

**4123-17-03      Employer's classification rates.****(A) Definitions.**

As used in this rule:

**(1) "Experience period" means:**

- (a) For private employer policy years commencing prior to July 1, 2016, the oldest four of the latest five calendar years immediately preceding the beginning of the policy year to which a rate is applicable.
- (b) For private employer policy years commencing on or after July 1, 2016, the oldest four of the latest five completed policy years immediately preceding the beginning of the policy year to which a rate is applicable.
- (c) For public employer taxing districts policy years commencing prior to January 1, 2016, the oldest four of the last five calendar years immediately preceding the beginning of the policy year to which the rate is applicable.
- (d) For public employer taxing districts policy years commencing on or after January 1, 2016, the oldest four of the last five completed calendar years immediately preceding the beginning of the policy year to which the rate is applicable.

**(2) "Inactive employer" means an employer that satisfies all of the following criteria:**

- (a) The employer is assigned a "cancelled" policy status or a "no coverage" policy, and
- (b) As of the last day of September for private employers, or the last day of March for public employers, the employer is not paying premiums or assessments to the Ohio state insurance fund under either its own identity, the identity of any successor entity, or as a self-insured entity.

**(3) "Significant negative impact" occurs when:**

- (a) ~~Inactive employers~~ An inactive employer reported ~~forty- ten~~ per cent or more of the payroll in a manual classification ~~in any calendar year in~~ during the experience period ~~for policy years commencing before July 1, 2016, and in any policy year for the policy years commencing on or after July 1, 2016,~~ and
- (b) The ~~aggregate loss base~~ rate ~~and loss to premium ratio of inactive employers in~~ for the manual classification ~~are significantly is~~ is higher ~~than the aggregate loss rate and loss to premium ratio of the active employers taken as a whole as measured over the relevant experience period~~ by including the payroll and losses of such inactive employer in the calculation of that manual classification base rate, than the manual classification base rate is when the payroll and losses of the inactive employer are excluded. For the purpose of determining "significant negative impact," the bureau shall test each inactive employer separately.

- (B) An employer's premium rates shall be the manual classification base rates as provided under rules 4123-17-02, 4123-17-06, and 4123-17-34 of the Administrative Code for each of ~~its~~ the employer's manual classifications except as modified by the employer's experience rating, and shall apply for the twelve-month period beginning on the first of July for private employers and for the calendar year beginning on the first of

January for public employer taxing districts.

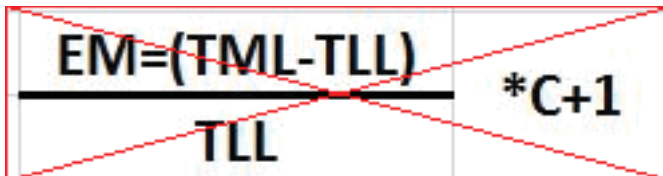
(1) In calculating the manual classification base rate and the expected loss rate under this rule, the bureau shall exclude the experience in a manual classification of an inactive employer if the inclusion of that inactive employer's experience in that manual classification would have a significant negative impact upon the remaining employers in a particular manual classification. ~~The bureau shall exclude the data of that inactive employer from all future manual classification rate calculations.~~

(2) The calculation of the manual classification base rate and the ~~experience~~ expected loss rate, as modified in paragraph (B)(1) of this rule, shall be applied to all employers reporting payroll in the manual classification.

~~(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 policy, the bureau shall include the loss data in rate calculations for the manual classification.~~

(C) An experience-rated employer's manual classification experience-modified rate shall be determined by multiplying its experience modification (EM) as defined in paragraph (D) of this rule times the manual classification base rate for each of the employer's assigned manual classifications.

(D) ~~The experience modification~~ An employer's EM is determined in accordance with the following formula:



The image shows a rectangular box containing a formula that has been crossed out with a large red 'X'. The formula inside the box is: 
$$EM = \frac{(TML - TLL)}{TLL} * C + 1$$

$$EM = \left[ \frac{(TML - TLL)}{TLL} \times C \right] + 1$$

TML = Actual losses of the employer for the experience period, limited in accordance with paragraph (E)(1) of this rule.

TLL = Total limited losses = TEL multiplied by LLR

TEL = Total expected losses, determined by applying expected loss rate to the payroll of each manual classification in the employer's experience period, as provided in the appendix to rule 4123-17-05.1 of the Administrative Code for private employers and in the appendix to rule 4123-17-33.1 of the Administrative Code for public employer taxing districts. The total expected losses are then used to determine credibility

group, credibility, and the maximum value of a loss.

LLR = Limited loss ratio, calculated for each credibility group within each industry group, as provided in appendix B to rule 4123-17-05 of the Administrative Code for private employers and appendix B to rule 4123-17-33 of the Administrative Code for public employer taxing districts.

C = Credibility given to an employer's own experience, determined by the employer's total expected losses, as provided in the appendix to rule 4123-17-05.1 of the Administrative Code for private employers and in the appendix to rule 4123-17-33.1 of the Administrative Code for public employer taxing districts.

(E) ~~Experience modification (EM)~~ An employer's EM shall be subject to the following conditions and limitations:

- (1) Actual losses shall include all incurred costs but shall be limited as provided in rule 4123-17-12 of the Administrative Code, and at the claim level to the amounts provided in the appendix to rule 4123-17-05.1 of the Administrative Code for private employers and the appendix to rule 4123-17-33.1 of the Administrative Code for public employer taxing districts according to the total expected losses of an employer; and
- (2) An employer shall not be eligible for experience modification of manual classification base rates unless its expected losses are at least the minimum amount as provided in the appendix to rule 4123-17-05.1 of the Administrative Code for private employers and the appendix to rule 4123-17-33.1 of the Administrative Code for public employer taxing districts.
- (3) The year-over-year increase in an employer's EM may be limited to one hundred per cent pursuant to rule 4123-17-03.2 of the Administrative Code.

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CERTIFIED ELECTRONICALLY

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Certification

06/02/2017

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Date

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