



December 14, 2009

Informational Circular 2009-09

To: All Members

Second Injury Fund Assessment & Policy Surcharge Factor

Second Injury Fund Assessment

The Workers Compensation Board of Indiana ("Board") issued its notice dated December 10, 2009 titled "[2010 Second Injury Fund Calculation of Funding Level](#)". The Board certification forms indicate the combined total assessment amount for carriers and self-insureds is \$6,670,252. Based on combined total paid losses in 2008 (latest data available) of \$502,861,705, the assessment rate is 1.33% which is within the statutory limit of 2.5%.
[reference IC § 22-3-3-13 (c)]

The Board has set up two installments to pay half the annual sum due in each installment. Payments are due by January 31, 2010 and June 15, 2010.

Policy Surcharge Factor

The 2010 statewide average policy surcharge factor is 0.0082 compared to the last year's average factor 0.0048. As in the past, the ICRB does not file an advisory policy surcharge factor with the Indiana Department of Insurance (IDOI). Each carrier must calculate and apply its own factor to its policies. This circular and the factors being provided herein are for informational purposes only. For assigned risk policies, servicing carriers should use the 0.0082 factor.

At-a-Glance Summary

- Carrier must complete Certification form and send with its payment *to the Board*:
[Worker's Compensation Board of Indiana](#)
402 West Washington Street Room W-196
Indianapolis, Indiana 46204
317.232.3808
- Carrier must show assessment on policies as "a surcharge based on the employer's premium."
- The surcharge is not premium, as defined by statute. So, the surcharge amount must be excluded for purposes of computation of agent commission and premium taxes.
- Statistical Code 0935 – Second Injury Fund Surcharge is appropriate to record the amount.
- Because each carrier's premium is different, then each carrier's assessment payable to the Board will be different. So, each carrier's policy surcharge factor may also be different.
- Carriers are not required to file their policy surcharge factors with the IDOI.
- The statewide average surcharge factor of 0.0082 is for informational purposes only to assist members.

Statute Changes

[House Enrolled Act \(HEA\) 1307](#) effective July 1, 2006 made a few changes in IC § 22-3-3-13 to the calculation of the Second Injury Fund. Here's a summary:

- Assessment limit of 2.5% is based on total paid losses instead of only indemnity losses.
- Total losses are from all entities (carriers, other insuring entities, and self-insureds).
- As of November 1, if the SIF balance exceeds 135% of the prior year's disbursement, no assessment will occur for the next year.
- Assessment applies to "all employers." Assessment is split between self-insured employers and insured employers based on each group's portion of total paid losses. For 2010, the split is 13% self-insureds and 87% insured employers (same as last year).
- Assessment for insured employers (carriers) is calculated by determining the percentage share of an individual carrier's premium to all carriers premium.
- Assessment for self-insureds is calculated by determining the percentage share of a self-insured's paid losses to all self-insureds' paid losses.
- The Board will calculate the recommended funding level by December 1. This study will determine if an assessment is necessary. The Board "may employ a qualified employee or enter into a contract with an actuary or another qualified firm that has experience in calculating worker's compensation liabilities."

Conclusion

You may also access the [Board's website](#) to view the "[2nd Injury Fund Forms](#)" web page.

You may access this and previous ICRB circulars about the "[Second Injury Fund](#)" on our website at www.icrb.net. We hope this information helps in your understanding of the Second Injury Fund assessment process.

Sincerely,

Ronald W. Cooper, CWCP
President

Attachments:

- ✓ [2010 Second Injury Fund Calculation of Funding Level](#) dated December 10, 2009
- ✓ [Certification for Worker's Compensation Carriers](#), State Form 12386-b
- ✓ Indiana SIF for 2010 - Stepping Through the Process

CERTIFICATION FOR WORKER'S COMPENSATION CARRIERS

STATE OF _____

COUNTY OF _____

I, _____, hereby CERTIFY that I am _____
(Official Title)

of _____ and that I have knowledge of the
(Carrier)

worker's compensation records of Carrier. I further CERTIFY that the amount of **direct written premiums** issued by Carrier for Indiana Worker's Compensation Insurance in the calendar year **2008** totaled \$_____.

I further CERTIFY that I have calculated Carrier's 2010 assessment for the Second Injury Fund by dividing the above number representing Carrier's Direct Written Premiums by 710,109,000 (which, in dollars represents the total direct written premiums for all worker's compensation carriers in Indiana in 2008), and then multiplying that figure by 5,791,780 (which, in dollars represents the amount for all carriers portion of the 2008) assessment for the Second Injury Fund). This calculation gave me _____, which in dollars represents Carrier's total annual assessment.

I further CERTIFY that the enclosed sum of \$_____ represents one half of Company's calculated assessment, which is the first installment of the statutory assessment due by **January 31, 2010** and payable to the Worker's Compensation Board of Indiana for the Second Injury Fund. I agree to pay \$_____ as payment of the second half of Company's assessment for 2010 *without notice* to the Board by **June 15, 2010**.

I hereby verify, subject to penalties of perjury, that the facts contained herein are true.

Signature_____
Date_____
Carrier Name_____
Federal ID Number_____
Telephone Number_____
E-mail Address_____
Mailing Address

Contact Email Address*

***Please note that IC§22-3-3-13(j) requires each company subject to this assessment to provide to the Board the name, address, and E-mail address of a representative authorized to receive the notice of assessment.**



Indiana Second Injury Fund Assessment (SIF) for 2010

Stepping Through the Process

HEA 1307 effective July 1, 2006
Indiana Code § 22-3-3-13

Step 1

IC § 22-3-3-13 (c)
WC Board sends notice by November 1 to
 (1) carriers and other insuring entities, and
 (2) self-insureds
 that an assessment is necessary

Step 2

IC § 22-3-3-13 (c)
Entities then send to the WC Board their statements of total paid losses and premium by January 31.

Note: Entities use 2008 year figures since 2009 figures are not yet available. Entities should report "direct premiums written" and "direct losses paid."

Step 3

IC § 22-3-3-13 (c)
The assessment cannot exceed 2.5% of total losses (medical + indemnity). Note: Total losses are from all entities (carriers, other insuring entities, and self-insureds).

Step 4

IC § 22-3-3-13 (c)
As of November 1, if the SIF balance exceeds 135% of the prior year's disbursement, no assessment will occur.

Step 5

IC § 22-3-3-13 (d)
WC Board assesses "all employers." The assessment calculation begins by determining the percentage share of two groups: self-insureds and insured employers.

The percentage is based upon each group's portion of "total paid losses."

Example:

In this example, the SIF assessment is \$6,670,252.

Entity	2008 Total Paid Losses	Percent	Assessment Amt in Cert Form	Assessment Percentage
Self-insureds	\$66,250,705	13%	\$878,427	
Insured employers	\$436,611,000	87%	\$5,791,780	
Total	\$502,861,705	100%	\$6,670,207	1.33%

The example shows that self-insureds are responsible for 13% (\$878 thousand) of the \$6.67 million assessment and insured employers are responsible for 87% (\$5.79 million).

Step 6

IC § 22-3-3-13 (d)(3)

The assessment for carriers is calculated by determining the percentage share of an individual carrier's premium to all carriers premium.

Carriers collect the assessment of insured employers via a SIF surcharge on the policy.

Example:

In this example, we use Indiana 2008 statewide premium of \$710 million.

Entity	2008 Direct Premium Written	Percent	Assessment	Surcharge Factor
Carrier A	\$9,000,000	1.3%	\$73,406	0.0082
Total All Carriers	\$710,109,000	100%	\$5,791,780	0.0082

The example shows that Carrier A writes \$9 million in premium and is responsible for 1.3% (\$73,406) of the insured employers portion (\$5.79 million).

Step 7

IC § 22-3-3-13 (d)(4)

As noted above in Step 2, entities use 2008 year "direct premiums written."

Step 8

IC § 22-3-3-13 (d)(5)

The assessment for self-insureds is calculated by determining the percentage share of a self-insured's paid losses to all self-insureds' paid losses.

Step 9

IC § 22-3-3-13 (e)

The WC Board will calculate the recommended funding level by December 1. This study will determine if an assessment is necessary.

Step 10

IC § 22-3-3-13 (f)

Carriers collect the assessment of insured employers via a SIF surcharge on the policy. Each carrier's surcharge can be different since a carrier's projected premium for 2010 may differ from the amount reported for 2008 (See Step 2).

Example 1:

In this example, Carrier A wrote \$9 million in premium in 2008 and is responsible to pay a \$73,406 assessment. Carrier A projects 2010 premium to remain at \$9 million. It can recoup the cost of that assessment by applying a surcharge on its policies. It can calculate its surcharge on the policy as follows:

$$73,406 / 9,000,000 = 0.0082 \text{ or } .82\%$$

Let's assume that Employer X premium is \$10,000 and is insured by Carrier A which applies a 0.0082 surcharge factor to total estimated annual premium.

Entity	2010 Total Estimated Annual Premium	Surcharge Factor	Surcharge Amount
Employer X	\$10,000	0.0082	\$82

The example shows that Employer X with \$10,000 in estimated premium pays a SIF surcharge of \$82.

Example 2:

In this example, Carrier A wrote \$9 million in premium in 2008 and is responsible to pay a \$73,406 assessment. Carrier A projects 2010 premium to increase to \$12 million. It can recoup the cost of that assessment by applying a surcharge on its policies. It can calculate its surcharge on the policy as follows:

$$73,406 / 12,000,000 = 0.0036 \text{ or } .36\%$$

Let's assume that Employer X premium is \$10,000 and is insured by Carrier A which applies a 0.0036 surcharge factor to total estimated annual premium.

Entity	Total Estimated Annual Premium	Surcharge Factor	Surcharge Amount
Employer X	\$10,000	0.0061	\$61

The example shows that Employer X with \$10,000 in estimated premium pays a SIF surcharge of \$61.