

Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-36

Rule Review

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

Citation: R.C. 4123.341, 4123.342

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

What goal(s): The rule notifies employers of the administrative cost assessments applicable to the policy year 7/1/09 to 6/30/10.

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 administrative cost assessments rules are developed based upon the BWC budget and a cost allocation study, 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.

Bureau of Workers' Compensation Actuarial Committee
7/1/09 Administrative Assessments
Executive Summary

The agenda for the May meeting of the Actuarial Committee of the Bureau of Workers' Compensation Board of Directors includes the rules for the administrative assessments. The rates presented will be those recommended by the Administrator, the Chairman of the Ohio Industrial Commission and the Executive Director of the Workers' Compensation Council for the approval of the Workers' Compensation Board of Directors. If consent is obtained, the rules will be filed with the Legislative Services Commission and the Secretary of State and will become effective July 1, 2009.

Employers in the State of Ohio pay annual assessments that are used to fund the operating expenditures of BWC, the Industrial Commission and the Workers' Compensation Council. Assessments for administrative rates are authorized by the Ohio Revised Code, which requires periodic studies and calculations in order to establish an assessment. The Ohio Revised Code establishes that a separate rate be calculated for BWC, the Industrial Commission and the Workers' Compensation Council.

The rates were calculated based on the results of the annual administrative cost allocation study. The principle followed in the cost allocation study was that administrative costs allocated to each employer group should be related to the level and type of service provided to that group by BWC, the Industrial Commission, and the Workers' Compensation Council. In the course of the study, types of services provided were identified, service levels were measured, and costs were distributed using available workload statistics. Each state fund employer group's rate is calculated as a percentage of that group's projected premium base. Self-insured employer's rate is calculated as a percentage of paid compensation.

Rule 4123-17-36 establishes the actual Administrative Cost Assessments for state-fund employers for rating year beginning July 1, 2009. The rule reflects separate rates for BWC, the Industrial Commission and the Workers' Compensation Council. Please note that the Self-Insured administrative assessment is not included in this rule but is included in Rule 4123-17-32 which is on the agenda for this meeting.

BWC
Administrative Cost Fund
Historical Information

Estimated Costs by Employer Group (before adjustment) -BWC

Employer Group	2006	2007	2008	2009	2010
Private	222,566,317	224,978,328	229,631,037	229,694,878	217,142,564
Public - State	10,116,651	12,949,918	10,220,182	7,528,633	8,376,907
Public Taxing Districts	33,240,424	32,672,554	32,158,330	25,521,804	29,291,798
Self-Insured	23,123,773	24,852,131	21,673,834	17,500,749	18,943,855
Total	289,047,165	295,452,931	293,683,383	\$280,246,064	\$273,755,123

Allocation Base

Employer Group	7/1/05	7/1/06	7/1/07	7/1/08	7/1/09
Private	1,400,000,000	1,520,000,000	1,600,000,000	1,700,000,000	1,435,000,000
Public - State	60,000,000	68,500,000	70,800,000	66,400,000	61,500,000
Public Taxing Districts	348,000,000	361,800,000	363,000,000	359,000,000	353,000,000
Self - Insured	235,000,000	227,000,000	218,000,000	219,000,000	213,000,000

Rate History- BWC

Employer Group	7/1/05	7/1/06	7/1/07	7/1/08	7/1/09
Private	13.55%	14.09%	14.09%	13.67%	14.01%
Public - State	11.95%	12.43%	12.43%	12.24%	12.85%
Public Taxing Districts	7.84%	8.15%	8.15%	8.05%	8.25%
Self - Insured	7.90%	8.22%	8.22%	8.47%	8.89%

Administrative Assessments

Presented by: Tracy L. Valentino, Chief Fiscal & Planning Officer

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**Industrial Commission
Administrative Fund
Historical Information**

Estimated Costs by Employer Group (before adjustment) -IC

Employer Group	2006	2007	2008	2009	2010
Private	33,258,511	34,002,366	33,148,265	34,454,723	34,628,592
Public - State	1,792,268	1,938,889	2,012,677	2,221,355	2,246,446
Public Taxing Districts	5,693,436	5,816,667	5,765,420	6,427,285	6,980,028
Self-Insured	18,998,035	18,084,328	17,075,852	18,696,002	17,860,479
Total	\$59,742,250	\$59,842,250	\$58,002,213	\$61,799,365	\$61,715,545

Rate History- IC

Employer Group	7/1/05	7/1/06	7/1/07	7/1/08	7/1/09
Private	1.71%	2.27%	2.25%	1.98%	2.10%
Public - State	1.97%	3.28%	3.14%	3.27%	3.31%
Public Taxing Districts	1.13%	1.90%	1.77%	1.75%	1.81%
Self - Insured	6.66%	7.26%	7.90%	8.34%	7.98%

Workers' Compensation Council Administrative Cost Information

Estimated Costs by Employer Group (before adjustment) -WCC

Employer Group	2010
Private	640,120
Public - State	260
Public Taxing Districts	7,410
Self-Insured	2,210
Total	\$650,000

Rate History- WCC

Employer Group	7/1/09
Private	0.0446%
Public - State	0.0004%
Public Taxing Districts	0.0021%
Self - Insured	0.0010%

**Ohio Bureau of Workers' Compensation
Administrative Cost Fund (ACF) Model
Calculated Fiscal Year 2010 Rates**

Employer Group	FY 2010 Estimated Costs	Annual Adjustment	Net FY 2010 Estimated Collection	Rate Allocation Base	FY 2010 Recommended Rate	FY 2009 Rates	% Change
Private (PA)	217,142,564	(16,073,951)	\$201,068,613	1,435,000,000	14.01%	13.67%	2.50%
Public State (PS)	8,376,907	(472,927)	\$7,903,980	61,500,000	12.85%	12.24%	5.00%
Public Taxing Districts (PC)	29,291,798	(164,886)	\$29,126,913	353,000,000	8.25%	8.05%	2.50%
Self-Insured (SI)	18,943,855	(700)	\$18,943,155	213,000,000	8.89%	8.47%	5.00%
Total	\$273,755,123	(16,712,463)	\$257,042,660				

FY 2010 Appropriation \$294,843,250
Difference \$21,088,127 7.15%

**Industrial Commission of Ohio
Administrative Cost Fund (ACF) Model
Calculated 2010 rates**

Employer Group	2010 Actual Budget	Adjustment	2010 Estimated Costs	Premiums or SI Actual Comp.	2010 Recommended Rates	2009 Rates	Rate Change
Private (PA)	\$34,628,592	(4,483,300)	30,145,292	1,435,000,000	2.10%	1.98%	6.10%
Public State (PS)	\$2,246,446	(209,200)	2,037,246	61,500,000	3.31%	3.27%	1.30%
Public Taxing Districts (PC)	\$6,980,028	(589,300)	6,390,728	353,000,000	1.81%	1.75%	3.45%
Self-Insured (SI)	\$17,860,479	(868,200)	16,992,279	213,000,000	7.98%	8.34%	-4.35%
Total	\$61,715,545	(\$6,150,000)	55,565,545				

**Ohio Bureau of Workers' Compensation
Workers' Compensation Council Model
Calculated Fiscal Year 2010 Rates**

Employer Group	FY 2010 Estimated Costs	Annual Adjustment	Net FY 2010 Estimated Costs	Rate Allocation Base	FY 2010 Recommended Rate	FY 2009 Rates
Private (PA)	640,120	0	\$640,120	1,435,000,000	0.0446%	
Public State (PS)	260	0	260	61,500,000	0.0004%	
Public Taxing Districts (PC)	7,410	0	7,410	353,000,000	0.0021%	
Self-Insured (SI)	2,210	0	2,210	213,000,000	0.0010%	
Total	\$650,000	0	\$650,000			

Administrative Assessments

Presented by: Tracy L. Valentino, Chief Fiscal & Planning Officer

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4123-17-36 Administrative cost contribution.

(A) The administrator of workers' compensation, with the advice and consent of the workers' compensation board of directors, has authority to calculate contributions to the administrative cost fund by employers pursuant to sections 4121.121, 4123.341, and 4123.342 of the Revised Code. The administrator hereby sets administrative cost rates as indicated in paragraph (D) of this rule for the bureau of workers' compensation and the bureau of workers' compensation board of directors. Based upon the information provided to the administrator by the industrial commission pursuant to section 4123.342 of the Revised Code, the administrator, with the approval of the chairperson of the industrial commission, hereby sets administrative cost rates as indicated in paragraph (E) of this rule for the industrial commission.

(B) The administrative cost rate for each employer's assessment, except for self-insuring employers, is calculated as follows:

(1) If the employer qualifies for experience rating, either as an individual or through participation in group rating, the assessment is calculated based on a percentage of the employer's experience rated premium.

(2) If the employer is not experience rated, the assessment is calculated based on a percentage of the employer's base rate premium.

(3) If the employer is retrospectively rated, the assessment is calculated based on a percentage of the employer's experience rated premium or base rated premium (but not the minimum premium percentage from the retrospective rating plan) that the employer would have paid if the employer were not participating in retrospective rating.

(4) For state agencies, including state universities and state university hospitals, the assessment is calculated based on a percentage of the employer's premium.

(C) Whenever administrative cost rates established under this rule and rule 4123-17-32 of the Administrative Code prove inadequate or excessive, the same may be adjusted at any time during the biennial period.

(D) Administrative cost rates for the bureau of workers' compensation and bureau of workers' compensation board of directors.

(1) Private employers: ~~13.67~~ 14.01 per cent of premium effective July 1, ~~2008~~ 2009.

(2) Public employer taxing districts: ~~8.05~~ 8.25 per cent of premium effective January 1, ~~2008~~ 2009.

(3) Public employer state agencies: ~~12.24~~ 12.85 per cent of premium effective July 1, ~~2008~~ 2009.

(E) Administrative cost rates for the industrial commission.

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(1) Private employers: ~~4.98~~ 2.10 per cent of premium effective July 1, ~~2008~~ 2009.

(2) Public employer taxing districts: ~~4.75~~ 1.81 per cent of premium effective January 1, ~~2008~~ 2009.

(3) Public employer state agencies: ~~3.27~~ 3.31 per cent of premium effective July 1, ~~2008~~ 2009.

(F) Administrative cost rates for the workers' compensation council.

(1) Private employers: 0.0446 per cent of premium effective July 1, 2009.

(2) Public employer taxing districts: 0.0021 per cent of premium effective January 1, 2009.

(3) Public employer state agencies: 0.0004 per cent of premium effective July 1, 2009.

Promulgated Under: 111.15

Statutory Authority: 4121.12, 4121.121

Rule Amplifies: 4123.341, 4123.342

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

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Actuarial Committee

Administrative Cost Fund – Rule

We will email material and
a hard copy will be inserted
into your binder.

Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-32

Rule Review

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

Citation: R.C. 4121.37, 4121.66, 4123.34, 4123.342, 4123.343, 123.35

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

What goal(s): The rule notifies self-insured employers of the assessments applicable to the policy year 7/1/09 to 6/30/10.

3. Existing federal regulation alone does not adequately regulate the subject matter. *(BWC rate rules are not a federal regulatory 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.

If no, explain: _____

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.

Self-Insured Employers Guaranty Fund (SIEGF) And Self-Insured Employers Assessment Executive Summary

Description of Fund: The Self-Insured Employers Assessment Fund is established to support the safety and hygiene fund, the administrative cost fund, and the portion of the surplus fund that is mandatory as they relate to self-insured employers. The Self-Insured Employers Guaranty Fund (SIEGF) and the former Self-Insured Surety Bond Fund (SBF) provide for payment of compensation and benefits to injured workers of bankrupt self-insured employers. Claims with injury dates prior to 1987, self-insured employers provided security in the form of a letter of credit or a bond from private insurance carriers to cover the cost of claims in the event of bankruptcy or default. This is referred to as the Surety Bond Fund (SBF). It was replaced in 1993 by the Self-Insured Employers Guaranty Fund (SIEGF) for claims with injury dates after 1986.

Benefits provided by the SIEGF and SBF funds: All injured worker benefits (including DWRP) that would normally be paid by the self-insured employer that has defaulted.

SIEGF Rate Method: The BWC is to maintain a minimum balance of funds in the SIEGF at rates as low as possible to assure sufficient moneys to guarantee the payment of any claims against the fund. The Ohio Administrative Code 4123-19-15 (B) requires the SIEGF to maintain a minimum balance of 1.25 times the previous years annual claims disbursements. When the BWC determines that the SIEGF has insufficient funds, an assessment is necessary to ensure the minimum balance in the fund and will assess all self-insuring employers an annual contribution. New self-insuring employers will be assessed six percent of base rate premium as reported on the last two six month payroll reports for the first three years of self-insurance. When a self-insured employer defaults on its self-insured workers' compensation obligations, the BWC moves to recover monies paid from the SIEGF and SBF by filing bankruptcy claims and by drawing on additional security that may have been placed in BWC's favor by the defaulting employer.

The following is a list of the assessments:

1. Mandatory Surplus Fund (SI Surplus Fund): This assessment is to fund costs charged to the Self-Insured Mandatory Surplus Fund which is an account of the Surplus Fund of the State Insurance Fund. These costs are primarily for claims with injury dates prior to 1987 of bankrupt self-insured employers and for specific medical costs such as some medical exams and prostheses.
2. Self-Insured Employers Guaranty Fund (SIEGF Fund): This assessment is to fund the costs charged to the SIEGF. These costs are for claims of bankrupt self-insured employers with injury dates after 1986, and for the costs of DWRP on all claims of bankrupt self-insured employers with any injury date.
3. Administrative Cost Fund (ACF): This assessment is to fund the administrative costs for the BWC, IC, and WCC for only the activities that support the self-insured employers.

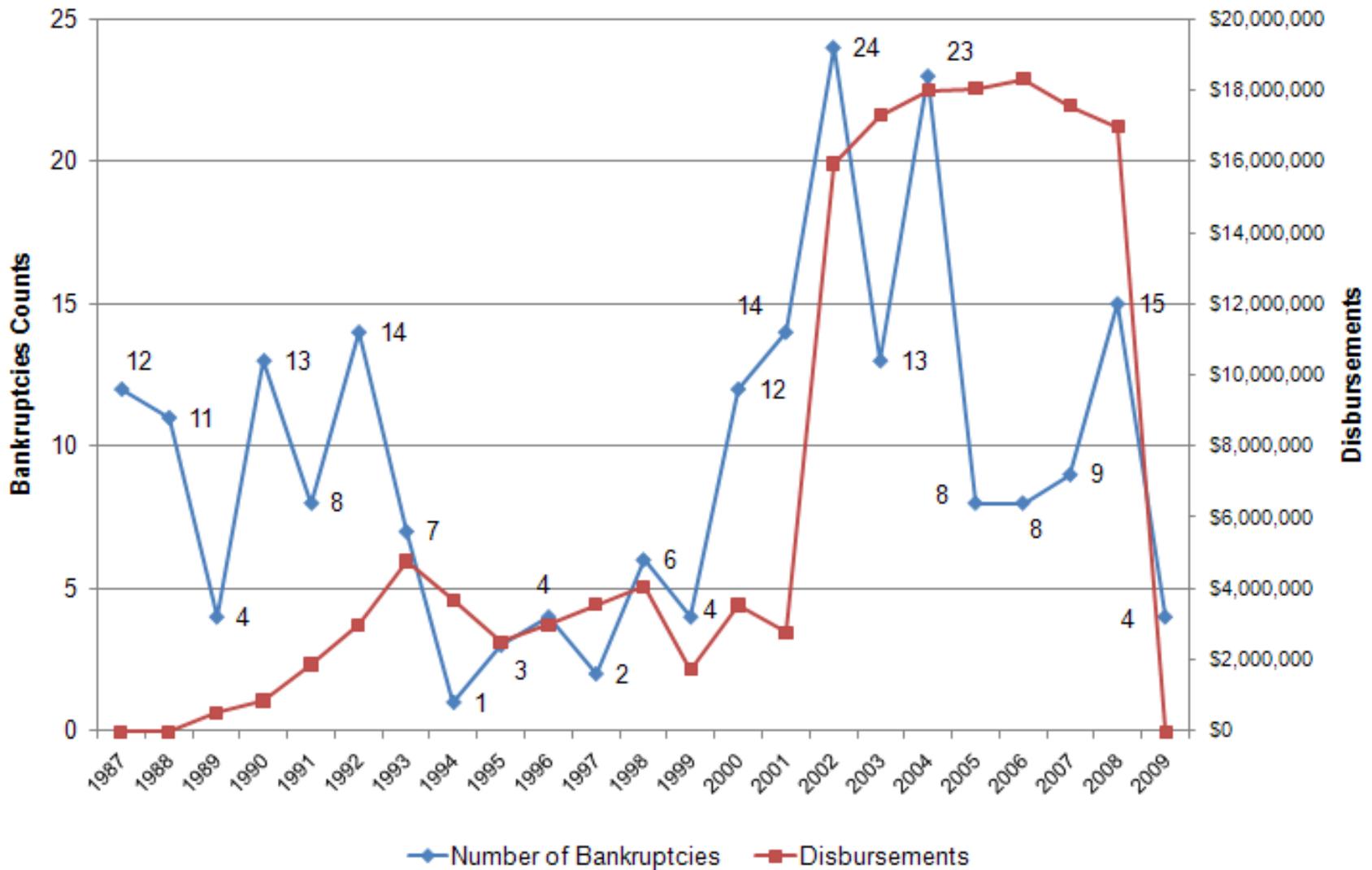
4. Safety and Hygiene Fund (S&H Fund): This assessment is to fund the work of the Division of Safety and Hygiene for self-insured employers.
5. Optional Rehabilitation Program (SI Surplus Fund): This assessment mutualizes the costs of rehabilitation among the self-insured participants in this program. Currently, three self-insured employers participate.
6. Optional Handicap Program (SI Surplus Fund): This assessment mutualizes the costs of handicap claims among the self-insured participants of this program. Currently, there are no self-insured employers participating.
7. Optional Disallowed Claim Reimbursement Program (SI Surplus Fund): This assessment mutualizes the costs of disallowed claims among the self-insured employers in this program. This was a new program beginning last year and is designed to reimburse self-insured employers for claim costs ordered to be paid by the Industrial Commission that were ultimately denied. Currently, five hundred twenty-five self-insured employers participate.

Number of Bankrupt Ohio Employers: 254

Calendar Year	Number of Bankruptcies	Payment Amounts as of 5/22/2009 by bankruptcy year¹	SIEGF Disbursements by calendar year²
1987	12	\$13,690,621	
1988	11	23,104,814	
1989	4	8,588,190	\$536,613
1990	13	21,292,299	871,542
1991	8	11,149,963	1,893,236
1992	14	25,127,265	2,983,798
1993	7	13,847,323	4,775,129
1994	1	475,310	3,682,184
1995	3	21,731,671	2,495,841
1996	4	7,913,509	3,002,436
1997	2	2,808,423	3,560,750
1998	6	3,129,267	4,066,601
1999	4	9,855,508	1,742,639
2000	12	7,798,809	3,548,229
2001	14	23,961,674	2,779,046
2002	24	90,803,718	15,920,989
2003	13	10,338,451	17,295,253
2004	23	26,827,107	17,982,107
2005	8	3,293,619	18,021,985
2006	8	3,082,115	18,289,499
2007	9	2,209,253	17,547,887
2008	15	3,421,321	16,972,818
2009 to date	4	391,950	

1. From Data Warehouse
2. From Cash Basis Financial Statements

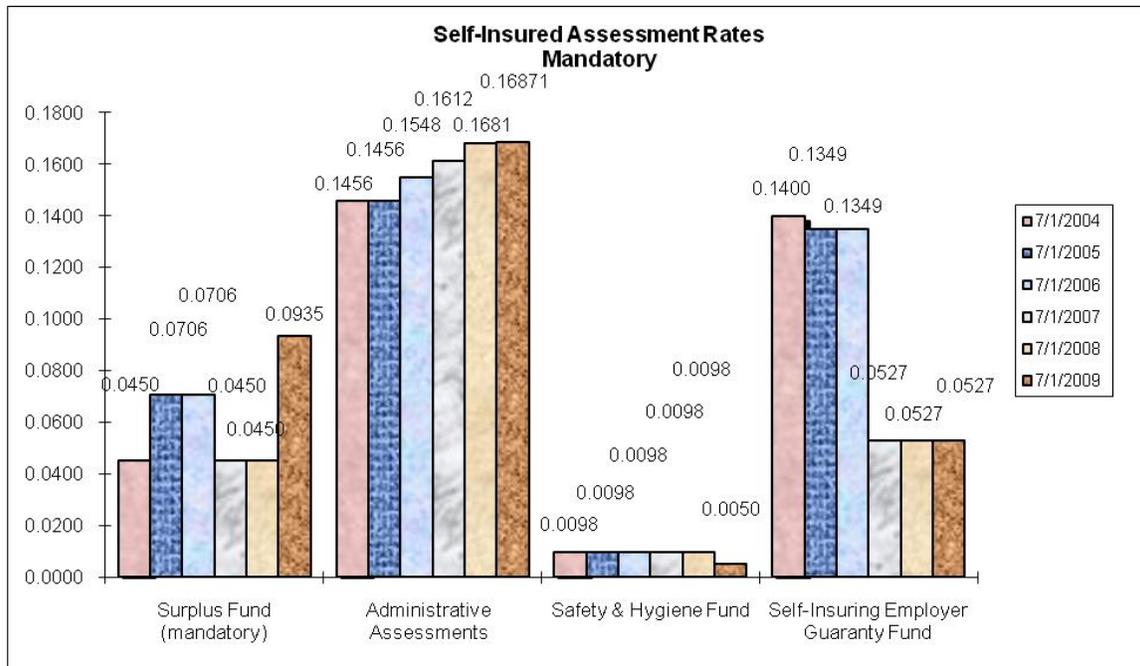
Self-Insured Employers Guarantee Fund Disbursements and Bankruptcy Counts



Self-Insuring Employer Assessment Funds

**Assessment Rates
Per \$1.00 Paid Comp**

	<u>7/1/2004</u>	<u>7/1/2005</u>	<u>7/1/2006</u>	<u>7/1/2007</u>	<u>7/1/2008</u>	<u>7/1/2009</u>	<u>2008/2009 Change</u>
Mandatory							
Surplus Fund (mandatory)	0.0450	0.0706	0.0706	0.0450	0.0450	0.09350	+0.04850
Self-Insuring Employer Guaranty Fund	0.1400	0.1349	0.1349	0.0527	0.0527	0.05270	+0.00000
Administrative Cost Fund: <u>BWC</u>	<u>0.0790</u>	<u>0.0790</u>	<u>0.0822</u>	<u>0.0822</u>	<u>0.0847</u>	<u>0.08890</u>	+0.00420
Administrative Fund: <u>IC</u>	<u>0.0666</u>	<u>0.0666</u>	<u>0.0726</u>	<u>0.0790</u>	<u>0.0834</u>	<u>0.07980</u>	-0.00360
Administrative Cost Fund: <u>WCC</u>						<u>0.00001</u>	+0.00001
Safety & Hygiene Fund	0.0098	0.0098	0.0098	0.0098	0.0098	0.00500	-0.00480
Mandatory Assessments	0.3404	0.3609	0.3701	0.2687	0.2756	0.31991	+0.04431
Optional							
Surplus Fund (rehabilitation)	0.1300	0.1300	0.1300	0.1300	0.1300	0.1300	+0.0000
Surplus Fund (handicap)	0.2480	0.2480	0.2480	0.2480	0.2480	0.2480	+0.0000
Surplus Fund (disallowed claims)	n/a	n/a	n/a	0.0236	0.0285	0.0278	-0.0007



- Mandatory Assessment Rates based upon Paid Compensation of \$213,000,000
- Surplus Fund (mandatory) Regular Disbursements less Adjustments is \$19,926,000
- Surplus Fund (disallowed claims) Claim Disbursements are \$2,135,000 and based upon paid compensation of \$76,736,000
- SIEGF Total Assets as of December 31, 2008 are \$53,205,000 and Current Year Disbursements are \$21,334,000
- Projected Rehabilitation Reimbursements are \$40,820 and based upon paid compensation of \$314,000

4123-17-32 Self-insuring employer assessment based upon paid compensation

The administrator of workers' compensation, with the advice and consent of the workers' compensation board of directors, has authority to determine and levy against self-insuring employers amounts to be paid to support the safety and hygiene fund, the administrative cost fund, the portion of the surplus fund that is mandatory, the portion of the surplus fund that is used for rehabilitation reimbursement subject to the self-insuring employer's election under section 4121.66 of the Revised Code, the portion of surplus fund that is used for handicap reimbursement subject to the self-insuring employer's election under section 4123.343 of the Revised Code, and the portion of the surplus fund used for claims reimbursement for self-insuring employers under division (H) of section 4123.512 of the Revised Code, pursuant to sections 4121.12, 4121.37, 4121.66, 4123.34, 4123.342, and 4123.35 of the Revised Code in conjunction with rule 4123-19-01 of the Administrative Code. The administrator hereby sets the self-insuring employer assessments to be effective July 1, ~~2008~~ 2009, for the period July 1, ~~2008~~ 2009, to June 30, ~~2009~~ 2010, payable in two equal remittances by February 28, ~~2009~~ 2010, and August 31, ~~2009~~ 2010, as follows:

(A) The assessments shall be on the basis of the paid compensation attributable to the individual self-insuring employer as a fraction of the total amount of paid compensation for the previous calendar year attributable to all amenable self-insuring employers.

(B) Paid compensation means all amounts paid by a self-insuring employer for living maintenance benefits, all amounts for compensation paid pursuant to sections 4121.63, 4121.67, 4123.56, 4123.57, 4123.58, 4123.59, 4123.60 and 4123.64 of the Revised Code, all amounts paid as wages in lieu of such compensation, all amounts paid in lieu of such compensation under a non-occupational accident and sickness program fully funded by the self-insuring employer, and all amounts paid by a self-insuring employer for a violation of a specific safety standard pursuant to section 35 of article II, Ohio Constitution and section 4121.47 of the Revised Code. Any reimbursement received from the surplus fund pursuant to section 4123.512 of the Revised Code by a self-insuring employer for any such payments or compensation paid shall be applied to reduce the amount of paid compensation reported in the year in which the reimbursement is made. Any amount recovered by the self-insuring employer under section 4123.931 of the Revised Code and any amount that is determined not to have been payable to a claimant in any final administrative or judicial proceeding shall be deducted, in the year collected, from the amount of paid compensation reported.

(C) The assessments shall be computed for all self-insuring employers operating in Ohio by multiplying the following rates by the individual self-insuring employer's paid compensation for calendar year ~~2007~~ 2008:

- (1) Safety and hygiene fund: ~~.0098~~ .0050.

(2) Administrative cost fund, BWC: ~~.0847~~ .0889.

(3) Administrative cost fund, IC: ~~.0834~~ .0798.

(4) Administrative cost fund, WCC: .00001

~~(4)~~ (5) Surplus fund (mandatory): ~~.0450~~ .0935.

(D) The assessment to fund the portion of the surplus fund that is used for rehabilitation reimbursement for all self-insuring employers who have not made an election to opt out of the rehabilitation reimbursement program under the provisions of section 4121.66 of the Revised Code shall be computed by multiplying the following rate by the individual self-insuring employer's paid compensation for calendar year ~~2007~~ 2008:

(1) Surplus fund (rehabilitation): .1300.

(E) The assessment to fund the portion of the surplus fund that is used for handicap reimbursement for all self-insuring employers operating in Ohio who have not made an election to opt out of the handicap reimbursement program under the provisions of division (G) of section 4123.343 of the Revised Code shall be computed by multiplying the following rate by the individual self-insuring employer's paid compensation for calendar year ~~2007~~ 2008:

(1) Surplus fund (handicap): .2480.

(F) The assessment to fund the portion of the surplus fund that is used for claims reimbursement for all self-insuring employers operating in Ohio who have not made an election to opt out of the right to reimbursement under the provisions of division (H) of section 4123.512 of the Revised Code shall be computed by multiplying the following rate by the individual self-insuring employer's paid compensation for calendar year ~~2007~~ 2008:

(1) Surplus fund (disallowed claims reimbursement): ~~.0285~~ .0278.

(G) An employer who no longer is a self-insuring employer in Ohio or who no longer is operating in this state shall continue to pay assessments for administrative costs and for the portion of the surplus fund that is mandatory. The assessments shall be computed by such employer by multiplying the following rates by the individual employer's paid compensation for calendar year ~~2007~~ 2008:

(1) Administrative cost fund, BWC: ~~.0847~~ .0889.

(2) Administrative cost fund, IC: ~~.0834~~ .0798.

(3) Administrative cost fund, WCC: .00001

~~(3)~~ (4) Surplus fund (mandatory): ~~.0450~~ .0935.

(H) If the paid compensation for a self-insuring employer for calendar year ~~2007~~ 2008 is less than ~~thirteen thousand four hundred~~ eleven thousand two hundred and ~~fifty eight~~ twenty seven dollars and ~~ninety five~~ twelve cents, the minimum assessments shall be paid as follows:

(1) Safety and hygiene fund: ~~\$131.90~~ \$56.14.

(2) Administrative cost fund, BWC: ~~\$1,139.97~~ \$998.09.

(3) Administrative cost fund, IC: ~~\$1122.48~~ \$895.92.

(4) Administrative cost fund, WCC: \$0.11

~~(4)~~ (5) Surplus fund (mandatory): ~~\$605.65~~ \$1049.74

If the paid compensation for calendar year ~~2007~~ 2008 for a self-insuring employer which has not made an election to opt out of the rehabilitation reimbursement program effective on or before July 1, ~~2008~~ 2009 is less than fifteen thousand three hundred and eighty four dollars and sixty two cents, the minimum assessment for the surplus fund (rehabilitation) shall be two thousand dollars.

If the paid compensation for calendar year ~~2007~~ 2008 for a self-insuring employer which has opted to participate in the handicap reimbursement program is less than fifty thousand dollars, the minimum assessment for the surplus fund (handicap) shall be twelve thousand four hundred dollars.

Assessments are applicable only for the funds to which payments must be made based upon the status and the options exercised relative to the handicap reimbursement program and the rehabilitation reimbursement program.

An employer who no longer is a self-insuring employer in Ohio or no longer is operating in this state and who has less than ~~thirteen thousand four hundred~~ eleven thousand two hundred and ~~fifty eight~~ twenty seven dollars and ~~ninety five~~ twelve cents in paid compensation for calendar year ~~2007~~ 2008 shall have a reduced minimum assessment. The minimum assessment shall be ninety per cent of the above minimum assessments in this paragraph in the year after becoming inactive, eighty per cent in the following year, seventy per cent in the following year, and so forth, being reduced ten per cent each year, until the assessment is phased out over ten years.

(I) If an individual self-insuring employer has become self-insured in the last five years (on or after July 1, ~~2003~~ 2004) paid compensation shall be as defined in paragraph (B) of this rule and shall additionally include compensation paid in calendar year ~~2007~~ 2008 by the state insurance fund for claim costs directly attributable to the employer prior to

becoming self-insured.

(J) The initial assessment to a self-insuring employer in its first calendar year of operation as a self-insuring employer shall be prorated to cover the time period that self-insurance was in effect, but shall not be less than the minimum assessment for a self-insuring employer as provided in paragraph (H) of this rule.

(K) Pursuant to rule 4123-19-15 of the Administrative Code, the following assessment, to be billed and payable in two equal remittances by February 28, ~~2009~~ 2010, and August 31, ~~2009~~ 2010, shall be computed for all self-insuring employers by multiplying the following rate by the individual self-insuring employer's paid compensation for calendar year ~~2007~~ 2008:

(1) Self-insuring employer guaranty fund: .0527.

(L) If an employer fails to pay the assessment when due, the administrator may add a late fee penalty of not more than five hundred dollars to the assessment plus an additional penalty amount as follows:

(1) For an assessment from sixty-one to ninety days past due, the prime interest rate, multiplied by the assessment due;

(2) For an assessment from ninety-one to one hundred twenty days past due, the prime interest rate plus two per cent, multiplied by the assessment due;

(3) For an assessment from one hundred twenty-one to one hundred fifty days past due, the prime interest rate plus four per cent, multiplied by the assessment due;

(4) For an assessment from one hundred fifty-one to one hundred eighty days past due, the prime interest rate plus six per cent, multiplied by the assessment due;

(5) For an assessment from one hundred eighty-one to two hundred ten days past due, the prime interest rate plus eight per cent, multiplied by the assessment due;

(6) For each additional thirty-day period or portion thereof that an assessment remains past due after it has remained past due for more than two hundred ten days, the prime interest rate plus eight per cent, multiplied by the assessment due.

For purposes of this division, "prime interest rate" means the average bank prime rate, and the administrator shall determine the prime interest rate in the same manner as a county auditor determines the average bank prime rate under section 929.02 of the Revised Code.

**OHIO BUREAU OF WORKERS' COMPENSATION
 SELF INSURING EMPLOYERS' GUARANTY FUND (FORMERLY SURETY BOND FUND)
 CASH BASIS FINANCIAL STATEMENTS
 FOR THE 12 MOS ENDED DECEMBER 31 2008**

Operating Statement

	2004	2005	2006	2007	2008	<u>*Estimate</u> 2009	<u>*Estimate</u> 2010
Receipts:							
Assessments SIEGF rate	17,826,960	35,253,334	35,190,892	30,667,466	12,972,260	11,225,100	11,225,100
Assessment New Self Insured Policies	6,486,307	7,405,906	7,484,922	6,676,217	7,531,564	6,000,000	6,000,000
Investments	2,592	215,993	1,416,986	2,385,513	1,504,343	0	0
Total Receipts	24,315,859	42,875,233	44,092,800	39,729,196	22,008,167	17,225,100	17,225,100
Disbursements:							
Surety Losses	17,982,107	18,021,985	18,289,499	17,547,887	16,972,818	20,570,000	20,570,000
MCO Fees Paid				6,187,535	1,074,199	1,075,000	1,075,000
Interest Expense	75,838	29,788	0	0	4,485	0	0
DWRF Losses	3,128,710	2,819,924	3,039,789	3,033,293	3,282,649	3,300,000	3,300,000
Total Disbursements	21,186,655	20,871,697	21,329,288	26,768,715	21,334,151	24,945,000	24,945,000
Net Receipts Over (Under)							
Disbursements	3,129,204	22,003,536	22,763,512	12,960,481	674,016	(7,719,900)	(7,719,900)
Beginning Net Asset Balance	(8,326,161)	(5,196,957)	16,806,579	39,570,091	52,530,572	53,204,588	53,204,588
Ending Net Asset Balance	(5,196,957)	16,806,579	39,570,091	52,530,572	53,204,588	45,484,688	37,764,788

*Does not include potential large bankruptcies

Self Insured Assessments

June 18, 2009

Definitions

Mandatory Assessments

Mandatory Surplus Fund (SI Surplus Fund): Costs of claims with injury dates prior to 1987.

Self-Insured Employers Guaranty Fund (SIEGF Fund): Costs of claims with injury dates after 1986.

Administrative Cost Fund (ACF): Funds the administrative cost for the BWC, IC, and WCC.

Safety and Hygiene Fund (S&H Fund): Funds the work of the Division of Safety and Hygiene.

Optional Opt-Out Programs

Rehabilitation Program: Costs of rehabilitation claims among participants (3).

Handicap Program: Costs of handicap claims among participants (0).

Disallowed Claim Reimbursement Program: Costs of disallowed claims among participants (525).

Timing

Assessments will be effective July 1, 2009

Collected in February and August 2010

Assessments are based on projected fund balances as of December 31, 2010

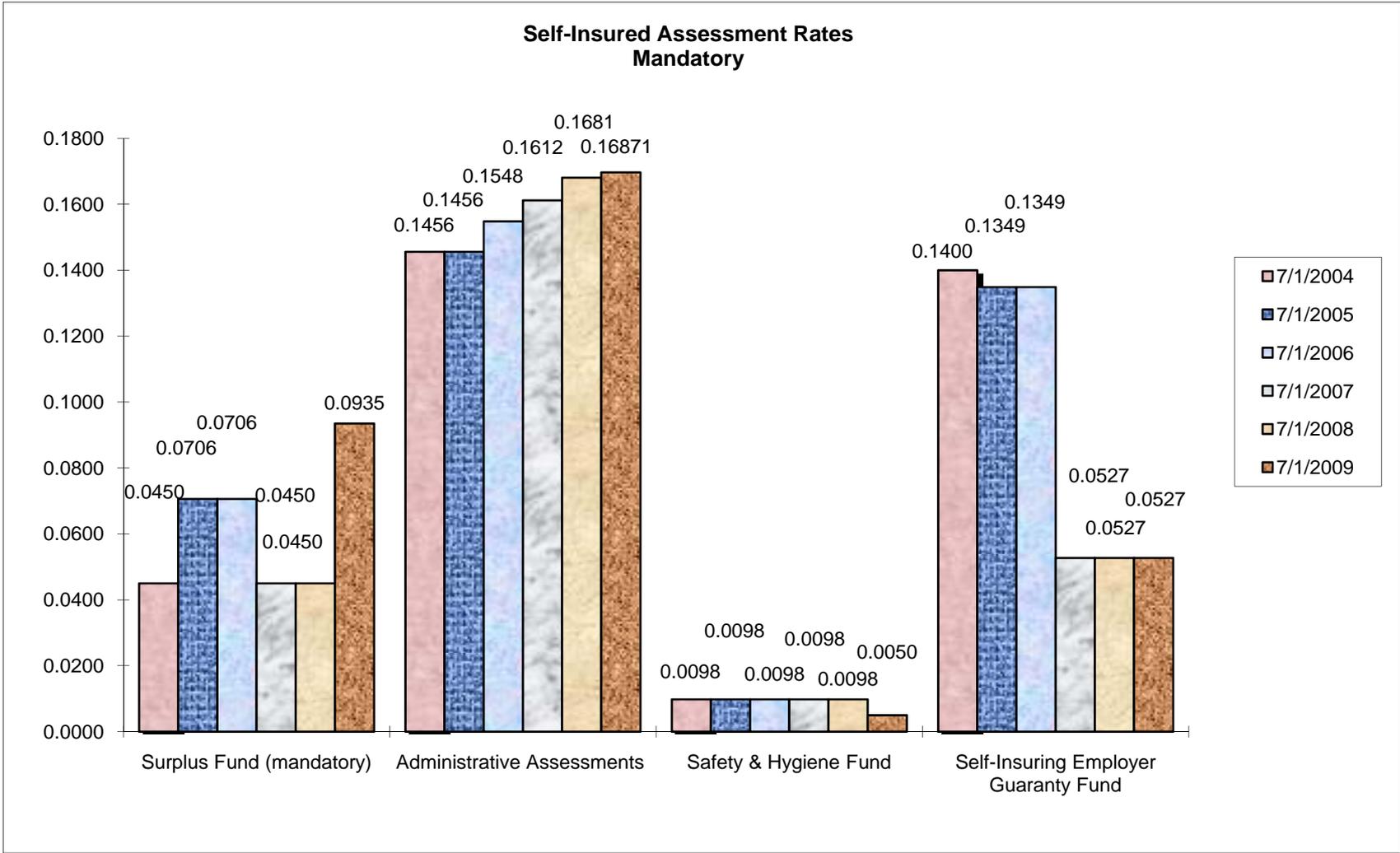
Assessment Rates 2009

Self-Insuring Employer Assessment Funds

Assessment Rates Per \$1.00 Paid Comp

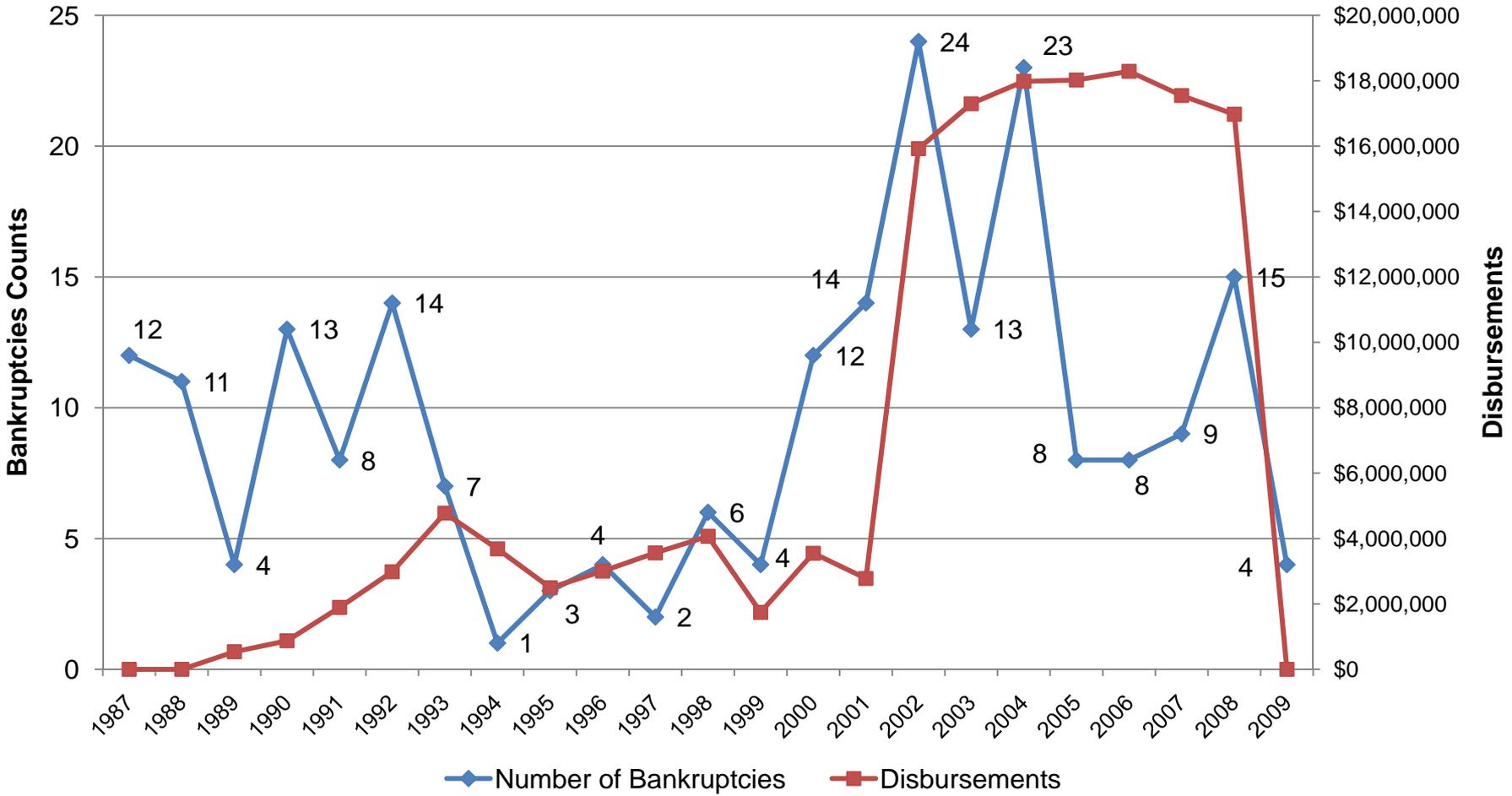
Mandatory	<u>7/1/2004</u>	<u>7/1/2005</u>	<u>7/1/2006</u>	<u>7/1/2007</u>	<u>7/1/2008</u>	<u>7/1/2009</u>	<u>2008/2009 Change</u>
Surplus Fund (pre 1987 unsecured)	0.0450	0.0706	0.0706	0.0450	0.0450	0.09350	+0.04850
Self-Insuring Employer Guaranty Fund	0.1400	0.1349	0.1349	0.0527	0.0527	0.05270	+0.00000
Administrative Cost Fund: <u>BWC</u>	<u>0.0790</u>	<u>0.0790</u>	<u>0.0822</u>	<u>0.0822</u>	<u>0.0847</u>	<u>0.08890</u>	+0.00420
Administrative Fund: <u>IC</u>	<u>0.0666</u>	<u>0.0666</u>	<u>0.0726</u>	<u>0.0790</u>	<u>0.0834</u>	<u>0.07980</u>	-0.00360
Administrative Cost Fund: <u>WCC</u>						<u>0.00001</u>	+0.00001
Safety & Hygiene Fund	0.0098	0.0098	0.0098	0.0098	0.0098	0.00500	-0.00480
Mandatory Assessments	0.3404	0.3609	0.3701	0.2687	0.2756	0.31991	+0.04431
Optional							
Surplus Fund (rehabilitation)	0.1300	0.1300	0.1300	0.1300	0.1300	0.1300	+0.0000
Surplus Fund (handicap)	0.2480	0.2480	0.2480	0.2480	0.2480	0.2480	+0.0000
Surplus Fund (disallowed claims)	n/a	n/a	n/a	0.0236	0.0285	0.0278	-0.0007

Assessment Rates 2009



Bankrupt Policy Counts and Costs

Self-Insured Employers Guarantee Fund Disbursements and Bankruptcy Counts



Analysis of Securities and Potential Liabilities for Chrysler, General Motors and major automotive suppliers

•Surplus Fund (Pre 1987 claims)

- As claims age there is a decrease in annual claim payments
- Existing bonds are likely to absorb the claim costs of potential defaults

•SIEGF

- Pay-as-you-go system
- The assessment is driven by the 12/31/2010 fund balance
- Current LOC's and Surety Bonds appear sufficient to meet the costs of auto industry insolvencies
- The fund can withstand an additional \$10 M of unexpected costs and still remain above the minimum requirements
- Deloitte has made numerous recommendations for the SIEGF that BWC will review and if appropriate, bring any recommendations to the Board in the future.

Explanation of 6% of base rated premium for 3 years

Rule 4123-19-15

- **Stems from September 1988 Industrial Commission resolution**

Common Sense Business Regulation (BWC Rules)

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

Rules 4123-17-33.1

Rule Review

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

Citation: R.C. 4123.39, 4123.40

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

What goal(s): These rules establish the credibility tables for public employer taxing districts for the policy year 1/1/10 to 12/31/10. The rules establish the credibility tables 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: Third party administrators; employer trade associations.

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

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

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

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

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

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

EXECUTIVE SUMMARY

RATE RECOMMENDATIONS PUBLIC EMPLOYER TAXING DISTRICTS 1/1/2010

Rule 4123-17-33.1 Public employer taxing districts credibility table used for experience rating

Public Employer Taxing Districts are the approximately 3,900 cities, counties, villages, townships, schools, and miscellaneous special districts in Ohio who are provided workers' compensation insurance through the Ohio State Insurance Fund.

At the June 2008 Workers' Compensation Board of Directors meeting, the board recommended setting the maximum credibility for Private Employers for the 7-1-2009 rating year at 77%. The recommendation of the administrator is to adopt the same credibility table for public employer taxing district rates to allow group administrators enough time to select their groups.

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

Base rates for all manual classifications will be calculated in the fall of 2009 using the adopted credibility table selected by the Workers' Compensation Board of Directors.

4123-17-33.1 **Public employer taxing districts credibility table.**

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

Effective: 01/01/2010

Certification

Date

Promulgated Under: 111.15

Statutory Authority: 4121.12, 4121.121

Rule Amplifies: 4123.39, 4123.40

Prior Effective Dates: 1/1/90, 1/1/91, 1/1/92, 1/1/93, 1/1/94, 1/1/95, 1/1/96 (Emer), 3/15/96, 1/1/97, 1/1/98, 1/1/99, 1/1/00, 1/1/01, 1/1/02, 1/1/03, 1/1/04, 1/1/05, 1/1/06, 1/1/07, 1/1/08, 1/1/09

TABLE 1

PART A

Credibility and Maximum Value of a Loss

Credibility Group	Expected Losses*	Credibility Percent	Group Maximum Value
1	8,000	10%	12,500
2	15,000	14%	12,500
3	27,000	18%	25,000
4	45,000	21%	37,500
5	62,500	24%	55,000
6	90,000	28%	75,000
7	122,500	31%	87,500
8	160,000	34%	100,000
9	202,500	37%	112,500
10	250,000	40%	125,000
11	302,500	43%	137,500
12	360,000	45%	150,000
13	422,500	48%	162,500
14	490,000	52%	175,000
15	562,500	55%	187,500
16	640,000	59%	200,000
17	722,500	64%	212,500
18	810,000	69%	225,000
19	902,500	73%	237,500
20	1,000,000	77%	250,000

Catastrophe value equals \$250,000

*Expected losses are lower limits of credibility groups

Revised 5-5-2009

I:\Actuarial_Confidential\Rate Data\Public Employer Taxing Districts\1-1-2010\Rules and Charts\4123-17-33.1 Part A PEC Credibility Table 2010.doc

Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-72

Rule Review

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

Citation: R.C. 4123.29

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

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

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

4. The rule is effective, consistent and efficient.

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

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

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

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

Explain: Sponsor/TPA workgroup meetings that included approximately 30 people

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

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

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

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

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

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

Deductible Program PEC Table addition– Executive Summary

Overview

Rule 4123-17-72 was passed by BWC's Board of Directors in April of 2009 with the private employer (PA) discount table. The application period began in April of 2009 and ended the last day of May. BWC received over 500 applications for this program.

BWC, with the assistance of Oliver Wyman, has prepared the Public Employer County and Taxing District (PEC) discount table which will be effective for the rating year 1/1/2010. We are bringing this addendum in June, 2009 so that this information can be available to employers for decision making purposes before the group-experience rating cycle and before many summer breaks and budget cycles.

The ranges of discount, while separately calculated and actuarially sound, are similar to the private employer discounts. Private employers have a discount range between 1.4% and 26%. PEC employers have a range between 2% and 25.4%.

Deductible Levels

The following deductible levels would be offered to Employers

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

Target Customer

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

PA and PEC employers would both be eligible for the deductible plans and rules would apply equally across both segments.

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

Qualification Criteria

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

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

Pricing Structure

For opting to participate in the Deductible Program, the employer will receive a discount on their premium. The amount of discount for PA employers will be dependent upon the NCCI Hazard Group the employer falls within and the level of deductible chosen. PEC employers have NCCI manual classifications that are "State Special" or unique to Ohio and therefore the PEC manuals are not mapped to the standard NCCI Hazard Groups. BWC has created additional hazard groups of H through L. Using Loss Elimination Ratios for each PEC manual we have grouped the manuals into the appropriate hazard groups.

Billing Structure

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

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

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

Common Sense Business Regulation (BWC Rules)

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

Group Retrospective Rating 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): The rule creates a group retrospective rating program. The rule was effective 5/21/09. The amendment in Paragraph (Q)(1)(c) is based upon input from certified sponsors and marketability.

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: Several stakeholders felt that having the flexibility with regard to assessments and refunds to smooth volatility would be value added.

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

Sponsorship certification for capped employers

BWC would like to amend OAC 4123-17-70 (*Premium Discount Program Plus*) to certify sponsoring associations for the purposes of servicing capped employers beginning with the 7/1/09 policy year. The purposes of amending the rule are to:

- Design a process for BWC to certify sponsors;
- Establish certain standards for sponsor to meet in order to become and maintain their certification;
- Create a process for employers to select from a list of organizations that are certified;
- Ensure that certified sponsors are accountable for the reporting and compliance responsibilities they agree to undertake as a certified sponsor; and,
- Allow BWC to audit certified sponsors' accounts to ensure they meet both statute and rule requirements of the capping program.

BWC will grandfather active PDP+ sponsoring associations as certified capping sponsors since the requirements are the same. In addition, it will create an application for new organizations wishing to serve as a capping sponsor for the 7/1/09 policy year.

BWC Board of Directors
Executive Summary

Sponsor Certification Requirements

Introduction

Chapter 4123-17 of the Ohio Administrative Code contains BWC rules outlining the requirements and process the bureau shall use when certifying organizations to sponsor either group-experience rating or group-retrospective rating. Rule 4123-17-61.1 (Q) is an enhancement to the existing rules allowing BWC to potentially take action against certified sponsors who provide false, misleading, or inaccurate information to potential or existing customers.

Background Information

Rule 4123-17-61.1 was created in February when the BWC Board of Directors approved a revised set of rules governing sponsorship certification. The new rule combined pre-existing sponsorship certification criteria and expanded to include disclosure of additional information and establish a periodic re-certification process.

Executive summary

The current rule allows BWC to review marketing materials only when determining if a sponsoring association is in existence for purposes other than providing workers' compensation group rating services. However, the bureau is unable to take action against any organization that uses deceptive marketing tactics to encourage employers to join either a group-experience rating or group-retrospective rating plan.

BWC would like to amend OAC 4123-17.61.1 to consider sponsor marketing activities as a criterion for a sponsor maintaining or receiving its certification. This modification will allow BWC to de-certify any sponsor if that sponsor or their affiliate provides false, misleading, or inaccurate materials to current or prospective employers when marketing either group-experience rating or group-retrospective rating.



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Stakeholder feedback and recommendation for changes on 4123.17.61.1 (Sponsorship certification requirements) and 4123.17-70 (10-Step Business Plan)

Line #	Rule #	Draft Rule Suggestions	Stakeholder Rationale	BWC Response	Resolution
1	4123.17-61.1 (K)	"Should a sponsoring association, affiliate, or representative, including, but not limited to, a broker, marketer, or third-party administrator..."	A few sponsoring associations expressed concern an affiliated organization may violate this rule, but the sponsoring association would be adversely impacted even if they may not have been engaged in or aware of in the act.	Sponsoring associations choose to contract with these organizations voluntarily and should be directing their activities. This includes have some control over marketing.	This portion of rule will not be changed.
2	4123.17-61.1 (K)	"...the bureau may revoke that sponsor's certification for the next immediate policy year. ..."	Many sponsoring associations have expressed concern about the severity of the penalty. While they're not arguing against decertification, they wish to find other penalties for less egregious violations, including potentially putting sponsors at capacity.	While BWC believes it must retain decertification, it is willing to consider other options if appropriate and if they are able to successfully be instituted.	BWC may modify the rule upon further discussion with stakeholders.



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Line #	Rule #	Draft Rule Suggestions	Stakeholder Rationale	BWC Response	Resolution
3	4123.17-61.1 (K)	From multiple sponsoring associations and third-party administrators: "BWC should separate a marketing moratorium for the 2010 group year from a broader rule on marketing violations."	These organizations believe we should deal with the short-term issue first and address broader marketing violations after additional study and discussion.	BWC believes that one rule can accomplish both tasks. The rule can be referenced to prevent sponsors and their affiliates from marketing group discounts until the group structure for 2010 is finalized. In addition, BWC could leverage this rule afterward to encourage sponsors and their affiliates to provide accurate pricing in their offers to prospective clients while also ensuring documents relating to enrollment in group programs are not falsified.	BWC will continue to work with stakeholders to address their concerns and intends to present one rule that deals with both the short- and long-term marketing issues.
4	4123.17-61.1 (K)	From multiple sponsoring associations and third-party administrators: "The definition of 'marketing' is too broad, and BWC's use of 'inaccurate' or 'misleading' could allow BWC to use the rule broadly when considering whether to decertify a sponsor."	These organizations believe we could decertify them for reasons other than providing false or unattainable pricing quotes. Among the concerns cited include whether the initial proposal could be interpreted as a restriction preventing a sponsor from disagreeing publicly with BWC or voicing concern to their members regarding policy changes.	BWC reiterated its intent to have the rule prevent against sponsors providing false or unattainable quotes to prospective employers and ensure that all group forms are truthful and accurate.	BWC added (1) and (2) to specify the types of marketing materials that would violate the rule.



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**Stakeholder feedback and recommendation for changes on 4123.17.61.1
(Sponsorship certification requirements) and 4123.17-70 (10-Step Business Plan)**

Line #	Rule #	Draft Rule Suggestions	Stakeholder Rationale	BWC Response	Resolution
5	4123.17-B170 (D) - (F)	From a couple sponsoring associations: "There is no definition around what's required of associations involved in helping capped employers implement the 10-Step Plan."	These organizations believe we could not hold them accountable for ensuring compliance with or reporting on the employer's efforts to implement the 10-Step Plan. They also believe we don't put any specific requirements on the competencies of the organizations assisting with implementation.	BWC agrees with this position.	BWC reinstated the rules governing sponsorship certification for the 10-Step Plan.

4123-17-61.1 Sponsorship certification requirements.

(A) The following certification requirements shall apply to all sponsoring organizations that seek to make application for either the group rating plan effective January 1, 2010, as provided for in rule 4123-17-61 of the Administrative Code, or the group retrospective rating plan effective July 1, 2009, as provided in rule 4123-17-73 of the Administrative Code, known collectively as group programs.

(B) The sponsoring organization must have been in existence for at least two years prior to the last date upon which the group's application for coverage may be filed with the bureau of workers' compensation as provided in rule 4123-17-62 of the Administrative Code.

(C) The organization must be formed for a purpose other than that of obtaining group workers' compensation coverage. The bureau shall require the organization to demonstrate this through submission of required evidence and documentation. As long as all of the other criteria of this rule are satisfied, a parent corporation may be a sponsoring organization and, if it qualifies under the criteria of this rule, a member of a group of its subsidiary corporations for purposes of group programs. A sponsoring organization may sponsor more than one group.

(D) The formation and operation of a group program in the organization must substantially improve accident prevention and claims handling for the employers in the group. The bureau shall require the group to document its plan or program for these purposes, and, for groups reapplying annually for group coverage, the results of prior programs.

Following the conclusion of the July 1, 2008 to June 30, 2009 policy year, the bureau will report annually on the aggregate performance of all groups

(E) A sponsoring organization shall satisfy all of the requirements for a sponsoring organization as required under section 4123.29 of the Revised Code and in this rule. A sponsoring organization shall submit to the bureau information to demonstrate that the organization meets the requirements for sponsorship. The bureau shall review the information and shall register the sponsoring organization if it meets the requirements. A sponsoring organization shall be registered and be certified by the bureau prior to marketing to or soliciting employers for membership in a group under the group programs.

(1) The bureau shall re-certify all sponsoring organizations between March 1, 2009, and June 30, 2009. If the bureau certifies a sponsoring organization, the sponsoring organization shall be permitted to sponsor a group retrospective rating program under rule 4123-17-73 of the Administrative Code beginning July 1, 2009, and to sponsor groups in the current group rating program under this rule beginning January 1, 2010. The bureau shall review the certification of a sponsoring organization at least once every three years or on a more frequent basis as determined by the bureau.

(2) A sponsoring organization that seeks to be certified by the bureau shall provide to the bureau the following:

(a) The sponsoring organization's workers' compensation policy number and proof of active workers' compensation coverage;

(b) The name of the sponsoring organization's third party administrator, if applicable;

(c) A copy of the sponsoring organization's marketing materials (web site, brochures, etc.), including a description of the services related to group rating as well as other services provided by the sponsor;

(d) A list of all sponsoring organizations affiliated with the sponsoring organization. For the purpose of this rule, an "affiliated" organization is an organization in which members are brokered, borrowed, shared, or co-opted for inclusion in the certified sponsoring organization's group. All affiliated organizations are required to be certified sponsors as provided in this rule.

(e) A copy of the sponsoring organization's articles of incorporation;

(f) A copy of the sponsoring organization's mission statement;

(g) A completed application form, signed by the sponsor, which includes disclosure of nine-hundred-ninety filings with the Internal Revenue Service and counts of all members (both group and non-group);

(h) A copy of the sponsor's safety plan.

(i) With reasonable notice, the bureau may request that a sponsor provide for the bureau's inspection at the sponsor's designated location any of the following: additional financial information, dues structure, revenue sources, a table of organization, a comprehensive membership roster, by-laws, and/or a list of corporate officers.

(F) The sponsoring organization shall provide to the bureau a signed statement certifying the accuracy of the information provided to the bureau. A sponsoring organization's failure to provide accurate information or submission of false information may be grounds for the bureau to refuse to certify the sponsoring organization or to decertify the sponsoring organization. The bureau reserves the authority to use all the listed information above and any other information available to make the certification approval.

(G) Should the bureau deny the certification of the sponsoring organization, the applicant may appeal to the bureau adjudicating committee. After exhausting all administrative appeals and correction of sponsorship requirement deficiencies, the applicant may reapply one year after the latest certification denial.

(H) The bureau will collect this information and retain it or ask that a sponsoring organization maintain the information for bureau inspection upon request.

(I) The sponsoring organization shall be in compliance with all bureau rules. A sponsoring organization's non-compliance may result in decertification.

(J) The sponsoring organization, or their authorized representative, shall have the capability to send and receive secure electronic (FTP – file transfer protocol) files.

(K) Should a sponsoring association, affiliate, or representative, including, but not limited to, a third party administrator, broker, or marketer, provide marketing material to an employer relating to the process of forming either group experience rating or group retrospective rating for the next policy year that is false or unattainable, the bureau may revoke that sponsor's certification for the next immediate policy year. Marketing material is defined as any communication that:

(1) Offers or estimates specific discounts or refunds to prospective participants in either group experience rating or group retrospective rating that are not attainable; or

(2) Instructs prospective participants to provide false information on forms used for purposes of group formation, including the AC-3 and the AC-26.

Promulgated Under: 111.15

Statutory Authority: 4121.12, 4121.121

Rule Amplifies: 4123.29

Prior Effective Dates: 10/2/90, 11/11/91, 9/14/92, 11/8/99, 7/1/01, 3/9/09

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(Q)(1)(c) is a modification to the Group Retrospective rule to allow BWC to defer group retro assessments in the 1st and 2nd evaluation periods.

Background Information

The Group Retrospective Rating Program as defined in Rule 4123-17-73 provides a means for employers to form a group and benefit from safe workplace practices. The Group Retrospective Program has evaluation periods at 12, 24, and 36 months after the end of the policy year. Depending on the retro group's loss performance, they will receive a refund or assessment at each evaluation.

Proposed Changes

The Group Retrospective Rating Rule currently states that the bureau has the right to retain a portion of Group Retro refunds in the 1st and 2nd evaluations. The rule could be used to reduce the volatility of refunds/assessments. The retained refund amount could be applied to assessments in the 2nd or 3rd evaluation allowing the bureau to avoid billing for additional premium.

The proposed rule change would expand this rule to allow the bureau to also defer assessments in the 1st and 2nd evaluation periods. Deferred assessments could be paid by refunds in future periods resulting in lower overall volatility.

Additional policy details regarding the rules applicability for PA policy year 2009 will be evaluated and confirmed with Group Retro Sponsors. The rule change must be in place before the July 1st start of the policy year to allow flexibility in structuring the retention/deferral details.

Summary of Selected Deductible Credits - PEC

Deductible Amount	H (IG 1/5/22)	I (IG 2)	J (IG 3/4)	K (IG 6/8)	L (IG 7/20)
\$500	4.3%	5.6%	4.7%	7.3%	2.0%
\$1,000	6.8%	8.8%	7.4%	10.3%	3.3%
\$2,500	11.3%	13.8%	11.6%	14.9%	5.6%
\$5,000	16.0%	19.2%	15.7%	19.5%	8.3%
\$10,000	21.9%	25.4%	20.7%	25.2%	12.0%

TABLE OF CLASSIFICATIONS BY HAZARD GROUP - PEC**EFF****7/1/2009**

Class Code	Haz Grp	NCCI Classification Description
	H-L	
9430	H	County employees: all employees & clerical telecommuter, salespersons, drivers
9431	I	City employees: all employees & clerical, clerical telecommuter, salespersons, drivers
9432	J	Village employees: all employees & clerical, clerical telecommuter, salespersons, drivers
9433	J	Township employees: all employees & clerical, clerical telecommuter, salespersons, drivers
9434	H	Local school districts: all employees & clerical, clerical telecommuter, salespersons, drivers
9435	H	Public Libraries: all employees & clerical, clerical telecommuter, salespersons, drivers
9436	H	Special public universities: all employees & clerical, clerical telecommuter, salespersons, drivers
9437	H	Joint vocational schools: all employees & clerical, clerical telecommuter, salespersons, drivers
9438	K	Public work-relief employees
9439	L	Public employer emergency services organizations - contract coverage
9440	K	Public hospitals: all employees & clerical, clerical telecommuter, salespersons, drivers
9441	K	Special public institutions: all employees & clerical, clerical telecommuter, salespersons, drivers
9442	L	Public transit authorities: all employees & clerical, clerical telecommuter, salespersons, drivers
9443	H	Special public authorities: all employees & clerical, clerical telecommuter, salespersons, drivers

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 Friday 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 26, 2009. 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 or defer assessments owed in the first and second evaluation periods to minimize ~~possible future~~ the volatility of refunds and assessments. Any net refund or assessment will be fully distributed or billed 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.

Prior effective date: 5/21/09

Common Sense Business Regulation (BWC Rules)

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

Group Sponsor 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): This revision allows BWC to certify organizations that wish to help capped employers with implementing the 10-Step Business Plan. It also ensures that BWC may hold these organizations accountable for meeting reporting and compliance standards on behalf of the employers they service.

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: A draft of the rule (which is the same as it was for PDP+) was shared with them in advance. In addition, anyone wishing to participate as a sponsor going forward will have an opportunity to apply in the coming months, making them eligible to service capped employers for the 7/1/09 policy year. This includes opportunities to ask questions and successfully utilize the process for becoming a sponsor.

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)

Group Sponsor Rules

Rule 4123-17-61.1

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): This revision allows BWC to effectively monitor marketing activities by sponsoring associations and affiliated entities which will lead to clearer services offered through the group rating program.

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: Multiple sponsoring associations and affiliated organizations participated in a process to revise the sponsorship rules when changed earlier in 2009. They also received this language in advance and were provided an opportunity to give input and receive clarification regarding the process for reviewing marketing materials created by sponsors.

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

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

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

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

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

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

4123-17-72 Deductible rule.

(A) As used in this rule:

- (1) "Coverage period" means the twelve month period beginning July first through June thirtieth for private employers, and January first through December thirty-first for public employers. The deductible selected by the employer will apply only to claims with a date of injury within the coverage period defined in the deductible agreement.
- (2) "Deductible" means a specified amount of money that the insured must pay on a claim before the bureau covers the costs of a workers' compensation claim.
- (3) "Modified rate" means the rate that employers who are experience rated pay as a percentage of their payroll. This rate is calculated by taking the base rate and multiplying it by the employer's experience modification (EM) factor.
- (4) "NCCI base rate" means the rate that employers who are not experience rated pay as a percentage of their payroll.
- (5) "Policy in good standing" means the employer is current on all payments due to the bureau and is in compliance with bureau laws, rules, and regulations at the time of enrollment or reenrollment.
- (6) "Premium" means money paid (due) from an employer for workers' compensation insurance. It does not include money paid as fees, fines, penalties or deposits.
- (7) "Qualified employer" means an employer that has a bureau policy that is in good standing at the time of enrollment or reenrollment. Although the employer may be a qualified employer, the bureau may not accept the employer into the deductible program for other reasons set forth in this rule.

(B) Eligibility requirements.

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

- (1) The employer shall have a bureau policy that is in good standing at the time of enrollment.
- (2) The employer shall be a private state funded employer or public employer taxing district. A self-insuring employer or a state agency public employer shall not be eligible for participation in the deductible program.

- (3) The employer shall be current on all premium payments and deductible billings as of the original application deadline or anniversary date of participation.
 - (4) The employer shall have active coverage as of the original application deadline or anniversary date of participation.
 - (5) The employer shall demonstrate the ability to make payments under the deductible program based upon a credit score established by the bureau on an annual basis which will be applicable to all applicants for the program year. The bureau shall obtain the credit reports from an established vendor of such information.
 - (6) The employer may not have cumulative lapses in workers' compensation coverage in excess of forty days within the twelve months preceding the original application deadline or subsequent anniversary deadline wherein the employer seeks renewal in the deductible program.
- (C) In selecting an employer deductible program under this rule, the employer must select, on an application provided by the bureau, a per claim deductible amount, which shall be applicable for all claims with dates of injury within a one year coverage period. The employer shall choose one deductible level from the following:
- (1) Five hundred dollars.
 - (2) One thousand dollars.
 - (3) Two thousand five hundred dollars.
 - (4) Five thousand dollars.
 - (5) Ten thousand dollars.
- (D) In choosing a deductible amount under paragraph (C) of this rule, the employer may not choose a deductible amount that exceeds twenty-five per cent of the total premium paid by the employer during the most recent full policy year. For a new employer policy, the deductible amount shall not exceed twenty-five per cent of the employer's expected premium.
- (E) The employer shall file the application provided by the bureau and any other paperwork required for enrollment in the deductible program by the bureau by the appropriate enrollment period as follows:
- (1) For a private employer, between April first and May thirty-first preceding a policy year that begins on July first.

- (2) For a public employer taxing district, between October first and November thirty-first preceding a policy year that begins on January first.
 - (a) Where the due date falls on a weekend or holiday, the application and any related documentation must be received no later than the next business day following the deadline.
 - (b) Applications and any supporting documentation may be submitted by U.S. postal service, fax, e-mail containing scanned documentation, or online submission, so long as such paperwork is received by the bureau on or before the due date.
 - (3) The bureau shall not permit an employer to enroll in a deductible program outside of the deadlines set forth in this rule, except that the bureau will consider a new employer, establishing a policy in Ohio for the first time, for participation where the employer submits its deductible program application to the bureau within thirty days of obtaining coverage.
- (F) Renewal in the deductible program at the same level for each subsequent year shall be automatic, subject to review by the bureau of the employer's continued eligibility under paragraph (B) of this rule, unless the employer notifies the bureau in writing that the employer does not wish to participate in the program or that the employer wants to change the deductible amount for the next coverage period. The employer shall provide such notice to the bureau within the time and in the manner provided in paragraph (E) of this rule.
- (G) An employer shall not be permitted to withdraw from the deductible program during the policy year, and no changes shall be made with respect to any deductible amount selected by the employer within the policy year. However, the bureau shall have the option of removing an employer from the deductible program for any of the reasons described in paragraph (L) of this rule.
- (H) The bureau shall pay the claims costs under a deductible program and the employer shall reimburse to the bureau the costs under the deductible program as follows:
- (1) The bureau shall pay all claims costs in accordance with the laws and rules governing payment of workers' compensation benefits. The bureau shall include the entire cost in the employer's experience for the appropriate policy year.
 - (2) The bureau shall bill the employer on a monthly basis for any claims costs paid by the bureau for amounts subject to the deductible as elected by the employer for the policy year. In addition to amounts paid by the bureau for which the bureau is seeking reimbursement from the employer, such monthly billings shall also reflect the payments to date for any claims to which a deductible is applicable.

- (3) The employer shall pay all deductible amounts billed by the bureau within twenty-eight days of the invoice date. The employer will be subject to any interest or penalty provisions to which premiums are subject, including certification to the attorney general's office for collection.
 - (4) The employer shall continue to be liable beyond any deductible program period for billings covered under a deductible program for injuries that arose during any period for which a deductible is applicable, regardless of when payment was made by the bureau.
- (I) The bureau will apply the premium reduction calculation under the deductible program directly to the NCCI base rate established for the policy year for base-rated employers, or after the modified premium rate is established for experience-rated employers, but prior to any other premium discounts, as well as DWRP and administrative expenses. An individual employer participating in both group rating under rules 4123-17-61 to 4123-17-68 of the Administrative Code and the deductible program under this rule may implement the deductible program and receive the associated premium discounts in addition to the group discount; provided, however, the combined discounts may not exceed the maximum discount allowed under the group rating plan. The bureau will calculate the reduction in accordance with appendix A to this rule, which takes into account both the deductible amount chosen by the employer and the applicable hazard group under the most current version of NCCI as established by the primary manual classification of the employer as determined at the end of the enrollment period for that year.
- (1) In determining the primary manual classification and appropriate hazard group, the bureau shall utilize payroll for the rating year beginning two years prior to the period in which the employer is seeking to enroll in the deductible program.
 - (2) For new employers, the bureau shall base the appropriate primary manual classification and hazard group upon estimated payroll.
- (J) Where there is a combination or experience transfer of an employer within a deductible program policy period, following the application of any other rules applicable to a combination or experience transfer, the employer may be eligible to remain in a deductible program as follows:
- (1) Successor: entity not having coverage .

Predecessor: enrolled in deductible program currently or in prior policy years.

Where there is a combination or experience transfer, where the predecessor was a participant in the deductible program and the successor is assigned a new policy with the bureau, the successor shall make application for the deductible program within thirty days of obtaining a bureau policy, as set forth in

paragraph (E)(3) of this rule. Notwithstanding this election, the successor shall be responsible for any and all existing or future liabilities stemming from the predecessor's participation in the deductible program prior to the date that the bureau was notified of the transfer as provided under paragraph (C) of rule 4123-17-02 of the Administrative Code.

(2) Successor: enrolled in the deductible program.

Predecessor: not enrolled in the deductible program.

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

(3) Successor: not enrolled in deductible program.

Predecessor: enrolled in deductible program.

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

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

(1) Retrospective rating, whether group or individual.

(2) The fifteen-thousand medical-only program.

(3) Salary continuation.

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

- (1) Where the employer participates in any plan or program prohibited under paragraph (K) of this rule.
- (2) Where the bureau certifies a balance due from the employer to the attorney general during the program year.
- (3) Where the employer makes direct payments to any medical provider for services rendered or supplies or to any injured worker for compensation associated with a workers' compensation claim.
- (4) Where the employer engages in misrepresentation or fraud in conjunction with the deductible program application process.

Summary of Selected Deductible Credits

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

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

Effective Date: 3/9/09

4123-17-70 Ten step business plan for safety; certified sponsors.

(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 value.

(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.

(D) The bureau may grant certification as a ten step business plan for safety 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 sponsor under this rule. An association or its agent that is found to be ineligible to be a certified 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 (B) of this rule.

(E) 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.

(F) 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 steps 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 the last business day in August for those employer that began the program on July first and by the last business day in February for those employers that began the program on January first.

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

(11) Objectively evaluate the plan of action report of all sponsored employers using the evaluate guidelines outlined in the ten step business plan for safety of this rule.

(12) 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.

(13) 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.

(14) 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.

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

(G) The bureau retains all rights provided under its rule with respect to all certified sponsored employers.

(H) 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 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.

Promulgated Under: 111.15

Statutory Authority: 4121.12, 4121.121

Rule Amplifies: 4123.34

Prior Effective Dates: 4/1/95, 4/10/01, 7/1/01, 10/10/01, 10/14/02, 5/26/03, 5/21/09



**Bureau of Workers'
Compensation**

30 W. Spring St.
Columbus, OH 43215-2256

Governor **Ted Strickland**
Administrator **Marsha P. Ryan**

ohiobwc.com
1-800-OHIOBWC

DATE: June 12, 2009

TO: BWC Actuarial Committee
BWC Board of Directors

FROM: John Pedrick, Chief Actuarial Officer

SUBJECT: Actuarial Consultant Request for Proposal

Background:

The Actuarial Committee of the Board directed the staff to issue a request for proposal (RFP) as authorized in the ORC 4123.47. An RFP was issued on February 27, 2009 by the BWC for actuarial consulting services. The purpose of this RFP is to identify an actuarial consultant beginning January 1, 2010, with an appropriate transition period in 2009. The existing three year contract expires December 31, 2009.

RFP Process:

The staff created and submitted an RFP to the Actuarial Committee for approval at the November 2008 meeting. At that meeting, the committee appointed Director Hummel to serve as their representative on the RFP evaluation committee. The other members of the evaluation committee include: John Pedrick, Chief Actuarial Officer; Ray Mazzotta, Chief Operating Officer; Tracy Valentino, Chief of Fiscal and Planning and Liz Bravender, Actuarial Director. The Actuarial Committee provided comments and recommendations on the RFP in December 2008. The RFP was written such that the three main tasks, Ratemaking, Reserving and Special projects could be awarded separately or together.

The RFP was issued on February 27, 2009 with proposals due to the BWC on April 16, 2009. The BWC received seven proposals. One proposal was eliminated due to a conflict of interest issue. One respondent proposed only for the Special Projects portion of the RFP.

Selection Process:

The detailed selection and scoring process was outlined in the RFP.

The selection team met to review the proposals and to determine scores for each Consultant based on credentials, composition, team experience, team responsiveness and the project plan and agreed on the points awarded to each consultant. John Pedrick made contact with the consultant references and provided his scores to the team. Director Hummel, Liz Bravender, Ray Mazzotta and John Pedrick participated in phone interviews conducted the week of June 1, 2009. Only the top 3 consultants, based upon the scores prior to the references, were contacted for the phone interviews. The consultant with the highest total score was selected by the selection team for a recommendation to the board.

Recommendation:

The Administrator is recommending to the Board to award the entire contract – ratemaking, reserving and special projects -- to Deloitte Consulting LLC. This contract requires the approval and consent of the BWC Board of Directors.

The approval by the Board is required under 4123.47. This selection also fulfills the Board requirement under Section 4121.125 of the Ohio Revised Code.

OLIVER WYMAN



Consulting Actuaries

June 18, 2009

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

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

Results

Results

Comparison Of Discounted Unpaid Liability as of 6/30/09 12/31/08 data versus 3/31/09 data

<u>Category</u>	<u>Using</u> <u>12/31/08</u> <u>Data</u>	<u>Using</u> <u>3/31/09</u> <u>Data</u>	<u>%</u> <u>Change</u>	<u>Dollar</u> <u>Change</u>
Medical	\$6,471	\$6,384	-1.3%	(\$87)
Temporary Total	783	811	3.5%	27
Permanent Total Disability	3,409	3,572	4.8%	163
Death	1,161	1,225	5.5%	64
% Permanent Partial	304	306	0.6%	2
Permanent Partial	82	82	0.3%	0
WL+TP+LMWL+CO	153	154	0.8%	1
Lump Sum Settlements	2,122	1,826	-14.0%	(296)
Living Maintenance	104	114	9.1%	9
Lump Sum Advancements	170	171	0.7%	1
Additional Awards	29	30	2.8%	1
Self Insured	148	146	-0.9%	(1)
<u>HPP</u>	<u>668</u>	<u>675</u>	<u>1.0%</u>	<u>7</u>
<u>Total SIF Unpaid</u>	<u>15,603</u>	<u>15,495</u>	-0.7%	<u>(109)</u>
Disabled Workers' Relief Fund (DWRF)	1,864	1,873	0.5%	10
Coal-Workers Pneumoconiosis Fund (CWPF)	63	65	3.4%	2
Public Work-Relief Employees' Comp. Fund (PWREF)	3	3	7.7%	0
Marine Industry Fund (MIF)	3	2	-33.3%	(1)
Intentional Tort Fund (IT)	0	0	0.0%	0
Self-Insuring Employers Guaranty Fund (SIEGF)	717	764	6.6%	47
Administrative Cost Fund (ACF)--	<u>1,092</u>	<u>1,087</u>	<u>-0.5%</u>	<u>(5)</u>
Unpaid Loss Adjustment Expense (LAE)				
Total Unpaid Loss and LAE	<u>19,345</u>	<u>19,289</u>	-0.3%	<u>(56)</u>

Results

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
<u>Discounted</u>	13,136	14,077	14,360	14,868	14,632	14,487	14,838	14,674
Amount of Discount	13,572	13,978	14,505	14,191	13,983	12,548	12,090	10,354
Nominal	26,708	28,055	28,866	29,060	28,615	27,034	26,928	25,028
Payments during 1st Year	1,518	1,635	1,725	1,736	1,794	1,753	1,763	1,816
Discount Rate:	5.80%	5.50%	5.50%	5.25%	5.25%	5.00%	5.00%	4.50%
<u>Incremental Payments as of:</u>								
One year later	1,453	1,477	1,539	1,513	1,540	1,656	1,603	
Two years later	1,193	1,259	1,244	1,291	1,405	1,363		
Three years later	1,073	1,068	1,122	1,234	1,205			
Four years later	932	991	1,103	1,084				
Five years later	880	992	982					
Six years later	888	889						
<u>Cumulative Payments as of: (Discounted)</u>								
One year later	2,889	3,029	3,178	3,167	3,250	3,327	3,284	
Two years later	3,985	4,191	4,326	4,363	4,551	4,594		
Three years later	4,917	5,125	5,307	5,449	5,612			
Four years later	5,682	5,947	6,222	6,355				
Five years later	6,365	6,726	6,993					
Six years later	7,016	7,388						
Seven years later	7,572							
<u>Liability reestimated as of:</u>								
One year later	12,930	13,625	13,931	13,978	13,600	14,359	13,658	
Two years later	12,682	13,292	13,173	13,132	13,578	13,431		
Three years later	12,369	12,643	12,455	13,150	12,872			
Four years later	11,822	12,028	12,506	12,599				
Five years later	11,325	12,111	12,097					
Six years later	11,448	11,794						
Seven years later	11,216							

Results

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Discounted	13,136	14,077	14,360	14,868	14,632	14,487	14,838	14,674
Amount of Discount	13,572	13,978	14,505	14,191	13,983	12,548	12,090	10,354
Nominal	26,708	28,055	28,866	29,060	28,615	27,034	26,928	25,028
Payments during 1st Year	1,635	1,725	1,736	1,794	1,753	1,763	1,882	1,816
<u>Incremental Payments as of:</u>								
One year later	1,453	1,477	1,539	1,513	1,540	1,656	1,603	
Two years later	1,193	1,259	1,244	1,291	1,405	1,363		
Three years later	1,073	1,068	1,122	1,234	1,205			
Four years later	932	991	1,103	1,084				
Five years later	880	992	982					
Six years later	888	889						
Seven years later	802							
<u>Cumulative Payments as of:</u>								
One year later	3,088	3,202	3,276	3,307	3,293	3,419	3,484	
Two years later	4,281	4,460	4,519	4,598	4,697	4,782		
Three years later	5,355	5,529	5,641	5,833	5,903			
Four years later	6,287	6,520	6,744	6,916				
Five years later	7,167	7,511	7,726					
Six years later	8,054	8,400						
Seven years later	8,857							
<u>Liability reestimated as of:</u>								
One year later	26,256	27,125	27,474	27,106	25,646	25,854	24,248	
Two years later	25,467	25,835	25,793	24,475	24,787	23,570		
Three years later	24,240	24,432	23,315	23,713	22,833			
Four years later	23,002	22,032	22,621	22,071				
Five years later	20,742	21,515	21,263					
Six years later	20,434	20,397						
Seven years later	19,518							

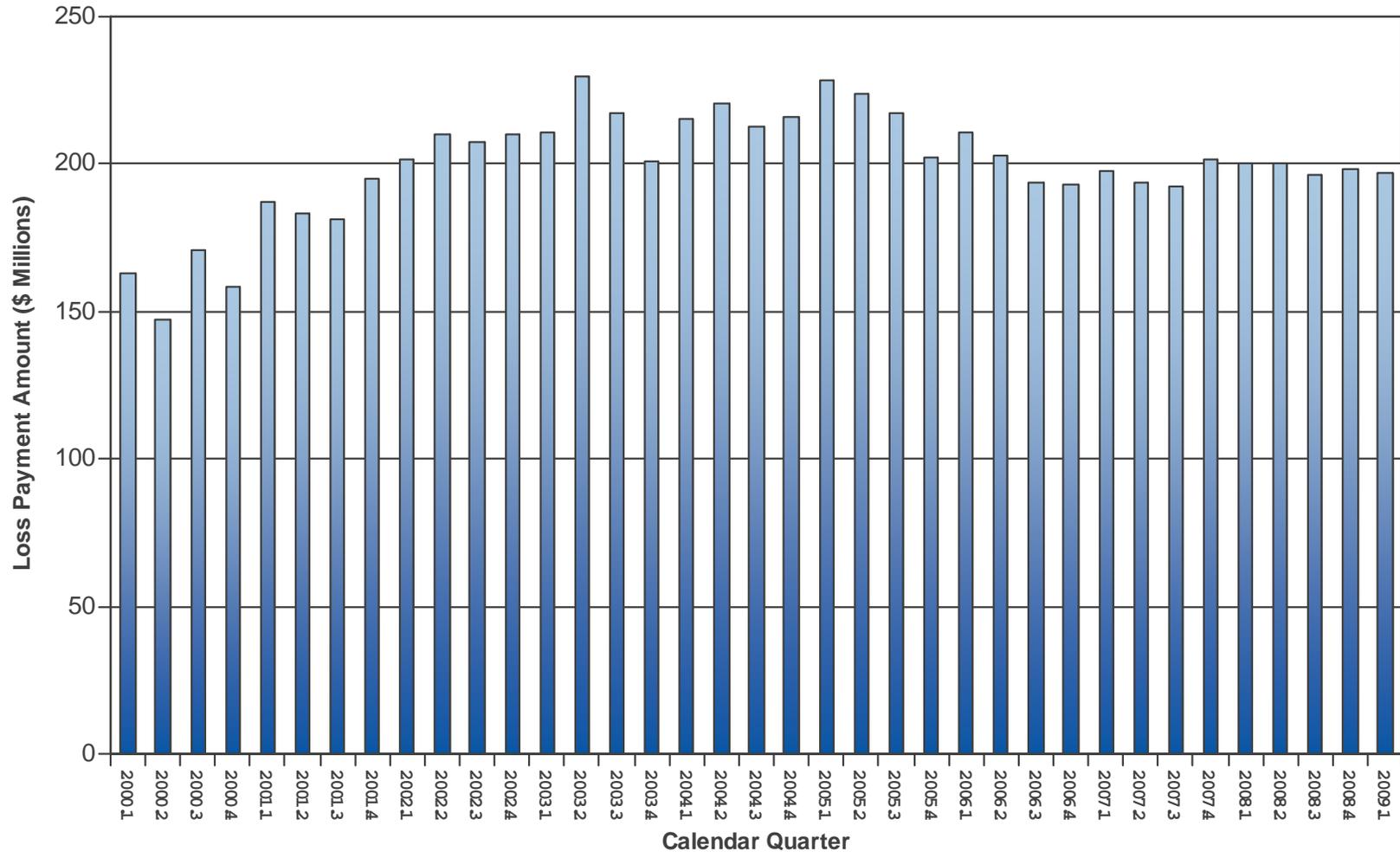


Results

- **SIF Liability Estimate Is Slightly Lower**
Estimated liability is lower by \$109 million (-0.7%). Medical inflation assumptions are the same as prior quarter (but lower than June 30, 2008) and discount rate is lower, from 5.0% to 4.5%.
- **Lower Medical Liability**
Medical payments, were lower (-\$20.5 million, or -9.4%) than prior quarter. Medical payments for the first 3 quarters are 5.4% lower than expected. Result is lower unpaid liability of \$87 million.
- **Lower Lump Sum Settlements**
Lump sum settlement payments for the third quarter were 35% (\$20 million) lower than second quarter. The result was a reduction in lump sum liability of \$300 million, or -14%.
- **Higher PTD and Death Liability**
Due to the increase in discount rate, these long-tailed benefits have increased 5% from prior quarter.
- **Interest Rate Assumption**
The impact of this reduction is an increase of approximately \$700 million for the SIF and approximately \$900 million including all funds.

Results

Calendar Quarter Medical Payments

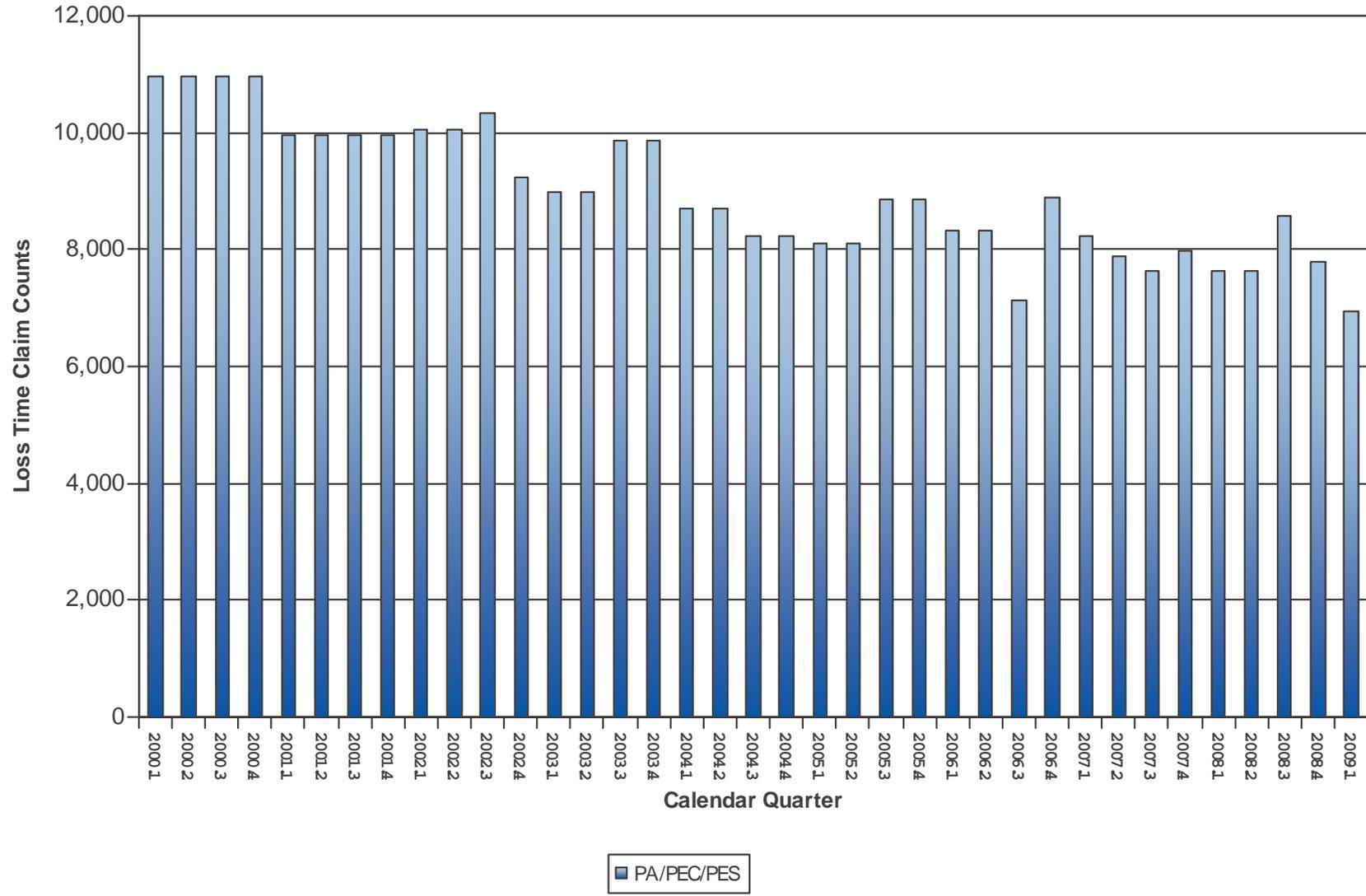


■ PA/PEC/PES Medical

Excludes Ohio Hospital Association Payments for 2nd, 3rd and 4th quarter 2008 and 1st quarter 2009.

Results

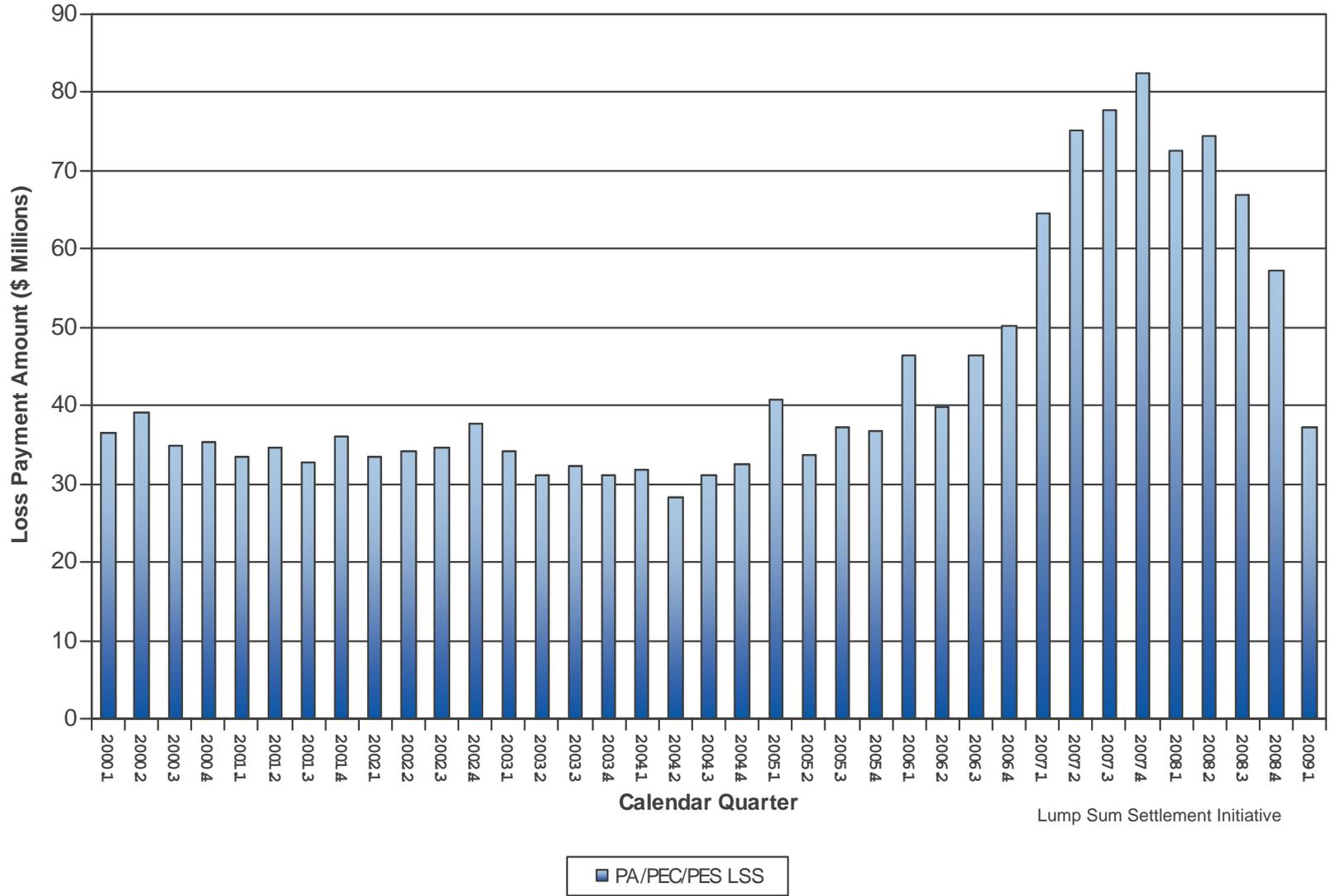
Calendar Quarter Loss Time Claim Counts



■ PA/PEC/PES

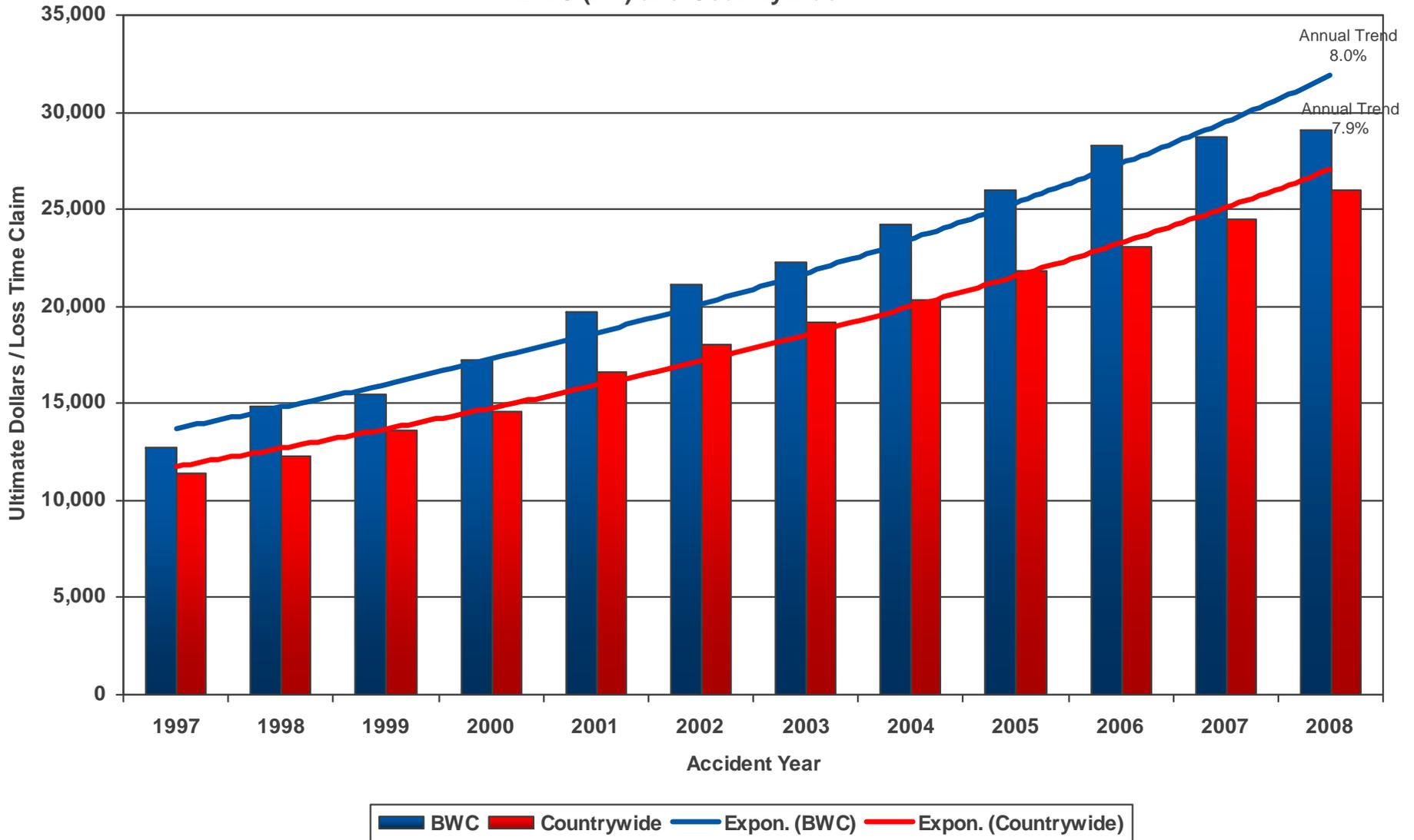
Results

Calendar Quarter Lump Sum Settlement Payments



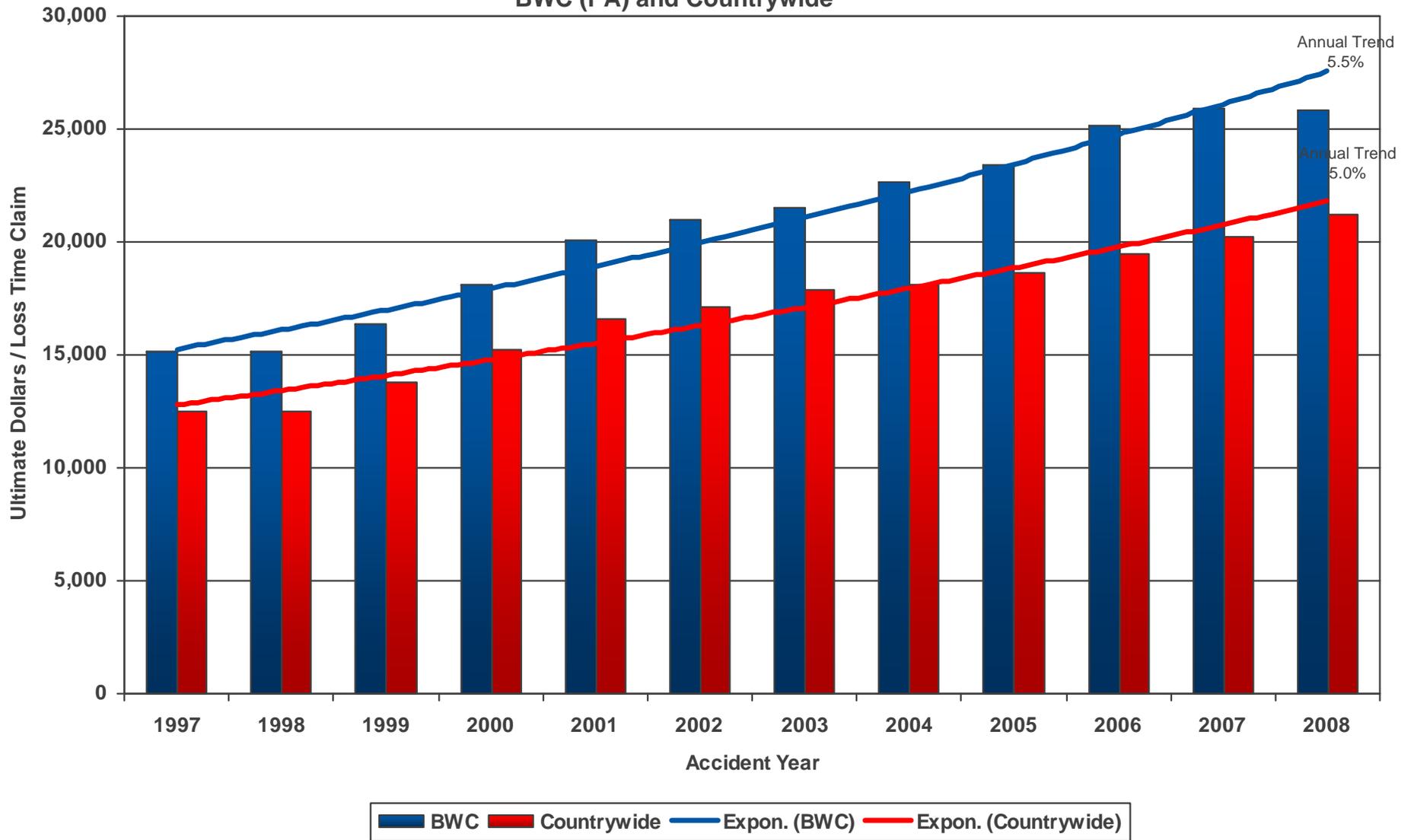
Results

AVERAGE MEDICAL SEVERITY BWC (PA) and Countrywide



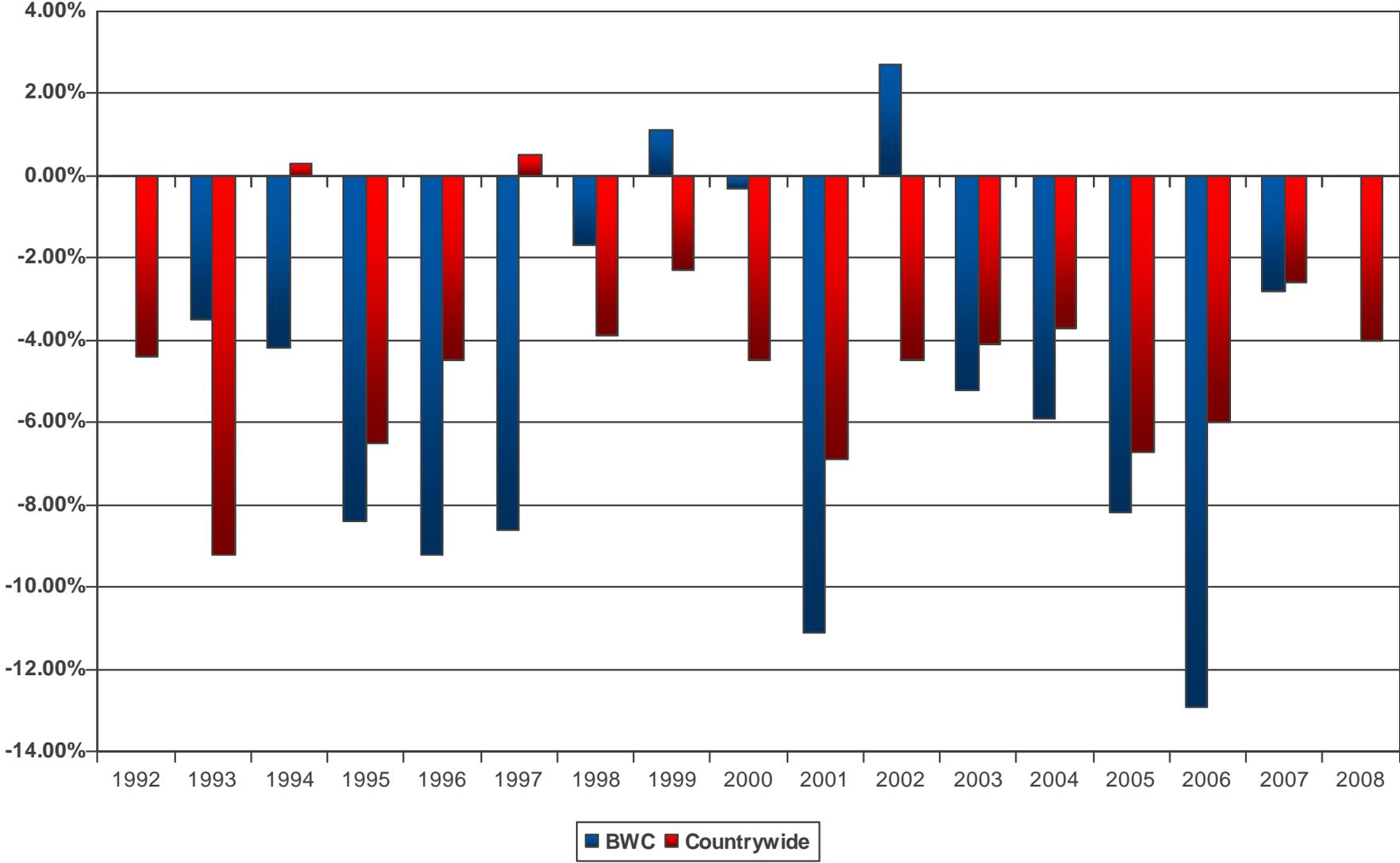
Results

AVERAGE INDEMNITY SEVERITY BWC (PA) and Countrywide



Results

LOSS TIME FREQUENCY CHANGE BWC (PA) and Countrywide



OLIVER WYMAN



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Am. Sub. House Bill 15, the BWC Budget Bill and Construction Contractors' Experience Modifiers:

An issue regarding contractors and their experience modifiers (EMs) has resulted in an amendment during the Senate Insurance Commerce and Labor Committee's discussion of Amended Substitute House Bill 15, the BWC budget bill.

As background, in early May we met with several construction contractors and their trade representatives to help them with the changes they'll see in their experience modifiers (EMs) for the July 1, 2009 policy year. At that time we agreed to help them explain to those accepting bids for work that the EM is not the sole measure of safety practices, but is an actuarial calculation that makes the rate more accurate. This resulted in an early amendment that advised hiring entities to not use the EM as the sole indicator of workplace safety.

During discussions of the bill during multiple committee meetings, several construction contractors testified that the experience modifiers (EMs) we calculated for them would impair their ability to bid for some construction contracts and cast doubt on the actuarial soundness of our EM calculation method. They asked that BWC be prevented from using the new EMs we calculated for policy year July 1, 2009.

We testified that the EMs we calculated for the upcoming policy year are more accurate than they've ever been for those not in groups. The MIRA II system is more accurate than its predecessors, MIRA I and "tabular" reserves, and the credibility table is closer to the levels suggested by ten actuarial studies. While we have more improvements to make, such as lower credibility and the conversion to a split experience rating plan, our current EMs are actuarially sound for non-group employers.

We came to a compromise that protects the actuarially determined rates these employers pay while capping their EM at 0.99. This applies only to those employers whose predominant rate class is a construction (industry group 4) class; whose EM rose from 1.00 or less in the preceding policy year to an EM in the range 1.01 to 1.50 in the current year (the one we're setting the rate for); and who will not be eligible for an EM below 1.00 due to the one claim program or the 100% cap. We estimate that 600 to 700 employers will be subject to this compromise this year. Their rate letters will show the EM of 0.99* with the asterisk leading to a note that this is capped due to the budget bill.

The legislation requires us to continue this approach until we implement the split experience rating plan.

Ongoing Efforts

We continue to analyze the rate structure for public employer taxing districts (PEC) using the same general approach we used for PA employers, and will bring the results to the Board for recommendations in time for the January 1, 2010 PEC policy year.

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, future group structure, and the split plan parameters.
- Meetings have been held with representatives of PEC employers to discuss the 1/1/2010 PEC rates and group structure.

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	September, 2009 to July, 2010	
Split Plan implementation	July 1, 2011	

- 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.
- The 77% Credibility table for PECs will be presented to the actuarial committee at the June 18, 2009 meeting.
- Modeling has started on the split plan parameters. The split plan will be implemented 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	Completed
Review Current Programs	Aug – Feb, 2009	Completed
Board Meeting to Review Final Proposals	January 22, 2009	Completed

- The deductible tables for the Public Employer Taxing Districts are on the agenda for this meeting for a possible vote.

- 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

- An update on MIRA II will be provided at the August, 2009 actuarial committee meeting.
- Under MIRA 2 reserve protests and complaints have been decreased and general inquiries have also decreased. MIRA II related information being available to customers online, revised stop logic and major claim data cleanup efforts by the BWC have nearly eliminated complaints and inquiries.

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	Completed
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	Completed
Actuarial Committee/Board Meeting – Final Consideration	May 28-29, 2009	Completed
Mailing of Employer Rate Letters	July, 2009	In-Progress

Actuarial Consultant Contract

- An actuarial consultant has been selected by the scoring committee. This consultant will be presented to the actuarial committee at the June 18, 2009 meeting for approval.
- The scoring committee members are Director James Hummel, John Pedrick, Ray Mazzotta, Tracy Valentino, and Liz Bravender.

Self-Insured Assessments

- BWC staff continues to meet and analyze recent bankruptcy filings by self-insured employers. This analysis has been used to develop the self-insured assessment rates.

Comprehensive Study Implementation

- Work is continuing on the evaluation and prioritization of the recommendations from Deloitte Consulting, LLP

May 2009 Actuarial Committee Follow-up Items

1. Director Hummel asked how the group participation changes each year. **The table below shows the count of employers that continue, are eliminated from group and are new additions to the group rating program.**

Policy Year	Actual Number of employers in Group	Number of employers that did not continue in group year xxx1 to year xxx2	Continuing/ renewed employers	New employers added to group
2003	82,198	7,669		
2004	90,341	7,966	74,232	16,109
2005	91,493	9,660	80,681	10,812
2006	97,019	8,534	82,959	14,060
2007	99,570	9,738	87,281	12,289
2008	101,561	9,873	89,697	11,864
2009	94,523	16,980	84,581	9,942

2. Director Bryan asked how BWC's rates compare to the state of Indiana rates and other states. **This task will take some time to complete.**
3. Director Hummel asked how many employers are covered by the on the Marine Fund employers. **The BWC has 117 policies of which 17 have been canceled. For policy year 7-1-2007 through 6-30-2008, 60 employers reported payroll and premium.**
4. A question was raised during the Self-Insured assessment presentation on why the BWC could drop the Safety & Hygiene assessment from 1% to 0.5%. **The cash balance in that fund is high enough to lower the assessment and still have the required funds to operate the Safety & Hygiene Division.**
5. Director Bryan asked to have the Audit put on a CD. **We will have that done.**

Below is a list of questions submitted by Chuck Bryan prior to the committee meeting:

1. Coal Workers Fund: Since employers have an option, how do BWC rates compare with the other insurers for this class of business? The minimum benefit is \$7,188 annually- would it make sense to consider increasing the minimum benefit considering the adequacy of the rates? **Benefits are set by the Federal Government.** Is the structure where only premium is charged for new participants in the plan- is this reasonable or does it make a difference? **The current net assets of the CWPF substantially exceed the necessary reserves. Because the law does not allow for the BWC to use excess funds for other funds or other purposes, the BWC decided to have a moratorium on premiums as a method to return premiums to the employers who contributed to the surplus. Through a provision in the Ohio Revised Code, the Department of Natural Resources offers safety grants to miners in Ohio using a portion of the interest earned from the Coal Workers' fund investments.**
2. DWRF 2: Exhibit III- this seems to be mislabeled since the “(\$000)” seems to be incorrect. – **The numbers are correct. DWRF is assessed as a percentage of the base rate and therefore Oliver Wyman calculates base rated premiums to find the DWRF assessments. Likewise Footnote 7 seems to be mislabeled since (2)/ (6) does not yield column 7. – It is calculated correctly when finding a percentage.** Is this a candidate for increasing the benefit? – **The BWC will look into the possibility. The benefits are currently determined by comparing the DWRF qualifying benefit amount to the amount that the injured worker is receiving under their current PTD benefits. The DWRF qualifying benefit amount is reviewed and adjusted annually by the BWC based upon the U.S. Department of Labor's Consumer Price Index.**
3. Marine Industry Fund: Since there are other providers available, how do our rates compare to theirs? **We have attempted to get rates from potential providers in Ohio (AIG, Hartford and Liberty Mutual) and they have indicated that they do not offer Marine insurance in Ohio. We have also attempted to see what the surrounding state workers' compensation funds rates are and have been unsuccessful to date.**
4. Criteria for group experience rating: How is a lapse day defined? – **Lapses occur when an employer fails to make the premium payment timely. The BWC lapses employers on March 1st and October 1st. The days begin counting on that day until the day that the BWC receives the payment.**
5. Quarterly Reserve Updates: We should make the full report available electronically to any committee members who would like to determine the derivation. **We will look into getting this.**
6. Public Employer Taxing District: What was the methodology to get to partial credibility? **I understand that the question is about how we are changing the credibility table year after year and the underlying methodology used to arrive at the new amounts for risks that are not fully credible. The new table was derived from the split plan credibility table(s) developed last year using BWC experience. The primary and excess split**

plan credibility amounts were weighted to create one equivalent credibility value for each of the 20 BWC credibility levels. The BWC has incrementally moved the current 20 credibility values closer to the split plan table as we get closer to adopting a split plan format in 2011. With each phase of the credibility table changes we are moving the BWC table closer to the anticipated split plan values.

7. Calendar: 7/30/2009: #1 should be as of 6-30-09. #4 should be PA credibility tables for 2010 - corrected

LIKELY QUESTIONS AT BWC ACTUARIAL COMMITTEE ON JUNE 18, 2009

Submitted via email from Chairman Bryan on Monday, June 15, 2009

Admin Cost Fund

1. Why is the ACF for self insured employers so high- is it the fact that we charge only on paid compensation or do we render additional services for that category? **As with all ACF rates, the self insured rate is a reflection of services provided to that employer group. The paid compensation basis does make the assessment appear high.**
2. Can we get a copy of the "Annual administrative cost allocation study" in electronic format? **Yes, Tracy will follow up with the report to the members with some explanation.**

SI Assessments

3. Why do we charge new self insureds 6% for the first three years instead of using the calculated assessment? **It is required as stated in OAC 4123-19-15 (C)(1), "New self-insuring employers, for each of the first three years of self-insurance, shall be assessed six per cent of base rate premium as reported on the total of the last two full six-month semi-annual payroll reports submitted as a subscriber to the state insurance fund." This rule was originally adopted on May 15, 1995. The 6% stems back to a September 1988 Industrial Commission resolution.**
4. How have we considered the potential effect of the bankruptcies of GM and Chrysler? **The Self-Insured Department along with the Actuarial Division has reviewed the liabilities and the securities of both General Motors and Chrysler and other SI employers that are major automotive suppliers.**
5. Are assessments really at \$.32 per dollar of paid compensation- that seems high? **Yes**

Public Employer Taxing Districts Credibility Table

6. How do we calculate partial credibility and why?
The new table was derived from the split plan credibility table(s) developed last year using BWC experience. The primary and excess split plan credibility amounts were weighted to create one equivalent credibility value for each of the 20 BWC credibility levels. The BWC has incrementally moved the current 20 credibility values closer to the split plan table as we get closer to adopting a split plan format in 2011. With each phase of the credibility table changes we are moving the BWC table closer to the anticipated split plan values.

Deductible Plan

7. Will widespread use have an effect on the ACF (because it reduces the premium)- have we considered that in the determination of the assessment rate? Are we OK with charging the same rate for the ACF for people getting deductible credits as for those not getting deductible credits? **Administrative Cost is being calculated before the deductible discount will be given, therefore there is no effect on administrative cost collections. We believe this to be appropriate given the fact that our administrative burden and loss adjustment expense will not decrease.**
8. Why are we using payroll from rating year beginning two years prior in determining hazard group? **We have to use this payroll because the payroll from the previous rating year is not available at the time employers are determining their hazard group to apply. Example: Employers wishing to apply for the 2009 PA rating year have an application deadline of May 31, 2009. Payroll for the 2nd half of rating year 2008 (which is January 2009 to June 2009) is not due until August 2008 so it is not possible to use it. Payroll from rating year 7-1-2007 through 6-30-2008 is the most recent full rating year. Operations should not fundamentally change hazard groups based on payroll and experience premium since these usually follow a consistent pattern.**

Retro Plan

9. If a company wants its money back, will there be an appeal process or some way to get it back in the first and second years? **If I understand the question correctly, it isIf BWC or the sponsor chooses to withhold a portion of the refund or assessment, will a company have any appeal rights? As long as BWC manages the refund or assessment, employers will have appeal rights to the adjudication department.**

Email Question from Jim Matesich

Is it possible in our analysis of the SIEGF to be provided other information?

Particularly, since the rule relates to a minimum balance in the fund as it relates to previous year's annual claims disbursements, would it be possible to see historical snapshot of last 5 - 10 years of fund balance, last 5 - 10 years of annual claims disbursements, their relationship and any actuarial explanation relative to why the fund balance exists at whatever level is identified?

I have attached a portion of the financial statement that shows the annual claims disbursements and fund balances. The requirement for maintaining a fund balance of 1.25 times the prior year's disbursements comes from OAC 4123-19-15, which I have attached and highlighted in yellow. This rule was originally adopted on May 15, 1995. At that time, the balance requirement was set at 2 times the prior year's disbursements. I believe it was changed to 1.25 times on August 17, 2004 and has remained the same to date.

When we are performing the assessment calculations, we have to project the ending balance for the period in which the assessment are being collected. For example, the assessments that we are bringing to the committee tomorrow effective 7-1-2009 will actually be assessed to SI employers in February and August of 2010 using paid compensation for calendar year 2009. It is the balance ending 12-31-2010 that we are projecting to maintain at 1.25 times the payments during calendar year 2009.

The analysis is not based upon any actuarial methodology for pay-as-you-go. Instead, we rely on statute, rules, trending of the claim payments, other disbursements, bankruptcy trends, and GOOD actuarial judgment in setting the rates.

4123-19-15 (B) The bureau shall maintain a minimum balance of funds in the self-insuring employers' guaranty fund of one and a quarter times the prior year's payments from the fund as determined at the end of each calendar year to ensure sufficient monies to guarantee the payment of any claims against the fund.

OHIO BUREAU OF WORKERS' COMPENSATION
 SELF INSURING EMPLOYERS' GUARANTY FUND (FORMERLY SURETY BOND FUND)
 CASH BASIS FINANCIAL STATEMENTS
 FOR THE 12 MOS ENDED DECEMBER 31 2008

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Disbursements:											
Surety Losses	4,066,601	1,742,639	3,548,229	2,779,046	10,143,218	17,295,253	17,982,107	18,021,985	18,289,499	17,547,887	16,972,818
MCO Fees Paid										6,187,535	1,074,199
Interest Expense						15,122	75,838	29,788	0		4,485
Prior Period Disbursements					5,777,771						
DWRF Losses	<u>2,980,791</u>	<u>2,849,391</u>	<u>2,977,247</u>	<u>2,710,518</u>	<u>3,544,209</u>	<u>2,932,513</u>	<u>3,128,710</u>	<u>2,819,924</u>	<u>3,039,789</u>	<u>3,033,293</u>	<u>3,282,649</u>
Total Disbursements	<u>7,047,392</u>	<u>4,592,030</u>	<u>6,525,476</u>	<u>5,489,564</u>	<u>19,465,198</u>	<u>20,242,888</u>	<u>21,186,655</u>	<u>20,871,697</u>	<u>21,329,288</u>	<u>26,768,715</u>	<u>21,334,151</u>
Net Receipts Over (Under)											
Disbursements	823,796	4,322,316	(1,272,837)	637,736	(13,193,356)	(15,726,466)	3,129,204	22,003,536	22,763,512	12,960,481	674,016
Beginning Net Asset Balance	<u>16,082,650</u>	<u>16,906,446</u>	<u>21,228,762</u>	<u>19,955,925</u>	<u>20,593,661</u>	<u>7,400,305</u>	<u>(8,326,161)</u>	<u>(5,196,957)</u>	<u>16,806,579</u>	<u>39,570,091</u>	<u>52,530,572</u>
Ending Net Asset Balance	<u>16,906,446</u>	<u>21,228,762</u>	<u>19,955,925</u>	<u>20,593,661</u>	<u>7,400,305</u>	<u>(8,326,161)</u>	<u>(5,196,957)</u>	<u>16,806,579</u>	<u>39,570,091</u>	<u>52,530,572</u>	<u>53,204,588</u>

12 - Month Actuarial Committee Calendar

Date	June 2009	Notes
6/18/2009	1. PEC Credibility Table Rule 4123-17-33.1 - 2nd reading	
	2. PEC Capping recommendation (possible)- 2 nd reading possible vote	
	3. Administrative Cost Fund - Rule 4123-17-36 - possible vote	
	4. RFP recommended Actuarial Consultant presentation	
	5. PA Credibility table - Rule 4123-17-05.1 - 1 st reading	
	6. PEC Group Break Even factor - possible vote	
	7. Self-Insured Assessments - Rule 4123-17-32 - 2nd reading	
	8. Recommendation of actuarial consultant	
	9. PEC Deductible program rules - 1 st reading	
	10. Actuarial Audit update as of 6-30-2009	
Date	July 2009	Notes
7/30/2009	1. Reserve Audit as of 6-30-2009	
	2. Update on Comprehensive Rate Reform	
	3. Deloitte Recommendations presentation	
	4. PA credibility table effective 7-1-2010 - Rule 4123-17-05.1 - second reading - possible vote	
	5. PEC Deductible program rules - 2 nd reading	
	6. Introduction of Actuarial Consultant	
Date	August 2009	Notes
8/27/2009	1. Reserve Audit update	
	2. MIRA 2 - update	
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	
	5. Comprehensive rate reform rules presentation - 1 st	
Date	October 2009	Notes
10/29/2009	1. Charter changes	
	2. Projected Reserves as of 6/30	
	3. Split plan - 1 st reading	
	4. PEC rate indication	
	5. Group Retrospective Rating update	
	6. Drug Free Work Place and Premium Discount Program updates	
	7. Comprehensive Rate reform rules presentation - 2 nd possible vote	
Date	November 2009	Notes
11/19/2009	1. Split plan - 2 nd reading	

12 - Month Actuarial Committee Calendar

	2. PEC Base Rates and Expected loss rates	
Date	December 2009	Notes
Date	January 2010	Notes
Date	February 2010	Notes
Date	March 2010	Notes
Date	April 2010	Notes
Date	May 2010	Notes
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