DATE:        December 1, 2011

TO:          California Self-Insured Employer

FROM:        Christine Baker, Acting Director, Department of Industrial Relations

SUBJECT:     Fiscal Year 2011/2012 Assessments:

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>2012 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>$251,203,653</td>
<td>0.023739</td>
</tr>
<tr>
<td>Labor Code § 62.5</td>
<td>Uninsured Employers Benefits Trust Fund Assessment (UEBTF)</td>
<td>$42,379,420</td>
<td>0.003293</td>
</tr>
<tr>
<td>Labor Code § 62.5</td>
<td>Subsequent Injuries Benefits Trust Fund Assessment (SIBTF)</td>
<td>$28,325,000</td>
<td>0.003379</td>
</tr>
<tr>
<td>Labor Code § 62.5</td>
<td>Occupational Safety and Health Fund Assessment (OSHF)</td>
<td>$60,293,400</td>
<td>0.006643</td>
</tr>
<tr>
<td>Labor Code § 62.5</td>
<td>Labor Enforcement and Compliance Fund Assessment (LECF)</td>
<td>$56,552,809</td>
<td>0.007212</td>
</tr>
<tr>
<td>Labor Code § 62.6</td>
<td>Workers’ Compensation Fraud Account Assessment (FRAUD)</td>
<td>$53,445,000</td>
<td>0.008003</td>
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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 Self-Insurance Plans office in Sacramento at (916)574-0300.

Enclosure
DATE: December 1, 2011

TO: California Legally Uninsured Employer

FROM: Christine Baker, Acting Director, Department of Industrial Relations

SUBJECT: Fiscal Year 2011/2012 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.

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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
Step 1: Determine Total Assessments Required for 2011-2012

- Total Assessment Required: $251,203,653
- Fund Balance: ($162,469,000)
- DWC 1011 Overcollection: $30,795,281
- SIP 1011 Undercollection: ($1,173,921)
- Total: $118,356,013

[1.2] Uninsured Employers Benefits Trust Fund Assessment (Labor Code § 62.5)... $15,348,422
- Total Assessment Required: $42,379,420
- Fund Balance: ($31,271,691)
- DWC 1011 Overcollection: $4,717,725
- SIP 1011 Undercollection: ($1,731,429)
- Total: $15,348,422

[1.3] Subsequent Injuries Benefits Trust Fund Assessment (Labor Code § 62.5)... $16,762,104
- Total Assessment Required: $28,325,000
- Fund Balance: ($13,102,000)
- DWC 1011 Overcollection: $1,731,429
- SIP 1011 Undercollection: ($102,325)
- Total: $16,762,104

[1.4] Occupational Safety and Health Fund Assessment (Labor Code § 62.5)... $32,893,469
- Total Assessment Required: $60,293,400
- Fund Balance: ($29,346,000)
- DWC 1011 Overcollection: $2,341,521
- SIP 1011 Undercollection: ($395,452)
- Total: $32,893,469

[1.5] Labor Enforcement and Compliance Fund Assessment (Labor Code § 62.5)... $35,789,975
- Total Assessment Required: $56,552,809
- Fund Balance: ($19,917,000)
- DWC 1011 Undercollection: ($439,813)
- SIP 1011 Undercollection: ($406,021)
- Total: $35,789,975

California Department of Industrial Relations


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 2: Determine Payroll Amounts

[2.1] Total payroll for insured employers .......................................................... $459,402,875,000
Source: California Workers’ Compensation Insurance Rating Bureau (WCIRB) policy year 2008

[2.2] Payroll for self-insured employers .............................................................. $176,568,217,840 1

[2.2.1] 2009-10 Fiscal Year for Public Sector* ........................................ $96,881,459,612
[2.2.2] 2010 for Private Sector ........................................................................... $79,686,758,228
* Source: Department of Industrial Relations, Office of Self-Insurance Plans (excludes State of California)

[2.3] Payroll for State of California (including SCIF)* ....................................... $14,885,918,330
* Source: Department of Personnel Administration, Fiscal Year 2010-11


[2.5] Total combined payroll ................................................................................ $650,857,011,170 3
(Insured and self-insured employers)

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

[3.1] Insured Employers:

\[
\text{Insured Employer Payroll} = \frac{\text{Methodology Section (2.1)}}{\text{Methodology Section (2.5)}} = \frac{459,402,875,000}{650,857,011,170} = 70.58\%
\]

[3.2] Self-Insured Employers:

\[
\text{Self-Insured Employer Payroll} = \frac{\text{Methodology Section (2.4)}}{\text{Methodology Section (2.5)}} = \frac{191,454,136,170}{650,857,011,170} = 29.42\%
\]
### Step 4: Determine the Total Assessments for Insured and Self-Insured Employers

#### Workers’ Compensation Administration Revolving Fund Assessment

**Calculation for Insured Employers:**
- \( \text{(WCARF Assessment)} \times 70.58\% = \text{\$118,356,013} \times 70.58\% \)
- INCREASED by credits due individual insurers which undercollected against previous advances [CCR § 15609].
- DECREASED by insurer overcollection 1011 [pursuant to CCR § 15606(f)].

\[ \text{(4.1) Resulting Final Insured Employers Workers’ Compensation User Funding Assessment} = \text{\$83,535,674} \]

**Calculation for Self-Insured Employers:**
- \( \text{(WCARF Assessment)} \times 29.42\% = \text{\$118,356,013} \times 29.42\% \)
- INCREASED by the Self-Insurer undercollection from prior year.

\[ \text{(4.2) Resulting Final Self-Insured Employers Workers’ Compensation User Funding Assessment} = \text{\$34,820,339} \]

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

**Calculation for Insured Employers:**
- \( \text{(UEBTF Assessment)} \times 70.58\% = \text{\$15,348,422} \times 70.58\% \)
- INCREASED by credits due individual insurers which undercollected against previous advances [CCR § 15609].
- DECREASED by the Insurer overcollection for 1011 [pursuant to CCR § 15606(f)].

\[ \text{(4.3) Resulting Final Insured Employers UEBT Fund Assessment} = \text{\$10,832,916} \]

**Calculation for Self-Insured Employers:**
- \( \text{(UEBTF Assessment)} \times 29.42\% = \text{\$15,348,422} \times 29.42\% \)

\[ \text{(4.4) Resulting Final Self-Insured Employers UEBT Fund Assessment} = \text{\$4,515,506} \]

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

**Calculation for Insured Employers:**
- \( \text{(SIBTF Assessment)} \times 70.58\% = \text{\$16,762,104} \times 70.58\% \)
- INCREASED by credits due individual insurers which undercollected against previous advances [CCR § 15609].
- DECREASED by insurer overcollection 1011 [pursuant to CCR § 15606(f)].

\[ \text{(4.5) Resulting Final Insured Employers SIBT Fund Assessment} = \text{\$11,830,693} \]

**Calculation for Self-Insured Employers:**
- \( \text{(SIBTF Assessment)} \times 29.42\% = \text{\$16,762,104} \times 29.42\% \)

\[ \text{(4.6) Resulting Final Self-Insured Employers SIBT Fund Assessment} = \text{\$4,931,411} \]
California Department of Industrial Relations

2011-2012 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:
1. OSHF Assessment \( \times 70.58\% \times 70.58\% \) \( = \) $32,893,469
2. INCREASED by credits due individual insurers which undercollected against previous advances [CCR § 15609] \( \) \( = \) $4,508,137
3. DECREASED by insurer overcollection 1011 [pursuant to CCR § 15606(f)] \( \) \( = \) ($2,341,521)
4. Resulting Final Insured Employers SIBT Fund Assessment \( \) \( = \) $25,382,862

Calculation for Self-Insured Employers:
1. OSHF Assessment \( \times 29.42\% \times 29.42\% \) \( = \) $32,893,469
2. INCREASED by the Self-Insurer undercollection from prior year \( \) \( = \) $395,452
3. Resulting Final Self-Insured Employers SIBT Fund Assessment \( \) \( = \) $10,072,711

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

Calculation for Insured Employers:
1. LECF Assessment \( \times 70.58\% \times 70.58\% \) \( = \) $35,789,975
2. No credits due individual insurers which undercollected against previous advances [CCR § 15609] \( \) \( = \) $0
3. INCREASED by the Insurer undercollection for 1011 [pursuant to CCR § 15606(f)] \( \) \( = \) $439,813
4. Resulting Final Insured Employers SIBT Fund Assessment \( \) \( = \) $25,700,377

Calculation for Self-Insured Employers:
1. LECF Assessment \( \times 29.42\% \times 29.42\% \) \( = \) $35,789,975
2. INCREASED by the Self-Insurer undercollection from prior year \( \) \( = \) $406,021
3. Resulting Final Self-Insured Employers SIBT Fund Assessment \( \) \( = \) $10,935,432

**Workers’ Compensation Fraud Account Assessment**

Calculation for Insured Employers:
1. Fraud Assessment \( \times 70.58\% \times 70.58\% \) \( = \) $40,170,860
2. INCREASED by credits due individual insurers which undercollected against previous advances [pursuant to CCR § 15609] \( \) \( = \) $8,991,733
3. DECREASED by insurer overcollection 1011 [pursuant to CCR § 15606(f)] \( \) \( = \) ($8,745,982)
4. Resulting Final Insured Employers Workers’ Compensation Fraud Account Assessment \( \) \( = \) $28,598,344

Calculation for Self-Insured Employers:
1. Fraud Assessment \( \times 29.42\% \times 29.42\% \) \( = \) $40,170,860
2. INCREASED by the Self-Insurer undercollection from prior year \( \) \( = \) $316,400
3. Resulting Final Self-Insured Employers Workers’ Compensation Fraud Account Assessment \( \) \( = \) $12,134,667
Step 5: Calculate the Assessment Factors

### Workers' Compensation Administration Revolving Fund Assessment Factor

<table>
<thead>
<tr>
<th>Calculation for Insured Employers:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Insured Employers Assessment</td>
<td>$104,427,089</td>
<td>$10,800,000,000</td>
<td>0.009669</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Calculation for Self-Insured Employers:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Self-Insured Employer Assessment</td>
<td>$35,994,260</td>
<td>$1,516,223,261</td>
<td>0.023739</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Calculation for Insured Employers:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Insured Employers Assessment</td>
<td>$14,710,796</td>
<td>$10,800,000,000</td>
<td>0.001362</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Calculation for Self-Insured Employers:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Self-Insured Employer Assessment</td>
<td>$4,997,538</td>
<td>$1,516,223,261</td>
<td>0.003293</td>
</tr>
</tbody>
</table>

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

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

<table>
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<th></th>
<th></th>
<th></th>
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<tr>
<td>Total Insured Employers Assessment</td>
<td>$13,552,046</td>
<td>$10,800,000,000</td>
<td>0.001255</td>
</tr>
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*Estimated Premium (Source: WCIRB estimate for 2011 Policy Year)

<table>
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<td>Total Self-Insured Employer Assessment</td>
<td>$5,123,736</td>
<td>$1,516,223,261</td>
<td>0.003379</td>
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</table>

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

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

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<tr>
<td>Total Insured Employers Assessment</td>
<td>$25,382,826</td>
<td>$10,800,000,000</td>
<td>0.002350</td>
</tr>
</tbody>
</table>

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

\[
\text{Total Self-Insured Employer Assessment} = 10,077,711 
\text{Total Amt. of Workers' Comp. Indemnity Pd.} = 1,516,223,261
\]

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

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

### Calculation for Insured Employers:

\[
\text{Total Insured Employers Assessment} = 25,700,377 
\text{Total Direct Workers' Compensation} = 10,800,000,000
\]

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

### Calculation for Self-Insured Employers:

\[
\text{Total Self-Insured Employer Assessment} = 10,935,432 
\text{Total Amt. of Workers' Comp. Indemnity Pd.} = 1,516,223,261
\]

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

**Workers' Compensation Fraud Account Assessment Factor**

### Calculation for Insured Employers:

\[
\text{Total Insured Employer Surcharge} = 29,596,344 
\text{Total Direct Workers' Compensation} = 10,800,000,000
\]

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

### Calculation for Self-Insured Employers:

\[
\text{Total Self-Insured Employer Surcharge} = 12,134,667 
\text{Total Amt. of Workers' Comp. Indemnity Pd.} = 1,516,223,261
\]

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

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

\[
\text{Assessment Factor} [0.009669] \times \text{Employer's Expected Assessable Premium*}
\]

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

\[
\text{Assessment Factor} [0.001362] \times \text{Employer's Expected Assessable Premium*}
\]

---

**Total Insured Employers Assessment**

\[25,700,377 \times 0.002380 = 60,982,376\]

**Total Direct Workers' Compensation**

\[10,800,000,000 \times 0.0002648 = 28,596,344\]

**Total Direct Workers' Compensation**

\[10,800,000,000 \times 0.0007212 = 77,069,770\]

---

**Total Self-Insured Employer Surcharge**

\[12,134,667 \times 0.008003 = 97,082,460\]

**Total Indemnity Paid by the Employer**

\[1,516,223,261 \times 0.006643 = 9,970,633\]

---

**Total Amt. of Workers' Comp. Indemnity Pd.**

\[1,516,223,261 \times 0.007212 = 11,131,701\]

**Total Amt. of Workers' Comp. Indemnity Pd.**

\[1,516,223,261 \times 0.008003 = 12,134,667\]

---

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

\[
\text{Assessment Factor} [0.001362] \times \text{Total Indemnity Paid by the Employer}
\]

**Assessment Factor**

\[0.001362 \times 1,516,223,261 = 20,197,327\]

**Uninsured Employers Benefits Trust Fund Assessment**

\[20,197,327 \times 0.001362 = 27,269,337\]

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

\[
\text{Assessment Factor} [0.003293] \times \text{Total Indemnity Paid by the Employer}
\]

**Assessment Factor**

\[0.003293 \times 1,516,223,261 = 49,112,961\]

**Uninsured Employers Benefits Trust Fund Assessment**

\[49,112,961 \times 0.001362 = 6,623,197\]

---

**Total Amt. of Workers' Comp. Indemnity Pd.**

\[1,516,223,261 \times 0.008003 = 12,134,667\]

**Total Amt. of Workers' Comp. Indemnity Pd.**

\[1,516,223,261 \times 0.006643 = 9,970,633\]

---

**Total Insured Employers Assessment**

\[25,700,377 \times 0.002380 = 60,982,376\]

**Total Direct Workers' Compensation**

\[10,800,000,000 \times 0.0002648 = 28,596,344\]

**Total Direct Workers' Compensation**

\[10,800,000,000 \times 0.0007212 = 77,069,770\]

---

**Total Self-Insured Employer Surcharge**

\[12,134,667 \times 0.008003 = 97,082,460\]

**Total Indemnity Paid by the Employer**

\[1,516,223,261 \times 0.006643 = 9,970,633\]

**Total Amt. of Workers' Comp. Indemnity Pd.**

\[1,516,223,261 \times 0.007212 = 11,131,701\]

**Total Amt. of Workers' Comp. Indemnity Pd.**

\[1,516,223,261 \times 0.008003 = 12,134,667\]
Step 8: Determine Individual Employers Subsequent Injuries Benefit Trust (SIBT) Fund Assessment

(8.1) Individual Insured Employers:

Assessment Factor [ 0.001255 ] X Employer's Expected Assessable Premium*

(8.2) Calculation for Individual Self-Insured Employers:

Assessment Factor [ 0.003379 ] 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 [ 0.002350 ] X Employer's Expected Assessable Premium*

(9.2) Calculation for Individual Self-Insured Employers:

Assessment Factor [ 0.006643 ] 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 [ 0.002380 ] X Employer's Expected Assessable Premium*

(10.2) Calculation for Individual Self-Insured Employers:

Assessment Factor [ 0.007212 ] 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 [ 0.002648 ] X Employer's Expected Assessable Premium*

(11.2) Calculation for Individual Self-Insured Employers:

Assessment Factor [ 0.008003 ] 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.