



JOHN R. KASICH

GOVERNOR • STATE OF OHIO

Communication Department

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KASICH ANNOUNCES \$65 MILLION WORKERS' COMPENSATION RATE CUT

Average rate for manufacturing and commercial classes falls more significantly

TWINSBURG – In order to reduce the cost of doing business in Ohio to make Ohio companies and the state more competitive, Gov. John R. Kasich today announced he is seeking an overall 4 percent cut in workers' compensation base rates for a total cut in premiums of approximately \$65 million annually. Bureau of Workers Compensation Administrator and CEO Steve Buehrer submitted the proposal to the BWC Board of Directors at a meeting today.

If approved next month by the BWC Board, the new rates would become effective July 1.

Kasich made the announcement during a visit to Mustang Dynamometer, a Twinsburg company which manufactures equipment used by the automotive industry to test quality and performance.

"Ohio has so much going for it—location, a trained workforce, infrastructure, and an installed manufacturing base. We've got to get our costs down, however, to be more competitive and workers' comp rates are an important place to start," said Kasich.

A business's specific rate is calculated according to the work it does and its claim history. In addition to the overall drop in base rates, the average rate for some key industries would fall even more. For example, the average rate for the Manufacturing Industry Group would fall 7 percent and the average rate for the Commercial Industry Group, which includes various retail and wholesale establishments, would fall 5 percent. Also, unlike prior years, the average rate reduction would apply to employers regardless of whether they participated in incentive programs such as group rating.

"Our goal is to increase premium stability and lower costs for all Ohio employers," said Buehrer.

"Rates are a critical part of job growth decisions made by Ohio employers, but we'll also continue to focus on other aspects such as containing medical costs and helping injured workers return to leading healthy productive lives sooner."

BWC sets rates annually in advance of the policy year. In consultation with Deloitte Consulting LLP, it projects the number of claims and associated costs it anticipates employers will file and sets rates accordingly. The rate change reflects an average reduction. Each employer's actual rates incorporate overall claims cost trends within their specific industry as well as their own individual performance. Factors in the decision to lower rates included a moderating trend of claims frequency, as well as positive investment returns.

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Ohio BWC: Service, Simplicity & Savings for Ohio Employers

2011 Rate Reduction Fact Sheet

What is happening?

The Ohio Bureau of Workers Compensation is recommending a 4 percent reduction in average workers' compensation base rates for all Ohio employers. This will result in an estimated savings of \$65 million for Ohio employers.

How does this impact individual employers?

The rate change reflects an average reduction. Each employer's actual rates incorporate overall claims cost trends within their specific industry, as well as their own individual performance. Also, unlike prior years, the average-rate reduction would apply to all employers regardless of whether they participated in incentive programs such as group rating.

Will all industries receive the same reduction?

The 4 percent reduction is an average across all industries. In addition to the drop in the base rate, the average rate for some key industries will drop even more. For example, manufacturing's average rate will drop 7 percent, while commercial will drop 5 percent.

When will this happen?

If adopted in May by the BWC Board of Directors, the changes would become effective for the July 1, 2011, policy year and Ohio employers would pay premiums based on the reduced rates beginning in February 2012.

How are rates determined?

BWC sets rates annually in advance of the policy year. In consultation with Deloitte Consulting LLP, it projects the number of claims and associated costs it anticipates employers will file and sets rates accordingly. The rate change reflects an average reduction. Each employer's actual rates incorporate overall claims cost trends within their specific industry as well as their own individual performance. Factors in the decision to lower rates included a trend of decreasing claims frequency, as well as positive investment returns.