

**Actuarial Committee  
Agenda**

**November 20, 2007  
Level 2, Room 1  
2:00 pm – 4:00 pm**

**Call to Order**

Chuck Bryan, Chairman

**Roll Call**

Larry Rhodebeck, Scribe

**Approve Minutes of November 14, 2007 meeting**

Chuck Bryan

**New Business/Action Items**

1. Approval of the Actuarial Committee Charter
2. Reserve Audit  
Jeff Scott, FCAS, MAAA, Principal, Oliver Wyman  
Jeff Scholl, FCAS, MAAA, Principal, Oliver Wyman
3. Draft of Request for Proposal (RFP) for Actuarial Studies per House Bill 100, Section 512.50

**Discussion Items\***

1. Chief Actuarial Officer report
2. Difference between Audit Reserves and summation of MIRA individual Reserves

\* Not all discussion items have materials included.

Adjourn

**Next Meeting: December 19, 2007 2:00 pm – 4:00 pm**

**OBWC Board of Directors  
Actuarial Committee Charter  
November 21, 2007**

**Purpose**

The Actuarial Committee has been established to assist the Ohio Bureau of Workers' Compensation Committee Board of Directors in fulfilling their responsibilities through:

- monitoring the actuarial soundness and financial condition of the funds and reviewing rates, reserves and level of net assets
- oversight of the integrity of the actuarial audit process
- compliance with legal and regulatory requirements
- monitor the design and effectiveness of the actuarial studies
- confirm external actuarial consultants' qualifications and independence
- review performance of independent external actuarial work product

**Membership**

The Committee shall be composed of a minimum of five (5) members. The Board, by majority vote shall appoint four additional members. One member shall be the appointed actuary member of the Board. The Board may also appoint additional members who may or may not be on the Board. Members of the Actuarial Committee serve at the pleasure of the Board and the Board, by majority vote, may remove any member except the member of the committee who is the actuary member of the Board.

Each committee member will be independent from management. The Chair is designated by the Board, based on the recommendation of the Board Chair. The Board Chair is an ex-officio voting member of the committee, except that the chair shall not vote in the instance that his/her vote would create a tie vote.

The Committee Chair will be responsible for scheduling all meetings of the Committee and providing the Committee with a written agenda for each meeting. The Committee will have a staff liaison designated to assist it in carrying out its duties.

**Meetings**

By majority vote the Committee will recommend to the Board of Directors their meeting schedule. There shall be not less than nine (9) meetings each year. Reports shall be made to the Board after each meeting. The Committee also has the authority to convene additional meetings, as circumstances require. The Committee will invite members of management, external actuarial firms, internal actuarial staff and/or others to attend meetings and provide pertinent information, as necessary. Subject to open meeting laws, the Committee will hold executive sessions and private meetings with actuaries and auditors, when required in the performance of their duties. A quorum will be a majority of the Committee members.

## **Duties and Responsibilities**

The Actuarial Committee shall have responsibility for the following:

1. Recommend actuarial consultants for the Board to use for the funds specified in the Ohio Revised Code.
2. Review calculation on rate schedules and performance prepared by the actuarial consultants with whom the Board contracts.
3. Supervise for the Board's consideration the preparation of an annual report of the actuarial valuation of the assets, liabilities and funding requirements of the state insurance funds to be submitted to the Workers' Compensation Council and the Senate and House.
4. Coordinate with other Board Committees on issues of common interest.
5. At least once every five (5) years have actuarial investigation of experience of employers; mortality, service and injury rate of employees; payment of benefits in order to update the assumptions on the annual actuarial report.
6. Have actuarial analysis prepared of any legislation expected to have measurable financial impact on the system, within 60 days after introduction of legislation.
7. Consult in the appointment of and oversee the work of any actuarial firm engaged by Ohio Bureau of Workers' Compensation to complete actuarial studies.
8. Recommend retention and oversight of consultants, experts, independent counsel and actuaries to advise the Committee on any of its responsibilities or assist in the conduct of an investigation.
9. Seek any information it requires from employees – all of whom are directed to cooperate with the Committee's requests, or the request of internal or external parties working for the Committee. These parties include the internal actuaries, all external actuaries, consultants, investigators and any other specialties working for the Committee.
10. At least annually, this charter must be reviewed by the Actuarial Committee and any proposed changes submitted to the Governance Committee and to the Board for approval.
11. Make recommendations to the Board of Directors of the Ohio Bureau of Workers' Compensation for Board decisions.

Actuarial Committee Charter.doc Draft 092607 Review & Approved 112107, Chuck Bryan, Chair
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**WORKERS' COMPENSATION  
BOARD OF DIRECTORS**

**ACTUARIAL COMMITTEE**

**WEDNESDAY, NOVEMBER 14, 2007, 9:00 A.M.  
WILLIAM GREEN BUILDING  
THE NEIL SCHULTZ CONFERENCE CENTER  
AUDITORIUM AND CONFERENCE ROOM 2  
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 9 a. m. in the Auditorium. Additional Workers' Compensation Board Directors attending the meeting included Philip Fulton, James Harris, Larry Price, and Robert Smith.

**PUBLIC FORUM ON GROUP RATING**

Mr. Bryan convened a forum in which the public was invited to comment on the group rating program. Mr. Bryan stated that the ground rules are that speakers are called in the order they registered prior to or on the day of the meeting. Speakers are limited to three minutes per speaker. The session will be videotaped for review by members of the Workers' Compensation Board not present today and will be broadcast to District Service Offices of BWC.

At the close of all comments, individual Directors thanked those who had spoken.

**RECESS**

Mr. Bryan called a recess at 12:00 noon. The meeting would be resumed in the afternoon in Conference Room 2.

## **AFTERNOON SESSION**

Mr. Bryan called the meeting to order in Conference Room 2 and the roll call was taken.

## **MINUTES OF OCTOBER 25, 2007**

Mr. Hummel moved that the minutes of October 25, 2007, be approved. Mr. Matesich seconded and the minutes were approved by a unanimous voice vote.

## **NEW BUSINESS/ACTION ITEMS**

### **GROUP RATING AND EXPERIENCE RATING DISCUSSION**

Mr. Bryan stated that the Actuarial Committee had four options with respect to the group rating program issues: The Actuarial Committee could recommend to the Workers' Compensation Board that it lower the maximum credit on the credibility tables to 80%; the Actuarial Committee could recommend a different reduction; the Actuarial Committee could report to the Workers' Compensation Board that it could not reach a decision; or the Actuarial Committee could defer its actions until the November 20 meeting.

John Pedrick, Chief Actuary, and Liz Bravender, Actuarial Director, presented a summary of the group rating program, with additional data on the impact of experience modification on employers who are in groups and those who are not.

Mr. Bryan moved that the Actuarial Committee recommend that the Bureau of Workers' Compensation Board of Directors approve changes to the private employer credibility table as provided in Rule 4123-17-05.1 of the Administrative Code. The motion authorizes the Administrator to adopt Rule 4123-17-05.1 which sets the credibility table for private employers, "Credibility and Maximum Value of a Loss," to be effective July 1, 2008, applicable to the payroll reporting period July 1, 2008, through June 30, 2009, with a maximum credibility of eighty percent (80%) as provided in the appendix to the Rule.

There was no second and Mr. Bryan ruled that the motion died for want of a second.

Mr. Bryan moved that the Actuarial Committee recommend that the Bureau of Workers' Compensation Board of Directors approve changes to the private employer credibility table as provided in Rule 4123-17-05.1 of the Administrative Code. The motion authorizes the Administrator to adopt Rule 4123-17-05.1 which sets the credibility table for private employers, "Credibility and Maximum Value of a Loss," to be effective July 1, 2008, applicable to the payroll reporting period July 1, 2008, through June 30, 2009, with a maximum credibility of eighty-five percent (85%) as provided in the appendix to the Rule.

There was no second and Mr. Bryan ruled that this motion also died for want of a second.

Mr. Bryan moved that the Actuarial Committee recommend that the Bureau of Workers' Compensation Board of Directors approve changes to the private employer credibility table as provided in Rule 4123-17-05.1 of the Administrative Code. The motion authorizes the Administrator to adopt Rule 4123-17-05.1 which sets the credibility table for private employers, "Credibility and Maximum Value of a Loss," to be effective July 1, 2008, applicable to the payroll reporting period July 1, 2008, through June 30, 2009, with a maximum credibility of eighty-seven percent (87%) as provided in the appendix to the Rule. Further, the Actuarial Committee will report to the Workers' Compensation Board of Directors by June 30, 2007, on the effect of rule-making, continuity of group plans, and the affect of NCCI split plans on group rating. Mr. Matesich seconded and the motion passed by unanimous roll call vote.

### **RECESS**

Mr. Bryan called a recess at 2:30 p.m. in order to prepare for the remaining items on the agenda.

### **RESUMPTION OF AFTERNOON SESSION**

Mr. Bryan called the meeting to order at 2:35 p.m.

### **PUBLIC EMPLOYER TAXING DISTRICTS RATE RULES**

Mr. Bryan moved that the Actuarial Committee recommend that the Bureau of Workers' Compensation Board of Directors approve changes to the Public Employer Taxing District Rules 4123-17-33 and 4123-17-34 of the Administrative Code. The motion consents to the Administrator adopting the Public Employer Taxing District Credibility Tables and Rate Rules as presented here today.

Ms. Bravender reported that the Workers' Compensation Board had approved an overall rate increase of "no change" for this employer group at its September 26, 2007, meeting. BWC has now applied that rate indication to individual manuals and employers. The rates are effective January 1, 2008, and the first payment of premiums will be May 2009.

Mr. Matesich seconded and the motion was approved by unanimous roll call vote.

### **DISCUSSION ITEMS**

#### **PRIORITIZATION OF FUTURE DISCUSSIONS**

Mr. Bryan led a discussion with Actuarial Committee members; Directors Fulton, Harris, Price, and Smith; and Administrator Marsha Ryan on ten issues for future meetings. The ten issues are: group rating methodology; target for net assets; undiscounted ultimate loss reserves;

discount rate selection and application; use of actuarial consultants; medical cost trends, measuring and controlling; use of NCCI methodologies; dividend policy and procedures; data quality; and information sharing with the Industrial Commission. The Directors provided comments on which issues should be discussed with the Investment, Audit, and Governance Committees. Ms. Ryan reported on which items would have presented from BWC and their anticipated dates.

## **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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November 15, 2007

Actuaries and shall submit that report to the Council. The actuary shall include all of the following information in the report:

- (A) A summary of the compensation and benefit provisions evaluated;
- (B) A summary of the census data and financial information used in the valuation;
- (C) A description of the actuarial assumptions, actuarial cost method, and asset valuation method used in the valuation;
- (D) A summary of the findings that includes a statement of the actuarial accrued compensation and benefit liabilities and unfounded actuarial accrued compensation and benefit liabilities.

The Council shall submit to the governor and the general assembly a report summarizing the valuation required under this section not later than two years after the effective date of section 4121.75 of the Revised Code, as enacted by this act.

**SECTION 512.50.** (A) The Administrator of Workers' Compensation shall commission a reputable outside consulting firm that the Bureau of Workers' Compensation has not retained to conduct similar reports over the five years prior to the effective date of this section to perform a comprehensive review of the base rate of premiums paid by employers and of all of the rating programs used by the Administrator to determine an employer's premium rate under Chapters 4121., 4123., 4127., and 4131. of the Revised Code. In conducting the review required under this section, the Administrator shall do all of the following:

- (1) Compare the rates and programs used in this state to the rates and programs used in other states;
- (2) Study the effect of the rates in reducing the number and severity of workers' compensation claims in this state;
- (3) Study the effect that saving money has had on safety in workplaces in this state;
- (4) Identify methods of rate setting and reserving that the Administrator could use to make the rate setting and reserving process more transparent for employers and employees.

(B) The Administrator shall commission a reputable outside consulting firm that the Bureau has not retained to conduct similar reports over the five years prior to the effective date of this section to perform a comprehensive review of the adequacy of the Surplus Fund created under section 4123.34 of the Revised Code and the general reserving methods used for the State Insurance Fund and all other funds specified in Chapters 4121., 4123., 4127., and 4131. of the Revised Code.

(C) The Administrator shall provide a summary of the reviews required under this section and shall present recommendations based on the review to the General Assembly and the Bureau of Workers' Compensation Board of Directors not later than two years after the effective date of this section.

(D) This section of law, as enacted by this act, is subject to the referendum. Therefore, under Ohio Constitution, Article II, Section 1c and section 1.471 of the Revised Code, this section takes effect on the ninety-first day after this act is filed with the Secretary of State. If, however, a referendum petition is filed against this section of law as enacted by this act, this section of law as enacted, unless rejected at the referendum, takes effect at the earliest time permitted by law.