



December 30, 2019

Informational Circular 2019-05

Second Injury Fund Assessment & Policy Surcharge Factor

Second Injury Fund Assessment

The Workers Compensation Board of Indiana (“Board”) issued its notice dated December 23, 2019 titled “[2020 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 \$8,063,205. Based on combined total paid losses in 2018 (latest data available) of \$469,419,555, the assessment rate is 1.72% 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, 2020. For assessments greater than \$1,000, you may choose an installment option, with payments due by January 31, 2020 and June 30, 2020. Payment must be submitted electronically via the State’s electronic payment system.

Policy Surcharge Factor

The 2020 statewide average policy surcharge factor is 0.0083, unchanged from last year’s average factor of 0.0083. 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 must 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 0.0083 is for informational purposes only.

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,



Karen Byrd, AIC
President and Chief Executive Officer

Attachments:

- ✓ [2020 Second Injury Fund Calculation of Funding Level](#) dated December 23, 2019
- ✓ [Certification for Worker's Compensation Carriers](#), State Form 12386-b
- ✓ Indiana SIF for 2020 - Stepping Through the Process

WORKERS COMPENSATION BOARD OF INDIANA

**2020 SECOND INJURY FUND
CALCULATION OF FUNDING LEVEL**

December 23, 2019

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

The due dates are:
January 31, 2020
June 30, 2020

SECOND INJURY FUND REPORT
AND ASSESSMENT FOR 2020

By the Chair

December 23, 2019

Happy Holidays to all. The Second Injury Fund will end 2019 with \$2 million in the bank. However, we collected approximately \$400,000 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 final assessment number. This figure was used for the 2019 assessment, and we still did not meet our goal. With monthly payouts often exceeding \$600,000, a shortfall could be devastating. Any excess collected remains in the Fund and will offset the assessment for 2021. 2020's assessment is slightly lower than that in 2019 due to the Fund balance projected for year-end.

Both direct written premiums and losses paid by carriers were down in 2018. Losses paid by self-insured employers also decreased.

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 for carriers as well as self-insured factors taken from new and renewal applications for 2018. Historical data can be found on the last page.

Indemnity payments from the Fund traditionally increase slightly each year as new injured workers are added to the rolls at wages greater than those of the recipients we lose throughout the year. The number of recipients rose by only two this year. This increase has been 4% in recent years, so that is the factor applied. The prudent reserve figure is the three month average of 2019 payouts.

Prosthetics are less easy to predict because recipients receive a new unit only as needed when their prosthetic devices wear out. In 2017 we had 74 recipients; in 2018 we had 86. In 2019 we were back to 74. We are adding more and younger recipients each year. Devices are more sophisticated than in years past but also provide these young employees the opportunity to remain valuable in today's complex workplace. Our prudent reserve for prosthetics is a total of the three highest months in 2018.

As promised, the administrative expense is going up in 2020 after remaining constant for the five years although the Board's expenses of operating the Fund rose in several areas. This year's increase is large, due to the additional IT costs of employing three contract workers and the agency's work to move to a new server and implement EDI 3.1. We anticipate this expense will decrease after these projects are completed. Please note there is no assessment for SWCAP (Statewide Cost Allocation Plan) as the Board has been able to handle payments from the Fund in a way that avoids this additional cost.

Payments will be due on January 31th and June 30th in 2020. 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.

This year it is mandatory that you use the State's electronic payment system, which can be accessed at <http://www.in.gov/wcb>. If you do not already have one, 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 2020.

Linda Peterson Hamilton

2ND INJURY FUND REPORT

December 23, 2019

Available Fund Balance 12/31/18	1,141,824
Revenue from 2019 Assessment	7,842,049
Total Available Monies 2019	8,983,873
Expenditures 2019:	
Indemnity (303 Recipients)	5,548,962
Prosthetics (74 Recipients)	1,325,699
Administrative Fees	107,926
Total	6,982,587
Available Fund Balance 12/31/2019	2,001,286

2020 Assessment Factors

Indemnity (3 month expense)	1,384,930
Prosthetics (3 month expense)	741,410
Total Prudent Reserve	2,126,340
Estimated Expenditures:	
Indemnity	5,770,920
Prosthetics	1,458,269
Administrative Fees	325,000
Total Projected Expenditures	7,554,189
Estimated Need	9,680,529
12/31/2019 Available Fund Balance	-2,001,286
Assessment Reconciliation	383,962
Final Assessment Amount	8,063,205

Reported and Historical Data
Utilized in Assessment

(Reported in dollars)

Reported by ICRB for 2018:

Total Losses Paid	389,326,000
Total Premiums Written	801,834,000

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

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Self-Insured Factors 2018:

|                            |            |
|----------------------------|------------|
| Total Indemnity Paid       | 22,072,167 |
| Total Medical Paid         | 58,021,388 |
| Total Self Insured Factors | 80,093,555 |

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 |

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

|                             |           |
|-----------------------------|-----------|
| Jan/Dec 2018                |           |
| Prosthetics (74 Recipients) | 1,325,699 |
| Indemnity (303 Recipients)  | 5,548,962 |
| <br>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 |



**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 **2018** totaled \$\_\_\_\_\_.

I further CERTIFY that I have calculated Carrier's 2020 assessment for the Second Injury Fund by dividing the above number representing Carrier's Direct Written Premiums by 801,834,000 (which, in dollars represents the total direct written premiums for all worker's compensation carriers in Indiana in 2018), and then multiplying that figure by 6,692,460 (which, in dollars represents the amount for all carriers portion of the 2020 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, 2020** 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 2020 *without notice* to the Board by **June 30, 2020 to avoid penalties**.

OR

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

**PLEASE PAY ELECTRONICALLY VIA <http://www.in.gov/wcb> 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 2020**  
*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 2018-year amounts since 2019 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 \$8,063,205.

| Entity            | 2018 Total Paid Losses | Percent of Losses | Assessment Amt in Cert Form | Assessment % of Losses |
|-------------------|------------------------|-------------------|-----------------------------|------------------------|
| Self-insureds     | \$80,093,555           | 17%               | \$1,370,745                 |                        |
| Insured employers | \$389,326,000          | 83%               | \$6,692,460                 |                        |
| <b>Total</b>      | <b>\$469,419,555</b>   | <b>100%</b>       | <b>\$8,063,205</b>          | <b>1.72%</b>           |



The example shows (using rounded figures) that self-insureds are responsible for 17% (\$1.4 million) of the \$8.1 million assessment and insured employers are responsible for 83% (\$6.7 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 2018 statewide premium of \$802 million.

| <b>Entity</b>      | <b>2018 Direct Premium Written</b> | <b>Percent</b> | <b>Assessment</b> | <b>Surcharge Factor</b> |
|--------------------|------------------------------------|----------------|-------------------|-------------------------|
| Carrier A          | \$9,000,000                        | 1.1%           | \$75,118          | <b>0.0083</b>           |
| Total All Carriers | \$801,834,000                      | 100%           | \$6,692,460       | <b>0.0083</b>           |

The example shows Carrier A writes \$9 million in premium and is responsible for 1.1% (\$75,118) of the insured employers' portion (\$6.7 million).

### **Step 7**

IC § 22-3-3-13 (d)(4)

As noted above in Step 2, entities use 2018 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 2020 may differ from the amount reported for 2018 (See Step 2).

*Example 1:*

In this example, Carrier A wrote \$9 million in premium in 2018 and is responsible to pay a \$75,118 assessment. Carrier A projects 2020 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:

$$75,118 / 9,000,000 = 0.0083 \text{ or } .83\%$$

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     | 2020 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 2018 and is responsible to pay a \$75,118 assessment. However, Carrier A projects 2020 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:

$$75,118 / 12,000,000 = 0.0063 \text{ or } .63\%$$

Let’s assume that Employer X premium is \$10,000 and is insured by Carrier A which applies a 0.0063 surcharge factor to total estimated annual premium.

The example shows that Employer X with \$10,000 in estimated premium pays a SIF surcharge of \$63.

| Entity     | Total Estimated Annual Premium | Surcharge Factor | Surcharge Amount |
|------------|--------------------------------|------------------|------------------|
| Employer X | \$10,000                       | 0.0063           | \$63             |