

Understanding Group Rating

Providing a break for employers

If you are a small business employer wanting to control your workers' compensation costs, then the Ohio Bureau of Workers' Compensation's (BWC's) group-rating program might be your solution.

What is group rating?

The group-rating plan allows employers that are substantially similar in business type to merge their individual experiences together, as if they are one large employer, for rate-calculation purposes. This allows employers to potentially achieve a lower premium rate than they could achieve on their own. Although BWC does not form the groups, your workers' compensation coverage is still through BWC.

Group rating and experience rating are designed as an incentive program to promote and reward safe working conditions. The employer with a better-than-average safety record (compared with expected losses) receives a credit against the base premium rate for the employer's manual classification.

On the other hand, the employer with a worse-than-average safety record, or experience, has to pay a premium amount higher than the base rate.

BWC excludes small business employers who are base rated from experience rating for their own benefit, since one serious accident could dramatically disrupt their premium stability for four years. Small business employers pay premiums at the base rate for their respective manual classification.

How are groups formed?

- Third-party administrators (TPA) representing sponsoring organizations, such as chambers of commerce or trade associations, solicit and review an employer's experience to determine if the employer will be invited to join their organization's group-rating program.
- The sponsoring organization submits a list of employers who are members of each group to BWC by the required application deadline.
- The employers within the group must be businesses that are substantially similar.
- The group program must substantially improve accident prevention and claims handling, which must be annually documented.
- The group must consist of at least 100 individual employers or the combined premiums of the employers must exceed \$150,000.

- BWC has no authority on the fees charged by the sponsoring organization or their TPA.

What are the criteria for employers to participate in group-experience rating?

The employer must be:

- Current (no more than 45 days past due) on any and all undisputed premiums, administrative costs, assessments, fines and monies due to any BWC-administered fund, including amounts due for retrospective rating at the time of the application deadline;
- Current on the payment schedule of any part-pay agreements.
- The employer cannot have cumulative lapses in workers' compensation coverage in excess of 59 days within 18 months preceding the group-rating application deadline date;
- In active coverage status by the application deadline date, and remain in active payment status through the beginning of the policy year. A private employer whose policy lapses on March 1 and not reinstated by April 1 may not participate in group rating.

How does an employer apply for group rating?

The sponsoring organization will have each new employer complete the *Employer Statement for Group Rating Plan* (AC-26). The sponsoring organization representative will then submit all employer application forms to BWC with the entire group packet. The group-rating plan is for premium rates for the one policy year. Employers must re-apply each year to the group's sponsor in a timely manner and are subject to eligibility requirements.

The sponsoring organization will submit newly formed groups each year by the last business day in February for private employers and the last Friday in August for public employers.

What if an employer leaves a group?

An employer can only leave a group at the end of the rating year. If the employer does not join another group, he or she will be individually rated. If an employer joins a group with a new sponsor he or she must complete an AC-26.

If a sponsoring organization is not going to renew a private employer, it must notify the employer prior to the first Monday in February and it must notify public employers of non-renewal prior to the second Friday in August.

For more information, log on to ohiobwc.com, or call BWC's group rating unit at (614)466-6773.