



Fact Sheet

Understanding MIRA Reserves

Governor Bob Taft

Administrator/CEO James Conrad

The Ohio Bureau of Workers' Compensation (BWC) always looks for ways to improve its business operations. Better business practices improve customer satisfaction and reduce costs. That's why on July 1, 2002, BWC began phasing in a new reserving system — Micro Insurance Reserving Analysis (MIRA) — to calculate state-fund employer rates. BWC will use MIRA reserves to calculate public employer taxing districts rates beginning Jan. 1, 2003. During this transition period, BWC will continue to provide updated information to employers using both MIRA and the tabular reserving system. Employers can view both reserves on BWC's Web site at www.ohiobwc.com.

What is MIRA?

MIRA, an individual case reserving system used for workers' compensation claims, provides a more accurate forecast of claim costs and duration. More than 36 private insurers, including four of the five largest workers' compensation insurers in the United States and 13 state funds, use MIRA.

MIRA developed reserving models based exclusively on Ohio claims data from the past 10 years. The more recent years' data is emphasized in the models as it reflects the current operations and claims management improvements made by BWC. These models are updated each year to ensure that the current reserve methodology closely matches the claims management and legislative environment. Using these models, MIRA will predict the future costs of BWC's claims on an individual basis. MIRA has the ability to consider individual claim facts, such as age, gender and medical codes when forecasting a reserve. These more accurate reserve forecasts ensure employers are paying their fair share.

The tabular reserving system only uses the type of compensation awarded to an injured worker and the period of time the payments cover to set a reserve. In addition, the tabular system only calculates an average reserve for claims with the same indemnity type.

What is a reserve?

A reserve is the estimated remaining cost of a claim at a point in time. Reserves ensure that BWC accurately calculates the premiums necessary each year to make future claim payments to injured workers. That's why BWC includes reserves in premium rate calculations.

The overall level of premiums to fund claim costs will not be affected by this change in reserve systems. However, individual experience rated employers may be affected as more accurate reserves are calculated and used in experience rating.

How does MIRA work?

BWC feeds all existing claims in its master claim file into the MIRA computer system. Each week, MIRA collects data on individual claims that had activity or data changes.

MIRA, which has identified more than 40 of these claim characteristics as primary cost indicators, then calculates the total incurred cost of the claim. The reserve is the figure remaining after the system subtracts the total amount paid to date from the total incurred claim cost. MIRA also predicts the duration of every claim.

Transition to MIRA

Private, state-fund employers will not see rates based on MIRA reserves until the December 2002 payroll report with premiums due Feb. 28, 2003. MIRA reserves will be used to calculate public employers' rates beginning with the Jan. 1, 2003, to Dec. 31, 2003, policy year with premiums due May 15, 2004.

However, during this transition, the lower of the MIRA and tabular reserves will be used to calculate employers' individual premiums. The transition to MIRA will be implemented on a year-by-year basis and will be evaluated after its first year.

For more information

Call **1-800-OHIOBWC** and press 2.

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