

OSC 10
Ohio Safety Congress & Expo

BWC Rate Reform and Programs
704

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Tuesday, March 30, 2010 1 to 2 p.m.

Ohio | Bureau of Workers' Compensation

Primary goal of rate reform

- o Each employers' rate should reflect only the risk they presented to the system.
 - o No outside influences
 - o No cost shifting
 - o No subsidization
- o Your rate should be based on you.

2

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Group-experience rating

Purpose of group-experience rating: To allow smaller employers to pool their risks together to become experience rated in a manner similar to a large employer

- o Pooling risks allows for larger discounts.
- o In theory, claims costs would be spread among the group, and the group would remain persistent.

3

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Group-experience rating

- o What happened?
 - o Flawed design allowed groups to shed employers who increased costs.

| Large employer | Group |
|------------------------------------|--|
| - \$1 million+ in expected losses. | - \$1 million+ in expected losses. |
| - Employer has claims costs. | - Employer has claims costs. |
| - Claims stay in experience. | - Group can eliminate employer and replace with another. |
| - EM reflects risk. | - EM does not reflect risk. |

4

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Group-experience rating

- o Impacts
 - o BWC had to inflate base rates to ensure appropriate levels of premium collection.
 - o Non-group employers had to bear more cost to administer group program.

5

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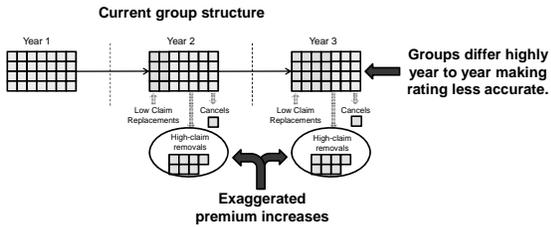
Realities of group rating

Ideal group structure

Current group structure

6

Issues caused by current structure



Impacts of rate reform

- Rates are no longer inflated to cover for shortfalls caused by group.
- Non-group employers pay the correct rate.
- Your rate is now more closely based on you.

Impacts of rate reform

- Non-group employers' rates declined by an average of 25.3%.
- Group employers' rates increased by approximately 11.3%.
- Overall aggregate reduction in net premiums of \$139 million by all Ohio employers.

Impacts of rate reform

- Approximately 74,000 non-group employers who are claim free will receive a 31% average decrease.
- Additionally, 432 of the largest 500 policies will see a rate reduction for your primary manual classification.

| Reduction level | Count |
|--------------------------|-------|
| 30 percent or more | 133 |
| 20 percent to 29 percent | 91 |
| 10 percent to 19 percent | 140 |
| Less than 10 percent | 68 |

Ohio rates in perspective

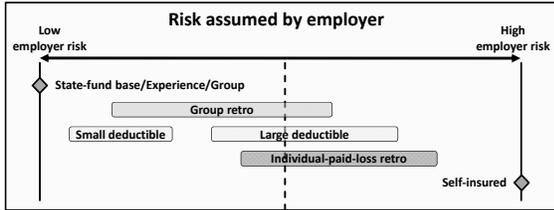


Additional rate-reform goals

- Provide larger, state-fund employers with more options that allow them to determine their level of risk tolerance
- Re-prioritize efforts to serve employers by structuring BWC operations and services around what policyholders need to control costs and improve safety

Alternative-rating plans

By assuming some portion of risk, an employer may be able to reduce his or her total workers' compensation costs. The higher the risk assumed, the greater the potential benefits.

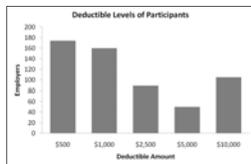


13

Deductible Program

Deductible update – PY 2009

Level of participation
Employer demographics
Risk characteristics



15

Large deductible highlights

- Follows the same basic structure as the small deductible
 - Monthly billing, annual enrollment, etc.
- Per claim deductible levels: \$25K, \$50K, \$100K, \$200K
- Aggregate stop-loss option would be set at three times the deductible level chosen
- More rigorous credit/financial review

16

Eligibility criteria for all deductible levels

- Open to private (PA) and public employers (PEC)
- Policy in good standing and active
- Current on all premium payments and deductible billings

17

Eligibility variances by deductible level

| Criteria | Deductible levels of \$500 to \$10K | Deductible levels of \$25K to \$50K | Deductible levels of \$100K to \$200K |
|---|--|---|---|
| Minimum lapsed days | 40 days in 12 months | 15 days in five years | 15 days in five years |
| Minimum premium | Deductible level must be 25% of standard premium | Deductible level must be 40% of standard premium | Deductible level must be 40% of standard premium |
| Allowance for self-insured re-entering system | None | Paid compensation utilized to determine eligibility | Paid compensation utilized to determine eligibility |
| Financial review | Dun & Bradstreet financial strength review | Must submit audited or reviewed GAAP financials | Must submit audited GAAP financials |
| Program compatibility | May use with group rating | Group-rating incompatible | Group-rating incompatible |

18

Not compatible with other programs

- o Salary continuation
- o \$15K Medical-Only Program
- o Retrospective-Rating Program
- o Group-Retrospective-Rating Program
- o Group rating for large deductible participants
- o Drug-Free Safety Program for participants at the \$25K per claim limit and higher

19

Large deductible levels

| Deductible level | Minimum premium required |
|------------------|--------------------------|
| \$25,000 | \$62,500 |
| \$50,000 | \$125,000 |
| \$100,000 | \$250,000 |
| \$200,000 | \$500,000 |

20

Large deductible example

Company details

Geesey's Drywall
Manual classes: 100% – 5443: Lathing and Drivers
Payroll: \$800,000

Rate details

Base rate: \$ 23.30
Experience modifier: 1.25

Premium calculation without deductible

| Pure premium | Admin cost | DWRF | DWRF 2 | Total premium |
|--------------|------------|--------|--------|---------------|
| \$ 233,000 | \$ 37,640 | \$ 800 | \$ 233 | \$ 271,673 |

Premium calculation with deductible

NCCI Hazard Group of Primary Manual Class: C
Deductible Level Chosen: \$50,000

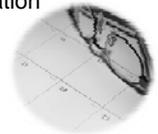
Deductible discount: 42%

| Pure premium | Admin cost | DWRF | DWRF 2 | Ded Disc | Total premium |
|--------------|------------|--------|--------|-----------|---------------|
| \$ 233,000 | \$ 37,640 | \$ 800 | \$ 233 | \$ 97,860 | \$ 173,813 |

21

Deductible Program deadlines

- o PA enrollment – March 1 to last business day of April
- o PEC enrollment – Sept .1 to last business day of October
- o Apply – Online or by paper application
 - Form U-148



22

Checking your eligibility

You can see whether you are eligible for the program and potential discount levels through the link below:
<https://www.ohiohwc.com/employer/forms/deductibleprogrameligible/secure/deductibleprogramsinqury0.aspx>

Member group: 11 Experience premium in past policy year: \$707,103.27

Your hazard group and the premium you paid last year determine the deductible levels and discount percentages available to your company. If you meet the minimum eligibility requirements, here are the deductible levels and discount percentages that would apply to you.

The annual aggregate stop loss option will limit the total liability an employer will pay in deductible expenses for incidents that occur during the policy year. The annual aggregate limit will be set at three times the deductible chosen.

| Deductible amount | Option A Premium discount factor | Option B Premium discount factor with aggregate stop loss |
|-------------------|----------------------------------|---|
| \$250 | 3.9% | not applicable |
| \$1,000 | 6.0% | not applicable |
| \$2,500 | 9.4% | not applicable |
| \$5,000 | 13.4% | not applicable |
| \$10,000 | 19.9% | not applicable |
| \$25,000 | 29.0% | 18.0% |
| \$50,000 | 39.0% | 32.0% |
| \$100,000 | 51.0% | 47.0% |

Submitting online applications

To apply for the program, just click the link at the bottom of the eligibility page.

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| \$25,000 | 29.0% | 18.0% |
| \$50,000 | 39.0% | 32.0% |
| \$100,000 | 51.0% | 47.0% |

[Submit an application for the Deductible Program \(U-148\) now](#)

Workers' Comp Program Options

Employer program options

Alternate-rating programs

- Group-experience rating
- Group-retro rating
- Individual-retro rating
- One claim
- 100-% EM cap

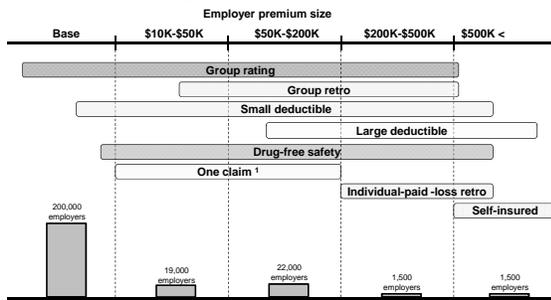
Premium discount programs

- Drug-free safety
- Small deductible
- Large deductible
- Safety council

Claim management

- \$15K Medical-Only Program
- Salary continuation
- Settlement
- Transitional work

BWC program portfolio



¹Enrollment is limited to employers that are non-renewed in groups

Group-retrospective rating

- o BWC launched a Group-Retro Program for the policy year beginning July 1, 2009.
- o The Group-Retro Program allows employers to form groups that will be evaluated at 12 months, 24 months, and 36 months after policy year end.
- o At each evaluation, BWC will calculate a retrospective premium for the group based on the projected ultimate claim costs for the policy year.
- o BWC will distribute refunds or assessments to the group based on the results of the retrospective premium calculation
- o Currently, there are 365 private employers and 54 public employers participating in group retro.

Questions?