

# **Rate Reform: Rules Workgroup**

Wednesday, November 12

# Objectives:

- Provide overview of next 45 days
  - Plan for getting materials to Board of Directors for December Update
- Respond to input from subgroups
- Provide overview of continuity modeling

# Overview of next 45 days

- o Dec. 17 and 18: Board Update Meeting

Nov. 25	NO MEETING
Dec. 2	Overview of progress update
Dec. 9	Additional discussion (if necessary)
Dec. 17/18	Board Meetings

# Overview of next 45 days

- Components of progress update:
  - Sponsorship requirements
    - Schedule for rules
  - Continuity efforts

# Overview of next 45 days

- Other updates:
  - Product development
  - Plan for testing multi-split plan

# Subgroup input – OAC 4123-17-61 (B)

## Proposed changes

- Sponsors should be allowed to remove members for non-compliance

## Question

- How can BWC be sure that sponsors aren't using failure to pay dues as a way to eliminate employers with bad experience?

# Subgroup input – OAC 4123-17-61 (B)

## Proposed changes

- Sponsors and sub-sponsors must provide:
  - Employer roster
  - By-laws
  - Dues structure
  - Organizational structure
  - Mission statement
  - Articles of incorporation
  - Active policy number

# Subgroup input – OAC 4123-17-61 (B)

## Proposed changes

- BWC will audit all sponsors and sub-sponsors at least once every three years.
- BWC will re-certify all sponsors and sub-sponsors in early 2009.

# Subgroup input – OAC 4123-17-61 (B)

## Proposed changes

- Where an employer is deemed to not be homogeneous, that employer should be granted an opportunity to move to homogeneous group within a defined period of time where a more homogeneous group exists.

# Subgroup input – OAC 4123-17-61 (B)

## Proposed changes

- Groups must improve accident prevention:
  - Report on claims compared to industry
    - Group A had X claims, which represents X.X percent of total claims for the industry
  - Report on claims costs to industry costs
    - Group A's claims cost \$X,XXX compared to \$X,XXX for the industry

# Subgroup input – OAC 4123-17-61 (B)

## Proposed changes

- o Employers must not have cumulative lapses of more than 30 days in a 24-month period preceding the application deadline.

# Subgroup input – OAC 4123-17-61 (D)

## Proposed changes

- Each sponsoring organization would have to meet new requirements found in 4123-17-61 (B).

# Subgroup input – OAC 4123-17-62 (G)

## Proposed changes

- BWC removes employers for gross misrepresentation or substantial operational changes throughout the policy year.

## Question

- How would BWC measure and define substantial operational change?

# Subgroup input – OAC 4123-17-68

## Proposed changes

- Once BWC provides comprehensive online training, all employers except those without a claim for two or more years must take two hours of education and training annually OR participate in the PDP/Safety Dividend program.

# Continuity

## Framework

- Examine 20-30 groups
  - Continuous groups from 2003 through most recently completed policy year
  - Varying industries
  - Varying EM percentages/group discounts
  - Use each year's credibility table

# Continuity

- Three scenarios
  - 100 percent continuous with individual group
  - 90 percent continuous with individual group
  - 75 percent continuous with individual group

# Continuity

- How continuity will be measured:
  - 50 percent of those eliminated will have highest TEL among group roster
  - 50 percent of those eliminated will be randomly selected

# Continuity

- o Output (for each year)
  - Group EM
  - Group premium
  - Incurred losses
  - Loss ratio relativity
  - Policy count fluctuation
    - Moved to different group?
    - Eliminated by sponsor?
    - Had claims?
    - Eliminated by BWC (bankrupt/cancelled/rejected)?

# Continuity

- Output (for each year)
  - Loss ratio relativities
  - Premium dollars collected
  - Off-balance rates for policy year
  - Base rate improvements

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