

***WORKERS COMPENSATION BOARD OF INDIANA***

**2020 SECOND INJURY FUND  
CALCULATION OF FUNDING LEVEL**

**December 23, 2019**

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

The due dates are:  
**January 31, 2020**  
**June 30, 2020**

SECOND INJURY FUND REPORT  
AND ASSESSMENT FOR 2020

By the Chair

December 23, 2019

Happy Holidays to all. The Second Injury Fund will end 2019 with \$2 million in the bank. However, we collected approximately \$400,000 less than the assessment goal. For the past several years, the assessment has brought in 5-7% less than anticipated, because we must use two-year-old financial and insurance data. This is one reason the prudent reserve was created and why this year an assessment reconciliation factor of 5% is being applied to the final assessment number. This figure was used for the 2019 assessment, and we still did not meet our goal. With monthly payouts often exceeding \$600,000, a shortfall could be devastating. Any excess collected remains in the Fund and will offset the assessment for 2021. 2020's assessment is slightly lower than that in 2019 due to the Fund balance projected for year-end.

Both direct written premiums and losses paid by carriers were down in 2018. Losses paid by self-insured employers also decreased.

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 for carriers as well as self-insured factors taken from new and renewal applications for 2018. 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. The number of recipients rose by only two this year. This increase has been 4% in recent years, so that is the factor applied. The prudent reserve figure is the three month average of 2019 payouts.

Prosthetics are less easy to predict because recipients receive a new unit only as needed when their prosthetic devices wear out. In 2017 we had 74 recipients; in 2018 we had 86. In 2019 we were back to 74. We are adding more and younger recipients each year. Devices are more sophisticated than in years past but 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 2018.

As promised, the administrative expense is going up in 2020 after remaining constant for the five years although the Board's expenses of operating the Fund rose in several areas. This year's increase is large, due to the additional IT costs of employing three contract workers and the agency's work to move to a new server and implement EDI 3.1. We anticipate this expense will decrease after these projects are completed. 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 31<sup>th</sup> and June 30<sup>th</sup> in 2020. 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 will 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 2020.

Linda Peterson Hamilton

## 2ND INJURY FUND REPORT

December 23, 2019

Available Fund Balance 12/31/18	1,141,824
Revenue from 2019 Assessment	7,842,049
<b>Total Available Monies 2019</b>	<b>8,983,873</b>
<b>Expenditures 2019:</b>	
Indemnity (303 Recipients)	5,548,962
Prosthetics (74 Recipients)	1,325,699
Administrative Fees	107,926
<b>Total</b>	<b>6,982,587</b>
<b>Available Fund Balance 12/31/2019</b>	<b>2,001,286</b>

### 2020 Assessment Factors

Indemnity (3 month expense)	1,384,930
Prosthetics (3 month expense)	741,410
<b>Total Prudent Reserve</b>	<b>2,126,340</b>
<b>Estimated Expenditures:</b>	
Indemnity	5,770,920
Prosthetics	1,458,269
Administrative Fees	325,000
<b>Total Projected Expenditures</b>	<b>7,554,189</b>
<b>Estimated Need</b>	<b>9,680,529</b>
12/31/2019 Available Fund Balance	-2,001,286
Assessment Reconciliation	383,962
<b>Final Assessment Amount</b>	<b>8,063,205</b>

**Reported and Historical Data**  
**Utilized in Assessment**

(Reported in dollars)

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

Reported by ICRB for 2016:

Total Losses Paid	398,578,000
Total Premiums Written	876,183,000

Reported by ICRB for 2015:

Total Losses Paid	396,775,000
Total Premiums Written	889,525,000

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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 |

Self-Insured Factors 2016:

|                            |            |
|----------------------------|------------|
| Total Indemnity Paid       | 19,377,397 |
| Total Medical Paid         | 54,778,887 |
| Total Self Insured Factors | 74,156,284 |

Self-Insured Factors 2015:

|                            |            |
|----------------------------|------------|
| Total Indemnity Paid       | 17,429,358 |
| Total Medical Paid         | 48,051,187 |
| Total Self Insured Factors | 65,480,545 |

**Historical Second Injury Fund Data re.  
Total Expenditures Reported By the WCB  
(Reported in dollars)**

|                             |           |
|-----------------------------|-----------|
| Jan/Dec 2018                |           |
| Prosthetics (74 Recipients) | 1,325,699 |
| Indemnity (303 Recipients)  | 5,548,962 |
| <br>                        |           |
| Jan/Dec 2017                |           |
| Prosthetics (86 Recipients) | 1,273,992 |
| Indemnity (301 Recipients)  | 5,393,062 |
| <br>                        |           |
| Jan/Dec 2016                |           |
| Prosthetics (74 Recipients) | 1,198,344 |
| Indemnity (308 Recipients)  | 5,277,757 |
| <br>                        |           |
| Jan/Dec 2015                |           |
| Prosthetics (74 Recipients) | 1,128,061 |
| Indemnity (308 Recipients)  | 5,168,737 |