



LEE FISHER
LIEUTENANT GOVERNOR
STATE OF OHIO

May 14, 2008

Mr. Earl Stein
Co-Owner, Corky & Lenny's
27091 Chagrin Blvd.
Village Square
Cleveland, Ohio 44122

Dear Mr. Stein,

Thank you for your recent note to Lt. Governor Lee Fisher regarding the Bureau of Workers' Compensation (BWC) group rating program. The Lt. Governor asked me to respond to you on his behalf.

We met with BWC Administrator Marsha Ryan on May 5, 2008, to discuss several issues, including the group rating system and proposed changes to the system. I know you are concerned about the changes in the maximum discount, and we discussed this issue with Administrator Ryan.

As you are aware, there are a number of challenges to our current BWC system, including inequity among Ohio employers, instability for Ohio employers and ultimately, these problems are hurting Ohio's economy.

On average, group employers do not pay enough premiums to cover their total claims cost. This forces non-group employers to pay the difference because BWC is revenue neutral. Non-group employers subsidize group rated employers by approximately \$200 million and pay an average of \$1,200 in additional premiums to subsidize the shortfall created by group-rated employers.

One expensive claim can cause employers to lose a group discount resulting in sudden and expensive premium increases from one year to the next. The average premium increase from 2005 to 2006 for employers that lost a group discount was \$8,600. In 2006, 1 in 3 employers that lost their group discount either canceled coverage or filed bankruptcy.

Ultimately, the \$200 million subsidy paid by non-group employers inflates Ohio's workers' comp base rate, which makes Ohio's base rates appear to be the 12th highest in the country (\$3 per \$100 of payroll) and one of the highest in the Midwest (every other neighboring state except Kentucky has a lower base rate).

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In 2007, BWC began addressing the challenges of group rating by reducing the maximum allowable discount from 90 percent to 85 percent. This reduction, effective July 1, 2008, will help to reduce the \$200 million subsidy paid by non-group employers. It could also help to lower Ohio's base rate by as much as 2.7 percent.

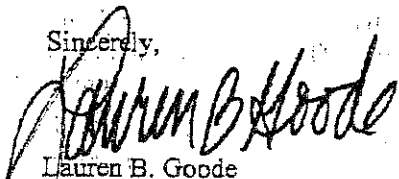
Additionally, the Bureau is currently working with employers to address inconsistencies in their practices. In particular, BWC is looking at ways to reduce the impact of one expensive claim for a business, strengthening group-rating rules to protect Ohio businesses and setting sound parameters to ensure pricing equity among all Ohio's businesses.

As we strive for equity and effectiveness in the Bureau's practices and processes, we fully expect a lot of discussion and debate along the way. As we look at lowering the base rate for all Ohio employers and making the group rating program more fair to employers – especially small employers like yourself – there may be changes to the allowable discount. The end objective for the BWC, however, is lower workers' compensation rates for all Ohio companies and fairer treatment when an injury does occur.

I hope this information is helpful to you. My understanding is that the BWC will be providing an update on its study of the group rating system in June 2008, and we will be in touch with you again at that time with more information. In the meantime, if I can provide additional assistance, please do not hesitate to contact me at 614-466-0476.

Thanks again for contacting Lt. Governor Lee Fisher.

Sincerely,



Lauren B. Goode

Chief of Staff

Office of Lt. Governor Lee Fisher