Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-37

Employer Contribution to Safety and Hygiene Fund Update

Rule Review

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

   Citation: __R.C. 4121.37 and 4123.34 ___

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

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

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

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

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

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

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

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

   Explain: _____N/A Rate Rule________________________________

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

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

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

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

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

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

Board of Directors
Executive Summary

Public Employer Taxing District Safety and Hygiene Rate

Background Information

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

Executive summary

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

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

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

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

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

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

Ohio | **Bureau of Workers' Compensation**
30 W. Spring St.
Columbus, OH 43215-2256

Governor **Ted Strickland**
Administrator **Marsha P. Ryan**
ohiobwc.com
1-800-OHIOBWC

To: Marsha Ryan, Administrator
From: John Pedrick, FCAS, MAAA, Chief Actuarial Officer
Date: August 14, 2009
Subject: Public Employer Taxing District Rate Recommendation - 2010

I have reviewed the calculations and results in the attached "Rate Indications for Public Employer – Taxing Districts" (PECs) submitted by our actuarial consultant, Oliver Wyman (OW), and recommend the BWC implement an overall rate change of -17.0% for the policy year beginning January 1, 2010 and ending December 31, 2010.

While OW has presented the results of six different scenarios, I base this recommendation on two of them that produce a range of reasonable changes from -13.9% to -21.5%. The first is the result of a conservative cost trend assumption and an interest rate of 4.0%. The second incorporates a central trend assumption ("baseline") with an interest rate of 4.5%. This range of changes, as well as my recommendation, balances the need to be responsive to the underlying cost trends, to reflect investment returns that can be expected over the long term, and to avoid unnecessary swings in rates from year to year. It is narrower than the range suggested by OW (-17.4% to -25.5%).

A decrease of 17.0% is close to the central ("baseline") indicated change using an interest rate of 4.0%. As such, it is likely to match premium with costs and to not have a significant impact on the size of our Net Asset.

The overall rate change will be spread to the rate classes used by PECs based on the experience in the classes, so some policyholders will see an increase in premium while others will see a decrease. The average of these changes will be -17.0%, based on the most recent payroll figures. Further details by classes will follow as we run this overall change through our rating system.

Discussion:

BWC is charged with setting rates that are the minimum necessary to meet the costs of providing workers' compensation insurance. Actuarial ratemaking principles are consistent with this mandate:

> *"A rate is reasonable and not excessive, inadequate, or unfairly discriminatory if it is an actuarially sound estimate of the expected value of all future costs associated with an individual risk transfer.[1]"*

Oliver Wyman's actuarial calculations use compensation and compensation expense per $100 of payroll, known as pure premium, for policy years 2002 through 2008 to estimate the costs we will incur for policy year 2010. The estimates result from projections of cost trends to policy year 2010, and assumptions regarding the investment income that can be expected throughout the ensuing decades as payments are made for claims incurred during policy year 2010. The calculations are based on reasonable and appropriate actuarial methods and produce actuarially sound estimates of future costs.

In this report, OW has analyzed six scenarios, or sets of assumptions. Three scenarios used an interest rate of 4.5%, while the other three used an interest rate of 4.0%. Compensation and Compensation Adjustment Expenses were discounted to policy year 2010, using these interest rates. The scenarios used by OW are summarized in the following table. The scenarios I believe are most appropriate are in boldface.

Indicated Changes to PEC Rates		
Scenario	4.5% Interest Rate	4.0% Interest Rate
Optimistic (Low)	-25.5%	-22.4%
Baseline (Central)	**-21.5%**	**-18.2%**

[1] Statement of Principles Regarding Property and Casualty Insurance Ratemaking, Casualty Actuarial Society.

Conservative (High)	-17.4%	**-13.9%**

These six scenarios demonstrate the significant role played by the underlying interest rate, as demonstrated in the two baseline cases. A drop of 0.5% in interest rate increases the indication by 3.0%. Since we are setting rates for policy year 2010, premium will be due in 2011, and claims will be paid over several decades, a conservative decision today will help to avoid the possibility of underestimating long-term costs which would put downward pressure on Net Assets.

I have also considered the past rate changes implemented for PECs, shown below. In light of the no change for 2008, followed by a decrease of 5.0% in 2009, an overall decrease of 17.0% will maintain a conservative level of premium, providing economic relief to many taxing authorities.

Policy Year	Change
1998	-10.0%
1999	-10.0%
2000	0.0%
2001	3.7%
2002	6.4%
2003	12.1%
2004	2.0%
2005	2.0%
2006	-1.0%
2007	3.2%
2008	0.0%
2009	-5.0%
2010	**-17.0%**

Ohio | Bureau of Workers' Compensation
30 W. Spring St.
Columbus, OH 43215-2256

Governor **Ted Strickland**
Administrator **Marsha P. Ryan**
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1-800-OHIOBWC

To: Charles A. Bryan, Chair, Actuarial Committee
CC: Marsha Ryan, Administrator
From: John Pedrick, FCAS, MAAA, Chief Actuarial Officer
Date: August 25, 2009
Subject: Public Employer Taxing District Rate Recommendation – 2010 – Addendum

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Since my memo dated August 14, 2009, we have received an updated analysis from Oliver Wyman. This revision will be distributed to Board members on the day of the Actuarial Committee meeting, August 27, and reflects a revision to the provision in rates that reflects the Health Partnership Program (HPP). This correction raises the indicated change slightly. However, this does not change the recommendation of an overall rate level decrease of 17.0%.

The table below shows the revised indications with baseline, optimistic and conservative levels, as well as two discount rates, 4.5% and 4.0%.

Indicated Changes to PEC Rates		
Scenario	4.5% Interest Rate	4.0% Interest Rate
Optimistic (Low)	-24.0%	-20.8%
Baseline (Central)	-19.8%	-16.4%
Conservative (High)	-15.7%	-12.1%
Proposed Change	-17.0%	

Board of Directors

Executive Summary

Public Employer Taxing District Overall Rate Change Indication

Introduction

Public Employer Taxing Districts include all non-state government entities in Ohio. There are approximately 3,800 cities, counties, townships, villages, schools and special districts.

Background Information

The policy year for the taxing districts' rates that are currently being calculated is January 1, 2010, through December 31, 2010. The premium will be due to the BWC in May and September 2011.

Manual classification base rates for taxing districts must be filed with the Legislative Services Commission and the Secretary of State by December 20, 2009, ten days prior to the effective date of January 1, 2010. Letters informing the taxing districts of their premium rates will be created and mailed by January 1, 2010.

The BWC Administrator recommends a premium rate level to the Workers' Compensation Board of Directors (WCB). The WCB provides its advice and consent at the September meeting. In November, the Administrator will present two rate rules for approval by the WCB using the change in premium rate level that the WCB adopted in September. These rules will contain the calculated base rates for all manual classifications assigned to taxing districts. (The Actuarial Division will calculate these base rates in September and October.)

Executive summary

The Administrator is recommending a 17.0% rate decrease for the policy year beginning January 1, 2010.

The overall rate level change affects employers differently. A base or average rate is calculated for each manual classification. These rates result in an overall rate level that is the required change from last year at the aggregate level. However, some manual classifications may have rate changes that are smaller or larger than the rate change indication presented today. In addition, many employers are experience rated. For these employers, their individual loss data are used to help determine the individual rates they must pay.

Past Rate Changes:

Policy Year	Percent Change
1-1-2003	12.1% increase
1-1-2004	2.0% increase
1-1-2005	2.0% increase
1-1-2006	1.0% decrease
1-1-2007	3.2% increase
1-1-2008	No change
1-1-2009	5.0% decrease

Preliminary 2009-2010 PEC Base Rate Comparison

Industry	Manual	Description	2009 Base Rate	2010 Preliminary Base Rate *	Preliminary Percent Difference
1	9430	County employees	2.28	1.86	-18%
2	9431	City employees	4.51	3.60	-20%
3	9432	Village employees	6.29	3.19	-49%
4	9433	Township employees	5.32	3.02	-43%
5	9434	Local school districts	1.07	0.85	-21%
5	9435	Public libraries	1.07	0.85	-21%
5	9436	Special public universities	1.07	0.85	-21%
5	9437	Joint vocational schools	1.07	0.85	-21%
6	9438	Public work-relief Employees - general relief paid from a county welfare department in exchange for work.	0.65	0.85	30%
7	9439	Public employer emergency services organizations: contract coverage	48.42	22.42	-54%
8	9440	Public hospitals	2.2	1.28	-42%
8	9441	Special public institutions	2.2	1.28	-42%
20	9442	Public transit authorities	4.65	3.34	-28%
22	9443	Special public authorities	4.21	3.45	-18%

* These base rates are preliminary. The final base rates will be presented to the Actuarial Committee at the October, 2009 meeting.

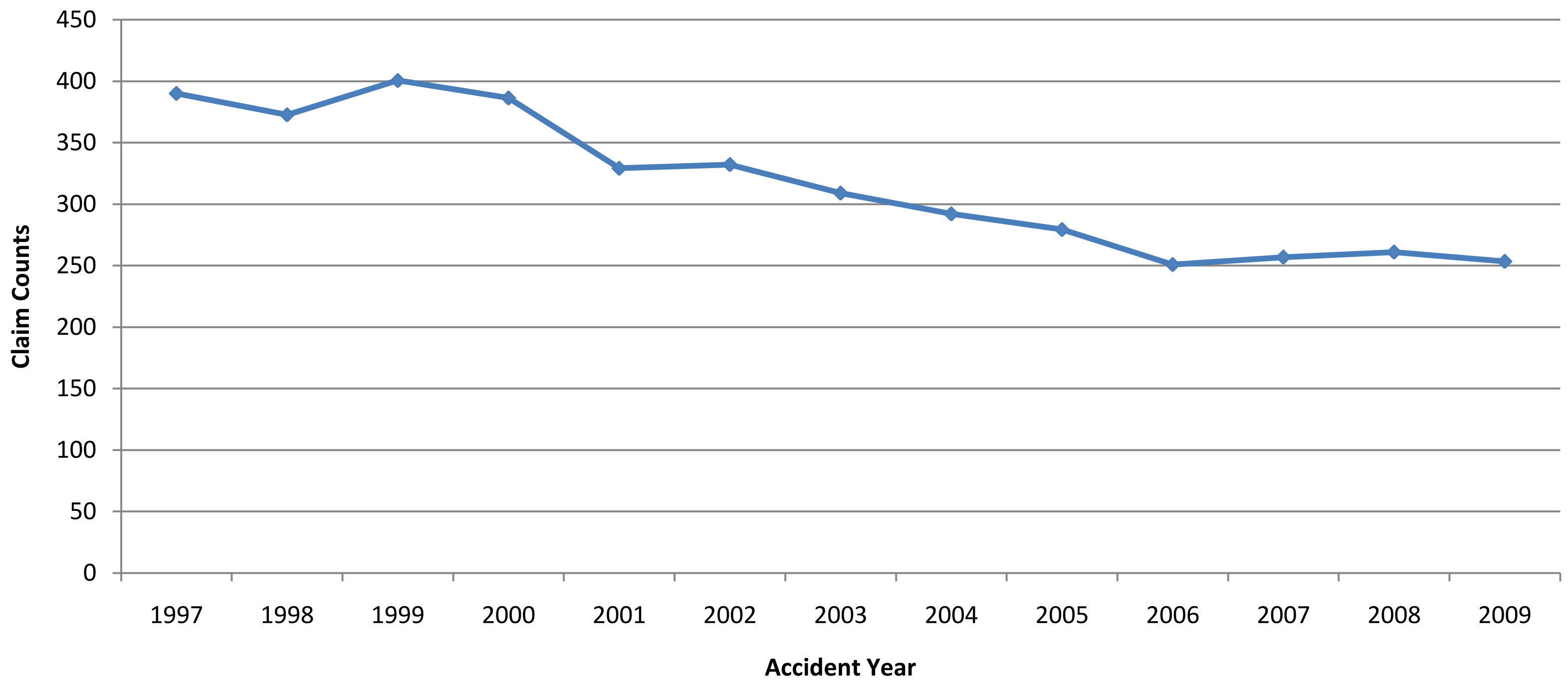
Rate Reform for Public Employer – Taxing Districts

Thursday, September 24, 2009

Rate level indication

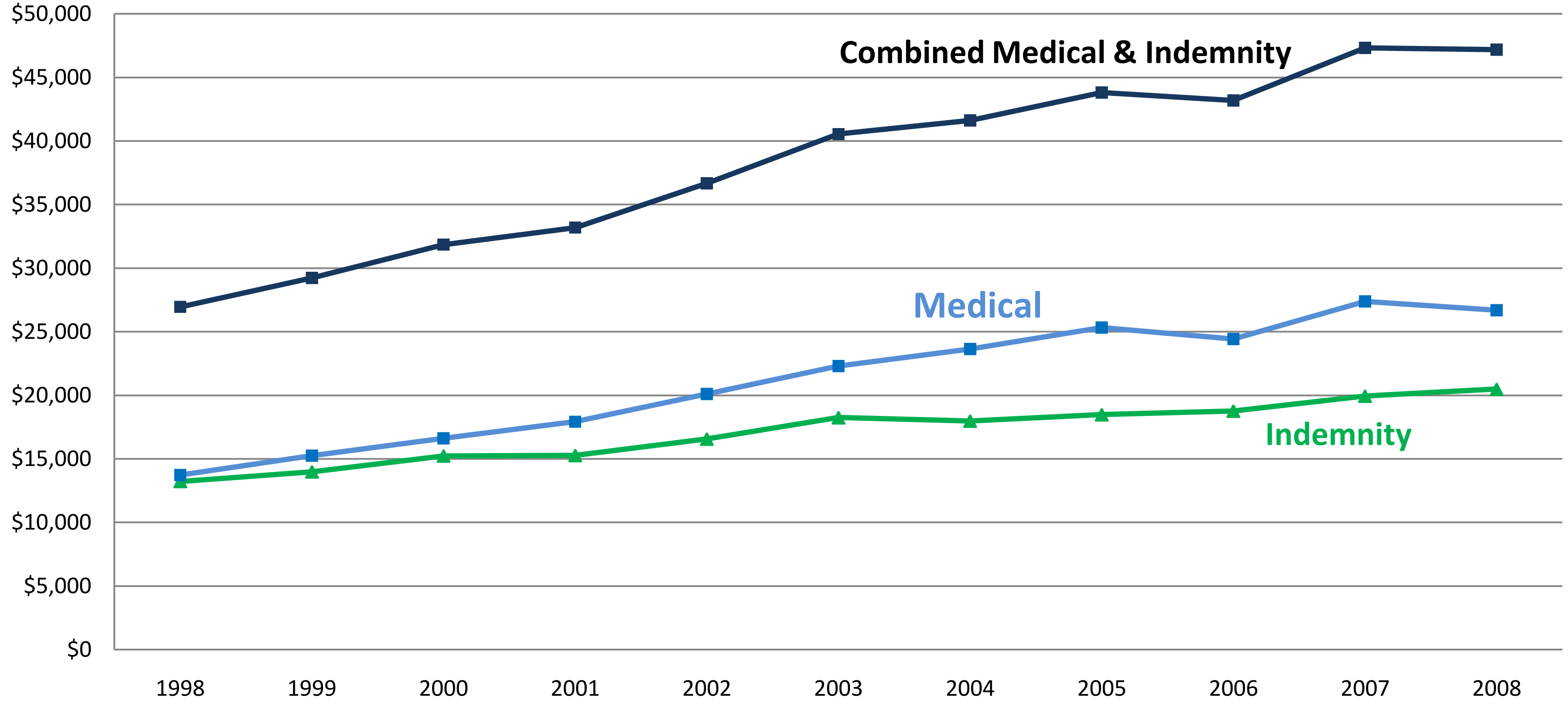
- The Administrator and staff recommend an overall premium **decrease of 17 percent.**
- Non-group employers will benefit from the full rate reduction, while a rate reduction for group-experience rated employers will be limited by the break-even factor (BEF).

Number of PEC Claims Per $1 Million of Payroll



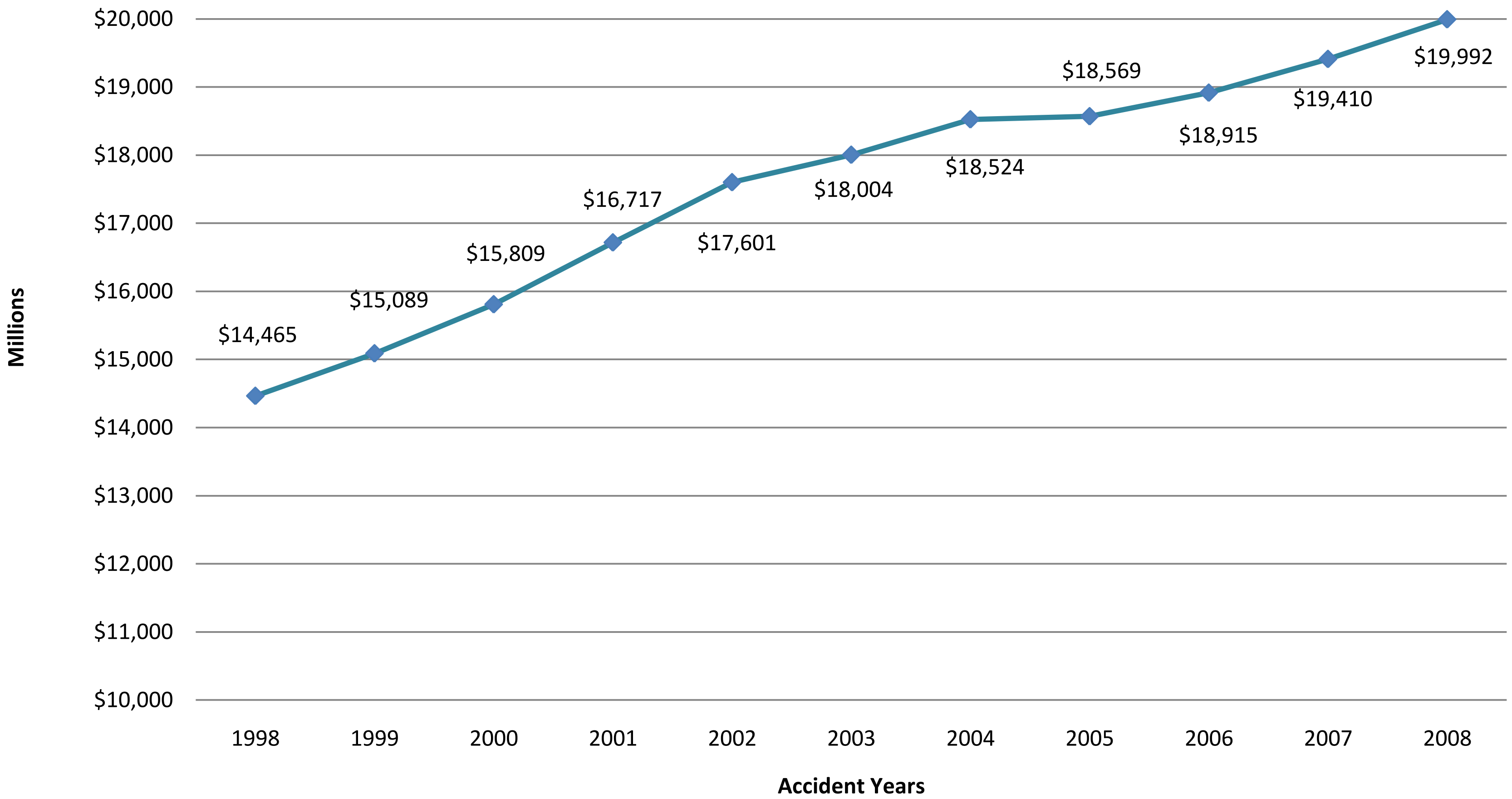
Data from the Actuarial Audit as of 6/30/2009

Discounted Average Claim Cost per Ultimate PEC Lost Time Claim



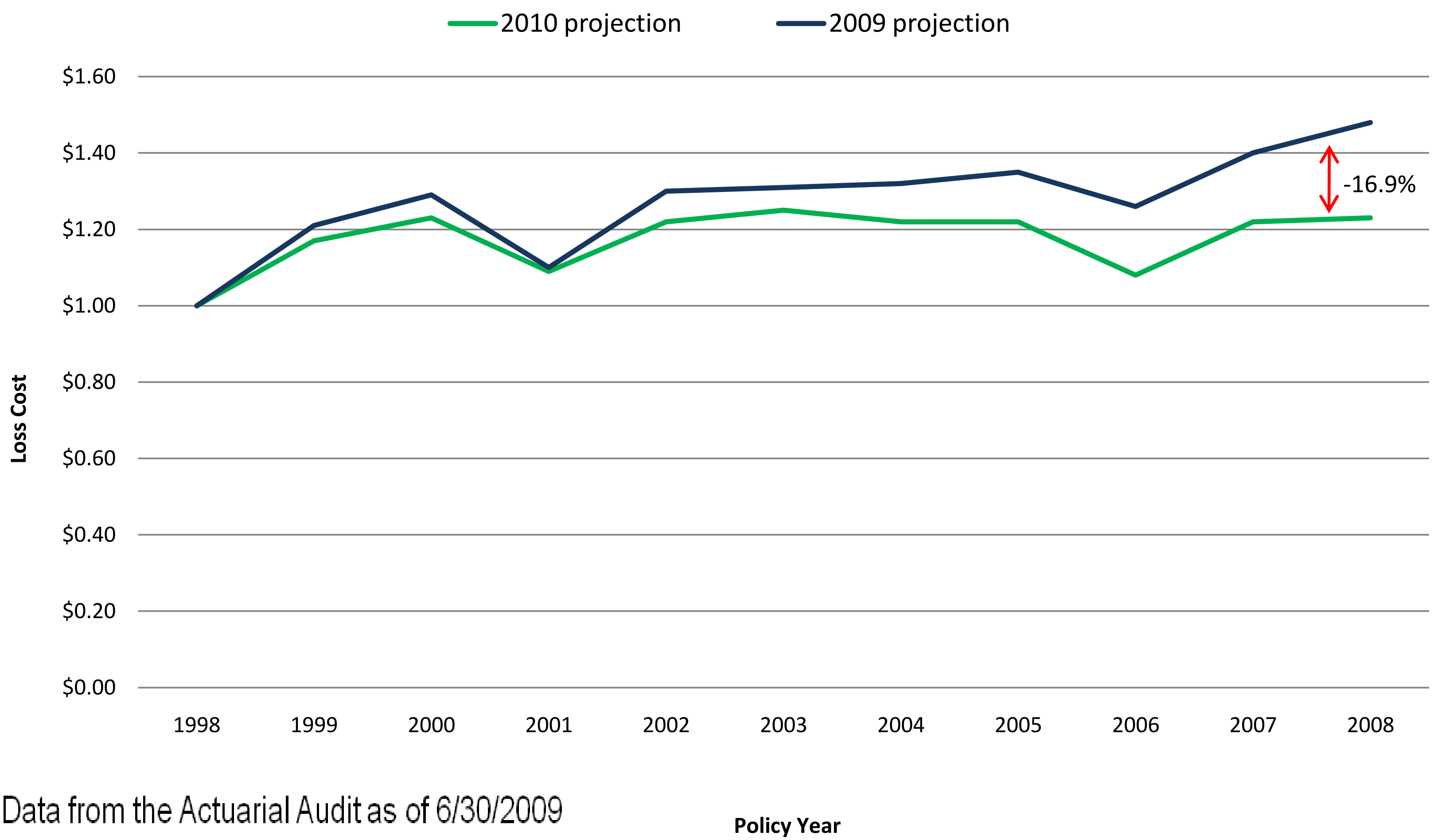
Data from the Actuarial Audit as of 6/30/2009

PEC Payroll Trends



Data from the Actuarial Audit as of 6/30/2009

PEC Loss Costs per $100 of Payroll



Data from the Actuarial Audit as of 6/30/2009

Achieving rate equity

- Unified Off-balance factor of 1.01
- Credibility table change to maximum credit of 77%
- Group Breakeven factor by EM ranges

Standard off-balance factor

Industry	Current off-balance	Proposed
1 (Counties)	1.020	1.01
2 (Cities)	1.011	1.01
3 (Villages)	1.693	1.01
4 (Townships)	1.447	1.01
5 (Schools)	1.079	1.01
6 (PWRE)	1.079	1.01
7 (Contract Coverage)	1.687	1.01
8 (Hospitals)	1.294	1.01
20 (Transit authorities)	0.998	1.01
22 (Special districts)	1.328	1.01

Achieving rate equity

- Apply break-even factors (BEF) by discount level to improve equity and allow group formation at all levels
  - Highest BEF: 1.270 at 0.230 (effective EM of 0.292)
  - Lowest BEF: 1.004 at 0.990 (effective EM of 0.994)

Impact of rate reform changes

Segment	Projected Premium for 2009	Target Premium for 2010	Percent Change
Non-group	$109.2M	$82.4 M	-24.6%
Group	$99.7M	$95.0 M	-4.7%
Retro	$89.8 M	$70.6 M	-21.3%
TOTALS	$298.7M	$248.0 M	-17.0%

Projected non-group and retro premium impacts

Industry	Projected reduction
1 (Counties)	-19 percent
2 (Cities)	-16 percent
3 (Villages)	-49 percent
4 (Townships)	-49 percent
5 (Schools)	-22 percent
6 (PWRE)	30 percent
7 (Contract Coverage)	-23 percent
8 (Hospitals)	-35 percent
20 (Transit authorities)	-27 percent
22 (Special districts)	-17 percent

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

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

Appendix A of Rule 4123-17-64.2

Stratified Break Even Factors

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

Public Employer Taxing District Historical Rate Change

Policy Year	Oliver Wyman Recommendation Range (%)			Approved Rate Change
	Reasonable Expectation Optimistic	**Baseline**	**Reasonable Expectation Conservative**	
1-1-2010 at 4.5%	-24.0	-19.8	-15.7	-17.0 (proposed)
1-1-2010 at 4.0%	-20.8	-16.4	-12.1	-17.0 (proposed)
1-1-2009 at 5.0%	-19.7	-14.0	-8.2	-5.0
1-1-2009 at 4.0%	-11.4	-5.0	+1.4	-5.0
1-1-2008 at 5.0%	-11.1	-8.6	-1.8	0
1-1-2008 at 4.0%	-0.5	+2.4	+8.7	0
1-1-2007 **	-0.6	+3.2	+7.5	+3.2
1-1-2006	-3.5	-0.7	+2.0	+1.0
1-1-2005*	+2.0	+4.9	+7.8	+2.0
1-1-2004	0	+2.5	+5.4	+2.0
1-1-2003*	+8.5	+24.3	+25.3	+12.1
1-1-2002*	+6.4	+17.5	+24.2	+6.4
1-1-2001	-2.9	+9.2	+15.0	+3.7
1-1-2000	-2.4	+6.0	+13.5	0
	Status Quo	**Reasonable Expectation**	**Optimistic – Further Improvement**	**Approved Rate Change**
1-1-1999***	6.5 % -4.0 6.0 % +2.1	-10.0 -4.4	-15.8 -10.6	-10.0
1-1-1998***	-5.5	-11.3	-16.8	-10.0

* Included alternate scenario of 0 %.

** Included an additional Baseline of +6.1 at 5.0 % interest rate. All other recommendations at 5.25 % interest rate.

*** Excludes conservative estimate.

Common Sense Business Regulation (BWC Rules)

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

Rules 4123-17-42 and 4123-17-42.1

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): Adapts retrospective rating rule to the financial structure of public employers.

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

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

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

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

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

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

   The following external stakeholders were contacted for input:

   1. The Ohio Municipal League
   2. The Ohio School Board Association
   3. The Ohio Association of School Business Officials
   4. The County Commissioners' Association of Ohio
   5. The City of Cleveland
   6. Hamilton County
   7. Cleveland City Schools

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

Proposed Retrospective Rating Rule Amendments

Introduction
Ohio Administrative Code (OAC) 4123-17-42 currently provides a “one size fits all” retrospective rating program for both public and private employers. The proposed rule change would bifurcate the retrospective rating rule so that public employers would be subject to program criteria more suited to their financial structure.

Background Law
Ohio Revised Code (R.C.) 4123.29 requires that the administrator, subject to the approval of the board of directors, “shall…[d]evelop and make available to employers who are paying premiums to the state insurance fund alternative premium plans. Alternative premium plans shall include retrospective rating plans.” Ohio Revised Code 119.01 provides that rules adopted by the bureau pursuant to R.C. 4123.29 are not subject to review by the Joint Committee on Agency Rules Review (JCARR). The proposed OAC 4123-17-42 and 4123-17-42.1, if adopted, will be promulgated pursuant to the authority of the administrator and the board under R.C. 4123.29. Therefore, the rules changes recommended will not require JCARR review.

Executive summary
The bureau recommends that the OAC 4123-17-42.1 be adopted to offer a retrospective rating program to public employers which is tailored to their unique financial structure and needs. The currently existing OAC 4123-17-42 provides a retrospective rating plan that is oriented primarily to the private sector. For example, the bureau is required under the current rule to consider the employer’s trend of operating profit for a minimum of three years; the employer’s trend of net income for a minimum of five years; the employer’s consistent return on equity; the total liability/ equity ratio; and the employer’s retained earnings trend.

The proposed OAC 4123-17-42.1 eliminates these considerations and incorporates requirements which are more suited to the public sector. For example, the proposed OAC 4123-17-42.1 requires that a public employer cannot be under financial watch or emergency as those terms are defined by the Ohio Revised Code if it expects to participate in Tier I of the retrospective rating program. (Tier I of the retrospective rating program is the most advantageous for the employer and carries the greatest risk for the bureau). Further, under the proposed rule, public employers may be accepted into Tier II of the retrospective rating program if they provide audited financial statements prepared in accordance with GAAP (generally accepted accounting principles) or other comprehensive basis of accounting as permitted by auditor of state bulletin 2005-002 . The current rule allows only financial statements prepared in accordance GAAP.

External Stakeholder Involvement
The bureau is seeking input from the following external stakeholders:

1. The Ohio Municipal League
2. The Ohio School Board Association
3. The Ohio Association of School Business Officials
4. The County Commissioners’ Association of Ohio
5. The City of Cleveland
6. Hamilton County
7. Cleveland City Schools

Based on the foregoing, it is respectfully recommended that the Board adopt the newly constituted OAC 4123-17-42.1 and the amendments proposed to OAC 4123-17-42.

4123-17-42 Eligibility for retrospective rating (Amended)

(A) An employer that is not a public employer as defined in Revised Code 4123.01(B)(1) may be eligible for either the Tier I or Tier II retrospective rating plan depending upon satisfying the eligibility requirements for either the Tier I or Tier II retrospective rating plan as described in this rule.

(B) For both the Tier I and Tier II retrospective rating plans, the employer must satisfy the following requirements:

(1) The employer must be current on any and all undisputed premiums, administrative costs, assessments, fines or moneys otherwise due to any fund administered by the Ohio bureau of workers' compensation, including amounts due for retrospective rating.

(2) The employer cannot have any unpaid, undisputed audit findings or other unpaid billings as of the application deadline.

(3) The employer cannot have cumulative lapses in workers' compensation coverage in excess of fifteen days within the last five rating years.

(4) The employer must be in an active status on the first day of the policy year. The administrator may waive this requirement for new business entities moving into Ohio.

(5) The employer's estimated experience-rated premium for the retrospective rating year must be greater than or equal to the minimum experience-rated premium threshold listed on the "Retrospective Rating Minimum Premium Percentages Table." If estimated premium is less than the minimum experience-rated premium threshold listed on the "Retrospective Rating Minimum Premium Percentages Table," the bureau will reject the application. In the event the estimated experience-rated premium is equal to or greater than the minimum premium threshold but the actual premium is less than the minimum experience-rated premium threshold, the retrospective rating plan remains in effect for that risk and the minimum premium is based on the minimum experience-rated premium threshold multiplied by the appropriate minimum premium percentage for the hazard group and the claim limit/maximum premium percentage selected.

(C) In addition to the requirements of paragraph (B) of this rule, for the Tier I retrospective rating plan, the employer must submit audited financial statements ~~using the~~ prepared in accordance with generally accepted accounting principles (GAAP) to satisfy the following requirements:

(1) The employer must satisfy financial standards demonstrating strength and stability. In reviewing the financial requirements of the employer, the bureau shall consider, but is not limited to, the following criteria, as applicable:

(a) The employer's trend of operating profit for a minimum of three years.

(b) The employer's trend of net income for a minimum of five years.

(c) The employer's consistent return on equity, of ten per cent or better.

(d) Significant asset size of the employer in the state of Ohio.

(e) A total liabilities/equity ratio of no greater than four to one.

(f) The employer's debt structure, including current versus long term debt, recent drastic changes in debt, etc.

(g) The employer's retained earnings trend.

(h) Whether the employer has significant fluctuations in specific balance sheet numbers from one year to the next.

(I) The employer's bond rating.

(2) The employer shall demonstrate that if it sustains a catastrophic or severe workers' compensation loss, it has the ability to maintain its financial viability and to cover all costs of the retrospective rating plan through closure.

(3) The employer shall maintain a safety program approved by the bureau's division of safety and hygiene.

(4) The employer cannot have entered into a part-pay agreement for payment of assessments due the state insurance fund for the past three rating years preceding the beginning date of the retrospective policy year.

(D) In addition to the requirements of paragraph (B) of this rule, for the Tier II retrospective rating plan, the employer must submit audited financial statements ~~using the~~ prepared in accordance with generally accepted accounting principles (GAAP) to satisfy the following requirements:

(1) For an employer that does not demonstrate the ability to satisfy the financial criteria of paragraph (C)(1) of this rule, the employer must demonstrate the ability to sustain losses that are at the maximum claim limit for the retrospective rating plan and still maintain its financial viability.

(2) Within one year of entering a retrospective rating plan, the employer must implement the bureau's ten step business plan for safety as defined in rule 4123-17-70 of the Administrative Code. The employer must agree to meet quarterly with a bureau representative to discuss the retrospective rating program and to discuss risk management strategies that other employers are successfully using to control their workers' compensation costs.

~~(E) An employer participating in a retrospective rating plan prior to July 1, 1997, shall operate under the requirements of the Tier II retrospective rating plan, but the bureau shall calculate the employer's premiums in accordance with the tables for a Tier I retrospective rating plan.~~

HISTORY: Eff 7-1-88; 10-2-90; 7-1-97; 10-10-01

Rule promulgated under: RC 111.15

Rule authorized by: RC 4121.12, 4121.121

Rule amplifies: RC 4123.29, 4123.34

4123-17-42.1 Eligibility for retrospective rating – Public Employer (New)

(A) A public employer as defined by Revised Code 4123.01(B)(1) may be eligible for either the Tier I or Tier II retrospective rating plan depending upon satisfying the eligibility requirements for either the Tier I or Tier II retrospective rating plan as described in this rule.

(B) For both the Tier I and Tier II retrospective rating plans, the public employer must satisfy the following requirements:

(1) The public employer must be current on any and all undisputed premiums, administrative costs, assessments, fines or moneys otherwise due to any fund administered by the Ohio bureau of workers' compensation, including amounts due for retrospective rating.

(2) The public employer cannot have any unpaid, undisputed audit findings or other unpaid billings as of the application deadline.

(3) The public employer cannot have cumulative lapses in workers' compensation coverage in excess of fifteen days within the last five rating years.

(4) The public employer must be in an active status on the first day of the policy year.

(5) The employer's estimated experience-rated premium for the retrospective rating year must be greater than or equal to the minimum experience-rated premium threshold listed on the "Retrospective Rating Minimum Premium Percentages Table." If estimated premium is less than the minimum experience-rated premium threshold listed on the "Retrospective Rating Minimum Premium Percentages Table," the bureau will reject the application. In the event the estimated experience-rated premium is equal to or greater than the minimum premium threshold but the actual premium is less than the minimum experience-rated premium threshold, the retrospective rating plan remains in effect for that risk and the minimum premium is based on the minimum experience-rated premium threshold multiplied by the appropriate minimum premium percentage for the hazard group and the claim limit/maximum premium percentage selected.

(C) In addition to the requirements of paragraph (B) of this rule, for the Tier I retrospective rating plan, the public employer must submit audited or reviewed financial statements prepared in accordance with generally accepted accounting principles (GAAP) to satisfy the following requirements:

(1) The public employer must satisfy financial standards demonstrating strength and stability. In reviewing the financial requirements of the public employer, the bureau shall consider, but is not limited to, the following criteria, as applicable:

(a) Significant asset size of the public employer in the state of Ohio.

(b) The public employer's debt structure, including current versus long term debt, recent drastic changes in debt, etc.

(c) Whether the public employer has significant fluctuations in amounts reported on the balance sheet and statement of operations from one year to the next.

(d) The public employer's underlying or uninsured bond rating.

(2) The public employer shall demonstrate that if it sustains a catastrophic or severe workers' compensation loss, it has the ability to maintain its financial viability and to cover all costs of the retrospective rating plan through closure.

(3) The public employer shall maintain a safety program approved by the bureau's division of safety and hygiene.

(4) The public employer cannot have entered into a part-pay agreement for payment of assessments due the state insurance fund for the past three rating years preceding the beginning date of the retrospective policy year.

(5) The public employer cannot be under fiscal watch or emergency pursuant to Revised Code 118.022, 118.04 or 3316.03 as of the application deadline for retrospective rating.

(D) In addition to the requirements of paragraph (B) of this rule, for the Tier II retrospective rating plan, the public employer must submit audited or reviewed financial statements prepared in accordance with GAAP or other comprehensive basis of accounting as permitted in Ohio auditor of state bulletin 2005-002. For purposes of this rule, GAAP financial statements are preferred. These financial statements must provide information that satisfies the following requirements:

(1) For a public employer that does not demonstrate the ability to satisfy the financial criteria of paragraph (C) of this rule, the public employer must demonstrate the ability to sustain losses that are at the maximum claim limit for the retrospective rating plan and still maintain its financial viability.

(2) Within one year of entering a retrospective rating plan, the public employer must implement the bureau's ten step business plan for safety as defined in rule 4123-17-70 of the Administrative Code. The public employer must agree to meet quarterly with a bureau representative to discuss the retrospective rating program and to discuss risk management strategies that other public employers are successfully using to control their workers' compensation costs.

HISTORY: Eff 7-1-88; 10-2-90; 7-1-97; 10-10-01

Rule promulgated under: RC 111.15

Rule authorized by: RC 4121.12, 4121.121

Rule amplifies: RC 4123.29, 4123.34

Line	Rule #	Draft Rule Suggestions	Stakeholder Rationale	BWC Response	Resolution
1	4123-17-42.1 (A) (3)	"The public employer cannot have cumulative lapses in workers' compensation coverage in excess of fifteen days within the last five years"	Several sponsoring organizations indicated the criteria for lapse should be the same as it is for other BWC discount programs (40 days in 12 months).	Lapse criteria for Retro employers should be more stringent.	No Change
2	4123-17-42.1 (C) (5)	"The public employer cannot be under fiscal watch or emergency…"	One sponsoring association commented that the rule should allow BWC fair discretion to consider allowing a public employer to participate in retrospective rating if they have submitted or are planning to submit a fiscal recovery plan	PECs under fiscal watch or emergency may still be eligible for Tier 2.	No Change
3	4123-17-42.1 (C) (4)	"The public employer cannot have entered into a part-pay agreement for payment of assessments due to the state insurance fund for the past three years preceding the beginning date of the retrospective policy year."	A public municipality might need to enter into a part-pay agreement due to a tighter budget and the timing of tax receipts and other income sources. One sponsor suggested that having a part-pay agreement would be considered as a factor when evaluating the municipality's application for retrospective rating - not an outright prohibition.	PECs who are in part-pay agreements may still be eligible for Tier 2.	No Change

Line	Rule #	Draft Rule Suggestions	Stakeholder Rationale	BWC Response	Resolution
4	4123-17-42.1 (B) (2)	"The public employer cannot have any unpaid audit findings or other unpaid billings as of the application deadline."	One PEC suggested that disputed audit findings should be treated the same as disputed billing, assessments, etc… in paragraph B (1).	Agree with suggested change.	Rules 4123-17-42 and Rule 4123-17-42.1 both changed.
5	4123-17-42.1 (C) (1) (b)	The public employer's debt structure, including current versus long term debt, recent drastic changes in debt, etc."	One PEC suggested modification to "recent drastic changes in additional debt concurrent with drastic decreasing revenues",	This is only one financial underwriting consideration and BWC will review debt changes in tandem with other financial indicators.	No Change
6	4123-17-42.1 (C) (3)	"The public employer shall maintain a safety program approved by the bureau's division of safety and hygiene"	One PEC suggested that this was already required by PERRP and another PEC wanted definition of "approved."	PERRP does not stipulate specific safety programs and BWC will evaluate each plan based on the unique needs of that PEC.	No Change
7	4123-17-42.1 (D)	"In addition to the requirement of paragraph (B) of this rule, for the Tier II retrospective rating plan, the public employer must submit audited financial statements prepared in accordance with GAAP….."	One PEC suggested BWC include the verbiage "or reviewed" following, "...the public employer must submit audited..."	Agree with suggested change for PEC retro employers.	Rule 4123-17-42.1 changed.

Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-05.1

Rule Review

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

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

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

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

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

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

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

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

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

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

   Explain: Third party administrators; employer trade associations.

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

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

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

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

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

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

EXECUTIVE SUMMARY

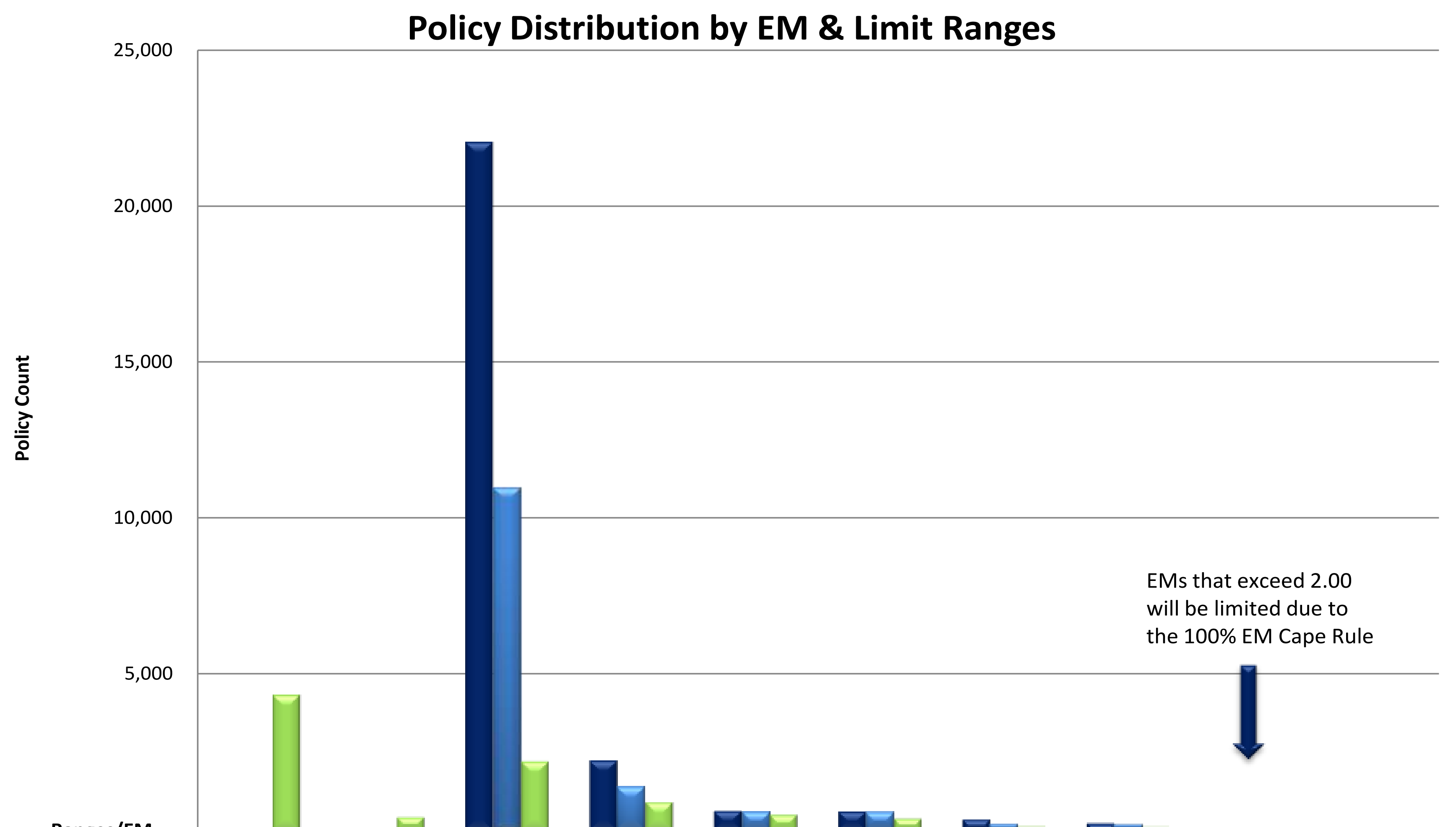
RATE RECOMMENDATIONS
PRIVATE EMPLOYERS
7/1/2010
Rule 4123-17-05.1 Private employers credibility table used for experience rating

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

In addition, the BWC has added three new levels of credibility groupings at the lower end for employers who were individually base rated in the past. The new levels are at the top of the credibility table chart in the rule on page 4. This change allows those employers with expected losses between $2,000 and $7,999 to be experience rated. This range is segregated into the top three rows with ranges of $2,000 each. The projected increase in individually experience rated employers at the various levels is shown in the table below.

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

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



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

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

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

Effective: 07/01/2010

____
Certification

____
Date

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

TABLE 1

PART A

Credibility and Claim Maximum Value of a Loss

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

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

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

Common Sense Business Regulation (BWC Rules)

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

Rules 4123-17-64.1

Rule Review

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

   Citation: R.C. 4123.29, 4123.34

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

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

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

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

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

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

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

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

   Explain: Third Party Administrators, group rating sponsors

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

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

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

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

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

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

Executive Summary

Private Employer Break-Even Factor

Introduction

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

Background Information

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

Executive summary

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

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

Private Employer Break-Even Factors

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

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

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

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

Appendix A of Rule 4123-17-64.1

Private Employer Break-even Factors

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

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

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

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 prevent sponsors from offering employers a discount that exceeds the combined effect of the lowest possible experience modifier and its associated break-even factor, which is the maximum effective discount possible to employers seeking to join a group-experience rating plan for the July 1, 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 participated in a process to revise the sponsorship rules when changed earlier in 2009. They also recently suggested that additional language address the combination of experience modification and the break-even factors.

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

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 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 used pre-existing sponsorship certification criteria and expanded it to include disclosure of additional information to establish an ongoing re-certification process. BWC amended OAC 4123-17.61.1 in June to consider sponsor marketing activities as a criterion for a sponsor maintaining or receiving its certification. This modification allowed 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.

Executive summary
When the marketing rule was approved by the board in June, the intent was to restrict the marketing of discounts for the group-experience rating program before the credibility table and any break-even factors could be established. Now that those structures have been identified and presented, based on input from sponsors, BWC would like to modify the rule to prohibit any sponsor or affiliated organization from marketing a maximum discount that exceeds the combined result of the lowest experience modifier and its associated break even factor. This is the maximum effective discount that can be achieved.

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~~ offer a discount to an employer ~~relating to the process of forming groups under~~ either seeking to participate in the a group-experience rating plan that exceeds the combined result of the lowest experience modifier and its associated break-even factor for the July 1, 2010, policy year. Those parties also may not ~~or~~ provide marketing material that is either false or unattainable relating to the process of forming groups under the 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 when combining the lowest experience modifier and its associated ~~discount established by the credibility table~~ break-even factors 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 ~~with~~ 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/Suggestions	BWC Response	Resolution
1	4123.17-61.1 (K) AND 4123-17-61.1 (K) (1) (c) (i)	"A sponsoring organization…may not provide marketing materials that are either false or unattainable."	BWC should modify this rule to reflect the maximum obtainable discount that an employer may receive for the 7/1/10 policy year. This factor would include the combination of the maximum discount afforded by the credibility table and the corresponding break-even factor. By making this change, it would ensure that sponsors and their affiliated organizations include both factors when marketing for group-experience rating and should help to minimize confusion in the marketplace.	BWC modified the rule accordingly: "A sponsoring association, affiliate, or representative, including, but not limited to, a third-party administrator, broker, or marketer...that exceeds the combined result of the lowest experience modifier and its associated break-even factor for the July 1, 2010, policy year."	BWC consented to the feedback offered by stakeholders.

Actuarial Committee Meeting

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

Thursday, September 24, 2009

Overview

- Review preliminary impacts of July 1, 2009, rate reform proposal
- Provide rate reform plan for July 1, 2010

Rate reform accomplished for July 1, 2009

- The BWC Board has approved the following changes as part of BWC's comprehensive rate reform presentation:
  - Reduced maximum credibility to 77 percent
  - Implemented a stratified break-even factor of 1.311
  - Standardized off-balance factor at 1.23

Impacts of rate reform for <u>non-group</u> employers

- Projected
  - Pay accurate rates that reflect their risks
  - Receive an average base rate decrease of 25.3 percent
- Actual
  - Set rates at premiums levels that did not include off balances generated by group formation
  - Received an average base rate decrease of 25.2 percent
  - Those who joined groups received an average decrease of 60.5 percent

Impacts of rate reform for <u>group</u> employers

- Projected
  - Move group employers closer to their rate level target
  - Receive an average premium increase of 9.6 percent
- Actual
  - Those in group both years received an average premium increase of 11.3 percent
  - Those who left groups received an average premium increase of 15.0 percent

Impacts of rate reform July 1, 2009

	Projected rate change	Actual rate change
Non-group rated	-25.3%	-28.6%
Group rated	9.6%	12.7%
Total Impact	-12.0%	-13.3%

Goals for 2010 rate reform plan

- Continue providing accurate, equitable rates for non-group employers
- Move group employers closer to the rate that reflects the risk they bring to the system

Proposal for July 1, 2010

- Target group relativity at 0.71 – same target as last year
  - Significant change in group and non-group structure (single BEF, fixed off-balance)
  - New BEF table will have factors higher than the current 1.311 for lowest EM groups
- BWC must retain flexibility to modify the BEF after group formation to hit rate target

Impacts of rate reform proposal for non-group employers

- Would continue receiving rates that reflect costs they bring to the system.
  - Projected average premium impact of 65 percent credibility table is 4.4 percent
  - Off-balance factor declines from 1.23 to 1.15
  - **Net impact is an overall average premium decrease of 4.7 percent while maintaining a rate level relativity of 1.28**

Impacts of rate reform proposal for group employers

- Would continue paying premiums that reflect 0.71 rate level target.
  - Projected average premium impact of 65 percent credibility table is 25.3 percent
  - Off-balance factor declines from 1.23 to 1.15
  - Average break-even factor set at 1.227
  - Overall impact to group employers is an increase of 9.8 percent

Projected 2010 rate impact

	Rate Impact
Non-group rated	-4.7%
Group rated	9.8%
Total (before overall rate change determined in spring 2010)	0.0%

Structure of break-even factor

- Unlike the flat break-even factor of 1.311 for 7/1/09 policy year, BWC will recommend a table of factors that vary by EM for group employers only.
- Using an average break-even factor of 1.275:
  - A 0.35 EM has a corresponding factor of 1.407
  - A 0.82 EM has a corresponding factor of 1.007
  - No factor for group employers with EMs above 0.82
  - Anticipates four percent degradation

Additional credibility levels

- BWC will add three credibility levels below the $8,000 minimum qualification level

Expected losses	Credibility level	Maximum single loss	Total impacted employers	Credit-rated employers	Base and debit-rated employers
$2,000 - $3,999	6percent	$12,500	26,075	22,346	3,729
$4,000 - $5,999	9 percent	$12,500	13,575	11,070	2,505
$6,000 - $7,999	12 percent	$12,500	8,771	6,905	1,866

- Gives smaller employers a means to affect their rates

Group sponsor marketing

- Sponsors requested a level playing field for marketing group discounts for the 7/1/10 policy year.
- BWC will propose a modification to 4123-17-61.1 that prevents sponsors from marketing a discount that is higher than the one associated with the lowest possible EM and its break-even factor.

Actuarial Committee
September 24, 2009

MIRA II Reserve Update

Presented to the BWC-Actuarial Committee

September 24, 2009

Rex Blateri: BWC-Actuarial Division

MIRA II: Implementation for Rate Making

- Released to the public via web service offerings August 30, 2008
- First used to calculate Private Employer rates for the July 1, 2009 policy year, reserves as of December 31, 2008
- First used to calculate Public Employer rates for the January 1, 2010 policy year, reserves as of June 30, 2009

MIRA II: Customer Feedback

"One year after MIRA II was implemented and I can't even recall the last time I spent any time with an employer arguing over reserves…its just a <u>non-issue</u> these days."

Message received from TPA on 7-31-2009

MIRA II: Impact on Operations

- Protests and Complaints have significantly decreased
- Appeals to the Adjudication Committee and Administrator's Designee have decreased
- Inquiries to the Rate Adjustment Unit have decreased

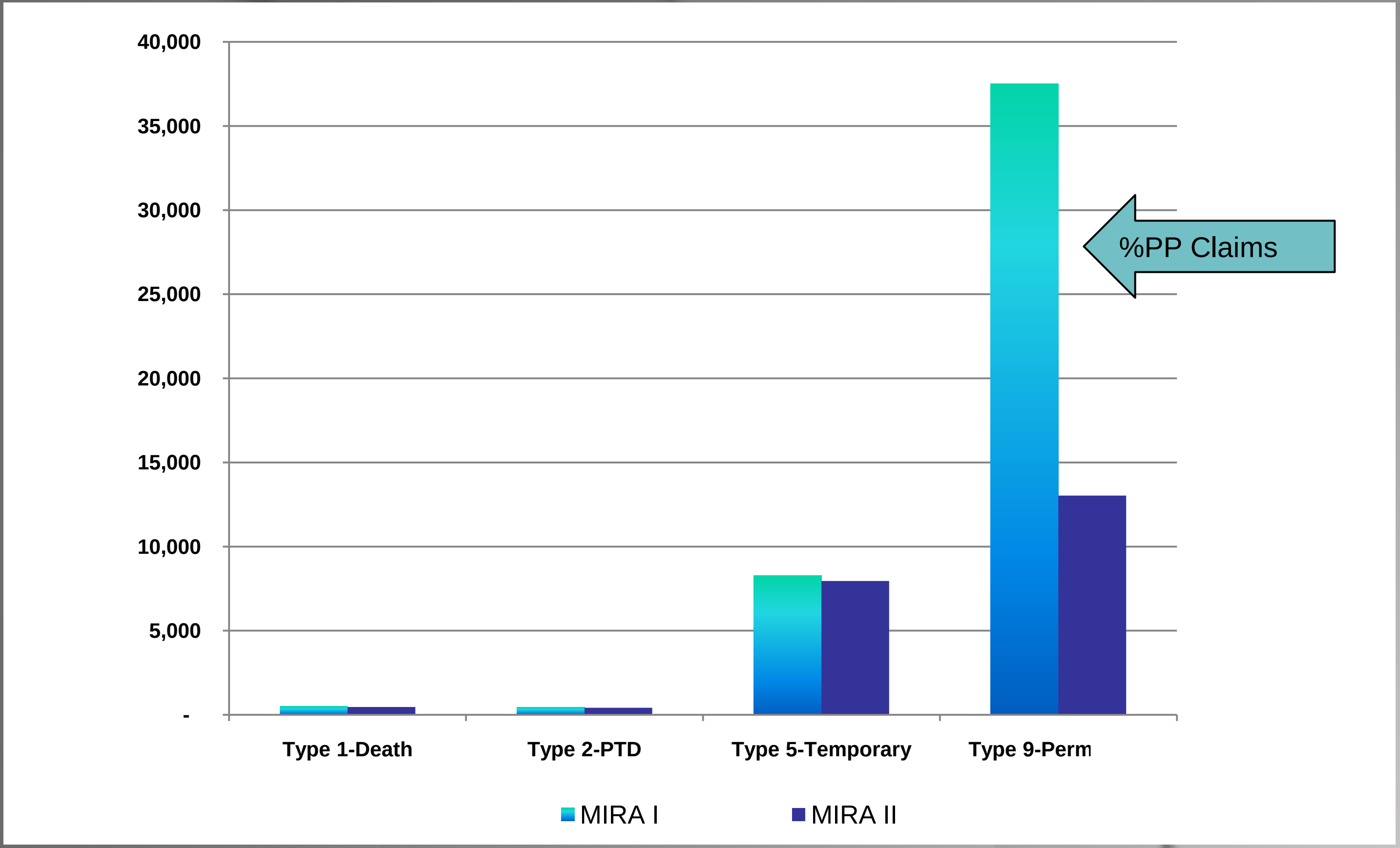
MIRA II vs. MIRA I Statistics

MIRA I			MIRA II		
Lost time claims w/DOI 2003-07 Reserve as of 6-30-08			Lost time claims w/DOI 2004-08 Reserve as of 6-30-09		
Claim Count in Analysis		157,527	Claim Count in Analysis		137,909
Claims with reserve =0		110,789	Claims with reserve =0		116,041
claims with reserve >0		46,738	claims with reserve >0		21,868
Percent of reserves >0		30%	Percent of reserves >0		16%
Avg Reserve for claims >0	$	53,164	Avg Reserve for claims >0	$	63,984
Aggregate Reserve Amount		2,484,807,746	Aggregate Reserve Amount		1,399,144,073

MIRA II vs. MIRA I Statistics
Claim Count by Injury Type

MIRA I		MIRA II	
Lost time claims w/DOI 2003-07 Reserve as of 6-30-08		Lost time claims w/DOI 2004-08 Reserve as of 6-30-09	
Claim Count by Injury Type (reserve >0)		Claim Count by Injury Type (reserve >0)	
Type 1-Death	494	Type 1-Death	461
Type 2-PTD	449	Type 2-PTD	420
Type 5-Temporary	8,277	Type 5-Temporary	7,955
Type 9-Permanent	37,518	Type 9-Permanent	13,031
Total	**46,738**	**Total**	**21,867**

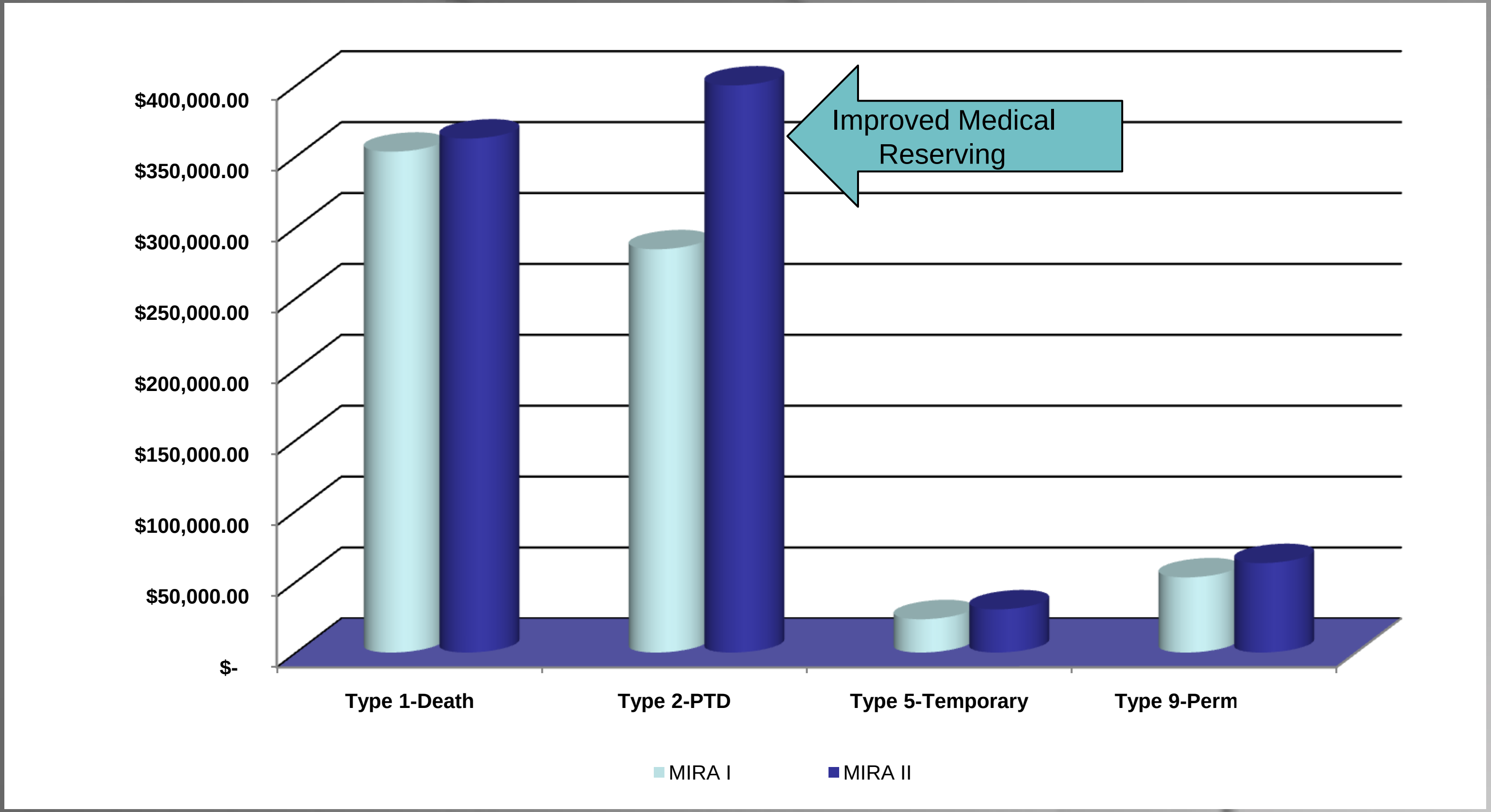
MIRA II vs. MIRA I Statistics
Claim Count by Injury Type



MIRA II vs. MIRA I Statistics

MIRA I			MIRA II		
Lost time claims w/DOI 2003-07 Reserve as of 6-30-08			Lost time claims w/DOI 2004-08 Reserve as of 6-30-09		
Avg Reserve by Injury Type (reserve >0)			Avg Reserve by Injury Type (reserve >0)		
Type 1-Death	$	353,240	Type 1-Death	$	362,467
Type 2-PTD	$	284,419	Type 2-PTD	$	399,955
Type 5-Temporary	$	23,490	Type 5-Temporary	$	30,433
Type 9-Permanent	$	52,992	Type 9-Permanent	$	63,078

MIRA II vs. MIRA I Statistics Avg Reserve by Injury Type



MIRA II: Rate Impact

For private employers, the average reserve (limited reserve amount used in rate making process) decreased 44% from MIRA I to MIRA II which resulted in an average decrease in the Expected Loss Rate (ELR) of 22%.

- Lower reserves may result in lower Total Modified Losses (TML)
- Lower ELR's may result in lower Total Limited Losses (TLL)

MIRA II: Rate Impact Scenario

MIRA I 2008

$600,000 | **$1,000,000** | **.66**

TML
(Actual Losses)

TLL
(Expected/Calculated Losses)

EM%
Experience Modifier

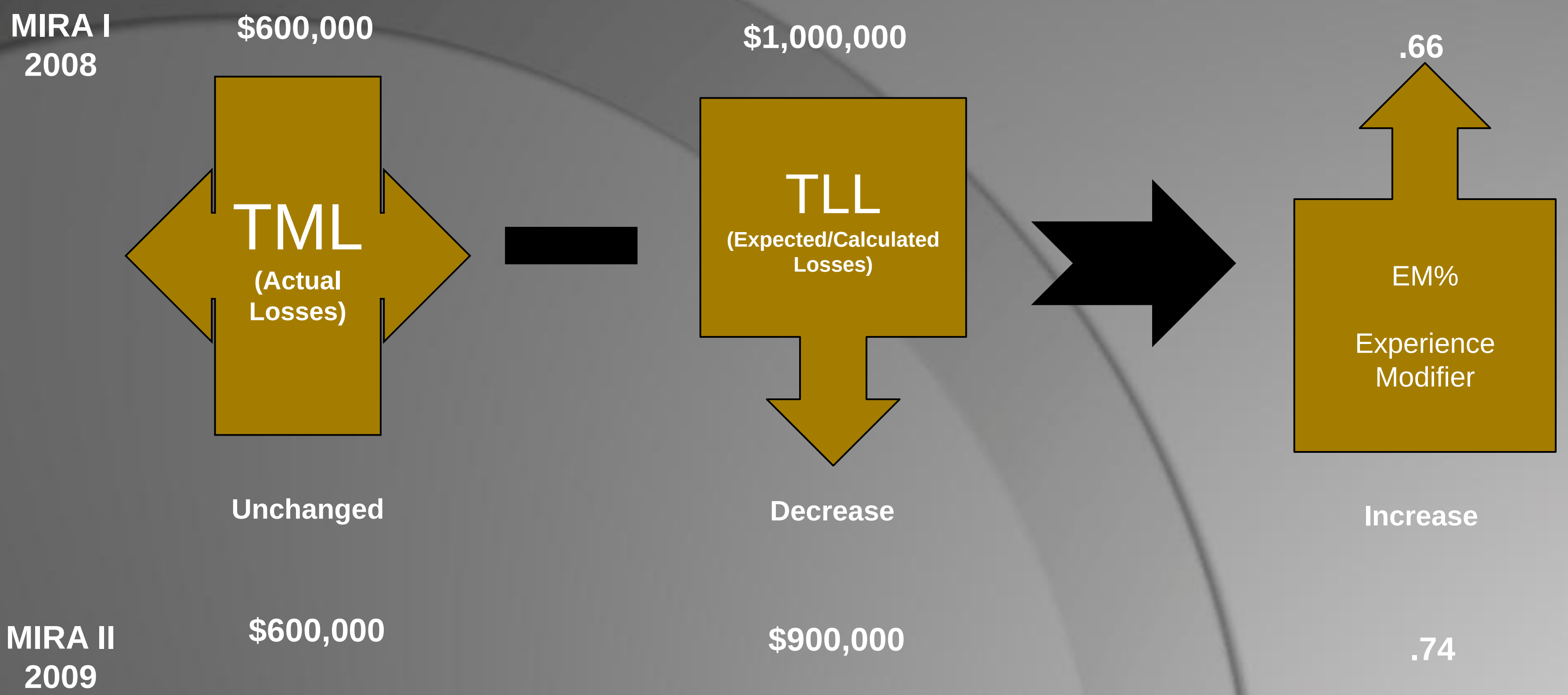
Decrease | **Decrease** | **Decrease**

MIRA II 2009

$400,000 | **$900,000** | **.58**

- For this scenario, TLL is not only impacted by a decrease in ELR but can be a change /shift in experience payroll amount
- Scenario focuses on the impact of lower expected loss rates in part due to MIRA II, thus causing lower total limited losses (TLL)
- Comparing TML and TLL levels of policy year 2008 to 2009
- The final EM calculation involves other factors in addition to TML and TLL, such as credibility. Max credibility was used for these scenarios

MIRA II: Rate Impact Scenario

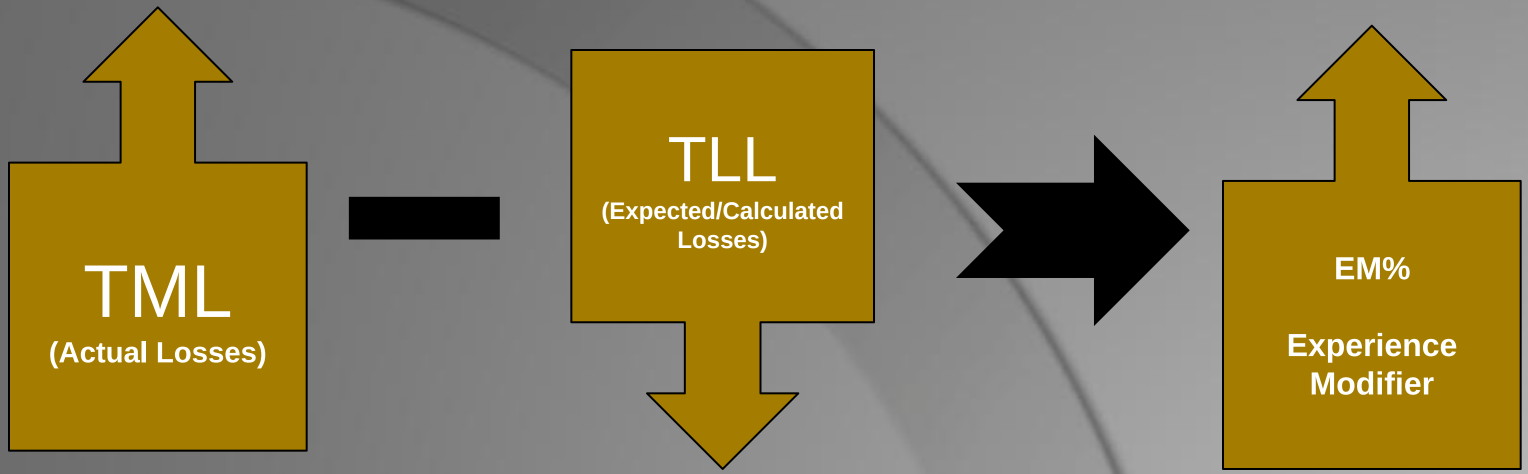


- For this scenario, TLL is not only impacted by a de crease in ELR but can be a change /shift in experience payroll amount
- Scenario focuses on the impact of lower expected loss rates in part due to MIRA II, thus causing lower total limited losses (TLL)
- Comparing TML and TLL levels of policy year 2008 to 2009
- The final EM calculation involves other factors in addition to TML and TLL, such as credibility. Max credibility was used for these scenarios

Ohio | Bureau of Workers' Compensation

MIRA II: Rate Impact Scenario

MIRA I 2008 — **$600,000** — **$1,000,000** — **.66**



Increased — **Decrease** — **Increase**

MIRA II 2009 — **$700,000** — **$900,000** — **.83**

- For this scenario, TLL is not only impacted by a de crease in ELR but can be a change /shift in experience payroll amount
- Scenario focuses on the impact of lower expected loss rates in part due to MIRA II, thus causing lower total limited losses (TLL)
- Comparing TML and TLL levels of policy year 2008 to 2009
- The final EM calculation involves other factors in addition to TML and TLL, such as credibility. Max credibility was used for these scenarios

MIRA II: Ongoing Evaluation

- Review of Stop Logic for Appropriateness
- Identify ways to improve reserve accuracy on high claim cost/severe claims
  - Identify claim events that indicate high claim cost earlier in the claim
- Review of the Reserve Transition Rules
  - Deloitte Study/Recommendation
  - Salary Continuation
  - Medical Only Claims

Thank You

2009 Ohio State-to-State Rate Comparison

The Board of Directors has requested that the bureau provide a premium rate level comparison for Ohio and similar states. Preliminary results from this study are reflected in the attached Ohio State-to-State Rate Comparison.

This comparison does not include benefit levels, either from a statutory perspective or a utilization perspective. Also, the rates reflected in the study are only manual rates. Individual employer rates will vary based on a number of factors.

The Ohio Rate Comparison utilizes the 50 manual classes which represent 77% of private SIF employer payroll.

Ohio's rates are those in effect for the policy year beginning July 1, 2009. The effective dates for rates in other states are available in the attached documentation. Advisory loss costs and published manual rates were gathered from the NCCI Basic Manual and various state departments of insurance websites. Load factors were applied to these advisory loss costs to reflect costs such as operational expenses, agent commissions, and profit, using the methodology from the 2008 Oregon study. For Ohio, all assessments, including the administrative cost fund, DWRF I and II, and safety and hygiene were added to reflect the total cost of insurance.

Only benchmark states based on economic size and/or proximity to Ohio were considered. The states of West Virginia and Michigan were not included because loading factor information or base rate information was not available.

The 15 states were then ranked based upon the average rate across the 50 selected manual classes.

To summarize:

1. Manual Classifications are those with Ohio's greatest payroll.
2. Oregon's load factors were use to make comparison possible by factoring in various expenses to the loss cost such as insurer expenses, taxes, profits, fees and possible residual market effect.
3. This comparison did not compare benefit levels, either from a statutory perspective or a utilization perspective.
4. The rates reflected in the study are only manual rates. Individual employer rates will vary based on a number of factors.

2009 Ohio State-to-State Rate Comparison

Ran	Manual Cla	Manual Class Description	OH	CT	GA	IL	IN	KY	NC	OK	PA	SC	SD	TN	TX	UT	VA
1	8810	CLERICAL OFFICE EMPLOYEES NOC	$ 0.32	$ 0.26	$ 0.27	$ 0.35	$ 0.20	$ 0.31	$ 0.39	$ 0.62	$ 0.41	$ 0.72	$ 0.30	$ 0.36	$ 0.34	$ 0.18	$ 0.17
2	8742	SALESPERSONS OR COLLECTORS – OUTSIDE	$ 0.45	$ 0.58	$ 0.43	$ 0.65	$ 0.36	$ 0.64	$ 0.67	$ 0.87	$ 0.77	$ 1.00	$ 1.04	$ 0.66	$ 0.54	$ 0.35	$ 0.34
3	8832	PHYSICIAN AND CLERICAL	$ 0.61	$ 0.58	$ 0.39	$ 0.55	$ 0.24	$ 0.58	$ 0.53	$ 0.85	$ 0.55	$ 0.65	$ 0.50	$ 0.41	$ 0.55	$ 0.27	$ 0.28
4	8868	COLLEGE – PROFESSIONAL EMPLOYEES AND CLERICAL	$ 0.69	$ 0.63	$ 0.54	$ 0.64	$ 0.28	$ 0.41	$ 0.66	$ 0.81	$ 0.80	$ 0.93	$ 0.65	$ 0.45	$ 1.03	$ 0.25	$ 0.41
5	9082	RESTAURANT NOC	$ 2.81	$ 2.00	$ 2.21	$ 2.88	$ 1.47	$ 2.52	$ 2.20	$ 3.74	$ 2.68	$ 3.25	$ 2.51	$ 1.99	$ 3.41	$ 1.42	$ 1.51
6	8380	AUTOMOBILE SERVICE OR REPAIR CENTER AND DRIVERS	$ 4.16	$ 4.05	$ 3.85	$ 5.47	$ 2.28	$ 4.57	$ 4.16	$ 5.85	$ 5.09	$ 5.98	$ 3.00	$ 3.28	$ 10.88	$ 2.79	$ 2.79
7	8803	AUDITORS, ACCOUNTANT OR FACTORY COST OR OFFICE SYSTEMATIZER – TRAVELING	$ 0.20	$ 0.14	$ 0.11	$ 0.15	$ 0.07	$ 0.15	$ 0.15	$ 0.33	$ 0.12	$ 0.24	$ 0.14	$ 0.12	$ 0.20	$ 0.11	$ 0.07
8	8829	CONVALESCENT OR NURSING HOME – ALL EMPLOYEES	$ 5.61	$ 4.29	$ 3.69	$ 3.66	$ 2.11	$ 5.02	$ 4.07	$ 9.24	$ 5.37	$ 4.57	$ 3.71	$ 2.61	$ 6.91	$ 2.82	$ 2.90
9	8820	ATTORNEY – ALL EMPLOYEES AND CLERICAL, MESSENGERS, DRIVERS	$ 0.34	$ 0.28	$ 0.27	$ 0.29	$ 0.14	$ 0.20	$ 0.32	$ 0.67	$ 0.27	$ 0.72	$ 0.26	$ 0.43	$ 0.21	$ 0.12	$ 0.14
10	8864	PHRASEOLOGY SOCIAL SERVICES ORGANIZATION—ALL EMPLOYEES & SALESPERSONS, DRIVERS	$ 3.78	$ 2.68	$ 1.58	$ 2.53	$ 1.53	$ 2.29	$ 4.49	$ 4.46	$ 3.32	$ 2.80	$ 1.56	$ 1.90	$ 3.67	$ 1.01	$ 1.45
11	9083	RESTAURANT – RESTAURANT – FAST FOOD	$ 2.96	$ 1.95	$ 2.40	$ 2.55	$ 1.36	$ 2.36	$ 2.11	$ 4.04	$ 2.51	$ 3.66	$ 1.56	$ 1.71	$ 3.41	$ 0.99	$ 1.36
12	8601	ARCHITECT OR ENGINEER – CONSULTING	$ 0.62	$ 1.01	$ 0.92	$ 1.23	$ 0.45	$ 0.90	$ 1.43	$ 1.15	$ 0.77	$ 1.65	$ 0.85	$ 1.01	$ 0.63	$ 0.85	$ 0.70
13	8833	HOSPITAL – PROFESSIONAL EMPLOYEES	$ 1.84	$ 1.15	$ 1.35	$ 1.52	$ 0.78	$ 2.13	$ 2.63	$ 3.67	$ 1.37	$ 2.18	$ 1.45	$ 1.51	$ 1.48	$ 1.12	$ 1.09
14	3632	MACHINE SHOP NOC	$ 4.45	$ 3.64	$ 5.29	$ 7.55	$ 2.24	$ 5.44	$ 4.05	$ 7.45	$ 4.19	$ 5.60	$ 3.55	$ 6.03	$ 4.78	$ 2.37	$ 2.64
15	8017	STORE – RETAIL NOC	$ 2.70	$ 2.21	$ 2.30	$ 3.03	$ 1.20	$ 1.72	$ 2.48	$ 4.12	$ 2.99	$ 3.04	$ 1.68	$ 1.70	$ 4.34	$ 1.58	$ 1.48
16	8018	STORE – WHOLESALE NOC	$ 5.28	$ 4.71	$ 3.77	$ 6.07	$ 2.17	$ 3.06	$ 3.21	$ 6.65	$ 5.59	$ 4.16	$ 2.72	$ 2.80	$ 6.79	$ 2.55	$ 2.32
17	4484	PLASTICS MANUFACTURING – MOLDED PRODUCTS NOC	$ 5.76	$ 4.01	$ 3.63	$ 4.50	$ 2.40	$ 3.90	$ 4.47	$ 6.68	$ 3.07	$ 5.17	$ 4.02	$ 4.91	$ 5.78	$ 1.43	$ 2.20
18	8748	AUTOMOBILE SALESPERSON	$ 0.77	$ 0.93	$ 0.76	$ 1.06	$ 0.41	$ 0.88	$ 1.23	$ 1.40	$ 4.01	$ 1.29	$ 0.71	$ 0.68	$ 0.79	$ 0.42	$ 0.51
19	7229	TRUCKING: LONG DISTANCE HAULING–ALL EMPLOYEES AND DRIVERS	$ 10.66	$ 12.65	$ 9.79	$ 13.01	$ 5.82	$ 13.32	$ 13.11	$ 16.18	$ 11.64	$ 15.59	$ 10.52	$ 9.24	$ 12.23	$ 8.15	$ 8.87
20	5190	ELECTRICAL WIRING – WITHIN BUILDINGS AND DRIVERS	$ 4.49	$ 6.15	$ 5.04	$ 10.43	$ 2.85	$ 5.49	$ 7.97	$ 8.51	$ 5.39	$ 9.51	$ 3.76	$ 4.95	$ 5.76	$ 3.50	$ 3.95
21	3400	METAL STAMPED GOODS MANUFACTURING – NOC AND METAL STAMPING MFG – NOC	$ 6.76	$ 6.11	$ 5.35	$ 9.03	$ 2.87	$ 3.55	$ 4.65	$ 7.39	$ 5.10	$ 6.76	$ 3.70	$ 5.13	$ 5.88	$ 1.91	$ 4.55
22	5183	PLUMBING NOC AND DRIVERS	$ 4.82	$ 7.30	$ 5.31	$ 12.01	$ 2.76	$ 6.17	$ 7.03	$ 9.36	$ 6.65	$ 10.27	$ 7.58	$ 5.80	$ 5.88	$ 4.08	$ 4.52
23	8835	PUBLIC AND TRAVELING HEALTHCARE – ALL EMPLOYEES	$ 4.98	$ 3.69	$ 4.33	$ 3.08	$ 2.33	$ 5.19	$ 3.43	$ 7.42	$ 5.13	$ 5.73	$ 2.42	$ 2.54	$ 6.03	$ 2.44	$ 2.98
24	9012	BUILDING OPERATION BY OWNER, LESSEE, OR REAL ESTATE MANAGEMENT FIRM: PROFESSIONAL EMPLOYEES, PROPERTY MANAGERS AND LEASING AGENTS & CLERICAL, SALESPERSONS	$ 1.05	$ 1.65	$ 0.78	$ 1.80	$ 0.84	$ 2.35	$ 2.49	$ 2.61	$ 5.85	$ 2.37	$ 1.65	$ 1.43	$ 5.42	$ 1.09	$ 1.17
25	5537	HEATING, VENTILLATION, AIR-CONDITIONING AND REFRIGERATION SYSTEMS - INSTALLATION SVC & REPAIR, SHOP, YARD & DRIVERS	$ 5.76	$ 9.19	$ 7.02	$ 14.59	$ 4.48	$ 9.95	$ 8.82	$ 10.82	$ 6.37	$ 10.85	$ 10.13	$ 8.38	$ 6.05	$ 6.07	$ 6.11
26	7228	TRUCKING: LOCAL HAULING ONLY–ALL EMPLOYEES AND DRIVERS	$ 12.46	$ 11.00	$ 8.48	$ 14.92	$ 5.11	$ 9.78	$ 14.40	$ 14.91	$ 11.64	$ 14.03	$ 5.12	$ 9.24	$ 12.23	$ 6.68	$ 8.55
27	9015	BUILDINGS–OPERATION BY OWNER OR LESSEE OR REAL ESTATE MANAGEMENT FIRM: ALL OTHER EMPLOYEES	$ 6.13	$ 4.05	$ 3.73	$ 4.77	$ 2.67	$ 4.68	$ 4.07	$ 8.74	$ 5.85	$ 5.31	$ 4.50	$ 3.62	$ 5.42	$ 3.00	$ 2.77

Created by: Jamey Fauque
Created date: 9/15/09

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Ran	Manual Cla	Manual Class Description	OH	CT	GA	IL	IN	KY	NC	OK	PA	SC	SD	TN	TX	UT	VA
28	3507	CONSTRUCTION OR AGRICULTURAL MACHINERY MANUFACTURING	$ 4.12	$ 6.79	$ 3.98	$ 9.75	$ 2.71	$ 3.97	$ 3.76	$ 8.25	$ 3.39	$ 5.31	$ 4.74	$ 5.57	$ 5.39	$ 2.43	$ 3.78
29	4299	PRINTING	$ 2.88	$ 3.58	$ 2.89	$ 4.99	$ 1.59	$ 2.87	$ 2.49	$ 4.55	$ 3.46	$ 3.12	$ 1.80	$ 2.95	$ 3.83	$ 1.39	$ 1.89
30	3113	TOOL MANUFACTURING – NOT DROP OR MACHINE FORGED – NOC	$ 2.60	$ 3.04	$ 2.58	$ 5.11	$ 1.36	$ 1.84	$ 2.71	$ 4.22	$ 2.17	$ 4.86	$ 1.87	$ 2.86	$ 5.86	$ 1.35	$ 1.32
31	5605	CONSTRUCTION OR ERECTION ESTIMATORS	$ 1.31	$ 3.38	$ 2.89	$ 4.55	$ 1.46	$ 3.17	$ 2.73	$ 2.44	$ 1.20	$ 3.49	$ 5.81	$ 1.80	$ 1.92	$ 1.66	$ 2.40
32	7380	DRIVERS, CHAUFFEURS, MESSENGERS AND THEIR HELPERS NOC – COMMERCIAL	$ 8.18	$ 9.56	$ 4.87	$ 10.67	$ 3.20	$ 6.10	$ 6.84	$ 8.76	$ 0.77	$ 8.83	$ 5.32	$ 5.96	$ 7.32	$ 3.69	$ 4.42
33	8008	STORE – CLOTHING, WEARING APPAREL OR DRY GOODS – RETAIL	$ 2.47	$ 1.85	$ 2.00	$ 2.00	$ 1.03	$ 2.23	$ 2.06	$ 2.14	$ 2.83	$ 2.73	$ 1.16	$ 2.09	$ 2.86	$ 0.80	$ 1.45
34	5645	CARPENTRY-DETACHED ONE OR TWO FAMILY DWELLINGS	$ 11.50	$ 13.95	$ 23.46	$ 23.28	$ 7.38	$ 22.91	$ 19.02	$ 19.33	$ 12.54	$ 24.84	$ 8.24	$ 24.54	$ 9.17	$ 12.78	$ 12.26
35	9014	JANITORIAL SERVICES BY CONTRACTORS - NO WINDOW CLEANING ABOVE GROUND LEVEL & DRIVERS	$ 6.67	$ 4.09	$ 3.96	$ 5.22	$ 2.39	$ 3.43	$ 4.27	$ 6.99	$ 5.85	$ 5.25	$ 3.58	$ 3.49	$ 6.19	$ 3.27	$ 2.37
36	9586	BARBER SHOP, BEAUTY PARLOR OR HAIR STYLING SALON	$ 1.06	$ 0.96	$ 0.78	$ 1.05	$ 0.52	$ 0.99	$ 0.79	$ 2.73	$ 1.36	$ 1.29	$ 0.89	$ 0.84	$ 1.98	$ 0.68	$ 0.48
37	5191	OFFICE MACHINE OR APPLIANCE INSTALLATION, INSPECTION, ADJUSTMENT OR REPAIR	$ 2.20	$ 1.39	$ 0.96	$ 2.10	$ 0.80	$ 1.02	$ 1.02	$ 1.89	$ 1.36	$ 2.47	$ 0.89	$ 1.13	$ 1.44	$ 0.95	$ 0.84
38	5403	CARPENTRY NOC	$ 7.90	$ 18.10	$ 11.95	$ 23.56	$ 6.93	$ 27.58	$ 12.03	$ 15.11	$ 10.35	$ 18.68	$ 17.46	$ 11.13	$ 9.17	$ 8.82	$ 7.26
39	8869	CHILD DAY CARE CENTER – PROFESSIONAL EMPLOYEES AND CLERICAL, SALESPERSONS	$ 2.26	$ 1.08	$ 0.68	$ 1.23	$ 0.68	$ 0.76	$ 1.24	$ 1.52	$ 1.39	$ 1.56	$ 0.94	$ 0.86	$ 1.03	$ 0.57	$ 0.68
40	8033	STORE – MEAT, GROCERY AND PROVISION STORES COMBINED – RETAIL NOC	$ 4.19	$ 2.98	$ 3.83	$ 4.17	$ 2.05	$ 3.18	$ 2.63	$ 5.45	$ 3.20	$ 3.52	$ 1.77	$ 2.36	$ 4.79	$ 1.51	$ 2.03
41	3076	SHEET METAL PRODUCTS MFG – SHOP ONLY	$ 6.33	$ 5.69	$ 4.66	$ 8.68	$ 2.87	$ 5.70	$ 4.51	$ 7.24	$ 5.75	$ 5.89	$ 4.21	$ 4.63	$ 5.88	$ 2.59	$ 2.42
42	4511	ANALYTICAL CHEMIST	$ 1.15	$ 0.80	$ 0.89	$ 1.25	$ 0.55	$ 1.20	$ 0.74	$ 1.54	$ 0.77	$ 1.60	$ 0.69	$ 0.75	$ 1.18	$ 0.64	$ 0.55
43	6217	EXCAVATION AND DRIVERS	$ 5.90	$ 9.53	$ 8.09	$ 10.77	$ 4.38	$ 7.95	$ 8.81	$ 12.78	$ 7.81	$ 9.79	$ 6.55	$ 11.40	$ 5.87	$ 7.17	$ 6.18
44	9060	CLUB – COUNTRY, GOLF, FISHING OR YACHT, AND CLERICAL	$ 2.04	$ 2.50	$ 2.17	$ 2.87	$ 1.11	$ 2.01	$ 2.21	$ 4.04	$ 2.89	$ 3.47	$ 1.49	$ 2.25	$ 2.99	$ 1.69	$ 1.68
45	8824	RETIREMENT LIVING CENTERS – HEALTH CARE EMPLOYEES	$ 7.32	$ 4.84	$ 5.05	$ 4.89	$ 2.51	$ 3.87	$ 4.89	$ 7.11	$ 4.07	$ 6.61	$ 2.72	$ 4.83	$ 6.91	$ 4.38	$ 2.84
46	8010	STORE – HARDWARE	$ 2.96	$ 2.84	$ 3.25	$ 3.90	$ 1.41	$ 4.30	$ 2.47	$ 3.90	$ 4.22	$ 2.90	$ 1.60	$ 2.29	$ 4.34	$ 1.57	$ 1.76
47	8901	TELEPHONE OR TELEGRAPH CO.- OFFICE OR EXCHANGE EMPLOYEES AND CLERICAL	$ 0.32	$ 0.49	$ 0.34	$ 0.60	$ 0.16	$ 0.28	$ 0.40	$ 0.56	$ 0.41	$ 0.58	$ 0.38	$ 0.54	$ 0.41	$ 0.38	$ 0.17
48	5606	CONTRACTOR – PROJECT MANAGER, CONSTRUCTION EXECUTIVE, CONSTRUCTION MANAGER OR CONSTRUCTION SUPERINTENDENT	$ 1.62	$ 3.38	$ 2.89	$ 4.55	$ 1.46	$ 3.17	$ 2.73	$ 2.44	$ 1.52	$ 3.49	$ 5.81	$ 1.80	$ 1.92	$ 1.66	$ 2.40
49	8006	GASOLINE STATION: SELF-SERVICE AND CONVENIENCE/GROCERY – RETAIL	$ 4.14	$ 2.93	$ 3.44	$ 3.92	$ 1.72	$ 2.71	$ 3.65	$ 4.80	$ 3.14	$ 4.72	$ 2.25	$ 2.22	$ 5.42	$ 1.77	$ 2.33
50	7610	RADIO OR TELEVISION BROADCASTING STATION – ALL EMPLOYEES AND CLERICAL, DRIVERS	$ 0.70	$ 0.38	$ 0.41	$ 0.96	$ 0.34	$ 0.82	$ 1.04	$ 0.71	$ 0.57	$ 1.55	$ 0.51	$ 0.57	$ 0.86	$ 1.24	$ 0.37
		TOTAL AVERAGE RATE	**$ 3.81**	**$ 4.02**	**$ 3.59**	**$ 5.37**	**$ 1.96**	**$ 4.19**	**$ 3.97**	**$ 5.54**	**$ 3.77**	**$ 5.09**	**$ 3.21**	**$ 3.59**	**$ 4.35**	**$ 2.41**	**$ 2.55**
		2009 OH Based Rate Comparison Rank	8	6	10	2	15	5	7	1	9	3	12	11	4	14	13
		2008 Oregon Based Rate Comparison Rank of Benchmark States	1	8	11	4	15	2	10	3	6	5	12	9	7	13	14
		Rate Ranking Change	**-7**	**+2**	**+1**	**+2**	**0**	**-3**	**+3**	**+2**	**-3**	**+2**	**0**	**-2**	**+3**	**-1**	**+1**

Created by: Jamey Fauque
Created date: 9/15/09

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Benchmark States

Benchmark State	Rate Eff Date	Rates Used for Comparison Comments	Rate Info Source
Ohio	7/1/09	Base rates plus 16.1121% admin costs used, DWRF1 assessment at $.10 per $100 of payroll, and DWRF2 at .10%	Internal Rate Sheet
Connecticut	1/1/09	25.0% load factor on Advisory Loss Costs	NCCI Basic Manual
Georgia	5/1/08	35.0% load factor on Advisory Loss Costs	NCCI Basic Manual
Illinois	4/1/09	NCCI Advisory Rates Used	NCCI Basic Manual
Indiana	1/1/09	Advisory Rates from State of Indiana Used	NCCI Rate Sheet accessed online
Kentucky	10/1/08	45.9% load factor on Advisory Loss Costs	NCCI Basic Manual
North Carolina	4/1/09	34.7% load factor on Advisory Loss Costs	NCCI Basic Manual
Oklahoma	1/1/09	55.3% load factor on Advisory Loss Costs	NCCI Basic Manual
Pennsylvania	4/1/09	47.4% load factor on Advisory Loss Costs	Rates from PA Comp Rating Bureau website
South Carolina	7/1/08	71.7% load factor on Advisory Loss Costs	NCCI Basic Manual
South Dakota	4/1/08	51.0% load factor on Advisory Loss Costs	NCCI Basic Manual
Tennessee	3/1/09	31.6% load factor on Advisory Loss Costs	NCCI Basic Manual
Texas	5/1/09	Relative rates from State of Texas	Rates from the TX Dept of Ins website
Utah	12/31/08	36.3% load factor on Advisory Loss Costs	NCCI Basic Manual
Virginia	4/1/09	42.1% load factor on Advisory Loss Costs	NCCI Basic Manual

Top Manual Classes (PA policy year 2004-07)

Rank	NCCI Manual	% of Total Payroll	Total 2004-07 Payroll
1	8810	19.8%	$67,000,127,994.80
2	8742	10.9%	$36,778,340,843.12
3	8832	6.1%	$20,639,333,065.16
4	8868	2.3%	$7,810,643,337.00
5	9082	2.1%	$7,223,036,881.26
6	8380	2.1%	$7,084,348,232.43
7	8803	1.9%	$6,527,704,484.81
8	8829	1.8%	$6,045,063,249.82
9	8820	1.8%	$5,989,743,910.68
10	8864	1.5%	$5,149,593,061.80
11	9083	1.4%	$4,874,163,669.01
12	8601	1.4%	$4,719,748,075.02
13	8833	1.2%	$4,157,363,515.23
14	3632	1.2%	$3,955,387,601.98
15	8017	1.1%	$3,724,739,863.48
16	8018	1.1%	$3,590,380,112.74
17	4484	0.9%	$3,122,798,680.24
18	8748	0.9%	$3,115,561,170.15
19	7229	0.9%	$2,907,867,412.40
20	5190	0.8%	$2,587,417,810.26
21	3400	0.7%	$2,424,845,466.36
22	5183	0.7%	$2,394,821,582.01
23	8835	0.7%	$2,384,095,368.14
24	9012	0.7%	$2,327,752,443.57
25	5537	0.6%	$2,015,213,704.85
26	7228	0.5%	$1,849,169,549.90
27	9015	0.5%	$1,819,008,263.12
28	3507	0.5%	$1,773,528,261.05
29	4299	0.5%	$1,734,072,986.53
30	3113	0.5%	$1,729,891,639.64
31	5605	0.5%	$1,693,879,671.28
32	7380	0.5%	$1,675,988,537.19
33	8008	0.5%	$1,641,785,619.59
34	5645	0.5%	$1,638,623,331.81
35	9014	0.5%	$1,619,757,263.20
36	9586	0.5%	$1,598,103,374.06
37	5191	0.5%	$1,590,510,802.29
38	5403	0.5%	$1,531,302,692.90
39	8869	0.4%	$1,489,528,547.22
40	8033	0.4%	$1,470,770,942.16
41	3076	0.4%	$1,454,510,012.78
42	4511	0.4%	$1,446,075,568.31
43	6217	0.4%	$1,386,576,787.75
44	9060	0.4%	$1,335,801,035.93
45	8824	0.4%	$1,325,700,346.98
46	8010	0.4%	$1,316,717,611.70
47	8901	0.4%	$1,298,252,360.90
48	5606	0.4%	$1,274,812,360.22
49	8006	0.4%	$1,247,539,784.61
50	7610	0.4%	$1,229,884,896.94

Notes on the Ohio Rate Comparison:

1) Top 50 manual classes by payroll selected for sample (from the 2007 PA policy year)
2) The top 50 manual classes account for 77.1% of payroll reported in Ohio.
2) Oregon loading factors used where applicable from the 2008 Oregon Workers' Compensation Preimum Rate Ranking
3) Internal mapping document used to translate non-NCCI state manual class codes
4) NCCI state rates taken from the most recent NCCI rate filings available at BWC
5) PA and TX rates taken from state regulatory websites.
6) Ohio rates are based on 2009 PA Base Rates with administrative costs included.
7) PA and TX manual classes were mapped to NCCI classes using an internal manual class mapping document.

BWC Board of Directors
Actuarial Committee
CAO Report
John Pedrick, Chief Actuarial Officer
September 24, 2009

Several developments within the last month will be evident during this month's committee meeting. Most notable is the proposal for private employer (PA) group rating starting July 1, 2010. We request action on several elements of the proposal so that group sponsors may begin their marketing for the 2010 group program.

Optional approaches to group rating have been the central subject of intensive meetings with group sponsors and third party administrators, requiring significant analysis by staff and consultants. We have not reached a level of agreement on any large scale changes, nor have we been able to fully analyze the elements necessary to effectively transform this program. As a result, we have developed a plan for group rating for 2010 and will propose more comprehensive changes for 2011. For 2010, we propose that the current structure (group EMs and break-even factors) stay in place with the following modifications:

- The first pertinent action item for the Actuarial Committee is the 65% credibility table that we introduced during its July meeting. We propose adding three new levels for small employers, which will lower the experience rating eligibility threshold to $2,000 from the current $8,000 in expected loss. This addresses a common complaint that small employers are unable to do anything that impacts their rates, and was recommended by several group sponsors. The rest of the table remains unchanged.
- For the current policy year we have a fixed break-even factor of 1.311 for private employers and propose a stratified table of factors by experience modifier for 2010. This should be familiar since it's the same approach we're proposing for public employer taxing districts in a separate action item on this meeting's agenda. We'll have the PA table ready for this meeting. It may not be in the Board materials sent the week before the meeting (as of this writing it is not quite done), however the factors will be very similar to those we've proposed for PECs. The sponsors and TPAs have asked us to seek a vote this month for the PA BEF table with a waiver of first reading. We'll make our case for this table during the committee meeting. It's possible in the spring, when we have finalized group rosters (due Feb. 28), that we'd come back to modify the BEF table. The push for a vote now is to create a level playing field for group marketing.
- The group marketing rule allows sponsors to start marketing when the credibility table is approved by the Board. Sponsors have raised a concern that once the 65% table is official, unscrupulous sponsors will market the experience mod for a group without including the impact of break even factors. An EM of 0.35 (a 65% discount) could have a BEF of about 1.34, producing an effective modifier of 0.47 (a 53% discount). The strong feedback has been that marketing must include the effect of both the credibility table and the BEF table. As a result, we'll propose some changes to the group marketing rule.

For 2011, there is interest in a new approach characterized by a fixed discount factor for a given group that would be applied to the member employers' individually calculated rates. We have identified several employer characteristics that indicate lower claim costs. Claim-free activity, years in business and employer size are among them. However, none of these are unique to group rating. Identifying the group-related characteristics that show a reliable drop in costs is the task ahead of us. Many group sponsors and third party administrators have voiced their commitment to work with us to develop this approach to group rating. Our goal is to have this completed by the end of 2009, but not later than the spring of 2010.

We have also discussed new homogeneity rules with group sponsors and third party administrators. Our most recent analysis has identified 18 to 22 new industry groups that organize all of our rate classes based on the frequency and severity of claims. There are two major benefits we can achieve by revising our homogeneity rules. First, catastrophic claim costs are spread across all manual classes in an industry group. By refining the classes that are bundled together, we can spread those high cost claims among more similar classes, producing more accurate class rates. Second, groups formed for group rating using more stringent homogeneity rules will have more consistent claim experience among the employer members. However, there has been strong resistance from some interested parties toward introducing new rules for 2010. We plan to introduce this new approach to private employers in the 2011 policy year.

The 2011 private employer policy year will be a milestone in our reform of our rating programs. The split experience rating plan, homogeneity, and a restructured group rating program are on the table, with commitments from the many organizations that represent employers throughout the state that these changes will be in place for 2011.

Also on the agenda for this month is a discussion item on rate comparisons. We have included our most recent effort showing fully-loaded rates for Ohio and 14 other states, for the top 50 classes in Ohio. We expect this to spur discussion of the things not shown: benefit levels, legal and judicial environment, etc., but will give you facts about our current rate levels and those in other states.

Further details and current timelines for our various projects follow.

Comprehensive Plan Implementation

1. **<u>Communications/Group Structure and Governance Team</u>**

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

- BWC staff have continued to meet with external parties on the rate reform changes.

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

2. Capping/Split Plan Team

Terry Potts and Paul Flowers		
Task/Function	**Timeline**	**Status**
Capping 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	Fall, 2009	In-Progress
Split plan development	September, 2009 to July, 2010	
Split Plan implementation	July 1, 2011	

- The Break Even Factors for the PEC employers were presented at the August actuarial committee meeting. These factors are stratified by the groups EM which was a request of the sponsoring organizations and TPAs that we have met with. It is expected that a similar format will be used for the 7/1/2010 PA group formation.
- Due to the long lead time that it will take to implement the split plan development meetings between IT and actuarial staff have begun. The final split parameters are being developed.
- As part of the new credibility changes it was determined that the minimum expected losses for an employer to be experience rated will be decreased to $2,000. These changes to the credibility table will allow approximately 48,000 additional employers to be experience rated.

3. New Products

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

- The evaluation and analysis of new programs to meet the needs of employers is ongoing. Currently the actuarial division has identified an individual loss retro program, a large deductible program and a past performance credit on an employer's individual EM program as programs to evaluate for future consideration.

MIRA II

- An update on MIRA II will be provided at the September, 2009 actuarial committee meeting.
- The new annuity tables that were approved at the August, 2009 board of directors meeting have been forwarded to Fair Issaac to be updated in the MIRA 2 system for the PTD and Death claims.

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

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

Deloitte Consulting Preparation

- An FTP site has been set up between Deloitte and the BWC to transfer large data files
- The actuarial division has transmitted payment and informational files to Deloitte.
- Project plans are continuing to be developed with Deloitte including completion dates for actuarial committee and board materials.

Comprehensive Study Implementation

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

2005 - 2007 Group Sponsor Loss Ratios

Sponsor	2005 Loss Ratio	2005 Relative to Overall	2006 Loss Ratio	2006 Relative to Overall	2007 Loss Ratio	2007 Relative to Overall	2005 - 2007 Loss Ratio	2005 - 2007 Relative to Overall
1	203.88%	4.16	186.08%	4.85	109.69%	3.72	164.65%	4.27
2	224.01%	4.57	18.21%	0.47	166.80%	5.65	121.79%	3.16
3	65.57%	1.34	259.66%	6.77	47.18%	1.60	120.23%	3.12
4	307.04%	6.26	85.53%	2.23	59.90%	2.03	115.64%	3.00
5	333.56%	6.81	48.90%	1.27	43.24%	1.46	108.73%	2.82
6	69.15%	1.41	134.62%	3.51	101.04%	3.42	104.34%	2.70
7	119.62%	2.44	93.82%	2.45	53.83%	1.82	86.03%	2.23
8	162.06%	3.31	59.41%	1.55	49.41%	1.67	82.73%	2.14
9	82.56%	1.68	66.94%	1.75	82.28%	2.79	77.27%	2.00
10	124.74%	2.54	72.00%	1.88	54.83%	1.86	77.05%	2.00
11	118.32%	2.41	69.50%	1.81	54.62%	1.85	73.70%	1.91
12	52.67%	1.07	76.04%	1.98	76.48%	2.59	69.90%	1.81
13	41.32%	0.84	137.24%	3.58	28.45%	0.96	67.28%	1.74
14	69.08%	1.41	68.04%	1.77	59.15%	2.00	64.92%	1.68
15	75.42%	1.54	44.41%	1.16	69.62%	2.36	64.45%	1.67
16	91.93%	1.88	53.81%	1.40	37.08%	1.26	61.34%	1.59
17	79.90%	1.63	89.26%	2.33	34.56%	1.17	59.18%	1.53
18	63.91%	1.30	73.06%	1.90	42.88%	1.45	58.69%	1.52
19	87.65%	1.79	48.82%	1.27	42.91%	1.45	57.35%	1.49
20	56.79%	1.16					56.79%	1.47
21	72.11%	1.47	51.71%	1.35	47.35%	1.60	55.98%	1.45
22	64.35%	1.31	41.68%	1.09		0.00	55.85%	1.45
23	81.19%	1.66	52.87%	1.38	41.02%	1.39	55.85%	1.45
24	73.64%	1.50	49.00%	1.28	45.21%	1.53	55.70%	1.44
25	91.47%	1.87	46.96%	1.22	37.27%	1.26	54.19%	1.40
26	40.74%	0.83	65.16%	1.70			53.73%	1.39
27	101.63%	2.07	51.33%	1.34	23.40%	0.79	52.92%	1.37
28	70.84%	1.45	47.58%	1.24	43.02%	1.46	52.79%	1.37
29	79.86%	1.63	51.02%	1.33	41.69%	1.41	52.68%	1.37
30	115.38%	2.35	51.84%	1.35	46.13%	1.56	51.81%	1.34
31	66.94%	1.37	45.16%	1.18	35.57%	1.20	50.81%	1.32
32	68.07%	1.39	53.40%	1.39	35.59%	1.21	50.16%	1.30
33	59.86%	1.22	39.77%	1.04			50.10%	1.30
34	64.14%	1.31	50.69%	1.32	39.49%	1.34	49.55%	1.28
35	78.58%	1.60	47.80%	1.25	31.49%	1.07	49.44%	1.28
36	57.25%	1.17	47.39%	1.24	42.10%	1.43	48.57%	1.26
37	45.33%	0.92	75.19%	1.96	23.44%	0.79	48.44%	1.26
38	38.99%	0.80	85.56%	2.23	19.99%	0.68	48.23%	1.25
39	49.11%	1.00	51.27%	1.34	40.90%	1.39	46.97%	1.22
40	67.30%	1.37	40.53%	1.06	29.51%	1.00	44.16%	1.14
41	57.81%	1.18	39.27%	1.02	35.94%	1.22	42.72%	1.11
42	68.23%	1.39	51.90%	1.35	7.38%	0.25	42.66%	1.11
43	60.95%	1.24	32.94%	0.86	28.21%	0.96	42.47%	1.10
44	73.42%	1.50	35.75%	0.93	24.95%	0.85	40.38%	1.05
45	39.14%	0.80					39.14%	1.01
46	29.84%	0.61	39.60%	1.03			35.39%	0.92
47	67.70%	1.38	36.16%	0.94	20.27%	0.69	35.31%	0.92
48	25.76%	0.53	53.36%	1.39	26.04%	0.88	34.16%	0.89
49	42.22%	0.86	28.82%	0.75	32.02%	1.08	33.72%	0.87
50	27.09%	0.55	50.42%	1.31	20.69%	0.70	32.83%	0.85
51	47.62%	0.97	20.74%	0.54	30.26%	1.03	31.90%	0.83
52	26.12%	0.53	34.47%	0.90	28.65%	0.97	29.96%	0.78
53	41.82%	0.85	26.61%	0.69	18.90%	0.64	28.70%	0.74
54	21.52%	0.44	17.91%	0.47	39.48%	1.34	27.50%	0.71
55	16.40%	0.33	26.21%	0.68	26.31%	0.89	23.82%	0.62
56	19.64%	0.40	33.53%	0.87	14.37%	0.49	22.21%	0.58
57	25.89%	0.53	17.20%	0.45		0.00	21.36%	0.55
58			18.01%	0.47			18.01%	0.47
GROUP TOTAL	70.86%	1.45	52.50%	1.37	40.20%	1.36	52.76%	1.37
NON-GROUP TOTAL	40.36%	0.82	31.44%	0.82	23.87%	0.81	31.82%	0.82
TOTAL	49.02%	1.00	38.36%	1.00	29.52%	1.00	38.59%	1.00

12 - Month Actuarial Committee Calendar

Date	September 2009	Notes
9/24/2009	1. S&H is found in rule 4123-17-37 – 1st reading	
	2. Public Employer Group Retrospective rating rule 4123-17-61.1	
	3. PA credibility table effective 7-1-2010 – Rule 4123-17-05.1 – 2nd reading	
	4. Public Employer Taxing Districts rate change – 2nd reading	
	5. Public Employer Retrospective Rating – rule 4123-17-42 and 4123-17-42.1	
	6. Mira 2 update	
	7. Comprehensive rate reform presentation – 1st reading	
	8. Measuring competitiveness with other states	
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 – 1st reading	
	3. Split plan – 1st reading	
	4. Comprehensive Rate reform presentation – 2nd reading possible vote	
	5. Group Retrospective Rating update	
	6. Drug Free Work Place and Premium Discount Program updates	
	7. Quarterly Update on H.B. 100 Comprehensive report by Deloitte	
	8. S&H is found in rule 4123-17-37 – 2nd reading	
	9. PEC group break even factor rule 4123-17-64.2	
Date	**November 2009**	**Notes**
11/19/2009	1. Split plan – 2nd reading	
	2. PEC Base Rates and Expected loss rates Rule 4123-17-33 and 4123-17-34 – 2nd reading	
Date	**December 2009**	**Notes**
12/16/2009		
Date	**January 2010**	**Notes**
1/28/2010	1. Quarterly Update on Comprehensive Rate Reform	
Date	**February 2010**	**Notes**
2/25/2010	1 Quarterly reserve update as of 12/31/09	
Date	**March 2010**	**Notes**
3/25/2010	1. Private Employer rate change indication – 1st reading	
	2. PES Rate indication – 1st reading	

12 - Month Actuarial Committee Calendar

Date	April 2010	Notes
4/29/2010	1. Private Employer rate change indication – 2nd reading	
	2. PES Rate indication – 2nd reading	
	3. Ancillary fund rates and SI assessments - 1st reading	
	4. Quarterly Update on the H.B. 100 Comprehensive report by Deloitte	
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 – 1st reading	
	4. Private Employer Base Rates – 1st read	
Date	**June 2010**	**Notes**
6/17/2010	1. Admin Cost Fund – 2nd reading - possible vote	
	2. Private Employer Base Rates – 2nd read	
Date	**July 2010**	**Notes**
7/29/2010	1. Reserve Audit as of 6-30-2010	
	2. PA credibility table effective 7-1-2010 – Rule 4123-17-05.1 – 1st reading	
	3. Quarterly Update on the H.B. 100 Comprehensive report by Deloitte	
Date	**August 2010**	**Notes**
8/26/2010	1. Reserve Audit update	
	2. Public Employer Taxing Districts rate change – 1st reading	