

BWC Board of Directors
Actuarial Committee Education Session
Wednesday, June 25, 2008, 1:00 P.M.
William Green Building
Neil Schultz Conference Center
30 WEST SPRING ST., 2nd FLOOR (MEZZANINE)
COLUMBUS, OHIO 43215

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

Members Absent: None

Other Directors Present: David Caldwell, Alison Falls, and Robert Smith

Counsel Present: John Williams, Assistant Attorney General

CALL TO ORDER

Mr. Bryan called the meeting to order at 1 P. M. and the roll call was taken.

EDUCATION SESSION

Mr. Bryan reported that the meeting was to be devoted to an education session with a report from Deloitte Consulting LLP. House Bill 100 requires that the BWC Administrator obtain a study from an independent actuary to review the base rate of premiums paid by employers and all of the rating programs. Today's report is the first of four on these issues. The report is appropriate for Workers' Compensation Board because Board action will be required to implement recommendations.

Deloitte representatives included Jan Lommele, Chief Property and Casualty Actuary; Bob Miccolis, Senior Advisor Actuary and Team Leader; Dave Heppen, Surplus/Reinsurance Projects Lead and Pricing & Programs Project Lead; Dick Messick, Senior Actuary and Project Management Coordinator; and Steve Beigbeder, Senior Lead. Deloitte has been asked to perform thirty-six tasks, which have been classified into four groups.

For the first group of reports, Deloitte reported on eleven of the tasks in this session: the statewide rate level, class ratemaking, group rating, experience rating, MIRA II case reserving, self-insurance, programs (Premium Discount, Drug-Free Workplace, One Claim, and Safety Council), subrogation, the

\$15,000 medical-only program, salary continuation, and assessments for the Self-Insuring Employers Guaranty Fund. Each task was evaluated on a five-point scale as to effectiveness and efficiency; financial strength and stability; transparency; and impact the Ohio economy. The scale ranged from “strongly supports system performance” to “significant opportunity for system performance change/enhancement.”

RECESS

Mr. Bryan recessed the meeting at 2:30 p. m.

RECONVENING

Mr. Bryan reconvened the meeting at 2:40 p. m.

ADJOURNMENT

There was a motion by Mr. Hummel, second by Mr. Harris, and adjournment by Mr. Bryan at 3:30 pm.

Prepared by: Larry Rhodebeck, Staff Counsel
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June 30, 2008

BWC Board of Directors
Actuarial Committee
Thursday, June 26, 2008, 2:00 P.M.
William Green Building
Neil Schultz Conference Center
30 WEST SPRING ST., 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

Other Directors Present: David Caldwell, Alison Falls, Kenneth Haffey, Larry Price,
and Robert Smith

Counsel Present: John Williams, Assistant Attorney General

CALL TO ORDER

Mr. Bryan called the meeting to order at 2 P. M. and the roll call was taken.

MINUTES OF MAY 28 & 29, 2008

Mr. Bryan requested that the May 29 meeting be corrected to show it occurred on Thursday. Mr. Hummel moved that the minutes of May 28 & 29, 2008, be approved as amended. Mr. Harris seconded and the amended minutes were approved by a unanimous roll call vote.

DISCUSSION ITEMS

ACTUARIAL COMMITTEE REQUIREMENTS UNDER OHIO REVISED CODE §4121.125

Mr. Bryan asked for information on any other reports that should be required of the Actuarial Committee.

Ann Shannon, BWC Legal Counsel, reported that the annual actuarial reserve audit of Oliver Wyman Consulting Actuaries, is a requirement of both Ohio Revised Code §4121.125(C)(1) and §4123.47(A). John Pedrick, Chief Actuarial Officer, reported the reserve audit will be submitted to the BWC by August 24.

Mr. Bryan asked if the review is required to be submitted to the Actuarial Committee. Ms. Shannon replied that the Governance Committee has determined that all required reports be reviewed by the appropriate committee. She added that September 1 is the required deadline for external delivery. Mr. Bryan asked why §4121.125(A) was added to the list. Ms. Shannon replied it was added to show the authority for Actuarial Committee to enter consulting contracts. The Deloitte study is a separate, one-time report mandated by an uncodified section of House Bill 100. The rest of §4121.125 provides for contractual authority. Mr. Bryan remarked that the Actuarial Committee could then contract with another firm after the Deloitte study, or choose to do nothing at the time. Mr. Fulton added that §4121.125 requires comparison of statutory provisions of other states.

Mr. Bryan asked if the actuarial analysis required by §4123.125(C)(6) can be done in-house or must it be external. Ms. Shannon replied that the preliminary opinion of the BWC Legal Division is that an outside actuary may be required, but additional review by the Attorney General's office must be completed. Mr. Williams added that this provision is taken from legislation regarding the Ohio Retirement Study Council. All funds have their own retained actuaries who routinely review legislation.

Mr. Bryan stated that there was an issue of whether to use Oliver Wyman or a different actuary for the Workers' Compensation Board for purposes of conducting a comparison of Ohio's system to other states. He requested clarification at the next meeting.

Finally, Ms. Shannon reported that there is five-year requirement for a report on actuarial assumptions in §4123.125(C)(4), so there is leeway for compliance.

Mr. Williams added that the Workers' Compensation Council has an actuarial review function and that the Actuarial Committee might be the coordinator of actions between the Council and the Workers' Compensation Board. Again, as modeled on the Retirement Study Council, the Workers' Compensation Council will be summoning the agency directors to meetings.

COMPREHENSIVE RATING PLAN REPORT

Mr. Pedrick recommended adoption of the Comprehensive Reform Plan for BWC. The key recommendations are to implement a split experience rating program by 2011 with transitional credibility table reductions; moderate premium volatility by capping increases; create performance-based safety incentives and discounts; and conduct further analysis on continuity and group rules. The final recommendations will be derived from stakeholder input. BWC staff will come to the board in December with additional specifications and rule amendments.

Mr. Pedrick reported that a coalition of stakeholders has retained an independent actuary, Art Cohen of Ernst & Young, for input in the final product. Mr. Pedrick welcomed that input.

Mr. Matesich asked if the split plan would use the number of claims per employer, or a percentage of the number of claims per employees of the employer. Mr. Pedrick replied that issue is addressed by the split plan by using the first \$10,000 per claim for calculating experience.

Mr. Pedrick further reported that equalizing the loss ratios is the key to creating premium equity. The loss-ratio tables are provided by William Hansen, Oliver Wyman, and show that if BWC used a split plan, then the loss ratios would be closer and there would be greater equity. (The loss ratio tables use the actual credibility tables in effect from 2003 to 2005, not a uniform 85% maximum credibility as erroneously described in the executive summary.) The recommendation now is to move to 77% as the first step.

Mr. Bryan asked why not move to the ultimate maximum credibility goal in the first step. Mr. Pedrick replied that stakeholder group rates would rise too fast to maintain stability. BWC wants to show the impact of the split plan to employers before full implementation. He also stated that the three year transition and the caps on increases address input and concerns from stakeholders.

Mr. Hummel asked if it makes sense to delay adoption of the plan because of the need for the stakeholders' actuary to provide input. Mr. Pedrick replied it did not. BWC knows that it needs to move from the current program now. BWC does need time to deliberate on the details of the plan to be proposed in December.

Mr. Bryan asked how BWC can value the input of the stakeholders' actuary when it has decided to implement the credibility changes now. Mr. Pedrick responded that he had spoken at length with Mr. Cohen on two occasions. At no time did a clear alternative to changing the credibility table arise.

Mr. Hummel asked if adoption of the split plan and change of group rating go hand in hand. Mr. Pedrick responded that the split plan will improve equity even if BWC did not have group rating. Moreover, the credibility table needs change anyway. Both are necessary for long-term equity in the system.

Mr. Matesich asked if Deloitte Consulting LLP addressed credibility. Jan Lommele, Chief Property and Casualty Actuary, responded that credibility is not specifically addressed. Bob Miccolis, Senior Advisor Actuary and Team Leader replied that change of credibility will improve equity and reduce off-balances overall.

Mr. Smith added that the evidence is all in favor of equalizing loss ratios.

Mr. Fulton stated that the letter from the stakeholders requests that the Workers' Compensation Board take its vote in August and not June. He asked what the damage from delay would be. Mr. Pedrick replied that it would shorten the time for proposing a new rating plan. He is hesitant to approve additional expenses for Oliver Wyman without full Board approval of the plan. There would be delays in informing employers of program changes. Finally, by acting now, the Workers' Compensation Board will be able to demonstrate its commitment to reform.

Ms. Falls inquired of Deloitte if the focus of the effect of the rate program change is on transparency and benefit to the Ohio economy. In addition, she asked if Deloitte would put the BWC proposal among its top five recommendations? Mr. Lommele replied that the plan would have a high priority. Mr. Miccolis added it would not aid in transparency, but would enhance competitiveness and efficiency, thereby benefiting the Ohio economy.

Mr. Matesich asked how the Deloitte study helped when the decision has been made. Mr. Pedrick responded that the study does not change the decision on credibility, however, the study will help some elements of experience rating and group membership.

NEW BUSINESS/ACTION ITEMS

COMPREHENSIVE RATING PLAN & PRIVATE EMPLOYER CREDIBILITY TABLE, OHIO ADMINISTRATIVE CODE RULE 4123-17-05.1

Mr. Bryan called the question on the motion to adopt the Comprehensive Rating Plan and the 77% credibility limit.

Mr. Fulton asked how the motion incorporates the work of the stakeholders' actuary. Mr. Pedrick replied that BWC will form workgroups to write rules, suggest changes, and fine-tune the final plan. Marsha Ryan, BWC Administrator, added that BWC faces difficult issues of group continuity, stickiness, etc., and the input of the actuary will be helpful in implementing them. Also, there are stakeholders who support the plan as currently proposed.

Mr. Fulton moved that the Actuarial Committee recommend to the Bureau of Workers' Compensation Board of Directors that it consent to the Administrator's recommendation relating to the development of the elements of a Comprehensive Rating Plan, and that the Board of Directors provide changes to the Private Employer Credibility Table of Rule 4123-17-05.1 of the Administrative Code. This motion consents to the Administrator proceeding with the development of the elements of the Comprehensive Rating Plan as presented today. The Administrator shall provide the Board with periodic updates on the development of the rating plan, and shall present to the Board any rule changes relating to the plan at the appropriate times during the development of the plan. In addition, the motion consents to the amendment of Rule 4123-17-05.1, "Credibility and Maximum Value of a Loss," to be effective July 1, 2009, applicable to the payroll reporting period July 1, 2009, through June 30, 2010, with a maximum credibility of 77 percent, as provided in the appendix to the rule. Mr. Harris seconded the motion.

Mr. Hummel agreed with Mr. Smith that all the evidence shows that the maximum credibility is too high. He was concerned that the credibility reduction and the split plan implementation move together. He asked Mr. Pedrick if he were confident of the change to a 77% maximum and Mr. Pedrick confirmed that he was.

Mr. Matesich stated that it was difficult to argue against reduction of the credibility maximum, however, he was concerned about moving too fast with too little information. It had been only twenty-four hours since the presentation of Deloitte to the Actuarial Committee. Mr. Fulton replied that the Workers' Compensation Board is only committing to change credibility to 77% and this commitment can be changed. Other details on the comprehensive plan are to be worked out between now and the end of the year.

Mr. Price agreed there was overwhelming evidence in favor of the changes. He is concerned with transparency of the process to the stakeholders, which he is assured can be fulfilled.

Keary McCarthy, Chief of Communications, reported that stakeholders have already been active in the process. BWC began in February and has had forty meetings with different stakeholder groups. The recent letter from some stakeholders alleges that the plan was not presented to them until June 23. However, most parts of the plan were distributed to stakeholders earlier in June and BWC held meetings during the week of June 16 to receive feedback concerning the draft plan. The stakeholders requested that its actuary have input, which led to the discussions with Mr. Pedrick over the past week. BWC has committed itself to working with the stakeholders' actuary. Mr. McCarthy then detailed the various sections of the plan proposal, including all of section V, which document stakeholder involvement.

Mr. Smith asked if stakeholder input included both group employers and non-group employers. Mr. McCarthy replied that it was mostly group representatives and TPAs. Their input so far has enlightened BWC on how marketing for group rating operates. BWC also received input from opponents of group rating.

Mr. Matesich thanked Mr. McCarthy for his clarification of the process of forming the plan.

The motion was approved by a roll call vote of six ayes and no nays.

DISCUSSION ITEMS

CHIEF ACTUARIAL OFFICER REPORT

Mr. Pedrick reported that the Deloitte study was moving forward. With respect to implementation of MIRA II, BWC has received data from Fair Isaac which it is now verifying. BWC is working on web screens to achieve the September 5 public access deadline. BWC is working with state agencies to get a two-year rate in place. However, some universities and university hospitals do not see the benefit of a two-year rate in their budgets, so alternatives for them will be explored.

DELOITTE REPORT—GROUP I TASKS

Mr. Bryan asked if the Actuarial Committee had any questions for Deloitte on its June 25 presentation. He asked if the Group II report is on schedule for August, which was confirmed by Mr. Lommele. Ms. Falls asked that when the formal report on Group I tasks is finished that it include observations on credibility.

COMMITTEE CALENDAR

Mr. Bryan reported that there would be increased examination of reserves in the future, after the Oliver Wyman report in August. The actuarial reserve will be reviewed on a quarterly basis, along with the quarterly financial reports. This is derived from a mandate of HB 100.

Mr. Hummel asked if all months had an educational session. Mr. Berno replied that the July schedule had a place-holder, but did not have a formal education session planned. The next education session would be the Deloitte report in August.

ADJOURNMENT

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

Prepared by: Larry Rhodebeck, Staff Counsel
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June 30, 2008

**MIRA II vs MIRA I Reserve Analysis
Predictions as of June 30, 2008**

Parameters:

- Claims 2000 thru 2008 PA and PE
- Claims with **either** a MIRA II or MIRA I reserve greater than 0
- Not including claims with Injury Type 6 (Medical Only) since BWC suppresses reserves on Medical Only claim
- Reserve amount is Total Incurred (prediction) – Total Paid (medical and Indemnity)
- NOTE: Does not include claim reserves where both MIRA I and MIRA II is zero (0)

Qualifiers:

- Claims with zero (0) reserves are excluded from the reserve average calculation
- Claim reserve averages only includes claims with reserve greater than zero (0)

MIRA II Injury Types:

- Type 1-Death
- Type 2-PTD
- Type 5-Temporary Condition
- Type 6-Medical Only (not included in claim count and averages)
- Type 9-Permanent Condition

General Statistics

Claim Count	71,325
Aggregate MIRA II Reserves	2,403,534,384
Aggregate MIRA I Reserves	4,255,799,479
Count of Claims Where MIRA II =0 and MIRA I is Greater than 0	28,485
Count of Claims Where MIRA I =0 and MIRA II is Greater than 0	837
Avg MIRA II Reserve	\$56,104
Avg MIRA I Reserve	\$85,700
Count of Claims Where MIRA II Reserve is Greater than 0	42,840
Count of Claims Where MIRA I Reserve is Greater than 0	70,488

MIRA II vs. MIRA I Claim Count by Injury Type

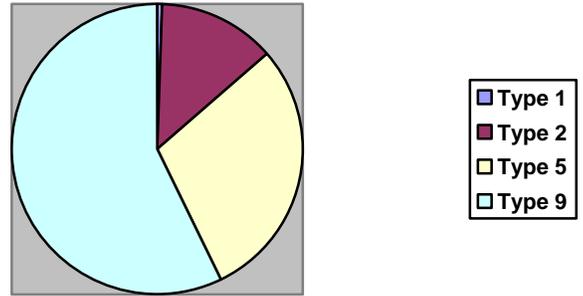
* Includes claims with reserve equal to zero (0)

MIRA II Injury Type	MIRA II	MIRA I
Type 1	878	880
Type 2	1,649	1,641
Type 5	22,609	11,256
Type 9	46,189	57,175

MIRA I vs MIRA II (+/-) Claim Count	
MIRA II Greater than MIRA I	10,453
MIRA II less than MIRA I	60,870

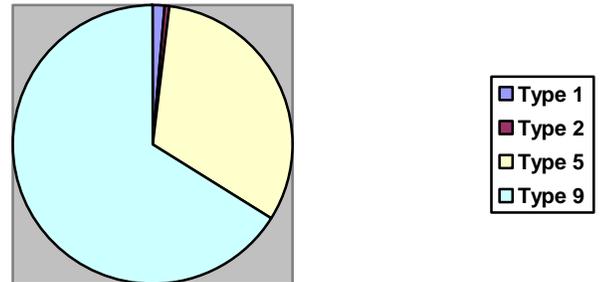
MIRA II Greater than MIRA I by Injury Type

MIRA II Injury Type	Claim Count
Type 1	68
Type 2	1,348
Type 5	3,050
Type 9	5,987
Total	10,453



MIRA I Greater than MIRA II by Injury Type

MIRA I Injury Type	Claim Count
Type 1	808
Type 2	301
Type 5	19,559
Type 9	40,202
Total	60,870



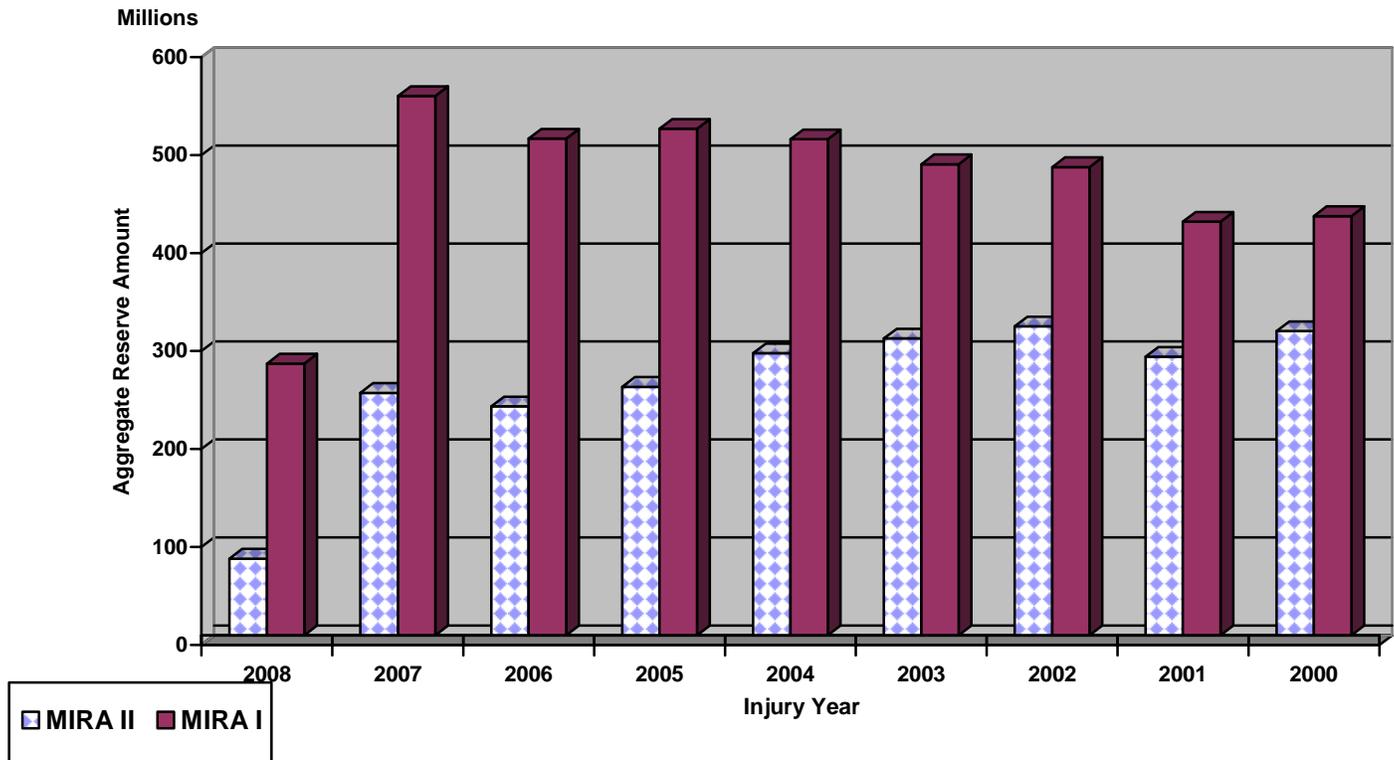
MIRA II vs MIRA I Average Reserve Breakdown by Injury Type

* Calculation uses only claims with reserves greater than zero, does not include zero claim reserves

	MIRA II Claim Count	MIRA II Avg Reserve	MIRA I Claim Count	MIRA I Avg Reserve
Type 1	837	\$79,182	*865	*\$340,730
Type 2	1,647	\$344,701	*1,637	*\$268,099
Type 5	16,127	\$22,280	*11,026	*\$23,746
Type 9	24,229	\$58,203	*56,960	*\$57,239

* Claim Count and Averages revised on July 17, 2008 after the publishing of the initial report

MIRA II vs. MIRA I -Aggregate Reserves by Injury Year

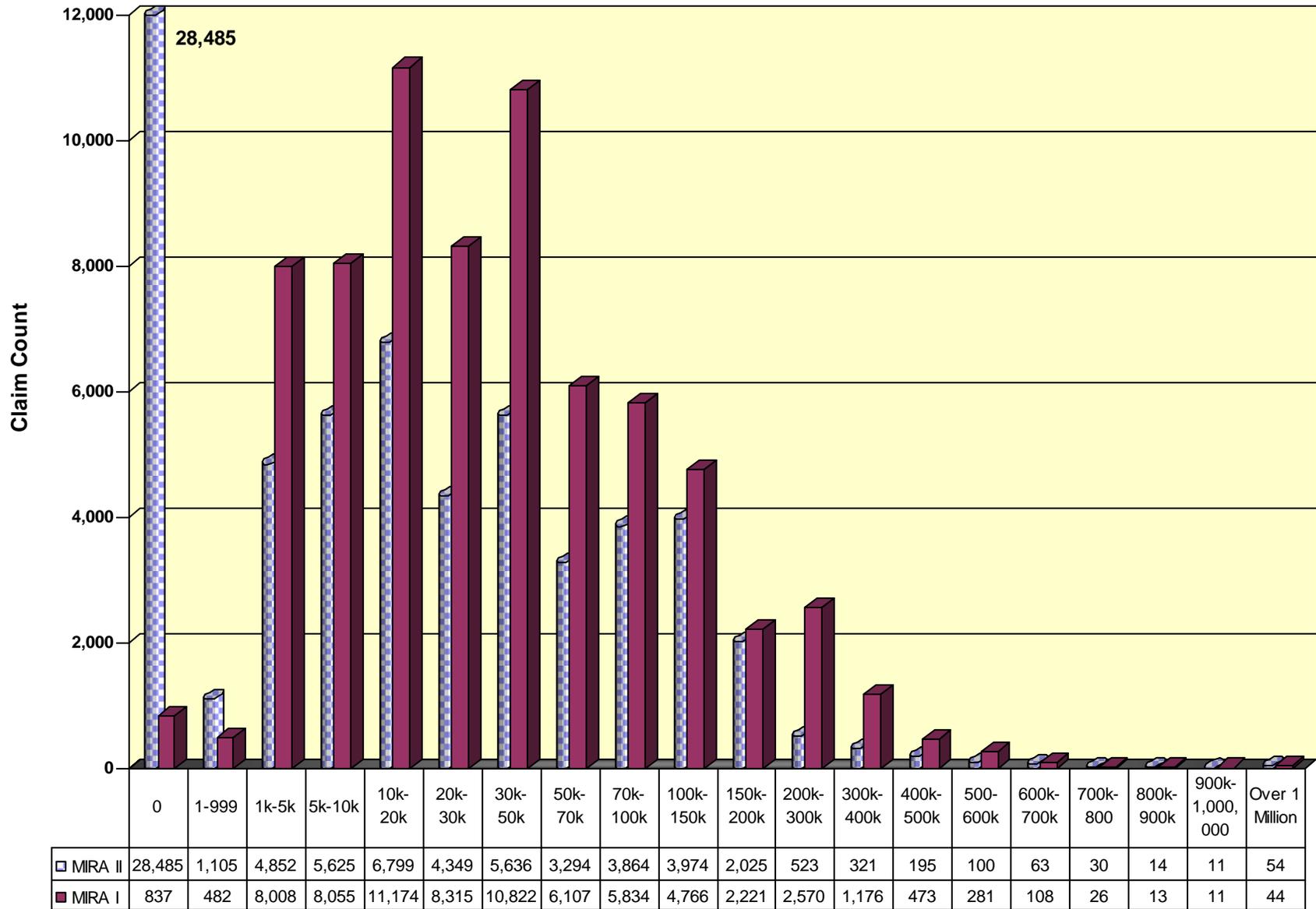


MIRA II vs MIRA I Overall Statistics

* Claims not limited to date of injury. Statistics below include all claims that received a MIRA prediction and had a MIRA II or MIRA I reserve greater than zero (0).

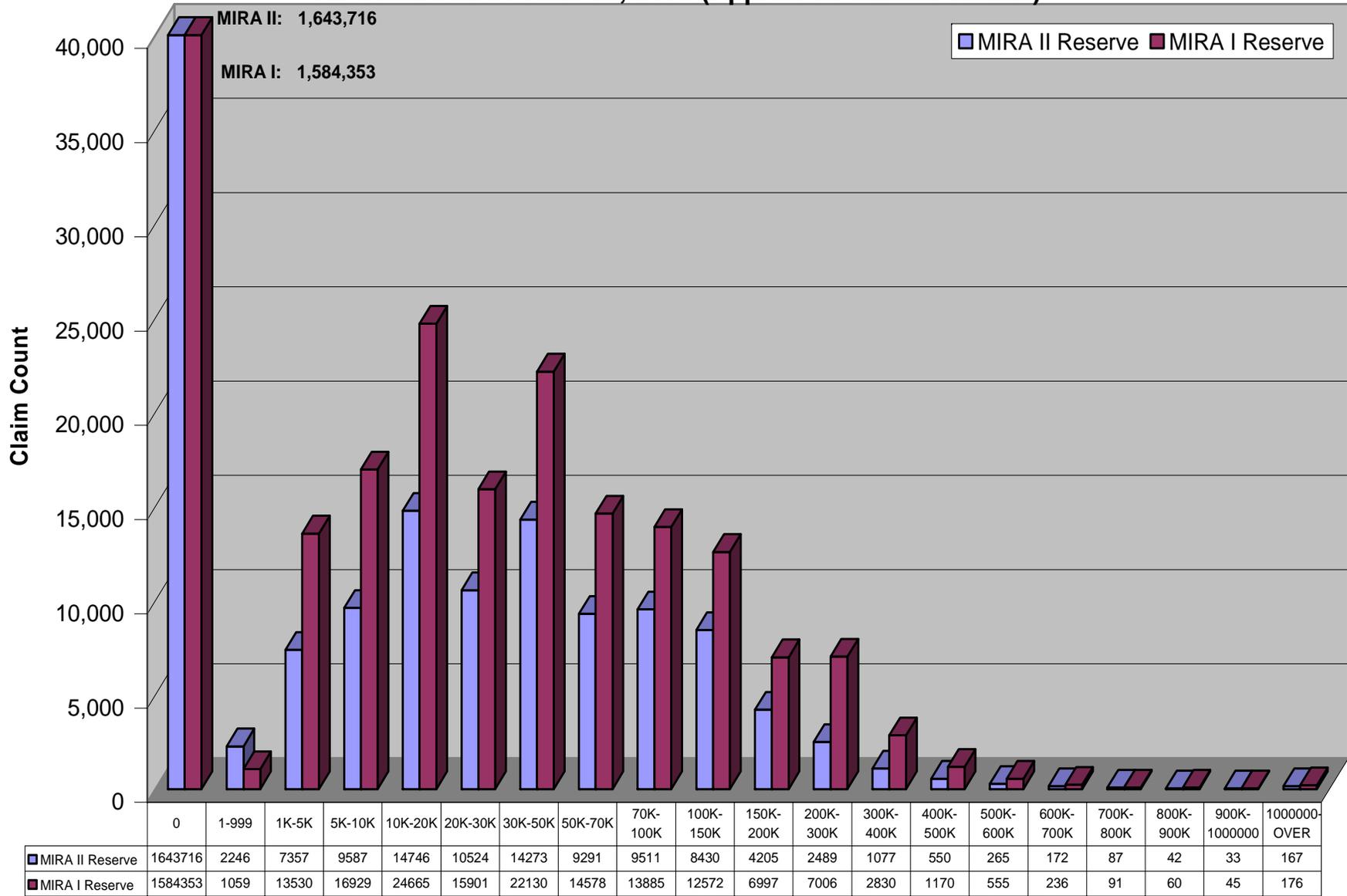
Claim Count	156,633
MIRA II Aggregate Reserve	6,152,962,290
MIRA I Aggregate Reserve	10,672,147,796
Count of MIRA II Greater than MIRA I	35,462
Count of MIRA II Less than MIRA I	83,930
MIRA II =0 and MIRA I is Greater than 0	35,711
MIRA II is Greater than 0 and MIRA I=0	2,195
MIRA II Avg Reserve	\$64,740
MIRA I Avg Reserve	\$68,962

MIRA II & MIRA I Reserve Distribution by Amount (Claims with Date of Injury 2000-08)



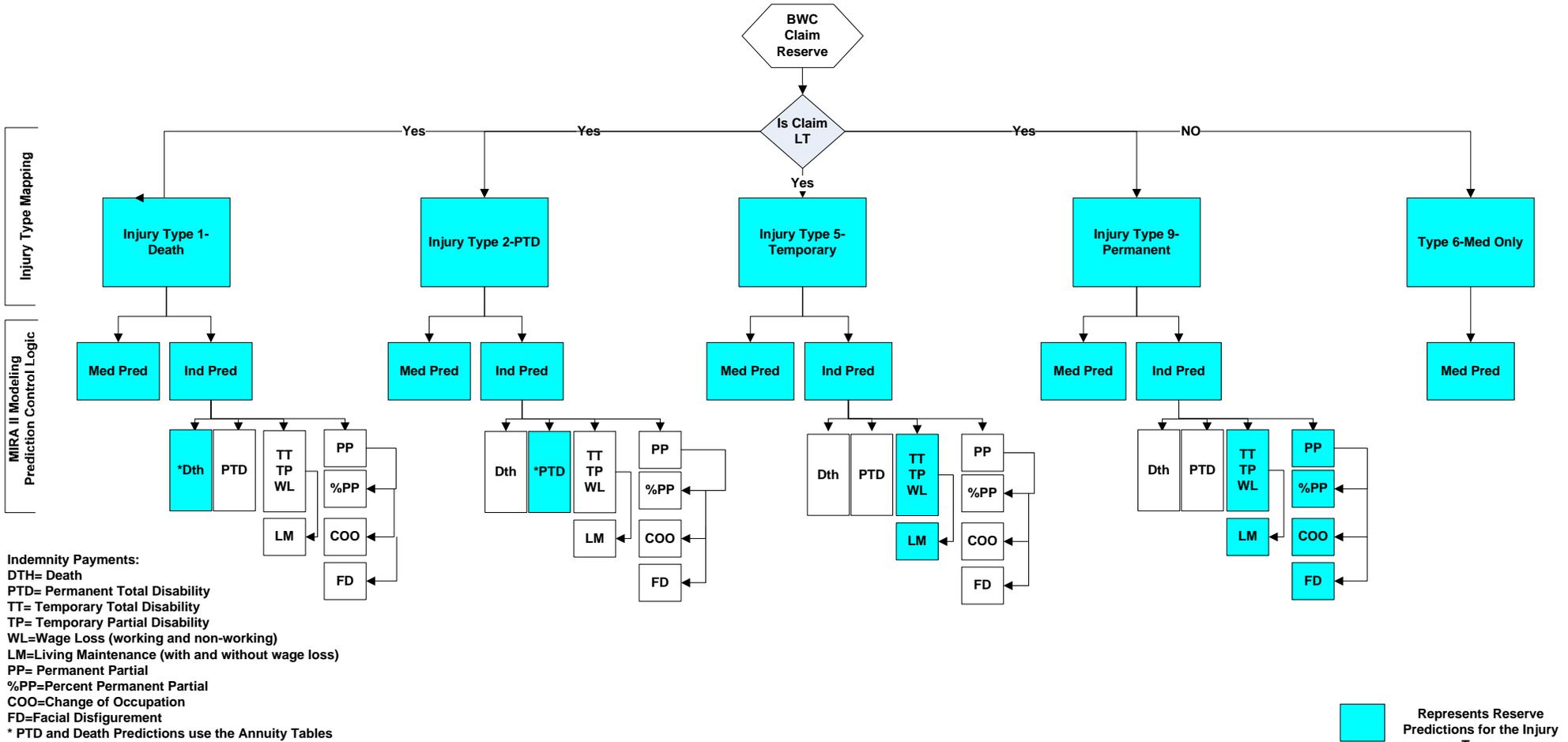
Reserve Amount-Range

MIRA I & MIRA II Reserve Distribution by Amount - All Claims as of June 30, 2008 (Approx 1.7 Million Claims)



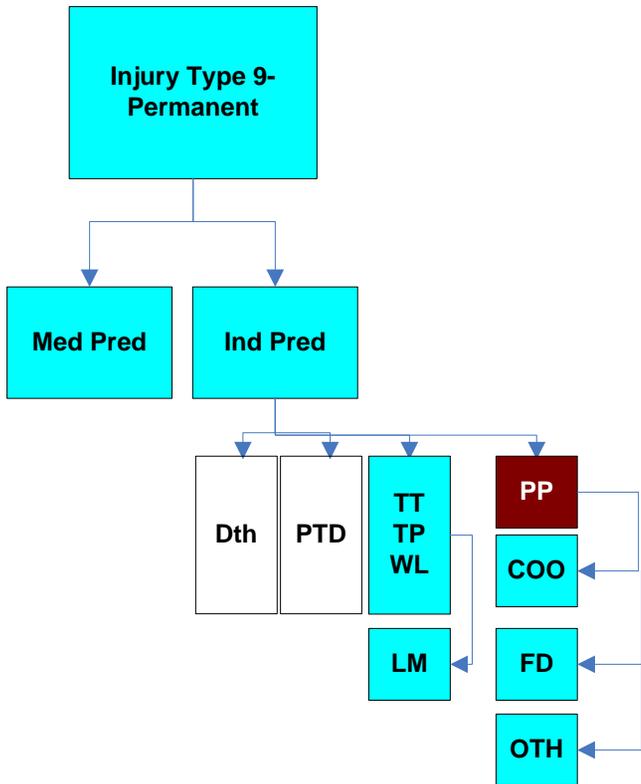
Reserve Amount-Range

MIRA II-Prediction Flowchart



The following data (percentile distribution) was provided to BWC by Fair Isaac

Permanent Disability Prediction (PD): Percentile Distribution (On Type 9 [permanent condition] Injury Type Claims) The table below displays the percentile distribution for MIRA I and MIRA II PD predictions. As you will note, there is a significant decrease in the MIRA II PD predictions at all percentiles. To interpret the table, at the 25th percentile, 25% of the claims had a MIRA II PD prediction less than \$1,965.00 and 75% of the claims had a PD prediction greater than \$1,965.00. The 50th percentile is the median.

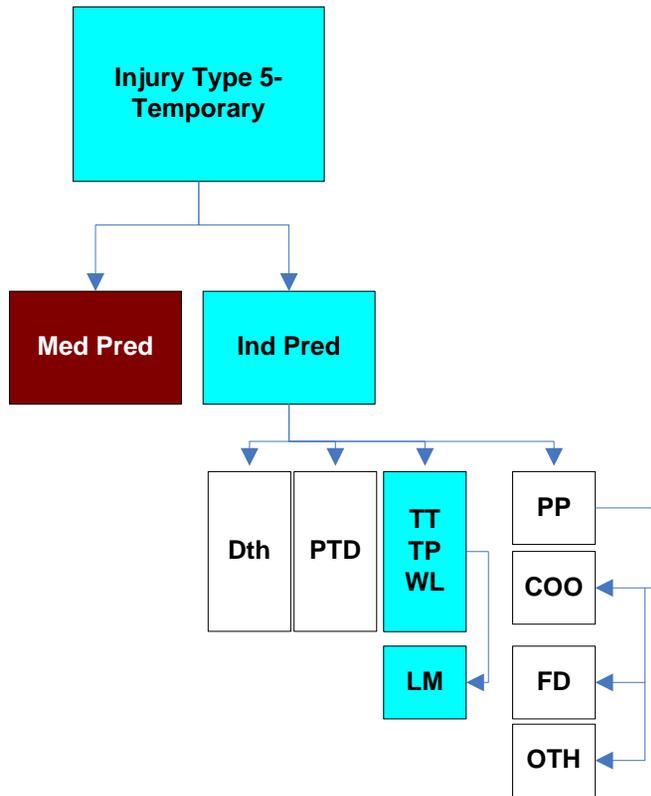


Percentile Distribution	Mira I.Prediction	Mira II. Prediction
mean	\$ 12,086.95	\$4,810.00
0%	\$721.00	\$10.00
5%	\$ 2,601.35	\$940.00
10%	\$3,309.60	\$1,219.00
25%	\$ 4,883.25	\$ 1,965.00
50%	\$ 7,491.00	\$ 2,965.00
75%	\$13,086.75	\$4,424.00
90%	\$ 24,219.00	\$ 7,614.00
95%	\$ 32,266.55	\$ 10,860.00
100%	\$200,189.00	\$ 135,600.00

Random Sampling of MIRA II Claim Predictions

Temporary Total Prediction (TD): Percentile Distribution (Injury Type 5 Injury Type Claims)

The table below displays the percentile distribution for MIRA I and MIRA II TD Medical predictions. To interpret the table, at the 25th percentile, 25% of the claims had a MIRA II TD Medical prediction less than \$4,191.00 and 75% of the claims had a TD Medical prediction greater than \$4,191.00. The 50th percentile is the median.

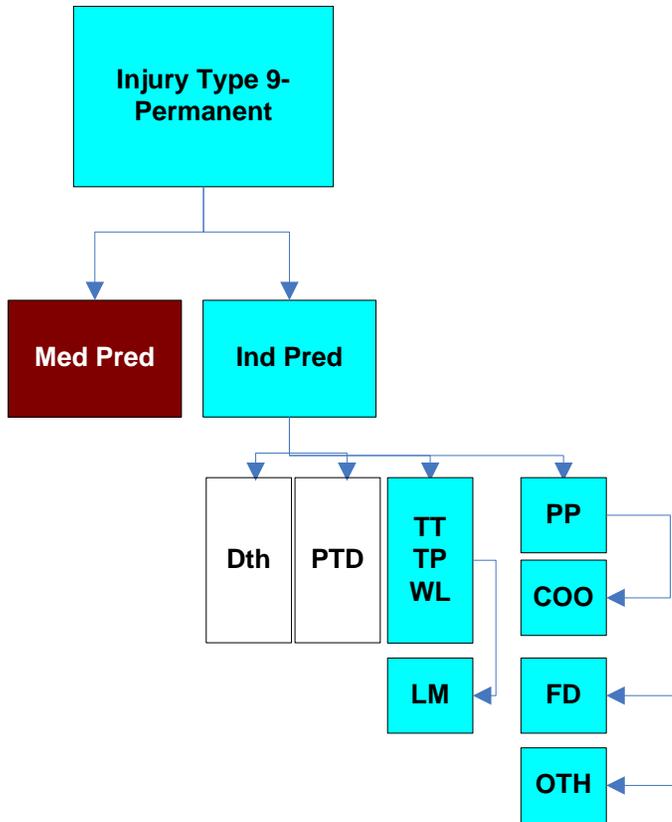


Percentile Distribution	Mira I Prediction	Mira II. Prediction
Mean	\$27,630	\$22,478
0%	0	\$ 221
5%	\$4,653	\$ 1,573
10%	\$6,328	\$ 2,230
25%	\$10,525	\$4,191
50%	\$18,091	\$9,885
75%	\$ 33,603	\$ 25,360
90%	\$ 46,736	\$ 54,178
95%	\$ 62,763	\$ 79,381
100%	\$ 4,276,308	\$ 1,814,259

Random Sampling of MIRA II Claim Predictions

Medical Type 9 Prediction: Percentile Distribution (PD)

The table below displays the percentile distribution for MIRA I and MIRA II PD Medical predictions. To interpret the table, at the 25th percentile, 25% of the claims had a MIRA II PD Medical prediction less than \$5,488 and 75% of the claims had a PD Medical prediction greater than \$5,488. The 50th percentile is the median.

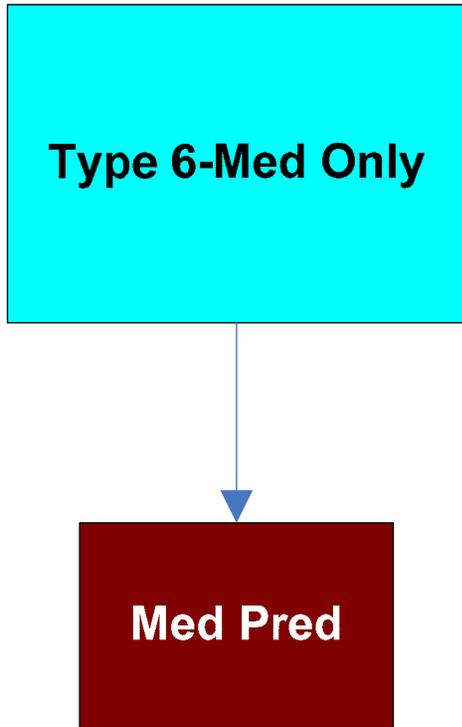


Percentile Distribution	Mira I. Prediction	Mira II. Prediction
Mean	\$39,834	\$33,551
0%	0	\$ 249
5%	0	\$ 1,247
10%	\$1,741	\$ 1,943
25%	\$ 6,612	\$ 5,488
50%	\$ 21,382	\$ 9,885
75%	\$ 49,497	\$ 42,329
90%	\$ 91,281	\$ 88,034
95%	\$ 138,168	\$ 125,444
100%	\$1,419,633	\$ 674,964

Random Sampling of MIRA II Claim Predictions

Medical Type 6 Prediction: Percentile Distribution

The table below displays the percentile distribution for MIRA I and MIRA II Medical Only Medical predictions. To interpret the table, at the 25th percentile, 25% of the claims had a MIRA II Medical Only prediction less than \$532.00 and 75% of the claims had a Medical Only prediction greater than \$532.00. The 50th percentile is the median.

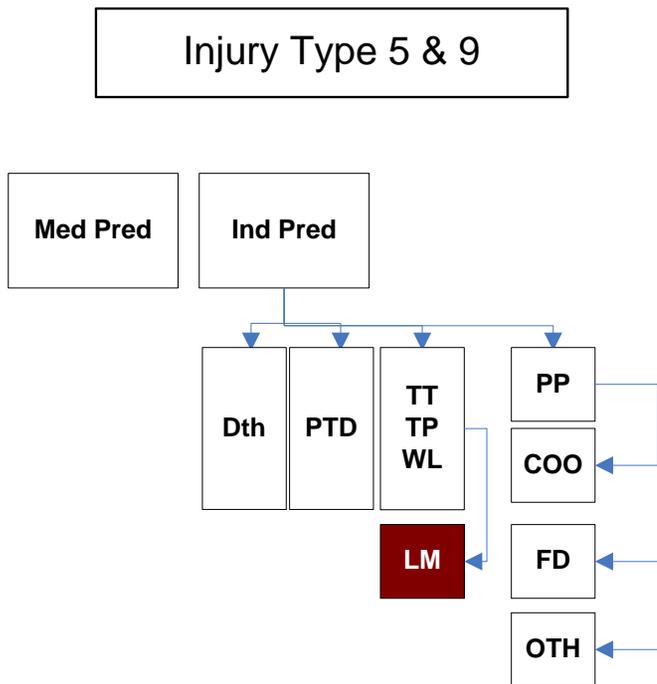


Percentile Distribution	Mira I. Prediction	Mira II. Prediction
Mean	\$9,055	\$1,920
0%	0	\$54
5%	\$1,780	\$256
10%	\$2,247	\$349
25%	\$ 3,401	\$ 532
50%	\$5,324	\$808
75%	\$9,194	\$ 1,704
90%	\$16,975	\$ 4,390
95%	\$ 25,680	\$ 7,557
100%	\$ 509,030	\$93,326

Random Sampling of MIRA II Claim Predictions

Living Maintenance (LM)/Voc Rehab Type 5 & 9: Prediction Percentile Distribution

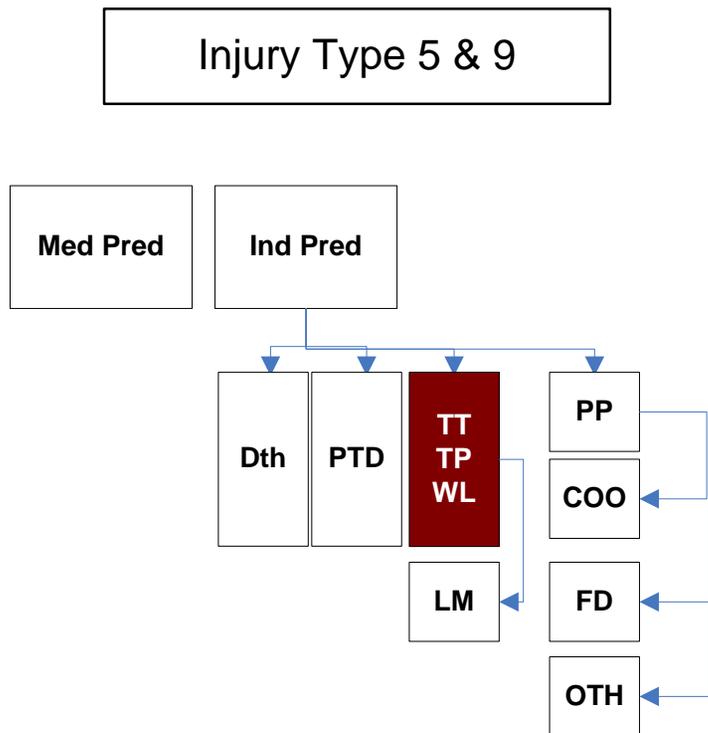
The table below displays the percentile distribution for MIRA I and MIRA II LM predictions. To interpret the table, at the 25th percentile, 25% of the claims had a MIRA II LM prediction less than \$10,007 and 75% of the claims had a LM prediction greater than \$ 10,007. The 50th percentile is the median.



Percentile Distribution	Mira I. Prediction	Mira II Prediction
mean	\$18,411	\$18,067
0%	\$1,433	\$1,554
5%	\$6,040	\$4,267
10%	\$7,860	\$5,772
25%	\$10,861	\$10,007
50%	\$15,430	\$16,858
75%	\$22,612	\$23,272
90%	\$31,649	\$31,496
95%	\$40,974	\$38,193
100%	\$120,841	\$73,989

Random Sampling of MIRA II Claim Predictions

TDX represents the prediction for Temporary Total/Temporary Partial/Wage Loss: Prediction Percentile Distribution
 The table below displays the percentile distribution for MIRA I and MIRA II TDX predictions. To interpret the table, at the 25th percentile, 25% of the claims had a MIRA II TDX prediction less than \$3,143.00 and 75% of the claims had a TDX prediction greater than \$3,143.00. The 50th percentile is the median.



Percentile Distribution	Mira I. Prediction	Mira II. Prediction
Mean	\$25,111	\$20,440
0%	\$15	\$52
5%	\$1,460	\$982
10%	\$3,375	\$1,373
25%	\$9,619	\$3,143
50%	\$17,084	\$8,817
75%	\$28,750	\$26,367
90%	\$48,939	\$56,709
95%	\$70,955	\$80,971
100%	\$443,841	\$228,328

Random Sampling of MIRA II Claim Predictions

MIRA II Reserve Preliminary Report

MIRA II vs MIRA I

*Presented to the BWC-Actuarial Committee
July 21, 2008*

Presenter: Rex Blateri, MIRA II Project Manager/Business Lead

MIRA II Project: Major Events

- Online Tutorial to External Customers
- MIRA II Reserve Evaluation
- MIRA II Web Testing
- Preparation for MIRA II Training-Phase II
- MIRA II Reprediction Service
- MIRA II Reserve Sign Off: Prediction as of Aug 17, 2008
- Prepare Staff for Sept 5 Release of Reserves

MIRA II vs. MIRA I Statistics

Report Data: Original File

- Reserves calculated as of June 30, 2008
- 1.7 million claims sent through original prediction process
- Approximately 328,000 claims with MIRA II or MIRA I reserves greater than zero

MIRA II vs. MIRA I Statistics

Report Data: Limited File for Statistical Reporting

- Private and Public Employer Claims with date of injury 2000 thru 2008
- Claims with **either** a MIRA II or MIRA I reserve greater than zero
- Not including claims with Injury Type 6 (Medical Only) since BWC suppresses reserves on Medical Only claim

NOTE:

- Reserve amount is the Total Incurred (prediction) – Total Paid (medical and Indemnity)
- Claim reserves where both MIRA I and MIRA II is zero (0) are not used in statistical report

MIRA II vs. MIRA I Statistics

- **MIRA II Injury Types:**
- Type 1-Death
- Type 2-PTD
- Type 5-Temporary Condition
- Type 6-Medical Only (not included in claim count and averages)
- Type 9-Permanent Condition

MIRA II vs. MIRA I Statistics

Claim Count	71,325	
Aggregate MIRA II Reserves	2,403,534,384	Lower overall Reserve predictions
Aggregate MIRA I Reserves	4,255,799,479	
Count of Claims Where MIRA II =0 and MIRA I is Greater than 0	28,485	Improved and quicker stop logic
Count of Claims Where MIRA I =0 and MIRA II is Greater than 0	837	
Avg MIRA II Reserve	\$56,104	Lower avg reserve prediction
Avg MIRA I Reserve	\$85,700	
Count of Claims Where MIRA II Reserve is Greater than 0	42,840	More claims with Reserve equal to zero
Count of Claims Where MIRA I Reserve is Greater than 0	70,488	

MIRA II vs. MIRA I Statistics

- MIRA II vs. MIRA I Claim Count by Injury Type

MIRA II Injury Type	MIRA II	MIRA I
Type 1 Death	878	880
Type 2 PTD	1,649	1,641
Type 5 Temporary	22,609	11,256
Type 9 Permanent	46,189	57,175

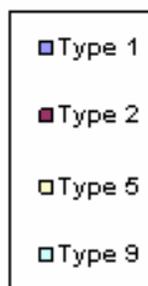
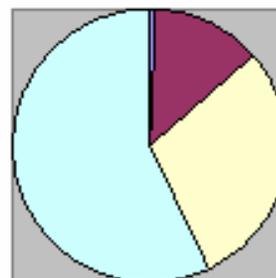
Claim Count
shift from Permanent
Condition to
Temporary

* Includes claims with reserve equal to zero (0)

MIRA II vs. MIRA I Statistics

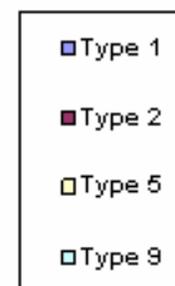
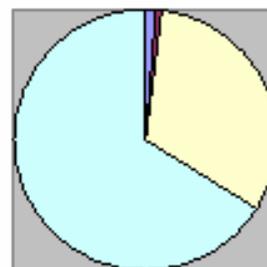
MIRA II Greater than MIRA I by Injury Type

MIRA II Injury Type	Claim Count
Type 1 Death	68
Type 2 PTD	1,348
Type 5 Temporary	3,050
Type 9 Permanent	5,987
Total	10,453



MIRA I Greater than MIRA II by Injury Type

MIRA I Injury Type	Claim Count
Type 1 Death	808
Type 2 PTD	301
Type 5 Temporary	19,559
Type 9 Permanent	40,202
Total	60,870



MIRA II vs. MIRA I Statistics

MIRA II vs MIRA I Average Reserve Breakdown by Injury Type

	MIRA II Claim Count	MIRA II Avg Reserve	MIRA I Claim Count	MIRA I Avg Reserve	
Type 1	837	\$79,182	*865	*\$340,730	Identified Error in MIRA II Prediction, Indemnity Prediction Too Low
Type 2	1,647	\$344,701	*1,637	*\$268,099	Improved Medical Cost Predictions
Type 5	16,127	\$22,280	*11,026	*\$23,746	
Type 9	24,229	\$58,203	*56,960	*\$57,239	Fewer Claims Reserved as Type 9

* Claim Count and Averages revised on July 17, 2008 after the publishing of the initial report

NOTE: Calculation uses only claims with reserves greater than zero, does not include zero claim reserves

MIRA II-Improved Accuracy

Sample PTD Claim

Claim Facts –

- Claimant Current Age – 26
 - Remaining Life Years – 48 years
 - ICD-9 – Serious Head Injury
 - Paid to date 2008 - \$120,187
 - Paid 2007 - \$315,959
 - Paid 2006 - \$282,342
 - Paid 2005 - \$384,097
- 3 + Years of Medical Payments
- Total Medical Paid to date - \$2,833,915
 - Both MIRA I and MIRA II use a method to calculate PTD medical where the first 3 yrs of claim life is consider the 'critical' care time period and the years > 3 yrs is consider 'chronic' care.
 - In MIRA II 'chronic' care considers what has been paid in the current year and the prior three years and uses a weighted average of the paid and than calculates for remaining life expectancy years. MIRA I used a flatter baseline amount for calculating 'chronic' care amounts.

Summary: It is obvious the MIRA I incurred is too low based on the claimant age, injury and what is being paid annually. The claim will be re-predicted on an annual basis and if the medical payments significantly decrease the prediction will trend downward.

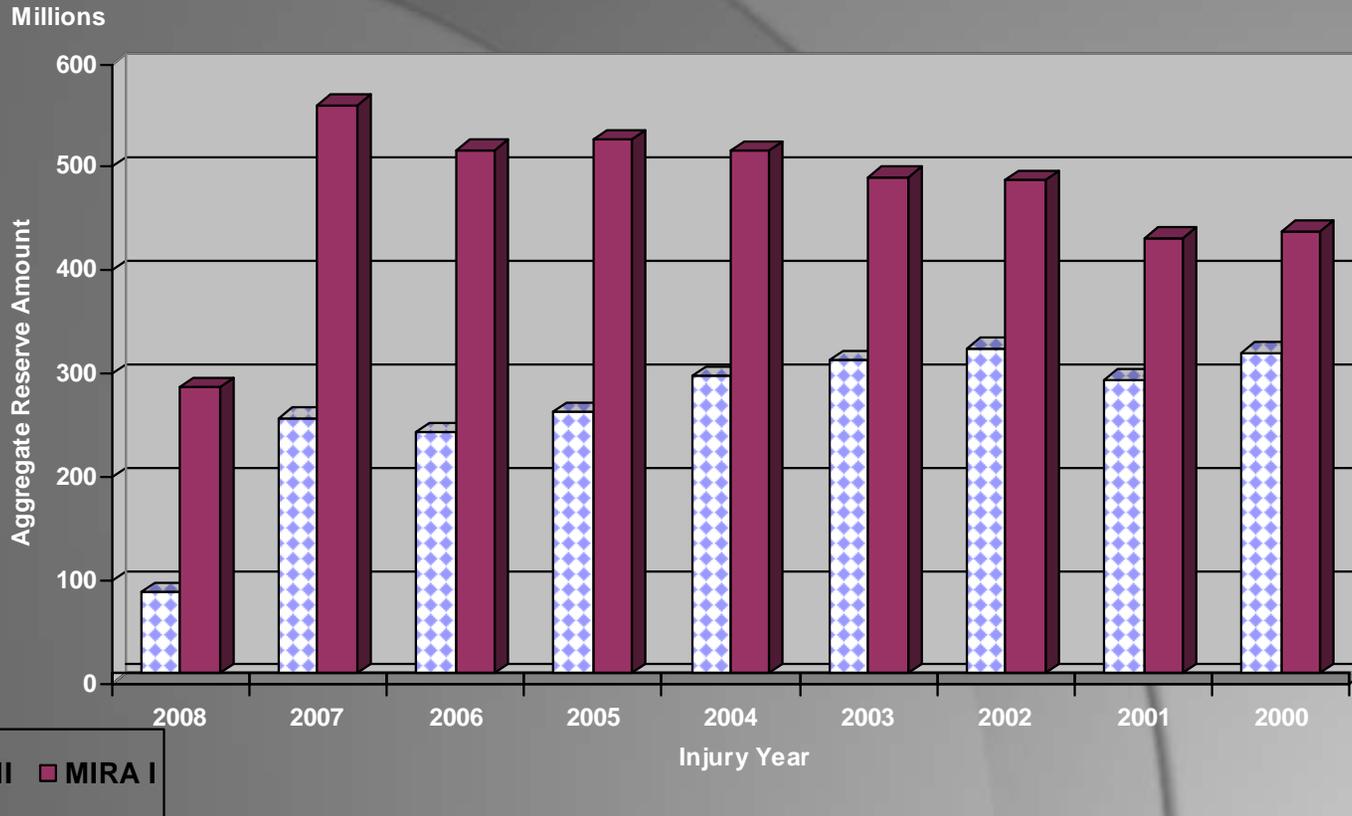
MIRA II-Not Always Lower Reserve

Example Claim: Permanent Total Disability (PTD)

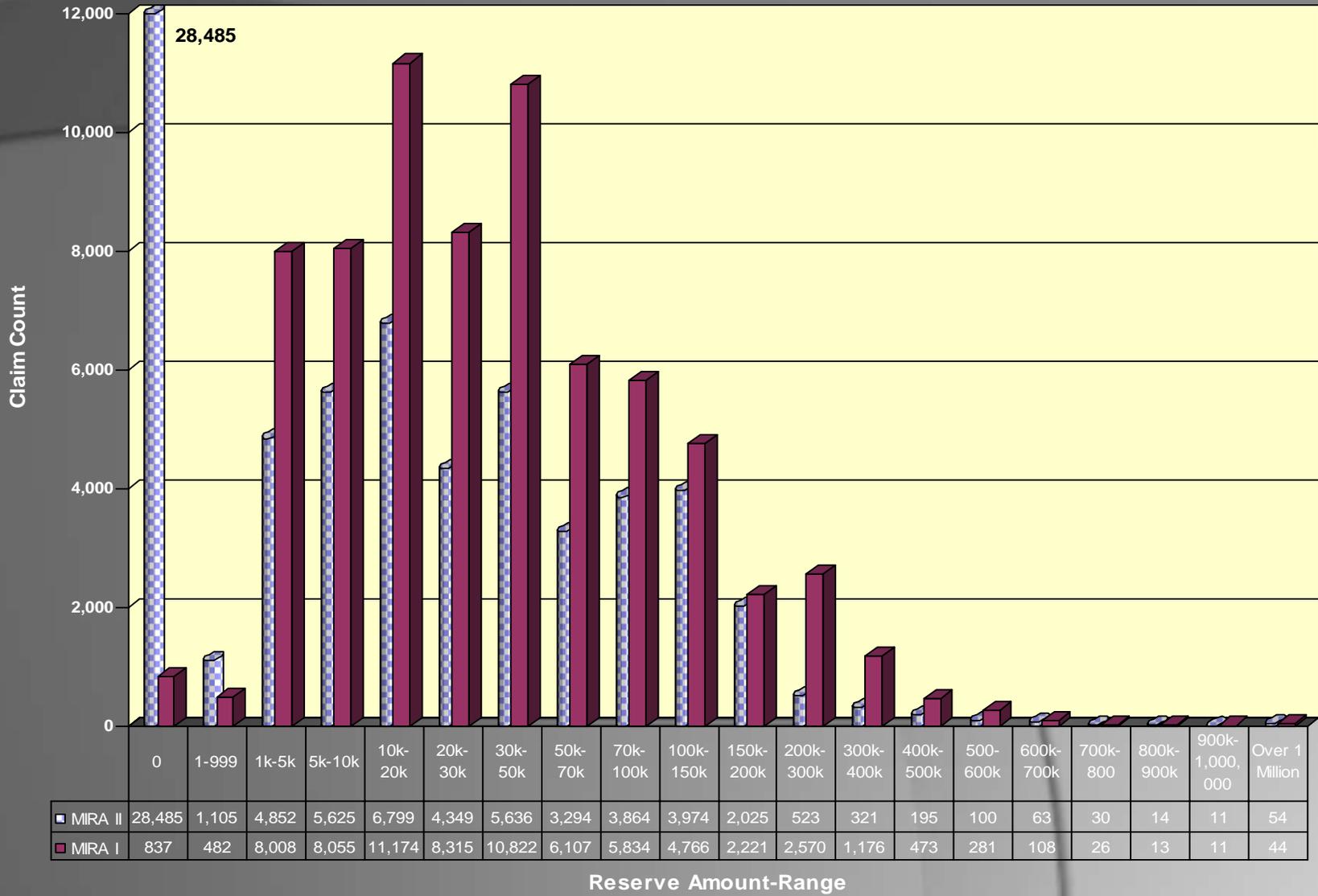
	MIRA II	MIRA I
Medical Incurred	9,309,670	2,905,209
Medical Paid	2,843,799	2,844,047
Medical Reserve	6,465,872	61,162
Indemnity Incurred	636,778	632,761
Indemnity Paid	435,298	431,281
Indemnity Reserve	201,480	201,480
Total Reserve	6,667,352	262,642

MIRA II vs. MIRA I Statistics

MIRA II vs. MIRA I -Aggregate Reserves by Injury Year



MIRA II & MIRA I Reserve Distribution by Amount (Claims with Date of Injury 2000-08)



Thank You

OLIVER WYMAN

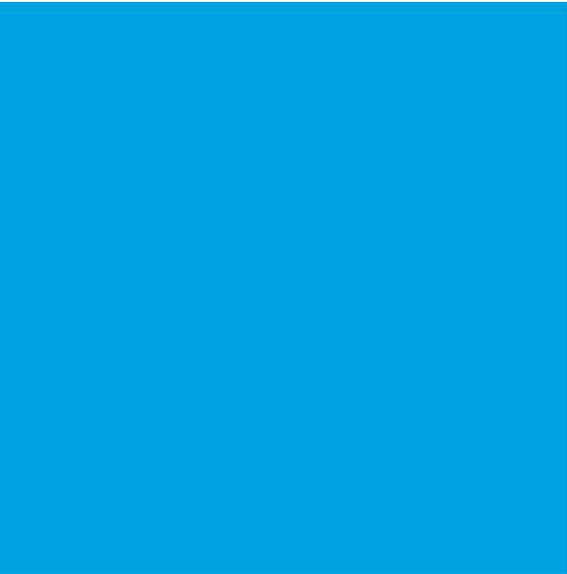


Consulting Actuaries

July 21, 2008

**June 30, 2007 Actuarial Reserve Analysis
Ohio Bureau of Workers' Compensation
Actuarial Committee**

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



Results



Results

- Actuarial Reserve on the Balance Sheet represents the present value of the liability (reserve) remaining for all injuries occurring June 30, 2007 and prior
- Present value assumes an annual investment return of 5% per year
- Reserves are estimated by Fund

Results

- State Insurance Fund
 - Benefit payments to injured workers of insured employers
 - Analysis is by employer type
 - Private (PA)
 - Public Taxing Districts (PEC)
 - State Agencies (PES)
 - For each employer type, reserve by benefit type
 - Indemnity
 - Temporary Total
 - Death
 - Lump Sum Settlement
 - Permanent Total
 - Permanent Partial
 - Medical
 - Hospital
 - Pharmacy
 - Rehabilitation
 - All Other
 - Physician
 - Chiropractor
 - Medical Only

Results

- Disabled Workers Relief Fund (DWRF)
 - Provides supplementary payments to workers whose combined PTD plus Social Security Disability (SSD) benefits are lower than the DWRF entitlement amount
 - Estimated by employer type
- Coal Workers Pneumoconiosis Fund (CWPF)
 - Provides benefits to coal miners who are permanently and totally disabled (PTD) by occupational pneumoconiosis (Black Lung) and for the survivors of miners who have died due to this disease
 - Voluntary Fund
- Public Work-Relief Employees' Compensation Fund (PWREF)
 - Provides benefits to injured workers required to work for governmental entities in exchange for relief payments

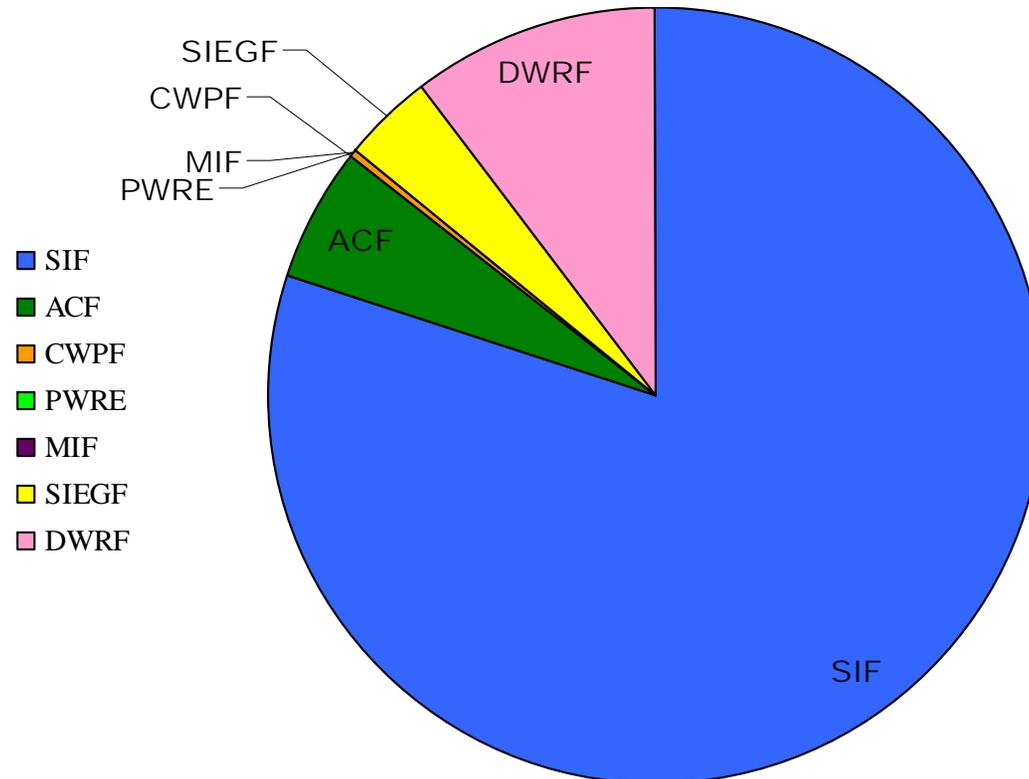
Results

- Marine Industry Fund
 - Voluntary fund created by the Ohio General Assembly to cover exposure for maritime employers under the Federal Longshoremen and Harbor Workers' Compensation Act
- Self-Insuring Employers Guaranty Fund (SIEGF)
 - Provides payments to injured workers where the self-insuring employer defaults
- The Administrative Cost Fund (ACF)
 - provides for administrative expenses for the Bureau and Industrial Commission and for Rehabilitation and a portion of the Safety and Hygiene services

Summary of Undiscounted (Full Value) and Discounted (Present Value) Reserves at 06/30/07 (Dollars in Millions)

<u>Fund</u>	(1) 06/30/07 Undiscounted Reserve <u>Total</u>	(2) 06/30/07 Discounted Reserve <u>Total</u>	(3) Discount 06/30/07 <u>(1)-(2)</u>
State Insurance Fund (SIF)	\$29,074	\$15,385	\$13,689
Disabled Workers' Relief Fund (DWRF)	4,056	1,999	2,057
Coal-Workers Pneumoconiosis Fund (CWPF)	96	62	34
Public Work-Relief Employees' Compensation Fund (PWREF)	8	4	4
Marine Industry Fund (MIF)	4	2	2
Self-Insuring Employers Guaranty Fund (SIEGF)	1,695	743	952
Administrative Cost Fund (ACF) -- Loss Adjustment Expense Reserve (LAE)	<u>2,031</u>	<u>1,075</u>	<u>956</u>
<u>Total All Funds</u>	<u>\$36,964</u>	<u>\$19,271</u>	<u>\$17,693</u>

Discounted Reserves By Fund

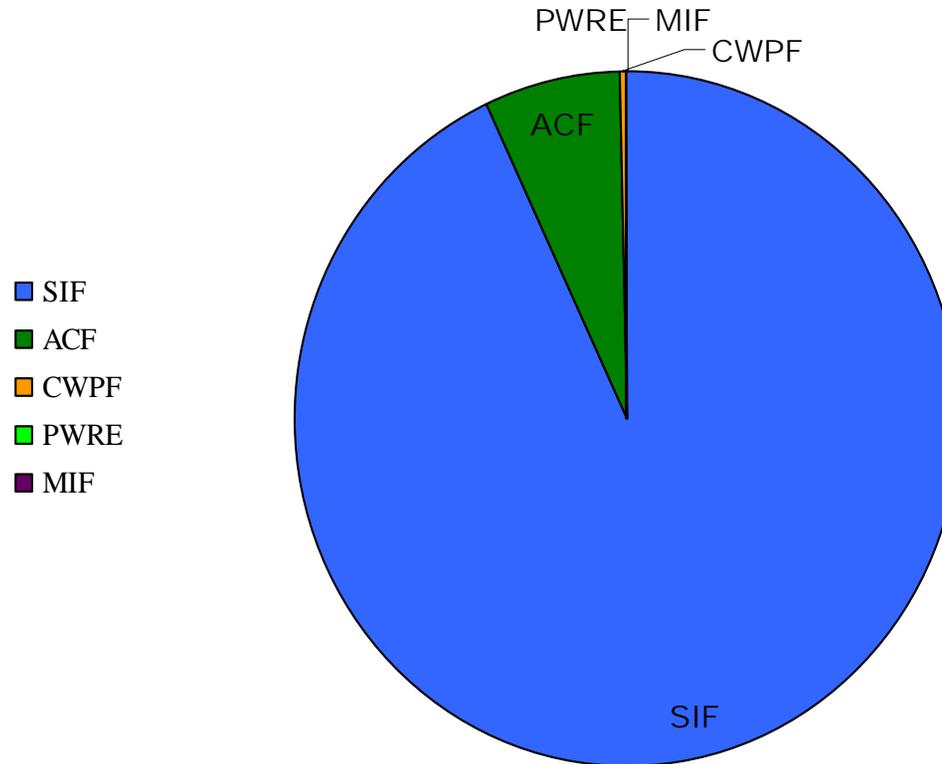


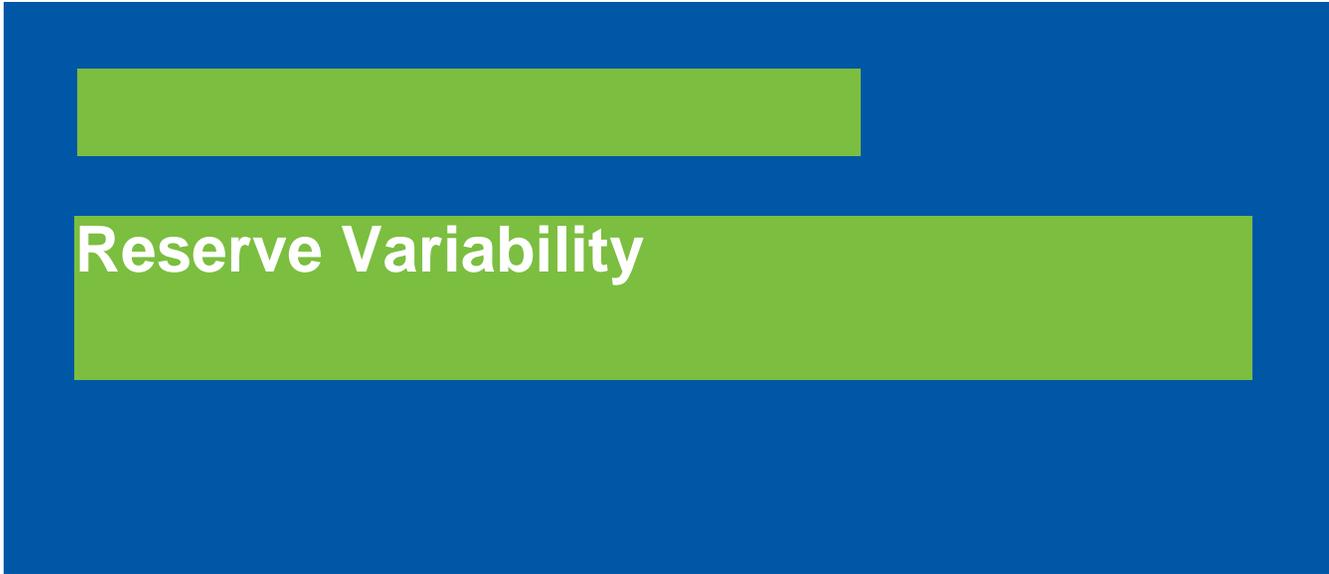
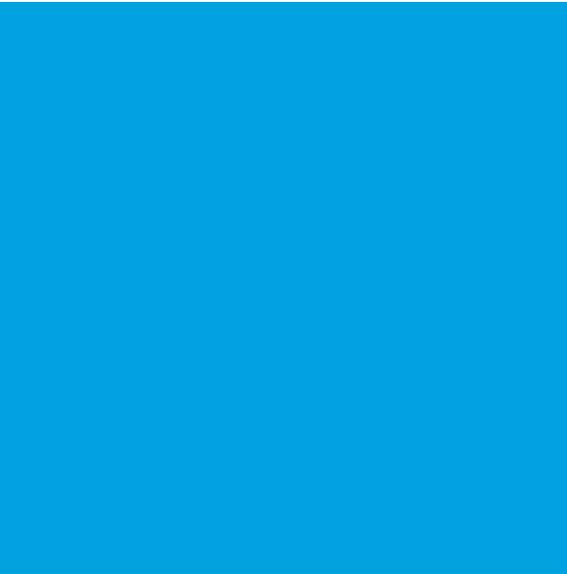
Results

- The liabilities of two reserve funds are offset by receivables
 - Disabled Workers Relief Fund (DWRF)
 - Annual premium is charged to collect for upcoming DWRF payments
 - Premium is charged based on a percentage of base premium
 - Self-Insuring Employers Guaranty Fund (SIEGF)
 - Self-Insured employers are assessed based on paid compensation

- A portion of the State Insurance Fund (SIF) reserve is offset by a receivable
 - Reserves for State Agencies
 - Premium is charged on a pay as you go basis

Discounted Reserves By Fund Reflecting Receivables Offset



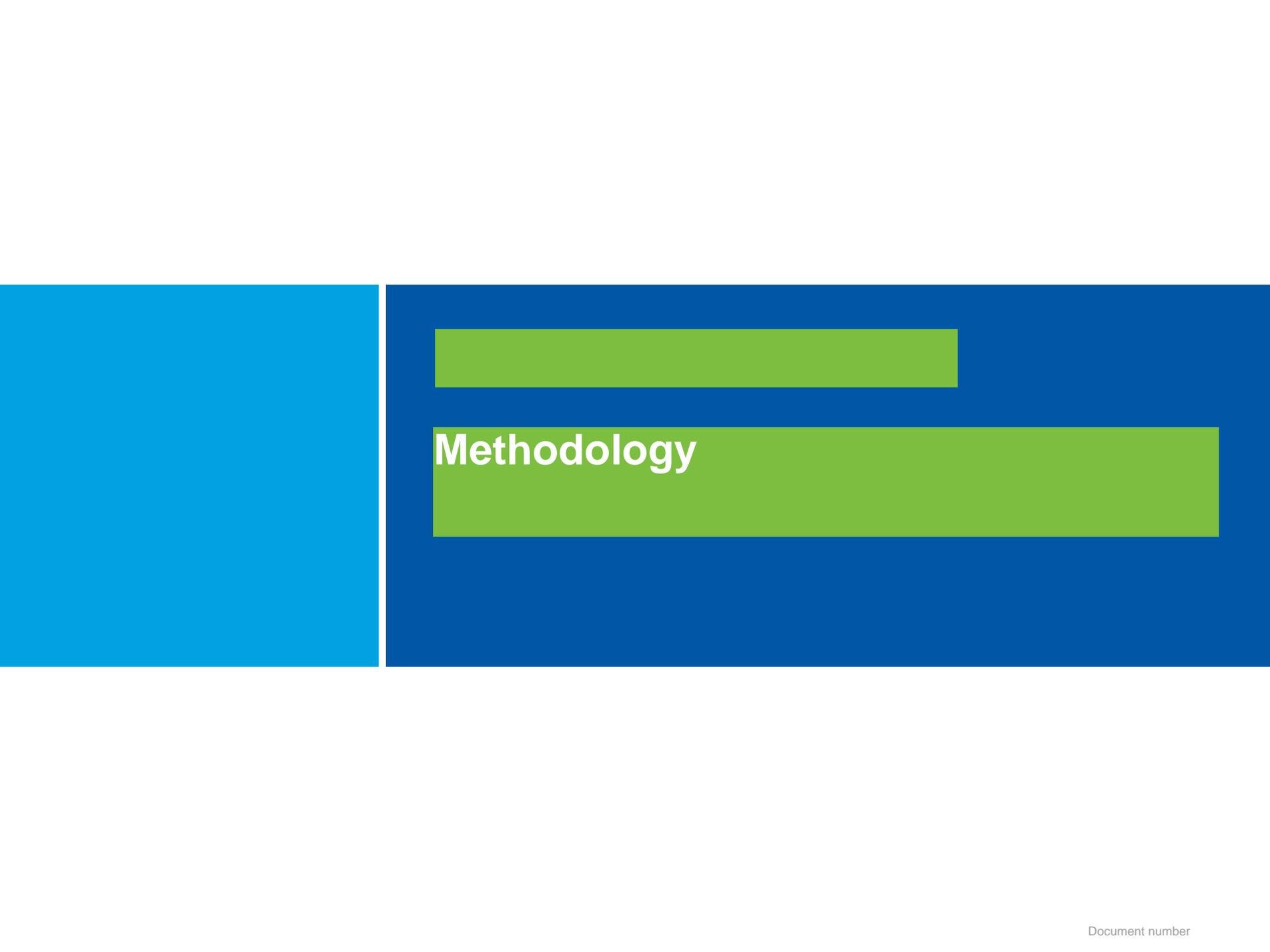


Reserve Variability



Reserve Variability

- The reserve estimate represents the best estimate (actuarial central estimate) of future claim costs
 - Actual results will be either higher or lower
- Many factors will cause the actual results to differ from the best estimate
 - Unanticipated changes in wage and benefit levels
 - Legislative changes
 - Changes in claims consciousness and emergence of new injuries
 - Changes in claims settlement practices, cost containment programs and fraud investigation effort
 - Unexpected judicial interpretations of statutes
 - Changes in medical inflation rates
 - Changes in utilization of medical services



Methodology

Methodology

- Reserves are estimated using payments
 - Payments are representative of open/active claimant base
 - Analyze each injury year and how the payments change over time
 - Injury year defines the class of claimants – remains constant
 - Several years after injury, payments should decline
 - Indemnity payment amounts are fixed at 2/3 of the worker's weekly wage at injury
 - As workers re-enter the workforce, the payments go away
 - Some old injuries require new treatment, and a previously injured workers that are currently working may miss work
 - Medical payments amounts are not fixed, but are paid at time of treatment
 - Influenced by inflation and utilization
 - Changes in medical costs affect all injury years

Methodology

- Permanent Total Disability Payments – Private Employers
 - Awarded beneficiary receives wage replacement benefit every two weeks for life
 - Determination of permanent disability is granted by the Industrial Commission

<u>Payment Period</u>	<u>1995 Injuries</u>		<u>1985 Injuries</u>	
	<u>Total Number Of Awards</u>	<u>Incremental Payments</u>	<u>Total Number Of Awards</u>	<u>Incremental Payments</u>
1992			630	\$6,903,522
1993			746	7,750,650
1994			856	9,205,710
1995	0	\$0	979	10,469,842
1996	9	36,361	1,107	11,416,654
1997	24	191,361	1,189	12,036,323
1998	63	1,004,590	1,226	11,508,458
1999	112	2,100,376	1,257	11,322,719
2000	189	2,637,807	1,277	11,122,730
2001	251	3,432,599	1,299	10,761,040
2002	306	3,850,467	1,329	10,382,891
2003	369	4,506,103	1,351	9,992,397
2004	426	5,281,523	1,365	9,672,310
2005	472	5,724,983	1,379	9,813,026
2006	512	5,706,833	1,394	8,852,359
2007	544	5,751,057	1,409	8,646,779

- Permanent Total Disability Payment Triangle – Private Employers

Accident	Incremental Paid Losses (in thousands) - Evaluation in Years Ending June 30														
Year	<u>17</u>	<u>18</u>	<u>19</u>	<u>20</u>	<u>21</u>	<u>22</u>	<u>23</u>	<u>24</u>	<u>25</u>	<u>26</u>	<u>27</u>	<u>28</u>	<u>29</u>	<u>30</u>	<u>31</u>
1977	7,052	6,963	7,491	7,150	6,883	6,535	6,136	5,795	5,360	5,122	4,978	4,961	4,693	4,289	4,070
1978	8,156	8,087	8,183	7,762	7,186	7,073	6,480	6,332	5,895	5,491	5,521	5,213	4,780	4,484	
1979	9,557	9,317	8,669	8,402	7,827	7,350	7,030	6,759	6,435	6,758	6,143	5,398	5,145		
1980	9,667	9,278	8,696	8,257	7,895	7,947	7,325	7,087	6,973	6,618	5,725	5,535			
1981	9,125	8,538	8,228	7,735	7,512	7,108	6,881	6,642	6,500	5,756	5,393				
1982	8,759	8,633	8,123	8,073	7,591	7,482	6,937	7,058	6,255	5,809					
1983	8,839	8,502	8,308	7,897	7,613	7,401	7,497	6,949	6,637						
1984	9,394	9,339	9,060	8,505	8,645	8,240	7,406	7,021							
1985	10,761	10,383	9,992	9,672	9,813	8,852	8,647								
1986	9,553	9,590	9,280	9,406	8,724	8,406									
1987	9,117	8,892	9,196	8,608	8,318										
1988	9,772	9,774	8,935	8,838											
1989	9,692	9,261	9,172												
1990	9,399	9,333													
1991	7,275														

Methodology

- Permanent Total Disability Payment Triangle – Private Employers

Accident Year	Incremental Paid Losses (in thousands) - Evaluation in Years Ending June 30														
	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
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1978	8,156	8,087	8,183	7,762	7,186	7,073	6,480	6,332	5,895	5,491	5,521	5,213	4,780	4,484	
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1980	9,667	9,278	8,696	8,257	7,895	7,947	7,325	7,087	6,973	6,618	5,725	5,535			
1981	9,125	8,538	8,228	7,735	7,512	7,108	6,881	6,642	6,500	5,756	5,393				
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1984	9,394	9,339	9,060	8,505	8,645	8,240	7,406	7,021							
1985	10,761	10,383	9,992	9,672	9,813	8,852	8,647	8,342	8,010	7,431	6,940	6,581	6,307	5,799	5,021
1986	9,553	9,590	9,280	9,406	8,724	8,406									
1987	9,117	8,892	9,196	8,608	8,318										
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Methodology

- Permanent Total Disability Payment Triangle – Private Employers

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1977	7,052	6,963	7,491	7,150	6,883	6,535	6,136	5,795	5,360	5,122	4,978	4,961	4,693	4,289	4,070
1978	8,156	8,087	8,183	7,762	7,186	7,073	6,480	6,332	5,895	5,491	5,521	5,213	4,780	4,484	3,843
1979	9,557	9,317	8,669	8,402	7,827	7,350	7,030	6,759	6,435	6,758	6,143	5,398	5,145	4,959	4,294
1980	9,667	9,278	8,696	8,257	7,895	7,947	7,325	7,087	6,973	6,618	5,725	5,535	5,273	4,848	4,197
1981	9,125	8,538	8,228	7,735	7,512	7,108	6,881	6,642	6,500	5,756	5,393	5,229	5,011	4,608	3,990
1982	8,759	8,633	8,123	8,073	7,591	7,482	6,937	7,058	6,255	5,809	5,654	5,362	5,139	4,725	4,091
1983	8,839	8,502	8,308	7,897	7,613	7,401	7,497	6,949	6,637	6,035	5,636	5,345	5,122	4,709	4,078
1984	9,394	9,339	9,060	8,505	8,645	8,240	7,406	7,021	7,203	6,682	6,240	5,918	5,672	5,215	4,515
1985	10,761	10,383	9,992	9,672	9,813	8,852	8,647	8,342	8,010	7,431	6,940	6,581	6,307	5,799	5,021
1986	9,553	9,590	9,280	9,406	8,724	8,406	8,130	7,791	7,481	6,940	6,481	6,147	5,891	5,416	4,690
1987	9,117	8,892	9,196	8,608	8,318	8,173	7,900	7,571	7,270	6,744	6,298	5,973	5,724	5,263	4,557
1988	9,772	9,774	8,935	8,838	8,653	8,254	7,978	7,646	7,342	6,811	6,361	6,032	5,781	5,315	4,602
1989	9,692	9,261	9,172	9,108	8,834	8,427	8,146	7,807	7,496	6,954	6,494	6,159	5,903	5,427	4,699
1990	9,399	9,333	9,652	9,494	9,209	8,785	8,491	8,138	7,814	7,249	6,770	6,420	6,153	5,657	4,898
1991	7,275	8,392	8,268	8,133	7,888	7,525	7,274	6,971	6,694	6,209	5,799	5,499	5,271	4,846	4,196

Permanent Total Disability Loss Reserve Payment Projections Fiscal Year Ending 6/30

(Dollars in Thousands)

Accident Year	Loss Reserve		2008	2009	2010	2011	2012	2013	2014	2015 and Subsequent
	Full Value	Present Value								
1977	29,465	22,000	3,236	3,004	2,778	2,557	2,342	2,130	1,924	11,494
1978	35,848	26,508	3,843	3,515	3,263	3,017	2,778	2,544	2,313	14,575
1979	45,016	33,050	4,959	4,294	3,927	3,646	3,371	3,104	2,843	18,871
1980	49,274	35,912	5,273	4,848	4,197	3,839	3,564	3,295	3,034	21,225
1981	52,063	37,612	5,229	5,011	4,608	3,990	3,649	3,387	3,132	23,058
1982	59,040	42,249	5,654	5,362	5,139	4,725	4,091	3,741	3,473	26,855
1983	64,885	45,997	6,035	5,636	5,345	5,122	4,709	4,078	3,729	30,231
1984	79,047	55,534	7,203	6,682	6,240	5,918	5,672	5,215	4,515	37,603
1985	96,248	66,958	8,342	8,010	7,431	6,940	6,581	6,307	5,799	46,838
1986	98,024	67,494	8,130	7,791	7,481	6,940	6,481	6,147	5,891	49,162
1987	103,421	70,435	8,173	7,900	7,571	7,270	6,744	6,298	5,973	53,494
1988	113,106	76,195	8,653	8,254	7,978	7,646	7,342	6,811	6,361	60,061
1989	124,589	82,979	9,108	8,834	8,427	8,146	7,807	7,496	6,954	67,816
1990	139,520	91,795	9,652	9,494	9,209	8,785	8,491	8,138	7,814	77,938
1991	127,906	83,078	8,392	8,268	8,133	7,888	7,525	7,274	6,971	73,456
•	•	•	•	•	•	•	•	•	•	•
•	•	•	•	•	•	•	•	•	•	•
•	•	•	•	•	•	•	•	•	•	•
2003	268,994	131,277	3,594	4,936	5,681	6,618	7,239	7,846	8,547	224,532
2004	289,959	136,056	2,516	3,840	5,275	6,071	7,072	7,736	8,384	249,065
2005	295,681	132,914	1,474	2,552	3,897	5,352	6,160	7,176	7,849	261,221
2006	316,383	135,737	528	1,575	2,727	4,163	5,717	6,580	7,666	287,428
2007	334,886	136,900	117	559	1,666	2,885	4,404	6,049	6,962	312,242
Total	4,805,430	2,685,616	180,427	186,144	191,541	196,021	199,504	201,595	202,078	3,448,121
-Discount Rate		5.00%								

2008 Audit

- Process will be similar to prior audits
- Will take a closer look at the impact of Lump Sum Settlements
 - Has there been a reduction in the amount of other benefits as a result
- Comment on potential impact of recent Supreme Court Ruling regarding the Wise case

OLIVER WYMAN



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Actuarial Provisions for the Workers' Compensation Council and Bureau of Workers' Compensation Board of Directors

Sec. 4121.75. (A) There is hereby created the workers' compensation council, which is created for the purpose of reviewing the soundness of the workers' compensation system and legislation involving or affecting the workers' compensation system. The council shall not be involved in the daily operations and oversight of the bureau of workers' compensation or the industrial commission.

Workers' Compensation Council	Board of Directors
General	
<p>Sec. 4121.77. The workers' compensation council <i>may</i> do any of the following:</p> <p>(B) Appoint professional, technical, and clerical employees as necessary, and employ or hire on a consulting basis persons to provide actuarial, legal, investment, or other technical services required for the performance of the council's duties.</p> <p>(F) Establish regular reporting requirements for any report that the chairperson of the industrial commission, chairperson of the board, members of the [Board of Directors] committees and the administrator are required to submit to the council;</p>	<p>4121.12(F)(6) The board <i>shall</i> contract with:</p> <p>(a) An independent actuarial firm to assist the board in making recommendations to the administrator regarding premium rates;</p> <p>4121.129 (B) The actuarial committee <i>shall</i> do both of the following:</p> <p>(1) Recommend actuarial consultants for the board to use for the funds specified in this chapter and Chapters 4123., 4127., and 4131. of the Revised Code;</p> <p>(2) Review calculations on rate schedules and performance prepared by the actuarial consultants with whom the board enters into a contract.</p>
Legislative Issues	
<p>Sec. 4121.78. The workers' compensation council <i>shall</i></p> <p>(A) Study all changes to this chapter and Chapters 4123., 4125., 4127., and 4131. of the Revised Code proposed to the general assembly and report to the general assembly on their probable costs, actuarial implications, and desirability as a matter of public policy;</p>	<p>Sec. 4121.125(C)(6). [The Board <i>shall</i>] have prepared by or under the supervision of an actuary an actuarial analysis of any introduced legislation expected to have a measurable financial impact on the workers' compensation system;</p> <p>(7) Submit the report to the legislative service commission, the standing committees of the house of representatives and the senate with primary responsibility for workers' compensation legislation, and the council not later than sixty days after the date of introduction of the legislation.</p>

Workers' Compensation Council	Board of Directors
2. 5 Year study – once between 6/11/07 and 6/11/12	
	<p>4121.125(C)(4): Have an actuary or a person who provides actuarial services under the supervision of an actuary, at such time as the board determines, and at least once during the five-year period that commences on the effective date of this amendment and once within each five-year period thereafter, conduct an actuarial investigation of the experience of employers, the mortality, service, and injury rate of employees, and the payment of temporary total disability, permanent partial disability, and permanent total disability under sections 4123.56 to 4123.58 of the Revised Code to update the actuarial assumptions used in the [annual actuarial report]; (5) Submit [this] report . . .to the council and the standing committees of the house of representatives and the senate with primary responsibility for workers' compensation legislation not later than the first day of November following the fifth year of the period that the report covers. Contents of the report shall include [4121.125(F)]: (1) A summary of relevant decrement and economic assumption experience; (2) Recommended changes in actuarial assumptions to be used in subsequent actuarial valuations [of the Annual report]; (3) A measurement of the financial effect of the recommended changes in actuarial assumptions.</p>
3. Ten Year Study	
<p>4121.78 (C) [shall] Have prepared by an independent actuary, at least once every ten years, an actuarial review of the annual actuarial valuations and quinquennial actuarial investigations prepared by the bureau of workers' compensation board of directors pursuant to section 4121.125 of the Revised Code, including a review of the actuarial assumptions and methods and the data underlying the valuations and investigations;</p> <p>4121.78 (D) Submit to the governor and the general assembly a report summarizing the above review.</p>	

Common Sense Business Regulation (BWC Rules)

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

Rules 4123-17

Rule Review

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

Citation: R.C. 4123.29, 4123.34, et seq.

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

What goal(s): The five year rule review of these rules ensures that the general rating rules of the state insurance fund are current.

3. Existing federal regulation alone does not adequately regulate the subject matter.

4. The rule is effective, consistent and efficient.

5. The rule is not duplicative of rules already in existence.

6. The rule is consistent with other state regulations, flexible, and reasonably balances the regulatory objectives and burden.

7. The rule has been reviewed for unintended negative consequences.

8. Stakeholders, and those affected by the rule were provided opportunity for input as appropriate.

Explain: Internal BWC review of rules

9. The rule was reviewed for clarity and for easy comprehension.

10. The rule promotes transparency and predictability of regulatory activity.

11. The rule is based on the best scientific and technical information, and is designed so it can be applied consistently.

12. The rule is not unnecessarily burdensome or costly to those affected by rule.

If so, how does the need for the rule outweigh burden and cost? _____

13. The Chief Legal Officer, or his designee, has reviewed the rule for clarity and compliance with the Governor's Executive Order.

Executive Summary
Five-Year Rule Review
Chapter 4123-17: General Rating for the State Insurance Fund

Introduction

The rules in Chapter 4123-17 of the Administrative Code provide for the general rating for the State Insurance Fund, including various BWC rate programs, such as retrospective rating, group rating, and discount programs.

Five-Year Rule Review

Pursuant to H.B. 473, effective September 26, 1996, 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 legislation requires the agency to assign a rule review date for each of its rules so that approximately one-fifth of the rules are scheduled for review during each calendar year. The rules in Chapter 4123-17 were last reviewed in 2003 and 2004, and are scheduled for five year rule review on March 1, 2008.

Chapter 4123-17 rules exempt from Five-Year Rule Review

There are approximately 74 rules in Chapter 4123-17. However, most of the rules are exempt from the Chapter 119 rule process because R.C. 119.01 specifically exempts the rate rules from the public hearing and J.C.A.R.R. process. BWC files the rate rules as R.C. 111.15 rules, and these rules are not subject to the five year rule review process. In practice, BWC generally updates most of the rate rules annually, so BWC conducts a review of these rules at that time.

Chapter 4123-17 rules for Five-Year Rule Review

There are 13 rules of Chapter 4123-17 due for five-year rule review. BWC is recommending no change in ten rules, in most cases because BWC amended the rule since the last five-year rule review (see the last effective date).

- 4123-17-02 Basic or manual rate. 07/27/2006
- 4123-17-03.1 Experience modification for out of state employer. 01/01/04
- 4123-17-07 Officers of corporations, partnerships and sole proprietorships, an individual incorporated as a corporation with no employees, family farm corporations, and ordained ministers. 07/27/2006
- 4123-17-14 Rule controlling the completing of payroll reports. 8-8-03
- 4123-17-14.1 Misrepresentation of payroll. 10/14/02
- 4123-17-15 Professional employer organization (PEO) agreements. 11-22-04
- 4123-17-16 Premium security deposit. 9/1/93
- 4123-17-18 Employer premium discount rate. 11/19/93

- 4123-17-28 Correction of inaccuracies affecting employer's premium rates. 10/01/2005
4123-17-31 Long-term care loan fund program. 12/03/2007

The following three rules contain proposed amendments:

4123-17-01 Annual rate revision, method of adoption, effective date, publication.

The amendments to this rule update references to the Oversight Commission to the Bureau of Workers' Compensation Board of Directors.

4123-17-10 Excess premiums.

H.B. 100 transferred the administrator's authority to determine employer dividends to the bureau of workers' compensation board of directors. See R.C. 4123.321, effective September 10, 2007:

The bureau of workers' compensation board of directors, based upon recommendations of the workers' compensation actuarial committee, shall adopt a rule with respect to the collection, maintenance, and disbursements of the state insurance fund providing that in the event there is developed as of any given rate revision date a surplus of earned premium over all losses that, in the judgment of the board, is larger than is necessary adequately to safeguard the solvency of the fund, the board may return such excess surplus to the subscribers to the fund in either the form of cash refunds or a reduction of premiums, regardless of when the premium obligations have accrued.

The amendments update the current rule to reflect only the statutory change of authority to the bureau of workers' compensation board of directors. The amendments do not address or alter the policies or criteria of the prior rule.

4123-17-27 Protest of an employer's experience.

This rule was last updated in 1992. The amendments remove handwritten signature requirements for protests and conforms to current BWC practice, which permits employers to file protest electronically, such as by fax or e-mail.

**Five Year Rule Review
Chapter 17 rules**

4123-17-01 Annual rate revision, method of adoption, effective date, publication.

(A) Private employers.

(1) The annual revision of premium rates as provided in division (B) of section 4123.34 of the Revised Code shall apply to all renewals, reinstatements and new coverage effective on or after July first of each year, unless otherwise specifically provided. At the same time the bureau of workers' compensation may adopt such changes in classification of occupations or industries with respect to their degree of hazard as will best serve to determine the risks of the different classes of occupations and will enable the establishing of appropriate premium rates measured by the hazard involved.

(2) The revised premium rates and changes in classification of occupations or industries with respect to their degree of hazard, as provided in paragraph (A)(1) of this rule, shall be adopted by rules recommended by the administrator and with the advice and consent of the bureau of workers' compensation ~~oversight commission~~ board of directors as provided under division (F) of section 4121.12 of the Revised Code.

(3) The rules, with the revised premium rates and changes in classification of occupations or industries (if any) attached thereto, shall be filed with the secretary of state and the legislative service commission as provided under section 111.15 of the Revised Code. The revised rates and changes in classifications (if any) shall become effective on the date indicated on the filed rule.

(B) Public employers, taxing districts.

(1) The annual revision of premium rates for the taxing districts, as provided in section 4123.39 of the Revised Code, shall apply to all renewals, reinstatements and new coverage effective on or after January first of each year, unless otherwise specifically provided.

(2) The revised premium rates as provided in paragraph (B)(1) of this rule, shall be adopted by rules recommended by the administrator and with the advice and consent of the bureau of workers' compensation ~~oversight commission~~ board of directors as provided under division (F) of section 4121.12 of the Revised Code.

(3) The rule with the revised premium rates shall be filed with the secretary of state and the legislative service commission as provided under section 111.15 of the Revised Code. The revised rates shall become effective on the date indicated on the filed rule.

(C) Public employers, state of Ohio, its agencies and instrumentalities.

(1) The annual revision of premium rates, including all renewals, reinstatements and new coverage for the state of Ohio, its agencies and instrumentalities, as provided in section 4123.40 of the Revised Code, for all state agencies shall be effective July first of each year.

(2) The revised premium rates as provided in paragraph (C)(1) of this rule shall be adopted by rules recommended by the administrator and with the advice and consent of the bureau of workers' compensation oversight commission board of directors as provided under division (F) of section 4121.12 of the Revised Code.

(3) The rule with the revised premium rates shall be filed with the secretary of state and the legislative service commission as provided under section 111.15 of the Revised Code. The revised rates shall become effective on the date indicated on the filed rule.

HISTORY: Replaces rule 4121-7-01; Eff 8-15-77; 7-2-78; 11-26-79; 8-5-80; 9-1-93; 11-22-04
Rule promulgated under: RC 119.03
Rule authorized by: RC 4121.12, 4121.13, 4121.30
Rule amplifies: RC 4123.29, 4123.32, 4123.34, 4123.39, 4123.40, 4123.411
R.C. 119.032 review dates: 09/01/2004 and 03/01/2008

4123-17-02 Basic or manual rate. [no change]

(A) The “basic or manual rate” is hereby expressed as the unit of premium per one hundred dollars of payroll for accident and disease coverage.

(B) Succeeding employers — experience.

(1) Where one legal entity, not having coverage in the most recent experience period, wholly succeeds another legal entity in the operation of a business, his or its rate shall be based on the predecessor’s experience within the most recent experience period.

(2) Where a legal entity having an established coverage or having had experience in the most recent experience period wholly succeeds one or more legal entities having established coverage or having had experience in the most recent experience period and at least one of the entities involved has a merit rating experience, the experience of all the involved entities shall be combined to establish the rate of the successor.

(3) Where a legal entity succeeds in the operation of a portion of a business of one or more legal entities having an established coverage or having had experience in the most recent experience period, the successor’s rate shall be based on the predecessor’s experience within the most recent experience period, pertaining to the portion of the business acquired by the successor. Pursuant to this rule, the bureau shall provide to the parties to the transfer of experience the necessary forms and instructions to complete the transfer of the appropriate payrolls and claims. Each party to the transfer of experience

shall sign the completed forms. The bureau shall review the completed forms and if any questions arise, the bureau may conduct a premium audit on each party's risk account.

(4) When any combination or transfer of experience is indicated under any of the provisions of this rule, the effective date of such combination or transfer shall be the beginning date of the next following payroll reporting period. In cases where an entity not having coverage wholly succeeds another entity or in cases where the date of succession is determined to be January 1 or July 1, the experience of the predecessor shall be transferred to the successor-employer effective as of the actual date of succession.

(5) For an out of state employer purchasing an existing Ohio operation, the bureau may use the out of state experience of the employer as a factor in determining the employer's experience.

(C) Succeeding employers — risk coverage transfer.

(1) Whenever one employer succeeds another employer in the operation of a business in whole or in part, the successor shall notify the bureau of the succession. Where one employer wholly succeeds another in the operation of a business, the bureau shall transfer the predecessor's rights and obligations under the workers' compensation law. The successor shall be credited with any credits of the predecessor, including the advance premium security deposit of the predecessor. This paragraph shall apply where an employer wholly succeeds another employer in the operation of a business on or after September 1, 2006.

(2) Transfer of risk coverage may be retroactive to the date of succession.

(3) The successor must preserve the predecessor's payroll records for at least the five years preceding the date of transfer succession.

(4) A legal entity may be assigned only one risk. Where a legal entity succeeds one or more risks, he or it shall be assigned a single risk designation.

Effective: 07/27/2006

R.C. 119.032 review dates: 03/01/2008

Promulgated Under: 119.03

Statutory Authority: 4121.12, 4121.121, 4121.13, 4121.30

Rule Amplifies: 4123.32, 4123.34

Prior Effective Dates: 7/1/62; 1/10/78; 12/11/78; 11/26/79; 9/1/93; 1/27/97; 8/8/03; 1/1/04

4123-17-03.1 Experience modification for out of state employer. [no change]

(A) Where an employer that has not had prior operations in Ohio and has not had prior workers' compensation insurance coverage in Ohio moves operations from another state into Ohio or begins operations in Ohio that are the same or similar to operations outside Ohio and is, as a result, amenable to Ohio workers' compensation laws, the bureau may

assign to that employer for purposes of individual experience rating in Ohio the individual experience modifier as was applied to that employer's operations in the state from which the operations are being moved or with similar or same operations, not withstanding any alternative rating plans in place for that policy year in the other state. This rule does not apply to the purchase of existing Ohio operations as covered by rule 4123-17-02 of the Administrative Code. The bureau may apply the experience modifier from the other state that is effective on the date one day prior to that day on which the Ohio workers' compensation coverage became effective. The bureau shall apply such experience modifier to the partial year ending June 30 after the start of coverage in Ohio and to the first full policy year subsequent to the start of coverage in Ohio for the determination of premium obligations to the Ohio State Insurance Fund.

(B) For the operations being moved to Ohio or started in Ohio, the employer shall provide to the bureau its most current twelve-month payroll, by manual classification. If in the opinion of the bureau that payroll is not of sufficient size to warrant experience rating as measured by the Ohio rules for experience rating, the employer may not apply its experience modifier from another state to Ohio premium obligations.

(C) The employer meeting such criteria as is established in this rule shall demonstrate that it has been an amenable employer in the other state by submitting its coverage history, its experience modifier calculation, and a list of any outstanding liabilities with the other state insurance provider. The employer shall submit a copy of its most current workers' compensation insurance policy under which the operations outside of Ohio have been covered. Where the employer has failed to provide sufficient evidence of an actual move of operations to Ohio from another state or the start of similar or same operations in Ohio, the bureau will not use an experience modifier from another state for Ohio premium rate calculations. In the event that outstanding workers' compensation insurance liabilities exist in another state that are unpaid more than sixty days, or in the event the information required to be submitted is not timely provided, the bureau may assign the employer a penalty rate of up to one hundred and fifty per cent of the base rate.

HISTORY: Eff 01/01/04
Rule promulgated under: RC 119.03
Rule authorized by: RC 4121.12, 4121.13, 4121.30
Rule amplifies: RC 4123.32, 4123.34
RC 119.032 review dates: 03/01/2008

4123-17-07 Officers of corporations, partnerships and sole proprietorships, an individual incorporated as a corporation with no employees, family farm corporations, and ordained ministers. [no change]

(A) Officers of corporations.

(1) The actual remuneration of an executive officer of a corporation, such as president, vice president, secretary, treasurer, and any other executive officer enumerated in and empowered by the corporate charter or any regularly adopted bylaws of the corporation

and elected or appointed and empowered by the directors to perform duties for the corporation, shall be included in the payroll report of the corporation, subject to a weekly minimum and maximum as shall be periodically established by the administrator of the bureau of workers' compensation as provided in rule 4123-17-30 of the Administrative Code. Such remuneration shall be assigned to the classification applicable to the duties performed.

(2) Paragraph (A)(1) of this rule shall not apply to family farm corporations as defined in division (E) of section 4123.01 of the Revised Code. The remuneration of the officers of such corporation shall not be reported as part of the payroll of such employer, unless such employer elects to include as an "employee," within Chapter 4123. of the Revised Code, any of the officers of the family farm corporation, in which case the procedure outlined in paragraph (B) of this rule shall be applicable.

(B) Partnerships, sole proprietorships, limited partnerships, an individual incorporated as a corporation with no employees, and family farm corporations.

(1) If the employer is a partnership, sole proprietorship, limited partnership, an individual incorporated as a corporation with no employees, or family farm corporation, the remuneration of the sole proprietor, member of the partnership, member of a limited partnership, individual incorporated as a corporation with no employees, or officer of the family farm corporation shall not be reported as part of the payroll of such employer, unless the sole proprietor, the partnership, the limited partnership, the individual incorporated as a corporation with no employees, or the family farm corporation elects to include any such person as an employee as provided in division (A)(2) of section 4123.01 of the Revised Code. In the event of such election, the employer shall serve written notice to the bureau of workers' compensation on the appropriate bureau form, which notice shall name the person or persons to be covered and whose remuneration shall be included in payroll reports for premium purposes. Upon the filing of such election, sole proprietors, members of a partnership, members of a limited partnership, the individual incorporated as a corporation with no employees, and officers of a family farm corporation who sustain injuries or contract occupational diseases in the course of and arising out of employment shall be entitled to receive compensation and benefits as provided in Chapter 4123. of the Revised Code; provided, however, that the coverage for such persons shall not be effective until such notice has been filed with the bureau of workers' compensation.

(2) Upon the filing of such election as provided in paragraph (B)(1) of this rule, the actual remuneration of a sole proprietor, member of a partnership, member of a limited partnership, an individual incorporated as a corporation with no employees, or officer of a family corporation shall be reported and included in the payroll report of the employer subject to a weekly minimum and maximum as shall be periodically established by the administrator of the bureau of workers' compensation as provided in rule 4123-17-30 of the Administrative Code. Such remuneration shall be assigned to the classification applicable to the duties performed.

(3) Upon receipt of the form requesting coverage for the sole proprietor, member of a partnership, members of a limited partnership, an individual incorporated as a corporation with no employees, or officer of a family farm corporation, the bureau shall refer the form to the risk processing section for processing. Coverage shall remain in effect, and the employer shall be responsible for the payment of premium thereon, until the bureau receives written notice from the sole proprietor, the partnership, the limited partnership, the individual incorporated as a corporation with no employees, or the family farm corporation requesting termination of coverage, or until terminated by the bureau pursuant to paragraph (B)(4) of this rule.

(4) In the case of a sole proprietorship, partnership, limited partnership, an individual incorporated as a corporation with no employees, or family farm corporation, failure to pay premiums timely shall terminate coverage. In the case of a sole proprietorship, partnership, limited partnership, an individual incorporated as a corporation with no employees, or family farm corporation which reports payroll for its employees only, the failure to report payroll and to pay premiums thereon for any person for whom coverage is elective shall terminate coverage for any such person only. In the event of termination of coverage for non-payment of premium, a sole proprietor, a partnership, a limited partnership, an individual incorporated as a corporation with no employees, or a family farm corporation may reinstate elective coverage only upon the filing of a subsequent application form. Reinstatement of coverage shall be effective only upon receipt of the executed form and payment of premium for such elective employees, and no retroactive coverage may be granted except as provided in rule 4123-14-03 of the Administrative Code.

(C) Duly ordained, commissioned, or licensed ministers and assistant or associate ministers.

(1) Division (A)(2)(a) of section 4123.01 of the Revised Code excludes from coverage duly ordained, commissioned, or licensed ministers or assistant or associate ministers of a church in the exercise of their ministry. The remuneration for such persons shall not be reported as part of the payroll of a church employer, unless the church elects to include as an employee such persons as provided in division (A)(2) of section 4123.01 of the Revised Code. In the event of such election, the employer shall serve written notice to the bureau of workers' compensation. Notice shall name the person or persons to be covered and whose remuneration shall be included in payroll reports for premium purposes. After proper election and notice, such persons shall be considered employees and entitled to compensation and benefits as provided in Chapter 4123. of the Revised Code; provided however, that the coverage for such persons shall not be effective until such notice has been filed with the bureau.

(2) Upon receipt of written notice or the appropriate form requesting coverage for the minister or ministers, the bureau shall refer such written notice or form to the risk processing section for processing. Coverage shall remain in effect, and the employer shall be responsible for the payment of premium thereon, until the bureau receives written

notice from the church employer requesting termination of coverage, or until terminated by the bureau pursuant to paragraph (C)(3) of this rule.

(3) In the case of a church employer, failure to pay premiums timely shall terminate coverage for such employer. In the case of a church employer which reports payroll for its employees only, the failure to report payroll and to pay premiums thereon for any minister for whom coverage is elective shall terminate coverage for any such minister only. In the event of termination of coverage for nonpayment of premium, a church employer may reinstate elective coverage only upon the filing of a subsequent application form. Reinstatement of coverage shall be effective only upon the receipt of the executed form and payment of premium for such elective employees, and no retroactive coverage may be granted except as provided in rule 4123-14-03 of the Administrative Code.

Effective: 07/27/2006

R.C. 119.032 review dates: 03/01/2008

Promulgated Under: 119.03

Statutory Authority: 4121.12, 4121.121, 4121.13, 4121.30, 4123.05

Rule Amplifies: 4123.01, 4123.24, 4123.26, 4123.34

Prior Effective Dates: 7/1/62; 12/1/78; 10/1/79; 8/22/86 (Emer.); 11/10/86; 9/1/93; 1/1/05

4123-17-10 Excess premiums.

The administrator of workers' compensation, with the advice and consent of the bureau of workers' compensation oversight commission board of directors, has authority to approve contributions made to the state insurance fund by employers pursuant to sections 4121.121, 4123.29, 4123.32, and 4123.34 of the Revised Code. Pursuant to sections 4123.29 and 4123.34 of the Revised Code, ~~The~~ the administrator is required to keep premiums at the lowest level consistent with the maintenance of a solvent state insurance fund and of a reasonable surplus. Pursuant to section ~~4123.32~~ 4123.321 of the Revised Code, in the event there is developed as of any given rate revision date a surplus of earned premium over all losses which, in the judgment of the administrator bureau of workers' compensation board of directors, is larger than is necessary adequately to safeguard the solvency of the fund, the administrator bureau of workers' compensation board of directors may return such excess surplus to the subscriber to the fund in either the form of cash refunds or a reduction of premiums, regardless of when the premium obligation has accrued. The ~~administrator, with the advice and consent of the bureau of workers' compensation oversight commission, board of directors~~ shall have the discretion and authority to determine whether there is an excess surplus of premium; whether to return the excess surplus to employers; the nature of the cash refunds or reduction of premiums; the employers who are subscribers to the state insurance fund who are eligible for the cash refunds or reduction of premiums; the payroll period or periods for which a reduction of premium has accrued and the premium payment for which the reduction of premium applies; the applicable date of the cash refunds or reduction of premiums; and any other issues involving cash refunds or reduction of premiums due to an excess surplus of earned premium.

HISTORY: Eff 10-21-99 (Emer.); 3-30-00 (Emer.); 5-1-00; 4-28-03

Rule promulgated under: RC 119.03
Rule authorized by: RC 4121.12, 4121.121
Rule amplifies: RC 4123.29, 4123.32, 4123.34
R.C. 119.032 review dates: 01/31/2003 and 01/01/2008

4123-17-14 Rule controlling the completing of payroll reports. [no change]

(A) In July and January of each year, the bureau will furnish private state fund employers with proper forms showing premium rates on which to report the actual wage expenditure and/or payroll in the conduct of the employer's operations for the preceding six months' period or portion thereof. The employer shall complete such report with the premium calculated, and the report and remittance of the premium shall be submitted to the bureau no later than August thirty-first or the last day of February for that report's preceding six-month period.

(1) Except where the administrator has announced prior to the due date of the premium payment that an employer may pay the premium in installments, the amount of the premium due is to be paid in accordance with paragraph (A) of this rule or at the expiration of the coverage for early coverage terminations.

(2) The administrator may determine for any payroll period that employers shall be permitted to pay the premium in two installments and the method of those premium installment payments. An employer electing to participate in this option shall pay one-half of the premium due by the regular due date in accordance with paragraph (A) of this rule and the balance of the premium by the invoiced date following the original due date. An employer participating in this payment option shall be considered a complying employer during the installment payments if the employer pays one-half of the premium by the regular due date, and the balance shall not be subject to penalties or interest under rule 4123-19-07 of the Administrative Code.

(B) For all counties and public employer taxing districts, by January first of each year, the bureau will furnish the county auditor of each county and the chief fiscal officer of each public employer taxing district in each county with proper forms showing premium rates on which to report the actual wage expenditure or payroll expended in the conduct of the employer's operations for the preceding twelve calendar months. Such report shall be completed and the premium calculated on the report, and each such employer shall return the report and remit the amount of premium due to the bureau as follows:

(1) On or before May fifteenth of each year, no less than forty-five per cent of the premium due.

(2) On or before September first of each year, no less than the total premium due.

(C) The terms "payroll" and "wage expenditures" as used in the rules of this chapter of the Administrative Code shall include the entire remuneration allowed by an employer to employees in the employer's service for the applicable period. "Remuneration" shall have

the same meaning as defined in division (H) of section 4141.01 of the Revised Code as provided by the statutes of the Ohio bureau of employment services, in order that the payroll reporting requirements of the bureau of workers' compensation shall be coordinated with the remuneration reporting requirements of the Ohio bureau of employment services, except as otherwise modified by the rules of this chapter. The definition of remuneration shall apply to all amenable employers who are required or elect to obtain Ohio workers' compensation coverage and who pay premiums based upon payroll under Chapter 4123. of the Revised Code, and shall apply to all persons of such employers considered to be employees under the statutes or rules of the bureau of workers' compensation, regardless of whether the employer is required to report payroll or remuneration to the Ohio bureau of employment services under Chapter 4141. of the Revised Code or whether the employer reports payroll or remuneration to the Ohio bureau of employment services for such persons considered to be employees by the bureau of workers' compensation.

(D) In determining the reportable payroll or remuneration after July 1, 1995, for employees who customarily receive tips or gratuities, the employer shall report all actual wages paid and shall include all tips to the extent they are used to supplement the federal minimum wage requirements reportable as remuneration as defined in paragraph (C) of this rule.

HISTORY: Eff 7-1-62; 11-26-79; 12-14-92; 7-1-93; 12-23-93 (Emer.); 3-19-94; 1-9-95; 7-24-95; 6-30-03 (Emer.); 8-8-03

Rule promulgated under: RC 119.03

Rule authorized by: RC 4121.30, 4121.12

Rule amplifies: RC 4123.24, 4123.26, 4123.29, 4123.32, 4123.34

R.C. 119.032 review dates: 05/23/2003 and 03/01/2008

4123-17-14.1 Misrepresentation of payroll. [no change]

(A) No employer shall knowingly misrepresent to the bureau of workers' compensation the amount of classification of payroll upon which the premium under this chapter is based. No self-insuring employer shall knowingly misrepresent to the bureau the amount of paid compensation paid by such employer.

(B) As used in the rule, "knowingly" means that the employer had actual knowledge of the misrepresentation and was aware that the misrepresentation would cause a certain result. An employer will not be deemed to have knowingly misrepresented its payroll, its classification of payroll, or its paid compensation where the employer's determination of how to report was:

(1) Based on the employer's reasonable interpretation of a law, rule, or manual classification.

(2) Based on prior reporting instructions or written advice received from the bureau.

(C) Whenever the bureau of workers' compensation finds that an employer violated division (A) of section 4123.25 of the Revised Code by knowingly misrepresenting its payroll or classification of payroll to the bureau, the administrator or the administrator's designee may impose a penalty upon the employer as follows:

(1) For the first offense, five-hundred dollars or twenty-five percent of the amount of the difference between the premium the employer paid and the amount the employer should have paid, whichever is higher.

(2) For a second offense, up to ten times the amount of the difference between the premium the employer paid and the amount the employer should have paid.

(D) Whenever the self-insuring employers evaluation board finds that a self-insuring employer violated division (B) of section 4123.25 of the Revised Code by knowingly misrepresenting its paid compensation to the bureau, the self-insuring employers evaluation board may impose a penalty upon the employer as provided under section 4123.25 of the Revised Code.

(E) Except for a self-insuring employer, an employer may appeal a penalty imposed under this rule to the adjudicating committee under section 4123.291 of the Revised Code.

R.C. 119.032 review dates: 09/09/2004 and 03/01/2008

Promulgated Under: 119.03

Statutory Authority: 4121.12, 4121.121

Rule Amplifies: 4123.25

Prior Effective Dates: 10/14/02

4123-17-15 Professional employer organization (PEO) agreements. [no change]

(A) This rule is promulgated pursuant to Chapter 4125 of the Ohio Revised Code.

(1) "Professional employer organization" or "PEO" means a sole proprietor, partnership, association, limited liability company, or corporation that enters into an agreement with one or more client employers for the purpose of coemploying all or part of the client employer's workforce at the client employer's work site. "Professional employer organization" or "PEO" does not include a temporary service agency.

(2) "Client employer" means a sole proprietor, partnership, association, limited liability company, or corporation that enters into a PEO agreement and is assigned shared employees by the PEO. "Client employer" does not mean an employer who is a noncomplying employer as defined in rule 4123-14-01 of the Administrative Code.

(3) "Coemploy" means the sharing of the responsibilities and liabilities of being an employer.

(4) “Shared employee” means an individual intended to be assigned to a client employer on a permanent basis, not as a temporary supplement to the client employer’s workforce, who is coemployed by a professional employer organization and a client employer pursuant to a professional employer organization agreement.

(5) “Temporary service agency” means an employer which is in the business of employing individuals for the purpose of utilizing the services of the individuals for a temporary period of time.

(6) “PEO agreement” means a written contract to coemploy employees between a professional employer organization and a client employer with a duration of not less than twelve months. The agreement is intended to be, or is, ongoing rather than temporary in nature.

(B) A PEO must perform the following functions:

(1) Provide written notice to each shared employee it assigns to a client employer of the relationship between and the responsibilities of the PEO and the client employer;

(2) Assume responsibility for payment of wages, related taxes and workers’ compensation premiums for shared employees as established within the PEO agreement. The responsibility of making the payment is not contingent on receipt of payment from client;

(3) Be responsible for maintaining both adequate and required employment-related records for employees, and for reporting such information as may be required by appropriate governmental agencies;

(4) Comply with applicable state laws regarding workers’ compensation insurance coverage.

(5) Maintain complete records, separately listing the payroll and claims of its client employers for each payroll reporting period. The payroll shall be kept in a manner that clearly identifies the appropriate manual classifications assigned to each client employer to which the payroll should be reported and the amount of premiums paid. Claims shall be separately identified according to the client employer.

(6) Maintain workers’ compensation coverage, pay all workers’ compensation premiums and manage all workers’ compensation claims, filings, and related procedures associated with a shared employee in compliance with Chapters 4121. and 4123. of the Revised Code, except that when shared employees include family farm officers, ordained ministers, sole proprietors, partners, individuals incorporated as a corporation, or corporate officers of the client employer, payroll reports shall include the entire amount of payroll associated with those persons;

(7) When the payroll of family farm officers, ordained ministers, sole proprietors, partners, individuals incorporated as a corporation or corporate officers of a client employer is reported under the PEO's policy, it will not be subject to the payroll reporting limitations pursuant to rules 4123-17-07 and 4123-17-30 of the Administrative Code if the PEO reports wages for the client employer under the PEO policy.

(8) Within fourteen days after receiving notice from the bureau of workers' compensation that a refund or rebate will be applied to workers' compensation premiums, provide a copy of that notice to any client employer to whom that notice is relevant.

(C) Where a client employer enters into a PEO agreement:

(1) Each client employer must establish and maintain an individual account with the bureau.

(2) The PEO shall be considered the succeeding employer, solely for purpose of workers' compensation experience, and shall be subject to rule 4123-17-02 of the Administrative Code, basic or manual rate, whereby all or part of the experience of the client employer is transferred to the PEO policy for rate making purposes.

(3) If the PEO agreement between a PEO and a client employer is terminated, or if the PEO declares bankruptcy or ceases operation in Ohio, the PEO must notify the bureau and each client associated with that PEO within fourteen days from the effective date of termination and identify on the UA-3, AC-18 and AC-19 forms the portion of the experience of the PEO related to the client employer shall be transferred to the client employer.

(D) A PEO shall notify the bureau within thirty days when entering into or changing the type of PEO agreement using the UA-3 PEO notification form. The PEO shall complete the form in its entirety and indicate if the claims and payroll will be reported under the PEO's policy or the client employer's policy and also listing the manual classifications for the client employer if payroll is to be reported under the PEO policy. If the bureau is not notified within the thirty days, the bureau will recognize the PEO agreement on the date the bureau receives the UA-3 form and the client employer shall be responsible for reporting payroll and claims under the client employer's individual policy until the recognized effective date of the agreement.

(E) A PEO which enters into a PEO agreement with a noncomplying employer or a PEO which fails to comply with this rule shall not be considered the employer for workers' compensation purposes. In these instances the payroll of the shared employees shall be reported by the client employer under its workers' compensation risk number for workers' compensation premium and claims purposes, unless prohibited by Federal law. Claims that are filed by the client employer's shared employees shall be charged to the experience of the client employer.

(F) The bureau will not recognize a PEO agreement between a PEO and an out of state client employer where the employees of the out of state client employer does not meet the jurisdictional requirements to receive Ohio workers' compensation benefits as provided in section 4123.54 of the Revised Code.

(G) The PEO shall register with the bureau not later than thirty days after the effective date of Chapter 4125. of the Revised Code or not later than thirty days after the formation of a PEO, whichever date occurs later. A PEO operating in this state shall register annually with the administrator of the bureau of workers' compensation on forms provided by the administrator.

(1) The PEO shall submit an initial registration fee in the amount of one hundred dollars and a renewal fee of twenty five dollars for each PEO policy to the bureau on or prior to December 31st of each year. An increase of the fee for any year shall not exceed thirty percent.

(2) The PEO shall submit to the bureau all information as required in section 4125.05 of the Revised Code when registering with the bureau:

(a) A list of each of the professional employer organization's client employers current as of the date of registration for purposes of initial registration or current as of the date of annual registration renewal, or within fourteen days of adding or releasing a client, that includes the client employer's name, address, federal tax identification number, and bureau of workers' compensation risk number;

(b) The name or names under which the professional employer organization conducts business;

(c) The address of the professional employer organization's principal place of business and the address of each office it maintains in this state;

(d) The professional employer organization's taxpayer or employer identification number;

(e) A list of each state in which the professional employer organization has operated in the preceding five years, and the name, corresponding with each state, under which the professional employer organization operated in each state, including any alternative names, names of predecessors, and if known, successor business entities.

(H) Except to the extent necessary for the administrator to administer the statutory duties of the administrator and for employees of the state to perform their official duties, all records, reports, client lists, and other information obtained from a PEO under paragraph (G) of this rule are confidential and shall be considered trade secrets and shall not be published or open to public inspection. "Trade secret" has the same meaning as in section 1333.61 of the Revised Code.

(I) When an employer contacts the bureau of workers' compensation to determine whether a particular professional employer organization is registered, if the administrator has denied or revoked that professional employer organization's registration or rescinded its status as a coemployer, and if all administrative appeals are not yet exhausted when the employer inquires, the appropriate bureau personnel shall inform the inquiring employer of the denial, revocation, or rescission and the fact that the professional employer organization has the right to appeal the administrator's decision.

(J) Except as permitted in paragraph (K) of this rule, a PEO shall provide security in the form of a bond or letter of credit assignable to the bureau not to exceed an amount equal to the workers' compensation premiums and assessments incurred for the two most recent payroll reporting periods pursuant to paragraph (A) of rule 4123-17-14 of the Administrative Code, prior to any discounts or dividends.

(1) The amount of security required for each PEO policy shall be evaluated annually.

(2) The security shall be provided to the bureau annually on or prior to the 31st day of December.

(3) The administrator shall determine the amount of security for a PEO policy that has not paid premiums and assessments in the two most recent payroll periods.

(4) A PEO may appeal the amount of the security required pursuant to this section in accordance with section 4123.291 of the Revised Code.

(K) As an alternative to providing security in the form of a bond or letter of credit, the administrator shall permit a PEO to make advance payments of premiums and assessments to the bureau or to submit proof of being certified by either a nationally recognized organization approved by the administrator that certifies PEOs or by a government entity approved by the administrator.

(1) A PEO electing to make advance payments of premiums and assessments shall make such payments by utilizing the bureau's online payment system. The PEO electing to make advance payments of premiums and assessments shall report the estimated payroll and pay the premiums for the month by the fifth day of that month.

(2) A PEO electing to make advance payments of premiums and assessments who fails to report payroll and pay premiums timely pursuant to paragraph (K)(1) of this rule shall provide to the bureau security in the form of a bond or letter of credit and may not be permitted to utilize the advance payment option for a minimum of the remainder of the policy year. Subsequent failure to report payroll and pay premiums timely utilizing the advance payment option may result in forfeiture of this option and require a posting of bond or letter of credit.

(3) A PEO the administrator has recognized as being certified by a nationally recognized organization or government entity must notify the bureau within fourteen days of losing that certification.

(L) The Administrator may deny registration or revoke the registration of a PEO and rescind its status as a coemployer upon finding that the PEO has done any of the following:

(1) Obtained or attempted to obtain registration through misrepresentation, misstatement of a material fact, or fraud;

(2) Misappropriated any funds of the client employer;

(3) Used fraudulent or coercive practices to obtain or retain business or demonstrated financial irresponsibility;

(4) Failed to appear, without reasonable cause or excuse, in response to a subpoena lawfully issued by the administrator;

(5) Failed to comply with the requirements in accordance with this rule.

(M) The administrator's decision to deny or revoke a PEO's registration or to rescind its status as a coemployer is stayed pending the exhaustion of all administrative appeals by the PEO.

(N) Upon revocation of the registration of a PEO, each client employer associated with that PEO shall file payroll reports and pay workers' compensation premiums directly to the administrator on its own behalf at a rate determined by the administrator based solely on the claims experience of the client employer.

HISTORY: Eff 7-1-97; Replaces: 4123-17-15, eff. 11-22-04

Rule promulgated under: RC 119.03

Rule authorized by: RC 4121.121, 4121.30, 4123.05

Rule amplifies: RC 4123.01, 4123.29, 4123.32, 4123.34

R.C. 119.032 review dates: 03/01/2008

4123-17-16 Premium security deposit. [no change]

(A) Each employer, on the occasion of instituting coverage under Chapter 4123. of the Revised Code, shall submit a premium security deposit.

(B) A premium security deposit shall be in an amount equal to thirty per cent of the employer's semiannual premium obligation based on the employer's estimated expenditure for wages for a six-month period, plus thirty per cent of the employer's premium obligation for an additional two-month adjustment period, but in no event shall

the premium security deposit collected from an employer be less than ten dollars or more than one thousand dollars.

(C) The bureau of workers' compensation shall review the security deposit of every employer who has submitted a deposit of less than one thousand dollars. If, in the opinion of the bureau, the amount of any such employer's deposit is less than the amount due under the law, the bureau may require the employer to submit such additional amount as it shall deem necessary, up to the maximum of one thousand dollars.

(D) The premium security deposit collected from an employer shall entitle the employer to the benefits of Chapter 4123. of the Revised Code for the remainder of the six-month payroll reporting period during which such deposit is collected, and for an additional adjustment period of two months from the close of such six-month period. Thereafter, if the employer pays the premium due at the close of any six-month period, coverage shall be extended for an additional eight-month period, beginning from the end of the six-month period for which the employer pays the premium due.

Replaces: 4121-7-16

R.C. 119.032 review dates: 09/09/2004 and 03/01/2008

Promulgated Under: 119.03

Statutory Authority: 4121.12, 4121.13, 4121.30

Rule Amplifies: 4123.32, 4123.34, 4123.36

Prior Effective Dates: 11/26/79, 9/1/93

4123-17-18 Employer premium discount rate. [no change]

(A) Any private fund employer that is in compliance with section 4123.35 of the Revised Code, except those that are self-insuring, may be eligible for a discount on premium rates. The premium discount rate shall be determined by the bureau of workers' compensation and shall apply only to the prospective premium rate of the qualified employer.

(1) In order to qualify for a premium discount rate, the eligible employer must meet the following criteria:

(a) The employer must not have incurred a compensable injury for one calendar year or more; and

(b) The employer shall maintain an employee safety committee or similar organization or make periodic inspections of the work place. If a discount is granted and a claim for a compensable injury or disease subsequently is filed for the calendar year n which the discount is based, the employer's premium rate shall be increased by the amount of the discounted premium rate.

(2) For the purpose of this rule, "compensable injury" includes all claims whether for injury, occupational disease, or death, in which payment has been made for either

compensation or medical benefits pursuant to sections 4123.56 to 4123.59 or section 4123.66 of the Revised Code.

(3) The bureau of workers' compensation, with the cooperation of the division of safety and hygiene, may investigate employers for compliance with the criteria of this rule. To assist in this matter, the division of safety and hygiene shall maintain a list of employers that have established employee safety committees or similar organizations or make periodic safety inspections of the work place.

(B) Any county or public employer taxing district employer may be eligible for a discount on premium rates.

(1) In order to qualify for a premium discount, the county or public employer taxing district employer must pay its total proper contribution for premiums due to the bureau on or before May fifteenth of each year.

(2) The discount rate will be based upon the three month treasury bill rate as of the auction immediately after December first of the previous year, applied at an annualized rate to the portion of premium paid in advance.

(3) The administrator may provide the discount through a refund or an offset against future contributions due.

R.C. 119.032 review dates: 09/09/2004 and 03/01/2008

Promulgated Under: 119.03

Statutory Authority: 4121.11, 4121.13, 4121.30, 4123.05

Rule Amplifies: 4123.34, 4123.41

Prior Effective Dates: 8/22/86 (Emer.), 10/17/86 (Emer.), 1/10/87, 12/14/92, 11/19/93

4123-17-27 Protest of an employer's experience.

A protest of an employer's experience can be submitted ~~only~~ in writing, or by written electronic means, such as by fax or e-mail. Only the employer or a representative with a permanent authorization from that employer can file a protest ~~letter~~. ~~Such letter must be signed in handwriting~~. A ~~written, signed~~ protest shall be considered on its merits only if the protest is timely received by the bureau of workers' compensation. A ~~written~~ protest is timely filed if the date of receipt ~~stamped on that protest~~ by the bureau is within two years of the initial effective date of the basic rate(s) on which the protested experience is predicated.

Replaces: 4121-7-27

R.C. 119.032 review dates: 09/09/2004 and 03/01/2008

Promulgated Under: 119.03

Statutory Authority: 4121.12, 4121.30

Rule Amplifies: 4123.29, 4123.32, 4123.34

Prior Effective Dates: 11/26/79, 12/14/92

4123-17-28 Correction of inaccuracies affecting employer's premium rates. [no change]

(A) Whenever the bureau of workers' compensation detects an inaccuracy in the recording or processing of data, records, payroll, claims, or other pertinent items affecting the risk's status, merit-rated modification or premium, such discrepancy shall be corrected. This correction shall be accomplished regardless of whether this entails increasing or decreasing the risk's merit-rated modification or premium rate. The risk or its representative will be advised of any correction and the effect thereof made under the authority of this rule.

(B) Any correction made pursuant to the provisions of paragraph (A) of this rule shall be applied to the current rating year, the immediately preceding rating year, and to all subsequent rating years as of the date on which the error was discovered by the bureau or reported to the bureau, whichever date is earlier, except in matters involving handicap reimbursement and service-connected disabilities and cases covered by rules 4123-17-02, 4123-17-17, and 4123-19-03 of the Administrative Code. In cases where two or more employers may be affected by such correction, the same period of adjustment will be applied to all affected employers.

(C) Notwithstanding paragraphs (A) and (B) of this rule or paragraphs (C) and (D) of rule 4123-17-17 of the Administrative Code, the bureau may adjust the employer's account or experience for a period in excess of twenty-four months immediately prior to the beginning of the current payroll reporting period for the following circumstances:

(1) If the bureau determines that the employer misrepresented payroll or failed to submit payroll for any period, the bureau may adjust the employer's account or experience resulting in an increase in any amount of premium above the amount of contributions made by the employer to the fund for the entire period the employer misrepresented payroll or the entire period the employer failed to submit payroll, regardless of when the misrepresentation of payroll or failure to submit payroll occurred.

(2) If the bureau excluded any claim costs from the employer's account or experience because the costs were subject to an appeal to court under section 4123.512 of the Revised Code and by a final adjudication it is determined that the claim costs shall be charged to the claim, the bureau may adjust the employer's account or experience resulting in an increase in any amount of premium above the amount of contributions made by the employer to the fund for the entire period affected by the addition of the claim costs to the employer's account or experience.

Effective: 10/01/2005

R.C. 119.032 review dates: 03/01/2008

Promulgated Under: 119.03

Statutory Authority: 4121.12, 4121.121, 4121.30

Rule Amplifies: 4123.29, 4123.32, 4123.34, 4123.38, 4123.39

Prior Effective Dates: 11/26/79, 12/14/92, 11/19/93

4123-17-31 Long-term care loan fund program. [no change]

(A) Pursuant to section 4121.48 of the Revised Code, the administrator of workers' compensation shall use the long-term care loan fund program to reimburse nursing home or hospital employers for the interest they pay on loans received for the purpose of purchasing, improving, installing, or erecting sit-to-stand floor lifts, ceiling lifts, other lifts, and fast electric beds, and to pay for the education and training of personnel to implement a facility policy of no manual lifting of residents or patients by employees. The employer shall submit invoices and such other documentation as required by the administrator to verify that the loan was used solely for these purposes.

(B) The administrator of workers' compensation shall reimburse the nursing home or hospital for the interest paid on loans made to the nursing home or hospital by a lending institution.

(1) The bureau will not reimburse an employer for the interest paid on a loan made to the employer for the purpose of renting equipment.

(2) The maximum amount of reimbursement a nursing home or hospital may receive may not exceed the amount of interest that would be owed on a loan of one hundred thousand dollars at the rate of prime plus 2.5 per cent.

(3) The interest rate must be fixed for the loan period.

(4) The loan period cannot exceed five years.

(5) The bureau will make reimbursement to the employer every six months.

(6) Employers who operate more than one nursing home or hospital facility may participate in the program in respect to only one facility at a time.

(7) The lending institution must be an FDIC insured institution.

(C) Eligibility, applications, and restrictions.

(1) In order to be eligible for loans from the long-term care loan fund an employer shall meet the following criteria:

(a) The employer must be a nursing home as defined in section 3721.01 of the Revised Code or a hospital as defined in section 3701.01 of the Revised Code.

(b) The employer must be in compliance with section 4123.35 of the Revised Code.

(c) The employer must be current on any and all undisputed premiums, administrative costs, assessments, fines or moneys otherwise due to any fund administered by the Ohio bureau of workers' compensation.

(d) The employer cannot have cumulative lapses in workers' compensation coverage in excess of fifteen days within the eighteen months preceding the application.

(2) The employer shall apply to participate in the long-term care loan program on the forms provided by the bureau on which the employer shall:

(a) Specify the equipment that is to be purchased, improved, installed, or erected and the cost;

(b) Provide a price quote from the vendor;

(c) Provide the signature of the person duly authorized to sign for the nursing or hospital home administrator;

(d) Answer all questions on the application;

(e) Obtain the signature of the bureau consultant;

(f) Submit the completed application to the bureau.

(3) The employer shall commence the purchase, improvement, installation, or erection of equipment within thirty days of receiving the loan and shall complete the same within ninety days of its receipt, unless expressly approved by the bureau. The bureau shall verify that the loan proceeds are being used for the purpose approved in the application and shall have the right to inspect the employer's workplace for this purpose. The bureau may use the technical assistance of the division of safety and hygiene for such an assessment.

(a) The employer shall provide the bureau documentation of the loan including the interest rate and a loan amortization table from the lending institution upon receipt of the loan.

(4) The administrator will notify applicants who have been approved to participate in the program within two weeks of receipt of the application.

(a) The bureau will process applications in the order of receipt. If the assets available from the fund are insufficient to satisfy the amount of reimbursement requested by the applicants, the administrator shall take into account the following factors to determine whether an employer will be allowed to participate in the program:

(i) Employers who have not previously applied to the program shall have priority over employers who have previously participated in the program.

(ii) No applications shall be approved which will cause the fund to operate at a deficit.

(5) If an employer's coverage lapses during the period the employer is participating in the program, the bureau will not make any reimbursements to the employer until its coverage has been reinstated. If an employer's coverage lapses for more than fifty-nine days during the period the employer is participating in the program, the bureau may terminate making reimbursements under the program.

(6) If the employer defaults on the loan, the employer shall notify the bureau of the default. The bureau may terminate making reimbursements under the program upon receiving notification of the default.

(D) Reconsideration of determination of eligibility.

(1) An employer may request reconsideration from a decision finding the employer did not meet the requirements provided in paragraph (C)(1) of this rule. The request must be in writing and filed with the superintendent of the division of safety and hygiene within thirty days of the notification of the decision.

(2) The employer may submit a request for reconsideration of the superintendent's decision to the adjudicating committee pursuant to section 4123.291 of the Revised Code.

Effective: 12/03/2007

R.C. 119.032 review dates: 03/01/2008

Promulgated Under: 119.03

Statutory Authority: 4121.12, 4121.121, 4121.30, 4121.48

Rule Amplifies: 4121.48

Prior Effective Dates: 12/19/05, 8/15/07

Implementation of the Plan to Improve BWC Rate Programs

We have begun to organize the projects and teams needed to implement the plan to restore equity to our rating programs which the Board approved last month. An executive sponsor team is organizing the major elements and identifying individuals to carry out the tasks involved. While the structure of this project has not fully emerged, we anticipate the following approach: One team will take on the tasks of implementing a split experience rating plan and caps on increases due to the transitional credibility changes and the final switch to the new experience rating methodology. A second team will address new product offerings such as deductibles and shared savings plans, and will tackle the possible implementation of recommendations from Deloitte's comprehensive study. A third team will form a technical workgroup to develop rules and policies to improve the performance of the group program, and will act as a liaison with stakeholders and the other teams. As the teams form and set to their work, the structure may change around these general functions. Throughout the implementation time frame we will continue our outreach to stakeholders and will incorporate their constructive input.

House Bill 100 §512.50 Actuarial Study

Deloitte Consulting LLP will present their second installment of the comprehensive study during the August Board meetings. The timeline for the entire study is in the table below.

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 training presentation to Actuarial Committee	May 28, 2008	Completed
Deloitte presents first grouping report to Actuarial Committee	June 25, 2008	Completed
Deloitte presents second grouping report to Actuarial Committee	August 26 – 27, 2008	On schedule
Deloitte presents third grouping report to Actuarial Committee	October 30, 2008	
Deloitte presents final report to Actuarial Committee/Board	December 18, 2008	
Project ends		

MIRA II

Task/Function	Timeline	Status
Historical Data Extraction	January – August 2007	Completed
Customer Workgroups		-----
• Employer-Web Services Focus Group	November 2007	Complete
• Claim Expert Workgroup	November – December 2007	Complete
• MIRA II-TPA Update Meeting	December 11, 2007	Complete

MIRA II Injury Mapping Logic-Finalized and Approved	January 2008	Complete
MIRA II-Development of Reserve Models (FIC)	February – May 2008	Complete
Data Interface Testing	March – May 2008	Complete
MIRA II- Web Services Enhancement	February – July 2008	In progress
Testing/Review of Initial MIRA II Reserves	May – June 2008	Complete
Training/Education on MIRA II System	July – November 2008	On schedule
MIRA II Reprediction (Adjustment) System		
Design, Develop, Test, Implement	May 2008 – January 2009	
Implement MIRA II	July – September 2008	On schedule

- The MIRA II system has been successfully loaded and made available to the BWC to begin testing the week of June 16, 2008.
- We are reviewing MIRA II data for anomalies and inconsistencies, and comparing it to MIRA I. At this meeting we will present preliminary results and the status of this project.

Continuing Projects

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

Rates and Reserves

Private Employer Rates

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	Completed
Rate indication to WCB	March 27, 2008	Completed
Rate indication consent from WCB	March 28, 2008	Completed
Final Rates to WCB	May 29, 2008	Completed
Mailing of Employer Rate Letters	June 30, 2008	Completed

Other Rates and Quarterly Loss summaries

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

Public Employer State Agency Rates

Task/Function	Timeline	Status
Public Employer State Agency Rates	January 2008 - April 2008	
Run payroll and premium jobs & verify	February 8-21, 2008	Completed
Run losses & verify	February 28 – March 5, 2008	Completed
Run base rates & verify	March 6-17, 2008	Completed
Discuss rate change with administrator	March 6-10, 2008	Completed
Actuarial Committee/Board Meeting – Initial Consideration	March 27-28, 2008	Completed
Actuarial Committee/Board Meeting – Final Consideration	April 24-25, 2008	Completed
Rate letters	May 26 – June 6, 2008	Completed

Other Analyses and Issues

- State agencies, universities, and university hospitals (PES) – We are exploring alternative methods of setting rates, including rates that would be in place throughout a full biennium. We will also forecast costs for the upcoming FY’10/11 biennium to assist these employers with the state’s budgetary process.
- Wise v. Ryan – Staff continues to explore the potential impact of similar settled claims.

Actuarial Division Staffing

- We plan to carefully expand the Actuarial Division with the intention of hiring additional credentialed actuaries. We will report new developments throughout the year.

6 - Month Actuarial Committee Calendar

Date	July	
7/21/08	Actuarial Committee 1. MIRA 2 update 2. Reserve Audit Process 3. HB 100 Actuarial Studies	
Date	August	
8/27/08	Education Session 1. PEC Rate training 2. HB 100 Comprehensive Study update - Deloitte's report on priority grouping 2 - Actuarial Audit, Net Asset Level and Discount Rate	
8/28/08	Actuarial Committee 1. Reserve Audit update 2. Fiscal Year 2009/2010 Budget 3. PES rate estimates for biennial budget	
Date	September	
9/24/08	Education Session	
9/25/08	Actuarial Committee 1. Public Employer Taxing Districts rate change 2. Annuity Table - Rule 4123-17-60 discount rate possible change 3. Reserve Audit - full 4. PES Rate estimates for biennium	
Date	October	
10/29/08	Education Session 1. HB 100 Comprehensive Study update - Deloitte's report on priority grouping 3 - State Agency Rates, Retrospective Rating and Safety	
10/30/08	Actuarial Committee 1. Actuarial Audit Reserves - Oliver Wyman, consulting actuaries 2. Reserve levels 3. NCCI/BWC State of the line report comparisons	
Date	November	
11/19/08	Education Session	
11/20/08	Actuarial Committee 1. Public Employer Taxing Districts	
Date	December	
12/17/08	Education Session 1. HB 100 Comprehensive Study update - Deloitte's report on priority grouping 4 - Other Rate calculations, general rating rules and procedures and actuarial section organization	
12/18/08	Actuarial Committee	