BWC BOARD OF DIRECTORS

ACTUARIAL COMMITTEE

MONDAY, October 26, 2009, 10:00 A.M.
WILLIAM GREEN BUILDING
30 WEST SPRING ST.2ND FLOOR (MEZZANINE)
COLUMBUS, Ohio 43215

MEMBERS PRESENT:	Charles Bryan, Chair Jim Matesich, Vice Chair David Caldwell James Hummel Thomas Pitts William Lhota, ex officio
Members Absent:	None
Other Directors Present:	James Harris
Counsel present:	John Williams, Assistant Attorney General

CALL TO ORDER

Mr. Bryan called the meeting to order at 10:00 a.m. and the roll call was taken.

Mr. Bryan reported that the meeting of the Actuarial Committee was being held today because of a conflict in his schedule. Fortuitously, there are no time constraints and the business of the Actuarial Committee may be completed today. Those listening in by phone include Ms. Falls, Mr. Smith, Mr. Haffey, and James Barnes, Chief Counsel.

The Actuarial Committee meeting is a public meeting, but only Workers' Compensation Board directors and BWC staff will be participating. Mr. Bryan thanked members of the public for their correspondence received on the group rating issue. These included letters from Senator Steve Buehrer, chair of the Senate Insurance, Commerce and Labor Committee, and Representative Ronald Maag. The Actuarial Committee is a technical committee and will make its recommendations to the Workers' Compensation Board during the Friday meeting. The Actuarial Committee will not take public comments at today’s meeting.

MINUTES OF SEPTEMBER 24, 2009

Mr. Hummel moved to approve the minutes of September 24, 2009, and Mr. Pitts seconded.

Mr. Matesich asked if the research was available on the impact of the reduction of the Safety and Hygiene assessment for public employer taxing districts. Paula Phillips, Director, Fiscal Operations, replied that it was not. Mr. Bryan requested that the research be provided to the directors. John Pedrick, Chief Actuarial Officer, reported that the reduction in the provision for Safety and Hygiene Division was incorporated in the public employer taxing district rate level analysis and that the revised indications were included. This change had no effect on the PEC rate level proposal.

The minutes were approved by a roll call vote of five ayes and no nays.

Mr. Lhota entered the meeting at 10:06 a.m.

AGENDA

Mr. Pedrick reported that Jim Fograscher, Project Manager, Deloitte Report implementation, was ill today and could not participate. Mr. Bryan noted that his written report was in the material distributed to the Workers' Compensation Board. Also, there would not be a separate presentation of the annual group report since it will be addressed in the earlier action item on the agenda. The report is included in the meeting materials.

Mr. Matesich moved to adopt the agenda as amended. Mr. Caldwell seconded and the motion was approved by a roll call vote of six ayes and no nays.

NEW BUSINESS/ACTION ITEMS

RULES FOR SECOND READING: COMPREHENSIVE RATE REFORM

Mr. Pedrick, Ray Mazzotta, Chief Operating Officer, and Elizabeth Bravender, Actuarial Director, reported on the comprehensive rate reform plan for the July 1, 2010, private employer policy year. Mr. Bryan commented that this is a second reading of two rules.

Mr. Pedrick reviewed material distributed to the directors. The report “Plan for Adequacy and Equity in Ohio’s Group-Experience-Rating Program” would be summarized for this meeting. Of its fifteen appendices, the Annual Report on Group Rating, the Oliver Wyman Consulting Actuarial Analysis, and the BWC Report on Actual Loss Ratios are the key elements. Mr. Pedrick’s presentation consisted of three parts: a highlight of key findings; a review of the rate reform plan for July 1, 2010; and identification of future rate reform efforts.

The first of the key findings was that a significant gap persists between group and non-group employers' loss ratios, indicating that prior credibility reductions did not overshoot the target. The maximum credibility had declined from 100% to 85% from 2003 to 2008, yet loss ratios of group employers remained in excess of 1.68 times those of non-group employers throughout the period. The group loss ratios are the first solid insight of the performance of groups versus non-group and the relative loss ratios reveal the disparity. The objective is to set rates that move the relative ratios closer to 1.0.

Mr. Bryan asked how we are sure that the disparity is not due to other factors, for example, erroneous base rates applied to manuals. Mr. Pedrick replied that BWC is sure because all other factors are applied equally to all employers whether in or out of group rating.

Mr. Matesich asked if 2003 is compared to 2005, the loss ratio for groups declines more steeply than non-group declines. Mr. Pedrick replied that the declines in loss ratios are proportionally the same. So the decline in costs is at about the same rate. The decline in loss ratios is an indication that costs for the whole system were falling. The back to back rate decreases for policy years 2008 and 2009 will cause the loss ratios in future analyses to rise, but will not impact the relative size between group and non-group.

Mr. Pedrick further reported that the disparity is due to inadequacy in group rate levels in comparison to non-group rate levels. The loss ratios from 2003 to 2008 are young and will grow over time. A group loss ratio of 46% for 2007 will increase to an ultimate value of approximately 150%, whereas the non-group ratio of 26.3% will ultimately reach about 78%.

Mr. Bryan commented that the observation of Mr. Matesich was correct in that there was a steeper decline for group than non-group. Mr. Pedrick disagreed. In comparing 2007 and 2003, group declined 42%, whereas the non-group decline of 45% was roughly the same. The decline in both sets of loss ratios was due to declining claim costs in relation to premiums.

Mr. Bryan asked if Mr. Pedrick would agree that there was a steeper decline for group, but the difference in decline between group and non-group was not material. Mr. Pedrick agreed.

Mr. Pitts stated that achieving a 1.0 comparison is not possible because groups are safer. Mr. Pedrick replied that if the program is priced correctly, then safer employers will have lower costs and correspondingly lower premium. For example, if group employers bring $0.80 in cost and are charged $0.80 in premium, then the loss ratios is 100%. If non-group employers bring $1.30 in costs and are charged $1.30 in premium, then their loss ratio is also 100%. For sound insurance systems, a disparity of the size seen here over multiple years is a sign that pricing is not sound.

Mr. Bryan stated that group churning and instability would resolve if BWC can resolve the homogeneity and continuity problems.

Mr. Pedrick also reported another finding of BWC: The impact of credibility changes have had only a minor impact on moving group experience. As the maximum credibility decreased, more employers moved into the higher discounts available, slowing the growth of the average experience modifier for groups. For 2008, the average experience modification actually decreased even though the minimum experience modifier increased, thereby losing ground.

Mr. Pedrick further reported that groups with high experience modifications have not formed. For 2010, it is projected that the average employer modification for group employers will be 0.428, assuming the same groups were formed in 2009. However, this will not happen because group sponsors remove employers with claims and recruit new members with low experience modifications. This has led to the requirement for a proposed break-even factor with average size of 1.275.

Mr. Bryan commented that notwithstanding group churning, setting a maximum credibility of 0.65 leads to a minimum experience modification of 0.35. Thus, the experience modification range can safely be predicted to be from 0.438 to 0.35. Mr. Pedrick confirmed that estimate, and predicted the mean experience modification would be in the high thirties.

Mr. Matesich asked if the experience modification, with the break-even factor of 0.546, was an expected target. Mr. Pedrick answered that 0.52 is the approximate target. The suggestion to increase the break-even factor came from stakeholders, so BWC would not need to return to the Workers' Compensation Board to request ann increase if the group rosters produce significant degradation from these targets.

Mr. Hummel asked if this is a cushion and Mr. Pedrick confirmed that it was a cushion. Mr. Matesich asked what happens if the results fall short. Mr. Pedrick replied if the short-fall is significant, BWC will need to develop a recommendation. For a revenue neutral system, BWC should certainly report the shortfall to the Actuarial Committee. This report would occur after the February group filing deadline.

Mr. Pitts asked if it is conceivable that there would be an adjustment to the break-even factor. Mr. Pedrick replied if the group re-formation process is similar to recent years, then it is likely there will be no adjustment. The target for 2009 was a decrease of 12%, whereas the actual result after group rosters were submitted is a decrease of more than 13%. So if this proposed structure fell similarly short of the target, it would not be significant enough to change.

Mr. Bryan asked if the change in break-even factor would have a negative impact on the marketing rule because group sponsors cannot accurately predict employers' rates. Mr. Pedrick replied that the marketing rule has two goals: to create a level playing field and to create stable costs. If the break-even factor is raised, then all group members get the same rates. An adequate cushion prevents the need to raise the break-even factor after groups are filed.

Mr. Bryan asked how the setting of the break-even factor differs from setting the discount rate. Mr. Pedrick replied the process is not different. Each group experience modifier has a unique break-even factor so every group sponsor has the same set of effective discounts to offer.

Mr. Hummel asked what happens to employers selecting a group. Mr. Pedrick replied that BWC takes the group formation process into account, and put in a cushion to anticipate the degradation this will bring. Before 2008, sponsors established group programs without knowing published based rates. After groups were formed employers saw a new set of published rates. Last year and this year, the published base rates will be available earlier than in the past, but after the group filing deadline. By spring, BWC does not anticipate requiring a change in the break-even factor.

Mr. Matesich asked to confirm that for 2009, the break-even factor was a single number, whereas for 2010 there will be a table of break-even factors. Mr. Pedrick confirmed the change.

Mr. Hummel observed that a break-even factor of 1.311 is based on assuming there will be no change in groups. Mr. Pedrick replied that if there were fewer employers in groups, then there would not be as much churning.

Mr. Pedrick next discussed the causes of degradation of group rating. Experience modification before group-experience rating anticipates the distribution for most insurance programs in a bell-shaped curve. When group programs are introduced, they create a bi-modal curve for distribution of experience modification. The more employers in groups that maximize the discount, then the harder it is for BWC to maintain equity. If BWC omits a break-even factor for July 1, 2010, it will undo prior rate reforms.

Mr. Bryan asked whether groups should be more aggressive in safety and hygiene, so they can change loss ratios in that way. Mr. Pedrick replied that improved safety is not the leading factor in the group programs. Sponsors identify employers with low costs, reject those with high costs, and use this process to keep only those employers that produce the biggest possible discounts. The target for full premium equity is to receive $671 million in premiums for group employers.

Mr. Pedrick reported that most groups are not focused on premium dollars. So if the employer pays 5% of base premiums, then any increase is large. Also, while group advisors provide services in controlling costs once an injury happens, they also emphasize ways to get costs out of experience modification. Examples of cost removal include the $15,000 medical only program and salary continuation.

Mr. Hummel asked what would happen if we made no change. Mr. Pedrick replied that the group re-formation process would cause BWC to lose ground, indicating the need for an even higher break-even factor. A break-even factor is a hammer approach to equity that is applied only because of the inability of the current system to reach the correct price for group employers. BWC should attack obstacles to equity by requiring continuity, homogeneity, and risk pooling.

Mr. Matesich asked if there were no break-even factor and BWC were not able to collect the $184 million premium variance from the target, where would the $184 million come from? Mr. Pedrick replied that the options would be an increase in rates or, if rates were not increased, then BWC must draw down net assets to pay claims. The shortfall has to come from somewhere. Ray Mazzotta, Chief Operating Officer, added that such an approach would not be sustainable.

Mr. Pedrick reported that the system utilization table on page 8 of the PowerPoint is derived from a table in the full report. Employers object to charging higher rates when they claim they never use the workers' compensation system. When BWC asked group stakeholders to clarify, they said these employers have no claim in the last year, or none in the years used to calculate the experience modification. However, the typical employer with more than an eight year history has a fifty percent chance to have had at least one claim. In 2007, 22% of group employers and 11% of non-group employers had a claim. This shows BWC operates an insurance system in which one is expected to have claims.

Mr. Pedrick further reported that the goals for 2010 rate reform plan are to provide more accurate and equitable rates for non-group employers; to adjust the maximum discount in the credibility table and the break-even factor to move group employers closer to their rate level target; and to introduce experience rating to more employers to provide incentives for them to manage safety and claims costs. This is the full expression of the oft-referred to "mantra" of rate reform, getting to the right rate for the right risk. Assuming an overall rate change of 0%, then the employer impact on groups will be 9.8%. However, an offsetting decline in the base rates will lead to a revenue neutral change.

The benefits of a stratified break-even factor are that the factor decreases as the experience modification increases; a stratified break-even factor results in giving groups with poorer loss ratios a higher break-even factor; and allows for group formation at lower discount levels where the flat factor did not. The impact of a stratified break-even factor is that it enables groups at higher experience modification which leads to closer to adequate premiums.

Mr. Bryan requested the data for this finding. Mr. Pedrick and Ms. Bravender replied that the data was provided at the September meeting and will be submitted again.

Mr. Pedrick stated that no employer in the state qualifies for maximum experience modification on its own. However, 30,000 to 40,000 employers receive the maximum discount by being in a group. These are the ones that pay the least. This is shown in the bi-modal distribution graph. Marsha Ryan, BWC Administrator, added that in group stratification, sponsors can form groups with more employers.

Mr. Matesich asked if BWC can predict which groups will stay together. Mr. Pedrick responded BWC could not speak to prediction of keeping groups together. However, there may be greater tolerance in keeping employers with claims in their groups. More groups would exist at middle or low discount range.

Mr. Pitts observed that the concept of group experience rating enables small employers to qualify for experience modification. As applied, one claim has a high impact. Mr. Pedrick added that a claim leads to ejection from group. BWC expects to see stability in employer costs.

Mr. Hummel stated that when groups dissolve, they always have some claims. Mr. Pedrick replied that many employers may have no recent claims but will have claims in the next year.

Mr. Mazzotta reported that in his indoctrination about BWC group rating, the Actuarial Department constructed a hypothetical group of 4,000 employers with more than $1 billion in payroll, and an experience modification of .05. A single claim of less than $15,000 in costs would increase the experience modification by four times.

Mr. Pitts stated he thought it appropriate to market the benefit of low premiums from participation in group rating. However, there is little information provided on the risk of claims. How to market a risk is problematic. Mr. Mazzotta added that the risk to BWC is that $1 billion in premiums develops into $6 billion in incurred losses.

Mr. Pedrick reported that BWC is proposing three new credibility levels for some employers with less than $8,000 in expected losses that are currently base rated. There will be three new levels with expected loss ranges of $2,000 to $4,000, $4,000 to $6,000, and $6,000 to $8,000. The credibility for these levels was selected conservatively so these employers can transition into experience rating. BWC has received positive stakeholder response. For the future, BWC will continue to evaluate targets and progress in the winter and spring of 2010. BWC plans a multi-split experience rating for July 2011. BWC now uses ten industry classes, but proposes to use 18 to 22 in future years. BWC will develop a plan to certify third party administrators (TPAs).

Mr. Harris, concerning comments of other directors, stated the nature of group rating is emphasis on safety. He asked for elaboration on the BWC response. Mr. Pedrick responded that groups have TPAs to help control claims costs. Some elements of containment reduce costs. Other elements remove costs. For example, the $15,000 medical only program and the salary continuation program create no reserves. The handicap reimbursement program removes claims costs from employers' experience. Neither reduces risk of workplace injuries.

Mr. Harris added that the medical only and salary continuation programs are activities conducted after claims arise. Sponsors should assist to prevent accidents. Mr. Pedrick agreed absolutely. However, he was not fully acquainted with sponsor programs on safety. The goal of a split plan is fewer injuries and lower rates.

Mr. Pitts stated that pre-injury efforts will be reflected in the system through lower rates. However, post-injury efforts to remove or reduce costs do not help in evaluating risk.

Mr. Pedrick reported that the new deductible plan illustrates positive aspects of claims management. The deductible does not permit the $15,000 medical only claim or salary continuation. Early reports show the deductible program assists BWC in appropriate treatment. When employers used the $15,000 medical only or salary continuation and turned over claims to BWC, we have lost the opportunity for early intervention and proper claim management.

Based on recently received information, Mr. Matesich reported that group employers are claiming BWC changes will result in ten times amount of premiums paid now. Mr. Pedrick replied if one examines policy year 2005 and a maximum credibility of 95%, then the lowest premium is 5% of base rates. With a maximum discount of 51% for 2010, the impact is a ten times over a five year period. An increase of that size is based on an extremely low rate. This 0.05 rate is unheard of in other states. The changes are gradual and do not include changes in base-rates. This impacts mostly base-rated employers. For 2010, 61% of employers will have premium changes of less than $500 with a mean increase is $139. The percentage can be large for these small dollar increases. A premium of 30% of base with an increase to 50% is an increase of 67%. However, the total dollars collected do not change. Under the existing system, an employer in 2005 with a group experience modifier of 0.05 that is ejected from group due to one claim faced a twenty-fold premium increase. Dramatic premium increases for individual employers are not new to the group system.

Mr. Matesich asked how Ohio compares with other states. Mr. Mazzotta replied that in other states, workers' compensation premiums run from 2.5% to 3% of payroll. However, construction and manufacturing rates are higher.

Mr. Matesich stated that this proposal is for rates effective July 1, 2010, and payroll reportable in February 2011. So there is no employer impact for one year to eighteen months. He asked if it was possible for an employer to spread his premium payments over a period of time. Mr. Mazzotta replied the employer may participate in the 50/50 payment plan and push the second payment of the premium three months into the future. Tracy Valentino, Chief, Fiscal and Planning, also added that the employer may pre-pay premiums early on a monthly payment plan and receive a discount. The employer may also enter a part-pay program at the time premiums are due and pay premiums in installments with interest. Financial hardship must be shown with a part-pay plan.

Mr. Hummel pointed out that the 77% and 65% credibility maximums have not yet impacted premium payments. He asked what has been the impact of the 85% maximum. Mr. Pedrick responded that when BWC proposed changes in June 2008, it considered the findings of ten actuarial studies and analyzed the loss performance of groups and the entire system. This body of information pointed to lower credibility for those with large expected losses. At the largest level of $1 million in expected loss the credibility should be in the range of 52% to 58%. Since then, there is no evidence that that target range should be changed. The BWC proposed a plan to take deliberate transitional steps over several years to achieve the goal. The current 77% table is the first of three steps along this path. The 65% table and break-even factor table for 2010 is the second step. If BWC were to stop changing group program now, then the improvements we have already implemented would be degraded.

PRIVATE EMPLOYER CREDIBILITY TABLE EFFECTIVE JULY 1, 2010, OHIO ADMINISTRATIVE CODE RULE 4123-17-05.1

Mr. Bryan called the question.

Mr. Matesich moved that the Actuarial Committee recommend that the Bureau of Workers' Compensation Board of Directors approve the Administrator's recommendations to amend Rule 4123-17-05.1 of the Administrative Code, Private Employer Credibility Table Used for Experience Rating. The motion consents to the amendment of Rule 4123-17-05.1 effective July 1, 2010, as presented today. Mr. Caldwell seconded the motion.

Mr. Bryan stated that this was a difficult vote because of great interest of and input from the public and he recognized those who did not want a change. This discussion answered many, if not all, of the questions asked by the stakeholders, This is a technical committee and must make its recommendations based upon the information it has.

The motion was approved by a roll call vote of six ayes and no nays. Mr. Bryan announced that Mr. Matesich would recommend approval of the rule at the meeting of the Workers' Compensation Board to be held October 30.

PRIVATE EMPLOYER BREAK-EVEN FACTOR EFFECTIVE JULY 1, 2010, OHIO ADMINISTRATIVE CODE RULE 4123016-64.1

Mr. Pitts moved that the Actuarial Committee recommend that the Bureau of Workers' Compensation Board of Directors approve the Administrator's recommendations to adopt Rule 4123-17-64.1 of the Administrative Code, Private Employer Group Experience Break-Even Factors. The rule establishes break-even factors to be applied to group rating experience modifications for private employers effective July 1, 2010. The motion consents to the Administrator amending the rule as presented here today. Mr. Hummel seconded and the motion was approved by a roll call vote of six ayes and no nays.

RECESS

Mr. Bryan recessed the meeting at 12:05 p.m.

Mr. Lhota left the meeting.

SAFETY AND HYGIENE ASSESSMENT RATE FOR PUBLIC EMPLOYER TAXING DISTRICTS, OHIO ADMINISTRATIVE CODE RULE 4123-17-37

Mr. Bryan reconvened the meeting at 12:10 p.m.

Ms. Philips recommended amendment of Ohio Administrative Code Rule 4123-17-37 to reduce the Safety and Hygiene assessment for public employer taxing districts.

Mr. Harris asked what the cost savings will be for a typical township. Ms. Phillips replied that she did not have that information. However, any taxing district may calculate its savings by looking at the amount of the prior period's assessment and calculate one-half as its future liability.

Mr. Hummel moved that the Actuarial Committee recommend that the Bureau of Workers' Compensation Board of Directors approve the Administrator's recommendations to amend Rule 4123-17-37 of the Administrative Code, Employer Contribution to the Safety and Hygiene Fund. The motion consents to the Administrator amending the rule as presented here today. Mr. Caldwell seconded and the motion was approved by a roll call vote of four ayes and no nays. Mr. Matesich abstained from voting.

RULES FOR FIRST READING

Mr. Pedrick reported that last month the Workers' Compensation Board approved overall rates for public employer taxing districts for 2010 that are 17% lower than 2009. Now BWC is coming to the Actuarial Committee with rules to apply that rate reduction recommendation. The average premium rate is $1.46.

Mr. Bryan asked if BWC was requesting action today. Mr. Pedrick replied that if the Actuarial Committee wishes to dispense with this item now, it may do so. These rules are the direct effect of the structure deliberated and approved at the previous meeting.

Mr. Pedrick also reported on Ohio Administrative Code Rule 4123-17-64.2. This was suggested by stakeholders to enable formation of groups at higher experience modifications.

Mr. Bryan asked what harm is done in passing these motions today. Mr. Pedrick replied that passing these now adds certainty to the marketing of BWC plans in October, as opposed to November. As for now, there is less certainty, but there would be no further information forthcoming that would change the BWC recommendation.

Mr. Matesich asked if stakeholders are waiting to make their input for a November consideration. Mr. Pedrick said BWC made no request for information on rate changes. Some stakeholders are advocating not implementing any part of rate reform. Ms. Bravender added that BWC has input in the break-even factor but none on capping the credibility factors.

PUBLIC EMPLOYER BASE RATES AND EXPECTED LOSS RATES, OHIO ADMINISTRATIVE CODE RULE 4123-27-33 & 4123-17-34

Mr. Bryan solicited objections from the Actuarial Committee on approval of these Administrative Code rules. Hearing none, he requested motions to waive the second reading.

Mr. Pitts moved to waive the second reading on Ohio Administrative Code Rules 4123-17-33 and 4123-17-34. Mr. Caldwell seconded and the motion was approved by a roll call vote of five ayes and no nays.

Mr. Matesich moved that the Actuarial Committee recommend that the Bureau of Workers' Compensation Board of Directors approve the Administrator's recommendations relating to the public employer rate rules, beginning January 1, 2010. The motion consents to the Administrator amending Rules 4123-17-33 and 4123-17-34 of the Administrative Code as presented here today. Mr. Hummel seconded and the motion was approved by a roll call vote of five ayes and no nays.

PUBLIC EMPLOYER GROUP BREAK-EVEN FACTOR, OHIO ADMINISTRATIVE CODE RULE 4123-17-64.2

Mr. Matesich moved to waive the second reading of the recommendation to amend Ohio Administrative Code Rule 4123-17-64.2. Mr. Pitts seconded and the motion was approved by a roll call vote of five ayes and no nays.

Mr. Hummel moved that the Actuarial Committee recommend that the Bureau of Workers' Compensation Board of Directors approve the Administrator's recommendations to adopt rule 4123-17-64.2 of the Administrative Code, Public Employer Group Experience Break-Even Factors. The rule establishes break-even factors to be applied to group rating experience modifications for public employers effective January 1, 2010. The motion consents to the administrator amending the rule as presented here today. Mr. Caldwell seconded and the motion was approved by a roll call vote of five ayes and no nays.

PUBLIC EMPLOYER CAPPING RULE, OHIO ADMINISTRATIVE CODE RULE 4123-17-03 AND ONE CLAIM PROGRAM, OHIO ADMINISTRATIVE CODE RULE 4123-17-71

Mr. Hummel moved to waive the second reading of Ohio Administrative Code Rule 4123-17-03 and 4123-17-71. Mr. Matesich seconded and the motion was approved by a roll call vote of five ayes and no nays.

Mr. Pitts moved that the Actuarial Committee recommend that the Bureau of Workers' Compensation Board of Directors approve the Administrator's recommendations to amend Rules 4123-17-03 and 4123-17-71 of the Administrative Code. The amendments relate to the cap or limit on the annual increase in a public employer's experience modification. The motion consents to the Administrator amending the rules as presented here today. Mr. Hummel seconded and the motion was approved by a roll call vote of five ayes and no nays.

DISCUSSION ITEMS

ACTUARIAL COMMITTEE CHARTER

Don Berno, Board Liaison, recommended changes to the charter of the Actuarial Committee.

Mr. Hummel asked if the provisions on non-voting members are the same and Mr. Berno confirmed they were.

Mr. Matesich asked if in the absence of the committee chair, the responsibility fall on the vice chair by rule or by another provision. Mr. Berno replied it is probably covered by Robert's Rules of Order, but he can insert the provision. Mr. Bryan asked that the provision be inserted and the charter referred to the Governance Committee.

Mr. Berno reported that the wrong version of the charter had been distributed and would provide the corrected one later with the editorial changes. The Governance Committee will make provisions uniform on all committee charters.

Mr. Matesich moved that the Actuarial Committee of the Workers' Compensation Board of Directors refer the Actuarial Committee charter to the Governance Committee to consider the recommended changes as discussed here today. Mr. Caldwell seconded and the motion was approved by a roll call vote of five ayes and no nays.

GROUP RETROSPECTIVE RATING PROGRAM UPDATE

Joy Bush, Program Development Manager, reported on the group retrospective rating program. To date, three sponsors have sponsored seven groups. They represent $35 million in premium and $1.2 billion in payroll, which is 2% of BWC premiums. Of the employers, 93% have been in business more than three years. The groups are more homogeneous than prior ones.

Mr. Bryan noted that there is a fairly even blend of credit and debit-rated employers. This is similar to the program in the State of Washington.

Mr. Matesich asked why there is a concentration of employers in northeast Ohio. Ms. Bush replied that there is one sponsor with five groups from this area. Also there was interest in the manufacturing industries, which are concentrated in the northeast.

Ms. Bush further reported that BWC is working on two additional programs: an individual loss retro program and a large deductible program.

QUARTERLY UPDATE ON H.B. 100 COMPREHENSIVE REPORT BY DELOITTE CONSULTING

Mr. Bryan reported that Jim Fograscher, Project Manager, was ill and tabled the reported to the November meeting.

CHIEF ACTUARIAL OFFICER REPORT

Mr. Pedrick reported that most of the report had been covered in the first part of the meeting. He drew the attention of the Actuarial Committee to schedules for implementation of new products.

GROUP RATING ANNUAL REPORT, OHIO ADMINISTRATIVE CODE RULE 4123-17-61.1

Mr. Pedrick reported that the group rating annual report was included as Appendix 2 to the large handout regarding group rating.

COMMITTEE CALENDAR

Mr. Bryan stated that his goal was to spend more time on reserves and, accordingly, there will be an education session during the November meeting. Mr. Pitts noted that three items for the November meeting have been resolved.

Mr. Bryan reported that Mr. Matesich would be delivering the recommendations of the Actuarial Committee to the Workers' Compensation Board at the October 30 meeting.

EXECUTIVE SESSION

There was no executive session.

ADJOURNMENT

Mr. Pitts moved to adjourn and Mr. Caldwell seconded. Mr. Bryan adjourned the meeting at 12:45 p.m. after the motion was approved by a roll call vote of five ayes and no nays.

Prepared by: Larry Rhodebeck, Staff Counsel
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November 3, 2009