BWC BOARD OF DIRECTORS

ACTUARIAL COMMITTEE

THURSDAY, JANUARY 22, 2009, 2:00 P.M.
WILLIAM GREEN BUILDING
30 WEST SPRING ST., 2nd FLOOR (MEZZANINE)
COLUMBUS, OHIO 43215

Members Present:	Charles Bryan, Chair David Caldwell James Hummel Thomas Pitts William Lhota, ex officio
Members Absent:	Jim Matesich
Other Directors Present:	James Harris, Alison Falls, Kenneth Haffey, Larry Price, and Robert Smith
Counsel Present:	John Williams, Assistant Attorney General

CALL TO ORDER

Mr. Bryan called the meeting to order at 2 P. M. and the roll call was taken. He reported that Mr. Matesich was absent because of illness.

MINUTES OF DECEMBER 17, 2008

Mr. Bryan requested that the minutes of the plenary session be corrected to show the meeting occurred on "December 17, 2008 at 4 p.m." Mr. Hummel moved that the minutes of December 17, 2007, be approved as corrected. Mr. Caldwell seconded and the corrected minutes were approved by a unanimous roll call vote.

AGENDA

Mr. Bryan reported that the resolution of discussion items would determine which items the Actuarial Committee took action on today.

DISCUSSION ITEMS

REPORT ON COMPREHENSIVE REFORM

John Pedrick, Chief Actuarial Officer, reported on comprehensive reform. The plan approved by the Board in June is on schedule. Development of the split plan is currently underway. He stated that the underlying work includes analyzing the possibility of allowing the split point to vary by employer size, making it a “multi-split” plan. For the 2009 policy year the maximum discount will be 77%, and for the 2010 policy year, the maximum discount will be 65%. The deductible program will be implemented July 1, with five levels of deductible. BWC will implement group retrospective rating on July 1.

Mr. Pedrick reported that BWC had expected more progress on group continuity. The structure of the continuity proposal is currently scheduled to be presented to the Workers' Compensation Board in February. A significant question must be answered concerning which policy year will be the base-line year.

Mr. Pedrick further reported that he and Ray Mazzotta, Chief Operating Officer, were here to propose a plan to provide assistance to non-group employers for the upcoming policy year. The need for more rapid progress stems from recent events, including, but not limited to, the mandate found in Sub.H.B. 79 (127th GA) for a plan to address the equity and adequacy of premiums and to report to the legislature by September 15, 2009; and public comments from legislators indicating their preference to see more rapid progress. BWC proposes to calculate all rates by using only individual experience modifiers. This will lower base rates for non-group employers, with some class rates falling by as much as 30%. Marsha Ryan, BWC Administrator, added that the report from Deloitte Consulting LLC recommended decoupling rates for non-group and group employers. If the committee and Board approve this proposal, BWC will not present both EM caps for a second reading and a vote. Instead, only the 100% EM cap will be presented. The 30% cap would not make sense since the BWC will be accelerating premium increases for group employers

Mr. Price supported the approach, and noted that it is a part of the Director’s fiduciary responsibility to make the best decision for the funds. Mr. Smith asked about the timeline for implementation. Mr. Pedrick responded that further details will be submitted at the February meeting. In March, BWC will present the private employer rate proposal for policy year 2009, giving a more complete picture of the elements of the overall change.

Mr. Bryan requested a report on the impact of this rate reduction and the relative soundness of the reduction, the maximum discount for groups, and feedback from stakeholders on the practical impact and effect of these recommended changes. The premium reduction for non-group employers is estimated to be between $150 and $200 million. This reduction in revenue from non-group employers can be partially or fully funded by eliminating or reducing discount programs ($60-70 million), and increasing premium for group employers. To the extent the shortfall is not fully funded, there would be downward pressure on net assets.

Mr. Lhota added the report should assess the actuarial soundness on non-group employers. Mr. Bryan asked Mr. Pedrick whether the rate indication for the 2009 policy year could be included in the February meeting report. Mr. Pedrick stated that the rate level analysis from Oliver Wyman is due in March, but may be ready earlier, in time for the February meeting.

Mr. Pitts moved that the Actuarial Committee of the BWC Board of Directors recommend the Board consents to the Administrator's recommendation relating to the development of the elements of a comprehensive rating plan. The motion consents to the Administrator proceeding with the development of the elements of the comprehensive rating plan presented here today. The Administrator shall provide the Board with periodic updates on the development of the rating plan, and shall present to the Board any rule changes relating to the plan at the appropriate times during the development of the plan. Mr. Hummel seconded the motion.

Mr. Bryan asked whether the other motion presented today would extend the date of the group rating deadline. Mr. Pedrick replied that it would. The deadline is extended to April 24, 2009. Ms. Falls noted that there was no timeline in the motion. Mr. Pedrick replied it would be included in the February report.

The motion was approved by a unanimous roll call vote.

DELOITTE CONSULTING RECOMMENDATIONS

Mr. Pedrick reported that BWC has created a six-page spreadsheet with recommendations of Deloitte, their priority, and the need for any legislation.

Ms. Falls noted that among the items from the Deloitte presentations, which were of interest to her was the recommendation to use a 6% medical inflation rate instead of 9%. Mr. Pedrick replied that he did not believe that Deloitte recommended a lower inflation rate, but had observed that 6% would be a better assumption for calculating reserves.

Mr. Smith asked if now is the time to open the discussion on the medical inflation rate. Ms. Falls stated that it was necessary to distinguish actuarial assumptions from investment projections. A higher inflation rate assumption leads to a bias to invest in equity. Mr. Bryan asked that the consulting actuaries be given the inflation rate assumption in preparing their rate indication recommendation. Mr. Pedrick also urged the Actuarial Committee to distinguish between actuarial modeling and financial modeling in the use of inflation rates.

RESERVE ISSUES

Mr. Pedrick presented a letter from Oliver Wyman in which they respond to a BWC request to compare its current reserve opinion letter with that required by the National Association of Insurance Commissioners. In summary, Oliver Wyman reports it would not be able to fully comply with some elements of the NAIC requirements.

ACTUARIAL SERVICES REQUEST FOR PROPOSAL

Mr. Pedrick reported that the Request for Proposal (RFP) is on schedule. The RFP will be issued on February 27.

CHIEF ACTUARIAL OFFICER REPORT

Mr. Pedrick reported that his monthly report concerns mostly the RFP and experience rating reform, which have already been covered.

COMMITTEE CALENDAR

Mr. Bryan added no additional items to the committee calendar.

NEW BUSINESS/ACTION ITEMS

EXPERIENCE MODIFICATION CAPS RULES, OHIO ADMINISTRATIVE CODE RULES 4123-17-03 & 4123-17-71

Terry Potts, Private Employer Rate Supervisor, Actuarial Department, recommended amendment of Ohio Administrative Code Rules 4123-17-03 and 4123-17-71. The only change from the October 2008 presentation is that the 30% cap on EM changes due solely to credibility table changes is not included. The rules only implement the 100% cap on EM swings between years.

This cap will impact 5,000 employers and will not apply to those in the group rating program, professional employer organizations (PEOs), or employers with combined policies.

Mr. Bryan asked how an employer can appeal an experience modification increase of more than 100%. Mr. Potts replied that it can be appealed to the Adjudication Committee.

Mr. Potts further reported that if an employer is in the One-Claim Program, it gets the lower of the EM due to capping or the EM due to One-Claim. Ohio Administrative Code Rule 4123-17-71 sets forth the One-Claim Program.

Mr. Price asserted that a change in rule from the first reading meant that the second presentation is no longer the second reading. Mr. Pitts replied that a second reading enables the agency to take a rule back for additional changes. Mr. Caldwell commented that the Actuarial Committee can waive the requirement of two readings by majority vote.

Mr. Caldwell moved that the Actuarial Committee of the Bureau Workers' Compensation Board of Directors modify the proposal at the first reading of October 2008 and delete paragraph G from 4123-17-03 as previously read. Mr. Pitts seconded and the motion was approved by unanimous roll call vote.

Ms. Falls clarified the purpose of having two readings, which includes the ability to make changes after the first reading. It is up to the committee to determine whether the changes are so substantial that a new first reading would be necessary.

Mr. Lhota moved that the Actuarial Committee of the Bureau of Workers' Compensation Board of Directors recommend that the Board approve the Administrator's recommendation to amend Rules 4123-17-03 and 4123-17-71 of the Administrative Code. The amendments establish a cap or limit on the annual increase in an employer's experience modification. Mr. Hummel seconded and the motion was approved by unanimous roll call vote.

DEDUCTIBLE PROGRAM RULES, FIRST READING

Joy Bush, Employer Management Project Manager, and Mary Yorde, Underwriting Supervisor, recommended amendment of three Ohio Administrative Code Rules and adoption of a fourth rule. Ms. Bush reported that Ohio Administrative Code Rule 4123-17-62 will be amended to make three changes and change the sponsor notification date from February 2 to March 30. Form requirements are changed by requiring group sponsors to maintain group rating Form AC-26 in their files, but only be required to produce it upon BWC's request.
Employers are disqualified if there is merger, acquisition, or material misstatement in their applications.

Mr. Pitts asked what will be filed after the changes. Ms. Yorde replied group sponsors will only file Form AC-25.

Mr. Pitts moved that the Actuarial Committee waive the second reading on the recommendation to amend Ohio Administrative Code Rule 4123-17-62. Mr. Lhota seconded and the motion was approved by unanimous roll call vote.

Mr. Hummel moved that the Actuarial Committee of the Bureau of Workers' Compensation Board of Directors recommend the Board consents to the Administrator's recommendation to amend Rule 4123-17-62 relating to extending the deadline for group rating, filing the AC-26 Form, and removing an employer from a group for gross misrepresentation. The motion consents to the Administrator amending Rule 4123-17-62 as presented here today. Mr. Caldwell seconded and the motion was approved by unanimous roll call vote.

SPONSORSHIP CERTIFICATION RULES AND GROUP RATING RULES

Ms. Yorde recommended that Ohio Administrative Code Rule 4123-17-61 be amended. The rule will be presented again at the February meeting. The amendments move the sponsorship rules to new Rule 4123-17-61.1 with other sponsor provisions. The substantive change is to shorten the number of cumulative lapse days from fifty-nine days in eighteen months to fifteen days in twelve months.

Ms. Bush recommended adoption of Ohio Administrative Code Rule 4123-17-61.1. This new rule consolidates all sponsor provisions of several rules. The rule will apply to private employer group retrospective rating effective July 1, 2009, and public employer taxing districts on January 1, 2010. The rule strengthens requirements by requiring sponsoring organizations to be in existence for two years; for them to have been organized for reasons other than workers' compensation group rating; safety programs; and specific documentation.

Mr. Bryan asked if there was anything new in the rule. Ms. Bush replied it is appropriate to re-certify sponsors for clarity and to achieve a level playing field. Mr. Harris asked if existing groups are grand-fathered in. Ms. Bush replied they were not and that re-certification will first be required in 2010. Mr. Harris asked what is the report required in paragraph (D)(1). Ms. Bush replied that it will be a BWC generated annual report on group performance.

Ms. Bush further recommended amendment of Ohio Administrative Code Rule 4123-17-68 on group safety programs. The change will require employers to attend a safety seminar if there is one injury. Mr. Bryan asked why this change was made. Ms. Bush replied it was proposed after many comments from stakeholders. Sponsors are required to offer safety programs; however, BWC has not required employers to attend these safety programs. The amendments also add a requirement to comply with requirements of the Occupational Safety and Health Administration (OSHA).

DEDUCTIBLE PROGRAM

Ms. Bush recommended adoption of a deductible program. Ohio Revised Code §4123.29 provides that BWC shall adopt alternative rating plans. This may also include a deductible program. A majority of workers' compensation carriers have deductible programs. Deductible plans are required if a carrier is a member of the National Council on Compensation Insurance (NCCI). The plans will be available to private employers and public employer taxing districts, but not self-insurers or state agencies.

Mr. Bryan stated this is not partial self-insurance because BWC manages the claims. Ms. Bush replied there is also no stop-loss policy or aggregate for all claims. The employer must be current on its premiums and not in lapse status. The deductible available to an employer is limited to 25% of the previous year’s premiums. The deductible programs are not compatible with retrospective group-rating, or the one claim program, however, it is compatible with group rating. The deductible program will have a two-month enrollment. Oliver Wyman has estimated a range of savings for the deductible program. If the employer can elect a \$500 deductible in the most hazardous class of manuals, it will save 1.5% in costs; for a deductible of \$10,000 in the least hazardous, there would be a 25% saving. BWC will present the full schedule of deductibles and corresponding credits during the February meeting.

Mr. Bryan stated that the deductible plan needs pricing before the Actuarial Committee can entertain a first reading.

Mr. Pitts asked if the deductible were per claim and Ms. Bush replied affirmatively. Mr. Caldwell asked if amounts within the deductible are still used in experience rating. Ms. Bush replied that these amounts would be included, matching a similar requirement of the NCCI.

ADJOURNMENT

There was a motion by Mr. Caldwell, second by Mr. Pitts to adjourn, and adjournment by unanimous roll call vote of four ayes and no nays. Mr. Lhota had left meeting to attend the audit Committee meeting.

Prepared by: Larry Rhodebeck, Staff Counsel
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January 29, 2009

Report on Group and Non-group Rate Levels

Presented to the Actuarial Committee
Ohio Bureau of Workers' Compensation Board of Directors

February 19, 2009

In January, the Ohio Bureau of Workers' Compensation (BWC) received consent from the BWC Board of Directors to explore additional methods to improve equity within the system. This effort has produced a strategy that will work in conjunction with the comprehensive plan approved in June 2008. The details of the strategy are:

1. Determine the differentials in rates that would bring rates for both group-rated and non-group-rated employers to actuarially sound levels. Set rates for employers who are not in the group rating program at a level commensurate with the risk they present to the system.
2. Estimate the resulting shortfall and identify options for removing part or all it.
3. Frame the strategy in the form of proposals for Board consideration.
4. Provide a "road map" of the elements of the comprehensive plan, this proposal, and the additional steps that must be addressed for policy year 2010.

I. ACTUARIALLY INDICATED DIFFERENTIALS AND THE RIGHT RATE LEVEL FOR NON-GROUP EMPLOYERS

An analysis performed by our actuarial consultants at Oliver Wyman has produced strong indications of the difference in cost levels between group and non-group employers. The analysis starts with all employers rated at base premium – that is, without the effects of individual experience rating and group experience rating. This approach demonstrates the true differential in claim costs. As the two tables below indicate, claim costs for non-group rated employers are 30 percent higher than the statewide average for all employers, and claim costs for group rated employers are 20 percent lower than the statewide average.

Table 1
Non-Group Employer Loss Ratios as of 12/31/2008
At Base Premium Levels

Policy Year	Base premium	Undeveloped paid losses	Undeveloped incurred losses	Paid Loss Ratio	Incurred Loss Ratio	Paid Relativity	Incurred Relativity
2003	$789,301,892	$361,418,196	$479,389,869	46%	61%	1.26	1.25
2004	$894,942,490	$321,693,830	$432,821,194	36%	48%	1.25	1.27
2005	$847,481,900	$284,447,626	$403,929,069	34%	48%	1.26	1.29
2006	$762,310,457	$206,573,779	$305,887,615	27%	40%	1.29	1.32
2007	$755,038,836	$138,809,006	$241,055,687	18%	32%	1.26	1.31
Total	$4,049,075,577	$1,312,942,438	$1,863,083,435	32%	46%	1.28	1.30

Table 2
Group Employer Loss Ratios as of 12/31/2008
At Base Premium Levels

Policy Year	Base premium	Undeveloped paid losses	Undeveloped incurred losses	Paid Loss Ratio	Incurred Loss Ratio	Paid Relativity	Incurred Relativity
2003	$978,680,269	$278,838,859	$378,292,412	28%	39%	0.79	0.80
2004	$1,024,185,653	$228,804,073	$298,984,182	22%	29%	0.78	0.77
2005	$943,752,774	$192,759,060	$258,577,422	20%	27%	0.77	0.74
2006	$1,080,275,523	$179,218,286	$253,534,626	17%	23%	0.79	0.77
2007	$1,137,732,626	$136,506,406	$220,608,651	12%	19%	0.82	0.79
Total	$5,164,626,845	$1,016,126,684	$1,409,997,293	20%	27%	0.78	0.77

The loss ratio relativities in both tables show that the difference in cost is consistent for the last five policy years. The losses in these tables are valued as of December 31, 2008. The age of the years does not change the relativity to statewide average exhibited by both sets of employers. In order to set rates at a level that achieves the +30 percent differential, the impact of experience rating must be recognized. The Oliver Wyman analysis shows the average impact of experience rating for non-group employers is a debit of 7 percent. To get to 30 percent, the system off-balance should be set to produce an additional 21.5 percent. That is, 1.215 x 1.07 = 1.30. The average off-balance for policy year 2008 is 1.49. Experience modification increases the current level for non-group employers to 58 percent above statewide average. Setting the policy year 2009 off-balance at 1.21 will produce a significant decrease in published base rates.

This strategy also presents the opportunity to adopt a recommendation from Deloitte Consulting LLP to apply a single off-balance for all manual classes rather than the current 535 off-balances, one for each manual class. **When we look at base rates without the impact of group experience modifiers, the majority of class-based off-balances are within ±10 percent of the average off-balance.** Adopting a single off-balance of 1.21 will also bring stability to rates. We will analyze this figure each year and adjust it accordingly. These future adjustments will not have the volatile nature of today's annual off-balance changes.

As the first table above indicates, the loss ratio relativity for non-group employers is consistent for the five years shown. The off-balance will be set based on this loss ratio analysis and the average impact of experience rating to these employers, just as we are doing in this proposed method. Today, after the effect of experience rating is included, current rate levels result in non-group premiums are 58 percent higher than average. This first strategy reduces non-group rate levels to 30 percent above average.

This strategy alone results in a base rate decrease of 17.7 percent (1.30 ÷ 1.58 – 1 = -17.7%).

II. THE SHORTFALL AND METHODS OF REDUCING IT

The reduction in rates described above produces a shortfall projected at $295 million before consideration of the change to the 77 percent credibility table for policy year 2009. That figure is projected to be $207 million after including the effect of reducing the credibility table from a maximum of 85 percent to a maximum of 77 percent. **This projection uses the current group structure, and does not include the potential impact of the annual reformation of groups.**

We have identified two general sources of funds to reduce or eliminate this shortfall for policy year 2009. The first is the reduction or elimination of several discount programs. We propose that discounts associated with both the PDP and the Drug-Free Workplace Program be eliminated beginning July 1, 2009. In addition, we propose the elimination of the attendance bonus for the Safety Council Program, but retaining the performance bonus (currently at two percent).

Today, in policy year 2008, we increase published base rates by 13.64 percent to recover the cost of these programs and the impact of EM changes that happen after rates are set. These programs alone represent 7 percent of this loading, with a total cost of approximately $124 million in premium, according to the most recently available data. This amount reflects the total premium BWC either did not collect or paid out after setting rates for the policy year.

The Deloitte study concluded that both PDP and DFWP appear to be functioning ineffectively. The size of the discounts appears to be out of line. According to Deloitte, "Our analysis indicates that the current credits for the Premium Discount Program and the Drug Free Work Place are not supported by the loss experience of those participating in these programs." **The basis of the performance component (reduction in frequency and**

severity, or lost work days) is already reflected in experience rating. The study also concluded the safety council incentive program has not demonstrated a clear positive or negative impact on loss experience.

As part of our comprehensive plan, we will offer three new alternatives that tie performance to premium adjustments. These include:

- a deductible program;
- a group-retrospective rating program; and,
- a DFWP grant program that provides grant monies to employers wishing to start a new drug testing program.

In addition, we will continue to explore the implementation of additional performance-based programs, targeting employers' needs and methods of reducing costs to the system.

This first source funds will be used to both reduce the shortfall and to further reduce base rates. Approximately half, or $60 million to $70 million, will be used to reduce a portion of the shortfall. This means we will continue to apply a factor to rates for the amount used here. The remaining amount will not be loaded into rates, allowing an additional 2 percent to 3 percent reduction in base rates. When a 2 percent reduction is included with the off-balance changes described above, the impact is a base rate decrease of 19.4 percent.

The second source of funds to reduce or eliminate the shortfall is a set of group adjustment factors that will increase premium for group rated employers. To bring premiums for group-rated employers closer to the costs they present to the SIF, we propose the implementation of group adjustment factors. These factors will be published during the group rating cycle and applied to the EM of each employer that is participating in group. The factors will raise group-rated employers' premiums to more equitable levels, representing discount levels that more closely align with the costs they bring to the system.

The group adjustment factors are stratified by EM level. The combination of group adjustment factors and the impact of the reduction in credibility will address a significant portion of the shortfall. The following tables illustrate the impact of two proposed levels of group adjustment factors, along with the change in credibility tables. Proposal 2 has higher group adjustment factors and results in less potential shortfall than Proposal 1. The projected shortfall also depends on the overall rate level change that will be presented during the March meeting.

Table 3
Total Impact of Credibility Changes, Off-balance Changes, and Group Adjustment Factors

Experience Modifier Range (77% Table)	Proposal 1	Proposal 2
0.23 – 0.29	45%	49%
0.30 – 0.44	41%	45%
0.45 – 0.56	33%	37%
0.57 +	9%	13%
Total	24.0%	28.2%

Table 4 Impact of Credibility Changes		
Experience Modifier Range (77% Table)	Proposal 1	Proposal 2
0.23 – 0.29	39%	39%
0.30 – 0.44	17%	17%
0.45 – 0.56	5%	5%
0.57 +	-2%	-2%
Total	8.6%	8.6%

Table 5 Impact of Group Adjustment Factors and Off-balance Changes		
Experience Modifier Range (77% Table)	Proposal 1	Proposal 2
0.23 – 0.29	4%	7%
0.30 – 0.44	21%	25%
0.45 – 0.56	26%	30%
0.57 +	11%	16%
Total	14.2%	18.1%

Table 6 Projected Dollar Impact – Shortfall Recovery		
	Proposal 1	Proposal 2
Projected Shortfall Before Credibility Change	$295 million	$295 million
Projected Increase Due to Credibility Change	$71 million	$71 million
Projected Increase Due to Group Adjustment Factors	$115 million	$147 million
Projected Contribution from Program Reductions	$70 million	$70 million
Projected Remaining Shortfall	$39 million	$7 million

The preliminary Group Adjustment Factors are:

Table 7 Preliminary Group Adjustment Factors		
Experience Modifier Range (77% Table)	Proposal 1	Proposal 2
0.23 – 0.29	30%	34%
0.30 – 0.44	45%	49%
0.45 – 0.56	45%	49%
0.57 +	25%	30%

These factors have been developed with recognition of the impact of the 100 percent EM cap. Proposal 1 keeps the impact of credibility changes and the group adjustment factors at or below 100 percent. For example, an employer in a group with an EM of 0.15 in 2008, who receives a group EM of 0.23 in 2009 and a 30 percent group adjustment factor, would see a change equivalent to a 99 percent increase in EM ($0.23 \div 0.15 \times 1.30 = 1.99$). Table 5 above includes the impact of credibility changes, group adjustment factors, and the change in off-balance. For group employers, the off-balance change represents a decrease for many of their manual classes.

The final element of the rate structure for policy year 2009 is the overall change we will propose in March. The annual actuarial analysis will be available in time for that meeting and will allow us to incorporate this proposal in an overall rate change package. That package will include the actual base rates we propose to implement for the upcoming policy year. The shortfall projections discussed in this document are based on a "no overall change" assumption. The overall change we propose in March will add clarity and more certainty to the impact of the strategies we present today.

III. BOARD PROPOSALS

The change in credibility from the current 85 percent table to the 77 percent table is already set for July 1, 2009. The additional elements we propose are:

1. Eliminate PDP, PDP+, DFWP, DFWP-EZ, and PDP-DFWP Stacked discount, as well as Safety Council attendance bonuses. We will continue DFWP grants to help employers implement methods aimed at eliminating drugs in the workplace, and the safety council performance credits. We will present the necessary rule changes at the March Board meeting.
2. Reduce the loading in rates that offsets the effect of these programs by 2 percent to 3 percent and use the funds otherwise collected to reduce the shortfall. The final figure for this piece will be included in the overall rate level proposal in March.
3. Apply Group Adjustment Factors as shown in Table 7. We recommend proceeding with Proposal 1, and announcing to employers, group sponsors, and third party administrators the structure of this approach and the factors for the proposal. When the overall rate change proposal is presented in March, there will be an opportunity to determine whether Proposal 1 is still the preferred approach.

IV. THE COMPREHENSIVE PLAN TO IMPROVE PERFORMANCE OF GROUP RATING – A ROAD MAP

The credibility table change approved by the Board in November 2007, the plan approved in June 2008, and the additional strategies approved in January 2009 set Ohio's workers' compensation system on a path to an equitable, stable, and transparent system. When fully implemented, the premium employers pay will be aligned with the risk they present, discount and incentive programs will be based on appropriate data and analysis, and options that balance risk sharing through the BWC and risk bearing by employers will allow Ohio businesses to tailor the structure of their workers' compensation insurance to their unique needs.

The following discussion shows the status of the many pieces of our comprehensive plan. Some items have been approved by the Board, while others have not yet been presented for adoption.

<u>Experience Rating and Credibility</u>

- Split Plan development will begin in 2009. This new approach will directly address frequency of claims, giving Ohio a system that emphasizes injury prevention as well as cost management. There will be clear economic incentives in experience rating for workplace safety.
- We plan to analyze the viability of a multi-split plan. This means that the portion of a claim considered primary loss would vary by employer size. The structure and parameters are scheduled to be complete in the spring of 2010, more than a year before policy year 2011 when the split plan will go into effect.
- Credibility tables for the split plan will show different credibility measures for primary and excess losses. The average level of credibility, primary and excess together, will be slightly lower than levels in the 65 percent table expected for 2010.

- Transition in credibility has already begun with the 77 percent table set for July 1, 2009. We will present the 65 percent table for adoption for policy year July 1, 2010.

Better Equity and Stability

- Target differentials for non-group and for group rated employers have been identified. Sources of reducing the shortfall have been identified for policy year 2009. The rate change recommendation presented to the Board in March 2009 will frame all of the elements:
    - The overall rate change
    - The change in published base rates. This will also be the change for non-group employers discussed above.
    - Base rates by manual classification – unlike previous years, we will no longer need to wait for group rosters and their resulting experience modifiers to develop final rates. The Actuarial Committee and the Board will have a more complete rate change package.
    - The change in rates for group rated employers including the impact of the group adjustment factors. The current group adjustment factor method could continue in the next policy year. However, we expect to identify methods of setting group rates at fully indicated levels.

Group Formation and Management

- In the next few months we will propose changes that will eliminate the shortfall for policy year 2010.
    - One option is to move exclusively to a retrospective rating methodology for Group similar to the program the State of Washington currently does successfully. The Group Retro product we are introducing this year could be the vehicle for all Groups.
    - Another option is to introduce rules that keep employers in a group long enough to develop a true experience modification and to earn their discount through actual loss experience and performance. Those employers with claims will not be automatically rejected because they raise the group EM. Group experience modifiers will rise to levels that provide a better match of risk and price. The more groups remain together the more their claim experience is a reliable indicator of the correct premium level.
    - A third option has been suggested by some sponsors whereby sponsors would submit their groups to the BWC and we would establish the price based on the history and mix of business.
- Sponsorship requirements have been proposed in rule form for a first reading. Changes based on input from several organizations will be included this month. The goal is to return group sponsorship to its original principles of bringing similar employers with similar risks together so they can collectively address safety in the workplace and earn premium discounts based on their collective improved performance.
- Possible changes to the group continuity rules will be presented to the Board 2009. We expect to set policy year 2010 as the baseline year, making policy year 2011 the first year when this will impact group premium. The full impact of these rules will emerge as employers stay in their groups from year to year. Those with claims will not be automatically rejected because they raise the group EM. Group experience modifiers will rise to levels that provide a better match of risk and price.
- Possible changes to homogeneity requirements will come to the Board in 2009 for implementation in policy year 2010. Any retrospective groups that form for 2009 will be allowed to continue, even if they do not meet any new requirements set for 2010.
- Experience rated groups and retrospectively rated groups will all be subject to these requirements.
- We recommend that an order be issued prohibiting any marketing of Groups for policy year July 1, 2010 until rules governing groups that eliminate the shortfall have been discussed and approved by the Board of the BWC.

Performance Based Programs

- Deductible rules have been presented for a first reading and will be presented, along with the applicable credits, this month. There are currently five deductible levels. Additional deductible levels and structures will be considered in future years.
- Group retrospective rating will be ready for July 1, 2009. Rules will be presented for first reading in March. This product may stand alone or it could be the model for revisions to our current retrospective plan for individual employers as well as the future model for all group programs.
- These new programs represent innovations that will play a key role in Ohio's system.

Group and Non-group Rate Levels

BWC Actuarial Committee

Thursday, February 19

Key strategies

- Lower base rates – Correct level for non-group employers
  - Determine the differentials in rates that would bring rates for both group-rated and non-group-rated employers to actuarially sound levels.
  - Set rates for employers who are not in the group rating program at a level commensurate with the risk they present to the system.
- Address the resulting premium shortfall
  - Estimate the resulting shortfall and identify options for removing part or all it.
  - Frame the strategy in the form of proposals for Board consideration.
- Provide a "road map" of BWC rate reform
  - The elements of the comprehensive plan, this proposal, and the additional steps that must be addressed for policy year 2010.

Rate differentials for non-group employers

Non-Group Employer Loss Ratios as of 12/31/2008
At Base Premium Levels

Policy Year	Base premium	Undeveloped paid losses	Undeveloped incurred losses	Paid Loss Ratio	Incurred Loss Ratio	Paid Relativity	Incurred Relativity
2003	$789,301,892	$361,418,196	$479,389,869	46%	61%	1.26	1.25
2004	$894,942,490	$321,693,830	$432,821,194	36%	48%	1.25	1.27
2005	$847,481,900	$284,447,626	$403,929,069	34%	48%	1.26	1.29
2006	$762,310,457	$206,573,779	$305,887,615	27%	40%	1.29	1.32
2007	$755,038,836	$138,809,006	$241,055,687	18%	32%	1.26	1.31
Total	**$4,049,075,577**	**$1,312,942,438**	**$1,863,083,435**	**32%**	**46%**	**1.28**	**1.30**

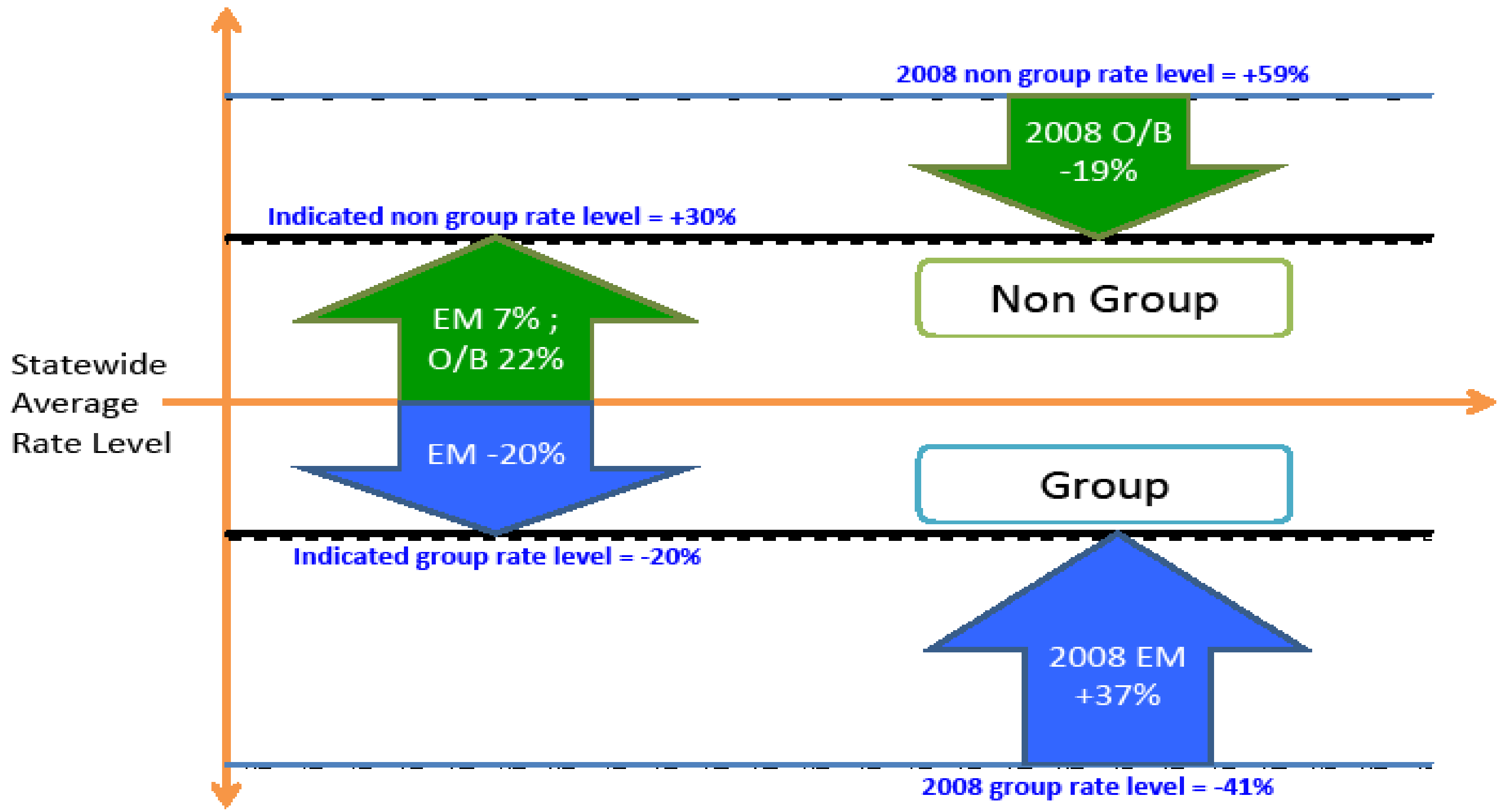
Rate differentials for group employers

Group Employer Loss Ratios as of 12/31/2008
At Base Premium Levels

Policy Year	Base premium	Undeveloped paid losses	Undeveloped incurred losses	Paid Loss Ratio	Incurred Loss Ratio	Paid Relativity	Incurred Relativity
2003	$978,680,269	$278,838,859	$378,292,412	28%	39%	0.79	0.80
2004	$1,024,185,653	$228,804,073	$298,984,182	22%	29%	0.78	0.77
2005	$943,752,774	$192,759,060	$258,577,422	20%	27%	0.77	0.74
2006	$1,080,275,523	$179,218,286	$253,534,626	17%	23%	0.79	0.77
2007	$1,137,732,626	$136,506,406	$220,608,651	12%	19%	0.82	0.79
Total	**$5,164,626,845**	**$1,016,126,684**	**$1,409,997,293**	**20%**	**27%**	**0.78**	**0.77**

BWC Class Rate level Targets

[EM = experience mod factor; O/B= base rate off-balance factor]



Setting the non-group rate level

- Non-group employers should pay premiums 30% higher than average.
  - Experience rating contributes 7%
  - A single off-balance set at 1.215 does the rest (1.07 x 1.215 = 1.30)
  - A single off-balance (a Deloitte recommendation) will bring stability
- This will lower published base rates by approximately 18% percent

Addressing the premium shortfall

- Projected shortfall without change to credibility: $295 million
- Change in credibility from 85% to 77% tables: Reduction of $71 million
- Remaining shortfall: $224 million

Options for closing the shortfall

- Group adjustment factors
  - Increase premium for group employers closer to the indicated level
- Reduce, restructure or eliminate premium discount programs

Group adjustment factors

Preliminary Group Adjustment Factors

Experience Modifier Range (77% Table)	Proposal 1	Proposal 2
0.23 – 0.29	30%	34%
0.30 – 0.44	45%	49%
0.45 – 0.56	45%	49%
0.57 +	25%	30%

Impact of credibility table changes and group adjustment factors

Proposal 1

Experience Modifier Range (77% Table)	Impact of Credibility Changes	Impact of Group Adjustment Factors and Off-balance Changes	Total Impact of Credibility Changes, Off-balance Changes, and Group Adjustment Factors
0.23 – 0.29	39%	4%	45%
0.30 – 0.44	17%	21%	41%
0.45 – 0.56	5%	26%	33%
0.57 +	-2%	11%	9%
Total	**8.6%**	**14.2%**	**24.0%**

Impact of credibility table changes and group adjustment factors

Proposal 2

Experience Modifier Range (77% Table)	Impact of Credibility Changes	Impact of Group Adjustment Factors and Off-balance Changes	Total Impact of Credibility Changes, Off-balance Changes, and Group Adjustment Factors
0.23 – 0.29	39%	7%	49%
0.30 – 0.44	17%	25%	45%
0.45 – 0.56	5%	30%	37%
0.57 +	-2%	16%	13%
Total	**8.6%**	**18.1%**	**28.2%**

Changes to programs

- Eliminate discounts associated with PDP
- Reduce and restructure discounts associated with DFWP
- Eliminate attendance discount for safety councils (retain two percent discount for hitting frequency/severity goals)

Changes to programs

- Outcomes:
  - Creates approximately $60 million to $70 million to reduce shortfall
  - Reduce base rates by an additional 2% to 3% percent (20% or more total)

Shortfall recovery

Projected Dollar Impact – Shortfall Recovery

	Proposal 1	Proposal 2
Projected Shortfall Before Credibility Change	$295 million	$295 million
Projected Increase Due to Credibility Change	$71 million	$71 million
Projected Increase Due to Group Adjustment Factors	$115 million	$147 million
Projected Contribution from Program Reductions	$70 million	$70 million
Projected Remaining Shortfall	$39 million	$7 million

Proposed actions for BWC Board of Directors to consider

- Eliminate PDP, PDP+, and PDP-DFWP Stacked discount as well as Safety Council attendance bonuses.
- Reduce and restructure DFWP, and DFWP-EZ
- Reduce the loading in rates that offsets the effect of these programs by 2% to 3% and use the funds otherwise collected to reduce the shortfall.
- Apply group adjustment factors as shown in Proposal 1
- Possible first reading of changes to group rating rule

Next month

- Overall change
  - Change to non-group employers
  - Impact to group employers
  - Base rates by manual class
- Consider rules for implementation

Road map to improving system-wide ratemaking performance

- Transition to split experience rating plan
  - Implement 65 percent maximum credibility 7/1/10
  - Implement split (or multi-split) plan 7/1/11
- Reform group rating
  - Eliminate shortfall in PY 2010
  - Implement stronger sponsorship requirements
  - Improve performance of group program
- New innovative options
  - Deductibles
  - Group Retro

Key outcomes

- Lower base rates – correct rate level for 140,000 non-group employers
- Address premium shortfall for 7/1/09
- Eliminate premium shortfall for 7/1/10 and beyond
- Create a foundation for equitable and stable rates for all employers

Group and Non-group Rate Levels

BWC Actuarial Committee

Thursday, February 19

2008 & 2009 EMs Comparison Summary

Employer Type: Private Employers
Policy Year: 2009 EMs in Test vs. 2008 EMs in Production

In 2008, the BWC was mandated to implement a new reserving system by July 1, 2008. The BWC implemented the MIRA II system and in the process, improved the logic used to set individual case reserves. The result of these improvements was a 28% decrease in aggregate reserves. These MIRA II reserves are used in the expected loss rate and in base rate calculations. The study was done to understand the impact of the MIRA II reserves on expected loss rates.

Expected loss rates are used in the experience modification (EM) calculation to calculate expected losses by each NCCI manual classification which becomes a benchmark comparison to the an employer's actual losses. Employers who are experience rated can be either credit-rated or penalty-rated. An employer or group with a better-than-average loss experience compared to the benchmark, (others in the same classification), will receive a credit modification and pay a rate lower than the base rate. An employer or group with a higher than expected loss experience, compared to others in the same classification, will receive a debit modification and pay a rate higher than the base rate. There is no limit on the maximum penalty. Smaller employers whose expected losses are less than $8,000 are excluded from experience rating.

To understand the impact of MIRA 2 on expected loss rates and EM's, an experience modification percentage change comparative analysis was completed for the projected 2009 EMs versus the 2008 initial EMs. The 2008 EMs were calculated using the PY2008 experience period data (CY 2003-2006) as of 12/31/2007 and MIRA I claim costs. The 2009 EMs were calculated using the PY2009 experience period data (CY 2004-2007) as of 9/30/2008 and MIRA II claims costs.

In summary, the policy counts of decreases and increases in the EM for policies that are experience rated and not participating in the group rating program are 50% decreases and 47% increases. This was expected because for these employers, their actual claim losses decreased at approximately the same percentage as the expected loss rates due to the lower MIRA II reserves. The employers currently in the group rating program will see their group EMs increase because the expected loss rates decreased and the group losses remained relatively constant due to the selection process for group membership, group employer claims generally do not have high reserves. Groups will generally remain in a credit rated position.

The majority of EMs for individually rated employers will decrease. There are 39,767 policies that are eligible to be individually experience rated. Of those, 22,564 policies (57%) will see a decrease in the EM; 15,156 policies (38%) will see an increase in the EM; and 2,047 policies (5%) will see no change in the EM. There are 12,156 policies that are individually experience rated and not in the group rating program. Of those, 6,055 policies (50%) will see a decrease in the EM; 5,720 policies (47%) will see an increase in the EM, and 381 policies (3%) will see no change in the EM. There are 27,611 policies that are eligible to be individually experience rated and participating in the group rating program. Of those, 16,509 policies (60%) will see a decrease in the EM; 9,436 policies (34%) will see an increase in the EM, and 1,666 policies (6%) will see no change in the EM.

There are 98,272 policies that participated in the group rating program in PY2008. For the purposes of this analysis, we assumed that the same employers would remain in the same groups in PY2009. There were 97,403 policies (99%) that will see an increase in the EM; 642 policies (0.8%) will see a decrease in the EM, and 227 policies (0.2%) will see no change in the EM.

Finally, 8,681 employers will no longer be experience rated due to the decrease in the expected loss rates. Of those, 2,223 policies (25%) will benefit as they were debit rated with EMs greater than 1 in PY2008.

Private Employer - Individual EMs by Policy
Count of Percent Change from 2008 to 2009

All Policies Eligible for Experience	
Percent Change	Count
90.01% to 100% increase	18
80.01% to 90% increase	10
70.01% to 80% increase	19
60.01% to 70% increase	37
50.01% to 60% increase	101
40.01% to 50% increase	239
30.01% to 40% increase	715
20.01% to 30% increase	1,490
10.01% to 20% increase	3,283
zero to 10% increase	9,244
0%	2,047
zero to 10% decrease	19,184
10.01% to 20% decrease	2,560
20.01% to 30% decrease	692
30.01% to 40% decrease	116
40.01% to 50% decrease	11
50.01% to 60% decrease	1
60.01% to 70% decrease	0
70.01% to 80% decrease	0
80.01% to 90% decrease	0
90.01% to 100% decrease	0
Total	39,767

Total Increase	15,156
Total Decrease	22,564

All Non-Group Experience Policies	
Percent Change	Count
90.01% to 100% increase	13
80.01% to 90% increase	6
70.01% to 80% increase	12
60.01% to 70% increase	21
50.01% to 60% increase	52
40.01% to 50% increase	113
30.01% to 40% increase	278
20.01% to 30% increase	629
10.01% to 20% increase	1,554
zero to 10% increase	3,042
0%	381
zero to 10% decrease	3,870
10.01% to 20% decrease	1,495
20.01% to 30% decrease	566
30.01% to 40% decrease	112
40.01% to 50% decrease	11
50.01% to 60% decrease	1
60.01% to 70% decrease	0
70.01% to 80% decrease	0
80.01% to 90% decrease	0
90.01% to 100% decrease	0
Total	12,156

Total Increase	5,720
Total Decrease	6,055

All Policies Eligible for Experience In Group	
Percent Change	Count
90.01% to 100% increase	5
80.01% to 90% increase	4
70.01% to 80% increase	7
60.01% to 70% increase	16
50.01% to 60% increase	49
40.01% to 50% increase	126
30.01% to 40% increase	437
20.01% to 30% increase	861
10.01% to 20% increase	1,729
zero to 10% increase	6,202
0%	1,666
zero to 10% decrease	15,314
10.01% to 20% decrease	1,065
20.01% to 30% decrease	126
30.01% to 40% decrease	4
40.01% to 50% decrease	0
50.01% to 60% decrease	0
60.01% to 70% decrease	0
70.01% to 80% decrease	0
80.01% to 90% decrease	0
90.01% to 100% decrease	0
Total	27,611

Total Increase	9,436
Total Decrease	16,509

All Policies (In Gr
Percent Change
90.01% to 100% increase
80.01% to 90% increase
70.01% to 80% increase
60.01% to 70% increase
50.01% to 60% increase
40.01% to 50% increase
30.01% to 40% increase
20.01% to 30% increase
10.01% to 20% increase
zero to 10% increase
0%
zero to 10% decrease
10.01% to 20% decrease
20.01% to 30% decrease
30.01% to 40% decrease
40.01% to 50% decrease
50.01% to 60% decrease
60.01% to 70% decrease
70.01% to 80% decrease
80.01% to 90% decrease
90.01% to 100% decrease
Total

Total Increase
Total Decrease

oup)

Count
58,141
8,961
6,856
3,870
2,933
4,536
4,152
2,599
3,282
2,073
227
526
116
0
0
0
0
0
0
0
0
98,272

97,403
642

OLIVER WYMAN

Consulting Actuaries

February 19, 2008

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

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

Results

Results

Comparison Of Discounted Unpaid Liability as of 6/30/09
9/30/08 data versus 12/31/08 data

Category	Using 09/30/08 Data	Using 12/31/08 Data	% Change	Dollar Change
Medical	$6,456	$6,471	0.2%	$15
Temporary Total	775	783	1.0%	8
Permanent Total Disability	3,401	3,409	0.2%	8
Death	1,173	1,161	-1.0%	(12)
% Permanent Partial	303	304	0.2%	1
Permanent Partial	82	82	-0.2%	(0)
WL+TP+LMWL+CO	151	153	1.1%	2
Lump Sum Settlements	2,152	2,122	-1.4%	(30)
Living Maintenance	104	104	0.1%	0
Lump Sum Advancements	166	169	1.7%	3
Additional Awards	29	29	0.3%	0
Self Insured	148	148	0.0%	0
HPP	668	668	0.0%	(0)
Total SIF Unpaid	15,609	15,603	0.0%	(6)
Disabled Workers' Relief Fund (DWRF)	1,874	1,864	-0.6%	(10)
Coal-Workers Pneumoconiosis Fund (CWPF)	63	63	0.0%	0
Public Work-Relief Employees' Comp. Fund (PWREF)	3	3	0.0%	(0)
Marine Industry Fund (MIF)	3	3	0.2%	0
Intentional Tort Fund (IT)	0	0	0.0%	0
Self-Insuring Employers Guaranty Fund (SIEGF)	717	717	0.0%	(0)
Administrative Cost Fund (ACF)-- Unpaid Loss Adjustment Expense (LAE)	1,092	1,092	0.0%	(0)
Total Unpaid Loss and LAE	19,362	19,344	-0.1%	(17)

Results

Total PA, PEC and PES Undiscounted Unpaid Loss
Unpaid Loss Reestimates as of June 30, 2009
(Dollars In Millions)

	2002	2003	2004	2005	2006	2007	2008	2009
Discounted	13,136	14,077	14,360	14,868	14,632	14,487	14,838	14,787
Amount of Discount	13,572	13,978	14,505	14,191	13,983	12,548	12,090	11,912
Nominal	26,708	28,055	28,866	29,060	28,615	27,034	26,928	26,699
Payments during 1st Year	1,635	1,725	1,736	1,794	1,753	1,763	1,882	1,871
Incremental Payments as of:								
One year later	1,453	1,477	1,539	1,513	1,540	1,656	1,650	
Two years later	1,193	1,259	1,244	1,291	1,405	1,403		
Three years later	1,073	1,068	1,122	1,234	1,239			
Four years later	932	991	1,103	1,112				
Five years later	880	992	1,004					
Six years later	888	904						
Seven years later	810							
Cumulative Payments as of:								
One year later	3,088	3,202	3,276	3,307	3,293	3,419	3,532	
Two years later	4,281	4,460	4,519	4,598	4,697	4,823		
Three years later	5,355	5,529	5,641	5,833	5,936			
Four years later	6,287	6,520	6,744	6,944				
Five years later	7,167	7,511	7,748					
Six years later	8,054	8,415						
Seven years later	8,864							
Liability reestimated as of:								
One year later	26,256	27,125	27,474	27,106	25,647	25,854	25,717	
Two years later	25,467	25,835	25,792	24,474	24,787	24,863		
Three years later	24,240	24,431	23,313	23,713	23,980			
Four years later	23,000	22,029	22,621	23,067				
Five years later	20,738	21,515	22,101					
Six years later	20,434	21,090						
Seven years later	20,097							

Results

Total PA, PEC and PES Discounted Unpaid Loss

Unpaid Loss Reestimates as of June 30, 2009

(Dollars In Millions)

	2002	2003	2004	2005	2006	2007	2008	2009
Discounted	13,136	14,077	14,360	14,868	14,632	14,487	14,838	14,787
Amount of Discount	13,572	13,978	14,505	14,191	13,983	12,548	12,090	11,912
Nominal	26,708	28,055	28,866	29,060	28,615	27,034	26,928	26,699
Payments during 1st Year	1,518	1,635	1,725	1,736	1,794	1,753	1,763	1,871
Discount Rate:	5.80%	5.50%	5.50%	5.25%	5.25%	5.00%	5.00%	5.00%
Incremental Payments as of:								
One year later	1,453	1,477	1,539	1,513	1,540	1,656	1,650	
Two years later	1,193	1,259	1,244	1,291	1,405	1,403		
Three years later	1,073	1,068	1,122	1,234	1,239			
Four years later	932	991	1,103	1,112				
Five years later	880	992	1,004					
Six years later	888	904						
Cumulative Payments as of: (Discounted)								
One year later	2,889	3,029	3,178	3,167	3,250	3,327	3,331	
Two years later	3,985	4,191	4,326	4,363	4,551	4,631		
Three years later	4,917	5,125	5,307	5,449	5,641			
Four years later	5,682	5,947	6,222	6,378				
Five years later	6,365	6,726	7,010					
Six years later	7,016	7,399						
Seven years later	7,578							
Liability reestimated as of:								
One year later	12,930	13,625	13,931	13,978	13,600	14,359	14,341	
Two years later	12,682	13,292	13,173	13,132	13,578	14,014		
Three years later	12,369	12,643	12,455	13,150	13,360			
Four years later	11,822	12,028	12,506	13,017				
Five years later	11,325	12,111	12,437					
Six years later	11,448	12,077						
Seven years later	11,444							

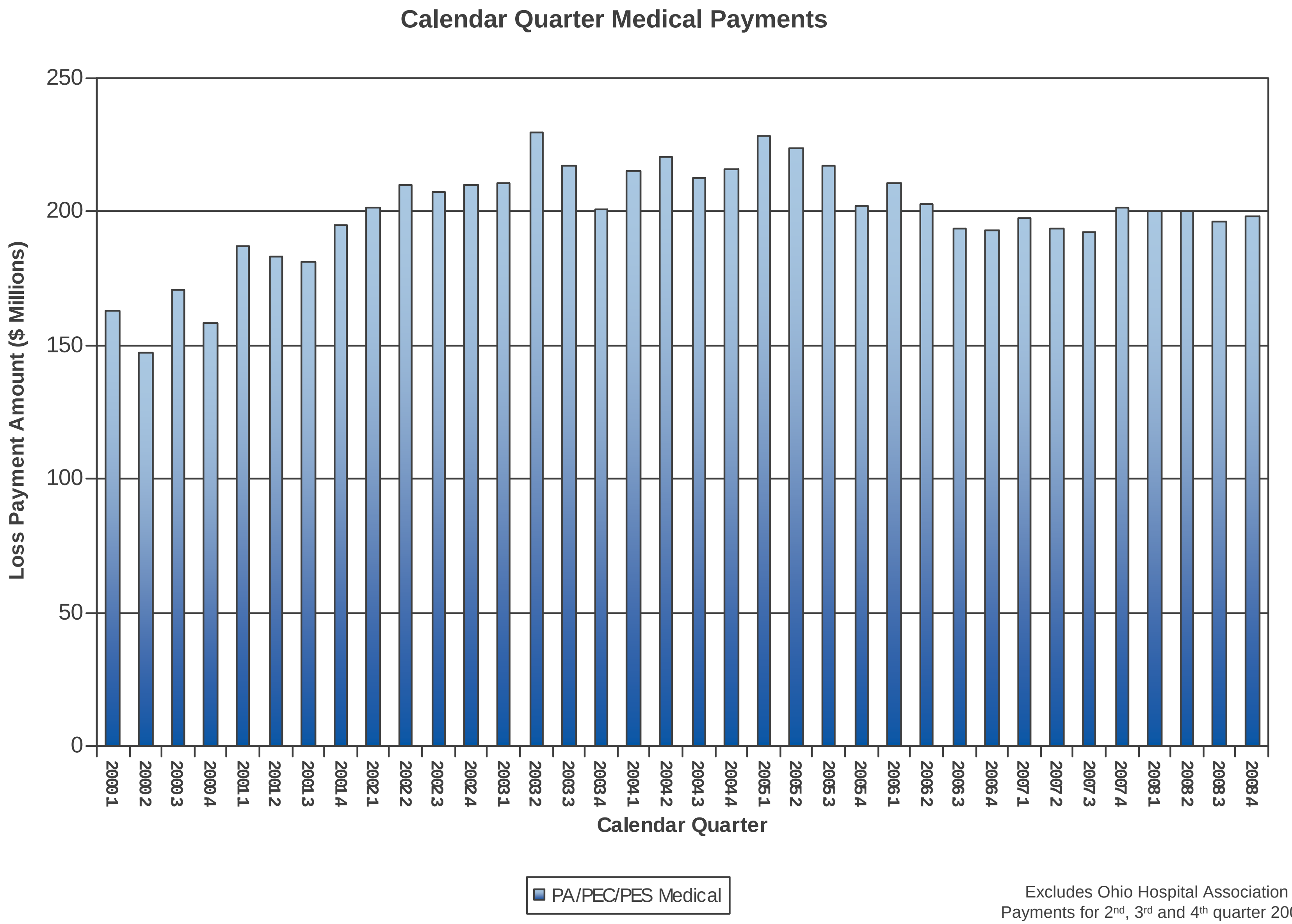
Results

- **Liability estimate is slightly lower**
  Estimated liability is lower by $17 million (-0.1%). Assumptions are the same as prior quarter. Potential change (slight decrease) at next quarterly evaluation for medical inflation.

- **Slightly higher medical payments**
  Medical payments, excluding OHA payments, were slightly higher ($1.7 million, or +0.9%) than first quarter of 2008/2009. The higher payments resulted in a slight increase in liability of $12 million, or +0.2%.

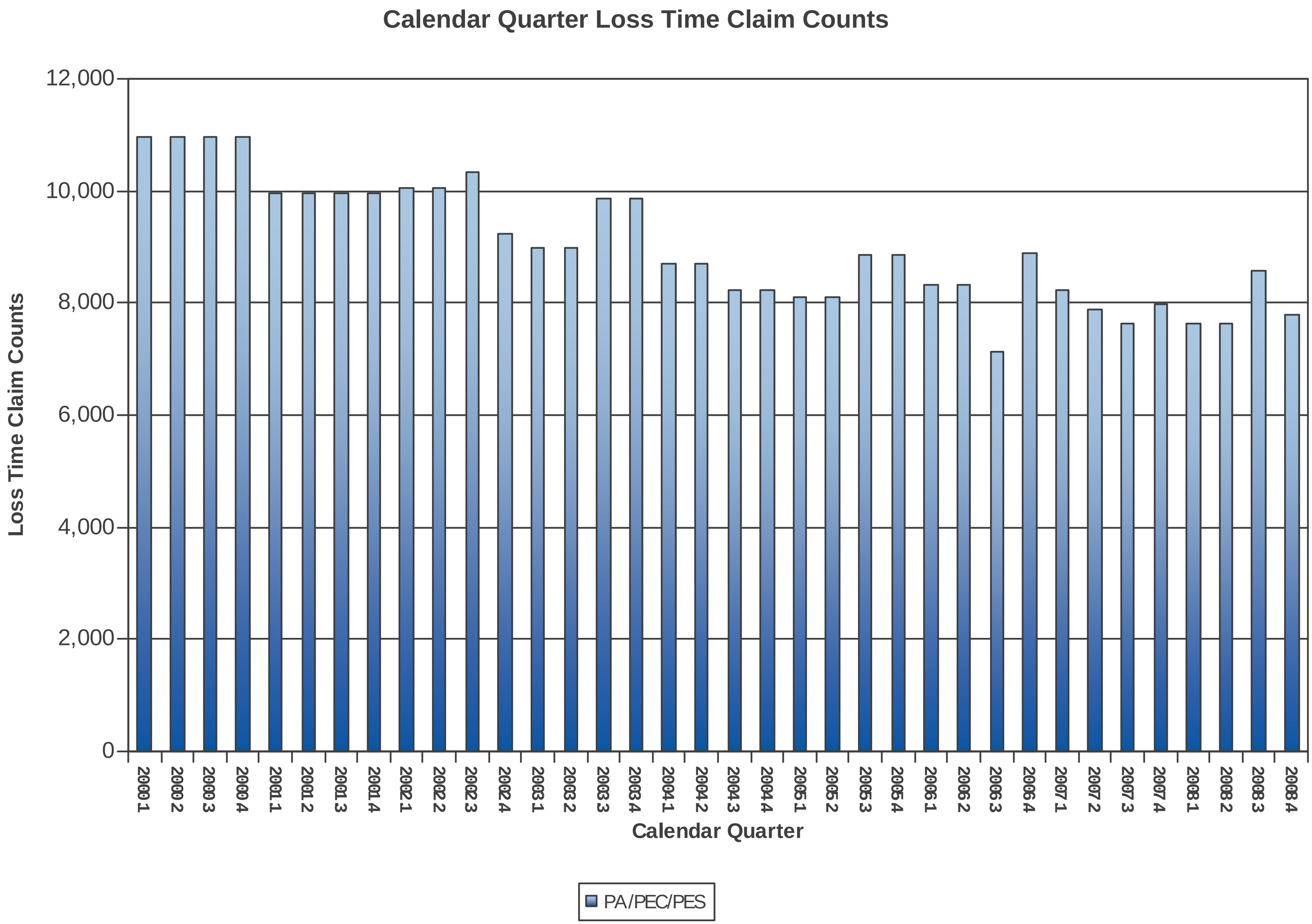
- **Lower lump sum settlements**
  Lump sum settlement payments for the second quarter were 14% ($9.6 million) lower than first quarter. The result was a reduction in liability of $30 million, or -1.4%.

Results



Excludes Ohio Hospital Association Payments for 2nd, 3rd and 4th quarter 2008.

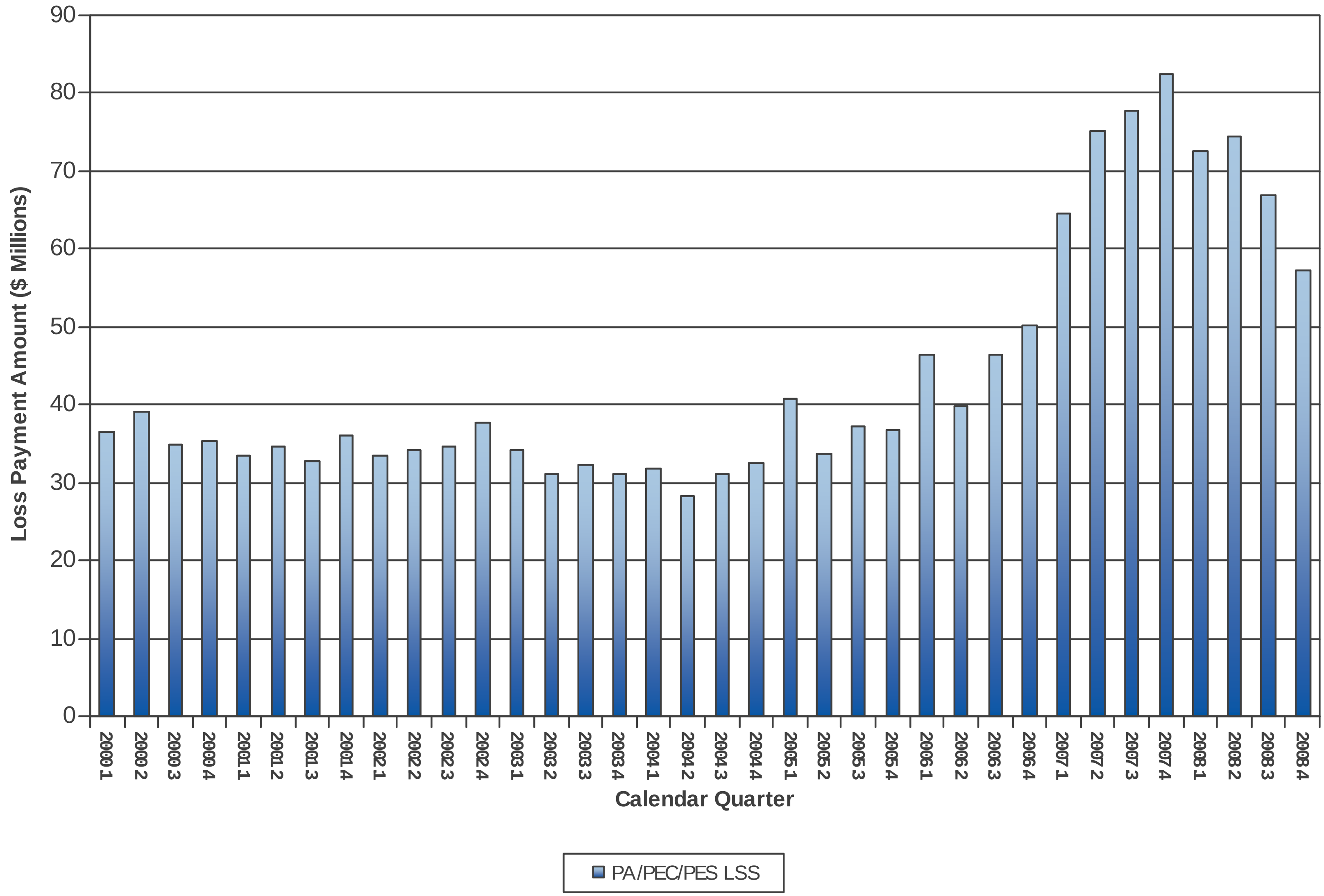
Results



Calendar Quarter Loss Time Claim Counts
12,000
10,000
8,000
6,000
4,000
2,000
0
Loss Time Claim Counts
Calendar Quarter
PA/PEC/PES

Results

Calendar Quarter Lump Sum Settlement Payments



OLIVER WYMAN

MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

BWC Board of Directors
Actuarial Committee
CAO Report
John Pedrick, Chief Actuarial Officer
February 19, 2009

Progress on our comprehensive reform efforts continues. The status of the various elements can be found in the report on group and non-group rate levels provided separately.

We are finalizing expected loss rates (ELRs) for the July 1, 2009 policy year. Due to the greater accuracy of the new MIRA II system, claim reserves are more accurate and lower. As a result, the incurred loss values for claims have dropped by approximately 28%. Incurred claim costs are used in each employer's experience period losses and in aggregate to determine expected losses in the form of ELRs. A separate report is included with Board materials. We provided preliminary ELRs to group sponsors and third party administrators near the end of 2008, using data from calendar years 2004 through 2007, valued as of September 30, 2008. The final ELRs will be based on the same experience period, valued as of December 31, 2008, the standard time periods.

We have interviewed several well qualified candidates for our three open actuarial positions, and expect to move forward soon with our effort to build a staff of credentialed actuaries and actuarial analysts.

Current timelines for our projects follow.

Comprehensive Plan Implementation

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

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

- Workgroups will continue to meet on programs, continuity, and the split plan parameters.
- Individual meetings with group sponsors and TPA's continue.
- Meetings with employer groups in each service office are also continuing.

2. **Capping/Split Plan Team**

Terry Potts and Paul Flowers		
Task/Function	**Timeline**	**Status**
Capping System development	Sep 2008 to Dec 2009	In progress
Capping strategy for PA employers effective	July 1, 2009	In progress
Capping strategy for PEC employers effective	January 1, 2010	
Split Plan parameters decided	Summer, 2009	
Split plan development	July, 2009 to July, 2010	
Split Plan implementation	July 1, 2011	

- A continuity strategy is being reviewed using the persistency method.
- The capping rules for the 100% EM cap were approved by the Actuarial Committee at the January meeting.

3. New Products/Deloitte Integration Team

Joy Bush and Jamey Fauque, Centric Consulting		
Task/Function	**Timeline**	**Status**
Develop Project Plan	Aug 11-15	Completed
Develop Deductible Plan	Aug – Jan, 2009	Completed
Develop Dividend/Retro/Sharing Plans	Aug – July, 2009	In progress
Develop Group Retro Program	Dec 2008 – April, 2009	In progress
Review Current Programs	Aug – Feb, 2009	In progress
Board Meeting to Review Final Proposals	January 22, 2009	In progress

- Presented rules to the Actuarial Committee in January with a possible vote in February on the deductible program effective with the policy year starting July 1, 2009.
- A group retrospective rating plan will be developed for implementation on July 1, 2009. The first reading of the rules will be presented to the Actuarial Committee at the March, 2009 meeting.
- Additional products are being reviewed for development including a safety dividend and a no claim discount.

MIRA II

Task/Function	Timeline	Status
Historical Data Extraction	January – August 2007	Completed
Customer Workgroups		-----------
• Employer-Web Services Focus Group	November 2007	Completed
• Claim Expert Workgroup	November – December 2007	Completed
• MIRA II-TPA Update Meeting	December 11, 2007	Completed
MIRA II Injury Mapping Logic-Finalized and Approved	January 2008	Completed
MIRA II-Development of Reserve Models (FIC)	February – May 2008	Completed
Data Interface Testing	March – May 2008	Completed
MIRA II- Web Services Enhancement	February – July 2008	Completed
Testing/Review of Initial MIRA II Reserves	May – June 2008	Completed
Training/Education on MIRA II System	July – November 2008	Completed
MIRA II Reprediction (Adjustment) System		
Design, Develop, Test, Implement	May 2008 – July 2009	On schedule
Implement MIRA II	July – September 2008	Completed
MIRA II reserves used for the 12/31/2008 PA rate cutoff	December 31, 2008	Completed

7/1/2009 Private Employer (PA) Rates

Task/Function	Timeline	Status
Private Employer Rates	January 2009 to July 2009	In-process
Summary Payroll	January – February 2009	In-process
Summary Losses	January – February 2009	In-process
Rate Calculations	February 2009 to June 2009	

Rate recommendation to Actuarial Committee	February/March 2009	
Rate consent from WCB	March/April 2009	
Final Rates to WCB	June 2009	
Mailing of Employer Rate Letters	July 2009	

7/1/2009 Public Employer State Agency (PES) Rates

Task/Function	Timeline	Status
Public Employer State Agency Rates	January 2009 - May 2009	
Run payroll and premium jobs & verify	February 6-19, 2009	
Run losses & verify	February 26 – March 5, 2009	In progress
Run base rates & verify	March 6-16, 2009	
Discuss rate change with administrator	March 23-27, 2009	
Actuarial Committee/Board Meeting – Initial Consideration	April 29-30, 2009	
Actuarial Committee/Board Meeting – Final Consideration	May 28-29, 2008	

House Bill 100 §512.50 Actuarial Study

- Deloitte is preparing an executive summary for the Actuarial Committee/Board that will be presented to the board over the next few months
- Deloitte continues to submit draft reports for the completed tasks. The BWC is reviewing these reports and giving comments before finalization of the reports.
- The BWC is creating a project management team and project management plan to review the recommendations from the comprehensive study to determine priority, implementation strategy, and required legislative or rule changes.

Actuarial Division Staffing

Interviews of applicants for the new Director and Manager positions are underway.

Actuarial Consultant Contract

We are now in the "blackout period" for the actuarial consultant contract RFP. The current contract expires December 31, 2009.

Proposed Actuarial Consultant Request for Proposal Schedule

The new contract begins after August 1, 2009 and before January 2, 2010. The contract will be for 2 years with 2 one year renewal periods.

Actuarial Consultant Contract continued

Steps	Dates
Blackout Period Begins	November 2008
2006 Actuarial consultant RFP scope provided to Actuarial Committee for review	November 20, 2008
Comments and recommendations from actuarial committee members	November and December, 2008
Scope and evaluation criteria determined	February 6, 2009
RFP issued	February 27, 2009
Question submission begins	March 2, 2009
Question submission ends	March 13, 2009 10:00 AM EST
Answers posted on the web site	March 27, 2009
Mandatory Letter of Intent or Mandatory Pre-submission	March 31, 2009 5:15 PM EST

conference	
Proposals due	April 16, 2009 2:00 PM EST
Initial Proposal review and scoring	April 16 to April 24, 2009
Optional Phone interviews	Week of May 4, 2009
Optional in person interviews	May 11 to May 29, 2009
Presentation from recommended consultant to actuarial committee	June 18, 2009
RFP review committee makes recommendation to Actuarial committee and Workers' Compensation Board	June 18, 2009
Workers Compensation Board approves selection	June 19, 2009
Blackout Period ends at selection of actuarial consultant	June 19, 2009
Contract begins	August, 2009 –January, 2010
Initial contract ends	December 31, 2011
Contract renewals end	December 31, 2013

Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-72

Rule Review

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

   Citation: __R.C. 4123.29____________

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

   What goal(s): _ R.C. 4123.29(A)(3) permits BWC to offer alternative premium plans. The deductible rule is a rating plan that offers BWC employers additional options for rating.

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: Sponsor/TPA workgroup meetings that included approximately 30 people

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
Deductible Program

Overview

BWC will offer a small deductible program to all BWC employers. BWC will pay first dollar on all claims and bill the deductible amounts back to the insured on a periodic basis. Qualification criteria would be established to verify that the employer is in good financial standing with BWC and is an acceptable credit risk. Participants premium discounts will vary based on the risk assigned to the employers group. There are seven risk groups identified from “A” (least risk) to “G” (most risk). The premium discounts would range from 1.4% for the low risk employers (Hazard Group G, $500), 9.4% in the mid-range (Hazard Group D, $2,500), and 26% at the high end (Hazard Group A, $10,000.)

Deductible Levels

The following deductible levels would be offered to Employers

- $500 per claim
- $1000 per claim
- $2500 per claim
- $5000 per claim
- $10,000 per claim

Target Customer

Both group and non-group employers would be eligible to participate in the deductible program as long as they meet the qualification criteria. Individual employers within a group would have the opportunity to make their own election as to the adoption and level of a deductible plan.

Private and public (PA and PEC) employers would be eligible for the deductible plans and rules would apply equally across both segments. State government would not be eligible because they are “pay as you go”.

The premium reduction employers receive would be a percentage of premiums and will be a function of the level of deductible they chose and their NCCI hazard group. NCCI hazard groups are based on the employer’s primary operating manual classification. Therefore, the higher deductible they choose, the larger discount they will receive. We anticipate that such a small return for the additional risk of deductible charges would discourage very small employers from adopting the plan.

Qualification Criteria
The deductible level an employer chooses must be lower than 25 percent of their last year's premium. Therefore, a minimum of $2,000 in annual premium is the lowest threshold given the lowest deductible amount is $500. The enrollment period will occur once per year and the employer will commit to participate for the full duration of the policy year. A re-enrollment process will occur annually with BWC re-verifying that the employer is an acceptable credit risk and has paid their deductible payments on time. Emphasis will be put upon simplicity so that overhead related to the deductible program will not be a deterrent to adoption of the plan. Employers wishing to participate continuously in the program will not need to re-apply each year.

An employer must be in good standing with BWC (no pending balance, a history of timely payments, and other factors) and be considered an acceptable credit risk to participate in the Deductible Program. A further check of account standing will be made after the first half of the policy year. It they are not current on their deductible payments, BWC may remove the employer from the program for the second half of the policy year.

Pricing Structure
For opting to participate in the Deductible Program, the employer will receive a discount on their premium. The amount of discount will be dependent upon the NCCI Hazard Group the employer falls within and the level of deductible chosen.

Upon the confirmation of the high-level structure of the deductible program, BWC will work with Oliver Wyman to develop a detailed pricing structure. Actuarial best practices and NCCI resources will be utilized to determine the appropriate deductible discount levels.

Aggregate or stop-loss coverage is not a feature of the BWC deductible program at this time. Research shows that most deductible programs are offered without an aggregate limit, however BWC is still researching the demand and marketability for such an approach in the Ohio market.

Allowing group employers into deductible plans may have the affect of lowering the upfront discounts. If this theory bears out, we may consider separate deductible tables for group versus non-group employers.

Billing Structure
BWC paying first dollar on each claim will necessitate additional billing to employers. Billing for deductibles will occur monthly so that BWC does not have a significant cash flow or receivable issues. Also, employers will be able to pay down their deductible costs with greater frequency instead of building up one large bill.

All recorded costs under the defined deductible level will be charged to the employer each month, even if the claim remains open.

It will be evaluated whether an automatic withdrawal system would be appropriate to assist in the collection of deductible billing.

Benchmarking Information

Total Loss Elimination Ratios

Total Loss Elimination Ratios represent the portion of total loss eliminated per occurrence and are applicable by hazard group. This ratio is typically used as a starting point for developing deductible premium reduction percentages. The Premium Reduction is calculated by adding additional factors for profit, adverse selection, discounting, interest, and credit risk.

State	$500/ Haz G	$2,500/ Haz A	$5,000/ Haz A	$10,000/ Haz A
Ohio	**1.5%**	**15.0%**	**19.4%**	**28.0%**
Indiana	1.6%	24.6%	33.1%	
Kentucky	0.9%	10.7%	14.9%	20.6%
Missouri	1.4%	16.3%	23.7%	34.4%
Nebraska	1.1%	11.5%		
North Carolina	0.8%	9.9%	13.9%	
South Carolina	0.9%	10.9%		
Tennesee	1.3%	14.6%		
Virginia	1.1%	12.4%	17.0%	23.3%
West Virginia	2.0%	18.9%	28.7%	42.2%

**All values based on NCCI Advisory Loss Elimination Ratios*

Premium Reduction Percentages

Premium Reduction Percentages the applicable amount that premium is deducted per the deductible level chosen and Hazard Group of the employer's primary manual classification. In Ohio this percentage will be applied to the modified rate for experience rated employers and base rate for base rated employer.

State	**$500/ Haz G**	**$2,500/ Haz A**	**$5,000/ Haz A**	**$10,000/ Haz A**	**Other**
Ohio	**1.4%**	**14.0%**	**17.9%**	**26.0%**	
Indiana[1]	1.6%	13.8%	18.6%	N/A	
Montana State Fund[2]	0.8%	9.6%			Medical Only
Oklahoma Compsource[3]					Do not use HG, $500- 2.7%, $2,500 - 5.4%

[1] *NCCI Advisory deductible premium reduction percentage*

[2] *From www.montanastatefund.com*

[3] *Per Janese Williams, Assistant Underwriting Manage at Compsource*

Draft rule
Deductible Program

4123-17-72 Deductible program.

(A) As used in this rule:

(1) “Coverage period” means the twelve month period beginning July 1 through June 30 for private employers, and January 1 through December 31 for public employers. The deductible selected by the employer will apply only to claims with a date of injury within the coverage period defined in the deductible agreement.

(2) “Deductible” means a specified amount of money that the insured must pay on a claim before the bureau covers the costs of a workers’ compensation claim.

(3) “Modified rate” means the rate that employers who are experience rated pay as a percentage of their payroll. This rate is calculated by taking the base rate and multiplying it by the employer's experience modification (EM) factor.

(4) “NCCI base rate” means the rate that employers who are not experience rated pay as a percentage of their payroll.

(5) “Policy in good standing” means the employer is current on all payments due to the bureau and is in compliance with bureau laws, rules, and regulations at the time of enrollment or reenrollment.

(6) “Premium” means money paid (due) from an employer for workers' compensation insurance. It does not include money paid as fees, fines, penalties or deposits.

(7) “Qualified employer” means an employer that has a bureau policy that is in good standing at the time of enrollment or reenrollment. Although the employer may be a qualified employer, the bureau may not accept the employer into the deductible program for other reasons set forth in this rule.

(B) Eligibility requirements.

Each employer seeking to enroll in the bureau deductible program shall have active workers’ compensation coverage and shall meet the following standards:

(1) The employer shall have a bureau policy that is in good standing at the time of enrollment.

(2) The employer shall be a private state funded employer or public employer taxing district. A self-insuring employer or a state agency public employer shall not be eligible for participation in the deductible program.

(3) The employer shall be current on all premium payments and deductible billings as of the original application deadline or anniversary date of participation.

(4) The employer shall have active coverage as of the original application deadline or anniversary date of participation.

(5) The employer shall demonstrate the ability to make payments under the deductible program based upon a credit score established by the bureau on an annual basis which will be applicable to all applicants for the program year. The bureau shall obtain the credit reports from an established vendor of such information.

(6) The employer may not have cumulative lapses in workers' compensation coverage in excess of forty days within the twelve months preceding the original application deadline or subsequent anniversary deadline wherein the employer seeks renewal in the deductible program.

(C) In selecting an employer deductible program under this rule, the employer must select, on an application provided by the bureau, a per claim deductible amount, which shall be applicable for all claims with dates of injury within a one year coverage period. The employer shall choose one deductible level from the following:

(1) $500.00.

(2) $1,000.00.

(3) $2,500.00.

(4) $5,000.00.

(5) $10,000.00.

(D) In choosing a deductible amount under paragraph (C) of this rule, the employer may not choose a deductible amount that exceeds twenty-five per cent of the total premium paid by the employer during the most recent full policy year. For a new employer policy, the deductible amount shall not exceed twenty-five per cent of the employer's expected premium.

(E) The employer shall file the application provided by the bureau and any other paperwork required for enrollment in the deductible program by the bureau by the appropriate enrollment period as follows:

(1) For a private employer, between April 1 and May 31 preceding a policy year that begins on July 1.

(2) For a public employer taxing district, between October 1 and November 31 preceding a policy year that begins on January 1.

(a) Where the due date falls on a weekend or holiday, the application and any related documentation must be received no later than the next business day following the deadline.

(b) Applications and any supporting documentation may be submitted by U.S. Postal Service, fax, e-mail containing scanned documentation, or online submission, so long as such paperwork is received by the bureau on or before the due date.

(3) The bureau shall not permit an employer to enroll in a deductible program outside of the deadlines set forth in this rule, except that the bureau will consider a new employer, establishing a policy in Ohio for the first time, for participation where the employer submits its deductible program application to the bureau within thirty days of obtaining coverage.

(F) Renewal in the deductible program at the same level for each subsequent year shall be automatic, subject to review by the bureau of the employer's continued eligibility under paragraph (B) of this rule, unless the employer notifies the bureau in writing that the employer does not wish to participate in the program or that the employer wants to change the deductible amount for the next coverage period. The employer shall provide such notice to the bureau within the time and in the manner provided in paragraph (E) of this rule.

(G) An employer shall not be permitted to withdraw from the deductible program during the policy year, and no changes shall be made with respect to any deductible amount selected by the employer within the policy year. However, the bureau shall have the option of removing an employer from the deductible program for any of the reasons described in paragraph (L) of this rule.

(H) The bureau shall pay the claims costs under a deductible program and the employer shall reimburse to the bureau the costs under the deductible program as follows:

(1) The bureau shall pay all claims costs in accordance with the laws and rules governing payment of workers' compensation benefits. The bureau shall include the entire cost in the employer's experience for the appropriate policy year.

(2) The bureau shall bill the employer on a monthly basis for any claims costs paid by the bureau for amounts subject to the deductible as elected by the

employer for the policy year. In addition to amounts paid by the bureau for which the bureau is seeking reimbursement from the employer, such monthly billings shall also reflect the payments to date for any claims to which a deductible is applicable.

(3) The employer shall pay all deductible amounts billed by the bureau within twenty-eight days of the invoice date. The employer will be subject to any interest or penalty provisions to which premiums are subject, including certification to the attorney general's office for collection.

(4) The employer shall continue to be liable beyond any deductible program period for billings covered under a deductible program for injuries that arose during any period for which a deductible is applicable, regardless of when payment was made by the bureau.

(I) The bureau will apply the premium reduction calculation under the deductible program directly to the NCCI base rate established for the policy year for base-rated employers, or after the modified premium rate is established for experience-rated employers, but prior to any other premium discounts, as well as DWRF and administrative expenses. An individual employer participating in both group rating under rules 4123-17-61 to 4123-17-68 of the Administrative Code and the deductible program under this rule may implement the deductible program and receive the associated premium discounts in addition to the group discount; provided, however, the combined discounts may not exceed the maximum discount allowed under the group rating plan. The bureau will calculate the reduction in accordance with appendix A of this rule, which takes into account both the deductible amount chosen by the employer and the applicable hazard group under the most current version of NCCI as established by the primary manual classification of the employer as determined at the end of the enrollment period for that year.

(1) In determining the primary manual classification and appropriate hazard group, the bureau shall utilize payroll for the rating year beginning two years prior to the period in which the employer is seeking to enroll in the deductible program.

(2) For new employers, the bureau shall base the appropriate primary manual classification and hazard group upon estimated payroll.

(J) Where there is a combination or experience transfer of an employer within a deductible program policy period, following the application of any other rules applicable to a combination or experience transfer, the employer may be eligible to remain in a deductible program as follows:

(1) Successor: Entity not having coverage
Predecessor: Enrolled in deductible program currently or in prior policy years

Where there is a combination or experience transfer, where the predecessor was a participant in the deductible program and the successor is assigned a new policy with the bureau, the successor shall make application for the deductible program within thirty days of obtaining a bureau policy, as set forth in paragraph (E)(3) of this rule. Notwithstanding this election, the successor shall be responsible for any and all existing or future liabilities stemming from the predecessor's participation in the deductible program prior to the date that the bureau was notified of the transfer as provided under paragraph (C) of rule 4123-17-02 of the Administrative Code.

(2) Successor: Enrolled In the deductible program
Predecessor: Not enrolled in the deductible program

Where there is a combination or experience transfer involving two or more entities, each having Ohio coverage at the time of the combination or experience transfer, and the successor policy is enrolled in the deductible program for the program year, the successor shall automatically remain in the deductible program for the program year and is subject to renewal in accordance with paragraph (F) of this rule.

(3) Successor: Not enrolled in deductible program
Predecessor: Enrolled In deductible program

Where there is a combination or experience transfer involving two or more entities, each having Ohio coverage at the time of the combination or experience transfer, and the successor policy is not enrolled in the deductible program, the predecessor shall not be automatically entitled to continue in the deductible program. The successor may make a formal application should it desire to participate in the deductible program for the next policy year. Whether or not the successor chooses or is otherwise eligible to participate in a deductible program, under paragraph (C) of rule 4123-17-02 of the Administrative Code, the successor remains liable for any existing and future liabilities resulting from a predecessor's participation in the deductible program.

(K) An employer participating in the deductible program shall be entitled to participate in any other bureau rate program, including group rating, concurrent with its participation in the deductible program, except that an employer cannot utilize or participate in, with respect to any injuries which occur during a period for which the employer is enrolled in a deductible program, the following bureau rate programs:

(1) Retrospective rating, whether group or individual.

(2) The $15,000 medical-only program.

(3) Salary continuation.

(L) The bureau may remove an employer participating in the deductible program from the program, effective the second half of the program year, with thirty days written notice to the employer based upon any of the following:

(1) Where the employer participates in any plan or program prohibited under paragraph (K) of this rule.

(2) Where the bureau certifies a balance due from the employer to the Attorney General during the program year.

(3) Where the employer makes direct payments to any medical provider for services rendered or supplies or to any injured worker for compensation associated with a workers' compensation claim.

(4) Where the employer engages in misrepresentation or fraud in conjunction with the deductible program application process.

(M) An employer who is removed from the deductible program under paragraph (L) of this rule shall be barred from participation in the deductible program for the following year, and shall be required to complete the application process thereafter should it desire to again participate in the deductible program.

Summary of Selected Deductible Credits

	Hazard Groups						
Deductible Amount	**A**	**B**	**C**	**D**	**E**	**F**	**G**
$500	6.3%	4.1%	3.9%	3.9%	2.8%	2.0%	1.4%
$1,000	9.5%	6.3%	6.0%	6.0%	4.4%	3.2%	2.3%
$2,500	14.0%	10.0%	9.6%	9.4%	7.2%	5.5%	3.9%
$5,000	17.9%	14.2%	13.7%	13.4%	10.3%	8.1%	5.8%
$10,000	26.0%	21.2%	20.8%	19.9%	16.6%	12.9%	9.7%

The deductible credits include a recovery risk factor of 0.98 and an adverse selection factor of 0.95.

Common Sense Business Regulation (BWC Rules)

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

Group Sponsor Rules

4123-17-61, 4123-17-61.1, and 4123-17-68

Rule Review

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

   Citation: R.C. 4123.29

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

   What goal(s): R.C. 4123.29(A)(4) permits BWC to offer group rating plans. The group rating rules are revised to clarify responsibilities of sponsoring organizations and to improve the group rating rules.

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: BWC worked on the rules with input from a committee of the following: Central Ohio BX, CCI, COSE, CompManagement, County Commissioners' Association, Comprehensive Risk Management, Farm Bureau, Frank Gates, Greater Cleveland Auto Dealers' Association, Greater Cleveland Auto Dealers' Association, Gates McDonald, NFIB, Sheakley, Ohio Association of School Board Officials, Spooner, Ohio Manufacturers' Association, Workers' Comp Management Solutions, Ohio Retail Merchants, Ohio School Board Association.

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.

Group Rating Rule Changes
Executive Summary

In an effort to strengthen BWC's group rating programs, the Ohio Bureau of Workers' Compensation is proposing changes to its current rules. These changes include; mandatory BWC certification for group rating and group retrospective sponsors, additional safety training for employers who have had a claim and are participating in a group rating or retrospective rating program; requiring third party administrators to keep and maintain the Statement for Group Rating Plan (AC-26) form,and updating the criteria for group rating requirements.

4123-17-61.1 Sponsorship Certification Requirements
This rule requires group rating and retrospective rating sponsors to become certified by BWC. Once an organization becomes certified, they must go through a recertification process every three years. The certification process will run from March until June of this year and will first be applicable for Group Retrospective sponsors July 2009 and current group January 2010.

4123-17-68 Group experience and group retrospective safety program requirements
Sponsor's are currently requirement to provide 8 hours of "safety seminars" during the rating year for its members. This rule requires employers who have had a claim in the new preceding years to attend two hours of safety training. The rule also requires employers to follow applicable OSHA training requirements which are already required at the federal level.

4123-17-61 Criteria for group experience rating
This rule has been modified to improve efficiency and to treat employers more fairly when changes are made to their account during the process of group formation. BWC will permit sponsors to move employers to more homogenous groups under certain conditions. BWC has also revise the lapse rule to state an employer must to have no more that 40 cumulative days lapsed over a 12 month period.

12 - Month Actuarial Committee Calendar

Date	January 2009	Notes
1/22/2009	1. Rate Reform report	
	2. Tracking Deloitte recommendations	
	3. RFP Plan and issuance schedule	
	4. EM Cap Rules – 2^{nd} reading possible vote	
	5. Deductible Program Rules – 1^{st} reading	
	6. Sponsorship Certification Rules – 1^{st} reading	
Date	**February 2009**	
2/19/2009	1. Accelerated rate reform proposal	
	2. Expected loss rates using MIRA 2	
	3. Quarterly reserve update as of 12/31/08	
	4. RFP progress	
	5. Deductible Program Rules – 2^{nd} reading – possible vote	
	6. Sponsorship Certification Rules – 2^{nd} reading – possible vote	
Date	**March 2009**	
3/19/2009	1. Accelerated rate reform – possible vote	
	2. PA rate indication - 1st reading	
	3. PES Rate indication	
	4. Employer "How to Buy" guide	
	5. RFP progress	
	6. Group Retrospective Rules – 1st reading	
Date	**April 2009**	
4/29/2009	1. Review of Performance based discount options	
	2. PES rate approval	
	3. Ancillary fund rates and SI assessments - 1st reading	
	4. PA rate indication - 2nd reading possible vote	
	5. Group Retrospective Rules - 2nd reading possible vote	
Date	**May 2009**	
5/28/2009	1. Quarterly reserve update as of 3/31/09	
	2. Ancillary fund rates and SI assessment rate approval	
	3. PEC Credibility Table Rule 4123-17-33.1 – 1st reading	
	4. PEC Capping recommendation - 1st reading	
	5. PA rate recommendations	

12 - Month Actuarial Committee Calendar

Date	June 2009	Notes
6/18/2009	1. PEC Credibility Table Rule 4123-17-33.1 – 2nd reading	
	2. PEC Capping recommendation – 2^{nd} reading possible vote	
	3. PA Rate Recommendations – possible vote	
	4. Admin Cost Fund – possible vote	
	5. Group rating Sponsor requirements	
	6. RFP recommended Actuarial Consultant presentation	
Date	**July 2009**	
7/30/2009	1. Reserve Audit update as of 6-3-08 (assuming change in procedure)	
	2. PA Group Rules - 1st reading	
	3. PA Capping - 1st reading	
	4. PA Credibility Table Rule 4123-17-05.1 - 1st reading	
	5. Selection of actuarial consultants	
Date	**August 2009**	
8/27/2009	1. Reserve Audit update	
	2. PA Group Rules - 2nd reading	
	3. PA Capping - 2nd reading	
	4. PA Credibility Table Rule 4123-17-05.1 - 2nd reading	
Date	**September 2009**	
9/24/2009	1. Public Employer Taxing Districts rate change	
	2. PA Group Retrospective Rating Rules - 1st reading	
	3. First report from actuarial consultants	
	4. PEC rate indication – 1^{st} reading	
Date	**October 2009**	
10/29/2009	1. Charter changes	
	2. Projected Reserves as of 6/30	
	3. Split plan – 1^{st} reading	
	4. PEC rate indication	
Date	**November 2009**	
11/19/2009	1. Split plan – 2^{nd} reading	
	2. PEC Base Rates and Expected loss rates	

12 - Month Actuarial Committee Calendar

Date	December 2009	Notes
Date	January 2010	
		2/20/2009 11:58:06 AM