From: Ohio Bureau of Workers' Compensation

Sent: Friday, November 16, 2018

Subject: Self-Insured News Letter - November 2018

Ohio | Bureau of Workers' Compensation

SI Newsletter

Securitization updates

We evaluate the risk of default for each employer as part of the annual renewal process. Using analytics tools, and analysis of each employer's annual financial results, we develop a default risk rating, modelled after traditional bond rating systems. Depending on the level of risk and claims exposure, we may require some employers to provide a letter of credit (LOC) at a level outlined in the securitization matrix, which you can view here. We use the security to mitigate the risk to the Self-Insured Employer's Guaranty Fund (SIEGF), should an employer no longer be able to meet its claim obligations.

Working with self-insured work-groups, we originally developed the matrix in 2011. We updated it in 2015 with incremental increases to the amount of security required for employers with the highest level of risk. The 2015 update increased the highest level of security required and introduced actuarial reviews as part of the evaluation process. After an analysis of defaulted employer claim costs and current security levels,
we've introduced an update to the matrix for 2019 renewals. This update will require an

actuarial study to determine the amount of security for more high default risk employers, while removing the security requirements for more low default risk employers.

The matrix identifies the amount of security that we require based on the level of claims exposure and risk of financial default. Higher claims exposure coupled with a high default risk will result in a higher security requirement. We based the financial analysis on several factors. These include assets, liabilities, long-term debt, retained earnings and sales and income trends. The analysis will consider bond issuer ratings and any other information that may impact an employer's financial performance. We determine the claim risk by an analysis of current and historical reserve reporting, trends in claims costs and when necessary an actuarial review. The self-insured (SI) department will use the information to determine if the financial performance and default risk combined with the claims exposure merits security based on the matrix.

We expect the latest update to be the last major change to the matrix and the SI department is always willing to discuss current securitization requirements should questions arise.

Self–insured assessments

We will issue self-insured (SI) assessment invoices on Feb. 1, 2019. The assessments will cover July 1, 2018, to Dec. 31, 2018. The assessments will be based on the 2017 reported compensation. The invoices will be available online as of Feb. 2, 2019, allowing SI employers to obtain their invoices in real time. You can also opt to receive a notification when the invoice is available, in lieu of a paper invoice. The assessment rates are available here.

Click here to view electronic invoices and assessment details. You can view the Disabled Workers' Relief Fund charges here.

We encourage SI employers to pay the assessments online using an electronic check, automated clearing house (ACH) transfer or credit card. This will ensure a timely payment and provide an audit trail. Most importantly, you will avoid late payment penalties. You can also schedule electronic payments in advance to ensure the correct payment date.

Click here to make online payments.

When paying your assessment, please remember to allow enough time for us to process and post the payment before the invoice due date, to avoid the late payment penalty.

Annual Report of Paid Compensation (SI-40)

Self-insured (SI) employers must report 2018 compensation totals on the Annual Report of Paid Compensation (SI-40) by Feb. 28, 2019. Complete this report online here. In addition to all reported compensation, SI employers must report:

- Aggregate reserves.
- Recoveries for subrogation and overturned claims.
- The number of reported claims for the calendar year.
- Current active claims.
- The number of employees.

When reporting compensation, it is important to consider whether any injured workers received salary continuation for his or her injury. You must report this to us, up to the compensation rate an injured worker would receive. Report recoveries for subrogation. However, the amount should not exceed the amount of compensation paid in the claim. In addition, you must have reported the previously paid compensation on a prior SI-40. Please remember to also include your SI-40 backup report, providing the details in support of the reported amounts. Include **support for the aggregate reserves**. Send this backup report to the self-insured email box.

Wage loss and restricted duty

Injured workers may receive wage loss compensation to those who suffer a loss of earnings as a direct result of restrictions from the allowed conditions in the claim. Injured workers may be working in a modified duty capacity with lesser earnings and be eligible for working wage loss (WWL) benefits. If an employer cannot provide work within the restrictions provided by the attending physician, an injured worker may be eligible for non-working wage loss (NWWL). In either situation, the injured worker must submit documentation supporting eligibility for wage loss benefits. The employer is responsible to assist the injured worker in obtaining these benefits.

For auditing purposes, an employer must maintain documentation showing they have accommodated restrictions when applicable. This could include a job offer letter, payment history or a punch clock record. We generally calculate wage loss benefits as 2/3 of the difference between the average weekly wage and present weekly earnings. Our Wage Loss Policy outlines how to calculate wage loss benefits and defines present earnings. You should include paid leave while working on modified duty in present earnings used to calculate the weekly benefit.

You should pay wage loss as a weekly benefit. However, if you initiate or terminate wage loss in the middle of a week, then you may use a prorated calculation. You should also include weekly earnings used to determine wage loss payments in the claim file along with any required job search documentation. If an employer contests some or all earnings for a period of requested wage loss, the employer must notify the injured worker and us of the nature of the dispute.

Regulatory updates

Excess insurance - We're proposing a rule to require that you name us on any new excess insurance policy. This will ensure we can collect from the carrier in the event the self-insuring employer defaults and we take over claims management.

Assessment payments - We're proposing a rule change requiring self-insuring employers to pay assessments using the online payment offerings. This could be a waivable requirement with the understanding that using other payment methods will make challenging late payment penalties more difficult.

Contract of guaranty - Ohio Administrative Code 4123-19-03 (H) requires self-insuring employers to provide a contract of guaranty executed by the ultimate domestic parent. We are updating our policy to reflect that employers who do not provide the contract of guaranty from the ultimate domestic parent will provide an additional form of security along. These employers will also provide a written legal justification supporting the inability to provide the contract of guaranty. The additional security will be 250 percent of reported reserves on the employer's SI-40 submission.

Upcoming events

Feb. 1, 2019 - Self-insured assessments mailed
Feb. 2, 2019 - Invoices available online
Feb. 28, 2019 – Assessment payment due- (See link to online payment above)
Feb. 28, 2019 - SI-40 due

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