



December 29, 2018

Informational Circular 2018-10

Second Injury Fund Assessment & Policy Surcharge Factor

Second Injury Fund Assessment

The Workers Compensation Board of Indiana (“Board”) issued its notice dated December 27, 2018 titled “[2019 Second Injury Fund Calculation of Funding Level](#)”. The Board certification forms indicate the combined total assessment amount for carriers and self-insureds in 2019 is \$8,239,954. Based on combined total paid losses in 2017 (latest data available) of \$486,081,777, the assessment rate is 1.70% which is within the statutory limit of 2.5%.

[Reference IC § 22-3-3-13 (c)]

Payment of Assessment to WC Board

Assessments are due January 31, 2019. For assessments greater than \$1,000, you may choose an installment option, with payments due by January 31, 2019 and June 28, 2019. The Board encourages payment via the State’s electronic payment system.

Policy Surcharge Factor

The 2019 statewide average policy surcharge factor is 0.0083 compared to the last year’s average factor 0.0059. 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 0.0083 factor.

At-a-Glance Summary

- Carrier may now pay its assessment to the WC Board online. Here’s a link to the Board’s online payment options page: <http://www.in.gov/wcb/2516.htm>
Note: electronic payment will be mandatory next year in 2020
- Carrier prints and attaches online payment receipt to the completed Certification form and mails to the Board at this address:
[Worker's Compensation Board of Indiana](#)
402 West Washington Street, Room W-196
Indianapolis, Indiana 46204
- 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 0.0083 is for informational purposes only.

Statute Changes in 2006

[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 2015, the split is 13% self-insureds and 87% insured employers.
- 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."

For More Information

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, WCP
President

Attachments:

- ✓ [2019 Second Injury Fund Calculation of Funding Level](#) dated December 27, 2018
- ✓ [Certification for Worker's Compensation Carriers](#), State Form 12386-b
- ✓ Indiana SIF for 2019 - Stepping Through the Process

WORKERS COMPENSATION BOARD OF INDIANA

**2019 SECOND INJURY FUND
CALCULATION OF FUNDING LEVEL**

December 27, 2018

Please note only assessments greater than \$1,000 may be paid in two installments.

The due dates are:
January 31, 2019
June 28, 2019

SECOND INJURY FUND REPORT
AND ASSESSMENT FOR 2019

By the Chair

December 27, 2018

Happy Holidays to all. The Second Injury Fund will end 2018 with \$1.3 million in the bank. However, we collected approximately \$408,000 less than the assessment goal. For the past several years, the assessment has brought in 5-7% less than anticipated, because we must use two-year-old financial and insurance data. This is one reason the prudent reserve was created and why this year an assessment reconciliation factor of 5% is being applied to the total assessed need. With monthly payouts sometimes exceeding \$600,000, a shortfall could be devastating. Any excess collected remains in the Fund and will offset the assessment for 2020. There is an increase, rather than a decrease, in the assessment for the first time in three years.

Direct written premiums were down and losses paid by carriers rose slightly in 2017. On the self-insured side we see that, due to higher losses paid in 2017 over those in 2016, the share of the assessment that falls to these employers will rise from 16% to 17%.

Included with this report are the Certification forms used to calculate individual assessment obligations. These forms use numbers provided by the Indiana Compensation Rating Bureau as well as self-insured factors taken from new and renewal applications for 2017. Historical data can be found on the last page.

We expect indemnity payments from the Fund to increase slightly in 2019 as new injured workers are added to the rolls at wages greater than those of the recipients we lose throughout the year. This increase has been 4% in recent years, so that is the factor applied.

Prosthetics are the wild card. We are adding more and younger recipients each year. In 2017 we had 74 recipients; in 2018 we had 86. Devices are more sophisticated than in years past but also provide these young employees the opportunity to remain valuable in today's complex workplace. Monthly payouts average \$106,000. Our prudent reserve for prosthetics is a total of the three highest months in 2018.

The administrative expense will remain constant for the fifth year although the Board's expenses of operating the Fund rose in several areas this year. Expect an increase in 2019.

Payments will be due on January 31th and June 28th in 2019. You may choose to use the installment option only if your assessed total is greater than \$1,000. This option is no longer available if your total assessment is less than \$1,000 and a penalty will be assessed if the whole amount is not received by the January due date. No reminder will be sent before the June due date.

We encourage you to take advantage of the State's electronic payment system, which you can access at <http://www.in.gov/wcb>. This will be mandatory in 2020. You may obtain a "unique identifier" to pay electronically by contacting the Board. This will allow a debit transaction directly from your company's bank account for a \$1.00 State user fee. The fee for using the credit card option will be higher because it is a percentage of your payment. Please always submit a Certification form with a payment.

Please call Mary Taivalkoski or me if you have questions or comments regarding the assessment, report, or the Fund.

Wishing you good health, happiness, peace, and prosperity in the 2019.

Yours very truly,



Linda Peterson Hamilton

2ND INJURY FUND REPORT

December 18, 2018

Available Fund Balance 12/31/17	2,289,152
Revenue from 2018 Assessment	5,836,862
Total Available Monies 2018	8,126,014
Expenditures 2018:	
Indemnity (301 Recipients)	5,393,062
Prosthetics (86 Recipients)	1,273,992
Administrative Fees	107,926
SWCAP*	4,305
Total	6,779,285
Available Fund Balance 12/31/2018	1,346,729

2019 Assessment Factors

Indemnity (3 month expense)	1,348,266
Prosthetics (3 month expense)	723,632
Total Prudent Reserve	2,071,898
Estimated Expenditures:	
Indemnity	5,608,784
Prosthetics	1,401,391
Administrative Fees	107,926
SWCAP*	4,305
Total Projected Expenditures	7,122,406
Estimated Need	9,194,304
12/31/2018 Available Fund Balance	-1,346,729
Assessment Reconciliation	392,379
Final Assessment Amount	8,239,954

* 7.4.2.1 State-Wide Cost Allocation Plan (SWCAP)

Reported and Historical Data
Utilized in Assessment

(Reported in dollars)

Reported by ICRB for 2017:

Total Losses Paid	405,061,000
Total Premiums Written	825,803,000

Reported by ICRB for 2016:

Total Losses Paid	398,578,000
Total Premiums Written	876,183,000

Reported by ICRB for 2015:

Total Losses Paid	396,775,000
Total Premiums Written	889,525,000

Reported by ICRB for 2014:

Total Losses Paid	416,215,000
Total Premiums Written	847,794,000

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Self-Insured Factors 2017:

|                            |            |
|----------------------------|------------|
| Total Indemnity Paid       | 22,413,972 |
| Total Medical Paid         | 58,606,805 |
| Total Self Insured Factors | 81,020,777 |

Self-Insured Factors 2016:

|                            |            |
|----------------------------|------------|
| Total Indemnity Paid       | 19,377,397 |
| Total Medical Paid         | 54,778,887 |
| Total Self Insured Factors | 74,156,284 |

Self-Insured Factors 2015:

|                            |            |
|----------------------------|------------|
| Total Indemnity Paid       | 17,429,358 |
| Total Medical Paid         | 48,051,187 |
| Total Self Insured Factors | 65,480,545 |

Self-Insured Factors 2014:

|                            |            |
|----------------------------|------------|
| Total Indemnity Paid       | 14,341,345 |
| Total Medical Paid         | 50,020,132 |
| Total Self Insured Factors | 64,361,477 |

**Historical Second Injury Fund Data re.  
Total Expenditures Reported By the WCB  
(Reported in dollars)**

|                             |           |
|-----------------------------|-----------|
| Jan/Dec 2017                |           |
| Prosthetics (86 Recipients) | 1,273,992 |
| Indemnity (301 Recipients)  | 5,393,062 |
| <br>Jan/Dec 2016            |           |
| Prosthetics (74 Recipients) | 1,198,344 |
| Indemnity (308 Recipients)  | 5,277,757 |
| <br>Jan/Dec 2015            |           |
| Prosthetics (74 Recipients) | 1,128,061 |
| Indemnity (308 Recipients)  | 5,168,737 |
| <br>Jan/Dec 2014            |           |
| Prosthetics (74 Recipients) | 1,298,573 |
| Indemnity (325 Recipients)  | 5,143,074 |

**CERTIFICATION FOR WORKER’S COMPENSATION CARRIERS**

STATE OF \_\_\_\_\_ COUNTY OF \_\_\_\_\_

I, \_\_\_\_\_, hereby CERTIFY that I am \_\_\_\_\_ (Title)

of \_\_\_\_\_ (Carrier) and that I have knowledge of the workers’ 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 **2017** totaled \$\_\_\_\_\_.

I further CERTIFY that I have calculated Carrier’s 2019 assessment for the Second Injury Fund by dividing the above number representing Carrier’s Direct Written Premiums by 825,803,000 (which, in dollars represents the total direct written premiums for all worker’s compensation carriers in Indiana in 2017), and then multiplying that figure by 6,839,162 (which, in dollars represents the amount for all carriers portion of the 2019 assessment for the Second Injury Fund). This calculation produces \_\_\_\_\_, 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 (**only if total assessment is greater than \$1,000**), which is the first installment of the statutory assessment due by **January 31, 2019** 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 2019 *without notice* to the Board by **June 28, 2019 to avoid penalties**.

OR

\_\_\_\_\_ I further CERTIFY that the enclosed sum of \$\_\_\_\_\_ represents the entire assessment of Company.

**PLEASE PAY ELECTRONICALLY VIA <https://www.in.gov/wcb/2516.htm> and submit a copy of this certificate with each installment.**

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

\_\_\_\_\_  
City, State, Zip

**\*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 (SIF) Assessment for 2019**  
*Stepping Through the Process (10 steps)*

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 2017-year amounts since 2018 amounts 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 \$8,239,954.

| Entity            | 2017 Total Paid Losses | Percent of Total | Assessment Amt in Cert Form | Assessment Percentage |
|-------------------|------------------------|------------------|-----------------------------|-----------------------|
| Self-insureds     | \$81,020,777           | 17%              | \$1,400,792                 |                       |
| Insured employers | \$405,061,000          | 83%              | \$6,839,162                 |                       |
| <b>Total</b>      | <b>\$486,081,777</b>   | <b>100%</b>      | <b>\$8,239,954</b>          | <b>1.70%</b>          |



The example shows (using rounded figures) that self-insureds are responsible for 17% (\$1,400,792) of the \$8.2 million assessment and insured employers are responsible for 83% (\$6.8 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 2017 statewide premium of \$826 million.

| <b>Entity</b>      | <b>2017 Direct Premium Written</b> | <b>Percent</b> | <b>Assessment</b> | <b>Surcharge Factor</b> |
|--------------------|------------------------------------|----------------|-------------------|-------------------------|
| Carrier A          | \$9,000,000                        | 1.1%           | \$74,536          | <b>0.0083</b>           |
| Total All Carriers | \$825,803,000                      | 100%           | \$6,839,162       | <b>0.0083</b>           |

The example shows Carrier A writes \$9 million in premium and is responsible for 1.1% (\$74,536) of the insured employers portion (\$6.8 million).

### **Step 7**

IC § 22-3-3-13 (d)(4)

As noted above in Step 2, entities use 2017 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 2019 may differ from the amount reported for 2017 (See Step 2).

*Example 1:*

In this example, Carrier A wrote \$9 million in premium in 2017 and is responsible to pay a \$74,536 assessment. Carrier A projects 2019 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:

$$74,536 / 9,000,000 = 0.0083 \text{ or } .83\%$$

Let’s assume that Employer X premium is \$10,000 and is insured by Carrier A which applies a 0.0083 surcharge factor to total estimated annual premium.

The example shows that Employer X with \$10,000 in estimated premium pays a SIF surcharge of \$83.

| Entity     | Total Estimated Annual Premium | Surcharge Factor | Surcharge Amount |
|------------|--------------------------------|------------------|------------------|
| Employer X | \$10,000                       | 0.0083           | \$83             |

*Example 2:*

In this example, again Carrier A wrote \$9 million in premium in 2017 and is responsible to pay a \$74,536 assessment. However, Carrier A projects 2019 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:

$$74,536 / 12,000,000 = 0.0062 \text{ or } .62\%$$

Let’s assume that Employer X premium is \$10,000 and is insured by Carrier A which applies a 0.0062 surcharge factor to total estimated annual premium.

The example shows that Employer X with \$10,000 in estimated premium pays a SIF surcharge of \$62.

| Entity     | Total Estimated Annual Premium | Surcharge Factor | Surcharge Amount |
|------------|--------------------------------|------------------|------------------|
| Employer X | \$10,000                       | 0.0062           | \$62             |