

## TO BE RESCINDED

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(1) In calculating the manual base rate under this rule, the bureau shall exclude the experience of an employer that is no longer active if the inclusion of the inactive employer's experience would have a significant negative impact upon the remaining active employers in a particular manual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  - (4) As used in this rule, an employer that is "no longer active" or is "inactive" is defined as an employer that satisfies all of the following criteria: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 premiums 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 debit) shall be determined by multiplying its experience modification (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 (EM) shall be determined on the basis of the employer's experience and applied to the basic rate. The experience modification 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 per cent, which will equal the EM.

TML = Actual losses of the employer for the experience period as reduced in accordance with the maximum value.

TLL = Total limited losses = TEL x 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 to rule 4123-17-05.1 of the Administrative Code for private employers and 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. This ratio is calculated for each credibility group within each industry group and is published as Table 1, Part B, in rule 4123-17-05 of the Administrative Code for private employers and Part B of rule 4123-17-33 of the Administrative Code for public employer taxing districts.

C per cent = 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 4123-17-05.1 of the Administrative Code for private employers and rule

4123-17-33.1 of the Administrative Code for public employer taxing districts.

EM = Credit or debit applied to the basic rate.

- (D) 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.
- (E) Experience modification per cent (EM) shall be subject to the following conditions and limitations:
  - (1) Actual losses include all incurred costs and shall be limited at the claim level to the amounts provided in Table 1, Part A, to rule 4123-17-05.1 of the Administrative Code for private employers and rule 4123-17-33.1 of the Administrative Code for public employer taxing districts 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 provided in Table 1, Part A, to rule 4123-17-05.1 of the Administrative Code for private employers and rule 4123-17-33.1 of the Administrative Code for public employer taxing districts, as periodically established for the applicable rating period by rule adopted by the administrator with the advice and consent of the bureau of workers' compensation board of directors;
- (F) 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).
- (G) Private employer year-to-year cap: Commencing with the rating year beginning July 1, 2009, the bureau shall cap or limit at one hundred per cent the increase to the employer's experience modification (EM) from the prior rating year published EM. The bureau will not adjust the prior rating year published EM for the purposes of determining the cap for the current rating year. The bureau will not apply a cap to any EM decreases.
  - (1) Eligibility requirements:
    - (a) As of June first immediately prior to the policy year, the employer must be current with respect to all payments due to the bureau, as defined in paragraph (A)(3) of rule 4123-17-14 of the Administrative Code.

- (b) The employer cannot have cumulative lapses in workers' compensation coverage in excess of forty days within the twelve months preceding June first immediately prior to the policy year to which the cap will be applied.
- (c) To be eligible for the cap in the first policy year, an employer must complete a safety program prescribed by the division of safety and hygiene. The employer shall complete such program no later than the last business day of March of the year in which the cap first applies. To be eligible for the cap in subsequent years, an employer must complete an online training class prescribed by the division of safety and hygiene. The employer shall complete such training class no later than the last business day of March of each policy year the cap is applied. If the employer fails to comply with these requirements, the bureau will remove the cap for the policy year in which the requirements were not met.

(2) Opt-out provision:

The bureau will automatically apply the cap to an employer that meets the eligibility requirements of paragraphs (G)(1)(a) and (G)(1)(b) of this rule. If an employer wishes to not have the cap applied, the employer must notify the bureau in writing by the last business day in September of the policy year.

- (H) Public employer taxing district year-to-year cap: Commencing with the rating year beginning January 1, 2010, the bureau shall cap or limit at one hundred per cent the increase to the employer's experience modification (EM) from the prior rating year published EM. The bureau will not adjust the prior rating year published EM for the purposes of determining the cap for the current rating year. The bureau will not apply a cap to any EM decreases.

(1) Eligibility requirements:

- (a) As of December first immediately prior to the policy year to which the cap will be applied, the employer must be current with respect to all payments due to the bureau, as defined in paragraph (A)(3) of rule 4123-17-14 of the Administrative Code.
- (b) The employer cannot have cumulative lapses in workers' compensation coverage in excess of forty days within the twelve months preceding December first immediately prior to the policy year to which the cap will be applied.

- (c) To be eligible for the cap in the first policy year, an employer must complete a safety program prescribed by the division of safety and hygiene. The employer shall complete such program no later than the last business day of September of the year in which the cap applies. To be eligible for the cap in subsequent years, an employer must complete an online training class prescribed by the division of safety and hygiene. The employer shall complete such training class no later than the last business day of September of each policy year the cap is applied. If the employer fails to comply with these requirements, the bureau will remove the cap for the policy year in which the requirements were not met.

(2) Opt-out provision:

The bureau will automatically apply the cap to an employer that meets the eligibility requirements of paragraphs (H)(1)(a) to (H)(1)(c) of this rule. If an employer wishes to not have the cap applied, the employer must notify the bureau in writing by March thirty-first of the policy year.

- (I) Exclusion to the one hundred per cent EM cap: Where more than one employer policy's experience is used to develop an EM, the resulting EM is not subject to the one hundred per cent year to year cap unless one of the following apply:

- (1) The bureau will allow the cap to be applied to a debtor in possession policy combination as a result of bankruptcy proceedings. This transaction is a change in policy number without any change in exposure. The baseline EM of the successor will be the predecessor's prior rating year published EM.
- (2) The bureau will allow the cap to be applied to a succeeding employer policy that is base rated as of the effective date of the transfer that wholly or partially succeeds only one other policy. This exception acknowledges the change in exposure. The baseline EM of the successor will be the predecessor's prior rating year published EM.

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CERTIFIED ELECTRONICALLY

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Certification

06/05/2013

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Date

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