



BULLETIN

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The Department of Industrial Relations (DIR) has issued the 2017 assessment rates that California employers will pay to cover workers' compensation user funding (the Workers' Compensation Administration Revolving Fund), the Uninsured Employer Benefits Trust Fund, the Subsequent Injury Benefits 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 2017, total assessments for the six funds from all payers will amount to nearly \$814.4 million prior to adjustments for current fund balances and any amounts under- or over-collected in 2016. After the adjustments, the total due from employers in 2016 for all six funds will be nearly \$403.3 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 2017:

	Total Assessed <u>All Payers</u>	'17 Premium <u>Factors</u>
WC Administration Revolving Fund Assessment/User Funding	\$452,328,500	0.003128
Uninsured Employers Benefits Trust Fund Assessment	\$ 56,914,500	0.000721
Subsequent Injuries Benefits Trust Fund Assessment	\$ 54,565,550	0.001335
Occupational Safety & Health Fund Assessment	\$106,128,662	0.002305
Labor Enforcement & Compliance Fund Assessment	\$ 85,588,500	0.001918
WC Fraud Account Assessment	\$ 58,862,000	0.001675

State law also requires insurers to advance the money on behalf of their policyholders (the first installment is due on or before January 1, 2017; the balance is due on or before April 1, 2017), then recoup the funds via surcharges and assessments on all workers' compensation policies with 2017 inception dates. Assessment methodologies are noted in the memos DIR issued this week. The "Assessable Premium" is 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 and the return of policyholder dividends.

To cover their share of the 2017 assessments, self-insured and California legally uninsured employers must apply the following rates against the total amount of workers’ compensation indemnity they paid:

2017 Assessment Factor

2017 WC Administration Revolving Fund Assessment	0.025226
2017 Uninsured Employers Benefits Trust Fund Assessment	0.004707
2017 Subsequent Injuries Benefits Trust Fund Assessment	0.006927
2017 Occupational Safety & Health Fund Assessment	0.012111
2017 Labor Enforcement & Compliance Fund Assessment	0.010479
2017 WC Fraud Account Assessment	0.009262

More details are in the memos that DIR has mailed 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 2017 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 2017 effective dates will be 2.0 percent, which is the same rate that was charged in 2016. Questions regarding the CIGA surcharge may be directed to CIGA at 818-844-4300.

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