



Ohio Legislative Service Commission

Bill Analysis

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Sub. S.B. 213*

128th General Assembly

(As Reported by S. Insurance, Commerce, & Labor)

Sens. Faber, Schaffer, Jones, Grendell, Hughes, Cates

BILL SUMMARY

- Requires the Administrator of Workers' Compensation to adopt a rule that sets the discount for programs or alternative premium plans not later than the first day of September prior to the policy year in which the discount for programs or alternative premium plans is to be in effect.
- Requires the Administrator to suspend the use of the "breakeven factor" for a period of two years beginning on July 1, 2010, and prohibits the Administrator from lowering the maximum premium discount for employers who participate in the group rating program below 65% during that same period.
- Prohibits the Administrator and the Bureau of Workers' Compensation Board of Directors from making or approving any changes to the group rating program during the two-year period described above.
- Requires the Administrator to study the premium rating system during the first year of the two-year period described above in collaboration with stakeholders in the workers' compensation system and requires the Administrator to report the findings of the study by the end of the first year.
- Requires the Administrator to include in the report described above a determination of the direction of the future premium rates and supporting evidence of that determination.

* This analysis was prepared before the report of the Senate Insurance, Commerce, and Labor Committee appeared in the Senate Journal. Note that the list of co-sponsors and the legislative history may be incomplete.

- Permits the Administrator, subject to the approval of the Board of Directors, to adopt rules to make changes to the rating system to implement the results of the study described above during the second year of the two-year period described above.
- Prohibits the Board from returning excess surplus to subscribers to the State Insurance Fund in the form of a cash refund or rebate in any year in which a gubernatorial election occurs without the approval of the General Assembly through the enactment of legislation.

CONTENT AND OPERATION

Program and alternative premium plan discounts

Under current law, the Administrator of Workers' Compensation must offer to insure the obligations of employers under the workers' compensation system under the group rating program, which is a plan that groups, for rating purposes, employers, and pools the risk of the employers within the group provided that the employers meet specified conditions. The Administrator must establish a discount on premium rates applicable to employers who qualify for the group rating program. (Revised Code § 4123.29(A)(4).) Additionally, the Administrator may offer other premium discount programs, such as the Drug-Free Workplace Program and various safety programs (R.C. 4123.34). Under the bill, the Administrator must adopt a rule that sets the discount for programs or alternative premium plans not later than the first day of September prior to the policy year in which the discount for programs or alternative premium plans is to be in effect (R.C. 4123.29(C)).

Application of a breakeven factor

The bill defines "breakeven factor" as an adjustment factor applied to the group rated experience modification used to calculate the workers' compensation premium rate of an employer that participates in the group rating program (see "**Program and alternative premium plan discounts**," above). Beginning on July 1, 2010, the bill requires the Administrator to suspend the use of the breakeven factor for a period of two years. During that two-year period, the Administrator is prohibited from lowering the maximum premium discount for employers who participate in the group rating program below 65%, and both the Administrator and the Bureau of Workers' Compensation Board of Directors are prohibited from making or approving any changes to the group rating program.

Additionally, under the bill, the Administrator is required to study the premium rating system during the first year of the two-year period described above. The study

must be a collaborative effort with stakeholders in the workers' compensation system. The Administrator must submit a report summarizing the results of the study by the end of the first year of the two-year period to the Governor, the President and Minority Leader of the Senate, the Speaker and the Minority Leader of the House of Representatives, and the chairpersons of the standing committees of the Senate and House of Representatives to which legislation concerning workers' compensation customarily is referred. The Administrator must include in the report a determination of the direction of the future premium rates and supporting evidence of that determination, and, if the Administrator determines that changes to the Revised Code are necessary to implement the report, a list of those recommendations. During the second year of the two-year period described above, the bill permits the Administrator, subject to the approval of the Board of Directors, to adopt rules to make changes to the rating system to implement the results of the study described above. (Section 3 of the bill.)

Rebates or refunds of premium to employers

Current law requires the Board, based upon the recommendations of the Workers' Compensation Actuarial Committee, to adopt a rule with respect to the collection, maintenance, and disbursements of the State Insurance Fund providing that in the event there is developed as of any given rate revision date a surplus of earned premium over all losses that, in the judgment of the Board, is larger than necessary adequately to safeguard the solvency of the Fund, the Board may return such excess surplus to the subscribers to the Fund in either the form of cash refunds or a reduction of premiums, regardless of when the premium obligations have accrued. The bill prohibits the Board from returning excess surplus to subscribers in the form of a cash refund or rebate as described above in any year in which a gubernatorial election occurs without the approval of the General Assembly through the enactment of legislation. (R.C. 4123.321.)

HISTORY

ACTION	DATE
Introduced	11-19-09
Reported, S. Insurance, Commerce, & Labor	---

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