Plan for Adequacy and Equity in Ohio's Group-Experience-Rating Program

Report to the Board of Directors, Actuarial Committee

October 26, 2009

Ohio | Bureau of Workers' Compensation

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In March 2009, the BWC Board of Directors approved the bureau's rate reform recommendations for the July 1, 2009, policy year. As part of that process, the board requested that BWC provide a comprehensive proposal by September 2009 to further improve the performance of the group-experience rating program.

In September 2009, BWC presented a series of recommendations regarding the group-experience rating program for the 2010 policy year. The board agreed to continue discussions on those proposals at the October 2009 Actuarial Committee meeting. Last month, the Administrator also delivered her report on group-experience rating to the Worker's Compensation Council as required by HB 79. The following discussion and attachments demonstrate what we have accomplished so far and the steps still ahead of us to achieve full rate reform.

We have several significant accomplishments:

- Employers receiving over-sized discounts from the group rating program can no longer count on their non-group peers to cover the resulting shortfall. Since 1991, the group rated segment of the employer population has not paid enough to cover the cost of their workplace injuries, while non-group employers have paid for their own workplace injuries plus enough to cover the group rated segment's shortfall. This inequity stopped on July 1, 2009.
- We decreased rates for all private employers by 12%, the largest decrease in more than 10 years.
- We introduced a new element of stability in rates by implementing a single off-balance factor in base rates, ending the practice of allowing off-balances to change for each of the approximately 535 manual classes. This change eliminates a primary source of the significant fluctuations in rates in past years.
- We implemented a transparent, state of the art, claim reserving system – MIRA II, which has made claim reserves understandable for employers, and experience rating more accurate than ever before. This change has lowered claim reserves and decreased incurred costs for individual claims by more than 20%.
- We have met with group sponsors and third party administrators (TPAs) regularly for the last two years. For the last six months the meetings have increased to one or two per week in which the conversations have been intense, all the data and analyses we've produced have been shared and discussed, and all involved have been fully informed of our progress and direction.

We are only part of the way on the path to full rate reform:

- Group rated employers pay barely enough premium to cover the costs of their injured workers, but would pay even less without the break-even factor (BEF) we use to keep their rates close to the appropriate level.
- There has been a recent request to omit the BEF for the 2010 policy year. This would bring group rates to a level that is lower than that for the 2009 policy year, and even farther from the target for full equity in the system. The result is a premium deficiency of at least $134 million. Such low rates for group employers would certainly bring more employers to this segment, exacerbating this deficiency. Table 1 demonstrates the structure of premium and assessments projected for policy year 2009, along with several scenarios for policy year 2010.

Table 1 Premium (with Assessments) Structure by Segment – Private Employers Revenue Neutral Change for Policy Year 2010 ($ Millions)						
Segment	2009 Projected Premium	Target Premium For Full Equity*	2010 Proposed Premium**	2010 Proposed Premium Variance From Target	2010 Premium Without 1.275 Average BEF	2010 Premium Without BEF Variance From Target
Non-group	1,184.7	1,078.5	1,129.1	50.6	1,129.1	50.6
Group	565.3	671.5	620.9	-50.6	487.0	-184.5
Total	1,750.0	1,750.0	1,750.0	0	1,616.1	-133.9
* Group rate level at 0.80 ** Group rate level at 0.71						

- Changes in the credibility table are not enough to make the group rating program actuarially sound. All of the studies on group rating indicate that groups need to stay together to make the program sound. The annual churning of employers in and out of groups continues to undermine the improvements that changes in credibility would bring if groups remained continuous. *(Appendix 8)*

  Table 2 shows that the reduction in maximum credibility has had less impact on the average group experience modifier (EM) than necessary to bring group rate levels to adequate levels.

Table 2 Maximum Credibility and Group Experience			
Year	Maximum Credibility / Maximum Discount	Average Group Experience Modifier (Including BEF in 2009 and 2010)	Group EM to Achieve Full Equity
2005	95%	0.24	
2006	93%	0.28	
2007	90%	0.31	
2008	85%	0.39	
2009	77%	0.380 x 1.311= 0.498	0.62
2010 projected	65%	0.428 x 1.275 = 0.546	0.62

- Loss ratios for group employers continue to be much higher than those of the non-group segment. Table 3 shows that the loss ratios for several policy years, each at an age of 21 months (policy year 2008 is measured at age 12 months – June 30, 2009). Claim costs for each year will continue to grow until they reach their ultimate values several decades from now (by a factor of approximately 3.2). The data shows that that group loss ratios continue to exceed those of the non-group segment by 70 percent to 85 percent. In a fully equitable system the loss ratios would be virtually the same. The consistently large gap in loss ratios that through policy years 2007 and 2008 demonstrates that reductions in credibility alone have not brought group loss ratios in line with the non-group segment.

Table 3
Raw Loss Ratios* for Policy Years 2003 Through 2008
Valued at 21 Months (12 Months for 2008)

Policy Year	Evaluation Date	Maximum Credibility	Group Loss Ratio	Non-Group Loss Ratio	Group Loss Ratio Relative to Non-group Loss Ratio
2003	3/31/2005	100%	110.6%	58.4%	1.89
2004	3/31/2006	100%	93.6%	46.9%	1.99
2005	3/31/2007	95%	82.1%	44.2%	1.85
2006	3/31/2008	93%	68.4%	40.6%	1.68
2007	3/31/2009	90%	46.6%	26.3%	1.77
2008	6/30/2009	85%	28.4%	15.4%	1.84

* Raw loss ratios do not include loss development. The loss development factor for a year at age 21 months is currently estimated at 3.229. As a result, the loss ratios for 2007 will ultimately become 150.5% for group and 84.9% for non-group. This does not affect the relativity between the two, which remains at 1.77.

- While some group sponsors and TPAs have voiced agreement with the path ahead of us, the majority do not agree with a continuity requirement of any sort. *(Appendix 1)*
- The central purpose for group rating is to improve safety. It is not clear that the program has achieved this goal. *(Appendix 2)* It has not been an element in any proposals from the group community.
- Some group sponsors and TPAs describe group employers as those who do not "use the system," pointing to one or a few years of low claim experience. Table 4 shows that half of employers had claims in the last eight years. For employers with premium of $1,000 or more, over 75 percent had one or more claims in that time, while at least 95 percent of employers with more than $10,000 in premium had claims. *(Appendix 7)*

Table 4
Claim Data for Policies Active for Eight Years

Premium Range	Policies for Eight Years	Average Premium	Portion with Claims	Claims	Claims Per Policy	Average Cost per Claim
$100 or less	12,494	$54	7.1%	1,698	0.14	$8,552
$101 - $1,000	53,863	$430	21.9%	21,962	0.41	$6,919
$1,001 - $5,000	36,890	$2,330	62.2%	80,524	2.18	$5,153
$5,001 – $10,000	10,019	$7,042	88.0%	62,398	6.23	$5,168
$10,001 - $25,000	8,888	$15,916	95.6%	113,240	12.74	$5,461
$25,001 or more	10,586	$105,551	99.4%	628,169	59.34	$5,683
Total	132,740	$10,842	47.8%	907,991	6.84	$5,608

- The stakeholder community would not agree to make any changes in behavior that would mitigate the financial deficit created by the excessive and unearned group discounts.
- The recommendation for 2010 that we showed the Board at the September 2009 meeting would allow stakeholders to continue to operate under their current model, while also satisfying BWC's fiduciary responsibility through the use of the break-even factor. *(Appendix 3)*
- Once adopted, we will turn our attention to the fundamental re-structuring of group rating to be concurrent with the adoption of the split experience rating plan, July 1, 2011.

March 2009 Status

The Board requested that BWC provide a series of recommendations for a comprehensive solution to group-experience rating beginning July 1, 2010. The bulleted items below show several of the elements found in the presentation given to the Board on March 19, 2009.

Group rating 2010

- Implement a comprehensive solution to accurately reflect the risk groups bring to the system:
  - Devise process in which groups are submitted to BWC, which will then quote the discount for the group *(later known as "Option A")*;
  - Maintain current infrastructure with continuity and "break-even" factor *(later known as "Option B")*; or
  - Convert current program into group retrospective rating.
- Reducing maximum credibility to 65 percent;
- Considering modifications to homogeneity sponsorship requirements, and other aspects of the program to improve performance;
- Providing parameters for a multi-split experience rating plan;
- Target completion date: July 1, 2009

Subsequent Events

While many sponsoring associations expressed a desire to arrive at a solution for 2010 prior to July 1, 2009, it soon became apparent that agreement was not feasible in that time frame. Sponsors and third-party administrators (TPAs) had to concentrate on slotting employers in the proper programs and delivering what they felt were the right services. At the same time, BWC had to study and analyze a variety of objective data elements for consideration as part of the alternative rating plans listed above.

BWC held initial meetings beginning in early July 2009 with members of the Coalition's steering committee – a collection of some of the larger group sponsors and TPAs. In August 2009, BWC expanded its outreach and averaged one meeting per week that included representatives from some or all of the following:

- The Coalition, which is comprised of some of the business and trade associations representing segments of Ohio employers and several TPAs;
- Non-Coalition business and trade associations, and TPAs;
- The Service Association of Ohio (SAO), which is a trade associations of larger TPAs;
- The Workers' Compensation Forum (WCF), which is a trade association comprised of smaller TPAs.

In these discussions it again became clear that agreement was not feasible. As a result, in August 2009, BWC discussed setting a new target of September 2009 and received approval from the board to impose a rule to prevent any marketing of group-experience rating discounts for the 2010 policy year. This moratorium prohibits sponsors or their affiliated organizations from providing specific quotes until the board approves the group-experience rating plan's structure and discounts for 2010. Generally, sponsors and TPAs agreed with this approach.

Group structure

Initial discussions with stakeholders concentrated on group structure and formation. BWC began by focusing efforts on modifying the existing group structure by integrating "continuity" into the group formation process. The concept of continuity was introduced nearly three years ago as an integral element, along with credibility reductions, in the recommendations from Pinnacle Actuarial Consulting. *(Appendix 8)* It has been a part of the discussions with the group community for the last two years. The concept would incentivize employers to stay together in a given group.

Over several years a group's discount would reach its appropriate level as the true nature of the member employers' risk emerged into the experience period. Under this design, the need for a break-even factor should diminish over time as the experience modification gravitated to its natural level. During two meetings in early August 2009, BWC asked for input on a number of structural questions regarding continuity. Some of the input focused on waiting to implement continuity until 2011 (after the adoption of a multi-split plan). In general, however, this concept was strongly opposed by group stakeholders because they felt it prevented "freedom of choice" for employers to move around and for sponsors to select or reject members. *(Appendix 1)*

In part due to opposition to continuity, there was some interest in the option listed above identified as "Option A." Under this approach BWC would apply discounts to each group members' individual rates, based on objective characteristics that statistically predictive of future loss costs. These discounts would be black and white; an employer would either have these characteristics or not. BWC shared data on this methodology with stakeholders. However, the data showed that risks with certain individual characteristics performed better than others, but none of the attributes were related to membership in a group or to the services or activities offered by a group sponsor or TPA. *(Appendix 15)*

BWC asked stakeholders on multiple occasions to provide objective criteria that could be modeled and measured to demonstrate how group participation would further enhance this approach. Ultimately, this option was pulled off the table as a new infrastructure for group-experience rating for policy year 2010. BWC did not receive objective evidence from sponsors and TPAs that could be evaluated as a component of Option A.

The analysis of these attributes did provide insight into the potential for tiered rating. While utilizing rating tiers may have benefit in the near future as an alternative discount program, the stakeholders have asked us to keep working on it as a complimentary, stand-alone product rather a replacement for group experience rating.

While converting group-experience rating into "group-retrospective rating" was discussed, there was never any desire from stakeholders to go this way. BWC's group-retrospective rating program does not provide an upfront discount. BWC made it clear that group-retrospective rating solves the "continuity" problem, is actuarially sound, creates no premium shortfall and does not require a break-even factor. This would result in a properly functioning group rating product that allows retro-group members to share their collective risk, while paying accurate premium. However, stakeholders preferred leaving group-retrospective rating as a standalone product.

Without any support on the three proposals above, BWC came to the board at its September 2009 meeting proposing no material changes to the structure and formation of groups for the July 1, 2010, policy year.

Group pricing

BWC's proposals on pricing centered on the credibility table, the break-even factor, and homogeneity. The movement to a 65 percent credibility table has been a staple of the bureau's transitional plan since June 2008. There were some discussions with stakeholders exposing their failure to understand both the need for this change as well as further reduction when moving to a multi-split experience rating plan in 2011. Once BWC completed another premium gap analysis, *(Appendix 3)* there appeared to be no serious opposition to moving toward a 65 percent credibility table.

The break-even factor was introduced in March 2009 for private employers to both maintain rate levels for group-experience rated employers at their current (PY 2008) levels and to collect the impact of the credibility table change. The importance of the break-even factor as a component of the 2010 solution increased since there were no other fundamental changes to group structure. As Appendix 3 and Table 2 above show, without the BEF, the average EM for group rated employers would be 0.38 this year. The BEF raises the effective EM to 0.498. The reduction in maximum credibility to 65% would increase the average group EM to approximately 0.43. Without continuing to use the BEF in 2010, group rates will fall, further exacerbating the imbalance and exposing BWC to a potential shortfall. By applying the BEF table we have proposed, the average "effective EM" for groups (EM x BEF) would be approximately 0.55. When included in the entire proposal for the 2010 rate structure, the group rate relativity would be 0.71 and the non-group relativity would be 1.30, the same levels we implemented in 2009. *(Appendix 3)* Stakeholders appear to understand a break-even factor was necessary, though they expected it to decrease from 1.311, which was the factor for the July 1, 2009 policy year. The proposed BEF table produces an average factor of 1.275, lower than the current flat factor.

Homogeneity was discussed on August 4, 2009 with the Coalition's executive steering committee and on August 10, 2009 at a public meeting. William Hansen, Principle at Oliver Wyman Consulting, and Elizabeth Bravender, Director of Actuarial Operations for BWC, introduced a proposal to expand the number of industry groups from 10 to 22. They explained the underlying science and discussed how homogeneity was fundamental to an accurate rate making system. This approach will make class rates more accurate by spreading large losses among more similar classes, so that low risk classes aren't burdened with costs that are not clearly related to their risk. Improved homogeneity for groups increases the reliability of their claim experience data for determining the EM. BWC also provided stakeholders with a variety of tools to help them understand the proposal and shared some high-level analysis of perceived impacts with respect to areas of concern such as group formation.

Some stakeholders expressed concern that a few of the new industry groups would not have sufficient classes and employers to allow multiple groups. BWC believes some exposures are unique and should not be combined with other exposures. Every new industry group would have been able to support at least one group statewide. *(Appendix 4)* However, due to the strong concern voiced by stakeholders regarding group formation and the desire to have many group options for any employer, regardless of its unique risk profile, BWC agreed to reconsider its proposal and attempt to condense the number of industry groups further.

On August 25, 2009, BWC informed the Coalition's steering committee that the September recommendation to the board would include the 65-percent credibility table and introduce the agreed-to table of break-even factors that progressively decrease as the EM increases. The bureau also agreed to provide data on system utilization and explain the calculations behind the break-even factor. The BWC agreed to review a flawed and misleading analysis provided by the Coalition on loss ratios and group performance. *(Appendix 5)* In response we analyzed new factual data and identified the several errors and wrong assumptions in the coalition's work product. *(Appendix 6)* Finally, BWC agreed to consider further modifications to homogeneity.

BWC met with the WCF on September 10, 2009. At that meeting, the bureau confirmed it would not propose changes to group structure and formation for the 2010 policy year but was still studying a proposal on refining homogeneity by reducing the number of industry groups from 22 to 18. Finally, BWC confirmed that 65 percent would be the maximum credibility and that break-even factors would likely be progressively decreasing based on the group experience modifier.

On September 15, 2009, BWC addressed concerns raised by the Coalition with respect to the "shortfall" issue and shared a draft of the break-even factors for 2010. The bureau also highlighted where the Coalition's analysis of group performance was severely flawed. BWC also provided an analysis on system utilization *(Appendix 7)* and an updated homogeneity proposal. *(Appendix 4)*

After some intense discussion, the meeting's participants agreed to support the credibility table change (including a lower qualification minimum) and the break-even factor, but not the revised proposal on homogeneity. They asked us to get the whole package of rules done at the same time at the September 2009 Actuarial committee meeting and to also include a revised marketing rule that restricted the marketing of discounts beyond the combination of the maximum credibility level and the corresponding break-even factor. BWC immediately shared this proposal with the WCF and other sponsoring associations that were not part of the Coalition, and neither the components nor the timing seemed to present a problem.

A few days later, BWC began receiving calls asking us to delay the vote until October 2009. The reasons were inconsistent. One TPA suggested that groups could not be formed at lower discount ranges because of the break-even factor, which is non-existent above 0.83. No other TPAs perceived this problem or could explain the concern. Others just asked us to hold off so they could study the impacts. Still others asked for an additional meeting to discuss the changes.

On September 22, 2009, BWC met once more with the Coalition's steering committee to re-explain the analysis and to help them explain these changes to their constituents. The bureau also presented finalized break-even factors that were slightly higher to account for group reformation, a suggestion from this steering committee in our previous meeting. However, BWC was firm in its conviction that our proposal was both accurate and appropriate.

Many sponsoring associations and TPAs then signed a letter sent on September 24, 2009 to the Actuarial Committee. While they indicated they presented other ideas, the reality is much different. On areas such as group structure, formation and homogeneity, they rejected BWC's concepts. They offered no other concrete ideas with respect to pricing and the bureau's proposal that leveraged a reduction in credibility and a break-even factor.

Even with our current proposal, the group-experience rating plan is not sustainable without additional fundamental change. The fact that the stakeholders have to jettison employers and reconstitute the groups to maintain their discount level is a clear sign that those discounts are still not earned. Of the approximately 400 groups formed for policy year 2009, only 33 percent have continued from policy year 2008 to policy year 2009 (based on a group retaining more than 50 percent of policies in the same group from one year to the next).

BWC is well aware of the economic challenges that exist both in Ohio and nationwide. That factor weighed heavily in our decision to set rates accurately for non-group employers beginning in July 1, 2009, which the board approved. It's also why BWC elected not to use a break-even factor that would have elevated group-experience rated employers to the 0.80 indicated rate level, which is where their performance suggests they should reside.

When the group-experience rating program was formed in 1991, the idea was to provide an incentive to safer employers by reducing their costs. However, it is plainly apparent there was little oversight to ensure its success in relation to providing a balanced, fair, and stable workers' compensation system. Over the past two years, the BWC Board of Directors has made a number of decisions based on equity and fairness that will enable us to provide rates to employers that reflect their individual risk. BWC expects that future changes including those before the board today will further improve equity and enhance Ohio's economic standing for all employers – not just those in group-experience rating.

Following this discussion is a complete list of the items in the appendices. Some of these materials have not been discussed in the above document.

List of Appendices		
No.	**Name**	**Description**
1	Feedback from stakeholders on continuity model	Provides an overview of the feedback BWC received when asking stakeholders for their suggestions in the designing of a continuity model that will improve premium equity through the revision of the group formation and structure.
2	Annual report on the performance of group-experience rating program	Required by OAC 4123-17-61.1, the report discusses the performance of the group-experience rating program.
3	2010 rate reform changes for group and non group	Report produced by **Oliver Wyman** that includes a synopsis of the 2009 rate impacts and a discussion of the necessary changes for policy year 2010 using actuarial analysis.
4	Proposal on industry group modifications to achieve greater homogeneity for rating programs	Provides an overview of BWC's initial analysis and recommendations refining the industry groups used for rating and programs. Includes a modification to the groupings based upon feedback from stakeholders.
5	Service Association of Ohio (SAO) study on loss ratios	Created by SAO, it attempts to project loss ratios based on limited and incomplete data.
6	BWC report on **actual** loss ratios	BWC's calculations using actual data that demonstrates the depth of the ongoing challenges posed by group. This report also addresses the inaccuracies portrayed in the SAO's report (No. 5).
7	Reported claim statistics by group and non-group	Shared with stakeholders, this information provides an overview of claim reporting by segment.
8	Summary of independent actuarial studies of the Group-Experience Rating program	Provides summary of independent consulting actuaries findings on the group experience rating program.
9	**Deloitte** recommendations – excerpt from the HB 100 Comprehensive Study	Provides options for restructuring group-experience rating program to improve its performance.
10	Average premium Increase by group and non-group	Charts that demonstrate the projected premium changes from policy year 2008 to 2009 for various segments.
11	Distribution of Experience Modifiers (EM)	Graphs of the distribution of experience modifiers for policy years 2009.
12	Actual base rate changes from policy year 2008 to 2009	List of base rates for policy year 2008 and 2009 with percentage change.
13	BWC private employer projected premium impacts by segment	These tables show the projected premium impacts as a result of the rate reform for policy year 2009 segregated by all 88 Ohio various segments.
14	"Plan for Adequacy and Equity" in Ohio's Group Program	Provides a report to the General Assembly on the projected and actual progress of July 1, 2009 as required by HB 79.
15	Risk Segmentation Analysis (Option 'A') Interim Report	A preliminary report produced by **Oliver Wyman** discussing Option A – Tiered discounts.

Feedback from Stakeholders on Continuity Model

Appendix 1

Continuity Design Questions:

1) Should there be restrictions on what types of employers participate in group-experience rating with a continuity component (are there employers you'd want BWC to prohibit from participating)?

A. No, the sponsor would determine if they want the employer in the group or not.

2) Should employers be penalized for voluntarily electing to leave one group for another?

A. Yes, it will affect the continuity of the group. This needs to be well-defined by BWC and communicated to employers.

3) If the answer to question two is yes, should employers be banned altogether from participating in group for a period of time? Should they receive only a reduced portion of the new group's discount (and if so, what do you think their incentive structure should look like)?

A. A ban is too harsh. Consider using same methodology used for group continuity.

4) Today, more than 90 percent of employers remain with their sponsoring association (but do not stay within the same specific group). Based on such retention levels, do you think "lack of free choice" is a problem that will plague a continuity-based group-experience rating program?

A. Yes, the employer still needs to have the ability to choose. Consider allowing employers to be able to move to another group after initial criteria is met without penalty.

5) What other issues/questions/concerns should we consider with respect to the employer's perspective when designing continuity?

A. Continuity should allow employers that may have been in a lower discount that gets better the option to move to a better discount level without penalty.

Measurement Questions:

1) What year should be the baseline year?

A. The year after split plan goes into effect and when there is confidence BWC changes have stabilized.

2) Would you prefer a year-by-year comparison (e.g., a group must contain 95 percent of the same base premium from year one to year two)? Or would you prefer a multi-year comparison (e.g., a group must contain 85 percent of the same base premium over a three-year period)?

A. [Group 1] Year by year is easier to track and would accommodate future BWC changes, though why is base premium (versus premium paid or experience premium) more appropriate.

A. [Group 2] Given these two options, the multi-year approach would be preferable. However, the group wonders whether base premium is the most appropriate measure.

3) What should happen to a group of employers whose sponsor decided to no longer participate in a group-experience rating program? Please at least consider the actuarial point of continuity when answering this question.

A. [Group 1] The sponsor should not be allowed to form another group plan within that industry for that year. Employers should be free to join another group without penalty.
A. [Group 2] If the sponsor opts out of participating, the employers should have a specified period of time (60 or 90 days) to select another sponsor. If the sponsor is de-certified, nothing should change until the entire appeals process is complete.

4) Should BWC consider continuity measures on a pass/fail basis or implement a surcharge for failing groups based on how much they miss their continuity target?

A. [Group 1] Prefer a surcharge for groups not meeting targets. Also wonder whether there may be an incentive for better discounts for meeting better-than-standard continuity targets.

A. [Group 2] Graduated surcharge.

5) What other issues/questions/concerns should we consider with respect to designing the continuity structure?

A. [Group 1] Seek clarification on how continuity targets are measured (would it include lapsed policies, impact of homogeneity, mergers/transfers, non-payment of sponsor dues). Would like additional clarification on penalty of employers moving from group to group. Need big picture explanation of impact of split plan, credibility, BEF, and continuity and how it will fit together.

A. [Group 2] Wonder how we continuity would handle fraud/misrepresentation as a cause for removal. Would like to know if new groups can be added. Wonder how transfers would be accounted for, as well as what the impact of split plan would be. Proposed keeping base rates and expected loss rates flat for three-year period (or utilizing a cap).

Structure Questions:

1) Should bankrupt/cancelled policies be included in the continuity calculation? Please provide detail for your responses.

A. Uncontrollable consequences should not be included. This creates an inability to control claims costs or manage claims. The main concern is a company is out of business, not necessarily bankrupt.

2) If bankrupt/cancelled policies are included as part of the continuity calculation, what does BWC need to do to allow sponsors/TPAs the authority to manage those claims?

A. Current restrictions are not BWC imposed. Instead, it would require a change in law to allow for another organization to become an employer of record.

3) Should an employer's experience stay within the group if they leave or are rejected? Or should it follow that employer wherever they go?

A. No, experience should not stay with group. The employer's experience should follow the policy. This process was in place in the 1990s and did not work – why would it be brought back?

4) If the employer's experience should stay within the group, what does BWC need to do to allow sponsors/TPAs the authority to manage those claims?

A. (see above)

5) What other issues/questions/concerns should we consider with respect to the continuity structure that BWC has not contemplated?

A. Wonder if employer is better off outside of group if this will be included in the continuity calculation. Also wonder how it will work with split plan. Finally, believe Ohio will become less competitive because this will eliminate group opportunities.

Annual Report
Group Rating Program

Appendix 2

Annual Report
Group Rating Program

Group Rating Program Annual Report

For the BWC Board of Directors

October 26, 2009

Ohio Bureau of Workers' Compensation

In February 2009, the BWC Board of Directors adopted a new rule 4123-17-61.1 (Sponsorship Requirements). Paragraph (D) requires *that "Following the conclusion of the July 1, 2008 to June 30, 2009 policy year, the bureau will report annually on the aggregate performance of all groups."* This report satisfies that requirement.

2008 Profile – Group rating formation

For the private employer policy year beginning July 1, 2008, sponsoring organizations and third-party administrators (TPAs) formed 629 groups comprised of 100,786 employers. Table 1, below, provides the number of employers at the time group applications were approved at the various credit and debit levels (and EM ranges) that group employers received.

Table 1

Credit or debit range	Experience Modifier (EM) range	Number of groups	Number of employers	Percent of total group participation
85%	.15	51	46,279	46%
75% to 84%	.16 to .25	139	31,260	31%
65% to 74%	.26 to .35	109	8,661	9%
55% To 64%	.36 to .45	75	4,079	4%
45% to 54%	.46 to .55	76	3,554	4%
35% to 44%	.56 to .65	56	2,189	2%
0% to 34%	.66 to .99	120	4,706	5%
Debit	1.00 to 1.12	3	58	<1%
Totals		**629**	**100,786**	**100%**

Employers participating in group-experience rating increased by 2 percent from 98,801 in policy year 2007 to 100,786 in policy year 2008. The number of groups filed by sponsors rose by nearly 6 percent from 595 groups filed in policy year 2007 to 629 groups filed in policy year 2008.

For the July 1, 2008, policy year:

- 32,701 employers switched from one group to another;
- Of the employers who switched groups there were 6,565 that switched to a different sponsoring organization;
- 11,747 employers are new to group for 7-1-2008;
- 168 (27 percent) of groups continued from policy year 2007 to policy year 2008 by maintaining more than 50 percent of the policies in the same group from 2007 to 2008;
- 461 groups were newly formed;
- 11,149 employers were in a group for the July 1, 2007 policy year and did not participate in the group program for the July 1, 2008 policy year
- 5,146 unique policies were rejected from group with the reasons detailed in Table 2 below;

Table 2

Primary reason for rejection – policy year 2008	**Unique policy counts**
Applied to multiple groups	16
Lapsed days greater than 59	1,468
No form AC-26 submitted with the application	74
Non-active coverage, cancelled coverage or policy combined	2,472
Not homogeneous to the group	221
Premium balance due is greater than $200.00	241
Other miscellaneous reasons	654
Total	**5,146**

2009 Profile - Group rating formation

The rating reform changes that became effective on July 1, 2009 include:

- A single break-even factor of 1.311 applied to the employers group experience modifier (EM);
- Elimination of the stacking of discounts associated with the Drug-Free Workplace Program and Safety Council on top of group rating discounts;
- An extension of the filing date of group application rosters from February 27, 2009 until April 24, 2009; and,
- The implementation of a 100-percent experience modifier (EM) cap for employers not in a group who had an EM greater than 1.00 in 2009. This limited the employers change in EM to no more than a 100% increase in EM from the prior policy year. Approximately 1,657 employers received the cap for policy year 7-1-2009.

For the July 1, 2009 policy year, sponsoring organizations and third party administrators (TPAs) submitted 407 groups with 97,604 employers. This represents a 3.2 percent decrease in employer count and a 35 percent decline in the number of groups filed with BWC. Below in Table 3 is the number of employers at the time group applications were approved at the various credits and EM ranges that group employers will receive. Due to the changing group formation year to year, the concentration of employers increasingly moves to the higher discount tiers as the credibility table changes occur, thereby maximizing the group discounts.

Table 3

Credit range	**Experience Modifier (EM) range**	**Effective base rate modifier after application of the 1.311 group break even factor**	**Number of groups**	**Number of employers**	**Percent of total group participation**
77%	.23	.30	39	41,039	42%
65% to 76%	.24 to .35	.31 to .46	131	38,865	40%
55% to 64%	.36 to .45	.47 to .59	74	6,382	7%
45% To 54%	.46 to .55	.60 to .72	77	6,302	7%
0% to 44%	.56 to 1.00	.73 to 1.31	86	5,016	5%
Totals			**407**	**97,604**	**100%**

For the July 1, 2009, policy year:

- 34,704 employers switched from one group to another;
- Of the employers who switched groups there were 14,686 that switched to a different sponsoring organization;
- 10,640 employers are new to group for 7-1-2009;
- 135 (33 percent) of groups continued from policy year 2008 to policy year 2009 by maintaining more than 50 percent of the policies in the same group from 2008 to 2009;
- 272 groups were newly formed;
- 14,623 employers were in a group for the July 1, 2008 policy year and did not participate in the group program for the July 1, 2009 policy year
- 3,993 unique policies were rejected from group with the reasons detailed in Table 4 below;

Table 4

Primary reason for rejection – policy year 2009	**Unique policy counts**
Applied to multiple groups	271
Lapsed days greater than 59	2,224
Non-active coverage, cancelled coverage or policy combined	697
Not homogeneous to the group	179
Premium balance due is greater than $200.00	209
Other miscellaneous reasons	413
Total	**3,993**

Side by side summary of group changes at the time of application processing (numbers will change as time elapses due to combinations and cancelations) for policy years July 1, 2007, 2008 and 2009 are found in Table 5.

Table 5

As of the application processing window – data subject to change.	July 1, 2007	July 1, 2008	July 1, 2009
Total Number of employers in group	105,287	100,786	97,604
Number of employers that did not continue in group from previous year	6,486	11,149	14,623
Number of new employers in group	11,543	11,747	10,640
Number of employers that switched to a new sponsor	6,422	6,565	14,686
Number of employers that switched to a new group	33,566	32,701	34,704
Number of groups	595	629	407

Performance of groups

Section 4123.29 of the Ohio Revised Code requires BWC to offer programs that allow employers to pool their risk under the group rating program. One of the requirements is that *"The formation of and operation of the group program in the organization will substantially improve accident prevention and claims handling for the employers in the group."*

Two common measures to observe accident prevention and claims handling are frequency and severity. Frequency is the number of claims that occur and severity is a measure of the cost of a claim. The frequency data uses all employers reporting payroll and contains claims reported as of March 31, 2009. The frequency of claims for policy year July 1, 2007 indicate that group rated employers averaged 3.24 claims per $100,000 of base premium with 58,505 reported claims for the policy year. Comparatively, non-group employers averaged 4.88 claims per $100,000 of base premium with 53,248 reported claims for the policy year. The data in Table 6 is valued as of August 2009 and it contains the members of each segment at that time, employer counts change over time due to cancellations, combinations and subsequent additions due to adjudication decisions.

One measure of severity is the average claim cost of all claims. Below Table 6 shows the average claim cost for all claims including medical only and indemnity (or lost-time) claims. The data indicates that group rated employers have lower average costs per claim both in 2007 and over a three-year period. The average cost per claim includes the total medical and indemnity paid plus MIRA reserves and does not include other costs unknown by the BWC and paid by employers, such as salary continuation and 15K medical only program.

Table 6

Segment	Policy year	Policy count as of August 2009 (excludes policies without payroll)	Count of employers using salary continuation	Percent using salary continuation	Claim Count	Average claim cost
Group	2005	89,956	4,136	4.6%	63,016	$5,071
Non-group	2005	150,478	4,439	3.0%	70,334	$6,783
						Losses evaluated at 3/31/07
Group	2006	95,239	4,821	5.1%	62,750	$5,381
Non-group	2006	141,450	4,590	3.2%	59,853	$7,319
						Losses evaluated at 3/31/2008
Group	2007	97,153	5,312	5.5%	58,505	$4,493
Non-group	2007	132,622	5,506	4.1%	53,248	$5,452
						Losses evaluated at 3/31/2009
Group	2008	99,360	5,835	5.8%	48,430	$3,639
Non-group	2008	123,620	5,238	4.2%	39,677	$4,255
						Losses evaluated at 6/30/2009

Loss ratios provide an objective review of the premium collected to the losses incurred within a policy year. This information provides the BWC valuable information about the pricing of any segment of the state insurance fund. In this report, the losses and premium are segregated by group and non group and then industry group within. The loss ratios in the attached exhibits 1 and 2 indicate that the groups have generally maintained higher loss ratios than the statewide average and far above the non group segment. This indicates that the premiums paid by group rated employers are not adequately covering the cost of claims losses they incur for that particular policy year.

The tables in the attached exhibits provide loss ratio information on:

- Loss ratios by group and non-group segregated by industry for 2008 (Exhibit 1);
- Loss ratios by group and non-group segregated by industry for 2007 (Exhibit 2);

Sponsor certification

In February 2009, the board approved the creation of rule 4123-17-61.1, which strengthened requirements for organizations wishing to sponsor groups for either group-experience rating or group-retrospective rating.

Between April and July 2009, BWC received 361 applications from organizations either asking to become a certified sponsor for group individually or to be combined with other certified sponsors as an affiliate organization. Prior to establishing a certification process, BWC had record of 50 known sponsoring organizations. Approximately 300 additional organizations previously unknown by the BWC have since applied. Therefore, implementation of rule 4123-17-61.1 brought additional oversight to the group rating sponsoring organization requirements.

Of the 361 applications, BWC certified 319. A total of 24 applications were denied, and an additional 18 are pending.

BWC will re-certify all sponsoring organizations going forward at least once every three years to ensure continued compliance with the rule.

Homogeneity

The formation of groups is governed by rule 4123-17-61 (B)(2) wherein *"A group shall be considered substantially homogeneous if the main operating manuals of the risks as determined by the premium obligations for the rating year beginning two years prior to the coverage period are assigned to the same or similar industry groups. Industry groups are determined by appendix B to rule 4123-17-05 of the Administrative Code. Industry groups seven and nine as well as eight and nine are considered similar."*

Rule 4123-17-05, Exhibit 3, is the industry group table that had been created for ratemaking. The purpose of the table is to identify groups of manual classes to spread the cost of catastrophic claims above $250,000 within the industry group classes. It is also used when an individual manual class does not have any data (or known exposure in Ohio) to establish a rate of its own. In this situation the industry group rate becomes the manual class rate. The group rating rules incorporate this already existing table to identify similar or homogeneous employer groups for the group rating program. Exhibit 5 provides the proposed new industry groups from the BWC's analysis.

Exhibit 4 provides sample groups from the policy year 7-1-2009 that demonstrate the make-up of groups. While meeting the standard set in rule 4123-17-61, the groups do not always appear to be very homogeneous or have a similar industrial pursuit. When there is lack of similarity, there is greater difficulty in controlling losses and sharing safety practices.

Conclusion

As the BWC continues to make meaningful improvements to the ratemaking process, this report will be updated with new results.

Exhibit 1

2008 Loss Ratios

Group and Non-group

By Industry Groups

2008 Group and Non-Group Loss Ratios by Industry Losses are evaluated at 6/30/09

Industry	Group Employers Description	Policy count	Claim count	Avg. Cost Per Claim	Loss Ratio	Relative to Overall	Fully Developed Loss Ratio	Relative to Overall
1	AGRICULTURE	3,451	426	$3,720	18.23%	0.91	93.82%	0.91
2	EXTRACTION	339	335	$4,343	21.45%	1.07	110.38%	1.07
3	MANUFACTURING	10,285	12,685	$2,934	23.60%	1.17	121.46%	1.17
4	CONSTRUCTION	18,029	7,233	$6,332	31.08%	1.54	159.95%	1.54
5	TRANSPORTATION	3,419	2,129	$7,329	37.43%	1.86	192.64%	1.86
6	UTILITY	115	133	$6,634	44.89%	2.23	230.98%	2.23
7	COMMERCIAL	17,660	8,171	$3,435	30.15%	1.50	155.13%	1.50
8	SERVICE	32,885	16,026	$2,428	26.05%	1.29	134.07%	1.29
9	HIGH RISK COMMERCIAL/SERVICE	75	153	$1,909	17.77%	0.88	91.44%	0.88
10	OFFICE WORK/MISCELLANEOUS	13,102	1,139	$5,628	52.08%	2.59	268.02%	2.59
	Group Total	**99,360**	**48,430**	**$3,639**	**28.40%**	**1.41**	**146.13%**	**1.41**

Industry	Non-Group Employers Description	Policy count	Claim count	Avg. Cost Per Claim	Loss Ratio	Relative to Overall	Fully Developed Loss Ratio	Relative to Overall
*	*Unknown at time of analysis	5,530	804	$4,765	26.20%	1.30	134.81%	1.30
1	AGRICULTURE	2,323	184	$7,269	22.10%	1.10	113.72%	1.10
2	EXTRACTION	147	195	$6,097	18.62%	0.93	95.84%	0.93
3	MANUFACTURING	5,581	9,777	$3,598	11.73%	0.58	60.35%	0.58
4	CONSTRUCTION	12,029	3,077	$8,186	15.37%	0.76	79.09%	0.76
5	TRANSPORTATION	2,577	2,248	$6,868	17.43%	0.87	89.67%	0.87
6	UTILITY	154	265	$7,333	26.62%	1.32	136.97%	1.32
7	COMMERCIAL	14,009	5,757	$4,523	17.62%	0.88	90.65%	0.88
8	SERVICE	44,515	15,010	$3,097	16.05%	0.80	82.58%	0.80
9	HIGH RISK COMMERCIAL/SERVICE	876	651	$5,877	19.61%	0.97	100.92%	0.97
10	OFFICE WORK/MISCELLANEOUS	35,879	1,709	$4,910	16.81%	0.84	86.49%	0.84
	Non-Group Total	**123,620**	**39,677**	**$4,255**	**15.44%**	**0.77**	**77.64%**	**0.75**
	Totals	**222,980**	**88,107**	**$3,916**	**20.13%**	**1.00**	**103.58%**	**1.00**

Exhibit 2

2007 Loss Ratios

Group and Non-group

By Industry Groups

2007 Group and Non-Group Loss Ratios by Industry Losses are evaluated at 3/31/09

Industry	Group Employers Description	Policy count	Claim count	Avg. Cost Per Claim	Loss Ratio	Relative to Overall	Fully Developed Loss Ratio	Relative to Overall
1	AGRICULTURE	3,430	628	$4,340	35.31%	1.06	114.00%	1.06
2	EXTRACTION	197	277	$4,132	24.62%	0.74	79.51%	0.74
3	MANUFACTURING	10,130	17,210	$3,348	40.02%	1.21	129.22%	1.21
4	CONSTRUCTION	18,003	8,904	$7,597	48.62%	1.47	157.00%	1.47
5	TRANSPORTATION	3,171	2,040	$9,651	58.00%	1.75	187.29%	1.75
6	UTILITY	113	178	$8,766	81.19%	2.45	262.17%	2.45
7	COMMERCIAL	17,405	9,416	$4,598	52.33%	1.58	168.96%	1.58
8	SERVICE	31,679	17,810	$3,289	43.57%	1.31	140.67%	1.31
9	HIGH RISK COMMERCIAL/SERVICE	6	76	$2,375	28.84%	0.87	93.11%	0.87
10	OFFICE WORK/MISCELLANEOUS	13,019	1,966	$5,318	72.46%	2.18	233.96%	2.18
	Group Total	**97,153**	**58,505**	**$4,493**	**46.65%**	**1.41**	**150.62%**	**1.41**

Industry	Non-Group Employers Description	Policy count	Claim count	Avg. Cost Per Claim	Loss Ratio	Relative to Overall	Fully Developed Loss Ratio	Relative to Overall
*	*Unknown at time of analysis	33						
1	AGRICULTURE	2,432	215	$6,879	21.56%	0.65	69.62%	0.65
2	EXTRACTION	178	185	$11,022	29.31%	0.88	94.64%	0.88
3	MANUFACTURING	6,240	15,830	$4,232	25.59%	0.77	82.64%	0.77
4	CONSTRUCTION	14,063	4,444	$9,643	23.85%	0.72	77.02%	0.72
5	TRANSPORTATION	3,356	3,599	$9,026	28.39%	0.86	91.67%	0.86
6	UTILITY	159	291	$5,185	26.01%	0.78	83.99%	0.78
7	COMMERCIAL	15,994	7,826	$5,927	29.14%	0.88	94.10%	0.88
8	SERVICE	49,752	18,522	$4,306	25.72%	0.78	83.04%	0.78
9	HIGH RISK COMMERCIAL/SERVICE	1,001	885	$5,504	22.95%	0.69	74.10%	0.69
10	OFFICE WORK/MISCELLANEOUS	39,414	1,451	$8,247	31.42%	0.95	101.46%	0.95
	Non-Group Total	**132,622**	**53,248**	**$5,452**	**26.29%**	**0.79**	**84.90%**	**0.79**
	Totals	**229,775**	**111,753**	**$4,950**	**33.17%**	**1.00**	**107.11%**	**1.00**

Exhibit 3

Policy Year July 1, 2009

Rule 4123-17-05
Table 1, Part A
Industry Groups

TABLE 1

PART A

Industry Group	NCCI Manual Classifications
1	0005, 0008, 0016, 0034, 0035, 0036, 0037, 0079, 0083, 0113, 0170, 0251, 2702, 2709
2	1005, 1016, 1164, 1165, 1320, 1430, 1438, 1452, 1624, 1654, 1655, 1710, 4000
3	1463, 1472, 1642, 1699, 1701, 1741, 1747, 1748, 1803, 1852, 1853, 1860, 1924, 1925, 2001, 2002, 2003, 2014, 2016, 2021, 2039, 2041, 2065, 2070, 2081, 2089, 2095, 2110, 2111, 2112, 2114, 2121, 2130, 2143, 2172, 2174, 2211, 2220, 2286, 2288, 2300, 2302, 2305, 2361, 2362, 2380, 2386, 2388, 2402, 2413, 2416, 2417, 2501, 2503, 2534, 2570, 2600, 2623, 2651, 2660, 2670, 2683, 2688, 2710, 2714, 2731, 2735, 2759, 2790, 2802, 2812, 2835, 2836, 2841, 2881, 2883, 2913, 2915, 2916, 2923, 2942, 2960, 3004, 3018, 3022, 3027, 3028, 3030, 3040, 3041, 3042, 3064, 3076, 3081, 3082, 3085, 3110, 3111, 3113, 3114, 3118, 3119, 3122, 3126, 3131, 3132, 3145, 3146, 3169, 3175, 3179, 3180, 3188, 3220, 3223, 3224, 3227, 3240, 3241, 3255, 3257, 3270, 3300, 3303, 3307, 3315, 3334, 3336, 3372, 3373, 3383, 3385, 3400, 3507, 3515, 3548, 3559, 3574, 3581, 3612, 3620, 3629, 3632, 3634, 3635, 3638, 3642, 3643, 3647, 3648, 3681, 3685, 3803, 3807, 3808, 3821, 3822, 3824, 3826, 3827, 3830, 3851, 3865, 3881, 4021, 4024, 4034, 4036, 4038, 4053, 4061, 4062, 4101, 4111, 4112, 4113, 4114, 4130, 4131, 4133, 4150, 4206, 4207, 4239, 4240, 4243, 4244, 4250, 4251, 4263, 4273, 4279, 4282, 4283, 4299, 4304, 4307, 4351, 4352, 4360, 4410, 4420, 4431, 4432, 4439, 4452, 4459, 4470, 4484, 4493, 4557, 4558, 4561, 4568, 4581, 4583, 4611, 4635, 4653, 4665, 4670, 4683, 4686, 4692, 4693, 4703, 4717, 4720, 4740, 4741, 4751, 4771, 4825, 4828, 4829, 4902, 4923, 5951, 6504, 6811, 6834, 6854, 6882, 6884, 9501, 9505, 9522
4	0042, 0050, 0106, 1322, 3069, 3365, 3719, 3724, 3726, 5020, 5022, 5037, 5040, 5057, 5059, 5069, 5102, 5146, 5160, 5183, 5188, 5190, 5213, 5215, 5221, 5222, 5223, 5348, 5402, 5403, 5437, 5443, 5445, 5462, 5472, 5473, 5474, 5478, 5479, 5480, 5491, 5506, 5507, 5508, 5535, 5537, 5538, 5551, 5605, 5606, 5610, 5645, 5651, 5703, 5705, 6003, 6005, 6017, 6018, 6045, 6204, 6206, 6213, 6214, 6216, 6217, 6229, 6233, 6235, 6236, 6237, 6251, 6252, 6260, 6306, 6319, 6325, 6400, 7538, 7601, 7605, 7611, 7612, 7613, 7855, 8227, 9534, 9554
5	2701, 6704, 7133, 7222, 7228, 7229, 7230, 7231, 7232, 7370, 7380, 7382, 7403, 7405, 7420, 7421, 7422, 7425, 7431, 7705, 8385
6	7502, 7515, 7520, 7539, 7540, 7580, 7600, 8901
7	0400, 0401, 2105, 2131, 2157, 4361, 7390, 8001, 8002, 8006, 8008, 8010, 8013, 8015, 8017, 8018, 8021, 8031, 8032, 8033, 8039, 8044, 8045, 8046, 8047, 8058, 8072, 8102, 8103, 8105, 8106, 8107, 8111, 8116, 8203, 8204, 8209, 8215, 8232, 8233, 8235, 8263, 8264, 8265, 8288, 8304, 8350, 8380, 8381, 8393, 8500, 8745
8	0917, 2585, 2586, 2587, 2589, 4362, 5191, 5192, 6836, 7360, 7610, 8279, 8291, 8292, 8293, 8392, 8601, 8720, 8799, 8800, 8824, 8825, 8826, 8829, 8831, 8832, 8833, 8835, 8842, 8864, 8868, 8869, 8989, 9012, 9014, 9015, 9016, 9019, 9033, 9040, 9044, 9052, 9058, 9059, 9060, 9061, 9062, 9063, 9082, 9083, 9084, 9089, 9093, 9101, 9102, 9154, 9156, 9170, 9178, 9179, 9180, 9182, 9186, 9220, 9516, 9519, 9521, 9586, 9600, 9620
9	4511, 4777, 7590, 7704, 7710, 7711, 7720, 8606, 9088, 9402, 9403, 9984, 9985
10	8721, 8742, 8748, 8755, 8803, 8810, 8820, 8871

Revised 7-1-2009

Exhibit 4

Policy Year July 1, 2009

Three sample groups to

Illustrate Homogeneity of Groups

Each of the following tables is an actual group from the policy year 7-1-2009. The heading describes the group's predominant industry group, number of employers/policies, the number of unique manual classifications and the number of industry groups represented by those classes.

Sample 1 group from policy year 7-1-2009			
Industry Group 4 - Construction			
989 Policies in the group, 112 different manual classes			
9 different industry groups			
Manual Classification Number	**Industry group for manual**	**Manual Classification Description**	**Experience Period Payroll ($)**
35	1	FARM: FLORIST & DRIVERS	365,829
37	1	FARM: FIELD CROPS & DRIVERS	223,412
83	1	FARM: CATTLE OR LIVESTOCK RAISING NOC & DRIVERS	41,743
4000	2	SAND OR GRAVEL DIGGING & DRIVERS	1,512,365
2014	3	GRAIN OR FEED MILLING	853,532
2501	3	CLOTH, CANVAS & RELATED PRODUCTS NOC	148,689
2812	3	CABINET WORKS-WITH POWER MACHINERY	27,436
3030	3	IRON OR STEEL: FAB IRON OR STEEL WORKS-SHOP-STRUCTURAL-& DRIVERS	10,189,619
3076	3	SHEET METAL PRODUCTS MFG. - SHOP ONLY	960,165
3507	3	CONSTRUCTION OR AGRICULTURAL MACHINERY MFG	405,177
3574	3	COMPUTING, RECORDING OR OFFICE MACHINE MFG NOC	136,052
3612	3	PUMP MFG	591,070
3620	3	BOILERMAKING	6,357
3681	3	TV, RADIO, TELEPHONE/TELECOMMUNICATION DEVICE MFG NOC	8,273,628
3685	3	INSTRUMENT MFG NOC	1,881,404
4130	3	GLASS MERCHANT	17,106,276
9501	3	PAINTING: SHOP ONLY & DRIVERS	258,863
42	4	LANDSCAPE GARDENING & DRIVERS	127,905
50	4	FARM MACHINERY OPERATION - BY CONTRACTOR & DRIVERS	1,168,058
106	4	TREE PRUNING SPRAYING REPAIRING - ALL OPERATIONS & DRIVERS	176,582
3069	4	SHEET METAL PRODUCTS MANUFACTURING	413,253
3365	4	WELDING OR CUTTING NOC & DRIVERS	11,604
3724	4	MACHINERY OR EQUIPMENT ERECTION OR REPAIR NOC & DRIVERS	991,168
3726	4	BOILER INSTALL OR REPAIR-STEAM	375,277
5022	4	MASONRY NOC CROSS-REF	14,164,097
5040	4	IRON OR STEEL: ERECTION-FRAME STRUCTURES	11,138,107
5057	4	IRON OR STEEL: ERECTION NOC	3,628,366
5059	4	IRON OR STEEL: ERECTION-FRAME STRUCT NOT OVER TWO STORIES IN HGT	261,608

Manual Classification Number	Industry group for manual	Manual Classification Description	Experience Period Payroll ($)
5102	4	DOOR, DOOR FRAME/SASH ERECTION- METAL OR METAL COVERED	321,059
5146	4	FURNITURE/FIXTURES INSTALL - PORTABLE - NOC	3,107,389
5183	4	PLUMBING NOC & DRIVERS	875,747
5188	4	AUTOMATIC SPRINKLER INSTALL & DRIVERS	55,379,282
5190	4	ELECTRICAL WIRING-WITHIN BUILDINGS & DRIVERS	504,718
5213	4	CONCRETE CONSTR NOC	15,116,874
5215	4	CONCRETE WORK-INCIDENTAL TO THE CONSTR OF PRIVATE RESIDENCE	1,709,094
5221	4	CONCRETE OR CEMENT WORK-FLOORS, DRIVEWAYS, YARDS/SIDEWALKS-& DRV	29,811,112
5222	4	CONCRETE CONSTR IN CONNECTION WITH BRIDGES OR CULVERTS	2,024,137
5223	4	SWIMMING POOL CONSTR NOT IRON OR STEEL & DRIVERS	455,843
5348	4	CERAMIC TILE, INDOOR STONE, MARBLE OR MOSAIC WORK	3,628,616
5403	4	CARPENTRY NOC	26,153,797
5437	4	CARPENTRY-INSTALL OF CABINET WORK OR INTERIOR TRIM	5,193,751
5443	4	LATHING & DRIVERS	6,483
5445	4	WALLBOARD INSTALL BUILDINGS & DRIVERS	3,377,753
5462	4	GLAZIER-AWAY FROM SHOP & DRIVERS	5,425,773
5474	4	PAINTING OR PAPERHANGING NOC & SHOP OPERATIONS, DRIVERS	25,540,127
5478	4	FLOOR COVERING INSTALLATION-RESILIENT FLOORING-CARPET & LAMINATE FLOORING	2,156,619
5479	4	INSULATION WORK NOC & DRIVERS	743,218
5480	4	PLASTERING NOC & DRIVERS	691,656
5491	4	PAPERHANGING & DRIVERS	83,388
5506	4	STREET OR ROAD CONSTRUCTION: PAVING OR REPAIRING & DRIVERS	13,200,515
5507	4	STREET OR ROAD CONSTRUCTION: SUBSURFACE WORK & DRIVERS	5,328,565
5535	4	SHEET METAL WORK - INSTALLATION AND DRIVERS	682,795
5537	4	HVAC & REFRIG SYSTEMS - INSTALL, SVC & REPAIR & DRIVERS	26,887,482
5538	4	SHEET METAL WORK - SHOP & OUTSIDE - NOC & DRIVERS	5,043,363
5551	4	ROOFING-ALL KINDS & YARD EMPLOYEES & DRIVERS	12,517,891
5605	4	CONSTRUCTION OR ERECTION ESTIMATORS	27,480,768

Manual Classification Number	Industry group for manual	Manual Classification Description	Experience Period Payroll ($)
5606	4	CONTRACTOR-PROJECT MGR, CONST EXEC, CONST MGR OR CONST SUPT	18,649,086
5645	4	CARPENTRY-DETACHED ONE OR TWO FAMILY DWELLINGS	35,921,257
5651	4	CARPENTRY-DWELLINGS-THREE STORIES OR LESS	2,814,495
6204	4	DRILLING NOC & DRIVERS	7,459,530
6216	4	OIL OR GAS LEASE WORK NOC-BY CONTRACTOR & DRIVERS	7,576,348
6217	4	EXCAVATION & DRIVERS	31,627,151
6229	4	IRRIGATION OR DRAINAGE SYSTEM CONSTRUCTION & DRIVERS	2,031,694
6233	4	OIL OR GAS PIPELINE CONSTRUCTION & DRIVERS	3,298,766
6235	4	OIL OR GAS WELL: DRILLING OR RE-DRILLING & DRIVERS	426,773
6237	4	OIL OR GAS WELL: INSTRUMENT LOGGNGOR SURVEY WORK & DRIVERS	1,265,974
6306	4	SEWER CONSTR-ALL OPERATIONS & DRIVERS	4,447,503
6319	4	GAS MAIN OR CONNECTION CONSTRUCTION & DRIVERS	2,562,823
6325	4	CONDUIT CONSTRUCTION-FOR CABLES OR WIRES	171,671
6400	4	FENCE ERECTION-METAL	592,005
7538	4	ELECTRIC LIGHT OR POWER LINE CONTRACTOR & DRIVERS	183,900
7601	4	TELEPHONE, TELEGRAPH OR FIRE ALARM LINE CONSTRUCTION & DRIVERS	1,705,623
7605	4	BURGLAR ALARM INSTALL OR REPAIR & DRIVERS	1,298,307
7611	4	TELEPHONE/CABLE TV LINE INST CONTRACTORS, UNDERGROUND & DRIVER	1,536,894
7612	4	TELEPHONE OR CABLE TV LINE INST CONTRACTORS, OVERHEAD & DRIVERS	490,958
7855	4	RR CNST LAY/RELY TRCKS/MAINT OF WAY CONTR-NO WORK ON ELEV RR-DRV	244,514
8227	4	CONSTRUCTION OR ERECTION PERMANENTYARD	106,749
9534	4	MOBILE CRANE & HOIST SRVC CONTRS- NOC-ALL OP-INCL YARD EMPS & DRV	84,331,250
9554	4	SIGN ISTALL, MAINT., REPAIR, REMOVAL OR REPLACEMENT: NOC & DRIVERS	76,104
7228	5	TRUCKING- LOCAL HAULING ONLY- ALL EMPLOYEES AND DRIVERS	2,871,779
7229	5	TRUCKING- LONG DISTANCE HAULING- ALL EMPLOYEES AND DRIVERS	125,842
7380	5	DRIVERS, CHAUFFEURS, MESSENGERS & HELPERS NOC - COMMERCIAL	13,353,573
8001	7	STORE: FLORIST & DRIVERS	12,832

Manual Classification Number	Industry group for manual	Manual Classification Description	Experience Period Payroll ($)
8010	7	STORE: HARDWARE	183,429
8017	7	STORE: RETAIL NOC	51,168
8018	7	STORE: WHOLESALE NOC	405,361
8044	7	STORE: FURNITURE & DRIVERS	1,651,201
8058	7	BUILDING MATERIAL DEALER-NEW MATERIALS ONLY: STORE EMPLOYEES	4,533
8107	7	MACHINERY DEALER NOC-STORE OR YARD-& DRIVERS	321,393
8111	7	PLUMBERS' SUPPLIES DEALER & DRIVERS	389,613
8215	7	HAY, GRAIN OR FEED DEALER & LOCAL MANAGERS, DRIVERS	486,018
8232	7	LUMBERYRD NEW MTRLS ONLY: ALL OTH EMP & YARD, WAREHOUSE, DRV	1,513,249
8235	7	SASH, DOOR/ASSEMBLED MILLWORK DEALER & DRIVERS	1,594,520
8380	7	AUTOMOBILE SERVICE OR REPAIR CENTER & DRIVERS	759,150
5191	8	OFFICE MACHINE OR APPLIANCE INSTALL, INSPECT, ADJUST OR REPAIR	13,745,674
8720	8	INSPECTION OF RISKS FOR INSUR OR VALUATION PURPOSES NOC	729,764
8868	8	COLLEGE: PROFESSIONAL EMPLOYEES & CLERICAL	7,240
8989	8	DOMESTIC WORKERS - RESIDENCES	1,473,197
9012	8	BUILDING OP. - BY OWNER, LESSEE, REAL ESTATE MANGT. FIRM: PROFESS	431,431
9014	8	BUILDINGS-OPERATION BY CONTRACTORS	499,798
9015	8	BUILDINGS-OPERATION BY OWNER OR LESSEE ALL OTHER EMPLOYEES	40,667
9083	8	RESTAURANT: FAST FOOD	1,629,250
9102	8	PARK NOC-ALL EMPLOYEES & DRIVERS	131,456
9519	8	ELECTRICAL HOUSEHOLD & COMML APPLIANCES - INSTALL, SERVICE OR REPAIR & DRIVERS	78,079
9521	8	HOUSE FURNISHINGS INSTALLATION NOC & UPHOLSTERING	23,822,196
7720	9	POLICE OFFICERS & DRIVERS	831,581
9402	9	STREET CLEANING & DRIVERS	328,485
8742	10	SALESPERSONS OR COLLECTORS - OUTSIDE	15,434
8810	10	CLERICAL OFFICE EMPLOYEES NOC	92,166
8871	10	CLERICAL TELECOMMUTER EMPLOYEES	47,318
		Total	**625,332,229**

Sample 2 group from policy year 7-1-2009			
Industry Group 10 Office Work/Misc.			
1420 Policies in the group, 82 different manual classes			
8 different industry groups			
Manual Classification Number	**Industry group for manual**	**Manual Classification Description**	**Experience Period Payroll ($)**
2702	1	LOGGING OR LUMBERING & DRIVERS	1,980
2501	3	CLOTH, CANVAS & RELATED PRODUCTS NOC	62,084
2812	3	CABINET WORKS-WITH POWER MACHINERY	96,258
2881	3	FURNITURE ASSEMBLY-WOOD-FROM MANUFACTURED PARTS	202,507
2923	3	PIANO MFG	984
3076	3	SHEET METAL PRODUCTS MFG. - SHOP ONLY	118,344
3372	3	ELECTROPLATING	35,068
3507	3	CONSTRUCTION OR AGRICULTURAL MACHINERY MFG	650,918
3559	3	CONFECTION MACHINE MFG	333,502
3612	3	PUMP MFG	237,983
4150	3	OPTICAL GOODS MFG NOC	298,947
4240	3	BOX MFG-SET-UP PAPER	233,060
4299	3	PRINTING	512,641
4557	3	INK MFG	1,130,344
4692	3	DENTAL LABORATORY	61,098
4829	3	CHEMICAL MFG. NOC ALL OPERATIONS & DRIVERS	31,884
9501	3	PAINTING: SHOP ONLY & DRIVERS	60,248
9505	3	PAINTING: AUTOMOBILE OR CARRIAGE BODIES	411,326
3724	4	MACHINERY OR EQUIPMENT ERECTION OR REPAIR NOC & DRIVERS	7,000
5190	4	ELECTRICAL WIRING-WITHIN BUILDINGS & DRIVERS	106,627
5403	4	CARPENTRY NOC	519,672
5478	4	FLOOR COVERING INSTALLATION-RESILIENT FLOORING-CARPET & LAMINATE FLOORING	28,464
5537	4	HVAC & REFRIG SYSTEMS - INSTALL, SVC & REPAIR & DRIVERS	2,014,505

Manual Classification Number	Industry group for manual	Manual Classification Description	Experience Period Payroll ($)
5605	4	CONSTRUCTION OR ERECTION ESTIMATORS	353,957
5606	4	CONTRACTOR-PROJECT MGR, CONST EXEC, CONST MGR OR CONST SUPT	1,479,890
5645	4	CARPENTRY-DETACHED ONE OR TWO FAMILY DWELLINGS	116,770
6306	4	SEWER CONSTR-ALL OPERATIONS & DRIVERS	484,071
6319	4	GAS MAIN OR CONNECTION CONSTRUCTION & DRIVERS	226,436
7605	4	BURGLAR ALARM INSTALL OR REPAIR & DRIVERS	437,322
7612	4	TELEPHONE OR CABLE TV LINE INST CONTRACTORS, OVERHEAD & DRIVERS	11,414
8227	4	CONSTRUCTION OR ERECTION PERMANENTYARD	2,060
9554	4	SIGN ISTALL, MAINT., REPAIR, REMOVAL OR REPLACEMENT: NOC & DRIVERS	65,980
7228	5	TRUCKING- LOCAL HAULING ONLY- ALL EMPLOYEES AND DRIVERS	268,796
7229	5	TRUCKING- LONG DISTANCE HAULING- ALL EMPLOYEES AND DRIVERS	215,672
7380	5	DRIVERS, CHAUFFEURS, MESSENGERS & HELPERS NOC - COMMERCIAL	733,377
4361	7	PHOTOGRAPHER-ALL EMPLOYEES & CLERICAL, SALESPERSONS, DRIVERS	20,895
8001	7	STORE: FLORIST & DRIVERS	783,500
8010	7	STORE: HARDWARE	1,793,920
8013	7	STORE: JEWELRY	134,027
8015	7	QUICK PRINTING-COPYING/DUP SERV-ALL EMPS/CLERICAL, SALESPRSNS DRV	259,787
8017	7	STORE: RETAIL NOC	1,531,947
8018	7	STORE: WHOLESALE NOC	6,840,025
8045	7	STORE: DRUG RETAIL	293,592
8047	7	STORE: DRUG-WHOLESALE	370,101
8106	7	IRON OR STEEL MERCHANT & DRIVERS	534,163
8107	7	MACHINERY DEALER NOC-STORE OR YARD-& DRIVERS	56,540
8111	7	PLUMBERS' SUPPLIES DEALER & DRIVERS	124,264

Manual Classification Number	Industry group for manual	Manual Classification Description	Experience Period Payroll ($)
8235	7	SASH, DOOR/ASSEMBLED MILLWORK DEALER & DRIVERS	88,991
8380	7	AUTOMOBILE SERVICE OR REPAIR CENTER & DRIVERS	1,027,340
917	8	DOMESTIC SERVICE CONTRACTOR - INSIDE	12,060
5191	8	OFFICE MACHINE OR APPLIANCE INSTALL, INSPECT, ADJUST OR REPAIR	3,045,511
7610	8	RADIO/TV BROADCASTING STATION- ALL EMPLOYEES & CLERICAL, DRIVERS	1,880,538
8292	8	STORAGE WAREHOUSE NOC	489,364
8601	8	ARCHITECT OR ENGINEER-CONSULTING	11,992,933
8829	8	CONVALESCENT OR NURSING HOME ALL EMPLOYEES	61,560
8832	8	PHYSICIAN & CLERICAL	1,799,133
8835	8	HOME - PUBLIC & TRAVELING HEALTHCARE - ALL EMPLOYEES	1,027,583
8868	8	COLLEGE: PROFESSIONAL EMPLOYEES & CLERICAL	113,020
8989	8	DOMESTIC WORKERS - RESIDENCES	470,442
9012	8	BUILDING OP. - BY OWNER, LESSEE, REAL ESTATE MANGT. FIRM: PROFESS	310,076
9014	8	BUILDINGS-OPERATION BY CONTRACTORS	105,499
9015	8	BUILDINGS-OPERATION BY OWNER OR LESSEE ALL OTHER EMPLOYEES	989,416
9052	8	HOTEL: ALL OTHER EMPS & SALESPERSONS, DRIVERS	456,488
9082	8	RESTAURANT NOC	369,478
9083	8	RESTAURANT: FAST FOOD	168,112
9101	8	COLLEGE: ALL OTHER EMPLOYEES	2,567
9102	8	PARK NOC-ALL EMPLOYEES & DRIVERS	7,447
9154	8	THEATER NOC: ALL OTHER EMPLOYEES	102,721
9156	8	THEATER NOC: PLAYERS, ENTERTAINERS OR MUSICIANS	42,940
9516	8	RADIO, TV, VIDEO & AUDIO EQUIP. INSTALL, SERVICE OR REPAIR & DRV	9,516
9521	8	HOUSE FURNISHINGS INSTALLATION NOC & UPHOLSTERING	57,382
9586	8	BARBER SHOP	111,083

Manual Classification Number	Industry group for manual	Manual Classification Description	Experience Period Payroll ($)
9620	8	FUNERAL DIRECTOR & DRIVERS	549,693
4511	9	ANALYTICAL CHEMIST	370,550
8721	10	REAL ESTATE APPRAISAL COMPANY OUTSIDE EMPLOYEES	9,593,003
8742	10	SALESPERSONS OR COLLECTORS - OUTSIDE	671,846,561
8748	10	AUTOMOBILE SALESPERSONS	8,926,734
8755	10	LABOR UNION-ALL EMPLOYEES	5,543,136
8803	10	AUDITORS, ACCNT OR FACTORY COST OR OFFICE SYSTEMATIZER-TRAVELING	184,713,035
8810	10	CLERICAL OFFICE EMPLOYEES NOC	1,072,017,469
8820	10	ATTORNEY-ALL EMPLOYEES & CLERICAL MESSENGERS & DRIVERS	119,260,551
8871	10	CLERICAL TELECOMMUTER EMPLOYEES	3,739,757
		Total	**2,125,595,639**

Sample 3 group from policy year 7-1-2009			
Industry Group 3 - Manufacturing			
37 Policies in the group, 29 different manual classes			
5 different industry groups			
Manual Classification Number	**Industry group for manual**	**Manual Classification Description**	**Experience Period Payroll ($)**
1624	2	QUARRY NOC & DRIVERS	857,187
1803	3	STONE CUTTING OR POLISHING NOC & DRIVERS	1,525,160
2081	3	BUTCHERING	2,065,765
2095	3	MEAT PRODUCTS MFG NOC	4,310,090
2570	3	MATTRESS OR BOX SPRING MFG	5,326,324
2790	3	PATTERN MAKING NOC	1,537,880
3018	3	IRON OR STEEL: MANUFACTURING: ROLLING MILL & DRIVERS	1,705,254
3028	3	PIPE OR TUBE MFG-IRON OR STEEL- & DRIVERS	4,501,846
3110	3	FORGING WORK-DROP OR MACHINE	70,701
3113	3	TOOL MFG-NOT DROP OR MACHINE FORGED-NOC	2,120,046
3372	3	ELECTROPLATING	391,206
3507	3	CONSTRUCTION OR AGRICULTURAL MACHINERY MFG	1,466,483
3620	3	BOILERMAKING	2,384,047
3632	3	MACHINE SHOP NOC	230,641
3635	3	GEAR MFG OR GRINDING	852,585
4150	3	OPTICAL GOODS MFG NOC	128,000
4243	3	BOX MFG-FOLDING PAPER-NOC	570,258
4244	3	CORRUGATED OR FIBER BOARD CONTAINER MFG	94,369
4459	3	PLASTICS MFG: SHEETS, RODS/TUBES	1,870,188
4484	3	PLASTICS MFG MOLDED PRODUCTS NOC	596,091
4829	3	CHEMICAL MFG. NOC ALL OPERATIONS & DRIVERS	5,483,862
6504	3	FOOD SUNDRIES MFG NOC-CEREAL MILLING	1,122,779
9501	3	PAINTING: SHOP ONLY & DRIVERS	5,652
7380	5	DRIVERS, CHAUFFEURS, MESSENGERS & HELPERS NOC - COMMERCIAL	2,016,340
8017	7	STORE: RETAIL NOC	413,649
8031	7	STORE: MEAT, FISH OR POULTRY- RETAIL	765,903
8033	7	STORE: MEAT, GROCERY & PROVISION STORES COMBINED- RETAIL NOC	1,272,491
8742	10	SALESPERSONS OR COLLECTORS - OUTSIDE	1,449,041
8810	10	CLERICAL OFFICE EMPLOYEES NOC	15,400,560
		Total	**60,534,398**

Exhibit 5

Policy Year July 1, 2009

Proposed Industry Group Changes

From Study found in Appendix 4 of Rate Reform Report

Industry Group Analysis

Summary

As part of the comprehensive rate reform the actuarial division reviewed the current BWC industry groupings for ratemaking purposes and evaluated whether the groupings should be modified for the group rating and group retrospective rating programs. In the insurance industry, homogeneity is a concept wherein risks that exhibit similar frequency and expected costs are grouped together thereby creating groups of statistically meaningful data. The actuarial division in consultation with **Oliver Wyman** evaluated data using the NCCI hazard groupings that were used in the newly created deductible program. The NCCI's hazard groups are split into ranges by the severity of claims where group A has the least severity and group G has the greatest severity.

Recommendation

The BWC currently uses 10 industry groupings (see exhibit 3 of the Group Rating Annual Report) for ratemaking and programs. The recommendation from the actuarial division and **Oliver Wyman** is to expand the industry groupings to 22 groups thereby creating greater homogeneity and providing for greater accuracy to ratemaking. Throughout the study, care was taken in ensuring that none of the groupings became too small such that it could not support a group or group retrospective rating program. In the few cases where the grouping appeared to be too small, we observed that the type of manual classifications within those industry groups are ones in which the industrial pursuit is not suitable to be grouped with the other manual classes. For example, industry grouping 7 (in first table of 22 groups), explosives, is very small and may have difficulty meeting the requirements for a group or group retrospective program. The hazard associated with this industry is so dissimilar to the others that combining this with other hazard groupings would defeat the purpose of homogeneity. Further, it would not meet the other requirements within the group rating program, such as providing for similar safety and accident prevention. The more homogeneous the data the more statistically reliable the data becomes and subsequently there will be more accuracy in the ratemaking process.

After receiving feedback from stakeholders, BWC collapsed the groups down to 18 industry groups that were large enough to support either the group rating or group retrospective programs. The collapsing of the 22 groups into 18 groups (shown in the second table) was done with the following changes:

1. Combine Group 3 (Extraction – above ground) & Group 4 (Extraction - below ground) into a new industry grouping 3
2. Merge Group 12 (Transportation – high risk) into Group 11 (Transportation – moderate risk) into a new industry grouping 10.

3. Combine Group 14 (Utility - moderate risk) & Group 15 (Utility – high risk) into a new industry grouping 12.
4. Combine Group 7 (Explosives) & Group 21 (Rocket & Missile testing) into a new industry grouping 6.

The charts below show the proposed groupings:

Original proposal of 22 Industry Groups

Industry Number	Name	Policy Count	2008 Payroll
1	Agriculture	5,613	$383,827,419.88
2	Utility - low risk	1,925	$841,738,209.36
3	Extraction - above ground	392	$217,097,874.00
4	Extraction - below ground	30	$100,872,461.00
5	Manufacturing - low risk	14,262	$14,026,837,613.56
6	Manufacturing - high risk	1,318	$1,960,366,938.00
7	Explosives	138	$187,428,402.99
8	Construction - low risk	2,034	$334,089,397.83
9	Construction - moderate risk	27,006	$7,293,864,303.12
10	Transportation - low risk	1,902	$1,152,661,853.95
11	Transportation - moderate risk	3,992	$1,856,848,591.05
12	Transportation - high risk	79	$109,418,902.00
13	Traveling sales and clerical	46,999	$20,228,562,299.99
14	Utility - moderate risk	150	$370,903,221.63
15	Utility - high risk	42	$73,256,205.00
16	Commercial/Retail	28,255	$9,938,431,782.14
17	Raw materials	2,446	$1,938,109,409.86
18	Travel & Entertainment	14,752	$3,534,986,593.65
19	Healthcare & housing	50,747	$20,730,534,771.33
20	Communications & Amusement	9,463	$747,179,890.46
21	Rocket & missile testing	473	$547,503,418.00
22	Emergency response	915	$476,894,407.75

Revised 18 industry groupings based upon stakeholder feedback

Industry Number	Name	Policy Count	2008 Payroll
1	Agriculture	5,613	$383,827,419.88
2	Utility - low risk	1,925	$841,738,209.36
3 *	Extraction	422	$317,970,335.00
4	Manufacturing - low risk	14,262	$14,026,837,613.56
5	Manufacturing - high risk	1,318	$1,960,366,938.00
6**	Explosives; Rocket and Missile testing	611	$734,931,820.99
7	Construction - low risk	2,034	$334,089,397.83
8	Construction - moderate risk	27,006	$7,293,864,303.12
9	Transportation - low risk	1,902	$1,152,661,853.95
10***	Transportation - moderate and high risk	4,071	$1,966,267,493.05
11	Traveling sales and clerical	46,999	$20,228,562,299.99
12****	Utility - moderate and high risk	192	$444,159,426.63
13	Commercial/Retail	28,255	$9,938,431,782.14
14	Raw materials	2,446	$1,938,109,409.86
15	Travel & Entertainment	14,752	$3,534,986,593.65
16	Healthcare & housing	50,747	$20,730,534,771.33
17	Communications & Amusement	9,463	$747,179,890.46
18	Emergency response	915	$476,894,407.75

3* - The industries 3 & 4 are combined from the 22 industry grouping list

6** - The industries 7 & 21 are combined from the 22 industry grouping list

10*** - The industries 11 &12 are combined from the 22 industry grouping list

12**** - The industries 14 & 15 are combined from the 22 industry grouping list

2010 Rate Reform Changes for Group and Non-group

By Oliver Wyman

Appendix 3

October 14, 2009

2010 Rate Reform Changes for Group and Non Group

Ohio Bureau of Workers' Compensation

OLIVER WYMAN

Contents

1

Background

The Ohio Bureau of Workers' Compensation (OBWC) directed Oliver Wyman to evaluate the loss experience of group rated policies compared with non group rated policies, and to determine rating plan changes that allow for the best match between the premiums charged and the expected costs presented by each segment.

The key results from this rate level analysis are as follows:

- Review the indicated class rate levels for group and non group
- Measure the actual relationship between group and non group premiums in the 2009 rating year using the most current information on group membership and experience rating
- Establish rating parameter changes based on estimated 2009 rate levels compared to target rate levels
- Calculate new rating parameters for 2010, including the base rate off-balance and the group break even factor, that result in a statewide revenue neutral impact
- Develop a stratified group break even factor to improve the rate equity within the group program

A requirement for sound rating plans is to have equity between the different classes of risk, with equity defined as premium levels that are in line with expected costs. The goal of the OBWC rate reform efforts is to establish a relationship between group and non group premiums consistent with actual loss experience, as historically these relationships have not been in balance.

This report is prepared by William D. Hansen (Bill), Principal, who is a member of the American Academy of Actuaries (MAAA) and meets its qualification standards. Bill is also a Fellow of the Casualty Actuarial Society (FCAS).

2

An Outline of the Rate Reform Package

Group and Non group rate relationships

Target rate levels for group and non group segments were established in the 2009 rate change based on a five year (2003-2007) study of loss experience. The actuarial analysis by segment was tailored to measure class differences between group and non group by removing all elements of the experience rating plan from the premiums. When evaluating loss ratio performance using base premiums only (no experience mods), the study indicated that the group program has a lower average loss ratio compared to statewide, while non group has a higher than average loss ratio relative to statewide. More specifically, the group loss ratio is 20% lower than average, while the non group loss ratio is 30% higher than average. Put into factor form for rating, the class relativity for group is 0.80, and non group is 1.30.

This difference in indicated class rate levels is supported by the implicit underwriting that underlies the selection process for group membership. Generally speaking those employers selected for group have fewer claims in the four year experience period used to determine an individual risk experience mod, and in insurance risk contexts a history of lower claim activity is often correlated with lower than average expected cost. If we change our point of reference from a statewide perspective, and instead compare group relative to non group, then we can express this relationship as follows--group indicated premiums are 38% lower than non group (0.80/1.30-1 = -38%). In other words if the non group premium is $100, then the target group premium is $62.

Comparing target premium levels to actual

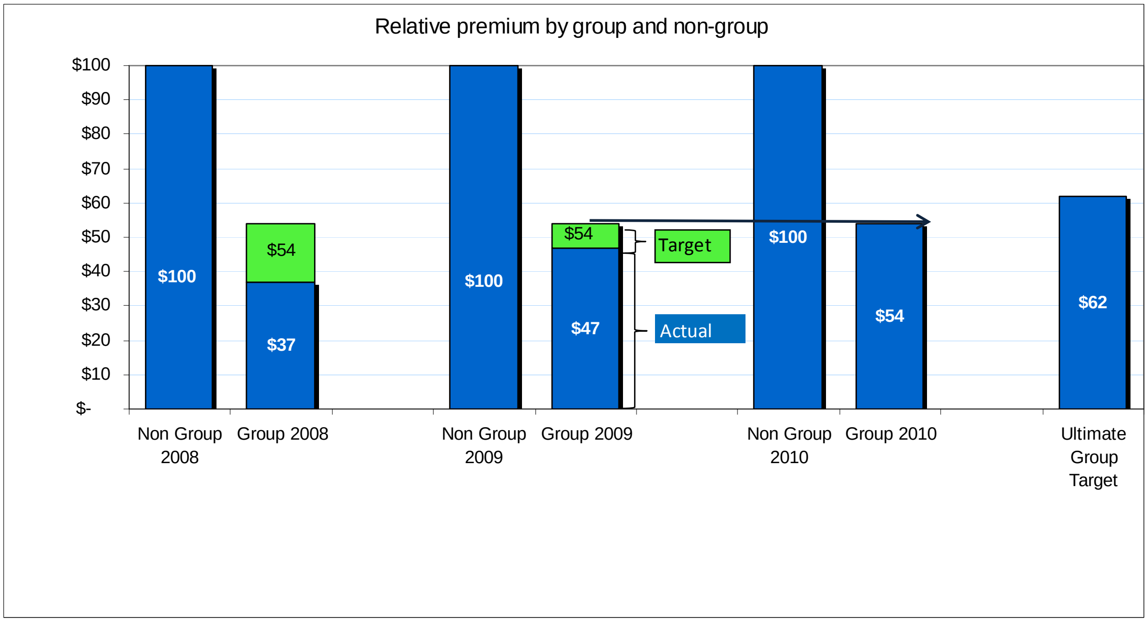
Moving towards a target rate level is difficult for employers when premium increases are significant for particular classes, and in 2009 the desire to contain large rate swings resulted in a group premium target of -46% relative to non group (0.706/1.30-1). In dollar terms the target group premium was $54 for a comparable non group premium of $100. This change allowed the BWC to make significant progress towards sound rates while also managing the annual rate volatility for employers receiving increases.

In the current 2010 rate reform proposal our target relationship between group and non group remains at -46%. With this as our reference point, our task is to measure the actual relationship between group and non group in policy year 2009 premiums, and then make adjustments to the rating plan accordingly.

The primary rating elements through which the segment premium rate difference between group and non group is affected is the experience modifiers (EM's), and new for 2009 the group break even factor (BEF). The base rate off-balance also applies to each segment, however since the off-balance is equal for group and non group risks (1.23), it does not impact the premium relationships.

Group premiums in 2009 were modified by a factor of 0.498, which is a combination of the average EM and BEF across the whole group population (estimated as of August 2009). Similarly non group had an average EM after capping of 1.056. <u>Therefore the implied class relationship in the 2009 rating year between group and non group is -53% (0.498/1.056-1), compared with a target of -46%. In dollar terms 2009 group risks paid $47 for every $100 of non group premium, when the target level was $54.</u> This comparison of target premium to actual premium indicates a group premium increase of roughly 15% in 2010 to reach the $54 level. (Note— rounding causes the numbers here to differ slightly from the exhibits, which show a segment change for group 15.3% higher than non group in table 1, column 5)

The following graph illustrates the progression towards the target relative premium level from rating year 2008 to current.



A synopsis of 2009 rate impacts with hindsight

The group BEF factor was implemented for the first time in 2009. The BEF, along with the off-balance and credibility table changes, was designed to move group premiums to the equivalent target level of $54 with the understanding that class shifting could cause the actual impacts to differ from estimates. Our most recent data shows that the class shifting from 2009 group reformation was extraordinary compared to prior years, resulting in a much lower EM factor and therefore lower premium levels. In short the result was a $47 premium for group when the target was $54 per $100 of non group premium.

<u>As long as groups are allowed to completely reform each year for the purpose of achieving a lower EM, the process of estimating rate level impacts will always have considerable uncertainty as observed in 2009.</u>

The starting point for measuring the impact of the 2010 '65%' credibility table is the 2009 premiums, and these impacts are measured in a traditional fashion assuming a fairly static risk population. In other words the credibility table impacts assume continuity for group and non group alike, when in fact groups are expected to reform for the purpose minimizing increases from the credibility table change. To the extent group composition incurs major shifts again in 2010, some or all of the EM increases could be degraded.

Throughout this analysis please note that the overall premium change is 0%, or revenue neutral. When the statewide BWC PA indication and selected change are introduced next year as part of the annual review the movement in total statewide rate level will be incorporated, however for the purpose of these reform calculations no overall premium is gained or lost in total, rather it is shifted from one segment to another.

Elements of the 2010 rate change

The indicated change in class premiums is a group increase that is 15% higher than non group, with an overall impact of 0%. Another desired outcome of this reform update is to progress towards lowering and eventually eliminating the group BEF.

Moving from a '77' credibility table to a '65' table produces estimated EM increases of 25.3% for group, and 4.4% for non group. In relative terms this is a 20% impact for group over non group, exceeding our 15% target. To bring group back into balance the BEF is lowered by 4% (1.15/1.20) to achieve a net increase 15% higher than non group.

With the class level factor adjustments in place the final step is to make the whole revision revenue neutral, and this is accomplished by reducing the base rate off-balance by -8.7%. A side benefit to this outcome is that the base premiums used for national comparisons have been lowered again this year. In short, the off-balance decrease cancels out the increases derived from the credibility table change. The mechanics of these steps are laid out in tables 3 and 4 in exhibit 2.

Capping adjustments

The reform changes once again include the same capping rules applied in 2009 for non group risks, which mainly limits the premium increases for risks removed from group. Unfortunately the capping process requires us to make some factor adjustments to keep our segment premiums in balance, given that capping only benefits the non group population.

Our first adjustment is to increase the base rate off balance by the estimated amount needed to offset the premium loss due to capping. This increase is 2.6% (or 1.026), and results in a final off-balance of 1.15.

The first adjustment then necessitates a second adjustment, as the group policies also pay more when the off-balance increases. Thus we reduce the BEF to cancel out the off-balance change, giving us and average BEF of 1.227. Tables 5 and 6 in exhibit 3 provide the supporting detail and calculations.

Anticipating the impact of group reformation

If the rate reform plan was adopted as is, and there were not major shifts in classes or group composition, we would expect to realize actual premium levels very close to the estimated targets. In looking at prior renewal periods however, it is clear that a majority of the groups will reform in a way that functions to minimize premiums. Therefore to improve the chances of realizing the target changes, and to minimize the need for adjustments when rates are introduced next year, the selected average BEF is 1.275. This level was chosen to offset the anticipate rate level degradation that will result from the 2010 group formations. Also note that the implementation of the BEF is on a stratified basis linked to the actual EM, ranging from 1.407 to 1.008 as shown in exhibit 4.

3

Data Reliance

Data Files

The following data files were provided by the OBWC to support the production of this study:

1. Policy year 2007 payroll.
2. Policy year 2007 group file.
3. Policy year 2008 base rates and off balances.
4. Policy year 2008 group file.
5. Policy year 2008 EM's.
6. Policy year 2008 rating plan.
7. Policy year 2009 group file.
8. Policy year 2009 base rates.
9. Policy year 2009 EM's.
10. Policy year 2009 rating plan.
11. Policy year 2009 summary losses and payroll.
12. Policy year 2009 LLR table.
13. Policy year 2009 maximum value of a claim table.
14. Policy year 2009 credibility group table.

4

Caveats and Limitations

1. The study results are developed in the text and exhibits, which together comprise the report.

2. The data for this study was provided by the OBWC. In the study we relied on the accuracy and completeness of this data and reviewed such data for reasonableness and consistency. If the data is found to be inaccurate or incomplete, our findings and conclusions may need to be revised.

3. Information concerning the current experience rating program structure was provided by several members of the OBWC staff. In the study, we relied on the accuracy and completeness of this information, sometimes without independent verification. If the information is inaccurate or incomplete, our findings and conclusions may need to be revised.

4. In addition to the assumptions stated in the report, numerous other assumptions underlie the calculations and results presented herein.

5. The study conclusions were based on analysis of the available data and on the estimation of many contingent events.

6. Numbers in the exhibits are generally calculated using more significant digits than their accuracy suggests. This has been done to simplify review of the calculations.

7. The shifting of employers between groups and between group and non group could cause the target rate levels to move over time.

8. Traditional estimates of rate level impacts assume that most risks will remain in the same class, and that the shifting of business between classes will be minimal.

9. The reconstitution of groups will decrease the impact estimates shown here; past results indicate the effect of group reformation can be significant.

10. The capping impact is a rough approximation based on the 2009 policy year results, anticipating a similar level of policies being removed from the group program

11. Flexibility in changing the BEF after group formation is critical to ensuring the overall target rate level is achieved in 2010.

5

Exhibits

Exhibit 1-3: tables 1-6 provide the detail calculations for the estimated rating factors and impacts

Exhibit 4: Proposed break even factor table

2010 Impact of adopting '65' table and stratified break even factor

Exhibit 1

Table 1: Rate Level Indications By Segment--Before Consideration of Base Rate Indications

Segment	[1] Target Segment Relativity	[2] Selected Segment Relativity	[3] Current 2009 EM	[4] Current 2009 Off-Bal	[5] Segment Indicated Change
			[77% Table]		
Non Group	1.300	1.300	1.056	1.23	0.1%
Group	0.800	0.706	0.498	1.23	15.4%
Average					

Notes:
Column [1] from exhibit 10.1
Column [2] is selected by BWC staff based on column [1]
Columns [3] and [4] are from 2009 initial base rates and mods; include the group break even factor; after capping
Column [5] = [2] / ([3] * [4])

Table 2: Rate Level Indications By Segment Combined with the Statewide Base Rate Change

Segment	[1] 2009 Estimated Premium	[2] Segment Indicated Change	[3] Segment Change (on balance)	[4] Baseline Indicated Change	[5] Selected Base Rate Change	[6] Overall Selected Change	[7] Dollar Impact	[8] Target Premium Level
Non Group	$1,184,738,081	0.1%	-4.7%	0.0%	0.0%	-4.7%	-$55,613,773	$1,129,124,308
Group	$565,261,919	15.4%	9.8%	0.0%	0.0%	9.8%	$55,613,773	$620,875,692
Total	$1,750,000,000	5.0%	0.0%	0.0%	0.0%	0.0%	$0	$1,750,000,000

Notes:
Column [1] is estimated based on 2009 group formation and estimated payroll
Column [2] is from table 1, column [5]
Column [3]=(1+[2])/(1+Total [2])-1
Column [4] is TBD
Column [5] is TBD
Column [6]=(1+[3])*(1+[5])-1
Column [7]=[1] * [6]
Column [8]=[1]+ [7]

2010 Impact of adopting '65' table and stratified break even factor

Exhibit 2

Table 3: Impact of Adopting the 65% Maximum Credibility Table in 2010

	[1]	[2]	[3]	[4]	[5]
Segment	2009 Estimated Premium	65% Table Adoption	Dollar Impact	Adjusted Premium	Remaining Segment Change
Non Group	$1,184,738,081	4.4%	$51,988,424	$1,236,726,505	-8.7%
Group	$565,261,919	25.3%	$142,982,786	$708,244,705	-12.3%
	$1,750,000,000	11.1%	$194,971,210	$1,944,971,210	-10.0%

Notes:
Column [1] is estimated based on 2009 group formation and estimated payroll
Column [2] is from Oliver Wyman modeled results; includes premium recapture from non group capped EM's
Column [3]=[1] * [2]
Column [4]=[1] + [3]
Column [5]=(1+table 2, col [6])/(1+[2])-1

Table 4: Impact of Base Rate Off-Balance Change in 2010

	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]
Segment	Adjusted Premium	Off-Balance	Off-Balance Change	Pure Premium Change	Rate Change by Segment	Dollar Impact	Group Break Even Factor Change	Dollar Impact	Adjusted Premium	Difference From Target Premium
Non Group	$1,236,726,505	1.23	-8.7%	0.0%	-8.7%	-$107,602,198	1.000	$0	$1,129,124,308	$0
Group	$708,244,705	1.23	-8.7%	0.0%	-8.7%	-$61,621,293	0.960	-$25,747,719	$620,875,692	$0
	$1,944,971,210	1.23	-8.7%	0.0%	-8.7%	-$169,223,491		-$25,747,719	$1,750,000,000	$0

Notes:
Column [1] is from table 3, column [4]
Column [2] is from Oliver Wyman modeled results
Column [3]=[2] / (table 3, col [5]) - 1; non group change
Column [4] is from table 2, column [5]
Column [5]=(1 + [3]) * (1 + [4]) - 1
Column [6]=[1] * [5]
Column [7]= (1 + table 3, col [5])/(1 + [5])
Column [8]=([7] - 1) * ([1] + [6])
Column [9]=[1]+[6]+[8]
Column [10]=[9]-table 2, col [8]

2010 Impact of adopting '65' table and stratified break even factor

Exhibit 3

Table 5: Impact of Capping Experience Mod Changes

Segment	[1] Adjusted Premium	[2] Estimated Capping Impact	[3] Dollar Impact	[4] Base Rate Adjustment	[5] Final Off-Balance	[6] Dollar Impact	[7] Adjusted Premium	[8] Difference From Target Premium
Non Group	$1,129,124,308	-2.5%	-$28,228,108	1.026	1.15	$28,228,108	$1,129,124,308	$0
Group	$620,875,692	0.0%	$0	1.026	1.15	$15,919,890	$636,795,582	$15,919,890
	$1,750,000,000	-1.6%	-$28,228,108		1.15	$44,147,997	$1,765,919,890	$15,919,890

Notes:
Column [1] is from table 4, column [9]
Column [2]=[3]/[1]
Column [3] is based on the prior year estimate
Column [4]=1/(1+[2])
Column [5]= [4] * (table 4, col [2]) * (table 4, col [3]) + 1); non group
Column [6]=([1]+[3])*([4]-1)
Column [7]=[1]+[3]+[6]
Column [8]=[7]-table 2, col [8]

Table 6: Capping Base Rate Adjustment Reversed for Group

Segment	[1] Adjusted Premium	[2] Adjustment Factor	[3] Dollar Impact	[4] New Group Break Even Factor	[5] Adjusted Premium	[6] Difference From Target Premium	[7] Total Rate Level Impact
Non Group	$1,129,124,308	1.000	$0	1.000	$1,129,124,308	$0	-4.7%
Group	$636,795,582	0.975	-$15,919,890	1.227	$620,875,692	$0	9.8%
	$1,765,919,890		-$15,919,890		$1,750,000,000	$0	0.0%

Notes:
Column [1] is from table 5, column [7]
Column [2]=1/(table 5, col [4]), group only
Column [3]=[1] * ([2]-1)
Column [4]=[2] * (table 4, col [7]) * current BEF
Column [5]=[1] + [3]
Column [6]=[5]-table 2, col [8]
Column [7]=[5] / (table 2, col [1])

Exhibit 4

*Average BEF of 1.275

Private Employers Stratified Group Break Even Factor Table

2010 EM	GBEF
0.35	1.407
0.36	1.399
0.37	1.390
0.38	1.382
0.39	1.373
0.40	1.365
0.41	1.356
0.42	1.348
0.43	1.339
0.44	1.331
0.45	1.322
0.46	1.314
0.47	1.305
0.48	1.297
0.49	1.288
0.50	**1.280**
0.51	**1.271**
0.52	1.263
0.53	1.254
0.54	1.246
0.55	1.237
0.56	1.229
0.57	1.221
0.58	1.212
0.59	1.204
0.60	1.195
0.61	1.187
0.62	1.178
0.63	1.170
0.64	1.161
0.65	1.153
0.66	1.144
0.67	1.136
0.68	1.127
0.69	1.119
0.70	1.110
0.71	1.102
0.72	1.093
0.73	1.085
0.74	1.076
0.75	1.068
0.76	1.059
0.77	1.051
0.78	1.042
0.79	1.034
0.80	1.025
0.81	1.017
0.82	1.008
0.83	1.000

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Proposal on industry group modifications to achieve greater homogeneity for rating programs

Appendix 4

Industry Group Analysis

Summary

As part of the comprehensive rate reform the actuarial division reviewed the current BWC industry groupings for ratemaking purposes and evaluated whether the groupings should be modified for the group rating and group retrospective rating programs. In the insurance industry, homogeneity is a concept wherein risks that exhibit similar frequency and expected costs are grouped together thereby creating groups of statistically meaningful data. The actuarial division in consultation with Oliver Wyman evaluated data using the NCCI hazard groupings that were used in the newly created deductible program. The NCCI's hazard groups are split into ranges by the severity of claims where group A has the least severity and group G has the greatest severity.

Recommendation

The BWC currently uses 10 industry groupings (see exhibit 3 of the Group Rating Annual Report) for ratemaking and programs. The recommendation from the actuarial division and Oliver Wyman is to expand the industry groupings to 22 groups thereby creating greater homogeneity and providing for greater accuracy to ratemaking. Throughout the study, care was taken in ensuring that none of the groupings became too small such that it could not support a group or group retrospective rating program. In the few cases where the grouping appeared to be too small, we observed that the type of manual classifications within those industry groups are ones in which the industrial pursuit is not suitable to be grouped with the other manual classes. For example, industry grouping 7 (in first table of 22 groups), explosives, is very small and may have difficulty meeting the requirements for a group or group retrospective program. The hazard associated with this industry is so dissimilar to the others that combining this with other hazard groupings would defeat the purpose of homogeneity. Further, it would not meet the other requirements within the group rating program, such as providing for similar safety and accident prevention. The more homogeneous the data the more statistically reliable the data becomes and subsequently there will be more accuracy in the ratemaking process.

After receiving feedback from stakeholders, BWC collapsed the groups down to 18 industry groups that were large enough to support either the group rating or group retrospective programs. The collapsing of the 22 groups into 18 groups (shown in the second table) was done with the following changes:

1. Combine Group 3 (Extraction – above ground) & Group 4 (Extraction - below ground) into a new industry grouping 3

2. Merge Group 12 (Transportation – high risk) into Group 11 (Transportation – moderate risk) into a new industry grouping 10.

3. Combine Group 14 (Utility - moderate risk) & Group 15 (Utility – high risk) into a new industry grouping 12.

4. Combine Group 7 (Explosives) & Group 21 (Rocket & Missile testing) into a new industry grouping 6.

The charts below show the proposed groupings:

Original proposal of 22 Industry Groups

Industry Number	Name	Policy Count	2008 Payroll
1	Agriculture	5,613	$383,827,419.88
2	Utility - low risk	1,925	$841,738,209.36
3	Extraction - above ground	392	$217,097,874.00
4	Extraction - below ground	30	$100,872,461.00
5	Manufacturing - low risk	14,262	$14,026,837,613.56
6	Manufacturing - high risk	1,318	$1,960,366,938.00
7	Explosives	138	$187,428,402.99
8	Construction - low risk	2,034	$334,089,397.83
9	Construction - moderate risk	27,006	$7,293,864,303.12
10	Transportation - low risk	1,902	$1,152,661,853.95
11	Transportation - moderate risk	3,992	$1,856,848,591.05
12	Transportation - high risk	79	$109,418,902.00
13	Traveling sales and clerical	46,999	$20,228,562,299.99
14	Utility - moderate risk	150	$370,903,221.63
15	Utility - high risk	42	$73,256,205.00
16	Commercial/Retail	28,255	$9,938,431,782.14
17	Raw materials	2,446	$1,938,109,409.86
18	Travel & Entertainment	14,752	$3,534,986,593.65
19	Healthcare & housing	50,747	$20,730,534,771.33
20	Communications & Amusement	9,463	$747,179,890.46
21	Rocket & missile testing	473	$547,503,418.00
22	Emergency response	915	$476,894,407.75

Revised 18 industry groupings based upon stakeholder feedback

Industry Number	Name	Policy Count	2008 Payroll
1	Agriculture	5,613	$383,827,419.88
2	Utility - low risk	1,925	$841,738,209.36
3 *	Extraction	422	$317,970,335.00
4	Manufacturing - low risk	14,262	$14,026,837,613.56
5	Manufacturing - high risk	1,318	$1,960,366,938.00
6**	Explosives; Rocket and Missile testing	611	$734,931,820.99
7	Construction - low risk	2,034	$334,089,397.83
8	Construction - moderate risk	27,006	$7,293,864,303.12
9	Transportation - low risk	1,902	$1,152,661,853.95
10***	Transportation - moderate and high risk	4,071	$1,966,267,493.05
11	Traveling sales and clerical	46,999	$20,228,562,299.99
12****	Utility - moderate and high risk	192	$444,159,426.63
13	Commercial/Retail	28,255	$9,938,431,782.14
14	Raw materials	2,446	$1,938,109,409.86
15	Travel & Entertainment	14,752	$3,534,986,593.65
16	Healthcare & housing	50,747	$20,730,534,771.33
17	Communications & Amusement	9,463	$747,179,890.46
18	Emergency response	915	$476,894,407.75
3* - The industries 3 & 4 are combined from the 22 industry grouping list			
6** - The industries 7 & 21 are combined from the 22 industry grouping list			
10*** - The industries 11 &12 are combined from the 22 industry grouping list			
12**** - The industries 14 & 15 are combined from the 22 industry grouping list			

Homogeneity

August 3, 2009

Homogeneity Study

- Divide experience into groups with similar characteristics
  - similar claim severity
  - similar claim frequency
- Homogeneity of risks provides more accuracy in rate setting
  - Casualty Actuary Society (CAS) ratemaking principle
- Increases credibility of loss experience, predictability
- Industry groupings are used to spread the catastrophic losses in excess of $250,000

Benchmarking Other States

- NCCI has 37 industry groupings and 7 hazard levels (used by 38 states)
- State of Washington has 14 industry groupings for group retro
- Class rating and deductible plans are based on homogeneity
  - current example is in rating plan already

Evaluation performed by BWC

- Reviewed 534 manual numbers by payroll, premium and incurred loss history as of Sept. 30, 2008 (MIRA 2)
- Applied the NCCI hazard levels to BWC's 10 industry groups – 70 possible groups
- Combined like hazard levels down to 29 groups
- Reviewed class descriptions and consolidated 22 groups that could still support group and group retro minimum size
- Oliver Wyman has found the groupings to be actuarially sound

Example 1

BWC Industry Group 9 - High Risk Commercial/Service

- Now split into two new groups (industries 21 and 22)

- Industry group 21 is primarily rocket & missile testing
  - Average Claim size - $3,312
- Industry group 22 is primarily emergency response
  - Average Claim size - $7,038

Example 2

BWC Industry 8 – Service split into three industry groupings (Now split into three new groups industries 18, 19 and 20)

1. Industry group 18 is primarily travel & entertainment
   - Average Claim Size – $2,500
2. Industry group 19 is primarily healthcare & travel
   - Average Claim Size – $4,419
3. Industry group 20 is primarily communications & amusement
   - Average Claim loss - $7,667

Original 10 versus Proposed

Industry Group Number	Industry Group Name	Current Industry Manual Class Count	Count of classes staying in primary industry group	Count of classes moving to new industry group	Count of classes moving to new industry group	Count of classes moving to new industry group
1	Agriculture	14	13	1		
2	Extraction	13	10	3		
3	Manufacturing	247	199	43	5	
4	Construction	88	58	19	9	2
5	Transportation	21	11	6	4	
6	Utility	8	4	2	2	
7	Commercial	52	40	12		
8	Service	70	48	11	10	1
9	High Risk Commercial/Service	13	6	4	3	
10	Office Work/Miscellaneous	8	8			
	Total	534	397	101	33	3

New Industry Grouping Table

Industry Group	Manual Classification
1	0005, 0008, 0016, 0034, 0035, 0036, 0037, 0079, 0083, 0113, 0170, 0251, 2709
2	2702, 3719, 3726, 5037, 5040, 5057, 5059, 5069, 5472, 5473, 5506, 5551, 6206, 6214, 6216, 6235, 6252, 6260, 7538, 8227
3	1165, 1320, 1430, 1438, 1452, 1624, 1654, 1655, 1710, 4000,
4	1005, 1016, 1164
5	1853, 1860, 1924, 1925, 2001, 2002, 2003, 2016, 2021, 2039, 2041, 2065, 2070, 2081, 2089, 2095, 2110, 2111, 2112, 2114, 2121, 2130, 2143, 2172, 2174, 2220, 2286, 2288, 2300, 2302, 2305, 2361, 2362, 2380, 2386, 2388, 2413, 2416, 2417, 2501, 2503, 2534, 2570, 2600, 2623, 2651, 2660, 2670, 2683, 2688, 2714, 2735, 2759, 2790, 2802, 2812, 2835, 2836, 2841, 2881, 2883, 2913, 2915, 2923, 2942, 2960, 3022, 3028, 3041, 3042, 3064, 3076, 3110, 3111, 3113, 3114, 3118, 3119, 3122, 3126, 3131, 3132, 3145, 3146, 3169, 3175, 3179, 3180, 3188, 3220, 3223, 3224, 3227, 3240, 3241, 3255, 3257, 3270, 3300, 3303, 3307, 3315, 3334, 3372, 3373, 3383, 3385, 3400, 3507, 3515, 3548, 3559, 3574, 3581, 3612, 3629, 3632, 3634, 3635, 3638, 3642, 3643, 3647, 3648, 3681, 3685, 3803, 3807, 3808, 3821, 3822, 3824, 3826, 3827, 3830, 3851, 3865, 3881, 4038, 4053, 4061, 4062, 4101, 4111, 4112, 4113, 4114, 4130, 4131, 4133, 4150, 4206, 4207, 4240, 4243, 4244, 4250, 4251, 4263, 4273, 4279, 4282, 4283, 4299, 4304, 4307, 4351, 4352, 4360, 4410, 4431, 4432, 4452, 4459, 4470, 4484, 4493, 4557, 4558, 4561, 4611, 4653, 4670, 4683, 4692, 4693, 4703, 4717, 4720, 4741, 4828, 4902, 4923, 5951, 6504, 6834, 9501, 9505, 9522
6	1463, 1472, 1642, 1699, 1701, 1747, 1748, 1803, 2014, 2211, 2402, 2710, 2731, 2916, 3004, 3018, 3027, 3030, 3040, 3081, 3082, 3085, 3336, 3620, 4021, 4024, 4034, 4036, 4239, 4420, 4439, 4568, 4581, 4583, 4665, 4686, 4740, 4751, 4825, 4829, 6017, 6018, 6811, 6854, 6884
7	1741, 1852, 4635, 4771, 4777, 6882, 7710, 7711, 8606, 9984, 9985
8	0042, 0050, 5215, 5402, 5443, 5479, 5610, 6045, 6400
9	0106, 1322, 3069, 3365, 3724, 5020, 5022, 5102, 5146, 5160, 5183, 5188, 5190, 5213, 5221, 5222, 5223, 5348, 5403, 5437, 5445, 5462, 5474, 5478, 5480, 5491, 5507, 5508, 5535, 5537, 5538, 5605, 5606, 5645, 5651, 5703, 5705, 6003, 6005, 6204, 6213, 6217, 6229, 6233, 6236, 6237, 6251, 6306, 6319, 6325, 7601, 7605, 7611, 7612, 7613, 7855, 9534, 9554
10	7230, 7231, 7370, 7380, 7382, 7705
11	2701, 6704, 7133, 7222, 7228, 7229, 7232, 7403, 7405, 7421, 8385
12	7420, 7422, 7425, 7431
13	7520, 8721, 8742, 8748, 8755, 8803, 8810, 8820, 8871, 8901
14	7502, 7539, 7580, 7600
15	7515, 7540, 9170
16	0400, 0401, 2105, 2131, 2157, 4361, 7390, 8001, 8002, 8006, 8008, 8010, 8013, 8015, 8017, 8018, 8021, 8031, 8032, 8033, 8039, 8044, 8045, 8046, 8047, 8058, 8072, 8102, 8103, 8105, 8111, 8116, 8203, 8209, 8235, 8263, 8380, 8381, 8393, 8745
17	8106, 8107, 8204, 8215, 8232, 8233, 8264, 8265, 8288, 8304, 8350, 8500
18	8799, 8800, 8825, 9058, 9061, 9062, 9082, 9083, 9178, 9586
19	0917, 2585, 2586, 2587, 2589, 4362, 5191, 5192, 7610, 8291, 8292, 8392, 8601, 8824, 8826, 8829, 8831, 8832, 8833, 8835, 8842, 8864, 8868, 8869, 9012, 9014, 9015, 9016, 9019, 9033, 9040, 9044, 9052, 9059, 9060, 9063, 9084, 9089, 9093, 9101, 9102, 9154, 9156, 9179, 9182, 9220, 9600, 9620
20	6836, 7360, 8279, 8293, 8720, 8989, 9180, 9186, 9516, 9519, 9521
21	4511, 7590, 9088
22	7704, 7720, 9402, 9403

Next Steps

- Feedback from Public
  - Comments back to Jeremy by August 14, 2009.
  - BWC will review feedback and finalize table with input
- Other Information
  - To be implemented with PA group and group retro beginning 7-1-2010
  - Homogeneity groups will be added to PIRS data request system

Service Association of Ohio (SAO)
Study on loss ratios

Appendix 5

Transition to new credibility table
Past results

Non Group policies (including base rated)

[1] Policy Year	[2] Incurred Losses Evaluated as of	[3] Undeveloped Incurred Losses	[4] Premium	[5] Loss Ratio
2003	3/31/2005	568,493,676	1,212,017,128	46.9%
2004	3/31/2006	508,621,732	1,339,310,748	38.0%
2005	3/31/2007	468,650,846	1,229,387,141	38.1%
2006	3/31/2008	412,382,998	1,170,543,357	35.2%
Total		1,958,149,252	4,951,258,374	39.5%

Group Policies

[1] Policy Year	[2] Incurred Losses Evaluated as of	[3] Undeveloped Incurred Losses	[4] Premium	[5] Loss Ratio	[6] Grp [5]/non Grp [5]
2003	3/31/2005	422,863,701	408,225,707	103.6%	2.21
2004	3/31/2006	335,121,277	394,258,436	85.0%	2.24
2005	3/31/2007	292,650,438	395,388,376	74.0%	1.94
2006	3/31/2008	317,915,571	510,408,288	62.3%	1.77
Total		1,368,550,987	1,708,280,807	80.1%	2.03

All Policies

[1] Policy Year	[2] Incurred Losses Evaluated as of	[3] Undeveloped Incurred Losses	[4] Premium	[5] Loss Ratio
2003	3/31/2005	991,357,377	1,620,242,835	61.2%
2004	3/31/2006	843,743,009	1,733,569,184	48.7%
2005	3/31/2007	761,301,284	1,624,775,517	46.9%
2006	3/31/2008	730,298,569	1,680,951,644	43.4%
Total		3,326,700,239	6,659,539,180	50.0%

Improvement in the relationship of group loss ratios to non group from 2004 to 2006 shows that the credibility changes have progressed in the right direction, however the group loss ratio remains 77% higher in 2006 (col. [6] = 1.77) showing there is still a large gap remaining between these policy segments. Ignoring expense differences, equity will be achieved when the expected loss ratios are equal across these segments.

These loss ratios were developed for relative comparisons only, and cannot be used to evaluate overall performance. In other words, loss ratios below 100% do not imply adequate performance.

Transition to New Credibility Table - Past and Projected Results
SAO Combined Projected Results

Non Group Policies (Including Base Rated)

[1] Policy Year	[2] Maximum C%	[3] Incurred Losses Evaluated as of	[4] Underdeveloped Incurred Losses	[5] Premium	[6] Loss Ratio
2003	100%	3/31/2005	$568,493,676	$1,212,017,128	46.9%
2004	100%	3/31/2006	$508,621,732	$1,339,310,748	38.0%
2005	95%	3/31/2007	$468,650,846	$1,229,387,141	38.1%
2006	93%	3/31/2008	$412,382,998	$1,170,543,357	35.2%
4 Year Total			$1,958,149,252	$4,951,258,374	39.5%
Proj. 2007	90%	6/30/2009	$543,169,845	$1,204,356,948	45.1%
Proj. 2008	85%	6/30/2009	$589,869,795	$1,105,298,910	53.4%
Proj. 2009	77%				

Group Policies

[1] Policy Year	[2] Maximum C%	[3] Incurred Losses Evaluated as of	[4] Underdeveloped Incurred Losses	[5] Premium	[6] Loss Ratio	[7] Grp[5]/nonGrp[5]
2003	100%	3/31/2005	$422,863,701	$408,225,707	103.6%	2.21
2004	100%	3/31/2006	$335,121,277	$394,258,436	85.0%	2.24
2005	95%	3/31/2007	$292,650,438	$395,388,376	74.0%	1.94
2006	93%	3/31/2008	$317,915,571	$510,408,288	62.3%	1.77
4 Year Total			$1,368,550,987	$1,708,280,807	80.1%	2.03
Proj. 2007	90%	6/30/2009	$206,830,155	$501,643,052	41.2%	0.91
Proj. 2008	85%	6/30/2009	$153,730,205	$584,701,090	26.3%	0.49
Proj. 2009	77%					

All Policies

[1] Policy Year	[2] Maximum C%	[3] Incurred Losses Evaluated as of	[4] Underdeveloped Incurred Losses	[5] Premium	[6] Loss Ratio
2003	100%	3/31/2005	$991,357,377	$1,620,242,835	61.2%
2004	100%	3/31/2006	$843,743,009	$1,733,569,184	48.7%
2005	95%	3/31/2007	$761,301,284	$1,624,775,517	46.9%
2006	93%	3/31/2008	$730,298,569	$1,680,951,644	43.4%
4 Year Total			$3,326,700,239	$6,659,539,180	50.0%
Proj. 2007	90%	6/30/2009	$750,000,000	$1,706,000,000	44.0%
Proj. 2008	85%	6/30/2009	$743,600,000	$1,690,000,000	44.0%
Proj. 2009	77%				

Transition to New Credibility Table - Past and Projected Results

Assumptions:

1. Total "All Policies" premium as projected for 2007and 2008 is as shown on annual BWC rate sheets.
2. Total "All Policies" incurred losses projected for 2007 are increased at a slightly higher % than premium.
3. Total "All Policies" incurred losses projected for 2008 are decreased by the % decrease in collectable premium from BWC rate sheets.
4. Total "Group Policies" incurred losses projected for 2007 are actual losses as of 6/30/09 for Statewide group employers (based on SAO clients)
5. Total "Group Policies" incurred losses projected for 2008 are actual losses as of 6/30/09 for Statewide group employers (based on SAO clients)
6. Total "Group Policies" premium is projected for 2007 using 2007 rate year payroll for Statewide group employers (based on SAO clients)
7. Total "Group Policies" premium is projected for 2008 using 2008 calendar year payroll for Statewide group employers (based on SAO clients)

Conclusion:

1. "Loss Ratio Equilibrium" is projected to have occurred in 2007 with the 90% maximum credibility table.

BWC's report on
<u>ACTUAL</u> loss ratios

Appendix 6

Review of SAO's Projected Results and Analytical Errors,

And Discussion of Actual Results

In August 2009, during a meeting with the Coalition Steering Committee, an analysis was presented to BWC done by the Service Association of Ohio (SAO) that purports to show that the loss ratios for the group program are actually lower than for the non-group segment, and led them to the conclusion that reducing maximum credibility below 90% is going too far. This conclusion is false, based on erroneous assumptions and flawed methodology, and is diametrically opposite to the actual results of the group and non-group segments. In this paper you will find a critique of the SAO work product, as well as the real story based on actual data.

During that August 2009 meeting, BWC told SAO that the analysis was severely flawed and that we would provide real, up-to-date data and analysis.

The SAO Analysis (Appendix 5)

The analysis starts with four years of actual data pulled from an exhibit provided by Oliver Wyman (OW) actuarial consulting in 2008. The Oliver Wyman analysis shows undeveloped incurred loss ratios from policy years 2003 through 2006. The data is divided into the two segments, group and non-group, and shown in total. The ratio of group loss ratios to non-group loss ratios is well above 1.00, the target for an equitable system: 2.21, 2.24, 1.94, and 1.77, for 2003 to 2006 respectively. The OW consultants provide comments:

> "Improvement in the relationship of group loss ratios to non group from 2004 to 2006 shows that the credibility changes have progressed in the right direction, however the group loss ratio remains 77% higher in 2006 (col. [6] = 1.77) showing there is still a large gap remaining between these policy segments."

The OW exhibit also contains the following advice:

> "These loss ratios were developed for relative comparisons only, and cannot be used to evaluate overall performance. In other words, loss ratios below 100% do not imply adequate performance."

SAO took this analysis and added projected results for 2007 and 2008. They first projected overall results by assuming that the undeveloped incurred loss ratios for 2006 would continue for the next two years. **This is where the first three errors occurred.** 1) For 2007, BWC kept the overall rate level the same as 2006, but decreased rates by 5% in 2008. That alone would change the loss ratio. 2) It is clear that the loss ratios vary from year to year so it makes no sense to assume they would not change, particularly since these are immature loss ratios. 3) The OW analysis showed each year at the same state of maturity – age 21 months (9 months after the year ended), allowing year to year comparisons. The SAO projected constant loss ratios for years with different maturities – age 24 months for policy year

2007 and age 12 months for 2008. The loss ratio for the more recent, less mature year ought to be lower.

SAO's next step is best described as the fabrication of group data. While it is not clear from their list of assumptions, they described to us that the group loss projections for 2007 and 2008 are an extrapolation based on SAO member data to the entire group population. **This is the fourth error.** It is clear that results vary from one TPA to the next and that in any one year the loss ratio for one TPA is not likely to be similar to those of other TPAs. This aspect of the analysis is not only wrong, but any conclusion from it is destined to be misleading. The extrapolation of SAO experience for 2007 and 2008 shows a lower loss ratio the second year, leading to the false implication of improved performance in the group segment. As mentioned above, these two years are shown at different ages; the younger year is expected to have a lower loss ratio because the claims have not progressed as much as the older year. **This is the fifth error.** The normal ageing process for incurred losses is apparent in the SAO group projection but absent from the system wide total figures they're comparing them to (see error no. 3).

The SAO analysis then makes its sixth error. After making inappropriate assumptions about the group segment's, and the system's total premium and losses, they simply subtracted to get imputed non-group "data." After assuming that the total loss ratios are constant and that the group loss ratios are falling, it is only a mathematical consequence that the remaining non-group loss ratios would rise.

Unfortunately, SAO has reached a severely flawed conclusion that has serious implications for the health of Ohio's workers' compensation system.

Actual Results (attached)

BWC staff updated the entire OW analysis and added data for policy years 2007 and 2008. We evaluated 2007 at the same age (21 months) as 2003 through 2006. We also included policy 2008 year at age 12 months for information only, without additional analysis. Loss ratios for the group and non-group segments and for the total are shown.

We compared loss ratios between the group and non-group segments in the same manner as in the OW analysis. For the five years, 2003 to 2007, loss ratios for group are consistently higher than those of non-group. The ratios of group loss ratio to non-group loss ratio are: 1.89, 1.99, 1.85, 1.68, and 1.77. The clear implication is that the premium for group employers is much less adequate than for the non-group segment. The figure for 2007 casts a shadow over the OW conclusion based on 2003 through 2006, that there has been progress. The maximum credibility for policy year 2007 was 90%. We have not gone too far, but have much farther to go.

BWC produced loss Ratios

Non Group

Policy Year	Policy Count	Claim Count	Maximum Credibility	Extract Date	Undeveloped Incurred Costs including case reserves	Pure Premium	Pure Premium Loss Ratio
2003	162,529	75,953	100%	3/31/2005	580,505,248	993,357,705	58.4%
2004	153,959	72,624	100%	3/31/2006	511,977,012	1,090,818,605	46.9%
2005	150,478	70,334	95%	3/31/2007	477,056,384	1,078,164,878	44.2%
2006	141,450	59,853	93%	3/31/2008	438,055,643	1,078,424,773	40.6%
2007	132,622	53,248	90%	3/31/2009	290,328,262	1,104,181,371	26.3%
2008	123,620	39,677	85%	6/30/2009	168,837,698	1,093,700,194	15.4%
						6,438,647,525	
2009	115,448		77%			1,038,680,685	

Group

Policy Year	Policy Count	Claim Count	Maximum Credibility	Extract Date	Undeveloped Incurred Costs including case reserves	Pure Premium	Pure Premium Loss Ratio	Pure Premium Group (Loss Ratio) to Non Group (Loss Ratio)
2003	81,033	74,988	100%	3/31/2005	446,304,532	403,494,448	110.6%	1.89
2004	88,921	69,470	100%	3/31/2006	369,073,937	394,338,661	93.6%	1.99
2005	89,956	63,016	95%	3/31/2007	319,525,911	389,347,059	82.1%	1.85
2006	95,239	62,750	93%	3/31/2008	337,659,325	493,814,039	68.4%	1.68
2007	97,153	58,505	90%	3/31/2009	262,883,559	563,573,441	46.6%	1.77
2008	99,360	48,430	85%	6/30/2009	176,223,491	620,565,557	28.4%	1.84
						2,865,133,205		
2009	93,768		77%			477,555,566		

All Policies

Policy Year	Policy Count	Claim Count	Maximum Credibility	Extract Date	Undeveloped Incurred Costs including case reserves	Pure Premium	Pure Premium Loss Ratio
2003	243,562	150,941	100%	3/31/2005	1,026,809,780	1,396,852,153	73.5%
2004	242,880	142,094	100%	3/31/2006	881,050,949	1,485,157,266	59.3%
2005	240,434	133,350	95%	3/31/2007	796,582,296	1,467,511,937	54.3%
2006	236,689	122,603	93%	3/31/2008	775,714,969	1,572,238,811	49.3%
2007	229,775	111,753	90%	3/31/2009	553,211,821	1,667,754,812	33.2%
2008	222,980	88,107	85%	6/30/2009	345,061,188	1,714,265,750	20.1%
						9,303,780,730	
2009	209,216	0	77%			1,516,236,251	

The loss ratio analysis does not show significant improvement in the group to non-group performance. The comparison for 2006 had a ratio of 1.68 that has increased to 1.77 in 2007.

BWC's reported claim statistics by group and non-group

Appendix 7

Frequency and Severity Claim Statistics

This analysis of claims statistics is intended to provide information on the utilization of the workers' compensation system in Ohio by analyzing frequency and severity of workers' compensation claims. The analysis is segregated by employer premium.

The first table analyzed the data for all employers that reported payroll during the 2007 policy year (reported payroll > $0 for each of the two payroll reporting periods). While these results indicate that approximately 38 percent of employers experienced a claim during the most recent eight year period, the analysis included policies that have not been in place for the entire eight years. As a result, new employers that could not have had a claim during some of these time periods were included.

To adjust for this problem a second analysis was performed using only those employers that had workers' compensation coverage for the entire 2000-2007 period. The results of this analysis are in the second table.

Both analyses produced similar results with the second study producing a slightly higher claim frequency.

All policies reporting payroll for the 7/1/2007 policy year regardless of coverage status in the past policy years 2000 through 2006

			Past Policy Year (2007)				Last 3 Policy Years			Last 5 Policy Years			Last 8 Policy Years		
Premium Range	Average Premium Size	Total Policies with payroll in 2007	% of polices w/ claim	Average Cost Per Claim	Claims Per Policy	At least one claim last three years	% of polices w/ claim	Average Cost Per Claim	Claims Per Policy	% of polices w/ claim	Average Cost Per Claim	Claims Per Policy	% of polices w/ claim	Average Cost Per Claim	Claims Per Policy
TOTALS	---	**210,214**	**15.8%**	**$4,624**	**0.57**	**56,323**	**26.8%**	**$5,063**	**1.76**	**34.0%**	**$5,424**	**2.96**	**38.3%**	**$5,671**	**4.88**
$100 and less	$52	20,887	0.8%	$7,619	0.01	512	2.5%	$9,265	0.03	4.6%	$10,933	0.06	5.7%	$9,642	0.11
$101 - $1000	$434	87,222	3.3%	$7,823	0.04	7,292	8.4%	$7,211	0.11	15.0%	$7,005	0.18	17.2%	$7,078	0.31
$1001 - $5000	$2,326	59,950	13.4%	$5,671	0.18	17,617	29.4%	$5,742	0.55	39.8%	$5,322	0.93	48.4%	$5,302	1.57
$5001 - $10,000	$7,027	15,779	30.5%	$5,135	0.49	8,846	56.1%	$5,351	1.55	65.0%	$5,304	2.70	71.5%	$5,331	4.53
$10,001 - $25,000	$15,749	12,762	48.5%	$5,406	1.11	9,336	73.2%	$5,334	3.45	81.5%	$5,335	5.99	85.0%	$5,507	10.08
$25,001 +	$104,685	13,614	81.7%	$4,186	6.21	12,720	93.4%	$4,810	18.97	95.5%	$5,392	31.67	96.3%	$5,719	51.62

Policies reporting payroll for the 7/1/2007 policy year and with coverage all eight years

			Past Policy Year (2007)				Last 3 Policy Years			Last 5 Policy Years			Last 8 Policy Years		
Premium Range	Average Premium Size	Total Policies for all 8 years	% of polices w/ claim	Average Cost Per Claim	Claims Per Policy	At least one claim last three years	% of polices w/ claim	Average Cost Per Claim	Claims Per Policy	% of polices w/ claim	Average Cost Per Claim	Claims Per Policy	% of polices w/ claim	Average Cost Per Claim	Claims Per Policy
TOTALS	---	**132,740**	**18.4%**	**$4,409**	**0.69**	**41,738**	**31.4%**	**$4,918**	**2.22**	**39.5%**	**$5,327**	**3.91**	**47.8%**	**$5,608**	**6.84**
$100 and less	$54	12,494	0.8%	$4,683	0.01	310	2.5%	$7,336	0.03	4.0%	$11,068	0.06	7.1%	$8,552	0.14
$101 - $1000	$430	53,863	3.4%	$6,846	0.04	4,929	9.2%	$6,991	0.12	13.8%	$6,676	0.20	21.9%	$6,919	0.41
$1001 - $5000	$2,330	36,890	15.1%	$5,688	0.20	12,828	34.8%	$5,596	0.65	49.1%	$5,097	1.18	62.2%	$5,153	2.18
$5001 - $10,000	$7,042	10,019	33.4%	$4,810	0.55	6,306	62.9%	$5,079	1.85	78.5%	$5,095	3.44	88.0%	$5,168	6.23
$10,001 - $25,000	$15,916	8,888	52.4%	$5,315	1.17	7,179	80.8%	$5,249	3.90	91.0%	$5,257	7.08	95.6%	$5,461	12.74
$25,001 +	$105,551	10,586	83.9%	$4,018	6.26	10,186	96.2%	$4,705	19.95	98.5%	$5,336	34.55	99.4%	$5,683	59.34

Only policies that paid premium for both reporting periods in 7/1/2007 policy year were included

Only policies with a current status (active, reinstate, combine, total experience transfer, lapse, debtor-in-possession) as of 6/30/09 were included

All 2007 claims and costs are included (both allowed and disallowed claims)

Policies are grouped based on premiums paid for the 7/1/07 policy year

Past Year Column: includes claims from the 7/1/07 policy year

Last Three Years Column: includes claims from the 7/1/05 - 7/1/07 policy years

Last Five Years Column: includes claims from the 7/1/03 - 7/1/07 policy years

Summary of independent actuarial studies of the Group-Experience Rating program

Appendix 8

Summary of Independent Actuarial Studies

The Ohio Bureau of Workers' Compensation has requested studies from independent actuarial consultants on the group rating program. These studies have shown an inequity between the group rated employers and those employers not in group. A summary of these studies follows:

1990

Mercer Meidinger Hansen Actuarial Consultants

Report signed by:

Robert Finger, FCAS, MAAA, CPCU, Principal

This report prepared by Mercer before the start of the group rating program presented issues with how the group rating program was set up and the concerns that manipulation of experience would take place when groups select only employers without claims or larger employers with minimal claims. By doing this the group's premium would be less than it should be and it would increase the off-balance and the base rates causing non-group rated employers to pay higher premiums.

1991

William M. Mercer, Actuarial Consultants

Report signed by:

James Inkrott, FCAS, MAAA, CPCU, CLU, Principal

Chad C. Wischmeyer, FCAS, MAAA

The initial evaluation of the group rating program again pointed out that "the current method of group rating significantly reduces the actuarial equity in workers' compensation rates for employers in the State of Ohio." This report stressed that the base rate would be artificially higher which would cause the non-group rated employers to pay a higher amount of premium. The report also stated that some employers are receiving more credit on their premium then they deserve.

1993

William M. Mercer, Actuarial Consultants

Report signed by:

James Inkrott, FCAS, MAAA, CPCU, CLU, Principal

The evaluation of group rating concluded that, "the available data indicate that the credits being given under group experience rating should be reduced significantly and premiums for group-rated employers should be increased, while base rates and premiums for non-group rated employers should be reduced in order to restore equity in the experience rating process." This study stated that the non-group employers are subsidizing the group-rated employers.

1994

William M. Mercer, Actuarial Consultants

Report signed by:

James Inkrott, FCAS, MAAA, CPCU, CLU, Principal

Jeffery J. Scott, ACAS, MAAA

This study estimated that non-group employers have subsidized the group employers by $128 million and that similar subsidies would continue for subsequent rating periods. The study suggested that the credibility factor be changed to lessen the group discounts.

1995

William M. Mercer, Actuarial Consultants

Report signed by:

James Inkrott, FCAS, MAAA, CPCU, CLU, Principal

Jeffery J. Scott, FCAS, MAAA

"The main conclusion from this analysis is that the use of either the updated Ohio plan (with major revisions to the credibility table) or the NCCI plan would increase the actuarial equity of the experience rating program as compared to the current Ohio plan." The study also confirmed the 1994 study that the loss ratios for group rated employers were relatively higher than those for non-group rated employers.

2001

William M. Mercer, Actuarial Consultants

Report signed by:

James Inkrott, FCAS, MAAA, CPCU, CLU, Principal

Jeffery J. Scott, FCAS, MAAA

Hou-wen Jeng, FCAS, Are

Eileen P. Roach

This study updated previous studies to include more recent policy year information. This study also tested previous analyses by using a different approach using SAS programming. The results of the analysis remained the same as previous analyses.

2004

Mercer Oliver Wyman, Actuarial Consultants

Report signed by:

Jeffery J. Scott, FCAS, MAAA

Eileen P. Roach

"The preliminary conclusions to be drawn from the exhibits is that the emerging "loss ratios" (i.e. losses divided by premiums) for group rated employers are noticeably higher than for non-group rated employers…. The implication is that group rated employers have been paying relatively lower premiums (compared to non group employers) than is indicated by their emerging loss experience. In other words, even though group rating may have resulted in overall reduction in losses for the fund, group rated employers have enjoyed higher credits than can be supported by their actual losses."

2006

Pinnacle Actuarial Resources, Inc.

Report signed by:

Chris Carlson, FCAS

The BWC hired Pinnacle to review the group rating program. As a result of this study Pinnacle determined that " the current experience rating plan credits overreact to the group-rated experience resulting in an actual loss ratio after the Group Rating experience adjustments that is significantly higher than the private employer overall average loss ratio. When compared with the Base and non-group Experience Rated policies, the average Group Rating credit should be in the neighborhood of 45 percent. In the current plan, the average Group Rating credit for Private Employers is in excess of 75 percent."

The Pinnacle study also addressed the base rate impact of group rating by stating that private employer base rates are estimated to be overstated by roughly 20 % due to group rating. Based upon their review Pinnacle suggested 3 changes to the group rating program:

1) Continue to reduce the credibility table with an indicated maximum of 60% in a shorter time frame.
2) Create an alternative credibility table with an expansion of the expected loss ranges beyond $1 million in expected losses.
3) Replace the current experience rating calculation structure with a structure similar to that used in most other states as developed by NCCI.

2007

AON Actuarial Consulting

Report signed by:

Joseph P. Kilroy, FCAS, MAAA, Director and Actuary

Mark Brissman, FCAS, MAAA, MSIA, CPCU, Director and Actuary

Peter L. Lindquist, FCAS, MAAA, Assistant Director and Actuary

Ni Qin-Feng, FCAS, MAAA, Assistant Director and Actuary

Brenda Reddick, ACAS, MAAA, Senior Consultant and Actuary

Bill Keros, ACAS, MAAA, Senior Consultant and Actuary

Amy L. Sestito, FCAS, MAAA, Senior Consultant and Actuary

Zoe Rico, ACAS, MAAA, Consultant and Actuary

Jay Matthew South, FCAS, MAAA, Assistant Director and Actuary

This report was commissioned by the Workers' Compensation Oversight Commission.

The report concluded that "The current Group Rating Plan in Ohio has resulted in a much larger off-balance adjustment than industry standards in the calculation of rates for individual classifications. As a result, non-group rated employers are paying exorbitantly high base rates, and subsidizing the group rated employers in the process.

As detailed in task B, (of proposal and RFP), group rating has had a significant adverse effect on pricing equity – prices for various groups are no reflective of underlying costs and therefore there exists substantial cross-subsidization."

2009

Deloitte Actuarial Consulting

Report signed by:

Jan Lommele, FCAS, MAAA, FCA, Principal and Lead Actuary

Bob Miccolis, FCAS, MAAA, Senior Advisory Actuary and Alternate Lead Actuary Dave Heppen, FCAS, MAAA, Senior Manager

Bill Van Dyke, ACAS, MAAA, Senior Manager

Dave Heppan, FCAS, MAAA, Senior Manager

This report was commissioned by House Bill 100 wherein the Legislature required a comprehensive review of the Bureau of Workers' Compensation. An RFP was issued and awarded to Deloitte Consulting, LLP.

Summary of conclusions as quoted from the Deloitte report March 12, 2009.

- The group experience rating process is inconsistent with the basic tenets of an experience rating plan, as it creates greater dispersion and instability.
- Given that the individual experience rating formula, when applied to groups, produces results that are inconsistent with the basic tenets of experience rating, a different approach to group rating is indicated.
- We are unaware of any other state that has a program which functions similarly to group rating as it exists in Ohio.
- The turnover of groups is very high.
- This lack of stability is indicative that groups are functioning poorly.
- Studies of BWC's group rating program have consistently demonstrated that applying the individual experience rating formula to group experience has resulted in significant under-prediction of losses for groups.

- A split experience rating plan, with lower credibility assigned to group experience compared to the current plan, will mitigate some of the inequity currently produced by group rating.
- However, a split plan shares the same basic flaw as the current plan in that it applies a formula designed for an individual employer to a group of employers.
- The opportunity to manipulate the composition of a group in order to maximize discount will still be present under a split rating plan structure and inequity will persist.
- Differences in the loss experience of individual employers are largely driven by the differences in the behavior of the management and employees of each employer, in terms of employee selection and training, safety programs, operating procedures, accident prevention, risk controls, etc. Such behaviors directly affect the frequency and severity of work injuries. Experience rating is a good predictor of future losses for an employer, because prior loss experience reflects an employer's oversight of such behaviors.
- A group of employers will not have the same management influencing such behavior, and therefore an individual experience rating formula applied to a group is not generally predictive of future losses for that group, regardless of similarities in type of business and prior loss experience of the group members.
- Studies of the BWC's group rating program have consistently demonstrated that applying the individual experience rating formula to group experience has resulted in significant under-prediction of losses for groups.
- The poor performance of the individual experience rating formula when applied to groups is evidenced of the flaws in the current approach to group rating, and indicates a need for a different approach to group rating, if some type of group rating is to be retained.

Deloitte recommendations excerpt from the HB 100 Comprehensive Study

Appendix 9

Deloitte

Ohio Bureau of Workers' Compensation Comprehensive Study

Executive Summary

Deloitte Consulting LLP
January 2009

Rating and Ratemaking

Group Rating

Experience rating is a process to adjust the subsequent (prospective) rate of a policy based on the previous loss experience of the policy. There are two tenants of an experience rating program. First, the better the loss experience, the lower the subsequent rate, and the worse the loss experience, the higher the subsequent rate. Loss ratios by employer which reflect experience rated premiums should be closer to the overall average loss ratios than loss ratios produced before any experience rating adjustment. Second, the program should balance stability of price with responsiveness. A policy's experience should have sufficient premium that the losses generated from the policy have "credibility" for experience rating purposes.

Group rating allows employers of similar business types to be experience rated as if they were one employer. Combining experience allows small employers in a group who would otherwise be base rated, or experience rated with minimal credibility, to receive the maximum credibility available to a very large individual employer. The existing design and operation of Group experience rating in Ohio is inconsistent with the above tenants; in fact, the results show that group rating exacerbates the post experience rated loss ratios so that there is more dispersion about the average loss ratio rather than less. Also, policyholders in the group experience rating process experience significant variability in their pricing as they move in to a group, to another group, or out of a group, which occurs frequently. We are unaware of any other state that has a program which functions as poorly as the existing group rating program does in Ohio.

The nature of the present group rating formula is that it gives unduly large credibility to a group of small "loss free" employers in a group, which were selected to generate large credits, i.e., reductions in the subsequent premium rates. The subsequent year's experience of the group is not closer to the average loss ratio experience of all policies, but rather the loss ratios are substantially higher than the average. As a result, the plan is not in balance such that the overall loss ratio of groups is about the same before and after group experience rating is applied. Rather, the subsequent loss ratios of group rated policies are much higher than those same group policies , so that an off-balance adjustment factor substantially higher than in other states is applied to the base rates of all policy holders to bring the system back in to balance. The focus of the group is less about controlling losses through safety, preventing injuries, and mitigating the severity of injuries, and more about selecting and excluding employers from the group to obtain the best group experience rating credit for the group.

Recommendation:	Priority:	Highest
Revise or replace group experience rating and terminate related programs.	Time:	Intermediate
	Effort:	High
	Impact:	High

Possible solutions if group rating continues include:

- Change the structure of group rating to mitigate the present inequities
- Provide appropriate incentives for groups to focus primarily on accident prevention and loss mitigation activities
- Eliminate the use of the individual experience rating formula for group rating
- Determine group rating through the use of a group discount factor which is based on the actual past experience of each specific group

- Establish a minimum number of years of experience for a group to qualify for a discount factor, and to determine the group discount factor, include the experience of all group members only during the period when they were in the group, including members who leave the group
- Apply a separate group rating off-balance adjustment to the group discount factors, rather than applying an overall off-balance adjustment to all employers through class rating
- Apply the group discount factor to the individual experience rated premium of each member of the group
- Vary the maximum discount factor with the premium size of the group, reflecting the credibility of the group size, but without a credibility formula
- Apply a phase-in period of at least two years to new group members prior to receiving the full group discount

Alternatives to group rating should be considered, which include:

- Group dividend plan, in which dividends are credited to group members based on the actual profits generated by the group
- Group retrospective rating plan, in which premiums are adjusted upward or downward within certain limits depending on the actual loss experience of the group
- Per accident loss limitations, which limit the impacts of large losses in various rating programs
- Tiers within groups, which allow varying discounts by tier, keeping the average discount across tiers equal to the total discount for the group

Another option which has been discussed is to use a different type of individual experience rating plan for groups, called the "split plan". This plan assigns lower credibility to group experience compared to the current plan and therefore may mitigate some of the inequity currently produced by group rating. However, a split plan shares the same basic flaw as the current plan in that it applies a formula designed for an individual employer, not a plan designed for a group of employers. The opportunity to change the composition of a group in order to maximize discount will still be present under such a split plan, and inequity will persist.

There are three programs which were developed to help preserve an employer's experience rating credit (group or individual), or which mitigate the transition out of group rating, which are contrary to industry practices. First, the $15,000 Medical Only Program allows employers to pay medical expense on injured workers without reporting the claim to the BWC. Second, the Salary Continuation Program allows employers to continue payment of full salary in lieu of filing temporary total claims against their policy. BWC does not include the loss reserve on that claim or the amount of salary paid to the injured worker in the experience rating modification calculation. For both these programs, the loss of certain claim economies by the BWC is highly likely, and the cost of claims within the programs is not directly known by BWC. In addition, claims in these programs are reported to BWC after efforts to get the injured worker back to work have been unsuccessful, and much of the opportunity to apply early loss control strategies has passed. The third program is the One Claim Program. This program offers a discount of 40% to certain employers with a significant compensable claim in the most recent policy period. It is designed to lessen the impact of transitioning out of a group experience rating program. The credit available under this program is out of line with other states. We recommend terminating all three of these programs.

Average premium increase by group and non-group

Appendix 10

Projected Premium Impacts

The following exhibits show premium for private employers from policy year beginning 7/1/2008 to policy year beginning 7/1/2009. Each analysis includes employer counts and projected premium dollar changes from 2008 to 2009, separated into ranges of premium dollar change. To be included in this analysis, an employer must have reported payroll for the 7-1-2009 policy year.

There are five exhibits representing the following:

- All employers summary
- Employers in group in 2008 and remained in group for 2009
- Employers in group in 2008 and switched to non- group for 2009
- Employers not in group in 2008 and switched to group for 2009
- Employers not in group in 2008 and remained out of group for 2009

<u>All employers summary</u>

There were 194,103 employers that were in this analysis. Of those, 18% are projected to have a premium increase of greater than $500 while 21% are projected to have a premium decrease greater than $500. The remaining 61% of employers are projected to see a premium change of less than $500, either as an increase or decrease.

<u>Employers in group in 2008 and remained in group for 2009</u>

There were 84,769 employers that were in group for both years. Of those, 84% are projected to have a premium increase while 16% are projected to have a premium decrease. It is projected that 70% of group rating population will have less than a $1,500 increase. Additionally 1,033 employers are projected to have a premium decrease greater than $10,000.

Employers in group in 2008 and switched to non- group for 2009

There were 10,503 employers that left group rating in 2009. Of those, 86% are projected to have a premium increase while 14% are projected to have a premium decrease. It is projected that 81% of employers leaving group rating will have an increase of less than $30,000.

Additionally 13% of the employers that left group rating are projected to have a premium **decrease** of less than $30,000. This is after the application of the newly implemented 100% EM cap for those employers that qualified.

Employers not in group in 2008 and remained out of group for 2009

There were 90,977 employers that were not in group for either year. Of those, 91% are projected to have a premium decrease while 9% are projected to have a premium increase.

It is projected that 90% of the employers that remain out of group rating will have a premium **decrease** of less than $30,000.

Employers not in group in 2008 and switched to group for 2009

There were 7,854 employers that are new to group in 2009 (not in group in 2008). Of those, .25% are projected to have a premium increase while 99.75% are projected to have a premium decrease. The premium decreases are projected to be anywhere from $1 to $500,244.

Projected Premium Impacts
All Employers
Policy Year 2009

Distribution of Premium Dollar increase or decrease PY 2008 to 2009	Total Premium Change Dollars in category	Policy Count in Category	Percent of Employer Population	Average Premium Change	Average Percentage Change	
600,001 to 800,000	2,179,773	3	0.00%	726,591	23%	18%
500,001 to 600,000	1,066,361	2	0.00%	533,181	236%	
400,001 to 500,000	422,490	1	0.00%	422,490	38%	
300,001 to 400,000	4,051,573	12	0.01%	337,631	115%	
200,001 to 300,000	5,126,718	22	0.01%	233,033	83%	
100,001 to 200,000	16,558,277	126	0.06%	131,415	97%	
50,001 to 100,000	28,165,555	416	0.21%	67,706	81%	
30,001 to 50,000	25,095,978	656	0.34%	38,256	76%	
10,001 to 30,000	48,405,569	2,852	1.47%	16,972	76%	
5,001 to 10,000	23,773,694	3,390	1.75%	7,013	79%	
1,501 to 5,000	27,893,456	10,238	5.27%	2,725	75%	
501 to 1,500	12,750,111	16,687	8.60%	764	50%	
.01 to 500	7,399,723	53,381	27.50%	139	29%	61%
-.01 to -500	(9,540,854)	64,705	33.34%	(147)	-27%	
-501 to -1,500	(16,063,862)	18,214	9.38%	(882)	-33%	21%
-1,501 to -5,000	(34,343,388)	12,501	6.44%	(2,747)	-39%	
-5,001 to -10,000	(31,119,720)	4,434	2.28%	(7,018)	-40%	
-10,001 to -30,000	(70,855,686)	4,129	2.13%	(17,160)	-39%	
-30,001 to -50,000	(40,533,684)	1,060	0.55%	(38,239)	-37%	
-50,001 to -100,000	(58,334,870)	831	0.43%	(70,198)	-38%	
-100,001 to -200,000	(43,735,194)	326	0.17%	(134,157)	-36%	
-200,001 to -300,000	(18,438,261)	76	0.04%	(242,609)	-38%	
-300,001 to -400,000	(5,692,863)	17	0.01%	(334,874)	-39%	
-400,001 to -500,000	(5,403,685)	12	0.01%	(450,307)	-38%	
-500,001 to -600,000	(3,300,928)	6	0.00%	(550,155)	-43%	
-600,001 to -700,000	(1,316,829)	2	0.00%	(658,415)	-41%	
-700,001 to -800,000	(721,282)	1	0.00%	(721,282)	-35%	
-800,001 to -950,000	(2,636,585)	3	0.00%	(878,862)	-48%	
Grand Total	(139,148,412)	194,103	100%	(717)		

Projected Premium Impacts
Group to Group Employers
Policy Year 2009

Distribution of Premium Dollar increase or decrease PY 2008 to 2009	Total Premium Change Dollars in category	Policy Count in Category	Percent of Employer Population	Average Premium Change	Average Percentage Change	
600,001 to 800,000			0.00%			
500,001 to 600,000			0.00%			
400,001 to 500,000			0.00%			
300,001 to 400,000	673,688	2	0.00%	336,844	173%	
200,001 to 300,000	1,433,012	6	0.01%	238,835	133%	
100,001 to 200,000	3,918,266	31	0.04%	126,396	134%	
50,001 to 100,000	11,784,815	180	0.21%	65,471	86%	
30,001 to 50,000	13,147,314	346	0.41%	37,998	76%	
10,001 to 30,000	28,187,347	1,686	1.99%	16,718	66%	
5,001 to 10,000	14,891,641	2,118	2.50%	7,031	60%	
1,501 to 5,000	19,494,429	7,298	8.61%	2,671	54%	
501 to 1,500	10,644,953	14,062	16.59%	757	38%	70%
.01 to 500	6,693,069	45,112	53.22%	148	28%	
-.01 to -500	(1,105,336)	7,539	8.89%	(147)	-13%	12%
-501 to -1,500	(2,245,261)	2,551	3.01%	(880)	-24%	
-1,501 to -5,000	(5,424,142)	1,930	2.28%	(2,810)	-31%	3%
-5,001 to -10,000	(6,207,088)	875	1.03%	(7,094)	-35%	
-10,001 to -30,000	(12,492,312)	731	0.86%	(17,089)	-39%	1%
-30,001 to -50,000	(6,727,204)	178	0.21%	(37,793)	-41%	
-50,001 to -100,000	(6,680,259)	96	0.11%	(69,586)	-44%	
-100,001 to -200,000	(3,393,076)	26	0.03%	(130,503)	-48%	
-200,001 to -300,000	(444,694)	2	0.00%	(222,347)	-55%	
-300,001 to -400,000			0.00%			
-400,001 to -500,000			0.00%			
-500,001 to -600,000			0.00%			
-600,001 to -700,000			0.00%			
-700,001 to -800,000			0.00%			
-800,001 to -950,000			0.00%			
Grand Total	66,149,162	84,769	100%	780		

Projected Premium Impacts
Group to Non Group Employers
Policy Year 2009

Distribution of Premium Dollar increase or decrease PY 2008 to 2009	Total Premium Change Dollars in category	Policy Count in Category	Percent of Employer Population	Average Premium Change	Average Percentage Change	
600,001 to 800,000			0.00%			
500,001 to 600,000	504,436	1	0.01%	504,436	364%	
400,001 to 500,000			0.00%			
300,001 to 400,000	1,377,673	4	0.04%	344,418	213%	
200,001 to 300,000	2,236,691	10	0.10%	223,669	80%	5%
100,001 to 200,000	9,757,674	76	0.72%	128,390	96%	
50,001 to 100,000	14,222,358	204	1.94%	69,717	85%	
30,001 to 50,000	10,400,839	270	2.57%	38,522	83%	
10,001 to 30,000	17,769,241	1,024	9.75%	17,353	99%	
5,001 to 10,000	7,777,767	1,114	10.61%	6,982	123%	81%
1,501 to 5,000	7,504,469	2,623	24.97%	2,861	141%	
501 to 1,500	1,803,442	1,887	17.97%	956	149%	
.01 to 500	401,535	1,892	18.01%	212	141%	
-.01 to -500	(87,371)	411	3.91%	(213)	-8%	
-501 to -1,500	(302,613)	324	3.08%	(934)	-18%	
-1,501 to -5,000	(805,436)	295	2.81%	(2,730)	-19%	13%
-5,001 to -10,000	(791,290)	113	1.08%	(7,003)	-15%	
-10,001 to -30,000	(2,604,068)	153	1.46%	(17,020)	-16%	
-30,001 to -50,000	(1,816,765)	48	0.46%	(37,849)	-20%	
-50,001 to -100,000	(3,114,067)	44	0.42%	(70,774)	-21%	1%
-100,001 to -200,000	(1,285,833)	10	0.10%	(128,583)	-31%	
-200,001 to -300,000			0.00%			
-300,001 to -400,000			0.00%			
-400,001 to -500,000			0.00%			
-500,001 to -600,000			0.00%			
-600,001 to -700,000			0.00%			
-700,001 to -800,000			0.00%			
-800,001 to -950,000			0.00%			
Grand Total	62,948,683	10,503	100%	5,993		

Projected Premium Impacts
Non Group to Non Group Employers
Policy Year 2009

Distribution of Premium Dollar increase or decrease PY 2008 to 2009	Total Premium Change Dollars in category	Policy Count in Category	Percent of Employer Population	Average Premium Change	Average Percentage Change
700,000 to 800,000	2,179,773	3	0.00%	726,591	23%
500,000 to 600,000	561,925	1	0.00%	561,925	107%
400,000 to 500,000	422,490	1	0.00%	422,490	38%
300,000 to 400,000	2,000,212	6	0.01%	333,369	30%
200,000 to 300,000	1,457,015	6	0.01%	242,836	40%
100,000 to 200,000	2,882,337	19	0.02%	151,702	39%
50,000 to 100,000	2,102,417	31	0.03%	67,820	25%
30,000 to 50,000	1,516,718	39	0.04%	38,890	24%
10,000 to 30,000	2,448,981	142	0.16%	17,246	21%
5,000 to 10,000	1,090,808	156	0.17%	6,992	21%
1,500 to 5,000	875,923	310	0.34%	2,826	16%
500 to 1,500	298,998	734	0.81%	407	9%
0 to 500	304,801	6,372	7.00%	48	7%
0 to -500	(8,056,639)	55,625	61.14%	(145)	-28%
-500 to -1,500	(11,850,759)	13,603	14.95%	(871)	-30%
-1,500 to -5,000	(21,207,090)	7,838	8.62%	(2,706)	-31%
-5,000 to -10,000	(16,832,921)	2,406	2.64%	(6,996)	-29%
-10,000 to -30,000	(38,435,852)	2,228	2.45%	(17,251)	-28%
-30,000 to -50,000	(23,128,552)	602	0.66%	(38,420)	-28%
-50,000 to -100,000	(35,860,655)	508	0.56%	(70,592)	-31%
-100,000 to -200,000	(32,928,514)	245	0.27%	(134,402)	-31%
-200,000 to -300,000	(15,979,562)	65	0.07%	(245,839)	-33%
-300,000 to -400,000	(5,300,897)	16	0.02%	(331,306)	-37%
-400,000 to -500,000	(4,508,060)	10	0.01%	(450,806)	-34%
-500,000 to -600,000	(2,800,684)	5	0.01%	(560,137)	-41%
-600,000 to -700,000	(1,316,829)	2	0.00%	(658,415)	-41%
-700,000 to -800,000	(721,282)	1	0.00%	(721,282)	-35%
-800,000 to -950,000	(2,636,585)	3	0.00%	(878,862)	-48%
Grand Total	(203,422,483)	90,977	100%	(2,236)	

8.5%

90%

1.5%

Projected Premium Impacts
Non Group to Group Employers
Policy Year 2009

Distribution of Premium Dollar increase or decrease PY 2008 to 2009	Total Premium Change Dollars in category	Policy Count in Category	Percent of Employer Population	Average Premium Change	Average Percentage Change
600,001 to 800,000			0.00%		
500,001 to 600,000			0.00%		
400,001 to 500,000			0.00%		
300,001 to 400,000			0.00%		
200,001 to 300,000			0.00%		
100,001 to 200,000			0.00%		
50,001 to 100,000	55,965	1	0.01%	55,965	19%
30,001 to 50,000	31,107	1	0.01%	31,107	9%
10,001 to 30,000			0.00%		
5,001 to 10,000	13,478	2	0.03%	6,739	6%
1,501 to 5,000	18,635	7	0.09%	2,662	20%
501 to 1,500	2,719	4	0.05%	680	12%
.01 to 500	318	5	0.06%	64	3%
-.01 to -500	(291,509)	1,130	14.39%	(258)	-67%
-501 to -1,500	(1,665,229)	1,736	22.10%	(959)	-71%
-1,501 to -5,000	(6,906,720)	2,438	31.04%	(2,833)	-71%
-5,001 to -10,000	(7,288,421)	1,040	13.24%	(7,008)	-70%
-10,001 to -30,000	(17,323,455)	1,017	12.95%	(17,034)	-65%
-30,001 to -50,000	(8,861,163)	232	2.95%	(38,195)	-62%
-50,001 to -100,000	(12,679,888)	183	2.33%	(69,289)	-58%
-100,001 to -200,000	(6,127,771)	45	0.57%	(136,173)	-58%
-200,001 to -300,000	(2,014,005)	9	0.11%	(223,778)	-65%
-300,001 to -400,000	(391,966)	1	0.01%	(391,966)	-68%
-400,001 to -500,000	(895,625)	2	0.03%	(447,813)	-57%
-500,001 to -600,000	(500,244)	1	0.01%	(500,244)	-54%
-600,001 to -700,000			0.00%		
-700,001 to -800,000			0.00%		
-800,001 to -950,000			0.00%		
Grand Total	(64,823,773)	7,854	100%	(8,254)	

0.25%

99.75%

Distribution of Experience Modifiers

Appendix 11

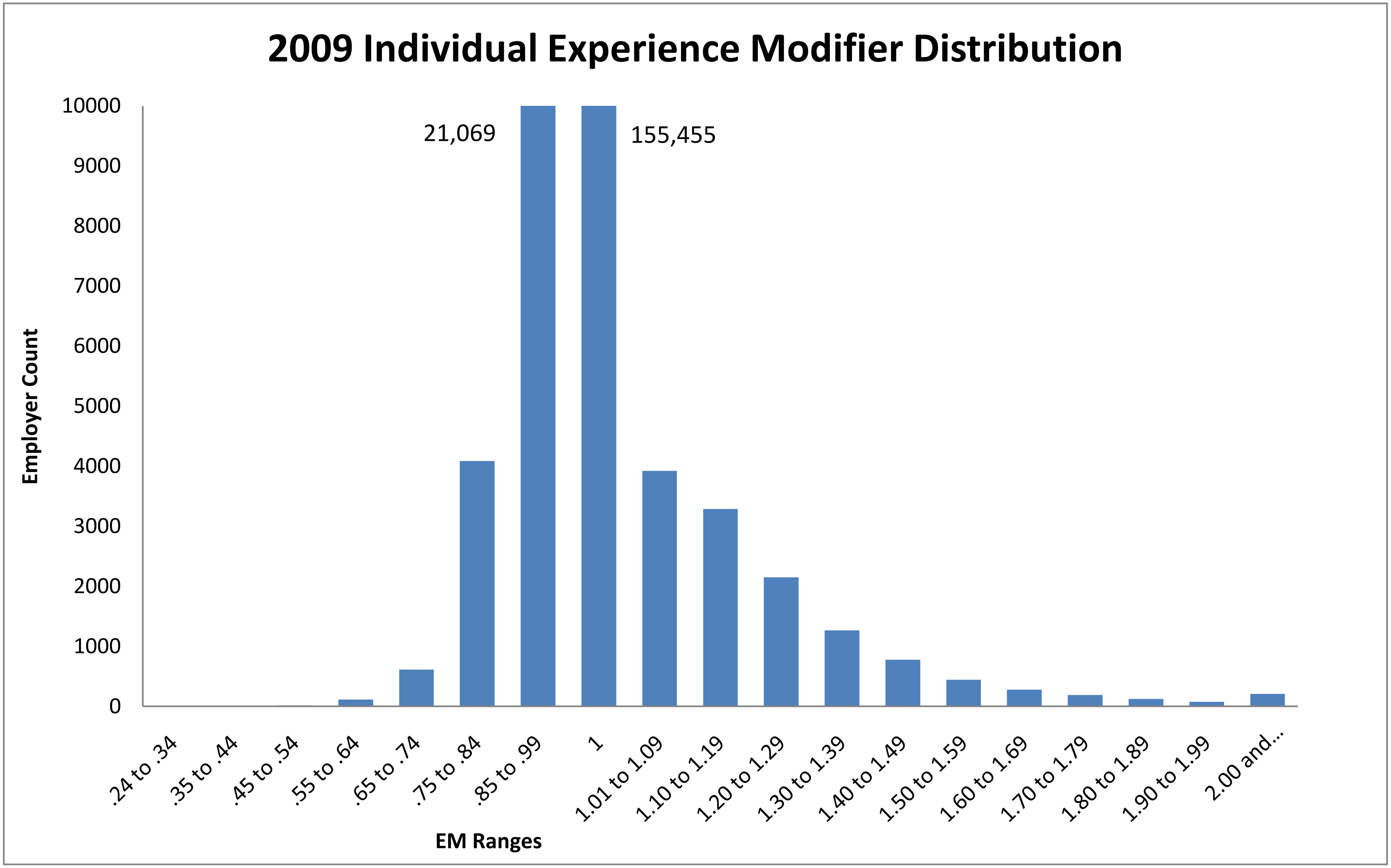
Distribution of
Experience Modifiers

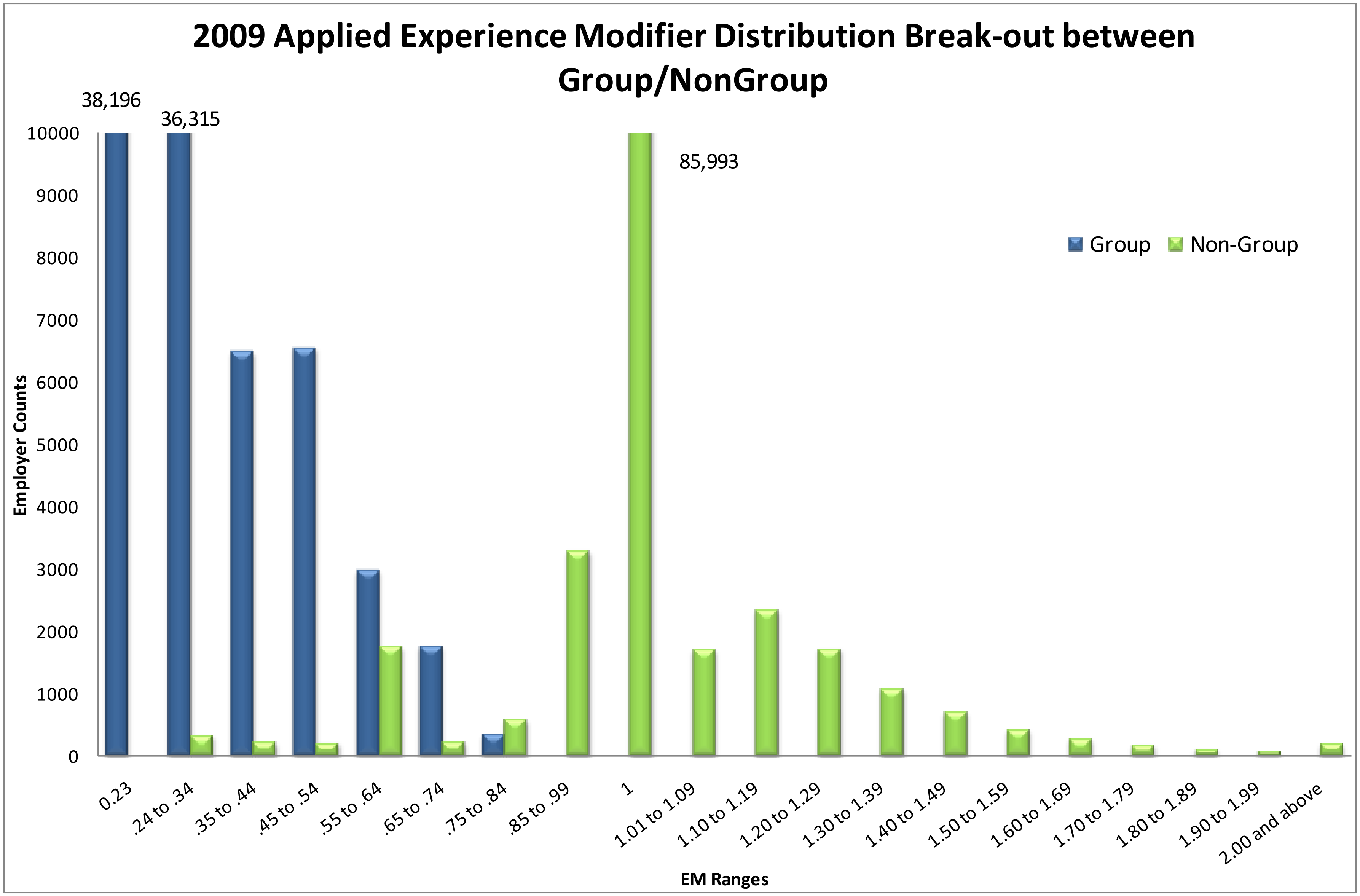
The following graphs illustrate the ranges of experience modifiers (EMs) for the policy year beginning July 1, 2009.

The first graph shows the individual employer EMs before the application of group rating modifiers. The graph has a curve that is expected with experience rating with the largest number of employers centered at an EM of 1.00 or base rate.

No employer would earn the maximum discount and get an EM of 0.23. The lowest EM is 0.29 for one employer. The next lowest individual EM's are between 0.35 and 0.39, earned by four employers.

The second graph illustrates the EM ranges after the application of group rating EMs referred to as "applied EM". The bars have been separated by group and non-group employers. The non-group segment in green maintains the normal or expected curve, while the group segment in blue has a skewed unnatural curve. The group segment is heavily weighted at the left side where the largest credits occur without any balance to the debit side of the graph.


2009 Individual Experience Modifier Distribution
Employer Count
10000
9000
8000
7000
6000
5000
4000
3000
2000
1000
0
21,069
155,455
.24 to .34
.35 to .44
.45 to .54
.55 to .64
.65 to .74
.75 to .84
.85 to .99
1
1.01 to 1.09
1.10 to 1.19
1.20 to 1.29
1.30 to 1.39
1.40 to 1.49
1.50 to 1.59
1.60 to 1.69
1.70 to 1.79
1.80 to 1.89
1.90 to 1.99
2.00 and...
EM Ranges



2009 Applied Experience Modifier Distribution Break-out between Group/NonGroup
38,196
36,315
85,993
Group
Non-Group
Employer Counts
10000
9000
8000
7000
6000
5000
4000
3000
2000
1000
0
0.23
.24 to .34
.35 to .44
.45 to .54
.55 to .64
.65 to .74
.75 to .84
.85 to .99
1
1.01 to 1.09
1.10 to 1.19
1.20 to 1.29
1.30 to 1.39
1.40 to 1.49
1.50 to 1.59
1.60 to 1.69
1.70 to 1.79
1.80 to 1.89
1.90 to 1.99
2.00 and above
EM Ranges

Actual base rate changes from policy year 2008 to 2009

Appendix 12

Manual Number	Industry Group	Manual Descriptions	7/1/2008 Base Rate	7/1/2009 Base Rate	Percent Change Rounded
5	1	FARM: NURSERY EMPLOYEES & DRIVERS	4.48	2.99	-33
8	1	FARM: GARDENING-MARKET OR TRUCK & DRIVERS	5.03	1.79	-64
16	1	FARM: ORCHARD & DRIVERS	25.65	6.62	-74
34	1	FARM: POULTRY OR EGG PRODUCER & DRIVERS	5.77	4.21	-27
35	1	FARM: FLORIST & DRIVERS	4.89	4.02	-18
36	1	FARM: DAIRY & DRIVERS	8.65	3.50	-60
37	1	FARM: FIELD CROPS & DRIVERS	16.59	6.11	-63
42	4	LANDSCAPE GARDENING & DRIVERS	14.00	6.95	-50
50	4	FARM MACHINERY OPERATION - BY CONTRACTOR & DRIVERS	10.66	4.95	-54
79	1	FARM: BERRY/VINEYARD & DRIVERS	5.56	7.23	30
83	1	FARM: CATTLE OR LIVESTOCK RAISING NOC & DRIVERS	12.00	6.35	-47
106	4	TREE PRUNING SPRAYING REPAIRING - ALL OPERATIONS & DRIVERS	48.19	40.88	-15
113	1	FARM: HATCHERY & DRIVERS	2.93	3.81	30
170	1	FARM: ANIMAL RAISING & DRIVERS	6.08	3.15	-48
251	1	IRRIGATION WORKS OPERATION & DRIVERS	10.31	4.57	-56
400	7	COTTON COMPRESSING & DRIVERS	4.51	3.51	-22
401	7	COTTON GIN OPERATION & LOCAL MANAGERS & DRIVERS	4.51	3.51	-22
917	8	DOMESTIC SERVICE CONTRACTOR - INSIDE	15.14	8.47	-44
1005	2	COAL MINING-SURFACE & DRIVERS	4.66	5.55	19
1016	2	COAL MINING-NOC	4.88	5.98	23
1164	2	MINING NOC-NOT COAL-UNDERGROUND & DRIVERS	35.66	5.53	-84
1165	2	MINING NOC-NOT COAL-SURFACE & DRIVERS	24.78	13.64	-45
1320	2	OIL OR GAS LEASE OPERATOR, ALL OPERATIONS & DRIVERS	7.47	4.46	-40
1322	4	OIL/GAS WELL CLEAN WELL PRV PRD GAS/OIL-BY CONTR-NO DRILLING & DRIVERS	28.06	9.57	-66
1430	2	SMELTING, SINTERING OR REFINING, LEAD & DRIVERS	48.46	63.00	30
1438	2	SMELTING, SINTERING OR REFINING METALS-NOT IRON/LEAD-NOC & DRIVERS	9.53	7.25	-24
1452	2	ORE MILLING & DRIVERS	6.39	5.53	-13
1463	3	ASPHALT WORKS & DRIVERS	8.16	4.77	-42
1472	3	DISTILLATION-WOOD-& DRIVERS	6.87	1.87	-73
1624	2	QUARRY NOC & DRIVERS	5.44	4.67	-14
1642	3	LIME MFG	3.43	4.46	30
1654	2	QUARRY-CEMENT ROCK-SURFACE-& DRIVERS	5.86	3.04	-48
1655	2	QUARRY-SURFACE-& DRIVERS	2.15	2.80	30
1699	3	ROCK WOOL MFG	9.29	11.17	20
1701	3	CEMENT MFG	6.95	3.57	-49
1710	2	STONE CRUSHING & DRIVERS	13.83	8.10	-41
1741	3	FLINT OR SPAR GRINDING & DRIVERS	17.69	7.83	-56
1747	3	EMERY WORKS & DRIVERS	3.57	4.64	30

Manual Number	Industry Group	Manual Descriptions	7/1/2008 Base Rate	7/1/2009 Base Rate	Percent Change Rounded
1748	3	ABRASIVE WHEEL MFG & DRIVERS	8.53	3.65	-57
1803	3	STONE CUTTING OR POLISHING NOC & DRIVERS	9.82	5.92	-40
1852	3	ASBESTOS GOODS MFG	5.35	4.22	-21
1853	3	MICA GOODS MFG & MICA PREPARING	8.74	6.16	-30
1860	3	ABRASIVE PAPER OR CLOTH PREPARATION	5.26	3.45	-34
1924	3	WIRE DRAWING OR CABLE MFG-NOT IRON OR STEEL	4.52	5.55	23
1925	3	DIE CASTING MFG	7.39	5.42	-27
2001	3	CRACKER MFG	8.24	7.41	-10
2002	3	MACARONI MFG	11.81	5.86	-50
2003	3	BAKERY & DRIVERS, ROUTE SUPERVISORS	7.43	5.09	-31
2014	3	GRAIN OR FEED MILLING	8.06	5.22	-35
2016	3	CEREAL OR BAR MFG	16.47	9.51	-42
2021	3	SUGAR REFINING	6.42	4.81	-25
2039	3	ICE CREAM MFG & DRIVERS	8.93	7.08	-21
2041	3	CANDY CHOCOLATE & CONFECTION MFG	6.75	3.95	-41
2065	3	MILK PRODUCTS MFG NOC	2.82	2.47	-12
2070	3	CREAMERY & ROUTE SUPERVISORS & DRIVERS	5.74	5.56	-3
2081	3	BUTCHERING	15.45	8.00	-48
2089	3	PACKING HOUSE-ALL OPERATIONS	17.22	6.16	-64
2095	3	MEAT PRODUCTS MFG NOC	6.35	4.96	-22
2105	7	FRUIT PACKING	5.80	7.54	30
2110	3	PICKLE MFG	7.68	6.25	-19
2111	3	CANNERY NOC	4.02	3.39	-16
2112	3	FRUIT EVAPORATING OR PRESERVING	3.42	3.09	-10
2114	3	OYSTERMEN	5.35	4.22	-21
2121	3	BREWERY & DRIVERS	8.83	6.10	-31
2130	3	SPIRITUOUS LIQUOR DISTILLERY	4.42	4.72	7
2131	7	SPIRITUOUS LIQUOR BOTTLING	2.12	2.23	5
2143	3	FRUIT JUICE MFG & DRIVERS	6.11	6.82	12
2157	7	BOTTLING NOC & ROUTE SUPERVISORS , DRIVERS	7.92	7.05	-11
2172	3	CIGARETTE MFG	5.35	4.22	-21
2174	3	TOBACCO REHANDLING OR WAREHOUSING	83.50	25.87	-69
2211	3	COTTON BATTING, WADDING OR WASTE MFG	6.55	8.52	30
2220	3	YARN OR THREAD MFG-COTTON	10.63	10.25	-4
2286	3	WOOL SPINNING & WEAVING	39.81	7.47	-81
2288	3	FELTING MFG	4.55	4.86	7
2300	3	PLUSH MFG	5.35	4.22	-21
2302	3	SILK THREAD OR YARN MFG	7.95	3.76	-53
2305	3	TEXTILE FIBER MFG-SYNTHETIC	7.79	8.08	4
2361	3	HOSIERY MFG	10.53	4.22	-60

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2362	3	KNIT GOODS MFG NOC	8.32	4.71	-43
2380	3	WEBBING MFG	6.31	5.96	-6
2386	3	LACE MFG	3.53	3.86	9
2388	3	EMBROIDERY MFG	4.28	2.66	-38
2402	3	CARPET OR RUG MFG NOC	10.95	13.88	27
2413	3	TEXTILE-BLEACHING, DYEING MERCERIZING, FINISHING	6.75	6.14	-9
2416	3	YARN DYEING OR FINISHING	4.92	3.86	-22
2417	3	CLOTH PRINTING	9.67	7.27	-25
2501	3	CLOTH, CANVAS & RELATED PRODUCTS NOC	5.13	3.78	-26
2503	3	DRESSMAKING OR TAILORING-CUSTOM EXCLUSIVELY	6.79	2.28	-66
2534	3	FEATHER OR FLOWER MFG-ARTIFICIAL	7.51	9.53	27
2570	3	MATTRESS OR BOX SPRING MFG	10.91	8.25	-24
2585	8	LAUNDRY NOC & ROUTE SUPERVISORS , DRIVERS	8.28	5.83	-30
2586	8	CLEANING OR DYEING & ROUTE SUPERVISORS, DRIVERS	4.94	3.52	-29
2587	8	TOWEL OR TOILET SUPPLY CO & ROUTE SUPERVISORS, DRIVERS	11.25	7.56	-33
2589	8	LAUNDRY & DRY CLEANING STORE- RETAIL-ROUTE SUPERVISORS, DRV	6.02	2.84	-53
2600	3	FUR PROCESSING - PREPARING SKINS	5.35	4.22	-21
2623	3	LEATHER MFG - INCL TANNING, LEATHER EMBOSSING & WOOL PULLING	20.00	4.71	-76
2651	3	SHOE STOCK MFG	2.96	2.62	-11
2660	3	BOOT OR SHOE MFG NOC	34.14	11.97	-65
2670	3	GLOVE MFG-LEATHER OR TEXTILE	8.10	10.53	30
2683	3	LUGGAGE MFG	7.78	8.06	4
2688	3	LEATHER GOODS MFG NOC	2.88	1.74	-40
2701	5	LOGGING OR TREE REMOVAL - LOG HAULING AND DRIVERS	16.11	10.64	-34
2702	1	LOGGING OR LUMBERING & DRIVERS	49.22	23.75	-52
2709	1	LOGGING OR TREE REMOVAL - MECHANIZED EQUIPMENT OPERATORS	49.22	23.08	-53
2710	3	SAWMILL	14.99	9.89	-34
2714	3	VENEER MFG	5.10	4.89	-4
2731	3	PLANING OR MOLDING MILL	8.44	4.54	-46
2735	3	FURNITURE STOCK MFG	3.64	3.14	-14
2759	3	PALLET, BOX OR BOX SHOOK MFG	12.92	8.55	-34
2790	3	PATTERN MAKING NOC	4.35	3.55	-18
2802	3	CARPENTRY-SHOP ONLY-& DRIVERS	8.18	5.36	-34
2812	3	CABINET WORKS-WITH POWER MACHINERY	6.72	4.26	-37
2835	3	BRUSH OR BROOM ASSEMBLY	8.03	10.44	30
2836	3	BRUSH OR BROOM MFG NOC	3.38	2.54	-25
2841	3	WOODENWARE MANUFACTURING NOC	7.55	2.19	-71

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2881	3	FURNITURE ASSEMBLY-WOOD-FROM MANUFACTURED PARTS	4.74	3.04	-36
2883	3	FURNITURE MFG-WOOD-NOC	8.24	4.78	-42
2913	3	RATTAN, WILLOW OR TWISTED FIBER PRODUCTS MFG	9.36	6.71	-28
2915	3	VENEER PRODUCTS MFG	12.89	13.29	3
2916	3	VENEER PRODUCTS MFG-NO VENEER MFG	5.72	4.71	-18
2923	3	PIANO MFG	3.78	4.91	30
2942	3	PENCIL, PENHOLDER OR CRAYON MFG	22.85	18.79	-18
2960	3	WOOD PRESERVING & DRIVERS	5.52	4.26	-23
3004	3	IRON OR STEEL: MANUFACTURING: STEEL MAKING-& DRIVERS	6.29	4.38	-30
3018	3	IRON OR STEEL: MANUFACTURING: ROLLING MILL & DRIVERS	5.90	3.98	-33
3022	3	PIPE OR TUBE MFG NOC & DRIVERS	6.07	6.38	5
3027	3	ROLLING MILL NOC & DRIVERS	3.33	3.38	2
3028	3	PIPE OR TUBE MFG-IRON OR STEEL- & DRIVERS	6.77	5.61	-17
3030	3	IRON OR STEEL: FAB IRON OR STEEL WORKS-SHOP-STRUCTURAL-& DRIVERS	10.07	7.83	-22
3040	3	IRON OR STEEL: FABRICATION: IRON WORKS-SHOP-ORNAMENTAL-& DRIVERS	8.07	5.83	-28
3041	3	IRON/STEEL:FAB IRON WORKS-SHOP DECOR/ARTISTIC & FOUNDRY,DRIVERS	7.79	10.13	30
3042	3	ELEVATOR OR ESCALATOR MFG	3.96	1.98	-50
3064	3	SIGN MFG-METAL	6.08	5.50	-10
3069	4	SHEET METAL PRODUCTS MANUFACTURING	8.34	6.44	-23
3076	3	SHEET METAL PRODUCTS MFG. - SHOP ONLY	6.75	5.36	-21
3081	3	FOUNDRY-FERROUS-NOC	12.13	12.64	4
3082	3	FOUNDRY-STEEL CASTINGS	14.75	12.70	-14
3085	3	FOUNDRY-NON-FERROUS	7.40	7.22	-2
3110	3	FORGING WORK-DROP OR MACHINE	10.61	9.37	-12
3111	3	BLACKSMITH	7.24	4.35	-40
3113	3	TOOL MFG-NOT DROP OR MACHINE FORGED-NOC	3.41	2.15	-37
3114	3	TOOL MFG-DROP/MACH FORGED-NOC: MACH/FNSHNG OF TOOL/DIE MAKNG OP	5.14	4.97	-3
3118	3	SAW MFG	3.50	2.65	-24
3119	3	NEEDLE MFG	5.35	4.22	-21
3122	3	CUTLERY MFG NOC	4.19	3.29	-21
3126	3	TOOL MFG-AGRIC, CONSTRUCTION, LOGGING, MINING, OIL OR ARTESIAN WELL	5.81	4.34	-25
3131	3	BUTTON FASTENER MFG-METAL	1.95	2.54	30
3132	3	NUT OR BOLT MFG	5.91	4.52	-24
3145	3	SCREW MFG	4.46	3.00	-33
3146	3	HARDWARE MFG NOC	4.41	3.39	-23
3169	3	STOVE MFG	4.69	5.07	8

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3175	3	RADIATOR OR HEATER MFG	2.02	2.63	30
3179	3	ELECTRICAL APPARATUS MFG NOC	3.22	2.96	-8
3180	3	ELECTRIC OR GAS LIGHTING FIXTURES MFG	13.25	7.10	-46
3188	3	PLUMBERS' SUPPLIES MFG NOC	6.60	4.98	-25
3220	3	CAN MFG	3.41	4.41	29
3223	3	LAMP OR PORTABLE LANTERN MFG	14.87	3.86	-74
3224	3	AGATE WARE MFG	5.02	3.60	-28
3227	3	ALUMINUM WARE MFG	7.34	6.10	-17
3240	3	WIRE ROPE MFG-IRON OR STEEL	6.95	4.24	-39
3241	3	WIRE DRAWING-IRON OR STEEL	9.99	7.17	-28
3255	3	WIRE CLOTH MFG	5.80	4.31	-26
3257	3	WIRE GOODS MFG NOC	5.11	3.86	-24
3270	3	EYELET MFG	12.97	16.86	30
3300	3	BED SPRING OR WIRE MATTRESS MFG	8.03	6.59	-18
3303	3	SPRING MFG	10.69	10.93	2
3307	3	HEAT-TREATING-METAL	6.40	4.54	-29
3315	3	BRASS OR COPPER GOODS MFG	5.34	2.57	-52
3334	3	TIN FOIL MFG	4.49	4.22	-6
3336	3	TYPE FOUNDRY	6.77	7.27	7
3365	4	WELDING OR CUTTING NOC & DRIVERS	16.38	8.21	-50
3372	3	ELECTROPLATING	5.34	5.14	-4
3373	3	GALVANIZING OR TINNING-NOT ELECTROLYTIC	4.07	2.40	-41
3383	3	JEWELRY MFG	4.36	2.74	-37
3385	3	WATCH MFG	4.18	1.05	-75
3400	3	METAL GOODS MFG-NOC	6.27	5.73	-9
3507	3	CONSTRUCTION OR AGRICULTURAL MACHINERY MFG	4.62	3.46	-25
3515	3	TEXTILE MACHINERY MFG	8.18	3.72	-55
3548	3	PRINTING OR BOOKBINDING MACHINE MFG	1.70	1.29	-24
3559	3	CONFECTION MACHINE MFG	2.46	1.47	-40
3574	3	COMPUTING, RECORDING OR OFFICE MACHINE MFG NOC	2.47	1.40	-43
3581	3	CARBURETOR MFG	3.12	2.19	-30
3612	3	PUMP MFG	3.47	3.22	-7
3620	3	BOILERMAKING	7.20	5.80	-19
3629	3	PRECISION MACHINED PARTS MFG NOC	2.36	2.05	-13
3632	3	MACHINE SHOP NOC	4.88	3.74	-23
3634	3	VALVE MFG	3.41	1.83	-46
3635	3	GEAR MFG OR GRINDING	3.62	2.67	-26
3638	3	BALL OR ROLLER BEARING MFG	3.38	4.10	21
3642	3	BATTERY MFG-DRY	2.60	1.23	-53
3643	3	ELECTRIC POWER OR TRANSMISSION EQUIPMENT MFG	3.72	2.63	-29

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3647	3	BATTERY MFG-STORAGE	3.64	4.73	30
3648	3	AUTOMOTIVE LIGHTING, IGNITION OR STARTING APPARATUS MFG NOC	5.08	3.64	-28
3681	3	TV, RADIO, TELEPHONE/TELECOMMUNICATION DEVICE MFG NOC	2.56	1.81	-29
3685	3	INSTRUMENT MFG NOC	1.43	0.97	-32
3719	4	OIL STILL ERECTION OR REPAIR	5.20	3.57	-31
3724	4	MACHINERY OR EQUIPMENT ERECTION OR REPAIR NOC & DRIVERS	9.57	6.15	-36
3726	4	BOILER INSTALL OR REPAIR-STEAM	5.24	2.82	-46
3803	3	AUTOMOBILE WHEEL MFG- METAL- NOT CAST	4.73	6.15	30
3807	3	AUTOMOBILE RADIATOR MFG	13.66	14.27	4
3808	3	AUTOMOBILE MFG OR ASSEMBLY	7.10	9.23	30
3821	3	AUTOMOBILE RECYCLING & DRIVERS	14.02	8.12	-42
3822	3	AUTOMOBILE, BUS, TRUCK OR TRAILERBODY MFG: DIE-PRESSED STEEL	18.62	6.89	-63
3824	3	AUTOMOBILE, BUS, TRUCK OR TRAILER BODY MFG: NOC	6.66	6.33	-5
3826	3	AIRCRAFT ENGINE MFG	0.90	0.66	-27
3827	3	AUTOMOBILE ENGINE MFG	1.26	0.78	-38
3830	3	AIRPLANE MFG	2.96	1.74	-41
3851	3	MOTORCYCLE MFG OR ASSEMBLY	26.67	4.22	-84
3865	3	BABY CARRIAGE MFG	5.76	7.49	30
3881	3	CAR MFG-RAILROAD-& DRIVERS	8.95	8.79	-2
4000	2	SAND OR GRAVEL DIGGING & DRIVERS	9.33	5.41	-42
4021	3	BRICK OR CLAY PRODUCTS MFG NOC & DRIVERS	10.23	4.52	-56
4024	3	REFRACTORY PRODUCTS MFG & DRIVERS	5.50	4.90	-11
4034	3	CONCRETE PRODUCTS MFG & DRIVERS	8.62	6.57	-24
4036	3	PLASTER BOARD OR PLASTER BLOCK MFG & DRIVERS	5.06	5.33	5
4038	3	PLASTER STATUARY OR ORNAMENT MFG	6.06	2.23	-63
4053	3	POTTERY MFG: CHINA OR TABLEWARE	36.07	17.27	-52
4061	3	POTTERY MFG: EARTHENWARE-GLAZED OR PORCELAIN-HAND & MOLDED OR CAST	6.51	3.46	-47
4062	3	POTTERY MFG: PORCELAIN WARE- MECHANICAL PRESS FORMING	3.60	3.72	3
4101	3	GLASS MFG-& DRIVERS	9.71	8.08	-17
4111	3	GLASSWARE MFG-NO AUTOMATIC BLOWING MACHINES	9.37	6.40	-32
4112	3	INCANDESCENT LAMP MFG	7.74	2.91	-62
4113	3	GLASS MFG-CUT	8.97	5.52	-38
4114	3	GLASSWARE MFG NOC	3.98	2.31	-42
4130	3	GLASS MERCHANT	6.38	5.57	-13
4131	3	MIRROR MFG	9.32	6.00	-36
4133	3	CATHEDRAL OR ART GLASS WINDOW MFG	6.18	2.70	-56
4150	3	OPTICAL GOODS MFG NOC	2.19	1.16	-47

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4206	3	PULP MFG-GROUND WOOD PROCESS	5.35	4.22	-21
4207	3	PULP MFG-CHEMICAL PROCESS	15.49	4.22	-73
4239	3	PAPER MFG	5.95	5.95	0
4240	3	BOX MFG-SET-UP PAPER	6.14	5.26	-14
4243	3	BOX MFG-FOLDING PAPER-NOC	5.61	4.19	-25
4244	3	CORRUGATED OR FIBER BOARD CONTAINER MFG	6.19	4.26	-31
4250	3	PAPER COATING	3.37	2.83	-16
4251	3	STATIONERY MFG	4.46	3.29	-26
4263	3	FIBER GOODS MFG	5.71	7.42	30
4273	3	BAG MFG-PAPER	3.49	2.95	-15
4279	3	PAPER GOODS MFG NOC	6.52	4.57	-30
4282	3	DRESS PATTERN MFG-PAPER	5.35	4.22	-21
4283	3	BUILDINGS OR ROOFING PAPER OR FELT PREPARATION -NO INSTALL	3.15	3.52	12
4299	3	PRINTING	3.20	2.39	-25
4304	3	NEWSPAPER PUBLISHING	5.60	4.48	-20
4307	3	BOOKBINDING	4.29	2.37	-45
4351	3	PHOTO ENGRAVING	2.96	1.27	-57
4352	3	ENGRAVING	3.56	2.98	-16
4360	3	MOTION PICTURE: DEVELOPMENT OF NEG, PRINT & ALL SUBSEQNT OPER	15.11	10.12	-33
4361	7	PHOTOGRAPHER-ALL EMPLOYEES & CLERICAL, SALESPERSONS, DRIVERS	1.70	1.18	-31
4362	8	MOTION PICTURE: FILM EXCHANGE & PROJECTION ROOMS, CLERICAL	2.47	2.19	-11
4410	3	RUBBER GOODS MFG NOC	5.76	4.99	-13
4420	3	RUBBER TIRE MFG	7.48	8.15	9
4431	3	MAGNETIC AND OPTICAL MEDIA MFG	3.85	3.86	0
4432	3	FOUNTAIN PEN MFG	3.32	4.32	30
4439	3	LACQUER OR SPIRIT VARNISH MFG	24.73	26.97	9
4452	3	PLASTICS MFG: FABRICATED PRODUCTS NOC	6.80	4.63	-32
4459	3	PLASTICS MFG: SHEETS, RODS/TUBES	5.34	3.96	-26
4470	3	CABLE MFG-INSULATED ELECTRICAL	4.78	2.58	-46
4484	3	PLASTICS MFG MOLDED PRODUCTS NOC	5.56	4.87	-12
4493	3	FABRIC COATING OR IMPREGNATING NOC	8.66	8.67	0
4511	9	ANALYTICAL CHEMIST	1.30	0.90	-31
4557	3	INK MFG	4.13	2.77	-33
4558	3	PAINT MFG	3.36	2.64	-21
4561	3	VARNISH MFG-OLEO-RESINOUS	11.36	8.63	-24
4568	3	SALT, BORAX/POTASH PRODUCING OR REFINING & DRIVERS	1.09	1.19	9
4581	3	PHOSPHATE WORKS & DRIVERS	5.35	4.22	-21

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4583	3	FERTILIZER MFG & DRIVERS	6.09	5.66	-7
4611	3	DRUG, MEDICINE OR PHARMACEUTICAL PREPARATION NO MFG OF INGRED.	2.12	1.47	-31
4635	3	OXYGEN OR HYDROGEN MFG & DRIVERS	3.00	2.53	-16
4653	3	GLUE MFG & DRIVERS	4.94	6.42	30
4665	3	RENDERING WORKS NOC & DRIVERS	21.54	14.51	-33
4670	3	COTTONSEED OIL MFG-MECHANICAL & DRIVERS	5.35	4.22	-21
4683	3	OIL MFG-VEGETABLE-NOC	3.60	1.81	-50
4686	3	VEGETABLE-SOLVENT EXTRACTION PROCESS	3.11	1.49	-52
4692	3	DENTAL LABORATORY	1.16	0.62	-47
4693	3	PHARMACEUTICAL OR SURGICAL GOODS MFG NOC	2.56	3.10	21
4703	3	CORN PRODUCTS MFG	5.35	3.84	-28
4717	3	BUTTER SUBSTITUTE MFG	5.35	4.22	-21
4720	3	SOAP OR SYNTHETIC DETERGENT MFG	6.34	4.25	-33
4740	3	OIL REFINING-PETROLEUM-& DRIVERS	3.98	4.16	5
4741	3	ASPHALT OR TAR DISTILLING OR REFINING & DRIVERS	5.89	5.85	-1
4751	3	SYNTHETIC RUBBER MFG	2.36	1.45	-39
4771	3	EXPLOSIVES OR AMMUNITION MFG: NOC & DRIVERS	3.63	2.13	-41
4777	9	EXPLOSIVES DISTIBUTORS & DRIVERS	15.04	10.95	-27
4825	3	DRUG, MEDICINE OR PHARMACY PREP MFG & INCID MFG OF INGRED	0.99	0.58	-41
4828	3	CHEMICAL BLENDING OR MIXING NOC ALL OPERATIONS & DRIVERS	5.51	3.34	-39
4829	3	CHEMICAL MFG. NOC ALL OPERATIONS & DRIVERS	2.56	1.94	-24
4902	3	SPORTING GOODS MFG NOC	5.15	5.38	4
4923	3	PHOTOGRAPHIC SUPPLY MFG	3.07	2.11	-31
5020	4	CEILING INSTALL-SUSPENDED ACOUSTICAL GRID TYPE	16.32	9.78	-40
5022	4	MASONRY NOC CROSS-REF	11.77	7.55	-36
5037	4	PAINTNG: METAL STRUCTURES-OVER TWO STORIES IN HEIGHT-& DRIVERS	46.36	46.90	1
5040	4	IRON OR STEEL: ERECTION-FRAME STRUCTURES	20.46	12.99	-37
5057	4	IRON OR STEEL: ERECTION NOC	11.61	7.74	-33
5059	4	IRON OR STEEL: ERECTION-FRAME STRUCT NOT OVER TWO STORIES IN HGT	14.49	9.00	-38
5069	4	IRON/STEEL: EREC-CONSTR OF DWELLINGS NOT OVER 2 STORIES IN HGT	34.48	5.94	-83
5102	4	DOOR, DOOR FRAME/SASH ERECTION- METAL OR METAL COVERED	8.35	6.38	-24
5146	4	FURNITURE/FIXTURES INSTALL - PORTABLE - NOC	11.73	7.61	-35
5160	4	ELEVATOR ERECTION OR REPAIR	3.55	1.94	-45
5183	4	PLUMBING NOC & DRIVERS	6.07	4.06	-33
5188	4	AUTOMATIC SPRINKLER INSTALL & DRIVERS	4.64	5.03	8
5190	4	ELECTRICAL WIRING-WITHIN BUILDINGS & DRIVERS	5.67	3.78	-33

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5191	8	OFFICE MACHINE OR APPLIANCE INSTALL, INSPECT, ADJUST OR REPAIR	2.26	1.81	-20
5192	8	MACHINES-VEND OR COIN OP-INSTALL, SRVC OR REPAIR & SALESPRSNS, DRIVRS	7.94	5.91	-26
5213	4	CONCRETE CONSTR NOC	9.75	6.58	-33
5215	4	CONCRETE WORK-INCIDENTAL TO THE CONSTR OF PRIVATE RESIDENCE	9.47	5.58	-41
5221	4	CONCRETE OR CEMENT WORK-FLOORS, DRIVEWAYS, YARDS/SIDEWALKS-& DRV	9.79	5.27	-46
5222	4	CONCRETE CONSTR IN CONNECTION WITH BRIDGES OR CULVERTS	8.81	7.73	-12
5223	4	SWIMMING POOL CONSTR NOT IRON OR STEEL & DRIVERS	13.98	9.48	-32
5348	4	CERAMIC TILE, INDOOR STONE, MARBLE OR MOSAIC WORK	9.82	6.16	-37
5402	4	HOTHOUSE ERECTION-ALL OPERATIONS	21.66	7.98	-63
5403	4	CARPENTRY NOC	11.13	6.71	-40
5437	4	CARPENTRY-INSTALL OF CABINET WORK OR INTERIOR TRIM	7.75	4.39	-43
5443	4	LATHING & DRIVERS	31.95	23.30	-27
5445	4	WALLBOARD INSTALL BUILDINGS & DRIVERS	8.00	5.75	-28
5462	4	GLAZIER-AWAY FROM SHOP & DRIVERS	8.42	7.82	-7
5472	4	ASBESTOS CONTRACTOR-PIPE & BOILER WORK EXCLUSIVELY & DRIVERS	14.18	5.51	-61
5473	4	ASBESTOS CONTR-NOC & DRIVERS	14.73	9.79	-34
5474	4	PAINTING OR PAPERHANGING NOC & SHOP OPERATIONS, DRIVERS	13.74	7.86	-43
5478	4	FLOOR COVERING INSTALLATION-RESILIENT FLOORING-CARPET & LAMINATE FLOORING	9.90	6.19	-37
5479	4	INSULATION WORK NOC & DRIVERS	15.84	8.20	-48
5480	4	PLASTERING NOC & DRIVERS	4.26	5.54	30
5491	4	PAPERHANGING & DRIVERS	28.79	8.17	-72
5506	4	STREET OR ROAD CONSTRUCTION: PAVING OR REPAIRING & DRIVERS	8.54	7.01	-18
5507	4	STREET OR ROAD CONSTRUCTION: SUBSURFACE WORK & DRIVERS	5.28	3.68	-30
5508	4	STREET OR ROAD CONSTRUCTION: ROCK EXCAVATION & DRIVERS	22.84	14.95	-35
5535	4	SHEET METAL WORK - INSTALLATION AND DRIVERS	8.38	6.90	-18
5537	4	HVAC & REFRIG SYSTEMS - INSTALL, SVC & REPAIR & DRIVERS	6.93	4.87	-30
5551	4	ROOFING-ALL KINDS & YARD EMPLOYEES & DRIVERS	30.45	17.26	-43
5605	4	CONSTRUCTION OR ERECTION ESTIMATORS	1.63	1.04	-36
5606	4	CONTRACTOR-PROJECT MGR, CONST EXEC, CONST MGR OR CONST SUPT	1.26	1.31	4
5610	4	CLEANER-DEBRIS REMOVAL	29.97	15.10	-50
5645	4	CARPENTRY-DETACHED ONE OR TWO FAMILY DWELLINGS	19.55	9.81	-50
5651	4	CARPENTRY-DWELLINGS-THREE STORIES OR LESS	13.61	8.30	-39
5703	4	BUILDING RAISING OR MOVING	21.41	13.18	-38
5705	4	SALVAGE OPERATION-NO WRECKING OR ANY STRUCTURAL	45.68	5.94	-87

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5951	3	SERUM, ANTI-TOXIN OR VIRUS MFG & DRIVERS	3.85	3.86	0
6003	4	PILE DRIVING	13.66	7.63	-44
6005	4	JETTY OR BREAKWATER CONSTRUCION ALL OPERATION TO COMPLETION & DRV	41.42	13.05	-68
6017	4	DAM OR LOCK CONSTRUCTION: CONCRETEWORK-ALL OPERATIONS	9.07	5.94	-35
6018	4	DAM OR LOCK CONSTRUCTION: EARTH MOVING OR PLACING-ALL OPER & DRV	9.07	5.94	-35
6045	4	LEVEE CONSTRUCTION-ALL OPERATIONS TO COMPLETION & DRIVERS	9.07	5.94	-35
6204	4	DRILLING NOC & DRIVERS	14.25	9.17	-36
6206	4	OIL OR GAS WELL: CEMENTING & DRIVERS	10.04	6.80	-32
6213	4	OIL OR GAS WELL: SPECLTY TOOL OPERNOC-BY CONTR-ALL EMPS & DRIVERS	9.07	6.09	-33
6214	4	OIL OR GAS WELL: PERFORATING OF CASING-ALL EMPLOYEES & DRIVERS	5.11	6.64	30
6216	4	OIL OR GAS LEASE WORK NOC-BY CONTRACTOR & DRIVERS	13.69	7.36	-46
6217	4	EXCAVATION & DRIVERS	8.20	4.99	-39
6229	4	IRRIGATION OR DRAINAGE SYSTEM CONSTRUCTION & DRIVERS	16.84	6.55	-61
6233	4	OIL OR GAS PIPELINE CONSTRUCTION & DRIVERS	6.59	5.24	-20
6235	4	OIL OR GAS WELL: DRILLING OR RE-DRILLING & DRIVERS	29.14	29.16	0
6236	4	OIL OR GAS WELL: INSTALLATION OR RECOVERY OF CASING & DRIVERS	7.74	6.50	-16
6237	4	OIL OR GAS WELL: INSTRUMENT LOGGNGOR SURVEY WORK & DRIVERS	3.34	2.15	-36
6251	4	TUNNELING-NOT PNEUMATIC-ALL OPERATIONS	13.85	13.28	-4
6252	4	SHAFT SINKING-ALL OPERATIONS	7.59	6.06	-20
6260	4	TUNNELING-PNEUMATIC-ALL OPERATIONS	48.39	5.94	-88
6306	4	SEWER CONSTR-ALL OPERATIONS & DRIVERS	5.21	4.33	-17
6319	4	GAS MAIN OR CONNECTION CONSTRUCTION & DRIVERS	6.10	5.35	-12
6325	4	CONDUIT CONSTRUCTION-FOR CABLES OR WIRES	7.54	8.92	18
6400	4	FENCE ERECTION-METAL	8.51	4.98	-41
6504	3	FOOD SUNDRIES MFG NOC-CEREAL MILLING	5.47	4.71	-14
6704	5	RAILROAD CONST ALL OPER INCLUD CLERICAL, SALESPERSONS & DRIV	10.31	8.21	-20
6811	3	BOAT BUILDING-WOOD-NOC & DRIVERS	4.13	4.94	20
6834	3	BOAT BUILDING OR REPAIR & DRIVERS	6.48	5.15	-21
6836	8	MARINA & DRIVERS	10.61	7.09	-33
6854	3	SHIP BUILDING-IRON OR STEEL- NOC &DRIVERS	49.58	4.22	-91
6882	3	SHIP REPAIR CONVERSION - ALL OPERATIONS & DRIVERS	10.91	3.86	-65
6884	3	PAINTING: SHIP HULLS	5.35	4.22	-21
7133	5	RAILROAD OPERATION: NOC - ALL EMPLOYERS AND DRIVERS	6.02	7.83	30
7222	5	TRUCKING: OIL FIELD EQUIPMENT- ALL EMPLOYEES & DRIVERS	10.31	8.21	-20

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7228	5	TRUCKING- LOCAL HAULING ONLY- ALL EMPLOYEES AND DRIVERS	16.11	10.64	-34
7229	5	TRUCKING- LONG DISTANCE HAULING- ALL EMPLOYEES AND DRIVERS	10.11	9.09	-10
7230	5	TRUCKING: PARCEL OR PACKAGE DELIVERY- ALL EMPLOYEES & DRIVERS	27.98	13.99	-50
7231	5	MAIL, PARCEL OR PCKG DELIVERY & COURIER OR MESSENGER SVC - ALL EMPS & DRIVERS	20.23	15.72	-22
7232	5	TRCKNG: MAIL PARCEL/PKG DLV-CNTCT U S POST SERV-ALL EMPS & DRV	9.94	9.58	-4
7360	8	FREIGHT HANDLING NOC	10.65	8.52	-20
7370	5	TAXICAB CO : ALL OTHER EMPLOEES & DRIVERS	10.26	8.06	-21
7380	5	DRIVERS, CHAUFFEURS, MESSENGERS & HELPERS NOC - COMMERCIAL	8.59	6.95	-19
7382	5	BUS CO : ALL OTHER EMPLOYEES & DRIVERS	8.38	7.72	-8
7390	7	BEER OR ALE DEALER-WHOLESALE & DRIVERS	7.48	7.82	5
7403	5	AVIATION: ALL OTHER EMPLOYEES & DRIVERS	5.13	4.14	-19
7405	5	AVIATION: AIR CARRIER - SCHEDULED, COMMUTER, SUPPLEMENTAL - FLYING CREW	2.61	2.47	-5
7420	5	AVIATION: STUNT FLYING, RACING, PARACHUTE JUMPING - FLYING CREW	3.78	4.91	30
7421	5	AVIATION: TRANSPORT OF PERSONNEL FOR EMPLOYER BUSINESS - FLYING CREW	7.81	2.68	-66
7422	5	AVIATION: NOC - OTHER THAN HELICOPTERS - FLYING CREW	3.68	3.02	-18
7425	5	AVIATION: NOC - HELICOPTERS - FLYING CREW	2.86	1.43	-50
7431	5	AVIATION: AIR CHARTER OR AIR TAXI - FLYING CREW	4.00	2.22	-45
7502	6	GAS COMPANY: GAS CO-NATURAL GAS-LOCAL DISTIBUTION & DRIVERS	1.91	1.72	-10
7515	6	OIL OR GAS PIPELINE OPERATION & & DRIVERS	2.70	3.51	30
7520	6	WATERWORKS OPERATION & DRIVERS	5.86	3.48	-41
7538	4	ELECTRIC LIGHT OR POWER LINE CONTRACTOR & DRIVERS	14.74	12.58	-15
7539	6	ELECTRIC LIGHT OR POWER CO NOC- ALL EMPLOYEES & DRIVERS	2.76	3.59	30
7540	6	ELEC LIGHT/POWER COOPERATIVE-REA PROJECT ONLY-ALL EMPLOYEES & DRV	5.05	4.89	-3
7580	6	SEWAGE DISPOSAL PLANT OPERATION & DRIVERS	3.11	2.81	-10
7590	9	GARBAGE WORKS	9.39	7.31	-22
7600	6	TELEPHONE OR TELEGRAPH CO: ALL OTHER EMPLOYEES & DRIVERS	4.00	2.97	-26
7601	4	TELEPHONE, TELEGRAPH OR FIRE ALARM LINE CONSTRUCTION & DRIVERS	7.18	7.13	-1
7605	4	BURGLAR ALARM INSTALL OR REPAIR & DRIVERS	3.97	3.22	-19
7610	8	RADIO/TV BROADCASTING STATION- ALL EMPLOYEES & CLERICAL, DRIVERS	0.60	0.52	-13
7611	4	TELEPHONE/CABLE TV LINE INST CONTRACTORS, UNDERGROUND & DRIVER	10.74	6.99	-35

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7612	4	TELEPHONE OR CABLE TV LINE INST CONTRACTORS, OVERHEAD & DRIVERS	11.48	9.84	-14
7613	4	TELEPHONE/CABLE TV LINE INST CONT. SERV. LINE & CONN. & DRIVERS	19.57	16.48	-16
7705	5	AMBULANCE SERVICE COMPANIES AND EMS AND DRIVERS	10.26	8.84	-14
7710	9	FIREFIGHTERS AND DRIVERS	26.66	7.35	-72
7711	9	FIREFIGHTERS AND DRIVERS - VOLUNTEER	26.66	6.69	-75
7720	9	POLICE OFFICERS & DRIVERS	5.09	4.58	-10
7855	4	RR CNST LAY/RELY TRCKS/MAINT OF WAY CONTR-NO WORK ON ELEV RR-DRV	12.77	5.86	-54
8001	7	STORE: FLORIST & DRIVERS	4.56	3.91	-14
8002	7	AUTOMOBILE RENTAL CO:ALL OTHER EMPLOYEES & COUNTER PERSONNEL, DRV	4.45	5.55	25
8006	7	STORE: GROCERY RETAIL	5.49	3.48	-37
8008	7	STORE: CLOTHING, WEARING APPAREL/DRY GOODS-RETAIL	2.52	2.04	-19
8010	7	STORE: HARDWARE	3.30	2.46	-25
8013	7	STORE: JEWELRY	0.79	0.53	-33
8015	7	QUICK PRINTING-COPYING/DUP SERV-ALL EMPS/CLERICAL, SALESPRSNS DRV	1.09	0.98	-10
8017	7	STORE: RETAIL NOC	2.78	2.24	-19
8018	7	STORE: WHOLESALE NOC	4.94	4.46	-10
8021	7	STORE: MEAT, FISH OR POULTRY DEALER WHOLESALE	3.90	3.52	-10
8031	7	STORE: MEAT, FISH OR POULTRY- RETAIL	6.93	3.60	-48
8032	7	STORE: CLOTHING, WEARING APPAREL OR DRY GOODS-WHOLESALE	3.08	4.00	30
8033	7	STORE: MEAT, GROCERY & PROVISION STORES COMBINED-RETAIL NOC	4.28	3.52	-18
8039	7	STORE: DEPARTMENT-RETAIL	7.09	5.54	-22
8044	7	STORE: FURNITURE & DRIVERS	5.61	3.93	-30
8045	7	STORE: DRUG RETAIL	0.90	0.68	-24
8046	7	STORE: AUTO ACCESSORY-RETAIL NOC & DRIVERS	3.70	3.01	-19
8047	7	STORE: DRUG-WHOLESALE	2.94	3.20	9
8058	7	BUILDING MATERIAL DEALER-NEW MATERIALS ONLY: STORE EMPLOYEES	4.83	2.65	-45
8072	7	STORE:BOOK, RECORD, DISC, SOFTWARE,VIDEO OR AUDIO CASSETTE RETAIL	2.16	1.39	-36
8102	7	SEED MERCHANT	2.46	1.78	-28
8103	7	WOOL MERCHANT	38.99	7.47	-81
8105	7	STORE: HIDE OR LEATHER DEALER	15.91	10.67	-33
8106	7	IRON OR STEEL MERCHANT & DRIVERS	6.34	5.84	-8
8107	7	MACHINERY DEALER NOC-STORE OR YARD-& DRIVERS	4.34	3.60	-17
8111	7	PLUMBERS' SUPPLIES DEALER & DRIVERS	5.15	4.21	-18
8116	7	FARM MACHINERY DEALER-ALL OPERATIONS & DRIVERS	2.72	1.52	-44

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8203	7	ICE MFG OR DISTRIBUTION & DRIVERS	8.99	6.54	-27
8204	7	BUILDING MATERIAL YARD & LOCAL MANAGERS, DRIVERS	4.57	3.76	-18
8209	7	VEGETABLE PACKING & DRIVERS	4.24	4.65	10
8215	7	HAY, GRAIN OR FEED DEALER & LOCAL MANAGERS, DRIVERS	5.43	3.45	-36
8227	4	CONSTRUCTION OR ERECTION PERMANENTYARD	6.12	4.01	-34
8232	7	LUMBERYRD NEW MTRLS ONLY: ALL OTH EMP & YARD, WAREHOUSE, DRV	8.22	6.18	-25
8233	7	COAL MERCHANT & LOCAL MANAGERS, DRIVERS	5.36	5.48	2
8235	7	SASH, DOOR/ASSEMBLED MILLWORK DEALER & DRIVERS	5.68	4.39	-23
8263	7	JUNK DEALER & DRIVERS	16.74	14.07	-16
8264	7	BOTTLE DEALER-USED & DRIVERS	10.49	8.99	-14
8265	7	IRON OR STEEL SCRAP DEALER & DRIVERS	13.29	11.05	-17
8279	8	STABLE/BREEDING FARM & DRIVERS	24.02	12.15	-49
8288	7	LIVESTOCK DEALER OR COMMISSION MERCHANT & SALESPERSONS, DRIVERS	6.44	8.37	30
8291	8	STORAGE WAREHOUSE-COLD	6.23	6.66	7
8292	8	STORAGE WAREHOUSE NOC	6.00	6.03	1
8293	8	STORAGE WAREHOUSE-FURNITURE & DRIVERS	15.68	10.70	-32
8304	7	GRAIN ELEVATOR OPERATION & LOCAL MANAGERS, DRIVERS	5.08	5.20	2
8350	7	GASOLINE DEALER & DRIVERS	6.36	5.36	-16
8380	7	AUTOMOBILE SERVICE OR REPAIR CENTER & DRIVERS	5.12	3.49	-32
8381	7	GASOLINE STATION-RETAIL-SELF- SERVICE	5.55	4.42	-20
8385	5	BUS CO : GARAGE EMPLOYEES	4.62	3.79	-18
8392	8	AUTO STORAGE GARAGE, PARKING LOT OR PARKING STATION, VALET SVC, CASHIERS, COUNTER AND DRIVERS	7.55	7.00	-7
8393	7	AUTOMOBILE BODY REPAIR	3.31	2.53	-24
8500	7	METAL SCRAP DEALER & DRIVERS	9.67	7.72	-20
8601	8	ARCHITECT OR ENGINEER-CONSULTING	1.01	0.45	-55
8606	9	GEOPHYSICAL EXPLORATION SEISMIC- ALL EMPLOYEES & DRIVERS	5.99	3.89	-35
8720	8	INSPECTION OF RISKS FOR INSUR OR VALUATION PURPOSES NOC	3.60	3.67	2
8721	10	REAL ESTATE APPRAISAL COMPANY OUTSIDE EMPLOYEES	0.47	0.30	-36
8742	10	SALESPERSONS OR COLLECTORS - OUTSIDE	0.43	0.30	-30
8745	7	NEWS AGNT/DIST OF MAG/OTH PERIDS NOT RETL DEALRS & SALSPRSNS,DRV	4.28	3.91	-9
8748	10	AUTOMOBILE SALESPERSONS	0.84	0.58	-31
8755	10	LABOR UNION-ALL EMPLOYEES	0.62	0.58	-6
8799	8	MAILING OR ADDRESSING COMPANY OR LETTER SERVICE SHOP - CLERICAL	1.84	1.73	-6
8800	8	MAILING OR ADDRESSING CO & CLERICAL	1.86	1.79	-4
8803	10	AUDITORS, ACCNT OR FACTORY COST OR OFFICE SYSTEMATIZER-TRAVELING	0.15	0.09	-40

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8810	10	CLERICAL OFFICE EMPLOYEES NOC	0.27	0.19	-30
8820	10	ATTORNEY-ALL EMPLOYEES & CLERICAL MESSENGERS & DRIVERS	0.44	0.21	-52
8824	8	RETIREMENT LIVING CENTERS: HEALTHCARE EMPLOYEES	6.77	6.21	-8
8825	8	RETIREMENT LIVING CENTERS: FOOD SERVICE EMPLOYEES	3.96	3.36	-15
8826	8	RETIREMENT LIVING CENTERS ALL OTHER EMPS, SALESPERSONS & DRV	4.47	3.29	-26
8829	8	CONVALESCENT OR NURSING HOME ALL EMPLOYEES	5.10	4.74	-7
8831	8	HOSPITAL-VETERINARY & DRIVERS	2.94	1.48	-50
8832	8	PHYSICIAN & CLERICAL	0.68	0.44	-35
8833	8	HOSPITAL: PROFESSIONAL EMPLOYEES	1.72	1.50	-13
8835	8	HOME - PUBLIC & TRAVELING HEALTHCARE - ALL EMPLOYEES	5.40	4.20	-22
8842	8	GROUP HOMES ALL EMPLOYEES AND SALESPERSONS, DRIVERS	3.66	3.17	-13
8864	8	SOCIAL SERVICES ORGANIZATION ALL EMPLOYEES AND SALESPERSONS, DRIVERS	3.66	3.17	-13
8868	8	COLLEGE: PROFESSIONAL EMPLOYEES & CLERICAL	0.72	0.51	-29
8869	8	CHILD DAY CARE CENTER: PROFESS EMPLOYEES & CLERICAL SALESPERSONS	2.22	1.86	-16
8871	10	CLERICAL TELECOMMUTER EMPLOYEES	0.69	0.45	-35
8901	6	TELEPHONE OR TELEGRAPH CO: OFFICE EXCHANGE EMPLOYEES & CLERICAL	0.20	0.19	-5
8989	8	DOMESTIC WORKERS - RESIDENCES	3.60	3.82	6
9012	8	BUILDING OP. - BY OWNER, LESSEE, REAL ESTATE MANGT. FIRM: PROFESS	1.04	0.82	-21
9014	8	BUILDINGS-OPERATION BY CONTRACTORS	6.91	5.65	-18
9015	8	BUILDINGS-OPERATION BY OWNER OR LESSEE ALL OTHER EMPLOYEES	7.84	5.19	-34
9016	8	AMUSEMENT PARK OR EXHIBITION OPERATION & DRIVERS	5.54	4.97	-10
9019	8	BRIDGE OR VEHICULAR TUNNEL OPERATION & DRIVERS	3.06	2.19	-28
9033	8	HOUSING AUTHORITY & CLERICAL, SALESPERSONS, DRIVERS	3.17	3.25	3
9040	8	HOSPITAL: ALL OTHER EMPLOYEES	4.03	4.59	14
9044	8	CASINO GAMBLING-HOTEL - ALL EMP.CLERICAL, SALESPERSONS & DRIVERS	3.06	2.19	-28
9052	8	HOTEL: ALL OTHER EMPS & SALESPERSONS, DRIVERS	5.32	3.96	-26
9058	8	HOTEL: RESTAURANT EMPLOYEES	4.32	3.60	-17
9059	8	CHILD DAY CARE CENTER: ALL OTHER EMPLOYEES AND DRIVERS	2.92	1.99	-32
9060	8	CLUB-COUNTRY, GOLF, FISHING OR YACHT & CLERICAL	2.70	1.67	-38
9061	8	CLUB NOC & CLERICAL	4.71	2.99	-37
9062	8	CASINO GAMBLING-ALL EMPLOYEES & CLERICAL, SALESPERSONS & DRIVERS	5.13	6.67	30
9063	8	YMCA, YWCA, YMHA OR YWHA, INSTITUTION-ALL EMPS & CLERICAL	2.02	1.50	-26
9082	8	RESTAURANT NOC	3.34	2.33	-30
9083	8	RESTAURANT: FAST FOOD	3.47	2.46	-29

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9084	8	BAR, DISCOTHEQUE, LOUNGE, NIGHT CLUB OR TAVERN	4.47	2.72	-39
9088	9	ROCKET OR MISSILE TESTING OR LAUNCHING & DRIVERS	5.28	4.26	-19
9089	8	BILLIARD HALL	1.99	1.65	-17
9093	8	BOWLING LANE	3.39	2.45	-28
9101	8	COLLEGE: ALL OTHER EMPLOYEES	4.16	2.73	-34
9102	8	PARK NOC-ALL EMPLOYEES & DRIVERS	5.56	3.34	-40
9154	8	THEATER NOC: ALL OTHER EMPLOYEES	3.79	2.72	-28
9156	8	THEATER NOC: PLAYERS, ENTERTAINERS OR MUSICIANS	4.19	1.45	-65
9170	8	JANITORIAL SERVICES BY CONTRACTORS	6.91	5.54	-20
9178	8	ATHLETIC TEAM OR PARK: NON-CONTACT SPORTS	23.00	23.91	4
9179	8	ATHLETIC TEAM/PARK: CONTACT SPORTS	37.86	49.22	30
9180	8	AMUSEMENT DEVICE OPERATION NOC- NOT TRAVELING-& DRIVERS	7.00	3.63	-48
9182	8	ATHLETIC TEAM/PARK: OPERATION & DRIVERS	6.29	5.73	-9
9186	8	CARNIVAL, CIRCUS/AMUSEMENT DEVICE OPER-TRVL-ALL EMPS & DRIVERS	22.09	9.11	-59
9220	8	CEMETERY OPERATION & DRIVERS	9.36	7.03	-25
9402	9	STREET CLEANING & DRIVERS	7.78	7.25	-7
9403	9	GARBAGE, ASHES OR REFUSE COLLECTION & DRIVERS	13.53	10.88	-20
9501	3	PAINTING: SHOP ONLY & DRIVERS	5.47	3.92	-28
9505	3	PAINTING: AUTOMOBILE OR CARRIAGE BODIES	2.25	1.85	-18
9516	8	RADIO, TV, VIDEO & AUDIO EQUIP. INSTALL, SERVICE OR REPAIR & DRV	5.50	5.96	8
9519	8	ELECTRICAL HOUSEHOLD & COMML APPLIANCES - INSTALL, SERVICE OR REPAIR & DRIVERS	8.91	4.48	-50
9521	8	HOUSE FURNISHINGS INSTALLATION NOC & UPHOLSTERING	3.99	4.68	17
9522	3	UPHOLSTERING	2.94	2.99	2
9534	4	MOBILE CRANE & HOIST SRVC CONTRS- NOC-ALL OP-INCL YARD EMPS & DRV	4.91	3.64	-26
9554	4	SIGN ISTALL, MAINT., REPAIR, REMOVAL OR REPLACEMENT: NOC & DRIVERS	12.85	9.51	-26
9586	8	BARBER SHOP	1.42	0.83	-42
9600	8	TAXIDERMIST	3.58	2.93	-18
9620	8	FUNERAL DIRECTOR & DRIVERS	1.79	0.86	-52
9984	9	ATOMIC ENERGY: PROJECT WORK	1.61	1.24	-23
9985	9	ATOMIC ENERGY: RADIATION EXPOSURE NOC	3.32	3.79	14

BWC Private Employer
Projected premium impacts
Appendix 13

All policies - Comparing 2008 Projected Premium to 2009 Projected Premium

	Total Policies	2008 Estimated Premium and Assessments	2009 Estimated Premium and Assessments	Estimated Total Change	Estimated Number of Policies that had a decrease	Estimated Amount of decrease for employers that had a decrease	Estimated Number of Policies that had an increase	Estimated Amount of increase for employers that had an increase
All policies - Comparing 2008 Projected Premium to 2009 Projected Premium	194,103	1,914,194,026	1,775,045,681	(139,148,345)	106,488	(342,037,462)	87,615	202,889,117
Not in Group in 2008 and not in Group in 2009	90,977	$1,041,699,118	$838,276,776	($203,422,343)	83,289	($221,564,726)	7,688	$18,142,383
In Group in 2008 and in Group in 2009	84,769	$493,099,285	$559,248,422	$66,149,137	13,966	($44,719,322)	70,803	$110,868,459
Not in Group in 2008 in a Group in 2009	7,854	$111,220,237	$46,396,466	($64,823,771)	7,834	($64,945,993)	20	$122,222
In a Group in 2008 and Not in a Group in 2009	10,503	$268,175,385	$331,124,017	$62,948,632	1,399	($10,807,421)	9,104	$73,756,053
Totals	194,103	$1,914,194,026	$1,775,045,681	($139,148,345)	106,488	(342,037,462)	87,615	202,889,117

* Data is limited to those employers who reported payroll and were in an active status in policy years 2008 and 2009

*** Premium is estimated based upon information available at time of study including 12 months of reported payroll for the 2008

“Plan for Adequacy and Equity in Ohio’s Group Program”

Appendix 14

Plan for Adequacy and Equity in Ohio's Group-Experience-Rating Program

Prepared in accordance with House Bill 79 of the 127th General Assembly

Tuesday, Sept. 15, 2009

Ohio | Bureau of Workers' Compensation

Introduction

On Jan. 6, 2009, Governor Ted Strickland signed Amended Substitute House Bill 79 (127th General Assembly) into law. The bill contained the following requirement: "The Administrator of Workers' Compensation shall examine the group-experience-rating program and make a plan to address the equity and adequacy of workers' compensation premiums for Ohio employers."

By law, the administrator must provide the report to the Speaker of the House of Representatives, the President of the Senate, the minority leaders of the House and Senate, the chairperson of any standing committee of the General Assembly that regularly considers workers' compensation bills and the Workers' Compensation Council by Sept. 15, 2009. This report fulfills that requirement.

Overview and progress of rate reform efforts

On March 20, the BWC Board of Directors (Board) approved BWC's comprehensive rate reform plan. BWC has implemented elements of the plan for the July 1, 2009, policy year for private-sector employers. BWC is in the process of implementing a similar plan for public employer taxing districts effective Jan. 1, 2010.

This landmark decision by the Board emphasizes BWC's ongoing commitment to all Ohio employers to establish the right rate for the right risk. By providing more accurate, competitive rates and new performance-based programs, Ohio's workers' compensation system can now become an asset for economic development and provide more options for all employers to reduce costs and improve safety.

Highlights of the plan include:

- Severing the connection between discounts for group-rated employers and the off-balance factor used to increase base rates to offset the discounts;
- Reducing base rates for July 1, 2009, by 25.3 percent on average;
- Increasing group-rated employers' premiums by an average of 9.6 percent;
- Capping increases in an employer's individual experience modifier (EM) at 100 percent if the employer's EM is 1.01 or greater and the employer agrees to participate in BWC-approved safety programs;
- Implementing two new program options (a deductible program and a group-retrospective-rating program) to provide more performance-based options for employers seeking to control costs.

The signature achievement of this plan is that non-group employers' rates more accurately reflect the level of risk they bring to the system and are not inflated to cover premium shortages caused by the group-experience-rating program. By setting the base rates for all employers independent of the pricing actions in group-experience rating, BWC eliminated any chance of non-group employers bearing any additional costs created by group formation.

This action, combined with an overall rate reduction of 12 percent based on downward trends in claims costs, resulted in an average base rate reduction of 25.3 percent. To ensure group employers paid premiums that reflect the costs they bring to the system, BWC implemented a break-even factor for group employers. This factor adjusts the discount level for all group participants to the right level for the risks that are in group. The application of this factor resulted in a 9.6 percent increase in group premium after all adjustments are made. Collectively, these changes will result in balanced premium collection. Non-group employers are paying the right rate and despite these changes, the majority of employers participating in group will continue to receive lower premiums through their participation.

In addition, BWC implemented changes in other areas related to the group-experience rating program. BWC initiated sweeping changes with respect to the rules governing which associations are eligible to sponsor a group-experience-rating or group-retrospective-rating program.

Previously, BWC never re-evaluated approved associations. Now, BWC must recertify sponsors at least once every three years. In addition, BWC will evaluate these applications while having access to additional information, including marketing materials, affiliate sponsors, articles of incorporation and financials. BWC will also require group-experience-rating employers that sustain a claim while in group to attend two hours of safety training.

History and background

The problems inherent in the group-experience-rating program have been chronicled since its inception in 1991. By the time the 127th General Assembly passed House Bill (HB) 100, creating the BWC Board of Directors and giving it the same fiduciary duties as the administrator, nine studies by independent actuarial firms detailed the inequities and flaws within group-experience rating and pointed to methods that could restore fairness and equity to the program.

Deloitte Consulting LLP conducted a 10th independent actuarial study as a part of the comprehensive study, which HB 100 also required. In the report Deloitte states, "Addressing the group-experience rating inequity is also recommended as one of the highest priorities. In this Executive Summary and the underlying report we suggest alternatives to repair and/or replace the current group-experience rating process."

The largest flaw of the group-experience-rating program is that employers participating in the program do not pay sufficient premiums to cover their costs. On average, there are approximately 100,000 employers that join a group. The majority of these employers expect significant premium discounts in exchange for their participation. As a result, sponsors and their third-party administrators (TPAs) have become hyper-focused on remaining able to offer discounts that have historically been as high as 95 percent to attract and retain employers.

To provide such deep discounts, most groups reform annually by shedding employers who have losses. This allows groups to become very large and achieve target discount levels. Most groups are formed with little claims losses in their experience to achieve the largest discount possible. When filed, they take advantage of a rate setting system that calculates significant discounts because their size and loss history has been gleaned to suggest they present little risk and extremely low (or non-existent) costs. In reality, most groups have losses during the policy year that far exceed the level they were expected to incur, which means their discounts are too high.

Giving group (or class) discounts is a common practice and it is not, on its face, unfair or unsound. Done properly, these types of discounts may provide safety incentives. That was the original intent of the group-rating-experience plan as implemented in Ohio.

While part of the challenges with respect to group-experience rating revolve around discounts, it is also unclear how effective groups have been in improving safety among their member employers. Part of the impetus for the creation of group-experience rating was that sponsoring associations and TPAs could improve accident prevention among employers by working with them over a period of years to identify and mitigate hazards while strengthening their safety culture. This was designed to help them achieve lower rates.

However, the massive size of some groups and the constant turnover among most rosters suggests that safety efforts offered by sponsors may be at risk. In the past two years, incurred losses among group and non-group employers in the aggregate are relatively the same even though there are approximately 35 percent more non-group employers. While discounting remains the primary factor when evaluating loss ratios, an erosion of safety efforts may also be contributing to the situation.

BWC must annually collect enough premiums to cover expected losses within the policy year. Because groups generate losses that are greater than expected, BWC has historically inflated base rates to ensure sufficient overall premium. With higher base rates, non-group employers must pay additional premium to offset this imbalance. Further, group employers historically received significant discounts, but they are also based on these inflated rates.

Since 2005, BWC has modified the maximum discount level from 95 percent to 77 percent to reduce the imbalance. However, group reformation has continually eroded those gains, as more and more employers receive discounts that are at or near the maximum discount. The Deloitte study suggested additional solutions, including alternatives to this program. These included changing the structure of group-experience rating to improve equity within the system. Deloitte also suggested applying a separate group-experience rating off-balance adjustment to the group discount factors, rather than applying an overall off-balance adjustment to all employers through class rating.

Components of 2009 plan for rate equity

At the same time that Deloitte brought the comprehensive study to a close earlier this year, BWC established a plan to set rates more accurately and equitably for non-group employers, and ultimately for employers also in group-experience-rating programs. To establish accurate and equitable prices for all employers, BWC set out to accomplish four things:

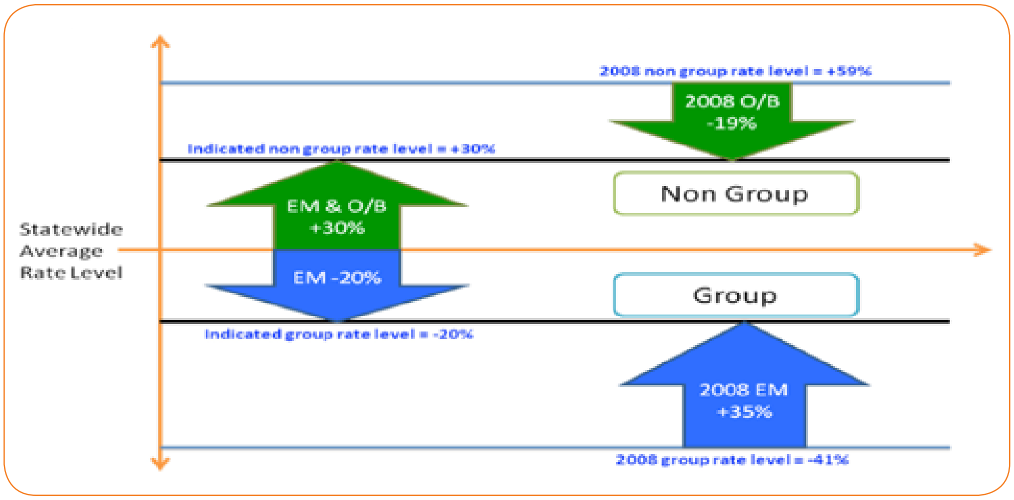
1) Study the performance differentials among all private-sector, state-fund employers to identify the cost levels of group and non-group employers;
2) Set more accurate, equitable rates for non-group employers based on the underlying cost differences;
3) Improve the performance of the group-rating program; and
4) Control for premium volatility in extreme circumstances.

Cost differential study

An analysis performed by BWC's actuarial consultants indicates there is a noticeable and consistent difference in cost levels between group and non-group employers. The analysis shows claim costs for non-group rated employers are 30 percent higher than the statewide average for all employers. In addition claim costs for group-rated employers are 20 percent lower than the statewide average.

Set accurate rates for non-group employers

When comparing cost levels relative to pricing levels, it is clear that an imbalance exists. While non-group employers bring costs that are 30 percent higher than average, they pay premiums that are 59 percent higher than the statewide average. Conversely, group employers pay premiums that are an average of 41 percent lower than the statewide average when their cost levels are only 20 percent less.



The analysis shows the average impact of experience rating for non-group employers is a debit of 7 percent. To achieve the 30-percent target, the system off balance should be set to increase costs approximately 23 percent.

The Board approved BWC's recommendation to set the policy year off-balance factor at 1.23. This accomplished two things. First, it results in non-group employers' premium levels accurately reflecting the costs they present to the system. When combined with the 7-percent debit achieved through experience rating, non-group employers' premiums are priced to be 30 percent higher than the statewide average – precisely in line with the results of the cost differential study.

Second, the reduction in the overall system off-balance factor from 1.49 (the average of July 1, 2008), to 1.23 resulted in a significant reduction in base rates. When combined with BWC's overall recommendation to reduce base rates because of an overall reduction in claims costs, the net effect is an average decrease of 25 percent.

Improve performance of group-rating program

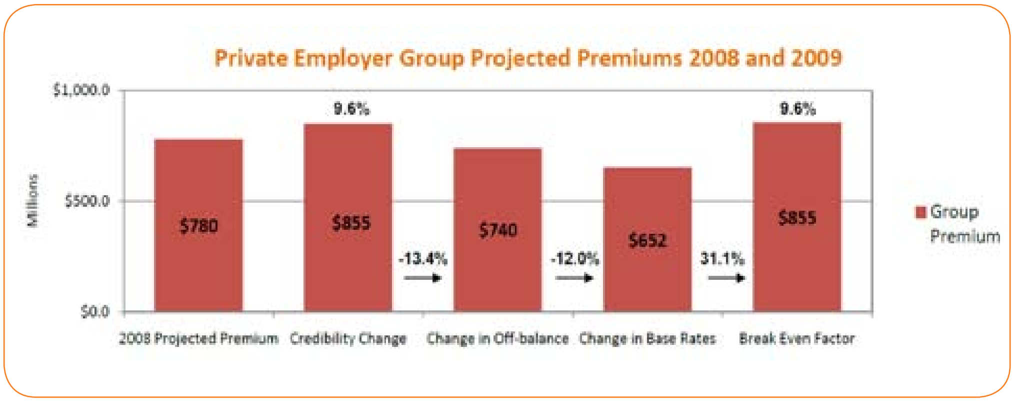
In June 2008, the Board approved BWC's recommendation to reduce the credibility table such that the maximum possible discount for employers was 77 percent. BWC expected this action to improve performance and equity among group-rating participants by increasing the average premium for a group-rated employer by 9.6 percent.

BWC anticipated similar progress as a result of prior reductions in credibility. However, when evaluating prior reductions in credibility (93 to 90 percent effective July 1, 2007, 90 percent to 85 percent effective July 1, 2008), actuarial studies have shown virtually no progress was made in reducing the overall shortfall.

While the maximum possible discount decreased, the number of employers receiving the maximum discount continued to increase. Thus, employers remaining at the maximum discount each year saw premium increases. But those increases were offset by more and more employers receiving discounts at or near the maximum level which were much greater than they received in prior years. As a result, progress stagnated.

To ensure BWC captured the 9.6 percent premium increase, BWC introduced a break-even factor of 1.311 for the July 1, 2009, policy year. The factor was intended to offset the overall 25.3 percent reduction in base rates that was achieved both through a decrease in overall claims costs and a reduction in the system off-balance factor.

In essence, the average group employer's premium would remain at the same level as for the July 1, 2008, policy year (assuming all other factors such as loss history and payroll remained the same). The only exception to this is the premium impact generated through reducing the maximum discount.



While the flat break-even factor did lead to some employers becoming ineligible for group, there was only a 5-percent overall decrease in private-sector group-experience-rating participation (approximately 100,000 employers participated in group for the July 1, 2008, policy year relative to approximately 95,000 for the July 1, 2009, policy year). Furthermore, it achieved its intended effect by reducing the shortfall dramatically.

Control premium volatility

One of the biggest criticisms of Ohio's workers' compensation system is that some employers experience significant premium increases from one year to the next. To mitigate these circumstances, BWC instituted an EM cap for employers whose EM increased by more than 100 percent resulting in their individual EM exceeding 1.0.

With this cap, approximately 1,700 employers will see their premiums collectively reduced by $25 million. In addition, the capping program requires them to invest in completing the 10-Step Business Plan for Safety. This will provide a strong foundation for strengthening risk and claims-management practices and allow employers to improve their workplace safety efforts.

Involving stakeholders

Throughout the process, BWC worked closely with multiple sponsoring associations and TPAs to devise a solution that reduced base rates and improved equity and performance throughout the system. From Jan. 23 and March 19, 2009, BWC participated in at least 23 meetings with various stakeholders working to implement the changes outlined above.

Looking forward

BWC will continue its reform efforts focused on ensuring overall equity in premium levels for all employers. This will include:

Further examination of the maximum discount afforded by the credibility table: The implementation of the break-even factor reduced the maximum discount and improved equity in group pricing. However, this fix is short term because it doesn't effectively distinguish among the individual groups and accurately reflect each group's individual premiums and losses within a policy year. BWC continues to examine solutions that move more toward matching premium with group performance.

Improving ratability of groups through the group-experience-rating program: BWC is continuing efforts to identify precisely what characteristics within group-experience rating generate reduced costs relative to the statewide average. As it defines those components, BWC intends to highlight them to encourage continued emphasis on keeping losses low.

Examining segments of employers and performing underwriting to determine eligibility for group-experience rating: BWC has begun analyzing the statewide book of business to determine whether all segments should be able to obtain the highest possible discounts. By examining premiums and losses based on sizes and industries, BWC may consider underwriting criteria that improve the overall performance of the group-experience-rating program.

Continuing to evaluate and improve the sponsorship certification: To ensure sponsoring associations provide value to employers that participate in their groups beyond just group-experience rating while also helping Ohio's workers' compensation system to achieve desired outcomes, BWC will continue to monitor its rules governing sponsorship and make improvements where appropriate.

Discouraging rejection of members from group-experience rating: A comprehensive solution for the group-experience-rating program should not encourage sponsors or their TPAs to remove employers to improve a group's discount level. Furthermore, improved group retention will improve BWC's ability to accurately price these groups and collect premiums that reflect their risk.

You can find a complete historical record of the Deloitte study and action taken to date by the Board's Actuarial Committee, which supports various decisions with respect to rate reform at http://www.ohiobwc.com/basics/BoardofDirectors/bdcommittee.asp#act. BWC will provide further recommendations to the Board during the coming months as BWC continues its reform efforts.

Risk Segmentation Analysis
(Option 'A')
Interim Report

By Oliver Wyman

Appendix 15

DRAFT

October 15, 2009

Risk Segmentation Analysis (Option ‘A’) Interim Report

Ohio Bureau of Workers’ Compensation

OLIVER WYMAN

Contents

1

Background

The Ohio Bureau of Workers' Compensation (OBWC) directed Oliver Wyman to evaluate the loss ratio performance of a large number of underwriting risk variables to find which, if any, of the candidate variables help explain (statistically) the difference in expected loss ratio observed between group and non group.

Several databases within the BWC were reviewed to find possible risk characteristics that have been consistently reported and are objectively defined. While we had extended discussions and ideas offered for possible risk features that would contribute to higher or lower pure premiums, ultimately we refined our candidate variables list to those data elements that have been recorded within the BWC over a multi-year time period.

An example of a candidate variable is whether or not a risk has had a premium lapse, or late payment in the past three years. This risk level information is combined with payroll, premium and loss data to evaluate whether or not a loss ratio difference is associated with this variable. In other words, do risks with a lapse in a prior policy period have worse, better, or the same loss ratio as risks with no lapses? In essence we are looking to discern pure premium differences between risks beyond what is already accounted for by the manual classification base rates and individual experience mods.

With a few phases of this project remaining to be completed, this is an interim report on the primary results of the work completed to-date. Our progress is described as follows:

– Traditional loss, premium and payroll data was merged with a number of candidate risk variables from several data sources within the BWC
– Candidate variables were used to categorize, or classify risks for the purpose of measuring loss ratio performance.
– Loss ratios differences for each risk characteristic were measured on a stand alone basis, also known as univariate, to measure potential segmentation benefit.

- – Possible credit and debit factors were estimated for candidate variables which indicate some explanatory value in the loss ratio measures

Oliver Wyman is currently reviewing the candidate variables on a multi-variate basis to account for possible biases, redundancies or other interactions between the segmentation variables being considered.

This report is prepared by William D. Hansen (Bill), Principal, who is a member of the American Academy of Actuaries (MAAA) and meets its qualification standards. Bill is also a Fellow of the Casualty Actuarial Society (FCAS).

2

Preliminary Results

Establishing a premium basis

Group rated policies have better (lower) loss ratio performance than non group when base premium is used as the exposure measure. However when group and non group loss ratios are compared using standard premium, meaning the experience rating plan is applied at the group level, the relationship is reversed and group loss ratios are much worse (higher) than non group. The current process of allowing groups to be experience rated has a number of flaws which results in premiums that are too low, and thus loss ratios that are too high. This is the primary issue behind the rate reform efforts.

The starting point for this analysis also uses standard premium that includes experience rating, however all of the experience mods are determined at the individual risk level regardless of group membership. When all experience mods are individually determined, the loss ratios for group members are better (lower) than non group. Again, the difference from today's rating rules is that credibility, and therefore the experience mod, is not calculated at the group level. This allows us to incorporate the benefits of experience rating for each risk without the distorting effects of group rules.

Another more subtle adjustment to the historical premium calculations is that the base rate off-balance applied is the same for all manual classes. This update is made to put the premiums on a level that is most consistent with today's manual rating.

Initial list of candidate variables

The following characteristics were associated with each risk that was rated in policy years 2005 and 2006. Grouping the risks by size is fairly simple, because the current year premium is all we need. However classifying risks for the other variables is defined by what they did (or did not do) in the years prior to the actual rating year. For example, a risk is classified as having a lapse in coverage if anytime within the three years prior to the rating year a lapse occurred. Therefore if we are measuring loss ratios for rating year 2005 based on lapse history, we count the number of lapses in calendar years 2001 to 2004. The three year period prior to the rating year is also referred to as the look back period, and a similar classification process is used for the other candidate variables.

Here is a list of the variables considered, along with brief descriptions:

- Size of Risk (Base Premium): larger risks often have better loss ratio performance; expense differences were not considered

- Lapse in coverage: policies that miss a premium payment have a lapse in coverage; late payments often correlate with poor financials, and likewise are associated with higher loss costs

- Drug Free Work Place (DFWP): we are retesting the indicated credit by using a 4 to 5 year look back period; employers that met the requirements within the last 4 to 5 years were classified as having DFWP

- Safety and Hygiene (S&H): similar to DFWP, employers that participated in S&H within a 3 year look back period were coded as a participant

- PDP: employers that participated in PDP within a 4 to 5 year look back period were coded as a participant

- Number of Years in business: using the policy origination date, the age of each business as of the rating year date is determined;

- Number of claims in prior years: an extended history of prior period claims was populated to allow for historical views as short as one year and as long as ten years. In other words, risks could be segregated based on the number of claims in the most recent (green) year, or the most recent three years, and for any number of years up to ten

- Number of large claims in prior years: using the same claim count history but ignoring claims that are below a threshold of $1,000, an extended history of prior period claims was populated to allow for historical views as short as one year and as long as ten years. Smaller claims can be the source of "noise" in statistical analysis, and removing them can improve the predictive power of prior claims

The use of prior claim counts as a candidate variable may seem redundant with the experience rating process already reflected in the premiums. However while there could be some overlap, the claim count variable also picks up claim activity not reflected in the experience mod calculation, such as the most recent (green) year claims.

Indicated credit and debit levels

As described previously this first phase of this study looks at each candidate variable independently, which does not account for how all of the variables may work collectively. Nonetheless this univariate phase can give us direction as to which variables have the most potential to provide additional risk segmentation, and likewise to help explain the loss ratio performance differences between group and non group.

Here is the candidate variable list where we found indicated price differentials based on loss ratio performance.

<u>- Size of Risk:</u> Risks with base premium over $250k have indicated credits of 5% to 10%

<u>- Lapse in coverage:</u> Risks with a coverage lapse in a recent prior 3 year period indicate a surcharge of roughly 7%

<u>- Drug Free Work Place (DFWP):</u> Risks meeting the requirements of DFWP indicate a discount of 5%.

<u>- Number of Years in business:</u> Risks that have been in business more than 10 years indicate discounts between 5% and 10%

<u>- Number of large claims in prior years:</u> Risks that are claim free, or have fewer <u>large</u> claims in the most recent 5 years have indicated discounts ranging from 10% to 30% depending on premium size.

Please note that these indicated credits and debits are based on the univariate phase of the analysis, and will likely change as we work through the multi-variate phase of the project. We will also consider all of the candidate variables again in the multi-variate phase, as well as account for how those same variables work together to predict expected loss costs.

3

Data Reliance

Data Files

The following data files were provided by the OBWC to support the production of this study:

1. Case reserve analysis file evaluated as of 12/31/08
2. Policy year premium file for policy years 2005 and 2006
3. PA 2005 NCCI Summary Losses Claim Detail Run 3—experience period losses for policy year 2005
4. PA 2006 NCCI Summary Losses Claim Detail Run 3—experience period losses for policy year 2003
5. PY 2005 Summary Payroll Detail—payroll for the experience period in policy year 2003
6. PY 2006 Summary Payroll Detail—payroll for the experience period in policy year 2004
7. Rate Data files for policy year 2005 and 2006; BRC sample sheets for policy years 2005 and 2006; NCCI base rates for policy years 2005 and 2006; Off balance factors for policy years 2005 and 2006
8. Appendix c, table 1, part c, LLR tables from state insurance fund manual for PY's 2005 and 2006
9. Appendix a, table 1, part c, credibility and maximum value of a loss from state insurance fund manuals for PY's 2005 and 2006
10. PA policy origination dates
11. Case reserve analysis files evaluated as of 12/31/04 and 12/31/05
12. Listing of salary continuation claims as of 9/30/08
13. Listing of participating risks in 15k program with start and end dates
14. Listing of drug free work place participates for policy years 2001 – 2005
15. Listing of pdp participants for policy years 2001 – 2005
16. Listing of safety and hygiene visits for calendar years 2002 – 2005

17. Listing of policies having a lapse in coverage for calendar years 2002 - 2005

4

Caveats and Limitations

1. The data for this study was provided by the OBWC. In the study we relied on the accuracy and completeness of this data and reviewed such data for reasonableness and consistency. If the data is found to be inaccurate or incomplete, our findings and conclusions may need to be revised.

2. Information concerning the current experience rating program structure was provided by several members of the OBWC staff. In the study, we relied on the accuracy and completeness of this information, sometimes without independent verification. If the information is inaccurate or incomplete, our findings and conclusions may need to be revised.

3. This is an interim report, and therefore these initial results and findings may change as more analysis is completed. In addition to the assumptions stated in the report, numerous other assumptions underlie the calculations and results presented herein.

4. The study conclusions were based on analysis of the available data and on the estimation of many contingent events.

5. Numbers in the exhibits are generally calculated using more significant digits than their accuracy suggests. This has been done to simplify review of the calculations.

6. The experience rating data for policy years 2005 and 2006 uses Mira 1 reserves, as no data is available for Mira 2 reserves with prior evaluation dates.

7. Losses used for this analysis were on an undiscounted basis, and no development or trend factors were applied.

DRAFT

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Comprehensive rate reform and July 1, 2010, private employer (PA) rate recommendation

Monday, October 26, 2009

Overview

- Highlight key findings
- Review rate reform plan for July 1, 2010
- Identify future rate reform efforts

Need for credibility reductions

A significant gap between group and non-group employers loss ratios persists, indicating that prior credibility reductions didn't overshoot the target.

Policy Year	Evaluation Date	Max. Credibility	Group Loss Ratio	Non-Group Loss Ratio	Group Loss Ratio Relative to Non-Group Ratio
2003	3/31/2005	100%	110.6%	58.4%	1.89
2004	3/31/2006	100%	93.6%	46.9%	1.99
2005	3/31/2007	95%	82.1%	44.2%	1.85
2006	3/31/2008	93%	68.4%	40.6%	1.68
2007	3/31/2009	90%	46.6%	26.3%	1.77
2008	6/30/2009	85%	28.4%	15.4%	1.84

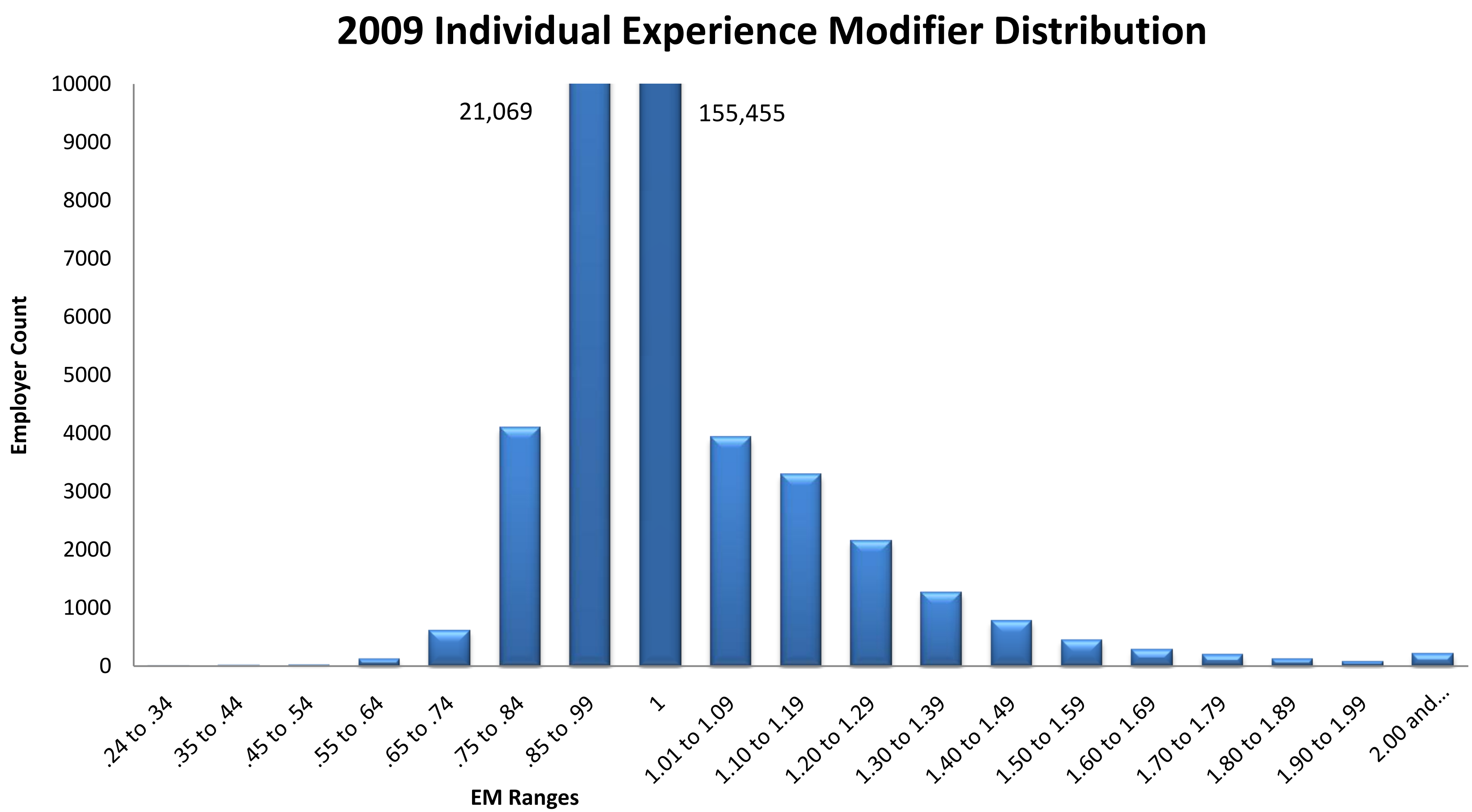
Impact of credibility changes on group EMs

Past credibility changes have had only a minor impact on moving EMs closer to their target of 0.62 relativity.

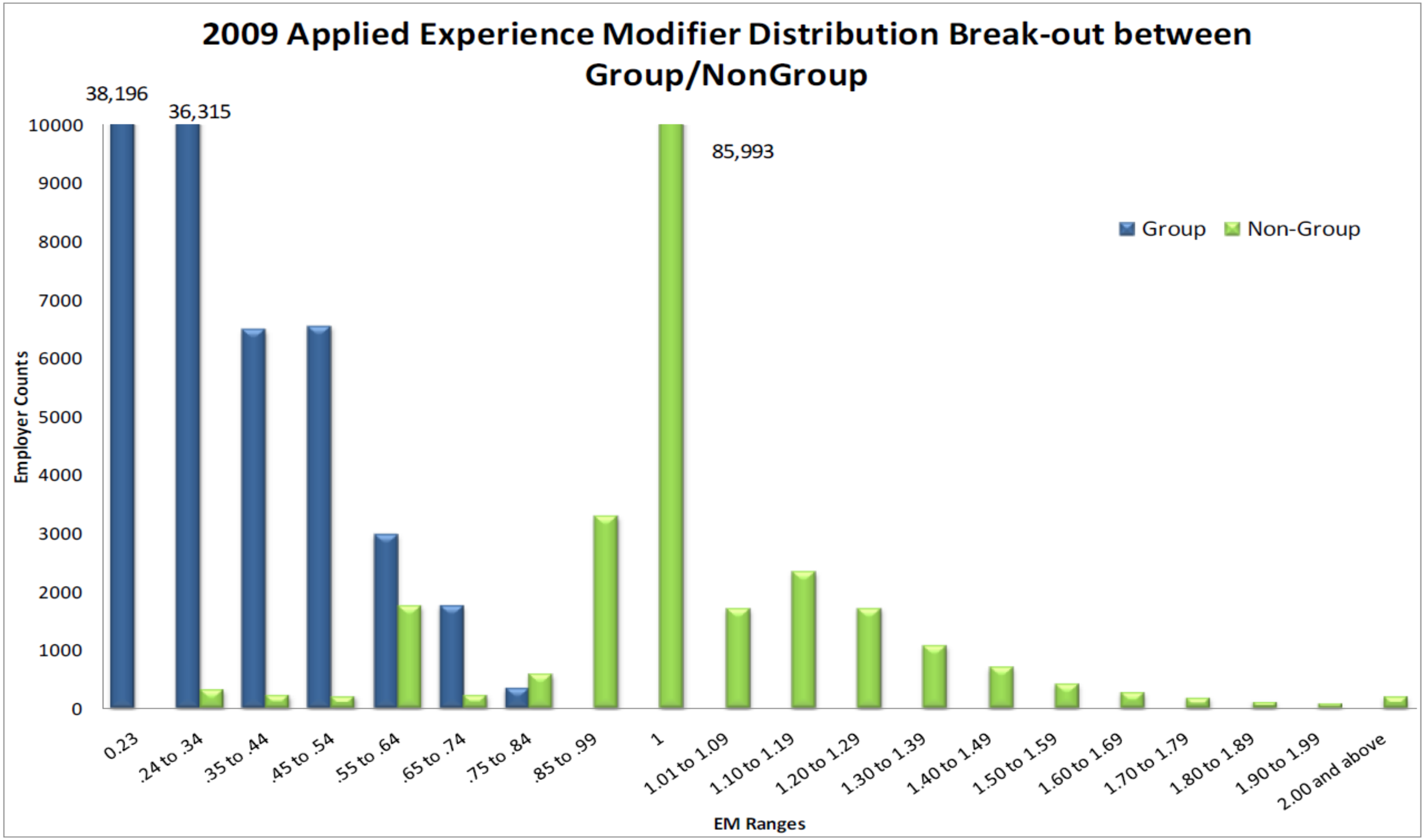
Policy Year	Max. Credibility	Average Group EM (with BEF where applicable)
2005	95%	0.24
2006	93%	0.28
2007	90%	0.31
2008	85%	0.39
2009	77%	0.380*1.311 = 0.498
2010 (projected)	65%	0.428*1.275 = 0.546

Ohio Bureau of Workers' Compensation

EM distribution before group-experience rating



EM distribution after group-experience rating



Need for a break-even factor

Omitting the average 1.275 break-even factor for July 1, 2010, would undo prior rate reforms

Segment	Target for full premium equity	2010 Proposed Premium	2010 Projected Premium Without 1.275 Average BEF	Variance from Target after removing BEF
Non-group	$1,078.5	$1,129.1	$1,129.1	$50.6
Group	$671.5	$620.9	$487.0	**-$184.5**
Total	$1,750.0	$1,750.0	$1,616.0	-$133.9

** All numbers are in millions*

System utilization

- Group employers have claims just like non-group employers
- In 2007, nearly 22 percent of group-experience rated employers had at least one claim compared to 11 percent of non-group businesses.

Group

Premium Range	Total Group Policies with payroll in 2007	At least one claim in past year	% of polices w/ claim
TOTALS	**93,905**	**20,404**	**21.7%**
$100 and less	7,289	82	1.1%
$101 - $1000	40,781	2,208	5.4%
$1001 - $5000	27,034	5,905	21.8%
$5001 - $10,000	6,978	3,158	45.3%
$10,001 - $25,000	6,025	3,911	64.9%
$25,001 +	5,798	5,140	88.7%

Non - Group

Premium Range	Total Non-Group Policies with payroll in 2007	At least one claim in past year	% of polices w/ claim
TOTALS	**116,309**	**12,762**	**11.0%**
$100 and less	13,598	**85**	0.6%
$101 - $1000	46,441	**658**	1.4%
$1001 - $5000	32,916	**2,101**	6.4%
$5001 - $10,000	8,801	**1,655**	18.8%
$10,001 - $25,000	6,737	**2,278**	33.8%
$25,001 +	7,816	**5,985**	76.6%

Goals for 2010 rate reform plan

- Provide accurate, equitable rates for non-group employers
- Adjust the maximum discount in the credibility table and the break-even factor to move group employers closer to their rate level target
- Introduce experience rating to more employers to provide incentive for them to manage safety and claims costs

Employer Impacts

Assuming an overall rate change of 0%
(decided next spring)

- Non-groups will have a 4.7% decrease
- Groups will have a 9.8% increase

Produces target relativities of:

- Non-groups = 1.30
- Groups = 0.71

Benefits of stratified BEF

- Factor decreases as EM increases
- A stratified BEF results in giving groups that have poorer loss ratios (higher-discounted groups) a higher BEF
- Allows for group formation at lower discount levels where the flat factor did not

Ohio Bureau of Workers' Compensation

Impact of a stratified BEF

The tables below demonstrate a 65% maximum credit table and the average 1.275 BEF in both a flat and stratified form:

Flat BEF

Group EM	BEF	Result
0.35	1.275	0.45
0.80	1.275	1.02

Stratified BEF

Group EM	BEF	Result
0.35	1.407	0.49
0.80	1.017	0.81

New credibility levels

- BWC is proposing three new credibility levels
- Approximately 38 percent of these policies do not participate in group-experience rating and would become newly experience rated

Expected losses	Credibility level	Maximum single loss	Total impacted employers	Base and credit-rated employers	Debit-rated employers	Group Rated Employers
$2,000	6 percent	$12,500	26,075	22,080	3,995	15,417
$4,000	9 percent	$12,500	13,575	10,897	2,678	8,696
$6,000	12 percent	$12,500	8,771	6,821	1,950	5,765
Totals			48,421	39,798	8,623	29,878

Future rate reform

- If necessary, adjust the BEF after groups are formed to the target group rate level relativity
- Continue evaluating targets and progress (e.g., whether non-group has 1.30 and group has 0.80 target relativity)
- Modify the structure of group-experience rating plan for optimal performance
  - Working on a model that considers individual EMs plus an earned discount and/or performance rebate

Future rate reform

- Develop a multi-split experience rating plan for July 2011
- Refine proposal on industry groups for programs (homogeneity)
- Study sponsorship certification success and consider additional enhancements
- Develop a plan to certify TPAs

Comprehensive rate reform and July 1, 2010, private employer (PA) rate recommendation

Monday, October 26, 2009

Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-05.1

Rule Review

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

   Citation: __O.R.C. 4123.29, 4123.34___________________

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

   What goal(s): _ The rule notifies private employers of the credibility table to be used in calculating rates for the policy year 7/1/10 through 6/30/11. The rule change will allow BWC to set the credibility table for private employer rates at a more equitable rating level.

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

4. ☒ The rule is effective, consistent and efficient.

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

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

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

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

   Explain: Third party administrators; employer trade associations.

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

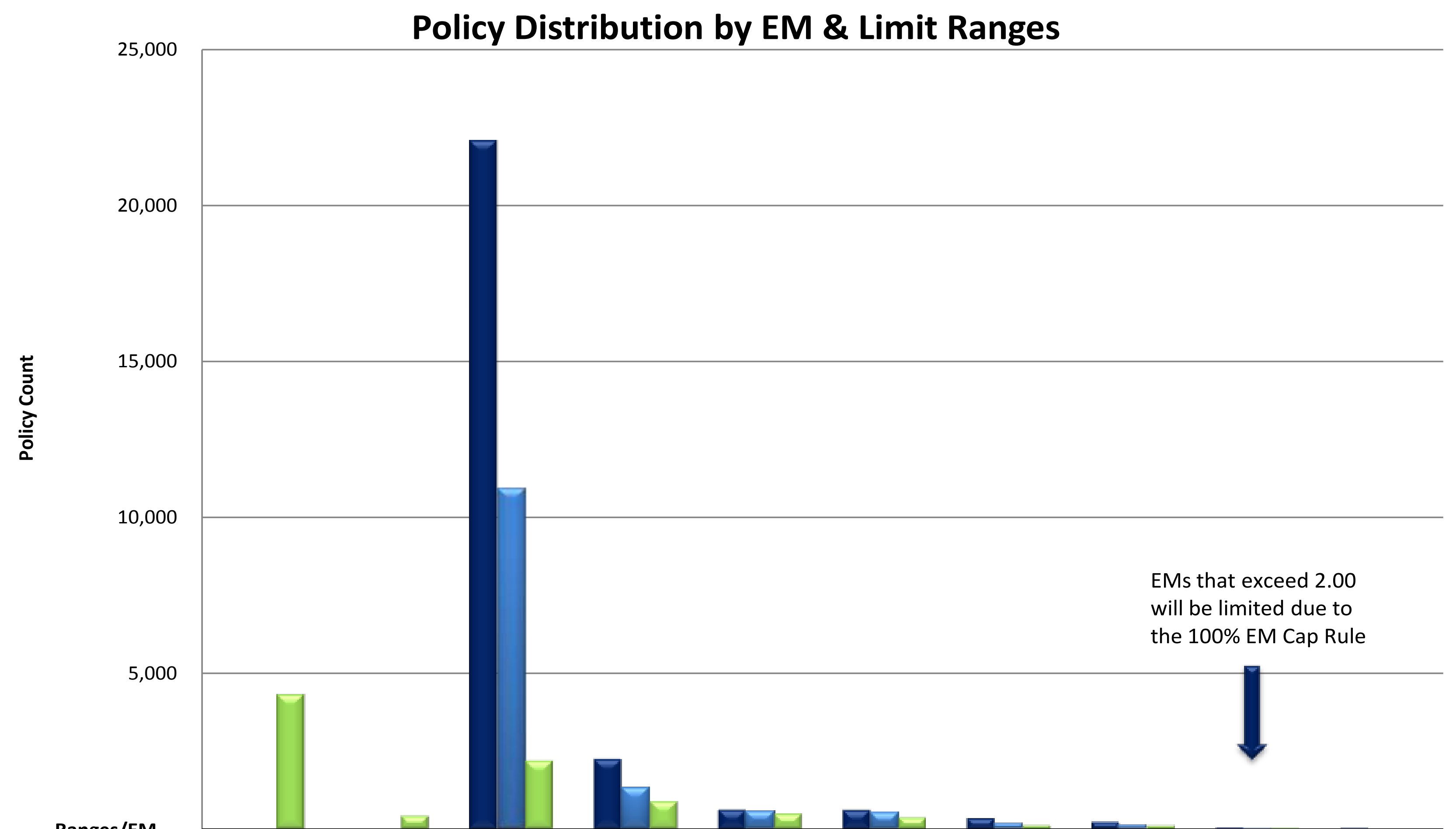
RATE RECOMMENDATIONS
PRIVATE EMPLOYERS
7/1/2010
Rule 4123-17-05.1 Private employers credibility table used for experience rating

At the June 2008 Workers' Compensation Board of Directors meeting, the board recommended a plan whereby the maximum credibility for Private Employers for the 7-1-2009 rating year would be 77% and the maximum credibility for Private Employers for the 7-1-2010 rating year would be 65%. The recommendation of the administrator is to continue the plan and adopt the 65% maximum credibility table for Private Employer rates for the rating year beginning 7-1-2010.

In addition, the BWC has added three new levels of credibility groupings at the lower end for employers who were individually base rated in the past. The new levels are at the top of the credibility table chart in the rule on page 5. This change allows those employers with expected losses between $2,000 and $7,999 to be experience rated. This range is segregated into the top three rows with ranges of $2,000 each. The projected increase in individually experience rated employers at the various levels is shown in the table below.

Credibility group	Range	Total Number of employers	Credit rated and exactly 1.00 EM	Debit Rated EM
1	$2,000 to $3,999	26,075	22,346	3,729
2	$4,000 to $5,999	13,575	11,070	2,505
3	$6,000 to $7,999	8,771	6,905	1,866
Total		**48,421**	**40,321**	**8,100**

The base rate recommendation for Private Employers will be brought to this committee and workers' compensation board of directors in the spring of 2010.



Ranges/EM -	0.88	0.89	0.90 to 0.99	1.00 to 1.25	1.26 to 1.50	1.51 to 1.75	1.76 to 2.00	2.01 to 3.00	3.01 to 5.00	5.01 to 8.00
$2,000 to $3,999			22,035	2,236	612	601	344	217	24	6
$4,000 to $5,999			10,912	1,314	549	518	156	115	11	
$6,000 to $7,999	4,267	407	2,161	877	475	361	111	102	10	

4123-17-05.1 **Private employer credibility table.**

The administrator of workers' compensation, with the advice and consent of the bureau of workers' compensation board of directors, has authority to approve contributions made to the state insurance fund by employers pursuant to sections 4121.121, 4123.29, and 4123.34 of the Revised Code. The administrator hereby sets the credibility table part A, “credibility and maximum value of a loss,” to be effective July 1, ~~2009~~ 2010, applicable to the payroll reporting period July 1, ~~2009~~ 2010, through June 30, ~~2010~~ 2011, for private employers as indicated in the attached appendix A.

Effective: 07/01/2010

____

Certification

____

Date

Promulgated Under: 111.15
Statutory Authority: 4121.12, 4121.121
Rule Amplifies: 4123.39, 4123.40
Prior Effective Dates: 7/1/90, 7/1/91, 7/1/92, 7/1/93, 7/1/94, 7/1/95, 7/1/96,
7/1/97, 7/1/98, 7/1/99, 7/1/00, 7/1/01, 7/1/02, 7/1/03, 7/1/04, 7/1/05, 7/1/06, 7/1/07, 7/1/08,
7/1/09

TABLE 1

PART A

Credibility and Claim Maximum Value of a Loss

Credibility Group	Expected Losses*	Credibility Percent	Credibility Group Maximum Claim Value
1	2,000	6%	12,500
2	4,000	9%	12,500
3	6,000	12%	12,500
4	8,000	16%	12,500
5	15,000	19%	12,500
6	27,000	22%	25,000
7	45,000	25%	37,500
8	62,500	27%	55,000
9	90,000	29%	75,000
10	122,500	31%	87,500
11	160,000	33%	100,000
12	202,500	35%	112,500
13	250,000	36%	125,000
14	302,500	38%	137,500
15	360,000	39%	150,000
16	422,500	41%	162,500
17	490,000	42%	175,000
18	562,500	44%	187,500
19	640,000	48%	200,000
20	722,500	53%	212,500
21	810,000	58%	225,000
22	902,500	63%	237,500
23	1,000,000	65%	250,000

Catastrophe value equals $250,000
*Expected losses are lower limits of credibility groups

Line	Rule #	Draft Rule Suggestions	Stakeholder Rationale/Suggestions	BWC Response	Resolution
1	4123-17-05.1	The administrator hereby sets the credibility table part A, “credibility and maximum value of a loss,” to be effective July 1, 2010, applicable to the payroll reporting period July 1, 2010, through June 30, 2011, for private employers as indicated in the attached appendix A.	BWC should lower the minimum qualification level to something below $8,000 to qualify more employers for individual experience rating. By doing so, these employers would have better incentive to manage costs because they would be individually eligible for a debit or credit to their rates.	BWC studied this issue and has added three lower qualification levels to the 7/1/10 credibility table. These levels will be instituted at $2,000, $4,000, and $6,000 respectively.	BWC consented to the feedback offered by stakeholders.
2	4123-17-05.1	The administrator hereby sets the credibility table part A, “credibility and maximum value of a loss,” to be effective July 1, 2010, applicable to the payroll reporting period July 1, 2010, through June 30, 2011, for private employers as indicated in the attached appendix A.	BWC should set the credibility and maximum single loss (MSL) for each discount level as follows: 12 percent credible with an MSL of $9,000 for a policy with $8,000 in expected losses; 8 percent credible with an MSL of $6,000 for a policy with $6,000 in expected losses; and 4 percent credible with an MSL of $3,000 for policies with $2,000 in expected losses.	BWC's analysis indicates that credibility levels and MSLs should be as follows: 12 percent credible for a policy with $6,000 in expected losses; 9 percent credible for a policy with $4,000 in expected losses; and 6 percent credible for policies with $2,000 in expected losses. All three levels would have an MSL of $12,500.	BWC modified its initial proposal, which had credibility levels of 11/12/13 percent for policies that had $2,000, $4,000, and $6,000 in expected losses respectively.
3	4123-17-05.1	The administrator hereby sets the credibility table part A, “credibility and maximum value of a loss,” to be effective July 1, 2010, applicable to the payroll reporting period July 1, 2010, through June 30, 2011, for private employers as indicated in the attached appendix A.	Setting the maximum discount at 65 percent is too low.	BWC's analysis indicates that credibility level changes at all levels are appropriate steps in attempting to set accurate and equitable rates for all employers regardless of whether they are in group or not.	BWC will keep its proposal intact.

Common Sense Business Regulation (BWC Rules)

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

Rules 4123-17-64.1

Rule Review

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

   Citation: R.C. 4123.29, 4123.34

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

   What goal(s): This rule establishes the group rating break even factors to apply to group rating employers for rating equity for policy year 7/1/10 to 6/30/11. The rule establishes the factor and informs employers of the factor for consideration in rate planning.

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

4. ☒ The rule is effective, consistent and efficient.

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

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

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

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

   Explain: Third Party Administrators, group rating sponsors

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

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

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

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

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

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

Executive Summary

Private Employer Break-Even Factor

Introduction

Chapter 4123-17 of the Ohio Administrative Code contains BWC rules which enable the Administrator, with the advice and consent of the BWC Board of Directors, to set rates and calculate contributions to the State Insurance Fund pursuant to section 4121.121 of the Ohio Revised Code

Background Information

For the first time in April 2009, the Board of Directors approved a single break-even factor of 1.311 for all private group rated employers. The break-even factor is applied to the group experience modifier.

Executive summary

Subsequent analysis performed by the BWC's consulting actuary indicated that a measured and progressive break-even factor based on the group EM would provide more premium equity to group rated employers. BWC is introducing a progressively numbered break-even factor that will achieve appropriate premium discounts.

BWC is applying the same methodology to public employer taxing district employers for the January 1, 2010 rating year. Throughout continuing discussions with stakeholders, BWC has agreed that a progressively numbered break-even factor table is preferable to the single break even factor used for the July 1, 2009 private employer rating year. This rule introduces a table with progressive break even factors. The highest group experience credit modifier of 0.35 will have a group break-even factor of 1.407. The lowest experience credit modifier of 0.83 will have a group break-even factor of 1.00.

The single and average break-even factor for policy year 7-1-2009 was 1.311. For policy year 7-1-2010, the average break-even factors will be 1.227.

Private Employer Break-Even Factors

Policy Year 7-1-2010 Group Rated Experience Modifier	Group Break-even Factor	Effective Base Rate Modifier	Policy Year 7-1-2010 Group Rated Experience Modifier	Group Break-even Factor	Effective Base Rate Modifier
0.35	1.407	0.492	0.68	1.127	0.766
0.36	1.399	0.504	0.69	1.119	0.772
0.37	1.390	0.514	0.70	1.110	0.777
0.38	1.382	0.525	0.71	1.102	0.782
0.39	1.373	0.535	0.72	1.093	0.787
0.40	1.365	0.546	0.73	1.085	0.792
0.41	1.356	0.556	0.74	1.076	0.796
0.42	1.348	0.566	0.75	1.068	0.801
0.43	1.339	0.576	0.76	1.059	0.805
0.44	1.331	0.586	0.77	1.051	0.809
0.45	1.322	0.595	0.78	1.042	0.813
0.46	1.314	0.604	0.79	1.034	0.817
0.47	1.305	0.613	0.80	1.025	0.820
0.48	1.297	0.623	0.81	1.017	0.824
0.49	1.288	0.631	0.82	1.008	0.827
0.50	1.280	0.640	0.83	1.000	0.830
0.51	1.271	0.648	0.84	1.000	0.840
0.52	1.263	0.657	0.85	1.000	0.850
0.53	1.254	0.665	0.86	1.000	0.860
0.54	1.246	0.673	0.87	1.000	0.870
0.55	1.237	0.680	0.88	1.000	0.880
0.56	1.229	0.688	0.89	1.000	0.890
0.57	1.221	0.696	0.90	1.000	0.900
0.58	1.212	0.703	0.91	1.000	0.910
0.59	1.204	0.710	0.92	1.000	0.920
0.60	1.195	0.717	0.93	1.000	0.930
0.61	1.187	0.724	0.94	1.000	0.940
0.62	1.178	0.730	0.95	1.000	0.950
0.63	1.170	0.737	0.96	1.000	0.960
0.64	1.161	0.743	0.97	1.000	0.970
0.65	1.153	0.749	0.98	1.000	0.980
0.66	1.144	0.755	0.99	1.000	0.990
0.67	1.136	0.761	1.00	1.000	1.000

4123-17-64.1 Private employer **group experience break-even factor**

~~The administrator will apply an adjustment factor of 1.311 to an employer's group rated experience modification (EM) that is used in the premium rate calculation.~~

The administrator will apply a group break-even factor to all group rated employer experience modifiers (EM) as indicated in the attached Appendix A.

Appendix A of Rule 4123-17-64.1

Private Employer Break-even Factors

Policy Year 7-1-2010 Group Rated Experience Modifier	**Group Break-even Factor**		**Policy Year 7-1-2010 Group Rated Experience Modifier**	**Group Break-even Factor**
0.35	1.407		0.68	1.127
0.36	1.399		0.69	1.119
0.37	1.390		0.70	1.110
0.38	1.382		0.71	1.102
0.39	1.373		0.72	1.093
0.40	1.365		0.73	1.085
0.41	1.356		0.74	1.076
0.42	1.348		0.75	1.068
0.43	1.339		0.76	1.059
0.44	1.331		0.77	1.051
0.45	1.322		0.78	1.042
0.46	1.314		0.79	1.034
0.47	1.305		0.80	1.025
0.48	1.297		0.81	1.017
0.49	1.288		0.82	1.008
0.50	1.280		0.83	1.000
0.51	1.271		0.84	1.000
0.52	1.263		0.85	1.000
0.53	1.254		0.86	1.000
0.54	1.246		0.87	1.000
0.55	1.237		0.88	1.000
0.56	1.229		0.89	1.000
0.57	1.221		0.90	1.000
0.58	1.212		0.91	1.000
0.59	1.204		0.92	1.000
0.60	1.195		0.93	1.000
0.61	1.187		0.94	1.000
0.62	1.178		0.95	1.000
0.63	1.170		0.96	1.000
0.64	1.161		0.97	1.000
0.65	1.153		0.98	1.000
0.66	1.144		0.99	1.000
0.67	1.136		1.00	1.000

Line	Rule #	Draft Rule Suggestions	Stakeholder Rationale/Suggestions	BWC Response	Resolution
1	4123-17-64.1	"The administrator will apply a group break-even factor to all group rated employer experience modifiers (EM) as indicated in the attached Appendix A."	BWC should stretch the break-even factors (BEF) all the way to a group EM of 0.99.	BWC's analysis indicates that stopping at 0.82 is sufficient based on group-formation patterns for the 7/1/09 policy year.	BWC left its proposal intact.
2	4123-17-64.1	"The administrator will apply a group break-even factor to all group rated employer experience modifiers (EM) as indicated in the attached Appendix A."	BWC should stop imposing a BEF at 0.75 or 0.80 to allow for group formation at lower discount levels.	BWC's analysis indicates that stopping at 0.82 is sufficient based on group-formation patterns for the 7/1/09 policy year. To date, BWC has seen no analysis indicating that groups would not be able to form at these levels, particularly because there effectively is no BEF for groups that would have an EM of 0.83 or greater (the BEF is 1.00).	BWC left its proposal intact.
3	4123-17-64.1	"The administrator will apply a group break-even factor to all group rated employer experience modifiers (EM) as indicated in the attached Appendix A."	BWC needs to finalize the BEF by asking the board to approve it in order to set a standard maximum discount for sponsor marketing and minimize confusion for employers.	BWC agreed to present the stratified BEF table to the Actuarial Committee in September but may revisit the factors after groups are formed in February if the numbers are significantly higher or lower than necessary.	BWC modified its approach and consented to stakeholder feedback.

Line	Rule #	Draft Rule Suggestions	Stakeholder Rationale/Suggestions	BWC Response	Resolution
4	4123-17-64.1	"The administrator will apply a group break-even factor to all group rated employer experience modifiers (EM) as indicated in the attached Appendix A."	BWC should finalize the BEF and not change it.	BWC modified its initial set of factors by raising them modestly in order to account for annual erosion resulting from group formation. The point of the increase was to try and target factors that would not change. However, if group reformation results in BWC missing its target significantly, then it will revisit the factors and set them appropriately.	BWC modified its approach but will retain authority to revisit the BEF after groups are reformed.
5	4123-17-64.1	"The administrator will apply a group break-even factor to all group rated employer experience modifiers (EM) as indicated in the attached Appendix A."	BWC should not utilize a BEF this year.	By incorporating the BEF last year, BWC was able to make substantial progress in improving group pricing. The progress is even more apparent when comparing to prior years whereon a credibility shift was made, and expected improvement was lost due to group reformation.	BWC will use the BEF again.
6	4123-17-64.1	"The administrator will apply a group break-even factor to all group rated employer experience modifiers (EM) as indicated in the attached Appendix A."	BWC should stratify the BEF this year instead of using a flat factor such as the 1.311 used for the 7/1/09 policy year.	BWC modified the structure of the BEF to provide a unique factor for each discount level.	BWC consented to stakeholder feedback.

<u>Common Sense Business Regulation (BWC Rules)</u>

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

Rule 4123-17-37

Employer Contribution to Safety and Hygiene Fund Update

<u>Rule Review</u>

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

   Citation: __R.C. 4121.37 and 4123.34 ___

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

   What goal(s): _ The rule establishes the premium rate paid by Ohio employers to the Safety and Hygiene fund.

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: _____N/A Rate Rule_______________________________

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.

Board of Directors

Executive Summary

Public Employer Taxing District Safety and Hygiene Rate

Background Information

The Safety and Hygiene Fund (Fund), as defined in Ohio Revised Code 4121.37, is used solely for the purpose of investigation and prevention of workplace accidents and diseases. Funding supports the salaries of the Superintendent of the Safety & Hygiene Division and the necessary experts, engineers, staff and related operating costs for the operation of the Division of Safety and Hygiene. All employer groups support the fund through the contribution of no more than one percent of their premiums. Current rates are 1% for private, public employer taxing districts and state agencies and .5% for self insured employers. The Self Insured employer rate is charged as a percentage of its paid compensation. The rate for self insured employers was reduced from 1% to .5% for the rating period beginning July 1, 2009. Public Employer Taxing District employers have contributed 1% since 2000.

Executive summary

Safety and Hygiene rates are reviewed annually in conjunction with BWC administrative cost allocation analysis. For the purposes of reviewing the rates for this Fund, the Safety and Hygiene Division budget, estimated collections and the Fund balance are all considered in the review. Safety and Hygiene and Field Operations staff provide data indicating the percentage of their time attributable to each employer group. This includes, but is not limited to, the number of dedicated staff to the various employer groups, site visits, site testing, and class attendance. For the purpose of calculating the rate for the public employer taxing districts, the portion of the Safety and Hygiene budget attributed to public employer taxing districts is divided by estimated premium collections from these employers. Estimated premium collections are calculated by BWC's Actuarial Division.

The annual review of the Safety and Hygiene rate indicated contributions from Public Employer Taxing District employers were in excess of the budget set aside for this particular employer group. In addition, there is a significant Fund balance available. The excess Fund balance is sufficient enough to support a reduction in the assessment rate for public employer taxing districts without compromising services provided. The reduced rate can be sustained for several years.

The proposed rate reduction will allow the Division of Safety and Hygiene to continue current services provided, and staffing levels for the Safety and Hygiene Division, both now and in future years. Funding will also be available for modifications to services that may be proposed.

4123-17-37 Employer contribution to the safety and hygiene fund.

The administrator of workers' compensation, with the advice and consent of the bureau of workers' compensation board of directors, has authority to approve contributions to the state insurance fund by employers pursuant to sections 4121.121 and 4121.37 of the Revised Code. The administrator hereby establishes the amount of premium to be set aside to fund the division of safety and hygiene to be one half of one per cent of paid premium for public employer taxing districts and one per cent of paid premium for public employer state agencies, and one per cent of paid premium for private employers.

Promulgated Under: 111.15
Statutory Authority: 4121.12, 4121.121, 4121.37, 4123.34
Rule Amplifies 4121.37, 4123.34
Prior Effective Dates: 7/1/90, 7/1/93, 7/1/98, 7/1/99, 7/21/08

Common Sense Business Regulation (BWC Rules)

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

Rules 4123-17-33, 4123-17-34

Rule Review

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

   Citation: __R.C. 4123.39, 4123.40 ___

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

   What goal(s): These rules establish base rates for public employer taxing districts for the policy year January 1, 2010 to December 31, 2010.

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: Generally, rate rules are not subject to stakeholder input.

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

Public employer taxing district industry group and limited loss ratio tables
Public employer taxing districts contribution to the state insurance fund

Introduction

Rule 4123-17-33 of the Administrative Code contains the industry groups and the limited loss ratios used in experience rating for public employer taxing districts. Rule 4123-17-34 of the Administrative Code contains the base rates and expected loss rates used to determine employer premium obligations.

Background Information

Public Employer Taxing Districts are the approximately 3,800 cities, counties, villages, townships, schools, and miscellaneous special districts in Ohio who are provided workers' compensation insurance through the Ohio State Insurance Fund.

At the September, 2009 Workers' Compensation Board of Directors meeting, the board approved an overall 17% decrease in Public Employer Taxing Districts' overall premium rate level for the January 1, 2010 policy year. This is a change in the overall average collectible premium rate. Some categories of employers may have greater rate decreases and some categories may have less of a rate decrease. Individual employers may also have rate changes that are based upon their own loss experience.

Base rates for Public Employer Taxing Districts must be approved and filed with the Secretary of State and Legislative Services Commission on or before December 20, 2009, to be effective January 1, 2010. The consent of the Workers' Compensation Board of Directors is necessary for the adoption of premium rates.

Rule Changes

Rule 4123-17-33 has been updated to include the new limited loss ratios used in experience rating. Rule 4123-17-34 has been updated to include the new base rates and expected loss rates that carry out the approved 17% overall premium level decrease.

1-1-2010 Public Employer Taxing District
Rate Summary

Public Employer Taxing District Premium Rates

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

Industry Group	Name	Percent Change	Average Collectible Rate per $100 Unit of Payroll
1	Counties	-17	$1.65
2	Cities	-19	$3.19
3	Villages	-14	$2.83
4	Townships	-18	$2.68
5	Schools	-15	$0.75
6	Public Works' Relief Employees	39	$0.75
7	Contract Coverage	-22	$19.87
8	Hospitals	-25	$1.13
20	Transit Authorities	-29	$2.96
22	Special Districts Excluding Transit Authorities	9	$3.06
	Total	**-17**	**$1.46**

2. Projected payroll is $19.8 billion. Estimated premium is $289 million.

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

Premium (average collectible base rate)	$1.46000
Administrative Cost-**BWC** (8.25% based on the 1/1/2009 Admin. Cost Rate)	.12045
Administrative Cost-**IC** (1.81% based on the 1/1/2009 Admin. Cost Rate)	.02643
Administrative Cost-**WCC** (0.0021% based on the 1/1/2009 Admin. Cost Rate)	.00003
Disabled Workers' Relief Fund	.06000
Additional Disabled Workers' Relief Fund (.1% of premium at base rate)	.00146
Total Collectible Rate	**1.66837**

Miscellaneous Rates and Assessments

A. Safety & Hygiene loading factor was reduced to .5% of premium.
B. Disabled Workers' Relief Fund rate was reduced to $0.06 per $100 unit of payroll, effective January 1, 2007.
C. Additional Disabled Workers' Relief Fund remained at .1% of premium at base rate.
D. Administrative Cost Rate is unknown at this time. We have used the 1/1/2009 administrative cost assessment rate for illustration purposes.

4123-17-33 **Public employer taxing district~~s~~ ~~credibility~~ industry group and limited loss ratio tables ~~used for experience rating.~~**

The administrator of workers' compensation, with the advice and consent of the bureau of workers' compensation board of directors, has authority to calculate contributions made to the state insurance fund by employers pursuant to section 4121.121 of the Revised Code. The administrator hereby sets the credibility table parts A~~,~~ and B~~, and C~~ to be effective January 1, ~~2009~~ 2010 applicable to the payroll reporting period January 1, ~~2009~~ 2010 through December 31, ~~2009~~ 2010 for public employer taxing districts as indicated in the attached appendixes A and B.

APPENDIX A

TABLE 1

PART A

INDUSTRY GROUP	MANUAL CLASSIFICATIONS
01	9430
02	9431
03	9432
04	9433
05	9434, 9435, 9436, 9437
06	9438
07	9439
08	9440, 9441
20	9442
22	9443

Revised 1-1-2010 applicable to 2010 calendar year payroll

APPENDIX B
TABLE 1
PART B
INDUSTRY GROUP
(LLR)

Credibility Group	1	2	3	4	5	6	7	8	20	22
1	0.4141	0.5013	0.4466	0.5096	0.4663	0.4714	0.3138	0.4888	0.4575	0.3602
2	0.4141	0.5013	0.4466	0.5096	0.4663	0.4714	0.3138	0.4888	0.4575	0.3602
3	0.5403	0.6354	0.5700	0.6348	0.5985	0.5564	0.4087	0.6123	0.5850	0.4800
4	0.6200	0.7081	0.6464	0.7066	0.6768	0.5988	0.4781	0.6877	0.6633	0.5662
5	0.6995	0.7757	0.7272	0.7800	0.7520	0.6582	0.5485	0.7689	0.7389	0.6541
6	0.7651	0.8278	0.7916	0.8335	0.8121	0.7260	0.6108	0.8261	0.7929	0.7212
7	0.7986	0.8526	0.8223	0.8597	0.8407	0.7684	0.6447	0.8496	0.8174	0.7531
8	0.8274	0.8734	0.8457	0.8818	0.8656	0.8108	0.6764	0.8712	0.8420	0.7806
9	0.8538	0.8916	0.8670	0.9005	0.8868	0.8532	0.7052	0.8893	0.8666	0.8063
10	0.8767	0.9071	0.8850	0.9171	0.9053	0.8922	0.7334	0.9028	0.8912	0.8288
11	0.8971	0.9211	0.8979	0.9311	0.9215	0.9134	0.7616	0.9162	0.9156	0.8510
12	0.9153	0.9337	0.9104	0.9429	0.9360	0.9346	0.7898	0.9297	0.9340	0.8719
13	0.9312	0.9451	0.9230	0.9543	0.9483	0.9558	0.8180	0.9425	0.9487	0.8925
14	0.9451	0.9555	0.9353	0.9637	0.9589	0.9770	0.8462	0.9525	0.9610	0.9116
15	0.9569	0.9649	0.9466	0.9721	0.9679	0.9982	0.8741	0.9626	0.9693	0.9307
16	0.9673	0.9736	0.9579	0.9795	0.9758	1.0000	0.9001	0.9727	0.9754	0.9497
17	0.9770	0.9811	0.9692	0.9853	0.9827	1.0000	0.9262	0.9799	0.9816	0.9649
18	0.9858	0.9881	0.9800	0.9906	0.9890	1.0000	0.9522	0.9866	0.9877	0.9786
19	0.9937	0.9945	0.9901	0.9954	0.9948	1.0000	0.9777	0.9933	0.9939	0.9898
20	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

Effective 1-1-2010 applicable to 2010 calendar year payroll

4123-17-34 Public employer taxing districts contribution to the state insurance fund

The administrator of workers' compensation, with the advice and consent of the bureau of workers' compensation board of directors, has authority to approve contributions made to the state insurance fund by employers pursuant to section 4121.121 of the Revised Code. The administrator hereby sets base rates and expected loss rates to be effective January 1, ~~2009~~ 2010, applicable to the payroll reporting period January 1, ~~2009~~ 2010 through December 31, ~~2009~~ 2010, for public employer taxing districts as indicated in the attached appendix A.

TO BE AMENDED

Appendix A

NCCI Classification Code	NCCI Classification Description	Base Rate Per $100 of Payroll		Expected Loss Rate Per $100 of Payroll	
9430	County employees: all employees & clerical, clerical telecommuter, salespersons, drivers	~~2.28~~	1.86	~~0.74~~	0.56
9431	City employees: all employees & clerical, clerical telecommuter, salespersons, drivers	~~4.51~~	3.60	~~1.42~~	1.05
9432	Village employees: all employees & clerical, clerical telecommuter, salespersons, drivers	~~6.29~~	3.19	~~1.18~~	0.84
9433	Township employees: all employees & clerical, clerical telecommuter, salespersons, drivers	~~5.32~~	3.02	~~1.03~~	0.84
9434	Local school districts: all employees & clerical, clerical telecommuter, salespersons, drivers	~~1.07~~	0.85	~~0.32~~	0.25
9435	Public libraries: all employees & clerical, clerical telecommuter, salespersons, drivers	~~1.07~~	0.85	~~0.32~~	0.25

NCCI Classification Code	NCCI Classification Description	Base Rate Per $100 of Payroll		Expected Loss Rate Per $100 of Payroll	
9436	Special public universities: all employees & clerical, clerical telecommuter, salespersons, drivers	~~1.07~~	0.85	~~0.32~~	0.25
9437	Joint vocational schools: all employees & clerical, clerical telecommuter, salespersons, drivers	~~1.07~~	0.85	~~0.32~~	0.25
9438	Public work-relief Employees	~~0.65~~	0.85	~~0.27~~	0.30
9439	Public employer emergency services organizations: contract coverage (See note below)	~~48.42~~	22.42	~~8.62~~	6.32
9440	Public hospitals: all employees & clerical, clerical telecommuter, salespersons, drivers	~~2.20~~	1.28	~~0.51~~	0.37
9441	Special public institutions: all employees & clerical, clerical telecommuter, salespersons, drivers	~~2.20~~	1.28	~~0.51~~	0.37
9442	Public transit authorities: all employees & clerical, clerical telecommuter, salespersons, drivers	~~4.65~~	3.34	~~1.67~~	1.00
9443	Special public authorities: all employees & clerical, clerical telecommuter, salespersons, drivers	~~4.21~~	3.45	~~1.04~~	0.98

(Revised January 1, ~~2009~~2010, applicable to the payroll reporting period January 1, ~~2009~~2010 through December 31, ~~2009~~2010)

Note: for classification code 9439, contract coverage, actual payroll is to be reported with a minimum of three hundred dollars ($300.00) per enrolled person per year, with a minimum reportable payroll of $4,500.00.

Note: the bureau shall assign claims for emergency management workers occurring due to a disaster or an emergency as provided under sections 4123.031 to 4123.037 of the Revised Code to the risk of the public employer taxing district that administered the loyalty oath. The bureau shall charge all of the costs of such claims to the surplus fund. There is no payroll to be reported or premium charged for this coverage.

Effective Date:	January 1, 2010
Certification:	______________________________
	______________________________ Date
Promulgated Under:	R.C. Sec. 111.15
Rule Amplifies:	R.C. Sec. 4123.39, 4123.40
Rule Authorized By:	R.C. Sec. 4121.12, 4121.121
Prior Effective Date:	1/1/09, 1/1/08, 1/1/07, 1/1/06, 1/1/05, 1/1/04, 1/1/03, 1/1/02, 1/1/01, 1/1/00, 1/1/99, 1/1/98, 1/1/97, 3/1596 1/1/96, (Emer.), 5/15/95, 1/1/95, 1/1/94, 1/1/93, 1/1/92, 1/1/91, 1/1/90

Common Sense Business Regulation (BWC Rules)

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

Rules 4123-17-64.2

Rule Review

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

   Citation: R.C. 4123.29, 4123.34

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

   What goal(s): This rule establishes the group rating break even factors to apply to group rating employers for rating equity for policy year 1/1/10 to 12/31/10. The rule establishes the factor and informs employers of the factor for consideration in rate planning.

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

4. ☒ The rule is effective, consistent and efficient.

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

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

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

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

   Explain: Third Party Administrators, group rating sponsors

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

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

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

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

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

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

BWC Board of Directors

Executive Summary

Public Employer Taxing Districts Break-Even Factor

Introduction

Chapter 4123-17 of the Ohio Administrative Code contains BWC rules which enable the Administrator, with the advice and consent of the BWC Board of Directors, to set rates and calculate contributions to the State Insurance Fund pursuant to section 4121.121 of the Ohio Revised Code

Background Information

For the first time in April 2009, the Board of Directors approved a single break-even factor of 1.311 for all private group rated employers. The break-even factor is applied to the group experience modifier.

Executive summary

Subsequent analysis performed by the BWC's consulting actuary indicated that a measured and progressive break-even factor based on the group EM would provide more premium equity to group rated employers. BWC is introducing a progressively numbered break-even factor that will achieve appropriate premium discounts.

BWC is applying this methodology to public employer taxing district employers for the January 1, 2010 rating year. Throughout continuing discussions with stakeholders, BWC has agreed that a progressively numbered break-even factor table is preferable to the single break even factor used for the July 1, 2009 private employer rating year. This rule introduces a table with progressive break even factors. The highest group experience credit modifier of 0.23 will have a group break-even factor of 1.270. The lowest experience credit modifier of 1.00 will have a group break-even factor of 1.00.

4123-17-64.2 Public Employer Taxing District Group Rating Break Even Factor

The administrator will apply an adjustment factor to all group rated employer experience modifier (EM) as indicated in the attached Appendix A.

Appendix A of Rule 4123-17-64.2
Stratified Break Even Factors

Policy Year 1-1-2010 Group Rated Experience Modifier	Group Break Even Factor		Policy Year 1-1-2010 Group Rated Experience Modifier	Group Break Even Factor
0.23	1.270		0.62	1.133
0.24	1.266		0.63	1.130
0.25	1.263		0.64	1.126
0.26	1.259		0.65	1.123
0.27	1.256		0.66	1.119
0.28	1.252		0.67	1.116
0.29	1.249		0.68	1.112
0.30	1.245		0.69	1.109
0.31	1.242		0.70	1.105
0.32	1.238		0.71	1.102
0.33	1.235		0.72	1.098
0.34	1.231		0.73	1.095
0.35	1.228		0.74	1.091
0.36	1.224		0.75	1.088
0.37	1.221		0.76	1.084
0.38	1.217		0.77	1.081
0.39	1.214		0.78	1.077
0.40	1.210		0.79	1.074
0.41	1.207		0.80	1.070
0.42	1.203		0.81	1.067
0.43	1.200		0.82	1.063
0.44	1.196		0.83	1.060
0.45	1.193		0.84	1.056
0.46	1.189		0.85	1.053
0.47	1.186		0.86	1.049
0.48	1.182		0.87	1.046
0.49	1.179		0.88	1.042
0.50	1.175		0.89	1.039
0.51	1.172		0.90	1.035
0.52	1.168		0.91	1.032
0.53	1.165		0.92	1.028
0.54	1.161		0.93	1.025
0.55	1.158		0.94	1.021
0.56	1.154		0.95	1.018
0.57	1.151		0.96	1.014
0.58	1.147		0.97	1.011
0.59	1.144		0.98	1.007
0.60	1.140		0.99	1.004
0.61	1.137		1.00	1.000

Line	Rule #	Draft Rule Suggestions	Stakeholder Rationale/Suggestions	BWC Response	Resolution
1.	4123-17-64.2	"The administrator will apply a group break-even factor to all group rated employer experience modifiers (EM) as indicated in the attached Appendix A."	BWC should have stratified break-even factors for PEC employers.	Agree.	Break-even factors are stratified.
2.	4123-17-64.2	"The administrator will apply a group break-even factor to all group rated employer experience modifiers (EM) as indicated in the attached Appendix A."	Group break-even factors are too high for public employers at a time when public employers are struggling with budget concerns.	BWC understands the economic environment but feels strongly that the group rating inequities must be corrected.	Keep break-even factors as proposed.

Common Sense Business Regulation (BWC Rules)

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

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

Rule Review

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

   Citation: __R.C. 4123.29, 4123.34 ___

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

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

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

4. ☒ The rule is effective, consistent and efficient.

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

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

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

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

   Explain: __Third Party Administrators; Group rating sponsors_________________

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

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

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

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

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

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

Board of Directors

Executive Summary

Employer Classification Rates
One Claim Program

Introduction

Rule 4123-17-03 of the Administrative Code contains the methodology to calculate an employer's experience modification percent (EM). Rule 4123-17-71 of the Administrative code contains the methodology for the implementation of the One Claim Program.

Background Information

In April 2009 the board of directors approved a change to these rules to include the methodology for capping a private employers' individual 7/1/2009 EM to a 100% increase from their 7/1/2008 EM for private employers. This was implemented to moderate premium increases from one policy year to the next, beginning July 1, 2009. No cap was applied to EM decreases.

Rule Changes

Paragraph (H) of rule 4123-17-03 has been added to include language to implement the EM cap for public employer taxing districts as well a few minor editorial changes. Rule 4123-17-7, paragraph (E) has also been updated to reflect a new reference to rule 4123-17-03, by including the new paragraph (H).

Executive summary

The Administrator is recommending that the same EM cap methodology be applied to Public Employer Taxing Districts effective with the January 1, 2010. As with private employers, this EM cap will capture any changes to a public employer taxing district individual experience rating history. The baseline EM will be the January 1, 2009 published EM which uses experience period data calculated as of the June 30, 2008 survey date. This baseline EM will not be adjusted at any point in the future. No cap will be applied to EM decreases.

4123-17-03 Employer's classification rates.

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

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

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

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

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

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

(b) The employer is not reporting payroll;

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

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

(5) As used in this rule, a "significant negative impact" is defined as occurring when the inactive employers in the manual reported forty per cent or more of the payroll in the manual classification in any calendar year in the experience period and when the loss rate and loss/premium ratio of the inactive employers taken as a whole are significantly higher than those of the active employers taken as a whole as measured using the data from the prior policy year's most current four years data. For private employer rates effective July 1, 1997, the bureau shall use the experience period data of the current policy year.

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

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

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

TML = Actual losses of the employer for the experience period as reduced in accordance with the maximum value.

TLL = Total limited losses = TEL x LLR

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

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

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

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

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

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

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

(2) An employer shall not be eligible for experience modification of basic rates unless its expected losses are at least the minimum amount in the credibility table as provided in Table 1, Part A, to rule 4123-17-05.1 of the Administrative Code for private employers and rule 4123-17-33.1 of the Administrative Code for public employer taxing districts, as periodically established for the applicable rating period by rule adopted by the administrator with the advice and consent of the bureau of workers' compensation board of directors;

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

(G) Private employer year-to-year cap~~ Year to year cap~~: Commencing with the rating year beginning July 1, 2009, the bureau shall cap or limit at one hundred per cent the increase to the employer's experience modification (EM~~%~~) from the July 1, 2008 published EM~~%~~.

(1) Eligibility requirements:

(a) The employer shall be current as of June first immediately prior to the policy year to which the cap will be applied (not more than forty-five days past due) on any and all premiums, assessments, penalties or monies otherwise due to any fund administered by the bureau, including amounts due for retrospective rating.

(b) The employer cannot have cumulative lapses in workers' compensation coverage in excess of forty days within the twelve months preceding June first immediately prior to the policy year to which the cap will be applied.

(c) The bureau will only apply the cap to a policy that has an initial published EM of 1.01 or greater. Any subsequent adjustments to the initial published EM will not affect the employer's cap eligibility, including an employer that does not initially qualify for the cap.

(d) To be eligible for the cap in the first policy year, an employer must complete steps one, two, six, and any other two steps of the ten step business plan for safety of rule 4123-17-70 of the Administrative Code. The employer shall submit the required documentation by March thirty-first of the year in which the cap applies. To be eligible for the cap in the second year, an employer must complete the remaining steps of the ten step business plan for safety of rule 4123-17-70 of the Administrative Code. The employer shall submit the required documentation by March thirty-first of the second policy year. If the employer fails to comply with these requirements, the bureau will remove the cap for the policy year in which the requirements were not met.

(2) Opt-out provision:

The bureau will automatically apply the cap to an employer that meets the eligibility requirements of paragraphs (G)(1)(a) to (G)(1)(c) of this rule. If an employer wishes to not have the cap applied, the employer must notify the bureau in writing by September thirtieth of the policy year.

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

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

(5) Exceptions to the exclusion:

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

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

(H) Public employer taxing district year-to-year cap: Commencing with the rating year beginning January 1, 2010, the bureau shall cap or limit at one hundred percent the increase to the employer's experience modification (EM) from the January 1, 2009 published EM.

(1) Eligibility requirements:

(a) The employer shall be current as of December first immediately prior to the policy year to which the cap will be applied (not more than forty-five days past due) on any and all premiums, assessments, penalties or monies otherwise due to any fund administered by the bureau, including amounts due for retrospective rating.

(b) The employer cannot have cumulative lapses in workers' compensation coverage in excess of forty days within the twelve months preceding December first immediately prior to the policy year to which the cap will be applied.

(c) The bureau will only apply the cap to a policy that has an initial published EM of 1.01 or greater. Any subsequent adjustments to the initial published EM will not affect the employer's cap eligibility, including an employer that does not initially qualify for the cap.

(d) To be eligible for the cap in the first policy year, an employer must complete steps one, two, six, and any other two steps of the ten step business plan for safety of rule 4123-17-70 of the Administrative Code. The employer shall submit the required documentation by September thirtieth of the year in which the cap applies. To be eligible for the cap in the second year, an employer must complete the remaining steps of the ten step business plan for safety of rule 4123-17-70 of the Administrative Code. The employer shall submit the required documentation by September thirtieth of the second policy year. If the employer fails to comply with these requirements, the bureau will remove the cap for the policy year in which the requirements were not met.

(2) Opt-out provision:

The bureau will automatically apply the cap to an employer that meets the eligibility requirements of paragraphs (H)(1)(a) to (H)(1)(c) of this rule. If an employer wishes to not have the cap applied, the employer must notify the bureau in writing by March thirty-first of the policy year.

(3) The bureau will cap the January 1, 2010 EM at a one hundred percent increase from the published January 1, 2009 EM which used the experience period data calculated as of June 30, 2008. The bureau will not adjust the January 1, 2009 published EM for the purposes of determining the cap for the January 1, 2010 rating year. The bureau will not apply a cap to any EM decreases.

(4) Exclusion to the one hundred percent EM cap: Where more than one employer policy's experience is used to develop an EM, the resulting EM is not subject to the one hundred percent year to year cap.

(5) Exceptions to the exclusion:

(a) The bureau will allow the cap to be applied to a debtor in possession policy combination as a result of bankruptcy proceedings. This transaction is a change in policy number without any change in exposure. The baseline EM of the successor will be the predecessor's January 1, 2009 published EM.

(b) The bureau will allow the cap to be applied to a succeeding employer policy that is base rated as of the effective date of the transfer that wholly or partially succeeds only one other policy. This exception acknowledges the change in exposure. The baseline EM of the successor will be the predecessor's January 1, 2009 published EM.

Effective: ~~05/21/2009~~

Promulgated Under: 111.15

Statutory Authority: 4121.12, 4121.121, 4121.13

Rule Amplifies: 4123.29, 4123.34

Prior Effective Dates: 8/19/77, 7/2/78, 7/1/79, 7/1/80, 7/1/82, 7/1/83, 7/1/87, 7/1/88, 1/1/92, 7/1/97, 9/8/97, 7/1/02, 7/21/08, 2/7/09, 05/21/09

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

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

(A) As used in this rule:

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

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

(B) Application and withdrawal processes.

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

(1) A private state fund employer shall submit a completed application by March thirty-first for the policy year beginning July first of that year; except that for the 2009 deadline only, the employer shall file the application by April 30, 009.

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

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

(C) Eligibility requirements.

At the time of an employer's application for the OCP, the employer shall be currently enrolled in a group rating program and shall meet the following program requirements:

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

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

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

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

(D) General program requirements.

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

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

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

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

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

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

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

(E) Program benefits.

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

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

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

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

(F) Removal from program.

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

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

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

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

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

Effective: ~~02/12/2009~~

Promulgated Under: 111.15

Statutory Authority: 4121.12, 4121.121

Rule Amplifies: 4123.29, 4123.34

Prior Effective Dates: 1/1/05, 02/12/2009

To: Charles Bryan, Chair, Board of Directors Actuarial Committee

From: John Pedrick, Chief Actuarial Officer

Re: ITEMS HELPFUL FOR OCTOBER ACTUARIAL COMMITTEE

Date: October 26, 2009

I have included several items in this memo based on some questions you posed, to help provide additional information regarding the changes we propose to the group rating program as well as for all private employers.

1. Provide an example of the calculation of final premium using the credibility table showing the effect of the credibility weighting and the base rates.

   There are now two formulas for rate calculations, one for group and the other for non-group:

   Group: Experience Modified Rate = (Group EM) x (BEF) x (Base Rate)

   Non-group: Experience Modified Rate = (EM) x (Base Rate)

   In both cases, EM = [(TML – TLL)/TLL] x C% + 1.00

   TML = Total Modified Losses = Actual ratable losses in the experience period.
   TLL = Total Limited Losses = Losses expected for the risk based on payroll in each class.
   C% = Credibility as found in the credibility table.

2. How are the changes in credibility moving us towards the industry standard credibility tables?

   See the attached discussion by Bill Hansen regarding the development of the credibility tables we use now, and that we propose for next year. In short, we developed credibilities based on the underlying formula used by NCCI to produce the industry credibility tables used in each state. The “G value” in the formula allows for each state’s cost levels to customize the result.

   Now that we are closer to putting together the details of the split experience rating plan, we are developing credibility tables from ground up using the underlying actuarial science. The result will be credibility tables based on Ohio data and consistent with actuarial science.

3. Some information regarding the three new levels of credibility.

   We did not propose the full credibility levels indicated for these levels as discussed in Bill Hansen's letter, but have proposed lower values as a transition for these employers.

Lower Limit Expected Losses	Upper Limit Expected Losses	Credibility level	Policies in Group 7/1/2009	Policy Count	Penalty	Credit	EM=1
2000	3999	**6%**	**15,417**	**26,075**	**3,995**	**21,884**	**196**
4000	5999	**9%**	**8,696**	**13,575**	**2,678**	**10,777**	**120**
6000	7999	**12%**	**5,765**	**8,771**	**1,950**	**6,752**	**69**
			29,878	**48,421**	**8,623**	**39,413**	**385**

4. Do we need to change the wording so that the 65% maximum credibility table stays in effect until superseded by another table?

   No, the rule always stays in place until superseded by a replacement rule.

OLIVER WYMAN

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Columbus, OH 43215
1 614 227 5509 Fax 1 614 227 6201
www.oliverwyman.com

23 October 2009

Mr. John Pedrick
Chief Actuary
Ohio Bureau of Workers' Compensation
30 West Spring Street
Columbus, OH 43266-0581

Subject:
Credibility Table Transition Plan

Dear Mr. Pedrick:

Part of the 2010 proposed rate change is an update to the experience rating credibility table, where the maximum credibility level is moving to 65%, while other levels are changing as well. This letter is a high level discussion explaining how the target credibility values of the proposed '65' table were derived, in addition to providing some of the actuarial supporting information.

In late 2007 Oliver Wyman Actuarial Consulting (OW) was directed to evaluate the feasibility and benefits of a split experience rating plan on the actuarial equity of workers' compensation premiums. Fundamentally the objective of the experience rating process is to get the best match between the premiums charged and expected costs of each exposure. We knew that imbalances existed within the plan, particularly between group and non group risks that could be improved with revisions to the experience rating plan and the underlying credibility table. This work was undertaken soon after the Ohio Bureau of Workers' Compensation (BWC) Board of Directors adopted a maximum credibility of 85%.

The primary result of the split plan research was that a traditional single-split experience rating plan showed substantial improvements in rate equity. More specifically, our measurements and testing showed that a single-split plan with 10k as the split point provided a good balance in performance between risks that were individually rated and risks that were group rated. The plan structure and formulas are based on published NCCI research and follow a similar format to all states that have adopted the NCCI experience rating plan. All of the plan parameters such as maximum single loss and average cost per claim are based on Ohio statistics. The biggest difference in developing a plan that performs best for Ohio employers' compared to other states is that Ohio is the only state that allows experience rating at the group level.

Once it was established that the BWC was targeting the adoption of a split plan in 2011, the decision was made to start making progress towards split plan credibility levels with subsequent annual rate changes starting in policy year 2009. With an average split plan credibility of roughly 58% for risks with expected losses of $1 million or more, compared to the 85% level effective in 2008, it was clear that incremental credibility changes would be needed to smooth the premium volatility through the transition period.

The current BWC credibility table has 20 discrete levels based on expected loss size, while the credibilities for a split plan are continuous values, also described as curves. In addition, split plan credibilities are determined separately for primary and excess losses, whereas the current plan uses one credibility value for all losses. In order to provide split plan credibilities that are consistent and would work with the current experience rating plan, we calculated an equivalent single credibility value from the split plan curves by weighting the primary and excess credibilities at each of the current 20 discrete levels. The results of that process are shown in the attached exhibit in the 10k split plan column.

The progression from the 85% credibility column to the 65% credibility column is explained by the direction of moving to the equivalent 10k split plan value incrementally over time. In addition, there is the consideration of having reasonable changes in credibility values as risk size increases, or the vertical progression of the table. Note that the first 15 credibility groups are at the target level already within the 65% table.

Most recently the BWC added credibility levels for smaller risks to qualify for experience rating. Using the same process described previously, the same 10k split plan parameters were used to calculate target credibility values for risks with expected losses of $2k-$4k, $4k-$6k, and $6k-$8k. The resulting discrete credibility values were 11%, 12%, and 13% respectively.

Split Plan Actuarial Support and Documentation

This section of the letter provides more specific details and references for the development of the split plan credibility values.

Determining the split rating plan parameters starts with a basic calculation of the average cost or benefit level for the state of Ohio, which was estimated to be $7,000. The next step in the process is to determine the ‘G’ value, which is a function of the state average cost per case.

More specifically ‘G’ is equal to the state average cost per case by 1000, which in this case results in a factor of 7.0.

The ‘G’ value is the cost index or benchmark, from which a number of other split plan factors are determined. Using ‘G’ we can determine the maximum single loss for experience rating as $175,000, which is G*25,000. For a fuller exposition of how the relationships to the ‘G’ value are derived, refer to the actuarial literature [1] through [4] listed in the references.

The credibility parameters are also a function of the average cost levels, and are determined by the following formulas for primary and excess, respectively, where ‘E’ represents total expected losses:

$$Zp = (E + 700G)/ (1.10E + 3270G)$$
$$Ze = (E + 5100G)/ (1.75E+ 208{,}925G)$$

Early in the project development process we met with BWC staff and reviewed alternative split plan options. A split plan formula structure was chosen with consideration given to ease of use, ease of implementation, and ease of explanation. In addition, this same basic form is the industry standard for workers’ compensation today:

$$\text{Experience Mod} = Zp(Ap\text{-}Ep)/E + Ze(Ae\text{-}Ee)/E.$$

The credibility formulas and parameters described above were used to determine the actual split plan credibility values, and the split point of 10k was based on tests measuring improvements in premium equity. If the BWC would adopt a change in the rules that did not permit experience rating at the group level, then additional changes would be necessary to the plan. Please note that work is currently being done to refine and improve the parameters for the split plan implementation in 2011.

References

[1] Gillam, William R., “Parameterizing the Workers Compensation Experience Rating Plan”

[2] Gillam, William R., “Workers Compensation Experience Rating: What Every Actuary Should Know”

[3] Gillam, William R. and Snader, Richard H., “Fundamentals of Individual Risk Rating”

[4] Mahler, Howard, “An Actuarial Analysis of the NCCI Revised Experience Rating Plan”

[5] Meyers, Glenn G., “An Analysis of Experience Rating”

Sincerely,

William D. Hansen, FCAS, MAAA

Credibility Tables for Split Plan Transition Years

Credibility Group	Expected Losses	Current Credibility 85%	New Credibility 77%	New Credibility 65%	10k Split Plan
1	8,000	4%	10%	16%	16%
2	15,000	9%	14%	19%	19%
3	27,000	13%	18%	22%	22%
4	45,000	17%	21%	25%	25%
5	62,500	21%	24%	27%	27%
6	90,000	26%	28%	29%	29%
7	122,500	30%	31%	31%	31%
8	160,000	34%	34%	33%	33%
9	202,500	38%	37%	35%	35%
10	250,000	43%	40%	36%	36%
11	302,500	47%	43%	38%	38%
12	360,000	51%	45%	39%	39%
13	422,500	55%	48%	41%	41%
14	490,000	60%	52%	42%	42%
15	562,500	64%	55%	44%	44%
16	640,000	68%	59%	48%	45%
17	722,500	72%	64%	53%	46%
18	810,000	77%	69%	58%	47%
19	902,500	81%	73%	63%	48%
20	1,000,000	85%	77%	65%	58%

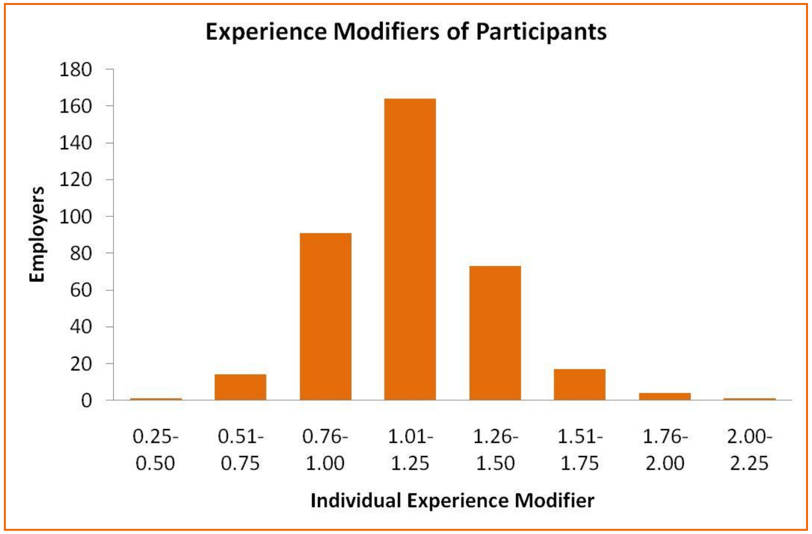
Group Retro Update – PY 2009

Level of Participation

- Seven retro groups enrolled
- 365 individual employers
- Account for $35M in estimated premium
- $1.2B in estimated payroll

Employer Demographics

- 75% are in the manufacturing and services industries
- Spread across Ohio with a concentration in Northeast Ohio
- 93% have existed in Ohio for at least 3 years



Risk Characteristics

- Average Experience Modifier of 1.14
- Less than 1% were Base Rated
- A third were in Group Rating last year
- Fairly even blend of credit and debit rated employers joined *(as displayed in the graph to the left)*

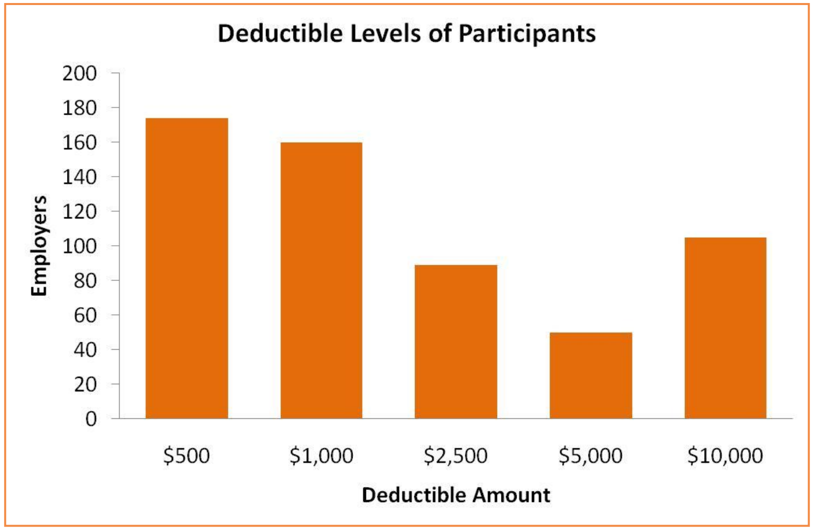
Deductible Update – PY 2009

Level of Participation

- 578 individual employers
- Account for $42M in estimated premium
- $1.3B in estimated payroll
- Average Premium Discount of 8.6%

Employer Demographics

- 92% are in the manufacturing, services, construction, or commercial
- 100 do not use a TPA; the remaining are represented by 42 different TPAs



Risk Characteristics

- Average Experience Modifier of 0.94
- Employer rating types: 20% Base, 55% Experience, 25% Group Rated
- Employers with medium claim severity (HG C) were most likely to join
- 21% of employers have received a deductible bill in the first 3 months

OBWC Board of Directors
Actuarial Committee Charter

Purpose

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

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

In order to constitute the will of the Board of Directors, Committee actions must be ratified or adopted by the Board of Directors to become effective.

Membership

The Committee shall be composed of a minimum of five (5) members. One member shall be the member of the Board who is an actuary. The Board, by majority vote, shall appoint at least four additional members of the Board to serve on the Actuarial Committee and may appoint additional members who are not Board members, as the Board determines necessary. Bureau management personnel cannot serve as a committee member.

The Chair and Vice Chair are designated by the Board, based on the recommendation of the Board Chair. If the Board Chair is not a member of the Committee, he/she shall be an ex-officio member. As an ex-officio member, the Board chair shall not vote if his/her vote will create a tie.

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

Members of the Actuarial Committee serve at the pleasure of the Board and the Board, by majority vote, may remove any member except the member of the committee who is the actuary member of the Board.

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Meetings

The Committee shall meet at least nine (9) times annually. The Committee Chair will provide a meeting report at the next subsequent Board meeting. The Board grants the Committee authority to have additional meetings. Additional meetings may be requested by the Committee Chair, 2 or more members of the Committee, or the Chair of the Board.

A quorum shall consist of a majority of Committee members. Committee meetings will be conducted according to Robert's Rules of Order. All Directors are encouraged to attend the Committee meetings.

The Committee will invite members of management, external actuarial firms, internal actuarial staff and/or others to attend meetings and provide pertinent information, as necessary.

Minutes for all meetings of the Committee will be prepared to document the actions of the Committee's in the discharge of its responsibilities.

Duties and Responsibilities

The Actuarial Committee shall be responsible for the following statutory requirements:

- Recommend actuarial consultants for the Board to use for the funds specified in Chapters 4121, 4123, 4127, and 4131 of the Revised Code (RC 4121.129 (B)(1))
- Reviewing the calculation of rate schedules prepared by the actuarial consultants with whom the Board contracts (RC 4121.129 (B)(2))
- Supervise, for the Board's consideration, the preparation of an annual report of the actuarial valuation of the assets, liabilities and funding requirements of the state insurance funds to be submitted to the Workers' Compensation Council and the Senate and House. (RC 4121.125(C)(1) and 4123.47).
- Arrange for an actuarial analysis of any legislation expected to have measurable financial impact on the system, within 60 days after introduction of the legislation. (RC 4121.125(C)(6) and (7) and 4121.125(G)).

1. At least once every five (5) years, contracting for an actuarial investigation of experience of employers; mortality, service and injury rate of employees; and payment of benefits in order to update the assumptions on the annual actuarial report. (RC 4121.125(C)(4) and RC 4121.125(F)) Review, and make recommendations to the Board, regarding rate-making administrative code rules. (RC 4121.12(F)(13)(a))

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2. Coordinate with other Board Committees on issues of common interest.
3. At least annually, review this charter and submit any proposed changes to the Governance Committee and to the Board for approval.
4. Create, by majority vote, a subcommittee consisting of one or more Directors on the Committee. As appropriate, and in consultation with the Chair, appoint other Board members to the subcommittee. The subcommittee shall have a specific purpose. Each subcommittee shall keep minutes of its meetings. The subcommittee shall report to the Board of Directors through the Committee. At any time, the Committee, by majority vote, may dissolve the subcommittee.

Deleted/merged responsibilities:

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Recommending retention and oversight of consultants, experts, independent counsel and actuaries to advise the Committee on any of its responsibilities or assist in the conduct of an investigation (previous #9)
Seeking any information it requires from Bureau employees – all of whom are directed
t… ernal or external parties working
f… ll external actuaries, consultants,
i… e (previous # 10)

Actuarial Committee Charter.doc
Draft 092607
Review & Approved 112107, Chuck Bryan, Chair
Revised 012408
Revised 092408
Annual Review and Revision 112108
Annual Review and Revision 102908

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Ohio Bureau of Workers' Compensation Comprehensive Study

BWC Implementation Quarterly Progress Report

Executive Summary October 2009

Highlights since July Report

Administrator Ryan reported study findings to the Workers' Compensation Council in September and the House and Senate Insurance Committees in October

19 recommendations appear to be governed by statute

Project target dates established

Stakeholder involvement is underway

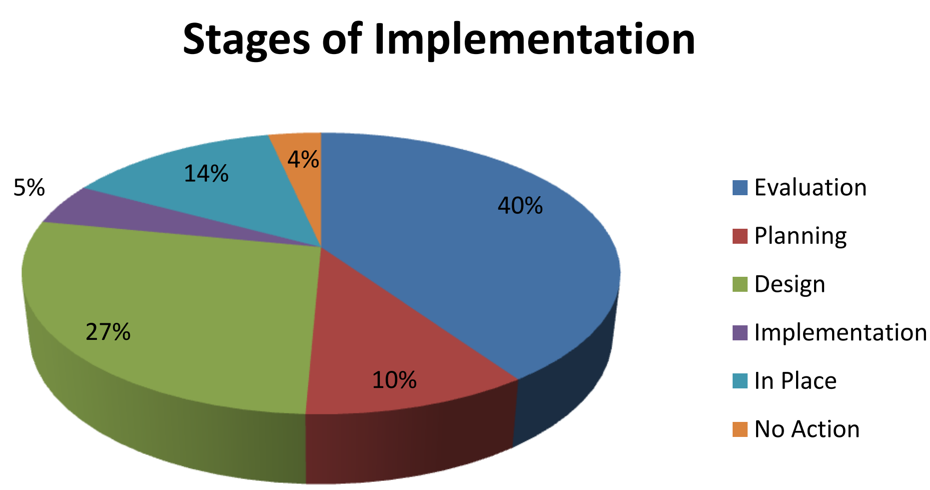
Accomplishments since July Report

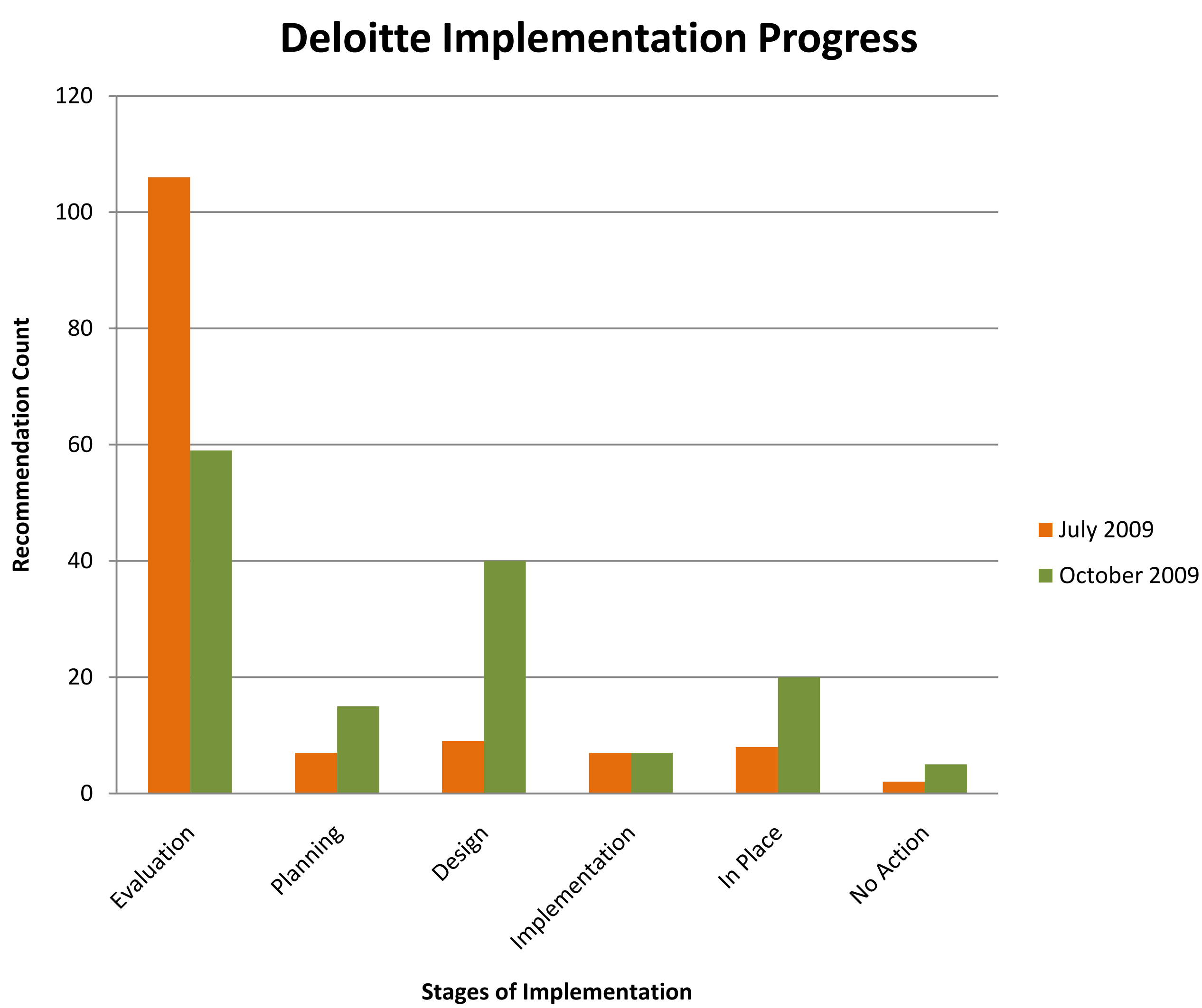
8 more recommendations in place
- o Net assets (4 of 4)
- o Actuarial organization (1 of 7)
- o NCCI Classification System/Premium Auditing (2 of 3)
- o Out-of-State experience rating (1 of 2)

Up-coming quarter

Project emphasis
- o Rate reform
- o Drug-Free Workplace Safety Program
- o Self-Insurance
- o New products

In the news
- o Workers' Compensation hearings expected by House Insurance Committee


Stages of Implementation
5%
14%
4%
40%
27%
10%
Evaluation
Planning
Design
Implementation
In Place
No Action


Deloitte Implementation Progress
120
100
80
60
40
20
0
Recommendation Count
July 2009
October 2009
Evaluation
Planning
Design
Implementation
In Place
No Action
Stages of Implementation

Deloitte Recommendations - Stage of Implementation			Evaluate	Plan	Design	Implement	In Place	FY11 or later
Actuarial Audit Reserves and Expected Payments								
2.1	1	Include Risk Margins		✓				
2.1	2	Disclose Margins/Discounts		✓				
2.1	3	Require Statement of Actuarial Opinion					✓	
2.1	4	Further study of LSS Savings		✓				
2.1	5	Analyze risk of inflation on DWRF		✓				
2.1	6	Increase emphasis on actuarial audit reserves			✓			
2.1	7	Additional documentation in the Annual Actuarial Audit Report		✓				
2.1	8	Retrospective analysis of prior estimates in the Annual Actuarial Audit Report		✓				
2.1	9	Additional actuarial methods in the Annual Actuarial Audit Report (assess reserving risks)		✓				
2.1	10	An evaluation date prior to June 30th for the Annual Actuarial Audit Report					✓	
2.1	11	Consider supplementing PEC and PES historical development patterns		✓				
2.1	12	Limit potential distortions that may occur in the unpaid claim estimate		✓				
2.1	13	Consider claims counts for given type of loss when calculating historical severity patterns		✓				
2.1	14	Consider alternate methods to estimate unpaid losses for years 1976 & prior		✓				
Actuarial Organization								
4.4	1	Establish Rating & Programs Pricing Team			✓			▶
4.4	2	Establish Reserving & Net Asset Level Analysis Function				✓		▶
4.4	3	Establish Data Management		✓				▶
4.4	4	Actuarial Hiring and Development Program		✓				▶
4.4	5	Expand the BWC actuarial division responsibilities.			✓			▶
4.4	6	Transition data gathering from the Rating team to a data management team.					✓	▶
4.4	7	Utilize external actuarial resources to supplement internal actuarial resources.					✓	
Administrative Cost Calculation								
2.5	1	Re-evaluate portion of Administrative Expenses allocated to LAE				✓		
Ancillary Funds								
4.1	9	Address Large Unfunded Obligation Including Possible Long Term Funding	✓					▶
4.1	10	Change DWRF from Pay-As-You-Go Basis to Support Reducing Unfunded Obligations	✓					▶
4.1	11	Set DWRF Rates to Meet Payments and Reduce Burden to Future Employers for DWRF Benefits	✓					▶
4.1	12	Establish a Good, Clear, and Long Term Rationale for Funding DWRF Benefits	✓					▶
4.1	13	Set Policy Rationale for Equity between Past, Current and Future Benefits to Pay DWRF Benefits	✓					▶
4.1	14	Charge Some Premium for CWPF Coverage with Credits/Dividends for Long Term CWPF Employers	✓					▶
4.1	15	Develop Funding Policies for Each Ancillary Fund (DWRF, MIF, CWPF)	✓					▶
4.1	16	Conduct Further Research to Support Legislative Change to Combine Funds	✓					▶
Change of Employer Experience Rates								
4.2	1	Eliminate/Restrict Changes to Employer Rates Due to Changes in Claims	✓					▶
4.2	2	Restrict Time to Report Errors	✓					▶
4.2	3	Establish Shorter and Clearly Defined Time Constraints	✓					▶

Deloitte Recommendations - Stage of Implementation

			Evaluate	Plan	Design	Implement	In Place	FY11 or later
Class Ratemaking								
1.1	7	Eliminate Use of ER Off-Balance Adjustment Factor for Class Base Rates	✓					
1.1	8	Apply Individual ER Off-Balance Adjustment to Individual ER Risks Only	✓					▶
1.1	9	Calculate Catastrophe Factor by NCCI Hazard Group	✓					▶
1.1	10	Provide More Detailed Documentation for Each Adjustment Factor			✓			
1.1	11	Use Alternative Indication of Class Loss Costs to Credibility Weight Class Loss Costs	✓					▶
1.1	12	Separate Case Reserves in Estimating Historical Loss Costs	✓					▶
Excess Insurance and Reinsurance								
2.4	5	Limit impact of CAT event to 5-10% of Net Assets	✓					
2.4	6	Test Reinsurance Market for CAT Protection	✓					
Experience Aggregation Approach								
4.1	19	Use NCCI Approach to Common Majority Ownership for Experience Rating	✓					▶
4.1	20	Discontinue the current practice of relying primarily on the federal tax identifiation number to identify separate employers.	✓					▶
Experience Rating								
1.1	30	Change Credibilitiy for Individual Experience to be In Line with Industry Practices			✓			
1.1	31	Prohibit Exclusion of Claims from Experience Rating Calculation				✓		
Group Rating								
1.1	13	Change the structure of the Group Rating Program to mitigate present inequities.			✓			
1.1	14	Incent groups to focus on accident prevention and loss mitigation activities.			✓			
1.1	15	Eliminate the use of the individual e-mod formula for group rating.			✓			
1.1	16	Determine group rating through the use of a group discount factor.			✓			
1.1	17	Establish a minimum number of years of experience for a group to qualify.	✓					
1.1	18	Develop a group discount formula based on the past performance of each group.			✓			
1.1	19	Apply a separate group rating off-balance adjustment to the group discount factors.			✓			
1.1	20	Develop the group discount factor based on the actual past performance of each group.	✓					
1.1	21	Include the experience of all group members only during the period they were in the group	✓					
1.1	22	Apply the group discount factor to the individual e-mod adjusted premium of each.			✓			
1.1	23	Develop a group discount formula based on a loss ratio or loss rating approach.			✓			
1.1	24	Vary the maximum discount factor with the premium size of the group.			✓			
1.1	25	Apply a phase-in period of at least two years to new group members.			✓			
1.1	26	Evaluate Group Dividend plan as a group rating alternative.			✓			
1.1	27	Evaluate Group Retro Plan as a group rating alternative.					✓	
1.1	28	Evaluate Per Accident Loss Limitations as a group rating alternative.			✓			
1.1	29	Evaluate Tiering within a single group as a group rating alternative.			✓			
Handicap Reimbursement Program								
3.3	1	Terminate the Handicap Reimbursement Program	✓					
3.3	2	Exclude Arthritis as a Handicap	✓					
3.3	3	Require That Existing Conditions be the Proximate Cause of a More Severe Second Injury	✓					
3.3	4	Reduce the Lag Time Allowed for Handicap Reimbursement	✓					

Deloitte Recommendations - Stage of Implementation			Evaluate	Plan	Design	Implement	In Place	FY11 or later
MCO Effectiveness								
2.6	1	Sustain Trend of Decreasing Numbers of Participating MCOs					✓	
2.6	2	Study feasibility of price-of-service competition among MCOs.	✓					
2.6	3	Remove the BWC from the ADR Appeal Process				✓		
2.6	4	Legislate Change to Mandatory IME Requirement at 90 Days Lost Time	✓					
2.6	5	Give MCOs More Flexibility in Allowable Condition Determinations	✓					
2.6	6	Establish ODG as Mandated Disability Duration Guidelines (replacement for DODM)			✓			
2.6	7	Integrate use of ODG into the overall MCO performance measurement and compensation system	✓					
2.6	8	Re-institute Customer Surveys	✓					▶
2.6	9	Continue Public Forums					✓	
2.6	10	Improve Provider Profiling, Credentialing, and De-Certification			✓			
2.6	11	Update All Fee Schedules Every 1 - 2 Years (duplicate of 2.3.1.2)				✓		
2.6	12	Build a database and study causes of increasing average medical costs.	✓					
Medical Payments								
2.3	1	Conduct fee schedule update and maintenance				✓		
2.3	1.1	Phase in pay-for-performance or Tiered Fee Schedule for all service types.			✓			
2.3	1.2	Update the fee schedule every one-to-two years.				✓		
2.3	2	Address Medical Payment Process Duplication			✓			▶
2.3	2.1	Standardize bill review edits			✓			▶
2.3	2.2	Explore elimination of MCO medical bill review process			✓			▶
2.3	2.3	Adopt an audit model of provider medical payment monitoring						▶
2.3	3	Eliminate the required employer waiver in proactive allowance	✓					
2.3	4	Continue development of Blue Ribbon panel with provider incentives			✓			
2.3	5	Continue development of EDI submission of C-9's	✓					
Minimum Premium Review								
4.1	6	Examine the Feasibility of Raising the Minimum Premium	✓					▶
4.1	7	Increase Premium Audits for Accounts that Report No Payroll but Have Claims					✓	
4.1	8	Consider a different minimum premium for domestic employees	✓					▶
MIRA II Reserving								
1.1	32	Develop an Alternative to the Exclusive Use of MIRA II						▶
1.1	33	Determine Where MIRA II Claim Values are Most Predictive						▶
1.1	34	Study the Impact of MIRA II Reserves on Class Rates and Experience Rating			✓			
NCCI Classification System								
4.1	1	Consider Using NCCI Class Codes for Public Taxing Districts	✓					▶
4.1	2	Monitor Procedures used to Code Construction Classes			✓			▶
4.1	3	Audit most employers every three to five years					✓	
4.1	4	Increase Scope of Premum Audit Function					✓	
4.1	5	Consider an Audit Scoring Tool to Prioritize Audits	✓					▶
Net Asset Level								
2.4	1	Adopt a Funding Policy with Guidelines					✓	
2.4	2	Develop a customized approach to managing net asset level using a few key metrics.					✓	
2.4	3	Target a Funding Ratio Range & Recommended Actions					✓	
2.4	4	Policy Guidance with Premium Options based on Funding Ratio					✓	

Deloitte Recommendations - Stage of Implementation			Evaluate	Plan	Design	Implement	In Place	FY11 or later
Out-of-State Employer Experience Rating								
4.3	1	Utilize only Ohio based Information to Determine Eligibility for Experience Rating					✓	
4.3	2	Adopt the Industry Standard of using Base Premiums as the Eligibility Criteria for Experience Rating						►
PES Rate Setting								
3.1	1	Change the Manner in which PES Rates are Calculated	✓					►
3.1	2	Change the Method Used to Determine Expected Paid Losses in the Prospective Policy Year	✓					►
Retrospective Rating								
3.1	3	Redesign the Retrospective Rating Program			✓			
Safety Programs								
3.2	1	Make Grants Available Even if No Claims Related to the Intervention					✓	
3.2	2	Require Safety Report With Application for Safety Intervention Grant					✓	
3.2	3	Combine DFWP and DF-EZ Programs			✓			
3.1	4	Develop the capability to track the experience of employers participating in the safety & hygiene program		✓				►
Salary Continuation / $15K Med Only Program								
1.1	35	Terminate the Salary Continuation Program	✓					
1.1	36	Terminate the $15,000 Medical Only Program	✓					
1.1	37	Consider an Appropriately Priced Deductible Program as an Alternative					✓	
1.1	38	Perform periodic actuarial studies to evaluate the appropriateness of the credits offered under the various discount programs.			✓			
Self-Insurance								
1.4	1	Require an Actuarial Study for Self-Insurance Applicants			✓			
1.4	2	Require Additional Security for Employers Applying for Self-Insurance			✓			
1.4	3	Consider Offering Group Self-Insurance						►
1.4	4	Consider Trends within Industries to Determine Self-insurance Criteria			✓			
1.4	5	Incorporate Objective Financial Criteria as Part of the Self-Insurance application			✓			
1.4	6	Consider Offering Enhanced Customer Service Aid to Employers			✓			
1.4	7	Consider Requiring an Anti-Fraud Program as Part of the Self-Insurance Application	✓					
1.4	8	Consider Requiring a Formal Safety Program as Part of the Self-Insurance Application	✓					
1.4	9	Require Organization Documents for Self-Insurance Application					✓	
1.4	10	Require an Actuarial Study for Self-Insurers Returning to the SIF	✓					►
1.4	11	Continuation of Security upon Returning to the State Insurance Fund					✓	
1.4	12	Do Not Allow Self-Insurers to Leave the State Insurance Fund Multiple Times	✓					►
1.4	13	Expand Reporting Forms to Allow for More Detailed Internal Analysis			✓			
SIEGF								
1.3	1	Institute Pre-Assessment Alternatives			✓			
1.3	2	Collect Enhanced Data			✓			
1.3	3	Require Collateral from Higher Risk Employers			✓			
1.3	4	Revise Assessment Base	✓					►
1.3	5	Reinsure Certain Bankruptcy Losses	✓					

Deloitte Recommendations - Stage of Implementation			Evaluate	Plan	Design	Implement	In Place	FY11 or later
Statewide Rate Level								
1.1	1	Provide More Responsiveness to Ohio Trends			✓			
1.1	2	Perform Baseline Indication Before Discounting	✓					
1.1	3	Develop the range of indicated rate changes (Optimistic to Conservative)	✓					
1.1	4	Include Alternative Method in Calculating Indicated Rate Change	✓					
1.1	5	Display Historical Loss Costs at Proposed Cost and Wage Levels	✓					
1.1	6	Display Impact of Collecting Premium in Arrears on the Rate Change Indication	✓					
Subrogation								
1.2	1	Limit caseloads to no more than 400	✓					▶
1.2	2	Build functionality in V-3 to manage subrogation claims	✓					▶
1.2	3	Establish a more robust set of performance metrics	✓					▶
1.2	4	Investigate utilization of text mining	✓					▶
Vocational Rehabilitation Program								
4.1	17	Change Rules to Give BWC Sole Authority to Direct Rehab Services		✓				▶
4.1	18	Reconsider the Rules Associated with the Experience Rating Treatment of LM Claims	✓					▶
		Count = 146 total recommendations:	59	15	40	7	20	49

BWC Board of Directors
Actuarial Committee
CAO Report
John Pedrick, Chief Actuarial Officer
October 26, 2009

The key discussion this month is the proposed structure for the group rating program for policy year July 1, 2010 to June 30, 2011. There is a large document in the committee materials this month describing the interaction with the group community and how we arrived at the proposal we introduced at the September meeting. This document contains many appendices, including summaries of the ten actuarial studies regarding the group program, impacts of the changes we've already put in place, the actuarial analysis done by Oliver Wyman, and various other data and statistics.

The report required by Ohio Administrative Code 4123-17-61.1, adopted by the Board February 2009, is included as Appendix 2. Paragraph (D) of the rule states, "Following the conclusion of the July 1, 2008 to June 30, 2009 policy year, the bureau will report annually on the aggregate performance of all groups."

We will also discuss two rules for public employer taxing districts (PECs), one for base rates and the other for the break even factors (BEFs). These rules implement the decision last month to put in place an overall decrease of 17.0%; to sever the connection between group discounts and base rates by setting a fixed off balance factor; and to apply a table of stratified BEFs that decrease as the experience modifiers for groups increase.

Further details and current timelines for our various projects follow.

Comprehensive Plan Implementation

1. **Communications/Group Structure and Governance Team**

Jeremy Jackson		
Task/Function	**Timeline**	**Status**
Communications, Outreach	8/1/2008 start	Ongoing
PEC Groups Structure	6/1/2009 start	On Target
PA Group Rating for 2010 and beyond	6/1/2009 start	On Target
Targeted Employer Communications	8/1/2008 start	Ongoing

- BWC staff has continued to meet with external parties on the rate reform changes and to gather input from those parties.

2. Capping/Split Plan Team

Terry Potts and Paul Flowers		
Task/Function	**Timeline**	**Status**
Capping strategy for PA employers effective	July 1, 2009	Completed
Capping strategy and Group Break Even Factor for PEC employers effective	January 1, 2010	In-Progress
Rating strategies for PA employers effective July, 2010	October, 2009	In- Progress
Split Plan parameters decided	Fall, 2009	In-Progress
Split plan development	September, 2009 to July, 2010	In-Progress
Split Plan implementation	July 1, 2011	

- The Break Even Factors for the 7/1/2010 Private Employers were presented at the September actuarial committee meeting. These factors are stratified by the group EM.
- The split plan development is continuing among actuarial and IT staff to determine the parameters of the split plan. Analysis continues to determine the appropriate split points.
- As part of the new credibility changes it was determined that the minimum expected losses for an employer to be experience rated will be decreased to $2,000. These changes to the credibility table will allow approximately 48,000 additional employers to be experience rated.

3. New Products

Joy Bush and Jamey Fauque, Centric Consulting		
Task/Function	**Timeline**	**Status**
Small Deductible Plan Implemented	July, 2009	Completed
Group Retro Program Implemented	July, 2009	Completed
Research and Development of employer programs	Fall, 2009	In-Progress

- It is anticipated that the actuarial division will bring 2 new programs to the actuarial committee in the late fall or early winter. These 2 new programs are an individual loss retro program and a large deductible program.

MIRA II

- Discussions are taking place with outside parties on the elimination of the "MIRA transition rules". These rules were put into the system as a temporary transition from the old tabular reserving system to the MIRA 1 system. With the updated reserves from MIRA 2 the transition rules will be phased out.
- The new annuity tables that were approved at the August, 2009 board of directors meeting have been Implemented into the MIRA 2 system for PTD and Death claims.

1/1/2010 Public Employer Taxing Districts (PEC) Rates

Task/Function	Timeline	Status
Public Employer Taxing District Rates	July 2009 to November 2009	In progress
Summary Payroll	July – August 2009	Completed
Summary Losses	August – September 2009	Completed
Rate Calculations	September 2009 to November 2009	In progress
Rate recommendation received from Oliver Wyman	July 30, 2009	Completed
Rate decision from WCB	September 2009	Completed
Final Rates to WCB	November 2009	In-Progress
Mailing of Employer Rate Letters	December 2009	

Deloitte Consulting Preparation

- The BWC has started transferring data files to Deloitte via the FTP site.
- Deloitte will meet with BWC staff in early November on the project and work plans.
- A SharePoint site hosted by the BWC has been established for Deloitte and BWC staff to share information and files.
- Project plans are continuing to be developed with Deloitte including completion dates for actuarial committee and board materials.

Comprehensive Study Implementation

- A report has been prepared to the Workers' Compensation Council with an update on the Deloitte recommendations.
- The BWC continues to prioritize and update the recommendations from the comprehensive study.

12 - Month Actuarial Committee Calendar

Date	October 2009	
10/29/2009	1. PEC Base Rates and Expected loss rates rule 4123-17-33 and 4123-17-34 – 1st reading	
	2. PEC group break even factor rule 4123-17-64.2 – 1st reading	
	3. PEC Capping rule 4123-17-03 - 1st reading	
	4. Safety & Hygiene assessment rate - rule 4123-17-37 – 2nd reading	
	5. PA Group Break Even Factor rule 4123-17-64.1 – 2nd reading	
	6. PA credibility table effective 7-1-2010 – rule 4123-17-05.1 – 2nd reading	
	7. Actuarial Committee charter discussion	
	8. Group Retrospective Rating program update and Group rating annual report as required in rule 4123-17-61.1 (D)	
	9. Quarterly Update on the H.B.100 Comprehensive report Deloitte recommendations	
Date	**November 2009**	
11/19/2009	1. PEC Base Rates and Expected loss rates Rule 4123-17-33 and 4123-17-34 – 2nd reading	
	2. PEC group break even factor rule 4123-17-64.2 – 2nd reading	
	3. PEC Capping rule 4123-17-03 – 2nd reading	
	4. Reserving educational session	
	5. Possible group application deadline extension for PA employers Rule 4123-17-62	
Date	**December 2009**	
12/16/2009		
Date	**January 2010**	
1/28/2010	1. Quarterly Update on the H.B.100 Comprehensive report Deloitte recommendations	
Date	**February 2010**	
2/25/2010	1. Quarterly reserve update as of 12/31/09	
Date	**March 2010**	
3/25/2010	1. Private employer rate change indication – 1st reading	
	2. Public employer state agency rate indication – 1st reading	
Date	**April 2010**	
4/29/2010	1. Private employer rate change indication – 2nd reading	
	2. Public employer state agency rate indication – 2nd reading	
	3. Ancillary fund rates and SI assessments - 1st reading	
	4. Quarterly Update on the H.B.100 Comprehensive report Deloitte recommendations	
Date	**May 2010**	
5/27/2010	1. Ancillary fund rates and SI assessments – 2nd reading	
	2. Quarterly reserve update as of 3/31/10	
	3. Admin Cost Fund – 1st reading	
	4. Private employer base rates and expected loss rates – rule 4123-17-05 and 4123-17-06 – 1st read	

12 - Month Actuarial Committee Calendar

Date	June 2010	
6/17/2010	1. Admin Cost Fund – 2nd reading - possible vote	
	2. Private employer base rates and expected loss rates – rule 4123-17-05 and 4123-17-06 –2nd read	
Date	**July 2010**	
7/29/2010	1. Reserve Audit as of 6-30-2010	
	2. PA credibility table effective 7-1-2010 – Rule 4123-17-05.1 – first reading	
	3. Quarterly Update on the H.B.100 Comprehensive report Deloitte recommendations	
Date	**August 2010**	
8/26/2010	1. Reserve Audit update	
	2. Public Employer Taxing Districts rate change – 1st reading	
Date	**September 2010**	
Date	**October 2010**	