



Ohio Administrative Code

Rule 4123-17-42 Eligibility for retrospective rating.

Effective: July 1, 2023

(A) An employer that is either a private or a public employer taxing district as defined in division (B)(1) of section 4123.01 of the Revised Code may be eligible for either the tier I or tier II retrospective rating plan depending upon satisfying the eligibility requirements for either the tier I or tier II retrospective rating plan as described in this rule.

(B) For both the tier I and tier II retrospective rating plans, the employer must satisfy the following requirements as of the application deadline:

(1) The employer must be current with respect to all payments due the bureau, as defined in paragraph (A)(1)(b) of rule 4123-17-14 of the Administrative Code.

(2) The employer cannot have cumulative lapses in workers' compensation coverage in excess of fifteen days within the last five rating years.

(3) The employer must report actual payroll for the preceding policy year and pay any premium due upon reconciliation of estimated premium and actual premium for that policy year no later than the date set forth in rule 4123-17-14 of the Administrative Code. An employer will be deemed to have met this requirement if the bureau receives the payroll report and the employer pays premium associated with such report before the expiration of any grace period established by the administrator pursuant to paragraph (B) of rule 4123-17-16 of the Administrative Code.

(4) The employer must be in an active policy status. The administrator may waive this requirement for a new business entity moving into Ohio. For purposes of this rule, "active policy status" does not include a policy that is a no coverage policy or a policy that is lapsed.

(5) The employer's estimated experience-rated premium for the retrospective rating year must be greater than or equal to the minimum experience-rated premium threshold listed on the employer's retrospective rating minimum premium percentages table, contained in the appendices to rule 4123-



17-53 of the Administrative Code. If estimated premium is less than the minimum experience-rated premium threshold listed on the employer's retrospective rating minimum premium percentages table, the bureau will reject the application. In the event the estimated experience-rated premium is equal to or greater than the minimum premium threshold but the actual premium is less than the minimum experience-rated premium threshold, the retrospective rating plan remains in effect for that risk and the minimum premium is based on the minimum experience-rated premium threshold multiplied by the appropriate minimum premium percentage for the hazard group and the claim limit/maximum premium percentage selected.

(C) In addition to the requirements of paragraph (B) of this rule, for the tier I retrospective rating plan, a private employer must submit audited financial statements prepared in accordance with generally accepted accounting principles (GAAP) to satisfy the following requirements:

(1) The employer must satisfy financial standards demonstrating strength and stability. In reviewing the financial requirements of the employer, the bureau shall consider, but is not limited to, the following criteria, as applicable:

(a) The employer's trend of operating profit for a minimum of three years;

(b) The employer's trend of net income for a minimum of five years;

(c) The employer's consistent return on equity, of at least ten per cent;

(d) Significant asset size of the employer in the state of Ohio;

(e) A total liabilities/equity ratio of no greater than four to one;

(f) The employer's debt structure, including but not limited to current versus long term debt and recent drastic changes in debt;

(g) The employer's retained earnings trend;

(h) Whether the employer has significant fluctuations in specific balance sheet numbers from one



year to the next; and

(i) The employer's bond rating.

(2) The employer shall demonstrate the ability to maintain its financial viability and to cover all costs of the retrospective rating plan through closure, in the event of a catastrophic or severe workers' compensation loss.

(3) The employer cannot have entered into a part-pay agreement for payment of assessments due the state insurance fund for the past three rating years preceding the beginning date of the retrospective policy year.

Alternatively, the employer may provide a letter of credit that is equal to the maximum premium for the applicable policy year.

(D) In addition to the requirements of paragraph (B) of this rule, for the tier I retrospective rating plan, the bureau will obtain a public employer taxing district's audited or reviewed financial statements prepared in accordance with generally accepted accounting principles (GAAP) that are available on the state of Ohio auditor's website. The bureau reserves the right to obtain additional financial information from the public employer taxing district. The bureau will review the public employer taxing district's financial statements to satisfy the following requirements:

(1) The public employer taxing district must satisfy financial standards demonstrating strength and stability. In reviewing the financial requirements of the public employer taxing district, the bureau shall consider, but is not limited to, the following criteria, as applicable:

(a) Significant asset size of the public employer taxing district in the state of Ohio;

(b) The public employer taxing district's debt structure, including but not limited to current versus long term debt and recent drastic changes in debt;

(c) Whether the public employer taxing district has significant fluctuations in amounts reported on the balance sheet and statement of operations from one year to the next; and



(d) The public employer taxing district's underlying or uninsured bond rating.

(2) The public employer taxing district shall demonstrate the ability to maintain its financial viability and to cover all costs of the retrospective rating plan through closure, in the event of a catastrophic or severe workers' compensation loss.

(3) The public employer taxing district cannot have entered into a part-pay agreement for payment of assessments due the state insurance fund for the past three rating years preceding the beginning date of the retrospective policy year.

(4) The public employer taxing district in making its initial application for retrospective rating, cannot be under fiscal watch or fiscal emergency pursuant to section 118.022, 118.04 or 3316.03 of the Revised Code as of the application deadline for retrospective rating.

(E) In addition to the requirements of paragraph (B) of this rule, for the tier II retrospective rating plan:

(1) A private employer must submit audited financial statements prepared in accordance with generally accepted accounting principles (GAAP).

(2) The bureau will obtain a public employer taxing district's audited or reviewed financial statements prepared in accordance with GAAP or other comprehensive basis of accounting as permitted in Ohio auditor of state bulletin 2005-002 from the state of Ohio auditor's website. The bureau reserves the right to obtain additional financial information from the public employer taxing district.

(3) For a private employer that does not demonstrate the ability to satisfy the financial criteria of paragraph (C) of this rule, or a public employer taxing district that does not demonstrate the ability to satisfy the financial criteria of paragraph (D) of this rule, the financial statements provided by the employer must demonstrate the ability to sustain losses that are at the maximum claim limit for the retrospective rating plan and still maintain its financial viability.