

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 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) An inactive employer reported ten per cent or more of the payroll in a manual classification during the experience period, and
 - (b) The base rate for the manual classification is higher by including the payroll and losses of such inactive employer in the calculation of that manual classification base rate, than the manual classification base rate is when the payroll and losses of the inactive employer are excluded. For the purpose of determining "significant negative impact," the bureau shall test each inactive employer separately.
- (B) An employer's premium rates shall be the manual classification base rates as provided under rules 4123-17-02, 4123-17-06, and 4123-17-34 of the Administrative Code for each of the employer's manual 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 classification base rate and the expected loss rate under this rule, the bureau shall exclude the experience in a manual classification of an inactive employer if the inclusion of that inactive employer's experience in that manual classification would have a significant negative impact

upon the remaining employers in a particular manual classification.

(2) The calculation of the manual classification base rate and the modified expected loss rate in paragraph (B)(1) of this rule shall be applied to all employers reporting payroll in 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 classification base rate for each of the employer's assigned manual classifications.

(D) An employer's EM is determined in accordance with the following formula:

$$EM = \left[\frac{(TML - TLL)}{TLL} \times C \right] + 1$$

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 manual 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) An employer's 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 classification base 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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