



# FEBRUARY 2010 NEWSLETTER

## PRIVATIZING WORKERS' COMP?

State Senator Tim Grendell has sponsored a resolution that would form a task force to study the feasibility of allowing Ohio employers the option to obtain private insurance to insure their workers' comp. The resolution passed the house and the next step is to form the committee to develop the study to determine the feasibility and value to Ohio employers. This is a good first step and something that is long overdue in Ohio.

Another bill recently sponsored in the State Senate mandating BWC to set the discounts for BWC programs by September 1<sup>st</sup> prior to the policy year to allow Ohio employers an opportunity to budget for the increased premiums. This bill would also place a two year moratorium on the Break Even Factor and prohibit BWC from lowering the maximum discount for group rating participants.

## MAXIMUM DISCOUNT REDUCED TO 51%

We have heard from a number of employers this year complaining about receiving quotes from companies soliciting their workers' comp business without having completed the required AC-3 form. If this happens to you, contact BWC employer services department. We are finding that some of the associations are marketing "very hard" this year to gain membership. Keep your eye on the association dues – sometimes they are more expensive than the service fees being charged by the TPA. Sometimes the invitation form from some TPA firms can be confusing because they indicate the Break Even Factor Discount as being 65%. No matter what the invite says – the maximum discount is only 51%.

## SOFT MARKET FOR COMMERCIAL INSURANCE

Pricing in the commercial insurance market is currently very soft. Insurance companies are competing for the reduced volume of business in Ohio. We all know that many Ohio employers have closed their doors for a variety of business reasons. For this reason insurance companies have to adjust their pricing. On an average, commercial insurance rates are down 5% and the 13.9% unemployment rate in Ohio does not appear to be getting any better, which means that pricing will become even more competitive.

## IMPORTANT FACTORS

Some factors to consider when selecting an insurance agent to represent your company – consider these:

- Competence – understanding your company's needs
- Reliability – meeting deadlines
- Communication – keeping you informed
- Accessibility – easy to reach & returns calls promptly
- Responsiveness – doing what was promised
- Problem resolution – addressing issues

## TO BE OR NOT TO BE? WHAT IS THE QUESTION?

Some Ohio employers are finding out the hard way that what you think may be contract labor really is not, at least according to the IRS and BWC. Contract laborers are supposed to receive a 1099 form if they earn \$600 or more in any calendar year. Anyone working for your company as a contract laborer should complete a W-9 form to show proof of their federal ID number or social security number. Remember this – if you direct the work activity of the contract laborer, if you provide the tools or equipment for them to do the job, if you provide training and or supervision, they may be classified as your employee. Contract labor should be paid from an invoice they provide to you for the services rendered. Talk to your accountant about this issue.

## OBWC PAYROLL REPORTS DUE BY 2-28-10

BWC has indicated the Ohio employers will see a 25% reduction in the average base rates. However, employers should not be surprised to see an increase in premiums by as much as 70% due to the reduction in the group rating discounts and the break even factor that BWC has applied to group participants. Some employers will no longer qualify for group rating due to the changes in the expected loss rates and the effect it will have on maximum claims value for some employers. These two factors alone can keep your company from participating in a group.

## OHIO – THE BUSINESS STATE

A recent article from a national tax survey report shows that Ohio ranks 47<sup>th</sup> in the nation when it comes to quality of the business climate and business development.

In the same survey, Ohio ranks 7<sup>th</sup> in the nation in taxing businesses and individuals.

Ohio's current "unofficial" unemployment rates hovers around 17%. We rank 3<sup>rd</sup> in the nation in unemployment claims.

Not only are your workers' compensation rates going up this year, but unemployment taxes are expected to increase another 5% this year due to the volume of claims and benefits that have been paid out over the past year.

The only way Ohio is going to attract new businesses is by overhauling the current tax burden on Ohio employers. Everyone knows that tax reform is necessary to stimulate the Ohio economy, but we need leaders to step up and actually do something to stimulate growth in Ohio. Changing the tax code to make it simple and fair would be a good start. State spending has to be controlled and more emphasis on business development and job growth. Loss of jobs means loss of tax revenues. Loss of tax revenues means loss of services and changes in our standard of living.