

BCC INFORMAL REGULAR SESSION

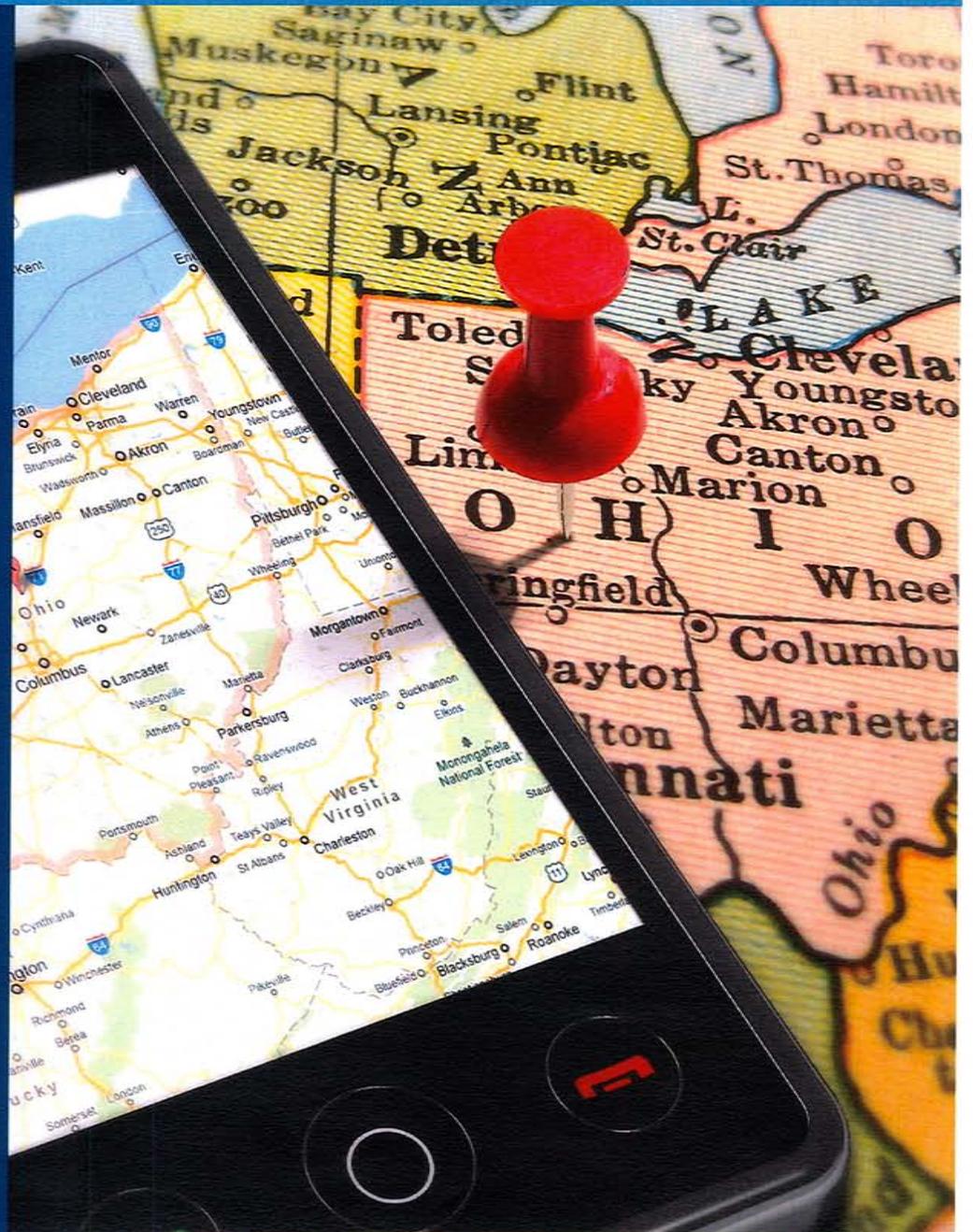
DATE: Monday, August 27, 2012

<u>NAME</u>	<u>TITLE</u>	<u>AFFILIATION</u>	<u>PHONE/EMAIL ADDRESS</u>
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CompManagement
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**PLOTTING THE
COURSE
SINCE 1984**

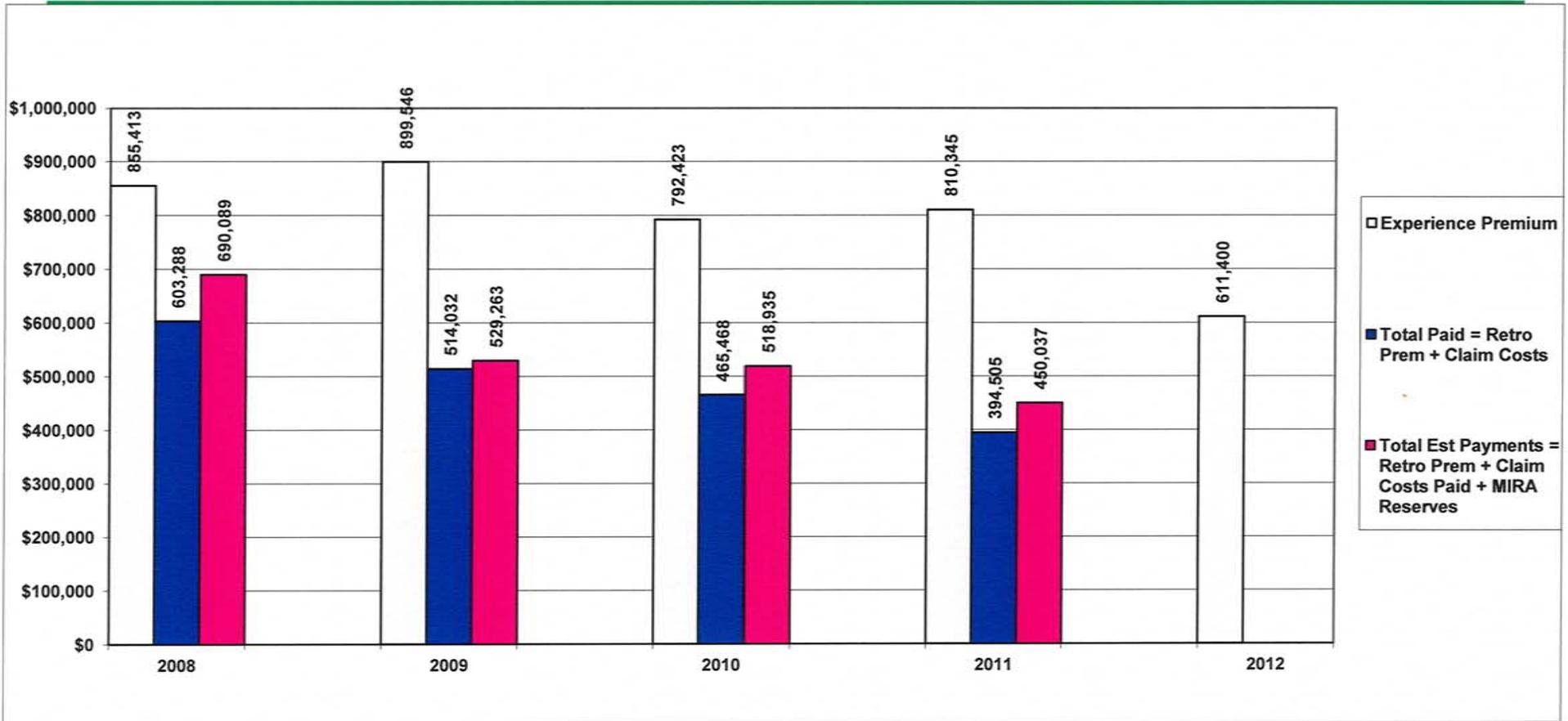
**Clermont
County
August 27, 2012**



Current Program

- Retrospective Rating
 - Claim limit and Policy limit selected for rating year
 - Reduced Premium
 - Injury Year claim costs billed annually for 10 years
 - Up to limits chosen
 - Reduced by handicap awards

Retrospective Premium Savings



Retrospective Savings:

➤ **Total Premium Savings through 12/31/11:**

➤ **\$1,380,434.56**

➤ **Estimated Total Savings*:**

➤ **\$1,169,403.56**

*Estimated Total Savings =
Premium Savings to Date
- MIRA Reserves as of 12/31/11



2013 Projections

- Estimated Employer Modification Rate: .83
- Estimated State Fund Premium: \$828,034
- Risk Limits: \$200,000 per claim & 150% premium
 - Retro Minimum Premium \$366,534
 - Initial Savings: \$432,657
 - Estimated Claim Costs: <\$231,303>
 - Estimated Savings: **\$201,354**
 - Claim Costs to Reach Break Even: \$432,657
 - Maximum Additional Premium: \$360,547

Self Insurance

- 5 Year Projected Savings beyond Retro Savings based on :
- Expected Losses: \$964,564
- Actual Incurred Losses: \$646,013
- “Worst Case” Year: \$98,597
- Estimates do not include TPA or Medical Management Costs

Self Insurance

Claim Limit Controlled by Excess Policy

No Aggregate Insurance Available

Medical Management and Bill Repricing Charged to Employer

Claim Exposure = Lifetime

Retro Rating

Claim Limit Controlled by Selection

Aggregate Insurance by Selection (150% or 200% of Standard Premium)

Medical Management and Bill Repricing Covered Through Premium (MCO)

Claim Exposure = 10 Years

Recommendations

- Remain at current level of Retro
 - \$200,000 claim limit/150% premium limit
- If there is a desire to pursue SI
 - Keep in mind there is no aggregate limit
 - You will still have 10 year liability on previous retro years
 - Obtain cost estimates and apply to study

Questions?



**Bruce Preston,
Account Executive**

CompManagement
Inc.



Retrospective Rating Analysis

Employer:	Clermont County	Alternate Program Discounts:	
Policy:	31300001	Est TM%: -17%	Hazard Group: Public
Exp Year:	1/1/13 through 12/31/13	Est EMR: 83%	Group TM% = 0%
Break Even Factor:	0.0%	Admin Rate: 0.100600	Deduct Discount: 0%
			DFSP Discount%: 0%

Individual Rates without Program Discounts:				
	Estimated Payroll	x	Est Indiv Rate*	= Est Indiv Premium
Manual #	9430	\$55,810,000	1.29	\$719,949
Manual #	9439	\$6,500	17.61	\$1,145
Manual #	0	\$0	0.00	\$0
Manual #	0	\$0	0.00	\$0
Manual #	0	\$0	0.00	\$0
Manual #	0	\$0	0.00	\$0
Est Premium :				\$721,094
Plus Assesments :				\$106,940
Total Est Premium :				\$828,034

Rates with Program Discounts:				
	Estimated Payroll	x	Est Rate*	= Est Indiv Premium
Manual #	9430	\$55,810,000	1.29	\$719,949
Manual #	9439	\$6,500	17.61	\$1,145
Manual #	0	\$0	0.00	\$0
Manual #	0	\$0	0.00	\$0
Manual #	0	\$0	0.00	\$0
Manual #	0	\$0	0.00	\$0
Est Premium :				\$721,094
Plus Assesments :				\$106,940
Total Est Premium :				\$828,034

TIER 1	Est Incurred Claim Costs:	n/a	\$231,303	\$231,303	\$231,303	\$231,303	\$231,303	NONE	NONE
Claim Limit	100,000	100,000	200,000	200,000	300,000	300,000	400,000	400,000	NONE
Maximum Premium %	150%	200%	150%	200%	150%	200%	150%	200%	150%
1) Premium based on current BWC Program	n/a	n/a	\$828,034	\$828,034	\$828,034	\$828,034	\$828,034	\$828,034	\$828,034
2) Premium without BWC Programs less Assess	n/a	n/a	\$721,094	\$721,094	\$721,094	\$721,094	\$721,094	\$721,094	\$721,094
3) Minimum Premium %	n/a	n/a	0.40	0.36	0.38	0.33	0.38	0.32	0.31
4) Retro Minimum Premium^ (line 2 x line 3)	n/a	n/a	\$288,437	\$259,594	\$274,016	\$237,961	\$274,016	\$230,750	\$266,805
5) Retro Minimum Premium + Assessments	n/a	n/a	\$395,377	\$366,534	\$380,956	\$344,901	\$380,956	\$337,690	\$373,745
6) Initial Savings (line 1 - line 5)	n/a	n/a	\$432,657	\$461,500	\$447,078	\$483,133	\$447,078	\$490,344	\$454,289
7) Estimated Incurred Claims	n/a	n/a	\$231,303	\$231,303	\$231,303	\$231,303	\$231,303	\$231,303	\$231,303
8) Estimated Savings / Loss (line 6 - line 7)	n/a	n/a	\$201,354	\$230,197	\$215,775	\$251,830	\$215,775	\$259,041	\$222,986
9) Allowable Break-even Claim Losses (line 6)	n/a	n/a	\$432,657	\$461,500	\$447,078	\$483,133	\$447,078	\$490,344	\$454,289
10) Claim Losses To Reach Maximum Premium	n/a	n/a	\$793,203	\$1,182,594	\$807,625	\$1,204,226	\$807,625	\$1,211,437	\$814,836
11) Maximum Additional Premium	n/a	n/a	\$360,547	\$721,094	\$360,547	\$721,094	\$360,547	\$721,094	\$360,547

TIER 2	100,000	125,000
Claim Limit	100,000	125,000
Maximum Premium %	150%	150%
1) Premium based on current BWC Program	\$828,034	\$828,034
2) Premium without BWC Programs less Assess	\$721,094	\$721,094
3) Minimum Premium %	0.46	0.43
4) Retro Minimum Premium^ (line 2 x line 3)	\$331,703	\$310,070
5) Retro Minimum Premium + Assessments	\$438,643	\$417,010
6) Initial Savings (line 1 - line 5)	\$389,391	\$411,024
7) Estimated Incurred Claims	\$217,413	\$225,564
8) Estimated Savings / Loss (line 6 - line 7)	\$171,977	\$185,460
9) Allowable Break-even Claim Losses (line 6)	\$389,391	\$411,024
10) Claim Losses To Reach Maximum Premium	\$749,937	\$771,570
11) Maximum Additional Premium	\$360,547	\$360,547

This projection is to be used as a guideline only for decision making purposes. The results should not be construed as actual. Estimated claims costs are based on most recently available MIRA reserves as provided by the BWC. Projections of rates and/or premium changes are estimated using the most recent loss information and historical data as provided by the BWC, therefore, actual numbers may vary from the estimates. Factors which may affect these numbers may include: rate changes by the BWC, BWC updates to MIRA reserves, payroll fluctuations, acceptance into/removal from alternative rating plans, BWC discounts, etc.

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* If a rate offset % is entered, the rate(s) shown here will reflect this offset.

^ Total premiums cannot be lower than BWC Administrative Costs.

Retrospective Rating Analysis
Worksheet

For training document, click below

[\CM\VOL1\S](#)

2012 rates

Private Admin Rate: 0.150800 0.08

Public Admin Rate: 0.100600 0.06

See Explanation tab for compatible programs.

Employer:	Clermont County		
Policy:	31300001	Rating Status:	Individual Retro
For Rating Year:	1/1/13 through 12/31/13	Admin Rate:	0.100600
Break Even Factor:	0.0%	MIRA Reserves as of:	6/30/2012

Prepared by: Ric Bell 8/20/12

Claims with TML > \$100,000 total:

Section 1: List comp, medical, and reserves from most recent experience or estimated experience.					ALSO →	Claim #	TML w/chp	Non-red TML	CHP%	100,000	125,000	200,000	300,000	400,000		
Year	Comp	MIRA Reserve	Medical	Claims Costs		08-337108	\$137,856	\$9,012	0%	100,000	125,000	137,856	137,856	137,856		
2007	\$27,853	\$6,645	\$155,302	\$189,800	Estimated	09-864088	\$82,003	\$0	25%	75,000	82,003	82,003	82,003	82,003		
2008	\$101,506	\$35,426	\$200,315	\$337,247	Incurred Claims	10-370966	\$59,588	\$0	65%	35,000	43,750	59,588	59,588	59,588		
2009	\$43,596	\$31,666	\$126,402	\$201,664	\$231,303					0	0	0	0	0		
2010	\$51,277	\$46,419	\$105,693	\$203,389						0	0	0	0	0		
2011	\$24,274	\$112,772	\$87,368	\$224,414						0	0	0	0	0		
			TOTAL:	\$1,156,514						0	0	0	0	0		
			Divide by:	5.00 years						0	0	0	0	0		
			Average:	\$231,303			\$279,447			0	0	0	0	0		
										Totals	210,000	250,753	279,447	279,447	279,447	
										Incurred Claims:	217,413	225,564	231,303	231,303	231,303	

Section 2: List Est TM%, manual numbers, and est payroll (rounded).				Apply capped TM%? YES		If EMR cap is applicable, enter as the Group TM% to calculate in the study and update the label from Group TM% to Cap %	
Policy Yr Est	1/1/13 through 12/31/13						
Est TM% =	-17%	Group TM% =	0%	Deduct Discount:	0.0%	* Pooled Savings - include Admin Cost Savings.	
Est EMR =	83%	Pooled Sav* =	0	DFSP Disc =	0%	Do not enter a Group TM%.	

Manual	Base Rate	Est Payroll	Est Indiv Rate	Est Premium	Current Program Rate	Est Prem	Admin Costs	DWRF I	DWRF II	Group Rate	Deductible Rate	DFWP Rate	Group & DFWP Rate	Deduct & DFWP Rate	Est In Admin Rate With Rate
9430	1.55	\$55,810,000	1.29	\$719,949	1.29	\$719,949	\$72,441	\$33,486	\$893	n/a	n/a	n/a	#VALUE!	#VALUE!	0.1298
9439	21.22	\$6,500	17.61	\$1,145	17.61	\$1,145	\$115	\$4	\$1	n/a	n/a	n/a	#VALUE!	#VALUE!	1.7716
0	0.00	\$0	0.00	\$0	0.00	\$0	\$0	\$0	\$0	n/a	n/a	n/a	#VALUE!	#VALUE!	0.0000
0	0.00	\$0	0.00	\$0	0.00	\$0	\$0	\$0	\$0	n/a	n/a	n/a	#VALUE!	#VALUE!	0.0000
0	0.00	\$0	0.00	\$0	0.00	\$0	\$0	\$0	\$0	n/a	n/a	n/a	#VALUE!	#VALUE!	0.0000
0	0.00	\$0	0.00	\$0	0.00	\$0	\$0	\$0	\$0	n/a	n/a	n/a	#VALUE!	#VALUE!	0.0000
Hazard Grp	Public			\$721,094		\$721,094	\$72,556	\$33,490	\$894						

Base minimum premium percents on this figure

Total Premiums:	\$828,034
Less Pooling:	\$0
Premiums:	\$828,034

Section 3: List RETRO PREMIUM % (BY PLAN #) based on Est Premium, Hazard Group, and BWC tables.

Tier 1	I.) 0.00	VI.) 0.33	Tier 2	I.) 0.46
	II.) 0.00	VII.) 0.38		II.) 0.43
	III.) 0.40	VIII.) 0.32		
	IV.) 0.36	IX.) 0.37		
	V.) 0.38	X.) 0.31		

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RETROSPECTIVE RATING TERMS**1) Premium based on current BWC Program**

Estimated premium payable to the BWC if not enrolled in the Retrospective Rating Plan. Takes into account other BWC program discounts.
Includes BWC assessments.

2) Premium without BWC Programs less Assess

Estimated premium payable to the BWC based strictly on employer claim losses and payroll. Does not include additional assessments or other BWC discount programs.
This figure is needed in order to determine minimum premiums under the Retrospective Rating Plan.

3) Minimum Premium %

Percents established by the BWC based on the 10 different retrospective rating options. It is the percentage of experience premium that must be paid to the BWC.

4) Retro Minimum Premium^ (line 2 x line 3)

The initial reduced premium payment to be paid without regard to any claims incurred during the retrospective rating year. It is calculated by multiplying Experience Premium (less assessments) by the minimum premium % established.

5) Retro Minimum Premium + Assessments

The minimum premium as calculated in line 4, plus BWC assessments. Assessments are based on experience premium before any retro minimums are applied.

6) Initial Savings (line 1 - line 5)

The difference between Premium based on current BWC Program(s) and Retrospective Premium including assessments. Does not take into account claims costs.

7) Estimated Incurred Claims

The amount the employer could expect to pay out in claims costs over the ten year period under the retrospective rating plan. The estimate is based on previous years claim history (compensation, medical, and MIRA reserves).

8) Estimated Savings / Loss (line 6 - line 7)

The estimate of the net savings or loss after ten years of claim payments. Calculated by comparing Initial Savings with Estimated Incurred Claims. This estimate does not take into account the time (investment) value of retaining a portion of premiums for the employer's use (i.e. interest).

9) Allowable Break-even Claim Losses (line 6)

The amount of claims costs that can be incurred in order to break even under the retrospective rating plan versus the employers current rating plan(s).

10) Claim Losses To Reach Maximum Premium

The amount of claims costs necessary to reach the maximum premium limit. This is the maximum claims costs the employer would be responsible for based on the chosen retrospective rating plan option.

11) Maximum Additional Premium

The additional premium the employer would have to pay out over the experience premium amount (before assessments and not applying other program discounts). It is the additional risk the employer will face when entering into a retrospective rating plan. This figure should be compared to the estimated savings when determining if the possible return is worth the risk assumed.

Tier 1 Requirements (per BWC):

The employer must have:

- An operating profit for a minimum of 3 years.
- Consistent return on equity of 10% or better.
- A total liabilities/equity ratio greater than 4 to 1.

The BWC also considers:

- Employer's trend of income for a minimum of 5 years.
- Employer's debt structure including current versus long term and recent drastic changes.
- Employer's Retained Earnings trend.
- Significant fluctuations in specific Balance Sheet numbers 1 year to the next..

Tier 2 Requirements (per BWC):

If an employer can not meet all of the financial requirements listed for Tier 1 but can demonstrate the ability to sustain losses that are at the maximum claim limit chosen and still maintain it's financial viability, then the employer can qualify for tier 2.

RETROSPECTIVE RATING STUDY

What is Retrospective Rating?

Retrospective Rating (Retro) is a rating plan established by the BWC where the employer agrees to assume a portion of risk (cost of claims) in return for a possible reduction in premiums. The greater the assumed risk, the greater the potential reduction in premiums.

With retrospective rating, the employer pays a discounted premium initially, and then reimburses the BWC for all compensation and medical payments made on claims occurring during the policy year. The employer is responsible for these claim costs for a 10-year period. At the end of 10 years, the employer must also pay any remaining reserve on all open claims.

What Does the Study Tell Us?

The study compares estimated state fund costs to estimated retrospective rating costs and shows potential savings for an employer.

Estimated retro costs compose of the minimum retro premium and estimated incurred claims losses, which are calculated using historical losses and the BWC MIRA reserves.

Important areas to review on the study:

There are 2 sections listing premium.

The one on the left is premiums based strictly on the employer's TM% - no program discounts. This premium is needed to establish a premium payment that would be made under the Retro Program - see below for program discounts that may be compatible with Retro discounts.

The one on the right is premium based on any other program the employer is currently participating in. If none, the two sections should be the same.

Estimated Incurred Claim Costs is the amount the employer could expect to pay out in claims costs over the ten year period for the claims that can occur during the retro rating year.

The estimate is based on previous years' claim history - 5-year average usually - and includes compensation, medical, and MIRA reserves.

Any claim that is more than the claim limit established by the plan will be capped at that max claim limit. Therefore, it is possible for incurred losses to differ depending on the plan chosen. This offers a clue as to any large claims that may exist for an employer in the past and to be careful of in the future.

There are 2 tiers offered by the BWC depending on the financial strength of the employer.

If the employer meets the financial requirements for Tier 1 Retro, there are 10 different rating options to choose from. Depending on the claim limit and maximum premium limits selected, the employer's level of risk and premiums change.

If Tier 1 financials cannot be met, there are only 2 options available to employers under Tier 2 Retro. These are usually 2 of the less favorable options and probably will not offer great savings.

There are 11 lines of data in the study for each plan options. On the second page of the study, there are descriptions for each line item. The main line to review is LINE 8 - Estimated Savings/Loss.

As we state in our letter to employers (those sent out by the Rate Dept directly during our annual review process): Since it is impossible to predict the actual claim losses that will incur in claims from 7/1/20xx to 6/31/20xx, the most important ingredient in the decision making process is an "unknown". The incurred claim costs reflected on our study is an estimate based on previous claim exposure and can alter drastically by a change in loss trend. One large claim may exhaust all possible savings. For that reason, those employers who have historically experienced major claims should exercise great caution before opting for any of these alternative retrospective plans. Management's decision should take into consideration the ratio of potential savings under the plans, to the potential additional premium exposure. Each plan is a form of partial self-funding; therefore, emphasis on safety and claims control must be exercised if savings are to be realized. CompManagement neither recommends nor discourages the choice of any of the retrospective rating plans.

Basic Requirements

Any large size employer who has paying premium of \$25,000 or more (usually more beneficial to employers paying premium of \$250,000 or more)

Employer must demonstrate financial strength and stability (5 years of audited financial statements), no more than 15 days of lapse during the last 5 years

Employer shall maintain a safety program approved by the division of safety & hygiene

Noteworthy Items

Employers are responsible for the costs of any claim with a date of injury during the retro year for a period of 10 years.

Employer will be billed annually for costs paid by the BWC.

Years of Eligibility

Unlimited

How to Begin

Complete the BWC application (U-20 for private, U-21 for public) - A new application must be submitted annually.

Deadlines

Private ER's must file their application by the last business day in April. Public employers must file by the last business day in October. (Employers can opt out prior to the start of the policy year.)

Can be stacked with

\$15k Medical Only Program
Early Payment Discount
Safety Council
Salary Continuation

Cannot be stacked with:

Claims Free Discount
EMR Cap
Go Green Discount
Group Rating
Group Retrospective Rating
Industry Safety Discount
Lapse Free Discount
One Claim Program
Transitional Work Performance Bonus
Drug Free Safety Program
Deductible Program (Small or Large)
Grow Ohio

For: **Clermont County**
Policy: **31300001**

Year	2013	2014	2015	2016	2017		
ESTIMATED STATE FUND COSTS							
Retro Claims Costs:							Balance Losses
2013 Claims Costs	\$105,642	\$75,459	\$45,275	\$30,183	\$15,092		\$30,183 \$301,834
2014 Claims Costs		\$116,206	\$83,004	\$49,803	\$33,202		\$49,803 \$332,018
2015 Claims Costs			\$127,827	\$91,305	\$54,783		\$91,305 \$365,219
2016 Claims Costs				\$140,609	\$100,435		\$160,697 \$401,741
2017 Claims Costs					\$154,670		\$287,245 \$441,915
Total Retro Claims Costs	\$105,642	\$191,665	\$256,106	\$311,900	\$358,182		\$619,232 \$1,842,728
Payroll	\$55,816,500	\$57,490,995	\$59,215,725	\$60,992,197	\$62,821,962		
Effective Retro Prem Rate	0.52	0.54	0.56	0.58	0.60		
Premium	\$288,437	\$310,451	\$331,608	\$353,755	\$376,932		
Effective Base Rate	1.55	1.61	1.67	1.74	1.81		
Administrative Cost	\$72,561	\$74,738	\$76,980	\$79,290	\$81,669		
DWRF I	\$33,490	\$34,495	\$35,529	\$36,595	\$37,693		
DWRF II	\$93,064	\$926	\$989	\$1,061	\$1,137		
Total Add on Costs	\$106,944	\$110,158	\$113,499	\$116,946	\$120,499		
Claims Mgmt Admin Fee:	To be quoted						
Total State Fund Cost	\$501,024	\$612,275	\$701,213	\$782,602	\$855,613		

Estimated Self Insured Costs - Based on BWC expected loss rates							Balance	Losses
2013 Claims	\$105,642	\$75,459	\$45,275	\$30,183	\$15,092		\$30,183	\$301,834
2014 Claims		\$116,206	\$83,004	\$49,803	\$33,202		\$49,803	\$332,018
2015 Claims			\$127,827	\$91,305	\$54,783		\$91,305	\$365,219
2016 Claims				\$140,609	\$100,435		\$160,697	\$401,741
2017 Claims					\$154,670		\$287,245	\$441,915
Total Claims Losses	\$105,642	\$191,665	\$256,106	\$311,900	\$358,182		\$619,232	\$1,842,728
To estimate assessments:								
Est State Fund Comp	\$194,756	\$194,756	\$194,756	\$194,756	\$194,756			
Est SI Comp (prior year)	\$0	\$56,518	\$102,541	\$137,017	\$166,867			
S.I. EXPENSES							Totals	
Assessments: Guaranty Fund	\$7,790 (mandatory)	\$10,051	\$11,892	\$13,271	\$14,465		\$57,469	
Safety & Hygiene	\$974 (mandatory)	\$1,256	\$1,486	\$1,659	\$1,808		\$7,183	
Administrative Cost	\$31,921 (mandatory)	\$41,184	\$48,727	\$54,378	\$59,270		\$235,480	
Surplus Fund	\$13,438 (mandatory)	\$17,338	\$20,513	\$22,892	\$24,952		\$99,133	
Surplus (Disallowed Claims)	\$5,843 (optional)	\$7,538	\$8,919	\$9,953	\$10,849		\$43,102	
DWRF Payments	\$0	\$0	\$0	\$0	\$0		\$0	
Guaranty Fund	\$51,986	\$51,986	\$51,986	\$0	\$0		\$155,958	
Excess Insurance (estimated)	\$129,965	\$136,463	\$143,286	\$150,450	\$157,973		\$718,137	
Total S.I. Expenses	\$241,917	\$265,816	\$286,809	\$252,603	\$269,317		\$1,316,462	
Buyout	\$0						\$0	
Claims Mgmt Admin Fee:	To be quoted	To be quoted	To be quoted	To be quoted	To be quoted		To be quoted	
TOTAL S.I. COSTS	\$347,559	\$457,481	\$542,915	\$564,503	\$627,499		\$2,539,957	

Summary - Expected Loss Method							
State Fund Costs	\$501,024	\$612,275	\$701,213	\$782,602	\$855,613		
S.I. Costs	\$347,559	\$457,481	\$542,915	\$564,503	\$627,499		
Cash Retained	\$153,465	\$154,794	\$158,298	\$218,098	\$228,114		
Prior Yrs. Savings	\$0	\$156,534	\$317,554	\$485,369	\$717,537		
Total	\$153,465	\$311,328	\$475,852	\$703,468	\$945,651		
Investment Earnings	\$3,069	\$6,227	\$9,517	\$14,069	\$18,913		
TOTAL SAVINGS	\$156,534	\$317,554	\$485,369	\$717,537	\$964,564		\$964,564

This projection is to be used as a guideline only for decision making purposes. The results should not be construed as actual. Estimated claims costs are based on most recently available MIRA reserves as provided by the BWC. Projections of rates and/or premium changes are estimated using the most recent loss information and historical data as provided by the BWC, therefore, actual numbers may vary from the estimates. Factors which may affect these numbers may include: rate changes by the BWC, BWC updates to MIRA reserves, payroll fluctuations, acceptance into/removal from alternative rating plans, BWC discounts, etc.

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Prepared by: Ric Bell 8/20/12

For: **Clermont County**
Policy: **31300001**

YEAR	2013	2014	2015	2016	2017		
Estimated State Fund Costs							
Retro Claims Costs:							Balance Losses
2013 Claims Costs	\$80,956	\$57,826	\$34,695	\$23,130	\$11,565		\$23,130 \$231,303
2014 Claims Costs		\$89,052	\$63,608	\$38,165	\$25,443		\$38,165 \$254,433
2015 Claims Costs			\$97,957	\$69,969	\$41,981		\$69,969 \$279,877
2016 Claims Costs				\$107,753	\$76,966		\$123,146 \$307,864
2017 Claims Costs					\$118,528		\$220,123 \$338,651
Total Retro Claims Costs	\$80,956	\$146,877	\$196,261	\$239,017	\$274,484		\$474,533 \$1,412,128
Payroll	\$55,816,500	\$57,490,995	\$59,215,725	\$60,992,197	\$62,821,962		
Effective Retro Prem Rate	0.52	0.54	0.56	0.58	0.60		
Premium	\$288,437	\$310,451	\$331,608	\$353,755	\$376,932		
Effective Base Rate	1.55	1.61	1.67	1.74	1.81		
Administrative Cost	\$72,561	\$74,738	\$76,980	\$79,290	\$81,669		
DWRF I	\$33,490	\$34,495	\$35,529	\$36,595	\$37,693		
DWRF II	\$893	\$926	\$989	\$1,061	\$1,137		
Total Add on Costs	\$106,944	\$110,158	\$113,499	\$116,946	\$120,499		
Claims Mgmt Admin Fee:	To be quoted						
Total State Fund Cost	\$476,338	\$567,487	\$641,367	\$709,718	\$771,914		

Estimated Self Insured Costs - Based on average incurred losses and MIRA reserving system							Balance	Losses
2013 Claims	\$99,130	\$70,807	\$42,484	\$28,323	\$14,161		\$28,323 \$283,228	
2014 Claims		\$109,043	\$77,888	\$46,733	\$31,155		\$46,733 \$311,550	
2015 Claims			\$119,947	\$85,676	\$51,406		\$85,676 \$342,705	
2016 Claims				\$131,942	\$94,244		\$150,790 \$376,976	
2017 Claims					\$145,136		\$269,538 \$414,674	
Total Claims Losses	\$99,130	\$179,850	\$240,319	\$292,673	\$336,102		\$581,060 \$1,729,133	
To estimate assessments:								
Est State Fund Comp	\$194,756	\$194,756	\$194,756	\$194,756	\$194,756			
Est SI Comp (prior year)	\$0	\$53,034	\$96,219	\$128,570	\$156,580			
S.I. EXPENSES							Totals	
Assessments: Guaranty Fund	\$7,790 (mandatory)	\$9,912	\$11,639	\$12,933	\$14,053		\$56,327	
Safety & Hygiene	\$974 (mandatory)	\$1,239	\$1,455	\$1,617	\$1,757		\$7,042	
Administrative Cost	\$31,921 (mandatory)	\$40,613	\$47,691	\$52,993	\$57,584		\$230,802	
Surplus Fund	\$13,438 (mandatory)	\$17,098	\$20,077	\$22,310	\$24,242		\$97,165	
Surplus (Disallowed Claims)	\$5,843 (optional)	\$7,434	\$8,729	\$9,700	\$10,540		\$42,246	
DWRF Payments	\$0	\$0	\$0	\$0	\$0		\$0	
Guaranty Fund	\$51,986	\$51,986	\$51,986	\$0	\$0		\$155,958	
Excess Insurance (estimated)	\$129,965	\$136,463	\$143,286	\$150,450	\$157,973		\$718,137	
Total S.I. Expenses	\$241,917	\$264,745	\$284,863	\$250,003	\$266,149		\$1,307,677	
Buyout	\$0						\$0	
Claims Mgmt Admin Fee:	To be quoted	To be quoted	To be quoted	To be quoted	To be quoted		To be quoted	
TOTAL S.I. COSTS	\$341,047	\$444,594	\$525,182	\$542,676	\$602,251		\$2,455,750	

Summary - Average Incurred Loss Method							
State Fund Costs	\$476,338	\$567,487	\$641,367	\$709,718	\$771,914		
S.I. Costs	\$341,047	\$444,594	\$525,182	\$542,676	\$602,251		
Cash Retained	\$135,291	\$122,893	\$116,186	\$167,042	\$169,663		
Prior Yrs. Savings	\$0	\$137,997	\$266,108	\$389,939	\$568,121		
Total	\$135,291	\$260,890	\$382,293	\$556,981	\$737,784		
Investment Earnings	\$2,706	\$5,218	\$7,646	\$11,140	\$14,756		
TOTAL SAVINGS	\$137,997	\$266,108	\$389,939	\$568,121	\$752,539		\$646,013
							5 Year Summary
							Savings to Date: \$752,539
							SI less Retro \$737,784
							Unpaid Balance: \$106,527

This projection is to be used as a guideline only for decision making purposes. The results should not be construed as actual. Estimated claims costs are based on most recently available MIRA reserves as provided by the BWC. Projections of rates and/or premium changes are estimated using the most recent loss information and historical data as provided by the BWC, therefore, actual numbers may vary from the estimates. Factors which may affect these numbers may include: rate changes by the BWC, BWC updates to MIRA reserves, payroll fluctuations, acceptance into/removal from alternative rating plans, BWC discounts, etc.

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Prepared by: Ric Bell 8/20/12

For: **Clermont County**
Policy: **31300001**

YEAR	2013	2014	2015	2016	2017		
Estimated State Fund Costs							
Retro Claims Costs:						Balance	Losses
2013 Claims Costs	\$80,956	\$57,826	\$34,695	\$23,130	\$11,565	\$23,130	\$231,303
2014 Claims Costs		\$89,052	\$63,608	\$38,165	\$25,443	\$38,165	\$254,433
2015 Claims Costs			\$97,957	\$69,969	\$41,981	\$69,969	\$279,877
2016 Claims Costs				\$107,753	\$76,966	\$123,146	\$307,864
2017 Claims Costs					\$118,528	\$220,123	\$338,651
Total Retro Claims Costs	\$80,956	\$146,877	\$196,261	\$239,017	\$274,484	\$474,533	\$1,412,128
Payroll	\$55,816,500	\$57,490,995	\$59,215,725	\$60,992,197	\$62,821,962		
Effective Retro Prem Rate	0.52	0.54	0.56	0.58	0.60		
Premium	\$288,437	\$310,451	\$331,608	\$353,755	\$376,932		
Effective Base Rate	1.55	1.61	1.67	1.74	1.81		
Administrative Cost	\$72,561	\$74,738	\$76,980	\$79,290	\$81,669		
DWRF I	\$33,490	\$34,495	\$35,529	\$36,595	\$37,693		
DWRF II	\$893	\$926	\$989	\$1,061	\$1,137		
Total Add on Costs	\$106,944	\$110,158	\$113,499	\$116,946	\$120,499		
Claims Mgmt Admin Fee:	To be quoted						
Total State Fund Cost	\$476,338	\$567,487	\$641,367	\$709,718	\$771,914		

Estimated Self Insured Costs - Based on maximum incurred losses and MIRA reserving system						Balance	Losses
2013 Claims	\$127,290	\$90,922	\$54,553	\$36,369	\$18,184	\$36,369	\$363,686
2014 Claims		\$140,019	\$100,014	\$60,008	\$40,005	\$60,008	\$400,055
2015 Claims			\$154,021	\$110,015	\$66,009	\$110,015	\$440,060
2016 Claims				\$169,423	\$121,017	\$193,626	\$484,066
2017 Claims					\$186,365	\$346,107	\$532,473
Total Claims Losses	\$127,290	\$230,941	\$308,588	\$375,815	\$431,581	\$746,125	\$2,220,339
To estimate assessments:							
Est State Fund Comp	\$194,756	\$194,756	\$194,756	\$194,756	\$194,756		
Est SI Comp (prior year)	\$0	\$68,100	\$123,553	\$165,094	\$201,061		
S.I. EXPENSES						Totals	
Assessments: Guaranty Fund	\$7,790 (mandatory)	\$10,514	\$12,732	\$14,394	\$15,833	\$61,263	
Safety & Hygiene	\$974 (mandatory)	\$1,314	\$1,592	\$1,799	\$1,979	\$7,658	
Administrative Cost	\$31,921 (mandatory)	\$43,082	\$52,171	\$58,979	\$64,874	\$251,027	
Surplus Fund	\$13,438 (mandatory)	\$18,137	\$21,963	\$24,830	\$27,311	\$105,679	
Surplus (Disallowed Claims)	\$5,843 (optional)	\$7,886	\$9,549	\$10,796	\$11,875	\$45,949	
DWRF Payments	\$0	\$0	\$0	\$0	\$0	\$0	
Guaranty Fund	\$51,986	\$51,986	\$51,986	\$0	\$0	\$155,958	
Excess Insurance (estimated)	\$129,965	\$136,463	\$143,286	\$150,450	\$157,973	\$718,137	
Total S.I. Expenses	\$241,917	\$269,382	\$293,279	\$261,248	\$279,845	\$1,345,672	
Buyout	\$0					\$0	
Claims Mgmt Admin Fee:	To be quoted	To be quoted	To be quoted	To be quoted	To be quoted	To be quoted	
TOTAL S.I. COSTS	\$369,207	\$500,323	\$601,867	\$637,063	\$711,425	\$2,819,886	

Summary - Maximum Incurred Loss Method

State Fund Costs	\$476,338	\$567,487	\$641,367	\$709,718	\$771,914		
S.I. Costs	\$369,207	\$500,323	\$601,867	\$637,063	\$711,425		
Cash Retained	\$107,131	\$67,164	\$39,500	\$72,655	\$60,489	5 Year Summary	
Prior Yrs. Savings	\$0	\$109,273	\$179,966	\$223,856	\$302,442	Savings to Date:	\$370,189
Total	\$107,131	\$176,438	\$219,467	\$296,511	\$362,931	SI less Retro	\$362,931
Investment Earnings	\$2,143	\$3,529	\$4,389	\$5,930	\$7,259	Unpaid Balance:	\$271,592
TOTAL SAVINGS	\$109,273	\$179,966	\$223,856	\$302,442	\$370,189		\$98,597

This projection is to be used as a guideline only for decision making purposes. The results should not be construed as actual. Estimated claims costs are based on most recently available MIRA reserves as provided by the BWC. Projections of rates and/or premium changes are estimated using the most recent loss information and historical data as provided by the BWC, therefore, actual numbers may vary from the estimates. Factors which may affect these numbers may include: rate changes by the BWC, BWC updates to MIRA reserves, payroll fluctuations, acceptance into/removal from alternative rating plans, BWC discounts, etc.

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Prepared by: Ric Bell 8/20/12

Self Insurance Feasibility Study Worksheet

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Employer:	Clermont County		
Policy:	31300001	Rating Status:	Individual Retro
Exp Year:	2013	Admin Rate:	0.100600
Break Even Factor:	0.0%	MIRA Reserves as of:	6/30/2012

Prepared by: Ric Bell 8/20/12

TM% =	-17%	EMR =	83%
Min Prem %	40%	BWC 100% EMR cap - do not apply	

Section 1: Enter manuals, annual payroll (rounded), premium rates, base rates, and expected loss rates.

Manual	Annual Payroll	Premium Rate	Premium	Base Rate	Base Rated Premium	Expected Loss Rate	Expected Losses
9430	\$55,810,000	1.29	719,949	1.55	865,055	0.54	301,374
9439	\$6,500	17.61	1,145	21.22	1,379	7.08	460
0	\$0	0.00	0	0.00	0	0.00	0
0	\$0	0.00	0	0.00	0	0.00	0
0	\$0	0.00	0	0.00	0	0.00	0
0	\$0	0.00	0	0.00	0	0.00	0
0	\$0	0.00	0	0.00	0	0.00	0
0	\$0	0.00	0	0.00	0	0.00	0
0	\$0	0.00	0	0.00	0	0.00	0
0	\$0	0.00	0	0.00	0	0.00	0
0	\$0	0.00	0	0.00	0	0.00	0
	\$55,816,500		\$721,094		\$866,434		\$301,834
EFFECTIVE RATES		1.2919		1.5523		0.5408	
With Retro		0.5168					

Section 2: INCURRED LOSSES: Includes costs reimbursed by handicaps awards. List compensation, medical, and MIRA reserves from most recent experience or estimated experience.

Year	Comp	MIRA Res	Medical	Claims Costs	Est Incurred Claims
2007	\$28,557	\$0	\$200,795	\$229,352	
2008	\$108,803	\$35,083	\$219,800	\$363,686	
2009	\$64,719	\$73,348	\$145,689	\$283,756	\$283,228
2010	\$66,977	\$114,202	\$129,881	\$311,060	
2011	\$25,840	\$113,124	\$89,320	\$228,284	
			TOTAL:	\$1,416,138	Retro Incurred Claim Losses
		Max: \$363,686	Average:	\$283,228	\$231,303

Section 3: Constants:

BWC Admin Rate:	10.0600%	merit rated prem		
DWRF I:	0.0006			
DWRF II:	0.1%	base rated prem		
Guaranty Fund:	0.0400			
Safety & Hygiene:	0.005	Minimum: 63.05	Surplus(Rehab):	0.1300
Admin Cost:	0.1639	Minimum: 2066.84	Surplus(HC):	0.2480
Surplus fund(mandatory):	0.0690	Minimum: 870.11	Surplus(Disallow):	0.0300
BWC Base Rate Increase:	4%			
BWC projection of indemnity to total cost of claim*	53.5%			*Based on OBWC Deloitte Consulting, LLC reserve report as of 6/30/10 using accident year 2002

Section 4: Employer Specifics

Annual Payroll Increase:	3%	(changed from 4% on 5/26/10 per Bill Bradbury)			
Annual Incurred Claims Increase:	10%				
State Fund Paid Comp:	\$194,756	Comp paid in most recent calendar year.			
Annual Change in St Fund Comp:	0%				
Return on Investment:	2%	(changed from 4% on 5/26/10 per Bill Bradbury)			
SF Claims Management Fee:	To be quoted	CMI annual fee for SF services if provided			
SI Claims Management Fee:	To be quoted	CMI annual fee for SI services if provided			
Annual increase in CMI SF Fee:	4%				
Annual increase in CMI SI Fee:	4%				
Excess Insurance	\$129,965	Estimated at 15% of base rated premium			
Excess Insurance annual increase	5%				
DWRF Payments:	\$0				
DWRF Payment increase per year:	3%				
BWC Discount:	Year 1	Year 2	Year 3	Year 4	Year 5
Apply to Assessments? Yes	0%	0%	0%	0%	0%

Section 5: Self Insured Pay out Schedule

Year	% Claims Costs Paid
1	35%
2	25%
3	15%
4	10%
5	5%
	90%

SELF-INSURANCE FEASIBILITY STUDY ASSUMPTIONS

STATE FUND ASSUMPTIONS

- 1) Payroll increases annually by: 3%
- 2) Premium Rate, Base Rate are based upon weighted averages of all manuals

$$\frac{(\text{Total Man. Payroll} \times \text{Man. Rate}) + (\text{Total Man. Payroll} \times \text{Man. Rate})}{\text{Total Payroll of All Manuals}}$$
- 3) Base Rate increases annually by: 4%
- 4) State Fund Assessments are as follows

ADMIN:	10.06%	merit rated premium
DWRF I:	0.06	per \$100 payroll
DWRF II:	0.1%	base rated premium
- 5) BWC Break Even Factor assumed to be: 0%
- 6) BWC Discount assumptions:

Year 1	Year 2	Year 3	Year 4	Year 5
0%	0%	0%	0%	0%

SELF-INSURED ASSUMPTIONS

- 1) Incurred Loss Estimates
 - METHOD I: Expected Loss Method
Incurred losses determined by payroll x expected loss rate(determined by weighted average). Does not include BWC surplus costs.
 - METHOD II: Average Incurred Loss Method
Average incurred losses determined by actual incurred claims losses and MIRA reserves. Neither salary continuation payments nor \$15K Program medical paid by the employer are included in these costs and will need to be added to this estimate.
 - METHOD III: Maximum Incurred Loss Method
Maximum incurred losses determined by actual incurred claims losses and MIRA reserve. Neither salary continuation payments nor \$15K Program medical paid by the employer are included in these costs and will need to be added to this estimate.
- 2) Either Method - Assumes estimated incurred losses increase by 10% annually
- 3) Pay out Schedule for Incurred Losses (SI)

35%	paid out first year
25%	paid out second year
15%	paid out third year
10%	paid out fourth year
5%	paid out fifth year
- 4) Self-Insured Assessments
 - Assumes 53.5% of Self Insured Incurred Loss is due to paid compensation***
 - Assessments are as follows:

Guaranty Fund:	0.04 x paid compensation
Safety & Hygiene:	0.005 x paid compensation
Administrative:	0.1639 x paid compensation
Surplus (Mandatory):	0.0690 x paid compensation
Surplus (Rehabilitation)*:	0.1300 x paid compensation
Surplus (Handicap)*:	0.2480 x paid compensation
Surplus (Disallowed claims)**:	0.0300 x paid compensation
 - Excess Insurance - to be quoted by an insurance carrier
Study uses an estimate of 15% of base rated premium
Assumes an annual increase of 5%
 - Guaranty Fund = 6% of annual premium at the base rate
- 5) Investment Rate of Retained Cash is: 2%

* Can be waived - not included in feasibility study

** Can be waived - included in feasibility study

***Based on OBWC Deloitte Consulting, LLC reserve report as of 6/30/10 using accident year 2002

SELF INSURANCE STUDY

What is Self Insurance?

Self Insurance is an alternative rating plan offered by the BWC for large employers who want to take on the responsibility of paying all compensation and medical payments for their injured workers. SI employers administer their own workers' compensation program and can realize potential savings in comparison to state fund premiums.

What Does the Study Tell Us?

The study compares estimated state fund costs to estimated self-insured costs and shows potential savings for an employer.

An assumption sheet is included with each study detailing the rates and percentages used in the study. As requested, any of these items can be changed as the employer wishes.

Important areas to review on the study:

- Three scenarios are done for each employer.
- Estimated State Fund Costs are the costs the employer is estimated to pay by remaining in the state fund. Rates are based upon weighted averages of all manual rates and premiums include BWC assessments. These costs will be the same in all scenarios.
- If an employer is group rated currently, we assume that they will continue to be group rated and the rates established will be based on the group rates.
- If an employer is currently enrolled in another BWC discount program, those discounts are not built into the rates established on the study.
- If an employer is currently Retro, this can be built into the study (we have 2 study templates set up - one for non-retro, one for retro). It includes minimum premiums and estimated claim costs that will be billable to the employer.
- Estimated Self-Insured Costs are costs the employer is estimated to pay if they were to go self-insured. Costs are determined differently in the three scenarios.
- In the first study, estimated incurred claim losses (payable by the SI employer) are calculated using the BWC expected loss rates.
- In the second study, estimated *average* incurred claim losses are calculated using actual losses and MIRA reserves. Neither salary continuation payments nor \$15K Program medical paid by the employer are included in these costs and will need to be added to this estimate.
- In the third study, estimated *maximum* incurred claim losses are calculated using actual losses and MIRA reserves. Neither salary continuation payments nor \$15K Program medical paid by the employer are included in these costs and will need to be added to this estimate.
- All studies then assume that a certain percentage of this total will be paid out each year.
- Also included with the study are BWC assessments and additional fees associated with self-insurance.
- Summary - compares state fund to self-insured costs year by year (including investment returns). At the end of five (5) years a final total is taken to see the potential results for the employer – comparing savings attained to estimated remaining claims liability.