



Ohio Legislative Service Commission

Tom Wert

Fiscal Note & Local Impact Statement

Bill: [H.B. 143 of the 130th G.A.](#)

Date: June 4, 2013

Status: As Introduced

Sponsor: Reps. DeVitis and Butler

Local Impact Statement Procedure Required: No

Contents: Requires the Bureau of Workers' Compensation to include the mathematical equation used to determine an employer's premium rates in a notice of premium rate

State Fiscal Highlights

- The Bureau of Workers' Compensation (BWC) would incur administrative costs to include information required by the bill in a notice of premium due. The magnitude of these additional costs would depend primarily on factors such as (1) the number of employers insured by BWC and the manner in which they receive a notice of premium due, and (2) the complexity of the formula used for individual employers.
- Any additional costs that BWC might incur under the bill would be paid from the Workers' Compensation Fund (Fund 7023). The fund consists of administrative assessments collected along with workers' compensation premiums.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

The bill requires that the Bureau of Workers' Compensation (BWC) provide employers who insure for workers' compensation through the State Insurance Fund with the equation used to calculate the premium rate paid by the employer for the coverage. The bill requires this information to be included in the notice of premium due for the upcoming policy year. The bill also requires BWC to include a definition of the variables along with the specific values used to calculate the premium, in particular highlighting the specific variables that an employer has direct control over. Including this information with a notice of premium due would result in BWC incurring some new administrative costs. The scope of any new costs that BWC might incur would depend on the number of employers insured under BWC, and whether the employers receive their premium notices via regular mail or electronically. The complexity of the calculations used for individual employers will also affect BWC's cost for complying with the new requirements under the bill. Any new costs that BWC might incur would be paid from the Workers' Compensation Fund (Fund 7023). More details concerning the possible costs are provided below.

Number of employers receiving notices of premium

Providing employers with the premium rate equation and other information required by the bill would cause BWC to incur administrative costs attributable to staffing, supplies, equipment and postage. These costs would largely depend on the total number of employers that would receive this information and the manner in which they receive it. The greater the total number of employers and the greater number of employers that receive physical copies of notices of premiums due, the greater the administrative costs incurred by BWC. As of May 2013, there are approximately 250,000 state fund employers. Of these, BWC indicates that more than 30,000 have requested that notices of premiums be sent electronically, rather than via standard mail.

Displaying the premium equation

Costs to include the equation used to calculate premiums and the corresponding variables in a notice of premium will also depend on the complexity of the equation used to calculate an individual employer's rate. For any given employer a premium rate equation could be expressed in a single printed line, or the equation could fill up to several printed pages. The calculation of an individual employer's premium rate involves many considerations and mathematical computations. Among the variables used to calculate premiums are (1) the manual classification of each job held by an employer's employees, (2) the rating categories assigned to individual employers, (3) base rates calculated by BWC based on all claims for particular manual classifications, total payroll for each manual classification, and expected losses for the

upcoming rating year, (4) the individual employers' payroll, and (5) the individual employer's claims experience. A detailed explanation of how premium rates are calculated can be found in the State Insurance Fund Manual that BWC publishes each policy year.¹

Minimum premium employers

A portion of employers insured under the State Insurance Fund pay a minimum premium for each six-month coverage period because they have payroll amounts that do not meet certain thresholds and because they have no additional claims or policy details to affect their premiums. As a result, these employers pay a flat premium of \$50. For these employers, requiring BWC to include the equation used to calculate the premium would not result in any additional costs because no equation applies. BWC indicates that there are more than 75,000 employers that pay the minimum semi-annual premium.

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¹ The State Insurance Fund Manual for the July 1, 2012-June 30, 2013 policy period may be viewed at www.ohiobwc.com/downloads/blankpdf/StateFundManual.pdf.