



Ohio House Insurance Committee
March 1, 2023
Ohio Bureau of Workers' Compensation
Administrator John Logue

Good morning, Chairman Lampton, Vice Chairman Barhorst, Ranking Member Miranda, and members of the House Insurance Committee. I am happy to be back in front of you today to elaborate on the Administrative Cost Fund changes proposed in our budget.

Since I was here two weeks ago, I am pleased to share with you the BWC Board of Directors have approved the 8% rate reduction for private employers that I shared with you previously. This rate reduction will save private employers \$90 million in their workers' compensation premiums in the next fiscal year.

We are requesting to simplify the way we account for the administrative costs of BWC and to align our premium determination process with traditional insurance practices. To accomplish this, we seek to bring our administrative costs and claims benefits together. This request will streamline the workers' compensation system and make it easier to understand for Ohio's employers. This will not change our spending authority as established through the biennial budget process or the transparency our customers and stakeholders expect. Further, this request will not result in an increase to the amount of premiums Ohio's employers will pay in the future.

Currently, BWC's administrative costs are paid by adding an assessment to employers' premiums. This assessment is set on a "pay as you go" structure while the underlying premium is determined under insurance-based principles where a transfer of risk has taken place from the employer to BWC.

To expand on this, the administrative costs "pay as you go" basis means the administrative assessments collected in a year are used to pay for the costs to administer claims in the year they are serviced, regardless of how far in the past the claim occurred. The proposed legislation would change assessments to an "insurance" basis, which means administrative assessments would be billed to administer the claims in the year they occur and for the duration of those claims, regardless of how far into the future those administrative costs may be incurred.

The proposed legislation will bring our practices in line with the standard across the insurance industry. This request will ensure continued rate stability for Ohio's employers into the future.

Thank you for your consideration. I am happy to take your questions.