DATE: November 16, 2015

TO: All Insurers Authorized to Transact Workers’ Compensation in California

FROM: Christine Baker, Director, Department of Industrial Relations

SUBJECT: Fiscal Year 2015/2016 Assessments:
- Workers’ Compensation Administration Revolving Fund (WCARF)
- Uninsured Employers Benefits Trust Fund (UEBTF)
- Subsequent Injuries Benefits Trust Fund (SIBTF)
- Occupational Safety and Health Fund (OSHF)
- Labor Enforcement and Compliance Fund (LECF)
- Workers’ Compensation Fraud Account (FRAUD)

Labor Code Sections 62.5 and 62.6 authorize the Department of Industrial Relations to assess employers for the costs of the administration of the workers’ compensation, health and safety and labor standards enforcement programs. These assessments provide a stable funding source to the support operations of the courts, to ensure safe and healthy working conditions on the job, to ensure the enforcement of labor standards and requirements for workers’ compensation coverage.

Labor Code Sections 62.5 and 62.6 require allocation of the six assessment types between insured and self-insured employers in proportion to payroll for the most recent year available. Enclosed with this letter is an invoice for assessments for your company’s (or companies’) share of the following total assessments and a document showing the methodology used to compute the assessment amounts and the resulting determination of the respective assessment/surcharge factors. The factors are applied to the premium amount as described in the following sections of this letter.

<table>
<thead>
<tr>
<th>Authority</th>
<th>Type</th>
<th>Total Assessment for all Payers</th>
<th>2016 Factors Applied to Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor Code</td>
<td>Workers’ Compensation Administration Revolving Fund</td>
<td>$450,576,150</td>
<td>0.003433</td>
</tr>
<tr>
<td>§ 62.5</td>
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<td>$58,862,000</td>
<td>0.001741</td>
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<td>(FRAUD)</td>
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<td></td>
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The total assessment is calculated on the basis of the direct workers’ compensation premiums reported to the Department of Insurance for Calendar Year 2014 by you or your group of carriers. Your first installment is due on or before January 1, 2016, with the balance due on or before April 1, 2016.

Assessment Methodology for Single Carriers
If you were a single carrier and not part of an insurer group who reported data to the WCIRB on an individual company basis for 2013, your Total California Direct Written Premium for assessment purposes is the amount reported for calendar year 2014 to the WCIRB, which reflects the premiums charged to policyholders with the exception that it excludes the impact of deductible credits, retrospective rating adjustments, and policyholder dividends.

Assessment Methodology for Insurer Groups
If you were part of an insurer reporting group who reported data to the WCIRB for 2014, your Total California Direct Written Premium for assessment purposes has been determined as the product of (a) the total 2014 written premium reported to the WCIRB on the aforementioned basis and (b) the ratio of your company’s 2014 California written premium as reported in the 2014 Statutory Annual Statement (these amounts include the effect of deductible credits and retrospective rating adjustments) to the total 2014 Statutory Annual Statement of California written premium reported for your insurer group as a whole.

**HOW YOUR ASSESSMENT AMOUNTS WERE CALCULATED:**

**WCARF ASSESSMENT** (Section 5.1 of attached Methodology):
\[(1.076178217 \times X_{2014 \text{ Total California Direct Written Premium}}) \times 0.003433\]

**UEBTF ASSESSMENT** (Section 5.3 of attached Methodology):
\[(1.076178217 \times X_{2014 \text{ Total California Direct Written Premium}}) \times 0.000532\]

**SIBTF ASSESSMENT** (Section 5.5 of attached Methodology):
\[(1.076178217 \times X_{2014 \text{ Total California Direct Written Premium}}) \times 0.001191\]

**OSHF ASSESSMENT** (Section 5.7 of attached Methodology):
\[(1.076178217 \times X_{2014 \text{ Total California Direct Written Premium}}) \times 0.001925\]

**LECF ASSESSMENT** (Section 5.7 of attached Methodology):
\[(1.076178217 \times X_{2014 \text{ Total California Direct Written Premium}}) \times 0.001215\]

**FRAUD ASSESSMENT** (Section 5.10 of attached Methodology):
\[(1.076178217 \times X_{2014 \text{ Total California Direct Written Premium}}) \times 0.001741\]

* Ratio of the expected total 2015 premium to the 2014 Total Direct Written Premium of all insurers ($17,800,000,000) ÷ ($16,540,011,416) = 1.076178217

**REQUIRED EMPLOYER ASSESSMENTS**
All workers’ compensation insurance policies you issue with an inception date during the calendar year 2016 must be assessed to recover amounts advanced on behalf of policyholders. 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 or the return of policyholder dividends.

The assessment factors to be applied to the estimated annual assessable premium for 2016 policies are
shown in the table on the first page. These are the same factors that were used to calculate your attached
assessment.

If you have any questions relating to this assessment, please contact Amadeo F. Urbano, Jr.,
Accounting Administrator II, at (415) 703-4283 or AUrbano@dir.ca.gov or Naomi P. Carter,
Analyst, at (415) 557-1020 or NCarter@dir.ca.gov

Sincerely,

Christine Baker
Director

Enclosures
**METHODOLOGY**

Labor Code Sections 62.5 and 62.6 require the Department of Industrial Relations to levy the total amounts of the Workers’ Compensation Administration Revolving Fund Assessment, Uninsured Employers Benefits Trust Fund Assessment, Subsequent Injuries Benefits Trust Fund Assessment, Occupational Safety and Health Fund Assessment, Labor Enforcement and Compliance Fund Assessment and Workers’ Compensation Fraud Account Assessment between insured employers and self-insured employers in proportion to payroll paid in the most recent year for which information is available.

**Step 1: Determine Total Assessments Required for 2015-2016**

1. **Workers’ Compensation Administration Revolving Fund Assessment (Labor Code § 62.5)**
   - Total Assessment Required: $164,278,972
   - Fund Balance: $(346,117,286)

2. **Uninsured Employers Benefits Trust Fund Assessment (Labor Code § 62.5)**
   - Total Assessment Required: $33,208,852
   - Fund Balance: $(41,508,330)

3. **Subsequent Injuries Benefits Trust Fund Assessment (Labor Code § 62.5)**
   - Total Assessment Required: $38,999,245
   - Fund Balance: $(247,803)

4. **Occupational Safety and Health Fund Assessment (Labor Code § 62.5)**
   - Total Assessment Required: $63,651,262
   - Fund Balance: $(836,553)

5. **Labor Enforcement and Compliance Fund Assessment (Labor Code § 62.5)**
   - Total Assessment Required: $46,128,523
Workers' Compensation Fraud Account Assessment (Labor Code § 62.6)………………………… $64,843,490
The workers' compensation fraud account assessment is established by the Department of Insurance, Fraud Commission.

Total Assessment Required………………………… $58,882,000
Fund Balance……………………………………….. ($11,062,086)
DWC 1415 Overcollection………………………… $17,828,077
SIP 1415 Undercollection………………………… ($784,501)

$64,843,490

Step 2: Determine Payroll Amounts

(2.1) Total payroll for insured employers…………………………………………………………… $522,684,567,031
Source: California Workers' Compensation Insurance Rating Bureau (WCIRB) policy year 2012

(2.2) Payroll for self-insured employers…………………………………………………………… $207,425,416,322 1

(2.2.1) 2014-15 Fiscal Year for Public Sector* …………… $117,567,862,904
(2.2.2) 2014 for Private Sector……………………………………………………………… $89,857,553,418
Source: Department of Industrial Relations, Office of Self-Insurance Plans (excludes State of California)

(2.3) Payroll for State of California (including SCIF)……………………………………………… $16,309,991,067
Source: (Department of Personnel Administration, Fiscal Year 2014-15)

(2.4) Total payroll for self-insured employers…………………………………………………………… $223,735,407,389 2

(2.5) Total combined payroll………………………………………………………………………… $746,419,974,420 3
(Insured and self-insured employers)

Step 3: Calculate Proportional Payroll for Insured and Self-Insured Employers

(3.1) Insured Employers:

Insured Employer Payroll = Methodology Section (2.1) = $522,684,567,031 = 70.03%
Total Combined Payroll = Methodology Section (2.5) = $746,419,974,420

(3.2) Self-Insured Employers:

Self-Insured Employer Payroll = Methodology Section (2.4) = $223,735,407,389 = 29.97%
Total Combined Payroll = Methodology Section (2.5) = $746,419,974,420

1 (2.2) Payroll for Self-Insured Employers = Σ of Methodology Section (2.2.1) and Methodology Section (2.2.2)
2 (2.4) Total Payroll for Self-Insured Employers = Σ of Methodology Section (2.2) and Methodology Section (2.3)
3 (2.5) Total Combined Payroll = Σ of Methodology Section (2.1) and Methodology Section (2.4)
**Step 4: Determine the Total Assessments for Insured and Self-Insured Employers**

### Workers’ Compensation Administration Revolving Fund Assessment

<table>
<thead>
<tr>
<th>Calculation for Insured Employers:</th>
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<tbody>
<tr>
<td>X ( \times ) 70.03% ( \times ) 70.03% ( \times ) 70.03% ( \times ) 70.03%</td>
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<tr>
<td>INCREASED by credits due individual insurers which undercollected against previous advances (CCR § 15609)</td>
</tr>
<tr>
<td>DECREASED by insurer overcollection 1415 (pursuant to CCR § 15606(f))</td>
</tr>
</tbody>
</table>

\[ \text{(4.1)} \] Resulting Final Insured Employers Workers’ Compensation User Funding Assessment \( \ldots \) \$61,108,311 \( \ldots \)

<table>
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<th>Calculation for Self-Insured Employers:</th>
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<tr>
<td>X ( \times ) 29.97% ( \times ) 29.97%</td>
</tr>
<tr>
<td>INCREASED by the Self-Insurer undercollection from prior year</td>
</tr>
</tbody>
</table>

\[ \text{(4.2)} \] Resulting Final Self-Insured Employers Workers’ Compensation User Funding Assessment \( \ldots \) \$52,405,866 \( \ldots \)

### Uninsured Employers Benefits Trust (UEBT) Fund Assessment

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<tr>
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</tr>
<tr>
<td>DECREASED by the Insurer overcollection for 1415 (pursuant to CCR § 15606(f))</td>
</tr>
</tbody>
</table>

\[ \text{(4.3)} \] Resulting Final Insured Employers UEBT Fund Assessment \( \ldots \) \$9,469,211 \( \ldots \)

<table>
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<th>Calculation for Self-Insured Employers:</th>
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</thead>
<tbody>
<tr>
<td>X ( \times ) 29.97% ( \times ) 29.97%</td>
</tr>
<tr>
<td>INCREASED by the Self-Insurer undercollection from prior year</td>
</tr>
</tbody>
</table>

\[ \text{(4.4)} \] Resulting Final Self-Insured Employers UEBT Fund Assessment \( \ldots \) \$10,397,045 \( \ldots \)

### Subsequent Injuries Benefits Trust (SIBT) Fund Assessment

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<th>Calculation for Insured Employers:</th>
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<tr>
<td>X ( \times ) 70.03% ( \times ) 70.03% ( \times ) 70.03%</td>
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<td>DECREASED by insurer overcollection 1415 (pursuant to CCR § 15606(f))</td>
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</tbody>
</table>

\[ \text{(4.5)} \] Resulting Final Insured Employers SIBT Fund Assessment \( \ldots \) \$21,201,719 \( \ldots \)

<table>
<thead>
<tr>
<th>Calculation for Self-Insured Employers:</th>
</tr>
</thead>
<tbody>
<tr>
<td>X ( \times ) 29.97% ( \times ) 29.97%</td>
</tr>
<tr>
<td>INCREASED by the Self-Insurer undercollection from prior year</td>
</tr>
</tbody>
</table>

\[ \text{(4.6)} \] Resulting Final Self-Insured Employers SIBT Fund Assessment \( \ldots \) \$11,935,877 \( \ldots \)
## Occupational Safety and Health Fund (OSHF) Assessment

**Calculation for Insured Employers:**

\[ \text{OSHF Assessment} \times 70.03\% = 63,651,262 \times 70.03\% \]

\[ \text{Resulting Final Insured Employers OSH Fund Assessment} = 44,574,979 \]

**Calculation for Self-Insured Employers:**

\[ \text{OSHF Assessment} \times 29.97\% = 63,651,262 \times 29.97\% \]

\[ \text{Resulting Final Self-Insured Employers OSH Fund Assessment} = 19,076,283 \]

## Labor Enforcement and Compliance Fund (LECF) Assessment

**Calculation for Insured Employers:**

\[ \text{LECF Assessment} \times 70.03\% = 46,128,523 \times 70.03\% \]

\[ \text{Resulting Final Insured Employers LEC Fund Assessment} = 32,303,805 \]

**Calculation for Self-Insured Employers:**

\[ \text{LECF Assessment} \times 29.97\% = 46,128,523 \times 29.97\% \]

\[ \text{Resulting Final Self-Insured Employers LEC Fund Assessment} = 13,824,718 \]

## Workers’ Compensation Fraud Account Assessment

**Calculation for Insured Employers:**

\[ \text{Fraud Assessment} \times 70.03\% = 64,843,490 \times 70.03\% \]

\[ \text{Resulting Final Insured Employers Workers' Compensation Fraud Account Assessment} = 45,409,896 \]

**Calculation for Self-Insured Employers:**

\[ \text{Fraud Assessment} \times 29.97\% = 64,843,490 \times 29.97\% \]

\[ \text{Resulting Final Self-Insured Employers Workers' Compensation Fraud Account Assessment} = 19,433,594 \]

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*Note: All calculations are based on the provided percentages and assessments.*
Step 5: Calculate the Assessment Factors

### Workers' Compensation Administration Revolving Fund Assessment Factor

<table>
<thead>
<tr>
<th>Calculation for Insured Employers:</th>
<th>$61,108,311</th>
<th>0.003433</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Insured Employers Assessment</td>
<td>$17,800,000,000</td>
<td></td>
</tr>
<tr>
<td>Total Direct Workers' Compensation*</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Estimated Premium (Source: WCIRB estimate for 2015 Policy Year)

#### Calculation for Self-Insured Employers:

<table>
<thead>
<tr>
<th>Total Self-Insured Employer Assessment</th>
<th>$52,405,866</th>
<th>0.028913</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Amt. of Workers' Comp. Indemnity Pd**</td>
<td>$1,812,522,103</td>
<td></td>
</tr>
</tbody>
</table>

**SOURCE**: Dept. of Industrial Relations, Office of Self-Insurance Plans [Σ of Methodology Sections (5.2.1) to (5.2.3)]

#### Subsequent Injuries Benefits Trust (SIBT) Fund Assessment Factor

<table>
<thead>
<tr>
<th>Calculation for Insured Employers:</th>
<th>$21,201,719</th>
<th>0.001191</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Insured Employers Assessment</td>
<td>$17,800,000,000</td>
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<td>Total Direct Workers' Compensation*</td>
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*Estimated Premium (Source: WCIRB estimate for 2015 Policy Year)

#### Calculation for Self-Insured Employers:

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<tr>
<th>Total Self-Insured Employer Assessment</th>
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<th>0.006585</th>
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### Uninsured Employers Benefits Trust (UEBT) Fund Assessment Factor

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<td>Total Direct Workers' Compensation*</td>
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<td></td>
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*Estimated Premium (Source: WCIRB estimate for 2015 Policy Year)

#### Calculation for Self-Insured Employers:

<table>
<thead>
<tr>
<th>Total Self-Insured Employer Assessment</th>
<th>$10,397,045</th>
<th>0.005736</th>
</tr>
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<tr>
<td>Total Amt. of Workers' Comp. Indemnity Pd**</td>
<td>$1,812,522,103</td>
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### Occupational Safety and Health Fund (OSHF) Assessment Factor

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<th>0.001925</th>
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<td>Total Direct Workers' Compensation*</td>
<td></td>
<td></td>
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*Estimated Premium (Source: WCIRB estimate for 2015 Policy Year)
Calculation for Self-Insured Employers:

\[
\text{Total Self-Insured Employer Assessment} = \frac{19,912,837}{1,812,522,103} \approx 0.010986
\]

** SOURCE: Dept. of Industrial Relations, Office of Self-Insurance Plans (5.2.1) to (5.2.3)

Calculation for Insured Employers:

*Estimated Premium (Source: WCIRB estimate for 2015 Policy Year)

Step 6: Determine Individual Employer's Workers' Compensation Administration Revolving Fund Assessment

\[
\text{Assessment Factor} = 0.003433 \times \text{Employer's Expected Assessable Premium}^*
\]

Step 7: Determine Individual Employers Uninsured Employers Benefits Trust (UEBT) Fund Assessment

\[
\text{Assessment Factor} = 0.000532 \times \text{Employer's Expected Assessable Premium}^*
\]

** SOURCE: Dept. of Industrial Relations, Office of Self-Insurance Plans (5.2.1) to (5.2.3)
Step 8: Determine Individual Employers Subsequent Injuries Benefit Trust (SIBT) Fund Assessment

(8.1) Individual Insured Employers:
Assessment Factor [ 0.001191 ] X Employer's Expected Assessable Premium*

(8.2) Calculation for Individual Self-Insured Employers:
Assessment Factor [ 0.006585 ] X Total Indemnity Paid by the Employer

Step 9: Determine Individual Employers Occupational Safety and Health (OSHF) Fund Assessment

(9.1) Individual Insured Employers:
Assessment Factor [ 0.001925 ] X Employer's Expected Assessable Premium*

(9.2) Calculation for Individual Self-Insured Employers:
Assessment Factor [ 0.010986 ] X Total Indemnity Paid by the Employer

Step 10: Determine Individual Employers Labor Enforcement and Compliance (LECF) Fund Assessment

(10.1) Individual Insured Employers:
Assessment Factor [ 0.001215 ] X Employer's Expected Assessable Premium*

(10.2) Calculation for Individual Self-Insured Employers:
Assessment Factor [ 0.007962 ] X Total Indemnity Paid by the Employer

Step 11: Determine Individual Employer's Workers' Compensation Fraud Account Assessment

(11.1) Individual Insured Employers:
Assessment Factor [ 0.001741 ] X Employer's Expected Assessable Premium*

(11.2) Calculation for Individual Self-Insured Employers:
Assessment Factor [ 0.011515 ] X Total Indemnity Paid by the Employer

* Assessable Premium

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 policyholder dividends.
DATE: November 16, 2015

TO: California Self-Insured Employer

FROM: Christine Baker, Director, Department of Industrial Relations

SUBJECT: Fiscal Year 2015/2016 Assessments:

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The purpose of this letter is to inform you that you will be receiving an invoice for your share of the assessments authorized by Labor Code Sections 62.5 and 62.6. The Labor Code requires allocation of the total assessment between insured and self-insured employers in proportion to payroll for the most recent year available.

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Attached is a worksheet detailing the methodology used to compute the Workers’ Compensation Administration Revolving Fund, Uninsured Employers Benefits Trust Fund, Subsequent Injuries Trust Fund, Occupational Safety and Health Fund, Labor, Labor Enforcement and Compliance Fund allocation and Workers’ Compensation Fraud Account Assessment and to allocate the assessment between insured and self-insured employers.

Your share of the various assessments will be calculated by multiplying the self-insured employer assessment factors for each assessment by the total indemnity paid by your organization.

If you have any questions, please contact the Office of Self-Insurance Plans in Sacramento at (916)464-7000.

Sincerely,

Christine Baker
Director

Enclosure
DATE: November 16, 2015  

TO: California Legally Uninsured Employer  

FROM: Christine Baker, Director, Department of Industrial Relations  

SUBJECT: Fiscal Year 2015/2016 Assessments:  
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<tr>
<td>Labor Code § 62.5</td>
<td>Uninsured Employers Benefits Trust Fund Assessment (UEBTF)</td>
<td>$59,652,500</td>
<td>0.005736</td>
</tr>
<tr>
<td>Labor Code § 62.5</td>
<td>Subsequent Injuries Benefits Trust Fund Assessment (SIBTF)</td>
<td>$46,983,800</td>
<td>0.006585</td>
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<tr>
<td>Labor Code § 62.5</td>
<td>Occupational Safety and Health Fund Assessment (OSHF)</td>
<td>$97,822,071</td>
<td>0.010986</td>
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<tr>
<td>Labor Code § 62.5</td>
<td>Labor Enforcement and Compliance Fund Assessment (LECF)</td>
<td>$69,188,500</td>
<td>0.007962</td>
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<tr>
<td>Labor Code § 62.5</td>
<td>Workers’ Compensation Fraud Account Assessment (FRAUD)</td>
<td>$58,862,000</td>
<td>0.011155</td>
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</tbody>
</table>
Attached is a worksheet detailing the methodology used to compute the Workers’ Compensation Administration Revolving Fund, Uninsured Employers Benefits Trust Fund, Subsequent Injuries Trust Fund, Occupational Safety and Health Fund, Labor Enforcement and Compliance Fund allocation and Workers’ Compensation Fraud Account Assessment and to allocate the assessment between insured and self-insured employers.

Your share of the various assessments will be calculated by multiplying the self-insured employer assessment factors for each assessment by the total indemnity paid by your organization.

If you have any questions, please contact the Office of Self Insurance Plans in Sacramento at (916)464-7000.

Sincerely,

Christine Baker
Director

Enclosure