BWC BOARD OF DIRECTORS

ACTUARIAL COMMITTEE

THURSDAY, SEPTEMBER 25, 2008, 2:00 P.M.
WILLIAM GREEN BUILDING
THE NEIL SCHULTZ CONFERENCE CENTER
30 WEST SPRING STREET, 2ND FLOOR (MEZZANINE)
COLUMBUS, OHIO 43215

Members Present: Charles Bryan, Chair
James Hummel
David Caldwell
Thomas Pitts
William Lhota (ex officio)

Members Absent: James Matesich, Vice Chair

Other Directors Present: James Harris, Robert Smith, Kenneth Haffey, Alison Falls, Larry Price

Counsel Present: John Williams, Assistant Attorney General

CALL TO ORDER
Mr. Bryan called the meeting to order at 2:06 PM and the roll call was taken.

MINUTES OF AUGUST 28, 2008
The minutes were approved without further changes by unanimous roll call vote on a motion by Mr. Caldwell, seconded by Mr. Hummel.

FOLLOW UP FROM PRIOR MEETINGS
Informational materials were provided to the members for review regarding reserve requirements of other exclusive states and Deloitte report comparisons. Actuarial review of legislation was shifted to later in the agenda.

NEW BUSINESS / ACTION ITEMS
1. Audit of the Actuarial Reserve as of 6-30-08.

John Pedrick, Chief Actuarial Officer, presented a recommendation that the financial statements be updated to reflect recommended liabilities for unpaid loss and loss adjustment expense of $19 billion, $435 million. These figures were confirmed as reasonable by Oliver Wyman Actuarial Consulting. Upon inquiry from Mr. Bryan, Mr. Pedrick confirmed these figures are identical to those in the reserve report. The $15.7 billion figure for the State Insurance Fund is based on 9% medical inflation and a 5% discount rate. Mr. Pedrick also circulated written responses to questions from the Committee resulting from review of the draft audit in August. Additional materials include a mortality rate study from 2002, and employment statistics provided by the Ohio

Department of Job and Family Services. These were used by Oliver Wyman in preparing the report.

Jeffery Scott and Jeffery Scholl of Oliver Wyman presented their review of reserve analysis. This included comparative figures for the State Insurance Fund if either the medical inflation or discount rate is reduced. Mr. Bryan noted that current net assets of $2.2 billion would be wiped out if the discount rate decreases.

Over the past few years, medical inflation has been less than 9%. Medical payments have remained steady, but the number of claims has dropped over time. National figures are also in the 9% range, and this figure is consistent with review of NCCI data since 1981. Medical inflation is based on when services are performed, which can be very remote from the date of injury. New procedures or drugs are developed over time which can increase costs.

Although the medical inflation rate has been 6-7% for the last 2-3 years, a 10-year look-back period shows that 9% is reasonable. Ms. Falls noted we also have a consultant opining that a 6% rate is reasonable. Mr. Bryan stated that the Committee should give great deference to the professionals when evaluating reasonableness.

With respect to reserves, an increase of $.3 million was seen last year based upon a new calendar year, interest amortization, and expected payments. A chart on page 10 of the report was reviewed, showing that the required reserves when reevaluated at later dates have been lower than originally set. This is called downward development." Alternative reserve methods were studied, but were more unstable in the consultant's view. Responding to a question from Mr. Pitts, the consultants indicated a decrease in liability runoff was expected because medical payments stabilized.

Mr. Hummel moved that the Actuarial Committee recommend to the Board that it approve the release of the actuarial reserve audit to the Workers ' Compensation Council (WCC) and the standing committees of the House of Representatives and the Senate with primary responsibility for workers' compensation legislation. The motion was seconded by Mr. Caldwell and passed by unanimous roll call vote.

2. Adjudicating Committee Policy Review

James Barnes, Chief Legal Officer, presented a second review of Adjudicating Committee policy, which provides guidance to the Adjudicating Committee on criteria to ensure transparency and consistent, fair decisions. Ohio Revised Code §4123.291(C) requires the Board to approve this policy based on the recommendation of the Actuarial Committee.

Mr. Barnes reviewed the Kaizen process which streamlined Adjudicating Committee functions. The policy only impacts employers, and gives them an opportunity to appeal premium and risk decisions made by BWC. The Industrial Commission has no involvement. Mr. Barnes also provided statistical information on the types of protests received and the number which go to hearing. IT is working on a web-based tracking system to make such information more readily available.

The Adjudicating Committee must follow business unit policies. However, this is not a "rubber stamp", as the policies provide for discretion to consider other factors such as acts of nature, significant loss events, violence in the workplace, absence due to military duty, fraud, and illness or death of essential personnel. The Executive Order regarding common sense business regulation, which provides for waiver of penalties for a one-time clerical error, can also be considered. The Adjudicating Committee decides the issues independently. There is also an appeal process to the Administrator's Designee, and then to the Court of Common Pleas via mandamus or declaratory judgment.

Mr. Hummel moved that the Committee recommend to the Board that the Adjudicating Committee policy be approved. The motion was seconded by Mr. Pitts and approved by unanimous roll call vote.

3. Actuarial Review of Legislation
Ohio Revised Code §4121.125(C)(6) requires that the Board must "have prepared by or under the supervision of an actuary an actuarial analysis of any introduced legislation expected to have a measurable financial impact on the workers' compensation system." This analysis must be presented by the Board, to the WCC and the House/Senate standing committees with primary responsibility for workers' compensation legislation, not later than 60 days after the introduction of such legislation to the Legislative Services Commission.

Mr. Pedrick recommended that the BWC convene a committee when it is notified of pending legislation, consisting of the Chief Operating Officer, the Legislative Liaison, the WCC Liaison, Legal Counsel and the Chief Actuarial Officer, to consider the level of analysis and response required. If an in-depth analysis is necessary, the current actuarial consultants should be utilized. This process is both cost-effective, and already covered by the current consulting contract.

Mr. Lhota asked when BWC typically receives notification of legislation. BWC Administrator Marsha Ryan advised that BWC is very proactive and is usually aware of any legislation which may impact BWC well in advance of its introduction. Mr. Harris requested that the directors be informed of such legislation by e-mail. Administrator Ryan agreed.

Mr. Bryan commented that this is a reasonable short-term solution to comply with the law. However, there may be more work in terms of the complexity of the legislative proposals or the number of proposals than anticipated and this additional work and the tight time frame of 60 days may negatively impact the ability of the actuarial consultant to complete the reserving and the pricing work.

Mr. Hummel moved that the Committee recommend to the Board that it approve the process outlined for obtaining actuarial analysis of legislation as outlined in Mr. Pedrick's memorandum of September 15, 2008, with the understanding the process may need future revision. The motion was seconded by Mr. Caldwell and approved by unanimous roll call vote.

DISCUSSION ITEMS

1. Public Employer Taxing District rate indication / Public Employer State Agency Rate Estimates were evaluated, but in Mr. Pedrick's opinion, the 5% rate decrease was the most appropriate selection. Multiple assumptions were evaluated, but this was most appropriate in terms of projecting future costs, uncertainty and trends. This introduces

more stability, as the last 10 years have been somewhat volatile in terms of rate increases/decreases.

Mr. Pedrick reviewed Oliver Wyman's work product, including a chart showing rate change history over the past 10 years under multiple assumptions. The concern is that BWC requires a sufficient fund amount, and the rate cannot be changed for a year once set. A 4% discount rate is most appropriate because it promotes a cautious approach until the indications can be evaluated once more time has passed.

Ms. Falls asked how this proposed change fit into the overall picture, and expressed concern that other classes coming up for rate review in the future could be negatively impacted. Mr. Pedrick stated that while this scenario is more likely to contribute to net assets, these projections were not made with a net asset increase in mind. Mr. Pitts noted the discrepancy between using a 4% discount rate in these projections and a 5% discount rate elsewhere. Mr. Pedrick advised that the Oliver Wyman figures use one standard deviation of trend and there are "many moving parts" to the analysis. This is another reason for conservatism.

Further discussion of this information will take place at the October meeting.

2. CAO Report

Mr. Pedrick reviewed the CAO monthly report, noting the successful implementation of MIRA II web screens and claim reserves on September 8, 2008, which has received very positive feedback. The comprehensive plan which the board approved in June is moving forward with tangible deliverables on schedule for December. Capping methods are being developed for the Experience Modifier and premium increases. The Office of Budget and Management has approved three actuarial positions, including a new position of Director of Actuarial Analysis. The actuarial consulting contract will expire in December 2009. Actuarial staff will begin reviewing the RFP process for this contract.

ADJOURNMENT

Deloitte Consulting will make their 3rd presentation to the Board during a special Actuarial Educational Session October 30, 2008 from 8:00 AM to 11:00 AM.
The next regular Actuarial Committee meeting is October 30, 2008 at 2:00 pm.

Mr. Bryan adjourned the meeting at 3:58 PM.

Prepared by Jill Whitworth, BWC Staff Counsel
September 26, 2008
11/4/2008 7:44 AM

Ohio | Bureau of Workers' Compensation
30 W. Spring St.
Columbus, OH 43215-2256

Governor **Ted Strickland**
Administrator **Marsha P. Ryan**
ohiobwc.com
1-800-OHIOBWC

To: Marsha Ryan, Administrator
From: John Pedrick, FCAS, MAAA, Chief Actuarial Officer
Date: September 16, 2008
Subject: Public Employer Taxing District Rate Recommendation - 2009

I have reviewed the calculations and results in the attached "Rate Indications for Public Employer – Taxing Districts" (PECs) submitted by our actuarial consultant, Oliver Wyman (OW), and recommend the BWC implement an overall rate change of -5.0% for the policy year beginning January 1, 2009 and ending December 31, 2009.

While OW has presented the results of six different scenarios, I base this recommendation on two of them that produce a range of reasonable changes from +1.4% to -14.0%. The first is the result of a conservative cost trend assumption and an interest rate of 4.0%. The second incorporates a central trend assumption ("baseline") with an interest rate of 5.0%. This range of changes, as well as my recommendation, balances the need to be responsive to the underlying cost trends, to reflect investment returns that can be expected over the long term, and to avoid unnecessary swings in rates from year to year. It is narrower than the range suggested by OW (+1.4% to -19.7%).

A decrease of 5% is equal to the central ("baseline") indicated change using an interest rate of 4%. As such, it is likely to match premium with costs and to not have a significant impact on the size of our Net Asset.

The overall rate change will be spread to the rate classes used by PECs based on the experience in the classes, so some policyholders will see an increase in premium while others will see a decrease. The average of these changes will be -5.0%, based on the most recent payroll figures. Further details by classes will follow as we run this overall change through our rating system.

Discussion:

BWC is charged with setting rates that are the minimum necessary to meet the costs of providing workers' compensation insurance. Actuarial ratemaking principles are consistent with this mandate:

> *"A rate is reasonable and not excessive, inadequate, or unfairly discriminatory if it is an actuarially sound estimate of the expected value of all future costs associated with an individual risk transfer.[1]"*

Oliver Wyman's actuarial calculations use compensation and compensation expense per $100 of payroll, known as pure premium, for policy years 2001 through 2007 to estimate the costs we will incur for policy year 2009. The estimates result from projections of cost trends to policy year 2009, and assumptions regarding the investment income that can be expected throughout the ensuing decades as payments are made for claims incurred during policy year 2009. The calculations are based on reasonable and appropriate actuarial methods and produce actuarially sound estimates of future costs.

In this report, OW has analyzed six scenarios, or sets of assumptions. Three scenarios used an interest rate of 5.0%, while the other three used an interest rate of 4.0%. Compensation and Compensation Adjustment Expenses were discounted to policy year 2009, using these interest rates. The scenarios used by OW are summarized in the following table. The scenarios I believe are most appropriate are in boldface.

Indicated Changes to PEC Rates		
Scenario	5% Interest Rate	4% Interest Rate
Optimistic (Low)	-19.7%	-11.4%
Baseline (Central)	**-14.0%**	**-5.0%**
Conservative (High)	-8.2%	**+1.4%**

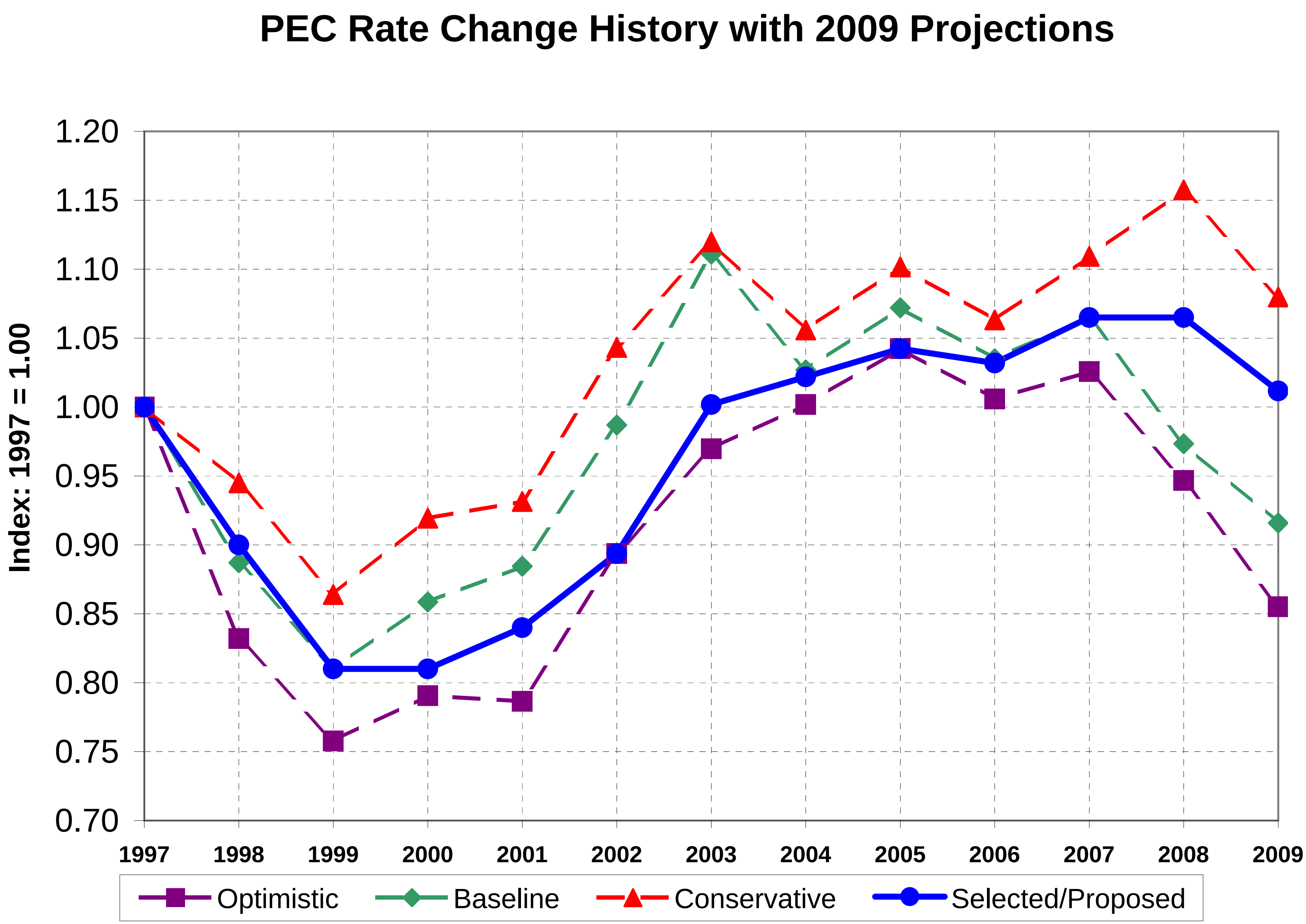
[1] Statement of Principles Regarding Property and Casualty Insurance Ratemaking, Casualty Actuarial Society.

These six scenarios demonstrate the significant role played by the underlying interest rate, as demonstrated in the two baseline cases. A drop of 1% in interest rate increases the indication by 9%. Since we are setting rates for policy year 2009, premium will be due in 2010, and claims will be paid over several decades, a conservative decision today will help to avoid the possibility of underestimating long-term costs which would put downward pressure on Net Assets.

I have also considered the past rate changes implemented for PECs, shown below. In light of the 3.2% increase for 2007, followed by a no change in 2008, an overall decrease of 5.0% will avoid swings in rates from one year to the next.

Policy Year	Change
1998	-10.0%
1999	-10.0%
2000	0.0%
2001	3.7%
2002	6.4%
2003	12.1%
2004	2.0%
2005	2.0%
2006	-1.0%
2007	3.2%
2008	0.0%
2009	**-5.0%**

The attached Exhibit 1 shows ten years of indicated and selected changes. This chart shows how the proposed 5% decrease is in line with the indicated changes while also softening the peaks and valleys of costs cycles. That is, this change strikes a balance between the need to keep rates as low as possible while also maintaining stability from year to year.


PEC Rate Change History with 2009 Projections
Index: 1997 = 1.00
1.20
1.15
1.10
1.05
1.00
0.95
0.90
0.85
0.80
0.75
0.70
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
Optimistic
Baseline
Conservative
Selected/Proposed

1-1-2009 Public Employer Taxing District
Preliminary Estimate
Rate Summary

1. Change in public employer taxing district premium rates at the industry level:

Industry Group	Name	Percent Change	Average Collectible Rate per $100 Unit of Payroll
1	Counties	-5	$2.00
2	Cities	-2	$3.99
3	Villages	-4	$3.33
4	Townships	-8	$3.30
5	Schools	-6	$0.89
6	Public Works' Relief Employees	+32	$0.54
7	Contract Coverage	-10	$25.65
8	Hospitals	0	$1.52
20	Transit Authorities	+5	$4.17
22	Special Districts Excluding Transit Authorities	+1	$2.85
	Total	**-5.0**	**$1.76**

2. Projected payroll is $20.0 billion. Estimated premium is $353 million.

3. Average assessment for a public employer taxing district per $100 of reported payroll:

Premium (average collectible base rate)	$1.76
Administrative Cost-**BWC** (8.05% based on the 1/1/2008 Admin. Cost Rate)	.1417
Administrative Cost-**IC** (1.75% based on the 1/1/2008 Admin. Cost Rate)	.0308
Disabled Workers' Relief Fund	.06
Additional Disabled Workers' Relief Fund (.1% of premium at base rate)	.0018
Total Collectible Rate	**1.9943**

4. Disabled Workers' Relief Fund rate was reduced to $0.06 per $100 unit of payroll, effective January 1, 2007.

Miscellaneous Rates and Assessments

A. Safety & Hygiene loading factor remained at 1% of premium included in base rates
B. Additional Disabled Workers' Relief Fund remained at .1% of premium at base rate.
C. Administrative Cost Rate is unknown at this time. We have used the 1/1/2008 administrative cost assessment rate for illustration purposes.

*These estimates use the group formation as was approved for 1-1-2008 and does not include the new formations for 1-1-2009 at this time.

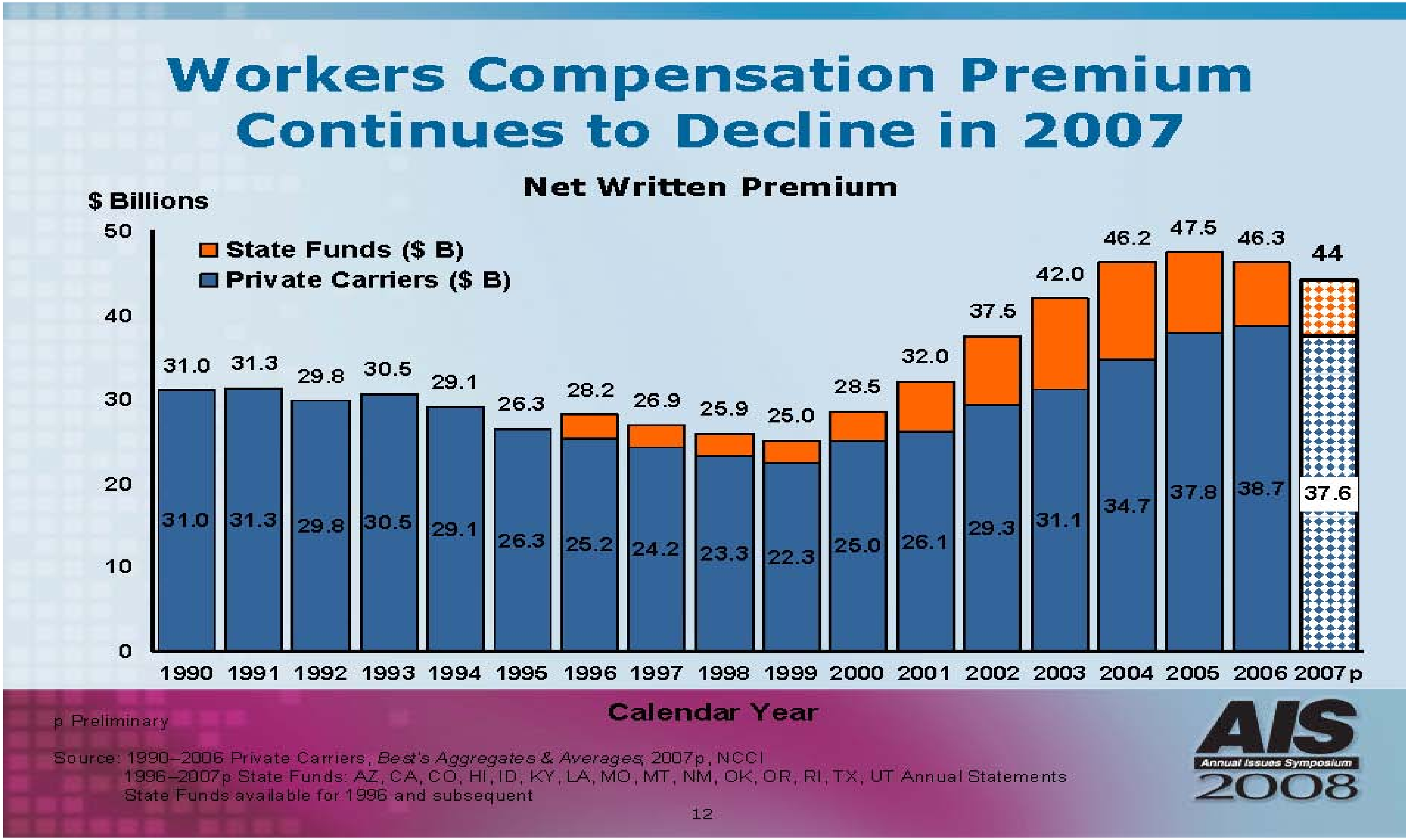
11/4/2008 7:43 AM

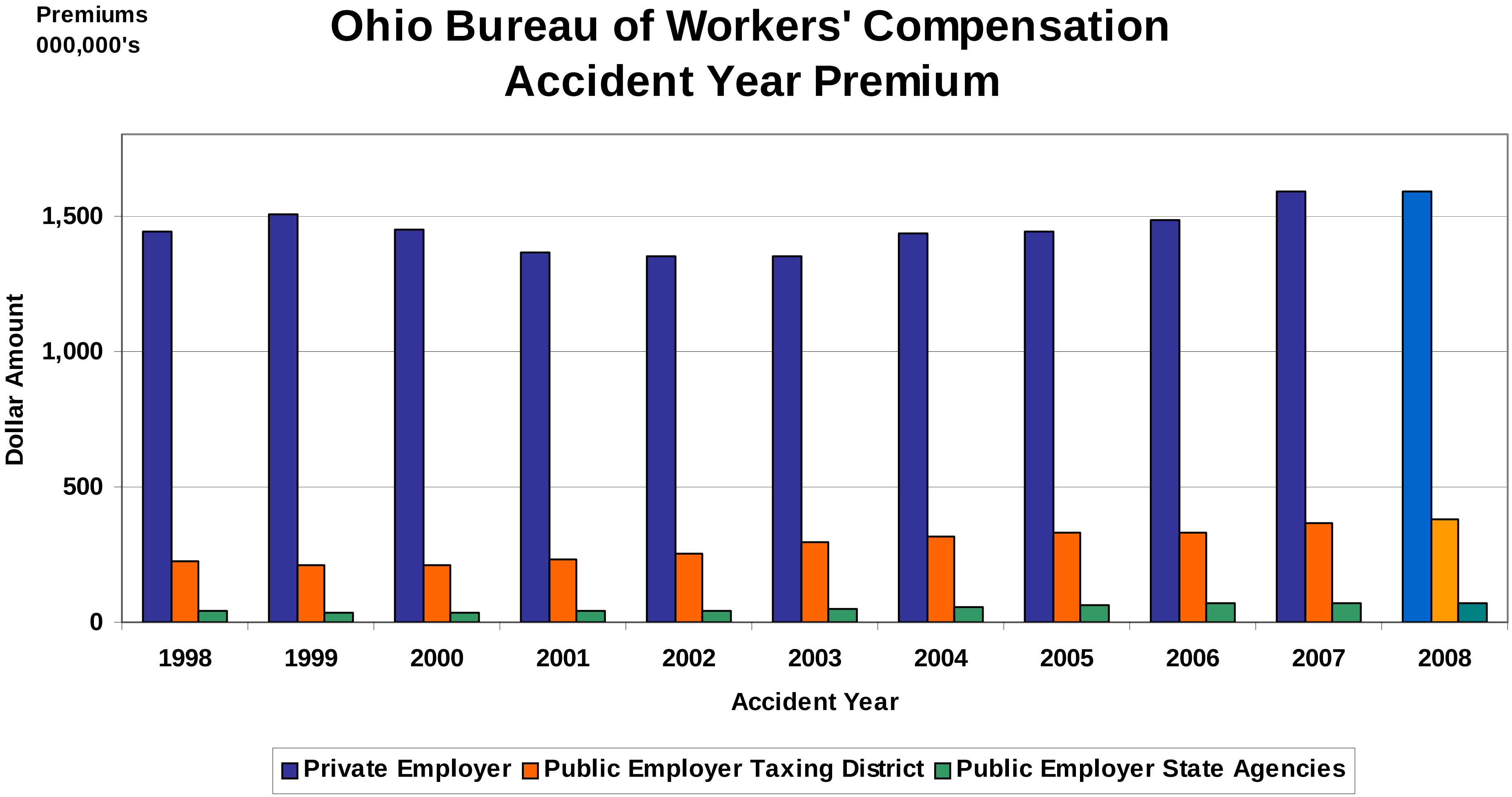
Ohio Bureau of Workers' Compensation

Ohio Bureau of Worker's Compensation Actuarial Committee

John R. Pedrick, FCAS, MAAA, Chief Actuarial Officer
Elizabeth G. Bravender, CPCU, Director of Actuarial

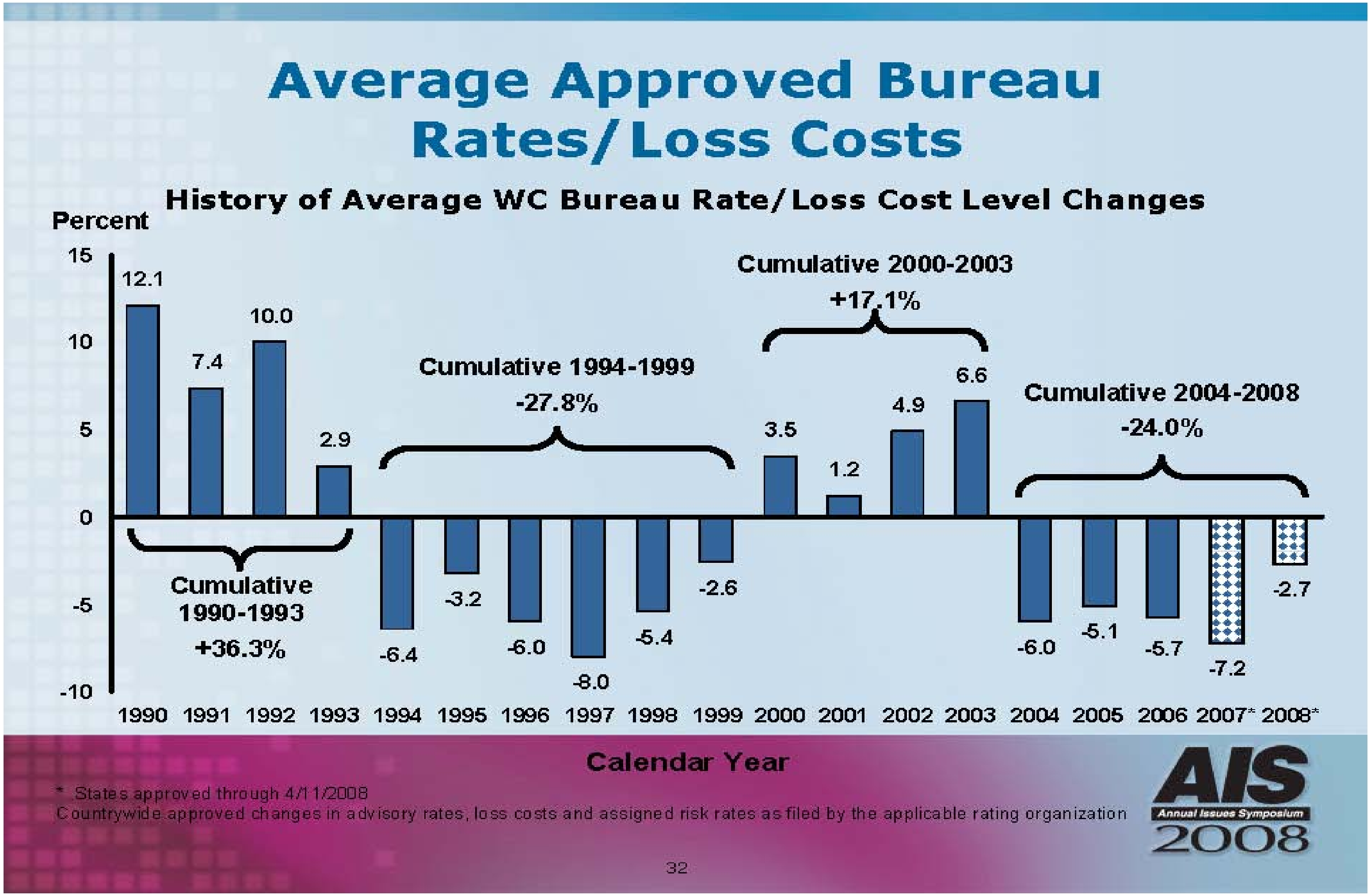
Ohio Bureau of Workers' Compensation



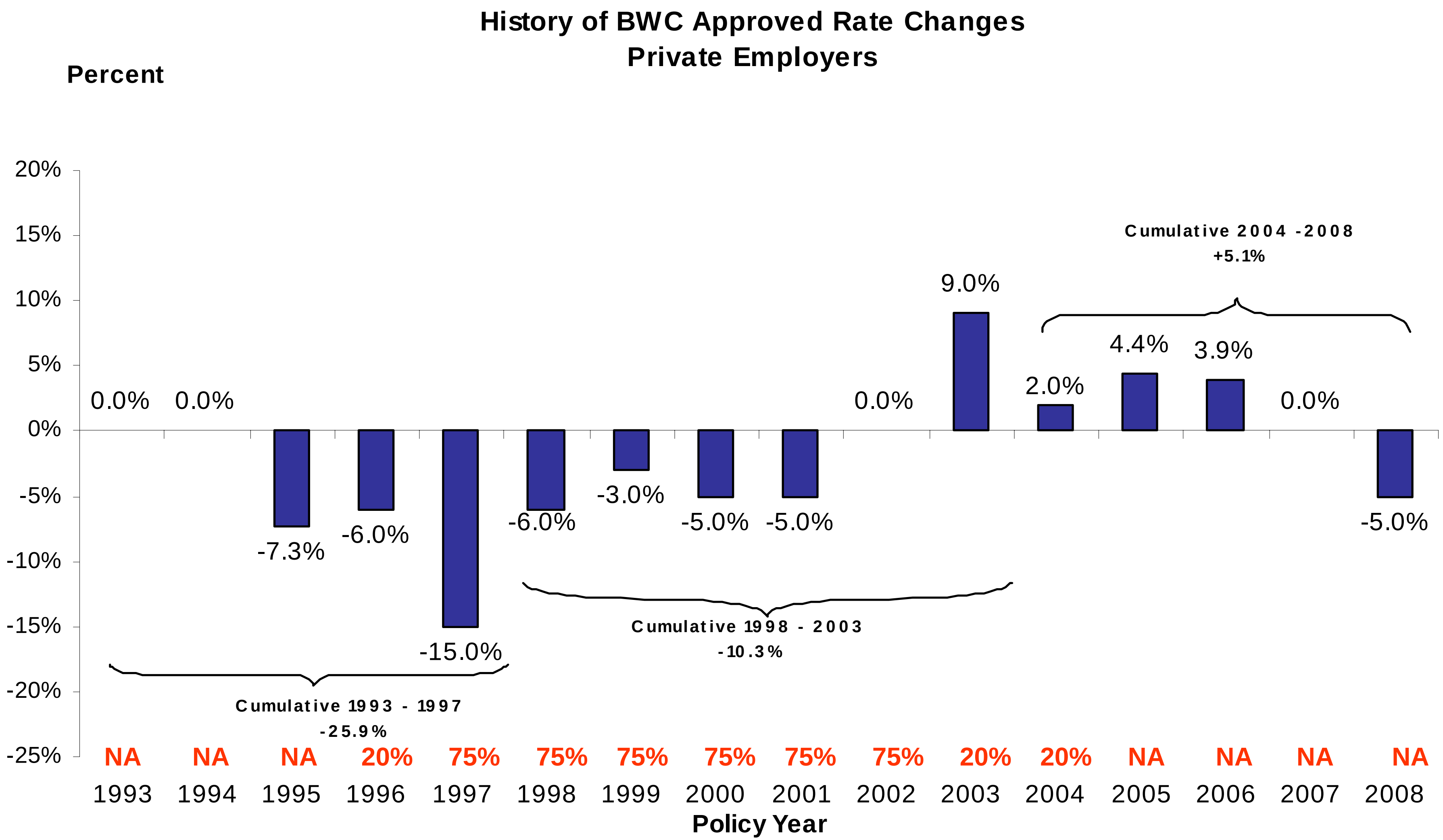

Premiums
000,000's
Ohio Bureau of Workers' Compensation
Accident Year Premium
Dollar Amount
1,500
1,000
500
0
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Accident Year
Private Employer
Public Employer Taxing District
Public Employer State Agencies

Workers' Compensation Premium Drivers

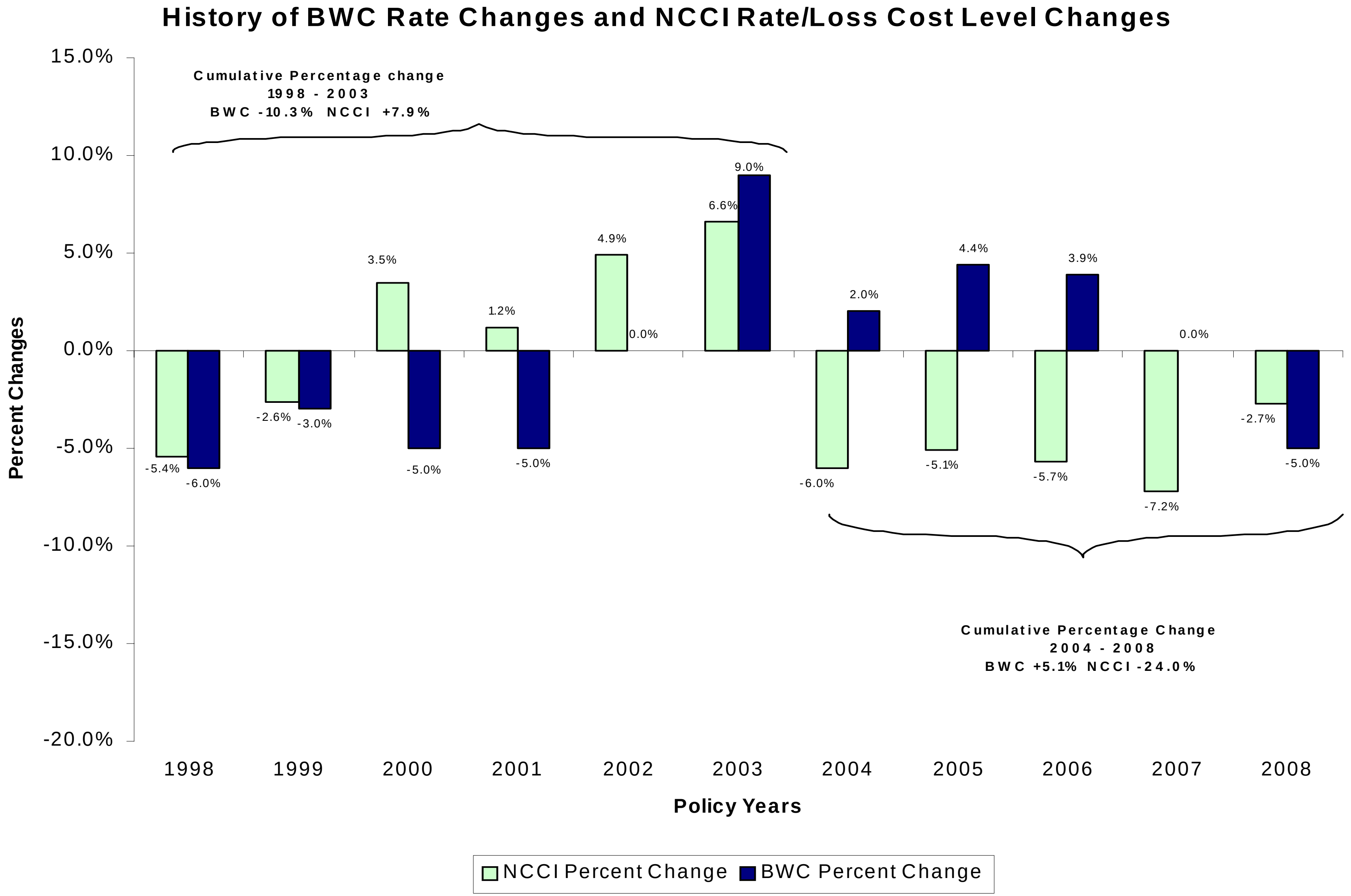
Ohio Bureau of Workers' Compensation



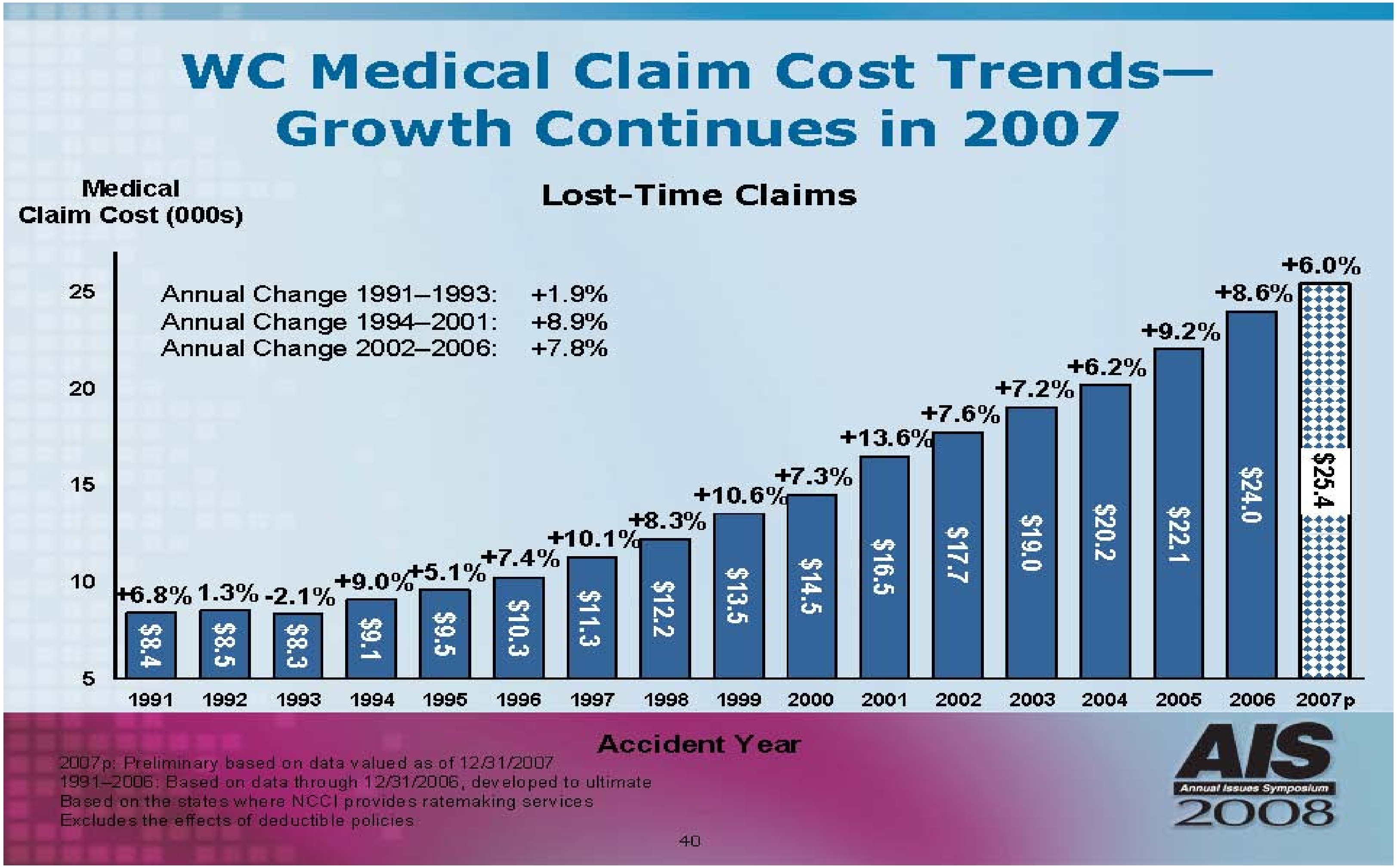
Ohio Bureau of Workers' Compensation



Red Font indicates dividend percents – see handout for details

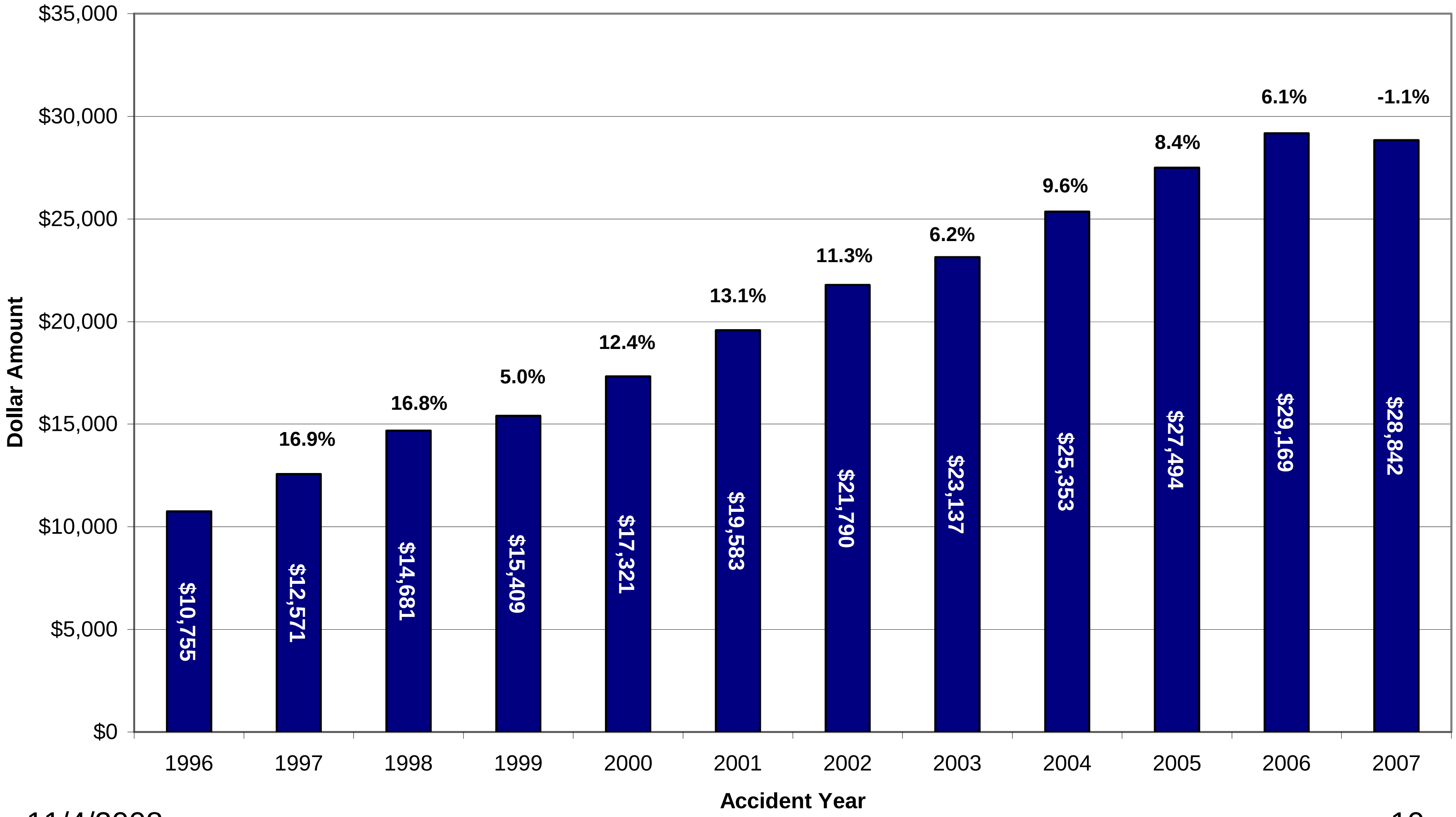

History of BWC Rate Changes and NCCI Rate/Loss Cost Level Changes
Cumulative Percentage change
1998 - 2003
BWC -10.3% NCCI +7.9%
Cumulative Percentage Change
2004 - 2008
BWC +5.1% NCCI -24.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
-10.0%
-15.0%
-20.0%
Percent Changes
-5.4%
-6.0%
-2.6%
-3.0%
3.5%
-5.0%
1.2%
-5.0%
4.9%
0.0%
6.6%
9.0%
-6.0%
2.0%
-5.1%
4.4%
-5.7%
3.9%
-7.2%
0.0%
-2.7%
-5.0%
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
Policy Years
NCCI Percent Change
BWC Percent Change

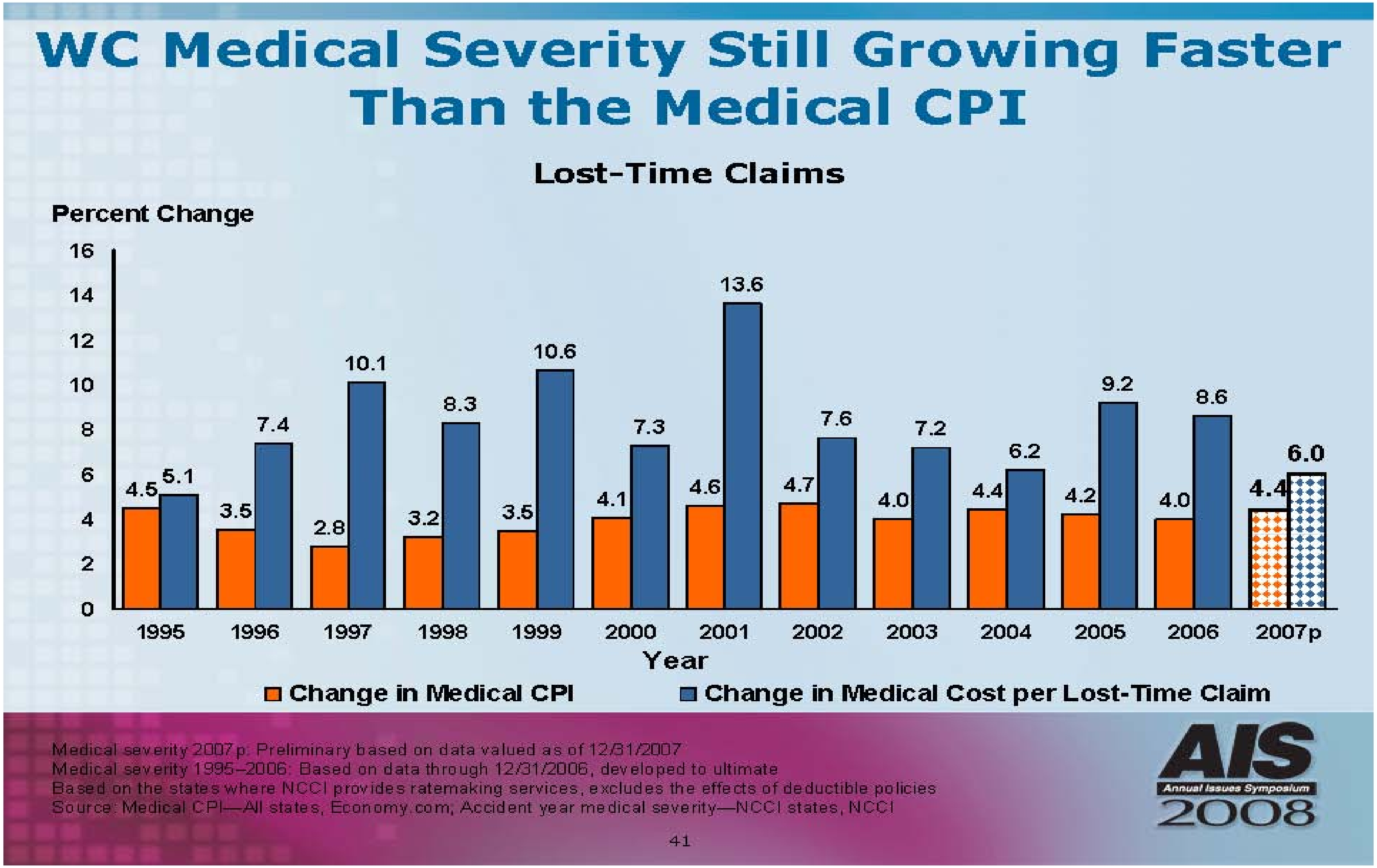
Workers' Compensation Loss Drivers

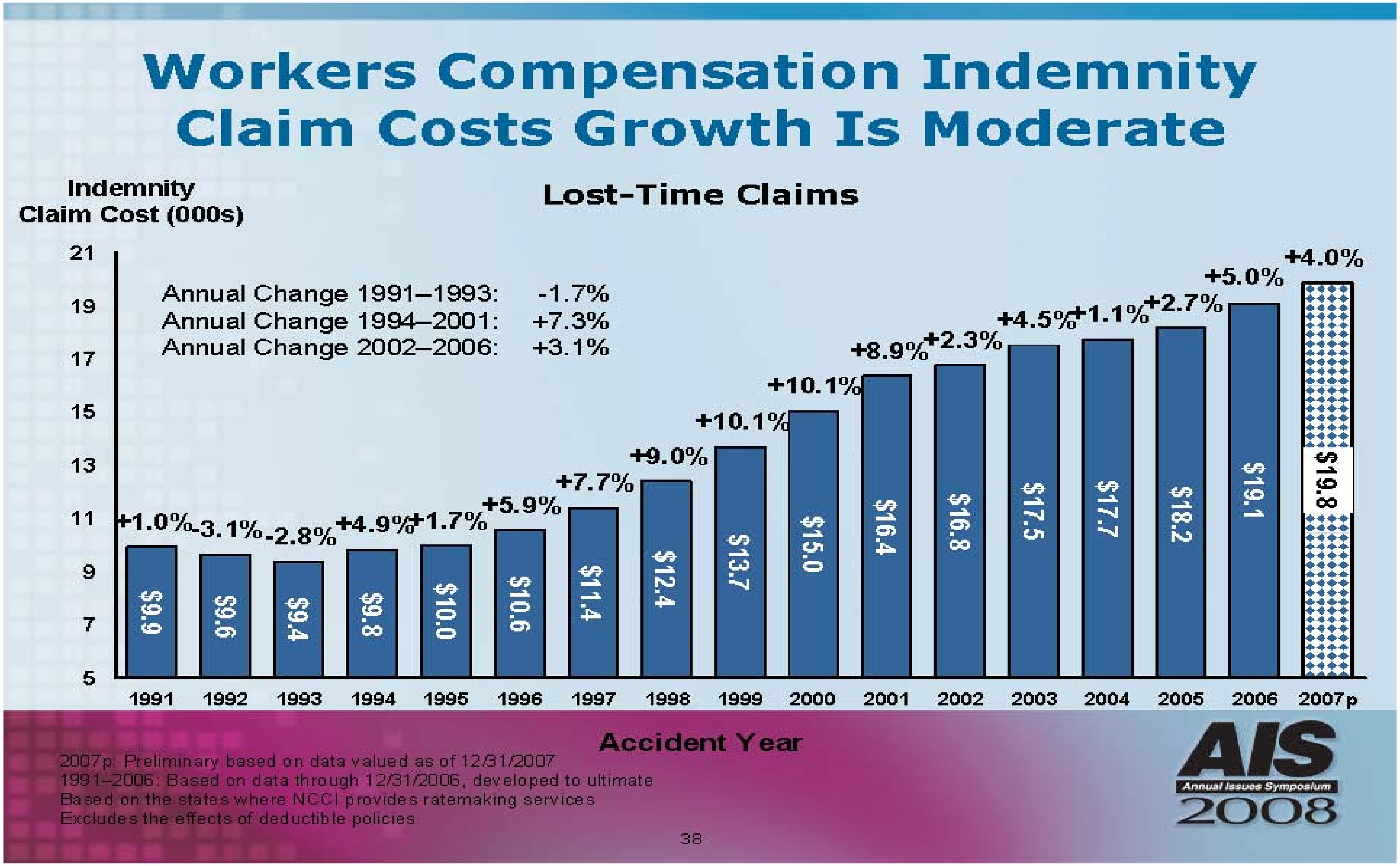

WC Medical Claim Cost Trends—
Growth Continues in 2007
Medical
Claim Cost (000s)
Lost-Time Claims
Annual Change 1991–1993: +1.9%
Annual Change 1994–2001: +8.9%
Annual Change 2002–2006: +7.8%
25
20
15
10
5
+6.8% $8.4
1.3% $8.5
-2.1% $8.3
+9.0% $9.1
+5.1% $9.5
+7.4% $10.3
+10.1% $11.3
+8.3% $12.2
+10.6% $13.5
+7.3% $14.5
+13.6% $16.5
+7.6% $17.7
+7.2% $19.0
+6.2% $20.2
+9.2% $22.1
+8.6% $24.0
+6.0% $25.4
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007p
Accident Year
2007p: Preliminary based on data valued as of 12/31/2007
1991–2006: Based on data through 12/31/2006, developed to ultimate
Based on the states where NCCI provides ratemaking services
Excludes the effects of deductible policies
40
AIS
Annual Issues Symposium
2008

Ohio Bureau of Workers' Compensation

Ohio Bureau of Workers' Compensation Average Medical Cost per Lost-Time Claim and Percentage Change

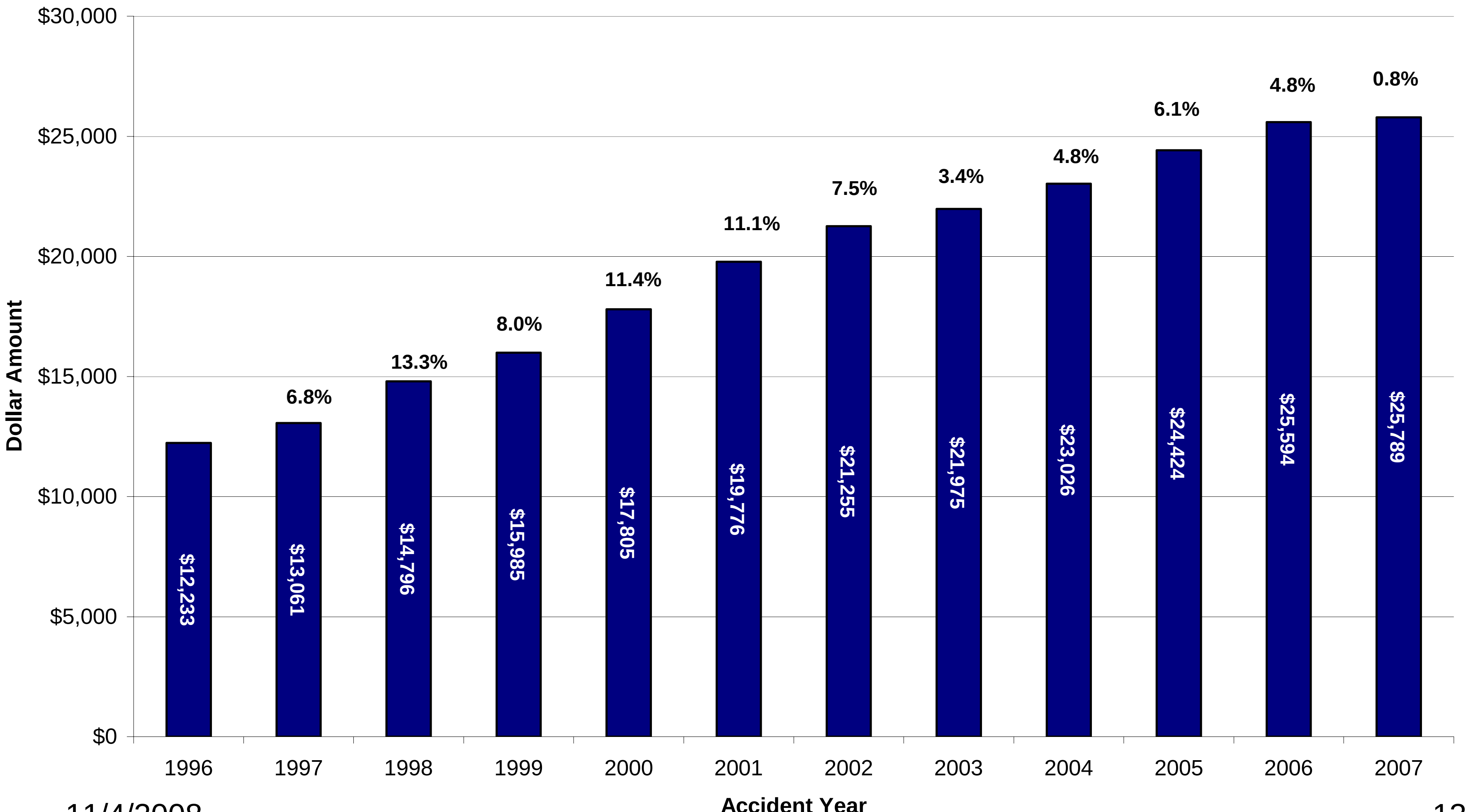



WC Medical Severity Still Growing Faster Than the Medical CPI
Lost-Time Claims
Percent Change
16
14
12
10
8
6
4
2
0
4.5 5.1
3.5 7.4
2.8 10.1
3.2 8.3
3.5 10.6
4.1 7.3
4.6 13.6
4.7 7.6
4.0 7.2
4.4 6.2
4.2 9.2
4.0 8.6
4.4 6.0
1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007p
Year
Change in Medical CPI
Change in Medical Cost per Lost-Time Claim
Medical severity 2007p: Preliminary based on data valued as of 12/31/2007
Medical severity 1995–2006: Based on data through 12/31/2006, developed to ultimate
Based on the states where NCCI provides ratemaking services, excludes the effects of deductible policies
Source: Medical CPI—All states, Economy.com; Accident year medical severity—NCCI states, NCCI
41
AIS
Annual Issues Symposium
2008


Workers Compensation Indemnity Claim Costs Growth Is Moderate
Indemnity Claim Cost (000s)
Lost-Time Claims
Annual Change 1991–1993: -1.7%
Annual Change 1994–2001: +7.3%
Annual Change 2002–2006: +3.1%
21
19
17
15
13
11
9
7
5
+1.0%
-3.1%
-2.8%
+4.9%
+1.7%
+5.9%
+7.7%
+9.0%
+10.1%
+10.1%
+8.9%
+2.3%
+4.5%
+1.1%
+2.7%
+5.0%
+4.0%
$9.9
$9.6
$9.4
$9.8
$10.0
$10.6
$11.4
$12.4
$13.7
$15.0
$16.4
$16.8
$17.5
$17.7
$18.2
$19.1
$19.8
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007p
Accident Year
2007p: Preliminary based on data valued as of 12/31/2007
1991–2006: Based on data through 12/31/2006, developed to ultimate
Based on the states where NCCI provides ratemaking services
Excludes the effects of deductible policies
38
AIS
Annual Issues Symposium
2008

Ohio Bureau of Workers' Compensation

Ohio Bureau of Workers' Compensation
Average Indemnity Cost Per
Lost-Time Claim and Percentage Change



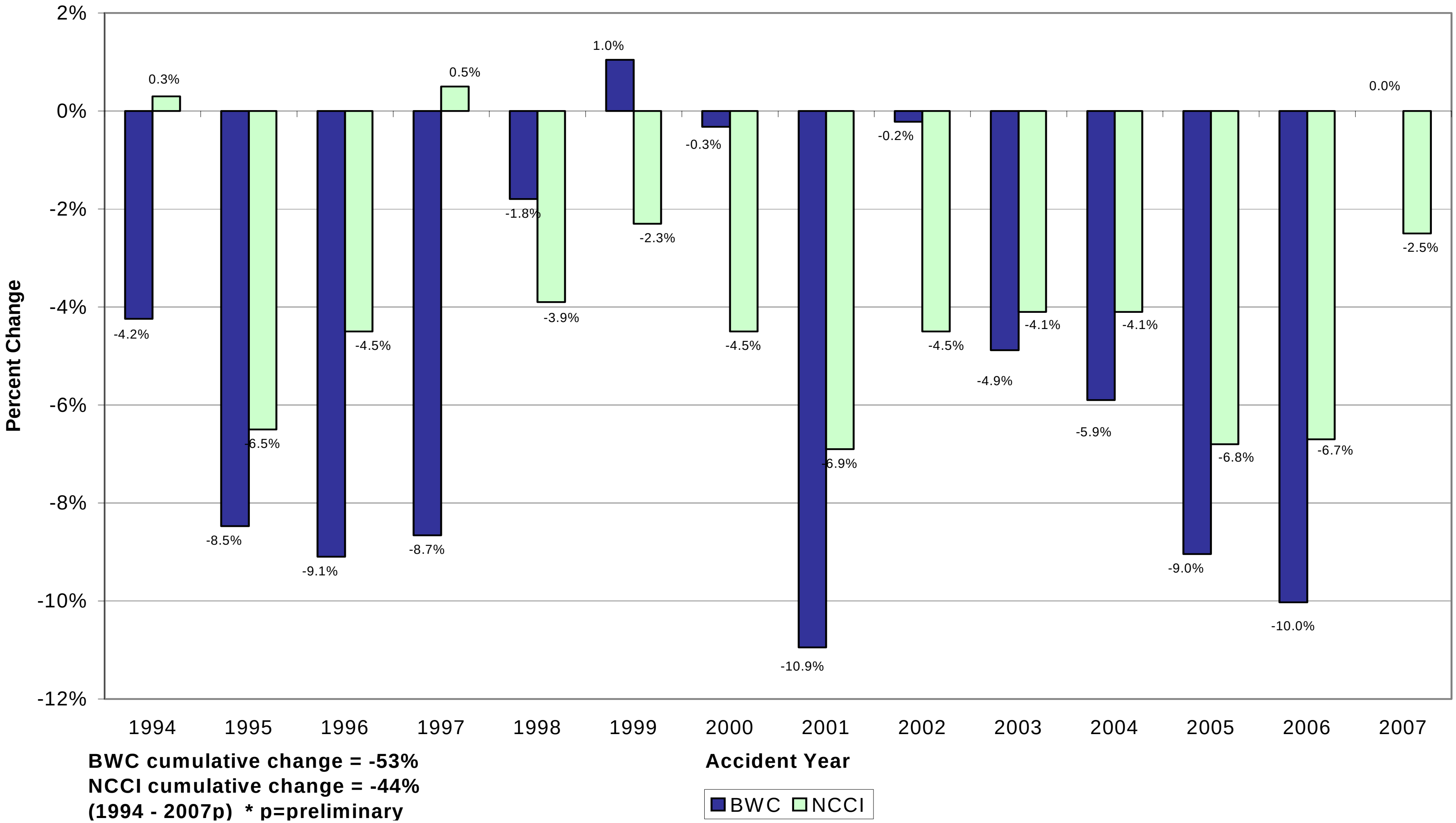
Ohio Bureau of Workers' Compensation

Ohio Bureau of Workers' Compensation Ratio of Discounted Indemnity and Medical Costs to Total Losses for Accident Years 1997 and 2007

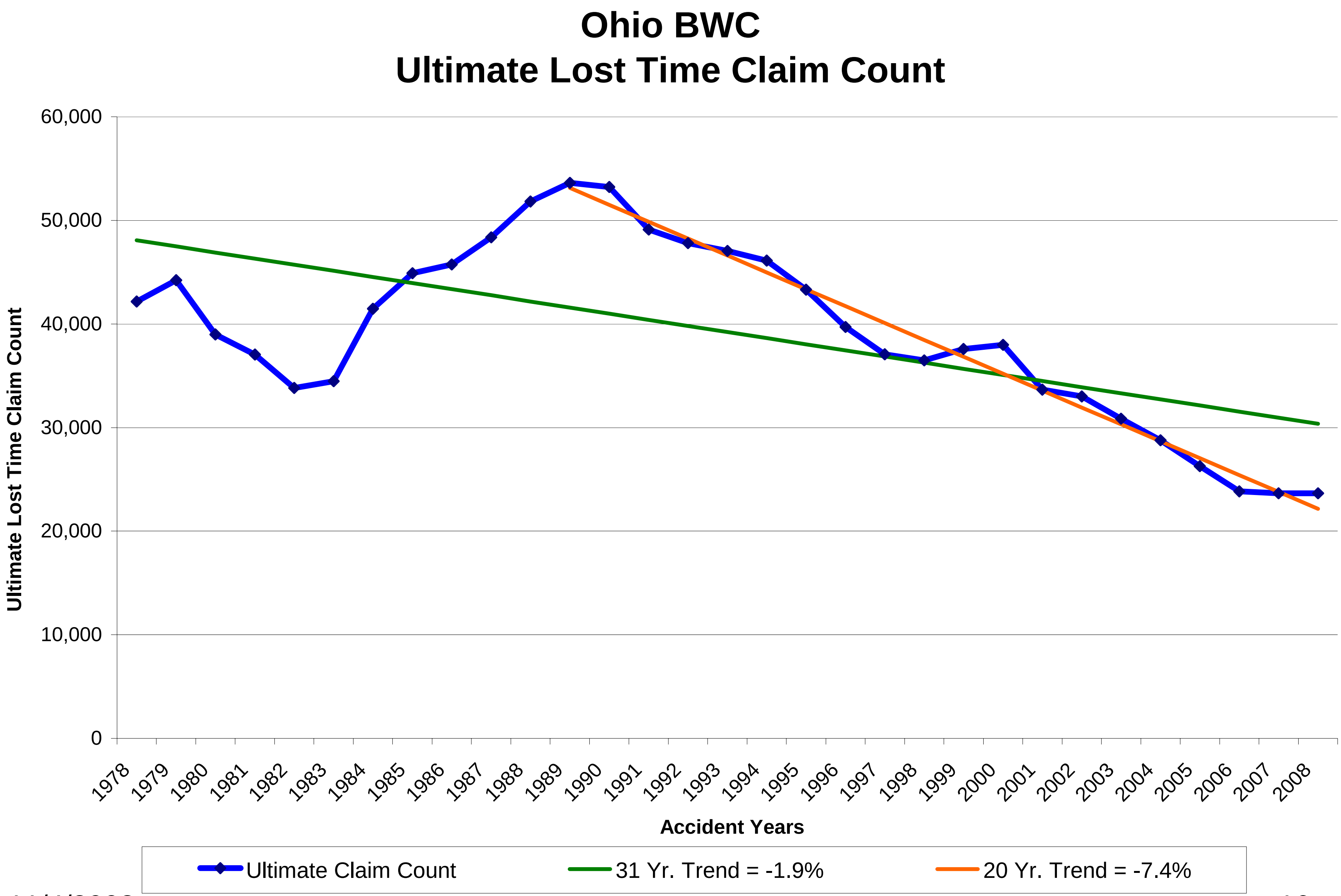
NCCI Ratio of Indemnity and Medical Costs to Total Losses for Accident Years 1997 and 2007

* NCCI Annual Issue Symposium 2008
* All Claims-NCCI States
* NCCI information for 1997 is based on date through 12/31/2006; 2007 is based on data through 12/31/2007
* BWC data is based on Private employer claim costs from the 6/30/2008 Actuarial Audit

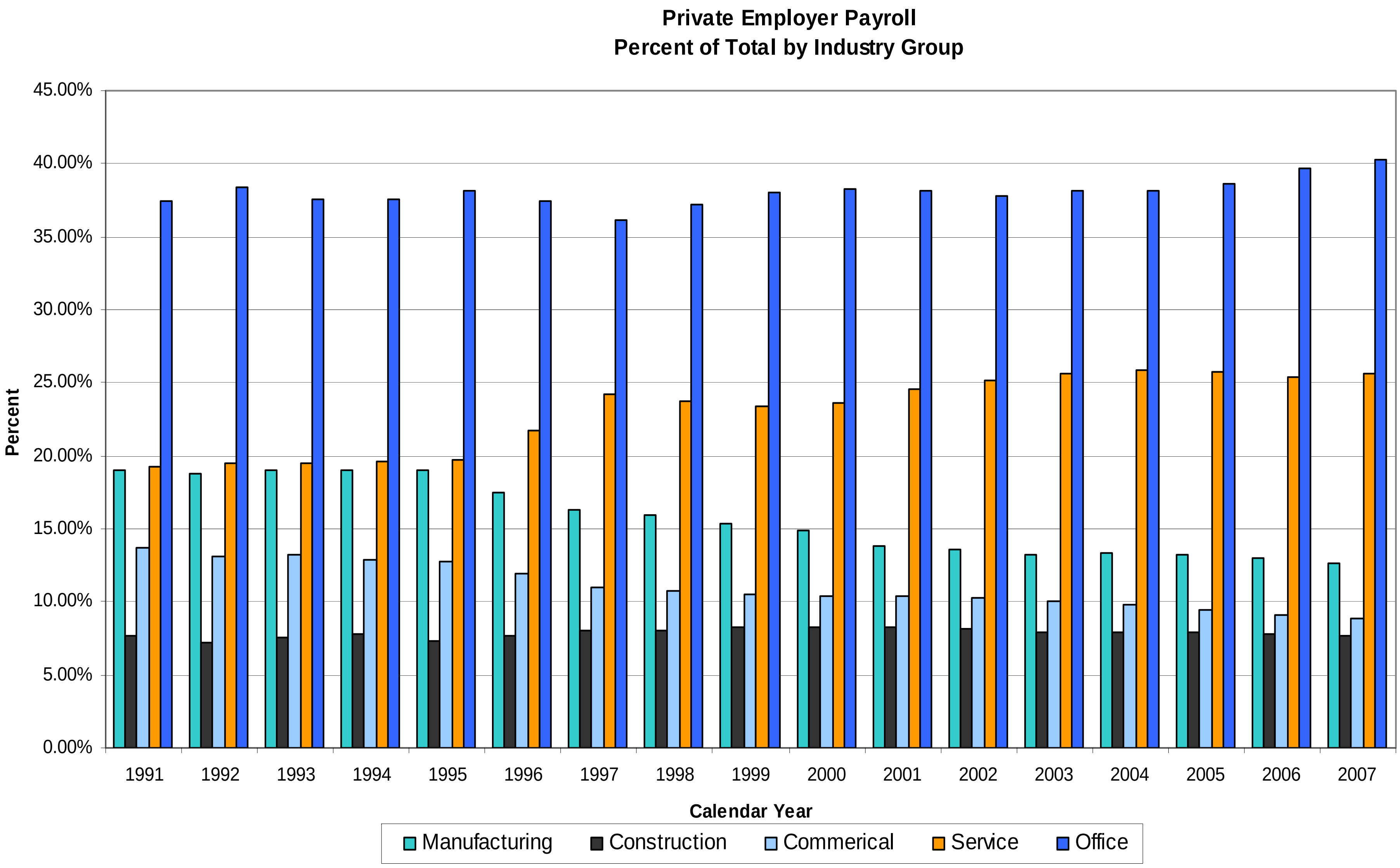
BWC and NCCI Subscriber
Workers' Compensation Change in Lost-Time Claim Frequency



BWC cumulative change = -53%
NCCI cumulative change = -44%
(1994 - 2007p) * p=preliminary


Ohio BWC
Ultimate Lost Time Claim Count
Ultimate Lost Time Claim Count
60,000
50,000
40,000
30,000
20,000
10,000
0
1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008
Accident Years
Ultimate Claim Count
31 Yr. Trend = -1.9%
20 Yr. Trend = -7.4%

Ohio Bureau of Workers' Compensation



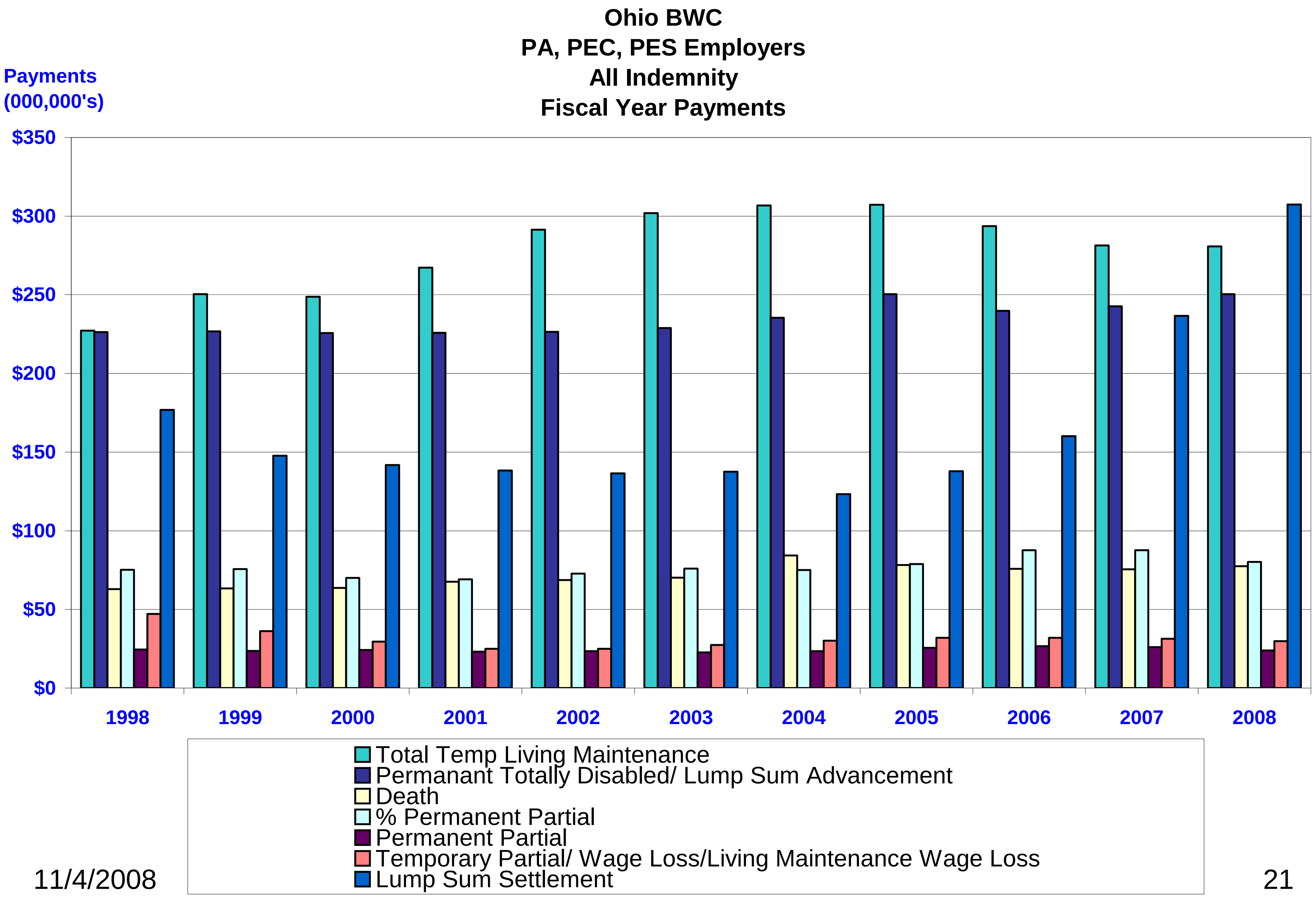
State	Policy Year	Allowed PTD Claims as a Percent of Total Claim Count
Illinois	4/03 to 3/04	0.3%
Indiana	7/03 to 6/04	0.1%
Kentucky	5/03 to 4/04	1%
Michigan	4/03 to 3/04	0.4%
Ohio	7/03 to 6/04	3.0%

Data is from the NCCI annual statistical bulletin

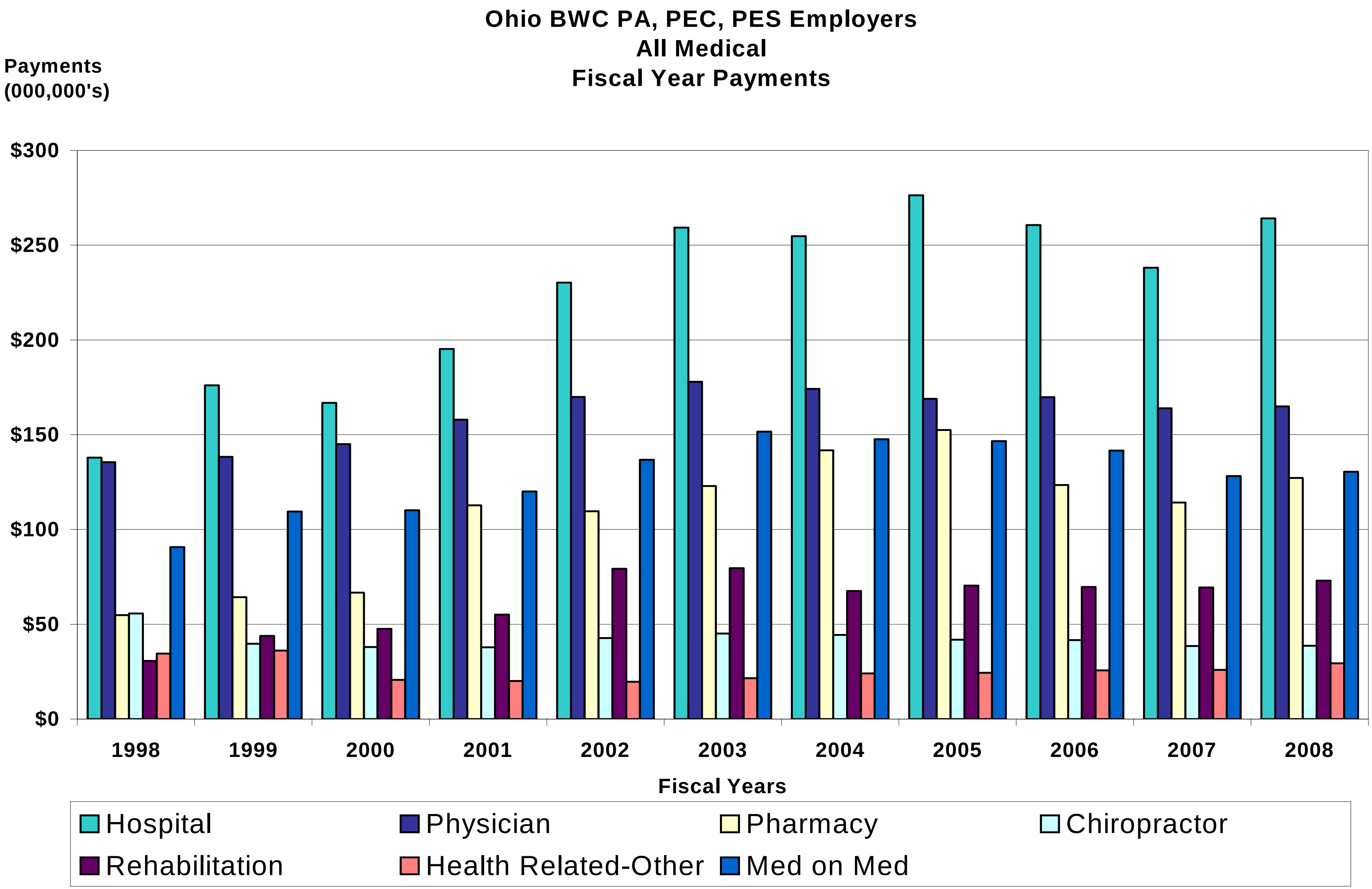
Policy Year	Allowed PTD Claims as a Percent of Total Claim Count
1998	2.3%
1999	2.5%
2000	2.6%
2001	2.6%
2002	2.7%
2003	3.0%
2004	3.2%
2005	3.4%

Ohio Workers' Compensation Historical Claim Payments

Ohio Bureau of Workers' Compensation



Ohio Bureau of Workers' Compensation



Ohio Bureau of Worker's Compensation Actuarial Committee

John R. Pedrick, FCAS, MAAA, Chief Actuarial Officer
Elizabeth G. Bravender, CPCU, Director of Actuarial

Experience Rating Reform

In June 2008, the Board of Directors approved a series of proposals to continue experience rating reform that will better align premiums with projected levels of risk. In the proposals, BWC noted the concerns expressed by sponsoring associations and third-party administrators about the potential financial impacts to employers, and recommended to cap increases in employer premiums in two ways:

1) **Cap per-year premium increases resulting solely from changes to the credibility table at 20%.**
2) **Cap year-to-year employer Experience Modifier (EM) increases at 100%.**

The BWC has continued to solicit and receive feedback to develop the detailed capping recommendations that will be presented to the Board of Directors at the October 2008 meeting.

CAPPING DESIGN RECOMMENDATION

BWC's original proposal to cap premium increases at 20-percent would require employers to initially pay their full premiums without regard to the caps. Then, after the policy year ends and premiums are received by the BWC, the premium cap would be calculated with the employers receiving a refund check as applicable. Due to the complexity and the delayed premium reduction for employers, this method of capping would be less than ideal. The BWC would like to implement a capping strategy that is easy to understand, communicate, and implement. Therefore, the BWC recommends using an EM cap at a percentage that will achieve similar results as a 20-percent premium cap. Using a 30% EM cap permits the employers to pay premiums at a capped EM rate immediately without waiting for the policy year to end to receive the benefit of the capping strategy. The BWC continues to recommend the 100% cap to moderate premium increases from one policy year to the next for individually rated employers.

CAPPING IMPACT COMPARISON

The following data compares the projected impacts of the original capping strategy (100-percent EM/20-percent premium) to that of the current recommendation (100-percent Year-to-Year EM/30-percent Single Year EM).

Group Loss Ratio Relative to Non-Group Loss Ratio				Number of Policies Capped		Average Premium of all policies		
At 85% Credibility Table	At 77% Credibility Table	20% Premium cap	30% EM cap	20% premium cap	30% EM cap	Before Capping	After 20% premium cap	After 30% EM cap
1.52	1.34	1.33	1.34	61,529	73,865	$8,348	$8,182	$8,168

*Group loss ratio relative to non-group loss ratio at the 85% maximum credibility table is 1.52

CAPPING DESCRIPTION

1) **Implement a Within-Year EM Cap of 30-percent to moderate premium increases as a result of the July 1, 2009 credibility table change.** This cap will limit to 30-percent the EM increase that is caused solely by the change from an 85-percent maximum credibility table to a 77-percent maximum credibility table. There will be two EM's calculated for 7/1/2009. The first will be calculated using the 85-percent credibility table and the second using the 77-percent credibility table. The selected EM will be the lower of the 85-percent maximum credibility table EM increased by 30-percent or the 77-percent maximum credibility table EM. Any changes due to the employer's experience would not be included as part of this cap, since both EM calculations use the same experience period data. This capping process may be repeated in subsequent years (pending further actuarial analysis) until the uncapped premium level is achieved for the policy.

Within-Year EM Cap of 30-percent Scenarios

Employer EM Scenarios	(A) 7-1-2009 EM	(B) 85% EM plus 30-	(C) 7-1-2009 EM	(D) Selected EM

	(85-percent maximum tables)	percent	(77-percent maximum tables)	(lower of column B or C)
Individual Employer not in a group – cap	0.23	0.30	0.31	0.30
Individual Employer not in a group – no cap	0.57	0.74	0.60	0.60
Individual Employer group rated for PY 7-1-2009 – cap	0.15 (group EM)	0.20 (group EM)	0.23	0.20
Individual Employer group rated for PY 7-1-2009 – no cap	0.36 (group EM)	0.47 (group EM)	0.45	0.45

2) Implement a Between-Year EM Cap of 100-percent to moderate premium increases from one policy year to the next, beginning July 1, 2009. This cap will capture any changes to an individual employer's experience rating history. The baseline EM will be the July 1, 2008 published EM which uses experience period data calculated as of the December 31, 2007 survey date. This baseline EM will not be adjusted at any point in the future. No cap will be applied to EM decreases.

Between-Year EM Cap of 100-percent Scenarios

Employer EM Scenarios	(A) 7-1-2008 EM	(B) 7-1-2009 Capped EM (7-1-2008 EM x 2)	(C) 7-1-2009 EM (77-percent maximum tables)	(D) Selected EM for 7-1-2009 policy year (lower of column B or C)
Individual Employer – no cap	0.63	1.26	0.73	0.73
Individual Employer – no cap	0.63	1.26	0.50	0.50
Individual Employer – cap	0.63	1.26	1.55	1.26
Individual Employer- group rated in PY 7-1-2008 no longer group in PY 7-1-2009	0.15 (group EM)	0.30	1.05 (individual EM)	0.30

Between-Year EM Cap of 100-percent Exclusion

It is important to recognize that changes in exposure have an impact on premium requirements. Therefore, where more than one employer policy's experience is used to develop an EM and the exposure is now different than was used to calculate the baseline EM, the resulting EM is not subject to the 100-percent year to year cap.

Exceptions to the Exclusion that will allow the cap to be applied:

1) A Debtor in Possession policy combination as a result of bankruptcy proceedings. This transaction is a change in policy number without any change in exposure.
2) A succeeding employer policy that is base rated as of the effective date of the transfer that wholly or partially succeeds only one other policy. This exception acknowledges the change in exposure.

In both of the exceptions above, the baseline EM of the successor policy will be the predecessor policy's 7/1/2008 published EM.

Discount Programs

1) The One Claim Program (OCP) will continue to operate under the current rules and parameters. The only exception being, any employer that has a lower EM (due to the 100-percent year-to-year cap) than the .60 EM currently offered under the OCP would receive the 100-percent capped EM. The employer should still apply for the OCP as the current rules require. This will allow the BWC to use the OCP EM as the baseline EM in subsequent policy years.
2) The baseline EM for those employers that are currently participating in either the Premium Discount Program or the Drug Free Workplace Program will be the published EM prior to the program discounts.

11/4/2008 7:44 AM

Capping Recommendations

June 2008 Board Approval:

- Effective July 1, 2009
- Implement a 20% cap on premium increases that result solely from the change in credibility table changes. (85% to 77% maximum credibility table)
- Implement a year to year cap to limit the EM increase from the previous year at 100%

Within Year 20% Premium Cap

- Requires employers to pay full premium for a year, then be refunded after the premium cap is applied
  - Delays effect of the cap to employers
  - Less than ideal for employers
- Need a methodology that:
  - Provides employers immediate relief
  - Is easy to understand
  - Is easy to communicate
  - Is easy to implement

Within Year 30% EM Cap

- Recommend a cap of a 30% limited increase of the experience modifier as a result of the change in the credibility table
  - Provides immediate relief to employers
  - Achieves similar results as the 20% premium cap
  - Discussions and feedback from external parties have been favorable

Within Year 30% EM Cap

Similarity Confirmed

At 85% Credibility Table	At 77% Credibility Table	20% Premium Cap Method	30% EM Cap Method
1.52	1.34	1.33	1.34

Group loss ratio relative to the non-group loss ratio of 1.00

Loss ratios are a measure of losses to premium

Ohio Bureau of Workers' Compensation

Within Year 30% EM Cap

Similarity Confirmed

	20% Premium Cap Method	30% EM Cap Method
Oliver Wyman Estimated Policy Count	61,259	73,865

Within Year 30% EM Cap

Summary

- Provides immediate relief to employers
- Similar loss ratios to 20% premium cap
- Approximately 12,500 more employers benefit

Methodology for the Within Year 30% EM Cap

- There will be two EM's calculated
  - 85% maximum credibility table increased by 30%
  - 77% maximum credibility table
- Selected EM will be the lower of the two EM's
- Isolates the capping benefit to only the change in the credibility table

Within Year 30% EM Cap Scenarios

Employer EM Scenarios (hypothetical)	(A) 7-1-2009 EM (85-percent maximum table)	(B) Policy year 7-1-2009 Capped EM (Column A x 1.3)	(C) 7-1-2009 EM (77-percent maximum table)	(D) Selected EM (lower of column B or C)
Employer that benefits from the cap	0.23	0.30	0.31	0.30
Employer that does not qualify for the cap	0.57	0.74	0.60	0.60

Ohio Bureau of Workers' Compensation

Between Year 100% EM Cap

- Cap experience modifier (EM) to a 100% increase over the previous year EM
  - Targets those employers that are removed from group rating
  - Excludes those EM's in which more than one policy experience is used to create the EM due to changes in exposure

Ohio Bureau of Workers' Compensation

Between Year 100% Cap

Employer EM Scenarios (hypothetical)	(A) Policy Year 7-1-2008 EM	(B) Policy Year 7-1-2009 Capped EM (Column A x 2)	(C) Policy Year 7-1-2009 EM (77-percent maximum table)	(D) Selected EM for Policy Year 7-1-2009 (lower of column B or C)
Employer that benefits from the cap	0.63	1.26	1.55	1.26
Employer that does not qualify for the cap	0.63	1.26	0.73	0.73

Capping Recommendations

Common Sense Business Regulation (BWC Rules)

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

Rules 4123-17-03, 4123-17-71

Rule Review

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

   Citation: __R.C. 4123.29, 4123.34 ___

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

   What goal(s): _ Rule 4123-17-03 establishes the formula for calculating the experience modification for workers' compensation rates. Rule 4123-17-71 describes the one claim program for workers' compensation. The amendments will mitigate the impact of premium fluctuations for employers caused by changes to the credibility table or group rating eligibility, providing more premium predictability for employers.

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: __Third Party Administrators; Group rating sponsors_________________

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.

4123-17-03 Employer's classification rates.

(A) An employer’s premium rates shall be the manual basic rates as provided under rules 4123-17-02, 4123-17-06, and 4123-17-34 of the Administrative Code for each of its classifications except as modified by its experience rating, and shall apply for the first two six-month periods beginning on or after the first of July for private employers and shall apply for the calendar year beginning on or after the first of January for public employer taxing districts.

(1) In calculating the manual base rate under this rule, the bureau shall exclude the experience of an employer that is no longer active if the inclusion of the inactive employer’s experience would have a significant negative impact upon the remaining active employers in a particular manual classification.

(2) The calculation of the base rate and the experience rate shall be applied to all employers reporting payroll in the manual classification, whether or not the premiums of the individual employers are reduced.

(3) Once the bureau has determined that the loss data of a specific inactive employer shall be removed from the manual classification experience, the bureau shall exclude the data of that employer from all future manual classification rate calculations. If that inactive employer reactivates its account with the Ohio state insurance fund, the bureau shall include the loss data in rate calculations for the manual classification.

(4) As used in this rule, an employer that is “no longer active” or is “inactive” is defined as an employer that satisfies all of the following criteria:

(a) The employer is assigned the policy status “bankrupt cancel,” “cancel effective date,” “final cancel,” “canceled uncollectible,” “no coverage due to claim,” or “no coverage;”

(b) The employer is not reporting payroll;

(c) The employer is not paying or assessments to the Ohio state insurance fund as of the rate cut off date under either its own identity, the identity of any successor entity, or as a self-insured entity; and

(d) The employer does not employ employees for which Ohio workers’ compensation jurisdiction would apply.

(5) As used in this rule, a “significant negative impact” is defined as occurring when the inactive employers in the manual reported forty per cent or more of the payroll in the manual classification in any calendar year in the experience period and when the loss rate and loss/premium ratio of the inactive employers taken as a whole are significantly higher than those of the active employers taken as a whole as measured using the data from the prior policy year’s most current four years data. For private employer rates

effective July 1, 1997, the bureau shall use the experience period data of the current policy year.

(B) An experience-rated employer's manual classification rate modification (credit or penalty) shall be determined by multiplying its experience modification percentage (EM%) times the basic manual rate for each assigned manual classification. The amount of the modification shall then be subtracted from or added to the respective basic rate to obtain the employer's premium rate for each classification.

(C) The experience modification percentage (EM%) shall be determined on the basis of the employer's experience and applied to the basic rate. The experience modification percentage of the employer's rate is determined in accordance with the following formula:

Subtract the TLL from the TML (TML – TLL), then divide by the TLL; multiply the resulting number by the C%; then add 100 to the resulting number, which will equal the EM%.

TML = Actual losses of the employer for the experience period as reduced in accordance with the maximum value. ~~For individually rated employers, the EM% calculation will use the lower of the total modified losses from either the tabular reserve system or the MIRA reserve system. The TML that will be used in the calculation of the group EM% will be the lower of the TMLs from either the tabular reserve system or the MIRA reserve system, as determined at the individual employer level.~~

TLL = Total limited losses = TEL x LLR

TEL = Total expected losses as determined by applying the national council of compensation insurance (NCCI) expected loss rate to the NCCI classification payroll of each NCCI classification in the employer's experience period, as provided in appendix A of rule ~~4123-17-04~~ 4123-17-05.1 of the Administrative Code for private employers and rule 4123-17-33.1 of the Administrative Code for public employer taxing districts. The total expected losses are then used to determine the credibility group, credibility, and maximum value of a loss~~, credibility, and CX constant~~.

LLR = Limited loss ratio ~~= 1-CX/C%~~. This ratio is calculated for each credibility group within each industry group and is published as Table 1, Part ~~C~~ B, ~~in~~ of rule 4123-17-05 of the Administrative Code for private employers and Part B of rule 4123-17-33 of the Administrative Code for public employer taxing districts.

C% = Credibility given to an employer's own experience. Credibility is assigned by applying the employer's total expected losses to Table 1, Part A, in rule ~~4123-17-05~~ 4123-17-05.1 of the Administrative Code for private employers and rule ~~4123-17-33~~ 4123-17-33.1 of the Administrative Code for public employer taxing districts.

~~CX = Constant for each employer size group (group maximum value pool).~~

EM% = Credit or ~~penalty~~ debit applied to the basic rate.

(D) ~~An employer's expected losses shall be the sum of the expected losses for each of its classifications. The expected losses for a classification shall be obtained by applying the expected loss rate of the table of rates to the employer's four-year payroll of the classification.~~

~~(E)~~ The "experience period" shall be the oldest four of the latest five calendar years immediately preceding the beginning of the payroll reporting period to which the revised rates are applicable.

~~(F)~~ (E) Experience modification per cent (EM%) shall be subject to the following conditions and limitations:

(1) Actual losses include all incurred costs and shall be limited at the claim level to the amounts ~~stated in the credibility table~~ provided in appendix A of rule 4123-17-05.1 of the Administrative Code for private employers and rule 4123-17-33.1 of the Administrative Code for public employer taxing districts according to the total expected losses of an employer;

(2) An employer shall not be eligible for experience modification of basic rates unless its expected losses are at least the minimum amount in the credibility table as provided in appendix A of rule 4123-17-05.1 of the Administrative Code for private employers and rule 4123-17-33.1 of the Administrative Code for public employer taxing districts, as periodically established for the applicable rating period by rule adopted by the administrator with the advice and consent of the bureau of workers' compensation board of directors;

~~(G)~~ (F) Commencing with the rating year beginning July 1, 1987, and all subsequent rating years, all manual classifications of the state insurance fund are subject to experience rating (i.e., merit rating).

(G) With-in year cap: Commencing with the rating year beginning July 1, 2009, the bureau shall cap or limit the increase to the employers experience modification per cent (EM%) where the increase to the employer's EM% is due solely to the change in the experience rating credibility table from the 85-per cent maximum credibility table to the 77-per cent maximum credibility table.

(1) The bureau will calculate the EM% two ways for July 1, 2009, using the July 1, 2009 experience period data. The bureau will calculate the EM% using the 85-per cent credibility table and then will calculate the EM% using the 77-per cent credibility table.

(2) The bureau will assign to the employer the lower of the following:

(a) The EM% calculated using the 85 per cent maximum credibility table EM%, increased by 30 per cent, or

(b) The EM% calculated using the 77 per cent maximum credibility table.

(H) Year-to-year cap: Commencing with the rating year beginning July 1, 2009, the bureau shall cap or limit at 100% the increase to the employer's experience modification (EM%) from the July 1, 2008 published EM%.

(1) The bureau will cap the July 1, 2009 EM% at a 100% increase from the published July 1, 2008 EM% which used the experience period data calculated as of December 31, 2007. The bureau will not adjust the July 1, 2008 published EM% for the purposes of determining the cap for the July 1,2009 rating year. The bureau will not apply a cap to any EM% decreases.

(2) Exclusion to the 100% EM% cap: Where more than one employer policy's experience is used to develop an EM%, the resulting EM% is not subject to the 100 per cent year to year cap.

(3) Exceptions to the Exclusion.

(a) The bureau will allow the cap to be applied to a debtor in possession policy combination as a result of bankruptcy proceedings. This transaction is a change in policy number without any change in exposure. The baseline EM% of the successor will be the predecessor's July 1, 2008 published EM%.

(b) The bureau will allow the cap to be applied to a succeeding employer policy that is base rated as of the effective date of the transfer that wholly or partially succeeds only one other policy. This exception acknowledges the change in exposure. The baseline EM% of the successor will be the predecessor's July 1, 2008 published EM%.

Prior effective date: 07/21/2008
Promulgated Under: 111.15
Statutory Authority: 4121.12, 4121.121, 4121.13
Rule Amplifies: 4123.29, 4123.34

4123-17-71 One claim program for experience rated and base rated employers.

Pursuant to division (E) of section 4123.34 of the Revised Code, the administrator may grant a discount on premium rates to an eligible employer that meets the one claim program (OCP) requirements under the provisions of this rule.

(A) As used in this rule:

(1) “One claim program” or “OCP” means the bureau’s voluntary rate program which offers a private, state fund employer the opportunity to mitigate the impact of a significant claim that would be coming into the employer’s experience for the first time from the green year.

(2) “Significant claim” means a claim whose total value or maximum claim value, whichever is lower, will be greater than the employer’s total limited losses (TLL).

(B) Application and withdrawal processes. An employer’s participation in the OCP is voluntary and shall be for a maximum of four policy years in relationship to a specific significant claim. The bureau shall evaluate each application to determine the employer’s current eligibility to participate in the OCP at the time of the application and for each year of continuing participation. The bureau shall have the final authority to approve an eligible employer for initial and continued participation in the OCP.

(1) A private state fund employer shall submit a completed application by March thirty-first for the policy year beginning July first of that year.

(2) An employer may withdraw from the OCP under this rule at any time. An employer that withdraws from the OCP after receiving a discount will return to its own individual experience rating for the rest of the policy year.

(3) If the employer withdraws from the OCP and has any remaining years in which the significant claim is still in its experience, the employer may reapply for the OCP and designate the same significant claim as its one claim.

(C) Eligibility requirements. At the time of an employer’s application for the OCP, the employer shall be currently enrolled in a group rating program and shall meet the following program requirements:

(1) The employer shall have no more than four claims in the next experience period including the most recent calendar year with the total cost value of the one significant claim or the employer’s maximum claim value, whichever is lower, greater than the employer’s TLL. The four claims may include up to three medical only claims and one significant claim.

(2) The employer shall be current at the time of the application underwriting review. “Current” means that the employer is not more than forty-five days past due on any and all premiums, assessments, penalties or monies otherwise due to any fund administered by the bureau, including amounts due for retrospective rating at the time of the application deadline. The employer must continue to be current throughout its participation in OCP.

(3) The employer cannot have cumulative lapses in workers’ compensation coverage in excess of fifty-nine days within the eighteen months preceding the March thirty-first application deadline or any time thereafter while participating in the OCP.

(4) An employer in the OCP shall continue to meet all eligibility requirements during each year of participation in the program.

(D) General program requirements.

(1) In signing the application form, the chief executive officer or designated management representative of the employer is certifying to the bureau that the employer will comply with all program requirements.

(2) An employer may have a maximum of three medical only claims at any time in addition to the one significant claim. As a medical only claim exits the employer’s experience period, the employer may include a new medical only claim.

(3) The total number of medical only claims may not exceed three, and the total combined costs of these claims must be below the employer’s TLL.

(4) An employer may participate in the OCP on no more than one claim every four years from the date of the employer’s initial participation in the program. If the combined claim costs for the three medical only claims increase over the TLL, the employer would not be eligible.

(5) Once a claim has been designated as the one significant claim, an employer is not permitted to change the designated claim after the employer’s initial enrollment in the program.

(6) Settled and subrogated claims will be included in the employer’s total claim count.

(7) The employer shall attend the bureau’s Workers’ Compensation University and one other BWC-approved training class each participating policy year.

(E) Program benefits.

(1) The bureau will credit an employer that meets all the criteria with a forty per cent discount from the employer’s base rate.

(a) Any employer that has a lower EM% due to the 100-per cent year-to-year cap as provided in paragraph (H) of rule 4123-17-03 of the Ohio Administrative Code than the forty per cent discount offered under this rule would receive the EM% based on the 100-per cent capped EM.

(b) The employer should still apply for the one claim program as provided in this rule to allow the employer to continue in the one claim program in subsequent policy years.

(2) The employer shall be eligible to participate in the bureau's drug-free workplace program or drug-free EZ program and may add the drug-free discount in addition to the OCP discount.

(F) Removal from program. The bureau will remove an employer from participation in the OCP at the beginning of the next policy year and, upon removal, will return the employer to its individual experience modifier, under the following circumstances:

(1) If the employer has more than four claims, lost time or medical only, including the one significant claim;

(2) If the combined claim costs of the three medical only claims increase past the TLL;

(3) If the employer fails to meet any of the eligibility or general requirements of paragraph (C) or paragraph (D) of this rule.

(G) An employer may appeal the bureau's application rejection or the bureau's participation removal in the OCP to the bureau's adjudicating committee pursuant to section 4123.291 of the Revised Code and rule 4123-14-06 of the Administrative Code.

Prior effective date: 1/1/05
Promulgated Under: 111.15
Statutory Authority: 4121.12, 4121.121
Rule Amplifies: 4123.29, 4123.34

OBWC Board of Directors
Actuarial Committee Charter

Purpose

The Actuarial Committee has been established to assist the Ohio Bureau of Workers' Compensation Committee Board of Directors in fulfilling their responsibilities through:

- monitoring the actuarial soundness and financial condition of the funds and reviewing rates, reserves and the level of net assets
- monitoring the integrity of the actuarial audit process
- monitoring compliance with legal and regulatory requirements
- monitoring the design and effectiveness of the actuarial studies
- confirming external actuarial consultants' qualifications and independence
- reviewing any independent external actuarial work product

Membership

The Committee shall be composed of a minimum of five (5) members. One member shall be the appointed actuary member of the Board. The Board, by majority vote shall appoint four additional members. The Board may also appoint additional members who may or may not be on the Board. Members of the Actuarial Committee serve at the pleasure of the Board and the Board, by majority vote, may remove any member except the member of the committee who is the actuary member of the Board.

Each committee member will be independent from management. The Chair and Vice Chair are designated by the Board, based on the recommendation of the Board Chair. The Board Chair, if not a member, is an ex-officio member and shall not vote if his/her vote will create a tie vote when serving as ex-officio.

The Committee Chair will be responsible for scheduling all meetings of the Committee and providing the Committee with a written agenda for each meeting. The Committee will have a staff liaison designated to assist it in carrying out its duties.

Meetings

By majority vote the Committee will recommend to the Board of Directors it's meeting schedule. There shall be not less than nine (9) meetings each year. Reports shall be made to the Board after each meeting. The Committee also has the authority to convene additional meetings, as circumstances require. The Committee will invite members of management, external actuarial firms, internal actuarial staff and/or others to attend meetings and provide pertinent information, as necessary. Subject to open meeting laws, the Committee will hold executive sessions for meetings with actuaries and auditors, when required in the performance of their duties. Committee meetings will be conducted according to Robert's Rules of Order. A quorum will be a majority of the Committee members.

Duties and Responsibilities

The Actuarial Committee shall have responsibility for the following:

1. Recommending actuarial consultants for the Board to use for the funds specified in the Ohio Revised Code.
2. Reviewing the calculation of rate schedules prepared by the actuarial consultants with whom the Board contracts.
3. Supervising for the Board's consideration the preparation of an annual report of the actuarial valuation of the assets, liabilities and funding requirements of the state insurance funds to be submitted to the Workers' Compensation Council and the Senate and House.
4. Coordinating with other Board Committees on issues of common interest.
5. At least once every five (5) years, contracting for an actuarial investigation of experience of employers; mortality, service and injury rate of employees; and payment of benefits in order to update the assumptions on the annual actuarial report. (ORC 4121.125(F), effective 2007)
6. Arranging for an actuarial analysis prepared of any legislation expected to have measurable financial impact on the system, within 60 days after introduction of the legislation.
7. Consulting in the appointment of and overseeing the work of any actuarial firm engaged by Ohio Bureau of Workers' Compensation to complete actuarial studies.
8. Recommending retention and oversight of consultants, experts, independent counsel and actuaries to advise the Committee on any of its responsibilities or assist in the conduct of an investigation.
9. Seeking any information it requires from Bureau employees – all of whom are directed to cooperate with the Committee's requests, or the request of internal or external parties working for the Committee. These parties include the internal actuaries, all external actuaries, consultants, investigators and any other specialties working for the Committee.
10. Making recommendations to the Board of Directors of the Ohio Bureau of Workers' Compensation for Board decisions.
11. At least annually, reviewing this charter and submitting any proposed changes to the Governance Committee and to the Board for approval.
12. Creating, by majority vote, a subcommittee consisting of one or more Directors on the Committee. In consultation with the chair, other board members may be appointed to the subcommittee as appropriate. The subcommittee shall have a specific purpose. Each subcommittee shall keep minutes of its meetings. The subcommittee shall report to the Board of Directors through the Committee. The Committee by majority vote may dissolve the subcommittee at any time.

Actuarial Committee Charter.doc
Draft 092607
Review & Approved 112107, Chuck Bryan, Chair
Revised 012408
Revised 092408
Annual Review and Revision 112108

OLIVER WYMAN

Oliver Wyman Actuarial Consulting, Inc.
325 John H McConnell Boulevard, Suite 350
Columbus, OH 43215
1 614 227 5509 Fax 1 614 227 6201
www.oliverwyman.com

September 11, 2008

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

Subject:
Projected Unpaid Loss and LAE as of June 30, 2009

Dear Mr. Pedrick:

Attached are the projected unpaid loss and LAE as of June 30, 2009, as requested by Barb Ingram.

Methodology

We used the same procedure that is utilized in the Actuarial Audit as of June 30, 2008 with the addition of expected paid losses as a proxy for the fiscal period 2009 payments. The expected payments are based on the results of the Actuarial Audit and include consideration of the trends and assumptions underlying that analysis for projecting payments for accident periods 2008 and prior, as well as estimating the payments for the first half of accident period 2009.

If you have any questions, please feel free to give me a call.

Sincerely,

Jeffery J. Scott, FCAS, MAAA

Jeffery W. Scholl, FCAS, MAAA

JJS/JWS/mpg
Copy:
Ms. Barbara Ingram, Financial Reporting Manager

MMC MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Ohio Bureau Of Workers' Compensation

Summary Of Indicated Discounted Unpaid Loss and LAE
As of 6/30/08 and Projected @ 6/30/09
SIF By Employer Type by Benefit Type
(Dollars in Millions)

Category	(1) 06/30/08 Unpaid PA	(2) 06/30/08 Unpaid PEC	(3) 06/30/08 Unpaid PES	(4) 06/30/08 Unpaid Total	(5) 06/30/09 Unpaid PA	(6) 06/30/09 Unpaid PEC	(7) 06/30/09 Unpaid PES	(8) 06/30/09 Unpaid Total
Medical	$5,126.195	$1,173.748	$442.493	$6,742.436	$5,468.005	$1,048.412	$437.575	$6,953.992
Temporary Total	598.407	122.675	46.240	767.323	599.037	119.955	49.053	768.046
Permanent Total Disability	2,772.401	425.454	113.462	3,311.316	2,816.109	425.656	117.844	3,359.609
Death	968.268	165.484	26.293	1,160.045	982.343	163.463	27.461	1,173.267
% Permanent Partial	229.452	57.679	17.757	304.888	220.733	57.133	16.872	294.738
Permanent Partial	71.159	8.569	1.550	81.278	72.237	7.405	1.810	81.452
WL+TP+LMWL+CO	108.828	28.180	9.948	146.956	111.419	32.299	10.957	154.676
Lump Sum Settlements	1,811.758	193.445	46.610	2,051.813	2,014.185	210.589	49.975	2,274.749
Living Maintenance	83.360	12.869	4.400	100.629	88.981	14.799	4.357	108.137
Lump Sum Advancements	124.075	14.450	5.883	144.409	135.422	14.282	6.202	155.906
Additional Awards	24.521	2.204	0.360	27.084	24.392	2.265	0.356	27.013
Self Insured				147.523				149.102
HPP				670.300				694.029
Total SIF Unpaid	**11,918.424**	**2,204.756**	**714.997**	**15,656.000**	**12,532.864**	**2,096.258**	**722.462**	**16,194.715**
Disabled Workers' Relief Fund (DWRF)				**1,895.046**				**1,960.616**
Coal-Workers Pneumoconiosis Fund (CWPF)				**62.825**				**62.825**
Public Work-Relief Employees' Comp. Fund (PWREF)				**3.522**				**3.348**
Marine Industry Fund (MIF)				**3.182**				**3.346**
Intentional Tort Fund (IT)				**0.000**				**0.000**
Self-Insuring Employers Guaranty Fund (SIEGF)				**718.983**				**743.861**
Administrative Cost Fund (ACF)-- Loss Adjustment Expense Reserve (LAE)				**1,095.562**				**1,133.469**
Total Unpaid Loss and LAE				**19,435.119**				**20,102.178**

Notes:

- **All figures are shown rounded to nearest million and may not add to totals for this reason.**
- **06/30/08 unpaid loss and LAE are discounted at 5.00% annual interest rate. 06/30/09 unpaid loss and LAE are discounted at 5.00%.**

OLIVER WYMAN

Consulting Actuaries

October 30, 2008

June 30, 2009 Actuarial Reserve Analysis
Ohio Bureau of Workers' Compensation
Actuarial Committee

Jeffery J. Scott, FCAS, MAAA
Jeffery W. Scholl, FCAS, MAAA

Results

Results

Comparison Of Initial Discounted Unpaid Liability to Revised Using 9/30/2008 Data

Category	Initial Unpaid Total	9/30/08 Unpaid Total	% Change	Dollar Change
Medical	$6,954	$6,456	-7.2%	($498)
Temporary Total	768	775	0.9%	7
Permanent Total Disability	3,360	3,401	1.2%	42
Death	1,173	1,173	0.0%	(0)
% Permanent Partial	295	303	2.9%	9
Permanent Partial	81	82	0.8%	1
WL+TP+LMWL+CO	155	151	-2.3%	(3)
Lump Sum Settlements	2,275	2,152	-5.4%	(122)
Living Maintenance	108	104	-3.7%	(4)
Lump Sum Advancements	156	166	6.6%	10
Additional Awards	27	29	7.0%	2
Self Insured	149	148	-1.1%	(2)
HPP	694	668	-3.7%	(26)
Total SIF Unpaid	16,195	15,609	-3.6%	(586)
Disabled Workers' Relief Fund (DWRF)	1,961	1,874	-4.4%	(87)
Coal-Workers Pneumoconiosis Fund (CWPF)	63	63	0.0%	0
Public Work-Relief Employees' Comp. Fund (PWREF)	3	3	-4.3%	(0)
Marine Industry Fund (MIF)	3	3	-3.4%	(0)
Intentional Tort Fund (IT)	0	0	0.0%	0
Self-Insuring Employers Guaranty Fund (SIEGF)	744	717	-3.6%	(27)
Administrative Cost Fund (ACF)-- Unpaid Loss Adjustment Expense (LAE)	1,133	1,092	-3.6%	(41)
Total Unpaid Loss and LAE	**20,102**	**19,362**	**-3.7%**	**(741)**

© 2008 Oliver Wyman ■ www.oliverwyman.com

Results

Comparison Of Initial Discounted Unpaid Liability to Revised Using 9/30/2008 Data
(No Change in Short Term Medical Inflation Assumption)

Category	Initial Unpaid Total	9/30/08 Unpaid Total	% Change	Dollar Change
Medical	$6,954	$6,802	-2.2%	($152)
Temporary Total	768	775	0.9%	7
Permanent Total Disability	3,360	3,401	1.2%	42
Death	1,173	1,173	0.0%	(0)
% Permanent Partial	295	303	2.9%	9
Permanent Partial	81	82	0.8%	1
WL+TP+LMWL+CO	155	151	-2.3%	(3)
Lump Sum Settlements	2,275	2,152	-5.4%	(122)
Living Maintenance	108	104	-3.7%	(4)
Lump Sum Advancements	156	166	6.6%	10
Additional Awards	27	29	7.0%	2
Self Insured	149	148	-1.1%	(2)
HPP	694	684	-1.5%	(10)
Total SIF Unpaid	16,195	15,971	-1.4%	(223)
Disabled Workers' Relief Fund (DWRF)	1,961	1,874	-4.4%	(87)
Coal-Workers Pneumoconiosis Fund (CWPF)	63	63	0.0%	0
Public Work-Relief Employees' Comp. Fund (PWREF)	3	3	-1.8%	(0)
Marine Industry Fund (MIF)	3	3	-1.2%	(0)
Intentional Tort Fund (IT)	0	0	0.0%	0
Self-Insuring Employers Guaranty Fund (SIEGF)	744	734	-1.4%	(10)
Administrative Cost Fund (ACF)-- Unpaid Loss Adjustment Expense (LAE)	1,133	1,117	-1.5%	(17)
Total Unpaid Loss and LAE	**20,102**	**19,765**	**-1.7%**	**(337)**

© 2008 Oliver Wyman ■ www.oliverwyman.com

Results

- Lower than expected medical payments

  Medical payments were approximately 7.8% lower than expected in the first quarter of 2008/2009. In fact, excluding the OHA payments, the medical payments were lower this quarter than they were the three previous quarters.

- Reduction in short term medical inflation assumption

  Due to the continued reduction in medical payments, we have changed the short term trend assumption used for medical inflation. We have measured trend in the discounted average claim cost for the past 5 years, 2003 – 2007, and found that the five year trend is 6%. While keeping the long term trend at 9%, we have selected a trend of 6% for the next 12 months, and have increased the trend by 1 percentage point each of the following years until the long term trend of 9% is reached.

  Utilizing short versus long term trend assumptions is consistent with prior methodology. This is demonstrated on page 5, which displays our previous trend assumptions.

  Given the recent lower medical inflation we feel it is reasonable to continue to recognize the lower trend in the shorter term. Our intent in implementing this change is to address the difference between the current medical inflation environment as compared to the long term historical results.

- Better than expected payments for lump sum settlements

  Lump sum settlement payments for the quarter were 5% lower than expected. Actual lump sum settlement payments were lower than the actual quarterly lump sum settlement payments in the previous five quarters.

© 2008 Oliver Wyman ■ www.oliverwyman.com

Results

Historical Medical Trend Assumptions

6/30/2009	2008	2009	2010	2011	2012	2013	2014
Hospital	1.06	1.07	1.08	1.09	1.09	1.09	1.09
Physician	1.06	1.07	1.08	1.09	1.09	1.09	1.09
Pharmacy	1.06	1.07	1.08	1.09	1.09	1.09	1.09
Chiropractors	1.06	1.07	1.08	1.09	1.09	1.09	1.09
Rehabilitation	1.06	1.07	1.08	1.09	1.09	1.09	1.09
Health Other	1.06	1.07	1.08	1.09	1.09	1.09	1.09
Medical Only	1.06	1.07	1.08	1.09	1.09	1.09	1.09

6/30/2008	2008	2009	2010	2011	2012	2013	2014
Hospital	1.09	1.09	1.09	1.09	1.09	1.09	1.09
Physician	1.09	1.09	1.09	1.09	1.09	1.09	1.09
Pharmacy	1.09	1.09	1.09	1.09	1.09	1.09	1.09
Chiropractors	1.09	1.09	1.09	1.09	1.09	1.09	1.09
Rehabilitation	1.09	1.09	1.09	1.09	1.09	1.09	1.09
Health Other	1.09	1.09	1.09	1.09	1.09	1.09	1.09
Medical Only	1.09	1.09	1.09	1.09	1.09	1.09	1.09

6/30/2007	2007	2008	2009	2010	2011	2012	2013
Hospital	1.11	1.09	1.09	1.09	1.09	1.09	1.09
Physician	1.09	1.09	1.09	1.09	1.09	1.09	1.09
Pharmacy	1.12	1.09	1.09	1.09	1.09	1.09	1.09
Chiropractors	1.11	1.09	1.09	1.09	1.09	1.09	1.09
Rehabilitation	1.10	1.09	1.09	1.09	1.09	1.09	1.09
Health Other	1.11	1.09	1.09	1.09	1.09	1.09	1.09
Medical Only	1.12	1.09	1.09	1.09	1.09	1.09	1.09

6/30/2006	2006	2007	2008	2009	2010	2011	2012
Hospital	1.11	1.09	1.09	1.09	1.09	1.09	1.09
Physician	1.09	1.09	1.09	1.09	1.09	1.09	1.09
Pharmacy	1.16	1.09	1.09	1.09	1.09	1.09	1.09
Chiropractors	1.10	1.09	1.09	1.09	1.09	1.09	1.09
Rehabilitation	1.11	1.09	1.09	1.09	1.09	1.09	1.09
Health Other	1.10	1.09	1.09	1.09	1.09	1.09	1.09
Medical Only	1.11	1.09	1.09	1.09	1.09	1.09	1.09

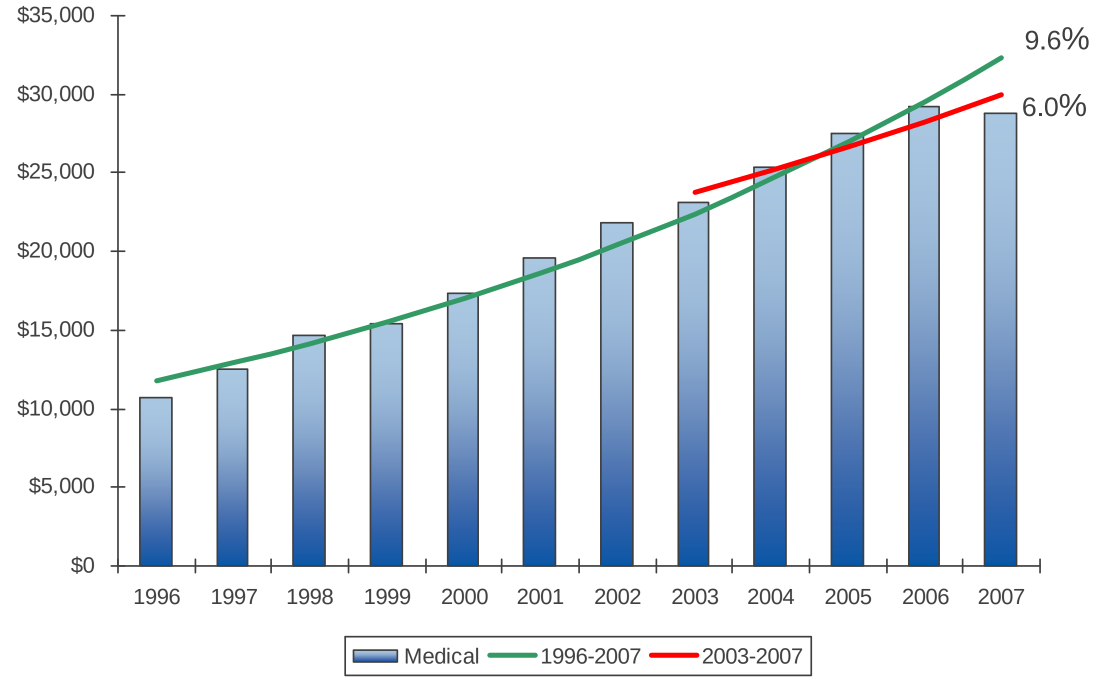
Results

Discounted Average Claim Cost per Ultimate Lost Time Claim Count

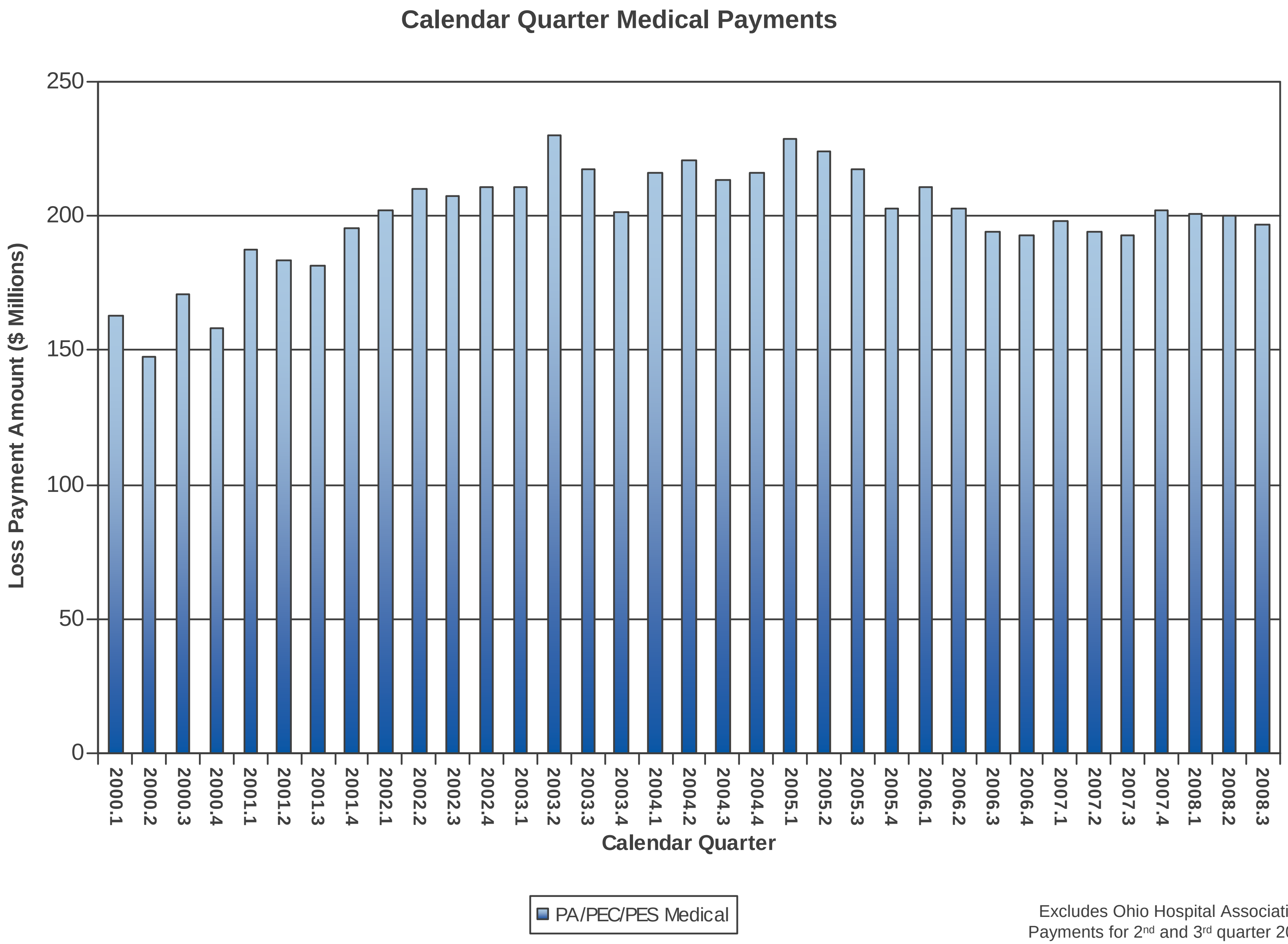
Private Employers (PA)

Accident Year	Medical
1996	$10,755
1997	12,571
1998	14,681
1999	15,409
2000	17,321
2001	19,583
2002	21,790
2003	23,137
2004	25,353
2005	27,494
2006	29,169
2007	28,842

Annual % Change	
1996 - 2007	9.6%
2003 - 2007	6.0%

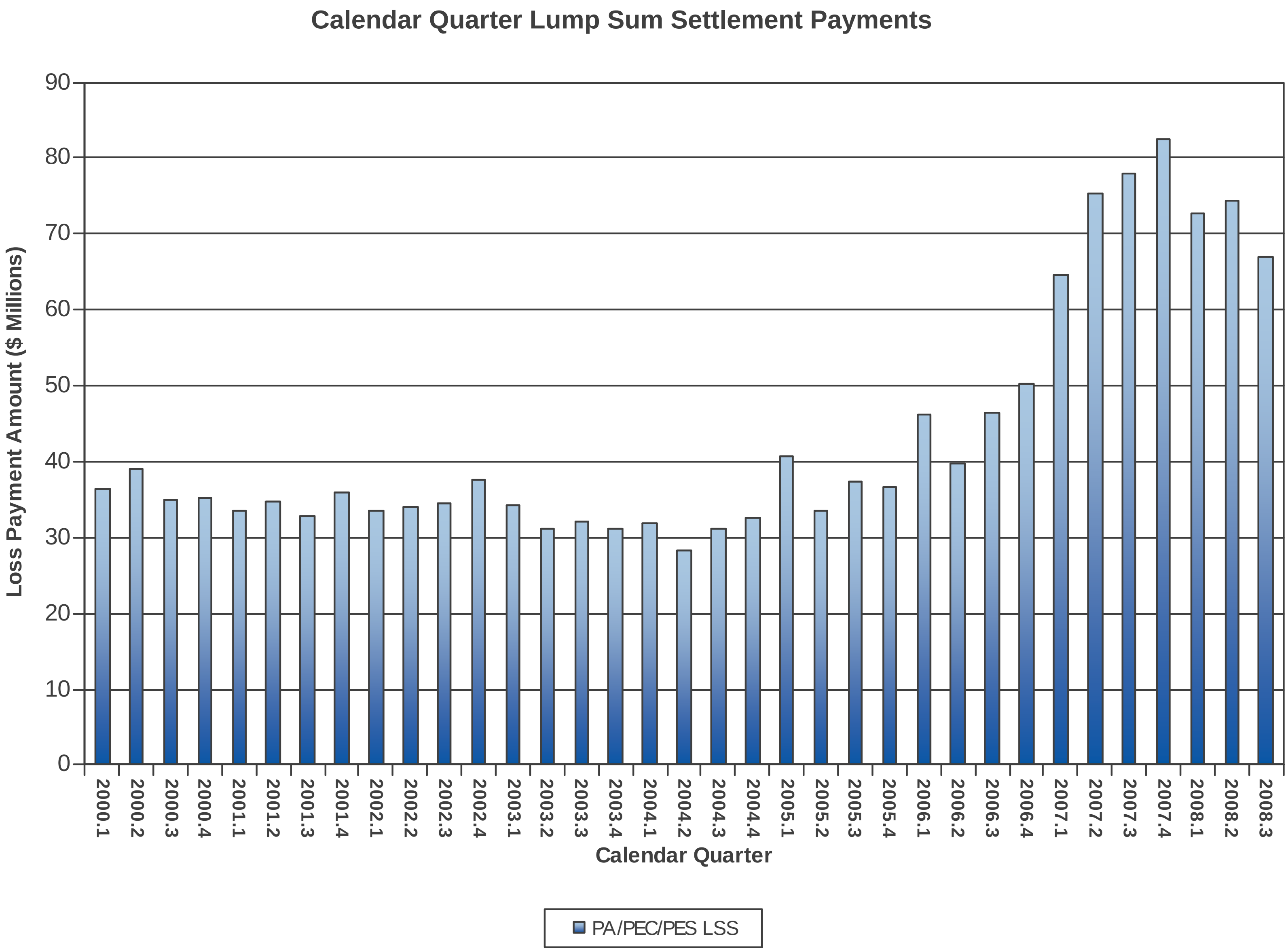


Results



Excludes Ohio Hospital Association Payments for 2nd and 3rd quarter 2008.

Results



Calendar Quarter Lump Sum Settlement Payments
90
80
70
60
50
40
30
20
10
0
Loss Payment Amount ($ Millions)
2000.1
2000.2
2000.3
2000.4
2001.1
2001.2
2001.3
2001.4
2002.1
2002.2
2002.3
2002.4
2003.1
2003.2
2003.3
2003.4
2004.1
2004.2
2004.3
2004.4
2005.1
2005.2
2005.3
2005.4
2006.1
2006.2
2006.3
2006.4
2007.1
2007.2
2007.3
2007.4
2008.1
2008.2
2008.3
Calendar Quarter
PA/PEC/PES LSS

OLIVER WYMAN

MMC
MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

OLIVER WYMAN

Oliver Wyman Actuarial Consulting, Inc.
325 John H McConnell Boulevard, Suite 350
Columbus, OH 43215
1 614 227 5509 Fax 1 614 227 6201
www.oliverwyman.com

October 24, 2008

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

Subject:
Projected Unpaid Loss and LAE as of June 30, 2009 using data through September 30, 2008

Dear Mr. Pedrick:

Attached is the updated projected unpaid loss and LAE as of June 30, 2009, as requested by Barb Ingram. This update reflects the payment and claim activity through September 30, 2008.

Methodology

We used the same procedure that is utilized in the Actuarial Audit as of June 30, 2008 with the addition of actual payments through September 30, 2008 and expected paid losses from October 1, 2008 through June 30, 2009 as a proxy for the fiscal period 2009 payments. The expected payments are based on the results of the Actuarial Audit and include consideration of the trends and assumptions underlying that analysis for projecting payments for accident periods 2008 and prior, as well as estimating the payments for the first half of accident period 2009.

The same caveats and assumptions contained in our 6/30/2008 analysis and audit apply to our calculations in this update, other than as noted below.

Results

The resulting change is a reduction in our previous year end June 30, 2009 SIF liability of $586 million, or 3.6%. The reduction is due to several factors:

MMC MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Mr. John Pedrick, FCAS, MAAA
Ohio Bureau of Workers' Compensation

1. Lower than expected medical payments

   Medical payments were approximately 7.8% lower than expected in the first quarter of 2008/2009. In fact, excluding the OHA payments, the medical payments were lower this quarter than they were the three previous quarters.

2. Reduction in short term medical inflation assumption

   Due to the continued reduction in medical payments, we have changed the trend assumption used for medical inflation. We have measured trend in the discounted average claim cost for the past 5 years, 2003 – 2007, and found that the five year trend is 6%. While keeping the long term trend at 9%, we have selected a trend of 6% for the next 12 months, and have increased the trend by 1 percentage point each of the following years until the long term trend of 9% is reached.

   Our intent in implementing this change is to address the difference between the current medical inflation environment as compared to the long term historical results. We also believe that this will allow for more objective changes in trend assumptions going forward.

3. Better than expected payments for lump sum settlements

   Lump sum settlement payments for the quarter were 5% lower than expected. Actual lump sum settlement payments were lower than the actual quarterly lump sum settlement payments in the previous five quarters.

If you have any questions, please feel free to give me a call.

Sincerely,

Jeffery J. Scott, FCAS, MAAA

Jeffery W. Scholl, FCAS, MAAA

JJS/JWS/mpg
Copy:
Ms. Barbara Ingram, Financial Reporting Manager

Ohio Bureau Of Workers' Compensation

Summary Of Indicated Discounted Unpaid Loss
Unpaid Loss and LAE Evaluation As Of June 30, 2009
SIF By Employer Type by Benefit Type
(Dollars in Millions)

Category	(1) 06/30/09 Unpaid PA	(2) 06/30/09 Unpaid PEC	(3) 06/30/09 Unpaid PES	(4) 06/30/09 Unpaid Total	(5) 06/30/08 Unpaid PA	(6) 06/30/08 Unpaid PE	(7) 06/30/08 Unpaid Total
Medical	$5,105.938	$951.949	$397.754	$6,455.641	$5,126.195	$1,616.241	$6,742.436
Temporary Total	606.064	120.568	48.697	775.329	598.407	168.916	767.323
Permanent Total Disability	2,858.587	427.310	115.269	3,401.166	2,772.401	538.915	3,311.316
Death	981.898	165.025	25.945	1,172.868	968.268	191.776	1,160.045
% Permanent Partial	226.673	59.009	17.681	303.362	229.452	75.436	304.888
Permanent Partial	71.831	8.554	1.757	82.143	71.159	10.120	81.278
WL+TP+LMWL+CO	110.708	29.788	10.688	151.184	108.828	38.128	146.956
Lump Sum Settlements	1,890.222	210.881	51.181	2,152.284	1,811.758	240.055	2,051.813
Living Maintenance	85.630	13.945	4.579	104.154	83.360	17.269	100.629
Lump Sum Advancements	142.674	17.163	6.407	166.244	124.075	20.333	144.409
Additional Awards	26.207	2.250	0.434	28.891	24.521	2.563	27.084
Self Insured				147.523			147.523
HPP				667.946			670.300
Total SIF Unpaid	**12,106.431**	**2,006.443**	**680.392**	**15,608.736**	**11,918.424**	**2,919.753**	**15,656.000**
Disabled Workers' Relief Fund (DWRF)				**1,874.030**			**1,895.046**
Coal-Workers Pneumoconiosis Fund (CWPF)				**62.825**			**62.825**
Public Work-Relief Employees' Comp. Fund (PWREF)				**3.205**			**3.522**
Marine Industry Fund (MIF)				**3.232**			**3.182**
Intentional Tort Fund (IT)				**0.000**			**0.000**
Self-Insuring Employers Guaranty Fund (SIEGF)				**716.807**			**718.983**
Administrative Cost Fund (ACF)-- Unpaid Loss Adjustment Expense (LAE)				**1,092.418**			**1,095.562**
Total Unpaid Loss and LAE				**19,361.252**			**19,435.119**

Notes:

- **All figures are shown rounded to nearest million and may not add to totals for this reason.**
- **06/30/09 unpaid loss and LAE are discounted at 5.00% annual interest rate. 06/30/08 unpaid loss and LAE are discounted at 5.00%.**
- **(4) = (1) + (2) + (3)**

We have made progress on several tasks this month. Today's discussion of capping strategies that bring stability to employers' rates, as we make significant change in the credibility table for our experience rating plan, result from the strong work of the teams working on the comprehensive rate reform plan. BWC staff, consultants from Oliver Wyman, and employer organizations came together with ideas and analysis and developed the resulting proposals. Timeframes for the teams that are implementing the plan are below.

The changes in our claim reserving system, MIRA II, along with the web-based applications to bring transparency are working very well. Between now and the end of this December we will continue to investigate any claim predictions that seem odd and address them with internal and external claim experts, and with the team at Fair Isaac. We are also heavily involved in educational efforts throughout the BWC and employer community. The reprediction system is under development and is on target for implementation in January, when the first adjustments under MIRA II are likely to be needed.

We have begun the development of the Request for Proposal for our next actuarial consultant contract. The current contract with Oliver Wyman ends December 31, 2009. The proposed timeline can be found at the end of this report. Discussion of the substance of the RFP must be done under a "blackout" to prevent giving an advantage to any potential respondent. However, we do need Actuarial Committee input on the overall schedule of events, term of the contract, and members of the selection committee.

We have posted three actuarial positions to the state's employment opportunity website, the Ohio Hiring Management System, the career center web-page for the Casualty Actuarial Society, as well as Great Insurance Jobs. The Director of Actuarial Analysis will manage the actuarial analysis functions within the Actuarial Division; the Manager of Ratemaking and the Manager of Reserving will be responsible for these two major areas within the new department and will report to the Director.

Timelines for all of our projects follow.

Comprehensive Plan Implementation

1. Communications/Group Structure and Governance Team

Jeremy Jackson and David Hollingsworth, Consultant		
Task/Function	**Timeline**	**Status**
Stakeholder Communications	8/1/2008 start	Ongoing
Rules/ Outreach	8/1/2008 start	Ongoing
Media	8/1/2008 start	Ongoing
Targeted Employer Communications	8/1/2008 start	Ongoing

- Workgroups continue to meet on a bi-weekly basis.
- Individual meetings with group sponsors and TPA's continue each week.

2. Capping/Split Plan Team

Terry Potts and Paul Flowers		
Task/Function	**Timeline**	**Status**
Identify parameters and structure for capping strategy	Jul – Dec, 2008	Ongoing
System development	Sep 2008 to Dec 2009	
Capping strategy for PA employers effective	July 1, 2009	
Capping strategy for PEC employers effective	January 1, 2010	
Split Plan development	Jan 2009 to Jun 2010	
Split Plan implementation	July 1, 2011	

- Rules to implement caps for the policy year starting July 1, 2009 are scheduled for first reading with the Actuarial Committee in October, and for a second reading and action in November.

3. New Products/Deloitte Integration Team

Joy Bush and Jamey Fauque, Centric Consulting		
Task/Function	**Timeline**	**Status**
Develop Project Plan	Aug 11-15	Completed
Develop Deductible Plan	Aug – Dec, 2008	In progress
Develop Dividend/Retro/Sharing Plans	Aug – Dec, 2008	In progress
Review Current Programs	Aug – Dec, 2008	In progress
Board Meeting to Review Final Proposals	Dec 17	In progress

- Proposals for deductibles effective with the policy year starting July 1, 2009 will be brought to the Actuarial Committee in December.
- Additional products may also be ready in the same time frame.

House Bill 100 §512.50 Actuarial Study

Task/Function	Timeline	Status
Project Begins	Feb 19, 2008	Completed
Initial Meeting with Deloitte	Feb 27, 2008	Completed
Deloitte introduced to Actuarial Committee	Feb 28, 2008	Completed
Deloitte training presentation to Actuarial Committee	May 28, 2008	Completed
Deloitte presents first grouping report to Actuarial Committee	June 25, 2008	Completed
Deloitte presents second grouping report to Actuarial Committee	August 28, 2008	Completed
Deloitte presents third grouping report to Actuarial Committee	October 30, 2008	On Target
Deloitte presents final report to Actuarial Committee/Board	Dec 17, 2008	In Progress
Project ends	Dec 31, 2008	

- Deloitte is scheduled to present groups 1 and 2 findings to the Workers' Compensation Council during its October 29, 2008 meeting.

MIRA II

Task/Function	Timeline	Status
Historical Data Extraction	January – August 2007	Completed
Customer Workgroups		-----------

• Employer-Web Services Focus Group	November 2007	Complete
• Claim Expert Workgroup	November – December 2007	Complete
• MIRA II-TPA Update Meeting	December 11, 2007	Complete
MIRA II Injury Mapping Logic-Finalized and Approved	January 2008	Complete
MIRA II-Development of Reserve Models (FIC)	February – May 2008	Complete
Data Interface Testing	March – May 2008	Complete
MIRA II- Web Services Enhancement	February – July 2008	Completed
Testing/Review of Initial MIRA II Reserves	May – June 2008	Complete
Training/Education on MIRA II System	July – November 2008	On schedule
MIRA II Reprediction (Adjustment) System		
Design, Develop, Test, Implement	May 2008 – January 2009	
Implement MIRA II	July – September 2008	On schedule

Public Employer Taxing District Rates

Task/Function	Timeline	Status
Public Employer Taxing District Rates	July 2008 - December 2008	In progress
Summary Payroll	August 25, 2008 through September 12, 2008	In progress
Summary Losses	August 25, 2008 through September 19, 2008	In progress
Group Application Deadline	August 29, 2008	Completed
Rate Calculations	September 19, 2008 though November 14, 2008	
Rate recommendation to Actuarial Committee	September 25, 2008	Completed
Rate consent from WCB	October 30, 2008	
Final Rates to WCB	November 20, 2008	
Mailing of Employer Rate Letters	December 30, 2008	

Actuarial Division Staffing

See discussion on page 1.

Actuarial Consultant Contract

The Actuarial Consultant Contract expires December 31, 2009. The Actuarial staff will begin reviewing and updating the Request for Proposal and bring to the committee a proposed schedule for the RFP process. The RFP process will change this year due to the requirements of House Bill 562, which will go into effect in the near future that will significantly affect BWC's procurement processes by requiring DAS involvement in some of the BWC's purchases.

Proposed Actuarial Consultant Request for Proposal Schedule
New contract beginning July 2009 or January 1, 2010 to December 2012

Steps	Dates
Draft RFP created for Actuarial Committee review	November 20, 2008
Review of RFP at actuarial committee meeting	December 2008 – January 2009
RFP issued	February – March 2009
Question and Answer period	March – April 2009
Mandatory Letter of Intent or Mandatory Pre-submission conference	April 2009
Proposals due	April 2009
Proposals Review and Scoring	April - May 2009
Contract begin date	October 2009

11/4/2008 7:46 AM