



March 27, 2000

Advisory Circular 2000-05

To: All Members

SECOND INJURY FUND ASSESSMENT

The following information is provided on an **advisory basis** only.

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 sent notice earlier this year that carriers should submit their payment by March 1, 2000. 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. 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 a table which 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.

This circular and the factors being provided herein are for informational purposes only. 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 style with a large, sweeping initial "R".

Ronald W. Cooper
General Manager

Attachment: Derivation of Second Injury Fund Assessment as Percent of Premium

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