# Application for Coverage (U-3)

## Policy Background

- Policy Number: EP-01-01
- The legal references for this policy are Ohio Revised Code (ORC) 4123.01 and Ohio Administrative Code (OAC) 4123-14-01, 4123-14-02, 4123-17-02, 4123-17-13, and 4123-17-26.
- Effective Date: July 1, 2023
- Approved By: Rex Blateri, Chief of Employer Services
- Origin: Employer Policy
- Supersedes: All policies and procedures regarding Application for Coverage (U-3) and Coverage Initiation that predate the active date of this policy.
- History: Revised February 7, 2024; April 25, 2019; March 5, 2019; July 22, 2016; and July 27, 2006.
- Review Date: July 1, 2028

## Policy Purpose

The Bureau of Workers' Compensation (BWC) provides workers' compensation coverage for Ohio employers. The Application for Coverage (U-3) policy ensures an employer's request for coverage is processed in accordance with all applicable laws and rules.

## Applicability

The policy applies to BWC Policy Processing/Underwriting, Employer Management Services, Cash Control, Employer Call Center, Employer Compliance, private employers (PA employers), public employer taxing districts (PEC employers), and authorized representatives.

## Definitions

**Active date of coverage:** The date BWC receives a completed U-3 with the application fee.

**Application fee:** A nonrefundable fee of $120.00 which is equal to the minimum administrative annual charge as set forth in OAC 4123-17-26.

**Application for Ohio Workers' Compensation Coverage (U-3)**: Form used by an employer to apply for workers' compensation coverage.

**Blended rate:** The actual rate that appears on the employer's Estimated Annual Premium notice and is used to calculate workers' compensation premiums. The blended rate is also used for the annual true-up payroll filing.

**Coverage initiation:** BWC's process for determining when an application for coverage requires a new policy. A new policy will not be issued when the employer applying for coverage is essentially the same or similar to an existing policy.

**Elective coverage:** Optional coverage for business owners or ministers in one of the following categories:

- Sole proprietor;
- Partnership;
- Limited liability company acting as a sole proprietor;
- Limited liability company acting as a partnership;
- Family farm corporate officers;
- Individual incorporated as a corporation AND no employees; and
- Ordained or associate ministers of a religious organization.

**Experience modification (EM):** An adjustment factor applied to the base rate of the classification code.

**No coverage penalty:** Assessment calculated by BWC upon determination that an employer has failed to comply with coverage requirements as set forth in ORC 4123.01(B)(1)(b).

**Policy number:** A number assigned by BWC to an employer's business operations after an application has been finalized.

**Quote number:** A temporary number assigned to an application and used for tracking purposes.

# Policy

## Application submission.

1. Employers must file a U-3 form with BWC:
   A. Employers may apply online at BWC's website.
   B. Completed applications may also be mailed to BWC or dropped off at a local service office with a money order or check for the required application fee.
2. The employer must provide the following information when applying for coverage as set forth in OAC 4123-17-13(A)(1).
   A. Legal name and business entity type, e.g., corporation, limited liability company, sole proprietorship, or partnership;

B. Employer address;
C. Employer's federal employer identification number (FEIN) or, if applicable, Social Security number (SSN);
D. Description of employer operations, including:
    i. A description of the work done or industry pursued by the employer;
    ii. The estimated average number of employees in each kind of work; and
    iii. The estimated wages of employees in each kind of work over the next twelve (12) months.
E. Information related to whether the applicant for coverage has purchased an existing business or has another associated policy;
F. Name of the owner(s) or corporate officer(s), and when applicable for elective coverage the name of the sole proprietor, partners, ministers, or officers of the family farm corporation, refer to the *Elective Coverage* policy for further details;
G. Signature of the person completing the U-3 form; and
H. A non-refundable application fee of $120.00 equal to the minimum administrative annual charge as set forth in OAC 4123-17-26.

3. BWC issues a policy number to the employer at the time of application if:
    A. The employer files the U-3 online;
    B. The classification codes systematically assigned to the employer meet the criteria for the immediate issuance of a policy number; and
    C. The employer is not an alternate employer organization (AEO), a professional employer organization (PEO), a temporary labor services (temp or staffing) agency, or a PEC employer.
4. BWC assigns a temporary quote number to the employer's U-3 if the employer does not meet the guidelines listed number 3 above. This number is used to track the application throughout the remainder of processing.
5. Incomplete applications.
    A. BWC contacts the employer to obtain any missing information.
    B. If the employer fails to provide the required information, BWC:
        i. Will deny the employer's application as outlined in OAC 4123-17-13(A)(2);
        ii. May consider the employer as non-complying as referenced in OAC 4123-14-01(A); and
        iii. May recover premium and penalties from the employer as set forth in OAC 4123-14-02.

## Application evaluation.

1. BWC reviews the application to determine if the employer has an existing policy. The evidence considered to determine whether a new policy should be issued includes, but is not limited to:
    A. SSN or FEIN;

   B. Business name;
   C. Pursuit of industry;
   D. Location of operation;
   E. Other Ohio workers' compensation policies and other principals associated with all or part of the business operation;
   F. Purchase or sale agreement; and
   G. Interchange of labor.
2. If BWC identifies an existing policy, BWC will invoke coverage initiation and do one of the following.
   A. BWC will deny or rescind the U-3 and require the employer to maintain the existing policy; or
   B. BWC will transfer the prior policy to the employer, and if necessary reactivate a previously cancelled policy in order to complete the transfer, pursuant to OAC 4123-17-02, and require the employer to assume any outstanding obligations under the prior policy. BWC will require the payment of outstanding obligations or the establishment of a payment plan prior to granting new coverage. BWC may impose other actions authorized by law which BWC deems appropriate.
3. BWC will assign payroll to the classification codes applicable to the duties performed.
4. BWC will take the following action if an employer has a dishonored application fee payment.
   A. If a policy number was issued, BWC will lapse the employer's coverage back to the active date of coverage. The employer may reinstate coverage by paying the application fee, however, coverage is contingent on payment of estimated premium due.
   B. If a policy number was not issued, BWC will decline the initial U-3 and require the employer to submit a new U-3 and application fee.
5. Requests received from a temp agency for the allowance of up to ten policies by industrial pursuit will be processed according to the *Temporary Labor Services (Temp or Staffing) Agency* policy.
6. BWC will calculate and charge a no coverage penalty if the employer filed the U-3 after the date one or more employees were hired to work in Ohio.
7. BWC may adjust or waive the penalty if the employer can provide actual payroll for the employees or document there were no employees prior to the active date of coverage.
8. For any claim that occurs prior to the active date of coverage:
   A. BWC will bill the employer dollar for dollar for costs billed to the claim; and
   B. The employer may be referred for a premium audit.

## Finalizing the (U-3)

1. BWC will finalize an employer's application for coverage when all required information has been provided, and there are no coverage initiation issues.

2. BWC will assign a policy number to the employer or convert the employer's quote number to a policy number, which will be used to identify the employer.
3. BWC will issue the employer a Certificate of Ohio Workers' Compensation and an associated policy page that includes the following information:
    A. Policy number, employer, and managed care organization (MCO);
    B. Additional insured's name and address;
    C. Individuals eligible for elective coverage;
    D. Corporate officers; and
    E. Employee classification codes and descriptions.
4. BWC encourages employers to create an online account to access additional policy information.
5. Employer coverage.
    A. BWC will issue a Certificate of Ohio Workers' Compensation Coverage pursuant to ORC 4123.83. The certificate is only valid if premium and assessments, including installments, are paid by the applicable due date.
    B. BWC will prorate the estimated annual premium. The employer will be billed in equal installments for the remainder of the current policy period. The employer is responsible for all installment payments for the remainder of the policy year.
    C. BWC will apply a credit in the amount of the application fee to the employer's account.
    D. Coverage will become effective upon timely posting of the first premium installment payment, retroactive to the date and time of receipt of the application, subject to the provisions outlined in number 2 and number 4 of the “Application evaluation” section above:
        i. For walk-in customers, the date and time of receipt of application is determined by the BWC time and date stamp.
        ii. For online applications, the date and time of receipt of application is determined by the website time indicator.
        iii. For mail-in applications, the date and time of receipt of application is 12:01 a.m. on the date BWC receives the U-3 and the application fee, as indicated by the BWC time and date stamp.
    E. If the first installment payment is not made, BWC will lapse the employer's coverage back to the active date of coverage.

## Addition of a named insured.

1. An employer with an existing policy may add a named insured to its policy by filing a Notification to Add/Remove an Additional Named Insured(s) (U-116) form with BWC.
    A. The ownership of the additional named insured must be identical to the ownership on the existing policy and across all entities.
    B. The U-116 may not be used to combine existing employers with active coverage.
2. The U-116 form is subject to review and approval by BWC.

## Resolution of complaints.

1. Employer complaints must be processed under the *General Employer Complaint Policy*.
2. BWC has identified specific extenuating circumstances that apply to Application for Coverage. These extenuating circumstances are outlined in the section below.

## Extenuating circumstances for which relief may be granted.

1. Request for an earlier effective date. BWC may provide relief to the employer under the following extenuating circumstances:
   A. An out-of-state employer was misinformed by its insurance agent/broker that the "all states" endorsement on its insurance policy covered Ohio workers' compensation. Merely asserting the mistake does not establish this extenuating circumstance. The employer must have written proof of the misinformation the employer was provided.
   B. Bank error or delivery service error in processing an employer payment or delivering a payment to BWC. This circumstance may also be used if the post office failed to forward or significantly delayed forwarding the employer's mail.
      i. Such errors must be documented by letter or sworn statement from the bank or delivery service.
      ii. The bank or delivery service error must be the sole reason for the untimely payment or reporting.
2. Request for coverage initiation. BWC may create a new policy if the employer or their authorized representative provides documentation such as:
   A. Different business bank checking accounts;
   B. Different classification codes;
   C. Different location address;
   D. Different ownership; or
   E. Significant gap in time between ceasing operations and purchase effective date.
3. Request to recalculate the no coverage penalty.
   A. BWC may grant relief of the no coverage penalty if the employer meets all the following criteria:
      i. The request must be in writing;
      ii. The employer must provide actual payroll for the no coverage period to be used in calculating the revised no coverage penalty amount; and
      iii. There must be no claims in the no coverage period.
   B. BWC will waive no coverage penalty amounts of $120 or less provided the actual payroll was submitted as outlined above. This is not automatic but will be granted upon request.
4. Successorship liability. Refer to the *Successorship* policy on complaints related to this topic.
5. Request for a later effective date of coverage. BWC may change the effective date of coverage upon request of the employer if the employer meets the following criteria:

A. The employer provided a date for employees first earning wages in Ohio after the date the U-3 and application fee were received; and
B. The employer can provide documentation establishing the date employees first earned wages in Ohio.