



[Date]

[Name]

[Address 1]

[Address 2]

[City, State, Zip]

### **CONSUMER ADVISORY**

Dear Employer:

As third-party administrators and trade associations solicit participation for their respective group-rating programs, BWC is providing you with the following consumer advisory.

First, BWC is reviewing the maximum discount rates for the Ohio group-rating program. The maximum allowable discount for the upcoming policy year (beginning July 1, 2008) has not yet been finalized.

- In September, the BWC Board of Directors approved an initial reduction to the maximum discount from 90 percent to no less than 80 percent for the upcoming policy year.
- Once the final maximum discount is set, BWC will advise all group sponsors and employers accordingly. You should consider group-rating discount offers exceeding 80 percent tentative until the final maximum discount is determined.

Second, group-rating discounts offer helpful premium reductions and safety strategies. Losing group discounts, however, can cause significant premium increases and financial hardship for some Ohio businesses.

- Last year, over 6,700 employers saw their premiums increase by an average of 697 percent after they were eliminated from their group.
- More than 31 percent of these employers either canceled their workers' compensation policy or filed bankruptcy.

BWC is working to address this instability and better protect Ohio businesses by reducing the maximum discount for next year while also conducting a comprehensive review of the program.

Several other factors are also cause for immediate action.

- Nine actuarial analyses recommend the maximum discount should be as low as 60 percent. These studies have determined that current group discounts do not generate adequate premiums to cover claims costs for group employers. Because BWC is revenue neutral, this causes other non-group employers to pay the difference.

*Continued*

- The Ohio Inspector General recently issued a report recommending that BWC implement the findings of these actuarial analyses to establish premium equity among all employers.
- The premium inequity caused by the Ohio group-rating program inflates base rates. Stabilizing the group-rating program will allow BWC to reduce Ohio's base rates overall and improve economic development opportunities statewide.

BWC will make long-term recommendations on further improvements to this program and will be seeking guidance on potential program changes from the BWC Board of Directors. As additional improvements to the program are determined, BWC will communicate with you again.

Sincerely,

Marsha Ryan, Administrator  
Ohio Bureau of Workers' Compensation