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# Business Bulletin

December 2009

## WORKERS' COMPENSATION NEWS

### **BWC Board of Directors Meeting**

On Thursday, November 19, 2009 the BWC Actuarial Committee convened for their monthly meeting and Joy Bush, Director of New Product Development for BWC, presented proposed changes to the Deductible Program. The Bureau of Workers' Compensation is proposing a Large Deductible Plan to add deductible level options of \$25,000, \$50,000, \$100,000, & \$200,000. These options will have a more restrictive eligibility criterion:

- No cumulative lapses in coverage in excess of 15 days within the 5 years preceding the original application deadline
- Deductible Level must be 40% of Standard Premium
- More restrictive Dun & Bradstreet score screening
- Must submit reviewed (\$25K or \$50K level) or audited (\$100K or \$200K level) GAAP financials
- Higher deductible levels are incompatible with Group Rating, Individual & Group Retro Rating, \$15,000 Medical-Only Program, and Salary Continuation

The second reading for the proposed Large Deductible Plan to the BWC Board of Directors will be on December 17, 2009.

### **Changes to Claim Reserving**

BWC has discussed proposed changes to the current workers' compensation system in previous months and Sheakley has been keeping you informed. Recently, during distribution of our November Business Bulletin, BWC revised the future claim reserving rules for salary continuation and medical-only claims:

#### **Reserving all lost time claims from date of injury of 1/1/2011 for public employers**

- Claims with date of injury prior to January 01, 2011 will continue to have the reserve suppressed if *salary continuation* is the only compensation being paid on the claim.
- Employers may continue *salary continuation* on a claim, but this will only eliminate the compensation cost out of the experience rating calculation.

#### **Apply a reserve to all medical-only claims**

The introduction of reserving medical-only claims would impact public employers for policy year 2012.

## UNEMPLOYMENT NEWS

### **New Legislation Signed**

On Friday, November 6, 2009, President Obama signed legislation approving up to 14 additional weeks of extended unemployment benefits for claimants in all states and another 6 weeks of extended benefits for UC beneficiaries in states such as Ohio with high unemployment rates. As a result, Ohioans who have exhausted their unemployment benefits could be eligible for another 20 weeks of benefits. The new law is effective as of November 8, 2009.

Members of Congress are looking into extending the unemployment benefits a full year which would roughly cost \$80 billion.

The direct impact of this bill passing is a mutualized tax extension of .2% on the Federal Unemployment Tax Assessment (FUTA), imposing \$2.4 billion in FUTA taxes on employers or \$14 per employee. This .2% surtax accounts for

approximately 25% of FUTA tax collections; because the federal tax is offset by a credit for state unemployment taxes paid up to 5.4% on the same wage base.

With the continued increase in the national unemployment rate, currently at 10.2% compared to 6.5% in 2008, it is imperative to have Sheakley Unemployment Services review your organization for cost saving measures to help combat the rise in your unemployment rate.

## LEGISLATIVE NEWS

### Senate Resolution 118

The Senate Resolution creates the Competitive Workers' Compensation Task Force to review the feasibility of allowing employers the option to obtain private insurance to insure their obligations under the workers' compensation system of Ohio. The Senate adopted the resolution on November 18, 2009 by a vote of 19 to 14. At this time, BWC is researching whether they are compelled to participate in this Task Force.

### Senate Bill 213

The Senate Bill requires the BWC administrator to adopt a rule that sets the discount for programs or alternative premium plans no later than the first day of September prior to the policy year in which the discount for programs or alternative premium plans is to be in effect; establishes a moratorium on BWC's use of the break-even factor for a two-year period; and prohibits lowering the maximum group premium discount below sixty-five percent. This bill was introduced to the Senate on Thursday, November 19, 2009. During the BWC Board of Directors meeting on Friday, November 20<sup>th</sup> the Administrator commented that BWC would likely have to increase base rates for employers if SB 213 is enacted.

### House Bill 318

The House Bill was introduced on October 16, 2009 and passed by the House 55 to 44 on October 21, 2009. The bill is now with the Senate Finance and Financial Institution Committee, the Senate recently amended sections into the bill and is in the process of debating these amendments. The House Bill focuses on budget re-appropriations amending Section 265.10 of Am. Sub. H.B. 1 of the 128<sup>th</sup> General Assembly. Requesting to postpone for two years the last five scheduled income tax rate reductions, to reduce salaries of General Assembly members by 5%, to eliminate the additional compensation paid to the House Speaker and House Speaker Pro Tempore for serving as chairperson or vice-chairperson of a standing committee, and to make conforming amendments to HB 318. The Senate Sub Bill draft has many amendments, two of which impact Ohio's workers' compensation system:

- Study potential cost savings and economic benefits to Ohio employers and injured workers by allowing private insurance companies to compete with BWC
- Require the Auditor of State's Office to determine if BWC has adequate reserves compared to industry standards and to recommend rebates if an over-reserve is determined to exist

**To learn more about these changes and how they will impact your business, please contact our office at 513-326-4675 x2044 or visit our website at [www.sheakley.com](http://www.sheakley.com).**