



January 23, 2001

Advisory Circular 2001-01

To: All Members

SECOND INJURY FUND ASSESSMENT

We offer the following information on an *advisory basis* only. This circular and the factors being provided herein are for informational purposes only.

Executive Summary

- Board made assessment of 1.5%
- Carrier payment due to Board by February 3, 2001
- Carrier must show assessment on policies as a surcharge
- Each carrier's surcharge will be different
- Surcharge is not premium
- Bureau has provided a sample table to assist members

Detail

Pursuant to House Enrolled Act 2085 effective July 1, 1999, the Workers Compensation Board of Indiana ("Board") has made an assessment of 1.5% for the Second Injury Fund ("SIF"). The Board issued its notice dated January 3, 2001 (attached) that carriers should submit their payment by February 3, 2001. You may access the Board's website to read the notice and the actuarial study supporting the assessment. The Board's website address is www.state.in.us/wkcomp. Click on "Board Memos" to access the documents.

As you may recall, the ICRB issued Advisory Circular 99-20 dated July 1, 1999 regarding House Enrolled Act 2085 and Advisory Circular 2000-05 dated March 27, 2000 regarding the Second Injury Fund Assessment, similar to this one. The significant change for ICRB Members is that the Act requires insurance companies to show the assessment on the policy as "a surcharge based on the employer's premium."

Since each insurance company's assessment will be different, each company's surcharge will be different. As a service to our Members, we have attached the same table compiled last year with Advisory Circular 2000-05. It shows a range of surcharge factors that could apply. The factors are based on two variables: amount of the assessment (from 0.0% to 1.5%) and the company's indemnity loss ratio (examples provided from 0.10 to 1.00).

Each carrier must decide how it will apply and show the surcharge. The advisory table provided in this circular is not mandatory for any carrier to use.

Because the surcharge is not premium, the ICRB will not make a filing with the Indiana Department of Insurance. You do not need to report the surcharge to the ICRB under the statistical plan and no statistical code is necessary. You may use a company internal code if coding is necessary for your policy issuance or accounting systems. Further, the law directs that the premium surcharge must be excluded for purposes of computation of agent commission and premium taxes.

Nothing contained herein should be construed as a rule, regulation, or requirement of the ICRB. All ICRB Members are encouraged to consult with their company accountant or actuary in computing their factor and assessments. ICRB Members should refrain from discussing their factors, assessments, and methodology with other ICRB Members. The ICRB disclaims all liability and warranties, express or implied, relating to this Circular.

Sincerely,

A handwritten signature in black ink that reads "Ronald W. Cooper". The signature is written in a cursive, flowing style.

Ronald W. Cooper
General Manager

Attachments:

"Derivation of Second Injury Fund Assessment as Percent of Premium" Table
Workers Compensation Board notice dated January 3, 2001

**Derivation of Second Injury Fund Assessment
as a Percent of Premium**

(1) Assessment Percent	(2) Carrier Indemnity Loss Ratio *	(3) Factor (1) x (2)
0.0%	0.1 to 1.00	0.0000
0.5%	0.10 0.20 0.30 0.40 0.50 0.60 0.70 0.80 0.90 1.00	0.0005 0.0010 0.0015 0.0020 0.0025 0.0030 0.0035 0.0040 0.0045 0.0050
1.0%	0.10 0.20 0.30 0.40 0.50 0.60 0.70 0.80 0.90 1.00	0.0010 0.0020 0.0030 0.0040 0.0050 0.0060 0.0070 0.0080 0.0090 0.0100
1.5%	0.10 0.20 0.30 0.40 0.50 0.60 0.70 0.80 0.90 1.00	0.0015 0.0030 0.0045 0.0060 0.0075 0.0090 0.0105 0.0120 0.0135 0.0150

* *Indemnity Paid Losses / Net Premium*

Notes:-

- (1) It is reasonable to interpolate values between the examples shown
- (2) Examples provided for informational purposes only



STATE OF INDIANA

FRANK O'BANNON, Governor

G. Terrence Coriden - Chairperson

WORKER'S COMPENSATION BOARD

402 West Washington Street, Room W196
Indianapolis, Indiana 46204-2753
Telephone: (317) 232-3808

To: Indiana Self-Insured Employers and Worker's Compensation
Insurance Carriers
From: G. Terrence Coriden
Date: January 3, 2001
Subject: 2001 Second Injury Fund Assessment

The legislature enacted IC 22-3-3-13, which requires that each carrier writing worker's compensation coverage for Indiana employers and every self-insured Indiana employer contribute, by assessment, to the Second Injury Fund. The Board is permitted to perform this assessment once per year any time the balance of the fund falls below \$1,000,000, on or before October 1. The amount of the assessment, as determined by the board, can be up to 1.5% of the total amount of all worker's compensation paid to injured employees or their beneficiaries during the previous calendar year. An assessment rate of 1.59% has been recommended by an independent firm as required by IC 22-3-3-13. For more information please consult our website at www.state.in.us/wkcomp. Your calculation of the assessment must include benefits payable for temporary total disability, temporary partial disability, permanent total impairment, permanent partial impairment, and for the death of an employee. The statute does not require medical benefits to be included.

It has been determined that an assessment is necessary immediately and you are hereby advised of the following:

1. An assessment of the statutory maximum of 1.5% is necessary in order to meet the demands of the Fund through the end of the year.
2. You are to pay, no later than February 3, 2001, to the Worker's Compensation Board of Indiana, for the benefit of the Second Injury Fund, 1.5% of the total compensation paid to employees, or their beneficiaries, under the Worker's Compensation Act, during the calendar year of 2000 - excluding payments for medical expenses or any payment made under the Occupational Diseases Act.
3. The attached Certification **must be executed** by a company officer as proof of the amount of compensation paid in 2000 and must accompany your payment.
4. Your check in payment of this assessment must be made payable to the "**WORKERS COMPENSATION BOARD OF INDIANA**" and directed to this office to the attention of Michael McNally.

Thank you for your immediate attention to this matter. If you have any questions, please call Michael McNally at (317)233-3384 or e-mail at mmcnally@wcb.state.in.us.

CERTIFICATION

STATE OF _____

COUNTY OF _____

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

of _____ and that I have knowledge of the
worker's compensation records of this company. I further CERTIFY that the amount of
compensation, excluding medical, paid under the Indiana Worker's Compensation Act to injured
employees, or their beneficiaries, during the calendar year 2000 was \$_____.

I further CERTIFY that the enclosed sum of \$_____ represents
the statutory assessment of 1.5% of these payments which is due and payable to the Worker's
Compensation Board of Indiana for the Second Injury Fund.

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

Signature

Date

Phone Number

E-Mail Address