

Oklahoma Option Original Objectives:

- More Competition is Good**
- Employer Cost Savings**
- Fewer Employee Disputes**
- Better Benefits For Most Employees**

How Is It Doing?

Oklahoma Option

Status:

I. More Competition is Good

- Price pressure on workers' comp, helping ALL employers
- Diverse group of big and small employers have elected Option
- Trial lawyer threats slow growth, but employer interest remains strong

II. Employer Cost Savings

- 70% lower than workers' comp (even after adjusting 2013 reforms)
- Improved medical outcomes and return to work
- Confirming legitimate occupational injury

Oklahoma Option Status:

III. Fewer Employee Disputes

- 3.73% of Option claims disputed vs. 15% of workers' comp claims

IV. Better Benefits For Most Employees

- Most employees covered by Option programs have tangible wage replacement benefit improvements

I. More Competition is Good

Option Employers of All Sizes

(as of 8/21/15)

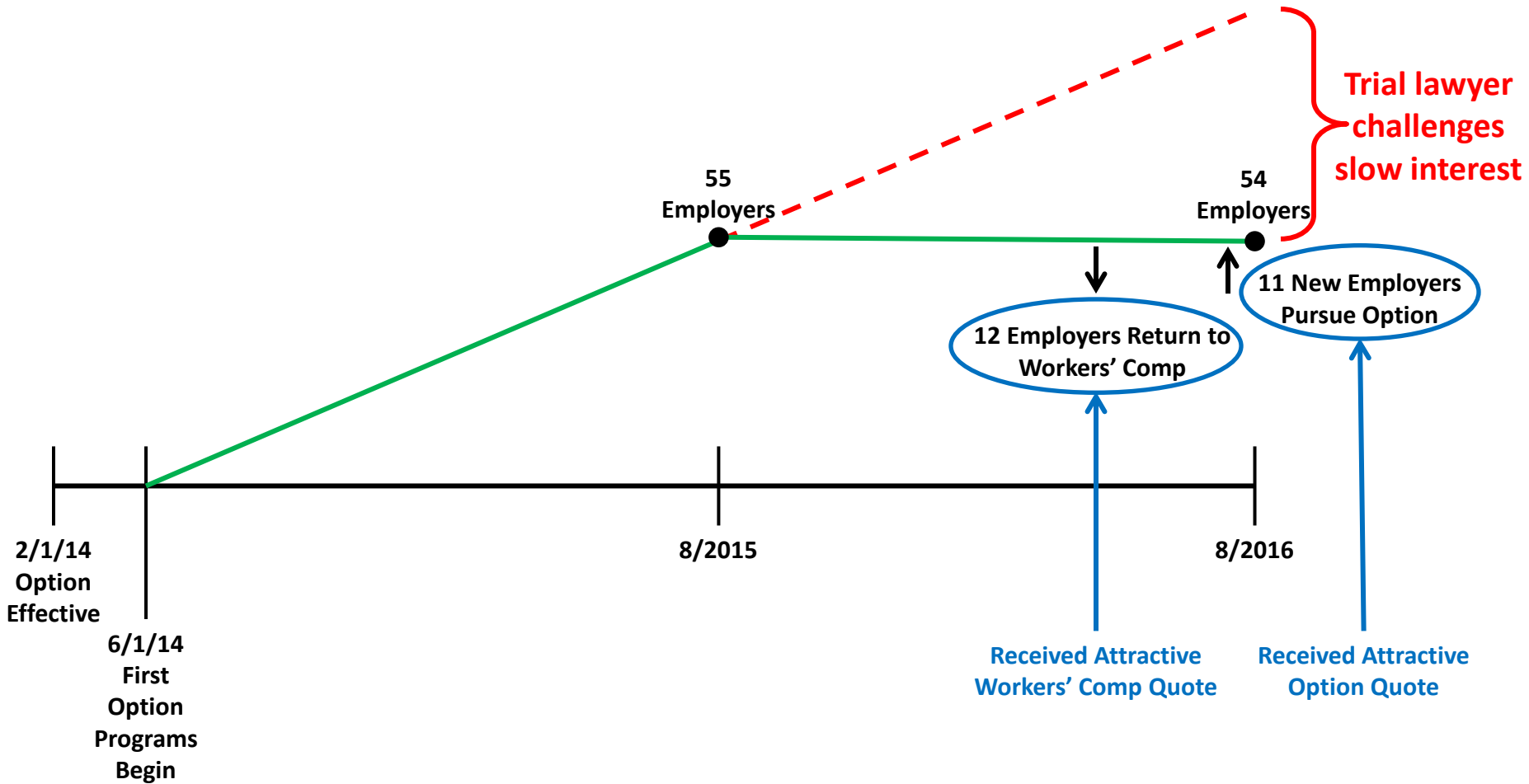
# of OK Employees	# of Option Employers	% of Option Employers
50 or Under	17	31%
51 – 100	9	16%
101 – 200	5	9%
201 – 500	12	22%
500+	12	22%
Total	55	100%

Industry Examples:

- Restaurants
- Healthcare
- Retail
- Plumbing
- Manufacturing
- Agriculture
- Maintenance & Janitorial
- Real Estate
- Transportation & Distribution

I. More Competition is Good (cont'd)

Employer Support Continues



(estimates as of 8/29/16)

I. More Competition is Good (cont'd)

Who are Oklahoma Option Qualified Employers?

(as of August 2016)

Company	Eff. Date	Company	Eff. Date
Oklahoma Temporary Service, Inc.	6/1/16	Traditions Home Care, Inc.	5/1/16
All About You, LLC	4/1/16	Dobson Technologies, Inc.	1/21/16
Jimmie Tucker Trucking, Inc.	1/1/16	Mullin Plumbing, Inc.	11/1/15
Brentwood Extended Care & Rehab, LLC	10/1/15	Hartshorne Health Services, Inc.	10/1/15
Ayers Nursing Home, Inc.	10/1/15	Muskogee Health Services, LLC	10/1/15
Royal Mfg. Co., LP	9/1/15	Cabela's Wholesale, Inc.	7/15/15
The Alarm Group, Inc.	7/1/15	Providence Health Holdings, LLC	7/1/15
Continental Brokers & Consultants, LLC	7/1/15	CrimeStone AAA Operating Company, LP	6/30/15
WAKO, LLC	6/15/15	Tulsa Employee Solutions, LLC	6/1/15
Legacy Convalescent Care Management, LLC	6/1/15	Daryl Thomason Trucking, Inc.	5/31/15
Commercial Brick Corporation	5/7/15	Russell-Murray Hospice, Inc.	5/1/15
Sisterly Care Health Services, LLC	5/1/15	Hitch Enterprises, Inc.	4/1/15
Specialty Real Estate Services, LLC	4/1/15	RF Products	3/1/15
Anchor Glass Container Corporation	3/1/15	Big Lots, Inc.	3/1/15
LTC Accounting Services, LLC	3/1/15	Brookdale Senior Living, Inc.	1/15/15
Urban Management, Inc.	1/1/15	Res-Care, Inc.	1/1/15
First Choice Home Medical, Inc. of OKC	1/1/15	Hillman Foods, Inc. dba McDonald's Restaurants	1/1/15
Ben E. Keith Company	12/1/14	First Maintenance Company, Inc.	12/1/14
Sequoyah Enterprises, Inc.	12/1/14	Valir Health, LLC	12/1/14
Greenleaf Nursery Company, Inc.	11/1/14	Florence Night and Day, LLC	11/1/14
Holiday Heights, LLC & Senior Village, LLC	11/1/14	Hometown Holdings, LLC	11/1/14
Koetter Construction Supply, Inc.	10/20/14	City Care, Inc.	10/1/14
Pro Ice LLC dba Oilers Ice Center	10/1/14	Marsh Pointe Management, LLC	9/18/14
IHS Holding, Inc.	9/15/14	Dillard's, Inc.	9/1/14
Swift Transportation Co. of Arizona, LLC	8/15/14	Quality Stone Quarries, LLC	8/1/14
Taylor & Sons Pipe & Steel	7/1/14	Brookhaven Hospital, Inc.	6/15/14
Alpha Home Health Care, Inc.	6/15/14		

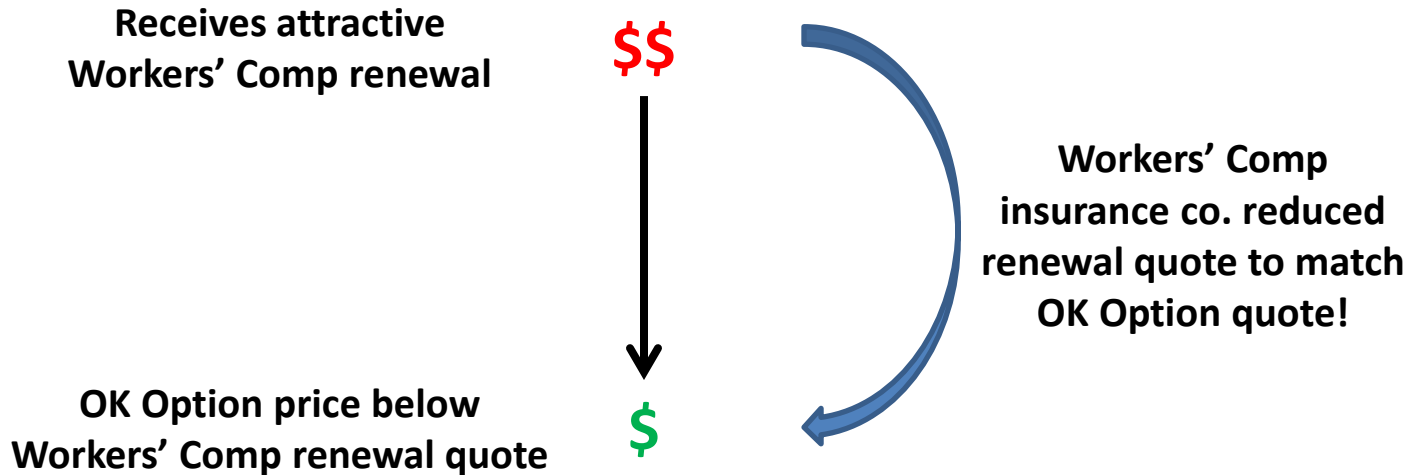
 **New Option Employers in the Past Year**

I. More Competition is Good (cont'd)

Lower Costs for Employers, Even if They Stay in Workers' Comp

Example:

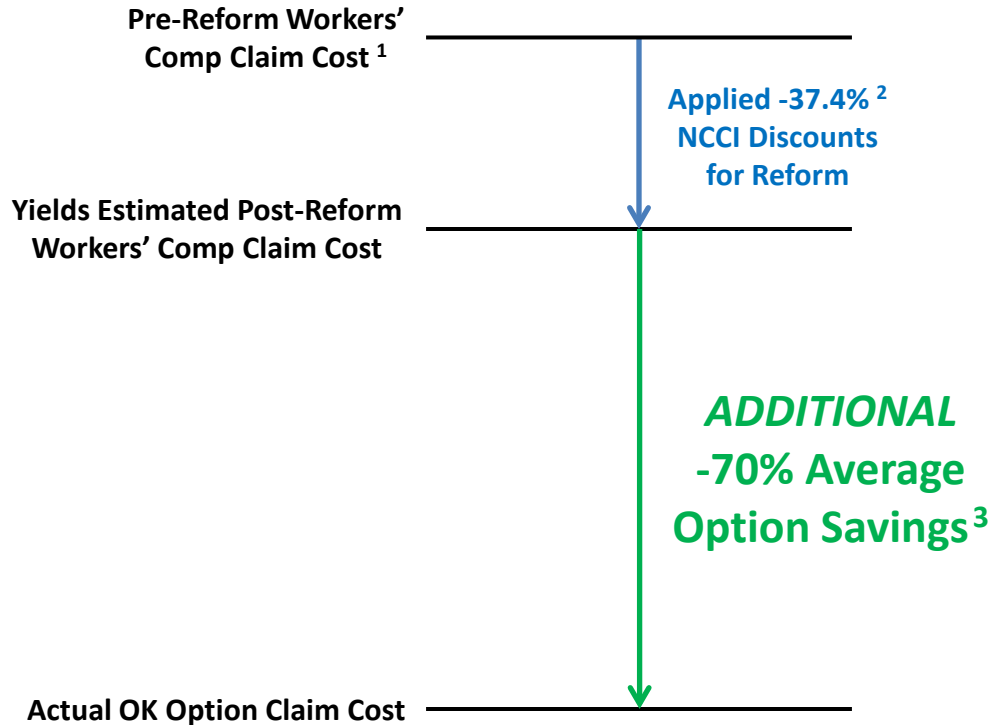
- Oklahoma-based manufacturer
- Tulsa insurance broker



Employer renewed workers' comp, but got Option price!
Competition works!

II. Employer Cost Savings

10 Employer Case Study



Option average cost per claim is 70% lower than reformed workers' comp.

¹ Every employer with “before & after” claim cost information available to compare. These are employers with significant claim frequency, increasing statistical validity of study.

² The combined discount of 37.4% is based on individual rate reductions projected by NCCI as a result of 2013 reforms, which are -14.2% effective 02/01/2014, -7.8% effective 02/01/2015, -14.8% effective 01/01/2016, +3.4% effective 07/01/2016 and -10.2% effective 01/01/2017. It is calculated as $1 - (1-0.142) \times (1-0.078) \times (1-0.148) \times (1+0.034) \times (1-0.102) = 0.374 = 37.4\%$.

³ Costs and savings detailed on next page.

II. Employer Cost Savings (cont'd)

Large and Small Company Examples

Employer	Industry	Percent Savings From Employer's Prior Work Comp	Number of Claims (excluding \$0 value claims)	Average Incurred Cost per Claim (excluding \$0 value claims)	Average Developed & Trended Cost Per Claim	Disputes as of 8/30/16
A	Trucking & Distribution	83%	38	\$5,949	\$7,329	4
B	Health Care	75%	64	\$2,505	\$3,145	3
C	Manufacturing	67%	56	\$5,246	\$6,547	0
D	Retail	68%	79	\$2,763	\$3,468	2
E	Retail	41%	78	\$5,302	\$5,654	3
F	Agriculture	55%	62	\$3,530	\$4,427	0
G	Retail	93%	13	\$638	\$810	0
H	Retail	49%	41	\$3,919	\$4,255	0
I	Manufacturing	73%	44	\$1,382	\$1,496	0
J	Health Care	82%	107	\$1,718	\$2,148	5
SUBTOTAL		70%	582	\$3,341	\$4,110	17
30 Smaller Employers	Various		249	\$1,363		14
TOTAL			831	\$2,748		31 (3.73%)

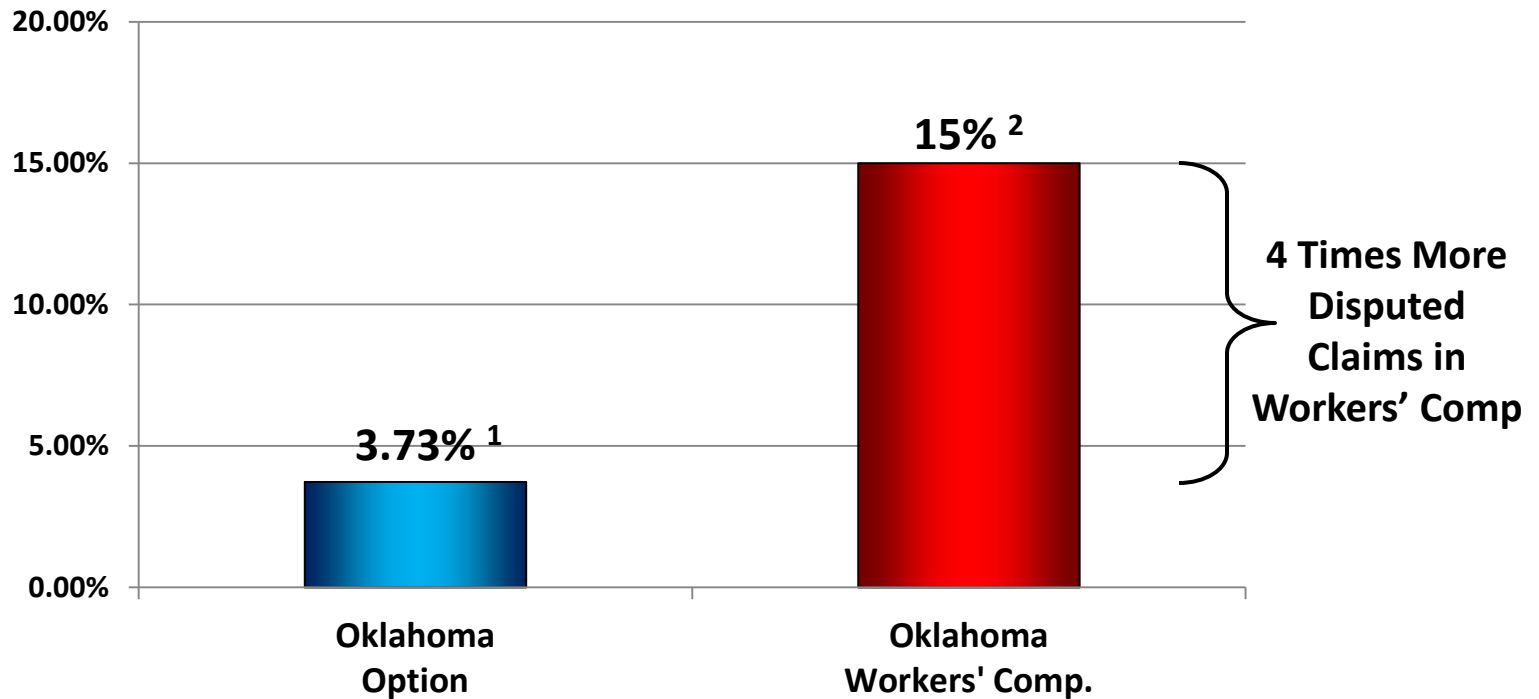
Notes for Employers A-J (data as of 6/30/16):

1. Data for each employer ranges from 12 to 23 months. Estimated savings for each employer range from \$165,000 to \$1,600,000 and total claim cost savings are estimated at \$6.3 million.
2. Estimated savings are after development to ultimate cost using traditional actuarial development methodologies, including loss development factors and 5% annual trending. These savings are **AFTER** reducing historic Oklahoma workers' compensation losses for the full -37.4% NCCI projected reduction in rates associated with the new Oklahoma administrative workers' compensation program.
3. Employers vary in size from 300 to 5,000 OK employees. Estimated total employment for these 10 employers is 14,950, or 66% of the estimated employee population covered by Oklahoma Option programs.

For the 30 smaller employers (data as of 7/31/16), individual employer savings percentages were not calculated due to data limitations.

III. Fewer Employee Disputes

Percent of Injury Claims Disputed



¹Based on all available data for 40 employers and 831 total injury claims, with 31 employee claim disputes (Form 3 and ERISA appeals) since 6/1/14, as of 7/31/16. Detail on prior page.

²Based on Oklahoma Workers' Compensation Commission 2015 Annual Report of 6,331 employee disputes and an estimate of 42,259 total injury claims (note that many medical only and claims with 3 or fewer days of lost time are not included in the Commission report).

IV. Better Benefits For Most Employees

- **Starting Point: Oklahoma law mandates**
 - Same types of benefits
 - At least the same dollar, duration and percentage amounts
- **Wage replacement benefits have been improved for most Option employees in three ways** (see next page)
 - ✓ No waiting period
 - ✓ Higher wage replacement percentage
 - ✓ No weekly cap

IV. Better Benefits For Most Employees (cont'd)

Wage Replacement Benefits Improved in Three Ways

	Oklahoma Workers' Comp	Oklahoma Option ¹
1. Waiting Period	3 Day Wait	No Waiting Period (for 57% of employees)
2. Wage Replacement %	70% of Normal Pay ²	85-100% of Normal Pay (for 67% of employees)
3. Weekly Maximum	\$589/week (Reduces benefits to approximately 21% of disabled employees) ³	No Weekly Cap (for 63% of Employees)

¹ Based on review of 48 of 55 Option employer injury benefit plans reviewed as of 8/21/15, and 22,598 total employees covered by those programs.

² WC benefits are non-taxable and Option benefits may be taxable, to be determined by IRS.

³ See Oklahoma Workers' Compensation Commission 2015 Annual Report, Table 8, Pg. 20, and Workers' Comp weekly maximum benefit cap of 70% of state average weekly wage: \$589 in 2015-16, divided by 70% weekly cap impacts workers earning over \$841.

IV. Better Benefits For Most Employees (cont'd)

Examples of Better Wage Replacement *

Joe's take home pay is \$631 per week & misses 4 days of work due to injury.

Joe's workers' comp wage replacement benefit = **\$113**

Joe's Option wage replacement benefit = **\$429**

Sue's take home pay is \$631 per week & misses 7 days of work due to injury.

Sue's workers' comp wage replacement benefit = **\$450**

Sue's Option wage replacement benefit = **\$751**

*Based on the Oklahoma average annual income of \$41,820 per year and assumes zero days waiting period for Oklahoma Option benefits paid at 85% (over half of Option employees are eligible for this or higher benefit). Assumes wage replacement is tax-free in workers' comp, but taxable under Option.

IV. Better Benefits For Most Employees (cont'd)

- **Coverage is broadening** – competitive, continuous improvement
 - ✓ See <http://bit.ly/21mSMDT> (Workers' Comp Reporter)
 - ✓ Coverage exclusions have minimal impact on cost savings
 - See Stanford University Study
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2750134
- **Less cost shifting** to government programs due to better medical outcomes
- **Professional claims administration:**
 - ✓ By the same insurance companies, licensed TPAs and employers that administer workers' comp programs
 - ✓ Using the same procedures required for over 40 years in other employer-sponsored benefit plans
 - ✓ Making timely decisions and payments
 - ✓ With expanded access to the best medical providers

IV. Better Benefits For Most Employees (cont'd)

What Injured Workers are Saying:

"After being hurt at work, I was very pleased with the medical care provided. The company has taken good care of me and the process was very easy to follow."

- Alberto

"When I got hurt at work, I received excellent medical care quickly - from the initial appointment through physical therapy. The paperwork was straightforward and easy to complete."

- Karen

Oklahoma Option

Objectives Achieved:

- More Competition is Good**
- Employer Cost Savings**
- Fewer Employee Disputes**
- Better Benefits For Most Employees**