BWC Board of Directors

# Actuarial Education Session Agenda

**Wednesday, March 23, 2011**
**William Green Building**
Level 2, Room 3
3:00 p.m. to 5:00 p.m.

**Roll Call**
Larry Rhodebeck, Scribe

**Balance Sheet Concepts**

- Assets
- Liabilities
- Net Asset
  - What is its composition?
  - What Risks does it cover?
  - What are the stressors on it?
  - Insurance industry standards, how would NAIC/AM Best rate BWC?

John Pedrick, Chief Actuarial Officer
Tracy Valentino, Chief of Fiscal and Planning

**Reserve Setting**

1. Why we do it?
   - Financial reserves
   - Rate setting
2. How we use it.
3. Nominal versus discounted.
   - History of discount rate
   - History of booked reserves
4. What is considered when setting reserves?
   - Paid loss
   - Incurred loss
   - Loss development
   - Trends

Jan Lommele, Deloitte LLP
David Heppen, Deloitte LLP

**Rates**

1. Basics by Fund/Employer Type
   - Policy years
   - Methods
   - Calendar

   Elizabeth Bravender, Director of Actuarial Operations

2. Rate Indication – set stage for next day
   - Pricing target
   - Discount rate/effect of investment income

   David Heppen, Deloitte LLP

**Premium Equity**

1. Background on group rating
2. Pricing issues
3. Loss Ratios
   - Loss ratio triangles
   - Comparing loss ratios

   John Pedrick, Chief Actuarial Officer

# Statement of Net Assets – Combining Schedule

As of February 28, 2011

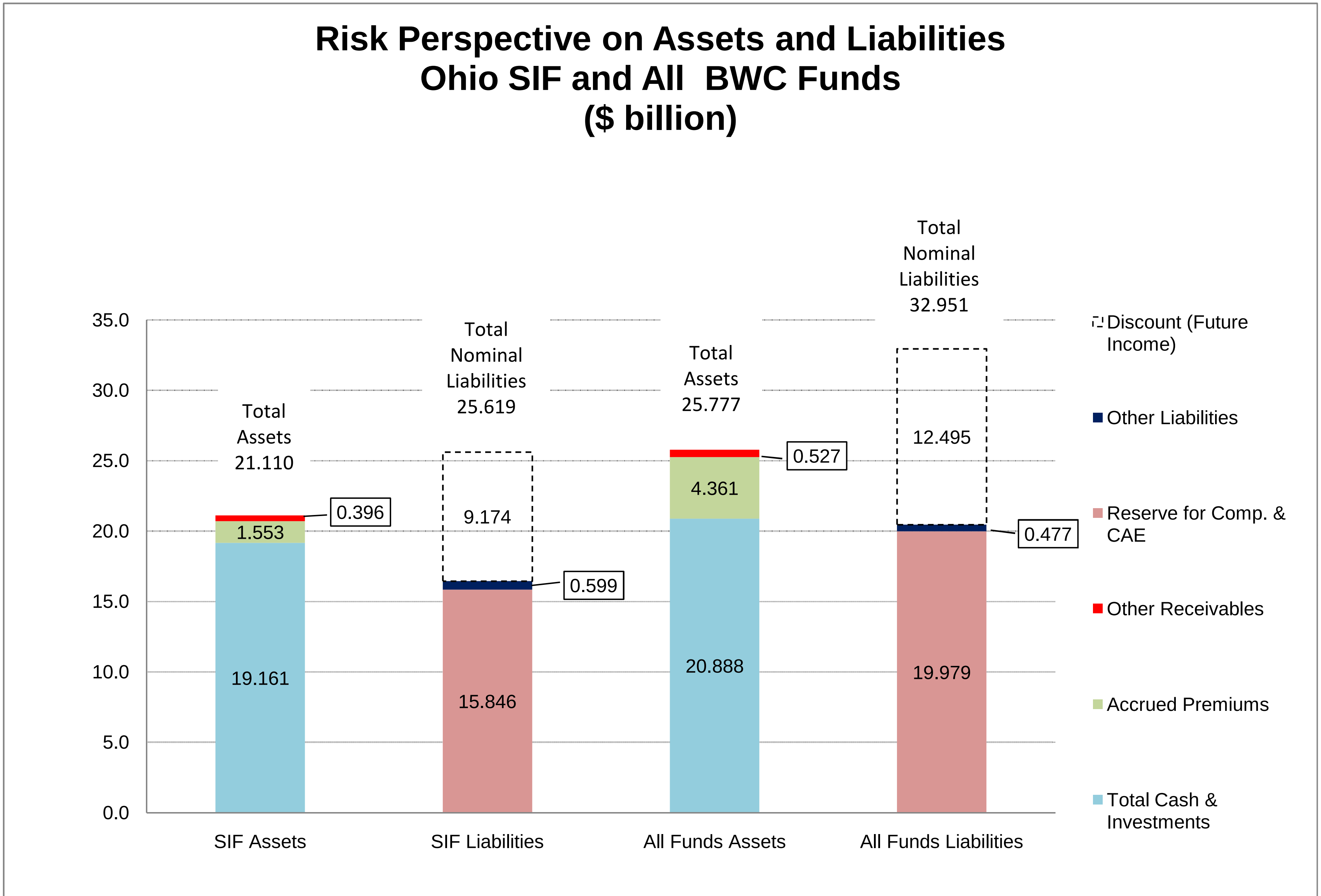
*(in thousands)*

| | State Insurance Fund Account | Disabled Workers' Relief Fund Account | Coal–Workers Pneumoconiosis Fund Account | Public Work Relief Employees' Fund Account | Marine Industry Fund Account | Self–Insuring Employers' Guaranty Fund Account | Administrative Cost Fund Account | Eliminations | Totals |
|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | |
| Bonds | $12,337,541 | $ 900,366 | $ 218,916 | $ 25,419 | $ 19,165 | $ – | $ – | $ – | $13,501,407 |
| U.S. Equities | 4,280,367 | 302,688 | 39,960 | – | – | – | – | – | 4,623,015 |
| Non–U.S. Equities | 1,953,456 | 149,816 | 22,683 | – | – | – | – | – | 2,125,955 |
| Private Equities | 35 | – | – | – | – | – | – | – | 35 |
| Cash & Cash Equivalents | 589,257 | 1,504 | 297 | 200 | 206 | 44,817 | 1,648 | – | 637,929 |
| Total Cash & Investments | 19,160,656 | 1,354,374 | 281,856 | 25,619 | 19,371 | 44,817 | 1,648 | – | 20,888,341 |
| Accrued Premiums | 1,552,683 | 1,772,420 | – | 462 | – | 854,336 | 181,395 | – | 4,361,296 |
| Other Accounts Receivable | 135,999 | 21,060 | 47 | – | 1 | 3,256 | 44,979 | – | 205,342 |
| Interfund Receivables | 11,508 | 57,655 | 12 | – | 34 | 8,643 | 149,720 | (227,572) | – |
| Investment Receivables | 223,368 | – | – | – | – | 1 | – | – | 223,369 |
| Other Assets | 25,367 | 22 | – | – | – | – | 72,940 | – | 98,329 |
| **Total Assets** | $21,109,581 | $ 3,205,531 | $ 281,915 | $ 26,081 | $ 19,406 | $ 911,053 | $ 450,682 | $ (227,572) | $25,776,677 |
| **Liabilities** | | | | | | | | | |
| * Reserve for Compensation & Compensation Adj. Expense | $15,845,936 | $ 2,029,536 | $ 72,400 | $ 2,836 | $ 2,336 | $ 901,764 | $ 1,123,736 | $ – | 19,978,544 |
| Accounts Payable | $ 97,689 | – | – | – | – | – | 1,015 | – | 98,704 |
| Investment Payable | 196,476 | – | – | – | – | – | – | – | 196,476 |
| Interfund Payables | 215,468 | 10,262 | 105 | 35 | 29 | 1,673 | – | (227,572) | – |
| Other Liabilities | 89,800 | 59 | 710 | 5 | 117 | – | 91,470 | – | 182,161 |
| **Total Liabilities** | 16,445,369 | 2,039,857 | 73,215 | 2,876 | 2,482 | 903,437 | 1,216,221 | (227,572) | 20,455,885 |
| **Net Assets** | $ 4,664,212 | $ 1,165,674 | $ 208,700 | $ 23,205 | $ 16,924 | $ 7,616 | $ (765,539) | $ – | $ 5,320,792 |

*The undiscounted reserves for compensation and compensation adjustment expenses are as follows:

*(in thousands)*

| | |
|---|---|
| SIF | $25,020,100 |
| DWRF | 3,494,733 |
| CWPF | 181,867 |
| PWRE | 4,600 |
| MIF | 3,533 |
| SIEGF | 1,966,967 |
| ACF | 1,802,000 |
| **Total** | $32,473,800 |




Figures as of February 28, 2010

H:\JRP 2011\BWC 2011\Financial Issues\Balance Sheet Breakdown
3/22/2011

# Ohio Bureau of Workers' Compensation Educational Session – Reserve Methodology

Dave Heppen, FCAS, MAAA
Jan Lommele, FCAS, MAAA

Deloitte Consulting LLP
March 23, 2011

# AGENDA

Objective and Actuarial Process

Life Cycle

Ultimate Loss

Paid Loss Development Method

Paid Bornhuetter-Ferguson Method

Tail

Uncertainty

Discount Illustration

Historical Reserves

## Objective

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

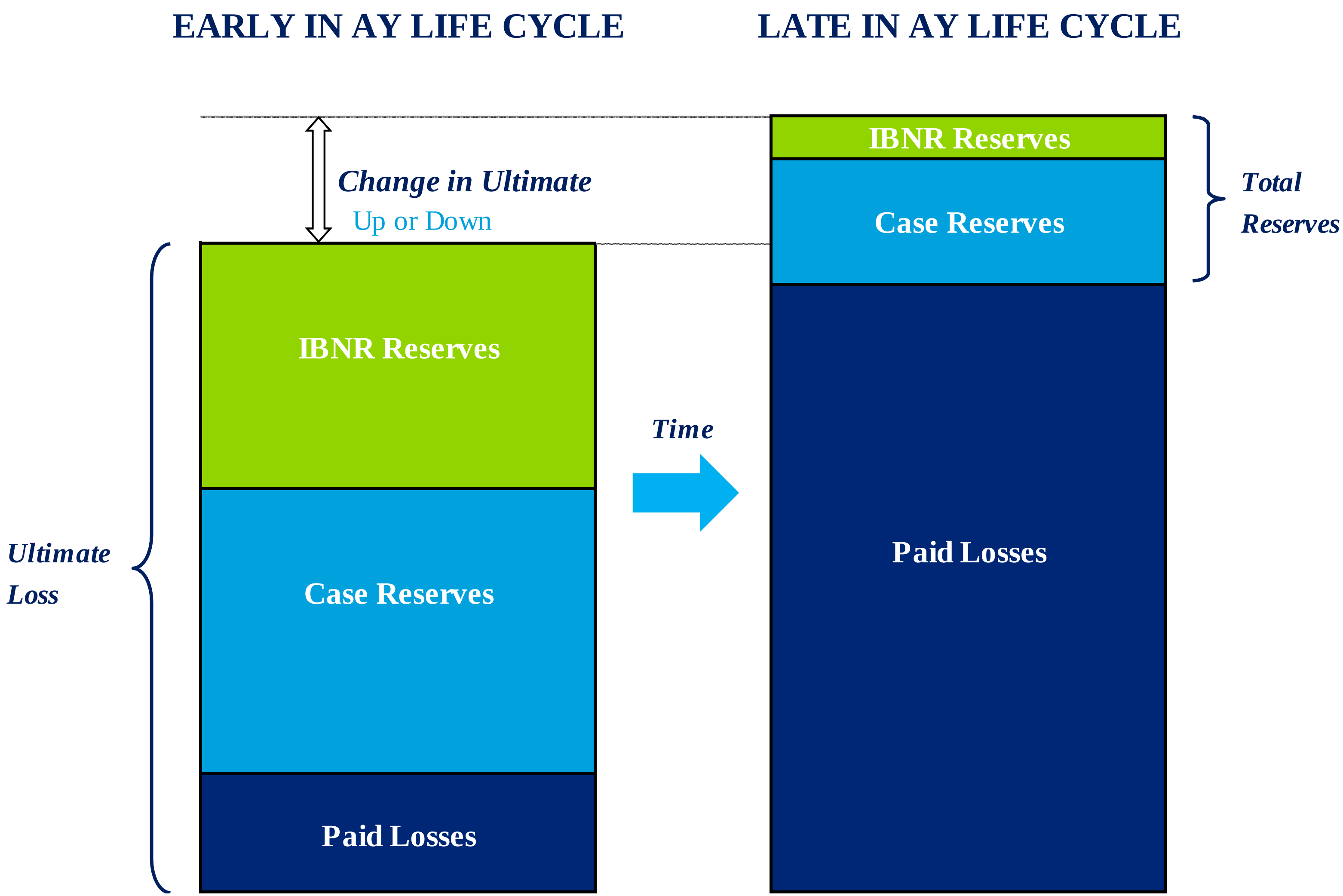
## Actuarial Process

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

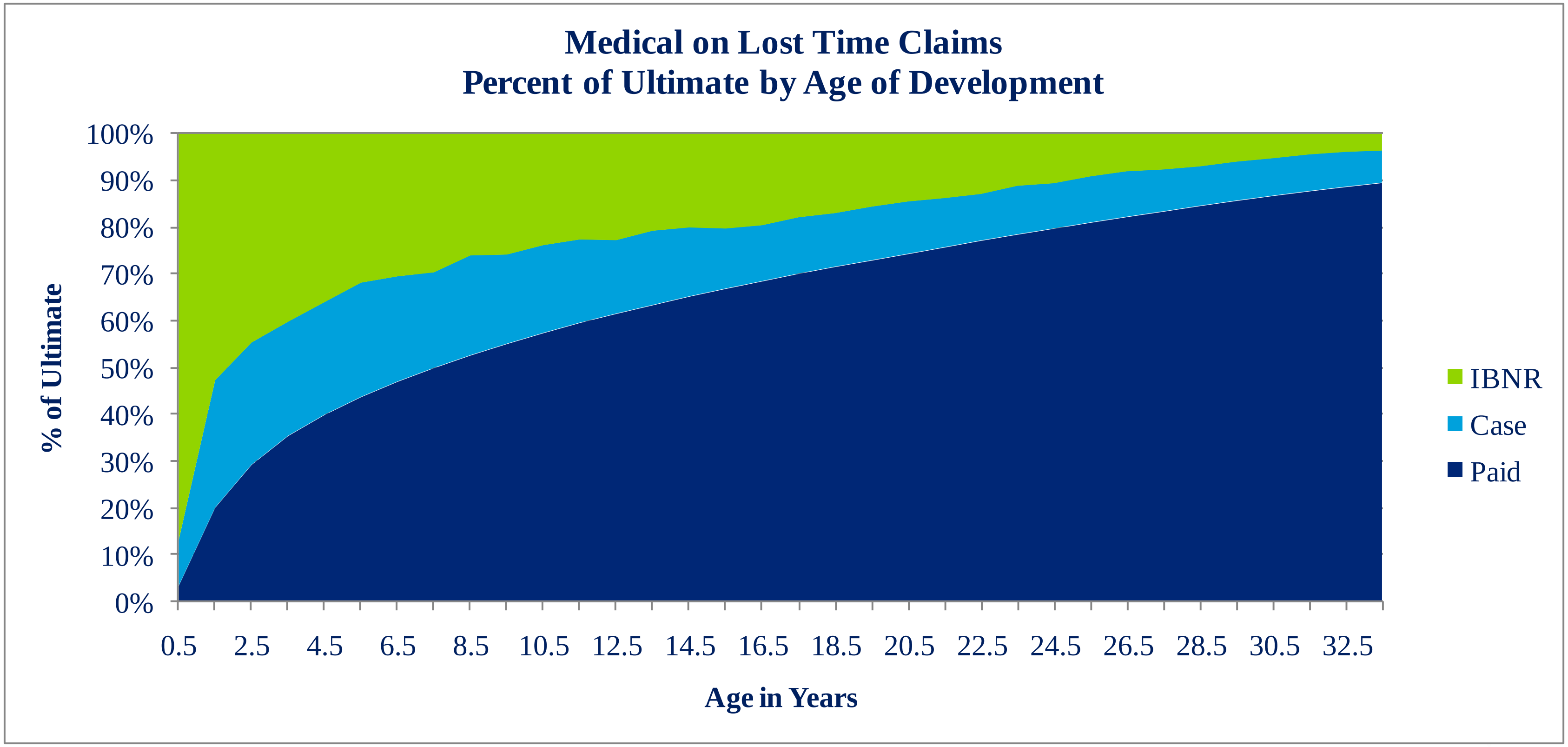
1. Ultimate Loss Estimates – Based on actuarial methodologies
   - Ultimate Loss = Paid Loss + MIRA Case Reserves + Incurred But Not Reported ("IBNR")
   - IBNR consists of the following:
     - "Pure" IBNR; claims not yet known and not recorded
     - "Pipeline" IBNR; claims known but not yet recorded
     - 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

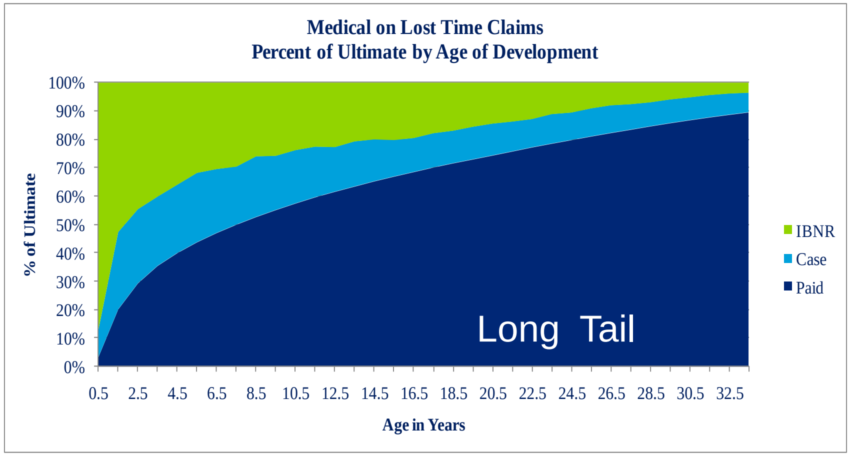

EARLY IN AY LIFE CYCLE
LATE IN AY LIFE CYCLE
Change in Ultimate
Up or Down
IBNR Reserves
Case Reserves
Paid Losses
Ultimate
Loss
Time
IBNR Reserves
Case Reserves
Paid Losses
Total
Reserves

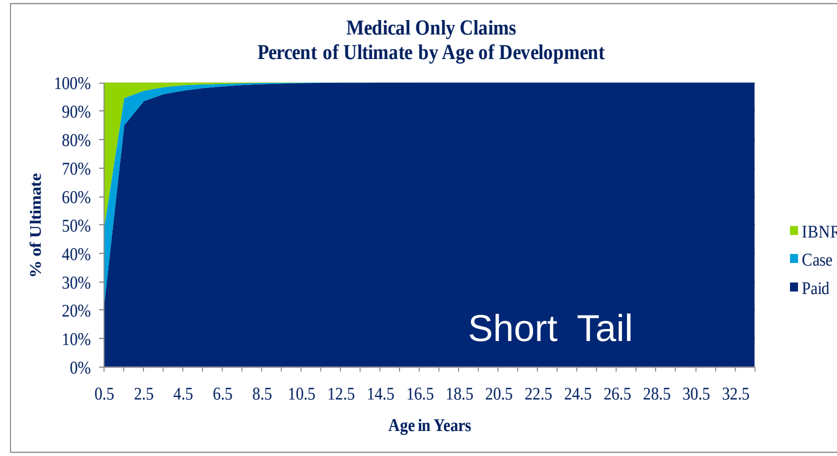
## Life Cycle

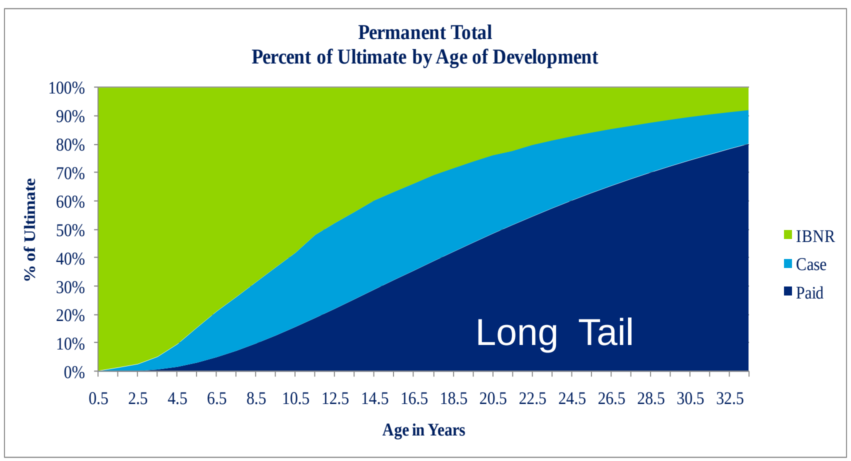


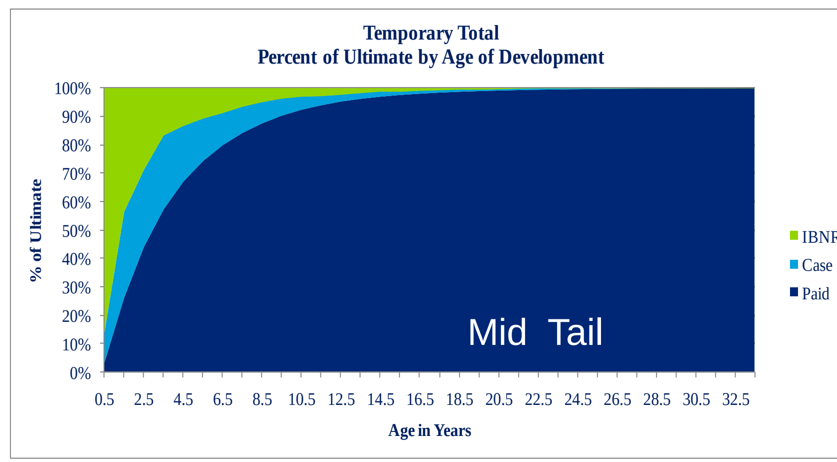
Medical on Lost Time Claims
Percent of Ultimate by Age of Development
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
% of Ultimate
0.5
2.5
4.5
6.5
8.5
10.5
12.5
14.5
16.5
18.5
20.5
22.5
24.5
26.5
28.5
30.5
32.5
Age in Years
IBNR
Case
Paid

## 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.)

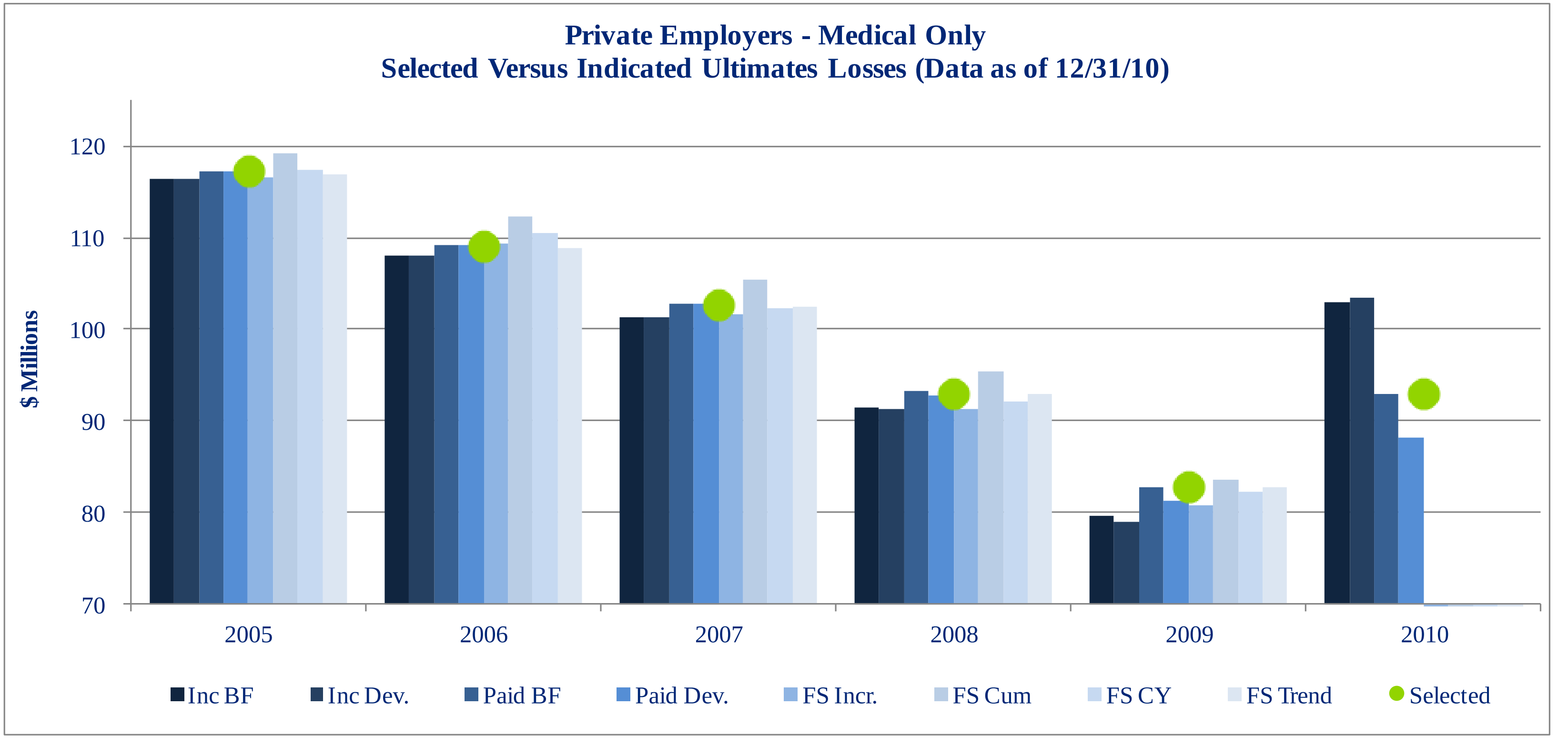
## Ultimate Loss

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.

# 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., 2010) and to the Paid Loss Development method in more mature accident years (ie., 2005).

# Ultimate Loss

**PRIVATE EMPLOYERS - MEDICAL ONLY ($000's)**

**(DATA EVALUATED AS OF 12/31/2010)**

| | INDICATED ULTIMATE LOSS | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| ACCIDENT YEAR | 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 | 19,675 | 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 | **77,071** | 77,115 | 77,071 | 77,115 | 77,098 | 77,122 | 77,108 | 77,063 | **77,071** |
| 1998 | **85,719** | 85,769 | 85,719 | 85,769 | 85,759 | 85,743 | 85,722 | 85,709 | **85,719** |
| 1999 | **94,215** | 94,275 | 94,215 | 94,275 | 94,280 | 94,219 | 94,206 | 94,215 | **94,215** |
| 2000 | **103,439** | 103,461 | 103,439 | 103,461 | 103,554 | 103,427 | 103,450 | 103,429 | **103,439** |
| 2001 | **108,829** | 108,807 | 108,829 | 108,807 | 109,016 | 108,679 | 108,711 | 108,803 | **108,829** |
| 2002 | **118,510** | 118,324 | 118,510 | 118,324 | 118,848 | 118,156 | 118,246 | 118,428 | **118,510** |
| 2003 | **119,826** | 119,506 | 119,827 | 119,506 | 120,334 | 119,424 | 119,655 | 119,764 | **119,826** |
| 2004 | **115,978** | 115,381 | 115,979 | 115,383 | 116,973 | 115,133 | 115,384 | 115,741 | **115,978** |
| 2005 | **117,251** | 116,332 | 117,253 | 116,338 | 119,231 | 116,593 | 117,450 | 116,867 | **117,251** |
| 2006 | **109,251** | 108,119 | **109,107** | 108,081 | 112,336 | 109,272 | 110,498 | 108,827 | **109,179** |
| 2007 | **102,718** | 101,238 | **102,757** | 101,269 | 105,464 | 101,688 | 102,373 | 102,388 | **102,738** |
| 2008 | **92,813** | 91,238 | **93,313** | 91,485 | 95,440 | 91,366 | 92,111 | 92,984 | **93,063** |
| 2009 | 81,263 | 79,014 | **82,765** | 79,710 | 83,571 | 80,822 | 82,318 | 82,720 | **82,765** |
| 2010 | 88,185 | 103,394 | **92,937** | 103,005 | 102,447 | 87,650 | 93,530 | 95,948 | **92,937** |

## 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2002 | 22,281 | 77,975 | 11,431 | 3,068 | 1,414 | 648 | 550 | 341 | 178 | 79 |
| 2003 | 26,799 | 75,924 | 11,075 | 2,653 | 951 | 569 | 619 | 321 | 73 | |
| 2004 | 25,963 | 74,991 | 9,858 | 1,956 | 871 | 473 | 406 | 193 | | |
| 2005 | 26,726 | 74,773 | 8,732 | 2,725 | 1,320 | 833 | 178 | | | |
| 2006 | 24,317 | 67,106 | 9,923 | 3,503 | 1,711 | 211 | | | | |
| 2007 | 23,085 | 65,334 | 8,376 | 2,270 | 357 | | | | | |
| 2008 | 22,967 | 57,611 | 6,746 | 914 | | | | | | |
| 2009 | 19,408 | 50,776 | 3,633 | | | | | | | |
| 2010 | 20,565 | 36,108 | | | | | | | | |

Payments made by BWC during FY 2009
Payments made by BWC during FY 2010

**Step 2**
**Calculate Triangle of Cumulative Payments Through Each Valuation Age**

### Cumulative Payments

| AY | 6 | 18 | 30 | 42 | 54 | 66 | 78 | 90 | 102 | 114 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2002 | 22,281 | 100,256 | 111,686 | 114,754 | 116,168 | 116,816 | 117,366 | 117,707 | 117,885 | 117,964 |
| 2003 | 26,799 | 102,723 | 113,798 | 116,451 | 117,402 | 117,972 | 118,591 | 118,911 | 118,985 | |
| 2004 | 25,963 | 100,955 | 110,812 | 112,768 | 113,639 | 114,112 | 114,517 | 114,710 | | |
| 2005 | 26,726 | 101,499 | 110,231 | 112,956 | 114,277 | 115,110 | 115,287 | | | |
| 2006 | 24,317 | 91,423 | 101,345 | 104,848 | 106,559 | 106,770 | | | | |
| 2007 | 23,085 | 88,418 | 96,795 | 99,065 | 99,421 | | | | | |
| 2008 | 22,967 | 80,577 | 87,323 | 88,237 | | | | | | |
| 2009 | 19,408 | 70,184 | 73,817 | | | | | | | |
| 2010 | 20,565 | 56,674 | | | | | | | | |

*Notes:* *1) Latest Diagonal is through December 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2002 | 22,281 | 100,256 | 111,686 | 114,754 | 116,168 | 116,816 | 117,366 | 117,707 | 117,885 | 117,964 |
| 2003 | 26,799 | 102,723 | 113,798 | 116,451 | 117,402 | 117,972 | 118,591 | 118,911 | 118,985 | |
| 2004 | 25,963 | 100,955 | 110,812 | 112,768 | 113,639 | 114,112 | 114,517 | 114,710 | | |
| 2005 | 26,726 | 101,499 | 110,231 | 112,956 | 114,277 | 115,110 | 115,287 | | | |
| 2006 | 24,317 | 91,423 | 101,345 | 104,848 | 106,559 | 106,770 | | | | |
| 2007 | 23,085 | 88,418 | 96,795 | 99,065 | 99,421 | | | | | |
| 2008 | **22,967** | **80,577** | 87,323 | 88,237 | | | | | | |
| 2009 | 19,408 | 70,184 | 73,817 | | | | | | | |
| 2010 | 20,565 | 56,674 | | | | | | | | |

### Age to Age Development Factors

| | 6-18 | 18-30 | 30-42 | 42-54 | 54-66 | 66-78 | 78-90 | 90-102 | 102-Ult |
|---|---|---|---|---|---|---|---|---|---|
| 2002 | 4.500 | 1.114 | 1.027 | 1.012 | 1.006 | 1.005 | 1.003 | 1.002 | 1.001 |
| 2003 | 3.833 | 1.108 | 1.023 | 1.008 | 1.005 | 1.005 | 1.003 | 1.001 | |
| 2004 | 3.888 | 1.098 | 1.018 | 1.008 | 1.004 | 1.004 | 1.002 | | |
| 2005 | 3.798 | 1.086 | 1.025 | 1.012 | 1.007 | 1.002 | | | |
| 2006 | 3.760 | 1.109 | 1.035 | 1.016 | 1.002 | | | | |
| 2007 | 3.830 | 1.095 | 1.023 | 1.004 | | | | | |
| 2008 | **3.508** | 1.084 | 1.010 | | | | | | |
| 2009 | 3.616 | 1.052 | | | | | | | |
| 2010 | 2.756 | | | | | | | | |
| Sel. ATA Factor | **3.740** | 1.096 | 1.026 | 1.013 | 1.008 | 1.006 | 1.005 | 1.003 | |
| Age to Ult Factor | **4.379** | **1.171** | 1.068 | 1.041 | 1.028 | 1.020 | 1.014 | 1.009 | **1.006** Selected Tail Factor |

**=80,577 / 22,967**

**= 3.740 x 1.171**

**Step 3**
**Determine Cumulative Development Factors for Each Triangle Valuation Age**

# Paid Loss Development Method

## Private Employers - Medical Only

**Step 4**

**Determine Cumulative Development Factors for Each AY Age as of 12/31/2010**

**(Based on Cumulative Development Factors Determined in Step 3)**

| AY | Age of Selected PDF Low Age (1) | Age of Selected PDF High Age (2) | Age at 12/31/2010 (3) | Paid Development Factors Low Age (4) | Paid Development Factors High Age (5) | Paid Development Factors 12/31/10 Age (6) |
|---|---|---|---|---|---|---|
| 1977 | 402 | 414 | 408 | 1.000 | 1.000 | **1.000** |
| 1978 | 390 | 402 | 396 | 1.000 | 1.000 | **1.000** |
| ⋮ | ⋮ | ⋮ | ⋮ | ⋮ | ⋮ | ⋮ |
| 1997 | 162 | 174 | 168 | 1.000 | 1.000 | **1.000** |
| 1998 | 150 | 162 | 156 | 1.001 | 1.000 | **1.000** |
| 1999 | 138 | 150 | 144 | 1.001 | 1.001 | **1.001** |
| 2000 | 126 | 138 | 132 | 1.002 | 1.001 | **1.002** |
| 2001 | 114 | 126 | 120 | 1.004 | 1.002 | **1.003** |
| 2002 | 102 | 114 | 108 | 1.006 | 1.004 | **1.005** |
| 2003 | 90 | 102 | 96 | 1.009 | 1.006 | **1.007** |
| 2004 | 78 | 90 | 84 | 1.014 | 1.009 | **1.011** |
| 2005 | 66 | 78 | 72 | 1.020 | 1.014 | **1.017** |
| 2006 | 54 | 66 | 60 | 1.028 | 1.020 | **1.023** |
| 2007 | **42** | **54** | **48** | **1.041** | **1.028** | **1.033** |
| 2008 | 30 | 42 | 36 | 1.068 | 1.041 | **1.052** |
| 2009 | 18 | 30 | 24 | 1.171 | 1.068 | **1.101** |
| 2010 | 6 | 18 | 12 | 4.379 | 1.171 | **1.556** |

**1.033 at age 48 is a function of 1.041 at age 42 and 1.028 at age 54**

(1) & (2) Based on Triangle Ages Nearest to Col. (3)
(3) Age of AY as of December 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)**

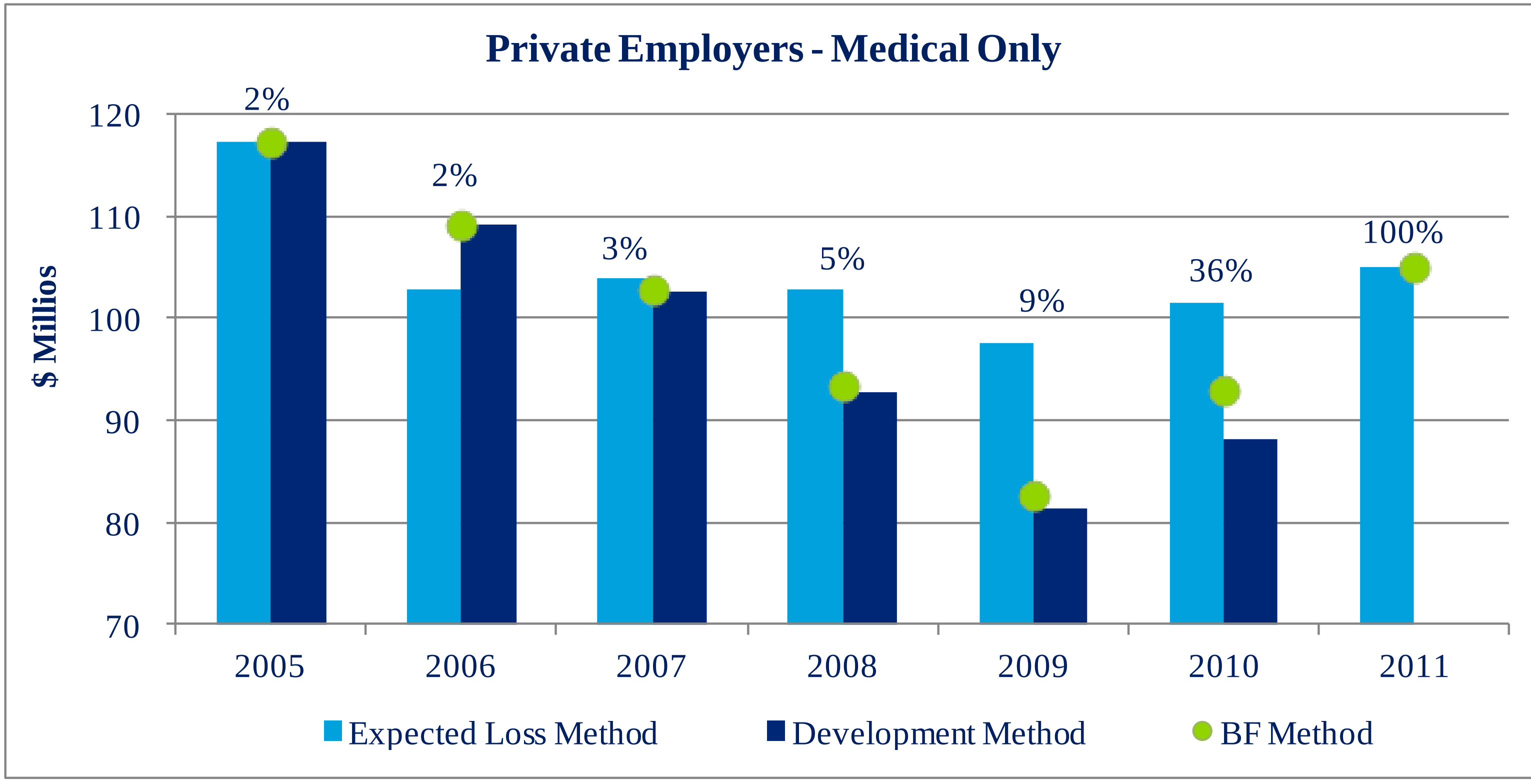
## Private Employers - Medical Only ($000's)

| AY | Age (Months) | Paid Loss | Paid Dev. Factor | Indicated Ultimate Loss @ 12/31/10 |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| 1977 | 408 | 19,673 | 1.000 | **19,673** |
| 1978 | 396 | 22,681 | 1.000 | **22,681** |
| ⋮ | ⋮ | ⋮ | ⋮ | ⋮ |
| 1997 | 168 | 77,057 | 1.000 | **77,071** |
| 1998 | 156 | 85,682 | 1.000 | **85,719** |
| 1999 | 144 | 94,133 | 1.001 | **94,215** |
| 2000 | 132 | 103,266 | 1.002 | **103,439** |
| 2001 | 120 | 108,511 | 1.003 | **108,829** |
| 2002 | 108 | 117,964 | 1.005 | **118,510** |
| 2003 | 96 | 118,985 | 1.007 | **119,826** |
| 2004 | 84 | 114,710 | 1.011 | **115,978** |
| 2005 | 72 | 115,287 | 1.017 | **117,251** |
| 2006 | 60 | 106,770 | 1.023 | **109,251** |
| 2007 | **48** | **99,421** | **1.033** | **102,718** |
| 2008 | 36 | 88,237 | 1.052 | **92,813** |
| 2009 | 24 | 73,817 | 1.101 | **81,263** |
| 2010 | 12 | 56,674 | 1.556 | **88,185** |

(1) Age of Accident Year as of 12/31/2010
(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

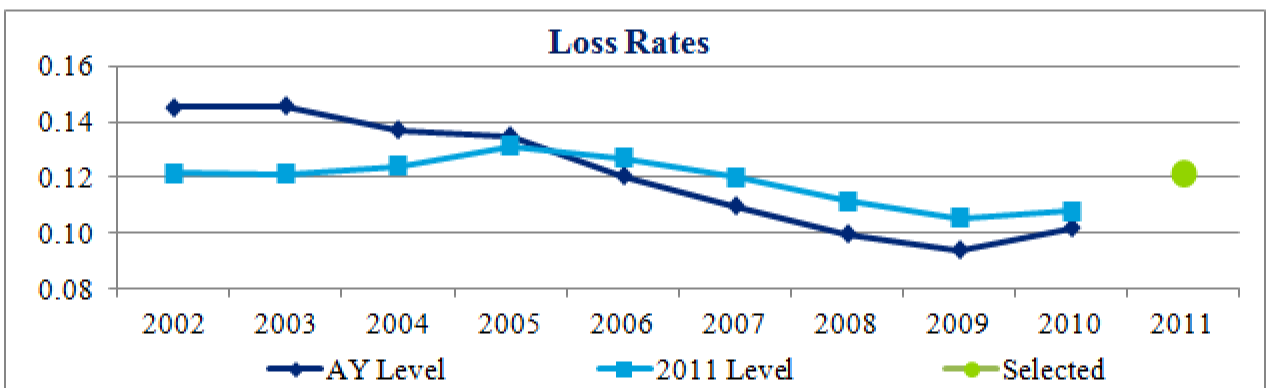
### Private Employers - Medical Only ($000's)

| 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 | 0.12 | 0.15 | 81,621,352 | 118,546 |
| 2003 | 0.15 | 0.12 | 0.15 | 82,433,234 | 119,927 |
| 2004 | 0.14 | 0.12 | 0.14 | 84,632,753 | 116,073 |
| 2005 | 0.13 | 0.13 | 0.14 | 86,912,307 | 117,373 |
| 2006 | 0.12 | 0.13 | 0.11 | 90,822,757 | 102,914 |
| 2007 | 0.11 | 0.12 | 0.11 | 93,702,820 | 103,939 |
| 2008 | 0.10 | 0.11 | 0.11 | 93,488,857 | 102,940 |
| 2009 | 0.09 | 0.11 | 0.11 | 86,735,186 | 97,655 |
| 2010 | 0.10 | 0.11 | 0.12 | 86,735,186 | 101,484 |
| 2011 | | | **0.12** | 86,735,186 | 104,950 |

Adjusted to 2011 level for wage frequency, and severity trends

Adjusted back to AY Level based on wage, frequency and severity trends

2011 Selected Loss Rate: **0.12**



# Tail

**PRIVATE EMPLOYERS - MEDICAL ON LOST TIME**

CUMULATIVE PAYMENTS (000's)

| AY | 6 | 18 | 30 | 42 | 54 | 66 | 78 | 330 | 342 | 354 | 366 | 378 | 390 | 402 | 414 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1977 | 2,880 | 23,245 | 39,840 | 47,225 | 53,483 | 60,020 | 66,924 | ... | 176,793 | 179,696 | 181,926 | 184,389 | 186,792 | 189,228 | 190,645 |
| 1978 | 3,479 | 28,077 | 48,122 | 57,512 | 65,924 | 74,139 | 82,112 | ... | 207,501 | 209,832 | 212,316 | 214,366 | 216,754 | 217,913 | |
| 1979 | 3,915 | 31,602 | 55,123 | 67,520 | 78,085 | 88,286 | 98,449 | ... | 239,504 | 242,721 | 245,697 | 248,459 | 249,856 | | |
| 1980 | 3,992 | 32,658 | 57,874 | 71,038 | 82,026 | 92,377 | 102,646 | ... | 233,741 | 236,565 | 239,529 | 240,853 | | | |
| 1981 | 4,374 | 35,735 | 63,038 | 76,850 | 88,059 | 98,410 | 108,721 | ... | 237,304 | 240,302 | 241,544 | | | | |
| 1982 | 5,246 | 40,740 | 67,894 | 82,302 | 94,258 | 105,255 | 115,883 | ... | 241,585 | 242,825 | | | | | |
| 1983 | 5,238 | 42,920 | 75,718 | 92,181 | 105,656 | 117,677 | 128,996 | ... | 261,085 | | | | | | |
| ⋮ | ⋮ | ⋮ | ⋮ | ⋮ | ⋮ | ⋮ | ⋮ | | | | | | | | |
| 2005 | 27,077 | 158,005 | 222,192 | 268,846 | 305,129 | 335,412 | 347,096 | | | | | | | | |
| 2006 | 23,632 | 143,183 | 213,425 | 259,365 | 292,301 | 305,673 | | | | | | | | | |
| 2007 | 23,719 | 140,087 | 204,828 | 248,401 | 264,423 | | | | | | | | | | |
| 2008 | 24,456 | 143,750 | 209,851 | 233,041 | | | | | | | | | | | |
| 2009 | 18,835 | 108,692 | 135,586 | | | | | | | | | | | | |
| 2010 | 19,131 | 66,535 | | | | | | | | | | | | | |

**Triangle Period**

**Tail Period**

**Payments Beyond 2010**

AGE-TO-AGE DEVELOPMENT FACTORS

| AY | 6-18 | 18-30 | 30-42 | 42-54 | 54-66 | 66-78 | | 342-354 | 354-366 | 366-378 | 378-390 | 390-402 | 402-414 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1977 | 8.071 | 1.714 | 1.185 | 1.133 | 1.122 | 1.115 | ... | 1.016 | 1.012 | 1.014 | 1.013 | 1.013 | 1.007 |
| 1978 | 8.071 | 1.714 | 1.195 | 1.146 | 1.125 | 1.108 | ... | 1.011 | 1.012 | 1.010 | 1.011 | 1.005 | |
| 1979 | 8.071 | 1.744 | 1.225 | 1.156 | 1.131 | 1.115 | ... | 1.013 | 1.012 | 1.011 | 1.006 | | |
| 1980 | 8.181 | 1.772 | 1.227 | 1.155 | 1.126 | 1.111 | ... | 1.012 | 1.013 | 1.006 | | | |
| 1981 | 8.170 | 1.764 | 1.219 | 1.146 | 1.118 | 1.105 | ... | 1.013 | 1.005 | | | | |
| 1982 | 7.766 | 1.667 | 1.212 | 1.145 | 1.117 | 1.101 | ... | 1.005 | | | | | |
| 1983 | 8.193 | 1.764 | 1.217 | 1.146 | 1.114 | 1.096 | ... | | | | | | |
| ⋮ | ⋮ | ⋮ | ⋮ | ⋮ | ⋮ | ⋮ | ⋮ | | | | | | |
| 2005 | 5.835 | 1.406 | 1.210 | 1.135 | 1.099 | 1.035 | | | | | | | |
| 2006 | 6.059 | 1.491 | 1.215 | 1.127 | 1.046 | | | | | | | | |
| 2007 | 5.906 | 1.462 | 1.213 | 1.064 | | | | | | | | | |
| 2008 | 5.878 | 1.460 | 1.111 | | | | | | | | | | |
| 2009 | 5.771 | 1.247 | | | | | | | | | | | |

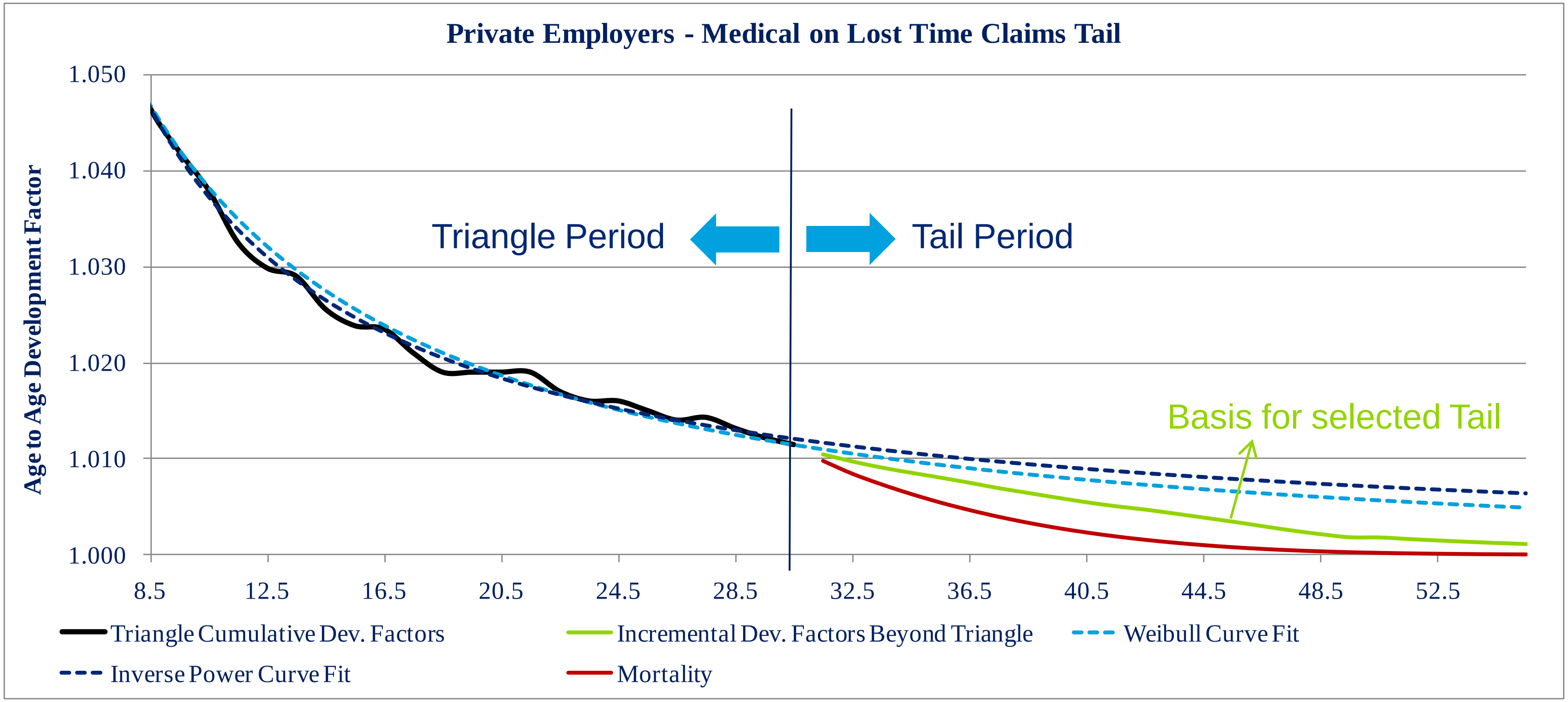
**Triangle Period**

**Tail Period**

**Development Beyond 2010**

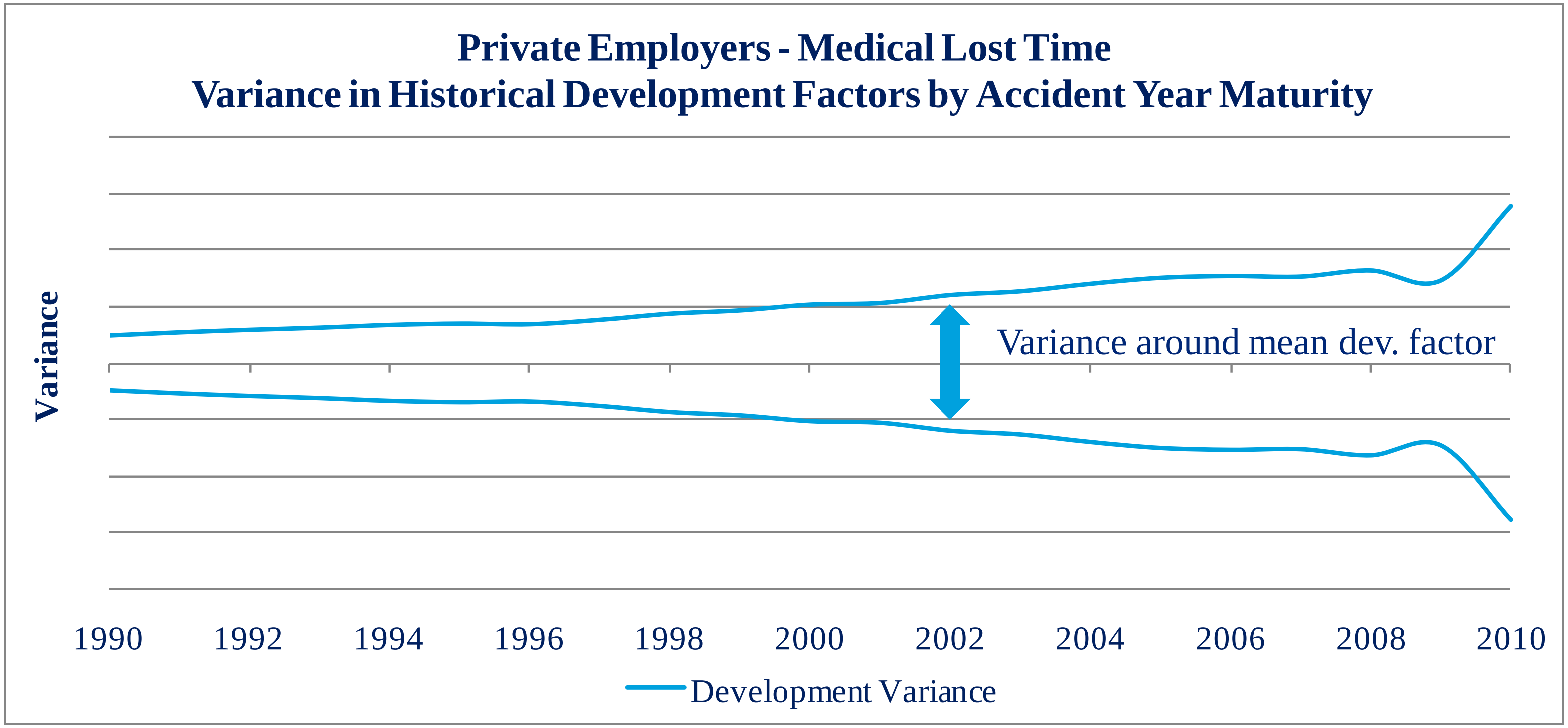
**Satisfied by Tail Factor**

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



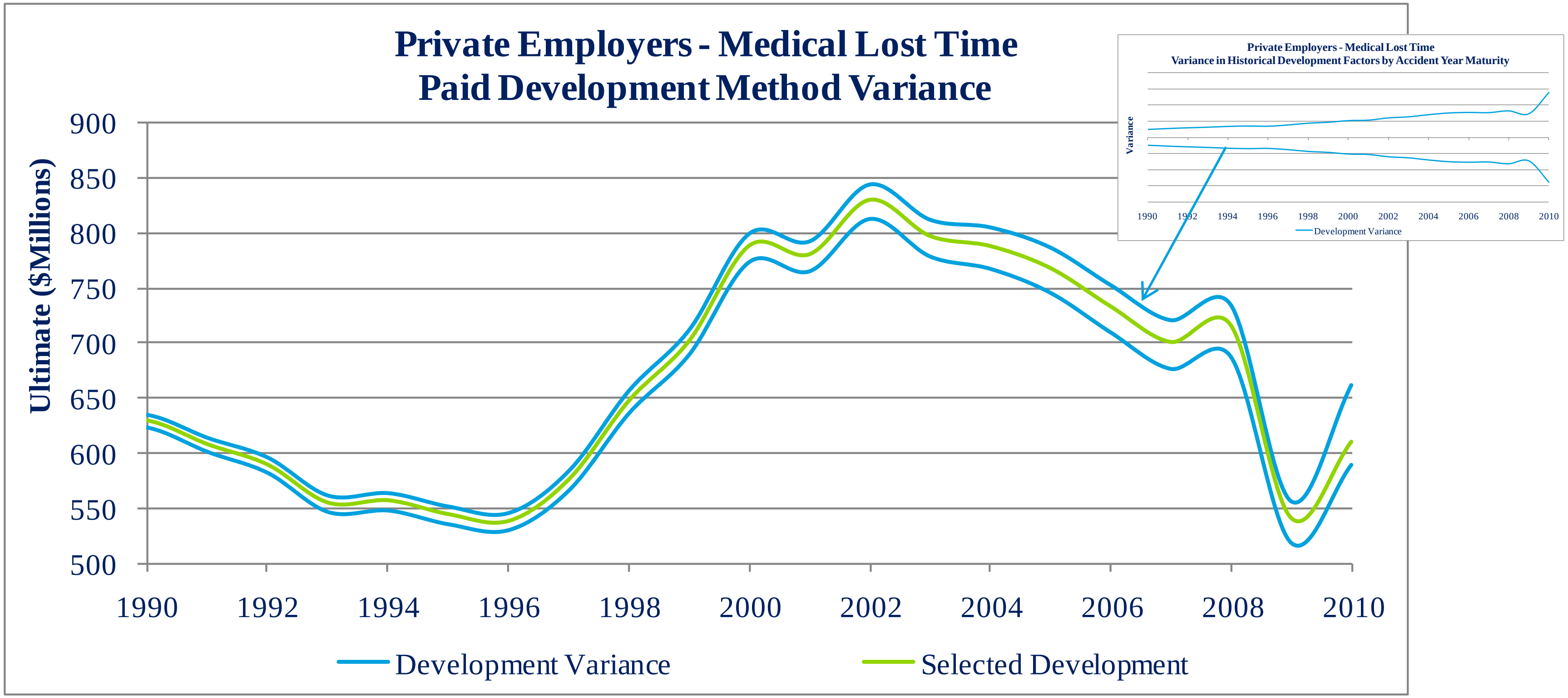

- Inverse Power and Weibull curves can be used to estimate development in the tail period by fitting a mathematical curve to the observed development in the triangle period - assumes continuation of observed mortality from triangle period
- Mortality alone does not consider increase in utilization as 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



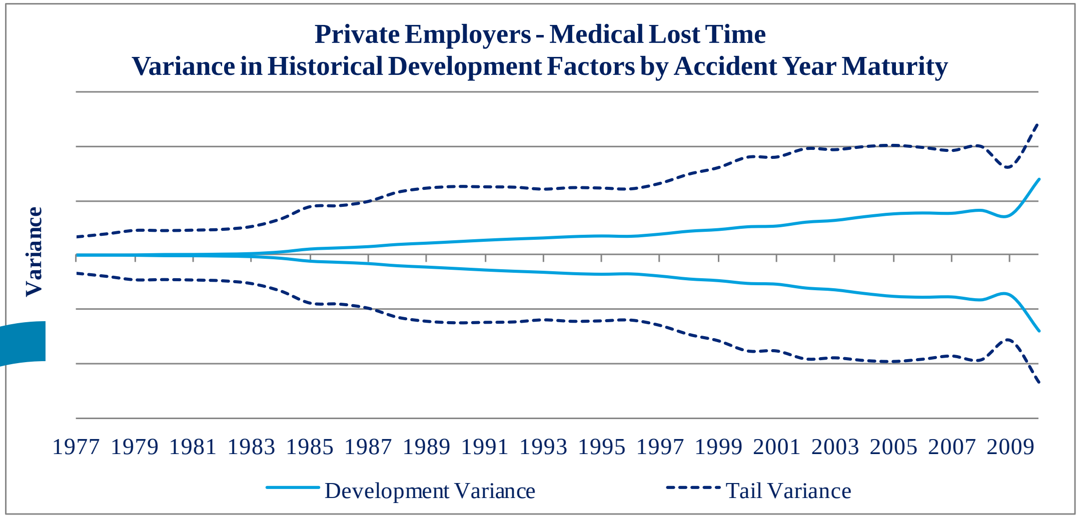

- More variance exists for less mature accident years, which leads to more uncertainty in the ultimate loss estimates as displayed in the following table

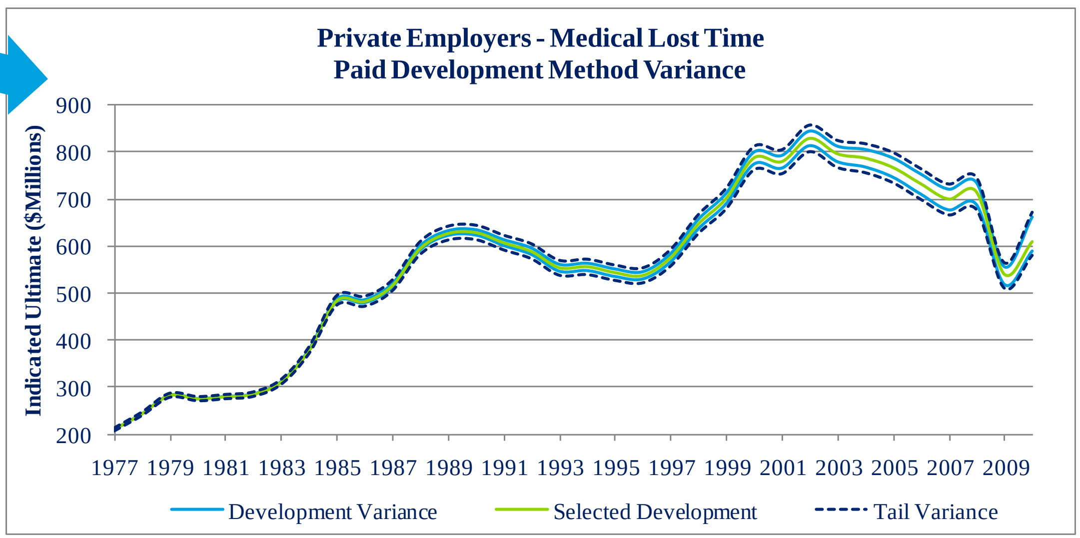
# Uncertainty – Development in Triangle Period




- 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 ON LOST TIME**
CUMULATIVE PAYMENTS (000's)

| AY | 6 | 18 | 30 | 42 | 54 | 66 | 78 | 330 | 342 | 354 | 366 | 378 | 390 | 402 | 414 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1977 | 2,880 | 23,245 | 39,840 | 47,225 | 53,483 | 60,020 | 66,924 | ........ | 176,793 | 179,696 | 181,926 | 184,389 | 186,792 | 189,228 | 190,645 |
| 1978 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 207,501 | 209,832 | 212,316 | 214,366 | 216,754 | 217,913 | |
| 1979 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 239,504 | 242,721 | 245,697 | 248,459 | 249,856 | | |
| 1980 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 239,529 | 240,853 | | | |
| 1981 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 237,304 | 240,302 | [illegible] | | | | |
| 1982 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 241,585 | 242,825 | | | | | |
| 1983 | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 261,085 | | | | | | |
| ⋮ | ⋮ | ⋮ | ⋮ | ⋮ | ⋮ | ⋮ | ⋮ | | | | | | | | |
| 2005 | 27,077 | 158,005 | 222,192 | 268,846 | 305,129 | 335,412 | 347,096 | | | | | | | | |
| 2006 | 23,632 | 143,183 | 213,425 | 259,365 | 292,301 | 305,673 | | | | | | | | | |
| 2007 | 23,719 | 140,087 | 204,828 | 248,401 | 264,423 | | | | | | | | | | |
| 2008 | 24,456 | 143,750 | 209,851 | 233,041 | | | | | | | | | | | |
| 2009 | 18,835 | 108,692 | 135,586 | | | | | | | | | | | | |
| 2010 | 19,131 | 66,535 | | | | | | | | | | | | | |

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 | 66-78 | | 342-354 | 354-366 | 366-378 | 378-390 | 390-402 | 402-414 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1977 | 8.071 | 1.714 | 1.185 | 1.133 | 1.122 | 1.115 | ........ | 1.016 | 1.012 | 1.014 | 1.013 | 1.013 | 1.007 |
| 1978 | 8.071 | 1.714 | 1.195 | 1.146 | 1.125 | 1.108 | ........ | 1.011 | 1.012 | 1.010 | 1.011 | 1.005 | |
| 1979 | 8.071 | 1.744 | 1.225 | 1.156 | 1.131 | 1.115 | ........ | 1.013 | 1.012 | 1.011 | 1.006 | | |
| 1980 | 8.181 | 1.772 | 1.227 | 1.155 | 1.126 | 1.111 | ........ | 1.012 | 1.013 | 1.006 | | | |
| 1981 | 8.170 | 1.764 | 1.219 | 1.146 | 1.118 | 1.105 | ........ | 1.013 | 1.005 | | | | |
| 1982 | 7.766 | 1.667 | 1.212 | 1.145 | 1.117 | 1.101 | ........ | 1.005 | | | | | |
| 1983 | 8.193 | 1.764 | 1.217 | 1.146 | 1.114 | 1.096 | ........ | | | | | | |
| ⋮ | ⋮ | ⋮ | ⋮ | ⋮ | ⋮ | ⋮ | ⋮ | | | | | | |
| 2005 | 5.835 | 1.406 | 1.210 | 1.135 | 1.099 | 1.035 | | | | | | | |
| 2006 | 6.059 | 1.491 | 1.215 | 1.127 | 1.046 | | | | | | | | |
| 2007 | 5.906 | 1.462 | 1.213 | 1.064 | | | | | | | | | |
| 2008 | 5.878 | 1.460 | 1.111 | | | | | | | | | | |
| 2009 | 5.771 | 1.247 | | | | | | | | | | | |

**Observed Inflation**

| Fiscal Yr | Inflation |
|---|---|
| 95-96 | 6.5% |
| 96-97 | 4.4% |
| 97-98 | 6.5% |
| 98-99 | 6.9% |
| 99-00 | 5.3% |
| 00-01 | 6.9% |
| 01-02 | 7.5% |
| 02-03 | 8.3% |
| 03-04 | 6.8% |
| 04-05 | 6.8% |
| 05-06 | 6.2% |
| 06-07 | 6.0% |
| 07-08 | 6.6% |
| 08-09 | 6.1% |
| 09-10 | 5.6% |
| **5 yr avg** | **6.1%** |
| **10 yr avg** | **6.7%** |
| **15 yr avg** | **6.4%** |

+1%

-1%

- A **+1% sustained** change in future annual medical inflation over observed historical medical inflation would increase future discounted medical payments by **$935 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 **$750 million** (5% decrease)

# 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** | | |

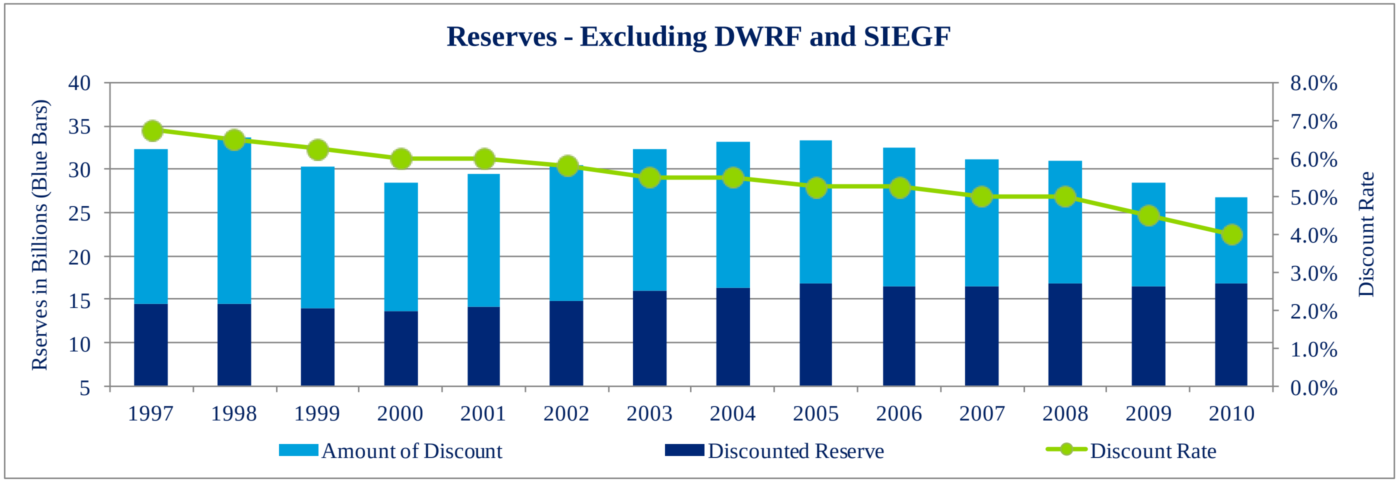
### Cash Flow with Discount Rate of 0%

| 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**

# Historical Fiscal Year-End Nominal and Discounted Reserves




**Total - Excluding DWRF and SIEGF ($Billions)**

| Fiscal Year | Nominal Reserves | Discounted Reserves | Amount of Discount | Discount / Nominal | Discount Rate |
|---|---|---|---|---|---|
| 1997 | 32.4 | 14.5 | 17.9 | 55% | 6.75% |
| 1998 | 33.6 | 14.5 | 19.1 | 57% | 6.50% |
| 1999 | 30.2 | 14.0 | 16.2 | 54% | 6.25% |
| 2000 | 28.5 | 13.7 | 14.9 | 52% | 6.00% |
| 2001 | 29.5 | 14.1 | 15.4 | 52% | 6.00% |
| 2002 | 30.5 | 14.9 | 15.6 | 51% | 5.80% |
| 2003 | 32.3 | 16.0 | 16.3 | 50% | 5.50% |
| 2004 | 33.1 | 16.3 | 16.8 | 51% | 5.50% |
| 2005 | 33.3 | 16.8 | 16.5 | 49% | 5.25% |
| 2006 | 32.5 | 16.5 | 16.1 | 49% | 5.25% |
| 2007 | 31.2 | 16.5 | 14.7 | 47% | 5.00% |
| 2008 | 31.0 | 16.8 | 14.2 | 46% | 5.00% |
| 2009 | 28.5 | 16.6 | 11.9 | 42% | 4.50% |
| 2010 | 26.7 | 16.9 | 9.9 | 37% | 4.00% |

**Total - Including DWRF and SIEGF ($Billions)**

| Fiscal Year | Nominal Reserves | Discounted Reserves | Amount of Discount | Discount / Nominal |
|---|---|---|---|---|
| 2007 | 37.0 | 19.3 | 17.7 | 48% |
| 2008 | 36.4 | 19.4 | 17.0 | 47% |
| 2009 | 33.7 | 19.2 | 14.5 | 43% |
| 2010 | 32.2 | 19.8 | 12.4 | 38% |

Ohio Bureau of Workers' Compensation

# Ohio Bureau of Workers' Compensation

## Rating Concepts

Elizabeth Bravender

March 23, 2011

# Employer Groups and Funds

- ## Private Employer  (PA)
  - Policy period: July 1 to June 30
  - Premium rates set  using the oldest 4 of last 5 calendar years
- ## Public Employer Taxing Districts (PEC)
  - Policy period: January 1 to December 31
  - Premium rates set  using the oldest 4 of last 5 calendar years
- ## Public Workers Relief Employees (PWRE)
  - Subset of PEC's
- ## Public Employer State Agencies (PES
  - Policy period: July 1 to June 30
  - Pay-as-you-go system – includes all claim payment regardless of injury year

Ohio Bureau of Workers' Compensation

# Employer Groups and Funds

- **Coal Workers' Pneumoconiosis Fund (CWPF)**
  - Policy period: July 1 to June 30
- **Marine Insurance Fund (MIF)**
  - Policy period: Anniversary date of employer coverage initiation
- **Disabled Workers' Relief Fund (DWRF I)**
  - Cola adjustment on pre 1987 claims
- **Additional Disabled Workers' Relief Fund (DWRF II)**
- Cola adjustment on post 1986 claims
- **Administrative Cost Fund (ACF)**
- **Self-Insured Employers' Guarantee Fund (SIEGF)**

# Premium Rate Making

1st step – project a range of the needed premiums for private employer at the fund level referred to as the rate indication (March/April)

2nd step – review the rate indication and consider other factors

- Economy
- Workers' compensation market and trends
- Legislative changes
- Judicial changes
- Benefit Changes
- Frequency of claims
- Change in reserve discount rate

# Premium Rate Making

3rd Step – Administrator and Chief Actuarial Officer will make an overall rate change recommendation to the Actuarial Committee to take to the Board for advice and consent (Apr/May)

4th Step – Board passes a resolution adopting the overall rate recommendation (Apr/May)

5th Step – Overall rate indication is included in the class rate making (April/May)

# Premium Rate Making

6th Step – Calculate expected loss rates and base rates for each manual class. (Apr/May)

7th Step – Present the results in rule form to the Actuarial Committee for a recommendation to the Board (Apr/May)

8th Step – Board adopts the new rate rules and the rules become effective July 1 (May)

# Rate Change Indication

The Rate indication is a percentage change in collectible premium over the previous years' premium collections.

Example:

Policy year 1 - average collectible premium rate is $1.76 per $100 reported payroll

Policy year 2 are targeting an average collectible premium rate of  $1.55 per $100 of reported payroll

The change is equal to a 12% rate decrease which is the figure or the rate indication and recommendation we are asking for from the Board of Directors.

# Ohio Bureau of Workers' Compensation
# Educational Session – Ratemaking Methodology

Dave Heppen, FCAS, MAAA
Jan Lommele, FCAS, MAAA

Deloitte Consulting LLP
March 23, 2011

# AGENDA

Ratemaking - Ohio Private Employers

Historical Loss Costs

Trends (On-Leveling Process)

On-Level Loss Costs and Selected Range for July 1, 2011 – June 30, 2012

Impact of Discount

Pricing Target

Summary

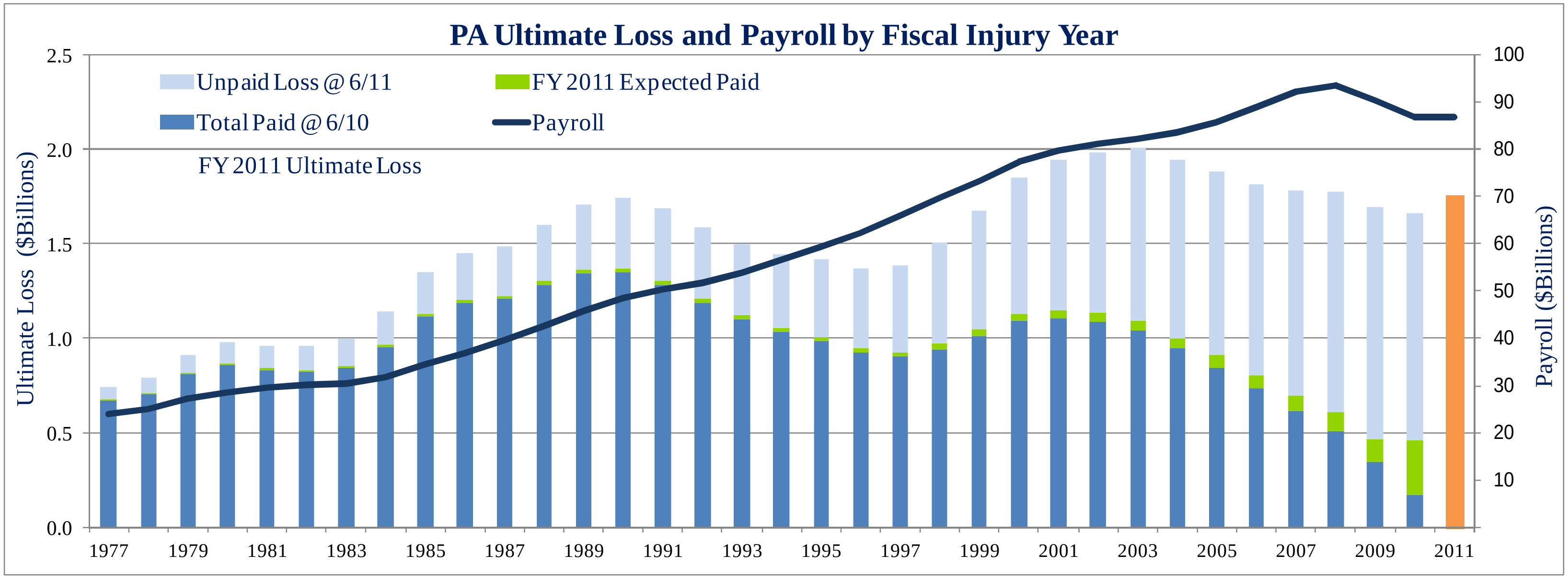
Appendix: Statement of Principles Regarding Property and Casualty Insurance Ratemaking (Casualty Actuarial Society)

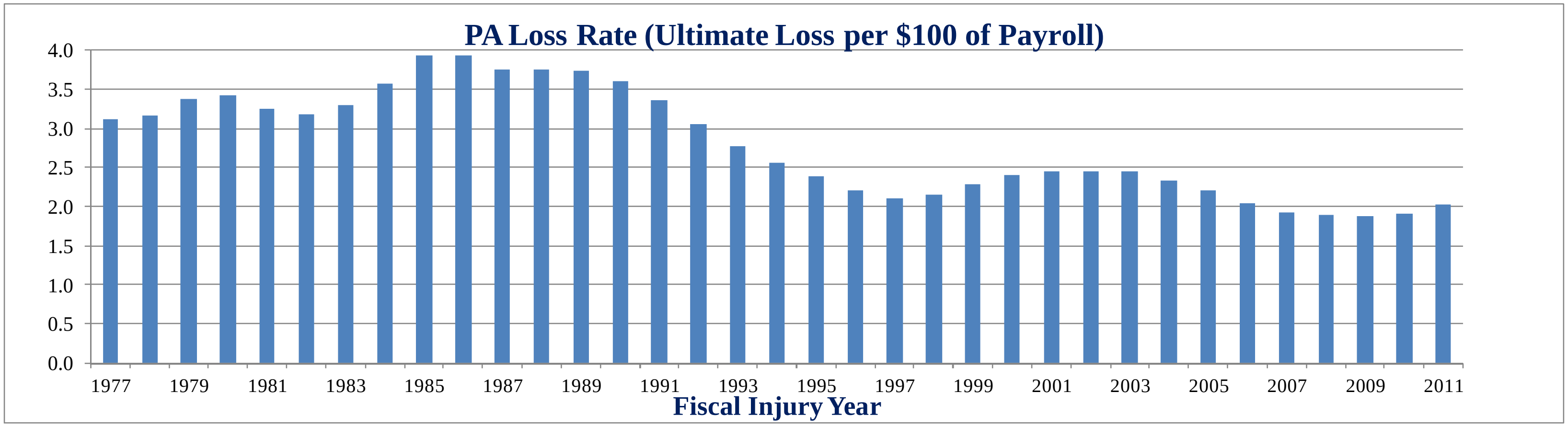
## Ratemaking – Ohio Private Employers

- *Ratemaking is <u>prospective</u> – rates are developed prior to policy issuance*
  - For Ohio Private Employers, Deloitte Consulting is using the results of its Reserve Review as of December 31, 2010 to develop rate indications for the upcoming policy year.

- *A rate is an estimate of the expected value of future costs*
  - For Ohio Private Employers, Deloitte Consulting is developing an indicated range of rates intended to provide for the discounted value of claims and related expenses associated with the July 1, 2011 to June 30, 2012 policy period.

## Historical Loss Costs – Private Employers

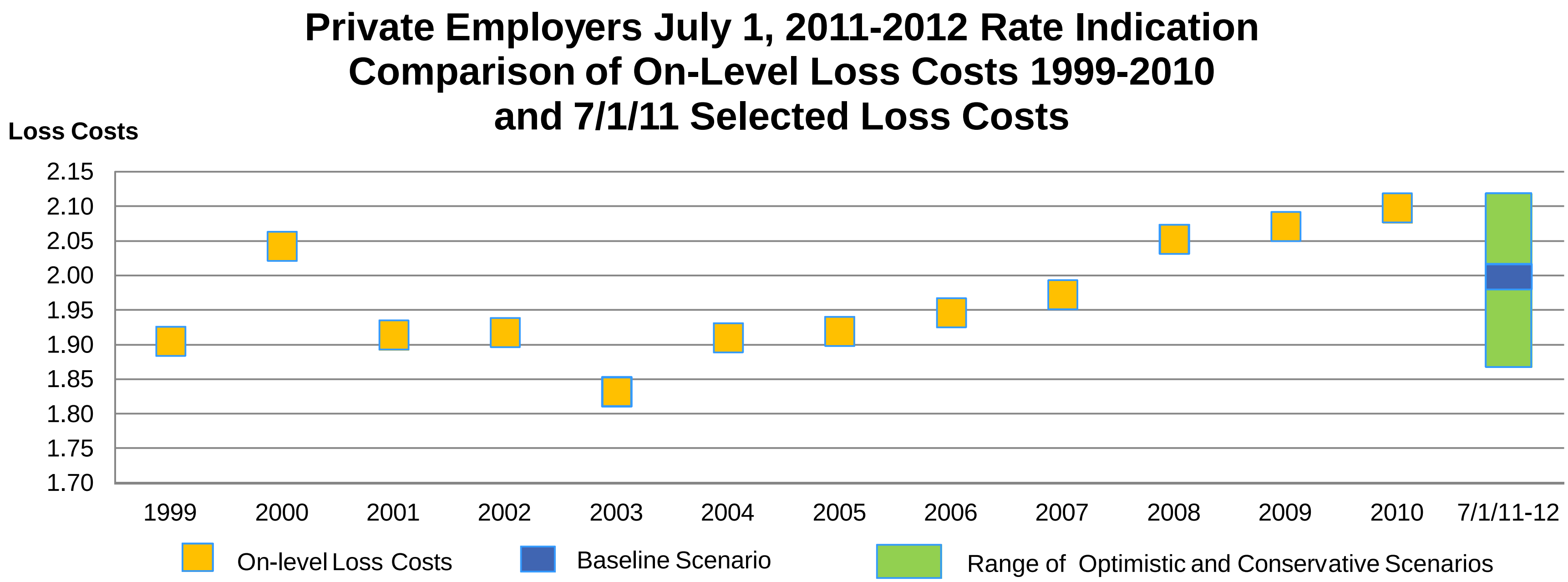


# Trends (On-Leveling Process)

- In developing indicated rates for Private Employers, Deloitte Consulting reviews Private Employer losses from past years.
- Losses from past years are related to payrolls from those years; this relationship is defined as “loss costs”.
- In reviewing loss costs from past years, consideration must be given to:
  - Payroll Trend (Changes in Wage Levels)
  - Frequency Trend (Changes in the Number of Claims)
  - Severity Trend (Changes in the Average Cost of Claims)
- Conceptually, trending in a ratemaking analysis is a means of answering the question, “What is the expected value of next year’s costs” by restating past payrolls and losses at wage and cost levels anticipated in the upcoming year.

# On-Level Loss Costs and Selected Range for 7/1/11-12




- Deloitte's selection for the 7/1/11 policy year gives some weight to the 2008-10 loss costs
- Estimated ultimate loss costs for 2008-10 are higher than loss costs from older years, but the more recent accident years are immature and were not considered to be as reliable as more mature years
- The loss costs above were adjusted for changes in frequency, severity, and payrolls from year to year
- The loss costs above are undiscounted; indicated rates are discounted for future investment income

## Impact of Discounting

- BWC currently discounts losses at an annual rate of 4.0%.
- Since claims for the upcoming July 1, 2011 – June 30, 2012 policy period will be paid over many years, the effect of discounting is significant.
- Deloitte Consulting estimates that the impact of discounting losses will be a reduction in premiums of approximately $600 to $700 million for the upcoming July 1, 2011 – June 30, 2012 policy period.

## Pricing Target

- A key aspect of ratemaking is the overall pricing target.
- Deloitte Consulting has developed indicated rate levels using a profit provision of 0% for the pricing target.
- The implication of a 0% profit provision is that, at Deloitte Consulting's Baseline rate indication, Deloitte Consulting expects that the Private Employer premiums, losses, expenses, and investment income related to policy period July 1, 2011 to June 30, 2012 will neither grow nor shrink net assets.
- Deloitte Consulting would expect a non-$0 impact on net assets if the rate decision is other than the baseline indication.
- Deloitte Consulting is not considering the investment yield on net assets in its rate analysis, nor is Deloitte Consulting considering potential changes in the market value of assets or in changes of estimates of losses for past policy years.

## Summary

- Ratemaking analysis estimates the expected value of future costs.
- In developing the Private Employer Rate Indication, Deloitte Consulting estimates the expected value of costs in the upcoming policy year by considering many years of past Private Employer experience, adjusted to wage and loss levels anticipated for the upcoming policy year.
- Deloitte Consulting selects a range of indicated rate levels based on those on-level loss costs.
- Discounting significantly reduces Private Employer rate levels.
- The profit provision in Deloitte Consulting's rate indication is 0%, meaning that at the baseline indication, Deloitte Consulting expects net assets to neither grow nor shrink based on the premiums, losses, expenses, and investment income related to the upcoming policy year.
- Net assets will be impacted by other factors, including changes in market valuations and changes in estimates on prior year losses.

# Appendix – Statement of Principles Regarding Property and Casualty Insurance Ratemaking

1. A rate is an estimate of the expected value of future costs.
   - Ratemaking should provide for all costs so that the insurance system is financially sound.
2. A rate provides for all costs associated with the transfer of risk.
   - Ratemaking should provide for the costs of an individual risk transfer so that equity among insureds is maintained.
3. A rate provides for the costs associated with an individual risk transfer.
   - Ratemaking produces costs that are actuarially sound if the estimation is based on Principles 1, 2, and 3.
4. A rate is reasonable and not excessive, inadequate, or unfairly discriminatory if it is an actuarially sound estimate of the expected value of all future costs associated with an individual risk transfer.

# Ohio Bureau of Workers' Compensation
# Private Employer Rates and Performance

## Rate History

Since 2007, BWC has implemented the following rate changes for private employers:

| | July 1, 2008 | July 1, 2009 | July 1, 2010 |
|---|---|---|---|
| Non-Group (base rates) | -5.0% | -25.3% | -8.4% |
| Group | -5.0% | +9.6% | +5.5% |
| Overall | -5.0% | -12.0% | -3.9% |

The resulting changes in rate structure have two major results:

- Provide accurate, equitable rates for non-group employers
- Adjust the maximum discount in the credibility table and the break-even factors to move group employers closer to their rate level target

## Performance Measurement

The following table summarizes structural elements and the actual performance of our major segments:

| Raw Incurred Loss Ratios* for Policy Years 2003 Through 2008<br>Valued at 21 Months (9 Months After The End of The Policy Year) Except Where Noted | | | | | | |
|---|---|---|---|---|---|---|
| Policy Year July 1 | Evaluation Date | Age of Policy Year in Months | Maximum Credibility | Group Loss Ratio | Non-Group Loss Ratio | Group Loss Ratio Relative to Non-group Loss Ratio |
| 2003 | 3/31/2005 | 21 | 100% | 110.6% | 58.4% | 1.89 |
| 2004 | 3/31/2006 | 21 | 100% | 93.6% | 46.9% | 1.99 |
| 2005 | 3/31/2007 | 21 | 95% | 82.1% | 44.2% | 1.85 |
| 2006 | 3/31/2008 | 21 | 93% | 68.4% | 40.6% | 1.68 |
| 2007 | 3/31/2009 | 21 | 90% | 46.6% | 26.3% | 1.77 |
| 2008 | 3/31/2010 | 21 | 85% | 41.5% | 22.5% | 1.84 |
| 2009 | 12/31/2010 | 18 | 77%,<br>1.311 BEF | 38.1% | 29.6% | 1.29 |
| 2010 rough estimate | | | 65%, 1.275 avg. BEF | | | 1.17 |
| Target Ratio of Group Loss Ratio to Non-Group Loss Ratio | | | | | | 1.00 |

**Common Sense Business Regulation (BWC Rules)**
(Note: The below criteria apply to existing and newly developed rules)

**Rules Chapter 4123-17-04**

**Rule Review**

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

   Citation: ___4123.29 (A) (1)________________________

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

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

3. ☒ Existing federal regulation alone does not adequately regulate the subject matter.
   Yes, Federal regulation does not regulate this subject matter.

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

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

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

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

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

   Explain: State & national associations for each industry were contacted for their review and input as well as the Ohio Chamber of Commerce and third party administrators.

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.
    Individual class code rates for FY 2012 are not yet known, so the full impact has not been completely determined.
    If so, how does the need for the rule outweigh burden and cost? _____________

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



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Date ______1/20/2011__________

## NCCI SCOPES AND RULE CHANGES
## 2011 EXECUTIVE SUMMARY

### OVERVIEW

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

### BACKGROUND

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

### Rule 4123-17-04

Rule 4123-17-04 establishes BWC's use of NCCI classifications of occupation



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Date _______1/20/2011__________

**4123-17-04 Classification of occupations or industries**

The administrator of workers' compensation, with the advice and consent of the bureau of workers' compensation board of directors, has authority to approve the classification of occupations or industries pursuant to sections 4121.12, 4121.121, and 4123.29 of the Revised Code. The administrator hereby establishes the following classifications of occupations or industries to be effective July 1, 2011, as indicated in the attached appendix A, the classification of occupations or industries that is based upon the national council on compensation insurance as required by division (A)(1) of section 4123.29 of the Revised Code.

Promulgated Under: 111.15
Statutory Authority: 4121.11, 4121.12, 4121.121, 4121.13, 4121.30
Rule Amplifies: 4123.29
Prior Effective Dates: 7/1/90, 7/1/91, 7/1/92, 7/1/93, 7/1/94, 7/1/95, 7/1/96, 7/1/97, 7/1/98, 7/1/99, 7/1/00, 7/1/01, 7/1/06, 7/1/07, 7/1/08, 7/1/10



Created by _John Best__________
Date _______1/20/2011__________

## Summary of NCCI Classification Changes
## July 1, 2011

| Industry | Existing Class Code(s) | New/Discontinued Class Code(s) | Change |
|---|---|---|---|
| Manufactured, Modular Home Mfg. | 2802,2812 | 2797-new | New code added for uniform treatment of exposure |
| Manufactured Homes Set Up | 8380, 7228, 7229, 9015, 6400 | 2799-new | New code to consolidate references to other codes. |
| Potato Chip, Popcorn, Snack Chip Mfg. | 6504 | 6503-new | New code to recognize separate exposure |
| Superstores & Warehouse Clubs | 8017, 8039 | 8037-new | New code for industry not currently identified in classification system. |
| Fiber Optics & Semiconductors | 4112,4150 | 4109, 4110, 4149-new 4112, 4150-discontinue | New codes to clearly differentiate the industries |
| Carpentry | 5645, 5651 | Combine into 5645 5651-discontinue | Combine similar exposures |
| Carpentry Shop | 2812, 2883 | Combine into 2883 2812-discontinue | Combine similar exposures |
| Telecommunications/Electronics Installation | 7600, 7601, 7611, 7612, 7613 | Combine into 7600 7601, 7611, 7612-discontinue | Combine similar exposures |
| Film Exchange | 4360, 4362 | Combine into 4360 4362-discontinue | Combine similar exposures |
| Lacquer or Spirit Varnish Mfg. | 4439, 4561 | Combine into 4439 4561-discontinue | Combine similar exposures |
| Bakery, Cookies, & Crackers | 2001, 2003 | Combine into 2003 2001-discontinued | Combine similar exposures |
| Door, Door Frame, and Sash Erection | 5102 | N/A | Phraseology changes to clarify usage |
| Wallboard Installation | 5445 | N/A | Phraseology changes to clarify usage |
| Painting/Paperhanging | 5474, 5491 | N/A | Phraseology changes to clarify usage |
| Punch Out Employees-Cleaner-Debris Removal | 5610 | N/A | Phraseology changes to clarify usage |
| Construction-Permanent Yard | 8227 | N/A | Phraseology changes to clarify usage |



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**NCCI Changes Effective 7/1/2011**
**SUMMARY**

**Manufactured, Modular Homes Mfg. (Erection of new classification code)**
**2797** MANUFACTURED, MODULAR, OR PREFABRICATED HOME MANUFACTURING—SHOP WORK—ALL OPERATIONS & DRIVERS

The focus of the proposed change for this industry is to establish a new code **(2797)** specifically for the manufactured, modular homes mfg. industry. The focus of the proposed changes from NCCI for this industry is to create a new national classification from the various state specials for this industry and to discontinue existing state specials treatments. Note: Ohio does not use state special codes for this industry. New code represents exposures within the existing (**2802)** CARPENTRY—SHOP ONLY—& DRIVERS code. This change will allow all manufactured and modular homes manufacturing to be included under one code.

Currently, these two types of shop-built homes are classified to different codes on a national basis:
• Code 2802—Carpentry—Shop is used for the manufacture of prefabricated wood houses, portable buildings, and prefabricated modular houses (factory built)
• Code 2812—Cabinet Works—With Power Machinery is used for the manufacture of home-type trailers and home-type trailers not used for residential purposes (medical trailers, bank trailers, etc.)

Note: Code 2812 includes cabinet manufacturing shops and is being discontinued and combined by NCCI into Code 2883 FURNITURE MFG.—WOOD—NOC.

| | **Code 2802** | **Code 2812 (Inactivate)** |
|---|---|---|
| Employers Reporting Payroll - 1st Half 2010 | 268 | 680 |
| Aggregate Payroll Reported - 1st Half 2010 | $20,960,295 | $49,369,902 |
| 2009 Total Losses - Med Comp & Reserves | $14,942,901 | $17,384.021 |
| Policy Year 2009 Base Rate | $5.36 | $4.26 |
| Policy Year 2010 Base Rate | $4.24 | $3.92 |

**Underwriting or Rate Impacts**
This item proposes to establish new national Code 2797—Manufactured, Modular, or Prefabricated Home Manufacturing—Shop Work & Drivers. It is proposed that the initial loss cost or rate and experience rating values be that of Code 2802 until Code 2797 establishes sufficient experience to determine its own loss cost or rate. While experience may be transferred from numerous other class codes, it is expected that most operations applicable to the new Code 2797 are currently being assigned to Code 2802. This proposal is, therefore, not expected to cause a significant change in statewide premium. The impact to individual risk premium will vary depending on current payroll distribution between previously assigned class codes, other than Code 2802, and the differences from the previously assigned codes' loss cost or rate. The new class code's loss cost or rate will eventually reflect the new phraseology



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wording and underlying experience of all risks with payroll and loss experience assigned to that classification.

**Manufactured Homes Set Up (Erection of new classification code)**
**2799** MANUFACTURED, MODULAR, OR PREFABRICATED HOME SETUP, HOOKUP, OR INSTALLATION AT BUILDING SITE

The focus of the proposed change for this industry is to establish a new code **(2799) f**or the manufactured, modular homes set up industry. The code will apply to setting home sections into place on the foundation or foundation walls and bolting them together. It also includes the hookup of any preinstalled utilities in the foundation to the connections on the manufactured or modular home. The focus of the proposed changes for this industry is to create a new national classification code for the manufactured home setup industry by consolidating references in other codes. The manufactured, modular homes setup industry is currently classified across five separate national codes for specific portions of the installation process. Each of the codes includes extensive operations within its phraseology.

The onsite placement and hookup is currently assigned to Code 8380. The delivery or transportation only is assigned to Code 7228 or Code 7229. The windstorm tie-down installation is assigned to Code 8380 for a dealer installation, Code 9015 for mobile home park operator installation, and Code 6400 for a specialist contractor installation. None of these codes specifically addresses the installation of modular homes, only mobile homes.

| | **Code 8380** |
|---|---|
| Employers Reporting Payroll - 1st Half 2010 | 7,408 |
| Aggregate Payroll Reported - 1st Half 2010 | $710,628,270 |
| 2009 Total Losses - Med Comp & Reserves | $199,592,028 |
| Policy Year 2009 Base Rate | $3.49 |
| Policy Year 2010 Base Rate | $3.26 |

**Underwriting or Rate Impacts**
This item proposes to establish new national Code 2799—Manufactured, Modular, or Prefabricated Home Setup, Hookup, or Installation at Building Site. It is also proposed that the initial loss cost or rate and experience rating values be that of Code 8380 until Code 2799 establishes sufficient experience to determine its own loss cost or rate. While experience may be transferred from numerous other class codes, it is expected that most operations applicable to the new Code 2799 are currently being assigned to Code 8380. This proposal is, therefore, not expected to cause a significant change in statewide premium. The impact to individual risk premium will vary depending on current payroll distribution between previously assigned class codes, other than Code 8380, and the differences from the previously assigned codes' loss costs or rates. The new class code's loss cost or rate will eventually reflect the new phraseology and underlying experience of all risks with payroll and loss experience assigned to that classification.

This item also proposes to assign activities related to windstorm tie-down installations by dealers or specialty contractors to this new national Code 2799. These operations are currently being assigned to Codes 8380 and 6400. NCCI is not able to determine the amount of payroll that will transfer from each of these codes into Code 2799. Windstorm tie-down installations by mobile home park operators will remain in Code 9015, as this is considered an incidental part of their operations.

The other change primarily consists of expanding phraseology in Code 6400—Fence Erection to include specific fence types into the filed phraseology. This change is for clarification only and is not expected to result in a change in statewide or individual risk premium.



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**Food Sundry (Erection of new classification code)**
**6503 POTATO CHIP, POPCORN & SNACK CHIP MFG. NOC**

The focus of the proposed changes for this industry is to consolidate cross-reference phraseologies of Code 6504 and to introduce a new classification 6503 for Potato Chip, Popcorn & Snack Chip Mfg. NOC. New code represents exposures within the existing code: **6504- FOOD SUNDRIES MFG NOC - NO CEREAL MILLING.**

The range of products in classification 6504 has increased beyond simple preparation. Code 6504 was once the simple preparation or packaging of already manufactured items. This NOC exception (not otherwise classified) is now the first choice in assigning insureds for both human and animal food sundries business. There are several characteristics that these products share in common. Most of these products are produced in highly automated plants that are set up to produce each of the products in large bulk quantity. There are extensive packaging operations that are equally automated with items prepared and sold in bulk to wholesale customers who use these products as ingredients in other products or as retail consumer sized packaging that can be purchased in supermarkets or food stores.

| | **Code 6504** |
|---|---|
| Employers Reporting Payroll - 1st Half 2010 | 280 |
| Aggregate Payroll Reported - 1st Half 2010 | 76,638,315 |
| 2009 Total Losses - Med Comp & Reserves | 12,943,307 |
| Policy Year 2009 Base Rate | $4.71 |
| Policy Year 2010 Base Rate | $4.37 |

**Underwriting or Rate Impacts**

This item proposes to establish new national Code 6503—Potato Chip & Other Snack Chip Mfg. & Drivers. It is also proposed that the initial loss cost or rate and experience rating values be that of Code 6504 until Code 6503 establishes sufficient experience to determine its own loss cost or rate. It is expected that most experience generated for the new code will come from Code 6504. This proposal is, therefore, not expected to cause a significant change in statewide or individual risk premium. The new class code's loss cost or rate will eventually reflect the new phraseology wording and underlying experience of all risks with payroll and loss experience assigned to that classification.

The other changes in phraseology for Code 6504, which primarily consist of consolidating multiple cross-reference wording into the actual code phraseology, are for clarification only and are not expected to result in a change in statewide or individual risk premium.



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**Superstores and Warehouse Clubs (Erection of new classification code)**
**8037 STORE—SUPERSTORES AND WAREHOUSE CLUBS**

The focus of the proposed changes for this industry is to create a new classification Code 8037—Store—Superstores and Warehouse Clubs for superstores and warehouse clubs.

Superstores and warehouse clubs became popular in the mid to late 1980s. The larger superstores belong to a national chain of stores, though the chain may be only regional in scope. As an industry, superstores have experienced a compound yearly growth rate of 28% since 1986. The future growth in superstores will come from grocery items and corporate self-distributed products.

Warehouse stores sell items in bulk quantities for reduced prices. They often display merchandise in original shipping cartons or boxes and stacked on wooden pallets rather than on shelves. In the future, warehouse clubs will focus on business members for their growth, and these clubs will concentrate on offering a larger selection at a lower price.
Superstores and warehouse clubs are becoming more popular as “one-stop shopping” establishments.

This is an identifiable, growing industry that is not currently addressed by the classification system. In addition, the principal type of merchandise sold based on gross receipts may vary from year to year for these establishments, warranting a new national code.

| | **Code 8017** | **Code 8039** |
|---|---|---|
| Employers Reporting Payroll - 1st Half 2010 | 7,193 | 40 |
| Aggregate Payroll Reported - 1st Half 2010 | $391,783,303 | $3,990,034 |
| 2009 Total Losses - Med Comp & Reserves | $103,545,706 | $1,255,010 |
| Policy Year 2009 Base Rate | $2.24 | $5.54 |
| Policy Year 2010 Base Rate | $2.06 | $5.17 |

**Underwriting or Rate Impacts**

This item proposes to create Code 8037—Store—Superstores and Warehouse Clubs. A review of the reported data shows that most large superstores and warehouse clubs are currently being assigned to Code 8017—Store—Retail NOC. Some of these store entities may also have been previously assigned to Code 8039—Store—Department—Retail.

It is proposed that the initial loss cost or rate and experience rating values for new Code 8037 will be that of Code 8017 until the new code establishes sufficient experience to determine its own loss cost or rate. It is expected that the majority of risk experience generated for the new code will come from Code 8017. The new class code’s loss cost or rate will eventually reflect the new phraseology wording and underlying experience of all risks with payroll and loss experience assigned to that classification. The impact to individual risks manual loss cost/rate charge will depend on their previous class code assignment and its associated loss cost or rate as compared to the new class code’s proposed loss cost or rate.

This item also proposes to raise the minimum annual payroll required to qualify for using Code 8039 from $400,000 to $650,000. This is expected to result in some insured operation's payroll being transferred from Code 8039 to Code 8017. The impact to individual risk's manual loss cost or rate charge will depend on their previous code's associated loss cost or rate as compared to their new class code's loss cost or rate. Only those risks with operation payroll amount between $400,000 and $650,000 in payroll will be impacted. The newly defined class code's loss cost or rate will eventually reflect the new phraseology wording and underlying experience of all risks with payroll and loss experience assigned to that classification.



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**Fiber Optics and Semiconductors (Erection of new classification codes)**
**4109 INTEGRATED CIRCUIT MFG.**
**4110 ELECTRIC BULB MFG.** (including a cross-reference to fiber optic cable mfg).;
**4149 OPTICAL GOODS MFG. NOC**

The focus of the proposed changes for this industry is to establish new national codes for the integrated circuit industry, incandescent bulb and fiber optics industry, and optical goods industry by reassigning exposures from Code 4112 and Code 4150 to three new classifications above to clearly differentiate these industries nationwide.

| | **Code 4112 Inactivate** | **Code 4150 Inactivate** |
|---|---|---|
| Employers Reporting Payroll - 1st Half 2010 | 17 | 115 |
| Aggregate Payroll Reported - 1st Half 2010 | 2,926,107 | 15,916,066 |
| 2009 Total Losses - Med Comp & Reserves | 1,377,377 | 1,488,741 |
| Policy Year 2009 Base Rate | $2.91 | $1.16 |
| Policy Year 2010 Base Rate | $2.16 | $1.03 |

Incandescent Lamp Mfg. will be assigned to insureds manufacturing electric light bulbs under new code 4110 Electric Bulb Mfg. This code will also include fiber optic cable manufacturing. The main issue with the fiber optics industry is that there is no mention of the manufacturing process of fiber optics in the NCCI ***Basic Manual***. The manufacturing process is most analogous to electric bulb manufacturing and should be included in this code.

Semiconductor computer chip manufacturing is highly automated and will go to the new code 4109 Integrated Circuit Manufacturing. Optical Goods and Lens Manufacturing will go to code 4149 Optical Goods Mfg NOC.

**Underwriting or Rate Impacts**

The loss cost/rate and rating values for new Code **4110** will be based on the historical data reported in discontinued Code 4112 until new Code 4110 develops data to determine its own loss cost/rate. No historical data from Code 4112 will be directly reassigned into new Code 4110. While experience may be transferred from other class codes, it is expected that most operations applicable to the new Code 4110 are currently being assigned to Code 4112. This proposal is, therefore, not expected to cause a significant change in statewide premium. The impact to an individual risk's premium will vary depending on current payroll distribution between previously assigned class codes, other than Code 4112, and their differences from the new code's loss cost or rate. The new class code's loss cost or rate will eventually reflect the new phraseology wording and underlying experience of all risks with payroll and loss experience assigned to that classification.

The loss cost/rate and rating values for new Code **4149** will be based on the historical data reported in discontinued Code 4150 until new Code 4149 develops data to determine its own loss cost/rate. No historical data from Code 4150 will be directly reassigned into new Code 4149. While experience may be transferred from other class codes, it is expected that most operations applicable to the new Code 4149 are currently being assigned to Code 4150. This proposal is, therefore, not expected to cause a significant change in statewide premium. The impact to an individual risk's premium will vary depending on current payroll distribution between previously assigned class codes, other than Code 4150, and their differences from the new code's loss cost or rate. The new class code's loss cost or rate will eventually reflect the new phraseology wording and underlying experience of all risks with payroll and loss experience assigned to that classification.

The initial loss cost or rate for new Code **4109** will be based on the payroll weighting of discontinued Codes 4112 and 4150, and will use the latest available year of payroll from these two codes until Code 4109 develops data to determine its own loss cost or rate. The experience rating values will be determined in a similar manner. To minimize any possible market disruption, the initial loss cost or rate value for Code 4109 will also be subject to the upper swing limit change resulting from the currently existing lowest loss cost or rating value of either Code 4112 or Code 4150. No historical data will be reassigned into Code 4109. Most of the new class code experience is expected to come from Codes 4112 and 4150. Therefore, this proposal is not expected to cause a significant change in statewide premium. The impact to an individual risk's premium will vary depending on current payroll distribution between previously assigned codes and their differences from the new code's loss cost or rate. The new class code's loss cost or rate will eventually reflect the new phraseology wording and underlying experience of all risks with payroll and loss experience assigned to that classification.



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**Carpentry (Classification Code Combination)**

**Current NCCI Code & Phraseology**

5645 CARPENTRY-DETACHED ONE OR TWO FAMILY DWELLINGS
5651 CARPENTRY-DWELLINGS-THREE STORIES OR LESS

**CHANGE**

The focus of the proposed changes for this industry is to combine classifications and revise existing classification wording for clarification and plain language. Combine NCCI code 5651 into 5645.

**NCCI Code and Revised Phraseology**

5645 CARPENTRY—DETACHED ONE OR TWO FAMILY DWELLINGS

**Background and Basis for Change**
There are three national codes related to the carpentry industry. Two are for residential structures (one or two family homes—Code 5645, and dwellings three stories or less—Code 5651) and the third (5403) is for all types of commercial buildings and other non-classified carpentry not related to Code 5645 and Code 5651. All three carpentry codes include steel stud framing and the installation of aluminum or vinyl siding. There is an exception for roofing operations conducted by a contractor building a residential home under Code 5645 and Code 5651. In this circumstance, roofing operations would be assigned to Code 5645 and Code 5651 if conducted by the contractor building the residential building.

Due to the various types of residential structures that are three stories or less, it can be difficult to differentiate between Code 5651 and Code 5403. It is common for residential structures (such as apartments or condominiums) to be built above store fronts or offices. Depending on the location (such as urban areas), many one and two-family homes can exceed three stories in height, which can also make it difficult to differentiate between Code 5651 and Code 5645.

**Changes by NCCI**

1. Discontinue Code 5651—Carpentry—Dwellings—Three Stories or Less and reassign this exposure to Code 5645—Carpentry—Detached One or Two Family Dwellings. All cross-reference phraseologies associated with Code 5651 will also be discontinued. The new loss cost or rate and rating values for Code 5645 will be determined from combined data of both Code 5651 and Code 5645.
2. Revise the phraseology of Code 5645 to incorporate the construction of buildings designed primarily for multiple dwelling occupancy that do not exceed three stories in height. The phraseology note will also be revised to clarify that all carpentry work in connection with the construction of residential dwellings when performed by employees of the same contractor or general contractor is assigned to Code 5645. Revise the cross-reference phraseology of Code 5645—Siding Installation—Aluminum or Vinyl: Detached One or Two Family Dwellings to clarify

that Code 5645 is assigned to specialty contractors that install all types of siding (aluminum, cedar shingles, engineered or composite wood, seamless steel, vinyl, wood) on existing dwellings that do not exceed three stories in height.
Discontinue the cross-reference phraseology of Code 5645—Iron or Steel: Erection: Steel Frame—Interior—Light Gauge Steel: By Carpentry Contractors in Connection with the Construction of Detached One or Two Family Dwellings. The assignment of Code 5645 for the installation of light-gauge steel framing in connection with the construction of residential dwellings will be referenced in the phraseology note of Code 5645.

3. Discontinue the cross-reference phraseology of Code 5645—Vinyl Siding Installation—Detached One or Two Family Dwellings due to redundancy.
4. Discontinue cross-reference phraseologies of Code 5645—Door Installation—Screened—Metal or Wood; Jalousie or Jalousie Screen—Erection, Storm Door or Storm Sash Installation—Wood or Metal; and Window Screen or Door Installation—Metal or Wood and reassign this exposure when performed by specialty contractors to Code 5102—Door, Door Frame or Sash Erection—Metal or Metal Covered.

The phraseology note of Code 5102 will also be revised to clarify that the installation of all types (aluminum, vinyl, wood, composite, fiberglass, steel) of interior and exterior doors and windows — commercial and residential—be assigned to Code 5102. The installation of doors and windows in connection with the construction or remodeling of residential dwellings or commercial buildings will continue to be assigned to Code 5645 or Code 5403. The installation of interior doors by trim or finish carpenters will continue to be assigned to Code 5437.

5. Create a cross-reference phraseology for Code 5403—Carpentry—Construction of Residential Dwellings Exceeding Three Stories in Height or Commercial Buildings and Structures. The phraseology note will clarify that Code 5403 applies to the construction of mixed-use buildings and multiunit residential buildings exceeding three stories in height.

Revise the cross-reference phraseology of Code 5403—Siding Installation—Aluminum or Vinyl: All Other Buildings or Structures to clarify that Code 5403 is assigned to specialty contractors that install all types of siding on existing commercial buildings and/or existing dwellings that exceed three stories in height.  Discontinue the cross-reference phraseology for 5403—Iron or Steel: Erection: Steel Frame—Interior—Light Gauge Steel: By Other Carpentry Contractors. The assignment of Code 5403 for the installation of all light gauge steel framing in connection with the construction of residential dwellings exceeding three stories in height or commercial buildings and structures will be referenced in the phraseology note of Code 5403.

6. Discontinue cross-reference phraseologies for Hod Hoist or Construction Elevator Installation, Repair or Removal & Drivers, Derrick or Oil Rig Erecting or Dismantling—All Operations—Wood, and Code 5403—Vinyl Siding Installation—All Other Buildings or Structures due to redundancy.
7. Revise the phraseology of Code 5551—Roofing—All Kinds & Drivers to further clarify that Code 5551 is assigned to all types of roofs—new and existing.
8. Revise ***Basic Manual*** Rule 1C2j to replace the reference to Code 5651 with Code 5645—Carpentry—Construction of Residential Dwellings Not Exceeding Three Stories in Height and Code 5403—Carpentry—Construction of Residential Dwellings Exceeding Three Stories in Height or Commercial Buildings and Structures.

| | Code 5645 | Code 5651 (Inactivate) |
|---|---|---|
| Employers Reporting Payroll - 1st Half 2010 | 10,623 | 934 |
| Aggregate Payroll Reported - 1st Half 2010 | 81,307,452 | 9,278,617 |
| 2009 Total Losses - Med Comp & Reserves | 89,699,068 | 7,002,006 |
| Policy Year 2009 Base Rate | $9.81 | $8.30 |
| Policy Year 2010 Base Rate | $9.01 | $6.82 |

**Underwriting or Rate Impacts**

This item proposes that Code 5651—Carpentry—Dwellings—Three Stories or Less be discontinued with its experience combined into Code 5645.

The proposal to reassign the installation of metal or wood screened doors, jalousie or jalousie screens, wood or metal storm doors or storm sash, and metal or wood window screens and doors from Code 5645 to Code 5102 will better align these operations with their associated work hazards. The resulting reassignment of individual risk payroll due to this clarification cannot be determined by using any currently available data source. No modifications or adjustments to filed loss costs or rates are proposed for this portion of the recommendation. The class code's loss cost or rate will eventually reflect the new phraseology and underlying experience of all risks with payroll and loss experience assigned to that classification.

The other changes to this industry primarily consist of the consolidation of cross-references into the actual classification wording and this consolidation is not expected to result in any reclassification of risks' payroll or change in loss costs, rates, or premium.

**Carpentry Shop (Classification Code Combination)**

**Current NCCI Code & Phraseology**
2812 CABINET WORKS-WITH POWER MACHINERY
2883 FURNITURE MFG-WOOD-NOC

**CHANGE**
The focus of the proposed changes for this industry is to combine operations into classifications that reflect exposures common to those operations. Also, several cross-references will be consolidated into the phraseology note of the remaining codes in this industry. Combine NCCI Code 2812 into Code 2883.

**NCCI Code and Revised Phraseology**

2883 FURNITURE MANUFACTURING AND CABINET SHOP—WOOD—NOC

Includes assembling and finishing.

**Background and Basis for Change**
Cabinet makers are making complex items, such as entertainment centers, which are more like furniture. At the same time, furniture makers are making products that are less complex in design and manufacturing, and they use the same engineered wood products and fiberboard that cabinet shops use.

With the use of the same building materials, such as laminated lumber or pressboard with a high gloss laminate coating, more and more furniture, and kitchen and bathroom cabinets, are being sold as boxed furniture in a knockdown state for the customer to assemble. The line between the two types of shops and the products they manufacture is no longer clear.

**Changes by NCCI**
1. Discontinue Code 2812—Cabinet Works—With Power Machinery and combine the existing exposure into Code 2883—Furniture Mfg.—Wood—NOC. It is also proposed to revise the phraseology of Code 2883 to: Furniture Manufacturing and Cabinet Shop—Wood—NOC. The phraseology note will list a range of operations from both cabinet shop work to wood furniture manufacturing. Several types of materials used in this new combined code will be listed, such as wood, laminates, engineered wood products, hardy plank, plywood, Formica, and any incidental application of stain, lacquer, or finish.
2. Discontinue the following cross-reference phraseologies for Code 2883: Billiard Table Mfg., Box Mfg.—Cigar—Wood, Cabinet Mfg. for Audio or Video Device, Piano Case Mfg., and Trunk Mfg. These operations will be included in the reference note of the new phraseology for Code 2883.
3. Revise the phraseology of Code 2802—Carpentry—Shop Only & Drivers to include several products. It is recommended that the following cross-reference phraseologies be discontinued: Door, Sash, or Assembled Millwork Mfg.—Wood & Drivers; Fence Mfg.—Wood, Picket & Drivers; Laminated Wood Building Beams and Columns Mfg. & Drivers; Prefabricated House Mfg.—Wood & Drivers; and Sash, Door, or Assembled Millwork—Mfg.—Wood & Drivers.
4. Discontinue the cross-reference for Code 2881—Cabinet Works—No Power Woodworking Machinery, and Sign Manufacturing—Wood—No Painting or Using Power Machinery. These

operations will be described by the new phraseology for Code 2881—Furniture Manufacturing and Cabinet Shop—Assembly by Hand—Wood.
5. Revise the phraseology note of Code 9501—Sign Manufacturing—Wood—Painting, Spraying, Sandblasting With or Without Power Machinery & Drivers to reflect the replacement of Code 2812 with Code 2883.

| | **Code 2883** | **Code 2812 (Inactivate)** |
|---|---|---|
| Employers Reporting Payroll - 1st Half 2010 | 352 | 680 |
| Aggregate Payroll Reported - 1st Half 2010 | 81,307,452 | 9,278,617 |
| 2009 Total Losses - Med Comp & Reserves | 89,699,068 | 7,002,006 |
| Policy Year 2009 Base Rate | $4.78 | $4.26 |
| Policy Year 2010 Base Rate | $5.04 | $3.92 |

**Underwriting or Rate Impacts**

This item proposes that Code 2812 be discontinued with its experience combined into newly defined national Code 2883.

The other changes to this industry primarily consist of the consolidation of cross-references into the actual classification wording. This consolidation is not expected to result in a reclassification of risk payroll or change in loss costs, rates, or premium.



Created by _John Best__________
Date _______1/20/2011__________

**Telecommunications/Electronics Installation (Classification Code Combination)**

**Current NCCI Code and Phraseology**
**7600 TELEPHONE OR TELEGRAPH CO: ALL OTHER EMPLOYEES & DRIVERS**
**7601 TELEPHONE, TELEGRAPH OR FIRE ALARM LINE CONSTRUCTION & DRIVERS**
**7611 TELEPHONE/CABLE TV LINE INST CONTRACTORS, UNDERGROUND & DRIVERS**
**7612 TELEPHONE OR CABLE TV LINE INST CONTRACTORS, OVERHEAD & DRIVERS**
**7613 TELEPHONE/CABLE TV LINE INST CONT. SERV. LINE & CONN. & DRIVERS**

**CHANGE**
The focus of the proposed changes for this industry is to combine operations into classifications that reflect the exposures common to those operations.
Combine Codes 7601, 7611, 7612 and 7613 into Code 7600.

**NCCI Code and Revised Phraseology**
7600 TELECOMMUNICATIONS CO.—CABLE TV, OR SATELLITE—ALL OTHER EMPLOYEES & DRIVERS.

**Background and Basis for Change**
Currently, telephone company employees, classified under Code 7600, perform the same variety of tasks performed by employees assigned to Code 7601 and contractors assigned to Codes 7611, 7612, and 7613. Research shows great similarity in the nature of the work performed by the risks and exposure assigned to the reviewed codes. The similarity is so great that it points to the feasibility of combining these codes. Additionally, replacing the words "telephone," "telegraph," and "cable" with a more encompassing term, "telecommunications," helps to modernize the phraseology and describe the various businesses within this industry.

**Changes by NCCI**
1. Revise the phraseology of Code 7600 from Telephone or Telegraph Co.: All Other Employees & Drivers to Telecommunications Co.—Cable TV, or Satellite—All Other Employees & Drivers.
2. Revise the phraseology of Code 8901 from Telephone or Telegraph Co.: Office or Exchange Employees & Clerical to Telecommunications Co.—Office or Exchange Employees & Clerical.
3. Discontinue:
   Code 7601—Telephone, Telegraph or Fire Alarm Line Construction & Drivers
   Code 7611—Telephone or Cable TV Line Installation—Contractors, Underground & Drivers
   Code 7612—Telephone or Cable TV Line Installation—Contractors, Overhead & Drivers
   Code 7613—Telephone or Cable TV Line Installation—Contractors, Service Lines and Connections & Drivers

Note: All experience will be reassigned to newly defined Code 7600.
4. Revise the phraseology of Code 9516 from Radio, Television, Video and Audio Equipment Installation, Service, or Repair & Drivers to Electronic Equipment—Installation, Service, or Repair—Shop and Outside & Drivers.
5. Discontinue the cross-reference phraseologies of Code 9516—Automobile: Radio, Television, Video and Audio Equipment Installation, Service, or Repair & Drivers; Television, Radio, Video and Audio Equipment Installation, Service, or Repair & Drivers; and Video, Television, Radio, and Audio Equipment Installation, Service, or Repair & Drivers. A reference to the installation, service, or repair of automobile electronic equipment will be referenced in the phraseology note

of Code 9516. The other cross-reference phraseologies are being discontinued due to redundancy.

6. Revise the phraseology note of Code 9519—Household and Commercial Appliances—Electrical—Installation, Service or Repair & Drivers to update the reference to Code 9516.

7. Revise the phraseology of Code 7605 from Burglar Alarm Installation or Repair & Drivers to Burglar and Fire Alarm Installation or Repair & Drivers.

8. Discontinue the cross-reference phraseology of Code 7605—Fire Alarm Installation or Repair & Drivers. The assignment of fire alarm installation or repair will be referenced in the phraseology of Code 7605.

9. Discontinue the cross-reference phraseologies of Code 7605—Intercommunication Systems Installation or Repair & Drivers and Sound Systems Installation or Repair & Drivers and transfer these exposures to Code 9516.

| | **Code 7600** | **Code 7601** | **Code 7611** | **Code 7612** | **Code 7613** |
|---|---|---|---|---|---|
| Employers Reporting Payroll - 1st Half 2010 | 147 | 91 | 123 | 166 | 396 |
| Aggregate Payroll Reported - 1st Half 2010 | 44,300,149 | 6,586,198 | 2,379,403 | 8,175,817 | 4,215,766 |
| 2009 Total Losses - Med Comp & Reserves | 14,204,968 | 3,609,075 | 1,046,506 | 1,542,811 | 6,521,535 |
| Policy Year 2009 Base Rate | $2.97 | $7.13 | $6.99 | $9.84 | $16.48 |
| Policy Year 2010 Base Rate | $2.68 | $8.39 | $4.48 | $7.85 | $17.96 |

**Underwriting or Rate Impacts**

This item proposes that Code 7601, Code 7611, Code 7612, and Code 7613 all be discontinued with their experience combined into redefined existing national Code 7600.

This item also proposes to discontinue the cross-reference phraseologies of Code 7605—Intercommunication Systems Installation or Repair & Drivers and Sound Systems Installation or Repair & Drivers and transfer these operations to Code 9516. No modification or adjustment to filed loss costs or rates is proposed for these codes. The amount of payroll transferred cannot be obtained using current industry data sources. It is estimated that the amount of payroll transferred and/or the differences in loss cost or rate is not large enough to result in a significant change in overall statewide premium. The impact to individual risks will vary depending on their current code payroll assignments in Code 7605 and the amount of payroll transferred from Code 7605 to Code 9516. The class codes' loss costs or rates will eventually reflect the new phraseology and underlying experience of all risks with payroll and loss experience assigned to these classifications.

The other phraseology changes primarily consolidate cross-reference phraseology into the actual classification wording or are for clarification only and are generally not anticipated to result in a reclassification of risk payroll or change in loss cost, rate, or premium.

**Film Exchange (Classification Code Combination)**

**Current NCCI Code and Phraseology**

**4360 MOTION PICTURE: DEVELOPMENT OF NEGATIVES, PRINTING AND ALL SUBSEQUENT OPERATIONS**

**Note:** Marketing of the product through film exchanges at locations other than the studio to be separately rated as 4362 MOTION PICTURE—FILM EXCHANGE.

**4362 MOTION PICTURE: FILM EXCHANGE & PROJECTION ROOMS, CLERICAL**

**CHANGE**

The focus of the proposed changes for this industry is to consolidate film exchanges under one classification code.

**NCCI Code and Revised Phraseology**

**4360—MOTION PICTURE—DEVELOPMENT OF NEGATIVES, PRINTING AND ALL SUBSEQUENT OPERATIONS**

**Changes by NCCI**

1. Discontinue Code 4362—Motion Picture—Film Exchange & Projection Rooms, Clerical and Cross-reference phraseology Film Exchange & Clerical and assign these operations to Code 4360—Motion Picture—Development of Negatives, Printing and All Subsequent Operations.

2. Revise the note under Code 4360—Motion Picture—Development of Negatives, Printing and All Subsequent Operations to clarify that digital media processing and editing, as well as marketing through film exchanges, are included under Code 4360, whether performed by a contractor or the production company.

| | Code 4360 | Code 4362 (Inactivate) |
|---|---|---|
| Employers Reporting Payroll - 1st Half 2010 | 9 | 5 |
| Aggregate Payroll Reported - 1st Half 2010 | 211,842 | 231,731 |
| 2009 Total Losses - Med Comp & Reserves | 0 | 530 |
| Policy Year 2009 Base Rate | $10.12 | $2.19 |
| Policy Year 2010 Base Rate | $3.86 | $1.96 |

**Underwriting or Rate Impacts**

This item proposes that Code 4362—Motion Picture—Film Exchange & Projection Rooms, Clerical be discontinued with its experience combined into newly defined national Code 4360.



Created by _John Best__________
Date _______1/20/2011__________

**Lacquer or Spirit Varnish Manufacturing, Oleo-resinous Varnish Manufacturing, and Paint Manufacturing. (Classification Code Combination)**

**Current NCCI Code and Phraseology**
4439 LACQUER OR SPIRIT VARNISH MFG
4561 VARNISH MFG-OLEO-RESINOUS

The focus of the proposed changes for this industry is to consolidate varnish manufacturing under one classification code and update or clarify language.

**NCCI Code and Revised Phraseology**
4439 LACQUER OR VARNISH MFG.

**Background and Basis for Change**
NCCI conducted a review of lacquer or spirit varnish manufacturing, varnish manufacturing, and paint manufacturing to determine if a consolidation of all manufacturing processes is warranted. Manufacturing of varnish is generally a sub-operation of a larger paint manufacturer.

**Changes by NCCI**
1. Discontinue Code 4561—Varnish Mfg.—Oleo-Resinous and assign these operations to Code 4439—Lacquer or Spirit Varnish Mfg.
2. Amend the phraseology of Code 4439 from Lacquer or Spirit Varnish Mfg. to Lacquer or Varnish Manufacturing.

| | **Code 4439** | **Code 4561 (Inactivate)** |
|---|---|---|
| Employers Reporting Payroll - 1st Half 2010 | 2 | 2 |
| Aggregate Payroll Reported - 1st Half 2010 | 194,428 | 244,056 |
| 2009 Total Losses - Med Comp & Reserves | 408,605 | 112,617 |
| Policy Year 2009 Base Rate | $26.97 | $8.63 |
| Policy Year 2010 Base Rate | $3.86 | $3.86 |

**Underwriting or Rate Impacts**
This item proposes that Code 4561—Varnish Mfg.—Oleo-Resinous be discontinued, with its experience combined into newly defined national Code 4439.

Initially, the new loss cost or rate for Code 4439 will be calculated as a payroll weighted average of the loss costs or rates of Code 4561 and Code 4439. Thereafter, the data for Code 4561 will be combined with the data for Code 4439 prior to deriving the loss cost or rate. Using the combined experience from the two codes to calculate the loss cost or rate will minimize any change in overall statewide premium. The impact to individual risk will vary depending on their current payroll distribution between the codes and the resulting combined experience loss cost or rate.

The other changes to this industry primarily consists of the consolidation of cross-references into the actual classification wording, and this consolidation is not expected to result in a reclassification of risk payroll or change in loss costs, rates, or premium.



Created by _John Best__________
Date _______1/20/2011__________

**Bakery, Cookies & Crackers (Classification Code Combination)**

**Current NCCI Code and Phraseology**
2003 BAKERY & DRIVERS, ROUTE SUPERVISORS
2001 CRACKER MFG.

**CHANGE**
The focus of the proposed changes for this industry is to combine operations into classifications that reflect exposures common to those operations.

**NCCI Code and Revised Phraseology**
2003 BAKERY— SALESPERSONS & DRIVERS.

**Changes by NCCI**
1. Phraseology of Code 2003—Bakery& Drivers, Route Supervisors to Bakery— Salespersons & Drivers will clarify the application of salespersons or drivers who stock the shelves at their customer's location when they deliver product. The phraseology note of Code 2003 will also be revised to clarify the treatment of a bakery with a retail store operation versus a retail store operation where no baking is done on the premises.
2. Discontinue Code 2001—Cracker Mfg. and reassign the exposure to Code 2003—Bakery—Salespersons & Drivers.
3. Revise phraseology of Code 2002—Macaroni Mfg. to Pasta or Noodle Mfg.
4. Discontinue the cross-reference phraseology for Code 2003—Doughnut Mfg. & Drivers and include it in the phraseology note of Code 2003.

| | **Code 2003** | **Code 2001 (Inactivate)** |
|---|---|---|
| Employers Reporting Payroll - 1st Half 2010 | 393 | 40 |
| Aggregate Payroll Reported - 1st Half 2010 | 31,575,247 | 5,339,556 |
| 2009 Total Losses - Med Comp & Reserves | 9,772,175 | 1,490,649 |
| Policy Year 2009 Base Rate | $5.09 | $7.41 |
| Policy Year 2010 Base Rate | $4.43 | $7.53 |

**Underwriting or Rate Impacts**
This item proposes that Code 2001—Cracker Mfg. be discontinued and its experience combined into newly defined national Code 2003.

The other changes to this industry primarily consists of the consolidation of cross–references into the actual classification wording and this consolidation is not expected to result in a reclassification of risk payroll or change in loss costs, rates, or premium.



Created by _John Best__________
Date _______1/20/2011__________

### Door, Window, Cabinets & Interior Trim Installation (Clarification of Usage)

**NCCI Code and Phraseology**
**5102 DOOR, DOOR FRAME/SASH ERECTION- METAL OR METAL COVERED**

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

Currently, the installation of doors may be assigned to various codes—Code 5437, Code 5645, Code 5403, or Code 5102—depending on the material and/or use. It is common for these types of specialty contractors to install all types of doors (residential and commercial) and windows, which can make it difficult to assign the proper classification.

**NCCI Code and Revised Phraseology**
**5102 DOOR AND WINDOW INSTALLATION—ALL TYPES—RESIDENTIAL AND COMMERCIAL**

Clarifications of construction coding will include the following:

1. Code 5102—Door, Door Frame or Sash Erection—Metal or Metal Covered will incorporate the installation of all types (aluminum, vinyl, wood, composite, fiberglass, steel) of interior and exterior doors and windows—commercial and residential. The installation of all types of screened doors, storm doors or storm sash, and window screens or doors and the setup of jalousie or jalousie screens to Code 5102 will be clarified in the description of the code. The installation of shower enclosures and doors made from materials other than glass to Code 5102. Code 5462 includes the installation of glass shower enclosures and doors is classified to Code 5462—Glazier, Away From Shop & Drivers.
2. Installation of fabric awnings (vinyl or canvas) is assigned to Code 5102. Installation of metal awnings exclusively is classified to Code 5535—Awning Erection—Metal—Erection of Metal Awning Exclusively and Drivers. Scope of Code 2501 Cloth, Canvas and Related Products mfg will be updated to include these installation clarifications.
3. Installation of interior light gauge steel in connection with residential or commercial construction is classified to Code 5645 or Code 5403 when performed by a specialty contractor or the general contractor.
4. Installation of stone, granite, marble, or tile countertops is assigned to Code 5348. All other types of countertops are assigned to Code 5437.

| | **Code 5102** | **Code 5645** |
|---|---|---|
| Employers Reporting Payroll - 1st Half 2010 | 624 | 10,623 |
| Aggregate Payroll Reported - 1st Half 2010 | $13,870,174 | $81,307,451 |
| 2009 Total Losses - Med Comp & Reserves | $3,398,387 | $89,699,068 |
| Policy Year 2009 Base Rate | $6.38 | $9.81 |
| Policy Year 2010 Base Rate | $6.17 | $9.01 |



Created by _John Best__________
Date _______1/20/2011__________

**Underwriting or Rate Impacts**

The change in national phraseologies for Codes 5102, 2501, 5437, and 5348 consists primarily of the consolidation of cross-reference phraseologies into the actual classification wording or are made to add clarification to current operation assignments. These changes are not anticipated to result in any reclassification of risks' payroll or change in loss cost, rate, or premium.



Created by _John Best__________
Date _______1/20/2011__________

**Wallboard and Plastering (Clarification of Usage)**

**NCCI Code and Phraseology**
**5445 WALLBOARD INSTALLATION WITHIN BUILDINGS & DRIVERS**

**CHANGE**
The focus of the proposed changes for this industry is to clarify the treatment of contractors that specialize in either drywall framing or drywall finishing and consolidate cross-reference phraseologies into the note of the main phraseology for Code 5445—Wallboard Installation—Within Buildings & Drivers.

**NCCI Code and Revised Phraseology**
**5445 WALLBOARD, SHEETROCK, DRYWALL, PLASTERBOARD, OR CEMENT BOARD INSTALLATION WITHIN BUILDINGS & DRIVERS**

Clarifications of construction work included under the 5445 code will include the following three main phases or steps common to wallboard installation:

- Drywall framing - installation of light gauge aluminum or steel for the purpose of securing the drywall in place.
- Drywall hanging - screwing or nailing panels into existing studs or the previously installed drywall framing.
- Drywall finishing - taping, filling, and sanding of drywall joints and screw or nail holes.

Code 5480—Plastering NOC & Drivers is a national code that applies to specialist contractors engaged in interior plastering operation not otherwise classified in the ***NCCI Basic Manual***. Plastering involves the mixing of plaster with water and the hand application of the mixture by use of a trowel to interior walls or partitions.

| | **Code 5445** | **Code 5480** |
|---|---|---|
| Employers Reporting Payroll - 1st Half 2010 | 2,184 | 174 |
| Aggregate Payroll Reported - 1st Half 2010 | $39,431,854 | $3,383,311 |
| 2009 Total Losses - Med Comp & Reserves | $22,618,994 | $34,547,337 |
| Policy Year 2009 Base Rate | $5.75 | $5.54 |
| Policy Year 2010 Base Rate | $5.47 | $7.20 |

**Underwriting or Rate Impacts**
The changes to this industry consist of revisions to phraseologies in Code 5445. This portion of the proposal is not anticipated to result in any reclassification of risk payroll or change in loss cost, rate, or premium.



Created by _John Best__________
Date _______1/20/2011__________

**Painting (Clarification of Usage)**
**NCCI Code and Phraseology**
**5474 PAINTING OR PAPERHANGING NOC & SHOP OPERATIONS, DRIVERS**

**CHANGE**
The focus of the proposed changes for this industry is to allow painting and paperhanging operations to be separately classified when conducted at the same location. In addition, wording will be added to clarify that automobile painting cannot be separately rated by risks that also perform automobile body repair.

**NCCI Code and Revised Phraseology**
**5474 PAINTING NOC & SHOP OPERATIONS, DRIVERS**
Note: Includes the painting of metal storage tanks, fire escapes, staircases, balconies, shutters, window frames or sash. Painting ship hulls, metal structures over two stories in height or bridges to be separately rated.

**5491 PAPERHANGING & DRIVERS**

Code 5474-old—Painting or Paperhanging NOC and Shop Operations, Drivers. Includes the painting of metal storage tanks, fire escapes, staircases, balconies, shutters, window frames or sash. Painting ship hulls, metal structures over two stories in height or bridges to be separately rated.

Code 5491—Paperhanging and Drivers. Applies only to insureds engaged exclusively in paperhanging.

Code 5474—Painting or Paperhanging shall not be assigned at the same job or location to which Code 5491 applies. Insureds engaged in general painting or interior decorating to be separately rated.

Code 5037—Painting: Metal Structures—Over Two Stories in Height—and Drivers. Includes shop operations. The painting of metal storage tanks, fire escapes, staircases, balconies, shutters, window frames or sash to be separately rated as 5474—Painting NOC.

Code 9501—Painting: Shop Only and Drivers. Shall not be assigned to a risk engaged in operations described by another classification unless the operations subject to 9501 are conducted as a separate and distinct business.

Code 9505—Painting: Automobile or Carriage Bodies. Codes 9505 and 3808—Automobile Mfg. shall not be assigned to the same risk unless the operations described by these classifications are conducted as separate and distinct businesses.



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Date _______1/20/2011__________

| | Code 5474 | Code 5491 | Code 8393 | Code 9501 | Code 9505 |
|---|---|---|---|---|---|
| Employers Reporting Payroll - 1st Half 2010 | 5,192 | 49 | 1,258 | 536 | 110 |
| Aggregate Payroll Reported - 1st Half 2010 | 50,675,499 | 82,282 | 125,503,992 | 37,922,222 | 9,832,844 |
| 2009 Total Losses - Med Comp & Reserves | 38,155,173 | 23,134 | 14,015,752 | 258,866 | 7,788,876 |
| Policy Year 2009 Base Rate | $7.86 | $8.17 | $2.53 | $3.92 | $1.85 |
| Policy Year 2010 Base Rate | $7.64 | $5.43 | $2.34 | $3.79 | $1.52 |

**Underwriting or Rate Impacts**

This Item proposes to remove paperhanging from Code 5474 and transfer all paperhanging operations to redefined national Code 5491. No modification is proposed to the loss cost/rate for Codes 5474 or 5491. The amount of payroll transferred cannot be identified using current industry data sources. The impact to individual risks will depend upon the amount of payroll (if any) that transfers from Code 5474 into redefined Code 5491.

The additional changes being proposed for this industry relate to revision to phraseologies and phraseology notes for Codes 5037, 5491, 9501, and 9505. This portion of the proposal is not anticipated to result in any reclassification of risk payroll or change in loss costs, rates, or premium.



Created by _John Best__________
Date _______1/20/2011__________

**Punch Out Employees (Clarification of Usage)**

**NCCI Code and Phraseology**
**5610 CLEANER-DEBRIS REMOVAL**

Applies only in connection with construction or erection. Does not apply to the payroll for cleaners except when the payroll for watch guards, timekeepers and cleaners is more than all other payroll of the insured which is subject to construction or erection classifications at the same job or location.

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

**NCCI Code and Revised Phraseology**
**5610 CLEANER—DEBRIS REMOVAL—CONSTRUCTION**
Does not apply to the payroll for cleaners except when the payroll for cleaners, timekeepers, and watch guards is more than all other payroll of the insured which is subject to construction classifications at the same job or location. Cleaners included in Code 5610 remove debris left by the construction crews after construction has been completed. Refer to Code 9014 for cleaning service contractors who provide clean-up crews to wash windows and sweep and mop floors to prepare a location for its intended use. Refer to the appropriate construction code for laborers who perform work to complete tasks that have been identified as part of a post-construction "punch-out" list.

**Background and Basis for Change**
The industry title comes from the phrase "punch-out list." Punch out employees are laborers who perform work to complete tasks that have been identified as part of a post-construction "punch-out" list. This is typically done when a home is built, and the punch out employee, along with the buyer, walks through the structure to note any deficiencies that need to be corrected prior to the close of escrow. Minor repairs are completed by the punch out employee, who is a handy person or jack of all trades. Punch out employees are employed by the builder, seller, or seller's agent. The punch out employee may also do any minor warranty repair work, as needed, after the sale is completed. Any major repairs, such as plumbing, broken tiles, and leaky water heaters, are referred back to the contractor that did the installation.

There are two distinct processes involved within the codes under review. Code 5610 is geared toward job site cleanup during construction of a building. Code 9014—Janitorial Services by Contractors—No Window Cleaning Above Ground Level & Drivers and Code 9015—Buildings—Operation by Owner or Lessee or Real Estate Management Firm: All Other Employees are assigned if the repair or maintenance is minor or janitorial in nature. Code 9014's operations tend to be primarily janitorial in nature, while Code 9015's operations tend to include minor maintenance and repair, as well as janitorial duties.

The primary issue with punch out employees is one of degree—the duties are closely related to those of the other codes in this analysis. The main issue with Code 5610 is that there is a range of operations that have been assigned to these codes under debris removal that overlap with Code 9014, Code 9015, and other construction codes.

| | Code 5610 |
|---|---|
| Employers Reporting Payroll - 1st Half 2010 | 126 |
| Aggregate Payroll Reported - 1st Half 2010 | 380,104 |
| 2009 Total Losses - Med Comp & Reserves | 993,148 |
| Policy Year 2009 Base Rate | $15.10 |
| Policy Year 2010 Base Rate | $13.01 |

**Underwriting or Rate Impacts**
The changes in national phraseology for Code 5610 are made to add clarification to current operation assignments. These changes are not anticipated to result in any reclassification of risks' payroll or change in loss cost, rate, or premium.



Created by _John Best__________
Date _______1/20/2011__________

**Construction Permanent Yard (Clarification of Usage)**

**NCCI Code and Phraseology**
**8227 CONSTRUCTION OR ERECTION PERMANENT YARD**
Applies only to a permanent yard maintained by a construction or erection risk for the storage of material or the storage and maintenance of equipment. Not available at construction site. Mill operations or fabrication to be separately rated

**CHANGE**
The focus of the proposed changes for this industry is to clarify when it is appropriate to classify employees to Code 8227 for construction yards.

**NCCI Code and Revised Phraseology**
**8227 CONSTRUCTION OR ERECTION PERMANENT YARD**
Note: Applies only to a permanent yard maintained by a construction or erection risk for the storage of material or the storage and maintenance of equipment. Code 8227 includes incidental pickup or delivery of parts. Not available at a construction site. Code 8227 is not available for division of a single employee's payroll during a single day. Operations such as loading and unloading materials, equipment, and tools, performing maintenance on equipment or vehicles, and prefabrication work performed by construction site workers is incidental to the overall construction operation and must not be assigned to Code 8227. Mill operations or fabrication to be separately rated.

**Changes by NCCI**
1. Code 8227—Construction or Erection Permanent Yard will include incidental pickup or delivery of parts. Also, 8227 Scope phraseology note discontinues the division of payroll for a single employee with any other classification during a single day.

2. Work performed in permanent yards by key personnel (e.g., superintendents, foremen or engineers) of construction or erection firms, for periods during which no jobs are in progress, is appropriately assigned to this classification on the basis that the work of such key personnel while they are in the yard constitutes a change of employment. Personnel who ordinarily are assigned to Code 5606 may also be assigned to Code 8227 under the above conditions since "change of employment" does not come under the division of payroll rule as described in the footnote for Code 5606 in the ***Basic Manual.***

| | **Code 8227** |
|---|---|
| Employers Reporting Payroll - 1st Half 2010 | 746 |
| Aggregate Payroll Reported - 1st Half 2010 | 20,688,594 |
| 2009 Total Losses - Med Comp & Reserves | 3,599,485 |
| Policy Year 2009 Base Rate | $4.01 |
| Policy Year 2010 Base Rate | $3.86 |

**Underwriting or Rate Impacts**
The changes to this industry consist of revisions to phraseologies in Code 8227. This portion of the proposal is not expected to result in any reclassification of risk payroll or change in loss cost, rate, or premium.



Created by _John Best__________
Date _______1/20/2011__________

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

Governor **John R. Kasich**
Administrator/CEO **Stephen Buehrer**
ohiobwc.com
1-800-OHIOBWC

**Stakeholder Feedback Recommendations for Proposed changes to NCCI Classification Codes**

| Line # | Rule #/Subject Matter | Stakeholder | Draft Rule Suggestions | Stakeholder Rationale | BWC Response | Resolution |
|---|---|---|---|---|---|---|
| | 4123-17-04 Classification Codes | Ohio Council of Retail Merchants (Ohio Bakers Assn) | | | | |
| | 4123-17-04 Classification Codes | Ohio Manufactured Homes Association | | | | |
| | 4123-17-04 Classification Codes | Ohio Manufactured Homes Commission | | | | |
| | 4123-17-04 Classification Codes | Ohio Manufacturers Association | Expressed support for changes. Asked to be kept apprised of outcome | Action is actuarially sound | Advised BWC will inform them of outcome of committee and Board proceedings | |
| | 4123-17-04 Classification Codes | Ohio Contractors Association | | | | |
| | 4123-17-04 Classification Codes | Builders Exchange of Central Ohio | | | | |
| | 4123-17-04 Classification Codes | Fiber Optics Association (Nat'l) | | | | |
| | 4123-17-04 Classification Codes | Ohio Chamber of Commerce | | | | |
| | 4123-17-04 Classification Codes | Workers' Compensation Forum | | | | |
| | 4123-17-04 Classification Codes | Employer- through TPA CompManagement, Inc. | None-expressed concern re: rate impact | None provided | Base rate to be taken from existing classification code | TPA advised employer. |



Created by _John Best_________
Date ______1/20/2011_________

# 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.

   Allows BWC to decline an aggregate stop loss request when the employer's premium or estimate premium is so large that the discount would be larger than the maximum deductible billing in aggregate. Makes the necessary changes in Table of Classifications by hazard group (Appendix C) to support the changes being made to 4123-17-04.

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: Generally, rate rules are not subject to stakeholder feedback.

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

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

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

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

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

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

**BWC Board of Directors**

# Executive Summary

## Deductible Program Rules Changes

### Introduction

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. The Deductible Program gives employers an option that is industry standard and available in over 40 other states. The Deductible Program Rule is the same as was passed by the board in the July 2010 meeting except for the limiting language added to section F.

### 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. An updated version was passed by the board in April 2010 that included changes to compatibility and PEC Large Deductible pricing. Pricing for PEC employers was adjusted in July of 2010 for January 2011 to make a minor adjustment. At that time it was noted that a PA pricing adjustment may be required.

### Proposed Changes

In lieu of changing the PA pricing in appendix A and D BWC has added language that allows BWC to deny aggregate stop loss in cases. Aggregate/Stop Loss is an option that allows an employer to pay a deductible amount per claim and have a policy year maximum. BWC has found situations in which it needs the ability to not extend this option, specifically because of the employer's premium or estimated premium size, the employer would receive a discount under this rule that would exceed the employer's maximum aggregate stop-loss liability.

Appendix C is the table that identifies what NCCI hazard group each of BWC's manual classifications is associated with. Deductible pricing tables are by NCCI hazard group. Because of the addition of new manuals classifications for the 2011 policy year, this table also needs to be adjusted.

# 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**~~ **request** an annual aggregate stop-loss limit option in combination with deductible levels of twenty-five thousand dollars, fifty thousand dollars, one hundred thousand dollars, or two-hundred thousand dollars. If the employer ~~**elects**~~ **requests** the aggregate stop-loss limit option, the bureau ~~**will**~~ **shall** limit **the employer's** deductible billings for injuries which occur during the associated policy year to three times the deductible level chosen**. However, the bureau may reject the employer's request to participate in the aggregate stop-loss limit option if the bureau determines that, because of the employer's premium or estimated premium size, the employer would receive a discount under this rule that would exceed the employer's maximum aggregate stop-loss liability.**

(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 | 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

| HAZARD GROUP | Table of Classifications by Hazard Group - PA<br>Effective 7-1-2011 |
|---|---|
| A | 2300, 2670, 2835, 2836, 2881, 2913, 2942, 3119, 3223, 3255, 3865, 4038,4149, ~~4150~~, 4307, 4431, 4432, 4717, 8800, 8825, 9058, 9061, 9062, 9082, 9083, 9178, 9586 |
| B | 0035, 0917, 1860, 1924, ~~2001~~, 2002, 2016, 2039, 2041, 2105, 2110, 2111, 2112, 2114, 2143, 2174, 2286, 2288, 2386, 2388, 2503, 2534, 2570, 2585, 2587, 2600, 2651, 2660, 2683, 2688, 2714, 2735, 2759, 2790, 2841, 2923, 3022, 3076, 3118, 3122, 3179, 3180, 3188, 3224, 3227, 3240, 3303, 3315, 3383, 3385, 3574, 3581, 3629, 3634, 3638, 3648, 3681, 3685, 3807, 3851, 4061, 4109, 4111, 4131, 4133, 4240, 4282, 4299, 4352, 4360, 4361, 4557, 4611, 4653, 4692, 4902, 5402, 5951, 6503, 6504, 8001, 8008, 8010, 8017, 8018, 8032, 8037, 8039, 8045, 8047, 8072, 8102, 8105, 8824, 8868, 8869, 8871, 9040, 9044, 9052, 9060, 9063, 9089, 9093, 9101, 9179, 9600 |
| C | 0005, 0034, 0036, 0050, 0083, 0113, 0170, 0251, 2003, 2065, 2070, 2081, 2089, 2095, 2121, 2130, 2131, 2157, 2220, 2302, 2361, 2362, 2380, 2413, 2416, 2417, 2501, 2586, 2589, 2797, ~~2812~~, 2883, 2960, 3028, 3041, 3064, 3110, 3111, 3113, 3114, 3126, 3131, 3132, 3145, 3146, 3169, 3175, 3220, 3241, 3257, 3270, 3300, 3307, 3334, 3373, 3507, 3515, 3548, 3559, 3635, 3642, 3643, 3803, 3826, 3881, 4053, 4062, 4110, ~~4112~~, 4113, 4114, 4130, 4206, 4243, 4244, 4250, 4251, 4263, 4273, 4279, 4283, 4351, ~~4362~~, 4410, 4452, 4459, 4470, 4484, 4493, 4558, ~~4561~~, 4683, 4693, 4703, 4720, 4741, 4923, 5191, 5192, 5443, 5610, 7370, 7382, 7390, 7402, 7520, 8002, 8006, 8013, 8015, 8021, 8031, 8033, 8046, 8058, 8111, 8116, 8203, 8209, 8235, 8292, 8392, 8393, 8603, 8799, 8810, 8826, 8829, 8831, 8832, 8833, 8835, 8842, 8864, 9014, 9015, 9016, 9033, 9084, 9102, 9154, 9182, 9522 |
| D | 0008, 0037, 0042, 0400, 1853, 1925, 2021, 2172, 2305, 2623, 2799, 2802, 2915, 3042, 3372, 3400, 3612, 3632, 3647, 3808, 3821, 3822, 3824, 3827, 3830, 4101, 4304, 4511, 4828, 5215, 5479, 6400, 6834, 7230, 7231, 7380, 7590, 7610, 7705, 8044, 8103, 8263, 8291, 8380, 8381, 8601, 8602, 8745, 8748, 8820, 8901, 9012, ~~9059~~, 9156, 9220, 9501, 9505, 9620 |
| E | 0016, 0079, 1430, 1452, 1642, 1654, 1655, 1699, 1701, 1710, 1747, 1748, 2014, 2211, 2402, 2701, 2709, 2731, 3004, 3018, 3027, 3030, 3040, 3069, 3081, 3082, 3085, 3336, 3365, 3620, 4021, 4024, 4034, 4036, 4207, 4239, 4439, 4568, 4665, 4670, 4686, 4740, 4751, 4825, 5020, 5146, 5183, 5188, 5190, 5221, 5223, 5348, 5437, 5462, 5478, 5508, 5535, 5537, 5538, 5703, 5705, 6003, 6005, 6017, 6018, 6045, 6236, 6237, 6811, 6836, 7222, 7228, 7360, 7403, 7405, 7502, 7580, 7600, 7605, ~~7611~~, ~~7612~~, ~~7613~~, 7720, 7855, 8106, 8107, 8204, 8215, 8232, 8233, 8264, 8288, 8293, 8304, 8385, 8500, 8720, 8721, 8725, 8742, 8755, 8803, 8989, 9019, 9180, 9402, 9516, 9519, 9521 |
| F | 0106, 0401, 1165, 1320, 1322, 1438, 1463, 1472, 1624, 1803, 2710, 2916, 3724, 4000, 4420, 4581, 4583, 4829, 5022, 5102, 5160, 5213, 5222, 5403, 5445, 5474, 5480, 5491, 5507, 5605, 5606, 5645~~, 5651~~, 6204, 6213, 6217, 6229, 6233, 6251, 6306, 6319, 6325, 6704, 7133, 7229, 7232, 7421, 7539, ~~7601~~, 7704, 7710, 7711, 8265, 8279, 8350, 8606, 9186, 9403, 9534, ~~9545, 9549~~, 9554 |
| G | 1005, 1016, 1164, 1741, 1852, 2702, 3719, 3726, 4635, 4771, 4777, 5037, 5040, 5057, 5059, 5069, 5472, 5473, 5506, 5551, 6206, 6214, 6216, 6235, 6252, 6260, 6854, 6882, 6884, ~~7409~~, 7420, 7422, 7425, 7431, 7515, 7538, 7540, 8227, 9088, 9170, 9984, 9985 |

## 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 | Public transit authorities: 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 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Pure Premium | Deductible | | | | Deductible with Aggregate Limit | | | |
| Size | 25,000 per claim | 50,000 per claim | 100,000 per claim | 200,000 per claim | 25,000 per claim/ 75,000 aggregate | 50,000 per claim/ 150,000 aggregate | 100,000 per claim/ 300,000 aggregate | 200,000 per claim/ 600,000 aggregate |
| 62,500 | 21.5% | | | | 20.5% | | | |
| 75,000 | 21.5% | | | | 20.5% | | | |
| 100,000 | 21.5% | | | | 20.5% | | | |
| 125,000 | 21.5% | 28.6% | | | 20.5% | 27.6% | | |
| 150,000 | 21.5% | 28.6% | | | 20.3% | 27.6% | | |
| 175,000 | 21.5% | 28.6% | | | 19.8% | 27.6% | | |
| 200,000 | 21.5% | 28.6% | | | 18.6% | 27.2% | | |
| 250,000 | 21.5% | 28.6% | 36.9% | | 17.3% | 26.4% | 35.9% | |
| 300,000 | 21.5% | 28.6% | 36.9% | | 14.6% | 24.2% | 35.0% | |
| 400,000 | 21.5% | 28.6% | 36.9% | | 12.2% | 21.8% | 33.4% | |
| 500,000 | 21.5% | 28.6% | 36.9% | 46.6% | 10.4% | 19.4% | 31.6% | 44.5% |
| 600,000 | 21.5% | 28.6% | 36.9% | 46.6% | 8.9% | 17.2% | 29.6% | 43.4% |
| 700,000 | 21.5% | 28.6% | 36.9% | 46.6% | 7.8% | 15.3% | 27.4% | 42.0% |
| 800,000 | 21.5% | 28.6% | 36.9% | 46.6% | 6.9% | 13.7% | 25.4% | 40.4% |
| 900,000 | 21.5% | 28.6% | 36.9% | 46.6% | 6.3% | 12.4% | 23.4% | 38.8% |
| 1,000,000 | 21.5% | 28.6% | 36.9% | 46.6% | 5.7% | 11.3% | 21.7% | 37.1% |
| 1,100,000 | 21.5% | 28.6% | 36.9% | 46.6% | 5.2% | 10.3% | 20.1% | 35.4% |
| 1,200,000 | 21.5% | 28.6% | 36.9% | 46.6% | 4.8% | 9.5% | 18.6% | 33.7% |
| 1,300,000 | 21.5% | 28.6% | 36.9% | 46.6% | 4.4% | 8.8% | 17.3% | 32.0% |
| 1,400,000 | 21.5% | 28.6% | 36.9% | 46.6% | 4.1% | 8.2% | 16.1% | 30.2% |
| 1,500,000 | 21.5% | 28.6% | 36.9% | 46.6% | 3.9% | 7.7% | 15.2% | 28.8% |
| 1,600,000 | 21.5% | 28.6% | 36.9% | 46.6% | 3.7% | 7.3% | 14.3% | 27.3% |
| 1,700,000 | 21.5% | 28.6% | 36.9% | 46.6% | 3.4% | 6.9% | 13.5% | 25.9% |
| 1,800,000 | 21.5% | 28.6% | 36.9% | 46.6% | 3.3% | 6.5% | 12.8% | 24.7% |
| 1,900,000 | 21.5% | 28.6% | 36.9% | 46.6% | 3.1% | 6.2% | 12.2% | 23.5% |
| 2,000,000 | 21.5% | 28.6% | 36.9% | 46.6% | 2.9% | 5.9% | 11.6% | 22.4% |
| 2,100,000 | 21.5% | 28.6% | 36.9% | 46.6% | 2.8% | 5.6% | 11.0% | 21.3% |
| 2,200,000 | 21.5% | 28.6% | 36.9% | 46.6% | 2.7% | 5.4% | 10.5% | 20.4% |
| 2,300,000 | 21.5% | 28.6% | 36.9% | 46.6% | 2.6% | 5.1% | 10.1% | 19.6% |
| 2,400,000 | 21.5% | 28.6% | 36.9% | 46.6% | 2.5% | 4.9% | 9.7% | 18.8% |
| 2,500,000 | 21.5% | 28.6% | 36.9% | 46.6% | 2.4% | 4.7% | 9.3% | 18.0% |
| 2,600,000 | 21.5% | 28.6% | 36.9% | 46.6% | 2.3% | 4.6% | 9.0% | 17.4% |
| 2,700,000 | 21.5% | 28.6% | 36.9% | 46.6% | 2.2% | 4.4% | 8.7% | 16.8% |
| 2,800,000 | 21.5% | 28.6% | 36.9% | 46.6% | 2.1% | 4.2% | 8.4% | 16.2% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 2,900,000 | 21.5% | 28.6% | 36.9% | 46.6% | 2.0% | 4.1% | 8.1% | 15.6% |

| Pure Premium | Deductible | | | | Deductible with Aggregate Limit | | | |
|---|---|---|---|---|---|---|---|---|
| Size | 25,000 per claim | 50,000 per claim | 100,000 per claim | 200,000 per claim | 25,000 per claim/ 75,000 aggregate | 50,000 per claim/ 150,000 aggregate | 100,000 per claim/ 300,000 aggregate | 200,000 per claim/ 600,000 aggregate |
| 3,000,000 | 21.5% | 28.6% | 36.9% | 46.6% | 1.9% | 3.8% | 7.6% | 14.7% |
| 3,200,000 | 21.5% | 28.6% | 36.9% | 46.6% | 1.8% | 3.6% | 7.1% | 13.8% |
| 3,400,000 | 21.5% | 28.6% | 36.9% | 46.6% | 1.7% | 3.4% | 6.7% | 13.0% |
| 3,600,000 | 21.5% | 28.6% | 36.9% | 46.6% | 1.6% | 3.2% | 6.4% | 12.3% |
| 3,800,000 | 21.5% | 28.6% | 36.9% | 46.6% | 1.5% | 3.1% | 6.0% | 11.7% |
| 4,000,000 | 21.5% | 28.6% | 36.9% | 46.6% | 1.4% | 2.9% | 5.7% | 11.0% |
| 4,250,000 | 21.5% | 28.6% | 36.9% | 46.6% | 1.3% | 2.7% | 5.4% | 10.4% |
| 4,500,000 | 21.5% | 28.6% | 36.9% | 46.6% | 1.3% | 2.6% | 5.1% | 9.9% |
| 4,750,000 | 21.5% | 28.6% | 36.9% | 46.6% | 1.2% | 2.4% | 4.8% | 9.4% |
| 5,000,000 | 21.5% | 28.6% | 36.9% | 46.6% | 1.1% | 2.2% | 4.4% | 8.5% |
| 5,500,000 | 21.5% | 28.6% | 36.9% | 46.6% | 1.0% | 2.0% | 4.0% | 7.8% |
| 6,000,000 | 21.5% | 28.6% | 36.9% | 46.6% | 0.9% | 1.9% | 3.7% | 7.2% |
| 6,500,000 | 21.5% | 28.6% | 36.9% | 46.6% | 0.8% | 1.7% | 3.4% | 6.7% |
| 7,000,000 | 21.5% | 28.6% | 36.9% | 46.6% | 0.7% | 1.5% | 3.0% | 5.8% |
| 8,000,000 | 21.5% | 28.6% | 36.9% | 46.6% | 0.6% | 1.3% | 2.7% | 5.2% |
| 9,000,000 | 21.5% | 28.6% | 36.9% | 46.6% | 0.6% | 1.2% | 2.4% | 4.7% |
| 10,000,000 | 21.5% | 28.6% | 36.9% | 46.6% | 0.5% | 0.9% | 1.9% | 3.7% |
| 12,500,000 | 21.5% | 28.6% | 36.9% | 46.6% | 0.4% | 0.8% | 1.6% | 3.1% |
| 15,000,000 | 21.5% | 28.6% | 36.9% | 46.6% | 0.3% | 0.7% | 1.3% | 2.6% |
| 17,500,000 | 21.5% | 28.6% | 36.9% | 46.6% | 0.3% | 0.6% | 1.2% | 2.3% |
| 20,000,000 | 21.5% | 28.6% | 36.9% | 46.6% | 0.2% | 0.4% | 0.9% | 1.8% |
| 25,000,000 | 21.5% | 28.6% | 36.9% | 46.6% | 0.0% | 0.0% | 0.0% | 0.0% |

| Hazard Group I | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Pure Premium | Deductible | | | | Deductible with Aggregate Limit | | | |
| Size | 25,000 per claim | 50,000 per claim | 100,000 per claim | 200,000 per claim | 25,000 per claim/ 75,000 aggregate | 50,000 per claim/ 150,000 aggregate | 100,000 per claim/ 300,000 aggregate | 200,000 per claim/ 600,000 aggregate |
| 62,500 | 23.4% | | | | 22.4% | | | |
| 75,000 | 23.4% | | | | 22.4% | | | |
| 100,000 | 23.4% | | | | 22.4% | | | |
| 125,000 | 23.4% | 30.6% | | | 22.3% | 29.6% | | |
| 150,000 | 23.4% | 30.6% | | | 21.8% | 29.6% | | |
| 175,000 | 23.4% | 30.6% | | | 21.1% | 29.6% | | |
| 200,000 | 23.4% | 30.6% | | | 19.6% | 28.9% | | |
| 250,000 | 23.4% | 30.6% | 38.9% | | 18.0% | 27.8% | 37.9% | |
| 300,000 | 23.4% | 30.6% | 38.9% | | 14.9% | 25.3% | 36.7% | |
| 400,000 | 23.4% | 30.6% | 38.9% | | 12.4% | 22.5% | 34.9% | |
| 500,000 | 23.4% | 30.6% | 38.9% | 48.1% | 10.4% | 19.8% | 32.8% | 45.9% |
| 600,000 | 23.4% | 30.6% | 38.9% | 48.1% | 8.9% | 17.3% | 30.4% | 44.6% |
| 700,000 | 23.4% | 30.6% | 38.9% | 48.1% | 7.8% | 15.4% | 28.1% | 43.2% |
| 800,000 | 23.4% | 30.6% | 38.9% | 48.1% | 6.9% | 13.7% | 25.8% | 41.5% |
| 900,000 | 23.4% | 30.6% | 38.9% | 48.1% | 6.2% | 12.4% | 23.7% | 39.7% |
| 1,000,000 | 23.4% | 30.6% | 38.9% | 48.1% | 5.7% | 11.3% | 21.9% | 38.0% |
| 1,100,000 | 23.4% | 30.6% | 38.9% | 48.1% | 5.2% | 10.3% | 20.2% | 36.0% |
| 1,200,000 | 23.4% | 30.6% | 38.9% | 48.1% | 4.8% | 9.5% | 18.7% | 34.2% |
| 1,300,000 | 23.4% | 30.6% | 38.9% | 48.1% | 4.4% | 8.8% | 17.3% | 32.3% |
| 1,400,000 | 23.4% | 30.6% | 38.9% | 48.1% | 4.1% | 8.2% | 16.2% | 30.6% |
| 1,500,000 | 23.4% | 30.6% | 38.9% | 48.1% | 3.9% | 7.7% | 15.2% | 29.0% |
| 1,600,000 | 23.4% | 30.6% | 38.9% | 48.1% | 3.7% | 7.3% | 14.3% | 27.5% |
| 1,700,000 | 23.4% | 30.6% | 38.9% | 48.1% | 3.5% | 6.9% | 13.5% | 26.1% |
| 1,800,000 | 23.4% | 30.6% | 38.9% | 48.1% | 3.3% | 6.5% | 12.8% | 24.7% |
| 1,900,000 | 23.4% | 30.6% | 38.9% | 48.1% | 3.1% | 6.2% | 12.2% | 23.6% |
| 2,000,000 | 23.4% | 30.6% | 38.9% | 48.1% | 2.9% | 5.9% | 11.6% | 22.5% |
| 2,100,000 | 23.4% | 30.6% | 38.9% | 48.1% | 2.8% | 5.6% | 11.0% | 21.4% |
| 2,200,000 | 23.4% | 30.6% | 38.9% | 48.1% | 2.7% | 5.4% | 10.5% | 20.4% |
| 2,300,000 | 23.4% | 30.6% | 38.9% | 48.1% | 2.6% | 5.1% | 10.1% | 19.6% |
| 2,400,000 | 23.4% | 30.6% | 38.9% | 48.1% | 2.5% | 4.9% | 9.7% | 18.8% |
| 2,500,000 | 23.4% | 30.6% | 38.9% | 48.1% | 2.4% | 4.7% | 9.3% | 18.1% |
| 2,600,000 | 23.4% | 30.6% | 38.9% | 48.1% | 2.3% | 4.6% | 9.0% | 17.4% |
| 2,700,000 | 23.4% | 30.6% | 38.9% | 48.1% | 2.2% | 4.4% | 8.7% | 16.8% |
| 2,800,000 | 23.4% | 30.6% | 38.9% | 48.1% | 2.1% | 4.2% | 8.4% | 16.2% |
| 2,900,000 | 23.4% | 30.6% | 38.9% | 48.1% | 2.0% | 4.1% | 8.1% | 15.7% |
| 3,000,000 | 23.4% | 30.6% | 38.9% | 48.1% | 1.9% | 3.8% | 7.6% | 14.7% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 3,200,000 | 23.4% | 30.6% | 38.9% | 48.1% | 1.8% | 3.6% | 7.1% | 13.8% |
| 3,400,000 | 23.4% | 30.6% | 38.9% | 48.1% | 1.7% | 3.4% | 6.7% | 13.0% |
| 3,600,000 | 23.4% | 30.6% | 38.9% | 48.1% | 1.6% | 3.2% | 6.4% | 12.4% |

| Hazard Group I | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Pure Premium | Deductible | | | | Deductible with Aggregate Limit | | | |
| Size | 25,000 per claim | 50,000 per claim | 100,000 per claim | 200,000 per claim | 25,000 per claim/ 75,000 aggregate | 50,000 per claim/ 150,000 aggregate | 100,000 per claim/ 300,000 aggregate | 200,000 per claim/ 600,000 aggregate |
| 3,800,000 | 23.4% | 30.6% | 38.9% | 48.1% | 1.5% | 3.1% | 6.0% | 11.7% |
| 4,000,000 | 23.4% | 30.6% | 38.9% | 48.1% | 1.4% | 2.9% | 5.7% | 11.0% |
| 4,250,000 | 23.4% | 30.6% | 38.9% | 48.1% | 1.3% | 2.7% | 5.4% | 10.4% |
| 4,500,000 | 23.4% | 30.6% | 38.9% | 48.1% | 1.3% | 2.6% | 5.1% | 9.9% |
| 4,750,000 | 23.4% | 30.6% | 38.9% | 48.1% | 1.2% | 2.4% | 4.8% | 9.4% |
| 5,000,000 | 23.4% | 30.6% | 38.9% | 48.1% | 1.1% | 2.2% | 4.4% | 8.5% |
| 5,500,000 | 23.4% | 30.6% | 38.9% | 48.1% | 1.0% | 2.0% | 4.0% | 7.8% |
| 6,000,000 | 23.4% | 30.6% | 38.9% | 48.1% | 0.9% | 1.9% | 3.7% | 7.2% |
| 6,500,000 | 23.4% | 30.6% | 38.9% | 48.1% | 0.8% | 1.7% | 3.4% | 6.7% |
| 7,000,000 | 23.4% | 30.6% | 38.9% | 48.1% | 0.7% | 1.5% | 3.0% | 5.8% |
| 8,000,000 | 23.4% | 30.6% | 38.9% | 48.1% | 0.6% | 1.3% | 2.7% | 5.2% |
| 9,000,000 | 23.4% | 30.6% | 38.9% | 48.1% | 0.6% | 1.2% | 2.4% | 4.7% |
| 10,000,000 | 23.4% | 30.6% | 38.9% | 48.1% | 0.5% | 0.9% | 1.9% | 3.7% |
| 12,500,000 | 23.4% | 30.6% | 38.9% | 48.1% | 0.4% | 0.8% | 1.6% | 3.1% |
| 15,000,000 | 23.4% | 30.6% | 38.9% | 48.1% | 0.3% | 0.7% | 1.3% | 2.6% |
| 17,500,000 | 23.4% | 30.6% | 38.9% | 48.1% | 0.3% | 0.6% | 1.2% | 2.3% |
| 20,000,000 | 23.4% | 30.6% | 38.9% | 48.1% | 0.2% | 0.4% | 0.9% | 1.8% |
| 25,000,000 | 23.4% | 30.6% | 38.9% | 48.1% | 0.0% | 0.0% | 0.0% | 0.0% |

| Hazard Group J | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Pure Premium | Deductible | | | | Deductible with Aggregate Limit | | | |
| Size | 25,000 per claim | 50,000 per claim | 100,000 per claim | 200,000 per claim | 25,000 per claim/ 75,000 aggregate | 50,000 per claim/ 150,000 aggregate | 100,000 per claim/ 300,000 aggregate | 200,000 per claim/ 600,000 aggregate |
| 62,500 | 13.5% | | | | 12.5% | | | |
| 75,000 | 13.5% | | | | 12.5% | | | |
| 100,000 | 13.5% | | | | 12.5% | | | |
| 125,000 | 13.5% | 18.9% | | | 12.5% | 17.9% | | |
| 150,000 | 13.5% | 18.9% | | | 12.5% | 17.9% | | |
| 175,000 | 13.5% | 18.9% | | | 12.5% | 17.9% | | |
| 200,000 | 13.5% | 18.9% | | | 12.5% | 17.9% | | |
| 250,000 | 13.5% | 18.9% | 26.1% | | 12.5% | 17.9% | 25.1% | |
| 300,000 | 13.5% | 18.9% | 26.1% | | 11.6% | 17.7% | 25.1% | |
| 400,000 | 13.5% | 18.9% | 26.1% | | 10.5% | 16.8% | 24.9% | |
| 500,000 | 13.5% | 18.9% | 26.1% | 35.6% | 9.5% | 15.9% | 24.2% | 34.5% |
| 600,000 | 13.5% | 18.9% | 26.1% | 35.6% | 8.5% | 14.9% | 23.4% | 34.1% |
| 700,000 | 13.5% | 18.9% | 26.1% | 35.6% | 7.6% | 13.8% | 22.5% | 33.4% |
| 800,000 | 13.5% | 18.9% | 26.1% | 35.6% | 6.9% | 12.8% | 21.6% | 32.8% |
| 900,000 | 13.5% | 18.9% | 26.1% | 35.6% | 6.2% | 11.9% | 20.5% | 32.0% |
| 1,000,000 | 13.5% | 18.9% | 26.1% | 35.6% | 5.7% | 11.0% | 19.5% | 31.1% |
| 1,100,000 | 13.5% | 18.9% | 26.1% | 35.6% | 5.2% | 10.2% | 18.5% | 30.2% |
| 1,200,000 | 13.5% | 18.9% | 26.1% | 35.6% | 4.8% | 9.5% | 17.5% | 29.2% |
| 1,300,000 | 13.5% | 18.9% | 26.1% | 35.6% | 4.5% | 8.8% | 16.6% | 28.2% |
| 1,400,000 | 13.5% | 18.9% | 26.1% | 35.6% | 4.2% | 8.3% | 15.7% | 27.3% |
| 1,500,000 | 13.5% | 18.9% | 26.1% | 35.6% | 3.9% | 7.7% | 14.8% | 26.2% |
| 1,600,000 | 13.5% | 18.9% | 26.1% | 35.6% | 3.7% | 7.3% | 14.0% | 25.1% |
| 1,700,000 | 13.5% | 18.9% | 26.1% | 35.6% | 3.5% | 6.9% | 13.4% | 24.3% |
| 1,800,000 | 13.5% | 18.9% | 26.1% | 35.6% | 3.3% | 6.5% | 12.7% | 23.4% |
| 1,900,000 | 13.5% | 18.9% | 26.1% | 35.6% | 3.1% | 6.2% | 12.1% | 22.4% |
| 2,000,000 | 13.5% | 18.9% | 26.1% | 35.6% | 3.0% | 5.9% | 11.5% | 21.6% |
| 2,100,000 | 13.5% | 18.9% | 26.1% | 35.6% | 2.8% | 5.6% | 11.0% | 20.3% |
| 2,200,000 | 13.5% | 18.9% | 26.1% | 35.6% | 2.7% | 5.4% | 10.5% | 19.4% |
| 2,300,000 | 13.5% | 18.9% | 26.1% | 35.6% | 2.6% | 5.1% | 10.0% | 18.6% |
| 2,400,000 | 13.5% | 18.9% | 26.1% | 35.6% | 2.5% | 4.9% | 9.6% | 17.8% |
| 2,500,000 | 13.5% | 18.9% | 26.1% | 35.6% | 2.4% | 4.7% | 9.3% | 17.2% |
| 2,600,000 | 13.5% | 18.9% | 26.1% | 35.6% | 2.3% | 4.6% | 8.9% | 16.5% |
| 2,700,000 | 13.5% | 18.9% | 26.1% | 35.6% | 2.2% | 4.4% | 8.6% | 15.9% |
| 2,800,000 | 13.5% | 18.9% | 26.1% | 35.6% | 2.1% | 4.3% | 8.3% | 15.4% |
| 2,900,000 | 13.5% | 18.9% | 26.1% | 35.6% | 2.1% | 4.1% | 8.0% | 14.9% |
| 3,000,000 | 13.5% | 18.9% | 26.1% | 35.6% | 1.9% | 3.8% | 7.5% | 13.9% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 3,200,000 | 13.5% | 18.9% | 26.1% | 35.6% | 1.8% | 3.6% | 7.1% | 13.1% |
| 3,400,000 | 13.5% | 18.9% | 26.1% | 35.6% | 1.7% | 3.4% | 6.7% | 12.4% |

| Hazard Group J | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Pure Premium | Deductible | | | | Deductible with Aggregate Limit | | | |
| Size | 25,000 per claim | 50,000 per claim | 100,000 per claim | 200,000 per claim | 25,000 per claim/ 75,000 aggregate | 50,000 per claim/ 150,000 aggregate | 100,000 per claim/ 300,000 aggregate | 200,000 per claim/ 600,000 aggregate |
| 3,600,000 | 13.5% | 18.9% | 26.1% | 35.6% | 1.6% | 3.2% | 6.3% | 11.7% |
| 3,800,000 | 13.5% | 18.9% | 26.1% | 35.6% | 1.5% | 3.1% | 6.0% | 11.1% |
| 4,000,000 | 13.5% | 18.9% | 26.1% | 35.6% | 1.4% | 2.9% | 5.7% | 10.5% |
| 4,250,000 | 13.5% | 18.9% | 26.1% | 35.6% | 1.4% | 2.7% | 5.3% | 9.9% |
| 4,500,000 | 13.5% | 18.9% | 26.1% | 35.6% | 1.3% | 2.6% | 5.1% | 9.4% |
| 4,750,000 | 13.5% | 18.9% | 26.1% | 35.6% | 1.2% | 2.4% | 4.8% | 8.9% |
| 5,000,000 | 13.5% | 18.9% | 26.1% | 35.6% | 1.1% | 2.2% | 4.4% | 8.1% |
| 5,500,000 | 13.5% | 18.9% | 26.1% | 35.6% | 1.0% | 2.0% | 4.0% | 7.4% |
| 6,000,000 | 13.5% | 18.9% | 26.1% | 35.6% | 0.9% | 1.9% | 3.7% | 6.8% |
| 6,500,000 | 13.5% | 18.9% | 26.1% | 35.6% | 0.9% | 1.7% | 3.4% | 6.3% |
| 7,000,000 | 13.5% | 18.9% | 26.1% | 35.6% | 0.7% | 1.5% | 3.0% | 5.5% |
| 8,000,000 | 13.5% | 18.9% | 26.1% | 35.6% | 0.7% | 1.3% | 2.6% | 4.9% |
| 9,000,000 | 13.5% | 18.9% | 26.1% | 35.6% | 0.6% | 1.2% | 2.4% | 4.4% |
| 10,000,000 | 13.5% | 18.9% | 26.1% | 35.6% | 0.5% | 0.9% | 1.9% | 3.5% |
| 12,500,000 | 13.5% | 18.9% | 26.1% | 35.6% | 0.4% | 0.8% | 1.6% | 2.9% |
| 15,000,000 | 13.5% | 18.9% | 26.1% | 35.6% | 0.3% | 0.7% | 1.3% | 2.5% |
| 17,500,000 | 13.5% | 18.9% | 26.1% | 35.6% | 0.3% | 0.6% | 1.2% | 2.2% |
| 20,000,000 | 13.5% | 18.9% | 26.1% | 35.6% | 0.2% | 0.4% | 0.9% | 1.7% |
| 25,000,000 | 13.5% | 18.9% | 26.1% | 35.6% | 0.0% | 0.0% | 0.0% | 0.0% |

| Hazard Group K | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Pure Premium | Deductible | | | | Deductible with Aggregate Limit | | | |
| Size | 25,000 per claim | 50,000 per claim | 100,000 per claim | 200,000 per claim | 25,000 per claim/ 75,000 aggregate | 50,000 per claim/ 150,000 aggregate | 100,000 per claim/ 300,000 aggregate | 200,000 per claim/ 600,000 aggregate |
| 62,500 | 17.6% | | | | 16.6% | | | |
| 75,000 | 17.6% | | | | 16.6% | | | |
| 100,000 | 17.6% | | | | 16.6% | | | |
| 125,000 | 17.6% | 23.7% | | | 16.6% | 22.7% | | |
| 150,000 | 17.6% | 23.7% | | | 16.6% | 22.7% | | |
| 175,000 | 17.6% | 23.7% | | | 16.6% | 22.7% | | |
| 200,000 | 17.6% | 23.7% | | | 16.2% | 22.7% | | |
| 250,000 | 17.6% | 23.7% | 31.3% | | 15.4% | 22.5% | 30.3% | |
| 300,000 | 17.6% | 23.7% | 31.3% | | 13.6% | 21.3% | 30.2% | |
| 400,000 | 17.6% | 23.7% | 31.3% | | 11.8% | 19.8% | 29.3% | |
| 500,000 | 17.6% | 23.7% | 31.3% | 40.8% | 10.2% | 18.1% | 28.1% | 39.3% |
| 600,000 | 17.6% | 23.7% | 31.3% | 40.8% | 8.9% | 16.5% | 26.8% | 38.6% |
| 700,000 | 17.6% | 23.7% | 31.3% | 40.8% | 7.8% | 14.9% | 25.4% | 37.7% |
| 800,000 | 17.6% | 23.7% | 31.3% | 40.8% | 7.0% | 13.6% | 23.9% | 36.7% |
| 900,000 | 17.6% | 23.7% | 31.3% | 40.8% | 6.3% | 12.3% | 22.5% | 35.6% |
| 1,000,000 | 17.6% | 23.7% | 31.3% | 40.8% | 5.7% | 11.2% | 21.0% | 34.4% |
| 1,100,000 | 17.6% | 23.7% | 31.3% | 40.8% | 5.2% | 10.3% | 19.6% | 33.0% |
| 1,200,000 | 17.6% | 23.7% | 31.3% | 40.8% | 4.8% | 9.5% | 18.3% | 31.7% |
| 1,300,000 | 17.6% | 23.7% | 31.3% | 40.8% | 4.5% | 8.9% | 17.2% | 30.4% |
| 1,400,000 | 17.6% | 23.7% | 31.3% | 40.8% | 4.2% | 8.3% | 16.1% | 29.1% |
| 1,500,000 | 17.6% | 23.7% | 31.3% | 40.8% | 3.9% | 7.7% | 15.2% | 27.8% |
| 1,600,000 | 17.6% | 23.7% | 31.3% | 40.8% | 3.7% | 7.3% | 14.3% | 26.6% |
| 1,700,000 | 17.6% | 23.7% | 31.3% | 40.8% | 3.5% | 6.9% | 13.5% | 25.4% |
| 1,800,000 | 17.6% | 23.7% | 31.3% | 40.8% | 3.3% | 6.5% | 12.8% | 24.3% |
| 1,900,000 | 17.6% | 23.7% | 31.3% | 40.8% | 3.1% | 6.2% | 12.1% | 23.2% |
| 2,000,000 | 17.6% | 23.7% | 31.3% | 40.8% | 3.0% | 5.9% | 11.6% | 22.2% |
| 2,100,000 | 17.6% | 23.7% | 31.3% | 40.8% | 2.8% | 5.6% | 11.1% | 21.0% |
| 2,200,000 | 17.6% | 23.7% | 31.3% | 40.8% | 2.7% | 5.4% | 10.6% | 20.1% |
| 2,300,000 | 17.6% | 23.7% | 31.3% | 40.8% | 2.6% | 5.2% | 10.1% | 19.3% |
| 2,400,000 | 17.6% | 23.7% | 31.3% | 40.8% | 2.5% | 4.9% | 9.7% | 18.5% |
| 2,500,000 | 17.6% | 23.7% | 31.3% | 40.8% | 2.4% | 4.8% | 9.4% | 17.8% |
| 2,600,000 | 17.6% | 23.7% | 31.3% | 40.8% | 2.3% | 4.6% | 9.0% | 17.1% |
| 2,700,000 | 17.6% | 23.7% | 31.3% | 40.8% | 2.2% | 4.4% | 8.7% | 16.5% |
| 2,800,000 | 17.6% | 23.7% | 31.3% | 40.8% | 2.1% | 4.3% | 8.4% | 15.9% |
| 2,900,000 | 17.6% | 23.7% | 31.3% | 40.8% | 2.1% | 4.1% | 8.1% | 15.4% |
| 3,000,000 | 17.6% | 23.7% | 31.3% | 40.8% | 1.9% | 3.9% | 7.6% | 14.4% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 3,200,000 | 17.6% | 23.7% | 31.3% | 40.8% | 1.8% | 3.6% | 7.1% | 13.6% |
| 3,400,000 | 17.6% | 23.7% | 31.3% | 40.8% | 1.7% | 3.4% | 6.7% | 12.8% |

| Hazard Group K | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Pure Premium | Deductible | | | | Deductible with Aggregate Limit | | | |
| Size | 25,000 per claim | 50,000 per claim | 100,000 per claim | 200,000 per claim | 25,000 per claim/ 75,000 aggregate | 50,000 per claim/ 150,000 aggregate | 100,000 per claim/ 300,000 aggregate | 200,000 per claim/ 600,000 aggregate |
| 3,600,000 | 17.6% | 23.7% | 31.3% | 40.8% | 1.6% | 3.2% | 6.4% | 12.2% |
| 3,800,000 | 17.6% | 23.7% | 31.3% | 40.8% | 1.5% | 3.1% | 6.1% | 11.5% |
| 4,000,000 | 17.6% | 23.7% | 31.3% | 40.8% | 1.4% | 2.9% | 5.7% | 10.9% |
| 4,250,000 | 17.6% | 23.7% | 31.3% | 40.8% | 1.4% | 2.7% | 5.4% | 10.3% |
| 4,500,000 | 17.6% | 23.7% | 31.3% | 40.8% | 1.3% | 2.6% | 5.1% | 9.7% |
| 4,750,000 | 17.6% | 23.7% | 31.3% | 40.8% | 1.2% | 2.4% | 4.8% | 9.2% |
| 5,000,000 | 17.6% | 23.7% | 31.3% | 40.8% | 1.1% | 2.2% | 4.4% | 8.4% |
| 5,500,000 | 17.6% | 23.7% | 31.3% | 40.8% | 1.0% | 2.0% | 4.0% | 7.7% |
| 6,000,000 | 17.6% | 23.7% | 31.3% | 40.8% | 0.9% | 1.9% | 3.7% | 7.1% |
| 6,500,000 | 17.6% | 23.7% | 31.3% | 40.8% | 0.9% | 1.7% | 3.4% | 6.6% |
| 7,000,000 | 17.6% | 23.7% | 31.3% | 40.8% | 0.7% | 1.5% | 3.0% | 5.7% |
| 8,000,000 | 17.6% | 23.7% | 31.3% | 40.8% | 0.7% | 1.3% | 2.7% | 5.1% |
| 9,000,000 | 17.6% | 23.7% | 31.3% | 40.8% | 0.6% | 1.2% | 2.4% | 4.6% |
| 10,000,000 | 17.6% | 23.7% | 31.3% | 40.8% | 0.5% | 0.9% | 1.9% | 3.7% |
| 12,500,000 | 17.6% | 23.7% | 31.3% | 40.8% | 0.4% | 0.8% | 1.6% | 3.0% |
| 15,000,000 | 17.6% | 23.7% | 31.3% | 40.8% | 0.3% | 0.7% | 1.3% | 2.6% |
| 17,500,000 | 17.6% | 23.7% | 31.3% | 40.8% | 0.3% | 0.6% | 1.2% | 2.3% |
| 20,000,000 | 17.6% | 23.7% | 31.3% | 40.8% | 0.2% | 0.4% | 0.9% | 1.8% |
| 25,000,000 | 17.6% | 23.7% | 31.3% | 40.8% | 0.0% | 0.0% | 0.0% | 0.0% |

| Hazard Group L | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Pure Premium | Deductible | | | | Deductible with Aggregate Limit | | | |
| Size | 25,000 per claim | 50,000 per claim | 100,000 per claim | 200,000 per claim | 25,000 per claim/ 75,000 aggregate | 50,000 per claim/ 150,000 aggregate | 100,000 per claim/ 300,000 aggregate | 200,000 per claim/ 600,000 aggregate |
| 62,500 | 19.9% | | | | 18.9% | | | |
| 75,000 | 19.9% | | | | 18.9% | | | |
| 100,000 | 19.9% | | | | 18.9% | | | |
| 125,000 | 19.9% | 26.6% | | | 18.9% | 25.6% | | |
| 150,000 | 19.9% | 26.6% | | | 18.9% | 25.6% | | |
| 175,000 | 19.9% | 26.6% | | | 18.5% | 25.6% | | |
| 200,000 | 19.9% | 26.6% | | | 17.6% | 25.5% | | |
| 250,000 | 19.9% | 26.6% | 34.5% | | 16.5% | 24.8% | 33.5% | |
| 300,000 | 19.9% | 26.6% | 34.5% | | 14.2% | 23.1% | 33.0% | |
| 400,000 | 19.9% | 26.6% | 34.5% | | 12.1% | 21.0% | 31.7% | |
| 500,000 | 19.9% | 26.6% | 34.5% | 43.6% | 10.4% | 19.0% | 30.3% | 41.9% |
| 600,000 | 19.9% | 26.6% | 34.5% | 43.6% | 8.9% | 17.0% | 28.5% | 41.0% |
| 700,000 | 19.9% | 26.6% | 34.5% | 43.6% | 7.8% | 15.2% | 26.6% | 39.9% |
| 800,000 | 19.9% | 26.6% | 34.5% | 43.6% | 7.0% | 13.6% | 24.8% | 38.7% |
| 900,000 | 19.9% | 26.6% | 34.5% | 43.6% | 6.2% | 12.3% | 23.0% | 37.2% |
| 1,000,000 | 19.9% | 26.6% | 34.5% | 43.6% | 5.7% | 11.2% | 21.4% | 35.8% |
| 1,100,000 | 19.9% | 26.6% | 34.5% | 43.6% | 5.2% | 10.3% | 19.9% | 34.4% |
| 1,200,000 | 19.9% | 26.6% | 34.5% | 43.6% | 4.8% | 9.5% | 18.5% | 32.7% |
| 1,300,000 | 19.9% | 26.6% | 34.5% | 43.6% | 4.5% | 8.8% | 17.2% | 31.3% |
| 1,400,000 | 19.9% | 26.6% | 34.5% | 43.6% | 4.2% | 8.3% | 16.2% | 29.8% |
| 1,500,000 | 19.9% | 26.6% | 34.5% | 43.6% | 3.9% | 7.7% | 15.2% | 28.5% |
| 1,600,000 | 19.9% | 26.6% | 34.5% | 43.6% | 3.7% | 7.3% | 14.3% | 27.0% |
| 1,700,000 | 19.9% | 26.6% | 34.5% | 43.6% | 3.4% | 6.9% | 13.5% | 25.7% |
| 1,800,000 | 19.9% | 26.6% | 34.5% | 43.6% | 3.3% | 6.5% | 12.8% | 24.5% |
| 1,900,000 | 19.9% | 26.6% | 34.5% | 43.6% | 3.1% | 6.2% | 12.2% | 23.5% |
| 2,000,000 | 19.9% | 26.6% | 34.5% | 43.6% | 3.0% | 5.9% | 11.6% | 22.4% |
| 2,100,000 | 19.9% | 26.6% | 34.5% | 43.6% | 2.8% | 5.6% | 11.1% | 21.3% |
| 2,200,000 | 19.9% | 26.6% | 34.5% | 43.6% | 2.7% | 5.4% | 10.6% | 20.3% |
| 2,300,000 | 19.9% | 26.6% | 34.5% | 43.6% | 2.6% | 5.1% | 10.1% | 19.5% |
| 2,400,000 | 19.9% | 26.6% | 34.5% | 43.6% | 2.5% | 4.9% | 9.7% | 18.7% |
| 2,500,000 | 19.9% | 26.6% | 34.5% | 43.6% | 2.4% | 4.7% | 9.3% | 18.0% |
| 2,600,000 | 19.9% | 26.6% | 34.5% | 43.6% | 2.3% | 4.6% | 9.0% | 17.3% |
| 2,700,000 | 19.9% | 26.6% | 34.5% | 43.6% | 2.2% | 4.4% | 8.7% | 16.7% |
| 2,800,000 | 19.9% | 26.6% | 34.5% | 43.6% | 2.1% | 4.2% | 8.4% | 16.1% |
| 2,900,000 | 19.9% | 26.6% | 34.5% | 43.6% | 2.1% | 4.1% | 8.1% | 15.6% |
| 3,000,000 | 19.9% | 26.6% | 34.5% | 43.6% | 1.9% | 3.8% | 7.6% | 14.6% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 3,200,000 | 19.9% | 26.6% | 34.5% | 43.6% | 1.8% | 3.6% | 7.1% | 13.7% |
| 3,400,000 | 19.9% | 26.6% | 34.5% | 43.6% | 1.7% | 3.4% | 6.7% | 13.0% |
| 3,600,000 | 19.9% | 26.6% | 34.5% | 43.6% | 1.6% | 3.2% | 6.4% | 12.3% |

| Hazard Group L | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Pure Premium | Deductible | | | | Deductible with Aggregate Limit | | | |
| Size | 25,000 per claim | 50,000 per claim | 100,000 per claim | 200,000 per claim | 25,000 per claim/ 75,000 aggregate | 50,000 per claim/ 150,000 aggregate | 100,000 per claim/ 300,000 aggregate | 200,000 per claim/ 600,000 aggregate |
| 3,800,000 | 19.9% | 26.6% | 34.5% | 43.6% | 1.5% | 3.1% | 6.1% | 11.7% |
| 4,000,000 | 19.9% | 26.6% | 34.5% | 43.6% | 1.4% | 2.9% | 5.7% | 11.0% |
| 4,250,000 | 19.9% | 26.6% | 34.5% | 43.6% | 1.4% | 2.7% | 5.4% | 10.4% |
| 4,500,000 | 19.9% | 26.6% | 34.5% | 43.6% | 1.3% | 2.6% | 5.1% | 9.8% |
| 4,750,000 | 19.9% | 26.6% | 34.5% | 43.6% | 1.2% | 2.4% | 4.8% | 9.3% |
| 5,000,000 | 19.9% | 26.6% | 34.5% | 43.6% | 1.1% | 2.2% | 4.4% | 8.5% |
| 5,500,000 | 19.9% | 26.6% | 34.5% | 43.6% | 1.0% | 2.0% | 4.0% | 7.8% |
| 6,000,000 | 19.9% | 26.6% | 34.5% | 43.6% | 0.9% | 1.9% | 3.7% | 7.2% |
| 6,500,000 | 19.9% | 26.6% | 34.5% | 43.6% | 0.9% | 1.7% | 3.4% | 6.6% |
| 7,000,000 | 19.9% | 26.6% | 34.5% | 43.6% | 0.7% | 1.5% | 3.0% | 5.8% |
| 8,000,000 | 19.9% | 26.6% | 34.5% | 43.6% | 0.7% | 1.3% | 2.7% | 5.2% |
| 9,000,000 | 19.9% | 26.6% | 34.5% | 43.6% | 0.6% | 1.2% | 2.4% | 4.6% |
| 10,000,000 | 19.9% | 26.6% | 34.5% | 43.6% | 0.5% | 0.9% | 1.9% | 3.7% |
| 12,500,000 | 19.9% | 26.6% | 34.5% | 43.6% | 0.4% | 0.8% | 1.6% | 3.1% |
| 15,000,000 | 19.9% | 26.6% | 34.5% | 43.6% | 0.3% | 0.7% | 1.3% | 2.6% |
| 17,500,000 | 19.9% | 26.6% | 34.5% | 43.6% | 0.3% | 0.6% | 1.2% | 2.3% |
| 20,000,000 | 19.9% | 26.6% | 34.5% | 43.6% | 0.2% | 0.4% | 0.9% | 1.8% |
| 25,000,000 | 19.9% | 26.6% | 34.5% | 43.6% | 0.0% | 0.0% | 0.0% | 0.0% |

Deloitte.

March 14, 2011

# Rate Recommendations for Private Employers

## State of Ohio
## Bureau of Workers' Compensation

Deloitte Consulting LLP

Deloitte.

Deloitte Consulting LLP
1700 Market Street
Philadelphia, PA 19103-3984
USA

Tel: (215) 299-4655
Fax: (215) 405-3027
www.deloitte.com

March 14, 2011

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

Subject:

**Private Employer 7-1-11 Rate Recommendations**

Dear Mr. Pedrick:

We are pleased to provide this Final Report, which provides our rate recommendations for the State of Ohio Bureau of Workers' Compensation ("BWC") private employer ("PA") rates to be effective July 1, 2011.

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

| Scenarios | Baseline | Reasonable Expectation Optimistic | Reasonable Expectation Conservative |
|---|---|---|---|
| 4.0% Discount Rate | 1.3% | -5.4% | 7.4% |

The loss costs used to determine the rate change recommendations are derived from Deloitte Consulting's December 2010 Loss & LAE reserve analysis for PA.

At a discount rate of 4.0%, it is our opinion that a rate change of -5.4% to +7.4% is appropriate for the policy year beginning July 1, 2011. Base rates for the individual manual classes should be adjusted according to their experience so as to achieve the applicable overall rate level change. "Off-balance" factors resulting from experience rating and "break-even" factors for group rating should also be considered in the base rates, as these factors are not contemplated in the overall rate indications presented herein.

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

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

Yours very truly,

Jan A. Lommele, FCAS, MAAA

Principal

Robert S. Miccolis, FCAS, MAAA

Director

David E. Heppen, FCAS, MAAA

Director

# Contents

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# Background

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

The overall rate level recommended in this study is intended to provide for the following costs associated with the July 1, 2011 to June 30, 2012 policy year:

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

# Rate Level Recommendations

Our rate projections are based on our analysis of historical loss cost trends for Indemnity and Medical losses separately. We have selected a Baseline, Reasonable Expectation - Optimistic, and Reasonable Expectation - Conservative Loss Costs for Indemnity and Medical losses that can be seen in Exhibits 5 and 6. These Loss Costs are also displayed in Exhibit 1, where we determine the range of rate level indications at a discount rate of 4.0%.

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

- Loss costs from accident year 1999 to 2010 are considered in the analysis. The results for accident years 2005 through 2009 were given the majority of the weight in the baseline rate indication.

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

- Loss costs are discounted at a rate of 4.0%. Discounting loss costs adds variability to estimates of appropriate rate levels, as discount is influenced by the timing of loss payments and the actual rate of return achieved by BWC on invested assets. If the timing of the payments or the expected investment returns are not achieved, the results could vary significantly. Our discount factors for Indemnity and Medical are derived from our December 2010 PA reserve study. Support for our discount factors can be seen on Exhibit 14.

- The frequency trend (Ultimate Lost Time Claims/On-Level Payroll), as shown in Exhibit 9, has been exhibiting decreases in all but two years of the 1999-2009 experience period. The rate of decrease has been slowing in recent years however, and the indicated BWC frequency change for accident year 2009 to 2010 is a positive 6.3%. Frequency trends may be leveling and we will continue to monitor the results. The Deloitte selected on-level annual frequency trend for accident year 2009 to 2010 is 0.0%.

- BWC Indemnity severity trends (Ultimate losses/Ultimate Lost Time Claims) have varied significantly over the 1999-2010 accident years as shown in Exhibit 10. Due to this variability we have relied on BWC indications and NCCI benchmark indications in determining our selected severity assumptions. We have selected an Indemnity severity trend of 5.0% for accident years 2002 to 2008, and 3.0% for accident years 2009 and subsequent. The lower severity trend selection for accident years 2009 and subsequent is based on the fact that employers have generally held wages constant or have downsized, meaning payroll has remained stable over the last few years. Wage levels are a key component in determining indemnity benefits.

- BWC Medical severity trends (Ultimate losses/Ultimate Lost Time Claims) over the 1999-2010 accident years have been relatively consistent with NCCI benchmark indications as shown in Exhibit 11. Based on our review of the BWC and NCCI trends, we selected a Medical severity trend of 6.0% for accident years 2002 and subsequent.

- HPP costs are projected to be 9.5% of the discounted total pure premium. The percentage was determined from our December 2010 PA reserve study by relating HPP payments in recent fiscal years to the fiscal year Loss & ALAE payments. HPP costs are related to claim determinations and allowances, paying lost time compensation, second level of dispute resolution, and educating injured workers, employers and providers about HPP. Please see Exhibit 13 for the development of the HPP load.

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

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

- A Premium Lag Adjustment is included to recognize the fact that there is a lag between the inception of the coverage period and the time the premium is collected from the insureds. The premium discount factor, shown on Exhibit 4, was calculated by discounting the actual premium collections made by month for calendar year 2009 at a 4% discount rate. The premium collected in calendar year 2009 is assumed to be related to policies effective from 7/1/08 to 6/30/09.

- Rate change indications are based on a current collectible rate of $1.49.

- No margin has been included for contingencies.

## Change from the 7/1/2010 Rate Indication at 4.0% Discount

| | |
|---|---|
| 1) Prior Baseline Indicated Rate Change at 7/1/10 (at 4.0% discount) | -3.9% |
| 2) Actual Rate Change (Approved by BWC) | -3.9% |
| 3) Prior Loss Cost Trend (from 7/1/10 Baseline rate indication at 4.0% discount) | 4.3% |
| 4) Expected Baseline Change at 7/1/2011 [{1+(1)}/{1+(2)}*{1+(3)}]-1 | 4.3% |
| 5) Deloitte Indicated Baseline Change | 1.3% |
| 6) Improvement/Deterioration [(5) – (4)] (Improvement is indicated by a negative number; deterioration by a positive number) | -3.0% |

## Terrorism Risk Insurance Act (TRIA)

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

## Deloitte Rate Development Procedure

In developing the rate recommendations, we consider medical and indemnity loss experience separately, and then combine the two to develop the Total Loss and Expense rate. The rate is developed from the indicated loss costs, or losses per $100 of payroll. All losses and payroll data are trended to the rate effective period of July 1, 2011 to June 30, 2012.

Severity trends for Indemnity and Medical are based on ultimate loss projections and ultimate lost time claim projections from our December 2010 PA reserve study. The severity trend for Indemnity and Medical can be found in Exhibits 10 and 11 respectively.

The frequency trend is based on BWC's payroll and our ultimate lost time claim projections. The payroll is adjusted for future development and average weekly wage trend to bring it on-level for the rate effective period. Our analysis and selection of the frequency trend is on Exhibit 9.

The frequency and severity trends are then multiplied together to form a loss trend. The loss trends are calculated on Exhibit 12, in columns 1 through 6.

On-level loss costs are developed for Indemnity and Medical separately. Our ultimate loss projections are trended to the rate effective period. Dividing the on-level ultimate losses by on-level payroll yields the on-level loss costs. From the accident year on-level loss cost indications we select a Baseline, Optimistic, and Conservative loss cost. The loss cost projections for Indemnity and Medical are shown in Exhibits 5 and 6, respectively. These loss costs are undiscounted.

The undiscounted loss costs for Indemnity and Medical are multiplied by their respective discount factors and then added to develop the Total Loss Cost. The discount factors for Indemnity and Medical were derived from our December 2010 PA reserve study and were calculated at discount rate of 4.0%. The Total Loss Costs is adjusted for Health Partnership Program (HPP) costs. These have been estimated to be 9.5% of discounted losses. Support for the 9.5% selection can be found on Exhibit 13. The Total Loss Cost is also adjusted for loads related to the Premium Payment Security Fund (PPSF) and Safety and Hygiene ("S&H") program. The PPSF load is 0.5% and the S&H load is 1.0%. These loadings are consistent with prior rate recommendations.

The indicated rate is adjusted for the lag in premium collections. The impact of the premium lag can be found in Exhibit 4. After adjusting for the loads and the impact of the lag in premium collection, the result is the Total Discounted Loss & Expense Rate indication effective July 1, 2011 as seen on Exhibit 1 at a 4.0% discount rate. Exhibit 2 shows the Undiscounted Total Loss & Expense Rate. Exhibit 3 (4.0% discount) quantifies the dollar impact of discounting the rates.

# Group and Non Group Rate Level Recommendations

The indicated rate change will be distributed to group and non group employers based on the actual experience relativities of the group and non group policies. The two key elements in determining the relativities for the group and non group policies are the experience modification factors ("e-mods") and the group break even factor. A group break even factor ("BEF") was implemented in the policy year beginning July 1, 2009 in order to allow BWC to collect appropriate premiums from group-rated employers.  A BEF will be applied to group employers for the policy year beginning July 1, 2011.  The BEF factor is currently being reviewed by the BWC for the policy year effective July 1, 2011.  BWC will review the group rosters and the group versus non-group loss ratio relativities as of December 31, 2010.  The BWC does not anticipate any change in the current BEF table.

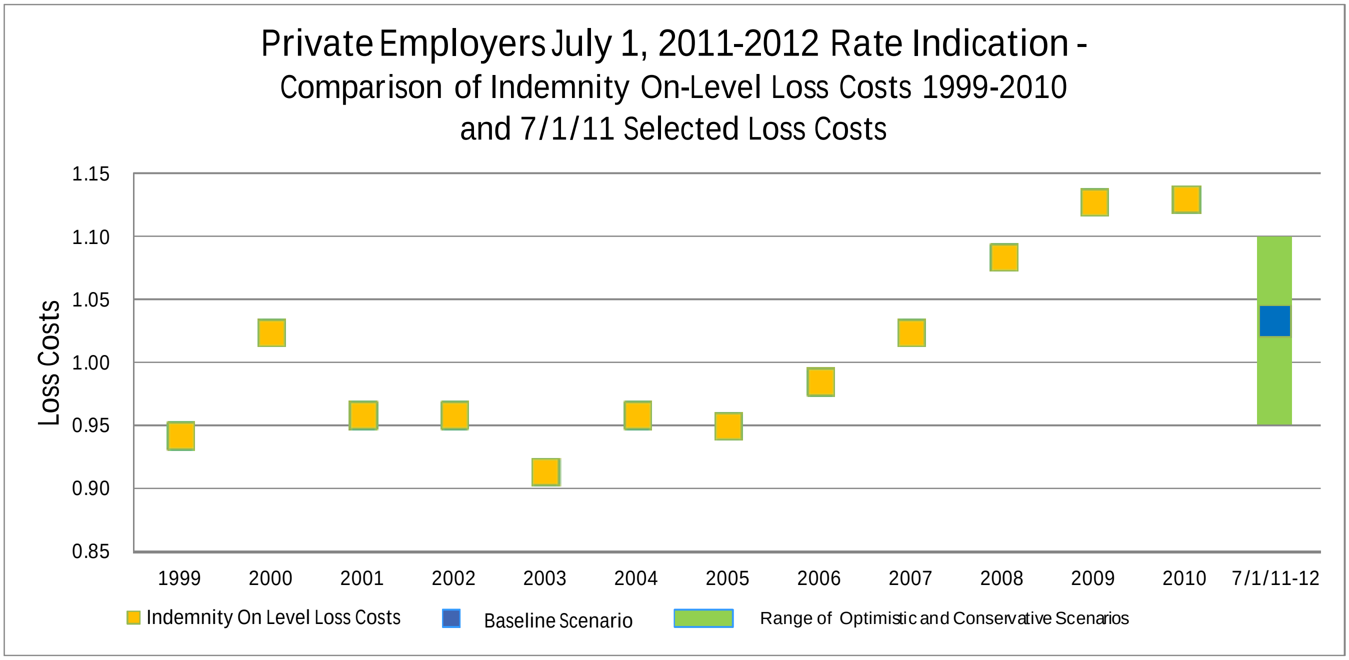
# Conditions and Limitations

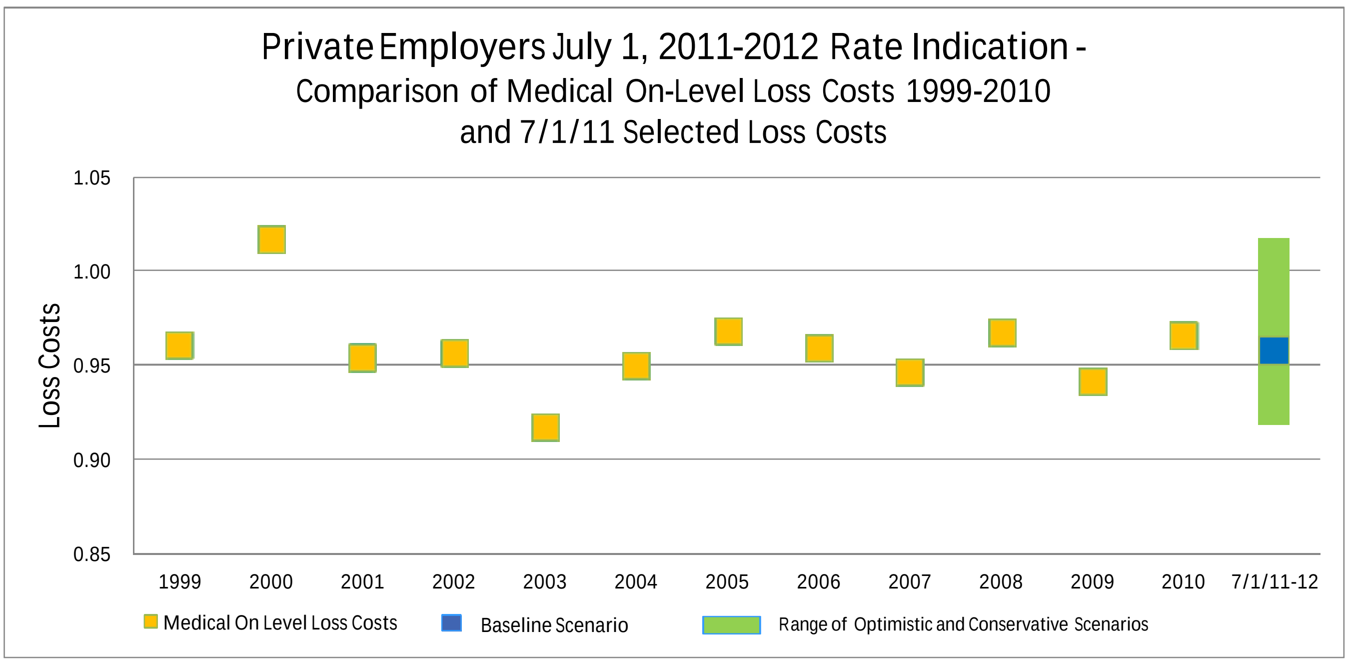
In estimating future loss and loss adjustment expense, it is necessary to project future indemnity, medical and loss adjustment expenses.  It is certain that actual indemnity, medical and loss adjustment expenses will not develop exactly as indicated and may, in fact, vary significantly from our estimates.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

# Loss Cost Trends and Projections

Medical and Indemnity loss cost calculations are developed separately. On-level factors are needed to adjust the payrolls and losses from each accident year to the level anticipated for the rate period effective July 1, 2011. We have used data from our PA reserve study as of 12/31/10 to calculate the historical trends in Medical and Indemnity loss costs.  The two graphs below show the undiscounted on-level loss costs for indemnity and medical respectively.  The loss costs are brought to an on-level basis by considering changes in frequency, severity, and payrolls from year to year.

Loss costs from accident year 1999 to 2010 are considered in the analysis.  The results for accident years 2005 through 2009 were given the majority of the weight in the baseline rate indication.  The indemnity on-level loss costs for accident year 2008-10 are higher than loss costs from older years, but the more recent accident years are immature and were not considered to be as reliable as more mature years.  The medical on-level loss costs have exhibited a more stable pattern.




As described above, Indemnity and Medical Loss Costs are brought on-level by considering trends in frequency, Indemnity severity, and Medical severity. The data we used to select our frequency, Indemnity severity, and Medical severity can be seen on Exhibits 9, 10, and 11 respectively.

The data tables below show the indicated annual trend based on an exponential curve fit of the data for the years indicated. Our selected frequency trend (ultimate claims/on-level payroll) for 2010 is 0.0%.

The selected Indemnity severity trend for 2010 is 3.0% while the selected Medical severity trend is 6.0%. Multiplying the frequency and severity trends yields the overall loss trends. Loss costs trends are then calculated by dividing by the payroll trend. Our selected payroll trend for 2010 is 0.0%. Please note that the payroll shown for 2010 in the table below is reported through June 30, 2010 and therefore represents six months of payroll, while 1999-2009 represent full years.

**Medical Severity Trend**

| Years | BWC | NCCI State of Line |
|---|---|---|
| 1999-2009 | 7.1% | 7.1% |
| 2000-2009 | 6.7% | 6.8% |
| 2001-2009 | 6.5% | 6.3% |
| 2002-2009 | 6.7% | 6.1% |
| 2003-2009 | 7.0% | 5.9% |
| 2004-2009 | 6.9% | 5.9% |
| 2005-2009 | 6.4% | 5.7% |
| 2006-2009 | 5.7% | 5.8% |
| 2007-2009 | 6.3% | 5.8% |
| 2007-2009 | 5.2% | 5.0% |

**Indemnity Severity Trend**

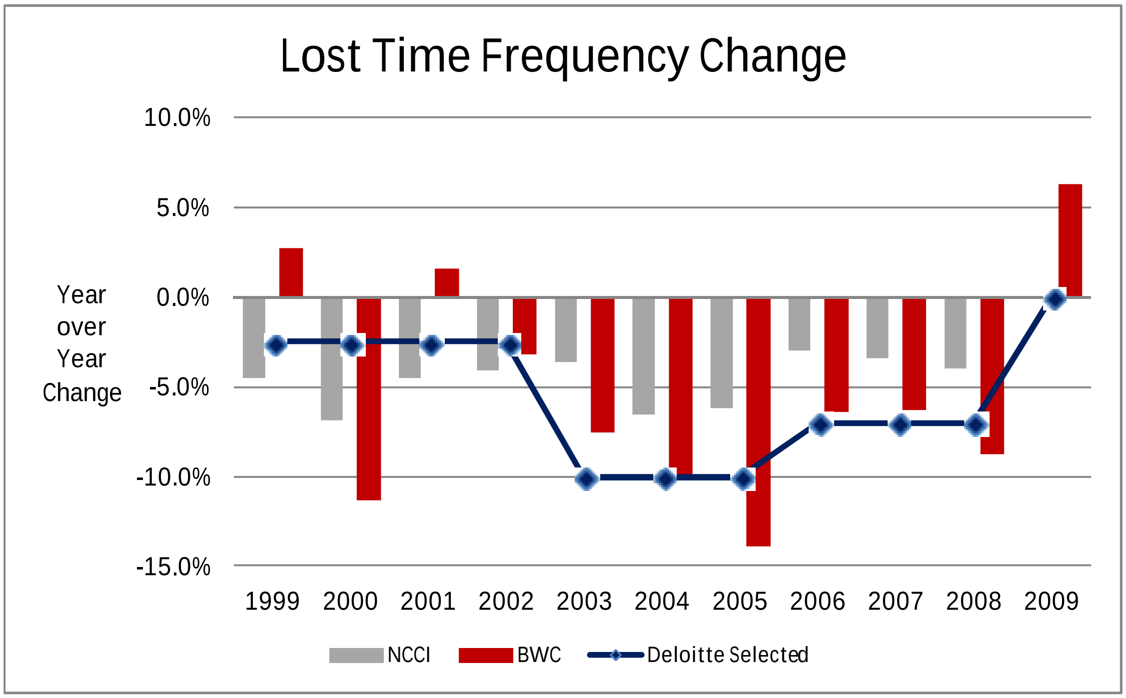
| Years | BWC | NCCI State of Line |
|---|---|---|
| 1999-2009 | 7.5% | 4.6% |
| 2000-2009 | 7.4% | 4.2% |
| 2001-2009 | 7.6% | 4.0% |
| 2002-2009 | 8.3% | 4.2% |
| 2003-2009 | 9.3% | 4.4% |
| 2004-2009 | 9.9% | 4.9% |
| 2005-2009 | 10.7% | 5.2% |
| 2006-2009 | 10.1% | 5.2% |
| 2007-2009 | 10.9% | 5.2% |
| 2008-2009 | 11.4% | 4.5% |

**Payroll Trend**

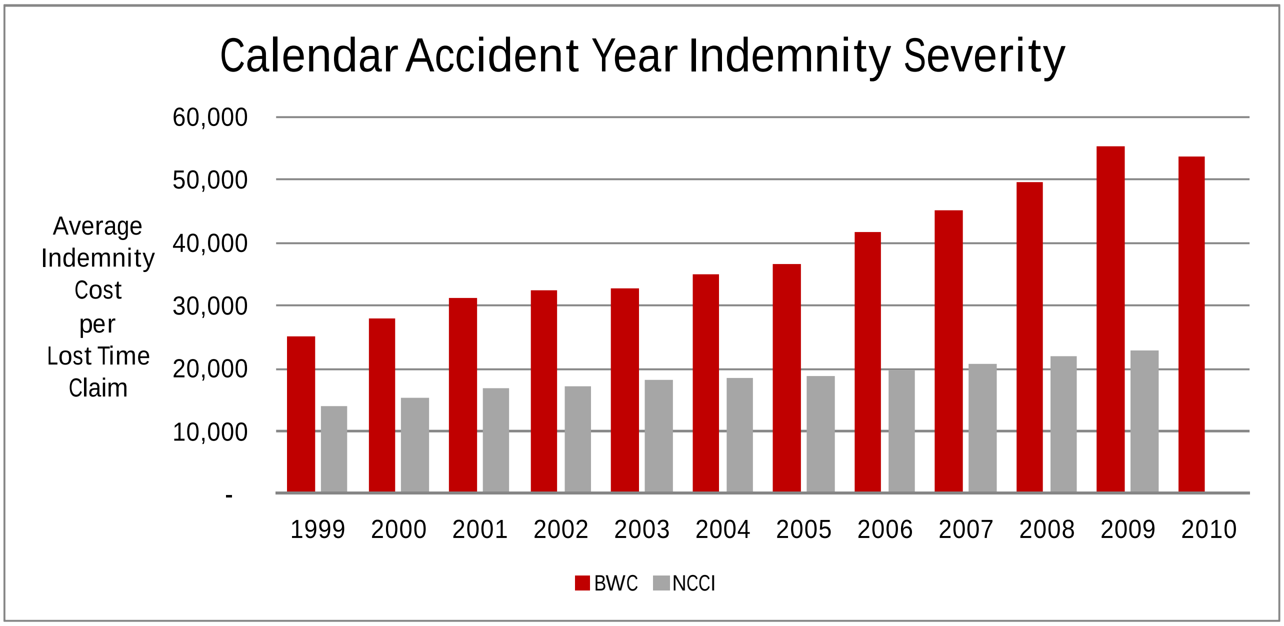
| Years | BWC |
|---|---|
| 1999-2010 | 1.6% |
| 2000-2010 | 1.4% |
| 2001-2010 | 1.3% |
| 2002-2010 | 1.1% |
| 2003-2010 | 0.9% |
| 2004-2010 | 0.3% |
| 2005-2010 | -0.4% |
| 2006-2010 | -1.7% |
| 2007-2010 | -3.0% |
| 2008-2010 | -3.7% |
| 2009-2010 | 0.0% |

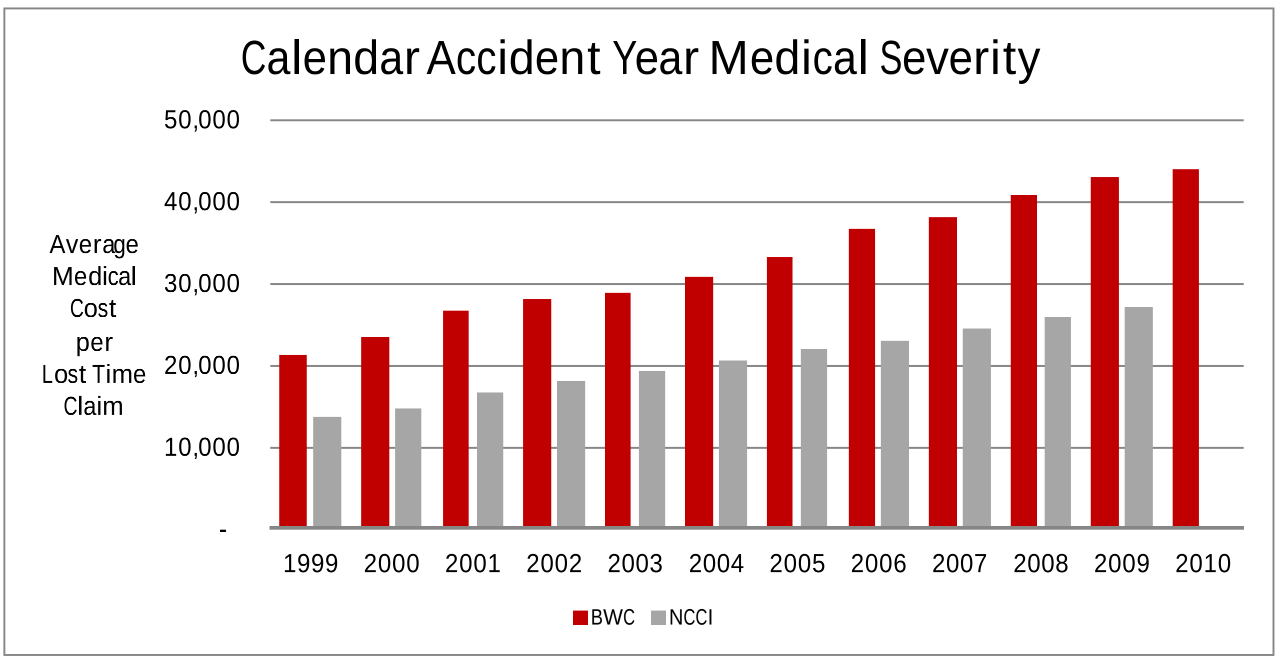
| Calendar Year | Payroll |
|---|---|
| 1999 | 75,244,663 |
| 2000 | 79,122,396 |
| 2001 | 80,396,857 |
| 2002 | 81,621,352 |
| 2003 | 82,433,234 |
| 2004 | 84,632,753 |
| 2005 | 86,912,307 |
| 2006 | 90,822,757 |
| 2007 | 93,702,820 |
| 2008 | 93,419,813 |
| 2009 | 86,429,227 |
| 2010 | 41,437,534 |

The graph below shows actual BWC and National Council on Compensation Insurance ("NCCI") frequency for lost time claims for each accident year experience period. The NCCI values come from the presentation "State of the Line" by Dennis Mealy, FCAS, MAAA, NCCI Chief Actuary, dated May 6, 2010. The 2009 NCCI values are preliminary based on data valued as 12/31/09. NCCI values for Accident Years 2008 and prior are based on data valued as of 12/31/08, developed to ultimate. The definition of the 1999 change is the change of frequency from 1999 to 2000 and so on for subsequent years.

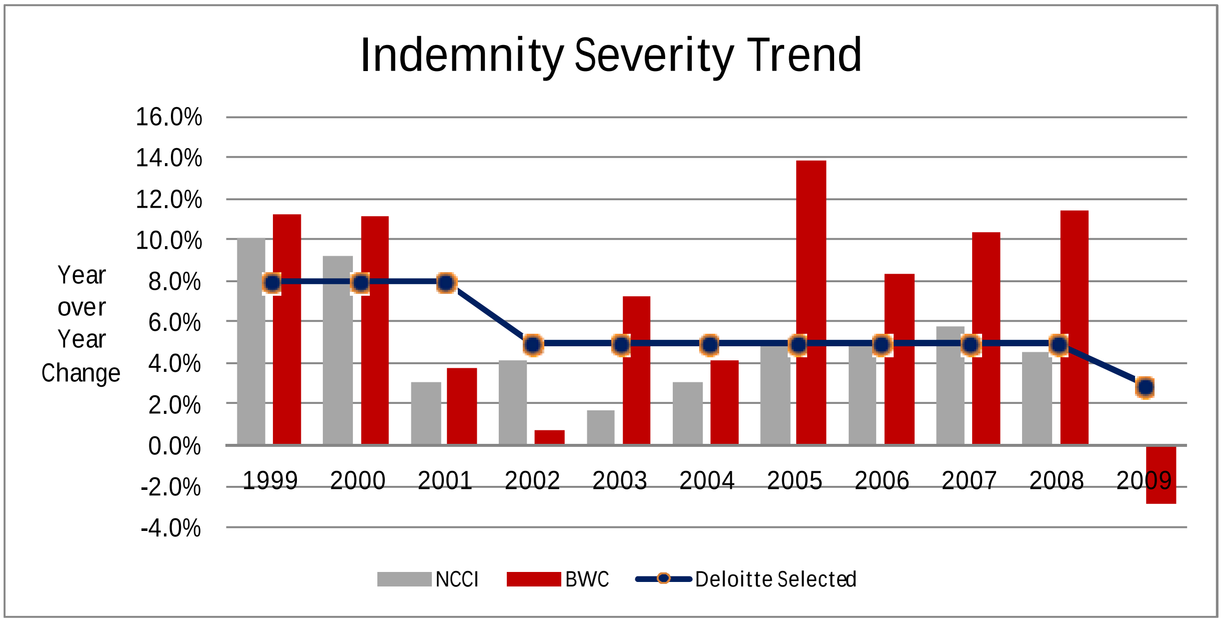


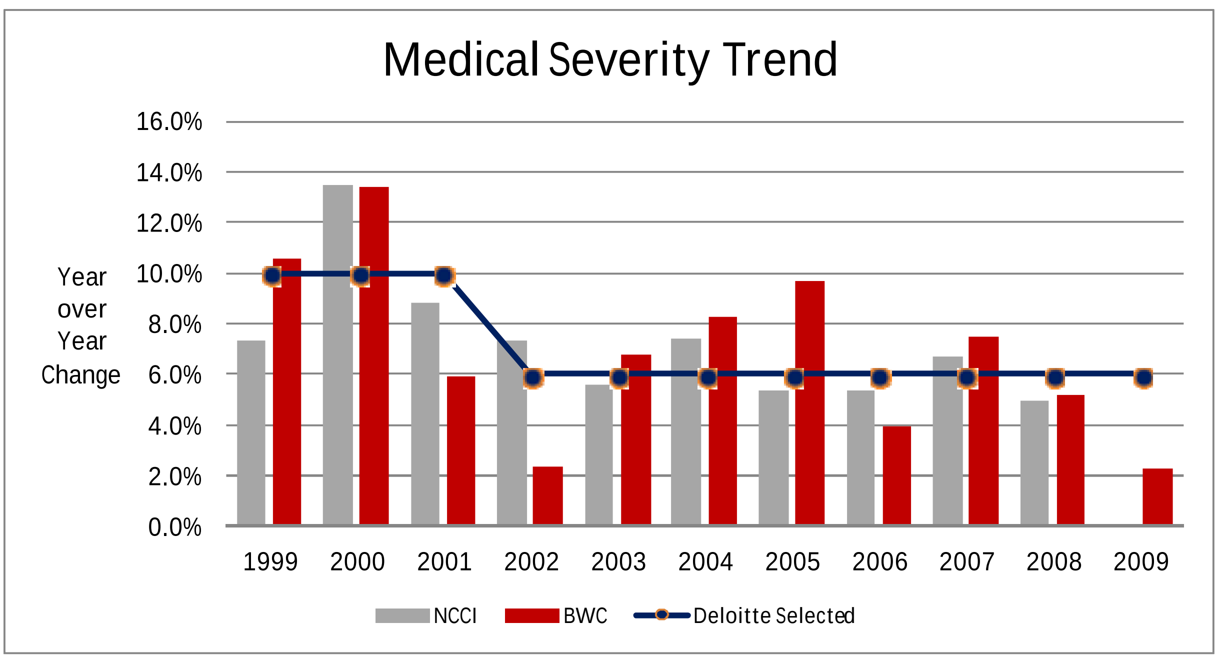
The graphs below show actual BWC and National Council on Compensation Insurance ("NCCI") Indemnity severity and Medical severity for each accident year experience period. The NCCI values come from the presentation "State of the Line" by Dennis C. Mealy, FCAS, MAAA, NCCI Chief Actuary, dated May 6, 2010. The 2009 NCCI values are preliminary based on data valued as 12/31/09. NCCI values for Accident Years 2008 and prior are based on data valued as of 12/31/08.



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



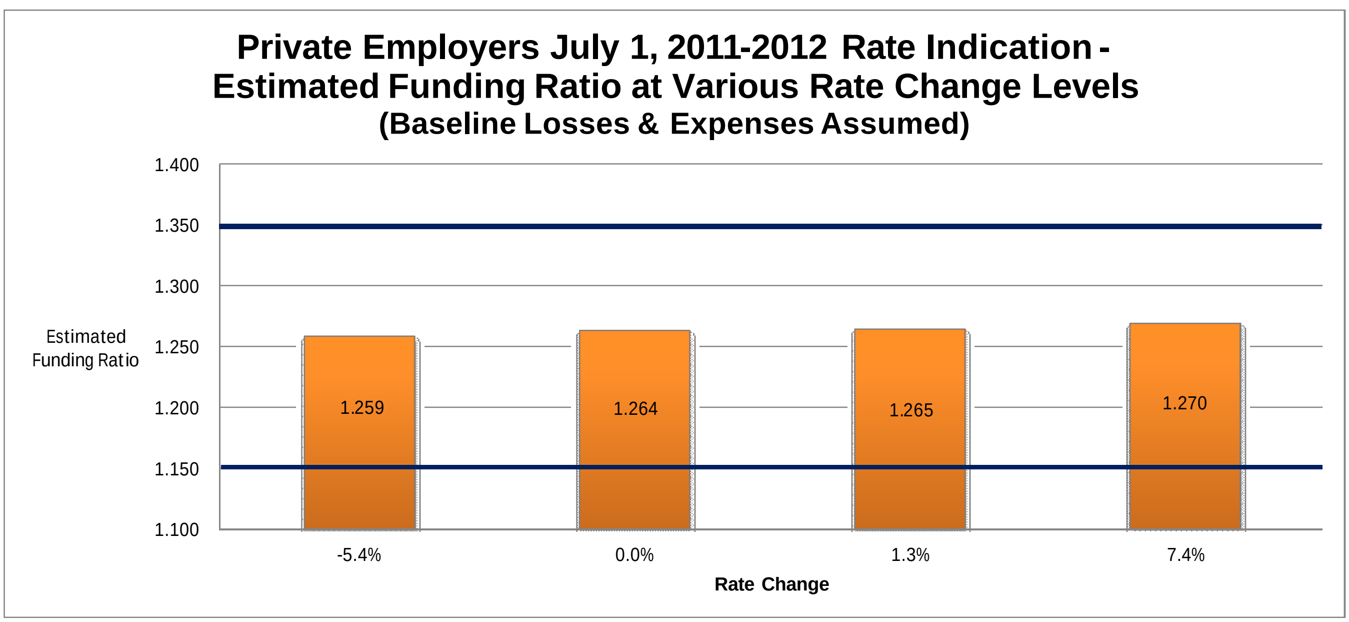



# Selected Rate Level Impacts on Key Financial Ratios

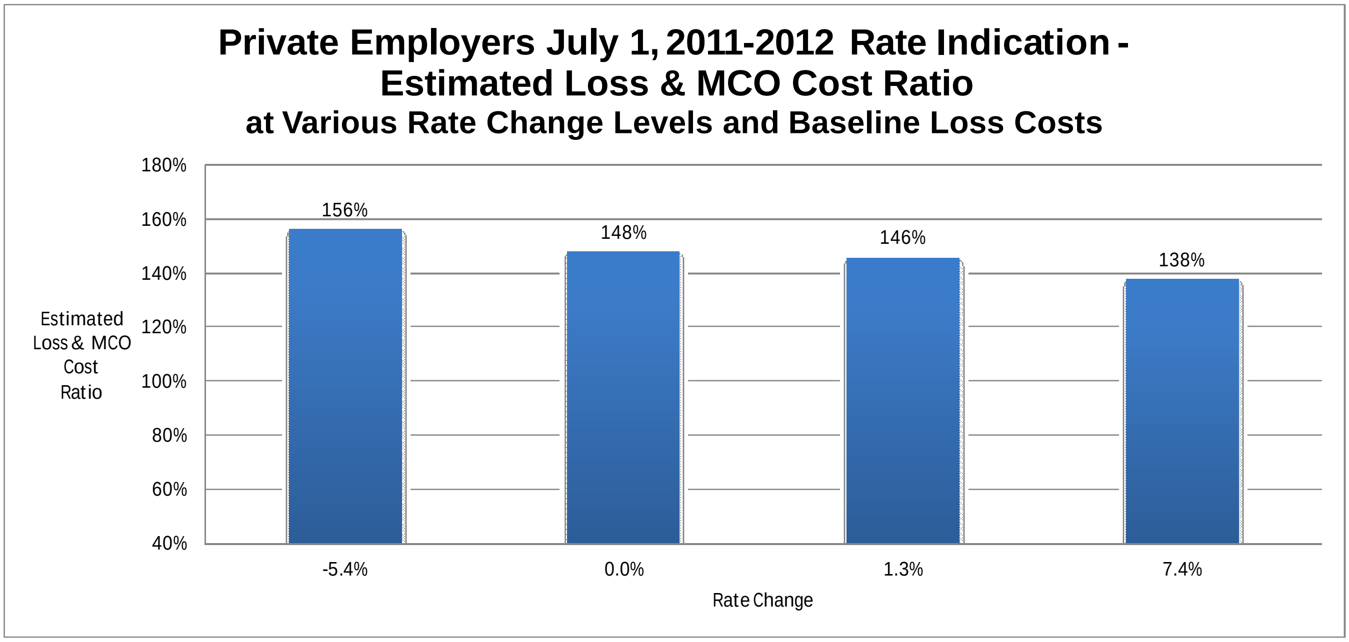
Various rate change levels and their estimated impact on Fiscal Year 2011 key financial ratios were reviewed. Below are three graphs that show four rate change levels and their estimated affect on the funding ratio, Loss & Managed Care Organization (MCO) Cost Ratio, and Discounted Loss & MCO Cost ratio for Fiscal Year 2011. The rate change levels shown in the graph below correspond to our Reasonable Optimistic, no rate change, Baseline, and Reasonable Conservative rate change levels. The three key ratios are measured as of July 1, 2011 and defined per below:

1. Funding Ratio = Assets divided by Liabilities
2. Loss & MCO Cost Ratio = Undiscounted incurred losses & expenses divided by earned premium
3. Discounted Loss & MCE Cost ratio = Combined Ratio less the net investment income ratio (the effects of discounting losses and premium)

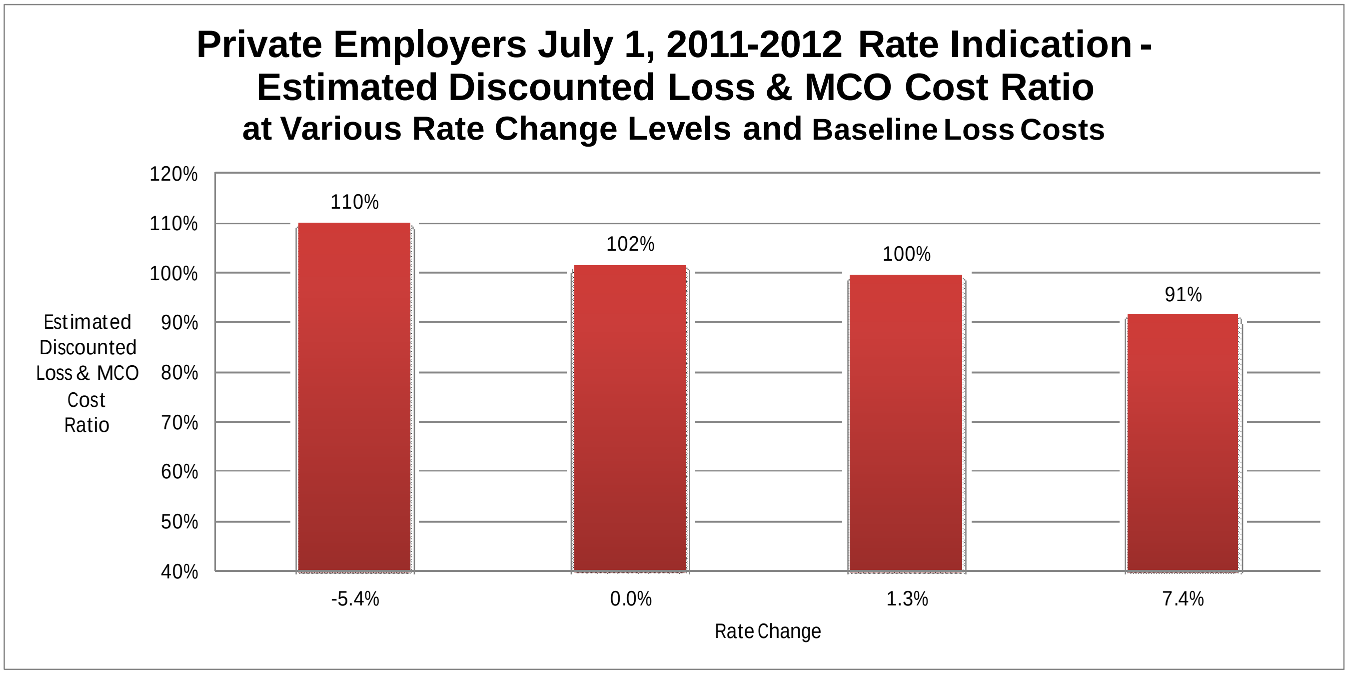
To show the impact of the rate change levels on the key ratios, we relied on projections of Assets, Liabilities and Payroll as of July 1, 2011. The Asset and Liability projections were provided by the BWC. The Payroll projection is Deloitte's estimated payroll for the period 7/1/11-6/30/12. The effect of the rate changes on each of the key ratios is isolated to the premium impact of the rate changes. Baseline incurred losses & expenses, loss discount, and premium discount are assumed to be the same for all rate change levels.




BWC's target range for the funding ratio is from 1.15 to 1.35, and is represented by the blue bars in the above graph. The funding ratio is not significantly impacted by indicated rate level changes under the different rate change scenarios. However, the cumulative effects of rate change decisions over several years could have a more significant impact, particularly if the ultimate loss costs emerge worse than expected




The Loss & MCO Cost ratio reflects the total policy year costs of the Ohio WC system for a particular policy year as a ratio to premiums for that year. This ratio does not take into account investment income. A ratio over 100% indicates expected claim payments and expenses will be greater than expected collected premiums for the indicated policy year.




The Discounted Loss & MCO Cost ratio reflects the total policy year costs of the Ohio WC system, less the expected future investment income, for a particular policy year as a ratio to premiums for that year. BWC's breakeven for this ratio is 100% (Baseline). Higher ratios indicate an operating loss (lower means an operating profit).

# Table of Exhibits

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

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

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

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

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

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

**Section 1, Exhibit 4: Impact of Premium Payment Lag (4.0%)**

This exhibit displays the impact of the lag in collecting premium. The premium discount factor was calculated by discounting the actual premium collections made by month for calendar year 2009 at a 4% discount rate.

**Section 1, Exhibit 5: Calculation of Loss Cost – Indemnity**

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

**Section 1, Exhibit 6: Calculation of Loss Cost – Medical**

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

**Section 1, Exhibit 7: Exposure Year Payroll Development**

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

**Section 1, Exhibit 8: Payroll Trend**

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

**Section 1, Exhibit 9: Frequency Trend**

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

**Section 1, Exhibit 10: Severity Trend – Indemnity**

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

**Section 1, Exhibit 11: Severity Trend – Medical**

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

**Section 1, Exhibit 12: Trend Summary**

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

**Section 1, Exhibit 13: Calculation of HPP Expense Factor**

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

**Section 1, Exhibit 14: Derivation of Discount factors at a 4.0% discount rate**

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

**Section 1, Exhibit 15: Rate Level Impacts on Funding Ratios, Combined Ratios, and Operating Ratios**

This exhibit shows projected Funding Ratios, Combined Ratios, and Operating Ratios based on several rate change scenarios.

**Section 1, Exhibit 16: Funding Ratios at Indicated Rate Change Levels**

This exhibit shows the graphical representation of the Funding Ratios calculated in Exhibit 15.

**Section 1, Exhibit 17: Combined Ratios at Indicated Rate Change Levels**

This exhibit shows the graphical representation of the Combined Ratios calculated in Exhibit 15.

**Section 1, Exhibit 18: Operating Ratios at Indicated Rate Change Levels**

This exhibit shows the graphical representation of the Operating Ratios calculated in Exhibit 15.

# OHIO BUREAU OF WORKERS' COMPENSATION
## Determination of Indicated Overall Rate Change (Discounted at 4.0%)
## Private Employers

**Section 1**
**Exhibit 1**

**Discounted**
**Effective July 1, 2011**

| | | Reasonable Expectation Optimistic | Baseline | Reasonable Expectation Conservative |
|---|---|---|---|---|
| ( 1 ) | Selected Indemnity Undiscounted Loss Cost: | $0.95 | $1.03 | $1.10 |
| ( 2 ) | Selected Indemnity Discount Factor: | 0.628 | 0.628 | 0.628 |
| ( 3 ) | Selected Medical Loss Cost: | $0.92 | $0.96 | $1.02 |
| ( 4 ) | Selected Medical Discount Factor: | 0.708 | 0.708 | 0.708 |
| **( 5 )** | **Selected Total Loss Cost:** | **$1.25** | **$1.33** | **$1.41** |
| ( 6 ) | HPP Expense Load; 9.5% of Losses | 1.095 | 1.095 | 1.095 |
| ( 7 ) | PPSF Load (0.5%): | 0.5% | 0.5% | 0.5% |
| ( 8 ) | S&H Load (1.0%): | 1.0% | 1.0% | 1.0% |
| ( 9 ) | Contingency Load (0.0%): | 0.0% | 0.0% | 0.0% |
| ( 10 ) | Premium Lag Adjustment | 0.980 | 0.980 | 0.980 |
| **( 11 )** | **Calculated Total Loss & Expense Rate:** | **$1.41** | **$1.51** | **$1.60** |
| ( 12 ) | Current Loss & Expense Rate (7/1/10 - 6/30/11) | $1.49 | $1.49 | $1.49 |
| **( 13 )** | **Indicated Base Rate Level Change:** | **-5.4%** | **1.3%** | **7.4%** |

( 1 ) From Section 1, Exhibit 5, Col. (11, 12, 13)
( 2 ) From Section 1, Exhibit 14, Col. (3)
( 3 ) From Section 1, Exhibit 6, Col. (11, 12, 13)
( 4 ) From Section 1, Exhibit 14, Col. (3)
( 5 ) = (1) * (2) + (3) * (4)
( 6 ) From Section 1, Exhibit 13, Col. (6)
( 7 ) Selected by Deloitte
( 8 ) Selected by Deloitte
( 9 ) Selected by Deloitte
( 10 ) Based on actual calendar year 2009 premium cash flows discounted at a 4% annual effective rate
( 11 ) = (5) x (6) / [1 - (7) - (8) - (9)] / (10)
( 12 ) Actual Current Loss & Expense Rate
( 13 ) = (11) / (12) - 1.0

# OHIO BUREAU OF WORKERS' COMPENSATION
## Determination of Indicated Overall Rate Level (Undiscounted)
## Private Employers

**Section 1**
**Exhibit 2**

**Undiscounted**
**Effective July 1, 2011**

| | | Reasonable Expectation Optimistic | Baseline | Reasonable Expectation Conservative |
|---|---|---|---|---|
| ( 1 ) | Selected Indemnity Loss Cost: | $0.95 | $1.03 | $1.10 |
| ( 2 ) | Selected Medical Loss Cost: | $0.92 | $0.96 | $1.02 |
| **( 3 )** | **Selected Total Loss Cost:** | **$1.87** | **$1.99** | **$2.12** |
| ( 4 ) | HPP Expense Load; 9.5% of Losses | 1.095 | 1.095 | 1.095 |
| ( 5 ) | PPSF Load (0.3%): | 0.3% | 0.3% | 0.3% |
| ( 6 ) | S&H Load (0.6%): | 0.7% | 0.7% | 0.7% |
| ( 7 ) | Contingency Load (0.0%): | 0.0% | 0.0% | 0.0% |
| **( 8 )** | **Calculated Total Loss & Expense Rate:** | **$2.07** | **$2.20** | **$2.34** |

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

# OHIO BUREAU OF WORKERS' COMPENSATION

## Determination of Indicated Overall Rate Level - Impact of Discount (4.0% Rate)

## Private Employers

**Section 1**
**Exhibit 3**

### Impact of Discount on Rates
### Effective July 1, 2011

| | | Reasonable Expectation Optimistic | Baseline | Reasonable Expectation Conservative |
|---|---|---|---|---|
| ( 1 ) | Estimated Payroll for the Period 7/1/11-6/30/12 (100s) | $867,351,859 | $867,351,859 | $867,351,859 |
| ( 2 ) | Selected Total Undiscounted Loss Cost (prior to expense loading): | $1.87 | $1.99 | $2.12 |
| ( 3 ) | Selected Total Discounted Loss Cost (prior to expense loading): | $1.25 | $1.33 | $1.41 |
| **( 4 )** | **Estimated Credit for Discounting Losses** | **$538,512,290** | **$575,324,285** | **$612,165,516** |
| ( 5 ) | Selected Total Undiscounted HPP Rate: | $0.18 | $0.19 | $0.20 |
| ( 6 ) | Selected Total Discounted HPP Rate | $0.12 | $0.13 | $0.13 |
| **( 7 )** | **Estimated Credit for Discounting HPP** | **$51,158,668** | **$54,655,807** | **$58,155,724** |
| **( 8 )** | **Estimated Credit for Discounting Total Loss & Expense** | **$589,670,958** | **$629,980,092** | **$670,321,240** |

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

# OHIO BUREAU OF WORKERS' COMPENSATION
## Indicated Overall Rate Change - Impact of Premium Discount (4.0% Rate)
## Private Employers

### Impact of Premium Payment Lag
### Effective July 1, 2011

| | | Reasonable Expectation Optimistic | Baseline | Reasonable Expectation Conservative |
|---|---|---|---|---|
| ( 1 ) | Estimated Payroll for the Period 7/1/11-6/30/12 (100s) | $867,351,859 | $867,351,859 | $867,351,859 |
| ( 2 ) | Discounted Loss Cost at Time 0 | $1.25 | $1.33 | $1.41 |
| ( 3 ) | Discounted Losses at Time 0 | $ 1,081,604,815 | $ 1,151,262,662 | $ 1,224,768,132 |
| ( 4 ) | Expenses | $ 120,788,355 | $ 126,440,375 | $ 134,236,410 |
| ( 5 ) | Total Loss & Expenses | $1,202,393,170 | $1,277,703,037 | $1,359,004,542 |
| ( 6 ) | Final Premium | $1,222,966,122 | $1,309,701,308 | $1,387,762,975 |
| ( 7 ) | Premium Discount Factor | 0.980 | 0.980 | 0.980 |
| ( 8 ) | **Premium Discount Charge** | **$20,572,952** | **$31,998,271** | **$28,758,434** |

( 1 ) Selected by Deloitte
( 2 ) From Section 1, Exhibit 1, Row (5)
( 3 ) = (1) * (2)
( 4 ) Calculated using expense assumptions from Section 1, Exhibit 1
( 5 ) = (3) + (4)
( 6 ) (1) x Section 1, Exhibit 1, Line (11) for the respective scenario
( 7 ) = (5) / (6)
( 8 ) = (6) - (5)

# OHIO BUREAU OF WORKERS' COMPENSATION

## Determination of Indicated Overall Rate Level for Private Employers

## Calculation of Loss Cost - Indemnity

**Section 1**
**Exhibit 5**

**Effective July 1, 2011**
**(000's)**

| Calendar Accident Year | Payroll | Payroll Trend To Period Eff 07/01/11 | Payroll Development Factor | Developed & Trended Payroll | Ultimate Loss Projection | Loss Trend To Period Eff 07/01/11 | Adjusted & Trended Ultimate | Average Loss Cost Unadjusted | Loss Cost On-Level |
|---|---|---|---|---|---|---|---|---|---|
| ( 1 ) | ( 2 ) | ( 3 ) | ( 4 ) | ( 5 ) | ( 6 ) | ( 7 ) | ( 8 ) | ( 9 ) | ( 10 ) |
| 1999 | 75,244,663 | 1.351 | 1.000 | 101,658,805 | 948,832 | 1.011 | 959,563 | 1.26 | 0.94 |
| 2000 | 79,122,396 | 1.263 | 1.000 | 99,967,833 | 1,066,503 | 0.960 | 1,024,279 | 1.35 | 1.02 |
| 2001 | 80,396,857 | 1.235 | 1.000 | 99,316,832 | 1,044,877 | 0.912 | 953,000 | 1.30 | 0.96 |
| 2002 | 81,621,352 | 1.205 | 1.000 | 98,339,874 | 1,090,143 | 0.866 | 944,241 | 1.34 | 0.96 |
| 2003 | 82,433,234 | 1.172 | 1.000 | 96,633,782 | 1,044,329 | 0.846 | 883,573 | 1.27 | 0.91 |
| 2004 | 84,632,753 | 1.130 | 1.000 | 95,622,763 | 1,025,298 | 0.895 | 917,960 | 1.21 | 0.96 |
| 2005 | 86,912,307 | 1.103 | 1.000 | 95,840,460 | 961,605 | 0.947 | 911,042 | 1.11 | 0.95 |
| 2006 | 90,822,757 | 1.065 | 1.000 | 96,736,768 | 951,818 | 1.003 | 954,254 | 1.05 | 0.99 |
| 2007 | 93,702,820 | 1.030 | 1.000 | 96,512,668 | 963,233 | 1.027 | 988,937 | 1.03 | 1.02 |
| 2008 | 93,419,813 | 1.010 | 1.001 | 94,409,063 | 973,895 | 1.051 | 1,023,947 | 1.04 | 1.08 |
| 2009 | 86,429,227 | 1.000 | 1.003 | 86,714,979 | 909,142 | 1.077 | 978,870 | 1.05 | 1.13 |
| 2010 | 41,437,534 | 1.000 | | *86,714,979* | 938,688 | 1.045 | 981,244 | 1.08 | 1.13 |
| Total | 976,175,712 | | | 1,148,468,806 | 11,918,364 | | 11,520,908 | 1.17 | 1.00 |

| | |
|---|---|
| All Year Weighted Average: | 1.00 |
| 2000-07 Weighted Avg: | 0.97 |
| 2005-09 Weighted Avg: | 1.03 |
| 2007-09 Weighted Avg: | 1.08 |

| | | |
|---|---|---|
| **( 11 )** | Selected Reasonable Expectation - Optimistic | **0.95** |
| **( 12 )** | **Selected Baseline** | **1.03** |
| **( 13 )** | Selected Reasonable Expectation - Conservative | **1.10** |

( 1 ) Calendar Accident Year Beginning January 1, XXXX
( 2 ) From Deloitte 12/31/10 PA Reserve Study, 2010 Data as of 6/30/10
( 3 ) From Section 1, Exhibit 8, Col. (5)
( 4 ) From Section 1, Exhibit 7.
( 5 ) = (2) x (3) x (4); 2010 Selected by Deloitte
( 6 ) Based on Deloitte PA Reserve Study as of 12/31/010
( 7 ) From Section 1, Exhibit 12, Col. (4)
( 8 ) = (6) x (7)
( 9 ) = (6) / [(2) x (4)] x 100
( 10 ) = (8) / (5) x 100
( 11 ) Selected by Deloitte
( 12 ) Selected by Deloitte
( 13 ) Selected by Deloitte

# OHIO BUREAU OF WORKERS' COMPENSATION

**Section 1**
**Exhibit 6**

## Determination of Indicated Overall Rate Level for Private Employers
## Calculation of Loss Cost - Medical

### Effective July 1, 2011
### (000's)

| Calendar Accident Year | Payroll | Payroll Trend To Period Eff 07/01/11 | Payroll Development Factor | Developed & Trended Payroll | Ultimate Loss Projection | Loss Trend To Period Eff 07/01/11 | Adjusted & Trended Ultimate | Average Loss Cost Unadjusted | Loss Cost On-Level |
|---|---|---|---|---|---|---|---|---|---|
| ( 1 ) | ( 2 ) | ( 3 ) | ( 4 ) | ( 5 ) | ( 6 ) | ( 7 ) | ( 8 ) | ( 9 ) | ( 10 ) |
| 1999 | 75,244,663 | 1.351 | 1.000 | 101,658,805 | 796,633 | 1.227 | 977,321 | 1.06 | 0.96 |
| 2000 | 79,122,396 | 1.263 | 1.000 | 99,967,833 | 889,547 | 1.144 | 1,017,537 | 1.12 | 1.02 |
| 2001 | 80,396,857 | 1.235 | 1.000 | 99,316,832 | 888,963 | 1.067 | 948,129 | 1.11 | 0.95 |
| 2002 | 81,621,352 | 1.205 | 1.000 | 98,339,874 | 947,076 | 0.994 | 941,828 | 1.16 | 0.96 |
| 2003 | 82,433,234 | 1.172 | 1.000 | 96,633,782 | 921,813 | 0.962 | 886,991 | 1.12 | 0.92 |
| 2004 | 84,632,753 | 1.130 | 1.000 | 95,622,763 | 900,979 | 1.009 | 908,746 | 1.06 | 0.95 |
| 2005 | 86,912,307 | 1.103 | 1.000 | 95,840,460 | 878,578 | 1.057 | 928,881 | 1.01 | 0.97 |
| 2006 | 90,822,757 | 1.065 | 1.000 | 96,736,768 | 837,945 | 1.108 | 928,638 | 0.92 | 0.96 |
| 2007 | 93,702,820 | 1.030 | 1.000 | 96,512,668 | 813,572 | 1.124 | 914,615 | 0.87 | 0.95 |
| 2008 | 93,419,813 | 1.010 | 1.001 | 94,409,063 | 801,494 | 1.140 | 914,016 | 0.86 | 0.97 |
| 2009 | 86,429,227 | 1.000 | 1.003 | 86,714,979 | 706,314 | 1.157 | 817,076 | 0.81 | 0.94 |
| 2010 | 41,437,534 | 1.000 | | *86,714,979* | 767,870 | 1.091 | 838,004 | 0.89 | 0.97 |
| Total | 976,175,712 | | | 1,148,468,806 | 10,150,784 | | 11,021,782 | 0.99 | 0.96 |

| | |
|---|---|
| All Year Weighted Average: | 0.96 |
| 2000-07 Weighted Avg: | 0.96 |
| 2005-09 Weighted Avg: | 0.96 |
| 2006-09 Weighted Avg: | 0.95 |

| | | |
|---|---|---|
| **( 11 )** | Selected Reasonable Expectation - Optimistic | **0.92** |
| **( 12 )** | **Selected Baseline** | **0.96** |
| **( 13 )** | Selected Reasonable Expectation - Conservative | **1.02** |

( 1 ) Calendar Accident Year Beginning January 1, XXXX
( 2 ) From Deloitte 12/31/10 PA Reserve Study, 2010 Data as of 6/30/10
( 3 ) From Section 1, Exhibit 8, Col. (5)
( 4 ) From Section 1, Exhibit 7.
( 5 ) = (2) x (3) x (4); 2010 Selected by Deloitte
( 6 ) Based on Deloitte PA Reserve Study as of 12/31/010
( 7 ) From Section 1, Exhibit 12, Col. (6)
( 8 ) = (6) x (7)
( 9 ) = (6) / [(2) x (4)] x 100
( 10 ) = (8) / (5) x 100
( 11 ) Selected by Deloitte
( 12 ) Selected by Deloitte
( 13 ) Selected by Deloitte

# OHIO BUREAU OF WORKERS' COMPENSATION



## Determination of Indicated Overall Rate Level for Private Employers

### Exposure Year Payroll Development

### (000's)

| Calendar Accident Year | 6 | 18 | 30 | 42 | 54 | 66 | 78 | 90 | 102 | 114 | 126 | 138 | 150 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1999 | | | | 75,245,000 | 75,245,000 | 75,245,000 | 75,245,000 | 75,245,000 | 75,245,000 | 75,245,000 | 75,244,663 | 75,244,663 | *75,244,663* |
| 2000 | | | 79,049,000 | 79,122,000 | 79,122,000 | 79,122,000 | 79,122,000 | 79,122,396 | 79,122,000 | 79,122,396 | 79,122,396 | *79,122,396* | |
| 2001 | | 80,175,000 | 80,397,000 | 80,397,000 | 80,397,000 | 80,397,000 | 80,396,857 | 80,397,000 | 80,396,857 | 80,396,857 | *80,396,857* | | |
| 2002 | 40,689,000 | 81,309,000 | 81,309,000 | 81,621,000 | 81,621,000 | 81,621,352 | 81,621,000 | 81,621,352 | 81,621,352 | *81,621,352* | | | |
| 2003 | 41,061,000 | 82,064,000 | 82,311,000 | 82,433,000 | 82,433,234 | 82,433,000 | 82,433,234 | 82,433,234 | *82,433,234* | | | | |
| 2004 | 41,443,000 | 83,866,000 | 84,502,000 | 84,632,753 | 84,633,000 | 84,632,753 | 84,632,754 | *84,632,753* | | | | | |
| 2005 | 42,772,000 | 86,461,000 | 86,785,547 | 86,912,307 | 86,912,307 | 86,912,307 | *86,912,307* | | | | | | |
| 2006 | 44,311,000 | 90,292,513 | 90,692,880 | 90,822,757 | 90,822,757 | *90,822,757* | | | | | | | |
| 2007 | 46,533,087 | 93,245,379 | 93,633,062 | 93,692,975 | *93,702,820* | | | | | | | | |
| 2008 | 48,021,000 | 93,009,410 | 93,405,356 | *93,419,813* | | | | | | | | | |
| 2009 | 42,813,955 | 86,286,971 | *86,429,227* | | | | | | | | | | |
| 2010 | | | | | | | | | | | | | |

| Exposure Year | 6-18 | 18-30 | 30-42 | 42-54 | 54-66 | 66-78 | 78-90 | 90-102 | 102-114 | 114-126 | 126-138 | 138-150 | 150- ULT |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1999 | | | | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | *1.0000* | *1.0000* | |
| 2000 | | | 1.0009 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | *1.0000* | *1.0000* | | |
| 2001 | | 1.0028 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | *1.0000* | *1.0000* | | | |
| 2002 | 1.9983 | 1.0000 | 1.0038 | 1.0000 | 1.0000 | 1.0000 | 1.0000 | *1.0000* | *1.0000* | | | | |
| 2003 | 1.9986 | 1.0030 | 1.0015 | 1.0000 | 1.0000 | 1.0000 | *1.0000* | *1.0000* | | | | | |
| 2004 | 2.0236 | 1.0076 | 1.0015 | 1.0000 | 1.0000 | *1.0000* | *1.0000* | | | | | | |
| 2005 | 2.0214 | 1.0038 | 1.0015 | 1.0000 | *1.0000* | *1.0000* | | | | | | | |
| 2006 | 2.0377 | 1.0044 | 1.0014 | *1.0000* | *1.0000* | | | | | | | | |
| 2007 | 2.0039 | 1.0042 | *1.0006* | *1.0001* | | | | | | | | | |
| 2008 | 1.9368 | *1.0043* | *1.0002* | | | | | | | | | | |
| 2009 | 2.0154 | | | | | | | | | | | | |
| **Age to Age Factors ("ATA")** | | | | | | | | | | | | | |
| 3yr Wtd Avg | 1.984 | 1.004 | 1.001 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | | | | |
| 5yr Wtd Avg | 2.002 | 1.005 | 1.001 | 1.000 | 1.000 | 1.000 | 1.000 | | | | | | |
| Sel. ATA | 2.002 | 1.004 | 1.001 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | |
| Sel. ATU | 2.013 | 1.005 | 1.001 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 |

**Interpolated**

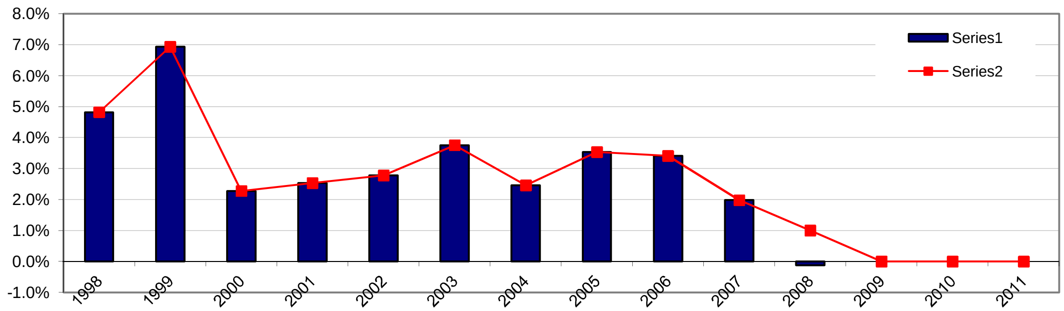
| | 12 | 24 | 36 | 48 | 60 | 72 | 84 | 96 | 108 | 120 | 132 | 144 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sel. ATU | 1.341 | 1.003 | 1.001 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 | 1.000 |

Note: The Italized Data is as of 12/31/10 and Excluded From the Averages

# OHIO BUREAU OF WORKERS' COMPENSATION
## Determination of Indicated Overall Rate Level for Private Employers
### Payroll Trend

**Section 1**
**Exhibit 8**

| Calendar Year | Ohio Average Weekly Wage | Annual Percent Change | Selected Payroll Trend | Cumulative Payroll Trend Policy Period Effective To 07/01/11 |
|---|---|---|---|---|
| ( 1 ) | ( 2 ) | ( 3 ) | ( 4 ) | ( 5 ) |
| 1992 | 435 | 3.0% | | |
| 1993 | 448 | 5.4% | | |
| 1994 | 472 | 1.8% | | |
| 1995 | 481 | 6.3% | | |
| 1996 | 511 | 3.3% | | |
| 1997 | 528 | 4.4% | | |
| 1998 | 551 | 4.8% | 4.8% | 1.416 |
| 1999 | 578 | 6.9% | 6.9% | 1.351 |
| 2000 | 618 | 2.3% | 2.3% | 1.263 |
| 2001 | 632 | 2.5% | 2.5% | 1.235 |
| 2002 | 648 | 2.8% | 2.8% | 1.205 |
| 2003 | 666 | 3.8% | 3.8% | 1.172 |
| 2004 | 691 | 2.5% | 2.5% | 1.130 |
| 2005 | 708 | 3.5% | 3.5% | 1.103 |
| 2006 | 733 | 3.4% | 3.4% | 1.065 |
| 2007 | 758 | 2.0% | 2.0% | 1.030 |
| 2008 | 773 | -0.1% | 1.0% | 1.010 |
| 2009 | 772 | | 0.0% | 1.000 |
| 2010 | | | 0.0% | 1.000 |
| 2011 | | | 0.0% | 1.000 |

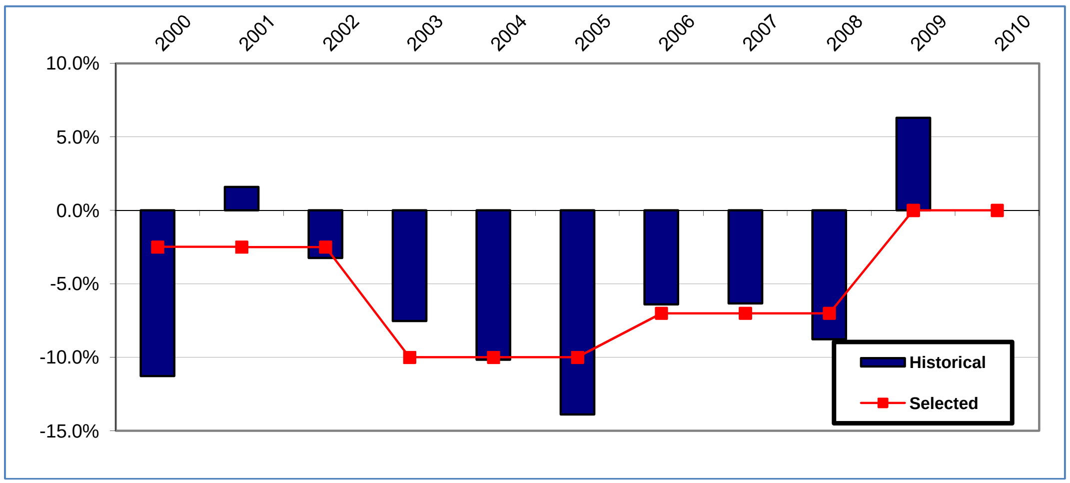



( 1 ) Calendar Year Beginning January 1, XXXX
( 2 ) Based on Bureau of Labor Statistics Ohio Average Weekly Wages
( 3 ) = [(2){CAY X+1} / (2)] - 1.0
( 4 ) Selected by Deloitte
( 5 ) = [ 1.0 + (4)] x (5){CAY X+1}

# OHIO BUREAU OF WORKERS' COMPENSATION
## Determination of Indicated Overall Rate Level for Private Employers
## Frequency Trend
## (000's)

Section 1
Exhibit 9

| Calendar Accident Year | Ultimate # of Claims | Payroll | Payroll Development Factor | Payroll On-Level Factor | Developed Payroll On-Level | Claim Frequency Per $100 | Change in Frequency | Selected Frequency Trend | Cumulative Frequency Trend |
|---|---|---|---|---|---|---|---|---|---|
| ( 1 ) | ( 2 ) | ( 3 ) | ( 4 ) | ( 5 ) | ( 6 ) | ( 7 ) | ( 8 ) | ( 9 ) | ( 10 ) |
| 1999 | 37,625 | 75,244,663 | 1.000 | 1.351 | 101,658,805 | 0.037 | 2.7% | -2.5% | 0.530 |
| 2000 | 38,006 | 79,122,396 | 1.000 | 1.263 | 99,967,833 | 0.038 | -11.3% | -2.5% | 0.543 |
| 2001 | 33,500 | 80,396,857 | 1.000 | 1.235 | 99,316,832 | 0.034 | 1.6% | -2.5% | 0.557 |
| 2002 | 33,698 | 81,621,352 | 1.000 | 1.205 | 98,339,874 | 0.034 | -3.2% | -2.5% | 0.572 |
| 2003 | 32,039 | 82,433,234 | 1.000 | 1.172 | 96,633,782 | 0.033 | -7.5% | -10.0% | 0.586 |
| 2004 | 29,317 | 84,632,753 | 1.000 | 1.130 | 95,622,763 | 0.031 | -10.2% | -10.0% | 0.652 |
| 2005 | 26,399 | 86,912,307 | 1.000 | 1.103 | 95,840,460 | 0.028 | -13.9% | -10.0% | 0.724 |
| 2006 | 22,944 | 90,822,757 | 1.000 | 1.065 | 96,736,768 | 0.024 | -6.4% | -7.0% | 0.804 |
| 2007 | 21,426 | 93,702,820 | 1.000 | 1.030 | 96,512,668 | 0.022 | -6.3% | -7.0% | 0.865 |
| 2008 | 19,633 | 93,419,813 | 1.001 | 1.010 | 94,409,063 | 0.021 | -8.8% | -7.0% | 0.930 |
| 2009 | 16,450 | 86,429,227 | 1.003 | 1.000 | 86,714,979 | 0.019 | 6.3% | 0.0% | 1.000 |
| 2010 | 17,484 | 41,437,534 | | 1.000 | 86,714,979 | 0.020 | | 0.0% | 1.000 |
| 2011 | | | | | | | | 0.0% | 1.000 |




| | |
|---|---|
| -7.0% | All year trend* |
| -9.1% | 7 yr trend* |
| -8.4% | 5 yr trend* |
| -7.6% | 3 yr trend* |

* Excludes 2010

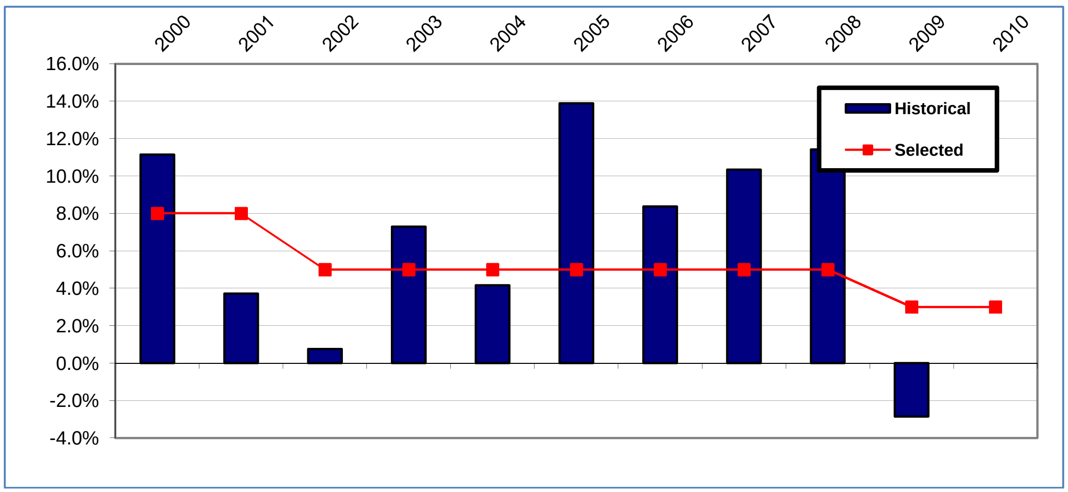
( 1 ) Calendar Accident Year Beginning January 1, XXXX
( 2 ) Based on Deloitte PA Reserve Study as of 12/31/010
( 3 ) From Deloitte 12/31/10 PA Reserve Study, 2010 Data as of 6/30/10
( 4 ) From Section 1, Exhibit 7
( 5 ) From Section 1, Exhibit 8, Col. (5)
( 6 ) =(3) x (4) x (5); 2010 Selected by Deloitte
( 7 ) = (2) / (6) x 100
( 8 ) = [(7) {CAY X+1} / (7)] - 1.0
( 9 ) Selected by Deloitte
( 10 ) = [ 1.0 + (9)] x (10){CAY X+1}

# OHIO BUREAU OF WORKERS' COMPENSATION

**Section 1**
**Exhibit 10**

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

| Calendar Accident Year | Other Than Medical Ultimate Loss | Ultimate # of Claims | Severity Loss / Claims | Change in Severity | NCCI State of Line | Selected Severity Trend | Cumulative Severity Trend |
|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| 1999 | 948,832 | 37,625 | 25,218 | 11.3% | 10.1% | 8.0% | 1.908 |
| 2000 | 1,066,503 | 38,006 | 28,062 | 11.2% | 9.2% | 8.0% | 1.767 |
| 2001 | 1,044,877 | 33,500 | 31,190 | 3.7% | 3.1% | 8.0% | 1.636 |
| 2002 | 1,090,143 | 33,698 | 32,350 | 0.8% | 4.1% | 5.0% | 1.515 |
| 2003 | 1,044,329 | 32,039 | 32,596 | 7.3% | 1.7% | 5.0% | 1.443 |
| 2004 | 1,025,298 | 29,317 | 34,972 | 4.2% | 3.1% | 5.0% | 1.374 |
| 2005 | 961,605 | 26,399 | 36,426 | 13.9% | 5.0% | 5.0% | 1.309 |
| 2006 | 951,818 | 22,944 | 41,484 | 8.4% | 5.0% | 5.0% | 1.246 |
| 2007 | 963,233 | 21,426 | 44,955 | 10.3% | 5.8% | 5.0% | 1.187 |
| 2008 | 973,895 | 19,633 | 49,604 | 11.4% | 4.5% | 5.0% | 1.131 |
| 2009 | 909,142 | 16,450 | 55,267 | -2.9% | | 3.0% | 1.077 |
| 2010 | 938,688 | 17,484 | 53,689 | | | 3.0% | 1.045 |
| 2011 | | | | | | 3.0% | 1.015 |




**BWC**

| | |
|---|---|
| 7.5% | All year trend* |
| 11.2% | 1999-2001 trend |
| 7.8% | 2002-2008 trend |
| 9.5% | 2004-2008 trend |

**NCCI**

| | |
|---|---|
| 5.2% | All year trend |
| 7.5% | 1999-2001 trend |
| 4.2% | 2002-2008 trend |
| 4.7% | 2004-2008 trend |

* Excludes 2010

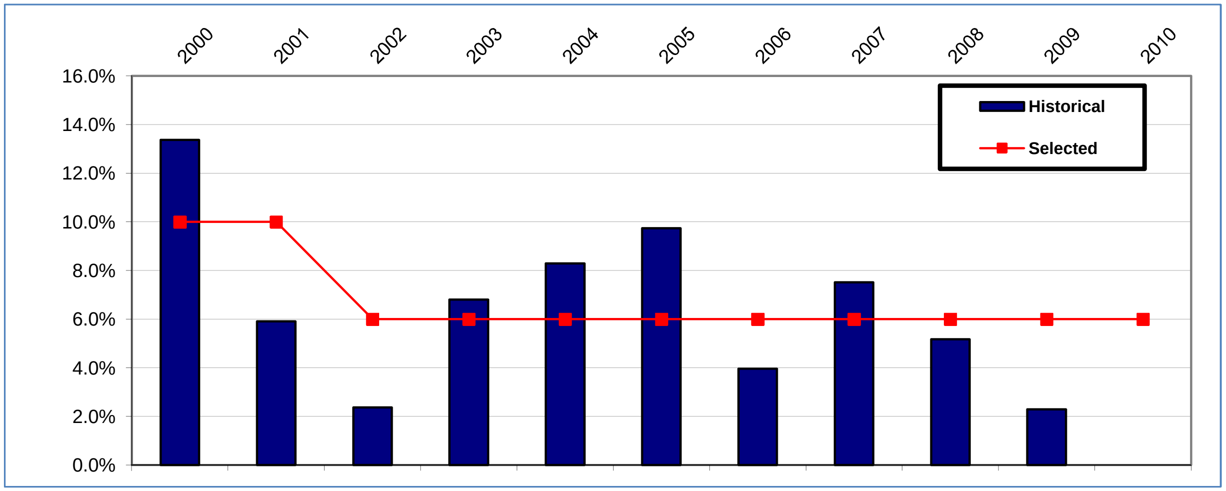
( 1 ) Calendar Accident Year Beginning January 1, XXXX
( 2 ) Based on Deloitte PA Reserve Study as of 12/31/010
( 3 ) Based on Deloitte PA Reserve Study as of 12/31/010, Lost Time Counts Only
( 4 ) = (2) / (3) x 1000
( 5 ) = [(4) {CAY X+1}/ (4)] - 1.0
( 6 ) From NCCI State Of Line Presentation May 6, 2010
( 7 ) Selected by Deloitte
( 8 ) = [ 1.0 + (7)] x (8){CAY X+1}

## OHIO BUREAU OF WORKERS' COMPENSATION

**Section 1**
**Exhibit 11**

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

| Calendar Accident Year (1) | Medical Ultimate Loss (2) | Ultimate # of Claims (3) | Severity Loss / Claims (4) | Change in Severity (5) | NCCI State of Line (6) | Selected Severity Trend (7) | Cumulative Severity Trend (8) |
|---|---|---|---|---|---|---|---|
| 1999 | 796,633 | 37,625 | 21,173 | 10.5% | 7.3% | 10.0% | 2.315 |
| 2000 | 889,547 | 38,006 | 23,406 | 13.4% | 13.5% | 10.0% | 2.105 |
| 2001 | 888,963 | 33,500 | 26,536 | 5.9% | 8.8% | 10.0% | 1.913 |
| 2002 | 947,076 | 33,698 | 28,105 | 2.4% | 7.3% | 6.0% | 1.739 |
| 2003 | 921,813 | 32,039 | 28,772 | 6.8% | 5.6% | 6.0% | 1.641 |
| 2004 | 900,979 | 29,317 | 30,732 | 8.3% | 7.4% | 6.0% | 1.548 |
| 2005 | 878,578 | 26,399 | 33,281 | 9.7% | 5.4% | 6.0% | 1.460 |
| 2006 | 837,945 | 22,944 | 36,521 | 4.0% | 5.4% | 6.0% | 1.378 |
| 2007 | 813,572 | 21,426 | 37,970 | 7.5% | 6.7% | 6.0% | 1.300 |
| 2008 | 801,494 | 19,633 | 40,823 | 5.2% | 5.0% | 6.0% | 1.226 |
| 2009 | 706,314 | 16,450 | 42,937 | 2.3% | | 6.0% | 1.157 |
| 2010 | 767,870 | 17,484 | 43,919 | | | 6.0% | 1.091 |
| 2011 | | | | | | 6.0% | 1.030 |




**BWC**

| | |
|---|---|
| 7.1% | All year trend* |
| 12.0% | 1999-2001 trend |
| 6.8% | 2002-2008 trend |
| 7.2% | 2004-2008 trend |

**NCCI**

| | |
|---|---|
| 7.2% | All year trend |
| 9.9% | 1999-2001 trend |
| 6.1% | 2002-2008 trend |
| 6.0% | 2004-2008 trend |

* Excludes 2010

( 1 ) Calendar Accident Year Beginning January 1, XXXX
( 2 ) Based on Deloitte PA Reserve Study as of 12/31/010
( 3 ) Based on Deloitte PA Reserve Study as of 12/31/010, Lost Time Counts Only
( 4 ) = (2) / (3) x 1000
( 5 ) = [(4) {CAY X+1} / (4)] - 1.0
( 6 ) From NCCI State Of Line Presentation May 6, 2010
( 7 ) Selected by Deloitte
( 8 ) = [ 1.0 + (7)] x (8){CAY X+1}

# OHIO BUREAU OF WORKERS' COMPENSATION
## Determination of Indicated Overall Rate Level for Private Employers
## Trend Summary

**Section 1**
**Exhibit 12**

| Calendar Accident Year | Cumulative Frequency Trend | Indemnity Cumulative Severity Trend | Indemnity Cumulative Loss Trend | Medical Cumulative Severity Trend | Medical Cumulative Loss Trend | Selected Payroll Trend | Selected Frequency Trend | Indemnity Selected Severity Trend | Indemnity Selected Loss Cost Trend | Medical Selected Severity Trend | Medical Selected Loss Cost Trend |
|---|---|---|---|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| 1999 | 0.530 | 1.908 | 1.011 | 2.315 | 1.227 | 6.9% | -2.5% | 8.0% | -1.5% | 10.0% | 0.3% |
| 2000 | 0.543 | 1.767 | 0.960 | 2.105 | 1.144 | 2.3% | -2.5% | 8.0% | 3.0% | 10.0% | 4.9% |
| 2001 | 0.557 | 1.636 | 0.912 | 1.913 | 1.067 | 2.5% | -2.5% | 8.0% | 2.7% | 10.0% | 4.6% |
| 2002 | 0.572 | 1.515 | 0.866 | 1.739 | 0.994 | 2.8% | -2.5% | 5.0% | -0.4% | 6.0% | 0.6% |
| 2003 | 0.586 | 1.443 | 0.846 | 1.641 | 0.962 | 3.8% | -10.0% | 5.0% | -8.9% | 6.0% | -8.1% |
| 2004 | 0.652 | 1.374 | 0.895 | 1.548 | 1.009 | 2.5% | -10.0% | 5.0% | -7.8% | 6.0% | -6.9% |
| 2005 | 0.724 | 1.309 | 0.947 | 1.460 | 1.057 | 3.5% | -10.0% | 5.0% | -8.7% | 6.0% | -7.9% |
| 2006 | 0.804 | 1.246 | 1.003 | 1.378 | 1.108 | 3.4% | -7.0% | 5.0% | -5.6% | 6.0% | -4.7% |
| 2007 | 0.865 | 1.187 | 1.027 | 1.300 | 1.124 | 2.0% | -7.0% | 5.0% | -4.2% | 6.0% | -3.3% |
| 2008 | 0.930 | 1.131 | 1.051 | 1.226 | 1.140 | 1.0% | -7.0% | 5.0% | -3.3% | 6.0% | -2.4% |
| 2009 | 1.000 | 1.077 | 1.077 | 1.157 | 1.157 | 0.0% | 0.0% | 3.0% | 3.0% | 6.0% | 6.0% |
| 2010 | 1.000 | 1.045 | 1.045 | 1.091 | 1.091 | 0.0% | 0.0% | 3.0% | 3.0% | 6.0% | 6.0% |
| 2011 | 1.000 | 1.015 | 1.015 | 1.030 | 1.030 | 0.0% | 0.0% | 3.0% | 3.0% | 6.0% | 6.0% |

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

# OHIO BUREAU OF WORKERS' COMPENSATION



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

| Fiscal Year<br>( 1 ) | Paid HPP Expense<br>( 2 ) | Paid Loss<br>( 3 ) | Claim Adjusting Expense Ratio<br>( 4 ) |
|---|---|---|---|
| 2003 | 145,600 | 1,456,746 | 10.0% |
| 2004 | 146,200 | 1,460,076 | 10.0% |
| 2005 | 141,700 | 1,505,743 | 9.4% |
| 2006 | 142,800 | 1,464,998 | 9.7% |
| 2007 | 142,400 | 1,476,948 | 9.6% |
| 2008 | 137,300 | 1,578,082 | 8.7% |
| 2009 | 130,400 | 1,481,721 | 8.8% |
| 2010 | 131,400 | 1,415,000 | 9.3% |
| | | 3 Year: | 8.9% |
| | | 5 Year: | 9.2% |
| | | All Years: | 9.4% |
| | | All Years ex Hi/Lo: | 9.5% |
| | ( 5 ) | Prior Selected: | 9.0% |
| | ( 6 ) | Selected: | 9.5% |

( 1 ) Fiscal Year Beginning 7/1/XXXX
( 2 ) Provided by BWC
( 3 ) Provided by BWC
( 4 ) = (2) / (3)
( 5 ) From the Deloitte 7/1/2010 PA Rate Recommendation Study
( 6 ) Selected by Deloitte

# OHIO BUREAU OF WORKERS' COMPENSATION
## Determination of Discount Factor (4.0%)
## Private Employers

**Section 1**
**Exhibit 14**

| | Dicount Factor at Time 0 (1) | Calendar Accident Year 2011 Undiscounted Ultimate (000s) @6/30/2011 (2) | Wtd Avg Discount Factor (3) |
|---|---|---|---|
| **Medical** | | | |
| Medical Only | 0.954 | 104,950 | |
| Medical Loss Time | 0.673 | 732,912 | |
| **Total Medical** | | | 0.708 |
| **Compensation** | | | |
| Permant Total Disability | 0.450 | 247,195 | |
| Death | 0.494 | 95,409 | |
| TT, WL, LMWL, LM, TP, CO | 0.855 | 232,414 | |
| % Permanent Partial & Permanent Partial | 0.831 | 90,205 | |
| Lump Sum Settlement | 0.575 | 260,206 | |
| Lump Sum Advancements | 0.624 | 30,357 | |
| Additional Awards | 0.586 | 4,337 | |
| **Total Compensation** | | | 0.628 |

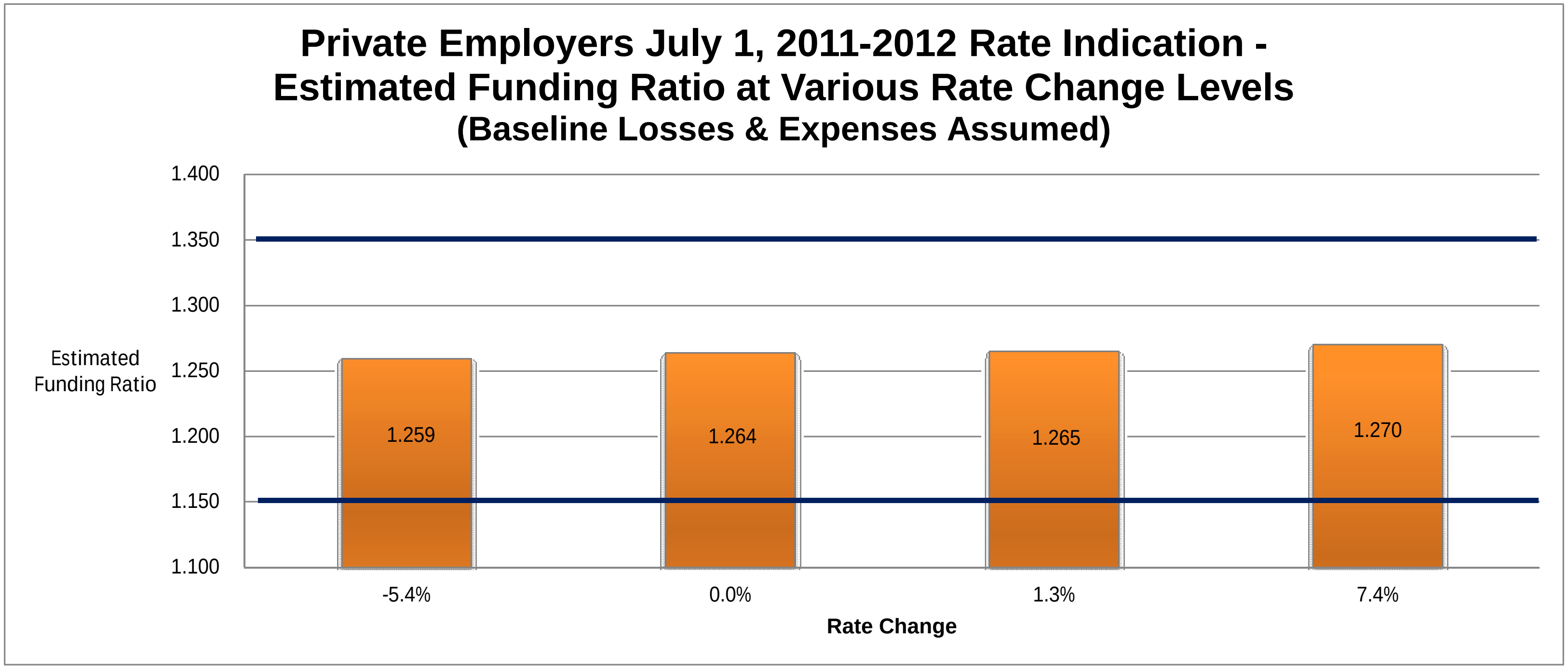
(1) Based on the Deloitte PA Reserve Study as of 12/31/10
(2) From Deloitte PA Reserve Study as of 12/31/10, Section 1, Exhibit 1 - 9, Sheet 3, Column (12)
(3) Weighted Average of Column (1) & Column (2)

# OHIO BUREAU OF WORKERS' COMPENSATION
## Determination of Indicated Overall Rate Level for Private Employers
### Rate Level Impacts on Funding Ratios, Loss & MCO Ratios, and Discounted Loss & MCO Ratios

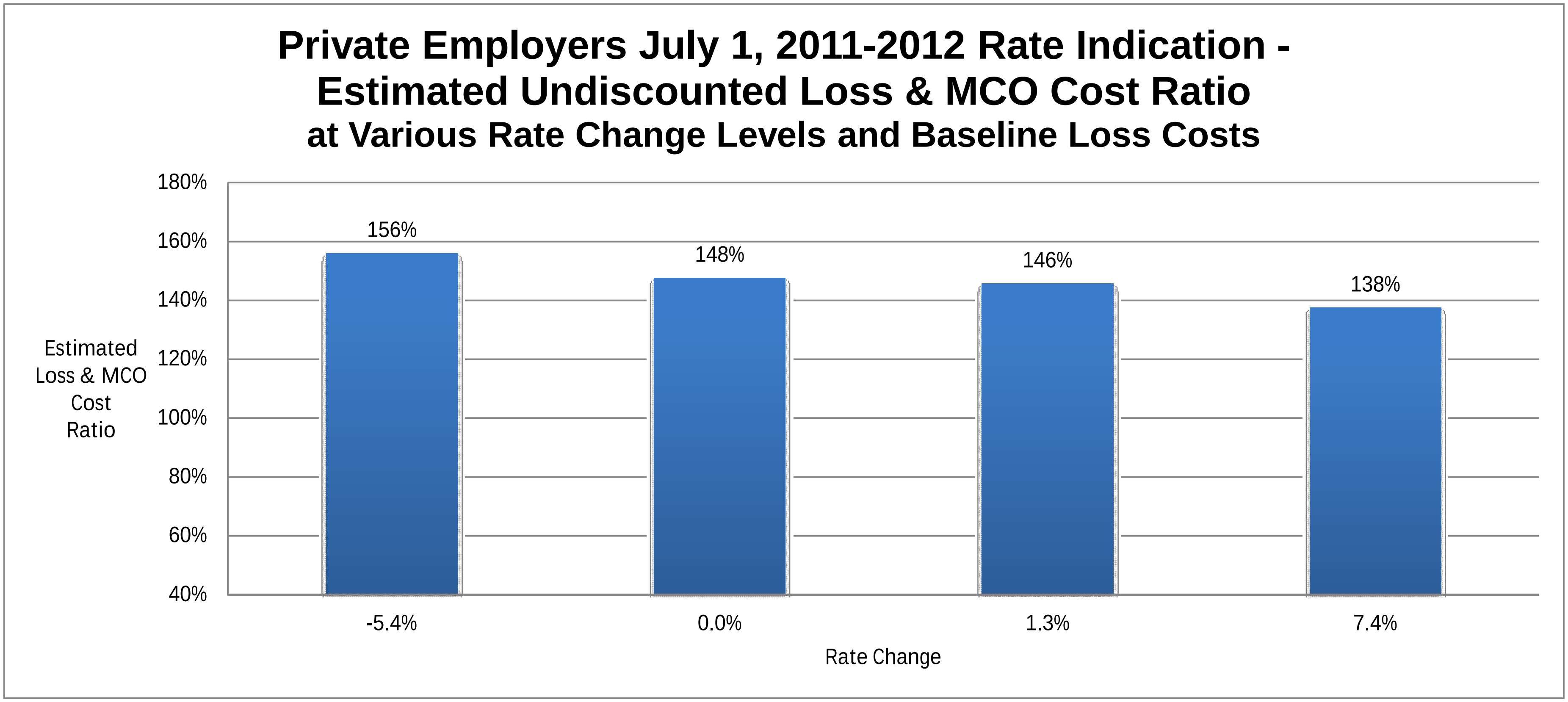
| | | | | |
|---|---|---|---|---|
| | **State Insurance Fund** | | | |
| ( 1 ) | Estimated Funded Assets @ 7/1/11 | | 19,229,276,086 | |
| ( 2 ) | Estimated Funded Liabilities @ 7/1/11 | | 15,199,839,820 | |
| ( 3 ) | Estimated Funding Ratio @ 7/1/11 | | 1.27 | |
| ( 4 ) | PA Payroll 7/1/11-6/30/12 ($00's) | | 867,351,859 | |
| ( 5 ) | Current Rate/$100 payroll | | $ 1.49 | |
| | | Reasonable Optimistic | Baseline | Reasonable Conservative |
| ( 6 ) | PA Rate Change | -5.4% | 1.3% | 7.4% |
| ( 7 ) | PA Rate | $ 1.41 | $ 1.51 | $ 1.60 |
| ( 8 ) | Premium | 1,222,966,122 | 1,309,701,308 | 1,387,762,975 |
| ( 9 ) | Difference from Baseline | (86,735,186) | - | 78,061,667 |
| ( 10 ) | Premium Discount | 2.0% | | |
| ( 11 ) | Undiscounted Loss + Expense | 1,795,418,349 | 1,908,174,091 | 2,029,603,351 |
| ( 12 ) | Loss Discount Impact | 589,670,958 | 629,980,092 | 670,321,240 |

| ( 13 ) Loss Costs | ( 14 ) Premium Impact Relative to the Baseline | ( 15 ) Premium | ( 16 ) Funding Ratio Estimate | ( 17 ) Undiscounted Loss & MCO Ratio | ( 18 ) Discounted Loss & MCO Ratio |
|---|---|---|---|---|---|
| -25% | (340,435,605) | 969,265,703 | 1.243 | 197% | 151% |
| -20% | (275,817,891) | 1,033,883,417 | 1.247 | 185% | 138% |
| -15% | (211,200,178) | 1,098,501,130 | 1.251 | 174% | 128% |
| -10% | (146,582,464) | 1,163,118,844 | 1.255 | 164% | 118% |
| -5.4% | (86,735,186) | 1,222,966,122 | 1.259 | 156% | 110% |
| 0.0% | (17,347,037) | 1,292,354,271 | 1.264 | 148% | 102% |
| ***1.3%*** | ***-*** | ***1,309,701,308*** | ***1.265*** | ***146%*** | 100% |
| 7.4% | 78,061,667 | 1,387,762,975 | 1.270 | 138% | 91% |
| 12% | 142,679,381 | 1,452,380,689 | 1.274 | 131% | 85% |
| 17% | 207,297,094 | 1,516,998,402 | 1.279 | 126% | 80% |
| 22% | 271,914,808 | 1,581,616,116 | 1.283 | 121% | 75% |
| 27% | 336,532,521 | 1,646,233,829 | 1.287 | 116% | 70% |

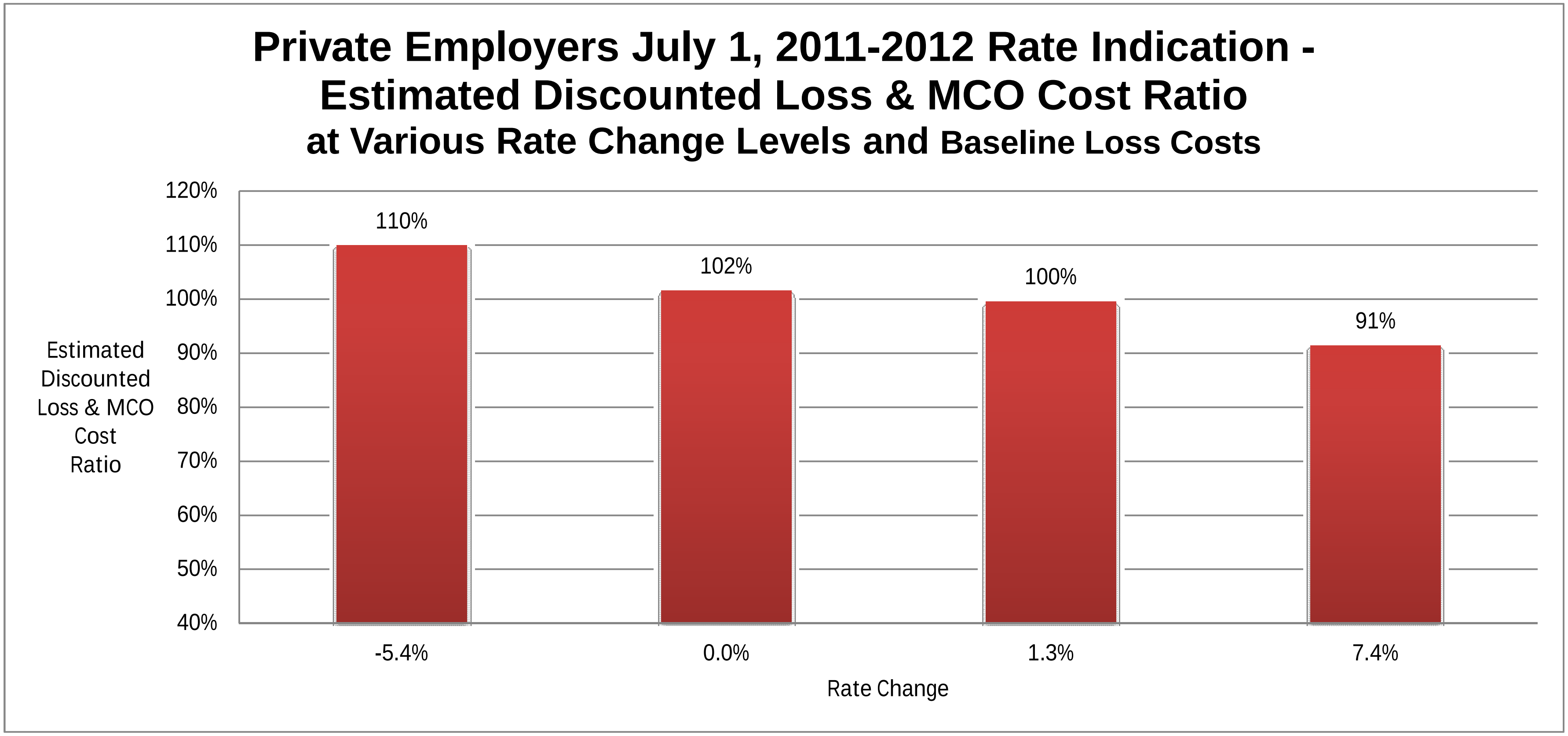
(1)-(2) Provided by BWC
( 3 ) =(1) / (2)
( 4 ) From Section 1, Exhibit 3, Row (1)
( 5 ) From Section 1, Exhibit 1, Row (12)
( 6 ) From Section 1, Exhibit 1, Row (13)
( 7 ) = (5) * [1 + (6)]
( 8 ) = (4) * (7)
( 9 ) Differences from row (8) to Baseline row (8)
( 10 ) = 1 - Section 1, Exhibit 1, Row (10)
( 11 ) = Section 1, Exhibit 2, Row (8) * (4)
( 12 ) From Section 1, Exhibit 3, Row (8)
( 13 ) Levels of Rate Changes
( 14 ) = [1 + (13)] * (5) * (4) - Premium at Baseline Rate Indication
( 15 ) = Premium at the Baseline + (14)
( 16 ) = (3)+ (14) / (2)
( 17 ) = (11) / (15)
( 18 ) = (17) - (12) / (8, Baseline) + (10)




Funding Ratios from Section 1, Exhibit 15, Column (16) at Indicated Rate Change Levels




Undiscounted Loss & MCO Ratios from Section 1, Exhibit 15, Column (17), at Indicated Rate Change Levels




Discounted Loss & MCO Ratios from Section 1, Exhibit 15, Column (18), at Indicated Rate Level Changes

# Ohio Bureau of Workers' Compensation Actuarial Committee

## Private Employer (PA) Rate Recommendations to be Effective July 1, 2011

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

March 24, 2011

Deloitte.

# Private Employers Rate Recommendations

## Rate Change Recommendations:

| Indicated Overall Rate Changes by Loss Cost Scenario | | |
|---|---|---|
| **Baseline Loss Cost Scenario** | **Reasonable Expectation ------------ Optimistic Loss Cost Scenario** | **Reasonable Expectation ------------ Conservative Loss Cost Scenario** |
| ***1.3%*** | ***-5.4%*** | ***7.4%*** |

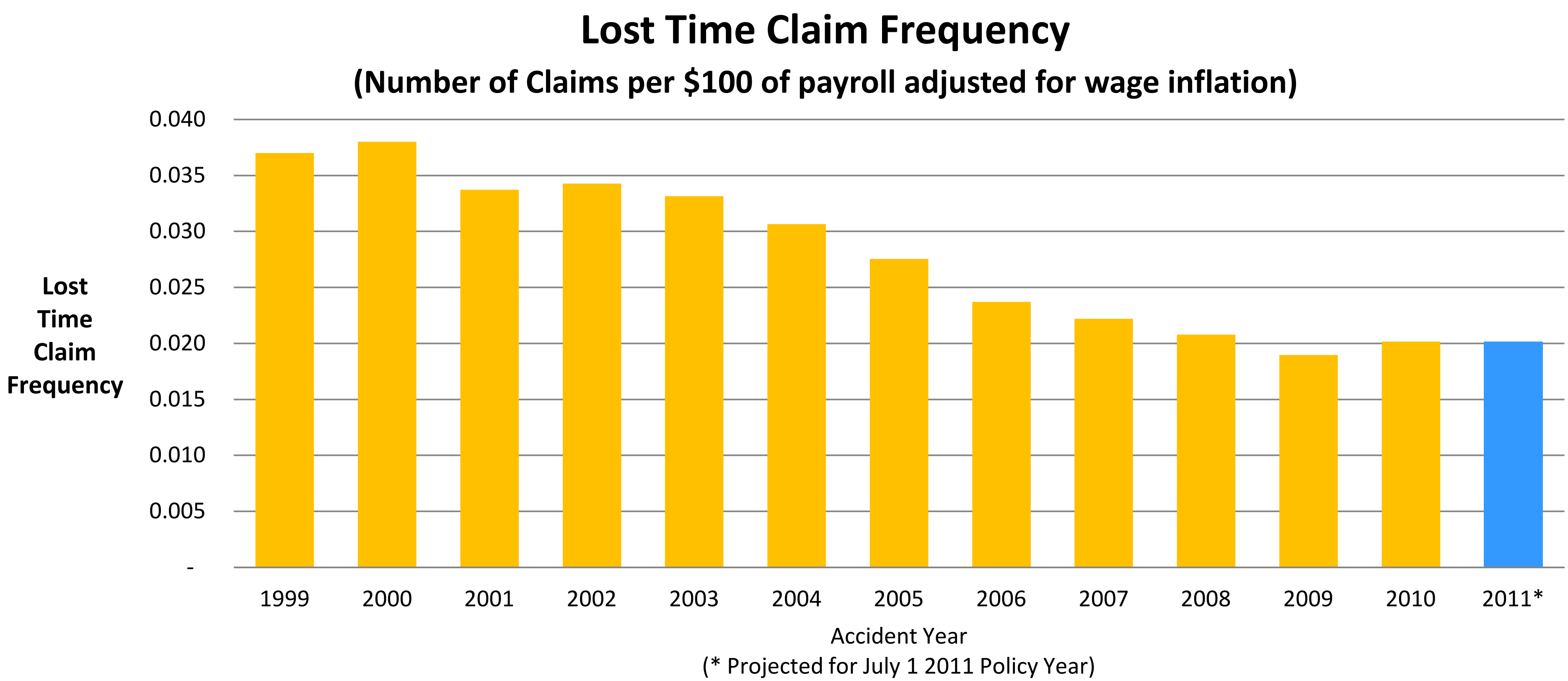
### Notes:

1. Indicated overall rate changes are for the policy period starting 7/1/2011
2. The indicated changes represent overall average rate changes – rate changes will vary by class
3. The loss costs used to determine the rate change recommendations are derived from Deloitte Consulting's December 2010 Reserve Analysis for private employers ("PA")
4. Indicated rate changes are based on projections from the analysis of historical loss cost trends for Indemnity losses and Medical losses separately including adjustments for frequency and severity trends and payroll trends
5. A discount rate of 4.0% is used for discounting the costs based on expected cash flows for losses and premiums

# Private Employers Rate Recommendations

Deloitte.

## Frequency Trends (Lost Time Claims) :



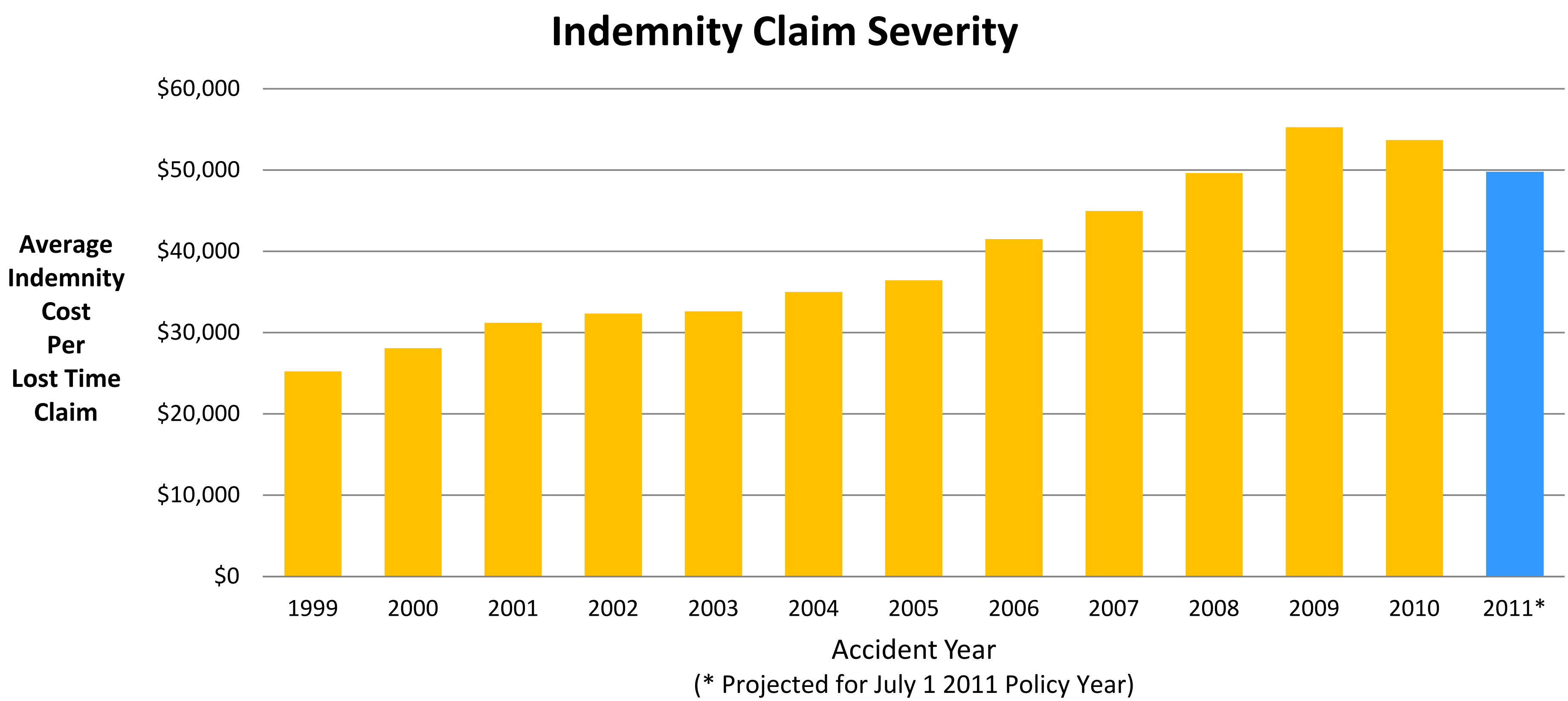

- Claim frequency decreases have slowed in recent years
- For rate indications, Deloitte used 0% change in claims frequency from 2010 to 2011

Created by: Deloitte Consulting
Created Date: 3/14/11

# Private Employers Rate Recommendations

Deloitte.

## Indemnity Severity Trends:

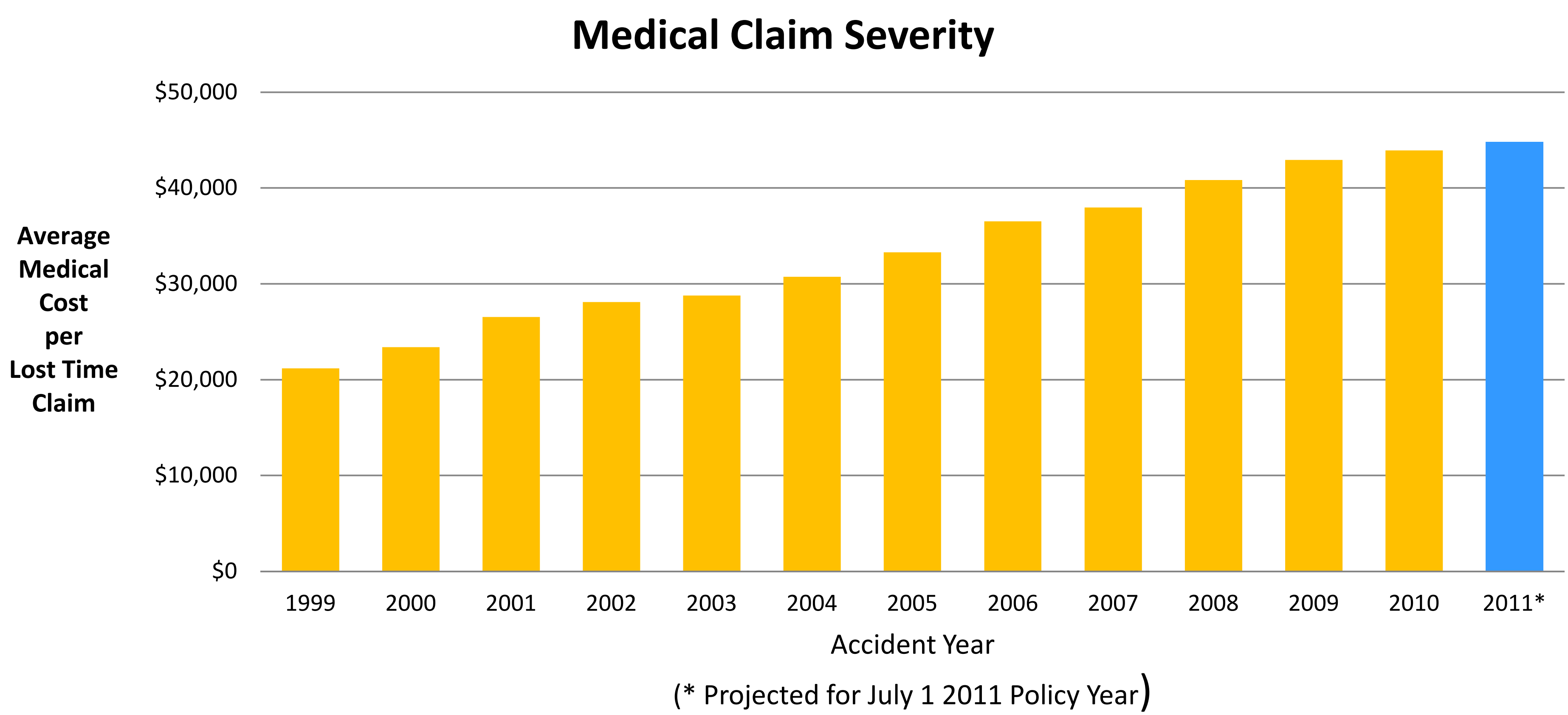



- The indicated indemnity severity change from 2009 to 2010 (slightly negative) is based on Deloitte's 2010 reserve study. There were relatively stable payrolls recently due to the economy
- For the rate indications, Deloitte used 3.0% indemnity trend to adjust past losses to 2011 and selected an indemnity loss cost for 2011 using an average with less weight to recent years

# Private Employers Rate Recommendations

Deloitte.

## Medical Severity Observations:



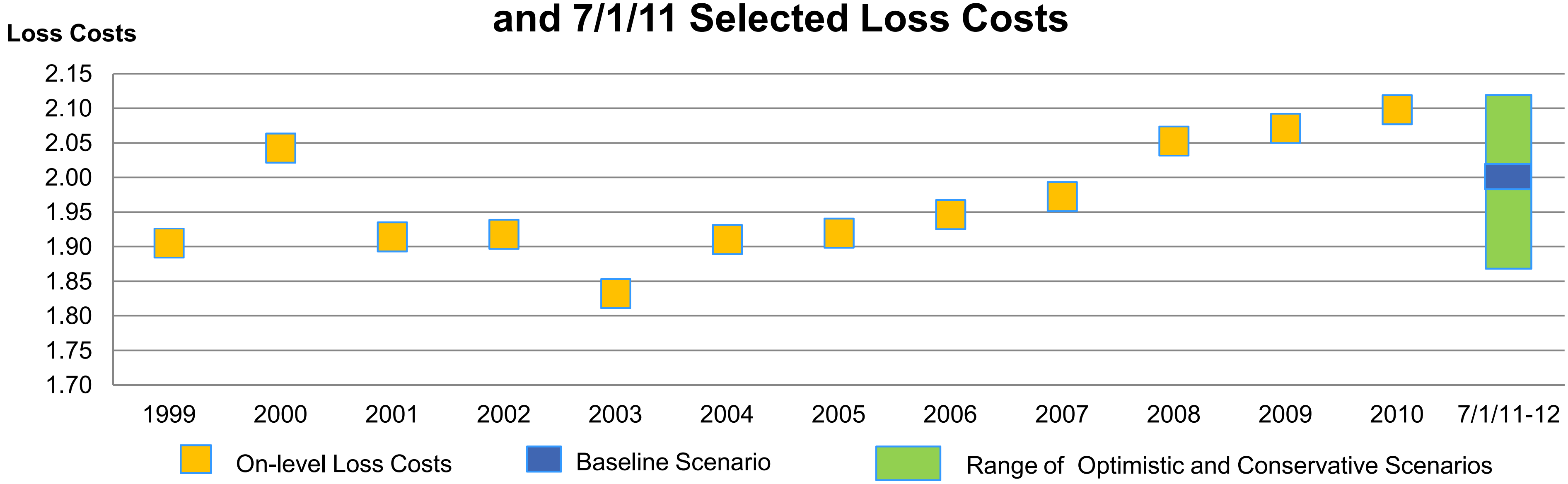

- Countrywide medical costs have been rising and Ohio shows a similar pattern
- For the rate indications, Deloitte used 6.0% medical trend to adjust past losses to 2011 and selected a medical loss cost for 2011

# Private Employers Rate Recommendations

Deloitte.

## Total On-Level Loss Costs (Undiscounted):

Private Employers July 1, 2011-2012 Rate Indication
Comparison of On-Level Loss Costs 1999-2010
and 7/1/11 Selected Loss Costs

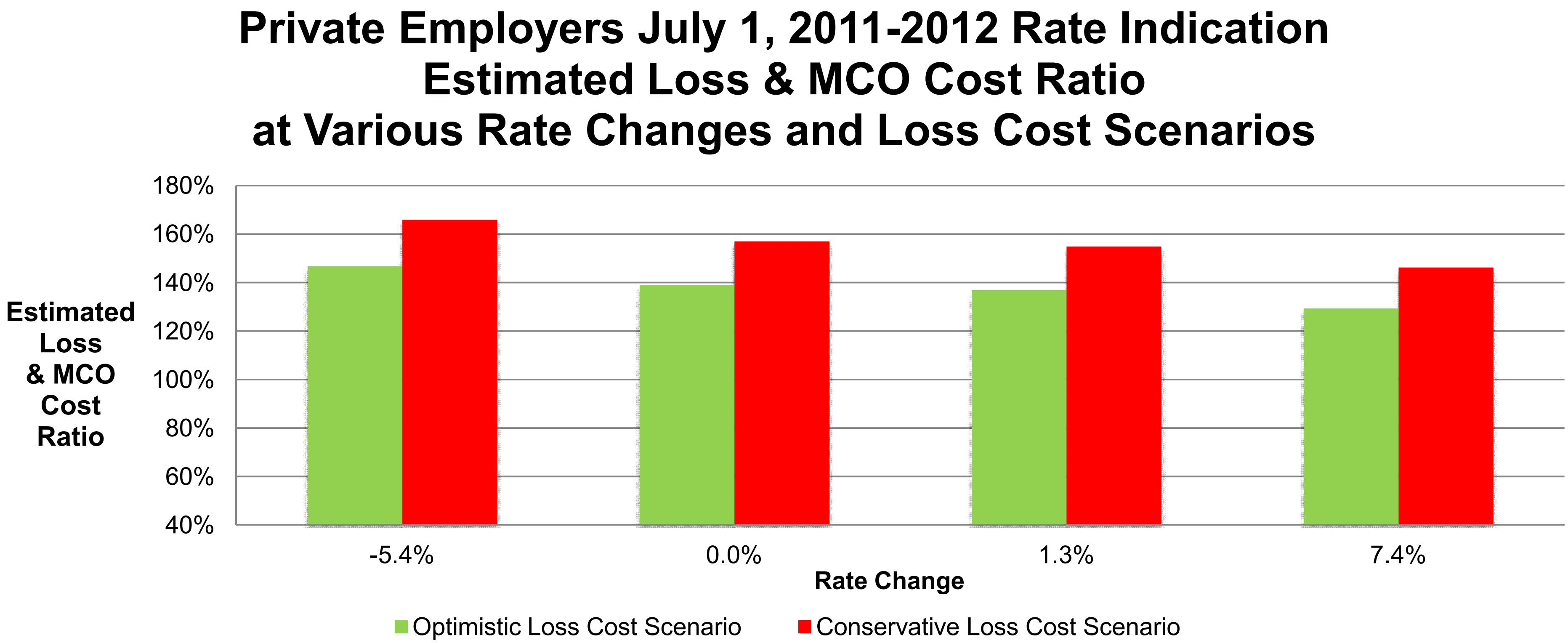



- Deloitte's selection for the 7/1/11 policy year gives some weight to the 2008-10 loss costs
- Estimated ultimate loss costs for 2008-10 are higher than loss costs from older years, but the more recent accident years are immature and were not considered to be as reliable as more mature years
- The loss costs above were adjusted for changes in frequency, severity, and payrolls from year to year
- The loss costs above are undiscounted; indicated rates are discounted for future investment income

# Private Employers Rate Recommendations

Deloitte.

## Loss & MCO Cost Ratio (Policy Year Basis):



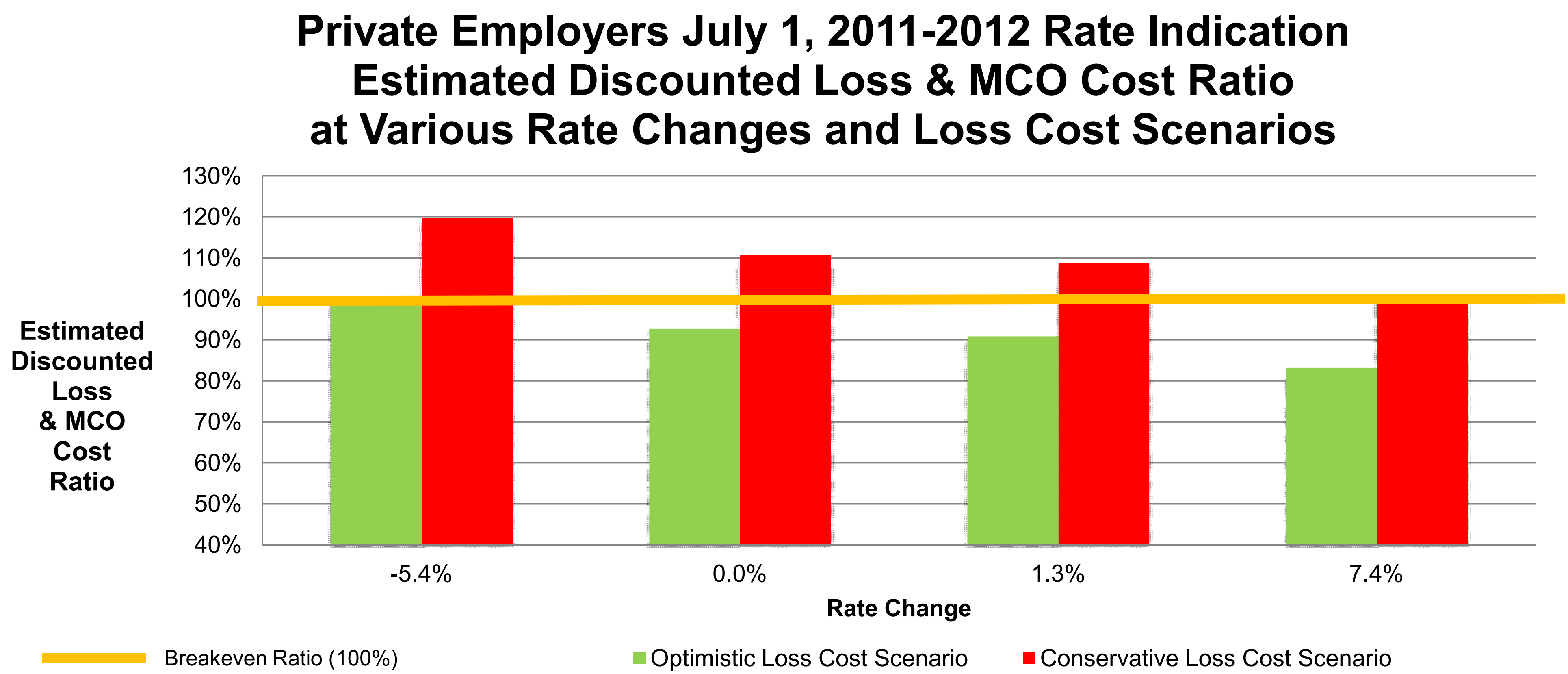

- This ratio reflects the policy year loss and MCO costs, before consideration of investment income, as a ratio to premiums# for that policy year
- Ratios above 100% indicate that loss & MCO costs are greater than premiums#, before investment income

# Premiums for this ratio exclude loadings and assessments which are included in the employers' final premiums

# Private Employers Rate Recommendations

Deloitte.

## Discounted Loss & MCO Cost Ratio (Policy Year Basis):

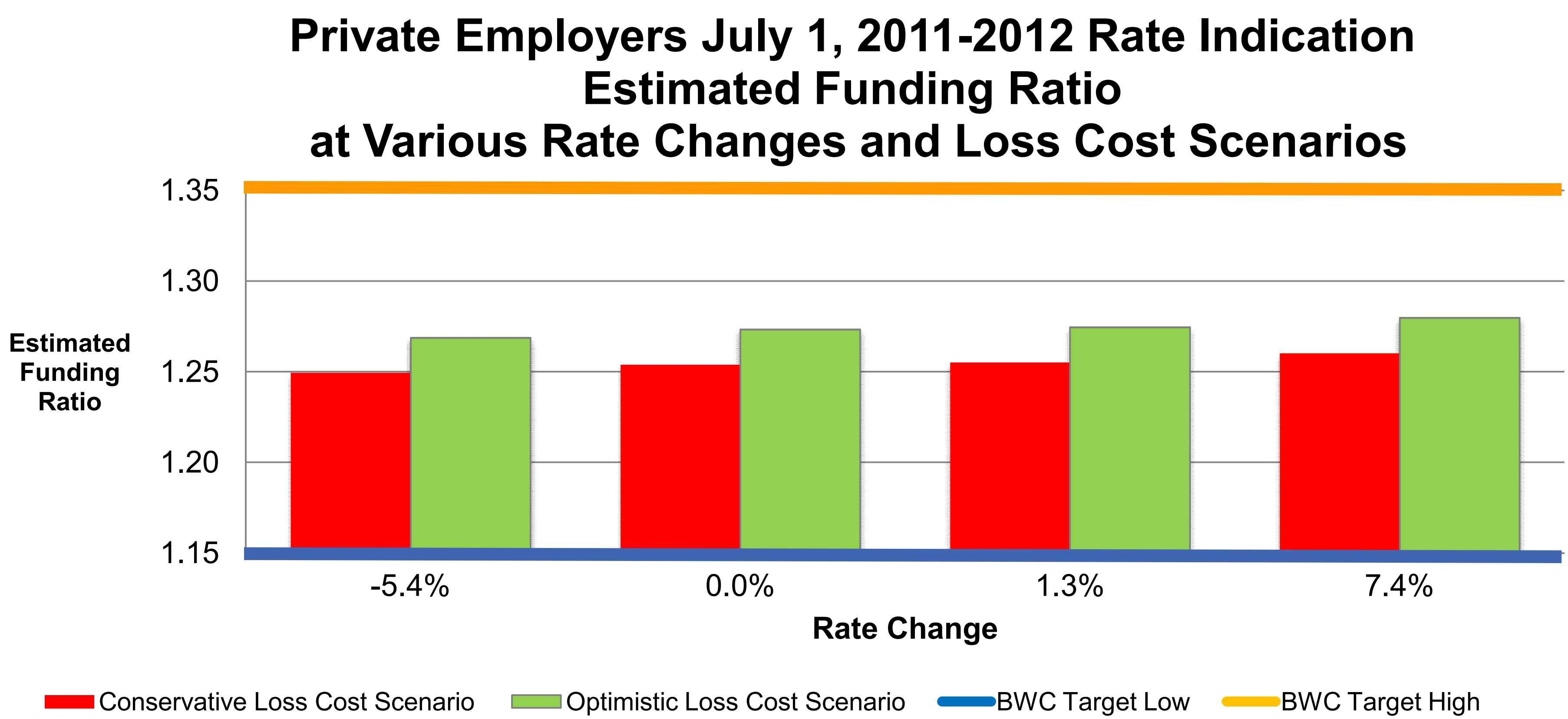



- This ratio reflects the discounted policy year loss and MCO costs, after consideration of future investment income, as a ratio to premiums# for that policy year
- A ratio of 100% (Baseline) can be considered as BWC's breakeven for this ratio – a higher ratio indicates an operating loss for the policy year (lower means an operating profit)

# Private Employers Rate Recommendations

Deloitte.

## Funding Ratio (State Insurance Fund):




- The funding ratio is not significantly impacted by indicated rate level changes under the different scenarios about future loss experience level for the additional policy year.
- However, the cumulative effects of rate change decisions over several years could have a more significant impact, particularly if the ultimate loss costs emerge worse than expected

# Private Employers Rate Recommendations

Deloitte.

## Significant loss cost risk considerations for rate decision:

1. Estimated loss costs from recent years may be more indicative of future loss costs, even though the experience from recent years is immature
2. Actual future investment income might be less than required by using a 4% discount rate for the rate indications
3. Future medical inflation might be worse than expected – almost 50% of loss costs are from medical losses
4. Future indemnity claim severity trends may not moderate as assumed
5. The Optimistic and Conservative Scenarios do not capture the full range of possible outcomes
6. The cumulative impact of selecting optimistic scenarios can lead to higher future rate increases if the loss costs turn out to be higher than expected in the optimistic scenario

# Private Employers Rate Recommendations

Deloitte.

## Significant financial risk considerations for rate decision:

1. Financial Strength of the State Insurance Fund is dependent on the following main factors
2. $25 billion of liabilities for unpaid claims and claim expenses
3. $9 billion of anticipated investment income from invested assets
4. $16 billion of "Net Liabilities"
   - $25b liabilities less $9b investment income
5. $18.5 billion of cash and securities
   - Net $2.5b of cash & securities vs. liabilities
6. Approx. $4.4 billion of "Net Assets" includes another $1.9 billion of mainly accrued premiums which are collected in arrears
   - Employers get the cash flow benefit of delayed premium payments
7. Net Assets are highly leveraged
   - 10% drop in the market value of securities would reduce Net Assets by over 40%

# Private Employers Rate Recommendations

Deloitte.

## Deloitte Overall Observations:

- The Funding Ratio is at a level that would support the range of rate change indications
- The market value of securities has been quite volatile during the financial crisis to the extent that Net Assets for the State Insurance Fund dropped to $91 million in October, 2008 as compared to $4.4 billion today
- Consequently, the Funding Ratio as a measure of financial strength is very dependent on the market value of securities
- The selection of a rate change should consider that the financial strength of the State Insurance Fund, as measured by the Funding Ratio, is quite vulnerable to swings in the market value of securities

Deloitte.



Member of
**Deloitte Touche Tohmatsu**

# Actuarial Committee

**PES Rate Change Recommendation**

# Ohio Bureau of Workers' Compensation
# December 31, 2010 Quarterly Reserve Update

## Unpaid Loss and Loss Adjustment Expense as of June 30, 2011

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

Deloitte Consulting LLP
March 24, 2011

# December 31, 2010 Quarterly Reserve Update

## Purpose

- Assist BWC in determining a liability to be recorded in the June 30, 2011 financial statements to provide for future loss and loss adjustment expense ("LAE") payments associated with all claims occurring through June 30, 2011 in accordance with Ohio Statutes.
- Results are used in rating process to determine indicated rate changes for each Fund.

## Annual Process

- Annual analysis using data at March 31st. All actuarial methods and assumptions are evaluated. Presented to Actuarial Committee in June.
- Revised annual analysis using data at June 30th. Assumptions are updated based on new data. Presented to Actuarial Committee in August.
- Issue Statement of Actuarial Opinion in September regarding June 30th recorded reserves.
- Quarterly update analysis using data at September 30th. Assumptions modified, if necessary. Presented to Actuarial Committee in November.
- Quarterly update analysis using data at December 31st. Assumptions modified, if necessary. Presented to Actuarial Committee in February/March.

# December 31, 2010 Quarterly Reserve Update

## Key Observations

- Our current June 30, 2011 discounted unpaid estimate of $20 billion is $20 million lower than our prior estimate at September 30, 2010 for all Funds combined. This change is less than 0.1% of discounted reserves.
- Based on discount rate of 4.0%.
- Our Current June 30, 2011 nominal (undiscounted) unpaid estimate of $32.6 billion is $50 million lower than our prior estimate at September 30, 2010 for all Funds combined.
- No significant changes in methodology, assumption or parameters from prior analysis.
- The change in our estimate is driven by changes in data. Specifically, our estimate changes when actual payments varied from expected payments.
- Better (lower) than expected payments continued in the 2nd quarter of Fiscal Year 2011 driven by fewer claims in recent accident years and fewer lump sum settlements.
- We anticipate certain assumptions/parameters will be modified in our Annual March Study given the observed development in the past two quarters. These modifications will likely lead to additional downward development assuming actual payments between December 31, 2010 and March 31, 2011 are in line with expected payments.

## Actuarial Process

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

1. Ultimate Loss Estimates – Incorporate multiple actuarial methodologies that incorporate both incremental and cumulative to date accident (injury) year data as well as both paid losses and incurred (paid + MIRA reserves) losses. Our selected ultimate losses are primarily based on methodologies that employ cumulative paid data, which are commonly used for workers compensation.
2. Nominal Unpaid Loss Estimate – Calculated as ultimate losses less payments projected through June 30, 2011. Projected payments from October 1, 2010 to June 30, 2011 are determined based on the BWC's historical payment pattern.
3. Discounted Unpaid Loss Estimate – Discounted unpaid losses are determined as the undiscounted unpaid loss estimate adjusted for expected future investment income using a discount rate of 4.0% and the BWC's historical payment pattern.

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

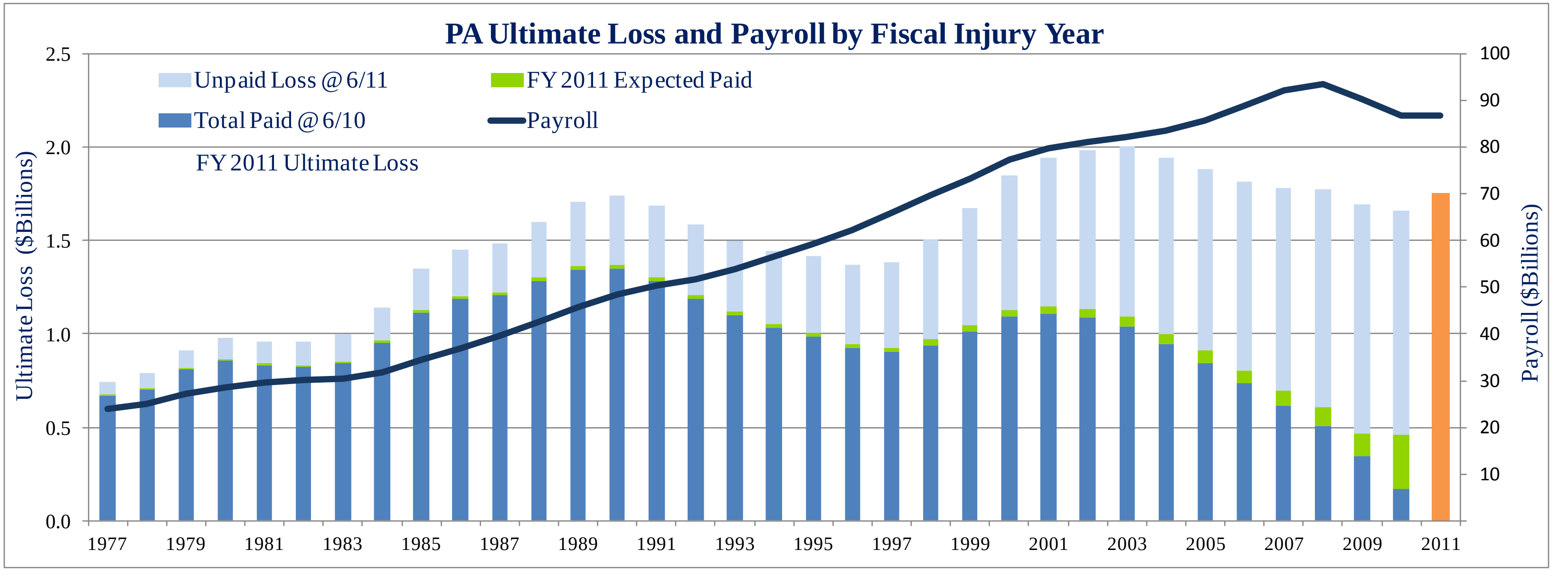
## Actuarial Process (Continued)

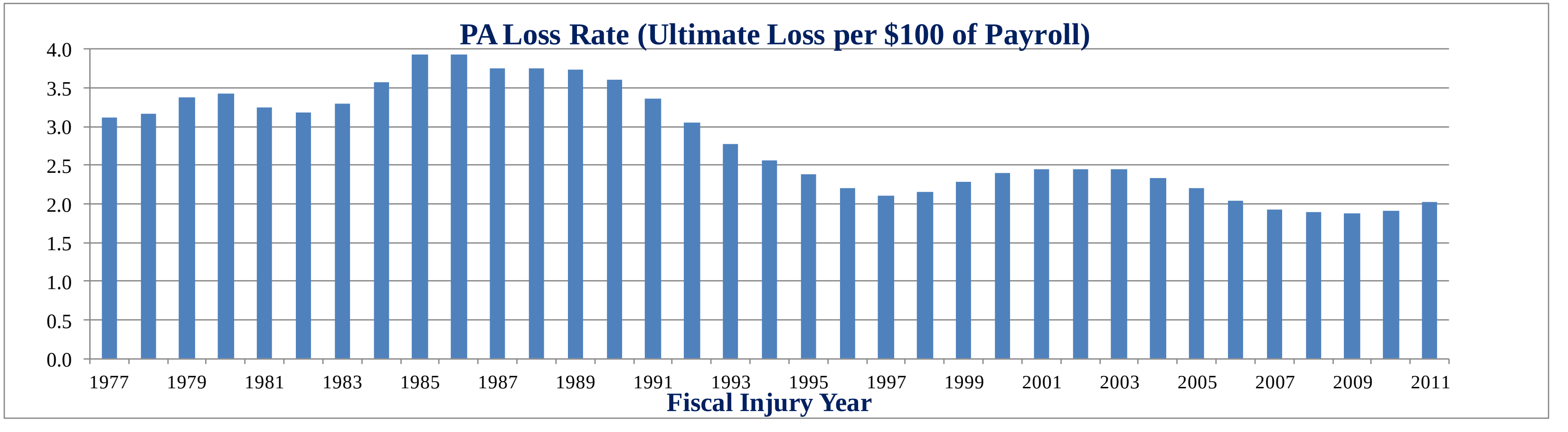
- Separate unpaid loss and LAE estimates are determined for each Fund:
  - State Insurance Fund ("SIF")
  - Disabled Workers' Relief Fund ("DWRF");
  - Coal-Workers Pneumoconiosis Fund ("CWPF");
  - Self-Insuring Employers Guaranty Fund ("SIEFG");
  - Marine Industry Fund ("MIF");
  - Public Work-Relief Employees' Compensation Fund ("PWREF"); and
  - Administrative Cost Fund ("ACF").

- Within the SIF, separate estimates are determined for the following:
  - Private Employers ("PA")
  - Public Employer – Taxing Districts ("PEC");
  - Public Employer – State Agencies ("PES");
  - Self-Insured Surplus Fund ("SISF"); and
  - Health Partnership Program expenses ("HPP").

# December 31, 2010 Quarterly Reserve Update

## Actuarial Process (Continued)



# December 31, 2010 Quarterly Reserve Update

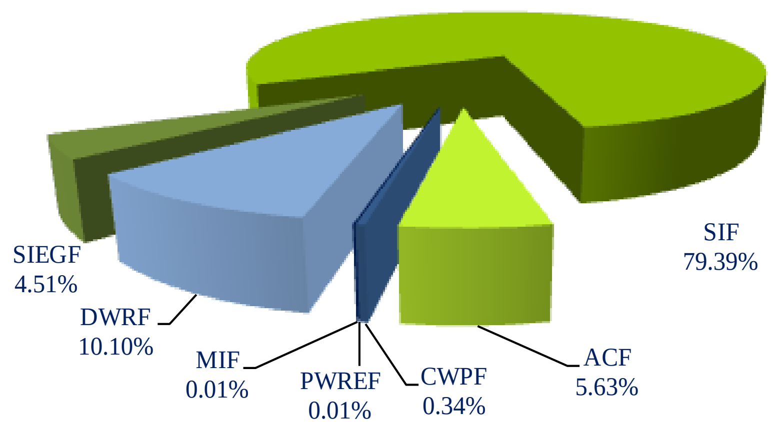
## Unpaid Estimates

### Unpaid Loss and LAE as of December 31, 2010 ($ Millions)

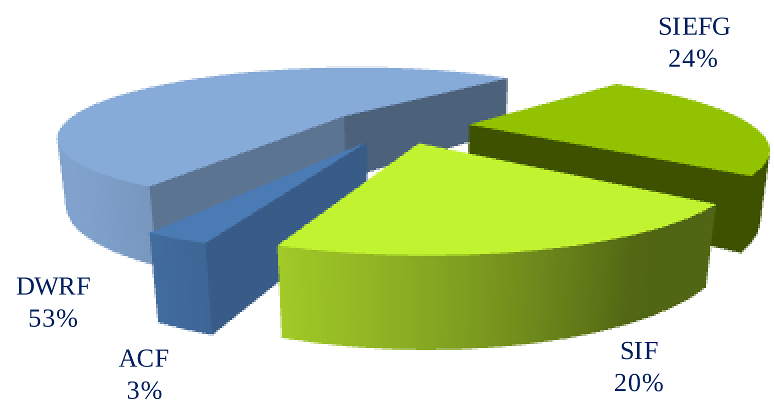
| | Nominal Unpaid Loss & LAE | Discounted Unpaid Loss & LAE | Unbilled Premium Receivable | Liability Net of Receivable |
|---|---|---|---|---|
| SIF | 25,121 | 15,913 | 739 | 15,174 |
| DWRF | 3,489 | 2,025 | 1,702 | 323 |
| CWPF | 175 | 69 | 0 | 69 |
| SIEGF | 1,984 | 904 | 863 | 41 |
| PWREF | 5 | 3 | 0 | 3 |
| MIF | 3 | 2 | 0 | 2 |
| ACF | 1,810 | 1,129 | 99 | 1,030 |
| **All Funds** | **32,587** | **20,045** | **3,403** | **16,642** |

- Our discounted unpaid estimates anticipate $12.5 billion of future income earned on invested funds or collected in premium assessments for unfunded liabilities in order to provide sufficient funds to make all future claim payments associated with claims occurring on June 30, 2011 and prior.
- Unbilled premium receivable of $3.4 billion (discounted) reduces net balance sheet liability to $16.6 billion.

### Percent of Total Unpaid Loss & LAE by Fund




### Percent of Unbilled Premium Receivable



# Change in June 30, 2011 Unpaid Estimates

### Change in Unpaid Loss and LAE Estimates ($ Millions)

| | Nominal as of 6/30/2011 | | | | Discounted as of 6/30/2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Evaluated @ 12/2010 | Evaluated @ 09/2010 | Dollar Change | Percent Change | Evaluated @ 12/2010 | Evaluated @ 09/2010 | Dollar Change | Percent Change |
| SIF | 25,121 | 25,148 | (28) | -0.1% | 15,913 | 15,931 | (17) | -0.1% |
| DWRF | 3,489 | 3,485 | 4 | 0.1% | 2,025 | 2,022 | 3 | 0.1% |
| CWPF | 175 | 182 | (7) | -3.7% | 69 | 72 | (4) | -5.2% |
| SIEGF | 1,984 | 1,981 | 3 | 0.1% | 904 | 905 | (1) | -0.1% |
| PWREF | 5 | 5 | 0 | 0.1% | 3 | 3 | 0 | 0.2% |
| MIF | 3 | 4 | (0) | -1.2% | 2 | 2 | (0) | -1.2% |
| ACF | 1,810 | 1,813 | (2) | -0.1% | 1,129 | 1,130 | (1) | -0.1% |
| **All Funds** | **32,587** | **32,617** | **(30)** | **-0.1%** | **20,045** | **20,065** | **(20)** | **-0.1%** |

- The $20 million decrease in our June 30, 2011 discounted unpaid estimate is primarily driven by a decrease in the SIF of $17 million.

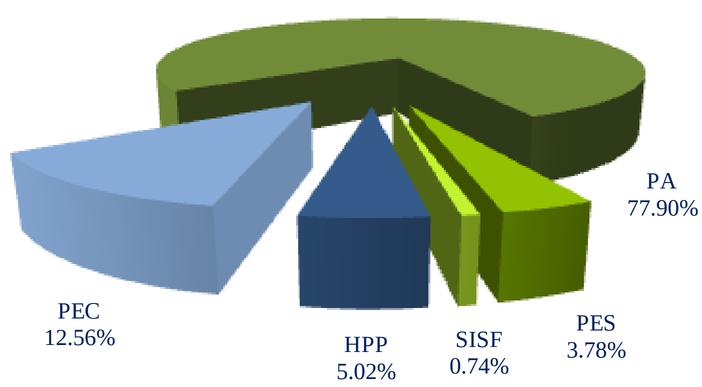
# Change in June 30, 2011 Unpaid Estimates

### SIF - Change in Unpaid Loss and LAE Estimates ($Millions)

| | Nominal as of 6/30/2011 | | | | Discounted as of 6/30/2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Evaluated @ 12/2010 | Evaluated @ 09/2010 | Dollar Change | Percent Change | Evaluated @ 12/2010 | Evaluated @ 09/2010 | Dollar Change | Percent Change |
| PA | 19,597 | 19,616 | (20) | -0.1% | 12,397 | 12,409 | (12) | -0.1% |
| PEC | 3,142 | 3,142 | (1) | 0.0% | 1,999 | 2,000 | (0) | 0.0% |
| PES | 940 | 945 | (5) | -0.5% | 601 | 605 | (3) | -0.6% |
| SISF | 182 | 183 | (1) | -0.7% | 118 | 118 | (1) | -0.5% |
| HPP | 1,261 | 1,262 | (1) | -0.1% | 799 | 799 | (1) | -0.1% |
| **SIF Total** | **25,121** | **25,148** | **(28)** | **-0.1%** | **15,913** | **15,931** | **(17)** | **-0.1%** |
| **PA, PEC, and PES** | **23,678** | **23,703** | **(25)** | **-0.1%** | **14,997** | **15,013** | **(16)** | **-0.1%** |

- Our current discounted unpaid loss estimate for Private Employers of $12.4 billion represents 78% of the total SIF discount unpaid estimate.

**Percent of SIF Unpaid Loss & LAE**



# SIF - Drivers of Change in June 30, 2011 Loss Estimate

**Drivers of Change in Discounted Unpaid Estimate ($Millions)**

| | PA | PEC | PES | PA, PEC PES Total |
|---|---|---|---|---|
| **9/30/2010 Analysis** | **12,409** | **2,000** | **605** | **15,013** |
| **Drivers of Change** | | | | |
| Change in Ultimate (Nominal) | (68) | (7) | (8) | (84) |
| *Change in Payroll* | *0* | *0* | *(6)* | *(6)* |
| *Change in Losses* | *(68)* | *(7)* | *(3)* | *(78)* |
| *Parameter Updates* | *0* | *0* | *0* | *0* |
| Actual vs Expected Payments | 49 | 6 | 3 | 58 |
| Change in Discount from Change in Estimate | 8 | 0 | 2 | 9 |
| **Total Change** | **(12)** | **(0)** | **(3)** | **(16)** |
| **12/31/2010 Analysis** | **12,397** | **1,999** | **601** | **14,997** |

- Decrease of $6 million in our ultimate losses from a lower projection of 2010 PES payroll, based on known information through January.
- Decrease of $78 million in our ultimate losses from lower than expected payments in the 2nd quarter of Fiscal Year 2011 of $54 million (shown on the next slide).
- No significant changes in assumptions/parameters from the September 30, 2010 analysis.
- Offsetting the $84 million decrease in our ultimate losses is an increase of $58 million associated with a reduction in our expected full year 2011 Fiscal Year payments. This is driven by the lower than expected payments of $54 million and the corresponding decrease in our ultimate loss of $84 million.
- Also offsetting the $84 million decrease in our ultimate losses is a reduction of $9 million for the discount associated with the decrease in our ultimate losses.

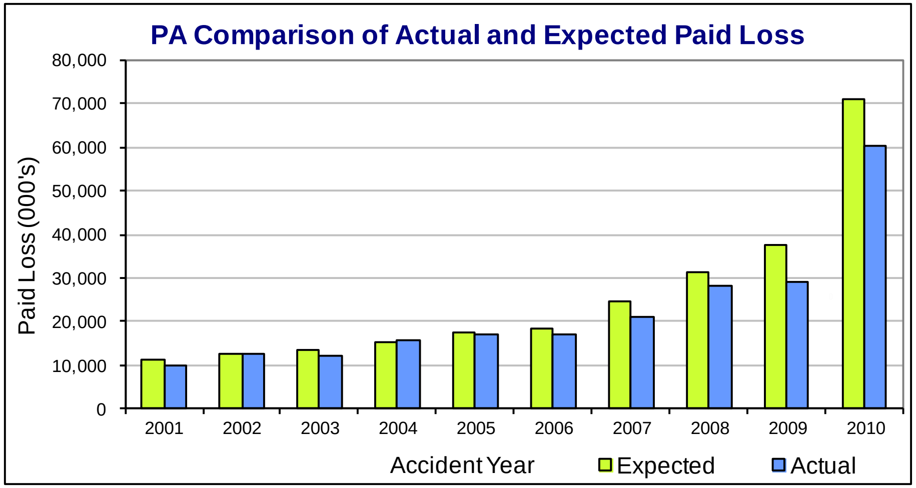
# December 31, 2010 Quarterly Reserve Update

## PA, PEC & PES – Actual Versus Expected Losses

**Actual Loss Emergence Versus Deloitte Expected from 9/30/2010 to 12/31/2010 ($ Millions)**

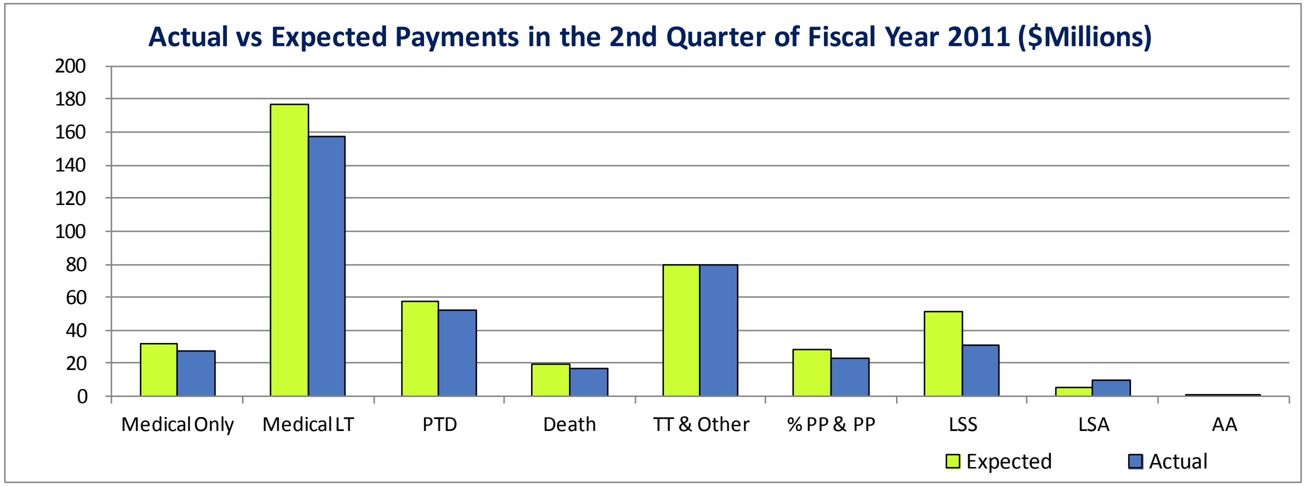
| | Paid Loss from 9/30/2010 to 12/31/2010 | | | Incurred Loss from 9/30/2010 to 12/31/2010 | | | 9/10 - 12/10 |
|---|---|---|---|---|---|---|---|
| | Deloitte Expected | Actual | Variance | Deloitte Expected | Actual | Variance | Change in Ultimate |
| Private Employers | 370 | 324 | *(45)* | 367 | 565 | *198* | (68) |
| Public Employers - Taxing Districts | 62 | 56 | *(6)* | 63 | 97 | *33* | (7) |
| Public Employers - State Agencies | 20 | 18 | *(3)* | 21 | 30 | *9* | (8) |
| Total SIF Excluding SISF & HPP | 452 | 398 | *(54)* | 452 | 692 | *240* | (84) |

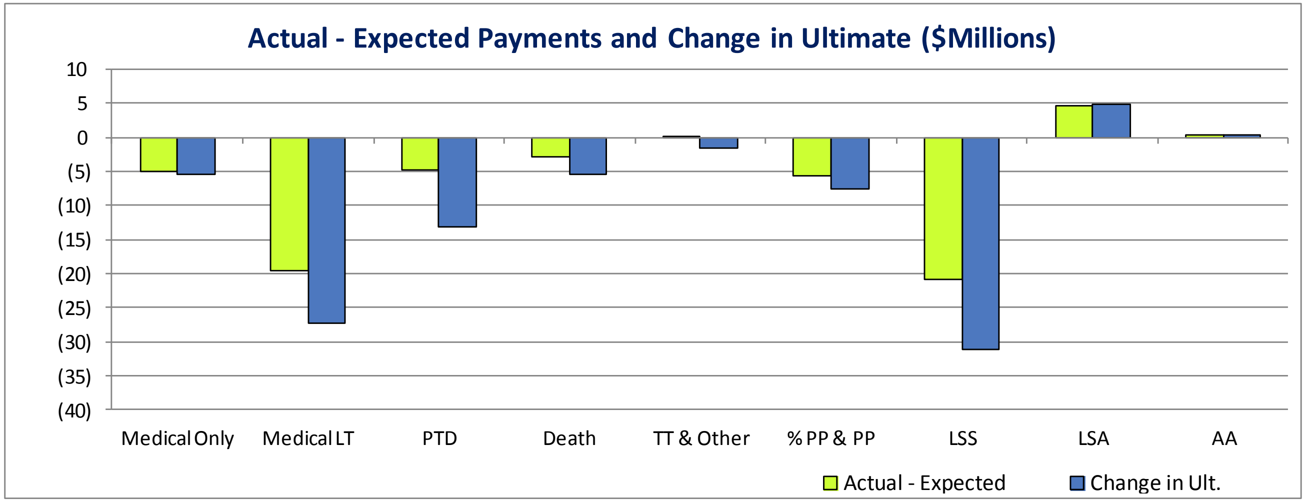
- In the 2nd quarter of FY 2011, payments are $54 million or 12% lower than expected. Driven by medial and fewer lump sum settlements.
- For FY 2011 to date, payments are $71 million or 8% lower than expected.
- In the 2nd quarter, incurred losses are $240 million higher than expected due to a change in the PTD and death mortality factors.
- For FY 2011 to date, incurred losses (paid + MIRA) are $68 million lower than expected.



# December 31, 2010 Quarterly Reserve Update

## PA, PEC & PES – Actual Versus Expected Losses




- Medical performing well. Payments are $25 million lower than expected.
- Indemnity performing well. Payments are $29 million lower than expected.
- LSS is $21 lower than expected.
- TT, WL, LM, LMWL payments were as expected in the 2nd quarter but are $17 million higher than expected for Fiscal Year 2011 to date.

# Other Funds - Drivers of Change from September 30, 2010

## DWRF, CWPF, SIEGF and ACF

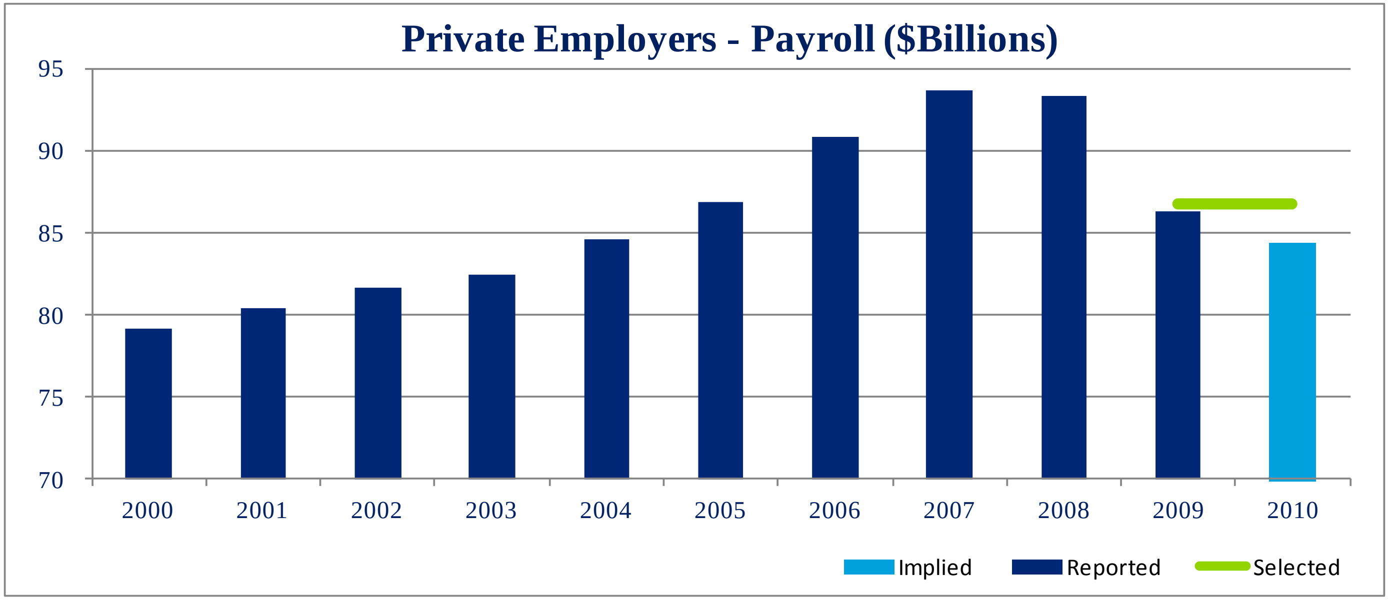
- Our current June 30, 2011 discounted unpaid estimate of approximately $4.1 billion for the DWRF, CWPF, SIEGF and ACF combined decreased by only $3 million from our September 30, 2010 evaluation.
- There are no changes in methodology, assumptions or parameters for these Funds.

### Change in Unpaid Loss and LAE Estimates ($ Millions)

| | Nominal as of 6/30/2011 | | | | Discounted as of 6/30/2011 | | | |
|---|---|---|---|---|---|---|---|---|
| | Evaluated @ 12/2010 | Evaluated @ 09/2010 | Dollar Change | Percent Change | Evaluated @ 12/2010 | Evaluated @ 09/2010 | Dollar Change | Percent Change |
| SIF | 25,121 | 25,148 | (28) | -0.1% | 15,913 | 15,931 | (17) | -0.1% |
| DWRF | 3,489 | 3,485 | 4 | 0.1% | 2,025 | 2,022 | 3 | 0.1% |
| CWPF | 175 | 182 | (7) | -3.7% | 69 | 72 | (4) | -5.2% |
| SIEGF | 1,984 | 1,981 | 3 | 0.1% | 904 | 905 | (1) | -0.1% |
| PWREF | 5 | 5 | 0 | 0.1% | 3 | 3 | 0 | 0.2% |
| MIF | 3 | 4 | (0) | -1.2% | 2 | 2 | (0) | -1.2% |
| ACF | 1,810 | 1,813 | (2) | -0.1% | 1,129 | 1,130 | (1) | -0.1% |
| **All Funds** | **32,587** | **32,617** | **(30)** | **-0.1%** | **20,045** | **20,065** | **(20)** | **-0.1%** |

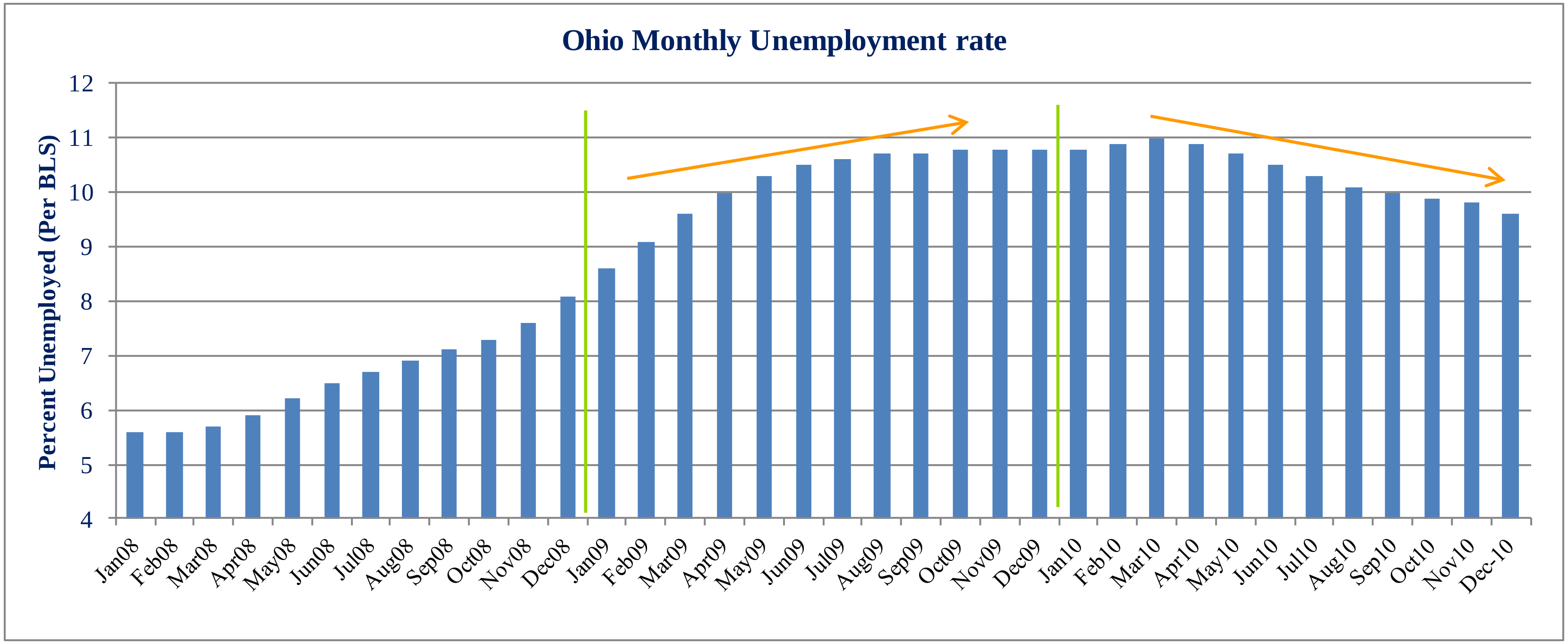
# December 31, 2010 Quarterly Reserve Update

## PA – 2010 Payroll




- June 30, 2011 PA unpaid loss estimate currently assumes no change in 2010 and 2011 from 2009.
- Initial payroll indication for the first six months of 2010 shows a 3.1% reduction compared to 2009.
- The Ohio average monthly unemployment rate in 2010 of 10.4% is only modestly higher than the 2009 average of 10.2%. Shown on next slide.
- We have not modified the selected 2010 and 2011 payroll given changes in the unemployment rate since April 2010. This position will be reassessed during the March Annual Study at which time we expect the payroll for the 2nd half of 2010 to be reported to the BWC.
- Addition comments on next slide.

# Ohio Unemployment Rate




- According the Bureau of Labor Statistics ("BLS"), the Ohio unemployment rate rose throughout 2009 and in the first part of 2010. The reduction in the payroll for the first half of 2010 over 2009 is consistent with the monthly increase in the unemployment rate.
- The Ohio monthly unemployment rate has been declining since April 2010. The unemployment rate reach 11.0% in March 2010 and is now at 9.4% at January 2011.
- Given this reduction we have not modified the 2010 and 2011 PA payroll in our analysis.

# December 31, 2010 Quarterly Reserve Update

## Report

We have prepared a report that summarizes our conclusions and observations. This report is titled "State of Ohio Bureau of Workers' Compensation Unpaid Loss & LAE as of June 30, 2011 (Based on Data Evaluated as of December 31, 2010)" and is dated February 1, 2011. The report consists of the following volumes:

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

Deloitte.

**BWC Board of Directors**
Actuarial Committee
CAO Report
John Pedrick, Chief Actuarial Officer
March 24, 2011

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This report has two major sections. The first is a description of the discussions and proposals we will present to the Board over the next several months. The second section provides details of various projects and initiatives for the Actuarial Division.

## I. March through June Board Meetings

The table that follows and the accompanying discussion are meant to serve as a guide for upcoming proposals and studies. The schedule is flexible for some items, while others must be completed by June 20, 2011 in order for the appropriate rules to be filed ten days before their effective date, July 1, 2011, as required.

| Upcoming Rate Rules and Related Actions and Discussions | Mar. | Apr. | May | June | July |
|---|---|---|---|---|---|
| NCCI Manual Class Changes | 2nd read | | | | |
| Deductible Rule | 2nd read | | | | |
| PA Rate Change Effective 7/1/11 | Discuss | 1st read | 2nd read | | |
| PES Rates Effective 7/1/11 | Discuss | 1st read | 2nd read | | |
| Quarterly Reserve Update @ 12/31/10 | Discuss | | | | |
| DWRF Rates | | 1st read | 2nd read | | |
| MIF Rates | | 1st read | 2nd read | | |
| CWPF Rates | | 1st read | 2nd read | | |
| Quarterly Reserve Update @ 3/31/11 | | | Discuss | | |
| SI Assessments | | | 1st read | 2nd read | |
| ACF Assessment | | | 1st read | 2nd read | |
| S&H Assessment | | | 1st read | 2nd read | |
| Split Experience Rating Plan* | | | 1st read | 2nd read | |
| PEC Credibility and BEF for 1/1/2012* | | | 1st read | 2nd read | |
| One Claim Program* | | | | 1st read | 2nd read |
| State to State Rate Comparison* | | | | Discuss | |
| * Tentative schedule | | | | | |

### March

2011 NCCI Manual Class Changes: This is a second read of our annual review of changes to manual classifications provided by the National Council on Compensation Insurance (NCCI). Once approved, these manual class revisions will be used when we develop base rates, scheduled for presentation in April and May.

Deductible Rule: This is also a second read and has been discussed in prior meetings; we are proposing additional language in the deductible rule to prevent adverse selection.

PA Overall Rate Change: This is the start of our annual rate setting process for private employers (PA). Deloitte will provide their analysis of projected overall costs for this segment and a range of rate level changes they recommend to meet those costs. Next month we will bring an overall rate change for July 1, 2011, based in large part on Deloitte's analysis.

PES Rate Changes: Public employer – state agencies (PES) rates are developed on a pay-as-you-go basis. We estimate the payments for claims and MCO costs we will make next year on behalf of each agency, state university and university hospital and adjust that result for over/under estimates from previous years. While we have a clear estimate of the costs we will pay for PES claims over the next year, we must also estimate payroll. As the details of the next biennial budget and other legislation become clearer we will have better insight into this key ingredient of PES rates.

Quarterly Reserve Update @ 12/31/10: This is our normal quarterly reserve update done by Deloitte Consulting LLP, and will bring greater clarity to the liabilities for claims and claim adjustment expense we expect in our next fiscal-year-end financial statement. When data through March 31, 2011 is available, Deloitte will conduct the annual reserve analysis known as the “reserve audit” giving us preliminary year-end figures. When the fiscal year ends we will incorporate the last quarter’s data in the “roll forward” to the final reserve figures.

**April**

PA Rate Change: As mentioned above, we will present for a first reading the overall PA rate change along with the detailed impacts to the 500+ manual classes. The second reading and anticipated vote are scheduled for May.

PES Rate Changes: We will present rates for each state agency, state university and university hospital for a first reading. The second reading and anticipated vote are scheduled for May.

DWRF: Disabled Workers Relief Fund rates are reviewed annually. In brief, this fund provides a benefit that, in combination with social security disability benefits, provides cost of living adjustments.

MIF Rates: Marine Industry Fund rates are reviewed annually.

CWPF Rates: Coal Worker Pneumoconiosis rates are reviewed annually.

**May**

Quarterly Reserve Update @ 3/31/11: This is the annual reserve “audit” and will provide a preliminary figure for year-end reserves.

SI Assessment: Assessments for self-insureds are reviewed annually.

ACF Assessment: Assessments for the Administrative Cost Fund are reviewed annually and will be calculated based on the legislative review process and the board-approved budget.

S&H Assessment: Assessments for the Division of Safety and Hygiene are reviewed annually.

PEC Credibility and BEF for 1/1/12: In order to give sufficient lead time for the public employer – taxing district (PEC) rate structure, we will propose the credibility table and group break even factors in May. During the summer of 2011, PEC groups will be formed, so employers, group sponsors and TPAs need to know how we will set group rates.

Split Experience Rating Plan: We plan to present an educational session about experience rating in general and the specifics of the split type plan we are building. A first reading for the rules to implement the plan is tentatively planned for May or June.

**June**

State to State Rate Comparison: We will update our multi-state comparison using the base rates scheduled to go into effect on July 1, 2011. The methodology follows that of the bi-annual Oregon study, but uses the top fifty classes in Ohio rather than in Oregon.

One Claim Program: We are looking into changes to the one-claim program and plan to reach out to employer representatives for their ideas and feedback. Anticipated changes may be presented in June and July.

Wrap-up: Any items that have been delayed throughout the prior months but that must be approved by the board ten days before July 1, 2011 will be on the agenda.

## II. Project and Initiatives

Split Experience Rating Plan Development

| **Larry King – Project Manager; Leads: Terry Potts and Jon Turnes** | | |
|---|---|---|
| **Task/Function** | **Timeline** | **Status** |
| **Plan development at BWC** | | |
| Split experience plan parameters determined through actuarial modeling (on Deloitte work list) | Jan 2010- Mar 2011 | In-Progress & on target |
| Split experience plan development in Rates & Payments system | Sept 2009 to December 2010 | Completed to date |
| Split experience plan implementation in R&P (Beta Version) for BWC staff | July 1, 2011 | Scheduled |
| Split experience plan implementation on BWC web as a side by side comparison for employers | September 1, 2011 | Scheduled |
| Split experience plan full implementation and conversion | July 1, 2012 | |
| **Communications** | 8/1/2008 start | Continuing |
| 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 | Completed |
| Split experience plan training for BWC staff with selected parameters | Spring 2011 | |
| Split experience plan training for external interested parties | Dec 2010 to Mar 2011 | |
| Employer outreach by BWC staff to employers | Spring/Summer 2011 | |

Private Employer rates effective July 1, 2011

| **Project Lead: Terry Potts** | | |
|---|---|---|
| Task/Function | Timeline | Status |
| Private Employer Rate Calculation | January to June 2011 | In Progress |
| Summary Payroll | February to March 2011 | Completed |
| Summary Losses | February to March 2011 | In Progress |
| Rate Calculations | March to April 2011 | In Progress |
| Rate indications received from Deloitte | March 2011 | Complete |
| Rate decision from WCB | May 2011 | |
| Employer Rating Information available on ohiobwc.com | July 2011 | |

Deloitte Projects

| **Project Lead: Liz Bravender** | | |
|---|---|---|
| **Task/Function** | **Timeline** | **Status** |
| Split experience Plan - assistance | Now thru Feb 2011 | In-Progress |
| Group Rating plan development | Now thru June 2011 | In-Progress |
| State Agency rate making review and recommendation | Feb 2011 | In-Progress |
| Risk of inflation on the DWRF fund | Feb 2011 | In-Progress |
| Financial strength indicators and funding ratio analysis | March 2011 | In-Progress |
| Black Lung Fund –rate recommendation analysis | March 2011 | In-Progress |
| Actuarial Database development and reporting dashboard | Dec 2011 | In-Progress |
| Quarterly reserve update as of 12-31-2010 | Feb 2011 | Completed |
| Quarterly update 12-31-2010 to board in March 2011 | March 2011 | In-Progress |
| PA rate recommendation | March 2011 | Completed |
| Marine Fund rate recommendation | March 2011 | In-Progress |
| DWRF 1 and 2 rate recommendation | March 2011 | In-Progress |
| SI minimum assessment methodology review | | Not scheduled |
| PA minimum premium assessment and security deposit | | Not scheduled |

New Products Development

| **Project Lead: Joy Bush** | | |
|---|---|---|
| **Task/Function** | **Timeline** | **Status** |
| One-Claim program review | Fall, 2011 | Gathering Stakeholder feedback |
| Group Rating program analysis | July 2010 to June 2011 | Evaluating options |
| Employer coverage and minimum premium analysis | October 2011 to July 2012 | Begun |

# Actuarial Committee Calendar –2011

| Date | March 2011 |
|---|---|
| 3/24/2011 | 1. 2011 NCCI Classification Code Changes – 2nd reading |
| | 2. Deductible Program – 2nd reading |
| | 3. Private employer rate change recommendation – 1st reading |
| | 4. Public employer state agency rate change recommendation– rule 4123-17-35 - 1st reading |
| | 5. 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 – 2nd 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 – 1st reading |
| | 4. Marine Industry Fund – rule 4123-17-19 – 1st 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 – 1st reading |
| **Date** | **May 2011** |
| 5/26/2011 | 1. Private employer base rates and expected loss rates – rules 4123-17-05 and 4123-17-06 – 2nd reading |
| | 2. Marine Industry Fund – rule 4123-17-19 – 2nd reading |
| | 3. Coal-Workers' Pneumoconiosis Fund – rule 4123-17-20 – 2nd reading |
| | 4. Disabled Workers' Relief Fund and Additional Disabled Workers' Relief Fund rule 4123-17-29 – 2nd reading |
| | 5. Self-Insured assessments – rule 4123-17-32 – 1st reading |
| | 6. Administrative Cost Fund - rule 4123-17-36 – 1st reading |
| | 7. Safety & Hygiene assessment– 1st 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 |
| | 9. Split Experience Rating Plan rules – 1st reading |
| | 10. Public employer taxing districts credibility table effective 1-1-2012- rule 4123-17-33.1 – 1st reading |
| | 11. Public employer taxing districts group break even factor rule 4123-17-64.2 – 1st reading |
| **Date** | **June 2011** |
| 6/15/2011 | 1. Administrative Cost Fund - rule 4123-17-36 – 2nd reading |
| | 2. Self-Insured Assessments – rule 4123-17-32 – 2nd reading |
| | 3. Safety & Hygiene assessment – 2nd reading |
| | 4. State-by-State Rate Comparison |
| | 5. Split experience rating plan rules – 2nd reading |
| | 6. One Claim Program – rule 4123-17-71 – 1st reading |
| | 7. Public employer taxing districts credibility table effective1-1-2012- rule 4123-17-33.1 – 2nd reading |
| | 8. Public employer taxing districts group break even factor rule 4123-17-64.2 – 2nd 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 – 1st reading |
| | 4. One Claim Program – rule 4123-17-71 – 2nd reading |

# Actuarial Committee Calendar –2011

| 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 – 2nd reading |
| **Date** | **September 2011** |
| 9/29/2011 | 1. Safety & Hygiene is found in rule 4123-17-37 – 1st reading |
| | 2. Annuity table rule 4123-17-60 – 1st reading if necessary |
| | 3. Public employer taxing districts rate change – 1st reading |
| **Date** | **October 2011** |
| 10/27/2011 | 1. PEC Base Rate and Expected Loss rates rule 4123-17-33 and 4123-17-34 – 1st reading |
| | 2. PEC group Break even factor rule 4123-17-64.2 – 1st reading |
| | 3. Safety & Hygiene assessment rate – rule 4123-17-37 – 2nd reading |
| | 4. Annuity table rule 4123-17-60 – 2nd reading if necessary |
| **Date** | **November 2011** |
| 11/17/2011 | 1. Quarterly reserve update |
| | 2. |
| **Date** | **December 2011** |
| 12/14/2011 | 1. |
| **Date** | **January 2012** |
| | |
| **Date** | **February 2012** |
| | |
| **Date** | **March 2012** |