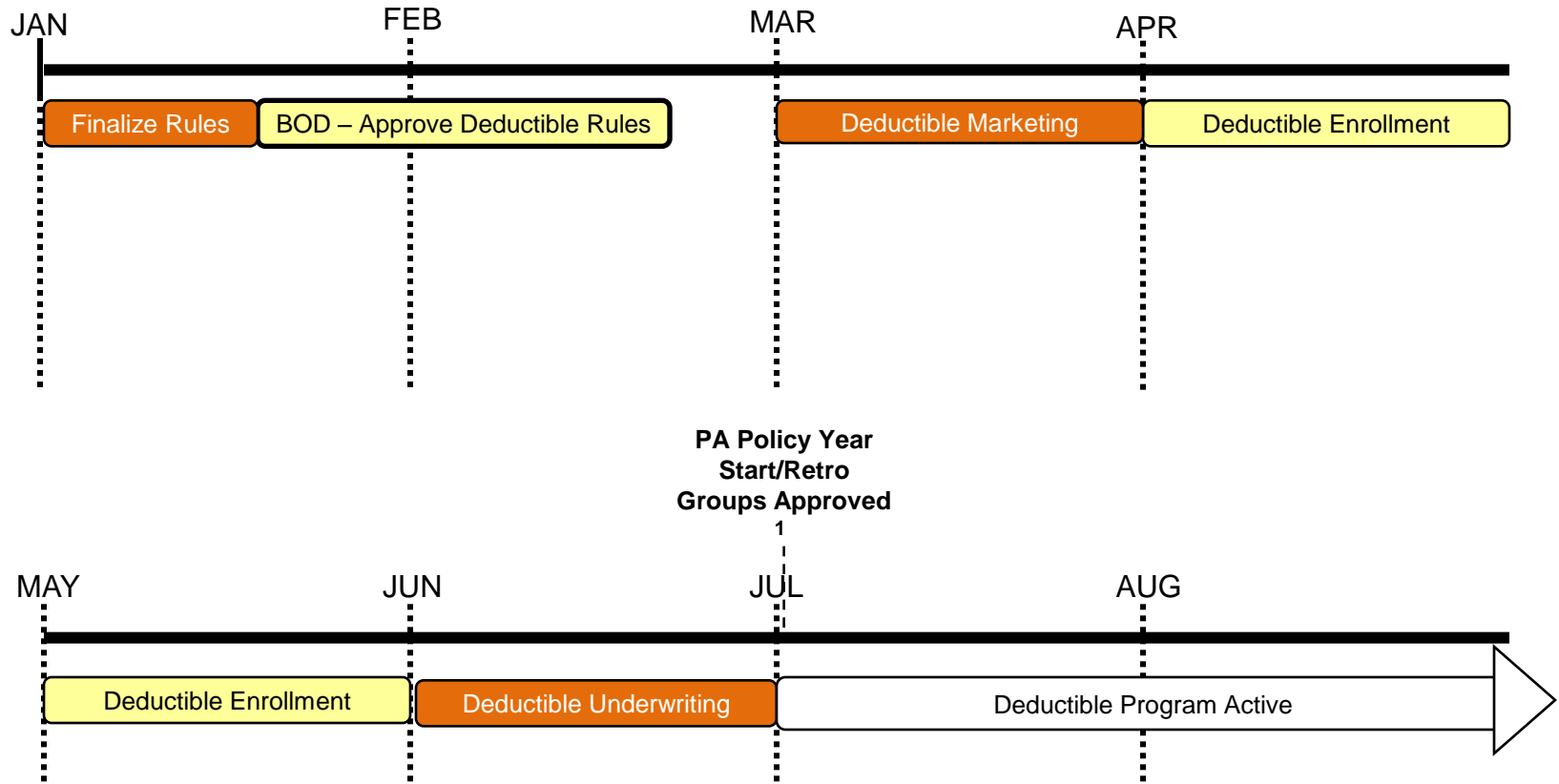


Group Retro Questions/ Sponsorship Certification Overivew

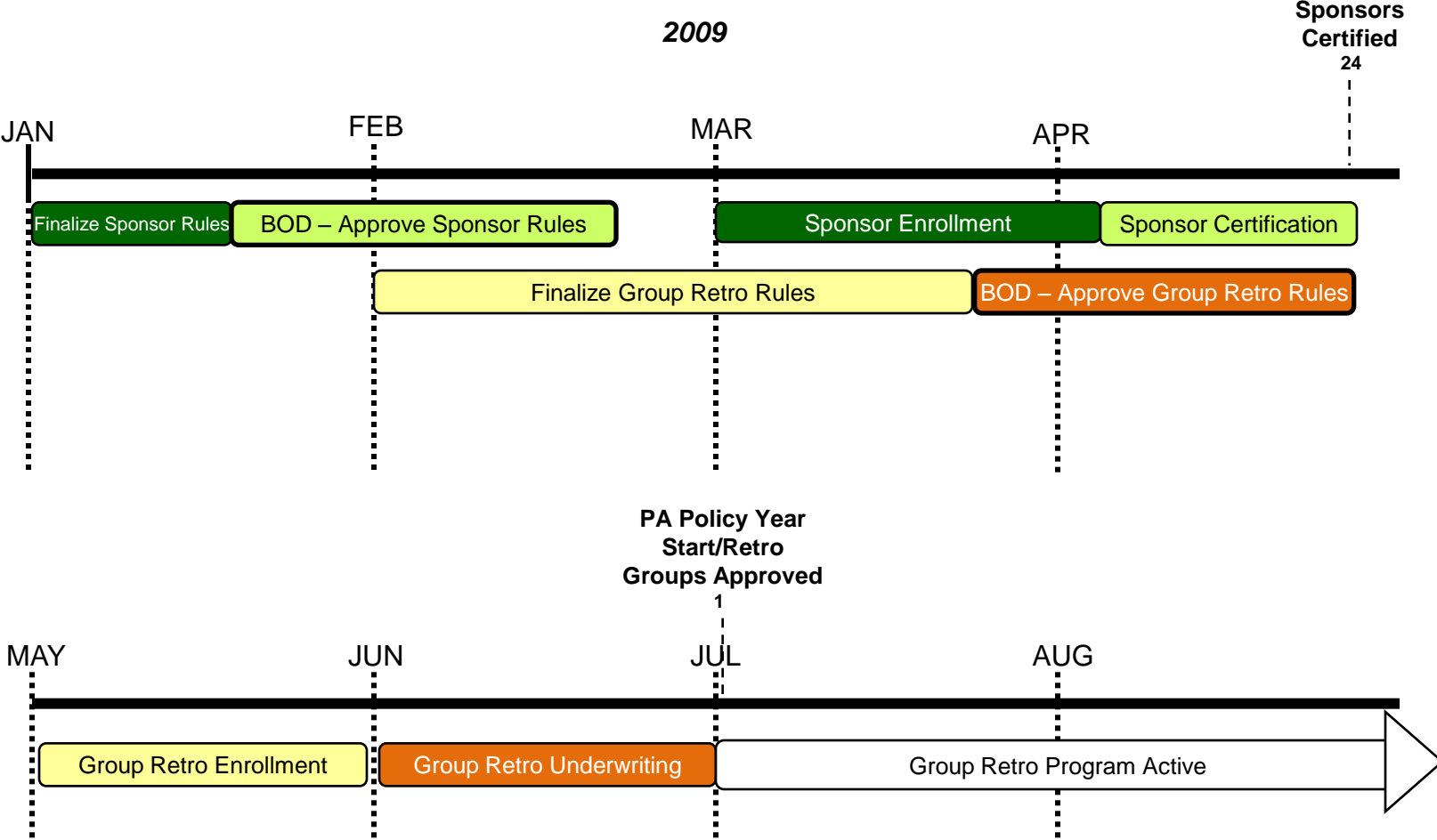
Thursday, February 26, 2009

Deductible Timeline

2009



Group Retro Timeline



Questions from Previous Meeting

Why group sizes are numbered largest to smallest (and can it be reversed)?

- o Yes, it can be reversed.
- o The Ohio group sizes will be listed smallest to largest

What happens if the premium drops below \$1 million after the group is formed?

- The group will be allowed to continue in Group Retro
- The Basic Premium Ratio Table will include values for Group Sizes under \$1 million to account for these situations

How will merger/acquisitions/audits/re-rates impact calculations?

- Mergers/acquisitions implications detailed in meeting material
- The results of audits/re-rates will be applied to individual employers as it does today. The resulting change to premium and/or losses will be reflected in the groups totals the following evaluation periods.

Does the LDF vary by industry/homogeneity or by size of group?

- There are currently two options being proposed. Each will be tested to see which best estimates the Ultimate Loss:
 - 1) LDF varies according to Industry Group
 - 2) Oliver Wyman has proposed using a different methodology whereby claims for a group would be tiered according to Hazard Groups and Hazard Group level LDFs applied to each tier

Will LDF calculations be based on the entire population of employers (including those using \$15K medical or salary continuation)?

- o Oliver Wyman will only included employers in their calculation of LDF who did not participate in \$15K medical or salary continuation at the time

Will we have actual tables before filing deadline?

- o Yes, final tables will be presented in the April Board of Directors meeting.

When will we have clarification regarding homogeneity?

- o Homogeneity for Group Experience Rating and Group Retro will remain the same for the 2009 policy year.

Will reserves that are used be the same as experience reserves/costs?

- o No, the reserves used for group retro will not include suppression rules and will be limited by a different per claim cap.

Will surplus costs be included in retro premium (developed versus incurred losses)?

- Surplus costs will not be included in the incurred losses
- Surplus is spread across employers equally so would be included in the “fixed cost” part of the retro premium calculation (the BPR)

Can more maximum premium ratios be added at the low end of the table?

- o Yes, we added MPR levels of 1.10, 1.15, and 1.20.
- o The MPR choices are now 1.05, 1.10, 1.15, 1.20, 1.25, 1.50, 1.75, and 2.00

Will settled claims be subjected to the LDF or treated like PTD/death claims?

- Yes, the LDF will be applied to settled claims because the factors themselves are based on all non-PTD/Death claims.
- An group would only be negatively affected if the settlement was substantially higher than the reserve was for the claim

Will entire refund be issued to participants, or will BWC retain a portion as a hedge against future assessments?

- The rules will be written so that BWC *may* retain a portion of the refund, but BWC will not be retaining a portion for the 2009 policy year.
- This will be re-examined in future policy years based on stakeholder feedback.

If there is a statutory change allowing sponsors control of refunds/assessments, how will that impact the 7/1/09 programs?

- o The refunds/assessments for the policy year starting 7/1/09 will always be distributed directly to employers even if this rule changes for future policy years.

Will detail of refunds/ assessments be managed by BWC and provided to the sponsor/TPA?

- o Yes, BWC will provide further data for retro groups
- o We require further input on what data would be needed beyond what sponsors/TPAs currently receive

What legal issues exist with respect to co-mingling funds if sponsors control refunds/assessments?

- o This question will be further evaluated when sponsors receiving refunds/assessments is re-examined in the coming year.

Can we get quarterly performance updates?

- o We have discussed sending out a periodic update but would like further input on what data employers, sponsors, and TPAs would be interested in seeing.

What is the period of time (and process) to file protests on refunds/assessments?

- o Group Retro will follow the standard BWC adjudication and timelines.

Can deadline for first year be extended to 6/30/08?

- The application deadline must be set at least a month before the start of the policy year to allow enough time for the applications to be processed and inform employers before 7/1/09
- If unforeseen circumstances make this deadline unattainable, the implications of completing the process after the start of the policy period will be further analyzed.

Is a group of one acceptable?

- No, although BWC is looking at implementing an Individual Incurred Loss Retrospective program in the future.
- Our rules currently state that a group must be at least “2” employers

What is the impact of split plan on the calculations?

- Split plan may affect the amount an employer pays in premium, but would not change the manner in which the retrospective premium is calculated.

How will BWC handle issues where employers have union contracts allowing salary continuation? Are they automatically precluded?

- This issue is still being deliberated below are the current options:
 - 1) Prohibit using Salary Continuation
 - 2) Allow Salary Continuation and include the full paid losses and reserve in incurred losses
 - 3) Allow Salary Continuation and only include the reserve portion of indemnity in the incurred losses

Does standard premium include assessments?

- Standard Premium will not include assessments
- The calculation of Standard Premium is as follows:
 - $SP = ((\text{Base Rate} \times \text{EM}) - \text{Plan Discounts}) \times \text{Payroll}$
- The retro factors will also not collect for the assessments. Essentially employers will pay their regular assessment charges in the retro year and these will not be affected by the Group Retro Program.

If the employer goes out of business, what happens to their portion of the refund/assessment?

- This issue is still being deliberated below are the current options:
 - 1) The employer's premium and losses would be removed from the group in all future evaluations
 - 2) The employer's losses and premiums would be included in future evaluations but the refunds and assessments would be retained by BWC

How will LCF be developed? What will comparison be based on?

- Oliver Wyman has suggested that we not use an LCF as part of our calculation.
- This factor is typically used to account for claims adjustment and claims service expenses; these expenses are included as part of the Administrative Cost assessment in Ohio

Additional Questions from Feedback

Why will losses used in the retrospective premium calculation be uncapped?

- A \$500,000 per claim cap will be applied when calculating developed losses
- This cap is intended to help decrease refund/assessment variance
- The cost of claims beyond the cap will be spread across all Group Retro employers through a slightly increased BPR

What will be the official name of the Group Retro product?

- The term “Group Retro” has been used up to this point and a consensus alternative has not been determined.
- “Group Retro” will continue to be used as the official name unless a suitable alternative is offered that everyone can agree on.

Will BWC require a security deposit for participants?

- o No security deposit will be required for participating in the program.

Will a methodology be considered that includes both incurred losses and premium by group member in determining the amount of refund or invoice for each group retro member?

- This may be re-evaluated for future policy years but sharing refunds and assessments on a pro rata basis seems to best meet the goals of equitability and group risk sharing.

Sponsorship Certification

Overview

Timelines

- March 6th – e-mail will be sent to sponsors and TPAs
- April 8th – Certification applications due back to BWC for entities sponsoring Group Retro 7/1/09
- April 24th – Approval denial letters will be sent out for entities who turned in application by April 8th

Timelines

- April 30th – Certification applications due for 2010 Group Rating/Group Retro
- June 30th – Approval/Denial letters will be sent to entities who turned in their application by April 30th

Please Note:

- Sponsoring organizations will be required to turn in application and the required material for themselves and their affiliates.
- Sponsoring organizations will not be held accountable for inaccurate information provided by an affiliate during the certification process.