



BULLETIN

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This week the Department of Industrial Relations (DIR) released the 2016 assessment rates that California employers will pay to cover workers' compensation user funding (the Workers' Compensation Administration Revolving Fund), the Uninsured Employer Benefit Trust Fund, the Subsequent Injury Benefit Trust Fund, the Occupational Safety & Health Fund, the Labor Enforcement and Compliance Fund, and the Workers' Compensation Fraud Account.

Labor Code §62.5 and §62.6 require employers in the state to pay assessments and surcharges to fund the Division of Workers' Compensation budget; cover the cost of benefits to injured workers whose employers were uninsured; provide benefits for workers who qualify under the Subsequent Injury Fund; support mandated Cal-OSHA activities; support the state's enforcement of labor standards and the requirement to carry workers' compensation insurance and finance the Department of Insurance and District Attorney's workers' compensation antifraud efforts. This week the DIR announced that for 2016, total assessments for the six funds from all payers will amount to nearly \$783.1 million prior to adjustments for current fund balances and any amounts under- or over-collected in 2015. After the adjustments, the total due from employers in 2016 for all six funds will be \$411.1 million. Under California law, the assessments are split between insured and self-insured employers in proportion to their payroll for the most recent year available. As a result, insurers must apply the following factors against policyholders' estimated annual "assessable premium" for all policies incepting in calendar year 2016:

	Total Assessed <u>All Payers</u>	'16 Premium <u>Factors</u>
WC Administration Revolving Fund Assessment/User Funding	\$450,576,150	0.003433
Uninsured Employers Benefit Trust Fund Assessment	\$ 59,652,500	0.000532
Subsequent Injuries Benefits Trust Fund Assessment	\$ 46,983,800	0.001191
Occupational Safety & Health Fund	\$ 97,822,071	0.001925
Labor Enforcement & Compliance Fund	\$ 69,188,500	0.001215
WC Fraud Account Assessment:	\$ 58,862,000	0.001741

State law also requires insurers to advance the money on behalf of their policyholders (the first installment is due on or before January 1, 2016; the balance is due on or before April 1, 2016), then recoup the funds via surcharges and assessments on all workers' compensation policies with 2016 inception dates. Assessment methodologies are noted in the memos DIR issued this week. DIR defines "Assessable Premium" as the premium the insured is charged after all rating adjustments (experience rating, schedule rating, premium discounts, expense constants, etc.) except for adjustments resulting from the application of deductible plans, retrospective rating or the return of policyholder dividends.

To cover their share of the 2016 assessments, self-insured and California legally uninsured employers must apply the following rates against the total amount of workers’ compensation indemnity they paid:

	<u>2016 Assessment Factor</u>
2016 WC Administration Revolving Fund Assessment	0.028913
2016 Uninsured Employers Benefit Trust Fund Assessment	0.005736
2016 Subsequent Injuries Benefits Trust Fund Assessment	0.006585
2016 Occupational Safety & Health Fund	0.010986
2016 Labor Enforcement & Compliance Fund	0.007962
2015 WC Fraud Account Assessment	0.011155

More details are in the memos that DIR is mailing to workers’ compensation insurers and self-insured employers along with invoices for each company’s share of the assessments and surcharges. DIR has posted those memos in the “What’s New” section of its website at www.dir.ca.gov/dwc/. Any additional questions about the 2016 surcharges and assessments can be answered by DIR Accounting Administrator Amadeo Urbano (AUrbano@dir.ca.gov) at (415) 703-4283; or DWC analyst Naomi Carter (NCarter@dir.ca.gov) at (415) 557-1020.

In addition to the DIR assessments, the California Insurance Guarantee Association (CIGA), which assumes claim payment liabilities when insurers become insolvent, has advised its members that the CIGA surcharge for California workers’ compensation policies with 2016 effective dates will be 2.0 percent, which is up slightly from 2015. Bills for the CIGA surcharge were mailed to insurers earlier this year, and payment was due and payable in July (if the payment was not made by July 31, interest will be due on any unpaid balance). Under state law (Ins. Code §1063.14), the period in which insurers may recoup the CIGA premium charges is January 1 through December 31, 2016, so insurers should include the 2 percent CIGA surcharge on all 2016 policy transactions during the 2016 policy year. Questions regarding the CIGA surcharge should be directed to Anthony Kennedy at CIGA, 818-844-4300, ext. 105; kennedyt@caiga.org.

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