



April 3, 2008

Name
Company Name
Address
City, State, ZIP

Subject: Project update on BWC's new claims reserving system

Dear [NAME]:

Transforming the workers' compensation system to one with fair and equitable premium rates will enhance Ohio's economic prosperity. One part of this transformation is to implement a new, more accurate, state-of-the-art claims reserving system. Identified in House Bill 100, BWC's new claims reserving system must be more accurate, transparent, and accessible to our customers. It must also be in place by June 30, 2008.

Last week, my staff and I provided the BWC Board of Directors with an update on the implementation of the new claims reserving system and the progress we've made, thus far. I would also like to provide you with a brief project update and highlight a few of the key improvements.

- **Data accuracy** - The system, known as MIRA II, will use Ohio-specific workers' compensation claim data that will actively update to reflect the changing nature of injuries, the economy and the unique characteristics of Ohio's worker's compensation system. The new system also will use significantly more data than the current system, and it will focus on the accuracy of individual claim reserves rather than the overall accuracy of all reserves.
- **System-specific logic** - MIRA II also uses common-sense, Ohio-specific logic to estimate the future cost of individual claims. For example, the new system has set conditions to stop reserving some claims more quickly. Therefore, it uses BWC claims, rules and statutory limitations to stop and start the reserve as appropriate.
- **Customer access** - The new system will be easily accessible to customers so they can better understand the cost drivers associated with an individual claim reserve. BWC's Web site, ohioabc.com, will have six new service offerings directly related to claims reserves, including: claim data information; claim payment transaction reports; reports that chart the changes to a claim reserve over time; historical reports on the claim reserve; claim status history tied to setting the reserve; and the MIRA II annual statistics.

As implementation of this new system continues, my staff and I will continue to keep you and your customers informed.

In addition, here is a brief overview of the project time line and the critical dates ahead. First, BWC worked with stakeholders, customers and our internal claims experts to develop various aspects of this new system. This input was critical in the development of both the new reserving logic in the reserving system and the Web service offerings.

In the coming days, BWC will begin testing the new system. The MIRA II system involves data interface between BWC systems and the MIRA II system. Due to the transferring and constant updating of claim data, system testing is significant. It will ensure the MIRA II system is using the claim data appropriately to develop the reserves and to start and stop a reserve prediction according to the established logic (condition).

On June 30, 2008, BWC will complete the transition from the current reserving system (MIRA I) to MIRA II. The MIRA II reserves will be available for viewing online by Aug. 1, 2008, when BWC publishes the quarter ending claim cost data as of June 30, 2008. Additionally, BWC will develop the Jan. 1, 2009, public employer rates using MIRA II reserves.

For more information, please visit www.ohiobwc.com/employer and click on *Reserving info – MIRA II*. Here you will find a web page created specifically for general information and project updates on the implementation of BWC's new reserving system.

As you can see, the successful implementation of MIRA II is critical to BWC, our customers and you. Our focus remains to ensure the new reserving system provides accurate, clear and understandable claim reserves. We look forward to your continued cooperation and input.

Sincerely,

A handwritten signature in cursive script that reads "John R. Pedrick".

John R. Pedrick, FCAS, MAAA
BWC Chief Actuarial Officer