



July 27, 2001

Circular 2001-09

TO: All Members

SECOND INJURY FUND - CLARIFICATION

We've received some inquiries on our Circular 2001-08 regarding House Enrolled Act 1553, effective July 1, 2001, concerning the Second Injury Fund. To help clarify:

No new assessment at this time

The Workers Compensation Board of Indiana ("Board") is making no new assessment at this time. The law was merely changed to allow the Board to increase its allowable assessment each year from 1.5% to 2.5% if needed. The last assessment by the Board was in January 2001 for 1.5%. The Board advises that you may expect to see the 2002 assessment in December 2001, due in January 2002.

Carrier must calculate its own surcharge

Each carrier must decide how it will apply and show the surcharge. Because the surcharge is not premium, the ICRB does not make a filing with the Indiana Department of Insurance.

Since each insurance company's assessment will be different, each company's surcharge will be different. *The Bureau does not file an advisory factor.* As a service to our Members, we are providing a table (attached) that shows a range of surcharge factors that could apply. The factors are based on two variables: amount of the assessment (from 0.5% to 2.5%) and the company's indemnity loss ratio (examples provided from 0.10 to 1.00). This table is merely a suggestion on how a company actuary may go about determining that company's surcharge to be shown on the policy.

More information

You may access previous circulars on the Second Injury Fund on our website at www.icrb.net. From our home page, click on the "Indiana Fun Facts" logo. Then, from the Indiana Fun Facts introduction page, click on the "Indiana Fun Facts" logo again. You will see an alphabetical listing of reference documents. Simply scroll down to the document titled "Second Injury Fund" and open it. The circulars are saved in Adobe Acrobat PDF file format for easy viewing and printing. We hope this information helps in your understanding of the Second Injury Fund.

Sincerely,

Ronald W. Cooper, CWCP
General Manager

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

(1) Assessment Percent	(2) Carrier Indemnity Loss Ratio	(3) Factor (1) x (2)
0.5%	0.10	0.0005
	0.20	0.0010
	0.30	0.0015
	0.40	0.0020
	0.50	0.0025
	0.60	0.0030
	0.70	0.0035
	0.80	0.0040
	0.90	0.0045
1.00	0.0050	
1.0%	0.10	0.0010
	0.20	0.0020
	0.30	0.0030
	0.40	0.0040
	0.50	0.0050
	0.60	0.0060
	0.70	0.0070
	0.80	0.0080
	0.90	0.0090
1.00	0.0100	
1.5%	0.10	0.0015
	0.20	0.0030
	0.30	0.0045
	0.40	0.0060
	0.50	0.0075
	0.60	0.0090
	0.70	0.0105
	0.80	0.0120
	0.90	0.0135
1.00	0.0150	
2.0%	0.10	0.0020
	0.20	0.0040
	0.30	0.0060
	0.40	0.0080
	0.50	0.0100
	0.60	0.0120
	0.70	0.0140
	0.80	0.0160
	0.90	0.0180
1.00	0.0200	
2.5%	0.10	0.0025
	0.20	0.0050
	0.30	0.0075
	0.40	0.0100
	0.50	0.0125
	0.60	0.0150
	0.70	0.0175
	0.80	0.0200
	0.90	0.0225
1.00	0.0250	

Notes:

1. Indemnity Loss Ratio = Indemnity Paid Losses / Net Premium
2. Examples provided for informational purposes only.
3. Example: Carrier has \$100,000 in indemnity losses and \$125,000 in net premium.
It's indemnity loss ratio is 0.80. At a 2% assessment, its factor is 0.016 (0.80 x 0.02)
4. It is reasonable to interpolate values between the examples shown.