



January 5, 2017

Informational Circular 2017-01

Second Injury Fund Assessment & Policy Surcharge Factor

Second Injury Fund Assessment

The Workers Compensation Board of Indiana (“Board”) issued its notice dated December 22, 2016 titled “[2017 Second Injury Fund Calculation of Funding Level](#)”. The Board certification forms indicate the combined total assessment amount for carriers and self-insureds in 2016 is \$6,337,814. Based on combined total paid losses in 2015 (latest data available) of \$462,255,545, the assessment rate is 1.37% which is within the statutory limit of 2.5%.

[Reference IC § 22-3-3-13 (c)]

Payment of Assessment to WC Board

The Board has set up two installments to pay half the annual sum due in each installment. Payments are due by January 30, 2017 and June 30, 2017 and *payable to the Worker’s Compensation Board of Indiana*. Online payments to the Board are now available.

Policy Surcharge Factor

The 2017 statewide average policy surcharge factor is 0.0061 compared to the last year’s average factor 0.0071. 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 0.0061 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>
- 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 0.0061 is for informational purposes only to assist members.

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:

- ✓ [2017 Second Injury Fund Calculation of Funding Level](#) dated December 22, 2016
- ✓ [Certification for Worker's Compensation Carriers](#), State Form 12386-b
- ✓ Indiana SIF for 2017 - Stepping Through the Process

WORKERS COMPENSATION BOARD OF INDIANA

**2016 SECOND INJURY FUND
CALCULATION OF FUNDING LEVEL**

December 22, 2016

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

The due dates are:

January 30, 2017

June 30, 2017



STATE OF INDIANA

MICHAEL R. PENCE, Governor

Linda Peterson Hamilton, Chairman

WORKERS COMPENSATION BOARD

402 West Washington Street, Room W196

Indianapolis, Indiana 46204-2753

Telephone: (317) 232-3808

<http://www.in.gov/workcomp>

SECOND INJURY FUND REPORT

By the Chair

AND ASSESSMENT FOR 2017

December 22, 2016

As 2016 comes to a close, I am happy to report the Second Injury Fund will end the year with over \$2 million in the bank. We collected approximately \$469,000 less than the assessment goal, due in part to the loss of some self-insured companies. Because we have to use two-year-old data, our figures cannot always accurately reflect the current business climate. This is one reason the prudent reserve is necessary.

The good news is that the assessment for 2016 was less than that of 2015, and the 2017 assessment is lower still. Direct written premiums were up and losses paid by carriers down.

Included with this report are the Certification forms used to calculate individual assessment obligations. These forms use numbers provided by the ICRB as well as self-insured factors taken from new and renewal applications for 2015. Historical data regarding Fund payouts can be found on the last page.

We expect indemnity payments from the Fund to increase slightly in 2017 as new injured workers are added to the rolls at wages greater than those

of the deceased recipients. There was a net change of eight to the positive in the number receiving wage replacement benefits.

As always, we continue to replace limbs with the "Chevy" not "Cadillac" model. With all of the uncertainty, our prudent reserve for prosthetics is a total of the three highest months in 2016.

A few years ago, the Board began tracking the quarterly time commitment of each staff member who works on SIF issues, as well as other factors such as IT expenses, postage and printing. The administrative expense assessed has remained constant for the past 3 year.

Payments will be due on January 30th and June 30th. 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 payment date. No reminder will be sent before the June due date. We also encourage you to take advantage of the State's new electronic payment system, which you can access at <http://www.in.gov/wcb>. This will be mandatory at some time in the future. Please be aware, you may obtain a "unique identifier" by contacting the Board. This will allow a debit transaction directly from your company's bank account for a \$1.00 State user fee.

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 2017.

Yours very truly,

A handwritten signature in cursive script that reads "Linda Hamilton".

Linda Peterson Hamilton

2nd INJURY FUND REPORT

December 22, 2016

Available Fund Balance 12/31/15	2,131,482
Revenue from 2016 Assessment	6,517,430
Total Available Monies 2016	8,648,912
Expenditures 2016:	
Indemnity (308 Recipients)	5,168,737
Prosthetics (74 Recipients)	1,128,061
Administrative Fees	107,926
SWCAP-Statewide Cost Allocation Plan	<u>1,549</u>
Total	6,298,675
Available Fund Balance 12/31/2016	2,242,639

2017 Assessment Factors

Indemnity (3 month expense)	1,314,443
Prosthetics (3 month expense)	<u>607,866</u>
Total Prudent Reserve	1,922,309
Estimated Expenditures	
Indemnity	5,375,486
Prosthetics	1,173,183
Administrative Fees	107,926
SWCAP-Statewide Cost Allocation Plan	<u>1,549</u>
Projected Expenditures	6,658,144
Estimated Need	8,580,453
12/31/2016 Available Fund Balance	-2,242,639

Final Assessment Amount

6,337,814

*** 7.4.2.1 State-Wide Cost Allocation Plan (SWCAP)**

Reported and Historical Data Utilized in Assessment of Fund

(Reported in dollars)

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

Reported by ICRB for 2013:

Total Losses Paid	457,915,000
Total Premiums Written	829,907,000

Reported by ICRB for 2012:

Total Losses Paid	445,461,000
Total Premiums Written	782,614,000

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Self-Insured Factors 2015:

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

Self-Insured Factors 2014:

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

Self-Insured Factors 2013:

|                            |                   |
|----------------------------|-------------------|
| Total Indemnity Paid       | 14,779,695        |
| Total Medical Paid         | <u>51,710,746</u> |
| Total Self Insured Factors | 66,490,441        |

Self-Insured Factors 2012:

|                      |            |
|----------------------|------------|
| Total Indemnity Paid | 18,066,780 |
|----------------------|------------|

|                            |                   |
|----------------------------|-------------------|
| Total Medical Paid         | <u>43,575,323</u> |
| Total Self Insured Factors | 61,642,103        |

**Historical Second Injury Fund Data re.**

**Total Expenditures Reported By the WCB**

**(Reported in dollars)**

|                             |           |
|-----------------------------|-----------|
| Jan/Dec 2015                |           |
| Prosthetics (74 Recipients) | 1,128,061 |
| Indemnity (308 Recipients)  | 5,168,737 |
| Jan/Dec 2014                |           |
| Prosthetics (74 Recipients) | 1,298,573 |
| Indemnity (325 Recipients)  | 5,143,074 |
| Jan/Dec 2013                |           |
| Prosthetics (65 Recipients) | 780,300   |
| Indemnity (312 Recipients)  | 4,794,848 |
| Jan/Dec 2012                |           |
| Prosthetics (68 Recipients) | 1,019,258 |
| Indemnity (302 Recipients)  | 4,735,990 |
| Jan/Dec 2011                |           |
| Prosthetics (67 Recipients) | 585,801   |
| Indemnity (293 Recipients)  | 4,375,287 |
| Jan/Dec 2010                |           |
| Prosthetics (62 Recipients) | 561,247   |
| Indemnity (291 Recipients)  | 4,227,113 |
| Jan/Dec 2009                |           |
| Prosthetics (63 Recipients) | 624,711   |
| Indemnity (289 Recipients)  | 4,099,537 |
| Jan/Dec 2008                |           |
| Prosthetics (50 Recipients) | 527,506   |
| Indemnity (281 Recipients)  | 3,413,452 |



**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)

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 **2015** totaled \$\_\_\_\_\_.

I further CERTIFY that I have calculated Carrier's 2017 assessment for the Second Injury Fund by dividing the above number representing Carrier's Direct Written Premiums by 889,525,000 (which, in dollars represents the total direct written premiums for all worker's compensation carriers in Indiana in 2015), and then multiplying that figure by 5,437,844 (which, in dollars represents the amount for all carriers portion of the 2017 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 (only if total assessment is greater than \$1,000), which is the first installment of the statutory assessment due by **January 30, 2017** 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 2017 *without notice* to the Board by **June 30, 2017**.

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

PLEASE PAY ELECTRONICALLY VIA <http://www.in.gov/wcb>.

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 2017  
*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 2015 year amounts since 2016 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 \$6,337,814

| Entity            | 2015 Total Paid Losses | Percent | Assessment Amt in Cert Form | Assessment Percentage |
|-------------------|------------------------|---------|-----------------------------|-----------------------|
| Self-insureds     | \$65,480,545           | 14%     | \$899,970                   |                       |
| Insured employers | \$396,775,000          | 86%     | \$5,437,844                 |                       |
| Total             | \$462,255,545          | 100%    | \$6,337,814                 | 1.37%                 |



The example shows (using rounded figures) that self-insureds are responsible for 14% (\$899,970) of the \$6.3 million assessment and insured employers are responsible for 87% (\$5.4 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 2015 statewide premium of \$890 million.

| Entity             | 2015 Direct Premium Written | Percent | Assessment  | Surcharge Factor |
|--------------------|-----------------------------|---------|-------------|------------------|
| Carrier A          | \$9,000,000                 | 1.0%    | \$55,019    | <b>0.0061</b>    |
| Total All Carriers | \$889,525,000               | 100%    | \$5,437,844 | <b>0.0061</b>    |

The example shows Carrier A writes \$9 million in premium and is responsible for 1% (\$55,019) of the insured employers portion (\$5.4 million).

**Step 7**

IC § 22-3-3-13 (d)(4)

As noted above in Step 2, entities use 2015 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 2017 may differ from the amount reported for 2015 (See Step 2).**

*Example 1:*

In this example, Carrier A wrote \$9 million in premium in 2015 and is responsible to pay a \$55,019 assessment. Carrier A projects 2017 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:

$$55,019 / 9,000,000 = 0.0061 \text{ or } .61\%$$

**Let's assume that Employer X premium is \$10,000 and is insured by Carrier A** which applies a 0.0061 surcharge factor to total estimated annual premium.

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

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

*Example 2:*

In this example, Carrier A wrote \$9 million in premium in 2015 and is responsible to pay a \$55,019 assessment. Carrier A projects 2017 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:

$$55,019 / 12,000,000 = 0.0046 \text{ or } .46\%$$

**Let's assume that Employer X premium is \$10,000 and is insured by Carrier A** which applies a 0.0046 surcharge factor to total estimated annual premium.

The example shows that Employer X with \$10,000 in estimated premium pays a SIF surcharge of \$46.

| Entity     | Total Estimated Annual Premium | Surcharge Factor | Surcharge Amount |
|------------|--------------------------------|------------------|------------------|
| Employer X | \$10,000                       | 0.0046           | \$46             |