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Ohio Bureau of Workers' Compensation

Drug-Free Workplace Program Review

Deloitte Consulting LLP
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Background

Current Drug-Free Workplace Program

The Bureau of Workers' Compensation ("BWC") introduced a Drug-Free Workplace Program ("DFWP") in 1997 to help employers establish a safer and more cost effective workplace. As an incentive, participating employers may be eligible for a discount on their premiums of up to 20% in addition to individual or group experience modification factors.

Future Vision of Drug-Free Workplace Program

BWC envisions the future DFWP to be an effective loss prevention program directed at:

1. Reducing the cost of workers' compensation to employers;
2. Promoting occupational safety and health for workers by preventing and reducing the risk of workplace accidents and injuries attributed to the use and abuse of alcohol and drugs in the workplace;
3. Encouraging employers to detect and deter substance use and misuse, and to take appropriate corrective action.

To realize this vision, the program design and elements should allow BWC to measure and monitor the effectiveness of the program and make pricing adjustments based on performance analysis models.

BWC intends to describe the new program as the Drug-Free Safety Program ("DFSP"). The overall sophistication of employers (insureds) varies and therefore not all employers are able to implement the same type of DFSP. For instance, some employers are able to implement pre-employment drug screening only, whereas others are capable of performing on-going random drug testing. As the Drug-Free Safety Program may be designed to acknowledge this variety among customers, there is a potential need to vary the credit level based on the customer's ability to participate. This may have the desirable effect of encouraging a broader group of employers to participate in the program, even if they are not prepared to implement all aspects of the full program. Therefore, BWC has indicated the desire for multiple credit levels based on the customer's ability to implement varying degrees of the drug-free safety processes.

Specifically, the BWC has proposed that the new DFSP consist of two levels:

- Basic Program Level
- Advanced Program Level

Both program levels include a safety element that aims to assist employers participating in the program with their accident/injury prevention and risk reduction efforts. For example, the safety measure includes:

- Online Safety Self-Assessment
- Online Accident Analysis Training for Supervisors
- Online accident reporting
- BWC's Safety Services will be available upon request or as indicated (increasing loss ratios, injury trends, inadequate accident analysis, catastrophic claim, fatality, etc.)
- Annual employee substance awareness training, content identified by BWC (could RFP development of BWC-offered online courses)
- Annual supervisor training, content identified by BWC, including conducting accident investigations

To facilitate program implementation, the safety element components including the safety assessment, supervisor accident analysis and accident reporting will be designed to be completed online.

Both program levels are, generally, similar to the current DFWP and include written policy, employer education, supervisor skill-building training, drug testing, and employee assistance. The advanced level builds upon the basic level with additional elements, including:

- Developing a safety action plan based on the safety self-assessment
- Conducting random drug testing for 25% of the workforce
- Participating employers agree not to terminate employees upon first positive drug test

Analysis

BWC Analysis

BWC reviewed two sets of data for companies that completed participation in the DFWP in the periods 2002-2006 and 2003-2007. The analysis included reviewing frequency, severity and loss ratio data with comparisons to two similar groups of companies (control groups) that did not participate in the DFWP. BWC separated the selected DFWP group and Control policies based on industry groups, whether or not a policy was group-rated, and various payroll size ranges. BWC's original analysis consisted of 232 policies for DFWP participants and 232 policies in the control group. The 232 policies in the selected DFWP group included employers who had participated in the DFWP program between 2002 and 2006, but did not participate between 1999 and 2001 nor did they participate from 2007 to 2009. The two groups of policyholders were chosen by BWC to represent similar types of employers in an attempt to minimize any bias that may exist when comparing employers that may be of various sizes, industries, organization types, resources, and levels of sophistication.

At Deloitte's suggestion, BWC subsequently analyzed a larger group of DFWP participants and a larger control group based on participation in the program from 2003 to 2007. This produced larger number of policies, 2,516. Similar metrics were produced to those described above for the 2002 to 2006 group. BWC produced loss ratio and frequency results for these larger study groups of cohorts as well.

Deloitte Analysis

Deloitte Consulting was asked to recommend premium credits for the two levels (Basic and Advanced) envisioned for the new program. Our analysis, like BWC's, considered loss ratios between the various study groups. One difference in the analysis, however, is that BWC used final premium as the basis for the metrics it considered. Final premium includes various adjustments to premium, including DFWP credits, which were stripped out of our analysis in order to analyze the two study groups on a comparable basis.

To perform our analysis, BWC provided Deloitte with the following:

- A listing of policies to include in each of the DFWP and Control cohorts
- The "PA 2009 Slippage _DB" Access database, from which we were able to extract the 2005, 2006, and 2007 year policy data for each of the policies in the two groups of cohorts
- The "Incurred Claim Costs as of 6-30-2009" Access database, from which we were able to extract the 2005, 2006, and 2007 year loss data for each of the policies in the two groups of cohorts

Our process was to analyze the loss ratios for the two cohorts by year and in total considering both base premium and experience modification adjusted premium (standard premium). We separated both cohorts of policies by those who are base rated ("BASE"), individually experience rated ("EXP"), group rated ("GROUP"), One Claim Program policies ("OCP"), or those with retrospective policies ("RETRO"). Our analysis considers only individually experience rated policies. This category had the largest standard premium. We did not include the other policy categories. The second largest category based on standard premium is group rated policies. We note that many group rated policies would include a lower group experience modification factor (i.e. more discount in the group rated premium) than would be applicable from an individual experience modification factor for the same risk.

Base premium was determined as the product of payroll by class code and base rate by class. The standard premium additionally reflects any applicable experience modification factor. Neither premium includes other adjustment factors or discounts for the current DFWP or other safety programs. The loss amounts are based on incurred losses as of June 30, 2009. The loss ratio for each cohort was calculated by dividing the group's incurred loss by its premium. We considered both undeveloped incurred losses and developed incurred losses.

Developed incurred losses are based on incurred losses as of June 30, 2009 multiplied by a factor to project these losses to their ultimate value.

Results

Table 1 below shows a summary of undeveloped loss ratios for individually experience rated employers based on standard premium (payroll multiplied by base rate multiplied by experience modification factor).

Table 1 - Undeveloped Loss Ratios to Standard Premium - Individually Experience Rated Employers

	2005		2006		2007		2005-2007	
Basis	**DFWP**	**Control**	**DFWP**	**Control**	**DFWP**	**Control**	**DFWP**	**Control**
Undeveloped Losses, Standard Premium	33%	35%	29%	29%	18%	22%	27%	28%

The loss ratios in Table 1 show different results for the 2005-2007 years. The DFWP cohort has had a lower three year loss ratio than the Control cohort.

Table 2 below shows a summary of developed loss ratios for individually experience rated employers based on standard premium.

Table 2 - Developed Loss Ratios to Standard Premium - Individually Experience Rated Employers

	2005		2006		2007		2005-2007	
Basis	**DFWP**	**Control**	**DFWP**	**Control**	**DFWP**	**Control**	**DFWP**	**Control**
Developed Losses, Standard Premium	61%	65%	63%	62%	46%	55%	57%	60%

Similar to Table 1, the loss ratios in Table 2 show that the DFWP cohort has had a lower three year loss ratio than the Control cohort.

Tables 3 and 4 summarize the data underlying Tables 1 and 2. For example, for an individual experience rated DFWP policy, the undeveloped standard loss ratio for 2005 is $34,086,802 / $103,313,932 which is approximately equal to 33%, as shown in the first column of table 2a. Tables 3 and 4 also show the number of policies and amount of premium and loss for each rating group in each year. As noted above, we believe that the individual experience rated policies is the only rating group n the study cohorts from which to draw reasonable conclusions.

Table 3 - DFWP Policy Data						
Rating Group	Policy Count	Standard Premium	Incurred Loss	Policy Count	Standard Premium	Incurred Loss
	2005			2006		
BASE	92	615,798	641,685	91	626,309	288,882
EXP	861	103,313,932	34,086,802	723	89,122,298	25,988,299
GROUP	1,526	44,835,887	23,947,986	1,676	61,368,006	28,951,943
OCP	12	188,820	70,294	20	294,152	12,666
RETRO	5	4,007,075	1,204,909	6	4,581,872	2,301,891
Total	**2,496**	**152,961,511**	**59,951,676**	**2,516**	**155,992,637**	**57,543,681**
	2007			2005-2007		
BASE	80	525,986	328,492	263	1,768,093	1,259,059
EXP	635	83,835,780	15,204,604	2,219	276,272,010	75,279,706
GROUP	1,770	69,721,039	25,705,429	4,972	175,924,932	78,605,358
OCP	26	403,673	4,439	58	886,644	87,399
RETRO	5	4,216,770	1,435,153	16	12,805,717	4,941,953
Total	**2,516**	**158,703,247**	**42,678,117**	**7,528**	**467,657,395**	**160,173,475**

Table 4 - Control Group Policy Data						
Rating Group	Policy Count	Standard Premium	Incurred Loss	Policy Count	Standard Premium	Incurred Loss
	2005			2006		
BASE	244	523,330	204,324	238	499,064	14,255
EXP	658	70,553,998	24,673,555	602	68,246,099	19,526,732
GROUP	1,580	38,464,452	30,626,032	1,633	47,037,251	27,784,335
OCP	4	24,745	-	16	131,885	53,543
RETRO	13	6,049,808	932,960	13	7,350,047	1,436,832
Total	**2,500**	**115,616,333**	**56,436,871**	**2,502**	**123,264,346**	**48,815,698**
	2007			2005-2007		
BASE	241	598,050	236,723	724	1,620,444	455,302
EXP	591	75,762,465	16,296,152	1,851	214,562,562	60,496,440
GROUP	1,640	51,234,510	18,124,107	4,853	136,736,213	76,534,474
OCP	19	159,677	315,937	39	316,307	369,479
RETRO	11	6,644,828	1,608,116	37	20,044,684	3,977,908
Total	**2,502**	**134,399,529**	**36,581,034**	**7,503**	**373,280,209**	**141,833,603**

Using the standard premium loss ratios shown in Table 1 for the individually experience rated policies, we can calculate the performance difference between the 2 cohorts as the ratio of the DFWP loss ratio to the Control loss ratio minus 1. Table 5a shows this calculation by year and in total over three years based on the undeveloped loss ratios from Table 1:

Table 5a - DFWP vs. Control Group - Individually Experience Rated Policies (Based on Undeveloped Loss Ratios)

Year	DFWP	Control	Performance Difference	
2005	33%	35%	-6%	
2006	29%	29%	2%	
2007	18%	22%	-16%	
Total	**27%**	**28%**	-3%	*=(27% / 28% - 1)*

For the individually experience rated group, using the undeveloped loss ratio to standard premium, the performance differences by year varies from a 16% credit to a 2% debit. In total, for the 3 years, the average performance difference is 3% better for the DFWP cohort vs. the control group.

Table 5b shows the performance differences for individually experience rated policies based on the developed loss ratios from Table 2:

Table 5b - DFWP vs. Control Group - Individually Experience Rated Policies (Based on Developed Loss Ratios)

Year	DFWP	Control	Performance Difference	
2005	61%	65%	-6%	
2006	63%	62%	2%	
2007	46%	55%	-16%	
Total	**57%**	**60%**	-5%	*=(57% / 60% - 1)*

The performance differences by year are the same in Table 5b as 5a. This is due to the fact that the same development factors are used for the DFWP and Control groups, resulting in no change to the relationship between developed and undeveloped loss ratios for a given year. Overall however, there is a larger performance difference by using the developed loss ratios. The 2007 year has the largest performance difference of the three years (16%). On a developed basis, the 2007 year has a higher impact on the three year average as compared to the undeveloped loss ratios in Table 5a. The 2007 year is the least mature of the three years included in this analysis, and therefore small differences in the reported loss ratio for this year can have a relatively large impact on the indicated performance difference.

The three year average performance difference from Tables 5a and 5b are 3% and 5% respectively. We used these results to derive our recommend range of credits for the Basic Program. We do not believe that any one year's result is sufficiently credible to rely upon, particularly the most recent year which is the least mature.

Our conclusions and recommendations are based on the comparisons for the rating group that contained individually experienced rated policies using standard premiums. The data available for the group rated policies produces inconsistent results using base premium and the standard premium for group rated policies were significantly affected by the very high group rating discounts applied to their standard premium. Also, there is some concern that it is more difficult to isolate the impact of DFWP for the cohorts of group-rated policies versus other characteristics of group rated policies. Failure to isolate such other characteristics may lead to

misestimating the impact of DFWP because of the difficulty in designing an appropriate control group and producing credible results.

Comparisons to Other States

A recent survey found that 12 states offered a premium discount for employers with a drug free workplace program or a safety program which included drug-free incentives. Of the 12 states, Ohio's current maximum credit of 20% was the largest credit. The next largest was only 7.5%, which was only a single state (Georgia). All other states offered a 5% discount (one state included a discount but the amount was not indicated).

Recommendations

Conclusion

It is our recommendation, based on the results of our analysis, as well as the information available regarding other states that the BWC offer a premium credits for participants in the Basic Program of between 3% and 5% and an additional 2% to 3% premium credit for participants in the Advanced Program.

Recommendation:		
Include a 2 level premium discount structure, with the following range of possible credits.	Basic	3% to 5%
	Advanced	Additional 2% to 3%
	Maximum	5% to 8%

We believe this recommended premium credit structure would be reasonable for the current program and bring the credits more in line with those offered by other states as well as the average indicated performance difference from the experience study. We also believe this to be an appropriate performance target for BWC to use as a baseline as the BWC develops the premium credit applicability structure in the new DFSP program.

We also recommend that BWC begin to track drug or substance abuse related accidents so as to better be able to analyze the impact of the future program on workplace safety. We believe that in future analysis, after collection of such data, the BWC would be able to directly analyze the frequency and severity of those claims which are a direct or indirect result of drug or substance abuse. This would provide greater insight into the effectiveness of the program and a more accurate analysis of the premium credits.

Conditions and Limitations

In evaluating whether the conclusions from our analysis are reasonable, it is necessary to project future results from past loss data. It is certain that actual future losses will not produce results exactly as estimated and may, in fact, vary significantly from the projections. We express no warranty nor imply that such variance will not occur. We believe, however, that the actuarial methods and assumptions used in our analysis are reasonable.

Additionally, our recommended premium credits are based on data available from the current DFWP and extrapolated to a new program, the DFSP, which has not yet been implemented. We believe our estimates based on the current system are reasonable. However, the results of the new program could vary significantly for those recommend in this analysis.

Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-72

Rule Review

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

   Citation: __R.C. 4123.29_____

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

   What goal(s): The Deductible Program Rule must be updated to synchronize it with the revised Drug-Free Safety Program (DFSP). The Drug-Free Safety Program revision states that an employer may not receive the DFSP discount if they participate at a large deductible level ($25,000 or greater). PEC large deductible discount table has been added for use in the 1/1/2011 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: Change reviewed as part of the Drug-Free Safety Plan revisions. Discount table is an actuarial calculation.

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

Deductible Program Rules Changes

Introduction

The Deductible Program Rule must be updated to synchronize it with the revised Drug-Free Safety Program (DFSP). The Drug-Free Safety Program rule states that an employer may not receive the DFSP discount if they participate at a large deductible level ($25,000 or greater). Given the fact that the Board of Directors is currently reconsidering this rule, BWC staff have added the discount tables for the large deductible levels ($25,000 or greater) for Public Employer Taxing Districts (PEC) which was planned for an agenda later this spring.

Background Information

Rule 4123-17-72 was passed by BWC's Board of Directors in February of 2009. This rule enabled Ohio employers to receive a premium discount for agreeing to pay a per claim deductible.

Proposed Changes

Section (M) of the Deductible Program specifies employer programs that are incompatible with the Deductible Program. The Drug-Free Safety Program was added to this section with additional text to clarify that large deductible employers may participate in the program but will not receive a premium discount. The new section of the rule reads as follows:

(M)(5) Drug-Free Safety Program premium discount if a deductible level of twenty-five thousand dollars, fifty thousand dollars, one hundred thousand dollars, or two hundred thousand dollars is selected. An employer may implement or continue to use the Drug-Free Safety Program, but will not receive the premium discount typically associated with program participation.

Appendix F has been added which provides the large deductible discount amounts for PEC employers. These will first be used for the PEC policy year beginning 1/1/2011.

4123-17-72 Deductible rule.

(A) As used in this rule:

(1) "Coverage period" means the twelve month period beginning July first through June thirtieth for private employers, and January first through December thirty-first for public employers. The deductible selected by the employer will apply only to claims with a date of injury within the coverage period defined in the deductible agreement.

(2) "Deductible" means the maximum amount an insured participating in the deductible program must reimburse the bureau for each claim that occurs during the policy year.

(3) "Experience rated premium" means the premium obligations of an employer for the policy year excluding DWRF and administrative cost assessments. This may include any experience premium related to policy combinations.

(4) "Modified rate" means the rate that employers who are experience rated pay as a percentage of their payroll. This rate is calculated by taking the base rate and multiplying it by the employer's experience modification (EM) factor.

(5) "NCCI base rate" means the rate that employers who are not experience rated pay as a percentage of their payroll.

(6) "Policy in good standing" means the employer is current on all payments due to the bureau and is in compliance with bureau laws, rules, and regulations at the time of enrollment or reenrollment.

(7) "Premium" means money paid (due) from an employer for workers' compensation insurance. It does not include money paid as fees, fines, penalties or deposits.

(8) "Qualified employer" means an employer that has a bureau policy that is in good standing at the time of enrollment or reenrollment. Although the employer may be a qualified employer, the bureau may not accept the employer into the deductible program for other reasons set forth in this rule.

(B) Eligibility requirements.

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

(1) The employer shall have a bureau policy that is in good standing at the time of enrollment.

(2) The employer shall be a private state funded employer or public employer taxing district. A self-insuring employer or a state agency public employer shall not be eligible for participation in the deductible program.

(3) The employer shall be current on all premium payments and deductible billings as of the original application deadline or anniversary date of participation.

(4) The employer shall have active coverage as of the original application deadline or anniversary date of participation.

(5) The employer shall demonstrate the ability to make payments under the deductible program based upon a credit score established by the bureau on an annual basis which will be applicable to all applicants for the program year. The bureau shall obtain the credit reports from an established vendor of such information.

(6) If the employer selects a deductible amount of five hundred dollars, one thousand dollars, two thousand five hundred dollars, five thousand dollars, or ten thousand dollars, the employer may not have cumulative lapses in workers' compensation coverage in excess of forty days within the twelve months preceding the original application deadline or subsequent anniversary deadline wherein the employer seeks renewal in the deductible program. If the employer selects a deductible amount of twenty-five thousand dollars, fifty thousand dollars, one hundred thousand dollars, or two hundred thousand dollars, the employer may not have cumulative lapses in workers' compensation coverage in excess of fifteen days within the five years preceding the original application deadline or subsequent anniversary deadline wherein the employer seeks renewal in the deductible program.

(C) In selecting an employer deductible program under this rule, the employer must select, on an application provided by the bureau, a per claim deductible amount, which shall be applicable for all claims with dates of injury within a one year coverage period. The employer shall choose one deductible level from the following:

(1) Five hundred dollars;

(2) One thousand dollars;

(3) Two thousand five hundred dollars;

(4) Five thousand dollars;

(5) Ten thousand dollars;

(6) Twenty-five thousand dollars;

(7) Fifty thousand dollars;

(8) One hundred thousand dollars;

(9) Two hundred thousand dollars.

(D) In choosing a deductible amount of five hundred dollars, one thousand dollars, two thousand five hundred dollars, five thousand dollars, or ten thousand dollars, the employer may not choose a deductible amount that exceeds twenty-five per cent of their experience rated premium obligation during the most recent full policy year. For a new employer policy, the deductible amount shall not exceed twenty-five per cent of the employer's expected premium. In choosing a deductible amount of twenty-five thousand dollars, fifty thousand dollars, one hundred thousand dollars, or two hundred thousand dollars, the employer may not choose a deductible amount that exceeds forty per cent of their experience rated premium obligation for the most recent full policy year. For self-insured employers re-entering the state fund system, the bureau will use the paid workers' compensation benefits from the last full policy year in place of experience rated premium.

BWC may estimate a full year's premium should only a partial year be available or if no premium is available in the most recent full policy year.

(E) A deductible level of twenty-five thousand dollars, fifty thousand dollars, one hundred thousand dollars, or two hundred thousand dollars will be considered a large deductible and will undergo additional credit analysis. Employers enrolling in a large deductible program must submit financial information to the bureau during the enrollment period preceding each policy year they elect to participate in the program.

(1) An employer choosing a deductible level of twenty-five thousand dollars or fifty thousand dollars must submit reviewed or audited financials for at least the three most recent fiscal years. The financials must be prepared in accordance with generally accepted accounting principles.

(2) An employer choosing a deductible level of one hundred thousand dollars or two hundred thousand dollars must submit audited financials for at least the three most recent fiscal years. The financials must be prepared in accordance with generally accepted accounting principles.

(3) The bureau may require an employer to adopt additional risk mitigation measures as a prerequisite for participation in the program. These measures may include, but are not limited to: adoption of an alternative payment plan, providing securitization in the form of a letter of credit or surety bond, and selection of an aggregate stop-loss limit.

(F) An employer may elect an annual aggregate stop-loss limit option in combination with deductible levels of twenty-five thousand dollars, fifty thousand dollars, one hundred thousand dollars, fifty-thousand dollars, one-hundred thousand dollars, or two-hundred thousand dollars. If the employer elects the aggregate stop-loss limit option, the bureau will limit deductible billings for injuries which occur during the associated policy year to three times the deductible level chosen.

(G) The employer shall file the application provided by the bureau and any other paperwork required for enrollment in the deductible program by the bureau by the appropriate enrollment period as follows:

(1) For a private employer, between March first and the last business day of April preceding a policy year that begins on July first.

(2) For a public employer taxing district, between September first the last business day of October preceding a policy year that begins on January first.

Applications and any supporting documentation may be submitted by U.S. postal service, fax, e-mail containing scanned documentation, or online submission, so long as such paperwork is received by the bureau on or before the due date.

(3) The bureau shall not permit an employer to enroll in a deductible program outside of the deadlines set forth in this rule, except that the bureau will consider a new employer, establishing a policy in Ohio for the first time, for participation where the employer submits its deductible program application to the bureau within thirty days of obtaining coverage.

(H) Renewal in the deductible program at the same level for each subsequent year shall be automatic, subject to review by the bureau of the employer's continued eligibility under paragraph (B) of this rule, unless the employer notifies the bureau in writing that the employer does not wish to participate in the program or that the employer wants to change the deductible amount for the next coverage period. The employer shall provide such notice to the bureau within the time and in the manner provided in paragraph (G) of this rule.

(I) An employer shall not be permitted to withdraw from the deductible program during the policy year, and no changes shall be made with respect to any deductible amount selected by the employer within the policy year. However, the bureau shall have the option of removing an employer from the deductible program for any of the reasons described in paragraph (N) of this rule.

(J) The bureau shall pay the claims costs under a deductible program and the employer shall reimburse to the bureau the costs under the deductible program as follows:

(1) The bureau shall pay all claims costs in accordance with the laws and rules governing payment of workers' compensation benefits. The bureau shall include the entire cost in the employer's experience for the appropriate policy year.

(2) The bureau shall bill the employer on a monthly basis for any claims costs paid by the bureau for amounts subject to the deductible as elected by the employer for the policy year. In addition to amounts paid by the bureau for which the bureau is seeking reimbursement from the employer, such monthly billings shall also reflect the payments to date for any claims to which a deductible is applicable.

(3) The employer shall pay all deductible amounts billed by the bureau within twenty-eight days of the invoice date. The employer will be subject to any interest or penalty provisions to which other monies owed the bureau are subject, including certification to the attorney general's office for collection.

(4) The employer shall continue to be liable beyond any deductible program period for billings covered under a deductible program for injuries that arose during any period for which a deductible is applicable, regardless of when payment was made by the bureau.

(K) The bureau will apply the premium reduction calculation under the deductible program directly to the NCCI base rate established for the policy year for base-rated employers, or after the modified premium rate is established for experience-rated employers, but prior to any other premium discounts, as well as DWRF and administrative expenses. An individual employer participating in both group rating under rules 4123-17-61 to 4123-17-68 of the Administrative Code and the deductible program under this rule may implement the deductible program and receive the associated premium discounts in addition to the group discount; provided, however, the combined discounts may not exceed the maximum discount allowed under the group rating plan. The maximum discount with group rating will be the maximum credibility of a rating group without the application of the breakeven factor. The bureau will calculate the reduction in accordance with appendix A to this rule, which takes into account both the deductible amount chosen by the employer and the applicable hazard group under the most current version of NCCI as established by the primary manual classification of the employer as determined at the end of the enrollment period for that year.

(1) In determining the primary manual classification and appropriate hazard group, the bureau shall utilize payroll and the associated experience premium for the rating year beginning two years prior to the period in which the employer is seeking to enroll in the deductible program.

(2) For new employers, the bureau shall base the appropriate primary manual classification and hazard group upon estimated payroll.

(L) Where there is a combination or experience transfer of an employer within a deductible program policy period, following the application of any other rules applicable to a combination or experience transfer, the employer may be eligible to remain in a deductible program as follows:

(1) Successor: entity not having coverage.

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

Where there is a combination or experience transfer, where the predecessor was a participant in the deductible program and the successor is assigned a new policy with the bureau, the successor shall make application for the deductible program within thirty days of obtaining a bureau policy, as set forth in paragraph (G)(3) of this rule. Notwithstanding this election, the successor shall be responsible for any and all existing or future liabilities stemming from the predecessor's participation in the deductible program prior to the date that the bureau was notified of the transfer as provided under paragraph (C) of rule 4123-17-02 of the Administrative Code.

(2) Successor: enrolled in the deductible program.

Predecessor: not enrolled in the deductible program.

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

(3) Successor: not enrolled in deductible program.

Predecessor: enrolled in deductible program.

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

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

(1) Retrospective rating, whether group or individual.

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

(3) Salary continuation.

(4) Group rating if a deductible level of twenty-five thousand dollars, fifty thousand dollars, one hundred thousand dollars, or two hundred thousand dollars is selected.

(5) Drug-Free Safety Program premium discount if a deductible level of twenty-five thousand dollars, fifty thousand dollars, one hundred thousand dollars, or two hundred thousand dollars is selected. An employer may implement or continue to use the Drug-Free Safety Program, but will not receive the premium discount typically associated with program participation.

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

(1) Where the employer participates in any plan or program prohibited under paragraph (M) of this rule.

(2) Where the bureau certifies a balance due from the employer to the attorney general during the program year.

(3) Where the employer makes direct payments to any medical provider for services rendered or supplies or to any injured worker for compensation associated with a workers' compensation claim.

(4) Where the employer engages in misrepresentation or fraud in conjunction with the deductible program application process.

Appendix A: Summary of Selected Deductible Credits - PA

Summary of Selected Deductible Credits

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

Appendix B: Summary of Selected Deductible Credits - PEC

Summary of Selected Deductible Credits - PEC

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

Appendix C: Table of Classifications by Hazard Group – PA

TABLE OF CLASSIFICATIONS BY HAZARD GROUP													EFF		7/1/2008		
Class Code	Haz Grp A–G	Class Code	Haz Grp A–G	Class Code	Haz Grp A–G	Class Code	Haz Grp A–G	Class Code	Haz Grp A–G	Class Code	Haz Grp A–G	Class Code	Haz Grp A–G	Class Code	Haz Grp A–G	Class Code	Haz Grp A–G
0005	C	2121	C	3027	E	3642	C	4432	A	5472	G	7382	C	8232	E	9083	A
0008	D	2130	C	3028	C	3643	C	4439	E	5473	G	7390	C	8233	E	9084	C
0016	E	2131	C	3030	E	3647	D	4452	C	5474	F	7403	E	8235	C	9088	G
0034	C	2143	B	3040	E	3648	B	4459	C	5478	E	7405	E	8263	D	9089	B
0035	B	2157	C	3041	C	3681	B	4470	C	5479	D	7409	G	8264	E	9093	B
0036	C	2172	D	3042	D	3685	B	4484	C	5480	F	7420	G	8265	F	9101	B
0037	D	2174	B	3064	C	3719	G	4493	C	5491	F	7421	F	8279	F	9102	C
0042	D	2211	E	3069	E	3724	F	4511	D	5506	G	7422	G	8288	E	9154	C
0050	C	2220	C	3076	B	3726	G	4557	B	5507	F	7425	G	8291	D	9156	D
0079	E	2286	B	3081	E	3803	C	4558	C	5508	E	7431	G	8292	C	9170	G
0083	C	2288	B	3082	E	3807	B	4561	C	5535	E	7502	E	8293	E	9178	A
0106	F	2300	A	3085	E	3808	D	4568	E	5537	E	7515	G	8304	E	9179	B
0113	C	2302	C	3110	C	3821	D	4581	F	5538	E	7520	C	8350	F	9180	E
0170	C	2305	D	3111	C	3822	D	4583	F	5551	G	7538	G	8380	D	9182	C
0251	C	2361	C	3113	C	3824	D	4611	B	5605	F	7539	F	8381	D	9186	F
0400	D	2362	C	3114	C	3826	C	4635	G	5606	F	7540	G	8385	E	9220	D
0401	F	2380	C	3118	B	3827	D	4653	B	5610	C	7580	E	8392	C	9402	E
0917	B	2386	B	3119	A	3830	D	4665	E	5645	F	7590	D	8393	C	9403	F
1005	G	2388	B	3122	B	3851	B	4670	E	5651	F	7600	E	8500	E	9501	D
1016	G	2402	E	3126	C	3865	A	4683	C	5703	E	7601	F	8601	D	9505	D
1164	G	2413	C	3131	C	3881	C	4686	E	5705	E	7605	E	8606	F	9516	E
1165	F	2416	C	3132	C	4000	F	4692	B	5951	B	7610	D	8720	E	9519	E
1320	F	2417	C	3145	C	4021	E	4693	C	6003	E	7611	E	8721	E	9521	E
1322	F	2501	C	3146	C	4024	E	4703	C	6005	E	7612	E	8742	E	9522	C
1430	E	2503	B	3169	C	4034	E	4717	A	6017	E	7613	E	8745	D	9534	F
1438	F	2534	B	3175	C	4036	E	4720	C	6018	E	7704	F	8748	D	9545	F
1452	E	2570	B	3179	B	4038	A	4740	E	6045	E	7705	D	8755	E	9549	F
1463	F	2585	B	3180	B	4053	C	4741	C	6204	F	7710	F	8799	C	9554	F
1472	F	2586	C	3188	B	4061	B	4751	E	6206	G	7711	F	8800	A	9586	A
1624	F	2587	B	3220	C	4062	C	4771	G	6213	F	7720	E	8803	E	9600	B
1642	E	2589	C	3223	A	4101	D	4777	G	6214	G	7855	E	8810	C	9620	D
1654	E	2600	B	3224	B	4111	B	4825	E	6216	G	8001	B	8820	D	9984	G
1655	E	2623	D	3227	B	4112	C	4828	D	6217	F	8002	C	8824	B	9985	G
1699	E	2651	B	3240	B	4113	C	4829	F	6229	F	8006	C	8825	A		
1701	E	2660	B	3241	C	4114	C	4902	B	6233	F	8008	B	8826	C		
1710	E	2670	A	3255	A	4130	C	4923	C	6235	G	8010	B	8829	C		
1741	G	2683	B	3257	C	4131	B	5020	E	6236	E	8013	C	8831	C		
1747	E	2688	B	3270	C	4133	B	5022	F	6237	E	8015	C	8832	C		
1748	E	2701	E	3300	C	4150	A	5037	G	6251	F	8017	B	8833	C		
1803	F	2702	G	3303	B	4206	C	5040	G	6252	G	8018	B	8835	C		
1852	G	2709	E	3307	C	4207	E	5057	G	6260	G	8021	C	8842	C		
1853	D	2710	F	3315	B	4239	E	5059	G	6306	F	8031	C	8864	C		
1860	B	2714	B	3334	C	4240	B	5069	G	6319	F	8032	B	8868	B		
1924	B	2731	E	3336	E	4243	C	5102	F	6325	F	8033	C	8869	B		
1925	D	2735	B	3365	E	4244	C	5146	E	6400	D	8039	B	8871	B		
2001	B	2759	B	3372	D	4250	C	5160	F	6504	B	8044	D	8901	D		
2002	B	2790	B	3373	C	4251	C	5183	E	6704	F	8045	B	8989	E		
2003	C	2802	D	3383	B	4263	C	5188	E	6811	E	8046	C	9012	D		
2014	E	2812	C	3385	B	4273	C	5190	E	6834	D	8047	B	9014	C		
2016	B	2835	A	3400	D	4279	C	5191	C	6836	E	8058	C	9015	C		
2021	D	2836	A	3507	C	4282	B	5192	C	6854	G	8072	B	9016	C		
2039	B	2841	B	3515	C	4283	C	5213	F	6882	G	8102	B	9019	E		
2041	B	2881	A	3548	C	4299	B	5215	D	6884	G	8103	D	9033	C		
2065	C	2883	C	3559	C	4304	D	5221	E	7133	F	8105	B	9040	B		
2070	C	2913	A	3574	B	4307	A	5222	F	7222	E	8106	E	9044	B		
2081	C	2915	D	3581	B	4351	C	5223	E	7228	E	8107	E	9052	B		
2089	C	2916	F	3612	D	4352	B	5348	E	7229	F	8111	C	9058	A		
2095	C	2923	B	3620	E	4360	B	5402	B	7230	D	8116	C	9059	D		
2105	B	2942	A	3629	B	4361	B	5403	F	7231	D	8203	C	9060	B		
2110	B	2960	C	3632	D	4362	C	5437	E	7232	F	8204	E	9061	A		
2111	B	3004	E	3634	B	4410	C	5443	C	7360	E	8209	C	9062	A		
2112	B	3018	E	3635	C	4420	F	5445	F	7370	C	8215	E	9063	B		
2114	B	3022	B	3638	B	4431	A	5462	E	7380	D	8227	G	9082	A		

Appendix D: Summary of PA Large Deductible Premium Discounts

Summary of PA Large Deductible Premium Discounts

Hazard Group A

	Deductible Level				Deductible Level with Aggregate Limit			
Premium Size	$ 25,000	$ 50,000	$ 100,000	$ 200,000	$ 25,000	$ 50,000	$ 100,000	$ 200,000
$ 62,500	41%				41%			
$ 75,000	41%				40%			
$ 100,000	41%				38%			
$ 125,000	41%	53%			36%	51%		
$ 150,000	41%	53%			34%	50%		
$ 175,000	41%	53%			31%	48%		
$ 200,000	41%	53%			28%	45%		
$ 250,000	41%	53%	65%		23%	40%	59%	
$ 300,000	41%	53%	65%		21%	38%	58%	
$ 400,000	41%	53%	65%		16%	30%	51%	
$ 500,000	41%	53%	65%	77%	13%	25%	45%	68%
$ 600,000	41%	53%	65%	77%	11%	21%	40%	65%
$ 700,000	41%	53%	65%	77%	10%	19%	35%	61%
$ 800,000	41%	53%	65%	77%	8%	16%	31%	56%
$ 900,000	41%	53%	65%	77%	8%	15%	28%	52%
$ 1,000,000	41%	53%	65%	77%	7%	14%	26%	48%

Hazard Group B

	Deductible Level				Deductible Level with Aggregate Limit			
Premium Size	$ 25,000	$ 50,000	$ 100,000	$ 200,000	$ 25,000	$ 50,000	$ 100,000	$ 200,000
$ 62,500	32%				32%			
$ 75,000	32%				32%			
$ 100,000	32%				31%			
$ 125,000	32%	44%			29%	43%		
$ 150,000	32%	44%			26%	40%		
$ 175,000	32%	44%			24%	39%		
$ 200,000	32%	44%			22%	37%		
$ 250,000	32%	44%	57%		19%	34%	51%	
$ 300,000	32%	44%	57%		17%	30%	49%	
$ 400,000	32%	44%	57%		13%	24%	42%	
$ 500,000	32%	44%	57%	71%	11%	21%	37%	60%
$ 600,000	32%	44%	57%	71%	9%	17%	33%	55%
$ 700,000	32%	44%	57%	71%	8%	15%	29%	51%
$ 800,000	32%	44%	57%	71%	7%	14%	26%	48%
$ 900,000	32%	44%	57%	71%	7%	13%	24%	45%
$ 1,000,000	32%	44%	57%	71%	6%	12%	22%	42%

Hazard Group C

	Deductible Level				Deductible Level with Aggregate Limit			
Premium Size	$ 25,000	$ 50,000	$ 100,000	$ 200,000	$ 25,000	$ 50,000	$ 100,000	$ 200,000
$ 62,500	31%				30%			
$ 75,000	31%				29%			
$ 100,000	31%				28%			
$ 125,000	31%	42%			27%	40%		
$ 150,000	31%	42%			25%	39%		
$ 175,000	31%	42%			25%	39%		
$ 200,000	31%	42%			22%	36%		
$ 250,000	31%	42%	55%		19%	34%	51%	
$ 300,000	31%	42%	55%		17%	30%	48%	
$ 400,000	31%	42%	55%		13%	25%	43%	
$ 500,000	31%	42%	55%	69%	11%	21%	38%	60%
$ 600,000	31%	42%	55%	69%	9%	18%	33%	55%
$ 700,000	31%	42%	55%	69%	8%	16%	30%	52%
$ 800,000	31%	42%	55%	69%	8%	15%	28%	50%
$ 900,000	31%	42%	55%	69%	7%	13%	25%	45%
$ 1,000,000	31%	42%	55%	69%	6%	12%	23%	43%

Hazard Group D

	Deductible Level				Deductible Level with Aggregate Limit			
Premium Size	$ 25,000	$ 50,000	$ 100,000	$ 200,000	$ 25,000	$ 50,000	$ 100,000	$ 200,000
$ 62,500	29%				29%			
$ 75,000	29%				27%			
$ 100,000	29%				27%			
$ 125,000	29%	39%			24%	35%		
$ 150,000	29%	39%			24%	34%		
$ 175,000	29%	39%			23%	34%		
$ 200,000	29%	39%			21%	34%		
$ 250,000	29%	39%	51%		18%	32%	47%	
$ 300,000	29%	39%	51%		16%	29%	46%	
$ 400,000	29%	39%	51%		13%	24%	41%	
$ 500,000	29%	39%	51%	64%	10%	20%	36%	56%
$ 600,000	29%	39%	51%	64%	9%	17%	32%	52%
$ 700,000	29%	39%	51%	64%	8%	15%	29%	50%
$ 800,000	29%	39%	51%	64%	7%	14%	26%	46%
$ 900,000	29%	39%	51%	64%	7%	13%	25%	44%
$ 1,000,000	29%	39%	51%	64%	6%	12%	23%	42%

Hazard Group E

	Deductible Level				Deductible Level with Aggregate Limit			
Premium Size	$ 25,000	$ 50,000	$ 100,000	$ 200,000	$ 25,000	$ 50,000	$ 100,000	$ 200,000
$ 62,500	22%				22%			
$ 75,000	22%				22%			
$ 100,000	22%				22%			
$ 125,000	22%	32%			21%	31%		
$ 150,000	22%	32%			20%	29%		
$ 175,000	22%	32%			19%	29%		
$ 200,000	22%	32%			18%	29%		
$ 250,000	22%	32%	43%		16%	26%	39%	
$ 300,000	22%	32%	43%		14%	24%	38%	
$ 400,000	22%	32%	43%		12%	21%	35%	
$ 500,000	22%	32%	43%	56%	10%	19%	32%	49%
$ 600,000	22%	32%	43%	56%	9%	17%	30%	47%
$ 700,000	22%	32%	43%	56%	8%	15%	27%	45%
$ 800,000	22%	32%	43%	56%	7%	13%	25%	42%
$ 900,000	22%	32%	43%	56%	6%	13%	24%	41%
$ 1,000,000	22%	32%	43%	56%	6%	12%	22%	39%

Hazard Group F

	Deductible Level				Deductible Level with Aggregate Limit			
Premium Size	$ 25,000	$ 50,000	$ 100,000	$ 200,000	$ 25,000	$ 50,000	$ 100,000	$ 200,000
$ 62,500	20%				19%			
$ 75,000	20%				19%			
$ 100,000	20%				19%			
$ 125,000	20%	28%			19%	28%		
$ 150,000	20%	28%			19%	28%		
$ 175,000	20%	28%			18%	27%		
$ 200,000	20%	28%			17%	27%		
$ 250,000	20%	28%	39%		16%	26%	38%	
$ 300,000	20%	28%	39%		15%	25%	37%	
$ 400,000	20%	28%	39%		13%	22%	35%	
$ 500,000	20%	28%	39%	52%	11%	20%	33%	49%
$ 600,000	20%	28%	39%	52%	10%	19%	32%	48%
$ 700,000	20%	28%	39%	52%	9%	17%	30%	46%
$ 800,000	20%	28%	39%	52%	9%	16%	28%	45%
$ 900,000	20%	28%	39%	52%	8%	16%	28%	45%
$ 1,000,000	20%	28%	39%	52%	8%	15%	27%	44%

Hazard Group G								
	Deductible Level				Deductible Level with Aggregate Limit			
Premium Size	$ 25,000	$ 50,000	$ 100,000	$ 200,000	$ 25,000	$ 50,000	$ 100,000	$ 200,000
$ 62,500	16%				16%			
$ 75,000	16%				16%			
$ 100,000	16%				15%			
$ 125,000	16%	23%			15%	23%		
$ 150,000	16%	23%			14%	23%		
$ 175,000	16%	23%			14%	23%		
$ 200,000	16%	23%			14%	22%		
$ 250,000	16%	23%	32%		13%	21%	31%	
$ 300,000	16%	23%	32%		13%	21%	31%	
$ 400,000	16%	23%	32%		11%	19%	29%	
$ 500,000	16%	23%	32%	44%	11%	18%	29%	42%
$ 600,000	16%	23%	32%	44%	10%	17%	27%	41%
$ 700,000	16%	23%	32%	44%	9%	17%	27%	40%
$ 800,000	16%	23%	32%	44%	9%	16%	26%	40%
$ 900,000	16%	23%	32%	44%	9%	16%	26%	40%
$ 1,000,000	16%	23%	32%	44%	9%	16%	26%	40%
Effective Date: 2/1/2010								

Appendix E: Table of Classifications by Hazard Group – PEC

TABLE OF CLASSIFICATIONS BY HAZARD GROUP - PEC

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

9441	K	Special public institutions: all employees & clerical, clerical telecommuter, salespersons, drivers
9442	L	Pulbic transit auothorities: all employees & clerical, clerical telecommuter, salespersons, drivers
9443	H	Special public authorities: all employees & clerical, clerical telecommuter, salespersons, drivers

Appendix F: Summary of PEC Large Deductible Premium Discounts

Summary of PEC Large Deductible Premium Discounts

Hazard Group H (IG 1/5/22)

	Deductible Level				Deductible Level with Aggregate Limit			
Premium Size	$ 25,000	$ 50,000	$ 100,000	$200,000	$ 25,000	$ 50,000	$ 100,000	$ 200,000
$ 62,500	32%				32%			
$ 75,000	32%				32%			
$ 100,000	32%				31%			
$ 125,000	32%	45%			29%	44%		
$ 150,000	32%	45%			28%	43%		
$ 175,000	32%	45%			27%	42%		
$ 200,000	32%	45%			25%	40%		
$ 250,000	32%	45%	59%		22%	37%	54%	
$ 300,000	32%	45%	59%		19%	33%	51%	
$ 400,000	32%	45%	59%		16%	29%	48%	
$ 500,000	32%	45%	59%	73%	13%	25%	44%	67%
$ 600,000	32%	45%	59%	73%	11%	22%	40%	63%
$ 700,000	32%	45%	59%	73%	10%	20%	37%	60%
$ 800,000	32%	45%	59%	73%	9%	18%	34%	57%
$ 900,000	32%	45%	59%	73%	8%	17%	32%	55%
$ 1,000,000	32%	45%	59%	73%	8%	16%	30%	52%

Hazard Group I (IG 2)

	Deductible Level				Deductible Level with Aggregate Limit			
Premium Size	$ 25,000	$ 50,000	$ 100,000	$200,000	$ 25,000	$ 50,000	$ 100,000	$ 200,000
$ 62,500	34%				33%			
$ 75,000	34%				32%			
$ 100,000	34%				31%			
$ 125,000	34%	48%			29%	45%		
$ 150,000	34%	48%			28%	44%		
$ 175,000	34%	48%			27%	43%		
$ 200,000	34%	48%			25%	42%		
$ 250,000	34%	48%	62%		21%	37%	57%	
$ 300,000	34%	48%	62%		17%	32%	52%	
$ 400,000	34%	48%	62%		14%	36%	47%	
$ 500,000	34%	48%	62%	76%	11%	22%	40%	64%
$ 600,000	34%	48%	62%	76%	10%	19%	36%	61%
$ 700,000	34%	48%	62%	76%	9%	17%	32%	56%
$ 800,000	34%	48%	62%	76%	8%	15%	30%	53%
$ 900,000	34%	48%	62%	76%	7%	14%	28%	51%
$ 1,000,000	34%	48%	62%	76%	7%	13%	26%	47%

Hazard Group J (IG 3/4)

	Deductible Level				Deductible Level with Aggregate Limit			
Premium Size	$ 25,000	$ 50,000	$ 100,000	$200,000	$ 25,000	$ 50,000	$ 100,000	$ 200,000
$ 62,500	30%				30%			
$ 75,000	30%				30%			
$ 100,000	30%				30%			
$ 125,000	30%	41%			28%	41%		
$ 150,000	30%	41%			27%	41%		
$ 175,000	30%	41%			27%	39%		
$ 200,000	30%	41%			25%	38%		
$ 250,000	30%	41%	52%		24%	37%	51%	
$ 300,000	30%	41%	52%		21%	34%	48%	
$ 400,000	30%	41%	52%		17%	31%	47%	
$ 500,000	30%	41%	52%	64%	14%	27%	43%	60%
$ 600,000	30%	41%	52%	64%	13%	25%	42%	60%
$ 700,000	30%	41%	52%	64%	11%	22%	38%	57%
$ 800,000	30%	41%	52%	64%	10%	20%	36%	55%
$ 900,000	30%	41%	52%	64%	10%	18%	34%	54%
$ 1,000,000	30%	41%	52%	64%	9%	18%	33%	53%

Hazard Group K (IG 6/8)

	Deductible Level				Deductible Level with Aggregate Limit			
Premium Size	$ 25,000	$ 50,000	$ 100,000	$200,000	$ 25,000	$ 50,000	$ 100,000	$ 200,000
$ 62,500	37%				37%			
$ 75,000	37%				37%			
$ 100,000	37%				37%			
$ 125,000	37%	49%			35%	48%		
$ 150,000	37%	49%			34%	47%		
$ 175,000	37%	49%			33%	47%		
$ 200,000	37%	49%			32%	46%		
$ 250,000	37%	49%	63%		29%	44%	60%	
$ 300,000	37%	49%	63%		26%	42%	59%	
$ 400,000	37%	49%	63%		21%	36%	56%	
$ 500,000	37%	49%	63%	77%	17%	32%	52%	73%
$ 600,000	37%	49%	63%	77%	14%	28%	48%	70%
$ 700,000	37%	49%	63%	77%	13%	25%	45%	69%
$ 800,000	37%	49%	63%	77%	11%	22%	41%	65%
$ 900,000	37%	49%	63%	77%	10%	20%	38%	63%
$ 1,000,000	37%	49%	63%	77%	10%	19%	36%	61%

Hazard Group L (IG 7/9)

	Deductible Level				Deductible Level with Aggregate Limit			
Premium Size	$ 25,000	$ 50,000	$ 100,000	$200,000	$ 25,000	$ 50,000	$ 100,000	$ 200,000
$ 62,500	26%				26%			
$ 75,000	26%				26%			
$ 100,000	26%				26%			
$ 125,000	26%	35%			26%	35%		
$ 150,000	26%	35%			25%	35%		
$ 175,000	26%	35%			24%	34%		
$ 200,000	26%	35%			23%	34%		
$ 250,000	26%	35%	46%		22%	33%	45%	
$ 300,000	26%	35%	46%		21%	33%	45%	
$ 400,000	26%	35%	46%		18%	30%	44%	
$ 500,000	26%	35%	46%	59%	16%	27%	41%	57%
$ 600,000	26%	35%	46%	59%	14%	25%	40%	56%
$ 700,000	26%	35%	46%	59%	13%	24%	39%	56%
$ 800,000	26%	35%	46%	59%	12%	22%	37%	54%
$ 900,000	26%	35%	46%	59%	11%	21%	36%	53%
$ 1,000,000	26%	35%	46%	59%	11%	21%	36%	53%

Common Sense Business Regulation (BWC Rules)

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

Rules Chapter 4123-17-04

Rule Review

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

   Citation: 4123.29 (A) (1)

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

   What goal(s): Utilization of NCCI Classification System as prescribed by law.

3. ☒ Existing federal regulation alone does not adequately regulate the subject matter.
   Yes, Federal regulation does not regulate this 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: Requests for review and feedback were solicited from the Ohio Nursery & Landscape Association, the American Institute of Architects-Ohio, and the Ohio Society of Professional Engineers.

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.
    Rates are not yet fully known, so the full impact has not been completely determined.
    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.

Created by John Best

Date 3/11/2010

NCCI SCOPES AND RULE CHANGES
2010 EXECUTIVE SUMMARY

OVERVIEW

BWC uses the classification system of the National Council on Compensation Insurance (NCCI). The purpose of the proposed changes is to bring BWC in accordance with revisions made by NCCI within its Scopes Manual publication which defines classifications and their use.

BACKGROUND

NCCI has an ongoing process dedicated to the systematic research, analysis, and maintenance of NCCI's class system. This process ensures that the class system remains healthy, viable, and responsive to the needs of various industry stakeholders. This process also ensures that the system reflects the responses that industries and their operations make to technological, competitive, and regulatory changes. Classifications and industry grouped classifications are analyzed to determine which, if any, should be considered for modernization, consolidation, discontinuation, and/or clarification. Another objective of the classification project is to simplify the classification section of NCCI's ***Basic Manual*** by discontinuing redundant phraseologies or streamlining current phraseologies with ***format only*** changes. NCCI's analysis of the class system is national in scope and the recommendations are being proposed in all NCCI states.

Rule 4123-17-04

Rule 4123-17-04 establishes BWC's use of NCCI classifications of occupations or industries.

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Date _____3/11/2010_____

4123-17-04 Classification of occupations or industries

The administrator of workers' compensation, with the advice and consent of the bureau of workers' compensation board of directors, has authority to approve the classification of occupations or industries pursuant to sections 4121.12, 4121.121, and 4123.29 of the Revised Code. The administrator hereby establishes the following classifications of occupations or industries to be effective July 1, ~~2008~~ 2010, as indicated in the attached appendix A, the classification of occupations or industries that is based upon the national council on compensation insurance as required by division (A)(1) of section 4123.29 of the Revised Code.

Promulgated Under: 111.15
Statutory Authority: 4121.11, 4121.12, 4121.121, 4121.13, 4121.30
Rule Amplifies: 4123.29
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, 7/1/06, 7/1/07, 7/1/08

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Date _____3/11/2010_____

NCCI Changes Effective 7/1/10
SUMMARY

CHANGES

Inventory Counters (Erection of new classification code)

The focus of the proposed changes for this industry is to establish a new code **(8725)** for the inventory counter industry and to clarify what risks are included in auditing, accounting, surveying, and inspecting and under what conditions. New code represents exposures between the two existing codes: **8720-** INSPECTION OF RISKS FOR INSURANCE OR VALUATION NOC and **8803-** AUDITOR, ACCOUNTANT, OR FACTORY COST OR OFFICE SYSTEMATIZER - TRAVELING.

	Code 8720	Code 8803	Code 8725
Employers reporting Payroll - 1st Half 2009	556	2,809	
Aggregate Payroll Reported – 1st Half 2009	$53,921,269	$868,587,438	
Total Losses - Med, Comp & Reserves	$6,919,702.00	$4,996,591.00	
Policy Year 2008 Base Rate	$3.60	$0.15	
Policy Year 2009 Base Rate	$3.67	$0.09	$3.67

Air Traffic Controllers (Erection of new classification code)

New code **7402** AIR TRAFFIC CONTROLLERS UNDER CONTRACT WITH THE FAA**.** Currently they are coded to **7403-**AVIATION – AIRPORT OR HELIPORT OPERATOR – ALL EMPLOYEES & DRIVERS. There are air traffic control towers that are operated by risks under contract with the FAA. These risks are not federal agencies and do not have federal employees. Accordingly, and after further review of these operations, NCCI is now recommending a change to this classification treatment.

	Code 7403	Code 7402
Employers Reporting Payroll - 1st Half 2009	208	
Aggregate Payroll Reported – 1st Half 2009	$71,760,052	
2008 Total Losses - Med, Comp & Reserves	$7,957,139	
Policy Year 2008 Base Rate	$5.13	
Policy Year 2009 Base Rate	$4.14	$0.19

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Architects & Engineers; Analytical Chemists (Erection of new classification codes and clarification of usage)

Two new codes erected: **8602** SURVEYORS, TIMBER CRUISERS, OIL OR GAS GEOLOGISTS OR SCOUTS, & DRIVERS and **8603** ARCHITECTURAL OR ENGINEERING FIRM—CLERICAL. The proposed recommendations will clarify the distinction between and the intent of Codes 4511 and 8601:

• It is not the title of the consulting engineer, but the duties that will determine if Code 4511 or 8601 is applicable

• The collection and testing of samples in the field or the laboratory is clarified

• The inclusion of standard exceptions in Code 8601 and proposed Code 8603 will clarify employee duties away from the office.

	Code 8601	**Code 4511**	**Code 8602**	**Code 8603**
Employers reporting Payroll - 1st Half 2009	2,485	604		
Aggregate Payroll Reported – 1st Half 2009	$570,667,770	$181,705,077		
2008 Total Losses - Med, Comp & Reserves	$17,672,066	$5,280,103		
Policy Year 2008 Base Rate	$1.01	$1.30		
Policy Year 2009 Base Rate	$0.45	$0.90	$0.45	$0.19

Horticulture (Clarification of usage)

The focus of the proposed changes for this industry is to revise existing classification wording for clarification and plain language in the two codes: **0005** FARM: NURSERY & DRIVERS and 0035 FARM: FLORIST & DRIVERS. *The revised 0005 Scope indicates it will no longer include incidental landscape gardening.*

	Code 0005	**Code 0035**
Employers reporting Payroll - 1st Half 2009	328	344
Aggregate Payroll Reported – 1st Half 2009	$25,099,128	$29,871,986
2008 Total Losses - Med, Comp & Reserves	$3,283,954	$4,010,712
Policy Year 2008 Base Rate per $100	$4.48	$4.89
Policy Year 2009 Base Rate per $100	$2.99	$4.02

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Fruit Farms (Clarification of usage)
The focus of the proposed changes for this industry is to revise existing classification wording for clarification and plain language. Codes: **0016** FARM: ORCHARD & DRIVERS, **0079** FARM: BERRY OR VINEYARD & DRIVERS**, 0050** FARM MACHINERY OPERATION-BY CONTRACTOR & DRIVERS

	Code 0016	**Code 0079**	**Code 0050**
Employers reporting Payroll - 1st Half 2009	74	87	119
Aggregate Payroll Reported – 1st Half 2009	$1,403,407	$996,027	$4,241,696
2008 Total Losses - Med, Comp & Reserves	$601,481	$184,018	$729,892
Policy Year 2008 Base Rate per $100	$25.65	$5.56	$10.66
Policy Year 2009 Base Rate per $100	$6.62	$7.23	$4.95

Sugar Manufacturing (Clarification of usage)
The changes in national phraseology for Code 2021 consist of the consolidation of cross reference phraseologies into the actual classification wording or are made for the purpose of clarification only. Code: **2021** SUGAR REFINING**.** Sugar Refining to include "manufacturing" and to clarify the assignment of sugar manufacturing or refining from sugar cane and sugar beets.

	Code 2021
Employers reporting Payroll - 1st Half 2009	7
Aggregate Payroll Reported – 1st Half 2009	$ 1,045,335
2008 Total Losses - Med, Comp & Reserves	$ 49,574
Policy Year 2008 Base Rate	$6.42
Policy Year 2009 Base Rate	$4.81

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Tobacco Manufacturing (Clarification of usage)
The focus of the proposed changes for this industry is to revise existing classification wording for clarification and plain language. Codes: **2172** CIGARETTE MFG and **2174** TOBACCO REHANDLING OR WAREHOUSING**.** Cigarette Mfg. to clarify the assignment of cigar and tobacco manufacturing to Code 2172.

	Code 2172	**Code 2174**
Employers reporting Payroll - 1st Half 2009	0	0
Aggregate Payroll Reported – 1st Half 2009	$0.00	$0.00
2008 Total Losses - Med, Comp & Reserves	$0.00	$33,852
Policy Year 2008 Base Rate	$5.35	$83.50
Policy Year 2009 Base Rate	$4.22	$25.87

Child/Day Care Centers (Classification Code Combination)
Combine **9059** CHILD DAY CARE CENTER: ALL OTHER EMPLOYEES AND DRIVERS (Inactivate & Combine) into **8869** CHILD DAY CARE CENTER: PROFESSIONAL EMPLOYEES & CLERICAL SALESPERSONS; Revised Code is then **8869** CHILD CARE CENTER – ALL EMPLOYEES INCLUDING CLERICAL, SALESPERSONS & DRIVERS

	Code 8869	**Code 9059 (Inactivate)**
Employers reporting Payroll - 1st Half 2009	1,869	969
Aggregate Payroll Reported – 1st Half 2009	$202,576,123	53,884,065
2008 Total Losses - Med, Comp & Reserves	$10,013,640	$3,047,431
Policy Year 2008 Base Rate	$2.22	$2.92
Policy Year 2009 Base Rate	$1.86	$1.99

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INVENTORY COUNTERS

NCCI Code and Phraseology
8720 INSPECTION OF RISKS FOR INSURANCE OR VALUATION PURPOSES NOC

NCCI Code and Revised Phraseology
8720 INSPECTION OF RISKS FOR INSURANCE OR VALUATION PURPOSES NOC
Note: Includes boiler or elevator inspecting and marine appraiser or surveyor.

CHANGE
The focus of the proposed changes for this industry is to establish a new code for the inventory counter industry and to clarify what risks are included in auditing, accounting, surveying, and inspecting and under what conditions.

Rationale for Change by NCCI

Inventory counters are currently classified in the following two codes:

• **Code 8720**—Inspection of Risks for Insurance or Valuation Purposes NOC
• **Code 8803**—Auditor, Accountant, or Factory Cost or Office Systematizer—Traveling

Much has changed in the industry, and technology has had a big impact on the recording equipment and types of information gathered and reported to customers. It is common for the customer to receive the completed results when the inventory counters leave the customer's premises or within 24 hours. Moreover, the exposures contemplated by the above two codes are not representative of the inventory counting industry.
Code 8720 currently applies to inventory counters who perform their work in a warehouse, store, or non-office environment. The phraseology includes boiler inspecting, elevator
Inspecting, marine appraising, or surveying; exposures which are substantially more hazardous than the exposures characteristic of this industry.

Code 8803 currently includes the activity of traveling to various sites and making counts of inventory in conjunction with accounting functions at these locations within an office type
Setting. Inventory counting exceeds the physical separation of clerical or office employees when done in a warehouse or store. The exposure of an inventory counting firm that performs its services in a store, warehouse, or non-office environment is not contemplated within the scope of this code. Since there is not a fit for this industry within the phraseology of each of the above two codes, it is necessary to create a new code for this industry. The operation clearly lies between the two codes (8720 and 8803) and not entirely in either code.

Today's inventory counting companies seldom use pen and paper, tape recorders, or a clipboard. Instead, companies use highly specialized inventory counting computers that

hang from a belt loop and rest against the thigh of the user for easy data entry. Inventory counting firms are now a vital service to retailers, wholesalers, and companies of all types and sizes. When working at your computer in the office, you will most likely see a bar code on the monitor and computer. This is part of an asset inventory program that is done by this industry to help companies monitor their fixed assets.

Services provided today include counting stock that is located on the shelves or in the warehouse, replenishment trends, shelf price audits (versus set computer price), bar codes types and cross references (UPC versus SKU codes), asset inventories, site surveys, and relabeling of bar codes. The inventory counting company also provides the equipment that is used, training, and a supervisor to help a client company conduct its own inventory counts.
The final proposed change is to clarify that the scope of Code 8803 includes any work of a clerical nature done by an employee who travels to another location. However, the work at the other location must be clerical only in nature and physically separated from the main operation.

NCCI recommends the following national treatment for classifications:
1. Create a new classification Code 8725—Inventory Counters—Traveling—Including Salespersons & Clerical.
2. Revise the phraseology of Code 8803: Auditor, Accountant, or Factory Cost or Office Systematizer—Traveling to Auditor, Accountant, or Computer System Designer or Programmer.
3. Discontinue the cross reference phraseologies for Code 8803:
• Accountant, Auditor or Factory Cost or Office Systematizer—Traveling;
• Computer—System Designers or Programmers—Traveling, Factory Cost or Office Systematizer;
• Accountant or Auditor—Traveling, and Office or Factory Cost Systematizer;
• Accountant or Auditor—Traveling.
4. Discontinue cross reference phraseologies for Code 8720 and incorporate them into the phraseology note of Code 8720 to include:
• Boiler Inspection,
• Elevator Inspection, and
• Marine Appraiser or Surveyor.

Data

	Code 8720	**Code 8803**	**Code 8725**
Employers reporting Payroll - 1st Half 2009	556	2,809	
Aggregate Payroll Reported – 1st Half 2009	$53,921,269	$868,587,438	
Total Losses - Med, Comp & Reserves	$6,919,702.00	$4,996,591.00	
Policy Year 2008 Base Rate	$3.60	$0.15	
Policy Year 2009 Base Rate	$3.67	$0.09	$3.67

Underwriting or Rate Impacts
This Item proposes that entities/operations which perform inventory counting be reassigned from Code 8720 to newly established Code 8725—Inventory Counters—Traveling—Including Salespersons & Clerical. It is also proposed that the initial loss cost or rate and experience rating values be that of Code 8720 until Code 8725 establishes sufficient state experience to determine its own loss cost or rate and experience rating values. It is expected that most experience generated for the new code will come from Code 8720. Therefore, this proposal is not expected to cause a significant change in statewide or individual risk premium.

This Item also proposes to consolidate and clarify the phraseology for Code 8803, so that any operations assigned to this classification must be of a clerical nature, and the employee must travel to an office setting that is physically separated from the main operation. This change is proposed to specifically address these operations so they will be appropriately assigned to the correct code. NCCI is not able to determine the amount

of payroll transferred due to this change from current industry data sources. Therefore, the impact to statewide premium for this cannot be determined.

This Item also proposes that in the detail phraseology for Code 8720—Inspection Of Risks For Insurance Or Valuation Purposes NOC, that, “frequently exposed to manufacturing or mercantile hazards”, is referring to the exposure of walking through a manufacturing or mercantile area as part of the inspection process. It is not referring to working in a manufacturing or mercantile area. This change is being made to specifically clarify these operations so they will be appropriately assigned to the correct code. The extent of payroll redistribution and the impact to statewide premium cannot be determined, but is expected to be small. The other phraseology changes mentioned in the proposal section are for clarification only and are not expected to result in any reclassification of risk payroll or change in loss cost, rate, or premium.

CHANGE - "NEW CODE 7402"
NCCI Code and Phraseology
7402 AIR TRAFFIC CONTROLLERS UNDER CONTRACT WITH THE FAA

Rationale for Change by NCCI

Effective July 1, 2006, Item B1399 implemented several classification changes to ensure the uniform and equitable treatment of risks within the aviation industry. The focus of the proposed changes to the industry was to combine operations into classifications that reflect the exposures common to those operations.

One of the changes assigned air traffic controllers to Code 7403—Aviation—Airport or Heliport Operator—All Employees & Drivers, and Aviation—All Other Employees & Drivers. Previously, air traffic controllers were assigned to Code 8810—Clerical Office Employees NOC. Over 90% of air traffic controllers are federal employees, so this recommendation was not expected to impact many risks. The specific impact could not be determined using any available data source.

Subsequently, NCCI was provided with additional information regarding these operations. There are air traffic control towers that are operated by risks under contract with the FAA. These risks are not federal agencies and do not have federal employees. Accordingly, and after further review of these operations, NCCI is now recommending a change to this classification treatment.
NCCI recommends the following national treatment for classifications:
It is proposed that a new national classification be established, "Code 7402—Aviation—Air Traffic Controllers Under Contract with the FAA." This new classification is to be effective July 1, 2010 for BWC policies. The initial loss cost/rate for Code 7402 will be that of Code 8810—Clerical Office Employees NOC. It is also proposed to amend the phraseologies for Code 7403 regarding air traffic controllers, so that references to that occupation are eliminated.

Data
Zero employers reported payroll to code 7402 during the first half of 2009, since it will be a new code effective July 1, 2010.

	Code 7403	Code 7402
Employers Reporting Payroll - 1st Half 2009	208	
Aggregate Payroll Reported – 1st Half 2009	$71,760,052	
2008 Total Losses - Med, Comp & Reserves	$7,957,139	
Policy Year 2008 Base Rate	$5.13	
Policy Year 2009 Base Rate	$4.14	$0.19

Created by _John Best_____
Date _____3/11/2010_____

Underwriting or Rate Impacts

New Code 7402 will take on the rates and rating values of Code 8810 until Code 7402 can be rated based on its own data. Rating values will be calculated according to the standard procedure, which will be based on NCCI's final proposed rates/loss costs.

It is expected that the creation of new Code 7402 will result in a significant premium **decrease** for the individual risks that are reclassified from Code 7403 to Code 7402. There should be no premium impact for any risks remaining in Code 7403, and no premium impact for the total statewide premium is expected.

ENGINEERING AND RESEARCH

NCCI Code and Phraseology
8601 ARCHITECT OR ENGINEER - CONSULTING
4511 ANALYTICAL CHEMIST
Note: Includes Laboratory and Outside employees.

CHANGE
NCCI Code and Revised Combined Phraseology
8601 ARCHITECTURAL OR ENGINEERING FIRM—INCLUDING SALESPERSONS & DRIVERS
Note: Does not apply when performing actual construction. Code 8601 is applicable to insureds engaged in the architectural or engineering profession as a separate and distinct business and not in support of an entity's principal business. Architectural and engineering personnel in support of an entity's principal business, including but not limited to vehicle manufacturers, chemical manufacturers, or power and light companies, must be separately rated to the governing classification of that business. Drafting performed by architects and engineers, licensed or unlicensed, is considered incidental to the overall job function when performed in conjunction with other duties outside the office. Division of payroll between Code 8601 and 8603 is not permitted. Refer to Code 8603 for those employees solely performing drafting and clerical work confined to an office setting. Code 8601 is differentiated from Code 4511 because Code 8601 includes operations beyond the collection or testing of samples and the preparation of a report.

For example, 8601 is applicable to an architectural or engineering firm that performs custom functional, mechanical and aesthetic design of various systems. As indicated by the note above, if engaged in actual construction management, then construction code(s) are applicable. If an individual is an industrial plant engineer with duties on the plant floor, then the applicable manufacturing code is assigned.

8602 SURVEYORS, TIMBER CRUISERS, OIL OR GAS GEOLOGISTS OR SCOUTS, & DRIVERS (New Code)

8603 ARCHITECTURAL OR ENGINEERING FIRM—CLERICAL (New Code)
Note: Drafting performed by personnel of these firms confined to an office setting are classified to 8603. Refer to code 8601 when drafting is performed by architects and engineers, licensed or unlicensed, in conjunction with other duties outside of the office. Division of payroll between code 8601 and 8603 is not permitted.

4511 ANALYTICAL LABORATORIES OR ASSAYING—INCLUDING LABORATORY, OUTSIDE EMPLOYEES, COLLECTORS OF SAMPLES, & DRIVERS

Note: The collection of samples away from the lab and the testing of samples at any location are included. Operations beyond the collection or testing of samples and preparation of a report

of the results must be assigned to Code 8601. Assaying is the qualitative and quantitative analysis of a substance such as an ore or a drug.

Operations must be conducted as a separate and distinct business and not in support of an entity's principal business. If the operation is in support of an entity's principal business, such as pharmaceutical research, the operation must be separately rated with the principal business. Independent medical testing labs that analyze medical specimens are assigned to Code 4511. Testing labs that are not independent but part of a hospital, medical facility, or physician's office must be classified to the codes applicable to these risks.

For example, a product testing lab that is a research and development department for a manufacturing concern is incidental to a manufacturing code and payroll for the R&D department employees is reportable to the manufacturing code.

Rationale for Change by NCCI

Code 4511 includes research, development, or testing laboratories in the areas of medicine, pharmacology, toxicology, microbiology, geophysical research, metallurgy, and other scientific fields. It includes soil testing laboratories and building material (concrete, asphalt) testing laboratories as well as assaying—the qualitative and quantitative analysis of a substance such as an ore or a drug to determine its components. Consulting engineers and others with similar titles that perform similar analyses for clients are also included in Code 4511.
Code 8601 includes airflow testing for air conditioning systems exclusively, oil or gas geologists or scouts, land surveyors, and energy efficiency auditing firms. It also includes engineers and architects who work on mechanical, civil, electrical, chemical, mining, metallurgical, marine, and industrial projects. These operations must be conducted as a separate and distinct business.

Several issues were raised concerning the interaction between Code 4511 and Code 8601 and the possibility of misclassifying consulting engineers. Engineers are known by different names, and the phraseology does not clearly indicate when to apply Code 4511 or Code 8601. The collection of samples by a technician raises another issue. If the samples are just picked up by a
driver, does Code 7380—Drivers, Chauffeurs & Their Helpers NOC apply? Should the Phraseology of Code 4511—Analytical Chemist be expanded to include outside operations such as collecting samples and conducting their analysis at the collection site or in the lab?
Also, there appears to be overlap and confusion between Code 8601 and the Standard Exception Codes: Code 8810—Clerical Employees, Code 8742—Salespersons Outside, and Code 7380. If the draftsperson makes a presentation to a zoning board, is it considered outside sales or Code 8601? If the draftsperson visits a job site to view the project site, does the employee retain Code 8810 or Code 8601?
The proposed recommendations will clarify the distinction between and the intent of Codes 4511 and 8601:
• It is not the title of the consulting engineer, but the duties that will determine if Code 4511 or 8601 is applicable

• The collection and testing of samples in the field or the laboratory is clarified
• The inclusion of standard exceptions in Code 8601 and proposed Code 8603 will clarify employee duties away from the office

Data

	Code 8601	Code 4511	Code 8602	Code 8603
Employers reporting Payroll - 1st Half 2009	2,485	604		
Aggregate Payroll Reported – 1st Half 2009	$570,667,770	$181,705,077		
2008 Total Losses - Med, Comp & Reserves	$17,672,066	$5,280,103		
Policy Year 2008 Base Rate	$1.01	$1.30		
Policy Year 2009 Base Rate	$0.45	$0.90	$0.45	$0.19

Underwriting or Rate Impacts

This Item proposes to change the phraseology of Code 8601 to include Salespersons & Drivers. No modification or adjustment to the filed loss cost or rate and experience rating values is proposed for Code 8601. The class codes' loss costs or rates will eventually reflect the new phraseology and underlying experience of the entire payroll and loss experience assigned to this newly defined classification. It is estimated that the amount of payroll transferred and/or the differences in loss costs or rates are not large enough to result in a significant change in overall statewide premium. The impact to individual risks premium will vary depending on the amount of payroll exposure that gets redistributed from Code 8742—Salespersons Or Collectors Outside
and Code 7380—Drivers, Chauffeurs, Messengers And Their Helpers NOC, into newly defined Code 8601.

This Item also proposes to create a new Code 8602 for Surveyors, Timber Cruisers, Oil or Gas Geologist or Scouts & Drivers. The loss cost or rate and experience rating values for this new classification will be obtained from Code 8601 until Code 8602 can be rated using its own experience. It is expected that most exposure generated for this new code will come from 8601. Therefore, this proposal is not expected to cause a significant change in statewide or individual risk premium.
This Item also proposed to create a new Code 8603 for Architectural or Engineering Firm—Clerical Staff and cross reference phraseology Drafting Company—Clerical Staff. NCCI received a lot of feedback during its review of the Engineering & Research industry. Some risks have personnel that perform drafting duties and reportedly never leave the office. Other feedback indicates that most architects and draftsmen will go out to construction sites at least occasionally and therefore have a much higher exposure than Code 8810—Clerical Employees NOC. The intent of the proposal to create Code 8603—Architectural or Engineering Firm—Clerical is to isolate this group of office-only draftsmen and see how the experience develops. It is possible in the future that Code

8603 may be merged into Code 8810 or Code 8601—Architectural or Engineering Firm—Including Salespersons & Drivers.
The loss cost or rate and experience rating values for this new classification will be obtained from Code 8810 until Code 8603 can be rated using its own experience. It is expected that most exposure generated for this new code will come from 8810. Therefore, this proposal is not expected to cause a significant change in statewide or individual risk premium.
The other phraseology changes mentioned in the proposal section, which primarily include the consolidation of multiple cross reference wording into the actual Code phraseology, are for clarification only and are not expected to result in a change in statewide or individual risk premium.

Created by _John Best_____
Date _____3/11/2010_____

HORTICULTURE

NCCI Code and Phraseology

0005 FARM: NURSERY & DRIVERS
Note: Includes incidental landscape gardening.

0035 FARM: FLORIST & DRIVERS
Note: Applies to cultivating or gardening.

CHANGE
The focus of the proposed changes for this industry is to revise existing classification wording for clarification and plain language.

NCCI Code and Revised Phraseology

0005 FARM: NURSERY & DRIVERS
Note: Applies to all acreage or facilities devoted to the propagation of trees, shrubs, plants, or flowering shrubs or plants not included under Code 0035. Operations involve planting, fertilizing, watering, trimming, potting and repotting plants, and transplanting at the nursery location. Additionally, these insureds may deliver their products to customers and also plant these products at their customers' location(s). Wholesale or retail sales conducted from the nursery location and sod dealers, who do not grow sod, are also assigned to Code 0005. Refer to Code 0037 for sod growing and harvesting operations.
0035 FARM: FLORIST & DRIVERS
Note: Applies to all acreage or facilities devoted to the raising and cultivating of potted houseplants, fresh-cut flowers, and flower bulbs; raising and harvesting of annuals, perennials, or other bedding plants used in garden beds or as ground covers; growing, harvesting, and processing of algae; hydroponic vegetable growing and mushroom farming. Wholesale or retail sales conducted from the farm location are also assigned to Code 0035.
Background and Basis for Change
Code 0005—Farm: Nursery Employees & Drivers is a national code that applies to insureds that plant, fertilize, water, trim, pot, and repot plants (shrubs, trees, and plants) as well as wholesale and retail sales conducted from the nursery location. Incidental delivery and installation is included under Code 0005.

Code 0035—Farm: Florist & Drivers is a national code that applies to insureds that plant, fertilize, water, trim, pot, and repot house plants, freshcut flowers, and flower bulbs. Grading, sorting, packing, and shipping of harvested products, as well as retail or wholesale operations conducted from the farm location, are included under Code 0035.

Nurseries are places where plants are grown for transplanting, for use as stocks for budding and grafting, or for sale. The nursery industry sells trees, plants, shrubs, and flowers wholesale, retail, or through mail order operations. The initial grower starts with

seeds or cuttings in flats. The grower may sell plants to another wholesaler while the plants are small. This wholesaler then transplants them into larger pots or plants trees and shrubs in the ground for further maturing. The plants may then be sold to another wholesaler or retailer while they are still growing or once they have reached their desired maturity. The third seller may deal with a retail outlet or directly with the consumer. Retail nurseries may do some growing, but their main function is the selling of plants/stock.

A nursery may have a greenhouse, storage buildings, and holding buildings. The holding buildings may be refrigerated, or a storage shed that is kept dark and well insulated may be used instead. Carbon dioxide may be pumped into the greenhouse to promote plant growth. This may be done with natural gas or kerosene burners that hang from the ceiling, or carbon dioxide may be pumped into the greenhouse from an outside tank. Several different chemicals or pesticides may be used to control plant disease and insects, and various fertilizers are used to promote healthy stock. These chemicals are often applied with handheld or backpack type sprayers; however, large operations use mobile equipment, or even aircraft, to apply these chemicals/pesticides/fertilizers.

Christmas tree farms work in the same manner as nurseries. The majority of these farms are wholesalers that sell large volumes of cut trees to retail outlets or to brokers, who then sell the trees to retailers. Some Christmas tree farms allow customers to choose and cut their own trees or will cut down the trees chosen by the customers.

Rationale for Change by NCCI

NCCI recommends the following national treatment for classifications:

1. Revise the phraseology of Code 0005—Farm—Nursery Employees & Drivers to further clarify the proper assignment of the propagation of trees, shrubs, plants, and flowering shrubs or plants that are not included in Code 0035—Farm—Florist & Drivers. Wording will also be added to clarify the inclusion of sod dealers and retail or wholesale sales from the nursery location.
2. Revise the phraseology of Code 0035—Farm—Florist & Drivers to further clarify the proper assignment of acreage or facilities devoted to the raising and cultivating of potted house plants, fresh cut flowers, and flower bulbs; and raising and harvesting annuals, perennials, or other bedding plants. Wording will also be added to clarify the inclusion of algae growing, harvesting, and processing; mushroom farming; and retail or wholesale sales from the farm location.
3. Discontinue the cross reference phraseology of Code 0035—Farm—Vegetable Growing—Hydroponic & Drivers. The assignment of Code 0035 for hydroponic vegetable growing will be referenced in the phraseology note of Code 0035—Farm—Florist & Drivers.

Data

	Code 0005	Code 0035
Employers reporting Payroll - 1st Half 2009	328	344
Aggregate Payroll Reported – 1st Half 2009	$25,099,128	$29,871,986
2008 Total Losses - Med, Comp & Reserves	$3,283,954	$4,010,712
Policy Year 2008 Base Rate per $100	$4.48	$4.89
Policy Year 2009 Base Rate per $100	$2.99	$4.02

Underwriting or Rate Impacts

The changes in the national phraseology for Code 0005 and Code 0035 are for clarification only and are not anticipated to result in any reclassification of risk payroll or result in a change in the loss cost, rate, or premium generated for these two codes. The revised 0005 Scope indicates it will no longer include incidental landscape gardening. Consequently, code 0042 LANDSCAPE GARDENING & DRIVERS would be separately rated. The base rate differential is significant, $2.09 per $100 of payroll for NCCI code 0005 and $6.95 per $100 of payroll for NCCI code 0042.

Created by _John Best_____
Date _____3/11/2010_____

FRUIT FARMS

NCCI Code and Phraseology
0016 FARM: ORCHARD & DRIVERS
0079 FARM: BERRY OR VINEYARD & DRIVERS
0050 FARM MACHINERY OPERATION-BY CONTRACTOR & DRIVERS

NCCI Code and Revised Phraseology

0016 FARM: ORCHARD OR GROVE & DRIVERS

0079 FARM: ORCHARD OR GROVE & DRIVERS
Note: Applies to all acreage devoted to the raising of all berries, grapes (all types), or hops.

0050 FARM: MACHINERY OPERATION-BY CONTRACTOR & DRIVERS
CROSS-REF.
Brush or Weed Control by Contractor-Chemical & Drivers

CHANGE
The focus of the proposed changes for this industry is to revise existing classification wording for clarification and plain language.

Rationale for Change by NCCI
Code 0016—Farm: Orchard & Drivers is a national code that applies to risks that raise fruit, nuts, or avocados. It includes planting, maintaining, harvesting, packing, storing, and shipping operations.

Code 0079—Farm: Berry or Vineyard & Drivers is a national code that applies to risks that raise berries, grapes, or hops.

Code 0050—Clearing of Right of Way—Electric, Power, Telephone, Burglar, or Fire Alarm Lines: Brush or Weed Control—Chemical & Drivers is a national code that applies to brush or weed control using chemicals dispensed from portable or mechanical ground spraying equipment on existing right of ways. Crops are planted and tended to or cultivated. This includes fertilization, irrigation, fumigation, and pruning. Surrounding grounds are also maintained with pesticides and mowed or disked. Once the crop has been harvested, it is crated or boxed in the field or in packing sheds. From there, it may be shipped to stores or processing plants or it may be shipped to a packinghouse where it is repacked for commercial distribution or sale. Various types of equipment used include, but are not limited to, pruning equipment, mowers, graders, handsaws, and chain saws.

NCCI recommends the following national treatment for classifications:
1. Revise the phraseology of Code 0016—Farm—Orchard & Drivers to include "or Grove" in the phraseology and to further clarify the assignment of fruits, nuts, or avocados and other crops to Code 0016.
2. Revise the phraseology of Code 0079—Farm—Berry or Vineyard & Drivers to further clarify the assignment of acreage devoted to the raising of berries, grapes, or hops to Code 0079, and discontinue the cross reference phraseology of Code 0079—Farm—Vineyard or Berry & Drivers.
3. Revise the cross reference phraseology of Code 0050—Clearing of Right of Way—Electric, Power, Telephone, Burglar, or Fire Alarm Lines: Brush or Weed Control—Chemical & Drivers to further clarify the assignment of brush or weed control using chemicals on existing right of ways for electric, power, telephone, burglar or fire alarm lines.

Data

	Code 0016	**Code 0079**	**Code 0050**
Employers reporting Payroll - 1st Half 2009	74	87	119
Aggregate Payroll Reported – 1st Half 2009	$1,403,407	$996,027	$4,241,696
2008 Total Losses - Med, Comp & Reserves	$601,481	$184,018	$729,892
Policy Year 2008 Base Rate per $100	$25.65	$5.56	$10.66
Policy Year 2009 Base Rate per $100	$6.62	$7.23	$4.95

Underwriting or Rate Impacts

The change in national phraseologies for Code 0016, Code 0079, and Code 0050 consists primarily of the consolidation of cross reference phraseology into the actual classification wording or are made to add clarification to current operation assignments. These changes are not anticipated to result in any reclassification of risk payroll or have a statewide premium impact.

Created by _John Best_____
Date _____3/11/2010_____

SUGAR MANUFACTURING

NCCI Code and Phraseology
2021 SUGAR REFINING

CHANGE
The changes in national phraseology for Code 2021 consist of the consolidation of cross reference phraseologies into the actual classification wording or are made for the purpose of clarification only.

NCCI Code and Proposed Phraseology
2021 SUGAR MFG OR REFINING FROM SUGAR CANE OR SUGAR BEETS

Rationale for Change by NCCI
Code 2021—Sugar Refining is applicable to insureds that manufacture sugar from sugar cane and sugar beets. Both milling and refining operations are included in the scope of Code 2021. This code also applies to insureds that refine molasses or syrup and process honey. In order to produce sugar, the natural sugar stored in the cane stalk or beet root is separated from the rest of the plant material. More than half of the sugar produced in the United States is derived from sugar beets, with the balance being derived from sugarcane. Sugarcane is grown mainly in Florida, Louisiana, Texas, and Hawaii. The process involves (1) milling—separating raw sugar from the cane, which is generally done near the sugarcane fields, and (2) refining—transforming raw sugar into granulated sugar, brown sugar, and other consumer products. Refining is generally performed at another plant. Unlike sugarcane, sugar beets flourish in temperate climates such as California, Michigan, and Nebraska. Sugar beets are grown and harvested seasonally, with milling and refining processes generally performed at one location. There appears to be redundancy in the operations covered by the various class codes assigned to this industry.
NCCI recommends the following national treatment for classifications:
1. Amend the phraseology of Code—2021—Sugar Refining to include “manufacturing” and to clarify the assignment of sugar manufacturing or refining from sugar cane and sugar beets.
2. Discontinue the cross reference phraseologies of Code—2021—Beet Sugar Mfg.; Molasses or Syrup Refining, Blending or Mfg.; Sugar Mfg.—Beet; and Syrup or Molasses Refining, Blending, or Mfg. The assignment of Code 2021 for these operations will be referenced in the phraseology and note of Code 2021—Farm—Sugar Manufacturing or Refining From Sugar Cane or Sugar Beets.

Created by _John Best_____
Date _____3/11/2010_____

Data

Only seven (7) employers reported payroll to code 2021 during the first half of 2009.

	Code 2021
Employers reporting Payroll - 1st Half 2009	7
Aggregate Payroll Reported – 1st Half 2009	$ 1,045,335
2008 Total Losses - Med, Comp & Reserves	$ 49,574
Policy Year 2008 Base Rate	$6.42
Policy Year 2009 Base Rate	$4.81

Underwriting or Rate Impacts

The changes in national phraseology for Code 2021 consist of the consolidation of cross reference phraseologies into the actual classification wording or are made for the purpose of clarification only. These changes are not anticipated to result in any reclassification of risk payroll. Therefore, it is not expected to have an impact on the loss cost, rate, or premium generated from this code.

Created by _John Best_____
Date _____3/11/2010_____

TOBACCO MANUFACTURING

NCCI Code and Phraseology
2172 CIGARETTE MFG
2174 TOBACCO REHANDLING OR WAREHOUSING

CHANGE
The focus of the proposed changes for this industry is to revise existing classification wording for clarification and plain language.

NCCI Code and Proposed Phraseology
2172 TOBACCO PRODUCTS MFG. NOC
2174 TOBACCO REHANDLING OR WAREHOUSING

Rationale for Change by NCCI

Code 2172—Cigarette Mfg. applies to cigarette, cigar, and nonsmoking tobacco product manufacturers. This code was established in June 1923. In 1936, NCCI allowed can manufacturing to be separately classified to Code 3220. It was reasoned that despite container manufacturing being a general inclusion, can manufacturing was not being performed uniformly, causing inequity in premium collection across states.

Code 2174—Tobacco Re-handling or Warehousing applies to entities that receive and warehouse tobacco from growers. It includes stemming, stripping, and bunching as well as packing or compressing tobacco into bales. Code 2174 also applies to entities that warehouse tobacco without performing any sorting, grading, or packing operations. Tobacco manufacturing today has evolved into a highly mechanized, high volume process. Even high quality, hand-rolled cigars include a certain level of automation in the preparation of filler.

Products included under Code 2172 include cigarettes, cigars, moist snuff, dry snuff, loose leaf chewing tobacco, and plug. Some areas reviewed regarding the classification of the tobacco manufacturing industry include redundancy in classification codes, manual versus mechanized production, the treatment of tobacco auction houses, and the treatment of can manufacturing.
The focus of the proposed changes for this industry is to revise existing classification wording for clarification and plain language.

NCCI recommends the following national treatment for classifications:
1. Revise the phraseology of Code—2172—Cigarette Mfg. to clarify the assignment of cigar and tobacco manufacturing to Code 2172. Can manufacturing will continue to be separately rated.
2. Discontinue the cross reference phraseologies of Code—2172—Cigar Mfg., and Tobacco Mfg. NOC.
3. Revise the phraseology of Code 2174—Tobacco Rehandling or Warehousing to clarify the assignment of tobacco auction houses.

Data

Zero employers reported payroll to codes 2172 and 2174 during the first half of 2009.

	Code 2172	**Code 2174**
Employers reporting Payroll - 1st Half 2009	0	0
Aggregate Payroll Reported – 1st Half 2009	$0.00	$0.00
2008 Total Losses - Med, Comp & Reserves	$0.00	$33,852
Policy Year 2008 Base Rate	$5.35	$83.50
Policy Year 2009 Base Rate	$4.22	$25.87

Underwriting or Rate Impacts

The changes in national phraseology for Code 2172 consist of the consolidation of cross reference phraseology into the actual classification wording or are made for clarification only. These changes are not anticipated to result in any reclassification of risk payroll or have a premium impact. The changes in national phraseology for Code 2174 are made for clarification only. These changes are not anticipated to result in any reclassification of risk payroll or have a premium impact. Since Ohio has no employers with any payroll in either of these two codes, there is no impact on any current Ohio employers.

Created by _John Best_____
Date _____3/11/2010_____

CHILD DAY CARE

Current NCCI Code and Phraseology
8869 CHILD DAY CARE CENTER: PROFESSIONAL EMPLOYEES & CLERICAL SALESPERSONS
9059 CHILD DAY CARE CENTER: ALL OTHER EMPLOYEES AND DRIVERS

CHANGE
Combine 9059 CHILD DAY CARE CENTER: ALL OTHER EMPLOYEES AND DRIVERS (Inactivate & Combine) into 8869 CHILD DAY CARE CENTER: PROFESSIONAL EMPLOYEES & CLERICAL SALESPERSONS; Revised Code is then 8869 CHILD CARE CENTER – ALL EMPLOYEES INCLUDING CLERICAL, SALESPERSONS & DRIVERS

NCCI Code and Revised Combined Phraseology
8869 CHILD CARE CENTER – ALL EMPLOYEES INCLUDING CLERICAL, SALESPERSONS & DRIVERS

Rationale for Change by NCCI
Employees in the daycare industry often work in different capacities where they can be childcare teachers and caregivers and may also serve as cooks, cleaning staff and/or transportation drivers. Currently, 8869 includes the teachers and caregivers while code 9059 includes cooks, drivers and maintenance staff. Consequently, there is confusion among employers on where to report their various daycare employees. NCCI has proposed combining the codes so they all all-inclusive to eliminate confusion and simplify payroll reporting.

Data
1,869 employers report payroll to code 8869 and 969 to code 9059 as of the first half of 2009. Aggregate payroll in code 8869 is approximately three times the aggregate payroll under code 9059.

	Code 8869	**Code 9059 (Inactivate)**
Employers reporting Payroll - 1st Half 2009	1,869	969
Aggregate Payroll Reported – 1st Half 2009	$202,576,123	53,884,065
2008 Total Losses - Med, Comp & Reserves	$10,013,640	$3,047,431
Policy Year 2008 Base Rate	$2.22	$2.92
Policy Year 2009 Base Rate	$1.86	$1.99

Created by _John Best_____
Date _____3/11/2010_____

Using data for 2009 where base rates are $1.86 per $100 of payroll for code 8869 and $1.99 for code 9059, the base rate for the combined 8869 code was actuarially calculated as $1.89 per $100 rate due to the reported payroll disparity between the two codes.

Underwriting or Rate Impacts

NCCI's B-1408 National filing indicates "No modification or adjustment to filed loss costs or rates is proposed for these codes due to this change. Underwriting of childcare businesses will be simplified for BWC and the employer community will experience simplified payroll reporting and administration since all employees will be reported under one code.

Summary of NCCI Classification Changes

July 1, 2010

Industry	Existing Class Code(s)	New/Discontinued Class Code(s)	Change
Inventory Counters	8720, 8803	8725-new	New code added for intermediate exposure
Air Traffic Controllers	7403	7402-new	New code for non-federal employees under contract with FAA
Architects, Engineers, Analytical Chemists	8601,4511	8602, 8603-new	Clarifies distinction between analytical chemists & engineers
Horticulture	0005, 0035	N/A	Phraseology changes to clarify usage
Fruit Farms	0016,0050,0079	N/A	Phraseology changes to clarify usage
Sugar Manufacturing	2021	N/A	Phraseology changes to clarify usage
Tobacco Manufacturing	2172, 2174	N/A	Phraseology changes to clarify usage
Child/Daycare Centers	8869,9059	9059-discontinue	Consolidate professional and “all other” operations

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 P. Ryan, Administrator
From: John R. Pedrick, FCAS, MAAA, Chief Actuarial Officer
Date: March 15, 2010
Subject: Private Employer (PA) Rate Change Effective 7/1/2010

I have reviewed the calculations and results in the document "Rate Recommendations for Private Employers" (PAs) submitted by our actuarial consultant, Deloitte Consulting LLP, and recommend the BWC implement an overall rate decrease of 3.9% for private employers for the policy year starting July 1, 2010. I believe this change will result in an actuarially sound rate level and will meet the requirement to set the lowest possible rates of premium consistent with the maintenance of a solvent state insurance fund.

Deloitte's rate level recommendations are summarized in the following table.

Discount Rate	Baseline	Reasonable Expectation - Optimistic	Reasonable Expectation - Conservative
4.5%	-7.1%	-12.3%	-1.9%
4.0%	-3.9%	-9.0%	1.9%

The recommendation to decease rates by 3.9% is based on my concurrence with Deloitte's selected frequency, severity and payroll trends. In addition, while a larger decrease is indicated with the higher discount rate, the baseline decrease with the 4.0% discount rate is consistent with the recommendation we will make to modify that rate. If the Board decides to keep the current discount rate, I will still recommend the smaller baseline decrease because there are signs that frequency is flattening.

When this overall rate change is combined with the rate structure the Board approved in October 2009, the following changes result. As we discussed at that time, we will review the structure of groups to determine whether any change to the break-even factor table is needed.

Segment	Rate Level Change
Non-Group	-8.4%
Group	+5.5%
Overall	-3.9%

Deloitte.

March 12, 2010

Rate Recommendations for Private Employers

State of Ohio Bureau of Workers' Compensation

Deloitte Consulting LLP

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March 12, 2010

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

Subject:

Private Employer 7-1-10 Rate Recommendations

Dear Mr. Pedrick:

We are pleased to provide this Draft Report, which provides our rate recommendations for the State of Ohio Bureau of Workers' Compensation ("BWC") private employer ("PA") rates to be effective July 1, 2010.

We have provided a baseline rate level recommendation, as well as a reasonable range around that recommendation, as shown below. The baseline indicated rate change is based primarily on average historical loss costs over the past five accident years at current cost levels. The range around the baseline rate change is based primarily on the range of historical loss costs at current cost levels observed over the last several accident years. The following table illustrates the indicated rate changes at a 4.0% and 4.5% discount rate as recommended by BWC:

Scenarios	Baseline	Reasonable Expectation Optimistic	Reasonable Expectation Conservative
4.5% Discount Rate	-7.1%	-12.3%	-1.9%
4.0% Discount Rate	-3.9%	-9.0%	1.9%

The loss costs used to determine the rate change recommendations are derived from Deloitte Consulting's December 2009 Loss & LAE reserve analysis for PA.

If the discount rate remains unchanged at 4.5%, it is our opinion that a rate change of -12.3% to -1.9% is appropriate for the policy year beginning July 1, 2010. If the discount rate is changed from the current 4.5% to 4.0%, it is our opinion that a rate change of -9.0% to +1.9% is appropriate for the policy year beginning July 1, 2010 Base rates for the individual manual classes should be adjusted according to their experience so as to achieve the applicable overall rate level change. "Off-balance" factors resulting

from experience rating and “break-even” factors for group rating should also be considered in the base rates, as these factors are not contemplated in the overall rate indications presented herein.

Please note that our recommendations are subject to the Conditions and Limitations described in the attached report which are inherent in estimating workers’ compensation loss costs.

It has been our pleasure to be of service to you in this regard.

Yours very truly,

Jan A. Lommele, FCAS, MAAA

Principal

Robert S. Miccolis, FCAS, MAAA

Director

David E. Heppen

Senior Manager, FCAS, MAAA

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Background

Rates for private employers are set annually to be applied to payrolls from July 1 to June 30 of the following year. Billings are actually sent to employers in December and June, with payments made in February and August. Rates are applicable to $100 of payroll.

The overall rate level recommended in this study is intended to provide for the following costs associated with the July 1, 2010 to June 30, 2011 policy year:

- Indemnity losses
- Medical losses
- Health Partnership Programs ("HPP")
- Premium Payment Security Fund ("PPSF")
- Safety and Hygiene ("S&H")

Rate Level Recommendations

Our rate projections are based on our analysis of historical loss cost trends for Indemnity and Medical losses separately. We have selected a Baseline, Reasonable Expectation - Optimistic, and Reasonable Expectation - Conservative Loss Costs for Indemnity and Medical losses that can be seen in Exhibits 4 and 5. These Loss Costs are also displayed in Exhibit 1A and Exhibit 1B, where we determine the range of rate level indications at a discount rate of 4.5% and 4.0% respectively.

The main assumptions and observations underlying our rate level indications are as follows:

- Loss costs from accident year 1999 to 2009 are considered in the analysis. The results for the most recent five years are given the majority of the weight in the baseline rate indication.

- Loss costs are brought on-level in order to determine the rate level indication. On-leveling is a ratemaking procedure that allows past years to be evaluated at current cost levels, thus providing a relevant basis for the selection of current year rates. On-leveling includes the impact of changes in the frequency of claims, the severity of claims, and the change in wage levels over time.

- Loss costs are discounted at a rate of 4.5% and 4.0%. Discounting loss costs adds variability to estimates of appropriate rate levels, as discount is influenced by the timing of loss payments and the actual rate of return achieved by BWC on invested assets. If the timing of the payments or the expected investment returns are not achieved, the results could vary significantly. Our discount factors for Indemnity and Medical are derived from our December 2009 PA reserve

study. Support for our discount factors can be seen on Exhibits 13A (4.5%) and 13B (4.0%).

- The frequency trend (Ultimate Lost Time Claims/On-Level Payroll), as shown in Exhibit 8, has been exhibiting decreases in all but one year of the 1999-2009 experience period. The rate of decrease has been slowing in recent years however. The on-level annual frequency trend from accident year 2008 to 2009 is -3.4%.

- Indemnity and Medical severity trends (Ultimate losses/Ultimate Lost Time Claims) have varied significantly over the 1999-2009 accident years. Due to this variability we have relied on BWC indications and NCCI benchmark indications in determining our selected severity assumptions. We have selected an Indemnity severity trend of 5.0% and Medical severity trend of 6.0% for accident years 2002 and subsequent.

- HPP costs are projected to be 9.0% of the discounted total pure premium. The percentage was determined from our December 2009 PA reserve study by relating HPP payments in recent fiscal years to the fiscal year Loss & ALAE payments. HPP costs are related to claim determinations and allowances, paying lost time compensation, second level of dispute resolution, and educating injured workers, employers and providers about HPP. Please see Exhibit 12 for the development of the HPP load.

- A loading of 0.5% is included for the Premium Payment Security Fund (PPSF) for all scenarios.

- A loading of 1.0% is included for Safety and Hygiene.

- Rate change indications are based on a current collectible rate of $1.55.

- No margin has been included for contingencies.

Change from the 7/1/2009 Rate Indication at 4.5% Discount

1) Prior Actuary's Baseline Indicated Rate Change at 7/1/09 (at 4.5% discount)	-11.8%
2) Actual Rate Change (Approved by BWC)	-12.0%
3) Prior Actuary's Loss Cost Trend (from 7/1/09 Baseline rate indication at 4.5% discount)	-2.3%

4) Expected Baseline Change at 7/1/2010 [{1+(1)}/{1+(2)}*{1+(3)}]-1	-2.1%
5) Deloitte Indicated Baseline Change	-7.1%
6) Improvement/Deterioration [(5) – (4)] (Improvement is indicated by a negative number; deterioration by a positive number)	-5.0%

Terrorism Risk Insurance Act (TRIA)

Due to the passage of the Terrorism Risk Insurance Act and its subsequent renewal through December 31, 2014, the Ohio BWC is subject to assessment for terrorist related losses in other locations and lines of business, provided certain thresholds are met. The assessment is limited to a maximum of 3% of annual premium per year. We have not included a provision.

Deloitte Rate Development Procedure

In developing the rate recommendations, we consider medical and indemnity loss experience separately, and then combine the two to develop the Total Loss and Expense rate. The rate is developed from the indicated loss costs, or losses per $100 of payroll. All losses and payroll data are trended to the rate effective period of July 1, 2010 to June 30, 2011.

Severity trends for Indemnity and Medical are based on ultimate loss projections and ultimate lost time claim projections from our December 2009 PA reserve study. The severity trend for Indemnity and Medical can be found in Exhibits 9 and 10 respectively.

The frequency trend is based on BWC's payroll and our ultimate lost time claim projections. The payroll is adjusted for future development and average weekly wage trend to bring it on-level for the rate effective period. Our analysis and selection of the frequency trend is on Exhibit 8.

The frequency and severity trends are then multiplied together to form a loss trend. The loss trends are calculated on Exhibit 11, in columns 1 through 6.

On-level loss costs are developed for Indemnity and Medical separately. Our ultimate loss projections are trended to the rate effective period. Dividing the on-level ultimate losses by on-level payroll yields the on-level loss costs. From the accident year on-level loss cost indications we select a Baseline, Optimistic, and Conservative loss cost. The loss cost projections for Indemnity and Medical are shown in Exhibits 4 and 5, respectively. These loss costs are undiscounted.

The undiscounted loss costs for Indemnity and Medical are multiplied by their respective discount factors and then added to develop the Total Loss Cost. The discount factors for Indemnity and Medical

were derived from our December 2009 PA reserve study and were calculated at discount rates of 4.5% and 4.0%. The Total Loss Costs is adjusted for Health Partnership Program (HPP) costs. These have been estimated to be 9.0% of discounted losses. Support for the 9.0% selection can be found on Exhibit 12. The Total Loss Cost is also adjusted for loads related to the Premium Payment Security Fund (PPSF) and Safety and Hygiene ("S&H") program. The PPSF load is 0.5% and the S&H load is 1.0%. These loadings are consistent with prior rate recommendations. After adjusting for the loads the result is the Total Discounted Loss & Expense Rate indication effective July 1, 2010 as seen on Exhibit 1A at a 4.5% discount rate and Exhibit 1B at a 4.0% discount rate. Exhibit 2 shows the Undiscounted Total Loss & Expense Rate. Exhibits 3A (4.5% discount) and 3B (4.0% discount) quantify the dollar impact of discounting the rates.

Group and Non Group Rate Level Recommendations

The indicated rate change will be distributed to group and non group employers based on the actual experience relativities of the group and non group policies. The two key elements in determining the relativities for the group and non group policies are the experience modification factors ("e-mods") and the group break even factor. A group break even factor ("BEF") was implemented in the policy year beginning July 1, 2009 in order to allow BWC to collect appropriate premiums from group-rated employers. A BEF will be applied to group employers for the policy year beginning July 1, 2010. Based on the prior actuary's analysis, the recommended average BEF is 1.275. The recommended BEF varies by e-mod level, ranging from 1.407 (for group e-mods of 0.35) to 1.000 (for group e-mods of 0.83 and higher). BWC may reconsider the BEF based on the composition of groups for the policy year beginning July 1, 2010 to the extent the composition is different than anticipated in the recommended BEF.

Conditions and Limitations

In estimating future loss and loss adjustment expense, it is necessary to project future indemnity, medical and loss adjustment expenses. It is certain that actual indemnity, medical and loss adjustment expenses will not develop exactly as indicated and may, in fact, vary significantly from our estimates. No warranty is expressed or implied that such variance will not occur. Furthermore, our estimates make no provision for the broadening of coverage by legislative action or judicial interpretation or for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in the BWC's historical database or which are not yet quantifiable, and which might affect the claim experience. We believe, however, that the actuarial techniques and assumptions used in our analysis are reasonable.

Loss Cost Trends and Projections

Medical and Indemnity loss cost calculations are developed separately. On-level factors are needed to adjust the losses from each accident year to the level anticipated for the rate period effective July 1, 2010. We have used data from our PA reserve study as of 12/31/09 to calculate the historical trends in Medical and Indemnity loss costs. The data we used to select our frequency, Indemnity severity, and Medical severity can be seen on Exhibits 8, 9, and 10 respectively.

The data tables below show the indicated annual trend based on an exponential curve fit of the data for the years indicated. Our selected frequency trend (ultimate claims/on-level payroll) for 2010 is 0.0%. The selected Indemnity severity trend for 2010 is 5.0% while the selected Medical severity trend is 6.0%. Multiplying the frequency and severity trends yields the overall loss trends. Loss costs trends are then calculated by dividing by the payroll trend. Our selected payroll trend for 2010 is 2.5%. Please note that the payroll shown for 2009 in the table below is reported through June 30, 2009 and therefore represents six months of payroll, while 1999-2008 represent full years.

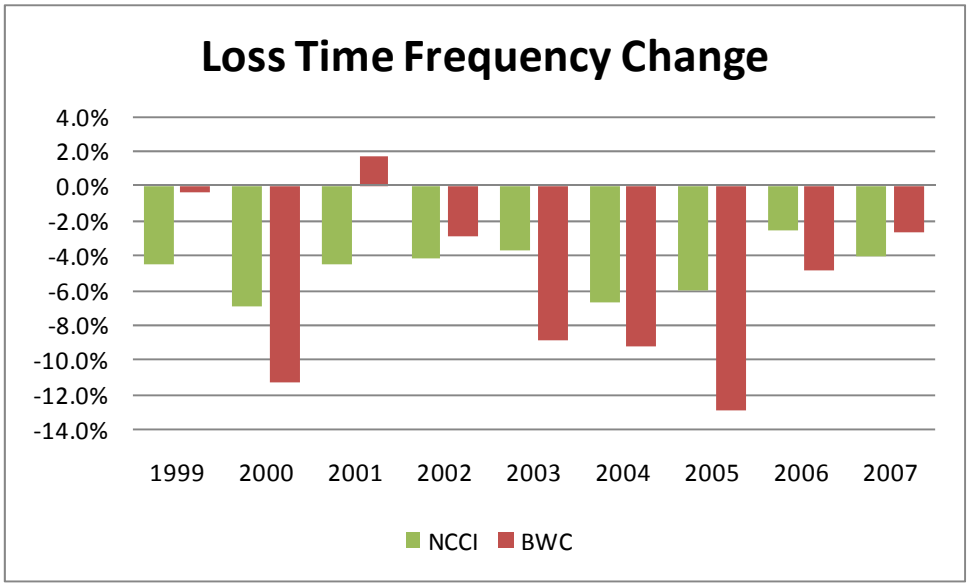
Medical Severity Trend		
Years	BWC	NCCI State of Line
1999-2008	6.9%	7.4%
2000-2008	6.5%	7.1%
2001-2008	6.0%	6.5%
2002-2008	6.3%	6.3%
2003-2008	6.5%	6.3%
2004-2008	6.1%	6.3%
2005-2008	5.5%	6.0%
2006-2008	4.3%	6.1%
2007-2008	5.1%	6.1%

Indemnity Severity Trend		
Years	BWC	NCCI State of Line
1999-2008	7.0%	4.3%
2000-2008	6.8%	3.8%
2001-2008	6.7%	3.4%
2002-2008	7.3%	3.5%
2003-2008	8.1%	3.6%
2004-2008	8.3%	4.1%
2005-2008	8.6%	4.4%
2006-2008	6.8%	4.3%
2007-2008	6.4%	5.0%

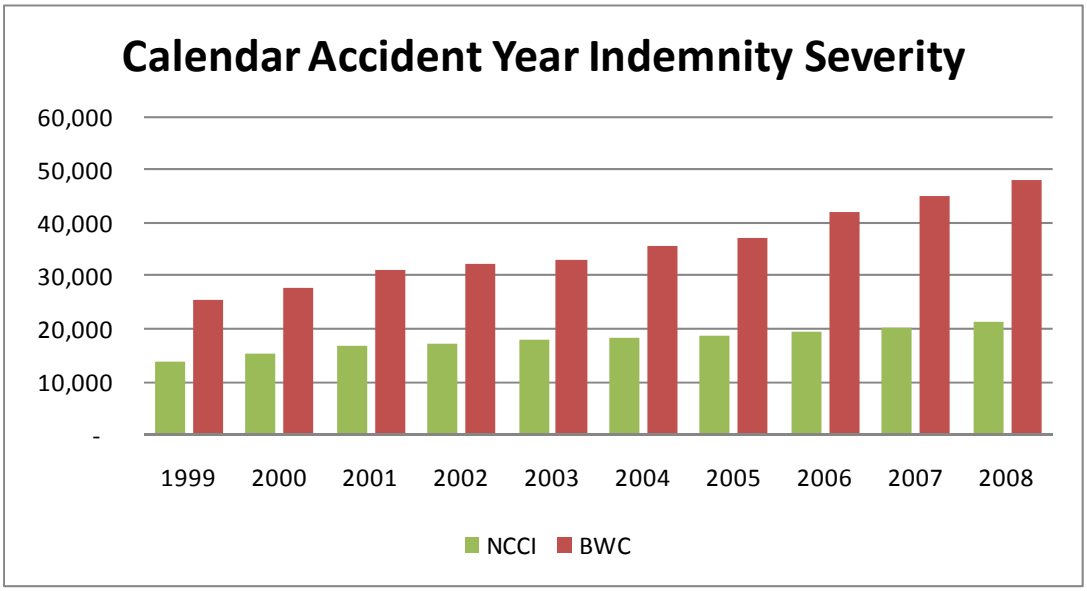
Payroll Trend	
Years	BWC
1999-2009	1.9%
2000-2009	1.7%
2001-2009	1.7%
2002-2009	1.6%
2003-2009	1.5%
2004-2009	1.0%
2005-2009	0.1%
2006-2009	-1.6%
2007-2009	-4.1%
2008-2009	-7.9%

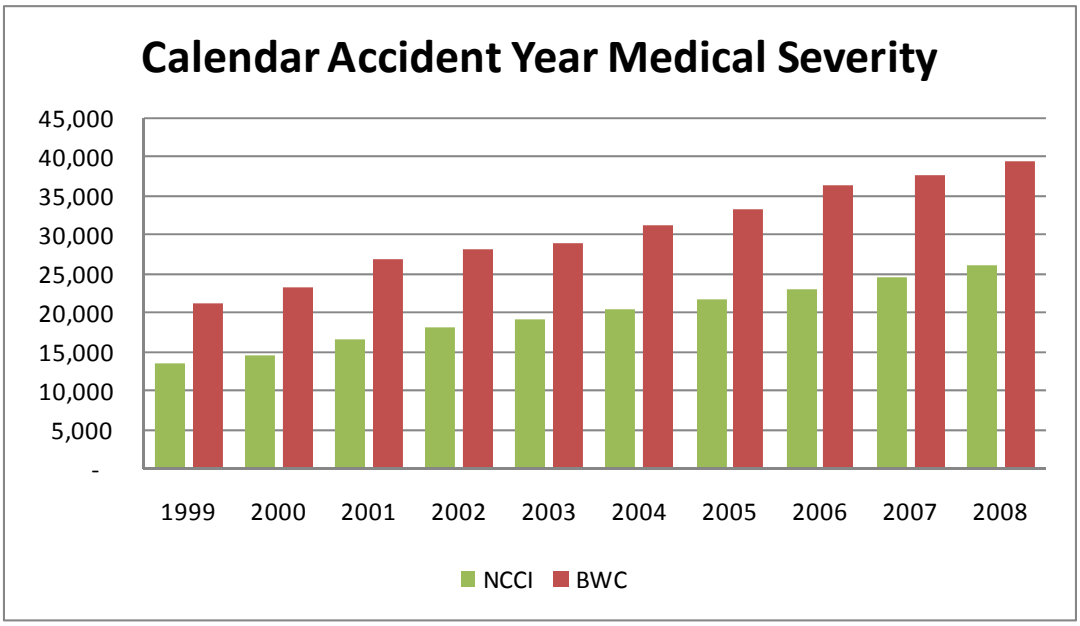
Calendar Year	Payroll
1999	75,244,663
2000	79,122,396
2001	80,396,857
2002	81,621,352
2003	82,433,234
2004	84,632,753
2005	86,912,307
2006	90,822,757
2007	93,691,916
2008	93,305,397
2009	42,813,955

The graph below shows actual BWC and National Council on Compensation Insurance ("NCCI") frequency for lost time claims for each accident year experience period. The NCCI values come from the presentation "State of the Workers Compensation Line" by Dennis C. Mealy, FCAS, MAAA, Chief Actuary, National Council on Compensation Insurance, Inc. The 2008 NCCI values are preliminary based on data valued as 12/31/08. NCCI values for Accident Years 2007 and prior are based on data valued as of 12/31/07, developed to ultimate. The definition of the 1999 change is the change of frequency from 1999 to 2000 and so on for subsequent years.

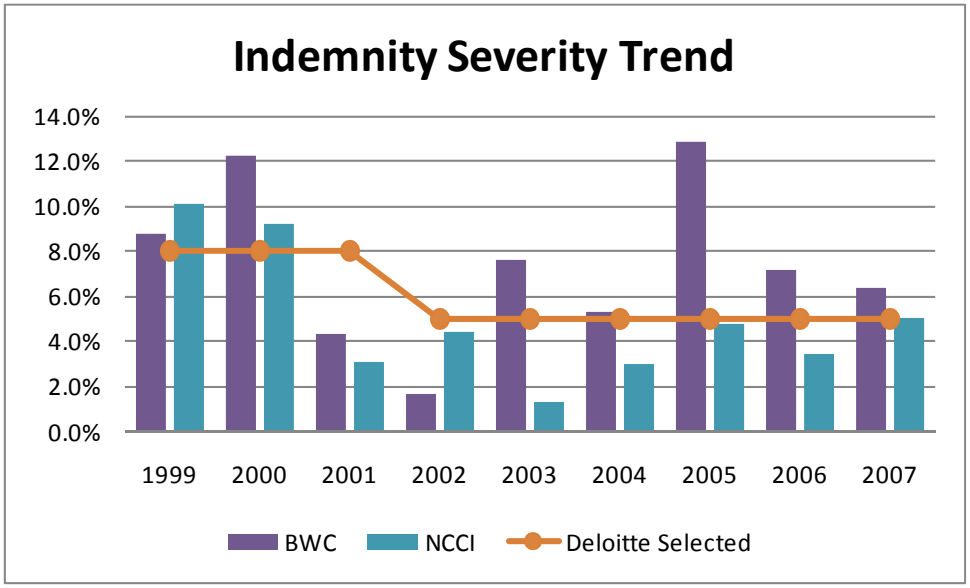


The graphs below show actual BWC and National Council on Compensation Insurance ("NCCI") Indemnity severity and Medical severity for each accident year experience period. The NCCI values come from the presentation "State of the Workers Compensation Line" by Dennis C. Mealy, FCAS, MAAA, Chief Actuary, National Council on Compensation Insurance, Inc. The 2008 NCCI values are preliminary based on data valued as 12/31/08. NCCI values for Accident Years 2007 and prior are based on data valued as of 12/31/07.





The graphs below show actual observed BWC and NCCI Indemnity severity and Medical severity trends for each accident year experience period based on the severities on the previous page. The Deloitte selected annual trend for each accident period is also shown in comparison. The definition of the 1999 trend is the change of severity from 1999 to 2000 and so on for subsequent years.



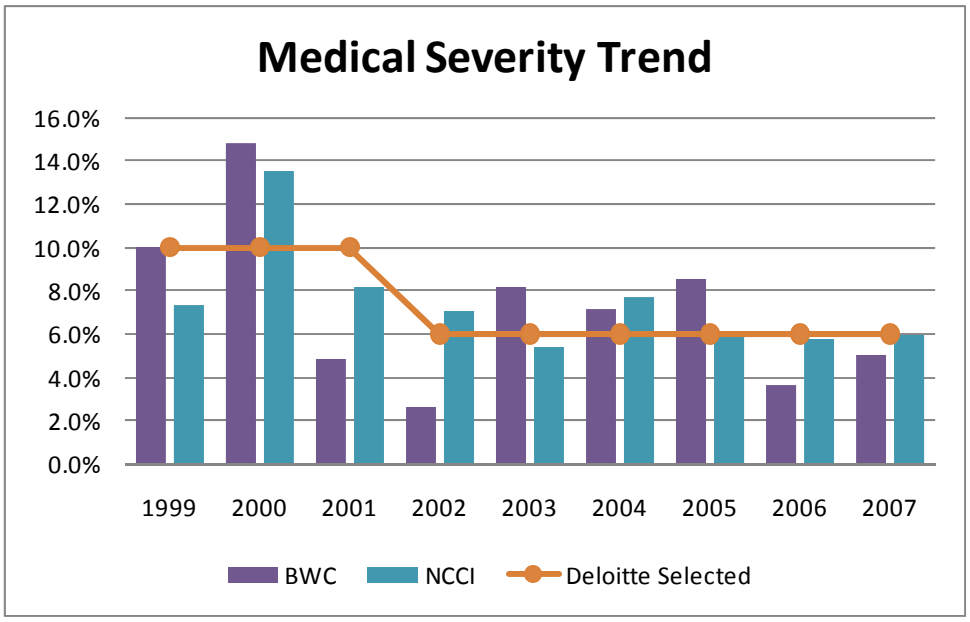


Table of Exhibits

Section 1, Exhibit 1A: Determination of Overall Rate Change (Discounted at 4.5%)

This exhibit displays the indicated overall rate level discounted at 4.5% as well as the indicated rate change for the Baseline, Reasonable Expectation – Optimistic, and Reasonable Expectation – Conservative scenarios.

Section 1, Exhibit 1B: Determination of Overall Rate Change (Discounted at 4.0%)

This exhibit displays the indicated overall rate level discounted at 4.0% as well as the indicated rate change for the Baseline, Reasonable Expectation – Optimistic, and Reasonable Expectation – Conservative scenarios.

Section 1, Exhibit 2: Determination of Overall Rate Level (Undiscounted)

This exhibit displays the indicated overall rate level on an undiscounted basis for the Baseline, Reasonable Expectation – Optimistic, and Reasonable Expectation – Conservative scenarios.

Section 1, Exhibit 3A: Determination of Overall Rate Level – Impact of Discount on Rates at a Discount Rate of 4.5%

This exhibit displays the impact of discounting rates at 4.5% for the Baseline, Reasonable Expectation – Optimistic, and Reasonable Expectation – Conservative scenarios.

Section 1, Exhibit 3B: Determination of Overall Rate Level – Impact of Discount on Rates at a Discount Rate of 4.0%

This exhibit displays the impact of discounting rates at 4.0% for the Baseline, Reasonable Expectation – Optimistic, and Reasonable Expectation – Conservative scenarios.

Section 1, Exhibit 4: Calculation of Loss Cost – Indemnity

This exhibit displays the selection of the undiscounted loss cost for Indemnity for the Baseline, Reasonable Expectation – Optimistic, and Reasonable Expectation – Conservative scenarios.

Section 1, Exhibit 5: Calculation of Loss Cost – Medical

This exhibit displays the selection of the undiscounted loss cost for Medical for the Baseline, Reasonable Expectation – Optimistic, and Reasonable Expectation – Conservative scenarios.

Section 1, Exhibit 6: Exposure Year Payroll Development

This exhibit displays the historical development of payroll and the resulting payroll development factors selected by Deloitte Consulting.

Section 1, Exhibit 7: Payroll Trend

This exhibit shows the historical change in Ohio average weekly wages and the resulting payroll trend assumptions selected by Deloitte Consulting.

Section 1, Exhibit 8: Frequency Trend

This exhibit shows the historical change in frequency of lost time claims relative to developed and on-level payroll, and the resulting frequency trend assumptions selected by Deloitte Consulting.

Section 1, Exhibit 9: Severity Trend – Indemnity

This exhibit shows the historical change in ultimate Indemnity losses per lost time claims, and the resulting severity trend assumptions selected by Deloitte Consulting.

Section 1, Exhibit 10: Severity Trend – Medical

This exhibit shows the historical change in ultimate Medical losses per lost time claims, and the resulting severity trend assumptions selected by Deloitte Consulting.

Section 1, Exhibit 11: Trend Summary

This exhibit shows the combined impact of the payroll, frequency, and severity trend assumptions selected by Deloitte Consulting in Exhibits 7 through 10 for Indemnity and Medical.

Section 1, Exhibit 12: Calculation of HPP Expense Factor

This exhibit shows the historical Claims Adjusting Expense Ratios and the selected ratio by Deloitte Consulting

Section 1, Exhibit 13A: Derivation of Discount factors at a 4.5% discount rate

This exhibit shows the support for the indemnity and medical discount factors at a 4.5% discount rate as displayed on Exhibit 1A

Section 1, Exhibit 13B: Derivation of Discount factors at a 4.0% discount rate

This exhibit shows the support for the indemnity and medical discount factors at a 4.0% discount rate as displayed on Exhibit 1B

OHIO BUREAU OF WORKERS' COMPENSATION

Section 1
Exhibit 1A

Determination of Overall Rate Change (Discounted at 4.5%)
Private Employers

Discounted
Effective July 1, 2010

		Reasonable Expectation Optimistic	Baseline	Reasonable Expectation Conservative
(1)	Selected Indemnity Undiscounted Loss Cost:	$0.99	$1.07	$1.12
(2)	Selected Indemnity Discount Factor:	0.597	0.597	0.597
(3)	Selected Medical Loss Cost:	$0.93	$0.96	$1.02
(4)	Selected Medical Discount Factor:	0.687	0.687	0.687
(5)	**Selected Total Loss Cost:**	**$1.23**	**$1.30**	**$1.37**
(6)	HPP Expense Load; 9.0% of Losses	1.090	1.090	1.090
(7)	PPSF Load (0.5%):	0.5%	0.5%	0.5%
(8)	S&H Load (1.0%):	1.0%	1.0%	1.0%
(9)	Contingency Load (0.0%):	0.0%	0.0%	0.0%
(10)	**Calculated Total Loss & Expense Rate:**	**$1.36**	**$1.44**	**$1.52**
(11)	Current Loss & Expense Rate (7/1/09 - 6/30/10)	$1.55	$1.55	$1.55
(12)	**Indicated Base Rate Level Change:**	**-12.3%**	**-7.1%**	**-1.9%**

(1) From Section 1, Exhibit 4, Col. (11, 12, 13)
(2) From Section 1, Exhibit 13A, Col. (3)
(3) From Section 1, Exhibit 5, Col. (11, 12, 13)
(4) From Section 1, Exhibit 13A, Col. (3)
(5) = (1) * (2) + (3) * (4)
(6) From Section 1, Exhibit 12, Col.6
(7) Selected by Deloitte
(8) Selected by Deloitte
(9) Selected by Deloitte
(10) = (5) x (6) / [1 - (7) - (8) - (9)]
(11) Actual Current Loss & Expense Rate
(12) = (10) / (11) - 1.0

OHIO BUREAU OF WORKERS' COMPENSATION

Section 1
Exhibit 1B

Determination of Overall Rate Change (Discounted at 4%)
Private Employers

Discounted
Effective July 1, 2010

		Reasonable Expectation Optimistic	Baseline	Reasonable Expectation Conservative
(1)	Selected Indemnity Undiscounted Loss Cost:	$0.99	$1.07	$1.12
(2)	Selected Indemnity Discount Factor:	0.625	0.625	0.625
(3)	Selected Medical Loss Cost:	$0.93	$0.96	$1.02
(4)	Selected Medical Discount Factor:	0.709	0.709	0.709
(5)	**Selected Total Loss Cost:**	**$1.28**	**$1.35**	**$1.42**
(6)	HPP Expense Load; 9.0% of Losses	1.090	1.090	1.090
(7)	PPSF Load (0.5%):	0.5%	0.5%	0.5%
(8)	S&H Load (1.0%):	1.0%	1.0%	1.0%
(9)	Contingency Load (0.0%):	0.0%	0.0%	0.0%
(10)	**Calculated Total Loss & Expense Rate:**	**$1.41**	**$1.49**	**$1.58**
(11)	Current Loss & Expense Rate (7/1/09 - 6/30/10)	$1.55	$1.55	$1.55
(12)	**Indicated Base Rate Level Change:**	**-9.0%**	**-3.9%**	**1.9%**

(1) From Section 1, Exhibit 4, Col. (11, 12, 13)
(2) From Section 1, Exhibit 13B, Col. (3)
(3) From Section 1, Exhibit 5, Col. (11, 12, 13)
(4) From Section 1, Exhibit 13B, Col. (3)
(5) = (1) * (2) + (3) * (4)
(6) From Section 1, Exhibit 12, Col.6
(7) Selected by Deloitte
(8) Selected by Deloitte
(9) Selected by Deloitte
(10) = (5) x (6) / [1 - (7) - (8) - (9)]
(11) Actual Current Loss & Expense Rate
(12) = (10) / (11) - 1.0

OHIO BUREAU OF WORKERS' COMPENSATION

Determination of Overall Rate Level (Undiscounted)

Private Employers

Section 1
Exhibit 2

Undiscounted
Effective July 1, 2010

		Reasonable Expectation Optimistic	Baseline	Reasonable Expectation Conservative
(1)	Selected Indemnity Loss Cost:	$0.99	$1.07	$1.12
(2)	Selected Medical Loss Cost:	$0.93	$0.96	$1.02
(3)	**Selected Total Loss Cost:**	**$1.92**	**$2.03**	**$2.14**
(4)	HPP Expense Load; 9.0% of Losses	1.090	1.090	1.090
(5)	PPSF Load (0.3%):	0.3%	0.3%	0.3%
(6)	S&H Load (0.6%):	0.6%	0.6%	0.6%
(7)	Contingency Load (0.0%):	0.0%	0.0%	0.0%
(8)	**Calculated Total Loss & Expense Rate:**	**$2.11**	**$2.24**	**$2.36**

(1) From Section 1, Exhibit 4, Col. (11, 12, 13)
(2) From Section 1, Exhibit 5, Col. (11, 12, 13)
(3) = (1) + (2)
(4) From Section 1, Exhibit 12, Col.6
(5) Selected by Deloitte. Factors on an undiscounted basis estimated by Deloitte.
(6) Selected by Deloitte. Factors on an undiscounted basis estimated by Deloitte.
(7) Selected by Deloitte
(8) = (3) x (4) / [1 - (5) - (6)] + (7)

OHIO BUREAU OF WORKERS' COMPENSATION

Section 1
Exhibit 3A

Determination of Overall Rate Level - Impact of Discount on Rates (4.5% Discount)
Private Employers

Impact of Discount on Rates
Effective July 1, 2010

		Reasonable Expectation Optimistic	Baseline	Reasonable Expectation Conservative
(1)	Estimated Payroll for the Period 7/1/10-6/30/09 (100s)	$888,255,002	$888,255,002	$888,255,002
(2)	Selected Total Undiscounted Loss Cost (prior to expense loading):	$1.92	$2.03	$2.14
(3)	Selected Total Discounted Loss Cost (prior to expense loading):	$1.23	$1.30	$1.37
(4)	**Estimated Credit for Discounting Losses**	**$612,725,190**	**$650,011,143**	**$684,791,482**
(5)	Selected Total Undiscounted HPP Rate:	$0.17	$0.18	$0.19
(6)	Selected Total Discounted HPP Rate	$0.11	$0.12	$0.12
(7)	**Estimated Credit for Discounting HPP**	**$55,145,267**	**$58,501,003**	**$61,631,233**
(8)	**Estimated Credit for Discounting Total Loss & Expense**	**$667,870,457**	**$708,512,146**	**$746,422,715**

(1) Selected by Deloitte
(2) From Section 1, Exhibit 2, Line (3)
(3) From Section 1, Exhibit 1A, Line (5)
(4) (1) * [(2) - (3)]
(5) From Section 1, Exhibit 2, Line (4) - 1* Line (2)
(6) From Section 1, Exhibit 2, Line (4) - 1* Line (3)
(7) (1) * [(5) - (6)]
(8) (4) + (7)

OHIO BUREAU OF WORKERS' COMPENSATION

Section 1
Exhibit 3B

Determination of Overall Rate Level - Impact of Discount on Rates (4.0% Discount)
Private Employers

Impact of Discount on Rates
Effective July 1, 2010

		Reasonable Expectation Optimistic	Baseline	Reasonable Expectation Conservative
(1)	Estimated Payroll for the Period 7/1/10-6/30/09 (100s)	$888,255,002	$888,255,002	$888,255,002
(2)	Selected Total Undiscounted Loss Cost (prior to expense loading):	$1.92	$2.03	$2.14
(3)	Selected Total Discounted Loss Cost (prior to expense loading):	$1.28	$1.35	$1.42
(4)	**Estimated Credit for Discounting Losses**	**$570,555,570**	**$605,277,585**	**$637,663,584**
(5)	Selected Total Undiscounted HPP Rate:	$0.17	$0.18	$0.19
(6)	Selected Total Discounted HPP Rate	$0.12	$0.12	$0.13
(7)	**Estimated Credit for Discounting HPP**	**$51,350,001**	**$54,474,983**	**$57,389,723**
(8)	**Estimated Credit for Discounting Total Loss & Expense**	**$621,905,571**	**$659,752,567**	**$695,053,307**

(1) Selected by Deloitte
(2) From Section 1, Exhibit 2, Line (3)
(3) From Section 1, Exhibit 1B, Line (5)
(4) (1) * [(2) - (3)]
(5) From Section 1, Exhibit 2, Line (4) - 1* Line (2)
(6) From Section 1, Exhibit 2, Line (4) - 1* Line (3)
(7) (1) * [(5) - (6)]
(8) (4) + (7)

OHIO BUREAU OF WORKERS' COMPENSATION

Section 1
Exhibit 4

Determination of Overall Rate Change for Private Employers
Calculation of Loss Cost - Indemnity

Effective July 1, 2010
(000's)

Calendar Accident Year	Payroll	Payroll Trend To Period Eff 07/01/10	Payroll Development Factor	Developed & Trended Payroll	Ultimate Loss Projection	Loss Trend To Period Eff 07/01/10	Adjusted & Trended Ultimate	Average Loss Cost Unadjusted	Loss Cost On-Level
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1999	75,244,663	1.352	1.000	101,717,051	957,916	1.112	1,064,799	1.27	1.05
2000	79,122,396	1.304	1.000	103,163,967	1,053,162	1.056	1,111,749	1.33	1.08
2001	80,396,857	1.276	1.000	102,561,642	1,043,055	1.002	1,045,660	1.30	1.02
2002	81,621,352	1.244	1.000	101,552,765	1,096,081	0.952	1,043,512	1.34	1.03
2003	82,433,234	1.211	1.000	99,790,933	1,063,308	0.930	988,826	1.29	0.99
2004	84,632,753	1.167	1.000	98,746,883	1,031,082	0.984	1,014,665	1.22	1.03
2005	86,912,307	1.139	1.000	98,971,691	987,691	1.041	1,028,534	1.14	1.04
2006	90,822,757	1.100	1.000	99,897,283	979,665	1.102	1,079,551	1.08	1.08
2007	93,691,916	1.064	1.001	99,727,888	996,864	1.093	1,089,785	1.06	1.09
2008	93,305,397	1.043	1.004	97,661,640	1,010,716	1.085	1,096,159	1.08	1.12
2009	42,813,955	1.033	2.014	89,055,868	926,321	1.076	996,656	1.07	1.12
Total	890,997,587			1,092,847,611	11,145,860		11,559,895	1.19	1.06
							All Year Weighted Average:		1.06
							2000-07 Weighted Avg:		1.04
							2000-04 Weighted Avg:		1.03
							2004-08 Weighted Avg:		1.07
							2006-08 Weighted Avg:		1.10
				(11)			Selected Reasonable Expectation - Optimistic		**0.99**
				(12)			**Selected Baseline**		**1.07**
				(13)			Selected Reasonable Expectation - Conservative		**1.12**

(1)	Calendar Accident Year Beginning January 1, XXXX	(8)	= (6) x (7)
(2)	From Deloitte 12/31/09 PA Reserve Study, 2009 Data as of 6/30/09	(9)	= (6) / [(2) x (4)] * 100
(3)	From Section 1, Exhibit 7, Col. (5)	(10)	= (8) / (5) x 100
(4)	From Section 1, Exhibit 6.	(11)	Selected by Deloitte
(5)	= (2) x (3) x (4)	(12)	Selected by Deloitte
(6)	Based on Deloitte PA Reserve Study as of 12/31/09	(13)	Selected by Deloitte
(7)	From Section 1, Exhibit 11, Col. (4)		

OHIO BUREAU OF WORKERS' COMPENSATION

Section 1
Exhibit 5

Determination of Overall Rate Change for Private Employers
Calculation of Loss Cost - Medical

Effective July 1, 2010
(000's)

Calendar Accident Year	Payroll	Payroll Trend to 2010 $'s	Payroll Development Factor	Developed & Trended Payroll	Ultimate Loss Projection	Loss Trend to 2010 $'s	Adjusted & Trended Ultimate	Average Loss Cost Unadjusted	Loss Cost On-Level
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1999	75,244,663	1.352	1.000	101,717,051	796,829	1.273	1,014,384	1.06	1.00
2000	79,122,396	1.304	1.000	103,163,967	886,383	1.187	1,052,111	1.12	1.02
2001	80,396,857	1.276	1.000	102,561,642	898,019	1.107	993,868	1.12	0.97
2002	81,621,352	1.244	1.000	101,552,765	948,404	1.032	978,676	1.16	0.96
2003	82,433,234	1.211	1.000	99,790,933	929,212	0.998	927,790	1.13	0.93
2004	84,632,753	1.167	1.000	98,746,883	906,007	1.047	948,240	1.07	0.96
2005	86,912,307	1.139	1.000	98,971,691	883,535	1.097	969,309	1.02	0.98
2006	90,822,757	1.100	1.000	99,897,283	843,049	1.150	969,489	0.93	0.97
2007	93,691,916	1.064	1.001	99,727,888	829,651	1.130	937,580	0.88	0.94
2008	93,305,397	1.043	1.004	97,661,640	830,544	1.111	922,356	0.89	0.94
2009	42,813,955	1.033	2.014	89,055,868	757,032	1.091	826,177	0.88	0.93
Total	890,997,587			1,092,847,611	9,508,664		10,539,981	1.02	0.96
								All Year Weighted Av	0.96
								2000-07 Weighted Avg:	0.97
								2000-04 Weighted Avg:	0.97
								2004-08 Weighted Avg:	0.96
								2006-08 Weighted Avg:	0.95
				(11)				Selected Reasonable Expectation - Optimistic	**0.93**
				(12)				**Selected Baseline**	**0.96**
				(13)				Selected Reasonable Expectation - Conservative	**1.02**

(1) Calendar Accident Year Beginning January 1, XXXX
(2) From Deloitte 12/31/09 PA Reserve Study, 2009 Data as of 6/30/09
(3) From Section 1, Exhibit 7, Col. (5)
(4) From Section 1, Exhibit 6.
(5) = (2) x (3) x (4)
(6) Based on Deloitte PA Reserve Study as of 12/31/09
(7) From Section 1, Exhibit 11, Col. (6)
(8) = (6) x (7)
(9) = (6) / [(2) x (4)] * 100
(10) = (8) / (5) x 100
(11) Selected by Deloitte
(12) Selected by Deloitte
(13) Selected by Deloitte

OHIO BUREAU OF WORKERS' COMPENSATION

Section 1
Exhibit 6

Determination of Overall Rate Change for Private Employers

Exposure Year Payroll Development

(000's)

Calendar Accident Year	6	18	30	42	54	66	78	90	102	114	126	138
1999				75,245,000	75,245,000	75,245,000	75,245,000	75,245,000	75,245,000	75,245,000	75,244,663	*75,244,663*
2000			79,049,000	79,122,000	79,122,000	79,122,000	79,122,000	79,122,396	79,122,000	79,122,396	*79,122,396*	
2001		80,175,000	80,397,000	80,397,000	80,397,000	80,397,000	80,396,857	80,397,000	80,396,857	*80,396,857*		
2002	40,689,000	81,309,000	81,309,000	81,621,000	81,621,000	81,621,352	81,621,000	81,621,352	*81,621,352*			
2003	41,061,000	82,064,000	82,311,000	82,433,000	82,433,234	82,433,000	82,433,234	*82,433,234*				
2004	41,443,000	83,866,000	84,502,000	84,632,753	84,633,000	84,632,753	*84,632,753*					
2005	42,772,000	86,461,000	86,785,547	86,912,307	86,912,307	*86,912,307*						
2006	44,311,000	90,292,513	90,692,880	90,822,757	*90,822,757*							
2007	46,533,087	93,245,379	93,633,062	*93,691,916*								
2008	48,021,000	93,009,410	*93,305,397*									
2009	42,813,955											

Exposure Year	6-18	18-30	30-42	42-54	54-66	66-78	78-90	90-102	102-114	114-126	126-138	138- ULT
1999				1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	*1.0000*	
2000			1.0009	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	*1.0000*		
2001		1.0028	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	*1.0000*			
2002	1.9983	1.0000	1.0038	1.0000	1.0000	1.0000	1.0000	*1.0000*				
2003	1.9986	1.0030	1.0015	1.0000	1.0000	1.0000	*1.0000*					
2004	2.0236	1.0076	1.0015	1.0000	1.0000	*1.0000*						
2005	2.0214	1.0038	1.0015	1.0000	*1.0000*							
2006	2.0377	1.0044	1.0014	*1.0000*								
2007	2.0039	1.0042	*1.0006*									
2008	1.9368	*1.0032*										

Age to Age Factors ("ATA")

3yr Wtd Avg	1.991	1.004	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
5yr Wtd Avg	2.003	1.005	1.002	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
Sel. ATA	2.003	1.004	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Sel. ATU	2.014	1.006	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Interpolated

	12	24	36	48	60	72	84	96	108	120	132
Sel. ATU	1.341	1.004	1.001	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000

Note: The Italized Data is as of 12/31/09 and Excluded From the Averages

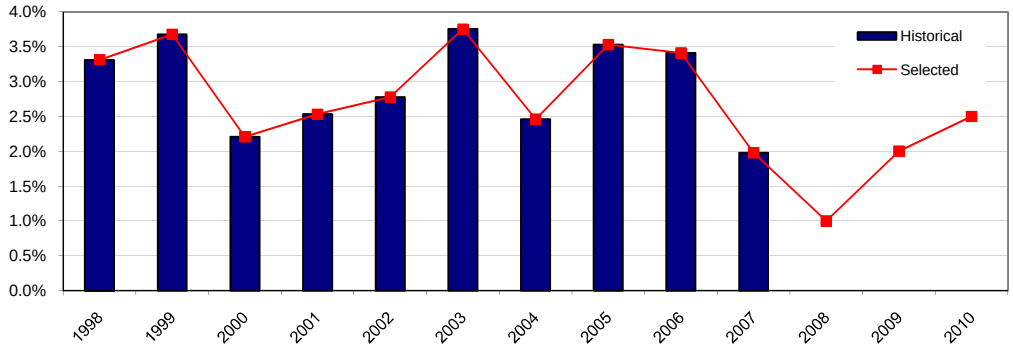
OHIO BUREAU OF WORKERS' COMPENSATION

Section 1
Exhibit 7

Determination of Overall Rate Change for Private Employers

Payroll Trend

Calendar Year	Ohio Average Weekly Wage	Annual Percent Change	Selected Payroll Trend	Cumulative Payroll Trend Policy Period Effective To 07/01/10	Cumulative Payroll Trend Policy Period Effective To Cal Yr 2009
(1)	(2)	(3)	(4)	(5)	(6)
1992	474	1.9%			
1993	483	2.3%			
1994	495	2.9%			
1995	509	3.5%			
1996	527	4.6%			
1997	551	4.7%			
1998	577	3.3%	3.3%	1.397	1.352
1999	596	3.7%	3.7%	1.352	1.309
2000	618	2.2%	2.2%	1.304	1.263
2001	632	2.5%	2.5%	1.276	1.235
2002	648	2.8%	2.8%	1.244	1.205
2003	666	3.8%	3.8%	1.211	1.172
2004	691	2.5%	2.5%	1.167	1.130
2005	708	3.5%	3.5%	1.139	1.103
2006	733	3.4%	3.4%	1.100	1.065
2007	758	2.0%	2.0%	1.064	1.030
2008	773		1.0%	1.043	1.010
2009			2.0%	1.033	1.000
2010			2.5%	1.012	



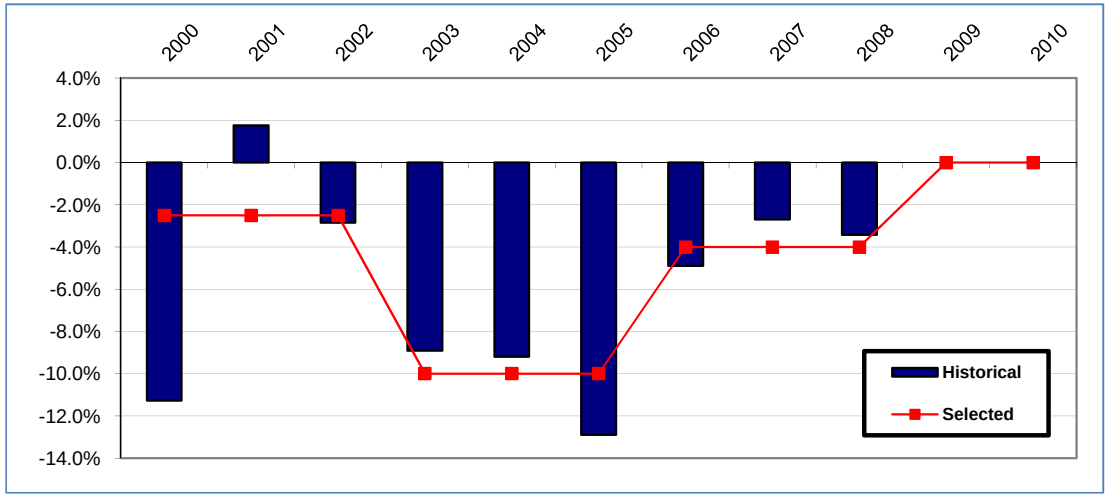
(1) Calendar Year Beginning January 1, XXXX
(2) Based on Bureau of Labor Statistics Ohio Average Weekly Wages
(3) = [(2){CAY X+1} / (2)] - 1.0
(4) Selected by Deloitte
(5) = [1.0 + (4)] x (5){CAY X+1}
(6) = (5) / (5){CY 2009}

OHIO BUREAU OF WORKERS' COMPENSATION

Section 1
Exhibit 8

Determination of Overall Rate Change for Private Employers
Frequency Trend
(000's)

Calendar Accident Year	Ultimate # of Claims	Payroll	Payroll Development Factor	Payroll On-Level Factor	Developed Payroll On-Level	Claim Frequency Per $100	Change in Frequency	Selected Frequency Trend	Cumulative Frequency Trend
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1999	37,671	75,244,663	1.000	1.309	98,498,962	0.038	-0.3%	-2.5%	0.583
2000	38,080	79,122,396	1.000	1.263	99,900,102	0.038	-11.3%	-2.5%	0.598
2001	33,591	80,396,857	1.000	1.235	99,316,832	0.034	1.8%	-2.5%	0.613
2002	33,845	81,621,352	1.000	1.205	98,339,874	0.034	-2.8%	-2.5%	0.629
2003	32,311	82,433,234	1.000	1.172	96,633,782	0.033	-8.9%	-10.0%	0.645
2004	29,123	84,632,753	1.000	1.130	95,622,763	0.030	-9.2%	-10.0%	0.717
2005	26,504	86,912,307	1.000	1.103	95,840,460	0.028	-12.9%	-10.0%	0.796
2006	23,301	90,822,757	1.000	1.065	96,736,768	0.024	-4.9%	-4.0%	0.885
2007	22,123	93,691,916	1.001	1.030	96,572,732	0.023	-2.7%	-4.0%	0.922
2008	21,082	93,305,397	1.004	1.010	94,571,855	0.022	-3.4%	-4.0%	0.960
2009	18,566	42,813,955	2.014	1.000	86,238,350	0.022		0.0%	1.000
2010								0.0%	1.000



-6.4%	All year trend*
-7.9%	7 yr trend*
-7.8%	5 yr trend*
-3.8%	3 yr trend*

* Excludes 2009

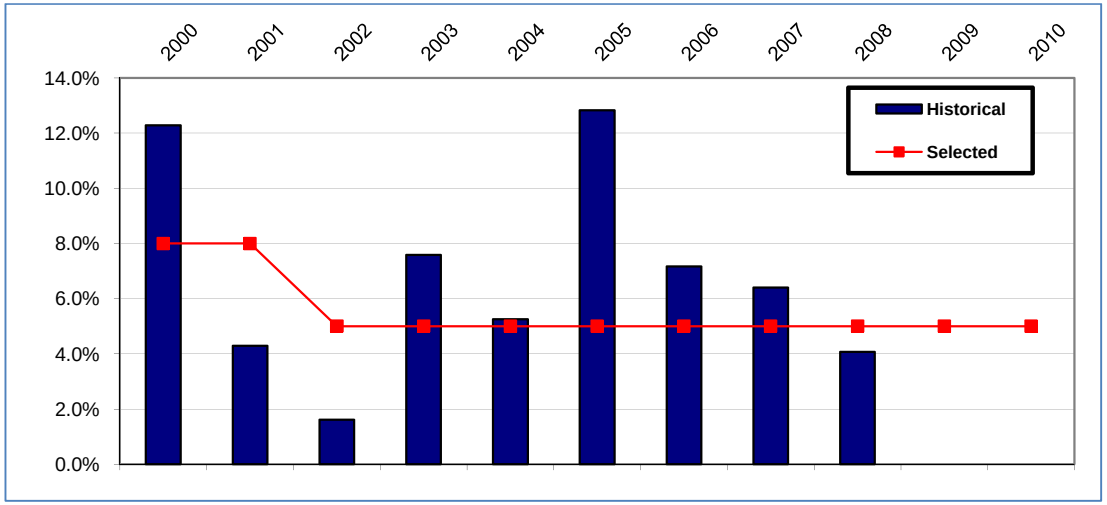
(1)	Calendar Accident Year Beginning January 1, XXXX	(7)	= (2) / (6) x 100
(2)	Based on Deloitte PA Reserve Study as of 12/31/09	(8)	= [(7) {CAY X+1} / (7)] - 1.0
(3)	From Deloitte 12/31/09 PA Reserve Study, 2009 Data as of 6/30/09	(9)	Selected by Deloitte
(4)	From Section 1, Exhibit 6	(10)	= [1.0 + (9)] x (10){CAY X+1}
(5)	From Section 1, Exhibit 7, Col. (6)		
(6)	=(3) x (4) x (5)		

OHIO BUREAU OF WORKERS' COMPENSATION

Section 1
Exhibit 9

Determination of Overall Rate Change for Private Employers
Severity Trend - Indemnity
(000's)

Calendar Accident Year	Other Than Medical Ultimate Loss	Ultimate # of Claims	Severity Loss / Claims	Change in Severity	NCCI State of Line	Selected Severity Trend	Cumulative Severity Trend
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1999	957,916	37,671	25,429	8.8%	10.1%	8.0%	1.907
2000	1,053,162	38,080	27,657	12.3%	9.2%	8.0%	1.766
2001	1,043,055	33,591	31,052	4.3%	3.1%	8.0%	1.635
2002	1,096,081	33,845	32,385	1.6%	4.4%	5.0%	1.514
2003	1,063,308	32,311	32,908	7.6%	1.3%	5.0%	1.442
2004	1,031,082	29,123	35,404	5.3%	3.0%	5.0%	1.373
2005	987,691	26,504	37,265	12.8%	4.8%	5.0%	1.308
2006	979,665	23,301	42,044	7.2%	3.4%	5.0%	1.246
2007	996,864	22,123	45,060	6.4%	5.0%	5.0%	1.186
2008	1,010,716	21,082	47,942	4.1%		5.0%	1.130
2009	926,321	18,566	49,894			5.0%	1.076
2010						5.0%	1.025



BWC

7.0%	All year trend*
10.5%	1999-2001 trend
7.2%	2002-2007 trend
8.8%	2004-2007 trend

NCCI

4.9%	All year trend
7.5%	1999-2001 trend
3.7%	2002-2007 trend
4.1%	2004-2007 trend

* Excludes 2009

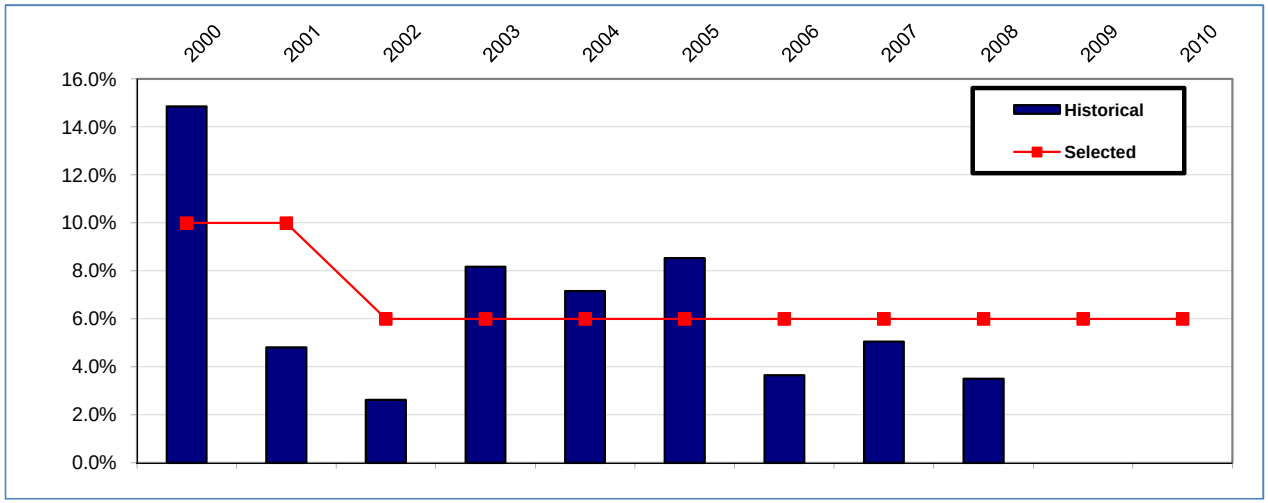
(1) Calendar Accident Year Beginning January 1, XXXX
(2) Based on Deloitte PA Reserve Study as of 12/31/09
(3) Based on Deloitte PA Reserve Study as of 12/31/09, Loss Time Counts Only
(4) = (2) / (3) x 1000
(5) = [(4) {CAY X+1}/ (4)] - 1.0
(6) From NCCI State Of Line Presentation May 7, 2009
(7) Selected by Deloitte
(8) = [1.0 + (7)] x (8){CAY X+1}

OHIO BUREAU OF WORKERS' COMPENSATION

Section 1
Exhibit 10

Determination of Overall Rate Change for Private Employers
Severity Trend - Medical
(000's)

Calendar Accident Year (1)	Medical Ultimate Loss (2)	Ultimate # of Claims (3)	Severity Loss / Claims (4)	Change in Severity (5)	NCCI State of Line (6)	Selected Severity Trend (7)	Cumulative Severity Trend (8)
1999	796,829	37,671	21,152	10.0%	7.3%	10.0%	2.184
2000	886,383	38,080	23,277	14.9%	13.5%	10.0%	1.986
2001	898,019	33,591	26,734	4.8%	8.2%	10.0%	1.805
2002	948,404	33,845	28,022	2.6%	7.1%	6.0%	1.641
2003	929,212	32,311	28,758	8.2%	5.4%	6.0%	1.548
2004	906,007	29,123	31,110	7.2%	7.7%	6.0%	1.460
2005	883,535	26,504	33,335	8.5%	6.0%	6.0%	1.378
2006	843,049	23,301	36,181	3.6%	5.8%	6.0%	1.300
2007	829,651	22,123	37,501	5.1%	6.0%	6.0%	1.226
2008	830,544	21,082	39,396	3.5%		6.0%	1.157
2009	757,032	18,566	40,775			6.0%	1.091
2010						6.0%	1.030



BWC

6.9%	All year trend*
12.4%	1999-2001 trend
6.5%	2002-2007 trend
6.6%	2004-2007 trend

NCCI

7.4%	All year trend
9.7%	1999-2001 trend
6.3%	2002-2007 trend
6.4%	2004-2007 trend

* Excludes 2009

(1) Calendar Accident Year Beginning January 1, XXXX
(2) Based on Deloitte PA Reserve Study as of 12/31/09
(3) Based on Deloitte PA Reserve Study as of 12/31/09, Loss Time Counts Only
(4) = (2) / (3) x 1000
(5) = [(4) {CAY X+1} / (4)] - 1.0
(6) From NCCI State Of Line Presentation May 7, 2009
(7) Selected by Deloitte
(8) = [1.0 + (7)] x (8){CAY X+1}

OHIO BUREAU OF WORKERS' COMPENSATION

Section 1
Exhibit 11

Determination of Overall Rate Change for Private Employers

Trend Summary

Calendar Accident Year	Cumulative Frequency Trend	Indemnity Cumulative Severity Trend	Indemnity Cumulative Loss Trend	Medical Cumulative Severity Trend	Medical Cumulative Loss Trend	Selected Payroll Trend	Selected Frequency Trend	Indemnity Selected Severity Trend	Indemnity Selected Loss Cost Trend	Medical Selected Severity Trend	Medical Selected Loss Cost Trend
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1999	0.583	1.907	1.112	2.184	1.273	3.7%	-2.5%	8.0%	1.6%	10.0%	3.4%
2000	0.598	1.766	1.056	1.986	1.187	2.2%	-2.5%	8.0%	3.0%	10.0%	4.9%
2001	0.613	1.635	1.002	1.805	1.107	2.5%	-2.5%	8.0%	2.7%	10.0%	4.6%
2002	0.629	1.514	0.952	1.641	1.032	2.8%	-2.5%	5.0%	-0.4%	6.0%	0.6%
2003	0.645	1.442	0.930	1.548	0.998	3.8%	-10.0%	5.0%	-8.9%	6.0%	-8.1%
2004	0.717	1.373	0.984	1.460	1.047	2.5%	-10.0%	5.0%	-7.8%	6.0%	-6.9%
2005	0.796	1.308	1.041	1.378	1.097	3.5%	-10.0%	5.0%	-8.7%	6.0%	-7.9%
2006	0.885	1.246	1.102	1.300	1.150	3.4%	-4.0%	5.0%	-2.5%	6.0%	-1.6%
2007	0.922	1.186	1.093	1.226	1.130	2.0%	-4.0%	5.0%	-1.2%	6.0%	-0.2%
2008	0.960	1.130	1.085	1.157	1.111	1.0%	-4.0%	5.0%	-0.2%	6.0%	0.8%
2009	1.000	1.076	1.076	1.091	1.091	2.0%	0.0%	5.0%	2.9%	6.0%	3.9%
2010	1.000	1.025	1.025	1.030	1.030	2.5%	0.0%	5.0%	2.4%	6.0%	3.4%

(1)	Calendar Accident Year Beginning January 1, XXXX	(7)	From Section 1, Exhibit 7, Col. (4)
(2)	From Section 1, Exhibit 8, Col. (10)	(8)	From Section 1, Exhibit 8, Col. (9)
(3)	From Section 1, Exhibit 9, Col. (8)	(9)	From Section 1, Exhibit 9, Col. (7)
(4)	= (2) x (3)	(10)	= [1.0 + (8)] x [1.0 + (9)] / [1.0 + (7)]-1
(5)	From Section 1, Exhibit 10, Col. (8)	(11)	From Section 1, Exhibit 10, Col. (7)
(6)	= (2) x (5)	(12)	= [1.0 + (8)] x [1.0 + (11)] / [1.0 + (7)]-1

OHIO BUREAU OF WORKERS' COMPENSATION

Section 1
Exhibit 12

Determination of Overall Rate Change for Private Employers
Calculation of HPP Expense Factor
(000's)

Fiscal Year	Paid HPP Expense	Paid Loss	Claim Adjusting Expense Ratio
(1)	(2)	(3)	(4)
2003	145,600	1,456,746	10.0%
2004	146,200	1,460,076	10.0%
2005	141,700	1,505,743	9.4%
2006	142,800	1,464,998	9.7%
2007	142,400	1,476,948	9.6%
2008	137,300	1,578,082	8.7%
2009	130,400	1,481,721	8.8%
		3 Year:	9.0%
		5 Year:	9.3%
		All Years:	9.5%
	(5)	Prior Selected:	8.9%
	(6)	Selected:	9.0%

(1) Fiscal Year Beginning 7/1/XXXX
(2) Provided by BWC
(3) Provided by BWC
(4) = (2) / (3)
(5) Selected by Prior Actuary in PA Rate Analysis, March, 2009
(6) Selected by Deloitte

OHIO BUREAU OF WORKERS' COMPENSATION

Section 1
Exhibit 13A

Determination of Discount Factor (4.5%)
Private Employers

	Dicount Factor at Time 0 (1)	Calendar Accident Year 2010 Undiscounted Ultimate (000s) @6/30/2010 (2)	Wtd Avg Discount Factor (3)
Medical			
Medical Only	0.949	106,591	
Medical Loss Time	0.649	732,810	
Total Medical			0.687
Compensation			
Permant Total Disability	0.412	253,153	
Death	0.462	97,708	
TT, WL, LMWL, LM, TP, CO	0.843	226,505	
% Permanent Partial & Permanent Partial	0.813	93,267	
Lump Sum Settlement	0.540	266,477	
Lump Sum Advancements	0.597	26,648	
Additional Awards	0.555	5,330	
Total Compensation			0.597

(1) From Deloitte PA Reserve Study as of 12/31/09, Section 1, Exhibit 1 - 9, Sheet 18, Column (6)
(2) From Deloitte PA Reserve Study as of 12/31/09, Section 1, Exhibit 1 - 9, Sheet 3, Column (12)
(3) Weighted Average of Column (1) & Column (2)

OHIO BUREAU OF WORKERS' COMPENSATION

Section 1
Exhibit 13B

Determination of Discount Factor (4.0%)
Private Employers

	Dicount Factor at Time 0 (1)	Calendar Accident Year 2010 Undiscounted Ultimate (000s) @6/30/2010 (2)	Wtd Avg Discount Factor (3)
Medical			
Medical Only	0.954	106,591	
Medical Loss Time	0.673	732,810	
Total Medical			0.709
Compensation			
Permant Total Disability	0.449	253,153	
Death	0.495	97,708	
TT, WL, LMWL, LM, TP, CO	0.858	226,505	
% Permanent Partial & Permanent Partial	0.830	93,267	
Lump Sum Settlement	0.571	266,477	
Lump Sum Advancements	0.629	26,648	
Additional Awards	0.585	5,330	
Total Compensation			0.625

(1) Based on the Deloitte PA Reserve Study as of 12/31/09

(2) From Deloitte PA Reserve Study as of 12/31/09, Section 1, Exhibit 1 - 9, Sheet 3, Column (12)

(3) Weighted Average of Column (1) & Column (2)

Ohio Bureau of Workers' Compensation Actuarial Committee

Private Employer (PA) Rate Recommendations to be Effective July 1, 2010

Dave Heppen, FCAS, MAAA
Bill Van Dyke, ACAS, MAAA
Jan Lommele, FCAS, MAAA, FCA
Bob Miccolis, FCAS, MAAA
Deloitte Consulting LLP

March 25, 2010

Deloitte.

PA Rate Recommendations

Deloitte.

PA Rate Change Recommendations:

Scenarios	Baseline	Reasonable Expectation Optimistic	Reasonable Expectation Conservative
At 4.5% Discount	*-7.1%*	*-12.3%*	*-1.9%*
At 4.0% Discount	*-3.9%*	*-9.0%*	*+1.9%*

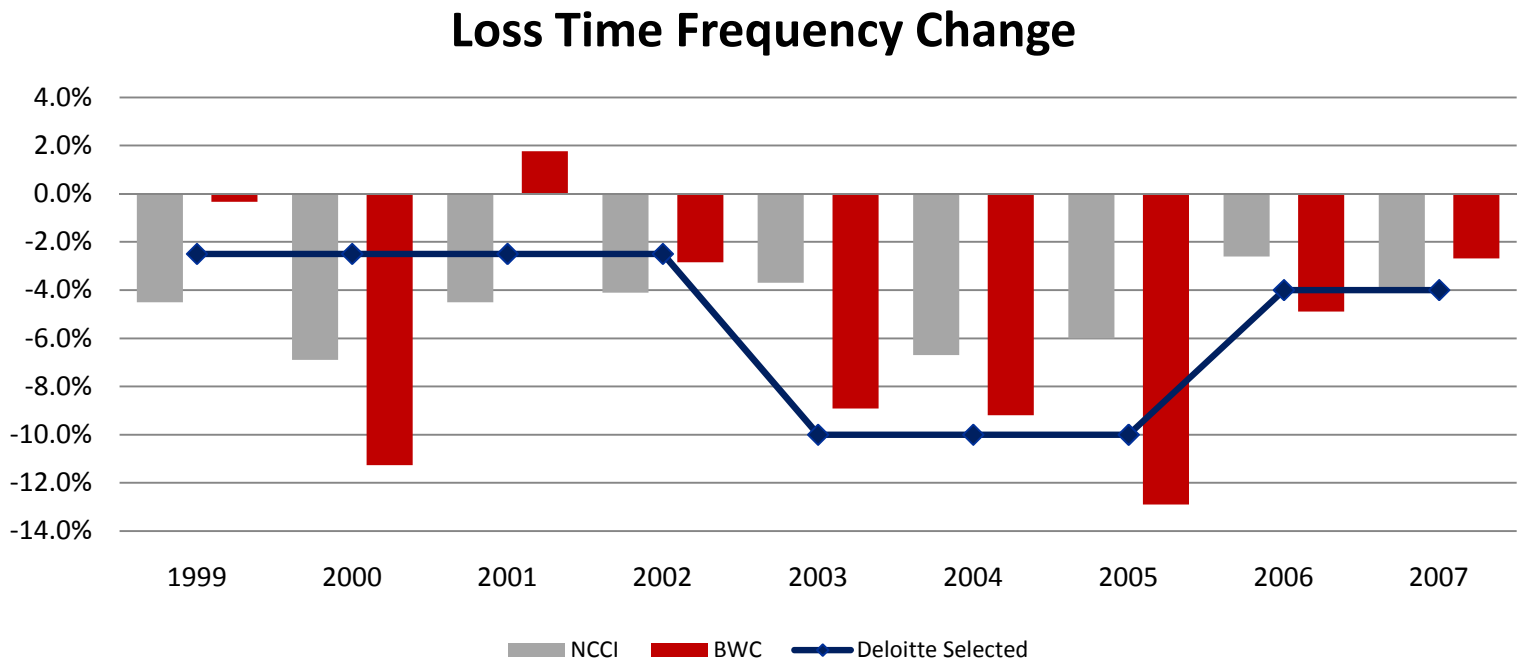
Note:

1. Rates changes are for the policy period starting 7/1/2010
2. The loss costs used to determine the rate change recommendations are derived from Deloitte Consulting's December 2009 PA Reserve Analysis
3. Our rate projections are based on our analysis of historical loss cost trends for Indemnity and Medical losses separately

PA Rate Recommendations

Deloitte.

Frequency (Lost Time Claims) Observations:

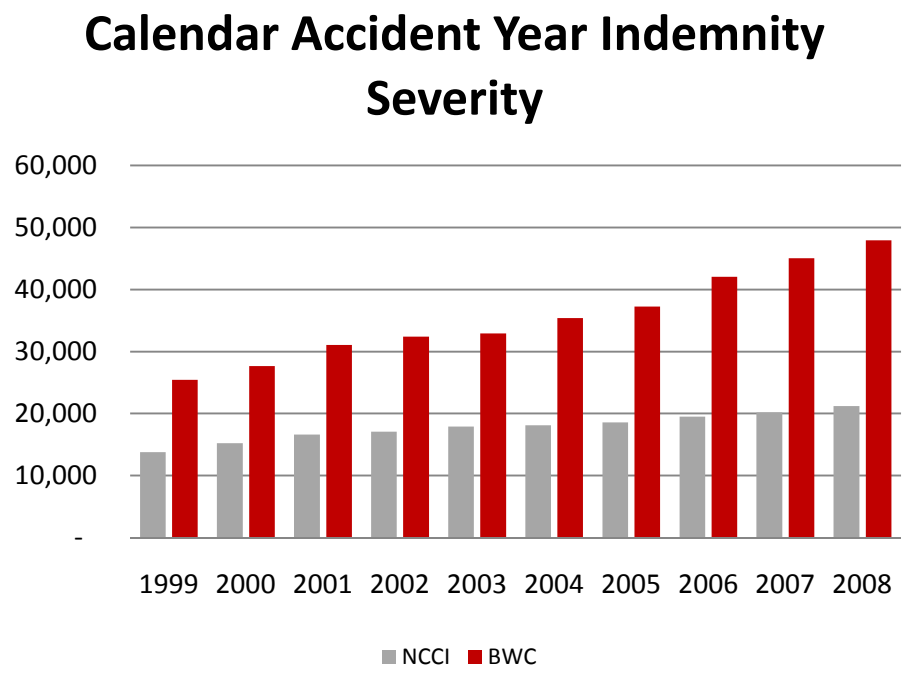


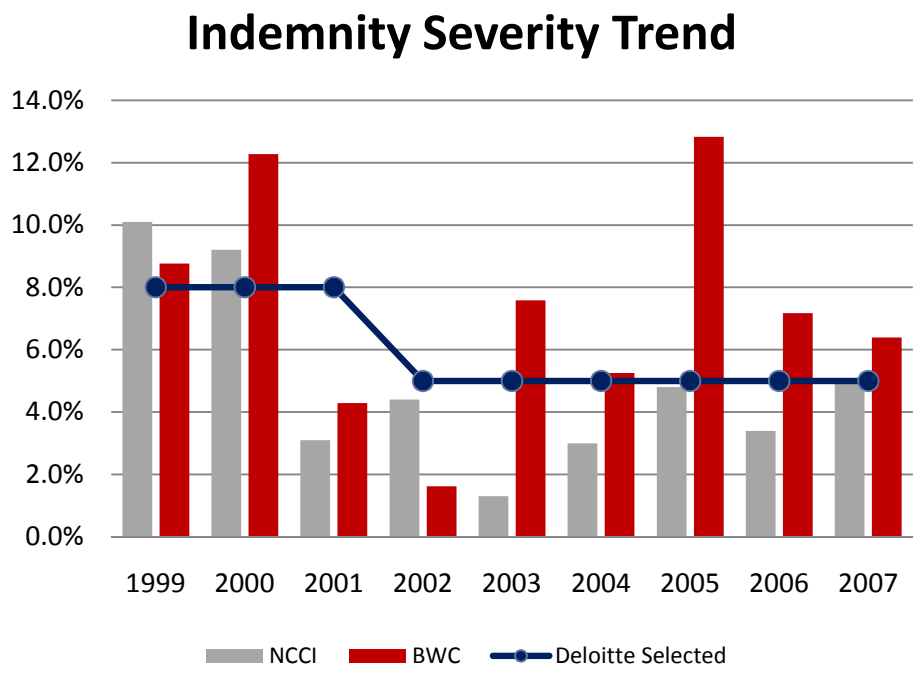
- Workplace safety in all employment classes has driven frequency down across the country for all injury types
- Rate of frequency decrease has slowed in recent years, both for BWC and countrywide
- Deloitte projects 0% change in frequency for 2009 to 2010

PA Rate Recommendations

Deloitte.

Indemnity Severity Observations:



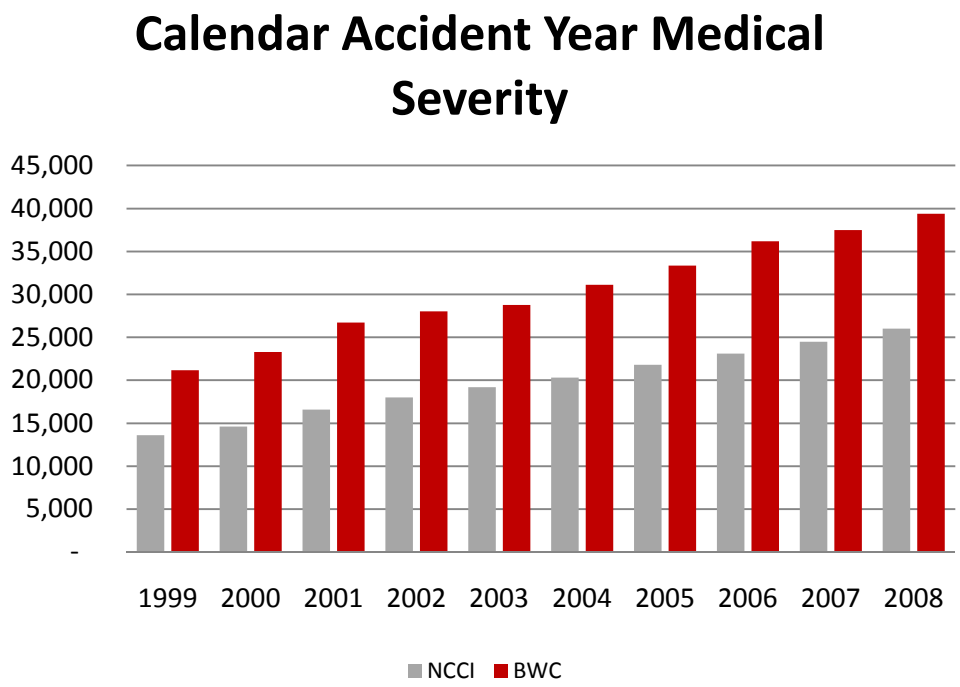


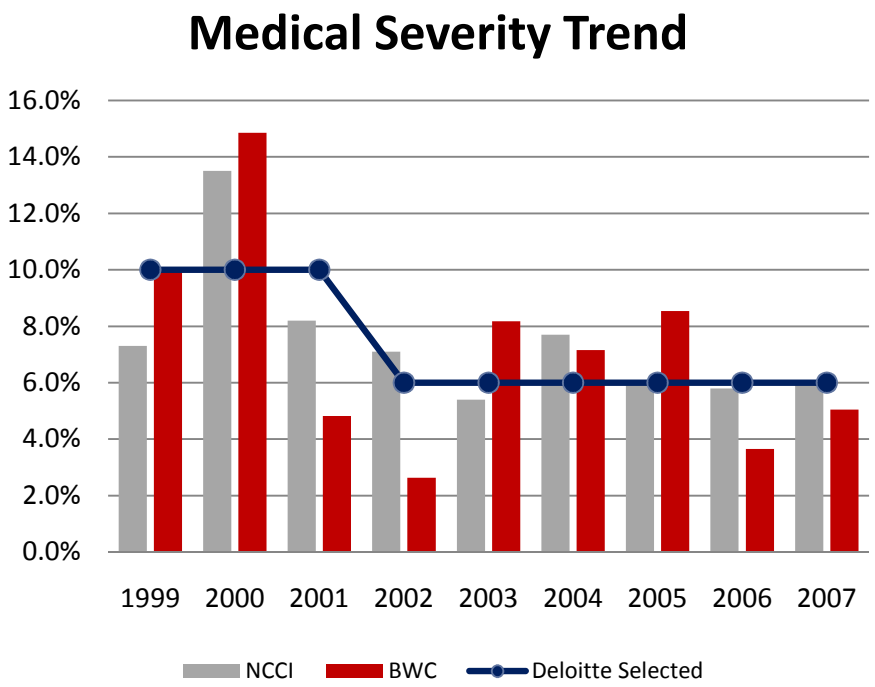
- BWC's indemnity severity trend has been outpacing the NCCI trend in more recent years
- A possible driver of BWC's higher indemnity severity trend is the increase in lump sum settlements
- Deloitte is selecting an indemnity trend of 5.0% for 2009 to 2010

PA Rate Recommendations

Deloitte.

Medical Severity Observations:





- BWC's medical severity trend has been in line with countrywide trend in more recent years
- Countrywide medical costs have been rising, particularly for permanent total claims
- Deloitte is selecting a medical trend of 6.0% for 2009 to 2010

PA Rate Recommendations

Deloitte.

Deloitte Overall Observations:

- The overall loss experience (combining frequency and severity trends) in Ohio continues to improve relative to past estimates.
- BWC should pay close attention to indemnity severity as it is outpacing the NCCI benchmark in that category. This could be driven by lump sum settlements.
- BWC's medical trends appear to be in line with industry norms.
- Discounting rates results in BWC collecting premiums that are approximately $600-$700M lower than undiscounted premium levels.

Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-35

Rule Review

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

   Citation: __R.C. 4123.39, 4123.40_____

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Public Employers State Agency Rate Recommendation

Introduction
Rate Method: Calculate and apply premium rates designed to provide premiums equal to the payments on all injuries or occupational diseases made during the policy year. Attached is a table showing the rate changes over the past several years. For the purpose of the payment of fees to the managed care organizations (MCO) that manage the claims of state agencies, including state universities and university hospitals, a percent of premium is charged. Last year was the first year that a true-up of MCO fees was done. After the end of calendar year 2009, the bureau compared the actual and collected fees to account for any overage or shortage in the fee collected. The bureau then applied any overages or shortages to the fee for the next policy year period. This true-up of MCO fees will continue each year.

Rate Rule Process
- The Administrator and Chief Actuarial Officer of the Ohio Bureau of Workers' Compensation make a recommendation to the Workers' Compensation Board of Directors Actuarial Committee
- The Actuarial Committee of the Board makes a recommendation to the Workers' Compensation Board of Directors who provide advice and consent to the overall rate change and base rates (Rules 4123-17-35) by vote
- Rules are filed with the Legislative Services Commission and the Secretary of State by June 20, 2010 with an effective date of July 1, 2010

Executive Summary
The Administrator is recommending a 4.33% decrease in the overall premium for state agencies. This rate decrease will result in the collection of about $61.3 M in premiums. State agencies will pay these premiums bi-weekly beginning in July 2010, and State Universities and University Hospitals will begin quarterly premium payments starting October 2010. The premiums will be used to pay all claim payments made during the policy year. This is an overall rate change recommendation. Individual state agency rates will increase or decrease by varying amounts based upon their actual reported losses.

Historical State Agency Rate Changes

Policy Year	Approved/Proposed Rate Change
7-1-2010	-4.33%
7-1-2009	-3.75%
7-1-2008	-10.00%
7-1-2007	no change
7-1-2006	no change
7-1-2005	5%
7-1-2004	10%
7-1-2003	37.65%
7-1-2002	no change
7-1-2001	no change

STATE AGENCY RATES

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

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

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

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

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

The administrator of workers' compensation, with the advice and consent of the bureau of workers' compensation board of directors, has authority to approve contributions made to the state insurance fund by employers pursuant to sections 4121.121, 4123.39, and 4123.40 of the Revised Code. The administrator hereby sets rates per one hundred dollar unit of payroll to be effective July 1, ~~2009~~ 2010, applicable to the payroll reporting period July 1, ~~2009~~ 2010, through June 30, ~~2010~~ 2011, for public employer state agencies, including state universities and university hospitals, as indicated in the attached appendix A.

For the purpose of the payment of fees to the managed care organizations that manage the claims of state agencies, including state universities and university hospitals, the administrator herby sets an additional contribution to the state insurance fund applicable to the payroll reporting period ~~July 1, 2009~~ July 1, 2010, through June 30, ~~2010~~ 2011, for public employer state agencies, including state universities and university hospitals, at ~~nine and ninety-one~~ ten and twelve hundredths per cent of the premium as indicated in appendix A to this rule. After the end of calendar year ~~2009~~ 2010, the bureau will compare the actual and collected fees to account for any overage or shortage in the fee collected. The bureau will apply any overages or shortages to the fee for the next policy year period. The resulting MCO fee will be a rate by agency as indicated in the attached appendix A.

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

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

(1) Requirements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(f) A PES agency shall file any dispute in writing, specifying the agency's objections to the billing, with the bureau's direct billing department. The filing of a dispute does not

relieve or suspend the agency's obligation to pay the obligation. Questions concerning the rate calculations should be directed to the bureau's actuarial department.

(4) Change in status.

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

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

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

(5) Terminating a program.

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

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

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

Promulgated Under: 111.15
Statutory Authority: 4121.12, 4121.121
Rule Amplifies: 4121.12, 4123.39, 4123.40
Prior Effective Dates: 7/1/90, 7/1/91, 7/1/92, 7/1/93, 7/1/94, 7/1/95, 7/1/96, 7/1/97, 7/1/98, 7/1/99, 7/1/00, 7/1/01, 7/1/02, 7/1/03, 7/10/04, 7/1/05, 7/1/06, 7/1/07, 1/1/08, 7/1/08, 7/1/09

APPENDIX A

STATE AGENCY
RATES EFFECTIVE JULY 1, 2010

MANUAL	AGENCY	RATE	MCO Rate
3100	General Revenue (Sch.) Commissions, Boards and Departments not otherwise classified	0.12	0.0082
3101	Judiciary - Supreme Court, Judicial Conference	0.15	0.0032
3102	Ohio Senate (Sch.)	0.12	0.0082
3103	Ohio House of Representatives (Sch.)	0.12	0.0082
3105	Legislative Service Commission (Sch.)	0.12	0.0082
3106	Office of the Governor (Sch.)	0.12	0.0082
3109	Secretary of State	0.14	0.0215
3110	Attorney General	0.07	0.0261
3111	Department of Agriculture	0.65	0.0644
3112	Department of Commerce	0.63	0.0462
3113	Department of Education	0.47	0.0520
3114	Department of Health	0.35	0.0018
3115	Industrial Commission of Ohio	0.30	0.0570
3117	Public Utilities Commission of Ohio	0.07	0.0107
3120	Department of Taxation	0.11	0.0038
3121	Bureau of Workers' Compensation	0.23	0.0471
3122	Auditor of State	0.22	0.0000
3123	Civil Defense (Volunteer) (Sch.)	0.12	0.0082
3124	Treasurer of Ohio	0.13	0.0212
3125	Department of Administrative Services	0.65	0.0490
3127	Ohio Board of Regents (Sch.)	0.12	0.0082
3130	State Library Board	0.05	0.0088
3136	Ohio Veterans Home Agency	2.09	0.1694
3137	Department of Youth Services	5.32	0.5460
3139	Ohio Arts Council (Sch.)	0.12	0.0082
3150	Department of Mental Health	2.27	0.2385
3152	Ohio Expositions Commission	1.63	0.0853
3154	Department of Natural Resources	1.44	0.1340
3156	Adjutant General	0.46	0.0417
3160	Ohio National Guard	0.05	0.0051
3166	Department of Development	0.22	0.0273
3167	Department of Insurance	0.05	0.0014
3169	Racing Commission of Ohio (Sch.)	0.12	0.0082

STATE AGENCY
RATES EFFECTIVE JULY 1, 2010

MANUAL	AGENCY	RATE	MCO Rate
3170	Ohio Civil Rights Commission	0.11	0.0072
3171	Board of Barber Examiners (Sch.)	0.12	0.0082
3172	State Board of Cosmetology (Sch.)	0.12	0.0082
3173	State Dental Board (Sch.)	0.12	0.0082
3174	State Board of Embalmers & Funeral Directors (Sch.)	0.12	0.0082
3175	State Medical Board (Sch.)	0.12	0.0082
3176	State Board of Nursing Education and Nurse Registration (Sch.)	0.12	0.0082
3177	State Board of Optometry (Sch.)	0.12	0.0082
3178	State Board of Pharmacy (Sch.)	0.12	0.0082
3179	State Veterinary Medical Board (Sch.)	0.12	0.0082
3180	State Board of Accountancy (Sch.)	0.12	0.0082
3181	State Board of Architects (Sch.)	0.12	0.0082
3183	State Board of Engineers & Surveyors (Sch.)	0.12	0.0082
3186	Ohio Water Development Authority (Sch.)	0.12	0.0082
3187	Rehabilitation Services Commission	0.36	0.0020
3188	Department of Rehabilitation and Correction	1.98	0.1736
3190	Environmental Protection Agency	0.09	0.0131
3191	Office of Budget and Management	0.08	0.0000
3192	Department of Aging	0.05	0.0211
3193	Court of Claims (Sch.)	0.12	0.0082
3194	Ohio Legal Rights Service (Sch.)	0.12	0.0082
3200	Department of Transportation	1.77	0.1743
3202	The Petroleum Underground Storage Tank Release Compensation Board (Sch.)	0.12	0.0082
3203	Office of Inspector General (Sch.)	0.12	0.0082
3204	Capital Square Review and Advisory Board (Sch.)	0.12	0.0082
3206	Ohio Medical Transportation Board (Sch.)	0.12	0.0082
3207	Ohio Cultural Facilities Commission (Sch.)	0.12	0.0082
3208	Joint Legislative Ethics Commission (Sch.)	0.12	0.0082
3209	Lake Erie Commission (Sch.)	0.12	0.0082
3210	Ohio Elections Commission (Sch.)	0.12	0.0082
3400	Department of Public Safety	0.79	0.0948
3501	Ohio Public Defender Commission (Sch.)	0.12	0.0082
3504	Office of the Consumers' Counsel (Sch.)	0.12	0.0082
3512	Commission on Hispanic/Latino Affairs (Sch.)	0.12	0.0082
3516	Board of Speech Pathology and Audiology (Sch.)	0.12	0.0082
3518	Board of Dispensing Opticians (Sch.)	0.12	0.0082

STATE AGENCY
RATES EFFECTIVE JULY 1, 2010

MANUAL	AGENCY	RATE	MCO Rate
3519	Department of Developmental Disabilities	6.45	0.7403
3520	Board of Chiropractic Examiners (Sch.)	0.12	0.0082
3521	State Employee Relations Board (Sch.)	0.12	0.0082
3523	Ohio Ethics Commission (Sch.)	0.12	0.0082
3524	Ohio Air Quality Development Authority (Sch.)	0.12	0.0082
3525	Liquor Control Commission (Sch.)	0.12	0.0082
3527	Psychology Board (Sch.)	0.12	0.0082
3528	Occupational & Physical Therapy Board (Sch.)	0.12	0.0082
3529	Counselors and Social Workers Board (Sch.)	0.12	0.0082
3530	Sanitarian Registration Board (Sch.)	0.12	0.0082
3531	Athletic Commission (Sch.)	0.12	0.0082
3532	Commission on Minority Health (Sch.)	0.12	0.0082
3533	Board of Dietetics (Sch.)	0.12	0.0082
3535	Department of Alcohol and Drug Addiction	0.05	0.0176
3536	Commission on Dispute Resolution & Conflict Management (Sch.)	0.12	0.0082
3537	Ohio Respiratory Care Board (Sch.)	0.12	0.0082
3538	Public Works Commission (Sch.)	0.12	0.0082
3539	Ohio Tuition Trust Authority (Sch.)	0.12	0.0082
5600	Ohio Building Authority	0.05	0.0453
5900	Lottery Commission	0.05	0.0469
5903	Joint Commission on Agency Rule Review (Sch.)	0.12	0.0082
5904	Ohio School Facilities Commission (Sch.)	0.12	0.0082
5906	Board of Motor Vehicle Collision Repair (Sch.)	0.12	0.0082
5910	Department of Job & Family Services	0.25	0.0216
5911	State Board of Career Colleges and Schools (Sch.)	0.12	0.0082
5912	Board of Tax Appeals (Sch.)	0.12	0.0082
5913	Personnel Board of Review (Sch.)	0.12	0.0082
5914	Southern Ohio Agricultural & Community Development Foundation (Sch.)	0.12	0.0082
5924	Orthotics, Prosthetics and Pedorthics Board (Sch.)	0.12	0.0082
5928	Chemical Dependency Professionals Board (Sch.)	0.12	0.0082
5930	Manufactured Homes Commission (Sch.)	0.12	0.0082
5931	Ohio Housing Finance Agency (Sch.)	0.12	0.0082
5932	Etech Ohio Commission (Sch.)	0.12	0.0082
5933	Environmental Review Appeals Commission (Sch.)	0.12	0.0082
5935	Workers' Compensation Council (Sch.)	0.12	0.0082

STATE AGENCY
RATES EFFECTIVE JULY 1, 2010

STATE UNIVERSITIES

MANUAL	AGENCY	RATE	MCO Rate
3128	Cleveland State University	0.23	0.0185
3141	Bowling Green State University	0.32	0.0464
3142	Kent State University	0.18	0.0331
3143	Miami University	0.52	0.0502
3144	Ohio University	0.51	0.0503
3145	Ohio State University, Ohio Agricultural Center	0.29	0.0325
3146	Central State University	0.54	0.0080
3148	University of Toledo Health Science Campus	0.09	0.0224
3149	University of Toledo	0.38	0.0379
3151	OSU Cooperative Extension	0.07	0.0312
3157	Youngstown State University	0.11	0.0214
3158	Wright State University	0.11	0.0208
3159	University of Akron	0.19	0.0342
3505	University of Cincinnati	0.19	0.0234
3526	Shawnee State University	0.19	0.0339
5905	Northeastern Ohio Universities College of Medicine	0.14	0.0133

STATE UNIVERSITY HOSPITALS

MANUAL	AGENCY	RATE	MCO Rate
3131	Ohio State University Hospital	0.75	0.0735
3161	University Medical Center	0.25	0.0492
3201	OSU Cancer Research Hospital	0.51	0.0397
5907	The Ohio State University Hospitals East	1.32	0.1106

STATE AGENCY RATES COMPARISON JULY 1, 2009 TO JULY 1, 2010

-4.33% Rate Change for 2010 - -3.75% Rate Change for 2009

Policy	AGENCY	7-1-2009 Rate	7-1-2010 Rate	Percent Difference in Rates 2010-2009	2009 MCO Fees (9.91% x Rate) + True-up	2010 MCO Fees (10.12% x Rate) + True-up	Percent Difference in MCO Fees 2010-2009	2009 Rates* Admin (16.1604% x Rate)	2009 Rates* DWRF I (.05)	2009 Rates* DWRF II (.1% x Rate)	7-1-2009 Total Blended Rate	7-1-2010 Total Blended Rate	Percent Difference in Blended Rates 2010-2009
10003100	General Revenue (Sch.) Commissions, Boards and Departments not otherwise classified	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003101	Judiciary - Supreme Court, Judicial Conference	0.21	0.15	-29%	0.0185	0.0032	-83%	0.0242	0.05	0.0002	0.3126	0.2276	-27%
10003102	Ohio Senate (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003103	Ohio House of Representatives (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003105	Legislative Service Commission (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003106	Office of the Governor (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003109	Secretary of State	0.15	0.14	-7%	0.0216	0.0215	0%	0.0226	0.05	0.0001	0.2460	0.2342	-5%
10003110	Attorney General	0.05	0.07	40%	0.0197	0.0261	32%	0.0113	0.05	0.0001	0.1279	0.1575	23%
10003111	Department of Agriculture	0.79	0.65	-18%	0.0949	0.0644	-32%	0.1050	0.05	0.0007	1.0634	0.8701	-18%
10003112	Department of Commerce	0.63	0.63	0%	0.0555	0.0462	-17%	0.1018	0.05	0.0006	0.8379	0.8286	-1%
10003113	Department of Education	0.32	0.47	47%	0.0319	0.0520	63%	0.0760	0.05	0.0005	0.4539	0.6485	43%
10003114	Department of Health	0.57	0.35	-39%	0.0302	0.0018	-94%	0.0566	0.05	0.0004	0.7429	0.4588	-38%
10003115	Industrial Commission of Ohio	0.43	0.30	-30%	0.0636	0.0570	-10%	0.0485	0.05	0.0003	0.6135	0.4558	-26%
10003117	Public Utilities Commission of Ohio	0.16	0.07	-56%	0.0160	0.0107	-33%	0.0113	0.05	0.0001	0.2521	0.1421	-44%
10003120	Department of Taxation	0.32	0.11	-66%	0.0254	0.0038	-85%	0.0178	0.05	0.0001	0.4474	0.1817	-59%
10003121	Bureau of Workers' Compensation	0.37	0.23	-38%	0.0560	0.0471	-16%	0.0372	0.05	0.0002	0.5362	0.3645	-32%
10003122	Auditor of State	0.61	0.22	-64%	0.0324	0.0000	-100%	0.0356	0.05	0.0002	0.7916	0.3058	-61%
10003123	Civil Defense (Volunteer) (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003124	Treasurer of Ohio	0.23	0.13	-43%	0.0233	0.0212	-9%	0.0210	0.05	0.0001	0.3407	0.2223	-35%
10003125	Department of Administrative Services	0.70	0.65	-7%	0.0581	0.0490	-16%	0.1050	0.05	0.0007	0.9219	0.8547	-7%
10003127	Ohio Board of Regents (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003128	Cleveland State University	0.25	0.23	-8%	0.0241	0.0185	-23%	0.0372	0.05	0.0002	0.3648	0.3359	-8%
10003130	State Library Board	0.22	0.05	-77%	0.0347	0.0088	-75%	0.0081	0.05	0.0001	0.3405	0.1170	-66%
10003131	Ohio State University Hospital	0.77	0.75	-3%	0.0823	0.0735	-11%	0.1212	0.05	0.0008	1.0275	0.9955	-3%
10003136	Ohio Veterans Home Agency	2.58	2.09	-19%	0.2514	0.1694	-33%	0.3378	0.05	0.0021	3.3009	2.6493	-20%
10003137	Department of Youth Services	4.71	5.32	13%	0.4869	0.5460	12%	0.8597	0.05	0.0053	6.0128	6.7810	13%
10003139	Ohio Arts Council (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003141	Bowling Green State University	0.36	0.32	-11%	0.0414	0.0464	12%	0.0517	0.05	0.0003	0.5100	0.4684	-8%
10003142	Kent State University	0.25	0.18	-28%	0.0389	0.0331	-15%	0.0291	0.05	0.0002	0.3796	0.2924	-23%
10003143	Miami University	0.51	0.52	2%	0.0576	0.0502	-13%	0.0840	0.05	0.0005	0.7005	0.7047	1%
10003144	Ohio University	0.58	0.51	-12%	0.0639	0.0503	-21%	0.0824	0.05	0.0005	0.7882	0.6932	-12%
10003145	Ohio State University, Ohio Agricultural Center	0.30	0.29	-3%	0.0359	0.0325	-9%	0.0469	0.05	0.0003	0.4347	0.4197	-3%
10003146	Central State University	0.99	0.54	-45%	0.0675	0.0080	-88%	0.0873	0.05	0.0005	1.2685	0.6858	-46%
10003148	University of Toledo Health Science Campus	0.05	0.09	80%	0.0230	0.0224	-3%	0.0145	0.05	0.0001	0.1312	0.1770	35%
10003149	University of Toledo	0.41	0.38	-7%	0.0411	0.0379	-8%	0.0614	0.05	0.0004	0.5678	0.5297	-7%
10003150	Department of Mental Health	2.43	2.27	-7%	0.2566	0.2385	-7%	0.3668	0.05	0.0023	3.1317	2.9276	-7%

Policy	AGENCY	7-1-2009 Rate	7-1-2010 Rate	Percent Difference in Rates 2010-2009	2009 MCO Fees (9.91% x Rate) + True-up	2010 MCO Fees (10.12% x Rate) + True-up	Percent Difference in MCO Fees 2010-2009	2009 Rates*			7-1-2009 Total Blended Rate	7-1-2010 Total Blended Rate	Percent Difference in Blended Rates 2010-2009
								Admin (16.1604% x Rate)	DWRF I (.05)	DWRF II (.1% x Rate)			
10003151	OSU Cooperative Extension	0.09	0.07	-22%	0.0198	0.0312	58%	0.0113	0.05	0.0001	0.1744	0.1626	-7%
10003152	Ohio Expositions Commission	3.46	1.63	-53%	0.3074	0.0853	-72%	0.2634	0.05	0.0016	4.3800	2.0303	-54%
10003154	Department of Natural Resources	1.42	1.44	1%	0.1412	0.1340	-5%	0.2327	0.05	0.0014	1.8421	1.8581	1%
10003156	Adjutant General	0.97	0.46	-53%	0.1031	0.0417	-60%	0.0743	0.05	0.0005	1.2809	0.6265	-51%
10003157	Youngstown State University	0.20	0.11	-45%	0.0265	0.0214	-19%	0.0178	0.05	0.0001	0.3090	0.1993	-36%
10003158	Wright State University	0.12	0.11	-8%	0.0182	0.0208	14%	0.0178	0.05	0.0001	0.2077	0.1987	-4%
10003159	University of Akron	0.16	0.19	19%	0.0277	0.0342	23%	0.0307	0.05	0.0002	0.2638	0.3051	16%
10003160	Ohio National Guard	0.05	0.05	0%	0.0050	0.0051	2%	0.0081	0.05	0.0001	0.1132	0.1133	0%
10003161	University Medical Center	0.29	0.25	-14%	0.0377	0.0492	31%	0.0404	0.05	0.0003	0.4249	0.3899	-8%
10003166	Department of Development	0.10	0.22	120%	0.0166	0.0273	64%	0.0356	0.05	0.0002	0.1829	0.3331	82%
10003167	Department of Insurance	0.09	0.05	-44%	0.0000	0.0014	100%	0.0081	0.05	0.0001	0.1546	0.1096	-29%
10003169	Racing Commission of Ohio (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003170	Ohio Civil Rights Commission	0.12	0.11	-8%	0.0164	0.0072	-56%	0.0178	0.05	0.0001	0.2059	0.1851	-10%
10003171	Board of Barber Examiners (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003172	State Board of Cosmetology (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003173	State Dental Board (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003174	State Board of Embalmers & Funeral Directors (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003175	State Medical Board (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003176	State Board of Nursing Education and Nurse Registration (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003177	State Board of Optometry (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003178	State Board of Pharmacy (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003179	State Veterinary Medical Board (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003180	State Board of Accountancy (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003181	State Board of Architects (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003183	State Board of Engineers & Surveyors (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003186	Ohio Water Development Authority (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003187	Rehabilitation Services Commission	0.56	0.36	-36%	0.0356	0.0020	-94%	0.0582	0.05	0.0004	0.7367	0.4706	-36%
10003188	Department of Rehabilitation and Correction	2.06	1.98	-4%	0.1894	0.1736	-8%	0.3200	0.05	0.0020	2.6344	2.5256	-4%
10003190	Environmental Protection Agency	0.12	0.09	-25%	0.0173	0.0131	-24%	0.0145	0.05	0.0001	0.2068	0.1677	-19%
10003191	Office of Budget and Management	0.12	0.08	-33%	0.0052	0.0000	-100%	0.0129	0.05	0.0001	0.1947	0.1430	-27%
10003192	Department of Aging	0.05	0.05	0%	0.0163	0.0211	29%	0.0081	0.05	0.0001	0.1245	0.1293	4%
10003193	Court of Claims (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003194	Ohio Legal Rights Service (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003200	Department of Transportation	1.94	1.77	-9%	0.1950	0.1743	-11%	0.2860	0.05	0.0018	2.5004	2.2821	-9%
10003201	OSU Cancer Research Hospital	0.60	0.51	-15%	0.0580	0.0397	-32%	0.0824	0.05	0.0005	0.8056	0.6826	-15%
10003202	The Petroleum Underground Storage Tank Release Compensation Board (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003203	Office of Inspector General (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003204	Capital Square Review and Advisory Board (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%

Policy	AGENCY	7-1-2009 Rate	7-1-2010 Rate	Percent Difference in Rates 2010-2009	2009 MCO Fees (9.91% x Rate) + True-up	2010 MCO Fees (10.12% x Rate) + True-up	Percent Difference in MCO Fees 2010-2009	2009 Rates*			7-1-2009 Total Blended Rate	7-1-2010 Total Blended Rate	Percent Difference in Blended Rates 2010-2009
								Admin (16.1604% x Rate)	DWRF I (.05)	DWRF II (.1% x Rate)			
10003206	Ohio Medical Transportation Board (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003207	Ohio Cultural Facilities Commission (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003208	Joint Legislative Ethics Commission (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003209	Lake Erie Commission (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003210	Ohio Elections Commission (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003400	Department of Public Safety	0.75	0.79	5%	0.0865	0.0948	10%	0.1277	0.05	0.0008	1.0085	1.0633	5%
10003501	Ohio Public Defender Commission (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003504	Office of the Consumers' Counsel (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003505	University of Cincinnati	0.19	0.19	0%	0.0249	0.0234	-6%	0.0307	0.05	0.0002	0.2958	0.2943	-1%
10003512	Commission on Hispanic/Latino Affairs (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003516	Board of Speech Pathology and Audiology (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003518	Board of Dispensing Opticians (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003519	Department of Developmental Disabilities	6.13	6.45	5%	0.6757	0.7403	10%	1.0423	0.05	0.0065	7.8524	8.2891	6%
10003520	Board of Chiropractic Examiners (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003521	State Employee Relations Board (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003523	Ohio Ethics Commission (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003524	Ohio Air Quality Development Authority (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003525	Liquor Control Commission (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003526	Shawnee State University	0.21	0.19	-10%	0.0263	0.0339	29%	0.0307	0.05	0.0002	0.3204	0.3048	-5%
10003527	Psychology Board (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003528	Occupational & Physical Therapy Board (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003529	Counselors and Social Workers Board (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003530	Sanitarian Registration Board (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003531	Athletic Commission (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003532	Commission on Minority Health (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003533	Board of Dietetics (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003535	Department of Alcohol and Drug Addiction	0.29	0.05	-83%	0.0203	0.0176	-13%	0.0081	0.05	0.0001	0.4075	0.1258	-69%
10003536	Commission on Dispute Resolution & Conflict Management (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003537	Ohio Respiratory Care Board (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003538	Public Works Commission (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10003539	Ohio Tuition Trust Authority (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10005600	Ohio Building Authority	0.05	0.05	0%	0.0330	0.0453	37%	0.0081	0.05	0.0001	0.1412	0.1535	9%
10005900	Lottery Commission	0.05	0.05	0%	0.0162	0.0469	190%	0.0081	0.05	0.0001	0.1244	0.1551	25%
10005903	Joint Commission on Agency Rule Review (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10005904	Ohio School Facilities Commission (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10005905	Northeastern Ohio Universities College of Medicine	0.20	0.14	-30%	0.0239	0.0133	-44%	0.0226	0.05	0.0001	0.3064	0.2260	-26%
10005906	Board of Motor Vehicle Collision Repair (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10005907	The Ohio State University Hospitals East	1.62	1.32	-19%	0.1699	0.1106	-35%	0.2133	0.05	0.0013	2.1033	1.6952	-19%

Policy	AGENCY	7-1-2009 Rate	7-1-2010 Rate	Percent Difference in Rates 2010-2009	2009 MCO Fees (9.91% x Rate) + True-up	2010 MCO Fees (10.12% x Rate) + True-up	Percent Difference in MCO Fees 2010-2009	2009 Rates*			7-1-2009 Total Blended Rate	7-1-2010 Total Blended Rate	Percent Difference in Blended Rates 2010-2009
								Admin (16.1604% x Rate)	DWRF I (.05)	DWRF II (.1% x Rate)			
10005910	Department of Job & Family Services	0.28	0.25	-11%	0.0275	0.0216	-21%	0.0404	0.05	0.0003	0.4030	0.3623	-10%
10005911	State Board of Career Colleges and Schools (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10005912	Board of Tax Appeals (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10005913	Personnel Board of Review (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10005914	Southern Ohio Agricultural & Community Development Foundation (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10005924	Orthotics, Prosthetics and Pedorthics Board (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10005928	Chemical Dependency Professionals Board (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10005930	Manufactured Homes Commission (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10005931	Ohio Housing Finance Agency (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10005932	Etech Ohio Commission (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10005933	Environmental Review Appeals Commission (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%
10005935	Workers' Compensation Council (Sch.)	0.21	0.12	-43%	0.0197	0.0082	-58%	0.0194	0.05	0.0001	0.3138	0.1977	-37%

* The administrative cost, DWRF I, and DWRF II rates have not been determined for policy year 2010 yet, so policy year 2009 rates are used in this comparison.

Rule 4123-17-35

Public employer state agency contribution to the state insurance fund

Calculating Rates

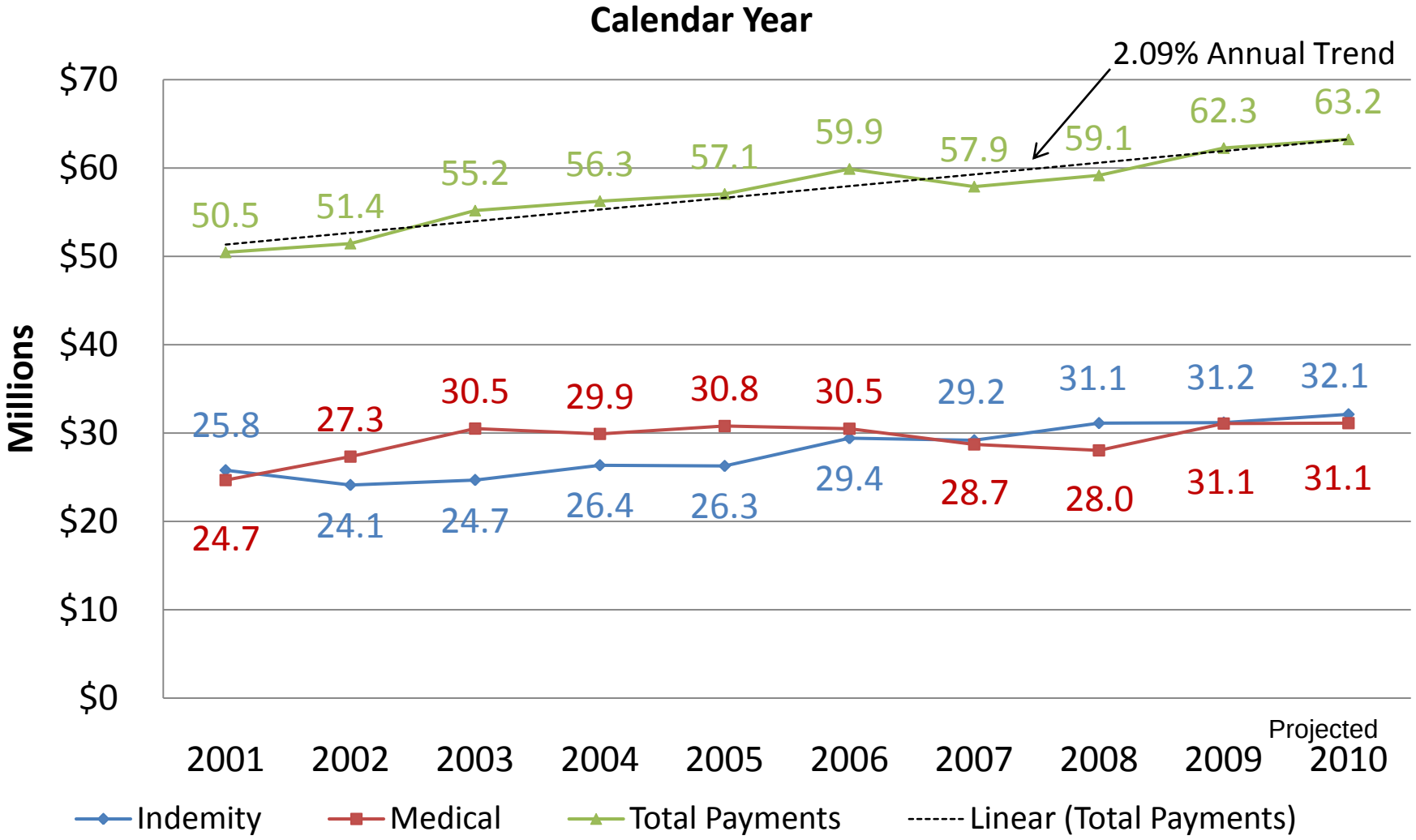
ORC 4123.40 The administrator shall determine and certify for the office of budget and management that rate or rates which when applied to the gross payroll estimate will produce an amount equal to the estimated cost of awards or payments to be made during the like fiscal period, as determined by the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

Proposed Rates

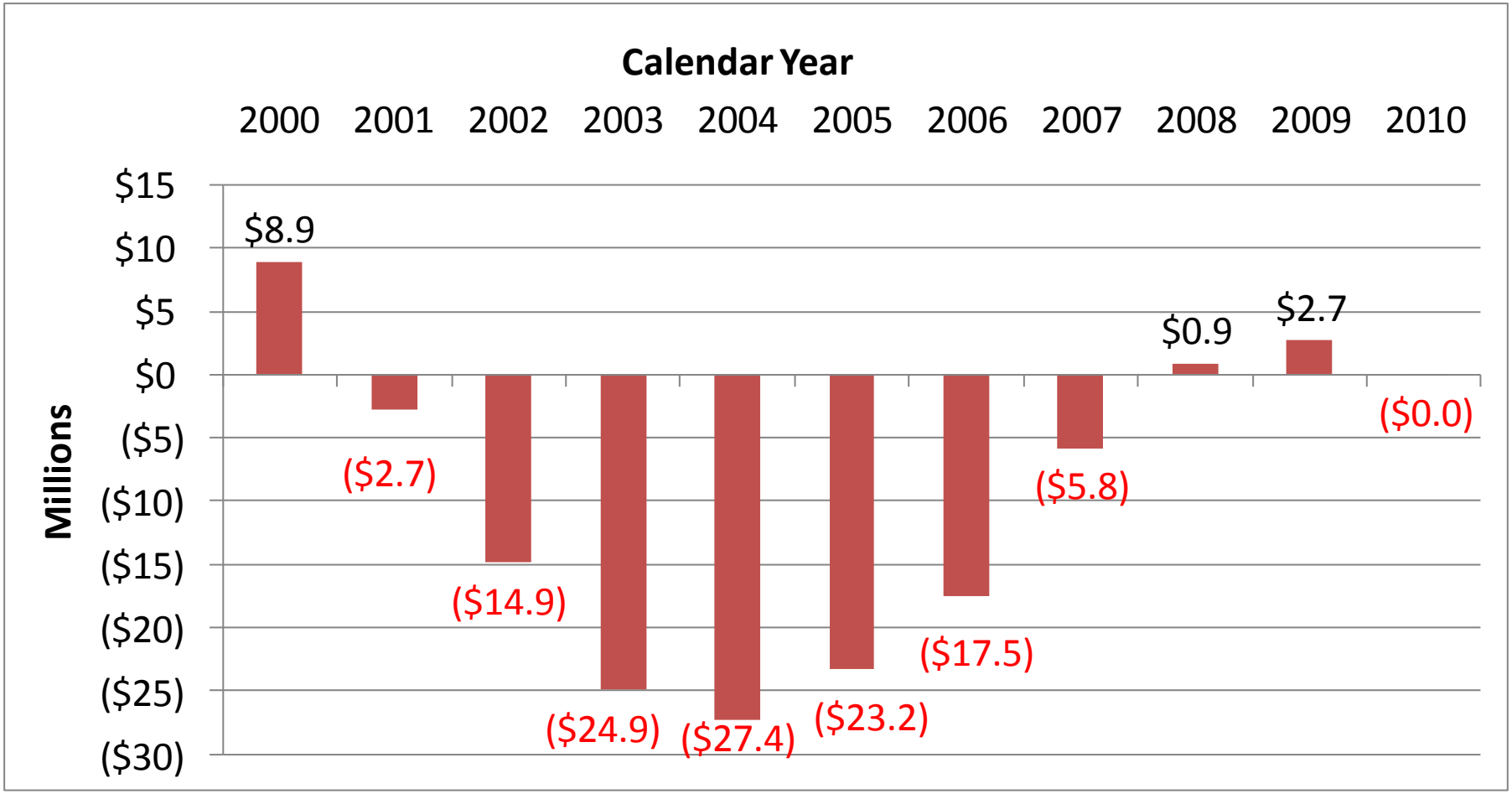
The proposed rate changes represent an average decrease of 4.33%. This is based on:

- Annual claim cost trend of +2.09%
- Payroll projections
- Targeting the overall fund balance at $0.00

Cost Projections – Claim Payments



Cost Projections – Surplus/(Deficit) Adjustment



Proposed MCO Assessments

The proposed MCO Assessment rate is 10.12% of premium before adjustment for 2009 actual costs. The effective assessment, after adjustment is 10.23%. For comparative purposes, the rate last year before adjustment was 9.91% and the effective rate was 10.42%.

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

Cost Projections – MCO Fees

Calendar Year	1st half 2010 Projected Premium[1]	Filed 1st half 2010 MCO Fee Percentage	1st half 2010 Projected MCO Fees Using True-up[2]	Total CY 2010 Budgeted MCO Fees[3]	MCO Fees Needed For Full Collection 2nd half 2010	2nd half 2010 Projected Premium[4]	MCO% Needed For Full Collection 2nd half 2010
2010	$30,306,801	9.91%	$3,167,602	$6,249,023	$3,081,421	$30,662,637	10.05%

Calendar Year	1st half 2011 Projected Budgeted MCO Fees[5]	1st half 2011 Projected Premium[4]	MCO% Needed For Full Collection 1st half 2011	7/1/2010-6/30/2011 Projected Budgeted MCO Fees	7/1/2010-6/30/2011 Projected Premium	7/1/2010-6/30/2011 MCO% Needed For Full Collection
2011	$3,124,511	$30,662,637	10.19%	$6,205,932	$61,325,275	10.12%

Notes:

1. Based on 7-1-2009 rates.
2. Projected MCO fees were calculated using each agency's filed MCO rate, not 9.91%.
3. CY 2010 MCO fees are projected to be 2.5% higher than the actual CY 2009 MCO fees.
4. Projected 7-1-2010 premium for half year.
5. Divided the 2010 cy budgeted MCO fees by 2 to project fees for the first half of cy 2011.

MCO Fee True-Up Example

	A	B	C	D	E	F	G	H	I	J
Agency	Calendar Year 2009 MCO Fees Paid By Agency	Calendar Year 2009 MCO Fees Paid to MCO on Behalf of Agency	Overage or Shortage in MCO Fees for CY 2009 (B-A) (Overpayment is Negative,-) (Underpayment is Positive,+)	Cumulative Overage or Shortage in MCO Fees from Prior Years	7-1-2010 Rate	7-1-2010 MCO Fee Rate Without Overage and Shortage Adjustment (10.12% x E)	7-1-2010 to 6-30-2011 Projected Payroll	Projected 7-1-2010 MCO Fees (E*F/100)	Projected 7-1-2010 MCO Fees After Adding Shortage or Overage (C+D+H)	7-1-2010 Final MCO Rate Including the Overage and Shortage Adjustment (I/G*100)
Agency 1	8,354	6,393	-1,961	1,000	0.15	0.0152	73,000,000	11,096	10,135	0.0139
Agency 2	1,100	2,000	900	-400	0.13	0.0132	10,030,000	1,324	1,824	0.0182
Agency 3	8,500	21,000	12,500	-1,250	0.05	0.0051	90,000,000	4,590	15,840	0.0176

BWC Board of Directors
Actuarial Committee
CAO Report
John Pedrick, Chief Actuarial Officer
March 25, 2010

Calendar Preview

We are on schedule for the many rate and assessment related rules and recommendations we must bring to the Actuarial Committee this time of year. In a continuation of information presented in this report last month, additional information on key items follows. A table follows that summarizes the timing for first and second readings.

March:

- We will have a second reading of the pricing for the new Drug Free Safety Program. The discount for non-group employers who participate at the Basic level will be 4%, and for those at the Advanced level, 7%. Group employers may also participate in either level of the DFSP, but will only receive a discount in addition to their group savings of 3% for participation at the Advanced level.
- Deloitte will present its analysis of the private employer (PA) rate level indications and the recommended change will be discussed (1st reading). The Administrator recommends a rate level decrease of 3.9%. This is the remaining element of the overall rate structure for group and non-group employers. Last October, we presented a structure that contemplated no change to the overall rate level – it was a revenue neutral structure. This overall reduction is expected to produce a rate decrease of 8.4% for non-group employers and an increase of 5.5% for group employers.
- We will present our recommendation for a 4.3% rate decrease in state agency (PES) rates (1st reading). Recall that this segment is charged on a pay-as-you-go basis. The rates reflect the estimate of payments we'll make on their behalf during the upcoming policy year plus an adjustment to true up past estimates. The PES rates also include a revised assessment for the HPP.
- A new item was added regarding the deductible program rule. We are asking to modify language to make it consistent regarding compatibility with the new DFSP. Since we have the rule on the agenda, we also wish to add the deductible credits for public employer taxing districts (PECs). These factors were developed by Oliver Wyman at the same time as the factors for private employers. We originally expected to bring the PEC factors later in 2010, but see this as an opportunity to open the rule once rather than twice.
- Deloitte will present its reserve analysis using data as of December 31, 2009.

April:

- Along with the second reading for the overall PA rate level, we will present the resulting base rates by manual class for a first reading. This will also help to show the actual impact of the overall rate change.
- If a change to the Break Even Factors is required we will present it for a first reading. Group rosters are due to the BWC by February 26. By the end of March we will review

all of the changes to groups, including the movement of employers from one group to another, employers newly accepted in groups and employers rejected from groups by the sponsors. If this causes significant impact to the structure we anticipated and that was approved by the Board in October, we will bring the necessary BEF modifications. At this time, we do not expect to modify the BEFs but will keep a place-holder just in case.

- We will present the assessment rates needed for several statutory funds for a first reading: DWRF, MIF, and CWPF.
- We will present three rule changes that affect programs: sponsorship certification requirements, group experience and group retrospective safety requirements, and a modification to the $15 thousand medical only program. Details will follow with next month's board materials.

May

- There will be second readings and anticipated action on PA base rates, the PA BEF if needed, as well as assessments for DWRF, MIF and CWPF, and for various program rule changes.
- We will present assessments as a first reading for the Administrative Cost Fund, the Safety and Hygiene Fund, and for Self-Insured employers.

June

- We plan second readings on ACF, S&H, and SI assessments.
- Any rate-related or assessment items that were delayed must be finalized this month. Rules that will go into effect on July 1, 2010 must be approved by the Board and filed by June 20.

Upcoming Rate Rules and Related Actions				
	March	April	May	June
DFSP Pricing	2nd read			
Deductible Rule	1st read	2nd read		
NCCI Class Code Changes (New)	1st read	2nd read		
PA Rate Level	1st read	2nd read		
PES Rate Level	1st read	2nd read		
PA Base Rates		1st read	2nd read	
PA Break Even Factor – if change is needed		1st read	2nd read	
Disabled Workers Relief Fund Assessment		1st read	2nd read	
Marine Industry Fund Assessment		1st read	2nd read	
Coal-Workers Pneumoconiosis Fund Assessment		1st read	2nd read	
Group sponsorship certification requirements (New)		1st read	2nd read	
Group safety requirements (New)		1st read	2nd read	
$15K Medical Only Program (New)		1st read	2nd read	
Administrative Cost Fund Assessments			1st read	2nd read
Safety & Hygiene Assessment			1st read	2nd read
Self-Insured Assessments			1st read	2nd read

Communications/Group Structure and Governance Team

Jeremy Jackson		
Task/Function	**Timeline**	**Status**
Communications, Outreach	8/1/2008 start	Ongoing
PEC and PA group rating structure	1/1/2009 start	Ongoing
Split Plan Discussions	Late 2009	Ongoing
Targeted Employer Communications	8/1/2008 start	Ongoing

- The BWC will again meet with outside parties on March 30, 2010 to further discuss the split plan.

Capping/Split Plan Team

Terry Potts and Jon Turnes		
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	Completed
Rating strategies for PA employers effective July, 2010	October, 2009	Completed
Split Plan parameters decided	Winter 2009-2010	In-Progress
Split plan development	September, 2009 to July, 2010	In-Progress
Split Plan implementation	July 1, 2011	

- The split plan programming development is continuing. The testing of the IT programming is scheduled to begin April 1, 2010. The testing will be run to test the IT programming and will not include the final factors.
- The BWC continues to evaluate group rating options for 2011 and beyond. The BWC is working with Deloitte Consulting, LLP to review ideas to determine the best course of action

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 new Drug Free Safety Program pricing will be presented at the actuarial committee meeting.
- The large deductible program online applications were rolled out for the public to submit applications.

7/1/2011 Private Employer (PA) Rates

Terry Potts		
Task/Function	Timeline	Status
Private Employer Rate Calculation	January 2010 to July 2010	In-Process
Summary Payroll	January-February 2010	Completed
Summary Losses	January – February 2010	Completed
Rate Calculations	February – June 2010	In-Process
Rate recommendation received from Deloitte	March 2010	Completed
Rate decision from WCB	April 2010	In-Process
Final Rates to WCB	May 2010	
Mailing of Employer Rate Letters	July 2010	

7/1/2011 Public Employer State Agency (PES) Rates

Terry Potts		
Task/Function	Timeline	Status
Public Employer State Agency Rate Calculation	January 2010 to June 2010	In-Process
Validate Payroll and Losses	January-March 2010	Completed
Rate Calculations	February – April 2010	In-Process
Rate decision from WCB	April 2010	In-Process
Mailing of Employer Rate Letters	May- June 2010	

Deloitte Consulting Other Activity

- Deloitte has submitted a work plan on the creation of an actuarial database.
- Deloitte has provided to BWC the PA rate indication and the reserve reports that the BWC has reviewed and made recommended changes.
- The BWC and Deloitte continue to have weekly phone conferences. During these calls the project plan is discussed and the completion dates of tasks have been finalized to ensure that information is presented to the actuarial committee timely.

12 - Month Actuarial Committee Calendar

Date	March 2010
3/25/2010	1. Private employer rate change recommendation – 1st reading
	2. Public employer state agency rate change recommendation– 1st reading
	3. Deductible Program – rule 4123-17-72 - 1st reading
	4. 2010 NCCI Classification Code Changes – 1st reading
	5. Drug Free Safety Plan – 2nd reading
	6. Quarterly reserve analysis for financial reporting for fiscal year ending June 30, 2010 based on data as of December 31, 2009
Date	**April 2010**
4/29/2010	1. Private employer base rates and expected loss rates – rules 4123-17-05 and 4123-17-06 – 1st reading
	2. Disabled Workers' Relief Fund and Additional Disabled Workers' Relief Fund rule 4123-17-29 – 1st reading
	3. Marine Industry Fund – rule 4123-17-19 – 1st reading
	4. Coal-Workers' Pneumoconiosis Fund – rule 4123-17-20 – 1st reading
	5. Sponsorship Certification Requirements rule 4123-17-61.1 – 1st reading
	6. Group Experience and Group Retrospective Safety Program Requirements – rule 4123-17-68 – 1st reading
	7. Fifteen Thousand Dollar Medical-Only Program - rule 4123-17-59 – 1st reading
	8. Private employer rate change recommendation – 2nd reading
	9. Public employer state agency rate change recommendation– 2nd reading
	10. Deductible Program – rule 4123-17-72 – 2nd reading
	11. 2010 NCCI Classification Code Changes – 2nd reading
	12. Private employer group breakeven factor rule 4123-17-64.1 (possible)
	13. Quarterly Update on the H.B.100 Comprehensive report Deloitte recommendations
Date	**May 2010**
5/27/2010	1. Administrative Cost Fund - rule 4123-17-36 – 1st reading
	2. Safety & Hygiene assessment– 1st reading
	3. Self-Insured assessments – rule 4123-17-32 – 1st reading
	4. Private employer base rates and expected loss rates – rules 4123-17-05 and 4123-17-06 – 2nd reading
	5. Disabled Workers' Relief Fund and Additional Disabled Workers' Relief Fund rule 4123-17-29 – 2nd reading
	6. Marine Industry Fund – rule 4123-17-19 – 2nd reading
	7. Coal-Workers' Pneumoconiosis Fund – rule 4123-17-20 – 2nd reading
	8. Sponsorship Certification Requirements rule 4123-17-61.1 – 2nd reading
	9. Group Experience and Group Retrospective Safety Program Requirements – rule 4123-17-68 – 2nd reading
	10. Fifteen Thousand Dollar Medical-Only Program - rule 4123-17-59 – 2nd reading
	11. Reserve update for financial reporting for fiscal year ending June 30, 2010 and projection for June 30, 2011 based on data as of March 31, 2010
Date	**June 2010**
6/17/2010	1. Split plan rating rules – 1st reading
	2. Administrative Cost Fund - rule 4123-17-36 – 2nd reading
	3. Self-Insured Assessments – rule 4123-17-32 – 2nd reading

12 - Month Actuarial Committee Calendar

	4. Safety & Hygiene assessment– 2nd reading
Date	**July 2010**
7/29/2010	1. Reserve adjustments as of June 30, 2010 – discussion if necessary
	2. Private employer credibility table effective 7-1-2011 – rule 4123-17-05.1 – 1st reading
	3. Public employer taxing districts credibility table effective 1-1-2011- rule 4123-17-33.1 – 1st reading
	4. Public employer taxing districts group break even factor rule 4123-17-64.2 – 1st reading
	5. Quarterly Update on the H.B.100 Comprehensive Report Deloitte recommendations
	6. Split plan rating rules – 2nd reading
Date	**August 2010**
8/26/2010	1. Final Reserve Audit as of June 30, 2010
	2. Quarterly reserve true up for financial reporting for fiscal year ending June 30, 2010 and updated estimate for fiscal year ending June 30, 2011 based on data as of June 30, 2010
	3. Private employer credibility table effective 7-1-2011 – rule 4123-17-05.1 – 2nd reading
	4. Public employer taxing districts rate change – 1st reading
	5. Public employer taxing districts credibility table effective1-1-2011- rule 4123-17-33.1 – 2nd reading
	6. Public employer taxing districts group break even factor rule 4123-17-64.2 – 2nd reading (possible)
	7. Public employer taxing districts capping recommendation – 2nd reading (may not need if done in Jan)
	8. Annuity table rule 4123-17-60 – 1st reading
Date	**September 2010**
9/23/2010	1. Public employer taxing districts rate change – 2nd reading
	2. Public employer taxing districts draft base rates and expected loss rates
	3. Annuity table rule 4123-17-60 – 2nd reading
	4. Market results for the new deductible plan
Date	**October 2010**
10/21/2010	1. Public Employer Taxing Districts base rates and expected loss rates – rule 4123-17-33 and 4123-17-34 – 1st reading
	2. Quarterly Update on the H.B.100 Comprehensive report Deloitte recommendations
	November 2010
11/18/2010	1. Public Employer Taxing Districts base rates and expected loss rates – rule 4123-17-33 and 4123-17-34 – 2nd reading
	2. Quarterly reserve analysis for financial reporting for fiscal year ending June 30, 2011 based on data as of September 30, 2010
	December 2010
12/15/2010	
Date	**January 2011**
	February 2011
	March, 2011

12 - Month Actuarial Committee Calendar

Ohio Bureau of Workers' Compensation
December 31, 2009 Reserve Analysis

Unpaid Loss and Loss Adjustment Expense as of June 30, 2010

Bill Van Dyke, ACAS, MAAA
Dave Heppen, FCAS, MAAA
Jan Lommele, FCAS, MAAA, FCA
Bob Miccolis, FCAS, MAAA

Deloitte Consulting LLP
March 25, 2010

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AGENDA

Purpose and Scope

Actuarial Process

Unpaid Estimates

Unbilled Premium Receivable

State Insurance Fund Observations

Deloitte SIF Actual vs. Expected and Retrospective Analysis

Other Fund Observations

Variability and Funding Ratio

Report

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December 31, 2009 Reserve Analysis

Purpose and Scope

- Deloitte Consulting LLP ("Deloitte Consulting", "we" or "our") has been retained by the BWC to determine an actuarial central estimate of the unpaid loss and loss adjustment expense ("LAE") as of June 30, 2010.
- Data evaluated as of December 31, 2009.
- Determined unpaid loss and LAE estimates on both a nominal and discounted basis for each of the following Funds:
  - State Insurance Fund ("SIF")
  - Disabled Workers' Relief Fund ("DWRF");
  - Coal-Workers Pneumoconiosis Fund ("CWPF");
  - Self-Insuring Employers Guaranty Fund ("SIEFG");
  - Marine Industry Fund ("MIF");
  - Public Work-Relief Employees' Compensation Fund ("PWREF"); and
  - Administrative Cost Fund ("ACF").
- The terms "unpaid loss", "unpaid claims", and "reserves" are used interchangeably and are meant to convey the same meaning. The amount booked by the BWC in its financial statements for unpaid loss and loss adjustment expense is referred to as "recorded reserves".
- This is Deloitte Consulting's first analysis of the unpaid loss and LAE as the BWC's third-party actuary.

This document presents our findings to the BWC Board of Directors.

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December 31, 2009 Reserve Analysis

Actuarial Process

The general process incorporated in our analysis to estimate discounted unpaid loss involves the following steps:

1. Ultimate Loss Estimates – Based on multiple actuarial methodologies that incorporate both incremental and cumulative to date accident (injury) year data as well as both paid losses and incurred (paid + MIRA reserves) losses. Our selected ultimate losses are primarily based on methodologies that employ cumulative paid data, which are commonly used for workers compensation.

2. Nominal Unpaid Loss Estimate – Calculated as ultimate losses less payments projected through June 30, 2010. Projected payments from January 1, 2010 to June 30, 2010 are determined based on the BWC's historical payment pattern.

3. Discounted Unpaid Loss Estimate – Discounted unpaid losses are determined as the undiscounted unpaid loss estimate adjusted for expected future investment income using a discount rate of 4.5% and the BWC's historical payment pattern.

- Separate estimates are determined for each accident year from 1977 through 2010.
- For accident years 1976 and prior, unpaid loss estimates were determined based on analyzing historical incremental annual payments for accident years 1953 and subsequent.

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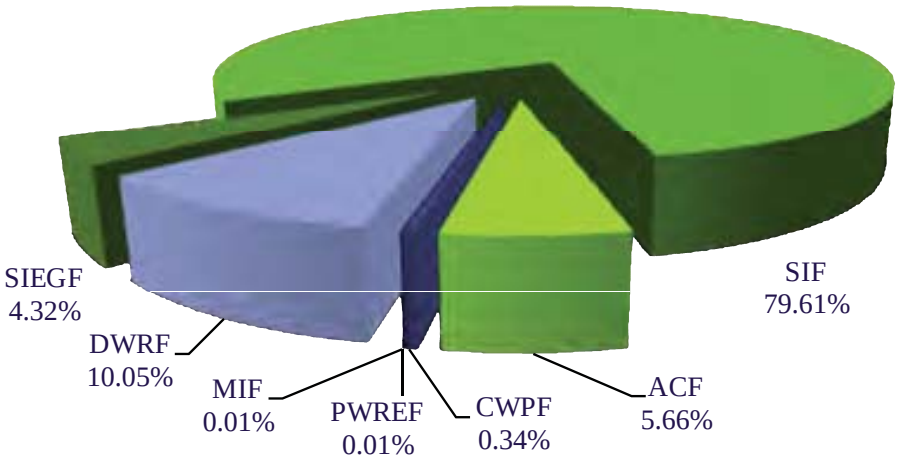
December 31, 2009 Reserve Analysis

Unpaid Estimates

Unpaid Loss and LAE as of June 30, 2010 ($ Millions)

	Deloitte Nominal Unpaid	Deloitte Discounted Unpaid	BWC Preliminary Reserve	Deloitte - BWC Preliminary	Percent Difference
SIF	25,080	15,126	15,397	*(271)*	*-2%*
DWRF	3,522	1,909	1,979	*(70)*	*-4%*
CWPF	97	65	69	*(4)*	*-5%*
SIEGF	1,952	820	786	*34*	*4%*
PWREF	5	3	4	*(1)*	*-30%*
MIF	4	2	2	*0*	*25%*
ACF	1,810	1,074	1,081	*(7)*	*-1%*
All Funds	**32,470**	**18,999**	**19,317**	***(318)***	*-2%*

Percent of Total Unpaid Loss & LAE by Fund



- BWC's preliminary reserve as of June 30, 2010 of $19.3 billion is $318 million or 2% above our discounted unpaid estimate of $19.0 billion based on data as of December 31, 2009.
- BWC's preliminary reserve as of June 30, 2010 is primarily based on the unpaid estimate as of June 30, 2009.
- Our discounted unpaid estimate using a discount rate of 4.5% reflects $13.5 billion of future investment income, which must be realized to provide sufficient funds to make all future claim payments associated with claims occurring on June 30, 2010 and prior.
- Changing the discount rate from 4.5% to 4.0% would increase our discounted unpaid estimate $919 million or 4.8% from $19.0 billion to $19.9 billion, which would require an increase of $601 million over the BWC Preliminary Reserve as of June 30, 2010 of $19.3 billion. A portion of this increase would be offset by an increase in the unbilled premium receivable as discussed on the next page.

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December 31, 2009 Reserve Analysis

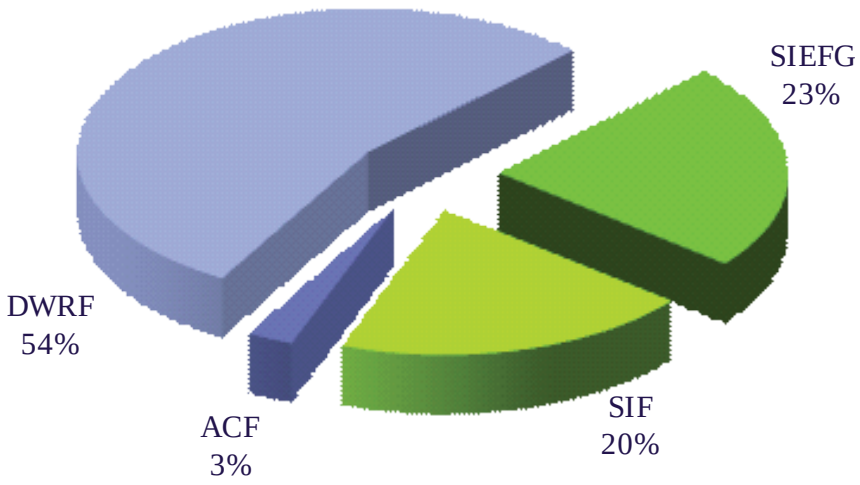
Unbilled Premium Receivable

Certain unpaid claim obligations are funded on a pay-as-you-go basis and do not have invested assets supporting the majority of the recorded reserves. For these unfunded obligations, excluding a large portion of the ACF, the BWC records an unbilled premium receivable.

Unbilled Premium Receivable as of June 30, 2010 ($Millions)

	Deloitte Discounted Unpaid	Contra Account	BWC Portion of Unbilled	Unbilled Premium Receivable
SIF				
PES	*564*			
SISF	*109*			
HPP	*29*			
SIF Total	703	0	12	691
DWRF	1,909	311	1	1,597
SIEGF	820	41	0	779
ACF (PES, SISF & SIEGF)	91	0	1	91
All Funds	**3,524**	**352**	**14**	**3,158**

Percent of Unbilled Premium Receivable



- Our indicated unbilled premium receivable of $3.16 billion as of June 30, 2010 is consistent with the BWC recorded unbilled premium receivable as of June 30, 2009 of $3.21 billion.
- Changing the discount rate from 4.5% to 4.0% would increase our unbilled premium receivable by $183 million to $3.34 billion partially offsetting the increase in the Deloitte unpaid claim estimate of $919 million.

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December 31, 2009 Reserve Analysis

State Insurance Fund – Total

SIF Discounted Unpaid Claim Estimate as of 6/30/2010 ($Millions)

	Deloitte Nominal Unpaid	Deloitte Discounted Unpaid	BWC Preliminary Reserve	Deloitte - BWC Preliminary	Percent Difference
Private Employers ("PA")	19,690	11,849	11,890	(41)	-0.3%
Public Employers - Taxing Districts ("PEC")	3,091	1,880	2,030	(150)	-7.4%
Public Employers - State Agencies ("PES")	923	564	664	(100)	-15.0%
Self-Insured Surplus Fund ("SISF")	177	109	147	(38)	-25.8%
Health Partnership Programs ("HPP")	1,199	723	666	57	8.6%
SIF Total	**25,080**	**15,126**	**15,397**	**(271)**	-1.8%
PA, PEC, and PES	**23,704**	**14,293**	**14,584**	**(291)**	-2.0%

- Our discounted unpaid claim estimate of $15.1 billion is $271 million or 1.8% lower than the BWC preliminary reserve of $15.4 billion for the SIF.
- The PA, PEC and PES difference of ($291) million is primarily associated with lower medical estimates partially offset by higher compensation estimates.
- For the SISF, we are $38 million lower than the BWC preliminary reserve primarily from a change in the expected recovery rate from surety bonds from 15% to 35% based on recent observed recovery rates.
- Our estimate for HPP is $57 million or 9% higher than the BWC preliminary reserve.

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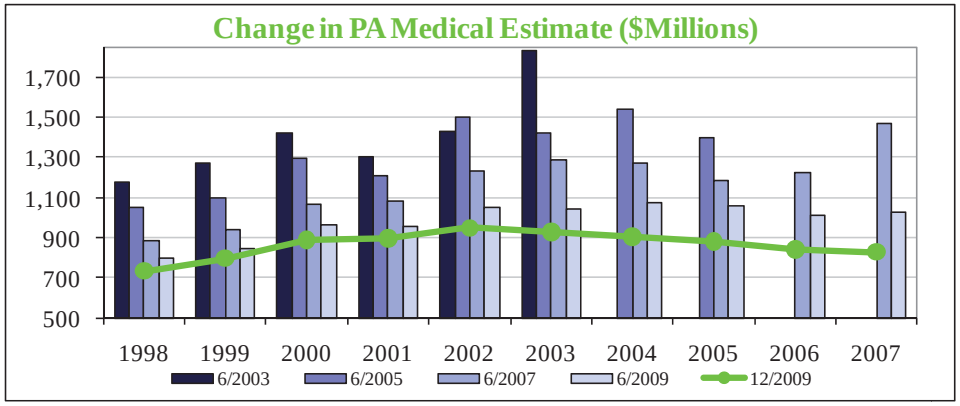
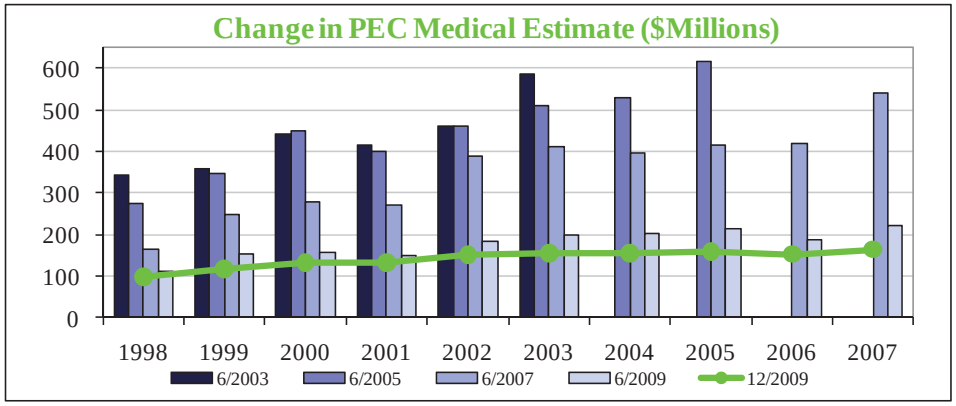
December 31, 2009 Reserve Analysis

State Insurance Fund – Medical





- The BWC's recorded reserves associated with SIF medical have decreased over time for PA, PEC and PES as a result of a continued decrease in frequency (number of claims) and lower than expected medical inflation.
- Prior analyses relied on a methodology that removes historical medical inflation from the development (persistency) factors and incorporates explicit future medical inflation assumptions. The analysis underlying the BWC preliminary reserve as of June 30, 2010 (based on data as of June 30, 2009) incorporated medical inflation of 6% for 2010, 7% for 2011, 8% from 2012 and 9% for 2013 & subsequent.
- Deloitte has utilized common accident year development methods that incorporate cumulative data and medical inflation directly in the historical development (persistency) factors. This approach assumes future medical inflation will be similar to historical inflation experienced by the BWC, which is approximately 6% to 7%.
- Estimates were determined separately for medical only claims and medical lost time claims.

Historical Medical Inflation

Year	BWC	NCCI	CPI
93-94	5.7%	9.0%	5.0%
94-95	7.6%	5.1%	4.8%
95-96	6.5%	7.4%	3.6%
96-97	4.4%	10.1%	2.8%
97-98	6.5%	8.3%	3.2%
98-99	6.8%	10.6%	3.4%
99-00	5.3%	7.3%	4.2%
00-01	6.9%	13.5%	4.7%
01-02	7.5%	8.2%	4.9%
02-03	8.2%	7.1%	4.3%
03-04	6.9%	5.4%	4.7%
04-05	6.8%	7.7%	4.5%
05-06	6.1%	6.0%	4.1%
06-07	5.9%	5.8%	4.9%
07-08	6.4%	6.0%	4.0%
08-09	5.7%		3.2%
5 yr avg	**6.4%**	**6.2%**	**4.4%**
10 yr avg	**6.7%**	**7.8%**	**4.4%**
15 yr avg	**6.5%**	**7.8%**	**4.2%**

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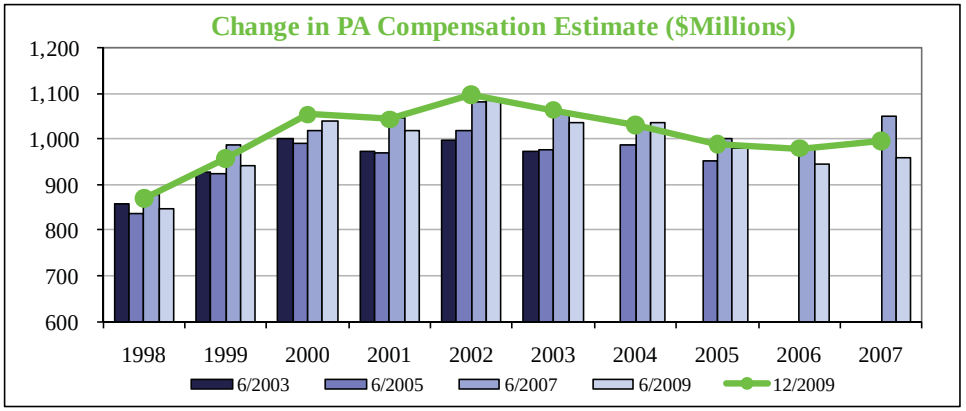
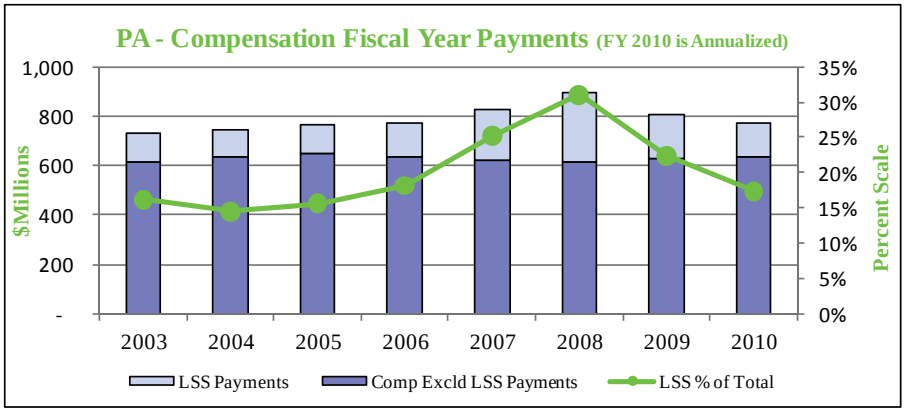
Deloitte.

December 31, 2009 Reserve Analysis

SIF – Compensation

Compensation estimates have been relatively consistent over time but have experienced a modest increase in recent years due to additional uncertainty introduced from an emphasis on lump sum settlements ("LSS").





- The increase in LSS activity from 2006 through 2009 may result in ultimate cost savings, but measurement of the cost savings benefit is difficult to assess due to limited information.
- Our approach does not recognize potential savings from the increase in LSS due to the added increase in uncertainty. In this approach, recognition of savings will occur over time as future payments emerge better than expected to the extent savings does exist.
- Similar to medical, we have utilized common accident year development methods that incorporate cumulative data.
- Estimates were determined separately by compensation type (permanent total, death, temporary total, etc.)

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December 31, 2009 Reserve Analysis

SIF – Deloitte Actual vs. Expected and Retrospective Change

As part of the actuarial transition, we performed a preliminary analysis of the private and public employers business within the SIF using data evaluated as of June 30, 2009.

SIF Actual vs. Expected Loss from 6/30/2009 to 12/31/2009 ($Millions)

	Paid Loss from 6/09-12/09			Incurred Loss from 6/09-12/09			Change in Ultimate from 6/09-12/09	
	Expected	Actual	Actual - Expected	Expected	Actual	Actual - Expected	Total	Earned 6/30/09
PA	720	696	*(24)*	700	961	*261*	(66)	(9)
PEC	118	108	*(10)*	126	148	*22*	(6)	(6)
PES	39	37	*(2)*	40	53	*13*	(10)	(4)
Total	**877**	**841**	***(37)***	**866**	**1,162**	***296***	**(82)**	**(18)**
Percent Difference			***-4.2%***			***34.1%***		

Actual vs. Expected Observations

- Payments were $37m or 4% lower than expected from 6/30/09 to 12/31/09
- Incurred (paid + MIRA) were $296m higher than expected due to a change in the MIRA discount rate from 5% to 4.5% and higher MIRA estimates associated with new PTD claims
- Led to a decrease in ultimate losses of $82m for AY's 2010 & prior along with a reduction in projected 2010 payroll.

The 6/30/09 analysis assumed a 6% growth over 2009 for PA, which was revised to 3% at 12/31/09 based on current economic conditions.

SIF Retrospective Change in Unpaid Loss as of 6/30/09 Between 6/30/09 and 12/31/09 Analyses ($Millions)

	Deloitte Nominal as of 6/09			Deloitte Discounted as of 6/09		
	Evaluated @ 12/09	Evaluated @ 6/09	Change	Evaluated @ 12/09	Evaluated @ 6/09	Change
PA	19,430	19,439	(9)	11,688	11,694	*(6)*
PEC	2,986	2,992	(6)	1,815	1,820	*(5)*
PES	887	890	(4)	534	544	*(10)*
Total	**23,302**	**23,321**	***(18)***	**14,038**	**14,058**	***(21)***
Percent Change			***-0.1%***			***-0.1%***

Retrospective Observations

- Our discounted unpaid loss estimate as of 6/30/09 based on data as of 12/31/09 is $21m lower than our estimate based on data as of 6/30/09.
- This equates to only a 0.1% reduction in the discounted unpaid loss estimate for PA, PEC and PES business.
- 12/31/09 Analysis primarily incorporates assumptions from our preliminary 6/30/09 analysis.

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DWRF

DWRF Unpaid Estimate as of June 30, 2010 ($Millions)

	Deloitte Nominal Unpaid	Deloitte Discounted Unpaid	BWC Preliminary Reserve	Deloitte - BWC Preliminary	Percent Difference
PA	2,968	1,609			
PEC	409	223			
PES	128	68			
Excluding LAE	**3,504**	**1,900**	**1,920**	**(20)**	**-1.0%**
LAE	18	9	59	(50)	-84.0%
Total DWRF	**3,522**	**1,909**	**1,979**	**(70)**	**-3.5%**

- Our discounted unpaid estimate of $1.91 billion is $70 million or 3.5% lower than the BWC preliminary estimate of $1.96 billion.
- The majority of the difference is related to LAE where we relied on a lower paid LAE to paid loss ratio of 0.5% based on observed ACF LAE payments.
- Similar to the SIF, we employed common cumulative development methods that incorporate DWRF payments and ratios of DWRF payments to SIF loss payments.
- The unpaid claim obligations of the DWRF are subject to more risk and uncertainty than other Funds due to a potentially high leverage effect of future inflation based on the nature of the coverage.

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Other Funds

CWPF

- Our discounted unpaid estimate of $65 million is similar to the BWC's preliminary reserve of $69 million.
- Our approach for CWPF uses mortality assumptions and methods based on frequency of claims and average value of claims.
- Includes provisions for known claims, pending claims, future claims and currently active or working miners.

SIEGF

- For the SIEGF, our discounted unpaid estimate of $820 million is $34 million or 4% higher than the BWC's preliminary reserve of $786 million as of June 30, 2010. The difference is primarily a result of a higher SIEGF DWRF estimate partially offset by a lower SEIGF loss estimate.
- The BWC preliminary reserve is based on a methodology that segregated payments into accident/injury years. In this approach, the loss development includes a provision for future bankruptcies to the extent they have occurred historically. Our approach determines separate estimates of future SIEGF loss payments for known and future bankruptcies, which allows for varying assumptions related to future bankruptcies.

ACF

- For the ACF, our discounted unpaid estimate of $1,074 million is only $7 million or 1% lower than the BWC's preliminary reserve of $1,081 million as of June 30, 2010.
- We assumed 15% of IBNR (unpaid estimate less MIRA reserves) is associated with unreported claims while the BWC preliminary reserve assumes 0% similar to HPP. This leads to a higher estimate. However, we selected a lower paid LAE to paid loss ratio based on the BWC's internal study regarding the percentage of ACF payments associated with claim-related expenses performed during 2009.

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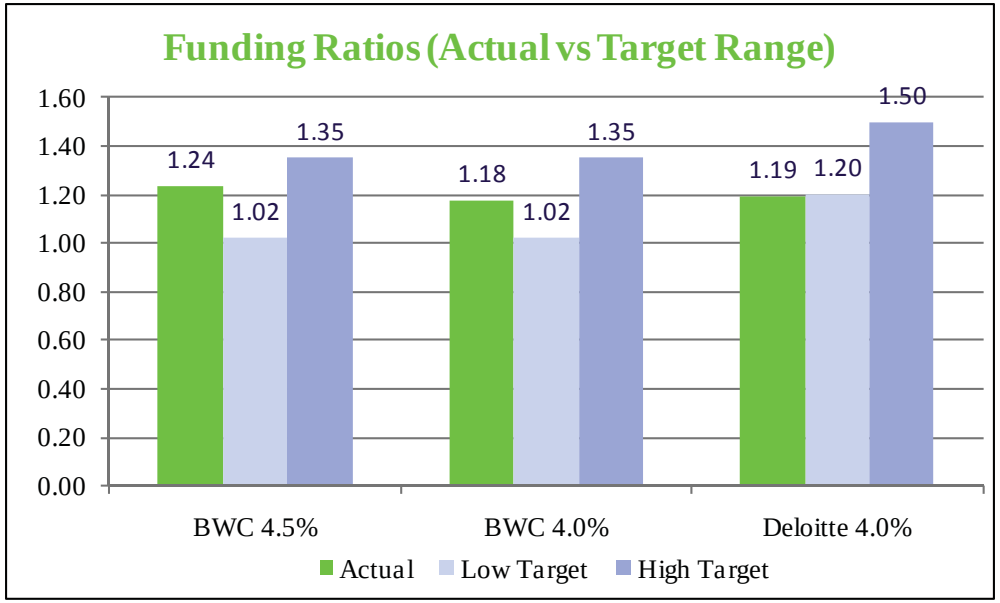
Volatility and Funding Ratio



The definition of the Funding Ratio used for this analysis:

Funding Ratio = $\frac{\text{Funded Assets}}{\text{Funded Liabilities}}$, where

Funded Assets = cash, investments and current receivables less deposits and current payables

Funded Liabilities = Reserves for funded unpaid claims and funded claim expenses (HPP on PA/PEC), excluding any risk margin, discounted at a risk free discount rate.

- Funding ratio has increased substantially since 2008 due to increases in asset values and reductions in estimated liabilities
- Current funding ratio discounted at 4.0% is in the middle of the BWC's recommended range of 1.02 to 1.35.
- Current funding ratio discounted at 4.0% is near the low end of Deloitte's recommended range.
- Deloitte recommends further discussion of the recommended funding ratio range and contingency loadings with the Board

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Report

We have prepared a report that to summarize our conclusions, observations and methodologies in more detail. This report is titled "State of Ohio Bureau of Workers' Compensation Unpaid Loss & LAE as of June 30, 2010 (Based on Data Evaluated as of December 31, 2009)" and is dated March 12, 2010. The report consists of the following volumes:

- Volume I – Report and Summary Exhibits
- Volume II – Private Employer Detailed Analysis Exhibits
- Volume III – Public Employer -Taxing Districts Detailed Analysis Exhibits
- Volume IV – Public Employer - State Agencies Detailed Analysis Exhibits
- Volume V – Other Funds Detailed Analysis Exhibits

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