

Ohio BWC: Self-Insured Update

Paul Flowers – Director, Self-Insured Department

David Sievert – Supervisor, Self Insured Auditing

Agenda

- Assessment Rates
- Security Requirements
- Return to Work
- Vocational Rehabilitation
- Housekeeping Items

Self-Insured Assessments

- Self-Insured Mandatory Surplus Fund
- Self-Insured Employer's Guaranty Fund (SIEGF)
- BWC Administrative Costs
- Industrial Commission Administrative Costs
- Safety & Hygiene Fund
- Optional Funds
 - Rehabilitation Program
 - Handicap Program
 - Disallowed Claim Reimbursement Program

Self-Insured Assessments

- The assessments are levied based upon the prior year (calendar year 2013) paid compensation for self-insured employers
 - Projected \$175 million
- The assessments will be used in February and August of 2015 billings (7/1/2014 – 6/30/2015 period)

Paid Compensation History

Year	# SI-40 Reported	Paid Compensation
2003	1,356	\$248,802,346
2004	1,361	\$238,207,100
2005	1,343	\$228,085,839
2006	1,360	\$221,610,279
2007	1,377	\$214,982,719
2008	1,395	\$209,709,841
2009	1,392	\$201,529,183
2010	1,415	\$199,740,998
2011	1,489	\$196,970,008
2012	1,474	\$185,212,356
2013	1,543	\$173,528,385

Self-Insured Assessments

Mandatory Assessments	7/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013	7/1/2014	Change
Mandatory Surplus	0.0935	0.0300	0.0300	0.0690	0.0100	0.0630	+0.0530
SIEGF	0.0527	0.1154	0.0527	0.0400	0.1138	0.0470	-0.0668
BWC Admin.	0.0889	0.0889	0.0889	0.0889	0.0889	0.0871	-0.0018
IC Admin.	0.0798	0.0798	0.0750	0.0725	0.0696	0.0668	-0.0057
S&H	0.0050	0.0050	0.0050	0.0050	0.0050	0.0050	+/- 0.000
Total	0.31991	0.31911	0.2516	0.2754	0.2873	0.2689	-0.0184
Optional Assessments							
Rehabilitation	0.1300	0.1300	0.1300	0.1300	0.1300	0.1300	+/- 0.000
Handicap	0.2480	0.2480	0.2480	0.2480	0.2480	0.2480	+/- 0.000
Disallowed Claims	0.0278	0.0396	0.0334	0.0300	0.0238	0.0173	-0.0065

Assessment Calculation

Example: 2013 Paid Compensation as self reported on the SI-40 is \$1,000,000

- Also includes any state fund indemnity payments associated with new self-insured employers, subsidiary additions or PEO clients

Mandatory Surplus Fund - $.0630 * \$500,000 = \$31,500$

Guaranty Fund - $.0470 * \$500,000 = \$23,500$

Administrative Cost Fund (BWC) - $.0871 * \$500,000 = \$43,550$

Administrative Cost Fund (IC) - $.0668 * \$500,000 = \$33,400$

Division of Safety & Hygiene - $.0050 * \$500,000 = \$2,500$

Total assessment amount = \$134,450

(amount will be billed February and August 2015)

Assessment Calculation

- If the paid compensation for a self-insuring employer for calendar year 2013 is less than \$13,519.60, the minimum assessment to be paid is:

Mandatory Surplus Fund - \$851.73

Guaranty Fund – no minimum

Administrative Cost Fund (BWC) - \$1,177.56

Administrative Cost Fund (IC) - \$903.11

Division of Safety & Hygiene - \$67.60

Assessment Calculation

Example: 2013 Paid Compensation as self reported on the SI-40 is \$10,000

- Also includes any state fund indemnity payments associated with new self-insured employers, subsidiary additions or PEO clients

Mandatory Surplus Fund - $.0630 * \$5,000 = \315 (minimum assessed is \$425.87)

Guaranty Fund - $.0470 * \$5,000 = \235

Administrative Cost Fund (BWC) - $.0871 * \$5,000 = \435.5 (minimum assessed is \$588.78)

Administrative Cost Fund (IC) - $.0668 * \$5,000 = \334 (minimum assessed is \$451.56)

Division of Safety & Hygiene - $.0050 * \$5,000 = \25 (minimum assessed is \$33.80)

Total assessment amount = \$1,735.01

(amount will be billed February and August 2015)

Self-Insured Assessments

- Self-Insured Mandatory Surplus Fund
- Self-Insured Employers Guaranty Fund (SIEGF)

When a self-insuring employer defaults on its self-insured workers' compensation obligations, the BWC moves to recover dollars paid by:

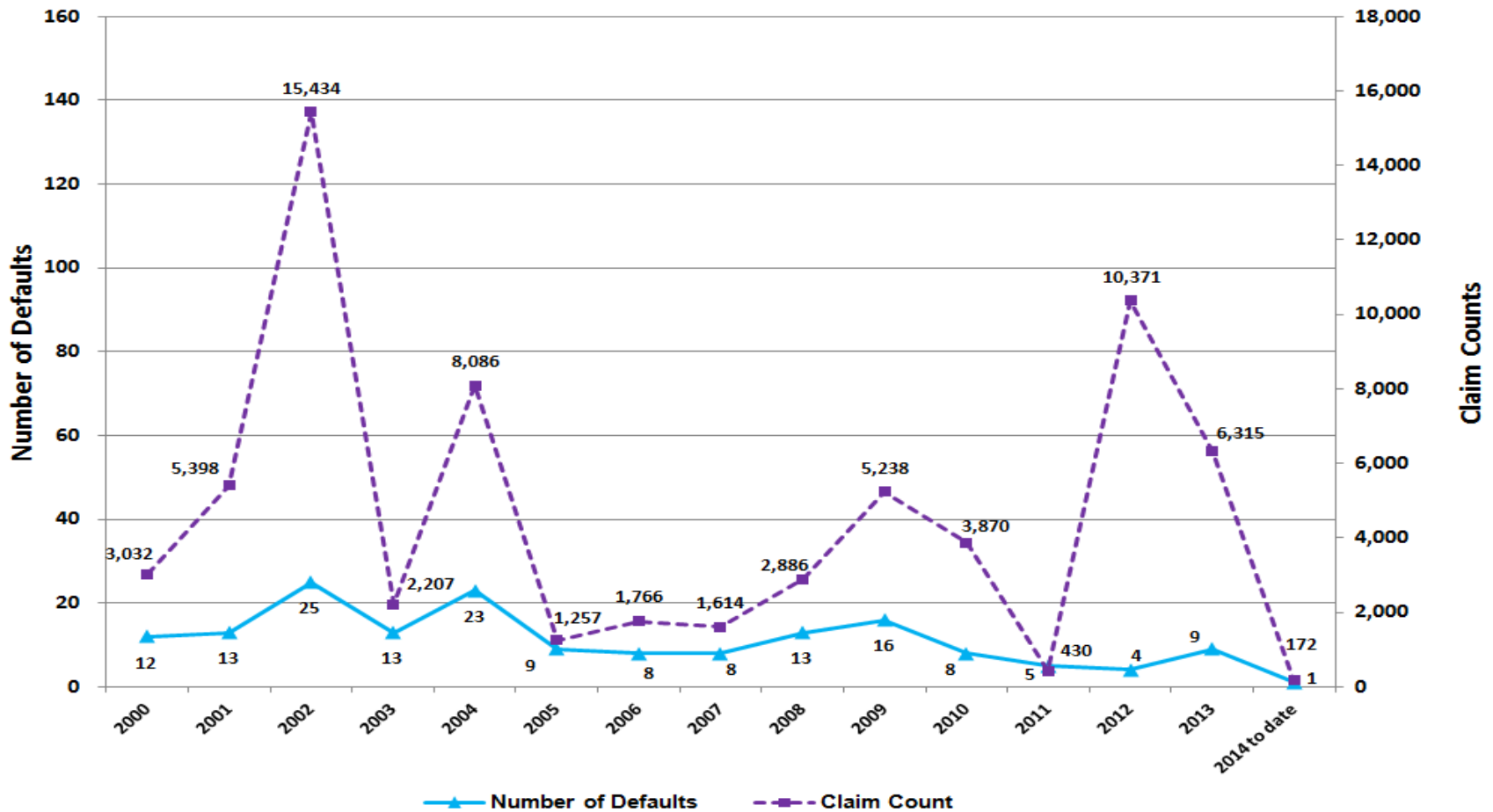
- Drawing on additional security that may have been placed in BWC's favor by the defaulting employer
- Utilizing guarantees from parental obligator
- Filing bankruptcy claims
- Paying costs from one of the above funds

Self-Insured Default History

<u>Year</u>	<u># of Defaults</u>	<u>Claim Count at Default</u>
Pre 2005	235	71,546
2005	9	1,257
2006	8	1,766
2007	8	1,614
2008	13	2,886
2009	16	5,238
2010	8	3,870
2011	5	430
2012	4	10,371
2013	9	6,315
2014 (to date)	1	172
TOTAL	316	105,465

Self-Insured Default History

Self-Insured Employers Guaranty Fund Number of Defaults and Claim Counts



Fund Balances

	Actual 2012 Balance	Actual 2013 Balance	Projected 2014 Balance
Mandatory Fund	\$9,343,118	(\$520,278)	(\$6,767,704)
SIEGF	\$55,411,471	\$63,707,932	\$64,345,889

Fund Payouts

Mandatory Assessments	Projected Calendar Year Payments	Rate per \$1 of Compensation (Run Rate)
All Defaulted Claims	\$32,912,000	0.1881
Mandatory Fund	\$8,590,000	0.0491
SIEGF	\$24,322,000	0.1390

Other Costs

Other Cost	Fund	Projected Amount	Rate per \$1 Of Compensation
MCO Program	SIEGF	\$1,173,000	0.0067
DWRF Payments	SIEGF	\$4,558,000	0.0260

Other Adjustments

Adjustment	Fund	Projected Reduction	Rate per \$1 of Compensation
Surety Bond Collections	Mandatory	(\$1,000,000)	(0.0057)
New SI Assessments	SIEGF	(\$4,216,600)	(0.0241)
LOC Collections	SIEGF	(\$5,777,000)	(0.0330)

Development of Mandatory Fund Rate

	Projected Amount	Rate per \$1 of Compensation
Defaulted Claim Costs	\$8,590,000	(0.0491)
Surety Bond Collections	(\$1,000,000)	(0.0057)
Funding of Mandatory Deficit	\$3,430,000	(0.0196)
Total	\$11,020,000	0.0630

Development of SIEGF Rate

	Projected Amount	Rate per \$1 of Compensation
Defaulted Claim Costs	\$24,322,000	0.1390
MCO Program	\$1,173,000	0.0067
DWRF Payments	\$4,558,000	0.0260
New SI Assessments	(\$4,216,600)	(0.0241)
LOC Collections	(\$5,777,000)	(0.0330)
Draw Down of SIEGF Balance	(\$11,830,000)	(0.0676)
Total	\$8,229,400	0.0470

Overall Assessment Rates

Fund	7/1/2013	7/1/2014	Rate Change	Percent Change
Mandatory	0.0100	0.0630	+0.0530	530%
SIEGF	0.1138	0.0470	-0.0668	-58.7%
Total	0.1238	0.1100	-0.0138	-11.1%

Note: Total assessment rates from 7/1/13 to 7/1/14 are declining from 0.2873 to 0.2689, which is a 6.4% reduction

Projected Fund Balances

Fund	Actual 7/1/2013	Projected 2014	Projected 2015	Ratio
Mandatory	(\$520,278)	(\$6,767,704)	(\$3,493,587)	N/A
SIEGF	\$63,707,932	\$64,345,889	\$52,511,020	1.80

Note: SIEGF required to maintain ratio above 1.25

Security Requirements

Size Bucket	Reserve Minimum	LOC Size Factor		Moody's EDF Rating / LOC Rating Factor							
				A3 or ↑	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3	B1 or ↓
				0%	0%	0%	25%	50%	75%	100%	100%
10	\$ 7,400,000	100%	LOC % of Reserve	0%	0%	0%	25%	50%	75%	100%	100%
9	\$ 3,700,000	90%	LOC % of Reserve	0%	0%	0%	23%	45%	68%	100%	100%
8	\$ 2,200,000	80%	LOC % of Reserve	0%	0%	0%	20%	40%	60%	100%	100%
7	\$ 1,200,000	70%	LOC % of Reserve	0%	0%	0%	18%	35%	53%	100%	100%
6	\$ 700,000	60%	LOC % of Reserve	0%	0%	0%	15%	30%	45%	100%	100%
5	\$ 500,000	50%	LOC % of Reserve	0%	0%	0%	13%	25%	38%	100%	100%
4	\$ 250,000	40%	LOC % of Reserve	0%	0%	0%	10%	20%	30%	100%	100%
3	\$ 150,000	30%	LOC % of Reserve	0%	0%	0%	0%	0%	23%	100%	100%
2	\$ 50,000	0%	LOC % of Reserve	0%	0%	0%	0%	0%	0%	0%	0%
1	\$ -	0%	LOC % of Reserve	0%	0%	0%	0%	0%	0%	0%	0%

Current Security Status

Credit Risk	Claims Risk	Employer Count	2013 Reserves	2012 Reserves	Security Amount	Security Count
Low	All	746	\$451,913,571	\$445,888,203	\$20,203,000	17
High/Mod	Low	221	\$12,059,142	\$15,992,075	\$12,024,859	46
Moderate	High/Mod	108	\$123,974,005	\$127,575,863	\$64,201,000	42
High	High	118	\$129,697,195	\$124,356,975	\$140,023,500	114
Total		1,193	\$717,643,913	\$713,813,116	\$236,452,359	219

Current Security Status

Credit Risk	Claims Risk	2014 Security	2013 Security	2012 Security	2011 Security
Low	All	4.5%	3.1%	2.4%	1.1%
High/Mod	Low	99.8%	134.6%	91.3%	98.2%
Moderate	High/Mod	51.8%	40.9%	45.8%	49.0%
High	High	108.0%	106.4%	107.9%	109.4%
	Total	32.9%	34.5%	35.9%	35.3%

Actuarial Study Requests

- In December, independent actuarial studies were requested from employers identified as having the most potential risk to SIEGF
 - High financial risk (Moody's rating Ba3 or lower for 2 consecutive years), and;
 - Significant 2012 reported reserves (\$1M or higher)
 - Identified 23 active employers in this group (2% of SI's)

Actuarial Study Results

Claims Incurred Year	Actuarial Case Reserves	IBNR	Factor
1987 to 2000	\$12,968,012	\$7,730,978	0.60
2001 to 2005	\$11,590,156	\$8,688,700	0.75
2006 to 2010	\$9,501,338	\$13,707,330	1.44
2011	\$2,449,003	\$5,538,051	2.26
2012	\$5,167,896	\$7,324,820	1.42
2013	\$3,233,687	\$11,087,003	3.43
Total	\$44,910,092	\$54,076,882	1.20

Actuarial Study Results

Employer	Financial Rating	Security Amount	Self-Reported Case Reserves	Actuarial Study Case Reserves	Factor
A	B3	\$3,200,000	\$3,019,800	\$3,138,670	1.04
B	B3	\$4,850,000	\$5,257,541	\$5,226,000	0.99
C	B3	\$6,500,000	\$6,577,307	\$6,591,844	1.00
D	B1	\$1,600,000	\$1,764,403	\$1,764,000	1.00
F	Caa1	\$6,980,000	\$6,652,838	\$6,609,449	0.99
G	B3	\$4,300,000	\$10,104,631	\$4,213,840	0.42
H	B2	\$1,150,000	\$900,589	\$440,235	0.49
I	Caa1	\$1,800,000	\$2,816,183	\$1,504,875	0.53
J	Caa1	\$2,450,000	\$2,751,277	\$1,951,680	0.71
K	Caa1	\$1,500,000	\$785,795	\$449,887	0.57
L	Ba3	\$1,034,000	\$760,184	\$1,008,440	1.33
M	Ca	\$2,000,000	\$4,628,232	\$1,060,068	0.23
N	B1	\$1,020,000	\$1,346,283	\$1,019,812	0.76
O	B1	\$2,610,510	\$1,053,764	\$1,053,763	1.00
P	Caa3	\$993,000	\$1,231,960	\$1,165,780	0.95
Q	B1	\$930,000	\$996,464	\$1,279,909	1.28
R	C	\$6,000,000	\$6,813,024	\$6,431,841	0.94
		\$48,917,510	\$57,460,275	\$44,910,092	1.28

Default History

Defaulted Policy	Payments by BWC	Calculated Reserve (Method A)	Method A Factor	Calculated Reserve (Method B)	Method B Factor
A	\$55,868,055.80	\$15,021,309	3.72	14,905,413	3.75
B	\$10,559,123.50	\$3,628,440	2.91	4,336,585	2.43
C	\$3,639,524.63	\$1,270,620	2.86	1,887,409	1.93
D	\$8,717,565.96	\$2,885,222	3.02	4,523,175	1.93
E	\$1,031,791.65	\$311,463	3.31	682,373	1.51
F	\$7,382,597.12	\$1,686,937	4.38	3,629,845	2.03
G	\$7,677,837.31	\$2,064,680	3.72	3,668,787	2.09
H	\$11,826,924.31	\$3,457,171	3.42	10,176,929	1.16
I	\$3,848,423.52	\$1,450,255	2.65	2,505,146	1.54
J	\$933,458.81	\$476,562	1.96	912,907	1.02
K	\$1,540,191.96	\$686,351	2.24	479,018	3.22
L	\$385,649.43	\$169,706	2.27	136,805	2.82
M	\$1,011,783.55	\$340,391	2.97	837,633	1.21
N	\$1,278,249.91	\$721,334	1.77	785,893	1.63
O	\$1,038,579.53	\$737,376	1.41	542,116	1.92
P	\$7,809,182.16	\$2,710,071	2.88	2,359,891	3.31
Average			2.84		2.09

•**Method A:** Uses a 2-year payment history, immediately following the date of default and allocated by payment type, to calculate a reserve (4x PTD, 1.5x Medical, 2x Other Costs) and compares this liability to actual claim payments made by the BWC from the date of default through 12/31/2012.

•**Method B:** Uses the payment history in the 4 years prior to default, allocated by payment type, to calculate a reserve (4x PTD, 1.5x Medical, 2x Other Costs) and compares this liability to actual claim payments made by the BWC from the date of default through 12/31/2012.

Default History

Defaulted Policy	Financial Risk	Claims Risk
High Risk	77%	38%
Moderate Risk	15%	8%
Low Risk	8%	54%

- 77-percent of all defaults were from employers that were identified as a high financial risk and 92-percent were an increased risk (high or moderate).

Security Recommendations

- In the next several weeks, a similar request for an independent actuarial study will be required of another group of employers that have been identified as an increased financial risk
 - High financial risk (Moody's rating Ba3 or lower for 2 consecutive years), and;
 - \$500,00 or more in 2013 reported reserves
 - Approximately 37 active employers in this group
 - Actuarial studies will be required as part of the next renewal period

Security Recommendations

Size Bucket	Reserve Minimum	LOC Size Factor		Moody's EDF Rating / LOC Rating Factor								B1 to B3	Caa1 or ↓
				A3 or ↑	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3			
				0%	0%	0%	50%	75%	100%				
10	\$ 7,400,000	100%	LOC % of Reserve	0%	0%	0%	50%	75%	100%			Actuarial Study	
9	\$ 3,700,000	90%	LOC % of Reserve	0%	0%	0%	45%	68%	90%			Actuarial Study	
8	\$ 2,200,000	80%	LOC % of Reserve	0%	0%	0%	40%	60%	80%			Actuarial Study	
7	\$ 1,000,000	70%	LOC % of Reserve	0%	0%	0%	35%	53%	75%			Actuarial Study	
6	\$ 750,000	60%	LOC % of Reserve	0%	0%	0%	30%	45%	70%				
5	\$ 500,000	50%	LOC % of Reserve	0%	0%	0%	25%	38%	65%				
4	\$ 250,000	40%	LOC % of Reserve	0%	0%	0%	20%	30%	50%				
3	\$ 150,000	30%	LOC % of Reserve	0%	0%	0%	0%	0%	40%				
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%	

Excess Insurance

- On a yearly basis, as part of an employer's renewal, the Self-Insured Department is requesting the declaration page for any excess insurance policy
- Additionally, requesting historical data of excess insurance for all years from those employers identified as being an increased financial risk

Other Items

- Pre-1987 Security Release

	Current Surety Amount	Surety Count
Active Employers	\$1,619,586,432	3,917
Inactive Employers	\$1,989,839,392	14,156
Grand Total	\$3,609,425,824	18,073

- Release Criteria
- Active employer;
- The SI employer has a Financial rating (using Moody's analytics) of Baa2 or higher;
- The SI employer has total outstanding reserves, for pre-1987 claims, of \$100,000 or less;
- Identification of any outstanding PTD claims;
- Identification of the potential exposure of future Occupational Disease claims (dictated by industry type).

Other Items

- Semi-Annual Assessment Payments
- Administrator Updates

Return to Work

- Full duty
- Modified duty – same employer
- Modified duty – different employer
- Modified duty – same employer/offsite

Return to work

- Documentation
 - Medical
 - Medco-14 full duty and modified duty
 - Physician slip
 - Office Notes
 - Employer
 - Medco 14 – Full duty
 - Job Offer Letter – modified duty
 - Payroll history

Impact on Benefits

○ Full duty release

- TT benefits can be stopped if treating physician releases injured worker to full duty
- TT should be paid up to and including the day prior to the full duty release
- If injured worker does not return immediately upon release to full duty, ongoing TT will have to be evaluated depending on reason for not working.
- Full duty release documentation must be in all files, Medical Only and Lost time
- IME Full duty or modified duty release is not sufficient to terminate TT benefits unilaterally

Modified Duty Impact

- Release with restrictions
 - If injured worker is released with restrictions by the attending physician and employer honors restrictions, TT can be stopped.
 - If restrictions are not honored, TT should continue, or possibly wage loss.
 - If honored, Injured worker may be eligible for wage loss, and is responsible for proving eligibility.

Benefits while on modified duty

- Wage Loss
 - Weekly benefit, unless starting in middle of pay period, first week can be prorated
 - Not based on actual days worked
 - If Injured Worker misses work while in modified duty it must be evaluated for limitation of earnings
 - If employer questions whether injured worker is limiting earnings, the injured worker must be notified prior to reducing wage loss

Vocational Rehabilitation

- Injured worker eligibility can occur when Maximum Medical Improvement is reached and there are permanent restrictions by the attending physician
- Employer has to determine if injured worker's permanent restrictions can be honored.
- If injured worker is deemed to be a candidate for Vocational Rehabilitation, employer must provide same level of service as BWC
- Injured worker's participation is voluntary and the program is individualized.

Vocational Rehabilitation

○ Process

- Feasibility determined- Usually with a vendor of employer's choosing
- Assessment completed- Initial Contact with injured worker must be made within 5 days of referral following feasibility determination
- If feasibility and assessment determine claimant is eligible a plan must be submitted to the employer within 45 days of referral.
- If injured worker is interested and eligible a referral to voc rehabilitation professional must be completed within 3 days.
- If injured worker is deemed not to be eligible, the issue should be resolved through the Industrial Commission.

Vocational Rehabilitation

○ Living Maintenance

- While in an approved plan, the injured worker is to be paid Living Maintenance. This is paid at the AWW rate based on original date of injury or 50% of SAWW for the current year.
- Living Maintenance is initiated once the assessment is completed and eligibility is determined.
- Living Maintenance continues until the approved plan is complete

Audit and Complaint Impact

- SI employers must provide the same level or higher benefit than the BWC
- Communicate with injured workers' actions being taken so they can determine if they wish to pursue a hearing
- Review BWC policies on www.BWC.Ohio.Gov if you are not sure.

Ohio BWC: Self-Insured Update

Paul Flowers – Director, Self-Insured Department

David Sievert – Supervisor, Self Insured Auditing