

Actuarial Committee Agenda

Feb. 28, 2008

Level 2, Room 1

2 p.m. – 4 p.m.

Call to Order

Chuck Bryan, Chairman

Roll Call

Larry Rhodebeck, Scribe

Approve Minutes of January 24, 2008 meeting

Chuck Bryan

New Business/Action Items

No action items

Discussion Items*

1. Re-cap of Educational Session
2. Review 2008 Committee Calendar
3. HB 100 Comprehensive Study
Larry King, Deloitte Consulting LLP
4. Chief Actuarial Officer Report

* Not all discussion items may have materials included.

Next Meeting: Educational Session, March 26; Committee Meeting, March 27

**BWC Board of Directors
Actuarial Committee**

Thurs., Jan. 24, 2008, Noon

William Green Building
The Neil Schultz Conference Center
30 West Spring Street, 2nd Floor (Mezzanine)
Columbus, Ohio 43215

Members Present: Charles Bryan, Chairman
Philip Fulton
James Harris
James Hummel
Jim Matesich
William Lhota, ex officio

Members Absent: None

Call to Order

Mr. Bryan called the meeting to order at 12:00 noon and the roll call was taken. Also present were Workers' Compensation Board members Alison Falls, Larry Price and Robert Smith. Director David Caldwell joined the meeting at 1:25 pm.

New Business/Action Items

Committee Calendar Review for 2008

Mr. Bryan reported that in March, the Workers' Compensation Board would receive the rate indication for private employers. Additional items for the calendar should be submitted to Don Berno, Board Liaison.

Mr. Hummel asked when the Actuarial Committee will be meeting with other committees to discuss matters of joint interest. Mr. Bryan identified the two issues for discussion are the discount rate and the setting of an appropriate surplus. Marsha Ryan, BWC Administrator, reported that there will be discussions of investment issues at the February meeting. Mr. Pedrick stated there would be many decisions due by the month of May and urged that there be as many education sessions as possible before then. Mr. Bryan suggested that February or March would be a good time to have a joint meeting on a discussion of the discount rate; the discussion on the surplus can be deferred.

Minutes of Dec 19, 2007

Mr. Bryan requested that “in conjunction with” replace “in connection with” on the last page. Mr. Matesich moved that the minutes of December 19, 2007, be approved as amended. Mr. Hummel seconded and the minutes were approved by a unanimous roll call vote.

Discussion Items

Actuarial Committee Charter

Mr. Berno reported that there was one substantive change in the charter, along with several grammatical changes. Provisions regarding a vice chair and his or her role as a substitute have been added to all charters in situations when the chair does not attend the meeting. On page 2, provisions 10 & 11 are reversed. Also, the Governance Committee has deleted “voting”, when referring to the chair of the Workers' Compensation Board as an ex officio committee member. Ms. Falls then read all changes.

Mr. Harris moved that the Actuarial Committee of the Workers' Compensation Board of Directors approve the draft of the Actuarial Committee Charter, and that the Committee submit the Charter to the Board of Directors with the recommendation that the board approve and adopt it. Mr. Matesich seconded and the motion was approved by unanimous roll call vote of six ayes.

Mr. Bryan asked how the vice chair is chosen. Mr. Lhota reported that the chair of the Governance Committee will recommend a candidate to the chair of the Workers' Compensation Board and the Workers' Compensation Board will have the power of approval. Mr. Bryan stated he would report the recommendation on the committee charter to the Workers' Compensation Board on January 25. Mr. Lhota also recommended selection of the committee vice chairs on January 25, and requested that a volunteer be submitted to Ms. Falls before then. Ms. Falls reported that the selection of a vice chair would obviate the need to select a substitute chair when the permanent chair is unavailable. Mr. Matesich requested that the vice chair participate in discussions with BWC senior staff on all issues with the equivalent time and information previously given to the chairs. Mr. Pedrick added that staff would contact all committee members in the process of planning future meetings.

Managed Care Organizations (MCO) Costs and Allocation

Mr. Pedrick reported on the allocation of fees to Managed Care Organizations (MCOs). At the December meeting, the Workers' Compensation Board approved the MCO fee assessment for state agencies.

Mr. Hummel asked if the state agency MCO fees will be a carve-out or load-on. Mr. Pedrick replied that for the July 1, 2008 rate, the MCO fees are an add-on. Mr. Lhota asked why the percentages were set at 7% for active employers, 14% for first reports of injury, 14% for bill processing, and 65% for active claims. Mr. Pedrick replied that was because of the contract negotiated between BWC and the MCOs. Mr. Fulton asked if loading was a new concept. Ms. Bravender replied that loading has been part of the design for all other employer groups from the beginning and has only now been added to state agency rates. Mr. Smith asked why self-insuring employers would use an MCO. Ms. Bravender also explained that the MCO assessment identified for Self Insured Employers is used for bankrupt employers whose claims are managed by BWC.

Private Employer Rate Indication

Mr. Pedrick gave a presentation on Private Employer Ratemaking. The process complies with the requirements of the Ohio Revised Code, the Ohio Administrative Code, and actuarial principles. He illustrated the process by which the 2007 rate indication resulted in a “no change” decision.

Mr. Matesich asked if BWC used frequency and severity as factors would it lead to a different risk. Mr. Pedrick replied that use of these factors would not change the risk, however, it would change the measure of that risk.

Ms. Bravender continued with a report on the determination of private employer rates. The process involves fifteen steps to arrive at a recommendation and takes place between January and May of each year.

Mr. Harris asked when the Safety and Hygiene rate was raised from ½ % to 1%. Ms. Bravender replied she did not know, but would research that issue for the next meeting. Mr. Bryan asked what the Division budget was. Ms. Bravender stated that she would forward that request to Tracy Valentino, Chief of Fiscal & Planning.

Discount Rate Selection Methodology

Mr. Bryan tabled the presentation on the selection of the discount rate until a joint meeting in February or March. Mr. Pedrick reported that there were two papers on the discount rate placed in the meeting materials. The first is the white paper used by the BWC to analyze and determine the discount rate. The second is the Actuarial Standard of Practice regarding reserve discounting.

Chief Actuarial Officer Report

Mr. Pedrick reviewed key agency initiatives, with their time lines. Concerning the study required by HB 100, BWC has received six letters of intent, which are required before the

Request for Proposal (RFP) is submitted. The RFP is due today at 2 p.m. A staff member from the Office of Budget and Management will be present to witness opening of RFPs. The scoring and selection is to be finished by February 7. The selection committee is Mr. Pedrick, Ms. Bravender, Mr. Hummel, Todd Spence, Director of Employer Management and Tina Kielmeyer, Chief of Customer Service. The RFP staff team consists of Larry King, Dave Childress, and Donna Ludwig. In June and July, the vendor will make its first preliminary report. Mr. Bryan requested that the actuarial consultants keep the committee briefed on progress.

The study regarding group rating originated from a charge from the Workers' Compensation Board. The team consists of Jeremy Jackson, team leader; Dave Childress and Terry Potts, Actuarial; Paul Flowers, Communications; Jean Krum, Legal; Joy Bush, Employer Services; Scott Longar and Kathy Sanker, IT; and Bill Hansen, Oliver Wyman.

Ms. Falls asked what the role of Oliver Wyman is. Mr. Pedrick replied that it was a resource for the team. Mr. Price asked when BWC would bring the report to the Workers' Compensation Board. Mr. Bryan reported that the preliminary report on group rating would be in March and April. The Workers' Compensation Board will need the report in June or July for action. Mr. Pedrick reported that the team plans presentations for the March or April meeting and is on schedule. The executive sponsors are Mr. Pedrick, Ms. Kielmeyer, and Keary McCarthy, Chief Communications Officer.

Mr. Pedrick reported the MIRA 2 project is on target for completion. Rex Blatieri is the team leader and members include Ms. Sanker, IT; Kelly Grawe, Actuarial; Richard Blake, Legal; Deby Pancoast, Claim Policy; Julie Phillips and Hans Neugebauer Field Operations; Michael Glass, Employer Services; Matt Gill, training; Kim Monder, Bob Loomis, and Shane Blair, Communications; and Sherif El-Bokhary, Enterprise Project Management Office. The executive sponsors are Mr. McCarthy, Ms. Kielmeyer, and Leo Genders, Chief Information Officer.

With respect to day-to-day issues, Mr. Pedrick reported that private employer rate calculations and the group application deadlines are in February. BWC is on schedule for setting the July 1, 2008 rates. Rate calculations for Self-insured Assessments, the Disabled Workers' Relief Fund, the Marine Industry Fund, and the Black Lung Fund are also on time.

Mr. Pedrick reported that the Actuarial Department is reviewing applications for two open underwriter positions. BWC is also creating a new actuarial staff classification for actuaries in training.

Adjournment

There was a motion by Mr. Hummel, second by Mr. Matesich, and adjournment by Mr. Bryan.

Prepared by: Larry Rhodebeck, Staff Counsel
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February 6, 2008



BWC Actuarial Committee Calendar

January Actuarial Committee Jan. 23 Board Meeting Jan. 24	February Education Session Feb. 27 @ 1:00 p.m. Actuarial Committee Feb. 28 @ 2:00 p.m. Board Meeting Feb. 29 @ 9:00 a.m. Book due on Feb. 15
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1. Preview Committee calendar
2. Minutes
3. Committee Calendar
4. Committee Charter
5. MCO Payments and Premium Loading
6. PA Employer Ratemaking Procedures
 - a. Overall Change
 - b. Changes by Class
7. Discount Rate Selection
8. CAO Report
 - a. HB 100 Comprehensive Study RFP Status
 - b. Group Rating/NCCI Project
 - c. MIRA II Status
 - d. Staffing Update

- Education Session
1. PA Rate Actuarial Analysis – Oliver Wyman
 2. PA Rate Base Rate Calculations – Liz/John
 - Loss Development Factors
 - Rate Level Factors
 - PA rate history
 3. NCCI State of the Line report and Other Considerations for Rates

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- Actuarial Committee
1. Re-cap of Rate Discussion
 2. H.B. 100 Comprehensive Study Update – Larry King
Introduce Deloitte Consulting LLP

Board Meeting

March Education Session Mar. 26 @. Actuarial Committee Mar. 27 @ Board Meeting Mar. 28 @ 9:00 a.m. at OCOSH Book due on Mar. 14	April Education Session Apr. 23 @ Actuarial Committee Apr. 24 @ Board Meeting Apr. 25 @ 9:00 a.m. Book Apr. 11
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- Education Session
1. PES rate methodology and biennial proposal

Actuarial Committee

1. Action: PA overall rate change effective July 1, 2008
2. Public Employer State Agency Rate Analysis

Board Meeting

1. Action: PA overall rate change effective July 1, 2008

- Education Session
1. 1st presentation on Self-Insured Assessments – Larry King/
Dave Boyd/ Terry Potts
 2. 1st presentation on Marine Fund, Coal Workers' Pneumoconiosis and DWRF – Liz Bravender & John Pedrick
 3. 1st presentation on Administrative Cost – Tracy Valentino

Actuarial Committee

1. Action: PES Rate rule 4123-17-35 action
2. Discount rate
3. Group / experience rating (NCCI) update
4. MIRA update – Rex Blateri

Board Meeting

*Dual Meeting with Audit Committee to discuss discount rate.



BWC Actuarial Committee Calendar

May Education Session May 28 @ Actuarial Committee May 29 @ Board Meeting May 30 @ 9:00 a.m. Book due on May 16	June Education Session June 25 @ Actuarial Committee June 26 @ Board Meeting June 27 @ 9:00 a.m. Book due on June 13
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Education Session

Education Session

Actuarial Committee

1. Action: Private Employer Base Rate – Rule 4123-17-05
2. Action: Private Employer Limited Loss Ratio and Industry group tables – Rule 4123-17-06
3. Action: Self-Insured Assessment Rate – Rule 4123-17-32
4. Action: Coal Workers' Pneumoconiosis Fund Rate Rule 4123-17-29
5. Action: Marine Fund Rate – Rule 4123-17-19
6. Action: Disabled Workers' Relief Fund Assessments Rate – Rule 4123-17-29
7. Action: Administrative Cost Assessment – Rule 4123-17-36 (Finance)
8. *One Claim Program Rule – Possible*

Actuarial Committee

1. Group / Experience Rating (NCCI) Plan
2. Discount rate for Reserve Audit as of 6-30-08
3. MIRA II update
4. HB 100 Comprehensive Study update

Board Meeting

Board Meeting

July Education Session July 23 @ Actuarial Committee July 24 @ Board Meeting July 25 @ 9:00 a.m. Book due on July 11	August Education Session Aug 27 @ Actuarial Committee Aug 28 @ Board Meeting Aug 29 @ 9:00 a.m. Book due on Aug 15
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Education Session

Education Session
PEC Rate training

Actuarial Committee

1. MIRA update

Actuarial Committee

1. Reserve Audit update

Board Meeting

Board Meeting



BWC Actuarial Committee Calendar

September Education Session Sept. 24 @ 1:00 p.m. Actuarial Committee Sept. 25 @ Board Meeting Sept. 26 @ 9:00 a.m. Book due on Sept. 12	October Education Session Oct. 29 @ 1:00 p.m. Actuarial Committee Oct. 30 @ Board Meeting Oct 31 @ 9:00 a.m. Book due on Oct. 17
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Education Session

Education Session

Actuarial Committee

1. Public Employer Taxing Districts rate change
2. Annuity Table – Rule 4123-17 – **possible based on discount rate**
3. Reserve Audit – full
4. PES Rate estimates for biennium
5. Comprehensive study update from consultant

Actuarial Committee

1. Actuarial Audit Reserves – Oliver Wyman, consulting actuaries
2. Reserve levels
3. NCCI/BWC State of the line report comparisons

Board Meeting

Board Meeting

November Education Session Nov. 19@ Actuarial Committee Nov. 20@ Board Meeting Nov. 21 @ 9:00 a.m. Book due on Nov. 7	December Education Session Dec. 17 @ 1:00 p.m. Actuarial Committee Dec. 18 @ Board Meeting Dec. 19 @ 9:00 a.m. Book due on Dec. 5
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Education Session

Education Session

Actuarial Committee

1. Public Employer Taxing Districts
2. Public Employer Taxing Districts

Actuarial Committee

1. Public Employer State Agency Rule 4123 – **Possible**
2. Final Comprehensive study presentation

Board Meeting

Board Meeting

BWC Board of Directors – Actuarial Committee
John Pedrick, Chief Actuarial Officer
CAO Report
February 28, 2008

I am pleased to announce that Deloitte Consulting LLP was selected to conduct the comprehensive study required by section 512.50 of House Bill 100. A note of thanks goes to Director James Hummel for his assistance on the selection committee. This is a separate item on the committee’s agenda for February.

There are a few legislative initiatives that directly impact BWC rates.

- HB 456 (Raussen) Healthcare Reform – Ohio C.A.R.E.
 - The bill creates two BWC discount programs as an incentive to employers to implement wellness measures for their employees:
 - Up to a 15% discount, for up to three years, for qualifying employers who offer a qualifying health insurance plan to employees that previously did not offer such a plan.
 - Up to a 5% discount, for up to three years, for qualifying employers who offer a health and wellness program for their employers.
 - Employers eligible for both programs may receive up to a 20% premium discount on top of any other BWC premium discounts they are already receiving.
 - Rep. Raussen indicated the bill is and will be a work in progress, a starting point.
- HB 397/SB 290 (Szollosi, Wagoner)
 - Exempts workers covered under federal Longshore and Harbor Workers’ Compensation Act (FLHWCA) from state coverage unless it is elected by the employer.
 - BWC is working to address concerns regarding coverage and premium.
- HB 461 (Batchelder)/SB287 (Stivers)
 - Creates a deductible program for the first \$15,000 in medical bills of every claim and to eliminate this amount from an employer’s experience rating.
 - All \$15K program claims would be managed by the MCO’s, and would use BWC’s fee schedule, rather than current \$15K medical-only program in which employers bypass the BWC system and work directly with medical providers.

Timelines and status for the several key projects and work of the actuarial division follow.

House Bill 100 §512.50 Actuarial Study

Task/Function	Timeline	Status
RFP issued	December 14, 2007	Complete
Submission of questions begins	December 15, 2007	Complete
Purchasing posts questions/answers on web site	January 9, 2008	Complete
Deadline for vendors to file mandatory letter of intent	January 16, 2008	Complete
Proposals are due by 2:00 PM EST	January 24, 2008	Complete
Scoring meeting	January 28, 2008	Complete
Vendor interviews	February 4-5, 2008	Complete
Vendor selected – Deloitte Consulting LLP	February 14, 2008	Complete
Project begins	February 19, 2008	
Initial Planning and Meeting with Board	February 19 – 28	
Project ends	December 31, 2008	
Team Leader: Larry King Executive Sponsor: John Pedrick		

Group Rating / Experience Rating (NCCI)

Task/Function	Timeline	Status
Develop Plan	December 2007 – January 2008	90%
Form Team	December 2007	Complete
Develop NCCI Split Experience Rating Plan		
Create Ohio NCCI parameters and run simulation (Oliver Wyman)	December 2007 – March 2008	50% complete
Operational Impact of New Experience Rating Method	December 2007 – March 2008	25% complete
Communications with Stakeholders (Six Meetings)	March 7, 28, April 11, 25, May 9, 23	
Analyze Impacts to Group Program		
Run Simulations and impact analysis of all recommendations	January 2008 – April 2008	
Private Employer Max Credibility at 80%; 75%; 70%; 65% and 60%	October 2007 – January 2008	90% complete
Public Employer Max Credibility at 80%; 75%; 70%; 65% and 60%	December 2007 – February 2008	50% complete
Group Rating Rule changes		
Continuity of group requirements	December 2007 – March 2008	
Other rules	December 2007 – March 2008	
Compile data and report for Board	March 2008 – June 2008	
Obtain feedback from Administrator and Senior Team	March 2008 – June 2008	
Present full plan to Board	June 2008	
Team Leader: Jeremy Jackson		
Executive Sponsors: John Pedrick, Keary McCarthy, Tina Kielmeyer		

MIRA II

Task/Function	Timeline	Status
Historical Data Extraction	January – August 2007	Complete
Customer Workgroups		-----
Employer-Web Services Focus Group	November 2007	Complete
Claim Expert Workgroup	November – December 2007	75%
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	In progress
Data Interface Testing	March – May 2008	
MIRA II- Web Services Enhancement	February – July 2008	In progress
Testing/Review of Initial MIRA II Reserves	May – June 2008	
Training/Education on MIRA II System	July – November 2008	
MIRA II Reprediction (Adjustment) System		
Design, Develop, Test, Implement	May 2008 – January 2009	
Implement MIRA II	July – August 2008	
Team Leader: Rex Blateri		
Executive Sponsors: John Pedrick, Leo Genders, Keary McCarthy, Tina Kielmeyer		

Private Employer (PA) Rates Effective July 1, 2008

Task/Function	Timeline	Status
Private Employer Rates	January 2008 through June 2008	On Schedule
Summary Losses	January 17, 2008 through February 20, 2008	Validating
Summary Payroll	January 21, 2008 through February 20, 2008	Completed
Group Application Deadline	February 29, 2008	
Rate Calculations	February 21, 2008 through May 23, 2008	
Rate Change Analysis to Board	February – March 2008	
Final Rates to Board	May 29, 2008	
Mailing Employer Rate Letters	June 30, 2008	

Public Employer State Agency (PES) Rates Effective July 1, 2008

Task/Function	Timeline	Status
Public Employer State Agency Rates	January 2008 - April 2008	On Schedule
Run & verify payroll and premium	February 8-21, 2008	
Run & verify losses	February 28 – March 5, 2008	In Progress
Run & verify base rates	March 6-17, 2008	
Discuss rate change with administrator	March 6-10, 2008	
Board – Initial Consideration	March 27-28, 2008	
Board – Final Rates & Rule	April 24-25, 2008	
Mail Employer Letters	June 30, 2008	

Other Rates and Quarterly Loss summaries

Task/Function	Timeline	Status
Self Insured Assessments	April 2008 through June 2008	
Disabled Workers' Relief Fund Rates	April 2008 through June 2008	
Marine and Coal Industry Fund Rates	April 2008 through June 2008	
Quarterly Reserve Analysis – 4th quarter 2007	January 1, 2008 through January 17, 2008	Completed
Quarterly Reserve Analysis – 1st quarter 2008	April 1, 2008 through April 17, 2008	
Quarterly Reserve Analysis – 4th quarter 2007	July 1, 2008 through July 17, 2008	