

**WORKERS' COMPENSATION  
BOARD OF DIRECTORS  
DRAFT**

**ACTUARIAL COMMITTEE**

**THURSDAY, OCTOBER 25, 2007, 2:00 P.M.  
WILLIAM GREEN BUILDING  
THE NEIL SCHULTZ CONFERENCE CENTER  
30 WEST SPRING ST., 2<sup>nd</sup> FLOOR (MEZZANINE)  
COLUMBUS, OHIO 43215**

Members Present: Charles Bryan, Chairman  
James Hummel  
Jim Matesich

Members Absent: None

**CALL TO ORDER**

Mr. Bryan called the meeting to order at 2 P. M. and the roll call was taken.

**MINUTES OF OCTOBER 25, 2007**

Mr. Bryan requested the minutes of September 26, 2007, be amended to reflect the correct spelling of the name of William Lhota, Chair, Workers' Compensation Board of Directors. Mr. Hummel moved that the minutes be approved as amended. Mr. Matesich seconded and the amended minutes were approved by a unanimous voice vote.

**NEW BUSINESS/ACTION ITEMS**

**ACTUARIAL COMMITTEE CHARTER**

Mr. Bryan tabled action on the Actuarial Committee Charter because of recent amendments to the draft. He requested that members of the committee provide comments to Donald Berno, Board Liaison, or himself before the next meeting.

## **DISCUSSION ITEMS**

### **RATE RECOMMENDATIONS FOR PUBLIC EMPLOYER TAXING DISTRICTS**

Liz Bravender, Actuarial Director, presented a preliminary report on the average collectible rates for Public Employer Taxing Districts for the 2008 policy year. She cautioned that this is the earliest date the rates have been published, are preliminary, and are not final. Ms. Bravender also provided a report on prior rate recommendation ranges for a period of ten years, which Mr. Matesich requested at the September meeting.

### **GROUP RATING**

John Pedrick, Chief Actuary, and Ms. Bravender conducted a training session on group rating. Mr. Pedrick reviewed the timeline of Workers' Compensation Board meetings and Actuarial Committee agenda items in order to implement group rating changes by July 1, 2008. Then, Mr. Pedrick covered provisions of the Ohio Revised Code and Ohio Administrative Code on rates, classifications, and group rating and on actuarial principles and standards of practice. Ms. Bravender continued the presentation, covering base rate and off-balance calculation and used the manual class of carpentry, NCCI 5645, to illustrate the process. Mr. Pedrick concluded the presentation on credibility.

Workers' Compensation Board Directors attending the meeting, asking questions, and making comments included Allison Falls, Philip Fulton, James Harris, Larry Price, and Robert Smith.

Mr. Hummel asked if BWC had entered discussions with the trade groups about group rating problems. Mr. Pedrick replied that BWC had conducted four public meetings this year on group rating at which stakeholders, BWC staff, and actuarial consultants discussed the group rating program. He stated that many in the audience today were at the table, asked questions, and provided input.

Mr. Bryan asked (aside from 80% limit voted by the Workers' Compensation Board at its September meeting) what should the limit be for group rating. Mr. Pedrick reported there had been nine prior studies by actuarial firms and all concurred that the group rating discounts were too liberal. This has led to inappropriately large discounts for employers with no losses and excessive debits for those with losses. All of the studies pointed to a maximum discount much lower than our current 90%. The latest report by Pinnacle recommends a maximum discount of 53% to restore equity to our rates.

Mr. Matesich and Mr. Hummel stated that the Actuarial Committee is not just charged with review of actuarial principles, methodology, group rating, and making a recommendation to the Workers' Compensation Board on the reduction to take effect July 1, but should also consider public policy. Accordingly, they requested that stakeholders affected by the proposed change to group rating be invited to make presentations. Mr. Lhota directed that the November 20 training

session include presentations of stakeholders. Further, the Actuarial Committee should entertain comments from non-group employers.

Mr. Matesich moved to invite stakeholders to the November 14 meeting of the Actuarial Committee to provide reports on the impact of changes to the group rating program. Mr. Hummel seconded the motion and it passed by a unanimous roll call vote.

### **REVIEW CALENDAR AND FUTURE TOPICS**

Mr. Bryan tabled the report on the reserve audit by Oliver Wyman Actuarial Consulting, Inc.

### **ADJOURNMENT**

There was a motion by Mr. Matesich, second by Mr. Hummel, and adjournment by Mr. Bryan.

Prepared by: Larry Rhodebeck, Staff Counsel  
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October 31, 2007