DATE: November 30, 2012

TO: California Self-Insured Employer

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.

<table>
<thead>
<tr>
<th>Authority</th>
<th>Type</th>
<th>Total Assessment for all Payers</th>
<th>2013 Self-Insured Employer Assessment Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor Code § 62.5</td>
<td>Workers’ Compensation Administration Revolving Fund Assessment (WCARF)</td>
<td>$303,005,459</td>
<td>0.034375</td>
</tr>
<tr>
<td>Labor Code § 62.5</td>
<td>Uninsured Employers Benefits Trust Fund Assessment (UEBTF)</td>
<td>$57,271,700</td>
<td>0.008565</td>
</tr>
<tr>
<td>Labor Code § 62.5</td>
<td>Subsequent Injuries Benefits Trust Fund Assessment (SIBTF)</td>
<td>$34,835,210</td>
<td>0.004354</td>
</tr>
<tr>
<td>Labor Code § 62.5</td>
<td>Occupational Safety and Health Fund Assessment (OSHF)</td>
<td>$59,426,768</td>
<td>0.006926</td>
</tr>
<tr>
<td>Labor Code § 62.5</td>
<td>Labor Enforcement and Compliance Fund Assessment (LECF)</td>
<td>$57,507,886</td>
<td>0.006823</td>
</tr>
<tr>
<td>Labor Code § 62.6</td>
<td>Workers’ Compensation Fraud Account Assessment (FRAUD)</td>
<td>$53,445,000</td>
<td>0.009275</td>
</tr>
</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, 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
DATE: November 30, 2012

TO: California Legally Uninsured Employer

FROM: Christine Baker, Director, Department of Industrial Relations

SUBJECT: Fiscal Year 2012/2013 Assessments:

- Workers’ Compensation Administration Revolving Fund (WCARF)
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</tr>
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Enclosure
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

<table>
<thead>
<tr>
<th>Assessment</th>
<th>2012-2013 Required</th>
<th>Fund Balance</th>
<th>DWC 1112 Overcollection</th>
<th>SIP 1112 Overcollection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers' Compensation Administration Revolving Fund Assessment</td>
<td>$190,901,808</td>
<td>($137,830,000)</td>
<td>$24,940,394</td>
<td>$785,955</td>
</tr>
<tr>
<td>Uninsured Employers Benefits Trust Fund Assessment</td>
<td>$47,281,730</td>
<td>($11,862,000)</td>
<td>$1,762,386</td>
<td>$109,644</td>
</tr>
<tr>
<td>Subsequent Injuries Benefits Trust Fund Assessment</td>
<td>$24,218,469</td>
<td>($11,532,000)</td>
<td>$803,706</td>
<td>$111,553</td>
</tr>
<tr>
<td>Occupational Safety and Health Fund Assessment</td>
<td>$38,666,738</td>
<td>($24,012,000)</td>
<td>$3,032,264</td>
<td>$219,706</td>
</tr>
<tr>
<td>Labor Enforcement and Compliance Fund Assessment</td>
<td>$38,048,922</td>
<td>($20,874,000)</td>
<td>$1,210,784</td>
<td>$204,252</td>
</tr>
</tbody>
</table>
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

The workers' compensation fraud account assessment is established by the Department of Insurance, Fraud Commission.

Total Assessment Required ........................................ $53,445,000
Fund Balance .......................................................... ($6,929,188)
DWC 1112 Overcollection ........................................... $5,317,644
SIP 1112 Overcollection .............................................. $443,487

Step 2: Determine Payroll Amounts

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

(2.2) Payroll for self-insured employers .................................................. $177,576,334,543

(2.2.1) 2011-12 Fiscal Year for Public Sector* ................................ $96,606,240,531
(2.2.2) 2011 for Private Sector .................................................. $80,970,094,312
Source: Department of Industrial Relations, Office of Self-Insurance Plans (excludes State of California)

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

(2.4) Total payroll for self-insured employers ........................................ $192,428,319,711

(2.5) Total combined payroll .................................................. $638,449,421,711
(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) = $446,021,102,000
Total Combined Payroll = Methodology Section (2.5) = $638,449,421,711

(3.2) Self-Insured Employers:
Self-Insured Employer Payroll = Methodology Section (2.4) = $192,428,319,711
Total Combined Payroll = Methodology Section (2.5) = $638,449,421,711

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

<table>
<thead>
<tr>
<th>Workers' Compensation Administration Revolving Fund Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calculation for Insured Employers:</td>
</tr>
<tr>
<td>(WCARF Assessment) X 69.86% = $190,901,808 X 69.86% = $133,364,003</td>
</tr>
<tr>
<td>INCREASED by credits due individual insurers which undercollected against previous advances [CCR § 15609] = $47,801,780</td>
</tr>
<tr>
<td>DECREASED by insurer overcollection pursuant to CCR § 15606(f) = ($24,940,394)</td>
</tr>
<tr>
<td>Resulting Final Insured Employers Workers' Compensation User Funding Assessment = $156,225,389</td>
</tr>
</tbody>
</table>

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) |
| Resulting Final Self-Insured Employers Workers' Compensation User Funding Assessment = $56,751,851 |

<table>
<thead>
<tr>
<th>Uninsured Employers Benefits Trust (UEBT) Fund Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calculation for Insured Employers:</td>
</tr>
<tr>
<td>(UEBTF Assessment) X 69.86% = $47,281,730 X 69.86% = $33,031,017</td>
</tr>
<tr>
<td>INCREASED by credits due individual insurers which undercollected against previous advances [CCR § 15609] = $7,602,598</td>
</tr>
<tr>
<td>DECREASED by the Insurer overcollection pursuant to CCR § 15606(f) = ($1,762,386)</td>
</tr>
<tr>
<td>Resulting Final Insured Employers UEBT Fund Assessment = $38,871,229</td>
</tr>
</tbody>
</table>

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) |
| Resulting Final Self-Insured Employers UEBT Fund Assessment = $14,141,069 |

<table>
<thead>
<tr>
<th>Subsequent Injuries Benefits Trust (SIBT) Fund Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calculation for Insured Employers:</td>
</tr>
<tr>
<td>(SIBTF Assessment) X 69.86% = $24,218,469 X 69.86% = $16,919,022</td>
</tr>
<tr>
<td>INCREASED by credits due individual insurers which undercollected against previous advances [CCR § 15609] = $3,349,381</td>
</tr>
<tr>
<td>DECREASED by insurer overcollection pursuant to CCR § 15606(f) = ($803,706)</td>
</tr>
<tr>
<td>Resulting Final Insured Employers SIBT Fund Assessment = $19,464,697</td>
</tr>
</tbody>
</table>

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) |
| Resulting Final Self-Insured Employers SIBT Fund Assessment = $7,187,894 |
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

Occupational Safety and Health Fund (OSHF) Assessment

Calculation for Insured Employers:
\[(OSHF \text{ Assessment}) \times 69.86\% = \$38,666,738 \times 69.86\% \quad \ldots \quad \$27,012,583\]
\[\text{INCREASED by credits due individual insurers which undercollected against previous}
\text{advances [ CCR § 15609]}\ldots \quad \$8,609,946\]
\[\text{DECREASED by insurer overcollection 1112 [pursuant to CCR § 15606(f)]} \ldots \quad (\$3,032,264)\]
\[\text{Resulting Final Insured Employers OSHF Fund Assessment} \ldots \quad \$32,590,265\]

Calculation for Self-Insured Employers:
\[(OSHF \text{ Assessment}) \times 30.14\% = \$38,666,738 \times 30.14\% \quad \ldots \quad \$11,654,155\]
\[\text{DECREASED by the Self-Insurer overcollection from prior year} \ldots \quad (\$219,706)\]
\[\text{Resulting Final Self-Insured Employers OSHF Fund Assessment} \ldots \quad \$11,434,449\]

Labor Enforcement and Compliance Fund (LECF) Assessment

Calculation for Insured Employers:
\[(LECF \text{ Assessment}) \times 69.86\% = \$38,048,922 \times 69.86\% \quad \ldots \quad \$26,580,977\]
\[\text{INCREASED by credits due individual insurers which undercollected against previous}
\text{advances [ CCR § 15609]}\ldots \quad \$5,949,431\]
\[\text{DECREASED by insurer overcollection 1112 [pursuant to CCR § 15606(f)]} \ldots \quad (\$1,210,784)\]
\[\text{Resulting Final Insured Employers LECF Fund Assessment} \ldots \quad \$31,319,624\]

Calculation for Self-Insured Employers:
\[(LECF \text{ Assessment}) \times 30.14\% = \$38,048,922 \times 30.14\% \quad \ldots \quad \$11,467,945\]
\[\text{DECREASED by the Self-Insurer overcollection from prior year} \ldots \quad (\$204,252)\]
\[\text{Resulting Final Self-Insured Employers LECF Fund Assessment} \ldots \quad \$11,263,693\]

Workers’ Compensation Fraud Account Assessment

Calculation for Insured Employers:
\[(\text{Fraud Assessment}) \times 69.86\% = \$52,276,943 \times 69.86\% \quad \ldots \quad \$36,520,672\]
\[\text{INCREASED by credits due individual insurers which undercollected against previous}
\text{advances [pursuant to CCR § 15609]}\ldots \quad \$13,038,737\]
\[\text{DECREASED by insurer overcollection 1112 [pursuant to CCR § 15606(f)]} \ldots \quad (\$5,317,644)\]
\[\text{Resulting Final Insured Employers Workers’ Compensation Fraud Account Assessment} \ldots \quad \$44,241,765\]

Calculation for Self-Insured Employers:
\[(\text{Fraud Assessment}) \times 30.14\% = \$52,276,943 \times 30.14\% \quad \ldots \quad \$15,756,271\]
\[\text{DECREASED by the Self-Insurer overcollection from prior year} \ldots \quad (\$443,487)\]
\[\text{Resulting Final Self-Insured Employers Workers’ Compensation Fraud Account Assessment} \ldots \quad \$15,312,784\]
Step 5: Calculate the Assessment Factors

### Workers’ Compensation Administration Revolving Fund Assessment Factor

**[5.1]** Calculation for Insured Employers:

<table>
<thead>
<tr>
<th>Total Insured Employers Assessment</th>
<th>Total Direct Workers’ Compensation*</th>
<th>Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>$156,225,389</td>
<td>$11,400,000,000</td>
<td>0.013704</td>
</tr>
</tbody>
</table>

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

**[5.2]** Calculation for Self-Insured Employers:

<table>
<thead>
<tr>
<th>Total Self-Insured Employer Assessment</th>
<th>Total Amt. of Workers’ Comp. Indemnity Pd**</th>
</tr>
</thead>
<tbody>
<tr>
<td>$56,751,851</td>
<td>$1,650,947,306</td>
</tr>
</tbody>
</table>

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

**[5.2.1]** 2011-12 Public Sector………………………………………… $964,937,585

**[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:

<table>
<thead>
<tr>
<th>Total Insured Employers Assessment</th>
<th>Total Direct Workers’ Compensation*</th>
</tr>
</thead>
<tbody>
<tr>
<td>$38,871,229</td>
<td>$11,400,000,000</td>
</tr>
</tbody>
</table>

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

**[5.4]** Calculation for Self-Insured Employers:

<table>
<thead>
<tr>
<th>Total Self-Insured Employer Assessment</th>
<th>Total Amt. of Workers’ Comp. Indemnity Pd**</th>
</tr>
</thead>
<tbody>
<tr>
<td>$14,141,069</td>
<td>$1,650,947,306</td>
</tr>
</tbody>
</table>

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

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

**[5.5]** Calculation for Insured Employers:

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<tr>
<th>Total Insured Employers Assessment</th>
<th>Total Direct Workers’ Compensation*</th>
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</thead>
<tbody>
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<td>$19,464,697</td>
<td>$11,400,000,000</td>
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*Estimated Premium (Source: WCIRB estimate for 2011 Policy Year)

**[5.6]** Calculation for Self-Insured Employers:

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<th>Total Self-Insured Employer Assessment</th>
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</thead>
<tbody>
<tr>
<td>$7,187,894</td>
<td>$1,650,947,306</td>
</tr>
</tbody>
</table>

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

### Occupational Safety and Health Fund (OSHF) Assessment Factor

**[5.7]** Calculation for Insured Employers:

<table>
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<tr>
<th>Total Insured Employers Assessment</th>
<th>Total Direct Workers’ Compensation*</th>
</tr>
</thead>
<tbody>
<tr>
<td>$32,590,265</td>
<td>$11,400,000,000</td>
</tr>
</tbody>
</table>

*Estimated Premium (Source: WCIRB estimate for 2011 Policy Year)
**Calculation for Self-Insured Employers:**

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

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

**Labor Enforcement and Compliance Fund (LECF) Assessment Factor**

\[
\begin{align*}
\text{Calculation for Insured Employers:} & \\
\text{Total Insured Employers Assessment} & = 31,319,624 \\
\text{Total Direct Workers' Compensation} & = 11,400,000,000 \\
\text{Assessment Factor} & = 0.002747
\end{align*}
\]

**Workers' Compensation Fraud Account Assessment Factor**

\[
\begin{align*}
\text{Calculation for Insured Employers:} & \\
\text{Total Insured Employer Surcharge} & = 44,241,765 \\
\text{Total Direct Workers' Compensation} & = 11,400,000,000 \\
\text{Assessment Factor} & = 0.003881
\end{align*}
\]

**Calculation for Self-Insured Employers:**

\[
\begin{align*}
\text{Total Self-Insured Employer Surcharge} & = 15,312,784 \\
\text{Total Amt. of Workers' Comp. Indemnity Pd.} & = 1,650,947,306 \\
\text{Assessment Factor} & = 0.009275
\end{align*}
\]

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

---

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

\[
\begin{align*}
\text{Assessment Factor} & [0.013704] \times \text{Employer's Expected Assessable Premium}^\text{*} \\
\text{Assessment Factor} & [0.034375] \times \text{Total Indemnity Paid by the Employer}
\end{align*}
\]

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

\[
\begin{align*}
\text{Assessment Factor} & [0.003410] \times \text{Employer's Expected Assessable Premium}^\text{*} \\
\text{Assessment Factor} & [0.008565] \times \text{Total Indemnity Paid by the Employer}
\end{align*}
\]
Step 8: Determine Individual Employers Subsequent Injuries Benefit Trust (SIBT) Fund Assessment

(8.1) Individual Insured Employers:
Assessment Factor \[0.001707\] \(\times\) Employer's Expected Assessable Premium*

(8.2) Calculation for Individual Self-Insured Employers:
Assessment Factor \[0.004354\] \(\times\) 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 \[0.002859\] \(\times\) Employer's Expected Assessable Premium*

(9.2) Calculation for Individual Self-Insured Employers:
Assessment Factor \[0.006926\] \(\times\) 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 \[0.002747\] \(\times\) Employer's Expected Assessable Premium*

(10.2) Calculation for Individual Self-Insured Employers:
Assessment Factor \[0.006823\] \(\times\) Total Indemnity Paid by the Employer

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

(11.1) Individual Insured Employers:
Assessment Factor \[0.003881\] \(\times\) Employer's Expected Assessable Premium*

(11.2) Calculation for Individual Self-Insured Employers:
Assessment Factor \[0.009275\] \(\times\) 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.