

## **Actuarial Committee Agenda**

**Wednesday, December 15, 2010**

**William Green Building**

Level 2, Room 3

1:30 p.m. to 3:00 p.m.

### **Call to Order**

Chuck Bryan, Committee Chair

### **Roll Call**

Larry Rhodebeck, Scribe

### **Approve Minutes of November 18, 2010 meeting**

Chuck Bryan, Committee Chair

### **Review and approve Agenda**

Chuck Bryan, Committee Chair

### **New Business/ Action Items**

Motions for Board Consideration:

A. For Second Reading

1. None

B. For First Reading

2. None

### **Discussion Items**

1. Programs Update

Tom Prunte, Executive Director of Employer Management  
Services

Ron Suttles, Management Analyst Supervisor

2. Legislative discussion and analysis – if necessary

3. CAO report

John Pedrick, Chief Actuarial Officer

4. Committee Calendar

Chuck Bryan, Committee Chair

### **Executive Session**

Litigation update – if necessary

### **Adjourn**

Chuck Bryan, Committee Chair

**Next Meeting: Thursday, January 20, 2011**

\* Not all agenda items have material.

\*\* Agenda Subject to change

# Annual Report

# Employer Programs Performance

**Employer Programs Performance Annual Report**

Prepared for the BWC Board of Directors

December 2010

Pursuant to rule 4123-17-61.1 (Sponsorship Requirements), Paragraph (D) requires that *“Following the conclusion of the July 1, 2008 to June 30, 2009 policy year, the bureau will report annually on the aggregate performance of all groups.”*

## GROUP PERFORMANCE

### Applications

Since 2007, BWC’s efforts in addressing rate reform have focused on the development of a group program that provides fair and equitable premiums for employers that participate in the program. BWC has aggressively pursued changes in the maximum discount as well as the introduction of a break even factor in 2009. Chart 1 illustrates the number of employers applying for the program and the number of initially accepted policies into the program.

**CHART 1**

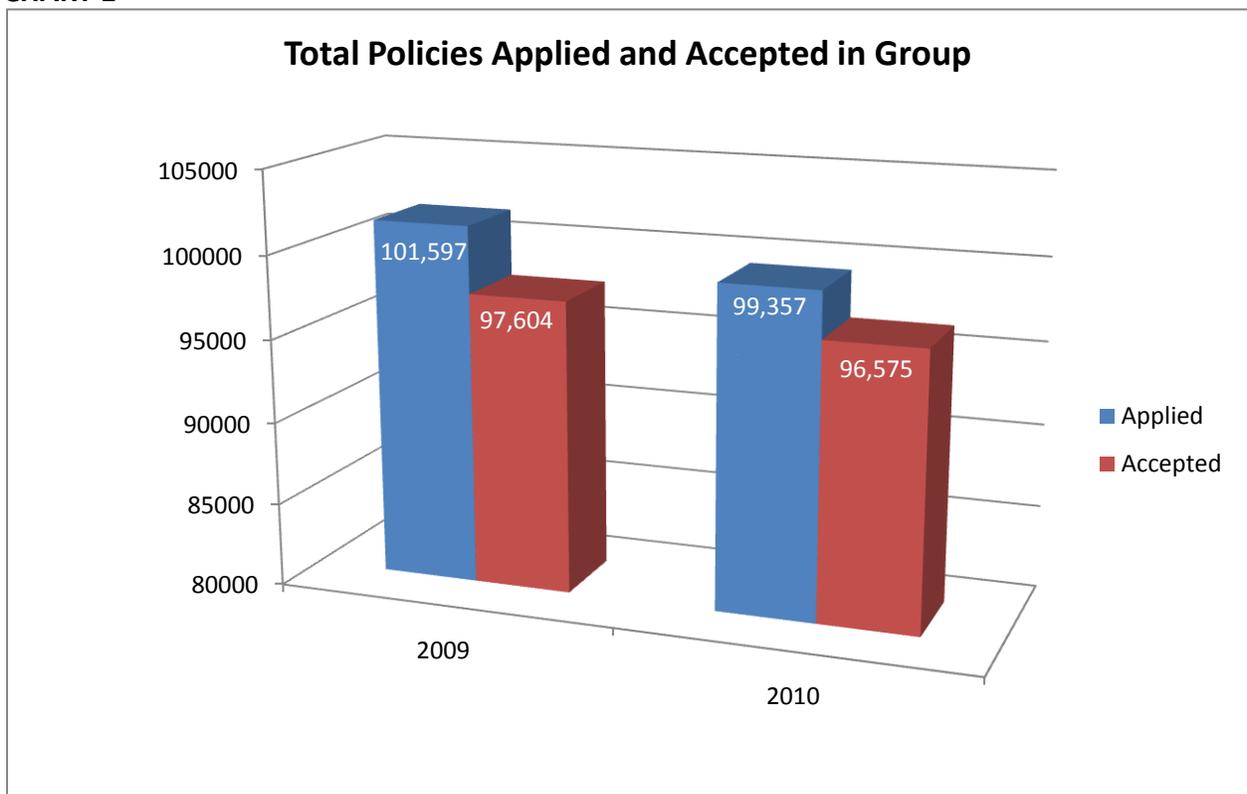
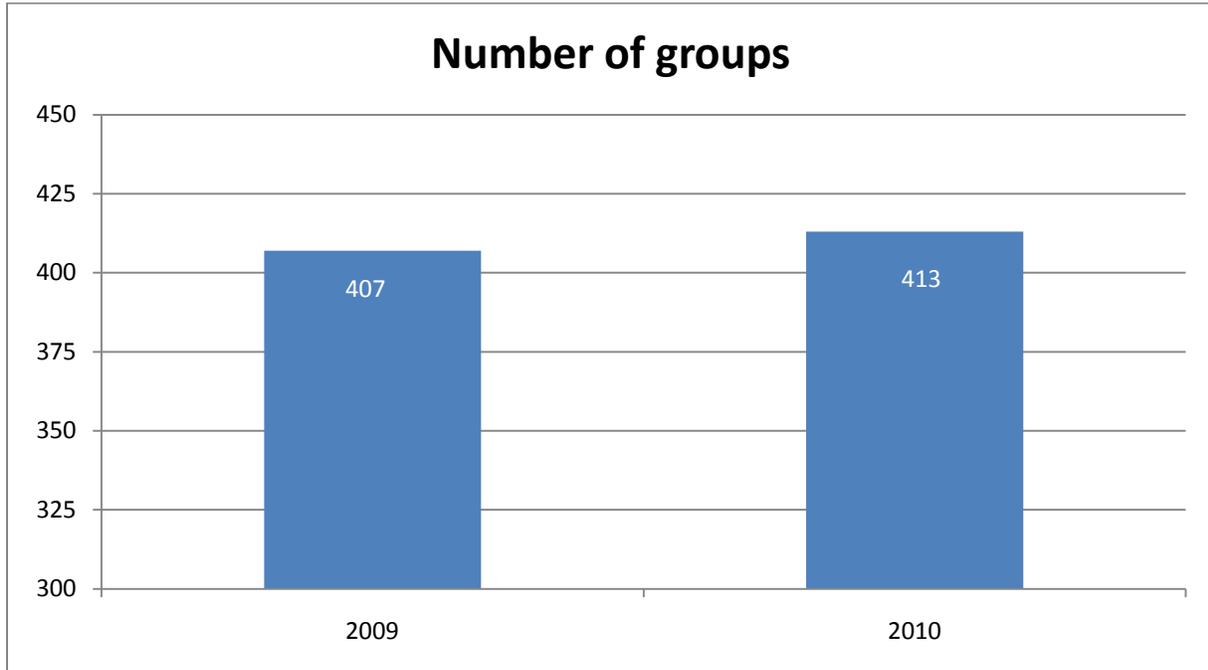
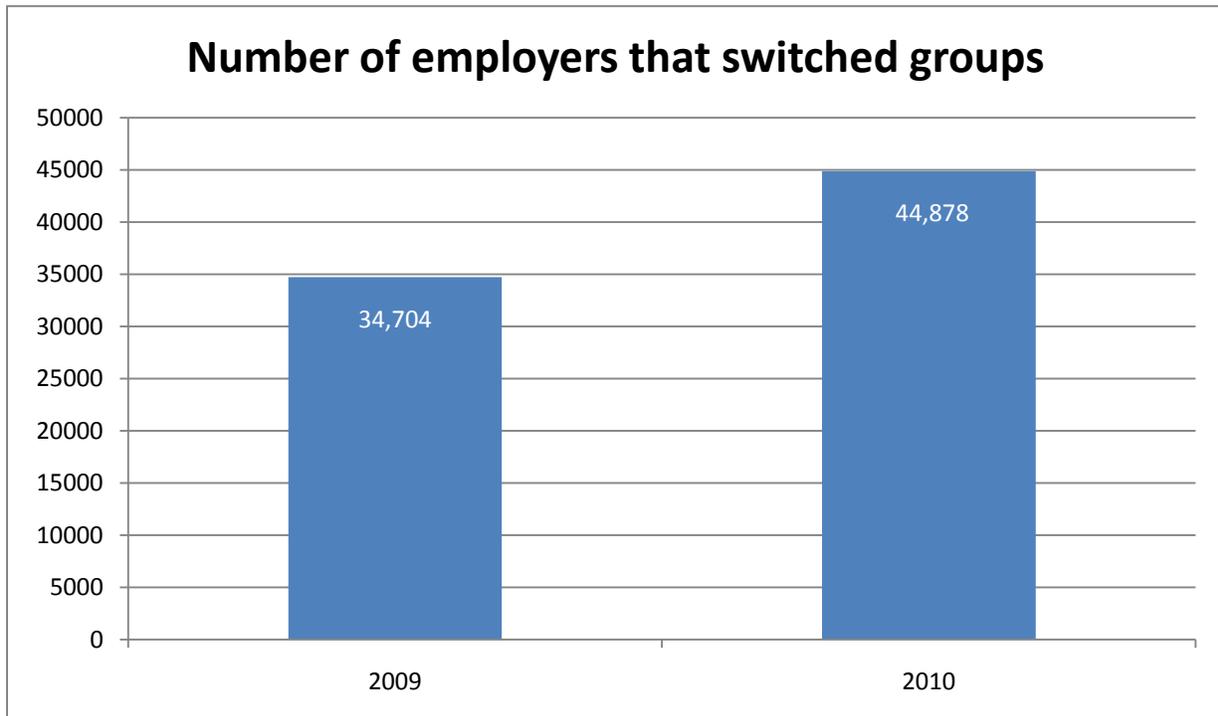


Chart 2 through Chart 5 provides a summary of group changes at the time of application processing for policy years 2009 and 2010. (Numbers will change as time elapses due to combinations and cancellations.) Mobility continues to be a factor among the groups as indicated by several figures: in 2010 the movement between groups (44,848 switched groups), the new employers in group (9,218) as well as those that did not continue in group rating from 2009 to 2010 (8,650).

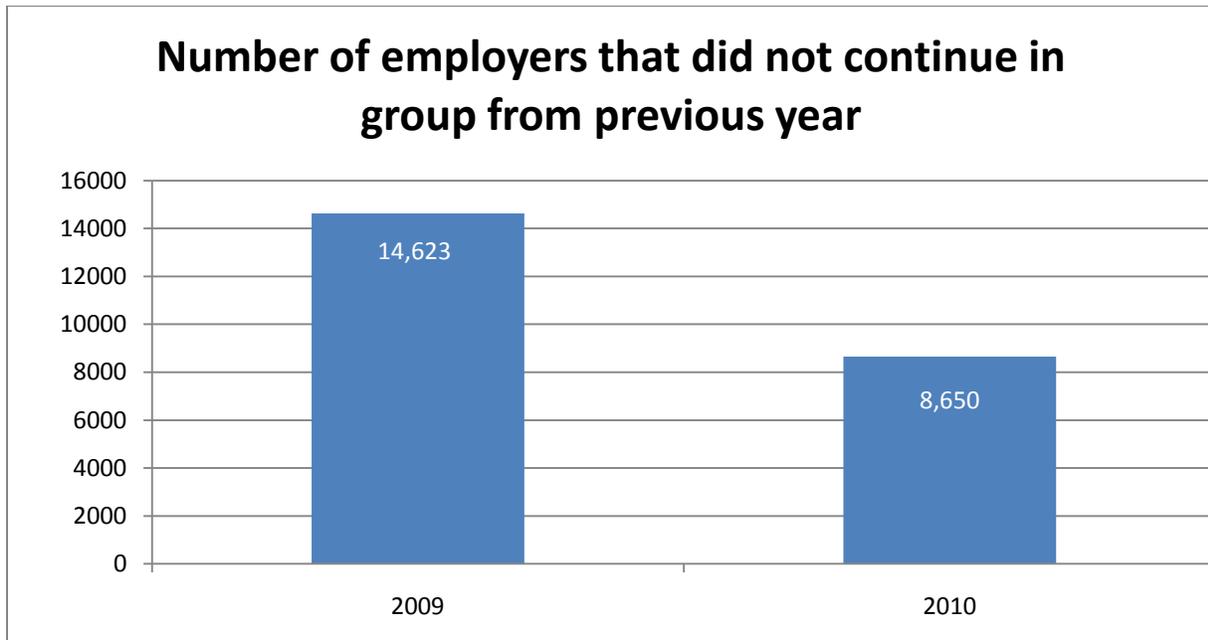
**CHART 2**



**CHART 3**



**CHART 4**



**CHART 5**

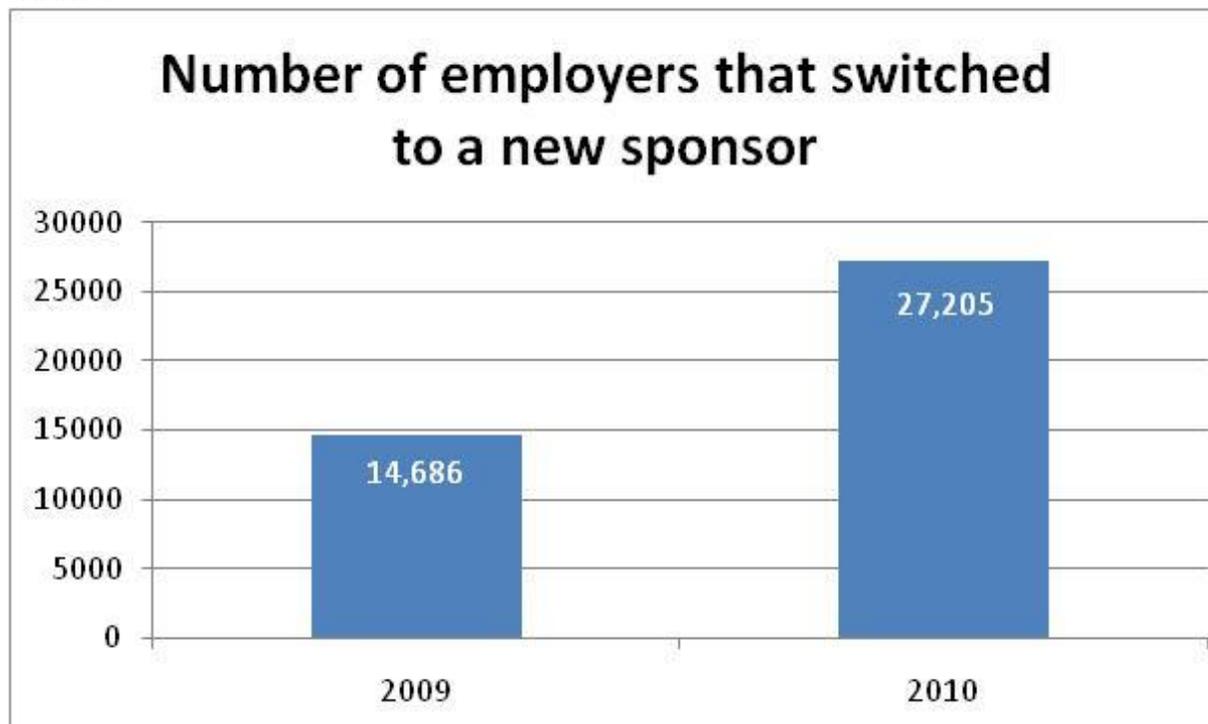


Chart 6 compares the makeup of groups for 2009 & 2010. Note that the maximum credibility changed for the 2010 policy year and that the number of employers participating at the maximum credibility level remained constant.

**CHART 6**

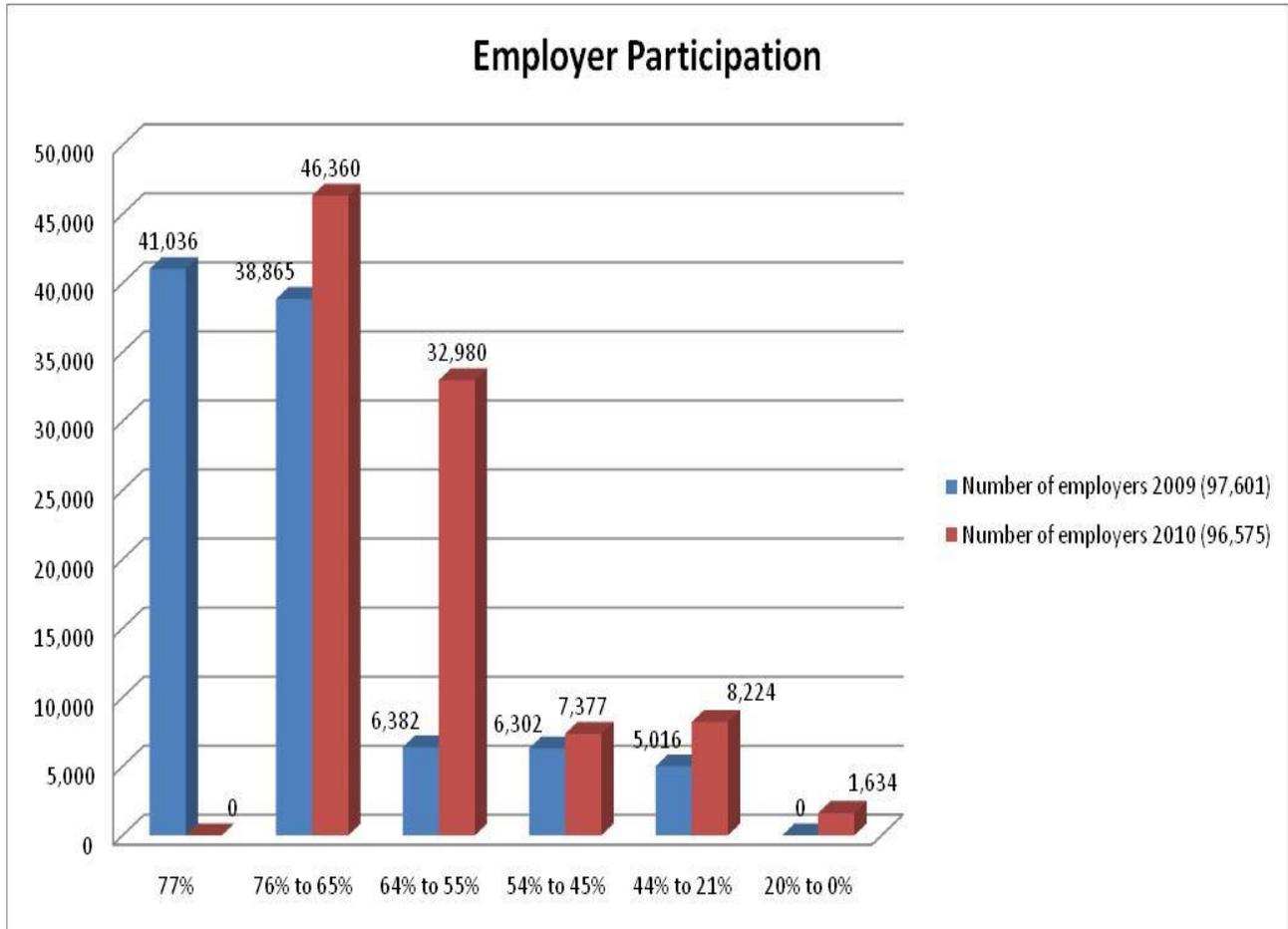


Chart 7 provides a breakdown of reasons that employers are rejected from participating in the group rating program. A lapsed policy must be included on the final roster supplied to BWC to even be considered for group eligibility.

**CHART 7**

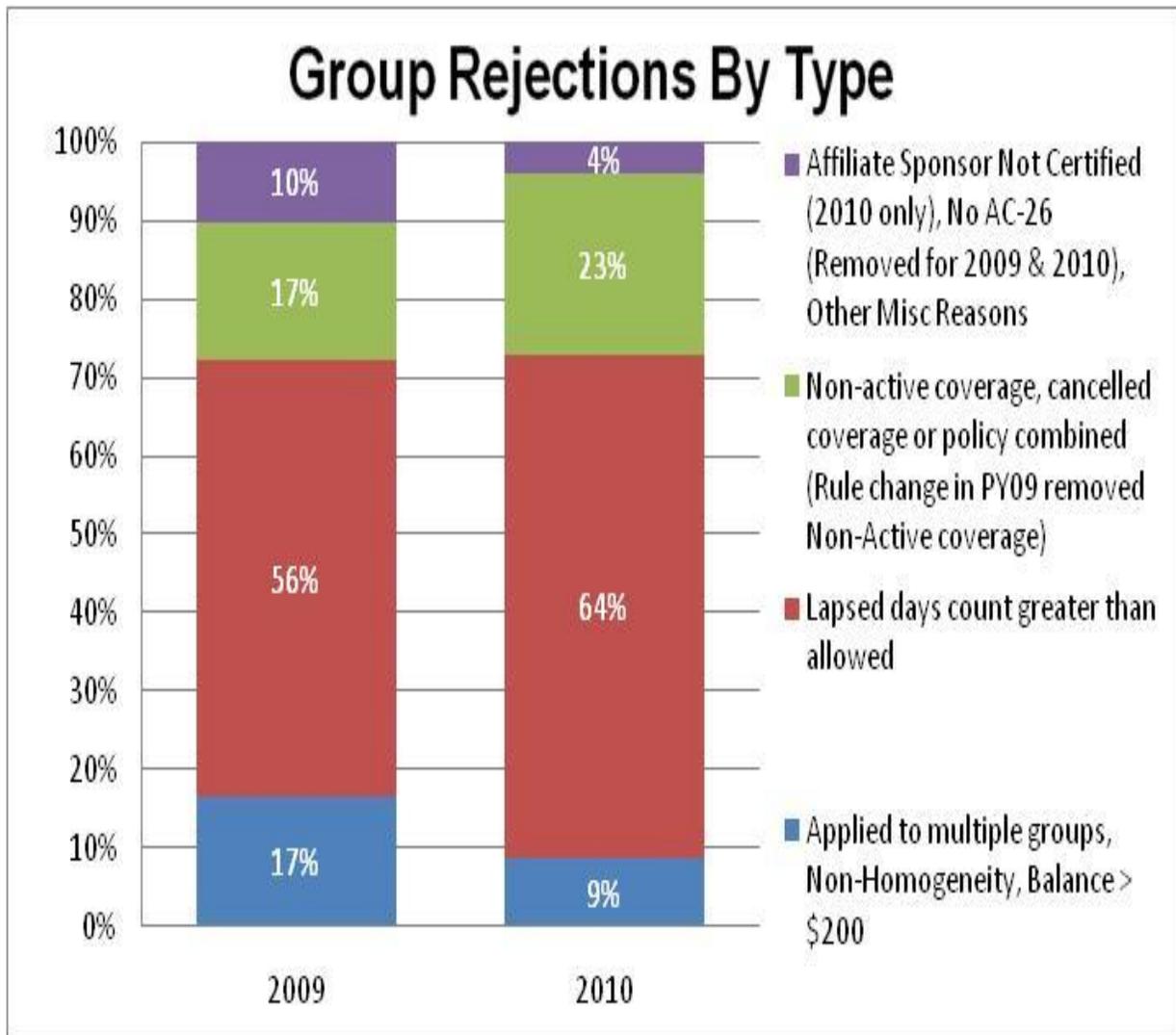
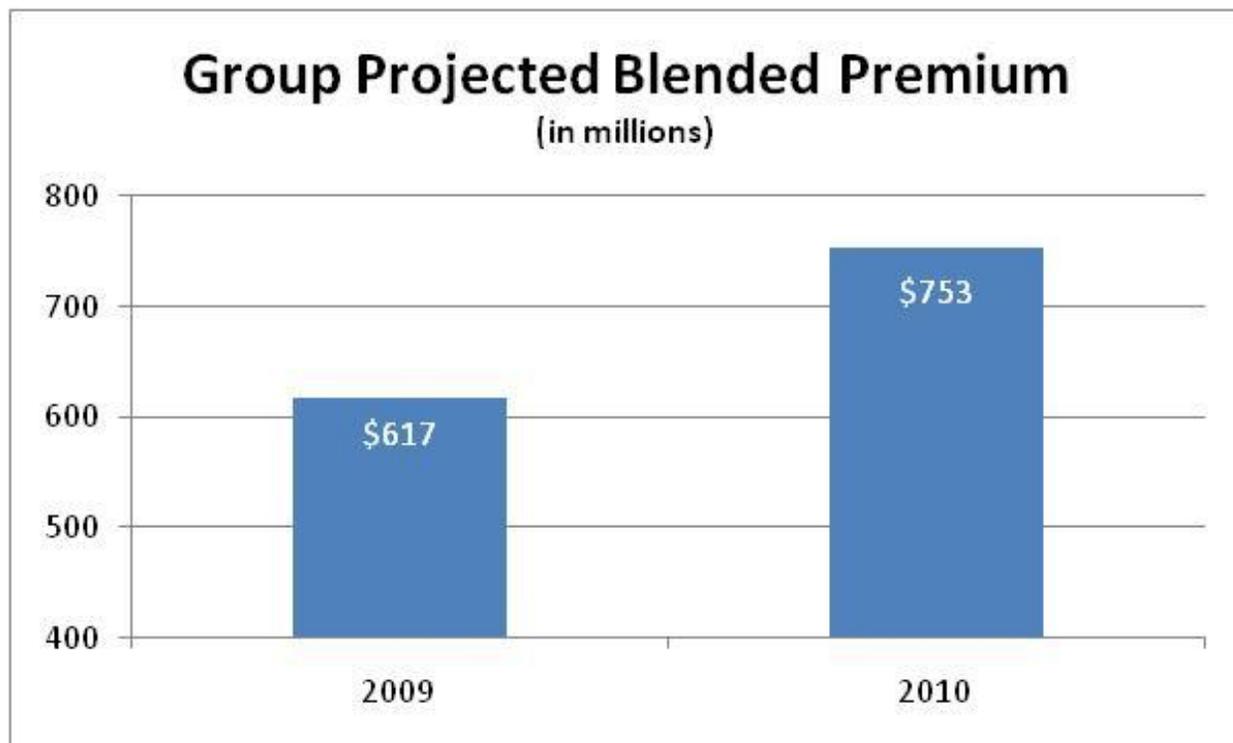


Chart 8 further illustrates that the level of participation is not impacted by the reductions in the maximum credibility. Policy year 2009 and 2010 are estimated premiums based on 2008 reported payrolls. Note that base rates decreased approximately 23.5% in 2009 and 3.8% in 2010.

**CHART 8**



**Summary:**

BWC continues to review and evaluate the impacts of the changes to the group rating program. BWC will be closely monitoring the continuity of the group structure. BWC's use of a stratified break even factor (Exhibit 1) for the 2010 policy year did not have a negative impact on the number of employers participating in the program.

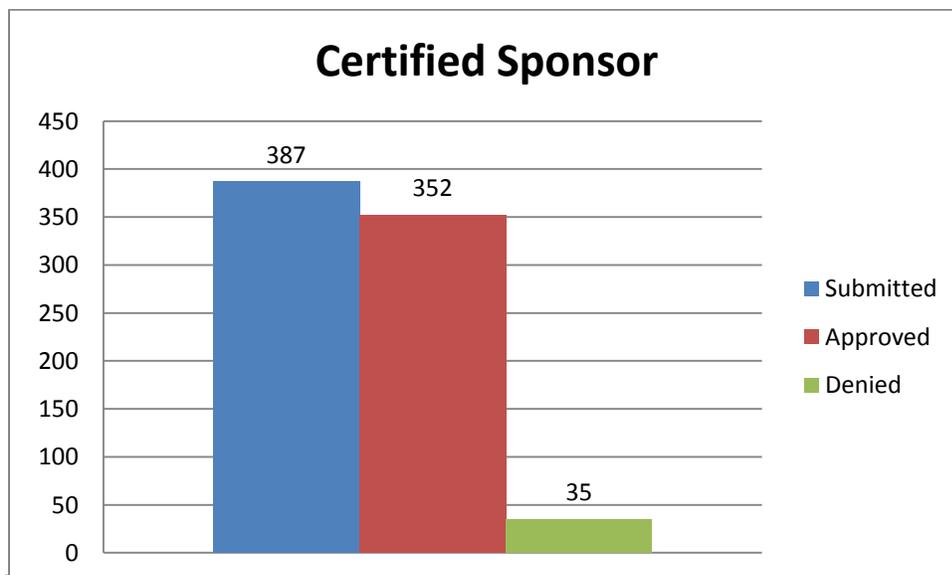
**Group Reporting**

Group sponsors are required to submit an annual report to BWC (SH-2) documenting how they have communicated and educated their members regarding safety and how they have promoted the nine key safety program parameters to their members. These parameters are designed to reduce injuries and create a safer work environment. The safety plan summary and any supporting documentation are reviewed by staff through the Division of Safety & Hygiene. Approvals are communicated back to the Group Experience unit. The language in the sponsor certification rule (4123-17-61.1 (D)) states, "The formation and operation of a group program in the organization must substantially improve accident prevention and claims handling for the employers in the group. The bureau shall require the group to document its plan or program for these purposes, and, for groups reapplying annually for group coverage, the results of prior programs." As a result, the annual reporting requirements have been revised to include information regarding common injury types and strategies that have been implemented to increase awareness, education and prevention of these injuries. Group sponsors will be

required to provide BWC with this additional information for groups in the policy year beginning 7/1/2010.

### Sponsor certification

In February 2009, the board approved the creation of rule 4123-17-61.1, which strengthened requirements for organizations wishing to sponsor groups for either group-experience rating or group-retrospective rating. Effective for the 2010 policy year, over 300 applications were received from interested parties. The certification process is ongoing throughout the year. As applications are received they are reviewed, processed and decisions are communicated to the applicants. As of July 1, 2010 there were 345 approved certified sponsors. Since the beginning of the policy year BWC has certified an additional 7 sponsors. Beginning in the spring of 2011, BWC will begin to recertify organizations whose certifications were effective 7/1/2010. This effort will include approximately 100 chambers and trade associations:



As part of the ongoing effort to ensure that sponsors are in compliance with certification requirements BWC conducted on-site reviews of six sponsors. During this process, reviewers validated that the organization met (or did not meet) the governing member criteria and that the organization was created for a purpose other than that of obtaining group workers' compensation coverage. These reviews are on-going and outcomes are still being determined. Once these reviews have been completed, additional sponsors will be similarly selected for review each year.

Exhibit 1

**Stratified Break Even Factors**

| <b>Private Employer Stratified Break Even Factors</b>       |                                |                     |   |                                |                     |
|---|--------------------------------|---------------------|---|--------------------------------|---------------------|
| <b>Effective EM</b>   |                                |                     |   |                                |                     |
| <b>Policy Year 7-1-2010 Group Rated Experience Modifier</b> | <b>Group Break Even Factor</b> | <b>Effective EM</b> | <b>Policy Year 7-1-2010 Group Rated Experience Modifier</b> | <b>Group Break Even Factor</b> | <b>Effective EM</b> |
| 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                |

## CLAIM COST DEDUCTIBLE

Effective July 1, 2009 BWC introduced the initial deductible program. Employers that meet eligibility requirements can receive premium discounts ranging from 1.4% to 26% for accepting the responsibility of a pre claim deductible from \$500-\$10,000 per claim. Chart 9 illustrates the number of employers participating in the program for policy year 2009 & 2010. BWC expanded the program for policy year 2010 by introducing larger levels of deductible from \$25,000 to \$200,000.

**CHART 9**

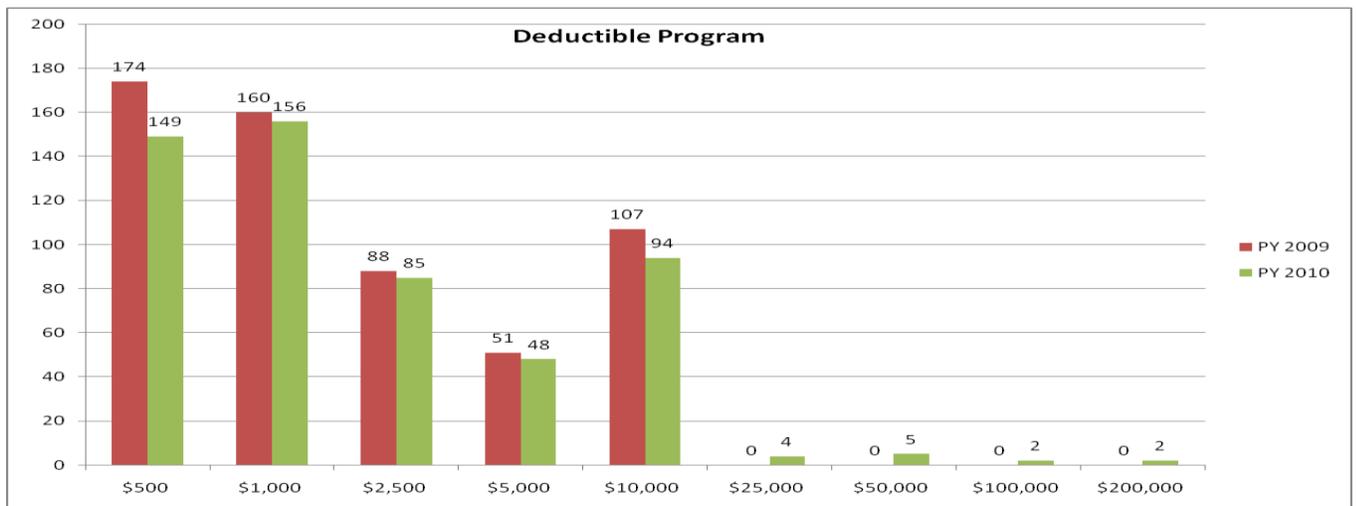
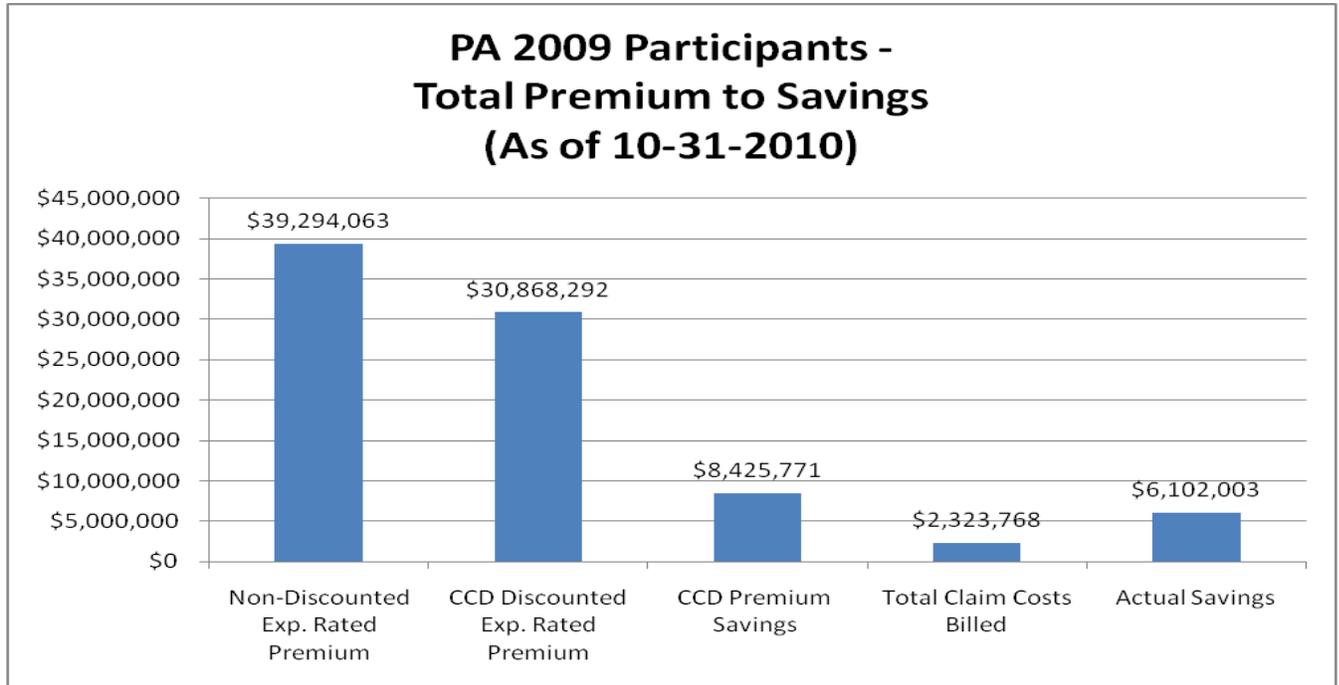


Chart 10 provides a summary of total premium savings to date for participants in the deductible program for PY 2009.

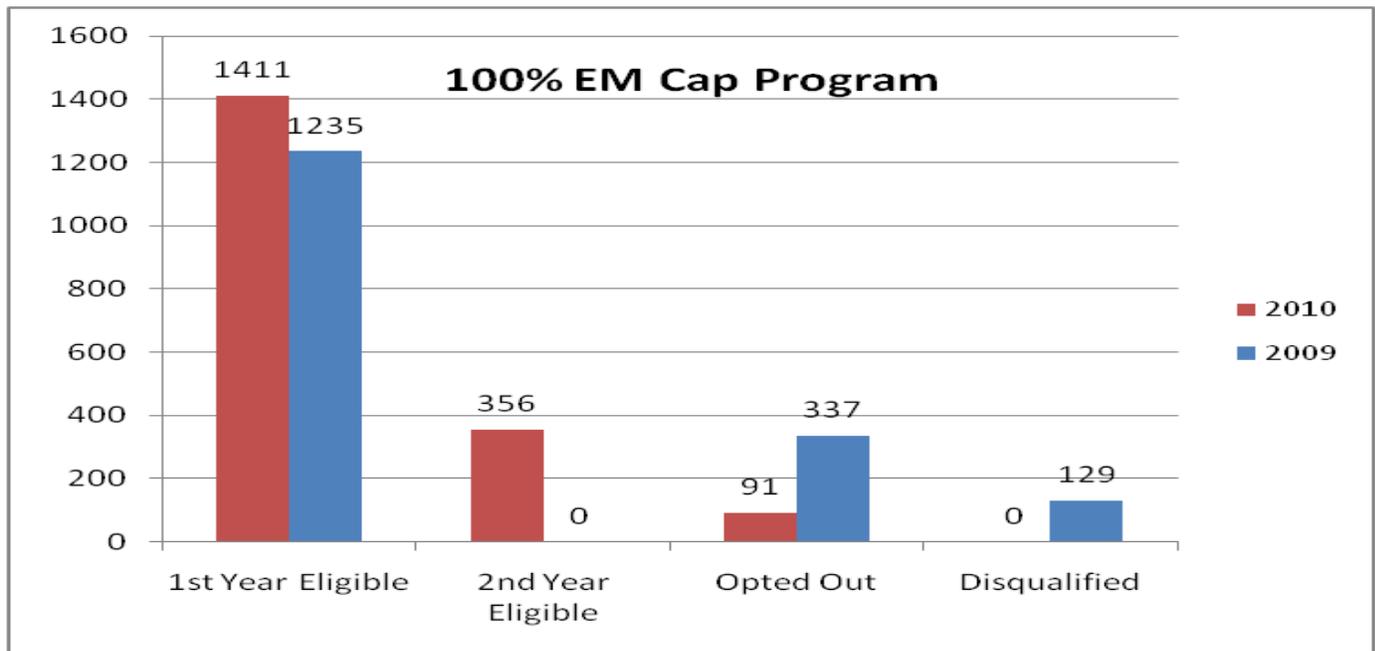
**CHART 10**



## EM CAP PROGRAM

Chart 11 illustrates policies participating in the 100% EM cap program. The program was introduced for the policy year effective 07-01-2009 and is intended to mitigate the premium increase for employers that do not continue in a group rating discount program. A portion of the increase of 1<sup>st</sup> year eligible employers is due to lowering the expected losses necessary to become experience rated from \$8,000 to \$2,000. Since there is more experience rated policies, more are eligible to be capped. Base rated policies that were removed from group rating are not eligible to be capped.

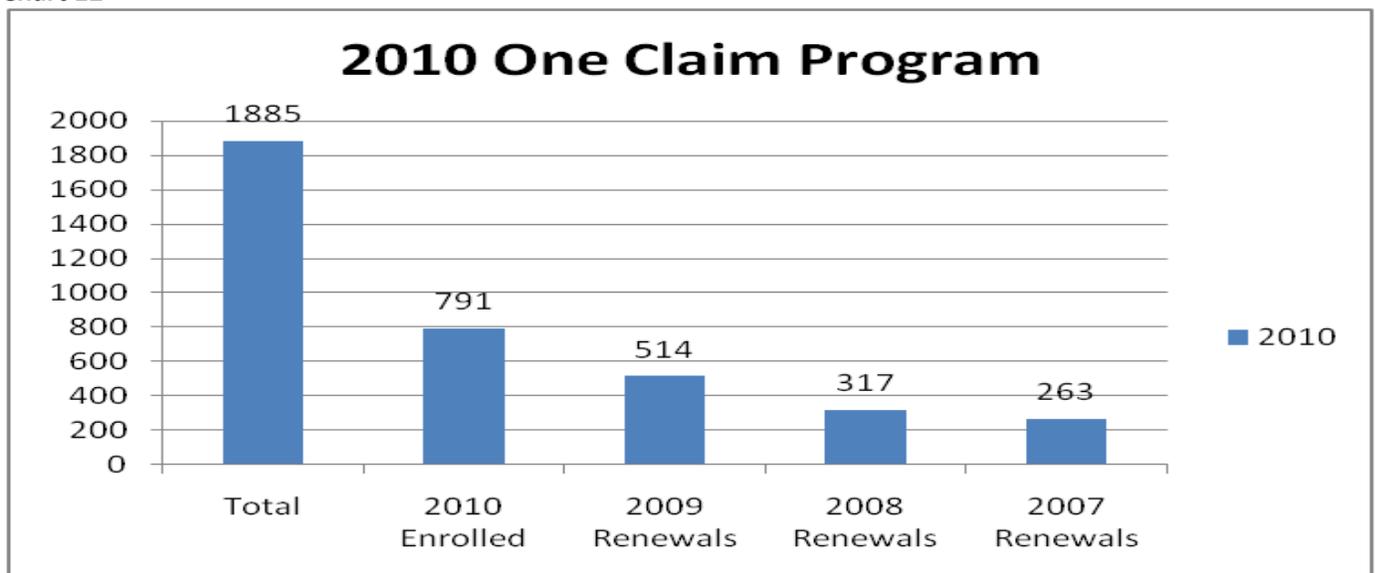
**CHART 11**



## ONE CLAIM PROGRAM

Prior to the introduction of the EM capping program BWC created the One Claim Program for employers that experience a significant claim that prevents them from continued participation in a Group rating program. Eligible employers have their individual EM set at .60 during the experience period for the claim. Chart 12 provides information on the number of participants in the One Claim Program by year.

**Chart 12**



## GROUP RETROSPECTIVE RATING

Chart 13 illustrates **private employer policies** participating in the Group Retrospective Rating program. BWC will evaluate the performance of the groups at 12, 24 and 36 month intervals after the end of the applicable policy year. Note that the level of participation in this program doubled from 2009 to 2010.

**CHART 13**

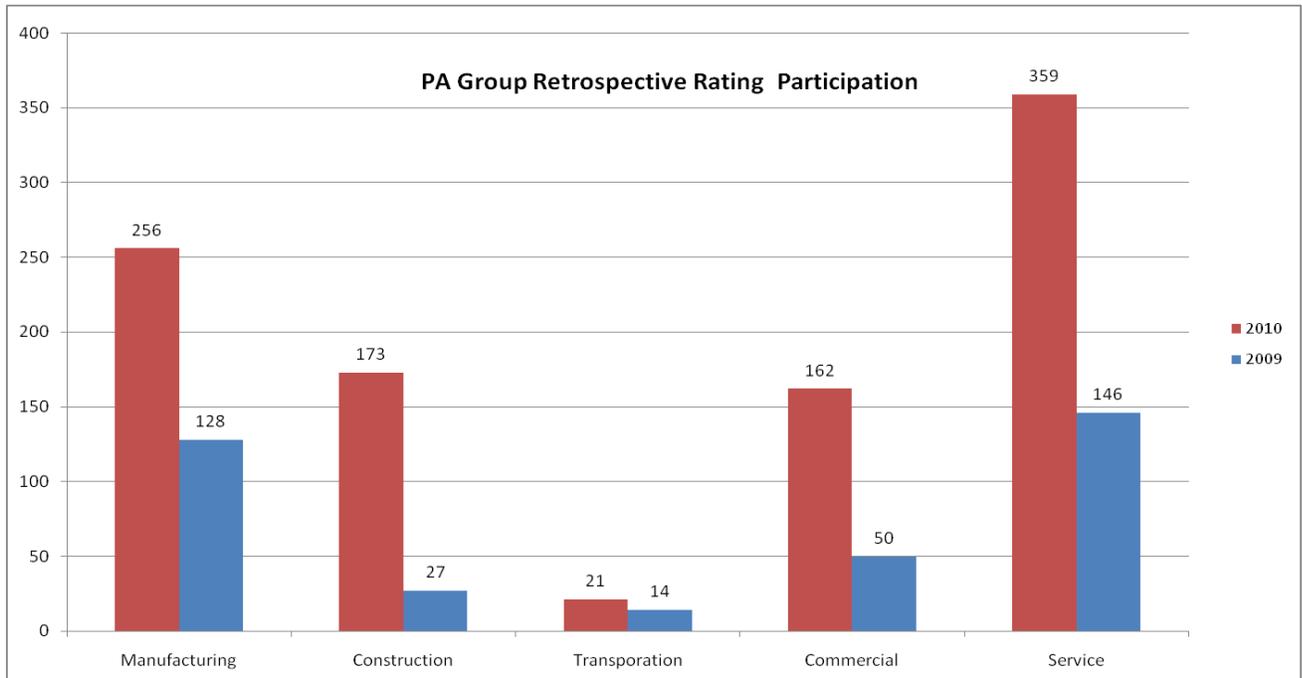
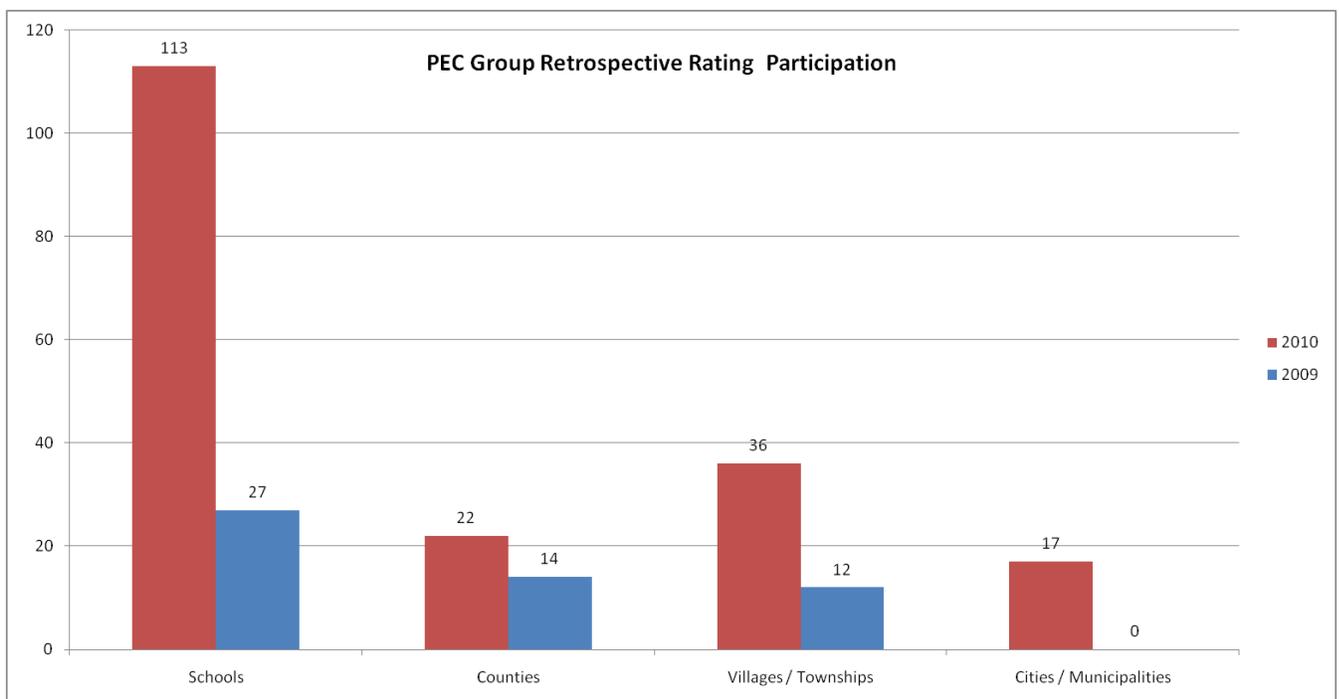


Chart 14 illustrates **public employer policies** participating in the Group Retro program that became available 01-01-2010. The level of participation tripled from 2010 to 2011.

**CHART 14**



## PAID LOSS RETROSPECTIVE RATING PROGRAM

BWC has offered a paid loss retrospective rating since 1988. Eligible employers participating in the program receive an up front discount in exchange for accepting the responsibility of all claim costs up to the selected limit for 10 years. Chart 15 & 16 display the number of private and public employers currently participating in the program.

Chart 15

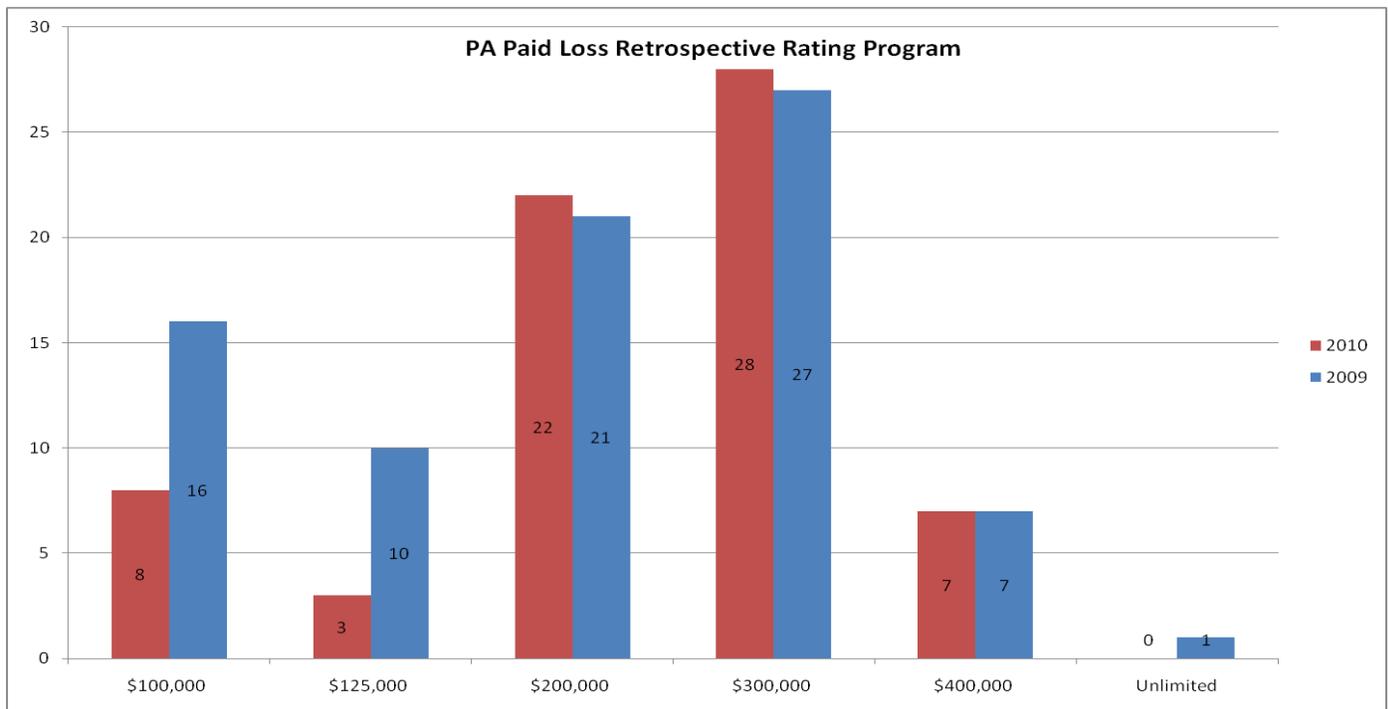
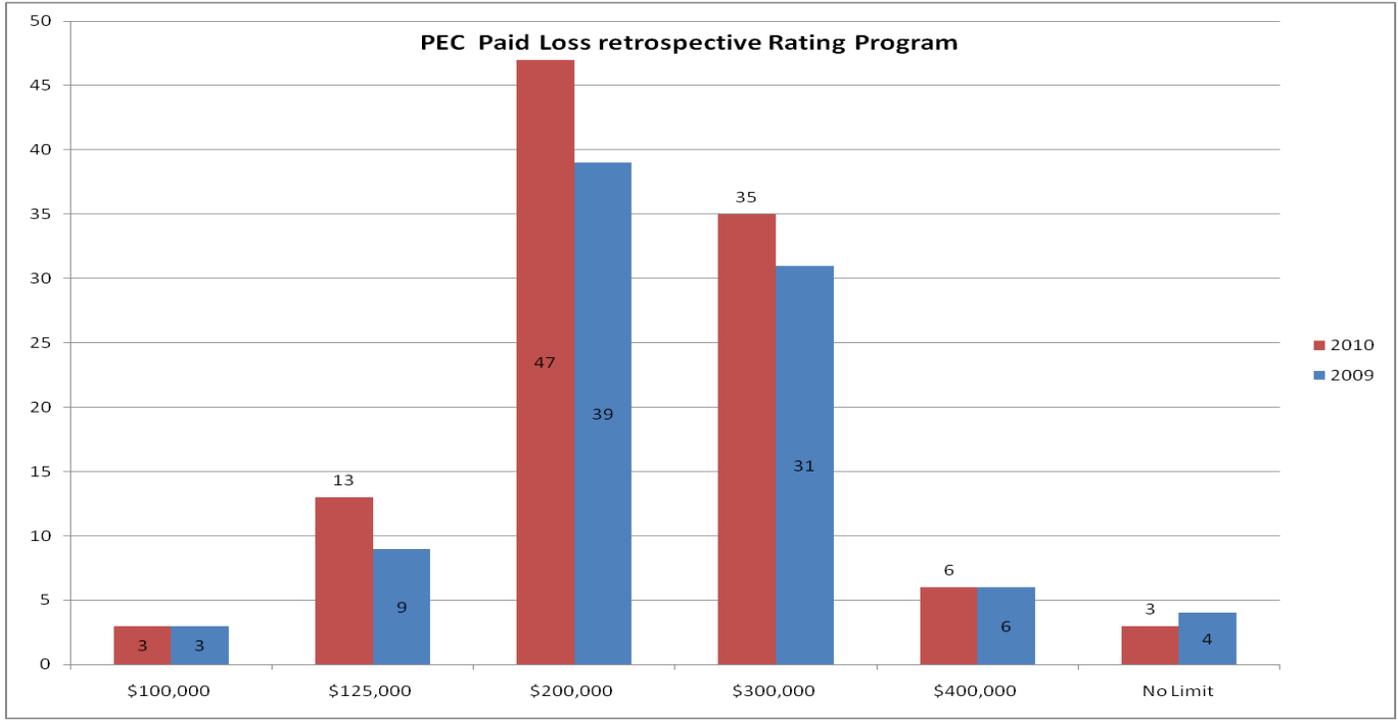


Chart 16



**BWC Board of Directors**  
**Actuarial Committee**  
**CAO Report**  
 John Pedrick, Chief Actuarial Officer  
 December 15, 2010

In the last two weeks we have reassessed the time frame for the presentation of rules for the split experience rating plan. We previously planned to present the rules for first and second readings in January and February 2011, but now plan to present the rules in May and June 2011. This will have no impact on the time frame for internal programming, training, and implementation. We are on schedule to introduce the plan for the “beta” year starting July 2011 and in full production effective July 1, 2012. We have decided to delay the board discussion for two reasons.

First, we plan to discuss the plan, its parameters, and the impacts to employers with external parties beginning this January. Plans for this outreach are being developed now. By delaying the board readings we can present a discussion of the feedback and input we get through our outreach. Second, parameter development (e.g., split point, primary and excess credibility, medical only exclusion threshold, maximum single loss) will be enhanced by analysis of the impacts to employers and the stability of experience modifiers (EMs). While our parameter development has concentrated on accuracy of EMs, additional focus on their year-to-year stability will help to identify the best set of parameters.

As a result of our new schedule we will not conduct the second installment of our experience rating education this month, but will schedule it in March or April. The first table below provides a brief picture of the many items that will be brought to the committee in the next six months. Many of these items are scheduled based on the normal annual cycle of events.

In other matters, we continue to hold off action in regard to pursuing candidates for our open position for a credentialed actuary due to the transition to the new administration. We will provide justification for proceeding when appropriate.

We also plan to have information to address questions that arose during the previous committee meeting in November. In particular, the additional calculations used to derive “collectible rates” from base rates, and the use of a fixed minimum payroll figure for volunteer firefighters.

**Planned Actuarial Committee Activity, January to June 2011**

| Upcoming Rate Rules and Related Actions and Discussions |                      |                      |                      |                      |     |      |
|---|----------------------|----------------------|----------------------|----------------------|-----|------|
|   | Jan.                 | Feb.                 | Mar.                 | Apr.                 | May | June |
| NCCI Manual Class Changes                               | 1 <sup>st</sup> read | 2 <sup>nd</sup> read |                      |                      |     |      |
| One Claim Program                                       | 1 <sup>st</sup> read | 2 <sup>nd</sup> read |                      |                      |     |      |
| PA Deductible Tables                                    | 1 <sup>st</sup> read | 2 <sup>nd</sup> read |                      |                      |     |      |
| Base Rate Stability Analysis                            | Discuss              |                      |                      |                      |     |      |
| State of the Line Report                                |                      | Discuss              |                      |                      |     |      |
| CWPF (Black Lung) Report                                |                      | Discuss              |                      |                      |     |      |
| Quarterly Reserve Update @ 12/31/10                     |                      | Discuss              |                      |                      |     |      |
| Funding Ratio Review by Deloitte                        |                      | Discuss              |                      |                      |     |      |
| PA Overall Rate Change                                  |                      |                      | 1 <sup>st</sup> read | 2 <sup>nd</sup> read |     |      |
| PES Rate Changes  |                      |                      | 1 <sup>st</sup> read | 2 <sup>nd</sup> read |     |      |

| Upcoming Rate Rules and Related Actions and Discussions |      |      |           |                      |                      |                      |
|---|------|------|-----------|----------------------|----------------------|----------------------|
|   | Jan. | Feb. | Mar.      | Apr.                 | May                  | June                 |
| PA Base Rates   |      |      |           | 1 <sup>st</sup> read | 2 <sup>nd</sup> read |                      |
| MIF Rates   |      |      |           | 1 <sup>st</sup> read | 2 <sup>nd</sup> read |                      |
| CWPF Rates  |      |      |           | 1 <sup>st</sup> read | 2 <sup>nd</sup> read |                      |
| DWRF Rates  |      |      |           | 1 <sup>st</sup> read | 2 <sup>nd</sup> read |                      |
| Quarterly Reserve Update @ 3/31/11                      |      |      |           |                      | Discuss              |                      |
| SI Assessment   |      |      |           |                      | 1 <sup>st</sup> read | 2 <sup>nd</sup> read |
| ACF Assessment  |      |      |           |                      | 1 <sup>st</sup> read | 2 <sup>nd</sup> read |
| S&H Assessment  |      |      |           |                      | 1 <sup>st</sup> read | 2 <sup>nd</sup> read |
| PEC Credibility and BEF for 1/1/2012                    |      |      |           |                      | 1 <sup>st</sup> read | 2 <sup>nd</sup> read |
| Split Experience Rating Plan                            |      |      | Education |                      | 1 <sup>st</sup> read | 2 <sup>nd</sup> read |
| State to State Rate Comparison                          |      |      |           |                      |                      | Discuss              |

**Status of Projects, Initiatives, and Other Actuarial Activity**

**Split Experience Rating Plan Development**

| Larry King – Project Manager; Leads: Terry Potts and Jon Turnes                                     |                       |                         |
|---|-----------------------|-------------------------|
| Task/Function   | Timeline              | Status                  |
| <b>Plan development at BWC</b>  |                       |                         |
| Split experience plan parameters determined through actuarial modeling (on Deloitte work list)      | Jan 2010- Dec 2010    | In-Progress & on target |
| Split experience plan development in Rates & Payments system  | Sept 2009 to Dec 2010 | In-Progress & on target |
| Split experience plan implementation in R&P ( Beta Version)   | July 1, 2011          | Scheduled               |
| Split experience plan full implementation and conversion  | July 1, 2012          |                         |
| <b>Communications</b>   |                       |                         |
| Split experience plan discussions with TPA community on methodology for system programming purposes | Summer 2010           | Continuing              |
| Split experience plan training for BWC staff  | June 2010 to Dec 2010 | In-Progress & on target |
| Split experience plan training for external interested parties                                      | Dec 2011 to Mar 2011  | In Development          |
| Employer outreach by BWC staff to employers   |                       | In Development          |

As discussed above, outreach to employers and external parties will allow us to incorporate their feedback in our presentation of rules in May and June 2011. In addition, Terry Potts and Larry King continue to provide split plan training in Columbus and in the field offices. We provided TPAs with spreadsheet samples of how the split plan will be programmed, with formulas and rules for addressing the many details we encounter with claims (e.g., handicap adjustments, subrogation).

The split plan IT programming development is continuing. The final split plan parameters are still being developed by the BWC along with Deloitte. Deloitte and Actuarial have developed a schedule for their review.

**New Products Development**

| <b>Project Lead: Joy Bush</b>                  |                           |               |
|--|---------------------------|---------------|
| <b>Task/Function</b>                           | <b>Timeline</b>           | <b>Status</b> |
| One-Claim program review                       | Fall, 2009                | In-Progress   |
| Group Rating program analysis                  | July 2010 to June 2011    | Begun         |
| Employer coverage and minimum premium analysis | October 2011 to July 2012 | Begun         |

The One-Claim program is being reviewed with an eye toward updating and improving it. We will reach out to external parties in the next few weeks to get their input and feedback on potential changes.

**Base Rate Analysis Project**

| <b>Project Lead: Liz Bravender</b>                          |                          |                         |
|---|--------------------------|-------------------------|
| <b>Task/Function</b>  | <b>Timeline</b>          | <b>Status</b>           |
| Deloitte and BWC complete project scope and plan            | 9-22 to 10-1-2010        | Completed<br>9-30-2010  |
| Plan approval by John P                                     | 10/1/2010 to 10/4/2010   | Completed<br>10/12/2010 |
| Data request from Deloitte                                  | 10/4/2010 to 10/12/2010  | Completed<br>10/21/2010 |
| BWC obtains and provides data                               | 10/13/2010 to 10/20/2010 | Completed<br>11/1/10    |
| Deloitte performs analysis                                  | 10/20/2010 to 11/24/2010 | In Progress             |
| BWC reviews and comments on analysis                        | 11/29/2010 to 12/3/2010  |                         |
| Deloitte provides draft report                              | 11/29/2010 to 12/7/2010  |                         |
| BWC reviews draft report                                    | 12/8/2010 to 12/15/2010  |                         |
| Deloitte provides final report                              | 12/16/2010 to 12/23/2010 |                         |
| Report provided to Actuarial Committee of the Board         | 1/7/2011 to 1/20/2011    |                         |
| Present findings to actuarial committee                     | January 2011             |                         |
| Implement findings from evaluation and determine next steps |                          |                         |

**State Agency Premium Calculation Analysis Project**

| <b>Project Lead: Liz Bravender</b>                  |                          |                         |
|---|--------------------------|-------------------------|
| <b>Task/Function</b>                                | <b>Timeline</b>          | <b>Status</b>           |
| Deloitte and BWC complete project scope and plan    | 9/22/2010 to 10/4/2010   | Completed<br>9/30/2010  |
| Plan approval by John P                             | 10/5/2010 to 10/6/2010   | Completed<br>10/12/2010 |
| Data request from Deloitte                          | 10/7/2010 to 10/14/2010  | Completed<br>10/14/2010 |
| BWC obtains and provides data                       | 10/14/2010 to 10/20/2010 | Completed<br>10/27/2010 |
| Deloitte performs analysis                          | 10/20/2010 to 11/24/2010 | In Progress             |
| BWC reviews and comments on analysis                | 11/29/2010 to 12/3/2010  |                         |
| Deloitte provides draft report                      | 11/29/2010 to 12/7/2010  |                         |
| BWC reviews draft report                            | 12/8/2010 to 12/15/2010  |                         |
| Deloitte provides final report                      | 12/16/2010 to 12/23/2010 |                         |
| Report provided to Actuarial Committee of the Board | 1/7/2011 to 1/20/2011    |                         |

**Public Employer Taxing District (PEC) rates January 1, 2011**

| <b>Project Lead: Terry Potts</b>                       |                          |                         |
|--|--------------------------|-------------------------|
| <b>Task/Function</b>                                   | <b>Timeline</b>          | <b>Status</b>           |
| Public Employer Taxing District Rate Calculation       | July to December 2010    | In-Process              |
| Summary Payroll  | July to August 2010      | Completed               |
| Summary Losses   | July to August 2010      | Completed               |
| Rate Calculations                                      | August to September 2010 | Completed               |
| Rate recommendation received from Deloitte             | September 2010           | Completed               |
| Rate decision from WCB – Preliminary Base rates to WCB | October 2010             | Completed<br>10/21/2010 |
| Final Rates to WCB                                     | November 2010            |                         |
| Employer Rating Information available on ohioabc.com   | January 2011             |                         |

**Deloitte Projects**

| <b>Project Lead: Liz Bravender</b>                     |                 |               |
|--|-----------------|---------------|
| <b>Task/Function</b>                                   | <b>Timeline</b> | <b>Status</b> |
| Split experience Plan - assistance                     | Dec 2010        | In-Progress   |
| Group Rating plan development                          | Dec 2010        | In-Progress   |
| State Agency rate making review and recommendation     | Dec 2010        | In-Progress   |
| Base Rate Calculation analysis                         | Dec 2010        | In-Progress   |
| PA Deductible analysis                                 | Dec 2010        | In-Progress   |
| Risk of inflation on the DWRF fund                     | Feb 2011        | In-Progress   |
| Funding Ratio analysis                                 | Feb 2011        | In-Progress   |
| Black Lung Fund –rate recommendation analysis          | March 2011      | In-Progress   |
| Actuarial Database development and reporting dashboard | Dec 2011        | In-Progress   |
| BWC Funding ratio – re-evaluate                        | Feb 2012        | In-Progress   |
| Quarterly update 9-30-2010 to board in November        | November 2010   | In-Progress   |
| PA rate recommendation                                 | March 2011      | Not Scheduled |
| Marine Fund rate recommendation                        | March 2011      | Not Scheduled |
| DWRF 1 and 2 rate recommendation                       | March 2011      | Not Scheduled |
| SI minimum assessment methodology review               |                 | Not scheduled |
| PA minimum premium assessment and security deposit     | Fall 2011       | Not scheduled |
| Quarterly reserve update as of 12-31-2010              | Feb 2011        | Not scheduled |

# Actuarial Committee Calendar - 2010/2011

| Date                            | December 2010  |
|---------------------------------|--|
| 12/15/2010                      | 1. Programs Update "Group Deductible, etc.."   |
| Date                            | January 2011   |
| 1/20/2011                       | 1. PA Deductible Tables  |
|                                 | 2. 2011 NCCI Classification Code Changes - 1st reading   |
|                                 | 3. One Claim Program - rule 4123-17--71 - 1st reading  |
|                                 | 4. Base rate stability analysis  |
| Date                            | February 2011  |
| 2/23/2011                       | 1. 2011 NCCI Classification Code Changes - 2nd reading   |
|                                 | 2. One Claim Program - rule 4123-17--71 - 2nd reading  |
|                                 | 3. State of the Line report  |
|                                 | 4. Black Lung Fund report  |
|                                 | 5. Quarterly reserve update as of 12/31/10   |
|                                 | 6. Funding ratio analysis update by Deloitte   |
|                                 | 7. Public employer state agency rate calculation analysis - tentative  |
| Date                            | March 2011   |
| 3/24/2011                       | 1. Private employer rate change recommendation - 1 <sup>st</sup> reading   |
|                                 | 2. Public employer state agency rate change recommendation- rule 4123-17-35 - 1 <sup>st</sup> reading  |
|                                 | 3. Quarterly reserve analysis for financial reporting for fiscal year ending June 30, 2011 based on data as of December 31, 2010                   |
| Date                            | April 2011   |
| 4/28/2011                       | 1. Private employer rate change recommendation - 2 <sup>nd</sup> reading   |
|                                 | 2. Public employer state agency rate change recommendation- rule 4123-17-35 - 2nd reading  |
|                                 | 3. Private employer base rates and expected loss rates - rules 4123-17-05 and 4123-17-06 - 1 <sup>st</sup> reading                                 |
|                                 | 4. Marine Industry Fund - rule 4123-17-19 - 1 <sup>st</sup> reading  |
|                                 | 5. Coal-Workers' Pneumoconiosis Fund - rule 4123-17-20 - 1st reading   |
|                                 | 6. Disabled Workers' Relief Fund and Additional Disabled Workers' Relief Fund rule 4123-17-29 - 1 <sup>st</sup> reading                            |
| Date                            | May 2011   |
| 5/26/2011                       | 1. Private employer base rates and expected loss rates - rules 4123-17-05 and 4123-17-06 - 2 <sup>nd</sup> reading                                 |
|                                 | 2. Marine Industry Fund - rule 4123-17-19 - 2 <sup>nd</sup> reading  |
|                                 | 3. Coal-Workers' Pneumoconiosis Fund - rule 4123-17-20 - 2 <sup>nd</sup> reading   |
|                                 | 4. Disabled Workers' Relief Fund and Additional Disabled Workers' Relief Fund rule 4123-17-29 - 2 <sup>nd</sup> reading                            |
|                                 | 5. Self-Insured assessments - rule 4123-17-32 - 1 <sup>st</sup> reading  |
|                                 | 6. Administrative Cost Fund - rule 4123-17-36 - 1 <sup>st</sup> reading  |
|                                 | 7. Safety & Hygiene assessment- 1 <sup>st</sup> reading  |
|                                 | 8. Reserve update for financial reporting for fiscal year ending June 30, 2011 and projection for June 30, 2012 based on data as of March 31, 2011 |
| <b>NOTE - CAN BE DONE IN AN</b> | 9. Public employer taxing districts credibility table effective 1-1-2012- rule 4123-17-33.1 - 1 <sup>st</sup> reading                              |
| <b>EARLIER MEETING</b>          | 10. Public employer taxing districts group break even factor rule 4123-17-64.2 - 1 <sup>st</sup> reading   |

# Actuarial Committee Calendar - 2010/2011

| Date                            | June 2011   |
|---------------------------------|---|
| 6/15/2011                       | 1. Administrative Cost Fund - rule 4123-17-36 - 2 <sup>nd</sup> reading   |
|                                 | 2. Self-Insured Assessments - rule 4123-17-32 - 2 <sup>nd</sup> reading   |
|                                 | 3. Safety & Hygiene assessment - 2 <sup>nd</sup> reading  |
| <b>NOTE - CAN BE DONE IN AN</b> | 4. Public employer taxing districts credibility table effective 1-1-2012 - rule 4123-17-33.1 - 2 <sup>nd</sup> reading  |
| <b>EARLIER MEETING</b>          | 5. Public employer taxing districts group break even factor rule 4123-17-64.2 - 2 <sup>nd</sup> reading   |
|                                 | 6. State-by-State Rate Comparison   |
|                                 | 7. Split experience rating plan rules - 1 <sup>st</sup> reading   |
| Date                            | July 2011   |
| 7/28/2011                       | 1. Reserve adjustments as of June 30, 2011 - discussion if necessary  |
|                                 | 2. Reserve Audit as of 6-30-2011  |
|                                 | 3. Group rating rule changes - 1 <sup>st</sup> reading  |
|                                 | 4. Split Experience Rating Plan rules - 2 <sup>nd</sup> reading   |
| Date                            | August 2011   |
| 8/25/2011                       | 1. Final Reserve Audit as of June 30, 2011 and quarterly reserve true up for financial reporting for fiscal year ending June 30, 2011 and updated estimate for fiscal year ending June 30, 2012 based on data as of June 30, 2011 |
|                                 | 2. Group rating rule changes - 2 <sup>nd</sup> reading  |
| Date                            | September 2011  |
| 9/29/2011                       | 1. Safety & Hygiene is found in rule 4123-17-37 - 1 <sup>st</sup> reading   |
|                                 | 2. Annuity table rule 4123-17-60 - 1 <sup>st</sup> reading if necessary   |
|                                 | 3. Public employer taxing districts rate change - 1 <sup>st</sup> reading   |
| Date                            | October 2011  |
| 10/27/2011                      | 1. PEC Base Rate and Expected Loss rates rule 4123-17-33 and 4123-17-34 - 1 <sup>st</sup> reading   |
|                                 | 2. PEC group Break even factor rule 4123-17-64.2 - 1 <sup>st</sup> reading  |
|                                 | 3. Safety & Hygiene assessment rate - rule 4123-17-37 - 2 <sup>nd</sup> reading   |
|                                 | 4. Annuity table rule 4123-17-60 - 2 <sup>nd</sup> reading if necessary   |
| Date                            | November 2011   |
| 11/17/2011                      | 1. Quarterly reserve update   |
|                                 | 2.  |
| Date                            | December 2011   |
| 12/14/2011                      | 1.  |

## The Collectible Rate

The collectible rate is made up of the base rate, the anticipated impact of discounts and refunds for participation in various programs, and the impact of employer experience modifiers (EMs).

BWC has historically limited a base rate change to no more than 30 percent. However, not all employers pay the base rate. Many participate in programs that offer refunds or discounts after rates have been set, such as the Drug Free Safety Program. Many employers are also experience rated, so the impact of the resulting credits and debits must be anticipated.

We call the impact of the discounts and refunds “Premium Slippage”. For the public employer- taxing district (PEC) rates effective January 1, 2010 our premium slippage assumption was 9.88%. We based that figure on an analysis of slippage in past years adjusted to recognize current programs. For the rates effective January 1, 2011 the assumption decreased to 7.5%.

The impact of the EMs has increased slightly. In 2010 there was a small credit in overall EMs of 1.0%. For 2011 we expect the average EM to be a small debit of 0.6%.

The chart below shows how these elements are combined for PEC Industry Group 6, Public Works’ Relief Employees.

| <b>Public Works' Relief Employees</b>                              | <b>Policy Year Beginning 1/1/2010</b> | <b>Policy Year Beginning 1/1/2011</b> | <b>Percent Change</b> |
|--|---------------------------------------|---------------------------------------|-----------------------|
| <b>Base Rate</b>   | \$0.85                                | \$1.10                                | 29.4%                 |
| <b>Premium Slippage Assumption</b>                                 | 9.88%                                 | 7.50%                                 |                       |
| <b>Rate after Slippage = Base Rate x (1 - Slippage)</b>            | \$0.7660                              | \$1.0175                              | 32.8%                 |
| <b>Experience Adjustment</b>                                       | 0.99                                  | 1.006                                 |                       |
| <b>Rate after Premium Slippage and after Experience Adjustment</b> | \$0.7583                              | \$1.0236                              | 35.0%                 |
| <b>Collectible Rate</b>  | 0.76                                  | 1.02                                  | 34.2%                 |

Note: The collectible rate of \$1.02 and the resulting percent change of 34% are less than the published rate of \$1.03 and 36% due to a key entry error. This industry produces the least amount of premium of the 10 PEC industries, about .25% of the total collectible premium. As such, this change has no material impact to the overall collectible premium. We re-examined all of our calculations and found no other inaccuracies.