

4123-17-03

Employer's classification rates.

- (A) An employer's premium rates shall be the manual basic rates as provided under rules 4123-17-02, 4123-17-06, and 4123-17-34 of the Administrative Code for each of its classifications except as modified by its experience rating, and shall apply for the first two six-month periods beginning on or after the first of July for private employers and shall apply for the calendar year beginning on or after the first of January for public employer taxing districts.
- (1) In calculating the manual base rate under this rule, the bureau shall exclude the experience of an employer that is no longer active if the inclusion of the inactive employer's experience would have a significant negative impact upon the remaining active employers in a particular manual classification.
 - (2) The calculation of the base rate and the experience rate shall be applied to all employers reporting payroll in the manual classification, whether or not the premiums of the individual employers are reduced.
 - (3) Once the bureau has determined that the loss data of a specific inactive employer shall be removed from the manual classification experience, the bureau shall exclude the data of that employer from all future manual classification rate calculations. If that inactive employer reactivates its account with the Ohio state insurance fund, the bureau shall include the loss data in rate calculations for the manual classification.
 - (4) As used in this rule, an employer that is "no longer active" or is "inactive" is defined as an employer that satisfies all of the following criteria:
 - (a) The employer is assigned the policy status "bankrupt cancel," "cancel effective date," "final cancel," "canceled uncollectible," "no coverage due to claim," or "no coverage;"
 - (b) The employer is not reporting payroll;
 - (c) The employer is not paying or assessments to the Ohio state insurance fund as of the rate cut off date under either its own identity, the identity of any successor entity, or as a self-insured entity; and
 - (d) The employer does not employ employees for which Ohio workers' compensation jurisdiction would apply.
 - (5) As used in this rule, a "significant negative impact" is defined as occurring when the inactive employers in the manual reported forty per cent or more of

the payroll in the manual classification in any calendar year in the experience period and when the loss rate and loss/premium ratio of the inactive employers taken as a whole are significantly higher than those of the active employers taken as a whole as measured using the data from the prior policy year's most current four years data. For private employer rates effective July 1, 1997, the bureau shall use the experience period data of the current policy year.

- (B) An experience-rated employer's manual classification rate modification (credit or penalty) shall be determined by multiplying its experience modification percentage (EM%) times the basic manual rate for each assigned manual classification. The amount of the modification shall then be subtracted from or added to the respective basic rate to obtain the employer's premium rate for each classification.
- (C) The experience modification percentage (EM%) shall be determined on the basis of the employer's experience and applied to the basic rate. The experience modification percentage of the employer's rate is determined in accordance with the following formula:

Subtract the TLL from the TML (TML - TLL), then divide by the TLL; multiply the resulting number by the C%; then add 100 to the resulting number, which will equal the EM%.

TML = Actual losses of the employer for the experience period as reduced in accordance with the maximum value. For individually rated employers, the EM% calculation will use the lower of the total modified losses from either the tabular reserve system or the MIRA reserve system. The TML that will be used in the calculation of the group EM% will be the lower of the TMLs from either the tabular reserve system or the MIRA reserve system, as determined at the individual employer level.

$TLL = \text{Total limited losses} = TEL \times LLR$

TEL = Total expected losses as determined by applying the national council of compensation insurance (NCCI) expected loss rate to the NCCI classification payroll of each NCCI classification in the employer's experience period, as provided in appendix A of rule 4123-17-04 of the Administrative Code. The total expected losses are then used to determine the maximum value of a loss, credibility, and CX constant.

LLR = Limited loss ratio = $1 - CX/C\%$. This ratio is calculated for each credibility group within each industry group and is published as Table 1, Part C, in rule 4123-17-05 of the Administrative Code for private employers and rule 4123-17-33 of the Administrative Code for public employer taxing districts.

C% = Credibility given to an employer's own experience. Credibility is assigned by applying the employer's total expected losses to Table 1, Part A, in rule 4123-17-05 of the Administrative Code for private employers and rule 4123-17-33 of the Administrative Code for public employer taxing districts.

CX = Constant for each employer size group (group maximum value pool).

EM% = Credit or penalty applied to the basic rate.

- (D) An employer's expected losses shall be the sum of the expected losses for each of its classifications. The expected losses for a classification shall be obtained by applying the expected loss rate of the table of rates to the employer's four-year payroll of the classification.
- (E) The "experience period" shall be the oldest four of the latest five calendar years immediately preceding the beginning of the payroll reporting period to which the revised rates are applicable.
- (F) Experience modification shall be subject to the following conditions and limitations:
 - (1) Actual losses include all incurred costs and shall be limited to the amounts stated in the credibility table according to the total expected losses of an employer;
 - (2) An employer shall not be eligible for experience modification of basic rates unless its expected losses are at least the minimum amount in the credibility table, as periodically established for the applicable rating period by rule adopted by the administrator with the ~~advise~~ advice and consent of the bureau of workers' compensation oversight commission ~~board of directors and filed with the secretary of state and the legislative services commission~~;
 - (3) ~~The maximum credit modification will be ninety five per cent. Commencing with rating years beginning January 1, 1995, and later, shall be no limitation on the penalty modification.~~
- (G) Commencing with the rating year beginning July 1, 1987, and all subsequent rating years, all manual classifications of the state insurance fund are subject to experience rating (i.e., merit rating).

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Certification

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