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17 June 2008

Premium Capping Impacts of
the Transition to a New
Experience Rating Plan
Ohio Bureau of Workers' Compensation

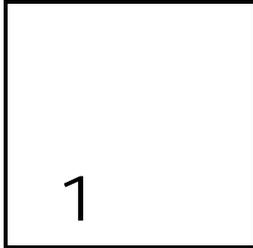
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Background

The Ohio Bureau of Workers' Compensation (OBWC) directed Oliver Wyman to quantify the impact of policy level capping on the premium increases from transitioning to a new experience rating split plan over a three year period. The new credibility tables for the first two years are based on a progression towards a split plan formula with \$10k as the primary split point. These transition tables were developed to smooth the premium impacts while incrementally moving towards the 10k split plan levels, and are notated by their maximum credibility values at \$1 million of expected losses--namely "77%" and "65%". The final step in year 3 models the adoption of a 10k split plan curve, which is the plan currently under consideration by OBWC staff.

The deliverables from this analysis are as follows:

- Multi-year dollar and percentage impacts of capping on the anticipated annual premiums collected by the OBWC
- Estimated premium dollars not collected in years 4 and 5 if the same premium caps remain in place
- Number of risks capped, grouped by size of premium
- Policy level histograms before and after capping

A majority of policies experiencing increases with the transition to a split plan are in the group rating program. For this policy segment the primary purpose of capping is to mitigate the volatility caused by experience rating plan changes, but not to limit premium movement due to exposure changes such as new payroll or new loss experience. Therefore the capping stage for group premium is confined to the experience rating plan changes.

The premium cap for group policies is 20% on the premium increase due to the rating plan change. The starting value (basis) premium is uniquely defined for group rated

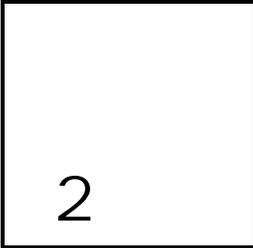
policies in that it is the renewal policy premium with updated payroll, base rates, and experience rating data using the 2008 OBWC 85% credibility table. The new plan premium is then calculated with all of the same rating information except the experience rating mod is updated using the transition plan values. Thus the premium increase measured is due to the change in rating plan only, and it is this part of the premium increase that is capped. All of the premium changes related to new experience and exposure information are fully realized before the capping process is applied.

Another subset of policies experiencing extreme premium volatility are those risks that move from group rating to non group in a given year. While these premium increases are independent of the changes in experience rating, the premium swings are large enough to warrant consideration of a mitigation process. To address the policies in the non group segment, a cap is applied that limits the amount of annual increase in the experience modification factor to 100%, regardless of the changes driving the increase. In other words, changes in experience history will be capped, along with the impact of moving out of the group rating program.

If a non group policy hits the 100% experience mod (EM) cap, regardless of group status in the prior year, then that non group policy will continue with the 100% EM cap on future renewals until full premium is reached, and no other cap will apply. All other non group policies that do not hit the 100% EM cap qualify for the same 20% rating plan change cap applied to group policies. Thus a non group policy either has the 100% EM cap, the 20% plan change cap, or no cap; and no policy has more than one cap applied for each renewal.

These capping routines are repeated in subsequent years until the full premium level is realized. No capping is applied for rate decreases.

This report is prepared by William D. Hansen (Bill), Principal, who is a member of the American Academy of Actuaries (MAAA) and meets its qualification standards. Bill is also a Fellow of the Casualty Actuarial Society (FCAS).



Summary and Conclusions

Aggregate Level Impacts

The estimated impact of premium capping over the full transition period is shown in the table below, with an estimated cumulative impact of \$110.8 million. Each year's impact is a comparison of the approximate full premium for all risks in a policy year with the premium realized after the respective group and non group premium caps are applied.

Plan Change	Premium Impact of Capping [in millions]	Percentage Impact of Capping
85% to 77%	-\$39.0	-2.0%
77% to 65%	-\$40.8	-2.1%
65% to 10k split	-\$25.0	-1.3%
Year 4	-\$5.7	-0.3%
Year 5	-\$0.3	0.0%
Total	-\$110.8	

Our approach in modeling the first transition year (85% to 77%) is more dynamic than the subsequent two years, in that it includes the dimension of adding new policies and dropping non renewals. In addition, there is a segment of business moving from group to non group that realizes extreme changes in experience mods. All of this policy movement is empirically based on the actual 2005 and 2006 policy year exposure changes.

In years two and three the same year 1 cohort of policies that moved from group to non group is tracked, with experience mod capping applied. However, there is not a new subset of policies moving from group to non group in these policy years. Assuming policies would continue to be removed from the group rating program at a similar rate in years 2 and 3, the difference between full rated premium and collected premium would be larger than modeled in this report.

The other major business mix shift not modeled in years 2 and 3 is new entrants into the risk pool, along with cancellations and non renewed policies. This particular dynamic will help to modestly increase the pace at which the whole book of business moves towards paying a full premium. Since the years 2 and 3 renewal cycle estimates are assuming the same policies renew each year, the modeled difference between full premium and collected premium is overstated, and would be smaller assuming a normal mix of new and renewal policies. Hence, the absence of a new/renewal mix change has the opposite effect compared to the absence of introducing new cohorts of policies moving out of group rating. No estimates have been made to determine how much these changes in policy mix are offsetting.

Exhibit I has the capping impact detail by year for the first three years, including a breakdown by policy size. The first table from Exhibit I-2009T is reproduced here for convenience.

Transition from 85% to 77% table-Total						
[1]	[2]	[3]	[4]	[5]	[6]	[7]
Policy Size Range	Total Premium with New 77% Credibility Table	Total Premium After Capping	Premium Difference Due to Capping	Total Number of Risks	Total Number of Risks Capped	Percentage Impact of Capping
0 - 500	21,677,610	20,551,606	(1,126,004)	88,925	22,674	-5.2%
501 - 999	29,089,629	27,247,097	(1,842,532)	35,882	12,128	-6.3%
1,000 - 2,499	78,057,015	72,968,950	(5,088,065)	43,193	13,780	-6.5%
2,500 - 4,999	96,410,302	90,429,325	(5,980,977)	24,400	6,644	-6.2%
5,000, - 9,999	127,855,774	121,113,935	(6,741,839)	16,428	3,529	-5.3%
10,000 +	1,609,048,837	1,590,822,503	(18,226,334)	26,225	2,774	-1.1%
Total	1,962,139,167	1,923,133,417	(39,005,751)	235,053	61,529	-2.0%

Column [2] models the full premium produced by the new '77%' table, where the total overall premium is on balance, or revenue neutral. Column [3] is the premium after the group and non group capping rules are applied, and column [4] follows as the difference between [3] and [2]. The number of risks hitting the caps relative to the total number of risks can be compared with columns [5] and [6], and column [7] is the percentage impact of capping relative to the full premium level [1].

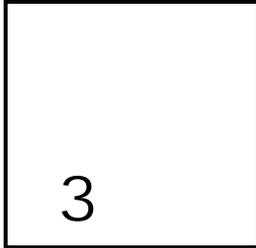
Capping impacts are restated in the following table using the average premiums before and after capping as the basis for comparison. Copied here is the bottom table from Exhibit I-2009T.

[1]	[2]	[3]	[4]	[5]
Policy Size Range	Prior Renewal Premium (capping basis)	Average New 77% Premium-Uncapped	Average New 77% Premium-Capped	Percentage Impact After Capping
0 - 500	222	244	231	4.2%
501 - 999	721	811	759	5.3%
1,000 - 2,499	1,608	1,807	1,689	5.1%
2,500 - 4,999	3,537	3,951	3,706	4.8%
5,000, - 9,999	7,047	7,783	7,372	4.6%
10,000 +	60,948	61,356	60,661	-0.5%
	8,149	8,348	8,182	

Column [2] provides the average premium that is used as the basis in the capping process, which is a different starting point dependent upon which cap applies-the 100% EM cap or the 20% rating plan change cap. A segment of non group policies are capped relative to the experience mod in the prior renewal, while all other policies only cap the impact of the new experience rating plan on the renewal policy premium. Column [3] is the full new average premium by policy size, while column [4] is the capped premium. Column [5] provides the percentage impact after capping, where in this particular modeled year the larger percentage impacts are experienced by the smaller premium size ranges.

Policies in this report are not shown at the group level, rather each risk is categorized based on its premium size independent of group membership. The policy size range of \$10,000+ represents just over 10% of the policy count, and yet produces over 80% of the premium volume.

Additional exhibits are included in section 7 providing more impact detail by group, non group, and for business transitioning from group to non group.



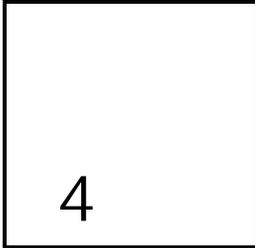
Policy Level Impacts of Capping

Histograms

Exhibit ‘G’ pages 1 through 18 show the policy impacts on a percentage basis before and after capping; pages 19 through 36 are the same impacts on a dollar scale. All of the even numbered exhibits are after capping has been applied, to be compared with the odd numbered exhibits with uncapped premiums. Overall, the histograms illustrate how the caps are very effective in shifting the distribution of policies into the lower dollar and lower percentage ranges.

It is worth noting here again that these premium impacts are in addition to other changes flowing through a real policy renewal, such as new base rates or new payroll. For example, a group policy is not capped for changes in exposure, class rates and the like. Similarly, non group policies could have base rate or payroll changes affecting premiums outside of the cap applied to the experience mod change.

Each of the histogram graph headings refers to the transition plans being compared by the respective credibility tables, where 10N is the 10k split plan curve. To make this analysis consistent with a basic systems implementation, the new transition plan credibility values for years 1 and 2 are calculated as discrete numbers in a look up table with identical expected loss levels to the current OBWC 85% table. In the final transition year 3, a full 10k split plan curve is used, which is a continuous function that can be programmed rather than a look up table. A possible refinement for years 1 and 2 would be to either update or expand the credibility values to better match the range of expected losses presented by the current pool of risks. See exhibit ‘T’ for the credibility tables used in the experience rating calculations for this report.



Methodology

Three Year Transition Plan

OBWC Staff outlined a three year transition to a full 10k split plan starting in 2009 as follows:

- 2008: 85% OBWC credibility table; current no split plan structure
- 2009: 77% credibility table with factors progressing to a 10k split plan curve; current no split plan structure
- 2010: 65% credibility table with factors progressing to a 10k split curve; current no split plan structure
- 2011: Full 10k split plan

For year 2 a maximum credibility level of 77% was selected to keep the percentage change in premiums more equal across the transition years.

Each of the transition policy years was modeled using actual exposure data from historical time periods as detailed here:

PY 2009 Model:

- Compute premiums using 2005 policy year exposures with 85% OBWC credibility tables and OBWC ELR's –scenario [1]
- Compute premiums using 2006 policy year exposures with 85% OBWC credibility tables and OBWC ELR's –scenario [2]
- Compute premiums using 2006 policy year exposures with a 77% transition credibility table and OBWC ELR's –scenario [3]

- Compare scenario [2] to [3] and apply group rating caps; compare scenario [3] to [1] and apply non group experience mod (EM) caps; compare scenario [2] to [3] and apply 20% cap for non group policies not hitting the EM cap

PY 2010 Model:

- Compute premiums using 2006 policy year exposures with a 65% transition credibility table and OBWC ELR's –scenario [4]
- Compare scenario [4] to [2] and apply group rating caps doubled (44%); compare scenario [4] to [3]* and apply non group experience mod (EM) caps, where the asterisk represents post capping EM's; compare scenario [4] to [2] and apply 44% cap for non group policies not hitting the EM cap.

PY 2011 Model:

- Compute premiums using 2006 policy year exposures with a 10k split plan and method 3 ELR's (described in Oliver Wyman's March 25, 2008 report) –scenario [5]
- Compare scenario [5] to [2] and apply group rating caps tripled (73%); compare scenario [5] to [4]* and apply non group experience mod (EM) caps, where the asterisk represents post capping EM's; compare scenario [5] to [2] and apply 73% cap for non group policies not hitting the EM cap.

For the two years following 2011 the capping process was continued to measure the pace at which full premium would be realized once the final plan was implemented.

Premium Calculation

Premiums are calculated at the risk or group level for all policies issued in the 2006 policy year, using their actual payroll and experience rating history. The base rates and many of the discount factors are the same as those applied when the policies were rated for renewal in 2005 and 2006. The key change in rating is that this analysis uses different experience rating credibility tables. In addition, the non group discount factor was ignored since it is no longer part of the rating plan. This method of premium development is often referred to as extension of exposures.

Every attempt was made to imitate the development of a full policy premium, including the addition of ACF and other smaller expense loads. The minimum premium rule was modeled by having each risk show at least \$100 of annual premium. In all cases we expect the premium estimates to be reasonable approximations of a full premium for the risk, but not to match exactly with the OBWC rating system.

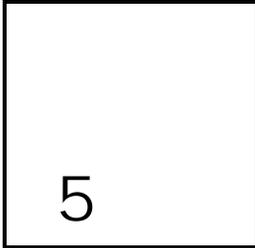
Along with computing the experience mods based upon the transition credibility tables, off-balance adjustments are also applied by manual class to keep the overall premium change revenue neutral.

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Premium Capping Algorithm

For group rating policies the premium capping algorithm is a 20% cap on risks of all premium sizes; decreases are not capped. The process modeled here also assumes that premium capping is applied only to the experience mod changes resulting from the new credibility values, with all other premium component changes remaining uncapped. Therefore an actual policy renewal could have a total change well above 20% if base rates, payroll, or other factors move the final premium higher.

For non group policies the capping process has two possible paths—the first test is to determine if the policy hits the 100% limit applied to the percentage increase in experience modification factor from the prior policy. If so, that EM cap remains in place until the full EM is reached, and no other caps apply. If a non group policy does not hit the EM cap, then it qualifies for the same 20% annual cap applied to group policies. As with group rated risks, the same caps apply in subsequent years until the full premium is realized.

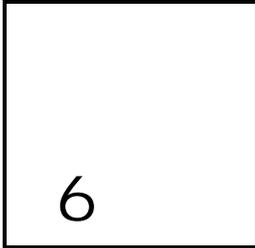


Data Reliance

Data Files

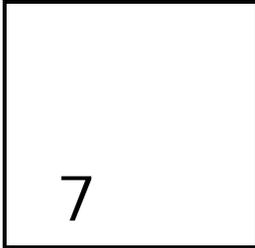
The following data files were provided by the OBWC to support the production of this study:

1. 2007 Losses.mdb—all policy year losses evaluated as of 12/31/2007
2. Rate Data files for policy years 2005 and 2006; The State Fund Manual for policy year 2007
3. PA 2005 and 2006 NCCI Summary Losses Claim Detail Run 3 - experience period losses for policy years 2005 and 2006
4. PA 2005 and 2006 Summary Payroll Detail - payroll for the experience period in policy years 2005 and 2006
5. 7-1-2006 Experience.mdb, using table titled "7-1-2006 pure premium premium 11/6/2007" for policy year premium file 2006 and PY2005 premium.mdb, using table titled "PY 2005 Employer Payroll and Premium by Manual Current EMs" for policy year premium file 2005
6. Appendix c, table 1, part c, LLR tables from state insurance fund manual for PY 2005 and 2006
7. Appendix a, table 1, part c, credibility and maximum value of a loss from state insurance fund manuals for PY 2005 and 2006



Caveats and Limitations

1. The study results are developed in the text and exhibits, which together comprise the report.
2. The data for this study was provided by the OBWC. In the study we relied on the accuracy and completeness of this data and reviewed such data for reasonableness and consistency. If the data is found to be inaccurate or incomplete, our findings and conclusions may need to be revised.
3. Information concerning the current experience rating program structure was provided by several members of the OBWC staff. In the study, we relied on the accuracy and completeness of this information, sometimes without independent verification. If the information is inaccurate or incomplete, our findings and conclusions may need to be revised.
4. In addition to the assumptions stated in the report, numerous other assumptions underlie the calculations and results presented herein.
5. The study conclusions were based on analysis of the available data and on the estimation of many contingent events.
6. Numbers in the exhibits are generally calculated using more significant digits than their accuracy suggests. This has been done to simplify review of the calculations.

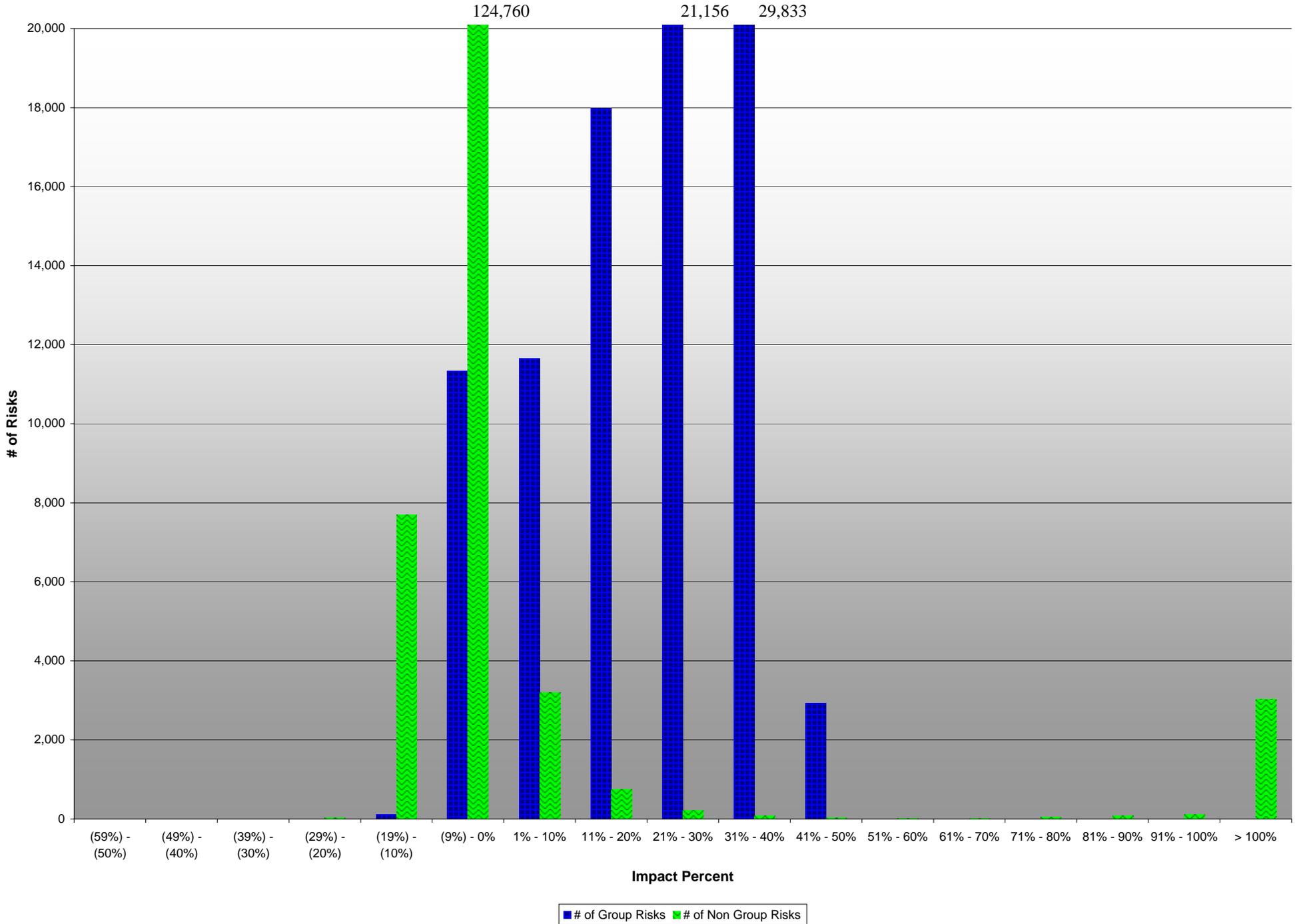


Exhibits

- Exhibit G pages 1-36: Histograms of percentage and dollar impacts before and after capping
- Exhibit I, 12 pages: Summary tables by year of premium capping impacts
- Exhibit T pages 1-2: Credibility tables

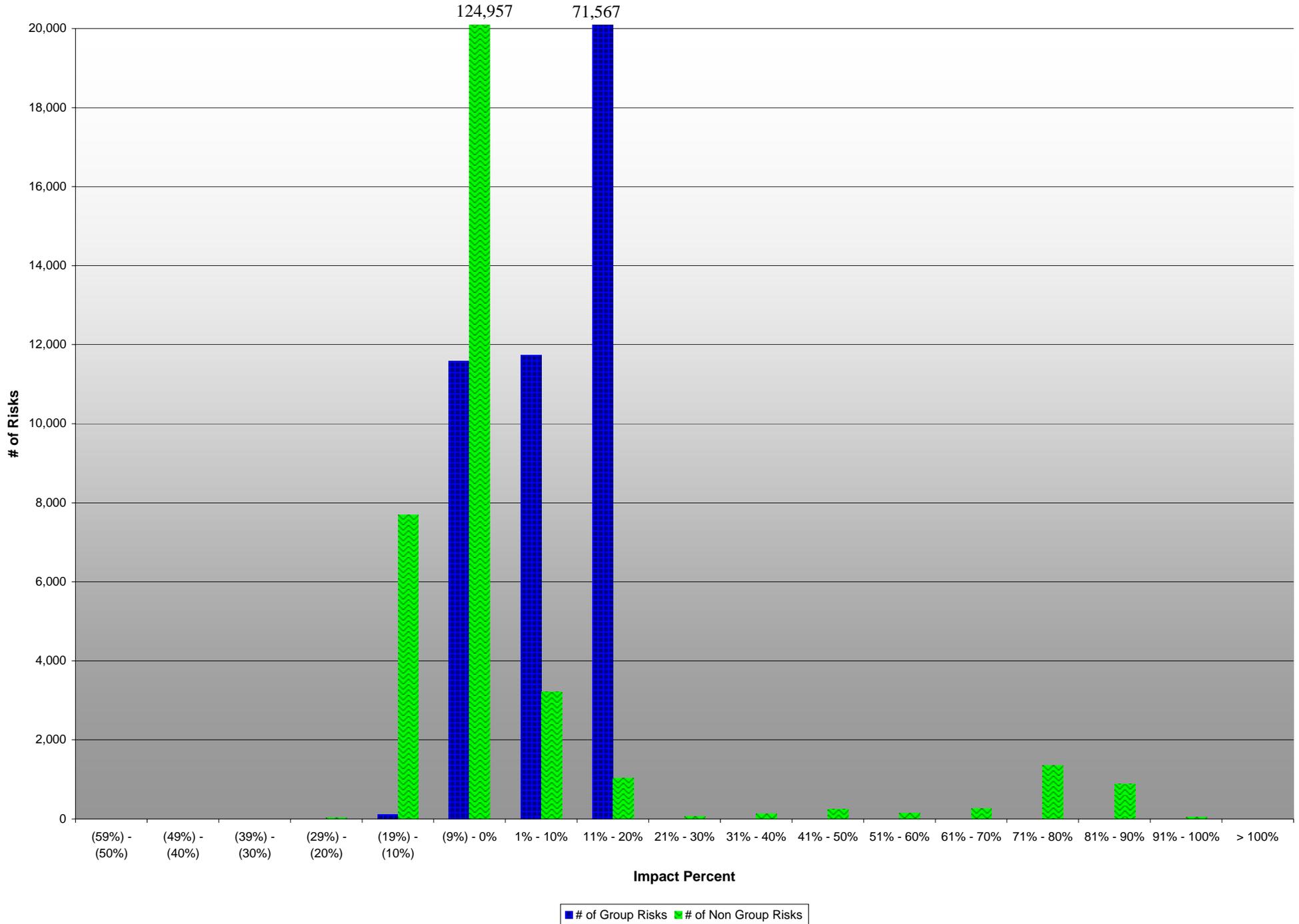
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Impact Calculation (85% to 77% not capped)



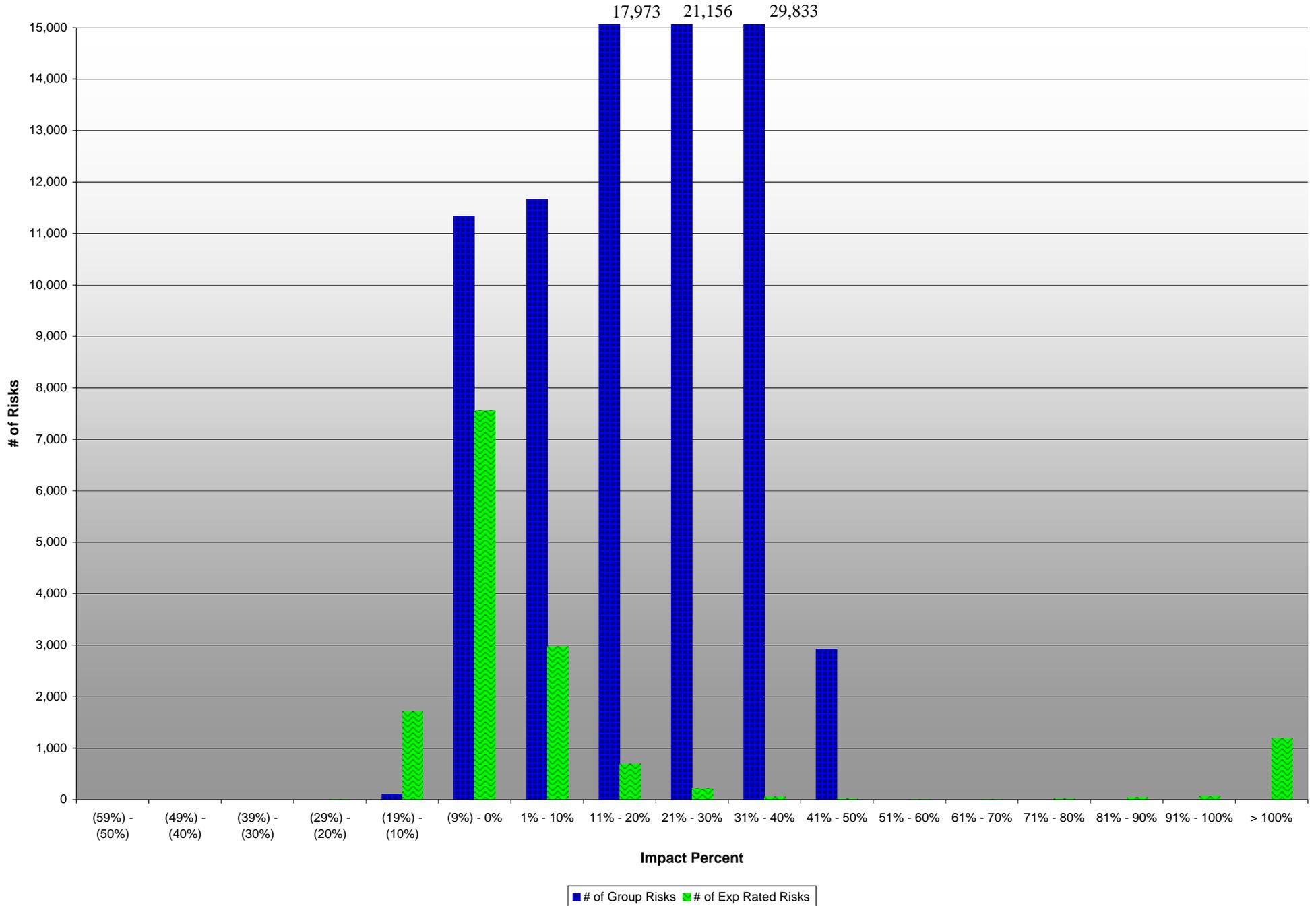
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Impact Calculation (85% to 77% CAPPED)



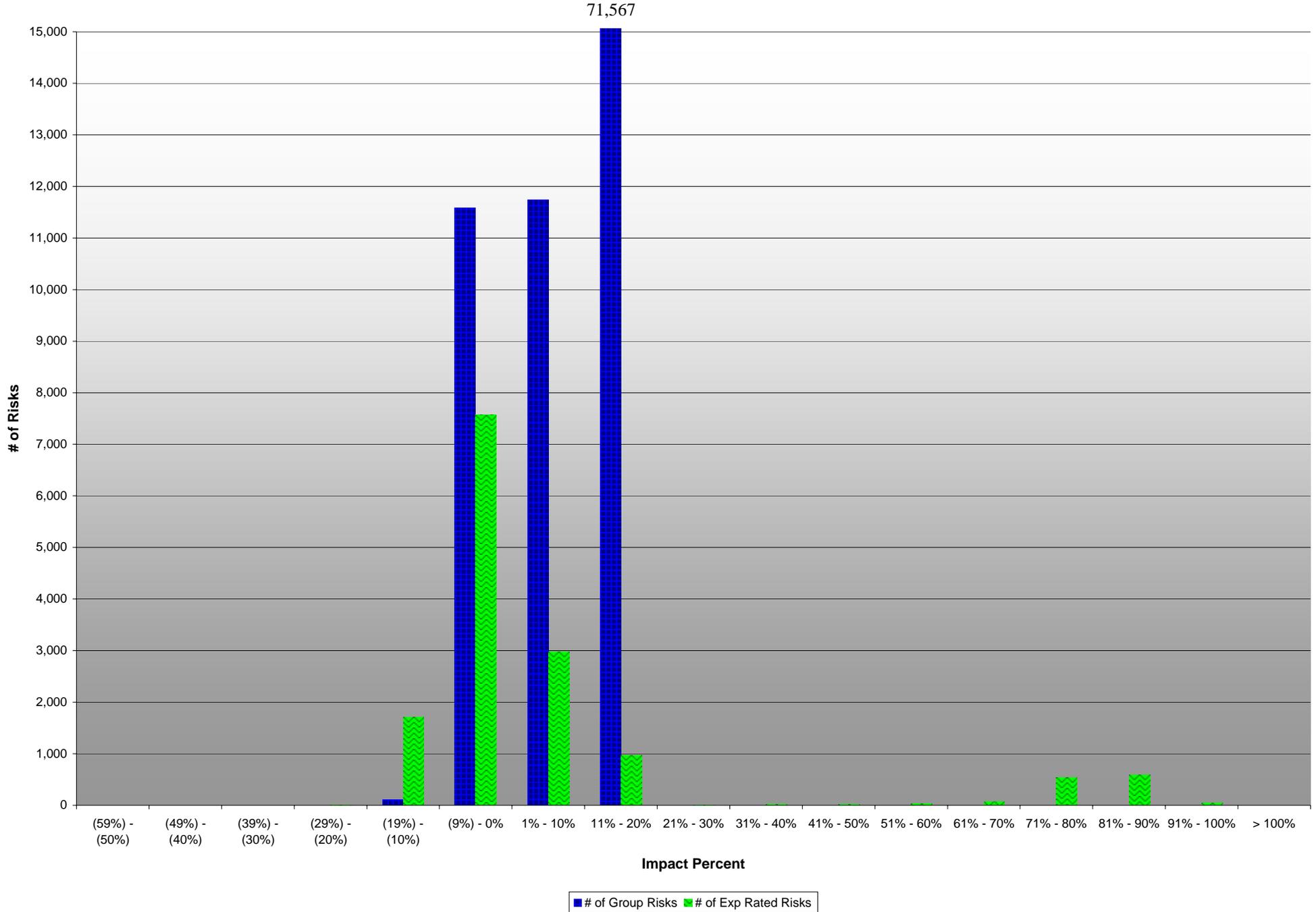
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Impact Calculation (85% to 77% not capped) Experience Rated Risks Only



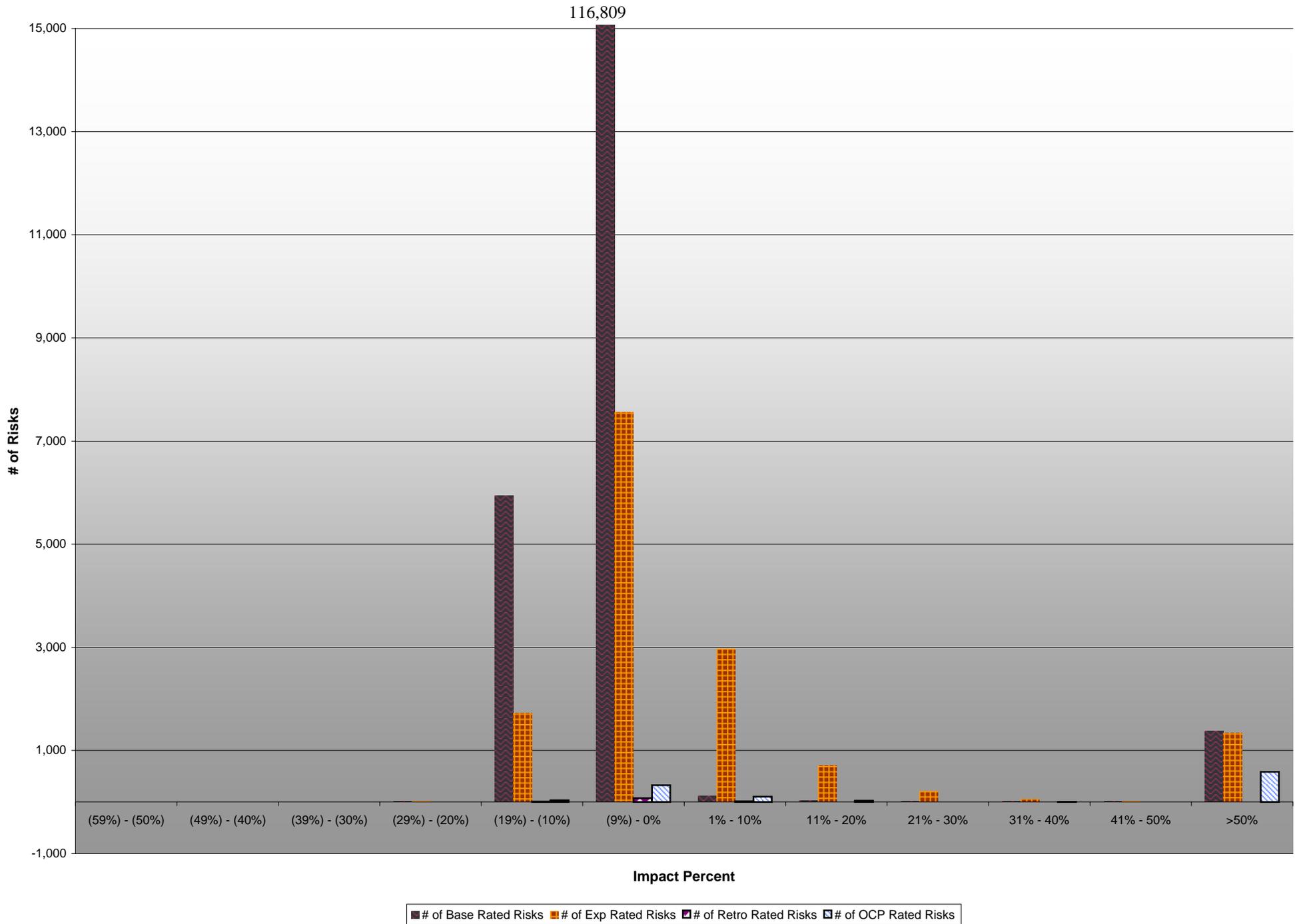
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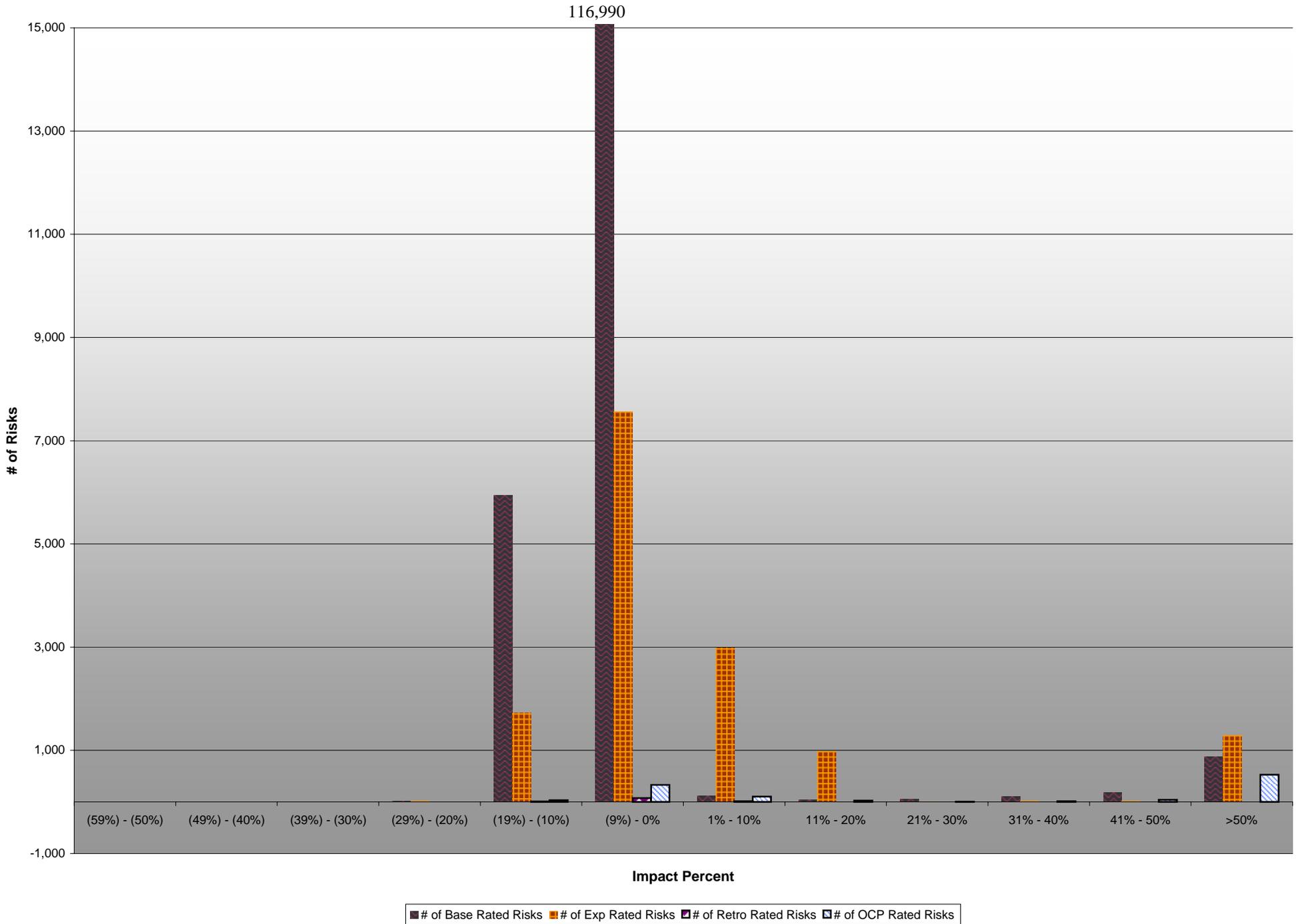
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Impact Calculation (Non-Group 85% to 77% not capped)



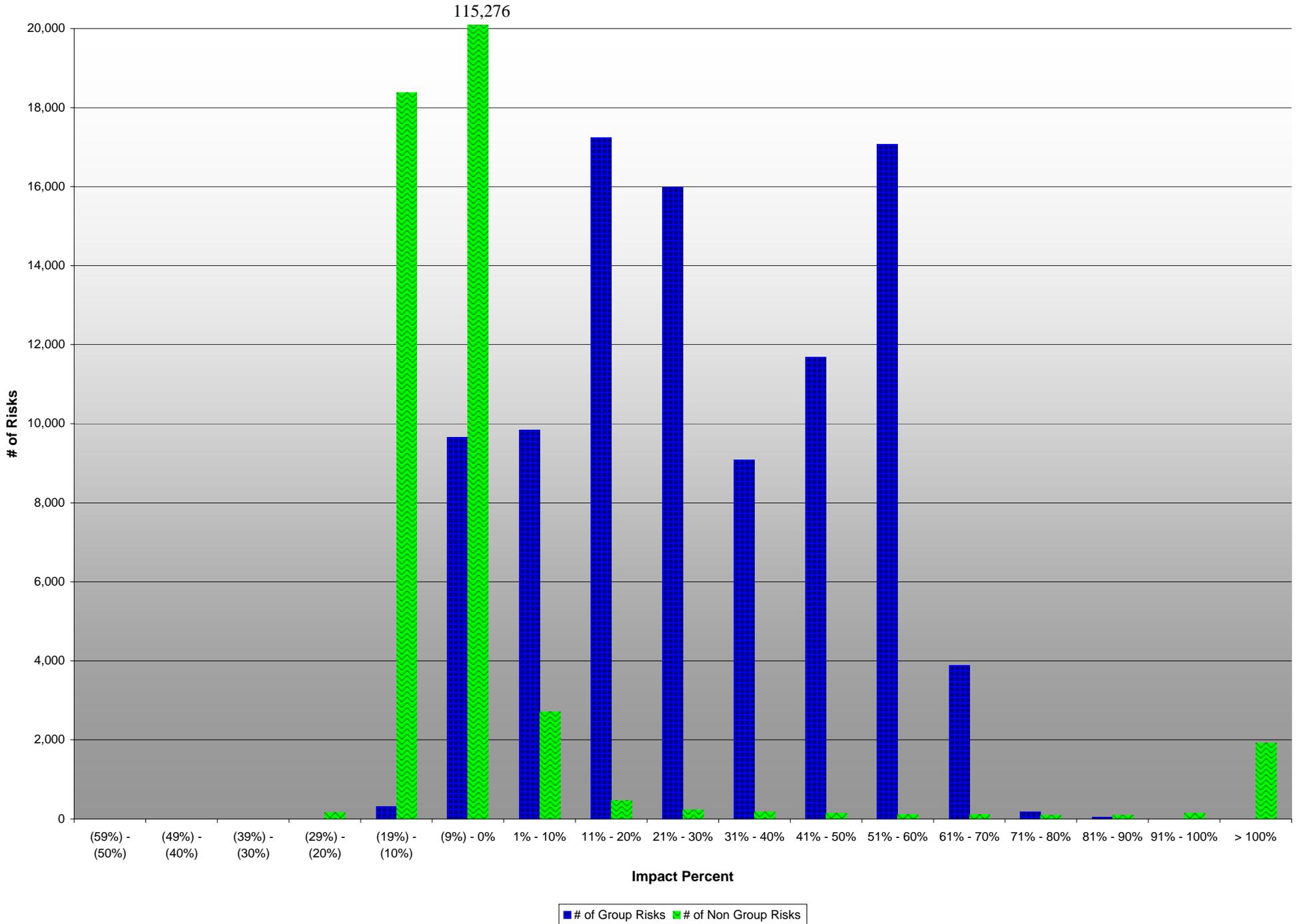
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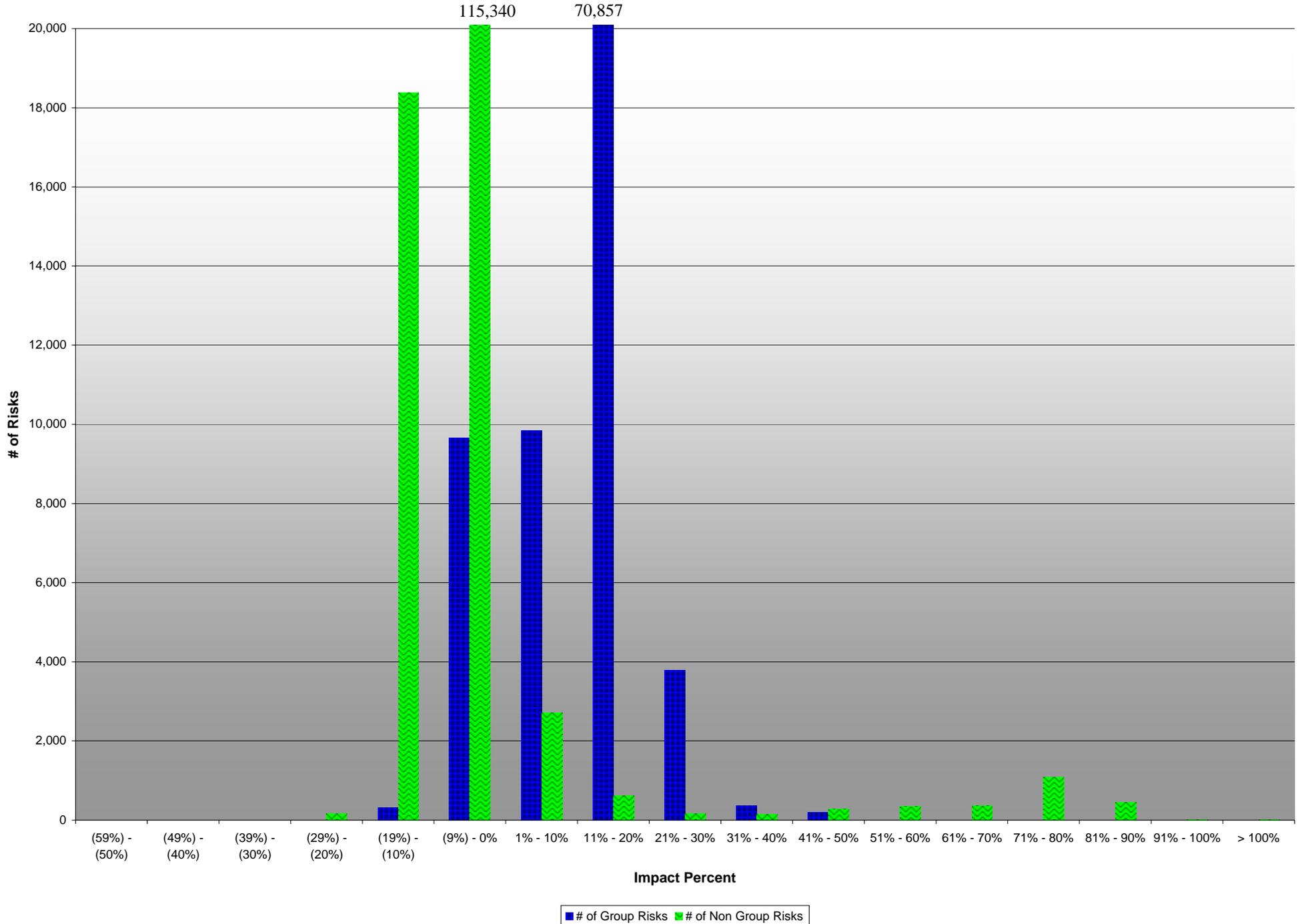
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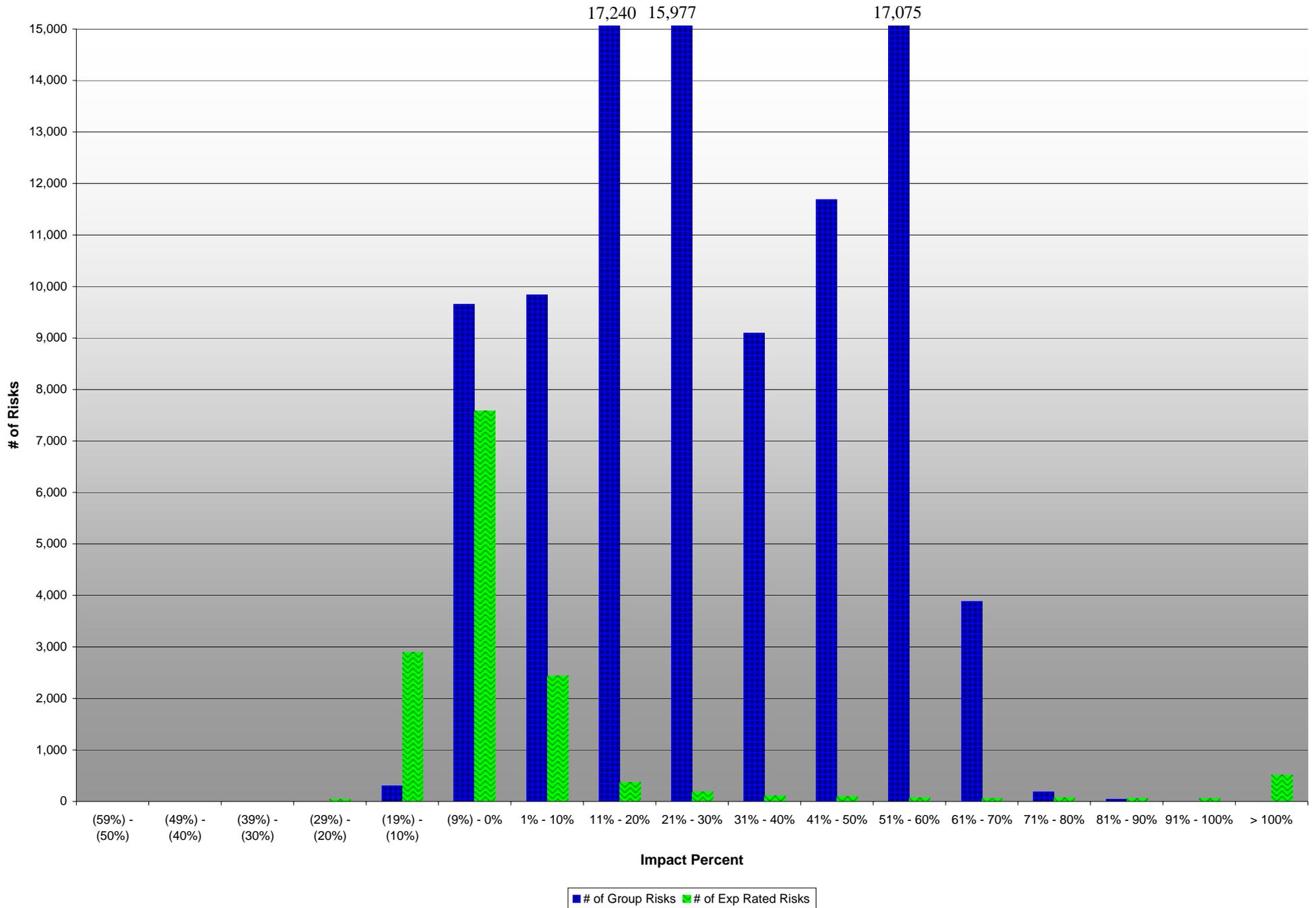
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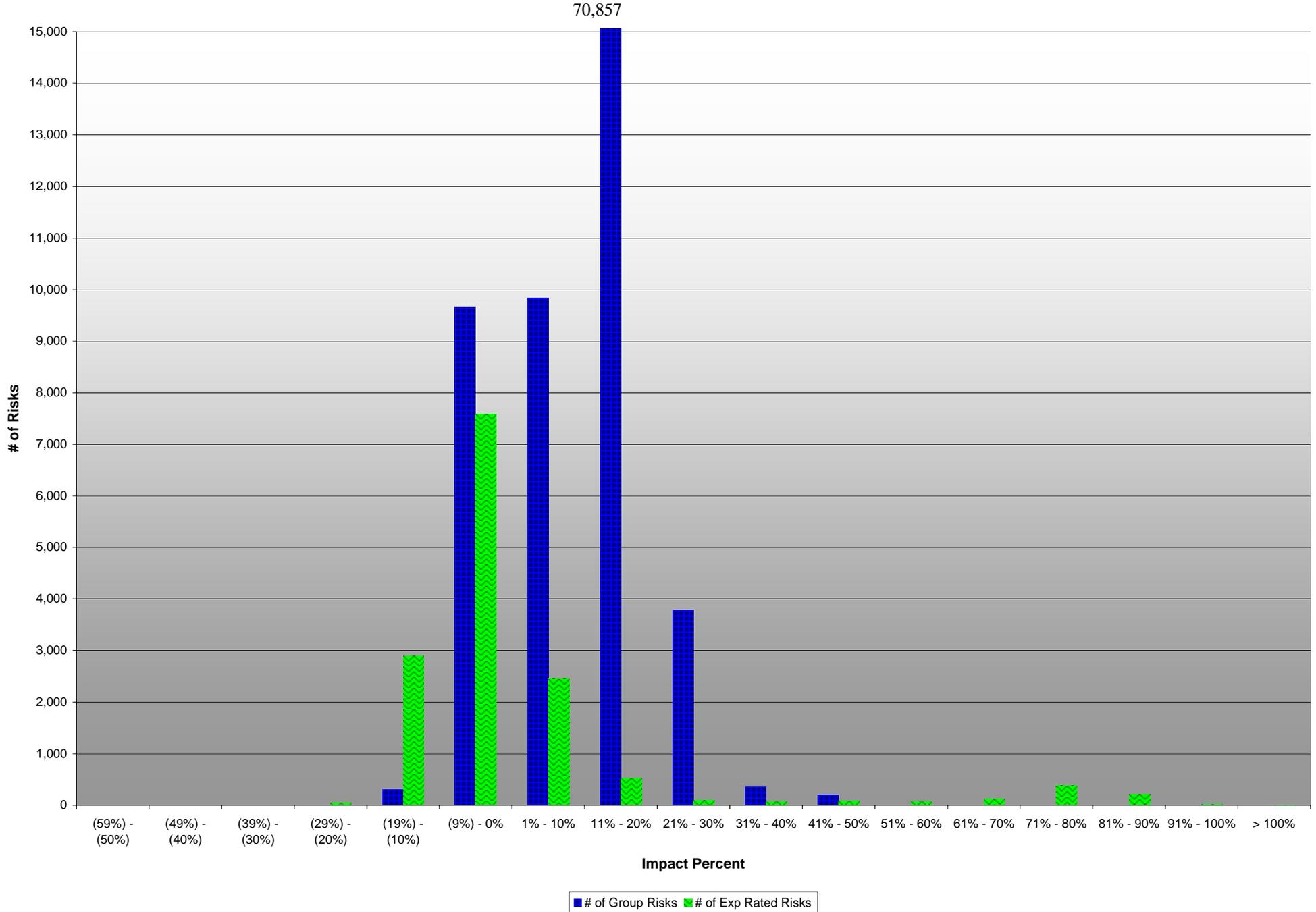
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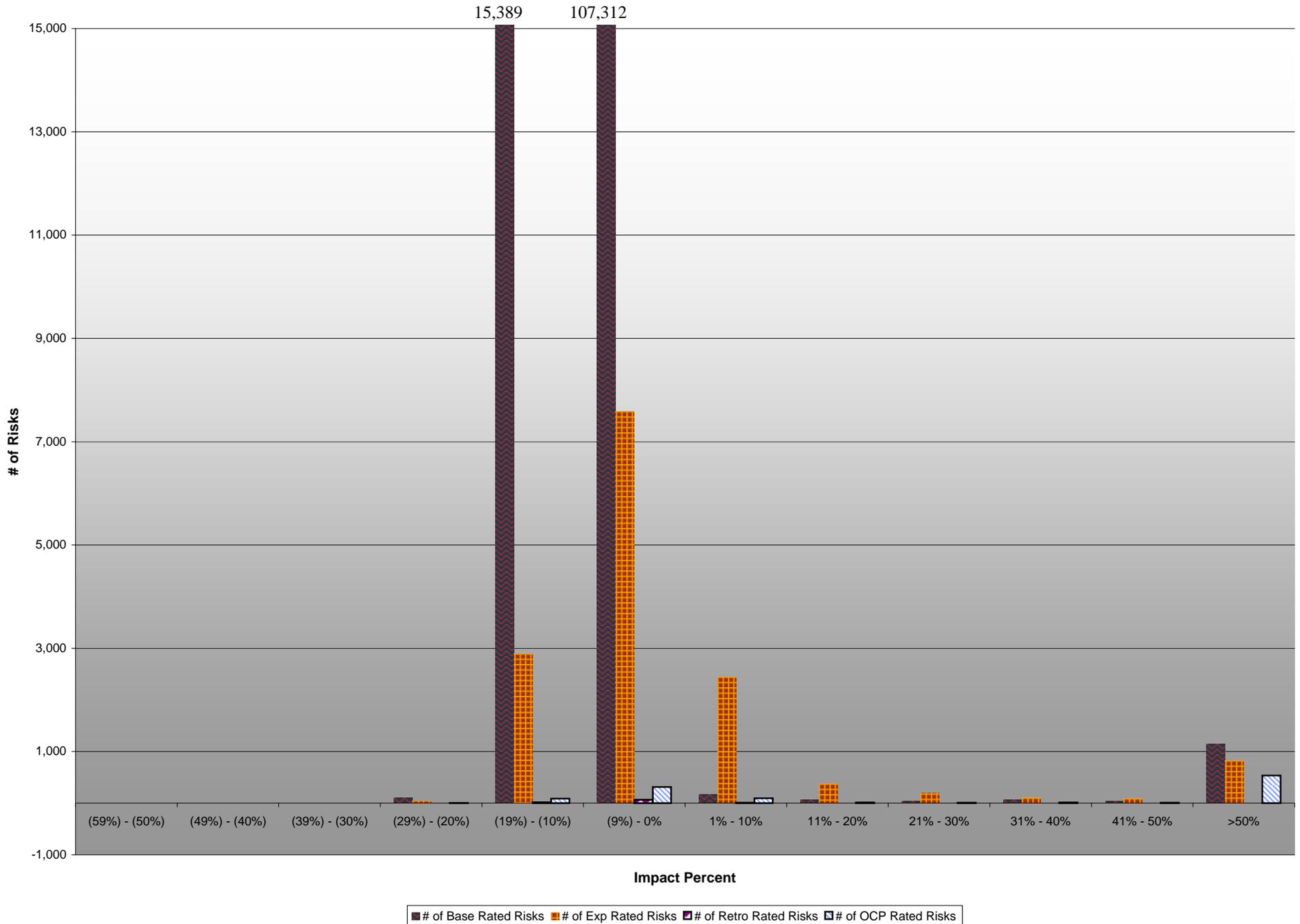
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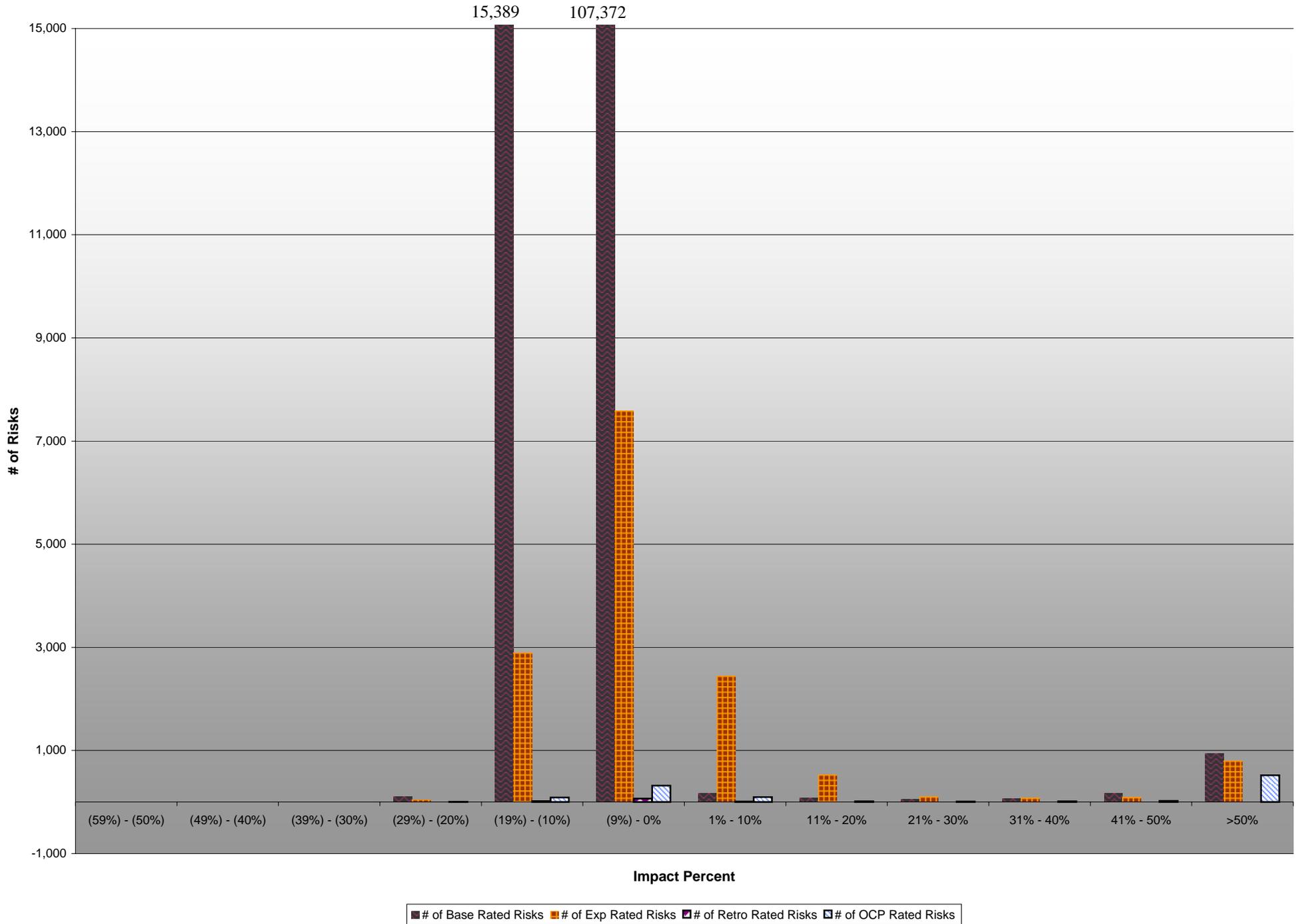
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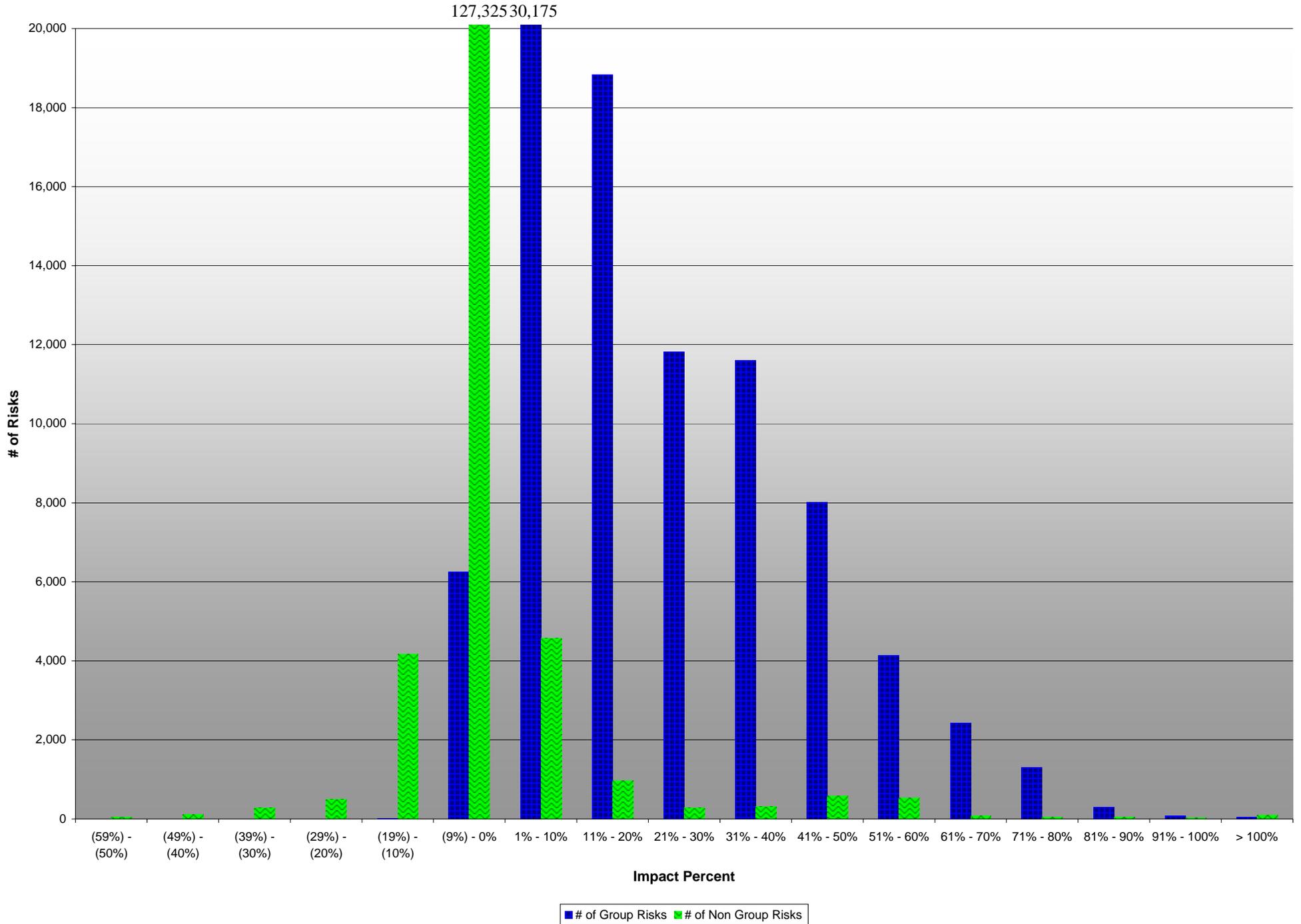
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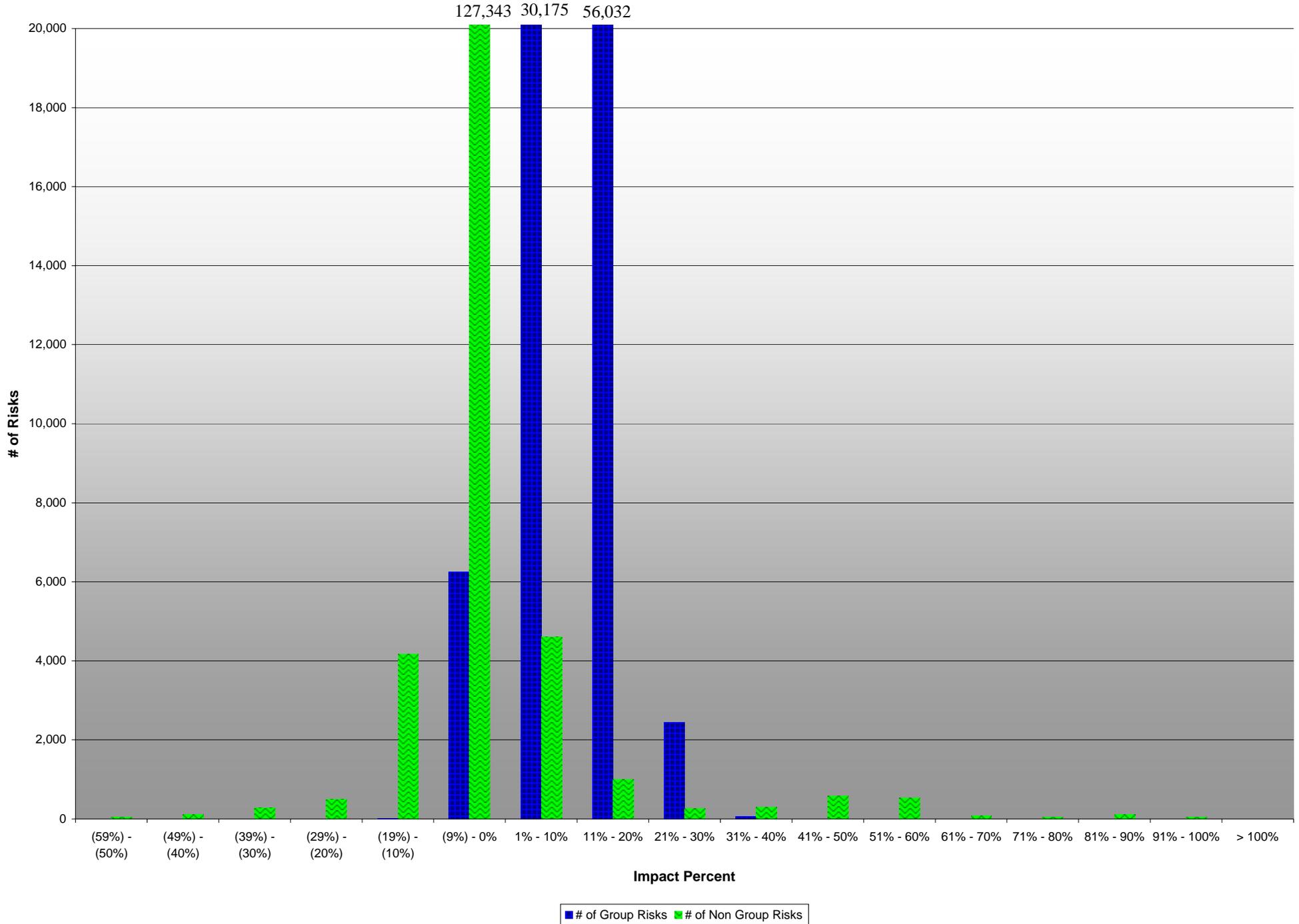
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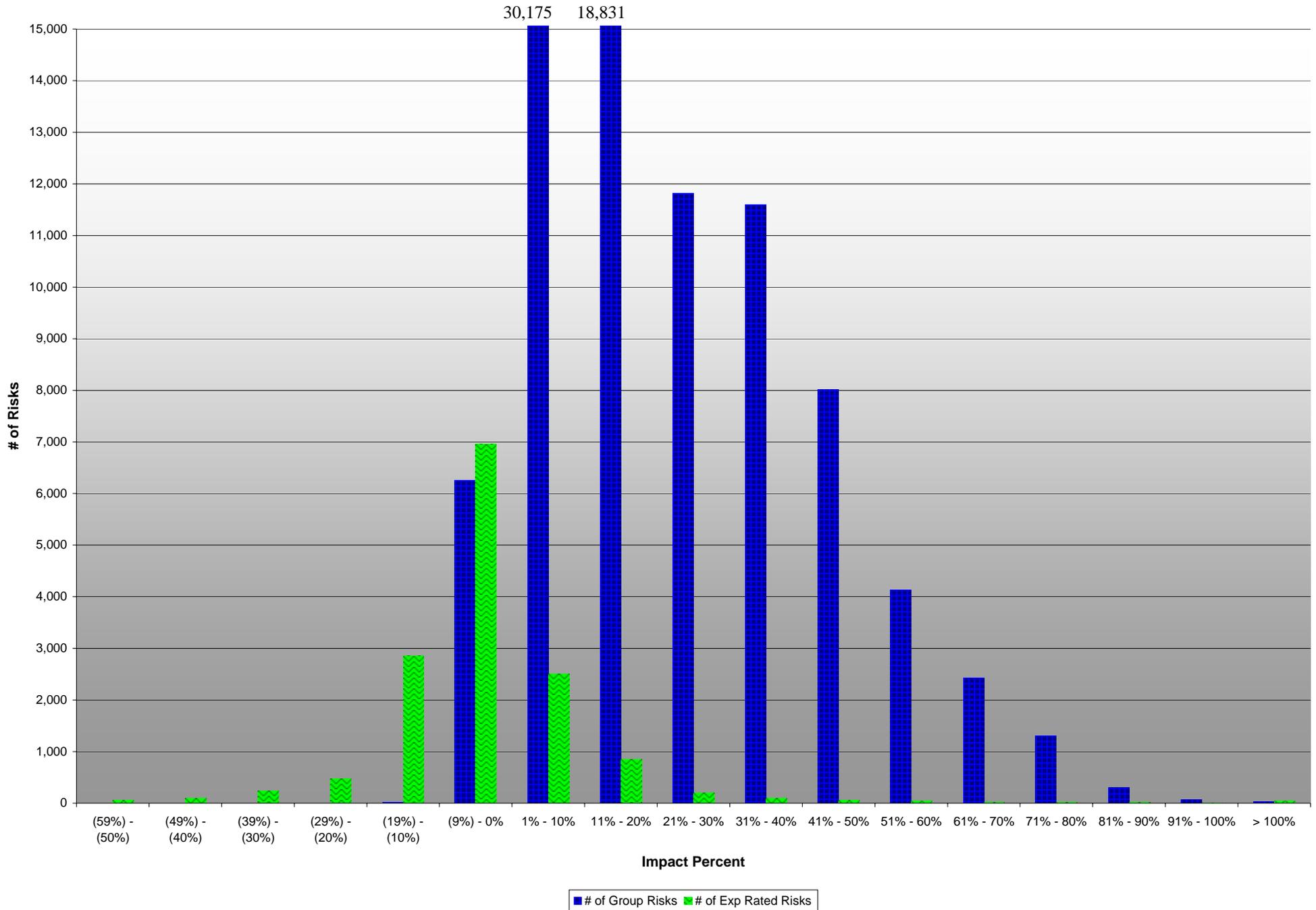
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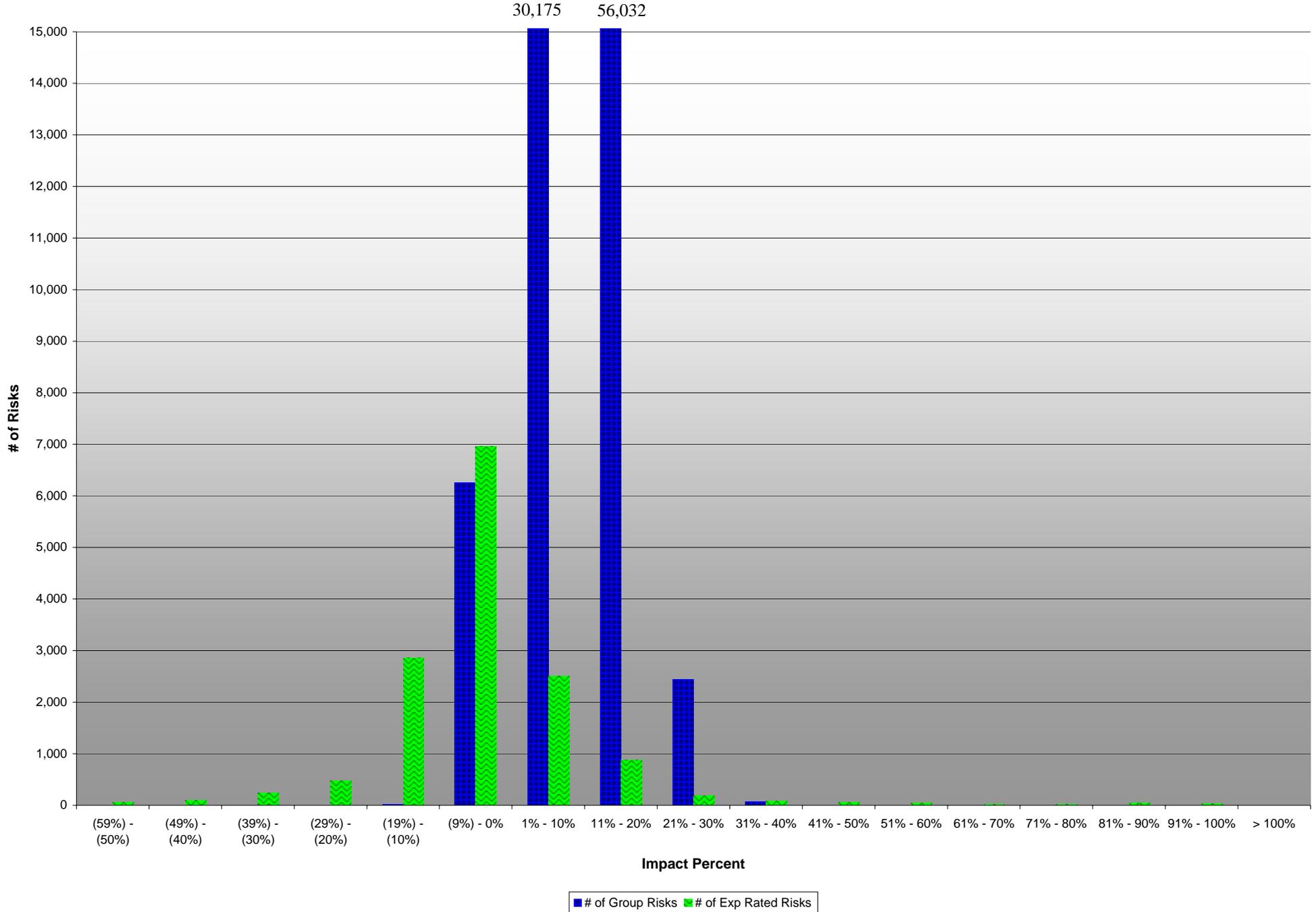
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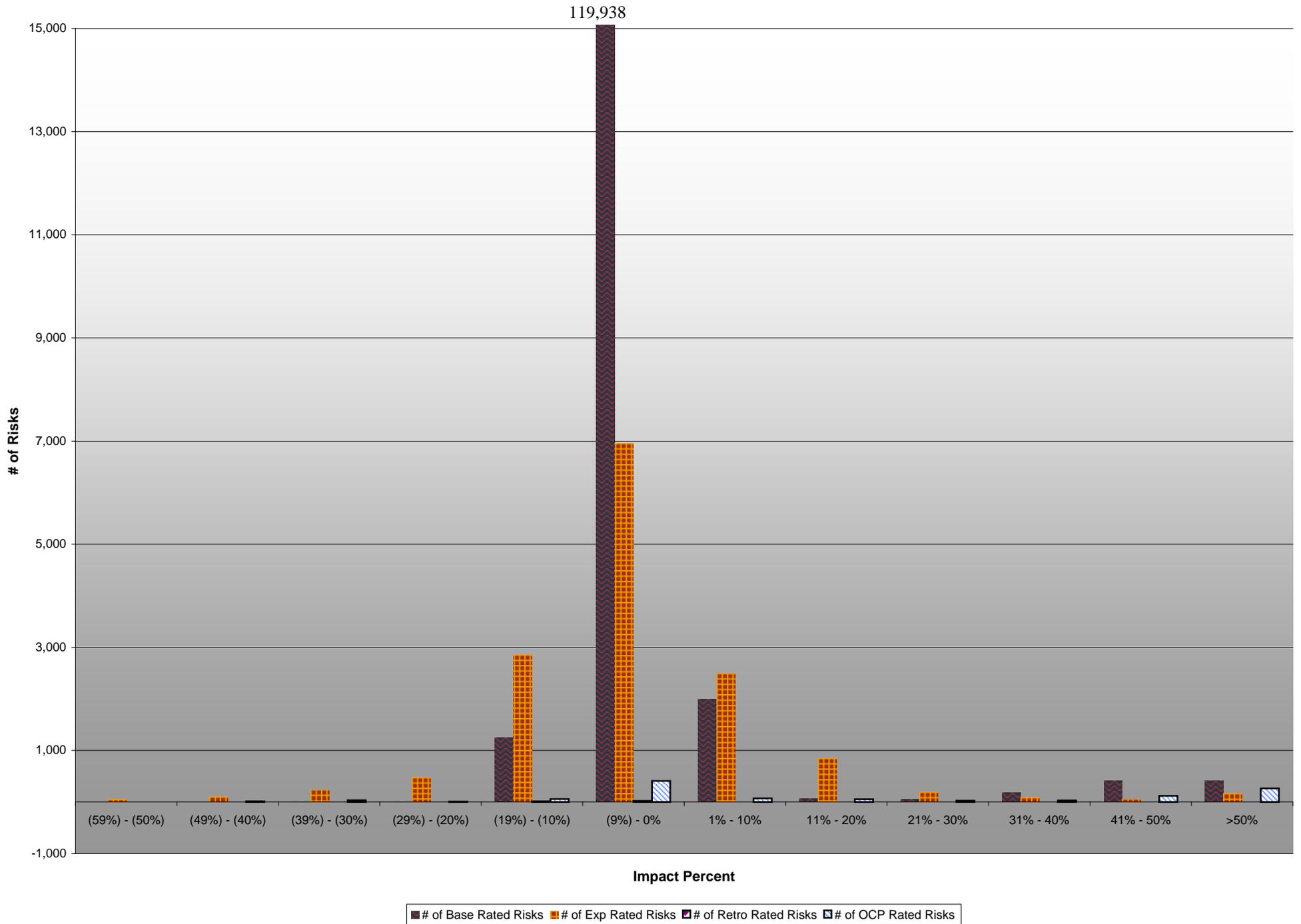
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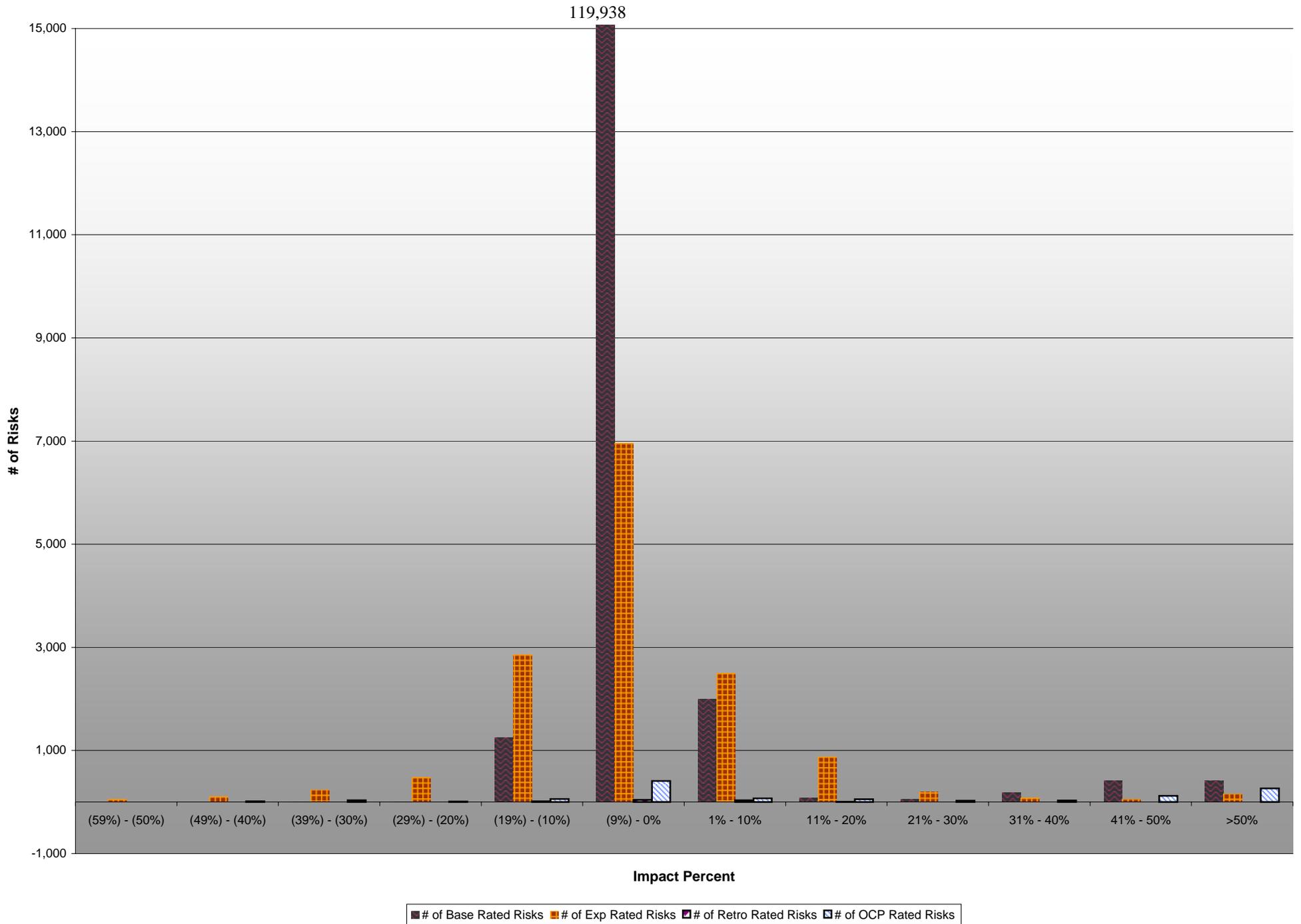
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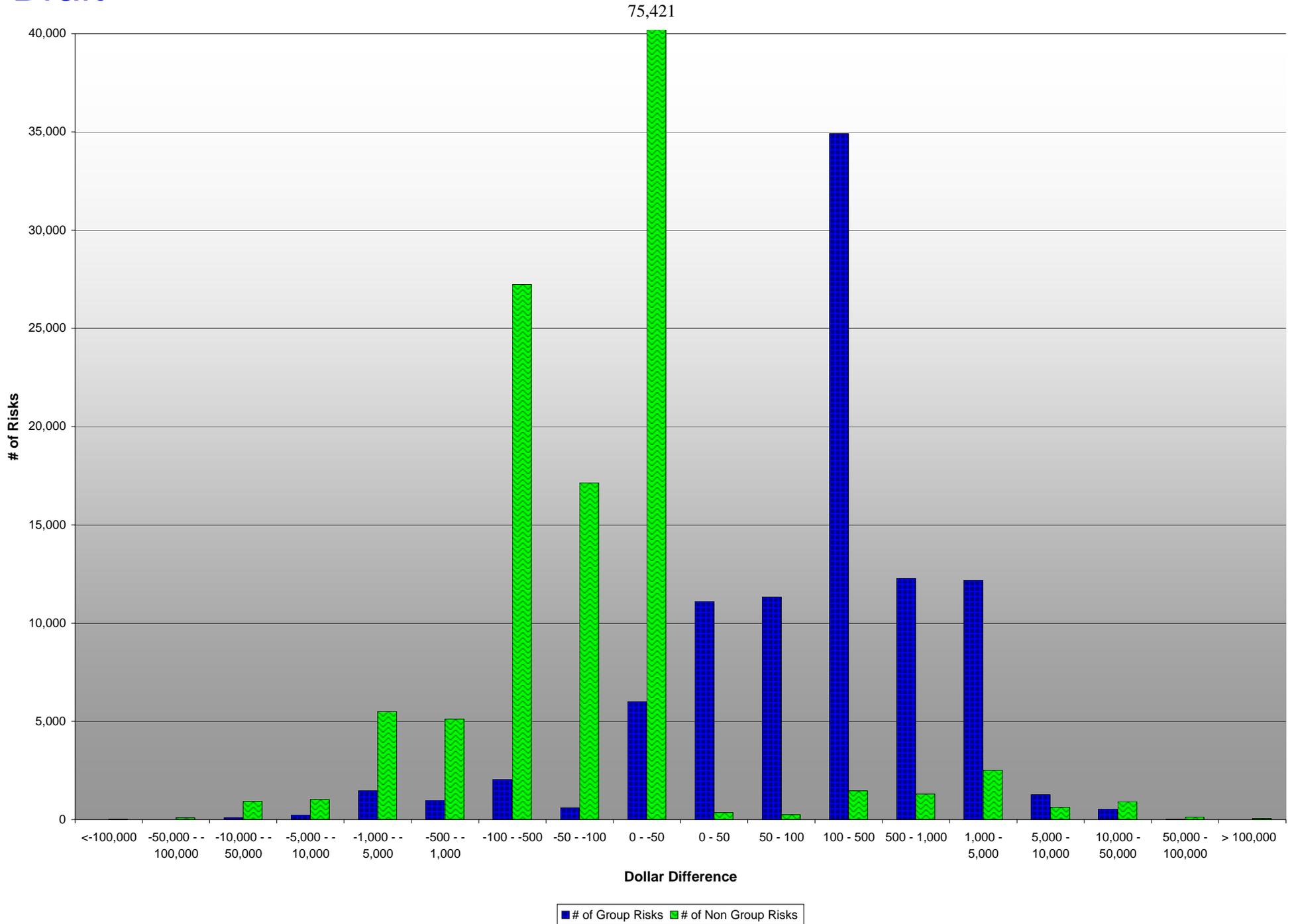
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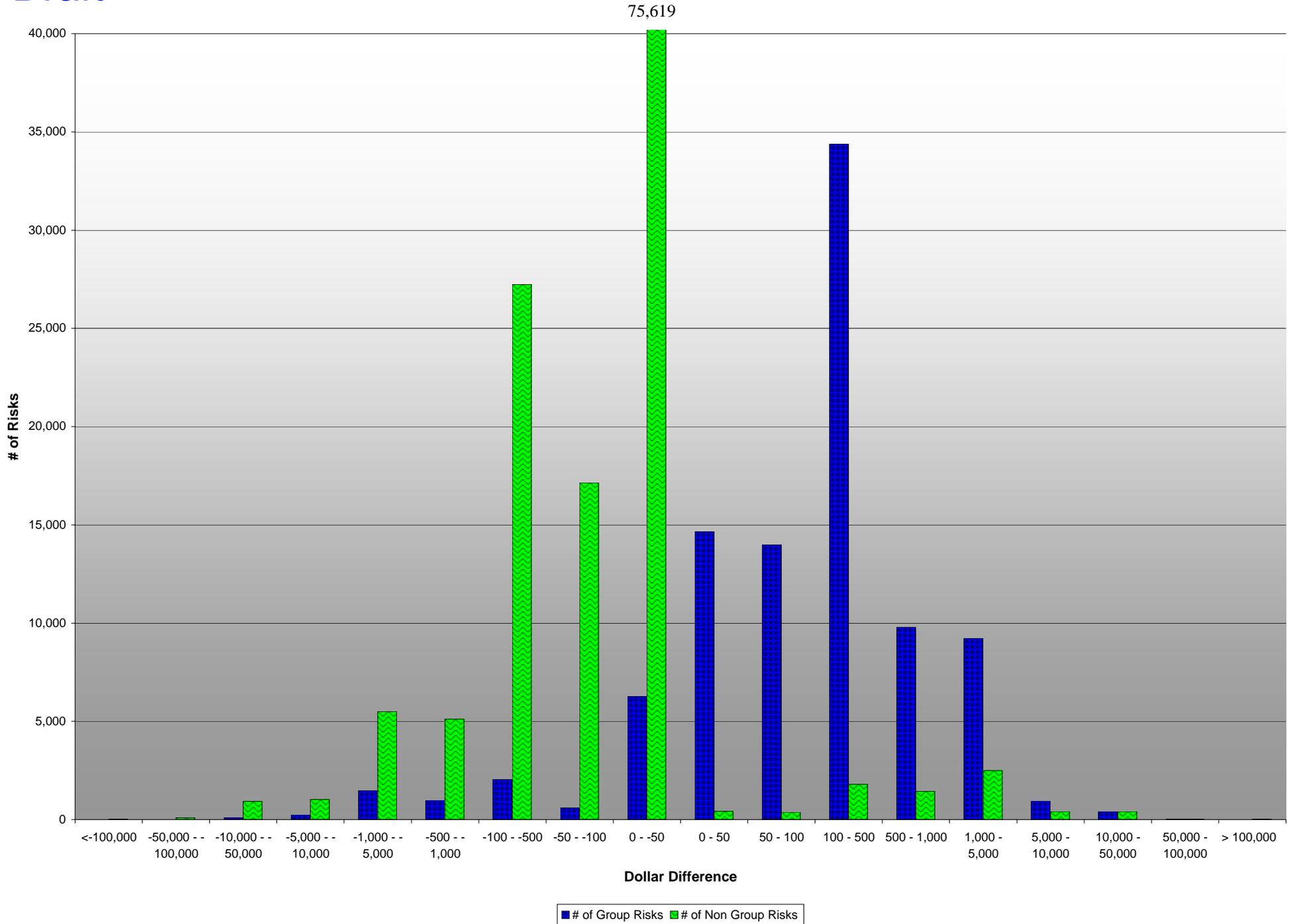
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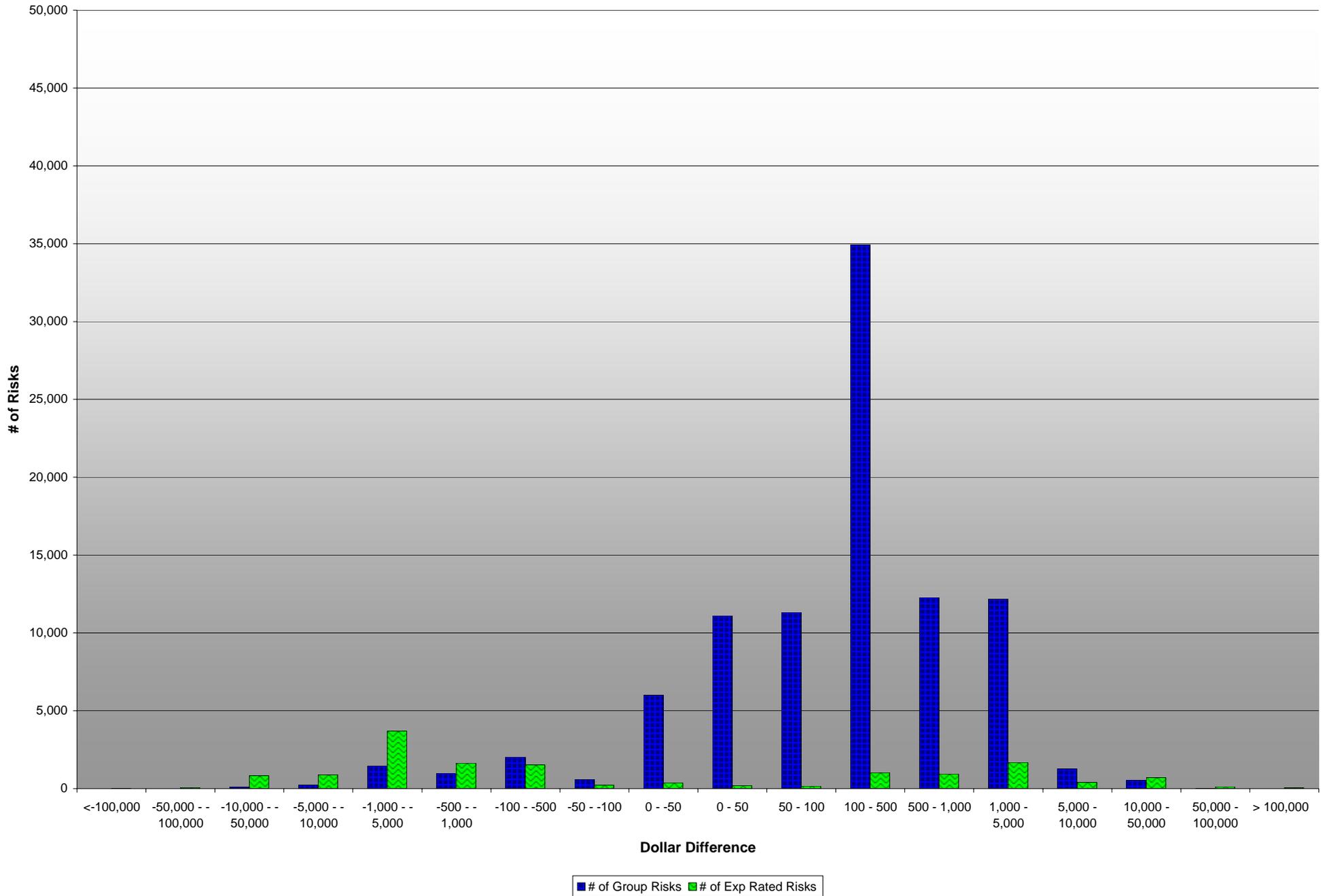
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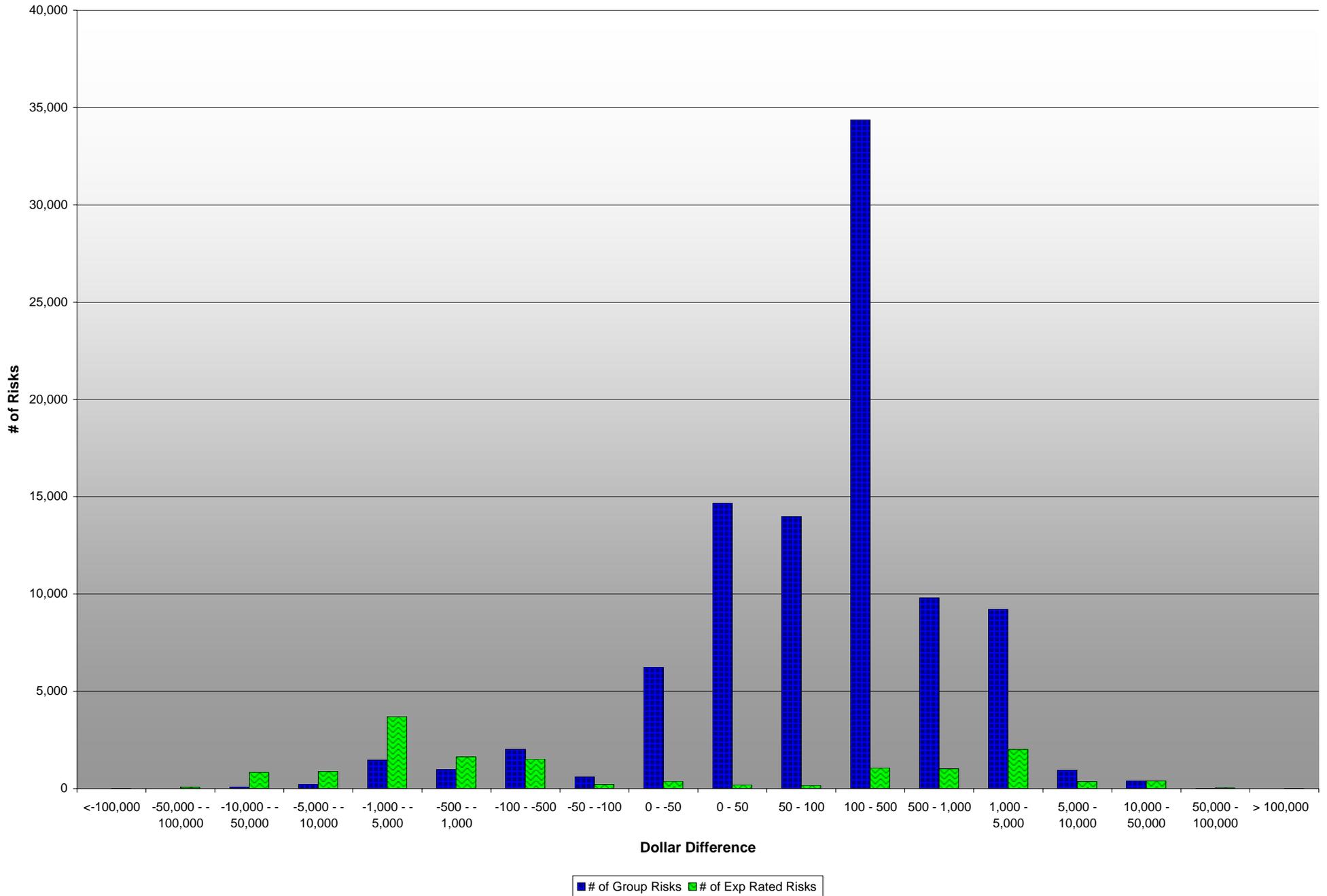
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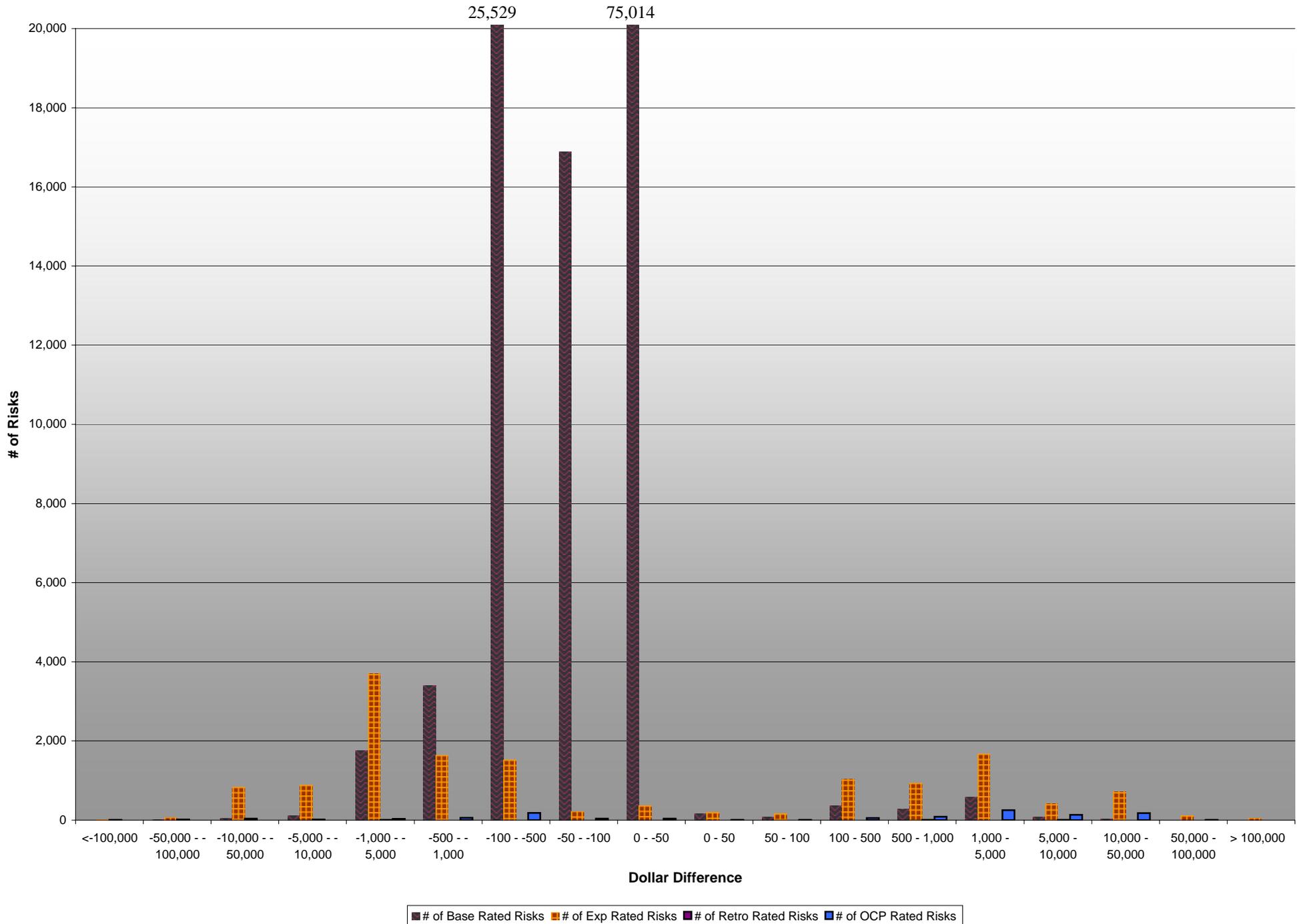
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Impact Calculation (85% to 77% CAPPED) Experience Rated Risks Only



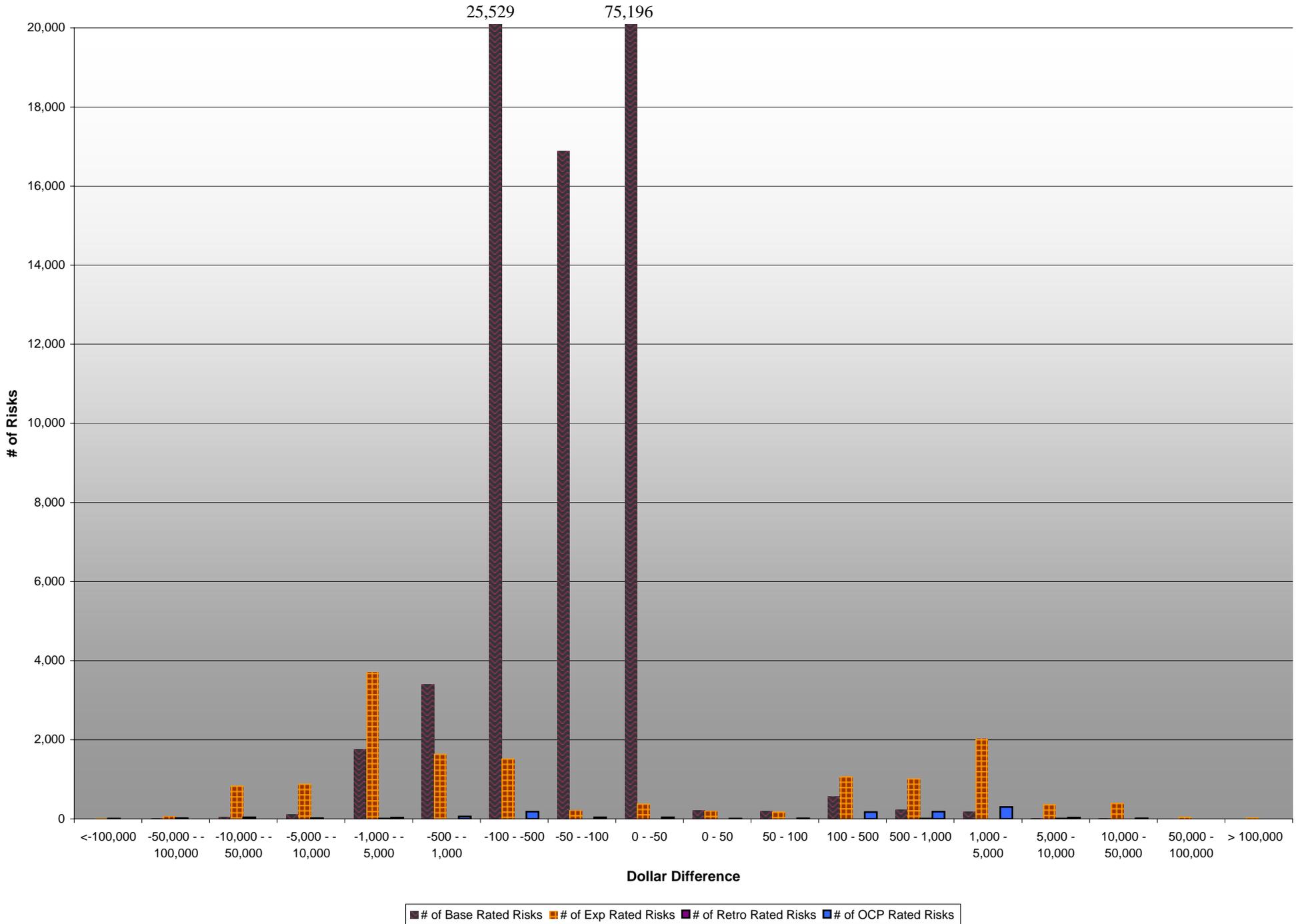
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Impact Calculation (Non-Group 85% to 77% not capped)



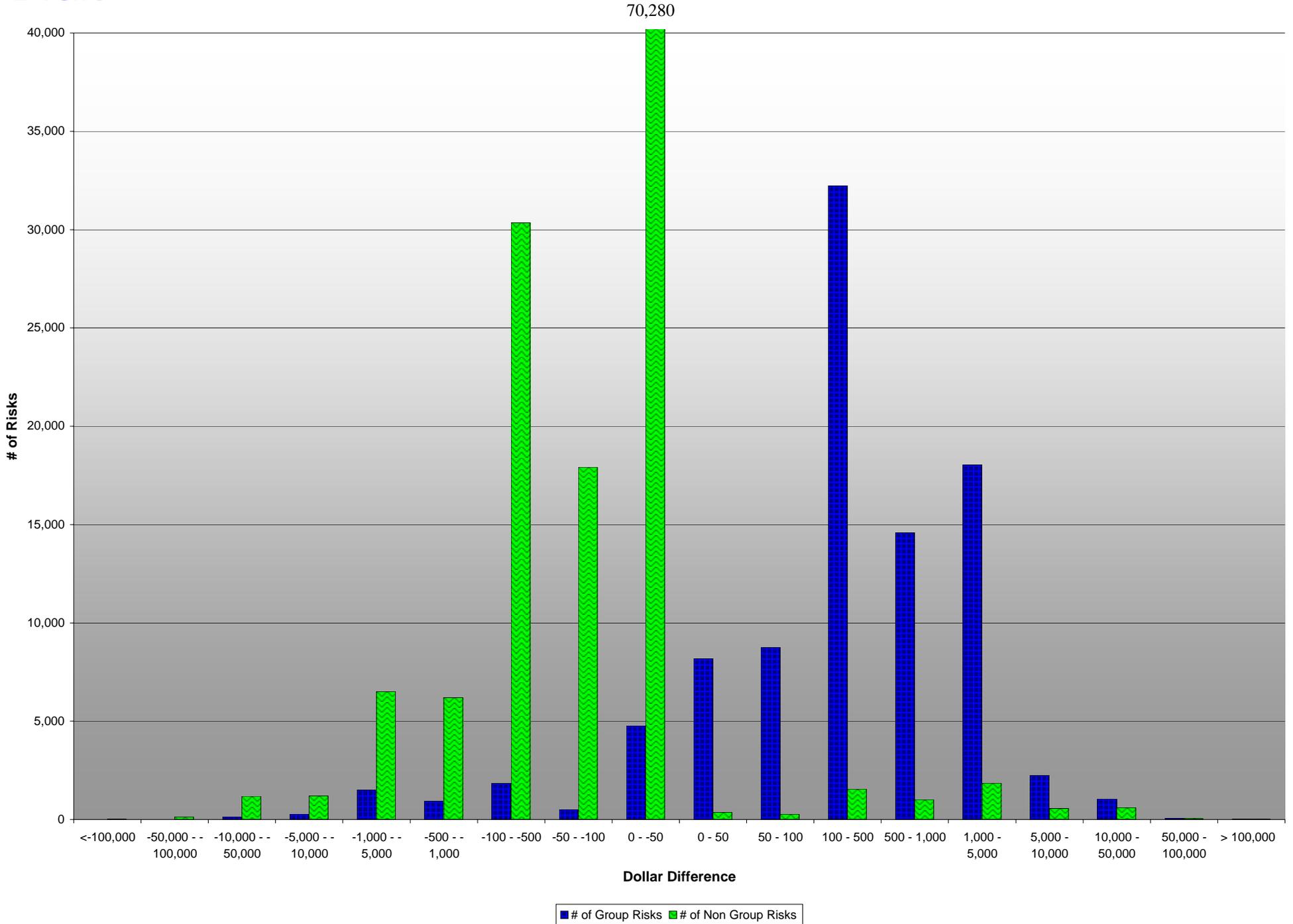
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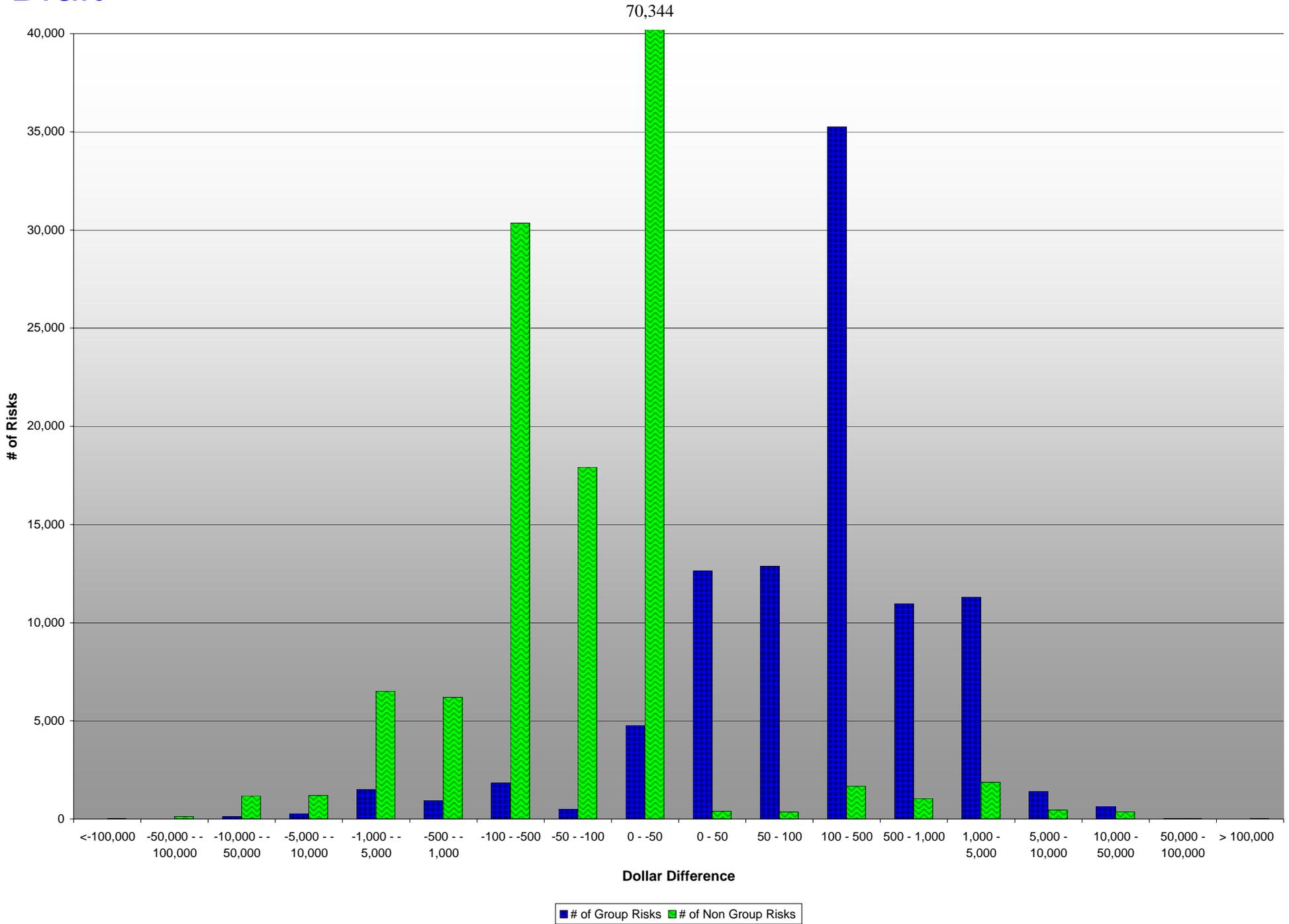
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Impact Calculation (77% to 65% not capped)



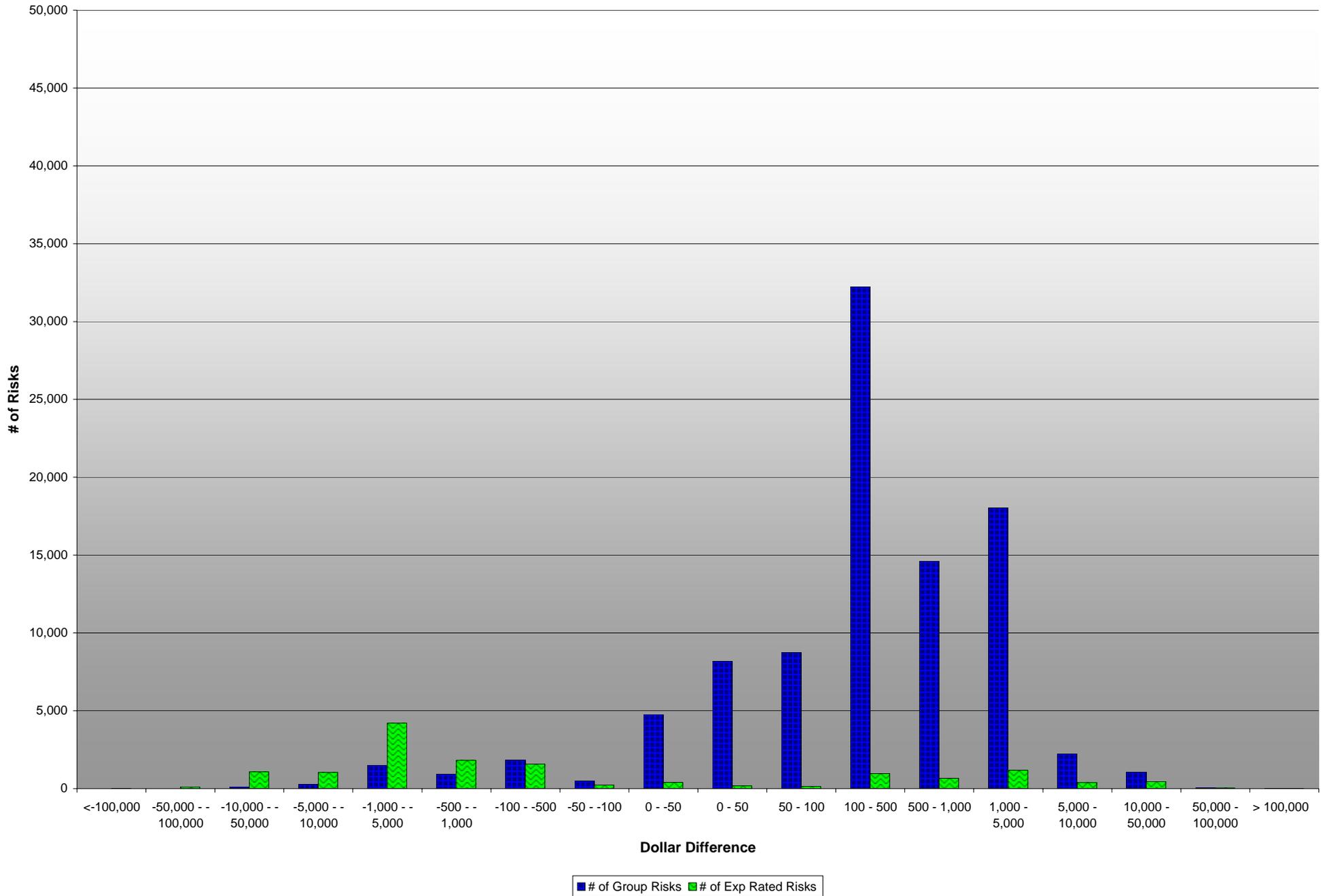
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Impact Calculation (77% to 65% CAPPED)



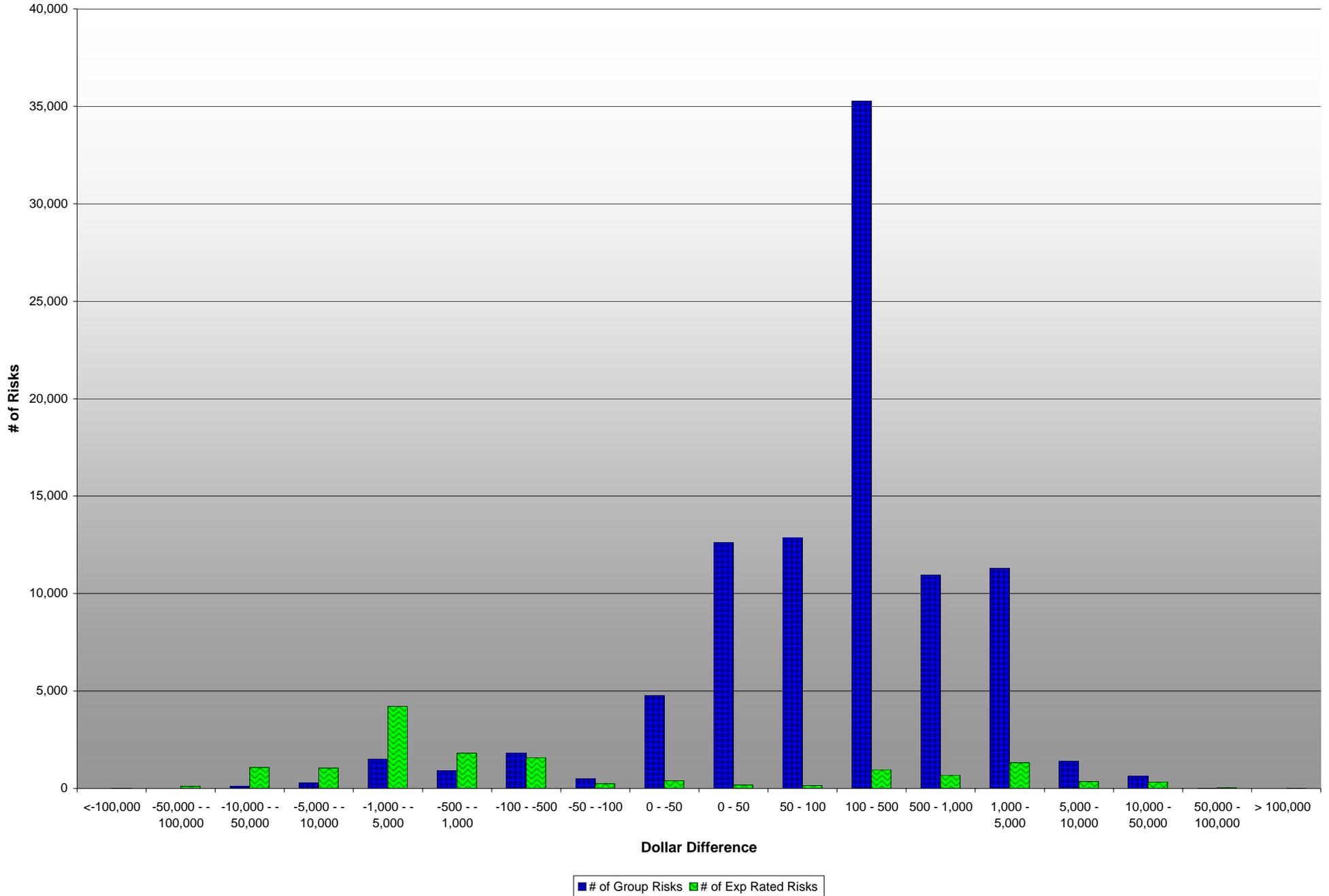
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Impact Calculation (77% to 65% not capped) Experience Rated Risks Only



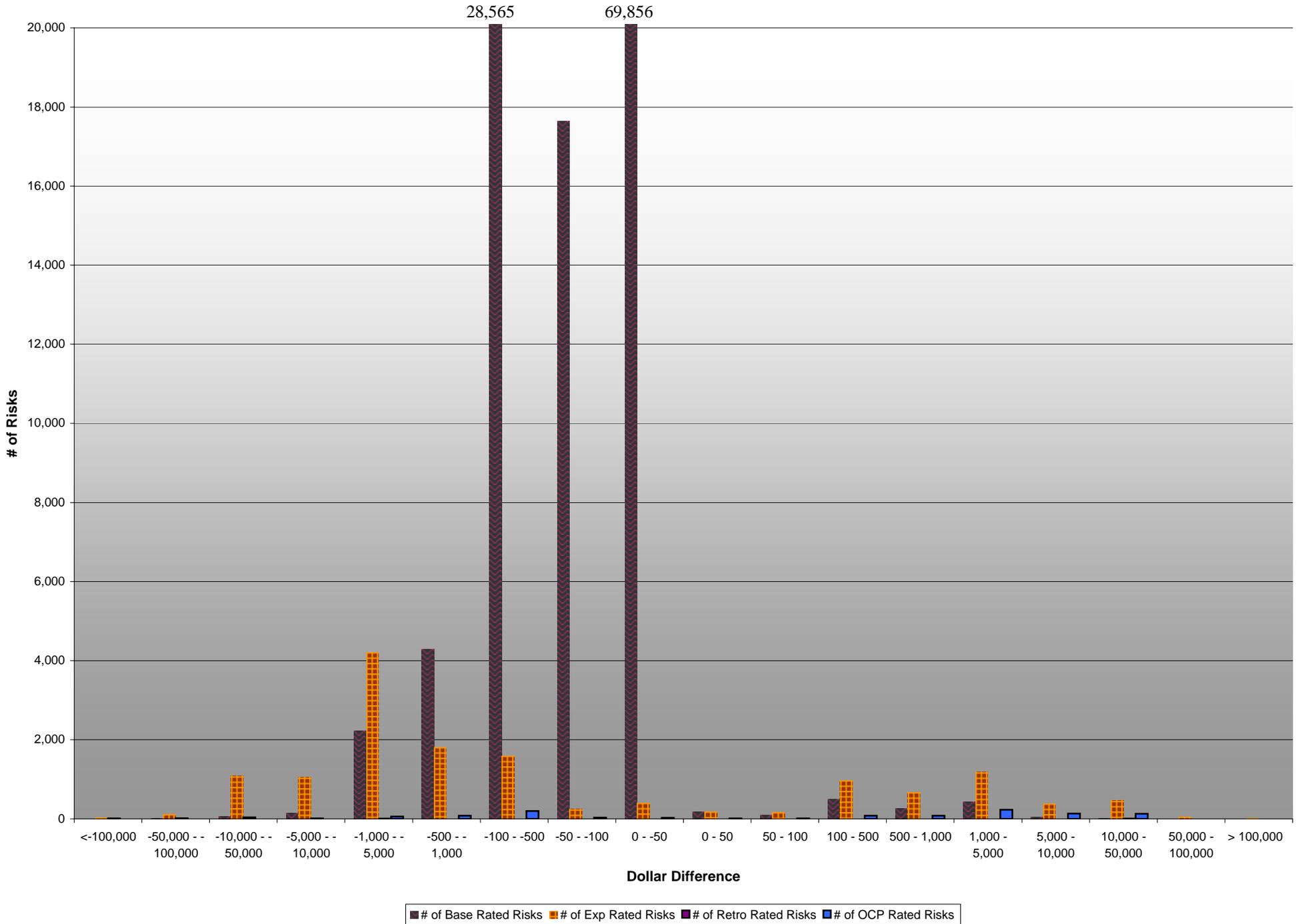
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Impact Calculation (77% to 65% CAPPED) Experience Rated Risks Only



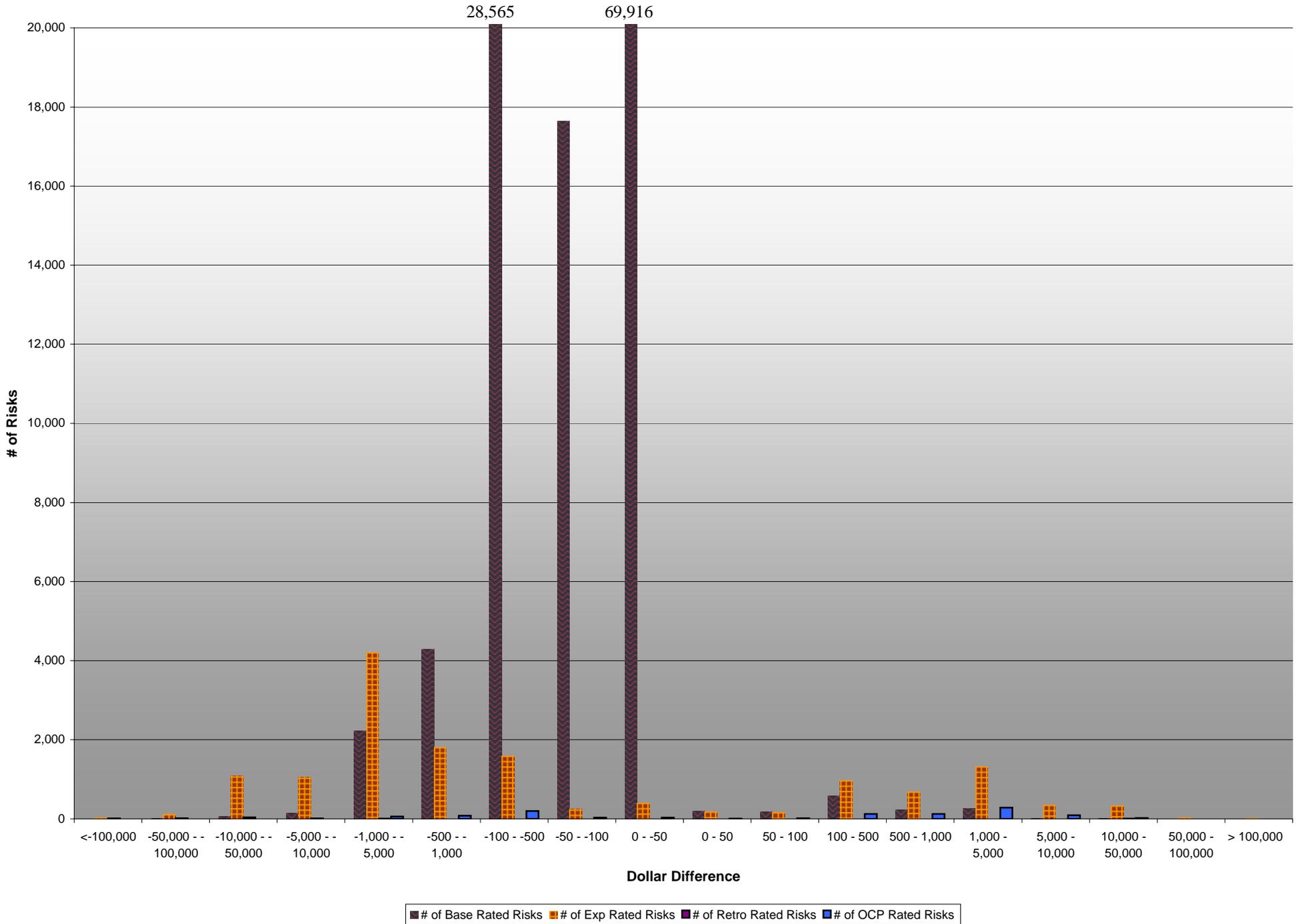
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Impact Calculation (Non-Group 77% to 65% not capped)



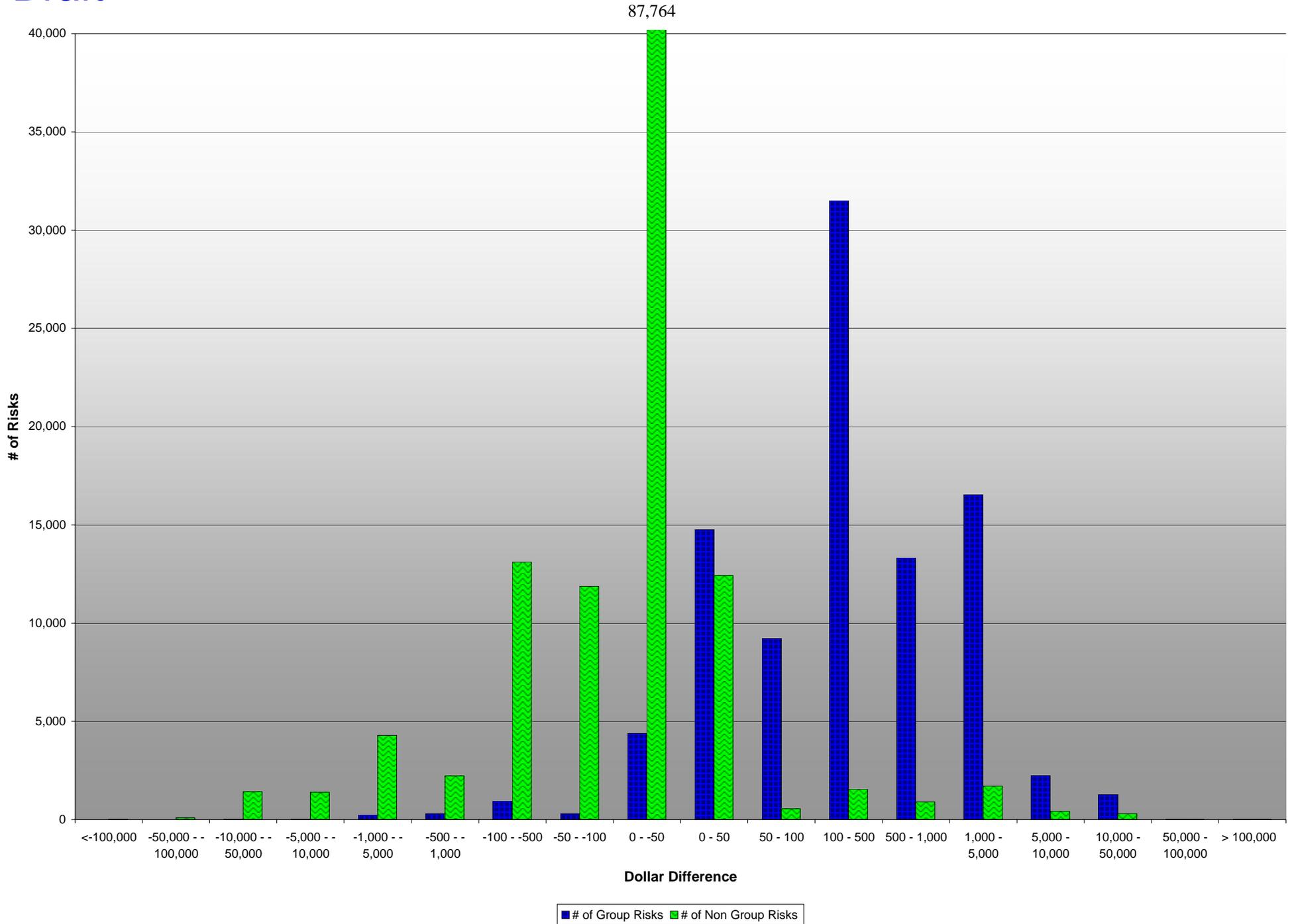
Draft

Impact Calculation (Non-Group 77% to 65% CAPPED)



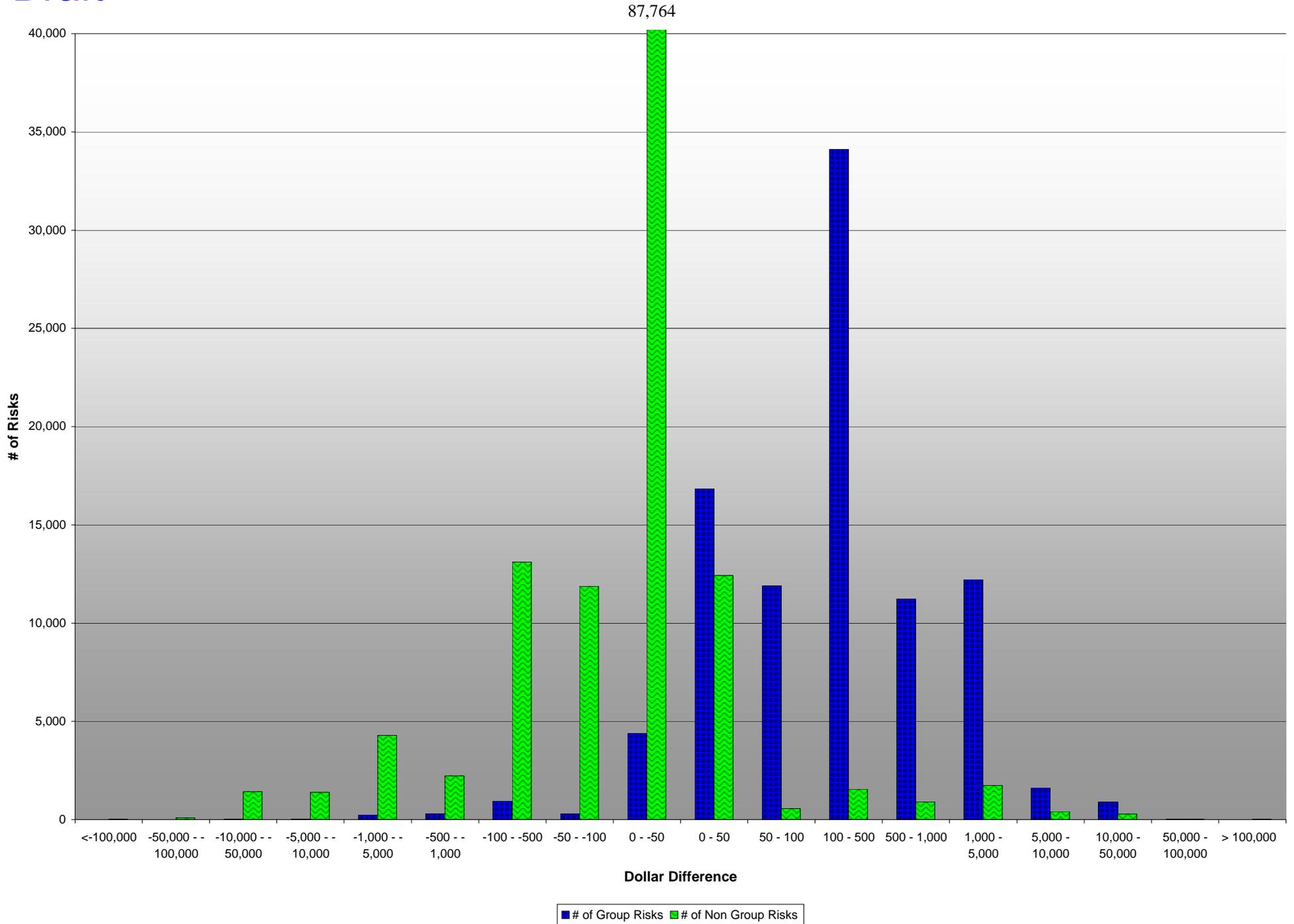
Draft

Impact Calculation (65% to 10N not capped)



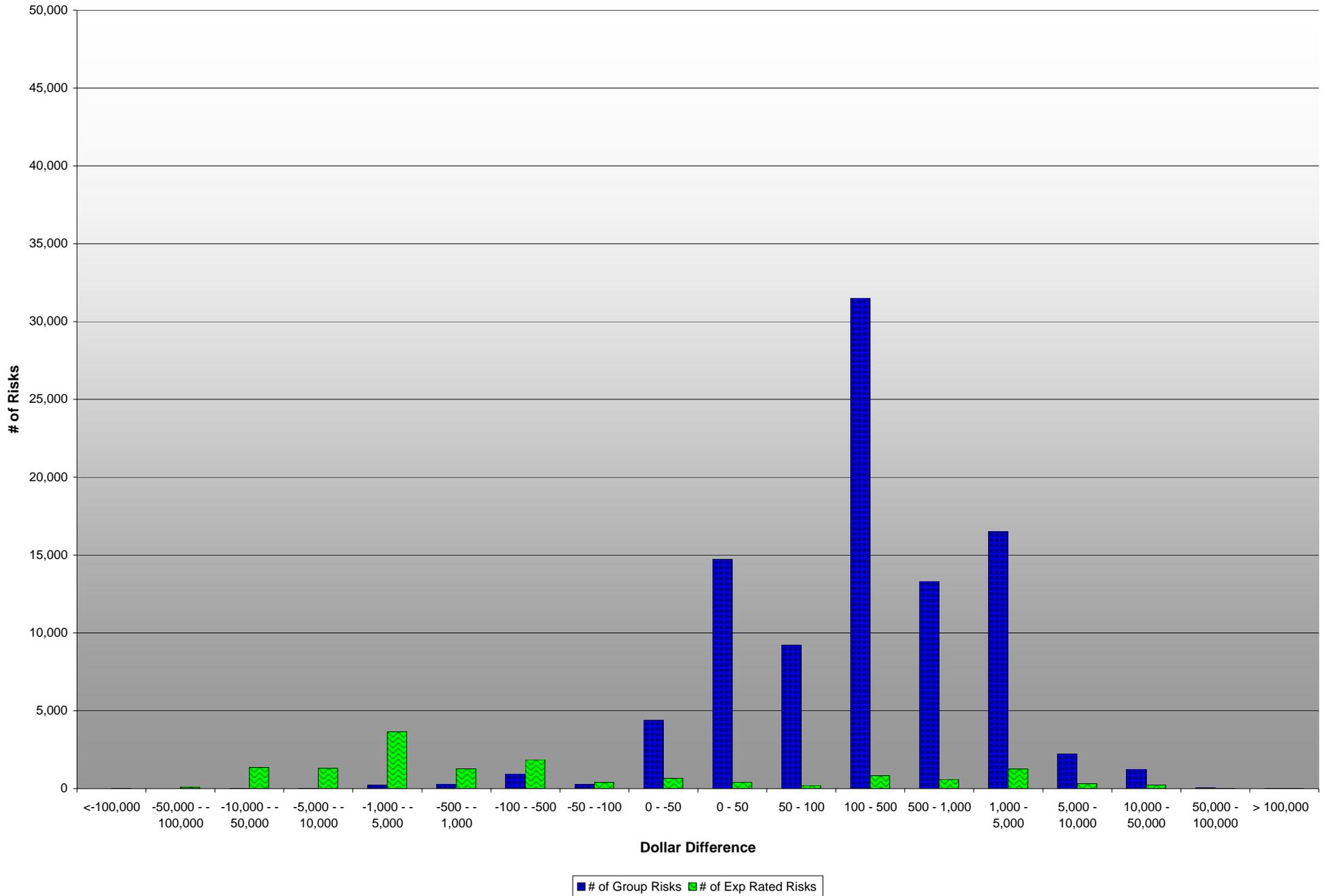
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Impact Calculation (65% to 10N CAPPED)



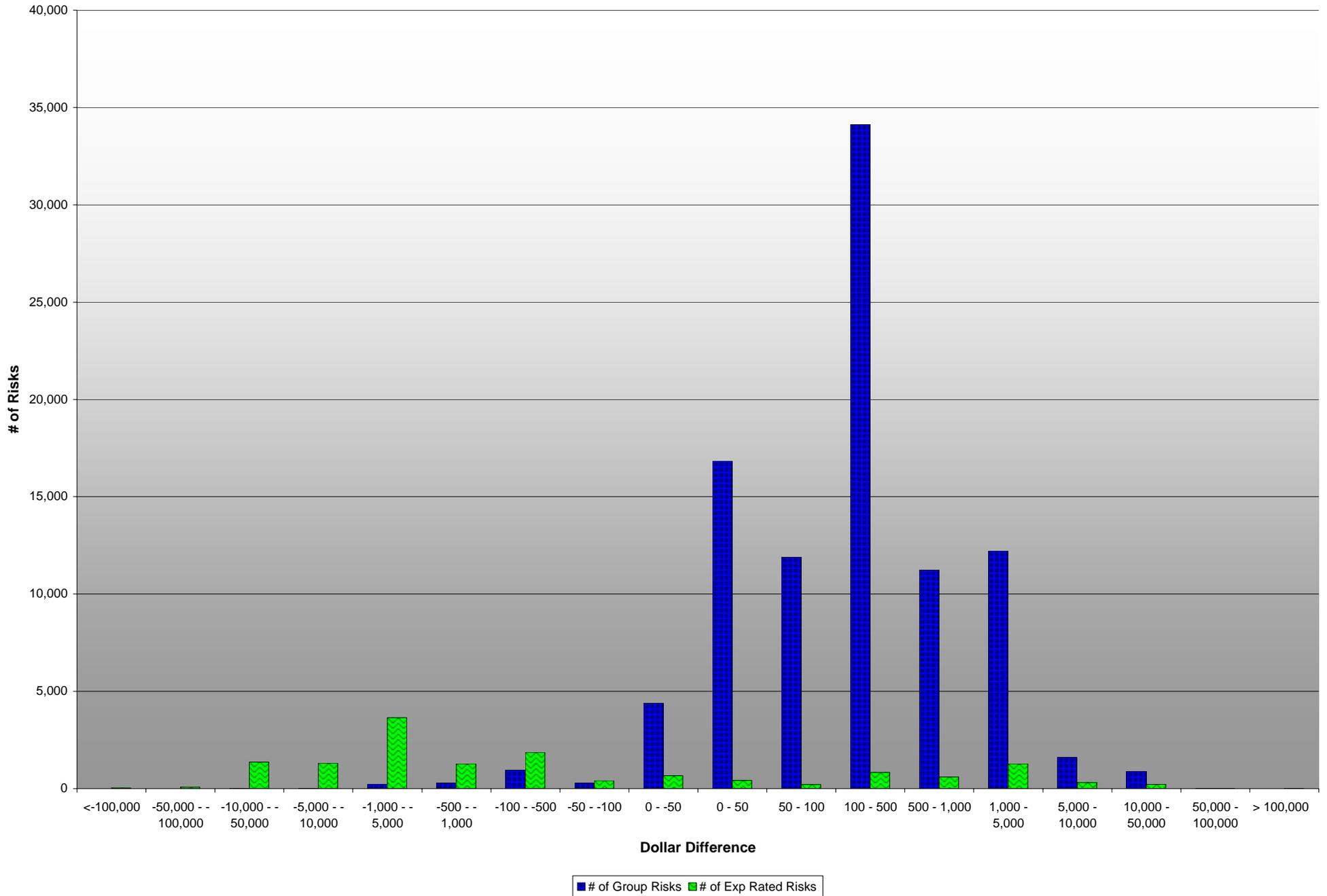
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Impact Calculation (65% to 10N not capped) Experience Rated Risks Only



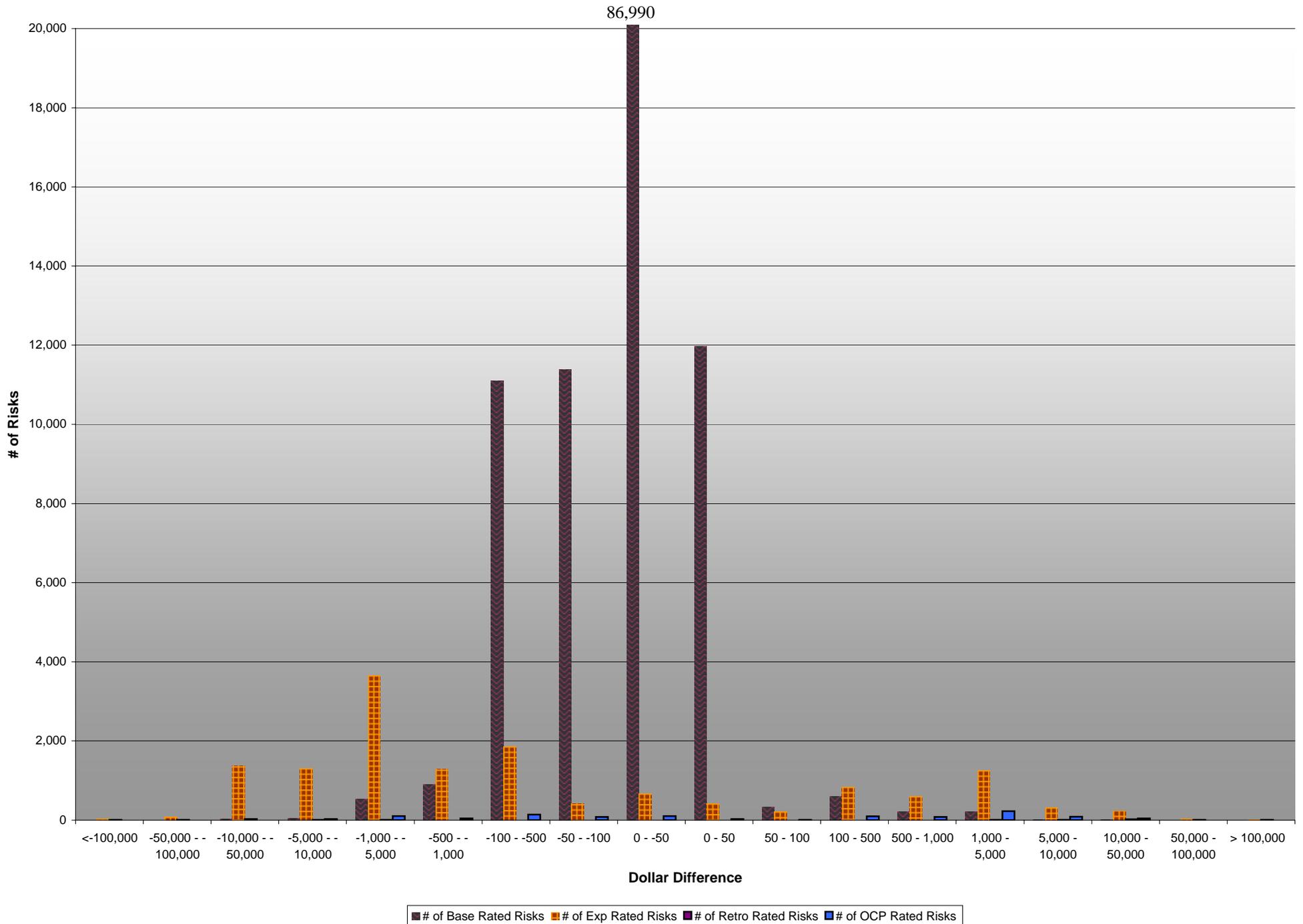
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Impact Calculation (65% to 10N CAPPED) Experience Rated Risks Only



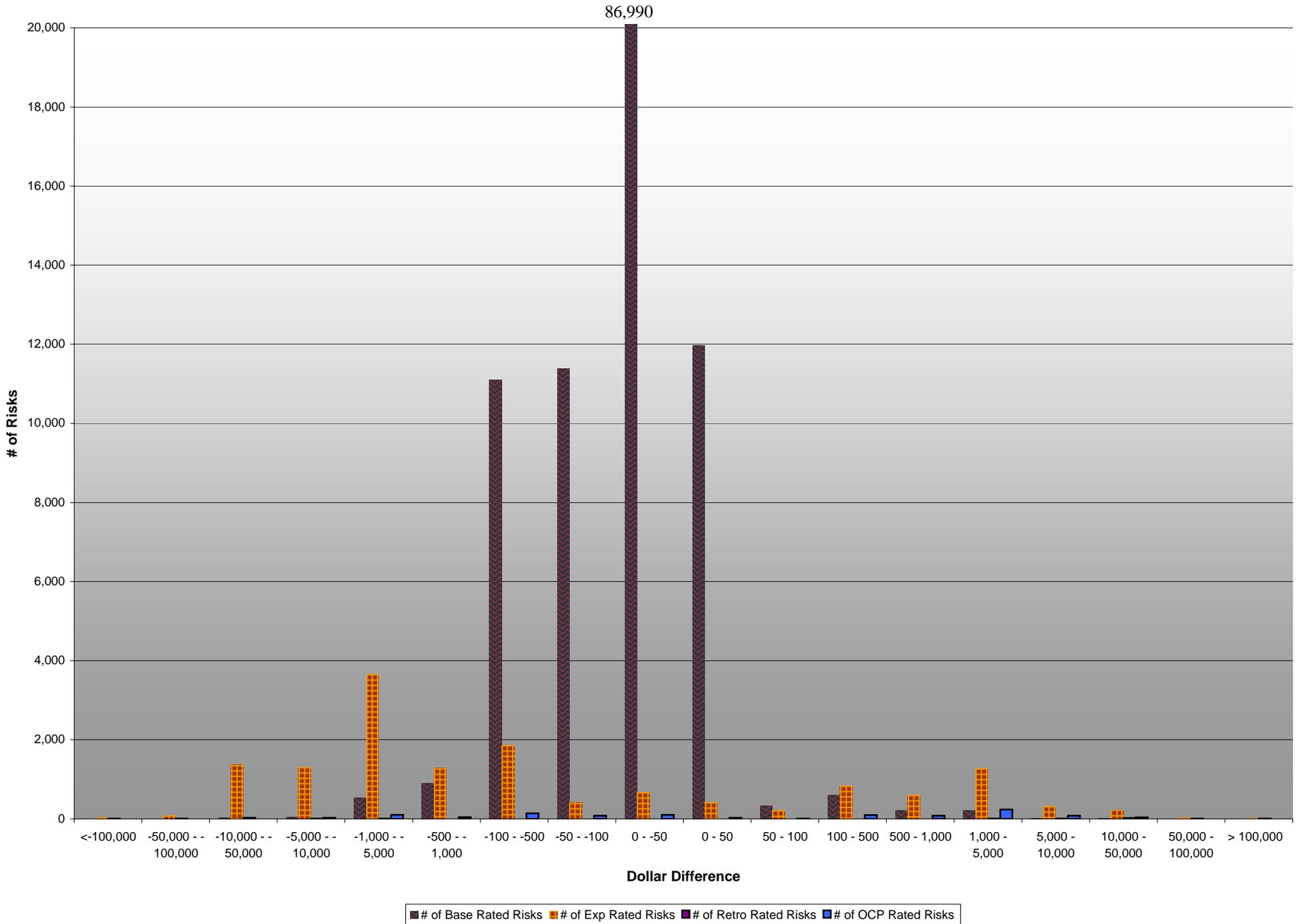
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Impact Calculation (Non-Group 65% to 10N not capped)



Draft

Impact Calculation (Non-Group 65% to 10N CAPPED)



Ohio Bureau of Workers' Compensation
Impact of Premium Caps on Experience Rating Plan Changes
Transition from 85% to 77% table-Total

[1] Policy Size Range	[2] Total Premium with New 77% Credibility Table	[3] Total Premium After Capping	[4] Premium Difference Due to Capping	[5] Total Number of Risks	[6] Total Number of Risks Capped	[7] Percentage Impact of Capping
0 - 500	21,677,610	20,551,606	(1,126,004)	88,925	22,674	-5.2%
501 - 999	29,089,629	27,247,097	(1,842,532)	35,882	12,128	-6.3%
1,000 - 2,499	78,057,015	72,968,950	(5,088,065)	43,193	13,780	-6.5%
2,500 - 4,999	96,410,302	90,429,325	(5,980,977)	24,400	6,644	-6.2%
5,000, - 9,999	127,855,774	121,113,935	(6,741,839)	16,428	3,529	-5.3%
10,000 +	1,609,048,837	1,590,822,503	(18,226,334)	26,225	2,774	-1.1%
Total	1,962,139,167	1,923,133,417	(39,005,751)	235,053	61,529	-2.0%

[1] Policy Size Range	[2] Prior Renewal Premium (capping basis)	[3] Average New 77% Premium- Uncapped	[4] Average New 77% Premium-Capped	[5] Percentage Impact After Capping
0 - 500	222	244	231	4.2%
501 - 999	721	811	759	5.3%
1,000 - 2,499	1,608	1,807	1,689	5.1%
2,500 - 4,999	3,537	3,951	3,706	4.8%
5,000, - 9,999	7,047	7,783	7,372	4.6%
10,000 +	60,948	61,356	60,661	-0.5%
	8,149	8,348	8,182	

**Ohio Bureau of Workers' Compensation
Impact of Premium Caps on Experience Rating Plan Changes
Transition from 85% to 77% table-Group only**

[1]	[2]	[3]	[4]	[5]	[6]	[7]
Policy Size Range	Total Premium with New 77% Credibility Table	Total Premium After Capping	Premium Difference Due to Capping	Total Number of Risks	Total Number of Risks Capped	Percentage Impact of Capping
0 - 500	9,139,969	8,567,531	(572,438)	30,368	21,433	-6.3%
501 - 999	13,875,265	12,846,071	(1,029,194)	15,086	11,697	-7.4%
1,000 - 2,499	37,881,241	35,399,650	(2,481,591)	18,774	13,152	-6.6%
2,500 - 4,999	47,142,887	44,787,892	(2,354,995)	10,974	6,195	-5.0%
5,000, - 9,999	62,789,490	60,683,631	(2,105,859)	7,642	3,105	-3.4%
10,000 +	575,644,263	571,109,536	(4,534,727)	12,151	2,128	-0.8%
Total	746,473,116	733,394,311	(13,078,805)	94,995	57,710	-1.8%

[1]	[2]	[3]	[4]	[5]
Policy Size Range	Prior Renewal Premium (capping basis)	Average New 77% Premium-Uncapped	Average New 77% Premium-Capped	Percentage Impact After Capping
0 - 500	241	301	282	17.0%
501 - 999	721	920	852	18.2%
1,000 - 2,499	1,613	2,018	1,886	16.9%
2,500 - 4,999	3,552	4,296	4,081	14.9%
5,000, - 9,999	7,077	8,216	7,941	12.2%
10,000 +	45,307	47,374	47,001	3.7%
	7,285	7,858	7,720	

Ohio Bureau of Workers' Compensation
Impact of Premium Caps on Experience Rating Plan Changes
Transition from 85% to 77% table-Non group

[1]	[2]	[3]	[4]	[5]	[6]	[7]
Policy Size Range	Total Premium with New 77% Credibility Table	Total Premium After Capping	Premium Difference Due to Capping	Total Number of Risks	Total Number of Risks Capped	Percentage Impact of Capping
0 - 500	11,592,919	11,592,023	(896)	57,244	7	0.0%
501 - 999	13,846,350	13,845,980	(370)	20,334	6	0.0%
1,000 - 2,499	35,715,335	35,714,093	(1,242)	23,716	10	0.0%
2,500 - 4,999	42,525,217	42,513,142	(12,075)	12,873	30	0.0%
5,000, - 9,999	55,077,009	55,036,024	(40,985)	8,280	75	-0.1%
10,000 +	933,256,817	932,126,521	(1,130,296)	12,925	177	-0.1%
Total	1,092,013,646	1,090,827,783	(1,185,863)	135,372	305	-0.1%

[1]	[2]	[3]	[4]	[5]
Policy Size Range	Prior Renewal Premium (capping basis)	Average New 77% Premium- Uncapped	Average New 77% Premium-Capped	Percentage Impact After Capping
0 - 500	212	203	203	-4.4%
501 - 999	721	681	681	-5.5%
1,000 - 2,499	1,604	1,506	1,506	-6.1%
2,500 - 4,999	3,520	3,303	3,303	-6.2%
5,000, - 9,999	7,021	6,652	6,647	-5.3%
10,000 +	75,039	72,206	72,118	-3.9%
	8,408	8,067	8,058	

**Ohio Bureau of Workers' Compensation
Impact of Premium Caps on Experience Rating Plan Changes
Transition from 85% to 77% table-moving from group to non group**

[1]	[2]	[3]	[4]	[5]	[6]	[7]
Policy Size Range	Total Premium with New 77% Credibility Table	Total Premium After Capping	Premium Difference Due to Capping	Total Number of Risks	Total Number of Risks Capped	Percentage Impact of Capping
0 - 500	944,722	392,052	(552,669)	1,313	1,234	-58.5%
501 - 999	1,368,014	555,046	(812,968)	462	425	-59.4%
1,000 - 2,499	4,460,439	1,855,207	(2,605,232)	703	618	-58.4%
2,500 - 4,999	6,742,198	3,128,290	(3,613,908)	553	419	-53.6%
5,000, - 9,999	9,989,275	5,394,281	(4,594,995)	506	349	-46.0%
10,000 +	100,147,757	87,586,446	(12,561,311)	1,149	469	-12.5%
Total	123,652,406	98,911,323	(24,741,083)	4,686	3,514	-20.0%

[1]	[2]	[3]	[4]	[5]
Policy Size Range	Prior Renewal Premium (capping basis)	Average New 77% Premium-Uncapped	Average New 77% Premium-Capped	Percentage Impact After Capping
0 - 500	201	720	299	48.9%
501 - 999	734	2,961	1,201	63.7%
1,000 - 2,499	1,621	6,345	2,639	62.8%
2,500 - 4,999	3,635	12,192	5,657	55.6%
5,000, - 9,999	7,015	19,742	10,661	52.0%
10,000 +	67,851	87,161	76,228	12.3%
	18,195	26,388	21,108	

**Ohio Bureau of Workers' Compensation
Impact of Premium Caps on Experience Rating Plan Changes
Transition from '77% to 65% table-Total**

[1] Policy Size Range	[2] Total Premium with New 65% Credibility Table	[3] Total Premium After Capping	[4] Premium Difference Due to Capping	[5] Total Number of Risks	[6] Total Number of Risks Capped	[7] Percentage Impact of Capping
0 - 500	20,939,180	19,796,960	(1,142,220)	86,707	16,422	-5.5%
501 - 999	29,322,244	27,062,479	(2,259,765)	35,960	12,089	-7.7%
1,000 - 2,499	79,686,557	73,493,785	(6,192,772)	43,618	14,621	-7.8%
2,500 - 4,999	98,842,249	92,025,389	(6,816,860)	24,876	7,535	-6.9%
5,000, - 9,999	131,554,704	124,268,947	(7,285,757)	16,818	4,211	-5.5%
10,000 +	1,603,908,171	1,586,763,457	(17,144,714)	27,074	3,279	-1.1%
Total	1,964,253,105	1,923,411,017	(40,842,088)	235,053	58,157	-2.1%

[1] Policy Size Range	[2] Prior Renewal Premium (capping basis)	[3] Average New 65% Premium- Uncapped	[4] Average New 65% Premium-Capped	[5] Percentage Impact After Capping
0 - 500	222	241	228	3.1%
501 - 999	722	815	753	4.3%
1,000 - 2,499	1,611	1,827	1,685	4.6%
2,500 - 4,999	3,535	3,973	3,699	4.7%
5,000, - 9,999	7,039	7,822	7,389	5.0%
10,000 +	59,149	59,242	58,608	-0.9%
	8,182	8,357	8,183	

**Ohio Bureau of Workers' Compensation
Impact of Premium Caps on Experience Rating Plan Changes
Transition from 77% to 65% table-Group only**

[1]	[2]	[3]	[4]	[5]	[6]	[7]
Policy Size Range	Total Premium with New 65% Credibility Table	Total Premium After Capping	Premium Difference Due to Capping	Total Number of Risks	Total Number of Risks Capped	Percentage Impact of Capping
0 - 500	8,842,200	7,830,703	(1,011,498)	26,855	15,527	-11.4%
501 - 999	14,993,122	12,913,205	(2,079,917)	15,047	11,797	-13.9%
1,000 - 2,499	42,766,867	37,297,487	(5,469,381)	19,566	14,142	-12.8%
2,500 - 4,999	54,536,980	48,929,374	(5,607,606)	11,885	7,213	-10.3%
5,000, - 9,999	73,879,216	68,316,594	(5,562,622)	8,517	3,909	-7.5%
10,000 +	624,796,595	611,921,505	(12,875,091)	13,125	2,914	-2.1%
Total	819,814,981	787,208,866	(32,606,115)	94,995	55,502	-4.0%

[1]	[2]	[3]	[4]	[5]
Policy Size Range	Prior Renewal Premium (capping basis)	Average New 65% Premium-Uncapped	Average New 65% Premium-Capped	Percentage Impact After Capping
0 - 500	248	329	292	17.8%
501 - 999	724	996	858	18.5%
1,000 - 2,499	1,623	2,186	1,906	17.5%
2,500 - 4,999	3,554	4,589	4,117	15.8%
5,000, - 9,999	7,064	8,674	8,021	13.6%
10,000 +	44,320	47,604	46,623	5.2%
	7,720	8,630	8,287	

Ohio Bureau of Workers' Compensation
Impact of Premium Caps on Experience Rating Plan Changes
Transition from 77% to 65% table-Non group

[1]	[2]	[3]	[4]	[5]	[6]	[7]
Policy Size Range	Total Premium with New 65% Credibility Table	Total Premium After Capping	Premium Difference Due to Capping	Total Number of Risks	Total Number of Risks Capped	Percentage Impact of Capping
0 - 500	11,644,388	11,643,860	(527)	58,799	4	0.0%
501 - 999	13,712,809	13,712,764	(45)	20,527	2	0.0%
1,000 - 2,499	34,431,195	34,431,045	(151)	23,359	2	0.0%
2,500 - 4,999	40,140,506	40,131,632	(8,874)	12,419	15	0.0%
5,000, - 9,999	50,202,984	50,187,024	(15,960)	7,741	26	0.0%
10,000 +	877,107,945	876,745,625	(362,320)	12,527	107	0.0%
Total	1,027,239,827	1,026,851,950	(387,877)	135,372	156	0.0%

[1]	[2]	[3]	[4]	[5]
Policy Size Range	Prior Renewal Premium (capping basis)	Average New 65% Premium-Uncapped	Average New 65% Premium-Capped	Percentage Impact After Capping
0 - 500	210	198	198	-5.7%
501 - 999	720	668	668	-7.2%
1,000 - 2,499	1,600	1,474	1,474	-7.9%
2,500 - 4,999	3,514	3,232	3,231	-8.0%
5,000, - 9,999	7,005	6,485	6,483	-7.4%
10,000 +	74,118	70,017	69,988	-5.6%
	8,058	7,588	7,585	

Ohio Bureau of Workers' Compensation
Impact of Premium Caps on Experience Rating Plan Changes
Transition from 77% to 65% table-moving from group to non group

[1]	[2]	[3]	[4]	[5]	[6]	[7]
Policy Size Range	Total Premium with New 65% Credibility Table	Total Premium After Capping	Premium Difference Due to Capping	Total Number of Risks	Total Number of Risks Capped	Percentage Impact of Capping
0 - 500	452,592	322,397	(130,196)	1,053	891	-28.8%
501 - 999	616,313	436,510	(179,803)	386	290	-29.2%
1,000 - 2,499	2,488,494	1,765,254	(723,240)	693	477	-29.1%
2,500 - 4,999	4,164,764	2,964,384	(1,200,379)	572	307	-28.8%
5,000, - 9,999	7,472,504	5,765,328	(1,707,175)	560	276	-22.8%
10,000 +	102,003,630	98,096,327	(3,907,303)	1,422	258	-3.8%
Total	117,198,297	109,350,200	(7,848,097)	4,686	2,499	-6.7%

[1]	[2]	[3]	[4]	[5]
Policy Size Range	Prior Renewal Premium (capping basis)	Average New 65% Premium-Uncapped	Average New 65% Premium-Capped	Percentage Impact After Capping
0 - 500	207	430	306	47.6%
501 - 999	724	1,597	1,131	56.3%
1,000 - 2,499	1,654	3,591	2,547	54.0%
2,500 - 4,999	3,598	7,281	5,182	44.0%
5,000, - 9,999	7,121	13,344	10,295	44.6%
10,000 +	64,150	71,733	68,985	7.5%
	21,108	25,010	23,336	

Ohio Bureau of Workers' Compensation
Impact of Premium Caps on Experience Rating Plan Changes
Transition from 65% to 10k Split Plan Curve

[1]	[2]	[3]	[4]	[5]	[6]	[7]
Policy Size Range	Total Premium with New 10k split curve	Total Premium After Capping	Premium Difference Due to Capping	Total Number of Risks	Total Number of Risks Capped	Percentage Impact of Capping
0 - 500	19,942,445	19,436,137	(506,308)	85,222	8,073	-2.5%
501 - 999	28,534,085	27,275,799	(1,258,286)	35,796	8,262	-4.4%
1,000 - 2,499	78,057,716	74,553,705	(3,504,011)	43,613	10,701	-4.5%
2,500 - 4,999	99,136,678	95,160,405	(3,976,273)	25,295	5,659	-4.0%
5,000, - 9,999	132,132,063	127,812,892	(4,319,171)	17,103	3,139	-3.3%
10,000 +	1,612,800,537	1,601,403,340	(11,397,197)	28,024	2,124	-0.7%
Total	1,970,603,524	1,945,642,278	(24,961,246)	235,053	37,958	-1.3%

[1]	[2]	[3]	[4]	[5]
Policy Size Range	Prior Renewal Premium (capping basis)	Average New Split Plan Premium- Uncapped	Average New Split Plan Premium- Capped	Percentage Impact After Capping
0 - 500	221	234	228	3.3%
501 - 999	723	797	762	5.4%
1,000 - 2,499	1,612	1,790	1,709	6.0%
2,500 - 4,999	3,537	3,919	3,762	6.4%
5,000, - 9,999	7,042	7,726	7,473	6.1%
10,000 +	57,040	57,551	57,144	0.2%
	8,183	8,384	8,277	

Ohio Bureau of Workers' Compensation
Impact of Premium Caps on Experience Rating Plan Changes
Transition from 65% to 10k Split Plan Curve-Group only

[1]	[2]	[3]	[4]	[5]	[6]	[7]
Policy Size Range	Total Premium with New 10k split curve	Total Premium After Capping	Premium Difference Due to Capping	Total Number of Risks	Total Number of Risks Capped	Percentage Impact of Capping
0 - 500	7,263,444	6,757,589	(505,855)	23,417	8,065	-7.0%
501 - 999	13,700,255	12,442,055	(1,258,200)	14,807	8,259	-9.2%
1,000 - 2,499	41,088,433	37,589,647	(3,498,786)	20,064	10,691	-8.5%
2,500 - 4,999	56,140,288	52,204,843	(3,935,444)	12,905	5,621	-7.0%
5,000, - 9,999	79,336,286	75,124,303	(4,211,983)	9,466	3,088	-5.3%
10,000 +	683,598,221	672,697,148	(10,901,072)	14,336	2,065	-1.6%
Total	881,126,925	856,815,585	(24,311,340)	94,995	37,789	-2.8%

[1]	[2]	[3]	[4]	[5]
Policy Size Range	Prior Renewal Premium (capping basis)	Average New Split Plan Premium- Uncapped	Average New Split Plan Premium-Capped	Percentage Impact After Capping
0 - 500	254	310	289	13.7%
501 - 999	727	925	840	15.5%
1,000 - 2,499	1,627	2,048	1,873	15.2%
2,500 - 4,999	3,552	4,350	4,045	13.9%
5,000, - 9,999	7,072	8,381	7,936	12.2%
10,000 +	43,602	47,684	46,924	7.6%
	8,287	9,276	9,020	

**Ohio Bureau of Workers' Compensation
Impact of Premium Caps on Experience Rating Plan Changes
Transition from 65% to 10k Split Plan Curve-Non group**

[1] Policy Size Range	[2] Total Premium with New 10k split curve	[3] Total Premium After Capping	[4] Premium Difference Due to Capping	[5] Total Number of Risks	[6] Total Number of Risks Capped	[7] Percentage Impact of Capping
0 - 500	12,449,023	12,448,840	(182)	60,972	2	0.0%
501 - 999	14,463,172	14,463,172	0	20,611	0	0.0%
1,000 - 2,499	35,647,039	35,647,039	0	22,941	0	0.0%
2,500 - 4,999	40,211,708	40,210,661	(1,047)	11,768	3	0.0%
5,000, - 9,999	47,798,224	47,793,530	(4,693)	7,080	2	0.0%
10,000 +	829,037,783	828,722,608	(315,176)	12,000	22	0.0%
Total	979,606,949	979,285,851	(321,098)	135,372	29	0.0%

[1] Policy Size Range	[2] Prior Renewal Premium (capping basis)	[3] Average New Split Plan Premium- Uncapped	[4] Average New Split Plan Premium- Capped	[5] Percentage Impact After Capping
0 - 500	208	204	204	-1.9%
501 - 999	719	702	702	-2.4%
1,000 - 2,499	1,598	1,554	1,554	-2.8%
2,500 - 4,999	3,517	3,417	3,417	-2.8%
5,000, - 9,999	6,988	6,751	6,750	-3.4%
10,000 +	72,651	69,086	69,060	-4.9%
	7,585	7,236	7,234	

**Ohio Bureau of Workers' Compensation
Impact of Premium Caps on Experience Rating Plan Changes
Transition from 65% to 10k Split Plan Curve-moved from group to non group**

[1] Policy Size Range	[2] Total Premium with New 10k split curve	[3] Total Premium After Capping	[4] Premium Difference Due to Capping	[5] Total Number of Risks	[6] Total Number of Risks Capped	[7] Percentage Impact of Capping
0 - 500	229,979	229,708	(271)	833	6	-0.1%
501 - 999	370,658	370,572	(86)	378	3	0.0%
1,000 - 2,499	1,322,244	1,317,019	(5,225)	608	10	-0.4%
2,500 - 4,999	2,784,683	2,744,900	(39,782)	622	35	-1.4%
5,000, - 9,999	4,997,553	4,895,058	(102,495)	557	49	-2.1%
10,000 +	100,164,533	99,983,584	(180,949)	1,688	37	-0.2%
Total	109,869,649	109,540,842	(328,807)	4,686	140	-0.3%

[1] Policy Size Range	[2] Prior Renewal Premium (capping basis)	[3] Average New Split Plan Premium- Uncapped	[4] Average New Split Plan Premium- Capped	[5] Percentage Impact After Capping
0 - 500	213	276	276	29.5%
501 - 999	730	981	980	34.2%
1,000 - 2,499	1,686	2,175	2,166	28.5%
2,500 - 4,999	3,608	4,477	4,413	22.3%
5,000, - 9,999	7,222	8,972	8,788	21.7%
10,000 +	60,192	59,339	59,232	-1.6%
	23,336	23,446	23,376	

Credibility Tables for Transition Years

Credibility Group	Expected Losses	Current Credibility 85%	New Credibility 77%	New Credibility 65%	10k Split Plan
1	8,000	4%	10%	16%	16%
2	15,000	9%	14%	19%	19%
3	27,000	13%	18%	22%	22%
4	45,000	17%	21%	25%	25%
5	62,500	21%	24%	27%	27%
6	90,000	26%	28%	29%	29%
7	122,500	30%	31%	31%	31%
8	160,000	34%	34%	33%	33%
9	202,500	38%	37%	35%	35%
10	250,000	43%	40%	36%	36%
11	302,500	47%	43%	38%	38%
12	360,000	51%	45%	39%	39%
13	422,500	55%	48%	41%	41%
14	490,000	60%	52%	42%	42%
15	562,500	64%	55%	44%	44%
16	640,000	68%	59%	48%	45%
17	722,500	72%	64%	53%	46%
18	810,000	77%	69%	58%	47%
19	902,500	81%	73%	63%	48%
20	1,000,000	85%	77%	65%	49%

Credibility Values for 10k Split Plan Curve

Expected Losses	Primary Credibility	Excess Credibility	10k Weighted Credibility*
11,500	46%	3%	16%
21,000	56%	4%	19%
36,000	65%	5%	22%
53,750	72%	6%	25%
76,250	76%	7%	27%
106,250	80%	9%	29%
141,250	82%	10%	31%
181,250	84%	12%	33%
226,250	85%	14%	35%
276,250	86%	16%	36%
331,250	87%	18%	38%
391,250	87%	20%	39%
456,250	88%	22%	41%
526,250	88%	24%	42%
601,250	89%	25%	44%
681,250	89%	27%	45%
766,250	89%	29%	46%
856,250	89%	30%	47%
951,250	89%	32%	48%
1,000,000	89%	32%	49%
1,050,000	90%	33%	49%
1,200,000	90%	35%	51%
1,350,000	90%	36%	52%
1,500,000	90%	38%	53%
1,750,000	90%	39%	54%
2,000,000	90%	41%	55%
2,500,000	90%	43%	57%
3,000,000	90%	45%	58%
3,500,000	90%	47%	59%
4,000,000	91%	48%	60%
5,000,000	91%	49%	61%
6,000,000	91%	50%	62%
7,000,000	91%	51%	63%
8,000,000	91%	52%	63%
9,000,000	91%	52%	64%
10,000,000	91%	53%	64%
15,000,000	91%	54%	65%
20,000,000	91%	55%	65%
25,000,000	91%	55%	66%

*29% weight given to primary credibility

Draft

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