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).

## Ohio Bureau of Workers' Compensation

### Security Matrix

### Effective January, 2015

CREDIT RISK

CLAIMS RISK

| Size Bucket | Reserve Minimum | LOC Size Factor | | SI Rating / LOC Rating Factor | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | A3 or Higher | Baa1 | Baa2 | Baa3 | Ba1 | Ba2 | Ba3 | B1 to B3 | Caa1 or Lower |
| | | | | 0% | 0% | 0% | 50% | 75% | 100% | 125% | 150% | 150% |
| | | | | | | | | | | | | |
| 10 | $7,400,000 | 100% | LOC % of Reserve | 0% | 0% | 0% | 50% | 75% | 100% | 125% | 150% | Actuarial Study |
| 9 | $3,700,000 | 90% | LOC % of Reserve | 0% | 0% | 0% | 45% | 68% | 90% | 125% | 150% | Actuarial Study |
| 8 | $2,200,000 | 80% | LOC % of Reserve | 0% | 0% | 0% | 40% | 60% | 80% | 125% | 150% | Actuarial Study |
| 7 | $1,000,000 | 70% | LOC % of Reserve | 0% | 0% | 0% | 35% | 53% | 70% | 125% | 150% | Actuarial Study |
| 6 | $750,000 | 60% | LOC % of Reserve | 0% | 0% | 0% | 30% | 45% | 60% | 125% | 150% | 150% |
| 5 | $500,000 | 50% | LOC % of Reserve | 0% | 0% | 0% | 25% | 38% | 50% | 125% | 150% | 150% |
| 4 | $250,000 | 40% | LOC % of Reserve | 0% | 0% | 0% | 20% | 30% | 40% | 125% | 150% | 150% |
| 3 | $150,000 | 30% | LOC % of Reserve | 0% | 0% | 0% | 0% | 0% | 30% | 125% | 150% | 150% |
| 2 | $50,000 | 0% | LOC % of Reserve | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| 1 | $ - | 0% | LOC % of Reserve | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |