

BWC Monthly Update

August 2008



Group Rating/Split Plan Reform

Upon the approval by the BWC Board of Directors, BWC began planning the implementation phase of the Group Rating/Split Plan reform project. By December 2008, BWC will report on a series of deliverables related to the project to the Board of Directors. These deliverables include:

- o A plan on group rating homogeneity and continuity;
- o A strategy to improve group formation; and
- o A plan for implementing new performance-based safety incentive and discount options.

In addition, BWC must also fully implement the dual capping strategies, begin the transition to the split-rating experience plan, and consider other group-rating rule changes.

To achieve these goals, three project teams are being developed. The first team will concentrate on implementation of split plan and the capping strategies. The second team will focus on developing new performance-based discount options, and the third will be responsible to further study and improve group-rating rules and governance.

Throughout this process, BWC will continue to work closely with external stakeholders. BWC also intends to consider and incorporate, when appropriate, recommendations from an independent actuary hired by a coalition of group sponsors and third-party administrators.

FY08 discount processing

In anticipation of processing the FY08 Safety Council discounts, state fund employers are strongly encouraged to pay their premium by the August 31 deadline. Checks for the 2% participation portion of the discount will be distributed at October safety council meetings. Employers with lapsed coverage will not be eligible for the discount.

The 2% performance bonus portion of the discount be calculated in November. All employers who met the FY08 eligibility requirements will receive benchmark letters informing them of frequency and severity comparison rates for FY07/FY08. Checks will be mailed to the business address on file with BWC.

New BWC Unit to Target Non-compliant Employers

Ohio Bureau of Workers' Compensation (BWC) has created the BWC Compliance Unit. The unit will aggressively pursue those operating businesses in Ohio and do not have workers' compensation coverage.

BWC's new compliance unit will work to ensure each business pays its fair share for workers' compensation coverage. Thus, protecting working Ohioans and the businesses that comply with the laws of our state.

Today, more than 5,540 Ohio employers have an outstanding balance of more than \$10,000 in workers' compensation premiums and penalties. These employers collectively owe the State Insurance Fund more than \$235 million.

Categories in which the compliance unit will pursue non-compliant employers fall under Ohio Revised Code 4123.01 and include:

1. Employers operating a business without required coverage;
2. Employers with coverage but are not reporting the correct payroll or correct manual classifications; and
3. Employers whose coverage has lapsed, though continues to operate without coverage as required.

Legislation:

Jurisdiction

Senate Bill 334 passed and becomes effective September 11, 2008. This bill expands the definition of an employee and allows BWC an alternative manner in which to offer coverage to employers.

SB 334 does the following:

- o Allows exemptions for Ohio workers' compensation coverage to out-of-state employers that are working in Ohio on a temporary basis in situations where the other state offers reciprocal exemption. In cases where reciprocity does not exist, out-of-state employers must take out Ohio coverage.
- o In cases where Ohio employees are temporarily working in other states, and that state requires Ohio employers to take out coverage, Ohio employers will be permitted to segregate payroll by jurisdiction.
- o Prohibits the duplication of claim filings in multiple states and allows the Administrator the authority for recuperation of appropriate cost based on jurisdictional limitations and permissions.

Longshore and Harbor Workers' Compensation

House Bill 562 passed and becomes effective September 23, 2008. This bill amends the payroll segregation requirements for Longshore and Harbor Workers' Compensation. The bill requires that payroll by Marine Fund employers be segregated according to the duties performed or services rendered by an employee.

The bill further states that rules, with respect to the collection, maintenance and disbursements of the state insurance fund, shall be adopted. This bill will also prohibit employees covered under federal act from seeking remedy under the state fund.