

BWC Update

Friday, November 7

Overview

- Provide overview on governance changes
- Provide update on State Insurance Fund performance
- Discuss ongoing rate reforms

Governance

- BWC Board of Directors
 - Eleven total members – Director William Lhota
 - Three employer representatives
 - Two employee organization representatives
 - One employee representative
 - One public representative
 - Two investment/security experts
 - One CPA
 - One actuary

Governance

- BWC Board of Directors
 - Four committees
 - Actuarial – Director Chuck Bryan
 - Audit – Director Kenneth Haffey
 - Governance – Director Allison Falls
 - Investments – Director Robert Smith

State Insurance Fund

- Strategy: Designed to satisfy current and projected liabilities while earning sufficient returns to keep premium payments stable
- Asset allocation
 - 79 percent fixed-income securities
 - 20 percent equities
 - 1 percent cash

State Insurance Fund

o Performance

- FY 2006: 6.3 percent
- FY 2007: 6.6 percent
- FY 2008: 4.7 percent
- First quarter, FY 2009: -4.2 percent

Fundamentals of Ohio's ongoing rate reform

- Employers should:
 - Benefit from a workers' compensation system that provides competitive, accurate and appropriate rates.
 - Be encouraged to promote safe working environments.
 - Maintain the option to group together for the purpose of improving access to services that they otherwise may not be able to attain.
 - Select from a menu of programs (including combining some programs) that provide higher risk with the potential to receive greater rewards based on performance.

Transitioning to more competitive rates

- BWC wants to offer more competitive base rates
- The primary factor driving premium amounts should be the projected future risk a business brings to the system

Improvements to group rating

- BWC is working with sponsoring associations and TPAs on improvements to Ohio's group rating program
 - Emphasizes performance
 - Improves equity
 - Improves rating accuracy

Improvements to group rating

- Most recent change approved by Board of Directors was to set maximum discount at 77 percent beginning July 1, 2009
 - Results in a premium decrease for the majority of Ohio employers
 - Results in a premium increase for employers receiving the maximum discount

Transitioning to more competitive rates

- BWC also wants to prevent extreme economic hardship that might result
- BWC worked with sponsoring associations and TPAs on two caps:
 - EM cap for employers impacted by setting the maximum discount at 77 percent
 - EM cap for employers with significant experience changes

Improvements to group rating

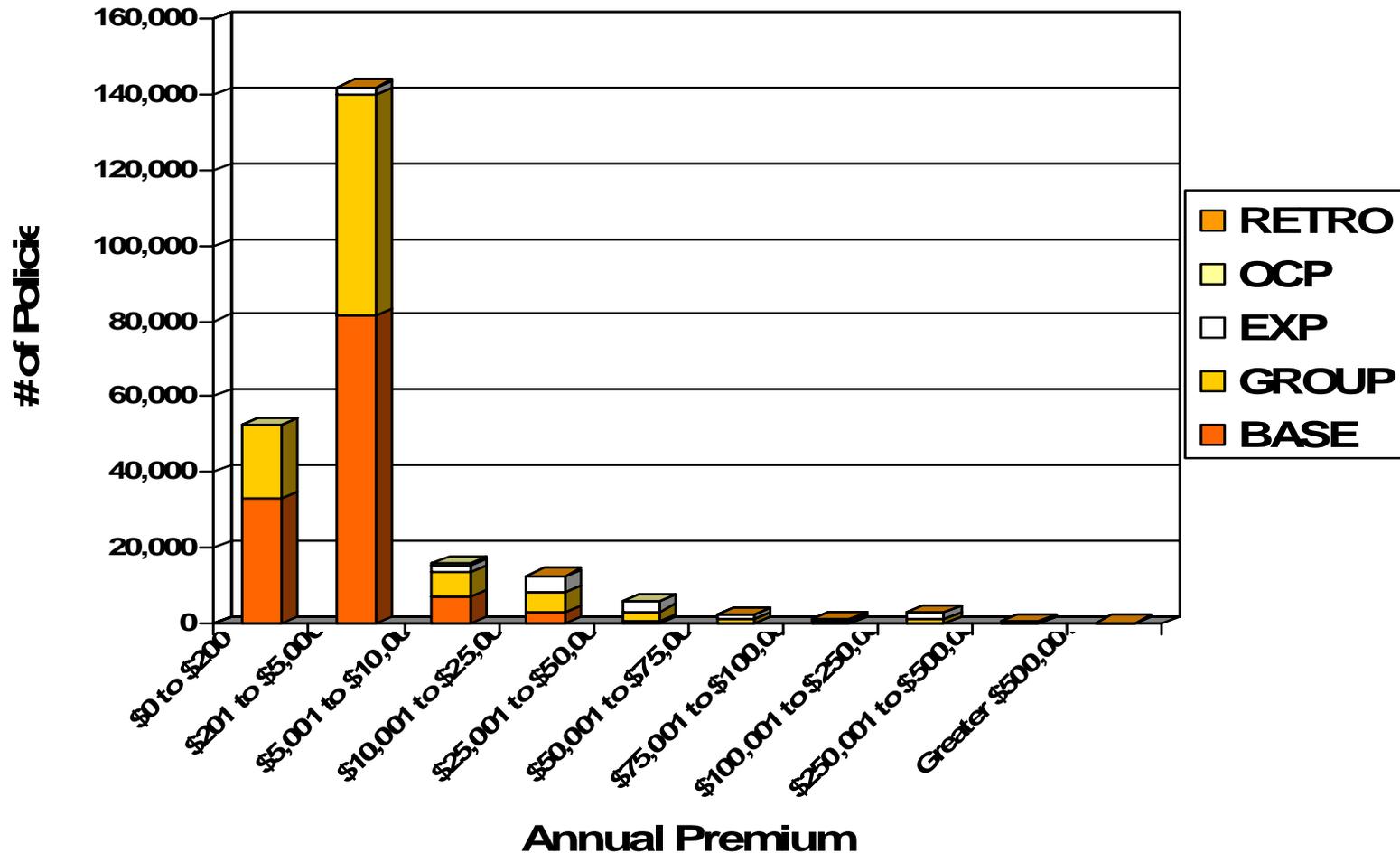
- Sponsorship requirements
- Continuity

Current program participation

Program	Eligibility requirements*	Duration	Participation
Group rating	Yes	Unlimited	40 percent
PDP	Yes	Three years (plus two)	1 percent
DFWP	Yes	Five years	4 percent
Safety council	No	Unlimited	4 percent
Retro	Yes	Unlimited	1 percent

* All programs would require employers to adhere to standard BWC compliance requirements

Current Ohio market



Proposed concepts

Program	Eligibility requirements*	Duration
Group retro	Yes	Unlimited
Deductible	No	Unlimited
Safety dividend (PDP)	No	Unlimited
DFWP	No	Unlimited

* All programs would require employers to adhere to standard BWC compliance requirements

Performance-based discount programs

- BWC wants to make Ohio's workers' compensation system an asset for economic development
- BWC is working with sponsors and TPAs to create a menu of new programs

**Deductible
Program**

- Standard pricing option for virtually all lines of insurance
- Allows employers to reduce their premium costs in exchange for bearing more individual risk for claims

**Group
Retro**

- Offered by Washington State's monopolistic workers' compensation system
- Enables similar employers to group together and attempt to control costs relative to losses they are projected to incur
 - Better performing groups may receive a refund
 - Less effective groups may pay additional premiums

**PDP/Safety
Dividend
Program**

- Could permit groups of state-fund employers to receive a dividend based on exceeding performance projections

Key outcomes

- BWC recognizes the economic challenges facing Ohio's business community
 - Transitional strategies
- BWC wants to make Ohio's workers' compensation system an asset for economic development
 - Performance-based discount programs
 - Ongoing improvements to group rating

Monitor progress

- o [Ohiobwc.com/reform](https://ohiobwc.com/reform)

Rate Reform

Tuesday, September 30, 2008