

BWC reviews each self-insuring employer on a regular basis to determine any potential risk that the employer may present to the Self-Insured Employers Guaranty Fund (SIEGF). Based on this risk, additional security may be requested in the form of a letter of credit.

The risk that an employer presents to the SIEGF is determined primarily through an evaluation of current credit and claims risk. Rule 4123-19-03 of the Ohio Administrative Code establishes the requirements for an employer’s financial strength and administrative ability.

Credit risk is based on a number of factors, including:

- A quantitative assessment of information from the most recent financial statements, including a review of the footnotes to those statements;
  - Key financial information considered includes, but is not limited to, assets, liabilities, long-term debt, retained earnings, inventories, cash and securities, sales and net income;
- The expected default frequency rating using Moody’s analytics models;
- Bond issuer ratings from Moody’s and S&P;
- Any other pertinent information that may impact financial performance.

Claims risk is based on a number of factors, including:

- Current and historical claims reserves as reported on the SI-40 annual report;
- Current and historical trends in paid claims costs (compensation and medical);
- Claims liability identified by an independent actuarial study;
- Any other information related to open claims associated with the employer.

The amount of security required is determined using the above analysis in combination with the self-insured security matrix (below). The minimum amount of security amount required will be \$150,000.

**Ohio Bureau of Workers Compensation**

**LOC Matrix**

Effective January 2019

**Default Risk**

Size Bucket	Reserve Minimum	LOC Size Factor		SI Rating / LOC Rating Factor							
				A3 or Higher	Baa1 to Baa3	Ba1	Ba2	Ba3	B1 to B3	Caa1 or Lower	
				0%	0%	75%	100%	125%	200%	250%	
<b>CLAIMS RISK</b>	10	\$ 7,400,000	100%	LOC % of Reserve	0%	0%	75%	100%	125%	Actuarial Study	Actuarial Study
	9	\$ 3,700,000	90%	LOC % of Reserve	0%	0%	68%	90%	113%	Actuarial Study	Actuarial Study
	8	\$ 2,200,000	80%	LOC % of Reserve	0%	0%	60%	80%	100%	Actuarial Study	Actuarial Study
	7	\$ 1,000,000	70%	LOC % of Reserve	0%	0%	53%	70%	88%	Actuarial Study	Actuarial Study
	6	\$ 750,000	60%	LOC % of Reserve	0%	0%	45%	60%	75%	Actuarial Study	Actuarial Study
	5	\$ 500,000	50%	LOC % of Reserve	0%	0%	38%	50%	63%	Actuarial Study	Actuarial Study
	4	\$ 250,000	40%	LOC % of Reserve	0%	0%	30%	40%	50%	200%	250%
	3	\$ 150,000	30%	LOC % of Reserve	0%	0%	0%	30%	38%	200%	250%
	2	\$ 50,000	0%	LOC % of Reserve	0%	0%	0%	0%	0%	0%	0%
	1	\$ -	0%	LOC % of Reserve	0%	0%	0%	0%	0%	0%	0%

