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To: **John Logue**, Interim Administrator/Chief Executive Officer

From: **Christopher S. Carlson**, FCAS, MAAA, Chief Actuarial Officer

Date: June 11, 2021

Subject: Public Employer Taxing Districts Statewide Rate Level Change
Effective January 1st, 2022

Background
We have reviewed the assumptions, calculations, estimates and results provided in the document "January 1, 2022 Public Employer Taxing Districts Rate Indications" from our actuarial consultants, Oliver Wyman. The range of loss cost indications for Policy Year 2022 resulting from their analysis is summarized in the following table. We note that we are using the term "loss costs" in place of the previous term "rates" as it more appropriately reflects the use of those funds and avoids confusion with the total or blended rate that included the operating assessment rates of the BWC and the Industrial Commission.

Ohio Bureau of Worker's Compensation 2022 Public Employer Taxing Districts Program Oliver Wyman's Loss Cost Indications Reasonable Expectation		
Baseline	**Optimistic**	**Conservative**
-22.0%	-28.1%	-16.4%

The primary driver of the difference in this indicated loss cost level compared to the indicated 2021 loss cost level is recognition of continued favorable Taxing District program experience in recent policy periods. While some of this continued improvement is a result of the impact of COVID-19, we believe there is still an underlying trend beyond COVID-19's impact that is driving the improvement in results. The range of optimistic and conservative values is similar to what Oliver Wyman has produced in the past. BWC staff have independently determined a loss cost indication that is consistent with the results provided by Oliver Wyman.

As with any insurance program, there is a level of uncertainty with respect to future costs. Due to the limited historical data included in our recent experience regarding the number of claims and the severity of claims for firefighters' presumptive cancer, we note that this indicated level rate change has not been explicitly adjusted for any anticipated increase in costs beyond the limited amount of exposure contained in the latest years.

BWC Recommendation
Based upon the loss cost indications from Oliver Wyman and BWC's actuarial staff, I recommend the BWC *decrease by 15 percent the overall statewide loss cost level for Public Employer Taxing Districts for the policy year starting January 1, 2022*. With the changes to the administrative cost fund and the industrial commission assessments, the combined impact of the loss cost changes and assessment changes to public employer taxing districts premium is estimated to be an 9.9 percent decrease. I believe this approach will result in a reasonable overall statewide average loss cost level and will meet

the statutory requirement of setting the lowest possible rates of premium consistent with the maintenance of a solvent state insurance fund.

This recommendation gives due consideration to BWC management's goal of maintaining rate level stability across policy years along with further contemplation of the additional costs of presumptive cancer coverage for firefighters. The BWC recommendation is a continuation of the measured approach to the indicated statewide rate change to mitigate the possibility of needing to implement a rate level increase in the immediate future. *The recommended Public Employer Taxing District statewide decrease of 9.9 percent would result in a decrease in projected annual premium of approximately $16.7 million, based on projected 2022 payroll levels of $20.46 billion*. Given the current uncertainty around increased coverage through legislation, I feel that the recommended statewide average rate level will result in a reasonable matching of expected program revenue (premium, future investment returns) with expected future program costs (benefits and covered expenses).

We note that the actual change to the Public Employer Taxing District base rates will vary by employer classification, based upon the recent and projected experience at that level of detail for the 2022 policy period. Actual changes to premiums at the employer level may vary significantly based upon their assigned employer classifications, their actual historical loss experience as compared with their expected historical loss, as well as their rating plan and optional program participation.