

## **4123-17-03 Employer's classification rates.**

### **(A) Definitions.**

As used in this rule:

#### **(1) "Experience period" means:**

- (a) For private employer policy years commencing prior to July 1, 2016, the oldest four of the latest five calendar years immediately preceding the beginning of the payroll reporting period policy year to which a rate is applicable.
- (b) For private employer policy years commencing on or after July 1, 2016, the oldest four of the latest five completed policy years immediately preceding the beginning of the policy year to which a rate is applicable.
- (c) For public employer taxing districts policy years commencing prior to January 1, 2016, the oldest four of the last five calendar years immediately preceding the beginning of the policy year to which the rate is applicable.
- (d) For public employer taxing districts policy years commencing on or after January 1, 2016, the oldest four of the last five completed calendar years immediately preceding the beginning of the policy year to which the rate is applicable.

#### **(2) "Inactive employer" means an employer that satisfies all of the following criteria:**

- (a) The employer is assigned a "cancelled" policy status or a "no coverage" policy, and
- (b) As of the last day of September for private employers, or the last day of March for public employers, the employer is not paying premiums or assessments to the Ohio state insurance fund under either its own identity, the identity of any successor entity, or as a self-insured entity.

#### **(3) "Significant negative impact" occurs when:**

- (a) Inactive employers reported forty per cent or more of the payroll in a manual classification in any calendar year in the experience period for policy years commencing before July 1, 2016, and in any policy year for the policy years commencing on or after July 1, 2016, and
- (b) The aggregate loss rate and loss-to-premium ratio of inactive employers in the manual classification are significantly higher than the aggregate loss rate and loss-to-premium ratio of the active employers taken as a whole as measured over the relevant experience period.

**(B) An employer's premium rates shall be the manual rates as provided under rules 4123-17-02, 4123-17-06, and 4123-17-34 of the Administrative Code for each of its classifications except as modified by the employer's experience rating, and shall apply for the twelve-month period beginning on the first of July for private employers and for the calendar year beginning on the first of January for public employer taxing districts.**

- (1) In calculating the manual rate under this rule, the bureau shall exclude the experience of an inactive employer if the inclusion of that employer's experience would have a significant negative impact upon the remaining employers in a particular manual classification. The bureau shall exclude the data of that**

inactive employer from all future manual classification rate calculations.

(2) The calculation of the manual rate and the experience rate in paragraph (B)(1) of this rule shall be applied to all employers reporting payroll in the manual classification.

(3) Once the bureau has determined that the loss data of a specific inactive employer shall be removed from the manual classification experience, the bureau shall exclude the data of that employer from all future manual classification rate calculations. If that inactive employer reactivates its policy, the bureau shall include the loss data in rate calculations for the manual classification.

(C) An experience-rated employer's manual classification experience-modified rate shall be determined by multiplying its experience modification (EM) as defined in paragraph (D) of this rule times the manual rate for each of the employer's assigned manual classifications.

(D) The experience modification is determined in accordance with the following formula:

$$\frac{EM=(TML-TLL)}{TLL} *C+1$$

TML = Actual losses of the employer for the experience period, limited in accordance with paragraph (E)(1) of this rule.

TLL = Total limited losses = TEL multiplied by LLR

TEL = Total expected losses, determined by applying expected loss rate to the payroll of each classification in the employer's experience period, as provided in the appendix to rule 4123-17-05.1 of the Administrative Code for private employers and in the appendix to rule 4123-17-33.1 of the Administrative Code for public employer taxing districts. The total expected losses are then used to determine credibility group, credibility, and the maximum value of a loss.

LLR = Limited loss ratio, calculated for each credibility group within each industry group, as provided in appendix B to rule 4123-17-05 of the Administrative Code for private employers and appendix B to rule 4123-17-33 of the Administrative Code for public employer taxing districts.

C = Credibility given to an employer's own experience, determined by the employer's total expected losses, as provided in the appendix to rule 4123-17-05.1 of the Administrative Code for private employers and in the appendix to rule 4123-17-33.1 of the Administrative Code for public employer taxing districts.

(E) Experience modification (EM) shall be subject to the following conditions and limitations:

(1) Actual losses shall include all incurred costs but shall be limited as provided in rule 4123-17-12 of the Administrative Code, and at the claim level to the amounts provided in the appendix to rule 4123-17-05.1 of the Administrative Code for private employers and the appendix to rule 4123-17-33.1 of the Administrative Code for public employer taxing districts according to the total expected losses of an employer; and

- (2) An employer shall not be eligible for experience modification of manual rates unless its expected losses are at least the minimum amount as provided in the appendix to rule 4123-17-05.1 of the Administrative Code for private employers and the appendix to rule 4123-17-33.1 of the Administrative Code for public employer taxing districts.
- (3) The year-over-year increase in an employer's EM may be limited to one hundred per cent pursuant to rule 4123-17-03.2 of the Administrative Code.

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