

BWC Board of Directors

## **Actuarial Committee Agenda**

**Thursday, July 28, 2011**

**William Green Building**

Level 2, Room 3

8:00 a.m. to 9:30 a.m.

### **Call to Order**

Stephen Lehecka, Committee Chair

### **Roll Call**

Larry Rhodebeck, Scribe

### **Approve Minutes of June 15, 2011 meeting**

Stephen Lehecka, Committee Chair

### **Review and approve Agenda**

Stephen Lehecka, Committee Chair

### **Discussion Items**

1. Reserve Adjustment as of June 30, 2011  
Elizabeth Bravender, Interim Chief, Actuarial Division
2. Actuarial Division Report  
Elizabeth Bravender, Interim Chief, Actuarial Division
3. Committee Calendar  
Stephen Lehecka, Committee Chair

### **Education Session**

Basic Concepts of Rate Setting Education Session  
Jon Turnes, Director of Reserving  
Jason Rafeld, General Counsel

### **Executive Session**

Litigation update  
Jason Rafeld, General Counsel

### **Adjourn**

Stephen Lehecka, Committee Chair

### **Next Meeting: Thursday August 25, 2011**

\*Not all agenda items have material. \*\*Agenda Subject to change

## **Basic Concepts of Rate Setting**

### **Discussion Outline**

1. Basic Concepts
  - a. Base Rates – reflect average projected cost for a manual class
  - b. Experience Rating – reflects the difference between a specific employer’s projected future cost and the average projected future cost for that employer’s manual class. Differences between employers are a result of different risk characteristics, and are reflected in historical losses
2. Types of Experience Rating
  - a. Individual employers
  - b. Groups of employers
3. Credibility
  - a. A measure of how much reliance can be placed on past loss experience to predict future loss experience
  - b. Depends on size, homogeneity, and continuity

**BWC Board of Directors**  
**Actuarial Committee**  
**Actuarial Division Report**  
Liz Bravender, Director Actuarial Operations  
June 15, 2011

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This report provides a brief review of the schedule of activity in the next months. The table that follows and the accompanying discussion are meant to serve as a guide for upcoming proposals and studies.

Upcoming Rate Rules and Related Actions and Discussions	July	August	September
Compatibility Rule Changes	Completed		
SI Assessments	Completed		
ACF Assessment	Completed		
S&H Assessment	Completed		
Unexpected Reserve Adjustments – If Necessary	Discussion as is necessary		
June 30, 2011 Reserve Audit Roll- forward		Discussion	
Private Employer Credibility table rule 4123-17-05.1		1 <sup>st</sup> Read	2 <sup>nd</sup> Read
Private Employer Break-even factor rule 4123-17-61.1		1 <sup>st</sup> Read	2 <sup>nd</sup> Read
Public Employer Taxing Districts rate change			1 <sup>st</sup> Read

The annual reserve audit will be completed using data through June 30, 2011. Since the major analysis will have been done using the previous quarter's data, this analysis is called a roll-forward, and will incorporate claim payment data from the final quarter of the fiscal year. The results of this analysis will be presented to the Board for inclusion in the financial statement for the fiscal year ending June 30, 2011.

Public Employer Taxing District rates are the next major rate task on the schedule. The overall rate indication will be brought to the Actuarial Committee in September followed by base rates in October.

During the summer, the Actuarial Division is reviewing and updating all our rate making procedures.

# Actuarial Committee Calendar -2011

Date	July 2011
7/28/2011	1. Group Rating Pricing Education Session
	2. Reserve adjustments as of June 30, 2011 - discussion if necessary
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. Private employer credibility table effective 7-1-2012 - rule 4123-17-05.1 - 1 <sup>st</sup> reading
	3. Private employer Group Break Even Factor effective 7-1-2012 - rule 4123-17-64.1 - 1 <sup>st</sup> reading
Date	September 2011
9/29/2011	1. Public employer taxing districts rate change - 1 <sup>st</sup> reading
	2. Private employer credibility table effective 7-1-2012 - rule 4123-17-05.1 -2nd reading
	3. Private employer Group Break Even Factor effective 7-1-2012 - rule 4123-17-64.1 - 2nd reading
Date	October 2011
10/27/2011	1. Public employer taxing districts rate change - 2 <sup>nd</sup> reading
	2. PEC Base Rate and Expected Loss rates rule 4123-17-33 and 4123-17-34 - 1 <sup>st</sup> reading
Date	November 2011
11/17/2011	1. PEC Base Rate and Expected Loss rates rule 4123-17-33 and 4123-17-34 - 2 <sup>nd</sup> reading
	2. Quarterly reserve update
	3.
Date	December 2011
12-14-2011	1. 2011 NCCI Classification Code Changes - 1 <sup>st</sup> reading - if necessary
	2. Employer Programs Annual Report
Date	January 2012
	1. 2011 NCCI Classification Code Changes - 2 <sup>nd</sup> reading - if necessary
Date	February 2012
	1. State of the line report
Date	March 2012
	1. Private employer rate change recommendation - 1 <sup>st</sup> reading
	2. Public employer state agency rate change recommendation- 1 <sup>st</sup> reading
	3. Quarterly reserve analysis for financial reporting for fiscal year ending June 30, 2010 based on data as of December 31, 2009
Date	April 2012
	1. Private employer rate change recommendation - 2 <sup>nd</sup> reading
	2. Private employer base rates and expected loss rates - rules 4123-17-05 and 4123-17-06 - 1 <sup>st</sup> reading
	3. Public employer state agency rate change - 2 <sup>nd</sup> reading
	4. Disabled Workers' Relief Fund and Additional Disabled Workers' Relief Fund rule 4123-17-29 - 1 <sup>st</sup> reading
	5. Marine Industry Fund - rule 4123-17-19 - 1 <sup>st</sup> reading
	6. Coal-Workers' Pneumoconiosis Fund - rule 4123-17-20 - 1st reading

# Actuarial Committee Calendar -2011

Date	May 2012
	1. Administrative Cost Fund - rule 4123-17-36 - 1 <sup>st</sup> reading
	2. Safety & Hygiene assessment- 1 <sup>st</sup> reading
	3. Self-Insured assessments - rule 4123-17-32 - 1 <sup>st</sup> reading
	4. Private employer base rates and expected loss rates, limited loss ratios and manual to industry assignment - rules 4123-17-05 and 4123-17-06 - 2 <sup>nd</sup> reading
	5. Disabled Workers' Relief Fund and Additional Disabled Workers' Relief Fund rule 4123-17-29 - 2 <sup>nd</sup> reading
	6. Marine Industry Fund - rule 4123-17-19 - 2 <sup>nd</sup> reading
	7. Coal-Workers' Pneumoconiosis Fund - rule 4123-17-20 - 2 <sup>nd</sup> reading
	8. Public employer taxing districts credibility table effective 1-1-2011- rule 4123-17-33.1 - 1 <sup>st</sup> reading
	9. Public employer taxing districts group break even factor rule 4123-17-64.2 - 1 <sup>st</sup> reading
Date	June 2012
	1. Reserve update for financial reporting for fiscal year ending June 30, 2010 and projection for June 30, 2011 based on data as of March 31, 2010
	2. Administrative Cost Fund - rule 4123-17-36 - 2 <sup>nd</sup> reading
	3. Safety & Hygiene assessment rules 4123-17-34 and 4123-17-37 - 2 <sup>nd</sup> reading
	4. Self-Insured Assessments - rule 4123-17-32 - 2 <sup>nd</sup> reading
	5. PEC Credibility - rule 4123-17-33.1 - 2 <sup>nd</sup> reading
	6. PEC Group Breakeven Factor - rule 4123-17-64.2 - 2 <sup>nd</sup> reading
	July 2012
	1. Reserve adjustments as of June 30, 2010 - discussion if necessary
	2. Private employer credibility table effective 7-1-2011 - rule 4123-17-05.1 - 1 <sup>st</sup> reading
	3. Private employer Group Break Even Factor effective 7-1-2011 - rule 4123-17-64.1 - 1 <sup>st</sup> reading