



January 31, 2006

Informational Circular 2006-03

To: All Members

Second Injury Fund Assessment & Policy Surcharge Factor

Second Injury Fund Assessment

The Workers Compensation Board of Indiana issued its notice to carriers, dated January 17, 2006, for the 2006 Second Injury Fund total potential assessment of 2.5%. The Board has set up two installments. The first is an assessment rate of 1.25% and is due February 14, 2006. The second is an assessment rate of 1.25% and is due June 14, 2006.

Policy Surcharge Factor

With this information, NCCI actuaries have calculated a statewide average policy surcharge factor of 0.005 for the 2006 assessment year. 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 0.005 factor.

At-a-Glance Summary

- Board setup two installments for 2006 SIF assessment:
 - 1) 1.25% due February 14, 2006
 - 2) 1.25% due June 14, 2006
- Carrier must complete Certification form and send along with its payment *to the Board* (not the ICRB.)
- Carrier must show assessment on policies as “a surcharge based on the employer's premium.”
- 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.
- Carrier can code surcharge amount using Statistical Code 0935 – Second Injury Fund Surcharge.
- Because each insurance company's paid indemnity losses are different, then each company's assessment payable to the WC Board will be different. Therefore, each company's policy surcharge factor will also be different.
- Carriers are not required to file their policy surcharge factors with the Department of Insurance.
- ICRB has calculated a statewide average surcharge factor of 0.005 for informational purposes only to assist members.

You may access the Board's website to directly access its documents attached to this circular. The Board's website address is <http://www.state.in.us/workcomp/index.html>. From its homepage, in left side column, click on "Insurance Carriers," then click on "Second Injury Fund."

You may access previous ICRB circulars about the Second Injury Fund on our website at <http://www.icrb.net>. From our home page, click on the "CompClues" logo. 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,

Duane M. Schroeder, CPCU
Vice President

Attachments:

- ✓ Policy Surcharge Factor Calculation - Statewide Average
- ✓ WC Board letter dated January 17, 2006 RE: 2006 Second Injury Fund Assessment
- ✓ Certification, State Form 12386

Indiana Statewide SIF Surcharge Factor for 2006

(1) CY 2004 Indemnity Paid Loss	110,072,302
(2) CY 2004 Net Premium	608,929,053
(3) Indemnity Loss Ratio (1) / (2)	18.1%
(4) 2006 SIF Assessment	2.5%
(5) SIF Surcharge Factor (3) x (4)	0.5%



Indiana Worker's Compensation Board

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To: Indiana Self-Insured Employers and Worker's Compensation Carriers

From: Linda Hamilton, Chairman, Worker's Compensation Board of Indiana

Date: January 17, 2006

RE: Second Injury Fund

In accord with IC 22-3-3-13, each carrier writing worker's compensation coverage for Indiana employers and every self-insured Indiana employer must contribute, by assessment, to the Second Injury Fund. The Board is permitted to perform this assessment once per year when the balance of the fund falls below \$1,000,000, on or before October 1st. The amount of the assessment is recommended by an independent firm. Once the recommendation is received, the assessment is subject to a maximum rate of 2.5% of the total amount of all worker's compensation paid to injured employees or their beneficiaries during the previous calendar year.

All self-insured employers and carriers licensed to write worker's compensation insurance in Indiana must submit a Certification to the Board.

Based solely upon the Fund's claims experience in 2005, the independent firm has recommended an assessment rate of 2.5%. The full recommendation report is available on the Board's website at www.in.gov/workcomp.

As this report indicates, the annual revenues from the assessment have rarely been sufficient to meet the statutorily required demands of the Fund. The maximum assessment rate is required due to the shortfall of the fund in 2005.

Based upon the indemnity losses paid in 2005, as reported to the Second Injury Fund by self-insured employers and insurance carriers, and based upon a historical estimated two percent increase in claims against the Fund, the Board has determined that an assessment of 2.5% is required in order for the Fund to fulfill its obligations in 2006.

The Board is cognizant of the current state of the economy and the many demands placed upon employers in the State of Indiana. Recognizing these factors, the 2006 Second Injury Fund Assessment will be conducted as follows:

- 1) **First installment of the assessment is due by February 14, 2006.** The assessment rate for the first payment is **1.25%** of the total compensation paid to employees, or their beneficiaries, under the Worker's Compensation Act, during the calendar year of 2005 - excluding payments for medical expenses or any payment made under the Occupational Diseases Act.
- 2) **The second installment is due by June 14, 2006.** The assessment rate for the second payment is an equal amount of **1.25%** of the total compensation paid to employees, or their beneficiaries, under the Worker's Compensation Act, during the calendar year of 2005 - excluding payments for medical expenses or any payment made under the Occupational Diseases Act. You are required to meet the deadline of the second payment *without notice from the Board.*
- 3) **Both installments can be paid at the same time on February 14, 2006.\ for a total of 2.5% of the total compensation paid.**
- 4) Upon receipt of the second installment, the Board will then determine whether a third installment will be necessary to meet the Fund's obligations for the remainder of 2006.
- 5) A properly completed Certification, State Form 12386, available on the Board's website, must be executed by a company officer as proof of the amount of compensation paid in 2005 and must accompany your payment.
<http://www.in.gov/workcomp/forms/2ndinjuryfund/index.html>
- 6) Please be certain that your company is in compliance with IC 22-3-3-13(j), which requires those subject to this assessment to provide the name, address and electronic mail address of a representative authorized to receive notice of the assessment each year. **If you received this notice by postal mail, you are not currently compliant with that requirement.**
- 7) Checks are to be made payable to the "WORKER'S COMPENSATION BOARD OF INDIANA" and directed to the attention of Krysten Lester at this office.

Thank you for your immediate attention to this matter. If you have any questions, please contact Krysten Lester at (317) 233-3384 or by e-mail at klester@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 2005 was \$_____.

I further CERTIFY that the enclosed sum of \$_____ represents 1.25 % of these
compensation payments, which is the first installment of the statutory assessment due and payable to the Worker's
Compensation Board of Indiana for the Second Injury Fund. I agree to pay another 1.25% payments *without notice* to the
Board by June 14, 2006.

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

Signature

Date

Company Name

Federal ID Number

Telephone Number

Mailing Address

Contact Email Address*

***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.**