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): To add PEC large deductible pricing to the existing Deductible Rule; revise the discounts on the small deductible table and update appendix C with four new manual classifications.

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: Discount tables were actuarially determined and not subject to input from stakeholders.

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.

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BWC Board of Directors

Executive Summary

Deductible Program Rules Changes

Introduction

The Deductible Program Rule includes the addition of Appendix F: PEC large deductible Pricing and a revision to the PEC small deductible table discounts. These premium discount percentages were determined by BWC and Deloitte actuaries.

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

Addition of Appendix F, the large deductible discount amounts for PEC employers, that provides the discount level employers can receive in exchange for paying a per claim deductible. An employer choosing a large deductible may also choose an aggregate stop-loss option. The stop-loss option will limit an employer's potential deductible liability for the program to three times the deductible level chosen. The actuarial analysis and the discount selection within the large deductible table gave rise for the need to revise the small deductible table. The discounts in both tables need to be consistent and reasonable given the level of deductible selected.

Effective July 1, 2010, four new classification were adopted for private employers that now need to be added to the hazard group table appendix C. The new class codes added are as follows:

Classification Number	Classification Description	Hazard Group
7402	Aviation-Air Traffic Controllers under Contract with the FAA	C
8602	Surveyors, Timber Cruisers, Oil or Gas Geologists or Scouts & Drivers	D
8603	Architectural or Engineering Firm - Clerical	C
8725	Inventory Counters – Traveling – including Salespersons & Clerical	E

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Three class codes which were combined into other classes in prior rating years are being eliminated:

Classification Number	Classification Description	Hazard Group
7409	Aircraft or helicopter or Aerial Application	G
9545	Billboard Posting and Drivers	F
9549	Advertising Company Away From Shop and Drivers	F

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 the appendices of 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%~~

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	2.3%	2.4%	1.6%	2.7%	2.3%
$1,000	3.7%	3.9%	2.5%	3.9%	3.6%
$2,500	6.5%	7.0%	4.2%	6.1%	5.9%
$5,000	9.6%	10.6%	6.0%	8.4%	8.7%
$10,000	14.0%	15.4%	8.5%	11.6%	12.7%

Appendix C: Table of Classifications by Hazard Group – PA

TABLE OF CLASSIFICATIONS BY HAZARD GROUP **Effective: 7/1/2010**

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	8227	G	9061	A
0008	D	2130	C	3028	C	3643	C	4439	E	5473	G	7390	C	8232	E	9062	A
0016	E	2131	C	3030	E	3647	D	4452	C	5474	F	7402	C	8233	E	9063	B
0034	C	2143	B	3040	E	3648	B	4459	C	5478	E	7403	E	8235	C	9082	A
0035	B	2157	C	3041	C	3681	B	4470	C	5479	D	7405	E	8263	D	9083	A
0036	C	2172	D	3042	D	3685	B	4484	C	5480	F	~~7409~~	~~G~~	8264	E	9084	C
0037	D	2174	B	3064	C	3719	G	4493	C	5491	F	7420	G	8265	F	9088	G
0042	D	2211	E	3069	E	3724	F	4511	D	5506	G	7421	F	8279	F	9089	B
0050	C	2220	C	3076	B	3726	G	4557	B	5507	F	7422	G	8288	E	9093	B
0079	E	2286	B	3081	E	3803	C	4558	C	5508	E	7425	G	8291	D	9101	B
0083	C	2288	B	3082	E	3807	B	4561	C	5535	E	7431	G	8292	C	9102	C
0106	F	2300	A	3085	E	3808	D	4568	E	5537	E	7502	E	8293	E	9154	C
0113	C	2302	C	3110	C	3821	D	4581	F	5538	E	7515	G	8304	E	9156	D
0170	C	2305	D	3111	C	3822	D	4583	F	5551	G	7520	C	8350	F	9170	G
0251	C	2361	C	3113	C	3824	D	4611	B	5605	F	7538	G	8380	D	9178	A
0400	D	2362	C	3114	C	3826	C	4635	G	5606	F	7539	F	8381	D	9179	B
0401	F	2380	C	3118	B	3827	D	4653	B	5610	C	7540	G	8385	E	9180	E
0917	B	2386	B	3119	A	3830	D	4665	E	5645	F	7580	E	8392	C	9182	C
1005	G	2388	B	3122	B	3851	B	4670	E	5651	F	7590	D	8393	C	9186	F
1016	G	2402	E	3126	C	3865	A	4683	C	5703	E	7600	E	8500	E	9220	D
1164	G	2413	C	3131	C	3881	C	4686	E	5705	E	7601	F	8601	D	9402	E
1165	F	2416	C	3132	C	4000	F	4692	B	5951	B	7605	E	8602	D	9403	F
1320	F	2417	C	3145	C	4021	E	4693	C	6003	E	7610	D	8603	C	9501	D
1322	F	2501	C	3146	C	4024	E	4703	C	6005	E	7611	E	8606	F	9505	D
1430	E	2503	B	3169	C	4034	E	4717	A	6017	E	7612	E	8720	E	9516	E
1438	F	2534	B	3175	C	4036	E	4720	C	6018	E	7613	E	8721	E	9519	E
1452	E	2570	B	3179	B	4038	A	4740	E	6045	E	7704	F	8725	E	9521	E
1463	F	2585	B	3180	B	4053	C	4741	C	6204	F	7705	D	8742	E	9522	C
1472	F	2586	C	3188	B	4061	B	4751	E	6206	G	7710	F	8745	D	9534	F
1624	F	2587	B	3220	C	4062	C	4771	G	6213	F	7711	F	8748	D	~~9545~~	~~F~~
1642	E	2589	C	3223	A	4101	D	4777	G	6214	G	7720	E	8755	E	~~9549~~	~~F~~
1654	E	2600	B	3224	B	4111	B	4825	E	6216	G	7855	E	8799	C	9554	F
1655	E	2623	D	3227	B	4112	C	4828	D	6217	F	8001	B	8800	A	9586	A
1699	E	2651	B	3240	B	4113	C	4829	F	6229	F	8002	C	8803	E	9600	B
1701	E	2660	B	3241	C	4114	C	4902	B	6233	F	8006	C	8810	C	9620	D
1710	E	2670	A	3255	A	4130	C	4923	C	6235	G	8008	B	8820	D	9984	G
1741	G	2683	B	3257	C	4131	B	5020	E	6236	E	8010	B	8824	B	9985	G
1747	E	2688	B	3270	C	4133	B	5022	F	6237	E	8013	C	8825	A		
1748	E	2701	E	3300	C	4150	A	5037	G	6251	F	8015	C	8826	C		
1803	F	2702	G	3303	B	4206	C	5040	G	6252	G	8017	B	8829	C		
1852	G	2709	E	3307	C	4207	E	5057	G	6260	G	8018	B	8831	C		
1853	D	2710	F	3315	B	4239	E	5059	G	6306	F	8021	C	8832	C		
1860	B	2714	B	3334	C	4240	B	5069	G	6319	F	8031	C	8833	C		
1924	B	2731	E	3336	E	4243	C	5102	F	6325	F	8032	B	8835	C		
1925	D	2735	B	3365	E	4244	C	5146	E	6400	D	8033	C	8842	C		
2001	B	2759	B	3372	D	4250	C	5160	F	6504	B	8039	B	8864	C		
2002	B	2790	B	3373	C	4251	C	5183	E	6704	F	8044	D	8868	B		
2003	C	2802	D	3383	B	4263	C	5188	E	6811	E	8045	B	8869	B		
2014	E	2812	C	3385	B	4273	C	5190	E	6834	D	8046	C	8871	B		
2016	B	2835	A	3400	D	4279	C	5191	C	6836	E	8047	B	8901	D		
2021	D	2836	A	3507	C	4282	B	5192	C	6854	G	8058	C	8989	E		
2039	B	2841	B	3515	C	4283	C	5213	F	6882	G	8072	B	9012	D		
2041	B	2881	A	3548	C	4299	B	5215	D	6884	G	8102	B	9014	C		
2065	C	2883	C	3559	C	4304	D	5221	E	7133	F	8103	D	9015	C		
2070	C	2913	A	3574	B	4307	A	5222	F	7222	E	8105	B	9016	C		
2081	C	2915	D	3581	B	4351	C	5223	E	7228	E	8106	E	9019	E		
2089	C	2916	F	3612	D	4352	B	5348	E	7229	F	8107	E	9033	C		
2095	C	2923	B	3620	E	4360	B	5402	B	7230	D	8111	C	9040	B		
2105	B	2942	A	3629	B	4361	B	5403	F	7231	D	8116	C	9044	B		
2110	B	2960	C	3632	D	4362	C	5437	E	7232	F	8203	C	9052	B		
2111	B	3004	E	3634	B	4410	C	5443	C	7360	E	8204	E	9058	A		
2112	B	3018	E	3635	C	4420	F	5445	F	7370	C	8209	C	9059	D		
2114	B	3022	B	3638	B	4431	A	5462	E	7380	D	8215	E	9060	B		

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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: PEC Large Deductible Premium Discounts

Hazard Group H (1/5/10)								
Pure Premium	Total Deductible				Total Deductible Limited Aggregate			
Size	25,000	50,000	100,000	200,000	25,000	50,000	100,000	200,000
62,500	21%				20%			
75,000	21%				20%			
100,000	21%				20%			
125,000	21%	28%			20%	27%		
150,000	21%	28%			20%	27%		
175,000	21%	28%			19%	27%		
200,000	21%	28%			18%	27%		
250,000	21%	28%	36%		17%	26%	35%	
300,000	21%	28%	36%		14%	24%	35%	
400,000	21%	28%	36%		12%	21%	33%	
500,000	21%	28%	36%	46%	10%	19%	31%	44%
600,000	21%	28%	36%	46%	8%	17%	29%	43%
700,000	21%	28%	36%	46%	7%	15%	27%	42%
800,000	21%	28%	36%	46%	6%	13%	25%	40%
900,000	21%	28%	36%	46%	6%	12%	23%	38%
1,000,000	21%	28%	36%	46%	5%	11%	21%	37%
1,100,000	21%	28%	36%	46%	5%	10%	20%	35%
1,200,000	21%	28%	36%	46%	4%	9%	18%	33%
1,300,000	21%	28%	36%	46%	4%	8%	17%	32%
1,400,000	21%	28%	36%	46%	4%	8%	16%	30%
1,500,000	21%	28%	36%	46%	3%	7%	15%	28%
1,600,000	21%	28%	36%	46%	3%	7%	14%	27%
1,700,000	21%	28%	36%	46%	3%	6%	13%	25%
1,800,000	21%	28%	36%	46%	3%	6%	12%	24%
1,900,000	21%	28%	36%	46%	3%	6%	12%	23%
2,000,000	21%	28%	36%	46%	2%	5%	11%	22%
2,100,000	21%	28%	36%	46%	2%	5%	11%	21%
2,200,000	21%	28%	36%	46%	2%	5%	10%	20%
2,300,000	21%	28%	36%	46%	2%	5%	10%	19%
2,400,000	21%	28%	36%	46%	2%	4%	9%	18%
2,500,000	21%	28%	36%	46%	2%	4%	9%	18%
2,600,000	21%	28%	36%	46%	2%	4%	9%	17%
2,700,000	21%	28%	36%	46%	2%	4%	8%	16%
2,800,000	21%	28%	36%	46%	2%	4%	8%	16%
2,900,000	21%	28%	36%	46%	2%	4%	8%	15%

Created by: Jamey Fauque
Create Date: 5/26/2010
Updated by: Liz Bravender
Update Date: 7/23/2010

Hazard Group H (1/5/10)								
Pure Premium	Total Deductible				Total Deductible Limited Aggregate			
Size	25,000	50,000	100,000	200,000	25,000	50,000	100,000	200,000
3,000,000	21%	28%	36%	46%	1%	3%	7%	14%
3,200,000	21%	28%	36%	46%	1%	3%	7%	13%
3,400,000	21%	28%	36%	46%	1%	3%	6%	13%
3,600,000	21%	28%	36%	46%	1%	3%	6%	12%
3,800,000	21%	28%	36%	46%	1%	3%	6%	11%
4,000,000	21%	28%	36%	46%	1%	2%	5%	11%
4,250,000	21%	28%	36%	46%	1%	2%	5%	10%
4,500,000	21%	28%	36%	46%	1%	2%	5%	9%
4,750,000	21%	28%	36%	46%	1%	2%	4%	9%
5,000,000	21%	28%	36%	46%	1%	2%	4%	8%
5,500,000	21%	28%	36%	46%	1%	2%	4%	7%
6,000,000	21%	28%	36%	46%	0%	1%	3%	7%
6,500,000	21%	28%	36%	46%	0%	1%	3%	6%
7,000,000	21%	28%	36%	46%	0%	1%	3%	5%
8,000,000	21%	28%	36%	46%	0%	1%	2%	5%
9,000,000	21%	28%	36%	46%	0%	1%	2%	4%
10,000,000	21%	28%	36%	46%	0%	0%	1%	3%
12,500,000	21%	28%	36%	46%	0%	0%	1%	3%
15,000,000	21%	28%	36%	46%	0%	0%	1%	2%
17,500,000	21%	28%	36%	46%	0%	0%	1%	2%
20,000,000	21%	28%	36%	46%	0%	0%	0%	1%
25,000,000	21%	28%	36%	46%	0%	0%	0%	0%

Hazard Group I (2)								
Pure Premium	Total Deductible				Total Deductible Limited Aggregate			
Size	25,000	50,000	100,000	200,000	25,000	50,000	100,000	200,000
62,500	23%				22%			
75,000	23%				22%			
100,000	23%				22%			
125,000	23%	30%			22%	29%		
150,000	23%	30%			21%	29%		
175,000	23%	30%			21%	29%		
200,000	23%	30%			19%	28%		
250,000	23%	30%	38%		18%	27%	37%	
300,000	23%	30%	38%		14%	25%	36%	
400,000	23%	30%	38%		12%	22%	34%	
500,000	23%	30%	38%	48%	10%	19%	32%	45%
600,000	23%	30%	38%	48%	8%	17%	30%	44%
700,000	23%	30%	38%	48%	7%	15%	28%	43%
800,000	23%	30%	38%	48%	6%	13%	25%	41%
900,000	23%	30%	38%	48%	6%	12%	23%	39%
1,000,000	23%	30%	38%	48%	5%	11%	21%	38%
1,100,000	23%	30%	38%	48%	5%	10%	20%	36%
1,200,000	23%	30%	38%	48%	4%	9%	18%	34%
1,300,000	23%	30%	38%	48%	4%	8%	17%	32%
1,400,000	23%	30%	38%	48%	4%	8%	16%	30%
1,500,000	23%	30%	38%	48%	3%	7%	15%	29%
1,600,000	23%	30%	38%	48%	3%	7%	14%	27%
1,700,000	23%	30%	38%	48%	3%	6%	13%	26%
1,800,000	23%	30%	38%	48%	3%	6%	12%	24%
1,900,000	23%	30%	38%	48%	3%	6%	12%	23%
2,000,000	23%	30%	38%	48%	2%	5%	11%	22%
2,100,000	23%	30%	38%	48%	2%	5%	11%	21%
2,200,000	23%	30%	38%	48%	2%	5%	10%	20%
2,300,000	23%	30%	38%	48%	2%	5%	10%	19%
2,400,000	23%	30%	38%	48%	2%	4%	9%	18%
2,500,000	23%	30%	38%	48%	2%	4%	9%	18%
2,600,000	23%	30%	38%	48%	2%	4%	9%	17%
2,700,000	23%	30%	38%	48%	2%	4%	8%	16%
2,800,000	23%	30%	38%	48%	2%	4%	8%	16%
2,900,000	23%	30%	38%	48%	2%	4%	8%	15%
3,000,000	23%	30%	38%	48%	1%	3%	7%	14%
3,200,000	23%	30%	38%	48%	1%	3%	7%	13%
3,400,000	23%	30%	38%	48%	1%	3%	6%	13%
3,600,000	23%	30%	38%	48%	1%	3%	6%	12%

Created by: Jamey Fauque
Create Date: 5/26/2010
Updated by: Liz Bravender
Update Date: 7/23/2010

Hazard Group I (2)								
Pure Premium	Total Deductible				Total Deductible Limited Aggregate			
Size	25,000	50,000	100,000	200,000	25,000	50,000	100,000	200,000
3,800,000	23%	30%	38%	48%	1%	3%	6%	11%
4,000,000	23%	30%	38%	48%	1%	2%	5%	11%
4,250,000	23%	30%	38%	48%	1%	2%	5%	10%
4,500,000	23%	30%	38%	48%	1%	2%	5%	9%
4,750,000	23%	30%	38%	48%	1%	2%	4%	9%
5,000,000	23%	30%	38%	48%	1%	2%	4%	8%
5,500,000	23%	30%	38%	48%	1%	2%	4%	7%
6,000,000	23%	30%	38%	48%	0%	1%	3%	7%
6,500,000	23%	30%	38%	48%	0%	1%	3%	6%
7,000,000	23%	30%	38%	48%	0%	1%	3%	5%
8,000,000	23%	30%	38%	48%	0%	1%	2%	5%
9,000,000	23%	30%	38%	48%	0%	1%	2%	4%
10,000,000	23%	30%	38%	48%	0%	0%	1%	3%
12,500,000	23%	30%	38%	48%	0%	0%	1%	3%
15,000,000	23%	30%	38%	48%	0%	0%	1%	2%
17,500,000	23%	30%	38%	48%	0%	0%	1%	2%
20,000,000	23%	30%	38%	48%	0%	0%	0%	1%
25,000,000	23%	30%	38%	48%	0%	0%	0%	0%

Hazard Group J (3/4)								
Pure Premium	Total Deductible				Total Deductible Limited Aggregate			
Size	25,000	50,000	100,000	200,000	25,000	50,000	100,000	200,000
62,500	13%				12%			
75,000	13%				12%			
100,000	13%				12%			
125,000	13%	18%			12%	17%		
150,000	13%	18%			12%	17%		
175,000	13%	18%			12%	17%		
200,000	13%	18%			12%	17%		
250,000	13%	18%	26%		12%	17%	25%	
300,000	13%	18%	26%		11%	17%	25%	
400,000	13%	18%	26%		10%	16%	24%	
500,000	13%	18%	26%	35%	9%	15%	24%	34%
600,000	13%	18%	26%	35%	8%	14%	23%	34%
700,000	13%	18%	26%	35%	7%	13%	22%	33%
800,000	13%	18%	26%	35%	6%	12%	21%	32%
900,000	13%	18%	26%	35%	6%	11%	20%	32%
1,000,000	13%	18%	26%	35%	5%	11%	19%	31%
1,100,000	13%	18%	26%	35%	5%	10%	18%	30%
1,200,000	13%	18%	26%	35%	4%	9%	17%	29%
1,300,000	13%	18%	26%	35%	4%	8%	16%	28%
1,400,000	13%	18%	26%	35%	4%	8%	15%	27%
1,500,000	13%	18%	26%	35%	3%	7%	14%	26%
1,600,000	13%	18%	26%	35%	3%	7%	14%	25%
1,700,000	13%	18%	26%	35%	3%	6%	13%	24%
1,800,000	13%	18%	26%	35%	3%	6%	12%	23%
1,900,000	13%	18%	26%	35%	3%	6%	12%	22%
2,000,000	13%	18%	26%	35%	3%	5%	11%	21%
2,100,000	13%	18%	26%	35%	2%	5%	11%	20%
2,200,000	13%	18%	26%	35%	2%	5%	10%	19%
2,300,000	13%	18%	26%	35%	2%	5%	10%	18%
2,400,000	13%	18%	26%	35%	2%	4%	9%	17%
2,500,000	13%	18%	26%	35%	2%	4%	9%	17%
2,600,000	13%	18%	26%	35%	2%	4%	8%	16%
2,700,000	13%	18%	26%	35%	2%	4%	8%	15%
2,800,000	13%	18%	26%	35%	2%	4%	8%	15%
2,900,000	13%	18%	26%	35%	2%	4%	8%	14%
3,000,000	13%	18%	26%	35%	1%	3%	7%	13%
3,200,000	13%	18%	26%	35%	1%	3%	7%	13%
3,400,000	13%	18%	26%	35%	1%	3%	6%	12%

Created by: Jamey Fauque
Create Date: 5/26/2010
Updated by: Liz Bravender
Update Date: 7/23/2010

Hazard Group J (3/4)								
Pure Premium	Total Deductible				Total Deductible Limited Aggregate			
Size	25,000	50,000	100,000	200,000	25,000	50,000	100,000	200,000
3,600,000	13%	18%	26%	35%	1%	3%	6%	11%
3,800,000	13%	18%	26%	35%	1%	3%	6%	11%
4,000,000	13%	18%	26%	35%	1%	2%	5%	10%
4,250,000	13%	18%	26%	35%	1%	2%	5%	9%
4,500,000	13%	18%	26%	35%	1%	2%	5%	9%
4,750,000	13%	18%	26%	35%	1%	2%	4%	8%
5,000,000	13%	18%	26%	35%	1%	2%	4%	8%
5,500,000	13%	18%	26%	35%	1%	2%	4%	7%
6,000,000	13%	18%	26%	35%	0%	1%	3%	6%
6,500,000	13%	18%	26%	35%	0%	1%	3%	6%
7,000,000	13%	18%	26%	35%	0%	1%	3%	5%
8,000,000	13%	18%	26%	35%	0%	1%	2%	4%
9,000,000	13%	18%	26%	35%	0%	1%	2%	4%
10,000,000	13%	18%	26%	35%	0%	0%	1%	3%
12,500,000	13%	18%	26%	35%	0%	0%	1%	2%
15,000,000	13%	18%	26%	35%	0%	0%	1%	2%
17,500,000	13%	18%	26%	35%	0%	0%	1%	2%
20,000,000	13%	18%	26%	35%	0%	0%	0%	1%
25,000,000	13%	18%	26%	35%	0%	0%	0%	0%

Hazard Group K (6/8)								
Pure Premium	Total Deductible				Total Deductible Limited Aggregate			
Size	25,000	50,000	100,000	200,000	25,000	50,000	100,000	200,000
62,500	17%				16%			
75,000	17%				16%			
100,000	17%				16%			
125,000	17%	23%			16%	22%		
150,000	17%	23%			16%	22%		
175,000	17%	23%			16%	22%		
200,000	17%	23%			16%	22%		
250,000	17%	23%	31%		15%	22%	30%	
300,000	17%	23%	31%		13%	21%	30%	
400,000	17%	23%	31%		11%	19%	29%	
500,000	17%	23%	31%	40%	10%	18%	28%	39%
600,000	17%	23%	31%	40%	8%	16%	26%	38%
700,000	17%	23%	31%	40%	7%	14%	25%	37%
800,000	17%	23%	31%	40%	7%	13%	23%	36%
900,000	17%	23%	31%	40%	6%	12%	22%	35%
1,000,000	17%	23%	31%	40%	5%	11%	21%	34%
1,100,000	17%	23%	31%	40%	5%	10%	19%	33%
1,200,000	17%	23%	31%	40%	4%	9%	18%	31%
1,300,000	17%	23%	31%	40%	4%	8%	17%	30%
1,400,000	17%	23%	31%	40%	4%	8%	16%	29%
1,500,000	17%	23%	31%	40%	3%	7%	15%	27%
1,600,000	17%	23%	31%	40%	3%	7%	14%	26%
1,700,000	17%	23%	31%	40%	3%	6%	13%	25%
1,800,000	17%	23%	31%	40%	3%	6%	12%	24%
1,900,000	17%	23%	31%	40%	3%	6%	12%	23%
2,000,000	17%	23%	31%	40%	3%	5%	11%	22%
2,100,000	17%	23%	31%	40%	2%	5%	11%	21%
2,200,000	17%	23%	31%	40%	2%	5%	10%	20%
2,300,000	17%	23%	31%	40%	2%	5%	10%	19%
2,400,000	17%	23%	31%	40%	2%	4%	9%	18%
2,500,000	17%	23%	31%	40%	2%	4%	9%	17%
2,600,000	17%	23%	31%	40%	2%	4%	9%	17%
2,700,000	17%	23%	31%	40%	2%	4%	8%	16%
2,800,000	17%	23%	31%	40%	2%	4%	8%	15%
2,900,000	17%	23%	31%	40%	2%	4%	8%	15%
3,000,000	17%	23%	31%	40%	1%	3%	7%	14%
3,200,000	17%	23%	31%	40%	1%	3%	7%	13%
3,400,000	17%	23%	31%	40%	1%	3%	6%	12%

Created by: Jamey Fauque
Create Date: 5/26/2010
Updated by: Liz Bravender
Update Date: 7/23/2010

Hazard Group K (6/8)								
Pure Premium	Total Deductible				Total Deductible Limited Aggregate			
Size	25,000	50,000	100,000	200,000	25,000	50,000	100,000	200,000
3,600,000	17%	23%	31%	40%	1%	3%	6%	12%
3,800,000	17%	23%	31%	40%	1%	3%	6%	11%
4,000,000	17%	23%	31%	40%	1%	2%	5%	10%
4,250,000	17%	23%	31%	40%	1%	2%	5%	10%
4,500,000	17%	23%	31%	40%	1%	2%	5%	9%
4,750,000	17%	23%	31%	40%	1%	2%	4%	9%
5,000,000	17%	23%	31%	40%	1%	2%	4%	8%
5,500,000	17%	23%	31%	40%	1%	2%	4%	7%
6,000,000	17%	23%	31%	40%	0%	1%	3%	7%
6,500,000	17%	23%	31%	40%	0%	1%	3%	6%
7,000,000	17%	23%	31%	40%	0%	1%	3%	5%
8,000,000	17%	23%	31%	40%	0%	1%	2%	5%
9,000,000	17%	23%	31%	40%	0%	1%	2%	4%
10,000,000	17%	23%	31%	40%	0%	0%	1%	3%
12,500,000	17%	23%	31%	40%	0%	0%	1%	3%
15,000,000	17%	23%	31%	40%	0%	0%	1%	2%
17,500,000	17%	23%	31%	40%	0%	0%	1%	2%
20,000,000	17%	23%	31%	40%	0%	0%	0%	1%
25,000,000	17%	23%	31%	40%	0%	0%	0%	0%

Hazard Group L (7/9)								
Pure Premium	Total Deductible				Total Deductible Limited Aggregate			
Size	25,000	50,000	100,000	200,000	25,000	50,000	100,000	200,000
62,500	19%				18%			
75,000	19%				18%			
100,000	19%				18%			
125,000	19%	26%			18%	25%		
150,000	19%	26%			18%	25%		
175,000	19%	26%			18%	25%		
200,000	19%	26%			17%	25%		
250,000	19%	26%	34%		16%	24%	33%	
300,000	19%	26%	34%		14%	23%	33%	
400,000	19%	26%	34%		12%	21%	31%	
500,000	19%	26%	34%	43%	10%	19%	30%	41%
600,000	19%	26%	34%	43%	8%	17%	28%	41%
700,000	19%	26%	34%	43%	7%	15%	26%	39%
800,000	19%	26%	34%	43%	7%	13%	24%	38%
900,000	19%	26%	34%	43%	6%	12%	23%	37%
1,000,000	19%	26%	34%	43%	5%	11%	21%	35%
1,100,000	19%	26%	34%	43%	5%	10%	19%	34%
1,200,000	19%	26%	34%	43%	4%	9%	18%	32%
1,300,000	19%	26%	34%	43%	4%	8%	17%	31%
1,400,000	19%	26%	34%	43%	4%	8%	16%	29%
1,500,000	19%	26%	34%	43%	3%	7%	15%	28%
1,600,000	19%	26%	34%	43%	3%	7%	14%	27%
1,700,000	19%	26%	34%	43%	3%	6%	13%	25%
1,800,000	19%	26%	34%	43%	3%	6%	12%	24%
1,900,000	19%	26%	34%	43%	3%	6%	12%	23%
2,000,000	19%	26%	34%	43%	3%	5%	11%	22%
2,100,000	19%	26%	34%	43%	2%	5%	11%	21%
2,200,000	19%	26%	34%	43%	2%	5%	10%	20%
2,300,000	19%	26%	34%	43%	2%	5%	10%	19%
2,400,000	19%	26%	34%	43%	2%	4%	9%	18%
2,500,000	19%	26%	34%	43%	2%	4%	9%	18%
2,600,000	19%	26%	34%	43%	2%	4%	9%	17%
2,700,000	19%	26%	34%	43%	2%	4%	8%	16%
2,800,000	19%	26%	34%	43%	2%	4%	8%	16%
2,900,000	19%	26%	34%	43%	2%	4%	8%	15%
3,000,000	19%	26%	34%	43%	1%	3%	7%	14%
3,200,000	19%	26%	34%	43%	1%	3%	7%	13%
3,400,000	19%	26%	34%	43%	1%	3%	6%	13%
3,600,000	19%	26%	34%	43%	1%	3%	6%	12%

Created by: Jamey Fauque
Create Date: 5/26/2010
Updated by: Liz Bravender
Update Date: 7/23/2010

Hazard Group L (7/9)								
Pure Premium	Total Deductible				Total Deductible Limited Aggregate			
Size	25,000	50,000	100,000	200,000	25,000	50,000	100,000	200,000
3,800,000	19%	26%	34%	43%	1%	3%	6%	11%
4,000,000	19%	26%	34%	43%	1%	2%	5%	11%
4,250,000	19%	26%	34%	43%	1%	2%	5%	10%
4,500,000	19%	26%	34%	43%	1%	2%	5%	9%
4,750,000	19%	26%	34%	43%	1%	2%	4%	9%
5,000,000	19%	26%	34%	43%	1%	2%	4%	8%
5,500,000	19%	26%	34%	43%	1%	2%	4%	7%
6,000,000	19%	26%	34%	43%	0%	1%	3%	7%
6,500,000	19%	26%	34%	43%	0%	1%	3%	6%
7,000,000	19%	26%	34%	43%	0%	1%	3%	5%
8,000,000	19%	26%	34%	43%	0%	1%	2%	5%
9,000,000	19%	26%	34%	43%	0%	1%	2%	4%
10,000,000	19%	26%	34%	43%	0%	0%	1%	3%
12,500,000	19%	26%	34%	43%	0%	0%	1%	3%
15,000,000	19%	26%	34%	43%	0%	0%	1%	2%
17,500,000	19%	26%	34%	43%	0%	0%	1%	2%
20,000,000	19%	26%	34%	43%	0%	0%	0%	1%
25,000,000	19%	26%	34%	43%	0%	0%	0%	0%

Common Sense Business Regulation (BWC Rules)

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

Rule 4123-17-05.1

Rule Review

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

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

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

   What goal(s): The rule notifies private employers of the credibility table to be used in experience rating for the policy year 7/1/2011 through 6/30/2012.

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: Since we are recommending no change, we did not seek input from stakeholders.

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

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

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

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

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

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

Board of Directors
Executive Summary

Private Employers Credibility Table Used for Experience Rating

At the October 2009 Workers' Compensation Board of Directors meeting, the board approved the maximum credibility for Private Employers for the 7-1-2010 rating year at 65%. The recommendation of the administrator is to adopt the 65% maximum credibility table for Private Employer rates for the rating year beginning 7-1-2011.

The base rate recommendation for Private Employers will be brought to this committee and workers' compensation board of directors in the spring of 2011.

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

The administrator of workers' compensation, with the advice and consent of the bureau of workers' compensation board of directors, has authority to approve contributions made to the state insurance fund by employers pursuant to sections 4121.121, 4123.29, and 4123.34 of the Revised Code. The administrator hereby sets the credibility table part A, “credibility and claim maximum value of a loss,” to be effective July 1, ~~2010~~ 2011, applicable to the payroll reporting period July 1, ~~2010~~ 2011, through June 30, ~~2011~~ 2012, for private employers as indicated in the attached appendix A.

Effective: 07/01/2011

____
Certification

____
Date

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

DRAFT – NOT FOR FILING

TABLE 1

PART A

Credibility and Claim Maximum Value of a Loss

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

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

<u>Common Sense Business Regulation (BWC Rules)</u>

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

Rules 4123-17-64.1

<u>Rule Review</u>

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

   Citation: __R.C. 4123.29, 4123.34_________ ___

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

   What goal(s): _ This rule establishes the group rating break even factors to apply to group rating employers for rating equity for policy year 7/1/2011 to 6/30/2012. The rule establishes the factors and informs employers of the factors for consideration in rate planning.

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

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

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

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

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

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

   Explain: <u>Since we are recommending no change, we did not seek input from stakeholders.</u>

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

Private Employer Break-Even Factor

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

Background Information
In October 2009, the Board of Directors approved a change from a single break-even factor to a set of progressive break-even factors based on the group EM in order to provide more premium equity to group rated employers. This change was effective with the policy year beginning July 1, 2010.

Executive summary

The Administrator is recommending no change to the methodology or to the actual break-even factors. The highest group experience credit modifier of 0.35 will continue to have a group break-even factor of 1.407. The lowest group experience credit modifier of 0.83 will continue to have a group break-even factor of 1.00.

The single break-even factor for policy year 7-1-2009 was 1.311. For policy year 7-1-2010, the average break-even factor was projected to be approximately 1.227. For policy year 7-1-2011, the average break-even factor is projected to remain the same.

In June 2010, the Board approved the use of the progressive break-even factor methodology for the public employer taxing district employers for the January 1, 2011 rating year.

Private Employer Stratified Break Even Factors
Effective EM

Policy Year 7-1-2011 Group Rated Experience Modifier	Group Break Even Factor	Effective EM	Policy Year 7-1-2011 Group Rated Experience Modifier	Group Break Even Factor	Effective EM
0.35	1.407	0.49	0.68	1.127	0.77
0.36	1.399	0.50	0.69	1.119	0.77
0.37	1.390	0.51	0.70	1.110	0.78
0.38	1.382	0.53	0.71	1.102	0.78
0.39	1.373	0.54	0.72	1.093	0.79
0.40	1.365	0.55	0.73	1.085	0.79
0.41	1.356	0.56	0.74	1.076	0.80
0.42	1.348	0.57	0.75	1.068	0.80
0.43	1.339	0.58	0.76	1.059	0.80
0.44	1.331	0.59	0.77	1.051	0.81
0.45	1.322	0.59	0.78	1.042	0.81
0.46	1.314	0.60	0.79	1.034	0.82
0.47	1.305	0.61	0.80	1.025	0.82
0.48	1.297	0.62	0.81	1.017	0.82
0.49	1.288	0.63	0.82	1.008	0.83
0.50	1.280	0.64	0.83	1.000	0.83
0.51	1.271	0.65	0.84	1.000	0.84
0.52	1.263	0.66	0.85	1.000	0.85
0.53	1.254	0.66	0.86	1.000	0.86
0.54	1.246	0.67	0.87	1.000	0.87
0.55	1.237	0.68	0.88	1.000	0.88
0.56	1.229	0.69	0.89	1.000	0.89
0.57	1.221	0.70	0.90	1.000	0.90
0.58	1.212	0.70	0.91	1.000	0.91
0.59	1.204	0.71	0.92	1.000	0.92
0.60	1.195	0.72	0.93	1.000	0.93
0.61	1.187	0.72	0.94	1.000	0.94
0.62	1.178	0.73	0.95	1.000	0.95
0.63	1.170	0.74	0.96	1.000	0.96
0.64	1.161	0.74	0.97	1.000	0.97
0.65	1.153	0.75	0.98	1.000	0.98
0.66	1.144	0.76	0.99	1.000	0.99
0.67	1.136	0.76	1.00	1.000	1.00

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

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

Appendix A of Rule 4123-17-64.1

Private Employer Break-even Factors

Policy Year ~~7-1-2010~~ 7-1-2011 Group Rated Experience Modifier	**Group Break-even Factor**		**Policy Year ~~7-1-2010~~ 7-1-2011 Group Rated Experience Modifier**	**Group Break-even Factor**
0.35	1.407		0.68	1.127
0.36	1.399		0.69	1.119
0.37	1.390		0.70	1.110
0.38	1.382		0.71	1.102
0.39	1.373		0.72	1.093
0.40	1.365		0.73	1.085
0.41	1.356		0.74	1.076
0.42	1.348		0.75	1.068
0.43	1.339		0.76	1.059
0.44	1.331		0.77	1.051
0.45	1.322		0.78	1.042
0.46	1.314		0.79	1.034
0.47	1.305		0.80	1.025
0.48	1.297		0.81	1.017
0.49	1.288		0.82	1.008
0.50	1.280		0.83	1.000
0.51	1.271		0.84	1.000
0.52	1.263		0.85	1.000
0.53	1.254		0.86	1.000
0.54	1.246		0.87	1.000
0.55	1.237		0.88	1.000
0.56	1.229		0.89	1.000
0.57	1.221		0.90	1.000
0.58	1.212		0.91	1.000
0.59	1.204		0.92	1.000
0.60	1.195		0.93	1.000
0.61	1.187		0.94	1.000
0.62	1.178		0.95	1.000
0.63	1.170		0.96	1.000
0.64	1.161		0.97	1.000
0.65	1.153		0.98	1.000
0.66	1.144		0.99	1.000
0.67	1.136		1.00	1.000

Ohio Bureau of Workers' Compensation Educational Session – Reserve Methodology

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July 26, 2010

AGENDA

Objective and Actuarial Process

Life Cycle

Ultimate Loss

Paid Loss Development Method

Paid Bornhuetter-Ferguson Method

Tail

Uncertainty

Deloitte Unpaid Loss Estimates

Discount Illustration

July 26, 2010 Actuarial Committee Meeting

Objective

Determine an actuarial central estimate of the discounted unpaid loss associated with claims occurring on or before June 30, 2010

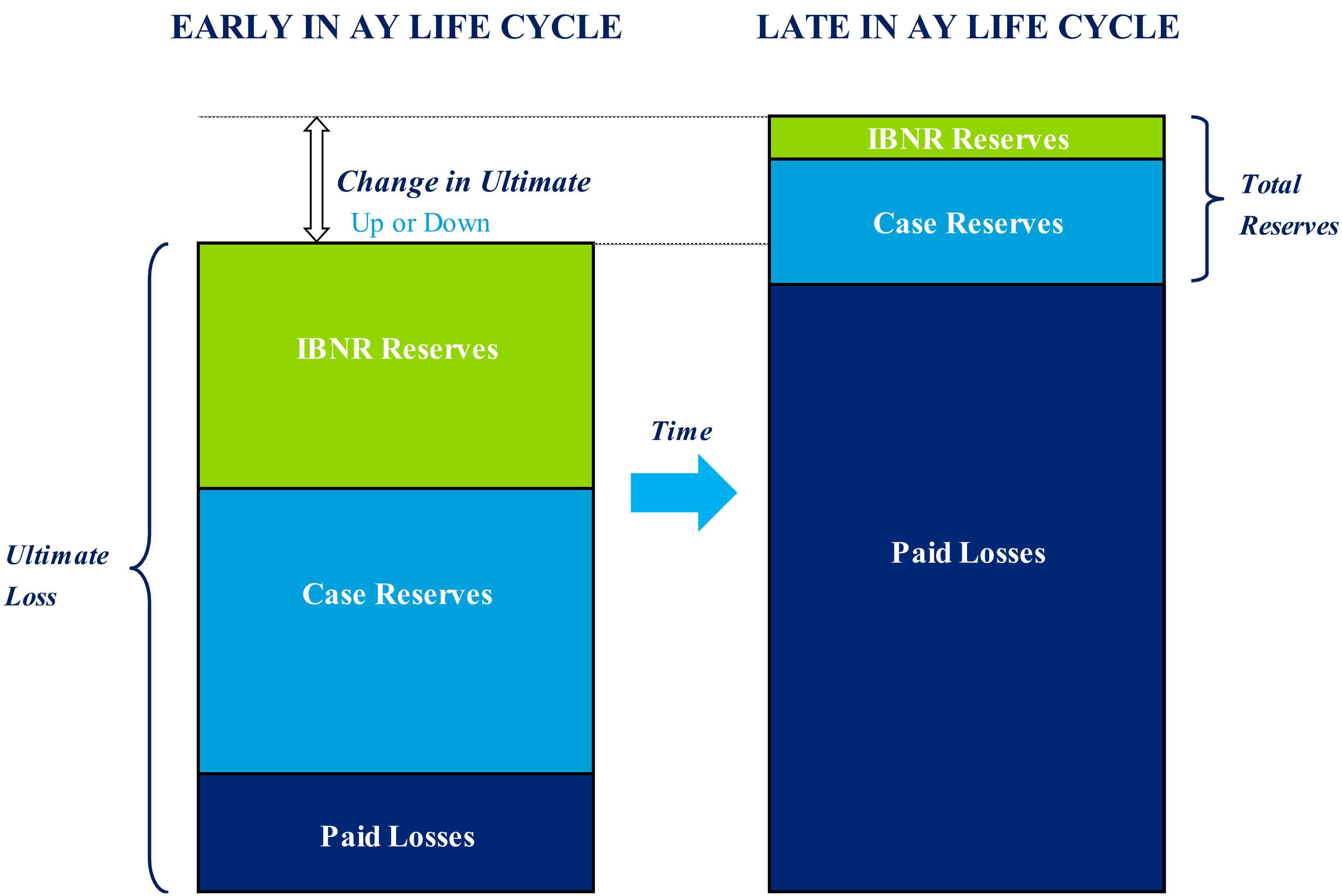
Actuarial Process

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

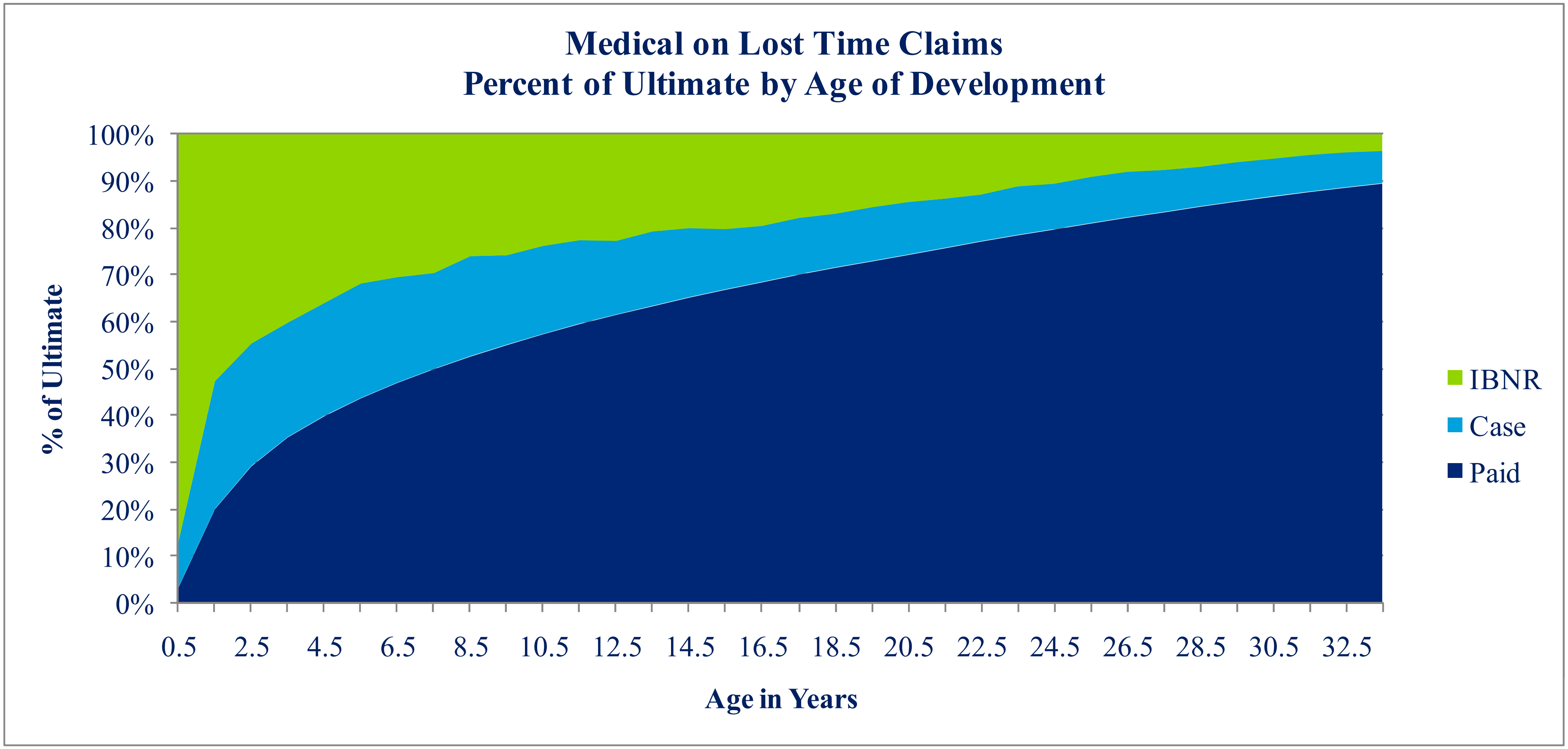
1. Ultimate Loss Estimates – Based on actuarial methodologies
    - Ultimate Loss = Paid Loss + MIRA Case Reserves + Incurred But Not Reported ("IBNR")
    - IBNR consists of the following:
        - "Pure" IBNR; claims not yet known and not recorded
        - "Pipeline" IBNR; claims known but not yet recorded
        - Case development; future development on known recorded claims
2. Nominal Unpaid Loss Estimate – Calculated as ultimate losses less payments through June 30, 2010
3. Discounted Unpaid Loss Estimate – Discounted unpaid losses are determined as the undiscounted unpaid loss estimate adjusted for expected future investment income

- Separate estimates are determined for each accident year from 1977 through 2010
- Unpaid loss estimates accident years 1976 & prior are determined for all years combined based on analyzing historical incremental annual payments

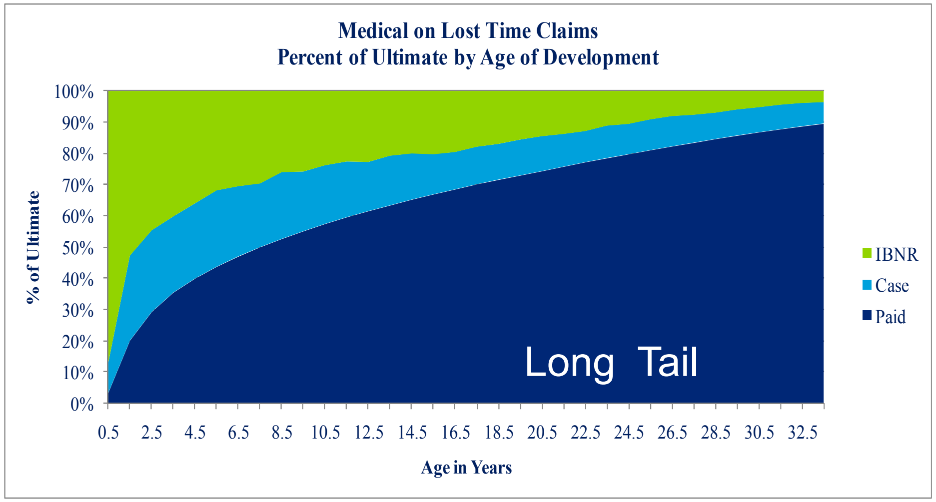
Life Cycle

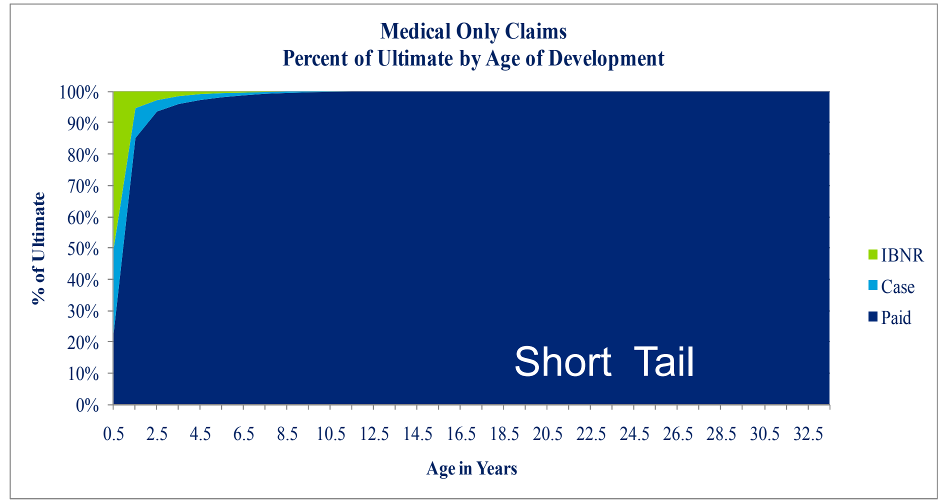

EARLY IN AY LIFE CYCLE
LATE IN AY LIFE CYCLE
Change in Ultimate
Up or Down
IBNR Reserves
Case Reserves
Paid Losses
Ultimate
Loss
Time
IBNR Reserves
Case Reserves
Paid Losses
Total
Reserves

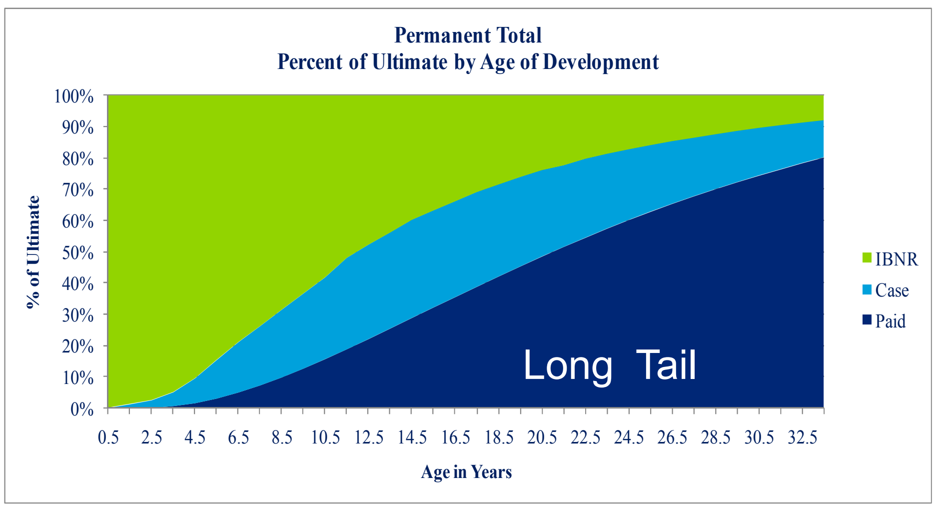
Life Cycle

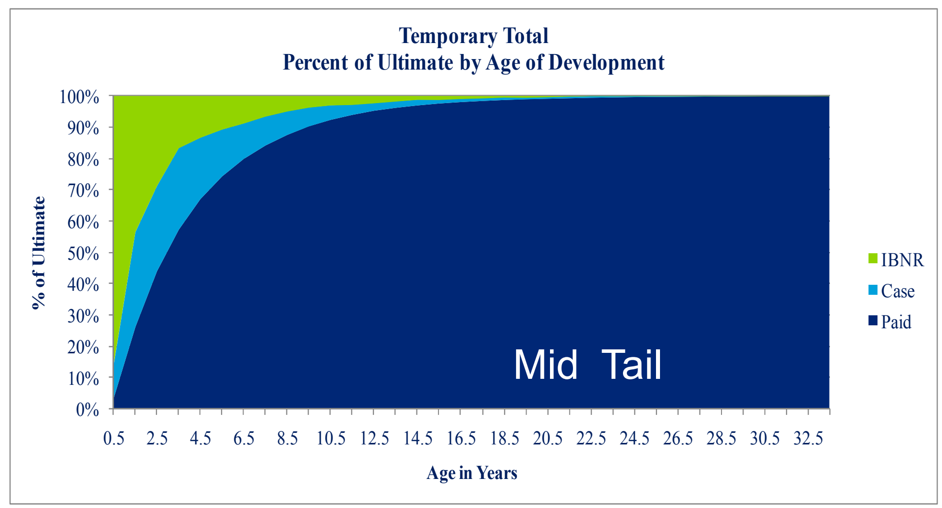

Medical on Lost Time Claims
Percent of Ultimate by Age of Development
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
% of Ultimate
0.5
2.5
4.5
6.5
8.5
10.5
12.5
14.5
16.5
18.5
20.5
22.5
24.5
26.5
28.5
30.5
32.5
Age in Years
IBNR
Case
Paid

Life Cycle









- Time to develop to ultimate varies by type of loss
- Separate estimates for Medical Only, Medical on Lost Time Claims and by compensation type (PTD, Death, TT, etc.)

Ultimate Loss

We utilize 9 methodologies to determine ultimate loss estimates separately by Accident Year:

1) Paid Loss Development
2) Incurred Loss Development
3) Paid Bornhuetter-Ferguson
4) Incurred Bornhuetter-Ferguson
5) Paid Cumulative Frequency/Severity Accident Year Development
6) Paid Incremental Frequency/Severity Accident Year Development
7) Paid Incremental Frequency/Severity Calendar Year Development
8) Paid Incremental Trended Frequency/Severity
9) Incremental Index Payment

- Methods 1) through 8) are used for Medical and methods 1) through 6) and 9) are used for Compensation
- Methods 1) through 5) are the most commonly used actuarial methods for workers Compensation
- A description of each method is included in Appendix 1. However, we will walk you through the Paid Loss Development and Paid Bornhuetter-Ferguson Methods shortly.

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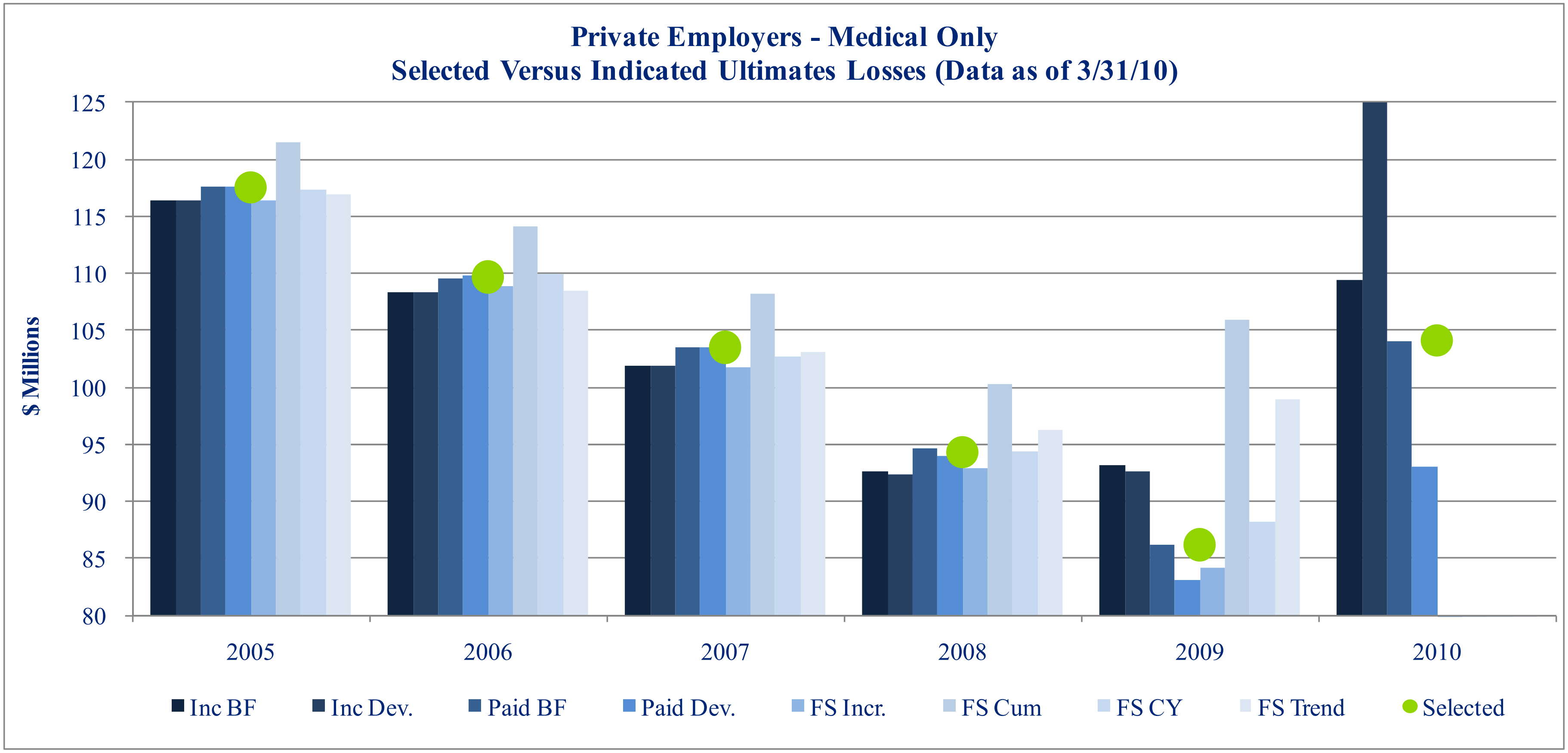
Ultimate Loss



Selection of Ultimate Loss

Our selected ultimate losses are based on the Paid Loss Development and Paid Bornhuetter-Ferguson methods for all types of loss. More weight is applied to the Paid Bornhuetter-Ferguson method in less mature accident years (ie., 2009/10) and to the Paid Loss Development method in more mature accident years (ie., 2005).

Ultimate Loss

PRIVATE EMPLOYERS - MEDICAL ONLY
(DATA EVALUATED AS OF 3/31/2010)

ACCIDENT YEAR	INDICATED ULTIMATE LOSS: LOSS DEVELOPMENT PAID	LOSS DEVELOPMENT INCURRED	BORNHUETTER-FERGUSON PAID	BORNHUETTER-FERGUSON INCURRED	PAID CUM. FREQ/SEV AY DEV.	PAID INCR. FREQ/SEV AY DEV.	PAID INCR. FREQ/SEV CY DEV.	PAID INCR. TRENDED FREQ/SEV	SELECTED ULTIMATE LOSS
1977	19,673	19,673	19,673	19,673	19,676	19,673	19,673	19,673	**19,673**
1978	22,681	22,681	22,681	22,681	22,684	22,681	22,681	22,681	**22,681**
⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮
1997	77,059	77,121	77,059	77,121	77,095	77,069	77,050	77,039	**77,059**
1998	85,704	85,795	85,704	85,795	85,774	85,727	85,714	85,712	**85,704**
1999	94,219	94,291	94,219	94,291	94,339	94,257	94,274	94,253	**94,219**
2000	103,445	103,481	103,445	103,481	103,654	103,455	103,498	103,457	**103,445**
2001	108,898	108,842	108,898	108,842	109,282	108,673	108,774	108,895	**108,898**
2002	118,587	118,364	118,587	118,365	119,197	118,279	118,497	118,607	**118,587**
2003	120,024	119,648	120,024	119,649	121,165	119,579	119,914	119,937	**120,024**
2004	116,221	115,490	116,221	115,494	118,693	114,977	115,442	116,051	**116,221**
2005	117,538	116,427	117,538	116,435	121,446	116,379	117,315	116,892	**117,538**
2006	109,793	108,364	109,579	108,305	114,093	108,835	109,954	108,453	**109,686**
2007	103,505	101,845	103,526	101,884	108,202	101,774	102,741	103,127	**103,515**
2008	93,967	92,301	94,669	92,647	100,302	92,886	94,344	96,277	**94,318**
2009	83,040	92,572	86,205	93,103	105,923	84,218	88,268	98,908	**86,205**
2010	93,026	137,733	104,079	109,458					**104,079**

Selection of Ultimate Loss

- Our selected ultimate losses for longer tail types of loss, such as medical on lost time claims and permanent total compensation, we put more weight on the Paid Bornhuetter-Ferguson Method than displayed above for Medical Only

Paid Loss Development Method

Private Employers - Medical Only ($000's)

Step 1
Organize Calendar Year Payments into Incremental Triangle

Incremental Payments

AY	6	18	30	42	54	66	78	90	102	114
2001	19,009	70,455	11,992	3,491	1,524	921	473	282	208	94
2002	22,281	77,975	11,431	3,068	1,414	648	550	341	134	
2003	26,799	75,924	11,075	2,653	951	569	619	269		
2004	25,963	74,991	9,858	1,956	871	208	304			
2005	26,726	74,773	8,732	2,725	1,320	727				
2006	24,317	67,106	9,923	3,503	1,529					
2007	23,085	65,334	8,376	1,971						
2008	22,967	57,611	5,962							
2009	19,408	45,993								
2010	5,952									

Payments made by BWC during FY 2008

Payments made by BWC during FY 2009

Step 2
Calculate Triangle of Cumulative Payments Through Each Valuation Age

Cumulative Payments

AY	6	18	30	42	54	66	78	90	102	114
2001	19,009	89,464	101,456	104,947	106,471	107,391	107,864	108,146	108,354	108,448
2002	22,281	100,256	111,686	114,754	116,168	116,816	117,366	117,707	117,841	
2003	26,799	102,723	113,798	116,451	117,402	117,972	118,591	118,860		
2004	25,963	100,955	110,812	112,768	113,639	114,112	114,416			
2005	26,726	101,499	110,231	112,956	114,277	115,004				
2006	24,317	91,423	101,345	104,848	106,376					
2007	23,085	88,418	96,795	98,766						
2008	22,967	80,577	86,539							
2009	19,408	65,402								
2010	5,952									

Notes: *1) Latest Diagonal is through March 31, 2010*
2) Accident Years are on a January 1 to December 31 basis

Paid Loss Development Method

Private Employers - Medical Only ($000's)

Cumulative Payments

AY	6	18	30	42	54	66	78	90	102	114
2001	19,009	89,464	101,456	104,947	106,471	107,391	107,864	108,146	108,354	108,448
2002	22,281	100,256	111,686	114,754	116,168	116,816	117,366	117,707	117,841	
2003	26,799	102,723	113,798	116,451	117,402	117,972	118,591	118,860		
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2006	24,317	91,423	101,345	104,848	106,376					
2007	23,085	88,418	96,795	98,766						
2008	**22,967**	**80,577**	86,539							
2009	19,408	65,402								
2010	5,952									

Age to Age Development Factors

	6-18	18-30	30-42	42-54	54-66	66-78	78-90	90-102	102-Ult	
2001	4.706	1.134	1.034	1.015	1.009	1.004	1.003	1.002	1.001	
2002	4.500	1.114	1.027	1.012	1.006	1.005	1.003	1.001		
2003	3.833	1.108	1.023	1.008	1.005	1.005	1.002			
2004	3.888	1.098	1.018	1.008	1.004	1.003				
2005	3.798	1.086	1.025	1.012	1.006					
2006	3.760	1.109	1.035	1.015						
2007	**3.830**	1.095	1.020							
2008	3.508	1.074								
2009	3.370									
Sel. ATA Factor	**3.750**	1.100	1.026	1.013	1.009	1.006	1.005	1.003		
Age to Ult Factor	**4.412**	**1.177**	1.070	1.042	1.029	1.020	1.014	1.009	**1.006**	**Selected Tail Factor**

=80,577 / 22,967

= 3.750 x 1.177

Step 3
Determine Cumulative Development Factors for Each Triangle Valuation Age

Paid Loss Development Method

Step 4

Determine Cumulative Development Factors for Each AY Age as of 3/31/2010

(Based on Cumulative Development Factors Determined in Step 3)

Private Employers - Medical Only

AY	Age of Selected PDF Low Age	Age of Selected PDF High Age	Age at 3/31/2010	Paid Development Factors Low Age	Paid Development Factors High Age	Paid Development Factors 3/31/10 Age
	(1)	(2)	(3)	(4)	(5)	(6)
1977	390	402	399	1.000	1.000	**1.000**
1978	378	390	387	1.000	1.000	**1.000**
⋮	⋮	⋮	⋮	⋮	⋮	⋮
1997	150	162	159	1.001	1.000	**1.000**
1998	138	150	147	1.001	1.001	**1.001**
1999	126	138	135	1.002	1.001	**1.001**
2000	114	126	123	1.004	1.002	**1.003**
2001	102	114	111	1.006	1.004	**1.004**
2002	90	102	99	1.009	1.006	**1.006**
2003	78	90	87	1.014	1.009	**1.010**
2004	66	78	75	1.020	1.014	**1.016**
2005	**54**	**66**	**63**	**1.029**	**1.020**	**1.022**
2006	42	54	51	1.042	1.029	**1.032**
2007	30	42	39	1.070	1.042	**1.048**
2008	18	30	27	1.177	1.070	**1.086**
2009	6	18	15	4.412	1.177	**1.270**
2010	0	6	3		4.412	**15.629**

1.022 at age 63 is a function of 1.029 at age 54 and 1.020 at age 66

(1) & (2) Based on Triangle Ages Nearest to Col. (3)
(3) Age of AY as of March 31, 2010
(4) Cumulative Paid Dev. Factor Associated with Age in Col. (1) from Step 3
(5) Cumulative Paid Dev. Factor Associated with Age in Col. (2) from Step 3
(6) Interpolation of Col. (4) & Col. (5) To the age in Col. (3)

Paid Loss Development Method

Step 5

Determine Ultimate Loss Estimate for Each AY

(Total Loss Payments to Date x Cumulative Development Factor)

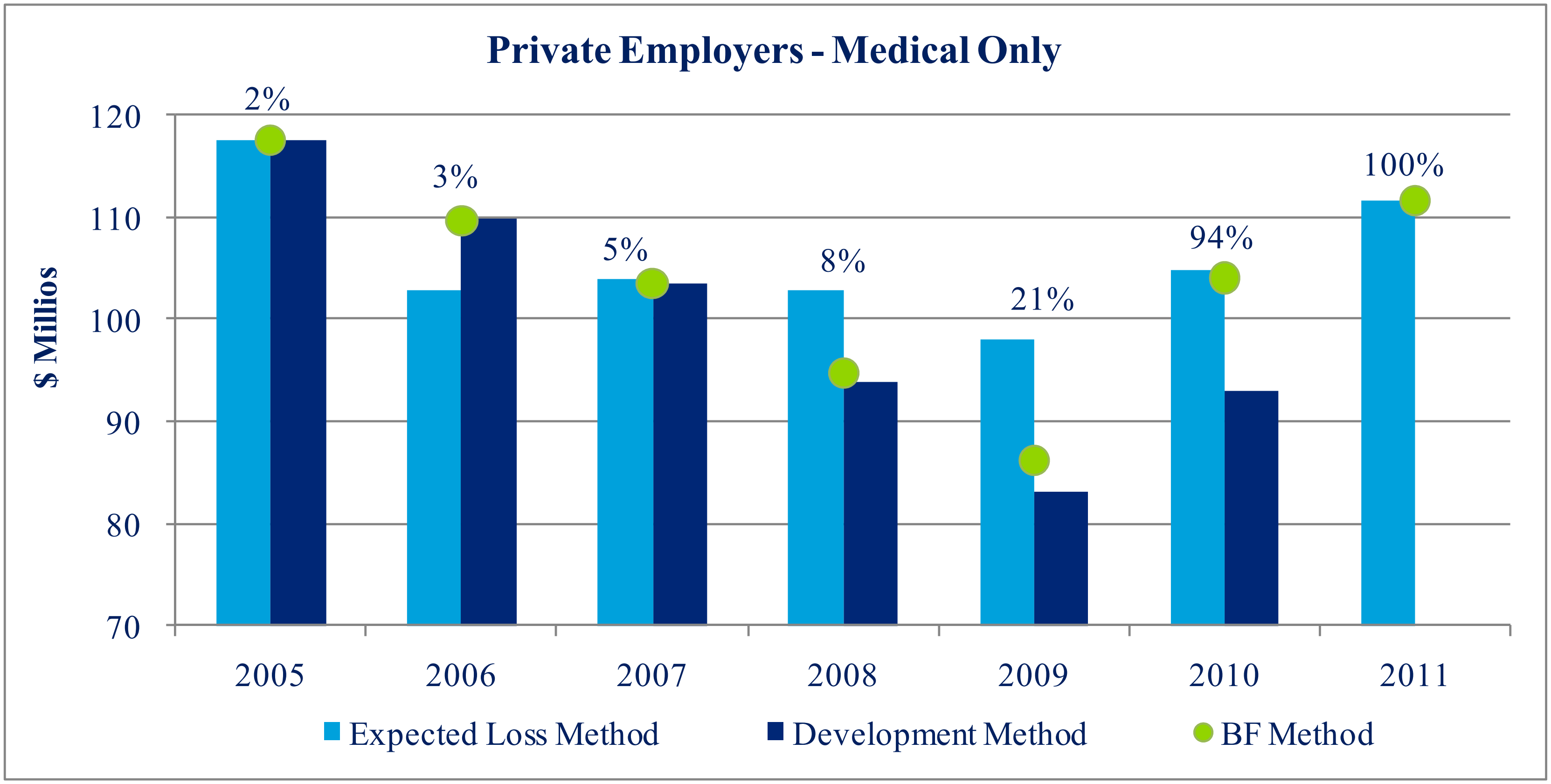
Private Employers - Medical Only ($000's)

AY	Age (Months)	Paid Loss	Paid Dev. Factor	Indicated Ultimate Loss @ 3/31/10
	(1)	(2)	(3)	(4)
1977	399	19,673	1.000	**19,673**
1978	387	22,681	1.000	**22,681**
⋮	⋮	⋮	⋮	⋮
1997	159	77,032	1.000	**77,059**
1998	147	85,641	1.001	**85,704**
1999	135	94,086	1.001	**94,219**
2000	123	103,181	1.003	**103,445**
2001	111	108,448	1.004	**108,898**
2002	99	117,841	1.006	**118,587**
2003	87	118,860	1.010	**120,024**
2004	75	114,416	1.016	**116,221**
2005	**63**	**115,004**	**1.022**	**117,538**
2006	51	106,376	1.032	**109,793**
2007	39	98,766	1.048	**103,505**
2008	27	86,539	1.086	**93,967**
2009	15	65,402	1.270	**83,040**
2010	3	5,952	15.629	**93,026**

(1) Age of Accident Year as of 3/31/2010
(2) Most Recent Diagonal From Step 2
(3) Col. (6) from Step 4
(4) = Col. (2) x Col. (3)

Paid Bornhuetter-Ferguson Method

Weighs Paid Development Method and Expected Loss method together with more weight applied to the Expected Loss Method in more recent AYs



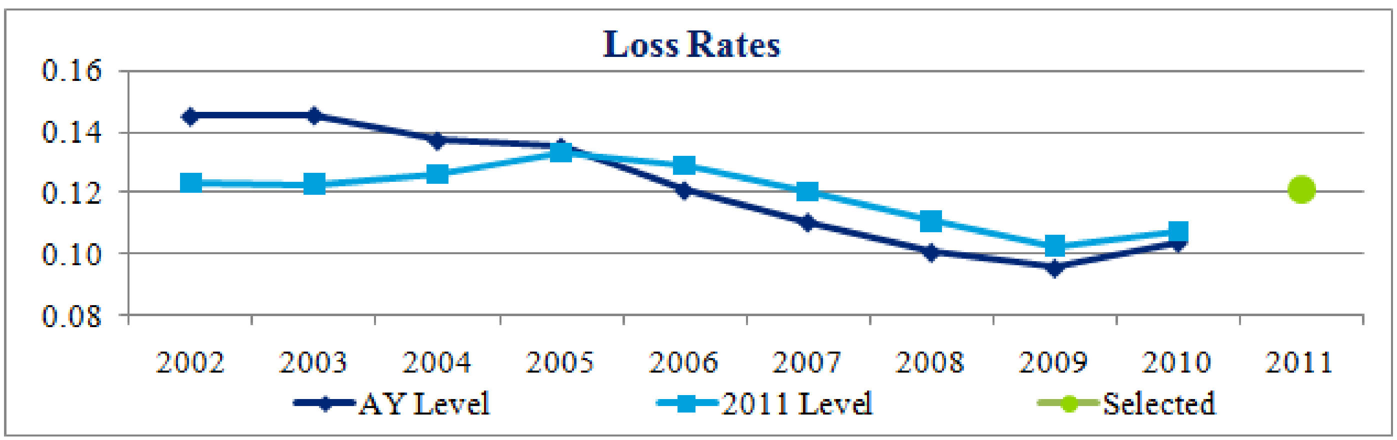
- Percentages displayed represent weights applied to the expected loss. 1.0 – the displayed percentages are applied to the development method

Paid Bornhuetter-Ferguson Method - Expected Loss

Expected loss is determined by multiplying payroll by an expected loss rate

Private Employers - Medical Only ($000's)

AY	Development Method Loss Rate		Adjusted to 2011 Loss Rate		Selected Loss Rate (1)	Payroll (2)	Expected Ultimate Loss = (1) x (2) / 100
2002	0.15	Adjusted to 2011 level for wage frequency, and severity trends	0.12	Adjusted back to AY Level based on wage, frequency and severity trends	0.15	81,621,352	118,588
2003	0.15		0.12		0.15	82,433,234	120,025
2004	0.14		0.13		0.14	84,632,753	116,222
2005	0.14		0.13		0.14	86,912,307	117,539
2006	0.12		0.13		0.11	90,822,757	102,914
2007	0.11		0.12		0.11	93,726,532	103,965
2008	0.10		0.11		0.11	93,398,661	102,841
2009	0.10		0.10		0.11	86,989,231	97,941
2010	0.10		0.11		0.12	89,598,908	104,835
2011					0.12	92,286,876	111,667
	2011 Selected Loss Rate:		0.12				



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Tail

Private Employers - Medical Lost Time

Cumulative Payments (000's)

AY	6	18	30	42	54	66	318	330	342	354	366	378	390	402
1977	2,880	23,245	39,840	47,225	53,483	60,020	....	173,537	176,793	179,696	181,926	184,389	186,792	188,623
1978	3,479	28,077	48,122	57,512	65,924	74,139	....	204,370	207,501	209,832	212,316	214,366	216,160	
1979	3,915	31,602	55,123	67,520	78,085	88,286	....	236,723	239,504	242,721	245,697	247,749		
1980	3,992	32,658	57,874	71,038	82,026	92,377	....	230,808	233,741	236,565	238,814			
1981	4,374	35,735	63,038	76,850	88,059	98,410	....	233,985	237,304	239,629				
1982	5,246	40,740	67,894	82,302	94,258	105,255	....	238,483	240,901					
1983	5,238	42,920	75,718	92,181	105,656	117,677	....	259,103						
⋮	⋮	⋮	⋮	⋮	⋮	⋮								
2005	27,077	158,005	222,192	268,846	305,129	327,996								
2006	23,632	143,183	213,425	259,365	284,728									
2007	23,719	140,087	204,828	238,366										
2008	24,456	143,750	195,305											
2009	18,835	90,353												
2010	4,797													

Triangle Period

Tail Period

Payments Beyond FY 2010

AGE-TO-AGE DEVELOPMENT FACTORS

AY	6-18	18-30	30-42	42-54	54-66		330-342	342-354	354-366	366-378	378-390	390-402
1977	8.071	1.714	1.185	1.133	1.122	....	1.019	1.016	1.012	1.014	1.013	1.010
1978	8.071	1.714	1.195	1.146	1.125	....	1.015	1.011	1.012	1.010	1.008	
1979	8.071	1.744	1.225	1.156	1.131	....	1.012	1.013	1.012	1.008		
1980	8.181	1.772	1.227	1.155	1.126	....	1.013	1.012	1.010			
1981	8.170	1.764	1.219	1.146	1.118	....	1.014	1.010				
1982	7.766	1.667	1.212	1.145	1.117	....	1.010					
1983	8.193	1.764	1.217	1.146	1.114	....						
⋮	⋮	⋮	⋮	⋮	⋮	⋮						
2005	5.835	1.406	1.210	1.135	1.075							
2006	6.059	1.491	1.215	1.098								
2007	5.906	1.462	1.164									
2008	5.878	1.359										
2009	4.797											

Triangle Period

Tail Period

Development Beyond FY 2010

Satisfied by Tail Factor

- Development continuing at older ages in the triangle period means development will likely go beyond observed period.

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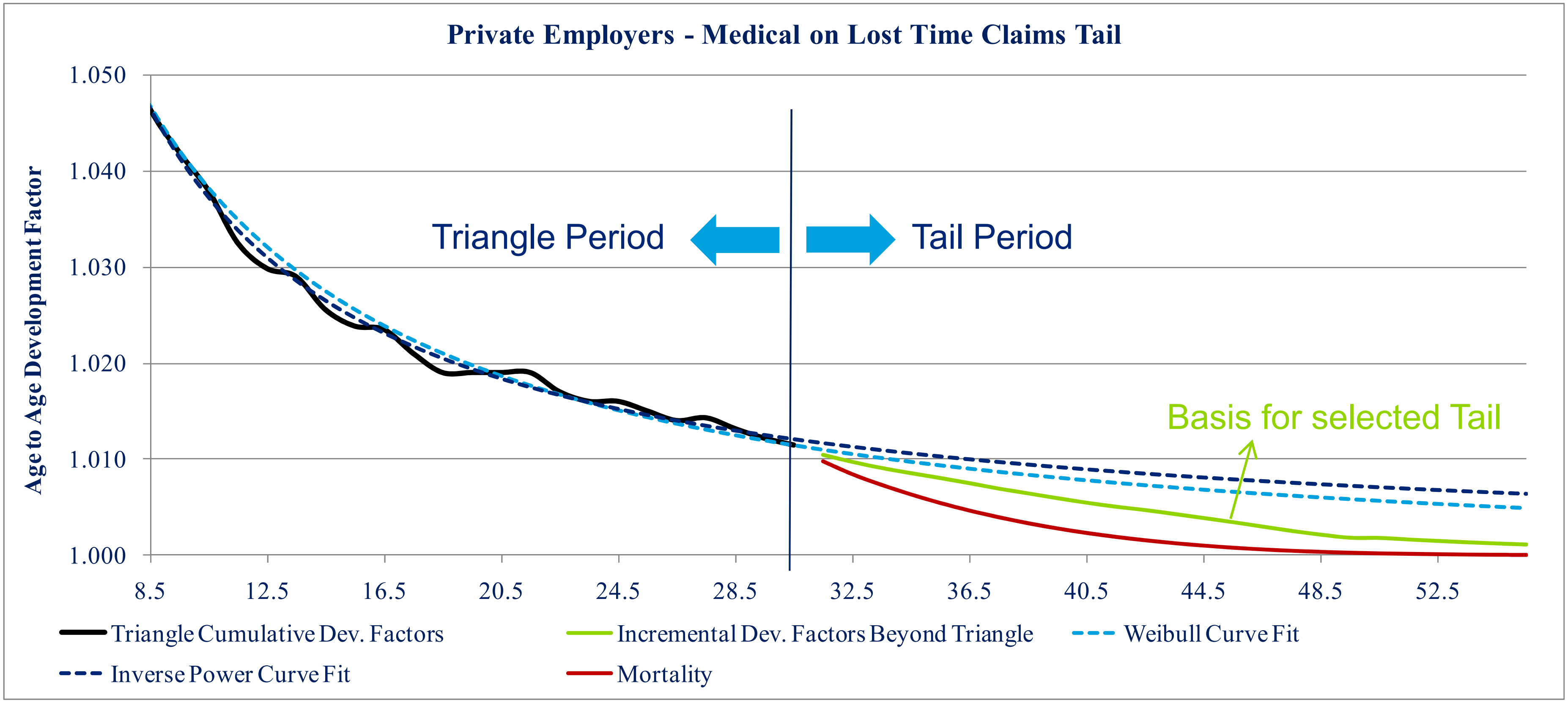
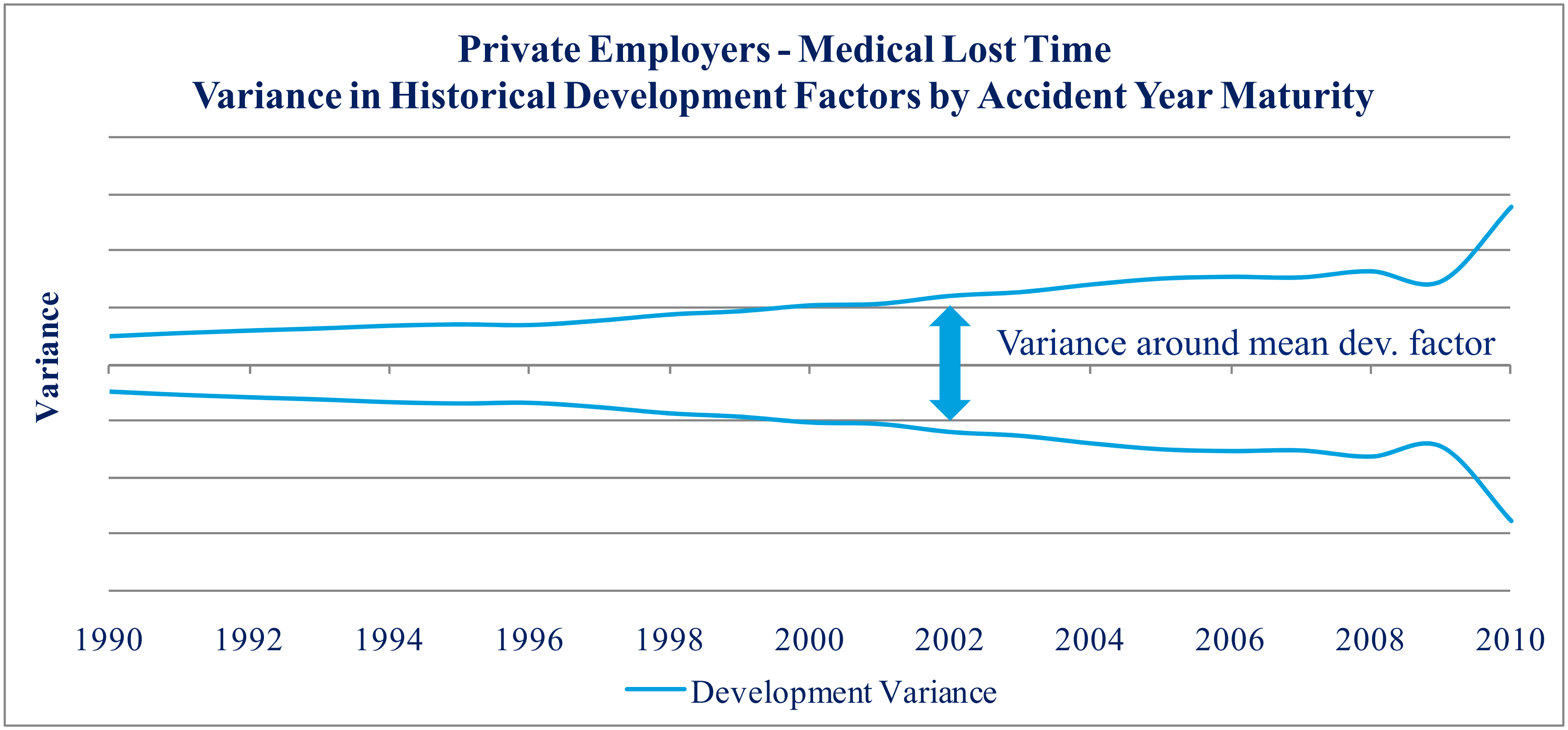


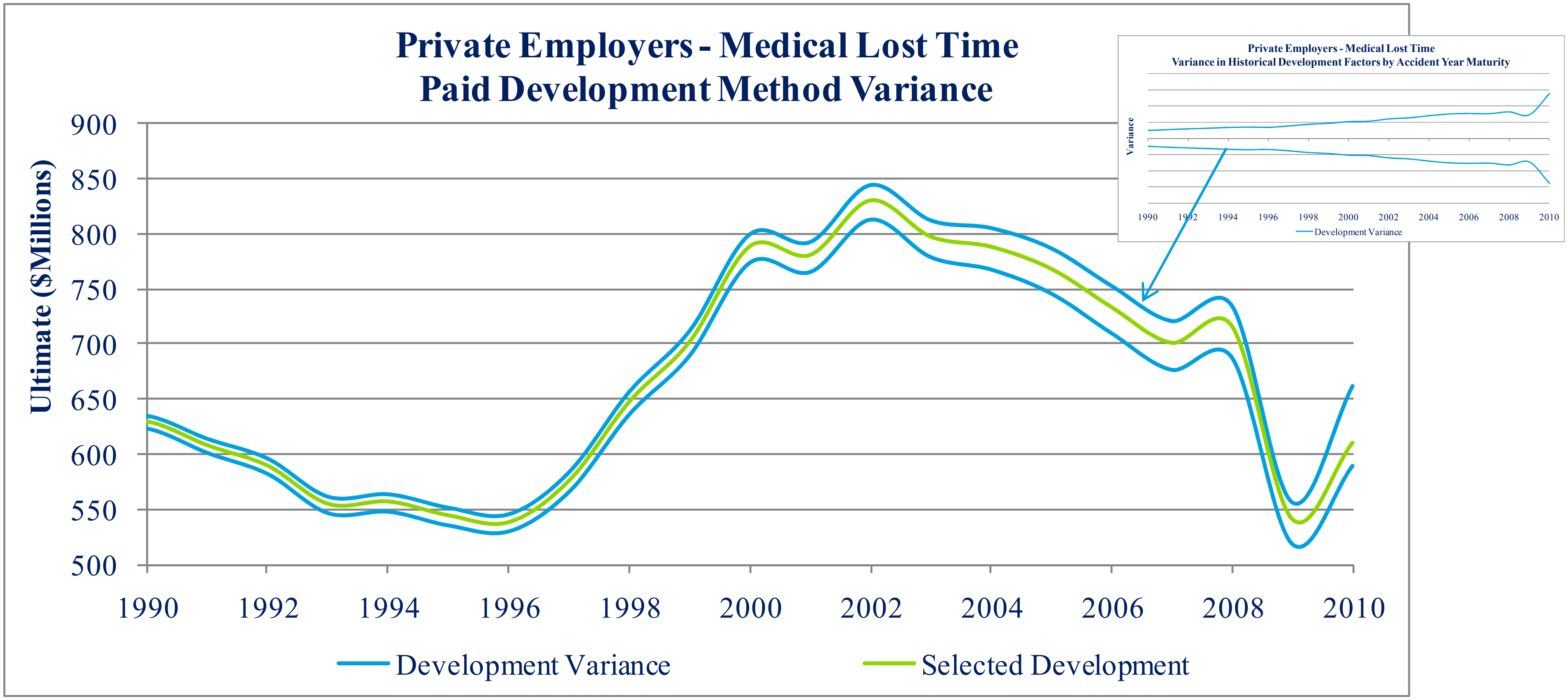
- Inverse Power and Weibull curves can be used to estimate development in the tail period by fitting a mathematical curve to the observed development in the triangle period - assumes continuation of observed mortality from triangle period
- Mortality alone does not consider increase in utilization as claimants age
- Selected tail determined primarily based on the persistency of actual BWC incremental payment over the past 7 years associated with accident years 1953 through 1976

Uncertainty – Development in Triangle Period



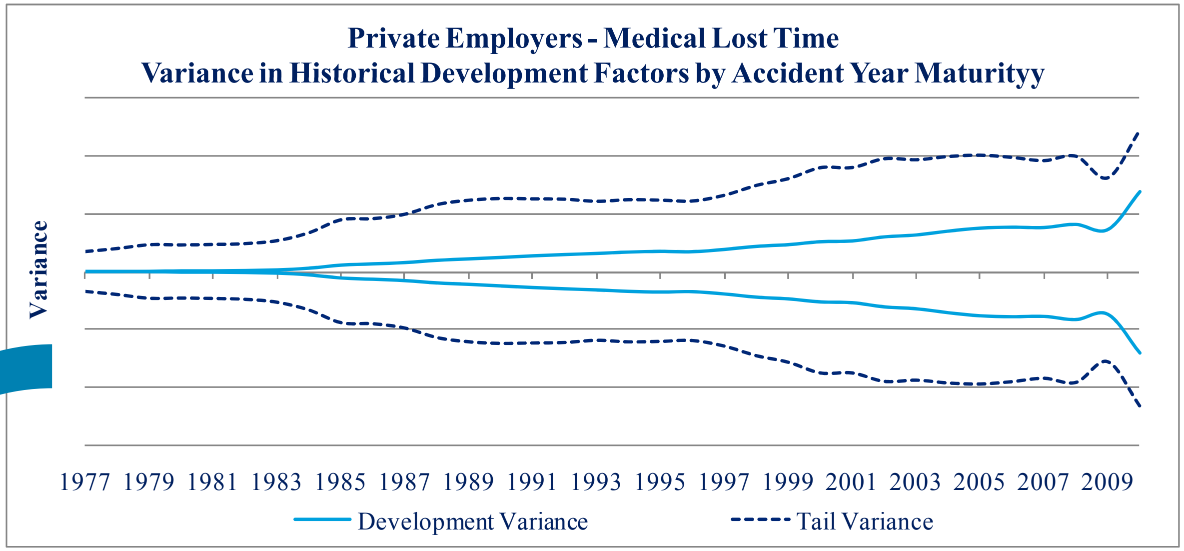
- More variance exists for less mature accident years, which leads to more uncertainty in the ultimate loss estimates as displayed in the following table

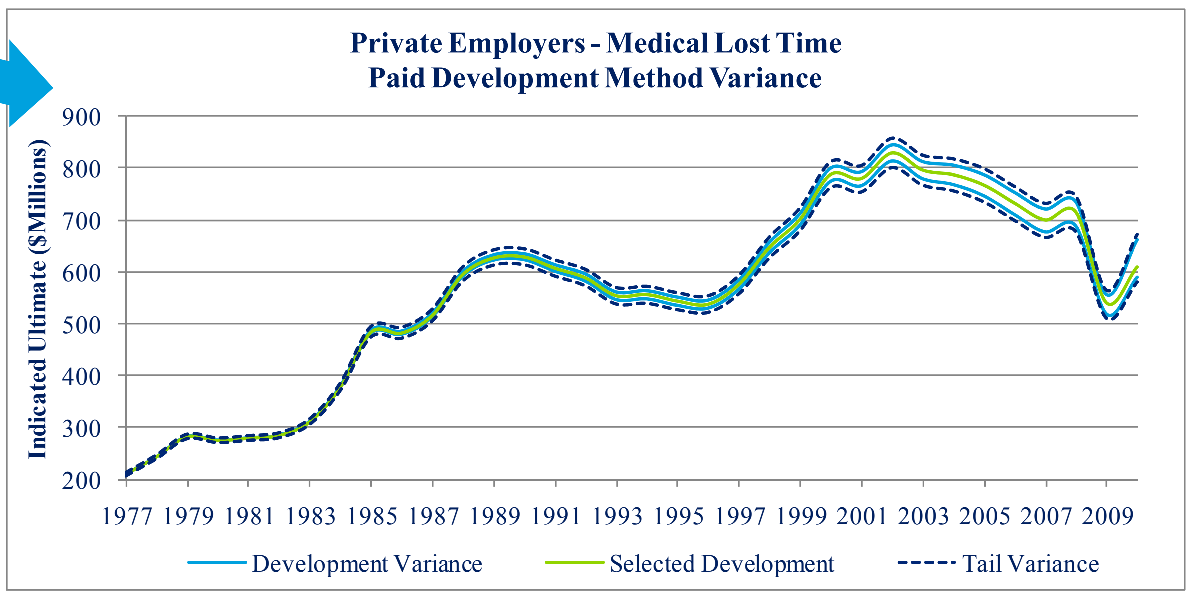
Uncertainty – Development in Triangle Period



- Uncertainty in the age to age development factors directly correlates to uncertainty in the Paid Development Method

Uncertainty – Additional in Tail Period





- Solid lines represent variability associated with development within the triangle period
- Dashed lines show additional variability associated with the tail

Medical Inflation

Private Employers - Medical Lost Time

Cumulative Payments (000's)

AY	6	18	30	42	54	66	318	330	342	354	366	378	390	402
1977	2,880	23,245	39,840	47,225	53,483	60,020	...	173,537	176,793	179,696	181,926	184,389	186,792	188,623
1978	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	70	207,501	209,832	212,316	214,366	216,160	
1979	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	23	239,504	242,721	245,697	247,749		
1980	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	[illegible]	5	238,814			
1981	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	35	237,304	239,				
1982	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	33	240,901					
1983	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	03						
⋮	⋮	⋮	⋮	⋮	⋮	⋮								
2005	27,077	158,005	222,192	268,846	305,129	327,996								
2006	23,632	143,183	213,425	259,365	284,728									
2007	23,719	140,087	204,828	238,366										
2008	24,456	143,750	195,305											
2009	18,835	90,353												
2010	4,797													

Historical development includes historical medical inflation associated with changes in transaction costs and utilization

Development includes provision for future medical inflation at rate observed in historical period

AGE-TO-AGE DEVELOPMENT FACTORS

AY	6-18	18-30	30-42	42-54	54-66			330-342	342-354	354-366	366-378	378-390	390-402
1977	8.071	1.714	1.185	1.133	1.122	...		1.019	1.016	1.012	1.014	1.013	1.010
1978	8.071	1.714	1.195	1.146	1.125	...		1.015	1.011	1.012	1.010	1.008	
1979	8.071	1.744	1.225	1.156	1.131	...		1.012	1.013	1.012	1.008		
1980	8.181	1.772	1.227	1.155	1.126	...		1.013	1.012	1.010			
1981	8.170	1.764	1.219	1.146	1.118	...		1.014	1.010				
1982	7.766	1.667	1.212	1.145	1.117	...		1.010					
1983	8.193	1.764	1.217	1.146	1.114	...							
⋮	⋮	⋮	⋮	⋮	⋮	⋮	⋮						
2005	5.835	1.406	1.210	1.135	1.075								
2006	6.059	1.491	1.215	1.098									
2007	5.906	1.462	1.164										
2008	5.878	1.359											
2009	4.797												

Observed Inflation

93-94	5.7%
94-95	7.6%
95-96	6.5%
96-97	4.4%
97-98	6.5%
98-99	6.8%
99-00	5.3%
00-01	6.9%
01-02	7.5%
02-03	8.2%
03-04	6.9%
04-05	6.8%
05-06	6.1%
06-07	5.9%
07-08	6.4%
08-09	5.7%
5 yr avg	**6.4%**
10 yr avg	**6.7%**
15 yr avg	**6.5%**

+1%

-1%

- A **+1% sustained** change in future annual medical inflation over observed historical medical inflation would increase future discounted medical payments by **$925 million** for PA, PEC and PES (6% increase in total discounted future payments)
- A **-1% sustained** change in future annual medical inflation over historical would decrease future discounted medical payments by **$740 million** (5% decrease)

Deloitte Unpaid Estimates as of June 30, 2010

(Based on Data as of March 31, 2010)

Comparison of June 30, 2010 Unpaid Loss and LAE Discounted at 4.5% and 4.0% ($ Millions)

	Deloitte Nominal Unpaid	Deloitte Evaluated 4.5% Rate	Deloitte Evaluated 4.0% Rate	Change in Discount Rate Impact	Amount of Discount 4.0% Rate	Discount / Nominal Unpaid (4%)
State Insurance Fund	24,809	15,016	15,718	*703*	9,090	36.6%
Disabled Workers Relief Fund	3,514	1,908	2,044	*137*	1,470	41.8%
Coal-Workers Pneumoconiosis Fund	182	68	74	*7*	108	59.2%
Self-Insuring Employers Guaranty Fund	1,929	819	889	*71*	1,040	53.9%
Public Work-Relief Employees' Compensation Fund	5	3	3	*0*	2	37.6%
Marine Industry Fund	4	2	2	*0*	1	37.1%
Administrative Cost Fund	1,794	1,068	1,116	*48*	678	37.8%
Total - All Funds	**32,237**	**18,882**	**19,847**	***965***	**12,390**	**38.4%**

- Our discounted unpaid estimate is based on a discount rate of 4.0% and reflects $12.4 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
- $12.4 billion of discount represents 38.4% of the total nominal unpaid loss estimate
- Changing the discount rate from 4.5% to 4.0% requires funding current funding of $965 million

March 31, 2010 Reserve Analysis

Discount Illustration

Given: Undiscounted Unpaid Loss of $100,000 paid in $20,000 equal installments over 5 years.

Cash Flow with Discount Rate of 4.5%

Calendar Year	Beginning Recorded Reserve	Interest Recorded In Year	Payment	Ending Recorded Reserve
	(1)	(2)	(3)	(4)
2011	**87,800**	**3,951**	(20,000)	71,751
2012	71,751	**3,229**	(20,000)	54,979
2013	54,979	**2,474**	(20,000)	37,453
2014	37,453	**1,685**	(20,000)	19,139
2015	19,139	**861**	(20,000)	-
Total		**12,200**		

Cash Flow with Discount Rate of 4.0%

Calendar Year	Beginning Recorded Reserve	Interest Recorded In Year	Payment	Ending Recorded Reserve
	(1)	(2)	(3)	(4)
2011	**89,036**	**3,561**	(20,000)	72,598
2012	72,598	**2,904**	(20,000)	55,502
2013	55,502	**2,220**	(20,000)	37,722
2014	37,722	**1,509**	(20,000)	19,231
2015	19,231	**769**	(20,000)	-
Total		**10,964**		

Cash Flow with Discount Rate of 0%

Calendar Year	Beginning Recorded Reserve	Interest Recorded In Year	Payment	Ending Recorded Reserve
	(1)	(2)	(3)	(4)
2011	**100,000**	-	(20,000)	80,000
2012	80,000	-	(20,000)	60,000
2013	60,000	-	(20,000)	40,000
2014	40,000	-	(20,000)	20,000
2015	20,000	-	(20,000)	-
Total		-		

- Regardless of the discount rate, $100,000 will be paid
- The higher the interest rate the lower the current recorded balance and the higher the bookings for future interest:
  - 4.5% Rate: 87,800 funded now, $12,200 over next 5 years
  - 4.0% Rate: 89,036 funded now, $10,964 over next 5 years
  - 0.0% Rate: 100,000 funded now, $0 over next 5 years

Changing the rate from 4.5% to 4.0% requires a shift in funding from future years to now. In this example, $1,237 = 89,036 – 87,800

Deloitte.

Appendix 1
Description of Actuarial Methods

Actuarial Methodologies

The following represents a detailed description of the actuarial methodologies used to determine ultimate loss estimates.

Paid Loss Development Method

This is a multiplicative method, in which paid losses are projected to ultimate based on prior historical development patterns. The development patterns are analyzed to determine loss development factors, a measure of the change in paid losses from a given maturity date until all claims are settled. The paid losses for a given accident year, multiplied by the appropriate cumulative development factor, provide an estimate of ultimate losses. The methodology assumes that historical paid loss development patterns are indicative of future development patterns. It requires, therefore, that consistent payments exist over time.

In applying this methodology, Deloitte Consulting selected paid loss development assumptions for accident year maturities from 1 year to 33 years based on analyzing the BWC's historical cumulative paid loss development triangles. To account for future development beyond 33 years of maturity, a tail factor was selected based on an analysis of incremental changes in calendar year payments since June 30, 2002 by accident year for claims occurring in 1953 and subsequent. Consideration was also given to Weibull and inverse power curve fits.

Incurred Loss Development Method

This method is analogous to the paid loss development method but utilizes incurred losses. Since this methodology involves case reserves, it requires that loss reporting and case reserving patterns be maintained over time.

Deloitte Consulting selected incurred loss development assumptions for accident year maturities from 1 year to 33 years based on analyzing the BWC's historical cumulative incurred loss development triangles. To account for future development beyond 33 years of maturity, a tail factor was selected based on Weibull and inverse power curve fits.

Paid Bornhuetter-Ferguson Method

The Bornhuetter-Ferguson paid loss method is essentially a combination of two other reserving techniques, the paid loss development method (described above), and the expected loss method. The expected loss method uses an expected loss rate and payroll input. Ultimate losses are calculated as the product of the loss rate and payroll. This method is particularly appropriate for more recent, immature accident years where paid losses are too small to provide reliable ultimate indications using loss development techniques.

The Bornhuetter-Ferguson paid loss method blends the paid loss development method and expected loss method by splitting expected losses into two distinct pieces, expected paid losses and expected unpaid losses. As an accident year matures, the initial expected losses are replaced with actual paid losses plus expected unpaid losses. Therefore, the initial expected loss estimate becomes less important while the actual paid loss experience increases in importance as an accident year matures.

Expected unpaid losses are based on the initial expected loss estimate and the expected payment pattern for a given accident year. The expected payment pattern is based on the paid loss development pattern selected for the paid loss development method, described above. The initial expected losses are the product of the accident year payroll and selected accident year initial expected loss rate. The initial expected loss rate for each accident year is selected based on historical trended loss experience and payroll.

Incurred Bornhuetter-Ferguson Method

The Bornhuetter-Ferguson incurred loss method is analogous to the paid Bornhuetter-Ferguson method except that it is based on incurred (reported) losses instead of paid losses. The same initial expected loss rate for each accident year used in the paid Bornhuetter-Ferguson method is utilized in this method.

Paid Cumulative Frequency/Severity Accident Year Development Method

This method is similar to the paid loss development method except it separates losses into frequency and severity. Specifically, reported claim counts are projected to ultimate based on historical cumulative reported claim count development patterns and average paid severities (paid loss/reported claim counts) are projected to ultimate based on historical cumulative severity patterns. Ultimate losses are then calculated as ultimate claim counts multiplied by ultimate severity.

Paid Incremental Frequency/Severity Accident Year Development Method

In this method, estimated payments in following fiscal calendar year for a given accident year are determined as the current fiscal calendar year payment times a persistency or decay factor. This is repeated for each future fiscal calendar year within each accident year until all future fiscal calendar year payments through age 30 years are projected. For a given accident year, paid losses to date and all future fiscal calendar year paid loss projections through age 33 years are then summed together and multiplied by an age 33-to-ultimate paid loss development factor to determine an estimate of ultimate losses.

The decay factors are base on analyzing the relationship of historical incremental paid loss severities from one development age to the next within each fiscal accident year. The historical incremental paid loss severity triangle was calculated by dividing the historical incremental paid loss triangle by the estimated ultimate number of lost time claims for each accident year. This method requires that consistent incremental payments relative to prior payments exist over time.

Paid Incremental Frequency/Severity Calendar Year Development Method

For this method, estimated payments in the following fiscal calendar year for a given accident year are determined as the current fiscal calendar year payment times a persistency factor (decay factor) and an implicit inflation load. This is repeated for each future fiscal calendar year within each accident year until all future fiscal calendar year payments through age 33 years are projected. For a given accident year, paid losses to date and all future fiscal calendar year paid loss projections through age 33 years are then summed together and multiplied by an age 33-to-ultimate paid loss development factor to determine an estimate of ultimate losses.

The decay factors are based on the relationship of historical incremental paid loss severities from one development age to the next within each fiscal calendar year. The historical incremental paid loss severity triangle was calculated by dividing the historical incremental paid loss triangle by the estimated ultimate number of lost time claims for each accident year.

By analyzing historical decay factors within each fiscal calendar year instead of within each accident year, as more common actuarial methods do, observed historical severity trends are removed from the persistency factors. As a result, an implicit load for future inflation must be included when projecting future calendar year payments. The fiscal calendar year inflation assumptions were selected based on observed severity trends within each Fund's own historical experience as well as a review of industry medical inflation trends.

Paid Incremental Trended Frequency/Severity Method

In this method, estimated payments in a future calendar fiscal year for a given accident year are determined by multiplying an estimated incremental paid loss severity adjusted for future inflation by the number of ultimate lost time claims. This is performed for each future fiscal calendar year within each accident year until all future fiscal calendar year payments through age 33 years are projected. For a given accident year, paid losses to date and all future fiscal calendar year paid loss projections through age 33 years are then summed together and multiplied by an age 33-to-ultimate paid loss development factor to determine an estimate of ultimate losses.

The estimated incremental paid loss severity for a given age was selected based on observed historical paid loss severities brought on level for inflation. Estimated incremental paid loss severities for future fiscal calendar year evaluations were determined by multiplying the selected incremental paid loss severities as of June 30, 2009 by an implicit load for future inflation. The fiscal calendar year inflation assumptions were selected based on observed severity trends within the SIF's own historical experience as well as a review of industry medical inflation trends.

This methodology is additive in nature and does not relate future payments to actual payments for a given accident year. Therefore, this method implicitly assumes consistent changes in benefits over time.

Incremental Index Payment Method

In this method, an estimate of ultimate losses is determined by multiplying an estimate of the average ultimate number of benefit weeks per claim by the average weekly wage and the ultimate number of claims. For a given accident year, the estimate of the average ultimate number of benefit weeks per claim is the actual average number of benefit weeks per claim to date plus an estimate of the average remaining number of benefit weeks per claim. The average remaining number of weeks per claim is the accumulation of the average number of weeks of benefit per claim for each future annual period. Each average number of weeks of benefit per claim for each future annual period was selected based on analyzing a historical triangle of the average number of weeks of benefit per ultimate claim. The average number of weeks of benefit per ultimate claim triangle was calculated as the incremental paid loss triangle divided by the number of ultimate claims and average weekly benefit.

This methodology is additive in nature and does not relate future payments to actual payments for a given accident year. Therefore, this method implicitly assumes consistent changes in benefits overtime

Actuarial Committee

Reserve Adjustments

No Materials

Discussion Only

Current Meeting Topics

Large Deductible Tables: New large deductible tables for public employer taxing districts (PECs) have been produced. Last month the board approved the removal of these tables while staff and Deloitte address a problem inherent in the previous version. As of this writing we are in the final steps of checking the entire analysis and resulting tables, and anticipate a first reading during the July meeting. We will also insert four manual classes for private employers (PAs) in the hazard group table, which allows the identification of the correct set of discounts.

Private Employer Credibility and Break-Even Factors Effective July 1, 2011: The second item is the proposal to keep the PA credibility and break-even factor tables unchanged for the policy year starting July 1, 2011. For the current policy year we have a credibility table with a maximum of 65 percent for risks with expected losses (from the four-year experience period) of at least $1 million, and minimum credibility of 6 percent for employers with expected loss of $2,000. The break-even factor table is stratified with the highest factor, 1.407, applicable to groups with experience modifiers (EMs) of 0.35, and the lowest factor, 1.008, applicable to a group EM of 0.82. The factor is 1.000 for group EMs above that level. We propose keeping these two tables unchanged for the next policy year.

There are several reasons for keeping these two tables unchanged for a year. We have made tremendous strides in bringing the overall group rate level close to the level of the costs these employers bring to the system. We have fully achieved the first two major steps we proposed in our rate reform plan from June 2008. The third step includes the move to a split-type experience rating plan including credibility tables based on actuarial science. Since the split-plan will be a “beta” version during the July 1, 2011 policy year and in full production during the July 1, 2012 policy year, it makes sense to hold the group rating parameters fixed until the split-plan is implemented in production. In addition to these considerations, we will have another year to measure performance of group and non-group employers.

Reserve Adjustments: We placed this item on the agenda in case there is a reason to make a significant change to the reserve estimates as of June 30, 2010, last evaluated with data through March 31, 2010. An event such as a large catastrophe or a judicial decision could have produced a significant change. Fortunately, that has not occurred. However, we are discussing some of underlying assumptions for the most recent years, particularly their sensitivity to payroll movements. It is possible that when the committee meets we could have an adjustment if these assumptions change. We will have more information during the meeting.

Communications/Group Structure and Governance Team

Jeremy Jackson		
Task/Function	**Timeline**	**Status**
Communications, Outreach	8/1/2008 start	Continuing
Split Plan Discussions	Summer 2010	Continuing
Targeted Employer Communications	8/1/2008 start	Continuing

- An internal team of BWC staff is meeting to develop training and communication plans for internal staff as well as a communication plan for external customers.

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 BEF for PEC employers effective	January 1, 2010	Completed
Rating strategies for PA employers effective July, 2010	October, 2009	Completed
Split Plan parameters	January 2010- June 2011	In-Progress
Split plan development	September, 2009 to July, 2010	In-Progress
Split Plan implementation (Beta Version)	July 2011	
Split Plan in production for rates	July 1, 2012	

- The split plan IT programming development continues. The modeling and programming of the split plan in the BWC rating system is complete and is undergoing testing by actuarial staff. The final split plan parameters are still being developed by the BWC along with Deloitte.

New Products

Joy Bush and Jamey Fauque, Centric Consulting		
Task/Function	**Timeline**	**Status**
Small Deductible Plan	July, 2009	Completed
Large Deductible Plan	July, 2010	Completed
Group Retrospective Rating Program	July, 2009	Completed
Research and Development of employer programs	Fall, 2009	In-Progress

- The BWC continues to evaluate the performance of all of the employer discount programs.

7/1/2011 Private Employer (PA) Rates

Terry Potts		
Task/Function	Timeline	Status
Private Employer Rate Calculation	January to July 2010	In-Process
Summary Payroll	January to February 2010	Completed
Summary Losses	January to February 2010	Completed

Rate Calculations	February to June 2010	In-Process
Rate recommendation received from Deloitte	March 2010	Completed
Rate decision from WCB	April 2010	Completed
Final Rates to WCB	May 2010	Completed
Mailing of Employer Rate Letters	July 2010	In-Process

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

Terry Potts		
Task/Function	Timeline	Status
Public Employer State Agency Rate Calculation	January to June 2010	In-Process
Validate Payroll and Losses	January to March 2010	Completed
Rate Calculations	February to April 2010	Completed
Rate decision from WCB	April 2010	Completed
Mailing of Employer Rate Letters	May to July2010	In-Process

Deloitte Consulting

- Deloitte is evaluating data provided by the BWC to create a new mortality study that will be used for the annuity tables.
- Deloitte has submitted a statement of work that will be covered under the current consulting contract to assist the BWC in building an actuarial database.
- Deloitte continues work on the 6/30/2010 actuarial reserve evaluation.

12 - Month Actuarial Committee Calendar

Date	July 2010
7/26/2010	1. PEC Deductible Tables – rule 4123-17-72 – 1st reading
	2. Reserve adjustments as of June 30, 2010 – discussion if necessary
	3. Private employer credibility table effective 7-1-2011 – rule 4123-17-05.1 – 1st reading
	4. Private employer Group Break Even Factor effective 7-1-2011 – rule 4123-17-64.1 – 1st reading
	5. Reserve Education
Date	**August 2010**
8/26/2010	1. PEC Deductible Tables – rule 4123-17-72 – 2nd reading
	2. Private employer credibility table effective 7-1-2011 – rule 4123-17-05.1 – 2nd reading
	3. Private employer Group Break Even Factor effective 7-1-2011 – rule 4123-17-64.1 – 2nd reading
	4. Program compatibility rule changes and rule clean-up – 1st reading
	5. Final Reserve Audit as of June 30, 2010 and 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
Date	**September 2010**
9/23/2010	1. Market results for the new deductible plan
	2. Annuity table rule 4123-17-60 – 1st reading
	3. Public employer taxing districts rate change – 1st reading
	4. Program compatibility rule changes and rule clean-up – 2nd reading
Date	**October 2010**
10/21/2010	1. Committee Charter – 1st reading
	2. Public Employer Taxing Districts base rates and expected loss rates – rule 4123-17-33 and 4123-17-34 – 1st reading
	3. Public employer taxing districts rate change – 2nd reading
	4. Annuity table rule 4123-17-60 – 2nd reading
Date	**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
	3. Committee Charter – 2nd reading
Date	**December 2010**
12/15/2010	

Updated 7-19-2010

12 - Month Actuarial Committee Calendar

Date	January 2011
	1. RFP Plan and issuance schedule
Date	**February 2011**
	1. State of the Line report
Date	**March, 2011**
	1. Private employer rate change recommendation – 1st reading
	2. Public employer state agency rate change recommendation– 1st reading
	3. 2010 NCCI Classification Code Changes – 1st reading
	4. Quarterly reserve analysis for financial reporting for fiscal year ending June 30, 2010 based on data as of December 31, 2010
Date	**April, 2011**
	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. Private employer rate change indication – 2nd reading
	7. Public employer state agency rate change – 2nd reading
	8. 2010 NCCI Classification Code Changes – 2nd reading
	9. Private employer group breakeven factor rule 4123-17-64.1 – 1st reading (possible)
Date	**May, 2011**
Date	**June, 2011**
Date	**July, 2011**

Updated 7-19-2010