

Proponent Testimony – HB 459

Chairman Brinkman, Ranking Member Bocchieri and members of the Insurance Committee, thank you for the opportunity to present HB 459, Group Self-Insurance.

My name is Tim Linville. I serve as the Chief Executive Officer of the Construction Employers Association, which is a non-profit trade association located in Cleveland, Ohio. CEA has just over 130 contractor members and represents employers of approximately 8,000 skilled trades and construction management personnel in Northeast Ohio. CEA has represented the best in the construction industry since its formation in 1916.

A self-insurance group is a method by which small to medium sized employers, within the same industry, can pool their workers' compensation liability together and spread it amongst multiple employers. Larger employers have enjoyed the advantages of self-insurance for almost as long as workers' compensation has existed in Ohio. Self-insurance is a significant advantage for a variety of reasons:

1. **Cost Stabilization:** Employers in group rating enjoy premium discounts as long as they don't have claims. One claim can result in an employer's premium increasing hundreds of percentages over the four years the claim impacts the employer's rates. This is particularly problematic for employers in the construction industry that bid jobs often a year or more in advance based upon current costs. It is more problematic for small and mid-size employers where the claim doesn't even have to be that large to overwhelm average losses. Self-insurance allows payment of a large claim over its statutory life and minimizes the impact of smaller claims.
2. **Claims Control:** Self-insurance allows an employer to more efficiently manage the claims process. This is an advantage more effectively aligns the employer and the best interests of the injured worker.
3. **Improve services to injured workers:** A group self-insured program will eliminate service confusion and crossover from multiple employers' accounts with the OBWC and the service/communication challenges faced by injured workers' that have to deal with multiple Managed Care Organizations if they have injuries with multiple employers. It also improves care to injured employees through direct contracting with occupational networks and greater continuity (like the portable health, training and retirement plans that predominate in the construction industry).
4. **Industry Specific Loss Control:** Trade Associations like the CEA provide aggressive and targeted loss control services to members. Fewer accidents/injuries is good for contractors and their employees. In addition, our members have invested in significant workforce training through apprenticeships, journeymen upgrading programs and other vocational training.
5. **Cash Conservation:** When looking at a self-insured program, one of the more important aspects of it is the fact that it is a cash conservation tool. Employers retain more dollars for the operations of the business.

6. Ability to Limit Cash Flow by Accepting Predictable Loss: Accepting predictable losses is perhaps the greatest savings associated with a self-insured program. By accepting predictable loss as part of your self-insured program and managing it better, an employer will reduce its ultimate claim expenses.

Why Group Self-Insurance:

Ohio is clearly in the overwhelming minority as 40 states recognize some form of group self-insurance for workers' compensation. The experience of 40 other states has shown that, by allowing employers to group together, groups can achieve the same characteristics and successes realized by larger self-insured employers.

A self-insurance group is a method by which small- to medium-sized employers can pool their workers' compensation liability together. Employers spread out their workers' compensation risk among all the members of the group. Each member pays a premium to the group and maintains an individual claim layer of self-insurance: the retention. All losses and expenses for the group are paid from collected premiums with the individual member reimbursing the group for the cost of the retention. If the losses and expenses exceed the collected premium, then each member will be required to make additional contributions. However, each member may receive a surplus distribution if the losses and expenses for the group trust are less than the collected premium.

For the members of the CEA, company-specific workers' compensation is an outlier among all other programs designed to benefit employees such as safety, training, healthcare and retirement. Workers' compensation is the only "insurance" benefit that does not allow our contractors and their employees to benefit from a coordinated self-determination approach.

Ohio has conceptual experience in group self-insurance. Many years ago, Ohio began allowing wrap-ups on large construction projects. The idea was that self-insurance would be more efficient and cost effective if applied to many contractors/sub-contractors based upon their participation in a single construction project. The success of wrap programs in Ohio speaks for itself.

Beyond the CEA, many associations already have industry-wide self-insured health plans, retirement plans, and safety and training programs to attract skilled workers. Yet, workers' compensation is the only "insurance" benefit that is not coordinated through a self-determination approach.

Once again, Ohio is one of just 10 states that do not allow group self-insured workers' compensation, creating a competitive disadvantage with our neighboring states of Michigan, Pennsylvania and Kentucky. This bill gives businesses more options in Ohio and leaves determination of criteria and eligibility up to the BWC Administrator.

Sincerely,



Tim Linville

Chief Executive Officer