

# How to Impact Your Workers' Comp Premium

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# Why We Are Here Today

- To provide a high-level overview of Ohio workers' compensation, and how you can impact your costs and resulting premium
  - Ohio is unique; it is one of four monopolistic workers' compensation states in the country.
  - Due to this unique nature, employers have the ability to proactively impact workers' comp costs and premium.
  - Workers' comp is not a fixed expense. It can be managed.
  - BWC offers resources and tools to help.

# What Is Workers' Compensation?

Workers compensation is insurance, just like any other business insurance.

It is meant to “indemnify” or to “make whole.” The goal is to return an injured worker to as close as possible to same situation before accident or injury.

It pays for medical costs and lost wages arising out of a work-related injury, disease or death.

# Workers' Compensation in Ohio

- Ohio Constitution created BWC in 1913
- One of four monopolistic states – Unique
- Exclusive state fund governed by a board of directors appointed by the governor, and regulated by the state legislature
- Premium collected is held in State Insurance Fund; used to pay claims costs
- What that means to you

# Who Should Be Concerned With Workers' Compensation?

- Employer
- Employees
- Family members
- Home owners – Check with your agent to see if personal liability/medical expense coverage applies to business or professional activity, typically it does not.
- It affects everyone

# Ohio Workers' Comp Rates Compared: Oregon Study

- Oregon Study ranks Ohio No. 28.
  - Ohio ranked 28<sup>th</sup> in workers' compensation premium rates in the nation (i.e., 27 states had higher rates in 2012). This does not include program discounts or rebates.
  - Ohio improved to 28<sup>th</sup> (from 17<sup>th</sup>) in state rankings.
  - Ohio is competitive.

# 2012 Oregon Study Results

2010 rank	2012 rank	State	Index rate	% of median
51	51	North Dakota	1.01	53%
50	50	Indiana	1.16	62%
35	40	West Virginia	1.55	82%
23	32	Michigan	1.73	92%
<b>17</b>	<b>28</b>	<b>Ohio</b>	<b>1.84</b>	<b>98%</b>
15	22	Kentucky	1.96	104%
14	12	Pennsylvania	2.15	114%

# Grow Ohio – Group Option – 53%

2012 rank	State	Index rate	% of median
51	Ohio	0.86	46.0%
50	North Dakota	1.01	53.7%
49	Indiana	1.16	61.7%
39	West Virginia	1.55	82.4%
31	Michigan	1.73	92.0%
22	Kentucky	1.96	104.3%
12	Pennsylvania	2.15	114.4%
Median is \$1.88 per \$100 of payroll			

# Controlling Your Workers' Comp Costs and Resulting Premium

- Understand that claims costs impact your premium.
- In general, understand how rates are determined and how claims impact your rates.
- Know the ways that you can impact your premium.

# Claims costs = rates

- BWC collects enough money in premium to pay all claims costs for the life of a claim.
- Costs are equitably divided among all employers.
- Analyze payroll during experience period.
- Determine expected losses based on manual classifications and payroll during experience period.
- Determine actual claim costs over same experience period.
- Compare actual claims costs to expected claims costs.

# How Are Rates Determined?

- BWC groups employers by type of industry and degree of hazard within that industry. There are 10 industry groups.
- Industry group is classified by the work being done in that industry.
- BWC assigns each employer the correct manual classification(s) for their particular operation.
- NCCI has more than 630 manual classifications.

# Examples – Type of Industry/ Manual Codes

- 5472● ASBESTOS CONTRACTOR – PIPE AND BOILER WORK EXCLUSIVELY AND DRIVERS. Applicable to employees engaged in asbestos removal, repair, enclosure or encapsulation.
- 5473● ASBESTOS CONTRACTOR –NOC AND DRIVERS. Applicable to employees engaged in asbestos removal, repair, enclosure or encapsulation.
- 5474● PAINTING NOC AND SHOP OPERATIONS, DRIVERS.  
**Note:** Includes the painting of metal storage tanks, fire escapes, staircases, balconies, shutters, window frames or sash. Painting ship hulls, metal structures over two stories in height or bridges to be separately rated.
- 5478● FLOOR COVERING INSTALLATION – RESILIENT FLOORING-CARPET AND LAMINATE FLOORING  
**Note:** Ceramic tile, mosaic, and indoor stone to be separately rated to Code 5348. Refer to Code 5437 for the installation of wood flooring requiring cutting, sanding, drilling, and attaching using nails, screws, or pegs.
- 5479● INSULATION WORK NOC AND DRIVERS. Includes the installation or application of acoustical or thermal insulating materials in buildings or within building walls. Applies only when insulation or acoustical work is performed as a separate operation not part of, or incidental to, any other construction operation performed by the same contractor at the same job or location.
- 5480● PLASTERING NOC AND DRIVERS
- 5491● PAPERHANGING & DRIVERS  
**Note:** Insureds engaged in general painting or interior decorating to be separately rated.
- 5506● STREET OR ROAD CONSTRUCTION – PAVING OR REPAVING AND DRIVERS. Applies to all kinds of paving or repaving, surfacing or resurfacing or scraping, including airport runways or warming aprons. Separately rate – clearing of right-of-way, earth or rock excavation, filling or grading, tunneling, bridge or culvert building, quarrying and stone crushing.  
**CROSS REF.** Airport Construction & Drivers: Paving; Asphalt Works & Drivers: Operated by Road Paving Contractors–Temporary Location & Drivers–includes grinding, pulverizing, or mixing asphalt. Digging, mining, or quarrying to be separately rated: Oiling of Roads & Drivers: Delivery and Spreading of Oil in Conjunction with the Spreading of Sand or Gravel by Oil Distributors.
- 5507● STREET OR ROAD CONSTRUCTION: SUBSURFACE WORK AND DRIVERS.  
**Note:** Applies to clearing of right-of-way, earth excavation, filling or grading. Separately rate – rock excavation, tunneling, bridge or culvert building where clearance is more than 10 feet at any point or the entire distance between terminal abutments exceeds 20 feet; quarrying and stone crushing.
- 5508● STREET OR ROAD CONSTRUCTION: ROCK EXCAVATION AND DRIVERS. Includes incidental quarrying or stone crushing. No tunneling.
- 5535● SHEET METAL WORK – INSTALLATION & DRIVERS
- 5537● HEATING, VENTILLATION, AIR-CONDITIONING AND REFRIGERATION SYSTEMS – INSTALLATION SVC & REPAIR, SHOP, YARD & DRIVERS

# Base Rates

- BWC assigns base rates to each manual classification. The base rate is equal to the actual historical cost of that manual classification.
- The base rate represents the starting point for each manual classification. It is the same for ALL employers with that manual classification.
- BWC uses payroll as a measure of exposure.

# Base Rates – Manual Codes

ENACTED  
Appendix  
4123-17-06

Appendix A  
**BUREAU OF WORKERS' COMPENSATION  
NCCI BASE RATES AND EXPECTED LOSS RATES  
EFFECTIVE JULY 1, 2013**

Base Rates and Expected Loss Rates are for each \$100 Unit of Payroll

**RATES DO NOT INCLUDE ADMINISTRATIVE COST,  
DWRP, OR ADDITIONAL DWRP ASSESSMENTS**

Manual Number	Base Rate	Expected Loss Rate
0005	\$3.22	\$0.94
0008	\$1.36	\$0.36
0016	\$3.20	\$0.45
0034	\$5.60	\$1.69
0035	\$2.90	\$0.62
0036	\$3.59	\$0.96
0037	\$3.35	\$0.95
0042	\$8.14	\$2.36
0050	\$6.45	\$2.35
0079	\$8.68	\$1.26
0083	\$6.35	\$1.94
0106	\$44.54	\$11.98
0113	\$3.56	\$0.20
0170	\$2.31	\$0.08
0251	\$4.10	\$1.10
0400	\$3.02	\$0.92
0401	\$3.02	\$0.92
0917	\$7.61	\$2.19
1005	\$3.20	\$1.08

Manual Number	Base Rate	Expected Loss Rate
1853	\$3.95	\$1.24
1860	\$2.98	\$1.10
1924	\$4.39	\$1.33
1925	\$5.64	\$1.72
2002	\$4.06	\$2.28
2003	\$4.71	\$1.37
2014	\$4.81	\$1.71
2016	\$5.67	\$2.54
2021	\$5.85	\$1.57
2039	\$5.36	\$2.06
2041	\$2.11	\$0.68
2065	\$1.17	\$0.35
2070	\$3.77	\$1.12
2081	\$5.42	\$1.61
2089	\$5.74	\$1.52
2095	\$5.29	\$1.78
2105	\$6.72	\$1.33
2110	\$3.94	\$0.85
2111	\$3.52	\$1.23

Manual Number	Base Rate	Expected Loss Rate
2413	\$4.21	\$1.16
2416	\$3.49	\$1.06
2417	\$3.49	\$0.03
2501	\$3.47	\$1.11
2503	\$1.40	\$0.26
2534	\$3.49	\$1.06
2570	\$7.34	\$2.71
2585	\$4.40	\$1.36
2586	\$1.52	\$0.40
2587	\$11.92	\$3.55
2589	\$2.42	\$0.64
2600	\$3.49	\$1.06
2623	\$3.68	\$0.08
2651	\$4.02	\$1.32
2660	\$3.49	\$1.06
2670	\$25.44	\$7.47
2683	\$9.16	\$0.08
2688	\$1.17	\$0.46
2701	\$8.43	\$2.46

# Experience/Experience Period

- **Experience:** The loss record of an insured or of a class of coverage ... your policy's history of activity, along with associated costs.
- Oldest four of the last five years determine premium.
- Current year is the “green year.” It does not affect premium.
- 2014 rates include claims in 2009, 2010, 2011 and 2012.
- Snapshot of all activity is taken each year on:
  - Dec. 31 for private employers;
  - June 30 for public employers.

# Premium Calculation Group-Rated Example (Simplified) – 1

- Manual – 4557 Base rate = \$ 2.46
- Base rate x EM = Mod rate \$ 2.46 x .50 = \$1.23
- Mod rate + Admin costs + DWRF = Blended rate
- \$ 1.23 + .1845 + .0725 = \$ 1.487 Blended rate

# Premium Calculation Group-Rated Example (Simplified) – 2

- = \$ 1.487 Blended rate (per \$ 100 of payroll)
- \$ 4,193,640 divided by 100 = \$ 41,936
- \$ 41,936 x \$ 1.487 = \$ 62,359 - premium

# Premium Calculation Debit-Rated Example (Simplified) – 1

- Manual – 4557 Base rate = \$ 2.46
- Base rate x EM = Mod rate \$ 2.46 x 1.2 = \$ 2.95
- Mod rate + Admin costs + DWRF = Blended rate
- \$ 2.95 + .4425 + .0725 = \$ Blended rate \$  
3.465

# Premium Calculation Debit-Rated Example (Simplified) – 2

- = \$3.465 Blended rate (per \$100 of payroll)
- \$4,193,640 divided by 100 = \$41,936
- \$ 41,936 x \$ 3.465 = \$145,308- premium

# Comparison

- Example 1
- Base rate \$ 2.46 with .50 EM = \$ 41,936
- Group rated
- Example 2
- Base rate \$ 2.46 with 1.2 EM = \$ 145,308
- No group discount

# Anyone Notice An Issue With Safety Here?



# Workers' Comp Is Not a *Fixed* Expense

- Three ways to manage claims costs and resulting premium
  1. BWC safety services
  2. Claims and claims management
  3. Risk management (programs and policy management)

# Impact Your Premium Using Available Safety Services

- Prevention is key
- Safety services included in your premiums
- Safety program advice
- Hazard assessment and control assistance
- Safety culture/behavior change processes
- Safety team/committee evaluation and design
- Training, access to safety library and grants available

# Impact Your Premium With Strategic Claims Management

## Formalized transitional work program

Returns injured worker to work with restrictions during recovery

- Improves recovery time
- Provides routine
- Offers support
- Can prevent depression

# Impact Your Premium With Discount and Rebate Programs

- Grow Ohio for new employers
- Rating plans
- Destination: Excellence
  - Transitional Work Bonus Program
  - Industry-Specific Safety Program
  - Drug-Free Safety Program
  - Safety councils
  - Go-green and Lapse-free discounts
  - Vocational rehabilitation

# Impact Your Premium Through Available Resources

- Third-party administrator
- Managed care organization
- BWC claims service specialist
- BWC employer services specialist
- Safety & Hygiene consultants: industrial safety, construction safety, industrial hygiene and ergonomics
- Online: [www.bwc.ohio.gov](http://www.bwc.ohio.gov)

# Impact Your Premium Using Resources: Risk-Management Example

- BWC assigns employer services specialist to every employer.
- The employer services specialist provides consultation (e.g., how rates are determined, how claims impact premium, etc.).
- He or she can help you design a cost-efficient workers' compensation program that meets your needs.

# Do You Know Someone Who Needs Workers' Compensation Assistance?

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