

Actuarial Committee Agenda

Thursday, July 30, 2009

William Green Building

Level 2, Room 3

12:30 pm – 2:30 pm

Call to Order

Chuck Bryan, Committee Chair

Roll Call

Larry Rhodebeck, Scribe

Approve Minutes of June 18, 2009 meeting

Chuck Bryan, Committee Chair

Review and approve Agenda

Chuck Bryan, Committee Chair

Executive Session

Litigation update – if necessary

Action Items

1. PA Credibility Table for July 1, 2010 – Rule 4123.17.05.1, first reading
John Pedrick, Chief Actuarial Officer
2. Sponsorship Marketing - Rule 4123-17-61.1, second reading, possible vote
Tina Kielmeyer, Chief of Customer Services

Discussion Items

1. 6/30/2009 Reserves
Jeff Scott, FCAS, Principle, Oliver Wyman
John Pedrick, Chief Actuarial Officer
Zia Rehman, Director of Actuarial Analysis
2. Update on Comprehensive Rate Reform
John Pedrick, Chief Actuarial Officer
PEC Application for Group Experience Rating –
Rule 4123-17-62
Mary Yorde, Employer Programs Unit Supervisor
3. H.B. 100 Comprehensive Study/Deloitte Recommendations
Jim Fograscher, Project Manager

4. Introduction of Actuarial Consultant - Deloitte Consulting LLP
 - Jan Lommele, Principal and Chief Property & Casualty Actuary
 - Bob Miccolis, Director
 - Dave Heppen, Senior Manager
 - Bill Van Dyke, Senior Manager
 - Dick Messick, Specialist Leader
5. CAO report
 - John Pedrick, Chief Actuarial Officer
6. Committee Calendar

Adjourn

Chuck Bryan, Committee Chair

Next Meeting: Thursday, August 27, 2009

*Not all agenda items have material

** Agenda subject to change

7/20/2009 8:32:17 AM

Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-05.1

Rule Review

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

Citation: O.R.C. 4123.29, 4123.34

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

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

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

4. The rule is effective, consistent and efficient.

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

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

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

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

Explain: Third party administrators; employer trade associations.

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

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

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

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

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

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

EXECUTIVE SUMMARY

RATE RECOMMENDATIONS

PRIVATE EMPLOYERS

7/1/2010

Rule 4123-17-05.1 Private employers credibility table used for experience rating

At the June 2008 Workers' Compensation Board of Directors meeting, the board recommended a plan whereby the maximum credibility for Private Employers for the 7-1-2009 rating year would be 77% and the maximum credibility for Private Employers for the 7-1-2010 rating year would be 65%. The recommendation of the administrator is to continue the plan and adopt the 65% maximum credibility table for Private Employer rates for the rating year beginning 7-1-2010. Approving this at this time will allow group administrators enough time to select their groups.

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

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

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

Effective: 07/01/2010

Certification

Date

Promulgated Under: 111.15

Statutory Authority: 4121.12, 4121.121

Rule Amplifies: 4123.39, 4123.40

Prior Effective Dates: 7/1/90, 7/1/91, 7/1/92, 7/1/93, 7/1/94, 7/1/95, 7/1/96,
7/1/97, 7/1/98, 7/1/99, 7/1/00, 7/1/01, 7/1/02, 7/1/03, 7/1/04, 7/1/05, 7/1/06, 7/1/07,
7/1/08, 7/1/09

TABLE 1

PART A

Credibility and Maximum Value of a Loss

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

Catastrophe value equals \$250,000

*Expected losses are lower limits of credibility groups

Revised 6-4-2009

I:\Actuarial_Confidential\Rate Data\PA - Private Employer\2010\Rules and Charts\4123-17-05.1 appendix A.xls

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.

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.

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) Group marketing.

(1) A sponsoring association, affiliate, or representative, including, but not limited to, a third-party administrator, broker, or marketer may not provide marketing material that is either false or unattainable to an employer relating to the process of forming groups under either the group-experience rating plan or group-retrospective rating plan for the July 1, 2010 policy year. Prohibited marketing material under this rule is any communication that:

(a) Instructs prospective participants to provide false information on forms used for purposes of group formation, including the AC-3, the AC-26, and the U-153.

(b) Claims the sponsoring association, affiliate, or representative is endorsed by the bureau or the state of Ohio.

(c) Offers or estimates specific discounts or refunds that are unattainable to prospective participants in either group-experience rating or group-retrospective rating.

(i) For group-experience rating, “unattainable” is defined as exceeding the maximum discount established by the credibility table as approved by the bureau of workers’ compensation board of directors.

(ii) For group-retrospective rating, “unattainable” is defined as quoting a specific refund amount that exceeds the maximum possible refund when considering the basic premium factor for the maximum premium ratio selected as approved by the bureau of workers’ compensation board of directors.

(2) The bureau may apply the following sanctions upon its determination of a violation of this rule:

(a) For a violation of paragraph (K)(1)(c) of this rule the bureau may place that group sponsor at capacity for the 2010 policy year.

(i) For sponsors that filed group rosters with the bureau for the July 1, 2009, policy year, “capacity” is defined as prohibiting a sponsor association from exceeding the total number of employers in their 2009 groups, adding new employers for groups they may form in 2010, and affiliating with any other group sponsors for the 2010 policy year.

(ii) For sponsors that have not filed group rosters with the bureau for the July 1, 2009, policy year, “capacity” means they will not be able to form groups and cannot affiliate with other group sponsors for the 2010 policy year.

(b) For a violation of paragraph (K)(1)(a) or (K)(1)(b) of this rule, along with any action that results in knowingly falsifying information on forms submitted to the bureau, the bureau shall immediately revoke the sponsor’s certification for the 2010 policy year.

(3) The bureau will provide the bureau of workers’ compensation board of directors a report by no later than the April board meeting regarding sanctions and corrective actions taken by the bureau with respect to this rule.

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

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 having some control over marketing.	This portion of rule will not be changed.
2	4123.17-61.1 (K) (2)	"...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.	BWC changed the penalty to reflect that sponsors who market discounts prior to the board approving the credibility table will be placed at capacity.	This portion of the rule was changed.
3	4123.17-61.1 (K)	BWC should be more specific as to what it considers "unattainable."	Several organizations expressed concern that they'd be in violation of this rule if they quoted a discount within the approved range permitted by the credibility table that didn't materialize.	BWC agrees with this concern and specified that marketing violations include offering discounts and refunds that exceed board-approved parameters.	This portion of the rule was changed.

4	4123.17-61.1 (K) (1) (a)	The initial draft of the rule did not list the U-153 form, which employers must sign to affirm their relationship with a sponsor in order to participate in group-retrospective rating.	BWC could not hold a sponsor and/or employer accountable for falsifying this document.	BWC agrees with this position.	This portion of the rule was changed.
5	4123-17-61.1 (K) (a) (i)-(ii)	From a couple sponsoring associations: "There should be only one definition of capacity."	Having multiple definitions creates additional complexity	Currently, sponsors fall into two groups. They either sponsor a group and submit a roster to us each year, which has all employers in their groups. Otherwise, they affiliate with a primary sponsor and provide their members to that group. In the first situation, we can clearly put a sponsor at capacity because we know who was in their group the prior year. However, sponsors who act as affiliates for groups filed as of 4/09 do not have a roster on file. Therefore, since we have no official record of employers belonging to them, we had to create two separate definitions.	This portion of the rule was not changed.

6	4123-17-61.1 (K) (3)	BWC should report on all violations and how they were resolved.	If there's going to be a process where sponsoring associations can be placed at capacity, BWC should explain their rationale and the corresponding action taken to the board so that the manner is disclosed adequately in public.	BWC agrees this should provision should be added.	This was added to the rule.
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Ohio Bureau of Workers' Compensation

Process for Setting the Financial Statement Liabilities

For Compensation and Compensation Adjustment Expense Reserves

Annual Reserve Audit Steps	Time Frame
1. Annual Reserve Audit – This is the full annual analysis of all claim reserves for all funds, using data through March 31, projected to June 30.	April - May
2. Audit is reviewed for completeness, accuracy, and implications to BWC's financial statement by Actuarial and Fiscal & Planning.	June
3. Review and discussion with the Actuarial Committee and the Board of Directors	June – August
4. Fiscal & Planning records adjustments to include results of annual reserve audit in pre-audit year end close.	June 30
5. Fourth Quarter Roll-Forward – This is a draft of the audit using data through June 30 that will be used in our financial statement. The draft is reviewed for completeness, accuracy, and the implications to BWC's financial statement by Actuarial and Fiscal & Planning.	August 7
6. Actuarial Opinion and Final Reserve Audit	August 20
7. Memo from Chief Actuarial Officer to Administrator and Chief of Fiscal and Planning – Recommendation of amounts for liabilities for claim and claim adjustment expense for all funds, based on reserve audit and actuarial opinion.	August 27
8. Completion of Draft Financial Statement – Chief of Fiscal and Planning finalizes the financial statements, footnotes and MD&A, and forwards to Independent Auditor.	August 31
9. Independent Auditor Report Filed with the Auditor of State	September 30
10. Deadline for board to submit actuarial reserve audit to the standing committees of the House and Senate and the Workers Compensation Council.	November 1
Quarterly Reserve Activity	
1. Changes to Assumptions and Methods – Changes that could have significant impact on the next year's reserve audit are discussed with staff and the Board of Directors and scheduled for implementation.	October – November
2. Quarterly Reserve Updates for 1 st and 2 nd Quarters – Results submitted by consultant for staff and Board review and discussion. There are only two quarterly updates since the 3 rd and 4 th quarters are part of the annual reserve audit process.	October – November, January – February

**Reserve Reconciliation 06/30/2008 - 03/30/2009
Income Statement and Balance Sheet Impact (\$000)**

STATE INSURANCE FUND EXCLUDING HPP AND SI PRIOR TO 1987	AY 1978 & Prior	AY 1979 - 2008 Q2	Total
RESERVES			
Reserve Evaluated at 06/30/2008	467,038	14,371,139	14,838,176
IBNR Release + Investment Income :	-54,985	-909,680	-964,665
- Expected Investment Income	23,352	718,557	741,909
- IBNR Release	-78,337	-1,628,237	-1,706,573
Impact of Trend Change	-22,505	-1,179,100	-1,201,605
Impact of Interest Rate Change	7,648	594,282	601,929
AY July 2008 To June 2009 Reserve	NA	NA	1,400,207
Reserve Evaluated at March, 31, 2009	397,196	12,876,640	14,674,043
INCOME STATEMENT IMPACT			
Prior AY	-12,279	-688,443	-700,721
- Favorable Paid Emergence	2,578	-103,624	-101,046
- Medical Inflation Adjustment + Interest Rate Change	-14,857	-584,818	-599,676
Fiscal AY June 30, 2008, to June 30, 2009, Impact (Selected IBNR Minus Expected)	NA	NA	435,543
TOTAL INCOME IMPACT	-12,279	-688,443	-265,179
BALANCE SHEET IMPACT (Reserve Change)	-69,842	-1,494,498	-164,133

PRIVATE EMPLOYERS (PA)	AY 1978 & Prior	AY 1979 - 2008 Q2	Total
RESERVES			
Reserve Evaluated at 06/30/2008	395,650	11,522,773	11,918,424
IBNR Release + Investment Income :	-43,909	-542,049	-585,957
- Expected Investment Income	19,783	576,139	595,921
- IBNR Release	-63,691	-1,118,187	-1,181,878
Impact of Trend Change	-20,449	-897,109	-917,557
Impact of Interest Rate Change	6,670	481,619	488,289
AY July 2008 To June 2009 Reserve	NA	NA	1,103,671
Reserve Evaluated at March, 31, 2009	337,963	10,565,235	12,006,869
INCOME STATEMENT IMPACT			
Prior AY	-11,797	-502,947	-514,744
- Favorable Paid Emergence	1,982	-87,457	-85,475
- Medical Inflation Adjustment + Interest Rate Change	-13,778	-415,490	-429,268
Fiscal AY June 30, 2008, to June 30, 2009, Impact (Selected IBNR Minus Expected)	NA	NA	517,714
TOTAL INCOME IMPACT	-11,797	-502,947	2,970
BALANCE SHEET IMPACT (Reserve Change)	-57,687	-957,539	88,446

PUBLIC EMPLOYER TAXING DISTRICT (PEC)	AY 1978 & Prior	AY 1979 - 2008 Q2	Total
RESERVES			
Reserve Evaluated at 06/30/2008	61,629	2,143,127	2,204,756
IBNR Release + Investment Income :	-9,200	-298,848	-308,048
- Expected Investment Income	3,081	107,156	110,238
- IBNR Release	-12,282	-406,004	-418,286
Impact of Trend Change	-2,315	-167,682	-169,997
Impact of Interest Rate Change	821	83,156	83,976
AY July 2008 To June 2009 Reserve	NA	NA	217,996
Reserve Evaluated at March, 31, 2009	50,934	1,759,753	2,028,683
INCOME STATEMENT IMPACT			
Prior AY	-1,015	-94,890	-95,905
- Favorable Paid Emergence	480	-10,363	-9,883
- Medical Inflation Adjustment + Interest Rate Change	-1,495	-84,527	-86,021
Fiscal AY June 30, 2008, to June 30, 2009, Impact (Selected IBNR Minus Expected)	NA	NA	-90,051
TOTAL INCOME IMPACT	-1,015	-94,890	-185,956
BALANCE SHEET IMPACT (Reserve Change)	-10,695	-383,374	-176,073

PUBLIC EMPLOYER STATE AGENCY (PES)	AY 1978 & Prior	AY 1979 - 2008 Q2	Total
RESERVES			
Reserve Evaluated at 06/30/2008	9,759	705,238	714,997
IBNR Release + Investment Income :	-1,876	-68,784	-70,660
- Expected Investment Income	488	35,262	35,750
- IBNR Release	-2,364	-104,046	-106,409
Impact of Trend Change	259	-114,309	-114,050
Impact of Interest Rate Change	157	29,508	29,664
AY July 2008 To June 2009 Reserve	NA	NA	78,540
Reserve Evaluated at March, 31, 2009	8,299	551,653	638,491
INCOME STATEMENT IMPACT			
Prior AY	533	-90,606	-90,073
- Favorable Paid Emergence	117	-5,804	-5,687
- Medical Inflation Adjustment + Interest Rate Change	416	-84,802	-84,386
Fiscal AY June 30, 2008, to June 30, 2009, Impact (Selected IBNR Minus Expected)	NA	NA	7,880
TOTAL INCOME IMPACT	533	-90,606	-82,193
BALANCE SHEET IMPACT (Reserve Change)	-1,460	-153,586	-76,506

PRIVATE EMPLOYERS

Accident Year	Reserve 6/30/2008	Trend Impact	Interest Rate Impact	Total Impact	IBNR Release Investment Inc	Investment Income	IBNR Release
Prior	395,650	(20,449)	6,670	(13,778)	(43,909)	19,783	(63,691)
1979	81,784	(2,342)	2,341	(1)	(5,080)	4,089	(9,169)
1980	82,301	(1,405)	2,439	1,034	(5,103)	4,115	(9,218)
1981	87,109	507	2,696	3,203	(4,987)	4,355	(9,342)
1982	94,168	(3,861)	2,797	(1,064)	(5,692)	4,708	(10,400)
1983	108,361	(6,050)	3,422	(2,628)	(5,180)	5,418	(10,598)
1984	136,124	(4,640)	4,519	(121)	(6,898)	6,806	(13,704)
1985	185,375	(8,335)	6,448	(1,887)	(8,069)	9,269	(17,338)
1986	177,492	(8,901)	6,111	(2,790)	(7,394)	8,875	(16,269)
1987	193,309	(7,076)	6,870	(206)	(8,097)	9,665	(17,762)
1988	222,107	(10,436)	8,052	(2,384)	(8,963)	11,105	(20,068)
1989	236,521	(6,671)	8,958	2,286	(8,020)	11,826	(19,846)
1990	257,565	(12,536)	9,781	(2,755)	(8,482)	12,878	(21,360)
1991	248,582	(11,833)	9,784	(2,049)	(7,631)	12,429	(20,060)
1992	267,422	(11,504)	10,886	(618)	(7,301)	13,371	(20,673)
1993	248,080	(8,856)	10,291	1,435	(5,645)	12,404	(18,049)
1994	281,429	(1,679)	12,703	11,025	(6,214)	14,071	(20,285)
1995	294,014	(16,489)	12,606	(3,883)	(8,255)	14,701	(22,956)
1996	302,628	(7,574)	13,696	6,121	(7,803)	15,131	(22,934)
1997	349,015	(18,216)	15,766	(2,449)	(10,511)	17,451	(27,962)
1998	428,728	(25,716)	19,804	(5,912)	(13,889)	21,436	(35,325)
1999	481,795	(33,403)	21,741	(11,662)	(18,239)	24,090	(42,329)
2000	574,037	(46,603)	25,914	(20,688)	(24,225)	28,702	(52,927)
2001	587,018	(40,490)	26,787	(13,703)	(27,667)	29,351	(57,018)
2002	684,791	(50,386)	31,153	(19,234)	(36,349)	34,240	(70,588)
2003	728,468	(62,420)	32,166	(30,253)	(43,268)	36,423	(79,691)
2004	803,374	(65,855)	36,228	(29,627)	(41,878)	40,169	(82,047)
2005	854,092	(80,152)	36,914	(43,238)	(50,086)	42,705	(92,791)
2006	898,321	(78,376)	37,615	(40,761)	(71,321)	44,916	(116,237)
2007	1,009,069	(84,663)	41,068	(43,595)	(92,047)	50,453	(142,501)
2008	619,695	(181,147)	22,062	(159,086)	12,244	30,985	(18,741)
Total	11,918,424	-917,557	488,289	-429,268	-585,957	595,921	-1,181,878

PUBLIC EMPLOYER TAXING DISTRICT

Accident Year	Reserve 6/30/2008	Trend Impact	Interest Rate Impact	Total Impact	IBNR Release Investment Inc	Investment Income	IBNR Release
Prior	61,629	(2,315)	821	(1,495)	(9,200)	3,081	(12,282)
1979	12,915	(799)	353	(446)	(1,503)	646	(2,148)
1980	13,861	297	424	721	(1,495)	693	(2,188)
1981	16,140	757	523	1,280	(1,569)	807	(2,377)
1982	19,118	73	608	681	(2,058)	956	(3,014)
1983	21,320	139	702	841	(2,174)	1,066	(3,240)
1984	23,805	(576)	756	180	(2,414)	1,190	(3,604)
1985	27,567	(1,571)	841	(730)	(2,980)	1,378	(4,358)
1986	27,748	617	995	1,612	(2,497)	1,387	(3,884)
1987	25,937	(812)	862	50	(2,792)	1,297	(4,089)
1988	30,137	(271)	1,046	775	(3,563)	1,507	(5,070)
1989	39,062	(641)	1,408	767	(4,173)	1,953	(6,126)
1990	40,053	(2,795)	1,446	(1,349)	(3,972)	2,003	(5,975)
1991	44,033	(3,680)	1,657	(2,023)	(3,616)	2,202	(5,818)
1992	37,399	1,049	1,450	2,498	(4,267)	1,870	(6,137)
1993	39,666	(838)	1,549	710	(4,617)	1,983	(6,601)
1994	51,120	(1,094)	2,098	1,004	(5,532)	2,556	(8,088)
1995	43,483	(2,398)	1,673	(724)	(5,181)	2,174	(7,355)
1996	44,045	(4,523)	1,581	(2,942)	(5,605)	2,202	(7,807)
1997	58,340	(2,094)	2,385	290	(7,602)	2,917	(10,519)
1998	69,424	(986)	2,915	1,929	(9,310)	3,471	(12,782)
1999	105,604	(9,411)	4,566	(4,845)	(11,821)	5,280	(17,101)
2000	109,873	(9,854)	4,502	(5,352)	(14,471)	5,494	(19,965)
2001	94,012	22	4,179	4,201	(14,683)	4,701	(19,383)
2002	136,378	(11,794)	5,436	(6,358)	(22,559)	6,819	(29,377)
2003	142,882	(6,289)	6,022	(267)	(23,452)	7,144	(30,596)
2004	162,839	(12,000)	6,465	(5,534)	(28,822)	8,142	(36,964)
2005	172,627	(12,400)	6,992	(5,408)	(30,495)	8,631	(39,126)
2006	179,997	(21,959)	6,865	(15,094)	(29,603)	9,000	(38,603)
2007	220,449	(22,243)	8,163	(14,079)	(41,615)	11,022	(52,638)
2008	133,291	(41,609)	4,695	(36,914)	(4,404)	6,665	(11,069)
Total	2,204,756	-169,997	83,976	-86,021	-308,048	110,238	-418,286

PUBLIC EMPLOYER STATE AGENCIES

Accident Year	Reserve 6/30/2008	Trend Impact	Interest Rate Impact	Total Impact	IBNR Release Investment Inc	Investment Income	IBNR Release
Prior	9,759	259	157	416	(1,876)	488	(2,364)
1979	2,711	(431)	67	(364)	(279)	136	(415)
1980	4,024	(1,924)	52	(1,872)	(552)	201	(753)
1981	2,706	(115)	73	(42)	(299)	135	(435)
1982	4,037	(377)	118	(259)	(368)	202	(570)
1983	3,640	30	124	154	(307)	182	(489)
1984	4,006	(288)	127	(162)	(338)	200	(538)
1985	2,968	(228)	87	(141)	(309)	148	(458)
1986	5,834	(168)	207	39	(436)	292	(727)
1987	5,919	(785)	188	(597)	(521)	296	(817)
1988	11,839	(3,217)	306	(2,911)	(1,424)	592	(2,016)
1989	11,104	(787)	423	(364)	(908)	555	(1,463)
1990	13,099	(1,396)	463	(932)	(1,287)	655	(1,942)
1991	8,810	(513)	339	(174)	(774)	441	(1,214)
1992	10,536	(1,285)	379	(905)	(947)	527	(1,474)
1993	12,612	(1,199)	510	(689)	(936)	631	(1,566)
1994	16,743	(3,378)	629	(2,749)	(1,392)	837	(2,229)
1995	20,177	(4,698)	793	(3,906)	(1,050)	1,009	(2,059)
1996	15,906	(909)	690	(220)	(1,629)	795	(2,424)
1997	23,055	(5,245)	865	(4,380)	(2,105)	1,153	(3,257)
1998	20,444	(1,509)	953	(557)	(1,652)	1,022	(2,674)
1999	24,229	(3,903)	1,003	(2,900)	(2,523)	1,211	(3,734)
2000	30,968	(3,732)	1,303	(2,429)	(3,425)	1,548	(4,973)
2001	41,151	(5,827)	1,870	(3,957)	(4,240)	2,058	(6,298)
2002	45,327	(7,920)	2,053	(5,867)	(4,469)	2,266	(6,736)
2003	53,648	(9,194)	2,237	(6,957)	(6,537)	2,682	(9,219)
2004	54,131	(5,893)	2,528	(3,365)	(6,124)	2,707	(8,831)
2005	60,047	(8,625)	2,660	(5,965)	(6,787)	3,002	(9,789)
2006	69,233	(10,360)	3,106	(7,253)	(9,086)	3,462	(12,547)
2007	79,256	(11,164)	3,477	(7,686)	(10,701)	3,963	(14,664)
2008	47,075	(19,269)	1,877	(17,391)	2,620	2,354	266
Total	714,997	-114,050	29,664	-84,386	-70,660	35,750	-106,409

ALL EMPLOYERS

Accident Year	Reserve 6/30/2008	Trend Impact	Interest Rate Impact	Total Impact	IBNR Release Investment Inc	Investment Income	IBNR Release
Prior	467,038	(22,505)	7,648	(14,857)	(54,985)	23,352	(78,337)
1979	97,410	(3,572)	2,761	(811)	(6,861)	4,870	(11,732)
1980	100,186	(3,033)	2,916	(117)	(7,150)	5,009	(12,159)
1981	105,956	1,150	3,292	4,442	(6,856)	5,298	(12,153)
1982	117,323	(4,164)	3,522	(642)	(8,118)	5,866	(13,984)
1983	133,322	(5,881)	4,248	(1,633)	(7,662)	6,666	(14,328)
1984	163,935	(5,505)	5,401	(103)	(9,649)	8,197	(17,846)
1985	215,910	(10,134)	7,376	(2,758)	(11,358)	10,795	(22,153)
1986	211,074	(8,452)	7,313	(1,139)	(10,327)	10,554	(20,880)
1987	225,165	(8,674)	7,920	(754)	(11,411)	11,258	(22,669)
1988	264,083	(13,924)	9,404	(4,520)	(13,951)	13,204	(27,155)
1989	286,686	(8,099)	10,788	2,689	(13,101)	14,334	(27,435)
1990	310,718	(16,727)	11,690	(5,037)	(13,740)	15,536	(29,276)
1991	301,426	(16,026)	11,780	(4,246)	(12,021)	15,071	(27,092)
1992	315,357	(11,740)	12,715	975	(12,516)	15,768	(28,284)
1993	300,358	(10,894)	12,350	1,457	(11,198)	15,018	(26,216)
1994	349,292	(6,150)	15,430	9,279	(13,138)	17,465	(30,602)
1995	357,674	(23,585)	15,072	(8,514)	(14,486)	17,884	(32,370)
1996	362,579	(13,007)	15,967	2,959	(15,037)	18,129	(33,166)
1997	430,410	(25,555)	19,016	(6,539)	(20,218)	21,521	(41,739)
1998	518,596	(28,211)	23,672	(4,539)	(24,851)	25,930	(50,781)
1999	611,628	(46,716)	27,309	(19,407)	(32,583)	30,581	(63,164)
2000	714,878	(60,189)	31,719	(28,469)	(42,121)	35,744	(77,865)
2001	722,182	(46,295)	32,836	(13,459)	(46,590)	36,109	(82,699)
2002	866,496	(70,101)	38,642	(31,459)	(63,376)	43,325	(106,701)
2003	924,998	(77,902)	40,424	(37,478)	(73,257)	46,250	(119,506)
2004	1,020,345	(83,748)	45,222	(38,526)	(76,824)	51,017	(127,841)
2005	1,086,766	(101,176)	46,566	(54,610)	(87,368)	54,338	(141,706)
2006	1,147,550	(110,695)	47,587	(63,108)	(110,010)	57,378	(167,388)
2007	1,308,774	(118,069)	52,708	(65,361)	(144,364)	65,439	(209,802)
2008	800,062	(242,025)	28,634	(213,391)	10,460	40,003	(29,543)
Total	14,838,176	-1,201,605	601,929	-599,676	-964,665	741,909	-1,706,573

Reserve Reconciliation

June 30, 2008 to June 30, 2009

[Reserve (est. 3/31/2009)]

Income Statement and Balance Sheet Impact (\$000)

Key	Formula	State Insurance Fund excluding HPP and SI prior to 1987	AY 1978 and prior	AY 1979 - 2008 Q2	Total
A		Reserves			
1		Reserve evaluated at June 30, 2008	467,038	14,371,139	14,838,176
2		Reserve release + Investment income	-54,985	-909,680	-964,665
2a		- Expected investment income	23,352	718,557	741,909
2b		- Reserve release	-78,337	-1,628,237	-1,706,573
3		Impact of medical inflation change	-22,505	-1,179,100	-1,201,605
4		Impact of discount rate change	7,648	594,282	601,929
5		AY July 2008 to June 2009 reserve	NA	NA	1,400,207
6		Reserve evaluated at March 31, 2009/for June 30, 2009	<u>397,196</u>	<u>12,876,640</u>	<u>14,674,043</u>
7	A6 - A1	Reserve change	<u>-69,842</u>	<u>-1,494,498</u>	<u>-164,133</u>

Reserve Reconciliation

June 30, 2008 to June 30, 2009

[Reserve (est. 3/31/2009)]

Income Statement and Balance Sheet Impact (\$000)

Key	Formula	Private Employers (PA)	AY 1978 and prior	AY 1979 - 2008 Q2	Total
A		Reserves			
1		Reserve evaluated at June 30, 2008	395,650	11,522,773	11,918,424
2		Reserve release + Investment income	-43,909	-542,049	-585,957
2a		- Expected investment income	19,783	576,139	595,291
2b		- Reserve release	-63,691	-1,118,187	-1,181,878
3		Impact of medical inflation change	-20,449	-897,109	-917,557
4		Impact of discount rate change	6,670	481,619	488,289
5		AY July 2008 to June 2009 reserve	NA	NA	1,103,671
6		Reserve evaluated at March 31, 2009/for June 30, 2009	<u>337,963</u>	<u>10,565,235</u>	<u>12,006,869</u>
7	A6 - A1	Reserve change	<u>-57,687</u>	<u>-957,539</u>	<u>88,446</u>

Reserve Reconciliation

June 30, 2008 to June 30, 2009

[Reserve (est. 3/31/2009)]

Income Statement and Balance Sheet Impact (\$000)

Key	Formula	Private Employer Taxing District (PEC)	AY 1978 and prior	AY 1979 - 2008 Q2	Total
A		Reserves			
1		Reserve evaluated at June 30, 2008	61,629	2,143,127	2,204,756
2		Reserve release + Investment income	-9,200	-298,848	-308,048
2a		- Expected investment income	3,081	107,156	110,238
2b		- Reserve release	-12,282	-406,004	-418,286
3		Impact of medical inflation change	-2,315	-167,682	-169,997
4		Impact of discount rate change	821	83,156	83,976
5		AY July 2008 to June 2009 reserve	NA	NA	217,996
6		Reserve evaluated at March 31, 2009/for June 30, 2009	<u>50,934</u>	<u>1,759,753</u>	<u>2,028,683</u>
7	A6 - A1	Reserve change	<u>-10,695</u>	<u>-383,374</u>	<u>-176,073</u>

Reserve Reconciliation

June 30, 2008 to June 30, 2009

[Reserve (est. 3/31/2009)]

Income Statement and Balance Sheet Impact (\$000)

Key	Formula	Private Employer State Agency (PES)	AY 1978 and prior	AY 1979 - 2008 Q2	Total
A		Reserves			
1		Reserve evaluated June 30, 2008	9,759	705,238	714,997
2		Reserve release + Investment income	-1,876	-68,784	-70,660
2a		- Expected investment income	488	35,262	35,750
2b		- Reserve release	-2,364	-104,046	-106,409
3		Impact of medical inflation change	259	-114,309	-114,050
4		Impact of discount rate change	157	29,508	29,664
5		AY July 2008 to June 2009 reserve	NA	NA	78,540
6		Reserve evaluated March 31, 2009/for June 30, 2009	<u>8,299</u>	<u>551,653</u>	<u>638,491</u>
7	A6 - A1	Reserve change	<u>-1,460</u>	<u>-153,586</u>	<u>-76,506</u>

Actuarial Committee Meeting

Thursday, July 30

Desired outcomes

- Achieve rate equity for all non-group, retro and group PEC entities
- Move toward uniform off-balance factor
- Determine whether group PEC entities are making progress toward paying rates that reflect their risk

PEC rate differential study

Purpose: To examine trends in claims losses among group and non-group employers

- All employers at base rated premium
- Doesn't include impact of experience rating or discounts associated with programs like group rating
- No off-balance factor is included

Rate differentials – non-group employers

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

Policy Year	Base premium	Undeveloped paid losses	Undeveloped incurred losses	Paid Loss Ratio	Incurred Loss Ratio	Paid Relativity	Incurred Relativity
2003	\$74,702,494	\$31,730,477	\$40,715,599	42%	55%	1.25	1.26
2004	\$85,389,670	\$31,575,447	\$43,058,381	37%	50%	1.27	1.35
2005	\$92,123,341	\$27,823,420	\$36,069,271	30%	39%	1.21	1.21
2006	\$71,055,731	\$13,655,595	\$17,660,651	19%	25%	1.01	1.02
2007	\$86,941,376	\$15,375,934	\$22,333,053	18%	26%	1.09	1.14
Total	\$410,212,613	\$120,160,873	\$159,836,956	29%	39%	1.21	1.24

Rate differentials – group employers

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

Policy Year	Base premium	Undeveloped paid losses	Undeveloped incurred losses	Paid Loss Ratio	Incurred Loss Ratio	Paid Relativity	Incurred Relativity
2003	\$144,120,391	\$36,609,629	\$46,459,257	25%	32%	0.75	0.75
2004	\$151,931,547	\$31,471,080	\$41,197,091	21%	27%	0.71	0.72
2005	\$155,933,447	\$26,845,828	\$34,849,920	17%	22%	0.69	0.69
2006	\$159,716,864	\$21,446,917	\$27,779,922	13%	17%	0.71	0.71
2007	\$160,364,516	\$17,995,643	\$23,551,472	11%	15%	0.69	0.65
Total	\$772,066,766	\$134,369,097	\$173,837,661	17%	23%	0.72	0.72

PEC rate differential findings

- Group employers bring costs that are 30 percent better than average using base premium [excludes EM]
- Non-group employers bring costs that are 10 percent higher than average using base premium [excludes EM]
- Overall PEC off-balance for 2009 is 1.09
- Retro program is priced appropriately

Standard off-balance factor

- Move towards uniform off-balance - ideal is 1.00
 - Benefit: Moving towards target off-balance of 1.00 improves equity within each manual classification among those risks that pay into that class

Standard off-balance factor

Industry	Current off-balance	Proposed
1 Counties	1.020	1.00
2 Cities	1.011	1.00
3 Villages	1.693	1.00
4 Townships	1.447	1.00
5 Schools	1.079	1.00
6 Public Works Relief Employees	1.079	1.00
7 Contract Coverage	1.687	1.00
8 Hospitals	1.294	1.00
20 Transit Authorities	0.998	1.00
22 Special Districts Excl. Transit Authorities	1.328	1.00

Preliminary rate change scenario

- Scenario with hypothetical base premium reduction of 10 percent
 - BWC will provide actual rate recommendation to the Actuarial Committee in August

Impact of rate reduction and standard off-balance factor

Segment	Projected Premium	Impact after 77 percent max discount	Impact after standard off-balance factor	Impact after 10% rate decrease	Target Premium
Group	\$99.7M	\$108.4M	\$94.1 M	\$84.6 M	\$103.0 M
Non-group	\$109.2M	\$109.4M	\$100.4M	\$90.4 M	\$89.4 M
Retro	\$89.8 M	\$87.9 M	\$84.7 M	\$76.3 M	\$76.3 M
TOTALS	\$298.7M	\$305.7M	\$278.2 M	\$250.4 M	\$268.6 M

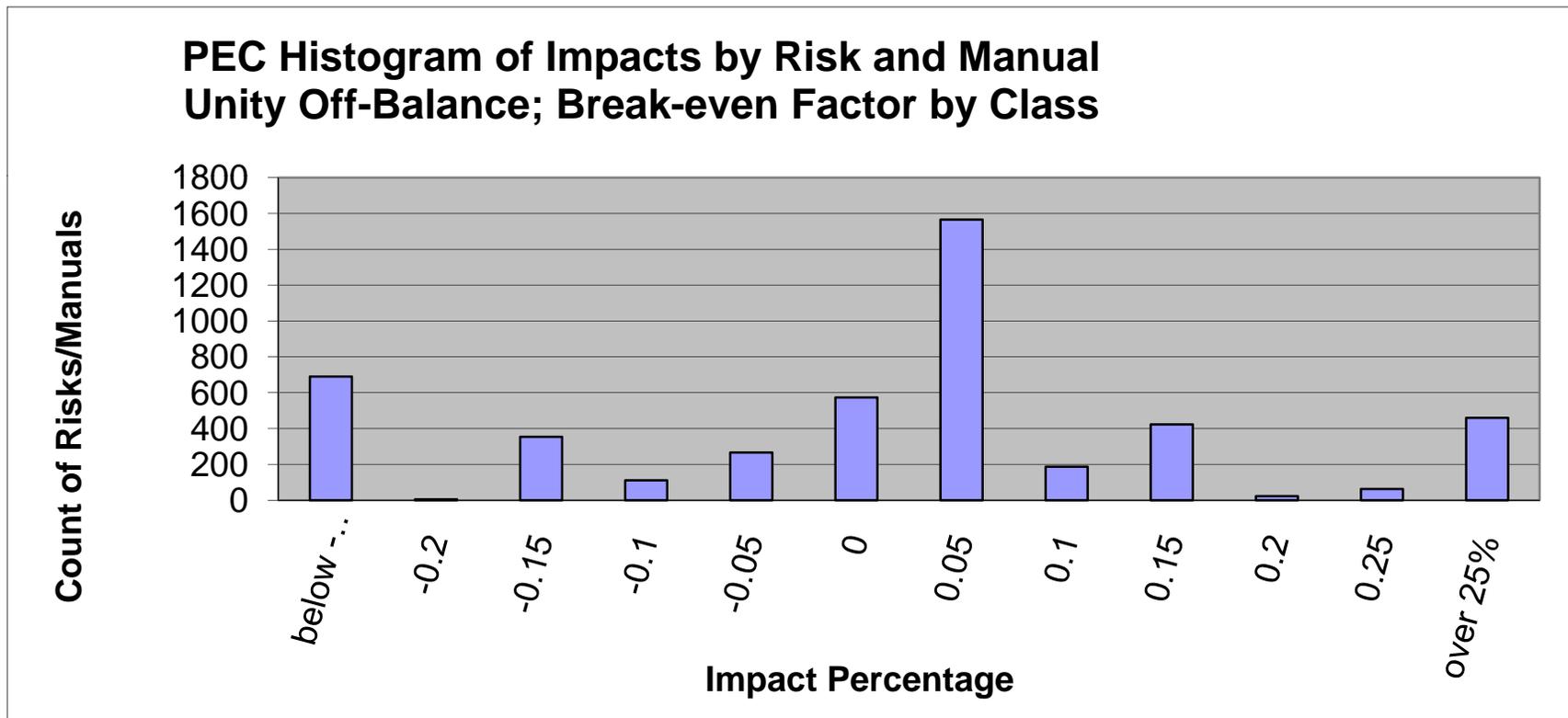
Stratified break-even factor

- Uniquely applied to each manual classification in proportion to the current off-balance factor
- Projected BEF range for 2009: 1.11 – 1.66

Stratified break-even factor

Industry	Current off-balance	Proposed BEF
1 Counties	1.020	1.11
2 Cities	1.011	1.11
3 Villages	1.693	1.66
4 Townships	1.447	1.53
5 Schools	1.079	1.11
6 Public Works Relief Employees	1.079	1.11
7 Contract Coverage	1.687	1.66
8 Hospitals	1.294	1.45
20 Transit Authorities	0.998	1.11
22 Special Districts Excl. Transit Authorities	1.328	1.45

Impact of stratified BEF



Comprehensive results for PEC Book of Business

- BWC provides rates for non-group and retrospective employers that reflect their risk (costs that are 10 percent higher than average)
- BWC implements a standard off-balance factor (Deloitte recommendation)

Comprehensive results for PEC Book of Business

- Stratified BEF provides equitable distribution of costs among classes that drive off-balance
- The BEF does not increase PEC costs in the aggregate:
 - Projected group premiums after adopting 77 percent table: \$108.4 million
 - Projected group premiums after adopting 77 percent and applying stratified BEF: \$103 million

Policy impacts—10 percent base decrease scenario

- Approximately 42 percent of policies see a premium decrease (75 percent of premium dollars)
- Another 33 percent of policies see an increase of less than five percent

Next steps

- August Actuarial Committee Meeting
 - Finalize rate indication
 - Finalize stratified break-even factor
 - Demonstrate full impact of plan

Common Sense Business Regulation (BWC Rules)

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

Application for group experience rating

Rule 4123-17-62

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 extend the deadline with which public employer sponsoring associations must notify employers they will not be renewed for group-experience rating by one month for 2010 only. It will also extend the group roster filing date by one month as well for the 2010 policy year.

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 requested this change based on structural changes BWC is contemplating to improve equity and performance among all public employers.

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
4123-17-62
Application for Group Experience Rating

The Ohio Bureau of Workers' Compensation is bringing OAC 4123-17-62 for consideration to modify the rule to extend the date for Public Employer Taxing Districts (PEC) from August 14, 2009 to September 16, 2009 for group rating sponsoring organizations to notify employers that they will not be included in their group. The modification to the rule will also change the date that group rosters must be submitted into the BWC from August 28, 2009 to September 30, 2009. These changes to the rule will allow sponsoring organizations additional time to review applicants based upon the information presented to the Board of Directors on July 31, 2009 and will only be effective for the PEC rating year beginning 1/1/2010.

4123-17-62 Application for group experience rating.

(A) A sponsoring organization shall make application for group experience rating 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 application shall be signed each year by an officer of the sponsoring organization to which the members of the group belong, and the sponsoring organization shall identify each individual employer in the group in the AC-25 application and shall provide information on each employer as follows:

(a) All employers which were in the group in the previous rating year. The employer does not need to file an AC-26 form.

(b) All employers which were not in the group in the previous rating year, but were in another group of the same sponsoring organization for the previous rating year. The employer does not need to file an AC-26 form.

(c) All employers which were not in the group in the previous rating year, and were not in another group of the same sponsoring organization for the previous rating year. The employer must file an AC-26 form for the group. Effective July 1, 2009 for private employer groups and January 1, 2010 for public employer taxing district groups, the sponsoring organization does not need to file the AC-26 form with the bureau, but shall maintain the original AC-26 form at the sponsoring organization to be available to the bureau upon the bureau's request. The AC-26 must be date stamped by the group rating filing deadline.

(2) In a separate report, or on the AC-25 form in a manner that clearly distinguishes the employers which are in the group from those which are not in the group, the sponsoring organization shall provide information on each employer as follows:

(a) All employers which were in the group in the previous rating year and are no longer in the group, but are in another group of the same sponsoring organization. The employer does not need to file an AC-26 form.

(b) All employers which were in the group in the previous rating year, are no longer in the group, and are not in another group of the same sponsoring organization. If the employer is participating in group rating with another sponsoring organization, the employer must file an AC-26 form for that group.

(3) An individual employer's application for group rating (AC-26) is applicable for the upcoming policy year and all subsequent policy years where the employer remains in the same group or another group sponsored by the same sponsoring organization. The employer does not need to file a new AC-26 each year where the employer remains in any group sponsored by the same sponsoring organization, whether it is the same group

as the previous rating year or a new group of the same sponsoring organization. The employer must file an AC-26 if the employer applies for group rating with a different sponsoring organization or was not participating in group rating the previous rating year. Where an employer files a new AC-26 during an application period, it shall be presumed that the latest filed AC-26 of the employer indicates the employer's intentions for group rating. The employer's AC-26 shall remain effective until any of the following occurs:

(a) The employer timely files a subsequent AC-26 indicating the desire to participate in a group with a different sponsor for the upcoming policy year;

(b) The sponsoring organization for the group does not include the employer on the group roster (AC-25);

(c) The group does not reapply for group rating or is rejected for failure to meet group eligibility requirements; or

(d) The employer fails to meet individual eligibility requirements and is rejected from participation in the group for the purpose of group rating by the bureau.

(4) The bureau may request of individual employers or the group additional information necessary for the bureau to rule upon the application for group coverage. Failure or refusal of the group 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 group's participation in group experience rating. Individual employers who are not included on the final group roster or do not have an individual employer application (AC-26) for the same group or another group sponsored by the same sponsoring organization on file by the application deadline will not be considered for the group 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 group after the application deadline. All rosters, computer formats or typewritten, must be submitted by the application deadline.

(5) A sponsoring organization shall notify an employer that is participating in a group of that sponsoring organization if the employer will not be included in a group by that sponsoring organization for the next rating year. For private employer groups, the sponsoring organization shall notify the employer in writing prior to the first Monday in February of the year of the group application deadline; except that for 2009 only, the sponsoring organization shall notify the employer in writing by April 6, 2009. For public employer taxing district groups, the sponsoring organization shall notify the employer in writing prior to the second Friday of August of the year of the group application deadline; except that for 2010 only, the sponsoring organization shall notify the employer in writing by September 16, 2009. 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 group for the rating year for which the notice was required. If that group no longer exists the bureau

will, without the approval of the sponsoring organization, place the employer in a homogeneous group with the same sponsoring organization or take other appropriate action.

(B) For public employer taxing districts, applications for group coverage shall be filed on or before the last Friday of August of the year immediately preceding the rating year; except that for 2010 only, the application for group coverage shall be filed on or before September 30, 2009. For private employers, applications for group coverage shall be filed on or before the last business day of February of the year of the July first beginning date for the rating year; except that for 2009 only, the application for group coverage shall be filed on or before April 24, 2009.

(C) A group's application for group rating is applicable to only one policy year. The group must reapply each year for group 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; however, an individual employer member of a continuing group who initially satisfied the homogeneous requirement of paragraph (B)(3) of rule 4123-17-61 of the Administrative Code shall not be disqualified from participation in the continuing group for failure to continue to satisfy such requirement.

(D) The application shall be filed in the risk technical services section of the bureau of workers' compensation, Columbus, Ohio.

(E) The application for any group to participate in group experience rating is optional with the group, subject to acceptance by the bureau. Once a group has applied for group rating, the organization may not voluntarily terminate the application during the bureau's evaluation period. All changes to the original application must be filed on a bureau form provided for the application for the group experience 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 organization to which the members of the group belong, and filed prior to the filing deadline. The group may make no changes in 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.

(F) In reviewing the group's application, if the bureau determines that individual employers in the group do not meet the eligibility requirements for group rating, the bureau will notify the individual employers and the group of this fact, and the group may continue in its application for group coverage without the disqualified employers, if the group still satisfies the minimum requirements for group rating as provided in rule 4123-17-61 of the Administrative Code.

(G) After the group application deadline but before the end of the policy year for the group, the sponsoring organization may notify the bureau that it wishes to remove an employer from participation in the group. The sponsoring organization may request that

the employer be removed from the group after the application deadline only for the employer's gross misrepresentation on its application to the group.

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

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

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

(2) Where the sponsoring organization requests that an employer be removed from the 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 group, and the employer shall be removed from the group only upon the bureau's consent.

Promulgated Under: 111.15

Statutory Authority: RC 4121.121, 4121.13, 4121.30

Rule Amplifies: 4123.29

Prior Effective Dates: 10/2/90, 11/11/91, 9/14/92, 1/1/95, 7/1/96, 12/10/96, 11/17/97, 11/8/99, 7/1/01, 1/1/02, 7/1/02, 12/1/02, 2/7/09, 3/30/09

Line #	Rule #	Draft Rule Suggestions	Stakeholder Rationale	BWC Response	Resolution
1	4123-17-62 (A) (5)	"For public employer taxing district groups, the sponsoring organization shall notify the employer in writing prior to the second Friday of August of the year of the group application deadline; except that for 2010 only, the sponsoring organization shall notify the employer in writing by September 16, 2009..."	Unanimously, public employer sponsoring associations and their third-party administrators have asked for a one-time extension with respect to notifying PEC employers if they're not renewed because they cannot accurately project who'll they will retain until BWC decides on the approach and application of a break-even factor	BWC concurs	This draft rule did not change because it already addressed stakeholder rationale
2	4123-17-62 (B)	"For public employer taxing districts, applications for group coverage shall be filed on or before the last Friday of August of the year immediately preceding the rating year; except that for 2010 only, the application for group coverage shall be filed on or before September 30, 2009..."	Unanimously, public employer sponsoring associations and their third-party administrators have asked for a one-time extension with respect to notifying PEC employers they've been selected for group because they cannot accurately project who'll they will retain until BWC decides on the approach and application of a break-even factor	BWC concurs	This draft rule did not change because it already addressed stakeholder rationale

Deloitte Implementation

Executive Summary

July 2009

Statistics

- 17 reports
- ~900 pages
- 146 recommendations
- 12 recommendations (8%) already in place
- 70 recommendations (48%) to be addressed in fiscal year 2010
- 17 projects
- \$ to implement - undetermined to date

Priorities

- Experience rating
- Group rating
- MCO effectiveness
- Medical payments
- Safety
- Self-Insurance

High Stakeholder Interest

- Group rating redesign
- Split plan
- Self-Insurance: entry requirements & securitization
- DFWP redesign
- MIRA transition rules
- Retirement of handicap reimbursement, salary continuation, \$15k programs
- In-sourcing vocational rehabilitation

Progress

- Effort, impact evaluation - complete
- Implementation priorities - complete
- Project planning & budgeting - in process
- Recommendation implementation - in process

Deloitte Recommendations - What will be addressed when.		In Place	FY10	Later
Actuarial Audit Reserves and Expected Payments				
2.1	1 Include Risk Margins			✓
2.1	2 Disclose Margins/Discounts			✓
2.1	3 Require Statement of Actuarial Opinion			✓
2.1	4 Further study of LSS Savings			✓
2.1	5 Analyze risk of inflation on DWRF			✓
2.1	6 Increase emphasis on actuarial audit reserves			✓
2.1	7 Additional documentation in the Annual Actuarial Audit Report			✓
2.1	8 Retrospective analysis of prior estimates in the Annual Actuarial Audit Report			✓
2.1	9 Additional actuarial methods in the Annual Actuarial Audit Report (assess reserving risks)			✓
2.1	10 An evaluation date prior to June 30th for the Annual Actuarial Audit Report			✓
2.1	11 Consider supplementing PEC and PES historical development patterns			✓
2.1	12 Limit potential distortions that may occur in the unpaid claim estimate			✓
2.1	13 Consider claims counts for given type of loss when calculating historical severity patterns			✓
2.1	14 Consider alternate methods to estimate unpaid losses for years 1976 & prior			✓
Actuarial Organization				
4.4	1 Establish Rating & Programs Pricing Team			✓
4.4	2 Establish Reserving & Net Asset Level Analysis Function			✓
4.4	3 Establish Data Management			✓
4.4	4 Actuarial Hiring and Development Program			✓
4.4	5 Expand the BWC actuarial division responsibilities.			✓
4.4	6 Transition data gathering from the Rating team to a data management team.			✓
4.4	7 Utilize external actuarial resources to supplement internal actuarial resources.	✓		
Administrative Cost Calculation				
2.5	1 Re-evaluate portion of Administrative Expenses allocated to LAE		✓	
Ancillary Funds				
4.1	8 Consider a different minimum premium for domestic employees			✓
4.1	9 Address Large Unfunded Obligation Including Possible Long Term Funding			✓
4.1	10 Change DWRF from Pay-As-You-Go Basis to Support Reducing Unfunded Obligations			✓
4.1	11 Set DWRF Rates to Meet Payments and Reduce Burden to Future Employers for DWRF Benefits			✓
4.1	12 Establish a Good, Clear, and Long Term Rationale for Funding DWRF Benefits			✓
4.1	13 Set Policy Rationale for Equity between Past, Current and Future Benefits to Pay DWRF Benefits			✓
4.1	14 Charge Some Premium for CWPF Coverage with Credits/Dividends for Long Term CWPF Employers			✓
4.1	15 Develop Funding Policies for Each Ancillary Fund (DWRF, MIF, CWPF)			✓
4.1	16 Conduct Further Research to Support Legislative Change to Combine Funds			✓
Change of Employer Experience Rates				
4.2	1 Eliminate/Restrict Changes to Employer Rates Due to Changes in Claims			✓
4.2	2 Restrict Time to Report Errors			✓
4.2	3 Establish Shorter and Clearly Defined Time Constraints			✓

Deloitte Recommendations - What will be addressed when.		In Place	FY10	Later
Class Ratemaking				
1.1	7 Eliminate Use of ER Off-Balance Adjustment Factor for Class Base Rates	✓		
1.1	8 Apply Individual ER Off-Balance Adjustment to Individual ER Risks Only			✓
1.1	9 Calculate Catastrophe Factor by NCCI Hazard Group			✓
1.1	10 Provide More Detailed Documentation for Each Adjustment Factor		✓	
1.1	11 Use Alternative Indication of Class Loss Costs to Credibility Weight Class Loss Costs			✓
1.1	12 Separate Case Reserves in Estimating Historical Loss Costs			✓
Excess Insurance and Reinsurance				
2.4	5 Limit impact of CAT event to 5-10% of Net Assets		✓	
2.4	6 Test Reinsurance Market for CAT Protection		✓	
Experience Aggregation Approach				
4.1	19 Use NCCI Approach to Common Majority Ownership for Experience Rating			✓
4.1	20 Discontinue the current practice of relying primarily on the federal tax identification number to identify separate employers.			✓
Experience Rating				
1.1	30 Change Credibility for Individual Experience to be In Line with Industry Practices		✓	
1.1	31 Prohibit Exclusion of Claims from Experience Rating Calculation		✓	
Group Rating				
1.1	13 Change the structure of the Group Rating Program to mitigate present inequities.		✓	
1.1	14 Incent groups to focus on accident prevention and loss mitigation activities.		✓	
1.1	15 Eliminate the use of the individual e-mod formula for group rating.		✓	
1.1	16 Determine group rating through the use of a group discount factor.	✓		
1.1	17 Establish a minimum number of years of experience for a group to qualify.		✓	
1.1	18 Develop a group discount formula based on the past performance of each group.		✓	
1.1	19 Apply a separate group rating off-balance adjustment to the group discount factors.		✓	
1.1	20 Develop the group discount factor based on the actual past performance of each group.		✓	
1.1	21 Include the experience of all group members only during the period they were in the group		✓	
1.1	22 Apply the group discount factor to the individual e-mod adjusted premium of each.		✓	
1.1	23 Develop a group discount formula based on a loss ratio or loss rating approach.		✓	
1.1	24 Vary the maximum discount factor with the premium size of the group.		✓	
1.1	25 Apply a phase-in period of at least two years to new group members.		✓	
1.1	26 Evaluate Group Dividend plan as a group rating alternative.		✓	
1.1	27 Evaluate Group Retro Plan as a group rating alternative.	✓		
1.1	28 Evaluate Per Accident Loss Limitations as a group rating alternative.		✓	
1.1	29 Evaluate Tiering within a single group as a group rating alternative.		✓	
Handicap Reimbursement Program				
3.3	1 Terminate the Handicap Reimbursement Program		✓	
3.3	2 Exclude Arthritis as a Handicap		✓	
3.3	3 Require That Existing Conditions be the Proximate Cause of a More Severe Second Injury		✓	
3.3	4 Reduce the Lag Time Allowed for Handicap Reimbursement		✓	

Deloitte Recommendations - What will be addressed when.		In Place	FY10	Later
MCO Effectiveness				
2.6	1 Sustain Trend of Decreasing Numbers of Participating MCOs	✓		
2.6	2 Study feasibility of price-of-service competition among MCOs.			✓
2.6	3 Remove the BWC from the ADR Appeal Process		✓	
2.6	4 Legislate Change to Mandatory IME Requirement at 90 Days Lost Time		✓	
2.6	5 Give MCOs More Flexibility in Allowable Condition Determinations		✓	
2.6	6 Establish ODG as Mandated Disability Duration Guidelines (replacement for DODM)			✓
2.6	7 Integrate use of ODG into the overall MCO performance measurement and compensation system			✓
2.6	8 Re-institute Customer Surveys			✓
2.6	9 Continue Public Forums	✓		
2.6	10 Improve Provider Profiling, Credentialing, and De-Certification		✓	
2.6	11 Update All Fee Schedules Every 1 - 2 Years (duplicate of 2.3.1.2)		✓	
2.6	12 Build a database and study causes of increasing average medical costs.		✓	
Medical Payments				
2.3	1 Conduct fee schedule update and maintenance		✓	
2.3	1.1 Phase in pay-for-performance or Tiered Fee Schedule for all service types.		✓	
2.3	1.2 Update the fee schedule every one-to-two years.		✓	
2.3	2 Address Medical Payment Process Duplication			✓
2.3	2.1 Standardize bill review edits			✓
2.3	2.2 Explore elimination of MCO medical bill review process			✓
2.3	2.3 Adopt an audit model of provider medical payment monitoring			✓
2.3	3 Eliminate the required employer waiver in proactive allowance		✓	
2.3	4 Continue development of Blue Ribbon panel with provider incentives		✓	
2.3	5 Continue development of EDI submission of C-9's			✓
Minimum Premium Review				
4.1	6 Examine the Feasibility of Raising the Minimum Premium			✓
4.1	7 Increase Premium Audits for Accounts that Report No Payroll but Have Claims		✓	
MIRA II Reserving				
1.1	32 Develop an Alternative to the Exclusive Use of MIRA II			✓
1.1	33 Determine Where MIRA II Claim Values are Most Predictive			✓
1.1	34 Study the Impact of MIRA II Reserves on Class Rates and Experience Rating		✓	
NCCI Classification System				
4.1	1 Consider Using NCCI Class Codes for Public Taxing Districts			✓
4.1	2 Monitor Procedures used to Code Construction Classes		✓	
4.1	3 Audit most employers every three to five years	✓		
4.1	4 Increase Scope of Premium Audit Function		✓	
4.1	5 Consider an Audit Scoring Tool to Prioritize Audits			✓
Net Asset Level				
2.4	1 Adopt a Funding Policy with Guidelines		✓	
2.4	2 Develop a customized approach to managing net asset level using a few key metrics.		✓	
2.4	3 Target a Funding Ratio Range & Recommended Actions		✓	
2.4	4 Policy Guidance with Premium Options based on Funding Ratio		✓	

Deloitte Recommendations - What will be addressed when.		In Place	FY10	Later
Out-of-State Employer Experience Rating				
4.3	1 Utilize only Ohio based Information to Determine Eligibility for Experience Rating			✓
4.3	2 Adopt the Industry Standard of using Base Premiums as the Eligibility Criteria for Experience Rating			✓
PES Rate Setting				
3.1	1 Change the Manner in which PES Rates are Calculated			✓
3.1	2 Change the Method Used to Determine Expected Paid Losses in the Prospective Policy Year			✓
Retrospective Rating				
3.1	3 Redesign the Retrospective Rating Program		✓	
Safety Programs				
3.2	1 Make Grants Available Even if No Claims Related to the Intervention	✓		
3.2	2 Require Safety Report With Application for Safety Intervention Grant	✓		
3.2	3 Combine DFWP and DF-EZ Programs		✓	
3.1	4 Develop the capability to track the experience of employers participating in the safety & hygiene program		✓	
Salary Continuation / \$15K Med Only Program				
1.1	35 Terminate the Salary Continuation Program		✓	
1.1	36 Terminate the \$15,000 Medical Only Program		✓	
1.1	37 Consider an Appropriately Priced Deductible Program as an Alternative	✓		
1.1	38 Perform periodic actuarial studies to evaluate the appropriateness of the credits offered under the various discount programs.		✓	
Self-Insurance (18)				
1.4	1 Require an Actuarial Study for Self-Insurance Applicants		✓	
1.4	2 Require Additional Security for Employers Applying for Self-Insurance		✓	
1.4	3 Consider Offering Group Self-Insurance			✓
1.4	4 Consider Trends within Industries to Determine Self-insurance Criteria		✓	
1.4	5 Incorporate Objective Financial Criteria as Part of the Self-Insurance application		✓	
1.4	6 Consider Offering Enhanced Customer Service Aid to Employers		✓	
1.4	7 Consider Requiring an Anti-Fraud Program as Part of the Self-Insurance Application		✓	
1.4	8 Consider Requiring a Formal Safety Program as Part of the Self-Insurance Application		✓	
1.4	9 Require Organization Documents for Self-Insurance Application	✓		
1.4	10 Require an Actuarial Study for Self-Insurers Returning to the SIF			✓
1.4	11 Continuation of Security upon Returning to the State Insurance Fund	✓		
1.4	12 Do Not Allow Self-Insurers to Leave the State Insurance Fund Multiple Times			✓
1.4	13 Expand Reporting Forms to Allow for More Detailed Internal Analysis		✓	
SIEGF				
1.3	1 Institute Pre-Assessment Alternatives		✓	
1.3	2 Collect Enhanced Data		✓	
1.3	3 Require Collateral from Higher Risk Employers		✓	
1.3	4 Revise Assessment Base		✓	
1.3	5 Reinsure Certain Bankruptcy Losses		✓	

Deloitte Recommendations - What will be addressed when.		In Place	FY10	Later
Statewide Rate Level				
1.1	1 Provide More Responsiveness to Ohio Trends		✓	
1.1	2 Perform Baseline Indication Before Discounting		✓	
1.1	3 Develop the range of indicated rate changes (Optimistic to Conservative)		✓	
1.1	4 Include Alternative Method in Calculating Indicated Rate Change		✓	
1.1	5 Display Historical Loss Costs at Proposed Cost and Wage Levels		✓	
1.1	6 Display Impact of Collecting Premium in Arrears on the Rate Change Indication		✓	
Subrogation				
1.2	1 Limit caseloads to no more than 400			✓
1.2	2 Build functionality in V-3 to manage subrogation claims			✓
1.2	3 Establish a more robust set of performance metrics			✓
1.2	4 Investigate utilization of text mining			✓
Vocational Rehabilitation Program				
4.1	17 Change Rules to Give BWC Sole Authority to Direct Rehab Services		✓	
4.1	18 Reconsider the Rules Associated with the Experience Rating Treatment of LM Claims			✓
Count =		12	70	64

Section 4: Personnel Profile for Project Team

Deloitte will provide a team of experienced resources, including 11 Fellows and 2 Associates of the Casualty Actuarial Society to develop and assist in managing and executing against the project plan. The team will work collaboratively with BWC in an effort to create deliverables that meet the project objectives in a way that meets or exceeds the needs of your organization. The proposed staffing model for BWC is structured to provide a project team that leverages the experience of Deloitte with the hands-on involvement of BWC resources to deliver an effective and economical engagement.

Also, Deloitte focuses heavily on training for its service team members. Our consultants complete courses covering ethics, privacy, diversity and inclusion, as well as a professional independence course to maintain compliance with applicable professional and regulatory requirements. All Deloitte consultants have many opportunities to develop and enhance their skills. They have access at any time to the internal Knowledge Management Development Resource Learning and Development channel where they can enroll in classroom-based learning or e-learning courses. In addition, they stay informed of industry news and trends by conducting research using the many tools available to them on Deloitte Intellinet, including Hoover's, Factiva, Moody's, Standard & Poor's Industry Surveys, and The Wall Street Transcript, just to name a few. Many of our practitioners also stay informed by attending various industry seminars, CAS meetings, American Academy of Actuaries meetings, NAIC meetings, special interest meetings, and training from the Office of the Chief Actuary throughout the year.

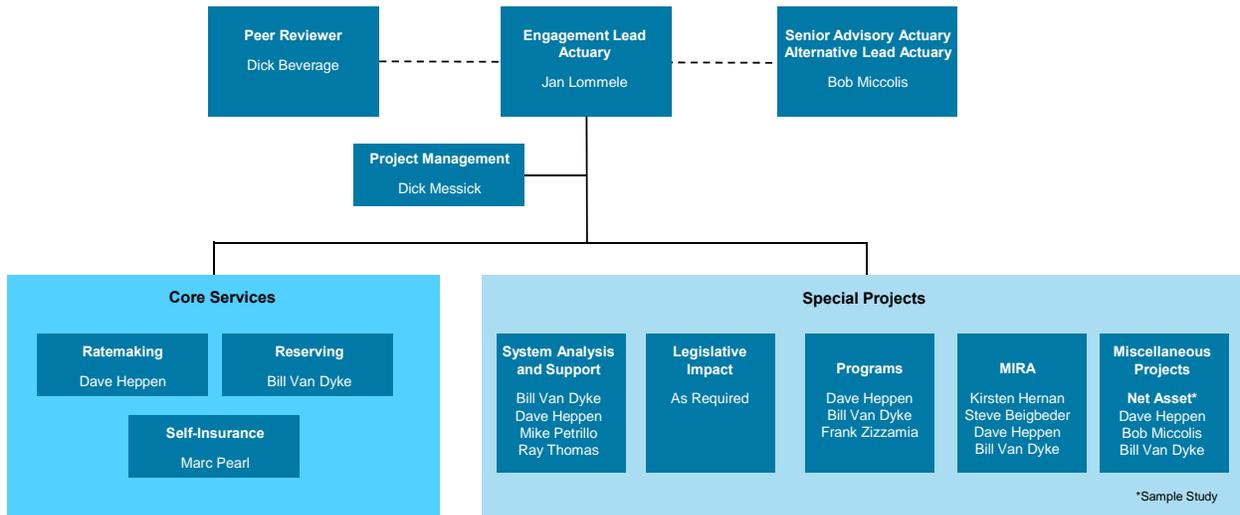
In this section:

- We provide an organization chart of our proposed team, a description of the roles of the team members at this time, their resumes and an Experience Table to evaluate experience as defined in Section 7.4.D
- The resumes of Jan Lommele and Bob Miccolis, along with our Experience Table, demonstrate that each of them have more than ten years of experience in the insurance industry and more than five years consulting/auditing experience with workers compensation insurers or state insurance funds
- Our Experience Table demonstrates that team members, other than Jan Lommele and Bob Miccolis, have combined experience well in excess of ten years of consulting or direct experience with workers compensation insurers or state insurance funds
- The resumes of Jan Lommele and Bob Miccolis demonstrate that each of them have more than five years experience in the communication and education of actuarial issues through professional activities and client work
- The resumes of our team members, other than Jan Lommele and Bob Miccolis, also demonstrate that our project team members have experience in the communication and education of actuarial issues that is well in excess of a combined total of five years. Examples of such experience include:
 - Participation by our project team members on several committees of professional actuarial organizations.
 - Significant education or communication activities and extensive client work which involves the communication of actuarial issues with client management, or the education of client personnel or Deloitte professionals who are not actuaries on actuarial issues related to the client work.

Our project team members who have experience with the functions and duties of the NCCI classification system as they relate to the classification of exposure are: Jan Lommele, Bob Miccolis, Dick Beverage, Dave Heppen, Bill Van Dyke, Marc Pearl, Jennifer Tornquist, Randy Hindman, and Dick Messick. Our project team members who have experience in workers' compensation residual market mechanisms are: Jan Lommele,

Bob Miccolis, and Jenny Tornquist. We have provided the name of the entity for which we have experience where confidentiality agreements permit us to do so. If we are not able to provide the specific entity name, we provide a high level description of the entity.

In addition to our actuarial services team, BWC will have access to our Lead Client Service Partner for the State of Ohio, Eric Friedman, whom BWC can contact to discuss any matter regarding the quality of our services or any issues with our services or our performance. As Lead Client Service Partner, Eric is ultimately responsible for monitoring all services that Deloitte provides to the State of Ohio, including BWC.



**Jan Lommele, FCAS, MAAA
Lead Actuary**

Jan Lommele will be the Lead Actuary for Deloitte’s relationship with BWC and be responsible for the overall engagement. He will provide professional assistance and be involved in high-level oversight of the project and deliverables. As the Lead Actuary, Jan has led or participated on projects for 13 state workers compensation insurance funds, including BWC, and many other insurance entities, and regulatory assignments. He is Deloitte’s primary representative as Associate Member of AASCIF. Jan expects to meet with BWC for all major meetings and at the presentation of the results of the project. Either he or his alternate will be accessible by telephone, fax, or email within one business day of notification from BWC.

**Bob Miccolis, FCAS, MAAA
Senior Advisory Actuary &
Alternate Lead Actuary**

Bob Miccolis will be the Senior Advisory Actuary for the engagement and will be the Alternate Lead Actuary. Given Bob’s deep experience in workers’ compensation, most recently for BWC and in West Virginia, he will be involved in advising Deloitte’s project teams on technical aspects, problem solving and in peer reviewing various work products. Bob or Jan Lommele will be accessible by telephone, fax, or email within one business day of notification from BWC.

<p>Dave Heppen, FCAS, MAAA Surplus/Reinsurance Projects Lead Pricing & Programs Project Lead</p>	<p>Dave Heppen will be the project lead for Group Tasks related to Ratemaking, Programs, and Net Asset analysis. Dave has considerable experience in workers' compensation as well as financial modeling for insurance operations and capital/surplus adequacy. He has led many workers' compensation actuarial projects, including rates, rating plans and reserving projects for BrickStreet Insurance. Dave is a member of the American Academy of Actuaries Workers' Compensation Subcommittee.</p>
<p>Bill Van Dyke, ACAS, MAAA Loss Reserves Project Lead</p>	<p>Bill Van Dyke will be the project lead for Group Tasks related to the Reserve Audit. Bill has extensive experience in reserving for workers' compensation having served many clients including the Maryland Injured Workers' Insurance Fund as the project actuarial manager for Deloitte's actuarial services.</p>
<p>Dick Messick Project Management Coordinator</p>	<p>Dick Messick will serve as the overall Project Management Coordinator. In this role, he will provide overall management to ensure that project objectives and deliverable schedules are met. He will also coordinate communications and meetings, including status reporting and issue resolution, with the BWC. In addition, Mr. Messick will provide technical support on tasks related to programs, claims and underwriting.</p>
<p>Marc Pearl, FCAS, MAAA Self-Insured</p>	<p>Marc Pearl will serve as the specialist leader for self-insured tasks. He has extensive experience in ratemaking and reserving for commercial lines, as well as self-insured loss reserve analysis.</p>
<p>Kirsten Hernan, FCAS, MAAA MIRA Impact</p>	<p>Kirsten will serve as the specialist leader for MIRA impact analysis. She is the Leader of Deloitte's Claims Practice, focusing claims strategic operations and predicative modeling initiatives.</p>
<p>Ray Thomas and Mike Petrillo Systems Analysis</p>	<p>Ray's experience includes work in program management, project management, solution architecture, data architecture, application architecture, data warehousing, outsourcing, metadata management, e-commerce and operations. Mike has extensive insurance industry technology and project management experience and currently serves as operations and technology leader of the Deloitte Consulting Advanced Quantitative Services Data Center in Hartford Connecticut. He is also the lead technical advisor for both the actuarial and Risk Management Technologies service lines within AIS.</p>
<p>Frank Zizzamia and Dave Duden Predictive Analytics</p>	<p>Franks is the founder of Deloitte's predictive modeling practice. His areas of expertise include actuarial data mining and predictive modeling, artificial intelligence, and advanced technology R&D. Dave has served as an insurance technology advisor to a broad range of property and casualty insurance carriers, reinsurers, brokers, and risk managers.</p>

Detailed Resumes

Jan Lommele, FCAS, MAAA, FCA

Present Position:

Principal, Deloitte Consulting LLP, Hartford
Actuarial and Insurance Solutions - Chief Property & Casualty Actuary

Experience:

Mr. Lommele has been with Deloitte Consulting or its predecessor organizations since 1985 and was appointed a Principal in 1988. He is a Fellow of the Casualty Actuarial Society, a Member of the American Academy of Actuaries, and a Fellow in the Conference of Consulting Actuaries. Mr. Lommele has 36 years of experience in insurance which includes consulting/auditing as well as direct experience with his previous employer, Aetna Life & Casualty. In his 24 years of consulting he has served thirteen AASCIF members and workers compensation entities such as second injury funds, insurers, reinsurers, municipal association pools, and self-insureds. His consulting relationship with state funds started in 1989. He has also served regulators and legislators on workers compensation issues. As Deloitte's Chief Property & Casualty Actuary and through his leadership and participation in professional organizations, he has over ten years experience in the communication and education of actuarial issues. Jan's experience also includes membership on NCCI and NY CRB committees, and completion of the NCCI's statistical reporting seminar. He is the primary representative for Deloitte as an Associate Member of AASCIF, and regularly attends AASCIF meetings. He also has provided workers compensation consulting services regarding litigation and financial transactions.

His experience includes:

- Workers compensation pricing analysis including rate level review and filings, data evaluation, experience rating and retrospective rating plan review, analysis of legislation and benefit changes, classification relativity review, minimum premium analysis, deductible program pricing, coal workers rate review, second injury fund assessment review, USL&H rate review, and predictive analytics
- Reserve analysis leading to statement of opinion/ audit opinion and reserve analysis as a specialist in support of Deloitte & Touche LLP audits
- Workers compensation reserve analysis including the impact of MIRA case reserving, underwriting and claim operation impact analysis, cash flow analysis, reinsurance recoverable, subrogation, coal workers, and USL&H, NCCI residual market pools, and loss reserve predictive models
- Analysis of legislative options for workers compensation and medical malpractice
- Performs surplus need analysis and feasibility studies on alternative risk financing techniques for the public and private sectors.
- Strategic planning, reengineering, and financial analysis for insurance operations
- Expert testimony
- Design of specifications for management information and actuarial reports

Relevant Project Experience:

WC State Insurance Funds:

- BWC-OH (study on the effectiveness and efficiency of the workers' compensation system); IWIF-MD reserve analysis (including MIRA impact), appointed actuary, pricing analysis, surplus analysis, reinsurance program analysis, financial planning, state agency reserve analysis, and predictive models for underwriting;
- LWCC-LA, Pinnacle-CO, SIF-NY, TMIC-TX, (audit specialist support);
- PR, WY (operations study);
- UT (alternative organization form study for Governor Leavitt and appointed actuary reserve review including review of State account);
- BrickStreet Insurance-WV (various services related to the privatization of the state Workers Compensation Commission);
- SAIF-OR (surplus analysis and audit specialist support);
- SCF-AZ (rate level analysis and insolvent company analysis);
- SCIF-CA (predictive modeling)
- Minnesota Workers Compensation Reinsurance Association
- MD, KY, and MO second injury funds

Other Relevant WC Experience:

- NCCI Residual Market Pools audit specialist support
- State Insurance Department examinations for states such as CT, NY, IL, and PA
- Greater NY MTA
- Connecticut Interlocal Risk Management Agency
- Texas Municipal League
- Partner Re
- Kentucky, Maryland, and Pennsylvania School Board Associations
- Pennsylvania State System of Higher Education
- State of Connecticut Department of the Controller (State's self insured workers compensation)
- Audit Specialist Support on large (>\$750 million premium) insurers and reinsurers; for example, the lead P&C actuary on The Hartford audit

Professional Activities:

- Past Vice President, American Academy of Actuaries (2003-2004) and Member of the Board of Directors (1998-2000), (2003-2004)
- Chair, American Academy of Actuaries Committee on Property Liability Financial Reporting (1996-1998)
- Member, American Academy of Actuaries Committee on Property Liability Financial Reporting (1992-96)
- Member, Casualty Actuarial Society Committee on Financial Analysis (1992-1993)
- Member, Casualty Actuarial Society Continuing Education Committee (1988-1992)
- Member and Past President, Casualty Actuaries of New England
- Articles in the *Proceedings of the Casualty Actuarial Society* (Volume LXI) and the *Proceedings of*

the Conference of Consulting Actuaries (Volume XXXVI)

- Co-author of “Implications of Dynamic Financial Analysis on Demutualization”
- Co-authored “Is the ‘Best Estimate’ Best?”
- Co-authored “Loss Reserving Using Claim-Level Data”
- Speaker at AASCIF meetings on “Dynamic Financial Analysis and Predictive Models”
- Speaker at New York GFOA and RIMS on “Governmental Accounting Standards Board, Statement 10”
- Instructor, Deloitte & Touche LLP and Executive Enterprises Seminars covering “Loss Reserving and Annual Statements”
- Speaker at International Association of Industrial Accident Boards and Commissions and the President’s Commission on the “Employment of People with Disabilities Regarding Second Injury Funds”
- Speaker at RIMS on “Workers Compensation Loss Cost Control And Public Sector Property And Casualty Loss Reserve Funding”
- Speaker and moderator at the Casualty Loss Reserve Seminar and Casualty Actuarial Society Meetings
- Testimony before a Workers Compensation judge regarding an owner controlled retrospectively rated program
- Speaker at NAIC meetings on “Regulatory Issues Related To Actuarial Financial Reporting” (Codification)

Florida Medical Malpractice Tort Reform Analysis

- The focus of Mr. Lommele’s Florida Senate testimony, a report titled Review of Florida Committee Substitute for Senate Bill 2-D, Calculation of Section 40 “Presumed Factor” can be obtained from the Florida Department of Financial Services web site:
www.fldfs.com/companies/pdf/OIR_Report_Final_110620031.pdf
- October 1, 2004 review of Florida’s medical malpractice tort reform, a report titled Medical Malpractice Financial Information, Closed Claim Database and Rate Filings - Section 627.912(6), Florida Statutes, as amended by Senate Bill 2-D, (Ch. 2003-416) can be obtained from the Florida Department of Financial Services web site:
www.fldfs.com/companies/pdf/Med_Mal_2004_Rpt.pdf
- July 1, 2005 statistical summary of Florida’s medical malpractice closed claim database, a report titled July 1, 2005 Closed Claim Database Statistical Summary, Paragraph 627.912(6)(a), Florida Statutes can be obtained from the Florida Department of Financial Services web site:
www.fldfs.com/companies/pdf/OIR_Report07012005CCD_FINAL.pdf

Professional Designations:

- Fellow, Casualty Actuarial Society
- Member, American Academy of Actuaries
- Fellow, Conference of Consulting Actuaries

Education:

- Iowa State University, MS
- Colorado State University, BS

Bob Miccolis, FCAS, MAAA

Present Position:

Director, Deloitte Consulting LLP, Philadelphia
Actuarial and Insurance Solutions

Experience:

Mr. Miccolis is a Director in the Actuarial & Insurance Solutions practice of Deloitte and leads that practice in the Philadelphia office. He has 35 years of experience in the insurance and reinsurance industry.

He joined Deloitte in 2001 after ten years as a chief actuary for a business unit of a major insurance group, eight years as a principal in a major actuarial consulting firm, five years as a vice president and actuary in an insurance brokerage firm, and seven years as a company actuary. He specializes in consulting in the areas of actuarial services, reinsurance, insurance operations, risk management and mergers & acquisitions.

He has expertise in all major lines of property & casualty insurance and reinsurance, including workers compensation, as well as alternative market mechanisms (captives, risk retention groups, etc.), loss portfolio transfers, and finite risk reinsurance.

His experience also includes:

- Pricing, reserving, and valuation analyses for insurance and reinsurance companies
- Actuarial pricing model design, rate plan design, and pricing process evaluations
- Financial pro forma analyses and capital adequacy testing
- Excess pricing models for workers compensation and other property & casualty lines of business
- Reserve analysis in support of the statement of actuarial opinion or as a specialist in support of a Deloitte & Touche LLP audit opinion
- Reviews of insurance, reinsurance, and self-insurance programs
- Risk retention analyses
- Product and program design for insurance and reinsurance
- Design of specifications for management information and actuarial reports
- Design and implementation of business applications for workers compensation using predictive analytics
- Mergers and acquisitions consulting involving both insurers and reinsurers
- Strategic planning, operational reviews, and underwriting process evaluations
- Litigation support and expert witness testimony

Mr. Miccolis' experience in the workers compensation field includes several years serving as an insurance company representative to the National Council on Compensation Insurance, the Pennsylvania and Delaware Compensation Rating Bureaus, the New York Compensation Rating Bureau and the California Workers Compensation Rating Bureau. His workers compensation experience spans over 30 years and includes numerous actuarial projects, advising self-insureds and major employers and working with underwriting teams and marketing professionals. In addition, He has numerous industry contacts with mutual insurers, insurance, and reinsurance professionals and various industry experts both inside and outside of Deloitte.

His workers compensation actuarial experience also includes rate level analysis and rate filing reviews, evaluation of experience rating plans and retrospective rating plans, NCCI classification system review, minimum premium analysis, deductible program pricing, coal workers rate review, and USL&H rate review

Relevant Project Experience:

State Insurance Funds and Governmental Experience

Mr. Miccolis has considerable experience with working with governmental agencies, including the U.S. Department of Housing and Urban Development, and the US Department of Agriculture.

Since April 2005, he has served as Deloitte's overall Engagement Director for services to the West Virginia Workers Compensation Commission, which has been privatized and become BrickStreet Insurance. In this role, he has been responsible for working with BrickStreet's executive leadership, the Governor's office, the Insurance Commission and Deloitte's various project teams, overseeing the delivery of Deloitte Consulting services. He continues to be responsible for Deloitte's ongoing services and projects for BrickStreet, and is currently involved in actuarial work and strategy work for the company. He also has worked extensively with the Ohio Bureau of Workers' Compensation on the Comprehensive Study.

Professional Activities:

Chairman, Casualty Task Force on the Credit Crisis, American Academy of Actuaries

Chairman, Task Force on Risk Transfer Standard, Actuarial Standards Board

Founding Member, Credit Risk Actuaries Special Interest Section, Casualty Actuarial Society

Member, Public Interest Committee, American Academy of Actuaries

Member, Casualty Practice Council, American Academy of Actuaries

Member, Strategic Planning Committee, Casualty Actuarial Society

- Member, International Actuarial Association, Insurance Accounting Subcommittee on Actuarial Standards
- Past Chairman, Casualty Operating Committee, Actuarial Standards Board
- Past Member, Board of Directors, Casualty Actuarial Society
- Past Member, Board of Directors, American Academy of Actuaries
- Past Member, Board of Directors, Actuarial, Education and Research Fund
- Past Board Member, Actuarial Standards Board
- Past Vice President – Casualty Issues, American Academy of Actuaries
- Past Vice President of Research & Development, Casualty Actuarial Society
- Past Chairman, Casualty Practice Council of the American Academy of Actuaries
- Past Member, Executive Committee, American Academy of Actuaries
- Past Member, Casualty Actuarial Society Committee on Principles
- Past Chair of several professional committees, including Long Range Planning Committee, Casualty Loss Reserve Seminar Program Committee, Michelbacher Committee, Valuation Committee, Research & Development Management Committee and Reserving Subcommittee (Actuarial Standards Board)
- Author of a prize-winning paper on actuarial theory of excess pricing and of a paper on actuarial valuations of insurance companies.

Professional Designations:

- Fellow, Casualty Actuarial Society
- Member, American Academy of Actuaries

Education:

- Drexel University, BS in Mathematics

Dave Heppen, FCAS, MAAA

Present Position:

Senior Manager, Deloitte Consulting LLP, Philadelphia
Actuarial & Insurance Solutions

Experience:

Mr. Heppen has 17 years of actuarial experience in the insurance industry. He joined Deloitte in 2000 as a member of the Philadelphia office. Prior to joining Deloitte, he spent eight years with a large multi-line property and casualty insurer, where his experience consisted of pricing and reserving for a wide range of traditional and specialized insurance exposures.

As a member of the firm, Mr. Heppen has been involved in ratemaking analysis, including loss cost, loss cost multiplier, and experience rating filings for workers compensation carriers, retrospective premium and deductible analysis for workers compensation carriers, the development of financial planning and valuation models for property/casualty insurers, econometric regression and cash flow models, and ratemaking and reserve analyses for traditional property and casualty insurers and for reinsurers.

His experiences include:

- Led Deloitte's analysis of the Ohio Bureau of Workers' Compensation ratemaking, program performance and recommended net asset level in the 2008 Comprehensive Study
- Analysis of impact of legislative change to workers' compensation systems
- Analysis of impact of transition from state-specific to NCCI classification system
- Preparation of workers compensation and Federal Black Lung loss cost filings
- Pricing and reserving analysis for the United States Longshore & Harbor Workers' Compensation writers
- Risk retention analysis
- Excess reinsurance pricing model development
- Development of rating factors for workers compensation ratemaking systems
- Risk transfer analysis for reinsurance agreements
- Valuations and due diligence for merger and acquisition transactions
- Reserve analysis encompassing auto liability, workers compensation, medical malpractice, general liability, professional liability and property for primary insurance and reinsurance companies as well as self-insurers
- Analysis of surplus requirements
- Excess reinsurance pricing model development

Relevant Project Experience:

- Ohio Bureau of Workers' Compensation
- BrickStreet Insurance
- Alea Group
- American Equity Underwriters
- Axis Specialty Limited
- Endurance Specialty Holdings Ltd.
- Everest Reinsurance
- Harbor Point Limited

Professional Activities:

- Member, AAA Committee on Property and Liability Financial Reporting
- Member, AAA Subcommittee on Workers Compensation
- Speaker, Bear Stearns on "P&C Insurance Company Valuations"
- Author, 2007 article published in Self-Insurer on reinsurance risk transfer

Professional Designations:

- Fellow, Casualty Actuarial Society
- Associate, Casualty Actuarial Society

Education:

- Franklin & Marshall College, Lancaster, PA; BA, Mathematics

Bill Van Dyke, ACAS, MAAA

Present Position:

Senior Manager, Deloitte Consulting LLP, Hartford
Actuarial and Insurance Solutions

Experience:

Mr. Van Dyke is a Senior Manager in our Hartford, Connecticut office. He is an Associate of the Casualty Actuarial Society, a Member of the American Academy of Actuaries, and has over eleven years of property and casualty actuarial experience. Before joining our practice, Mr. Van Dyke spent four years at a large multi-line commercial insurance company with numerous actuarial responsibilities, including claim liability reserve evaluations and preparation of the NAIC Annual Statement.

In Mr. Van Dyke's more than seven years in the consulting field he has built extensive experience in managing and performing state fund workers compensation claim liability reserve and pricing analyses. His experience also includes the following services provided to state funds, state agencies, municipalities, insurance companies, reinsurance companies, and self-insured programs:

- Claim liability reserve, future year funding and cash flow analyses; including analysis of the impact from case reserving, claim processing and underwriting operational changes for multiple lines of business such as, workers compensation, USL&H, marine, general liability, automobile liability, professional liability, automobile warranty, and property
- Development of state fund workers compensation premium rates and classification relativities, including analysis of loss cost trends, benefit levels, premium discounts, and impact of payroll audits as well as issuance of rate filings
- Workers compensation self-insured and second injury fund assessment review
- Strategic insurance purchasing modeling, including the analysis of alternative insurance purchasing solutions, loss portfolio transfers, and excess of loss reinsurance purchasing strategies
- Analysis of asbestos and environmental exposures
- Specifically, ground-up exposure evaluations, process reviews and performing industry benchmarks for insurance companies, reinsurance companies, and asbestos defendants
- Actuarial analysis in support of Deloitte Consulting LLP statement of actuarial opinions and Deloitte & Touche LLP audit opinions
- Surplus need analysis and feasibility studies on alternative risk financing techniques for the public and private sectors
- Design, development and implementation of exposure data capture system and management reports
- Due diligence for mergers and acquisitions, including insurance valuations and surplus requirements

Relevant Project Experience:

WC State Insurance Funds

Mr. Van Dyke has performed workers compensation consulting services to the Maryland Injured Workers' Insurance Fund (IWIF) since 2000 and has been the actuarial manager handling the day-to-day completion of services for the past six years.

The following details the various consulting projects he has performed for IWIF:

- Annual claim liability reserve analysis for direct business, out-of-state assumed business, and ceded reinsurance business

- Annual state agency claim liability analysis
- Quarterly actual versus expected claim liability evaluations
- Annual review of tabular discount
- Evaluation and determination of premium rates and classification relativities;
- Retrospective review of prior year premium rates
- Review of tort/legislative actions on premium rates and reserves
- Strategic reinsurance purchasing analysis
- Advisement of current year claim liability booking process and surplus needs
- Evaluation of bankrupt self-insured company to assess strain on State guarantee fund

He also has extensive experience with the Ohio Bureau of Workers' Compensation, and worked on the loss reserving and excess insurance/reinsurance portion of that project.

Other Relevant Experience

- Ahold U.S.A.
- Commercial Risk Partners, member of Score Re
- General Re Corporations
- Endurance Specialty Holdings
- Kingsway America
- Metropolitan Auto & Home
- MetLife
- The Hartford Financial Services Group
- Travelers Property & Casualty
- Tyco International
- United Technologies Corporation
- Willis Faber Underwriting Management

Professional Designations:

- Associate Casualty Actuarial Society,
- Member, American Academy of Actuaries

Education:

- Muhlenberg College, Allentown, PA; BS Physics and BS Mathematics

Dick Messick

Present Position:

Specialist Leader, Deloitte Consulting LLP, Hartford
Actuarial and Insurance Solutions

Experience:

Mr. Messick is a Specialist Leader in our Hartford, CT, Actuarial & Insurance Solutions practice. He joined the firm in 1990 and has over 21 years of risk management consulting experience, including work performed for workers compensation insurers and state funds.

He has conducted business process reviews of insurance claims and underwriting units, including reviews of claims handling protocols used by TPA's administering personal injury and asbestos coverages. Mr. Messick also has multidisciplinary project management experience related to the privatization of a state run insurance facility. His experience also includes conducting strategic analyses to identify potential business opportunities for insurers and insurance servicing contractors. He has experience in reviewing insurance and risk management programs and organizations including: review and analysis of insurance contracts, risk identification, insurance program development, and mergers and acquisitions.

His experience also includes:

- Acted as the Project Management Office (PMO) lead for a multidisciplinary project related to the privatization of a state run workers compensation insurance facility
- Reviewed the effectiveness of premium audit and safety & loss control functions for a workers' compensation carrier
- Participated in assessments of claims case reserving practices, including evaluations of the MIRA reserving tool
- Conducted business process reviews of insurance company operational units, including claims and underwriting areas
- Assisted in developing a claim file audit protocol and training program for a federal insurance program
- Conducted underwriting and claim file reviews of a government-sponsored primary property insurance program
- Conducted reviews of claims handling protocols used by TPA's administering personal injury and asbestos coverages, including the development of a claim file review database tool used in the determination of TPA compliance
- Conducted a strategic analysis to identify potential business opportunities for an insurance servicing contractor
- Assisted in an insurer system integration project to develop and establish a process and systems infrastructure that was responsive to the insurer's changing needs
- Experience with the functions and duties of the NCCI classification system as they relate to the classification of exposure

Relevant Project Experience:

WC State Insurance Funds:

- BrickStreet Mutual Insurance
- Maryland Injured Workers' Insurance Fund
- New York State Insurance Fund
- Ohio Bureau of Workers' Compensation
- West Virginia Workers Compensation Commission

Other Relevant WC/Insurance Experience:

- City of Chicago
- Connecticut Interlocal Risk Management Agency
- Miami-Dade County Public Schools
- National Flood Insurance Program (NFIP)
- National Council on Compensation Insurance
- Pennsylvania School Boards Association Insurance Trust
- Terrorism Risk Insurance Program (TRIP)
- State of Utah

Professional Activities:

- Member, Society of CPCU
- Published author of articles in various professional journals
- Speaker at the Risk & Insurance Management Society (RIMS) conference

Professional Designations:

- Chartered Property Casualty Underwriter (CPCU)
- Accredited Advisor in Insurance (AAI)
- State of Connecticut Licensed Insurance Advisor

Education:

- Dickinson College, Bachelor's degree

We have many tasks to complete throughout the remainder of 2009. Public employer taxing district (PEC) rates go into effect on January 1, 2010. We are working with various organizations to finalize a structure, based on same approach that went into effect for private employers (PA) this month. We will propose setting the off-balance for all classes to 1.00 and implementing a group break even factor (BEF) that varies by employer type within the PEC manual classes. The PEC segment has a significant population in the individual retrospective rating program, bringing an additional element to the rate structure under development. We have materials in the board packet outlining the elements of this approach.

The PA group rating structure for July 1, 2010 and beyond is under development. We are analyzing two options and have begun discussions with interested parties. The first, which we have named the Group Performance Solution, would determine a group employer's rate by applying a group-level discount to the employer's individually rated premium. This allows rates for employers with varying claim experience, but who are otherwise similar, to reflect the individual risk level as well as the collective value brought by group membership. This option has the potential of opening the group program to debit-rated employers, increasing the pool of those who can benefit from working with group sponsors and third-party administrators.

The second option is known as the Continuity approach. It is based on the current method of experience rating the entire group based on its collective experience, but with a reduction in the experience credit for groups that have not been together long. A new group would receive a small portion of the calculated credit and those groups with longer tenures, and who have shared experience over several rating years would earn a greater portion of the experience adjustment. This option will take many years to bring equity without the need for a BEF. Until the experience period reflects the continuous membership of all members of a group we will need to apply a BEF to achieve target premium levels. We expect to bring the details to the Actuarial Committee meeting in August for a first reading, followed by a second reading and possible vote as early as September.

During this July committee meeting we will present the 65% credibility table which we propose for private employers effective July 1, 2010. It is possible that we will not ask for a second reading in August but will do so in September.

Development of the split experience rating plan is well underway. We are analyzing different "split points" which are the thresholds that separate claim costs into primary and excess pieces. First and second readings are planned for the October and November meetings.

We are developing a new approach to homogeneity. Today, employers in the same of the ten current industry groups are considered homogeneous for purposes of group experience and retrospective rating. However, these are very broad segments and challenge the concept of homogeneity. From a perspective of risk measurement, homogeneity means similar claim profiles. That is, homogeneous employers have similar claim frequency and claim severity risk profiles. When employers with similar risk profiles for a group, their experience is more reliable for setting rates. When dissimilar employers, from a risk profile perspective, join together, they may appear large in size but do not present greater reliability for rate

setting. We will provide the results of our analysis and a proposal for homogeneity at the August committee meeting.

Now that July 1 has passed and we have successfully implemented rates for private employer and for state agencies, the dedication of our staff deserves recognition. We have brought many monumental changes to the BWC and staff has risen to the occasion. At the same time they have kept the wheels turning on all the standard processes we must carry out each year. While I see the Actuarial Division staff hard at work, many others throughout BWC are critical to our success, including those in IT, Employer Services, Communications, Fiscal and Legal.

We will introduce the team from Deloitte Consulting LLP during this meeting. Resumes of the consultants are included in the board materials.

Our recruiting efforts for actuarial staff are progressing well. We hope to be able to announce a new hire very soon.

Further details and current timelines for our various projects follow.

Comprehensive Plan Implementation

1. Communications/Group Structure and Governance Team

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

- 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.
- Meetings and discussion are underway to develop a sustainable group rating program for 2010 and beyond.

2. Capping/Split Plan Team

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

- Oliver Wyman continues to model information on Public Employer Taxing Districts. The results from this modeling will be presented at the July 30, 2009 Actuarial committee meeting.

- Modeling has started on the split plan parameters. The split plan will be implemented July 1, 2011.
- The BWC along with Oliver Wyman is reviewing and modeling two options for group ratings. The first option is based on an employer’s individual EM with a discount applied based upon the criteria of the employer and group. The second option is based upon continuity which is a measurement of a percentage of employers that have stayed together over a period of time.

3. New Products

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

- Additional products are being reviewed for development including an individual retrospective rating program, and a large deductible program. It is anticipated that new programs will be presented to the board in the fall.

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	Completed

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

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

Actuarial Consultant Contract

- Deloitte Consulting, LLP is finalizing their contract with the BWC to begin working with the BWC on July 24, 2009.
- Representatives from Deloitte will present information for the July 30, 2009 Actuarial Committee meeting.

Comprehensive Study Implementation

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

12 - Month Actuarial Committee Calendar

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 - first reading	
	5. Sponsorship marketing Rule 4123-17-61.1 - second reading - possible vote	
	6. Introduction of Actuarial Consultant	
Date	August 2009	Notes
8/27/2009	1. Reserve Audit update	
	2. MIRA 2 - update	
	3. Public Employer Taxing Districts rate change - 1 st reading	
Date	September 2009	Notes
9/24/2009	1. Public Employer Taxing Districts rate change - 2nd reading	
	2. Comprehensive rate reform rules presentation - 1 st reading	
	3. First report from actuarial consultants	
	4. Projected Reserves as of 6/30/09	
Date	October 2009	Notes
10/29/2009	1. Charter changes	
	2. PEC Base Rates and Expected loss rates Rule 4123-17-33 and 4123-17-34 - 1 st reading	
	3. Split plan - 1 st reading	
	4. Comprehensive Rate reform rules presentation - 2 nd possible vote	
	5. Group Retrospective Rating update	
	6. Drug Free Work Place and Premium Discount Program updates	
	7.	
Date	November 2009	Notes
11/19/2009	1. Split plan - 2 nd reading	
	2. PEC Base Rates and Expected loss rates Rule 4123-17-33 and 4123-17-34 - 2nd reading	
	3. Annuity Table - Rule 4123-17-60 - possible change based on discount rate	
Date	December 2009	Notes
12/16/2009		
Date	January 2010	Notes
1/28/2010		
Date	February 2010	Notes
2/25/2010	1 Quarterly reserve update as of 12/31/09	

12 - Month Actuarial Committee Calendar

Date	March 2010	Notes
3/25/2010	1. Public Employer rate change indication - 1 st reading	
	2. PES Rate indication - 1 st reading	
	3.	
Date	April 2010	Notes
4/29/2010	1. Public Employer rate change indication - 2 nd reading	
	2. PES Rate indication - 2 nd reading	
	3. Ancillary fund rates and SI assessments - 1st reading	
Date	May 2010	Notes
5/27/2010	1. Ancillary fund rates and SI assessments - 2nd reading	
	2. Quarterly reserve update as of 3/31/10	
	3. Admin Cost Fund - 1 st reading	
Date	June 2010	Notes
6/17/2010	1. Admin Cost Fund - 2 nd reading - possible vote	
	2.	
	3.	