



THE OHIO COUNCIL OF

Retail Merchants
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May 16, 2018

The Honorable Tom Brinkman
Chairman
House Insurance Committee
77 S. High St.
Columbus, OH 43215

Dear Chairman Brinkman:

Our organizations are jointly writing today to express our collective opposition to House Bill 459.

In Ohio there are currently two ways an employer may provide workers' compensation coverage for its employees. An employer may either pay premiums into the State Insurance Fund; or, if qualified, may be granted the privilege of paying compensation and benefits directly, known simply as self-insurance. Under the proposed legislation a new third option would become available to employers. House Bill 459 allows the Bureau of Workers' Compensation (BWC) Administrator to grant self-insuring status to a *group* of employers.

The bill itself is vague regarding how such a program would operate. The bill only states that the Administrator must adopt rules to implement group self-insurance. Within these rules the Administrator is supposed to determine whether a group of employers has sufficient financial and administrative ability to be viable and the Administrator is supposed to establish rules whereby an employer could join a group. No other specificity is provided in the bill.

Our organizations are wary of group self-insurance structures. As a monopolistic workers' compensation system, Ohio employers who are not self-insured must purchase coverage from the Ohio BWC. The system is designed to account for the risk of all employers. Because of this Ohio is both an insurer of first and last resort. By removing a percentage of state fund employers into group self-insurance, premiums for the remaining companies have the potential of being adversely impacted.

Ohio also has a strong self-insured program as exhibited in previous testimony before this committee. The prevailing reason that companies are not granted self-insurance in

Ohio is because their financial positions are not strong enough to cover expected losses from workers' compensation claims and insulate all participants from bankruptcies. Strong financials are necessary so that the Guaranty Fund, any guaranty 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' Guaranty 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 included some of the strongest and most financially stable companies. Imagine the potential crisis with groups comprised of much smaller and financially weaker employers.

While we appreciate Representative Henne's innovative work on House Bill 459, there remain far too many unknowns with the bill and our collective organizations oppose it at this time.

Sincerely,

Ohio Self Insurers Association

The Ohio Council of Retail Merchants

Ohio Chamber of Commerce

The Ohio Manufacturers' Association