

BWC reviews each SI 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, we may request additional security in the form of a letter of credit.

We determine the risk that an employer presents to the SIEGF primarily through an evaluation of credit and claims risk. Rule 4123-19—03 of the Ohio Administrative Code describes the evaluation of an employer’s financial strength and administrative ability.

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

- A quantitative assessment of key information from the most recent financial statements, including a review of the footnotes to those statements;
 - Key financial variables include, but are 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 impacts 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);
- Any other information related to open claims associated with the employer.

Any request for additional security is outlined in 4123.351(E) of the Ohio Revised Code. We determine the security amount using our standard policy of the above analysis in combination with the self-insured risk profile matrix (below).

Self-Insurance Letter of Credit Matrix Effective January 2012

CREDIT RISK

CLAIMS RISK

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%

The risk profile matrix considers an employer’s financial risk through a financial underwriting analysis, and the claims risk based on the employer’s self-reported reserves and claims payments. The amount of the letter of credit will vary with the degree of overall risk presented to the SIEGF.