



Date: October 2, 2007

To: Ohio Group Rating Plan Sponsors

From: Administrator Marsha Ryan, Ohio Bureau of Workers' Compensation

Re: **Notice of reductions to the maximum credibility for the Ohio Group Rating Program**

The Ohio Bureau of Workers' Compensation (BWC) is currently undergoing a number of important reforms to improve its service to Ohio's employers and injured workers. These include the development of a new claims-reserving methodology, a comprehensive review of BWC's rating programs, and consideration of reducing Ohio's base rates, to name a few.

In conjunction with these reforms, BWC must also address the continued inequity within Ohio's group-rating program. While a comprehensive review of the program is under way, immediate reductions in the maximum allowable credibility, and thus the group rating discount, are necessary for the 2008 policy year.

At the BWC Board of Directors meeting on September 27, 2007, the board unanimously approved a recommendation to consider reducing the maximum allowable group-rating discount. The matter was referred to the board's actuarial committee for a complete review of the program, which included an expression of intent **to reduce the discount to no less than 80 percent for the policy year beginning July 1, 2008.**

The actuarial committee and the board will determine the maximum discount for the 2008 policy year in the coming months. In the meantime, the board's action will provide some direction to those conducting group-rating marketing efforts by stating that the discount will be reduced from its current 90 percent maximum, but it won't be reduced to a level below 80 percent.

Since taking over as administrator in May, my team and I have spent an exhaustive amount of time examining how we could restore equity and preserve Ohio's group-rating program. We formed a workgroup comprised of stakeholders and legislators to discuss opportunities for improvement. While all participants in this workgroup expressed varying opinions on how to best move forward, there was understanding around the need for greater fairness within the program.

While our planful approach toward studying this issue and partnering with stakeholders led us to conclude a reduction in credibility tables is appropriate, several factors dictate the timing. First, we are sensitive to the group-marketing process and want to limit marketplace confusion while the board fully reviews this program.

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Second, three independent actuarial firms, in nine separate studies have rendered opinions citing the instability and inequity of group rating over the past several years. Today, non-group employers are still paying an additional \$200 million annually to subsidize the premium shortfalls of group employers. Previous reductions in the discount from 95 percent to 90 percent have provided some relief, but have not effectively reduced the premium subsidy to an appropriate level.

Third, the August 21, 2007 Report of Investigation by the Ohio Inspector General made several recommendations and requested BWC respond to these recommendations by October 19, 2007. One recommendation stated that “BWC should follow the recommendations of its actuarial consultant and the internal audit report in the establishment of premiums for group-rated employers, in order to address the inequities associated with the group-rating process.”

Finally, by establishing greater premium equity among all employers, we will have a unique opportunity to reduce Ohio’s base rates overall. By reducing the group discount to 80 percent, for example, BWC will be able to **reduce Ohio’s base rates by approximately 4 percent**. Doing so will create an important economic development opportunity for Ohio by making our workers’ compensation system more competitive both regionally and nationally.

In closing, there are two other issues I want to address. First, I know the resulting premium increases for some employers will be difficult. BWC will communicate with these employers directly to explain why these changes are taking place and how it can have a positive impact on Ohio’s economy as a whole. I would ask for your assistance in supporting our efforts and helping all Ohioans to understand why we’re taking action now.

It’s also important to note that a reduction in credibility to no less than 80 percent isn’t likely to solve the problem entirely. Instead, it’s one step toward a solution that brings equity and fairness not only to Ohio’s group-rating program, but to Ohio’s workers’ compensation system. These reforms will also include a review and possible changes to all factors involving the program such as rules, safety requirements, and composition.

Should you have questions or concerns, please don’t hesitate to contact Joy Bush, Executive Director of Employer Services at (614) 644-9944. Thank you for supporting these efforts to sustain Ohio’s group-rating program while also fostering greater equity and stability for all Ohio employers.

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