

Understanding

New Workers' Comp Rules

At its April 27, 2006 meeting, the Worker's Compensation Oversight Commission (WCOC) passed a number of rules that may impact how you manage your workers' compensation. This fact sheet provides a summary of those changes and when they take effect.

Increase minimum premium (administrative fees)

Prior to the rule change, BWC charged employers who reported zero or low payroll a minimum administrative cost of \$10 semiannually (\$20 annually) to cover the cost of maintaining their workers' compensation policy. Administrative fees include the cost of policy maintenance, such as processing the initial application for coverage, processing annual or semiannual payroll reports and processing payments.

Since the last minimum premium/administrative fee increase occurred in 1992, BWC conducted a study to determine if it was assessing correct minimum premium levels/administrative fees. The study showed the average cost of maintaining a policy increased significantly since the last fee increase. As a result, BWC proposed to increase the minimum premium/administrative fees to \$50 semiannually (\$100 annually). BWC will implement this rule, 4123-17-26 of the Ohio Administrative Code, Jan 1, 2007. It will affect all payroll reported on or after that date, regardless of the reporting period.

Policy initiation

Prior to the rule change, when employers made minor changes in their business, such as changing locations, changing entity type, and making slight changes in business operations, they could submit an application for workers' compensation coverage or update the information on their existing policy.

Under the new rule, in situations where the employer is essentially the same employer, BWC will update the information on the original policy, and the employer will keep his or her original policy. When BWC identifies an employer who meets the circumstances mentioned above (more than one policy with active coverage for essentially the same business operation), it may cancel the newest policy, and BWC may require the employer to report and pay premium under the original policy. (This rule does not eliminate current rules regarding succeeding employers). This rule, 4123-17-13 of the Ohio Administrative Code, becomes effective July 27, 2006.

Successorship liability

Prior to the rule, in situations where all or a portion of an operation was taken over by a succeeding employer, there was a transfer of experience, but transfer of financial liability was optional.

Under the new rule, in situations where a successor takes over the entire operation, any and all existing and future liabilities or credits will transfer in addition to the experience. In such cases, it will be the successor's responsibility to notify BWC of the succession. This rule, 4123-17-02 of the Ohio Administrative Code, becomes effective July 27, 2006, for all successions taking place on or after Sept. 1, 2006.

Minimum and maximum payroll reporting change

Prior to the rule change, sole proprietors, members of partnerships, an individual incorporated as a corporation with no employees and officers of family farm corporations who elected to carry supplemental workers' compensation coverage were required to report a minimum payroll of \$100 per week per person and a maximum of \$800 per week per person (\$20,800 semiannually). Active executive officers of corporations had no minimum payroll requirement, but did have the \$800 weekly payroll maximum.

Under the new rule, employers in any of the categories above must report a minimum of \$352 in payroll a week even if the amount earned was actually lower. In addition, BWC will raise the maximum payroll these individuals may report to \$1,056 per week. These increases bring minimum and maximum reportable payroll to a level derived from the minimum and maximum compensation allowable based on the statewide average weekly wage (SAWW) calculated annually by the Ohio Department of Job and Family Services.

This change ensures the reportable payroll for corporate officers and employers who choose elective coverage more fairly links to the benefits received in the event of a work-related injury, disease or death. These rules, 4123-17-07 and 4123-17-30 of the Ohio Administrative Code, will apply to the July 1, 2006 to Dec. 31, 2006 reporting period.

