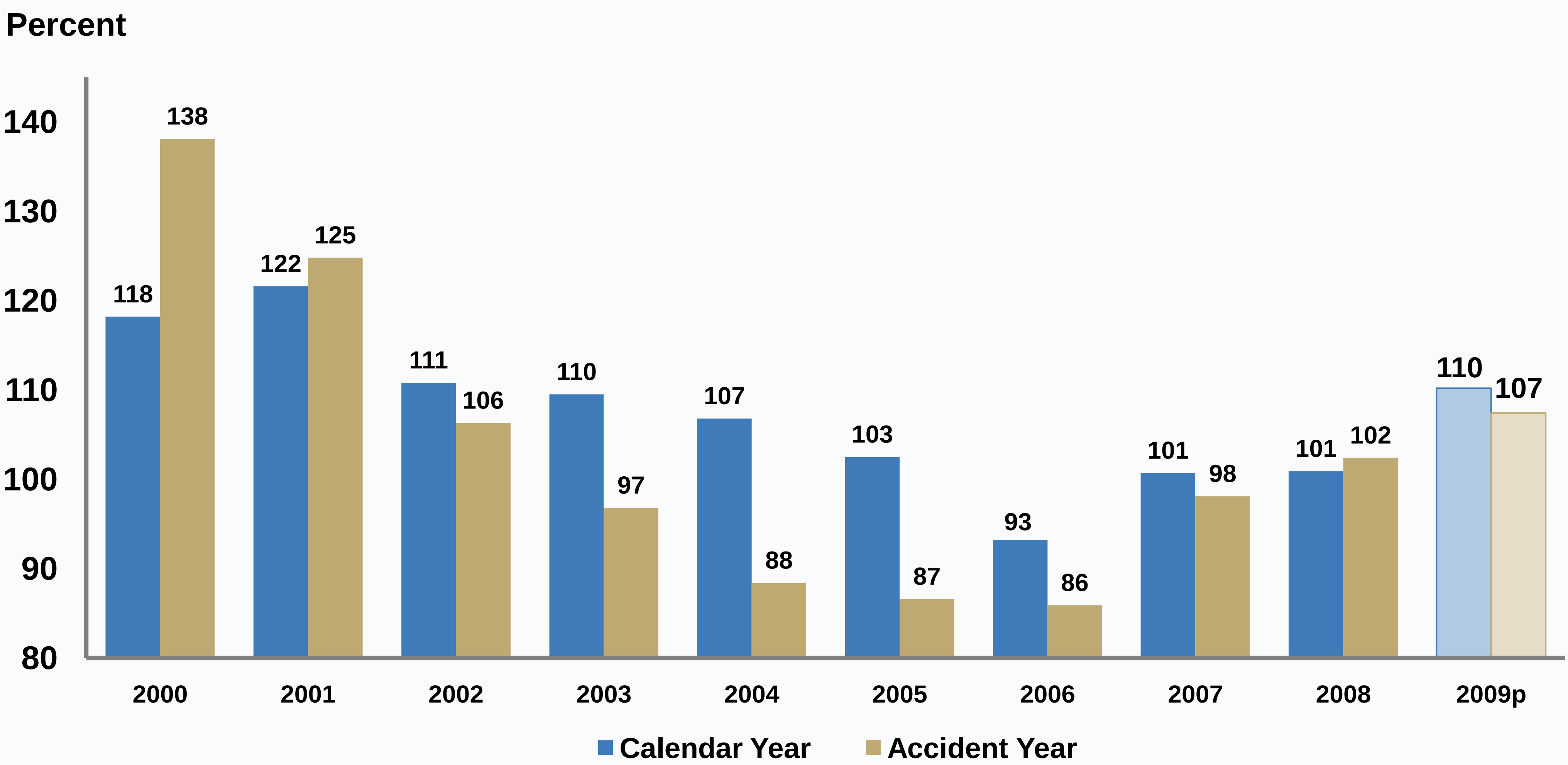
Workers Compensation

Accident Year Results and Reserve Estimates

Accident Year Combined Ratios

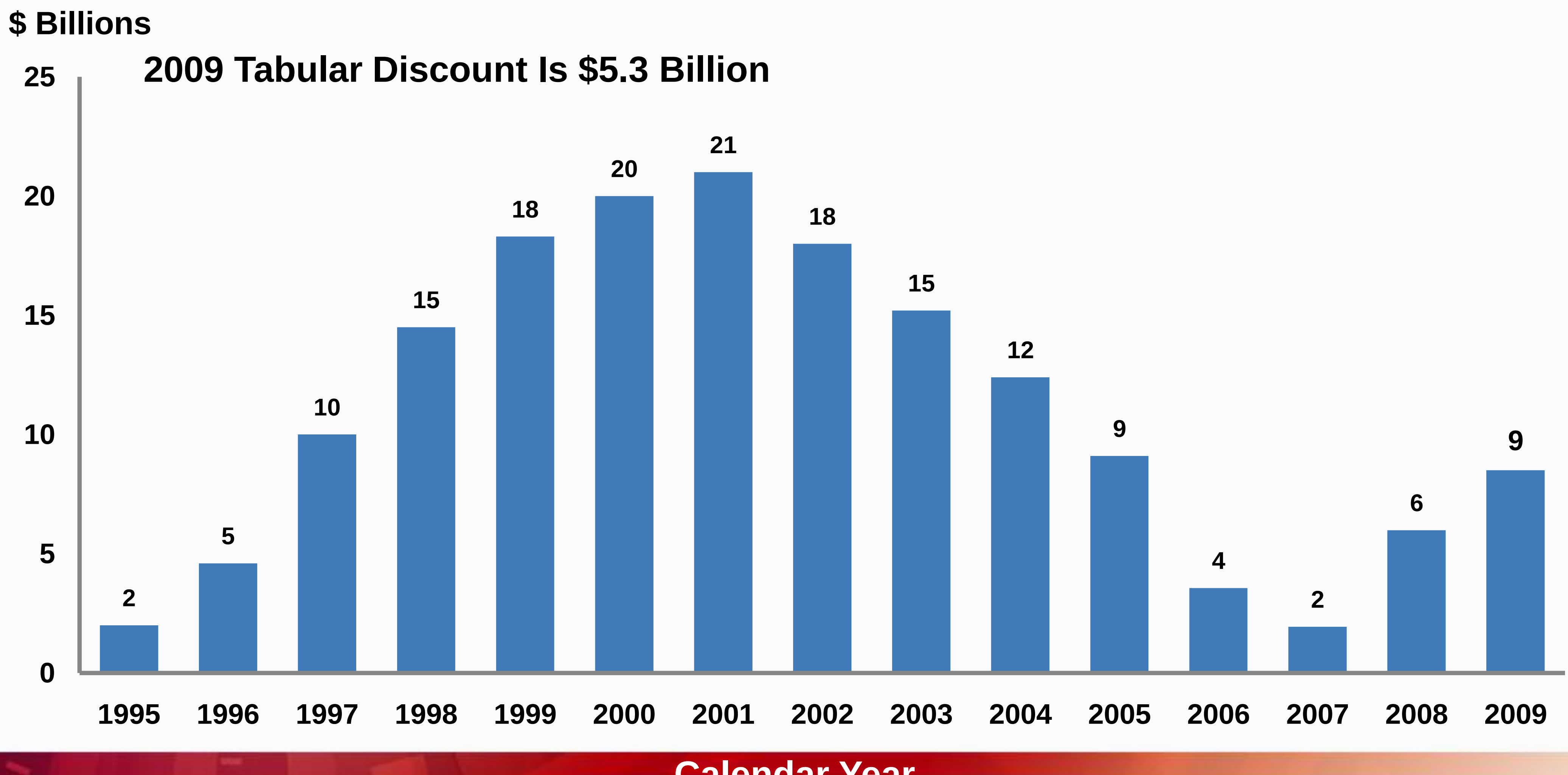
Workers Compensation Calendar Year vs. Ultimate Accident Year Private Carriers



p Preliminary
Accident Year data is evaluated as of 12/31/2009 and developed to ultimate
Source: Calendar Years 2000–2008, *Best's Aggregates & Averages*;
Calendar Year 2009p and Accident Years 2000–2009p, NCCI analysis based on Annual Statement data
Includes dividends to policyholders

Calendar Year Reserve Deficiencies

Workers Compensation Loss and LAE Reserve Deficiency
Private Carriers



Loss and LAE figures are based on NAIC Annual Statement data for each valuation date and NCCI latest selections
Source: NCCI analysis
Considers all reserve discounts as deficiencies

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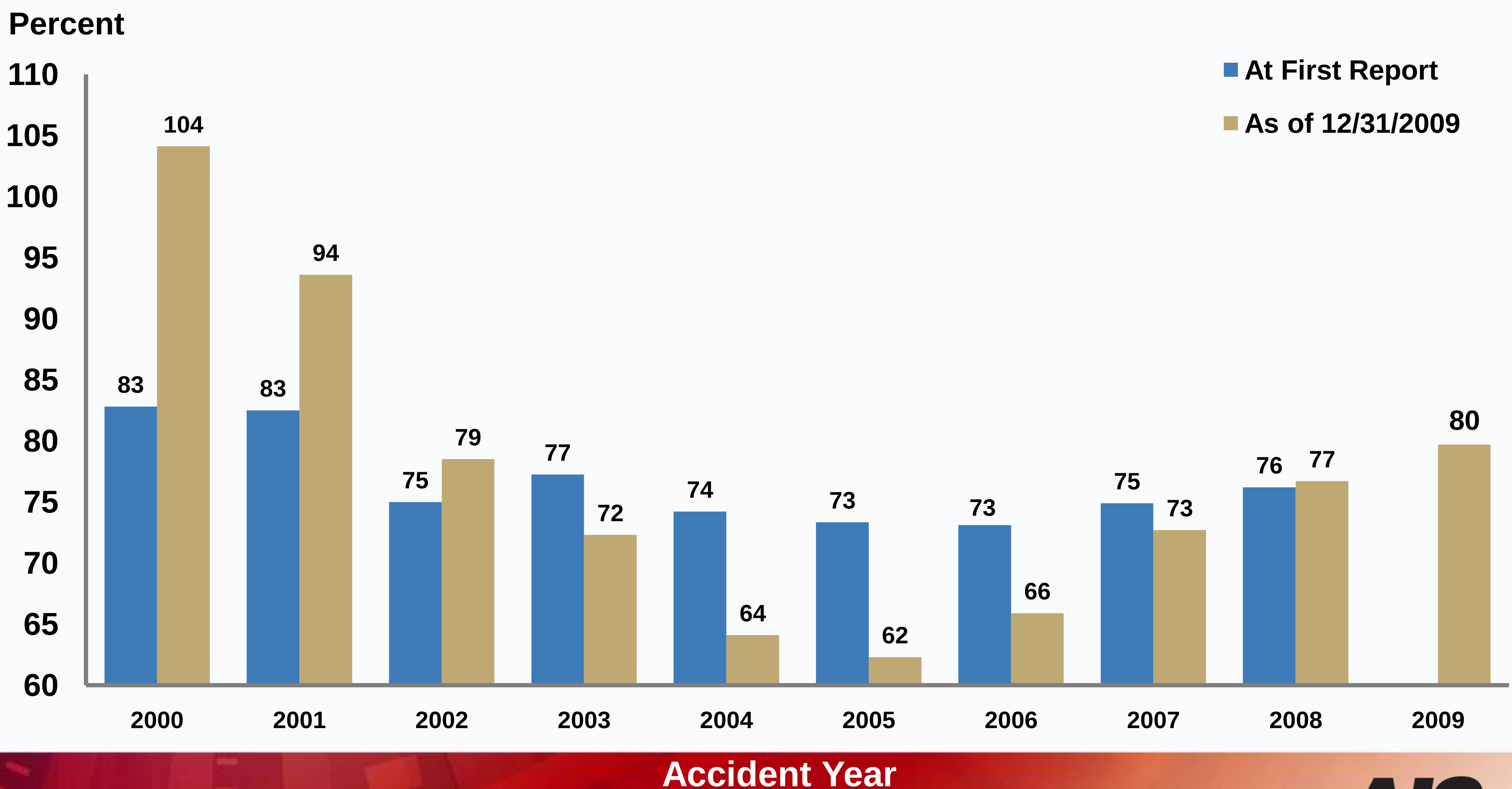
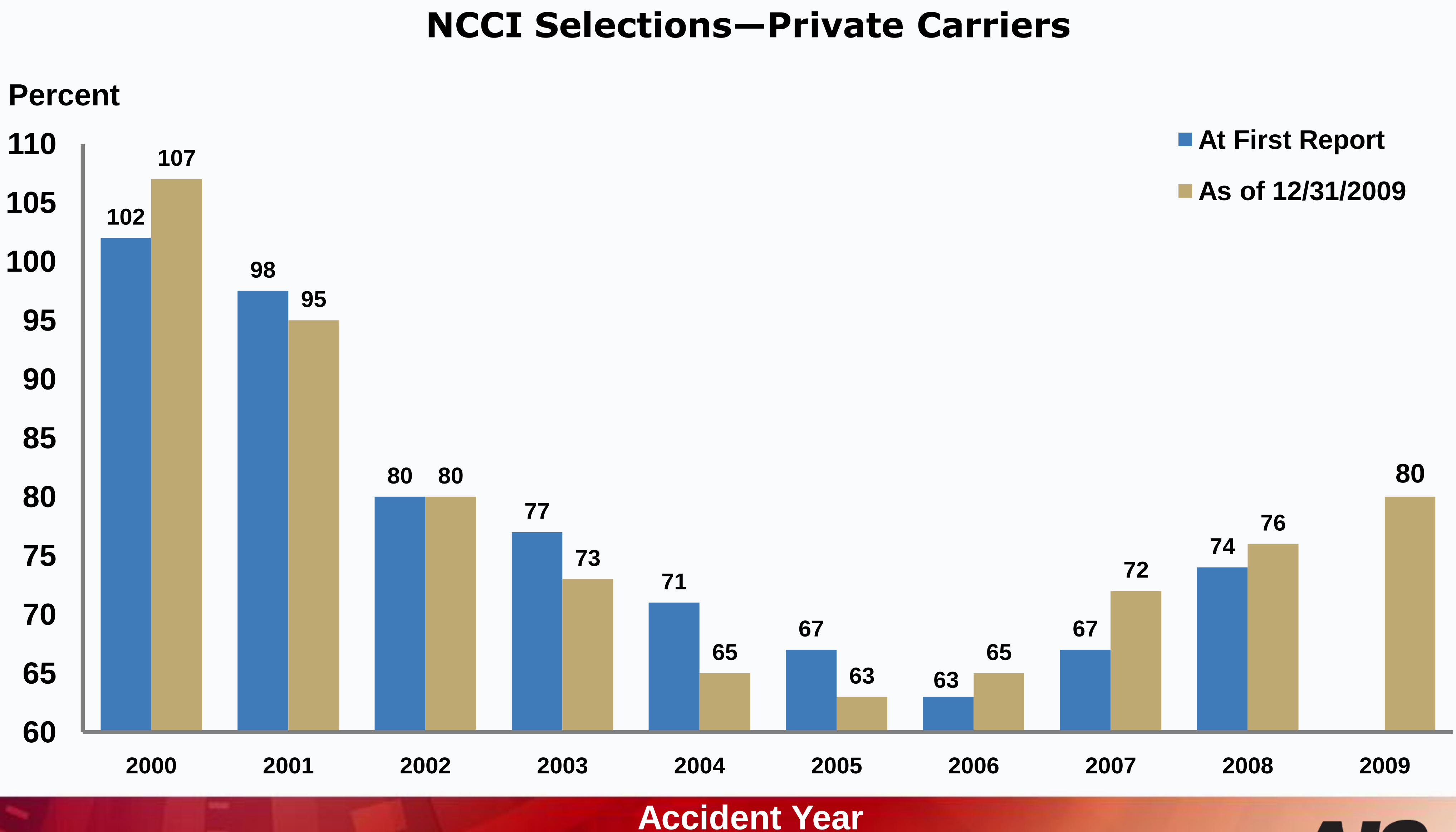
Workers Compensation
Accident Year Loss and LAE Ratios

As Reported—Private Carriers



Reported Loss and LAE ratios
Source: NAIC Annual Statement, Schedule P data as reported by Private Carriers

Workers Compensation
Accident Year Loss and LAE Ratios



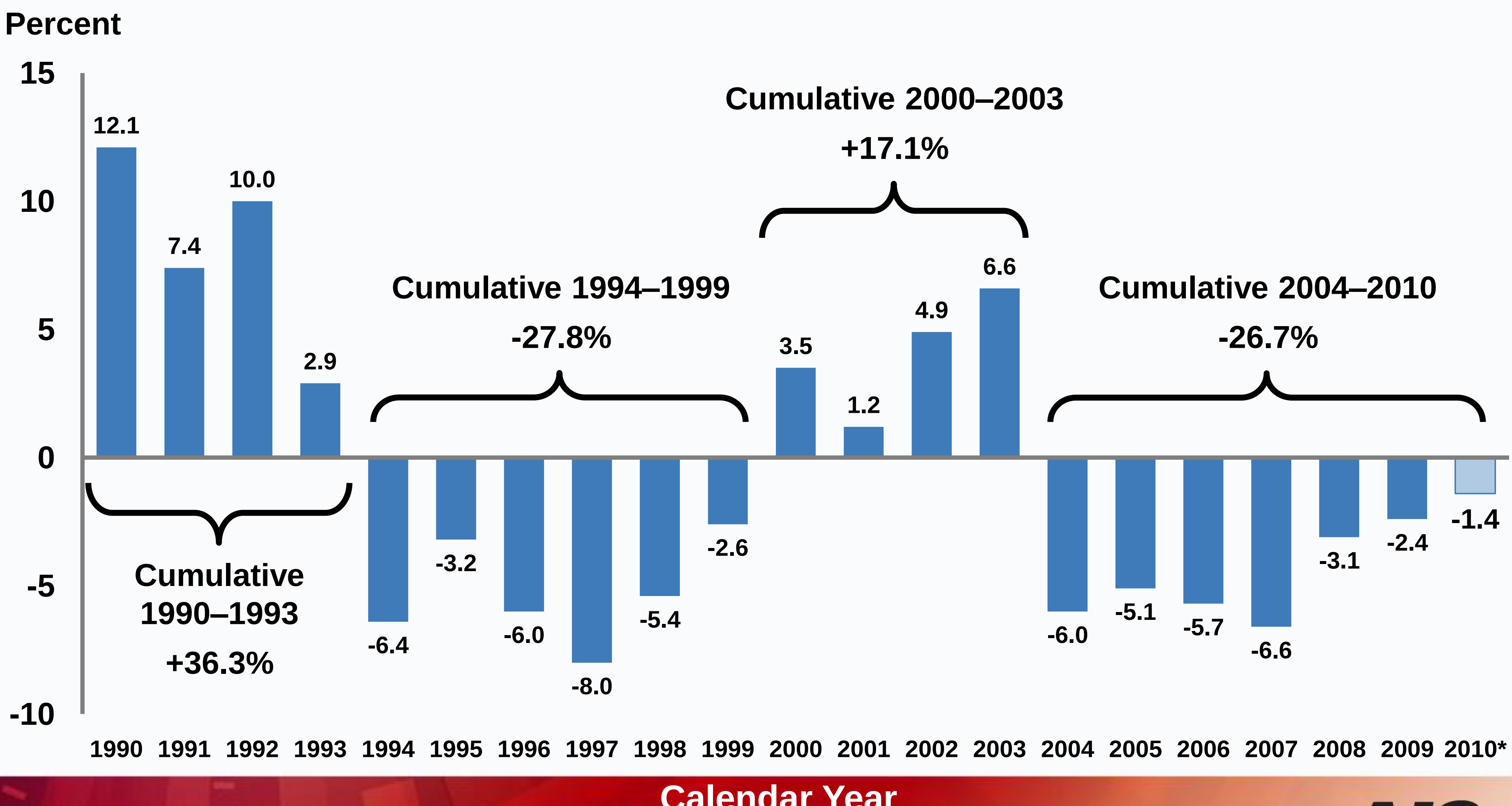
Selected Loss and LAE ratios
Source: NCCI Reserve Analysis

Workers Compensation

Premium Drivers

Average Approved Bureau Rates/Loss Costs

History of Average WC Bureau Rate/Loss Cost Level Changes



* States approved through 4/23/2010
Countrywide approved changes in advisory rates, loss costs, and assigned risk rates as filed by the applicable rating organization

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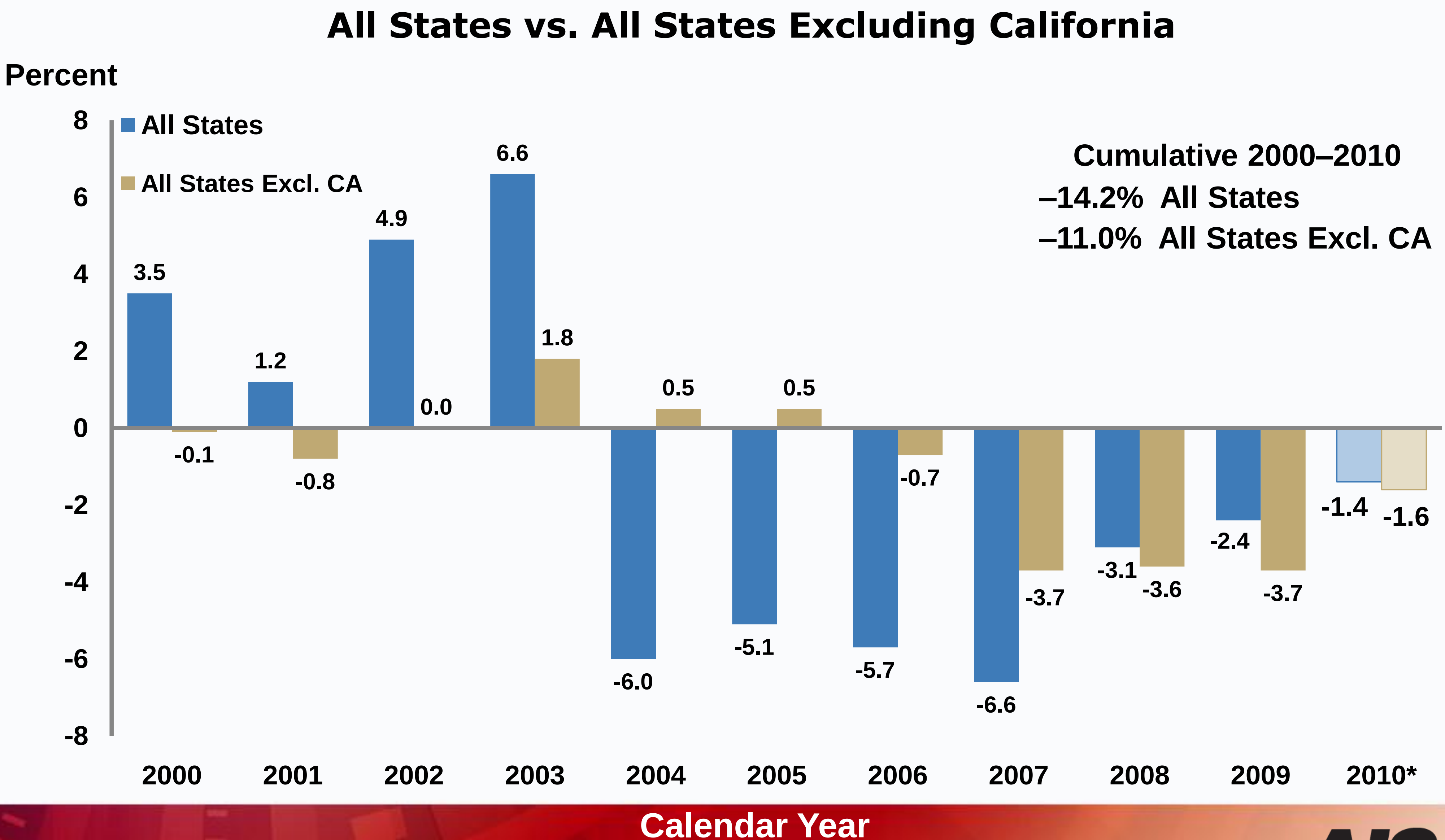
Average Approved Bureau Rates/Loss Costs



* States approved through 4/23/2010

Countrywide approved changes in advisory rates, loss costs, and assigned risk rates as filed by the applicable rating organization

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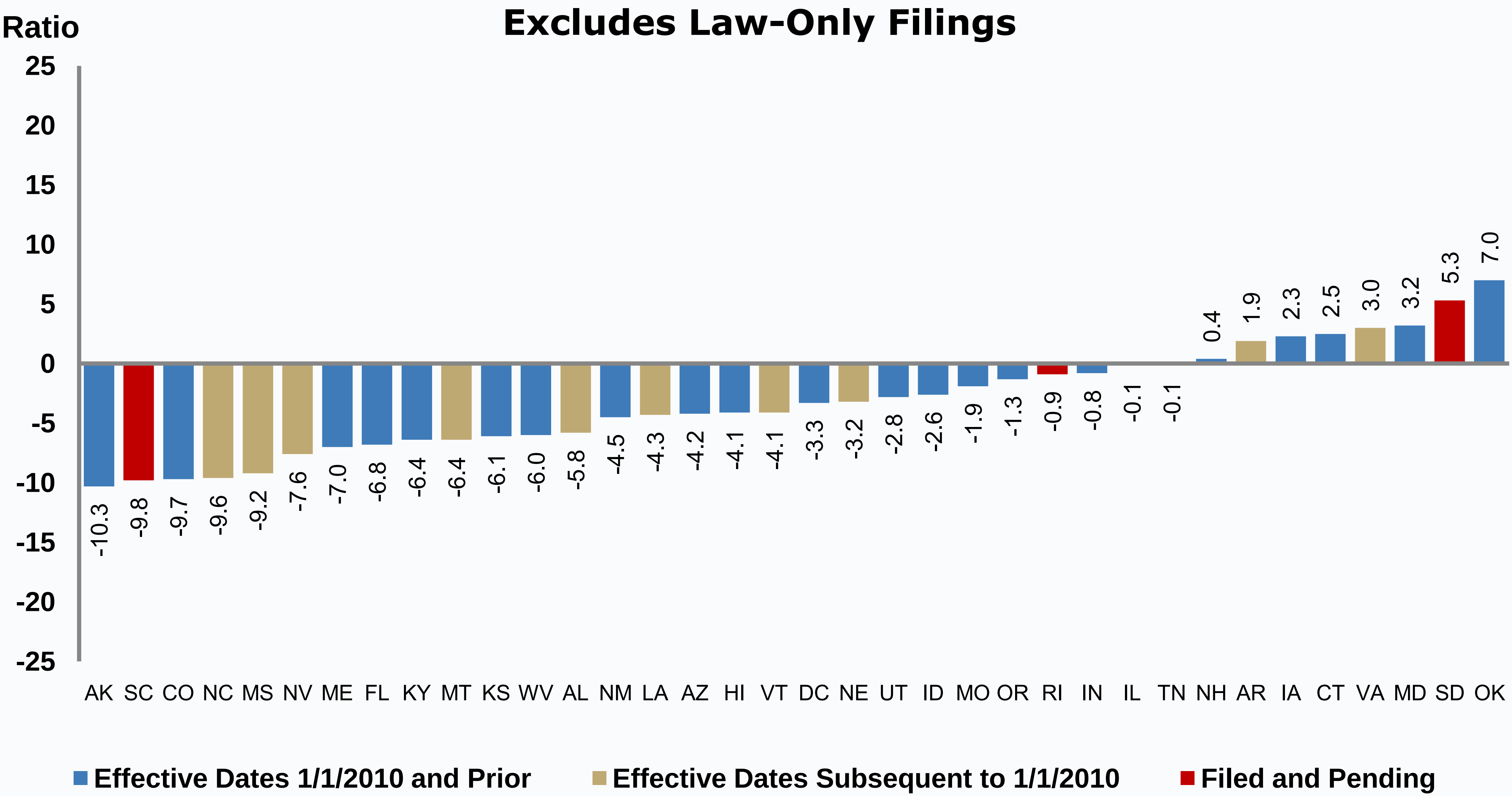
Current NCCI Voluntary Market Filed Rate/Loss Cost Changes



States filed through 4/23/2010

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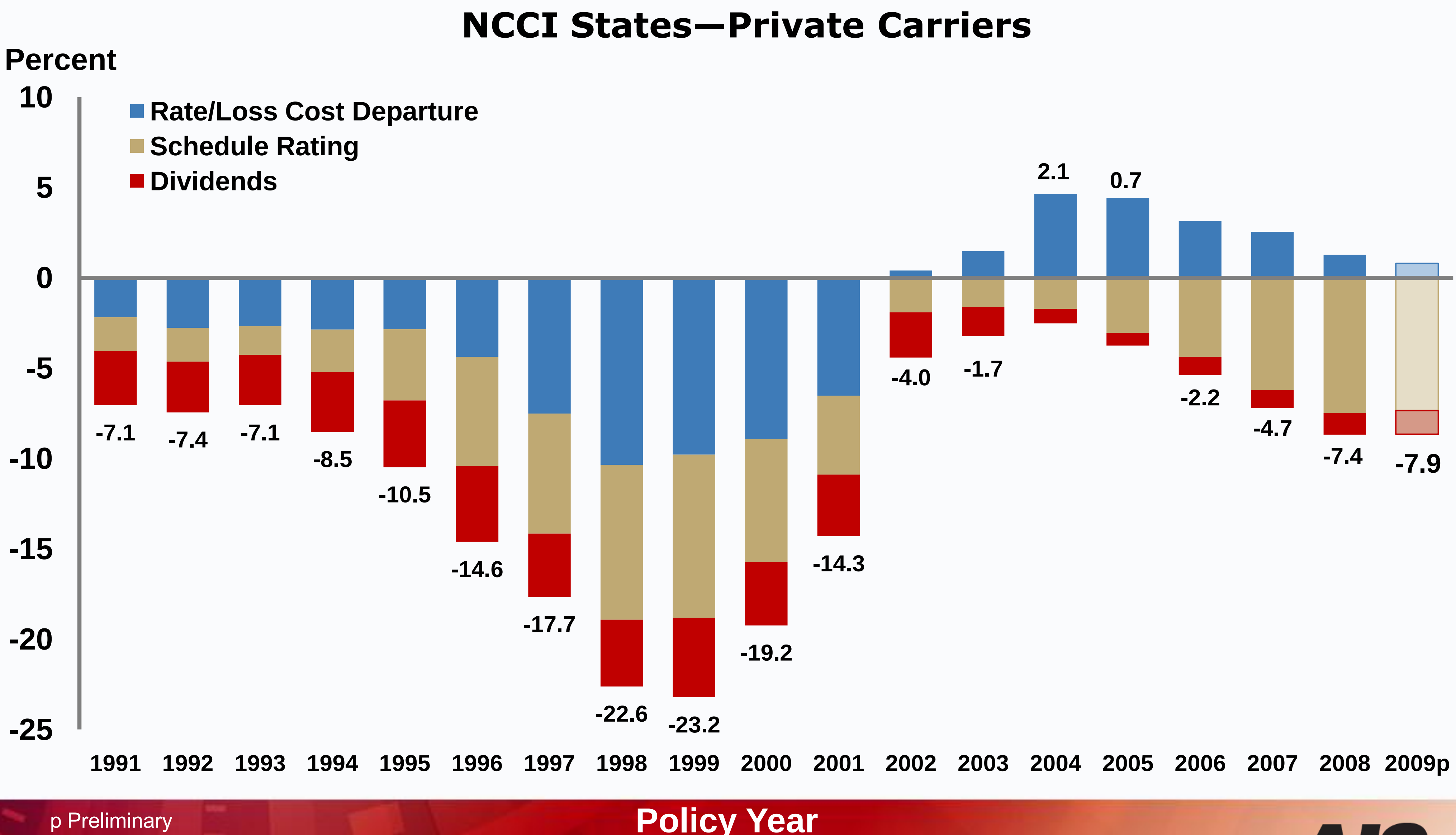
Impact of Discounting on Workers Compensation Premium



p Preliminary
Dividend ratios are based on calendar year statistics
NCCI benchmark level does not include an underwriting contingency provision
Based on data through 12/31/2009 for the states where NCCI provides ratemaking services

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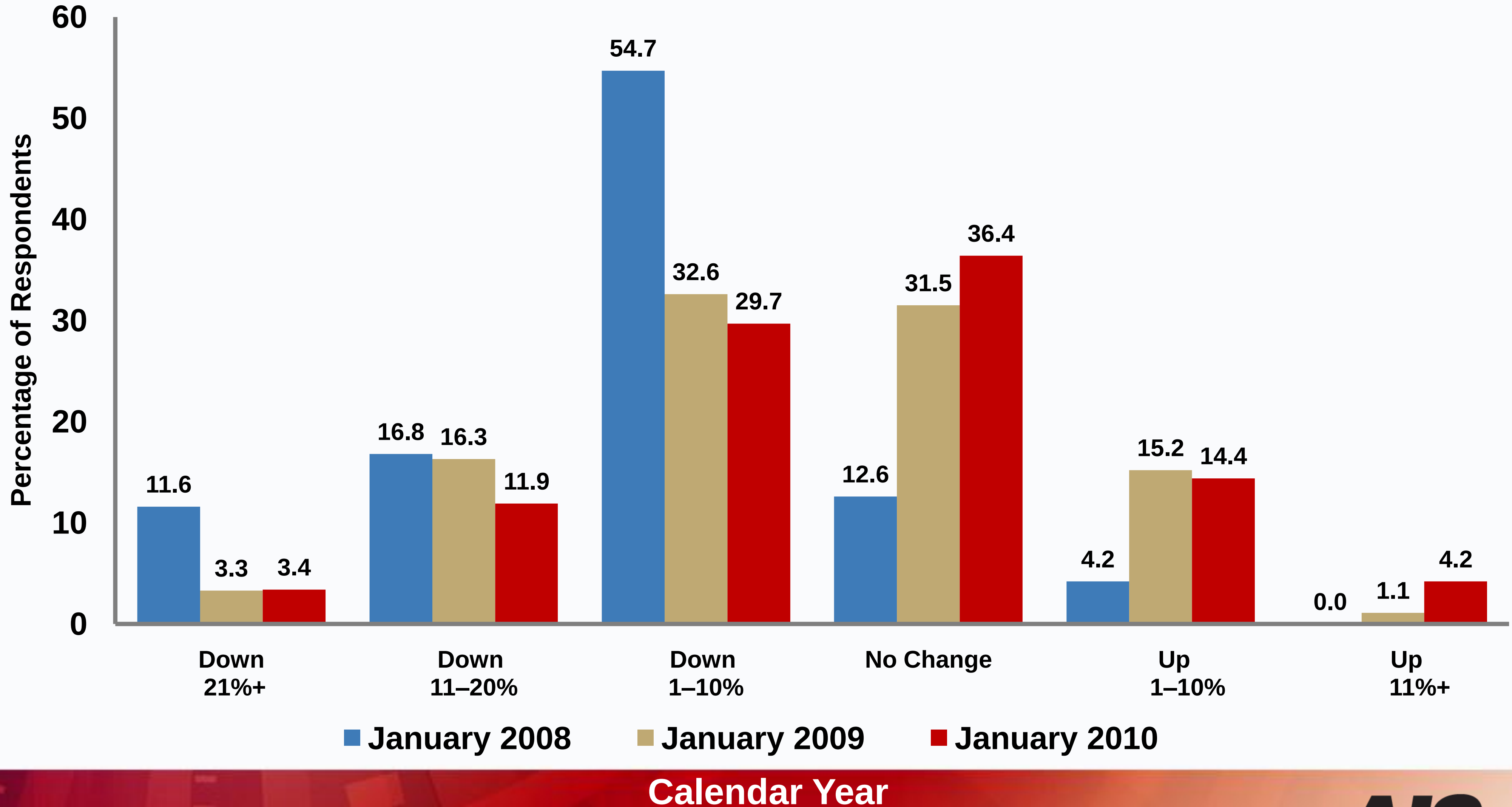
According to Goldman Sachs, Pricing Declines Continue to Moderate

Agent Responses on WC Policy Renewal Premiums vs. 12 Months Prior

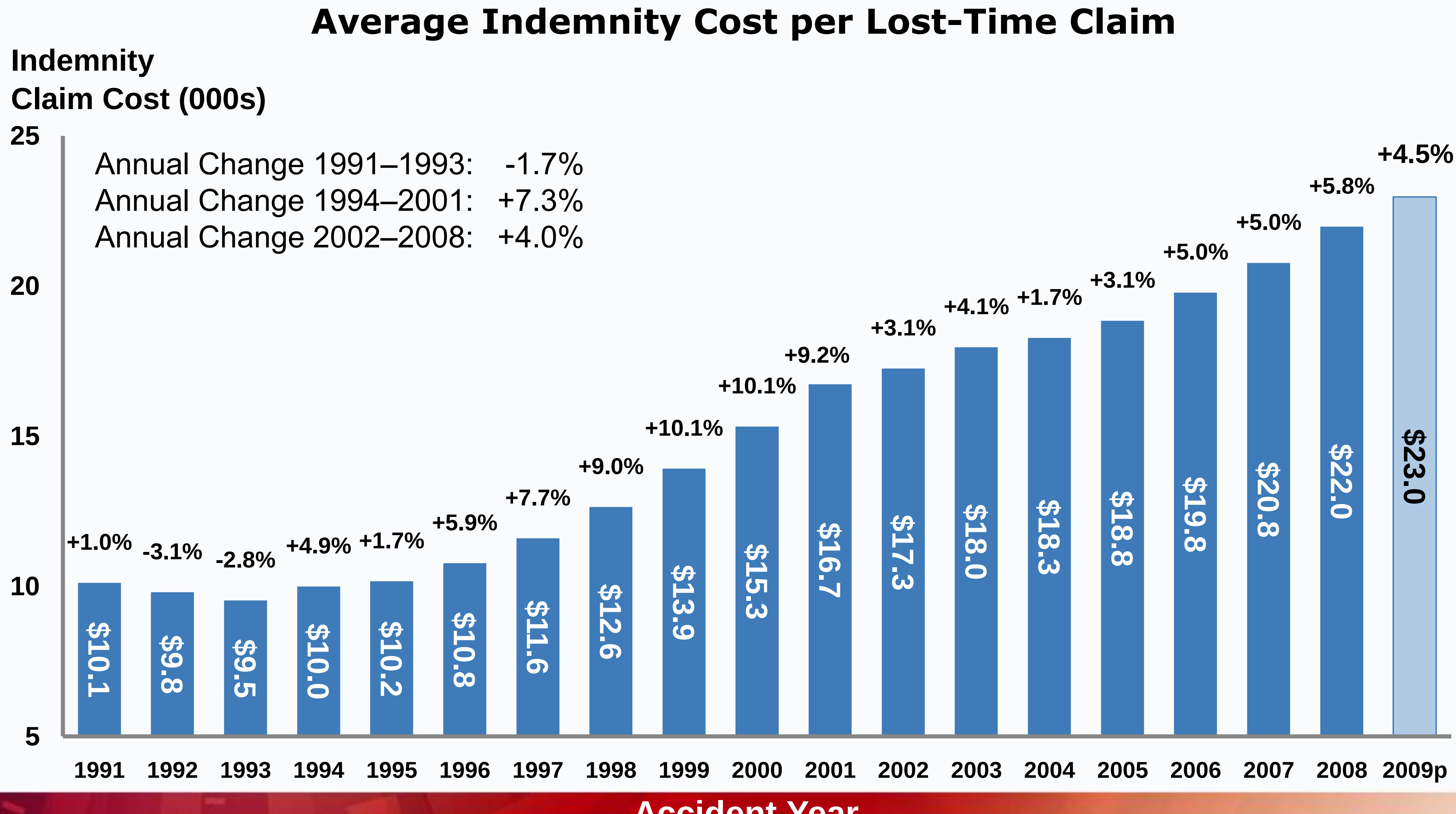


Source: Goldman Sachs Research, Proprietary Survey, "January 2010 Pricing Survey, Insurance: Property & Casualty" (Exhibit 8, Workers' Compensation, Percentage of Respondents)

Workers Compensation

Loss Drivers

Workers Compensation Indemnity Claim Costs Continue to Grow



2009p: Preliminary based on data valued as of 12/31/2009
1991–2008: Based on data through 12/31/2008, developed to ultimate
Based on the states where NCCI provides ratemaking services, including state funds
Excludes high deductible policies

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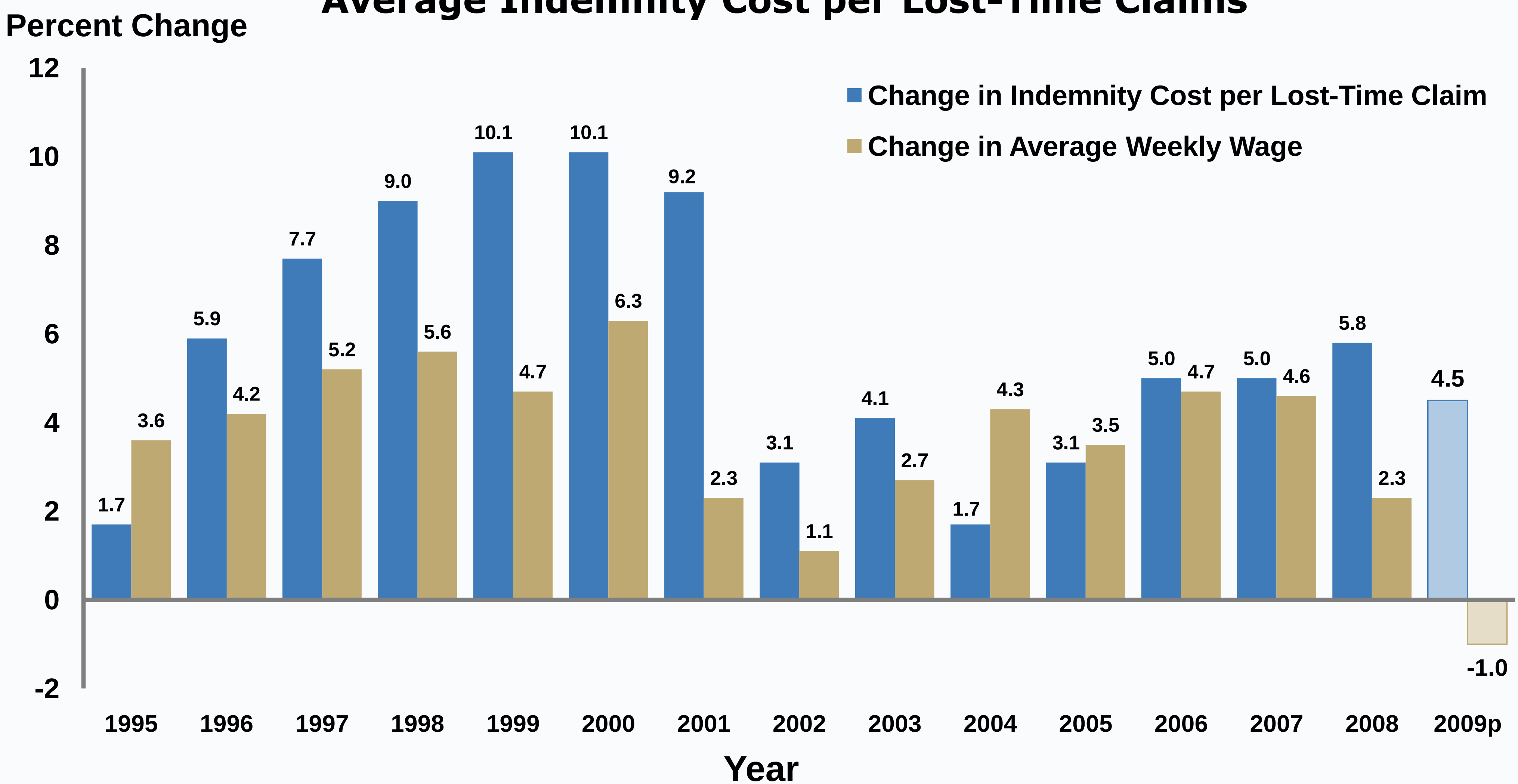
WC Indemnity Severity Continues to Outpace Wage Inflation

Average Indemnity Cost per Lost-Time Claims



Indemnity severity 2009p: Preliminary based on data valued as of 12/31/2009
Indemnity severity 1995–2008: Based on data through 12/31/2008, developed to ultimate
Based on the states where NCCI provides ratemaking services, including state funds; excludes high deductible policies
Source: Average Weekly Wage 1995–2008: Quarterly Census of Employment and Wages, Economy.com; 2009p, NCCI
Accident year indemnity severity—NCCI states, NCCI

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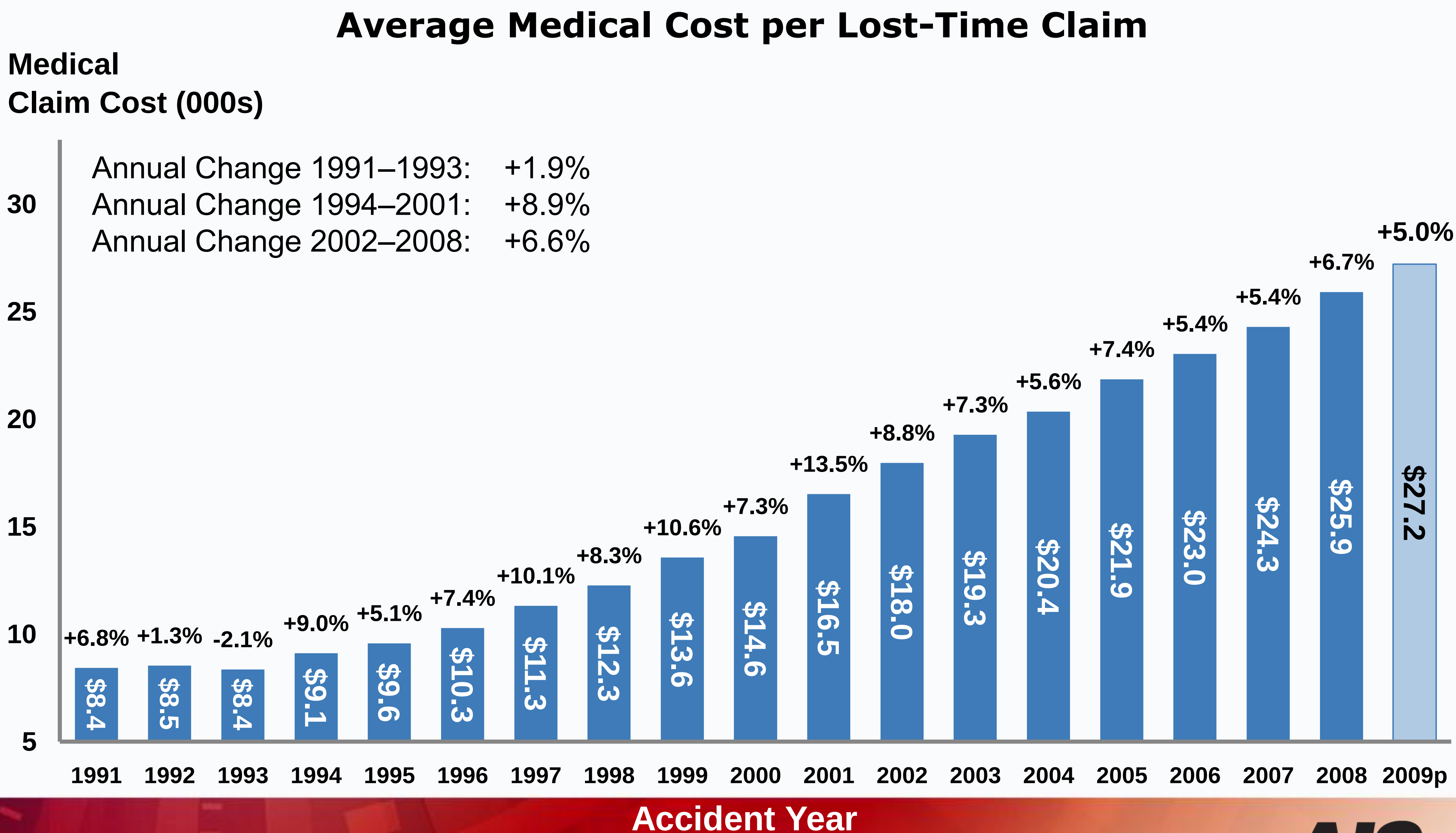
WC Medical Claim Costs Will Moderate Trends Continue?



2009p: Preliminary based on data valued as of 12/31/2009
1991–2008: Based on data through 12/31/2008, developed to ultimate
Based on the states where NCCI provides ratemaking services, including state funds
Excludes high deductible policies

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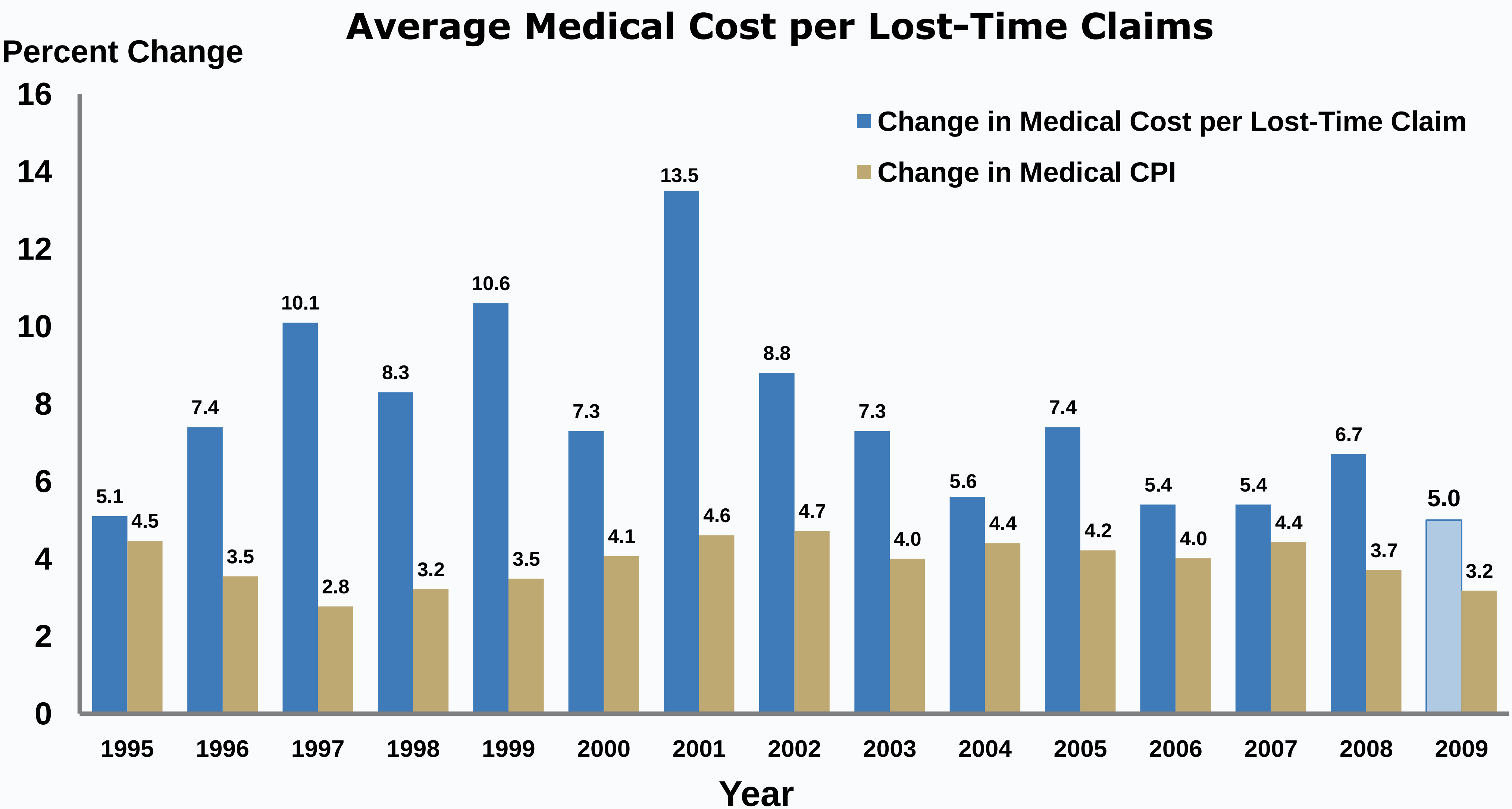
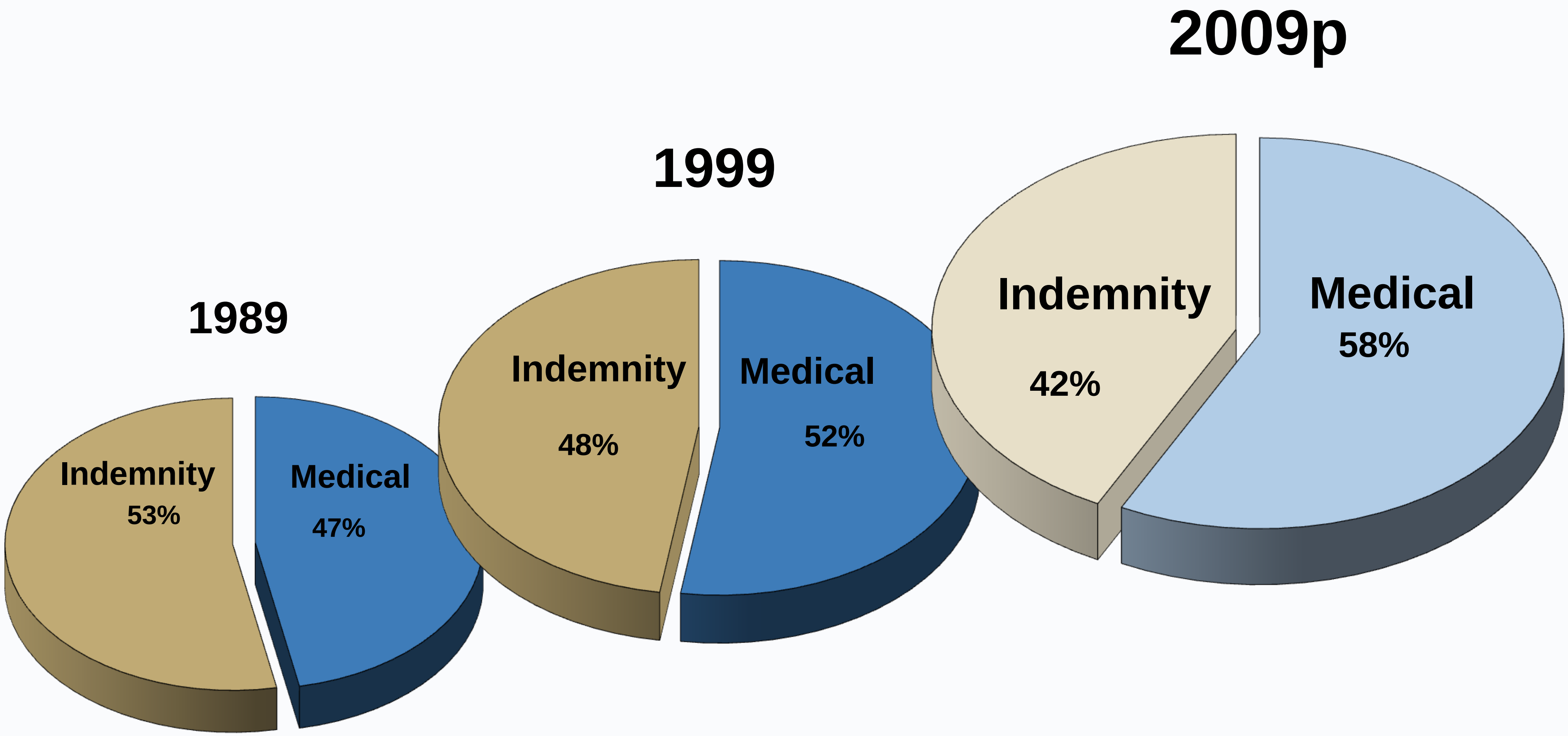
WC Medical Severity Still Growing Faster Than the Medical CPI



Medical severity 2009p: Preliminary based on data valued as of 12/31/2009
Medical severity 1995–2008: Based on data through 12/31/2008, developed to ultimate
Based on the states where NCCI provides ratemaking services, including state funds; excludes high deductible policies
Source: Medical CPI—All states, Economy.com; Accident year medical severity—NCCI states, NCCI

Workers Compensation Medical Losses Are More Than Half of Total Losses

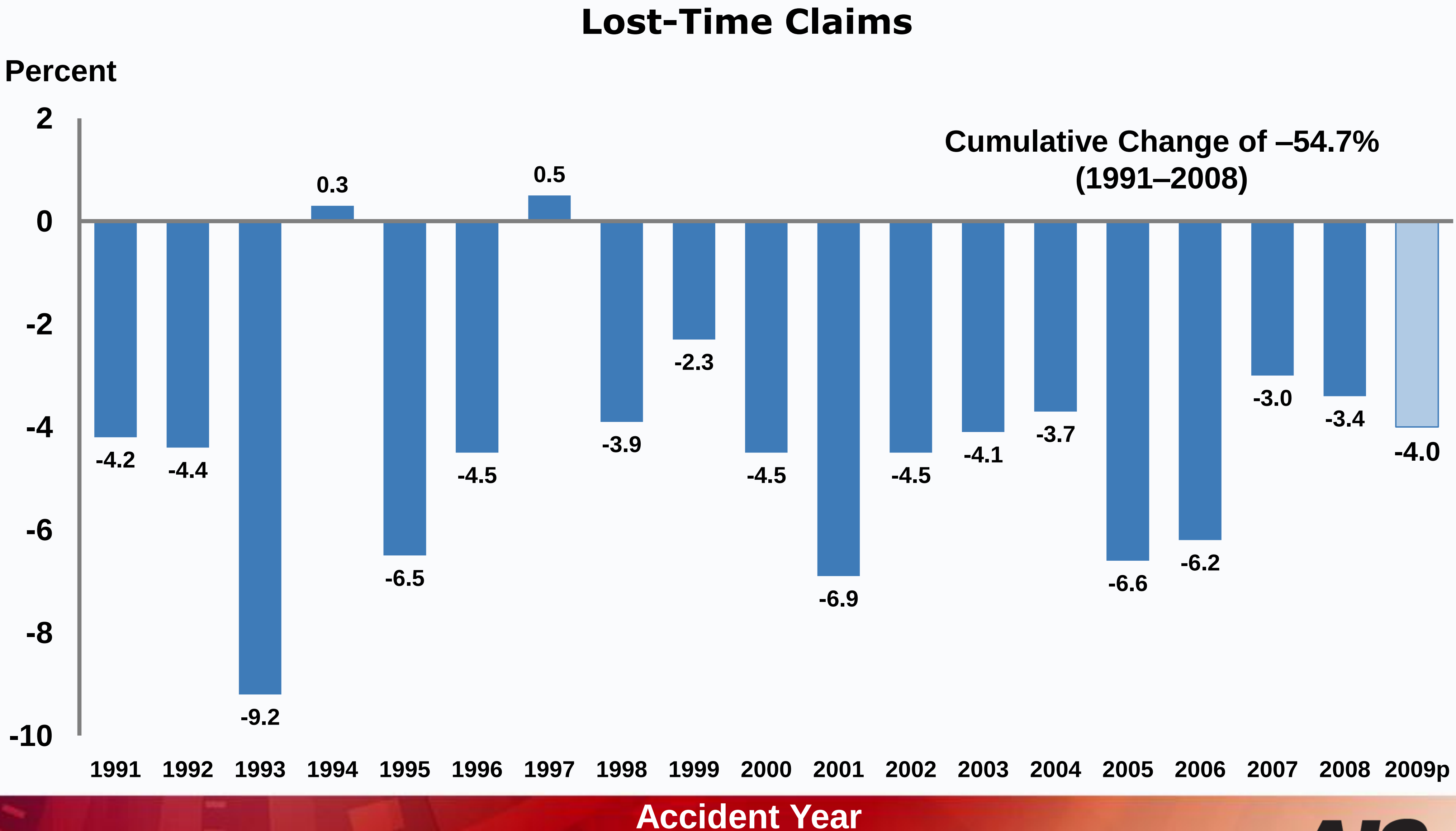
All Claims—NCCI States



Accident Year

2009p: Preliminary based on data valued as of 12/31/2009
1989, 1999: Based on data through 12/31/2008, developed to ultimate
Based on the states where NCCI provides ratemaking services, including state funds
Excludes high deductible policies

Workers Compensation Lost-Time Claim Frequency Continues to Decline



2009p: Preliminary based on data valued as of 12/31/2009
1991–2008: Based on data through 12/31/2008, developed to ultimate
Based on the states where NCCI provides ratemaking services, including state funds; excludes high deductible policies
Frequency is the number of lost-time claims per 100,000 workers as estimated from reported premium

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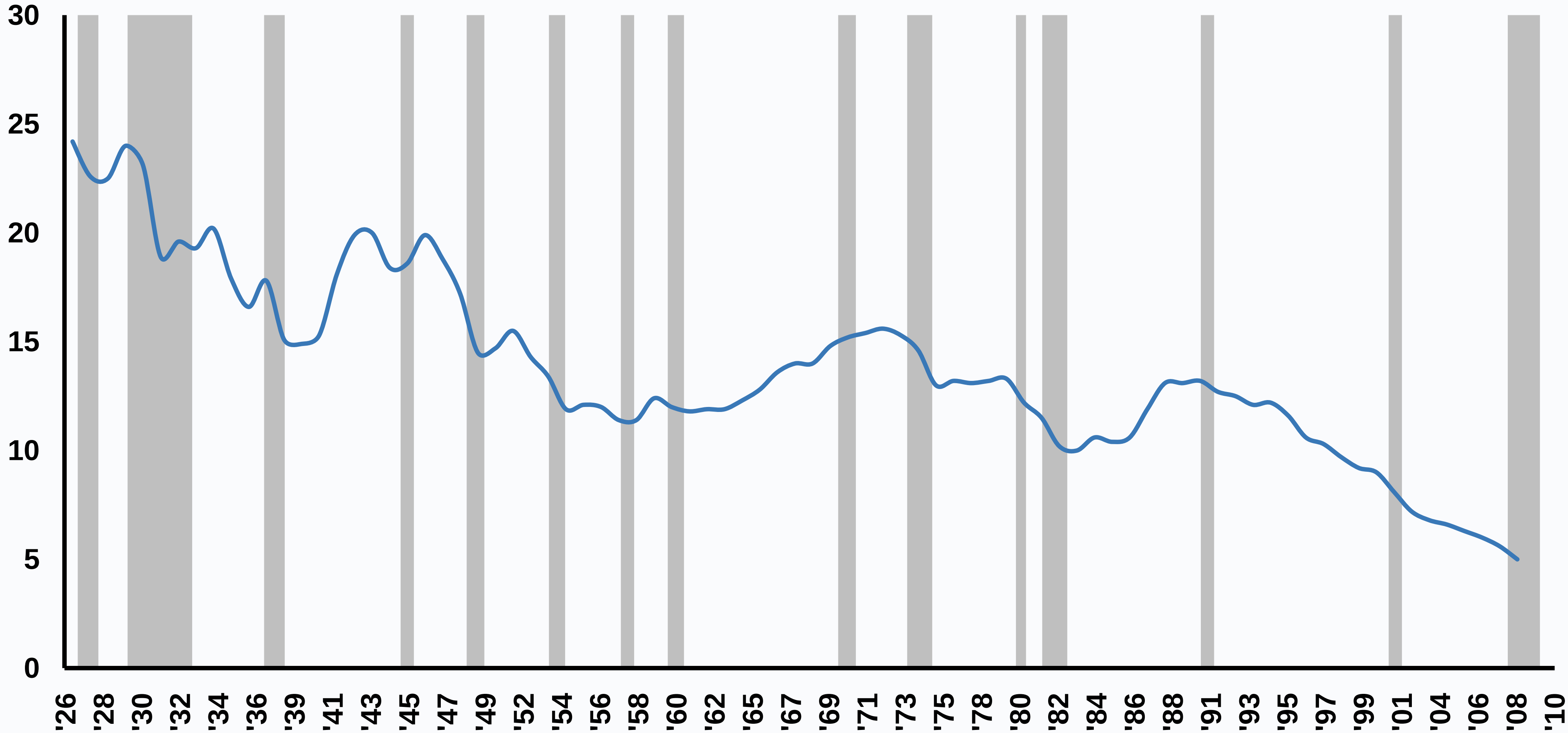
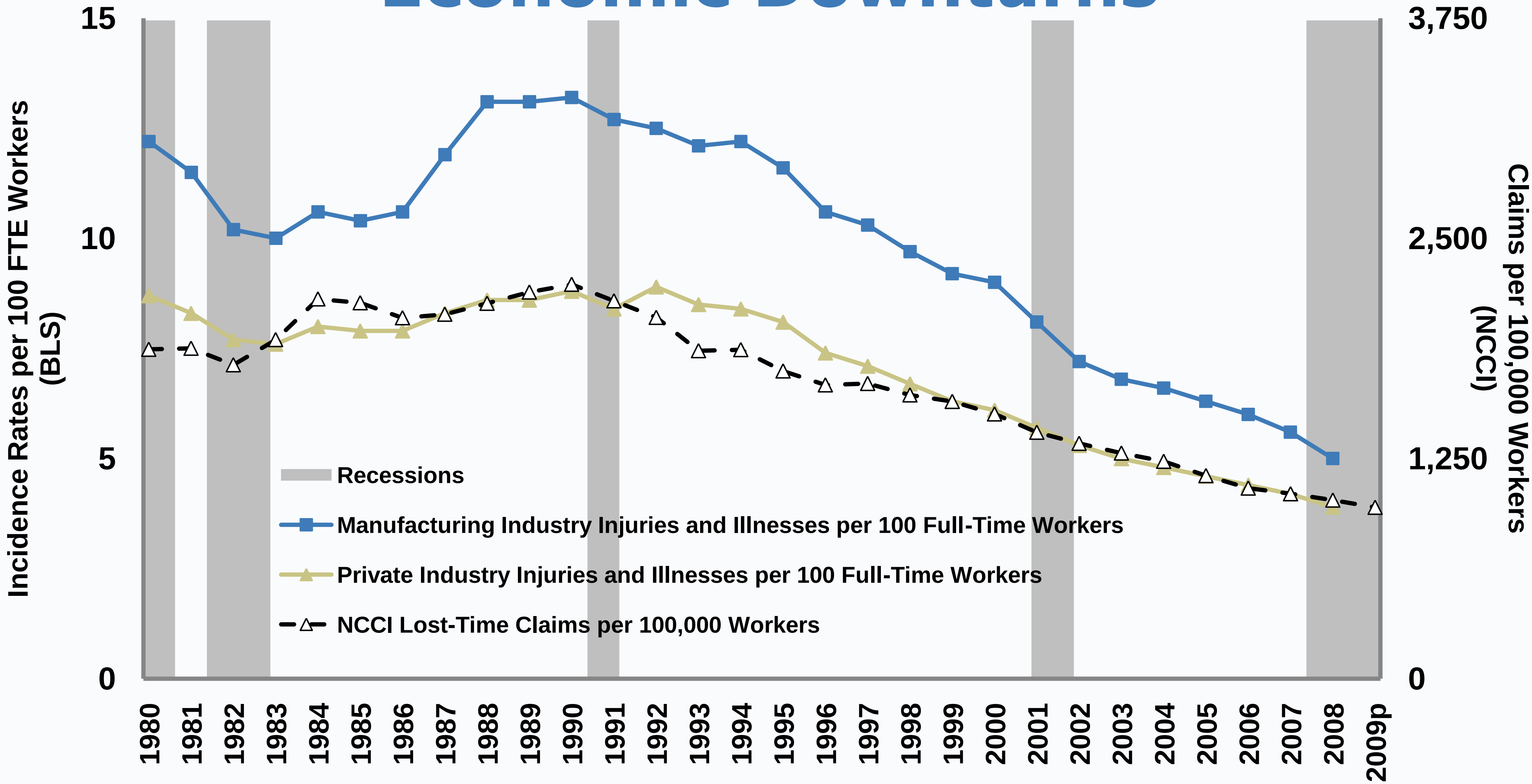
Frequency
A Long-Term Drift Downward

Manufacturing—Total Recordable Cases
Rate of Injury and Illness Cases per 100 Full-Time Workers



Note: Recessions indicated by gray bars
Source: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

Workplace Injury Incidence Rates Have Shown Declines in Last Four Economic Downturns



p Preliminary

Source: US Department of Labor, Bureau of Labor Statistics (BLS), National Bureau of Economic Research
NCCI Frequency and Severity Analysis; based on the states where NCCI provides ratemaking services, including state funds; excludes high deductible policies

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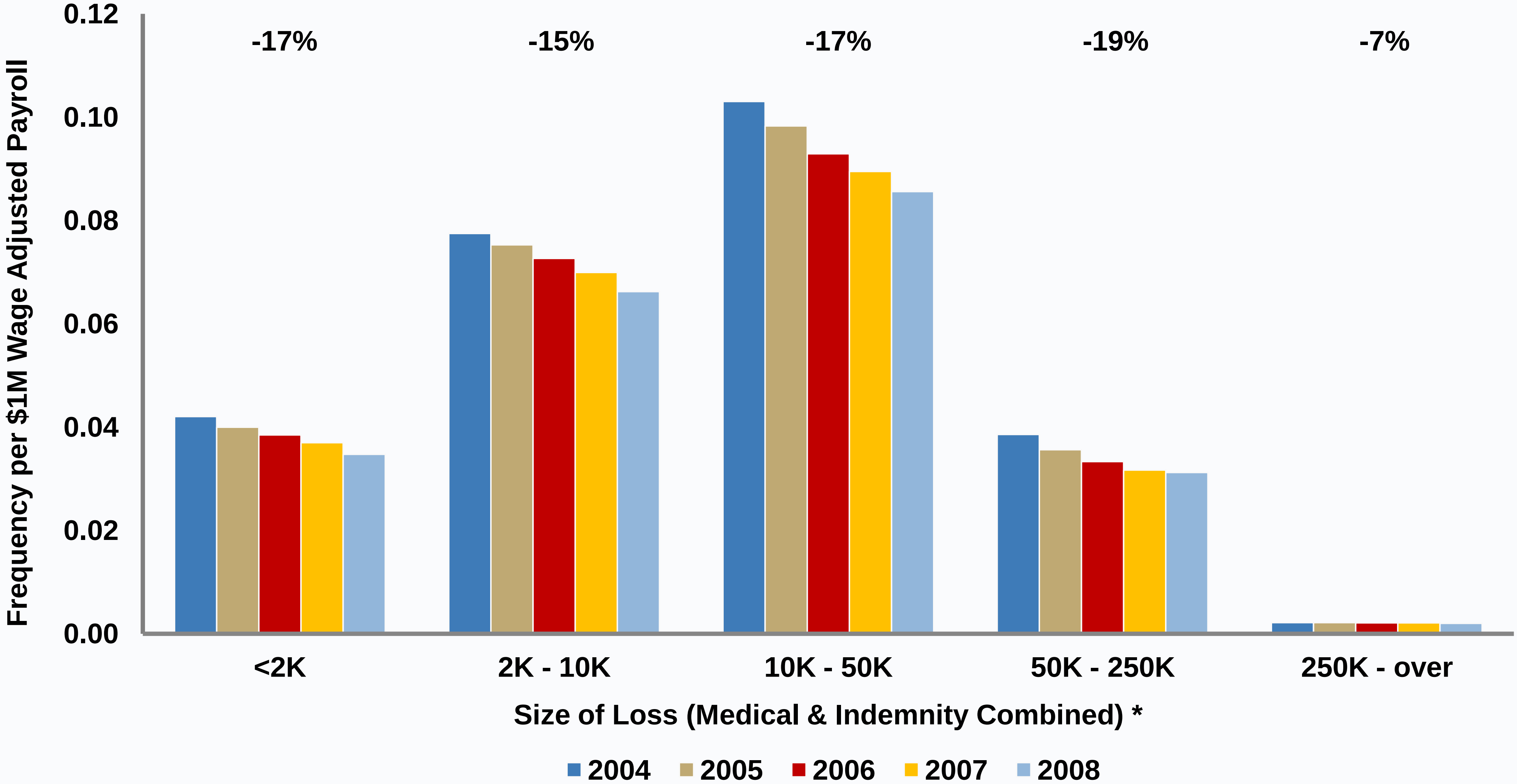
After Adjusting for Inflation, All Loss Size Ranges Show Frequency Decreases

Policy Years Expiring 2004 to 2008 at First Report



Frequency at 1st report, WCSP data, for all states where NCCI provides ratemaking services, excluding WV
For Policy Years Expiring 2004–2008
* Adjusted for Wage and Medical Inflation

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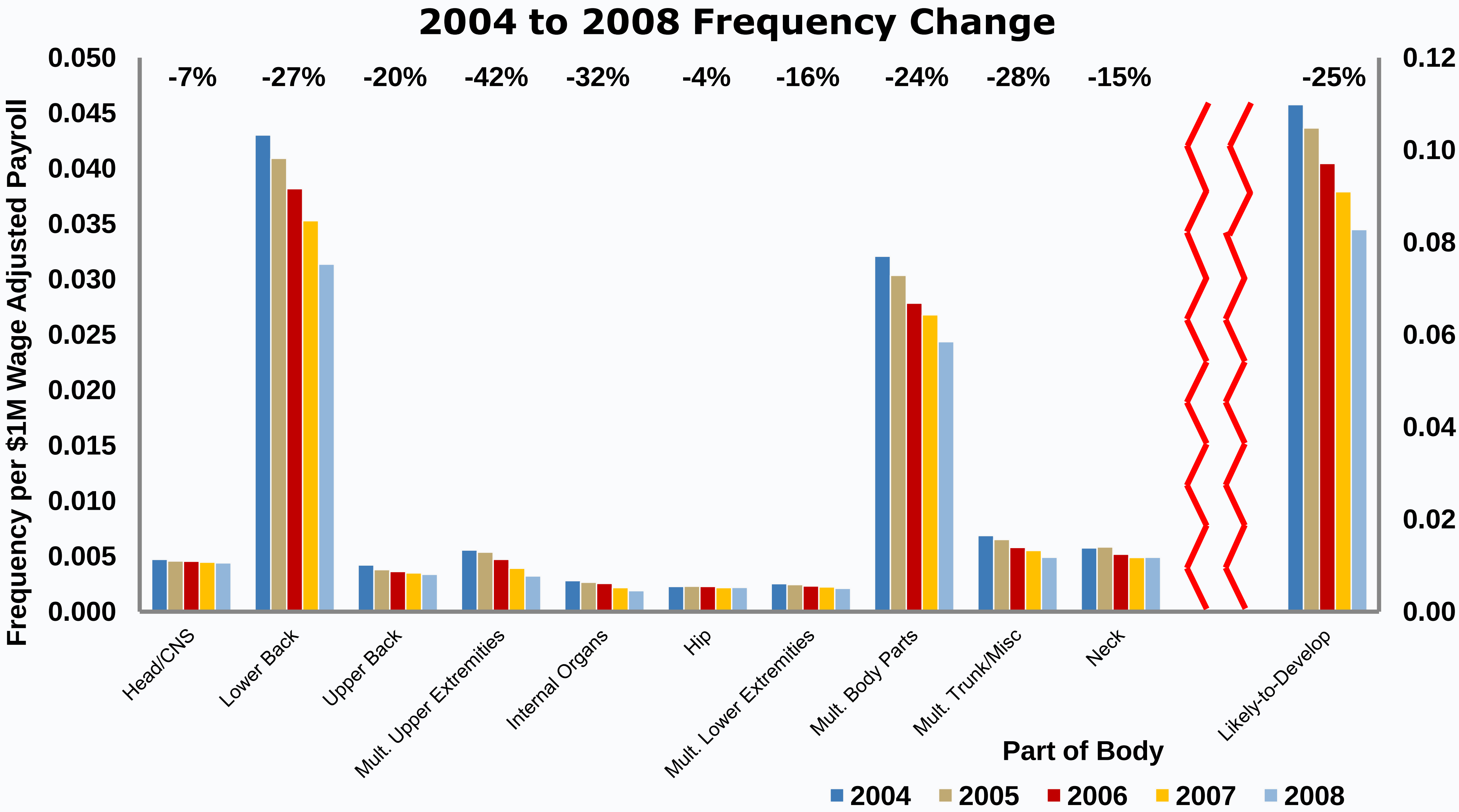
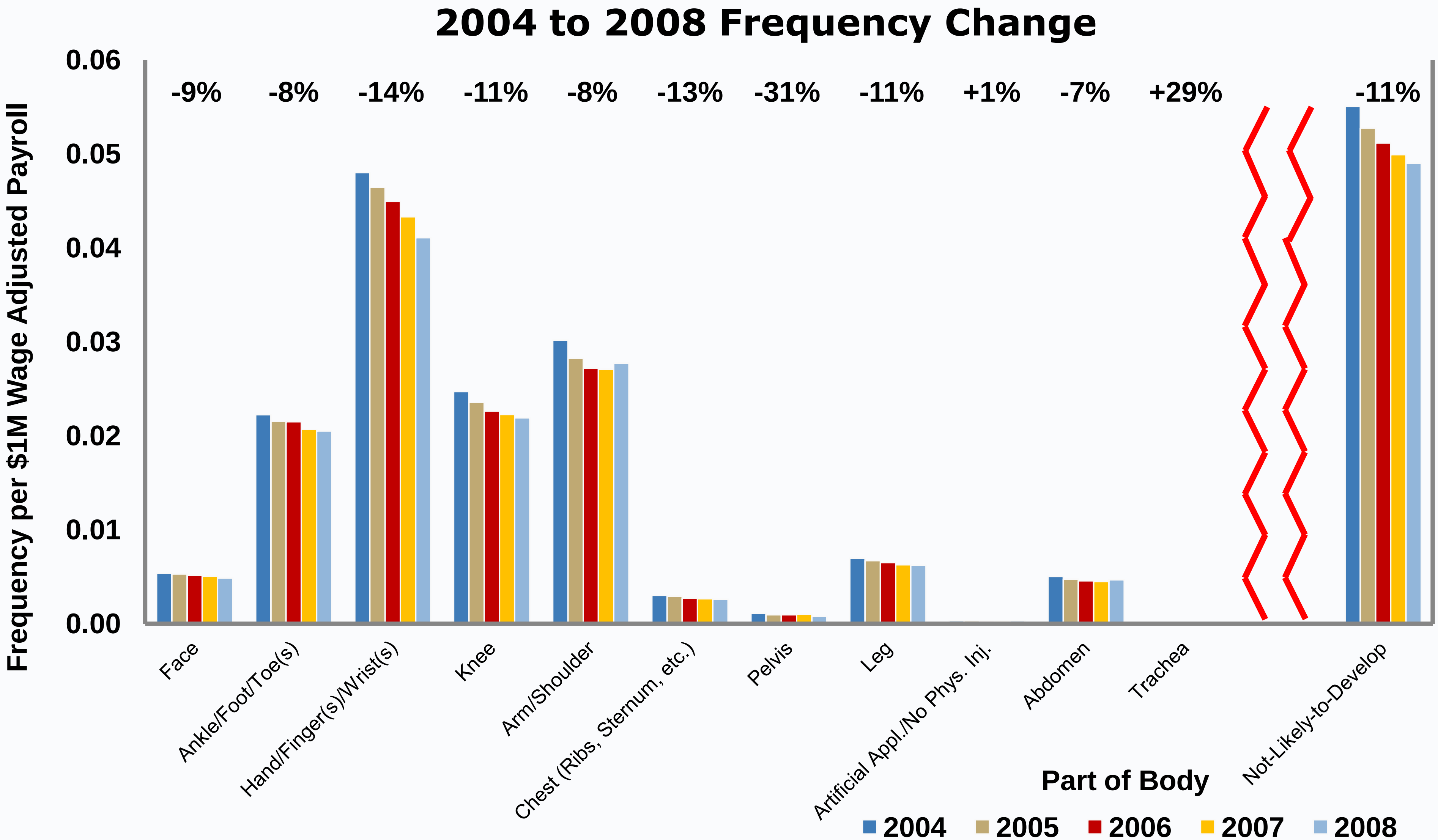
Likely-to-Develop Body Parts Exhibited Sharp Declines



Frequency at 1st report, WCSP data, for all states where NCCI provides ratemaking services, excluding WV
For Policy Years Expiring 2004–2008

Not-Likely-to-Develop Body Parts Did Not Show as Sharp a Decline



Frequency at 1st report, WCSP data, for all states where NCCI provides ratemaking services, excluding WV
For Policy Years Expiring 2004–2008

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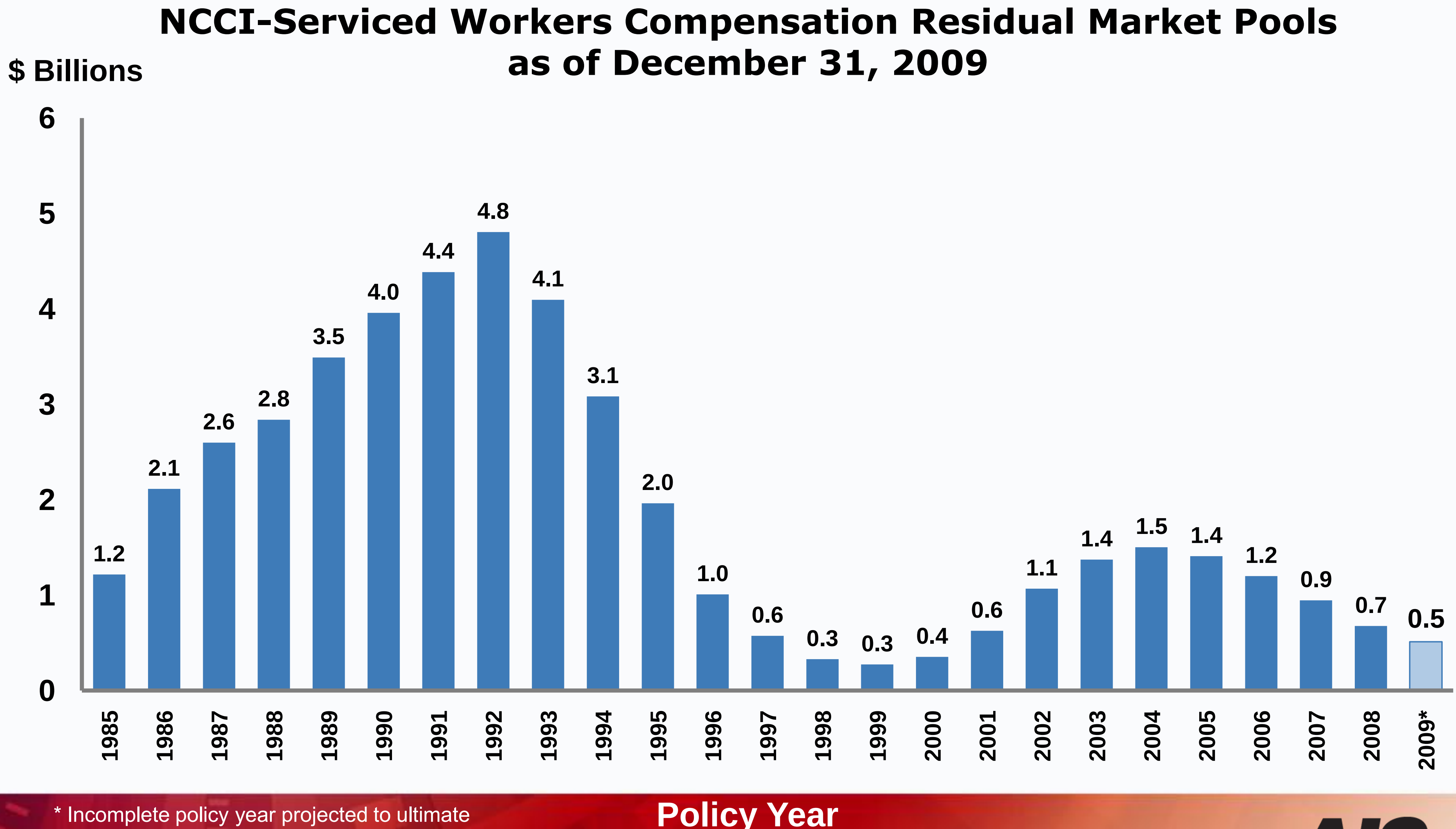
Workers Compensation

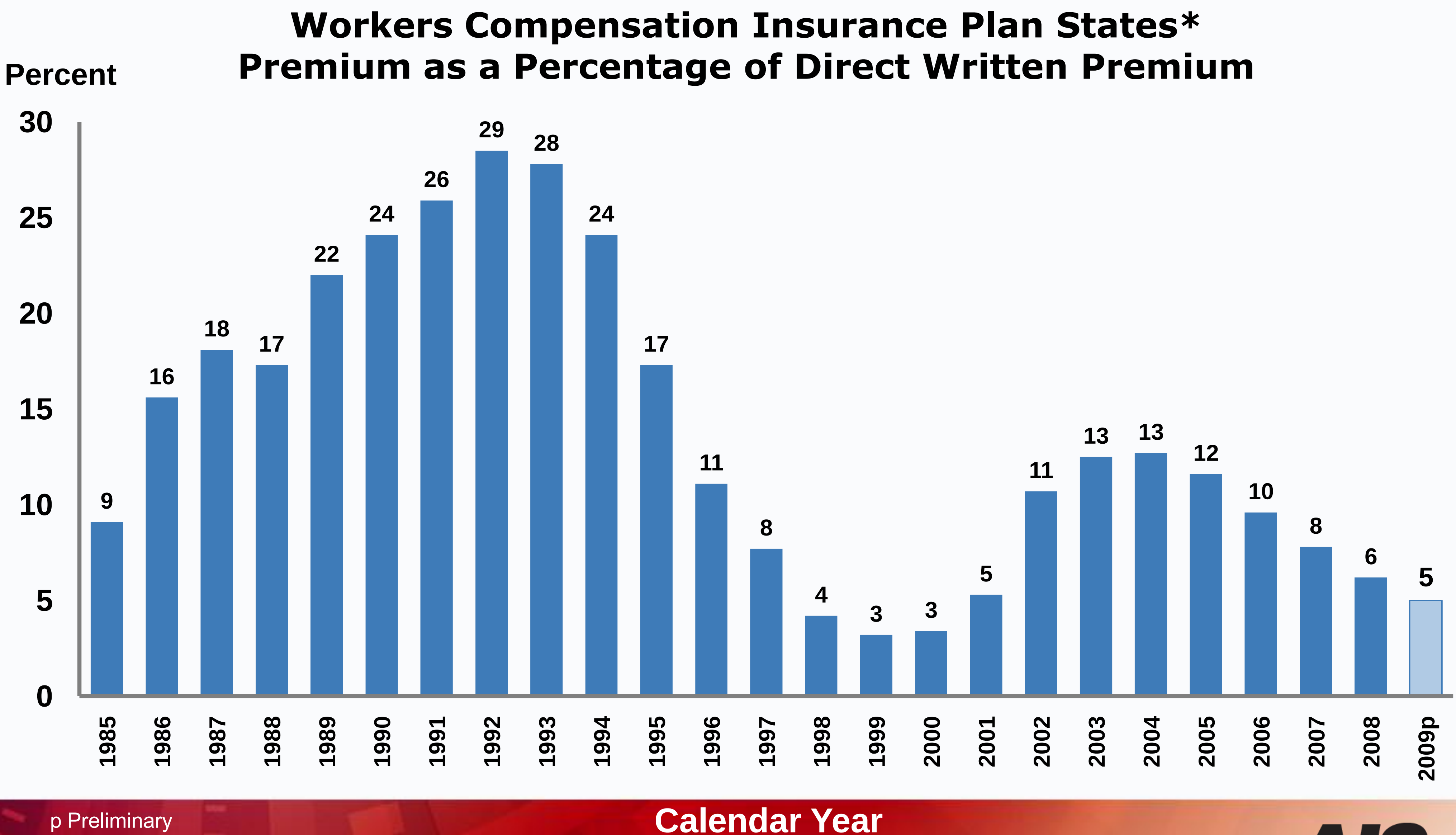
Residual Market

Workers Compensation Residual Market Premium Volume Declines



* Incomplete policy year projected to ultimate

Workers Compensation Residual Market Shares Continue to Decline



p Preliminary

* NCCI Plan states plus DE, IN, MA, MI, NJ, NC

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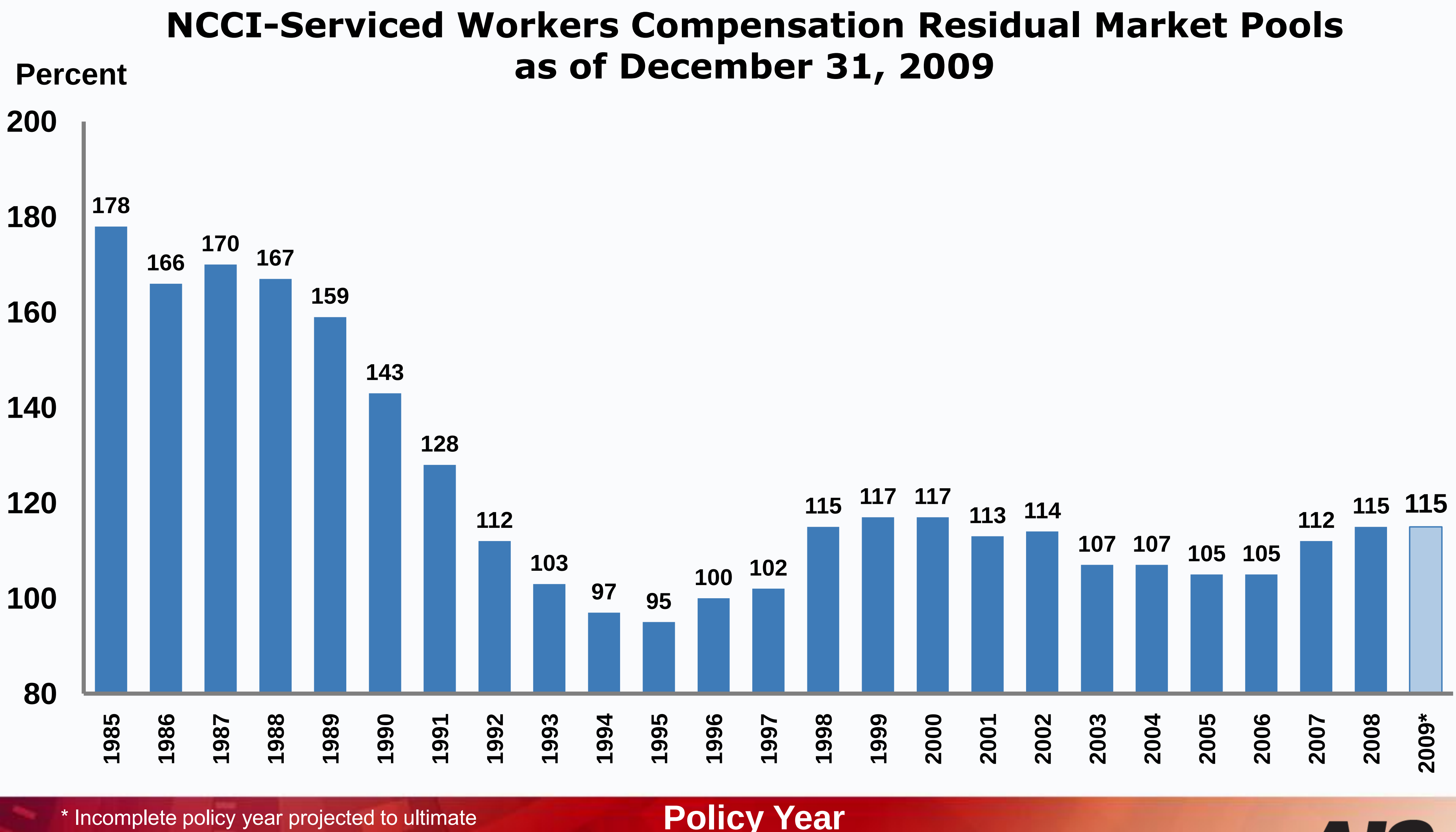
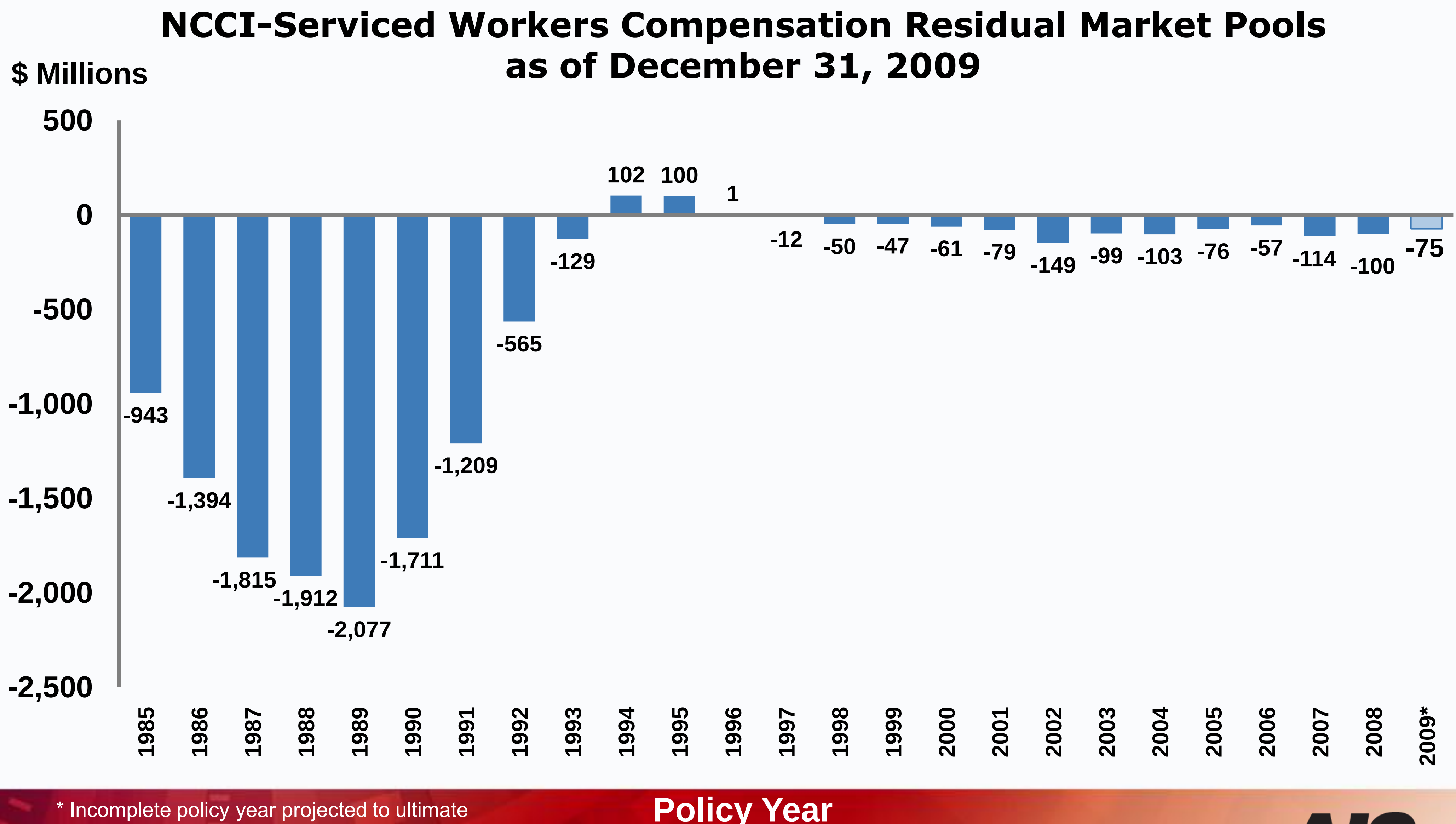
Workers Compensation Residual Market Combined Ratios



* Incomplete policy year projected to ultimate

Workers Compensation Residual Market Underwriting Results



* Incomplete policy year projected to ultimate

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Residual Markets Continue to Depopulate

First Quarter 2010 vs. First Quarter 2009

Size of Risk	2009	2010	Change
$ 0 – $ 2,499	20.1 M	20.4 M	**2%**
$ 2,500 – $ 4,999	10.8 M	10.1 M	**-6%**
$ 5,000 – $ 9,999	12.6 M	12.0 M	**-4%**
$ 10,000 – $49,999	33.0 M	30.2 M	**-9%**
$ 50,000 – $99,999	11.7 M	11.0 M	**-6%**
$100,000 and over	11.5 M	7.8 M	**-32%**
Total	**99.6** M	**91.5** M	**-8%**

Total estimated annual premium on policies
Includes residual market policies for:
AK, AL, AR, AZ, CT, DC, GA, IA, ID, IL, IN, KS, MS, NH, NM, NV, OR, SC, SD, VA, VT, WV

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Current Topics of Interest

National Health Care Bill
Implications for Workers Compensation Insurance
The Patient Protection and Affordable Care Act*

Direct Impacts

1. Changes to Federal Black Lung Benefit Entitlement Provisions**
   a. Reinstates the 15-year rebuttable presumption of total disability for benefits
   b. Eliminates the requirement to prove that death of miner was due to occupational disease for survivor benefits
2. Changes to Medicare reimbursement levels; potential impacts will depend on:
   a. Potential modifications to Medicare reimbursements
   b. How the states react to those potential changes

*HR3590 as amended by HR4872

**Section 1556: Federal Coal Mine Health and Safety Act

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National Health Care Bill
Implications for Workers Compensation Insurance
The Patient Protection and Affordable Care Act*

Provisions Worth Watching:

- Increased health care coverage in general population
- Wellness initiatives
- Consumer access to more generic drugs
- New taxes on medical devices, pharmaceutical manufacturers, and health insurance companies
- Fraud and abuse provisions

Other Areas of Interest:

- Electronic transaction standards
- Coordination, subrogation, and reimbursement issues
- Medicare as a secondary payer

*HR3590 as amended by HR4872

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NCCI Developments in Class Ratemaking Methodology

- NCCI conducted a comprehensive review of all class ratemaking methodologies
- Implemented with filings effective October 1, 2009
- The goal of NCCI's new class ratemaking methodology is to improve accuracy, class equity, and loss cost stability
- The new methodology has been approved in all states to date

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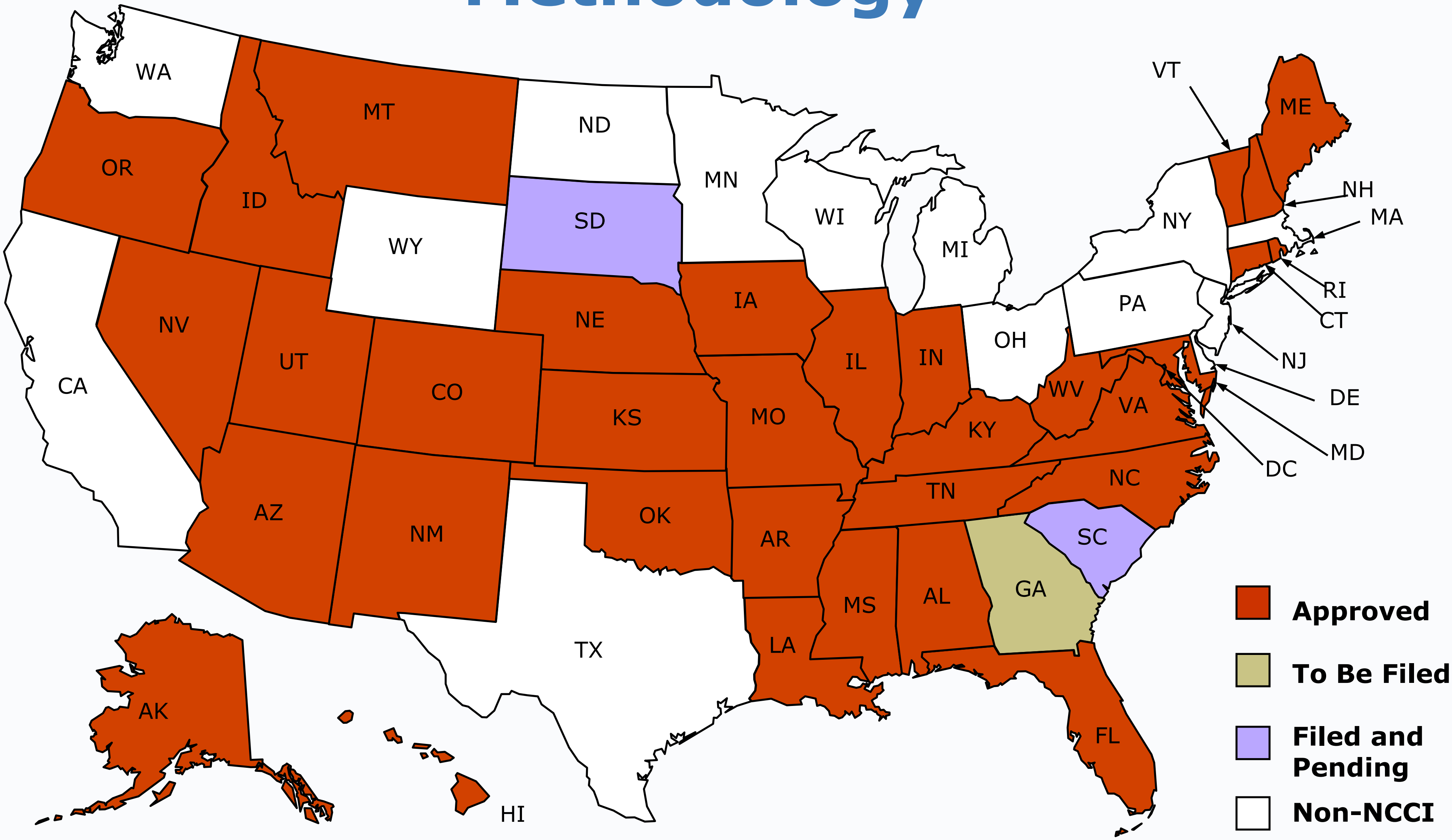
Adoption of New Class Ratemaking Methodology



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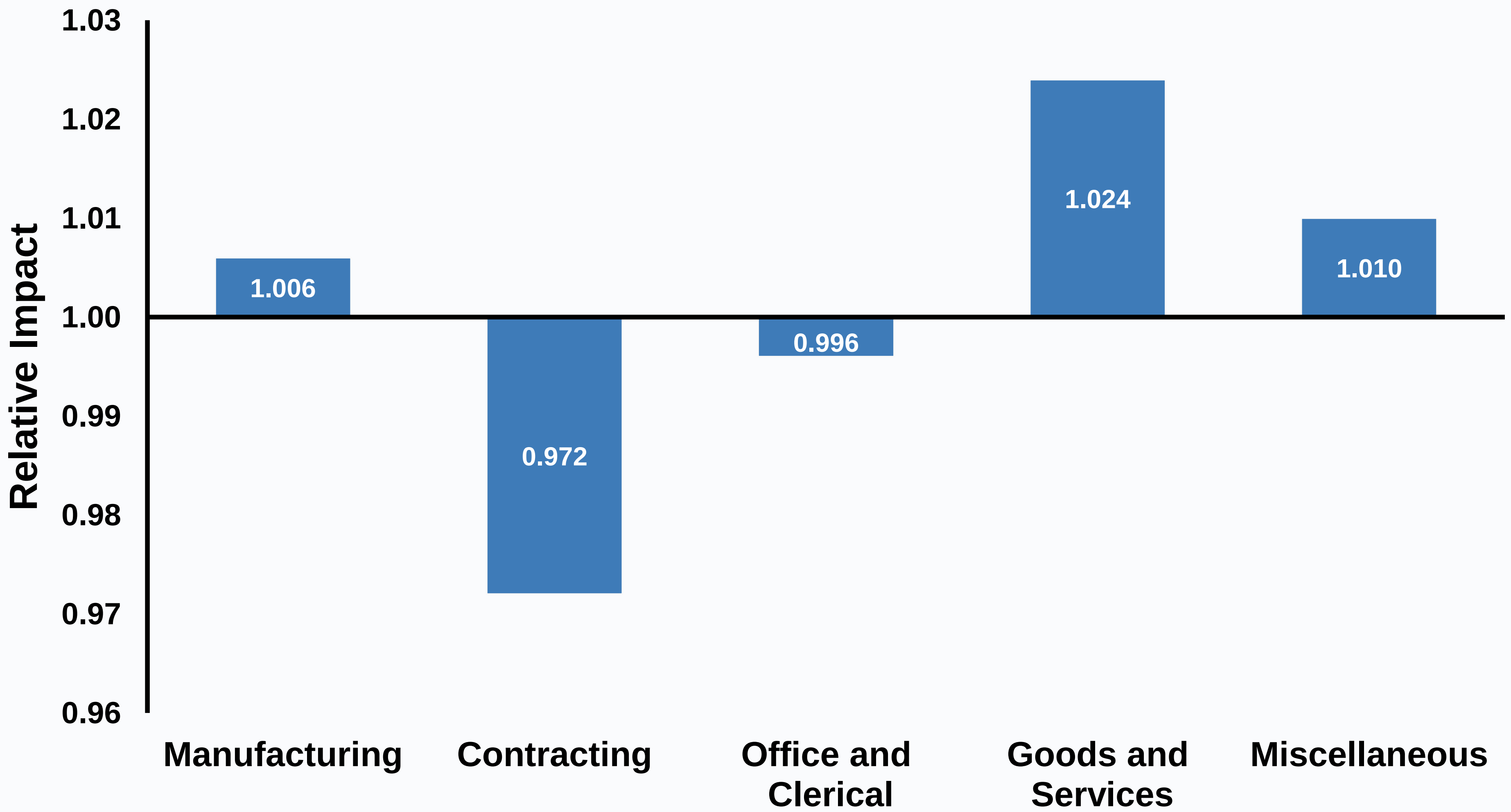
Industry Group Impact Relative to Statewide Loss Cost Changes

Distribution of State Industry Group Differentials



Impact in loss costs relative to statewide average
Note: Results exclude F-Class codes

Source: NCCI analysis

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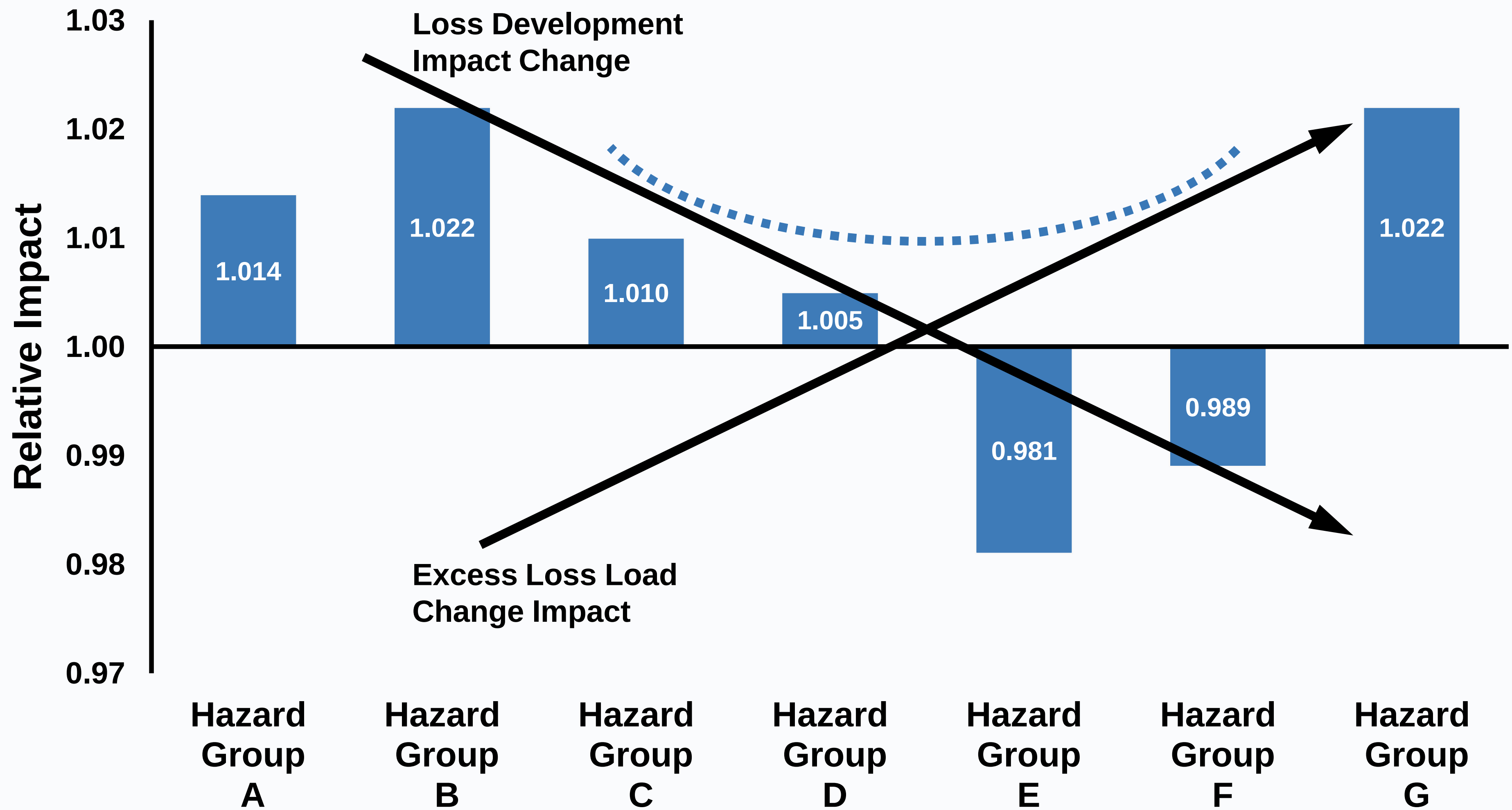
Hazard Group Loss Cost/Rate Changes Relative to Statewide Average

Distribution of State Hazard Group Relativities



Impact in loss costs relative to statewide average
Note: Results exclude F-Class codes

Source: NCCI analysis

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NCCI Plans Filings in Texas

- Loss Cost Filing proposed for January 1, 2011
  - First NCCI filing in 18 years
  - Filing to be made in summer of 2010
  - Loss Costs will be calculated using prior NCCI class ratemaking methodology
  - Experience modifications will continue to use Texas Department of Insurance (TDI) plan and rating values
  - Carriers interested in using NCCI's loss costs would let TDI know in their rate filing
  - No change in procedures for carriers choosing to continue with TDI relativities

NCCI Plans Filings in Texas

- Retrospective Rating Plan Manual proposed for January 1, 2011
  - Manual will have updated language and values
  - NCCI's 7 Hazard Groups will be included with updated Excess Loss Pure Premium factors
  - Table M will be updated
  - Carriers will have option of using NCCI's updated Retrospective Rating Plan Manual, continuing to use the current TDI manual, or their own

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Concluding Remarks

In Summary

Positives

- Industry's capital position
- Frequency continues to decline
- Residual market depopulation continues

Negatives

- Low investment returns continue to put pressure on underwriting results
- Potential reform erosion
- Uncertain impact from health care reform
- Unknown scope of future Federal actions
- Underwriting cycle

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Questions and More Information

Questions on the State of the Line presentation?
E-mail us at stateoftheline@ncci.com

Download the complete presentation materials and watch a video overview of the State of the Line at **ncci.com**

Ohio Bureau of Workers' Compensation

Ohio Bureau of Workers' Compensation
Actuarial Committee
Board of Directors

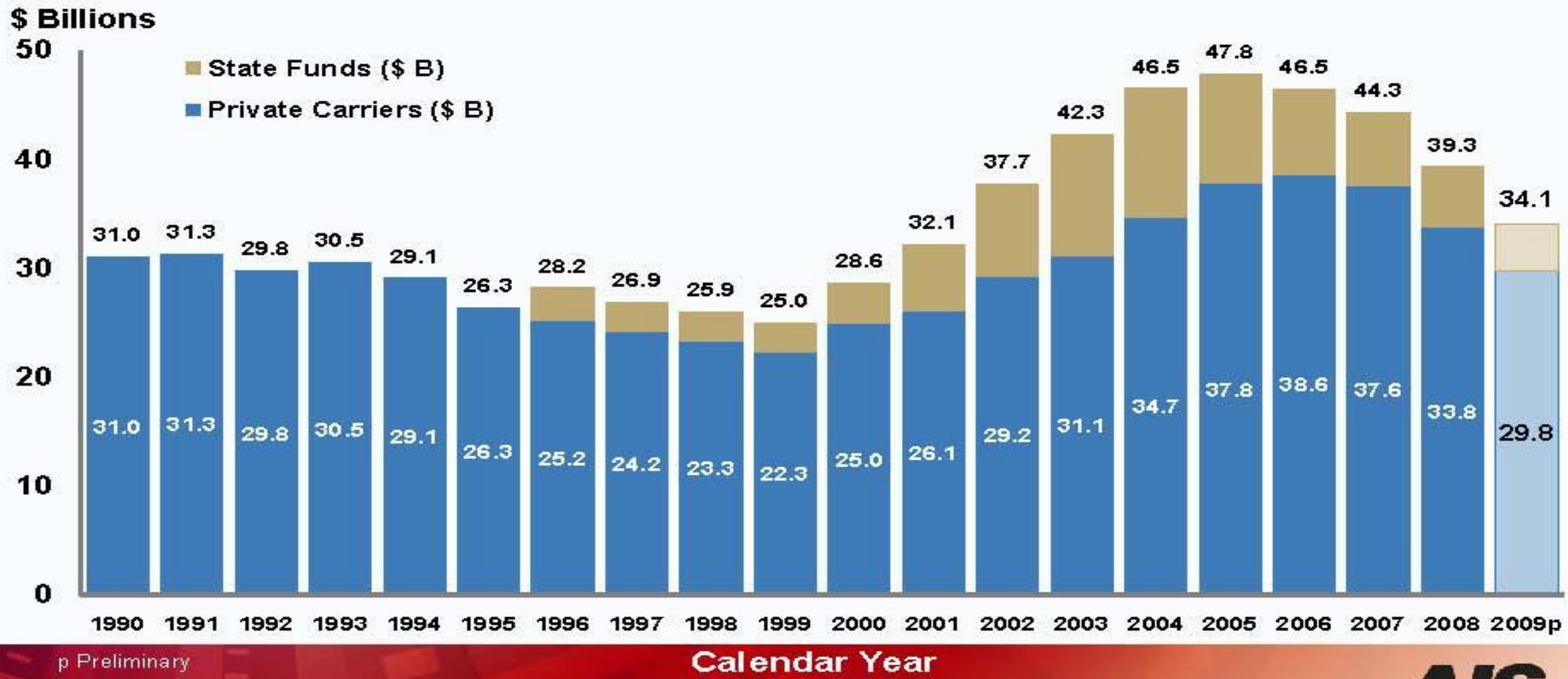
Elizabeth G. Bravender, CPCU, Director of Actuarial

2/22/2011

Countrywide data - NCCI

Workers Compensation Premium Continues Its Sharp Decline

Net Written Premium



p Preliminary

Source: 1990–2008 Private Carriers, *Best's Aggregates & Averages*; 2009p, NCCI
1996–2009p State Funds: AZ, CA, CO, HI, ID, KY, LA, MD, MO, MT, NM, OK, OR, RI, TX, UT Annual Statements
State Funds available for 1996 and subsequent

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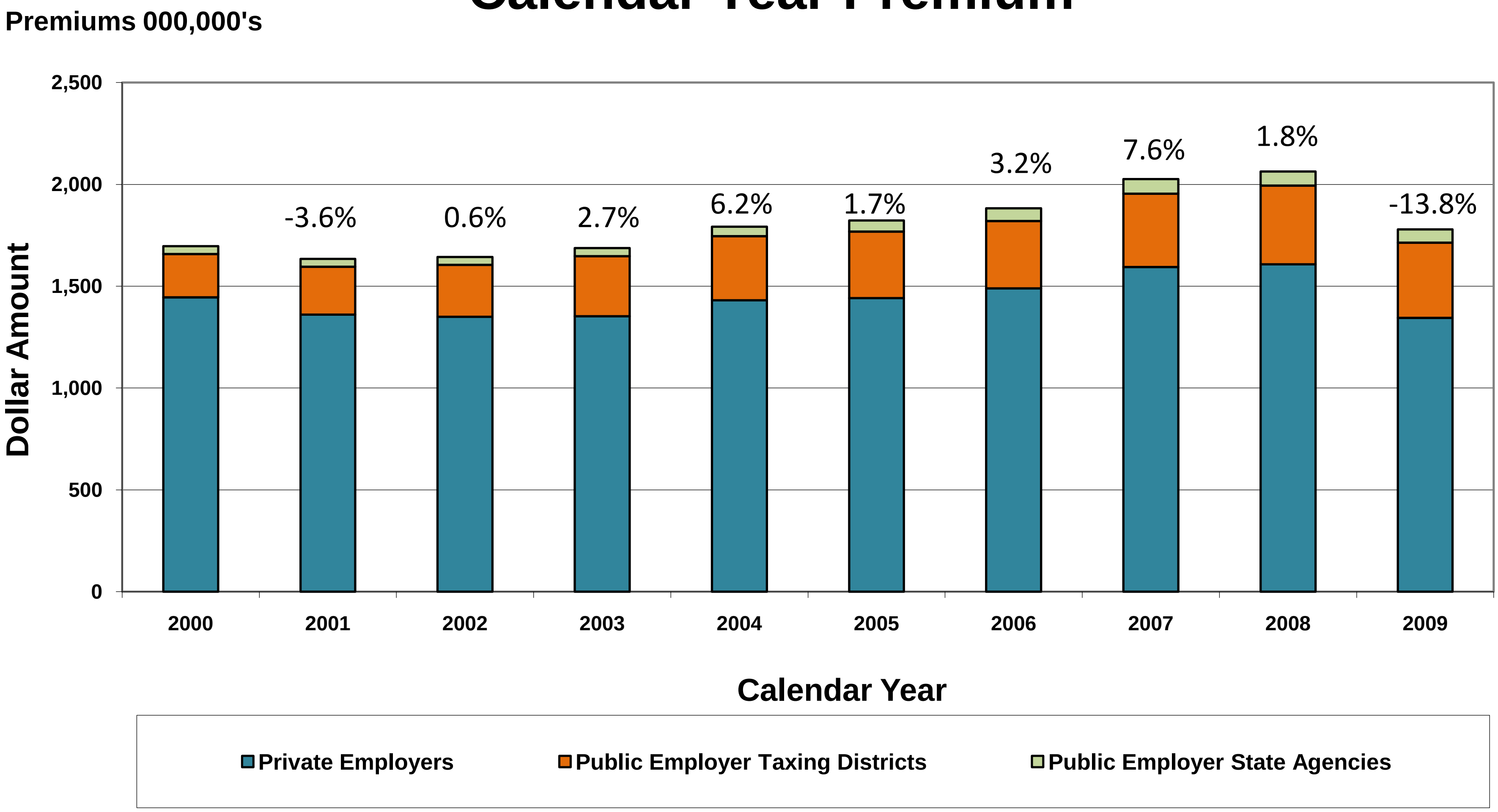
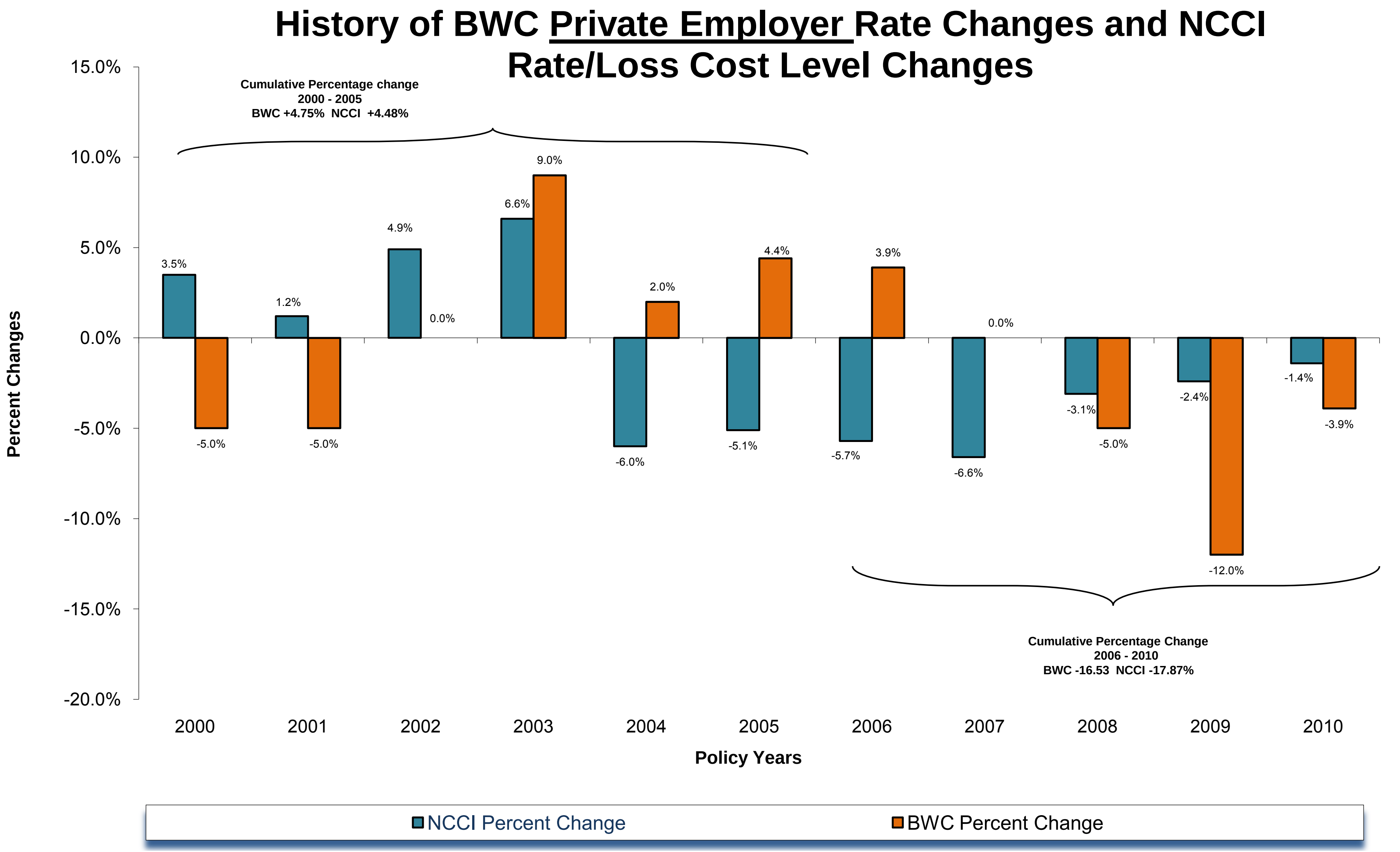
Ohio Bureau of Workers' Compensation

Ohio Bureau of Workers' Compensation
Calendar Year Premium

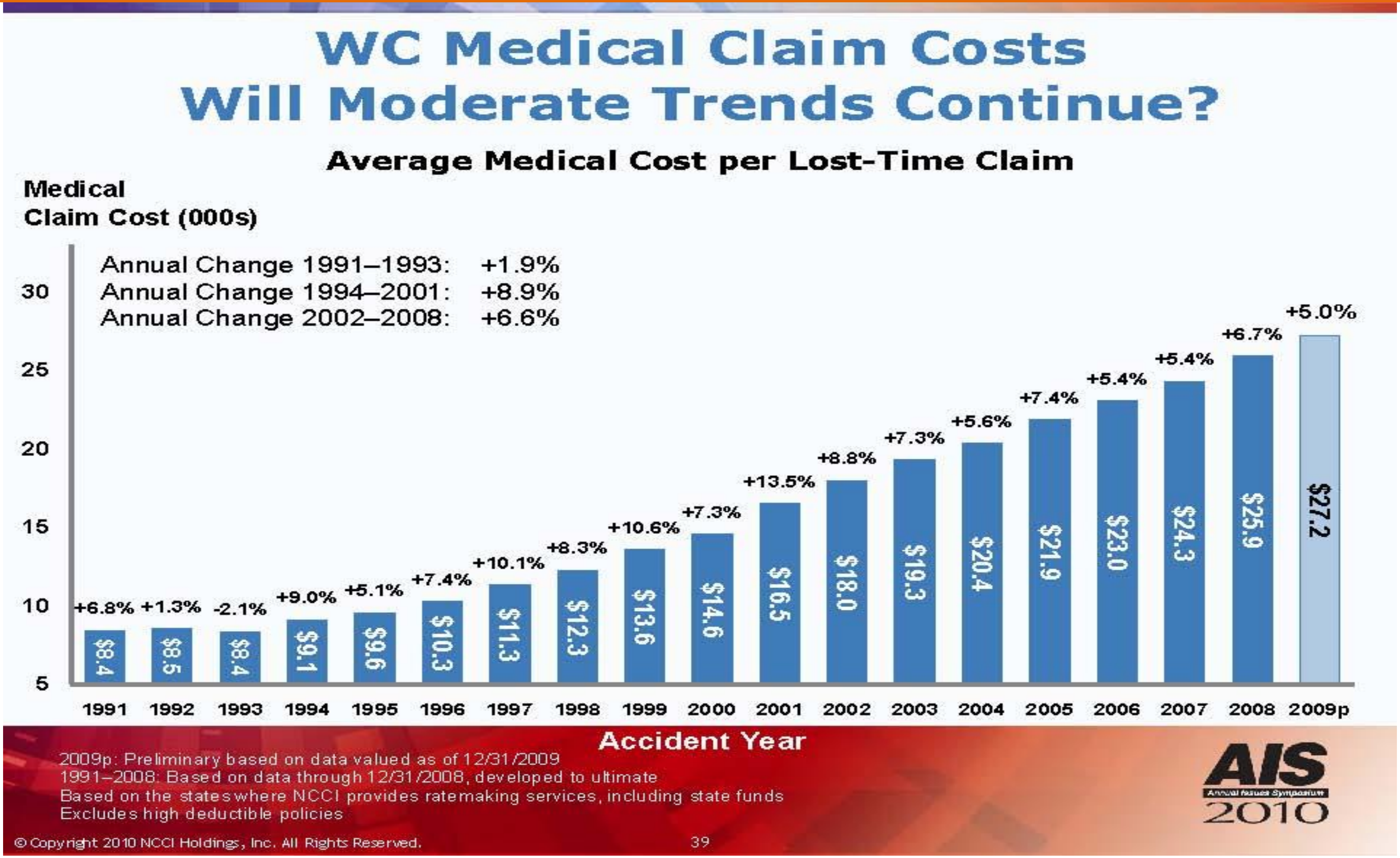


Ohio and NCCI data

Ohio Bureau of Workers' Compensation



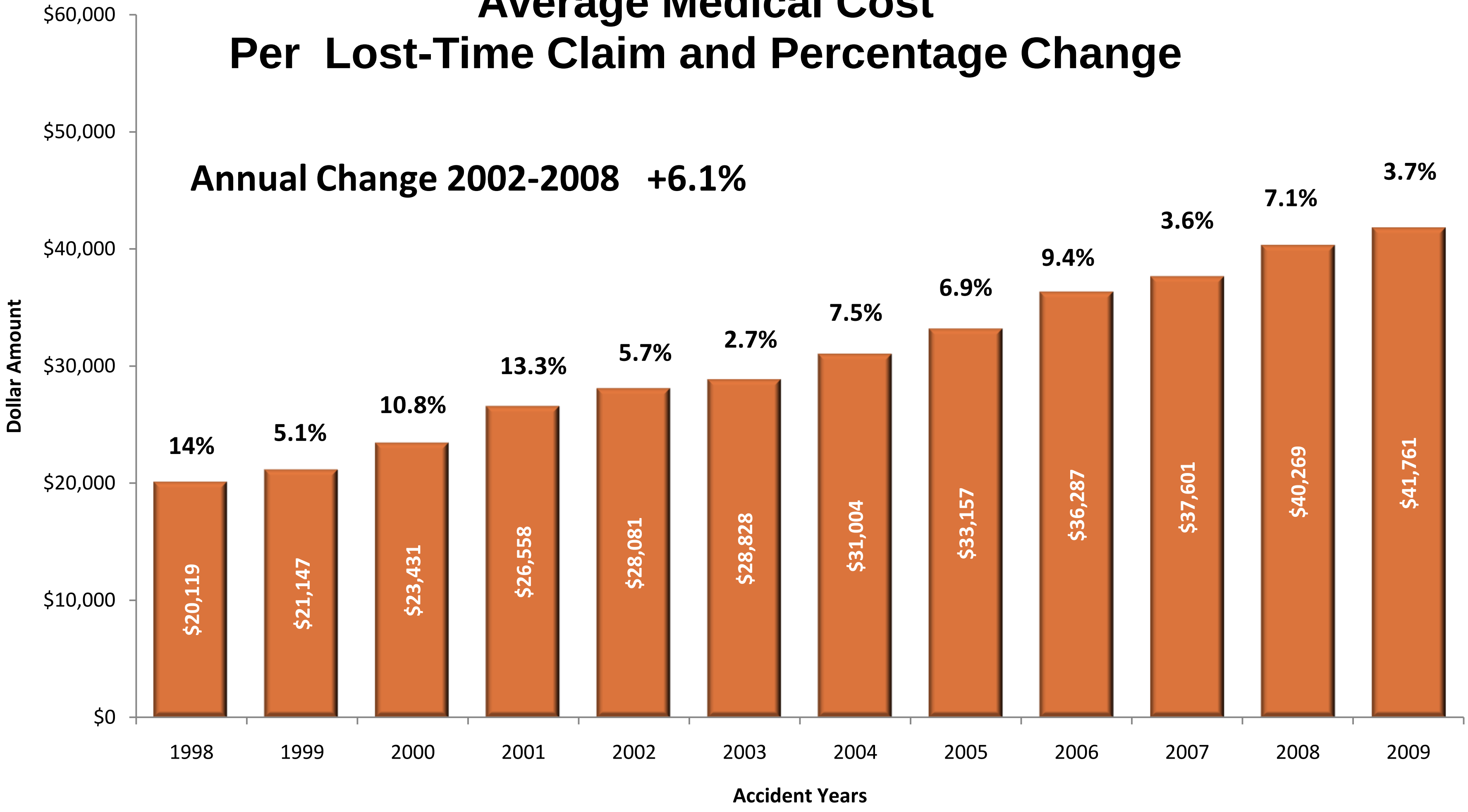
Countrywide data - NCCI



Ohio BWC data

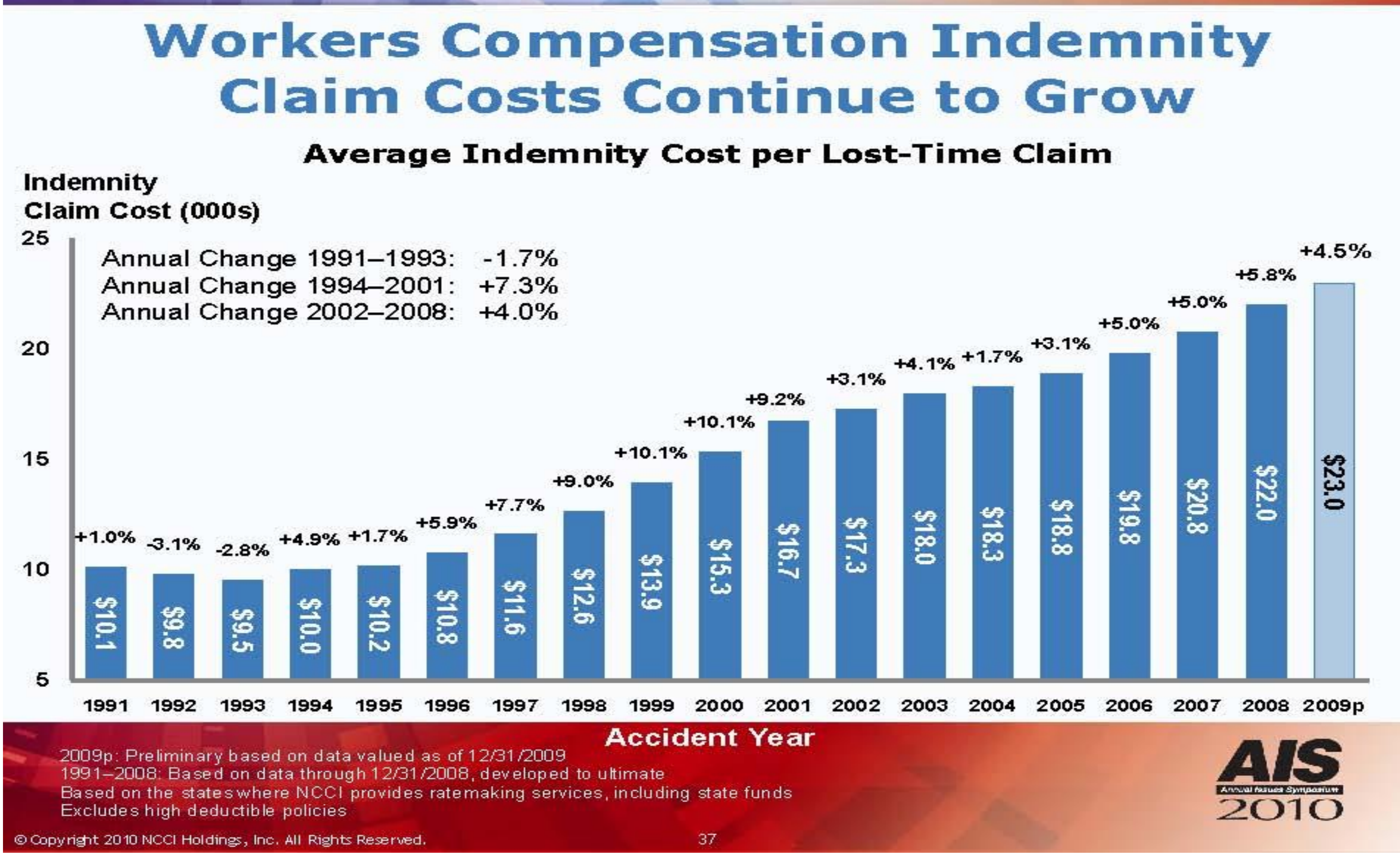
Ohio Bureau of Workers' Compensation

Ohio Bureau of Workers' Compensation Average Medical Cost Per Lost-Time Claim and Percentage Change



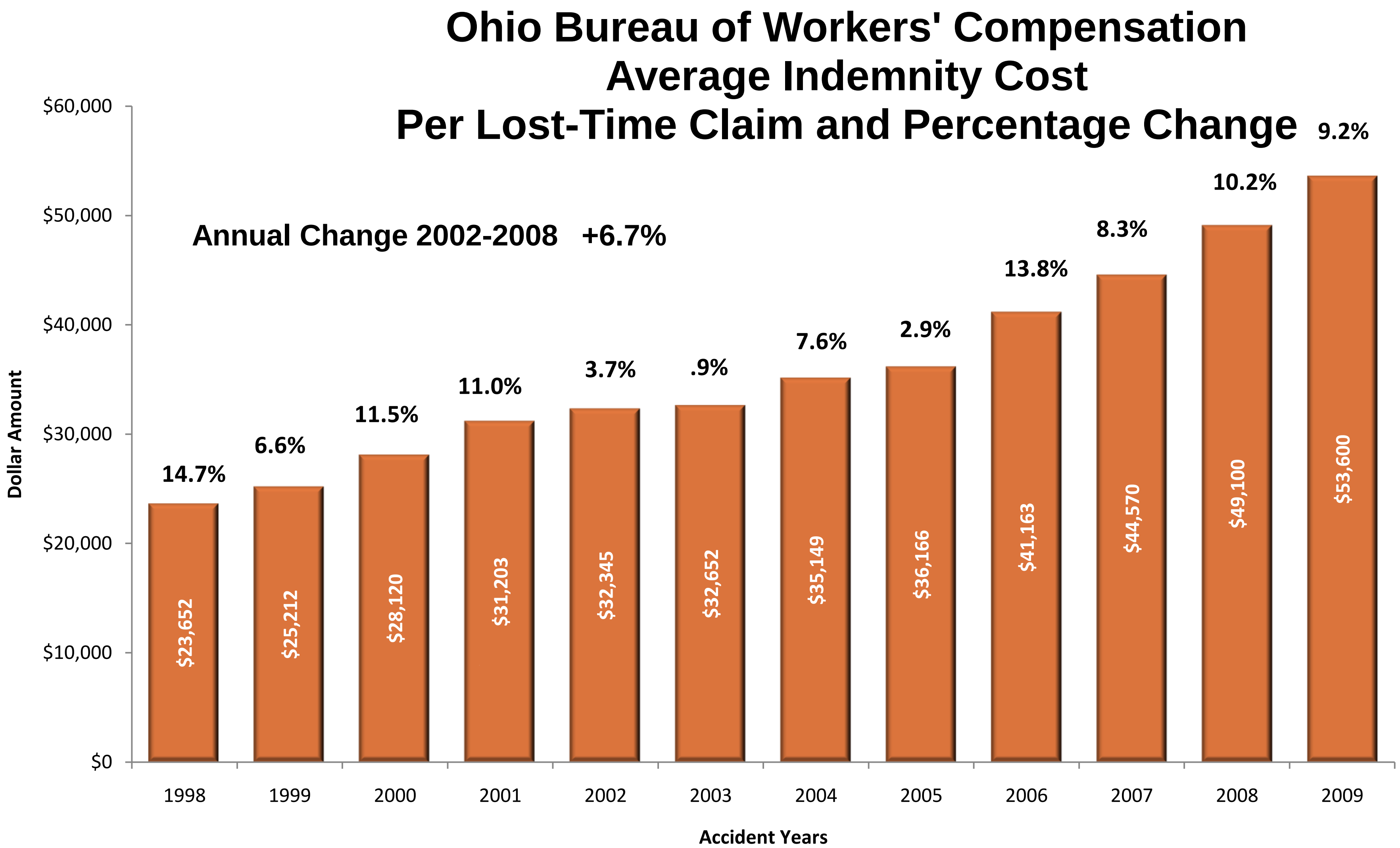
Countrywide data - NCCI

Ohio Bureau of Workers' Compensation



Ohio BWC data

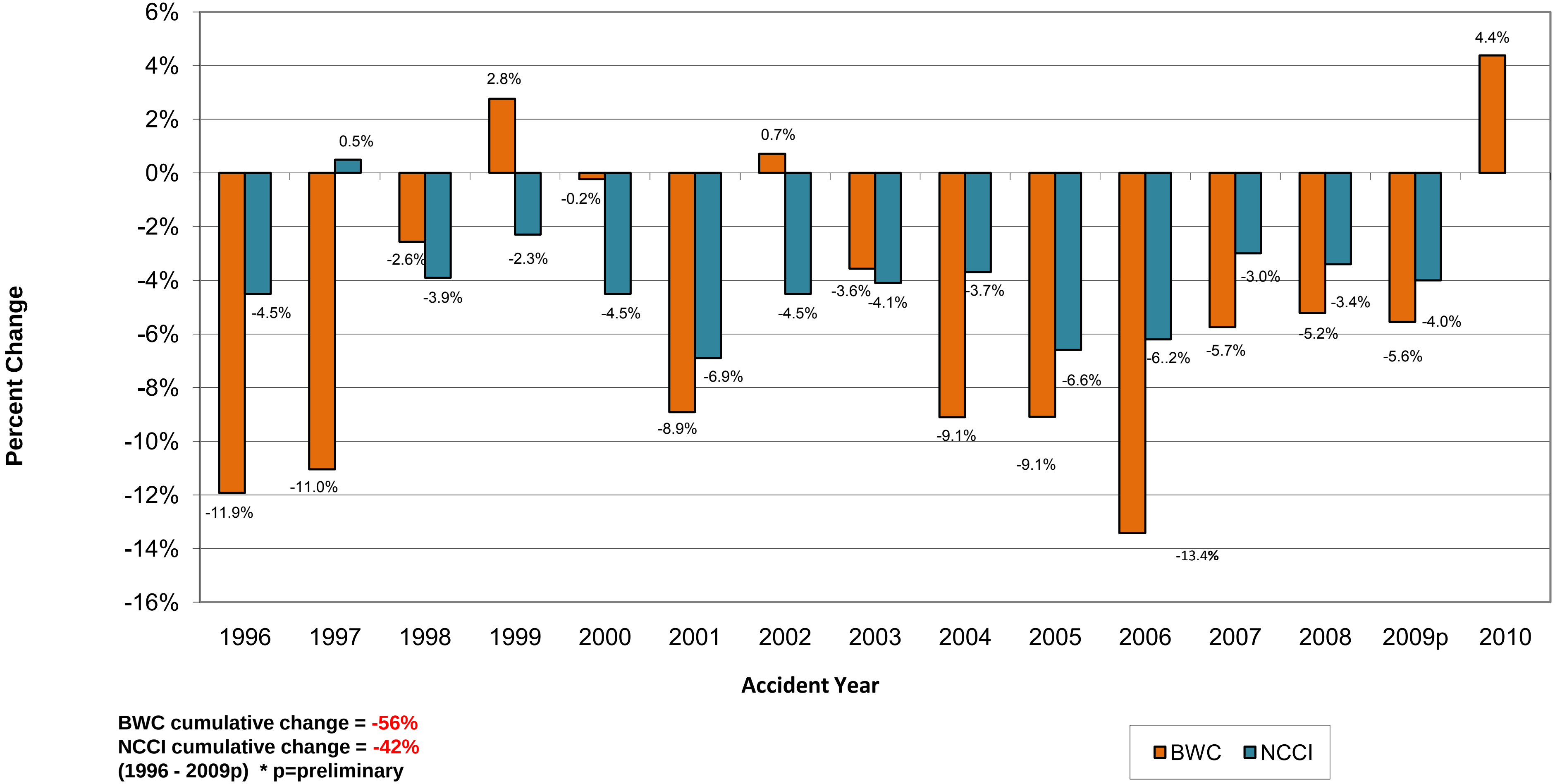
Ohio | Bureau of Workers' Compensation



Ohio and NCCI data

Ohio Bureau of Workers' Compensation

BWC and NCCI Subscriber
Workers' Compensation Change in Lost-Time Claim Frequency

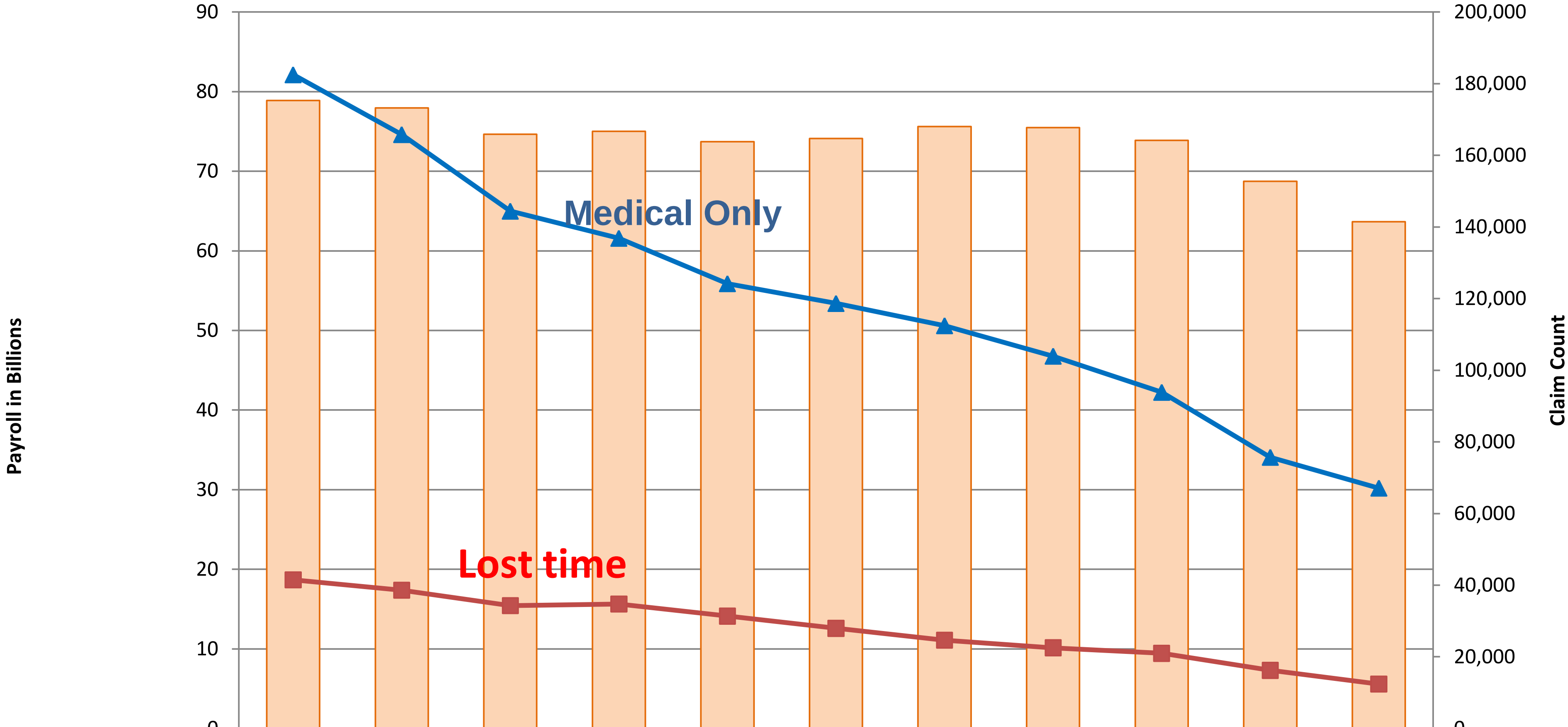


BWC cumulative change = -56%
NCCI cumulative change = -42%
(1996 - 2009p) * p=preliminary

Ohio BWC data

Ohio Bureau of Workers' Compensation

Total Wage Inflation Adjusted Payroll & Reported Claims



	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Indexed Payroll	78.89	77.94	74.65	75.02	73.73	74.11	75.61	75.47	73.87	68.75	63.67
Total LT Claims	41,509	38,589	34,301	34,754	31,359	27,943	24,641	22,518	20,971	16,223	12,391
Total MO Claims	182,522	165,821	144,430	136,865	124,193	118,664	112,454	103,948	93,855	75,716	67,108

*Indexed payroll is wage inflation adjusted payroll.

BWC Board of Directors
Actuarial Committee
CAO Report
John Pedrick, Chief Actuarial Officer
January 20, 2011

This report has three major sections. The first is a description of the discussions and proposals we will present to the Board over the next several months. The second section is a report of activity surrounding coal-workers pneumoconiosis (Black Lung) and the Coal-Workers Pneumoconiosis Fund. The third section provides details of various projects and initiatives for the Actuarial Division.

February through June Board Meetings

The discussion that follows and the accompanying table are meant to serve as a guide for upcoming proposals and studies. The schedule is flexible for some items, while others must be completed by June 20, 2011 in order for the appropriate rules to be filed ten days before their effective date, July 1, 2011, as required.

February

2011 NCCI Manual Class Changes: This is our annual review of changes to manual classifications provided by the National Council on Compensation Insurance (NCCI). Ohio Revised Code Section 4123.29(A) states, "The administrator ... shall ... (1) Classify occupations or industries with respect to their degree of hazard and determine the risks of the different classes according to the categories the national council on compensation insurance establishes that are applicable to employers in this state." Employer Management staff will present the changes made by NCCI that apply to business activity in Ohio. Once approved (a second reading is scheduled for March), these manual class revisions will be used when we develop base rates, scheduled for presentation in April and May.

Deductible Rule: We are proposing additional language in the deductible rule to prevent adverse selection. We have discussed this issue in past meetings. Under the current rule, a large employer could achieve a reduction in premium that exceeds the maximum liability under the aggregate limit for large deductibles. For example, the current discount for a $200,000 deductible with a $600,000 aggregate limit is 48% in Hazard Group A. An employer with $2 million in premium that enrolls in this option could receive a $960,000 premium reduction, exceeding the potential maximum liability of $600,000. If claim costs eventually meet or exceed the limit, the employer would still achieve a savings of $360,000 and would avoid the key financial incentive of the program to reduce injuries in the workplace and to control claim costs.

Base Rate Stability Analysis: At our request, Deloitte Consulting has conducted an analysis of our base rate methodology in order to identify strategies for bringing greater stability to these calculations. We will discuss approaches that can be implemented in time for July 1, 2011 rates, as well as proposed changes that will require more extensive efforts over the next year.

CWPF (Black Lung) Report: Last year when we discussed rates for the Coal Workers Pneumoconiosis Fund, the board asked us to conduct a more in-depth analysis of the exposures to the fund and of the current premium moratorium for some coal employers. We will report on our efforts to date, which have not been as fruitful as desired. The report can be found below.

Comparative Data (State of the Line): Each year we review an analysis of countrywide data that is performed by the NCCI called *The State of the Line.* Using Ohio data we provide a similar presentation and compare it to the countrywide figures. This report provides an overview of costs and cost drivers.

March

PA Overall Rate Change: This is the start of our annual rate setting process for private employers (PA). As in the past, Deloitte will provide their analysis of projected overall costs for this segment. Using that analysis as the principal tool, we will recommend an overall rate level change. In subsequent months the overall change will distributed to the 500+ manual classes. We anticipate a first reading for the overall change in March.

PES Rate Changes: Public employer – state agencies (PES) rates are developed on a pay-as-you-go basis. We estimate the payments for claims and MCO costs we will make next year on behalf of each agency, state university and university hospital and adjust that result for over/under estimates from previous years. We anticipate a first reading in March.

Quarterly Reserve Update @ 12/31/10: This is our normal quarterly reserve update done by Deloitte Consulting LLP, and will bring greater clarity to the liabilities for claims and claim adjustment expense we expect in our next fiscal-year-end financial statement. When data through March 31, 2011 is available, Deloitte will conduct the annual reserve analysis known as the "reserve audit" giving us preliminary year-end figures. When the fiscal year ends we will incorporate the last quarter's data in the "roll forward" to the final reserve figures.

Split Experience Rating Plan: We will present an educational session about experience rating in general and the specifics of the split type plan we are building. We will schedule the educational session in March or April in anticipation of a first reading for the rules to implement the plan scheduled for May.

April

PA Base Rates: As mentioned above, after presenting the overall PA rate change in March, we will spread this change to the 500+ manual classes based on their claim experience over the oldest four of the last five calendar years. A first reading is anticipated in April. If the overall change presented in March is altered, we will re-run base rates for the May meeting.

DWRF: Disabled Workers Relief Fund rates are reviewed annually. In brief, this fund provides a benefit that, in combination with social security benefits, provides cost of living adjustments.

MIF Rates: Marine Industry Fund rates are reviewed annually.

CWPF Rates: Coal Worker Pneumoconiosis rates are reviewed annually.

May

Quarterly Reserve Update @ 3/31/11: This is the annual reserve "audit" and will provide a preliminary figure for year-end reserves.

SI Assessment: Assessments for self-insureds are reviewed annually.

ACF Assessment: Assessments for the Administrative Cost Fund are reviewed annually and will be calculated based on the legislative review process and the board-approved budget.

S&H Assessment: Assessments for the Division of Safety and Hygiene are reviewed annually.

PEC Credibility and BEF for 1/1/12: In order to give sufficient lead time for the public employer – taxing district (PEC) rate structure, we will propose the credibility table and group break even factors in May. During the summer of 2011, PEC groups will be formed, so employers, group sponsors and TPAs need to know how we will set group rates.

June

State to State Rate Comparison: We will update our multi-state comparison using the base rates scheduled to go into effect on July 1, 2011. The methodology follows that of the bi-annual Oregon study, but uses the top fifty classes in Ohio rather than in Oregon.

One Claim Program: We are looking into changes to the one-claim program and plan to reach out to employer representatives for their ideas and feedback. Anticipated changes may be presented in June and July.

Wrap-up: Any items that have been delayed throughout the prior months but that must be approved by the board ten days before July 1, 2011 will be on the agenda.

Planned Actuarial Committee Activity, February to June 2011

Upcoming Rate Rules and Related Actions and Discussions	Feb.	Mar.	Apr.	May	June
NCCI Manual Class Changes	1st read	2nd read			
Deductible Rule	1st read	2nd read			
Comparative Data (State of OH WC)	Discuss				
Base Rate Stability Analysis	Discuss				
CWPF (Black Lung) Update (in CAO Rpt.)	Discuss				
PA Overall Rate Change		1st read	2nd read		
PES Rate Changes		1st read	2nd read		
Quarterly Reserve Update @ 12/31/10		Discuss			
PA Base Rates (Reflecting overall change)			1st read	2nd read	
DWRF Rates			1st read	2nd read	
MIF Rates			1st read	2nd read	
CWPF Rates			1st read	2nd read	
SI Assessments				1st read	2nd read
ACF Assessment				1st read	2nd read
S&H Assessment				1st read	2nd read
Split Experience Rating Plan		Education		1st read	2nd read
PEC Credibility and BEF for 1/1/2012				1st read	2nd read
Quarterly Reserve Update @ 3/31/11				Discuss	
One Claim Program					1st read
State to State Rate Comparison					Discuss

Coal Workers' Pneumoconiosis Fund (CWPF) Status Update

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 Disability (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 and dependants of injured workers who have contracted pneumoconiosis in the course of their employment and subsequently died from the pneumoconiosis.

History: The Ohio fund became effective on June 27, 1974. The policy year runs from July 1 to June 30. Premiums are collected in arrears with the first half of the policy year (July through December 31) due by February 28 and the second half of the policy year (January 1 through June 30) due by August 30. The policies are renewed annually. In 1998, based on the fund's increasing net asset level, the Actuarial Division performed an analysis that lead to the decision to grant a moratorium on employer premiums for those employers that were subscribers to the fund. The moratorium began in 1998 and has continued ever since. Any new employers seeking coverage after May 15, 1999 are required to pay premiums. There are currently 39 active policies of which 12 pay premiums.

Ohio Revised Code: Chapter 4131

Ohio Administrative Code: 4123-17-20, 4123-21-01 through 4123-21-08

Current Actuarial Research

The Actuarial Division is working with Deloitte Consulting LLP to provide a rate recommendation for the upcoming policy year rates. The division has gathered more than thirty years of payroll, premium and claim cost data and is analyzing the health of the Coal Workers' Pneumoconiosis Fund (CWPF). The goal of the analysis is to better measure the underlying exposure to the fund and to develop a more accurate estimate of the current and future liabilities that exist for workers that contract pneumoconiosis. The division is gathering industry wide data from the Department of Development's Mine Safety and Health Administration to assist in developing Ohio's liability estimate. The division is also working with the Medical Research Unit in their pursuit of a medical based study.

Financial Results

Coal-Workers Pneumoconiosis Fund Account As of December 31, 2010 (000)				
Net Operating Income – Fiscal Year to Date	($3,474)		Total Assets	278,149
Total Non-Operating Revenues – FYTD	15,006		Total Liabilities	73,320
Increase in Net Assets - FYTD	11,532		Net Assets	204,829
Source: January BWC Enterprise Report, pp. 6 and 13				

Medical Research

The Chief Medical Officer's research department is considering a comprehensive medical study regarding the causes and effects of black lung disease. A study that provides basic science and population based research on the disease would benefit mine workers, employers and the medical community.

There have been preliminary discussions with Ohio University's College of Osteopathic Medicine and parties within the mining industry to determine the availability of reaching both miners and physicians treating pneumoconiosis to ensure their availability for a multi-year study. In addition, the National Institute for Occupational Safety and Health (NIOSH) has been approached both to explore funding and avoid duplicative research.

Underwriting

The Underwriting and Premium Audit Department of the Employer Management Services Division recently undertook the responsibility of managing the Coal Workers' Pneumoconiosis Fund in 2010. The Underwriting Department has established underwriting procedures for this fund. All CWPF policies have been underwritten or re-underwritten during calendar year 2010. Underwriting has identified audit candidates and sent audit letters to the employers. One premium audit has been completed. In pursuit of industry data on behalf of Actuarial, Underwriting is testing the ability of CWPF employers to provide BWC with employment data. The BWC selected one audit candidate to obtain their employment data for the past 20 years. The selected employer has been amenable to the request and is currently working on providing us with this information.

Legal

Members of the Legal staff have provided legal support to the group by offering information on litigation techniques and volume in CWPF claims and a comparison and contrast for context of Ohio BWC State Fund and Self Insured claims dealing with dust based occupational diseases. They have provided input regarding the role of the Ohio Department of Natural Resources (ODNR) in coal mine safety and comprehensive coal mining minerals management. The attorneys have also addressed the historic role of the United Mine Workers (UMW) labor union in the evolution of laws relating to the coal mining industry and ancillary activities.

The Legal Division provides continuing input regarding the legal aspects of the Ohio Legislature's interest in the Coal-Workers Pneumoconiosis Fund.

Claims Management

In 2010 the Black Lung claims administration responsibility shifted from the Legal Department to the Customer Service Department. As a result of the unique nature of the claims process, it was specifically aligned with the Special Claims Unit within Central Office. The realignment offered the oversight of an Injury Management Supervisor which implemented daily claims administration and protocols such as claims management techniques, direct nursing consultations and payment audits. As a result of the new structure, several of the Internal Audit weaknesses identified in 2009 have been addressed and/or corrected. The Central Office Team is now a vital part of the overall BWC group who monthly discuss our CWPF efforts from every perspective: claims, actuarial, legal, underwriting and medical. We have not only individually strengthened our claims processes, but also become part of a viable knowledge based team overseeing this critically important part of the BWC operations.

The following information provides a brief summary of claims data for 2010 as well as the past ten (10) years:

CWPF Claim Activity as of January 1, 2011

Claim Status	Injury year 2010	Last 10 injury years
Allowed	0	25
Disallowed	6	203
Dismissed	3	7
New Claim	16	18

Health Care Reform Act

The Health Care Reform Act included Coal-Worker Pneumoconiosis language that included specific benefit coverage for the surviving spouse of a miner receiving benefits. We have not yet experienced any claims experience changes in association with this new law. The change is to be retroactively applied 15 years prior to the date of signing and includes any form of death whether or not associated with coal-worker pneumoconiosis. The potential impact to each state's exposure will differ based on volume of these claims. States with major subsurface coal mining operations (WVA, KY & PA) are much more susceptible to higher level of allowed claims.

Projects and Initiatives

New Products Development

Project Lead: Joy Bush		
Task/Function	**Timeline**	**Status**
One-Claim program review	Fall, 2011	Gathering Stakeholder feedback
Group Rating program analysis	July 2010 to June 2011	Evaluating options
Employer coverage and minimum premium analysis	October 2011 to July 2012	Planning

- Researched possible changes and their impacts to the OCP and 100% EM capping programs. We do not contemplate changes for the policy year beginning 7-1-2011.
- Employer coverage/minimum premium analysis would require coordination and dual resource allocation from both Employer Services and Actuarial.
- Policy decision regarding group retrospective rating refund/billing allocation through the 3 evaluations is pending executive decision.
- Program Evaluation Cycle proposal pending John's approval.

Split Experience Rating Plan Development

Larry King – Project Manager; Leads: Terry Potts and Jon Turnes		
Task/Function	**Timeline**	**Status**
Plan development at BWC		
Split experience plan parameters determined through actuarial modeling (on Deloitte work list)	Jan 2010- Mar 2011	In-Progress & on target
Split experience plan development in Rates & Payments system	Sept 2009 to December 2010	Completed to date
Split experience plan implementation in R&P (Beta Version) for BWC staff	July 1, 2011	Scheduled
Split experience plan implementation on BWC web as a side by side comparison for employers	September 1, 2011	Scheduled
Split experience plan full implementation and conversion	July 1, 2012	
Communications	8/1/2008 start	Continuing
Split experience plan discussions with TPA community on methodology for system programming purposes	Summer 2010	Continuing
Split experience plan general training for BWC staff	June 2010 to Dec 2010	Completed
Split experience plan training for BWC staff with selected parameters	Spring 2011	
Split experience plan training for external interested parties	Dec 2010 to Mar 2011	
Employer outreach by BWC staff to employers	Spring/Summer 2011	

- The split experience rating plan IT programming development is completed pending additional changes as final decisions are made. The final split plan parameters are still being developed by the BWC along with Deloitte. Deloitte and Actuarial have developed a schedule for their review.
- Analysis of the split plan results will include 2009 PA policy year using the 12/31/2010 data. The final table is expected to be completed by April. The base rates have been run and the results tested from the $5,000 single split table to determine off-balance and base rate impacts.

- The split plan rules are expected to be presented to the actuarial committee in May and June of 2011 per the decision of executive staff.

Base Rate Analysis Project

Project Lead: Liz Bravender		
Task/Function	Timeline	Status
Deloitte and BWC complete project scope and plan	9-22 to 10-1-2010	Completed 9-30-2010
Plan approval by John P	10/1/2010 to 10/4/2010	Completed 10/12/2010
Data request from Deloitte	10/4/2010 to 10/12/2010	Completed 10/21/2010
BWC obtains and provides data	10/13/2010 to 10/20/2010	Completed 11/1/10
Deloitte performs analysis	10/20/2010 to 11/24/2010	Completed
BWC reviews and comments on analysis	11/29/2010 to 12/3/2010	Completed
Deloitte provides draft report	1/4/2011	Completed
BWC reviews draft report	1/4/2011 to 1/7/2011	Completed
Deloitte provides final report	1/7/2011 to 1/14/2011	Completed
Report provided to Actuarial Committee of the Board	1/7/2011 to 1/20/2011	In progress
Present findings to actuarial committee	January 2011	In progress
Implement findings from evaluation and determine next steps		

Private Employer rates effective July 1, 2011

Project Lead: Terry Potts		
Task/Function	Timeline	Status
Private Employer Rate Calculation	January to June 2011	In Progress
Summary Payroll	February to March 2011	In Progress
Summary Losses	February to March 2011	In Progress
Rate Calculations	March to April 2011	
Rate recommendation received from Deloitte	March 2011	
Rate decision from WCB – Preliminary Base rates to WCB	April 2011	
Final Rates to WCB	May 2011	
Employer Rating Information available on ohiobwc.com	July 2011	

Deloitte Projects

Project Lead: Liz Bravender		
Task/Function	**Timeline**	**Status**
Split experience Plan - assistance	Now thru Feb 2011	In-Progress
Group Rating plan development	Now thru June 2011	In-Progress
State Agency rate making review and recommendation	Feb 2011	In-Progress
Base Rate Calculation analysis	Jan 2011	Completed
PA Deductible analysis	Jan 2011	Completed
Risk of inflation on the DWRF fund	Feb 2011	In-Progress
Financial strength indicators and funding ratio analysis	March 2011	In-Progress
Black Lung Fund –rate recommendation analysis	March 2011	In-Progress
Actuarial Database development and reporting dashboard	Dec 2011	In-Progress
Quarterly reserve update as of 12-31-2010	Feb 2011	Completed
Quarterly update 12-31-2010 to board in March 2011	March 2011	In-Progress
PA rate recommendation	March 2011	In-Progress
Marine Fund rate recommendation	March 2011	In-Progress

DWRF 1 and 2 rate recommendation	March 2011	In-Progress
SI minimum assessment methodology review		Not scheduled
PA minimum premium assessment and security deposit	Fall 2011	Not scheduled

- BWC black lung data (losses, payroll and premium) as of December 31, 2010 has been compiled and analyzed. The data set has been provided to Deloitte for their review. BWC and Deloitte will have further discussion at the February Deloitte site visits. Significant progress on the Black Lung fund continues throughout the agency – please see separate report.

Actuarial Committee Calendar –2011

Date	February 2011
2/23/2011	1. PA Deductible Program – 1st reading
	2. 2011 NCCI Classification Code Changes – 1st reading
	3. Base rate methodology analysis and discussion
	4. State of Ohio Workers' Compensation report
Date	**March 2011**
3/24/2011	1. 2011 NCCI Classification Code Changes – 2nd reading
	2. PA Deductible Program – 2nd reading
	3. Private employer rate change recommendation – 1st reading
	4. Public employer state agency rate change recommendation– rule 4123-17-35 - 1st reading
	5. Quarterly reserve analysis for financial reporting for fiscal year ending June 30, 2011 based on data as of December 31, 2010
	6. Public employer state agency rate calculation analysis - tentative
Date	**April 2011**
4/28/2011	1. Private employer rate change recommendation – 2nd reading
	2. Public employer state agency rate change recommendation– rule 4123-17-35 – 2nd reading
	3. Private employer base rates and expected loss rates – rules 4123-17-05 and 4123-17-06 – 1st reading
	4. Marine Industry Fund – rule 4123-17-19 – 1st reading
	5. Coal-Workers' Pneumoconiosis Fund – rule 4123-17-20 – 1st reading
	6. Disabled Workers' Relief Fund and Additional Disabled Workers' Relief Fund rule 4123-17-29 – 1st reading
Date	**May 2011**
5/26/2011	1. Private employer base rates and expected loss rates – rules 4123-17-05 and 4123-17-06 – 2nd reading
	2. Marine Industry Fund – rule 4123-17-19 – 2nd reading
	3. Coal-Workers' Pneumoconiosis Fund – rule 4123-17-20 – 2nd reading
	4. Disabled Workers' Relief Fund and Additional Disabled Workers' Relief Fund rule 4123-17-29 – 2nd reading
	5. Self-Insured assessments – rule 4123-17-32 – 1st reading
	6. Administrative Cost Fund - rule 4123-17-36 – 1st reading
	7. Safety & Hygiene assessment– 1st reading
	8. Reserve update for financial reporting for fiscal year ending June 30, 2011 and projection for June 30, 2012 based on data as of March 31, 2011
	9. Split Experience Rating Plan rules – 1st reading
	10. Public employer taxing districts credibility table effective 1-1-2012- rule 4123-17-33.1 – 1st reading
	11. Public employer taxing districts group break even factor rule 4123-17-64.2 – 1st reading
Date	**June 2011**
6/15/2011	1. Administrative Cost Fund - rule 4123-17-36 – 2nd reading
	2. Self-Insured Assessments – rule 4123-17-32 – 2nd reading
	3. Safety & Hygiene assessment – 2nd reading
	4. State-by-State Rate Comparison
	5. Split experience rating plan rules – 2nd reading
	6. One Claim Program – rule 4123-17-71 – 1st reading
	7. Public employer taxing districts credibility table effective1-1-2012- rule 4123-17-33.1 – 2nd reading
	8. Public employer taxing districts group break even factor rule 4123-17-64.2 – 2nd reading

Actuarial Committee Calendar –2011

Date	July 2011
7/28/2011	1. Reserve adjustments as of June 30, 2011 – discussion if necessary
	2. Reserve Audit as of 6-30-2011
	3. Group rating rule changes – 1st reading
	4. One Claim Program – rule 4123-17-71 – 2nd reading
Date	**August 2011**
8/25/2011	1. Final Reserve Audit as of June 30, 2011 and quarterly reserve true up for financial reporting for fiscal year ending June 30, 2011 and updated estimate for fiscal year ending June 30, 2012 based on data as of June 30, 2011
	2. Group rating rule changes – 2nd reading
Date	**September 2011**
9/29/2011	1. Safety & Hygiene is found in rule 4123-17-37 – 1st reading
	2. Annuity table rule 4123-17-60 – 1st reading if necessary
	3. Public employer taxing districts rate change – 1st reading
Date	**October 2011**
10/27/2011	1. PEC Base Rate and Expected Loss rates rule 4123-17-33 and 4123-17-34 – 1st reading
	2. PEC group Break even factor rule 4123-17-64.2 – 1st reading
	3. Safety & Hygiene assessment rate – rule 4123-17-37 – 2nd reading
	4. Annuity table rule 4123-17-60 – 2nd reading if necessary
Date	**November 2011**
11/17/2011	1. Quarterly reserve update
	2.
Date	**December 2011**
12/14/2011	1.
Date	**January 2012**
Date	**February 2012**