

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

(A) Definitions.

As used in this rule:

- (1) "Experience period" means the oldest four of the latest five calendar years immediately preceding the beginning of the payroll reporting period to which a rate is applicable.
- (2) "Inactive employer" means an employer that satisfies all of the following criteria:
 - (a) The employer is assigned the policy status "bankrupt cancel," "cancel effective date," "final cancel," "canceled uncollectible," "no coverage due to claim," or "no coverage;"
 - (b) As of the last day of December for private employers, or the last day of June 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; and
 - (c) The employer no longer employs employees for which Ohio workers' compensation jurisdiction applies.
- (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, and
 - (b) The aggregate loss rate and loss/premium ratio of inactive employers in the manual classification are significantly higher than the aggregate loss rate and loss/premium ratio of the active employers taken as a whole as measured using the data from the prior policy year's most current four years data.

(B) An employer's premium rates shall be the manual basic 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 its experience rating, and shall apply for the first two six-month periods beginning on or after the first of July for private employers and shall apply for the calendar year beginning on or after the first of January for public employer taxing districts.

- (1) In calculating the manual base rate under this rule, the bureau shall exclude the experience of an inactive employer if the inclusion of the inactive employer's experience would have a significant negative impact upon the remaining active 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 base rate and the experience rate 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 account with the Ohio state insurance fund, the bureau shall include the loss data in rate calculations for the manual classification.

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

assigned manual classification. The amount of the modification shall then be applied to the respective basic rate to obtain the employer's premium rate for each classification.

(D) The experience modification (EM) shall be applied to the basic rate. The experience modification is determined in accordance with the following formula:

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

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.

EM = Adjustment applied to the basic rate.

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

- (1) Actual losses include all incurred costs and shall be limited 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 basic rates unless its expected losses are at least the minimum amount in the credibility table 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.