



Ohio Bureau of Workers' Compensation

Administrator/CEO James Conrad
30 W. Spring St.
Columbus, Ohio 43215-2256

ohiobwc.com
1-800-OHIOBWC

May 29, 2003

**Important information:
Please forward to
the Chief Executive.**

Dear Employer:

Today, the economy is still down, while the cost of doing business is up. Just like you, BWC needs to make tough business decisions. Under the current economic conditions, we simply cannot offer premium dividends or maintain current rates.

Therefore, a one-time premium dividend will not be included on the bill you receive in July. BWC will bill you for 100 percent of your premium. In addition, premium rates will be, on average, 9 percent higher for the July 1, 2003, to June 30, 2004, policy year (with the first bill not due until February 2004.)

BWC has worked hard to improve the speed and efficiency of the workers' compensation system. As a result, workplace safety has improved, and the number of severe injuries has decreased. In addition, BWC's operating budget is less than it was 10 years ago. Given all that, you may ask why we cannot continue to offer a premium dividend and why we must increase rates.

The reason is twofold: 1) Medical costs have exploded over the last four years. The cost of hospitalization has jumped 68 percent and prescription drug costs have sky rocketed by 104 percent. System efficiencies cannot offset these increases. 2) Combined with the lack of investment growth and the granting of previous dividends, the state insurance fund, **although fully reserved**, does not have a significant surplus.

Please know that BWC is committed to keeping workers' compensation insurance premiums below the national average. Between 1996 and 2002, BWC returned \$9.3 billion in surplus funds in the form of one-time dividends. Without dividends, and including the 9-percent premium rate increase, Ohio's **premium rates are still 34 percent lower than they were in 1995.**

We realize that paying 100 percent of premiums for the first time in three years may be a financial hardship for your company. The bureau is doing the following to accommodate this financial impact:

- Offer a 50/50 payment option: allowing you to pay only 50 percent of your premium by Aug. 31 if you report your payroll online and pay your premium via **ohiobwc.com** using a credit card or electronic funds transfer. You will be billed the remaining 50 percent in November;
- Extend the phase-in of the new reserving system (MIRA) for another year. You will pay the lower of the two reserve amounts.

While this rate information is not pleasant, it should not be a surprise. I have frequently written to you about the unpredictable nature of the dividends, to consider them one-time credits and not to budget for future dividends. With the passage of new legislation supported by BWC, we can revisit the dividend issue every six months. As the economy improves, it is my hope to again be in a position to offer a dividend.

There is still time to reduce your January bill! Take advantage of our programs, discounts and services. BWC's free resources are available to help you keep your costs down and your employees safe. Call 1-800-OHIOBWC or log on to **ohiobwc.com** for more information.

Sincerely,

A handwritten signature in cursive script that reads "James Conrad".

James Conrad
Administrator and CEO