

WORKERS COMPENSATION BOARD OF INDIANA

**SECOND INJURY FUND
CALCULATION OF FUNDING LEVEL**

November 29, 2007

Please note the assessment can be paid in two installments.

The due dates are:

Jan 31, 2008

June 16, 2008



STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

Linda Peterson Hamilton, Chairman

WORKERS COMPENSATION BOARD

402 West Washington Street, Room W196

Indianapolis, Indiana 46204-2753

Telephone: (317) 232-3808

<http://www.in.gov/workcomp>

SECOND INJURY FUND STATUS and ASSESSMENT REPORT

November 29th, 2007

To the Indiana Worker's Compensation Community:

We are nearing the end of our first year under the new assessment formula. I am happy to report that our calculations were on point and that the SIF is in sound financial condition despite prosthetic expenses in 2007 being twice what they were in 2006.

In accordance with IC 22-3-3-13(c)(2), I also report to you that as of November 1, 2007 the amount to the credit of the Second Injury Fund was \$ 3,368,708.65. Disbursements for 2006 totaled \$3,628,236.16. The assets in the Fund were less than 135% of the previous years payments, and thus an assessment is appropriate for 2008.

Attached you will find a numerical Report setting out the financial status of the Fund as of November 15, 2007, which report also contains year-end projections. Final figures will be

included in the March 2008 report. I wish to draw your attention to two line items:

- a. Prudent Reserve of \$925,000.00
- b. Credit Against 2008 Assessment of \$1,684,113.15

When I met with the Board's Second Injury Fund advisory group, it was agreed that maintaining a reserve as a safety net was a good idea. In the future, we wish to avoid 2nd assessments or emergency loans, both of which were necessitated in the past when the fund had been completely depleted before year-end. Also, setting aside an amount to be used in the case of unanticipated demands on the Fund allows us to assess more closely in line with what we believe our actual needs will be in 2008.

Due to the cyclical nature of prosthetic replacement, we do not expect 2008's numbers to be as high as those of 2007. Typically, every 3rd year there is a larger drain on the fund in this area.

The second component of SIF payments comes in the form of wage-replacement benefits and is much more predictable. A review of our SIF recipient files shows we add disabled workers to our rolls faster than they are removed by either death or miraculous recovery from their workplace injuries. However, we can anticipate the number of new payees and the rate at which they will be paid according to the schedule of benefits in the Worker's Compensation Act. In 2008, we will also begin having hearings limited to the issue of whether a claimant is

permanently and totally disabled as intended for entry into the SIF in cases where the parties have stipulated to such but no finding has been made independently by the Board. Hearings may also occur in cases where the medical evidence supporting a renewal of benefits is less than overwhelming.

I would like to point out that if the data provided by the insurance community was identical to that used for the 2007 assessment, my news in this report would be even more favorable regarding the 2008 assessment. However, the numbers provided to the Board for use in determining the assessment reveal fewer dollar premiums written and greater losses paid out. Each of these statistics gives rise to the need for a greater burden on each payor of the SIF assessment. Still, it is with great pleasure that I tell you the assessment is substantially lower for 2008 than was paid in 2007. The assessment for 2007 was 1.6325% of the 2005 Direct Losses Paid. In 2008, your assessment shall be .54% of the 2006 Direct Losses Paid.

Please read this Report in conjunction with the attached Financial Report and the Certification Form to be used for your 2008 assessment. As has been done historically, you have the option of paying your assessment in two installments, due on January 31st and June 16th. Unlike years past, the 10% penalty set out at IC 22-3-3-13(c) (2) will be charged if assessment installments are not timely received. Also note that no reminder shall be issued before the due date of the second installment.

I wish each of you a happy and prosperous New Year. Please don't hesitate to contact me or Mary Taivalkoski if you have questions or wish to discuss these reports or the 2008 assessment.

Yours Very Truly,

Linda Peterson Hamilton

2nd INJURY FUND REPORT

November 15, 2007

Actual Balance of Fund at Nov 1 st 2007	3,368,708.65
Actual Balance as of Nov 15 less monthly payout	3,151,615.82
*Loan Repayment	192,400.00
*Administrative Fees	42,000.00
December's Payout	308,102.67
Projected Balance of Fund at Dec 31 st 2007	2,609,113.15
Prudent Reserve (3 months expense)	925,000.00
Credit Against 2008 Assessment	1,684,113.15

2008 Assessment Factors

Reported by ICRB for 2006:	
Total Losses Paid	395,044,000
Total Premiums Written	822,627,000
Self-Insured Factors 2006:	
Total Losses Paid	53,862,840
Estimated Expenditures	4,128,213.65
Recommended Assessment	2,444,100.50