

Actuarial Committee Agenda

Thursday, May 28, 2009

William Green Building

Level 2, Room 3

2:00 pm – 4:00 pm

Call to Order

Chuck Bryan, Committee Chair

Roll Call

Larry Rhodebeck, Scribe

Approve Minutes of April 29, 2009 meeting

Chuck Bryan, Committee Chair

Review and Approve Agenda

Chuck Bryan, Committee Chair

Executive Session

Litigation update – if necessary

Action Items

1. Group Break Even Factor Rule 4123-17-64.1; second reading, possible vote
John Pedrick, Chief Actuarial Officer
2. Ancillary Fund rates:
 - a. Disabled Workers Relief Fund – Rule 4123-17-29;
 - b. Additional Disabled Workers Relief Fund - Rule 4123-17-29;
 - c. Marine Industry Fund - Rule 4123-17-19;
 - d. Coal-Workers' Pneumoconiosis Fund - Rule 4123-17-20; second reading, possible vote
John Pedrick, Chief Actuarial Officer
Elizabeth Bravender, Director of Actuarial
3. Public Employer State Agencies – Rule 4123-17-35; second reading, possible vote
John Pedrick, Chief Actuarial Officer
Elizabeth Bravender, Director of Actuarial
4. Criteria for Group Experience Rating – Rule 4123-17-61- Administrative Correction
Tina Kielmeyer, Chief of Customer Service

Discussion Items*

1. Quarterly reserve update as of 3/31/09
Jeff Scott, FCAS, Principle, Oliver Wyman
Jeff Scholl, FCAS, Principle, Oliver Wyman
2. Self Insured Employer assessments Rule 4123-17-32 - first reading
John Pedrick, Chief Actuarial Officer
Elizabeth Bravender, Director of Actuarial
3. Public Employer Taxing Districts Credibility Table Rule 4123-17-33.1 – possible first reading
John Pedrick, Chief Actuarial Officer
4. Discussion on Public Employer Taxing Districts Capping recommendation and Group Break Even Factor
John Pedrick, Chief Actuarial Officer
5. Administrative Cost Fund Rule 4123-17-36, first reading
Tracy Valentino, Chief Financial Officer
6. CAO report
John Pedrick, Chief Actuarial Officer
7. Committee calendar

Adjourn

Chuck Bryan, Committee Chair

Next Meeting: Wednesday, June 18, 2009

*Not all discussion items have materials included.

5/11/2009 5:50:47 PM

** Agenda subject to change

BWC BOARD OF DIRECTORS

ACTUARIAL COMMITTEE

THURSDAY, March 19, 2009, 2:30 P.M.

WILLIAM GREEN BUILDING

30 WEST SPRING ST., 2nd FLOOR (MEZZANINE)

COLUMBUS, OHIO 43215

Members Present: Charles Bryan, Chair
David Caldwell
James Hummel
James Matesich
Thomas Pitts
William Lhota, ex officio

Members Absent: None

Other Directors Present: Alison Falls
Kenneth Haffey
James Harris
Robert Smith (arrived 3:07)

Counsel Present: John Williams, Assistant Attorney General

CALL TO ORDER

Chairman Bryan called the meeting to order at 2:34 PM and the roll call was taken.

AGENDA

The agenda was approved unanimously on motion by Mr. Matesich, seconded by Mr. Caldwell.

MINUTES OF FEBRUARY 19, 2008

The minutes were approved without further changes by unanimous roll call vote on a motion by Mr. Hummel, seconded by Mr. Pitts.

EXECUTIVE SESSION

Upon motion by Chairman Bryan, second by Mr. Caldwell, and approved by unanimous roll call vote, the Committee recessed for executive session at 2:40 to discuss current litigation.

The Committee returned at 3:07 and upon motion by Mr. Pitts, seconded by Mr. Lhota, approved a return from executive session by unanimous roll call vote.

ACTION ITEMS

1. Private Employer Rate Proposal

Mr. Lhota moved to bring rate reform up for discussion, seconded by Mr. Hummel. The motion was approved by unanimous roll call vote.

John Pedrick, Chief Actuarial Officer, and Ray Mazzotta, Chief Operating Officer, presented the recommendations for rate reform in a report dated March 19, 2009 which was reviewed with the Committee. The goals of this proposal are to:

- lower base rates;
- provide actuarially sound base rates for non-group employers;
- bring group rate levels closer to their indicated level for July 1, 2009; and
- set group rates at the indicated level for July 1, 2010 to achieve full rate equity for the group and non-group segments.

Mr. Pedrick referenced the Oliver Wyman report and addendum which produced a range of indicated rate changes based on claim cost projections from “optimistic” (-18.1%) to “conservative” (-5.5%). The baseline change was -11.8%. The overall proposed base rate decrease as proposed by staff is -12%. Staff indicated that this recommendation is consistent with the baseline indication, and is actuarially sound. It also provides the opportunity to reduce the differential between non-group rated employers and group rated employers to a level much closer to the actuarially indicated differential. The actual impact is a -25.3% decrease for non-group employers, and a 9.6% increase for group employers. Per a question from Mr. Hummel, Mr. Pedrick clarified that a 4.5% reserve discount rate was used in evaluating the claims costs in the indicated rates.

Mr. Matesich asked whether the decrease was related to frequency, cost, or both. Mr. Pedrick stated that the primary driver is frequency in relation to payroll. Mr. Matesich questioned whether payroll is increasing in the current economy. Mr. Pedrick explained that the economy is not the driving factor, but many attribute this trend to the move away from manufacturing to non-manufacturing on a national basis and in Ohio.

Mr. Pedrick explained that the 12% decrease is an overall average. The 9.6% increase for group employers includes the impact of the credibility table change for maximum credibility from 85% to 77%, approved at the June 2008 Board meeting. The 25.3% decrease for non-group employers brings the overall average to a 12% decrease. The proposal does not rely on a contribution from net assets. Net assets help protect the fund from unanticipated risks, but are not explicitly involved in this rate proposal. The decrease is in line with the best actuarial estimate of future costs.

Mr. Pedrick continued that actuarial analysis conducted by Oliver Wyman shows that claim costs for non-group employers have consistently been 30% above average for all private employers, and that claim costs for group employers have been consistently 20% below average. However, rate levels for non-group employers are 60% higher than average, while rate levels for group employers are 40% below average. The recommendation presented today brings the extremes closer to the levels indicated by loss analysis.

The proposal also includes a fundamental change in the off-balance. Rather than use over 500 manual class off-balances averaging 1.49, one off-balance of 1.23 will be used for all classes and employers. This moves non-group employers to the correct rate level relativity of 1.30. A handout was reviewed showing the change in base rate for each manual class. Published base rates will decline overall by an average of 25%, with some manual classes receiving larger decreases and some receiving increases.

Mr. Pedrick responded in the affirmative when asked by Chairman Bryan if the off-balance will remain stable after this year. The off-balance will be analyzed yearly, but should not change a great deal. Chairman Bryan asked why a single off balance was used. Mr. Pedrick started that this will provide a foundation of stability which has not been in place for years. Deloitte also recommended the use of a single off-balance.

With respect to group employers, another proposal is to eliminate the “stacking” of other discounts, such as drug-free workplace (DFWP) and safety council, in addition to the overall group discounts. Per a question from Mr. Matesich, Mr. Pedrick explained that the current system prohibits group employers who have reached the maximum discount from receiving these additional discounts. The proposed change is that this limitation be extended to all group employers. Mr. Mazzotta added that this ensures the results anticipated by adjusting the credibility table are captured.

Per questions from several of the directors, Mr. Pedrick further explained the various calculations. Group rate level relativity will rise to 71% of average, an increase from just below 60%, which is more than halfway to the goal of 80%. Per an inquiry from Chairman Bryan, this is a reasonable method of solving the group/non-group discrepancy, and also complies with standard insurance industry methods. Mr. Mazzotta clarified that out of 98,000 group-rated employers, 74,000 will see either a less than \$500.00 increase, no increase, or a decrease. Ms. Falls asked about the driving force behind large increases. Mr. Pedrick replied that these are primarily based on class rate changes and the large size of the particular employer. There is a change

to the 100% cap on experience modifier (EM) increases in this proposal. In January, the Board approved a 100% EM cap, based on the actuarial recommendation that it is good general policy to avoid large EM swings. However, after discussion with stakeholders, this cap must now be modified to avoid becoming an employer rate strategy, creating a risk of a premium shortfall. The cap will now only apply if the employer's EM is above 1.0. In addition, the employer must participate in a safety plan based on the ten-step plan currently used in the premium discount (PDP+) plan, and the employer cannot be non-compliant. Mr. Pedrick and Mr. Mazzotta endorsed these stakeholder recommendations.

As a result of this proposal, some employers may be better off to opt out of group rating. BWC will provide data to group sponsors. Approximately 44,000 group employers would not receive the DFWP discount. Several directors expressed concern about the message this would send and the importance of safety. Tina Kielmeyer, Chief of Customer Services, explained that a marketing strategy is being created to advise all employer customers, including through TPA's, that BWC has not lessened its commitment to DFWP. Grants continue to be available as well as other internal programs. The only restriction for group employers is discount stacking.

Vendors and stakeholders have suggested more changes which BWC will continue to review later this year, and perhaps revisit the policy in 2010. Per a question from Ms. Falls, Mr. Mazzotta explained that if discount stacking was not restricted, it would increase the break-even factor by 3-4 points.

Mr. Matesich pointed out that on page 10 of the applicable handout, corresponding to slide 19 of the PowerPoint, the parenthetical phrase "but apply to non-group only" was incorrect and should be eliminated. Mr. Pedrick agreed.

Sponsoring associations have requested a one-week extension, from March 30, 2009 to April 6, 2009, to notify employers they have been rejected from a group. This requires the Board to adopt a rule change. This has no major impact and is endorsed by the BWC staff.

With respect to slide 20 entitled "Elements of rate reform proposal", per a request for clarification by Ms. Falls, the phrase "no shortfall" means achieving the full rate level for group.

Mr. Matesich moved that the Actuarial Committee recommend that the Board adopt the overall rate change recommendation as presented by the Administrator today, and to establish more equitable rates between group and non-group employers as presented. The Bureau shall prepare the necessary rules to implement these recommendations and present any rule changes to the Board for approval. The motion was seconded by Mr. Pitts. Prior to vote, Chairman Bryan asked Mr. Caldwell if the changes in discount programs were handled to his satisfaction. Mr. Caldwell replied in the affirmative. Mr. Matesich noted the continuing issue of eliminating DFWP for group members, but that

this would not cause him to vote against the motion. The motion was approved by unanimous roll call vote.

In conclusion of this item, Chairman Bryan noted that both Oliver Wyman and independent consultant James Shoenfelt had reviewed the proposal and expressed agreement that the proposal was developed using actuarially sound methodologies.

2. Rule 4123-17-70, Premium Discount Program

Ms. Kilmeyer and Joy Bush, Employer Management Project Manager, presented a first reading of a proposed “sunset” of the premium discount program. The old rule would be deleted, and replaced with a new rule containing the 10-step business plan which is presently a part of PDP. A history of the program was presented, noting \$450M in discounts paid out since 1995. However, new programs such as deductible and group retro will be of more benefit and are actuarially sound. This is built into the proposed rate reform and overwhelmingly supported by stakeholders.

A vote on this recommendation will be held at the April committee meeting.

3. Drug Free Program Modifications

Ms. Kilmeyer discussed proposed rule changes to Rules 4123-17-58 and 4123-17-58.1 which removes the discount for group rated employers. It also proposes changes which make DFWP unavailable for group retro, unavailable for employers who are lapsed more than 40 days in a 12-month period, and eliminates stacking with PDP. Administrator Marsha Ryan stated these changes are consistent with Deloitte recommendations to have programs which are effective, transparent and subject to evaluation.

Mr. Matesich asked if further changes are anticipated; why not modify the rule all at once instead of piecemeal. Ms. Kilmeyer replied that these initial changes are to assist in implementing the new rating system. Further changes would be directed to tweaking the model and requirements, not eligibility.

Chairman Bryan asked if these changes needed to be voted on today. Ms. Kilmeyer replied in the negative and a second reading will take place next month.

4. Rule 4123-17-62, Group Experience Rating

Ms. Kilmeyer discussed the proposed change to this rule for a one-time extension of the group rejection notification date from March 30, 2009 to April 6, 2009. Mr. Bryan clarified with Ms. Falls that there was no need to pass a motion to waive a second reading absent objection. No objection was heard.

Upon motion by Mr. Pitts, seconded by Mr. Hummel, the Actuarial Committee recommended the Board consent to the Administrator’s recommended changes to Rule

4123-17-62 to permit group sponsors additional time to provide notice to employers in 2009. The motion was approved by unanimous roll call vote.

5. Rules 4123-17-73, Group Retrospective Rules

Ms. Bush presented a first reading overview and PowerPoint presentation of proposed rules for group retrospective rating. This program is based in part upon the National Council of Compensation Insurance model and was reviewed with other states and stakeholders.

This is a voluntary, performance-based plan by which an employer receives retrospective adjustments to paid premium based upon the combined performance of the group. Premiums will be recalculated at 12, 24 and 36 months following the close of the policy year. Mr. Hummel inquired about comparisons with the established retrospective rating plan. This is an incurred retrospective plan and is very different. NCCI encourages this type of plan.

Ms. Bush reviewed both individual employer and group eligibility restrictions and explained that enrollment will begin in May 2009. Mr. Matesich asked whether employers could make an informed enrollment decision given the compressed time frame. Ms. Bush and Administrator Ryan discussed the overall marketing plan, including a Safety Congress booth, cooperation with sponsors, and sponsor approval to be completed in early April. Per a question from Mr. Hummel, this plan creates an incentive for the entire group to focus on safety.

With respect to the second reading, Chairman Bryan requested more information for the Committee on how this program will impact premiums.

DISCUSSION ITEMS

1. Quarterly Reserve Update

Jeffrey Scott of Oliver Wyman presented a quarterly reserve update through December 31, 2008, projecting to June 30, 2009. There was a \$6M reduction in unpaid loss for the State Insurance fund and a reduction of \$17M total unpaid loss for all funds. These results are very consistent with past trends. The computations are based on a 5% discount rate, and will be adjusted if the Board approves a change to 4.5%.

Mr. Lhota departed the meeting at 5:42.

Mr. Scott explained in response to Chairman Bryan that downward development is due to a drop in medical inflation from previous projections. This may continue to drop next quarter.

2. CAO Report

Mr. Pedrick reviewed the report. He noted that expected loss rates will be reviewed very thoroughly to gauge the impact of MIRA II. The RFP for an actuarial consultant was released timely and a blackout period is in effect until the contract is awarded. Proposals are due April 16, 2009. Actuarial Division continues to review candidates for various positions. There were no further questions for Mr. Pedrick.

3. Committee Calendar

Chairman Bryan reviewed the calendar and any questions should be directed to him or Board Liaison Don Berno.

ADJOURNMENT

The next Actuarial Committee meeting is April 29, 2009 at 2:00 PM.

The meeting was adjourned at 5:55 PM on a motion by Mr. Matesich, seconded by Mr. Pitts and approved by unanimous roll call vote.

Prepared by Jill Whitworth, Staff Counsel
March 23, 2008

Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-35

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): R.C. 4123.39 provides for the premium rating of state agencies and state universities. The rule establishes rates for these employers and informs the employers of the rates.

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: Issues were discussed with state agencies, state universities, and university hospitals.

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.

Workers' Compensation Board of Directors Executive Summary

Public Employers State Agency Rate Recommendation

Employer Group: Public Employer State Agencies

Policy Year: 7-1-2009 through 6-30-2010

Rate Method: Calculate and apply premium rates designed to provide premiums equal to the payments on all injuries or occupational diseases made during the policy year. Attached is a table showing the rate changes over the past several years. For the purpose of the payment of fees to the managed care organizations (MCO) that manage the claims of state agencies, including state universities and university hospitals, a percent of premium is charged. This is the first year that a true-up of MCO fees is being done. After the end of calendar year 2008, the bureau compared the actual and collected fees to account for any overage or shortage in the fee collected. The bureau then applied any overages or shortages to the fee for the next policy year period. This true-up of MCO fees will continue each year.

Rate Rule Process:

- The Administrator and Chief Actuarial Officer of the Ohio Bureau of Workers' Compensation make a recommendation to the Workers' Compensation Board of Directors Actuarial Committee
- The Actuarial Committee of the Board makes a recommendation to the Workers' Compensation Board of Directors who provide advice and consent to the overall rate change and base rates (Rules 4123-17-35) by vote
- Rules are filed with the Legislative Services Commission and the Secretary of State by June 20, 2009 with an effective date of July 1, 2009

The Administrator is recommending a 3.75% decrease in the overall premium for state agencies. This rate decrease will result in the collection of about \$61.5 M in premiums. State agencies will pay these premiums bi-weekly beginning in July 2009, and State Universities and University Hospitals will begin quarterly premium payments starting October 2009. The premiums will be used to pay all claim payments made during the policy year. This is an overall rate change recommendation. Individual state agency rates will increase or decrease by varying amounts based upon their actual reported losses.

Historical State Agency Rate Changes

Policy Year	Approved/Proposed Rate Change
7-1-2009	-3.75%
7-1-2008	-10.00%
7-1-2007	no change
7-1-2006	no change
7-1-2005	5%
7-1-2004	10%
7-1-2003	37.65%
7-1-2002	no change
7-1-2001	no change
7-1-2000	no change
7-1-1999	-6.01%

STATE AGENCY RATES

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

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

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

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

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

PUBLIC EMPLOYER STATE AGENCY LIABILITY POLICY

When a state agency employer ceases operations, the future liability of the employer for ongoing claim costs must be paid by another state agency employer. In these situations, the BWC determines who the affected agencies are, makes contacts with these agencies or their representatives, and together, determine how the future liability will be accounted for. The following scenarios give an example of what has been done in the past to account for these situations.

1. Scheduled state agency:
 - The Certificate of Need Review Board ceased operations on 6-21-1997. Since this agency's losses, payroll, and premium information is aggregated with other small boards and commissions to calculate one rate for all the small boards and commissions, the liability isn't directly transferred to another employer. The agencies ongoing losses continue to be aggregated for rate calculation purposes, and the losses get spread out over all the remaining small boards and commissions who make up the scheduled rate.
2. Agency under the Department of Administrative Services umbrella:
 - The Department of Industrial Relations ceased operations on 10-15-1995. A portion of the employees were transferred to the Ohio Bureau of Employment Services (OBES), the Ohio Department of Natural Resources (ODNR) and the Department of Commerce. Information was obtained as to which employees transferred to OBES and ODNR, and then payroll information was received for these same employees. Loss information was also determined from this list. For ratemaking purposes, the appropriate payroll, premium, and losses were transferred to OBES and ODNR. The remaining portion of the Department of Industrial Relations was combined into the Department of Commerce.
 - The Veteran's Children's Home ceased operations on 7-1-2001. The employees were not transferred to another agency, so the employer's payroll, premium, and losses were combined into the Department of Administrative Services.
3. State University or University Hospital
 - The University of Cincinnati Hospital cancelled their state agency policy on 1-1-1997 and became a self-insured employer. A couple of options were available to the employer including calculating a buyout amount for their future liability or continuing to make payments on the claims that were incurred prior to becoming self-insured. In discussions with the hospital, they decided they would like to be billed on a quarterly basis for their ongoing claim payments.
 - If a state university or university hospital was not able to pay for their liability, the BWC would contact the Board of Regents to determine how the liability would be paid.

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

The administrator of workers' compensation, with the advice and consent of the bureau of workers' compensation board of directors, has authority to approve contributions made to the state insurance fund by employers pursuant to sections 4121.121, 4123.39, and 4123.40 of the Revised Code. The administrator hereby sets rates per one hundred dollar unit of payroll to be effective July 1, ~~2008~~ 2009, applicable to the payroll reporting period July 1, ~~2008~~ 2009, through June 30, ~~2009~~ 2010, for public employer state agencies, including state universities and university hospitals, as indicated in the attached appendix A.

For the purpose of the payment of fees to the managed care organizations that manage the claims of state agencies, including state universities and university hospitals, the administrator hereby sets an additional contribution to the state insurance fund applicable to the payroll reporting period ~~July 1, 2008~~ July 1, 2009, through June 30, ~~2009~~ 2010, for public employer state agencies, including state universities and university hospitals, at nine and nineteen nine and ninety-one hundredths per cent of the premium as indicated in appendix A to this rule. After the end of calendar year ~~2008~~ 2009, the bureau will compare the actual and collected fees to account for any overage or shortage in the fee collected. The bureau will apply any overages or shortages to the fee for the next policy year period. The resulting MCO fee will be a rate by agency as indicated in the attached appendix A.

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

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

(1) Requirements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(4) Change in status.

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

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

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

(5) Terminating a program.

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

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

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

Promulgated Under: 111.15

Statutory Authority: 4121.12, 4121.121

Rule Amplifies: 4121.12, 4123.39, 4123.40

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

Table from Rule 4123-17-35 to be enacted

APPENDIX A

**STATE AGENCY
RATES EFFECTIVE JULY 1, 2009**

MANUAL	AGENCY	RATE	MCO Rate
3100	General Revenue (Sch.) Commissions, Boards and Departments not otherwise classified	0.21	0.0197
3101	Judiciary - Supreme Court, Judicial Conference	0.21	0.0185
3102	Ohio Senate (Sch.)	0.21	0.0197
3103	Ohio House of Representatives (Sch.)	0.21	0.0197
3105	Legislative Service Commission (Sch.)	0.21	0.0197
3106	Office of the Governor (Sch.)	0.21	0.0197
3109	Secretary of State	0.15	0.0216
3110	Attorney General	0.05	0.0197
3111	Department of Agriculture	0.79	0.0949
3112	Department of Commerce	0.63	0.0555
3113	Department of Education	0.32	0.0319
3114	Department of Health	0.57	0.0302
3115	Industrial Commission of Ohio	0.43	0.0636
3117	Public Utilities Commission of Ohio	0.16	0.0160
3120	Department of Taxation	0.32	0.0254
3121	Bureau of Workers' Compensation	0.37	0.0560
3122	Auditor of State	0.61	0.0324
3123	Civil Defense (Volunteer) (Sch.)	0.21	0.0197
3124	Treasurer of Ohio	0.23	0.0233
3125	Department of Administrative Services	0.70	0.0581
3127	Ohio Board of Regents (Sch.)	0.21	0.0197
3130	State Library Board	0.22	0.0347
3136	Ohio Veterans Home Agency	2.58	0.2514
3137	Department of Youth Services	4.71	0.4869
3139	Ohio Arts Council (Sch.)	0.21	0.0197
3150	Department of Mental Health	2.43	0.2566
3152	Ohio Expositions Commission	3.46	0.3074
3154	Department of Natural Resources	1.42	0.1412
3156	Adjutant General	0.97	0.1031
3160	Ohio National Guard	0.05	0.0050
3166	Department of Development	0.10	0.0166
3167	Department of Insurance	0.09	0.0000
3169	Racing Commission of Ohio (Sch.)	0.21	0.0197

**STATE AGENCY
RATES EFFECTIVE JULY 1, 2009**

MANUAL	AGENCY	RATE	MCO Rate
---------------	---------------	-------------	---------------------

3170	Ohio Civil Rights Commission	0.12	0.0164
3171	Board of Barber Examiners (Sch.)	0.21	0.0197
3172	State Board of Cosmetology (Sch.)	0.21	0.0197
3173	State Dental Board (Sch.)	0.21	0.0197
3174	State Board of Embalmers & Funeral Directors (Sch.)	0.21	0.0197
3175	State Medical Board (Sch.)	0.21	0.0197
3176	State Board of Nursing Education and Nurse Registration (Sch.)	0.21	0.0197
3177	State Board of Optometry (Sch.)	0.21	0.0197
3178	State Board of Pharmacy (Sch.)	0.21	0.0197
3179	State Veterinary Medical Board (Sch.)	0.21	0.0197
3180	State Board of Accountancy (Sch.)	0.21	0.0197
3181	State Board of Architects (Sch.)	0.21	0.0197
3183	State Board of Engineers & Surveyors (Sch.)	0.21	0.0197
3186	Ohio Water Development Authority (Sch.)	0.21	0.0197
3187	Rehabilitation Services Commission	0.56	0.0356
3188	Department of Rehabilitation and Correction	2.06	0.1894
3190	Environmental Protection Agency	0.12	0.0173
3191	Office of Budget and Management	0.12	0.0052
3192	Department of Aging	0.05	0.0163
3193	Court of Claims (Sch.)	0.21	0.0197
3194	Ohio Legal Rights Service (Sch.)	0.21	0.0197
3200	Department of Transportation	1.94	0.1950
3202	The Petroleum Underground Storage Tank Release Compensation Board (Sch.)	0.21	0.0197
3203	Office of Inspector General (Sch.)	0.21	0.0197
3204	Capital Square Review and Advisory Board (Sch.)	0.21	0.0197
3206	Ohio Medical Transportation Board (Sch.)	0.21	0.0197
3207	Ohio Cultural Facilities Commission (Sch.)	0.21	0.0197
3208	Joint Legislative Ethics Commission (Sch.)	0.21	0.0197
3209	Lake Erie Commission (Sch.)	0.21	0.0197
3210	Ohio Elections Commission (Sch.)	0.21	0.0197
3400	Department of Public Safety	0.75	0.0865
3501	Ohio Public Defender Commission (Sch.)	0.21	0.0197
3504	Office of the Consumers' Counsel (Sch.)	0.21	0.0197
3512	Commission on Hispanic/Latino Affairs (Sch.)	0.21	0.0197
3516	Board of Speech Pathology and Audiology (Sch.)	0.21	0.0197
3518	Board of Dispensing Opticians (Sch.)	0.21	0.0197

**STATE AGENCY
RATES EFFECTIVE JULY 1, 2009**

MANUAL	AGENCY	RATE	MCO Rate
3519	Department of Mental Retardation and Developmental Disabilities	6.13	0.6757

3520	Board of Chiropractic Examiners (Sch.)	0.21	0.0197
3521	State Employee Relations Board (Sch.)	0.21	0.0197
3523	Ohio Ethics Commission (Sch.)	0.21	0.0197
3524	Ohio Air Quality Development Authority (Sch.)	0.21	0.0197
3525	Liquor Control Commission (Sch.)	0.21	0.0197
3527	Psychology Board (Sch.)	0.21	0.0197
3528	Occupational & Physical Therapy Board (Sch.)	0.21	0.0197
3529	Counselors and Social Workers Board (Sch.)	0.21	0.0197
3530	Sanitarian Registration Board (Sch.)	0.21	0.0197
3531	Athletic Commission (Sch.)	0.21	0.0197
3532	Commission on Minority Health (Sch.)	0.21	0.0197
3533	Board of Dietetics (Sch.)	0.21	0.0197
3535	Department of Alcohol and Drug Addiction	0.29	0.0203
3536	Commission on Dispute Resolution & Conflict Management (Sch.)	0.21	0.0197
3537	Ohio Respiratory Care Board (Sch.)	0.21	0.0197
3538	Public Works Commission (Sch.)	0.21	0.0197
3539	Ohio Tuition Trust Authority (Sch.)	0.21	0.0197
5600	Ohio Building Authority	0.05	0.0330
5900	Lottery Commission	0.05	0.0162
5903	Joint Commission on Agency Rule Review (Sch.)	0.21	0.0197
5904	Ohio School Facilities Commission (Sch.)	0.21	0.0197
5906	Board of Motor Vehicle Collision Repair (Sch.)	0.21	0.0197
5910	Department of Job & Family Services	0.28	0.0275
5911	State Board of Career Colleges and Schools (Sch.)	0.21	0.0197
5912	Board of Tax Appeals (Sch.)	0.21	0.0197
5913	Personnel Board of Review (Sch.)	0.21	0.0197
5914	Southern Ohio Agricultural & Community Development Foundation (Sch.)	0.21	0.0197
5924	Orthotics, Prosthetics and Pedorthics Board (Sch.)	0.21	0.0197
5928	Chemical Dependency Professionals Board (Sch.)	0.21	0.0197
5930	Manufactured Homes Commission (Sch.)	0.21	0.0197
5931	Ohio Housing Finance Agency (Sch.)	0.21	0.0197
5932	Etech Ohio Commission (Sch.)	0.21	0.0197
5933	Environmental Review Appeals Commission (Sch.)	0.21	0.0197
5935	Workers' Compensation Council (Sch.)	0.21	0.0197

**STATE AGENCY
RATES EFFECTIVE JULY 1, 2009**

STATE UNIVERSITIES

MANUAL	AGENCY	RATE	MCO
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			Rate
3128	Cleveland State University	0.25	0.0241
3141	Bowling Green State University	0.36	0.0414
3142	Kent State University	0.25	0.0389
3143	Miami University	0.51	0.0576
3144	Ohio University	0.58	0.0639
3145	Ohio State University, Ohio Agricultural Center	0.30	0.0359
3146	Central State University	0.99	0.0675
3148	University of Toledo Health Science Campus	0.05	0.0230
3149	University of Toledo	0.41	0.0411
3151	OSU Cooperative Extension	0.09	0.0198
3157	Youngstown State University	0.20	0.0265
3158	Wright State University	0.12	0.0182
3159	University of Akron	0.16	0.0277
3505	University of Cincinnati	0.19	0.0249
3526	Shawnee State University	0.21	0.0263
5905	Northeastern Ohio Universities College of Medicine	0.20	0.0239

STATE UNIVERSITY HOSPITALS

MANUAL	AGENCY	RATE	MCO Rate
3131	Ohio State University Hospital	0.77	0.0823
3161	University Medical Center	0.29	0.0377
3201	OSU Cancer Research Hospital	0.60	0.0580
5907	The Ohio State University Hospitals East	1.62	0.1699

Rule 4123-17-35

**Public employer state agency
contribution to the state
insurance fund**

OLIVER WYMAN

325 John H. McConnell Boulevard, Suite 350
Columbus, OH 43215
1 614 227 5509 Fax 1 614 227 6201
www.oliverwyman.com

April 13, 2009

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

Subject:

Rate Recommendations Marine Industry Fund, Coal-Workers Pneumoconiosis Fund and DWRF I and II

Dear Mr. Pedrick:

This letter and the attached exhibits contain our recommendations for 7/1/09 rates for the Marine Industry Fund (MIF), Coal Workers-Pneumoconiosis Fund (Black Lung), and DWRF I and II.

Caveats

The actual required rate levels can vary significantly from our forecasts for many reasons. Some reasons for possible variance from our projections are:

- Unforeseen changes in claims consciousness
- Unforeseen changes in claims settlement practices
- Unforeseen changes in economic conditions
- Legislative or judicial changes

Marine Industry Fund (MIF)

Background

The Marine Industry Fund is a voluntary fund created by the Ohio General Assembly to cover exposure for maritime employers under the Federal Longshoremen and Harbor Workers' Compensation Act. The federal government determines claimant eligibility for benefits and sets the benefit levels. Maximum benefits are currently 200% of the national average weekly wage, and benefits are escalated each year on October 1.

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Page 2

April 13, 2009

Mr. John Pedrick, FCAS, MAAA

Ohio Bureau of Workers' Compensation

Ohio MIF rates are set each July 1, with the first rates established 7-1-80. Premiums had grown from less than \$100,000 in 1981 (the first full year of operations for the Fund) to approximately \$1.7 million in 1995. Since 1995, premiums declined to an annual level of \$688,000 in fiscal year 1999 and averaged approximately \$800 thousand for the last five years. The fund balance shows a surplus as of June 30, 2008 of approximately \$13.4 million.

The history of the Fund from 1999 to 2008 has been as follows:

Marine Industry Fund (MIF) Statistics (\$000's)

Year	Assets	Liabilities	Fund Balance	Loss + LAE Reserves	Premiums	Non-Operating Revenues (Expense)*	Rate of Return
1999	9,813	6,633	3,180	6,339	688	458	38.7%
2000	11,531	4,584	6,947	3,359	900	642	26.3%
2001	12,521	5,511	7,010	4,319	746	778	12.7%
2002	13,155	3,550	9,605	2,006	687	354	11.1%
2003	13,595	3,032	7,563	4,753	833	298	4.3%
2004	13,935	6,217	7,718	5,044	764	57	3.5%
2005	14,827	3,100	11,727	1,953	865	319	0.7%
2006	14,701	2,543	12,158	2,203	754	238	3.3%
2007	15,959	2,157	13,802	1,966	739	904	2.0%
2008	16,812	3,381	13,431	3,182	786	632	7.0%

*1999 and subsequent include change in fair value. 2002 and subsequent is total non-operating revenues (expenses).

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Page 3

April 13, 2009

Mr. John Pedrick, FCAS, MAAA

Ohio Bureau of Workers' Compensation

Rate Recommendation

The attached rate level analysis, Exhibit I, (based on our actuarial evaluation as of December 31, 2008) shows an indicated decrease of approximately 45.5% (Scenario 1) and an indicated decrease of 2.0% (Scenario 2). Scenario 2 uses a more conservative loss projection than Scenario 1, but lower expense ratio assumptions than Scenario 1. The year-to-year results of the fund are quite variable due to reserve changes arising from the application of reserve formulas to claim payments. We recommend continuing active management of the claims and a rate decrease between 0% and 20% at this time.

Coal-Workers Pneumoconiosis Fund

Background

The Coal-Workers Pneumoconiosis Fund ("CWPF") was established in 1974 to provide benefits prescribed under the "Federal Coal Mine Health and Safety Act of 1969," (commonly called the "Federal Black Lung program"). The enabling legislation is codified in sections 4131.01 to 4131.06 of the Ohio Revised Code. The Fund is voluntary, as coal mine operators may purchase insurance from any insurer certified by the Federal Department of Labor (DOL) or they may self-insure.

Federal Black Lung benefits are principally for coal miners who are permanently and totally disabled ("PTD") by occupational pneumoconiosis and for the survivors of miners who have died due to this disease. State benefits are also available. Since state benefits are usually higher than federal benefits, federal claimants tend to be those whose medical proof of disability is marginal.

The minimum 2008 benefit is \$7,188 annually. This applies for one beneficiary. For one dependent (i.e., two beneficiaries), two or three dependents, the benefits are 150%, 175%, and 200% of the minimum amount, respectively. Benefits are escalated annually, based on federal pay scales. PTD's receive benefits for life. Surviving widows receive benefits for life or until remarriage. Medical benefits are also payable. There are no counterparts to the temporary total

OLIVER WYMAN

Page 4

April 13, 2009

Mr. John Pedrick, FCAS, MAAA

Ohio Bureau of Workers' Compensation

or permanent partial benefits of the Ohio Worker's Compensation system. Claimants can receive interest on late payments and attorney fees.

The DOL rules on the compensability of claims. The Federal Black Lung Trust Fund pays certain claims. It may also pay claims while the DOL determines the last responsible operator. The last responsible operator generally is the last employer to employ the miner before disablement, which employment has lasted at least one year.

The history of the Fund from 1999 to 2008 has been as follows:

Coal Workers Pneumoconiosis Fund (000's)

Year	Assets	Liabilities	Fund Balance	Loss + LAE Reserves	Premiums	Non-Operating Revenue (Expense)*	Rate of Return
1999	148,102	37,043	111,059	36,782	-16	-167	16.2%
2000	152,326	38,249	114,077	38,021	3	5,421	(0.1%)
2001	187,512	53,271	134,241	37,026	0	20,458	4.8%
2002	186,115	50,758	135,357	50,190	1,232	13,984	16.5%
2003	211,290	63,398	147,891	52,600	267	19,275	10.4%
2004	220,527	68,809	151,718	55,700	256	4,345	13.6%
2005	224,739	63,320	161,419	57,500	824	11,969	2.9%
2006	221,894	61,756	160,138	61,100	921	2,708	7.6%
2007	234,762	63,021	171,741	62,199	887	13,566	1.7%
2008	244,457	65,118	179,339	62,800	1,249	8,070	8.2%

*1999 and subsequent include change in fair value. 2002 and subsequent are total non-operating revenue (expense).

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Page 5

April 13, 2009

Mr. John Pedrick, FCAS, MAAA

Ohio Bureau of Workers' Compensation

On December 20, 2000 the DOL published final regulations liberalizing benefits administered under the Black Lung Benefits Act. The regulations, which took effect on January 19, 2001 created the potential for unfunded liabilities for claims incurred on policies effective between 1973 and 1999.

Rate Recommendations

Because of the significant surplus in the fund and the small annual premiums, we recommend no change in rates at this time. Currently, BWC is charging premiums only for new employers seeking coverage under the fund. The published regulations took effect on January 19, 2001. However, due to the fact that some employers are paying no premium while others are paying a reduced rate, we recommend a future study that analyzes the segments of new and old employers and the historical rates and losses for each of the employer segments. Our rate indication calculations provide three scenarios using different periods of historical experience. The losses are based on the selected ultimate losses and number of claims from our June 30, 2008 audit, adjusted to current loss level.

Since 1983, rates have decreased substantially. Seven of these years had rate decreases of 30% (including 30% in 1990 and 1991) and 1997 had a decrease of 10%. In 2001, rates were revised to revert back to the rates effective 7/1/89. The decreases in 1991 and prior were primarily related to the 1982 Amendments to the Federal law regarding eligibility. These amendments were projected to reduce claims by approximately 75%. In consideration of the relatively large surplus in the fund, we recommend no change in rates at this time.

DWRF

Background

The Disabled Workers' Relief Fund (DWRF Fund) provides supplementary payments to workers whose combined PTD plus Social Security Disability (SSD) benefits are lower than the DWRF entitlement amount. If eligible, the DWRF benefit is the difference between the entitlement and the greater of the PTD benefit or SSD benefit. The entitlement (\$314.19 per week in 2008) is indexed to the national consumer price index (CPI) each year.

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Page 6

April 13, 2009

Mr. John Pedrick, FCAS, MAAA
Ohio Bureau of Workers' Compensation

S.B. 307 divided DWRF benefits into two distinct parts for funding purposes. What is now commonly referred to as "DWRF I" relates to DWRF benefits for injuries occurring prior to 1987 (prior to 8-22-86 for self-insured employers). "DWRF II" commonly refers to DWRF benefits for injuries occurring thereafter. Funding for both DWRF I and DWRF II is currently on a pay-as-you-go or cash flow basis.

Rate Recommendations

Exhibit III, attached, provides projections of DWRF II payments as well as the premium base for assessments for calendar years 2008 through 2010. For the rating year beginning 7/1/09, the indicated DWRF II rate is approximately 0.9% of base-rated premiums. The current rate is 0.1%. Exhibits IV and V, attached, provide projections for DWRF I disbursements and receipts for calendar years 2000 through 2010.

Our actuarial evaluation as of December 31, 2008 indicates that DWRF I rates (currently \$0.08 per \$100 payroll) are expected to be redundant for the year 2008. We recommend the same DWRF I rate as currently charged, \$0.08 per \$100 payroll for private employers. For DWRF II, we recommend no change in the rates for private employers at this time. For public employer taxing districts and state agencies, we recommend the same DWRF I rate as currently charged, \$0.05 for public employer state agencies and \$0.06 per \$100 payroll for public employer taxing districts.

Sincerely,

Jeffery J. Scott, FCAS, MAAA

Jeffery W. Scholl, FCAS, MAAA

William D. Hansen, FCAS, MAAA
JJS/mpgEnclosure

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Ohio Bureau Of Workers' Compensation
Marine Industry Fund (MIF)
Rate Level Analysis

Exhibit 1

(1) Accident Year	(2) Premium @ Pres. Rates	(3) Incurred Losses Disc. to 12/xx	(4) Loss Ratio Disc. to 12/xx	(5) L.R. x Trend to Rt Yr Eff. 7/1/09	(6) Losses x Trend to Rt Yr Eff. 7/1/09
1997	632,317	750,468	1.187	1.215	768,021
1998	524,990	397,021	0.756	0.773	405,557
1999	521,445	181,460	0.348	0.355	185,018
2000	543,162	300,408	0.553	0.563	305,734
2001	512,722	141,389	0.276	0.280	143,630
2002	499,546	16,806	0.034	0.034	17,041
2003	535,694	3,231	0.006	0.006	3,270
2004	588,115	80,335	0.137	0.138	81,156
2005	621,299	754,438	1.214	1.224	760,744
2006	647,387	0	0.000	0.000	0
2007	635,128	466,077	0.734	0.737	468,237
2008	<u>670,413</u>	<u>217,181</u>	0.324	0.325	<u>217,784</u>
Totals	<u>6,932,216</u>	<u>3,308,814</u>			<u>3,356,192</u>

Projected 7/1/08 to 6/30/09 using:

	(A)	(B)	(C)
1997-2006	670,413	318,148	0.475
2003-2006	670,413	236,829	0.353

	Scenario 1	Scenario 2
Selected:	(D) 0.475	0.900
All Loss Adj. Expenses (LAE) as % of Losses:	(E) 14.0%	7.0%
Indicated Loss + LAE % of Premiums for 7/1/09 rates:	(F) 54.1%	96.3%
Selected expense ratio (ex. LAE) % of premiums:	(G) 3.5%	1.8%
Indicated Rate Change:	(H) -43.9%	-2.0%

Notes by Column:

- (2) Premiums from col. (10) of App. O.5, adjusted to current level using rate level indexes in col. (11) of same exhibit; 2008 is for full year.
- (3) From Appendix O.5, col. (9) of 12/31/08 evaluation.
- (4) (3)/(2).
- (5) (6)/(2).
- (6) 1.002 raised to power: (2009.5 - accident year) times col. (3).

- (A) Assumes exposures for 7/1/2007 to 6/30/2008.
- (B) (C)*(A)
- (C) (6)/(2)
- (D) Selected uses '97-06 for Scenario 1; Scenario 2 is based on discussion with BWC and judgment.
- (E) Based on BWC ratio of LAE/Loss from Appendix K in 6/30/08 actuarial audit, Scenario 2 assumes 50% of Scenario 1.
- (F) ((1+(E))*(D))
- (G) Based on BWC expense ratios excluding loss adjustment expense, Scenario 2 assumes 50% of Scenario 1.
- (H) ((F)/(1-(G)))-1.00

**Ohio Bureau of Workers' Compensation
Coal-Workers Pneumoconiosis Fund**

Indicated Rate Adequacy @ 6/30/09

(1) Calendar Accident Year	(2) Estimated No. PTD Miner Awards	(3) Estimated No. PTD Widow Awards	(4) Estimated PTD Losses @ 2009 Level	(5) Estimated Widow Losses @ 2009 Level	(6) Estimated Ultimate Losses @ 2009 Level	(7) Collected Premiums	(8) Premiums @ Present Rate Level	(9) Payroll (\$00's)	(10) Full Manual Premium
1983-90	16.0	5.0	4,843,058	727,914	5,570,972	N/A	6,963,810	N/A	6,963,810
1991	2.0	1.0	605,382	145,299	750,681	519,218	827,991	586,049	865,238
1992	1.0	2.2	302,691	319,657	622,348	389,203	709,322	523,679	798,421
1993	5.0	3.2	1,513,456	464,956	1,978,411	157,704	287,415	233,718	323,708
1994	3.0	1.3	912,513	188,888	1,101,401	293,553	535,000	489,958	603,127
1995	4.7	0.3	1,422,648	43,590	1,466,238	269,949	491,983	438,252	554,413
1996	3.0	0.3	908,073	43,590	951,663	259,547	473,024	411,601	532,958
1997	3.0	0.3	908,073	43,590	951,663	249,628	480,222	425,089	538,625
1998	3.0	1.4	908,073	203,418	1,111,492	117,560	251,285	444,460	672,534
1999	4.5	1.5	1,362,110	217,948	1,580,058	3,206	7,214	421,661	539,732
2000	4.0	0.5	1,210,765	72,649	1,283,414	0	0	437,864	553,864
2001	6.0	3.5	1,816,147	508,545	2,324,692	1,232,056	2,002,091	1,052,156	2,326,454
2002	5.0	1.0	1,513,456	145,299	1,658,754	266,958	266,958	635,274	1,081,155
2003	8.0	1.0	2,421,529	145,299	2,566,828	254,498	254,498	585,353	931,333
2004	<u>4.5</u>	<u>1.0</u>	1,362,110	145,299	<u>1,507,409</u>	822,067	<u>822,067</u>	<u>838,551</u>	<u>1,634,120</u>
Total	72.7	23.5			25,426,025	N/A	14,372,879	N/A	18,919,491
1991-2004	56.7	18.5			19,855,052	4,835,147	7,409,069	7,523,664	11,955,681
2000-2004	27.5	7.0			9,341,097	2,575,580	3,345,615	3,549,198	6,526,926
					Scenario 1	Scenario 2	Scenario 3		
			(10) Loss Ratio		143.1%	134.4%	166.1%		
			(11) Adj. for Interest		2.2%	2.2%	2.2%		
			(12) Contingency		5.0%	5.0%	5.0%		
			(13) Adjusted Loss Ratio		151.3%	142.4%	174.8%		
			(14) Target Loss Ratio		85.0%	85.0%	85.0%		
			(15) Indicated Rate Change		78.0%	67.5%	105.6%		

Notes by Column:

- (1) From Appendix M.7 of the June 30, 2008 actuarial audit.
- (2) From Appendix M.7 of the June 30, 2008 actuarial audit.
- (3) (1) times projected 2009 average PTD of \$281,277 (Appendix M.7 of actuarial audit) times benefit level change of \$620 / \$599.
- (4) (2) times projected 2009 average PTD of \$134,372 (Appendix M.7 of actuarial audit) times benefit level change of \$620 / \$599.
- (5) (3)+(4)
- (6) From Ohio Bureau of Workers' Compensation.
- (7) For 1990 and prior, uses payroll by class times current manual rates; payroll was from BWC.
- (8) For 1991 and subsequent, uses collected premiums times rate change factor of -30% 7/1/91, -10% 7/1/97, -10% 7/1/98, and +125% 7/1/01.
- (9) From Ohio Bureau of Workers' Compensation.
- (10) Payroll by class times current manual rates.
- (11) (5) / (9). Scenario 1 selected using accident years 2000-2004. Scenario 2 selected using all accident years. Scenario 3 selected using accident years 1991-2004.
- (12) (10)*[1+(11)]+(12)
- (13) Selected.
- (14) [(13)/(14)] - 1

Ohio Bureau of Workers' Compensation

DWRF II Rate Estimates

(1) Calendar Year	(2) DWRF II Payments (\$000)	(3) PA Base-Rated Premiums (\$000)	(4) PEC Base-Rated Premiums (\$000)	(5) Payments PES (\$000)	(6) Premiums & Payments Total (\$000)	(7) Indicated DWRF II Rate
Growth Factor		0.00%	2.04%	2.04%		
2008		2,278,648	410,097	70,496	2,759,241	
2009	25,268	2,278,648	418,456	71,933	2,769,038	0.9%
2010	28,931	2,278,648	426,986	73,400	2,779,034	1.0%
Avg 2009-2010	27,099	2,278,648	422,721	72,667	2,774,036	1.0%

Notes by Column:

(2) From December 31, 2008 actuarial evaluation plus estimated payments for accident years 2009 and 2010.

(3) For 2008, from the actuarial evaluation as of December 31, 2008, adjusted for PDP credit and off balance.
Includes recognition of rate decrease effective 7/1/00.

(4) For 2008, from June 30, 2008 Audit Exb. 4, page 8, col (1); growth rate from same exhibit, Col. (3). Includes recognition of the rate change in PEC rates effective 1/1/2009 and adjusted for off balance.

(5) For 2008, from December 31, 2008 JPMT report;
growth rate is based on PEC payroll growth.

(6) (3) + (4) + (5).

(7) (2) / (6).

Ohio Bureau of Workers' Compensation

Disabled Workers' Relief Fund - DWRF 1 - PA Employers

	Receipts*	Disbursements*	Difference:		Payroll**	Projected***	Actual
			Receipts Minus Disbursements	Rate		Rate Per \$100 Payroll****	
PY 2010 est	\$76,049,972	\$67,730,917	\$8,319,055		\$95,062,465,261	\$0.071	\$0.080
PY 2009 est	\$76,049,972	\$70,191,234	\$5,858,739		\$95,062,465,261	\$0.074	\$0.080
PY 2008 est	\$76,049,972	\$71,267,667	\$4,782,305		\$95,062,465,261	\$0.075	\$0.080
PY 2007	\$88,942,172	\$80,202,662	\$8,739,509		\$95,062,465,261	\$0.084	\$0.090
PY 2006	\$91,758,118	\$83,703,502	\$8,054,615		\$93,687,633,092	\$0.089	\$0.100
PY 2005	\$88,656,124	\$84,753,534	\$3,902,590		\$90,408,539,516	\$0.094	\$0.100
PY 2004	\$85,416,790	\$90,817,469	(\$5,400,679)		\$86,532,368,654	\$0.105	\$0.100
PY 2003	\$83,528,977	\$88,010,675	(\$4,481,698)		\$83,736,681,322	\$0.105	\$0.100
PY 2002	\$82,788,570	\$96,618,611	(\$13,830,041)		\$83,090,508,602	\$0.116	\$0.100
PY 2001	\$82,125,474	\$101,897,294	(\$19,771,820)		\$81,365,886,642	\$0.125	\$0.100
PY 2000	\$78,333,094	\$105,262,791	(\$26,929,697)		\$122,148,441,686	\$0.086	\$0.100
PY 1999	\$75,264,989	\$109,684,099	(\$34,419,110)		\$157,829,719,079	\$0.069	\$0.100
PY 1998	\$70,352,319	\$107,757,024	(\$37,404,705)		\$145,833,596,965	\$0.074	\$0.100
PY 1997	\$67,158,050	\$112,073,358	(\$44,915,308)		\$138,823,458,033	\$0.081	\$0.100

Disabled Workers' Relief Fund - DWRF 1 - PES Employers

	Receipts*	Disbursements*	Difference:		Payroll**	Projected***	Actual
			Receipts Minus Disbursements	Rate		Rate Per \$100 Payroll****	
PY 2010 est	\$3,360,548	\$3,081,091	\$279,456		\$6,721,095,025	\$0.046	\$0.050
PY 2009 est	\$3,411,723	\$3,167,671	\$244,053		\$6,823,446,726	\$0.046	\$0.050
PY 2008 est	\$3,463,679	\$3,189,391	\$274,288		\$6,927,357,083	\$0.046	\$0.050
PY 2007	\$3,691,819	\$3,983,843	(\$292,024)		\$7,032,849,830	\$0.057	\$0.050
PY 2006	\$4,180,576	\$4,192,846	(\$12,269)		\$6,788,291,237	\$0.062	\$0.060
PY 2005	\$3,883,760	\$4,151,176	(\$267,416)		\$6,524,200,672	\$0.064	\$0.060
PY 2004	\$5,184,113	\$4,317,937	\$866,176		\$6,265,746,531	\$0.069	\$0.080
PY 2003	\$6,056,535	\$4,326,244	\$1,730,291		\$6,076,172,498	\$0.071	\$0.100
PY 2002	\$5,954,116	\$4,606,129	\$1,347,987		\$5,923,986,506	\$0.078	\$0.100
PY 2001	\$5,866,430	\$4,939,105	\$927,325		\$5,728,090,203	\$0.086	\$0.100
PY 2000	\$5,757,334	\$5,428,062	\$329,272		\$5,440,824,066	\$0.100	\$0.100
PY 1999	\$5,149,578	\$5,388,676	(\$239,098)		\$5,211,558,058	\$0.103	\$0.100
PY 1998	\$5,286,591	\$5,876,983	(\$590,392)		\$4,923,459,107	\$0.119	\$0.100
PY 1997	\$4,293,796	\$5,598,394	(\$1,304,598)		\$4,691,974,285	\$0.119	\$0.100

PA

* Actual Receipts & Disbursements for PY 2007 and prior are from BWC Financial Reporting. Only the current year is updated. All the other years are left the same.

Receipts are projected for PY 2008, 2009 and 2010 at the current rate of \$0.08 per \$100 of projected payroll.

**Payroll is on a Policy Year basis. Payroll through PY 2007 was taken from the Data Warehouse database as of March 26, 2009.

PY 2008, 2009 and 2010 payroll was estimated using PY 2007 payroll and multiplying by the approved payroll inflation factor used in rate calculations.

***Projected rates calculated using the following: Disbursements divided by Payroll/100. For DWRF 1, \$0.10 per \$100 of payroll is the maximum rate. The current DWRF 1 rate became effective July 1, 2008.

PES

* Actual Receipts & Disbursements for PY 2007 and prior are from BWC Financial Reporting. Only the current year is updated. All the other years are left the same.

Receipts are projected for PY 2008, 2009 and 2010 at the current rate of \$0.05 per \$100 of projected payroll.

**Payroll is on a Policy Year basis and was taken from the Data Warehouse database as of March 26, 2009.

PY 2008, 2009 and 2010 payroll was estimated using PY 2007 payroll and multiplying by the preliminary payroll inflation factor used in rate calculations.

Disabled Workers' Relief Fund DWRF 1 - PEC Employers

	<u>Receipts*</u>	<u>Disbursements*</u>	<u>Difference:</u>	<u>Payroll**</u>	<u>Projected***</u>	<u>Actual</u>
	<u>PEC</u>	<u>PEC</u>	<u>Receipts Minus</u> <u>Disbursements</u>	<u>PEC</u>	<u>PEC Rate</u>	<u>Rate Per</u> <u>\$100 Payroll****</u>
CY 2010 est	\$12,206,010	\$11,493,258	\$712,752	\$20,343,349,959	\$0.056	\$0.06
CY 2009 est	\$12,017,338	\$11,695,138	\$322,200	\$20,028,896,287	\$0.058	\$0.06
CY 2008	\$11,560,358	\$12,724,047	(\$1,163,689)	\$19,719,303,226	\$0.065	\$0.06
CY 2007	\$15,467,034	\$13,327,325	\$2,139,710	\$19,414,495,645	\$0.069	\$0.06
CY 2006	\$14,888,628	\$13,664,662	\$1,223,966	\$18,938,301,037	\$0.072	\$0.08
CY 2005	\$16,666,120	\$13,136,515	\$3,529,605	\$18,585,822,393	\$0.071	\$0.08
CY 2004	\$18,034,071	\$13,685,175	\$4,348,896	\$18,542,770,935	\$0.074	\$0.09
CY 2003	\$17,681,167	\$15,464,593	\$2,216,574	\$18,021,683,030	\$0.086	\$0.10
CY 2002	\$16,438,385	\$15,431,674	\$1,006,711	\$17,610,593,475	\$0.088	\$0.10
CY 2001	\$14,637,302	\$15,639,535	(\$1,002,233)	\$16,763,138,103	\$0.093	\$0.10
CY 2000	\$15,899,849	\$15,504,066	\$395,783	\$15,842,019,040	\$0.098	\$0.10
CY 1999	\$14,508,114	\$16,170,052	(\$1,661,938)	\$15,091,742,314	\$0.107	\$0.10
CY 1998	\$12,606,666	\$16,331,842	(\$3,725,176)	\$14,344,209,475	\$0.114	\$0.10
CY 1997	NA	\$16,690,729	NA	\$13,588,797,794	\$0.123	\$0.10

PEC

* Actual Receipts & Disbursements for CY 2008 and prior are from BWC Financial Reporting. Only the current year is updated. All the other years are left the same.

Receipts are projected for CY 2009 and 2010 at the current rate of \$0.06 per \$100 of projected payroll.

**Payroll is on a calendar year basis. Payroll through CY 2007 was taken from the Data Warehouse database as of March 26, 2009. CY 2008, 2009 and 2010 payroll was estimated using the approved payroll inflation factor used in rate calculations.

Calculating Rates

ORC 4123.40 The administrator shall determine and certify for the office of budget and management that rate or rates which when applied to the gross payroll estimate will produce an amount equal to the estimated cost of awards or payments to be made during the like fiscal period, as determined by the administrator.

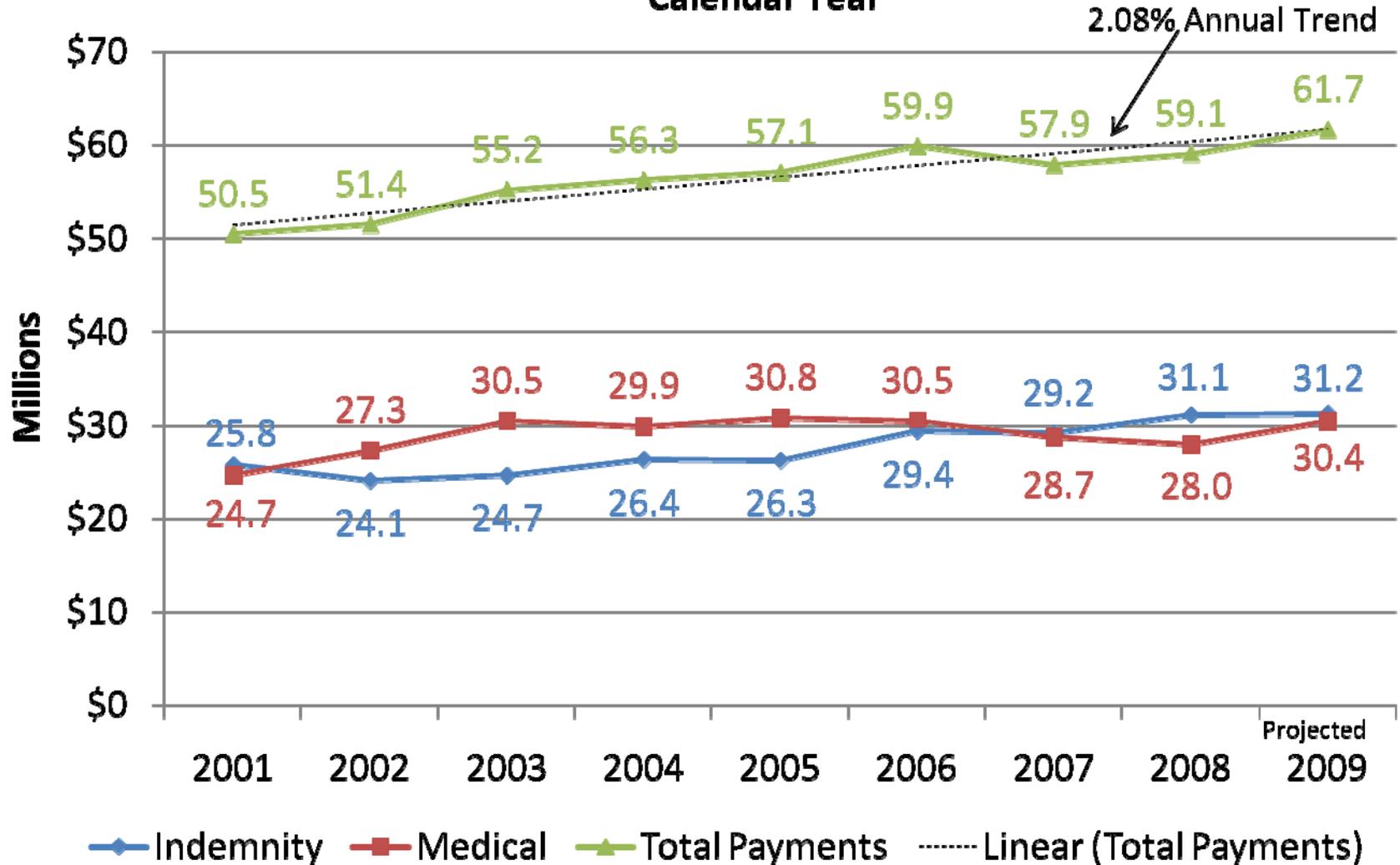
Proposed Rates

The proposed rate changes represent an average decrease of 3.75%. This is based on:

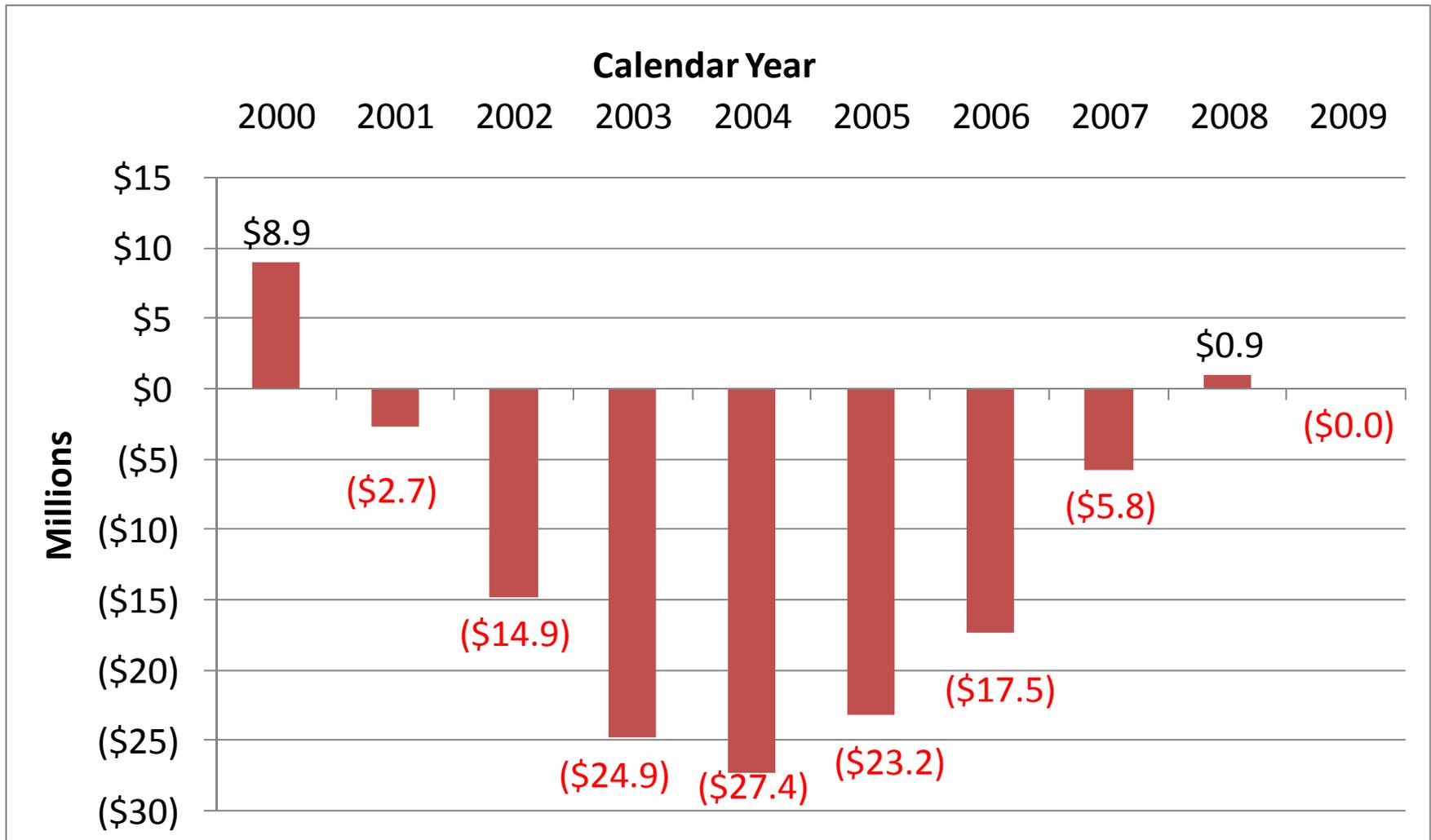
- Annual claim cost trend of +2.08%
- Payroll projections
- Elimination of the deficit

Cost Projections – Claim Payments

Calendar Year



Cost Projections – Surplus/(Deficit) Adjustment



Proposed MCO Assessments

The proposed MCO Assessment rate is 9.91% of premium before adjustment for 2008 actual costs. The effective assessment, after adjustment is 10.42%.

This reflects the new approach of estimating MCO costs and then adjusting for the actual costs that arose during the previous calendar year.

Cost Projections – MCO Fees

1st half 2009 Projected Premium ¹	1st half 2009 MCO Fee Percentage	1st half 2009 Projected MCO Fees	Total CY 2009 Budgeted MCO Fees ²	MCO Fees Needed For Full Collection 2nd half 2009	2nd half 2009 Projected Premium ³	MCO% Needed For Full Collection 2nd half 2009
\$31,123,828	9.19%	\$2,860,280	\$5,922,959	\$3,062,679	\$30,762,045	9.96%

1st half 2010 Projected Budgeted MCO Fees ⁴	1st half 2010 Projected Premium ³	MCO% Needed For Full Collection 1st half 2010	7/1/2009-6/30/2010 Projected Budgeted MCO Fees	7/1/2009-6/30/2010 Projected Premium	MCO% Needed For Full Collection 7/1/2009-6/30/2010
\$3,035,517	\$30,762,045	9.87%	\$6,098,196	\$61,524,091	9.91%

Notes:

1. Based on 7-1-2008 rates.
2. CY 2009 MCO fees are projected to be the same as the actual CY 2008 MCO fees.
3. Projected 7-1-2009 premium (half year) - payroll has been adjusted to policy year level.
4. Inflated 2009 CY budgeted MCO fees by 2.5% and divided by 2 for half year period.

MCO Fee True-Up Example

	A	B	C	D	E	F	G	H	I
AGENCY	Total 2008 Calendar Year MCO Fees Paid By Agency	Calendar Year 2008 MCO Fees Paid to MCO on Behalf of Agency	Difference Is the Overage (Agency Overpayment is Negative,-) Or Shortage (Agency Underpayment is Positive,+) Paid By Agency to BWC (B-A)	7-1-2009 Rate	7-1-2009 MCO Fee Rate (9.91% x Rate) Without Overage and Shortage Adjustment	7-1-2009 to 6-30-2010 Projected Payroll	Projected 7-1-2009 MCO Fees (9.91% x Rate x Payroll) (E*F/100)	Projected 7-1-2009 MCO Fees After Adding Shortage or Overage (C+G)	7-1-2009 MCO Fee Final Rate Including the Overage and Shortage Adjustment (H/F*100)
Agency 1	8,354	6,393	-1,961	0.15	0.0149	73,000,000	10,877	8,916	0.0122
Agency 2	1,100	2,000	900	0.13	0.0129	10,030,000	1,294	2,194	.0219
Agency 3	8,500	21,000	12,500	0.05	0.0050	90,000,000	4,500	17,000	.0189

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325 John H. McConnell Boulevard, Suite 350
Columbus, OH 43215
1 614 227 5509 Fax 1 614 227 6201
www.oliverwyman.com

April 13, 2009

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

Subject:

Rate Recommendations Marine Industry Fund, Coal-Workers Pneumoconiosis Fund and DWRF I and II

Dear Mr. Pedrick:

This letter and the attached exhibits contain our recommendations for 7/1/09 rates for the Marine Industry Fund (MIF), Coal Workers-Pneumoconiosis Fund (Black Lung), and DWRF I and II.

Caveats

The actual required rate levels can vary significantly from our forecasts for many reasons. Some reasons for possible variance from our projections are:

- Unforeseen changes in claims consciousness
- Unforeseen changes in claims settlement practices
- Unforeseen changes in economic conditions
- Legislative or judicial changes

Marine Industry Fund (MIF)

Background

The Marine Industry Fund is a voluntary fund created by the Ohio General Assembly to cover exposure for maritime employers under the Federal Longshoremen and Harbor Workers' Compensation Act. The federal government determines claimant eligibility for benefits and sets the benefit levels. Maximum benefits are currently 200% of the national average weekly wage, and benefits are escalated each year on October 1.

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Page 2

April 13, 2009

Mr. John Pedrick, FCAS, MAAA

Ohio Bureau of Workers' Compensation

Ohio MIF rates are set each July 1, with the first rates established 7-1-80. Premiums had grown from less than \$100,000 in 1981 (the first full year of operations for the Fund) to approximately \$1.7 million in 1995. Since 1995, premiums declined to an annual level of \$688,000 in fiscal year 1999 and averaged approximately \$800 thousand for the last five years. The fund balance shows a surplus as of June 30, 2008 of approximately \$13.4 million.

The history of the Fund from 1999 to 2008 has been as follows:

Marine Industry Fund (MIF) Statistics (\$000's)

Year	Assets	Liabilities	Fund Balance	Loss + LAE Reserves	Premiums	Non-Operating Revenues (Expense)*	Rate of Return
1999	9,813	6,633	3,180	6,339	688	458	38.7%
2000	11,531	4,584	6,947	3,359	900	642	26.3%
2001	12,521	5,511	7,010	4,319	746	778	12.7%
2002	13,155	3,550	9,605	2,006	687	354	11.1%
2003	13,595	3,032	7,563	4,753	833	298	4.3%
2004	13,935	6,217	7,718	5,044	764	57	3.5%
2005	14,827	3,100	11,727	1,953	865	319	0.7%
2006	14,701	2,543	12,158	2,203	754	238	3.3%
2007	15,959	2,157	13,802	1,966	739	904	2.0%
2008	16,812	3,381	13,431	3,182	786	632	7.0%

*1999 and subsequent include change in fair value. 2002 and subsequent is total non-operating revenues (expenses).

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Page 3

April 13, 2009

Mr. John Pedrick, FCAS, MAAA

Ohio Bureau of Workers' Compensation

Rate Recommendation

The attached rate level analysis, Exhibit I, (based on our actuarial evaluation as of December 31, 2008) shows an indicated decrease of approximately 45.5% (Scenario 1) and an indicated decrease of 2.0% (Scenario 2). Scenario 2 uses a more conservative loss projection than Scenario 1, but lower expense ratio assumptions than Scenario 1. The year-to-year results of the fund are quite variable due to reserve changes arising from the application of reserve formulas to claim payments. We recommend continuing active management of the claims and a rate decrease between 0% and 20% at this time.

Coal-Workers Pneumoconiosis Fund

Background

The Coal-Workers Pneumoconiosis Fund ("CWPF") was established in 1974 to provide benefits prescribed under the "Federal Coal Mine Health and Safety Act of 1969," (commonly called the "Federal Black Lung program"). The enabling legislation is codified in sections 4131.01 to 4131.06 of the Ohio Revised Code. The Fund is voluntary, as coal mine operators may purchase insurance from any insurer certified by the Federal Department of Labor (DOL) or they may self-insure.

Federal Black Lung benefits are principally for coal miners who are permanently and totally disabled ("PTD") by occupational pneumoconiosis and for the survivors of miners who have died due to this disease. State benefits are also available. Since state benefits are usually higher than federal benefits, federal claimants tend to be those whose medical proof of disability is marginal.

The minimum 2008 benefit is \$7,188 annually. This applies for one beneficiary. For one dependent (i.e., two beneficiaries), two or three dependents, the benefits are 150%, 175%, and 200% of the minimum amount, respectively. Benefits are escalated annually, based on federal pay scales. PTD's receive benefits for life. Surviving widows receive benefits for life or until remarriage. Medical benefits are also payable. There are no counterparts to the temporary total

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Page 4

April 13, 2009

Mr. John Pedrick, FCAS, MAAA

Ohio Bureau of Workers' Compensation

or permanent partial benefits of the Ohio Worker's Compensation system. Claimants can receive interest on late payments and attorney fees.

The DOL rules on the compensability of claims. The Federal Black Lung Trust Fund pays certain claims. It may also pay claims while the DOL determines the last responsible operator. The last responsible operator generally is the last employer to employ the miner before disablement, which employment has lasted at least one year.

The history of the Fund from 1999 to 2008 has been as follows:

Coal Workers Pneumoconiosis Fund (000's)

Year	Assets	Liabilities	Fund Balance	Loss + LAE Reserves	Premiums	Non-Operating Revenue (Expense)*	Rate of Return
1999	148,102	37,043	111,059	36,782	-16	-167	16.2%
2000	152,326	38,249	114,077	38,021	3	5,421	(0.1%)
2001	187,512	53,271	134,241	37,026	0	20,458	4.8%
2002	186,115	50,758	135,357	50,190	1,232	13,984	16.5%
2003	211,290	63,398	147,891	52,600	267	19,275	10.4%
2004	220,527	68,809	151,718	55,700	256	4,345	13.6%
2005	224,739	63,320	161,419	57,500	824	11,969	2.9%
2006	221,894	61,756	160,138	61,100	921	2,708	7.6%
2007	234,762	63,021	171,741	62,199	887	13,566	1.7%
2008	244,457	65,118	179,339	62,800	1,249	8,070	8.2%

*1999 and subsequent include change in fair value. 2002 and subsequent are total non-operating revenue (expense).

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Page 5

April 13, 2009

Mr. John Pedrick, FCAS, MAAA

Ohio Bureau of Workers' Compensation

On December 20, 2000 the DOL published final regulations liberalizing benefits administered under the Black Lung Benefits Act. The regulations, which took effect on January 19, 2001 created the potential for unfunded liabilities for claims incurred on policies effective between 1973 and 1999.

Rate Recommendations

Because of the significant surplus in the fund and the small annual premiums, we recommend no change in rates at this time. Currently, BWC is charging premiums only for new employers seeking coverage under the fund. The published regulations took effect on January 19, 2001. However, due to the fact that some employers are paying no premium while others are paying a reduced rate, we recommend a future study that analyzes the segments of new and old employers and the historical rates and losses for each of the employer segments. Our rate indication calculations provide three scenarios using different periods of historical experience. The losses are based on the selected ultimate losses and number of claims from our June 30, 2008 audit, adjusted to current loss level.

Since 1983, rates have decreased substantially. Seven of these years had rate decreases of 30% (including 30% in 1990 and 1991) and 1997 had a decrease of 10%. In 2001, rates were revised to revert back to the rates effective 7/1/89. The decreases in 1991 and prior were primarily related to the 1982 Amendments to the Federal law regarding eligibility. These amendments were projected to reduce claims by approximately 75%. In consideration of the relatively large surplus in the fund, we recommend no change in rates at this time.

DWRF

Background

The Disabled Workers' Relief Fund (DWRF Fund) provides supplementary payments to workers whose combined PTD plus Social Security Disability (SSD) benefits are lower than the DWRF entitlement amount. If eligible, the DWRF benefit is the difference between the entitlement and the greater of the PTD benefit or SSD benefit. The entitlement (\$314.19 per week in 2008) is indexed to the national consumer price index (CPI) each year.

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Page 6

April 13, 2009

Mr. John Pedrick, FCAS, MAAA
Ohio Bureau of Workers' Compensation

S.B. 307 divided DWRF benefits into two distinct parts for funding purposes. What is now commonly referred to as "DWRF I" relates to DWRF benefits for injuries occurring prior to 1987 (prior to 8-22-86 for self-insured employers). "DWRF II" commonly refers to DWRF benefits for injuries occurring thereafter. Funding for both DWRF I and DWRF II is currently on a pay-as-you-go or cash flow basis.

Rate Recommendations

Exhibit III, attached, provides projections of DWRF II payments as well as the premium base for assessments for calendar years 2008 through 2010. For the rating year beginning 7/1/09, the indicated DWRF II rate is approximately 0.9% of base-rated premiums. The current rate is 0.1%. Exhibits IV and V, attached, provide projections for DWRF I disbursements and receipts for calendar years 2000 through 2010.

Our actuarial evaluation as of December 31, 2008 indicates that DWRF I rates (currently \$0.08 per \$100 payroll) are expected to be redundant for the year 2008. We recommend the same DWRF I rate as currently charged, \$0.08 per \$100 payroll for private employers. For DWRF II, we recommend no change in the rates for private employers at this time. For public employer taxing districts and state agencies, we recommend the same DWRF I rate as currently charged, \$0.05 for public employer state agencies and \$0.06 per \$100 payroll for public employer taxing districts.

Sincerely,

Jeffery J. Scott, FCAS, MAAA

Jeffery W. Scholl, FCAS, MAAA

William D. Hansen, FCAS, MAAA
JJS/mpgEnclosure

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Ohio Bureau Of Workers' Compensation
Marine Industry Fund (MIF)
Rate Level Analysis

Exhibit 1

(1) Accident Year	(2) Premium @ Pres. Rates	(3) Incurred Losses Disc. to 12/xx	(4) Loss Ratio Disc. to 12/xx	(5) L.R. x Trend to Rt Yr Eff. 7/1/09	(6) Losses x Trend to Rt Yr Eff. 7/1/09
1997	632,317	750,468	1.187	1.215	768,021
1998	524,990	397,021	0.756	0.773	405,557
1999	521,445	181,460	0.348	0.355	185,018
2000	543,162	300,408	0.553	0.563	305,734
2001	512,722	141,389	0.276	0.280	143,630
2002	499,546	16,806	0.034	0.034	17,041
2003	535,694	3,231	0.006	0.006	3,270
2004	588,115	80,335	0.137	0.138	81,156
2005	621,299	754,438	1.214	1.224	760,744
2006	647,387	0	0.000	0.000	0
2007	635,128	466,077	0.734	0.737	468,237
2008	<u>670,413</u>	<u>217,181</u>	0.324	0.325	<u>217,784</u>
Totals	<u>6,932,216</u>	<u>3,308,814</u>			<u>3,356,192</u>

Projected 7/1/08 to 6/30/09 using:

	(A)	(B)	(C)
1997-2006	670,413	318,148	0.475
2003-2006	670,413	236,829	0.353

	Scenario 1	Scenario 2
Selected:	(D) 0.475	0.900
All Loss Adj. Expenses (LAE) as % of Losses:	(E) 14.0%	7.0%
Indicated Loss + LAE % of Premiums for 7/1/09 rates:	(F) 54.1%	96.3%
Selected expense ratio (ex. LAE) % of premiums:	(G) 3.5%	1.8%
Indicated Rate Change:	(H) -43.9%	-2.0%

Notes by Column:

- (2) Premiums from col. (10) of App. O.5, adjusted to current level using rate level indexes in col. (11) of same exhibit; 2008 is for full year.
- (3) From Appendix O.5, col. (9) of 12/31/08 evaluation.
- (4) (3)/(2).
- (5) (6)/(2).
- (6) 1.002 raised to power: (2009.5 - accident year) times col. (3).

- (A) Assumes exposures for 7/1/2007 to 6/30/2008.
- (B) (C)*(A)
- (C) (6)/(2)
- (D) Selected uses '97-06 for Scenario 1; Scenario 2 is based on discussion with BWC and judgment.
- (E) Based on BWC ratio of LAE/Loss from Appendix K in 6/30/08 actuarial audit, Scenario 2 assumes 50% of Scenario 1.
- (F) ((1+(E))*(D))
- (G) Based on BWC expense ratios excluding loss adjustment expense, Scenario 2 assumes 50% of Scenario 1.
- (H) ((F)/(1-(G)))-1.00

**Ohio Bureau of Workers' Compensation
Coal-Workers Pneumoconiosis Fund**

Indicated Rate Adequacy @ 6/30/09

(1) Calendar Accident Year	(2) Estimated No. PTD Miner Awards	(3) Estimated No. PTD Widow Awards	(4) Estimated PTD Losses @ 2009 Level	(5) Estimated Widow Losses @ 2009 Level	(6) Estimated Ultimate Losses @ 2009 Level	(7) Collected Premiums	(8) Premiums @ Present Rate Level	(9) Payroll (\$00's)	(10) Full Manual Premium
1983-90	16.0	5.0	4,843,058	727,914	5,570,972	N/A	6,963,810	N/A	6,963,810
1991	2.0	1.0	605,382	145,299	750,681	519,218	827,991	586,049	865,238
1992	1.0	2.2	302,691	319,657	622,348	389,203	709,322	523,679	798,421
1993	5.0	3.2	1,513,456	464,956	1,978,411	157,704	287,415	233,718	323,708
1994	3.0	1.3	912,513	188,888	1,101,401	293,553	535,000	489,958	603,127
1995	4.7	0.3	1,422,648	43,590	1,466,238	269,949	491,983	438,252	554,413
1996	3.0	0.3	908,073	43,590	951,663	259,547	473,024	411,601	532,958
1997	3.0	0.3	908,073	43,590	951,663	249,628	480,222	425,089	538,625
1998	3.0	1.4	908,073	203,418	1,111,492	117,560	251,285	444,460	672,534
1999	4.5	1.5	1,362,110	217,948	1,580,058	3,206	7,214	421,661	539,732
2000	4.0	0.5	1,210,765	72,649	1,283,414	0	0	437,864	553,864
2001	6.0	3.5	1,816,147	508,545	2,324,692	1,232,056	2,002,091	1,052,156	2,326,454
2002	5.0	1.0	1,513,456	145,299	1,658,754	266,958	266,958	635,274	1,081,155
2003	8.0	1.0	2,421,529	145,299	2,566,828	254,498	254,498	585,353	931,333
2004	<u>4.5</u>	<u>1.0</u>	1,362,110	145,299	<u>1,507,409</u>	822,067	<u>822,067</u>	<u>838,551</u>	<u>1,634,120</u>
Total	72.7	23.5			25,426,025	N/A	14,372,879	N/A	18,919,491
1991-2004	56.7	18.5			19,855,052	4,835,147	7,409,069	7,523,664	11,955,681
2000-2004	27.5	7.0			9,341,097	2,575,580	3,345,615	3,549,198	6,526,926
					Scenario 1	Scenario 2	Scenario 3		
			(10) Loss Ratio		143.1%	134.4%	166.1%		
			(11) Adj. for Interest		2.2%	2.2%	2.2%		
			(12) Contingency		5.0%	5.0%	5.0%		
			(13) Adjusted Loss Ratio		151.3%	142.4%	174.8%		
			(14) Target Loss Ratio		85.0%	85.0%	85.0%		
			(15) Indicated Rate Change		78.0%	67.5%	105.6%		

Notes by Column:

- (1) From Appendix M.7 of the June 30, 2008 actuarial audit.
(2) From Appendix M.7 of the June 30, 2008 actuarial audit.
(3) (1) times projected 2009 average PTD of \$281,277 (Appendix M.7 of actuarial audit) times benefit level change of \$620 / \$599.
(4) (2) times projected 2009 average PTD of \$134,372 (Appendix M.7 of actuarial audit) times benefit level change of \$620 / \$599.
(5) (3)+(4)
(6) From Ohio Bureau of Workers' Compensation.
(7) For 1990 and prior, uses payroll by class times current manual rates; payroll was from BWC.
(8) For 1991 and subsequent, uses collected premiums times rate change factor of -30% 7/1/91, -10% 7/1/97, -10% 7/1/98, and +125% 7/1/01.
(9) From Ohio Bureau of Workers' Compensation.
(10) Payroll by class times current manual rates.
(11) (5) / (9). Scenario 1 selected using accident years 2000-2004. Scenario 2 selected using all accident years. Scenario 3 selected using accident years 1991-2004.
(12) (10)*[1+(11)]+(12)
(13) Selected.
(14) [(13)/(14)] - 1

Ohio Bureau of Workers' Compensation

DWRF II Rate Estimates

(1) Calendar Year	(2) DWRF II Payments (\$000)	(3) PA Base-Rated Premiums (\$000)	(4) PEC Base-Rated Premiums (\$000)	(5) Payments PES (\$000)	(6) Premiums & Payments Total (\$000)	(7) Indicated DWRF II Rate
Growth Factor		0.00%	2.04%	2.04%		
2008		2,278,648	410,097	70,496	2,759,241	
2009	25,268	2,278,648	418,456	71,933	2,769,038	0.9%
2010	28,931	2,278,648	426,986	73,400	2,779,034	1.0%
Avg 2009-2010	27,099	2,278,648	422,721	72,667	2,774,036	1.0%

Notes by Column:

(2) From December 31, 2008 actuarial evaluation plus estimated payments for accident years 2009 and 2010.

(3) For 2008, from the actuarial evaluation as of December 31, 2008, adjusted for PDP credit and off balance.
Includes recognition of rate decrease effective 7/1/00.

(4) For 2008, from June 30, 2008 Audit Exb. 4, page 8, col (1); growth rate from same exhibit, Col. (3). Includes recognition of the rate change in PEC rates effective 1/1/2009 and adjusted for off balance.

(5) For 2008, from December 31, 2008 JPMT report;
growth rate is based on PEC payroll growth.

(6) (3) + (4) + (5).

(7) (2) / (6).

Ohio Bureau of Workers' Compensation

Disabled Workers' Relief Fund - DWRF 1 - PA Employers

	Receipts*	Disbursements*	Difference:		Payroll**	Projected***	Actual
			Receipts Minus Disbursements	Rate		Rate Per \$100 Payroll****	
PY 2010 est	\$76,049,972	\$67,730,917	\$8,319,055		\$95,062,465,261	\$0.071	\$0.080
PY 2009 est	\$76,049,972	\$70,191,234	\$5,858,739		\$95,062,465,261	\$0.074	\$0.080
PY 2008 est	\$76,049,972	\$71,267,667	\$4,782,305		\$95,062,465,261	\$0.075	\$0.080
PY 2007	\$88,942,172	\$80,202,662	\$8,739,509		\$95,062,465,261	\$0.084	\$0.090
PY 2006	\$91,758,118	\$83,703,502	\$8,054,615		\$93,687,633,092	\$0.089	\$0.100
PY 2005	\$88,656,124	\$84,753,534	\$3,902,590		\$90,408,539,516	\$0.094	\$0.100
PY 2004	\$85,416,790	\$90,817,469	(\$5,400,679)		\$86,532,368,654	\$0.105	\$0.100
PY 2003	\$83,528,977	\$88,010,675	(\$4,481,698)		\$83,736,681,322	\$0.105	\$0.100
PY 2002	\$82,788,570	\$96,618,611	(\$13,830,041)		\$83,090,508,602	\$0.116	\$0.100
PY 2001	\$82,125,474	\$101,897,294	(\$19,771,820)		\$81,365,886,642	\$0.125	\$0.100
PY 2000	\$78,333,094	\$105,262,791	(\$26,929,697)		\$122,148,441,686	\$0.086	\$0.100
PY 1999	\$75,264,989	\$109,684,099	(\$34,419,110)		\$157,829,719,079	\$0.069	\$0.100
PY 1998	\$70,352,319	\$107,757,024	(\$37,404,705)		\$145,833,596,965	\$0.074	\$0.100
PY 1997	\$67,158,050	\$112,073,358	(\$44,915,308)		\$138,823,458,033	\$0.081	\$0.100

Disabled Workers' Relief Fund - DWRF 1 - PES Employers

	Receipts*	Disbursements*	Difference:		Payroll**	Projected***	Actual
			Receipts Minus Disbursements	Rate		Rate Per \$100 Payroll****	
PY 2010 est	\$3,360,548	\$3,081,091	\$279,456		\$6,721,095,025	\$0.046	\$0.050
PY 2009 est	\$3,411,723	\$3,167,671	\$244,053		\$6,823,446,726	\$0.046	\$0.050
PY 2008 est	\$3,463,679	\$3,189,391	\$274,288		\$6,927,357,083	\$0.046	\$0.050
PY 2007	\$3,691,819	\$3,983,843	(\$292,024)		\$7,032,849,830	\$0.057	\$0.050
PY 2006	\$4,180,576	\$4,192,846	(\$12,269)		\$6,788,291,237	\$0.062	\$0.060
PY 2005	\$3,883,760	\$4,151,176	(\$267,416)		\$6,524,200,672	\$0.064	\$0.060
PY 2004	\$5,184,113	\$4,317,937	\$866,176		\$6,265,746,531	\$0.069	\$0.080
PY 2003	\$6,056,535	\$4,326,244	\$1,730,291		\$6,076,172,498	\$0.071	\$0.100
PY 2002	\$5,954,116	\$4,606,129	\$1,347,987		\$5,923,986,506	\$0.078	\$0.100
PY 2001	\$5,866,430	\$4,939,105	\$927,325		\$5,728,090,203	\$0.086	\$0.100
PY 2000	\$5,757,334	\$5,428,062	\$329,272		\$5,440,824,066	\$0.100	\$0.100
PY 1999	\$5,149,578	\$5,388,676	(\$239,098)		\$5,211,558,058	\$0.103	\$0.100
PY 1998	\$5,286,591	\$5,876,983	(\$590,392)		\$4,923,459,107	\$0.119	\$0.100
PY 1997	\$4,293,796	\$5,598,394	(\$1,304,598)		\$4,691,974,285	\$0.119	\$0.100

PA

* Actual Receipts & Disbursements for PY 2007 and prior are from BWC Financial Reporting. Only the current year is updated. All the other years are left the same.

Receipts are projected for PY 2008, 2009 and 2010 at the current rate of \$0.08 per \$100 of projected payroll.

**Payroll is on a Policy Year basis. Payroll through PY 2007 was taken from the Data Warehouse database as of March 26, 2009.

PY 2008, 2009 and 2010 payroll was estimated using PY 2007 payroll and multiplying by the approved payroll inflation factor used in rate calculations.

***Projected rates calculated using the following: Disbursements divided by Payroll/100. For DWRF 1, \$0.10 per \$100 of payroll is the maximum rate. The current DWRF 1 rate became effective July 1, 2008.

PES

* Actual Receipts & Disbursements for PY 2007 and prior are from BWC Financial Reporting. Only the current year is updated. All the other years are left the same.

Receipts are projected for PY 2008, 2009 and 2010 at the current rate of \$0.05 per \$100 of projected payroll.

**Payroll is on a Policy Year basis and was taken from the Data Warehouse database as of March 26, 2009.

PY 2008, 2009 and 2010 payroll was estimated using PY 2007 payroll and multiplying by the preliminary payroll inflation factor used in rate calculations.

Disabled Workers' Relief Fund DWRF 1 - PEC Employers

	<u>Receipts*</u>	<u>Disbursements*</u>	<u>Difference:</u>	<u>Payroll**</u>	<u>Projected***</u>	<u>Actual</u>
	<u>PEC</u>	<u>PEC</u>	<u>Receipts Minus</u> <u>Disbursements</u>	<u>PEC</u>	<u>PEC Rate</u>	<u>Rate Per</u> <u>\$100 Payroll****</u>
CY 2010 est	\$12,206,010	\$11,493,258	\$712,752	\$20,343,349,959	\$0.056	\$0.06
CY 2009 est	\$12,017,338	\$11,695,138	\$322,200	\$20,028,896,287	\$0.058	\$0.06
CY 2008	\$11,560,358	\$12,724,047	(\$1,163,689)	\$19,719,303,226	\$0.065	\$0.06
CY 2007	\$15,467,034	\$13,327,325	\$2,139,710	\$19,414,495,645	\$0.069	\$0.06
CY 2006	\$14,888,628	\$13,664,662	\$1,223,966	\$18,938,301,037	\$0.072	\$0.08
CY 2005	\$16,666,120	\$13,136,515	\$3,529,605	\$18,585,822,393	\$0.071	\$0.08
CY 2004	\$18,034,071	\$13,685,175	\$4,348,896	\$18,542,770,935	\$0.074	\$0.09
CY 2003	\$17,681,167	\$15,464,593	\$2,216,574	\$18,021,683,030	\$0.086	\$0.10
CY 2002	\$16,438,385	\$15,431,674	\$1,006,711	\$17,610,593,475	\$0.088	\$0.10
CY 2001	\$14,637,302	\$15,639,535	(\$1,002,233)	\$16,763,138,103	\$0.093	\$0.10
CY 2000	\$15,899,849	\$15,504,066	\$395,783	\$15,842,019,040	\$0.098	\$0.10
CY 1999	\$14,508,114	\$16,170,052	(\$1,661,938)	\$15,091,742,314	\$0.107	\$0.10
CY 1998	\$12,606,666	\$16,331,842	(\$3,725,176)	\$14,344,209,475	\$0.114	\$0.10
CY 1997	NA	\$16,690,729	NA	\$13,588,797,794	\$0.123	\$0.10

PEC

* Actual Receipts & Disbursements for CY 2008 and prior are from BWC Financial Reporting. Only the current year is updated. All the other years are left the same.

Receipts are projected for CY 2009 and 2010 at the current rate of \$0.06 per \$100 of projected payroll.

**Payroll is on a calendar year basis. Payroll through CY 2007 was taken from the Data Warehouse database as of March 26, 2009. CY 2008, 2009 and 2010 payroll was estimated using the approved payroll inflation factor used in rate calculations.

Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-29

Rule Review

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

Citation: R.C. 4123.411, 4123.413, 4123.414

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

What goal(s): This rule provides for the assessments for employer contributions to the disabled workers' relief fund. It is mandatory for employers to pay into this fund. This rule establishes the rates for employer contributions to the fund. BWC is not proposing a change in the rate for this rule.

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: Recommendation from BWC actuarial, Oliver Wyman.

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.

Disabled Workers' Relief Fund (DWRF I)

Executive Summary

Description of Fund: The Disabled Workers' Relief Fund (DWRF I) provides for supplementary payments to workers whose combined PTD plus Social Security disability benefits are lower than the DWRF entitlement amount on claims that occurred prior to 1987.

Benefits provided by fund: This allows for cost of living increases to injured workers receiving PTD benefits.

Rate Method: This fund is on a terminal funding or cash flow basis in which the premiums collected each policy year are to equal the payments made in the same policy year without regard to the accident/injury year. The ORC 4123.411 (A) requires that the assessment should be levied at a rate of at least five but not to exceed ten cents per one hundred dollars of payroll, such rate to be determined annually for each employer group, which will produce an amount no greater than the amount the administrator estimates to be necessary to carry out such sections for the period for which the assessment is levied.

Oliver Wyman Rate Indication:

Employer Type	Previous Rate	Recommended Rate
Private Employer (PA)	\$0.08	\$0.08
Public Employer Taxing Districts (PEC)	\$0.06	\$0.06
Public Employer State Agency (PES)	\$0.05	\$0.05

Administrator Recommendation:

The Administrator is recommending no change in DWRF I rates.

Disabled Workers' Relief Fund -- History--Assessment For Injuries Prior to 1-1-87

EMPLOYER GROUP			
Private Fund:	1959 to 1975	.03	Per \$100 Unit of Payroll
	1976 to 6-30-80	.05	
	7-1-80 to 6-30-2007	.10	
	7-1-2007	.09	
	7-1-2008	.08	
Self-Insured:			
	1959 to 1975	.03	Per \$100 Unit of Payroll
	1976 to 6-30-80	.05	
	7-1-80 to 6-30-81	.08	
	7-1-81 to 8-21-86	.05	
	8-22-86*		
<p>*Effective 8-22-86 self-insured employers must reimburse the Bureau of Workers' Compensation for DWRF benefits paid to claimants in claims which the employer was the employer of record.</p>			
Public Employer Taxing Districts			
	1959 to 1975	.03	Per \$100 Unit of Payroll
	1976 to 1979	.05	
	1980 to 2003	.10	
	1-1-2004 to 12-31-2004	.09	
	1-1-2005 to 12/31/2006	.08	
	1-1-2007	.06	
	1-1-2008	.06	
Public Employer State Agencies			
	1959 to 1975	.03	Per \$100 Unit of Payroll
	1976 to 6-30-1980	.05	
	7-1-1980 to 6-30-2004	.10	
	7-1-2004 to 6-30-2005	.08	
	7-1-2005 to 6/30/2007	.06	
	7-1-2007	.05	
	7-1-2008	.05	

Additional Disabled Workers' Relief Fund (DWRF II)

Executive Summary

Description of Fund: The Additional Disabled Workers' Relief Fund (DWRF II) provides supplementary payments to workers whose combined PTD plus Social Security disability benefits are lower than the DWRF entitlement amount on claims that occurred in 1987 and after. Senate Bill 307 established DWRF II, with the apparent legislative intent of actuarially solvent pre-funding of DWRF benefits for injuries occurring in 1987 and subsequent. This pre-funding caused the DWRF II fund to grow. Subsequently, a formal Attorney General opinion in 1993 required that DWRF II operate on a terminal funding or cash flow basis.

Benefits provided by fund: This allows for cost of living increases to injured workers receiving PTD benefits.

Rate Method: The current rate is one tenth of one percent of premium at base rate. The ORC 4123.411 (B) states that the BWC shall levy an assessment against all employers at a rate per one hundred dollars of payroll, such rate to be determined annually for each classification of employer in each employer group, which will produce an amount no greater than the amount the administrator estimates to be necessary to carry out such sections for the period for which the assessment is levied. Case Notes number 8 and OAG No. 93-011 states that the ORC does not authorize the Administrator of Workers' Compensation to levy the assessment therein described at a rate that will create a reserve within the DWRF.

Oliver Wyman Rate Indication:

The BWC's consulting actuary, Oliver Wyman has recommended that the DWRF II rate remain at one-tenth of one percent of premium at base rate.

Administrator Recommendation:

The Administrator is recommending no change and the rate remain at one-tenth of one percent of premium at base rate.

**Disabled Workers' Relief Fund -- History--Assessment
For Injuries On and After 1-1-87**

EMPLOYER GROUP	PERIOD	PERCENT OF PREMIUM COMPUTED AT BASE RATE
Private Employers:	1-1-87 to 12-31-87	2%
	1-1-88 to 12-31-88	3%
	1-1-89 to 12-31-89	4%
	1-1-90 to 12-31-90	5%
	1-1-91 to 12-31-91	5%
	1-1-92 to 06-30-93	5%
	7-1-93 to 12-31-93	.1%
	1-1-94 to 12-31-94	.1%
	1-1-95 to 12-31-95	.1%
	1-1-96 to 12-31-96	.1%
	1-1-97 to 12-31-97	.1%
	1-1-98 to 12-31-98	.1%
	1-1-99 to 12-31-99	.1%
	1-1-2000 to 12-31-2000	.1%
	1-1-2001 to 12-31-2001	.1%
	1-1-2002 to 12-31-2002	.1%
	1-1-2003 to 12-31-2003	.1%
	1-1-2004 to 12-31-2004	.1%
	1-1-2005 to 12-31-2005	.1%
	1-1-2006 to 12-31-2007	.1%
	1-1-2007 to 12-31-2008	.1%
Self-Insured:	Reimburse the Bureau of Workers' Compensation for DWRF benefits to claimants in claims in which the employer is the employer of record.	

Disabled Workers' Relief Fund -- History--Assessment For Injuries On and After 1-1-87

Public Employer Taxing Districts:	1-1-87 to 12-31-87	2%
	1-1-88 to 12-31-88	3%
	1-1-89 to 12-31-89	4%
	1-1-90 to 12-31-90	5%
	1-1-91 to 12-31-91	5%
	1-1-92 to 12-31-92	5%
	1-1-93 to 12-31-93	.1%
	1-1-94 to 12-31-94	.1%
	1-1-95 to 12-31-95	.1%
	1-1-96 to 12-31-96	.1%
	1-1-97 to 12-31-97	.1%
	1-1-98 to 12-31-98	.1%
	1-1-99 to 12-31-99	.1%
	1-1-2000 to 12-31-2000	.1%
	1-1-2001 to 12-31-2001	.1%
	1-1-2002 to 12-31-2002	.1%
	1-1-2003 to 12-31-2003	.1%
	1-1-2004 to 12-31-2004	.1%
	1-1-2005 to 12-31-2005	.1%
	1-1-2006 to 12-31-2007	.1%
	1-1-2007 to 12-31-2008	.1%
Public Employer State Agencies:	1-1-87 to 12-31-87	2%
	1-1-88 to 12-31-88	3%
	1-1-89 to 12-31-89	4%
	1-1-90 to 12-31-90	5%
	1-1-91 to 12-31-91	5%
	1-1-92 to 06-30-93	5%
	7-1-93 to 12-31-93	.1%
	1-1-94 to 12-31-94	.1%
	1-1-95 to 12-31-95	.1%
	1-1-96 to 12-31-96	.1%
	1-1-97 to 12-31-97	.1%
	1-1-98 to 12-31-98	.1%
	1-1-99 to 12-31-99	.1%
	1-1-2000 to 12-31-2000	.1%
	1-1-2001 to 12-31-2001	.1%
	1-1-2002 to 12-31-2002	.1%
	1-1-2003 to 12-31-2003	.1%
	1-1-2004 to 12-31-2004	.1%
	1-1-2005 to 12-31-2005	.1%
	1-1-2006 to 12-31-2007	.1%
	1-1-2007 to 12-31-2008	.1%

Draft – Not For Filing

4123-17-29 **Disabled workers' relief fund; employers' assessments and self-insurers' payments.**

(A) State fund employers.

- (1) In order to make disabled workers' relief fund ("DWRF") payments to claimants having dates of injury or disability prior to January 1, 1987, assessments shall be levied in the following manner for so long as payments to such claimants are required:
 - (a) Private state fund employers: eight cents per one-hundred-dollar unit of payroll, effective July 1, 2008;
 - (b) Public employer taxing districts: six cents per one-hundred-dollar unit of payroll, effective January 1, 2007;
 - (c) Public employer state agency: five cents per one-hundred-dollar unit of payroll, effective July 1, 2007.

These assessments shall be billed at the same time state insurance fund premiums are billed and payments shall be credited to the disabled workers' relief fund.

- (2) In order to make DWRF payments to claimants having dates of injury on or after January 1, 1987, assessments shall be levied in the following manner for so long as payments to such claimants are required:
 - (a) Private state fund employers: one-tenth of one per cent of premium, computed at basic rate, effective July 1, 1993;
 - (b) Public employer taxing districts: one-tenth of one per cent of premium, computed at basic rate, effective January 1, 1993;
 - (c) Public employer state agency: one-tenth of one per cent of premium, computed at basic rate, effective July 1, 1993;

These assessments shall be billed at the same time state insurance fund premiums are billed and payments shall be credited to the disabled workers' relief fund.

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(B) Self-insuring employers.

- (1) Each self-insuring employer shall reimburse the bureau for DWRF payments made in claims in which it is the employer of record, without regard to the date the employer was granted the privilege to pay compensation directly, for all DWRF payments made on or after August 22, 1986. Upon default and a finding of noncompliance by the administrator of workers' compensation, reimbursement shall be made from the self-insuring employers' guaranty fund.
- (2) Self-insuring employers shall be billed on a semi-annual basis for the DWRF payments made pursuant to this rule.

R31729 (7-1-07).doc
June 5, 2007

Draft – Not For Filing

4123-17-29 **Disabled workers' relief fund; employers' assessments and self-insurers' payments.**

(A) State fund employers.

(1) In order to make disabled workers' relief fund ("DWRF") payments to claimants having dates of injury or disability prior to January 1, 1987, assessments shall be levied in the following manner for so long as payments to such claimants are required:

- (a) Private state fund employers: eight cents per one-hundred-dollar unit of payroll, effective July 1, 2008;
- (b) Public employer taxing districts: six cents per one-hundred-dollar unit of payroll, effective January 1, 2007;
- (c) Public employer state agency: five cents per one-hundred-dollar unit of payroll, effective July 1, 2007.

These assessments shall be billed at the same time state insurance fund premiums are billed and payments shall be credited to the disabled workers' relief fund.

(2) In order to make DWRF payments to claimants having dates of injury on or after January 1, 1987, assessments shall be levied in the following manner for so long as payments to such claimants are required:

- (a) Private state fund employers: one-tenth of one per cent of premium, computed at basic rate, effective July 1, 1993;
- (b) Public employer taxing districts: one-tenth of one per cent of premium, computed at basic rate, effective January 1, 1993;
- (c) Public employer state agency: one-tenth of one per cent of premium, computed at basic rate, effective July 1, 1993;

These assessments shall be billed at the same time state insurance fund premiums are billed and payments shall be credited to the disabled workers' relief fund.

Draft – Not For Filing

(B) Self-insuring employers.

- (1) Each self-insuring employer shall reimburse the bureau for DWRF payments made in claims in which it is the employer of record, without regard to the date the employer was granted the privilege to pay compensation directly, for all DWRF payments made on or after August 22, 1986. Upon default and a finding of noncompliance by the administrator of workers' compensation, reimbursement shall be made from the self-insuring employers' guaranty fund.
- (2) Self-insuring employers shall be billed on a semi-annual basis for the DWRF payments made pursuant to this rule.

R31729 (7-1-07).doc
June 5, 2007

Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-19

Rule Review

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

Citation: R.C. 4123.34, 4131.14

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

What goal(s): This rule provides for the premium rating of employer contributions to the marine industry fund for longshore and harbor workers coverage. It is optional for employers to obtain this coverage from BWC. This rule establishes the rates for employers and informs employers of the rates.

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: Because BWC rate rules are developed based upon insurance principles, stakeholder input is not appropriate.

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.

Marine Industry Fund (MIF) Executive Summary

Description of Fund: The Marine Industry Fund provides voluntary coverage to Ohio employers with employees who work on or about navigable waters, as required by the Federal Longshoremen and Harbor Workers' Act. Ohio employers in the marine industry may choose to purchase the insurance from BWC, from a private carrier, or self insure.

Benefits provided by fund: A Marine Fund claim is filed with both the Department of Labor and the BWC. The Federal Government determines the claimant eligibility for benefits and sets the benefit levels. An injured worker may only receive lost time benefits from the federal claim or the BWC claim, but not from both for the same period. Medical benefits may be paid from either the federal claim or the BWC claim as long as duplicate payments do not occur. Injured workers covered under the Marine Industry Fund are entitled to the same benefits as other injured workers **except** for the following:

- Living Maintenance and Living Maintenance Wage Loss benefits
- Lump Sum Advancements
- Rehabilitation Services only as ordered by the Department of Labor

Rate Method: Calculate and apply premium rates designed to provide premiums to equal the cost of all losses related to the Marine Industry Fund exposure that have injury dates during the policy year.

House Bill 562:

Effective 1-1-2009, House Bill 562 prohibits individuals covered under the federal Longshore and Harbor Workers' Compensation Act (LHWCA) from applying for and receiving benefits under Ohio's Workers' Compensation Law. This changes the past practice of insuring these individuals under both the State Insurance Fund and the LHWCA. As a result of HB 562, longshore and harbor workers can only apply for and receive benefits from the Marine Insurance Fund.

Oliver Wyman Rate Indication:

The BWC's consulting actuary Oliver Wyman has recommended a rate change of zero to a decrease of twenty percent.

Administrator Recommendation:

The Administrator is recommending a decrease of 10 percent.

Marine Industry Fund Rate History

7-1-80	Inception of the Marine Industry Fund with the creation of Manuals 9705, 9711, 9719, 9725 and 9741
1-1-81	Manuals 9702 and 9740 were added
7-1-81	No Change
7-1-82	30% increase All Marine Industry Fund risks must have Manual 7772 in the Ohio State Insurance Fund
7-1-83	30% increase
7-1-84	No Change
7-1-85	No Change
7-1-86	No Change
7-1-87	No Change
7-1-88	No Change
7-1-89	No Change
7-1-90	No Change
7-1-91	No Change
7-1-92	No Change
7-1-93	No Change
7-1-94	No Change
7-1-95	No Change
7-1-96	No Change
7-1-97	10% decrease
7-1-98	No Change
7-1-99	No Change
7-1-2000	No Change
7-1-2001	No Change
7-1-2002	No Change
7-1-2003	No Change
7-1-2004	No Change
7-1-2005	12% Decrease
7-1-2006	No Change
7-1-2007	10% Decrease
7-1-2008	10% Decrease

*****Draft – Not for Filing*****

4123-17-19 EMPLOYER CONTRIBUTION TO THE MARINE INDUSTRY FUND

The administrator of workers' compensation, with the advice and consent of the workers' compensation oversight commission, has authority to establish contributions made to the marine industry fund by employers pursuant to sections 4121.121 and 4131.14 of the Revised Code. The administrator hereby sets the premium rates per one hundred dollar unit of payroll to be effective July 1, ~~2008~~ 2009 as indicated in attached appendix A.

Effective: 7/1/2009

Prior Effective Dates: 7/1/90, 7/1/97, 7/1/05, 7/1/2007, 7/1/2008

*****Draft – Not for Filing*****

Appendix A

Rates are for each \$100 unit of payroll

NCCI Manual	Code Manual Rate
6802	\$15.04 \$13.54
6847	\$28.85 \$25.97
7310	\$13.95 \$12.56
7325	\$37.81 \$34.03
7330	\$15.04 \$13.54
8707	\$37.81 \$34.03
8708	\$9.61 \$8.65

NOTE: Manual descriptions for the classifications are in the NCCI Classification section of this publication.

Ohio's underwriting coverage of these manuals is subject to approval by the Federal Government.

Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-20

Rule Review

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

Citation: R.C. 4123.34, 4131.04

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

What goal(s): This rule provides for the premium rating of employer contributions to the coal workers pneumoconiosis fund for coal coverage. It is optional for employers to obtain this coverage from BWC. This rule establishes the rates for employers and informs employers of the rates. BWC is not proposing a change in the rate for this rule.

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: Recommendation from BWC actuarial, Oliver Wyman.

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.

Coal Workers' Pneumoconiosis Fund (CWPF) Executive Summary

Description of Fund: The Coal Workers' Pneumoconiosis Fund (CWPF) provides benefits for injured workers under the Federal Coal Mine Health and Safety Act of 1969. The federal government sets benefit levels and determines claim eligibility for benefits. The CWPF provides voluntary coverage to employers who have employee exposure to coal dust, as required by federal law. Ohio employers may choose to purchase the insurance from BWC, from a private carrier, or self insure.

Benefits provided by fund: CWPF provides Permanent and Total Disabled (PTD) pension benefits and medical payments to employees who have contracted pneumoconiosis in the course of their employment. CWPF provides for Death benefits for surviving spouses of injured workers who have contracted pneumoconiosis in the course of their employment and subsequently died from the pneumoconiosis.

Rate Method: Calculate and apply premium rates designed to provide premiums to equal the cost of all coal mining lung related occupational diseases that have injury dates within the policy year. The current rate will apply to new employers to the fund. A moratorium on premium collections has been in place beginning in the policy year 7-1-1999 through 7-1-2008 due to the high level of surplus. Premium is paid only by employers who have newly subscribed to the CWPF fund on or after May 15, 1999.

Oliver Wyman Rate Indication:

The BWC's consulting actuary Oliver Wyman's rate indication is for no change in rates at this time.

Administrator's Recommendation:

The Administrator is recommending no rate change and to continue a moratorium for CWPF subscribers to the fund with active dates prior to May 15, 1999.

Coal-Workers' Pneumoconiosis (Black Lung) Fund Rate History

7-1-74	Rates: Manual 1112 - \$6.30 Manual 1115 - \$3.68
7-1-75	No Change
7-1-76	No Change
7-1-77	No Change
7-1-78	No Change
7-1-79	No Change
7-1-80	No Change; Administrative Cost now included as a part of the base rate
7-1-81	30% increase
7-1-82	30% increase; Manual 1116 was added
7-1-83	30% decrease for Manual 1115 and Manual 1116 only
7-1-84	30% decrease for Manual 1115 and Manual 1116 only
7-1-85	30% decrease
7-1-86	30% decrease
7-1-87	30% decrease
7-1-88	No Change
7-1-89	No Change
7-1-90	30% decrease
7-1-91	30% decrease
7-1-92	No Change
7-1-93	No Change
7-1-94	No Change
7-1-95	No Change
7-1-96	No Change
7-1-97	10% decrease
7-1-98	No Change
7-1-99	No Change
7-1-2000	No Change
7-1-2001	Rates: Manual 1112 - \$3.70 Manual 1115 - \$1.07 Manual 1116 - \$0.83
7-1-2002	No Change
7-1-2003	No Change
7-1-2004	No Change
7-1-2005	No Change
7-1-2006	No Change
7-1-2007	No Change
7-1-2008	No Change

**4123-17-20 EMPLOYER CONTRIBUTION TO THE
COALWORKERS
PNEUMOCONIOSIS FUND.**

The administrator of workers' compensation, with the advice and consent of the workers' compensation oversight commission, has authority to establish contributions made to the coal-workers pneumoconiosis fund by employers pursuant to sections 4121.121 and 4131.04 of the Revised Code. The administrator hereby sets the premium rates per one hundred dollar unit of payroll to be effective July 1, 2001, as indicated in attached appendix A.

Effective: 7/1/01

Prior Effective Dates: 7/1/90; 7/1/91; 7/1/92; 7/1/97; 7/1/98

Appendix A

Manual	Rate
0112	\$3.70
1115	\$1.07
1116	\$0.83

Note: the above premium rates shall only apply to employers who newly subscribe to the coal-workers pneumoconiosis fund on or after May 15, 1999. The bureau shall institute a moratorium on premium collections from all employers who were subscribers to the coalworkers pneumoconiosis fund prior to May 15, 1999, and who remain subscribers to the fund.

**4123-17-20 EMPLOYER CONTRIBUTION TO THE
COALWORKERS
PNEUMOCONIOSIS FUND.**

The administrator of workers' compensation, with the advice and consent of the workers' compensation oversight commission, has authority to establish contributions made to the coal-workers pneumoconiosis fund by employers pursuant to sections 4121.121 and 4131.04 of the Revised Code. The administrator hereby sets the premium rates per one hundred dollar unit of payroll to be effective July 1, 2001, as indicated in attached appendix A.

Effective: 7/1/01

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Appendix A

Manual	Rate
0112	\$3.70
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Note: the above premium rates shall only apply to employers who newly subscribe to the coal-workers pneumoconiosis fund on or after May 15, 1999. The bureau shall institute a moratorium on premium collections from all employers who were subscribers to the coalworkers pneumoconiosis fund prior to May 15, 1999, and who remain subscribers to the fund.

Common Sense Business Regulation (BWC Rules)

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

Rules 4123-17-05, 4123-17-06

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): These rules establish the credibility tables, base rates, and expected losses for private employers for policy year 7/1/09 to 6/30/10. The rules establish the rates and informs employers of the rates.

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: Employer representatives, group rating sponsors and third party administrators

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.

Private Employers Premium Rates Executive Summary

Employer Group: Private Employers

Policy Year: 7-1-2009 through 6-30-2010

Rate Method: Calculate and apply premium rates designed to provide premiums to meet the costs of injuries and occupational diseases that have injury dates during the policy year. Attached on page 3, is a table showing the rate changes over the past several years.

Rate Rule Process:

- The Administrator of Ohio Bureau of Workers' Compensation recommends to the Workers' Compensation Board of Directors an overall rate change based upon a rate indication developed by the BWC's consulting actuary, Oliver Wyman and discussion and analysis with the Chief Actuarial Officer.
- The Workers' Compensation Board of Directors provided advice and consent to the overall rate change of 12.0 percent decrease at the March 2009 meeting.
- The Administrator provides specific rules that are necessary to implement the approved rate change (Rules 4123-17-05 and 4123-17-06) at the April 2009 Actuarial Committee meeting using the approved rate recommendation.
- The Actuarial Committee recommends to the Workers' Compensation Board of Directors rules 4123-17-05 and 4123-17-06 for approval.
- Rules are filed with Legislative Services Commission and Secretary of State by June 20, 2009. These rules are not chapter 119 rules and therefore, are not subject to public hearings.
- Rules become effective July 1, 2009.

7-1-2009 Rate Summary

Private Employer Premium Rates

1. Change in private employer premium rates at the industry level:

Industry Group	Name	Percent Change	Average Collectible Rate per \$100 Unit of Payroll
1	Agriculture	-12%	\$3.29
2	Extraction	-7%	\$3.86
3	Manufacturing	-13%	\$2.91
4	Construction	-11%	\$4.05
5	Transportation	-9%	\$5.61
6	Utility	-5%	\$1.27
7	Commercial	-10%	\$2.43
8	Service	-14%	\$1.49
9	High Risk Commercial/Service	-11%	\$2.81
10	Office Work/Miscellaneous	-16%	\$0.16
	Total	-12%	\$1.55

2. Projected payroll is \$94.3 billion. Estimated premium is \$1.460 billion.
3. Average assessment for a private employer per \$100 of reported payroll:

Premium (average collectible base rate)	\$1.5500
Administrative Cost (BWC) 13.67%	.2119
Administrative Cost (IC) 1.98%	.0307
Disabled Workers' Relief Fund	.0800
Additional Disabled Workers' Relief Fund (.1% of premium at base rate)	.0016
Total average collectible rate	1.8742

The administrative cost assessments are not known at this time. The rates above are the 7/1/2008 administrative cost assessment rates.

Historical Percent Change in Private Employer Collectible Premium

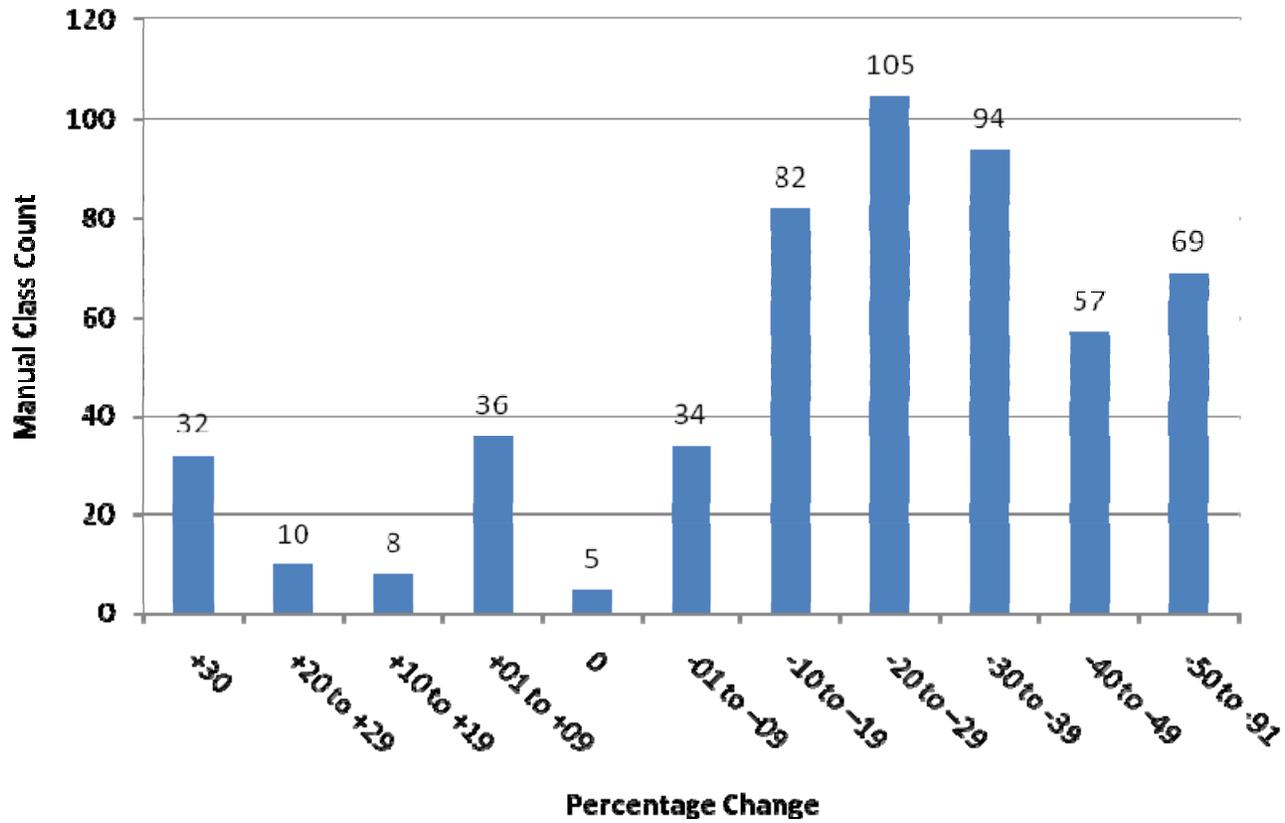
Period	Percent Change	Period	Percent Change
7-1-60	3.7% increase	7-1-1992	3.5% increase
7-1-61	No Change	7-1-1993	No Change
7-1-62	6.4% increase	7-1-1994	No Change
7-1-63	2.1% increase	7-1-1995	7.3% decrease
7-1-64	1.5% increase	7-1-1996	6% decrease
7-1-65	.6% decrease	7-1-1997	15% decrease
7-1-66	4.9% decrease	7-1-1998	6% decrease
7-1-67	1.9% increase	7-1-1999	3% decrease
7-1-68	.2% decrease (no change)	7-1-2000	5% decrease
7-1-69	2.2% decrease	7-1-2001	5% decrease
7-1-70	5.6% decrease	7-1-2002	No Change
7-1-71	12.5% increase	7-1-2003	9% increase
7-1-72	13.1% increase	7-1-2004	2% increase
7-1-73	17.3% increase	7-1-2005	4.4% increase
7-1-74	7.8% decrease	7-1-2006	3.9% increase
7-1-75	10.5% increase	7-1-2007	No Change
7-1-76	28.8% increase	7-1-2008	5.0% decrease
7-1-77	29.7% increase	7-1-2009	12.0% decrease
7-1-78	19.4% decrease		
7-1-79	3% decrease		
7-1-80	No Change		
7-1-81	3% decrease		
7-1-82	1% decrease		
7-1-83	3% decrease		
7-1-84	6% decrease		
7-1-85	6% increase		
7-1-86	6% decrease		
7-1-87	30% increase		
7-1-88	15% increase		
7-1-89	9.5% increase		
7-1-90	No Change		
7-1-91	4.5% increase		

Private Employer Average Collectible Rate

Rating Year	Average Base Rate*	Average Collectible Base Rate*
7-1-75	\$1.42	
7-1-76	\$1.83	
7-1-77	\$2.38	
7-1-78	\$1.93	
7-1-79	\$1.88	
7-1-80	\$1.88	
7-1-81	\$1.83	
7-1-82	\$1.82	
7-1-83	\$1.76	
7-1-84	\$1.65	
7-1-85	\$1.75	
7-1-86	\$1.75	
7-1-87	\$2.34	
7-1-88	\$2.61	
7-1-89	\$2.78	
7-1-90	\$2.91	
7-1-91		\$2.97
7-1-92		\$3.00
7-1-93		\$2.85
7-1-94		\$2.73
7-1-95		\$2.67
7-1-96		\$2.63
7-1-97		\$2.17
7-1-98		\$2.11
7-1-99		\$2.03
7-1-2000		\$1.93
7-1-2001		\$1.81
7-1-2002		\$1.80
7-1-2003		\$1.94
7-1-2004		\$1.98
7-1-2005		\$1.76
7-1-2006		\$1.85
7-1-2007		\$1.85
7-1-2008		\$1.76
7-1-2009		\$1.55

*Rates have been rounded to the nearest cent

Private Employer Base Rate Changes, July 1, 2009



4123-17-05 Private employer ~~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 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 industry group and limited loss ratio tables parts A and B to be effective July 1, ~~2008~~ 2009, applicable to the payroll reporting period July 1, ~~2008~~ 2009, through June 30, ~~2009~~ 2010, for private employers as indicated in the attached appendixes A and B.

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

4123-17-06 **Private employer contributions to the state insurance fund.**

The administrator of workers' compensation, with the advice and consent of the bureau of workers' compensation board of directors, has authority to approve contributions made to the state insurance fund by employers pursuant to sections 4121.121, 4123.29, and 4123.34 of the Revised Code. The administrator hereby sets the NCCI manual classification base rates, and NCCI manual classification expected loss rates per one hundred dollar unit of payroll to be effective July 1, ~~2008~~ 2009, applicable to the payroll reporting period July 1, ~~2008~~ 2009, through June 30, ~~2009~~ 2010, for private employers as indicated in the attached appendix A.

To Be Enacted
Appendix A
BUREAU OF WORKERS' COMPENSATION
NCCI BASE RATES AND EXPECTED LOSS RATES
EFFECTIVE JULY 1, 2009

Base Rates and Expected Loss Rates are for each \$100 Unit of Payroll

**RATES DO NOT INCLUDE ADMINISTRATIVE COST,
DWRP, OR ADDITIONAL DWRP ASSESSMENTS**

Manual Number	Base Rate	Expected Loss Rate
0005	\$2.99	\$0.85
0008	\$1.79	\$0.49
0016	\$6.62	\$0.73
0034	\$4.21	\$1.21
0035	\$4.02	\$1.14
0036	\$3.50	\$1.06
0037	\$6.11	\$1.72
0042	\$6.95	\$2.06
0050	\$4.95	\$0.95
0079	\$7.23	\$3.16
0083	\$6.35	\$1.94
0106	\$40.88	\$10.99
0113	\$3.81	\$0.18
0170	\$3.15	\$0.19
0251	\$4.57	\$0.00
0400	\$3.51	\$1.05
0401	\$3.51	\$1.05
0917	\$8.47	\$2.58
1005	\$5.55	\$1.56
1016	\$5.98	\$1.71
1164	\$5.53	\$0.00
1165	\$13.64	\$0.14
1320	\$4.46	\$1.64
1322	\$9.57	\$1.28
1430	\$63.00	\$23.75
1438	\$7.25	\$2.36
1452	\$5.53	\$0.00
1463	\$4.77	\$1.48
1472	\$1.87	\$0.32
1624	\$4.67	\$1.34
1642	\$4.46	\$1.74
1654	\$3.04	\$0.08
1655	\$2.80	\$1.83
1699	\$11.17	\$3.21
1701	\$3.57	\$1.14
1710	\$8.10	\$2.69
1741	\$7.83	\$1.76
1747	\$4.64	\$2.11
1748	\$3.65	\$1.08
1803	\$5.92	\$1.92
1852	\$4.22	\$1.27

Manual Number	Base Rate	Expected Loss Rate
1853	\$6.16	\$1.80
1860	\$3.45	\$1.07
1924	\$5.55	\$1.86
1925	\$5.42	\$1.64
2001	\$7.41	\$2.21
2002	\$5.86	\$1.39
2003	\$5.09	\$1.37
2014	\$5.22	\$1.82
2016	\$9.51	\$1.87
2021	\$4.81	\$1.31
2039	\$7.08	\$2.09
2041	\$3.95	\$1.20
2065	\$2.47	\$0.77
2070	\$5.56	\$1.61
2081	\$8.00	\$2.39
2089	\$6.16	\$1.55
2095	\$4.96	\$1.51
2105	\$7.54	\$2.83
2110	\$6.25	\$1.47
2111	\$3.39	\$0.98
2112	\$3.09	\$0.66
2114	\$4.22	\$1.27
2121	\$6.10	\$1.74
2130	\$4.72	\$2.42
2131	\$2.23	\$0.39
2143	\$6.82	\$1.91
2157	\$7.05	\$2.34
2172	\$4.22	\$1.27
2174	\$25.87	\$5.37
2211	\$8.52	\$8.40
2220	\$10.25	\$3.52
2286	\$7.47	\$5.27
2288	\$4.86	\$1.56
2300	\$4.22	\$1.27
2302	\$3.76	\$0.77
2305	\$8.08	\$2.60
2361	\$4.22	\$1.27
2362	\$4.71	\$0.13
2380	\$5.96	\$0.95
2386	\$3.86	\$0.00
2388	\$2.66	\$0.82

Manual Number	Base Rate	Expected Loss Rate
2402	\$13.88	\$0.00
2413	\$6.14	\$2.31
2416	\$3.86	\$0.00
2417	\$7.27	\$1.04
2501	\$3.78	\$1.13
2503	\$2.28	\$0.27
2534	\$9.53	\$0.00
2570	\$8.25	\$2.68
2585	\$5.83	\$1.78
2586	\$3.52	\$0.95
2587	\$7.56	\$1.99
2589	\$2.84	\$0.96
2600	\$4.22	\$1.27
2623	\$4.71	\$0.03
2651	\$2.62	\$0.78
2660	\$11.97	\$1.96
2670	\$10.53	\$26.92
2683	\$8.06	\$2.99
2688	\$1.74	\$0.33
2701	\$10.64	\$2.99
2702	\$23.75	\$7.45
2709	\$23.08	\$7.24
2710	\$9.89	\$3.18
2714	\$4.89	\$1.54
2731	\$4.54	\$1.60
2735	\$3.14	\$0.92
2759	\$8.55	\$2.84
2790	\$3.55	\$0.99
2802	\$5.36	\$1.71
2812	\$4.26	\$1.24
2835	\$10.44	\$5.58
2836	\$2.54	\$0.72
2841	\$2.19	\$0.36
2881	\$3.04	\$0.88
2883	\$4.78	\$1.54
2913	\$6.71	\$1.94
2915	\$13.29	\$0.00
2916	\$4.71	\$1.53
2923	\$4.91	\$1.56
2942	\$18.79	\$4.45
2960	\$4.26	\$0.99

Manual Number	Base Rate	Expected Loss Rate
3004	\$4.38	\$1.45
3018	\$3.98	\$1.20
3022	\$6.38	\$1.90
3027	\$3.38	\$0.95
3028	\$5.61	\$1.76
3030	\$7.83	\$2.35
3040	\$5.83	\$2.01
3041	\$10.13	\$4.57
3042	\$1.98	\$0.49
3064	\$5.50	\$1.72
3069	\$6.44	\$1.99
3076	\$5.36	\$1.61
3081	\$12.64	\$3.73
3082	\$12.70	\$4.10
3085	\$7.22	\$2.12
3110	\$9.37	\$2.85
3111	\$4.35	\$1.51
3113	\$2.15	\$0.67
3114	\$4.97	\$1.56
3118	\$2.65	\$0.86
3119	\$4.22	\$1.27
3122	\$3.29	\$0.91
3126	\$4.34	\$1.35
3131	\$2.54	\$0.12
3132	\$4.52	\$1.36
3145	\$3.00	\$0.94
3146	\$3.39	\$1.06
3169	\$5.07	\$1.48
3175	\$2.63	\$0.11
3179	\$2.96	\$0.91
3180	\$7.10	\$2.48
3188	\$4.98	\$1.58
3220	\$4.41	\$1.24
3223	\$3.86	\$0.00
3224	\$3.60	\$0.13
3227	\$6.10	\$2.01
3240	\$4.24	\$1.00
3241	\$7.17	\$2.21
3255	\$4.31	\$0.44
3257	\$3.86	\$1.25
3270	\$16.86	\$5.94
3300	\$6.59	\$2.11
3303	\$10.93	\$3.45
3307	\$4.54	\$1.38
3315	\$2.57	\$0.26
3334	\$4.22	\$1.27
3336	\$7.27	\$1.80
3365	\$8.21	\$2.48
3372	\$5.14	\$1.59
3373	\$2.40	\$0.72
3383	\$2.74	\$0.91
3385	\$1.05	\$0.33

Manual Number	Base Rate	Expected Loss Rate
3400	\$5.73	\$1.74
3507	\$3.46	\$0.99
3515	\$3.72	\$1.15
3548	\$1.29	\$0.36
3559	\$1.47	\$0.46
3574	\$1.40	\$0.43
3581	\$2.19	\$0.46
3612	\$3.22	\$0.90
3620	\$5.80	\$1.72
3629	\$2.05	\$0.60
3632	\$3.74	\$1.15
3634	\$1.83	\$0.57
3635	\$2.67	\$0.78
3638	\$4.10	\$1.36
3642	\$1.23	\$0.22
3643	\$2.63	\$0.79
3647	\$4.73	\$1.56
3648	\$3.64	\$1.02
3681	\$1.81	\$0.57
3685	\$0.97	\$0.29
3719	\$3.57	\$0.82
3724	\$6.15	\$1.76
3726	\$2.82	\$0.66
3803	\$6.15	\$3.59
3807	\$14.27	\$4.06
3808	\$9.23	\$2.52
3821	\$8.12	\$2.65
3822	\$6.89	\$2.14
3824	\$6.33	\$1.94
3826	\$0.66	\$0.14
3827	\$0.78	\$0.23
3830	\$1.74	\$0.39
3851	\$4.22	\$0.00
3865	\$7.49	\$3.70
3881	\$8.79	\$2.73
4000	\$5.41	\$1.61
4021	\$4.52	\$1.66
4024	\$4.90	\$1.55
4034	\$6.57	\$2.15
4036	\$5.33	\$1.58
4038	\$2.23	\$0.34
4053	\$17.27	\$2.79
4061	\$3.46	\$0.89
4062	\$3.72	\$1.01
4101	\$8.08	\$2.36
4111	\$6.40	\$2.58
4112	\$2.91	\$0.83
4113	\$5.52	\$2.33
4114	\$2.31	\$0.18
4130	\$5.57	\$1.76
4131	\$6.00	\$0.71
4133	\$2.70	\$0.64

Manual Number	Base Rate	Expected Loss Rate
4150	\$1.16	\$0.29
4206	\$4.22	\$1.27
4207	\$4.22	\$1.27
4239	\$5.95	\$1.79
4240	\$5.26	\$1.61
4243	\$4.19	\$1.36
4244	\$4.26	\$1.40
4250	\$2.83	\$0.84
4251	\$3.29	\$1.10
4263	\$7.42	\$2.46
4273	\$2.95	\$0.87
4279	\$4.57	\$1.53
4282	\$4.22	\$1.27
4283	\$3.52	\$1.28
4299	\$2.39	\$0.72
4304	\$4.48	\$1.51
4307	\$2.37	\$0.57
4351	\$1.27	\$0.17
4352	\$2.98	\$1.29
4360	\$10.12	\$0.00
4361	\$1.18	\$0.37
4362	\$2.19	\$0.23
4410	\$4.99	\$1.50
4420	\$8.15	\$2.57
4431	\$3.86	\$0.00
4432	\$4.32	\$0.24
4439	\$26.97	\$0.07
4452	\$4.63	\$1.50
4459	\$3.96	\$1.24
4470	\$2.58	\$0.37
4484	\$4.87	\$1.51
4493	\$8.67	\$2.90
4511	\$0.90	\$0.26
4557	\$2.77	\$0.82
4558	\$2.64	\$0.80
4561	\$8.63	\$0.16
4568	\$1.19	\$0.49
4581	\$4.22	\$1.27
4583	\$5.66	\$1.78
4611	\$1.47	\$0.46
4635	\$2.53	\$0.67
4653	\$6.42	\$1.99
4665	\$14.51	\$4.76
4670	\$4.22	\$1.27
4683	\$1.81	\$0.44
4686	\$1.49	\$0.12
4692	\$0.62	\$0.17
4693	\$3.10	\$0.88
4703	\$3.84	\$0.00
4717	\$4.22	\$1.27
4720	\$4.25	\$1.45
4740	\$4.16	\$0.77

Manual Number	Base Rate	Expected Loss Rate
4741	\$5.85	\$1.61
4751	\$1.45	\$0.46
4771	\$2.13	\$0.64
4777	\$10.95	\$3.44
4825	\$0.58	\$0.16
4828	\$3.34	\$0.95
4829	\$1.94	\$0.59
4902	\$5.38	\$1.80
4923	\$2.11	\$0.48
5020	\$9.78	\$2.95
5022	\$7.55	\$2.18
5037	\$46.90	\$17.17
5040	\$12.99	\$3.63
5057	\$7.74	\$2.15
5059	\$9.00	\$2.64
5069	\$5.94	\$0.85
5102	\$6.38	\$1.81
5146	\$7.61	\$2.21
5160	\$1.94	\$0.58
5183	\$4.06	\$1.10
5188	\$5.03	\$1.31
5190	\$3.78	\$1.07
5191	\$1.81	\$0.59
5192	\$5.91	\$1.82
5213	\$6.58	\$1.94
5215	\$5.58	\$1.73
5221	\$5.27	\$1.58
5222	\$7.73	\$2.18
5223	\$9.48	\$2.57
5348	\$6.16	\$1.72
5402	\$7.98	\$1.32
5403	\$6.71	\$1.90
5437	\$4.39	\$1.35
5443	\$23.30	\$8.26
5445	\$5.75	\$1.64
5462	\$7.82	\$2.30
5472	\$5.51	\$1.77
5473	\$9.79	\$2.46
5474	\$7.86	\$2.12
5478	\$6.19	\$1.89
5479	\$8.20	\$2.00
5480	\$5.54	\$2.59
5491	\$8.17	\$0.06
5506	\$7.01	\$2.07
5507	\$3.68	\$1.03
5508	\$14.95	\$0.53
5535	\$6.90	\$2.03
5537	\$4.87	\$1.37
5538	N/A	\$2.07
5551	\$17.26	\$4.56
5605	\$1.04	\$0.29
5606	\$1.31	\$0.35

Manual Number	Base Rate	Expected Loss Rate
5610	\$15.10	\$2.35
5645	\$9.81	\$2.80
5651	\$8.30	\$2.48
5703	\$13.18	\$1.77
5705	\$5.94	\$22.32
5951	\$3.86	\$0.00
6003	\$7.63	\$0.63
6005	\$13.05	\$0.13
6017	\$5.94	\$1.68
6018	\$5.94	\$1.68
6045	\$5.94	\$1.68
6204	\$9.17	\$2.64
6206	\$6.80	\$0.00
6213	\$6.09	\$0.00
6214	\$6.64	\$7.25
6216	\$7.36	\$2.02
6217	\$4.99	\$1.50
6229	\$6.55	\$1.70
6233	\$5.24	\$1.60
6235	\$29.16	\$9.30
6236	\$6.50	\$2.30
6237	\$2.15	\$0.09
6251	\$13.28	\$3.91
6252	\$6.06	\$1.64
6260	\$5.94	\$0.06
6306	\$4.33	\$1.34
6319	\$5.35	\$1.92
6325	\$8.92	\$2.60
6400	\$4.98	\$1.51
6504	\$4.71	\$1.44
6704	\$8.21	\$2.30
6811	\$4.94	\$2.13
6834	\$5.15	\$0.98
6836	\$7.09	\$2.13
6854	\$4.22	\$1.27
6882	\$3.86	\$0.08
6884	\$4.22	\$1.27
7133	\$7.83	\$2.47
7222	\$8.21	\$0.00
7228	\$10.64	\$2.99
7229	\$9.09	\$2.61
7230	\$13.99	\$4.48
7231	\$15.72	\$4.34
7232	\$9.58	\$2.69
7360	\$8.52	\$2.94
7370	\$8.06	\$2.35
7380	\$6.95	\$1.95
7382	\$7.72	\$1.99
7390	\$7.82	\$2.29
7403	\$4.14	\$1.26
7405	\$2.47	\$0.80
7420	\$4.91	\$20.39

Manual Number	Base Rate	Expected Loss Rate
7421	\$2.68	\$0.21
7422	\$3.02	\$0.97
7425	\$1.43	\$0.08
7431	\$2.22	\$0.79
7502	\$1.72	\$0.54
7515	\$3.51	\$0.89
7520	\$3.48	\$1.11
7538	\$12.58	\$3.85
7539	\$3.59	\$1.04
7540	\$4.89	\$1.48
7580	\$2.81	\$0.78
7590	\$7.31	\$2.14
7600	\$2.97	\$0.87
7601	\$7.13	\$1.77
7605	\$3.22	\$1.01
7610	\$0.52	\$0.17
7611	\$6.99	\$2.95
7612	\$9.84	\$2.32
7613	\$16.48	\$5.00
7704	N/A	\$2.04
7705	\$8.84	\$3.59
7710	\$7.35	\$2.16
7711	\$6.69	\$2.04
7720	\$4.58	\$1.35
7855	\$5.86	\$2.15
8001	\$3.91	\$1.16
8002	\$5.55	\$1.68
8006	\$3.48	\$1.16
8008	\$2.04	\$0.66
8010	\$2.46	\$0.75
8013	\$0.53	\$0.16
8015	\$0.98	\$0.32
8017	\$2.24	\$0.68
8018	\$4.46	\$1.36
8021	\$3.52	\$1.04
8031	\$3.60	\$1.16
8032	\$4.00	\$1.19
8033	\$3.52	\$1.05
8039	\$5.54	\$1.66
8044	\$3.93	\$1.21
8045	\$0.68	\$0.18
8046	\$3.01	\$0.91
8047	\$3.20	\$0.87
8058	\$2.65	\$0.86
8072	\$1.39	\$0.49
8102	\$1.78	\$0.57
8103	\$7.47	\$0.16
8105	\$10.67	\$1.99
8106	\$5.84	\$1.71
8107	\$3.60	\$1.11
8111	\$4.21	\$1.30
8116	\$1.52	\$0.47

Manual Number	Base Rate	Expected Loss Rate
8203	\$6.54	\$2.39
8204	\$3.76	\$0.73
8209	\$4.65	\$1.01
8215	\$3.45	\$1.09
8227	\$4.01	\$1.11
8232	\$6.18	\$1.91
8233	\$5.48	\$2.11
8235	\$4.39	\$1.36
8263	\$14.07	\$4.74
8264	\$8.99	\$2.57
8265	\$11.05	\$3.45
8279	\$12.15	\$3.41
8288	\$8.37	\$3.57
8291	\$6.66	\$1.69
8292	\$6.03	\$1.91
8293	\$10.70	\$3.41
8304	\$5.20	\$1.69
8350	\$5.36	\$1.74
8380	\$3.49	\$1.05
8381	\$4.42	\$1.33
8385	\$3.79	\$1.14
8392	\$7.00	\$2.36
8393	\$2.53	\$0.78
8500	\$7.72	\$2.32
8601	\$0.45	\$0.16
8606	\$3.89	\$0.18
8720	\$3.67	\$1.11
8721	\$0.30	\$0.09
8742	\$0.30	\$0.09
8745	\$3.91	\$1.07
8748	\$0.58	\$0.16
8755	\$0.58	\$0.19
8799	\$1.73	\$0.46
8800	\$1.79	\$0.48
8803	\$0.09	\$0.03
8810	\$0.19	\$0.06
8820	\$0.21	\$0.07
8824	\$6.21	\$1.94
8825	\$3.36	\$1.04
8826	\$3.29	\$1.06
8829	\$4.74	\$1.50
8831	\$1.48	\$0.49
8832	\$0.44	\$0.14
8833	\$1.50	\$0.46
8835	\$4.20	\$1.27
8842	\$3.17	\$0.97

Manual Number	Base Rate	Expected Loss Rate
8864	\$3.17	\$0.97
8868	\$0.51	\$0.15
8869	\$1.86	\$0.59
8871	\$0.45	\$0.01
8901	\$0.19	\$0.06
8989	\$3.82	\$1.25
9012	\$0.82	\$0.25
9014	\$5.65	\$1.75
9015	\$5.19	\$1.67
9016	\$4.97	\$1.61
9019	\$2.19	\$0.67
9033	\$3.25	\$0.98
9040	\$4.59	\$1.33
9044	\$2.19	\$0.67
9052	\$3.96	\$1.20
9058	\$3.60	\$1.07
9059	\$1.99	\$0.57
9060	\$1.67	\$0.51
9061	\$2.99	\$1.05
9062	\$6.67	\$6.77
9063	\$1.50	\$0.43
9082	\$2.33	\$0.74
9083	\$2.46	\$0.74
9084	\$2.72	\$0.86
9088	\$4.26	\$1.27
9089	\$1.65	\$0.12
9093	\$2.45	\$0.80
9101	\$2.73	\$0.83
9102	\$3.34	\$1.03
9154	\$2.72	\$0.81
9156	\$1.45	\$0.44
9170	\$5.54	\$1.71
9178	\$23.91	\$7.50
9179	\$49.22	\$17.86
9180	\$3.63	\$0.99
9182	\$5.73	\$1.71
9186	\$9.11	\$2.70
9220	\$7.03	\$2.60
9402	\$7.25	\$2.09
9403	\$10.88	\$3.40
9501	\$3.92	\$1.11
9505	\$1.85	\$0.56
9516	\$5.96	\$2.04
9519	\$4.48	\$1.35
9521	\$4.68	\$1.37
9522	\$2.99	\$0.93

Manual Number	Base Rate	Expected Loss Rate
9534	\$3.64	\$1.05
9554	\$9.51	\$2.71
9586	\$0.83	\$0.29
9600	\$2.93	\$1.17
9620	\$0.86	\$0.28
9984	\$1.24	\$0.31
9985	\$3.79	\$0.00

Common Sense Business Regulation (BWC Rules)

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

Rules 4123-17-03

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. 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: Employer representatives; Group rating sponsors and third party administrators provided substantive 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
Rule 4123-17-03
Employer's Classification Rates

Introduction

Rule 4123-17-03 of the Administrative Code contains the methodology to calculate an employer's experience modification percent (EM). In January 2009 the board of directors approved a change to this rule to include the methodology for capping an employers' individual 7/1/2009 EM to a 100% increase from their 7/1/2008 EM.

Reason for Rule Change

After further evaluation it has been determined that the cap should only be applied to those employers whose 7/1/2009 individual EM is equal to or greater than 1.01. In addition, employers must complete five steps of the ten step business plan as outlined in Rule 4123-17-70. In addition, employers will have the option to not have the cap applied.

Rule Changes

Paragraph (G) of rule 4123-17-03 is amended to include language to support the above change as well a minor editorial changes.

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) 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 the credibility group, credibility, and 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, of 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 ~~appendix A 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 ~~appendix A 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) 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 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 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 writing by September thirtieth of the policy year.

~~(1)~~ (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.

~~(2)~~ (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.

~~(3)~~ (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%.

Prior effective date: 2/7/09

Promulgated Under: 111.15

Statutory Authority: 4121.12, 4121.121, 4121.13

Rule Amplifies: 4123.29, 4123.34

Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-73

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): Provide for a group retrospective rating program that is considered the industry standard and facilitates employers creating safer workplaces and receiving a financial incentive for their safety and claims management efforts and performance attained.

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: Meetings were held with various *stakeholders, and their support was obtained.
* Central Ohio Builders' Exchange, COSE, NFIB, Ohio Chamber of Commerce, Ohio Farm Bureau, Ohio Grocers' Association, Ohio Manufacturers' Association, Ohio Retail Merchants, Frank Gates, CCI, Sheakley, Gates McDonald, CompManagement (Sedgwick) and members of the SAO and WC Forum

Local roundtables with employers were held in various locations around the state for 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.

BWC Board of Directors Executive Summary

Group Retrospective Rating Program Rules

Introduction

Chapter 4123-17 of the Ohio Administrative Code contains BWC rules for alternative rating and discount programs. Rule 4123-17-73 is a new rule to create a group retrospective rating program.

Background Information

Pursuant to division (A) of section 4123.29 of the Ohio Revised Code, the administrator shall consider an employer group as a single employing entity for purposes of group retrospective rating. The group retrospective rating program provides a means for employers to form a group and benefit from safe workplace practices.

Proposed Changes

A sponsoring organization certified by BWC will have the right to form a retrospective rating group comprised of a collection of its constituent members. For a one year period of time BWC will track the combined premium and claims costs of the retro group. At intervals of 12, 24, and 36 months after the end of the retro year, BWC will look back and calculate the retrospective premium of the group. This is also known as "retro adjustment".

If claims costs for the retro year are lower than anticipated, a portion of the premiums paid are refunded. If, however, claims costs are above a certain point (depending on the level of risk chosen by the group), an assessment for additional premium would be made. There is a pre-selected limit to this additional assessment, called a "Maximum Premium Ratio", but it is critical that this risk is recognized. Refunds and assessments will be directly distributed to employers on a pro rata basis.

4123-17-73 Group Retrospective Rating Program.

(A) As used in this rule:

(1) “Group retrospective rating” or “group retro rating” is a voluntary workers’ compensation insurance program offered by the bureau of workers’ compensation. Group retro rating is designed to provide financial incentive to employer groups participating in the program that, through improvements in workplace safety and injured worker outcomes, are able to keep their claim costs below a predefined level.

(2) “Basic premium factor” is a component of the retrospective rating premium formula used to account for insurance charges and costs that are distributed across all employers. The basic premium factor (BPF) is based upon charges for the cost of having retrospective premium limited by the selected maximum premium ratio and the cost of excluding surplus costs from incurred losses.

(3) “Developed losses” or “total incurred losses (developed)” are a component of the retrospective rating premium formula intended to account for the fact that total incurred losses in claims are likely to increase over time. This trend results from a number of factors, including, but not limited to, reactivation of claims and claims that may be incurred but not reported for a substantial period, and result in costs that would otherwise not be captured.

(4) “Evaluation period” means the three-year period beginning immediately after the end of the retro policy year. Annual evaluations will occur three times during the evaluation period at twelve, twenty-four, and thirty-six months after the end of the retro policy year.

(5) “Incurred losses” means compensation payments and medical payments paid to date as well as open case reserves. The total incurred losses will not include surplus costs and will be limited on a per claim basis.

(6) “Loss development factor” means actuarially determined factors that are multiplied by incurred losses of non-PTD/death retro claims to produce developed losses. Loss development factors (LDF) are unique to each retro policy year.

(7) “Maximum premium ratio” means a factor pre-selected by the retro group that is multiplied by the standard premium to determine the maximum retrospective premium for the group.

(8) “Member of a retro group” means the individual employers that participate in a group retro plan of a sponsoring organization.

(9) "Reserve" means the bureau's estimate of the future cost of a claim at a specific point in time.

(10) "Retro policy year" means the policy year in which an employer is enrolled in group retrospective rating. Claim losses which occur during this year will be tracked for all retro group members and refunds/assessments will be distributed based on those losses in the subsequent evaluation period. The retro policy year start and end date will match that of the rating policy year. For public employer taxing districts, the retro policy year shall be January first through December thirty-first of a year. For private employers, the retro policy year shall be July first through June thirtieth of the following year.

(11) "Standard premium" for the purposes of retro evaluation means the total premium paid by an employer for a given policy year, excluding the assessments for the disabled workers' relief fund and the administrative cost fund.

(B) Sponsor eligibility requirements.

Each sponsoring organization seeking to sponsor a retro group must be certified under the bureau's sponsor certification process as specified in rule 4123-17-61.1 of the Administrative Code.

(C) Retro group eligibility requirements.

Each retro group seeking to participate in the bureau group retro program shall meet the following standards:

(1) A retro group must be sponsored by a bureau certified sponsoring organization.

(2) The employers' business in the organization must be substantially similar such that the risks which are grouped are substantially homogeneous. 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 retro policy year 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. The bureau may allow an employer to move to a more homogeneous group when, after December thirty-first for private employer groups and June thirtieth for public employer taxing district groups, but before the application deadline, the employer:

(a) Is a new employer;

(b) Is reclassified as a result of an audit; or

(c) Fully or partially combines with another employer.

(3) A retro group of employers must have aggregate workers' compensation premiums expected to exceed one million dollars, as determined by the administrator based upon the last full policy year for which premium information is available.

(a) For new employers without a full year of recorded premium, the bureau may use the employer's expected premium.

(b) The bureau shall calculate the premium based upon the experience modified premium of the individual employers excluding group rating discounts.

(4) The retro group must include at least two employers.

(5) The formation and operation of the retro group program by the organization must substantially improve accident prevention and claims handling for the employers in the retro group. The bureau shall require the retro group to document its safety plan or program for these purposes, and, for retro groups reapplying annually for group retro coverage, the results of prior programs. The safety plan must follow the guidelines and criteria set forth under rule 4123-17-68 of the Administrative Code.

(D) Employer eligibility requirements.

Each employer seeking to participate in the bureau group retrospective program shall meet the following standards:

(1) 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 group retro program.

(2) Each employer seeking to enroll in a retro group for workers' compensation coverage must have active workers' compensation coverage according to the following standards:

(a) Unless the employer submits prior to the application deadline a dispute of the obligation to the bureau's adjudicating committee by a written letter containing the detailed reasons for the objection and the supporting documentation, the employer must be current (not more than forty-five days past due) on any and all premiums, administrative costs, assessments, fines or monies otherwise due to any fund administered by the Ohio bureau of workers' compensation, including amounts due for group or individual retrospective rating at the time of the application deadline date.

(b) As of the deadline for the application for group retrospective rating, the employer must be current on the payment schedule of any part-pay agreement into which it has entered for payment of premiums or assessment obligations.

(c) The employer cannot have cumulative lapses in workers' compensation coverage in excess of forty days within the twelve months preceding the application deadline date for group retro rating.

(3) No employer may be a member of more than one retro group or a retro and non-retro group for the purpose of obtaining workers' compensation coverage. Applying for more than one group, whether retro or not, on a valid application, will result in the bureau contacting the associated sponsor or sponsors for all groups for which the employer applied. The employer must notify the bureau of the employer's final group selection. If no notification is received by the start of the policy year, the employer will be rejected from participating in any groups for the year.

(4) An employer must be homogeneous with the industry group of the retro group as defined in paragraph (C)(2) of this rule.

(a) An individual employer member of a continuing retro group who initially satisfied the homogeneous requirement shall not be disqualified from participation in the continuing retro group for failure to continue to satisfy such requirement.

(5) An employer participating in the group retrospective program shall be entitled to participate in any other bureau rate program concurrent with its participation in the group retrospective 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 group retro, the following bureau rate programs:

(a) Individual retrospective rating;

(b) The \$15,000 medical-only program;

(c) Deductible program;

(d) One claim program;

(e) Group rating;

(f) Drug-free workplace discount program.

(E) A sponsoring organization shall make application for group retro on a form provided by the bureau and shall complete the application in its entirety with all documentation attached as required by the bureau. If the sponsoring organization fails to include all pertinent information, the bureau will reject the application.

(1) The group retro application (U-151) shall be signed each year by an officer of the sponsoring organization.

(2) The sponsoring organization shall identify each individual employer in the retro group on an employer roster for group retro plan (U-152).

(F) For public employer taxing districts, applications for group retro coverage shall be filed with the bureau on or before the last Friday of September of the year immediately preceding the rating year. For private employers, applications for group retro coverage shall be filed with the bureau on or before the last business day of April of the year of the July first beginning date for the rating year; except that for 2009 only, the application for group retro coverage shall be filed on or before June 26th. A retro group's application for group retrospective rating is applicable to only one policy year. The retro group must reapply each year for group retro coverage. Continuation of a plan for subsequent years is subject to timely filing of an application on a yearly basis and the meeting of eligibility requirements each year.

(G) Upon receipt of an application for retro group, the bureau shall do the following:

(1) Determine the industry classification of the retro group based upon the makeup of retro group employers submitted.

(2) Screen prospective retro group members to ensure that their business operations fit appropriately in the retro group's industry classification.

(3) In reviewing the retro group's application, if the bureau determines that individual employers in the retro group do not meet the eligibility requirements for group retrospective rating, the bureau will notify the individual employers and the retro group of this fact, and the retro group may continue in its application for group retro coverage without the disqualified employers.

(H) The group retro sponsor shall submit to the bureau an employer statement (U-153) each year for each employer that wishes to participate in group retrospective rating with the sponsor. Where an employer files a new employer statement form during an application period, it shall be presumed that the latest filed employer statement form of the employer indicates the employer's intentions for group retro. An employer statement form shall remain effective until the end of the policy year as defined on the employer statement form.

(I) The bureau may request of individual employers or the retro group sponsor, additional information necessary for the bureau to rule upon the application for group retro coverage. Failure or refusal of the retro group sponsor to provide the requested information on the forms or computer formats provided by the bureau shall be sufficient grounds for the bureau to reject the application and refuse the retro group's participation in group retrospective rating program.

(J) Individual employers who are not included on the final retro group roster or do not have an individual employer application (U-153) for the same retro group or another retro group sponsored by the same sponsoring organization on file by the application deadline, will not be considered for the group retro plan for that policy year; however, the bureau may waive this requirement for good cause shown due to clerical or administrative error, so long as no employer is added to a retro group after the application deadline. The group retro sponsor shall submit all information to the bureau by the application deadline.

(K) A sponsoring organization shall notify an employer that is participating in a retro group of that sponsoring organization if the employer will not be included in a retro group by that sponsoring organization for the next rating year. For private employer retro groups, the sponsoring organization shall notify the employer in writing prior to the first Monday in April of the year of the retro group application deadline. For public employer taxing district retro groups, the sponsoring organization shall notify the employer in writing prior to the second Friday of September of the year of the group retro application deadline. If an employer notifies the bureau that a sponsoring organization has not complied with this rule and the sponsoring organization fails to prove that the notice was provided in a timely manner, the bureau will, without the approval of the sponsoring organization, allow the employer to remain in the retro group for the rating year for which the notice was required. If that retro group no longer exists, the bureau will, without the approval of the sponsoring organization, place the employer in a homogeneous retro group with the same sponsoring organization or take other appropriate action.

(L) Once a retro group has applied for group retrospective rating, the organization may not voluntarily terminate the application. All changes to the original application must be filed on a bureau form provided for the application for the group retrospective rating plan and must be filed prior to the filing deadline. Any rescissions made must be completed in writing, signed by an officer of the sponsoring organization and filed prior to the filing deadline. The retro group may make no changes to the application after the last day for filing the application. Any changes received by the bureau after the filing deadline will not be honored. The latest application form or rescission received by the bureau prior to the filing deadline will be used in determining the premium obligation.

(M) After the group retro application deadline but before the end of the policy year for the retro group, the sponsoring organization may notify the bureau that it wishes to remove an employer from participation in the retro group. The sponsoring organization may request that the employer be removed from the retro group after the application deadline only for the employer's gross misrepresentation on its application to the retro group.

(1) "Gross misrepresentation" is an act by the employer that would cause financial harm to the other members of the retro group. Gross misrepresentation is limited to any of the following:

(a) Where the sponsoring organization discovers that the employer applicant for group retro rating has recently merged with one or more entities, such that the merger adversely affects the employer's risk of future losses and the employer did not disclose the merger on the employer's application for membership in the retro group.

(b) Where the sponsoring organization discovers that the employer applicant for group retrospective rating has failed to disclose the true nature of the employer's business pursuit on its application for membership in the retro group, and this failure adversely affects the loss potential of the retro group.

(2) Where the sponsoring organization requests that an employer be removed from the retro group, the burden of proof is on the sponsoring organization to provide documentation. The bureau shall review the request to remove the employer from the retro group, and the employer shall be removed from the retro group only upon the bureau's consent.

(N) A retro group formed for the purpose of group retrospective rating may not voluntarily terminate a plan during the policy year. A change in the name of the retro group will not constitute a new retro group. A change of the organization sponsoring a retro group or moving a retro group to a new sponsoring organization shall constitute a new retro group and the members of the new retro group must meet the homogeneity requirement of paragraph rule (C)(2) of this rule. A retro group shall be considered a continuing retro group if more than fifty per cent of the members of the retro group in the previous rating year are members of the retro group in the current rating year.

(O) Selection of an authorized representative for the retro group shall meet the following requirements:

(1) A retro group that has been established and has been accepted by the bureau of workers' compensation for the purpose of group retrospective rating shall have no more than one permanent authorized representative for representation of the retro group and the individual employers of the retro group

before the bureau and the industrial commission in any and all risk-related matters pertaining to participation in the workers' compensation fund.

(2) The selection of an authorized representative must be made by submission of a completed form U-151, and any change or termination of the authorized representative can be made only by a subsequent submission of form U-151. Only an officer of the sponsoring organization may sign a U-151.

(P) The bureau shall consider an employer individually when assessing the premium payments for the retro policy year. The retro group will be considered a single entity for purposes of calculating group retrospective premium adjustments.

(Q) The group retrospective premium calculation will occur at twelve, twenty-four, and thirty-six months following the end of the group retro policy year.

(1) On the evaluation date, the bureau will evaluate all claims with injury dates that fall within the retro policy year. The incurred losses and reserves that have been established for these claims are "captured" or "frozen." The group's retrospective premium will be calculated based on the developed incurred losses of the group. The group retrospective premium will be compared to the group standard premium (the combined standard premiums of retro group members for the retro policy year) and all subsequent group retro refunds/assessments. The difference will be distributed or billed to employers as a refund or assessment.

(a) These assessments will be limited per a maximum premium ratio selected during the group retro application process.

(b) Any reserving method that suppresses some portion of an employer's costs for the purpose of calculating an experience modification will not apply in the calculation of incurred losses for group retrospective rating.

(c) The bureau may hold a portion of refunds in the first and second evaluation periods to minimize possible future assessments. Any net refund will be fully distributed by the bureau in the third evaluation period.

(2) Incurred losses used in the retrospective premium will be limited to \$500,000 per claim.

(3) Incurred losses will not include surplus or VSSR costs.

(R) The retrospective premium calculation that will occur at various evaluation points after the retro policy year end will be as follows (please note that standard premium and developed incurred losses are for the total of the entire retro group):

Group retrospective premium =

(Basic premium factor x standard premium)

+

developed incurred losses

(1) A group will elect a maximum premium ratio for the group each year as part of the group retro application process. This ratio will determine the maximum amount of total premium a retro group may pay after refunds and assessments.

(2) Options for the Maximum Premium Ratio will be as follows: 1.05, 1.10, 1.15, 1.20, 1.25, 1.50, 1.75, or 2.00.

(3) A basic premium factor is applied in the retro premium calculation to account for insurance costs, surplus costs, and a per claim cap. The basic premium factor is determined using the following factors: group size by standard premium and maximum premium ratio.

(4) Developed incurred losses are created by totaling incurred losses and reserves for the entire retro group and applying an actuarially determined loss development factor.

(5) Refunds and assessments will be distributed directly to group retro employers. The amount refunded or assessed to an individual employer will be based upon the percentage of the total group standard premium paid by the employer at the time of evaluation. The refund or assessment will be multiplied by this percentage and the resulting amount will be distributed or billed to the employer.

(6) Within four months of the evaluation date, if entitled, the bureau will send premium refunds.

(7) If additional premium is owed, it will be included in the employer's next invoice and must be paid by the due date stated on the invoice. The bureau will charge penalties on any additional premium not paid when it is due. If the group retro member is entitled to a refund for one retro policy year and owes any additional monies to the bureau, the bureau will deduct the monies due the bureau from the refund. The bureau will refund the difference to the group retro member. In the event that this adjustment still leaves a premium balance due, the bureau will send a bill for the balance.

(S) Terminations, transfers, and change of ownership will be handled in regards to group retrospective as follows:

(1) Predecessor: enrolled in group retro program.
Successor: new entity.

Where there is a combination or experience transfer during the current policy year, wherein the predecessor was a participant in the group retro program, and the successor is assigned a new policy with the bureau, the successor may be considered a member of the group retro program if agreed to by both the succeeding employer and the group retro sponsor. Written agreement signed by both the succeeding employer and the group retro sponsor must be received by the bureau within thirty days of the date of succession. If the succeeding employer and the group sponsor agree to successor joining the retro group, the successor's group retro evaluation shall be based on the group's reported payroll and claims incurred. Notwithstanding this election, the successor shall be responsible for any and all existing or future rights and obligations stemming from the predecessor's participation in the group retro program prior to the date that the bureau was notified of the transfer as prescribed under paragraph (C) of rule 4123-17-02 of the Administrative Code.

(2) Predecessor: not enrolled in group retro program.
Successor: enrolled in group retro program.

Where one legal entity that has established coverage and is enrolled in the group retro program, wholly succeeds one or more legal entities having established coverage and the predecessor entities are not enrolled in the group retro program at the date of succession, the payroll reported and claims incurred by the predecessor from the date of succession to the end of the policy year, shall be included in successor's retrospective rating plan. If the predecessor had at any time participated in a group retro program, the successor shall be responsible for any and all existing or future rights and obligations stemming from the predecessor's participation in the group retro program prior to the date that the bureau was notified of the transfer as prescribed under paragraph (C) of rule 4123-17-02 of the Administrative Code.

(3) Predecessor: enrolled in group retro program.
Successor: not enrolled in group retro program.

Where one legal entity that has established coverage and is not currently enrolled in a group retro plan wholly succeeds one or more entities that are enrolled in a group retro plan, predecessor's plan(s) shall terminate as of the ending date of the evaluation period. Payroll reported and claims incurred on or after the date of succession will be the responsibility of the successor under its current rating plan. The successor shall be responsible for any and all existing or future rights and obligations stemming from the predecessor's participation in the group retro program prior to the date that the bureau was notified of the transfer as prescribed under paragraph (C) of rule 4123-17-02 of the Administrative Code.

(4) Predecessor: enrolled in group retro program.
Successor: enrolled in different group retro program.

Where one legal entity that has established coverage and is enrolled in a group retro plan wholly succeeds one or more entities that are enrolled in a group retro plan, predecessor's plan(s) shall terminate as of the ending date of the evaluation period. Payroll reported and claims incurred on or after the date of succession will be the responsibility of the successor under its group retro plan. The successor shall be responsible for any and all existing or future rights and obligations stemming from the predecessor's participation in the group retro program prior to the date that the bureau was notified of the transfer as prescribed under paragraph (C) of rule 4123-17-02 of the Administrative Code.

(5) Predecessor: enrolled in group retro program.
Successor: enrolled in same group retro program.

Where one legal entity that has established coverage and is enrolled in a group retro plan wholly succeeds one or more entities that are enrolled in the same group retro plan, the successor shall be responsible for any and all existing or future liabilities stemming from the predecessor's participation in the group retro program prior to the date that the bureau was notified of the transfer as prescribed under paragraph (C) of rule 4123-17-02 of the Administrative Code. If the predecessor had at any time participated in a different group retro program, the successor shall be responsible for any and all existing or future rights and obligations stemming from the predecessor's participation in the group retro program prior to the date that the bureau was notified of the transfer as prescribed under paragraph (C) of rule 4123-17-02 of the Administrative Code.

(6) Successor: cancels coverage and was enrolled in group retro program.
Predecessor: no predecessor.

If the successor cancels coverage and there is no predecessor, the premium and losses of the cancelling employer will remain with the retro group for future retrospective premium calculations. The resulting refund or assessment will be collected from the remaining members of the retro group.

Group retro sponsors and authorized representatives have the right to represent the interest of the cancelled employer on behalf of the group with regard to claims which occurred during the year or years the employer was active in a retro group sponsored by the organization.

(7) Successor and/or predecessor: open group retro policy years in the evaluation period.

If the successor and predecessor are not currently enrolled in the group retro program, but either or both have open group retro policy years in the evaluation period, the successor shall be responsible for any and all existing or future rights and obligations stemming from the predecessor's participation in the group retro program prior to the date that the bureau was notified of the transfer as prescribed under paragraph (C) of rule 4123-17-02 of the Administrative Code.

(8) Partial transfer.

If an entity partially succeeds another entity and the predecessor entity has any group retro policy years in the evaluation period, the predecessor entity will retain any rights to assessments or refunds. If the successor is enrolled in the group retro program, payroll reported and claims incurred on or after the date of the partial transfer will be the responsibility of the successor under its group retro plan.

(9) Successor: files a petition for bankruptcy.
Predecessor: no predecessor.

If a current or previously group retro program employer with open retro policy years files a petition for bankruptcy under chapter seven or chapter eleven of the Federal bankruptcy law, that employer shall notify the bureau legal division by certified mail within five working days from the date of the bankruptcy filing. The bureau will petition the bankruptcy court to take appropriate action to protect the state insurance fund and other related funds.

Base Premium Factors For Group Retrospective Rating

	Max %																			
Size	<u>105%</u>	<u>110%</u>	<u>115%</u>	<u>120%</u>	<u>125%</u>	<u>130%</u>	<u>135%</u>	<u>140%</u>	<u>145%</u>	<u>150%</u>	<u>155%</u>	<u>160%</u>	<u>165%</u>	<u>170%</u>	<u>175%</u>	<u>180%</u>	<u>185%</u>	<u>190%</u>	<u>195%</u>	<u>200%</u>
19	56.2%	48.4%	43.4%	39.8%	36.9%	34.7%	32.7%	31.1%	29.7%	28.5%	27.5%	26.6%	25.8%	25.0%	24.4%	23.8%	23.3%	22.8%	22.3%	21.9%
18	54.7%	47.0%	42.0%	38.5%	35.7%	33.4%	31.6%	30.0%	28.7%	27.5%	26.5%	25.6%	24.9%	24.2%	23.5%	23.0%	22.5%	22.1%	21.7%	21.3%
17	53.2%	45.5%	40.6%	37.1%	34.4%	32.2%	30.4%	28.9%	27.6%	26.5%	25.5%	24.7%	24.0%	23.3%	22.7%	22.2%	21.8%	21.4%	21.0%	20.7%
16	51.6%	43.9%	39.1%	35.7%	33.0%	30.9%	29.2%	27.7%	26.5%	25.5%	24.6%	23.8%	23.1%	22.5%	22.0%	21.5%	21.1%	20.7%	20.4%	20.1%
15	49.9%	42.3%	37.6%	34.2%	31.7%	29.6%	28.0%	26.6%	25.4%	24.4%	23.6%	22.9%	22.2%	21.7%	21.2%	20.8%	20.4%	20.1%	19.8%	19.5%
14	48.1%	40.6%	36.0%	32.8%	30.3%	28.3%	26.8%	25.5%	24.4%	23.5%	22.7%	22.0%	21.4%	20.9%	20.5%	20.1%	19.8%	19.5%	19.2%	19.0%
13	45.3%	38.0%	33.6%	30.5%	28.2%	26.4%	25.0%	23.8%	22.8%	22.0%	21.3%	20.8%	20.3%	19.9%	19.5%	19.2%	18.9%	18.7%	18.5%	18.3%
12	42.2%	35.2%	31.1%	28.2%	26.1%	24.5%	23.2%	22.2%	21.4%	20.7%	20.1%	19.7%	19.3%	18.9%	18.7%	18.4%	18.2%	18.1%	17.9%	17.8%
11	38.9%	32.4%	28.5%	25.9%	24.1%	22.6%	21.6%	20.7%	20.0%	19.5%	19.1%	18.7%	18.4%	18.2%	18.0%	17.8%	17.7%	17.6%	17.5%	17.4%
10	35.8%	29.6%	26.2%	23.9%	22.2%	21.1%	20.2%	19.5%	19.0%	18.6%	18.2%	18.0%	17.8%	17.6%	17.5%	17.4%	17.3%	17.3%	17.2%	17.2%
9	32.4%	26.9%	23.9%	21.9%	20.6%	19.6%	19.0%	18.5%	18.1%	17.8%	17.6%	17.5%	17.4%	17.3%	17.2%	17.2%	17.1%	17.1%	17.1%	17.1%
8	29.9%	24.9%	22.2%	20.6%	19.5%	18.7%	18.2%	17.9%	17.6%	17.4%	17.3%	17.2%	17.2%	17.1%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%
7	29.1%	24.2%	21.7%	20.1%	19.1%	18.5%	18.0%	17.7%	17.5%	17.3%	17.2%	17.2%	17.1%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%	17.0%
6	28.2%	23.6%	21.2%	19.8%	18.8%	18.2%	17.8%	17.6%	17.4%	17.3%	17.2%	17.1%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
5	27.4%	23.0%	20.7%	19.4%	18.6%	18.0%	17.7%	17.4%	17.3%	17.2%	17.1%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
4	26.6%	22.4%	20.3%	19.0%	18.3%	17.8%	17.5%	17.3%	17.2%	17.1%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
3	25.8%	21.8%	19.8%	18.7%	18.1%	17.6%	17.4%	17.2%	17.1%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
2	25.0%	21.2%	19.4%	18.4%	17.8%	17.5%	17.3%	17.2%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
1	24.2%	20.7%	19.0%	18.1%	17.6%	17.4%	17.2%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%

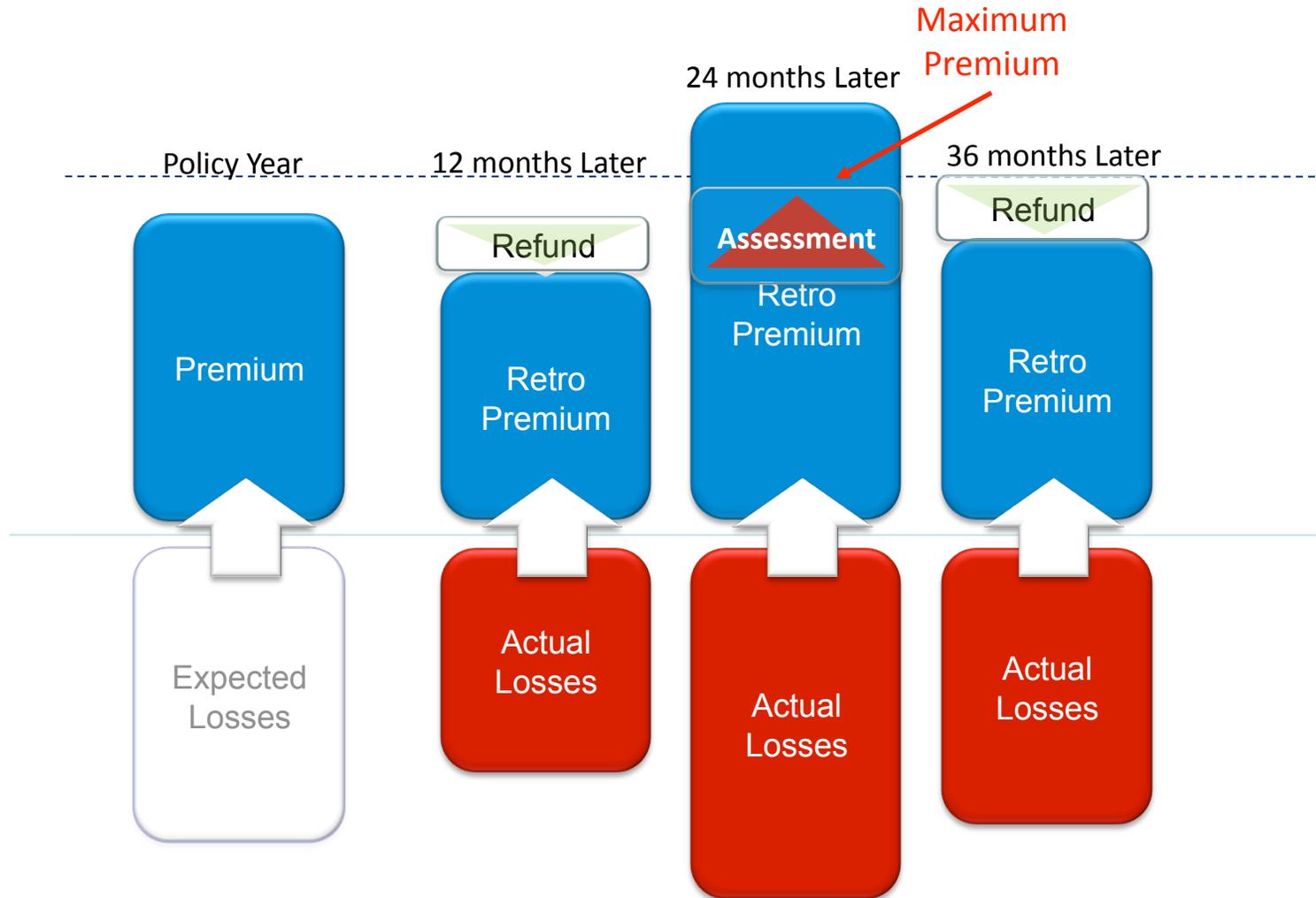
Note: Handicap surplus is reflected in the basic premium factor and losses excess of \$500,000 are reflected in the loss development factors.

Standard Premium Size Ranges

Size	<u>Range</u>	
19	500,000	599,999
18	600,000	699,999
17	700,000	799,999
16	800,000	899,999
15	900,000	999,999
14	1,000,000	1,059,999
13	1,060,000	1,288,999
12	1,289,000	1,604,999
11	1,605,000	2,051,999
10	2,052,000	2,621,999
9	2,622,000	3,348,999
8	3,349,000	4,438,999
7	4,439,000	6,147,999
6	6,148,000	8,861,999
5	8,862,000	12,839,999
4	12,840,000	18,909,999
3	18,910,000	29,399,999
2	29,400,000	46,399,999
1	46,400,000	100,000,000

Group Retrospective Rating

Group Retro Overview



Communications

- Sponsor Meetings
- Safety Congress
- Webinars

Group Size Ranges

Size	<u>Range</u>	
19	500,000	599,999
18	600,000	699,999
17	700,000	799,999
16	800,000	899,999
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3	18,910,000	29,399,999
2	29,400,000	46,399,999
1	46,400,000	100,000,000

Basic Premium Factors

Max %		<u>105%</u>	<u>110%</u>	<u>115%</u>	<u>120%</u>	<u>125%</u>	<u>130%</u>	<u>135%</u>	<u>140%</u>	<u>145%</u>	<u>150%</u>	<u>155%</u>	<u>160%</u>	<u>165%</u>	<u>170%</u>	<u>175%</u>	<u>180%</u>	<u>185%</u>	<u>190%</u>	<u>195%</u>	<u>200%</u>
Size		48.1%	40.6%	36.0%	32.8%	30.3%	28.3%	26.8%	25.5%	24.4%	23.5%	22.7%	22.0%	21.4%	20.9%	20.5%	20.1%	19.8%	19.5%	19.2%	19.0%
14		48.1%	40.6%	36.0%	32.8%	30.3%	28.3%	26.8%	25.5%	24.4%	23.5%	22.7%	22.0%	21.4%	20.9%	20.5%	20.1%	19.8%	19.5%	19.2%	19.0%
13		45.3%	38.0%	33.6%	30.5%	28.2%	26.4%	25.0%	23.8%	22.8%	22.0%	21.3%	20.8%	20.3%	19.9%	19.5%	19.2%	18.9%	18.7%	18.5%	18.3%
12		42.2%	35.2%	31.1%	28.2%	26.1%	24.5%	23.2%	22.2%	21.4%	20.7%	20.1%	19.7%	19.3%	18.9%	18.7%	18.4%	18.2%	18.1%	17.9%	17.8%
11		38.9%	32.4%	28.5%	25.9%	24.1%	22.6%	21.6%	20.7%	20.0%	19.5%	19.1%	18.7%	18.4%	18.2%	18.0%	17.8%	17.7%	17.6%	17.5%	17.4%
10		35.8%	29.6%	26.2%	23.9%	22.2%	21.1%	20.2%	19.5%	19.0%	18.6%	18.2%	18.0%	17.8%	17.6%	17.5%	17.4%	17.3%	17.3%	17.2%	17.2%
9		32.4%	26.9%	23.9%	21.9%	20.6%	19.6%	19.0%	18.5%	18.1%	17.8%	17.6%	17.5%	17.4%	17.3%	17.2%	17.2%	17.1%	17.1%	17.1%	17.1%
8		29.9%	24.9%	22.2%	20.6%	19.5%	18.7%	18.2%	17.9%	17.6%	17.4%	17.3%	17.2%	17.2%	17.1%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%
7		29.1%	24.2%	21.7%	20.1%	19.1%	18.5%	18.0%	17.7%	17.5%	17.3%	17.2%	17.2%	17.1%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%	17.0%
6		28.2%	23.6%	21.2%	19.8%	18.8%	18.2%	17.8%	17.6%	17.4%	17.3%	17.2%	17.1%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
5		27.4%	23.0%	20.7%	19.4%	18.6%	18.0%	17.7%	17.4%	17.3%	17.2%	17.1%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
4		26.6%	22.4%	20.3%	19.0%	18.3%	17.8%	17.5%	17.3%	17.2%	17.1%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
3		25.8%	21.8%	19.8%	18.7%	18.1%	17.6%	17.4%	17.2%	17.1%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
2		25.0%	21.0%	19.0%	18.4%	17.8%	17.5%	17.3%	17.2%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
1		24.2%	20.0%	18.1%	17.6%	17.4%	17.2%	17.1%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%

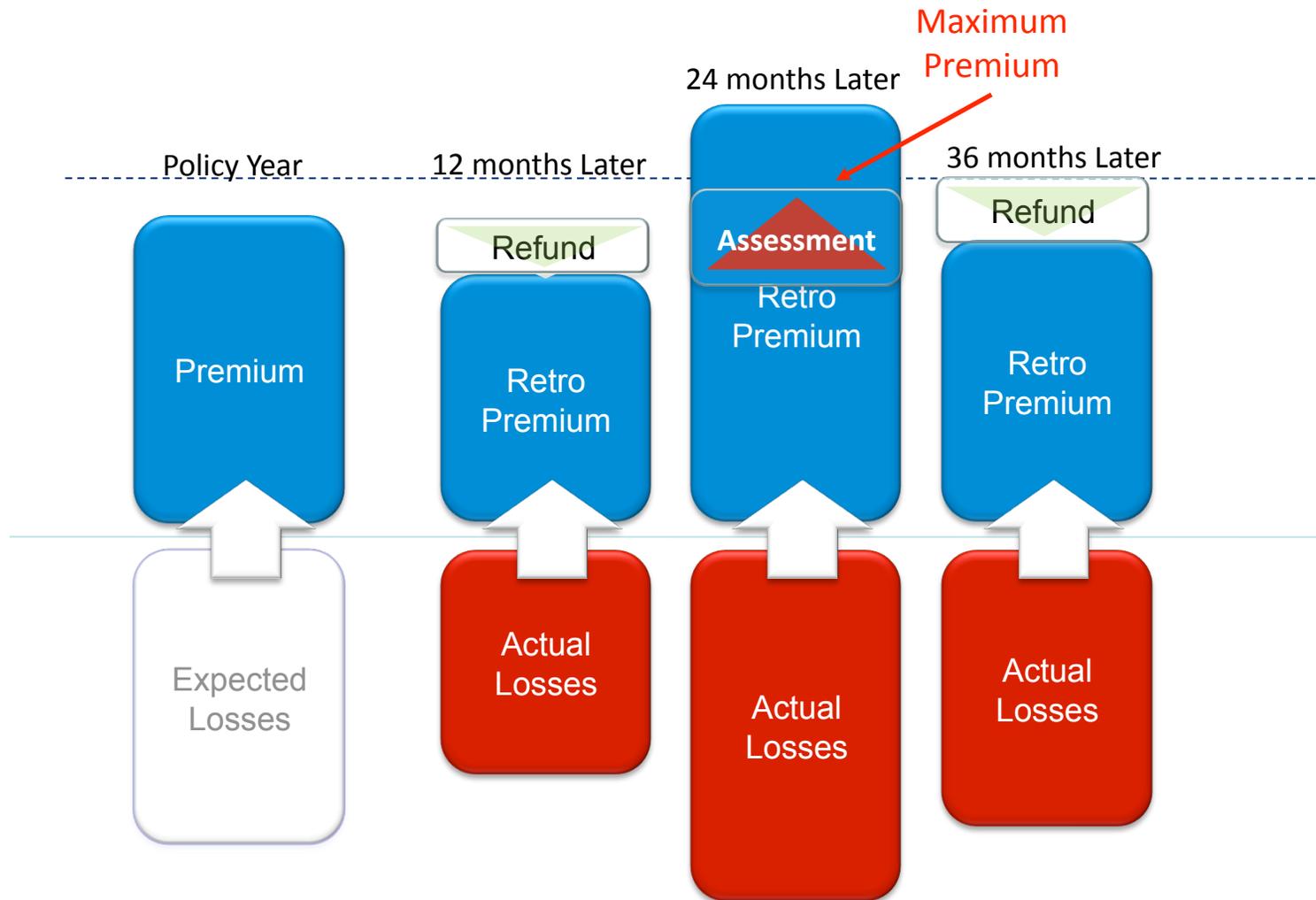
reflected in the basic premium factor and losses excess of \$500,000 are reflected in the loss development factors.

Size	<u>200%</u>
1	17.0%

Rule Changes Since 1st Read

- Changes for Clarity
- Enrollment Deadline Changes
 - 2009
 - May 29th to June 26th
 - Each year thereafter
 - PA - Last Friday in February to Last Friday in April
 - PEC – Last Friday in August to Last Friday in September

Group Retro Overview



Group Retrospective Rating

Communications

- Sponsor Meetings
- Safety Congress
- Webinars

Group Size Ranges

Size	<u>Range</u>	
19	500,000	599,999
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3	18,910,000	29,399,999
2	29,400,000	46,399,999
1	46,400,000	100,000,000

Basic Premium Factors

Size	<u>105%</u>						<u>135%</u>	<u>140%</u>	<u>145%</u>	<u>150%</u>	<u>155%</u>	<u>160%</u>	<u>165%</u>	<u>170%</u>	<u>175%</u>	<u>180%</u>	<u>185%</u>	<u>190%</u>	<u>195%</u>	<u>200%</u>
14	48.1%	%	26.8%	25.5%	24.4%	23.5%	22.7%	22.0%	21.4%	20.9%	20.5%	20.1%	19.8%	19.5%	19.2%	18.9%	18.7%	18.5%	18.3%	
		%	25.0%	23.8%	22.8%	22.0%	21.3%	20.8%	20.3%	19.9%	19.5%	19.2%	18.9%	18.7%	18.4%	18.2%	18.1%	17.9%	17.8%	
		%	23.2%	22.2%	21.4%	20.7%	20.1%	19.7%	19.3%	18.9%	18.7%	18.4%	18.2%	18.0%	17.8%	17.7%	17.6%	17.5%	17.4%	
11	11	38.9%	28.5%	25.9%	24.1%	22.6%	21.6%	20.7%	20.0%	19.5%	19.1%	18.7%	18.4%	18.2%	18.0%	17.8%	17.7%	17.6%	17.5%	17.4%
10	10	35.8%	26.2%	23.9%	22.2%	21.1%	20.2%	19.5%	19.0%	18.6%	18.2%	18.0%	17.8%	17.6%	17.5%	17.4%	17.3%	17.3%	17.2%	17.2%
9	9	32.4%	23.9%	21.9%	20.6%	19.6%	19.0%	18.5%	18.1%	17.8%	17.6%	17.5%	17.4%	17.3%	17.2%	17.2%	17.1%	17.1%	17.1%	17.1%
8	8	29.9%	22.2%	20.6%	19.5%	18.7%	18.2%	17.9%	17.6%	17.4%	17.3%	17.2%	17.2%	17.1%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%
7	7	29.1%	21.7%	20.1%	19.1%	18.5%	18.0%	17.7%	17.5%	17.3%	17.2%	17.2%	17.1%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%	17.0%
6	6	28.2%	21.2%	19.8%	18.8%	18.2%	17.8%	17.6%	17.4%	17.3%	17.2%	17.1%	17.1%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%	17.0%
5	5	27.4%	20.7%	19.4%	18.6%	18.0%	17.7%	17.4%	17.3%	17.2%	17.1%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
4	4	26.6%	20.3%	19.0%	18.3%	17.8%	17.5%	17.3%	17.2%	17.1%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
3	3	25.8%	19.8%	18.7%	18.1%	17.6%	17.4%	17.2%	17.1%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
2	2	25.0%	19.4%	18.4%	17.8%	17.5%	17.3%	17.2%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%
1	1	24.2%	19.0%	18.1%	17.6%	17.4%	17.2%	17.1%	17.1%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%	17.0%

Size	<u>200%</u>
1	17.0%

Losses reflected in the basic premium factor and losses excess of \$500,000 are reflected in the loss development factors.

Rule Changes Since 1st Read

- Changes for Clarity
- Enrollment Deadline Changes
 - 2009
 - May 29th to June 26th
 - Each year thereafter
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Application for Group Retro

Ohio Bureau of Workers' Compensation

Application for Group Retrospective Rating Plan

Instructions and conditions

- An officer of the organization must sign the application.
- File a new application for each policy year.
- Once BWC approves the application, the plan remains in force for the entire policy year.
- You must file the application prior to the beginning of the policy year. For private employers, the application deadline is the last business day in May; for public employer taxing districts, the deadline is the last Friday in August. You cannot resubmit an application after the deadline.
- BWC will reject incomplete applications.
- Direct questions concerning this application to BWC's Employer Programs Unit at 614-466-6773.

- **Include with the application:**
 1. Employer Roster for Group Retrospective Rating Plan (Form U-152);
 2. Employer Statement (U-153) is required for all employers;
 3. Group Sponsor Safety Plan Summary Form (SH-2)
- **Only file the application with the Ohio Bureau of Workers' Compensation, Employer Programs Unit, 22nd Floor, 30 W. Spring St., Columbus, OH 43215-2266.**

Sponsoring organization				
Sponsor name			BWC policy number	
Address		City	State	Nine-digit ZIP code
Sponsor e-mail address	Sponsor phone number	Sponsor fax number		
Contact name				
Contact e-mail address	Contact phone number	Contact fax number		
Please indicate each group number and name on the back of this form.				

Officer statement of agreement: I have read the group retrospective rating plan rules in the entirety. I understand the rules and agree to comply with the terms of the group retrospective rating plan. I acknowledge that the attached list includes only employers who are members of the sponsoring organization listed above.

I authorized _____ to represent the group before the Ohio Bureau of Workers' Compensation and the Industrial Commission of Ohio in any and all matters pertaining to our participation in the Workers' Compensation Fund. A change in authorized representation must be accomplished by filing a properly completed *Permanent Authorization* (AC-2).

Certification (Please type or print clearly)

State of _____ County of _____

_____ being duly sworn, says that he/she is the _____

of _____, the sponsoring organization referred to above and that all the information is true to the best of his/her knowledge, information and belief after careful investigation.

Sworn to before me, this _____ day of _____, 20____.

(Notary seal)

(NOTARY SIGNATURE)

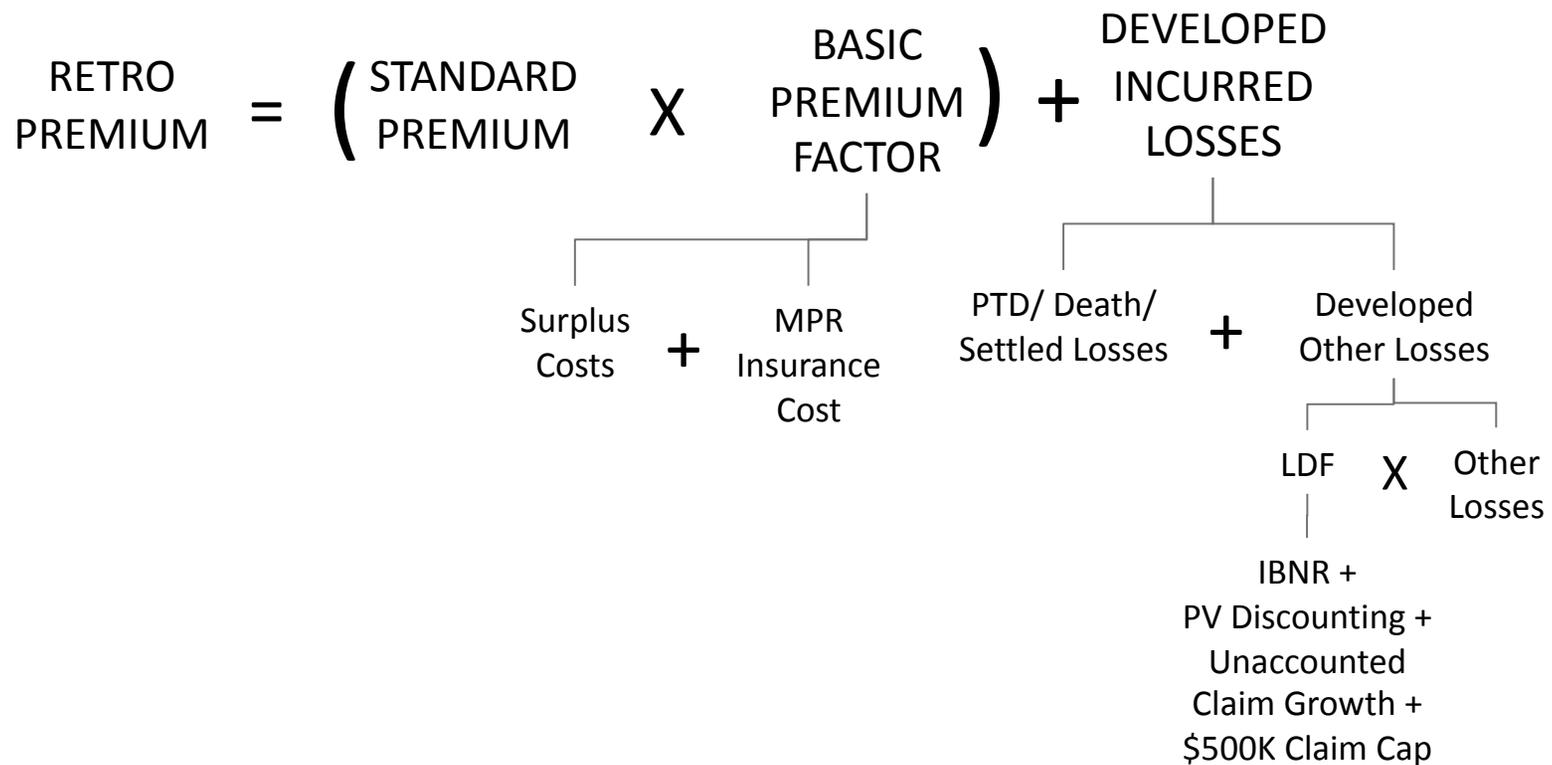
(SPONSORING ORGANIZATION OFFICER SIGNATURE)

Note: This application must be reviewed and approved by the employer programs unit before it becomes effective. Written notification of application acceptance or rejection will be made following the review.

For the policy year effective

BWC-7657
U-151

Breaking Down the Retro Calc



Retro Premium Example

Group Retro Factors

Grp Standard Premium: \$7,000,000
Group Size: 6
Max Premium Ratio: 115%
Basic Premium Factor: 21.2%

Developing Losses to Ultimate Cost

PTD/Death/Settled: \$1,000,000

Limited by \$500K Cap: \$500,000

Other Losses: \$2,000,0000

Limited by \$500K Cap: \$1,800,000

Surplus Deducted: \$1,600,000

LDF Applied: 2.317 x \$1,600,000

Developed Other Losses: \$3,702,000

Developed Losses: \$4,202,000

```
graph LR; A[Limited by $500K Cap: $500,000] --> C[Developed Losses: $4,202,000]; B[Developed Other Losses: $3,702,000] --> C;
```

Retro Premium Calculation

Retrospective Premium = (Standard Premium x Basic Premium Factor) + Developed Losses

Retrospective Premium = (\$7,000,000 x 21.2%) + \$4,202,000

Retrospective Premium = \$5,686,000

Overall Refund = Standard Premium – Retrospective Premium

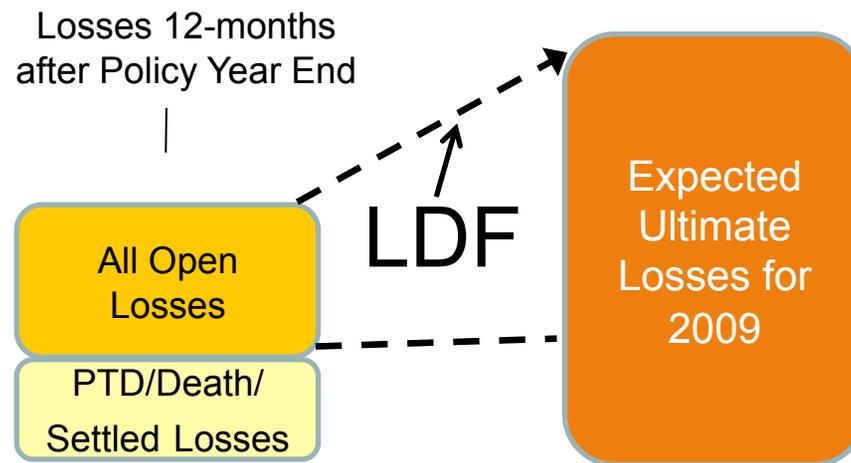
Overall Refund = \$7,000,000 - \$5,686,000

Overall Refund = \$1,314,000

Refund % = 19%

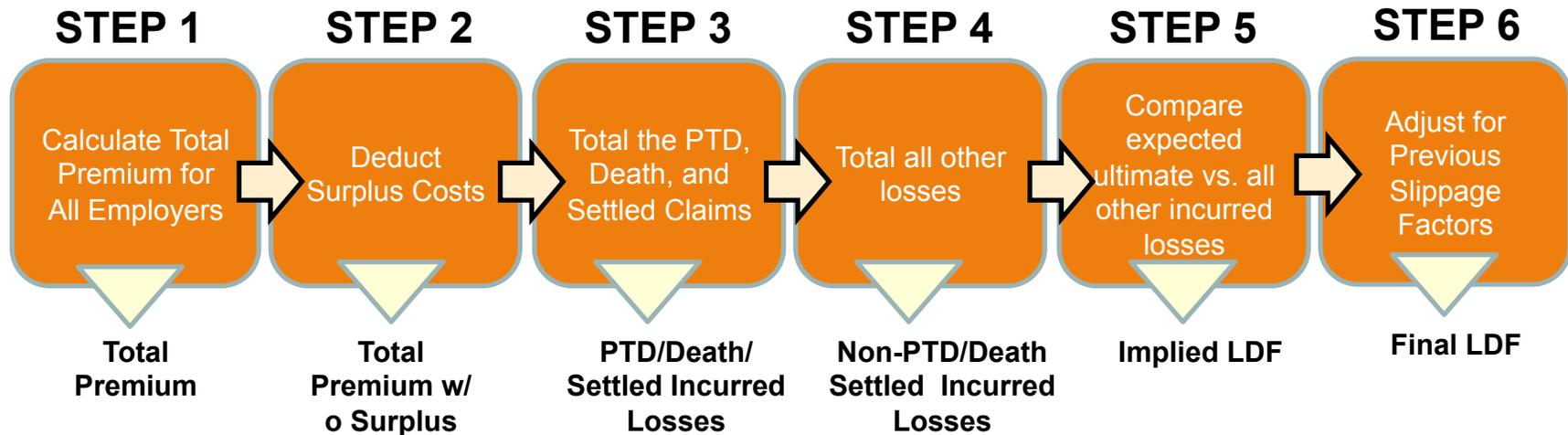
Creating Loss Development Factors

The LDF is calculated by comparing the expected losses for all employers in a given year versus the total incurred losses to that point(12 months in the example below).



Creating Loss Development Factors

The LDF is determined through the following procedure:



Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-70

Rule Review

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

Citation: R.C. 4123.34

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

What goal(s): Provide for a clearly articulated safety program that mirrors professionally recognized, industry standards and serves as a replacement for the rescinded version of this rule from which discount and bonus eligibility has been removed.

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: Meetings were held with various *stakeholders, and their support was obtained.
* Central Ohio Builders' Exchange, COSE, NFIB, Ohio Chamber of Commerce, Ohio Farm Bureau, Ohio Grocers' Association, Ohio Manufacturers' Association, Ohio Retail Merchants, PIA, Frank Gates, CCI, Sheakley, Gates McDonald, SAO, CompManagement (Sedgwick)

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 Changes to Program Rules

Introduction

Chapter 4123-17 of the Ohio Administrative Code contains BWC rules for alternative rating and discount programs including the Premium Discount Program + (PDP+).

Background Information

Pursuant to division (E) of section 4123.34 of the Ohio Revised Code, the administrator may grant a discount on premium rates to an eligible employer that meets the program requirements under the provisions of rules with advice and consent of the BWC Board of Directors. Pursuant to this statute, BWC adopted Ohio Administrative Code 4123-17-70 (PDP+) in 1995. This rule has been amended numerous times as operational needs dictated.

Proposed Changes

BWC seeks to modify OAC 4123-17-70, by removing both discount and bonus eligibility associated with the program. This recommendation is based on the Deloitte report and its analysis of the PDP+. The report stated that “current credits for the Premium Discount Program ...are not supported by the loss experience of those participating....”

Based on this actuarial review, BWC believes that this program’s life cycle has reached a phase where moving to new alternative rating programs makes more sense rather than continuing to invest dollars in a program that is no longer functioning optimally. However, BWC recommends retaining the 10-Step Business Plan – the main component of PDP+ – as a key safety strategy for employers. This will be accomplished by rescinding the current version of the PDP+ rule and adopting a new version of OAC 4123-17-70 which contains the essential portion of the rule, the 10-Step Business Plan.

RESCIND

4123-17-70 Premium discount program plus.

(A) 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 who meets the loss prevention program under the provisions of this rule.

(1) For private employers, the premium discount program (PDP plus) application may be submitted at any time. The employer shall file the application with the bureau by thirty-five days after the bureau's publication of the employer's individual modification. If the application is not received by this time, the employer's participation and discounts are to begin on the next payroll period beginning on either January first if the application is received by December thirty-first, or on July first if the application is received by June thirtieth.

(2) For public employer taxing districts, the application may be submitted at any time. The employer's participation and discount are to begin on next payroll period beginning on January first.

(B) An employer's opportunity to participate in PDP plus will be limited to three consecutive twelve month years.

(1) If an employer is ineligible for PDP plus in its second year, the employer may reapply for its third year of participation and received a five per cent discount if the employer is eligible under paragraph (C) of this rule.

(2) If an employer opts out of PDP plus after the start of a policy year, the employer will no longer be eligible for the PDP plus program.

(3) Notwithstanding paragraphs (B)(1) and (B)(2) of this rule, a private employer enrolled in the original premium discount program prior to July 1, 2001, will have until June 30, 2004 to complete four years of participation in PDP. A public employer taxing district employer enrolled in the original premium discount program prior to July 1, 2001, will have until December 31, 2004 to complete four years of participation in PDP. If the employer maintains its eligibility it may continue in the PDP until it has completed four years of participation. However, no employer will be allowed more than seven years from the original date of entry in PDP to complete the four years of eligibility.

(4) Once an employer uses and or completes its years of eligibility for the PDP plus program, and has been out of the program for two years, the employer will have the opportunity to participate and to receive two additional years of premium discount in PDP plus under the following conditions:

(a) An employer that reapplies for PDP plus will receive a ten per cent premium discount for an additional participation year for implementing the ten-step business plan. The

employer will also be eligible for up to a twenty per cent bonus for meeting the claims frequency and claims severity objectives as defined in paragraphs (F)(6), (F)(7), and (F)(8) of this rule. The employer that meets both the claims frequency and claims severity objectives will be eligible for a second additional year of premium discount:

(b) An employer that meets both the claims frequency and claims severity objectives in paragraphs (F)(6), (F)(7), and (F)(8) of this rule will be eligible to participate in a second addition year. For the second additional year of participation in PDP plus, the employer will be entitled to a premium discount of five per cent and may receive up to a twenty per cent bonus for meeting the specified claims frequency an claims severity objectives.

(C) The PDP plus program under this rule is available to any employer who satisfies all of the following eligibility requirements. The bureau shall determine whether the employer is eligible for PDP plus under this rule.

(1) The employer must be experience rated pursuant to rule 4123-17-03 of the Administrative Code. That is, the employer must have Experience modification (EM) of .90 per cent or greater for the policy year of the program.

(2) The employer cannot participate in either group or retrospective rating in the same policy year as the PDP plus under this rule.

(3) The employer must be current as of the beginning of the policy year or anniversary date of participation (not more than forty-five days past due) on any and all premiums, assessments, fines or monies otherwise due to any fund administered by the bureau, including amounts due for retrospective rating.

(4) The employer cannot have cumulative lapses in workers' compensation coverage in excess of fifty-nine days within the eighteen months preceding the beginning of the policy year or anniversary date of participation.

(5) The employer must be in an active status the first day of the policy year or anniversary date of participation for PDP plus.

(D) If the bureau determines that an employer is eligible to participate in PDP plus under this rule, the employers must comply with the following loss prevention requirements for the initial participation and continuation of participation in the program.

(1) The employer must participate in and comply with the ten step business plan as provided in paragraph (E) of this rule.

(2) The employer must permit the bureau access to the employer's job sites to review the employer's safety program and safety progress.

(3) The employer must agree to submit to the bureau, or if working through a bureau certified sponsor as provided in paragraph (F) or paragraph (O) of this rule, to its certified sponsor, a PDP plus plan of action identifying the activities the employer has performed with regard to the top ten step business plan within the past year and the planned improvements for the next year.

(a) For continuation, the risk division or bureau certified sponsor will evaluate the employer's effectiveness in establishing the ten step business plan. The evaluation of each step will be based on an employer's has substantially implemented or maintained each step of the ten step business plan or that the employer has not substantially implemented or maintained them. The employer shall immediately submit any additional documentation of implementation to the evaluator on request.

(b) Employers not submitting a bureau approved plan of action will lose the premium discount for the entire year. A private employer plan of action document is due to the bureau no later than March thirty-first for participants having a July first effective date, or by September thirtieth for participants having a January first effective date. A public employer taxing district employer plan of action document is due no later than September thirtieth, except for public school districts, which are due by November fifteenth.

(4) A participating employer must use the bureau standardized plan of action form when submitting its plan of action during the first and second years of participation in the program as well as for the first additional year following reapplication pursuant to paragraph (B)(4)(a) of this rule. The employer must submit, at a minimum, a plan of action for each of the five steps the employer is completing for that year and, in addition, an employer that reapplies for the first additional year must submit a plan of action for all ten steps. An employer in the third year of the program will not be required to submit a new plan of action. However, the employer's earning the discount for the second and third year in the program is contingent upon passage of all ten steps and performance measure improvement, such as a reduction in claims frequency, claims severity, claims cost, or experience modification, or a combination of any of these factors. A first year employer earns the discount by filing a plan of action and documenting the implementation of these steps.

(E) The employer must implement the ten step business plan prescribed by the superintendent of the division of safety and hygiene as provided in this rule. The ten steps of the business plan and their point value for evaluation are as follows:

(1) Visible senior management leadership that promotes the belief that the management of safety is an organizational.

(2) Employee involvement and recognition that affords employees the opportunity to participate in the safety management process.

(3) Early return-to-work strategies to help injured or ill workers return to work.

- (4) A program of regular communications on safety and health issues to keep all employees informed and to solicit feedback and suggestions.
 - (5) Timely notification of accidents, including lag time reporting standards. Under the health partnership program, an employer must immediately report its claims to its managed care organization.
 - (6) Assigning an individual the role of coordinating safety efforts for the company. The coordinator shall attend a bureau safety and hygiene course or a bureau approved safety course and shall document the attendance to the bureau. An employee designated as the accident prevention coordinator who has a bureau recognized health and safety credential (CSP, CIH, CIE, or any other comparable safety certification) is exempt from mandatory attendance at a safety course under this paragraph. If the employer is exempt, the employer shall submit a copy of the certificate of the employee's such designation.
 - (7) Writing an orientation and training plan for all employees.
 - (8) Publishing a general and job specific safe work practices document so that employees have a clear understanding of how to safely accomplish their job requirements.
 - (9) Publishing a written safety and health policy document signed by the top company official that expresses the employer's values and commitment to workplace safety and health.
 - (10) Internal program verification to assess the success of company safety efforts, to include audits, surveys, and record analysis.
- (F) The bureau or the employer's bureau certified sponsor will evaluate the employer's compliance with all ten steps of the ten step business plan based upon the employer's plan of action report and supporting documentation and information on the progress of the implementation of the ten step business plan.

(1) An employer will be required to complete steps one, two, and six of the ten step business plan under paragraph (E) of this rule, to include mandatory attendance at bureau pre-approved sessions to include the OCOOSH course entitled "controlling workers' compensation costs," workers' compensation university, safety congress and other pre-approved private or public courses deemed comparable by the bureau, during the first year and complete any two of the remaining seven steps to qualify for program continuation. The employer's attendance at a ten step business plan workshop is strongly encouraged for the employer to properly complete the plan of action.

(2) Every year thereafter, the employer shall continue with the first five steps the employer selected and complete the remaining five steps during the second year of participation to qualify for program continuation. The employer shall continue all ten steps during the third year of participation.

(3) The bureau may perform special underwriting analysis of the employer. The bureau will monitor loss frequency, (number of medical only and lost time claims by calendar year), severity, experience modification, and lag time statistics as indicators to determine the employer's progress whether administered by the bureau or its certified sponsors.

(4) The premium discount program plus (PDP plus) is an enhancement to the original premium discount program where an employer may receive additional discounts over and above the discounts stated in paragraph (I)(1) of this rule.

(5) The PDP plus program is available to an employer participating in the program where the employer has successfully implemented the ten step business plan under paragraph (E) of this rule.

(6) PDP plus commences July 1, 2001, where discounts are dependent on the employer's completion of the ten step business plan, and additional credits are allowed for a fifteen per cent reduction of claims frequency and for a fifteen per cent reduction of claims severity.

(7) Claims frequency is defined as total number of reported claims (medical only and lost time) in a given policy year multiplied by one million dollars divided by the reported payroll of the same year.

(8) Claims severity is defined as the total number of days away from work in a given policy year multiplied by one million dollars divided by the reported payroll of the same year.

(9) In calculating the total number of days away from work, a permanent total disability claim or a death claim will be counted as resulting in a full three hundred sixty-five days away from work. A settlement will shorten the full three hundred sixty-five days if settled as of the end of the policy period.

(10) A PDP plus participant will be provided base line data of claims frequency and claims severity within the first thirty to forty-five days of starting the program. The data will compare one policy year to the following policy year. A participant will be compared to the prior policy year.

(11) A PDP plus participant will be provided annual updates on its claims frequency or claims severity improvement or regression within thirty to forty-five days after the end of the policy period.

(12) If an employer participating in PDP plus two years has not shown improvement in either claims frequency or claims severity measurements, the employer may be removed from PDP plus at the discretion of the bureau.

(G) If the bureau disqualifies an employer from PDP plus under this rule for failure to perform the ten step business plan or to demonstrate statistical improvement under

paragraph (F)(3) of this rule, the employer will be ineligible to reapply for the discount program for a period of one year and will not be eligible for PDP plus discounts.

(H) An employer who is found to be ineligible for participation in PDP plus may reapply in subsequent years subject to the year limitation under paragraph (J) of this rule, unless the employer is ineligible to reapply due to disqualification based upon paragraph (L) of this rule.

(I) An employer participating in PDP plus with an experience modification of .90 or greater shall be eligible to receive premium discounts as provided for this rule.

(1) The premium discount shall be as follows:

(a) For the first year of participation, ten per cent;

(b) For the second year of participation, ten per cent;

(c) For the third year of participation, five per cent;

(d) For the fourth year of participation for any employer enrolled in the original premium discount program prior to July 1, 2001, as provided in paragraph (B)(3) of this rule, five per cent.

(e) An employer who is experience rated with an experienced modification of .90 to 1.00 (not to include a base rated employer) will be eligible for the credits associated with meeting the claims frequency and claims severity goals.

(f) The premium discount may not bring the employer's premium below an amount of premium that would be calculated using an experience modification of .90 for the policy year the discount is applied.

(2) The PDP plus discount will be applied to the premium rate, but not to the disable workers' relief fund assessments or other assessments. The premium discount will not alter the employer's actual experience modification calculation under rule 4123-17-03 of the Administrative Code.

(3) PDP plus discounts are as follows:

(a) Ten per cent for a fifteen per cent or greater claims severity reduction;

(b) Five per cent for a fifteen per cent or greater claims frequency reduction;

(c) Five per cent bonus for meeting both a fifteen per cent or greater claims severity reduction and a fifteen per cent or greater claims frequency reduction.

(4) A PDP plus discount check will be sent to an employer by the end of October for an employer whose anniversary date in PDP plus is the first of July, and by the end of April for an employer whose anniversary date in the program is the first of January.

(5) An employer whose experience modification becomes .89 or less for any reason at any time during any year of participation in the program will not be eligible for the discount under this program.

(J) If an employer reapplies for PDP plus after skipping the second year of PDP plus participation, whether the employer was eligible or ineligible for PDP plus, the employer will be considered in year three and receive the five percent discount.

(1) An employer is limited to three years to complete its participation in PDP plus under this rule. Discounts with or without breaks in participation are as provided in paragraph (I) of this rule. An employer with breaks in participation must reapply by application.

(2) A participating employer must complete the remaining five steps of the plan of action.

(3) An employer who has completed its three years of participation in PDP plus under this rule is ineligible to reapply for the program.

(K) An employer participating in the PDP plus program who becomes ineligible after completing on half year of a rating year of participation will be considered as using an entire year of participation.

(L) An employer may withdraw the application for enrollment in PDP plus under this rule anytime prior to the enrollment deadline. An employer that has denied site access to the bureau, failed to submit a ten step plan of action, or voluntarily opted out of the program will not be permitted to reapply for the PDP plus at any time in the future.

(M) An employer may appeal enrollment rejection and continuation rejection to the adjudicating committee pursuant to rule 4123-14-06 of the Administrative Code.

(N) If there is a combination or experience transfer resulting in a new policy number, the successor employer is not eligible for participation in PDP plus unless the successor employer made application during the premium year in which the combination took place.

(O) The bureau may grant certification as a program sponsor to any trade or business association or its authorized representative that satisfies all of the following eligibility requirements. The bureau shall determine whether the association or its agent is eligible for certification as a program sponsor under this rule. An association or its agent that is found to be ineligible to be a certified program sponsor may reapply in subsequent years. The sponsor shall:

- (1) Have been in existence for at least two years prior to the last date upon which a request for certification can be filed.
- (2) Have at least two years experience in assisting Ohio employers in accident prevention and claims management.
- (3) Have on staff or unlimited access to a practicing safety and health professional, excluding bureau personnel, with at least five years experience working full-time in accident prevention.
- (4) Sign an agreement with the bureau to fully support the basic principles associated with managing occupational safety in accordance with the bureau's ten step business plan. The agreement must indicate the commitment of the association or its agent to the criteria for continued participation as specified in paragraph (P) of this rule.

(P) Any trade or business association or its authorized agent meeting the above eligibility requirements must submit documentation supporting all eligibility requirements to the bureau's superintendent of the division of safety and hygiene for certification. The deadline for submitting the documentation and credentials for certification is June fifteenth.

(Q) If the bureau determines that a trade or business association or its authorized agent is eligible to be a certified sponsor under this rule, the association or its agent must comply with the following standards. The sponsor shall:

- (1) Include in the agreement or contract to provide services under this program to a sponsored employer, in bold type, that the services provided under this agreement or contract by the sponsor are available at no additional fee to the employer from the bureau of workers' compensation.
- (2) Send the sponsor's safety and health professional to attend a bureau sponsored course or seminar on basic safety principles and the ten step business plan prior to certification.
- (3) Send the sponsor's safety and health professional to attend an annual safety conference sponsored by the bureau's division of safety and hygiene.
- (4) Hold an annual full-day conference on managing safety and claims for all sponsored employers. An attending employer is to complete the bureau's plan of action for all ten step indicating what actions the employer will complete to fulfill the ten step business plan.
- (5) Communicate at least quarterly to all sponsor employers current and pertinent safety and health information.
- (6) Communicate at least quarterly to all sponsored employers specific guidance on implementing and maintaining the ten step business plan.

(7) Annually assess the safety perceptions and safety needs of each sponsored employer and adjust its approach to meet each employer's needs.

(8) Notify the bureau of a change in its safety and health professional and apply for re-certification at the time.

(9) Submit a complete list, in the format provided by the bureau, containing each sponsored employer's policy number, name, and federal employer identification number in policy number order, of all private employers it will sponsor annually to the bureau by June fifteenth for those employer that began the program on July first and by December fifteenth for those employers that began the program on January first. This requirement does not alter the employer application deadline for the premium discount program under this rule as provided in paragraph (A) of this rule.

(10) Submit a complete list, in the format provided by the bureau, containing each sponsored employer's policy number, name, and federal employer identification number in policy number order, of all public employer taxing districts it will sponsor annually to the bureau by December fifteenth. This requirement does not alter the employer application deadline for the premium discount program under this rule as provided in paragraph (A) of this rule.

(11) Assist all sponsored employers in implementing and complying with the bureau's ten step business plan.

(12) Objectively evaluate the plan of action report of all sponsored employers using the evaluate guidelines outlined in paragraphs (D) and (E) of this rule.

(13) Submit a list, in the format provided by the bureau, containing each sponsored employer's policy number, name, federal employer identification number, and an indication of the pass or fail for each employer, in policy number order, of all private employers to the bureau by June first and December first.

(14) Submit a list, in the format provided by the bureau, containing each sponsored employer's policy number, name, federal employer identification number, and an indication of the pass or fail for each employer, in policy number order, of all public employer taxing districts to the bureau by December first.

(15) Submit to the bureau upon request the plan of action report, evaluation score justification, and any other documentation, such as safety audits, that will support the analysis of the sponsored employer.

(16) Safety professionals of a certified sponsor must make at least one on-site consultation during each year of an employer's participation. Documentation of discussions with an employer official or employer representative during a visit shall be furnished to the bureau on request.

(17) A certified sponsor must write a letter of instruction to each employer desiring to switch to bureau PDP plus sponsorship and shall immediately provide a copy to the bureau.

(R) The bureau retains all rights provide under paragraph (D) of this rule with respect to all certified sponsored employers.

(S) The bureau may de-certify a trade or business association or its authorized agent as a sponsor under this program for the following:

(1) Failure to meet requirements as outlined in paragraph (Q) of this rule.

(2) Falsification of an evaluation or assessment.

(3) Incorrectly evaluating more than ten per cent of the employer evaluations in any one year.

(4) Failure to notify the bureau within thirty days of a change in safety and health professionals.

(5) Failure to apply for re-certification within thirty days of a change in safety and health professionals.

HISTORY: Eff 4-1-95; 4-10-01; 7-1-01; 10-10-01; 10-14-02; 5-26-03

Rule promulgated under: RC 111.15

Rule authorized by: RC 4121.12, 4121.121

Rule amplifies: RC 4123.34

h:rules subjects/rate programs 2009/PDP+ rescind v1.doc
February 3, 2009

NEW RULE

4123-17-70 Ten step business plan.

(A) This rule describes the elements of the bureau's ten step business plan for the purpose of any bureau program that requires the employer to implement a ten step business plan.

(B) The ten step business plan is designed by the bureau division of safety and hygiene as provided in this rule. The ten steps of the business plan are as follows:

(1) Visible senior management leadership that promotes the belief that the management of safety is an organizational.

(2) Employee involvement and recognition that affords employees the opportunity to participate in the safety management process.

(3) Early return-to-work strategies to help injured or ill workers return to work.

(4) A program of regular communications on safety and health issues to keep all employees informed and to solicit feedback and suggestions.

(5) Timely notification of accidents, including lag time reporting standards. Under the health partnership program, an employer must immediately report its claims to its managed care organization.

(6) Assigning an individual the role of coordinating safety efforts for the company. The coordinator shall attend a bureau safety and hygiene course or a bureau approved safety course and shall document the attendance to the bureau. An employee designated as the accident prevention coordinator who has a bureau recognized health and safety credential (CSP, CIH, CIE, or any other comparable safety certification) is exempt from mandatory attendance at a safety course under this paragraph. If the employer is exempt, the employer shall submit a copy of the certificate of the employee's such designation.

(7) Writing an orientation and training plan for all employees.

(8) Publishing a general and job specific safe work practices document so that employees have a clear understanding of how to safely accomplish their job requirements.

(9) Publishing a written safety and health policy document signed by the top company official that expresses the employer's values and commitment to workplace safety and health.

(10) Internal program verification to assess the success of company safety efforts, to include audits, surveys, and record analysis.

(C) The bureau will evaluate the employer's compliance with all ten steps of the ten step business plan based upon the employer's plan of action report and supporting documentation and information on the progress of the implementation of the ten step business plan.

h:rules subjects/rate programs 2009/PDP+ rescind v2.doc
February 3, 2009

Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-58

Rule Review

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

Citation: R.C. 4123.34

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

What goal(s): Provide for a drug-free workplace program that is considered the industry standard and facilitates employers creating safer workplaces, free from accidents and injuries attributable to workplace substance abuse. Rule modifies application of a discount for participation in program in conjunction with participation in other alternate rating programs.

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: Meetings were held with various *stakeholders, and their support was obtained.
* Central Ohio Builders' Exchange, COSE, NFIB, Ohio Chamber of Commerce, Ohio Farm Bureau, Ohio Grocers' Association, Ohio Manufacturers' Association, Ohio Retail Merchants, PIA, Frank Gates, CCI, Sheakley, Gates McDonald, SAO, CompManagement (Sedgwick)

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.

Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-58.1

Rule Review

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

Citation: R.C. 4123.34

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

What goal(s): Provide for a drug-free workplace program that is considered the industry standard and facilitates employers creating safer workplaces, free from accidents and injuries attributable to workplace substance abuse. Rule modifies application of a discount for participation in program in conjunction with participation in other alternate rating programs.

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

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

Common Sense Business Regulation (BWC Rules)

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

Group Rating Rule

4123-17-64

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. This rule permits a group rating employer to participate in the BWC drug free workplace program, but without the discount if the employer is receiving a group rating discount.

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 rule 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.

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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 Changes to Program Rules

Introduction

Chapter 4123-17 of the Ohio Administrative Code contains BWC rules for alternative rating and discount programs including the Drug-Free Workplace Program (DFWP) and Drug-Free EZ (DF-EZ).

Background Information

Pursuant to division (E) of section 4123.34 of the Ohio Revised Code, the administrator may grant a discount on premium rates to an eligible employer that meets the program requirements under the provisions of rules with advice and consent of the BWC Board of Directors. Pursuant to this statute, BWC adopted OAC 4123-17-58 (DFWP) in 1997 and OAC 4123-17-58.1 (DF-EZ) in 2002. These rules have been amended numerous times as operational needs dictated.

Proposed Changes

BWC is seeking a change to both DFWP and DF-EZ to remove the opportunity for an employer to stack a drug-free discount on top of certain other discounts and modification of eligibility criteria. BWC is asking to modify its two drug-free rules to prevent employers that participate in group rating or retrospective group rating (“group retro”) from receiving a second discount for participating concurrently in DFWP or DF-EZ.

- BWC is asking that the DFWP/DF-EZ rules be modified for consistency and clarity purposes as reflected below:
 - OAC 4123-17-70 is the Premium Discount Program Plus (PDP+) rule. BWC is seeking to “sunset” this program and have discounts eliminated from this rule. Therefore, BWC is also seeking to remove the ability to stack a drug-free discount on top of a PDP+ discount since this would make no sense.
 - OAC 4123-17-72 is the new BWC Deductible Program rule which allows employers participating in this program to stack a drug-free discount as an additional benefit.
 - OAC 4123-17-73 is the new Group Retrospective Rating Plan rule which will **not** allow participating employers to stack a drug-free discount.
 - In addition, BWC is seeking to modify all of its program rules including the drug-free rules to avoid unduly penalizing employers with lapsed coverage by moving from 59 days of lapses over the past 18 months to 40 days over the past 12 months as a basis for determining eligibility for program participation.

Executive Summary
Rule 4123-17-64
Group Experience Rate Calculations

Introduction

Rule 4123-17-64 of the Administrative Code contains the information relating to group experience rate calculations. Generally, the rule provides that a group meeting all the requirements for group rating shall be considered as a single employing entity for purposes of group experience rating. Paragraph (D) of the rule addresses discounts associated with the drug free workplace program.

Reason for Rule Change

As part of BWC overall rate reform plan for employers for July 1, 2009, in rules 4123-17-58 and 4123-17-58.1 of the Administrative Code, BWC is proposing changes to the drug free workplace program rules relating to the stacking of discounts. Under proposed amendments to the drug free workplace program rules, an employer in group rating may participate in a BWC drug free workplace program, but may not receive the drug free workplace program discount in addition to the employer's group rating discount. The amendment to rule 4123-17-64 is a conforming amendment to this proposal.

Rule Changes

Paragraph (D) of rule 4123-17-64 is amended to strike the current language permitting an employer participating in group rating to also receive a drug free workplace program discount. Note that the employer may still participate in a drug free workplace program.

- (D) Employers participating in a group rating plan may implement the drug free workplace program ~~and receive the associated premium discounts in addition to the group discount. However, the combined discounts may not exceed the maximum discount allowed under the group rating plan.~~

4123-17-58 Drug-free workplace (DFWP) discount program.

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 drug-free workplace (DFWP) program requirements under the provisions of this rule.

(A) As used in this rule:

- (1) "Drug-free workplace program" or "DFWP program" means the bureau's rate program which offers a premium discount to eligible employers for implementing a program addressing workplace use and abuse of alcohol and other drugs, including prescription, over-the-counter, and illegal drug abuse.
- (2) "Prescription drug abuse" means the use of over-the-counter drugs or medications prescribed by a licensed medical practitioner by someone other than the person for whom they were prescribed or for purposes other than those for which they were prescribed or manufactured.
- (3) "Accident" means an unplanned, unexpected, or unintended event which occurs on the employer's property, during the conduct of the employer's business, or during working hours, or which involves employer-supplied motor vehicles or motor vehicles used in conducting the employer's business, or within the scope of employment, and which results in any of the following:
 - (a) A fatality of anyone involved in the accident;
 - (b) Bodily injury requiring off-site medical attention away from the employer's place of employment;
 - (c) Vehicular damage in apparent excess of a dollar amount stipulated in the employer's DFWP policy; or
 - (d) Non-vehicular damage in apparent excess of a dollar amount stipulated in the employer's DFWP policy.

As used in this rule, "accident" does not have the same meaning as provided in division (C) of section 4123.01 of the Revised Code, and the definition of this rule is not intended to modify the definition of a compensable injury under the workers' compensation law.

- (4) "Reasonable suspicion" means evidence that an employee is using drugs or alcohol in violation of the company's DFWP policy, drawn from specific, objective facts and reasonable inferences drawn from these facts in light of experience and training. Such facts and inferences may be based on, but are not limited to, any of the following:

- (a) Observable phenomena, such as direct observation of drug or alcohol use, possession or distribution, or the physical symptoms of being under the influence of drugs or alcohol, such as but not limited to slurred speech, dilated pupils, odor of alcohol or marijuana, changes in affect, dynamic mood swings, etc.;
 - (b) A pattern of abnormal conduct, erratic or aberrant behavior, or deteriorating work performance (e.g., frequent absenteeism, excessive tardiness, recurrent accidents) which appears to be related to substance abuse and does not appear to be attributable to other factors;
 - (c) The identification of an employee as the focus of a criminal investigation into unauthorized drug possession, use, or trafficking;
 - (d) A report of alcohol or other drug use provided by a reliable and credible source;
 - (e) Repeated or flagrant violations of the company's safety or work rules, which are determined by a supervisor to pose a substantial risk of physical injury or property damage and which appear to be related to substance abuse or substance use that may violate the employer's DFWP policy, and do not appear attributable to other factors.
- (5) "Random selection" means drug testing of an employee selected from a pool of employees made regardless of whether any suspicion of illegal drug use exists. This testing is made without advanced notice to the employee and is based on an equal probability of selection. Random selection testing is based upon an objective and non-discretionary computer program operated and maintained by an outside contractor to identify and test a specified percentage of the total workforce over the course of a year. All employees, including those previously selected for testing, have an equal chance of being selected each time the testing process occurs, such that some employees may be selected more than once for random selection testing while other employees may not be selected at all.
- (6) "Safety-sensitive position or function" means any job position or work-related function or job task designated as such by the employer, which through the nature of the activity could be detrimental or dangerous to the physical well-being of the employee, co-workers, customers or the general public through a lapse in attention or judgment. The safety-sensitive position or function may include positions or functions where national security or the security of employees, co-workers, customers, or the general public may be seriously jeopardized or compromised through a lapse in attention or judgment.
- (7) "Supervisor" means an employee who supervises others in the performance of their jobs, has the authority and responsibility to initiate reasonable suspicion

testing when it is appropriate, and has the authority to recommend or perform hiring or firing procedures.

- (8) "Ohio Department of Alcohol and Drug Addiction Services" or "ODADAS" means the state agency an employer may contact to provide technical assistance or referral to available community resources for employers interested in developing a DFWP program. ODADAS shall maintain a list of DFWP developmental consultant programs meeting specified criteria and offering training to assist employers in developing a DFWP program. Such training shall be experience equivalency for purposes of this rule.
- (9) "Experience equivalency" means consultation and training services offered through a program which facilitates the development of an employer's DFWP program and may qualify the employer to receive a higher discount based on the program level implemented in conjunction with this experience equivalency credit.

The criteria for a program to be an experience equivalency shall include:

- (a) All primary consultants for the organization shall have a minimum of ten hours annual continuing education in drug-free workplace issues;
- (b) The organization shall have provided drug-free workplace policy and operational procedures development consultation and training for a period of at least two years; and
- (c) For purposes of this rule, the organization shall provide a certificate only to an employer that completes a minimum of fifteen hours of face-to-face consultation and training and a minimum of twenty additional hours developing the employer's drug-free workplace policy and program operations.
- (10) "Employee assistance plan" means an employer's plan of action and designated appropriate resources to assist employees who:
- (a) Seek help on their own for an alcohol or drug problem;
- (b) Are referred by management for a possible problem with alcohol or drugs; or
- (c) Have a positive alcohol or drug test.
- (11) "Employee assistance program" or "EAP" means a cost-effective program to assist employees and their families in dealing with problems affecting their work performance. An EAP identifies and helps resolve problems by applying short-term counseling, referral, and follow-up services, as determined by the contractual arrangement with the employer. In addition, the EAP provides such

services as management training and consultation; prevention and education programs; crisis intervention; benefits analysis; and organizational development. A qualified EAP is one recognized by industry standards which employs certified personnel and operates in compliance with core-technology specific to the EAP discipline. An "employee assistance program" is to be distinguished from an "employee assistance plan," which is used generically by employers offering a composition of assistance services for employees but which do not adhere to the core technology of the EAP field, as defined by the employee assistance professional association (EAPA). Employers are not required to have an EAP at any level in the DFWP program but are encouraged to consider this option which offers broad-based employee assistance services as well as a good return on investment.

- (12) "Drug and alcohol testing" means a range of tests that may be utilized to address employee use or abuse of alcohol and other drugs that affect workplace safety. These tests include pre-employment or new hire testing to screen from the workforce persons with existing substance use or abuse problems that may affect workplace safety; post-accident testing, for employees who may have caused or contributed to an accident due to use or abuse of alcohol or other drugs; reasonable suspicion testing, which utilizes observations from trained supervisors to identify employees whose behavior suggests use or abuse of alcohol or other drugs that may endanger the employee or other employees; and random drug testing to identify employees who use alcohol or other drugs in contravention of the employer's DFWP policy, with such testing likely to deter substance abuse because employees will not know whether or when they might be tested. The five drugs that are included in the drug testing are amphetamines, cannabinoids (THC), cocaine (including crack), opiates, and phencyclidine (PCP).
- (13) "Consortia" means an entity established to provide more cost-effective services to employers to help the employers meet the DFWP program requirements. Consortia may involve varied pools of employers and their employees, wherein employer education, supervisor training, and drug and alcohol testing may be offered at a reduced cost to the employers who choose to participate. Consortia for drug and alcohol testing purposes may involve contracts with laboratories certified by the department of health and human services and will operate in concert with established protocols and procedures that are consistent with federal guidelines for testing.
- (14) "Vendor" means any person or organization that provides service to employers participating in the DFWP program for purposes of employers meeting DFWP program requirements.

(B) Application process.

The bureau shall provide application and renewal forms for use in the DFWP program and shall have final authority to approve a state fund employer to receive a discount based on its participation in this program. An employer's participation in a DFWP program shall be on a program year basis, as shall renewal of participation in a DFWP program. Only state fund employers requesting consideration for the DFWP program discount should submit an application. The bureau shall evaluate each application to determine the employer's eligibility to receive a discount under the DFWP program, the employer's eligibility for a specific program level, and the applicable discount per cent.

- (1) A private employer may apply either by June thirtieth for the program year beginning July first of that year to June thirtieth of the following year, or by December thirty-first for the program year beginning January first of the following year to December thirty-first of that year. The progress report and renewal deadlines are March thirty-first for a program year that begins on July first, and September thirtieth for a program year that begins on January first.
- (2) A public employer taxing district may apply by December thirty-first prior to the program year beginning January first of the following year to December thirty-first of that year. The progress report and renewal deadlines are September thirtieth for a program year beginning January first.
- (3) An employer may withdraw its application for enrollment in the DFWP program under this rule at any time prior to receiving the discount on its premium. When an employer becomes aware that it is unable to meet the program requirements associated with its approved DFWP program level by the required implementation date, the employer shall notify the bureau of its inability and shall withdraw from the program. The employer shall return any monetary benefits associated with any discount received, including interest, which shall be calculated as provided in division (E) of section 4123.41 of the Revised Code.

(C) Eligibility requirements.

The DFWP program under this rule is available in the form of technical assistance and support to all private and public employers. However, eligibility for the discount is limited to state fund employers, with the per cent of discount based on an employer's participation in one or more alternate rating programs. A state fund employer seeking a discount shall apply on a bureau application form to implement a DFWP program and shall satisfy all of the eligibility requirements of this rule. The bureau shall review the application to determine whether the employer is eligible to receive a discount for participation in the DFWP program, determine whether the employer is eligible for the level of program applied for, and determine and approve the discount percentage for the level of program for which the employer is determined to be eligible. An employer that is found to be ineligible for participation

in the DFWP program may reapply in a subsequent program year. It is recognized that an employer may implement a DFWP program that exceeds the minimum requirements for the discount level approved by the bureau. For all levels of a DFWP program, the employer shall meet the following eligibility requirements:

- (1) If an employer participates in any other alternate rating program offered by the bureau, at the same time as the employer participates in the DFWP program, the employer may participate in the DFWP program and may receive the discount provided for under this rule in addition to the benefit for participating in the other alternative rating program, subject to the provisions and restrictions below;

(a) An employer participating in both retrospective rating under rules 4123-17-41 to 4123-17-54 of the Administrative Code and the DFWP program may only receive a premium discount equal to the maximum of either the discount under the DFWP program or the difference between the employer's premium calculated as an individual employer and calculated in the retrospective rating program.

(b) An employer participating in group rating under rules 4123-17-61 to 4123-17-68 of the Administrative Code or in group retrospective rating under rule 4123-17-73 of the Administrative Code and that participates in the DFWP program during a given program period is not eligible for a DFWP discount in addition to the benefit for participating in either of these other alternative rating programs.

(c) An employer participating in the deductible program under rule 4123-17-72 of the Administrative Code and the DFWP program may implement the DFWP program under this rule and receive the associated premium discounts in addition to the deductible benefit.

- (d) An employer that has an existing substance-free program that has been in place for four or more years at the time of application and is evaluated as comparable to the level one program under this rule is not eligible for a discount under this rule.
- (e) An employer not eligible for a discount under this rule may implement a DFWP program and is encouraged to do so. The bureau and ODADAS will identify available resources for support and technical assistance.

- (2) The employer shall be current as of March thirty-first for the application year beginning July first, or September thirtieth for the application year beginning January first, and subsequent renewal years (not more than forty-five days past

Deleted: , or receives a discount, credit, or benefit for participation in group rating, retrospective rating, or the premium discount program

Deleted: in the same policy year

Deleted: . The employer may receive only the maximum discount, credit, or benefit for whichever program amount is greater for the given policy or program year, or as specifically defined below, as follows:

Deleted: (a) An employer participating in both the premium discount program plus under rule 4123-17-70 of the Administrative Code and the DFWP program may receive a premium discount equal to the greater of the premium discount program discount or the DFWP program discount as earned individually for the given policy or program year.¶

¶ (i) Notwithstanding the provision of paragraph (C)(1)(a) of this rule, an employer participating in both the PDP plus under rule 4123-17-70 of the Administrative Code and the DFWP program under this rule may receive a premium discount for both programs. The discounts shall apply so long as the employer satisfies the requirements of each of the programs.¶

¶ (ii) In applying the discounts for the two programs, the bureau shall first apply the PDP plus discount to the extent allowable under paragraph (I) of rule 4123-17-70 of the Administrative Code, and then the DFWP discount allowable under this rule.

Deleted: (b) An individual employer participating in both group rating under rules 4123-17-61 to 4123-17-68 of the Administrative Code and the DFWP program may implement the DFWP 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.

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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.

- (3) The employer cannot have cumulative lapses in workers' compensation coverage in excess of ~~forty~~ days within the ~~twelve~~ months preceding the application or renewal deadline.
- (4) The employer shall be in an active or reinstated policy status the first day of the policy year for the DFWP program.
- (5) An employer in the DFWP program shall continue to meet all eligibility requirements during the year of participation in the program, when applying for renewal, and during each subsequent year of participation in the program, regardless of the level of the employer's DFWP program.

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(D) General program requirements.

In signing the application form, the chief executive officer or designated management representative of the employer shall certify that the employer shall meet, at a minimum, the program requirements associated with the level DFWP program for which the employer has applied. This certification is required for the employer to be considered for the discount associated with implementing the specific level DFWP program, and the signature certifies that the employer shall return any monetary benefits associated with any discount received, including interest, based on failure to implement or meet the DFWP program level requirements for which it has applied and been approved.

- (1) An employer approved by the bureau for a DFWP program that does not have an existing substance-free workplace program at the time of application or that has a program in place for less than one year, may receive a maximum of five years of discount under this rule.
- (2) An employer that has an existing substance-free workplace program at the time of application for at least one year but less than four years that is evaluated as comparable to the level one program under this rule may receive a maximum of four years of discount under this rule.

(E) Program requirements – all program levels.

To receive a discount for implementing and operating a DFWP program, an employer shall fully implement, at a minimum, the following program components by the applicable dates.

- (1) Policy – The DFWP program shall include a written policy statement, which, at a minimum, shall consist of the following:

- (a) Articulate all the elements of the level DFWP program which the employer is implementing;
- (b) State management's incentive for creating a substance-free workplace (e.g., concern for employee safety and health, productivity, accident prevention, and loss control);
- (c) Identify a DFWP program administrator and indicate the person's role or responsibilities with regard to the DFWP program;
- (d) Communicate the DFWP program and policy through initial presentation to all employees prior to the program implementation and/or on a repetitive basis annually through employee education sessions;
- (e) Clearly state that the program applies to all employees, including all levels of management;
- (f) Contain appropriate references to collective bargaining agreements and show how the DFWP program works in concert with these agreements to promote a safer workplace for all employees;
- (g) Address the use or abuse of alcohol, prescription medications, over-the-counter medications, or illegal drugs. The policy should include which drug or alcohol tests will be used, at what cutoff levels and what testing procedures and protocols will be applied; and a clear statement that supervisors will be trained regarding their responsibilities related to various testing prior to the implementation of any testing;
- (h) Include a commitment to rehabilitation;
- (i) Describe how referrals may be made for testing, assessment, and employee assistance;
- (j) Be in compliance with all federal and state laws or regulations;
- (k) State what is prohibited and the consequences for employees of a violation of this policy;
- (l) State the consequences, if any, for an employee's refusal to submit to a medical examination or a drug or alcohol test in conjunction with the operation of the employer's DFWP program;
- (m) State the consequences for any employee attempting to adulterate a specimen or otherwise manipulate the drug or alcohol testing process;

- (n) State that law enforcement authorities may be contacted and requested to come onto the employer's property when appropriate in conjunction with a referral for criminal prosecution;
 - (o) Contain a statement that nothing in the policy alters the employment-at-will status as it affects any other employment issues with the employer;
 - (p) State that an employee's violation under the DFWP policy shall not be reported to law enforcement officials unless required by a regulatory body or by criminal law provisions; and
 - (q) Include a discussion of confidentiality of the program records to ensure the privacy rights of individuals.
- (2) Employee education – The DFWP program shall include employee education, which, at a minimum, shall consist of the following:
- (a) A total of at least two hours annually for all current employees prior to implementation of the DFWP program, and at least annually thereafter for each program year in which the employer operates a DFWP program, and with at least one hour for all new employees within the employee's first four weeks of employment;
 - (b) Inform employees about the content of the DFWP program as delineated in the written policy, a copy of which will be presented, discussed and acknowledged by each employee's signature on an appropriate form;
 - (c) Stress management's commitment to the program;
 - (d) Include the disease model for alcohol and other drugs, the signs and symptoms associated with substance use and abuse, and the effects and dangers of commonly used drugs in the workplace;
 - (e) Share a list of helping resources in the community for employees to utilize for themselves or their families; and
 - (f) Be presented by a qualified educator or a presenter supervised by a qualified educator holding one of the following credentials:
 - (i) Substance abuse professional (SAP);
 - (ii) Certified employee assistance professional (CEAP);
 - (iii) Certified chemical dependency counselor (CCDCIII);
 - (iv) Ohio certified prevention specialist 1 (OCPS 1); or

- (v) Ohio certified prevention specialist 2 (OCPS 2).
- (3) Supervisor training – The DFWP program shall include supervisor training, which, at a minimum, shall consist of the following:
- (a) At least four hours of initial training for all current and new supervisors (with at least two hours of training within six weeks of a current employee becoming a supervisor or from the date of hire of a supervisor), in addition to the annual two hours of employee education, for a total of six hours annually;
 - (b) In subsequent program years, a minimum of two hours of refresher training for supervisors who have received the initial four hours of training, which is in addition to the annual two hours of employee education, for a total of four hours;
 - (c) A discussion of a supervisor's responsibilities in relationship to the employer's DFWP program, including but not limited to how to recognize a possible alcohol or other drug problem; how to document behaviors that demonstrate an alcohol or other drug problem; how to confront employees with the problem in terms of their observed behaviors; how to initiate reasonable suspicion testing; how to make an appropriate referral for assistance; how to follow up with employees re-entering the work setting after a positive drug test; and how to handle DFWP program responsibilities in a manner that is consistent with any pertinent collective bargaining agreements; and
 - (d) Be presented by a qualified trainer or a presenter supervised by a qualified trainer holding one of the credentials provided in paragraphs (E)(2)(f)(i) to (E)(2)(f)(v) of this rule.
- (4) Drug and alcohol testing – The DFWP program shall include drug and alcohol testing which, at a minimum, shall consist of a five-panel drug screen with gas chromatography/mass spectrometry (GC/MS) and alcohol testing consistent with federal standards. The employer shall implement and pay for drug and alcohol testing as follows, with the stipulation that all categories of testing shall be clearly described and defined in the employer's written policy.
- (a) Pre-employment/new-hire testing: at one hundred per cent (drug test required), with testing to be conducted before or within the first ninety days of employment;
 - (b) Post-accident: All employees who may have caused or contributed to an on-the-job accident, as defined in paragraph (A)(3) of this rule, shall submit to a drug or alcohol test. This test will be administered as soon as possible

after necessary medical attention is received, or within eight hours for alcohol and within thirty-two hours for other drugs.

- (c) Reasonable suspicion testing based on documentation and concurrence among the trained observing supervisor and a second trained supervisor, wherever possible.
- (d) Follow-up testing, for any employee with a positive test, commencing with a return-to-duty test as the first in a minimum of four tests over the period of a year from the date of return to duty for such employee where the employer brings the employee back to work or returns the employee to a safety-sensitive position or function after a positive test; no set maximum during the first year that begins with the date of return to duty. A maximum number of tests after the first year from date of return to work are to be determined by agreement between the employee, the substance abuse professional assessing or treating the employee, and the employer.

For the purposes of the DFWP program, the forms of testing to be utilized will be urinalysis (EMIT screen, also referred to as a drug screen, plus GC/MS confirmation) for a panel of five drugs, and breath or saliva with a confirmatory evidential breath test (EBT) for alcohol. However, if an EBT is not available or reasonably accessible, a blood test should be made available to the employee to determine the presence of alcohol. The employer is required to document and maintain on file the reason the EBT was not administered. To ensure the integrity of testing and for the safety of employees, participating companies must adopt the procedures and chain-of-custody guidelines recommended by the federal department of health and human services (DHHS) and required by the federal department of transportation. Employers shall ensure that DHHS certified laboratories process the test results, and that a qualified medical review officer is responsible for evaluating all test results.

Supervisors shall receive training regarding their responsibilities related to various testing prior to implementation of testing. Cut-off levels shall be clearly stated in the written policy, along with the procedures or protocols, such as chain of custody, that define the testing process.

- (5) Employee assistance – The DFWP program shall include an employee assistance plan as defined in paragraph (A)(10) of this rule for levels 1 and 2 DFWP programs, or an EAP as defined in paragraph (A)(11) of this rule for a level 3 DFWP program. Upon an employee's positive test, in addition to any corrective action deemed appropriate, the employer shall explain to the employee what a substance abuse assessment is and, by way of referral, shall provide a list containing names and addresses of qualified substance abuse assessment resources who can administer an assessment.

The specifics of the employee assistance plan as well as any requirements for which the employer contracts with a provider are dependent upon the level DFWP program which the employer implements.

- (6) Other – The DFWP program may contain other provisions related to specific program requirements that do not fall into one of the five basic program components.
- (7) An employer may use a vendor for any of the following: to develop its DFWP program policy under paragraph (E)(1) of this rule; for an educator or presenter supervised by an educator for employee education under paragraph (E)(2) of this rule; for a trainer or presenter supervised by an educator for supervisor training under paragraph (E)(3) of this rule; for drug and alcohol testing under paragraph (E)(4) of this rule; or for employee assistance under paragraph (E)(5) of this rule.
 - (a) For an employer to use the services of a vendor under this rule, the vendor, if required by law to possess workers' compensation coverage, either:
 - (i) Shall be a current participant in the bureau's DFWP program under this rule;
 - (ii) Shall have completed all of the vendor's years of eligible discount in the DFWP program and shall still maintain a DFWP program comparable to the DFWP program under this rule; or
 - (iii) If the vendor has applied to the DFWP program under this rule but the bureau has determined the vendor to be ineligible for the program based upon the provisions of paragraph (C)(1)(e) of this rule, shall develop and maintain a DFWP program comparable to the DFWP program under this rule.
 - (b) If the vendor has applied to the DFWP program under this rule but the bureau has determined the vendor to be ineligible for the program based upon any of the provisions of paragraphs (C)(2), (C)(3), or (C)(4) of this rule, the employer may not use the vendor in the DFWP program to develop its DFWP program or meet any of the DFWP program requirements under this rule.
- (8) The bureau may establish and administer consortia for the purpose of more effective program administration and reduced costs for employers participating in the DFWP program under this rule. Consortia will allow the bureau to develop pools to offer groups of employers and their employees the employee awareness information for the employer education requirement of paragraph (E)(2) of this rule, the skill building training requirement of paragraph (E)(3) of this rule, and to pool random testing and other drug and alcohol testing services

for the drug testing requirements of paragraph (E)(4) of this rule. The bureau will develop the criteria that will govern how the consortia will operate.

(F) Additional level-specific program requirements.

In addition to the general requirements of paragraph (E) of this rule applicable to all employers participating in the DFWP program and receiving a discount, this paragraph of this rule describes additional specific program requirements for the various levels of the DFWP program.

(1) Level 1 DFWP program.

To receive a discount for a level 1 DFWP program, an employer shall meet all of the general requirements of paragraph (E) of this rule.

(2) Level 2 DFWP program.

To receive a discount for a level 2 DFWP program, an employer shall apply for level 2 DFWP program and, after the first full program year, shall have had a level 1 DFWP program in place for at least one year, shall demonstrate to the satisfaction of the bureau proficiency and readiness to implement a level 2 DFWP program through a documented safety program that is already in place, or shall either have an existing comparable level 1 substance-free workplace program in place or demonstrate its proficiency and readiness to implement a level 2 DFWP program through documented experience equivalency from a program offering employer DFWP development training that has met the criteria specified in paragraph (A)(9) of this rule and is on the list maintained by ODADAS, or shall be a participant in a consortium that meets the requirements established by the bureau pursuant to paragraph (A)(13) of this rule. The employer shall fully implement the program components detailed in paragraph (E) of this rule, and in addition shall implement the following:

- (a) In addition to the drug and alcohol testing DFWP program requirements of paragraph (E)(4) of this rule, the employer shall include random drug testing of ten per cent of the employer's workforce each program year, as shall be clearly described and defined in the employer's DFWP policy. For public employers, random drug testing applies only to safety-sensitive positions or functions, as defined by the employer in the DFWP policy and paragraph (A)(5) of this rule.
- (b) In addition to the employee assistance plan DFWP program requirements of paragraph (E)(5) of this rule, the employer shall have pre-established a relationship for assessment which allows for a three-way exchange of information, with the appropriate consent, among the employee, employer, and provider. A first positive drug or alcohol finding shall result in a direct referral for assessment rather than just providing a list of names and addresses of qualified substance abuse assessment resources, unless otherwise defined within the DFWP policy for specific employment positions. In addition, the employer shall identify in the policy who will pay for the services associated with an assessment.
- (c) The employer shall implement five steps of the bureau's ten step business plan under rule 4123-17-70 of the Administrative Code during the first program year in which it operates a level 2 DFWP program.

(3) Level 3 DFWP program.

To receive a discount for a level 3 DFWP program, an employer shall apply to implement a level 3 DFWP program; shall have conducted a DFWP program at level 1, 2, or 3 for two full years, and shall have met the renewal requirements. The employer shall fully implement the program components detailed in paragraph (E) of this rule, and in addition shall implement the following:

- (a) In addition to the drug and alcohol testing DFWP program requirements of paragraph (E)(4) of this rule, the employer shall include random drug testing of twenty-five per cent of the employer's entire workforce each program year. For public employers, random drug testing applies only to safety-sensitive positions or functions, as defined by the employer in the DFWP policy and paragraph (A)(5) of this rule.
- (b) In addition to the employee assistance plan DFWP requirements of paragraphs (E)(5) and (F)(2)(b) of this rule, the employer shall offer employees health care coverage which includes chemical dependency counseling and treatment services.
- (c) At level 3, the employer shall implement all ten steps of the bureau's ten step business plan under rule 4123-17-70 of the Administrative Code.

(G) Progress reporting and renewal requirements.

If the bureau determines that an employer is eligible to implement a DFWP program, the employer shall comply with the following requirements for initial participation, and renewal of annual participation in the DFWP program. In order to qualify for renewal, an employer shall have implemented all of the program requirements associated with the DFWP program level for which a discount was obtained by the appropriate implementation date.

- (1) The employer shall permit the bureau or its designee access to the employer's job sites for on-site audit of the employer's DFWP program components, related records and documentation. The employer shall sign a "release of information form" for compliance monitoring and cost-benefit analysis purposes which authorizes the bureau to have access to various aggregate information from drug testing laboratories, medical review officers and the employee assistance plan or employee assistance program.
- (2) By the end of the first quarter of the program year or a subsequent date established by the bureau, for the first year of an employer's DFWP program, the chief executive officer or designated management representative of the employer shall certify on a form provided by the bureau a statement that the employer has fully implemented and is operating its DFWP program in

accordance with the program level requirements for which the employer has applied or is receiving the discount.

- (3) The employer shall submit to the bureau a DFWP program progress report on a form provided by the bureau providing information regarding its DFWP program for the program year. The progress report shall include information related to drug and alcohol testing and may also include additional information related to other DFWP program components as requested on the progress form. If the employer is applying for renewal, the employer shall include the DFWP program level that is requested for the next year. The reports shall be certified by the chief executive officer or designated management representative of the employer.
- (a) Policy – The employer shall certify that it has developed a DFWP policy that meets or exceeds the program requirements associated with the level of DFWP program for which the employer is receiving a discount. The employer shall submit a copy of the written policy with the certification form. The employer shall maintain the following information on site for audit purposes:
- (i) A copy of the written policy; and
 - (ii) Copies of signed acknowledgments from all employees regarding receipt of a copy of the employer's DFWP program policy.
- (b) Employee education – The employer shall maintain on site statistics regarding the number of employees educated under the DFWP program, the names and qualifications of all educators who presented the DFWP program employee education sessions, and the names and qualifications of persons supervising any of these educators. In addition, the employer shall maintain the following information on site for audit purposes:
- Original attendance sheets, signed by each employee who attended DFWP program employee education, indicating the date and number of hours of each session.
- (c) Supervisor training – The employer shall maintain on site statistics regarding the number of supervisors trained under the DFWP program, the names and qualifications of all trainers who presented the DFWP program supervisor training, and the names and qualifications of persons supervising any of these trainers. In addition, the employer shall maintain the following information on site for audit purposes:
- Original attendance sheets, signed by each supervisor who attended DFWP program supervisor training, indicating the date and number of hours of each session.

- (d) Drug and alcohol testing – The employer shall report statistics regarding the number of employees tested under the employer's DFWP program. The employer shall maintain on site for audit purposes copies of all billings from medical review officers and laboratories. The following statistics shall be reported:
- (i) Total number of employees employed by the company;
 - (ii) Number of safety-sensitive positions or functions for both private employers and public employers;
 - (iii) Program year and dates or periods of time in which the testing occurred;
 - (iv) Number of new hires and percentage tested;
 - (v) Aggregate reporting of the number of employees tested for each category of testing required in the employer's DFWP program, including the number and per cent of employees tested for pre-employment/new hire, reasonable suspicion, post-accident, government required, random (if applicable), and other testing if applicable; number of positive versus negative tests for each category; and
 - (vi) Names of medical review officers and names, addresses, phone numbers, and contact persons for all labs or collectors utilized by the employer for drug and alcohol testing under the DFWP program.
- (e) Employee assistance – The employer shall maintain on site the following information regarding its employee assistance plan or EAP under the DFWP program:
- The name of the organization that provided the employee assistance services, and the name and telephone number of the contact person.
- (f) Other – An employer implementing a level 2 DFWP program shall report its progress in implementing the first five steps of the bureau's ten step business plan, and an employer implementing a level 3 DFWP program shall report its progress in implementing all ten steps of the ten step business plan. An employer implementing a level 2 or level 3 DFWP program shall maintain records on site of its implementation of either the first five steps or all ten steps of the bureau's ten step business plan, as applicable.

(H) Disqualification from program and reapplication.

The bureau may cancel an employer's participation in the DFWP program for the employer's failure to fully implement a DFWP program in compliance with the approved program level. The bureau shall send written notice of cancellation to the employer, and shall require the employer to reimburse the bureau for any discounts received inappropriately, plus interest, as provided in paragraphs (B)(3) and (D) of this rule.

- (1) If the bureau cancels an employer from the DFWP program under this rule for failure to meet the program requirements, the employer may reapply for the DFWP program for the next program period, unless the employer has received a discount and has failed to reimburse the bureau for the discount plus interest. The bureau may deny the application based on circumstances of the initial program period.
- (2) When an employer becomes aware that it is unable to fully implement its DFWP program by the required implementation date, the employer shall notify the bureau immediately. The employer's failure to notify the bureau of its inability to fully implement the DFWP program may disqualify the employer from re-applying for the program in the future, even after the required repayment of any discount that may have been received.

(I) Discount requirements.

An employer participating in the DFWP program or meeting renewal performance standards under this rule shall be eligible to receive discounts as provided for in this rule.

- (1) The discount for an employer implementing a DFWP program shall be as follows:
 - (a) For an employer implementing a level 1 DFWP program, ten per cent;
 - (b) For an employer implementing a level 2 DFWP program, fifteen per cent;
 - (c) For an employer that has operated a DFWP program at level 1, level 2 or level 3 (the latter without a level 3 discount) for a total of no less than two full years; upon implementing a level 3 DFWP program, the employer is eligible for twenty per cent for each year of remaining eligibility in which the employer is approved to participate at a level 3 DFWP program,
- (2) The discount will be applied to the employer's premium rate, but not to the disabled workers' relief fund assessments or other assessments. The discount will not alter the employer's actual total modification calculation under rule 4123-17-03 of the Administrative Code.

- (3) The application of the discount associated with the level of the DFWP program approved by the bureau for each employer shall occur effective July first or January first of the appropriate program year for private employers, and January first of the appropriate program year for public employers.
- (4) An employer is limited to four continuous years, if eligible for four years of discount, or five continuous years, if eligible for five years of discount, to complete its maximum participation in the discount program under this rule; except that an employer which drops out of the DFWP program without receiving a discount or which repays any discount that was received, plus interest, may be considered for four or five years of discount, based on eligibility.
- (5) An employer which has completed its eligible four years or five years of participation in the DFWP program under this rule is ineligible to reapply.
- (J) An employer may appeal enrollment rejection and renewal rejection to the bureau's adjudicating committee pursuant to rule 4123-14-06 of the Administrative Code.
- (K) Hold harmless statement.

Nothing in this rule requires an employer to implement any policies or practices in developing a DFWP program that conflict or interfere with existing collective bargaining agreements. Rather, the bureau suggests that the employer and employees engage in a collaborative effort to be successful in improving workplace safety by implementing a DFWP program that includes employee input and support.

Where there are legal issues related to development and implementation of a DFWP program, it is the employer's responsibility to consult with its legal counsel to resolve these issues. An employer shall certify in its application to the bureau that it shall hold the state of Ohio harmless for responsibility or liability under the DFWP program.

- (L) Pursuant to section 4121.37 of the Revised Code, the administrator may establish a program of safety grants for employee education, supervisor training, development and legal review of a written substance policy, employee assistance, and research for eligible employers who participate in the safety grant program. The safety grant program may include grants to an employer participating in the drug-free workplace discount program under this rule or to an employer with a program comparable to the DFWP program under this rule for the employer to provide for employee and supervisor education and training as required under paragraphs (E)(2) and (E)(3) of this rule.

The administrator or administrator's designee may authorize special safety grants which will be given in furtherance of drug-free workplace efforts to those employers who demonstrate capability of promoting the development of any drug-free workplace program component on a regional, statewide or industry-specific level including, but not limited to, incorporation of labor efforts to promote education, training and testing.

- (1) The bureau shall determine whether the employer is eligible for the safety grant program grants under this rule. The bureau may limit participation in the safety grant program based upon the availability of bureau resources for the program and upon the merits of the employer's proposal. The safety grant program is available only to a private state fund employer or a public employer taxing district that shall pay workers' compensation premiums to the state insurance fund, shall have active coverage on the date of agreement to participate in the safety grant program, and shall be a participant in the drug-free workplace discount program under this rule or an employer with a program comparable to the DFWP program under this rule at the time of application for the safety grant program.
- (2) The bureau will assess whether the employer is eligible to receive a safety grant under this rule. The bureau and employer shall enter into a written agreement detailing the rights, obligations, and expectations of the parties for performance of the safety grant program.
- (3) The bureau may meet with the owner or chief executive officer of the employer to evaluate the employer's progress in the safety grant program. The employer shall provide the bureau access to records or personnel to conduct research into the effectiveness of the safety grant program.
- (4) An employer who complies with the requirements of the safety grant program under this rule shall be eligible to receive a grant from the bureau as provided in the written agreement.
 - (a) The bureau may establish by written agreement with the employer the maximum amount of the safety grant program grant.
 - (b) The bureau may establish by written agreement with the employer a requirement for matching funds from the employer in a ratio to be determined by the bureau.
 - (c) The bureau shall monitor the employer's use of the safety grant program grant and may recover the entire grant if the bureau determines that the employer has not used the grant for the purposes of the safety grant program or has otherwise violated the written agreement on the safety grant program.

(5) The bureau shall evaluate the research data from the safety grant program on a periodic basis. The bureau may publish reports of the research to assist employers in maintaining a drug-free workplace.

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4123-17-58.1 Drug-free workplace (DFWP) discount program for small 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 drug-free workplace (DFWP) program requirements under the provisions of this rule.

(A) As used in this rule:

- (1) "Drug-free workplace program for small employers" or "DFWP program" means the bureau's rate program which offers a premium discount to eligible small employers for implementing a program addressing workplace use, misuse and abuse of alcohol and other drugs, including prescription, over-the-counter, and illegal drug abuse.
- (2) "Prescription drug abuse" means the use of over-the-counter drugs or medications prescribed by a licensed medical practitioner by someone other than the person for whom they were prescribed or for purposes other than those for which they were prescribed or manufactured.
- (3) "Accident" means an unplanned, unexpected, or unintended event which occurs on the employer's property, during the conduct of the employer's business, or during working hours, or which involves employer-supplied motor vehicles or motor vehicles used in conducting the employer's business, or within the scope of employment, and which results in any of the following:
 - (a) A fatality of anyone involved in the accident;
 - (b) Bodily injury requiring off-site medical attention away from the employer's place of employment;
 - (c) Vehicular damage in apparent excess of a dollar amount stipulated in the employer's DFWP policy; or
 - (d) Non-vehicular damage in apparent excess of a dollar amount stipulated in the employer's DFWP policy.

As used in this rule, "accident" does not have the same meaning as provided in division (C) of section 4123.01 of the Revised Code, and the definition of this rule is not intended to modify the definition of a compensable injury under the workers' compensation law.

- (4) "Reasonable suspicion" means evidence that an employee is using drugs or alcohol in violation of the company's DFWP policy, drawn from specific, objective facts and reasonable inferences drawn from these facts in light of experience and training. Such facts and inferences may be based on, but are not limited to, any of the following:

- (a) Observable phenomena, such as direct observation of drug or alcohol use, possession or distribution, or the physical symptoms of being under the influence of drugs or alcohol, such as but not limited to slurred speech, dilated pupils, odor of alcohol or marijuana, changes in affect, dynamic mood swings, etc.;
 - (b) A pattern of abnormal conduct, erratic or aberrant behavior, or deteriorating work performance (e.g., frequent absenteeism, excessive tardiness, recurrent accidents) which appears to be related to substance abuse and does not appear to be attributable to other factors;
 - (c) The identification of an employee as the focus of a criminal investigation into unauthorized drug possession, use, or trafficking;
 - (d) A report of alcohol or other drug use provided by a reliable and credible source;
 - (e) Repeated or flagrant violations of the company's safety or work rules, which are determined by a supervisor to pose a substantial risk of physical injury or property damage and which appear to be related to substance abuse or substance use that may violate the employer's DFWP policy, and do not appear attributable to other factors.
- (5) "Random selection" means drug testing of an employee selected from a pool of employees made regardless of whether any suspicion of illegal drug use exists. This testing is made without advanced notice to the employee and is based on an equal probability of selection. Random selection testing is based upon an objective and non-discretionary computer program operated and maintained by an outside contractor to identify and test a specified percentage of the total workforce over the course of a year. All employees, including those previously selected for testing, have an equal chance of being selected each time the testing process occurs, such that some employees may be selected more than once for random selection testing while other employees may not be selected at all.
- (6) "Safety-sensitive position or function" means any job position or work-related function or job task designated as such by the employer, which through the nature of the activity could be detrimental or dangerous to the physical well-being of the employee, co-workers, customers or the general public through a lapse in attention or judgment. The safety-sensitive position or function may include positions or functions where national security or the security of employees, co-workers, customers, or the general public may be seriously jeopardized or compromised through a lapse in attention or judgment.
- (7) "Supervisor" means an employee who supervises others in the performance of their jobs, has the authority and responsibility to initiate reasonable suspicion

testing when it is appropriate, and has the authority to recommend or perform hiring or firing procedures.

- (8) "Ohio Department of Alcohol and Drug Addiction Services" or "ODADAS" means the state agency an employer may contact to provide technical assistance or referral to available community resources for employers interested in developing a DFWP program. ODADAS shall maintain a list of DFWP developmental consultant programs meeting specified criteria and offering training to assist employers in developing a DFWP program. Such training shall be experience equivalency for purposes of this rule.
- (9) "Experience equivalency" means consultation and training services offered through a program which facilitates the development of an employer's DFWP program and may qualify the employer to receive a higher discount based on the program level implemented in conjunction with this experience equivalency credit.

The criteria for a program to be an experience equivalency shall include:

- (a) All primary consultants for the organization shall have a minimum of ten hours annual continuing education in drug-free workplace issues;
- (b) The organization shall have provided drug-free workplace policy and operational procedures development consultation and training for a period of at least two years; and
- (c) For purposes of this rule, the organization shall provide a certificate only to an employer that completes a minimum of fifteen hours of face-to-face consultation and training and a minimum of twenty additional hours developing the employer's drug-free workplace policy and program operations.
- (10) "Employee assistance plan" means an employer's plan of action and designated appropriate resources to assist employees who:
- (a) Seek help on their own for an alcohol or drug problem;
- (b) Are referred by management for a possible problem with alcohol or drugs; or
- (c) Have a positive alcohol or drug test.
- (11) "Employee assistance program" or "EAP" means a cost-effective program to assist employees and their families in dealing with problems affecting their work performance. An EAP identifies and helps resolve problems by applying short-term counseling, referral, and follow-up services, as determined by the contractual arrangement with the employer. In addition, the EAP provides such

services as management training and consultation; prevention and education programs; crisis intervention; benefits analysis; and organizational development. A qualified EAP is one recognized by industry standards which employs certified personnel and operates in compliance with core-technology specific to the EAP discipline. An "employee assistance program" is to be distinguished from an "employee assistance plan," which is used generically by employers offering a composition of assistance services for employees but which do not adhere to the core technology of the EAP field, as defined by the employee assistance professional association (EAPA). Employers are not required to have an EAP at any level of participation in the DFWP program but are encouraged to consider this option which offers broad-based employee assistance services as well as a good return on investment.

- (12) "Drug and alcohol testing" means a range of tests that may be utilized to address employee use or abuse of alcohol and other drugs that affect workplace safety. These tests include pre-employment or new hire testing to screen from the workforce persons with existing substance use or abuse problems that may affect workplace safety; post-accident testing, for employees who may have caused or contributed to an accident due to use or abuse of alcohol or other drugs; reasonable suspicion testing, which utilizes observations from trained supervisors to identify employees whose behavior suggests use or abuse of alcohol or other drugs that may endanger the employee or other employees; follow-up testing, including a return-to-duty test; and random drug testing to identify employees who use alcohol or other drugs in contravention of the employer's DFWP policy, with such testing likely to deter substance abuse because employees will not know whether or when they might be tested. The five drugs that are included in the drug testing are amphetamines, cannabinoids (THC), cocaine (including crack), opiates, and phencyclidine (PCP).
- (13) "Consortia" means entities established to provide more cost-effective services to employers to help the employers meet the DFWP program requirements. Consortia may involve varied pools of employers and their employees, wherein employer education, supervisor training, and drug and alcohol testing may be offered at a reduced cost to the employers who choose to participate. Consortia for drug and alcohol testing purposes may involve contracts with laboratories certified by the federal department of health and human services and will operate in concert with established protocols and procedures that are consistent with federal guidelines for testing.
- (14) "Vendor" means any person or organization that provides service to employers participating in the DFWP program for purposes of employers meeting DFWP program requirements.
- (15) "Small employer" means any employer that typically employs twenty-five or fewer employees.

(B) Application process.

The bureau shall provide application and renewal forms for use in the DFWP program and shall have final authority to approve a state fund employer to receive a discount based on its participation in this program. An employer's participation in a DFWP program shall be on a program year basis, as shall renewal of participation in a DFWP program. Only state fund employers requesting consideration for the DFWP program discount should submit an application. The bureau shall evaluate each application to determine the employer's eligibility to receive a discount under the DFWP program, the employer's eligibility for a specific program level, and the applicable discount per cent.

- (1) A private employer may apply either by June thirtieth for the program year beginning July first of that year to June thirtieth of the following year, or by December thirty-first for the program year beginning January first of the following year to December thirty-first of that year. The progress report and renewal deadlines are March thirty-first for a program year that begins on July first, and September thirtieth for a program year that begins on January first.
- (2) A public employer taxing district may apply by December thirty-first prior to the program year beginning January first of the following year to December thirty-first of that year. The progress report and renewal deadlines are September thirtieth for a program year beginning January first.
- (3) An employer may withdraw its application for enrollment in the DFWP program under this rule at any time prior to receiving the discount on its premium. When an employer becomes aware that it is unable to meet the program requirements associated with its approved DFWP program level by the required implementation date, the employer shall notify the bureau of its inability and shall withdraw from the program. The employer shall return any monetary benefits associated with any discount received.

(C) Eligibility requirements.

The DFWP program under this rule is available in the form of technical assistance and support to all private and public employers. However, eligibility for the discount is limited to state fund employers, with the per cent of discount based on an employer's participation in one or more alternate rating programs. A state fund employer seeking a discount shall apply on a bureau application form to implement a DFWP program and shall satisfy all of the eligibility requirements of this rule. The bureau shall review the application to determine whether the employer is eligible to receive a discount for participation in the DFWP program, determine whether the employer is eligible for the level of program applied for, and determine and approve the discount percentage for the level of program for which the employer is determined to be eligible. An employer that is found to be ineligible for participation in the DFWP program may reapply in a subsequent program year. It is recognized

that an employer may implement a DFWP program that exceeds the minimum requirements for the discount level approved by the bureau. For all levels of a DFWP program, the employer shall meet the following eligibility requirements:

- (1) If an employer participates in any other alternate rating program offered by the bureau, at the same time as the employer participates in the DFWP program, the employer may participate in the DFWP program and may receive the discount provided for under this rule in addition to the benefit for participating in the other alternate rating program, subject to the provisions and restrictions below:

(a) An employer participating in both retrospective rating under rules 4123-17-41 to 4123-17-54 of the Administrative Code and the DFWP program may only receive a premium discount equal to the maximum of either the discount under the DFWP program or the difference between the employer's premium calculated as an individual employer and calculated in the retrospective rating program.

(b) An employer participating in group rating under rules 4123-17-61 to 4123-17-68 of the Administrative Code or in group retrospective rating under rule 4123-17-73 of the Administrative Code and also participating in the DFWP program during a given program period is not eligible for a DFWP discount in addition to the benefit for participating in any of these other alternative rating programs.

(c) An employer participating in both the deductible program under rule 4123-17-72 of the Administrative Code and the DFWP program may implement the DFWP program under this rule and receive the associated premium discounts in addition to the deductible benefit.

(d) An employer that has an existing substance-free program that has been in place for four or more years at the time of application and is evaluated as comparable to the level one program under this rule is eligible for a discount under this rule with the following stipulation. Such employer must implement all ten steps of the bureau's ten step business plan if participating at either level 2 or level 3.

(e) An employer not eligible for a discount under this rule may implement a DFWP program and is encouraged to do so. The bureau and ODADAS will identify available resources for support and technical assistance.

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Deleted: The employer may receive the maximum discount, credit, or benefit for whichever program amount is greater for the given policy or program year, or as specifically defined below, as follows:

Deleted: (a) An employer participating in both the premium discount program plus under rule 4123-17-70 of the Administrative Code and the DFWP program may receive a premium discount equal to the greater of the premium discount program discount or the DFWP program discount as earned individually for the given policy or program year.

Deleted: (i) Notwithstanding the provision of paragraph (C)(1)(a) of this rule, an employer participating in both the premium discount program plus under rule 4123-17-70 of the Administrative Code and the DFWP program under this rule may receive a premium discount for both programs. The discounts shall apply so long as the employer satisfies the requirements of each of the programs.

Deleted: (ii) In applying the discounts for the two programs, the bureau shall first apply the PDP plus discount to the extent allowable under paragraph (I) of rule 4123-17-70 of the Administrative Code, and then the DFWP discount allowable under this rule.

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(2) The employer shall be current as of March thirty-first for the application year beginning July first, or September thirtieth for the application year beginning January first, and subsequent renewal years (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.

(3) The employer cannot have cumulative lapses in workers' compensation coverage in excess of ~~forty~~ days within the ~~twelve~~ months preceding the application or renewal deadline.

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(4) The employer shall be in an active or reinstated policy status the first day of the policy year for the DFWP program.

(5) An employer in the DFWP program shall continue to meet all eligibility requirements during the year of participation in the program, when applying for renewal, and during each subsequent year of participation in the program, regardless of the level of the employer's DFWP program.

(D) General program requirements.

In signing the application form, the chief executive officer or designated management representative of the employer shall certify that the employer shall meet, at a minimum, the program requirements associated with the level DFWP program for which the employer has applied. This certification is required for the employer to be considered for the discount associated with implementing the specific level DFWP program, and the signature certifies that the employer shall return any monetary benefits associated with any discount received based on failure to implement or meet the DFWP program level requirements for which it has applied and been approved.

(1) An employer approved by the bureau for a DFWP program that does not have an existing substance-free workplace program at the time of application or that has a program in place for less than one year, may receive a maximum of five years of discount under this rule.

(2) An employer that has an existing substance-free workplace program at the time of application for at least one year but less than four years that is evaluated as comparable to the level one program under this rule may receive a maximum of four years of discount under this rule.

(E) Program requirements – all program levels.

To receive a discount for implementing and operating a DFWP program, an employer shall fully implement, at a minimum, the following program components by the applicable dates.

- (1) Policy – The DFWP program shall include a written policy statement, which, at a minimum, shall consist of the following:
 - (a) Articulate all the elements of the level DFWP program which the employer is implementing;
 - (b) State management's incentive for creating a substance-free workplace (e.g., concern for employee safety and health, productivity, accident prevention, and loss control);
 - (c) Identify a DFWP program administrator and indicate the person's role or responsibilities with regard to the DFWP program;
 - (d) Communicate the DFWP program and policy through initial presentation to all employees prior to the program implementation and/or on a repetitive basis annually through employee education sessions;
 - (e) Clearly state that the program applies to all employees, including all levels of management;
 - (f) Contain appropriate references to collective bargaining agreements and show how the DFWP program works in concert with these agreements to promote a safer workplace for all employees;
 - (g) Address the use or abuse of alcohol, prescription medications, over-the-counter medications, or illegal drugs. The policy should include which drug or alcohol tests will be used, at what cutoff levels and what testing procedures and protocols will be applied; and a clear statement that supervisors will be trained regarding their responsibilities related to various testing prior to the implementation of any testing;
 - (h) Include a commitment to rehabilitation;
 - (i) Describe how referrals may be made for testing, assessment, and employee assistance;
 - (j) Be in compliance with all federal and state laws or regulations;
 - (k) State what is prohibited and the consequences for employees of a violation of this policy;

- (l) State the consequences, if any, for an employee's refusal to submit to a medical examination or a drug or alcohol test in conjunction with the operation of the employer's DFWP program;
 - (m) State the consequences for any employee attempting to adulterate a specimen or otherwise manipulate the drug or alcohol testing process;
 - (n) Include a discussion of confidentiality of the program records to ensure the privacy rights of individuals.
- (2) Employee education – The DFWP program shall include employee education, which, at a minimum, shall consist of the following:
- (a) At least one hour initially for all current employees prior to implementation of the DFWP program, and at least one hour annually thereafter for each program year in which the employer operates a DFWP program, and with information on the employer's written policy provided to all new employees within each employee's first six weeks of employment which may include written information provided during orientation;
 - (b) Inform employees about the content of the DFWP program as delineated in the written policy, a copy of which will be presented, discussed and acknowledged by each employee's signature on an appropriate form;
 - (c) Stress management's commitment to the program;
 - (d) Include the disease model for alcohol and other drugs, the signs and symptoms associated with substance use and abuse, and the effects and dangers of commonly used drugs in the workplace;
 - (e) Share a list of helping resources in the community for employees to utilize for themselves or their families; with information provided by bureau staff and obtained from the local county alcohol, drug abuse and mental health service (ADAMH) board or alcohol and drug addiction services (ADAS) board to link employees who need assistance with helping resources in the community and which can be utilized by the employees and/or their families for assessment or treatment.
 - (f) Be presented by a qualified educator or a presenter supervised by a qualified educator or, if in-house personnel are utilized to present the employee education sessions, the presenter must have attended a training-for-trainers session offered by a qualified educator. A qualified educator includes anyone having at least three years of experience providing substance educational awareness within the past five years or holding one of the following credentials:

- (i) Substance abuse professional (SAP);
 - (ii) Certified employee assistance professional (CEAP);
 - (iii) Certified chemical dependency counselor (CCDCIII);
 - (iv) Ohio certified prevention specialist 1 (OCPS 1);
 - (v) Ohio certified prevention specialist 2 (OCPS 2); or
 - (vi) Other, which includes any other credential that demonstrates comparable education or training pertinent to providing education or training in the substance use/abuse field.
- (3) Supervisor training – The DFWP program shall include supervisor training, which, at a minimum, shall consist of the following:
- (a) At least two hours of initial skill-building training for all current and new supervisors (with at least one hour of training within six weeks of a current employee becoming a supervisor or from the date of hire of a supervisor), in addition to the annual hour of employee education, for a total of three hours;
 - (b) In subsequent program years, a minimum of one hour of refresher training for supervisors who have received the initial two hours of training, which is in addition to the annual hour of employee education, for a total of two hours;
 - (c) A discussion of a supervisor's responsibilities in relationship to the employer's DFWP program, including but not limited to how to recognize a possible alcohol or other drug problem; how to document behaviors that demonstrate an alcohol or other drug problem; how to confront employees with the problem in terms of their observed behaviors; how to initiate reasonable suspicion testing; how to make an appropriate referral for assistance; how to follow up with employees re-entering the work setting after a positive drug test; and how to handle DFWP program responsibilities in a manner that is consistent with any pertinent collective bargaining agreements; and
 - (d) Be presented by a qualified trainer or a presenter supervised by a qualified trainer. A qualified trainer includes anyone having at least three years of experience providing substance training within the past five years or holding one of the following credentials provided in paragraphs (E)(2)(f)(i) to (E)(2)(f)(vi) of this rule.

- (4) Drug and alcohol testing – The DFWP program shall include drug and alcohol testing which, at a minimum, shall consist of a five-panel drug screen with gas chromatography/mass spectrometry (GC/MS) and alcohol testing consistent with federal standards, including split specimen as utilized in federally mandated testing. The employer shall implement and pay for drug and alcohol testing as follows, with the stipulation that all categories of testing shall be clearly described and defined in the employer's written policy. Only the cost of a re-test requested by an employee and utilizing the split specimen may be charged to an employee. If a re-test comes back negative for drugs, the employer will pay the cost of the re-test.
- (a) Pre-employment/new-hire testing: at one hundred per cent (drug test required), with testing to be conducted before or within the first ninety days of employment;
 - (b) Post-accident: All employees who may have caused or contributed to an on-the-job accident, as defined in paragraph (A)(3) of this rule, shall submit to a drug or alcohol test. This test will be administered as soon as possible after necessary medical attention is received, or within eight hours for alcohol and within thirty-two hours for other drugs. The employer may determine when an accident should result in a post-accident test through considering the following: if the accident resulted in an injury that is considered "minor" even where off-site medical attention was required, and if there was no violation of work rules associated with the accident, and if there was no reasonable suspicion related to possible substance use in violation of the employer's written policy and if the accident is considered "normal" in relationship to the job functions of all involved employees, then the employer may require but does not have to require a drug and/or alcohol test of all employees who may have caused or contributed to the accident.
 - (c) Reasonable suspicion testing based on documentation and concurrence among the trained observing supervisor and a second trained supervisor, wherever possible.
 - (d) Follow-up testing, for any employee with a positive test, commencing with a required return-to-duty drug and/or alcohol test. The employer may determine whether there are to be additional tests on an unannounced basis over the period of a year from the date of return to duty for such employee where the employer brings the employee back to work or returns the employee to a safety-sensitive position or function after a positive test.

For the purposes of the DFWP program, the forms of testing to be utilized will be urinalysis (EMIT screen, also referred to as a drug screen, plus GC/MS confirmation) for a panel of five drugs, and breath or saliva with a confirmatory evidential breath test (EBT) for alcohol. However, if an EBT is not available or reasonably accessible, a blood test should be made available to the employee to

determine the presence of alcohol. The employer is required to document and maintain on file the reason the EBT was not administered. To ensure the integrity of testing and for the safety of employees, participating companies must ensure that the collection sites with which they contract follow the procedures and chain-of-custody guidelines recommended by the federal department of health and human services (DHHS) and required by the federal department of transportation. Employers shall ensure that DHHS certified laboratories process the test results, and that a qualified medical review officer is responsible for evaluating all test results.

Supervisors shall receive training regarding their responsibilities related to various testing prior to implementation of testing. Cut-off levels shall be clearly stated in the written policy, along with the procedures or protocols, such as chain of custody, that define the testing process.

- (5) Employee assistance – The DFWP program for small employers does not require either an employee assistance plan as defined in paragraph (A)(10) of this rule or an EAP as defined in paragraph (A)(11) of this rule for any program level. The bureau strongly recommends that the employer consider providing employee assistance beyond the assistance information that will be compiled by bureau staff from local ADAMH or ADAS boards. When an employee tests positive, in addition to any corrective action deemed appropriate and specified in written policy, the employer should consider sharing with the employee what a substance abuse assessment is and, by way of referral, shall provide the list containing names and addresses of qualified substance abuse resources who can administer an assessment and serve as a link to possible treatment services. Offering employee assistance does not preclude the employer from making a decision on retaining an employee or termination of employment consistent with applicable state and federal laws and regulations.
- (6) Other – The DFWP program may contain other provisions related to specific program requirements that do not fall into one of the five basic program components.
- (7) An employer may use a vendor for any of the following: to develop or review its DFWP program policy under paragraph (E)(1) of this rule; for an educator or presenter supervised by an educator for employee education under paragraph (E)(2) of this rule; for a trainer or presenter supervised by an educator for supervisor training under paragraph (E)(3) of this rule; for drug and alcohol testing under paragraph (E)(4) of this rule; or for employee assistance under paragraph (E)(5) of this rule.
- (8) The bureau may establish and administer or set standards for consortia for the purpose of more effective program administration and reduced costs for small employers participating in the DFWP program under this rule. Consortia will

facilitate the development of drug testing pools that can be utilized by groups of small employers and their employees. Consortia can help small employers meet additional DFWP requirements such as employee education, skill-building supervisor training, facilitate random testing, and provide other drug and alcohol testing services for the drug testing requirements and providing employee assistance. The bureau will develop the criteria that will govern how the consortia will operate.

(F) Additional level-specific program requirements.

In addition to the general requirements of paragraph (E) of this rule applicable to all employers participating in the DFWP program and receiving a discount, this paragraph of this rule describes additional specific program requirements for the various levels of the DFWP program.

(1) Level 1 DFWP program.

To receive a discount for a level 1 DFWP program, an employer shall meet all of the general requirements of paragraph (E) of this rule.

(2) Level 2 DFWP program.

To receive a discount for a level 2 DFWP program, an employer shall apply for level 2 DFWP program and shall demonstrate to the satisfaction of the bureau proficiency and readiness to implement a level 2 DFWP program such as through having a documented safety program or an existing substance-free workplace program or through documented experience equivalency from a program offering employer DFWP development training that has met the criteria specified in paragraph (A)(9) of this rule and is on the list maintained by ODADAS, through some other form of demonstrated proficiency/readiness to implement a level 2 DFWP program or through participation in a consortium that meets the requirements established by the bureau pursuant to paragraph (A)(13) of this rule. The employer shall fully implement the program components detailed in paragraph (E) of this rule, and in addition shall implement the following:

- (a) In addition to the drug and alcohol testing DFWP program requirements of paragraph (E)(4) of this rule, the employer shall include random drug testing of ten per cent of the employer's workforce each program year, as shall be clearly described and defined in the employer's DFWP policy. For public employers, random drug testing applies only to safety-sensitive positions or functions, as defined by the employer in the DFWP policy and paragraphs (A)(5) and (A)(6) of this rule.
- (b) The employer shall implement three specified steps of the bureau's ten step business plan under rule 4123-17-70 of the Administrative Code. The three

steps are senior leadership, employee involvement, and written and communicated safe work practices.

(3) Level 3 DFWP program.

To receive a discount for a level 3 DFWP program, an employer shall apply to implement a level 3 DFWP program; shall have conducted a DFWP program at level 1, 2, or 3 for two full years, and shall have met the renewal requirements. The employer shall fully implement the program components detailed in paragraph (E) of this rule, and in addition shall implement the following:

- (a) In addition to the drug and alcohol testing DFWP program requirements of paragraph (E)(4) of this rule, the employer shall include random drug testing of twenty-five per cent of the employer's entire workforce each program year. For public employers, random drug testing applies only to safety-sensitive positions or functions, as defined by the employer in the DFWP policy and paragraphs (A)(5) and (A)(6) of this rule.
- (b) At level 3, the employer shall implement three steps of the bureau's ten step business plan under rule 4123-17-70 of the Administrative Code. The steps are senior leadership, employee involvement, and written and communicated safe work practices.

(G) Progress reporting and renewal requirements.

If the bureau determines that an employer is eligible to implement a DFWP program, the employer shall comply with the following requirements for initial participation, and renewal of annual participation in the DFWP program. In order to qualify for renewal, an employer shall have implemented all of the program requirements associated with the DFWP program level for which a discount was obtained by the appropriate implementation date.

- (1) The employer shall permit the bureau or its designee access to the employer's job sites for on-site audit of the employer's DFWP program components, related records and documentation. The employer shall sign a "release of information form" for compliance monitoring and cost-benefit analysis purposes which authorizes the bureau to have access to various aggregate information from drug testing laboratories and medical review officers.
- (2) By the end of the first quarter of the program year or a subsequent date established by the bureau, for the first year of an employer's DFWP program, the chief executive officer or designated management representative of the employer shall certify on a form provided by the bureau a statement that the employer has fully implemented and is operating its DFWP program in accordance with the program level requirements for which the employer has applied or is receiving the discount.

- (3) The employer shall submit to the bureau a DFWP program progress report on a form provided by the bureau providing information regarding its DFWP program for the program year. The progress report shall include information related to drug and alcohol testing and may also include additional information related to other DFWP program components as requested on the progress form. If the employer is applying for renewal, the employer shall include the DFWP program level that is requested for the next year. The reports shall be certified by the chief executive officer or designated management representative of the employer.
- (a) Policy – The employer shall develop a DFWP policy that meets or exceeds the program requirements associated with the level of DFWP program for which the employer is receiving a discount. The employer shall maintain the following information on site for audit purposes:
- (i) A copy of the written policy; and
 - (ii) Copies of signed acknowledgments from all employees regarding receipt of a copy of the employer's DFWP program policy.
- (b) Employee education – The employer shall maintain on site statistics regarding the number of employees educated under the DFWP program, the names and qualifications of all educators who presented the DFWP program employee education sessions, and the names and qualifications of persons supervising any of these educators. In addition, the employer shall maintain the following information on site for audit purposes:
- Original attendance sheets, signed by each employee who attended DFWP program employee education, indicating the date and number of hours of each session.
- (c) Supervisor training – The employer shall maintain on site statistics regarding the number of supervisors trained under the DFWP program, the names and qualifications of all trainers who presented the DFWP program supervisor training, and the names and qualifications of persons supervising any of these trainers. In addition, the employer shall maintain the following information on site for audit purposes:
- Original attendance sheets, signed by each supervisor who attended DFWP program supervisor training, indicating the date and number of hours of each session.
- (d) Drug and alcohol testing – The employer shall report statistics regarding the number of employees tested under the employer's DFWP program. The employer shall maintain on site for audit purposes copies of all billings

from medical review officers and laboratories. The following statistics shall be reported:

- (i) Total number of employees employed by the company;
 - (ii) Number of safety-sensitive positions or functions for both private employers and public employers;
 - (iii) Program year and dates or periods of time in which the testing occurred;
 - (iv) Number of new hires and percentage tested;
 - (v) Aggregate reporting of the number of employees tested for each category of testing required in the employer's DFWP program, including the number and per cent of employees tested for pre-employment/new hire, reasonable suspicion, post-accident, government required, random (if applicable), and other testing if applicable; number of positive versus negative tests for each category; and
 - (vi) Names of medical review officers and names, addresses, phone numbers, and contact persons for all labs or collectors utilized by the employer for drug and alcohol testing under the DFWP program.
- (e) Employee assistance – The employer shall maintain on site the following information regarding its employee assistance under the DFWP program:
- The name of the organization that provided the employee assistance services, and the name and telephone number of the contact person.
- (f) Other – An employer implementing a level 2 DFWP program shall report its progress in implementing the three specified steps of the bureau's ten step business plan, and an employer implementing a level 3 DFWP program shall report its progress in implementing the three specified steps. An employer implementing a level 2 or level 3 DFWP program shall maintain records on site of its implementation of the three required steps.

(H) Disqualification from program and reapplication.

The bureau may cancel an employer's participation in the DFWP program for the employer's failure to fully implement a DFWP program in compliance with the approved program level. The bureau shall send written notice of cancellation to the employer, and shall require the employer to reimburse the bureau for any discounts received inappropriately, as provided in paragraphs (B)(3) and (D) of this rule.

- (1) If the bureau cancels an employer from the DFWP program under this rule for failure to meet the program requirements, the employer may reapply for the DFWP program for the next program period, unless the employer has received a discount and has failed to reimburse the bureau for the discount. The bureau may deny the application based on circumstances of the initial program period.
- (2) When an employer becomes aware that it is unable to fully implement its DFWP program by the required implementation date, the employer shall notify the bureau immediately. The employer's failure to notify the bureau of its inability to fully implement the DFWP program may disqualify the employer from re-applying for the program in the future, even after the required repayment of any discount that may have been received.

(I) Discount requirements.

An employer participating in the DFWP program or meeting renewal performance standards under this rule shall be eligible to receive discounts as provided for in this rule.

- (1) The discount for an employer implementing a DFWP program shall be as follows:
 - (a) For an employer implementing a level 1 DFWP program, ten per cent;
 - (b) For an employer implementing a level 2 DFWP program, fifteen per cent;
 - (c) For an employer that has operated a DFWP program at level 1, level 2 or level 3 (the latter without a level 3 discount) for a total of no less than two full years; upon implementing a level 3 DFWP program, the employer is eligible for twenty per cent for each year of remaining eligibility in which the employer is approved to participate at a level 3 DFWP program.
- (2) The discount will be applied to the employer's premium rate, but not to the disabled workers' relief fund assessments or other assessments. The discount will not alter the employer's actual total modification calculation under rule 4123-17-03 of the Administrative Code.
- (3) The application of the discount associated with the level of the DFWP program approved by the bureau for each employer shall occur effective July first or January first of the appropriate program year for private employers, and January first of the appropriate program year for public employers.
- (4) An employer is limited to four continuous years, if eligible for four years of discount, or five continuous years, if eligible for five years of discount, to complete its maximum participation in the discount program under this rule; except that an employer which drops out of the DFWP program without

receiving a discount or which repays any discount that was received, plus interest, may be considered for four or five years of discount, based on eligibility.

- (5) An employer which has completed its eligible four years or five years of participation in the DFWP program under this rule is ineligible to reapply.
- (6) Employers participating in DFWP are eligible to obtain a DFWP plus benefit as follows:
 - (a) Additional credits are allowed for a fifteen per cent reduction of claims frequency and for a fifteen per cent reduction of claims severity;
 - (b) Claims frequency is defined as total number of reported claims (medical only and lost time) in a given policy year multiplied by one million dollars divided by the reported payroll of the same year;
 - (c) Claims severity is defined as the total number of days away from work in a given policy year multiplied by one million dollars divided by the reported payroll of the same year;
 - (d) Plus credits are as follows:
 - (i) Ten per cent for a fifteen per cent or greater claims severity reduction;
 - (ii) Five per cent for a fifteen per cent or greater claims frequency reduction;
 - (iii) Five per cent bonus for meeting both a fifteen per cent or greater claims severity reduction and a fifteen per cent or greater claims frequency reduction.
 - (iv) A plus discount check will be sent to an employer by the end of October for an employer whose anniversary date in DFWP is the first of July, and by the end of April for an employer whose anniversary date in the program is the first of January.
- (J) An employer may appeal enrollment rejection and renewal rejection to the bureau's adjudicating committee pursuant to rule 4123-14-06 of the Administrative Code.
- (K) Hold harmless statement.

Nothing in this rule requires an employer to implement any policies or practices in developing a DFWP program that conflict or interfere with existing collective bargaining agreements. Rather, the bureau suggests that the employer and employees

engage in a collaborative effort to be successful in improving workplace safety by implementing a DFWP program that includes employee input and support.

Where there are legal issues related to development and implementation of a DFWP program, it is the employer's responsibility to consult with its legal counsel to resolve these issues. An employer shall certify in its application to the bureau that it shall hold the state of Ohio harmless for responsibility or liability under the DFWP program.

- (L) Pursuant to section 4121.37 of the Revised Code, the administrator may establish a program of safety grants in support of meeting drug-free workplace requirements such as policy development, employee education, supervisor training, employee assistance, and research for eligible employers who participate in the safety grant program. The safety grant program may include grants to an employer participating in the drug-free workplace discount program under this rule or to an employer with a program comparable to the DFWP program under this rule for the employer to provide for employee and supervisor education and training as required under paragraphs (E)(2) and (E)(3) of this rule.

The administrator or administrator's designee may authorize special safety grants which will be given in furtherance of drug-free workplace efforts to those employers who demonstrate capability of promoting the development of any drug-free workplace program component on a regional, statewide or industry-specific level including, but not limited to, incorporation of labor efforts to promote education, training and substance testing.

- (1) The bureau shall determine whether the employer is eligible for the safety grant program grants under this rule. The bureau may limit participation in the safety grant program based upon the availability of bureau resources for the program and upon the merits of the employer's proposal. The safety grant program is available only to a private state fund employer or a public employer taxing district that shall pay workers' compensation premiums to the state insurance fund, shall have active coverage on the date of agreement to participate in the safety grant program, and shall be a participant in the drug-free workplace discount program under this rule or an employer with a program comparable to the DFWP program under this rule at the time of application for the safety grant program.
- (2) The bureau will assess whether the employer is eligible to receive a safety grant under this rule. The bureau and employer shall enter into a written agreement detailing the rights, obligations, and expectations of the parties for performance of the safety grant program.
- (3) The bureau may meet with the owner or chief executive officer of the employer to evaluate the employer's progress in the safety grant program. The employer

shall provide the bureau access to records or personnel to conduct research into the effectiveness of the safety grant program.

- (4) An employer who complies with the requirements of the safety grant program under this rule shall be eligible to receive a grant from the bureau as provided in the written agreement.
 - (a) The bureau may establish by written agreement with the employer the maximum amount of the safety grant program grant.
 - (b) The bureau may establish by written agreement with the employer a requirement for matching funds from the employer in a ratio to be determined by the bureau.
 - (c) The bureau shall monitor the employer's use of the safety grant program grant and may recover the entire grant if the bureau determines that the employer has not used the grant for the purposes of the safety grant program or has otherwise violated the written agreement on the safety grant program.
- (5) The bureau shall evaluate the research data from the safety grant program on a periodic basis. The bureau may publish reports of the research to assist employers in maintaining a drug-free workplace.

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**BWC Board of Directors
Actuarial Committee
CAO Report**

John Pedrick, Chief Actuarial Officer
April 29, 2009

Many of the changes approved by the board to reform our rates are coming together. The group roster deadline was Friday, April 24. Rules to implement private employer manual class rates and the 100% experience modifier cap, to change the premium discount program to a ten-step model for improving workplace safety, and to remove stacking group discounts with drug free workplace and safety council discounts are on this month's agenda for the actuarial committee. We will also present the group break even factor rule for first consideration. The factor is currently set at 1.311, but will be reviewed and possibly adjusted due to the final structure of the 2009 PA groups.

Rates for state agencies, universities and university hospitals will be presented for first reading this month. These public employers (PES) use a statutorily required pay as you go approach. We estimate next year's payments and adjust for differences between actual and estimated costs from prior years.

Now that the Deloitte study is complete we have formed a team to address the many recommendations found in the report: <http://www.ohiobwc.com/basics/Deloitte/default.asp>. Jim Fograscher will lead this new team of experts from throughout BWC.

We have created a new section in the Actuarial Division for product development, to continue the work on deductibles and group retrospective rating, and to take these and any new ideas further to meet the needs of Ohio's employers. Joy Bush will lead this new section as Director of Product Development. The work that lies ahead will be closely integrated with the actuarial analysis that will underlie the programs.

By the May board meetings we expect to have our new Director of Actuarial Analysis and our new Manager of Reserving on board. We'll hold the introductions until then. Their arrival will represent a new era for BWC, allowing it to develop a strong actuarial analytical staff to complement the professionals of our current actuarial operations staff.

Rates for the Marine Industry Fund, the Coal Workers Pneumoconiosis Fund, and the Disabled Workers Relief Fund will be presented at this meeting for first reading. Next month we will bring the various assessments for self insured employers for first reading.

Analysis of the rate structure of group and non-group employers in the public employer taxing districts (PEC) segment has begun. We plan to make significant strides in the next two months so that these employers can get a clear picture of the rate structure for January 1, 2010.

Finally, we also turn our attention to the structure for the group rating program for private employers starting July 1, 2010. Workgroups will meet to discuss the fundamental structure that will put the group program on sound footing for the future. This will also include development of the split experience rating plan that we will propose to go into effect July 1, 2011.

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
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. Recent meetings have been focused on the break even factor and the changes to discount programs.

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	Modeling being performed by Oliver Wyman
Split Plan parameters decided	Summer, 2009	
Split plan development	July, 2009 to July, 2010	
Split Plan implementation	July 1, 2011	

- The PA capping parameters and PA Group Break Even Factor methodology are being developed in the BWC's IT systems and are on schedule to be implemented for the July 1, 2009 rating period.
- Oliver Wyman is currently modeling the Public Employer Taxing District (PEC) information to review a possible capping and break even factor for January 1, 2010.
- It is anticipated that the split plan modeling by Oliver Wyman will begin within the next few weeks. The split plan is anticipated to begin July 1, 2011.

3. New Products

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

- The deductible program was approved by the board in February, 2009 for the July 1, 2009 rating year

- The second reading with a possible vote of the group retro rule will be presented to the Actuarial Committee at the April, 2009 meeting. The group retro program will be available for the July 1, 2009 rating period.
- Additional products are being reviewed for development including an individual retrospective rating program, a safety dividend, and a no claim discount. It is anticipated that new programs will be presented to the board in the fall.
- The IT and business operations continue implementation of the programs for the July 1, 2009 start date.

MIRA II

- The MIRA II quarterly validation was completed.
- Work is continuing on the reprediction system for MIRA II. This system will allow the BWC to re-predict a claim that has a clerical error that is affecting the reserve as of the date that the reserve was used in the rate calculation.

7/1/2009 Private Employer (PA) Rates

Task/Function	Timeline	Status
Private Employer Rates	January 2009 to July 2009	
Summary Payroll	January – February 2009	Completed
Summary Losses	January – February 2009	Completed
Rate Calculations	February 2009 to June 2009	Completed
Rate recommendation received from Oliver Wyman	March 1, 2009	Completed
Rate consent from WCB	March, 2009	Completed
Final Rates to WCB	April, 2009	In-progress
Mailing of Employer Rate Letters	July 2009	In progress

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	Completed
Run losses & verify	February 26 – March 5, 2009	Completed
Run base rates & verify	March 6-16, 2009	Completed
Discuss rate change with administrator	March 23-27, 2009	Completed
Actuarial Committee/Board Meeting – Initial Consideration	April 29-30, 2009	In-Progress
Actuarial Committee/Board Meeting – Final Consideration	May 28-29, 2008	

House Bill 100 §512.50 Actuarial Study

- All reports were completed and released at www.ohiobwc.com on April 1, 2009.
- Jim Fograscher has been selected to lead the project team for the review and prioritization of the Deloitte recommendations.

Actuarial Consultant Contract

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

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.

Steps	Dates	Status
Blackout Period Begins	November 2008	In-Progress
2006 Actuarial consultant RFP scope provided to Actuarial Committee for review	November 20, 2008	Completed
Comments and recommendations from actuarial committee members	November and December, 2008	Completed
Scope and evaluation criteria determined	February 6, 2009	Completed
RFP issued	February 27, 2009	In-Progress
Question submission begins	March 2, 2009	Completed
Question submission ends	March 13, 2009 10:00 AM EST	Completed
Answers posted on the web site	March 27, 2009	Completed
Proposals due	April 16, 2009 2:00 PM EST	Completed
Initial Proposal review and scoring	April 16 to April 8, 2009	Completed
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	

- Seven responses were received to the RFP.
- The scoring committee is scheduled to hold the first scoring meeting on April 28, 2009. The next step of the scoring process will be interviews.
- The scoring committee members are Director James Hummel, John Pedrick, Ray Mazzotta, Tracy Valentino, and Liz Bravender.

Actuarial Department Organization

- The Actuarial Division will be welcoming 2 credentialed actuaries on May 11, 2009. They will be introduced to the board at the May meeting.
- The Actuarial Division is also reorganizing to support the new departmental reorganization on May 11, 2009 and to also better align to the Deloitte recommendations.
- Joy Bush will be Director of the new Product Development section of the Actuarial Division.
- Jim Fograscher will lead the review and prioritization of the Deloitte recommendations.

12 - Month Actuarial Committee Calendar

Date	April 2009	Notes
4/29/2009	1. PES Rate recommendation	
	2. Ancillary fund rates and SI assessments - 1st reading	
	3. PA base rates and expected loss rates - 2nd reading possible vote	
	4. Capping rule - possible vote	
	5. Group Break Even Factor rule	
	6. Group Retrospective Rules - 2nd reading possible vote	
	7. Premium Discount Program Rule	
	8. Drug Free Program modifications	
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. PES Rate approval	
	6. PA Credibility table change - 1 st reading	
Date	June 2009	
6/18/2009	1. PEC Credibility Table Rule 4123-17-33.1 - 2nd reading	
	2. PEC Capping recommendation - 2 nd reading possible vote	
	3. Admin Cost Fund - possible vote	
	4. RFP recommended Actuarial Consultant presentation	
	5. PA credibility rule second vote	
Date	July 2009	
7/30/2009	1. Reserve Audit update as of 6-3-08	
	2. Selection of actuarial consultants	
	3. Update on Comprehensive Rate Reform	
	4. Deloitte Recommendations presentation	
Date	August 2009	
8/27/2009	1. Reserve Audit update	

12 - Month Actuarial Committee Calendar

Date	September 2009	Notes
9/24/2009	1. Public Employer Taxing Districts rate change	
	2. PEC rate indication - 1 st reading	
	3. First report from actuarial consultants	
	4. PA Rate Reform policy year 2010	
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	
Date	December 2009	
Date	January 2010	
Date	February 2010	
		5/1/2009 1:50:30 PM
Date	March 2009	
		5/1/2009 1:50:30 PM
		5/1/2009 1:50:30 PM