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December 16, 2021

Informational Circular 2021-12

Second Injury Fund Assessment & Policy Surcharge Factor

Second Injury Fund Assessment

The Workers Compensation Board of Indiana (“Board”) issued its notice dated December 15, 2021 titled “**2022 Second Injury Fund Calculation of Funding Level**”. The Board certification forms indicate the combined total assessment amount for carriers and self-insureds in 2022 is \$7,595,985. Based on combined total paid losses in 2020 (latest data available) of \$473,367,121, the assessment rate is 1.60% 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, 2022. For assessments greater than \$1,000, you may choose an installment option, with payments due by January 31, 2022, and June 30, 2022. Payment must be submitted electronically via the State’s electronic payment system.

Policy Surcharge Factor

The 2022 statewide average policy surcharge factor is 0.0084. 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 0.0084 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: <https://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 0.0084 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,

Paul Keathley CAWC
Vice President

WORKERS COMPENSATION BOARD OF INDIANA

**2022 SECOND INJURY FUND CALCULATION OF FUNDING
LEVEL**

December 15, 2021

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

The due dates are:
January 31, 2022
June 15, 2022

SECOND INJURY FUND REPORT AND ASSESSMENT
FOR 2022

By the Chair

December 15, 2021

Happy Holidays to all. I hope my report finds you healthy, joyous and warm. The assessment for 2022 is less than it was in 2021. This year, we are again applying a 5% reconciliation factor for 2022. This is an additional calculation we began using in 2019 to account for the routine shortfalls to collections caused by necessarily using outdated statistics. Monthly payouts often exceed \$600,000 between indemnities and prosthetics, so a shortfall could be devastating. Further, there is no longer a provision in law for an emergency assessment. Any excess collected remains in the Fund and will offset the assessment for 2023. Currently, the Fund has a little more than \$2.5 million, which will see us through until assessment payments come in next year.

Direct written premiums were down, as were losses paid by carriers in 2020. On the self-insured side we see that losses paid in 2020 were also lower than those in 2020. The share of the assessment that falls to these employers will remain at 16%, as it was with the 2021 assessment.

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 2020. 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. This increase has been 4% in recent years, so that is the factor applied.

Prosthetics are less easy to predict because recipients receive a new unit only as needed when their prosthetic devices wear out. With the more expensive and advanced prosthetics, we are getting more requests for repairs than replacements. However, these repairs are still expensive. We are adding more and younger recipients each year. The more sophisticated devices, particularly hands, 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 2021.

As discussed the past two years, the administrative expense will remain constant in 2022. This is due to the additional IT costs of employing three contract workers and the agency's work to move to a new server and update its systems to provide for electronic filing of most forms and documents. We anticipate this expense may go down in 2024, after these projects are completed in 2023. 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 31st and June 15th in 2022. 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 may 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 2022.

Linda Peterson Hamilton

2ND INJURY FUND REPORT

December 15, 2021

Revenue from 2021 Assessment		7,736,642
Expenditures 2021:		
Indemnity	5,206,410	
Prosthetics	1,914,744	
Administrative Fees		326,031
Total	7,447,185	
Available Fund Balance 12/15/2021	2,680,120	

2022 Assessment Factors

Indemnity (3 month expense)	1,301,603
Prosthetics (3 month expense)	638,248
Total Prudent Reserve	1,939,851
Estimated Expenditures:	
Indemnity	5,414,667
Prosthetics	2,106,218
Administrative Fees	326,031
Total Projected Expenditures	7,846,916
Estimated Need	9,786,767
Assessment Reconciliation	489,338
12/15/2021 Available Fund Balance	-2,680,120
Final Assessment Amount	7,595,985

Reported and Historical Data

Utilized in Assessment

(Reported in dollars)

Reported by ICRB for 2020:

Total Losses Paid	395,531,000
Total Premiums Written	756,064,000

Reported by ICRB for 2019:

Total Losses Paid	413,943,000
Total Premiums Written	799,356,000

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

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Self-Insured Factors 2020:

|                            |            |
|----------------------------|------------|
| Total Indemnity Paid       | 23,743,899 |
| Total Medical Paid         | 54,092,222 |
| Total Self-Insured Factors | 77,836,121 |

Self-Insured Factors 2019:

|                            |            |
|----------------------------|------------|
| Total Indemnity Paid       | 19,240,802 |
| Total Medical Paid         | 58,938,432 |
| Total Self Insured Factors | 78,179,234 |

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 |

**Historical Second Injury Fund Data re. Total Expenditures Reported**

**By the WCB (Reported in dollars)**

|                             |           |
|-----------------------------|-----------|
| Jan/Dec 2020                |           |
| Prosthetics (74 Recipients) | 1,563,686 |
| Indemnity (303 Recipients)  | 5,545,334 |
| Jan/Dec 2019                |           |
| Prosthetics (74 Recipients) | 1,325,699 |
| Indemnity (303 Recipients)  | 5,548,962 |
| Jan/Dec 2018                |           |
| Prosthetics (74 Recipients) | 1,325,699 |
| Indemnity (303 Recipients)  | 5,548,962 |
| Jan/Dec 2017                |           |
| Prosthetics (86 Recipients) | 1,273,992 |
| Indemnity (301 Recipients)  | 5,393,06  |



**Indiana Second Injury Fund (SIF) Assessment for 2022**  
*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.

| <b>Entity</b>     | <b>2018 Total Paid Losses</b> | <b>Percent of Losses</b> | <b>Assessment Amt in Cert Form</b> | <b>Assessment % of Losses</b> |
|-------------------|-------------------------------|--------------------------|------------------------------------|-------------------------------|
| Self-insureds     | \$80,093,555                  | 17%                      | \$1,370,745                        | 1.72%                         |
| 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>                 |                               |

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.

| <b>Entity</b> | <b>2020 Total Estimated Annual Premium</b> | <b>Surcharge Factor</b> | <b>Surcharge Amount</b> |
|---------------|--------------------------------------------|-------------------------|-------------------------|
| 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.

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

**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 **2020** totaled \$ \_\_\_\_\_.

I further CERTIFY that I have calculated Carrier’s 2022 assessment for the Second Injury Fund by dividing the above number representing Carrier’s Direct Written Premiums by 756,064,000 (which, in dollars represents the total direct written premiums for all worker’s compensation carriers in Indiana in 2020), and then multiplying that figure by 6,380,627 (which, in dollars represents the amount for all carriers portion of the 2022 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, 2022** 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 2022 *without notice* to the Board by **June 15, 2022 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.**

**SELF-INSURED EMPLOYER CERTIFICATION**

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

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

of \_\_\_\_\_ (Company) and that I have knowledge of the

workers' compensation records of Company . I further CERTIFY that the amount of compensation, **including** medical, paid under the Indiana Worker's Compensation Act to injured employees, or their beneficiaries, during the calendar year **2020** was \$ \_\_\_\_\_.

I further CERTIFY that I have calculated this self-insured company's Second Injury Fund Assessment for 2022 by dividing the above number for total losses paid by 77,836,121 (which, in dollars represents the total amount of compensation and medical paid by all self-insured employers in 2020), and then multiplying that figure by 1,215,358 (which, in dollars represents the amount for all self-insured employers' portion of the 2022 assessment for the Second Injury Fund). This calculation produced \_\_\_\_\_, which in dollars, represents Company's 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 on **January 31, 2022** and payable to the Worker's Compensation Board of Indiana for the Second Injury Fund. (**This option is available only if the total assessment is greater than \$1,000.**) I agree to pay \$ \_\_\_\_\_ as payment of the second half of Company's assessment for 2022 *without notice* to the Board by **June 15, 2022**.

OR

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

**PLEASE PAY ELECTRONICALLY VIA: <http://www.in.gov/wcb> and submit a copy of this Certification with each payment.**

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Company 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.**