

DEPARTMENT OF INDUSTRIAL RELATIONS
 OFFICE OF THE DIRECTOR
 1515 Clay Street, 17th Floor
 Oakland, CA 94612-1486
 510-622-3959



DATE: November 30, 2012
 TO: California Self-Insured Employer

Christine Baker

FROM: Christine Baker, Director, Department of Industrial Relations

SUBJECT: Fiscal Year 2012/2013 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.

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

Authority	Type	Total Assessment for all Payers	2013 Self-Insured Employer Assessment Factor
Labor Code § 62.5	Workers' Compensation Administration Revolving Fund Assessment (WCARF)	\$303,005,459	0.034375
Labor Code § 62.5	Uninsured Employers Benefits Trust Fund Assessment (UEBTF)	\$57,271,700	0.008565
Labor Code § 62.5	Subsequent Injuries Benefits Trust Fund Assessment (SIBTF)	\$34,835,210	0.004354
Labor Code § 62.5	Occupational Safety and Health Fund Assessment (OSHF)	\$59,426,768	0.006926
Labor Code § 62.5	Labor Enforcement and Compliance Fund Assessment (LECF)	\$57,507,886	0.006823
Labor Code § 62.6	Workers' Compensation Fraud Account Assessment (FRAUD)	\$53,445,000	0.009275

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 Self-Insurance Plans office in Sacramento at (916)574-0300.

Enclosure

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Authority	Type	<i>Total Assessment for all Payers</i>	<i>2013 Legally Uninsured Employer Assessment Factor</i>
Labor Code § 62.5	Workers' Compensation Administration Revolving Fund Assessment (WCARF)	\$303,005,459	0.034375
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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 Enforcement and Compliance Fund allocation and Workers' Compensation Fraud Account Assessment and to allocate the assessment between insured and self-insured employers.

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California Department of Industrial Relations
2012-2013 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

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 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 2012-2013

(1.1) Workers' Compensation Administration Revolving Fund Assessment (Labor Code § 62.5)... **\$190,901,808**

Total Assessment Required.....	\$303,005,459
Fund Balance.....	(\$137,830,000)
DWC 1112 Overcollection.....	\$24,940,394
SIP 1112 Overcollection.....	\$785,955
	<u>\$190,901,808</u>

(1.2) Uninsured Employers Benefits Trust Fund Assessment (Labor Code § 62.5)..... **\$47,281,730**

Total Assessment Required.....	\$57,271,700
Fund Balance.....	(\$11,862,000)
DWC 1112 Overcollection.....	\$1,762,386
SIP 1112 Overcollection.....	\$109,644
	<u>\$47,281,730</u>

(1.3) Subsequent Injuries Benefits Trust Fund Assessment (Labor Code § 62.5)..... **\$24,218,469**

Total Assessment Required.....	\$34,835,210
Fund Balance.....	(\$11,532,000)
DWC 1112 Overcollection.....	\$803,706
SIP 1112 Overcollection.....	\$111,553
	<u>\$24,218,469</u>

(1.4) Occupational Safety and Health Fund Assessment (Labor Code § 62.5)..... **\$38,666,738**

Total Assessment Required.....	\$59,426,768
Fund Balance.....	(\$24,012,000)
DWC 1112 Overcollection.....	\$3,032,264
SIP 1112 Overcollection.....	\$219,706
	<u>\$38,666,738</u>

(1.5) Labor Enforcement and Compliance Fund Assessment (Labor Code § 62.5)..... **\$38,048,922**

Total Assessment Required.....	\$57,507,886
Fund Balance.....	(\$20,874,000)
DWC 1112 Overcollection.....	\$1,210,784
SIP 1112 Overcollection.....	\$204,252
	<u>\$38,048,922</u>

California Department of Industrial Relations
2012-2013 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

(1.6) Workers' Compensation Fraud Account Assessment (Labor Code § 62.6).....	\$52,276,943
<i>The workers' compensation fraud account assessment is established by the Department of Insurance, Fraud Commission.</i>	
Total Assessment Required.....	\$53,445,000
Fund Balance.....	(\$6,929,188)
DWC 1112 Overcollection.....	\$5,317,644
SIP 1112 Overcollection.....	\$443,487
	<u>\$52,276,943</u>

Step 2: Determine Payroll Amounts

(2.1) Total payroll for insured employers.....	<u>\$446,021,102,000</u>
<i>Source: California Workers' Compensation Insurance Rating Bureau (WCIRB) policy year 2009</i>	

(2.2) Payroll for self-insured employers	\$177,576,334,543¹
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(2.2.1) 2011-12 Fiscal Year for Public Sector*.....	\$96,606,240,231
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(2.2.2) 2011 for Private Sector.....	\$80,970,094,312
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* **Source:** Department of Industrial Relations, Office of Self-Insurance Plans (excludes State of California)

(2.3) Payroll for State of California (including SCIF)**.....	<u>\$14,851,985,168</u>
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** **Source:** (Department of Personnel Administration, Fiscal Year 2010-11)

(2.4) Total payroll for self-insured employers.....	<u>\$192,428,319,711²</u>
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(2.5) Total combined payroll.....	<u>\$638,449,421,711³</u>
<i>(Insured and self-insured employers)</i>	

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

(3.1) Insured Employers:

$$\frac{\text{Insured Employer Payroll}}{\text{Total Combined Payroll}} = \frac{\text{Methodology Section (2.1)}}{\text{Methodology Section (2.5)}} = \frac{\$446,021,102,000}{\$638,449,421,711} = \underline{\underline{69.86\%}}$$

(3.2) Self-Insured Employers:

$$\frac{\text{Self-Insured Employer Payroll}}{\text{Total Combined Payroll}} = \frac{\text{Methodology Section (2.4)}}{\text{Methodology Section (2.5)}} = \frac{\$192,428,319,711}{\$638,449,421,711} = \underline{\underline{30.14\%}}$$

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)

California Department of Industrial Relations
2012-2013 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

Step 4: Determine the Total Assessments for Insured and Self-Insured Employers

Workers' Compensation Administration Revolving Fund Assessment

Calculation for Insured Employers:

▶ (WCARF Assessment) X 69.86% = \$190,901,808 X 69.86%	\$133,364,003
▶ INCREASED by credits due individual insurers which undercollected against previous advances [CCR § 15609].....	\$47,801,780
▶ DECREASED by insurer overcollection 1112 [pursuant to CCR § 15606(f)].....	(\$24,940,394)
(4.1) Resulting Final Insured Employers Workers' Compensation User Funding Assessment.....	<u>\$156,225,389</u>

Calculation for Self-Insured Employers:

▶ (WCARF Assessment) X 30.14% = \$190,901,808 X 30.14%	\$57,537,805
▶ DECREASED by the Self-Insurer overcollection from prior year.....	(\$785,955)
(4.2) Resulting Final Self-Insured Employers Workers' Compensation User Funding Assessment.....	<u>\$56,751,851</u>

Uninsured Employers Benefits Trust (UEBT) Fund Assessment

Calculation for Insured Employers:

▶ (UEBTF Assessment) X 69.86% = \$47,281,730 X 69.86%	\$33,031,017
▶ INCREASED by credits due individual insurers which undercollected against previous advances [CCR § 15609].....	\$7,602,598
▶ DECREASED by the Insurer overcollection for 1112 [pursuant to CCR § 15606(f)].....	(\$1,762,386)
(4.3) Resulting Final Insured Employers UEBT Fund Assessment.....	<u>\$38,871,229</u>

Calculation for Self-Insured Employers:

▶ (UEBTF Assessment) X 30.14% = \$47,281,730 X 30.14%	\$14,250,713
▶ DECREASED by the Self-Insurer overcollection from prior year.....	(\$109,644)
(4.4) Resulting Final Self-Insured Employers UEBT Fund Assessment.....	<u>\$14,141,069</u>

Subsequent Injuries Benefits Trust (SIBT) Fund Assessment

Calculation for Insured Employers:

▶ (SIBTF Assessment) X 69.86% = \$24,218,469 X 69.86%	\$16,919,022
▶ INCREASED by credits due individual insurers which undercollected against previous advances [CCR § 15609].....	\$3,349,381
▶ DECREASED by insurer overcollection 1112 [pursuant to CCR § 15606(f)].....	(\$803,706)
(4.5) Resulting Final Insured Employers SIBT Fund Assessment.....	<u>\$19,464,697</u>

Calculation for Self- Insured Employers:

▶ (SIBTF Assessment) X 30.14% = \$24,218,469 X 30.14%	\$7,299,447
▶ DECREASED by the Self-Insurer overcollection from prior year.....	(\$111,553)
(4.6) Resulting Final Self-Insured Employers SIBT Fund Assessment.....	<u>\$7,187,894</u>

**California Department of Industrial Relations
 2012-2013 Workers' Compensation Administration Revolving Fund Assessment,
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 Labor Enforcement and Compliance Fund Assessment and
 Workers' Compensation Fraud Account Assessment**

Occupational Safety and Health Fund (OSHF) Assessment

Calculation for Insured Employers:

▶ (OSHF Assessment) X 69.86% = \$38,666,738 X 69.86%	\$27,012,583
▶ INCREASED by credits due individual insurers which undercollected against previous advances [CCR § 15609].....	\$8,609,946
▶ DECREASED by insurer overcollection 1112 [pursuant to CCR § 15606(f)].....	(\$3,032,264)
(4.7) Resulting Final Insured Employers OSH Fund Assessment.....	<u>\$32,590,265</u>

Calculation for Self- Insured Employers:

▶ (OSHF Assessment) X 30.14% = \$38,666,738 X 30.14%	\$11,654,155
▶ DECREASED by the Self-Insurer overcollection from prior year.....	(\$219,706)
(4.8) Resulting Final Self-Insured Employers OSH Fund Assessment.....	<u>\$11,434,449</u>

Labor Enforcement and Compliance Fund (LECF) Assessment

Calculation for Insured Employers:

▶ (LECF Assessment) X 69.86% = \$38,048,922 X 69.86%	\$26,580,977
▶ INCREASED by credits due individual insurers which undercollected against previous advances [CCR § 15609].....	\$5,949,431
▶ DECREASED by insurer overcollection 1112 [pursuant to CCR § 15606(f)].....	(\$1,210,784)
(4.9) Resulting Final Insured Employers LEC Fund Assessment.....	<u>\$31,319,624</u>

Calculation for Self- Insured Employers:

▶ (LECF Assessment) X 30.14% = \$38,048,922 X 30.14%	\$11,467,945
▶ DECREASED by the Self-Insurer overcollection from prior year.....	(\$204,252)
(4.10) Resulting Final Self-Insured Employers LEC Fund Assessment.....	<u>\$11,263,693</u>

Workers' Compensation Fraud Account Assessment

Calculation for Insured Employers:

▶ (Fraud Assessment) X 69.86% = \$52,276,943 X 69.86%	\$36,520,672
▶ INCREASED by credits due individual insurers which undercollected against previous advances [pursuant to CCR § 15609].....	\$13,038,737
▶ DECREASED by insurer overcollection 1112 [pursuant to CCR § 15606(f)].....	(\$5,317,644)
(4.11) Resulting Final Insured Employers Workers' Compensation Fraud Account Assessment..	<u>\$44,241,765</u>

Calculation for Self- Insured Employers:

▶ (Fraud Assessment) X 30.14% = \$52,276,943 X 30.14%	\$15,756,271
▶ DECREASED by the Self-Insurer overcollection from prior year.....	(\$443,487)
(4.12) Resulting Final Self-Insured Employers Workers' Compensation Fraud Account Assessment.....	<u>\$15,312,784</u>

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Step 5: Calculate the Assessment Factors

Workers' Compensation Administration Revolving Fund Assessment Factor

(5.1) Calculation for Insured Employers:
Total Insured Employers Assessment = \$156,225,389 = 0.013704
 Total Direct Workers' Compensation* = \$11,400,000,000
**Estimated Premium (Source: WCIRB estimate for 2011 Policy Year)*

(5.2) Calculation for Self-Insured Employers:
Total Self-Insured Employer Assessment = \$56,751,851 = 0.034375
 Total Amt. of Workers' Comp. Indemnity Pd** = \$1,650,947,306

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

(5.2.1)	2011-12 Public Sector.....	\$946,937,585
(5.2.2)	2011 Private Sector.....	\$550,233,459
(5.2.3)	2010-11 State of California***	\$153,776,262

*****SOURCE:** Department of Personnel Administration

Uninsured Employers Benefits Trust (UEBT) Fund Assessment Factor

(5.3) Calculation for Insured Employers:
Total Insured Employers Assessment = \$38,871,229 = 0.003410
 Total Direct Workers' Compensation* = \$11,400,000,000
**Estimated Premium (Source: WCIRB estimate for 2011 Policy Year)*

(5.4) Calculation for Self-Insured Employers:
Total Self-Insured Employer Assessment = \$14,141,069 = 0.008565
 Total Amt. of Workers' Comp. Indemnity Pd ** = \$1,650,947,306

****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

(5.5) Calculation for Insured Employers:
Total Insured Employers Assessment = \$19,464,697 = 0.001707
 Total Direct Workers' Compensation* = \$11,400,000,000
**Estimated Premium (Source: WCIRB estimate for 2011 Policy Year)*

(5.6) Calculation for Self-Insured Employers:
Total Self-Insured Employer Assessment = \$7,187,894 = 0.004354
 Total Amt. of Workers' Comp. Indemnity Pd.** = \$1,650,947,306

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

Occupational Safety and Health Fund (OSHF) Assessment Factor

(5.7) Calculation for Insured Employers:
Total Insured Employers Assessment = \$32,590,265 = 0.002859
 Total Direct Workers' Compensation* = \$11,400,000,000
**Estimated Premium (Source: WCIRB estimate for 2011 Policy Year)*

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(5.8) Calculation for Self-Insured Employers:

$$\begin{array}{rcl} \text{Total Self-Insured Employer Assessment} & = & \underline{\$11,434,449} \\ \text{Total Amt. of Workers' Comp. Indemnity Pd.**} & & \$1,650,947,306 \end{array} = \underline{\underline{0.006926}}$$

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

Labor Enforcement and Compliance Fund (LECF) Assessment Factor

(5.9) Calculation for Insured Employers:

$$\begin{array}{rcl} \text{Total Insured Employers Assessment} & = & \underline{\$31,319,624} \\ \text{Total Direct Workers' Compensation*} & & \$11,400,000,000 \end{array} = \underline{\underline{0.002747}}$$

*Estimated Premium (**Source**: WCIRB estimate for 2011 Policy Year)

(5.10) Calculation for Self-Insured Employers:

$$\begin{array}{rcl} \text{Total Self-Insured Employer Assessment} & = & \underline{\$11,263,693} \\ \text{Total Amt. of Workers' Comp. Indemnity Pd.**} & & \$1,650,947,306 \end{array} = \underline{\underline{0.006823}}$$

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

Workers' Compensation Fraud Account Assessment Factor

(5.11) Calculation for Insured Employers:

$$\begin{array}{rcl} \text{Total Insured Employer Surcharge} & = & \underline{\$44,241,765} \\ \text{Total Direct Workers' Compensation*} & & \$11,400,000,000 \end{array} = \underline{\underline{0.003881}}$$

*Estimated Premium (**Source**: WCIRB estimate for 2011 Policy Year)

(5.12) Calculation for Self-Insured Employers:

$$\begin{array}{rcl} \text{Total Self-Insured Employer Surcharge} & = & \underline{\$15,312,784} \\ \text{Total Amt. of Workers' Comp. Indemnity Pd.**} & & \$1,650,947,306 \end{array} = \underline{\underline{0.009275}}$$

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

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

(6.1) Individual Insured Employers:

Assessment Factor [0.013704] X Employer's Expected Assessable Premium*

(6.2) Calculation for Individual Self-Insured Employers:

Assessment Factor [0.034375] X Total Indemnity Paid by the Employer

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

(7.1) Individual Insured Employers:

Assessment Factor [0.003410] X Employer's Expected Assessable Premium*

(7.2) Calculation for Individual Self-Insured Employers:

Assessment Factor [0.008565] X Total Indemnity Paid by the Employer

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**Step 8: Determine Individual Employers Subsequent Injuries Benefit Trust
(SIBT) Fund Assessment**

(8.1) Individual Insured Employers:

Assessment Factor [0.001707] X Employer's Expected Assessable Premium*

(8.2) Calculation for Individual Self-Insured Employers:

Assessment Factor [0.004354] 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 [0.002859] X Employer's Expected Assessable Premium*

(9.2) Calculation for Individual Self-Insured Employers:

Assessment Factor [0.006926] 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 [0.002747] X Employer's Expected Assessable Premium*

(10.2) Calculation for Individual Self-Insured Employers:

Assessment Factor [0.006823] 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 [0.003881] X Employer's Expected Assessable Premium*

(11.2) Calculation for Individual Self-Insured Employers:

Assessment Factor [0.009275] 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, retrospective rating, etc.) except for adjustments resulting from the application of deductible plans or the return policyholder dividends.