



October 24, 2007

Open letter to Ohio group-rating sponsors
Re: Group rating maximum discount reductions

Dear Group Sponsor:

As you know, the BWC Board of Directors acted on my recommendation in September to reduce the maximum group-rating discount from 90 percent to no less than 80 percent for the policy year beginning July 1, 2008. Since then, I have heard from numerous employers, and I am sure that organizations such as yours have communicated with your members as well. While I appreciate the dialogue, I wanted to provide broader context and the rationale for the decision, which I am hoping you will then share with your members.

First, I want to recognize the employers who have taken time from running their business to communicate their concerns directly to me. I, too, am deeply concerned about the impact of group-rating reductions on Ohio businesses such as yours. I appreciate the input because it provides a forum to discuss what's best for the long-term viability of individual businesses, sponsoring associations and Ohio's economy.

One of the primary concerns is the financial impact that group-rated employers might face. I am sensitive to potential increases as well, which businesses would see on the bills they receive in February 2009. That's why I recommended to the BWC Board of Directors that we reduce the maximum discount to no less than 80 percent in 2008.

Please remember that nine separate actuarial analyses have indicated the maximum discount should be as low as 53 percent. While the recommended reduction may be a hardship for some employers, a precipitous reduction beyond 80 percent may have been crippling.

I'm also aware that some have complained about the timing of these reforms. That's why, in coordination with structural changes to group rating, BWC will heavily promote programs like FlexPay and the 50/50 Payment Plan. These programs will help businesses absorb any increases and allow some flexibility with regard to paying premiums.

Together, however, I believe we can lessen the impact of any potential increase to group-rated employers while helping to make the system whole. As our partner, I would ask that each of you do your best to help the situation by considering a reduction of the administrative and membership fees you charge employers for the privilege of joining a group. Such concessions would further ease any financial burden group-rated businesses might face.

As we work together to implement these solutions, it's important to not lose sight of the bigger issue: the rate-making function at BWC is seriously flawed. One group of employers must overpay their premiums by nearly \$200 million each year to give group-rated businesses significant premium discounts by underpaying their premium obligations. Every Ohio business should pay premiums that cover their expected losses.

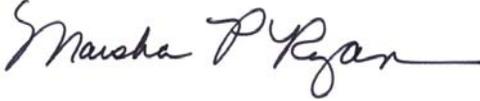
The timing of these changes is imperfect. But inconvenience cannot mask our judgment, and my fiduciary responsibility, to do what is in the best interests of Ohio's economy and its workers' compensation system. As you'll recently recall, the Ohio Inspector General released a report recommending that BWC follow the

recommendations of its actuarial consultants to address the inequities of group rating. As a state official, I take seriously my responsibility for administering this agency and following the recommendations of law enforcement authorities such as the Ohio Inspector General.

In government, as in any business, if you wait until you can fix everything at one time, you will fix nothing.

Please share this letter with your members. I appreciate your ongoing dialogue on this issue and your continued support as BWC works with group-rated employers to manage any increase in costs. Together, I am confident we can make the group-rating program viable for the long term.

Regards,

A handwritten signature in black ink that reads "Marsha P. Ryan". The signature is written in a cursive style with a long horizontal flourish at the end.

Marsha Ryan
Administrator
The Ohio Bureau of Workers' Compensation