

Rate Reform: Rules and Governance Workgroup

Tuesday, September 16, 2008

Objectives:

- Review current sponsorship requirements
 - Statutes and rules
- Discuss potential or proposed changes to sponsorship requirements
- Discuss group continuity:
 - Duration of participation
 - Proposed exceptions

Statutory Provisions – employer groups

- Ohio Revised Code Section 4123.29(A)(4)(a)
 - All participating employers are members; and, sponsoring organization exists for at least two years
 - Sponsoring organization was formed for purposes other than group rating
 - Employers' business is substantially similar such that the risks are substantially homogeneous
 - Each group must have at least 100 members or aggregate premiums greater than \$150,000
 - Formation and operation of each group substantially improves accident prevention and claims handling
 - Each employer is in good standing

Administrative Rules – OAC 4123-17-61(B) Criteria

- All employers must be members
- Sponsoring organization in existence for at least two years
- Organization was formed for purposes other than group rating, and shall document its purpose
- Employers' business must be substantially similar such that the risks are substantially homogenous, using main operating manuals
- Each group must have at least 100 members or aggregate premiums greater than \$150,000, using policy year for private employers and calendar year for public employers
- Formation and operation of each group must substantially improve accident prevention and claims handling, and each group must document its plan or program and its results
- Each employer must have active coverage, by standards set forth in the rule

Statutory Provision – “in good standing” requirement

- Ohio Revised Code Section 4123.29(A)(4)(a)(vi)
 - Each employer seeking to enroll in a group for workers' compensation coverage has an industrial insurance account in good standing such that, at the time the agreement is processed, none of the following are owed:
 - No outstanding premiums
 - No penalties
 - No assessments

Administrative Rules – OAC 4123-17-61(B)(6) “Active Coverage” requirement

- At the time of the application deadline, employer must be “current” [defined as “not more than forty-five days past due”] on any and all payments
- At the time of the application deadline, employer must be “current” [*not* defined to include any past due time or amount] on the payment schedule of any part-pay agreement
- Employer cannot have cumulative lapses in coverage in excess of fifty-nine days within the eighteen months preceding the application deadline
- Employer must be in active status at the time of the application deadline *and* at the beginning of the rating period

Administrative Rules – OAC 4123-17-61(D) Criteria

- Each sponsoring organization must meet the statutory and rule requirements
- Each sponsoring organization must submit information to demonstrate that it meets the statutory and rule requirements
- Each sponsoring organization must register

Administrative Rules – OAC 4123-17-62 Application

- Each sponsoring organization must submit all pertinent information or application will be rejected
- Required information includes information about group or non-group status of each employer for previous policy year and upcoming policy year
- Sponsoring organization must notify participating group employer if it will not be included in a group by that sponsor in the upcoming policy year
- Employer that satisfied homogeneity requirements in a continuing group shall not be disqualified from participating by its failure to continue to satisfy the homogeneity requirements
- Group applications are final as of the filing deadline; sponsoring organization by not withdraw or rescind after the filing deadline

Administrative Rules – OAC 4123-17-68 Safety Program Requirements

- Rule sets forth minimum safety requirements
- Each sponsoring organization shall document its program to improve accident prevention and claims handling for its group member employers
- Rule sets forth guidelines and criteria for sponsoring organizations to develop safety programs [OAC 4123-17-68(D)]
- Rule sets forth mandatory components for sponsoring organization safety programs [OAC 4123-17-68(G)]

Administrative Rules – OAC 4123-17-62(G) Removal of Employers

- Sponsoring organization may request removal by the Bureau of an employer from participation in the group
- Timing: *after* application deadline, and *before* April 1st for private employers (or, for public employers, before October 1st)
- Standard: “gross misrepresentation,” defined as “an act by the employer that would cause financial harm to the other members of the group,” limited to:
 - a failure to disclose the true nature of the employers business, which adversely affects the experience modification of the group
 - a failure to disclose a merger that adversely affects the employer’s experience modification and adversely affects the experience modification of the group

Administrative Rules – OAC 4123-17-66 Termination and transfers of group experience rating

- group may not retroactively include or exclude experience, or voluntarily terminate a plan during a policy year
- change of group name does not create a new group
- change in the sponsoring organization, or moving a group to a new sponsoring organization, constitutes a new group that must meet homogeneity requirement
- group is considered a continuing group if more than 50% of the members from the previous year are members in the current rating year
- various predecessor-successor scenarios and rules

Other proposed changes to sponsorship requirements

Group continuity

Duration of participation

Years of Group Experience in Rating Calculation

Rating Year	7/00	7/01	7/02	7/03	7/04	7/05	7/06	7/07
Experience Periods	1998	1999	2000	2001	2002	2003	2004	2005
Used for Exp Mod	1997	1998	1999	2000	2001	2002	2003	2004
Determination	1996	1997	1998	1999	2000	2001	2002	2003
	1995	1996	1997	1998	1999	2000	2001	2002

Percent of Experience in Rating Calculations

Years	1	2	3	4	5	6	7	8
	0%	0%	12.5%	37.5%	62.5%	87.5%	100%	100%
Months of Experience Reflected in the Group Mod	0	0	6	18	30	42	48	48

Administrative Rules – OAC 4123-17-65 Experience Retention

- If an individual employer is a member of a group and leaves the group, the experience of that individual employer shall be used in experience-rating calculations for the group to impact only the rating years that the employer was a member of the group

Proposed exceptions

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Next meeting: Sept. 30 at 1:30