

Actuarial Committee Agenda

Thursday, April 28, 2011

William Green Building

Level 2, Room 3

12:30 p.m. to 2:30 p.m.

Call to Order

Stephen Lehecka, Committee Chair

Roll Call

Larry Rhodebeck, Scribe

Approve Minutes of March 23, 2011 meeting

Stephen Lehecka, Committee Chair

Approve Minutes of March 24, 2011 meeting

Stephen Lehecka, Committee Chair

Review and approve Agenda

Stephen Lehecka, Committee Chair

New Business/ Action Items

Motions for Board Consideration:

A. For Second Reading

1. None

B. For First Reading

1. Private Employer Rate Change Recommendation, Base Rates and Expected Loss Rates – Rules 4123-17-05 and 4123-17-06
John Pedrick, Chief Actuarial Officer
Deloitte Consulting LLP
Terrence Potts, Actuarial Supervisor of Rates
2. Public Employer State Agency Rate Change Recommendation
John Pedrick, Chief Actuarial Officer
3. Marine Industry Fund - Rule 4123-17-19
John Pedrick, Chief Actuarial Officer
Deloitte Consulting LLP
Elizabeth Bravender, Director of Actuarial Operations
4. Disabled Workers' Relief Fund and Additional Disabled Workers' Relief Fund - Rule 4123-17-29
John Pedrick, Chief Actuarial Officer
Deloitte Consulting LLP
Elizabeth Bravender, Director of Actuarial Operations

5. Coal-Workers' Pneumoconiosis Fund - Rule 4123-17-20
John Pedrick, Chief Actuarial Officer
Deloitte Consulting LLP
Elizabeth Bravender, Director of Actuarial Operations
6. Program Compatibility – Rule 4123-17-74
Tom Prunte, Director of Employer Management
Services

Discussion Items

1. Legislative discussion and analysis – if necessary
2. CAO report
John Pedrick, Chief Actuarial Officer
3. Committee Calendar
Stephen Lehecka, Committee Chair

Executive Session

Litigation update – if necessary

Adjourn

Stephen Lehecka, Committee Chair

Next Meeting: Thursday May 26, 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 4123-17-05, 4123-17-06

Rule Review

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

Citation: R.C. 4121.121, 4123.29, 4123.34

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

What goal(s): These rules establish the limited loss ratios, manual to industry assignment, base rates, and expected losses for private employers for policy year 7/1/11 to 6/30/12.

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: BWC rate rules are developed using actuarial and insurance principles, stakeholder input is not appropriate.

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.

Board of Directors
Executive Summary

**Private employer industry group and limited loss ratio tables
Private employer contribution to the state insurance fund**

Employer Group: Private Employers

Policy Year: 7-1-2011 through 6-30-2012

Rate Method: Calculate and apply premium rates designed to provide premiums to meet the costs of injuries and occupational diseases that have injury dates during the policy year. A table showing the rate changes over the past several years is on page 4.

Rate Rule Process:

- The Administrator of Ohio Bureau of Workers' Compensation recommends to the Workers' Compensation Board of Directors an overall rate change based upon a rate indication developed by the BWC's consulting actuary, Deloitte and discussion and analysis with the Chief Actuarial Officer.
- The Workers' Compensation Board of Directors is being provided documentation to support an overall rate change of a 4.0 percent decrease.
- The Administrator provides specific rules that are necessary to implement the recommended overall rate change (Rules 4123-17-05 and 4123-17-06).
- The Actuarial Committee recommends to the Workers' Compensation Board of Directors rules 4123-17-05 and 4123-17-06 for approval.
- These rules are not chapter 119 rules and therefore, are not subject to public hearings.
- O.R.C. 4123.34 (B) states in part... "a revision of basic rates shall be made annually on the first day of July".
- A change in the premium rates must be completed and filed with the Legislative Services Commission (LSC) ten days prior to the effective date or start of the policy year. In this case, filing with the LSC must be made by June 17, 2011 to be effective July 1, 2011.

7-1-2011 Rate Summary

Private Employer Premium Rates

1. Change in private employer premium rates at the industry level:

Industry Group	Name	Percent Change	Average Collectible Rate per \$100 Unit of Payroll
1	Agriculture	-9%	\$3.07
2	Extraction	-10%	\$3.48
3	Manufacturing	-7%	\$2.77
4	Construction	-3%	\$3.95
5	Transportation	0%	\$5.81
6	Utility	0%	\$1.65
7	Commercial	-5%	\$2.40
8	Service	-3%	\$1.45
9	High Risk Commercial/Service	-8%	\$2.59
10	Office Work/Miscellaneous	-6%	\$0.15
	Total	-4%	\$1.43

2. Projected payroll is \$88.2 billion. Estimated premium is \$1.261 billion.
3. Average assessment for a private employer per \$100 of reported payroll:

Premium (average collectible base rate)	\$1.4300
Administrative Cost (BWC) 13.45%	.1923
Administrative Cost (IC) 2.10%	.0300
Administrative Cost (WCC) .0429%	.0006
Disabled Workers' Relief Fund	.0800
Additional Disabled Workers' Relief Fund (.1% of premium at base rate)	.0014
Total average collectible rate	\$1.7343

The administrative cost and Disabled Workers' Relief Fund assessments are not known at this time. For illustration purposes the average assessment rates above utilize the 7/1/2010 rates.

HISTORICAL PERCENT CHANGE IN PRIVATE EMPLOYER 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	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	7-1-2011	4% 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

Rating Year	Average Base Rate*	Average Collectible Rate*
7-1-75	\$1.42	
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
7-1-2011		\$1.43

*Rates have been rounded to the nearest cent

4123-17-05 Private employer industry group and limited loss ratio tables

The administrator of workers' compensation, with the advice and consent of the bureau of workers' compensation board of directors, has authority to approve contributions made to the state insurance fund by employers pursuant to sections 4121.121, 4123.29, and 4123.34 of the Revised Code. The administrator hereby sets the industry group and limited loss ratio tables parts A and B to be effective July 1, ~~2010~~2011, applicable to the payroll reporting period July 1, ~~2010~~2011, through June 30, ~~2011~~2012, for private employers as indicated in the attached appendixes A and B.

TABLE 1

PART A

Industry Group	NCCI Manual Classifications
1	0005, 0008, 0016, 0034, 0035, 0036, 0037, 0079, 0083, 0113, 0170, 0251, 2702, 2709
2	1005, 1016, 1164, 1165, 1320, 1430, 1438, 1452, 1624, 1654, 1655, 1710, 4000
3	1463, 1472, 1642, 1699, 1701, 1741, 1747, 1748, 1803, 1852, 1853, 1860, 1924, 1925, 2001 , 2002, 2003, 2014, 2016, 2021, 2039, 2041, 2065, 2070, 2081, 2089, 2095, 2110, 2111, 2112, 2114, 2121, 2130, 2143, 2172, 2174, 2211, 2220, 2286, 2288, 2300, 2302, 2305, 2361, 2362, 2380, 2386, 2388, 2402, 2413, 2416, 2417, 2501, 2503, 2534, 2570, 2600, 2623, 2651, 2660, 2670, 2683, 2688, 2710, 2714, 2731, 2735, 2759, 2790, 2797 , 2802, 2812 , 2835, 2836, 2841, 2881, 2883, 2913, 2915, 2916, 2923, 2942, 2960, 3004, 3018, 3022, 3027, 3028, 3030, 3040, 3041, 3042, 3064, 3069 , 3076, 3081, 3082, 3085, 3110, 3111, 3113, 3114, 3118, 3119, 3122, 3126, 3131, 3132, 3145, 3146, 3169, 3175, 3179, 3180, 3188, 3220, 3223, 3224, 3227, 3240, 3241, 3255, 3257, 3270, 3300, 3303, 3307, 3315, 3334, 3336, 3372, 3373, 3383, 3385, 3400, 3507, 3515, 3548, 3559, 3574, 3581, 3612, 3620, 3629, 3632, 3634, 3635, 3638, 3642, 3643, 3647, 3648, 3681, 3685, 3803, 3807, 3808, 3821, 3822, 3824, 3826, 3827, 3830, 3851, 3865, 3881, 4021, 4024, 4034, 4036, 4038, 4053, 4061, 4062, 4101, 4109 , 4110 , 4111, 4112 , 4113, 4114, 4130, 4131, 4133, 4149 , 4150 , 4206, 4207, 4239, 4240, 4243, 4244, 4250, 4251, 4263, 4273, 4279, 4282, 4283, 4299, 4304, 4307, 4351, 4352, 4360, 4410, 4420, 4431, 4432, 4439, 4452, 4459, 4470, 4484, 4493, 4557, 4558, 4561 , 4568, 4581, 4583, 4611, 4635, 4653, 4665, 4670, 4683, 4686, 4692, 4693, 4703, 4717, 4720, 4740, 4741, 4751, 4771, 4825, 4828, 4829, 4902, 4923, 5951, 6503 , 6504, 6811, 6834, 6854, 6882, 6884, 9501, 9505, 9522
4	0042, 0050, 0106, 1322, 3069 , 3365, 3719, 3724, 3726, 5020, 5022, 5037, 5040, 5057, 5059, 5069, 5102, 5146, 5160, 5183, 5188, 5190, 5213, 5215, 5221, 5222, 5223, 5348, 5402, 5403, 5437, 5443, 5445, 5462, 5472, 5473, 5474, 5478, 5479, 5480, 5491, 5506, 5507, 5508, 5535, 5537, 5538, 5551, 5605, 5606, 5610, 5645, 5651 , 5703, 5705, 6003, 6005, 6017, 6018, 6045, 6204, 6206, 6213, 6214, 6216, 6217, 6229, 6233, 6235, 6236, 6237, 6251, 6252, 6260, 6306, 6319, 6325, 6400, 7538, 7601 , 7605, 7611 , 7612 , 7613 , 7855, 8227, 9534, 9554
5	2701, 6704, 7133, 7222, 7228, 7229, 7230, 7231, 7232, 7370, 7380, 7382, 7403, 7405, 7420, 7421, 7422, 7425, 7431, 7705, 8385
6	7502, 7515, 7520, 7539, 7540, 7580, 7600, 8901
7	0400, 0401, 2105, 2131, 2157, 2799 , 4361, 7390, 8001, 8002, 8006, 8008, 8010, 8013, 8015, 8017, 8018, 8021, 8031, 8032, 8033, 8037 , 8039, 8044, 8045, 8046, 8047, 8058, 8072, 8102, 8103, 8105, 8106, 8107, 8111, 8116, 8203, 8204, 8209, 8215, 8232, 8233, 8235, 8263, 8264, 8265, 8288, 8304, 8350, 8380, 8381, 8393, 8500, 8745
8	0917, 2585, 2586, 2587, 2589, 4362 , 5191, 5192, 6836, 7360, 7610, 8279, 8291, 8292, 8293, 8392, 8601, 8602, 8720, 8725, 8799, 8800, 8824, 8825, 8826, 8829, 8831, 8832, 8833, 8835, 8842, 8864, 8868, 8869, 8989, 9012, 9014, 9015, 9016, 9019, 9033, 9040, 9044, 9052, 9058, 9060, 9061, 9062, 9063, 9082, 9083, 9084, 9089, 9093, 9101, 9102, 9154, 9156, 9170, 9178, 9179, 9180, 9182, 9186, 9220, 9516, 9519, 9521, 9586, 9600, 9620
9	4511, 4777, 7590, 7704, 7710, 7711, 7720, 8606, 9088, 9402, 9403, 9984, 9985
10	7402, 8603, 8721, 8742, 8748, 8755, 8803, 8810, 8820, 8871

Revised 7-1-2011

TABLE 1
PART B
INDUSTRY GROUP
(LLR)

Credibility Group	1	2	3	4	5	6	7	8	9	10
1	0.3345	0.3048	0.3695	0.2568	0.2642	0.2935	0.3375	0.3807	0.3150	0.3755
2	0.3345	0.3048	0.3695	0.2568	0.2642	0.2935	0.3375	0.3807	0.3150	0.3755
3	0.3345	0.3048	0.3695	0.2568	0.2642	0.2935	0.3375	0.3807	0.3150	0.3755
4	0.3345	0.3048	0.3695	0.2568	0.2642	0.2935	0.3375	0.3807	0.3150	0.3755
5	0.3345	0.3048	0.3695	0.2568	0.2642	0.2935	0.3375	0.3807	0.3150	0.3755
6	0.4510	0.4135	0.4900	0.3674	0.3814	0.4069	0.4535	0.5028	0.4385	0.4973
7	0.5281	0.4895	0.5706	0.4477	0.4667	0.4849	0.5340	0.5854	0.5222	0.5768
8	0.6109	0.5692	0.6535	0.5365	0.5597	0.5699	0.6204	0.6721	0.6093	0.6594
9	0.6832	0.6448	0.7269	0.6198	0.6444	0.6518	0.6972	0.7468	0.6882	0.7319
10	0.7190	0.6873	0.7650	0.6648	0.6898	0.6948	0.7377	0.7845	0.7297	0.7688
11	0.7524	0.7273	0.7984	0.7059	0.7311	0.7333	0.7735	0.8172	0.7669	0.8009
12	0.7839	0.7641	0.8278	0.7436	0.7681	0.7667	0.8054	0.8457	0.7993	0.8291
13	0.8123	0.7969	0.8540	0.7784	0.8019	0.7969	0.8338	0.8708	0.8274	0.8547
14	0.8378	0.8270	0.8772	0.8105	0.8321	0.8256	0.8598	0.8929	0.8516	0.8778
15	0.8610	0.8546	0.8976	0.8395	0.8594	0.8511	0.8832	0.9124	0.8738	0.8987
16	0.8824	0.8793	0.9158	0.8660	0.8839	0.8745	0.9040	0.9295	0.8947	0.9175
17	0.9038	0.9023	0.9319	0.8904	0.9063	0.8964	0.9224	0.9442	0.9141	0.9342
18	0.9243	0.9227	0.9465	0.9130	0.9261	0.9173	0.9389	0.9570	0.9318	0.9489
19	0.9431	0.9410	0.9596	0.9337	0.9439	0.9371	0.9540	0.9682	0.9474	0.9623
20	0.9590	0.9575	0.9713	0.9525	0.9601	0.9546	0.9676	0.9780	0.9621	0.9738
21	0.9740	0.9728	0.9817	0.9699	0.9749	0.9709	0.9797	0.9863	0.9760	0.9834
22	0.9876	0.9870	0.9913	0.9857	0.9883	0.9859	0.9904	0.9936	0.9886	0.9919
23	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Revised 7-1-2011

4123-17-06 **Private employer contributions to the state insurance fund.**

The administrator of workers' compensation, with the advice and consent of the bureau of workers' compensation board of directors, has authority to approve contributions made to the state insurance fund by employers pursuant to sections 4121.121, 4123.29, and 4123.34 of the Revised Code. The administrator hereby sets the NCCI manual classification base rates, and NCCI manual classification expected loss rates per one hundred dollar unit of payroll to be effective July 1, ~~2010~~2011, applicable to the payroll reporting period July 1, ~~2010~~2011, through June 30, ~~2011~~2012, for private employers as indicated in the attached appendix A.

To Be Enacted
Appendix A

**BUREAU OF WORKERS' COMPENSATION
NCCI BASE RATES AND EXPECTED LOSS RATES
EFFECTIVE JULY 1, 2011**

Base Rates and Expected Loss Rates are for each \$100 Unit of Payroll

**RATES DO NOT INCLUDE ADMINISTRATIVE COST,
DWRP, OR ADDITIONAL DWRP ASSESSMENTS**

Manual Number	Base Rate	Expected Loss Rate	Manual Number	Base Rate	Expected Loss Rate	Manual Number	Base Rate	Expected Loss Rate
0005	\$2.44	\$0.77	1853	\$4.21	\$0.73	2413	\$4.73	\$1.05
0008	\$1.43	\$0.45	1860	\$2.94	\$1.27	2416	\$3.52	\$1.17
0016	\$3.52	\$0.45	1924	\$4.56	\$1.69	2417	\$3.52	\$1.17
0034	\$5.15	\$1.56	1925	\$4.98	\$1.61	2501	\$3.19	\$1.13
0035	\$3.14	\$0.88	2002	\$3.56	\$0.65	2503	\$1.66	\$0.42
0036	\$3.43	\$0.94	2003	\$4.80	\$1.42	2534	\$3.52	\$1.17
0037	\$3.77	\$1.20	2014	\$5.37	\$1.97	2570	\$6.49	\$2.41
0042	\$6.52	\$2.04	2016	\$5.37	\$0.94	2585	\$4.66	\$1.60
0050	\$4.25	\$1.66	2021	\$4.23	\$1.27	2586	\$1.96	\$0.63
0079	\$8.22	\$2.53	2039	\$4.57	\$1.38	2587	\$7.76	\$4.58
0083	\$5.06	\$1.69	2041	\$2.46	\$0.94	2589	\$2.46	\$0.85
0106	\$37.88	\$11.49	2065	\$1.54	\$0.57	2600	\$3.52	\$1.17
0113	\$3.93	\$1.19	2070	\$4.23	\$1.42	2623	\$3.52	\$1.17
0170	\$2.31	\$0.19	2081	\$6.28	\$1.86	2651	\$3.30	\$1.20
0251	\$3.93	\$1.19	2089	\$5.37	\$1.84	2660	\$3.52	\$1.17
0400	\$3.05	\$0.98	2095	\$5.02	\$1.73	2670	\$16.56	\$16.73
0401	\$3.05	\$0.98	2105	\$5.89	\$1.98	2683	\$10.24	\$0.76
0917	\$7.39	\$2.29	2110	\$5.32	\$1.30	2688	\$1.20	\$0.25
1005	\$4.44	\$1.50	2111	\$4.25	\$1.44	2701	\$9.97	\$3.00
1016	\$4.66	\$1.65	2112	\$4.86	\$3.15	2702	\$28.93	\$10.06
1164	\$4.35	\$1.44	2114	\$3.52	\$1.17	2709	\$24.24	\$8.40
1165	\$4.35	\$3.12	2121	\$3.52	\$1.09	2710	\$9.99	\$3.63
1320	\$2.92	\$0.99	2130	\$3.52	\$1.17	2714	\$7.10	\$2.34
1322	\$7.85	\$2.41	2131	\$1.88	\$0.63	2731	\$3.84	\$1.29
1430	\$4.35	\$1.44	2143	\$4.68	\$1.69	2735	\$3.24	\$1.29
1438	\$4.35	\$1.53	2157	\$4.95	\$1.82	2759	\$6.17	\$2.20
1452	\$4.35	\$2.96	2172	\$3.52	\$1.17	2790	\$2.51	\$0.84
1463	\$4.25	\$1.18	2174	\$3.52	\$1.17	2797	\$3.45	\$1.17
1472	\$1.05	\$0.19	2211	\$13.41	\$8.21	2799	\$3.18	\$1.03
1624	\$3.03	\$1.00	2220	\$6.08	\$2.38	2802	\$3.45	\$1.21
1642	\$6.11	\$2.34	2286	\$8.82	\$16.04	2835	\$16.42	\$8.89
1654	\$4.78	\$5.46	2288	\$4.52	\$1.73	2836	\$2.26	\$0.67
1655	\$4.35	\$1.44	2300	\$3.52	\$1.17	2841	\$1.47	\$0.37
1699	\$11.12	\$7.24	2302	\$3.26	\$1.18	2881	\$1.75	\$0.45
1701	\$4.05	\$1.19	2305	\$6.25	\$3.27	2883	\$3.66	\$1.30
1710	\$5.88	\$0.52	2361	\$3.52	\$1.17	2913	\$3.52	\$1.17
1741	\$7.68	\$3.56	2362	\$3.52	\$1.17	2915	\$3.52	\$1.17
1747	\$7.30	\$3.49	2380	\$3.52	\$1.17	2916	\$3.81	\$1.31
1748	\$3.37	\$0.89	2386	\$3.52	\$1.17	2923	\$4.69	\$1.71
1803	\$4.73	\$1.81	2388	\$2.01	\$0.72	2942	\$15.81	\$7.97
1852	\$3.52	\$1.17	2402	\$3.52	\$1.17	2960	\$4.20	\$2.28

Manual Number	Base Rate	Expected Loss Rate
3004	\$3.32	\$1.16
3018	\$3.55	\$1.13
3022	\$9.81	\$3.35
3027	\$3.82	\$1.31
3028	\$3.57	\$1.32
3030	\$6.12	\$2.20
3040	\$4.56	\$1.60
3041	\$9.02	\$3.65
3042	\$1.73	\$0.71
3064	\$3.30	\$1.30
3069	\$9.09	\$3.07
3076	\$4.06	\$1.41
3081	\$10.04	\$3.54
3082	\$7.58	\$2.75
3085	\$6.47	\$2.10
3110	\$9.45	\$2.86
3111	\$3.42	\$1.16
3113	\$1.61	\$0.58
3114	\$5.57	\$1.88
3118	\$1.60	\$0.49
3119	\$3.52	\$1.17
3122	\$2.05	\$0.48
3126	\$4.21	\$1.44
3131	\$3.99	\$0.22
3132	\$2.74	\$0.92
3145	\$2.70	\$0.90
3146	\$3.95	\$1.39
3169	\$4.80	\$1.53
3175	\$4.14	\$9.28
3179	\$2.70	\$0.91
3180	\$4.68	\$1.57
3188	\$4.52	\$1.54
3220	\$3.69	\$1.23
3223	\$3.52	\$1.17
3224	\$2.20	\$0.31
3227	\$5.20	\$1.74
3240	\$3.24	\$0.90
3241	\$5.60	\$1.87
3255	\$3.08	\$0.41
3257	\$3.31	\$1.15
3270	\$16.17	\$4.48
3300	\$5.65	\$2.11
3303	\$5.29	\$1.91
3307	\$3.98	\$1.37
3315	\$1.73	\$0.56
3334	\$3.52	\$1.17
3336	\$6.78	\$2.06
3365	\$6.46	\$1.99
3372	\$5.13	\$1.73
3373	\$2.02	\$0.78
3383	\$1.96	\$0.74
3385	\$3.52	\$1.17

Manual Number	Base Rate	Expected Loss Rate
3400	\$4.52	\$1.63
3507	\$3.21	\$1.11
3515	\$3.52	\$1.17
3548	\$1.19	\$0.32
3559	\$2.02	\$0.66
3574	\$1.58	\$0.53
3581	\$1.39	\$0.30
3612	\$2.91	\$0.98
3620	\$4.94	\$1.71
3629	\$1.62	\$0.55
3632	\$2.81	\$1.00
3634	\$1.06	\$0.38
3635	\$2.39	\$0.84
3638	\$3.19	\$1.07
3642	\$3.52	\$1.17
3643	\$1.98	\$0.64
3647	\$3.77	\$1.33
3648	\$3.36	\$1.08
3681	\$1.21	\$0.40
3685	\$0.94	\$0.31
3719	\$2.25	\$0.30
3724	\$4.52	\$1.41
3726	\$2.76	\$0.80
3803	\$8.33	\$3.31
3807	\$14.42	\$4.66
3808	\$12.59	\$4.01
3821	\$7.06	\$2.37
3822	\$3.33	\$0.91
3824	\$5.20	\$1.83
3826	\$0.60	\$0.22
3827	\$1.22	\$0.37
3830	\$1.87	\$0.68
3851	\$3.52	\$1.17
3865	\$11.79	\$10.34
3881	\$8.60	\$3.33
4000	\$5.61	\$1.93
4021	\$2.91	\$0.93
4024	\$5.07	\$1.54
4034	\$5.51	\$1.86
4036	\$4.01	\$0.99
4038	\$1.80	\$0.77
4053	\$12.33	\$3.66
4061	\$2.53	\$0.81
4062	\$3.31	\$1.17
4101	\$10.48	\$3.81
4109	\$1.25	\$0.51
4110	\$1.61	\$0.35
4111	\$5.35	\$2.12
4113	\$3.53	\$1.06
4114	\$1.67	\$0.11
4130	\$3.81	\$1.43
4131	\$3.56	\$0.56

Manual Number	Base Rate	Expected Loss Rate
4133	\$1.90	\$0.27
4149	\$1.25	\$0.51
4150	N/A	\$0.51
4206	\$3.52	\$1.17
4207	\$3.52	\$1.17
4239	\$4.89	\$1.45
4240	\$3.61	\$1.07
4243	\$2.58	\$0.96
4244	\$3.41	\$1.22
4250	\$2.57	\$0.85
4251	\$2.07	\$0.71
4263	\$4.61	\$1.26
4273	\$2.82	\$0.95
4279	\$3.23	\$1.09
4282	\$3.52	\$1.17
4283	\$4.25	\$1.84
4299	\$2.16	\$0.74
4304	\$3.45	\$1.25
4307	\$1.41	\$0.27
4351	\$0.97	\$0.12
4352	\$1.50	\$0.27
4360	\$3.52	\$1.17
4361	\$1.14	\$0.44
4410	\$3.80	\$1.32
4420	\$6.20	\$2.02
4431	\$3.52	\$1.17
4432	\$4.67	\$1.17
4439	\$3.52	\$1.17
4452	\$3.12	\$1.11
4459	\$3.45	\$1.19
4470	\$1.65	\$0.33
4484	\$4.13	\$1.37
4493	\$3.46	\$1.07
4511	\$0.73	\$0.24
4557	\$3.09	\$1.09
4558	\$2.24	\$0.74
4568	\$3.52	\$1.17
4581	\$3.52	\$1.17
4583	\$5.72	\$1.79
4611	\$1.09	\$0.38
4635	\$2.38	\$0.85
4653	\$5.19	\$1.72
4665	\$12.87	\$4.52
4670	\$3.52	\$1.17
4683	\$1.34	\$0.23
4686	\$1.16	\$0.38
4692	\$0.38	\$0.11
4693	\$2.31	\$0.76
4703	\$3.02	\$0.86
4717	\$3.52	\$1.17
4720	\$2.79	\$0.93
4740	\$4.39	\$1.32

Manual Number	Base Rate	Expected Loss Rate
4741	\$4.91	\$2.11
4751	\$1.83	\$0.62
4771	\$1.92	\$0.31
4777	\$7.97	\$1.91
4825	\$0.67	\$0.21
4828	\$2.79	\$1.03
4829	\$1.81	\$0.58
4902	\$2.70	\$0.85
4923	\$1.37	\$0.18
5020	\$10.25	\$2.60
5022	\$6.94	\$2.17
5037	\$24.80	\$9.26
5040	\$11.33	\$3.79
5057	\$5.84	\$1.94
5059	\$11.67	\$3.85
5069	\$5.09	\$1.53
5102	\$6.58	\$2.19
5146	\$5.57	\$1.74
5160	\$2.13	\$0.84
5183	\$3.52	\$1.12
5188	\$3.69	\$1.14
5190	\$3.43	\$1.04
5191	\$1.15	\$0.41
5192	\$4.75	\$1.59
5213	\$4.67	\$1.56
5215	\$5.46	\$1.46
5221	\$4.92	\$1.56
5222	\$6.32	\$2.06
5223	\$12.14	\$4.29
5348	\$4.85	\$1.46
5402	\$5.09	\$1.53
5403	\$5.52	\$1.74
5437	\$4.31	\$1.39
5443	\$36.65	\$46.74
5445	\$5.38	\$1.65
5462	\$8.83	\$2.37
5472	\$8.66	\$3.14
5473	\$8.24	\$2.25
5474	\$8.16	\$2.40
5478	\$4.09	\$1.32
5479	\$11.39	\$3.12
5480	\$7.80	\$1.81
5491	\$5.09	\$1.53
5506	\$5.41	\$1.72
5507	\$4.56	\$1.63
5508	\$5.09	\$1.53
5535	\$6.00	\$1.74
5537	\$4.01	\$1.25
5538	N/A	\$1.24
5551	\$14.89	\$4.11
5605	\$0.94	\$0.28
5606	\$1.21	\$0.38

Manual Number	Base Rate	Expected Loss Rate
5610	\$15.74	\$7.72
5645	\$7.73	\$2.39
5703	\$8.63	\$1.75
5705	\$5.09	\$1.53
5951	\$3.52	\$1.17
6003	\$7.00	\$0.30
6005	\$5.09	\$1.53
6017	\$5.09	\$1.53
6018	\$5.09	\$1.53
6045	\$5.09	\$1.53
6204	\$10.84	\$3.51
6206	\$4.14	\$1.02
6213	\$5.09	\$1.53
6214	\$10.44	\$3.07
6216	\$7.06	\$2.33
6217	\$4.79	\$1.51
6229	\$3.83	\$1.22
6233	\$4.68	\$1.78
6235	\$14.73	\$5.28
6236	\$10.22	\$9.96
6237	\$5.09	\$1.53
6251	\$14.29	\$6.19
6252	\$6.49	\$1.77
6260	\$5.09	\$1.53
6306	\$4.06	\$1.31
6319	\$2.58	\$0.84
6325	\$7.24	\$2.47
6400	\$5.25	\$1.87
6503	\$4.18	\$1.42
6504	\$4.18	\$1.42
6704	\$7.29	\$2.24
6811	\$4.14	\$2.31
6834	\$6.24	\$0.52
6836	\$5.74	\$2.00
6854	\$3.52	\$1.17
6882	\$3.52	\$1.17
6884	\$3.52	\$1.17
7133	\$4.86	\$1.56
7222	\$7.29	\$2.24
7228	\$10.03	\$3.02
7229	\$7.97	\$2.56
7230	\$8.85	\$3.56
7231	\$13.51	\$4.44
7232	\$5.48	\$1.60
7360	\$5.27	\$1.74
7370	\$6.82	\$2.22
7380	\$6.27	\$2.00
7382	\$7.29	\$2.22
7390	\$7.45	\$2.49
7402	\$0.16	\$0.05
7403	\$3.10	\$1.03
7405	\$2.27	\$0.84

Manual Number	Base Rate	Expected Loss Rate
7420	\$7.29	\$2.24
7421	\$1.53	\$0.17
7422	\$1.51	\$0.06
7425	\$1.05	\$0.39
7431	\$1.47	\$0.57
7502	\$1.27	\$0.20
7515	\$2.55	\$0.70
7520	\$4.16	\$1.40
7538	\$7.54	\$2.79
7539	\$2.43	\$0.72
7540	\$4.36	\$1.34
7580	\$3.66	\$1.03
7590	\$4.92	\$1.74
7600	\$3.24	\$1.52
7605	\$2.80	\$0.83
7610	\$0.51	\$0.18
7704	N/A	\$0.94
7705	\$10.51	\$3.28
7710	\$7.89	\$2.43
7711	\$4.13	\$0.91
7720	\$3.61	\$1.16
7855	\$3.29	\$0.97
8001	\$3.24	\$1.03
8002	\$8.16	\$2.88
8006	\$3.30	\$1.05
8008	\$1.68	\$0.58
8010	\$1.88	\$0.66
8013	\$0.46	\$0.17
8015	\$0.95	\$0.34
8017	\$1.72	\$0.56
8018	\$3.68	\$1.25
8021	\$2.89	\$0.95
8031	\$3.00	\$0.99
8032	\$4.57	\$1.38
8033	\$2.54	\$0.83
8037	\$1.72	\$0.56
8039	\$4.49	\$1.87
8044	\$3.50	\$1.19
8045	\$0.44	\$0.15
8046	\$2.81	\$0.92
8047	\$2.56	\$0.80
8058	\$3.08	\$1.01
8072	\$0.93	\$0.30
8102	\$1.26	\$0.19
8103	\$3.05	\$0.98
8105	\$3.05	\$0.98
8106	\$5.20	\$1.80
8107	\$3.36	\$1.10
8111	\$2.87	\$0.97
8116	\$1.64	\$0.54
8203	\$5.99	\$1.76
8204	\$4.62	\$1.79

Manual Number	Base Rate	Expected Loss Rate
8209	\$4.06	\$1.11
8215	\$2.91	\$0.89
8227	\$3.09	\$0.89
8232	\$4.99	\$1.70
8233	\$3.48	\$0.16
8235	\$3.26	\$1.16
8263	\$9.79	\$4.77
8264	\$9.51	\$3.25
8265	\$7.63	\$2.61
8279	\$9.53	\$3.50
8288	\$7.02	\$2.30
8291	\$7.82	\$2.69
8292	\$5.32	\$1.85
8293	\$9.27	\$3.32
8304	\$3.18	\$0.76
8350	\$5.28	\$1.79
8380	\$3.18	\$1.03
8381	\$2.30	\$0.62
8385	\$4.50	\$1.37
8392	\$4.84	\$1.78
8393	\$2.35	\$0.78
8500	\$6.97	\$2.42
8601	\$0.34	\$0.12
8602	\$0.35	\$0.12
8603	\$0.15	\$0.05
8606	\$2.93	\$0.13
8720	\$3.05	\$1.01
8721	\$0.47	\$0.26
8725	\$3.04	\$1.01
8742	\$0.24	\$0.08
8745	\$3.07	\$0.84
8748	\$0.48	\$0.16
8755	\$0.70	\$0.24
8799	\$1.49	\$0.51
8800	\$1.53	\$0.54
8803	\$0.08	\$0.03
8810	\$0.16	\$0.05
8820	\$0.16	\$0.06
8824	\$5.25	\$1.78
8825	\$2.80	\$0.97
8826	\$2.99	\$0.94
8829	\$4.06	\$1.38
8831	\$1.25	\$0.41
8832	\$0.37	\$0.13
8833	\$1.39	\$0.46
8835	\$3.68	\$1.16

Manual Number	Base Rate	Expected Loss Rate
8842	\$3.70	\$1.11
8864	\$2.64	\$0.90
8868	\$0.40	\$0.13
8869	\$1.54	\$0.52
8871	\$0.24	\$0.02
8901	\$0.11	\$0.02
8989	\$2.36	\$0.95
9012	\$0.79	\$0.27
9014	\$4.58	\$1.53
9015	\$4.84	\$1.60
9016	\$3.94	\$1.37
9019	\$1.84	\$0.60
9033	\$2.27	\$0.70
9040	\$4.36	\$1.45
9044	\$1.84	\$0.60
9052	\$3.56	\$1.16
9058	\$2.49	\$0.82
9060	\$1.59	\$0.56
9061	\$1.93	\$0.66
9062	\$10.49	\$8.47
9063	\$1.27	\$0.40
9082	\$1.85	\$0.63
9083	\$2.09	\$0.69
9084	\$2.44	\$0.79
9088	\$3.43	\$1.11
9089	\$1.84	\$0.60
9093	\$2.39	\$0.81
9101	\$2.59	\$0.87
9102	\$3.20	\$1.05
9154	\$1.97	\$0.72
9156	\$1.33	\$0.44
9170	\$5.19	\$1.65
9178	\$16.55	\$5.41
9179	\$77.43	\$31.04
9180	\$3.43	\$1.10
9182	\$2.92	\$0.94
9186	\$7.96	\$2.54
9220	\$5.30	\$1.75
9402	\$6.79	\$2.20
9403	\$8.78	\$3.09
9501	\$3.24	\$1.17
9505	\$1.18	\$0.19
9516	\$5.30	\$1.79
9519	\$4.30	\$1.53
9521	\$4.09	\$1.50
9522	\$2.29	\$0.62

Manual Number	Base Rate	Expected Loss Rate
9534	\$2.96	\$1.01
9554	\$7.10	\$2.31
9586	\$0.58	\$0.20
9600	\$1.84	\$0.60
9620	\$0.65	\$0.20
9984	\$1.95	\$0.59
9985	\$3.43	\$1.11

Rule 4123-17-35

Public employer state agency contribution to the state insurance fund

Calculating Rates

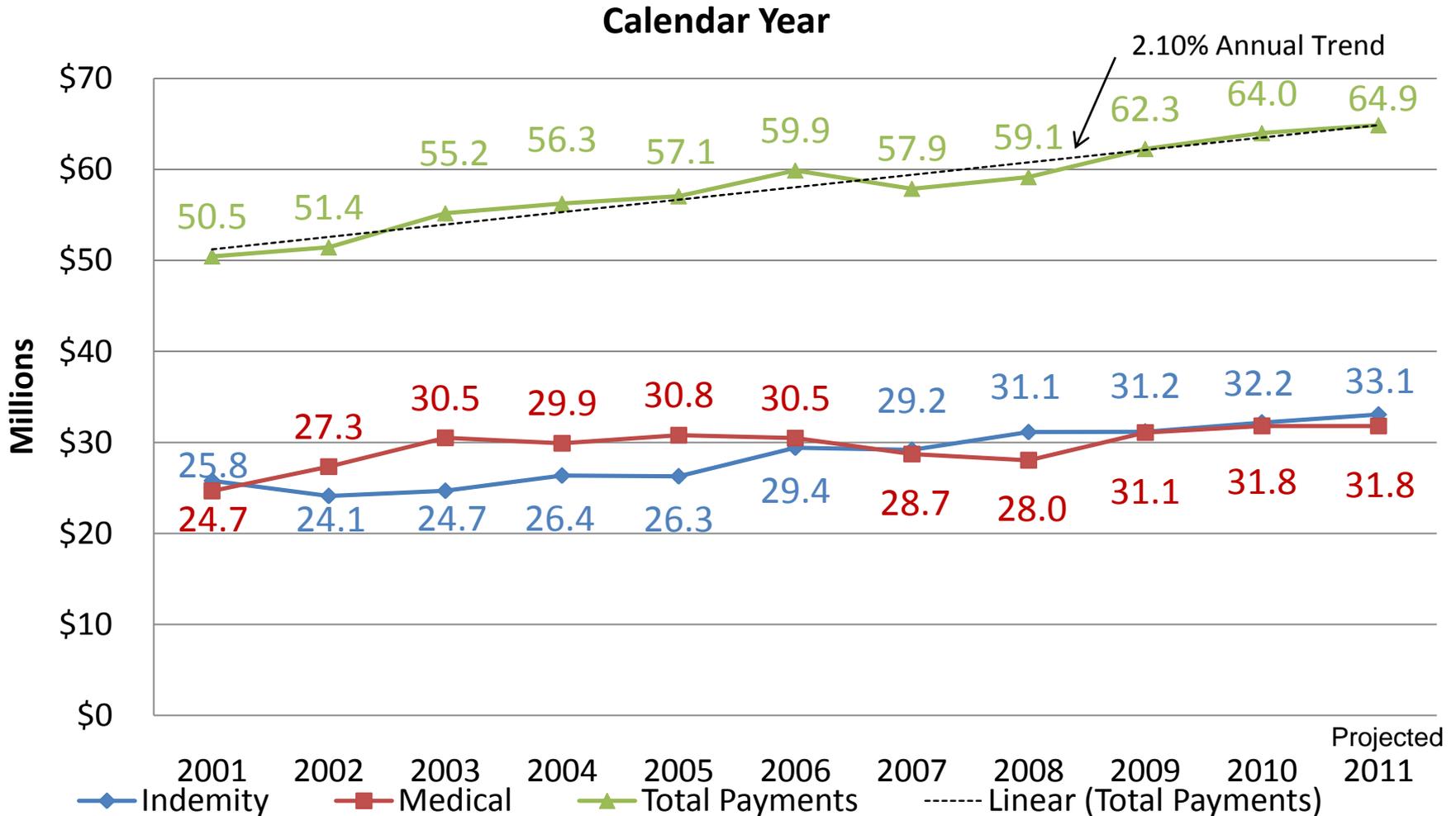
ORC 4123.40 The administrator shall determine and certify for the office of budget and management that rate or rates which when applied to the gross payroll estimate will produce an amount equal to the estimated cost of awards or payments to be made during the like fiscal period, as determined by the administrator.

Proposed Rates

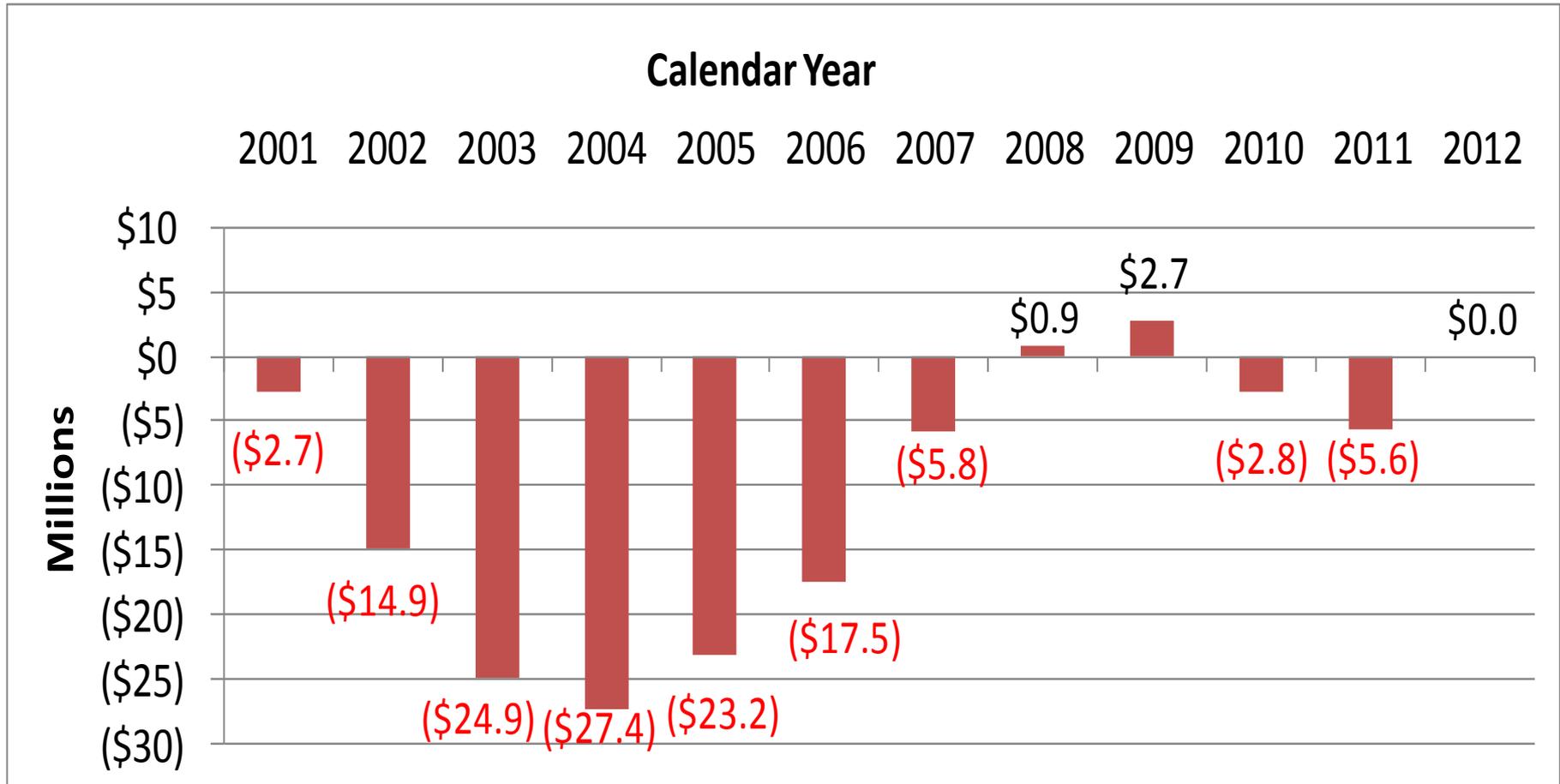
The proposed rate changes represent an average increase of 15.12%. This is based on:

- Annual claim cost trend of +2.10%
- Payroll projections
- Targeting the overall fund balance at \$0.00 at the end of calendar year 2012

Cost Projections – Claim Payments



Cost Projections – Surplus/(Deficit) Adjustment



Proposed MCO Assessments

The proposed MCO Assessment rate is 10.71% of premium before adjustment for 2010 actual costs. The effective assessment, after adjustment is 11.56%. For comparative purposes, the rate last year before adjustment was 10.12% and the effective rate was 10.23%.

This reflects the continued approach of estimating MCO costs and then adjusting for the actual costs that arose during the previous calendar year.

Cost Projections – MCO Fees

Calendar Year	1st half 2011	Filed	1st half 2011	Total CY 2011 Budgeted MCO Fees ³	MCO Fees	2nd half 2011 Projected Premium ⁴	MCO% Needed
	Projected Premium ¹	1st half 2011 MCO Fee Percentage	Projected MCO Fees Using True-up ²		Needed For Full Collection 2nd half 2011		For Full Collection 2nd half 2011
2011	\$26,893,841	10.12%	\$2,762,073	\$6,555,104	\$3,793,031	\$35,415,754	10.71%

Calendar Year	1st half 2012	1st half 2012 Projected Premium ⁴	MCO% Needed	7/1/2011-6/30/2012		MCO% Needed
	Projected Budgeted MCO Fees ⁵		For Full Collection 1st half 2012	Projected Budgeted MCO Fees	7/1/2011-6/30/2012 Projected Premium	For Full Collection
2012	\$3,343,103	\$31,196,406	10.72%	\$7,136,135	\$66,612,160	10.71%

Notes:

1. Based on 7-1-2010 rates.
2. Projected MCO fees were calculated using each agency's filed MCO rate, not 10.12%.
3. CY 2011 MCO fees are projected to be the same as CY 2010 MCO fees.
4. Projected 7-1-2011 premium for half year.
5. Inflated 2011 CY budgeted MCO fees by 2% and divided by 2 for half year period.

MCO Fee True-Up Example

	A	B	C	D	E	F	G	H	I	J
Agency	Calendar Year 2010 MCO Fees Paid By Agency	Calendar Year 2010 MCO Fees Paid to MCO on Behalf of Agency	Overage or Shortage in MCO Fees for CY 2010 (B-A) (Overpayment is Negative,-) (Underpayment is Positive,+)	Cumulative Overage or Shortage in MCO Fees from Prior Years	7-1-2011 Rate	7-1-2011 MCO Fee Rate Without Overage and Shortage Adjustment (10.71% x E)	7-1-2011 to 6-30-2012 Projected Payroll	Projected 7-1-2011 MCO Fees (F*G/100)	Projected 7-1-2011 MCO Fees After Adding Shortage or Overage (C+D+H)	7-1-2011 Final MCO Rate Including the Overage and Shortage Adjustment (I/G*100)
Agency 1	8,354	6,393	-1,961	1,000	0.15	0.0161	73,000,000	11,753	10,792	0.0148
Agency 2	1,100	2,000	900	-400	0.13	0.0139	10,030,000	1,394	1,894	0.0189
Agency 3	8,500	21,000	12,500	-1,250	0.05	0.0054	90,000,000	4,860	16,110	0.0179

Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-35

Rule Review

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

Citation: R.C. 4123.39, 4123.40

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

What goal(s): R.C. 4123.39 provides for the premium rating of state agencies and state universities. The rule establishes rates for these employers and informs the employers of the rates.

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: Discussions were held with state agencies, state universities, and university hospitals.

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.

Board of Directors Executive Summary

Public Employers State Agency Rate Recommendation

Introduction

Rate Method: Calculate and apply premium rates designed to provide premiums equal to the payments on all injuries or occupational diseases made during the policy year. Attached is a table showing the rate changes over the past several years. For the purpose of the payment of fees to the managed care organizations (MCOs) that manage the claims of state agencies, including state universities and university hospitals, a percent of premium is charged. After the end of each calendar year, the bureau compares the actual and collected fees to account for any overage or shortage in the fee collected. The bureau then applies any overages or shortages to the fee for the next policy year period.

Rate Rule Process

- The Administrator and Chief Actuarial Officer of the Ohio Bureau of Workers' Compensation make a recommendation to the Workers' Compensation Board of Directors Actuarial Committee
- The Actuarial Committee of the Board makes a recommendation to the Workers' Compensation Board of Directors who provide advice and consent to the overall rate change and base rates (Rule 4123-17-35) by vote
- Rules are filed with the Legislative Services Commission and the Secretary of State by June 20, 2011 with an effective date of July 1, 2011

Executive Summary

The Administrator is recommending a 15.12% increase in the average premium rate for state agencies. This rate increase will result in the collection of about \$66.6M in premiums. State agencies will pay these premiums bi-weekly beginning in July 2011, and State Universities and University Hospitals will begin quarterly premium payments starting October 2011. The premiums will be used to pay all claim payments made during the policy year. This is an overall rate change recommendation. Individual state agency rates will increase or decrease by varying amounts based upon their actual reported losses.

Historical State Agency Rate Changes

Policy Year	Approved/Proposed Rate Change
7-1-2011	15.12%
7-1-2010	-4.33%
7-1-2009	-3.75%
7-1-2008	-10.00%
7-1-2007	no change
7-1-2006	no change
7-1-2005	5%
7-1-2004	10%
7-1-2003	37.65%
7-1-2002	no change

STATE AGENCY RATES

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

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

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

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

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

The administrator of workers' compensation, with the advice and consent of the bureau of workers' compensation board of directors, has authority to approve contributions made to the state insurance fund by employers pursuant to sections 4121.121, 4123.39, and 4123.40 of the Revised Code. The administrator hereby sets rates per one hundred dollar unit of payroll to be effective July 1, ~~2010~~ 2011, applicable to the payroll reporting period July 1, ~~2010~~ 2011, through June 30, ~~2011~~ 2012, for public employer state agencies, including state universities and university hospitals, as indicated in the attached appendix A.

For the purpose of the payment of fees to the managed care organizations that manage the claims of state agencies, including state universities and university hospitals, the administrator hereby sets an additional contribution to the state insurance fund applicable to the payroll reporting period ~~July 1, 2010~~ July 1, 2011, through June 30, ~~2011~~ 2012, for public employer state agencies, including state universities and university hospitals, at ~~ten and twelve~~ ten and seventy-one hundredths per cent of the premium as indicated in appendix A to this rule. After the end of calendar year ~~2010~~ 2011, the bureau will compare the actual and collected fees to account for any overage or shortage in the fee collected. The bureau will apply any overages or shortages to the fee for the next policy year period. The resulting MCO fee will be a rate by agency as indicated in the attached appendix A.

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

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

(1) Requirements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) Change in status.

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

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

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

(5) Terminating a program.

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

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

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

Promulgated Under: 111.15

Statutory Authority: 4121.12, 4121.121

Rule Amplifies: 4121.12, 4123.39, 4123.40

Prior Effective Dates: 7/1/90, 7/1/91, 7/1/92, 7/1/93, 7/1/94, 7/1/95, 7/1/96, 7/1/97, 7/1/98, 7/1/99, 7/1/00, 7/1/01, 7/1/02, 7/1/03, 7/10/04, 7/1/05, 7/1/06, 7/1/07, 1/1/08, 7/1/08, 7/1/09, 7/1/10

APPENDIX A

**STATE AGENCY
RATES EFFECTIVE JULY 1, 2011**

MANUAL	AGENCY	RATE	MCO Rate
3100	General Revenue (Sch.) Commissions, Boards and Departments not otherwise classified	0.14	0.0205
3101	Judiciary - Supreme Court, Judicial Conference	0.15	0.0049
3102	Ohio Senate (Sch.)	0.14	0.0205
3103	Ohio House of Representatives (Sch.)	0.14	0.0205
3105	Legislative Service Commission (Sch.)	0.14	0.0205
3106	Office of the Governor (Sch.)	0.14	0.0205
3109	Secretary of State	0.26	0.0481
3110	Attorney General	0.10	0.0220
3111	Department of Agriculture	1.09	0.1220
3112	Department of Commerce	0.81	0.0705
3113	Department of Education	0.61	0.0673
3114	Department of Health	0.33	0.0364
3115	Industrial Commission of Ohio	0.57	0.0997
3117	Public Utilities Commission of Ohio	0.05	0.0222
3120	Department of Taxation	0.23	0.0387
3121	Bureau of Workers' Compensation	0.35	0.0716
3122	Auditor of State	0.49	0.0381
3123	Civil Defense (Volunteer) (Sch.)	0.14	0.0205
3124	Treasurer of Ohio	0.16	0.0354
3125	Department of Administrative Services	1.02	0.1116
3127	Ohio Board of Regents (Sch.)	0.14	0.0205
3130	State Library Board	0.07	0.0102
3136	Ohio Veterans Home Agency	2.18	0.2475
3137	Department of Youth Services	6.99	0.8287
3139	Ohio Arts Council (Sch.)	0.14	0.0205
3150	Department of Mental Health	2.33	0.2730
3152	Ohio Expositions Commission	1.85	0.2869
3154	Department of Natural Resources	1.74	0.1947
3156	Adjutant General	0.78	0.1062
3160	Ohio National Guard	0.05	0.0054
3166	Department of Development	0.41	0.0435
3167	Department of Insurance	0.05	0.0245
3169	Racing Commission of Ohio (Sch.)	0.14	0.0205

**STATE AGENCY
RATES EFFECTIVE JULY 1, 2011**

MANUAL	AGENCY	RATE	MCO Rate
3170	Ohio Civil Rights Commission	0.17	0.0139
3171	Board of Barber Examiners (Sch.)	0.14	0.0205
3172	State Board of Cosmetology (Sch.)	0.14	0.0205
3173	State Dental Board (Sch.)	0.14	0.0205
3174	State Board of Embalmers & Funeral Directors (Sch.)	0.14	0.0205
3175	State Medical Board (Sch.)	0.14	0.0205
3176	State Board of Nursing Education and Nurse Registration (Sch.)	0.14	0.0205
3177	State Board of Optometry (Sch.)	0.14	0.0205
3178	State Board of Pharmacy (Sch.)	0.14	0.0205
3179	State Veterinary Medical Board (Sch.)	0.14	0.0205
3180	State Board of Accountancy (Sch.)	0.14	0.0205
3181	State Board of Architects (Sch.)	0.14	0.0205
3183	State Board of Engineers & Surveyors (Sch.)	0.14	0.0205
3186	Ohio Water Development Authority (Sch.)	0.14	0.0205
3187	Rehabilitation Services Commission	0.39	0.0349
3188	Department of Rehabilitation and Correction	2.24	0.2311
3190	Environmental Protection Agency	0.11	0.0183
3191	Office of Budget and Management	0.06	0.0017
3192	Department of Aging	0.37	0.0536
3193	Court of Claims (Sch.)	0.14	0.0205
3194	Ohio Legal Rights Service (Sch.)	0.14	0.0205
3200	Department of Transportation	2.04	0.2310
3202	The Petroleum Underground Storage Tank Release Compensation Board (Sch.)	0.14	0.0205
3203	Office of Inspector General (Sch.)	0.14	0.0205
3204	Capital Square Review and Advisory Board (Sch.)	0.14	0.0205
3206	Ohio Medical Transportation Board (Sch.)	0.14	0.0205
3207	Ohio Cultural Facilities Commission (Sch.)	0.14	0.0205
3208	Joint Legislative Ethics Commission (Sch.)	0.14	0.0205
3209	Lake Erie Commission (Sch.)	0.14	0.0205
3210	Ohio Elections Commission (Sch.)	0.14	0.0205
3400	Department of Public Safety	1.03	0.1348
3501	Ohio Public Defender Commission (Sch.)	0.14	0.0205
3504	Office of the Consumers' Counsel (Sch.)	0.14	0.0205
3512	Commission on Hispanic/Latino Affairs (Sch.)	0.14	0.0205
3516	Board of Speech Pathology and Audiology (Sch.)	0.14	0.0205
3518	Board of Dispensing Opticians (Sch.)	0.14	0.0205

**STATE AGENCY
RATES EFFECTIVE JULY 1, 2011**

MANUAL	AGENCY	RATE	MCO Rate
3519	Department of Developmental Disabilities	7.02	0.8567
3520	Board of Chiropractic Examiners (Sch.)	0.14	0.0205
3521	State Employee Relations Board (Sch.)	0.14	0.0205
3523	Ohio Ethics Commission (Sch.)	0.14	0.0205
3524	Ohio Air Quality Development Authority (Sch.)	0.14	0.0205
3525	Liquor Control Commission (Sch.)	0.14	0.0205
3527	Psychology Board (Sch.)	0.14	0.0205
3528	Occupational & Physical Therapy Board (Sch.)	0.14	0.0205
3529	Counselors and Social Workers Board (Sch.)	0.14	0.0205
3530	Sanitarian Registration Board (Sch.)	0.14	0.0205
3531	Athletic Commission (Sch.)	0.14	0.0205
3532	Commission on Minority Health (Sch.)	0.14	0.0205
3533	Board of Dietetics (Sch.)	0.14	0.0205
3535	Department of Alcohol and Drug Addiction	0.44	0.0983
3536	Commission on Dispute Resolution & Conflict Management (Sch.)	0.14	0.0205
3537	Ohio Respiratory Care Board (Sch.)	0.14	0.0205
3538	Public Works Commission (Sch.)	0.14	0.0205
3539	Ohio Tuition Trust Authority (Sch.)	0.14	0.0205
5600	Ohio Building Authority	0.08	0.0370
5900	Lottery Commission	0.46	0.1191
5903	Joint Commission on Agency Rule Review (Sch.)	0.14	0.0205
5904	Ohio School Facilities Commission (Sch.)	0.14	0.0205
5906	Board of Motor Vehicle Collision Repair (Sch.)	0.14	0.0205
5910	Department of Job & Family Services	0.31	0.0351
5911	State Board of Career Colleges and Schools (Sch.)	0.14	0.0205
5912	Board of Tax Appeals (Sch.)	0.14	0.0205
5913	Personnel Board of Review (Sch.)	0.14	0.0205
5914	Southern Ohio Agricultural & Community Development Foundation (Sch.)	0.14	0.0205
5924	Orthotics, Prosthetics and Pedorthics Board (Sch.)	0.14	0.0205
5928	Chemical Dependency Professionals Board (Sch.)	0.14	0.0205
5930	Manufactured Homes Commission (Sch.)	0.14	0.0205
5931	Ohio Housing Finance Agency (Sch.)	0.14	0.0205
5932	Etech Ohio Commission (Sch.)	0.14	0.0205
5933	Environmental Review Appeals Commission (Sch.)	0.14	0.0205
5935	Workers' Compensation Council (Sch.)	0.14	0.0205

**STATE AGENCY
RATES EFFECTIVE JULY 1, 2011**

STATE UNIVERSITIES

MANUAL	AGENCY	RATE	MCO Rate
3128	Cleveland State University	0.26	0.0260
3141	Bowling Green State University	0.42	0.0717
3142	Kent State University	0.26	0.0442
3143	Miami University	0.59	0.0623
3144	Ohio University	0.60	0.0637
3145	Ohio State University, Ohio Agricultural Center	0.30	0.0339
3146	Central State University	0.41	0.0391
3148	University of Toledo Health Science Campus	0.13	0.0222
3149	University of Toledo	0.45	0.0556
3151	OSU Cooperative Extension	0.12	0.0430
3157	Youngstown State University	0.17	0.0340
3158	Wright State University	0.18	0.0285
3159	University of Akron	0.22	0.0323
3505	University of Cincinnati	0.22	0.0239
3526	Shawnee State University	0.37	0.0573
5905	Northeastern Ohio Universities College of Medicine	0.12	0.0172

STATE UNIVERSITY HOSPITALS

MANUAL	AGENCY	RATE	MCO Rate
3131	Ohio State University Hospital	0.73	0.0722
3161	University Medical Center	0.38	0.0702
3201	OSU Cancer Research Hospital	0.54	0.0523
5907	The Ohio State University Hospitals East	1.21	0.1040

STATE AGENCY RATES COMPARISON JULY 1, 2010 TO JULY 1, 2011
+15.12% Rate Change for 2011 - -4.33% Rate Change for 2010

Policy	AGENCY	7-1-2010 Rate	7-1-2011 Rate	Percent Difference in Rates 2011-2010	2010 MCO Fees (10.12% x Rate) + True-up	2011 MCO Fees (10.71% x Rate) + True-up	Percent Difference in MCO Fees 2011- 2010	2010 Rates*			7-1-2010 Total Blended Rate**	7-1-2011 Total Blended Rate	Percent Difference in Blended Rates 2011-2010
								Admin (16.1604% x Rate)	DWRF I (.05)	DWRF II (.1% x Rate)			
10003100	General Revenue (Sch.) Commissions, Boards and Departments not otherwise classified	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003101	Judiciary - Supreme Court, Judicial Conference	0.15	0.15	0%	0.0032	0.0049	53%	0.0242	0.05	0.0002	0.2276	0.2293	1%
10003102	Ohio Senate (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003103	Ohio House of Representatives (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003105	Legislative Service Commission (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003106	Office of the Governor (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003109	Secretary of State	0.14	0.26	86%	0.0215	0.0481	124%	0.0420	0.05	0.0003	0.2342	0.4004	71%
10003110	Attorney General	0.07	0.10	43%	0.0261	0.0220	-16%	0.0162	0.05	0.0001	0.1575	0.1883	20%
10003111	Department of Agriculture	0.65	1.09	68%	0.0644	0.1220	89%	0.1761	0.05	0.0011	0.8701	1.4392	65%
10003112	Department of Commerce	0.63	0.81	29%	0.0462	0.0705	53%	0.1309	0.05	0.0008	0.8286	1.0622	28%
10003113	Department of Education	0.47	0.61	30%	0.0520	0.0673	29%	0.0986	0.05	0.0006	0.6485	0.8265	27%
10003114	Department of Health	0.35	0.33	-6%	0.0018	0.0364	1922%	0.0533	0.05	0.0003	0.4588	0.4700	2%
10003115	Industrial Commission of Ohio	0.30	0.57	90%	0.0570	0.0997	75%	0.0921	0.05	0.0006	0.4558	0.8124	78%
10003117	Public Utilities Commission of Ohio	0.07	0.05	-29%	0.0107	0.0222	107%	0.0081	0.05	0.0001	0.1421	0.1304	-8%
10003120	Department of Taxation	0.11	0.23	109%	0.0038	0.0387	918%	0.0372	0.05	0.0002	0.1817	0.3561	96%
10003121	Bureau of Workers' Compensation	0.23	0.35	52%	0.0471	0.0716	52%	0.0566	0.05	0.0004	0.3645	0.5286	45%
10003122	Auditor of State	0.22	0.49	123%	0.0000	0.0381	100%***	0.0792	0.05	0.0005	0.3058	0.6578	115%
10003123	Civil Defense (Volunteer) (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003124	Treasurer of Ohio	0.13	0.16	23%	0.0212	0.0354	67%	0.0259	0.05	0.0002	0.2223	0.2715	22%
10003125	Department of Administrative Services	0.65	1.02	57%	0.0490	0.1116	128%	0.1648	0.05	0.0010	0.8547	1.3474	58%
10003127	Ohio Board of Regents (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003128	Cleveland State University	0.23	0.26	13%	0.0185	0.0260	41%	0.0420	0.05	0.0003	0.3359	0.3783	13%
10003130	State Library Board	0.05	0.07	40%	0.0088	0.0102	16%	0.0113	0.05	0.0001	0.1170	0.1416	21%
10003131	Ohio State University Hospital	0.75	0.73	-3%	0.0735	0.0722	-2%	0.1180	0.05	0.0007	0.9955	0.9709	-2%
10003136	Ohio Veterans Home Agency	2.09	2.18	4%	0.1694	0.2475	46%	0.3523	0.05	0.0022	2.6493	2.8320	7%
10003137	Department of Youth Services	5.32	6.99	31%	0.5460	0.8287	52%	1.1296	0.05	0.0070	6.7810	9.0053	33%
10003139	Ohio Arts Council (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003141	Bowling Green State University	0.32	0.42	31%	0.0464	0.0717	55%	0.0679	0.05	0.0004	0.4684	0.6100	30%
10003142	Kent State University	0.18	0.26	44%	0.0331	0.0442	34%	0.0420	0.05	0.0003	0.2924	0.3965	36%
10003143	Miami University	0.52	0.59	13%	0.0502	0.0623	24%	0.0953	0.05	0.0006	0.7047	0.7982	13%
10003144	Ohio University	0.51	0.60	18%	0.0503	0.0637	27%	0.0970	0.05	0.0006	0.6932	0.8113	17%
10003145	Ohio State University, Ohio Agricultural Center	0.29	0.30	3%	0.0325	0.0339	4%	0.0485	0.05	0.0003	0.4197	0.4327	3%
10003146	Central State University	0.54	0.41	-24%	0.0080	0.0391	389%	0.0663	0.05	0.0004	0.6858	0.5658	-17%
10003148	University of Toledo Health Science Campus	0.09	0.13	44%	0.0224	0.0222	-1%	0.0210	0.05	0.0001	0.1770	0.2233	26%
10003149	University of Toledo	0.38	0.45	18%	0.0379	0.0556	47%	0.0727	0.05	0.0005	0.5297	0.6288	19%
10003150	Department of Mental Health	2.27	2.33	3%	0.2385	0.2730	14%	0.3765	0.05	0.0023	2.9276	3.0318	4%

Policy	AGENCY	7-1-2010 Rate	7-1-2011 Rate	Percent Difference in Rates 2011-2010	2010 MCO Fees (10.12% x Rate) + True-up	2011 MCO Fees (10.71% x Rate) + True-up	Percent Difference in MCO Fees 2011- 2010	2010 Rates*			7-1-2010 Total Blended Rate**	7-1-2011 Total Blended Rate	Percent Difference in Blended Rates 2011-2010
								Admin (16.1604% x Rate)	DWRF I (.05)	DWRF II (.1% x Rate)			
10003151	OSU Cooperative Extension	0.07	0.12	71%	0.0312	0.0430	38%	0.0194	0.05	0.0001	0.1626	0.2325	43%
10003152	Ohio Expositions Commission	1.63	1.85	13%	0.0853	0.2869	236%	0.2990	0.05	0.0019	2.0303	2.4878	23%
10003154	Department of Natural Resources	1.44	1.74	21%	0.1340	0.1947	45%	0.2812	0.05	0.0017	1.8581	2.2676	22%
10003156	Adjutant General	0.46	0.78	70%	0.0417	0.1062	155%	0.1261	0.05	0.0008	0.6265	1.0631	70%
10003157	Youngstown State University	0.11	0.17	55%	0.0214	0.0340	59%	0.0275	0.05	0.0002	0.1993	0.2817	41%
10003158	Wright State University	0.11	0.18	64%	0.0208	0.0285	37%	0.0291	0.05	0.0002	0.1987	0.2878	45%
10003159	University of Akron	0.19	0.22	16%	0.0342	0.0323	-6%	0.0356	0.05	0.0002	0.3051	0.3381	11%
10003160	Ohio National Guard	0.05	0.05	0%	0.0051	0.0054	6%	0.0081	0.05	0.0001	0.1133	0.1136	0%
10003161	University Medical Center	0.25	0.38	52%	0.0492	0.0702	43%	0.0614	0.05	0.0004	0.3899	0.5620	44%
10003166	Department of Development	0.22	0.41	86%	0.0273	0.0435	59%	0.0663	0.05	0.0004	0.3331	0.5702	71%
10003167	Department of Insurance	0.05	0.05	0%	0.0014	0.0245	1650%	0.0081	0.05	0.0001	0.1096	0.1327	21%
10003169	Racing Commission of Ohio (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003170	Ohio Civil Rights Commission	0.11	0.17	55%	0.0072	0.0139	93%	0.0275	0.05	0.0002	0.1851	0.2616	41%
10003171	Board of Barber Examiners (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003172	State Board of Cosmetology (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003173	State Dental Board (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003174	State Board of Embalmers & Funeral Directors (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003175	State Medical Board (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003176	State Board of Nursing Education and Nurse Registration (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003177	State Board of Optometry (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003178	State Board of Pharmacy (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003179	State Veterinary Medical Board (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003180	State Board of Accountancy (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003181	State Board of Architects (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003183	State Board of Engineers & Surveyors (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003186	Ohio Water Development Authority (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003187	Rehabilitation Services Commission	0.36	0.39	8%	0.0020	0.0349	1645%	0.0630	0.05	0.0004	0.4706	0.5383	14%
10003188	Department of Rehabilitation and Correction	1.98	2.24	13%	0.1736	0.2311	33%	0.3620	0.05	0.0022	2.5256	2.8853	14%
10003190	Environmental Protection Agency	0.09	0.11	22%	0.0131	0.0183	40%	0.0178	0.05	0.0001	0.1677	0.1962	17%
10003191	Office of Budget and Management	0.08	0.06	-25%	0.0000	0.0017	100%***	0.0097	0.05	0.0001	0.1430	0.1215	-15%
10003192	Department of Aging	0.05	0.37	640%	0.0211	0.0536	154%	0.0598	0.05	0.0004	0.1293	0.5338	313%
10003193	Court of Claims (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003194	Ohio Legal Rights Service (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003200	Department of Transportation	1.77	2.04	15%	0.1743	0.2310	33%	0.3297	0.05	0.0020	2.2821	2.6527	16%
10003201	OSU Cancer Research Hospital	0.51	0.54	6%	0.0397	0.0523	32%	0.0873	0.05	0.0005	0.6826	0.7301	7%
10003202	The Petroleum Underground Storage Tank Release Compensation Board (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003203	Office of Inspector General (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003204	Capital Square Review and Advisory Board (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%

Policy	AGENCY	7-1-2010 Rate	7-1-2011 Rate	Percent Difference in Rates 2011-2010	2010 MCO Fees (10.12% x Rate) + True-up	2011 MCO Fees (10.71% x Rate) + True-up	Percent Difference in MCO Fees 2011- 2010	2010 Rates*			7-1-2010 Total Blended Rate**	7-1-2011 Total Blended Rate	Percent Difference in Blended Rates 2011-2010
								Admin (16.1604% x Rate)	DWRF I (.05)	DWRF II (.1% x Rate)			
10003206	Ohio Medical Transportation Board (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003207	Ohio Cultural Facilities Commission (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003208	Joint Legislative Ethics Commission (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003209	Lake Erie Commission (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003210	Ohio Elections Commission (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003400	Department of Public Safety	0.79	1.03	30%	0.0948	0.1348	42%	0.1665	0.05	0.0010	1.0633	1.3823	30%
10003501	Ohio Public Defender Commission (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003504	Office of the Consumers' Counsel (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003505	University of Cincinnati	0.19	0.22	16%	0.0234	0.0239	2%	0.0356	0.05	0.0002	0.2943	0.3297	12%
10003512	Commission on Hispanic/Latino Affairs (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003516	Board of Speech Pathology and Audiology (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003518	Board of Dispensing Opticians (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003519	Department of Developmental Disabilities	6.45	7.02	9%	0.7403	0.8567	16%	1.1345	0.05	0.0070	8.2891	9.0682	9%
10003520	Board of Chiropractic Examiners (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003521	State Employee Relations Board (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003523	Ohio Ethics Commission (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003524	Ohio Air Quality Development Authority (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003525	Liquor Control Commission (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003526	Shawnee State University	0.19	0.37	95%	0.0339	0.0573	69%	0.0598	0.05	0.0004	0.3048	0.5375	76%
10003527	Psychology Board (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003528	Occupational & Physical Therapy Board (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003529	Counselors and Social Workers Board (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003530	Sanitarian Registration Board (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003531	Athletic Commission (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003532	Commission on Minority Health (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003533	Board of Dietetics (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003535	Department of Alcohol and Drug Addiction	0.05	0.44	780%	0.0176	0.0983	459%	0.0711	0.05	0.0004	0.1258	0.6598	424%
10003536	Commission on Dispute Resolution & Conflict Management (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003537	Ohio Respiratory Care Board (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003538	Public Works Commission (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10003539	Ohio Tuition Trust Authority (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10005600	Ohio Building Authority	0.05	0.08	60%	0.0453	0.0370	-18%	0.0129	0.05	0.0001	0.1535	0.1800	17%
10005900	Lottery Commission	0.05	0.46	820%	0.0469	0.1191	154%	0.0743	0.05	0.0005	0.1551	0.7039	354%
10005903	Joint Commission on Agency Rule Review (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10005904	Ohio School Facilities Commission (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10005905	Northeastern Ohio Universities College of Medicine	0.14	0.12	-14%	0.0133	0.0172	29%	0.0194	0.05	0.0001	0.2260	0.2067	-9%
10005906	Board of Motor Vehicle Collision Repair (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10005907	The Ohio State University Hospitals East	1.32	1.21	-8%	0.1106	0.1040	-6%	0.1955	0.05	0.0012	1.6952	1.5607	-8%

Policy	AGENCY	7-1-2010 Rate	7-1-2011 Rate	Percent Difference in Rates 2011-2010	2010 MCO Fees (10.12% x Rate) + True-up	2011 MCO Fees (10.71% x Rate) + True-up	Percent Difference in MCO Fees 2011- 2010	2010 Rates*			7-1-2010 Total Blended Rate**	7-1-2011 Total Blended Rate	Percent Difference in Blended Rates 2011-2010
								Admin (16.1604% x Rate)	DWRF I (.05)	DWRF II (.1% x Rate)			
10005910	Department of Job & Family Services	0.25	0.31	24%	0.0216	0.0351	63%	0.0501	0.05	0.0003	0.3623	0.4455	23%
10005911	State Board of Career Colleges and Schools (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10005912	Board of Tax Appeals (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10005913	Personnel Board of Review (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10005914	Southern Ohio Agricultural & Community Development Foundation (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10005924	Orthotics, Prosthetics and Pedorthics Board (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10005928	Chemical Dependency Professionals Board (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10005930	Manufactured Homes Commission (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10005931	Ohio Housing Finance Agency (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10005932	Etech Ohio Commission (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10005933	Environmental Review Appeals Commission (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%
10005935	Workers' Compensation Council (Sch.)	0.12	0.14	17%	0.0082	0.0205	150%	0.0226	0.05	0.0001	0.1977	0.2332	18%

* The administrative cost, DWRF I, and DWRF II rates have not been determined for policy year 2011 yet, so policy year 2010 rates are used in this comparison.

** The 7-1-2010 total blended rates come from a different source, so all the individual components of the rate aren't shown here.

*** A percent difference could not be calculated due to the 2010 MCO rate being .0000. A 100% difference has been entered here.

Ohio Bureau of Workers' Compensation Actuarial Committee

Marine Industry Fund (MIF) and Disabled Workers' Relief Fund (DWRF) Rate Recommendations to be effective July 1, 2011

Dave Heppen, FCAS, MAAA

Jan Lommele, FCAS, MAAA, FCA

Bob Miccolis, FCAS, MAAA

Deloitte Consulting LLP

April 28, 2011

MIF Rate Recommendations

MIF Rate Change Recommendations:

	Baseline Loss Cost Scenario	Reasonable Expectation ----- Optimistic Loss Cost Scenario	Reasonable Expectation ----- Conservative Loss Cost Scenario
Indicated Range of Rate Changes	-32%	-41%	-24%
Recommended Range of Rate Changes	-20%	-25%	-15%

- The loss costs used to determine the indicated rate changes are derived from Deloitte Consulting's December 2010 MIF Reserve Analysis
- Potential risk of increased MIF losses from HB 562 (effective 1/1/09) - MIF claims expected to increase since injured workers covered under MIF cannot claim state WC benefits
- In consideration of the risk from HB 562 and the volatility of past MIF results, the recommended range of rate changes is based on tempering the large indicated rate decreases

MIF Rate Recommendations

Fund History (\$ in thousands)

(1) Fiscal Year	(2) Total Assets	(3) Total Liabilities	(4) = (2) - (3) Net Assets	(5) Change in Net Assets	(6) Premiums	(7) Funded Assets	(8) Funded Liabilities	(9) = (7) / (8) Funding Ratio
2004	13,935	6,217	7,718	84	764	13,013	5,044	2.6
2005	14,827	3,100	11,727	4,009	865	13,931	1,953	7.1
2006	14,701	2,543	12,158	431	754	14,685	2,203	6.7
2007	15,959	2,157	13,802	1,644	739	15,947	1,966	8.1
2008	16,812	3,381	13,431	(371)	786	16,796	3,182	5.3
2009	17,420	1,700	15,720	2,139	761	17,391	1,700	10.2
2010	19,114	2,716	16,398	828	521	18,930	2,400	7.9

- 7.9 Funding Ratio (Funded Assets / Funded Liabilities) indicates a strong financial position as of June 30, 2010
- Funded Liabilities only includes Reserves (present value @ 4% discount rate) for Unpaid Claims and Claim Expenses
- Despite the strong funding ratio, the MIF financial strength can be significantly impacted by risks such as those presented by HB 562, failure to achieve a 4% return on invested assets, and other unexpected changes

DWRF Rate Recommendations

DWRF Rate Change Recommendations:

	Indicated Rate	Current Rate	Recommended Rate
DWRF I – Private Employers	\$0.09 per \$100 payroll	\$0.08 per \$100 payroll	\$0.08 per \$100 payroll
DWRF I – State Agencies	\$0.05 per \$100 payroll	\$0.05 per \$100 payroll	\$0.05 per \$100 payroll
DWRF I – Taxing Districts	\$0.06 per \$100 payroll	\$0.06 per \$100 payroll	\$0.06 per \$100 payroll
DWRF II	1.6% of base-rated premiums	0.1% of base-rated premiums	0.1% of base-rated premiums

- By law, DWRF operates on a pay-as-you-go basis; indicated rates set only to cover next year’s claim payments
- DWRF financial statements as of June 30, 2010 show:
 - Total Assets including \$1.7 billion for future unbilled premiums
 - Net Assets of \$1.0 billion
 - Without the unbilled premiums assets, DWRF would be in a deficit position of \$700 million
 - Unbilled premiums are estimated amounts to be charged to employers in future years to pay for unpaid claim liabilities from claims incurred prior to the last fiscal year-end (June 30, 2010)
- No rate change recommended for DWRF based on current estimates and current law (DWRF II @ minimum rate in law)
- Long term, a legislative review is recommended to consider potential changes in state law to move DWRF over time to funding on an actuarially sound basis rather than maintaining premiums on a pay-as-you-go basis

Deloitte.

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Deloitte Touche Tohmatsu



April 18, 2011

Rate Recommendations for the Marine Industry Fund and DWRF I and II

State of Ohio
Bureau of Workers' Compensation

Deloitte Consulting LLP

Audit • Tax • Consulting • Financial Advisory •



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April 18, 2011

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

Subject:

Marine Industry Fund and Disabled Workers Relief Fund 7-1-11 Rate Recommendations

Dear Mr. Pedrick:

We are pleased to provide this Final Report, which provides our rate recommendations for the State of Ohio Bureau of Workers' Compensation ("BWC") Marine Industry Fund ("MIF") and Disabled Workers Relief Fund ("DWRF") I and II rates to be effective July 1, 2011.

We have provided a baseline rate level recommendation, as well as a reasonable range around that recommendation, as shown below. The baseline indicated rate change is based primarily on average historical loss costs over the past five accident years at current cost levels. The range around the baseline rate change is based primarily on the range of historical loss costs at current cost levels observed over the last several accident years. The following table illustrates the recommended rate change for MIF at a discount rate of 4.0% as recommended by BWC.

Scenarios	Baseline	Reasonable Expectation Optimistic	Reasonable Expectation Conservative
MIF	-20.0%	-25.0%	-15.0%

For DWRF I, we recommend no change to the PA, PES, or PEC assessment rates.

For DWRF II, we recommend no change in rates at this time.

The loss estimates used to determine the rate change recommendations are derived from Deloitte Consulting's December 2010 Loss & LAE reserve analysis for MIF and DWRF I and II.

Please note that our recommendations are subject to the Conditions and Limitations described in the attached report which are inherent in estimating workers' compensation loss costs.

It has been our pleasure to be of service to you in this regard.

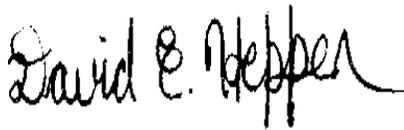
Yours very truly,

A handwritten signature in black ink, appearing to read "Jan A. Lommele". The letters are cursive and fluid.

Jan A. Lommele, FCAS, MAAA
Principal

A handwritten signature in black ink, appearing to read "Robert S. Miccolis". The signature is highly stylized and cursive.

Robert S. Miccolis, FCAS, MAAA
Director

A handwritten signature in black ink, appearing to read "David E. Heppen". The signature is cursive and clearly legible.

David E. Heppen, FCAS, MAAA
Director

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Purpose and Scope

Deloitte Consulting LLP (“Deloitte Consulting”) has been retained by the Ohio Bureau of Workers’ Compensation (“BWC”) to determine actuarial rate recommendations effective as of July 1, 2011 for the Marine Industry Fund (MIF), the Disabled Workers Relief Fund I (DWRF I) and the Disabled Workers Relief Fund II (DWRF II). This report presents our findings with respect to this analysis.

Marine Industry Fund (MIF)

Background

The MIF provides voluntary coverage to Ohio employers with employees who work on or about navigable waters, as required by the Federal Longshoremen and Harbor Workers’ Act (LHWCA). Ohio employers in the marine industry may choose to purchase the insurance from BWC, from a private carrier, or self insure.

MIF claims are filed with both the Department of Labor and the BWC. The Federal Government determines the claimant eligibility for benefits and sets the benefit levels. Injured workers covered under the Marine Industry Fund are entitled to the same benefits as other injured workers **except** for the following:

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

Effective January 1, 2009, House Bill 562 prohibits individuals covered under the LHWCA from applying for and receiving benefits under Ohio's Workers' Compensation Law. This changes the past practice of insuring these individuals under both the State Insurance Fund and the LHWCA. As a result of HB 562, longshore and harbor workers can only apply for and receive benefits from the Marine Insurance Fund.

Rate Recommendation

As seen in Section 1, Exhibit 1, Deloitte is recommending a range of rate decreases from -15% to -25%. The indicated rate decreases are higher than this recommendation. However, House Bill 562 presents a potential risk to BWC that longshore and harbor workers who received state benefits in past years will seek federal benefits in future years. BWC has informed us, however, that approximately 90% of the claims filed under state benefits in prior years were associated with employers who purchased federal MIF coverage with private carriers, rather than BWC. Despite the fact that most of the potential shifting of losses from state coverage to federal is likely to be borne by the private market, even 10% of historical state losses would be significant to the MIF. MIF losses from 1998 to 2010 would increase by over 25% if 10% of the state losses shifted to MIF (see Section 1, Exhibit 4, Columns 3 and 4). The

indicated rate changes presented in Section 1, Exhibit 1 do not reflect the impact of these state losses. However, the rate recommendation in Section 1, Exhibit 1, which tempers the very large decreases indicated from the analysis, does consider the added exposure from this change in law.

Deloitte Rate Development Procedure

To develop the rate recommendation for the MIF, we evaluate the historical calendar accident year on-level loss ratios (Ultimate Loss/on-level calculated earned premiums). Our methodology consists of the following steps:

- Calculated on-level historical earned premium by calendar year to current rate levels (Section 1, Exhibit 5);
- Estimate ultimate losses by accident year (this is based on Deloitte's December 31, 2010 MIF Reserve Study – (Section 1, Exhibit 4, Column 3);
- On-level ultimate losses to current cost levels (Section 1, Exhibit 4, Column 7);
- Select baseline, reasonable expectation – conservative, and reasonable expectation – optimistic undiscounted loss ratio indications (Section 1, Exhibit 4, Column 7);
- Apply discount, at 4.0% as recommended by BWC (Section 1, Exhibits 3, Row 2);
- Load in loss adjustment and other expenses (Section 1, Exhibits 3, Rows 4 and 6);
- Determine indicated range of rate changes (Section 1, Exhibits 3, Row 9)
- Select a recommended range of rate changes (Section 1, Exhibit 1, Row 2)

We consider medical and indemnity loss experience together. All loss data is trended to the rate effective period of July 1, 2011 to June 30, 2012. Due to the variability of benefits paid over the history of the program, loss trends based on MIF experience are extremely volatile. As a result, we based the loss trend assumptions on our previous rate analysis for BWC's Private Employers, a much larger population with more credible trends. The calculated earned premiums by calendar accident year were determined by taking historical payroll by class for each calendar year and applying the appropriate rates by class for that year. The calculated earned premiums for the historical calendar accident years are restated at the current rate level by adjusting each accident year for rate changes that have taken effect throughout the history of the program. Dividing the on-level ultimate losses by calculated on-level earned premium yields the on-level loss ratios. From the accident year on-level loss ratio indications we select a Baseline, Optimistic, and Conservative loss ratio. These loss ratios are undiscounted.

The selected undiscounted loss ratios are multiplied by a discount factor to develop the discounted loss ratio indications. The discount factor is derived from our December 2010 MIF reserve study and is calculated at a discount rate of 4.0%. The discounted loss ratios are then adjusted for Loss Adjustment Expense (LAE) costs and an Expense (other than LAE) load to determine the Indicated Combined Ratio. This ratio is compared to a target combined ratio of 100% to determine the overall rate level change.

Section 1, Exhibit 2 displays the MIF's historical net assets and premium volume. We have included a calculation of the MIF's funding ratio, defined as funded assets divided by funded liabilities. The funding ratio for the MIF is approximately 7.9 as of June 30, 2010, which is still well in excess of targeted funding ratio ranges Deloitte has recommended in prior studies for the major funded portion of

the State Insurance Fund (SIF). Thus, by comparison, the MIF presently appears to be quite strong financially. However, with the BWC lowering rates over the last four years, the calendar year premium contributions to the net asset will be even less. Also, consideration has to be given to the volatility of the asset base and liability valuations. With regards to the assets, there is risk the BWC will not achieve a 4% return on their assets. In terms of the liabilities, the exposure presented by HB 562 and other unexpected changes in loss potential should be considered in the rate recommendations.

In light of these considerations, we tempered the very large rate decreases indicated by our analysis of loss ratios and combined ratios, which ranged from approximately -24% to -40%, and we are recommending smaller rate decreases in the range of -15% to -25%, with a baseline of -20%.

Disabled Workers Relief Fund (DWRF)

Background

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

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

The benefits provided by these funds allow for cost of living increases to injured workers receiving PTD benefits.

Rate Recommendation

The fund policy period runs from July 1 to June 30 for Private Employers (PA) and Public Employer State Agencies (PES). The fund policy period runs from January 1 to December 31 for Public Employer Taxing Districts (PEC).

For DWRF I, our rate indications are as follows:

PA – DWRF I

As shown in Section 2, Exhibit 1, Column 4, the projected rate for PA is \$0.09 per \$100 of payroll. The current rate is \$0.08 per \$100 of payroll. We recommend no change in rates at this time.

PES – DWRF I

As shown in Section 2, Exhibit 2, Column 4, the projected rate for PES is \$0.05 per \$100 of payroll. The current rate is \$0.05 per \$100 of payroll. We recommend no change in rates at this time.

PEC – DWRF I

As shown in Section 2, Exhibit 3, Column 4, the projected rate for PEC is \$0.06 per \$100 of payroll. The current rate is \$0.06 per \$100 of payroll. We recommend no change in rates at this time.

For DWRF II, our rate recommendation is as follows:

PA + PES + PEC – DWRF II

As shown in Section 3, Exhibit 1, Column 7, the projected assessment rate for DWRF II is 1.6% of base-rated premiums. The current assessment rate is 0.1% of based-rated premiums. We recommend no change in rates at this time. Please see the next section for discussion of the basis for this recommendation.

Deloitte Rate Development Procedure

Both DWRF I and DWRF II operate on a pay-as-you-go basis. Thus the key element of our analysis is estimating the DWRF I and DWRF II payments that will occur in the upcoming policy period. This estimate of payments is derived from Deloitte's December 31, 2010 reserve analysis for DWRF I and DWRF II.

The second component that determines the indicated rate is the base-rated premiums projected for the upcoming policy period for PA, PES, and PEC. These figures are based on base-rated premiums from the prior year and the approved rate changes by the BWC.

The indicated DWRF I and DWRF II rates are the projected payments for the upcoming policy period divided by the projected base-rated premium.

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

DWRF (I and II combined) has approximately \$3.1 billion in total assets as of June 30, 2010. DWRF liabilities as of June 30, 2010 are approximately \$2.1 billion. BWC has reported \$1.0 billion in net

assets for DWRF. The total assets for DWRF include over \$1.7 billion for future unbilled premiums receivable, an asset which represents the discounted amount BWC expects to collect in DWRF premiums from employers in future years related to liabilities occurring on or before June 30, 2010. The funded assets for DWRF as of June 30, 2010 are \$1.4 billion, which is \$700 million less than the DWRF liabilities.

In light of the current information and BWC's interpretations regarding the limitations on the allowable assessments and considering the DWRF net assets of \$1.0 billion as of June 30, 2010, we recommend no change in DWRF II rates at this time. Although there is an expected shortfall in DWRF II rates versus paid costs for the upcoming policy year, the DWRF is expected to have sufficient cash to meet all of its payment obligations for the periods ending June 30, 2011 and June 30, 2012.

However, it should be noted that the DWRF's financial position is not strong. As noted above, the funded assets are \$700 million less than the DWRF liabilities. The recording of an asset for future unbilled premiums receivable defers the payment of premiums to future years to fund the benefits payable in the future to workers who were injured in the past. Deloitte believes such an approach is not actuarially sound. Deloitte recommends a review of the legislative limitations, as well as consideration of legislative changes if necessary, to allow BWC to fund DWRF benefits in an actuarially sound manner, by setting rate levels with the long term goal of fully funding the liabilities, rather than a terminal funding or pay-as-you-go cash flow basis.

Conditions and Limitations

The findings and conclusions set forth in this report are based on data and information provided to us by BWC management. The validity of the conclusions set forth in this report is dependent on the accuracy and completeness of the information provided. A specific audit to verify the accuracy of the data provided to us is beyond the scope of this project. We have relied without audit or verification on the data supplied and we assume that it is both accurate and complete. If the underlying data or information provided is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

Deloitte Consulting's rate estimates reflect that there is uncertainty inherent in estimating ultimate losses and is intended to represent actuarial central estimates given the BWC's historical experience as of December 31, 2010. An actuarial central estimate is defined by actuarial literature as "an estimate that represents an expected value over the range of reasonably possible outcomes."

In estimating the rates, it is necessary to project future medical and indemnity costs. It is certain that actual medical and indemnity costs will not develop exactly as indicated and may, in fact, vary significantly from our estimates. No warranty is expressed or implied that such variance will not occur. Furthermore, Deloitte Consulting's estimates make no provision for the broadening of coverage by legislative action or judicial interpretation or for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in the BWC's historical database or which are not yet quantifiable, and which might affect the claim experience. Deloitte Consulting believes, however, that the actuarial techniques and assumptions used in this analysis are reasonable.

The methodologies and factors used in this report involve assumptions regarding future contingent events as estimated from historical experience. Although Deloitte Consulting has used common actuarial procedures and methodologies, it should be noted that actual future results might vary, perhaps significantly, from the estimates contained herein. In estimating future costs, we have assumed that historical trends will continue into the future. These trends included, but are not limited to: changes in inflation, interest rates, claims administration procedures, medical costs and delivery, future legislative action and judicial proceedings.

The MIF rate estimates stated in this report have been discounted using a 4.0% discount rate, as requested by BWC management. The use of this rate does not imply that Deloitte Consulting is expressing an opinion on the appropriateness of this rate.

Distribution and Use

This report is prepared for the use of the BWC in its determination of appropriate rates effective as of July 1, 2011 based on data evaluated as of December 31, 2010. The report may also be provided to other parties (“Recipient”), for the purposes of their review of the BWC unpaid claim liabilities provided the following conditions are met:

- This report is being provided to the Recipient solely for its information and cannot and shall not be relied upon by the Recipient. The Recipient agrees that access to the report is not a substitute for the Recipient undertaking appropriate inquiries and procedures in relation to its assignment;
- The determination of the actual rates charged is solely the responsibility of the Administrator of the BWC. The BWC is solely responsible for providing accurate and complete information requested by Deloitte Consulting and Deloitte Consulting has no responsibility for the accuracy or completeness of the information provided by, or on behalf of, the BWC, even if Deloitte Consulting had reason to know or should have known of such incompleteness;
- Deloitte Consulting has no responsibility to advise the Recipient of other services or procedures that might be performed and makes no representation as to the sufficiency or appropriateness of this report for the purposes of the Recipient;
- The BWC has participated in the preparation of this report and the information, including, without limitation, by reviewing and commenting on prior drafts of this report and the information, and such participation has resulted in the addition, modification or deletion of information which might be considered material by the Recipient;
- The Recipient acknowledges that Deloitte Consulting is currently providing and may in the future provide professional services to the BWC, and the Recipient agrees that Deloitte Consulting and its personnel shall have no responsibility to the Recipient relating to such services nor any responsibility to use or disclose information that Deloitte Consulting possesses

by reason of such services or otherwise, whether or not such information might be considered material by the Recipient;

- The Recipient acknowledges and agrees that the Recipient does not acquire any rights as a result of access to this report and Deloitte Consulting does not assume any duties or obligations as a result of access to this report; and
- By retaining a copy of this report the Recipient understands that such Recipient is deemed to have accepted these terms and conditions.

Deloitte Consulting shall have no liability, regardless of form, to any third parties (any entity other than the BWC) for any action taken or omitted to be taken by such parties in respect of this except for matters that are finally judicially determined to be caused by Deloitte Consulting's own bad faith or willful misconduct. Third parties should recognize that the furnishing of this report is not a substitute for their own due diligence and should place no reliance on this report or data contained herein that would result in the creation of any duty or liability by Deloitte Consulting to the third party. Any release or distribution of this report to any third party must include the report in its entirety.

This report has been prepared for use by individuals who have a degree of technical competence in insurance matters. This report should be studied in its entirety before any judgments are made about the conclusions in the report. Deloitte Consulting personnel are available to discuss any questions or concerns regarding this report.

Table of Exhibits

MARINE INDUSTRY FUND

Section 1, Exhibit 1: Indicated and Recommended Rate Change

Displays the indicated rate changes, using losses discounted at 4.0% for the Baseline, Reasonable Expectation – Optimistic, and Reasonable Expectation – Conservative scenarios. Also displays the recommended range of rate changes.

Section 1, Exhibit 2: Fund History

Displays the historical assets, liabilities, net assets, premiums, loss reserves, and funding ratio for the MIF.

Section 1, Exhibit 3: Indicated Rate Change Using 4.0% Discount Rate

Displays the indicated rate change using losses discounted at 4.0%.

Section 1, Exhibit 4: Calculation of On-Level Loss Ratios

Displays on-level premium, trended ultimate undiscounted losses, and resulting on-level loss ratios.

Section 1, Exhibit 5: Calculation of On-Level Earned Premium

Displays earned premium and historical rate changes used to calculate on-level earned premium.

DISABLED WORKERS RELIEF FUND

Section 2, Exhibit 1: Indicated DWRF I Rate Change - PA

Displays the indicated and actual rates for DWRF I for PA.

Section 2, Exhibit 2: Indicated DWRF I Rate Change - PES

Displays the indicated and actual rates for DWRF I for PES.

Section 2, Exhibit 3: Indicated DWRF I Rate Change - PEC

Displays the indicated and actual rates for DWRF I for PEC.

Section 3, Exhibit 1: Indicated DWRF II Rate Change – PA + PES + PEC

Displays the indicated and actual rates for DWRF II.

OHIO BUREAU OF WORKERS' COMPENSATION
Indicated and Recommended Rate Change
Marine Industry Fund

Section 1
Exhibit 1

Effective July 1, 2011

		Reasonable Expectation <u>Optimistic</u>	<u>Baseline</u>	Reasonable Expectation <u>Conservative</u>
(1)	Indicated Rate Level Change (Discounted 4.0%):	-40.9%	-32.4%	-24.0%
(2)	Deloitte Recommended Rate Level Change:	-25.0%	-20.0%	-15.0%

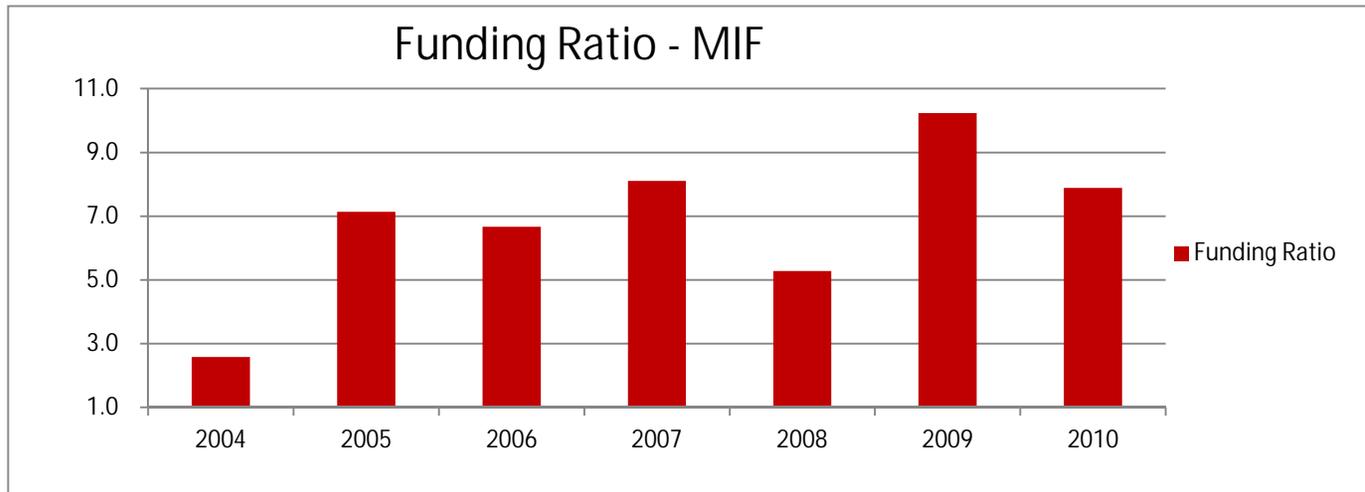
(1) From Section 1, Exhibit 3, Col. (9)

(2) Selected by Deloitte

OHIO BUREAU OF WORKERS' COMPENSATION
Fund History
Marine Industry Fund
(000's)

Section 1
Exhibit 2

(1) Fiscal Year	(2) Total Assets	(3) Total Liabilities	(4) = (2) - (3) Net Assets	(5) Change in Net Assets	(6) Premiums	(7) Funded Assets	(8) Funded Liabilities	(9) = (7) / (8) Funding Ratio
2004	13,935	6,217	7,718	84	764	13,013	5,044	2.6
2005	14,827	3,100	11,727	4,009	865	13,931	1,953	7.1
2006	14,701	2,543	12,158	431	754	14,685	2,203	6.7
2007	15,959	2,157	13,802	1,644	739	15,947	1,966	8.1
2008	16,812	3,381	13,431	(371)	786	16,796	3,182	5.3
2009	17,420	1,700	15,720	2,139	761	17,391	1,700	10.2
2010	19,114	2,716	16,398	828	521	18,930	2,400	7.9



Note:
From BWC Annual Reports.

OHIO BUREAU OF WORKERS' COMPENSATION
Determination of Overall Rate Change (Discounted at 4.0%)
Marine Industry Fund

Section 1
Exhibit 3

Effective July 1, 2011
(000's)

		Reasonable Expectation <u>Optimistic</u>	<u>Baseline</u>	Reasonable Expectation <u>Conservative</u>
(1)	Selected Loss Ratio:	70.0%	80.0%	90.0%
(2)	Selected Discount Factor:	0.710	0.710	0.710
(3)	Discounted Loss Ratio:	49.7%	56.8%	63.9%
(4)	Loss Adjustment Expenses (LAE) as % of Losses	13.0%	13.0%	13.0%
(5)	Indicated Loss & LAE Ratio	56.2%	64.2%	72.2%
(6)	Selected Expense Ratio as a % of Premiums	5.0%	5.0%	5.0%
(7)	Indicated Combined Ratio	59.1%	67.6%	76.0%
(8)	Target Combined Ratio	100.0%	100.0%	100.0%
(9)	Indicated Rate Level Change:	-40.9%	-32.4%	-24.0%

-
- (1) From Section 1, Exhibit 4, Col. (7)
(2) Time 0 discount factor based on the payout patterns from the Deloitte 2010 MIF Reserve Study and a 4.0% discount rate
(3) = (1) * (2)
(4) Selected by Deloitte with input from BWC Management
(5) = (3) * [1 + (4)]
(6) Selected by Deloitte with input from BWC Management
(7) = (5) / [1 - (6)]
(8) Selected by Deloitte
(9) = (7) - (8)

OHIO BUREAU OF WORKERS' COMPENSATION
Determination of Overall Rate Change for the Marine Industry Fund
Calculation of On-Level Loss Ratios

Section 1
 Exhibit 4

Effective July 1, 2011
 (000's)

Calendar Accident Year	Calculated Premium at Current Rates	Ultimate Loss Projection	Undeveloped Manual 7772 Losses	Loss Ratio Trend To Period Eff 7/1/2011	Adjusted & Trended Ultimate Loss (ex 7772)	Loss Ratio On-Level	Adjusted & Trended Ultimate Loss (incl. Undeveloped 7772)	Loss Ratio On-Level (incl. 7772)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1998	344	513	139	0.821	421	122.6%	535	155.7%
1999	376	260	440	0.821	214	56.9%	575	152.9%
2000	363	404	1,162	0.826	334	91.8%	1,294	356.1%
2001	339	244	857	0.796	194	57.2%	876	258.5%
2002	333	80	733	0.768	61	18.5%	625	187.5%
2003	362	84	772	0.768	64	17.8%	657	181.7%
2004	397	138	1,651	0.839	116	29.2%	1,502	378.2%
2005	420	479	601	0.907	434	103.6%	980	233.5%
2006	437	121	546	0.988	119	27.3%	659	150.6%
2007	429	571	1,424	1.040	594	138.4%	2,075	483.8%
2008	385	200	723	1.081	217	56.2%	998	259.1%
2009	285	143	55	1.112	159	55.7%	220	77.3%
2010	263	221	11	1.066	236	89.7%	247	93.9%
Total	4,732	3,458	9,113		3,163			
All Year Weighted Average:						66.8%		237.5%
2005-09 Weighted Avg:						77.9%		252.1%
2007-09 Weighted Avg:						88.2%		299.6%
Highest 5 of 1999-2010 Weighted Average						98.8%		134.9%
1999-10 ex. Hi/Lo Avg:						57.9%		117.6%
Selected Reasonable Expectation - Optimistic						70.0%		
Selected Baseline						80.0%		
Selected Reasonable Expectation - Conservative						90.0%		
Mean						66.5%		228.4%
Standard Deviation						39.7%		118.2%

- (1) Calendar Accident Year Beginning January 1, XXXX
- (2) From Section 1, Exhibit 5, Col. (8) / 1000
- (3) From Deloitte 12/31/10 MIF Reserve Study
- (4) From BWC; represents losses reported as of December 31, 2010 under State Workers Compensation class 7772, which ceased to exist January 1, 2009. Losses included here to display potential impact if such losses are reported under Federal MIF coverage prospectively (see columns 8 and 9). According to BWC, most claims reported in class 7772 related to insureds who purchased federal coverage from entities other than BWC, thus columns 8 and 9 are not considered to be likely outcomes but rather are displayed for informational purposes.
- (5) From the Deloitte Rate Recommendations for Private Employers report dated March 14, 2011, Exhibits 4 and 5, Columns 9 and 10
- (6) = (3) * (5)
- (7) = (6) / (2); Scenarios selected by Deloitte
- (8) = [(3)+(4)] * (5)
- (9) = (8) / (2)

OHIO BUREAU OF WORKERS' COMPENSATION
Determination of Overall Rate Change for the Marine Industry Fund
Calculation of On-Level Earned Premiums

Section 1
Exhibit 5

Effective July 1, 2011
(000's)

Calendar Accident Year	Calculated Earned Premium	Rate Change Eff	Rate Change %	Cumulative Rate Level Index	Calendar Year Rate Level Index	Cumulative CAY Rate Change Factors	Calculated On-Level Earned Premium
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1998	715	7/1/1997		1.000	1.000	0.481	344
1999	781	7/1/1998	0.0%	1.000	1.000	0.481	376
2000	755	7/1/1999	0.0%	1.000	1.000	0.481	363
2001	704	7/1/2000	0.0%	1.000	1.000	0.481	339
2002	692	7/1/2001	0.0%	1.000	1.000	0.481	333
2003	752	7/1/2002	0.0%	1.000	1.000	0.481	362
2004	825	7/1/2003	0.0%	1.000	1.000	0.481	397
2005	820	7/1/2004	0.0%	1.000	0.940	0.512	420
2006	800	7/1/2005	-12.0%	0.880	0.880	0.547	437
2007	745	7/1/2006	0.0%	0.880	0.836	0.576	429
2008	602	7/1/2007	-10.0%	0.792	0.752	0.639	385
2009	401	7/1/2008	-10.0%	0.713	0.677	0.711	285
2010	307	7/1/2009	-10.0%	0.642	0.561	0.857	263
2011		7/1/2010	-25.0%	0.481	0.481	1.000	-
Total	8,899						4,732

- (1) Calendar Accident Year Beginning January 1, XXXX
(2) Based on payroll by class and the appropriate rates by class provided by the BWC
(3) Provided by the BWC
(4) Provided by the BWC
(5) Cumulative rate change from 7/1/1998 to 7/1/2010
(6) Average of current fiscal year and prior fiscal year rate level index from (5)
(7) = Col (6) 2010 Factor / Col (6) Calendar Accident Year XXXX
(8) = (2) * (7)

OHIO BUREAU OF WORKERS' COMPENSATION
Determination of Overall Rate Change for Private Employers
DWRF I Rate Estimates - PA

Section 2
Exhibit 1

Effective July 1, 2011
(000's)

Fiscal Year	Projected Disbursements	Payroll (\$000s)	Projected Rate Per \$100 Payroll	Current Rate per \$100 Payroll
(1)	(2)	(3)	(4)	(5)
Projected 7/1/2011-6/30/2012	75,656	86,735,186	0.09	0.08

-
- (1) Fiscal Year Beginning July 1
 - (2) Estimated by BWC; excludes self-insureds
 - (3) From Deloitte Private Employer's July 1, 2010 Rate Recommendation analysis;
 - (4) = (2) / [(3) *100]
 - (5) Provided by BWC

OHIO BUREAU OF WORKERS' COMPENSATION
Determination of Overall Rate Change for Public Employer State Agencies
DWRF I Rate Estimates - PES

Section 2
Exhibit 2

Effective July 1, 2011
(000's)

Fiscal Year	Projected Disbursements	Payroll (\$000s)	Projected Rate Per \$100 Payroll	Current Rate per \$100 Payroll
(1)	(2)	(3)	(4)	(5)
Projected 7/1/2011-6/30/2012	3,824	7,296,684	0.05	0.05

- (1) Fiscal Year Beginning July 1
- (2) From Deloitte 12/31/10 DWRF Reserve Study
- (3) Provided by BWC
- (4) = (2) / [(3) *100]
- (5) Provided by BWC

OHIO BUREAU OF WORKERS' COMPENSATION
Determination of Overall Rate Change for Public Employer Taxing Districts
DWRF I Rate Estimates - PEC

Section 2
Exhibit 3

Effective January 1, 2011
(000's)

Calendar Year (1)	Projected Disbursements (2)	Payroll (\$000s) (3)	Projected Rate Per \$100 Payroll (4)	Current Rate per \$100 Payroll (5)
Projected 2011	12,826	19,750,555	0.06	0.06

- (1) Calendar Accident Year Beginning January 1
- (2) From Deloitte 12/31/10 DWRF Reserve Study
- (3) Provided by BWC
- (4) = (2) / [(3) *100]
- (5) Provided by BWC

OHIO BUREAU OF WORKERS' COMPENSATION
Determination of Overall Rate Change for Private Employers
DWRF II Rate Estimates

Section 3
Exhibit 1

Effective July 1, 2011
(000's)

Fiscal Year	1/1/10-6/30/10 Base Rated Premium	7/1/10-12/31/10 Base Rated Premium	7/1/10-6/30/11 Rate Change	1/1/10-6/30/10 Base Rated Premium at 7/1/10 Rate Level	2010 Base Rated Premium at 7/1/10 Rate Level	Projected 2011 Rate Change	Projected 7/1/10-6/30/11 Base Rated Premium	Projected DWRF II Payments	Indicated DWRF II Assessment	Current DWRF II Assessment
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Private Employers (PA)										
7/1/10-6/30/11	827,696	752,305	-3.9%	795,415	1,547,720	0.0%	1,547,720	26,868	1.7%	
Public Employer State Agencies (PES)										
7/1/10-6/30/11	NA				71,071	-4.3%	67,993	976	1.4%	
Public Employer Taxing Districts (PEC)										
1/1/10-12/31/11	NA				326,210	-5.5%	308,268	3,337	1.1%	
TOTAL							1,923,982	31,181	1.6%	0.1%

- (1) Fund policy periods are from July 1 to June 30 for PA and PES; January 1 to December 31 for PEC
- (2) Provided by BWC
- (3) Provided by BWC
- (4) Provided by BWC
- (5) = (2) * [1 + (4)]
- (6) = (5) + (3) for PA; provided by BWC for PEC
- (7) Proposed by BWC for PA; approved for PEC
- (8) = (6) * [1 + (7)] for PA and PEC; PES provided by BWC
- (9) From Deloitte 12/31/10 DWRF Reserve Study
- (10) = (9) / (8)
- (11) From Deloitte 12/31/10 DWRF Reserve Study

Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-19

Rule Review

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

Citation: R.C. 4121.121, 4131.14

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

What goal(s): This rule provides for the premium rating of employer contributions to the marine industry fund for longshore and harbor workers coverage. It is optional for employers to obtain this coverage from BWC. This rule establishes the rates for employers and informs employers of the rates.

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: BWC rate rules are developed using actuarial and insurance principles, stakeholder input is not appropriate.

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.

Board of Directors Executive Summary

Marine Industry Fund (MIF)

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

Benefits provided by fund: A Marine Fund claim is filed with both the US Department of Labor and the BWC. The Federal Government determines the claimant eligibility for benefits and sets the benefit levels. Prior to HB 562, an injured worker could have received lost time benefits from the federal claim or the BWC claim, but not from both for the same period. Medical benefits could have been paid from either the federal claim or the BWC claim as long as duplicate payments did not occur. As a result of HB 562, explained below, concurrent jurisdiction is no longer allowed. Injured workers covered under the Marine Industry Fund are entitled to the same benefits as other injured workers **except** for the following:

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

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

House Bill 562:

Effective 1-1-2009, House Bill 562 prohibits individuals covered under the federal Longshore and Harbor Workers' Compensation Act (LHWCA) from applying for and receiving benefits under Ohio's Workers' Compensation Law. This changes the past practice of insuring these individuals under both the State Insurance Fund and the LHWCA. As a result of HB 562, Longshore and harbor workers can only apply for and receive benefits from the Marine Industry Fund.

Deloitte Rate Indication:

The BWC's consulting actuary Deloitte has provided the following rate change range in the table below which considers a 4.0% and a 4.5% discount rate assumption. Deloitte is recommending a 20% decrease.

Baseline	Reasonable Expectation – Optimistic	Reasonable Expectation – Conservative
-20.0%	-25.0%	-15.0%

Administrator Recommendation:

The Administrator is recommending a decrease of 20 percent.

Marine Industry Fund Rate History

7-1-80	Inception of the Marine Industry Fund with the creation of Manuals 9705, 9711, 9719, 9725 and 9741
1-1-81	Manuals 9702 and 9740 were added
7-1-81	No Change
7-1-82	30% increase All Marine Industry Fund risks must have Manual 7772 in the Ohio State Insurance Fund
7-1-83	30% increase
7-1-84	No Change
7-1-85	No Change
7-1-86	No Change
7-1-87	No Change
7-1-88	No Change
7-1-89	No Change
7-1-90	No Change
7-1-91	No Change
7-1-92	No Change
7-1-93	No Change
7-1-94	No Change
7-1-95	No Change
7-1-96	No Change
7-1-97	10% decrease
7-1-98	No Change
7-1-99	No Change
7-1-2000	No Change
7-1-2001	No Change
7-1-2002	No Change
7-1-2003	No Change
7-1-2004	No Change
7-1-2005	12% Decrease
7-1-2006	No Change
7-1-2007	10% Decrease
7-1-2008	10% Decrease
7-1-2009	10% Decrease
7-1-2010	25% Decrease

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

The administrator of workers' compensation, with the advice and consent of the workers' compensation board of directors, has authority to establish contributions made to the marine industry fund by employers pursuant to sections 4121.121 and 4131.14 of the Revised Code. The administrator hereby sets the premium rates per one hundred dollar unit of payroll to be effective July 1, ~~2010~~ 2011 as indicated in attached appendix A.

Effective: 7/1/2011

Prior Effective Dates: 7/1/90, 7/1/97, 7/1/05, 7/1/07, 7/1/08, 7/1/09, 7/1/10

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Appendix A

Rates are for each \$100 unit of payroll

NCCI Manual	Code Manual Rate
6802	\$10.16 \$8.13
6847	\$19.48 \$15.58
7310	\$9.42 \$7.54
7325	\$25.52 \$20.42
7330	\$10.16 \$8.13
8707	\$25.52 \$20.42
8708	\$6.49 \$5.19

NOTE: Manual descriptions for the classifications are in the NCCI Classification section of this publication.

Ohio's underwriting coverage of these manuals is subject to approval by the Federal Government.

Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-29

Rule Review

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

Citation: R.C. 4123.411, 4123.413, 4123.414

2. The rule achieves an Ohio specific public policy goal.
What goal(s): This rule provides the assessments to employers for their contributions to the disabled workers' relief fund. It is mandatory for employers to pay into this fund. This rule establishes the rates for employer contributions to the fund.
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: BWC rate rules are developed using actuarial and insurance principles, stakeholder input is not appropriate.

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.

Board of Directors Executive Summary

Disabled Workers' Relief Fund (DWRF I)

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

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

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

Deloitte Rate Indication:

Employer Type	Prior Policy Year Rate	Deloitte Recommended Rate
Private Employer (PA)	\$0.08	\$0.08
Public Employer Taxing Districts (PEC)	\$0.06	\$0.06
Public Employer State Agency (PES)	\$0.05	\$0.05

Administrator Recommendation:

The Administrator is recommending no changes to the DWRF I rates.

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

EMPLOYER GROUP			
Private Fund:	1959 to 1975	.03	Per \$100 Unit of Payroll
	1976 to 6-30-1980	.05	
	7-1-1980 to 6-30-2007	.10	
	7-1-2007 to 6-30-2008	.09	
	7-1-2008 to present	.08	
Self-Insured:			
Self-Insured:	1959 to 1975	.03	Per \$100 Unit of Payroll
	1976 to 6-30-1980	.05	
	7-1-1980 to 6-30-1981	.08	
	7-1-1981 to 8-21-1986	.05	
	8-22-1986*		
*Effective 8-22-86 self-insured employers must reimburse the Bureau of Workers' Compensation for DWRF benefits paid to claimants in claims which the employer was the employer of record.			
Public Employer Taxing Districts			
Public Employer Taxing Districts	1959 to 1975	.03	Per \$100 Unit of Payroll
	1976 to 1979	.05	
	1980 to 2003	.10	
	1-1-2004 to 12-31-2004	.09	
	1-1-2005 to 12-31-2006	.08	
	1-1-2007 to present	.06	
Public Employer State Agencies			
Public Employer State Agencies	1959 to 1975	.03	Per \$100 Unit of Payroll
	1976 to 6-30-1980	.05	
	7-1-1980 to 6-30-2004	.10	
	7-1-2004 to 6-30-2005	.08	
	7-1-2005 to 6-30-2007	.06	
	7-1-2007 to present	.05	

Board of Directors Executive Summary

Additional Disabled Workers' Relief Fund (DWRF II)

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

Benefits provided by fund: This allows for cost of living increases to injured workers receiving PTD benefits for claims occurring in 1987 and subsequent.

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

Deloitte Rate Indication:

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

Administrator Recommendation:

The Administrator is recommending no change to the DWRF II rate.

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

EMPLOYER GROUP	PERIOD	PERCENT OF PREMIUM COMPUTED AT BASE RATE
Private Employers:	1-1-1987 to 12-31-1987	2%
	1-1-1988 to 12-31-1988	3%
	1-1-1989 to 12-31-1989	4%
	1-1-1990 to 12-31-1990	5%
	1-1-1991 to 12-31-1991	5%
	1-1-1992 to 06-30-1993	5%
	7-1-1993 to present	.1%
Self-Insured:	Reimburse the Bureau of Workers' Compensation for DWRF benefits to claimants in claims in which the employer is the employer of record.	
Public Employer Taxing Districts:	1-1-1987 to 12-31-1987	2%
	1-1-1988 to 12-31-1988	3%
	1-1-1989 to 12-31-1989	4%
	1-1-1990 to 12-31-1990	5%
	1-1-1991 to 12-31-1991	5%
	1-1-1992 to 12-31-1992	5%
	1-1-1993 to present	.1%
Public Employer State Agencies:	1-1-1987 to 12-31-1987	2%
	1-1-1988 to 12-31-1988	3%
	1-1-1989 to 12-31-1989	4%
	1-1-1990 to 12-31-1990	5%
	1-1-1991 to 12-31-1991	5%
	1-1-1992 to 06-30-1993	5%
	7-1-1993 to present	.1%

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

(A) State fund employers.

- (1) In order to make disabled workers' relief fund ("DWRF") payments to claimants having dates of injury or disability prior to January 1, 1987, assessments shall be levied in the following manner for so long as payments to such claimants are required:
 - (a) Private state fund employers: eight cents per one-hundred-dollar unit of payroll, effective July 1, 2008;
 - (b) Public employer taxing districts: six cents per one-hundred-dollar unit of payroll, effective January 1, 2007;
 - (c) Public employer state agency: five cents per one-hundred-dollar unit of payroll, effective July 1, 2007.

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

- (2) In order to make DWRF payments to claimants having dates of injury on or after January 1, 1987, assessments shall be levied in the following manner for so long as payments to such claimants are required:
 - (a) Private state fund employers: one-tenth of one per cent of premium, computed at basic rate, effective July 1, 1993;
 - (b) Public employer taxing districts: one-tenth of one per cent of premium, computed at basic rate, effective January 1, 1993;
 - (c) Public employer state agency: one-tenth of one per cent of premium, computed at basic rate, effective July 1, 1993;

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

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(B) Self-insuring employers.

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

Ohio Bureau of Workers' Compensation Actuarial Committee

Coal Workers Pneumoconiosis Fund (CWPF) Rate Recommendations to be Effective July 1, 2011

Dave Heppen, FCAS, MAAA

Bill Van Dyke, ACAS, MAAA

Jan Lommele, FCAS, MAAA, FCA

Bob Miccolis, FCAS, MAAA

Deloitte Consulting LLP

April 28, 2011

CWPF Recommendations

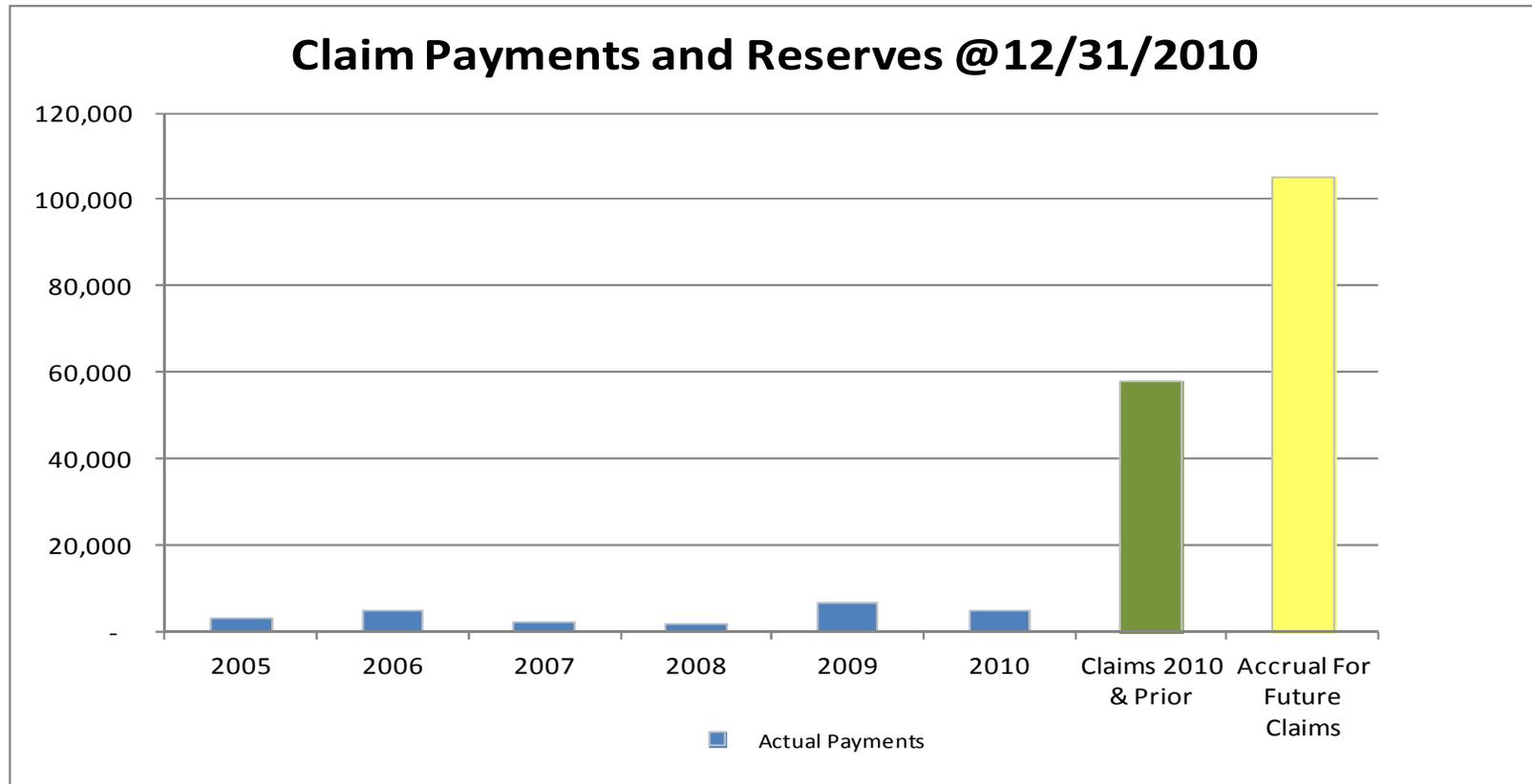
Premium Moratorium and Recommended Rates:

Premium Moratorium	Recommended Rates
<ul style="list-style-type: none">• <i>Expand to All Employers in CWPF</i>• <i>Subject to Participation in CWP Health Safety Data</i>	<ul style="list-style-type: none">• <i>No premium charge for participating employers</i>• <i>Charge current premium rates to non-participating employers</i>

- Freeze current CWPF rates for two years (7/1/11-12 and 7/1/12-13)
- Expand CWPF premium moratorium to all current CWPF employers
- Require participation in CWP Employee Health Safety Data Program to be eligible for premium moratorium
- These recommendations will eliminate premium payments for one-third of current CWP employers
- Enhanced data program will allow BWC to better identify, monitor and quantify future CWPF claim costs

CWPF Rate Recommendations

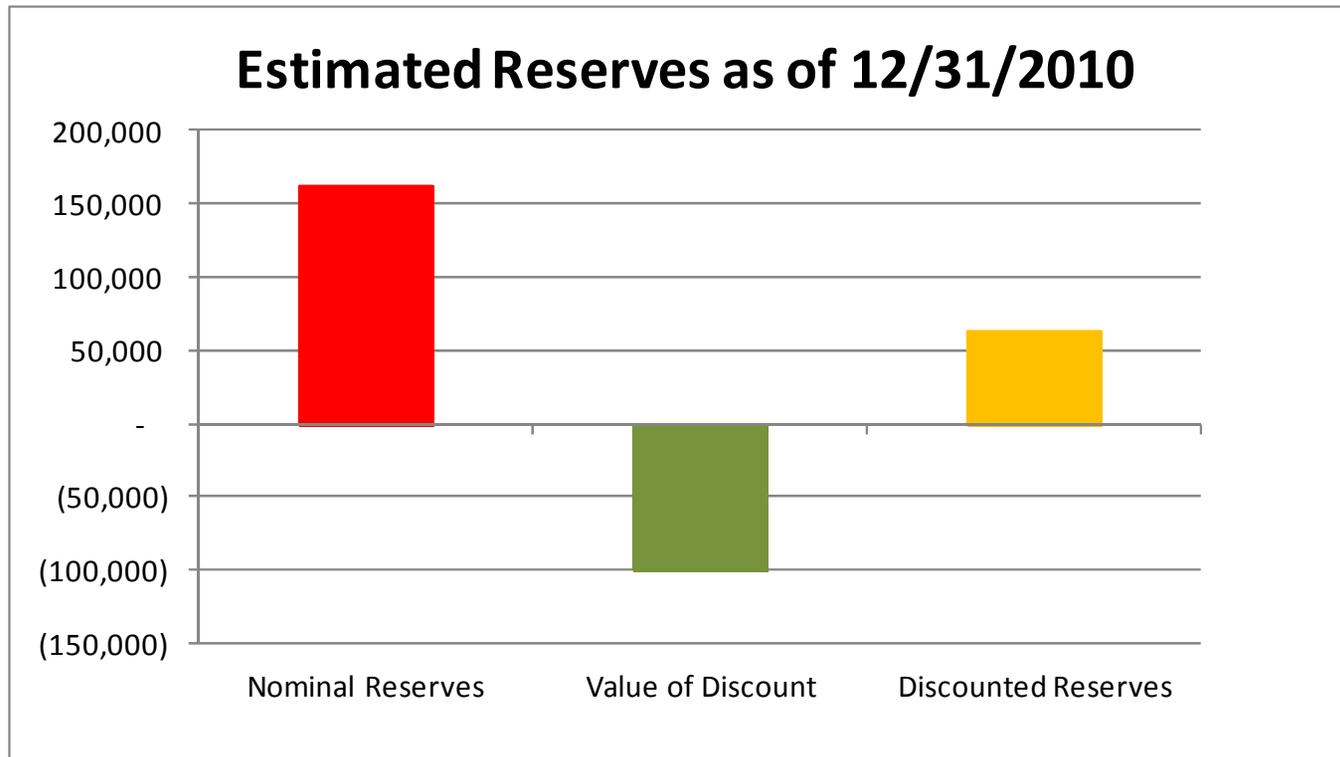
Comparison of Payments to 12/31/2010 Reserves (\$ in Thousands):



- The Estimated Reserves are subject to volatility due to the potential of increased awards as a result of the 2010 federal healthcare reform
- Assuming claim payments continue at 2009 and 2010 levels, the average payout of the total reserves is approximately 25 years

CWPF Rate Recommendations

Nominal versus Discounted Reserves (\$ in Thousands):



- The Value of the Discount reduces the amount of reserves on the balance sheet
- Future investment income for the CWPF is expected to exceed the Value of Discount because of the investment income generated from Net Assets
- BWC's selected discount rate is 4.0%

CWPF Rate Recommendations

Fund History (\$ in Thousands):

<u>Fiscal Year</u>	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Net Assets</u>	<u>Premiums</u>	<u>Operating Income</u>	<u>Investment Income*</u>	<u>Funded Assets</u>	<u>Funded Liabilities</u>	<u>Funding Ratio</u>
2004	220,527	68,809	151,718	256	(4,019)	4,345	207,421	55,700	3.72
2005	224,739	63,320	161,419	824	(2,268)	11,969	218,923	57,500	3.81
2006	221,894	61,756	160,138	921	(3,989)	2,708	221,243	61,100	3.62
2007	234,762	63,021	171,741	887	(1,963)	13,566	233,945	62,199	3.76
2008	244,457	65,118	179,339	1,249	(472)	8,070	242,173	62,800	3.86
2009	282,939	116,556	166,383	1,678	(5,181)	(3,235)	235,026	68,600	3.43
2010	269,149	75,852	193,297	1,977	(2,780)	33,471	265,741	72,400	3.67

* Investment Income includes Capital Gains

- Investment Income usually more than offsets Operating Losses
- Investment Income has contributed approximately 90% of the growth in Net Assets
- Funding Ratio continues to hold between 3.5 and 4.0

Deloitte.

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April 18, 2011

Rate Recommendations for the Coal Workers Pneumoconiosis Fund

State of Ohio
Bureau of Workers' Compensation

Deloitte Consulting LLP

Audit • Tax • Consulting • Financial Advisory •



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April 18, 2011

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

Subject:

Coal Workers' Pneumoconiosis Fund 7-1-11 Rate Recommendations

Dear Mr. Pedrick:

We are providing this memo to update you on our recommendations for the Coal Workers' Pneumoconiosis Fund ("CWPF") July 1, 2011 rates. Our recommendations are similar to those which we provided last year, however we additionally believe the Ohio Bureau of Workers' Compensation ("BWC") should expand the current efforts to better quantify possible future exposures through an enhanced data request.

Summary

Recommendations: Freeze current rates for 2 years (7/1/2011-12 and 7/1/2012-13). Modify and expand the CWPF premium moratorium for all employers currently insured by the CWPF. Require expanded employee data related to coal worker employment history and occupational and health safety data from employers in order to qualify for CWPF coverage at no premium cost. Enhance the approach used to collect, audit and support employers who agree to participate in the CWP employee health safety data program. Require full premiums to be paid by employers who either (1) choose not to participate in the program, or (2) do not provide accurate and complete data in accordance with BWC's requirements for the program.

Considerations and Alternatives: Maintain the CWPF premium moratorium for employers subscribing prior to May 15, 1999 under the condition that those employers participate in the CWP employee health safety data program. For employers currently paying premium, keep the premium rates unchanged, however provide discounts to those employers who participate in the CWP employee health safety data program.

Some employers have paid into the CWPF for many years in the past while others may have paid in more recently for up to 10 years. Still other employers may be new businesses with little or no prior

premium payments to the CWPF. These differences pose some potential questions about the fairness of premium payments. However, we believe that fairness of the premiums is more appropriately evaluated based on an assessment of the employer's future claims costs from their employees' exposure to permanent disability due to CWP disease.

We have considered certain alternatives such as charging premiums at different levels depending on the length of time that each employer has made premium payments. As discussed above, we do not believe that such an approach effectively matches CWP claim costs to the employers' annual exposure to such claims. Such exposure is primarily a function of the employee's age, the number of years and intensity of a coal worker's coal dust exposure and other health characteristics of the coal workers.

Other alternatives that could be considered include changing the basis for premium rating away from a rate per \$100 of payroll (e.g., premiums based on the potential for CWP disability claims for each employer that reflects data on their employees). However, such a change should be studied in terms of practical considerations and industry and employer input. Also, a different rating structure basis (other than annual payroll) does not currently exist in other coal mining states. However, the responsibility for paying the claims is based on the last date of coal mine employment, which in Ohio would typically be insured by the BWC or be the responsibility of a self-insured employer.

Since several of the coal mine employers in Ohio have not paid premium into the CWPF for over 10 years while other have been paying premiums each year, we believe that this difference is a fairness issue that should be addressed as soon as possible. The current valuation of expected liabilities for CWP claims costs is less than 25% of CWPF funded assets (cash and invested assets). Also, there have been changes in federal legislation, coal worker demographics, mining practices, health and safety awareness, claim administration procedures and practices by the US Department of Labor, and other factors influencing CWP claim awards and costs. Some of these changes have occurred slowly over time, while others may be more sudden.

Currently, the BWC has been challenged by the lack of availability of detailed employee data (particularly for those employees who have not filed a claim) and by the ability to analyze such data in order to monitor and thoroughly evaluate exposure to future CWP claims and the likely ultimate cost of those claims. While there are certain gaps in the level of detail available to adjust the expected CWP claim costs to reflect a more complete assessment of future costs, the BWC has already gathered significant information from further research of the available data, as well as initiated a pilot program to collect employee level data from one key employer. This pilot will become the foundation for the recommended CWP employee health safety data program and provide experience with data collection issues, such as consistency, ease for the employer, dealing with privacy requirements, etc.

Since the CWPF currently appears to have sufficient funds to pay for expected CWP claim costs for several years without collecting additional premiums, it seems reasonable to suspend the payment of premiums by employers related to CWP disease claims (for federal benefits) in return for the collection and maintenance of better coal worker employment history and health data. This data can be used in the future to more effectively assess the potential for claims costs involved, the impact of trends and changes in those costs, the impact of health factors and the other influences that could affect the financial evaluation of the CWPF. Also, this data and analysis of the data would assist considerably in evaluating the level of premiums that might be needed in the future as well as improvements in the

fairness in how premiums are computed and in providing better evaluations of whether the premium rates are actuarially sound.

We do not believe that an expanded premium moratorium as we suggest would jeopardize the ability of the CWPF to pay for the current level of benefits to existing disabled workers or the additional claims that are likely to be awarded in the next two years and potentially longer, based on recent history. However, this assessment can change in the future, so it is critical that BWC has sufficient data and resources to monitor changes and trends that could affect ongoing and future CWP claims costs. While the caveats about changes in future costs should be considered, we would expect that, absent substantial changes, the premium moratorium could be continued (2 years recommended initially) and the possible need to collect premiums in the future could be introduced gradually over a few years.

Discussion

Financial Position

In our July 1, 2010 CWPF rate recommendation, we noted that the CWPF appears to be financially strong, with a funding ratio which continues to be in excess of 3.0. We have modified our previous recommendation that the total amount of premium collected by the BWC for the CWP coverage should remain consistent. This is due to competing dynamics which impact the CWPF. CWPF appears to be financially strong by current measures. However, the changes in legislation from United States House Resolution 3590 (the Patient Protection and Affordable Healthcare Act) still have the potential to increase both the frequency and severity of CWPF claims, both on a prospective and retroactive basis. There has been very little concrete data or other evidence that suggests the potential need for BWC to increase CWPF rates. Notwithstanding that concern about data, the CWPF has a very strong financial position that appears to be sufficient to justify eliminating additional premium payments for a couple of years.

Possible Exposure

As part of our review this year, we reviewed 2010 NCCI filing circulars regarding Federal Black Lung benefits in West Virginia and Virginia. From the circulars, we reviewed annual ultimate claims (where the claim counts include only those when benefits would be paid) and estimated severity for living miners and living widows. We used the relativity of the loss costs for underground and surface mine NCCI classes, as included in the circulars, to estimate the split between surface mine and underground mine ultimate claims. We developed estimates of claim frequency as the number of claims per 100,000 tons of annual coal production, as provided in the MSHA database, for both types of mines in both states. We applied the frequencies to estimates of future surface mine and underground mine coal production in Ohio. Using Ohio severity indications from our own analysis for the CWPF as of December 31, 2010, we project ultimate loss amounts for the next 5 years for Ohio assuming a severity trend rate of 3% and flat growth in production. We estimate that there could be future claim exposure in Ohio of approximately \$2.2 million to \$7.3 million per year. Though this exposure would also include self-insureds currently excluded from the BWC CWPF, it does demonstrate that there is likely to be continued exposure to claims and, further, that BWC should maintain a financially strong and viable fund in order to sufficiently cover future claims. The attached exhibits document the details of the assumptions and calculations. Exhibits 1 and 2 illustrate the calculations described above.

Consideration for Self-Insureds

If the BWC elected to apply the premium moratorium to all current employers insured by the BWC, special consideration would need to be given to employers that are currently self-insured. These employers have not contributed any premium to the, currently, strong financial position of the Fund; however potential future claims related to coal mine exposure during the self-insured period would become the responsibility of a coal worker's last employer after one year of working for that employer. Consequently, there can be significant financial ramifications that could impact the CWPF if a previously self-insured employer becomes insured by BWC, or if many long time coal workers employed by a self-insured leave the employment of the self-insured and work for an BWC insured employer for a year or more before filing a CWP claim.

We believe that this could be potentially very high cost situation. We recommend the BWC consider alternatives to limit the responsibility for claims from previously self-insured employers that request to be insured under the CWPF. One possibility might be to phase in coverage for previously self-insured employers in way which would split the liability of future reported claims, perhaps through an aggregate deductible (on a cumulative basis, not annual). Another alternative might be that the self-insured accept responsibility for all claims from coal workers who have worked for that employer for one year or more during the period of self-insurance (regardless of when the claim is filed) and BWC accept responsibility for all other claims, provided that they are insured under the BWC insurance program in the CWPF when the claim is filed. Further alternatives might include an apportionment of liability based on the length of employment by the self-insured vs. the length of employment while insured by the BWC in the CWPF.

The issues related to high claim costs arising from coal workers who change jobs between different employers, some insured under the CWPF and some self-insured, is a more challenging problem. We recommend that this issue be further investigated, considering legal responsibilities, possible underwriting criteria and adjustments in coverage or premium payments.

Additional Data Collection

As noted in our recommendations, we believe BWC should urgently begin to create and implement a CWP employee health safety data program. This program should focus on the ongoing collection and validation of individual coal worker data. There should be an incentive for employers to participate in the program if the program is not mandatory at some point. We are suggesting an initial incentive of a premium moratorium, or alternatively substantial premium discounts, but such incentives may not be viable over the long term.

The data elements from employers should include items not currently available elsewhere. There may be some personal information that will need to be protected. The information would be at the level of the employee, even for those who have not yet filed claims. We believe the additional data is needed to better quantify the future obligations of the CWPF and to improve the ability to estimate future claim costs under different scenarios when reviewing the reserves and financial position of the CWPF. We believe, as condition of a continued premium moratorium, that BWC can request that the employer provide such data from their employment records, in order for the employer to receive the benefit of the premium moratorium.

We recommend that the CWP employee health safety data program include the following types of data:

- Listing of current employees that would be classified under any coal worker occupational classification or who would have frequent or infrequent exposure to coal dust
- Coal worker classification
- Coal worker employment history for each employee, including but not limited to the number of years worked with current employer
- Employee date of birth and marital status
- If married, employee spouse's age difference
- Checklist of medical conditions
- Other employee records (e.g., current address)

Deloitte expects to work with BWC to determine the specific data needs for these categories.

Conclusion

The CWPB has maintained a financial strong position despite a premium moratorium for several years given to 26 of the 39 current employers. Recent federal legislation has made some changes that could increase future CWP claims costs, perhaps substantially. However, there is considerable uncertainty about such future costs. We have recommended specific steps for BWC to pursue in order to better identify, monitor and quantify the potential for exposure to increased claims costs through enhancements to the data collected already and to further analysis of such data. In the meantime, we believe that our recommendations described above are supported by a strong financial position and our current assessment of the potential and the uncertainty concerning future increased claims costs. We believe that our recommendations are designed to provide a meaningful incentive for employer participation and to significantly lower premium costs, at least for two years, for up to one-third of the employers in this industry in Ohio.

Please feel free to contact us with any further questions.

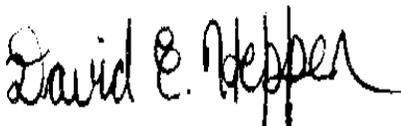
Yours very truly,



Jan A. Lommele, FCAS, MAAA
Principal



Robert S. Miccolis, FCAS, MAAA
Director



David E. Heppen, FCAS, MAAA
Director

Enclosures

Table of Exhibits

Coal Workers Pneumoconiosis Fund 7-1-11 Rate Recommendations

Exhibit 1: Potential OH Black Lung Exposure – Baseline Scenario:

Displays the estimate of ultimate claim costs using our Baseline selected frequency assumptions; the severity assumptions are based on Deloitte's CWPF Reserve Study as of December 31, 2010

Exhibit 1a: Potential OH Black Lung Exposure –Scenario A (Low Frequency)

Displays the estimate of ultimate claim costs using our selected low frequency assumptions; the severity assumptions are based on Deloitte's CWPF Reserve Study as of December 31, 2010

Exhibit 1b: Potential OH Black Lung Exposure –Scenario B (Higher Frequency)

Displays the estimate of ultimate claim costs using our selected higher frequency assumptions; the severity assumptions are based on Deloitte's CWPF Reserve Study as of December 31, 2010

Exhibit 2: Federal Black Lung Claim Frequency in WV

Displays historical living miner and living widow claim frequencies for surface mines and underground mines in West Virginia

Exhibit 3: Federal Black Lung Claim Frequency in VA

Displays historical living miner and living widow claim frequencies for surface mines and underground mines in Virginia

Exhibit 4: Comparison of Annual Coal Production and Future Claims

Displays historic annual coal production data by surface mines and underground mines for West Virginia, Virginia, and Ohio

Coal Workers' Pneumoconiosis Fund 7-1-11 Rate Recommendations

Exhibit 1

Potential OH Black Lung Exposure - Baseline

Calendar Year	Surface Mines	Underground Mines	Surface Mines		Underground Mines		Ohio Claims As of 12/31/10	Estimated Living Miner Black Lung Severity	Estimated Living Widow Black Lung Severity	Estimated Total Ultimate Cost
	OH Annual Production	OH Annual Production	Living Miner Entitlement Claims	Living Widow Entitlement Claims	Living Miner Entitlement Claims	Living Widow Entitlement Claims				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
2000	10,336,036	11,933,088					2.0			
2001	12,505,972	12,893,721					4.0			
2002	10,306,245	10,850,954					3.0			
2003	9,166,472	12,827,720					5.0			
2004	8,951,766	14,270,084					1.0			
2005	8,869,258	15,822,618					2.0			
2006	7,596,008	15,126,041					2.0			
2007	6,789,237	15,792,616					4.0			
2008	9,197,924	17,053,000					2.0			
2009	10,344,060	17,306,790					2.0			
2010	7,210,625	13,433,541					-			
2011	9,770,992	17,179,895	1.5	0.0	7.2	0.2	8.9	\$513,361	\$454,264	\$4,563,029
2012	9,770,992	17,179,895	1.5	0.0	7.2	0.2	8.9	\$528,762	\$467,892	\$4,699,920
2013	9,770,992	17,179,895	1.5	0.0	7.2	0.2	8.9	\$544,625	\$481,929	\$4,840,917
2014	9,770,992	17,179,895	1.5	0.0	7.2	0.2	8.9	\$560,964	\$496,387	\$4,986,145
2015	9,770,992	17,179,895	1.5	0.0	7.2	0.2	8.9	\$577,793	\$511,278	\$5,135,729
			7.4	0.2	36.2	0.8	44.6			\$24,225,740

(12) WV Frequency: 0.0059 0.0001 0.0212 0.0003
 (13) VA Frequency: 0.0243 0.0006 0.0631 0.0015
 (14) Selected Baseline Frequency: 0.0151 0.0003 0.0422 0.0009

Footnotes:

- (1) 1/1/XXXX - 12/31/XXXX
- (2) From MSHA data
- (3) From MSHA data
- (4) = (2) x (14) / 100,000
- (5) = (2) x (14) / 100,000
- (6) = (3) x (14) / 100,000
- (7) = (3) x (14) / 100,000
- (8) From all allowed claims data provided by the BWC for 2000 - 2010; (4) + (5) + (6) + (7) for 2011 - 2015
- (9) & (10) From Deloitte CWPf reserve analysis for BWC as of December 31, 2010. Average total severities based on Section 5, Exhibit 4, Sheet 1. Future Average total severities based on Section 5, Exhibit 4, Sheet 1. Future trend selected as 3.0%
- (11) [((4) + (6)) * (9)] + [((5) + (7)) * (10)]
- (12) From Exhibit 2, Total From Columns (6) to (9)
- (13) From Exhibit 3, Total From Columns (6) to (9)
- (14) Selected Baseline Frequency

Coal Workers' Pneumoconiosis Fund 7-1-11 Rate Recommendations

Exhibit 1a

Potential OH Black Lung Exposure - Scenario A (Lower Frequency)

Calendar Year	Surface Mines	Underground Mines	Surface Mines		Underground Mines		Ohio Claims As of 12/31/10	Estimated Living Miner Black Lung Severity	Estimated Living Widow Black Lung Severity	Estimated Total Ultimate Cost
	OH Annual Production	OH Annual Production	Living Miner Entitlement Claims	Living Widow Entitlement Claims	Living Miner Entitlement Claims	Living Widow Entitlement Claims				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
2000	10,336,036	11,933,088					2.0			
2001	12,505,972	12,893,721					4.0			
2002	10,306,245	10,850,954					3.0			
2003	9,166,472	12,827,720					5.0			
2004	8,951,766	14,270,084					1.0			
2005	8,869,258	15,822,618					2.0			
2006	7,596,008	15,126,041					2.0			
2007	6,789,237	15,792,616					4.0			
2008	9,197,924	17,053,000					2.0			
2009	10,344,060	17,306,790					2.0			
2010	7,210,625	13,433,541					-			
2011	9,770,992	17,179,895	0.6	0.0	3.6	0.1	4.3	\$513,361	\$454,264	\$2,195,747
2012	9,770,992	17,179,895	0.6	0.0	3.6	0.1	4.3	\$528,762	\$467,892	\$2,261,620
2013	9,770,992	17,179,895	0.6	0.0	3.6	0.1	4.3	\$544,625	\$481,929	\$2,329,468
2014	9,770,992	17,179,895	0.6	0.0	3.6	0.1	4.3	\$560,964	\$496,387	\$2,399,353
2015	9,770,992	17,179,895	0.6	0.0	3.6	0.1	4.3	\$577,793	\$511,278	\$2,471,333
			2.9	0.0	18.2	0.3	21.4			\$11,657,522

(12) WV Frequency: 0.0059 0.0001 0.0212 0.0003
 (13) VA Frequency: 0.0243 0.0006 0.0631 0.0015
 (14) Selected Scenario A Frequency: 0.0059 0.0001 0.0212 0.0003

Footnotes:

- (1) 1/1/XXXX - 12/31/XXXX
- (2) From MSHA data
- (3) From MSHA data
- (4) = (2) x (14) / 100,000
- (5) = (2) x (14) / 100,000
- (6) = (3) x (14) / 100,000
- (7) = (3) x (14) / 100,000
- (8) From all allowed claims data provided by the BWC for 2000 - 2010; (4) + (5) + (6) + (7) for 2011 - 2015
- (9) & (10) From Deloitte CWPf reserve analysis for BWC as of December 31, 2010. Average total severities based on Section 5, Exhibit 4, Sheet 1. Future Average total severities based on Section 5, Exhibit 4, Sheet 1. Future trend selected as .0%
- (11) [((4) + (6))* (9)] + [((5) + (7))* (10)]
- (12) From Exhibit 2, Total From Columns (6) to (9)
- (13) From Exhibit 3, Total From Columns (6) to (9)
- (14) Selected Scenario A (Lower Frequency)

Coal Workers' Pneumoconiosis Fund 7-1-11 Rate Recommendations

Exhibit 1b

Potential OH Black Lung Exposure - Scenario B (Higher Frequency)

Calendar Year	Surface Mines	Underground Mines	Surface Mines		Underground Mines		Ohio Claims As of 12/31/10	Estimated Living Miner Black Lung Severity	Estimated Living Widow Black Lung Severity	Estimated Total Ultimate Cost
	OH Annual Production	OH Annual Production	Living Miner Entitlement Claims	Living Widow Entitlement Claims	Living Miner Entitlement Claims	Living Widow Entitlement Claims				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
2000	10,336,036	11,933,088					2.0			
2001	12,505,972	12,893,721					4.0			
2002	10,306,245	10,850,954					3.0			
2003	9,166,472	12,827,720					5.0			
2004	8,951,766	14,270,084					1.0			
2005	8,869,258	15,822,618					2.0			
2006	7,596,008	15,126,041					2.0			
2007	6,789,237	15,792,616					4.0			
2008	9,197,924	17,053,000					2.0			
2009	10,344,060	17,306,790					2.0			
2010	7,210,625	13,433,541					-			
2011	9,770,992	17,179,895	2.4	0.1	10.8	0.3	13.5	\$513,361	\$454,264	\$6,930,310
2012	9,770,992	17,179,895	2.4	0.1	10.8	0.3	13.5	\$528,762	\$467,892	\$7,138,220
2013	9,770,992	17,179,895	2.4	0.1	10.8	0.3	13.5	\$544,625	\$481,929	\$7,352,366
2014	9,770,992	17,179,895	2.4	0.1	10.8	0.3	13.5	\$560,964	\$496,387	\$7,572,937
2015	9,770,992	17,179,895	2.4	0.1	10.8	0.3	13.5	\$577,793	\$511,278	\$7,800,125
			11.9	0.3	54.2	1.3	67.7			\$36,793,959

(12) WV Frequency: 0.0059 0.0001 0.0212 0.0003
 (13) VA Frequency: 0.0243 0.0006 0.0631 0.0015
 (14) Selected Scenario B Frequency: 0.0243 0.0006 0.0631 0.0015

Footnotes:

- (1) 1/1/XXXX - 12/31/XXXX
- (2) From MSHA data
- (3) From MSHA data
- (4) = (2) x (14) / 100,000
- (5) = (2) x (14) / 100,000
- (6) = (3) x (14) / 100,000
- (7) = (3) x (14) / 100,000
- (8) From all allowed claims data provided by the BWC for 2000 - 2010; (4) + (5) + (6) + (7) for 2011 - 2015
- (9) & (10) From Deloitte CWPf reserve analysis for BWC as of December 31, 2010. Average total severities based on Section 5, Exhibit 4, Sheet 1. Future Average total severities based on Section 5, Exhibit 4, Sheet 1. Future trend selected as .0%
- (11) [(4) + (6)] * (9) + [(5) + (7)] * (10)
- (12) From Exhibit 2, Total From Columns (6) to (9)
- (13) From Exhibit 3, Total From Columns (6) to (9)
- (14) Selected Scenario B (Higher Frequency)

Coal Workers' Pneumoconiosis Fund 7-1-11 Rate Recommendations

Exhibit 2

Federal Black Lung Claim Frequency in WV

Calendar Year	WV Claims		Estimated Ultimate Living Miner Entitlement Claims	Estimated Ultimate Living Widow Entitlement Claims	Surface Mine Estimated Entitlements / Production (100,000's)		Underground Mine Estimated Entitlements / Production (100,000's)	
	Surface Mines WV Annual Production	Underground Mines WV Annual Production			Living Miner	Living Widow	Living Miner	Living Widow
	(2)	(3)			(6)	(7)	(8)	(9)
2000	61,199,513	103,550,351	18.0	0.2	0.0042	0.0000	0.0149	0.0002
2001	63,928,211	104,037,350	16.5	0.1	0.0038	0.0000	0.0135	0.0001
2002	62,277,548	92,367,950	51.9	1.1	0.0133	0.0003	0.0472	0.0010
2003	53,147,211	92,169,859	15.9	1.2	0.0042	0.0003	0.0149	0.0011
2004	57,214,581	96,337,600	15.5	0.2	0.0039	0.0000	0.0138	0.0002
2005	62,668,008	96,268,427	17.1	0.1	0.0042	0.0000	0.0150	0.0001
2006	67,757,662	89,667,214	26.4	0.2	0.0068	0.0000	0.0243	0.0002
2007	68,134,274	90,002,628	30.0	0.0	0.0077	0.0000	0.0275	0.0000
2008								
2009								
2010								
	496,327,008	764,401,379	191	3	0.0059	0.0001	0.0212	0.0003
(10) Loss Cost Relativity:	1.000	3.559						
(11) Implied Frequency Split:	22%	78%						

Footnotes:

- (1) 1/1/XXXX - 12/31/XXXX
- (2) From MSHA data; Surface Mines include Auger, Strip / Quarry / Pit, and Culm Bank / Refuse Pile Subunits
- (3) From MSHA data; Underground Mines include Underground Subunit
- (4) From NCCI West Virginia Filing Circular dated July 21, 2010, Exhibit 10A
- (5) From NCCI West Virginia Filing Circular dated July 21, 2010, Exhibit 10B
- (6) = (4) / {[(2) / 100000] + [(3) * 3.559 / 100000] }
- (7) = (5) / {[(2) / 100000] + [(3) * 3.559 / 100000] }
- (8) = 3.559 x (6) Note: 3.559 from (10) Underground Lost Cost Relativity to Surface
- (9) = 3.559 x (7) Note: 3.559 from (10) Underground Lost Cost Relativity to Surface
- (10) From NCCI West Virginia Filing Circular dated July 21, 2010, Exhibit 9A
- (11) Value from (10) for Column divided by (10) in total.

Coal Workers' Pneumoconiosis Fund 7-1-11 Rate Recommendations

Federal Black Lung Claim Frequency in VA

VA Claims

Calendar Year	<u>Surface Mines</u>	<u>Underground Mines</u>	Estimated Ultimate Living Miner Entitlement Claims	Estimated Ultimate Living Widow Entitlement Claims	<u>Surface Mine Estimated Entitlements / Production (100,000's)</u>		<u>Underground Mine Estimated Entitlements / Production (100,000's)</u>	
	VA Annual Production	VA Annual Production	(4)	(5)	Living Miner	Living Widow	Living Miner	Living Widow
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2000	9,815,871	23,180,605	13.8	0.2	0.0197	0.0003	0.0512	0.0008
2001	10,335,821	22,502,639	13.6	1.1	0.0198	0.0016	0.0515	0.0042
2002	9,530,468	20,490,984	15.9	0.2	0.0253	0.0003	0.0659	0.0008
2003	10,475,935	21,145,130	12.0	0.0	0.0183	0.0000	0.0477	0.0000
2004	11,139,925	20,345,574	17.0	1.2	0.0265	0.0019	0.0689	0.0049
2005	11,963,546	16,386,075	13.4	0.0	0.0244	0.0000	0.0636	0.0000
2006	11,265,816	18,666,646	21.9	0.0	0.0366	0.0000	0.0952	0.0000
2007	10,088,356	15,730,585	20.4	0.3	0.0400	0.0006	0.1041	0.0015
2008	9,100,593	15,803,552	4.8	0.2	0.0095	0.0004	0.0248	0.0011
2009								
2010								
	93,716,331	174,251,790	133	3	0.0243	0.0006	0.0631	0.0015
(10) Loss Cost Relativity:	1.000	2.603						
(11) Implied Frequency Split:	28%	72%						

Footnotes:

- (1) 1/1/XXXX - 12/31/XXXX
- (2) From MSHA data; Surface Mines include Auger, Strip / Quarry / Pit, and Culm Bank / Refuse Pile Subunits
- (3) From MSHA data; Underground Mines include Underground Subunit
- (4) From NCCI Virginia Filing Circular dated May 18, 2010, Exhibit 4
- (5) From NCCI Virginia Filing Circular dated May 18, 2010, Exhibit 4
- (6) = (4) / {[(2) / 100000] + [(3) * 2.603 / 100000]}
- (7) = (5) / {[(2) / 100000] + [(3) * 2.603 / 100000]}
- (8) = 2.603 x (6) Note: 2.603 from (10) Underground Lost Cost Relativity to Surface
- (9) = 2.603 x (7) Note: 2.603 from (10) Underground Lost Cost Relativity to Surface
- (10) From NCCI Virginia Filing Circular dated May 18, 2010, Exhibit 3A
- (11) Value from (10) for Column divided by (10) in total.

Coal Workers' Pneumoconiosis Fund 7-1-11 Rate Recommendations

Exhibit 4

Comparison of Annual Coal Production

Calendar Year	<u>Surface Mines</u>			<u>Underground Mines</u>			<u>Percentage in Underground</u>		
	WV Annual Production	VA Annual Production	OH Annual Production	WV Annual Production	VA Annual Production	OH Annual Production	WV Annual Production	VA Annual Production	OH Annual Production
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
2000	61,199,513	9,815,871	10,336,036	103,550,351	23,180,605	11,933,088	63%	70%	54%
2001	63,928,211	10,335,821	12,505,972	104,037,350	22,502,639	12,893,721	62%	69%	51%
2002	62,277,548	9,530,468	10,306,245	92,367,950	20,490,984	10,850,954	60%	68%	51%
2003	53,147,211	10,475,935	9,166,472	92,169,859	21,145,130	12,827,720	63%	67%	58%
2004	57,214,581	11,139,925	8,951,766	96,337,600	20,345,574	14,270,084	63%	65%	61%
2005	62,668,008	11,963,546	8,869,258	96,268,427	16,386,075	15,822,618	61%	58%	64%
2006	67,757,662	11,265,816	7,596,008	89,667,214	18,666,646	15,126,041	57%	62%	67%
2007	68,134,274	10,088,356	6,789,237	90,002,628	15,730,585	15,792,616	57%	61%	70%
2008	68,693,960	9,100,593	9,197,924	94,521,696	15,803,552	17,053,000	58%	63%	65%
2009	55,759,360	7,902,254	10,344,060	84,656,066	12,938,244	17,306,790	60%	62%	63%
2010	38,084,845	5,893,308	7,210,625	66,170,498	10,598,773	13,433,541	63%	64%	65%
	658,865,173	107,511,893	101,273,603	1,009,749,639	197,788,807	157,310,173	61%	65%	61%

Footnotes:

- (1) 1/1/XXXX - 12/31/XXXX
- (2) From MSHA data; Surface Mines include Auger, Strip / Quarry / Pit, and Culm Bank / Refuse Pile Subunits
- (3) From MSHA data; Surface Mines include Auger, Strip / Quarry / Pit, and Culm Bank / Refuse Pile Subunits
- (4) From MSHA data; Surface Mines include Auger, Strip / Quarry / Pit, and Culm Bank / Refuse Pile Subunits
- (5) From MSHA data; Underground Mines include Underground Subunit
- (6) From MSHA data; Underground Mines include Underground Subunit
- (7) From MSHA data; Underground Mines include Underground Subunit
- (8) = (5) / [(5) + (2)]
- (9) = (6) / [(6) + (3)]
- (10) = (7) / [(7) + (4)]

Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-20

Rule Review

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

Citation: R.C. 4123.34, 4131.04

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

What goal(s): This rule provides for the premium rating of employer contributions to the coal-workers pneumoconiosis fund for coal coverage. It is optional for employers to obtain this coverage from BWC. This rule establishes the rates for employers and informs employers of the rates. BWC is proposing a change in the moratorium to include all employers and to maintain the current rates for 2 years.

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: BWC rates are developed using actuarial and insurance principles, stakeholder input is not appropriate. The recommendation is from BWC's actuarial consultant.

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.

Board of Directors Executive Summary

Coal-workers' Pneumoconiosis Fund (CWPF)

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

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

Rate Method: Calculate and apply premium rates designed to provide premiums to equal the cost of all coal mining lung related occupational diseases that have injury dates within the policy year. The current rate will apply to new employers to the fund beginning April 29, 2011. A moratorium on premium collections has been in place beginning in the policy year beginning 7-1-1999 through the policy year beginning 7-1-2009 due to the level of net assets. Premium is paid only by employers who have newly subscribed to the CWPF fund on or after May 15, 1999.

The Federal Health Care Reform amendment filed by Senator Robert Byrd – D- West Virginia, restores the rebuttable presumption for a veteran miner, with at least 15 years experience, that is diagnosed with a debilitating lung disease. The presumption is that the disease was contracted in the course of employment in the mines. The amendment also provides for an automatic death benefit for survivors in these cases and allows that the presumption be retroactive to January 1, 2005. This reverses legislation enacted in 1981 by Congress. The BWC and Deloitte have not yet completed an analysis of the cost of this amendment to the CWPF. We are in the process of gathering data internally, and from the Department of Labor and the Ohio Coal Mine industry.

Deloitte Rate Indication:

The BWC's consulting actuary, Deloitte, recommends no change to the premium rate. Deloitte is recommending that BWC offer a moratorium to all current subscribers for the next two policy years under the condition that the mine operators provide employee data to the BWC.

Administrator's Recommendation:

The Administrator is in agreement with Deloitte's recommendations.

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

7-1-74	Rates: Manual 1112 - \$6.30 Manual 1115 - \$3.68
7-1-75	No Change
7-1-76	No Change
7-1-77	No Change
7-1-78	No Change
7-1-79	No Change
7-1-80	No Change; Administrative Cost now included as a part of the base rate
7-1-81	30% increase
7-1-82	30% increase; Manual 1116 was added
7-1-83	30% decrease for Manual 1115 and Manual 1116 only
7-1-84	30% decrease for Manual 1115 and Manual 1116 only
7-1-85	30% decrease
7-1-86	30% decrease
7-1-87	30% decrease
7-1-88	No Change
7-1-89	No Change
7-1-90	30% decrease
7-1-91	30% decrease
7-1-92	No Change
7-1-93	No Change
7-1-94	No Change
7-1-95	No Change
7-1-96	No Change
7-1-97	10% decrease
7-1-98	No Change
7-1-99	No Change
7-1-2000	No Change
7-1-2001	Rates: Manual 1112 - \$3.70 Manual 1115 - \$1.07 Manual 1116 - \$0.83
7-1-2002	No Change
7-1-2003	No Change
7-1-2004	No Change
7-1-2005	No Change
7-1-2006	No Change
7-1-2007	No Change
7-1-2008	No Change
7-1-2009	No Change
7-1-2010	No Change

*****DRAFT – NOT FOR FILING*****

4123-17-20 EMPLOYER CONTRIBUTION TO THE COAL- WORKERS PNEUMOCONIOSIS FUND.

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

Effective: 7/1/11

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

*****DRAFT – NOT FOR FILING*****

Appendix A

Manual	Rate
1112	\$3.70
1115	\$1.07
1116	\$0.83

Note: ~~the above premium rates shall only apply to employers who newly subscribe to the coal-workers pneumoconiosis fund on or after May 15, 1999.~~ The bureau shall institute a moratorium on premium collections from all employers who were subscribers to the coal-workers pneumoconiosis fund prior to ~~May 15, 1999~~ April 29, 2011, ~~and~~ who remain subscribers to the fund; and who participate in the Bureau's data collection efforts to evaluate the exposure to coal-workers pneumoconiosis in Ohio.

2011 Common Sense Initiative Checklist (BWC Rules)

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

Rule Review

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

Citation: ORC 4123-17-74

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

What goal(s): Encourage increased use of safety programs in the workplace

3. The rule is effective, consistent and efficient.

4. The rule is not duplicative of rules already in existence.

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

6. The rule has been reviewed for unintended negative consequences.

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

Explain: see attached stakeholder grid

8. The rule was reviewed for clarity and for easy comprehension.

9. The rule promotes transparency and predictability of regulatory activity.

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

11. 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? _____

BWC Board of Directors
Executive Summary
Rule 4123-17-74, Appendix C
Employer Program Compatibility

Introduction

The proposed change will provide the opportunity for nearly 100,000 group rated employers to receive a 2-percent bonus through the Safety Council Rebate Incentive program. In order to receive the bonus, group experience rated employers must participate in the Safety Council Rebate Incentive program and demonstrate improvements in workplace safety. This rebate will be in addition to their group experience rating discount and allow employers to direct more resources into business growth and job creation.

Background Information

The existing rule 4123-17-74 Appendix (C) does not currently permit group rated employers to receive an additional discount for participation in the Safety Council Rebate Incentive program.

4123-17-74
Appendix (C)

Employer program compatibility

Program	Compatible/ Discount stacking permitted	Incompatible/ Discount stacking NOT permitted
Drug-Free Safety Program (as defined in OAC 4123-17-58)	Group Experience Rating ⁱ (advanced level only) Safety Council Salary Continuation ⁱⁱ (dates of injury prior to 1/1/2011) Small Deductible	EM Cap Fifteen Thousand Dollar Medical-Only Program Group Experience Rating Group Retrospective Rating Large Deductible One Claim Retrospective Rating Salary Continuation
EM Cap (as defined in OAC 4123-17-03 (G))	Fifteen Thousand Dollar Medical-Only Program Group Retrospective Rating Large Deductible Safety Council Salary Continuation Small Deductible	Drug-Free Safety Program Group Experience Rating One Claim Paid Loss Retrospective Rating
Fifteen Thousand Dollar Medical-Only Program (as defined in OAC 4123-17-59)	EM Cap Group Experience Rating One Claim Retrospective Rating Safety Council Salary Continuation	Drug-Free Safety Program Group Retrospective Rating Large Deductible Small Deductible
Group Experience Rating (as defined in OAC 4123-17-61 to 68)	Fifteen Thousand Dollar Medical-Only Program Drug-Free Safety Program ⁱ (advanced level only) Salary Continuation Small Deductible Safety Council (performance bonus only)	Drug-Free Safety Program EM Cap Group Retrospective Rating Large Deductible One Claim Retrospective Rating Safety Council (participation rebate)

Program	Compatible/ Discount stacking permitted	Incompatible/ Discount stacking NOT permitted
Group Retrospective Rating (as defined in OAC 4123-17-73)	EM Cap Salary Continuation	Drug-Free Safety Program Fifteen Thousand Dollar Medical-Only Program Group Experience Rating Large Deductible One Claim Retrospective Rating Safety Council Small Deductible
Large Deductible (deductible amounts of \$25,000 or greater as defined in OAC 4123-17-72)	EM Cap One Claim Safety Council	Drug-Free Safety Program Fifteen Thousand Dollar Medical-Only Program Group Experience Rating Group Retrospective Rating Retrospective Rating Salary Continuation Small Deductible
One Claim (as defined in OAC 4123-17-71)	Fifteen Thousand Dollar Medical-Only Program Large Deductible Safety Council Salary Continuation Small Deductible	Drug-Free Safety Program EM Cap Group Experience Rating Group Retrospective Rating Retrospective Rating
Retrospective Rating (as defined in OAC 4123-17-41 to 54)	Fifteen Thousand Dollar Medical-Only Program Safety Council Salary Continuation	Drug-Free Safety Program EM Cap Group Experience Rating Group Retrospective Rating Large Deductible One Claim Small Deductible

Program	Compatible/ Discount stacking permitted	Incompatible/ Discount stacking NOT permitted
Safety Council	Drug-Free Safety Program EM Cap Fifteen Thousand Dollar Medical-Only Program Large Deductible One Claim Retrospective Rating Salary Continuation Small Deductible Group Experience Rating (performance bonus only)	Group Experience Rating (participation rebate) Group Retrospective Rating
Salary Continuation	Drug-Free Safety Program ⁱⁱ (dates of injury prior to 1/1/2011) EM Cap Fifteen Thousand Dollar Medical-Only Program Group Experience Rating Group Retrospective Rating One Claim Retrospective Rating Safety Council	Drug-Free Safety Program Large Deductible Small Deductible
Small Deductible (deductible amounts of \$10,000 or less as defined in OAC 4123-17-72)	Drug-Free Safety Program EM Cap Group Experience Rating One Claim Safety Council	Fifteen Thousand Dollar Medical-Only Program Group Retrospective Rating Large Deductible Retrospective Rating Salary Continuation

ⁱ Group experience rated employers can participate at the advanced level of the DFSP and receive the incremental difference between the basic and advanced level benefits.

ⁱⁱ Claims with dates of injury prior to 1/1/2011 can participate in the new DFSP for the 7/10 policy year

D be eligible to

BWC Board of Directors
Actuarial Committee
CAO Report
 John Pedrick, Chief Actuarial Officer
 April 28, 2011

The report this month is brief, consisting of just the review of the schedule of activity in the next months. The table that follows and the accompanying discussion 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.

Upcoming Rate Rules and Related Actions and Discussions	Apr.	May	June	July	August
PA Rate Change Effective 7/1/11	1 st read	2 nd read			
PES Rates Effective 7/1/11	1 st read	2 nd read			
Quarterly Reserve Update @ 12/31/10					
DWRF Rates	1 st read	2 nd read			
MIF Rates	1 st read	2 nd read			
CWPF Rates	1 st read	2 nd read			
Quarterly Reserve Update @ 3/31/11		Discuss			
SI Assessments		1 st read	2 nd read		
ACF Assessment		1 st read	2 nd read		
S&H Assessment		1 st read	2 nd read		
PEC Credibility and BEF for 1/1/2012*		1 st read	2 nd read		
State to State Rate Comparison*			Discuss		
Unexpected Reserve Adjustments – If Necessary*				Discuss	
June 30, 2011 Reserve Audit					Discuss
* Tentative schedule					

April

PA Overall Rate Change: This is our annual rate setting process for private employers (PA). Deloitte provided its analysis of the costs expected for the next policy year during the March committee meeting. Their recommendations for the rate changes necessary to meet those costs are: baseline, +1.3%; reasonable expectations – optimistic, -5.4%; reasonable expectations – conservative, +7.4%.

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.

DWRF: Disabled Workers Relief Fund rates are reviewed annually. In brief, this fund provides a benefit that, in combination with social security disability benefits, provides cost of living adjustments. Based on the analysis and recommendations from Deloitte, the Administrator proposes no change to rates for DWRF I and II.

MIF Rates: Marine Industry Fund rates are reviewed annually. Based on the analysis and recommendations from Deloitte, the Administrator proposes a 20.0% decrease in rates for the MIF.

CWPF Rates: Coal Worker Pneumoconiosis rates are reviewed annually. Based on the analysis and recommendations from Deloitte, the Administrator proposes no change to rates for CWPF and to modify the moratorium currently in use. All employers subject to this fund, who are in business as of the Board's action on this item, will be subject to a moratorium on premium collection as long as they participate in the Bureau's data gathering efforts. These efforts are targeted to provide a comprehensive analysis of the exposure to black lung disease in Ohio's mine workers.

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 Board-approved budget and projected premium.

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 hope to 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.

July

Unexpected Reserve Adjustments if Necessary – Since the major reserve analysis for June 30, 2011 will be developed using data through March 31, 2011, if there is a reason to make a significant change due to an event or circumstances during the last quarter of FY 2011 we have scheduled discussion if necessary. The finalization of the reserve audit using data from the last quarter would normally make only a slight change in reserves.

August

The annual reserve audit will be complete and presented to the Board for inclusion in the financial statement for the fiscal year ending June 30, 2011.

Actuarial Committee Calendar -2011

Date	April 2011
4/28/2011	1. Private employer rate change recommendation - 1st reading
	2. Private employer base rates and expected loss rates - rules 4123-17-05 and 4123-17-06 - 1 st reading
	3. Public employer state agency rate change recommendation- rule 4123-17-35 - 1st reading
	4. Marine Industry Fund - rule 4123-17-19 - 1 st 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 - 1 st reading
Date	May 2011
5/26/2011	1. Private employer rate change recommendation - 2nd reading
	2. Private employer base rates and expected loss rates - rules 4123-17-05 and 4123-17-06 - 2nd reading
	3. Public employer state agency rate change recommendation- rule 4123-17-35 - 2nd reading
	4. Marine Industry Fund - rule 4123-17-19 - 2nd reading
	5. Coal-Workers' Pneumoconiosis Fund - rule 4123-17-20 - 2nd reading
	6. Disabled Workers' Relief Fund and Additional Disabled Workers' Relief Fund rule 4123-17-29 - 2nd reading
	7. Self-Insured assessments - rule 4123-17-32 - 1st reading
	8. Administrative Cost Fund - rule 4123-17-36 - 1st reading
	9. Safety & Hygiene assessment- rules 4123-17-34 and 4123-17-37 - 1st reading
	10. 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
	11. Split Experience Rating Plan rules - 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 rules 4123-17-34 and 4123-17-37 - 2nd reading
	4. State-by-State Rate Comparison
	5. Split experience rating plan rules - 2nd reading
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
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
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 - 1 st reading if necessary
	3. Public employer taxing districts rate change - 1 st reading
Date	October 2011
10/27/2011	1. PEC Base Rate and Expected Loss rates rule 4123-17-33 and 4123-17-34 - 1 st reading
	2. PEC group Break even factor rule 4123-17-64.2 - 1 st reading
	3. Safety & Hygiene assessment rate - rule 4123-17-37 - 2 nd reading
	4. Annuity table rule 4123-17-60 - 2 nd reading if necessary

Actuarial Committee Calendar -2011

Date	November 2011
11/17/2011	1. Quarterly reserve update
Date	December 2011
Date	January 2012
Date	February 2012
Date	March 2012
Date	April 2012