



**BEFORE THE INSURANCE COMMITTEE  
OF THE HOUSE OF REPRESENTATIVES  
REPRESENTATIVE TOM BRINKMAN, CHAIRMAN**

**TESTIMONY  
OF  
CATHY DUHIGG GANNON  
EATON  
OMA SAFETY AND WORKERS' COMPENSATION COMMITTEE**

**DECEMBER 13, 2017**

Mr. Chairman and members of the Committee, my name is Cathy Duhigg Gannon and I am Eaton's Senior Manager of Workers' Compensation. Eaton is a multinational power management company with its operational headquarters located in Beachwood, Ohio. I also serve on The Ohio Manufacturers' Association's (OMA) Safety and Workers' Compensation Committee. The OMA was created in 1910 to advocate for Ohio's manufacturers; today, it has 1,400 members. Its mission is to protect and grow Ohio manufacturing. I'm here today to testify on behalf of the OMA on House Bill 268.

House Bill 268 does essentially two things. First the bill allows all self-insuring employers to purchase private workers' compensation insurance. Second, the bill requires the Administrator of the BWC to waive the requirement that an employer have sufficient assets located in Ohio to qualify for self-insuring status if the employer holds a rating of Ba2 or higher according to Moody's, or a comparable rating from a similar agency. These companies would make up a new Self-Insuring Employers' Guaranty B Fund. It is the second provision of the bill which the OMA would like to address today.

The OMA has long supported self-insurance of workers' compensation in Ohio, and has previously worked with the BWC and this body to ensure that changes to self-insurance qualifications benefit qualified employers without putting the risk pool in jeopardy. An example of this would be when the BWC sought support to waive the 500 employee threshold as one of the considerations for self-insurance so long as the company still had strong financials. This was done first through rule and later statute.

Guarantee Funds act as a mutualized form of insurance that provide coverage for any injured worker whose self-insured employer defaults on its obligations. It is funded by employers granted the privilege to self-insure their worker's compensation losses, and these employers rely on the BWC to ensure that employers granted this privilege have the financial capability to pay for these losses. House Bill 268 would dramatically change which companies would be eligible to self-insure. By lowering the credit threshold to Ba2, Ohio would be allowing companies with non-investment grade financials to be considered for self-insurance for the first time ever, which in turn would create a much weaker guarantee pool. This is a major risk for any company that would

become part of the new “B” fund and likely as well for the state of Ohio, as in the event of cash constraints or bankruptcies during a financial downturn, these sources would be called upon to finance claims in the system as well as claims yet to be filed against these defaulting self-insured employers.

The most significant reason that companies are not granted self-insurance in Ohio is not because of their assets in the state, but rather, it is because their financial positions are not strong enough to cover expected losses from workers’ compensation claims. Strong financials are necessary so that the Guarantee Fund, any guarantee fund, does not go bankrupt under financial pressure. During the Great Recession in 2008, the BWC and the self-insured community shared a significant concern that the Self-Insured Employers’ Guarantee Fund would not be adequate to cover current and future liabilities as companies went out of business and others were teetering on the brink of bankruptcy, and this with the strongest and most financially stable companies. Imagine the potential crisis with a much weaker set of employers.

House Bill 268 adds significant risk to the state of Ohio, potential self-insured employers, and Ohio’s injured workers. Ohio already has a path to self-insurance that works, and there are significant risks to changing this process. At this time and for these reasons, the OMA must oppose House Bill 268. Thank you. I’ll be pleased to attempt to answer any questions you may have.