

**ARTICLE 2.**  
**Determination of Assessments**  
**and/or Surcharge**

**§15601.7. Determination of Self Insured Employers Subject to the Targeted Inspection Assessment.**

On or before September 1 of each year, the Manager of Self-Insurance Plans shall identify for the Director each Private Self Insurer subject to the Targeted Inspection Assessment as determined below.

(a) The Targeted Inspection Assessment shall apply to each Self Insurer in each grouping set forth in subsection (b) that has a current 1-year average number of indemnity claims per 100 employees as calculated in subsection (e) below, that is equal to or in excess of 125 percent of the 3 year base figure determined for each grouping in subsection (d) of this section.

(b) The Manager shall categorize all private self insurers into groups for the purpose of calculating the Targeted Inspection Assessment. All private self insurers shall be categorized into groups by the first two digits of their ~~Standard Industrial Classification Code (SIC Code)~~ North American Industry Classification System Code (NAICS Code) as reported on Page 1 of the Self Insurer's Annual Report for the reporting period immediately prior to the current budget year. For purposes of such categorization, each private group self insurer shall be considered as a single entity. The Manager may correct the ~~SIC~~ NAICS Code reported for cause or where the Manager believes an error was made by the self insurer in designating their ~~SIC~~ NAICS Code on the Annual Report. The Manager may also substitute the proper NAICS Code for the Standard Industrial Classification Code (SIC Code) if the SIC Code was reported rather than the NAICS Code.

(c) For each ~~SIC~~ NAICS Code grouping set forth in subsection (a), the Manager shall calculate the historical average number of indemnity claims per 100 employees from the Consolidated Liabilities page of the full year Self Insurer's Annual Reports submitted by the members in each ~~SIC~~ NAICS Code group for the 3 year reporting period immediately prior to the current 1-year period used to calculate the individual self insurer's indemnity claims per 100 employees.

(d) The Manager shall calculate a figure that will be 125 percent of each ~~SIC~~ NAICS Code grouping's 3 year historical average number of indemnity claims per 100 employees.

(e) For each private self insurer, the Manager shall calculate an individual 1-year number of indemnity claims per 100 employees, using information reported by each self insurer on its last full year Self Insurer's Annual Report submitted for the reporting period immediately prior to the current budget year. In this calculation, the manager shall divide the total number of indemnity claims reported in the most recent claim year by the total number of California employees reported, with the result multiplied by 100. Any self insurer with less than 100 total employees shall be considered to have 100 employees for purposes of this calculation.

NOTE: Authority cited: Sections 54, 55, 62.7 and 62.9, Labor Code. Reference: Section 62.7 and 62.9, Labor Code.