

Actuarial Committee Agenda

March 27, 2008

OCOSH

Room D & E

2:30 pm – 4:00 pm

Call to Order

Chuck Bryan, Chairman

Roll Call

Larry Rhodebeck, Scribe

Approve Minutes of February 28, 2008 meeting

Chuck Bryan

New Business/Action Items

1. Private Employer Rate Indication
2. Public Employer State Agency Rate change

Discussion Items*

1. Review April 2008 Committee Calendar
2. Chief Actuarial Officer Report

Next Meeting: Educational Session, Thursday, April 24, 2008;
Committee Meeting, Friday, April 25, 2008

BWC Board of Directors
Actuarial Committee
Thurs., Feb. 28, 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
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 2 PM and the roll call was taken. Also present were Workers' Compensation Board members Alison Falls, Larry Price, and Robert Smith.

Minutes of Jan 24, 2008

Mr. Matesich moved that the minutes of January 24, 2008, be approved. Mr. Harris seconded and the minutes were approved by a unanimous roll call vote.

New Business/Action Items

Mr. Bryan reported that there were no new business or action items for the Actuarial Committee at this time.

Discussion Items

HB 100 Comprehensive Study

John Pedrick, Chief Actuarial Officer, reported that there were six responses to the BWC Request for Proposal (RFP) for the HB 100 Study. Deloitte Consulting LLP was clearly the best proposal. He thanked Mr. Hummel for his assistance in selecting the vendor.

Larry King, Assistant Actuarial Director and Project Manager for the HB 100 Study, reported that meetings and project planning had begun with Deloitte last week. Deloitte representatives present today include Jan Lommele, Chief Property and Casualty Actuary; Dick Messick, Senior Actuary and Project Management Coordinator; and Bob Miccolis, Senior Advisor Actuary and Team Leader.

Mr. Lommele reported that this was the largest project that Deloitte had undertaken. There are thirty-nine tasks and the project team has put these into seven groups, including pricing, program structure, actuarial audit and case reserving, underwriting, self-insured programs, actuarial department organization, and surplus indication. After creating a plan, Deloitte will do data requests, analysis of the data, and make comparisons with peers and other states. The RFP allocates 7,000 hours to complete the study.

Mr. Bryan stated that he knew the work of Deloitte and was pleased with the choice of vendor. Deloitte will work with Mercer Investment Consulting, Inc., on several issues, especially the surplus indication.

Mr. Fulton asked what is the plan to interact with the Workers' Compensation Board. Mr. Lommele reported that Deloitte would talk to stakeholders, including the Workers' Compensation Board and BWC internal departments. Mr. Fulton asked how Deloitte would report to the Actuarial Committee. Mr. Bryan replied that Deloitte reports to Marsha Ryan, BWC Administrator. He anticipates there will be reports bimonthly and immediate reports on unusual areas to the Actuarial Committee.

Mr. King reported that reports will be brought to the Actuarial Committee as conclusions are reached and there will not be one single report at the end of the study. Mr. Pedrick stated that Deloitte will try to provide as much on rates as possible in early reports. Mr. Bryan reported that the Actuarial Committee will take reports and review them, but not filter them for the Workers' Compensation Board.

Chief Actuarial Officer Report: Legislative Initiatives

Greg Paul, BWC Legislative Liaison, reported on pending legislation. HB 456 is sponsored by Representative James Raussen and concerns comprehensive healthcare reform. HB 456 creates two employer premium discounts if the employer offers health plans. There have been several hearings, but it appears there is insufficient time to enact the bill in the current General Assembly.

Mr. Matesich asked what is the BWC position on HB 456. Mr. Paul replied that BWC is concerned with mandating discounts that are not related to other programs of BWC, e.g. safety. Mr. Price asked if there has been discussion of the financial impact of mandated discounts. Mr. Paul reported there have been no discussions yet; however, BWC plans to discuss the bill with Representative Raussen after the HB 100 Study.

Mr. Paul reported that HB 397 exempts workers also covered under the federal Longshore and Harbor Workers' Compensation Act. The bill has had three hearings and no opposition testimony.

Mr. Fulton stated that the 1972 report of the National Commission on State Workmen's Compensation Laws recommended that there never be an exemption for injured workers and that injured workers should have a choice of remedies. He recommended that the General Assembly wait until the HB 100 Study is completed.

Ms. Ryan stated BWC will have discussion with Rep. Raussen on HB 456. Concerning HB 297, HB 100 also created the Workers' Compensation Council to oversee legislative changes. Not every member of the council has been named, nor has the council met. Thus, all legislative proposals are premature without the review of this council.

Mr. Bryan asked if BWC is typically asked to offer advice when the General Assembly proposes changes to workers' compensation. Ms. Ryan replied that legislative consultation is infrequent, but that BWC does give testimony at some legislative hearings. Ms. Ryan reported that she and Industrial Commission Chair Gary DiCeglio are ex officio members of the council and will offer their recommendations when it meets.

Mr. Price commented that HB 100 requires that both the Workers' Compensation Board and the Workers' Compensation Council review legislation. He urged the Workers' Compensation Board to be pro active and urged that all seats be filled on the Workers' Compensation Council.

Mr. Paul reported that HB 461 and SB 287 have been introduced by Representative William Batchelder and Senator Steve Stivers and make a \$15,000 deductible available for medical-only claims as well as for lost time claims. There are no hearings yet. The Administrator already has the authority to create the program and will urge restraint. Mr. Fulton stated that the deductible would create self-insurance for all employers and may result in chaos.

Mr. Harris asked what was the status of the bill concerning the Coal Workers Fund. Mr. Paul reported that BWC has met with the General Assembly and the Ohio Department of Natural Resources. The proposal would fund safety equipment for deep mining using interest earned from the Coal Workers Fund. BWC is urging that the draft bill provide for use of the interest depending on the investment performance of the State Insurance Fund.

Chief Actuarial Officer Report: Group Rating

Mr. Pedrick reported that the BWC project on group rating also includes developing an NCCI split experience-rating plan. In a split plan, BWC would use frequency of claims as a factor in experience rating. He reviewed the time lines from March to June when the full report on group rating will be presented to the Workers' Compensation Board.

Ms. Falls asked how the HB 100 Study factors into group rating. Mr. Pedrick replied that it would be part of a class of pricing elements reported by June.

Mr. Bryan asked if BWC plans to make any other changes in group rating this year. Mr. Pedrick reported that the only change would be the change of the credibility table to a maximum of 85%, which affects all employers. Other changes will come later, including reducing the credibility maximum further and proposing a time-line for changes. Ms. Ryan reported that BWC intended to present all recommended changes at the June meeting.

Mr. Fulton asked what kind of meetings BWC will be conducting. Mr. Pedrick responded that BWC will have stakeholder meetings with group sponsors, but is not planning public forums.

Ms. Ryan added that BWC will be conducting four public forums on other topics, but none on group rating.

Chief Actuarial Officer Report: MIRA 2

Mr. Pedrick reported that implementation of MIRA 2 is on target for June 30. BWC is seeking legislation to move the effective date from June 30 to July 1 because the reserve valuation date for public employer taxing districts is June 30 and the existing date would delay use of MIRA 2 reserves until January 2010. A change to July 1 will also help employers in the settlement year of retrospective rating plans.

Ms. Falls asked if there will be a period when BWC can look at both systems so that anomalies can be identified. Mr. Pedrick replied that opportunity would be available only during the month of June. BWC would like to expand that time. Ms. Ryan clarified that public employer and retrospective rating reserves will be available after July 1, but not used for rate making.

Mr. Matesich asked for an explanation on the relationship of the June 1 date and the year 2007. Mr. Pedrick replied that Fair Isaac, the MIRA 2 vendor, is developing a model using data from 2007 and prior year's data, which will be made available on June 1.

Mr. Matesich asked if the Actuarial Committee could get a report before July 1. Ms. Bravender replied that BWC will be able to report by March or April the significant changes in the system. In May or June Fair Isaac will provide a full report. In June, BWC will do a side-by-side comparison of MIRA 1 and MIRA 2.

Mr. Matesich asked for an example of how MIRA 2 addresses the lack of transparency of MIRA 1. Mr. Pedrick responded that if a claim became inactive, MIRA 1 did not remove it from the system. MIRA 2 will remove inactive claims from the system and show that removal. MIRA 2 will also have web service enhancements. The report from Fair Isaac will be what employers use.

Mr. Bryan requested that the Actuarial Department make available to Mr. Matesich what is now available on the web site.

Mr. Smith stated that one of the things he learned from the public forum was that some stakeholders are ignorant of the existence of reserves and assume that workers' compensation payments are a cash-only expense. Ms. Bravender replied that part of the implementation of MIRA 2 will be education, however, that will occur after June 30 because of the tight implementation schedule.

Mr. Smith asked for a prediction on reserve changes after MIRA 2 is adopted. Ms. Bravender predicted that there would be no changes for PTD and death claims. For others, reserves on some claims will go down, others will rise. Premiums will remain the same and reserves will be more fair and equitable. Ms. Ryan commented that if this project were done in the private sector, it would take at least twice as much time and the operator would likely run both systems in parallel for twelve months.

Mr. Price asked if BWC will be able to report back that deficiencies in MIRA 1 were corrected. Ms. Bravender responded that BWC will be able to make that report. Also, BWC cannot run MIRA 1 in parallel because HB 100 prohibits paying for MIRA 1 after July 1.

Mr. Lhota asked if the MIRA changes will affect groups. Ms. Bravender responded that changes will be evaluated employer by employer.

Chief Actuarial Officer Report: Routing Rate Changes

Mr. Pedrick reported that deadlines for routine rate changes are being met. The deadline for filing group applications is February 29. At the March meeting, BWC will report the claims data for the new year and its impact on rates. This will not include the impact of the new group rating applications. The calculation of state agency rates is on time. BWC plans to calculate a two-year rate in order to assist in planning the biennial budget. Rate making for the ancillary funds is on schedule.

Committee Calendar Review for 2008

Mr. Pedrick proposed an education session on public employers for March 26 and asked where the Actuarial Committee wanted it conducted. Mr. Bryan responded that it would be held in the William Green Building from 1 PM to 4 PM. The regular meeting would be held March 27 at the Ohio Center for Occupational Safety and Hygiene. Mr. Pedrick stated that if the education session was three hours, then BWC could cover both public employers and split plans.

Mr. Smith asked what is the proper forum to consider the group program changes. Mr. Bryan stated that would be held at the May or June regular meeting. Mr. Pedrick stated it would be in June when all other pieces of group rating are available.

Mr. Bryan reported that the March 27 meeting would be a joint meeting with the Investment Committee. The Investment Committee will convene at noon; the committees will meet jointly at 12:30 PM; and the Actuarial Committee will conduct its own session beginning at 3:30 PM. (This schedule was later altered slightly.)

Educational Session

Ms. Bravender recapitulated on the ranges of the rate recommendation made by Oliver Wyman. Ms. Bravender reported that the ranges are 3.9% lower than the 2007 recommendation. She illustrated the change by discussing calculation of the rate for manual class 8810, office and clerical workers. The pure premium is set at \$0.12 per hundred dollars of payroll. After including the impact of group rating, the premium is set at \$0.26.

Ms. Bravender distributed "Policy Year 2007 Private employers," a study on the impact on all manual classes of the change of the maximum credibility to 85%. Ms. Bravender reported that

the impact of the credibility table reduction to 85% was a 3% decrease in premiums for all employers, an increase of 7.8% for group employers, and a 3.4% decrease for non-group employers.

Adjournment

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

Prepared by: Larry Rhodebeck, BWC Staff Counsel
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March 4, 2008

**BWC Board of Directors
Actuarial Committee
Educational Session
Wed., Feb. 27, 2008, 2:15 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
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 2:15 PM. Also present were Workers' Compensation Board member Larry Price and BWC Administrator Marsha Ryan.

Discussion Item: Education Session

Managers of the Actuarial Department and representatives of Oliver Wyman Consulting, Inc., conducted an educational session for the Actuarial Committee on rate indications. John Pedrick, Chief Actuarial Officer, reported on the annual January to June timeline for setting the premium rates for private employers.

Jeff Scott and William Hansen, Oliver Wyman, reported on the purpose of rate indications; the estimate of the pure premium for the year 2008—2009; and national trends and comparisons. Liz Bravender, Actuarial Director, distributed reports that provided all the BWC data for the fiscal 2009 rate indications. These include “Ohio Bureau of Workers' Compensation Comparison Data” and “Rate Recommendations for Private Employers, July 1, 2008.”

Adjournment

Mr. Bryan adjourned the session at 4:00 PM.

Prepared by: Larry Rhodebeck, BWC Staff Counsel
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February 28, 2008

**BWC Board of Directors
Executive Summary**

**Public Employment Risk Reduction Program
Rules of Chapter 4167 of the Administrative Code**

Background History

Effective April 20, 1993, H.B. 308 created the Public Employment Risk Reduction Program (PERRP). The purpose of the program is to ensure that Ohio public employees are provided with a safe and healthful working environment. Prior to PERRP, only state agencies, under an executive order first enacted in 1973 and updated in 1982, were held responsible for the occupational safety and health of their respective employees. H.B. 308 extended safety and health coverage to all public employers with the exemption of peace officers, fire fighters, and correctional officers.

Under prior law, PERRP was administered and enforced by the Division of Labor and Worker Safety in the Department of Commerce. Under prior law, the Public Employment Risk Reduction Advisory Commission adopted employment risk reduction standards that all public employers had to observe with respect to public employment. The program also provides on-site safety inspection, safety training, and hazard recognition at the employer's request for all public employees.

Legislative Changes

The BWC Budget Bill, Am. H.B. 67, effective June 21, 2005, transferred the operation and administration of the Public Employment Risk Reduction Program from the Department of Commerce to BWC. The bill also abolished the Public Employment Risk Reduction Advisory Commission and transfers its duties to the Workers' Compensation Oversight Commission (now the Bureau of Workers' Compensation Board of Directors). These duties involve giving advice and consent for adopting rules. Additionally, the act abolishes the Public Employment Risk Reduction Fund. The Administrator of BWC instead of the Director of Commerce must inspect public workplaces and seek injunctive relief for violations of the standards. The Administrator rather than the Director also must develop and maintain an effective program of collection, compilation, and analysis of employment risk reduction statistics.

Five-Year Rule Review

Pursuant to H.B. 473 and Section 119.032 of the Revised Code, state agencies are required to review all agency rules every five years to determine whether to amend the rules, rescind the rules, or continue the rules without change. These rules are due for five year rule review in February 2008.

Rule Changes

Division (3) of Section 4 of Am. H.B. 67 states:

“All of the rules, orders, and determinations enacted or adopted by the Department of Commerce, Division of Labor and Worker Safety, that relate to the transfer of functions required by this section shall continue in effect as rules, orders, and determinations of the Bureau of Workers' Compensation until modified or rescinded by the Bureau of Workers' Compensation. If necessary to ensure the integrity of the numbering of the Administrative Code, the Director of the Legislative Service Commission shall renumber the rules of the

Department of Commerce, Division of Labor and Worker Safety, enacted or adopted pursuant to Chapter 4167. of the Revised Code to reflect their transfer to the Bureau of Workers' Compensation.”

BWC contacted the Director of the Legislative Service Commission (LSC) to determine the proper rule numbers for the rules of Chapter 4167. The Director of LSC determined to retain the current rule numbers.

The amendments to the rules are chiefly updates required by the transfer of PERRP from the Department of Commerce to BWC. For example, the rules strike references to the Director of the Department of Commerce and replace the language with the Administrator; strike references to the superintendent of the division of labor and safety and replace the language with the superintendent of the division of safety and hygiene; and delete all rules and references to the public employment risk reduction advisory commission (PERRAC).

In addition, the rule changes include the following:

4167-1-02 Official address.

This rule changes the address for all correspondence pertaining to the program from the Department of Commerce to the Bureau of Workers Compensation, Division of Safety and Hygiene, 13430 Yarmouth Drive, Pickerington, Ohio 43147.

4167-1-03 to 4167-1-15

These rules are deleted due to the abolishment of the PERRAC.

4167-3-05 Ohio specific safety standards.

This rule deletes the existing Ohio department of transportation manual of traffic control for construction and maintenance operations.

BWC Board of Directors Executive Summary Private Employers Rate Indication

Employer Group: Private Employers

Policy Year: 7-1-2008 through 6-30-2009

Rate Method: Calculate and apply premium rates designed to provide premiums equal to the cost of all injuries or occupational diseases that have injury dates during the policy year. Attached is a table showing the rate changes over the past several years. Oliver Wyman, actuarial consultants have provided information to the Administrator from which to make a rate recommendation.

Rate Rule Process:

- Administrator and Chief Actuarial Officer of Ohio Bureau of Workers' Compensation makes an overall rate level recommendation to the Workers' Compensation Board of Directors Actuarial Committee
- The Actuarial Committee makes a recommendation to the Workers' Compensation Board of Directors who provide advice and consent to the overall rate change by vote
- The Administrator and Chief Actuarial Officer provide specific rules that are necessary to implement the approved rate change (Rules 4123-17-05 and 4123-17-06) at the May 2008 Board of Directors Actuarial Committee meeting
- The Actuarial Committee makes a recommendation to the Workers' Compensation Board of Directors who provide advice and consent to the rules by vote
- Rules are filed with the Legislative Services Commission and the Secretary of State by June 20, 2008 with an effective date of July 1, 2008

Oliver Wyman, actuarial consultants have provided the BWC with three rate level scenarios.

1. The baseline scenario is a statistical extrapolation of the historical pure premiums for accident year 1998 to 2007.
2. The reasonable expectation-optimistic scenario relates to the low end of the range, as determined by one standard deviation around the baseline trend.
3. The reasonable expectation-conservative scenario relates to the high end of the range, as determined by one standard deviation around the baseline trend.

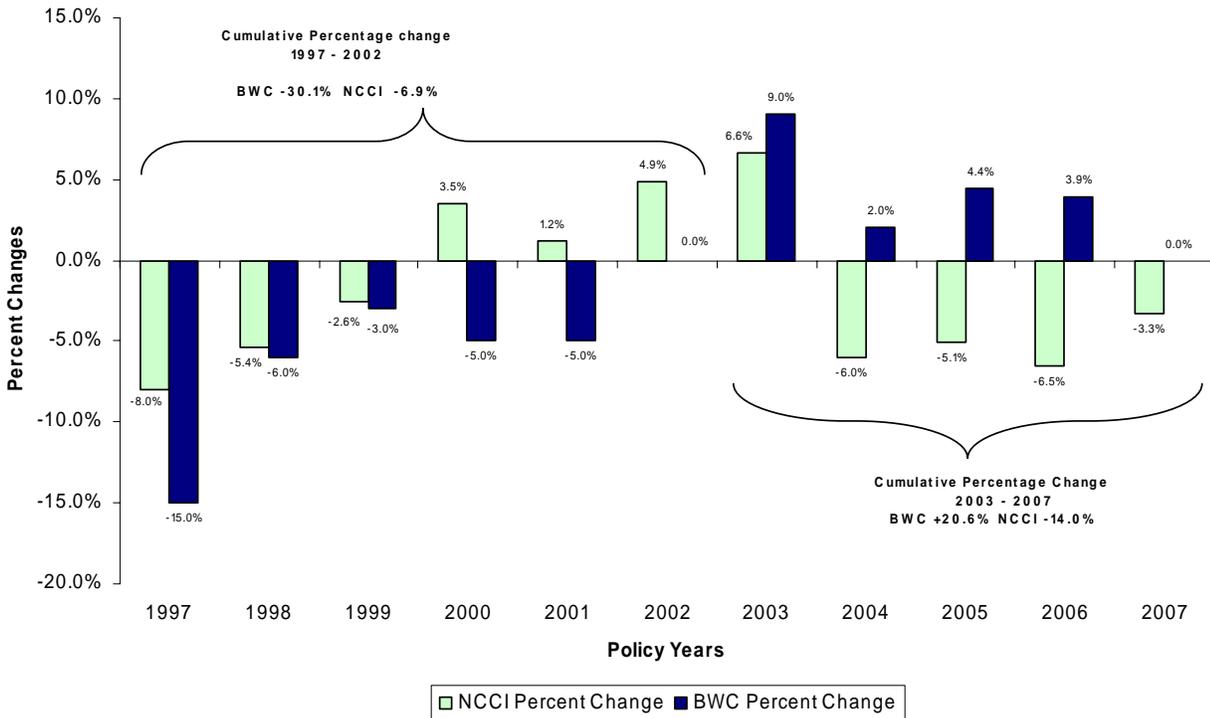
The Administrator is recommending a 5% overall premium rate decrease for private employers. This rate increase will result in the collection of about \$1.69 billion in premiums. Employers will pay these premiums in February and August 2009. The premiums will be used to pay only claim related expenses for claims with injury dates during the policy year. This is an overall rate change recommendation. Some manual classifications will have higher rate increases and some will have lower rate changes, even rate decreases. Individual employer's rates will be calculated using the manual base rates and the employer's individual experience losses.

Subject to your consent, we will calculate the base rates for each of the 528 manual classifications and bring those to the May meeting for your advice and consent.

Historical PA Rate Recommendations and Selection

Policy Year	Mercer Oliver Wyman Recommendation Range (%)			Approved Rate Change
	Reasonable Expectation Optimistic	Baseline	Reasonable Expectation Conservative	
7-1-2008	-12.3	-6.0	+0.2	
7-1-2007	-13.1	-3.9	-0.9	0%
7-1-2006	-1.8	+3.9	+8.8	+3.9
7-1-2005	+4.4	+10.4	+13.2	+4.4
7-1-2004	+1.9	+7.3	+10.5	+2.0
7-1-2003	+6.9	+12.5	+15.9	+9.0
7-1-2002	0.0	+5.0	+8.1	No Change
7-1-2001	-7.4	-5.3	-2.1	-5.0
7-1-2000	-9.5	-7.4	-3.2	-5.0
7-1-1999	-6.3	-4.1	-1.6	-3.0
7-1-1998	-9.4	-3.7	-6.5	-6.0

History of BWC Rate Changes and NCCI Rate/Loss Cost Level Changes



Preliminary*

7-1-2008

Private Employer Rates

Change in private employer premium rates at the industry level assuming a 5% decrease in overall collectible premium.

Industry Group	Name	Percent Change	Average Collectible Rate per \$100 Unit of Payroll
1	Agriculture	5%	\$3.93
2	Extraction	-5%	\$4.16
3	Manufacturing	-1%	\$3.34
4	Construction	-3%	\$4.68
5	Transportation	-6%	\$6.16
6	Utility	18%	\$1.39
7	Commercial	0%	\$2.69
8	Service	-1%	\$1.61
9	High Risk Commercial/Service	-2%	\$3.34
10	Office Work/Miscellaneous	4%	\$0.20
	Total	-5%	\$1.76

Projected payroll is \$96.1 billion. Estimated premium is \$1.69 billion.

**This is a preliminary estimate of the overall change in rates at the industry group level. The estimate includes group membership from policy year 7-1-2007 as the group formation for 7-1-2008 is unknown at this time. These numbers are subject to change once the rate calculation process is complete.*



To: Marsha P. Ryan, Administrator
From: John R. Pedrick, FCAS, MAAA, Chief Actuarial Officer
Date: March 14, 2008
Subject: Private Employer (PA) Rate Change Effective 7/1/2008

I have reviewed the calculations and results in the document "Rate Recommendations for Private Employers" (PAs) submitted by our actuarial consultant, Oliver Wyman (OW), as well as the various data and exhibits prepared by my staff, and recommend the BWC implement an overall rate decrease of 5.0% for PAs for the policy year starting July 1, 2008. I believe this change will result in an actuarially sound rate level and will meet the requirement to set the lowest possible rates of premium consistent with the maintenance of a solvent state insurance fund.

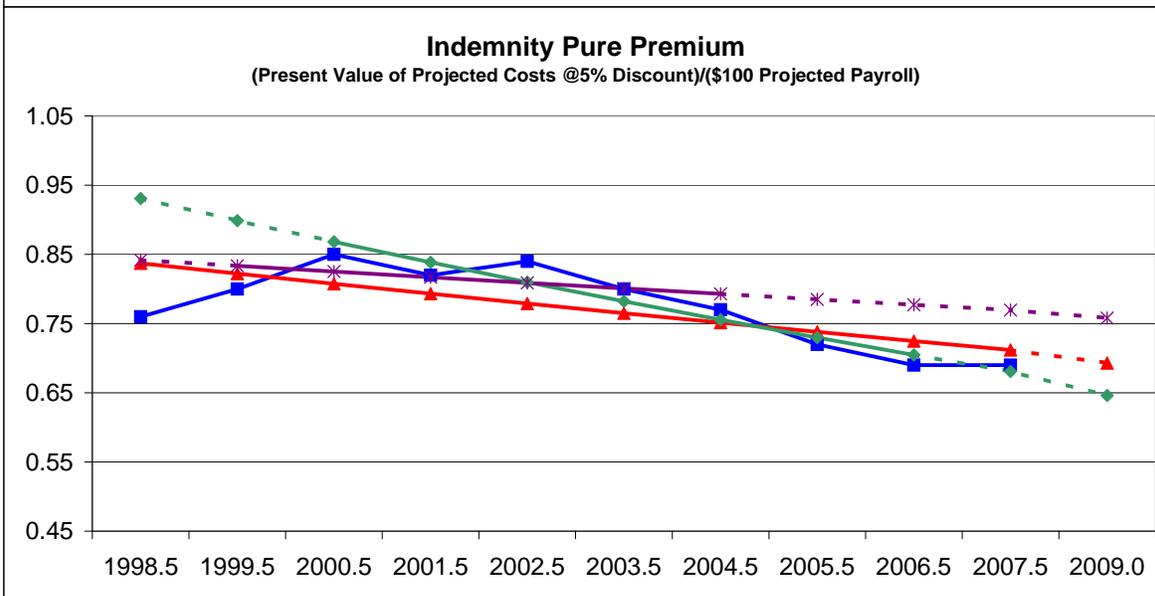
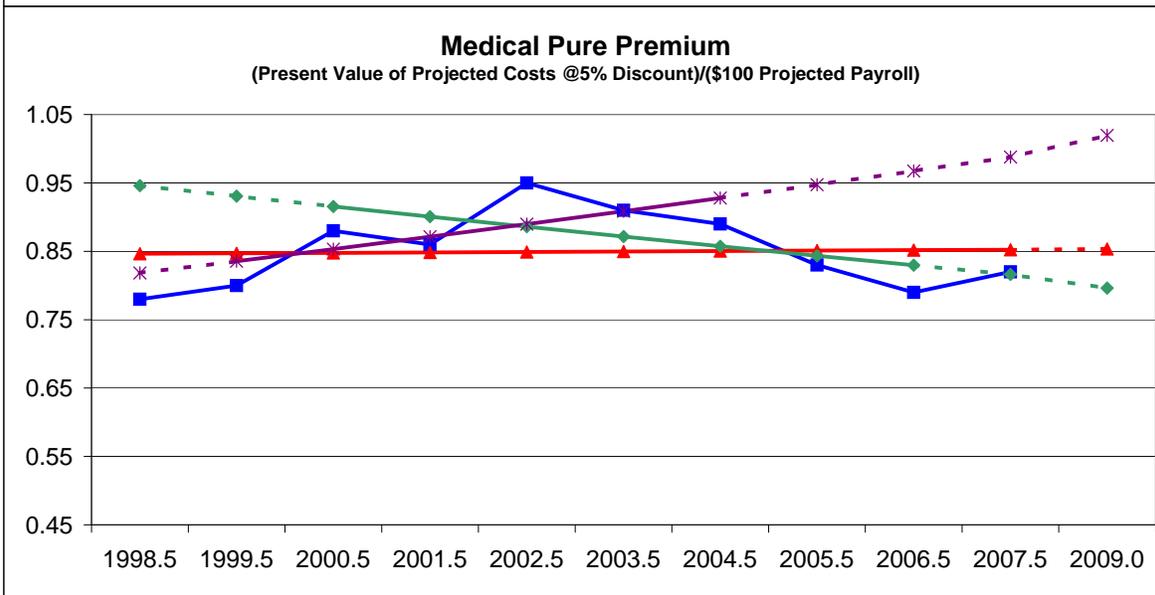
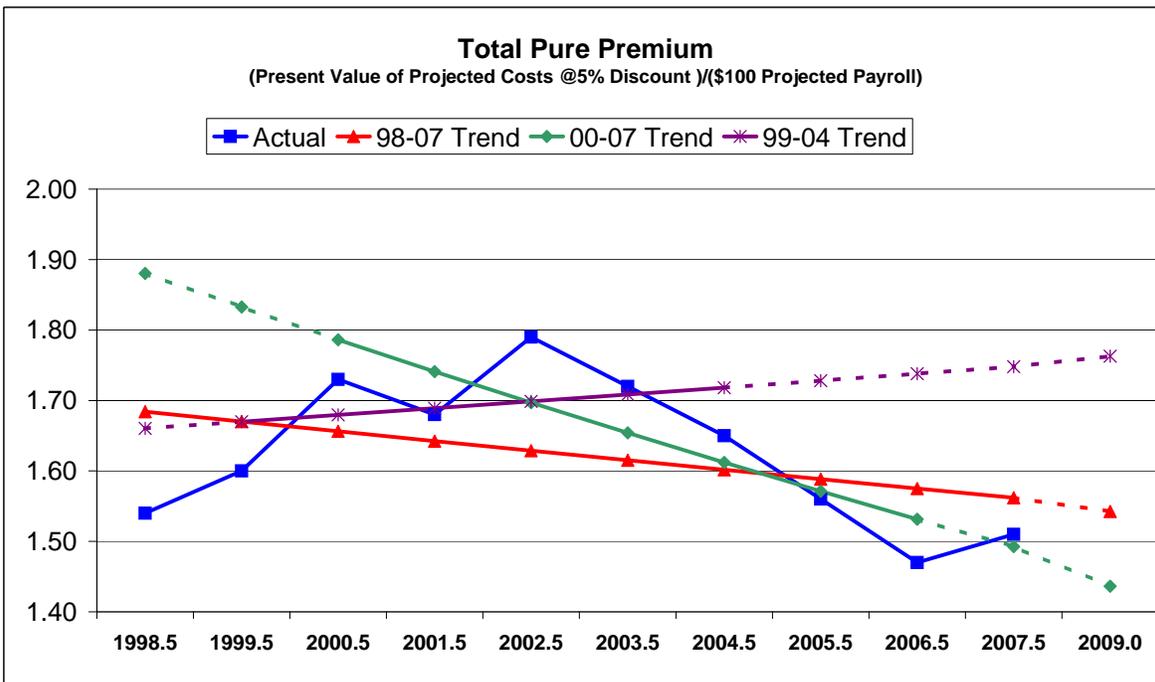
The actuarial analysis indicates three changes that form a reasonable range of options. The baseline indicated change is -7.4%. The indicated change based on the optimistic assumption that trends will be lower is -13.6%. The indicated change based on the conservative assumption that trends will be higher is -1.3%. All of these figures were calculated using a loss reserve discount rate of 5.0%. The actuarial analysis also includes similarly calculated changes using a discount rate of 4.75%. These indications are approximately 1.7% higher than each of the figures above.

The recommendation to decrease rates by 5.0% is based on three considerations. First, the OW analysis estimates total pure premium trend of -0.8% over the entire ten years experience period. However, the two components of total pure premium show different annual trends. Medical pure premium trend in the analysis is 0.0%, and Indemnity pure premium is -1.8%. These are illustrated on the attached Exhibit 1. While falling medical pure premium is consistent with the BWC's actions to lower medical costs, it is not clear that the rate of decline will continue at the pace shown from 2003 through 2006. Medical pure premium for 2007 is roughly 4% higher than for 2006, which could be an early sign that the rate of decline in this cost element will not continue. This suggests caution in using the ten year average without adjustment.

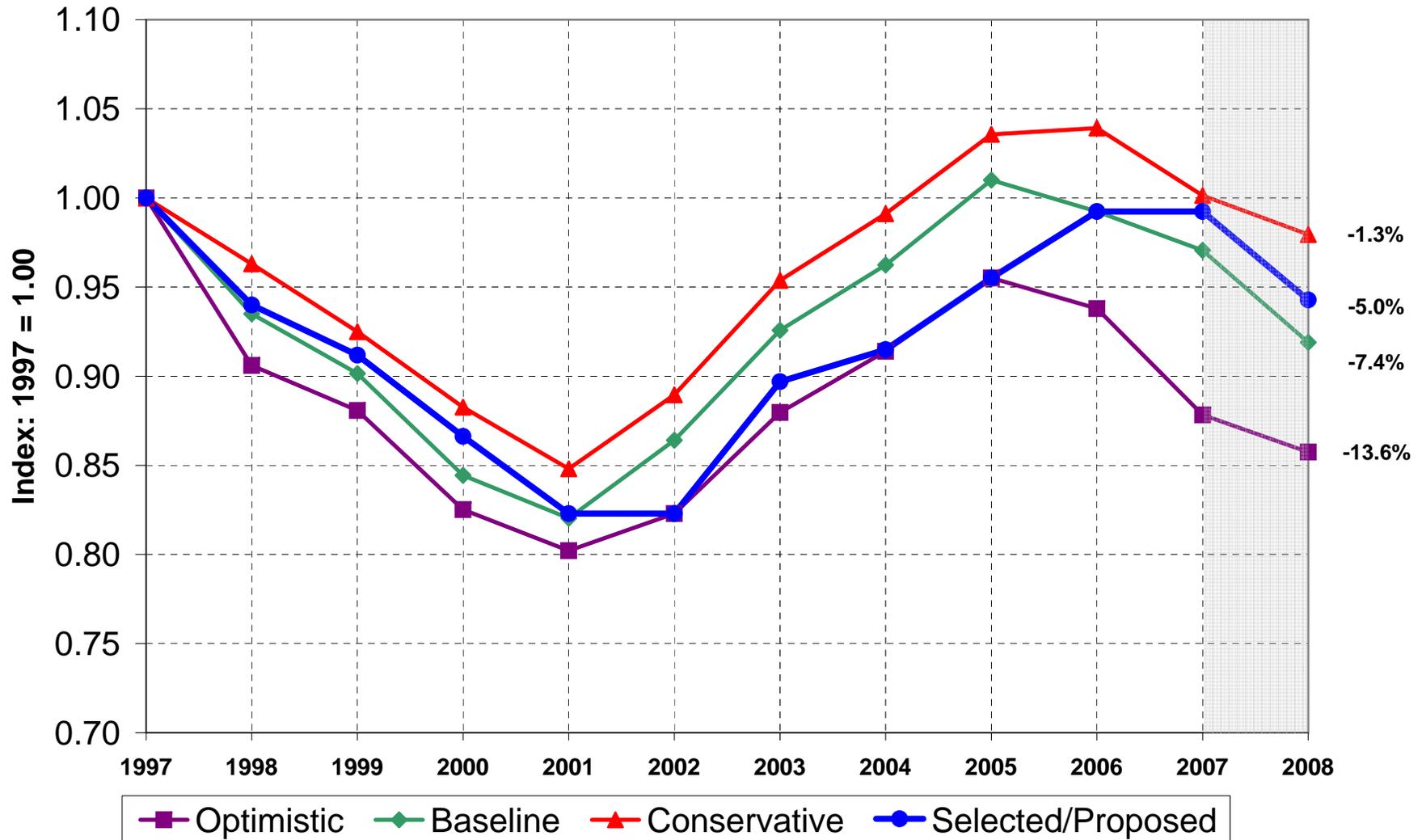
Second, I have examined the annual rate changes along with the actuarial indications since 1997. Exhibit 2 illustrates the cumulative changes using an index of 1.00 for 1997. A decrease of 5.0% is consistent with the desire to soften the peaks and valleys of our annual rate changes in order to increase rate stability, while also reflecting the underlying costs and keeping rates low.

Third, a change of -5.0% is very close to -5.7%, which is the baseline indication using a discount rate of 4.75%. While the topic of changing the discount rate and its applicability to PA rates is not part of this discussion, the proposed decrease is consistent with actuarial indications using either discount rate.

In addition to these points, the resulting rates will have a neutral impact on the Net Asset, since this change is in line with cost trends. That is, the impact of premium income to the Net Asset is likely to be similar to that of fiscal year 2007, allowing us and the Board of Directors to planfully discuss the appropriate level of Net Asset for the BWC without deliberately moving it in any particular direction.



PA Rate Change History with 2008 Projections



**BWC Board of Directors
Executive Summary
Construction Safety Rules: Chapter 4123:1-3
Five year rule review**

Introduction

Chapter 4123:1-3 of the Administrative Code contain the construction safety rules. An employer's violation of a specific safety rule can lead to an additional award for the injured worker (VSSR award). The cost of the VSSR award is billed to the employer as a penalty.

Five-Year Rule Review

Pursuant to R.C. 119.032, state agencies are required to review all agency rules every five years to determine whether to amend the rules, rescind the rules, or continue the rules without change. The safety rules of Chapters 4123:1-3 of the Administrative Code were last reviewed in 1998, and are due for five year rule review.

Rule Review Process

Personnel from the BWC Division of Safety and Hygiene met for the past few months with professionals from labor and management in the construction industry to review these rules. The stakeholders included representatives from the Ohio State Building and Construction Trade Council, South Central Ohio District Council of Carpenters JATC, Norris Brothers Co., Allied Construction Industries (Cincinnati), the Builders Exchange of Central Ohio, and the Construction Employers Association of Cleveland.

The committee met and reviewed the rules based on the following major principles:

- If the standard complies with the BWC safety rule and complies with OSHA, keep the BWC safety rule as is. [Example: Ladder extends 3 feet above landing. BWC safety rule and OSHA are the same].
- If the standard complies with BWC safety rule but violates OSHA, change BWC safety rule. [Example: Safety belts (BWC safety rule) versus body harness (OSHA)].
- If the standard violates BWC safety rule but complies with OSHA, change BWC safety rule. [Example: Perimeter guardrail 1/4 inch wire rope (OSHA) versus 3/8 inch wire rope].
- If the standard does not exist in BWC safety rule now but is in OSHA, keep BWC safety rule as is. [Example: Fire protection and prevention, Not in BWC safety rule, is in OSHA].

Rule Changes

There are 24 rules in Chapters 4123:1-3 of the Administrative Code. Because the rules are lengthy (300 pages in a bound 6" by 9" volume), rather than the full text of the rules, attached is a summary of the changes in the rules.

Workers' Compensation Board of Directors Executive Summary

Public Employers State Agency Rate Recommendation

Employer Group: Public Employer State Agencies

Policy Year: 7-1-2008 through 6-30-2009

Rate Method: Calculate and apply premium rates designed to provide premiums equal to the payments on all injuries or occupational diseases made during the policy year. Attached is a table showing the rate changes over the past several years.

Rate Rule Process:

- Administrator and Chief Actuarial Officer of Ohio Bureau of Workers' Compensation make a recommendation to the Workers' Compensation Board of Directors Actuarial Committee
- The Actuarial Committee of the Board makes a recommendation to the Workers' Compensation Board of Directors who provide advice and consent to the overall rate change and base rates (Rules 4123-17-35) by vote
- Rules are filed with the Legislative Services Commission and the Secretary of State by June 20, 2008 with an effective date of July 1, 2008

The Administrator is recommending a 10% decrease in the overall premium for state agencies. This rate decrease will result in the collection of about \$66.4 M in premiums. State agencies will pay these premiums bi-weekly beginning in July 2008, and State Universities and University Hospitals will begin quarterly premium payments starting October 2008. The premiums will be used to pay all claim payments made during the policy year. This is an overall rate change recommendation. Individual state agency rates will increase or decrease by varying amounts based upon their actual reported losses.

Historical State Agency Rate Changes

Policy Year	Approved/Proposed Rate Change
7-1-2008	-10.00%
7-1-2007	no change
7-1-2006	no change
7-1-2005	5%
7-1-2004	10%
7-1-2003	37.65%
7-1-2002	no change
7-1-2001	no change
7-1-2000	no change
7-1-1999	-6.01%
7-1-1998	-27.67%

4123-17-35 Public employer state agency contribution to the state insurance fund.

The administrator of workers' compensation, with the advice and consent of the bureau of workers' compensation board of directors, has authority to approve contributions made to the state insurance fund by employers pursuant to sections 4121.121, 4123.39, and 4123.40 of the Revised Code. The administrator hereby sets rates per one hundred dollar unit of payroll to be effective July 1, ~~2007~~ 2008, applicable to the payroll reporting period July 1, ~~2007~~ 2008, through June 30, ~~2008~~ 2009, for public employer state agencies, including state universities and university hospitals, as indicated in the attached appendix A.

For the purpose of the payment of fees to the managed care organizations that manage the claims of state agencies, including state universities and university hospitals, the administrator hereby sets an additional contribution to the state insurance fund applicable to the payroll reporting period ~~January 1, 2008~~ July 1, 2008, through June 30, ~~2008~~ 2009, for public employer state agencies, including state universities and university hospitals, at ~~seven and twenty-five~~ nine and nineteen hundredths per cent of the premium as indicated in appendix A to this rule. After the end of calendar year 2008, the bureau will compare the actual and collected fees to account for any overage or shortage in the fee collected. The bureau will apply any overages or shortages to the fee for the next policy year period.

For policy years following the effective date of this rule, a public employer state (PES) agency that is not currently participating in a settlement payment program may enter into the following lump sum settlement (LSS) payment option.

(A) A PES agency that is not currently participating in a settlement payment program may participate in the lump sum settlement (LSS) direct reimbursement rating and payment program. A PES agency participating in this program will have the LSS payments excluded from the bureau's rate calculation process.

(1) Requirements.

(a) A PES agency shall make a three-year minimum commitment to the LSS direct reimbursement payment and rating program.

(b) The earliest beginning date of the LSS program is July 1, 2004.

(c) A PES agency shall notify the bureau of its desire to participate in the LSS direct reimbursement and payment program before the first day of January immediately preceding the policy year in which the agency wishes to participate in the program. The notification shall be made on the form provided by the bureau and signed by the PES agency's designee.

(d) A PES agency currently participating in a settlement program is not eligible to participate in the LSS direct reimbursement payment and rating program.

(2) Lump sum settlement (LSS) rate calculation rules.

(a) All LSS payments will be treated the same whether the result of a court-ordered settlement, an agency-negotiated settlement or any other type of settlement.

(b) Once a PES agency begins participating in the LSS direct reimbursement and rating program, all LSS payments will be excluded from the five year losses used to calculate the "pure premium rate" for future policy year rate calculations. The pure premium rate is defined as the rate that is the actual five year losses divided by the five year reported payroll used to project the rate needed to be collected for the next policy year. The calculation of the "overage and shortage rate" will include the LSS payments paid by the bureau and not reimbursed by the PES agency. The calculation will exclude the LSS payments paid by the bureau and reimbursed by the PES agency. The overage and shortage rate is defined as the rate at which the agency must pay any past shortage in rates or the reduction in rate of any past overage in premium paid.

(c) When an agency terminates a LSS direct reimbursement and rating program, the pure premium rate and the overage and shortage rate will include all LSS payments that were made by the bureau and not reimbursed by the PES agency.

(3) Lump sum settlement (LSS) reimbursement payments.

(a) A lump sum settlement will be billed in the next quarter following the date the LSS warrant was cashed. The October billing will include any lump sum settlement where the warrant was cashed in July, August or September; the January billing where the warrant was cashed in October, November or December; the April billing where the warrant was cashed in January, February or March; and the July billing where the warrant was cashed in April, May or June.

(b) The bureau will bill a structured settlement to the PES agency as the warrant is cashed.

(c) The PES agency shall pay the LSS quarterly bill within thirty days of the billing date.

(d) If the PES agency fails to pay a LSS quarterly bill within thirty days, the bureau will remove the PES agency from the LSS direct reimbursement rating and payment program and the bureau will include the outstanding LSS payments in the rate calculation.

(e) A PES agency may settle permanent total disability and death claims in which the present value was used in rate calculations for five years. The settlement amount will be included in the quarterly billings. In addition, there will be no substitution of the permanent total disability or death benefits paid to date for the present value.

(f) A PES agency shall file any dispute in writing, specifying the agency's objections to the billing, with the bureau's direct billing department. The filing of a dispute does not relieve or suspend the agency's obligation to pay the obligation. Questions concerning the rate calculations should be directed to the bureau's actuarial department.

(4) Change in status.

(a) When a PES agency combines with another PES agency, the choice that the agency that is determined to be the succeeding agency made in respect to participating in this program controls.

(b) A PES agency that is participating in a program and transfers a portion of its operations to another agency shall continue to participate in the program. The choice made in respect to participating in this program by the agency to which the operations were transferred will not be affected.

(c) Where a PES agency participating in a LSS direct reimbursement rating and payment program becomes self-insured, the bureau will calculate a buyout and any obligations owed by the PES agency under the program will be included in the buyout.

(5) Terminating a program.

(a) A PES agency may request, in writing, to terminate a program after the three year minimum commitment period has been completed. The agency's participation in the program will automatically be renewed for another three years unless the written request is submitted.

(b) A PES agency shall submit a request to terminate a program before the first day of January of the year the three year commitment ends. For example, if the PES agency starts participating in the LSS program or its participation is renewed for the policy year beginning July 1, 2004, the request must be submitted before January 1, 2007.

(c) Once a PES agency terminates a LSS program, the agency is no longer eligible to participate in a program.

Promulgated Under: 111.15

Statutory Authority: 4121.12, 4121.121

Rule Amplifies: 4121.12, 4123.39, 4123.40

Prior Effective Dates: 7/1/90, 7/1/91, 7/1/92, 7/1/93, 7/1/94, 7/1/95, 7/1/96, 7/1/97, 7/1/98, 7/1/99, 7/1/00, 7/1/01, 7/1/02, 7/1/03, 7/10/04, 7/1/05, 7/1/06, 7/1/07, 1/1/08

Table from Rule 4123-17-35 to be enacted

APPENDIX A

STATE AGENCY RATES EFFECTIVE JULY 1, 2008

MANUAL	AGENCY	RATE
3100	General Revenue (Sch.) Commissions, Boards and Departments not otherwise classified	0.27
3101	Judiciary - Supreme Court, Judicial Conference	0.17
3102	Ohio Senate (Sch.)	0.27
3103	Ohio House of Representatives (Sch.)	0.27
3105	Legislative Service Commission (Sch.)	0.27
3106	Office of the Governor (Sch.)	0.27
3109	Secretary of State	0.15
3110	Attorney General	0.05
3111	Department of Agriculture	0.79
3112	Department of Commerce	0.64
3113	Department of Education	0.36
3114	Department of Health	0.71
3115	Industrial Commission of Ohio	0.57
3117	Public Utilities Commission of Ohio	0.31
3120	Department of Taxation	0.52
3121	Bureau of Workers' Compensation	0.52
3122	Auditor of State	0.84
3123	Civil Defense (Volunteer) (Sch.)	0.27
3124	Treasurer of Ohio	0.43
3125	Department of Administrative Services	0.90
3127	Ohio Board of Regents (Sch.)	0.27
3130	State Library Board	0.17
3136	Ohio Veterans Home Agency	3.22
3137	Department of Youth Services	4.64
3139	Ohio Arts Council (Sch.)	0.27
3150	Department of Mental Health	2.28
3152	Ohio Expositions Commission	3.71
3154	Department of Natural Resources	1.56
3156	Adjutant General	0.96
3160	Ohio National Guard	0.05
3166	Department of Development	0.10
3167	Department of Insurance	0.34
3169	Racing Commission of Ohio (Sch.)	0.27

**STATE AGENCY
RATES EFFECTIVE JULY 1, 2008**

MANUAL	AGENCY	RATE
3170	Ohio Civil Rights Commission	0.19
3171	Board of Barber Examiners (Sch.)	0.27
3172	State Board of Cosmetology (Sch.)	0.27
3173	State Dental Board (Sch.)	0.27
3174	State Board of Embalmers & Funeral Directors (Sch.)	0.27
3175	State Medical Board (Sch.)	0.27
3176	State Board of Nursing Education and Nurse Registration (Sch.)	0.27
3177	State Board of Optometry (Sch.)	0.27
3178	State Board of Pharmacy (Sch.)	0.27
3179	State Veterinary Medical Board (Sch.)	0.27
3180	State Board of Accountancy (Sch.)	0.27
3181	State Board of Architects (Sch.)	0.27
3183	State Board of Engineers & Surveyors (Sch.)	0.27
3186	Ohio Water Development Authority (Sch.)	0.27
3187	Rehabilitation Services Commission	0.70
3188	Department of Rehabilitation and Correction	2.10
3190	Environmental Protection Agency	0.14
3191	Office of Budget and Management	0.15
3192	Department of Aging	0.05
3193	Court of Claims (Sch.)	0.27
3194	Ohio Legal Rights Service (Sch.)	0.27
3200	Department of Transportation	1.89
3202	The Petroleum Underground Storage Tank Release Compensation Board (Sch.)	0.27
3203	Office of Inspector General (Sch.)	0.27
3204	Capital Square Review and Advisory Board (Sch.)	0.27
3206	Ohio Medical Transportation Board (Sch.)	0.27
3207	Ohio Cultural Facilities Commission (Sch.)	0.27
3208	Joint Legislative Ethics Commission (Sch.)	0.27
3209	Lake Erie Commission (Sch.)	0.27
3210	Ohio Elections Commission (Sch.)	0.27
3400	Department of Public Safety	0.80
3501	Ohio Public Defender Commission (Sch.)	0.27
3504	Office of the Consumers' Counsel (Sch.)	0.27
3512	Commission on Hispanic/Latino Affairs (Sch.)	0.27
3516	Board of Speech Pathology and Audiology (Sch.)	0.27
3518	Board of Dispensing Opticians (Sch.)	0.27

**STATE AGENCY
RATES EFFECTIVE JULY 1, 2008**

MANUAL	AGENCY	RATE
3519	Department of Mental Retardation and Developmental Disabilities	6.05
3520	Board of Chiropractic Examiners (Sch.)	0.27
3521	State Employee Relations Board (Sch.)	0.27
3523	Ohio Ethics Commission (Sch.)	0.27
3524	Ohio Air Quality Development Authority (Sch.)	0.27
3525	Liquor Control Commission (Sch.)	0.27
3527	Psychology Board (Sch.)	0.27
3528	Occupational & Physical Therapy Board (Sch.)	0.27
3529	Counselors and Social Workers Board (Sch.)	0.27
3530	Sanitarian Registration Board (Sch.)	0.27
3531	Athletic Commission (Sch.)	0.27
3532	Commission on Minority Health (Sch.)	0.27
3533	Board of Dietetics (Sch.)	0.27
3535	Department of Alcohol and Drug Addiction	0.56
3536	Commission on Dispute Resolution & Conflict Management (Sch.)	0.27
3537	Ohio Respiratory Care Board (Sch.)	0.27
3538	Public Works Commission (Sch.)	0.27
3539	Ohio Tuition Trust Authority (Sch.)	0.27
5600	Ohio Building Authority	0.05
5900	Lottery Commission	0.52
5902	Ohio Community Service Council (Sch.)	0.27
5903	Joint Commission on Agency Rule Review (Sch.)	0.27
5904	Ohio School Facilities Commission (Sch.)	0.27
5906	Board of Motor Vehicle Collision Repair (Sch.)	0.27
5909	Commission of African American Males (Sch.)	0.27
5910	Department of Job & Family Services	0.33
5911	State Board of Career Colleges and Schools (Sch.)	0.27
5912	Board of Tax Appeals (Sch.)	0.27
5913	Personnel Board of Review (Sch.)	0.27
5914	Southern Ohio Agricultural & Community Development Foundation (Sch.)	0.27
5923	Tobacco Use & Prevention Control Foundation (Sch.)	0.27
5924	Orthotics, Prosthetics and Pedorthics Board (Sch.)	0.27
5928	Chemical Dependency Professionals Board (Sch.)	0.27
5930	Manufactured Homes Commission (Sch.)	0.27
5931	Ohio Housing Finance Agency (Sch.)	0.27
5932	Etech Ohio Commission (Sch.)	0.27
5933	Environmental Review Appeals Commission (Sch.)	0.27

**STATE AGENCY
RATES EFFECTIVE JULY 1, 2008**

STATE UNIVERSITIES

MANUAL	AGENCY	RATE
3128	Cleveland State University	0.26
3141	Bowling Green State University	0.52
3142	Kent State University	0.26
3143	Miami University	0.52
3144	Ohio University	0.60
3145	Ohio State University, Ohio Agricultural Center	0.32
3146	Central State University	1.44
3148	University of Toledo Health Science Campus	0.06
3149	University of Toledo	0.45
3151	OSU Cooperative Extension	0.20
3157	Youngstown State University	0.29
3158	Wright State University	0.13
3159	University of Akron	0.16
3505	University of Cincinnati	0.21
3526	Shawnee State University	0.33
5905	Northeastern Ohio Universities College of Medicine	0.16

STATE UNIVERSITY HOSPITALS

MANUAL	AGENCY	RATE
3131	Ohio State University Hospital	0.73
3161	University Medical Center	0.40
3201	OSU Cancer Research Hospital	0.66
5907	The Ohio State University Hospitals East	1.53

STATE AGENCY RATES

State agencies including state universities and university hospitals are entities which derive their authority from and are directly responsible to state government. State agency rates are recommended by the Administrator for the advice and consent of the Workers' Compensation Board of Directors. State agency rates must be filed with the Secretary of State and the Legislative Service Commission

State agencies including state universities and university hospitals pay premiums into the State Insurance Fund on a terminal funding basis which is similar to the self-insurance concept except the Bureau of Workers' Compensation administers the claims. Currently, all state agencies with the exception of small boards, commissions, and agencies are individually rated. The Actuarial Division determines a rate for each agency that will generate premium collections that are equal to the losses anticipated to be authorized in the upcoming year. No reserves are developed for rate-making purposes to cover the future liability of state agency claims.

Five years of claims costs, payroll and premium are used in the calculation of state agency rates. Prior to July 1, 1985, the claims losses were tabulated on a fiscal year basis starting September 1st and ending August 31st. Payroll and premium were on a fiscal year basis, which ran from July 1st through June 30th. Commencing with rates effective July 1, 1985 the data base was converted to a calendar year basis (e.g. January 1st through December 31st) for claims costs, payroll and premium. This conversion, which reduced programming requirements, placed all employer (public employer state agencies, public employer taxing districts and private employers) rate calculations on a calendar year basis and eliminated comparison of dissimilar period data.

The state agency rate-making system is designed to be a self-correcting system. With rates effective July 1, 1982 a procedure was built into the computation to adjust current rates for an overage or shortage of premium paid in prior years compared to losses generated for the same period of time.

The Payroll Section of the Department of Administrative Services (DAS) will apply the rates to the payroll of the various agencies whose payroll are generated through DAS and will remit the premium to the Bureau of Workers' Compensation every two weeks by check. A list of the corresponding payroll, premium, both DWRP assessments, administrative cost, and MCO fee assessment for each agency is e-mailed to the Bureau's Direct Billing/Accounts Receivable Section. State universities and university hospitals and a few other state-operated entities (such as the Ohio Building Authority) are billed by the Bureau's Direct Billing/Accounts Receivable Section once each quarter and pay premium, DWRP, administrative cost, additional DWRP, and the MCO fee assessment directly to the Bureau. These entities are advised individually of their rates.

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7-1-2008 PES Rate Change Information (-10.00% Rate Change)

Calendar Year	Total Claim Loss Payments ¹	Premium ²	Premium Minus Payments	Cumulative Surplus (Deficit)	Rate Change	Average Rate	Individual Rate Increase Limit	Governor's Incentive
2008	\$62,921,183	\$69,183,000	\$6,261,817	(\$1,604,421)	-10.00%			
2007	\$58,390,223	\$69,744,809	\$11,354,586	(\$7,866,238)	0.00%	1.02	None	
2006	\$62,050,380	\$67,420,777	\$5,370,397	(\$19,220,824)	0.00%	1.03	100%	
2005	\$57,595,845	\$61,212,929	\$3,617,084	(\$24,591,221)	5.00%	1.05	None	10%
2004	\$56,593,418	\$53,784,050	(\$2,809,368)	(\$28,208,305)	10.00%	0.94	150%	10%
2003	\$55,691,032	\$45,166,809	(\$10,524,223)	(\$25,398,936)	37.65%	0.86	150%	10%
2002	\$51,445,493	\$39,286,197	(\$12,159,296)	(\$14,874,713)	0.00%	0.70	25%	
2001	\$50,454,456	\$38,851,071	(\$11,603,385)	(\$2,715,417)	0.00%	0.72	25%	
2000	\$44,693,689	\$37,638,954	(\$7,054,736)	\$8,887,968	0.00%	0.72	25%	

- Notes:
- Santos subrogation costs removed due to irregular payment trends; 2006 - \$1.78M; 2007 - \$.184M. Hospital payments of \$2.5M added due to OHA lawsuit.
 - 1st half 2008 premium is based on 7-1-2007 rates.
2nd half 2008 premium is based upon projected payroll and indicated rate change for 7-1-2008.

7-1-2008 PES MCO Fee Information

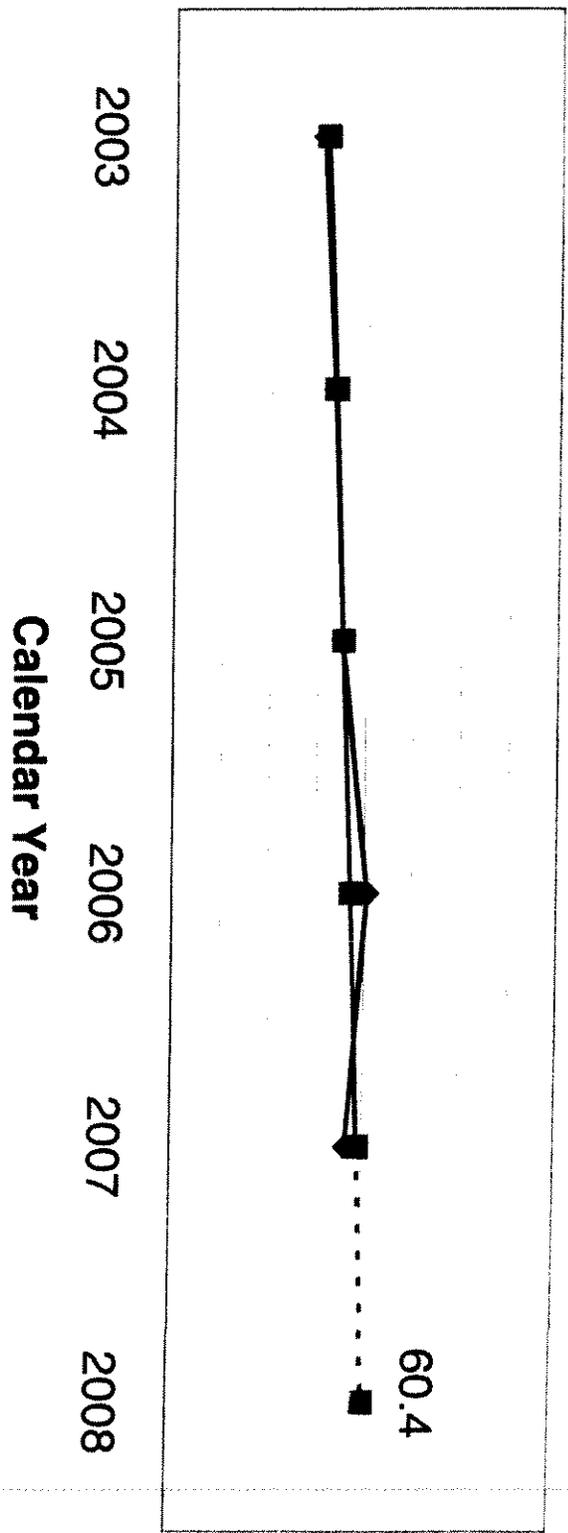
Calendar Year	1st half 2008 Projected Premium ¹	1st half 2008 MCO Fee Percentage	1st half 2008 Projected MCO Fees	Total CY 2008 Budgeted MCO Fees	MCO Fees Needed For Full Collection	2nd half 2008 Projected Premium ²	MCO% Needed For Full Collection
2008	\$36,000,000	7.25%	\$2,610,000	\$5,750,000	\$3,140,000	\$33,183,000	9.46%
	1st half 09 Projected Budgeted MCO Fees ³				7/1/2008-6/30/2009 Projected Budgeted MCO Fees		
2009	\$2,961,250		\$33,183,000		\$6,101,250	\$66,366,000	9.19%

- Notes:
- Based on 7-1-2007 rates.
 - Projected 7-1-2008 premium (half year) - payroll has been adjusted to policy year level.
 - Inflated 2008 cy budgeted MCO fees by 3% and divided by 2 for half year period.

Calendar Year Payments

◆ Actual Pmts ■ 03-08 Trend

Payments (Millions)
80
75
70
65
60
55
50
45
40



- Notes:
1. Santos subrogation costs removed due to irregular payment trends: 2006 - \$1.78M; 2007 - \$.184M.
 2. Payments for OHA Lawsuit have not been added for trending purposes.
 3. Linear trend shows a 1.6% increase in losses.

July 1, 2008 State Agency Rates - Average Blended Rate Change (-10.00% Premium Rate Change)

MANUAL	AGENCY	7-1-2008	7-1-2008	7-1-2007	2008 PY	2008	2007	Difference (2008-2007)
		Rate	Blended Rate*	Blended Rate	Projected Payroll	Premium	Premium	
3101	JUDICIARY	0.17	0.2623	0.1361	101,315,889	265,752	137,891	127,861
3109	SECRETARY OF STATE	0.15	0.2374	0.1975	9,214,384	21,875	18,198	3,677
3110	ATTORNEY GENERAL	0.05	0.1125	0.3450	81,545,261	91,738	281,331	(189,593)
3111	DEPT OF AGRICULTURE	0.79	1.0364	0.9473	24,834,488	257,385	235,257	22,128
3112	DEPT OF COMMERCE	0.64	0.8490	0.9105	50,893,439	432,085	463,385	(31,299)
3113	DEPT OF EDUCATION	0.36	0.4996	0.5048	63,319,147	316,342	319,635	(3,293)
3114	DEPT OF HEALTH	0.71	0.9365	0.8366	84,156,448	788,125	704,053	84,072
3115	INDUSTRIAL COMMISSION OF OHIO	0.57	0.7617	0.8736	28,431,898	216,566	248,381	(31,815)
3117	PUBLIC UTILITIES COMMISSION OF OHIO	0.31	0.4371	0.5786	27,807,397	121,546	160,894	(39,347)
3120	DEPT OF TAXATION	0.52	0.6993	0.7630	82,572,331	577,428	630,027	(52,599)
3121	BWC (DWMF: 3168 & S & H: 3138)	0.52	0.6993	0.9227	152,065,926	1,063,397	1,403,112	(339,715)
3122	AUDITOR OF STATE	0.84	1.0988	1.1931	51,464,295	565,490	614,021	(48,531)
3124	TREASURER	0.43	0.5869	0.6769	8,503,197	49,905	57,558	(7,653)
3125	DEPT OF ADMINISTRATIVE SERVICES	0.90	1.1737	1.3283	56,388,202	661,828	749,004	(87,176)
3128	CLEVELAND STATE UNIVERSITY	0.26	0.3747	0.3205	128,689,205	482,198	412,449	69,750
3130	LIBRARY BOARD	0.17	0.2623	0.2590	4,193,122	10,999	10,860	138
3131	OHIO STATE UNIVERSITY HOSPITAL	0.73	0.9615	0.9596	334,897,431	3,220,039	3,213,676	6,363
3136	OHIO VETERANS HOME AGENCY	3.22	4.0706	3.9957	33,277,062	1,354,576	1,329,652	24,925
3137	DEPT OF YOUTH SERVICES	4.64	5.8436	6.7860	111,962,027	6,542,613	7,597,743	(1,055,130)
3141	BOWLING GREEN UNIVERSITY	0.52	0.6993	0.7875	186,518,809	1,304,326	1,468,836	(164,510)
3142	KENT STATE UNIVERSITY	0.26	0.3747	0.3942	237,095,796	888,398	934,632	(46,234)
3143	MIAMI UNIVERSITY	0.52	0.6993	0.6769	232,932,182	1,628,895	1,576,718	52,177
3144	OHIO UNIVERSITY	0.60	0.7992	0.7506	277,085,598	2,214,468	2,079,805	134,664
3145	OHIO STATE UNIVERSITY	0.32	0.4495	0.5048	1,097,622,044	4,933,811	5,540,796	(606,985)
3146	CENTRAL STATE UNIVERSITY	1.44	1.8480	1.4389	21,662,753	400,328	311,705	88,622
3148	MEDICAL COLLEGE OF TOLEDO	0.06	0.1249	0.1238	77,736,954	97,093	96,238	855
3149	UNIVERSITY OF TOLEDO	0.45	0.6120	0.6523	135,722,384	830,621	885,317	(54,696)
3150	DEPT OF MENTAL HEALTH	2.28	2.8969	3.0370	171,954,950	4,981,363	5,222,272	(240,909)
3151	OHIO STATE UNIV COOP EXTENSION	0.20	0.2997	0.7014	33,700,848	101,001	236,378	(135,376)
3152	OHIO EXPOSITIONS COMMISSION	3.71	4.6824	4.3523	4,408,594	206,428	191,875	14,553
3154	DEPT OF NATURAL RESOURCES	1.56	1.9979	1.8939	108,533,169	2,168,384	2,055,510	112,875
3156	ADJUTANT GENERAL	0.96	1.2488	1.4022	16,571,886	206,950	232,371	(25,421)
3157	YOUNGSTOWN STATE UNIVERSITY	0.29	0.4122	0.4188	98,819,434	407,334	413,856	(6,522)

MANUAL	AGENCY	7-1-2008	7-1-2008	7-1-2007	2008 PY	2008	2007	Difference (2008-2007)
		Rate	Blended Rate*	Blended Rate	Projected Payroll	Premium	Premium	
3158	WRIGHT STATE UNIVERSITY	0.13	0.2123	0.2097	150,153,068	318,775	314,871	3,904
3159	UNIVERSITY OF AKRON	0.16	0.2498	0.2590	183,024,678	457,196	474,034	(16,838)
3160	OHIO NATIONAL GUARD	0.05	0.1125	0.1115	-	0	0	0
3161	MED COLLEGE OF TOLEDO HOSPITAL	0.40	0.5495	0.6032	84,178,349	462,560	507,764	(45,204)
3166	DEPT OF DEVELOPMENT	0.10	0.1749	0.1730	23,423,814	40,968	40,523	445
3167	DEPT OF INSURANCE	0.34	0.4745	0.9350	19,461,980	92,347	181,970	(89,622)
3170	CIVIL RIGHTS COMMISSION	0.19	0.2873	0.1361	7,432,230	21,353	10,115	11,238
3187	REHAB SERVICE COMMISSION	0.70	0.9241	0.8244	71,189,444	657,862	586,886	70,976
3188	DEPT OF REHAB AND CORRECTIONS	2.10	2.6722	3.0616	732,944,558	19,585,744	22,439,831	(2,854,086)
3190	ENVIRONMENTAL PROTECTION AGENCY	0.14	0.2248	0.1975	82,308,956	185,031	162,560	22,470
3191	OFFICE OF BUDGET AND MANAGEMENT	0.15	0.2374	0.1975	7,147,933	16,969	14,117	2,852
3192	DEPARTMENT OF AGING	0.05	0.1125	0.2590	7,905,521	8,894	20,475	(11,582)
3200	DEPT OF TRANSPORTATION	1.89	2.4100	2.6929	321,963,135	7,759,312	8,670,145	(910,834)
3201	OSU CANCER RESEARCH HOSPITAL	0.66	0.8742	0.9473	73,326,795	641,023	694,625	(53,602)
3400	DEPT OF PUBLIC SAFETY	0.80	1.0489	1.0948	230,792,030	2,420,778	2,526,711	(105,934)
3505	UNIVERSITY OF CINCINNATI	0.21	0.3122	0.2958	451,790,702	1,410,491	1,336,397	74,094
3519	DEPT OF MENTAL RETARDATION	6.05	7.6043	8.3102	157,215,455	11,955,135	13,064,919	(1,109,784)
3526	SHAWNEE STATE UNIVERSITY	0.33	0.4620	0.8981	23,985,654	110,814	215,415	(104,601)
3535	DEPT OF ALCOHOL & DRUG ADDICTION	0.56	0.7493	1.1931	6,450,742	48,335	76,964	(28,628)
5600	OHIO BUILDING AUTHORITY	0.05	0.1125	0.1115	1,452,615	1,634	1,620	15
5900	LOTTERY COMMISSION	0.52	0.6993	1.5865	19,722,402	137,919	312,896	(174,977)
5905	NORTHEASTERN OHIO UNIV COLLEGE OF MED	0.16	0.2498	0.2097	17,298,565	43,212	36,275	6,937
5907	THE OHIO STATE UNIVERSITY HOSPITALS EAST	1.53	1.9604	1.8447	56,779,796	1,113,111	1,047,417	65,694
5910	DEPARTMENT OF JOB & FAMILY SERVICES	0.33	0.4620	0.5048	242,297,664	1,119,415	1,223,119	(103,703)
SCH	SCHEDULED STATE AGENCIES	0.27	0.3871	0.3819	119,706,491	463,384	457,159	6,225
TOTALS			7,227,849,125	86,481,548	94,250,241	(7,768,694)		
AVERAGE			1.1965	1.3040				
% CHANGE								-8.2439

* Based upon -10.00% premium rate change and 9.19% fee for MCO costs.

STATE AGENCY BLENDED RATES EFFECTIVE JULY 1, 2008 TO JUNE 30, 2009

-10.00% Rate Change

Policy	AGENCY	RATE	Admin (15.57% x Rate)	DWRFH (.05)	DWRFH (.15% x Rate)	MCO Fees (0.19% x Rate)	7-1-2008 Total Blended Rate	7-1-2009 Total Blended Rate	Percent Difference 2008-2009
10003101	Judiciary - Supreme Court, Judicial Conference	0.17	0.0265	0.05	0.0002	0.0156	0.2623	0.1361	92.73%
10003109	Secretary of State	0.15	0.0234	0.05	0.0002	0.0138	0.2374	0.1975	20.20%
10003110	Attorney General	0.05	0.0078	0.05	0.0001	0.0046	0.1125	0.1975	-67.39%
10003111	Department of Agriculture	0.79	0.1230	0.05	0.0008	0.0726	1.0364	0.3450	-67.39%
10003112	Department of Commerce	0.64	0.0996	0.05	0.0006	0.0588	0.8490	0.9105	-6.75%
10003113	Department of Education	0.36	0.0561	0.05	0.0004	0.0331	0.4996	0.5048	-1.03%
10003114	Department of Health	0.71	0.1105	0.05	0.0007	0.0653	0.9365	0.8366	11.94%
10003115	Industrial Commission of Ohio	0.57	0.0887	0.05	0.0006	0.0524	0.7617	0.8736	-12.81%
10003117	Public Utilities Commission of Ohio	0.31	0.0483	0.05	0.0003	0.0285	0.4371	0.5786	-24.46%
10003120	Department of Taxation	0.52	0.0810	0.05	0.0005	0.0478	0.6993	0.7630	-8.35%
10003121	Bureau of Workers' Compensation	0.52	0.0810	0.05	0.0005	0.0478	0.6993	0.9227	-24.21%
10003122	Auditor of State	0.84	0.1308	0.05	0.0008	0.0772	1.0988	1.1931	-7.90%
10003124	Treasurer of Ohio	0.43	0.0670	0.05	0.0004	0.0395	0.5869	0.6769	-13.30%
10003125	Department of Administrative Services	0.90	0.1401	0.05	0.0009	0.0827	1.1737	1.3283	-11.64%
10003128	Cleveland State University	0.26	0.0405	0.05	0.0003	0.0239	0.3747	0.3205	16.91%
10003130	State Library Board	0.17	0.0265	0.05	0.0002	0.0156	0.2623	0.2590	1.27%
10003131	Ohio State University Hospital	0.73	0.1137	0.05	0.0007	0.0671	0.9615	0.9596	0.20%
10003136	Ohio Veterans Home Agency	3.22	0.5014	0.05	0.0032	0.2960	4.0706	3.9957	1.87%
10003137	Department of Youth Services	4.64	0.7224	0.05	0.0046	0.4266	5.8436	6.7860	-13.89%
10003141	Bowling Green State University	0.52	0.0810	0.05	0.0005	0.0478	0.6993	0.7875	-11.20%
10003142	Kent State University	0.26	0.0405	0.05	0.0003	0.0239	0.3747	0.3942	-4.95%
10003143	Miami University	0.52	0.0810	0.05	0.0005	0.0478	0.6993	0.6769	3.31%
10003144	Ohio University	0.60	0.0934	0.05	0.0006	0.0552	0.7992	0.7506	6.47%
10003145	Ohio State University, Ohio Agricultural Center	0.32	0.0498	0.05	0.0003	0.0294	0.4495	0.5048	-10.95%
10003146	Central State University	1.44	0.2242	0.05	0.0014	0.1324	1.8480	1.4389	28.43%
10003148	University of Toledo Health Science Campus	0.06	0.0093	0.05	0.0001	0.0055	0.1249	0.1238	0.89%
10003149	University of Toledo	0.45	0.0701	0.05	0.0005	0.0414	0.6120	0.6523	-6.18%
10003150	Department of Mental Health	2.28	0.3550	0.05	0.0023	0.2096	2.8969	3.0370	-4.61%
10003151	OSU Cooperative Extension	0.20	0.0311	0.05	0.0002	0.0184	0.2997	0.7014	-57.27%
10003152	Ohio Expositions Commission	3.71	0.5776	0.05	0.0037	0.3411	4.6824	4.3523	7.58%
10003154	Department of Natural Resources	1.56	0.2429	0.05	0.0016	0.1434	1.9979	1.8939	5.49%
10003156	Adjutant General	0.96	0.1495	0.05	0.0010	0.0883	1.2488	1.4022	-10.94%
10003157	Youngstown State University	0.29	0.0452	0.05	0.0003	0.0267	0.4122	0.4188	-1.58%
10003158	Wright State University	0.13	0.0202	0.05	0.0001	0.0120	0.2123	0.2097	1.24%
10003159	University of Akron	0.16	0.0249	0.05	0.0002	0.0147	0.2498	0.2590	-3.55%

Policy	AGENCY	RATE	Admin (15.57% x Rate)	DWRFI (.05)	DWRFI (.1% x Rate)	MCO Fees (9.19% x Rate)	7-1-2006 Total Blended Rate	7-1-2007 Total Blended Rate	Percent Difference 2006-2007
10003160	Ohio National Guard	0.05	0.0078	0.05	0.0001	0.0046	0.1125	0.1115	0.90%
10003161	University Medical Center	0.40	0.0623	0.05	0.0004	0.0368	0.5495	0.6032	-8.90%
10003166	Department of Development	0.10	0.0156	0.05	0.0001	0.0092	0.1749	0.1730	1.10%
10003167	Department of Insurance	0.34	0.0529	0.05	0.0003	0.0313	0.4745	0.9350	-49.25%
10003170	Ohio Civil Rights Commission	0.19	0.0296	0.05	0.0002	0.0175	0.2873	0.1361	111.09%
10003187	Rehabilitation Services Commission	0.70	0.1090	0.05	0.0007	0.0644	0.9241	0.8244	12.09%
10003188	Department of Rehabilitation and Correction	2.10	0.3270	0.05	0.0021	0.1931	2.6722	3.0616	-12.72%
10003190	Environmental Protection Agency	0.14	0.0218	0.05	0.0001	0.0129	0.2248	0.1975	13.82%
10003191	Office of Budget and Management	0.15	0.0234	0.05	0.0002	0.0138	0.2374	0.1975	20.20%
10003192	Department of Aging	0.05	0.0078	0.05	0.0001	0.0046	0.1125	0.2590	-56.56%
10003200	Department of Transportation	1.89	0.2943	0.05	0.0019	0.1738	2.4100	2.6929	-10.51%
10003201	OSU Cancer Research Hospital	0.66	0.1028	0.05	0.0007	0.0735	0.8742	0.9473	-7.72%
10003400	Department of Public Safety	0.80	0.1246	0.05	0.0008	0.0735	1.0489	1.0948	-4.19%
10003505	University of Cincinnati	0.21	0.0327	0.05	0.0002	0.0193	0.3122	0.2958	5.54%
10003519	Department of Mental Retardation and Developmental Disabilities	6.05	0.9420	0.05	0.0061	0.5562	7.6043	8.3102	-8.49%
10003526	Shawnee State University	0.33	0.0514	0.05	0.0003	0.0303	0.4620	0.8981	-48.56%
10003535	Department of Alcohol and Drug Addiction	0.56	0.0872	0.05	0.0006	0.0515	0.7493	1.1931	-37.20%
10005600	Ohio Building Authority	0.05	0.0078	0.05	0.0001	0.0046	0.1125	0.1115	0.90%
10005900	Lottery Commission	0.52	0.0810	0.05	0.0005	0.0478	0.6993	1.5865	-55.92%
10005905	Northeastern Ohio Universities College of Medicine	0.16	0.0249	0.05	0.0002	0.0147	0.2498	0.2097	19.12%
10005907	The Ohio State University Hospitals East	1.53	0.2382	0.05	0.0015	0.1407	1.9604	1.8447	6.27%
10005910	Department of Job & Family Services	0.33	0.0514	0.05	0.0003	0.0303	0.4620	0.5048	-8.48%
Scheduled	Scheduled State Agencies	0.27	0.0420	0.05	0.0003	0.0248	0.3871	0.3819	1.36%

6-month Actuarial Committee Calendar

Date	March	Notes
3/26/2008	Education Session 1:00 pm to 4:00 pm 1. MIRA 2 2. Split loss rating plan - Bill Hansen 3. PES rate methodology & biennial proposal	
3/27/2008	Actuarial Committee 2:30 pm to 4:00 pm @ OCOSH 1. Action: PA overall rate change effective July 1, 2008 2. Public Employer State Agency Rate Analysis	
3/28/2008	Board Meeting 9:00 am @ OCOSH 1. Action: PA overall rate change effective July 1, 2008 2. Possible action: PES rate change eff. 7-1-2008	
3/14/2008	Book due on	
3/14/2008	*Dual Meeting with Audit Committee to discuss discount rate. Thursday, March 27 beginning at 12:00 p.m. Investment Committee at 12:00 p.m. Joint meeting of Audit and Actuarial Actuarial Committee ending at 4:00 pm	
April		
4/23/2008	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	
4/24/2008	Actuarial Committee 1. Action: PES Rate rule 4123-17-35 action 2. Discount rate 3. Group/experience rating (NCCI) update 4. MIRA update - transparency and web service offerings - Rex Blateri	
4/25/2008	Board Meeting	
4/11/2008	Book due on	
May		
5/28/2008	Education Session	
5/29/2008	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: Disable 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 9. Self-Insured	
5/30/2008	Board Meeting	
5/16/2008	Book due on	
June		
6/25/2008	Education Session Fair Isaac present MIRA 2 results	
6/26/2008	Actuarial Committee 1. Group/Experience Rating (NCCI) Plan 2. Discount rate for Reserve Audit as of 6-30-08 3. MIRA II update - BWC results 4. HB 100 Comprehensive Study update 5. PEC Credibility Table change - action item	
6/27/2008	Board Meeting	
6/13/2008	Book due on	
July		
7/23/2008	Education Session	
7/24/2008	Actuarial Committee 1. MIRA update	
7/25/2008	Board Meeting	
7/11/2008	Book due on	
August		
8/27/2008	Education Session PEC Rate training	
8/28/2008	Actuarial Committee 1. Reserve Audit update	
8/29/2008	Board Meeting	
8/15/2008	Book due on	

September	
9/24/2008	Education Session
9/25/2008	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
9/26/2008	Board Meeting
Book due on 9/12/2008	
October	
10/29/2008	Education Session
10/30/2008	Actuarial Committee 1. Actuarial Audit Reserves - Oliver Wyman, consulting actuaries 2. Reserve levels 3. NCCI/BWC State of the line report comparisons
10/31/2008	Board Meeting
Book due on 10/17/2008	

November		
11/19/2008	Education Session	
11/20/2008	Actuarial Committee 1. Public Employer Taxing Districts	
11/21/2008	Board Meeting	
Book due on 11/7/2008		
December		
12/17/2008	Education Session	
12/18/2008	Actuarial Committee 1. Public Employer State Agency Rule 4123 - Possible 2. MCO fee change 3. Final Comprehensive study presentation	
12/19/2008	Board Meeting	
Book due on 12/5/2008		

Maximum Discount Reduction

At the last meeting we distributed the results of our analysis of the reduction in the credibility table and resulting maximum discount from 90% to 85%. Here is a brief summary. Using the current policy year for private employers (7/1/2007 to 6/30/2008), we recalculated experience modifiers (EMs) for employers and groups, off-balances by class, and base rates. The results give an initial perspective on the potential impact of this change. However, since the composition of groups varies each year, and the corresponding group experience modifiers also vary, these results are inaccurate for determining the actual impact to rates for the upcoming policy year. It is important to note that changing the maximum discount does not impact the overall premium level, but does change the premium distribution across employers.

Based on today's group structure, the maximum discount decrease from 90% to 85% reduced the average discount for employers and groups. This in turn decreased the off-balance, lowering base rates by an average of 3%. Most employers are not charged the base rate. Their experience modifiers (EMs) are applied to the base rate, resulting in their collectible rate. For group-rated employers the average collectible rate increased from \$1.02 to \$1.10, an increase of 7.8%. The average collectible rate for non-group-rated employers dropped from \$2.67 to \$2.58, a decrease of 3.4%. Changing the maximum credibility reduces the average discount, which lowers base rates. As a result, higher EMs will be applied to lower base rates.

Continuing Projects

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
Project Begins	February 19, 2008	Completed
Initial Meeting with Deloitte	February 27, 2008	Completed
Deloitte introduced to Actuarial Committee	February 28, 2008	Completed
Deloitte presents first grouping report to Actuarial Committee	June 26, 2008 (tentative)	
Deloitte presents second grouping report to Actuarial Committee	August 28, 2008 (tentative)	
Deloitte presents third grouping report to Actuarial Committee	October 30, 2008 (tentative)	
Deloitte presents final report to Actuarial Committee/Board	December 18, 2008 (tentative)	
Project ends	December 31, 2008	
Team Leader: Larry King Executive Sponsor: John Pedrick		

- Deloitte attended meetings on March 4th on Self-Insured topics and on March 5th on group rating, claims, subrogation, MIRA 2, and MCO's.
- A conference call was held with Deloitte and the IT staff on March 7, 2008 to discuss their data requirements. BWC will be providing sample files to Deloitte to see if they will meet their requirements.
- Deloitte met with Oliver Wyman on March 10, 2008 to discuss the audit and reserves.
- Deloitte has requested a meeting with Oliver Wyman and BWC personnel to discuss the previous group rating studies and the information currently being reviewed by Oliver Wyman.
- A project plan will be finalized with Deloitte during the next few weeks.

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	
Individual Stakeholder Meetings	February 26, March 3, 4, 5, 7, 12, 17, 18, 19, 20.	25%
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		

- We are meeting with third party administrators and employer associations in one-on-one meetings to share progress and to get input. These meetings are proving to be very helpful and provide opportunities for openness and frank discussion.

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		

- Internal and external meetings with claim experts, TPA’s, and employer representatives continue to provide excellent input to the process.

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	Completed
Summary Payroll	January 21, 2008 through February 20, 2008	Completed
Group Application Deadline	February 29, 2008	Completed
Rate Calculations	February 21, 2008 though May 23, 2008	On Schedule
Rate Change Analysis to Board	February – March 2008	Pending
Final Rates to Board	May 29, 2008	
Mailing Employer Rate Letters	June 30, 2008	

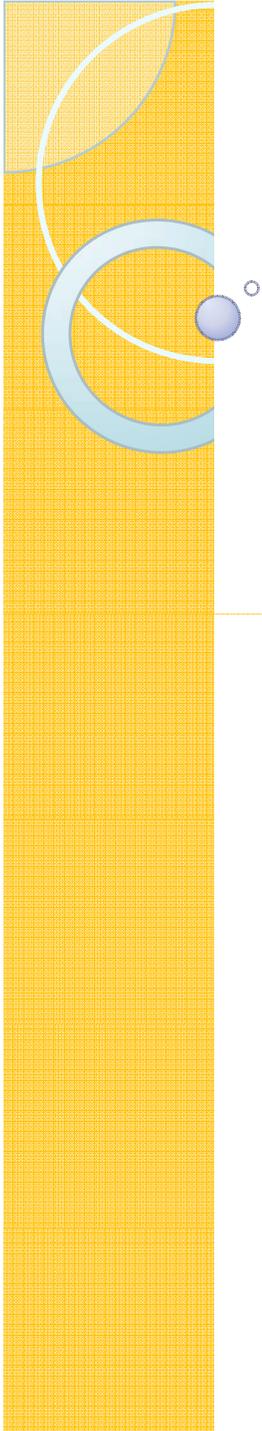
Public Employer State Agency (PES) Rates Effective July 1, 2008

Task/Function	Timeline	Status
Public Employer State Agency Rates	January 2008 - April 2008	On Schedule
Run & verify payroll and premium	February 8-21, 2008	Completed
Run & verify losses	February 28 – March 5, 2008	Completed
Run & verify base rates	March 6-17, 2008	Completed
Discuss rate change with administrator	March 6-21, 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	

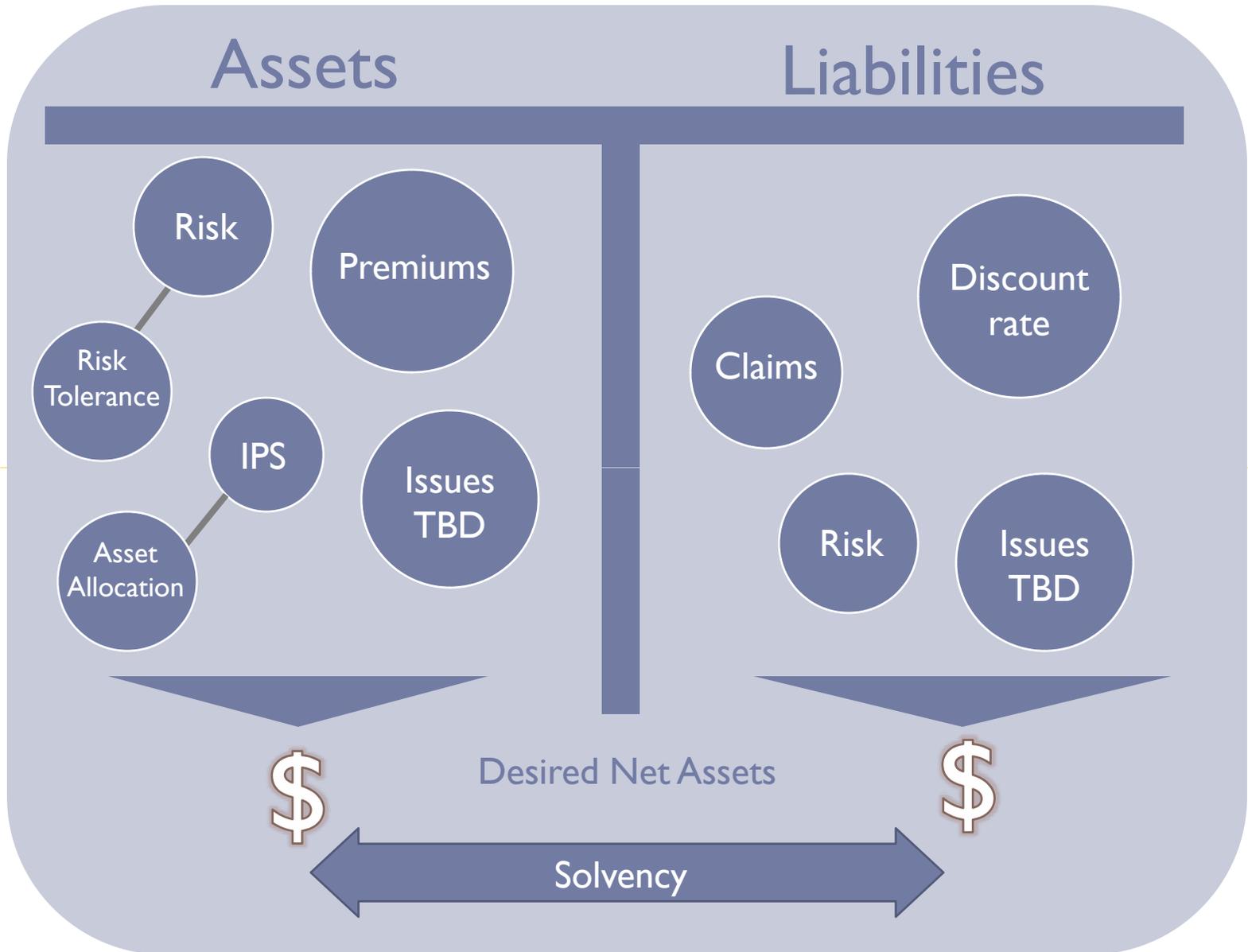
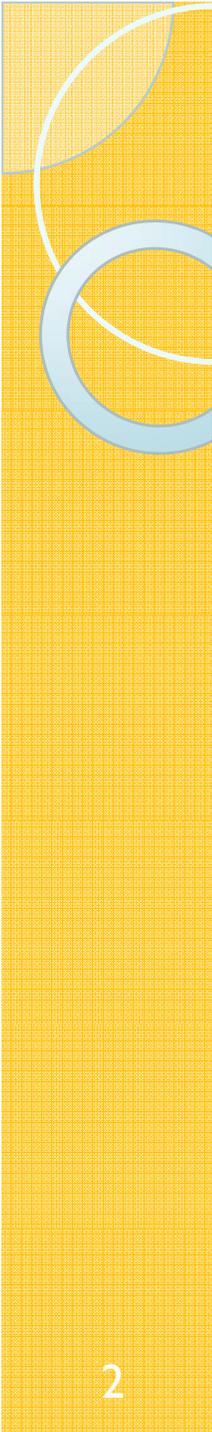
The following presentation was given during a joint meeting of the Investment and Actuarial Committees held on Thursday, March 27, 2008



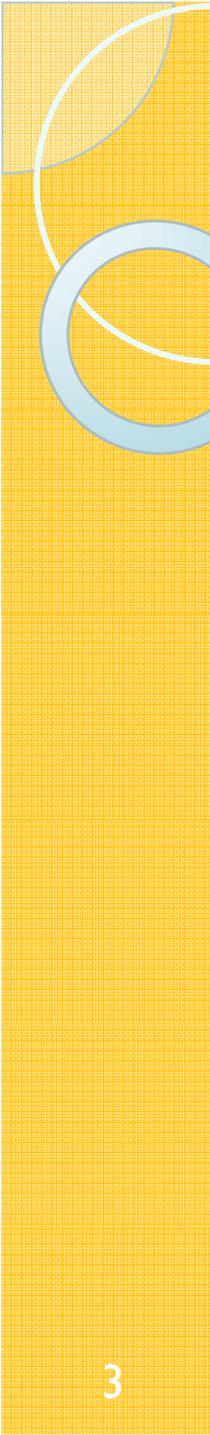
Setting the Discount Rate

Marsha P. Ryan, Administrator

March 27, 2008



RC 4123.34: "...fix and maintain...the lowest possible rates of premium consistent with the maintenance of a solvent state insurance fund..."



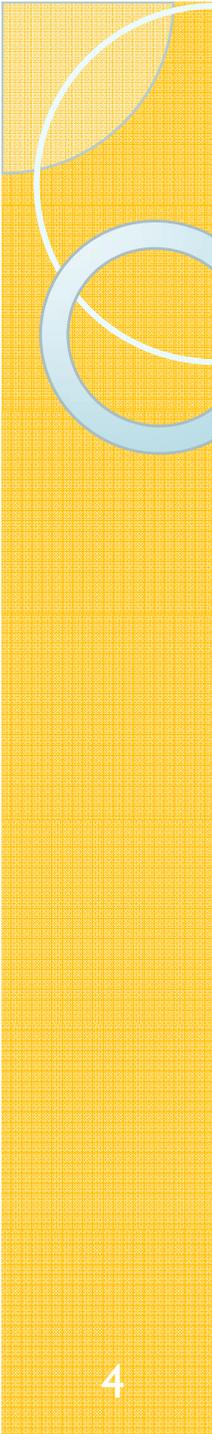
Discount rate

The discount rate is NOT

- Investment policy
- It does not change the amount of assets we have today to make future claims payments
- It does not change the amounts we will pay in the future for claims.

The discount rate IS

- Recognition of the time value of money
- \$1 of future claims liability can be paid by setting aside less than \$1 today due to expected investment earnings
- The minimum investment return over the next 50+ years in which we are highly confident

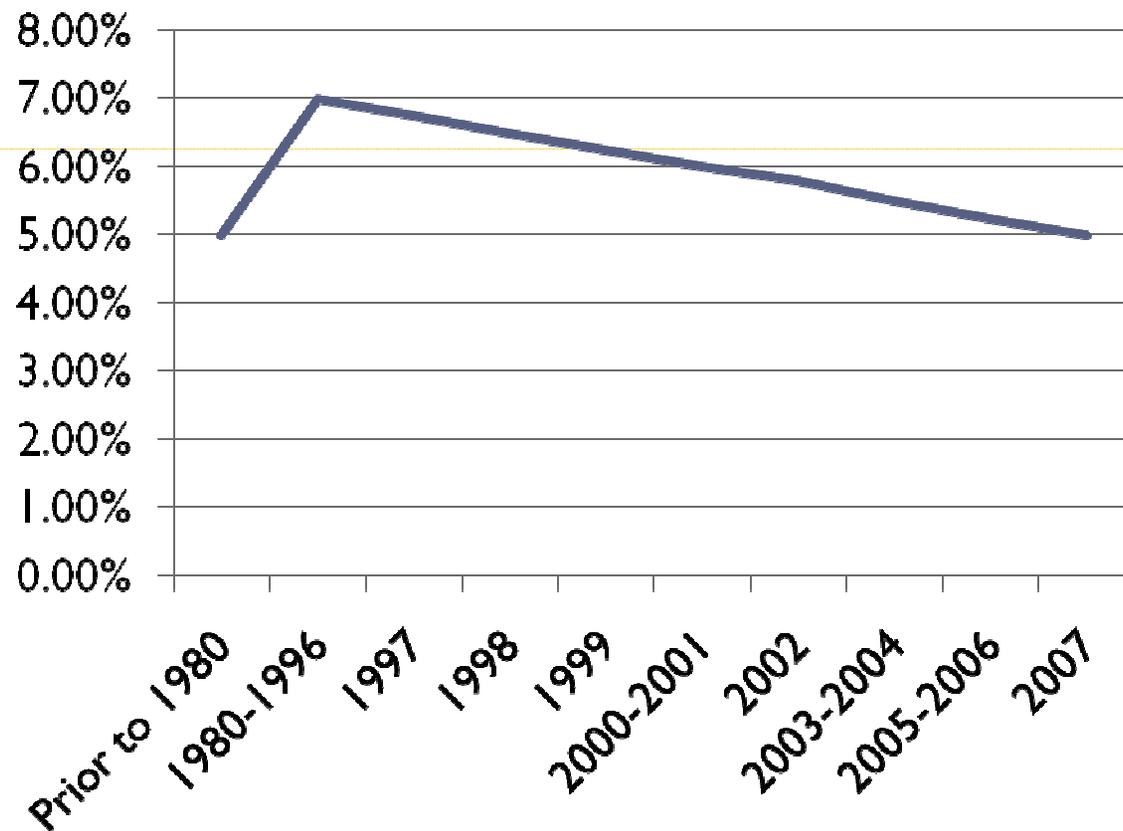


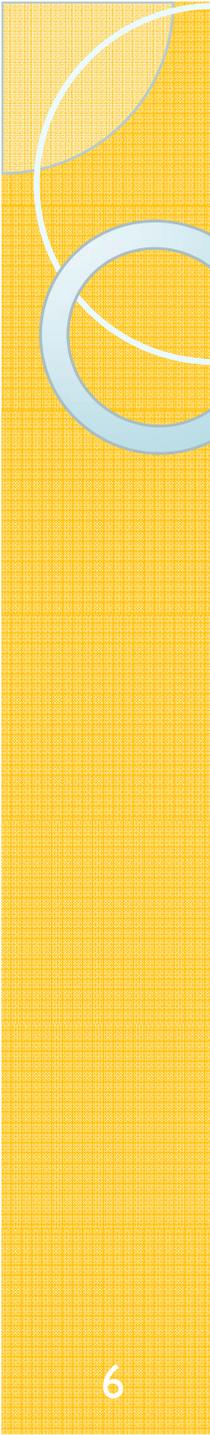
Goals

- Establishment of a conservative discount rate using a methodology supported by accounting and actuarial literature
 - Should be established with a long term view to reduce volatility in our balance sheet and premiums
 - Should not exceed highly dependable investment returns over long periods of time
 - Should enable management to focus on business enterprise goals, such as financial strength and operational excellence

Discount rate

History of the Reserve Discount



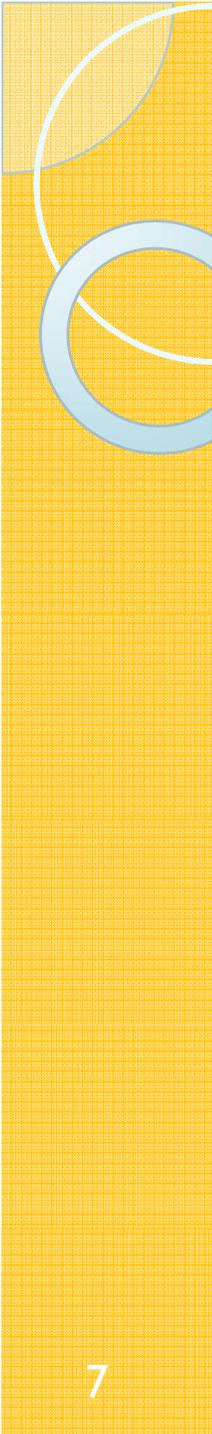


Discount rate

How is the discount rate set?

Factors are provided in GASB 10

-
- Investment yields
 - BWC performance
 - Long-term “riskless” investment
 - Cash flow patterns
 - On an annual basis, cash inflows approximate cash outflows
 - Settlement rates



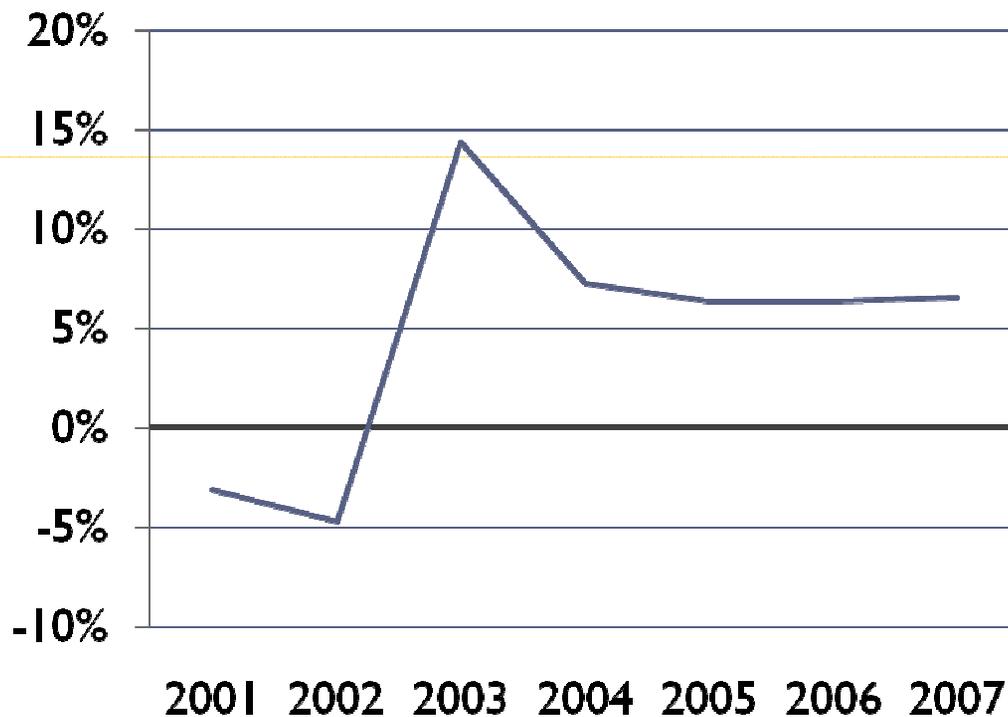
Discount rate

Investment factors included in BWC's methodology

- As a point of reference, the average 30-year treasury constant maturity index yield for the five-year period ended June 30, 2007 was 4.859%
- Annual returns on State Insurance Fund for the past seven years have ranged from 14.4 % in 2003 to -4.7% in 2002.
- Consideration of the time value of money using a low-risk rate of return

Discount rate

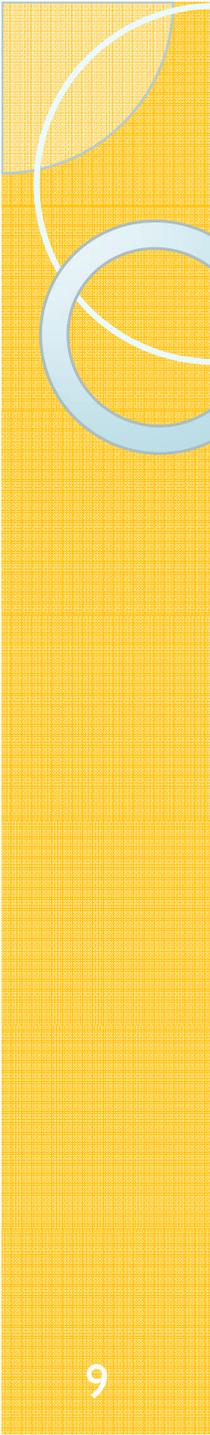
BWC avg. annual total investment returns



2004-07 6.7%

2003-07 8.2%

2001-07 4.7%



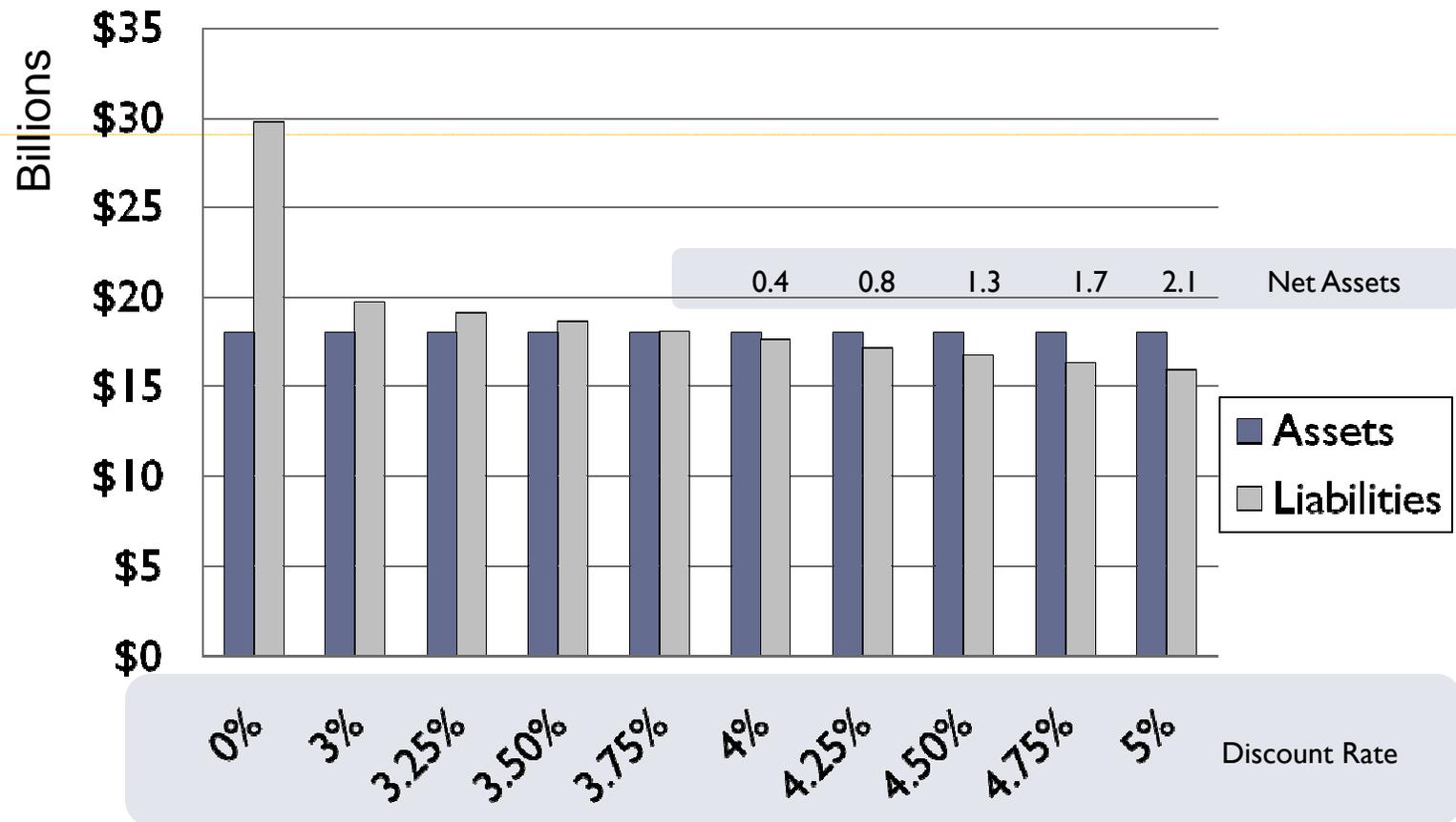
Discount rate

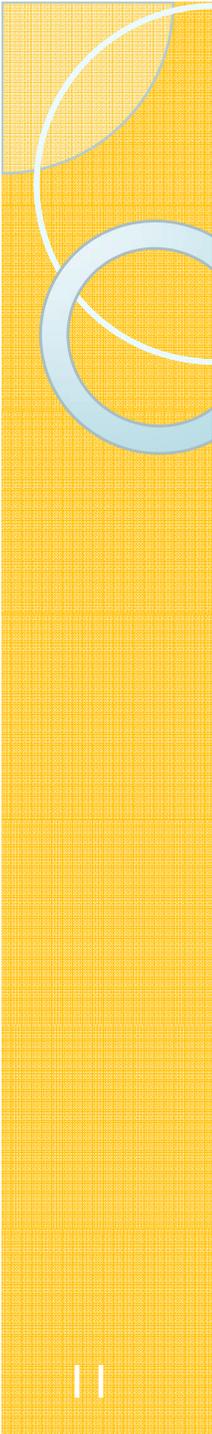
Actuarial considerations included in BWC's methodology

- Timing of future payments is uncertain
- Amount of future payments is uncertain
- Historical patterns analyzed using today's knowledge may not estimate future costs with complete accuracy
- Investment returns vary annually

Discount rate

Balance Sheet Impacts





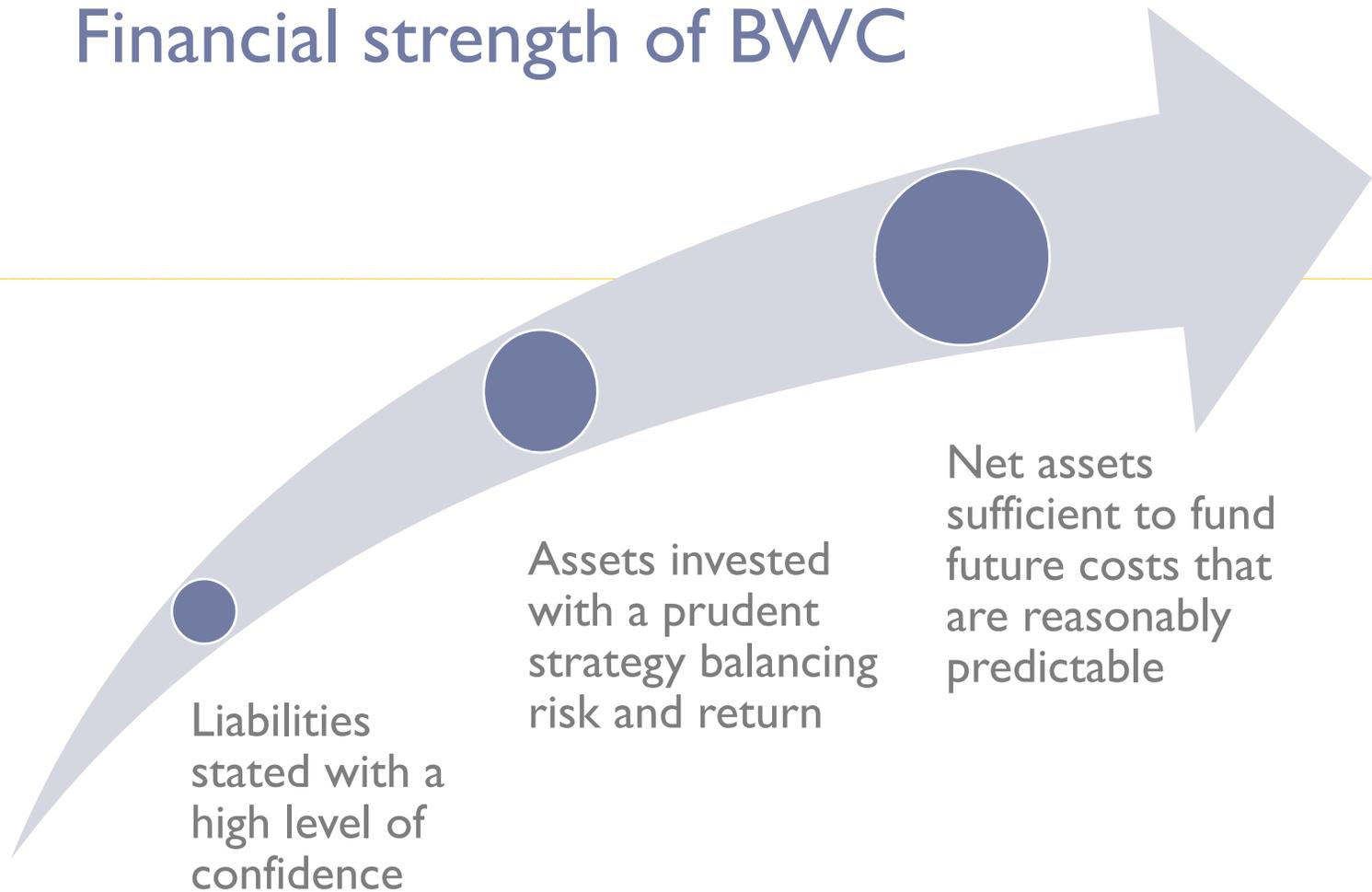
Discount rate

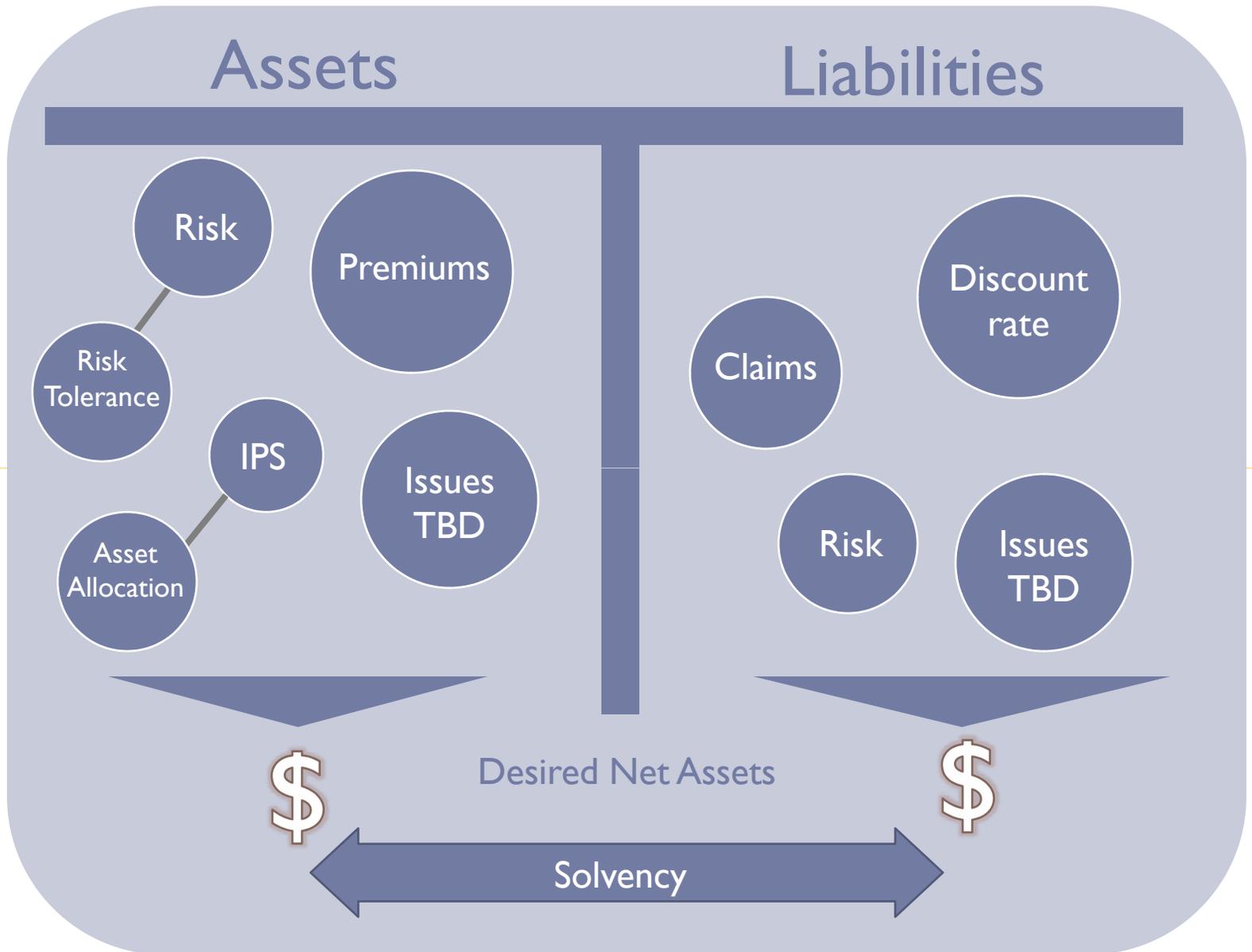
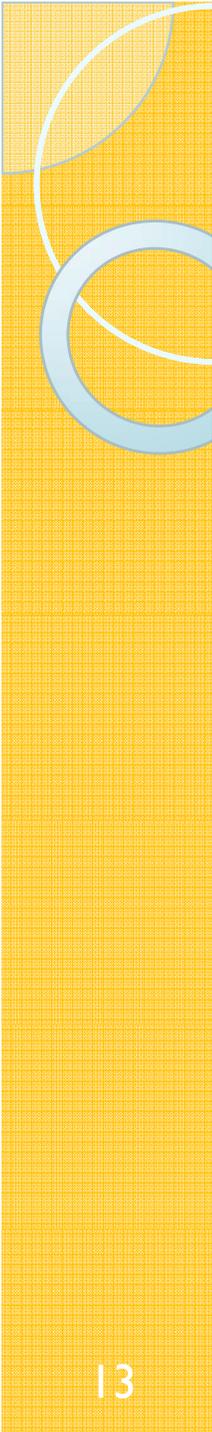
Next Steps:

- Set rate for this policy year beginning July 1, 2008
 - Will use the most recent data for all of the items we have discussed today.
- Complete catastrophic analysis next policy year using information from Deloitte and other studies
- Will re-examine discount rate annually

Discount rate

Financial strength of BWC





RC 4123.34: "...fix and maintain...the lowest possible rates of premium consistent with the maintenance of a solvent state insurance fund..."